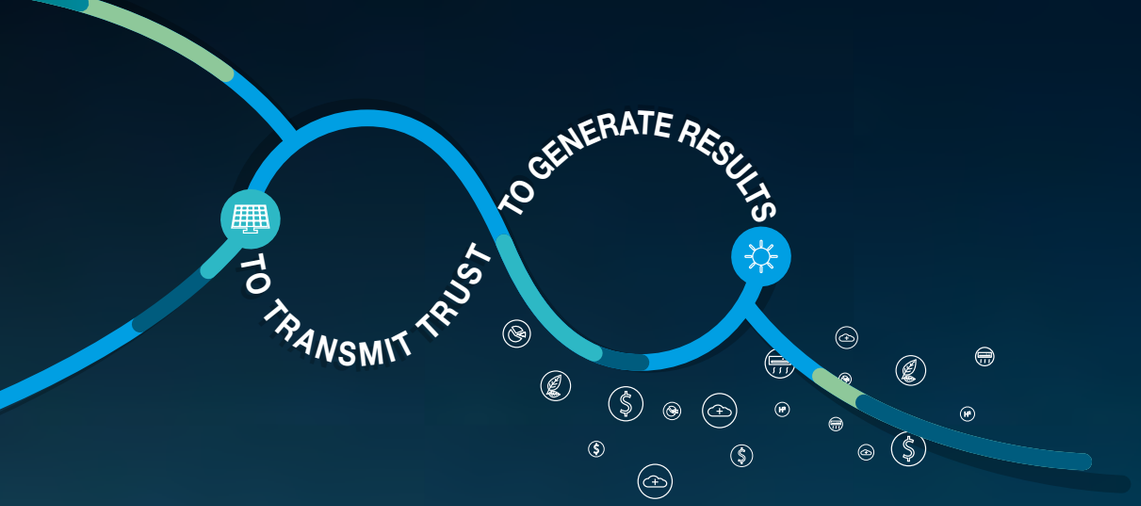
MENU

SUSTAINABILITY REPORT 2017

ENGIE BRASIL ENERGIA

TO TRANSMIT TRUST

TO GENERATE RESULTS



To Transmit Trust, To Generate Results

Since we updated our brand name and in parallel, the vision of the business “to transform people’s relationship with energy aiming at a sustainable world”, there has been an awareness that to participate in such a major transformation of society would only be possible based on credibility and soundness which have always been hallmarks of ENGIE Brasil Energia. Built up over the course of two decades, the relationship, which has been established with our stakeholders, rests on the foundations of mutual respect, dialog and transparency. And, on the delivery of consistent results. Combining trust and results, the Company reinforces this new and challenging commitment: to pursue the goal of a cleaner planet with more accessible energy for all. Together with all those that share this dream, we stand ready for this journey.

In 2017, we have expanded our business model beyond the generation and commercialization of energy. We have made our debut in the transmission segment, an activity key to the intelligent network scenario which is now materializing as the future of energy. This Sustainability Report is fruit of this important step on the part of the Company, such that transmission and generation can now work hand-in-hand on an integrated basis, creating and sharing results. And there were several in 2017, as you will discover in the next pages. Good reading!

01





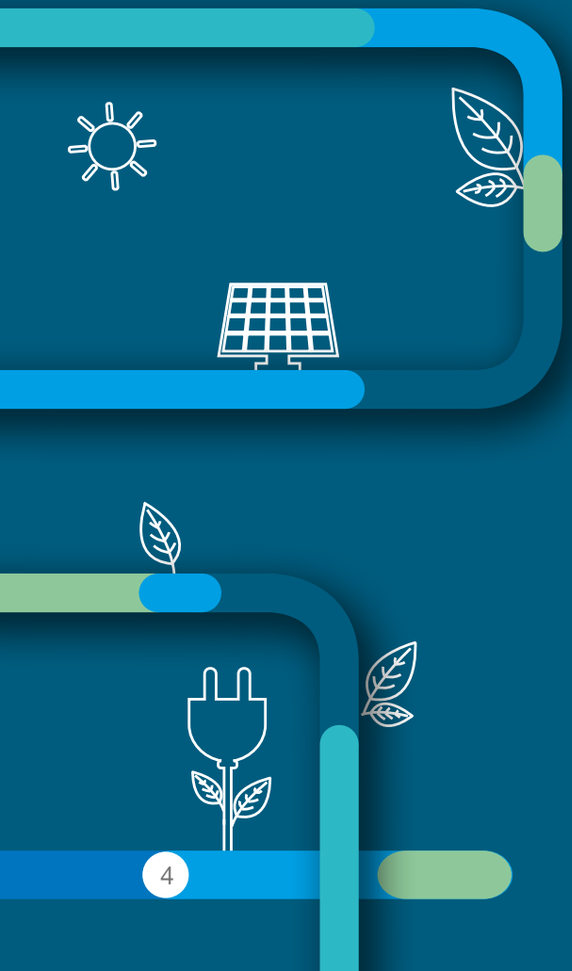
INTRODUCTION

With an eye on the future, ENGIE Energia Brasil is focused on creating value in the present but also preparing for the transfomrations and opportunities arising from the energy transition.

Message from the Management

GRI 102-14

Throughout its history, the capacity of ENGIE Brasil Energia to deliver effective results despite adverse scenarios has been one of the Company's principal virtues.



And 2017 was no different. The results of tireless team work, we have been able to report one more successful year in the execution of our strategy. The tangible consequence is that in the period, the Company recorded Ebitda of R$ 3,519.5 million and a net income of R$ 2,004.6 million, corresponding to increases of 10.8% and 29.5%, respectively, compared with 2016. Progress in results is due largely to the mitigation of the negative impact of the hydroelectric generation deficit (GSF) thanks to proactive portfolio management. The decrease in royalty costs due to reduced hydroelectric generation, the increase in energy sales volume together with the divestment of the Beberibe, Pedra do Sal and Areia Branca plants and improved net financial results, among other factors - all of which will be discussed in this report.

With an eye on the future, ENGIE Brasil Energia is focused on creating value in the present but also preparing for the transformations and opportunities arising from the energy transition as translated and encapsulated in our strategy based on the three pillars of decarbonization, decentralization and digitization. In this way, the Company was able to make further strides towards expanding its renewables matrix, the highlight of the year being the acquisition of two new concessions – the Jaguara and Miranda hydroelectric plants - which together have added 832 MW of installed capacity to our generator complex. Still with the focus on renewable energy, the Company acquired the Umburanas Wind Complex project in the state of Bahia, representing a further 605 MW to be harnessed. Thanks to its location adjacent to the Campo Largo Wind Complex, also pertaining to ENGIE Brasil Energia, the wind farms of the new project will enjoy significant optimization of resources as well as synergies.

Just as in the case of the acquisitions, in 2017 we were also able to commemorate the opening of the Santa Mônica Wind Complex (97.2 MW) and the startup in operations of the Assú V Photovoltaic Plant (30.0 MW) as well as progress made in work on the Pampa Sul Thermal Plant (345 MW) and Phase I of the Campo Largo Wind Complex (326.7 MW). In parallel, ENGIE Brasil Participações (the Company's controlling shareholder) saw the initial steps taken towards the transfer of its stake in the Jirau Hydroelectric Power Plant to ENGIE Brasil Energia, a process which we expect to accelerate in 2018 with the involvement of the Special Independent Committee for Transactions with Related Parties.

In alignment with the strategic guidelines of its Controlling Company, EBE took some important initiatives towards decarbonization. For instance, we continued our soundings in the market for identifying potential buyers for the Jorge Lacerda Thermoelectric Complex and the Pampa Sul Thermoelectric Power Plant. Cognizant of ENGIE Brasil Energia's commitment to transparency, we shall keep all interested parties informed as the process evolves.

The Company continued to grow its operations in the distributed generation segment anchored to the idea of greater proximity to the client and based on another of the three pillars, that of decentralization. In 2017, ENGIE Geração Solar Distribuída installed 1,493 systems in 14 states of the Federation with a total 7,714 kWp. Another highlight of the year was the expansion in the client portfolio for the second consecutive year: at the end of 2017, there were 280 clients, an increase of 22.8% compared to 2016,

when significant growth had already been recorded. Combining decentralization with digitization, we began the operations of the energy retailer allowing us to increase our commercial reach and efficiency and become more competitive in the small client segment. In the light of the expected increase in the customer base, we are implementing a digital platform dedicated to the management and standardization of contracts and the necessary procedures for gains in scale.

The commercial activities of ENGIE Brasil Energia mover the course of 2017 reinforced its capacity to create shareholder value. With the focus on diversification and on an equilibrium between short, medium and long terms, the proactive management of the portfolio was instrumental in reducing the impact of one of the lowest GSFs on record.

Such commercial strategy is based on an operational soundness built up by the Company over the years. Considering 2017 as a whole, we achieved the landmark figure of 36,335 GWh generated (4,148 aMW) with an uptime rate of 95.2%, excluding scheduled stoppages. To ensure the efficiency of operations, we conduct a rigorous plan of maintenance and improvements to the generator complex. At the same time, we have proceeded apace with the integration of plants at the Generation Operations Center (COG) situated at our head offices in Florianópolis (SC) from where a further four generating units began operating on a remote basis during the year in addition to the three already being operated in this way – totaling seven, in so doing reinforcing the importance of another strategic pillar, that of digitization.

An ongoing quest for efficiency is conducted hand in hand with respect for the Company's socio-environmental commitments. Our teams remain dedicated to the systematic monitoring of the local environmental conditions, complementary to several voluntary initiatives together with partner organizations with a focus on the conservation of natural resources. The partnerships also reflect ENGIE Brasil Energia's relationship with the communities in which it operates. In this context, the Sustainability and Cultural Centers – already installed in five towns – have become essential tools for an increasingly more effective contribution to economic and social development. A sixth Center is ready for inauguration in Minaçu (GO) and a further three projects have been approved by the Ministry of Culture for installation over the next years.

With these communities as well as society as a whole, we share the hope for a more sustainable world in all spheres of activity. It is this aspiration which drives ENGIE Brasil Energia to innovate and transform the uncertainties inherent in the Brazilian context together with the energy transition into opportunities. Evidence of this was the Company's debut in the transmission segment with a successful bid for one of the lots at the National Electric Energy Agency's (Aneel) Transmission Auction 2/2017. Located in the state of Paraná, the transmission lines total 1,050 kilometers in length and connect to five substations. This will ensure that the National Interconnected System operates in a more secure and efficient manner.

In addition to the goal of enhanced synergies in the Company's operations, this achievement is conducive to the diversification of risk as well as offering new possibilities for growth and the creation of stakeholder value. Conversely, the new operation presents fresh challenges, inherent to insertion in another segment of the sector. We are in no doubt as to ENGIE Brasil Energia's capacity to overcome these and other challenges that will arise. The Company's 2017 performance detailed in this Report, is indicative of this. With our thanks going to all the people and organizations that share our objectives, especially shareholders, employees and partners, we continue working to transmit trust and to generate results.

The commercial activities of ENGIE Brasil Energia over the course of 2017 reinforced its capacity to create shareholder value.



Maurício Stolle Bähr
Chairman of the Board of Directors



Eduardo Antonio Gori Sattamini
Chief Executive Officer

HIGHLIGHTS 2017

5 P.P. INCREASE IN THE CONTRACTING OF ENERGY FOR **FREE CLIENTS**

8.3% (-402 THOUSAND tCO_2e) **REDUCTION** IN TOTAL EMISSIONS OF CO_2

COMPARED WITH 2015, THE REDUCTION IS STILL MORE SIGNIFICANT: (-1.7 MILLION tCO_2e) **27.8%**

9.5% **GROWTH IN** INSTALLED CAPACITY OF THE GENERATOR COMPLEX, TOTALING **9,588.8 MW**

R$ 7.0 BILLION IN NET OPERATING INCOME (+8.8%)

R$ 3.5 BILLION OF EBITDA (+10.8%)

R$ 2.0 BILLION OF NET INCOME (+29.5%)

R$ 5.5 BILLION IN INVESTMENTS (+365.5%)

R$ 3.0 MILLION INVESTED IN EMPLOYEE TRAINING

97.7% OF CLIENTS RATED THE COMPANY FAVORABLY IN SATISFACTION SURVEY.

86.7% OF ENERGY GENERATED FROM **RENEWABLE SOURCES**

92% OF THE EMPLOYEES WOULD RECOMMEND **ENGIE BRASIL ENERGIA** AS A GOOD PLACE TO WORK.

DEBUT IN THE ENERGY **TRANSMISSION SEGMENT**

28.4% REDUCTION IN **WATER** CONSUMPTION

R$ 22.2 MILLION INVESTED IN CORPORATE SOCIAL RESPONSIBILITY PROGRAMS.

Awards and Recognitions



13th Brazil Environmental Award

(the Rio de Janeiro American Chamber of Commerce – AmCham Rio)

Winning project:

Conservation of endemic species of ichthyofauna in the Iguaçu River (PR)

24th *Expressão* Ecology Award

Winning projects:

Environmental and Socio-Cultural Management of Hydroelectric Power Plants

Actions for the conservation of ichthyofauna in the Upper Uruguay River

5th *Sustentar de Inovação* Ranking

Winning project:

Program for Energy Efficiency Diagnosis



Época magazine's Negócios 360º Award

Best company in Corporate Governance

Institutional Investor Magazine Ranking 2017

Best Investor Relations Program (Sell-Side)

Best CEO for an electric sector company in Latin America (Sell-Side)

Transparency Trophy

of the National Association of Executives in Finance, Administration and Accounting (Anefac)

in the "Companies with net revenue up to R$ 5 billion"

Component of B3's ISE

Corporate Sustainability Index – 2018 Portfolio

Since inception of the ISE, for the 13th consecutive year, the Company has been included in the Index's portfolio which comprises companies recognized for their commitment and practices in relation to economic efficiency, environmental equilibrium, social justice and corporate governance.

PRINCIPAL INDICATORS

GRI 102-7

Indicators	Unit of measurement	2017	2016	2015	Change 2017/2016	Change 2017/2015
Operational						
Operating plants	nº	**31**	29	28	**2**	**3**
Total installed operating capacity	MW	**9,588.8**	8,720	8,765	**9.9%**	**9.4%**
Total proprietary installed operating capacity	MW	**7,868.1**	6,999.3	7,044	**12.4%**	**11.7%**
Proprietary installed capacity from renewable sources	MW	**6,821.6**	5,952	5,925	**14.6%**	**15.1%**
Percentage of proprietary installed capacity from renewable sources	%	**86.7%**	85.0	84.1	**1.7 p.p.**	**2.6 p.p.**
Generator complex uptime, discounting scheduled stoppages	%	**95.2**	97.2	97.4	**-2.0 p.p.**	**-2.2 p.p.**
Generator complex uptime, including scheduled stoppages	%	**88.8**	86.8	86.9	**2.0 p.p.**	**1.9 p.p.**
Energy sales	GWh	**35,761**	34,789	36,012	**3.1%**	**-0.7%**
	Average MW	**4,082**	3,971	4,111	**2.8%**	**-0.7%**
Energy contracted by client type						
Distributors	%	**35**	46	48	**-11 p.p**	**-13 p.p.**
Trading companies	%	**12**	6	3	**6 p.p.**	**9 p.p.**
Free clients	%	**53**	48	49	**5 p.p.**	**4 p.p.**
Economic-financial indicators GRI 201-1						
Total assets	R$ million	**19,568.5**	14,419.7	15,289.4	**35.7%**	**28.0%**
Shareholders' Equity	R$ million	**6,834.7**	6,614.4	6,642.1	**3.3%**	**2.9%**
Net revenue from sales	R$ million	**7,010.0**	6,442.4	6,512.0	**8.8%**	**7.6%**
Gross income	R$ million	**3,006.0**	2,740.9	2,708.9	**9.7%**	**11.0%**
Pre-financial result/tax income (EBIT)[2]	R$ million	**2,850.2**	2,421.6	2,503.8	**17.7%**	**13.8%**
Operating income	R$ million	**2,623.4**	2,066.7	2,033.2	**26.9%**	**29.0%**
Net income	R$ million	**2,004.6**	1,548.3	1,501.3	**29.5%**	**33.5%**
Ebitda[3]	R$ million	**3,519.5**	3,175.6	3,114.6	**10.8%**	**13.0%**
Total debt (loans, financing and debentures)	R$ million	**6,738.2**	3,088.7	3,758.4	**118.2%**	**79.3%**
Cash and cash equivalents and restricted deposits	R$ million	**2,155.6**	1,995.5	2,543.6	**8.0%**	**-15.3%**
Net debt	R$ million	**4,582.6**	1,093.2	1,214.8	**319.2%**	**277.2%**
ROCE[4]	%	**18**	21.9	23.1	**-3.9 p.p.**	**-5.1 p.p.**
Gross debt/Ebitda	R$ million	**1.9**	1.0	1.2	**0.9 p.p.**	**0.7 p.p.**
Net debt/Ebitda	R$ million	**1.3**	0.3	0.4	**1.0 p.p.**	**0.9 p.p.**
Participation of third party capital in relation to total assets	%	**65.1**	54.1	56.6	**11.0 p.p.**	**8.5 p.p.**
Operating margin	%	**37.4**	32.1	31.2	**5.3 p.p.**	**6.2 p.p.**
Net margin	%	**28.6**	24.0	23.1	**4.6 p.p**	**5.5 p.p.**

(continuation)

Indicators	Unit of measurement	2017	2016	2015	Change 2017/2016	Change 2017/2015
Shares						
Net earnings per share	R$	**3.0710**	2.3720	2.3000	**29.5%**	**33.5%**
Average price per share – ON[5]	R$	**33.91**	35.99	33.39	**-5.8%**	**1.6%**
Dividends per share	R$	**3.0643**	2.2786	1.2789	**34.5%**	**139.6%**
Environmental						
Percentage of licensed plants in operation in relation to the total number under the Company's responsibility	%	**100%**	100%	100%	**-**	**-**
Donation and planting of seedlings (total number of seedlings donated)	nº	**275,027**	340,269	262,218	**-19.2%**	**4.9%**
Plant visitors	nº	**84,998**	92,194	100,464	**-7.8%**	**- 15.4%**
Energy intensity (energy consumed by ENGIE Brasil Energia per GJ generated)	GJ	**0.45**	0.39	0.49	**15.4%**	**-8.2%**
Water consumption	million m^3	**504.6**	704.3	845.2	**-28.4%**	**-40.3%**
CO_2 emissions per energy generated – Operational Control	$KgCO_2$/MWh	**202.7**	191.7	211.5	**5.7%**	**-4.2%**
CO_2 emissions per energy generated – Corporate Participation	$KgCO_2$/MWh	**157.6**	143.6	159.2	**10.0%**	**-0.8%**
Human resources						
Number of employees at ENGIE Brasil Energia (as at December 31)	nº	**1,048**	1,044	1,135	**0.4%**	**8.3%**
Investment in training and professional development	R$ million	**3.0**	4.9	5.2	**-38.8%**	**-42.3%**
Human resources						
Total number of hours of training	hours	**51,829**	43,238	79,494	**19.9%**	**-34.8%**
Number of occupational accidents and accidents with employees commuting to and from work	nº	**8**	5	8	↑	**-**
Accident frequency rate (FR), excluding outsourced personnel[6]	%	**1.050**	0.490	0.000	↑	↑
Accident severity rate (SR), excluding outsourced personnel[7]	%	**0.004**	0.002	0.000	↑	↑
Accident frequency rate (FR), including outsourced personnel[6]	%	**1.030**	1.520	0.540	↓	↑
Accident frequency rate (FR) for out-sourced short-term suppliers + construction work[6]	%	**0.690**	-	-	**-**	**-**
Investments in social responsibility programs						
Non-incentivized investments[8]	R$ thousand	**2,898.14**	5,044	3,304	**-42.5%**	**-12.3%**
Incentivized investments (Infancy and Adolescence Fund, Culture Incentive Law, Law for Sport, Health and others)	R$ thousand	**19,380.06**	21,526	12,016	**-10.0%**	**61.3%**

1. Comparison of annual energy sales performance takes into account that 2016 was a leap year, thereby influencing the percentage difference between years.
2. Ebit = operating income + financial result
3. Ebitda = net income + income tax and social contribution + financial expenses, net + depreciation and amortization + provision impairments.
4. ROCE (return on employed capital) = results from the service/non-current assets.
5. Simple average of the average daily price, adjusted for dividends.
6. FR: number of workplace related accidents for every million hours of exposure to hazards.
7. SR: number of days lost due to workplace-related accidents for every one thousand hours of exposure to hazards.
8. Excluding socially responsible investments in Estreito.

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06. ABOUT THE REPORT

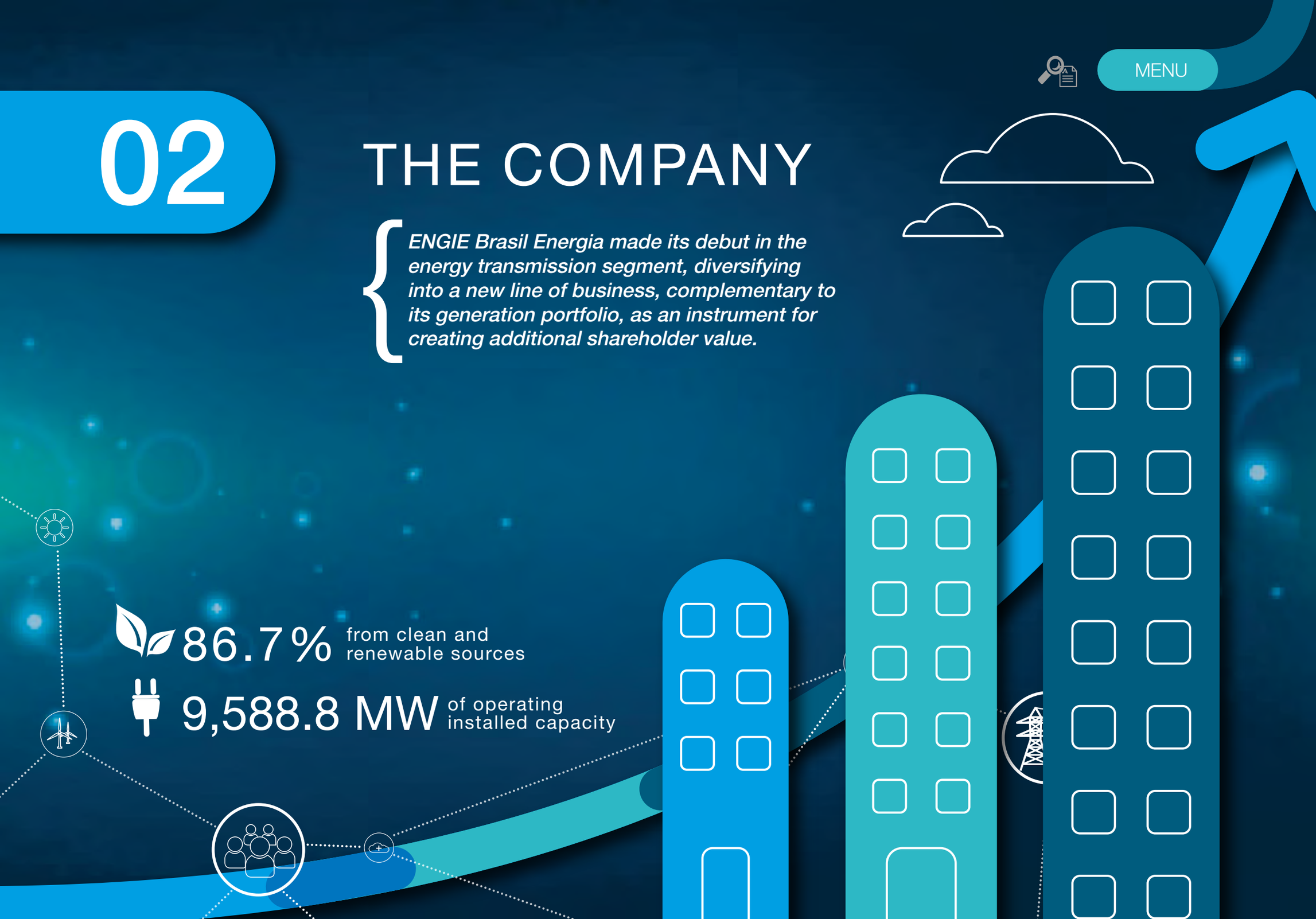
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02 THE COMPANY

ENGIE Brasil Energia made its debut in the energy transmission segment, diversifying into a new line of business, complementary to its generation portfolio, as an instrument for creating additional shareholder value.

86.7% from clean and renewable sources

9,588.8 MW of operating installed capacity



Corporate Profile

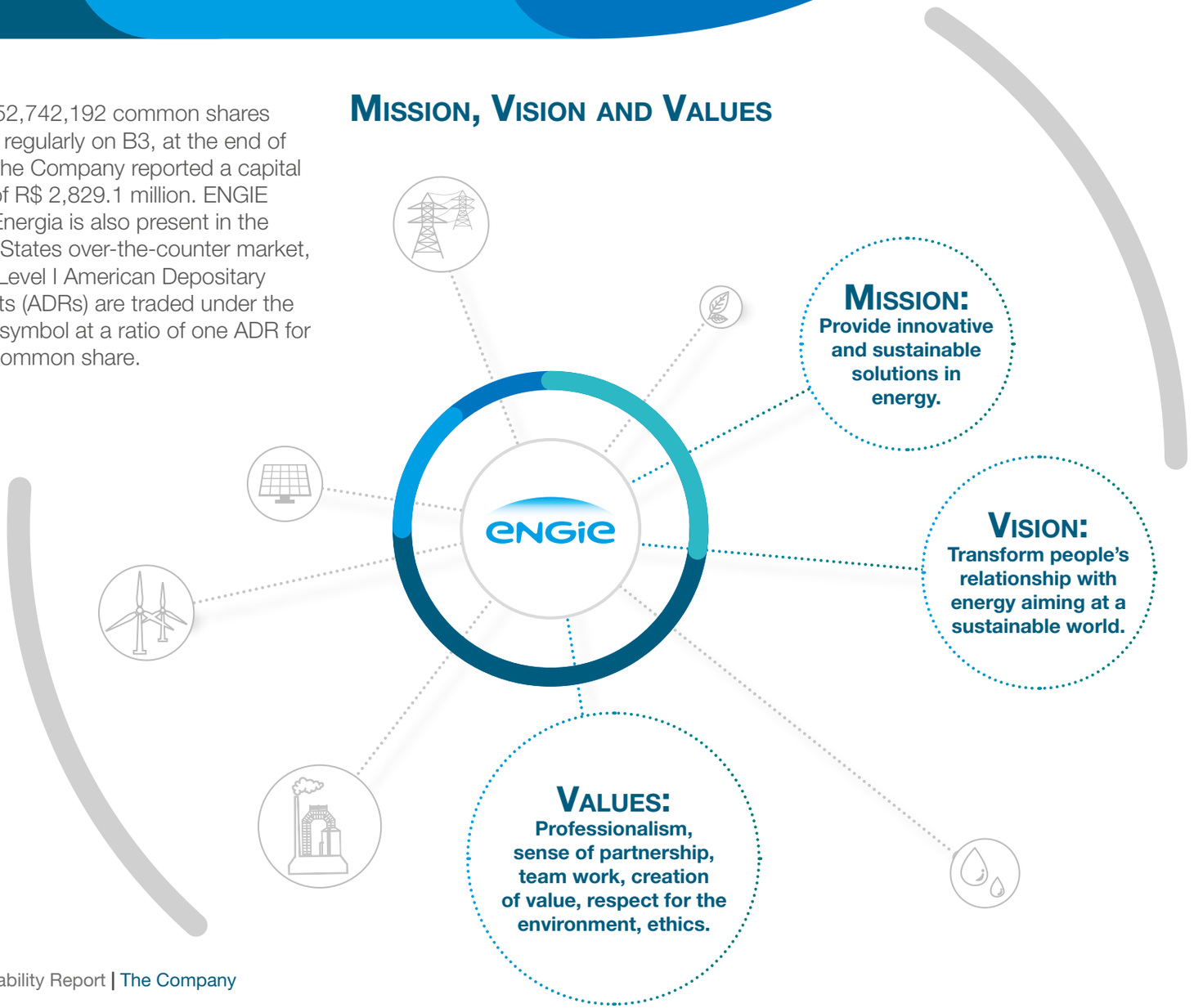
ENGIE Brasil Energia

The generation and commercialization of energy constitute the two key business axes of ENGIE Brasil Energia, which has its registered offices in Florianópolis (SC). In this context, the Company installs and operates generation projects involving conventional sources such as hydroelectric and thermoelectric plants as well as small hydroelectric, wind, biomass and photovoltaic plants. In addition to this, the Company buys and sells conventional and incentivized energy from and to clients nationwide. GRI 102-1; 102-2; 102-3

In 2017, ENGIE Brasil Energia made its debut in the energy transmission segment, diversifying into a new line of business, complementary to its generation portfolio, as an instrument for creating additional shareholder value. By reinforcing the transmission network, the Company is contributing to the improvement in indigenous energy efficiency, a condition of all its investments in Brazil. GRI 102-2

With 652,742,192 common shares trading regularly on B3, at the end of 2017, the Company reported a capital stock of R$ 2,829.1 million. ENGIE Brasil Energia is also present in the United States over-the-counter market, where Level I American Depositary Receipts (ADRs) are traded under the EGIEY symbol at a ratio of one ADR for every common share.

Mission, Vision and Values



Controlling Company

A global leader in the independent production of energy with its activities in more than 70 countries, ENGIE is the controlling company of ENGIE Brasil Energia. The Controlling Company is a major operator in the electricity, natural gas and energy services businesses holding 68.7% of the Brazilian company through ENGIE Brasil Participações Ltda.

GRI 102-4; 102-5; 102-6

Worldwide, ENGIE employs some 153 thousand and operates 115.3 GW of installed electrical energy capacity in addition to a natural gas portfolio of 1,082 TWh/year. With its businesses oriented towards sustainable development, ENGIE seeks to offer innovative solutions to people, cities and companies focusing on the energy transition to a low carbon economy. The Controlling Company's business strategy is to expand access to renewable energy, the mitigation of, and adaptation to, climate change, security of supply and the rational use of natural resources.

Strategic objectives of ENGIE

TO BECOME A BELLWETHER IN ENERGY SERVICES IN EMERGING MARKET COUNTRIES

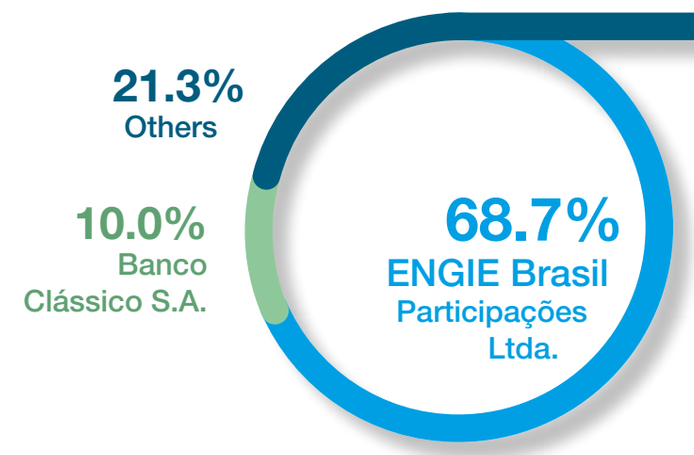
- leveraging its strong positions in independent energy production;
- development of its footprint in the gas value chain; and
- globalization of its position of leadership in energy services.

TO LEAD THE ENERGY TRANSITION IN EUROPE

- to become the partner in energy for its clients, incentivizing energy efficiency;
- to be an element in the process of energy decarbonization through renewable sources; and
- to develop new businesses and digitization.

A global leader in the independent production of energy with its activities in more than 70 countries, ENGIE is the controlling company of ENGIE Brasil Energia.

Shareholding structure – ENGIE Brasil Energia
(as at 12.31.2017)

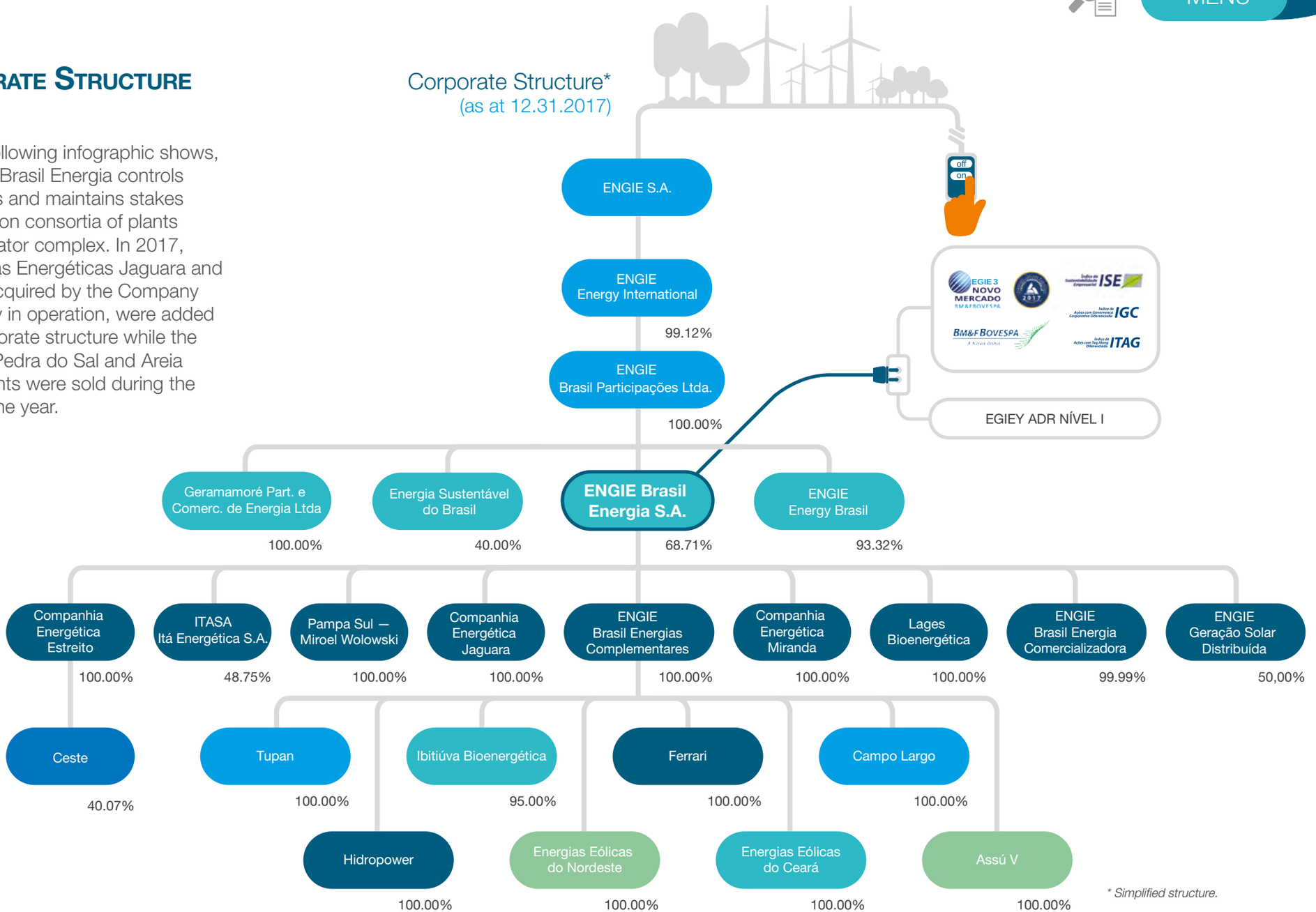




Corporate Structure

As the following infographic shows, ENGIE Brasil Energia controls subsidiaries and maintains stakes in concession consortia of plants in its generator complex. In 2017, Companhias Energéticas Jaguara and Miranda, acquired by the Company and already in operation, were added to the corporate structure while the Beberibe, Pedra do Sal and Areia Branca plants were sold during the course of the year.

Corporate Structure*
(as at 12.31.2017)



** Simplified structure.*

BUSINESS MODEL

VALUE CREATION

ENGIE Brasil Energia's business model should be seen in the context of the energy transition to a low carbon economy reflected in the trend towards decarbonization, decentralization and digitization, at the core of the evolution in the direction towards sustainable development (see more under the chapter Strategy and Risk Management).

Dedicated to creating value over the medium and long terms, this model is based first and foremost on generation from renewable sources and on the commercialization of energy. In addition, the model increasingly incorporates the supply of integrated and innovative solutions to meet the demands of society in line with the vision of transforming people's relationship with energy for a more sustainable world.

NEW SEGMENT

In 2017, the Company diversified into the transmission segment following a winning bid at an auction of a concession agreement involving approximately 1,050 kilometers of transmission lines with five substations, all located in the state of Paraná. This initiative is part of the Company's move to diversify into areas which have synergies with its mature businesses.

The successful bid was made through the ENGIE Brasil Transmissão Consortium, of which the Company is a part, at the National Electric Energy Agency's (Aneel) 2/2017 Transmission Auction of December 15, 2017.

