ENGIE

Sustainability Report 2018



Energy for harmonious progress

Dear reader,

This Report introduces to all of our stakeholders the principles and values that drive ENGIE Brasil Energia's pursuit of sustainable development, our activities strategy, and the performance and value generation that the Company achieved in 2018. For the first time, the publication comes with a supplements brochure:



2018 Sustainability Report

A Report focusing on the Company's **business model** and **strategy,** and on the **main highlights/overview** of its socio-environmental management.



Supplements Brochure – Socio-Environmental Management

A Report that adds detail and depth to indicators and to how the Company manages material **environmental aspects**, as well as to **relationships with key publics** for business **value generation**.

As a leader of the energy sector, ENGIE has always been a pioneer, clearing the way to new horizons. The more we see the world as an arena of opportunities, the more collaborative we must be to capture their potential. Our purpose is to contribute to harmonious progress.

#ENGIEHarmonyProject

Message from the Management

GRI 102-14

Energy lies at the very foundations of human progress. As a leading company in the power sector worldwide, our commitment to sustainable development reconciles the individual and collective interests of society in the quest for harmonious progress.

Below we report on ENGIE Brasil Energia in 2018 and how the Company supports the business and the generation of sustainable value for all our stakeholders.

Expansion and diversification of the portfolio: sustainability and renewal

We are the largest private sector power generator in Brazil and continue to invest in the expansion and diversification of our portfolio, ranking us at the forefront of the energy transition in pursuit of a low carbon economy.

In those projects currently being implemented, we have demonstrated our capacity to execute and deliver. At those units already in operation, we have maintained the level of excellence and constant technological evolution:

- We concluded the Campo Largo Wind Complex – Phase I in December, more than six months ahead of plan, below budget and with sustainability, safety for our employees and outsourced personnel and using advanced technology, the Complex having been operated remotely since startup.
- By the end of 2018, the Umburanas wind farm units 08, 16, 17 and 21 were already licensed to go into operation, this effectively occurring in 2019, only one year after construction work began at the site.
- We consolidated the Jaguara and Miranda hydroelectric plants during their first year under ENGIE management, investing in operational improvements at the plants and allowing us to anticipate remote operations at both units.
- We continued work on the installation of the Pampa Sul Thermoelectric Plant preparatory to the testing and commissioning phase and, in parallel, made progress in prospecting buyers to all our coal-fired plants for eventual disposal in line with decarbonization objectives.
- We concluded the acquisition of the remaining 50% of ENGIE Geração Solar Distribuída, reaffirming our commitment to operations in the segment and contributing to a more dynamic energy matrix and one closer to the end consumer.

We also continued to pursue opportunities in other segments of operations:

- We signed the concession agreement, proceeding to obtain the necessary licenses and preliminary approvals for construction of the Gralha Azul Transmission Project – the lot for which the Company successfully bid at the 02/2017 auction.
- During the year we advanced up the learning curve with participation in new project auctions such as transmission through a structured process of analysis and improvements for enhancing our competitiveness and efficiency.
- We remained alert to the market for existing projects with the aim of capturing opportunities with a continued focus on portfolio diversification. For instance, the Company identifies good prospects in the Brazilian gas sector and in transmission line projects either existing or under construction.

> We are **the largest private sector power generator in Brazil** and continue to invest in the expansion and diversification of our portfolio.

Advances in commercial strategy: dynamism and Evolution

An important competitive differential in our trajectory is the Company's commercial intelligence, driven by proactive portfolio management, combining flexibility and security in the light of constant market oscillations, especially of a short-term nature.

This characteristic, together with the revamping of the electricity sector as a whole and gradual expansion in the free market, equipped us with the necessary means to continue dynamically developing our commercial area:

- We began the restructuring of the commercial area by introducing greater segmentation to serve different client profiles with enhanced specialization, offering the appropriate communication channels tailor-made for client requirements. In this context, the retail trading company was constituted, providing us with the first learning experiences and broadening our commercial vision in a more dynamic scenario.
- Again on the customer front, we finalized the first phase of the digitalization of the commercial area with the implementation of a customer relationship management (CRM) system as well as making advances in the interaction and organization between teams with respect to internal flows.
- We saw significant developments in our energy pricing tools, supported by systems, robots and artificial intelligence, bringing about a veritable digital transformation in the process. In practice, this means that by 2020, the system will require hourly prices rather than weekly. We are already preparing to capture the opportunities this change will engender.
- We increased power sales to the free market, above all from incentivized sources, this ensuring the viability of the investment in the second phase of the Campo Largo Wind Complex, to be implemented from 2019, and selling exclusively into this market.
- We established a trading area for increasing the sensitivity to short term oscillations and to meet the needs of our clients in a more agile fashion.

People: commitment and transformation

The evolution in the Company's management and the commitment to sustainable development to create value for all stakeholders, are key to our achievements:

- We have introduced a more proactive management system to provide us with greater dynamism in our strategic planning– (Balanced Score Card - BSC) with improved integration and alignment to all areas, incorporating the principal business objectives.
- We redesigned our road map for innovation, pinpointing the priority areas over the short and medium terms.
- We have restructured our system of Performance Management, more aligned to merit and the long-term interests of the Company. We shall be monitoring this evolution through the methodologies adopted for Profit Sharing and Bonuses.
- We have been tracking a consistent evolution in engagement and positive perception indicators in the employee survey for 2018 – ENGIE&Me in the light of the implementation of improvements launched early in the year.
- We continue to meet our goals for tree-planting, spring/headwater protection, programs for environmental upgrading and community relationship, always based on certification and socio-environmental improvements.

> "The evolution in the Company's management and the commitment to **sustainable development** to create value for all."

Excelling: success in results

Successful results during 2018 reflect and crown a trajectory of excelling and perseverance on the part of all our teams:

- We reported an Ebitda of R$ 4,367.6 million and Net Income of R$ 2,315.4 million, representing increases of 24.1% and 15.5%, respectively, relative to 2017.
- We maintained a payout equivalent to 100% of adjusted net income for 2018, particularly impressive when set against a background of major investments in the period.
- Our shareholder base increased 65% over 2018, testimony to market confidence in the Company.
- We continue to be a component of the Corporate Sustainability Stock Index (ISE) for the 14th consecutive year since the portfolio's inception in 2005.

A glimpse of the future

ENGIE Brasil Energia commemorated its 20th anniversary in 2018. In the same year that we celebrate this story of success, we are encouraging our employees and stakeholders to look to the future in the "Imagine 2030" initiative. This is an exercise for mapping and discussing tendencies that must be confronted in relation to every aspect of our activities in the near future.

This concept of relating past and future, brings with it an important symbolism. The achievements and experiences over our history lead us to new challenges in the years to come: we are inspired to move forward by a constant ambition of going further and always doing the best.

The next years should see an intense rate of transformation, but at the same time, never ceasing to evolve gradually and sustainably. We continue to make headway in the Company's modernization, preparatory to changes in the domestic power sector and consolidating our strategy of promoting harmonious progress and spearheading the energy transition in Brazil.

We would like to thank each one of our stakeholders that have, with us, marked out this path of excellence by placing their trust in our capabilities, sharing objectives and collaborating in the development of an ethical and healthy relationship and one which serves as a catalyst of value.

Good reading,



Maurício Stolle Bähr
Chairman of the Board of Directors



Eduardo Antonio Gori Sattamini
Chief Executive Officer

> **ENGIE Brasil Energia commemorated its 20th anniversary in 2018.**
> In the same year that we celebrate this story of success, we are encouraging our employees and stakeholders to look to the future in the **"Imagine 2030"** initiative.



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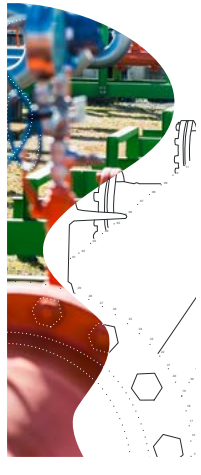
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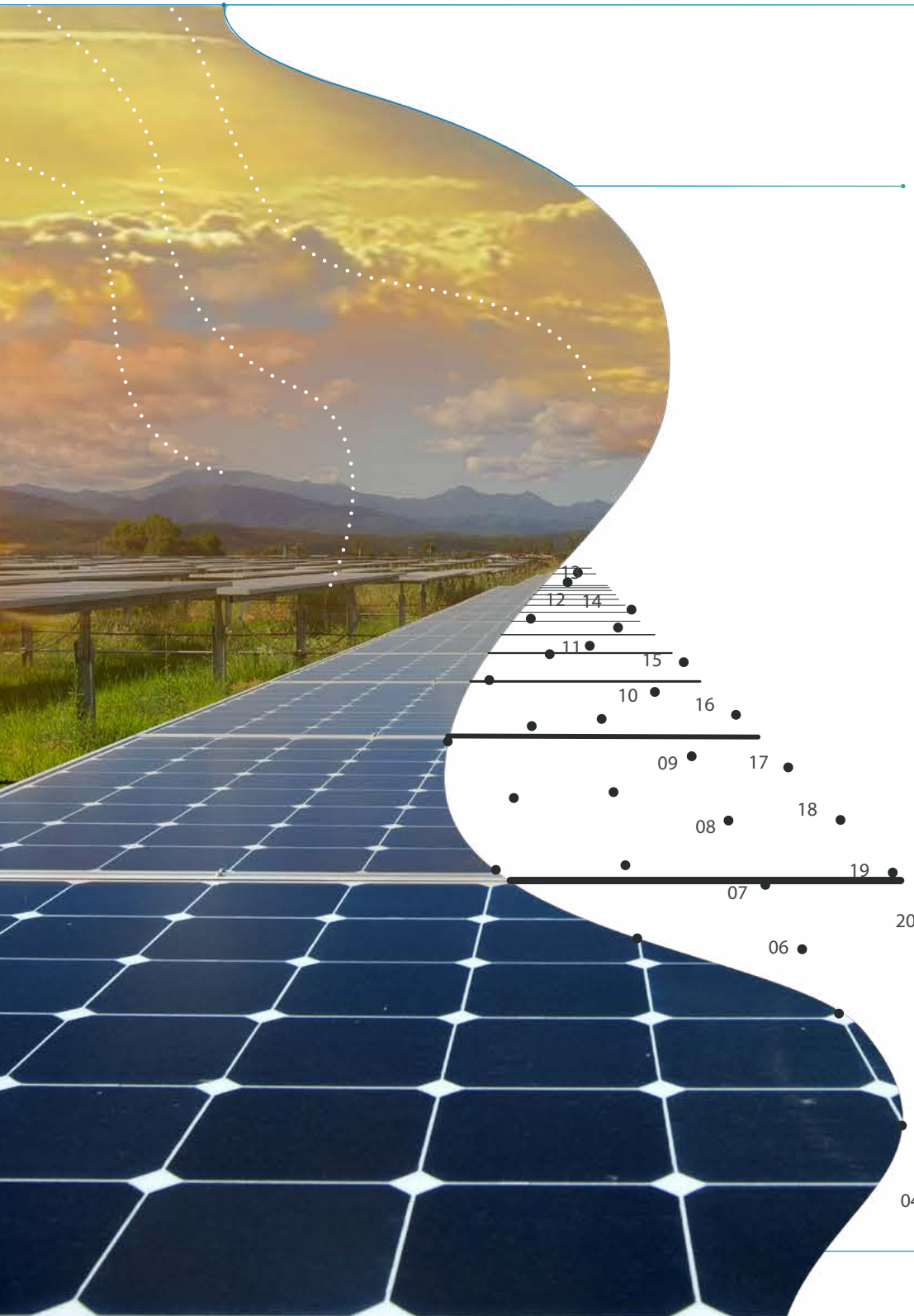
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1. Overview

Highlights

- Selected for the 14th consecutive year for the ISE – the B3 Sustainable Business Index of companies recognized for their commitment and practices in connection with economic efficiency, environmental balance, social justice and corporate governance.
- 9-time winner of the Transparency Trophy, promoted by Anefac, Fipecafi and Serasa Experian, in the "Companies with net revenues up to R$ 5 billion" category.
- Named a highlight in the energy industry according to the 2018 Exame Sustainability Guide.
- Remarkable standing in the *Institutional Investor* 2018 – Mid Caps Rankings:
  - Best ESG / SRI Metrics – 1st placed
  - Best Analyst Day – 1st placed
  - Best CEO – 2nd placed
  - Best CFO – 2nd placed
  - Best IR Professional – 2nd placed
- 52nd in the "Global 100" ranking of the 100 most sustainable companies worldwide, compiled by Corporate Knights magazine.
- Fritz Muller Prize winner in the "Natural Resources and Wildlife Conservation" category, with the Biodiversity Matrix project.
- Named one of the 150 most innovative companies in Brazil by the VALOR Inovação Brasil Awards.

Tracking indicators

GRI 102-7

Indicators	2018	2017	2016	Change 2018/2017	Change 2018/2016
Operational					
Operating plants	41	31	29	10	12
Total installed operating capacity (MW)	9,725.50	9,588.80	8,720	1.4%	11.5%
Total proprietary installed operating capacity (MW)	8,004.80	7,868.10	6,999.30	1.7%	14.4%
Proprietary installed capacity from renewable sources (MW)	7,147.80	6,821.60	5,952.0	4.8%	20.1%
Proprietary installed capacity from renewable sources (%)	89.3	86.7	85.0	2.6 p.p.	4.3 p.p.
Generator complex uptime, discounting scheduled stoppages (%)	97.2	95.2	97.2	2.0 p.p.	-
Generator complex uptime, including scheduled stoppages (%)	91.6	88.8	86.8	2.8 p.p.	4.8 p.p.
Energy sales (GW)	35,904	35,761	34,789	0.4%	3.2%
Energy sales (average MW)	4,099	4,082	3,971	0.4%	3.2%
Energy contracted by client type					
Distribution Companies (%)	32	35	46	-3.0 p.p.	-14.0 p.p.
Trading Companies (%)	13	12	6	1.0 p.p.	7.0 p.p.
Free consumers (%)	48	53	48	-5.0 p.p.	-
Trading (%)	8	-	-	8.0 p.p.	8.0 p.p.

Indicators	2018	2017	2016	Change 2018/2017	Change 2018/2016
Economic-financial indicators *GRI 201-1* **(R$ million)**					
Total assets	23,735.5	19,568.5	14,419.7	21.3%	64.6%
Shareholders' Equity	6,320.6	6,834.7	6,614.4	-7.5%	-4.4%
Net revenue from sales	8,794.8	7,010.0	6,442.4	25.5%	36.5%
Gross income	3,918.8	3,006.0	2,740.9	30.4%	43.0%
Pre-financial result/tax income (EBIT)[2]	3,667.1	2,850.2	2,421.6	28.7%	51.4%
Operating income	2,967.8	2,623.4	2,066.7	13.1%	43.6%
Net income	2,315.4	2,004.6	1,548.3	15.5%	49.5%
Ebitda	4,367.6	3,519.5	3,175.6	24.1%	37.5%
Total debt (loans, financing and debentures)	9,498.3	6,738.2	3,088.7	41.0%	207.5%
Cash and cash equivalents and restricted deposits	1,995.5	2,155.6	1,995.5	-7.4%	0
Net debt	6,856.30	4,582.6	1,093.2	49.6%	527.2%
ROIC* (%)	23.0	22.8	22.6	0.2 p.p.	0.4 p.p.
Gross debt/Ebitda	2.2	1.9	1.0	0.3 p.p.	1.2 p.p
Net debt/Ebitda	1.6	1.3	0.3	0.3 p.p.	1.3 p.p.

* Return on invested capital = average net profit for the last 4 quarters / net equity

Indicators	2018	2017	2016	Change 2018/2017	Change 2018/2016
Shares (R$)					
Net earnings per share *	2.836	2.455	2.372	15.5%	19.6%
Average price per share – ON**	27.93	24.21	23.78	15.4%	17.5%
Dividends per share*	2.79	2.45	1.82	13.9%	53.3%

* Due to the higher number of shares in 2018 because of the 163,185,548 bonus common shares to shareholders, earnings per share and dividends per share for the fiscal years prior to 2018 have been recalculated based on the current number of shares and restated for the purposes of reporting comparability.
** Simple average of the average daily price, adjusted for dividends.

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 (thousands)	414	275	340	50.5%	21.8%
Plant visitors (thousands)	106	85	92	24.7%	15.2%
Energy intensity (energy consumed by ENGIE Brasil Energia per GJ generated)	0.39	0.45	0.39	-13.3%	0.0%
Water consumption (millions m^3)	493.1	504.6	704.3	-2.3%	-30.0%
CO_2 emissions per energy generated – Operational Control ($kgCO_2/MWh$)	184.7	202.7	191.7	-8.9%	-3.7%
CO_2 emissions per energy generated – Corporate Participation ($kgCO_2/MWh$)	145.0	157.6	143.6	-8.0%	1.0%

Indicators	2018	2017	2016	Change 2018/2017	Change 2018/2016
Human resources					
Number of employees at ENGIE Brasil Energia (as at December 31)	1,186	1,048	1,044	13.2%	13.6%
Investment in training and professional development (R$ million)	4.5	3.0	4.9	50.0%	-8.2%
Total number of hours of training	83,124	51,829	43,238	60.4%	92.2%
Number of occupational accidents and accidents with employees commuting to and from work	3	8	5	-62.5%	-40.0%
Accident frequency rate (FR), excluding outsourced personnel* (%)	0.970	1.050	0.490	↓	↑
Accident severity rate (SR), excluding outsourced personnel** (%)	0.000	0.004	0.002	↓	↓
Accident frequency rate (FR), including outsourced personnel* (%)	1.390	1.030	1.520	↑	↓
Accident frequency rate (FR) for out-sourced short-term suppliers + construction work* (%)	1.640	0.690	-	↑	

* FR: number of workplace related accidents for every million hours of exposure to hazards.
** SR: number of days lost due to workplace-related accidents for every one thousand hours of exposure to hazards.