The concession term, which includes construction, assembling and maintenance of the transmission installations, will be for 30 years as from the date of the agreement. The final date for operational startup is March 9, 2023. However, the Company believes it can anticipate this date as well as reduce the initial investment forecasted by Aneel of R$ 2.0 billion.



Company Operations

Generation

Centralized

31 plants

86.7% of clean and renewable sources

9,588.8 MW of operated installed capacity

Distributed

1,493 installed systems in households and companies

7,714 kWp of installed capacity

Commercialization

Regulated Contracting Environment (ACR)

35% of commercialized energy is allocated to distributors

Free Contracting Environment (ACL)

53% of commercialized energy is allocated to free consumers

12% of commercialized energy is allocated to trading companies

Transmission

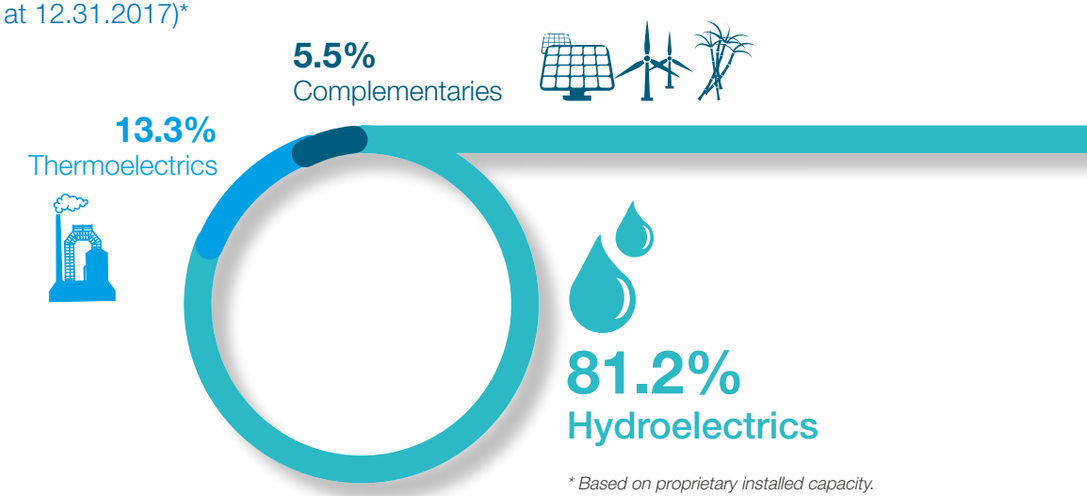
(under development)

1,050 kilometers of transmission lines in the state of Paraná linked to five substations.

Generating complex

At the end of 2017, ENGIE Brasil Energia's generating complex stood at 31 plants, being 11 hydroelectrics, four conventional thermal plants and 16 complementary operations – two of them small hydroelectric plants (SHPs), nine wind parks, three biomass and two photovoltaic plants. Of these projects, 27 are fully controlled by the Company, such that its proprietary installed capacity totals 7,868.1 MW - and 9,588.8 MW of installed operating capacity. GRI EU1

ENGIE Brasil Energia - Energy matrix
(as at 12.31.2017)*



** Based on proprietary installed capacity.*

If all the plants are considered, 86.7% of the proprietary generation matrix is made up of renewable sources. In 2017, two new concessions contributed to further enhancing this category: the Jaguara and Miranda hydroelectric plants. With 424 MW of installed capacity, Jaguara HPP is located in Rifaina (SP) and began commercial operations in 1971. In turn, Miranda HPP is situated in Indianópolis (MG), with 408 MW of installed capacity and will complete 20 years of operation in 2018.

Both concessions were owned by Companhia Energética de Minas Gerais (Cemig) and auctioned on September 27, 2017 pursuant to the technical and economic parameters enshrined in Resolution 12/2017 of the National Energy Policy Council (CNPE). Following the signature of the concession agreement, there was a short period of assisted operations in which the former and the new operators of the asset shared the daily routine.

On December 29, the operation and maintenance of the plant was transferred in full to ENGIE Brasil Energia. The new concession agreement runs from this date for a 30-year period. GRI 102-10

During the year, negotiations for the sale of the Beberibe (with 25.6 MW in the state of Ceará) and Pedra do Sal (with 18 MW in state of Piauí) wind farms as well as the Areia Branca SHP (with 19.8 MW in the state of Minas Gerais) were concluded with Companhia Energética de Petrolina as part of the process of prioritizing assets which offer the greatest synergy.

GRI 102-10

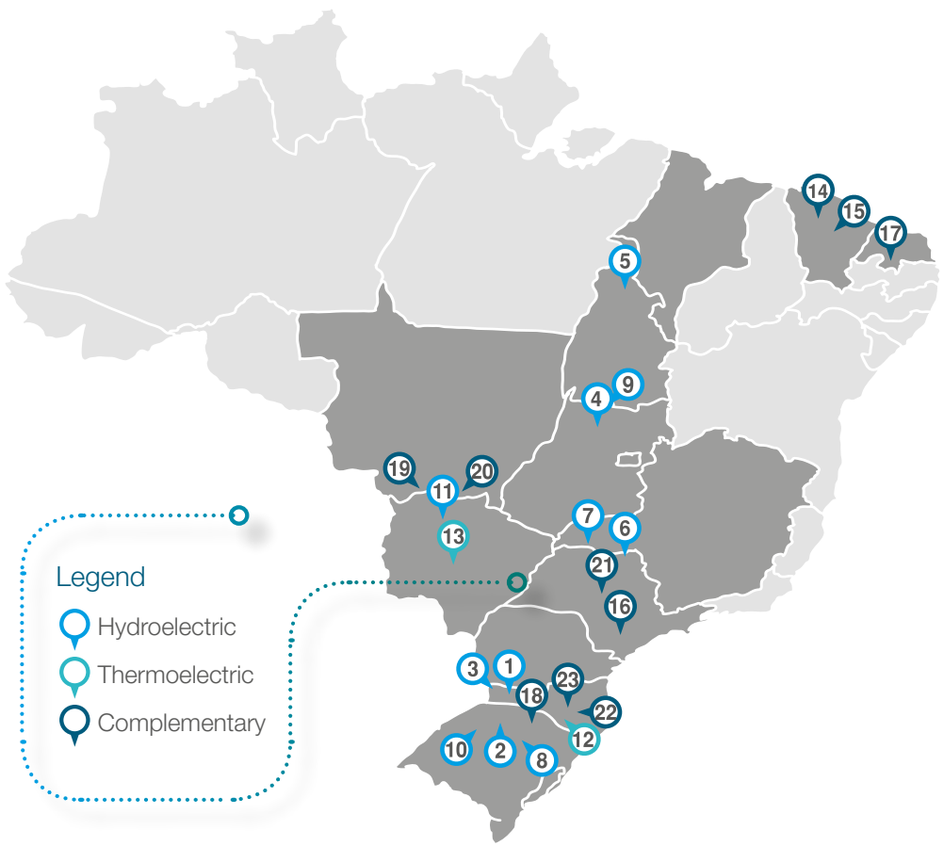
Decarbonization

In 2017, ENGIE Brasil Energia began soundings in the market to identify potential purchasers for the Jorge Lacerda Complex in the state of Santa Catarina and for the Pampa Sul Thermoelectric Plant, currently under construction, in a process which is expected to continue through 2018.



Geographical distribution of the generating complex
(as at 12.31.2017)

GRI 102-4



Hydroelectric power plants

		Total installed capacity (MW)	Total physical guarantee (MWa)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
1	Salto Santiago	1,420.0	755.1	100%	1,420.0	755.1	09.27.2028
2	Itá	1,450.0	720.0	69.0%	1,126.9	544.2	10.16.2030
3	Salto Osório	1,078.0	522.0	100%	1,078.0	522.0	09.27.2028
4	Cana Brava	450.0	273.5	100%	450.0	273.5	08.26.2033
5	Estreito	1,087.0	641.1	40.1%	435.6	256.9	11.26.2037
6	Jaguara	424.0	341.0	100.0%	424.0	341.0	12.28.2047
7	Miranda	408.0	198.2	100.0%	408.0	198.2	12.28.2047
8	Machadinho	1,140.0	529.0	19.3%	403.9	147.2	07.14.2032
9	São Salvador	243.2	151.1	100%	243.2	151.1	04.22.2037
10	Passo Fundo	226.0	119.0	100%	226.0	119.0	09.27.2028
11	Ponte de Pedra	176.1	133.5	100%	176.1	133.5	09.30.2034
	Total	8,102.3	4,383.5		6,391.7	3,441.7	

Thermoelectric power plants

		Total installed capacity (MW)	Total physical guarantee (MWa)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
12[1]	Jorge Lacerda Complex	857.0	649.9	100%	857.0	649.9	09.27.2028
13	William Arjona	190.0	136.1	100%	190.0	136.1	04.28.2029
	Total	1,047.0	786.0		1,047.0	786.0	

Complementary power plants

		Total installed capacity (MW)	Total physical guarantee (MWa)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
14[2]	Trairi Complex (Wind)	115.4	63.9	100%	115.4	63.9	09.28.2041
15[2]	Santa Mônica Complex (Wind)	97.2	47.4	100%	97.2	47.4	02.04.2045
16	Ferrari (Biomass)	80.5	35.6	100%	80.5	35.6	07.26.2042
17	Assu V (Solar)	30.0	9.2	100%	30.0	9.2	06.07.2051
18	Lages (Biomass)	28.0	11.1	100%	28.0	11.1	10.28.2032
19	Rondonópolis (SHP)	26.6	10.1	100%	26.6	10.1	12.18.2032
20	José G. da Rocha (SHP)	23.7	9.2	100%	23.7	9.2	12.18.2032
21	Ibitiúva (Biomass)	33.0	20.0	69.3%	22.9	13.9	04.05.2030
22	Cidade Azul R&D (Solar)	3.0	not applicable	100%	3.0	not applicable	not applicable
23	Tubarão R&D (Wind)	2.1	not applicable	100%	2.1	not applicable	not applicable
	Total	439.5	206.5		429.4	200.4	

General total	9,588.8	5,376.0		7,868.1	4,428.1	

1 Complex made up of three plants.
2 Complex made up of four wind farms.

Based on Ministry of Mines and Energy Ordinance 178 of May 3, 2017, most of the hydroelectric plants operated by the Company will have new values for physical guarantee from January 1, 2018, with amounts being revised upwards or downwards based on technical considerations. Complementary data on these alterations are listed in the Operational and Economic-Financial Performance section.

Revoking of operations at the William Arjona Thermoelectric Plant

In 2017, the Company requested authority from Aneel to suspend its operations at the William Arjona Thermoelectric Plant due to economic unviability. This followed a court agreement with the plant's natural gas supplier following a dispute in relation to fuel prices supplied in the period from September 2014 to June 2017. Aneel acceded to the Company's request through Dispatch 2638 SFG/Aneel of August 24, 2017. Thus, at year-end, the Plant was unavailable for dispatch by the National System Operator. Subsequently to this, on February 20, 2018, Aneel agreed to the revoking of the concession agreement for operating the Plant. GRI 102-10



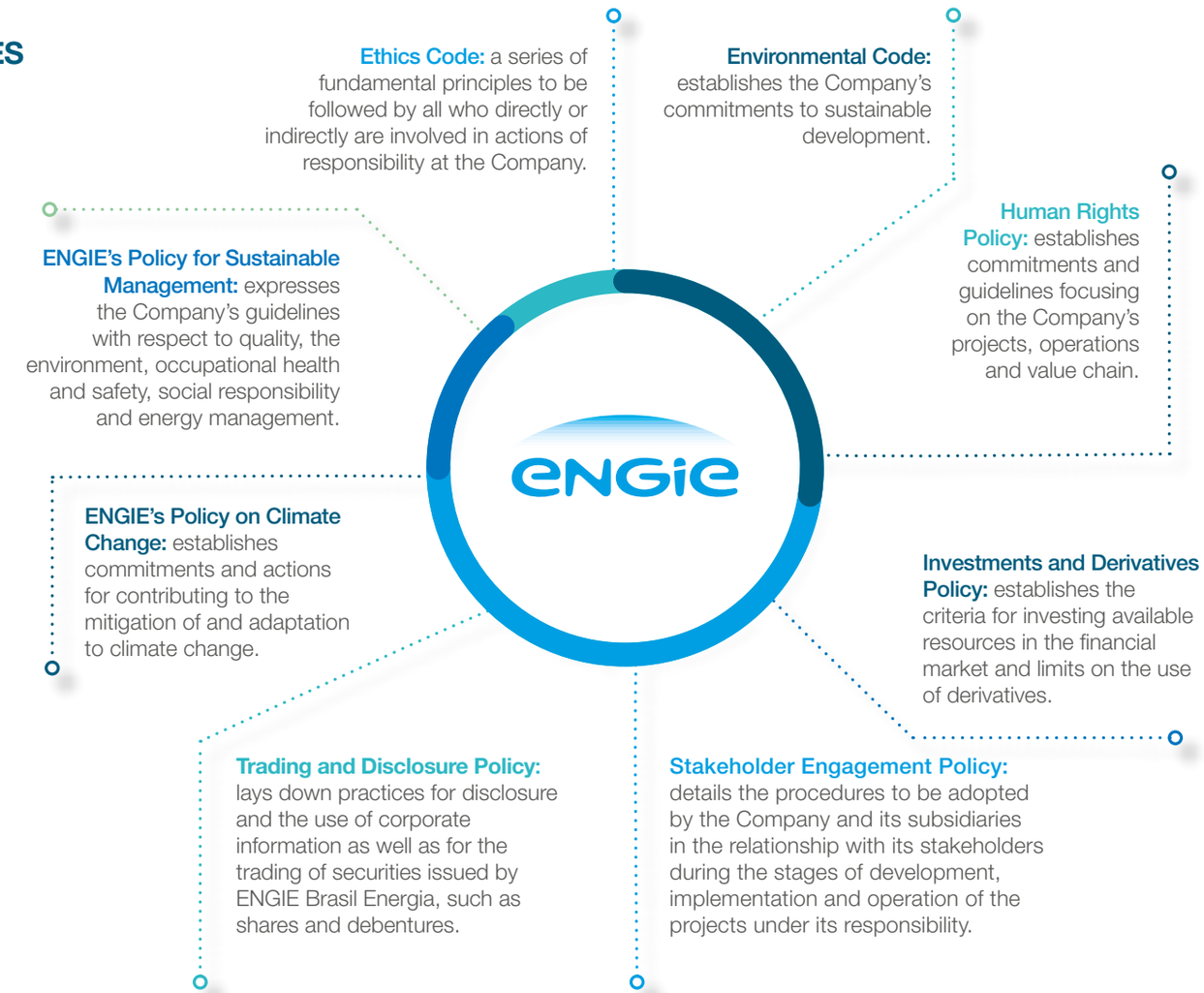
CORPORATE GOVERNANCE

MANAGEMENT POLICIES AND GUIDELINES

ENGIE Brasil Energia's corporate policies establish guidelines for conducting the activities and relationships inherent to the businesses. Developed, revised and updated periodically, these documents express the Company's values, commitments and guidelines in relation to the themes deemed fundamental.

In 2017, the Company launched the Policy for Prevention of Conflicts of Interests, complementary to the Code of Ethics, establishing guidelines for identifying and avoiding situations of risk related to conflicts of interest events (see more on page 26).

Most of these policies and codes are available for public access from the Company's website as follows



Management Structure

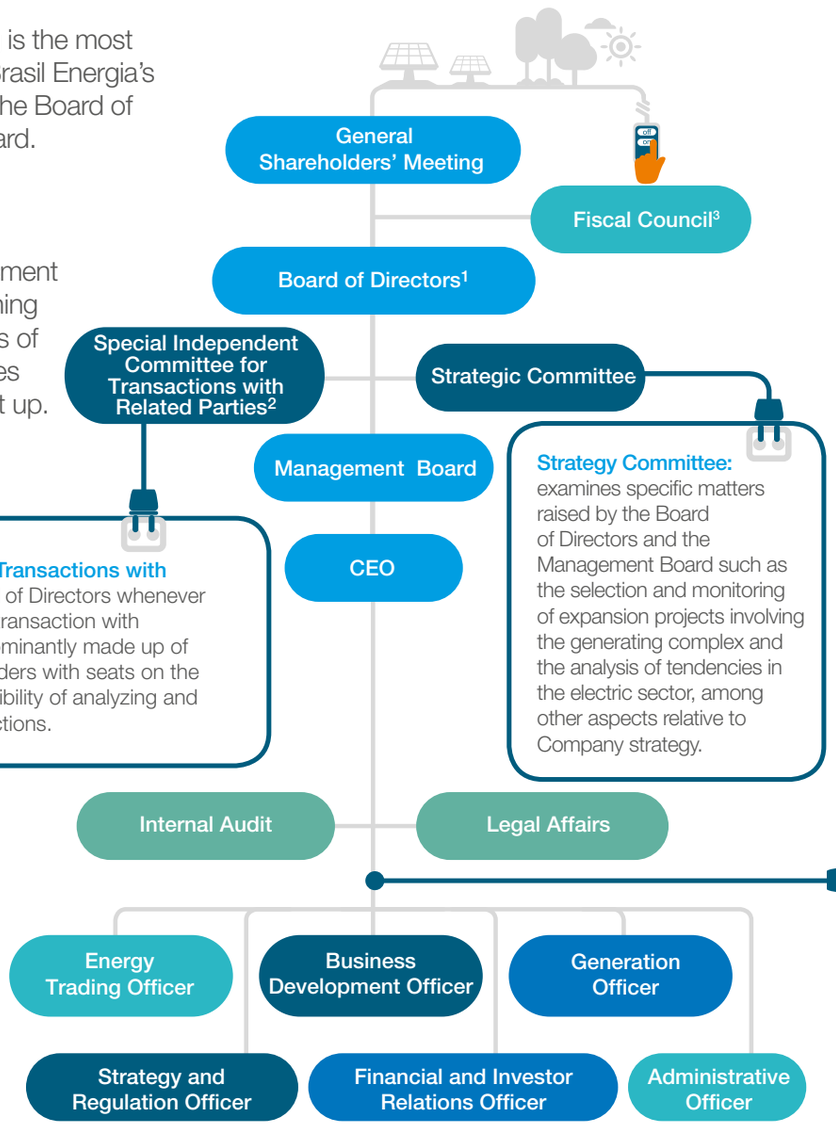
GRI 102-18

The General Shareholders' Meeting is the most senior deliberative body in ENGIE Brasil Energia's governance structure, followed by the Board of Directors and the Management Board.

Committees

A total of 13 committees assist the Board of Directors and the Management Board on an advisory basis in reaching decisions related to specific aspects of the business. In 2017, the Processes and Insurance committees were set up. Details of committee functions are:

Management Organization Chart
(as at 12.31.2017)



Special Independent Committee for Transactions with Related Parties: installed by the Board of Directors whenever the Company intends to negotiate any transaction with related parties. The Committee is predominantly made up of representatives of the minority shareholders with seats on the Board of Directors and has the responsibility of analyzing and recommending the execution of transactions.

Strategy Committee: examines specific matters raised by the Board of Directors and the Management Board such as the selection and monitoring of expansion projects involving the generating complex and the analysis of tendencies in the electric sector, among other aspects relative to Company strategy.

Human Performance Committee: responsible for the analysis of issues involving safety and productivity of the employees and outsourced personnel as well as plant uptime and the reduction in operating costs and environmental impacts.

Financial Committee: has the function of proposing and monitoring the application of policies and the development of activities related to corporate finance, treasury, insurance and financial risk.

Energy Committee: deliberates on the strategy for energy sales and proposes actions for the management of client portfolio risk.

Risk Management Committee: responsible for promoting awareness as to corporate risks, establishing goals and guidelines and suggesting management improvements as well as procedures for controlling company risks.

Innovation Committee: strengthens the entrepreneurial culture in the Company, stimulating continual innovation of processes and business models.

Tax Governance Committee: analyzes matters of a tax nature, proposing actions, which generate less exposure to associated risks as well as seeking to maximize tax break opportunities.

Sustainability Committee: contributes to consolidating sustainability as part of the Company's organizational culture, proposing goals and actions for sustainable development. Stimulates initiatives and evaluates requests for support of actions benefiting communities in regions where ENGIE Brasil Energia has its operations.

Ethics Committee: discloses, applies and monitors adherence to ethical benchmarks established by the Company with a view to the prevention of ethical risk and the promotion of good practices.

Committee for Safety in Industrial Control Systems: designed to guarantee the safety of the Company's industrial control systems by proposing, implementing and monitoring policies and action plans involving the various areas of ENGIE Brasil Energia.

Processes Committee: selects and prioritizes key processes to be developed or fine-tuned for ensuring alignment with the Company's strategic objectives as well as creating value and optimizing the investigated processes.

Insurance Committee: to advise and guide the Management Board in proposing and monitoring policies and activities related to insurance matters.

(1) Consists of nine members: chairman, vice chairman and seven directors: four representing the controlling company, two, minority interests and one a representative of the employees.

(2) Non-permanent and made up of independent members who are not appointed by the controlling company.

(3) 3 independent members

Shareholder Rights

ENGIE Brasil Energia is committed to guaranteeing the rights of the shareholders and the transparency of its acts. Based on ethics, one of its key values, the Company strives to match the best corporate governance practices adopted in the market, including adherence to such legislation as the Sarbanes-Oxley Act.

In this context, ENGIE Brasil Energia is a member of B3's Novo Mercado which requires the adoption of corporate rules for enhancing investors' rights, as well as a comprehensive policy for disclosing information to the market.

With the purpose of protecting their interests, ENGIE Brasil Energia guarantees the following rights to its shareholders:

- Voting in General Meetings, both annual and extraordinary.
- Submitting recommendations to the Board of Directors through a specific channel in the website's Investors Portal.
- Receiving dividends and participating in the distribution of earnings or other distributions.
- Supervising management activities and withdrawing from the Company should specific situations enshrined in the Joint Stock Company Law arise.
- Receiving at least 100% of the price paid per common share of the controlling bloc in the event of a public offering of shares for a proposed sales of a controlling stake (100% tag along) in accordance with Novo Mercado listing regulations.

ENGIE Brasil Energia's corporate bylaws, available in the website (www.engieenergia.com.br), establish that any dispute between shareholders especially related to the capital markets and to corporate law must be settled through the independent and confidential Market Arbitration Panel – a body under the auspices of the B3 - for the solution of disagreements.

In 2017, the Company began a process of adapting to the changes in the Novo Mercado Listing Regulations announced by B3 in the second half of the year following suggestions and evidence given at hearings involving companies and civil society. The changes aim to provide still further transparency and security in the relationship between shareholders and publicly held companies – the case of ENGIE Brasil Energia - for this particular governance segment. The Company intends to adhere to all the new recommendations before the end of 2018. More information can be found in section "Strategy and Risk Management".

Board of Directors

ENGIE Brasil Energia's Board of Directors has the duty of establishing policies, strategies and general guidelines for the conducting of the business. Thus, the analysis of aspects and impacts related to sustainability in the economic, environmental and social spheres are also the responsibility of the directors.

In 2017, the Board was made up of nine effective members and an equal number of alternates, elected by the Annual General Meeting of Shareholders in the preceding year. The term of office of these directors is two years, reelection being permitted, and the Chairman of the Board may not exercise an executive function in the Company. In line with B3's Novo Mercado listing regulations, the Company will have at least 20% of its number as independent directors. In 2017, of the nine members, one was an employee representative and two were representatives of minority interests.

GRI 102-22; 102-23

Board of Directors
(as at 12.31.2017)

Members	Alternates
Maurício Stolle Bähr | Chairman	Natacha Marly Herero Et Guichard
Manoel Arlindo Zaroni Torres | Vice Chairman	José Luiz Jansson Laydner
Dirk Achiel Marc Beeuwsaert	Gil de Methodio Maranhão Neto
José Pais Rangel Minority shareholders representative	José João Abdalla Filho Minority shareholders representative
Antonio Alberto Gouvêa Vieira* Minority shareholders representative	---
Paulo Jorge Tavares Almirante	Gustavo Henrique Labanca Novo
Pierre Jean Bernard Guiollot	Simone Cristina de Paola Barbieri**
Roberto Henrique Tejada Vencato **Employee Representative**	Luiz Antônio Barbosa Employee Representative
José Carlos Cauduro Minuzzo*	--

** In 2017, Antonio Alberto Gouvêa Viera and José Carlos Minuzzo, who were alternates, became effective members of the Board of Directors, replacing Luiz Leonardo Cantidiano Varnieri Ribeiro and Willem Frans Alfons Van Twembeke, respectively.*
*** Assumed the position of alternate director on April 17, 2017 as of the 20th AGM, replacing Marcelo Fernandes Soares.*

Fiscal Council

ENGIE Brasil Energia's Fiscal Council is permanently installed and responsible for examining the Company's Financial Statements, supervising the acts of the Management Board and evaluating the risk management and internal controls' systems. In addition, it is incumbent on this body to analyze the proposals to be submitted to the Board of Directors in the event of engaging services complementary to the function of auditing the Financial Statements.

In accordance with the Corporate Bylaws, the fiscal councilors are elected annually at the Annual General Meeting, reelection being permitted.

Fiscal Council
(as at 12.31.2017)

Members	Alternates
Carlos Guerreiro Pinto	Manoel Eduardo Bouzan de Almeida
Manoel Eduardo Lima Lopes	Ailton Pinto Siqueira
Paulo de Resende Salgado	Flávio Marques Lisboa Campos

Management Board

Nominated by the Board of Directors and elected by the General Meeting, the Management Board works on a collegiate basis, adopting a matricial approach to all matters within its purview, although respecting the specific duties of each executive officer on the Board. In addition to the Chief Executive Officer, on who it is incumbent to coordinate and provide guidance to the Management Board as a whole, the other six officers execute the strategies outlined by the Board of Directors.

On January 9, 2017, Carlos Freitas assumed as Chief Financial and Investor Relations Officer, a position until that time exercised by the current Chief Executive Officer, Eduardo Sattamini.

Management Board
(as at 12.31.2017)

Name	Position
Eduardo Antonio Gori Sattamini	Chief Executive
Carlos Henrique Boquimpani de Freitas	Chief Financial and Investor Relations Officer
Edson Luiz da Silva	Chief Strategy and Regulation Officer
Gustavo Henrique Labanca Novo	Chief Business Development Officer
José Luiz Jansson Laydner	Chief Generation Officer
Júlio César Lunardi	Administration Officer
Marco Antônio Amaral Sureck	Energy Commercialization Officer

Ethics and integrity

ENGIE Brasil Energia considers integrity to be one of the basic principles of ethics at the Company. This commitment has been reinforced in the Policy for Combatting Bribery and Corruption, drawn up 2016 and enshrining the guidelines for repudiating practices of this nature at any level or instance of a relationship. The Policy also provides guidance on the mechanisms for whistle-blowing, establishing the Ethics Committee as the prime confidential channel for receiving such allegations. It is also the responsibility of the Committee to rigorously monitor all the Company's policies, procedures and processes for prevention of corruption and bribery.

GRI 102-16; 102-17; 103-1; 103-2

ENGIE Brasil Energia maintains regular practices for the prevention and verification of risk situations and events of an irregular nature to ensure compliance with the new Policy as well as the Code of Ethics – also revised in 2016. Such practices include due diligence, auditing, training and awareness programs, contractual provisions and a program for the internal controls of the Company's activities. In addition, ENGIE Brasil Energia has instructional materials such as primers and manuals with specific focus and procedures covering certain interactions or occurrences. Examples of this are Procedures for Gifts and Hospitality (supported by the appropriate information system) and the Relationship with Business Consultants Manual and the Ethics Guide to Relationships with Suppliers.

GRI 103-2

For more information and for guidance or whistleblowing with respect to infringement of ethical principles and compliance, the Company offers the following channels: **GRI 103-2**

- Website: for anonymous or identified manifestations.
- E-mail: (comitedeetica.brenergia@engie.com): for manifestations with identification.

The following operations are subject to systematic evaluation of corruption risk to ensure alignment with the Company's ethical conduct standards:

- acquisition, sale of projects or assets (goods, rights and shares) from or to third parties (including developers of projects in the process of being sold to the Company);
- partnerships/joint ventures;
- engagement of Engineering, Procurement and Construction (EPC) and civil construction services;
- environmental licensing;
- leasing of areas;
- engagement of intermediaries;
- agreements with funding banks.

In 2017, all operations listed above were submitted in their entirety for





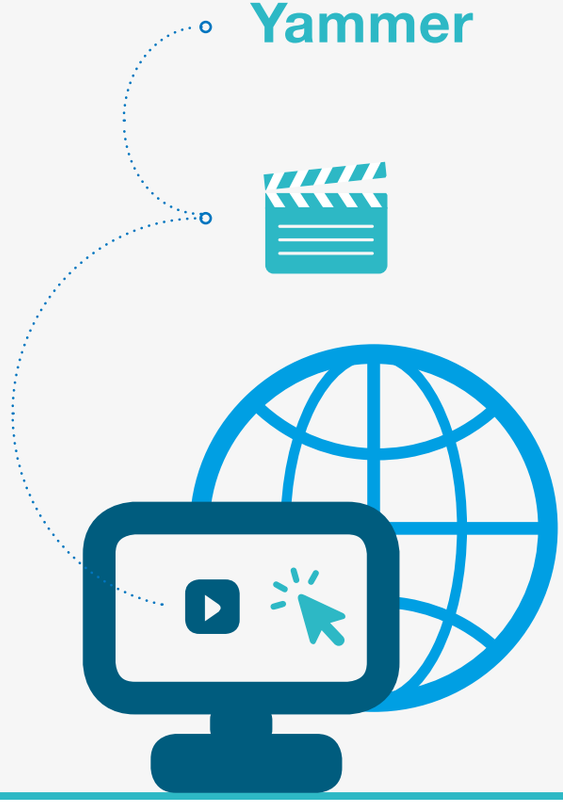
evaluation of corruption-related risk. As laid down in the Ethical Risk Analysis Policy, for projects developed or acquired by the Company, initial ethical due diligence by an independent outside service provider is mandatory. Subsequent to this process, any risks identified are analyzed by the Ethics & Compliance area of BU Brasil, the relevant recommendations being shared with the teams involved. In some cases, ENGIE's Ethics, Compliance & Privacy team in Paris will also be included. The fact that no cases of corruption involving the Company were recorded in 2017 is a reflection of this work.

GRI 103-1; 103-2; 103-3; 205-1

Prevention of conflicts of interest

The Policy for Prevention of Conflicts of Interest was approved by the Company's Board of Directors in February 2017. Following its approval, the Policy was distributed electronically to ENGIE Brasil Energia's employees, including officers and directors. Consequently, all received the document and declared cognizance of the Policy, undertaking to comply with its guidelines.

An endomarketing campaign was developed for enhancing the awareness of the Policy through illustrative comic strips showing common conflicts of interest in the daily work routine with guidance on how to handle them when they arise. In addition, the Ethics Committee has made a presentation to the officers and managers of all the Company's areas to clarify guidelines and procedures included under the Policy. Presentations were recorded and made available in full to the employees on Yammer (corporate social network).



MENU

03

STRATEGY
AND RISK MANAGEMENT

The responsible expansion of the generating complex expands the portfolio of energy available for commercialization and contributes to the business continuity. In addition, creates value for Brazilian society.

12.4% OF EXPANSION OF THE INSTALLED CAPACITY OWNED, BETWEEN 2016 AND 2017

1,493 INSTALLED PHOTOVOLTAIC GENERATION SYSTEMS

SDG:
UN Sustainable Development Goals



Strategy – Responsible expansion

RELATED MATERIAL THEMES
- Economic Performance
- Energy and climate change
- Engagement with local communities and interested parties

RELATED PRIORITY SDGs

OTHER RELATED SDGs

The energy transition context

RELATED MATERIAL THEMES
- Economic Performance
- Energy and climate change
- Development, equality and security of people

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Strategy – Energy commercialization

RELATED MATERIAL THEMES
- Economic Performance
- Engagement with local communities and interested parties

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Management of risks

RELATED MATERIAL THEMES
- Ethics and Integrity
- Management of water

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Strategy – Innovation

RELATED MATERIAL THEMES
- Economic Performance
- Energy and climate change
- Development, equality and security of people

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Corporate Strategy

Energy transition context

GRI 103-1; 103-2; 103-3

In the global context of the energy sector, agents are required to operate and plan their future actions based on the principles of sustainable development. Structural changes to the energy system which characterize the energy transition have seen companies and governments focus their efforts on making energy supply increasingly more comprehensive and efficient, at the same time reducing carbon emissions. The aim is to seek a balance between expanding access to energy and mitigating climate change in order to meet the goal established under the Paris Agreement[1].

As in other economic segments, climate change directly impacts the operations of the electric sector. With this in mind, the Company assesses related risks which include a decline in revenue and an increase in costs – both by virtue of regulatory amendments as well as changes in hydrological or wind strength patterns for example. There are other aspects which should be factored into considerations: the prospects for an eventual CO2 emissions tax as well as the possibility that such emissions could be part of criteria for energy dispatch by the National System Operator (ONS). In this context, the Company's risk matrix builds in aspects on the theme which are monitored systematically. However, the size of the impacts which such factors can have on ENGIE Brasil Energia's financial performance is still difficult to forecast. The way in which such risks in relation to the theme are managed will be shown in greater detail in the chapter "Risk Management". GRI 201-2

The next page shows some concepts, tendencies and opportunities related to the energy transition as well as their impacts on society.

1 Approved in 2015 by the United Nations Framework Convention on Climate Change, the Paris Agreement has the objective of ensuring that the average global temperature increase is less than 2°C above pre-industrial levels, recognizing that this is going to significantly reduce the risks and impact of climate change.



Energy Transition

Disruptive forces: tendencies, which drive change and create opportunities

Digitization

New technologies permit gains in energy efficiency and automation of energy-related systems with the aim of greater economy and comfort.

Mobile devices, the internet of things and big data are key elements in this process.

Decentralization

The use of photovoltaic solar panels allows people or companies, irrespective of location, to generate autonomously, at competitive costs, also obviating the need for connection to the grid. The reduction in solar panel prices, more accentuated in recent years, is accelerating the process of decentralization.

Decarbonization

The drive for sustainable development requires that society adjust its activities to a low-carbon economy. This implies a change in individual habits as well as business models to ensure quality of life for future generations.

Transition: the challenges of the current scenario

Intermittent generation

The wind and solar sources, although cleaner, have a disadvantage, which in intermittency. You cannot control control the incidence of sun or wind, and this affects directly the generation of energy, locally or regionally. The challenge therefore is to maintain an adequate voltage and frequency in the region without interruption to supplies.

Bi-directional energy flow

Today's distribution network is unidirectional: energy moves in just one direction. With the introduction of decentralized generation, energy becomes bi-directional, bringing in and sending out energy in a complex flow of supply/demand.

Regularity adjustments

With consumers also assuming the generation function as well as the greater complexity of energy management, the new reality of the market will require adapting the legislation, which regulates the sector.

Greater complexity of the system

The operation and management of the electricity system, particularly in major cities, are becoming more complex, requiring solutions for ensuring reliability.

Reserve capacity

Generated energy needs to be stored in residences, electric vehicles or larger-sized battery banks.

A shift in investments

Companies and governments are gradually ceasing to invest in fossil fuels – new installations, research and development and subsidies, for example. Consequently, investments are migrating to renewable sources, enhancing their importance.

Investments in infrastructure and new technologies

The entire energy generation chain – from government to consumers through the intermediary of companies which operate in the sector – to a greater or lesser degree, will need to update and expand their energy structures as well as develop and disseminate technological solutions.

Future scenario: the expected transformations

Energy cloud

Energy surpluses generated in a residence is fed into the network and can therefore be consumed by the owner anywhere – shopping center or public square, for example.

Cleaner matrix

The reduced share of fossil fuels in the energy matrix results in a reduction in greenhouse gas emissions, contributing to the combat of climate change.

Information and price in real time

Intelligent meters will permit demand to be managed based on variation in energy price and notified in real time. Consequently, it is possible to encourage consumption at a time of excess generation - normally, occurring during the day due to peak availability of photovoltaic energy - and to discourage the use of energy during periods of limited generation through an increase in prices.

Intelligent products

The internet of things allows products to be programmed to consume energy at times when the resource is cheaper. Or, on the other hand: can be switched off automatically when prices are high.

"Prosumer"

The individual or company that generates its own energy becomes a producer and consumer simultaneously, known as a "prosumer". Perhaps he may even be able to choose to whom he sells his energy – and for how much.

Strategy

ENGIE Brasil Energia's strategy is designed to proactively meet the challenges and opportunities experienced by the energy sector both on a global and local scale. The Company is alert to the impacts which this set of transformations has had on the activities and perception of value of the companies in the sector. For this reason, it has endeavored to spearhead the energy process in Brazil. As the largest electric energy generator in the Brazilian private sector and with the benefits of the controlling company's global leadership in supplying efficient energy services, ENGIE Brasil Energia has a head start in becoming a bellwether in this process.