Investments in social responsibility programs					
Non-incentivized investments (R$ thousand)	3,497.0	2,898.1	5,044.3	20.7%	-30.7%
Incentivized investments - Infancy and Adolescence Fund, Culture Incentive Law, Law for Sport, Health and others - (R$ thousand)	16,880.3	19,380.1	21,526.6	-12.9%	-21.6%

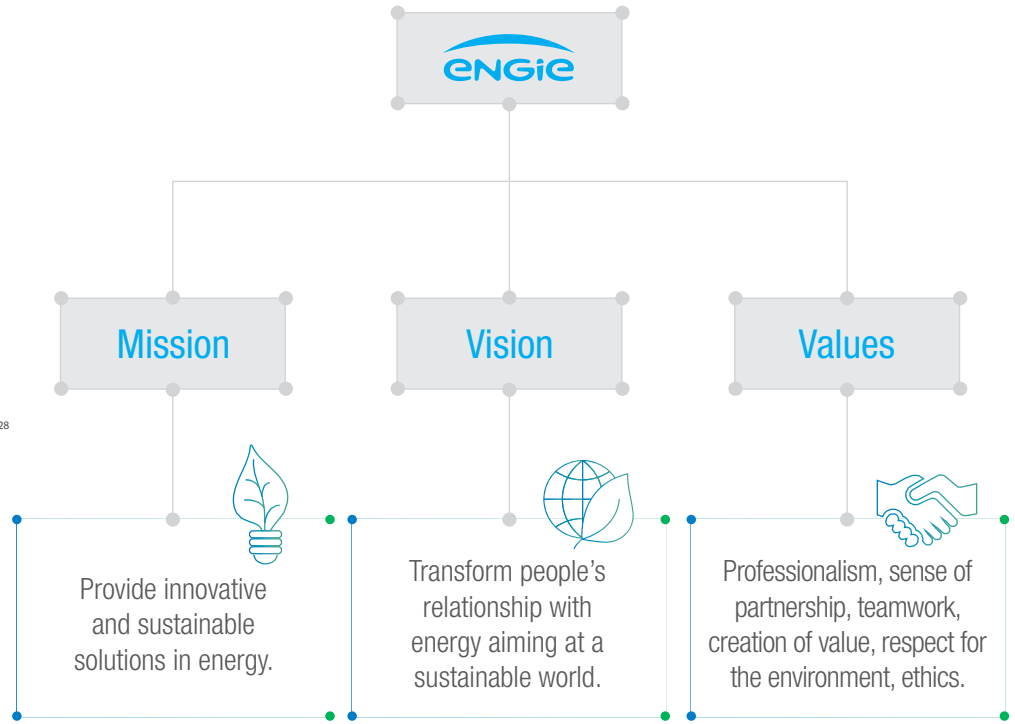


2. THE COMPANY

Profile

GRI 102-1; 102-2; 102-3; 102-4; 102-6; 102-7; 102-16; G4-EU1

With 20 years of history and headquarters in Florianópolis (SC), ENGIE Brasil Energia is the largest private power generator in Brazil and also operates in the energy transmission and transmission segments.



Generation

Centralized

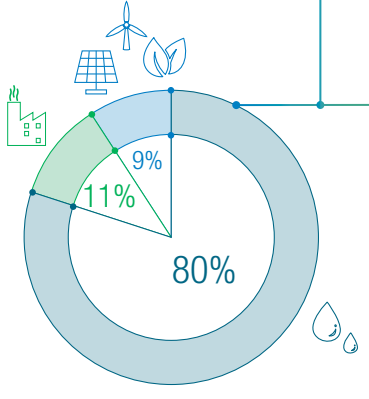
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Plants

9,725.5 MW
of installed operating capacity
(6.4% of the country's total)

Distributed

1,954
installed systems
in homes
and business

15,920.6 kWp
of installed capacity

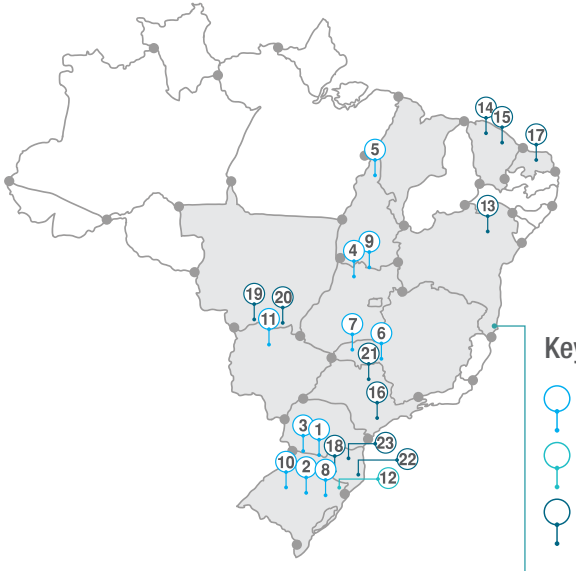


- Hydroelectrics
- Thermoelectrics
- Complementaries

89%
OF CLEAN AND
RENEWABLE SOURCES
*Based on owned
installed capacity

For details of the installed capacity, physical guarantee and expiration of the concession / authorization of the plants, access page 10 of our Management report, at: bit.ly/2Q1CiTx

Geographic Distribution of the Generating Complex



Hydroelectric		Complementaries	
1	Salto Santiago	13	Campo Largo Complex Phase I[3]
2	Itá[1]	14	Trairi Complex[4]
3	Salto Osório	15	Santa Mônica Complex[4]
4	Cana Brava	16	Tubarão R&D
5	Estreito[1]	17	Ferrari
6	Jaguara	18	Lages
7	Miranda	19	Ibitiúva[1]
8	Machadinho[1]	20	Rondonópolis
9	São Salvador	21	José G. da Rocha
10	Passo Fundo	22	Assu V
11	Ponte de Pedra	23	Cidade Azul R&D

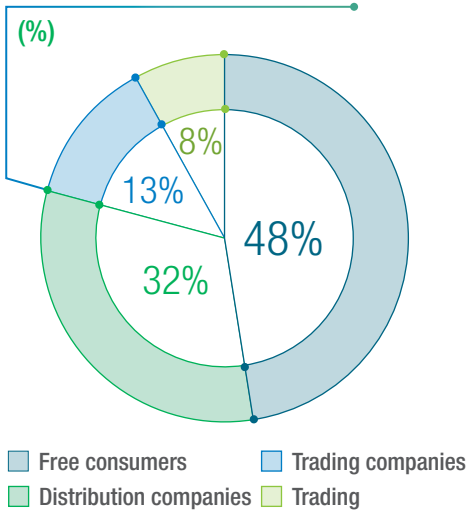
Thermoelectric

12	Jorge Lacerda Complex[2]

[1] Plants in which we have participation of, respectively: 69.0%, 40.1%, 19.3% and 69.3%
[2] Complex made up of three plants
[3] Complex made up of eleven wind farms
[4] Complex made up of four wind farms

Commercialization

Destination of commercialized energy



Largest free-market agent with 5.7% stake, 515 clients in 24 states and 4,447 average MW traded in the year

Transmission

(estimated start of operation for 2022)

1,000

km of transmission lines, connected at 5 substations, under construction at Paraná, and conclusion until 2022.

Changes in 2018

- Entry into operation, in December, of the last of eleven generation centers at the Campo Largo I Wind Complex, adding 326.7 MW to the portfolio and more than doubling our wind-generation capacity.
- Construction work completed on phase one of the Umburanas I Wind Complex, for gradual entry into operation in early January 2019, adding 360.0 MW to own and operated installed capacity.
- Ongoing assessment of investment opportunities in the Brazilian gas chain and installation of the Special Independent Committee for Transactions with Related Parties, to analyze and monitor any arrangements between parties forming the investor group interested in the acquisition of Transportadora Associada de Gás (TAG).
- Acquisition of the remaining shares of ENGIE Geração Solar Distribuída S.A.

Learn more about our continued responsible expansion project, an important strategic distinction of ENGIE Brasil Energia, page 22.

“Entry into operation, in December, of the last of eleven generation centers at the Campo Largo I Wind Complex, adding 326.7 MW to the portfolio and **more than doubling our wind-generation capacity**.”



Our Structure GRI 102-5

GLOBAL CONTROLLING SHAREHOLDER

Engie S.A., our controlling shareholder, is a global leader in independent energy production and aims to offer innovative solutions to people, cities and companies, in line with its sustainable development orientation.

ENGIE's business strategy focuses on the energy transition to a low-carbon economy and addresses increased access to renewable energy, mitigation of and adaptation to climate change, safe supply, and the rational use of natural resources.

Main global figures

150 thousand employees

103 GW installed capacity for electric energy

293 thousand km of gas transmission and distribution pipelines

Operating pillars

- Electric energy
- Natural gas
- Energy services

LOCAL CONTROLLING SHAREHOLDER

ENGIE Brasil Participações (EBP) is the holding company that holds a controlling stake in ENGIE Brasil Energia. It also holds a 40% stake in Energias Sustentáveis do Brasil Participações, the controlling shareholder of the Jirau Hydroelectric Plant, and offers a full-range portfolio of integrated solutions devoted to cutting costs and improving the infrastructure of companies and cities, such as energy efficiency, energy monitoring and management, energy supply contracts management, public lighting, heating, ventilation and air-conditioning (HVAC) systems, telecommunications, security, urban mobility, and the oil & gas industry.

As the energy transition process gains ground, the energy solutions business will increasingly converge with "traditional" energy businesses – generation, trading, transmission, distribution – see page 20 for additional details. The *one-stop-shop* trend now applies also to energy and ancillary solutions, where a single provider, or a group of associated providers, offers multiple services or products, adding convenience and greater solutions convergence to clients. This is a relevant competitive advantage and a market with huge potential in Brazil and worldwide.

Global Controlling Shareholder

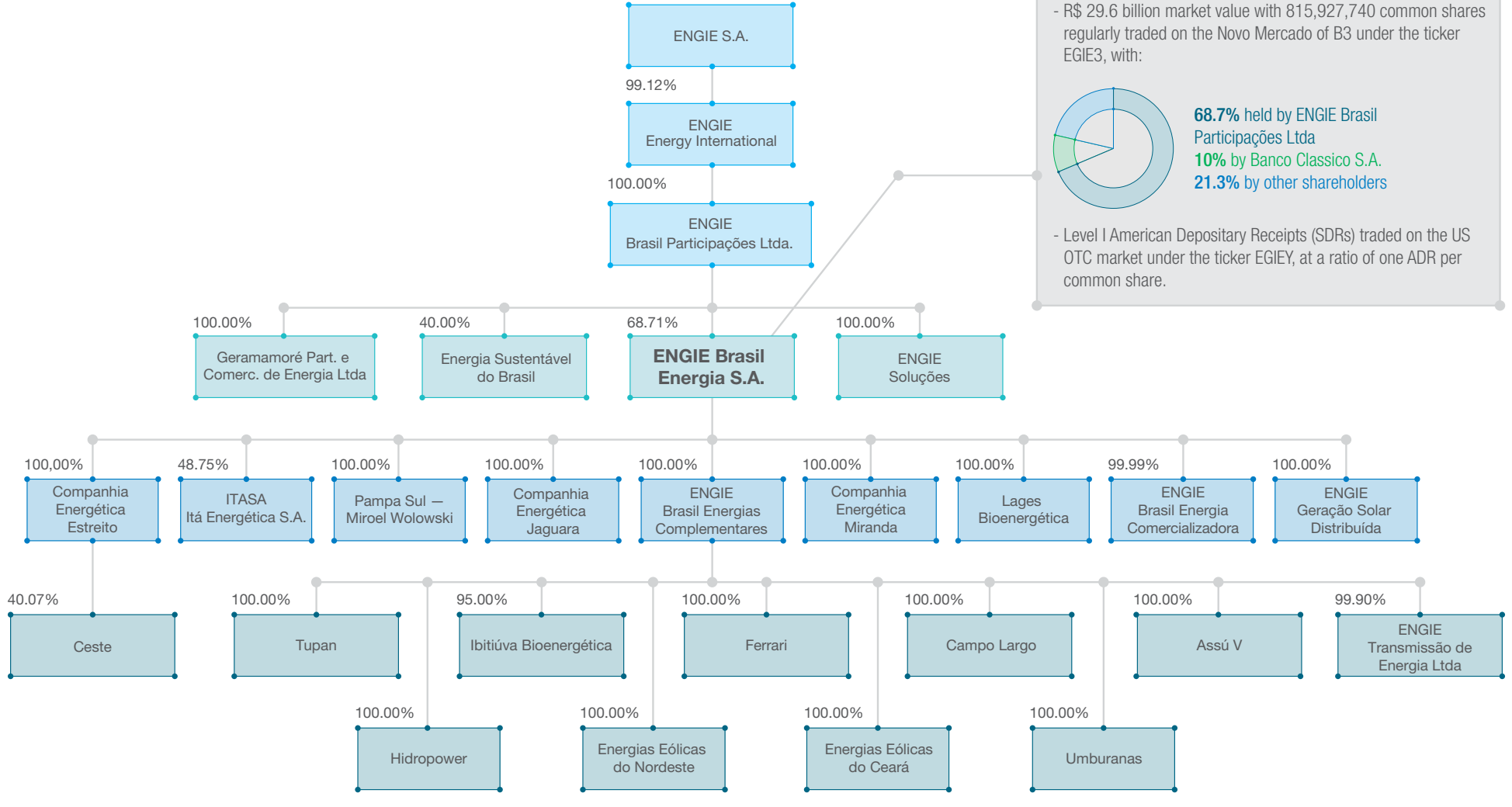


Local Controlling Shareholder



ENGIE Brasil Energia controls subsidiaries and has stakes in concession-holding consortia for plants in its generating plant. In 2018, ENGIE Geração Solar Distribuída S.A became a wholly-owned subsidiary, and ENGIE Transmissão de Energia Ltda was formed.

Ownership structure*



Ownership breakdown

- R$ 29.6 billion market value with 815,927,740 common shares regularly traded on the Novo Mercado of B3 under the ticker EGIE3, with:

68.7% held by ENGIE Brasil Participações Ltda
10% by Banco Classico S.A.
21.3% by other shareholders

- Level I American Depositary Receipts (SDRs) traded on the US OTC market under the ticker EGIEY, at a ratio of one ADR per common share.

* Simplified structure

Corporate governance

Best Practices

We are committed to best corporate governance to ensure ethical and sustainable business growth, foster transparency, and protect shareholders' rights.

This is why we align with the market's best corporate governance practices, such as the *Sarbanes-Oxley Act* guidelines and the distinctive practices of Novo Mercado, a B3 listing segment that requires adoption of corporate rules intended to enhance investors' rights, in addition to a comprehensive market information disclosure policy.

In this sense, we continued over the year to work on adapting to changes in Novo Mercado rules, with a 2021 deadline for compliance. We submitted the new Bylaws to the 2019 Annual General Meeting to be compliant with changes ahead of schedule.

The main advance should be the creation of the Audit Committee, dedicated to evaluating risk-management and internal controls systems, and to oversight of the internal and externa audit activities, as well as of accounting information, internal policies and ethics-related matters.

The Audit Committee answers to the Board of Directors and is made up of a majority of independent members, as provided by the rules. Internal Audit will report to this Committee, ensuring improved autonomy and isonomy to the area and thereby improving risk management and corporate governance.

SUSTAINABILITY GOVERNANCE

The Company has a matrix structure in place for the purposes of sustainability governance. In addition to operational units and the Executive Board's oversight and coordination, the Company also has a Sustainability Committee. It is coordinated by the Administrative Officer and includes a member of the Board of Directors, and contributes to consolidating sustainability's standing as part of the Company's organizational culture, proposing goals and actions associated with integrated sustainable development, including support to initiatives from the communities where ENGIE Brasil Energia has a presence.

From the socio-environmental perspective, our management standards and ongoing improvement have the support of the ISO 9001 (quality), ISO 14.001 (environmental) and OSHAS 18.001 (health and safety) certifications present at all of our main units (answering for 83.6% of the energy that the Company operates).

Management Policies and Guidelines

Our Values and organizational culture are laid out in detail in codes and policies that drive our business and relationships with the various publics with which we interact. Most of these documents are available on our Website.

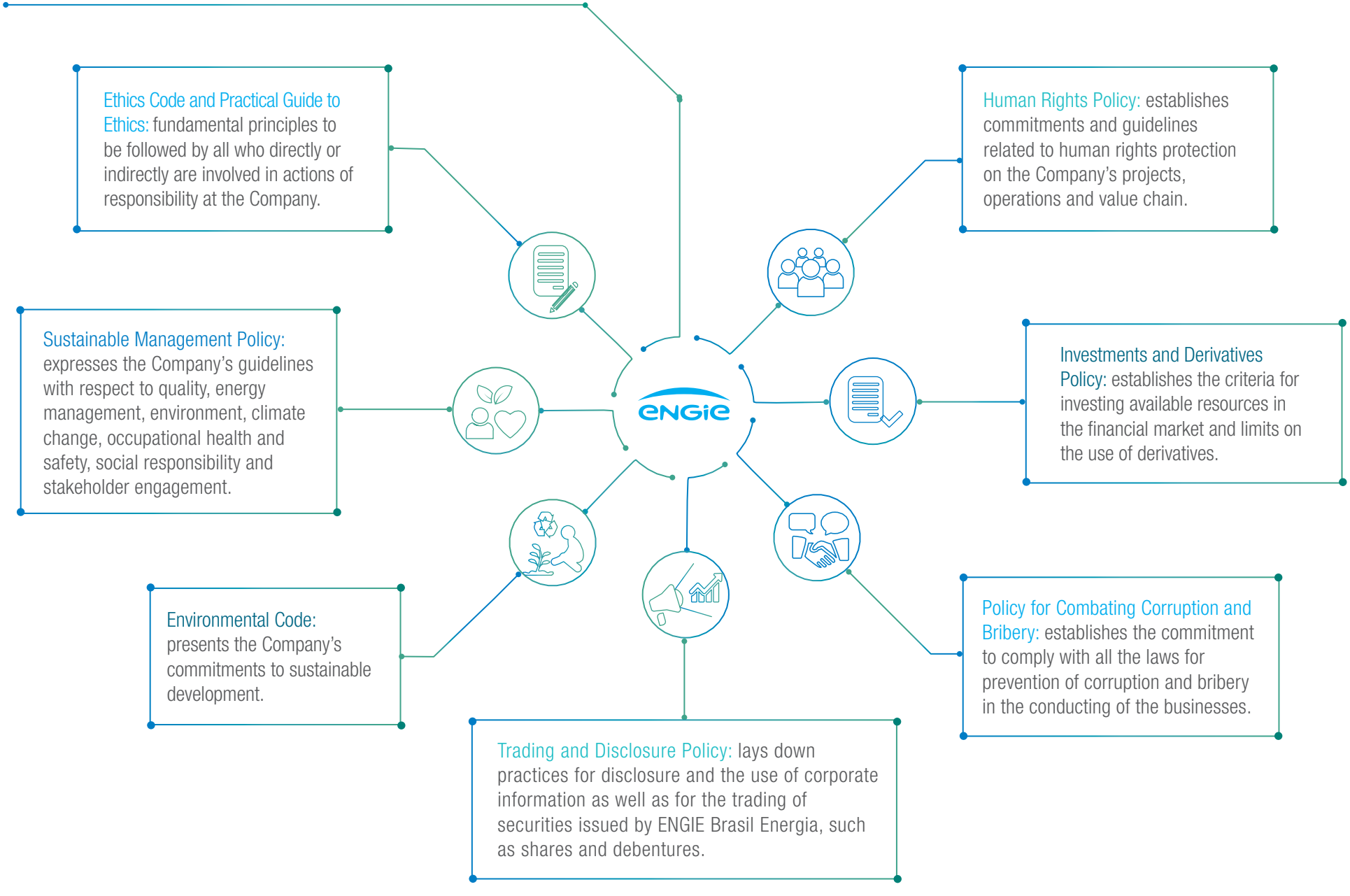
To ensure our alignment with the external and internal scenarios, these documents are periodically drafted, reviewed and updated.

We have since 2018 published an annual Report on the Brazilian Corporate Governance Code, pursuant to Brazilian Securities and Exchange Commission Instruction (ICVM) 586. The document discloses information on what Code principles/practices Engie applies and, as for those that it does not, why.

The code supports the continued evolution of our corporate governance practices, in line with the best recommended practices and the maturity of our structures. View the publication at *https://bit.ly/2GS7F0V*

Our Values and organizational culture are laid out in detail in codes and policies that drive our business and relationships with the various publics with which we interact.

Main codes and corporate policies



Ethics and Integrity

103-1; 103-2; 103-3; 102-16; 102-17; 205-1

Integrity is a key principle of our ethics-oriented actions, and must be embraced by every ENGIE Brasil Energia employee and manager in their relationships with all of our stakeholders.

Guidance and Monitoring

The Code of Ethics and the Anti-Corruption and Anti-Bribery Policy set these relationships' driving guidelines. We provide handbooks and guides with specific focuses and approaches, such as the Gifts and Hospitality Procedure (with support from an IT system), the Business Consultants Relationships Guide, and the Supplier Relationships Ethics Guide.

We rely on regular practices to prevent and review hazardous situations and inappropriate events, including due diligence, audit, training and awareness-building programs, contract clauses, and an internal controls program for the Company's activities. In addition, in 2018, 100% of the operations (a total of 10) listed next were subject to the assessment of risks associated with corruption, fraud (or suspected fraud), influence peddling, inappropriate use of corporate assets, breach of basic human rights, drug and human trafficking, money laundering, terrorism, sanctions or embargoes, severe issues vis-à-vis health and safety, environmental or human rights.

According to ENGIE's Ethics Risk Analysis Policy, every project that the Company develops or acquires must undergo ethics due diligence conducted by an independent outside party. After the process is completed, any risks identified are analyzed by the Ethics & Compliance area of the Brazil Business Unit and shared, together with relevant recommendations, with the teams involved – including, as the case may be, the Ethics, Compliance & Privacy Department of ENGIE S.A. in Paris. Because of this effort, no cases of corruption involving the company took place in 2018.

It is the responsibility of the Ethics Committee to strictly monitor all of the Company's anti-corruption and anti-bribery policies, procedures and processes.

Questions and whistleblowing

The Ethics Committee is the priority and secret channel, with anonymity as an option, for addressing questions and receiving and investigating alleged breaches of our Code and Policy. All of the situations reported are kept under total secrecy and covered by non-retaliation. Alternatively, in January 2019, a global whistleblowing channel operated by an outside party was enabled that provides a Portuguese-language hotline with assured confidentiality and identity preservation, in the same format as already available domestically.

> In 2018, for the **seventh consecutive year**, we won the **Transparency Trophy from the National Association of Financial, Administration and Accounting Executives** (Anefac), in the "Companies with controlling entity net revenues up to R$ 5 billion".

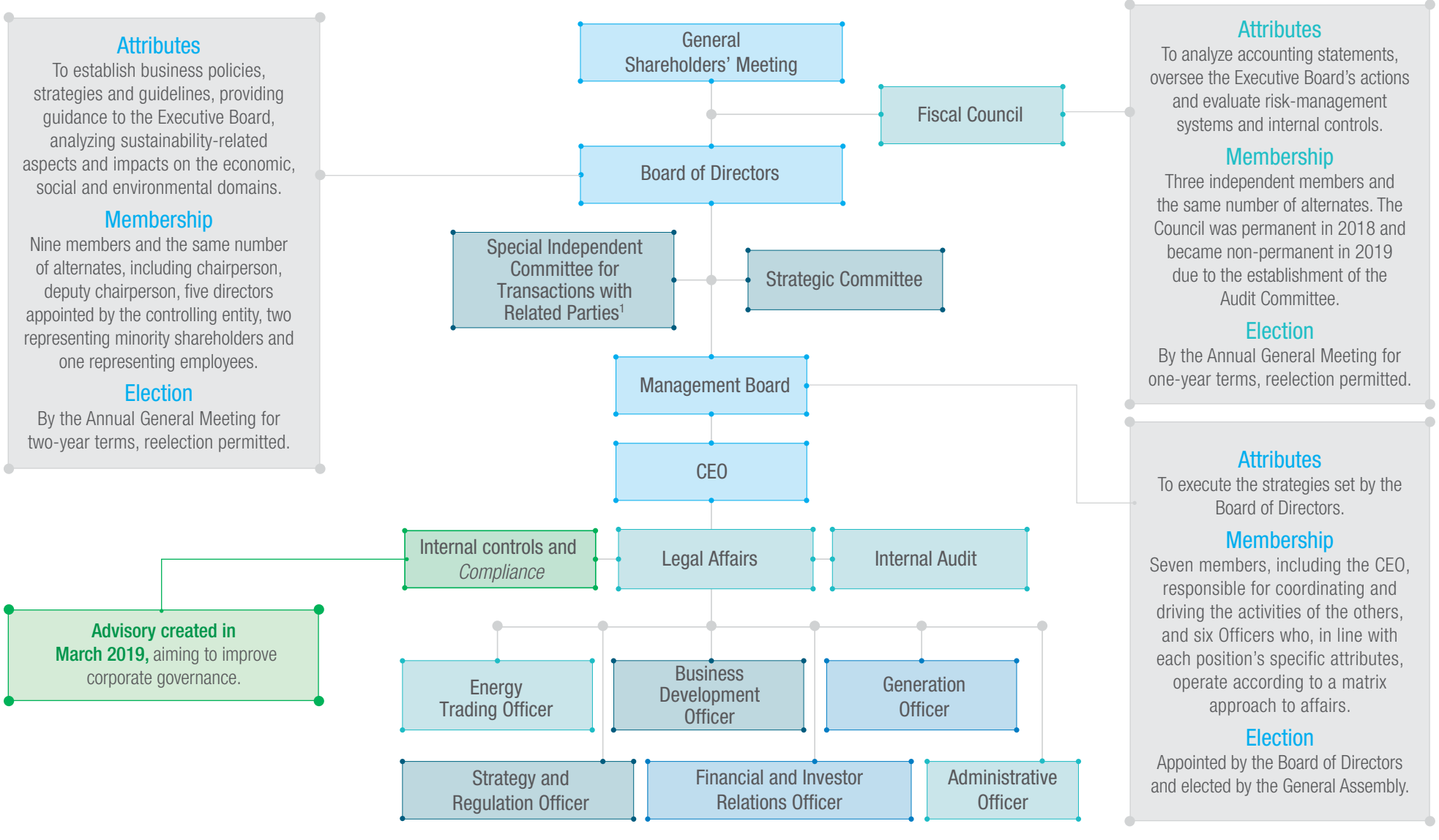
Operations subject to risk assessment

- acquisitions, divestments of projects or assets (goods, rights and equity) from or to third parties (including project developers undergoing sale to the Company);
- partnerships/joint ventures;
- retainer of Engineering, Procurement and Construction (EPC) and civil construction services;
- environmental licensing;
- property leases;
- retainer of intermediaries; and
- agreements with financing banks.

Management Structure

GRI 102-18; 102-22; 102-23; 103-2

View our Management Structure below, and learn more about each body's detailed composition on our Website or Management Report.



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



3. Value Creation

Context *GRI 103-1; 103-2; 103-3; 201-2*

With society's growing demand for energy worldwide, companies in the industry and governments have been working to develop an energy transition process to provide solutions and ways for increasingly comprehensive and efficient energy supply, while reducing carbon emissions.

In other words, the energy-transition challenge lies in finding a balance between expanding access to energy and mitigating and adapting to climate change, to meet the global warming containment set in 2015 by the Paris Agreement within the United Nations Framework Convention on Climate Change, capping at 2°C the increase in average global temperatures from the pre-industrial period.

The energy transition is therefore a required route and demands intense action from the industry's various players to anticipate and adapt to the effects of climate change and mitigate their impacts.

> The development of an energy transition process should seek solutions and ways for an **increasingly comprehensive and efficient energy supply while at the same time reduce carbon emissions**.

Energy transition scenario analysis

CURRENT SCENARIO

Pillars of the transition

Digitalization
New technologies enable efficiency gains and the automation of energy-related systems in pursuit of greater savings and flexibility . Mobile devices, the IoT and Big Data are key elements of the process.

Decentralization
The use of photovoltaic solar panels and other distributed energy resources allows people and businesses everywhere to generate energy autonomously at competitive costs. New challenges facing the distribution network and the emergence of self-sufficient energy micro-networks require a review of the traditional compensation model of utilities, fostering innovative business models.

Decarbonization
The pursuit of sustainable development requires society to drive its activities towards a low-carbon economy. This implies major changes in our energy matrix, and a transformation of individual habits and business models, to ensure quality of life for the coming generations.

Challenges facing the transition

Intermittent generation
The intermittent nature of solar and wind sources, which depend on the instantaneous availability of primary inputs (sunlight and wind) Increases the challenges associated with operating electric energy systems to maintain electric energy quality and availability around the clock.

New distributed-generation requirements
The current distribution network is one-way and passive: energy flows from big plants to the loads. With distributed generation, it will become an active, two-way network, making operation more complex. Active networks require intelligent control systems and an intensive data communication and supervision layer.

Regulatory challenges
The need to amend existing compensation models causes reactions from the various players involved. Regulatory solutions must be found that can at once abide by existing contracts and create an environment that fosters innovation and efficiency.

Investment in infrastructure and new technologies
The entire chain involved in energy generation – from government to consumers, through companies – will have to update and expand its energy infrastructure, as well as incorporate new communication and control systems and technological solutions. Large-scale development of this infrastructure is a major challenge.

FUTURE SCENARIO

What to expect from the transition

Cloud energy
The additional energy generated in a home is injected into the network and can be allocated to another consumer anywhere by means of an online transaction platform.

Real-time information and pricing
With smart meters and a communication system, changes in the price of energy can be transmitted to consumers almost immediately, which allows encouraging consumption at times of surplus generation and, by the same token, discouraging it in times of scarcity, optimizing the system's balance in real time.

"Prosumer"
Individuals or businesses generating their own energy become simultaneous consumers and producers, or "prosumers". They may even choose who to sell their energy to – and at what price.

Smart products
The IoT allows programming products to consume energy at times when the resource is cheaper: Or to shut down automatically when prices increase.

A cleaner matrix
The reduced presence of fossil fuels in the energy matrix will lower greenhouse gas emissions, contributing to the fight against climate change.

Given this context, our risk matrix includes evaluating and monitoring the various aspects associated with the topic that may cause revenues losses and cost increases, such as:

- regulatory changes;
- hydrological regime change;
- changes in wind patterns;
- the discussion on a possible future tax on CO_2 emissions, in which we are widely engaged both domestically and globally; and
- integration of emissions into the energy dispatch criteria set by the National Electric Energy System Operator (ONS).

Learn more about how we manage the risks associated with this theme in the Risk Management topic of this report and the Reference Form (https://bit.ly/2tHfb6m), item 5.

Competitive advantages

The achievements and experience gained in our 20-year journey have provided a series of skills that form our competitive advantages profile and enable us to face the challenges of moving forward and doing increasingly better.

WE OPERATE IN A

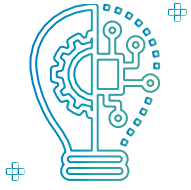
Key sector

considered strategic to the development of the country, since energy constitutes a fundamental input for production and for a great number of society's daily activities.

WHERE

We are leaders

the largest private energy producer in Brazil and our parent company is the largest independent producer in the world, which reinforces its potential for leveraging business opportunities.



WITH

Commercial intelligence

we maintain high contracting levels in the long term, reducing exposure to short-term market fluctuations. In addition, our sales portfolio is balanced between free customers, different sectors, and regulated customers (distribution companies).

High operational performance

our units operate in 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) certifications at plants that answer for 83.6% of the energy generated.

Predictability of cash flow

in addition to the above-mentioned long-term contracting, energy sales agreements are indexed to inflation.

Stable financial performance

In 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$ 26.9 billion at the end of 2018, ENGIE Brasil Energia has access to attractive lines of credit, thus enhancing our competitive edge.

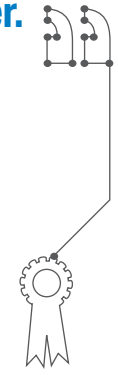
Differentiated risk classification

Fitch Ratings has assigned a Long-Term National Company Rating of 'AAA (bra)' and on the global scale, 'BB(bra)', one notch above the Brazilian 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.