Thus, at the same time that it maintains centralized generation and commercialization of energy as its key areas of operation, the Company seeks to increasingly offer more integrated and innovative solutions. Based on the execution of the strategy, the ENGIE Brasil Energia offers competitive advantages which differentiate it from other entities in the sector. GRI 103-2

Company strategy

Responsible expansion of the generator complex

+

Supply of infrastructure and services related to energy

+

Balanced commercialization of energy

+

Innovation

Sustainability

Competitive advantages

Operations in a strategic sector: the energy sector is considered strategic to the development of Brazil given that energy constitutes a basic input for both production and also a large part of society's everyday activities.

Sector Leadership: the Company ranks among the leaders of independent energy production in Brazil. Its ultimate Controlling Company is the largest independent producer in the world, thus reinforcing ENGIE Brasil Energia's own credentials for capturing business opportunities.

A clear commercial strategy: ENGIE Brasil Energia maintains high levels of long-term contracting, thus reducing exposure to short-term market oscillations. In addition, its sales portfolio is a balanced mix of free consumers, different sectors and clients in the regulated market (distributors).

Predictability of cash flow: in addition to the above-mentioned long-term contracting, energy sales agreements are indexed to inflation.

High degree of operational performance: the power generating units, which the Company operates, show a high level of uptime and reliability. Contributing to this result are NBR ISO 9001 (management of quality), NBR ISO 14001 (management of the environment) and OSHAS 18001 (occupational health and safety management) certification, which most of the plants possess.

Stable financial performance: the association of strong cash generation, high average Ebitda margin, consistent net income and the absence of currency exposure all contribute to the financial stability of the Company and its consequent resilience in inclement macroeconomic scenarios. Additionally, as a solid organization with a market value of R$ 23.2 billion at the end of 2017, ENGIE Brasil Energia has access to attractive lines of credit, thus enhancing its competitive edge.

Differentiated risk classification: Fitch Ratings has assigned a Long-Term National Company Rating of 'AAA (bra)' and on the global scale, 'BB+(bra)', one notch above the sovereign rating.

Best practices of governance and sustainability: just as with the Management Board, the Board of Directors is made up of experienced professionals with a broad-based knowledge of the sector, prepared to take decisions covering the interests of the shareholders and other stakeholders involved. Thus, economic, social and environmental aspects are indissolubly part of the decision-making process.

Responsible growth

Centralized generation

In its 19 years of activity in Brazil, ENGIE Brasil Energia has increased the installed capacity of its generating complex by 112% from 3,719 MW to 7,868 MW – these figures considering proprietary installed capacity alone. In 2017, this capacity jumped 12.4%. Despite the sale of generation assets in the period – the Beberibe and Pedra do Sal Wind Farms and the Areia Branca SHP, growth was maintained due both because of the acquisition of existing operations – the Jaguara and Miranda hydroelectric plants –, and also the startup in operations of projects installed by the company over the past few years.

Worthy of mention in this context is the beginning of operations at full capacity of the Santa Mônica Wind Complex located in Trairi (CE) – the Estrela and Ouro Verde Wind Farms, components of the Complex, starting operations in the months of March and April, respectively. Another important event in the installation of new plants in 2017 was the rollout of the Assú V Photovoltaic Plant – the Company's first centralized solar plant on a large scale to be inaugurated.

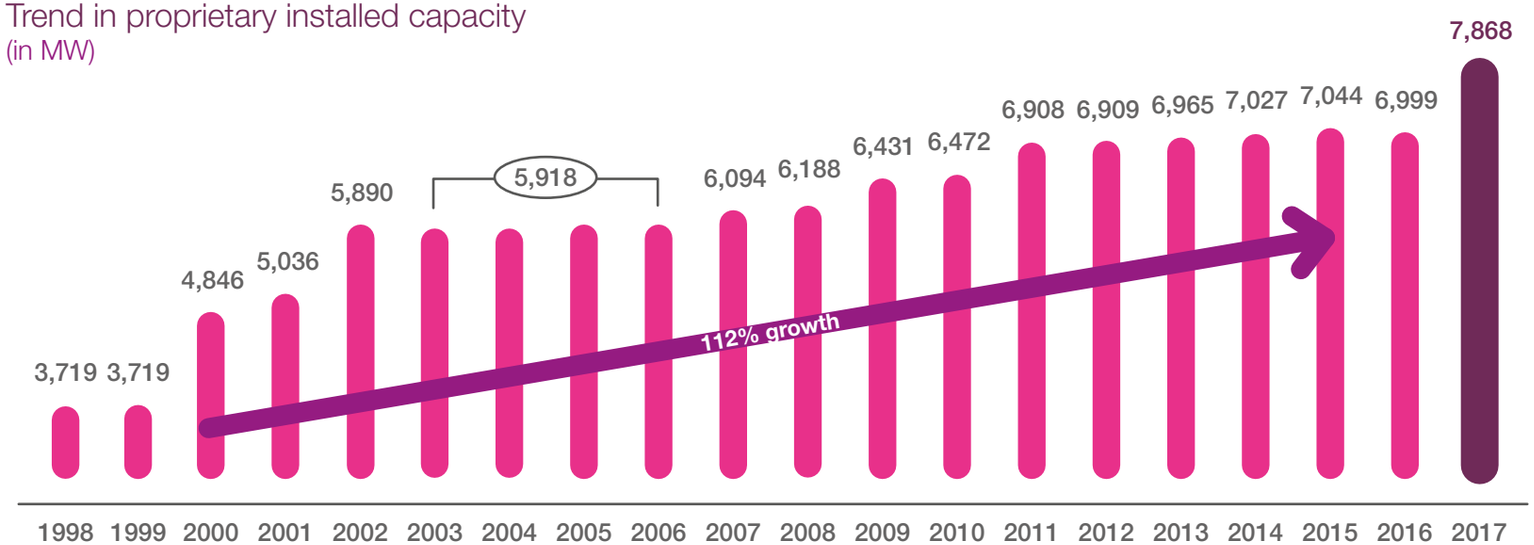
New concessions

Auctioned by the Federal Government in 2017, the Jaguara and Miranda hydroelectric concessions agreements reflect important achievements for the Company, being instrumental in its expansion in the Southeast Region.

With an installed capacity of 424 MW, the Jaguara Hydroelectric Power Plant is situated in the municipal district of Rifaina (SP), its commercial operations beginning in 1971. Miranda Hydroelectric Power Plant in turn is located in Indianópolis (MG), with an installed capacity of 408 MW and completing 20 years of operations in 2018.

ENGIE Brasil Energia took over the operations and maintenance of the plants on December 29, 2017, the date on which the 30-year concession agreement began.

Trend in proprietary installed capacity
(in MW)



A component part of the corporate strategy is the responsible expansion of the generator complex, expanding the portfolio of energy available for commercialization and contributing to the longevity of the business. In addition, this approach creates value for Brazilian society since it provides greater security to the functioning of the domestic electric system and contributes to sustainable local development with the creation of jobs and income in regions where energy projects are installed.

Over the next few years, expansion of the generator complex will be assured thanks to the installation of the projects detailed as follows:

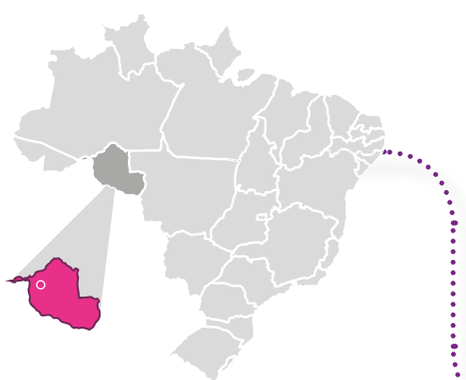
The Company adopts an internal carbon price* for evaluating its investments.

**Allocation of costs to the impacts generated by the increase of greenhouse gases in the atmosphere, benefiting those who somehow collaborate with the mitigation of these emissions, and burdening the emitters.*

Project (as at 12.31.2017) GRI EU10	Total installed capacity (MW)	Total physical guarantee (aMW)	Ownership	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
Jirau (Hydro)*	3,750.0	2,184.6	40%	1,500.0	882.0	08.13.2043
Umburanas Complex - Phase I	360.0	207.5	100%	360.00	207.5	07.09.2050
Pampa Sul (Thermal)	345.0	323.5	100%	345.0	323.5	03.30.2050
Campo Largo Complex - Phase I (Wind)	326.7	164.9	100%	326.7	164.9	08.03.2050
Total	4,781.7	2,880.5		2,531.7	1,577.9	

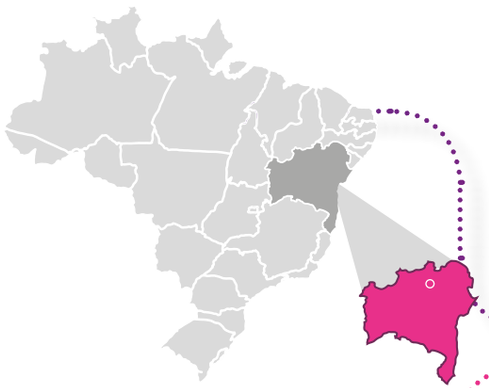
* The project pertains to the Controlling Company in Brazil, ENGIE Brasil Participações Ltda. Possibilities exist for the plant to be transferred to ENGIE Brasil Energia.

Jirau Hydroelectric Power Plant:



Located on the Madeira River and headquartered in the city of Porto Velho (RO), the plant was unveiled on December 16, 2016. Jirau has 50 turbines in operation with a total installed capacity of 3,750 MW. ENGIE Brasil Participações Ltda. holds a 40% stake in the operation. In 2017, the Controlling Company began its evaluation for the eventual transfer of its stake to the Company, a process which is to continue in 2018 with the involvement of the Special Independent Committee for Transactions with Related Parties. ENGIE Brasil Participações announced in May that it had engaged Banco Itaú BBA S.A. to provide financial advisory services for preparing the economic and financial study and the proposal for the transfer of its stake in the project to ENGIE Brasil Energia.

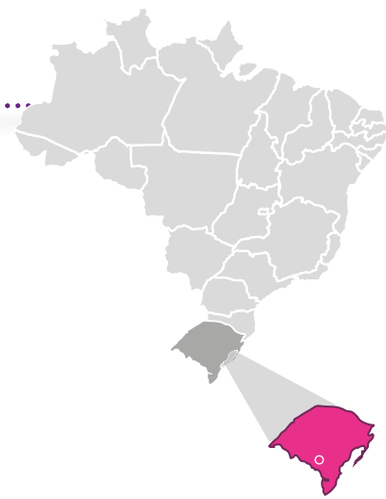
Umburanas Wind Complex – Phase I



On November 24, the Company concluded the acquisition of the Umburanas Wind Complex project from Renova Energia for R$ 16.9 million. Located in the municipal district of Umburanas (BA), the project will harness wind power capacity of 605 MW, of which 360 MW are related to Phase I (257.5 MW for the ACL market and 102.5 MW already sold to the ACR market) with operations expected to begin in 2019. Total investments are estimated at R$ 1.8 billion. A further 245 MW are to be harnessed in due course. All environmental licensing has been regularized and work on the first phase already begun, civil construction having started in November 2017 with the mobilization of the contractor and the installation of the projects' internal accesses.

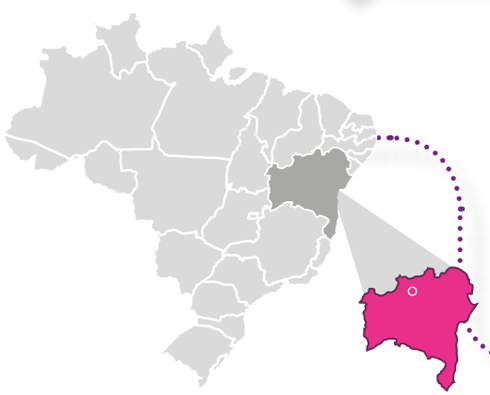


Pampa Sul Thermoelectric Power Plant



Located in the municipality of Candiota (RS), the plant will use mineral coal from a seam in the same region as fuel for powering its turbines. By the end of 2017, work on installation was 77% physically complete, notably the civil construction of the chimney stack together with finalization of the complex logistical operations for transportation and positioning of the turbine and generator. Work on the coal conveyor belt and dam were both almost complete. Start of commercial operations is scheduled for the first quarter of 2019.

Campo Largo Wind Complex – Phase I



Located in the municipal districts of Umburanas and Sento Sé (BA), the project is adjacent to the Umburanas Wind Complex, thereby generating significant synergies both during construction and subsequently at the operational stages. By the end of the year, all earthmoving and surfacing of internal accesses had been concluded as well as the concreting of the foundations of the 121 wind turbines. Construction work on the foundations of structures at the site and equipment supports is currently underway at the Campo Largo substation. A total of 70% of the work on assembling and 73% of tower earthing for the transmission line has been completed. Initial commercial operations, with the commissioning of three wind farms, are scheduled for second quarter 2018.

In addition to the foregoing projects, ENGIE Brasil Energia has projects at an advanced stage of development as shown in the following chart.

Projects under development (as at 12.31.2017) GRI EU10	Total capacity (MW)	Type	Ownership	Location
Santo Agostinho Complex	600.0	wind	100%	Lajes and Pedro Avelino (RN)
Norte Catarinense	600.0	thermal	100%	Garuva (SC)
Campo Largo Complex - Phase II	330.0	wind	100%	Umburanas and Sento Sé (BA)
Umburanas Complex - Fase II	245.0	wind	100%	Umburanas (BA)
Alvorada Photovoltaic Complex	90.0	solar	100%	Bom Jesus da Lapa (BA)
Assú Complex - Units I, II, III e IV	146.8	solar	100%	Assú (RN)
Total	2,011.8			

The Company remains alert to the potential of photovoltaic solar energy in the areas where it is installing wind farms as well as to opportunities that may accelerate the development of this energy source in line with the energy transition occurring on a global scale.

Santo Agostinho Wind Complex: located in the municipal districts of Lajes and Pedro Avelino in the state of Rio Grande do Norte, this project has a potential output of 600 MW. In June 2016, the state environmental protection agency, Instituto de Desenvolvimento Sustentável e Meio Ambiente (Idema), issued a Preliminary License. The project has been registered for the next A-4 energy auction scheduled for April 2018.

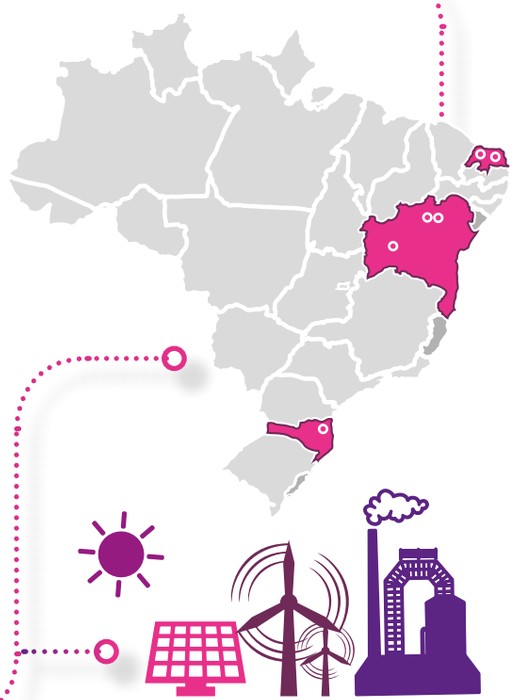
Norte Catarinense Thermoelectric Power Plant: located at a site in the municipal district of Garuva (SC), this is a natural gas combined cycle plant with an installed capacity of about 600 MW.

Campo Largo Wind Complex - (Phase II): will add a further approximately 330 MW of installed capacity to the Campo Largo Wind Complex, the full documentation necessary to participate in the energy auctions has already been prepared. The Complex is also registered to take part in the energy auction programed for April.

Umburanas Wind Complex- (Phase II): with an installed capacity of 245 MW, the environmental licensing for the Second Phase has been issued with energy under this second phase to be harnessed by EBE in due course alongside the Campo Largo Wind Complex, thus maximizing synergies during implementation and subsequent commercial operations.

Alvorada Photovoltaic Complex: located in the State of Bahia, this plant consists of three projects with a total installed capacity of up to 90 MWp. All projects are at the stage of raising solar irradiance data and received their Preliminary License in August 2016, qualifying them for participation in forthcoming new energy auctions.

Assú Photovoltaic Complex: with a total installed capacity of approximately 183 MWp, consisting of five projects, among them Assú V. Assú V went into commercial operations in December 2017. The remaining projects are at the stage of evaluating solar radiation data, with Preliminary License already issued, the plant being registered to take part in forthcoming new energy auctions.



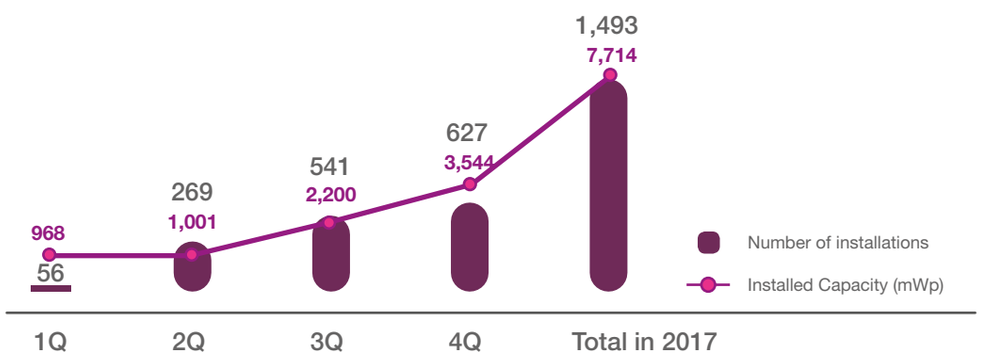
Distributed generation

ENGIE Brasil Energia's debut in the distributed solar energy segment in 2016 signaled a key strategic step towards insertion in the energy transition context. At the end of 2017, a controlled company in which the Company holds a 50% stake, ENGIE Geração Solar Distribuída S.A. already has systems operating in 14 units of the Federation, a total of 1,493 installations with a total potential output of 7,714 kWp.

Part of this achievement stems from the implementation of the Efficient Bonus Program – Photovoltaic Line and developed in partnership with Centrais Elétricas de Santa Catarina (Celesc). Projected for the installation of a thousand photovoltaic systems in households and companies in the state of Santa Catarina, the receptivity of the Program was such that its scope was increased by a further 250 systems.

The segment gained additional significance relative to the Company's activities in 2017 with the launch of a new Program: the Solar Industry. This aims to encourage the generation of photovoltaic energy by the more than 50 thousand industries in the state of Santa Catarina. Prospects are for exponential growth in the coming years.

Number of units and installed capacity – ENGIE Geração Solar Distribuída



Solar Industry Program

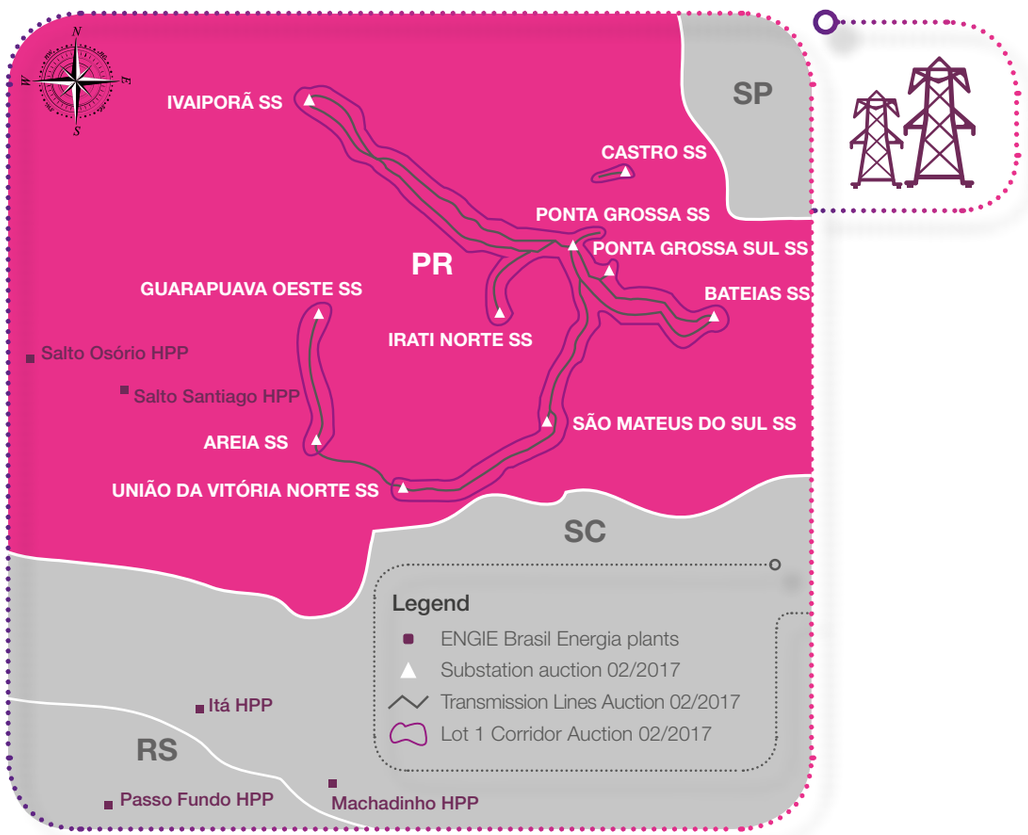
A partnership between the Federation of the Industries of the State of Santa Catarina (FIESC), ENGIE Geração Solar Distribuída and WEG S.A., the Solar Industry Program is divided into two phases. The first is a pilot project offering special conditions for the acquisition and installation of photovoltaic systems for employees of ENGIE Brasil Energia, FIESC, Social Service for Industry (SESI/SC), National Industrial Apprenticeship Service (SENAI/SC), Instituto Euvaldo Lodi (IEL), Celesc and WEG.

By the end of December, 1250 people had enrolled for this particular phase. Subsequently in 2018, systems will be offered to other state industries and their employees, thus expanding the coverage of the scheme.



Transmission

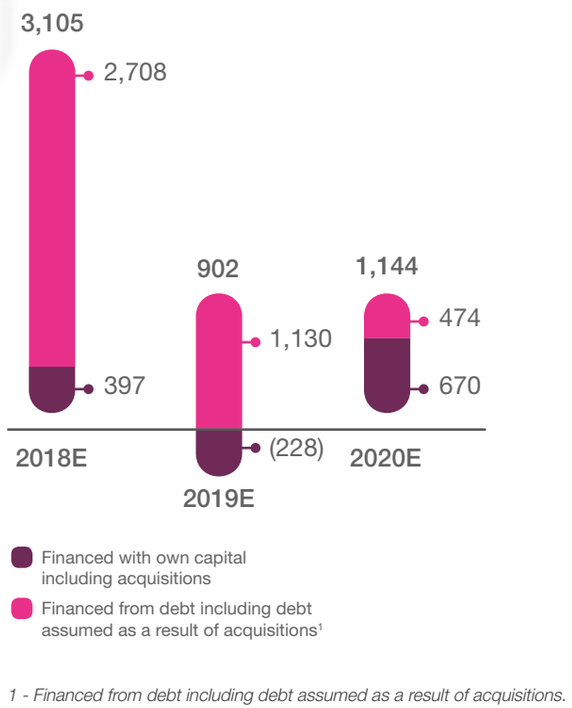
The Company's growth strategy includes diversification into complementary segments of the electricity sector such as infrastructure and services. On December 15, 2017, the Company participated in Aneel Transmission Auction 02. The Company made the winning bid for approximately 1,050 kilometers of transmission line for installation in the state of Paraná. The bid provides also for the building of five substations (see more here).



Investment forecast

For the effective expansion of the preceding items, the Company is forecasting future investments funded from two sources of financing as shown in the following chart.

Budgeted investments and respective sources of finance (R$ millions)



1 - Financed from debt including debt assumed as a result of acquisitions.

Energy commercialization

The Company commercializes energy both through the Regulated Contracting Environment (ACR) as well as the Free Contracting Environment (ACL). In the former, sales are conducted through auctions organized by Aneel, ENGIE Brasil Energia participating whenever the price ceiling proposed ensures the viability of the projects to be developed or is in line with the outlook for future prices in the case of existing energy.

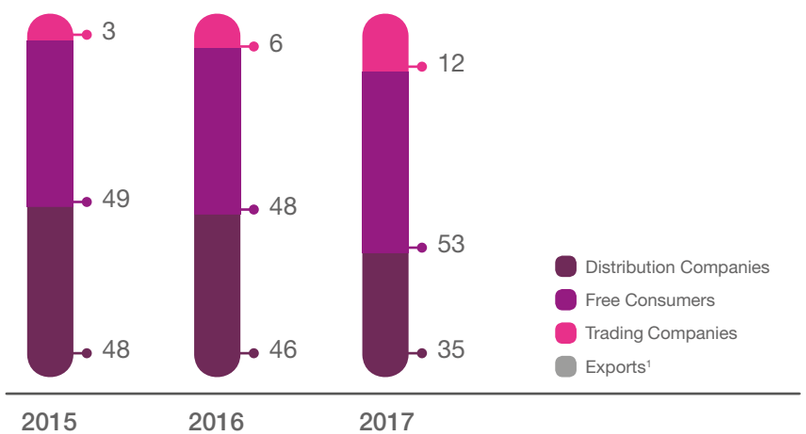
GRI 102-6

In the free market, the Company adopts the practice of gradually selling available energy, seeking attractive values as well as minimizing the risks of exposure to short-term prices (spot or Price for Settlement of Differences — PLD). Thus, commercialization takes place when there is a greater propensity to buy in the market. In the light of constant deficits in hydro generation of recent years, ENGIE Brasil Energia has chosen to leave a larger volume of its commercial capacity uncontracted in the short-term market and whenever necessary or opportune, acquire energy for resale. More details on portfolio management are described in the chapter "Operational and commercial risks".

In 2017, free consumers accounted for 53.4% of physical sales and 49.0% of net operational revenue (to distributors, trading companies, free clients and exports), decreases of 5.5 p.p. and 3.9 p.p., respectively compared with 2016.

Thanks to its proactive portfolio management and market penetration, ENGIE Brasil Energia expanded the number of sales contracts significantly during 2017. At the end of the year, the Company had 280 registered clients, occupying 758 consumer units, 22.8% and 28.0% greater, respectively than recorded in 2016.

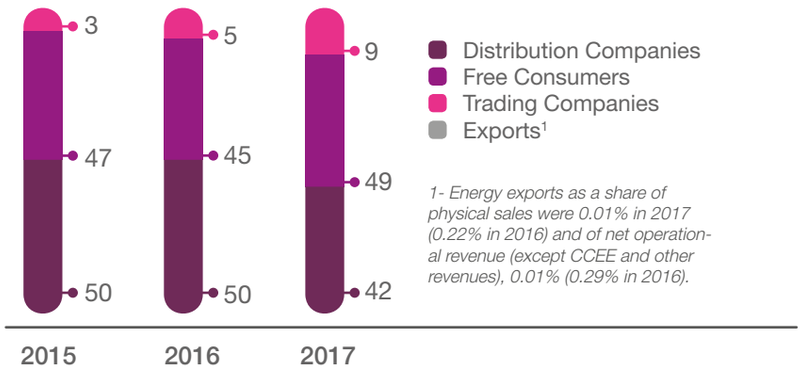
Breakdown by clients by physical sales (%)



1- Energy exports as a share of physical sales were 0.01% in 2017 (0.22% in 2016) and of net operational revenue (except CCEE and other revenues), 0.01% (0.29% in 2016).

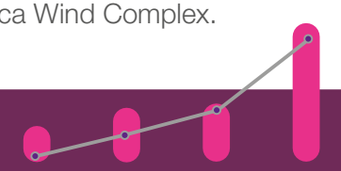
Breakdown of clients by contracted sales comprising net operational revenue

(%)



1- Energy exports as a share of physical sales were 0.01% in 2017 (0.22% in 2016) and of net operational revenue (except CCEE and other revenues), 0.01% (0.29% in 2016).

The growth in the share of sales to free consumers reflects the greater volume of incentivized energy sales to clients that have migrated from the regulated environment. This process was enhanced with the startup in commercial operations at the Santa Mônica Wind Complex.



Sales volume

In 2017, energy sales volume reported 35,761 GWh (4,082 avMW) against 34,789 GWh (3,961 avMW) recorded in 2016, a growth of 972 GWh (121 avMW) or 2.8%.

GRI 302-1

This variation is largely due to the combination of growth in conventional energy sales to trading companies and incentivized energy sales to free consumers. In addition, in early 2017, the majority of the wind farms began commercial operations in the Santa Mônica Wind Complex, which has a physical guarantee of 47.4 avMW.

Energy Retailer

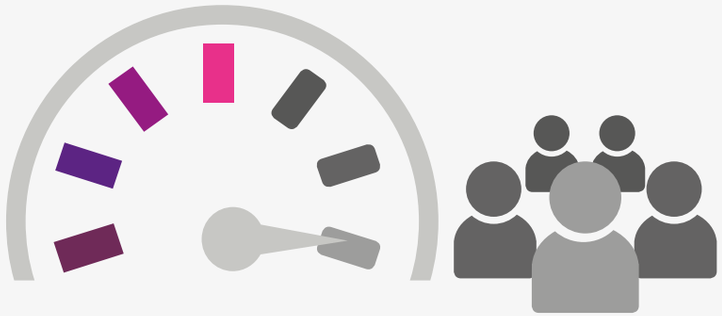
ENGIE Brasil Energia's Energy Retailer was set up in 2017 with the aim of increasing the Company's share of the free market, principally through clients exiting the regulated market. This strategy is aligned to business objectives for achieving greater penetration in the retail market – an area consisting of companies smaller than those traditionally served by the Company. This will permit greater diversification of business segments based on the offer of new services to this class of industrial and commercial consumers, conditional on their eligibility to the free market.

In addition to the increase in the volume of business and the numbers of commercial partners, a further consequence of the expansion in the portfolio of small clients will be the increased investments in the Company's unconventional renewable generation and necessary to attend this category of consumer, the majority of the Energy Retailer's estimated portfolio. This will stimulate a chain reaction with an increase in the client base triggering greater investment in clean energy.

Satisfied clients

ENGIE Brasil Energia reported a 97.7% satisfaction rate, a reflection of the increasingly close proximity to clients as well as the Company's flexibility in meeting demands.

Among the positive points highlighted by customers were the team's technical knowledge together with the soundness, reliability and ethical conduct of ENGIE Brasil Energia.



Innovation

ENGIE Brasil Energia Research's and Development Program features as an important tool in this sense. Regulated under Law 9.991/2000, which determines that energy generation, transmission and distribution companies must apply 1% of their annual net revenue in R&D projects, this Program is anchored in partnerships established with universities and research institutions, thus reinforcing the Company's culture of open innovation.

GRI G4 - DMA Sectorial – EU8

Investments under this program in 2017 totaled R$ 31.5 million and split as follows:

R$ 12.6 million
to the National Scientific and Technological Development Fund (FNDCT);

R$ 6.3 million
to the Ministry of Mines and Energy (MME) for funding the Energy Research Company (EPE);

R$ 12.6 million
to investments in new or pending R&D projects.

Innovative culture

A culture of innovation in the Company is fostered through the Inove Award!. This stimulates employees to propose innovative ideas and solutions for improving processes, products and services. In the 2017 edition of the Prize, 62 proposals were received of which 46 in the "Action" category with proposals for solutions to immediate challenges. A further 16 in the "Idea" category related to suggestions for improvements.

The Company invested R$ 5.8 million in projects with work already in progress and related to the themes described in the table below.

R&D project areas - 2017

Area	Amount invested (R$)
Alternative sources of electric energy	2,397,874.81
Supervision, control and protection of electric energy systems	1,082,174.72
Management of the R&D program	717,425.85
Environment	588,034.05
Quality and reliability of the electric energy services	432,225.31
Planning of the electric energy system	399,224.58
Thermoelectric generation	134,625.05
Energy efficiency	75,372.37
Operation of electric energy systems	7,609.76
Electric energy generation	6,068.28
Total	**R$ 5,840,634.70**

Some of the principal initiatives where work is in progress include research related to the energy transition. For example, in 2017, the Company began a project for the technical, regulatory, and economic development and evaluation of energy storage systems for centralized and distributed generation. Budgeted at R$ 25.4 million over a 36-month period, the work involves an assessment of electrochemical battery systems under several different conditions. The Universidade Federal de Santa Catarina (UFSC) is responsible for the execution of the project. On another front and in partnership with the Controlling Company's research centers in Europe as well as companies in Brazil, ENGIE Brasil Energia has begun developing a methodology for characterization of natural hydrogen using detectors installed in different regions of Brazil. The aim is to identify areas that are rich in the production of this gas and monitor them for 12 months to understand the potential of gas reserves as a source of energy.

Investment in open innovation is one more way the Company can encourage the creation of future businesses. In a global context, the Controlling Company runs a digital platform for two areas: specific projects of corporate interest and innovative projects without restriction. In the first area, the Company registered 44 calls, obtaining 967 responses and resulting in four projects. In the second, 252 suggestions were received.

In Brazil, a recent investment along these lines of innovation is LinkLab, a space sponsored by ENGIE Brasil Energia in Florianópolis (SC) for promoting the connection between startups and medium and large companies. Implemented by the Catarinese Association of Technology Companies (Associação Catarinense de Empresas de Tecnologia - Acate), LinkLab is a medium through which partners can be identified for developing innovative solutions of interest to the Company such as the daily routine of the client, energy resources, cyber-security, the internet of things, energy efficiency and sustainable urban mobility, among others.

Risk Management

Valuation and control

GRI 102-11

At ENGIE Brasil Energia, risk analysis is an exercise which involves the employees, managers and officers including the Company's Chief Executive Officer as well as the Risk Management Committee. Results of this joint evaluation are registered in the Risks and Business Opportunities Matrix, an internal document which serves as guidance to the Company.

Approved in 2016 by the Board of Directors, the Management of Risks and Opportunities Policy provides an analysis of the Company in relation to these aspects. Systematically permeating all activities and involving both senior management and staff, this analysis is based on three core principles:

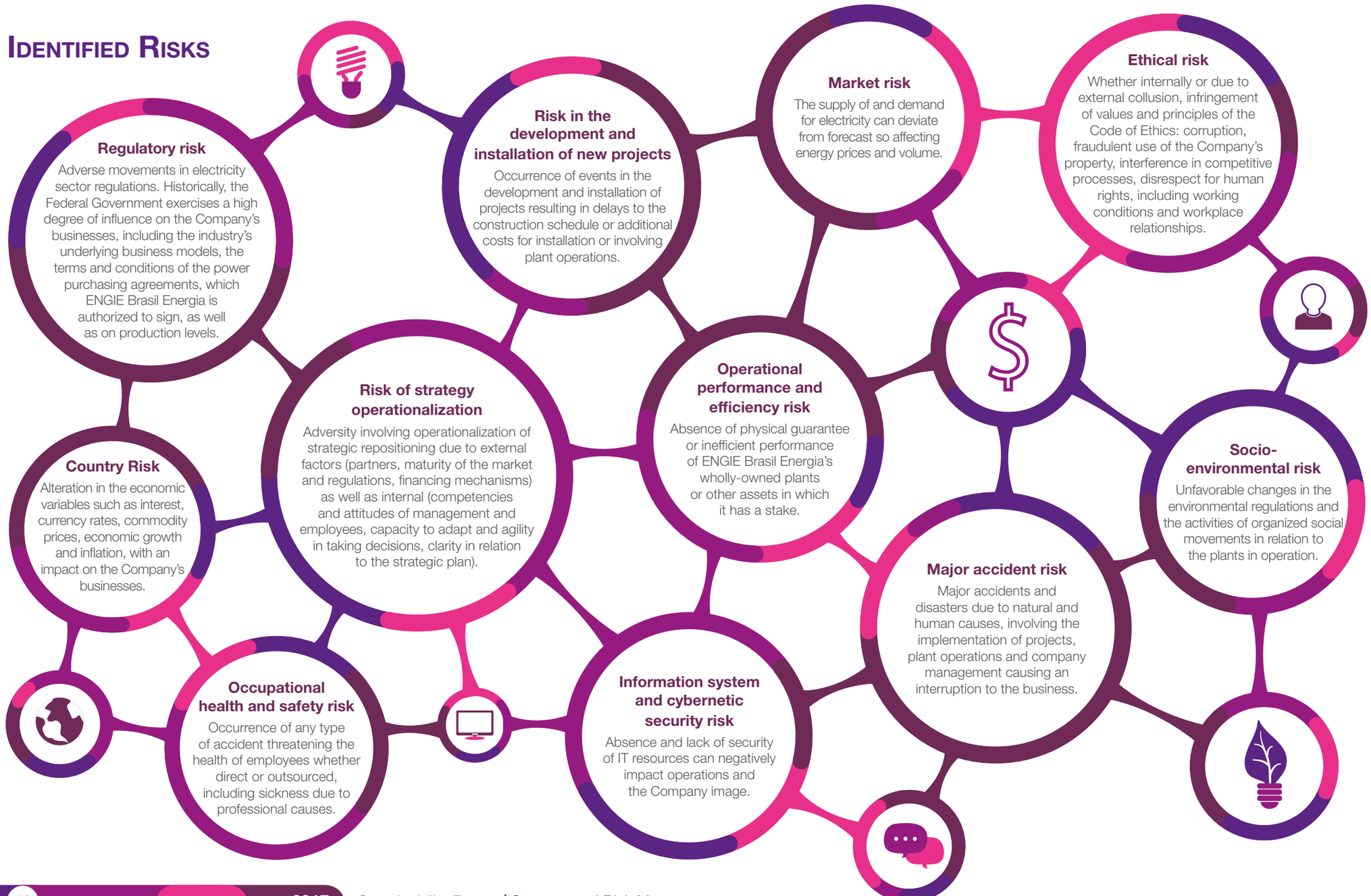


- Creation and maintenance of value, reputation and internal motivation.
- Encouraging a certain degree of risk taking, deemed reasonable relative to legal, economic and social aspects.
- Assurance of conformity of actions with legal and regulatory obligations as well as with ENGIE Brasil Energia's values.

As called for in the Policy, the analysis of business risks encompasses their identification and classification as to the probability of occurrence and significance in terms of financial, strategic and operational impact.



Identified Risks



Contingency Plans

GRI G4-DMA Sectorial

Within the scope of risk management processes, emergency situations in the form of major accidents and disasters are subject to permanent control on the part of the Company where such events are the result of human and natural causes involving the installation of projects, plant operations and the management of the business. In this context, all plants are certified under the NBR ISO 14001 standard and maintain Emergency Response Plans, which provide for specific responses to a range of different emergency contingencies according to the reality and nature of each plant operation.

In the case of dams, all those operated by ENGIE Brasil Energia are classified as low risk in the matrix regulated by the National Waters Agency (ANA) and adopted by Aneel. The Company adopts premium engineering practices in its hydroelectric projects, from construction to operation and maintenance activities. These practices contemplate the monitoring of the civil structures through inspections, analysis and preventive maintenance undertaken by a specialized team. Consequently, potential impacts on human life, the environment and the economy are mitigated.

ENGIE Brasil Energia adopts dam safety methodology in accordance with Aneel Normative Resolution 696 of December 2015 as well as Law 12.334 of September 2010, which established the National Dam Safety Policy. The Company also adheres to the recommendations of ICOLD - International Commission on Large Dams and the CBGB – Brazilian Large Dams Committee. On the basis of these norms, ENGIE Brasil Energia has prepared Dam Safety Plans for all the hydroelectric power plants under its responsibility.

Internal controls

ENGIE Brasil Energia prioritizes the ethical conduct of its subsidiaries. In addition to the Policy and Code of Ethics, the Company adopts a rigorous program of internal controls known as Income and implemented by all direct and indirect subsidiaries. The program was launched in 2005 in the light of the enactment of the Sarbanes-Oxley Act. All the Company's operations are incorporated under 12 processes, each of which in turn are divided in 14 sub-processes. Further to the use of the processes and sub-processes under the Income program for evaluating internal controls, an analysis of the overall control environment is conducted based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In addition, the results of the internal audit tests and the evaluation of the overall controls environment are approved by the Chief Executive Officer and by the Chief Financial and Investor Relations Officer, then being submitted to the Fiscal Council and the Board of Directors.

Novo mercado and impacts on risk management and governance

In 2016, B3 began a process of dialog with companies and regulatory and representative bodies as well as with civil society as a whole. The purpose was to propose enhanced requirements for the Novo Mercado, the segment on the Brazilian bourse in which the companies with the most stringent level of governance are listed. The proposals were accepted by the companies in 2017 and ratified by B3 in the same year.

ENGIE Brasil Energia already complied with the majority of the new proposals arising from the review of the regulations. As a result, the Company is working towards incorporating all complementary guidelines before the end of 2018:



Creation of the Audit Committee:

Currently, the Company's Fiscal Council performs duties which are additional to those usually carried out by this body in the format established by the legislation. Among such responsibilities are for example, the evaluation of risk management and internal control systems. With its establishment, the Audit Committee will incorporate these questions and also be responsible for matters relating to internal and external audit activities as well as book-keeping information, internal policies and ethical issues. Subordinated to the Board of Directors, the majority of the members on the Audit Committee will be independent in accordance with regulations.



Internal Audit Report:

With the creation of the Audit Committee, the Internal Audit area will report to the members of this Committee and no longer to the Chief Executive Officer as is the case currently. In this way, greater autonomy and equality is assured to the work of this area thus improving risk management and corporate governance.

Operational and commercial risks

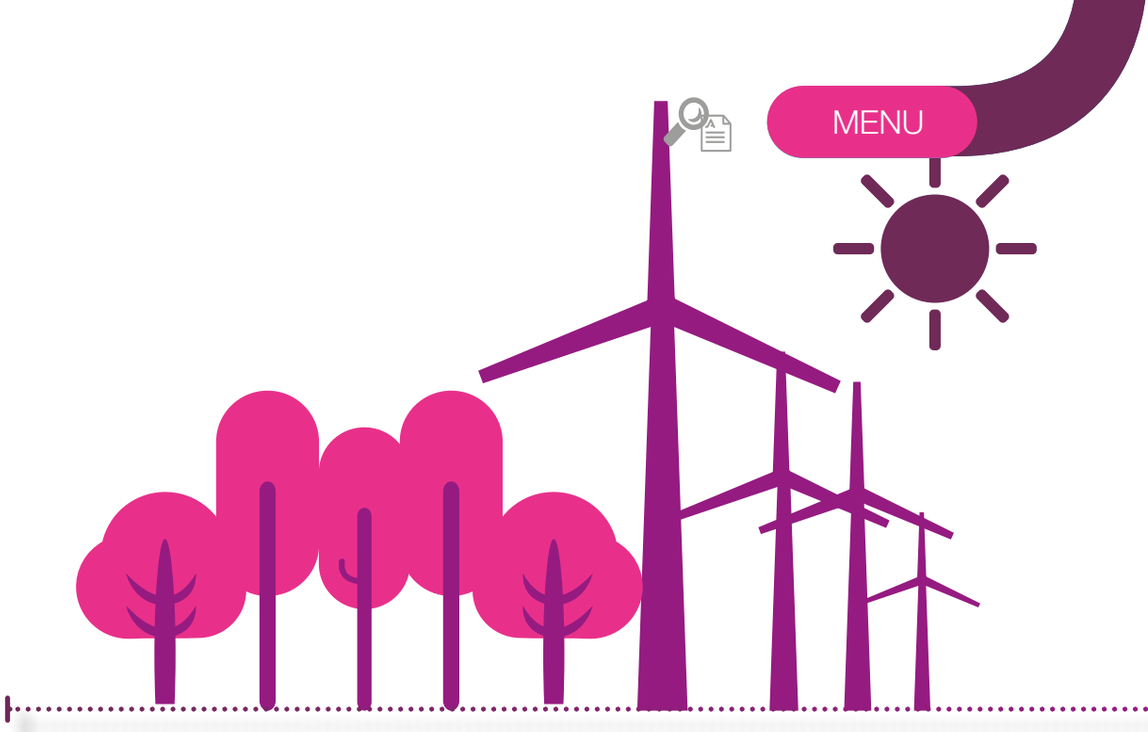
Management of the generator and trading company commercial portfolios is recognized as critical in improving or protecting the financial results of organizations. Even in the case of companies in the electric sector deemed as references in terms of operation and maintenance of the generator complex, eventual operational and commercial errors committed can have a critical impact on financial results.

In this context, each organization has a different appetite for risk. Organizations adopting more conservative commercial strategies usually show greater predictability of results. Conversely, there are more limited chances for ramping up gains. More aggressive commercial appetites produce more volatile results, both positive and negative. Hence, each company and therefore each investor work with their own adequate optimum level of acceptable risk.

Optimum commercialization amount

When the Company fails to sell part of the energy to which it has a right to trade (equivalent to its total commercial capacity) in any one month, this excess energy is settled (sold) at the PLD through the Energy Trade Board (CCEE). If the PLD is high – which is usually the case during periods of low rainfall – this is positive for the Company's results. The reverse also applies: settlement at a low PLD has a negative impact on results. In order not to run the risk of having to settle an excess at the PLD, a company can choose to sell future 100% of its total commercial resources, thereby avoiding exposure to price oscillations. However, in the event that some form of maintenance work is required on the generator complex, preventing the generation of committed energy, or there is a GSF event in the month in question (according to the MRE), the Company will have to purchase its energy at the PLD. Consequently in the event of such contingencies, the future sale of all the energy generated to avoid exposure to the PLD can sometimes have the opposite effect to what is desired.

Hence the control of portfolio exposure risk is directly related to the outlook for the net position (available resources less sales) and PLD. ENGIE Brasil Energia monitors and exercises strict control through metrics and indicators on a daily basis.



Acronyms and concepts involved

PLD | Price for the Settlement of Differences: represents the price at which the net positions of the agents that trade energy in the wholesale market are settled. The PLD value is determined on a weekly basis for each load category, limited by the maximum and minimum price prevailing for each calculation period and submarket.

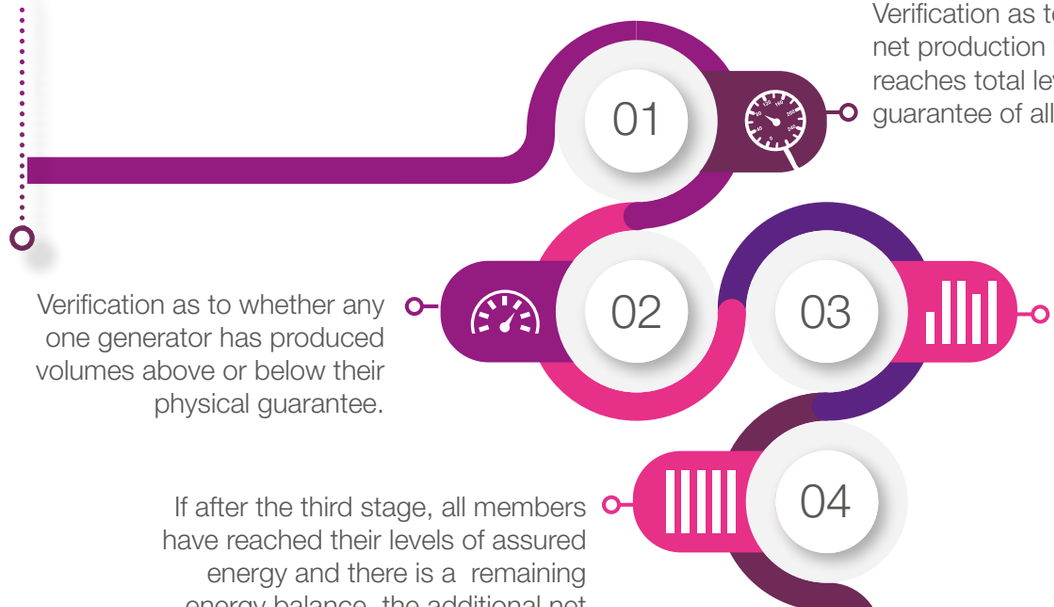
MRE | Hydrological Risk Reallocation Mechanism: is designed to distribute the hydrological risk among hydroelectric power plants.

GSF | Generation Scaling Factor: is the index reached by applying the total amount of hydroelectric energy produced by all MRE participants against the latter's respective assured energy. A GSF of less than 1 means that production of hydroelectric generation will be less than the allocated guaranteed energy and as such, the hydroelectric energy companies are exposed to the short term market.

Hydrological Risk and MRE

All hydroelectric generators with centralized dispatch are obligatory members of the MRE – the Small Hydroelectric Power Plants - SHPs may join the MRE under specific conditions. The MRE transfers the excess production from the plants that have exceeded their physical guarantee to members that have reported generation below the respective physical guarantees. Energy transfers within the scope of the MRE are remunerated through the "Energy Optimization Tariff (TEO)", which covers the average costs of hydro plant operations and maintenance.

In the MRE, the energy balance is allocated based on a process involving four stages:



01 – Verification as to whether total net production within the MRE reaches total levels of physical guarantee of all the members.

02 – Verification as to whether any one generator has produced volumes above or below their physical guarantee.

03 – The generators which have produced above their physical guarantee obligatorily transfer the additional energy they have generated to those which have generated below the guarantee. The allocation of this additional amount is executed primarily between generators in the same submarket[2] and subsequently between different submarkets to ensure that all members of the MRE reach their respective levels of physical guarantee.

04 – If after the third stage, all members have reached their levels of assured energy and there is a remaining energy balance, the additional net generation, known as Secondary Energy, must be allocated between the generators of the different submarkets. If all members of the MRE have still not reached their levels of assured energy, the energy shortfall will be purchased by MRE members at the PLD.

2 There are four Brazilian submarkets: Southeast and Central-West (SE/CO); South (S); Northeast (NE); North (N).

Renegotiation of the hydrological risk

Law 13.203 of December 08, 2015 legislates on the renegotiation of the hydrological risk of electric energy generation with respect to contracted energy in the regulated ACR and free ACL contracting environments via payment of a risk premium by the generators in favor of the consumers. The renegotiation rules establish options as to level of hydrological risk the generators wish to assume against a corresponding commitment to pay a risk premium set by Aneel for the life of the energy selling agreement. This contracting mechanism allows the hydroelectric generators to limit their financial exposure through the medium of the CCEE. In December 2015, the Company decided to adhere to the negotiation of hydrological risk for plants with energy sold through the Regulated Contracting Environment. Thus, 1,344.51 avMW of energy contracted under the ACR regime is protected from impacts on average above (or worse than) 7.5% of the hydroelectric generation deficit. In addition, the Jaguara and Miranda hydroelectric power plants, the concessions for which were acquired in 2017, have 70% of their commercial capacity (or 377.4 avMW) protected from exposure to the GSF.

Since 2017, the law mitigates the GSF effect resulting from Generation Outside the Merit Order (GFOM) as well as volumes of energy imported from neighboring countries. The legislation dictates that, GFOM should be paid at the prevailing PLD less an opportunity cost (R$ 108/MWh in 2017). However, the regulations setting out the eligible amounts of transferred hydroelectricity to be recovered has still not be finalized.

Seasonal allocation of energy

At the beginning of each year, the hydroelectric generators may declare how much of their commercial capacity will be sold in each one of the 12 months. The distribution of resources should also take into consideration the regional hydrological contexts. For example, a company which has hydroelectric plants in the South of the country only will prefer to make a seasonal adjustment so that it sells more energy in the months which historically are characterized by heavier rainfall in the region and less in the months when there is traditionally less rainfall.

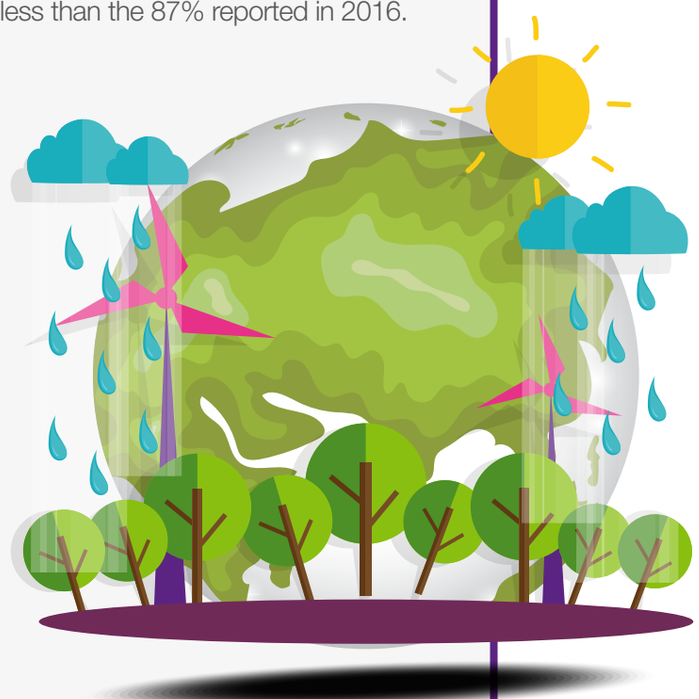


Influence of the hydrological scenario on the sector in 2017

The hydrological situation was even more critical in 2017 than in 2016 in terms of supply of hydroelectricity. Except for the North where the year closed with reservoirs at storage levels slightly above those of January, the other subsystems ended 2017 in a worse state than at the outset of 2017.

This restricted supply of hydro energy together with a recovery in consumption of electricity generally, pushed up PLD prices to considerably higher levels than 2016. In the second half of 2017 (largely the period in Brazil with lower rainfall), PLD prices were particularly strong, hitting their ceiling simultaneously in all submarkets for eight weeks in a row.

According to the CCEE's information bulletin for January 2018, the Generation Scaling Factor (GSF, which represents the percentage of the Physical Guarantee generated by the hydroelectric plants) was 79.4% in 2017, less than the 87% reported in 2016.



Profile of the Company portfolio

ENGIE Brasil Energia's available resources in the portfolio versus energy sold may be analyzed in the energy balance as follows.

Energy balance
(average MW)



As the outcome to the last few years has been a negative GSF, the Company has significantly adopted its commercial strategy, most notably in the short term. The following chart shows a breakdown of the historical percentages of energy sold for the year subsequent to the one analyzed. At the end of 2014, the Company recorded 97.7% of energy already sold relative to 2015. In 2017, this percentage was 88.4%, in other words a higher level of uncontracted energy as a protection hedge - most notably against GSF.

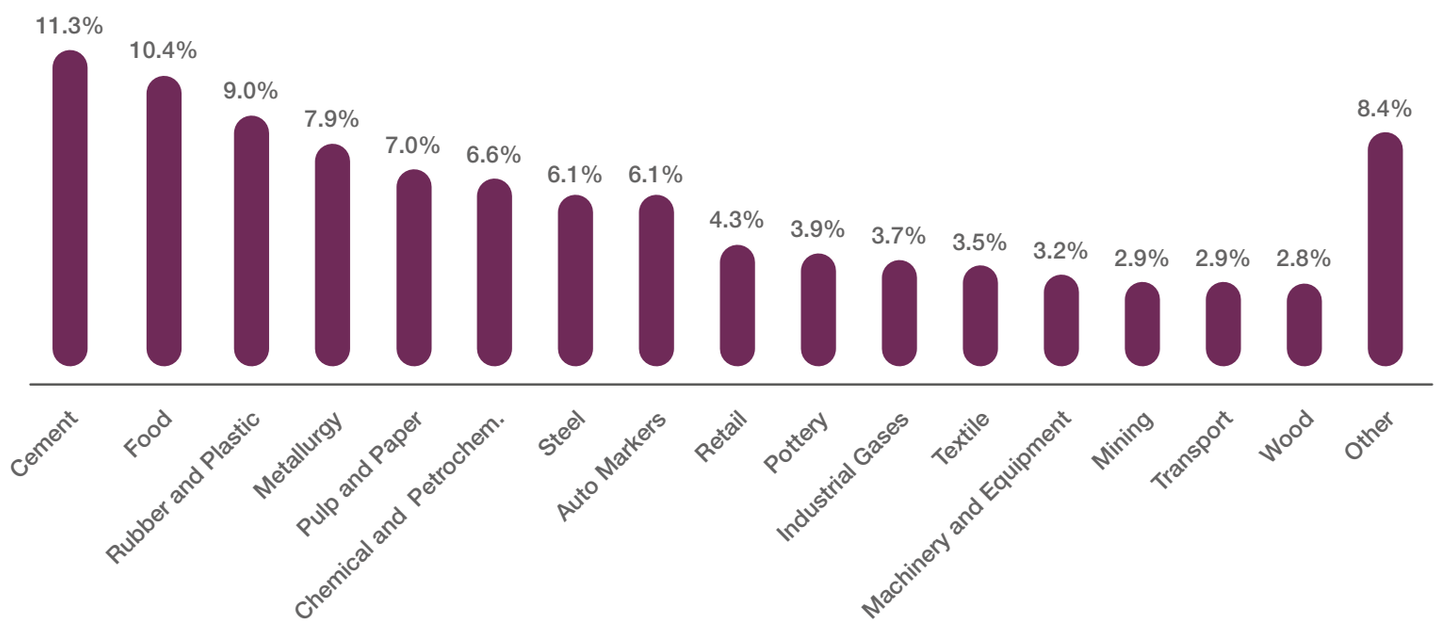
Percentage of energy in the portfolio sold in the following year

Year(N)	% sold in the following year (N+1)
2014	97.7%
2015	96.7%
2016	90.4%
2017	**88.4%**

Diversification of clients

Diversification of the portfolio of clients – made up of companies of different sizes and sectors -, helps offset the impact of negative situations in certain segments, thus protecting the Company against declining revenue. Monitoring the dynamic of the free market, the Company began offering new models of contracting in 2017 and assisting the interaction of clients with different profiles. In this context, negotiations were intensified with medium sized retailers for example.

Diversification of client portfolio
(as at 12.31.2017)



MENU

04 PERFORMANCE



$ R$ 7 billion in net operating revenue

29.5% growth in net income

36,335 Gwh of generated energy

SDG:
UN Sustainable Development Goals



Management of the operations
RELATED MATERIAL THEMES
- Energy and climate change

RELATED PRIORITY SDGs

Capital Markets
RELATED MATERIAL THEMES
- Economic Performance

RELATED PRIORITY SDGs

Economic-financial Management
RELATED MATERIAL THEMES
- Economic Performance

RELATED PRIORITY SDGs

OPERATIONAL MANAGEMENT

The five dimensions covered by the integrated Management System (SIG) and adopted at all the plants operated by ENGIE Brasil Energia are quality, the environment, occupational health and safety, social responsibility and energy management. In 2017, of the 31 plants in operation, 12 were certified according to NBR ISO 9001 (quality), NBR ISO 14001 (environment) and NBR OHSAS 18001 (Occupational Health and Safety) standards. In addition, the Jorge Lacerda Thermoelectric Complex is NBR ISO 50001 certified with respect to Energy Efficiency.

Consequently, the percentage of certified installed capacity is 84.8%.

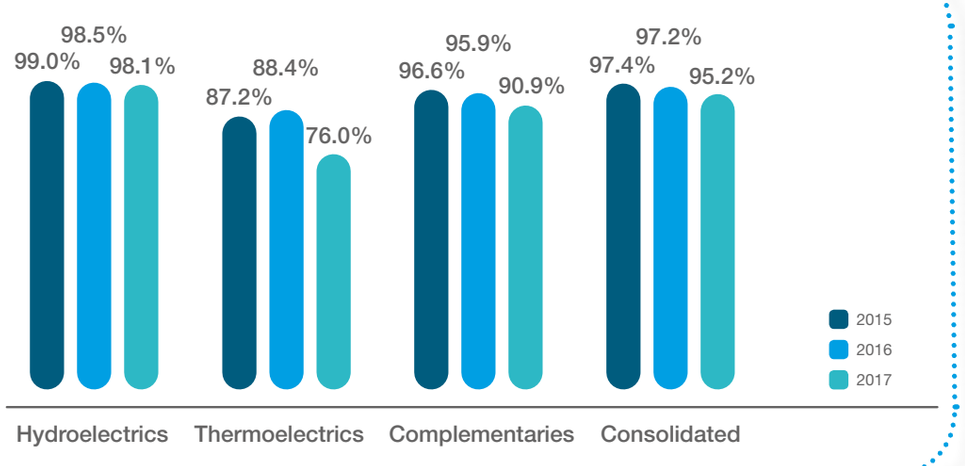
During 2018, the Company will undertake the certification of the Jaguara and Miranda plants – already certified in the name of their former owner – thus further increasing the Company's percentage of certified capacity.

OPERATING PERFORMANCE

Essential to the generating complex's management of quality, reliability, uptime availability and safety are aspects measured by the Company through its plant internal availability indicator. This indicator shows the energy supply capacity of the installations and the hours of unscheduled downtime or downtime caused by events of an urgent nature at the generator units.

For the full 12 months of 2017, excluding scheduled shutdowns, plants reported uptime of 95.2%, namely 98.1% at the hydroelectric plants, 76.0% at the thermoelectrics and 90.9% in the case of the units fired from complementary sources. If all scheduled shutdowns are considered, the aggregate uptime was 88.8% for the Company's plant complex, 93.7% for the hydroelectric operations, 55.8% for the thermoelectric units and 82.0% for the plants fired from complementary sources. GRI EU30

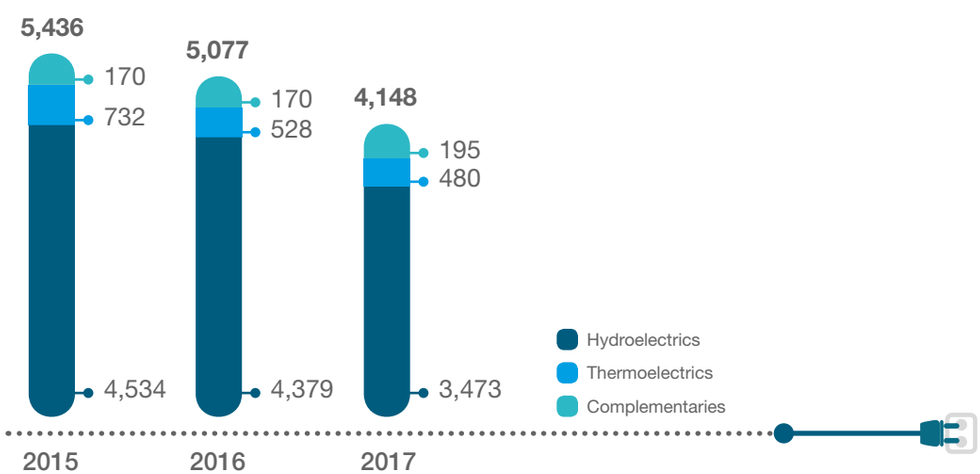
Plant uptime, excluding scheduled stoppages



The reduction in plant uptime in 2017 compared with the preceding year was due principally to a short circuit in the number 2 Unit's excitation transformer at the São Salvador HPP, the loosening of the Unit 2 turbine nose cone at the Passo Fundo Hydroelectric Plant and excessive bearing vibration in the number 2 Generator Unit at the Jorge Lacerda Thermoelectric Plant A. All events has been rectified by year-end.

Total electric energy production was, in 2017, 36,335 GWh (4,148 average MW), a reduction of 18.5% in relation to 2016. Of total volume generated, the hydro plants were responsible for 30,425 GWh (3,473 average MW), a reduction of 20.9%; the thermal plants for 4,204 GWh (480 average MW), a reduction of 9.4%; and the complementary plants for 1,706 GWh (195 average MW), representing an increase of 14.3%. GRI EU2

Generation
(average MW)



In 2017, generation from the hydroelectric plants was lower than 2016, due to reduced water flows in the respective hydrographic basins. Thermoelectric generation was lower than the preceding year due to the decommissioning of the Charqueadas Thermal Power Plant and the reduction of dispatch from the William Arjona Thermal Power Plant. Increased generation from complementary power sources was essentially due to greater output from the Cacimbas, Estrela and Ouro Verde wind farms, which went into operation in 2017, as well as enhanced generation from the Lages Co-Generation Plant.

Average efficiency of ENGIE Brasil Energia's thermoelectric plants GRI G4 EU11

Thermoelectric Plant /Unit		Installed capacity (MW)	Average efficiency (%)	Principal fuel	Aneel benchmark (RN 500)
Jorge Lacerda Thermoelectric Complex	UTLA 1	100	24.44	Coal	30
	UTLA 2	132	29.97	Coal	30
	UTLB	262	28.77	Coal	35
	UTLC	363	33.35	Coal	35
	Total CTJL	857	30.19	Coal	33.6

In this context, it is worth pointing out that an increase in the Company's hydroelectric generation does not necessarily reflect an improvement in economic-financial performance. Conversely, a reduction in this type of generation does not inevitably imply a deterioration in economic-financial performance due to the adoption of the Energy Reallocation Mechanism (MRE), which defrays the risks of hydro generation among its participants.

As to the Company's thermal generation, its increase might reduce (as a function of the Company's level of contracting) exposure to the Price for the Settlement of Differences (PLD), the opposite being the case when there is a decrease, all other variables being equal.

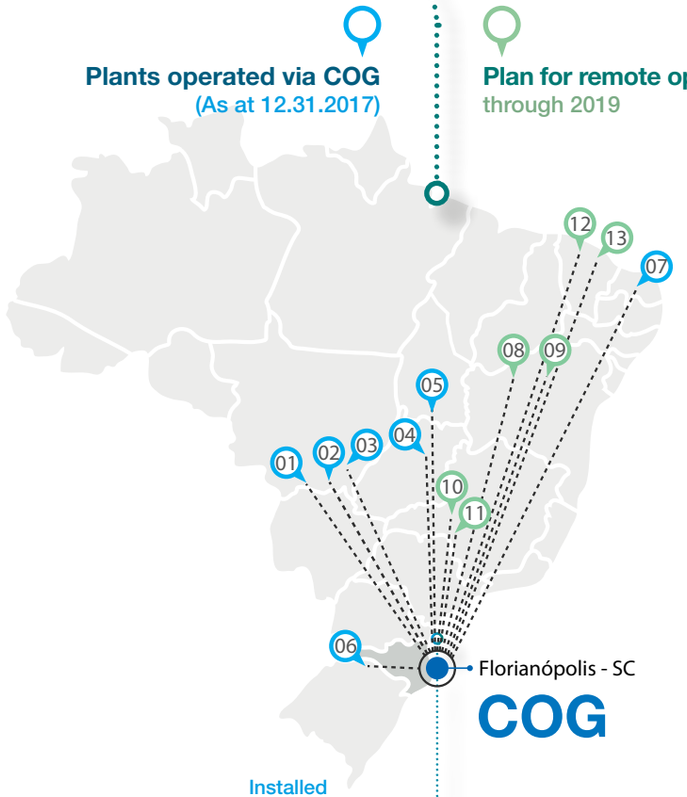
Modernization of the Salto Osório Hydroelectric Power Plant

Following completion of improvements on the Salto Santiago and Passo Fundo hydroelectric power plants, 2018 will be the year for modernizing the Salto Osório Plant in the state of Paraná. Operating since 1976, the plant will undergo a comprehensive structural and technological improvement so extending its useful life according to the required operational standards as well as potentially increasing the physical guarantee of the plant.



Remote operations

In 2017, the Company made further progress towards operating its generating complex on a remote basis through the Generation Operations Center (COG) at the Company's head offices in Florianópolis (SC). The infrastructure of the COG is projected with a focus on digitization and operational excellence. It includes highly sophisticated technological resources which allow monitoring in real time and assure system reliability. At year-end, seven plants were operated out of the COG. In line with corporate plans, a further six should be operated from the Center by late 2019.



	Plant	Installed Capacity (MW)
01	Ponte de Pedra Hydroelectric Power Plant	176.1
02	José Gelazio da Rocha SHP	23.7
03	Rondonópolis SHP	26.6
04	Cana Brava Hydroelectric Power Plant	450.0
05	São Salvador Hydroelectric Power Plant	243.2
06	Passo Fundo Hydroelectric Power Plant	226.0
07	Assú V Photovoltaic Plant	30.0
TOTAL		1,175.6 MW

	Plant	Installed Capacity (MW)
08	Campo Largo Wind Complex – phase I	326.7
09	Umburanas Wind Complex – phase I	360.0
10	Jaguara Hydroelectric Power Plant	424.0
11	Miranda Hydroelectric Power Plant	408.0
12	Trairi Wind Complex	115.4
13	Santa Mônica Wind Complex	97.2
TOTAL		1,731.3 MW

Revision of the physical guarantee of hydroelectric power plants

The physical guarantee sets the maximum amount of energy which a plant can sell and in the case of the hydro plants, establishes its quota for participation in the Energy Reallocation Mechanism (MRE). The criteria for calculating the physical guarantee of the system and the prorating among plants can be found in the specific regulations.

The prevailing legislation dictates that the physical guarantees of the hydroelectric plants must be revised every five years (ordinary revision) or when materially significant facts arise (extraordinary revision). The revisions are designed to adjust the physical guarantees for all the plants whether through changing circumstances of the System, improvements in its representation, computational models, availability of data or other parameters (aversion to risk and cost of deficit for example).

Ministry of Mines and Energy Order 178 of May 3, 2017, announced a revision (ordinary), effective from January 1, 2018. As from the foregoing date, the impact on the Company's plants is shown in the following chart.

	Hydroelectric Plants	Total installed capacity (MW)	Ownership stake	Proprietary installed capacity (MW)	Proprietary physical guarantee (MWm) 2017	Proprietary physical guarantee (MWm) 2018	Difference (MWm)
1	Salto Santiago	1,420.0	100%	1,420.0	755.1	**733.3**	**-21.8**
2	Itá	1,450.0	69.0%	1,126.9	544.2	**564.7**	**20.5**
3	Salto Osório	1,078.0	100%	1,078.0	522.0	**502.6**	**-19.4**
4	Cana Brava	450.0	100%	450.0	273.5	**260.8**	**-12.7**
5	Estreito	1,087.0	40.1%	435.6	256.9	**256.9**	**0.0**
6	Jaguara	424.0	100.0%	424.0	341.0	**341.0**	**0.0**
7	Miranda	408.0	100.0%	408.0	198.2	**198.2**	**0.0**
8	Machadinho	1,140.0	19.3%	403.9	147.2	**165.3**	**18.1**
9	São Salvador	243.2	100%	243.2	151.1	**148.2**	**-2.9**
10	Passo Fundo	226.0	100%	226.0	119.0	**113.1**	**-5.9**
11	Ponte de Pedra	176.1	100%	176.1	133.5	**133.6**	**0.1**
	Total	**8,102.3**		**6,391.7**	**3,441.7**	**3,417.7**	**-24.0**

As can be seen, the results of the revision were negative for total physical guarantee at the Company. However, it is worth pointing out that the new physical amounts for the other plants in the National Interconnected System (SIN) were proportionally even more negative than the revised amounts attributed to ENGIE Brasil Energia's plants. Consequently, there has actually been an increase in the Company's percentage share in the MRE and the domestic electrical system as a whole.

Economic-financial management

Macroeconomic scenario

After two years of decline, the Brazilian economy began to show signs of recovery in 2017, the Gross Domestic Product (GDP) reporting an increase of 1.0% — against -3.5% in 2016 — totaling an aggregate R$ 6.6 trillion for the year[1]. While modest, these signs indicate potential for a more positive business climate over the next few years.

Accounting for about 65% of GDP, household consumption resumed an upward trend in the second half of the year, recording the first improvement since the end of 2014. Among the factors behind this more vigorous consumption is the declining rate of inflation. The Expanded Consumer Price Index (IPCA) reported a year-end figure of 2.95% — against 6.29% in the preceding year[1]. Decreasing interest rates also contributed to the better scenario. During the course of the year, the key Central Bank Selic interest rate fell from 12.9% to 7.4% - the lowest level on record.

The Federal government's primary deficit was R$ 124.4 billion in the year, or 1.9% of GDP. This was the fourth consecutive year of deterioration in the public accounts, reflecting a considerable imbalance between revenues and public expenditure. In 2016, the result had been a negative R$154.3 billion (2.4% of GDP). The deficit in current transactions was US$ 9.762 billion, equivalent to 0.48% of GDP. While negative, this was the best result in 10 years. The result was positively impacted by the commercial trade balance, both in terms of volumes transacted as well as by more favorable prices for some key commodities in the roll call of Brazilian exports such as iron ore and oil. The commercial dollar registered an increase of 1.99% against the Real, quoted at R$ 3.314 for the selling rate[2].

After three years of decline, industrial output in 2017 posted growth of 2.5% — the best performance since 2010[1]. In 2016, the sector had reported a decrease of 6.5%. Despite the recovery, 12.6 million Brazilians were still jobless in the final quarter of 2017, an unemployment rate of 12%, practically flat in relation to 2016. The slight increase in the level of employment is due to the increase in informal work and consequently job creation was slanted more towards the unskilled segment of the labor market.[1]



1 Source: IBGE – Instituto Brasileiro de Geografia e Estatística

2 Source: Central Bank of Brazil

Electricity Power Industry

The gradual recovery in economic activity had a significant effect on demand for electricity in 2017. Compared with 2016, the variation in consumption was 0.8% (463,948 GWh in 2017 against 460,078 GWh for the preceding year).[3]

Industrial consumption of electricity ended the year at 165,883 GWh, an increase of 1.3% against 2016 following two years of consecutive declines. The highlight here was in the extractive and food segments which posted year-on-year growth of 4.9% and 3.6% respectively.[3]

Household consumption contributed with 133,904 GWh in the year, a rise of 0.8% compared with 2016. The South and Central/Western regions were the only ones to report significant growth in this consumer class with an increase of 2.2% and 3.0% respectively, compared with 2016. The remaining regions of the country registered largely flat results between the two years.[3]

In the commercial services class, annual growth was 0.3% at 88,129 GWh. Positive highlights were again the South and the Central/Western regions, which as in the case of the residential class, were the only regions to report significant growth of 1.9% and 1.8% respectively.[3]

Just as in 2016, it is important to note a significant increase in load destined for free consumers amounting to 145.5 TWh, a year-on-year increase of 18.4% and on a 2015 x 2016 comparative basis, 6.8%, evidence of the strong rate of migration to this segment of consumption. Load directed to captive consumers was 318.4 TWh, a 5.6% decrease relative to 2016.[3]

On another front in the electricity sector, that of distributed generation, Aneel data shows that Brazil has now surpassed the 10 thousand solar energy systems hooked up to the electricity network. This represents a sea change compared with 2012 for example when there was just one system in existence. Nevertheless, this number in 2017 shows how far below solar energy systems still are in relation to the country's potential. Aneel is forecasting that by 2024, there will be 1.2 million Brazilians generating their own energy. Hence, the outlook is for the expansion in distributed energy to advance exponentially in the next few years.