> Our competencies and competitive advantages enable us to **face the challenges with the ambition of going beyond and always do better.**

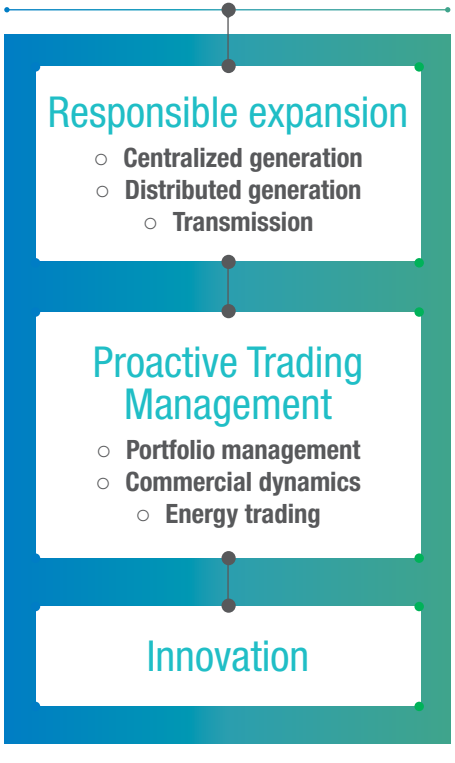


Strategy *GRI 103-1; 103-2; 103-3*

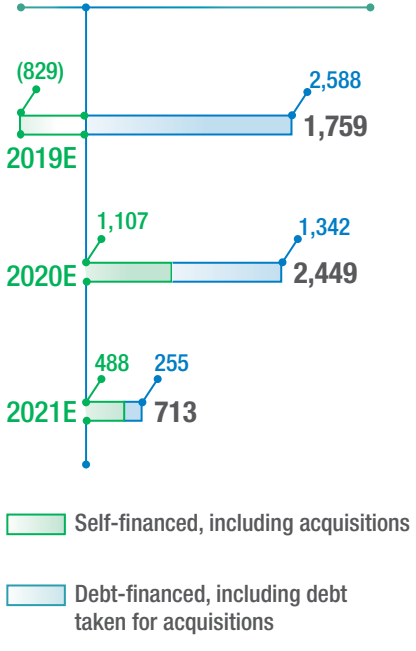
Our strategy aims to respond dynamically to the energy industry's global and local challenges and opportunities. The Company remains attentive to the impacts that these various of changes have been causing on activities and on the perceived value of the industry's companies, and has been striving to remain ahead of the energy transition process in Brazil. As the country's largest private-sector energy producer and with the backing of its Controlling Shareholder's worldwide leadership in energy efficiency services, ENGIE Brasil Energia has a head start becoming a benchmark for the process.

So, even as it keeps centralized energy generation and trading as its main areas of activity, the Company endeavors to offer more and more integrated and innovative solutions. As a foundation for strategy execution, the company has competitive advantages that set it apart from other industry players.

Strategic Pillars



Future investments to implement the strategy



Responsible Expansion

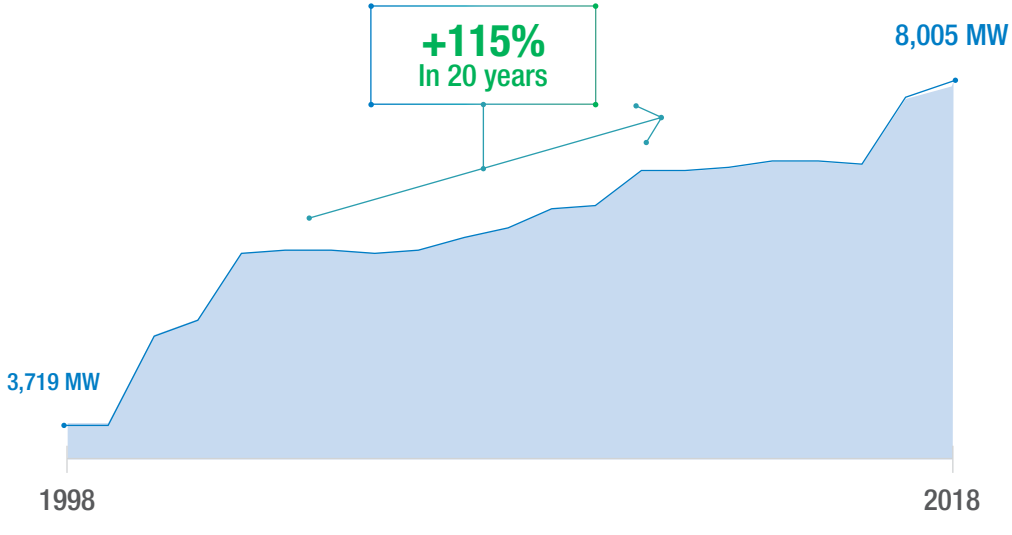
Centralized generation

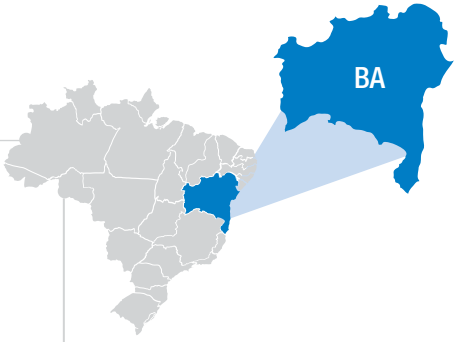
In its 20 years of activities in the country, ENGIE Brasil Energia has expanded its generating plant's installed capacity by 115%, from 3,719 MW to 8,005 MW – in own installed capacity alone. In 2018, this capacity was increased by 1.7%.

As part of the corporate strategy, responsible expansion of the generation plant widens the portfolio of energy available for trading and contributes to business perpetuity. In addition, it adds value to Brazilian society as it provides greater security to the national electric energy system's operations and contributes to sustainable local development, generating jobs and income in the regions where its projects are implemented.

The expansion highlights this year were the entry into operation of the Campo Largo Phase I Wind Complex, in the municipalities of Sento Sé and Umburanas (state of Bahia), and the completion of 87% of the first phase construction works of the Umburanas I Wind Farm, for gradual entry into operation from January to April 2019, when, together they will add 686.7 MW to the Company's total capacity.

Centralized generation





Umburanas WC (BA)
Phase I

Installed Capacity: **360.0 MW**

Commercial Capacity: **215.1 aMW**

Contracted Price[1,2]: **R$ 172.7 /MWh**

Term[1]: 20 years
(as from Jan/2019)

Investment (R$mm): 1,800

Start of construction: **November 2017**

Start of operation: **gradual from January to April 2019**

Nº wind turbines: 144 (2.5 MW each)

Notas:
[1] Regarding the portion contracted in the Regulated Contracting Environment (ACR).
[2] Amount updated until December 2018.

Campo Largo WC (BA)
Phase I

Installed Capacity: **326.7 MW**

Commercial Capacity: **166.5 aMW**

Contracted Price[1,2]: **R$ 176.6 /MWh**

Term[2]: 20 years
(as from Jan/2019)

Investment (R$mm): 1,700

Start of construction: **2016**

Start of operation: **gradual from April to December 2018**

Nº wind turbines: 121 (2.7 MW each)

Notas:
[1] Amount updated until September 2018.
[2] Regarding the portion contracted in Regulated Contracting Environment (ACR).

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.

In the coming years, the generation plant's expansion will be assured by the realization of the following projects:

Expansion Projects

IC: **1,066.2 MW** Installed capacity

PG: **738.6 MWm** Physical guarantee

PAMPA SUL
Ownership: 100%
Concession until: March 2050
345.0 MW | 323.5 MW m

UMBURANAS – PHASE I [2]
Ownership: 100%
Concession until: August 2050
360.0 MW | 215.1 MW m

CAMPO LARGO PHASE II
Ownership: 100%
Concession until: -
361.2 MW | 200.0 MW m

JIRAU [1]
Ownership: 40%
Concession until: August 2043

	Total	Owned
IC	3,750.0 MW	1,500.0 MW
PG	2,207.9 MW	882.0 MWm

Campo Largo Wind Complex – Phase II

In full synergy between the expansion and trading pillars, **implementation of Phase II of the Campo Largo Wind Complex**, whose energy will be entirely dedicated to the free market, was approved in early 2019. This innovative trading strategy is based on the existing synergy between the Campo Largo – Phase I and Umburanas – Phase I Wind Complexes, which reduce operating and implementation team deployment costs, and on the sharp growth that the free energy market has been experiencing. A significant share of the Complex's energy has already been traded under long-term contracts.

Projects under Development

IC: **1,681.8 MW** Installed capacity

SANTO AGOSTINHO COMPLEX
Ownership: 100%
Location: Lajes and Pedro Avelino (RN)
600.0 MW

NORTE CATARINENSE
Ownership: 100%
Location: Garuva (SC)
600.0 MW

UMBURANAS COMPLEX – PHASE II
Ownership: 100%
Location: Umburanas (BA)
245.0 MW

ALVORADA COMPLEX – PHASE II
Ownership: 100%
Location: Bom Jesus da Lapa (BA)
90.0 MW

ASSÚ COMPLEX – CENTRAL I, II, III and IV
Ownership: 100%
Location: Assú (RN)
146.8 MW

[1] 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.

[2] Some of the Plants of the Complex have already entered in commercial operation in early 2019.

For additional details on these projects, view our Management Report, page 21.

Distributed generation

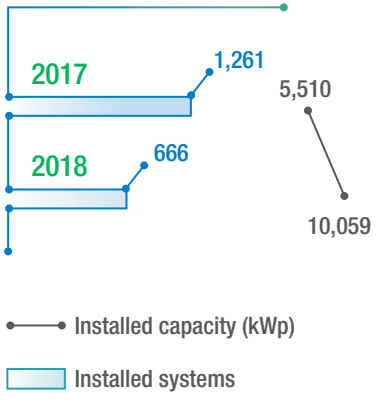
We have been active in the distributed generation market since 2016 through ENGIE Geração Solar Distribuída S.A., which became a wholly-owned subsidiary in 2018. Increasing our investment in this segment is one way to reaffirm the strategy of expanding distributed generation, contributing to a more dynamic energy matrix closer to the end-consumer.

Through the Solar Industry Program, an initiative of the Santa Catarina State Manufacturers' Federation (Fiesc) realized by ENGIE Geração Solar Distribuída and WEG S.A., we encourage manufacturing plants and homes to generate solar energy at special prices. In 2018, the program included 2,126 residential and 695 industrial participants in the state of Santa Catarina.

The Program's success led to its expansion to the state of Mato Grosso, which already has 252 residential and 109 industrial consumers enrolled, and to the state of Rio Grande do Sul, with 208 residential and 120 industrial participants.

The participation of agribusiness has also been significant in 2018, particular note being due to a cooperative in the municipality of Concórdia (state of Santa Catarina), at 2 MW installed power, and another in the state of Goiás, with approximately 1 MW total installed power.

Trend - units and installed capacity

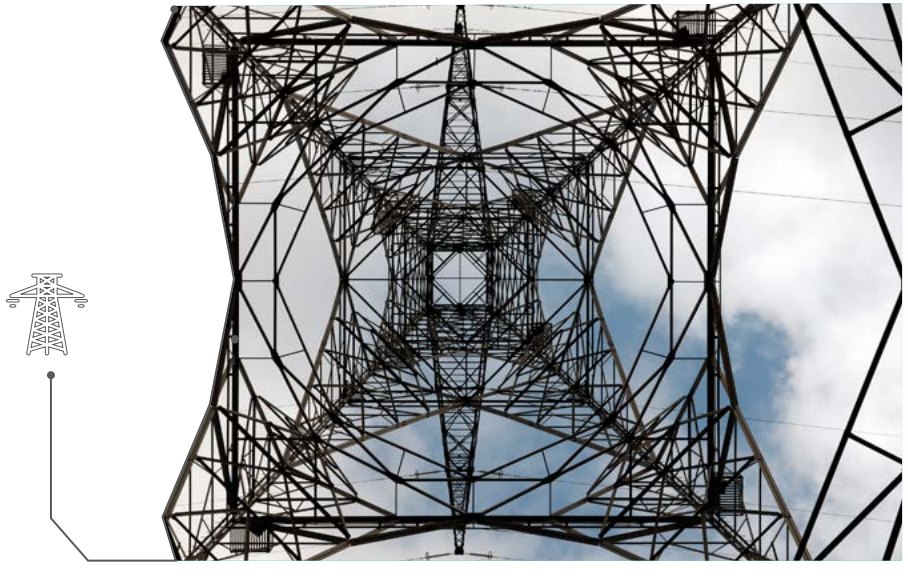


> The diversification of activities aims to associate growth and value generation in synergetic businesses to the Company's current offerings, expanding possibilities and future perspectives on energy and related solutions.

Transmission

A 1,000-kilometer transmission line and five substations, won in the December 2017 auction whose deadline for entry into operation is March 2023, are being implemented in the state of Paraná. We will reduce the project's 60-month implementation period by at least 12 months, and the investment projected by Aneel by around 15%.

Executive project, topography and sounding activities are underway, as are the selection and retainer of sub-contractors. The environment, land and archeology teams remain on the field to conduct land-use, archeological and environmental studies. The environmental impact studies or simplified environmental reports, as applicable, have been completed and submitted to the Paraná state environmental authority. As for archeological licensing, the first phase of studies has been completed and approved by the National History and Arts Heritage Institute (IPHAN) and second-phase work continues. Public Domain Statements for all of the project's areas have also been secured.



Prospects – Natural Gas Chain

In addition to the previously discussed Norte Catarinense Thermal Power Plant, which is in the Company's pipeline of projects underway and will be able to run on Natural Gas, we are also analyzing acquisitions connected with this input, such as TAG (Transportadora Associada de Gás), a Petrobras subsidiary operating 4,500 km of gas pipelines, mostly along the Brazilian coastline.

We regard this as a strategic move because natural gas is a relevant piece of the energy transition, as a significantly less polluting substitute for coal that can provide energy to the system at any time. The scenario is further supported by the need to have thermal sources to add balance and safety to generation, given the intermittent nature of the solar and wind sources – which require sunlight or winds for generation – and low-hydrology in the regions where the hydroelectric plants' reservoirs are, an increasingly recurring fact in Brazil.

The ENGIE group is a gas transportation leader in Europe with more than 70 years' experience in the industry, giving us the credibility and knowhow for these operations in Brazil.

> As a subsequent event to the contents of this Report, **we announce that we were the winning bidders at the Transportadora Associada de Gás (TAG) auction**, held in April 2019. **ENGIE Brasil Energia now owns 29.25% of the asset.**

For additional information, visit
https://bit.ly/2YzRzyj



Proactive Trading Management

GRI 102-6; G4-EU3

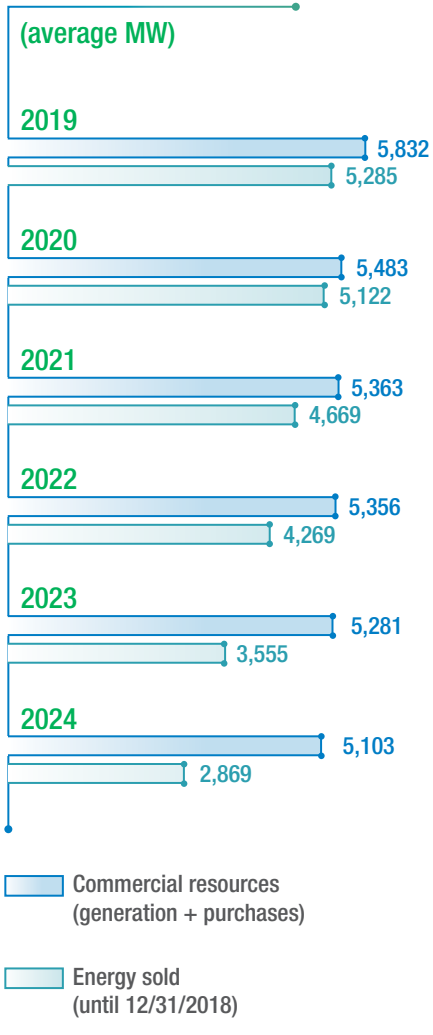
Strategy and clients portfolio

We trade energy both in the Regulated Contracting Environment (ACR), through Aneel-sponsored auctions, and in the Free Contracting Environment (ACL), with direct agreements with companies or energy traders.

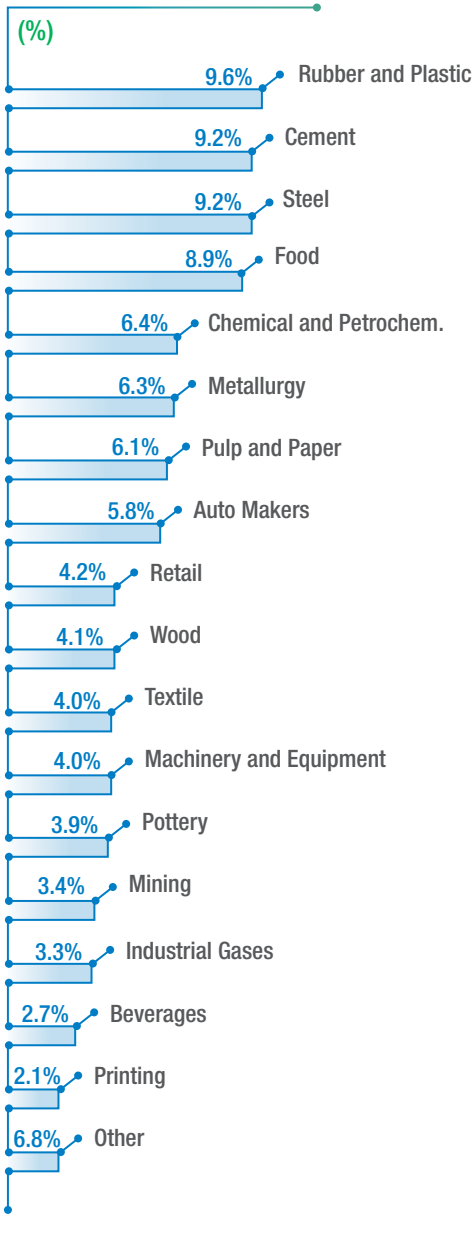
Our free-market energy trading management strategy is based on two important distinctive traits – energy portfolio management and our commercial dynamics. Together, these attributes enable remarkable results, as few players display similar features. They stem from the fact that we are one of the country's main energy generators, with the backing for competitive short- and long-term offerings, the agility and dynamics of a private-sector, global, player attuned to market opportunities and needs.