3 Source: EPE – Empresa de Pesquisa Energética

Economic-financial performance of the Company

Net Operating Revenue

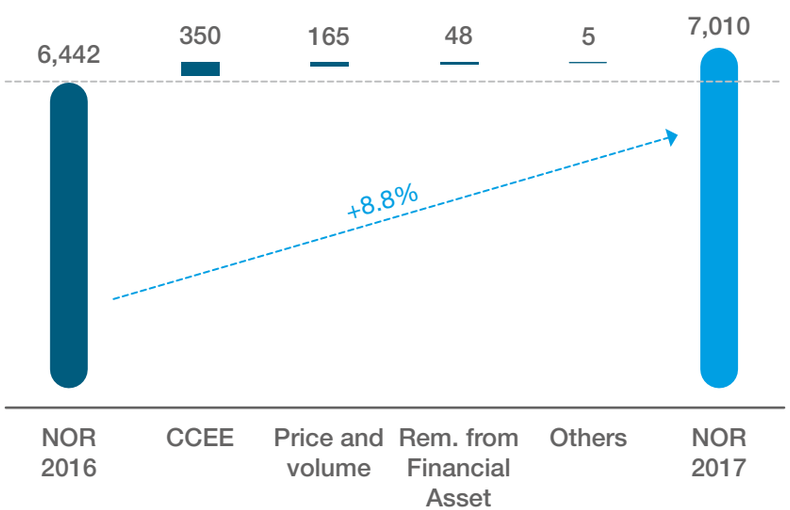
Net operating revenue increased from R$ 6,442.4 million in 2016 to R$ 7,010.0 million in 2017, an increase of R$ 567.6 million (8.8%). The increase is due largely to a combination of the following factors:

- R$ 350.4 million, from an increase in operations transacted in the short-term market, particularly the CCEE;
- R$ 165.1 million due to greater volumes of energy sold partially offset by a slight easing in average sales price to trading companies and free consumers; and
- R$ 47.9 million, from booking of initial revenues from the operation of the Jaguara and Miranda Hydro Plants.

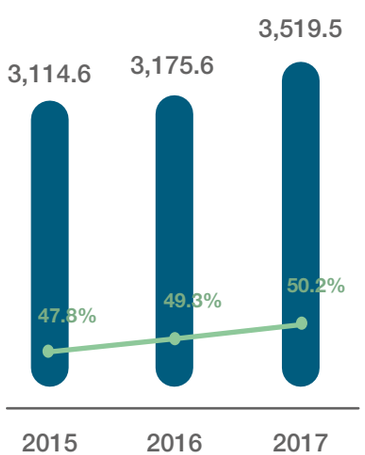
Ebitda and Ebitda margin

Set against the background of the effects already discussed, in 2017, Ebitda increased R$ 343.9 million (10.8%), from R$ 3,175.6 million in 2016 to R$ 3,519.5 million in 2017. Ebitda margin in 2017 was 50.2%, an increase of 0.9 p.p. compared with 2016.

Trend in net operating revenue
(R$ million)



Ebitda* (R$ million) and Ebitda Margin

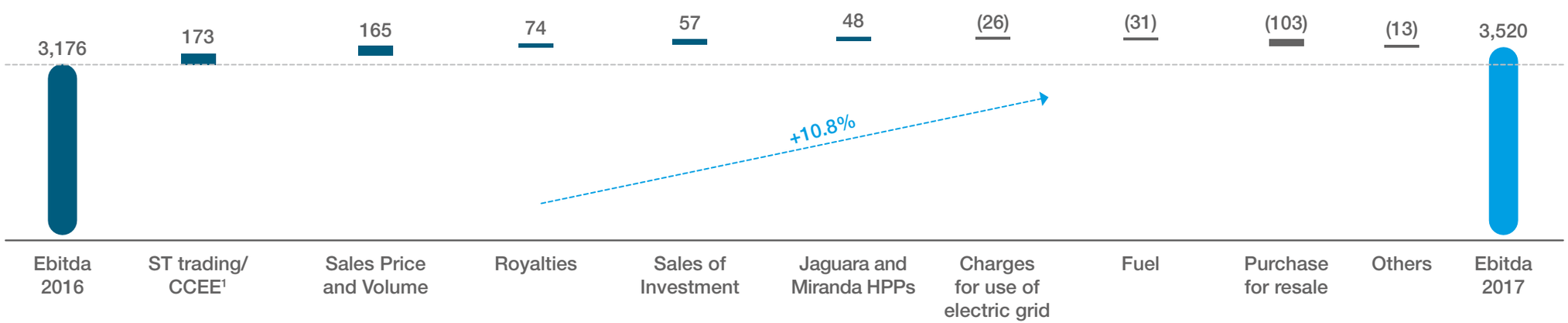


** Ebitda represents: net income + income tax and social contribution + net financial expenses + depreciation and amortization.*

Improvement in these indicators is a reflection of a combination of the following factors:

- a positive variation of R$ 172.6 million in operations conducted in the short-term market – especially those within the scope of the CCEE;
- an increase of R$ 165.1 million in the combination of price and volume of contracted energy;
- a decline of R$ 73.6 million in royalty costs;
- positive results from the sale of investments of R$ 56.9 million;
- the booking of R$ 47.9 million in operating revenue from the Jaguara and Miranda hydroelectric power plants in 2017;
- an increase of R$ 26.1 million in charges for use of the grid;
- a rise of R$ 30.5 million in fuel costs;
- growth of R$ 102.7 million energy purchases for resale; and
- an increase of R$ 12.9 million in other costs and operating expenses.

Ebitda Change
(R$ million)



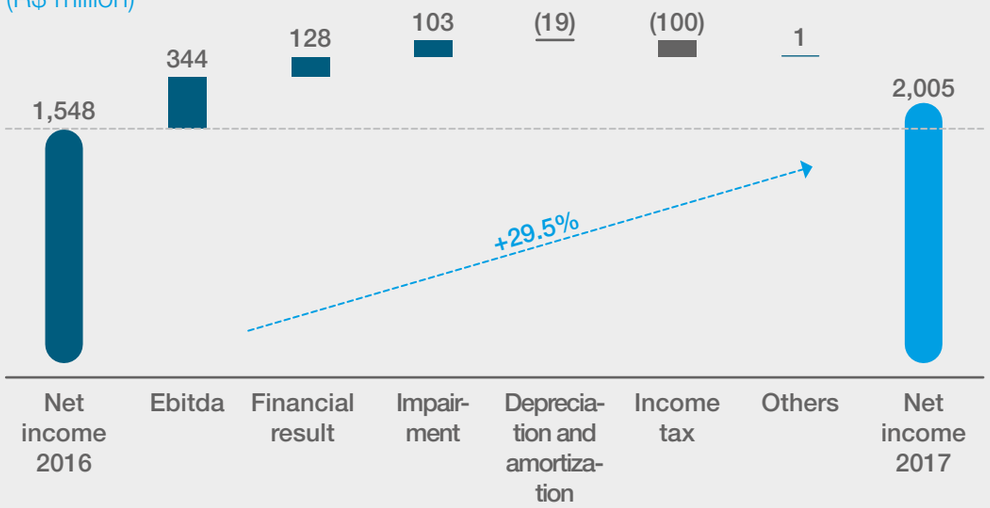
1 - Considers the combined effect of changes in revenue and expenses.

Net income

Net income increased from R$ 1,548.3 million in 2016 to R$ 2,004.6 million, that is an increase of R$ 456.3 million or 29.5%. This variation is due in large part to the following:

- an increase of R$ 343.9 million in Ebitda;
- an increase of R$ 128.1 million of net financial revenue;
- reduction in asset impairment of R$ 102.5 million;
- growth of R$ 18.7 million of depreciation and amortization;
- an increase of R$ 100.4 million in income tax and social contribution; and
- a reduction in the negative result for equity income of R$ 0.9 million.

Net income change
(R$ million)

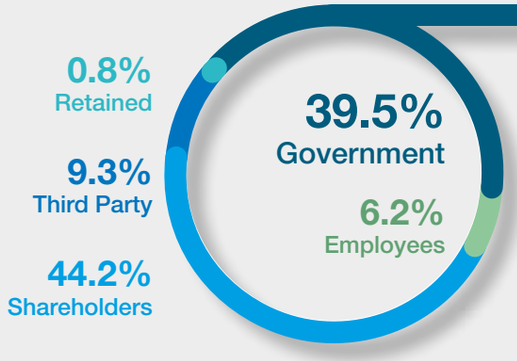


Value added

GRI 201-1

Total Value Added (TVA) in 2017 was R$ 4,454 million, a year-on-year increase of R$ 254.3 million (or 6.1%). Representing value created by the Company on the basis of a global vision of performance, this amount was distributed among the stakeholders as shown in the following chart.

Distribution of Value Added
(%)



Detailed information on the composition of each of the Company's results and in relation to the context in which they were obtained can be found in the Management Report 2017 (click here).

Summary – Economic-financial performance

	2015	2016	2017	Variation 2017/2016
Financial Information (R$ million)				
Total assets	15,289.4	14,419.7	19,568.5	35.7%
Shareholders' equity	6,642.1	6,614.4	6,834.7	3.3%
Net operating revenue	6,512.0	6,442.4	7,010.0	8.8%
Gross income	2,708.9	2,740.9	3,006.0	9.7%
Income before financial result/taxes (Ebit) [1]	2,503.8	2,421.6	2,850.2	17.7%
Income before taxes	2,033.2	2,066.7	2,623.4	26.9%
Net income	1,501.3	1,548.3	2,004.6	29.5%
Ebitda [2]	3,114.6	3,175.6	3,519.5	10.8%
Financial Indicators (R$ million)				
Total debt (loans, financing, debentures and promissory notes, net of hedge operations)	3,758.4	3,088.7	6,738.2	118.2%
Cash and cash equivalents and restricted deposits	2,543.6	1,995.5	2,155.6	8.0%
Net debt	1,214.8	1,093.2	4,582.6	319.2%
Roce [3] (%)	23.1	21.9	18.0	-3.9 p.p.
Gross Debt/Ebitda	1.2	1.0	1.9	0.9 p.p.
Net debt/Ebitda	0.4	0.3	1.3	1.0 p.p.
Participation of third party capital in relation to total assets (%)	56.6	54.1	65.1	11.0 p.p.
Operational margin (%)	31.2	32.1	37.4	5.3 p.p.
Net margin (%)	23.1	24.0	28.6	4.6 p.p.
Shares				
Net earnings per share (R$)	2.3000	2.3720	3.0710	29.5%
Average price per share [4] – ON (R$)	31.72	35.99	33.91	-5.8%
Dividends per share (R$)	1.2789	2.2786	3.0643	34.5%
Employee salaries and benefits	292.3	297.5	277.1	-6.9%
Payments to government	1,858.7	1,814.5	1,759.4	-3.0%

(1) Ebit = operating income + financial result;
(2) Ebitda = net income + income tax and social contribution + net financial expenses + depreciation and amortization + provision for impairments;
(3) Roce (return on employed capital) = results from the service/non-current assets; and
(4) Simple average of daily average prices adjusted for dividends.

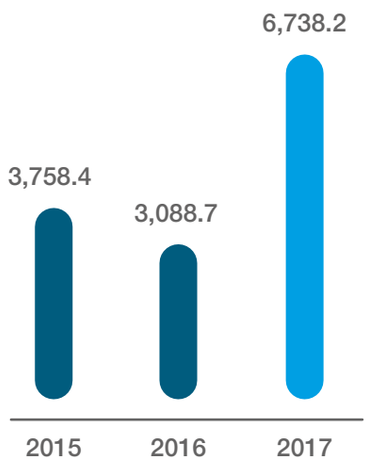
Debt

The Company's total gross consolidated debt as at December 31, 2017, represented mainly by loans, financing, debentures, promissory notes, net of hedge operations, totaled R$ 6,738.2 million, an increase of 118.2% (R$ 3,649.5 million) compared to the position as at December 31, 2016, net of the hedge operations.

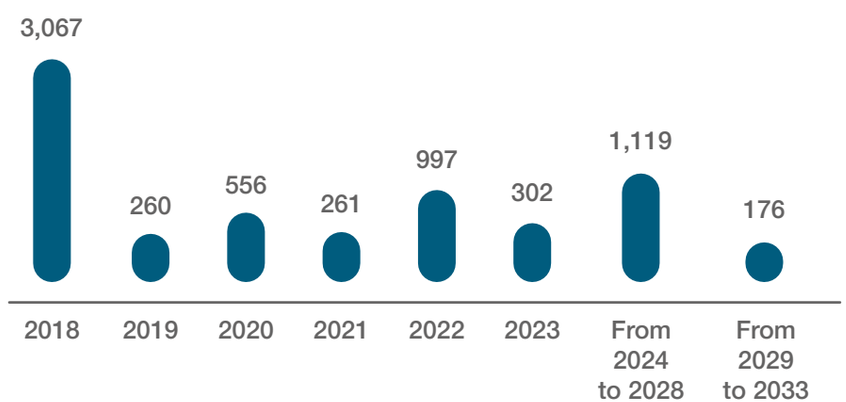
The variation in Company debt is largely related to a combination of the following factors occurring:

- drawdowns from the BNDES and its financial agents in the aggregate amount of R$ 320.5 million for investments in the modernization of the Salto Santiago HPP and for the construction of the Santa Mônica Wind Complex;
- issue of promissory notes for payment of the Jaguara and Miranda hydroelectric power concessions in the amount of R$ 2,096.1 million;
- contracting of loans, protected by swap operations directed principally for the refinancing of debt and the implementation of the Company's business plan – substantially, capital contribution to the subsidiaries Jaguara and Miranda for the payment of the concession grant bonus, in the amount of R$ 1,630.9 million;
- R$ 336.4 million in charges payable together with monetary restatement and currency translation effects;
- R$ 749.2 million in amortization of loans, financing and debentures, of which, R$ 256.1 million refers to the early payment of the São Salvador Hydroelectric Plant and the Jorge Lacerda Thermoelectric Complex' financing with the BNDES and passthrough banks; and
- R$ 13.0 million transfer of financing of subsidiaries and reclassified as assets held for sale.

Total debt
(R$ million)

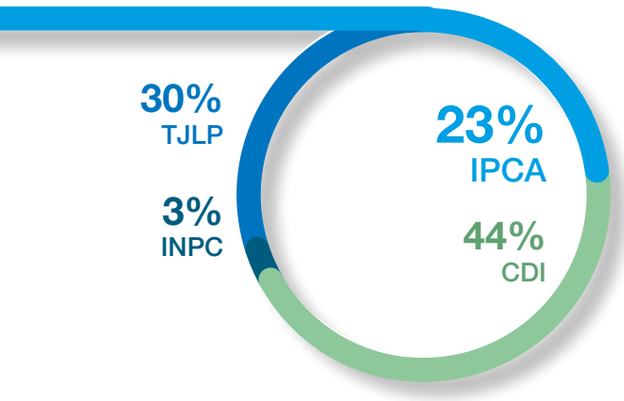


Maturity term loan
(R$ million)



The average weighted nominal cost of debt at the end of 2017 was 8.1% (10.5% at the end of 2016).

Debt breakdown
(as at 12.31.2017)



On December 31, 2017, the Company's net debt (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was R$ 4,582.6 million, an increase of 319.2% compared with the end of 2016.

7 Total debt less result of operations with derivatives, deposits earmarked to guarantee of payments of debt services and cash and cash equivalents.

Net Debt
(R$ million)

	12.31.2015	12.31.2016	12.31.2017	Chg. % 2017/ 2016
Gross debt	4,247.2	3,088.7	6,756.4	118.7
Result of derivatives operations	(488.8)	0.0	(18.2)	0.0
Deposits earmarked for the payment of debt	(146.8)	(180.2)	(225.5)	25.2
Cash and cash equivalents	(2,396.9)	(1,815.3)	(1,930.1)	6.3
Total net debt	**1,214.8**	**1,093.2**	**4,582.6**	**319.2**

Capital expenditures

In 2017, the Company invested R$ 5,538.1 million. A total of R$ 3,531.0 million was invested in the acquisition of the Jaguara and Miranda hydroelectric power plants and R$ 4.0 million refers to the development costs of these projects. A further R$ 1,976.2 million was injected into the construction, maintenance and revitalization of the generating complex and in the acquisition of projects:

- R$ 1,738.3 million in the construction of the Santa Mônica, Campo Largo and Umburanas wind farms, the Pampa Sul Thermoelectric Plant and the Assú Photovoltaic Plant;
- R$ 171.5 million in maintenance work on the generator complex; and
- R$ 66.4 million in modernization of the Salto Santiago Hydroelectric Plant.

In addition, in 2017, the Company acquired projects worth a total of R$ 26.9 million.

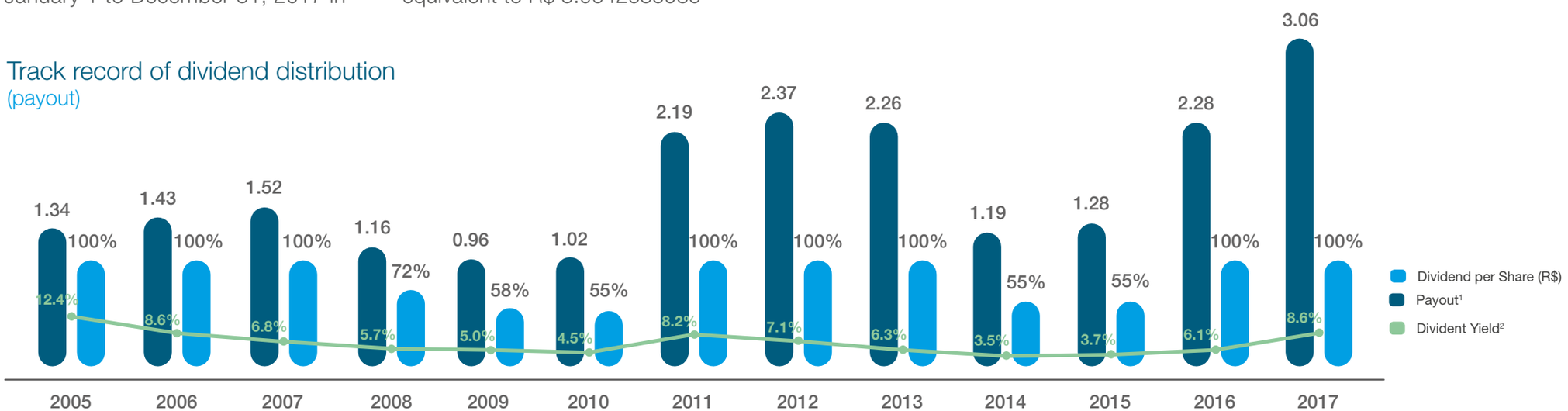


Proposed Complementary Dividends

At a meeting held on February 22, 2018, ENGIE Brasil Energia's Board of Directors approved the proposal for a payout of complementary dividends for the period from January 1 to December 31, 2017 in the amount of R$ 636.8 million (R$ 0.9755096548 per share).

Total payout of earnings in 2017 amounted R$ 2,000.2 million, equivalent to R$ 3.0642635985 per share or 100% of net adjusted distributable income.

Track record of dividend distribution
(payout)



1 Considering adjusted net income for the fiscal year.
2 Based on the closing price weighted for the volume of common shares in the period.

The Company's corporate bylaws establish that dividends should be paid out for no less than 30% of the net adjusted profit. However, management goes further, committing to distribute at least 55% of net adjusted profit.

Capital Markets

The Company's shares are traded on the Brazilian stock exchange under the EGIE3 (100% common shares) symbol. In addition, the Company has a Level I American Depositary Receipts (ADRs) Program, the securities for which are traded on the United States Over-the-Counter (OTC) market under the EGIEY symbol at a ratio of one ADR to every one common share.

The listing on the Novo Mercado – B3's highest level of corporate governance – enhances shareholders' rights and provides guarantees as to the quality of disclosed information in relation to the businesses. During the year, changes were made to the regulations for this listing segment. ENGIE Brasil Energia voted in favor of all the proposed changes to the regulations, believing that they are material to advances in the aspects of transparency, equitability, accountability and corporate responsibility applicable to companies listed in the segment.

Companies must implement the new requirements by early 2021, and those superseding rules already in place, will come into effect as from January 2018. The Company views these new requirements as a valuable contribution to its management and governance and is dedicating maximum effort in implementing the changes as soon as possible. A working party has already been set up and the planning and study of the necessary measures to be taken are already in progress.

Share performance

For the full year of 2017, ENGIE´s shares appreciated 9.3%, slightly below the gains recorded in 2016 of 9.9%. Meanwhile, IEEX rose 10.0% in 2017 the Ibovespa posted gains of 26.9%. The closing price of EGIE3 in the year was R$ 35.51/share, translating into a market value for the Company of R$ 23.2 billion.

Average traded volumes reached R$ 31.0 million, a decrease of 7.4% in relation to 2016, when volumes amounted to R$ 33.5 million.

Below are some of the stock indices of which ENGIE Brasil Energia is a component:

- **Bovespa Stock Index (Ibovespa)**
- **Differentiated Corporate Governance Stock Index (IGC)**
- **Differentiated Tag Along Stock Index (ITAG)**
- **Corporate Sustainability Stock Index (ISE)**
- **Electric Energy Stock Index (IEE)**
- **Vigeo Eiris EM 70**
- **FTSE4Good**

Índice de Sustentabilidade Empresarial ISE

vigeo eiris BEST EM PERFORMERS

FTSE4Good

EGIE vs. Ibovespa vs. IEEX
(Base 100 – 12.31.2016)



Ratings

The Company's ratings were reaffirmed in April and September 2017 with no changes in relation to 2016.

Fitch Ratings
(as at 12.31.2017)

Issue	Classification
Domestic Rating	AAA(bra)
International Rating – Issues in Reais	BBB
International Rating – Foreign Currency issues	BB+
Sixth debenture issue	AAA (bra)

Subsequent to what is shown in this Report, it should be pointed out that due to the downgrading of sovereign rating to 'BB-' in February 2018, Fitch Ratings also downgraded the Company's Long Term International Rating in currency to 'BB', with a stable outlook, albeit still one notch above Brazilian sovereign rating.

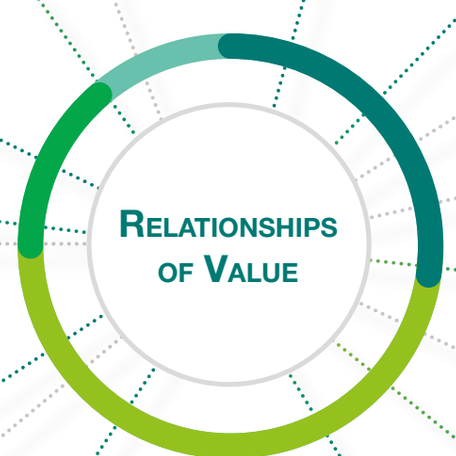
05 RELATIONSHIPS OF VALUE

The Company's activities are driven by respect for people and care for the environment.

- R$ 22.3 million invested in social responsibility initiatives
- 28.4% reduction in water consumption
- 1048 employees
- 8.3% reduction in direct emissions
- 241 springheads protected



SDG: UN Sustainable Development Goals



Environment – Emissions

RELATED MATERIAL THEMES
- Energy and climate change
- Management of impacts on the productive chain

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Society – Clients and Investors

RELATED MATERIAL THEMES
-

RELATED PRIORITY SDGs
-

OTHER RELATED SDGs

Environment - Biodiversity

RELATED MATERIAL THEMES
- Biodiversity

RELATED PRIORITY SDGs
-

OTHER RELATED SDGs

Society – Communities

RELATED MATERIAL THEMES
- Development, equality and safety of people
- Engagement with local communities and stakeholders

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Environment – Water

- Water management
- Engagement with local communities and stakeholders

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Environment – Energy

RELATED MATERIAL THEMES
- Energy and climate change

RELATED PRIORITY SDGs

Environment – Waste

RELATED MATERIAL THEMES
-

RELATED PRIORITY SDGs

Society – employees and suppliers

RELATED MATERIAL THEMES
- Development, equality and safety of people
- Management of impacts on the production chain

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Engagement in Initiatives

RELATED MATERIAL THEMES
- Engagement with local communities and stakeholders

RELATED PRIORITY SDGs

OTHER RELATED SDGs

Environment

ENGIE Brasil Energia

ENGIE Brasil Energia respects the environment as one of its core values, adopting the daily practice of identifying the environmental aspects and impacts arising from its activities through the intermediary of programs and actions for monitoring and control. GRI 102-11

The Company undertakes a series of voluntary initiatives focused on the conservation of natural resources, thus complementing actions adopted for ensuring absolute compliance with the prevailing environmental legislation. The continual improvement in environmental management is contingent on plant certification in line with the NBR ISO 14001 standard. At the end of 2017, 12 plants were certified - nine hydroelectric plants and three thermoelectric units. Together, the certified plants account for 84.8% of total installed capacity and are responsible for 95.2% of net energy generation.

All certified units seek to meet annual management goals related to the impacts and aspects which are identified as most significant. At the end of 2017, 61 of the 88 environmental goals set for the year were achieved while a further eight were listed as work in progress. The goals are based on specific environmental performance indicators, continually monitored by the Company such as management of the biodiversity, consumption of natural resources, waste disposal and greenhouse gas emissions (GGE).

Preventive procedures are taken so that all plants in the generator complex maintain the necessary authorizations and environmental licenses required by the appropriate organs. In 2017, the operational licenses (OL) of the following units were renewed:

Ferrari Thermoelectric Plant: issued by Companhia Ambiental do Estado de São Paulo (Cetesb) on 10/17/2017 expiring on 10/17/2022.

138 kV Transmission Line (Engenheiro José Gelazio da Rocha SHP)**:** issued by the State of Mato Grosso Environmental Protection Agency (SEMA-MT) on 03/10/2017, expiring 03/09/2020.

Rondonópolis SHP: issued by SEMA-MT on 09/01/2017, expiring 08/31/2022.

Itá Hydroelectric Power Plant: 3rd renewal, issued by the Brazilian Institute for the Environmental and Renewable Natural Resources (Ibama) on 08/03/2017, valid for 10 years.

Ponte de Pedra Hydroelectric Power Plant: renewal of OL issued by Ibama on 05/02/2017, valid for five years.

Status of environmental goals, per plant (as of 12.31.2017)

Unit	Number of goals	Achieved	Not achieved	With work in progress	% of goals met *
Jorge Lacerda Thermoelectric Complex	13	7	5	1	58.3
Cana Brava Hydroelectric Plant	9	5	3	1	62.5
Estreito Hydroelectric Plant	10	7	2	1	77.8
Itá Hydroelectric Plant	8	6	1	1	85.7
Machadinho Hydroelectric Plant	6	3	2	1	60.0
Passo Fundo Hydroelectric Plant	7	7	0	0	100.0
Ponte de Pedra Hydroelectric Plant	8	4	3	1	57.1
São Salvador Hydroelectric Plant	8	7	1	0	87.5
Salto Osório Hydroelectric Plant	10	7	2	1	77.8
Salto Santiago Hydroelectric Plant	9	8	0	1	100.0
TOTAL	**88**	**61**	**19**	**8**	**76.2 %**

** Ignores goals where work is in progress.*

BIODIVERSITY GRI 103-1; 103-2; 103-3

Engie Brasil Energia is conscious of the influence its operations can have on the biodiversity. Consequently, it is constantly analyzing the impacts of its operations to ensure effective management initiatives are adopted. Of the projects being implemented, the Fauna Conservation Programs endeavors to guarantee the safety of the animals inhabiting each region by reducing the negative impacts arising from brush clearance and making contributions to the maintenance of the local biodiversity. A practical example was the period during which the Assu V plant was under construction when 3,447 animals were rescued. On another front, teams from the Company monitor eventual changes in behavior of the local fauna or number of species and individuals recorded during the installation and operation of the project so that actions can be taken to prevent or mitigate the impacts. This monitoring has the added advantage of contributing to the gathering of quantitative and qualitative data for scientific research.

With progress made during 2017 for implementing the Biodiversity Matrix,

RESERVOIRS

ENGIE Brasil Energia's total reservoir area under management is 1,016.1 km2. By comparison, this represents an area greater than the territory occupied by the nation state of Singapore for example. And to this amount should be added the Areas of Permanent Preservation around the margins of the reservoirs themselves.

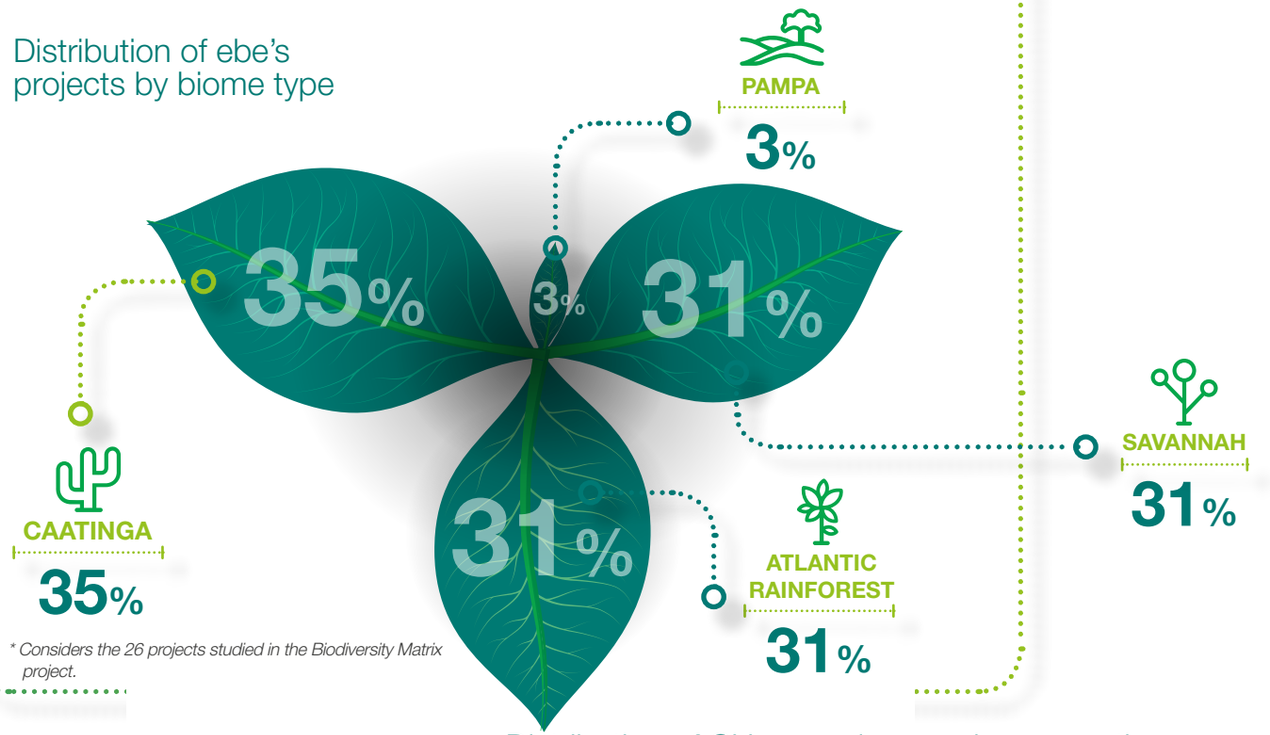


the monitoring of the biodiversity at plants in operation was reinforced. The objective here is to identify the species of fauna and flora present in surrounding areas. A pioneer in the sector, the project encompasses six Brazilian biomes and will contribute to the definition of guidelines for environmental management and stewardship, reinforcing the mechanisms for protecting the species and ecosystems in the regions where ENGIE Brasil Energia has its operations.

In September 2017, the first stage of the work was concluded. Through a preliminary evaluation of the status of biodiversity at 26 plants operated by the Company, this focused on the preparation of a diagnosis based on a detailed survey of domestic and international scientific studies.

In the second stage – currently underway – two plants are being used to run pilot field projects:
The final stage, scheduled for 2019, will consist of the validation of the methodology used at all plants with a focus on possibilities for working in partnership with local organizations.

Distribution of ebe's projects by biome type



** Considers the 26 projects studied in the Biodiversity Matrix project.*

Studies within the scope of the Biodiversity Matrix also looked at identifying Conservation Units (CUs) adjacent to the projects. Some 20 CUs were identified either totally or partially situated in the area of plant influence. Half of these Units are located within the confines of the projects' property (that is within the plant area itself), of which six are characterized as comprehensive protection units.

GRI 304-1, 304-3

Distribution of CUs superimposed on operations (project area) by group and category

By group and category	Number	Area (ha)	Area (%)
FULL PROTECTION	**12**	**54,373**	**32.7%**
Ecological Station	1	357	0.2%
Park	10	35,997	21.7%
Natural Monument	1	18,019	10.8%
SUSTAINABLE USE	**8**	**111,760**	**67.3%**
Environmental Protection Unit	6	111,606	67.2%
Private Natural Heritage Reserve	2	154	0.1%

Highlights of the Biodiversity Matrix project

BIODIVERSITY MATRIX
ENGIE

10 Parameters Analyzed

8 Incident Parameters

BIOMES | PHYTO-ECOLOGICAL REGIONS

VEGETATIONAL FORMATIONS | PRIORITY AREAS

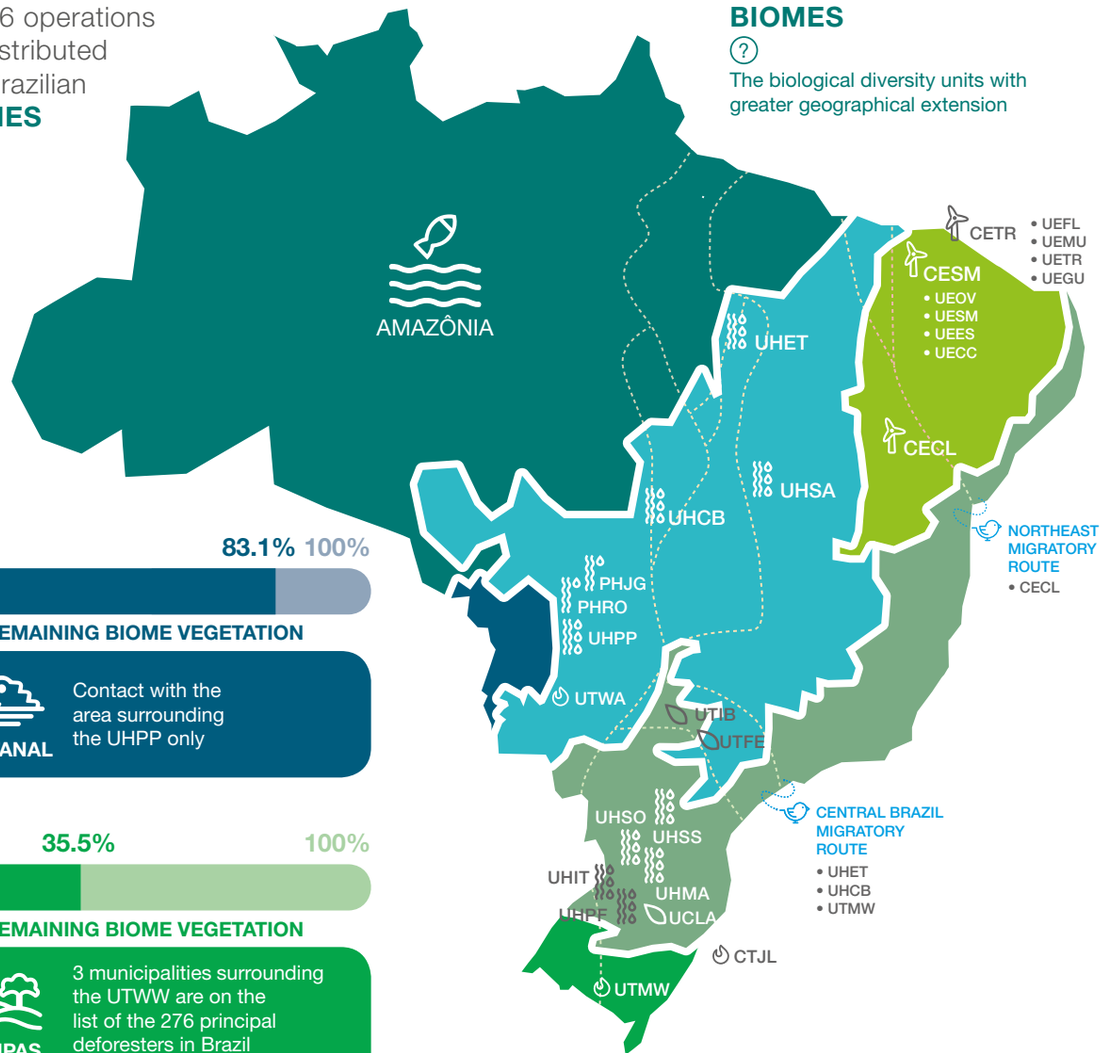
CONSERVATION UNITS | INDIGENOUS LANDS

IMPORTANT BIRD AND BIODIVERSITY | MIGRATORY BIRDS

NO INCIDENTS

Ramsar WETLANDS | UNESCO WORLD HERITAGE

The 26 operations are distributed in **5** Brazilian **BIOMES**



BIOMES

The biological diversity units with greater geographical extension

PANTANAL

0% 83.1% 100%

REMAINING BIOME VEGETATION

Contact with the area surrounding the UHPP only

PAMPAS

0% 35.5% 100%

REMAINING BIOME VEGETATION

3 municipalities surrounding the UTWW are on the list of the 276 principal deforesters in Brazil

1 | STEPPE

CAATINGA

0% 53.4% 100%

REMAINING BIOME VEGETATION

All ENGIE Brasil Energia's wind farms are located in the only biome which is exclusively Brazilian

9 | SAVANNA

CERRADA

0% 51.2% 100%

REMAINING BIOME VEGETATION

Incorporates the largest diversity of energy sources in the generator complex

4 | 2 | 1 | 1

SAVANNA

ATLANTIC RAINFOREST

0% 21.9% 100%

REMAINING BIOME VEGETATION

The most deforested biome in Brazil, and where the largest part of the Company's installed power capacity is located

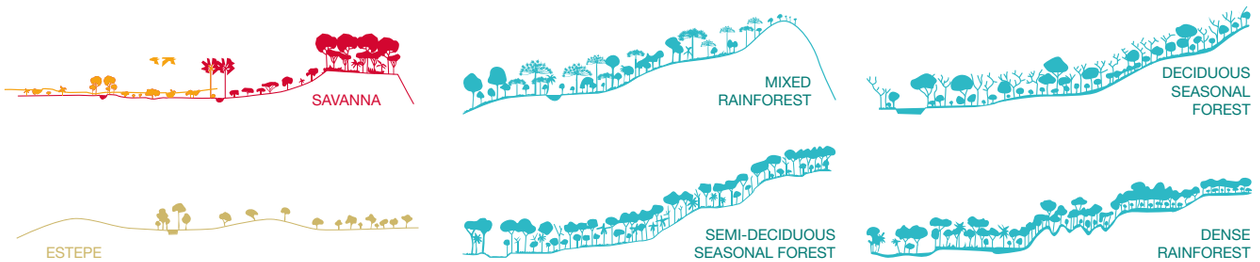
5 | 1 | 1

MIXED RAINFOREST
DENSE RAINFOREST
SEASONAL DECIDUOUS FOREST
SEASONAL SEMI DECIDUOUS FOREST

PHYTO-ECOLOGICAL REGIONS

Forest categories and characteristic biological forms which are repeated in the same climate and at the same altitude

6 of the 9 Brazilian **PHYTO-ECOLOGICAL REGIONS**, in addition to restinga moist broad leaf Restinga forest are found in ENGIE Brasil Energia's Generator Complex



ASPECTS OF THE VEGETATION
in the Company's Generator Complex

25% Mixed formations	32% Forest formations	43% Open formations

UHET and **UHCB** in the Cerrado are the only operations in the **AREA OF ECOLOGICAL TENSION** (Contact between 2 or more Phyto-ecological Regions).



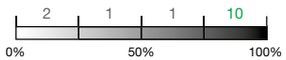
PRIORITY AREAS

Tool for guiding strategies of biodiversity conservation (public policies, licensing, conservation units)

14 OPERATIONS overlap **17 PRIORITY AREAS**

8 6

10 with a high % of overlap.



Considering the surrounding areas:
37 PRIORITY AREAS
divided in 4 classes of
Biological Importance

Extremely High	16
Very High	13
High	7
Little Known	1

PRIORITY ACTIONS most cited in the regions of the generator complex

Creation of Conservation Units | Creation of Mosaics and Ecological Corridors

UETR and UEMU show a high degree of overlapping with 5 different Priority Areas

CONSERVATION UNITS

Territorial spaces, including their respective natural resources, created for preserving different populations, habitats and ecosystems

19 OPERATIONS
20 CUs in their surrounding area 11 2 7

8 SUSTAINABLE USE

Direct use of natural resources permitted

Environmental Protection Area of the Lagoinha Dunes **CETR and CESM**

12 INTEGRAL PROTECTION

Preservation and use restricted to tourism, research and education

Rio dos Touros Ecological Station **UHSS and UHSO**
Natural Monument of the Fossilized Tress **UHET**

UHIT has contact with 3 Integral Protection Units, 2 of them established and supported by the Company

PARQUE ESTADUAL FRITZ PLAUMANN

Parque Natural Municipal Mata do Rio Urugual Telxeira Soares

MIGRATORY BIRDS

Strategic document for licensing energy sector operations, especially wind farms

12 OPERATIONS with **AREAS OF CONCENTRATION** in their surrounding area

CTJL is completely inserted in an area with 60 species of Migratory Birds

4 OPERATIONS with **REPRODUCTIVE AREAS** in their surrounding area

UCLA is totally inserted in a Reproductive Area with individuals of the Red Spectacled Parrot species vulnerable

IMPORTANT BIRD AND BIODIVERSITY AREAS

Locations of international importance for bird conservation

8 OPERATIONS with **8 IBAs** surrounding them

36 birds globally threatened | **2 birds** threatened with extinction

UHET together with two IBAs:
- 13 globally threatened birds and 1 threatened with extinction
- More than 50% of the species with restricted distribution

INDIGENOUS LANDS

Federal Government Land, inhabited by one more tribes with environmental resources necessary for their wellbeing and physical and cultural reproduction

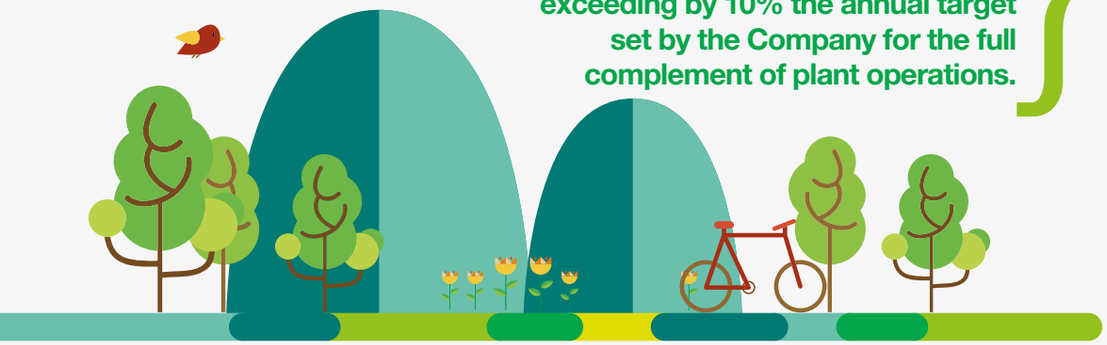
11 OPERATIONS with **12 INDIGENOUS TRIBAL LANDS**

SITUATION	
Declared	5
Regularized	5
Demarcated	1
Submitted	1

11 1
10 1 1

KEY INITIATIVES

In 2017, a total of 275,027 seedlings were planted and donated to regions in which the plants have their habitat, exceeding by 10% the annual target set by the Company for the full complement of plant operations.



Restoration of green cover

GRI 304-3

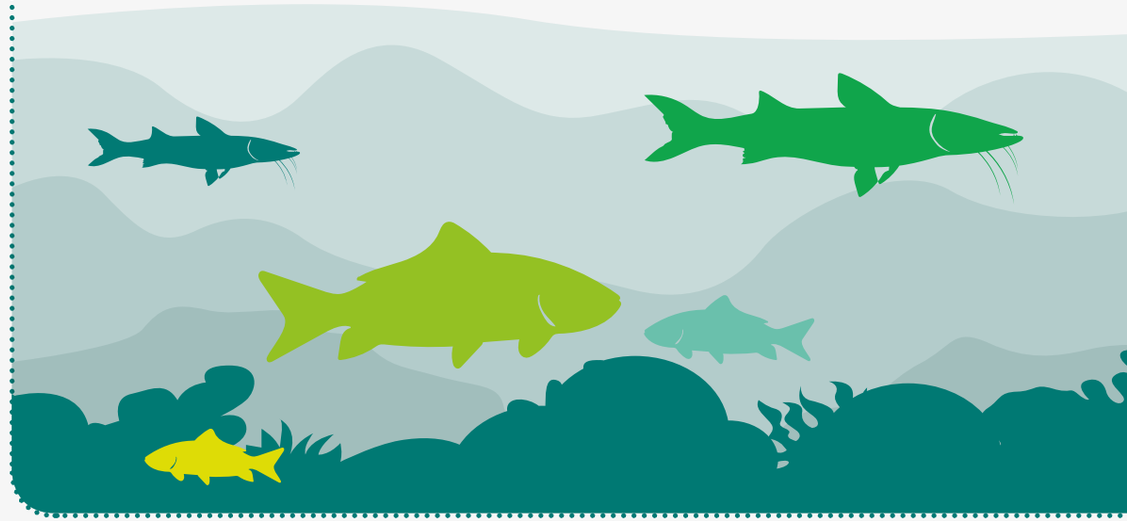
ENGIE Brasil Energia runs special restoration programs for the recovery of areas degraded due to the installation of plant operations. Initiatives include reforestation with native species as well as other measures which will allow the local habitat to be restored to the situation prior to construction. The Seedlings Donation and Planting Program is a further initiative for assisting the conservation of the biodiversity. It includes the cultivation and distribution of native flora to local communities within plant spheres of influence.

Care with the reestablishment of the green cover is also part of the work on projects being installed. In the state of Rio Grande do Norte, for example, following the conclusion of the Assú V Photovoltaic Plant, restoration work on degraded areas was begun in 2017 with the planting of seedlings obtained as a result of a partnership with the Sustainable Valley project run by the Norte-Rio-Grandense Association of Agricultural Engineers (ANEA). Other spaces occupied by temporary constructions adjacent to the Plant – such as the works patio area, offices and temporary storage facilities - will also be restored as soon as these installations are dismantled.

Conservation of the ichthyofauna

Among the Company's actions for conserving the biodiversity is the monitoring of fish fauna (ichthyofauna) in the region of the hydroelectric plants. Two of EBE's projects of this nature in the south of Brazil were recognized in 2017. Awarded by *Editora Expressão*, one of these has been implemented in the area surrounding the Itá and Machadinho hydroelectric power plants. It involves research and development activities carried on now for more than a decade in partnership with the Universidade Federal de Santa Catarina (UFSC). The focus is on conservation studies and stewardship of the dorado (*Salminus brasiliensis*), surubim (*Steindachneridion scriptum*) and piracanjuba (*Brycon orbygnianus*), all species deemed as threatened with extinction.

Another awarded project – this time by the American Chamber of Commerce – was developed in the state of Paraná in the region of the Salto Osório and Salto Santiago hydroelectric plants in partnership with the Neotropical Institute for Environmental Research of the Universidade do Oeste do Paraná. The aim is to identify solutions for reversing the decline in endemic species in the Iguaçu River. One of the proposed solutions is to stock the river by breeding fish in captivity or in vitro and subsequently releasing the fish fry into the environment. This technique has been developed for five species endemic in the region: *Rhamdia branneri, Rhamdia voulezi, Pimelodus britskii, Astyanax gymnodontus* and *Steindachneridion melanodermatum*.



WATER

Integral to ENGIE Brasil Energia's activities is the commitment to the conservation of water resources by close monitoring of the Company's indicators for consumption as well as being constantly alert to opportunities for reuse. Considering all sources of water withdrawal, in 2017, total volume of water used in operations was 500,775,072.70 m³, a year-on-year reduction of 28.9%. Reduced generation activity at the thermoelectric plants, therefore implying lower water consumption, as well as greater intake from rainwater sources due to high rainfall also contributed to the decrease in water volumes. GRI 103-1; 103-2; 303-1



Total water withdrawal by source (thousand m³)

GRI 303-1

Source	Volume withdrawn	
	2016	2017
Surface waters (including wetlands, rivers, lakes and oceans)	701,083.4	496,882.4
Ground waters	18.9	12.2
Rainwater (harvested directly and stored)	1,199.7	1,499.8
Municipal supply or from other supply companies	2,053.8	2,380.7
Total	704,355.9	500,775.1

Water usage at the thermoelectric plants (thousand m³)

GRI 303-1

Processing	6,000.8
Cooling	494,752.3
Consumption	6,526.7

Total volume and percentage of recycled and reused water and harvested rainwater (thousand m³)

GRI 303-3

	2016	2017
Recycled	24,601.0 (3.5%)	24,056.9 (4.8%)
Reused	2,444.2 (0.4%)	3,383.6 (0.7%)
Harvested Rainwater	1,199.7 (0.2%)	1,499.8 (0.3%)

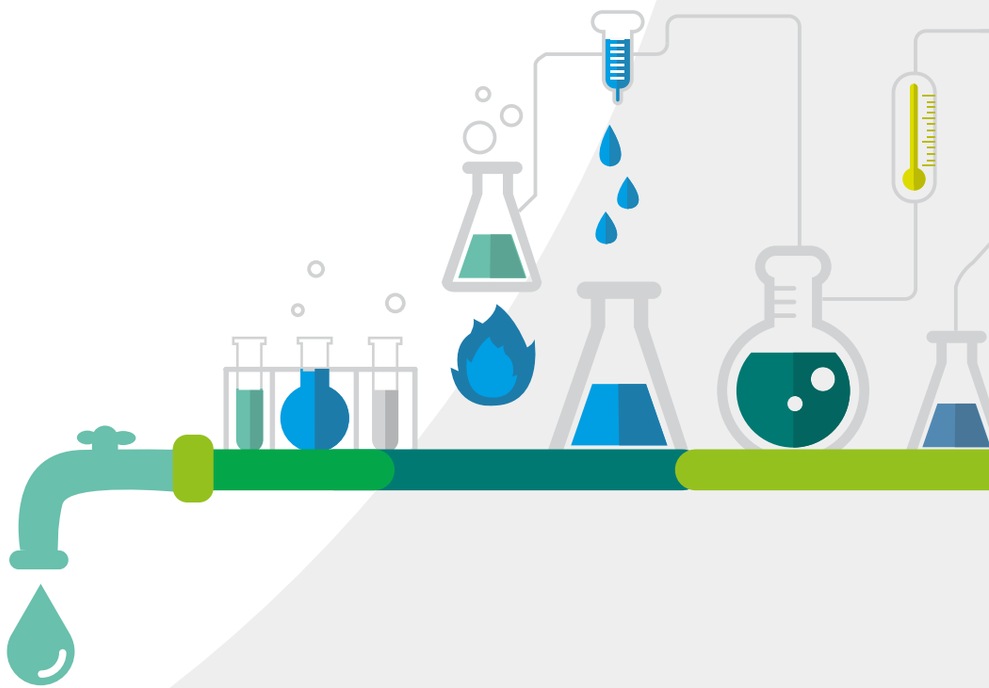
The quality of the water that the Company discharges into water bodies is also tracked on a continual basis through physical-chemical and biochemical analysis. In 2017, the planned discharge of water totaled 494,234,335.91m3. The volume covers water released from the thermoelectric power plants as well as pumped through the cooling systems of the hydroelectric plants. In both cases, water is returned to the water bodies with a quality and at a temperature compatible with the standards required by the legislation. GRI 103-3; 306-1

ENGIE Brasil Energia's operations have an impact more especially on the following hydric sources: the Caveiras River in the region of the Lages Cogeneration Unit and the Tubarão River, adjacent to the Jorge Lacerda Thermoelectric Complex, both in the state of Santa Catarina. The following describes the principal impacts of water withdrawal and the discarding of effluent in these water bodies as well as the mitigating measures adopted:

- **Jorge Lacerda Thermoelectric Complex:** the Company undertakes continuous monitoring of the water quality in the Tubarão and Capivari rivers as well as the effluent released by the Complex. Monitoring of the water table is also monitored in the vicinity of the installation's coal yard. All liquid-based effluent from the Complex is dispatched to ash basins for neutralization. In addition, there is a closed regime liquid-based effluent system which avoids the discarding of effluent into rivers and permits the reuse of the water. However, the cooling system is designed to return the water to the rivers. The impact caused is an increase in temperature from the returned water although there are controls to ensure that the 40º C limit established under the legislation is not surpassed.

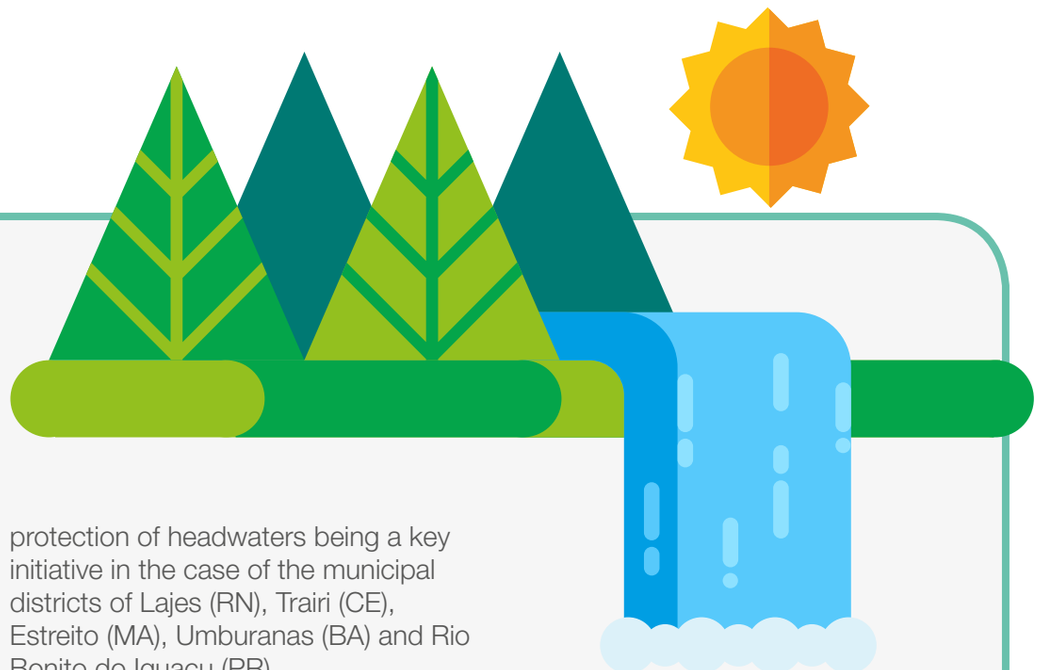
- **The Lages Cogeneration Unit:** effluent undergoes physical-chemical treatment using sedimentation and neutralization processes prior to discarding into the river. The impact caused by the Unit's operation relates to water consumption, increased temperature in the water from the cooling system and the discarding of effluent. A water demineralizing plant and periodic analysis helps minimize the results of such discarding. Similar procedures to those at the Jorge Lacerda Thermoelectric Complex are employed to control the temperature of water returned to the rivers Jorge Lacerda.

GRI 303-2



Engagement in the management of water resources

ENGIE Brasil Energia is a member of eight hydrographic basin committees - the forum through which it discusses the sustainable use of water by society jointly with other public and private institutions. The Company has a seat on the water resources councils for the states of Santa Catarina and Paraná with the same objectives. In the areas of influence of the hydroelectric plants, multiple reservoir usage is also considered under the umbrella of conservation as a whole. This is disciplined by the Environmental Plan for Conservation and Use of the Riparian Margins of Artificial Reservoirs (Pacuera), a legally constituted instrument for minimizing the negative impacts of operations in the regions surrounding the power plants. **GRI 103-1; 103-2**



Conservation of springheads

The Springheads Conservation Program was begun in 2010 in the municipal district of Chopinzinho in the southeast of the state of Paraná and subsequently replicated in several regions in which ENGIE Brasil Energia operates. The Program is designed to protect headwaters and ensure a regular quality water supply to local communities for both current and future generations. Following partnership agreements signed between the Company, social entities and local communities, results have reached a substantial level in the past few years. In 2017 alone, some 241 springheads received protection in addition to a further 1,358 on which work was completed since the inception of the Program with the involvement of more than 1.500 families.

To the same end, in 2016, initiatives for conserving springheads were included in the Écom.vc, a corporate social responsibility project developed by ENGIE Brasil Energia for raising the awareness of local communities on the need to improve regional environmental conditions. The conservation of water resources is one of the four facets of the project, the protection of headwaters being a key initiative in the case of the municipal districts of Lajes (RN), Trairi (CE), Estreito (MA), Umburanas (BA) and Rio Bonito do Iguaçu (PR).

Thanks to the methodology used based on community engagement and the results achieved, ENGIE Brasil Energia's Springheads Conservation Program was a finalist in the ANA Prize 2017, awarded by the National Water Agency (ANA) and considered one of the most prestigious awards in the country on the theme.

Energy

ENGIE Brasil Energia's Climate Change Policy incorporates measures for reducing the consumption of fossil fuels, among these the preferential use of flex-fueled vehicles, with prioritization for the use of ethanol, the contracting of collective transportation services for employees at the majority of plants and the more frequent use of conference calls and video conferencing in order to avoid physical travel to onsite meetings.

In 2017, energy consumption from non-renewable sources declined 10.30% compared with 2016 with significant reductions in the use of gas (LPG) and fuel oil as well as coal given the lower dispatch from the thermoelectric plants during the year. These reductions are reflected in total energy consumed by the Company over the year: 58,647,396.23 GJ, a volume 5.86% less than reported in 2016.

GRI 302-4

Energy consumption in the organization (GJ)

GRI 302-1

		2016	2017
Non-renewable sources	Diesel	174,667.21	131,189.78
	Fuel Oil	63,499.93	123,631.64
	Coal	48,770,775.91	45,132,422.85
	Gas (LPG)	1,681,787.21	84,537.27
	Total	**50,690,730.26**	**45,471,781.54**
Renewable sources	Wood biomass	1,320,807.43	2,211,861.23
	Sugarcane biomass	9,682,965.21	10,032,157.34
	Total	**11,003,772.64**	**12,244,018.57**
Consumption from the electricity grid		601,373.90	931,596.12
Total energy consumption		**62,295,876.80**	**58,647,396.23**

For the year as a whole, consumption of electricity from the grid recorded an increase of 55% compared with 2016. This significant rise is due particularly to the larger number of hours operated by the Company as a synchronous condenser for stabilizing grid voltage, in turn requiring electricity consumption in excess of normal operating standards. This is a mandatory operation over which ENGIE Brasil Energia has no management discretion and occurring when there is excess supply in the network and where National System Operator (ONS) requirements must be observed.

Energy intensity (GJ)*

GRI 302-3

	2016	2017
Consumption of energy in the Company (GJ)	62,295,876.80	58,647,396.23
Energy production (GJ)	160,532,337.19	130,804,278.33
Energy Intensity	**0.39**	**0.45**

** Consumption of energy in the Company/energy production*

Energy efficiency

Responsible for about 75% of fuel consumption by the Company's thermal plants, the Jorge Lacerda Thermoelectric Complex is NBR ISO 50001 certified. Focusing on the continual improvement in energy performance, the standard includes aspects related to the efficient use of energy. Several control initiatives are submitted to internal and outside audits to ensure that the certification is maintained.



Waste

GRI 306-2

Waste management at all units of ENGIE Brasil Energia is designed to ensure the appropriate disposal as well as, wherever possible, the expansion of processes of recycling, reuse and recuperation of materials. To guarantee suitable disposal, the Company requires that companies engaged for collecting and disposal of waste meet the requirements of the current environmental legislation, more particularly Law 12.305 of 2010 regulating National Solid Waste Policy.

In 2017, the Company reported a decline of 20.56% in total waste disposed. As well as actions taken to continually improve the indicator, the figure also reflects the reduction in the volume of ash from coal burning at the Company's thermal plants — this also being impacted however by the decommissioning of the Charqueadas Thermoelectric Plant.

Waste disposal

Hazardous waste (t)		
Type of disposal	2016	2017
Reuse	50.92	32.30
Recycling	114.18	46.84
Recovery including recovery of energy	0.00	0.00
Incineration (mass burn)	0.03	0.03
Landfill	191.79	71.78
Storage at point of origin	82.44	51.81
Coprocessing	268.25	404.85
Total	**707.61**	**607.62**

Non-hazardous waste (t)		
Type of disposal	2016	2017
Reuse	3.22	4.19
Recycling	1,053,046.10	868,470.91
Composting	67.76	70.05
Recovery of degraded areas	690,187.05	510,130.63
Recovery, including recovery of energy	78.78	77.60
Landfill	456.19	559.87
Coalmine shafts	33,546.94	32,550.00
Storage at point of origin	21.68	21.45
Coprocessing	34.61	10.82
Highway paving	0.00	0.00
Total	**1,777,442.33**	**1,411,895.53**



Multiplying good practices

The Solid Waste Management Program is a characteristic of all company projects in the process of installation. Programs consist of a set of management procedures that are prepared on scientific, technical and legal bases, establishing measures and guidelines for handling waste from point of origin to final disposal. The execution of the Program is underscored through the preparation of a Waste Management Plan which is shared with all employees and approved by the environmental protection agency.

Good practices are extended to the local communities. A Waste Selection Center was implemented in the area surrounding the Santa Mônica Wind Complex, the purpose being to encourage selective trash collection in the municipality of Trairí (CE) and for the socio-economic integration of local scavengers. In the municipalities of Santo Sé and Umburanas (BA), a partnership with local government produced a Solid Waste Management Plan (PGRS) for both municipal districts. The aim is to comply with local legislation, manage the risks related to the theme, provide an incentive for recycling and to raise community awareness as to the importance of selective trash collection in the preservation of the environment. The plans also provide for the installation of a small sanitary landfill and a project for restoring current areas used for disposing waste (waste dumps).



The continual improvement in waste management is integral to the environmental goals of several plants making up the generator complex. At the Jorge Lacerda Thermoelectric Complex, for example, the goal was to recover at least 63% of total waste sent for disposal by the end of 2017. Over the year, this target was surpassed: 68.7% of all waste was recovered. Targets in this respect were also exceeded at the Estreito (82.2% of all waste for disposal recovered) and São Salvador (88.2%) hydroelectric power plants.

Again, at São Salvador HPP, waste generation was reduced by 36.9% against a pre-established target of 5% (based on a comparison with the average for the years 2015 and 2016). Despite the efforts made, not all the operations reached their waste disposal targets – the cases of Ponte de Pedra, Cana Brava and Salto Osório hydroelectric power plants.

Emissions

As stated in ENGIE's Policy on Climate Change, from time to time, the Company prepares a Greenhouse Gas Emissions Inventory (GEE), the focus being on the continual improvement in its actions in addition to mitigation and adaptation strategies. Audited by an external independent party, the Inventory is designed to record and quantify emissions based on the concepts and guidelines of the Brazilian GHG Protocol Program. The consolidation of inventory data considers the two approaches used by the Program: operational control and corporate participation.

Baseline year for measurement is 2010 when the first GEE Emissions Inventory was completed and incorporating CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_{36} gases.

The key results of the Inventory, available in full in this link, are highlighted below.

Total emissions (in tCO_2e)

	2015		2016		2017	
	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)
Total Emissions	6,150,621.40	6,150,298.16	4,839,528.92	4,840,417.84	4,437,836.99	4,437,910.54
Variation in relation to 2017	-27.8%	-27.8%	-8.3%	-8.3%	-	-

Direct emissions (Scope 1) GRI 305-1

The Company's scope 1 direct emissions (corporate participation) amounted to 4,402,504.66 tCO_2e, a 8.3% decline relative to 2016 and 27.7% compared to 2015. Among the factors contributing to the reduction, of most significance was the decommissioning of the Charqueadas Thermoelectric Plant at the end of 2016 and the suspension of operations at the William Arjona Thermoelectric Plant in March 2017, representing 88% of total scope reduction. In addition, the decrease of 1.3% of coal consumption at the Jorge Lacerda Thermoelectric Plant – and the only thermal plant which is coal-fired and still being operated by the Company – resulted in an equal percentage reduction in emissions.

Direct emissions (Scope 1)

Sources of Emissions	2015		2016		2017	
	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)
Stationary combustion	6,093,182.65	6,091,658.38	4,796,867.41	4,795,133.36	4,403,289.31	4,401,752.88
Direct mobile combustion	637.11	658.51	536.97	555.09	520.42	537.83
Fugitive emissions	226.73	236.13	574.15	2,207.65	145.0	167.37
Emissions from industrial processes	5,345.05	5,345.05	3,360.39	3,360.39	-	-
Agricultural activities	5.73	8.30	23.66	25.81	27.06	30.57
Waste	12.61	2.89	3.76	5.05	14.55	16.00
Scope 1	6,099,409.88	6,097,909.26	4,801,366.34	4,801,287.35	4, 403,996.75	4,402,504.66

Indirect Emissions (Scope 2) GRI 305-2

ENGIE Brasil Energia's total indirect emissions (based on the corporate stake) was 19,412.44 tCO_2e. Compared to 2016, there was an increase of 77.5%, reflecting several factors, among which most notable are:

- An increase of 13.5% in the average emissions factor of the SIN – National Interconnected System, which directly affects scope 02 emissions.
- An increase in energy consumption (of 1,180%) at the Salto Santiago Hydroelectric Power Plant given its role as SIN's synchronous condenser and resulting in a 50% growth in scope 2 emissions.
- Salto Osório Hydroelectric Plant also reported an important increase in energy consumption (77%), being responsible for more than 35% of the growth in scope 2 emissions 2.
- There was similarly an increase of 7.3% in energy consumption at the Jorge Lacerda Thermoelectric Complex, which when added to growth in the SIN emissions factor, resulted in an overall increase of 21% in emissions.

Indirect Emissions (Scope 2)

Sources of Emissions	2015		2016		2017	
	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)
Energy	18,751.32	19,709.00	10,231.74	10,938.15	17,926.97	19,412.44
Scope 2	**18,751.32**	**19,709.00**	**10,231.74**	**10,938.15**	**17,926.97**	**19,412.44**

Other Sources (Scope 3) GRI 305-3

The total company emissions from other sources in 2017, was 15,993.44 tCO_2e based on the corporate stake criterion, a year-on-year reduction of 43.3%. The improved performance is due principally to the reduction in transportation and distribution emissions (upstream) from the Charqueadas Thermoelectric Plant, which ceased operations in late 2016.

Emissions – other sources (Scope 3)

Sources of Emissions	2015		2016		2017	
	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)	Operational Control Emissions (tCO_2e)	Corporate Stake Emissions (tCO_2e)
Activities related to fuel and energy not included in scopes 1 and 2	39.97	39.97	2.57	2.57	6.69	6.69
Transportation and distribution (downstream)	10,414.26	10,414.26	8,788.02	8,788.02	7,326.54	7,326.54
Transportation and distribution (upstream)	19,824.84	19,929.93	17,360.36	17,458.07	7,219.18	7,161.56
Employee commuting (resident-work)	458.34	498.53	304.73	370.00	265.32	334.61
Business travel	915.34	981.16	944.05	1,030.41	891.59	954.14
Waste generated from operations	807.45	816.05	531.11	543.27	203.96	209.90
Scope 3	**32,460.20**	**32,679.90**	**27,930.84**	**28,192.34**	**15,913.27**	**15,993.44**

Emissions intensity

In 2017, the emissions intensity indicator increased 5.7% on the basis of operational control and 10.0% on the basis of the Company's corporate stake in the plants. While the gross volume of emissions fell more than 8% in both cases, net energy generation fell 13.3% on the basis of operational control and 16.6% on the basis of corporate stake, so justifying the decline in performance relative to this indicator.

Intensity of emissions ($kgCO_2/MWh$)*

GRI 305-4

Operational Control	Variation in relation to 2017 (%)	Corporate Stake	Variation in relation to 2017 (%)
2015	211.5	-4.2%	2015	159.2	-0.8%
2016	191.7	5.7%	2016	143.6	10.0%
2017	202.7		2017	157.9	

**The calculation of emissions intensity is based on net energy and includes scopes 1, 2 and 3 emissions.*

Non financial objectives – Climate change

The ENGIE group has two non-financial objectives related directly to climate change, to be reached by 2020:

A production portfolio containing **more than 25%** of **renewable energy**



A **reduction** of **at least 20%** in the **ratio of CO_2 emissions** per unit of energy generated **in 2020** compared with 2012*



** The ratio of CO_2 emissions of energy produced was 443 kg CO_2/MWh in 2012.*

ENGIE Brasil Energia contributes effectively to the first of these objectives and despite already having a matrix which is predominantly clean (86.7% from renewable sources) when compared with the results of the group, decreased by 12.1% its CO2 emissions per unit of energy generated. With the termination of operations at the William Arjona Thermoelectric Power Plant (gas fired) in early 2018, there is a tendency for further improvement in this indicator. There is also the prospect of the sale of coal-fired assets (Jorge Lacerda Thermoelectric Complex and the Pampa Sul Thermoelectric Power Plant) as already mentioned with respect to market prospection already underway. GRI 103-2

Other significant atmospheric emissions GRI 305-7

NO_X, SO_X and particulate material emissions (t)			
	2016	2017	Variation
NO_X	15,438.99	15,088.57	-2.27%
SO_X	100,949.04	105,647.42	4.65%
Particulate material (PM)	2,765.76	2,861.99	3.48%

NO_X, SO_X and particulate material emissions (kg/MWh)			
	2016	2017	Variation
NO_X	0.35	0.42	19.94%
SO_X	2.26	2.91	28.44%
Particulate material (PM)	0.062	0.079	27.00%

Emissions by net generation (total) and units of combustion (kg/MWh)		
	Total net generation	Net generation of all fuel-fired plants
NO_X	0.4269	4.0077
SO_X	2.9890	28.0611
Particulate material (PM)	0.0810	0.7602

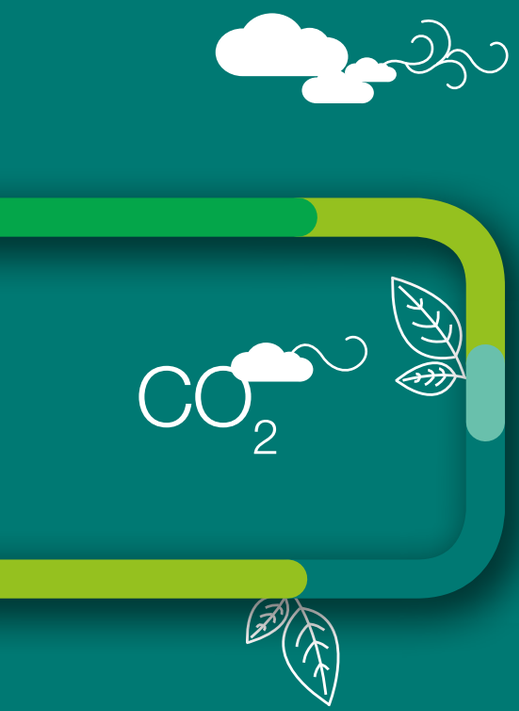
Disposal of ash

The delivery of fly ash emitted by the coal-fired thermoelectric plants to the cement industry is one of the commitments adopted by ENGIE Brasil Energia in its Climate Change Policy. A total of 712.9 thousand tons was delivered for cement manufacture in 2017 as a raw material in substitution for limestone and so contributing to the reduction in CO2 emissions. A further 121.7 thousand tons of ash from the biomass plants was used for agricultural activities, making a significant contribution by increasing soil pH levels and nutrients as well as being a sustainable and economically viable alternative for chemical fertilizers.

Additionally, bottom ash is employed as foundation material for highway asphaltic paving. This same material is also used to neutralize soil acidity in the recovery of coalmine tailings due to its high pH.



Carbon credits



Registered with the United Nations Organization (UNO) under the Clean Development Mechanism (CDM), the Campo Largo Wind Complex contributes with a reduction of Greenhouse Gas Emissions (GGE) of 780 thousand tons annually. The project is currently at the installation phase in the state of Bahia and is part of ENGIE's Renewable Energy Program – the largest initiative of its type in the country --, providing the issue of 1.3 million carbon credits annually based on the generation of 671.9 MW of clean energy.

In addition to the registration as a CDM project, the Program is instrumental in providing the ENGIE group with a platform for Green Bond financing and thereby, the capture of international funding for expanding renewable energy generation in Brazil. Out of a total of 6.25 billion euros raised by the Controlling Company in green bonds, about 1.5 billion euros has been allocated to projects in Brazil. Below are the projects in operation and registered under the CDM:

- **Lages Bioenergética:** The 28 MW thermoelectric plant is fired from timber waste and in 2006, one of the first CDM projects to be registered in Brazil. The seventh (and last) carbon credits verification was concluded in March 2017 with an accumulated reduction of 2.5 million tons, equivalent of CO2 over 10 years under the CDM.

- **Trairi Wind Complex:** The Complex's four wind farms (Trairi, Fleixeiras I, Guajiru and Mundaú), were registered in 2012. They are the first investments made on the basis of synergetic use of CDM and Brazilian climate mitigation policies. The Complex has already accumulated about 1 million carbon credits available for issue.