Management of the energy portfolio enables minimizing our short-term exposure risk, avoiding payment of high prices for energy in the presence of shortfalls in hydro generation – as has been the case in recent years. In response to this, we have been keeping a larger volume of our commercial capacity uncontracted on the short-term market and, as needed or beneficial, we purchase energy to supplement our portfolio, or sell it when the market's propensity to buy increases.

Energy balance



Diversification of clients portfolio





Within the trading dynamics context, we formed a diverse clients portfolio made up of companies of different sizes and in different industries, offsetting the potential impact from negative situations in certain segments and reducing the risk of revenue losses. Our ability to handle different clients also puts us in a position of advantage regarding the changes that are underway in the free market dynamics.

To expand our share of the free market, we have since 2017 had a **Retail Sales Company,** to increase our retail operations with smaller clients than those we traditionally serve.

By offering new services to this class of industrial and commercial consumers, as long as they are free-market eligible, we can diversify our revenue sources and expand investments in the non-conventional renewable generation sources needed to serve this consumer class.

In 2018, we continued to adapt to capture the opportunities created by the growth of this market and by new relationship modes and products. We intensified negotiations with mid-sized companies and have been able to increase, again this year, the number of energy sales agreements in force: we reached yearend 2018 with 515 clients, up 84% from 2017.

Our ever-closer relationships with clients and the flexibility of our offering and service earned ENGIE Brasil Energia 97.7% acceptance with this public in 2017. The main attributes emphasized by clients included the team's technical knowhow and ENGIE Brasil Energia's soundness, reliability and ethical conduct.

For a breakdown of sales by client type, view page 22 of our *Management Report*.

Energy trading

In response to the previously mentioned effects of hydrological generation deficits, which require additional guarantees to protect the portfolio, the Company has gradually become more and more involved in short-term negotiations, pursuing optimization of the portfolio and of buy and sell prices.

This led to the creation of the energy trading area, providing more systematic and short-term transactions and improved risk control with a relevant ancillary effect: the daily interactions with the marketplace enabled us to significantly improve our energy pricing methods, providing inputs to short- and long-term negotiations of the sales area as well.

Regulatory changes and expansion of the free energy market

Our sales-management knowhow is an even more relevant strategic advantage in a scenario of a modernizing regulatory environment, where economic signals and consumer's right to choose will be the driving forces for efficiency, given the fiercer competition and the market's openness to new players.

Starting in 2020, the settlement prices (PLD) at the Electric Energy Trading Chamber (CCEE) will be hourly instead of weekly. The regulator has also been sending strong signals that it will gradually reduce the minimum consumption levels for free-market eligibility, which in 2018 were 3 MW for conventional energy and 0.5 MW for incentivized energy. The lower these thresholds, the larger the volume of clients that will migrate from the regulated to the captive market, where prices tend to be more competitive and offerings tend to be more customized.

ENGIE Brasil Energia is preparing in advance for these changes, restructuring its sales area with offerings and channels for different client profiles, creating the trading and retail sales areas, and incrementing processes and management by means of digitalization and the implementation of a modern CRM.

Innovation *GRI G4-EU8*

Products and services innovation is essential to the longevity of the business and the capture of new opportunities. It is becoming increasingly connected with the corporate strategy, given the highly dynamic context of the energy transition and the expansion of the free energy market, which require new solutions to meet society's demands.

In this sense, we implemented a new innovation-management vision at the Company in 2018, with new governance, the prioritization of ideas and projects, and evaluation incentives and metrics. We have established strategies for different stimuli and resources, whether internal or open, whether spontaneous or induced, leading to positive impacts ranging from slightly incremental ones on the core business to more transformational ones, intended for new products or solutions.

Learn about ENGIE's main innovation fronts next.

R&D

The Research and Development (R&D) program is an important link in our innovation-fostering strategy, and is done by means of partnerships with universities and research institutes, in line with our open innovation culture.

The Program abides by the contents of Law 9.991/2000, which requires energy companies to invest 1% of its annual net revenues in R&D.

In 2018, we allocated R$ 44.8 million to the program, as follows:

- R$ 17.9 million to the National Science and Technology Development Fund (FNDCT);
- R$ 9.0 million to the Ministry of Mines and Energy (MME) as funding for the Empresa de Pesquisa Energética (EPE);
- R$ 17.9 million to investment in R&D Projects.

Out of the projects conducted in 2018, we emphasize:

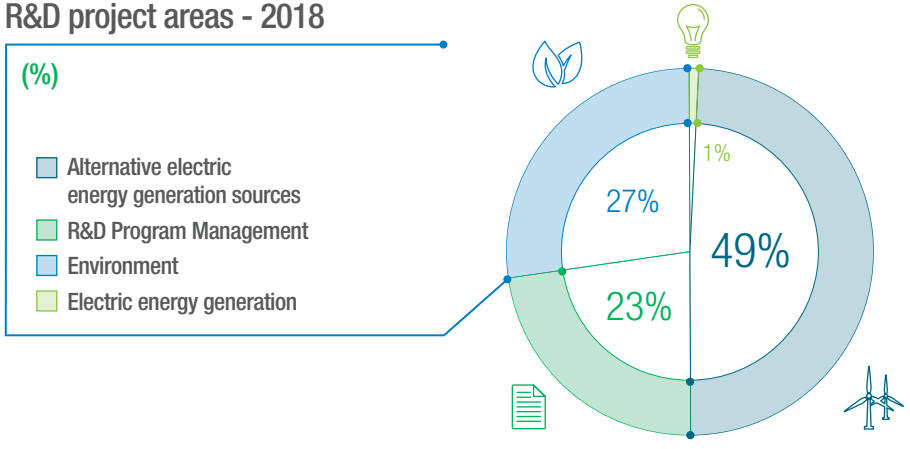
- development and certification of a domestic 3.3 MW, direct coupling, wind generator with synchronous permanent magnets generator and full power converter, with WEG Equipamentos Elétricos S.A. as executing party, and intended to develop and certify a wind generator with technology fully adapted to the Brazilian conditions;
- evaluation of electro-chemical batteries for different applications and conditions of use (plants, urban buildings, homes). The project is being executed by UFSC and has a cooperating company in Guascor do Brasil.

In 2018, we allocated **R$ 44.8 million** to the Research and Development Program.





R&D project areas - 2018



As a global company that aims to appreciate and integrate local skills, ENGIE has launched an internationalization shift for its R&D + Innovation labs, the **ENGIE Labs**, allocating development projects to areas appropriate for their application.

The 11th ENGIE Lab was established in Brazil in 2018. It is a lab for open innovation projects – disruptive, incubation and *venture capital fund* – as well as for internal innovation, managed jointly by ENGIE S.A. France and our controlling shareholder, ENGIE Brasil Participações. The ENGIE Lab Brasil is located in Florianópolis and active nationwide. It will integrate and expand the various R&D and Innovation initiatives already underway, with an initial focus on solar and wind power, smart cities, biogas, and hydrogen, and will evolve continuously in line with future trends.

It operates by means of projects with own and hired staff, and in partnership with other companies, in open innovation programs, or R&D entities as per Aneel's R&D program. The ENGIE Lab Brasil will also partner with the Universidade Federal de Santa Catarina (UFSC), which will provide master's and doctor's candidates and, in return, will receive French professors to deliver extension courses.

Link Lab

We are a part of Linklab, a program that aims to bring large corporations and startups closer together to make the most of each one's characteristics. In 2018, we interacted with a startup on the development of a platform for environmental teams and services managements at power plants. In 2019, the field teams will test and validate the system.

Inove

We appreciate and encourage internal innovation by means of the "Inove" program, which aims to identify ideas within the Company itself. The program has undergone significant review for 2019, and now has a specific system for ideas input, evaluation flow management, and even measurement of the rewards to which each user is entitled for their suggestions, which increase based on their significance and applicability.

> Innovation has been increasingly linked to corporate strategy, given the **highly dynamic context of energy transition and the expansion of the free energy market.**



Risk management

GRI 102-11; 201-1

Valuation and Control

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 for the Company.

Approved in 2016 by the Board of Directors, the Risks and Opportunities Management 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.

Results of this joint evaluation are registered in the Risks and Business Opportunities Matrix, an internal document which serves as guidance to the Company.

Main Risk Management

Hydrological risk

Description: when rains are lacking in the hydroelectric plants' reservoir areas, the plants may generate power below their physical guarantee, that is, below the required minimum. In this case, the plant's owner must "replace" the missing energy to make up the physical guarantee, either by means of other generation sources in its portfolio or by acquiring energy in the short-term market, usually at high prices.

Mitigation: several individual and collective mechanisms exist to mitigate this risk. The collective mechanism is called Energy Re-Allocation Mechanism (MRE), and all centrally-dispatched hydroelectric generation companies are mandatory members. The MRE transfers surplus output from plants generating above their physical guarantee to other members with generation below physical guarnatee. Energy transfers within the MRE are compensated based on the Energy Optimization Tariff (TEO), which covers the average cost of hydroelectric plant operation and maintenance. The MRE mitigated the hydrological risk sufficiently well while the system as a whole was positive, that is, when the collective generation of the MRE's member plants was above the average physical guarantee. Starting in 2012, however, MRE members in general began to systematically generate less than their physical guarantees (Generation Scale Factor – GSF – lower than 1). Several discussions took place between the market and the regulator and, in 2015, operators had an opportunity to renegotiate the risk with the regulatory authority.

ENGIE Brasil Energia chose to adopt the renegotiation for the purposes of the energy traded on the ACR. Therefore, 1,344.51 aMW of power under contract in this environment are protected from impacts in excess of an average 7.5% hydroelectric energy generation deficit. Because the renegotiation reduces risk, but does not eliminate it, companies may also adopt individual mitigation strategies, as we do: we mitigate risk by keeping a higher-than-usual volume of short-term decontracted energy, in addition to seasonally weighting the allocation of own resources.

Project installation risk

Description: the occurrence of events during the development or installation of projects which can result in delays in the construction work schedule, additional installation costs and/or inefficiencies in project operation.

Mitigation: our experience, discipline and operating excellence minimize project installation risks. In 2018, for example, we completed the Campo Largo I Wind Complex in December, with the final units entering into operation more than six months ahead of the originally scheduled deadline, below budget, with sustainability and safety for our employees and third-party workers.

IT&Digital risk

Description: due to the increasing dependence of the business in relation to Information and Communication Technology (ICT), Automation Technology (AT) and the Internet of Things (IoT), insecurity in these resources can negatively impact continuity of operations and the Company's image.

Mitigation: IT and Digital risks are managed and mitigated by means of policies, management processes, controls, and employee awareness-building in connection with the risks that digital technologies entail. This includes the Information and Communication Technologies (TIC) used in business processes and the Automation Technologies (TA) used in production processes for the purposes of industrial operation, control and oversight.

> Through representative associations, we actively participate in the discussions on regulatory changes in the sector and have a **well-designed strategic process to anticipate major changes.**

Regulatory risk

Description: the adverse evolution of the electric energy industry's regulations, which is historically influenced to a substantive degree by the Federal Government, can affect the modes, terms and conditions of the energy sale agreements that ENGIE Brasil Energia is authorized to enter into, as well as production levels.

Mitigation: by means of industry representation, we play an active role in discussions surrounding regulatory changes for the industry, and have a well-designed strategic process in place to anticipate major changes. Learn more in the strategy and competitive advantages sub-chapters.

Operational performance and efficiency risk

Description: absence of physical guarantee or inefficient performance of ENGIE Brasil Energia's wholly-owned plants or other assets in which it has a stake.

Mitigation: actions taken to mitigate this risk are similar to those for hydrological risk. For example, they include the purchase of energy in the short-term market and certain levels of energy portfolio de-contracting. From the operational point of view, mitigation takes place by means of preventive and predictive maintenance, which aim to minimize, or even eliminate, unscheduled stoppages.



Country risk

Description: change in the political environment and economic variables such as interest rates, exchange rates, commodity prices and inflation, impacting the Company's business.

Mitigation: our sales agreements are usually inflation-indexed and our debt is pegged to the IPCA, TJLP and CDI, in local currency (we have no foreign currency-denominated debt). The Company is also operating under the highest possible levels of energy sold in the short-term. These factors minimize economic impacts and lend some predictability to financial flows.

Tax risk

Description: adverse developments in the tax legislation, with potential impact on our results.

Mitigation: we actively track, whether individually or by means of industry representation, legislative changes that may directly or indirectly affect the Company and form provisions as applicable and necessary.

Socio-environmental risk

Description: unfavorable changes in the environmental regulations and the activities of organized social movements in relation to the business of the Company.

Mitigation: we are solidly committed to sustainability, which keeps us one step ahead of the regulation, with voluntary adoption of best management as concerns relationships with our stakeholders and the environment. Learn more in the Relationships sub-chapter.

Market risk

Description: the supply of and demand for electricity can deviate from forecast so affecting energy prices and volume.

Mitigation: we have a pro-active commercial strategy in place and make continued gains in the management of our energy portfolio to capture price changes faster, and earn positive results for the Company.

Major accident risk

Description: major accidents and disasters due to natural and human causes, involving the implementation of projects, plant operations and company management causing an interruption to the business.

Mitigation: to mitigate potential impacts on human life, the environment and the economy, we adopt best engineering practices from plant construction to operation and maintenance, and civil structures are monitored by means of preventive inspections, analyses and maintenance conducted by a specialized team. All of the hydroelectric power plants under ENGIE Brasil Energia's responsibility have in place Dam Safety Plans consistent with our dam safety methodology, which abides by ANEEL Normative Resolution No. 696 da Aneel and Law No. 12.334, which established the National Dam Safety Policy. They are also compliant with the recommended criteria of the ICOLD - International Commission on Large Dams and the CBGB – Brazilian Large Dams Committee.

Contingency: all of the NBR ISO 14001-certified plants maintain Emergency Response Plans that cover specific actions for different emergency scenarios, determined according to the reality and nature of each project. As concerns dams, all plants that Engie Brazil Energia operates are rated low-risk according to the risk matrix kept by the National Water Agency (ANA) and adopted by the National Electric Energy Agency (Aneel).

At the beginning of 2019, the Company established the **Dam Safety Committee** with the objective of continuously addressing the issue, expanding risk prevention and adopting best practices.

Comprising a multidisciplinary team, one of the first activities of the Committee was to accompany Aneel technicians in monitoring the dams at the Salto Osório and Salto Santiago Power Plants in Paraná.

In addition to the dams, the documents of the Plant, including the Dam Safety Plan (PSB) and the Emergency Response Plans (PAE), which are the bases of action in case of accidents, were also analyzed.

Operationalization of the strategy risk

Description: adversity in the process of ENGIE's strategic repositioning around its three basic pillars: digitalization, decentralization and decarbonization, both in the external context (partners, maturity of the market regulation, financing mechanisms, etc.) as well as the internal context (skills and attitudes of management and employees, capacity in adaptation and agility in decision making, clarity in relation to the strategic plan).

Mitigation: from the outside angle, we try to maintain debate with the regulatory authority and society at large on topics such as increased openness of the free energy market, the evolution of the distributed generation regulations, carbon pricing, and more, in an attempt to advocate for the Company's views, which converge with our three strategic pillars. Internally, we invest in training, skills and frameworks, both physical and IT, so that innovation and links between areas can flow more freely, consistently with the less stable and more dynamic scenario of the energy transition.

Ethics and compliance risk

Description: noncompliance, whether internal or with outside collusion, with the values and principles under the Code of Ethics may lead to instances of corruption, fraudulent use of Company property, interference in competitive processes, and trespasses against human rights.

Mitigation: in addition to the Code of Ethics and Ethics Policy, we embrace a strict internal controls program: it is called Income and applied by all of our directly or indirectly controlled entities. Income was created in 2005 to meet the requirements of the United States' Sarbanes Oxley law; Income covers every operation under 12 processes, which divide into 14 sub-processes. In addition to evaluating internal controls by means of processes and sub-processes, the overall control environment is analyzed based on the methodology of the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO).

Internal Audit and overall control environment analysis results require the approval of the CEO and the Chief Financial and Investor Relations Officer. These evaluations are subsequently submitted to the Board of Directors.

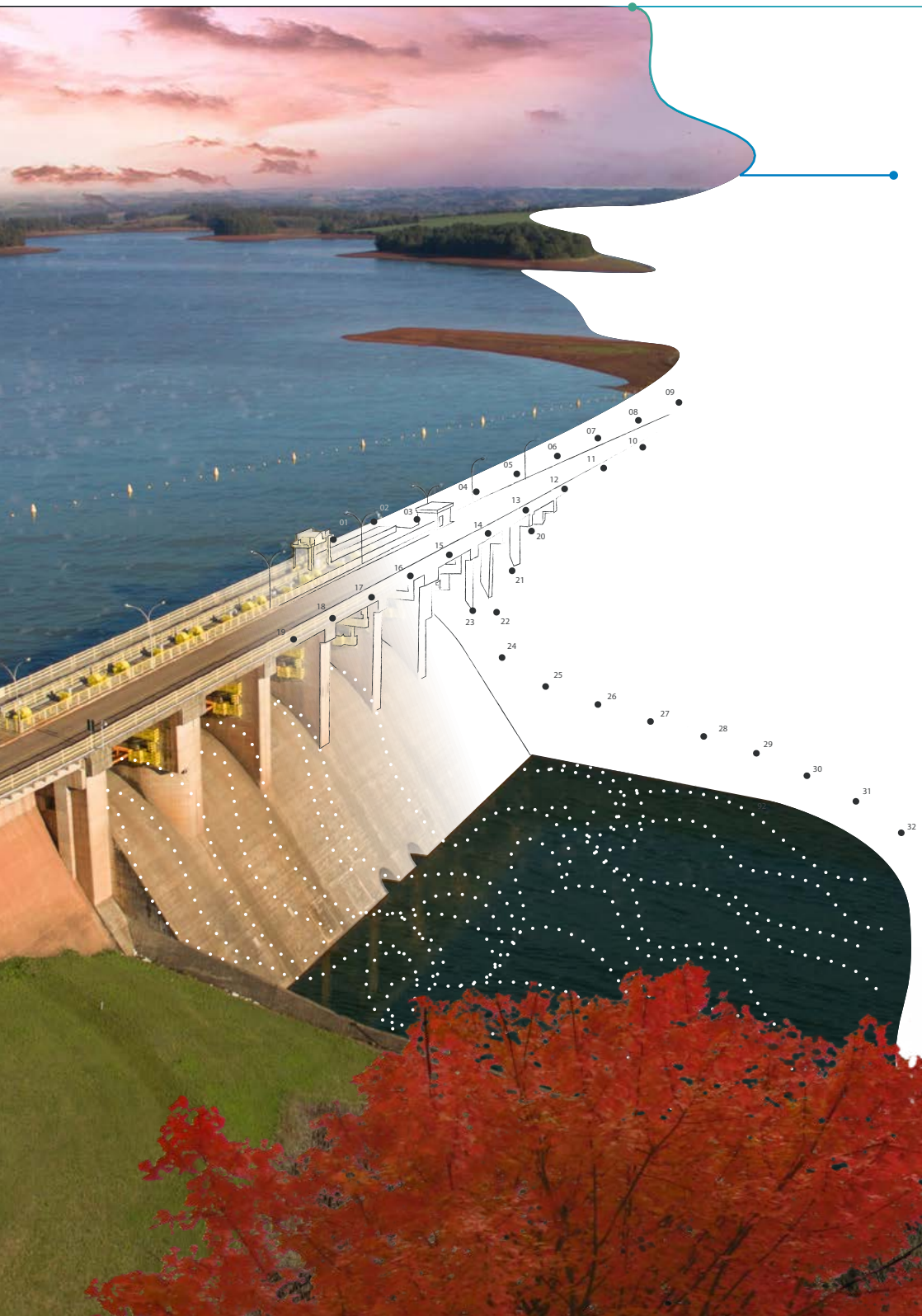
Occupational health and security

Description: occurrence of any type of accident which poses a threat to the health of the employees, contracted employees and other outsourced personnel, including occupational diseases.

Mitigation: we have in place sound health and safety management, driven by the Sustainable Management Policy, which governs the matter, in addition to Internal Accidents Prevention Commissions and 12 plants certified under NBR OHSAS 18001 (Occupational Health and Safety). Learn more about the topic on page 26 from complementary brochure.

> We have a **solid health and safety management**, guided by the Sustainable Management Policy





4. Performance

Scenario

Macroeconomic

Brazilian Gross Domestic Product (GDP) gained 1.1% in 2018, the same as in the previous year, for a total R$ 6.8 trillion. Inflation was 3.75% for the year – against the Central Bank target of 4.5% with a 1.5 point tolerance plus or minus, in other words a variation of between 3% and 6%. The US Dollar/Real (Ptax) exchange rate ended the year at R$ 3.87, an appreciation of 17.1% compared to 2017. The basic interest rate (SELIC) at year-end 2018 was 6.5% p.a., its lowest ever.

For 2019, the expectation is for a slight increase in the basic interest rate (7.0% p.a.), inflation close to the center of the band (4.0%) and faster growth in the economy (2.53%).

Sector[2]

Net energy consumption in Brazil in 2018 rose by 1.1% to 472,242 GWh. Household consumption increased by 1.2%, commercial by 0.6% and industrial demand by 1.3%. On a region-by-region basis, the North posted a significant decrease in consumption of 5.8%. The country's other regions recorded increases: 2.3% in Central-West, 1.7% in the South, 1.6% in the Southeast and 1.5% in the Northeast.

Free market consumption rose once again in 2018: a 6.3% increase against a decline in the captive market of 1.3% for the same period. One third of electric energy consumption was channeled through the free market (156.6 TWh) and two thirds through the captive (315.7 TWh). For the purposes of comparison and evolution in tendencies, this same relation just two years ago was a quarter to the free market and three quarters to the captive.

[1] Focus Report from Banco Central do Brasil at 01/04/2019.
[2] Electric Energy Market Monthly Review – Empresa de Pesquisa Energética – january 2019.

Influence of the hydrological scenario on the sector

There was a slight improvement in hydrology during the year in relation to 2017. Nevertheless, in 2018, energy volumes reaching the reservoirs remained below the historical average, registering 86% against 76% in 2017.

Growth in gross energy consumption came in at below forecast and closed the year at 1.4%, very similar to consumption recorded in 2017. In the light of this scenario, storage levels in the reservoirs in the Northeast rose, thus contributing to the improvement in the system's storage as a whole. Total storage at the end of 2018 was 32% against 23% at year-end 2017. The Price for Settlement of Differences (PLD) in 2018 reached the regulatory ceiling (R$ 505.18/MWh) for 10 weeks in a row while the annual average was R$ 280/MWh. According to the CCEE report for January 2019, average GSF (Generation Scaling Factor) for 2018 was 81.6% against 79.4% in 2017.

Results

GRI G4- EU2; EU11; EU30

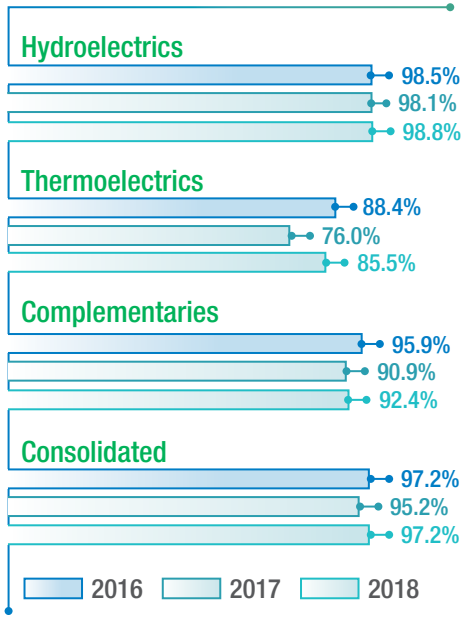
Operating

Our plants reached 97.2% uptime, scheduled stoppages excluded. Including those, overall uptime was 91.5%. The 2 p.p. increase in plant uptime from 2017 is mainly due to the smaller number of relevant events than in the previous year.

In 2018, there was just the overall review of unit 3 at the Jorge Lacerda Thermal Power Plant and the short-circuit in the generator of unit 4 of the Jaguara Hydroelectric Power Plant.

Average efficiency at the thermal plants of the Jorge Lacerda complex was 30.1%, in line with the previous year, as follows: 25.3% at UTLA 1 (+0.9 p.p. vs. 2017), 29.0% at UTLA 2 (-0.9 p.p. vs. 2107), 28.2% at UTLB (-0.5 p.p. vs. 2017) and 33.2% at UTLC (-0.1 p.p. vs 2017).

Plant uptime, excluding scheduled stoppages



> In 2018, we increased the activities of remote operation of the generating park, through the **Generation Operation Center (COG)**, installed at the Company's headquarters.



Electricity output reached 39,340 GWh (4,491 average MW): an increase of 8.3% (in average MW) compared with 2017, due mainly the incorporation of the hydroelectric power plants won in auction, as well as the entry into commercial operation of the Assú V Photovoltaic Plant and the Campo Largo I Wind Complex, which explain the significant increase in hydro and complementary plants' generation. The small decrease in thermal plants' output was due to the smaller merit-based generation volume.

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 deteriorating 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.

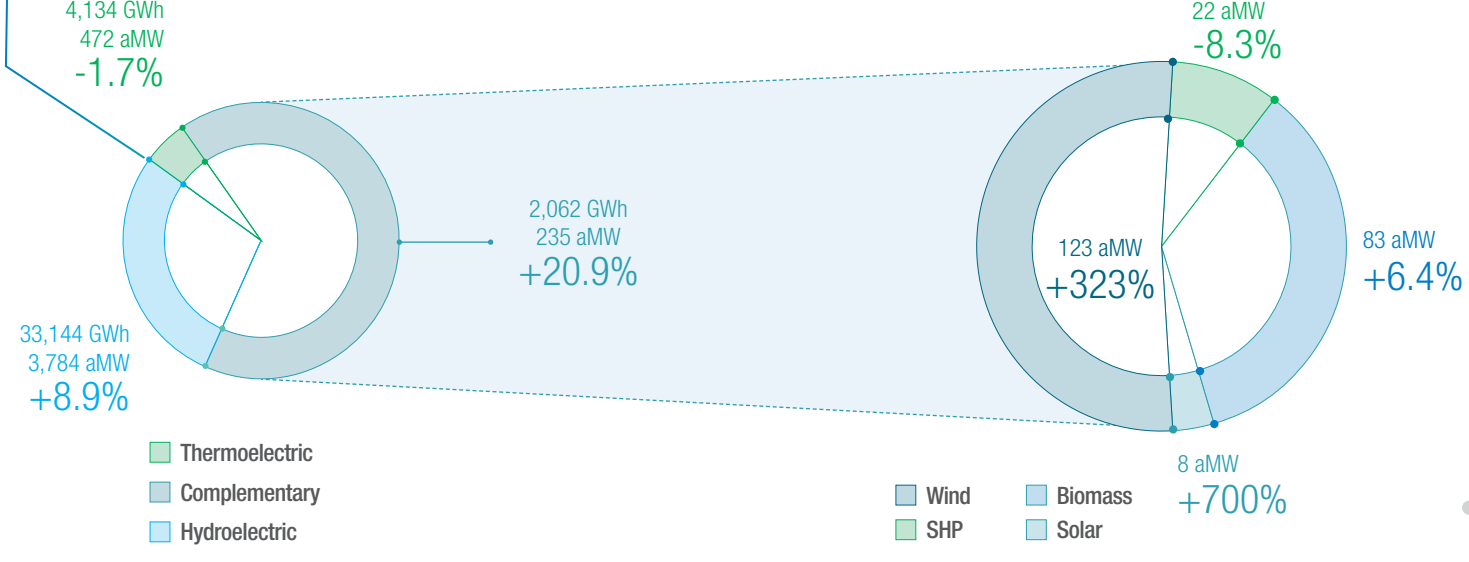
Remote operations

In 2018, the Company took the expansion in the remote operation of its generator complex a stage further with the Generation Operations Center (COG), installed at the Company's headquarters. With its focus on digitalization and operational excellence, the COG's infrastructure includes highly sophisticated technological resources allowing real time monitoring and ensuring the reliability of the system.

As of yearend, 28 out of the Company's 41 plants, representing 31.8% of installed capacity, were operated from the COG:

- Ponte de Pedra Hydroelectric Power Plant
- José Gelazio da Rocha SHP
- Rondonópolis SHP
- Cana Brava Hydroelectric Power Plant
- São Salvador Hydroelectric Power Plant
- Passo Fundo Hydroelectric Power Plant
- Assú V Photovoltaic Plant
- Jaguara Hydroelectric Power Plant
- Miranda Hydroelectric Power Plant
- Santa Monica Wind Complex
- Trairi Wind Complex
- Campo Largo Wind Complex – phase I

Energy production (total and % of evolution vs. 2017)

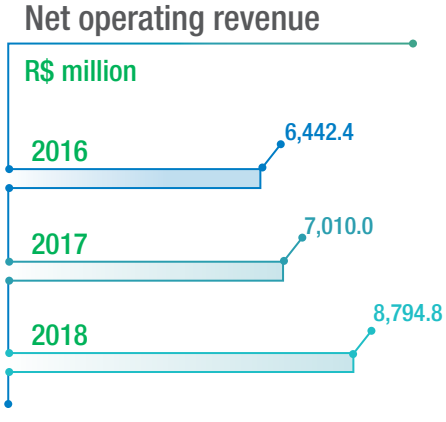


Economic-Financial

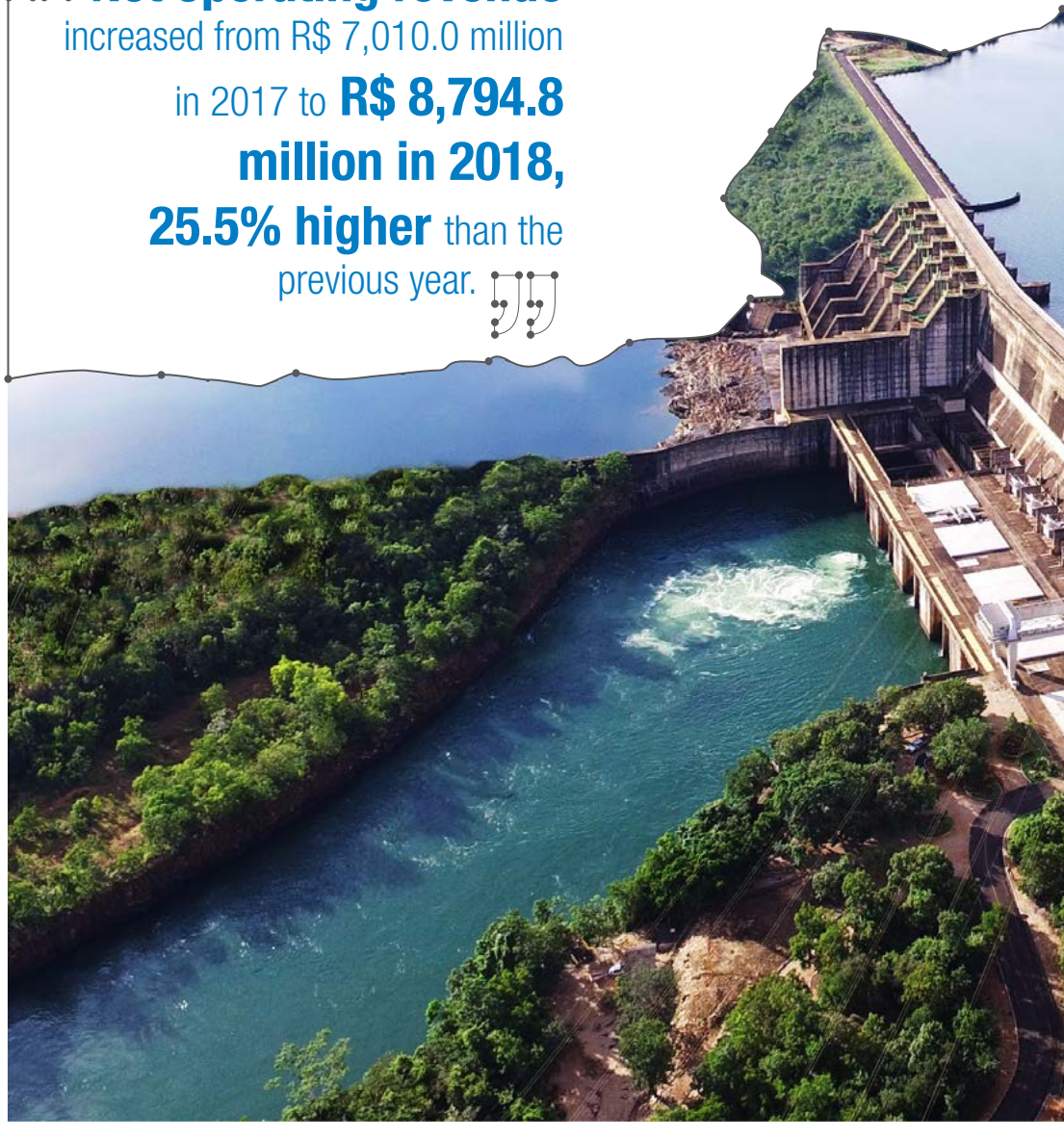
Net operating revenue

Net operating revenue increased from R$ 7,010.0 million in 2017 to R$ 8,794.8 million in 2018, an increase of R$ 1,784.8 million, (25.5%). This increase is mainly due to the following factors:

- R$ 723.7 million, from energy trading operations, which began in 2018;
- R$ 461.3 million an increase in revenue due to transactions conducted in the short-term market;
- R$ 292.5 million, as remuneration of financial assets and R$ 111.5 million resulting from GAG (Generation Assets Management) for the Jaguara and Miranda hydroelectric plants;
- R$ 85.1 million, relating mainly to indemnification revenues for compensating the negative impact of interruption to business with respect to a claim for downtime at the Jorge Lacerda A Thermoelectric Plant as well as the collection of contractual fines for the partial delay in modernization of one of the generator units at the Salto Santiago Hydroelectric Plant and downtime at the Santa Mônica Wind Complex plants;
- R$ 46.6 million, related to revenue flows remunerating the installation of infrastructure of the Gralha Azul transmission line;
- R$ 33.7 million due to the growth in volume of energy sold and increase of net average selling price; and
- R$ 36.9 million in revenue from the sale of photovoltaic panels.