- **Santa Mônica Wind Complex:** Located in Trairi (CE), in September 2016, this was the first project to be put forward under ENGIE's Renewable Energies CDM Program to be registered. Consequently, the Complex was responsible for inaugurating ENGIE's strategy for promoting the expansion of wind and solar power in the context of a consolidated program.

- **Assú V Photovoltaic Plant:** The 30 MW project located in the municipality of Assú in the state of Rio Grande do Norte, was included in the Renewable Energies CDM Program in August 2017 and is responsible for anchoring ENGIE's centralized solar energy activities in Brazil. Generating renewable electric energy since December 2017, the projects serve the energy requirements of 130 thousand people, reducing emissions by 45.000 tCO_2 annually.

- **Campo Largo Wind Complex (Phase 1):** Scheduled for operational startup in the final quarter of 2018, Campo Largo (Phase 1) was the last ENGIE project to be registered (in February 2018) under the CDM to date and is expected to reduce greenhouse gases by approximately 770,000 t CO_2 annually.

Society

ENGIE Brasil Energia coexists with different audiences in the context of the social milieu, sharing values, policies, practices and information with them. It seeks to stay connected to its stakeholders using a series of channels, thus ensuring that ethics and respect are maintained throughout the relationship network.

Initiatives such as the holding of events, public hearings, communication campaigns, opinion polls and the plant visiting program are all fundamental to enhancing dialog with stakeholders. ENGIE Brasil Energia also engages in initiatives with the communities where it has operations and participates in entities and forums focused on the development of the regions in which it is located. GRI 102-43

Digital stand

In 2017, the Company launched the ENGIE Brazil Digital Publication Stand to improve and facilitate corporate communication with all stakeholders. The idea is to maintain content for periodic disclosure (magazines and folders for example) accessible to the outside public in a user-friendly and dynamic manner. Hence, the Boas Novas magazine, hitherto printed quarterly, is now published in digital format only, thus contributing to the conservation of the environment by eliminating printing and distribution. The Stand can be accessed from any tablet or smartphone.

Acess https://bancaengiebrasil.com.br/

Non-financial objective | Engagement

The ENGIE group has set a non-financial objective related to the engagement with society and to be reached by 2020:

to have **100%** coverage of the Group's **activities** by an appropriate **mechanism** for **dialog and consultation.**



In addition to adding value to the Company's activities, dialog with society creates new commercial opportunities which fulfill strategic objectives both in relation to the business as well as sustainable development.

EMPLOYEES GRI 405-1

Principal channels/means of relationship and engagement with employees GRI 103-2; 103-3

- Corporate Portal (intranet) – HR Portal, Manuals, Procedures and other documents of interest to the internal stakeholders.
- Corporate Communication (e-mail).
- Yammer (internal social network).
- Formal and information events and meetings (Internal Accident Prevention Week, Environment Weeks, Sustainable Management Seminar, among others).
- ENGIE & ME surveys (gauging perceptions, organization climate survey).
- *Boas Novas* magazine.

As its key intangible asset, ENGIE Brasil Energia's human capital constitutes the base for the execution of its corporate strategy. With this in mind, the Company seeks to provide an ethical working environment with favorable conditions for personal and professional development permitting quality of life, recognition and satisfaction. GRI 103-2; 103-3

At the end of 2017, ENGIE Brasil Energia had a payroll of 1,048, of which 1,039 were hired on contracts of indeterminant duration and nine were apprentices. In addition, the Company also had 41 interns and a further 83 professional staff posted to controlled companies (28 to Companhia Energética Estreito, seven to Itá Energética and 48 to Usina Termelétrica Pampa Sul). GRI 102-8

All employees enjoy the right of free association, in 2017, the entire payroll being covered by collective bargaining agreements. GRI 102-41

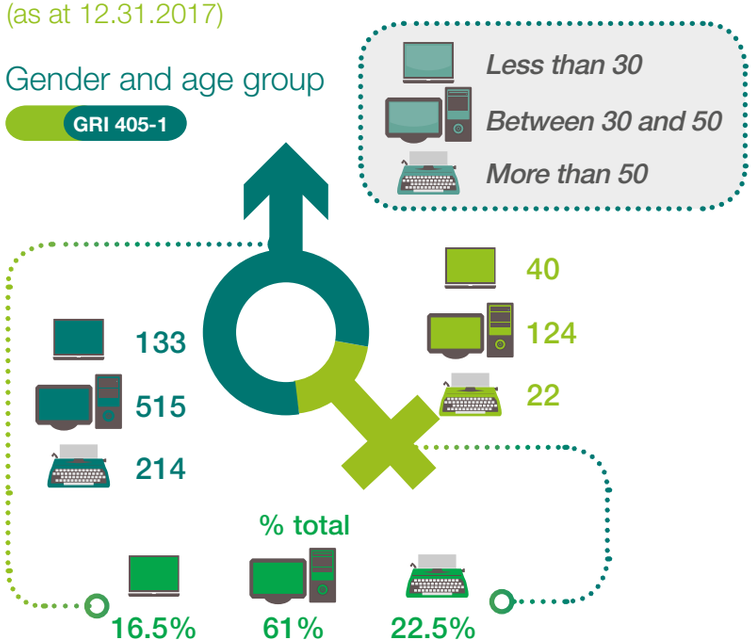


EMPLOYEE MOVEMENT

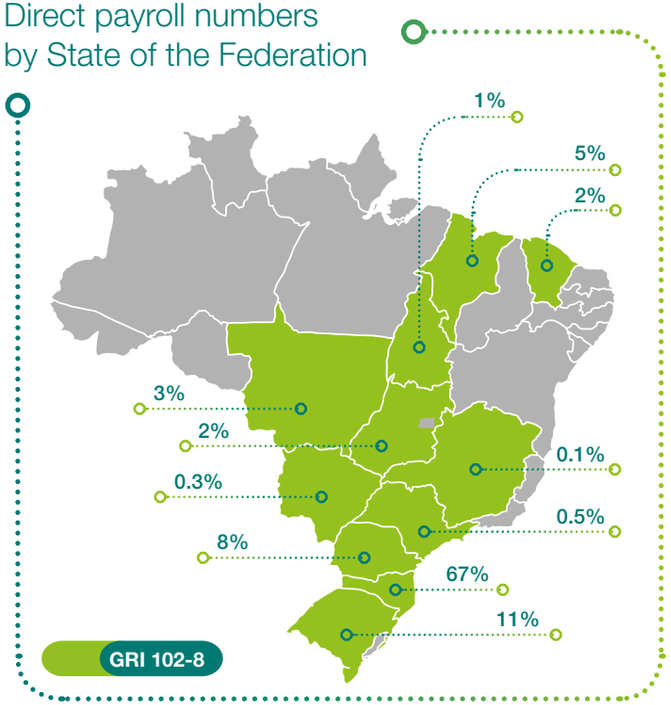
(as at 12.31.2017)

Gender and age group

GRI 405-1

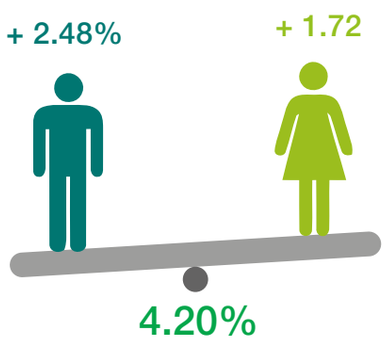


Direct payroll numbers by State of the Federation



GRI 102-8

Hiring rate in 2017, by gender

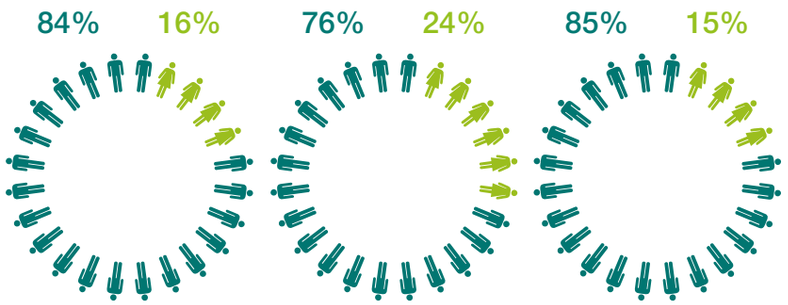


GRI 401-1

** Number of employees hired / Total number of employees*

Gender and functional category

GRI 405-1





New hires and terminations in 2017, by gender and age group*

	+	−	+	−
	16	02	10	03
	10	17	08	03
	00	13	00	01
Total	26	32	18	07

** Excluding interns and members of the young apprentice program.*

GRI 401-1

Turnover rate in 2017 by gender and age group

	0.19%	0.29%
	1.62%	0.29%
	1.24%	0.10%
Total	3.05	0.68

GRI 401-1

3.72

Training and Development

The Company operates a Corporate Education Program involving various fronts and initiatives for the continuous development of employee competencies and skills as well as to permit the Company to respond quickly to changes and innovations resulting from corporate strategy and the energy transition. In this context, the Program is structured around five nuclei:

GRI 103-1

- **Development in the business:** under the management of the Human Resources area, actions directed at all staff members and involving basic knowledge of the Company and the electricity sector.
- **Technical development:** improving activities conducted by each area of the Company. In addition to training and specific courses, included in this nucleus are programs for academic qualifications (including underwriting of 50% of the cost of graduation and post-graduation courses) and languages (underwriting of 60% of the costs of language courses up to a set ceiling).
- **Development of leadership:** focus on development of abilities for leading people and directed at employees responsible for managing teams and for potential managers.
- **Behavioral development:** includes actions for developing self-awareness, skills, behavior and attitudes necessary for work in the Company.

Critical to this process is the Individual Development Plan (IDP). This is prepared by the employee himself with the guidance and validation of the individual's immediate manager and is designed to set out development initiatives related to the needs of the position, the business and to the inter-relation with career expectations and aspirations. In 2017, the Company began a new cycle of evaluations covering the entire workforce, to be concluded before the end of 2018. GRI 103-3; 404-3

For the full year, approximately 51.8 thousand hours were dedicated to employee training at an investment of approximately R$ 3.0 million. GRI 404-1

	Total number of hours of training			%	
	Men	Women	Total		
2015	71,852.70	7,641.70	**79,494.40**	90%	10%
2016	38,570.00	4,668.00	**43,238.00**	89%	11%
2017	**46,956.00**	**4,873.00**	**51,829.00**	**91%**	**9%**



Global Training

On a global scale, the ENGIE Group shares the same commitments and challenges as ENGIE Brasil Energia, requiring corporate actions for development and integration.

Consequently, the Controlling Company invests in the ENGIE University, a corporate university which centralizes an extensive range of educational and development programs. Among these, of particular note are:

GRI 103-2

U Camp

The Company's proposition in this case is a physical structure - temporarily installed in any one of the 70 countries where the Company operates its businesses – for reiterating group commitments and challenges in the context of the energy transition as well as the integration between different areas and structures for identifying synergies and for networking. In November 2017, a U Camp event was held in Brazil involving 126 employees from ENGIE Brasil Energia – equivalent to 12% of the total labor force – as well as officers, directors and guests from other lines of ENGIE's business in Brazil.

E.campus

E.campus is a digital learning platform (e-learning) from which any Group employee can access more than three thousand courses involving the most varied areas of knowledge. Content encompasses the development of personal abilities (leadership, entrepreneurship, career management), technical (interviews, project management) and behavioral aspects (ethics, management of diversity, organizational culture).

Diversity and Equality

Respect for diversity features in the guidelines of both the Company's Code of Ethics and also its Human Resources Policy. These documents state that ENGIE Brasil Energia will not tolerate prejudice whether in relation to ethnicity, religion, gender, party political preferences, age, social status, physical restrictions and any other form of discrimination.

GRI 103-1; 103-2

One of the principal challenges faced by energy companies with respect to diversity both in Brazil and worldwide, is in seeking a balance between employees by gender. A key reason for this continuing imbalance lies in the traditional predominance of men in the engineering field, a reality which has begun to change recently but is still a characteristic of the work force in the sector. In the case of ENGIE Brasil Energia, this situation is borne out by the following:

Of the **316 employees** currently occupying positions at the Company's corporate headquarters, **57% are men and 43%, women**. In this case there is a **better gender balance, explained by the multi-disciplinary nature of the team**, which includes professionals from other areas where the gender balance has traditionally been more favorable.

Among the professionals allocated to the Company's **plants** and where **the profile is of a more technical nature, the work force is made up of 92% men and 8% women.**

This scenario represents one of the major challenges to be confronted by the Company given the significance of the theme for the sustainability and long-lasting nature of the business. ENGIE Brasil Energia is convinced that gender diversity is a basic condition for overcoming the other corporate challenges identified in the context of the energy transition and constant sector innovation, both of which require a pluralistic vision and approach for the best decision-making processes. Thus, change comes not only through the system for hiring and selection but also through training and development of leaders. Another component deemed important by the Company in this process is acculturation - allowing equitability to develop on an organic and therefore long-lasting basis.

In this context, the ENGIE Group has established as a global target at least 25% women in its labor force by 2020. Initiatives for raising awareness and debate on the theme have been conducted for some years, in so doing influencing the gradual evolution in indicators. Currently, fully operational, is the "Diversity Project", led by a multi-disciplinary team with its sponsor Natacha Marly (Board of Directors alternate) and as co-sponsor, Eduardo Gori Sattamini (the Company's Chief Executive Officer). The project seeks to develop an inclusive culture with respect to different themes: gender, ethnicity, age group, special needs, sexual orientation and way of thinking, among others. In 2018, the Project's focus will be on initiatives involving gender diversity and special needs.



Non financial objective – Diversity and equity

The ENGIE group has a non-financial objective related to diversity and equity to be achieved by 2020:

A **workforce** comprising **25% women**



At ENGIE Brasil Energia the number was 17.7% in 2017.

Despite a low turnover (3.7% in 2017) and feeding through to a slow evolution in the numbers, the Company can report progress with women now holding 16% of managerial positions as against 13% in 2016. The percentage of women in the total workforce has risen from 15.1% in 2014 to 17.7% in 2017.

At the end of 2017, the Company also employed 35 with disabilities or with special needs, albeit insufficient to comply with the minimum quota requirements of Law 8.213/91 for employees in this category. The Company has signed a *Termo de Ajuste de Conduto* (a Conduct Adjustment Agreement) with the control bodies and is working to fulfill its entire quota in 2018. GRI 103-1

Compensation and benefits

In addition to fair compensation compatible with the local and sector markets, the Company offers its employees a comprehensive benefits plan, which includes:

- Life insurance (with coverage for permanent total or partial invalidity due to accident or illness);
- Health care plan (encompassing medical/hospital assistance, dental and drugstore expenses; psycho-therapy, physiotherapy and specialized reeducation treatment; eye glasses and ophthalmological lenses; hearing aids and orthopedic devices);
- Disability and invalidity coverage (for dependents there is a Program for Assistance of Dependents with Special Needs);
- Extended maternity and paternity leave (Citizen Company Program);
- Child daycare facilities;
- Agreements with fitness centers;
- Parent company stock ownership plan;
- Food/meal (including vacations) and transportation vouchers;
- Complementary Pension Plan (with co-sponsorship or 100% matching by the Company).
- In addition, ENGIE Brasil Energia subsidizes 80% of drug prescription charges for employees and their dependents, 60% of the monthly tuition fees for language courses and 50% of the monthly fees for university graduation or post-graduation programs. Outsourced workers also are entitled to a benefits program on a permanent basis, consisting of food vouchers and medical and dental care plans. The cost of these benefits is incorporated in the contracts signed with the companies supplying goods and services to ENGIE Brasil Energia.

GRI 401-2

Human capital to the fore

According to Sextante's Survey of Best Practices in Human Capital*

ENGIE Brasil Energia invested

23%

more in benefits** per professional compared with companies in the electric energy sector as a whole.

Compared with the market overall, this difference is still greater: the Company exceeds the market as a whole by

62%

in terms of investments in benefits** per capita.

** Data for 2015, published in 2016. The Company contracts this survey every two years and for this reason it is the most recent available.*

***The survey interprets "benefits" as: health care assistance, social assistance, profit sharing, development etc.*

As variable compensation, annually the Company offers its employees Profits and Results Sharing (PLR) (subject to shareholder approval at a General Meeting). Calculated on the basis of a formula in the Collective Bargaining Agreement with the labor unions representing the employees, the PLR considers both individual and team performance and also adjusted Ebitda and the net income reported for each year.

ENGIE Brasil Energia conducts regular organizational climate surveys as a tool for evaluating the impact of human resource management programs on the degree of employee satisfaction. In the 2017 survey, 80% of the employees answered the survey. Of this total:

- **92%** recommended ENGIE Brasil Energia as a good place to work;
- **96%** believe fully in the products and services offered by the Company;
- **96%** believe that ENGIE Brasil Energia is an environmentally responsible company;
- **95%** believe that the Company is a socially responsible entity;
- **91%** feel pride in being associated to the Company.

Besides serving as a yardstick for employee perceptions and the status of the organizational climate, the survey constitutes a foundation on which to plan for improvements both in the corporate sphere as well as at the operational unit level.

Occupational Health and Safety (OHS)

As set forth in the Sustainable Management Policy, the physical and psychic integrity, professionalism, training and competence of the employees are priorities for ENGIE Brasil Energia. The same care taken with direct employees is also dispensed to the service providers – the latter's agreements include clauses to this effect, also prioritizing the occupational health and safety of subcontractors and outsourced entities.

GRI 103-1

The principles of Occupational Health and Safety are widely disseminated at the operational units through specific training and activities directed towards accident prevention and consolidation of a culture of health and wellbeing. In all, 11 Internal Accident Prevention Commissions (CIPAs) provide guidance to employees on compliance with safety standards in the prevention of work-related accidents as well as illnesses. At the nine units where no Commissions are installed, representatives are appointed to perform the same functions. In 2017, the Company's CIPAs had 80 members who with the 9 appointees, represent the entire direct workforce. GRI 103-1; 103-2; 403-1

Rules which SAVE LIVES

OBJECTIVE: ZERO ACCIDENT.
Preserving life is everyone's responsibility. Know the 11 rules that save lives:


Put the safety belt on before beginning overhead work.


Check there is no activation energy whether mechanical, chemical and electrical as well as fluids under pressure, before starting work.


Do not remain at the wheel of vehicles or equipment in movement.


Before entering an excavation, check that the retaining walls are well installed.


Before entering a confined space, check that the atmosphere has been tested and that surveillance is present throughout the operation.


Do not walk or remain under suspended loads.


Do not use the phone or other means of communication when driving.


Prior to executing work in a hot environment, check that there is no risk of fire or explosion.


Do not drive under the influence of alcohol or narcotics.


Pay attention, reduce speed and look in the rearview mirrors before turning or reversing.


Check that all safety precautions have been taken before beginning diving activities.

In 2017, eight work-related accidents were reported involving direct employees. There were another 31 accidents involving professionals from outsourced companies. Despite all preventive efforts, one fatality was recorded at one of the Company's construction sites. There were no cases of occupational disease in the reporting period.

The Company's goal was to achieve a zero accident rate both internally and along its value chain by reinforcing its OHS strategy in 2017. Among the various initiatives taken on behalf of the in-house stakeholders, of particular importance has been the intensification of awareness campaigns. Efforts to raise individual and collective awareness have been undertaken by executing endomarketing initiatives for bolstering ENGIE Brasil Energia's Risks and Near Accidents Situations system (GSR system), encouraging employees to notify such situations so that the necessary remedial measures can be taken. GRI 103-2; 103-3

The campaign was run in the light of the low number of occurrences reported reactively as well as the need to take action so that work-related accidents are prevented through notification and risk and near accident situations handled accordingly. The effectiveness of the campaign is borne out by the number of reports of risk and near-accident situations in 2017, these increasing to 627 from 93 in 2016.

Supplementary to these initiatives, talks and communications of a preventive nature were also instituted by the Company in order to raise the level of awareness among employees as to the need for good OHS practices. This was especially the case at the works sites of plants under construction where EBE offered dedicated seminars during the year. GRI 103-2

All collective bargaining agreements signed between ENGIE Brasil Energia and the labor unions carry specific clauses on OHS, including training and education to first responders. In the case of outsourced employees, Work Safety Integration Training is provided. This looks at the basic principles of OHS for conducting services at the Company's units.

Work Related Accidents GRI 403-2

Work related accidents	2016	2017
Direct employees		
Number of hours exposed to risk	2,024,902	1,910,390
Number of work-related and commuting accidents with and without time off work	5	8
Number of lost days – work related accidents with time off work	5	8
Number of fatal accidents	0	0
Employees of contracted companies		
Number of hours exposed to risk	3,247,650	6,311,671
Number of work related and commuting accidents with and without time off work	22	31
Number of fatal accidents	1	1



Occupational Health and Safety Indicators (OHS)

Indicator	2016	2017	Target Reached?	Variation 2017 x 2016	Target 2018
Frequency Rate (FR) – direct employees[1]	0.490	1.050	-	↑	-
Severity Rate (SR) - direct employees[2]	0.002	0.004	Yes (< 0.030)	↑	≤ 0.020
Frequency Rate (FR) – direct employees + long-term service providers[1]	1.520	1.030	No (< 1.00)	↓	≤ 0.80
Frequency Rate (FR) – short-term service providers + work under construction[2 3]	-	0.690	Yes (≤ 2.40)	-	≤ 2.40

1) FR = number of work-related accidents occurring for every million hours of exposure to risk.
2) SR = number of lost days due to work-related accidents for every million hours of exposure to risk.
3) Monitoring of this indicator began in 2017, and for this reason no figures are available for 2016. Data does not include the construction of the Pampa Sul Thermoelectric Power Plant.

Occupational Health and Safety Indicators (OHS)
Pampa Sul Thermoelectric Power Plant

Indicator	2016	2017	Variation
Frequency Rate (FR) – direct employees[1]	0.000	0.000	-
Severity Rate (SR) – direct employees[2]	0.000	0.000	-
Frequency Rate (FR) – including service providers[1]	4.900	2.220	↓
Frequency Rate (FR) – including service providers[2]	0.032	0.028	↓

1) FR = number of work-related accidents occurring for every million hours of exposure to risk.
2) SR = number of lost days due to work-related accidents for every million hours of exposure to risk.

SUPPLIERS GRI 102-9; 103-1; 103-2; 103-3

Principal relationship channels/means and engagement with suppliers

- "Online purchases" system – negotiating platform.
- Website – availability of reference documents (policies, requirements) and direct channel of communication for suggestions, complaints, doubts or praise (submitted anonymously if necessary).
- Integration meetings – held at the beginning of the services.
- Evaluations and monitoring, formal and informal meetings with staff.
- Publications (Sustainability Report, *Boas Novas* magazine and specific information bulletins, among others).
- Events and dedicated seminars (Internal Workplace Accident Prevention Week, Environment Weeks, Sustainable Management Seminar).

ENGIE Brasil Energia's supply chain incorporates companies of different sizes, sectors and regions of Brazil and abroad, providing goods and services, which contribute to the development of the Company's activities. In 2017, the Company enjoyed commercial agreements with 2,456 suppliers of which 1,239 are considered local suppliers (50.4%).

ENGIE seeks to engage suppliers as a means to stimulate sustainable practices along its value chain and to ensure supplier alignment with legal compliance and the socio-environmental commitments assumed by the Company. Legal, socio-environmental and quality conformity requirements are analyzed at the stage of validation for negotiations (supplier ratification) and also during the rendering of the services or the supply. The purpose is to ensure that the commitments stipulated in corporate policies procedures and standards are indeed being respected and applied along the supply chain.

Validation (ratification)

Supplies and services considered of greater risk or impact on the operation, on occupational health and safety or from the socio-environmental point of view are classified by the Company as "Class Risk 1". Such classification may be based exclusively on supply category or on qualitative criteria, especially in the case of services. Suppliers wishing to participate in price quotation procedures must undergo prior validation known as ratification. Among the criteria on which ratification is based, the principal are:

a) To reach the minimum of 85% of the scores in the evaluation forms; or

b) Not to have a record of supply problems (when the supplier is registered in different categories of request(s)); or

c) To have a track record of supply with positive results at another company in the ENGIE Group; or

d) To be the sole supplier of a material or service (exclusive supplier with no other alternative in the market – for example, of a pre-established brand).

At the Company's discretion, technical visits may be made to suppliers to verify the consistency of information rendered. Should non-conformities be identified, the supplier's registration information may be invalidated and/or ratification cancelled.

In 2017, 18 of the 299 new suppliers were ratified – equivalent to 6% of the total. There were no cases in this group where a relationship needed to be terminated or where agreement was necessary to make improvements in the light of an unfavorable evaluation. GRI 308-1; 414-1

Regular monitoring

GRI 308-2; 414-2

Once the supplier has been selected based on commercial and technical criteria and, depending on the type of supply, the evaluation raised during the ratification process, the specific documental analysis begins for the services to be rendered. Some requirements are monitored at the outset of the supply of services and others are regularly evaluated as illustrated in the following table.

Documental analysis of suppliers' compliance with legal and socio-environmental requirements

	Document	Application	Delivery of documentation
1	CTPS copy – Social Security and Labor Card and registration form of outsourced employees.	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting).
2	Employee hiring, termination and control authorization form.	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting).
3	PAT – Worker Food Program (for food/meal voucher).	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting).
4	EPI (individual protection equipment) delivery form with CA (approval certificate).	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting) and when requested.
5	Representative delegation letter – by the Company and by the supplier.	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services.
6	Life insurance: insurance policy, list of the insured and proof of payment (should be at least R$ 25,000.00 per life).	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting) and when requested.
7	Health and dental assistance plan.	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting) and monthly.
8	NR 10/ NR-20/ NR 33/ NR35 – Certificates for execution of work considered of risk with exposure to agents or conditions noxious to health.	When applicable.	Beginning of the services (contracting).
9	Professional License or Registration from class entities.	When applicable.	Beginning of the services (contracting).
10	Third party insurance: insurance policy and proof of payment.	When applicable.	Beginning of the services (contracting).
11	Collective Bargaining Agreement for the Category.	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting) and monthly.
12	ASO – Occupational Health Certification (should be executed according to the PCMSO).	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting) and annually (or upon alteration in the scope of the executed services).
13	List of beneficiaries with health and dental assistance plan.	All long-term agreements relate to suppliers of services within the Company's installations.	Beginning of the services (contracting) and monthly.
14	Drivers' License (CNH) for car drivers and field machine operators.	When applicable.	Beginning of the services (contracting) and when requested.
15	Annotation of Technical Responsibility (ART).	When applicable.	Beginning of the services (contracting) and monthly.
16	Environmental Licenses and Federal, State and Municipal public bodies.	When applicable.	Beginning of the services (contracting) and when requested.
17	Internal Accident Prevention Commission (CIPA).	When applicable.	Beginning of the services (contracting) and when requested.
18	Monthly payroll.	All long-term agreements relate to suppliers of services within the Company's installations.	Monthly.
19	Proof of deposit: RE / SEFIP; GPS/INSS; GFIP/FGTS.	All long-term agreements relate to suppliers of services within the Company's installations.	Monthly.
20	Occupational Health Medical Control Program (PCMSO).	All long-term agreements relate to suppliers of services within the Company's installations.	Monthly.
21	Proof of payment: Food/meal voucher; transportation voucher.	All long-term agreements relate to suppliers of services within the Company's installations.	Monthly and when requested.
22	PPRA – Environmental Risks Prevention Program.	All long-term agreements relate to suppliers of services within the installations of the Company.	Beginning of the services (contracting) and when requested.

Documents requested and analyzed at the beginning of the services.

Documents requested and analyzed by the Company at the beginning of the services and delivered monthly by the suppliers for random sample analysis.

Documents requested by the Company and analyzed on a random sample basis.

This documental verification applies to 100% of the long-term services conducted within the Company's installations and at the criteria of the technical and commercial managers, also to other types of services. There is the control of additional requirements for supply or rendering of specific services deemed critical such as diving activities and those involving confined spaces, hot working conditions, among others for services and supply of mineral coal, inflammable products, lubricant oils, among others for materials.

Should any non-conformity be identified in the documentation and/or documents found to be absent during the period for supplying services, the commercial area responsible shall formally notify the timeframe for regularization to the supplier. In the event that the irregularity is not remedied, a "non-conformity" will be flagged in the Company's management system and a decision will be taken as to the imposition of a fine and/or retention of payments and/or blocking of entry to the supplier's employees to the Company's installations until the pending matter is resolved.

In addition to documental assessment, the Company undertakes evaluations based on performance parameters. The supply analysis requirements for materials are quality, punctuality and quantity and such is conducted for all material acquired by the Company. Services on the other hand are analyzed in a form structured jointly by the Company's technical, commercial and Health and Safety areas, contemplating the following parameters: quality; safety, medicinal and occupational hygiene; environmental and administrative and legal questions.

When the average for this assessment is less than 70%, a plan of improvements is discussed, subsequently agreed among the parties concerned and monitored by the technician responsible. Based on the performance analyses conducted during 2017 as well as documentary analysis, no real environmental and social impacts were recorded along the suppliers' chain. Potential risks and impacts are varied. A specific risk matrix structured in 2017 will make for more detailed socio-environmental analyses of ENGIE Brasil Energia's value chain over the next few years. **GRI 308-2; 414-2**

Human Rights

ENGIE Brasil Energia has developed a specific corporate policy on the theme, adopting a role of proactive agent in the protection of human rights within its sphere of influence. The document establishes commitments and guidelines focused on identifying, preventing and mitigating the negative impacts of its activities on human rights both internally and externally. In this respect, the agreements signed with suppliers contain clauses relating to the theme, including requirements for combating discrimination and the rejection of child, forced or compulsory labor, among other aspects, this also being extended to the Company's subcontractors. In 2017, no operations were identified that represent significant risks involving child or forced labor along ENGIE Brasil Energia's supplier chain. During the period, the Company also registered no verbal or written complaints with respect to human rights or reports of discrimination. **GRI 103-1; 406-1; 412-3**



COMMUNITIES GRI 413-1; 413-2

Principal relationship channels/means and engagement with the Community

- Radio, television and newspapers – especially dedicated to information in the region of the operational units.
- Socio-environmental actions and programs (Culture and Sustainability Centers, donations and planting of seedlings, environmental education programs, training activities).
- Sponsorships and philanthropic actions.
- Website (specific field for communicating doubts, praise, complaints or suggestions, separated in to 10 direct service channels).
- Publications and accountability (*Boas Novas* magazine, Sustainability Report, specific information bulletins, among others).
- Events and dedicated seminars (Environmental Weeks, Materiality Survey, Public Hearings, Sustainable Management Seminar)

The communities surrounding the operating units constitute priority stakeholders for ENGIE Brasil Energia in the pursuit of sustainable development of the regions in the Company's sphere of influence. It is in this context that the Company maintains its channels for dialog open as well as providing support for projects initiated by the communities. Based on mutual respect, this relationship is built on partnerships with local agents – such as universities, third sector organizations and representative entities.

GRI 103-1; 103-3

Projects in the process of installation

The communities surrounding the projects in the process of installation by the Company are invited to take part in the environmental licensing process through public hearings used to announce information on a particular project and its eventual socio-environmental impacts. With the start on implementation, various channels of communication are made available such as the ombudsman's channel and information center in addition to visits to neighboring families, information bulletins and primers, radio spots and announcements from loudspeaker vehicles. In line with provisions in the environmental licenses, in some cases Project Monitoring Commissions (CAE) are set up with representatives drawn from civil society, government and community leaders to keep the local population informed.

To encourage the hiring of local labor, especially involving functions relating to civil construction or projects with work in progress (such as

GRI 103-1; 103-2

bricklayers, carpenters and riggers, among others), the Company runs professional induction and skills training courses in partnership with teaching institutions.

Even when prioritizing local labor, supply is often insufficient for the requirements of companies and services suppliers, resulting in the attraction of potential labor from other regions to the municipal districts in the vicinity of the projects.

While such an influx dynamizes the local economy, it can also overload public services infrastructure by inflating the population. When such impacts are identified, the Company adopts mitigating and compensatory measures, which may include investments in health, public safety, leisure and sanitation. Other initiatives aim to help local government structure its actions such as through the preparation of master plans and waste management.

Projects in the process of implementation

Social impact evaluations	6
Environmental impact evaluations and monitoring	42
Public disclosure of the results of environmental and social evaluations	11
Community development programs	17
Shareholder engagement plans	3
Committees and consultation processes including vulnerable groups	2
Company councils, occupational health and safety committees and other employee representations which discuss the impacts	4
Formal processes for handling local community complaints	3
Total	**88**

Impacts on the local communities
Projects in the process of installation

Projects

- Campo Largo Wind Complex
- Santo Agostinho Wind Complex
- Umburanas Wind Complex
- Assu V Photovoltaic Plant

Positive impacts

- Growth in local trade
- Increased tax take
- Contribution in planning of land use
- Engagement of local companies and labor
- Increase in training and qualified labor
- Increase in public-private partnerships for socio-economic development
- Creation of jobs and income
- Installation of social projects which improve community living conditions
- Increase in scientific surveys of local fauna, flora and archeology
- Improvements in public infrastructure (public access and equipment)

Negative impacts

- Brush clearance and exposure of local fauna to the risks of accidents
- Exposure of the community to emissions of dust, particulate material and noise
- Raising expectations among the local population
- Overload of the public infrastructure
- Exposure of the population to increased traffic movement

Major initiative



Cooperation with resettlers of Incra in the state of Rio Grande do Sul

One of the principal characteristics of a set of compensatory and socially responsible measures implemented in the region by ENGIE Brasil Energia reflects the close relationship enjoyed with the community in the sphere of influence of the Pampa Sul Thermoelectric Power Plant (RS), encompassing the municipal districts of Candiota and Hulha Negra. Some 400 families take part in these initiatives which are fostered by the Company and executed in partnership with the Instituto Cultural Padre Josimo (ICPJ), operating directly through the provision of technical assistance and organization of the resettlement in the area.

Based on the results of the Participative Rural Diagnosis (DRP), activities undertaken in 2017 involved: talks on soil biomineralization technology with accompanying distribution of seeds and seedlings; environmental workshops in the schools of the resettlement areas; installation of vegetable gardens of medicinal plants on resettler properties and the training of families in the cultivation and appropriate use of the plants in preventing and curing sickness; meetings with families interested in working with agroforestry systems for installing apicultural activities on their properties; and support for qualification in the production of native and fruit-bearing tree seedlings in the Integration, Work and Production Cooperative (Coptil) nursery.

Another important initiative in the area is the program for protecting water sources and springheads. At the outset of the program, 12 water sources and springheads were identified on properties adjacent to the plant. During 2017, however, a further 24 were cataloged. The methodology was responsible not only for improving quality and access to water but also contributed to the community's collective knowledge on the importance of protecting springheads.

Territorial impacts

The Company's projects with work in progress in 2017 involved neither acquisition nor expropriation of land. Project sites are generally situated in rural areas with sparse population, the latter therefore not requiring resettlement. The owners of areas affected by the installation of access roads and transmission lines are indemnified for any restrictions on soil use or due to the installation of public rights of way. The impact on the historical and archeological heritage in these areas is also evaluated. If need be, sites of historical and archeological interest eventually identified are either preserved in situ or artefacts recovered and sent to specialized institutes. The impact on remaining natural resources such as soil and water are the focus of specific monitoring and control programs.

Projects in operation

As a member of the communities surrounding the plants in which it operates, ENGIE Brasil Energia seeks to remain engaged in initiatives of interest to the local population. As part of its sustainability strategy, the Company's corporate social responsibility actions are driven by the protagonism of the local communities, thus encouraging their development and autonomy.

GRI 103-2

In 2017, investments in social responsibility amounted to R$ 22.3 million, either in the form of own funds or tax breaks. The investment of funds from tax breaks in communities contiguous to the sphere of influence of the Company constitutes one of its principal lines of action, expanding exponentially the volume of resources allocated to these communities, generally situated in small municipal districts.

GRI 103-2; 103-3

Investments in social responsibility
(in thousands of R$)

Indicator	2017	2016	Variation
Non-incentivized investments	2,898.14	5,044.28	-42.5%
Investments through the Infancy and Adolescence Fund - FIA	2,022.85	2,544.27	-20.5%
Investments under the Culture Incentive Law – Rouanet Law	9,537.11	10,184.72	-6.4%
Investments under the Sport Incentive Law	1,895.20	2,565.29	-26.1%
Investments under the National Support Program for Oncological Care - PRONON	2,118.97	2,573.80	-17.7%
Investments under the National Care Support Program for People with Special Needs - PRONAS/PCD	1,383.46	1,310.20	5.6%
Investments through the Municipal Fund for the Elderly	2,423.19	2,348.33	3.2%
TOTAL	22,278.92	26,570.89	-16.2%

The Company also creates value indirectly to the communities in which it operates. One such way is through the *Compensação Financeira pela Utilização de Recursos Hídricos* - CFURH (Financial Compensation for the use of Water Resources) and applicable to hydroelectric plants. The legislation requires that income from these resources should be shared 45% each between the municipalities and states and the remaining 10%, the Federal Government. Prorating of payments is based on the percentage of area flooded in each municipality. In 2017, the Company paid out R$ 165.4 million in royalties. The amount paid to each one of the more than 70 municipalities which received this compensation can be consulted by accessing the link: http://www2.aneel.gov.br/aplicacoes/cmpf/gerencial/.