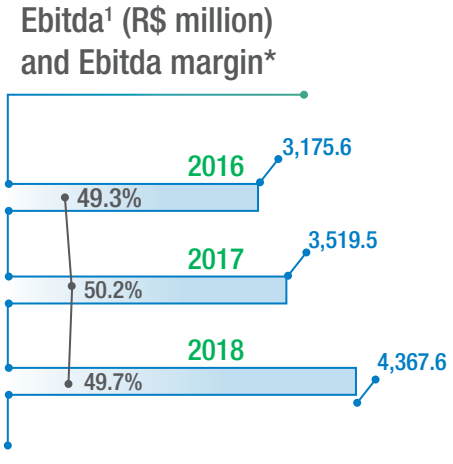


Net operating revenue increased from R$ 7,010.0 million in 2017 to **R$ 8,794.8 million in 2018, 25.5% higher** than the previous year.



Ebitda and Ebitda margin

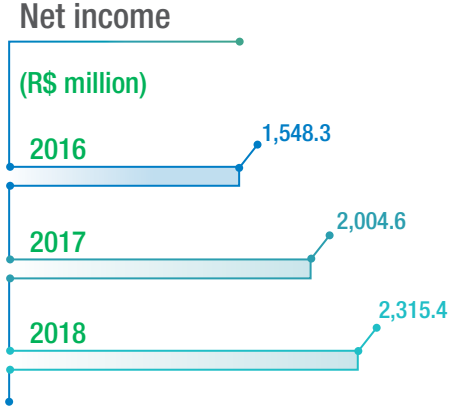
Ebitda increased 24.1%, from R$ 3,519.5 million in 2017 to R$ 4,367.6 million in 2018. The Ebitda margin reached 49.7%, representing a 0.5 p.p. reduction compared with 2017, due to, mainly, by the effects in 2018 of trading operations and the recognition of construction revenues and costs of the transmission line. If the latter effects are ignored, the Ebitda margin would be 54.0%, and therefore an increase of 3.8 p.p. between the periods of analysis.



[1] Ebitda: net income + income tax and social contribution and financial expenses, net + depreciation and amortization.

Net Income

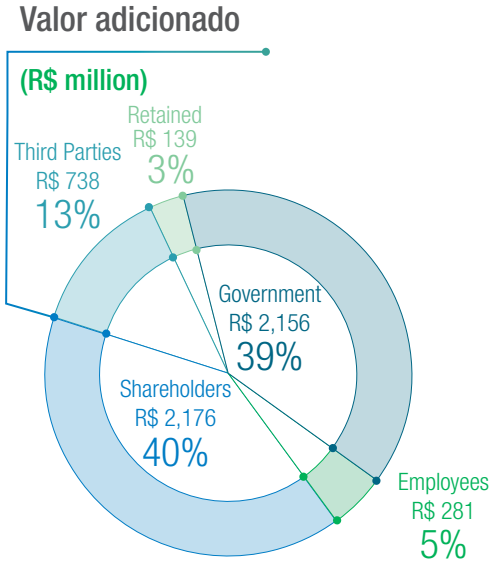
Net income increased R$ 2,004.6 million in 2017 to R$ 2,315.4 million, an increase of R$ 310.8 million or 15.5%, as result from the EBITDA growt, depreciation and amortization, net financial expenses, asset impairment and from income tax and social contribution, besides positive result for equity income.



In 2018, the Company created R $ 5.5 billion of total added value, an **increase of 23.3%.**

Added value *GRI 201-1*

In 2018, the Company generated R$ 5.5 billion in total added value, up 23.3%, and distributed across stakeholders as follows:



Learn more about the factors that influenced the year's results from the Management Report: https://bit.ly/2Q1CiTx.



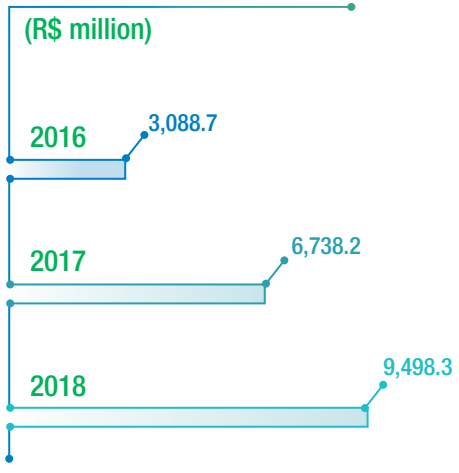
Debt

The Company's total gross consolidated debt as at December 31, 2018, represented mainly by loans, financing and debentures, net of the effects of hedge operations, totaled R$ 9,498.3 million, an increase of 41.0%, related to a combination of the following factors:

- drawdowns from the BNDES and its financial agents and other private institutions in the aggregate amount of R$ 2,397.0 million, directed, substantially, for the construction of the Campo Largo Wind Complex, Pampa Sul TPP, the Assú V Photovoltaic Plant and the Santa Mônica Wind Complex and the modernization of the Salto Santiago Hydroelectric Power Plant;
- the issue of R$ 2,486.2 million in debentures;
- generation of R$ 651.1 million in charges incurred to be paid and monetary restatement; and
- R$ 2,775.9 million in the settlement of loans, financing and debentures.

The average weighted nominal cost of debt at the end of 2018 was 8.6%, 0.5 p.p. higher than 2017, and net debt (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was R$ 6,856.3 million, an increase of 49.6%.

Total debt

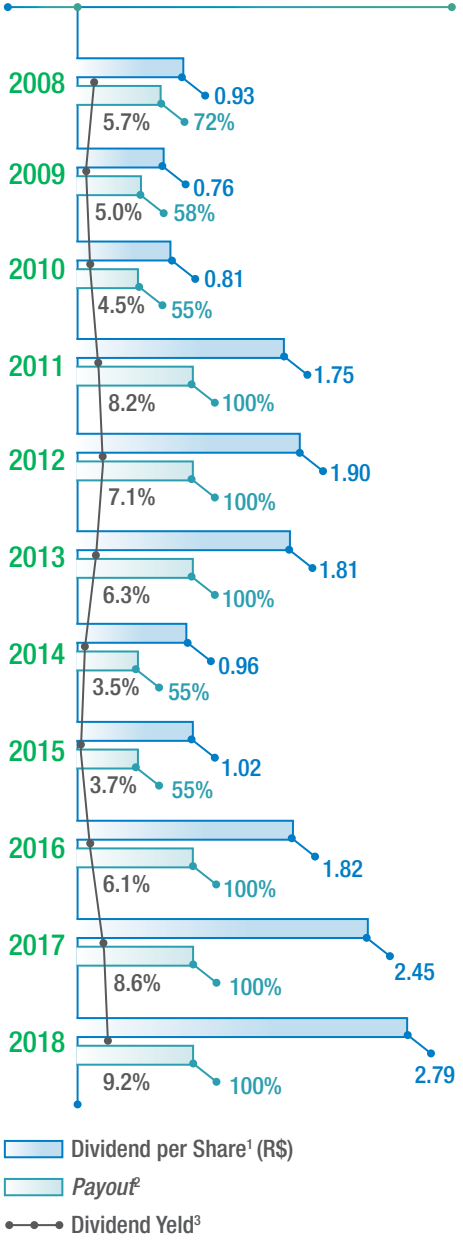


Dividends

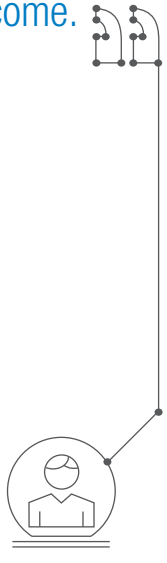
ENGIE Brasil Energia's Board of Directors approved the proposal of complementary dividends for the period from January 1 to December 31, 2018 in the amount of R$ 76.7 million (R$ 0.0940069200 per share), ratified by the Annual General Meeting.

Total payout of profits in 2018 will amount to R$ 2,272.5 million (R$ 2.7851510063 per share) equivalent to 100% of net adjusted distributable income. Value per share already takes into consideration the increase in capital with a share bonus in the last quarter of 2018, in the amount of R$ 652.7 million.

Track record of dividend distribution (payout)



> According to our bylaws, the minimum dividends payout must be no less than 30% of the net adjusted income, but Management goes beyond this, committing to a minimum 55% of net adjusted income.



[1] For the purposes of comparability between fiscal years, an adjustment in dividend per share was made in the light of the share bonus approved on December 07, 2018.
[2] Considers the annual payable net income.
[3] Based on volume-weighted closing price of ON shares in the period.

Capital Markets

For the full year of 2018, EBE's shares appreciated 30.3%, exceeding results for both the IEEX and Ibovespa, which appreciated 24.0% and 15.0%, respectively.

The closing price for EBE's shares on the last trading day of December 2018 was R$ 33.02/share, giving the Company a market capitalization of R$ 26.9 billion. The average daily trading volume was R$ 38.5 million, a growth of 23.9% over 2017.

In December 2018, the 32nd Extraordinary General Meeting of the Company approved a **capital increase** with the issue of 163,185,548 new common, book entry shares with no par value, distributed to its shareholders in the form of a bonus issue in the proportion of 1 new share for every 4 common shares already held. The benefits of the bonus was extended to the ADRs in the same proportion.

EGIE3 vs. Ibovespa vs. IEEX (Base 100 – 12/31/2017)



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





5. Relationships

GRI 103-1; 103-2; 103-3; 102-40

We operate alongside with different publics with which we share values, policies, practices and information. To guarantee ethics and respect in this relationships network, we connect with our stakeholders by means of several channels.

The sub-chapters ahead show an overview of ENGIE's management in pursuit of maximizing business-value creation for our priority stakeholders. Learn more about the projects in places from this report's thematic brochures, available at *https://bit.ly/2TxQkBF.*

To ensure that ethics and respect are maintained in this network of relationships, **we are connected to our stakeholders through a series of channels.**

Employees *GRI 102-7; 403-1; 403-2*

ENGIE Brasil Energia's employees are a key intangible asset for the development of our business, and are increasingly aligned with the corporate strategy's execution with a particular focus on the energy transition. We strive to provide an ethical working environment with favorable conditions for personal and professional development, conducive to quality of life, recognition and satisfaction.

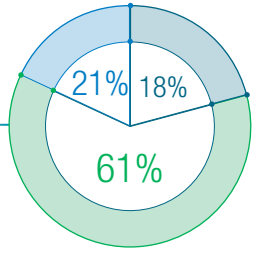
2018 Overview of Employee Relations

1,337 employees

up **27.6%** from 2017*

81.4% male

18.6% female



- Under 30 years old
- Between 30 and 50 years old
- Over 50 years old

0.129 turnover

R$ 281.0 million distributed as compensation and benefits

* In addition to 33 employees of controlled consortia entities (27 at Companhia Energética Estreito and six at Itá Energética.

An average **70 hours'** training per employee, **up more than 40%** from 2017

0 fatal accidents including own and outsourced workers

Only **3 accidents** without leave among own employees

11 Internal Accidents Prevention Commissions (CIPAs) representing 100% of employees



Suppliers *GRI 102-9*

Our suppliers chain includes companies of all sizes, in all industries and from every region in Brazil and worldwide. To foster sustainable practices in our value chain and guarantee alignment with our commitments and principles, compliance with the law, and appropriate quality standards, we review our suppliers upon accreditation for negotiations (certification) and, as concerns more critical ones, as services are provided or goods supplied.

2018 Overview of Supplier Relations

1,337
suppliers

100%
of new suppliers certified according to socio-environmental criteria

147
environmentally critical

18
socially critical suppliers monitored (documentary review of labor, health and safety, and environmental management)

> Companies of different sizes, sectors and regions of the country and the world make up our supply chain.



Communities

GRI 103-1; 103-2; 103-3; 413-1; 413-2

As partners in the sustainable development of the regions where we operate, the communities around our projects are a priority group of stakeholders for ENGIE Brasil Energia. Given this, we maintain open dialogue channels partnerships and various mechanisms in place to support local socio-economic and cultural development.

During the project implementation phase, the surrounding communities take part in the licensing process and have available several communication channels. In addition, we support local public authorities and adopt several initiatives to minimize the negative impact of the increased flow of people in the area and to improve the public infrastructure.

> We maintain openchannels of dialogue, partnerships and various mechanisms to **support local socio-economic and cultural development.**

2018 Overview of Community Relations

103
socio-environmental programs developed in project implementation areas

320 thousand
visitors and **836** participating students at workshops in the Company's **5** culture and sustainability centers

R$ 20.4
million invested in social responsibility in operating projects

106 thousand
attending the visitation and environmental education programs



Main Potential Impacts of Project Implementation

Positive

- Local commerce growth
- Increased tax revenue
- Contribution to land-use planning
- Retainer of local businesses and labor
- Improved workforce qualification and training
- Increase in socio-economic development oriented public-private partnerships
- Jobs and income generation
- Implementation of social projects, improving communities' living circumstances
- Increased scientific research of the local fauna, flora and archeology
- Improved public infrastructure (public transit and equipment)

Negative

- Suppressed vegetation and exposure of the local fauna to accident hazards
- Exposure of the community to dust, particulate and noise emissions
- Generating expectations amid the local population
- Overloading the public infrastructure
- Exposure of the local population to increased traffic



6. Environmentally Responsible Management

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

Respect for the environment is a key value for ENGIE Brasil Energia. To ensure our entire operation's alignment with this value and compliance with environmental laws, we identify the environmental aspects and impacts of our activities on an ongoing basis, based on monitoring and control programs and actions, and carry out a series of volunteer initiatives to conserve natural resources and minimize impacts.

2018 Overview of Environmental Management

Renewal of 4 operating licenses

Valid to 2022

- Cidade Azul Photovoltaic Solar Plant
- Jorge Lacerda Thermoelectric Plant – Unit C

Valid to 2023

- Ferrari Thermoelectric Plant
- Jaguara Hydroelectric Plant

12 NBR ISO 14001-certified projects

9 hydroelectric plants

3 thermoelectric plants responsible for

- 83.6% of installed capacity
- 95.2% of net electric energy generation

67 environmental targets set

- 72.7% attained

Read the sub-chapters next for an overview of our environmental management by topic, and learn more about the projects underway in this report's theme brochures, available at https://bit.ly/2TxQkBF

Biodiversity

GRI 304-1; 304-3

We are aware of our operations' influence on biodiversity, and analyze impacts to make sure that effective management measures are taken to minimize negative impacts and generate positive ones to maintain biodiversity and protect species and ecosystems.

Main Potential Impacts

Impacts

- Plant-life suppression
- Behavioral changes in the local fauna or change in the number of species and individuals

Mitigation steps taken

- Wildlife conservation, rescuing and safekeeping animals
- Ichthyofauna conservation
- Plant-life restoration

2018 Overview of Biodiversity Management

20 Conservation **Units** with **166,133 hectares** overlapping **19 projects**

414 thousand saplings planted and donated in the plants' regions **(up 51% from the previous year)**

17 priority areas overlapping **14 projects**

11 projects with **12 Native lands**

Ensure that effective management measures are adopted to minimize negative impacts and **generate positive impacts for the maintenance of biodiversity and protection of species and ecosystems.**



Learn more about the Ministry of the Environment's parameters for conservation units and priority areas at: www.mma.gov.br/areas-protegidas/unidades-de-conservacao and http://areasprioritarias.mma.gov.br

Water *GRI 303-1; 303-3*

Our commitment to hydro resources conservation pervades all of ENGIE Brasil Energia's activities. We remain attentive to consumption indicators, opportunities for re-use, and the quality of the water emitted.

2018 Overview of Water Management

Participation in **6 Watershed Committees** and **2 State Hydro Resources Boards**

182
wellsprings protected in 2018 and **1,781** since 2010

493,096.7
thousand m³ of water taken **(down 1.5% from 2017)**

27,894.5
thousand m³ of water recycled, re-used and captured as rainfall **(5.6% of all the water used in 2018)**

> We remain attentive to consumption indicators, opportunities for reuse and the quality of discarded water.



Main Potential Impacts

Impacts

Thermoelectric plants

- Change in the quality of the water in the bodies where water is emitted
- Change in the groundwater under the coal yard
- Change in water bodies' flow rate due to water outtake/consumption
- Alteration of the water table dynamics

Hydroelectric plants

- Change in water bodies' flow rate in reservoirs

Mitigation steps taken

Thermoelectric plants

- Continued river and ground water quality monitoring
- Effluents treatment at neutralization stations
- Cooling system to control the temperature of the water returned to rivers

Hydroelectric plants

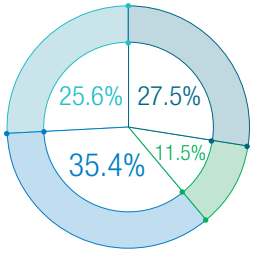
- Wellsprings conservation
- Multiple reservoir use

Waste

Our waste management aims to guarantee environmentally adequate final disposal, as well as the expansion, wherever possible, of the recycling, re-use and materials recovery processes.