Culture and Sustainability Centers

Already operating in six municipalities, the Culture and Sustainability Centers have become essential tools for cementing community relationships. Dedicated to fostering cultural and educational initiatives, these spaces provide opportunities for community coexistence as well as access to artistic manifestations such as theater, music, dance and cinema.

The managers of Centers which have already been opened as well as those in the process of being installed, interact through REDE. This is an organization for promoting the exchange of good practices and the interchange of cultural activities, strengthening government and private entities for achieving project sustainability.

The principal objectives of the Centers are to:

- encourage the enhancement of local customs and traditions in the communities in which ENGIE Brasil Energia is located;
- instigate young people to seek knowledge through social and digital inclusion, contributing to the generation of employment and income, and reducing rural and urban depopulation;
- become economically sustainable operations with a structured program for generating income and controlling costs.

ENGIE Brasil Energia is using its own resources (not incentivized) to ensure the economic sustainability of the Centers by acquiring and donating solar panels to four of them. This equipment should be installed in the first half of 2018. During this period, the sixth Culture Center, located in the municipality of Minaçu (GO) - in the sphere of influence of the Cana Brava Hydroelectric Plant - is expected to be inaugurated.

During the year, the Ministry of Culture approved new Centers for three municipalities: Trairi (CE), near the Trairi and Santa Monica wind complexes; Saudades do Iguaçu (PR), near Salto Santiago Hydroelectric Plant; and Itá (SC), adjacent to the Itá Hydroelectric Plant. As a result, the projects are already eligible to raise funds.

Culture Centers in 2017

Center Location	Visitors	Students - Workshops
Alto Bela Vista (SC)	7,000	190
Capivari de Baixo (SC)	280,000	118
Concórdia (SC)	35,000	71
Quedas do Iguaçu (PR)	15,000	143
Entre Rios do Sul (RS)	3,000	294

** Estimated number*



Capacitar

Focused on the socio-cultural interchange for improving the quality of life of the communities surrounding the projects, the Capacitar Program is designed for training community leaders and agents in the management of projects, their viability made possible through federal tax breaks – such as the Culture Incentive Law (Rouanet Law), the Sport Incentive Law, the Infancy and Adolescence Fund, the Fund for the Elderly, the National Support Program for Oncological Care (Pronon) and the National Health Care Support Program for People with Special Needs (Pronas/PCD).

The program works along three principal axes: upgrading of skills through the distribution of printed material, onsite meetings and online courses. In 2017, eight courses were held in cities located in the states of Santa Catarina, Rio Grande do Sul, Paraná, Mato Grosso do Sul and Rio Grande do Norte, so that more than 2.2 thousand people have been trained since the beginning of the initiative. Details of the project are available from the website www.capacitar.vc.



Visiting program

The plant visiting program is another important initiative for engaging local communities. In partnership with other entities, the Company operates structured programs for visits by students, researchers and tourists to the plants in the generating complex. During these visits, presentations are made on plant operations and the implementation of socio-environmental programs. Complementary to this program are presentations made in schools and other community facilities with the focus on the same themes and an emphasis on environmental education. In 2017, approximately 85 thousand people took part in the program's activities.

Clients

Principal relationship channels/media and engagement with Clients

- Website (contact with sales team, request for information, various prospects)
- Online clients system – Platform for management of energy agreements available to the clients
- Relationship Program with the client and the market (plant visits, events, seminars)
- Website (field for voicing doubts, praise, complaints or suggestions, spread across 10 direct service channels)
- Publications (*Boas Novas* magazine, Sustainability Report, special information bulletins)
- Blog “Minha Energia Livre” – minhaenergialivre.com.br – and the “Mercado Livre de Energia” channel at Linkedin

In 2017, ENGIE Brasil Energia has agreements with 280 clients in the industrial, commercial and services sectors, an increase of 22.8% compared with 2016. The Company’s relationship with these clients is based on trust and creation of value for both parties.

The Company runs satisfaction surveys periodically to verify the opinion of these stakeholders on the Company’s activities. In the 2017 survey, nearly all clients – 97.7% - indicated that they were satisfied or very satisfied with ENGIE Brasil Energia’s services. **GRI G4 EU3**

Another channel which helps approximate clients with the Company is the Energy Efficiency Diagnosis Program, its latest edition being held in 2017. The Program is offered free of charge to the free market client portfolio, more particularly companies in the industrial sector in an effort to help them identify the potential for reducing energy consumption in their productive processes. Among the actions suggested are changes in equipment and modifications to manufacturing processes and organizational culture. Any decision on implementing proposals put forward by ENGIE however is entirely at the client’s discretion. **GRI 103-3**

During the year, one diagnosis was prepared and one onsite presentation made. Since its inception in 2004, the program has been responsible for 46 diagnoses of major corporate units and in a range of different sectors such as the auto industry, mining, chemicals, cosmetics and retailers. Totaling all participants, energy savings proposed by ENGIE Brasil Energia would have amounted to about 500,000 MWh per year. Considering the overlap of activities with the controlled company, ENGIE Serviços de Energia - focused on the supply of energy solutions - the program has been discontinued.

GRI DMA Sectorial EU7

Another initiative for reaching out to clients is the Visiting Program. This allows clients (both existing and potential) to become acquainted in loco with some of the Company’s projects, thereby obtaining a better understanding of the operations as well as in the context of the structuring of the socio-environmental programs.

INVESTORS

Principal relationship channels/media and engagement with Investors

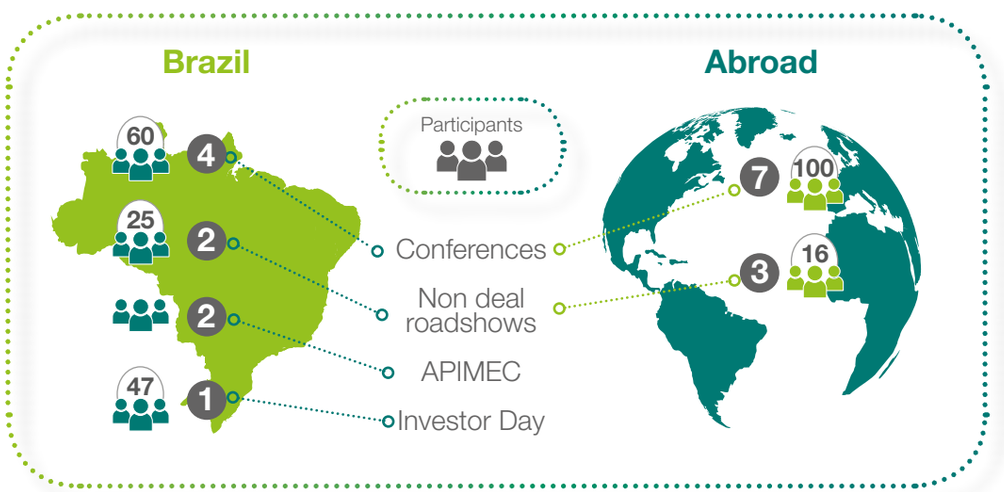
- Investor Relations Website
- Mailing shots (meetings' minutes, Announcements to the Market, Material Facts, etc.)
- Announcements through the intermediary of the custodian bank (statements, notices on dividend payouts, etc.)
- Events, seminars and specific conferences (public meetings, Investor Day)
- Conference calls – quarterly and annual results
- Publications (Results Release, Presentations, Fact Sheets, Sustainability Report, etc.)

In the Company website's Investors portal, shareholders are able to access such information as Material Facts, Notices to Shareholders, Announcements to the Market, documents on quarterly performance, the Management Report and Financial Statements and the Sustainability Report among others. In addition, shareholders can take part in conference calls on results and meetings with investors and research analysts. The investor relations page received 35,805 visits during the year and the dedicated messages channel received 252 messages (doubts, suggestions, praise and complaints). Procedures require that all messages be answered in less than 48 hours.

Also in the website, the Company offers channels and instructions for participation in Shareholders Meetings via remote voting ballot pursuant to CVM Instruction 561. There is also a specific communication channel for shareholders to submit suggestions on matters for discussion/decision by the Meetings.

The Company takes part in conferences and seminars hosted by the principal investment banks and brokers. During 2017, the Company took part in 19 events in Brazil and abroad as well as meeting with 201 institutions (including eventual follow-up meetings).

Company participation in investor-related events - 2017



In 2017, the “Inside ENGIE” (Investor Day) was held at the Museu do Amanha, Rio de Janeiro, to which guests from 47 institutions were invited along with capital markets professionals and the Company’s Investor Relations team, managers and officers. The event was also transmitted via webcast, with the participation of private individuals sending in questions, comments and/or suggestions to speakers. The latter covered a range of strategic themes over the short, medium and long term horizons such as changes at ENGIE Brasil Energia and in the energy sector as a whole as well as management of portfolio risk and the asset transfer model.

Engagement in external initiatives

GRI 102-12; 102-13

One of the ways ENGIE Brasil Energia contributes to the development of the sector and the communities where it has plant operations is through the participation of employees and officers in associations fostering the public interest and social wellbeing.

In the state of Santa Catarina, for example, the Company is a member and principal supporter of the “National Sustainable Development Goals Movement (SDG) – We Can Santa Catarina” which leads the SDG Think Tank. This organization is dedicated to thinking strategically as to the evolution of the SDG in the state, proposing actions that contribute effectively to reaching the goals established by the 2030 Agenda. ENGIE Brasil Energia is also a member of the Ethos Institute’s “Brazilian Business Pact for Integrity and Against Corruption”.

With respect to the energy transition and the internalization of the activities of external associations, the Company played an active role in the following forums during the year

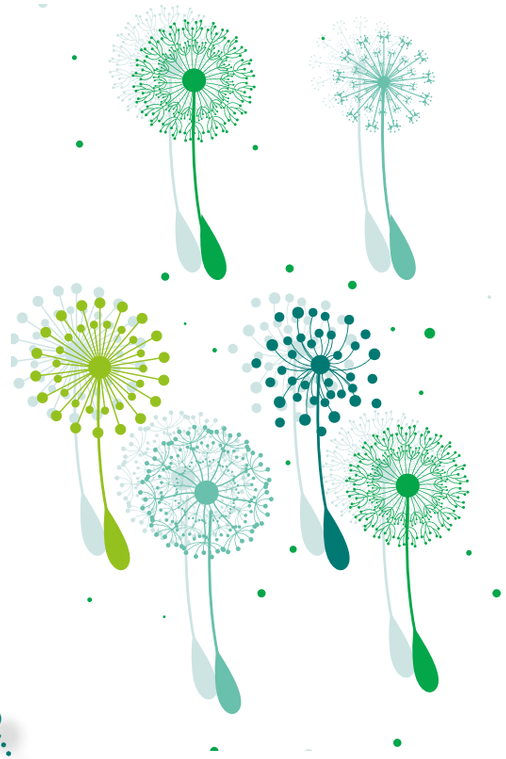
- Within the scope of the Electric Sector Environment Forum (FMASE), the National Confederation of Industry (CNI), the Partnership for Market Readiness (PMR), the Company is involved in the discussion and creation of environmentally and economically effective carbon market mechanisms and the definition of more ambitious climate policies.
- Cooperation with the Brazilian Fund for Biodiversity (FUNBIO) in the definition of strategies for promoting biodiversity in the area surrounding the hydroelectric plants.
- Collaboration with the International Chamber of Commerce (ICC) and the Global Compact in discussions on the energy transition and definition of strategies for promoting the Sustainable Development Goals (SDG).
- Cooperation with the Universidade Federal do Rio de Janeiro’s (COPPEAD) Institute for Post-Graduation and Research in Management in defining criteria for measuring the benefits of SDG in relation to our projects.

In addition to these initiatives, representatives from ENGIE Brasil Energia took part in the activities of the following associations:

- Brazilian Association for Electric Energy Generating Companies (Abrage)
- Brazilian Association of Wind Energy (ABEEólica)
- Brazilian Mineral Coal Association (ABCM)
- Brazilian Association of Risk Management (ABGR)
- Brazilian Maintenance Association (Abraman)
- Brazilian Electric Energy Trader Agents Association (Abraceel)

- Brazilian Association of Electric Energy Sector Accountants – (Abraconee)
- Brazilian Association of Independent Electric Energy Producers (Apine)
- Capivari de Baixo Commercial and Industrial Association (Acicap)
- Florianopolis Commercial and Industrial Association (ACIF)
- Lages Commercial and Industrial Association (ACIL)
- Tubarão Commercial and Industrial Association (ACIT)
- Healthcare Association (Elosaúde)
- Energy Co-Generation Industry of São Paulo (Cogen)
- Apuaê-Inhadava Hydrographic Basin
- Electric Energy Research Center (CEPEL)
- State of Rio Grande do Sul Energy Planning Committee (Copergs)
- Cantuquiriguaçu Territory Development Council (Condetec)
- National Water Resources Council (CNRH)
- Santa Catarina State Water Resources Council for Santa Catarina (CERH-SC)
- Paraná State Water Resources Council (CERH-PR)
- Environment Council of the National Confederation of Industry (CNI)
- Industries Federation of the State of Santa Catarina (Fiesc)
- Confederation and Center of Industries for the State of Rio Grande do Sul (Fiergs)
- Business Management Foundation Committee (Funcoge)
- Eletrosul Social Security Foundation (ELOS)
- Santa Catarina Leaders Group (LIDE-SC)
- Acende Brasil Institute
- Brazilian Investor Relations Institute (IBRI)
- Internal Auditors of Brazil Institute (Audibra)
- International Hydropower Association (IHA)

On a global basis, ENGIE controlling Company subscribes to the Carbon Disclosure Program (CDP), the United Nations Organization's Global Compact and initiatives which focus on climate change and the energy transition such as "Business Leadership Criteria on Carbon Pricing", "Caring for Climate" and "Global Energy Efficiency Accelerator Platform". ENGIE is also a founder member of the "Terrawatt Initiative", which seeks to influence regulatory conditions for a massive deployment of competitive solar generation.



TERRAWATT INITIATIVE

06

ABOUT THE REPORT

The content of this publication was established based on a far-reaching process of engagement.



About the Report

This Sustainability Report seeks to record the economic, social and environmental performance between January 1 and December 31, 2017 of ENGIE Brasil Energia and all its subsidiaries as consolidated in the financial statements, except when explicitly described to the contrary 1. In line with the practices adopted for more than a decade now, the Company is using the guidelines of the Global Reporting Initiative (GRI). Thus, both the structure of the content and also the related aspects and indicators are based on the standard version of the GRI Guidelines, "Core" option. Use of the GRI's Sector Supplement, version G4 of the Guidelines has been maintained for disclosures specific to the electric sector.

GRI 102-50; 102-52; 102-54

1 To ensure that this report is comprehensive, certain events subsequent to this period have been included and identified accordingly.

As a means of integrating the disclosed results, this publication incorporates the content of ENGIE Brasil Energia's management report, issued in February 2018. In the same way, socio-environmental indicators are shown in the Company's quarterly presentations of economic-financial results and maintained up to date in the corporate website. The consolidated financial performance of the Company and its direct and indirect subsidiaries is to be found in the Financial Statements.

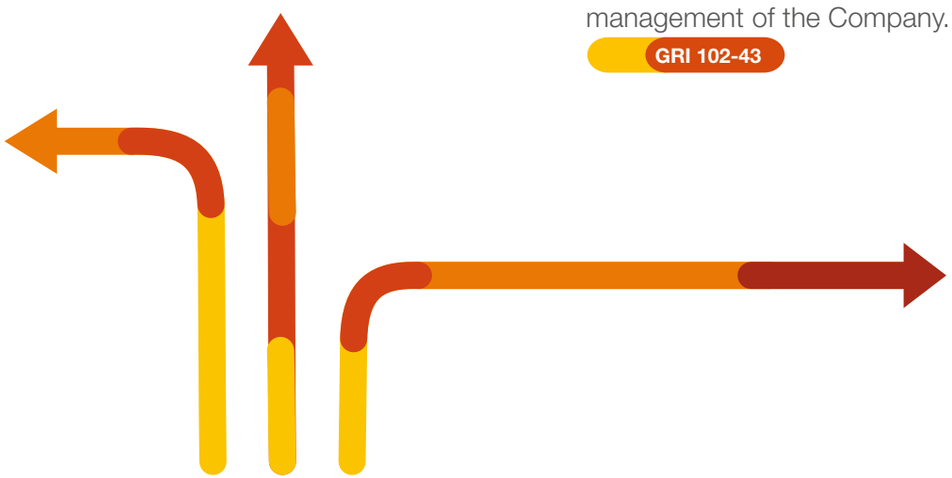
GRI 102-45

In addition to the GRI Guidelines, the Company adheres to the recommendations of the International Integrated Reporting Council (IIRC), seeking to report when possible, aspects enshrined within the framework of the Integrated Report – which includes generation of short, medium and long term value.



ENGAGEMENT AND RELEVANCE

As called for under GRI guidelines, the Report's content was obtained following a far-reaching process of engagement with the participation not only of Company's directors and staff but also representatives of other stakeholders with which the organization interacts. Prepared using a framework of internal and external parameters, ENGIE Brasil Energia's sustainability context was designed on the basis of consultations with different stakeholders as well as the vision of the Sustainability Committee, Managerial Areas, Management Board and Board of Directors. The entire process was conducted during 2017.



Stakeholder consultation took place through the medium of 10 Panels run by the plants operated by ENGIE Brasil Energia in different regions of the country. The selection of stakeholders consulted considered the process for generating value in six chapters according to Integrated Report guidelines, considering not only the influence of stakeholders on the capacity of the Company to generate value but also the impact of its activities on the same stakeholders in the context of each chapter.

GRI 102-42

A total of 182 took part in this process. Questionnaires were used in the events for requesting an evaluation from stakeholders as to aspects deemed in their understanding to be relevant to the sustainable management of the Company.

GRI 102-43

Engaged stakeholders

GRI 102-40

- academia;
- shareholders and investors;
- sectorial associations;
- clients;
- communities;
- sector companies;
- employees; outsourced employees and labor unions;
- civil entities;
- suppliers;
- government autarchies;
- the press.

The principal topics and concerns highlighted by those consulted during the onsite panels are described in the following scheme – it is worth pointing out that it has not been possible to identify which stakeholders were responsible for each theme. In general, the management practices of these aspects are shown in this Report.

GRI 102-44

Themes and concerns expressed by stakeholders

GRI 102-44

Environmental Dimension

- GHG emissions*
- Efficiency in the generation of energy*
- Water*
- Demand for energy*
- Energy consumption
- Energy efficiency
- Biodiversity
- Water recycling*
- Waste
- Protected habitats
- Materials
- Effluents



Social Dimension

- Employment
- Market presence
- Engagement of managers from the local community
- Health and safety*
- Training*
- Diversity*
- Human Rights/Environmental Impacts on the Supply Chain*
- Local suppliers
- Information on services
- Consumer education
- Community*
- Infrastructure and services
- Rights of indigenous communities
- Operational Changes

Governance and Management Dimension

- Ethics and Integrity*
- Corruption*
- Economic Performance
- Climate Change*
- Dialog with Shareholders*
- Political Instability
- Lobby
- Innovation

Aspects related to ENGIE's Non-Financial Goals

Following consultations, the GRI's recommended materiality tests be applied for prioritizing relevant aspects. Subsequently, the prioritization proposal was validated by the Sustainability Committee and by the Management Board.

GRI 102-46; 102-47

Consequently, 20 material aspects were itemized to be shown in this Report, grouped around eight themes as shown in the following chart. The Sustainable Development Goal for each prioritized aspect is indicated so that the report can be visualized from a global sustainability context.

GRI 102-46; 102-47

	SDG	Relation with the material themes		
1	SDG 1 - Poverty	-		
2	SDG 2 - Zero Hunger and Agriculture	Water Management		
3	SDG 3 - Health and Wellbeing	Water Management		
4	SDG 4 - Education	-		
5	SDG 5 - Gender Equality	Development, Equality and Safety of People		
6	SDG 6 - Water and Sanitation	Water Management		
7	SDG 7 - Energy	Energy and Climate Change	Gestão da água	
8	SDG 8 - Work and Economic Growth	Economic Performance	Development, Equality and Safety of People	Management of Impacts on the Production Chain
9	SDG 9 - Industry, Innovation	Economic Performance	Energy and Climate Change	
10	SDG 10 - Inequalities	Ethics and Integrity	Development, Equality and Safety of People	
11	SDG 11 - Cities	Energy and Climate Change	Engagement with Local Communities and Stakeholders	
12	SDG 12 - Consumption and Production	Energy and Climate Change	Management of Impacts on the Production Chain	
13	SDG 13 - Climate Change	Energy and Climate Change	Management of Impacts on the Production Chain	
14	SDG 14 - Life in Water	-		
15	SDG 15 - Life on Land	Management of Impacts on the Production Chain	Biodiversity	
16	SDG 16 - Peace, Justice	Ethics and Integrity		
17	SDG 17 - Partnerships	Engagement with Local Communities and Stakeholders		

Legend

Goals which most directly impact/are impacted, or which most directly represent opportunities for the business of Generation in Brazil (Matrix "Integration of the SDGs in the Brazilian Electric Energy Sector".

THEME	WHY IS IT MATERIAL?	ASPECTS	DISCLOSURES	IMPACTS	WHERE THE IMPACT OCCURS	COMPANY'S INVOLVEMENT WITH THE IMPACT	LISTED SUSTAINABLE DEVELOPMENT GOALS
Ethics and Integrity	- In the domestic context there is intense discussion and evolution in mechanisms for combating corruption. The company sees itself as an important catalyst for promoting ethical principles and practices. - Ethical risks have major potential to damage the Company over the short and long terms.	Ethics and Integrity	D102-16;D102-17	Economic, Social and Environmental: positives and negatives, actual and potential, direct and indirect, intentional	-Throughout the entire organization. - Outside the Organization, all stakeholders.	Causes Contributes Suffers	10, 16
		Corruption	D205-1				
Economic Performance	- Indicates that the Company's operations are generating a financial return and remunerating invested capital. - Demonstrates how financial capital is generated and distributed to the stakeholders.	Economic Performance	D201-1	Economic and Social: actual and potential positives, direct and indirect, short and long-term, intentional and unintentional Environmental: actual and potential positives, indirect, long term, unintentional	-Throughout the entire organization. - Outside the Organization, all stakeholders.	Causes Contributes	8, 9
Energy and Climate Change	- Relevance of the global climate agreements related especially to GHG emissions and the fundamental role which electric energy plays as an alternative to fossil fuels. - Population has increasingly attributes value to brands which are genuinely engaged with this movement.	Climate change	D201-2	Economic, Social and Environmental, positive and negative, actual and potential, direct and indirect, intentional and unintentional	-Throughout the entire organization. - Outside the Organization, all stakeholders.	Causes Contributes Suffers	7, 9, 11, 12, 13
		GHG Emissions	D305-1;D305-2; D305-3;D305-4				
		Innovation	EU8				
		Energy Demand	EU7; EU11				
		Efficiency in energy generation	EU11				
		Consumption and Efficiency of energy	D302-1; D302-3				
Development, Equality and Safety of People	- Welfare and development of direct and indirect employees is central to the Company's organizational culture. - Companies which have a more diverse workforce have been found to be more adaptable to the current business environment. This theme also incorporates social evolution.	Health and Safety	D403-1; D403-2	Economic: positives and negatives, actual and potential, indirect, short and long term, unintentional. Social and Environmental: positives and negatives, actual and potential, direct and indirect, short and long term, intentional and unintentional.	-Throughout the entire organization. - Outside the Organization, along the value chain.	Causes Contributes Suffers	5, 8, 10
		Training	D404-1; D 404-3;				
		Diversity	D405-1, D406-1				
Engagement with Local Communities and Stakeholders	- Demonstrates the importance of relationship capital with stakeholders, especially those in the communities surrounding the operations, accountability and carrying on an open and transparent dialog.	Dialog with stakeholders	D102-40; D102-41; D102-42;D102-43; D102-44;	Economic: potential negatives, direct and indirect, short and long-term, intentional Social: positives and negatives, actual and potential, direct and indirect, short and long term, intentional. Environmental: positives, actual and potential, indirect, long term, intentional.	- Within the Organization, notably in the Plants (construction and operation) - Outside the Organization, largely within the areas of influence of the Plants	Causes Contributes Suffers	11, 17
		Community	D413-1, D413-2				
Water Management	- Water is an essential raw material for the Company and also for the communities surrounding the plants. - The management of water resources is a key component in the management of corporate risks.	Water	D303-1; D303-2	Social and Environmental: positives and negatives, actual and potential, direct and indirect, short and long-term, intentional and unintentional.	- Outside the Organization notably surrounding the hydroelectric and thermoelectric plants.	Causes Contributes Suffers	2, 3, 6, 7
		Effluent	D306-1;				
		Water recycling	D303-3				
Management of Impacts on the Production Chain	- Demonstrates the Company's key role in fostering inclusive and sustainable economic growth, promoting decent work for all and reducing the ecological footprint in the environment.	Human Rights/ Environmental Impacts on the Supply Chain	D412-3, D308-1, D308-2; D414-1. D414-2	Economic: potential negatives, direct and indirect, short and long term, intentional. Social and Environmental: positives and negatives, actual and potential, direct and indirect, short and long term, intentional and unintentional.	- Within the Organization - Outside the organization, notably along the direct and indirect value chain.	Causes Contributes Suffers	8, 12, 13, 15
Biodiversity	- The Company, as a manager of large areas (more than 1,000m2) of reservoirs and preservation areas, has a key role to play in the conservation and sustainable use of the biodiversity and ecosystems.	Biodiversity	D304-1;	Economic: potential negatives, direct and indirect, short and long-term, intentional and unintentional. -Social and Environmental: positives and negatives, actual and potential, direct and indirect, short and long-term, intentional and unintentional.	- Outside the Organization	Causes Contributes Suffers	15
		Protected habitats	D304-3				

ENGIE Brasil Energia publishes its Sustainability Reports annually. This edition shows no significant changes in scope and limit in relation to the most recent report for 2016 and published in April 2017. Eventual revision to data published in preceding periods is marked throughout this document which was verified and assured by an independent third party (KPMG).

102-47; 102-48; 102-49; 102-51; 102-52; 102-56

Please send any questions, comments and suggestions on this Report to the Investor Relations Department which can be contacted by e-mail ri.brenergia@engie.com and by calling +55 48 3221-7221.

GRI 102-53



Summary of GRI Content

GRI 102-55

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GRI 403: Occupational health and safety	403-1	94	
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Limited assurance report

issued by independent auditors

To the Board of Directors,
Shareholders and Stakeholders
Engie S.A.
São Paulo - SP

Introduction

We have been engaged by Engie S.A. (Engie or "Company") to apply limited assurance procedures on the sustainability information disclosed in Engie's Sustainability Report 2017, related to the year ended December 31st, 2017.

Responsibilities of Engie's Management

The Management of Engie is responsible for adequately preparing and presenting the sustainability information in the Sustainability Report 2017 in accordance with the *Standards* for Sustainability Report of *Global Reporting Initiative -GRI*, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.



Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Sustainability Report 2017 based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Engie's Sustainability Report 2017, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Engie and other professionals of the Company involved in the preparation of the information disclosed in the Sustainability Report 2017 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Sustainability Report 2017 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Sustainability Report 2017, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

a. Engagement planning: considering the material aspects for Engie's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Engie's Sustainability Report 2017. This analysis defined the indicators to be checked in details;

b. Understanding and analysis of disclosed information related to material aspects management;

c. Analysis of preparation processes of the Sustainability Report 2017 and its structure and content, based on the Principles of Content and Quality of the *Standards* for sustainability report of the Global Reporting Initiative - GRI (GRI-Standards);

d. Evaluation of non financial indicators selected:

   - Understanding of the calculation methodolody and procedures for the compilation of indicators through interviews with management responsible for data preparation;
   - Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Sustainability Report 2017;
   - Analysis of evidence supporting the disclosed information;
   - Visits to the corporate office for application of these procedures, and items (b) and (c);

e. Analisys of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analisys of the Company;

f. Comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Sustainability Report 2017.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in the 2017 Sustainability Report of Engie is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI- Standards), as well as its source records and files.

São Paulo, April 18th, 2018

KPMG Assessores Ltda.

CRC 2SP034262/O-4 F-SP

Eduardo V. Cipullo

Accountant CRC 1SP135597/O-6

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas

Social Balance

1 – Calculation basis	2017 (R$ thousand)				2016 (R$ thousand)			
Net Revenues (NR)	7,009,957				6,442,371			
Operating Income (OI)	2,623,380				2,066,773			
Gross Payroll (GPR)	155,113				182,630			
Total Value Added (TVA)	4,454,017				4,199,756			
2 – Internal social indicators	**R$ thousand**	**% over GPR**	**% over NR**	**% over TVA**	**R$ thousand**	**% over GPR**	**% over NR**	**% over TVA**
Meals	20,927	13.49	0.30	0.47	16,477	9.02	0.26	0.39
Compulsory social charges	61,371	39.57	0.88	1.38	63,868	34.97	0.99	1.52
Private pension	38,413	24.76	0.55	0.86	42,331	23.18	0.66	1.01
Health	19,659	12.67	0.28	0.44	16,954	9.28	0.26	0.40
Occupational health and safety	5,396	3.48	0.08	0.12	6,078	3.33	0.09	0.14
Education	393	0.25	0.01	0.01	512	0.28	0.01	0.01
Culture	25	0.02	0.00	0.00	24	0.01	0.00	0.00
Professional training and development	3,830	2.47	0.05	0.09	5,274	2.89	0.08	0.13
Daycare or daycare assistance	252	0.16	0.00	0.01	178	0.10	0.00	0.00
Sport	566	0.36	0.01	0.01	500	0.27	0.01	0.01
Profit-sharing	43,019	27.73	0.61	0.97	44,126	24.16	0.68	1.05
Transportation	4,543	2.93	0.06	0.10	4,290	2.35	0.07	0.10
Others	1,338	0.86	0.02	0.03	1,456	0.80	0.02	0.03
Total – internal social indicators	199,732	128.77	2.85	4.48	202,068	110.64	3.14	4.81
3 – External social indicators	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**
Education	176	0.11	-	-	120	0.07	-	-
Culture	11,457	7.39	0.16	0.26	13,692	7.50	0.21	0.33
Health and sanitation	3,502	2.26	0.05	0.08	3,884	2.13	0.06	0.09
Sports	1,906	1.23	0.03	0.04	2,575	1.41	0.04	0.06
Others	5,236	3.38	0.07	0.12	6,297	3.45	0.10	0.15
Total contributions to society	22,277	14.36	0.32	0.50	26,568	14.55	0.41	0.63
Taxes (excluding social charges)	1,400,037	902.59	19.97	31.43	1,179,104	645.62	18.30	28.08
Total – external social indicators	1,422,314	916.95	20.29	31.93	1,205,672	660.17	18.71	28.71
4 – Environmental indicators	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**
4.1 – Investments related to the production/operation of the company								
Liabilities and environmental contingencies	10,797	6.96	0.15	0.24	10,170	5.57	0.16	0.24
Technological and industrial development program	3,452	2.23	0.05	0.08	9,959	5.45	0.15	0.24
Sector indicator	2,689	1.73	0.04	0.06	-	-	-	-
Others	567	0.37	0.01	0.01	991	0.54	0.02	0.02
Total investment related to the operation/production of the company	**17,505**	**0.67**	**0.25**	**0.39**	**21,120**	**1.02**	**0.33**	**0.50**
4.2 – Investment in external programs and/or projects								
Environmental education projects in communities	734	0.03	0.01	0.02	934	0.05	0.01	0.02
Preservation and/or revitalization of degraded environments	4,731	0.18	0.07	0.11	4,254	0.21	0.07	0.10
Others	9,172	0.35	0.13	0.21	5,467	0.26	0.08	0.13
Total investments in external programs and/or projects	**14,637**	**0.56**	**0.21**	**0.33**	**10,655**	**0.52**	**0.17**	**0.25**
Total environmental investment (4.1 + 4.2)	32,142	1.23	0.46	0.72	31,775	1.54	0.49	0.76
Distribution of environmental investment	**R$ thousand**		**% over total**		**R$ thousand**		**% over total**	
Total investment in environmental prevention activities	5,749		17.89		8,823		27.77	
Total investment in environmental maintenance activities	25,013		77.82		20,745		65.29	
Total investment in environmental compensation activities	1,380		4.29		2,207		6.95	
Number of environmental, administrative and legal claims filed against the company:	41				21			
Total fines and indemnifications judicially or administratively determined for environmental matters:	7.00				36.00			
5 – Workforce indicators	**2017 (in units)**				**2016 (in units)**			
Number of employees at the end of the period	1048				1044			
Number of new hires in the period	44				83			
Number of dismissals in the period	39				174			
Number of interns	41				81			
Number of employees by age group:								
Less than 30	173				183			

5 – Workforce indicators	2017 (in units)	2016 (in units)
From 30 to 50	639	681
Over50	236	180
Number of employees by education level:		
Illiterate	0	0
Elementary education	4	4
High school education	547	565
Higher education	332	294
Postgraduate	165	181
Number and percentage of women working at the Company	186 (17.7%)	173 (16.5%)
Percentage of management positions held by women	15.8%	13.1%
Number and percentage of men working at the Company	862 (82.3%)	871 (83.46%)
Percentage of management positions held by men	84.2%	86.9%
Number of blacks working at the company	N.d	N.d
Percentage of management positions held by blacks	N.d	N.d
Number of handicapped or special-needs employees	35	35
Proportion between the highest salary paid by the company and the average salary of the other employees	5.0	N.d

6 – Relevant corporate citizenship information	2017	2016
Ratio of highest to lowest salary at the company	19.1	20.4
Total on-the-job accidents	ENGIE: 8 Service provider: 31	ENGIE: 5 Service provider: 22
"The social and environmental projects implemented by the company were decided upon by:"	( ) Directors ( ) Directors and management (X) All staff	( ) Directors ( ) Directors and management (X) All staff
The risk and security standards in the workplace were decided upon by:	( ) Directors and management ( ) All staff (X) All staff + CIPA	( ) Directors and management ( ) All staff (X) All staff + CIPA
With regard to labor unions, right for collective bargaining and internal representation of workers, the company:	( ) Does not get involved (X) Follows ILO rules ( ) Encourages and follows ILO	( ) Does not get involved (X) Follows ILO rules ( ) Encourages and follows ILO
Private pension arrangements contemplate:	( ) Directors ( ) Directors and management (X) All staff	( ) Directors ( ) Directors and management (X) All staff
Profit-sharing contemplates:	( ) Directors ( ) Directors and management (X) All staff	( ) Directors ( ) Directors and management (X) All staff
Regarding the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	( ) Are not considered ( ) Are suggested (X) Are required	( ) Are not considered ( ) Are suggested (X) Are required
Regarding the participation of employees in volunteer activities, the company:	( ) Does not get involved (X) Supports ( ) Organizes and encourages	( ) Does not get involved (X) Supports ( ) Organizes and encourages
Total number of consumer complaints and criticism:	To the company: 0 To Procon: N.A. To the Courts: 0	To the company: 0 To Procon: N.A. To the Courts: 0

Distribution of Value Added	R$ thousand	% over total	R$ thousand	% over total
Government	1,759,449	39.5	1,814,508	43.2
Employees	277,097	6.2	297,492	7.1
Shareholders	1,966,945	44.2	1,453,940	34.6
Third Parties	412,912	9.3	539,455	12.8
Retained	37,614	0.8	94,361	2.3
Total investments in actions for environmental compensation	4.29	4.29	2,207	6.95

7 – Other information	2017	2016
Water consumption	6,540,736.79 m3	7,367,730.60 m3
Electric energy consumption	258.8 GWh	150.7 GWh
Annual amount of waste produced	1,412,429.89 ton	1,778,045.81 ton
Annual amount of waste recycled	1,379,248.21 ton	1,743,850.87 ton

Corporate information

Company Address GRI 102-3

Rua Paschoal Apóstolo Pítsica, 5.064
CEP 88025-255 – Florianópolis (SC)
Tel.: (48) 3221-7000

Investor Relations

ri.brenergia@engie.com
Tel.: (48) 3221-7225

Sustainability Committee

Coordinator: Júlio César Lunardi
Administrative Officer
comitesustentabilidade.brenergia@engie.com

Ethics Committee

comitedeetica.brenergia@engie.com

Legal publications

Diário Oficial de Santa Catarina
Diário Catarinense

Shareholder services/Custody bank

Banco Itaú S.A.
Unified Service Department
Tel.: (11) 3003-9285 / 0800-7209-285

Depositary bank (American depositary receipts)

The Bank of New York Mellon

Auditor of the financial statements

Deloitte Touche Tohmatsu Auditores Independentes

Sustainability Report Assurance

KPMG

Emissions Inventory

To access ENGIE Brasil Energia's **Emissions Inventory 2017**, **click here.**



Credits

General coordination

ENGIE Brasil Energia
Investor Relations
ri.brenergia@engie.com

GRI consultancy, edition, text

Relata Comunicação + Sustentabilidade

Graphic production and diagramming

Laura Camilo

Translation

Tristar Traduções Ltda.