2018 Overview of Waste Management

425.1 tons
of hazardous waste generated



- Re-used, recycled or recovered
- Co-processed
- Stored
- Disposal in landfills

1,446.7
thousand tons of **non-hazardous waste** generated

99.9%
re-used, recycled or recovered
(highway paving, energy recovery and degraded areas recovery)

> Our waste management aims to guarantee environmentally adequate final disposal, as well as the expansion, wherever possible, of the recycling, re-use and materials recovery processes.

Main Potential Impacts

Impacts

- Generation of hazardous waste and disposal in landfills
- Disposal of non-hazardous waste in landfills

Mitigation steps taken

- Solid Waste Management program upon project implementation
- Waste reutilization, recycling and recovery initiatives
- Support to surrounding municipalities' waste-management



Energy *GRI 201-2; 302-1*

According to ENGIE's Sustainable Management Policy, the Company is committed to the adoption of measures to reduce fossil fuels consumption.

Main Potential Impacts

Impacts

- Electric energy consumption
- Ground fleet and air transportation fuel consumption
- Fuels consumed for thermal generation

Mitigation steps taken

- Preferred use of flex-fuel fleet vehicles, prioritizing ethanol
- Hiring collective transport services for workers at a majority of plants
- Increased use of tele- and video-conferencing, avoiding meeting-related travel

2018 Overview of Energy Consumption

56,861.9
thousand GJ,
down 3.0% from 2017

21.4%
renewable sources,
with **consumption down 0.8%** from 2017

78.1%
non-renewable sources,
with **consumption down 2.3%** from 2017

0.5%
electricity
0.40 GJ consumed/GJ produced, **down 11.2%** from 2017

> The Company is committed to the adoption of measures to reduce the consumption of fossil fuels, for example, prioritizing the use of ethanol in the corporate fleet.



Emissions

GRI 201-2; 305-1; 305-2; 305-3; 305-4

We have a purpose and commitment to improving our mitigation and adaptation actions and strategies. To this end, as part of the actions under the ENGIE Sustainable Management Policy, we periodically take a Greenhouse Gases (GHG) Emissions Inventory that accounts for and quantifies emissions based on concepts and guidelines according to the Brazilian GHG Protocol Program. The inventory is verified by an independent outside party.

2018 Overview of Emissions

4,341,640.86
tCO_2e less direct emissions (scope 1), **down 1.4%** from 2017

15,118.09
tCO_2e other emissions, **down 5.5%** from 2017

12,089.20
tCO_2e less indirect emissions (scope 2), **down 37.7%** from 2017

145
$kgCO_2/MWh$, **down 8.2%** from 2017

> We have the objective and commitment to improve our actions and strategies for mitigation of and adaptation to climate change.



Main Potential Impacts

Impactos

- Direct and indirect emissions of CO_2, CH_4, N_2O, HFC_S, PFC_S, SF_6 and NF_3 gases
- Light and heavy ash generated from coal-burning thermal plants

Mitigation steps taken

- Clean energy sources are prevalent in the Company's portfolio (89%)
- Light ashes are allocated to the cement industry and heavy ashes to asphalt paving
- Renewable energy projects registered with the United Nations Organization (UN) Clean Development Mechanism (CDM). ENGIE Brasil Energia has filed 9 Renewable Energy projects with the CDM. Together, they are expected to generate close to 2.4 million carbon credits per year based on the generation of 957.3 MW of clean energy with the completion of the Umburanas Wind Complex in the early months of 2019.



7. Learn More

About the report

GRI 102-45; 102-50; 102-54; 103-1

The purpose of this Report is to provide transparent information to our stakeholders on the economic, social and environmental management and performance, from January 1 to December 31, 2018, of ENGIE Brasil Energia and all of its subsidiaries consolidated in financial statements, with the exception of ENGIE Geração Solar Distribuída, which is only included in the economic and financial indicators, as the entirety of its shares was acquired over the year.

It has been more than a decade since we adopted the Global Reporting Initiative (GRI) guidelines, from the last annual report in accordance with the GRI Standards: Core option, and supplementation by indicators from the GRI G4 Electric Utilities Sector Supplement. In addition to the GRI Guidelines, the Company adopts the recommendations of the *International Integrated Reporting Council* (IIRC) and strives to relate, wherever possible, the aspects provided in the Integrated Reporting framework – including value generation on the short, medium and long term.

To contribute to the global attainment of the Sustainable Development Goals (SDG) proposed by the UN, this report also includes the GSD and the goals to which our management has the potential to contribute.

Outreach and relevance

GRI 102-42; 102-43; 102-44; 102-46; 102-47

Definition of the contents of the Report was again based on the consultation and outreach process conducted in 2017, with updates based on the ENGIE Group's "Imagine 2030" survey (learn more in the next page). The review led to reorganization of the communication framework for material topics and the exclusion of twof indicators (EU7 and EU10).

Learn about the consultation process held in 2017 in page 112 of the previous report, available at https://bit.ly/2YtfJug.

In 2019 there will be a new consultation with stakeholders in on-site and online panels, not just to review and validate material topics, but also to enhance our relationship with and outreach to stakeholder publics, in pursuit of an improved understanding of their needs and expectations, and a review of corporate commitments and practices to increase shared-value generation in a collaborative manner.

IMAGINE 2030 – Outreach with an eye on the future

> To better adapt to a rapidly changing context and **build solutions leading to harmonious progress around the world**, we will be planning today the main changes that will shape the world through to 2030.



With this challenge, the ENGIE Group launched an extensive and comprehensive consultation process with more than **15 thousand participants** in **70 countries**, including employees and outside stakeholders, and resulting in the identification of four main trends:

- Global outlook: basic issues, like access to food, water, energy and security, will continue to be people's principal needs worldwide. These issues related with agendas like climate change, population growth, immigration, and pressure on natural resources.
- New needs and aspirations: society's aspiration to reinvent our existing economic and social model will be greater than ever. The energy sector has a bearing on this theme as concerns renewable energies, inclusion, access to energy, and custom solutions.
- New solutions: in response to the individual and collective needs above, new solutions will emerge, such as decentralized production, augmented or virtual reality, energy efficiency, and the Internet of Things.
- New lifestyles: new lifestyles will emerge from the combination of new solutions in response to social aspirations, such as collaborative work, new means of payment, and connected homes.

Based on these trends, the Group has defined challenges and business guidelines that will enable us to draft strategies and action plans for harmonious progress.

Reorganization of material themes in 2018

RESPECT AND RESPONSIBILITY TO CREATE VALUE

In our relationships	Why is this material?	Impacts	GRI aspects and disclosures	Priority SDG and target supported by Engie's management
Ethics and integrity Engagement in the ethics culture Prevention and risk monitoring	The domestic context is one of intense discussion and evolution of anti-corruption mechanisms, and ethical risks carry high damage potential. Engie sees itself as an important promoter of ethical principles and practices.	Within the entire Organization	- Ethics and integrity 102-16 and 102-17 - Corruption 205-1	
Development, equality and safety Health and Safety Training and development Diversity	Care for and development of direct and indirect employees pervades the Company's organizational culture and we believe that diversity makes us more adaptive to the current business environment.	Within the entire Organization and beyond, through the value chain	- Health and Safety 403-1 and 403-2 - Training 404-1 and 404-3 - Diversity 405-1 and 406-1	
Local communities and stakeholders outreach Dialogue with stakeholders Social development	The relationship forged with stakeholders, in particular those in communities surrounding the projects, is key to the Company's actions, mitigating risks and generating opportunities in a context of value creation and social development	Within the organization, particularly Plants, and beyond, particularly in the areas surrounding the Plants	- Dialogue with stakeholders 102-40; 102-41; 102-42; 102-43 and 102-44 - Community 413-1; 413-2 and 201-1	
Managing impacts on the production chain Respecting human rights Environmental impacts minimization	We believe that we have a relevant role to play as promoters of inclusive and sustainable economic growth, fostering decent work for all and the reduction of the ecological footprint on the environment.	Within the Organization and beyond, particularly throughout the direct or indirect value chain	- Human Rights 412-3; 308-1 and 308-2 - Environmental impacts on the value chain 414-1 and 414-2	

In the use we make of natural resources	Why is this material?	Impacts	GRI aspects and disclosures	Priority SDG and target supported by Engie's management
Environmental management Water management Effluents management Waste management Biodiversity	The preservation of hydro and biodiversity resources is key to risk management and business value generation because we manage large reservoir areas. Effluents and waste, by their turn, can pose a business risk and therefore require appropriate disposal and destination.	Beyond the Organization, particularly in the areas surrounding Plants	- Water 303-1; 303-2 and 303-3 - Effluents 306-1 - Biodiversity 304-1 and 304-3 - Effluents and waste 306-2;	
In our business strategy				
Energy transition to a low-carbon economy Efficient energy generation Mitigation of and adaptation to climate change Emissions management	The topic is highly relevant because of the global climate change agreements, particularly as concerns GHG emissions, and our sector has a key role to play as an alternative to fossil fuels. In addition, society has been assigning increasing value to brands that are truly associated with this shift.	Within the entire company and beyond, reaching all stakeholders	- Energy consumption and efficiency 302-1; 302-3 and EU11 - Economic performance 201-2; EU1 and EU30	
Innovation and digitalization New energy sources Energy efficiency technology	In the climate-change scenario, it is key to search for new energy sources – to provide for increasing demand while minimizing environmental impacts, and from renewable sources – and to develop services that can support energy efficiency achievements.	Within the entire company and beyond, reaching all stakeholders	- Climate change and GHG emissions 305-1; 305-2; 305-3; 305-4 and EU8	

Priority SDG supported

To increase our potential for positive impact in line with a global context, we have defined the United Nations Organization (UN) Sustainable Development Goals (SDG) with which we have the most potential to contribute based on our management of material themes for business sustainability.



Ethics and Integrity

Peace, justice and strong institutions

	How ENGIE's management supports attainment of the target	Where can I find details in this Report?
16.5 Substantially reduce **corruption and bribery** in all their forms.	In addition to a robust corporate governance framework, with reports to the Board, regular training and skills-building, and corporate policies, 100% of operations deemed as posing greater corruption-related risk have undergone independent third-party ethics due diligence. The Code of Ethics forbids financing political activities worldwide.	Page 15 and page 17.
16.6 Develop **effective, accountable and transparent institutions** at all levels.		

Energy transition to a low-carbon economy + Innovation and digitalization

Affordable and clean energy

7.2 By 2030, increase substantially the share of **renewable energy in the global energy mix.**	The ENGIE Group proposes to be a leader in the global energy transition, a movement for cleaner, more efficient, client-oriented generation and consumption. This commitment is linked with global targets for reduced emissions and increased share of renewable sources. 89% of ENGIE Brasil Energia's generation comes from renewable sources, a 5 p.p. increase over the past four years, and its CO_2 emissions by MW generated (under the operational control approach) decreased by 15.5% over the same period.	Page 20 and page 80.
7.3 By 2030, double the global **rate of improvement in energy efficiency.**		

	How ENGIE's management supports attainment of the target	Where can I find details in this Report?
8 Decent work and economic growth **8.2** Achieve higher levels of economic **productivity** through **diversification, technological upgrading and innovation,** including through a focus on high-value added and labor-intensive sectors.	Delivery of economic performance, together with a sound financial structure, are key ingredients for the company to be well positioned in the market in terms of windows of opportunity, being able to grow not just in renewable energy, but also in transmission lines and distributed generation, which are essential to the Brazilian grid's modernization and improved efficiency. Growth of the free energy market is another essential component of this movement, as it directly fosters the growth of renewable sources – 37% of the free market's consumption comes from renewable, non-conventional sources (biomass, wind, solar, SHPs). The construction of the second phase of Campo Largo Wind Complex (330 MW), for example, will be entirely allocated to this market.	Page 27.
9 Industry, innovation and infrastructure **9.4** By 2030, **upgrade** infrastructure and retrofit industries to make them sustainable, with **increased resource-use efficiency** and greater adoption of **clean** and environmentally sound **technologies and industrial processes**, with all countries taking action in accordance with their respective capabilities.	We allocated R$ 44.8 million to the R&D program in 2018 and, globally, ENGIE invested 1.5 billion Euros in digital technology between 2016 and 2018, as well as 165 million Euros in startup investment funds.	Page 29.
11 Sustainable cities and communities **11.3** By 2030, enhance **inclusive and sustainable urbanization** and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	We are under global goals in terms of supporting our clients in the energy transition – with B2C client satisfaction over 85% by 2020 – and of stakeholder outreach – with 100% of industrial activities covered by appropriate dialogue and consultation mechanisms by 2020. Among other benefits, these commitments create new business opportunities and support promoting sustainable development.	Page 27.
11.a Support positive economic, social and environmental **links** between **urban, peri-urban and rural areas** by strengthening national and regional development planning.		
12 Responsible consumption and production **12.8** By 2030, ensure that people everywhere have the relevant **information** and **awareness** for **sustainable development and lifestyles in harmony with nature.**	One of our sustainability programs' axes is sustainability education. The main action in connection with this goal is the visitations and environmental education program, held in the Plants and neighboring communities, including schools. In 2018, these efforts served 106 thousand people.	Pages 36 and 37 of complementary brochure.
13 Action against global climate change **13.3** Improve education, awareness-raising and **human and institutional capacity** on climate change **mitigation, adaptation, impact reduction and early warning.**		

Development, equality and safety

Gender equality

5.5 Ensure women's **full and effective participation** and **equal opportunities** for leadership at all levels of decision making in political, economic and public life.

Reducing inequalities

10.2 By 2030, **empower and promote** the social, economic and political **inclusion of all,** irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

How ENGIE's management supports attainment of the target

The ENGIE Group has set a global target of at least 25% women in its workforce by 2020. We have underway the Diversity Project, led by a cross-disciplinary team and with Eduardo Sattamini (the Company's CEO) as sponsor. The project aims to develop a culture of inclusion on several themes: gender, ethnicity, age bracket, special needs, sexual orientation, and manner of thinking, among others.

Where can I find details in this Report?

Page 22 of complementary brochure.

Decent work and economic growth

8.3 Promote **development**-oriented policies that support productive activities, decent job creation, entrepreneurship, **creativity and innovation,** and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Forming and maintaining such local ties is a significant development boost in the regions where we operate, particularly because we are usually embedded in the interior, away from major urban centers.

In addition, as concerns employee development, we invested R$ 4.5 million in training in 2018, providing 83 thousand hours of training.

Page 23 of complementary brochure.

Local communities and stakeholders outreach

Sustainable cities and communities

11.3 By 2030, **enhance inclusive and sustainable urbanization** and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

11.a Support **positive economic, social and environmental links between urban, peri-urban and rural areas** by strengthening national and regional development planning.

Centralized generation projects lie distant from major population centers. As a result, impacts on the regional infrastructure and development are more keenly felt. A recent example can be seen in the Umburanas and Sento Sé (BA) region, where several partnerships/ agreements have been formed with the public authorities for local development. These include a city master plan for Umburanas and a solid waste management plan for Umburanas and Sento Sé, renovations and donations of equipment to police stations, schools, public squares and the municipal stadium. In direct connection with communities, 6 communal vegetable gardens have been established to generate jobs and income, in addition to 3 community centers.

Page 32 of complementary brochure.

Partnerships and Means of Implementation

	How ENGIE's management supports attainment of the target	Where can I find details in this Report?
17.9 Enhance international support for implementing effective and targeted **capacity-building** in developing countries to support national plans to **implement all the sustainable development goals,** including through North-South, South-South and triangular cooperation.	The Company has in place the"Capacitar" program, which focuses on the development of community leaders and agents. Since the initiative began, close to 3,200 people have attended its training programs. In 2018 alone, R$ 20.4 million in incentivized and non-incentivized funds were invested and allocated to partners that operate in the promotion of sustainable development by our side.	Page 34 of complementary brochure.
17.17 Encourage and promote effective public, public-private and civil society **partnerships,** building on the experience and **resourcing strategies** of partnerships.	Culture Centers are the main example of the partnerships that the Company forms. Located close to the Company's projects, they bring education, socialization and culture to the regions, which are usually isolated from major urban centers. The Centers are run by local associations, that is, without Company intervention. In 2018 alone, approximately 800 students attended music and drama workshops and other culture-related activities.	Page 36 of complementary brochure.

Environmental Management

Zero hunger and sustainable agriculture

Health and well-being

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, **that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather,** drought, flooding and other disasters and that progressively improve land and soil quality.	To protect water sources and guarantee water supply and quality to the local communities' current and future generations, we have in place the Wellpsrings Protection Program, which has protected 1,781 wellsprings since its 2010 inception. In addition, we meticulously track the ichthyofauna in our reservoirs to conserve endemic species and control/eliminate invasive ones.	Page 9 of complementary brochure.
3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, **water-borne diseases** and other communicable diseases.		

Clean water and sanitation	**How ENGIE's management supports attainment of the target**	**Where can I find details in this Report?**
6.4 By 2030, substantially increase **water-use efficiency** across all sectors and ensure **sustainable withdrawals** and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	The volume of water withdrawn in the Company's processes has dropped dramatically over the years. This has been the fruit of improved processes and thermal units demobilization. From 2016 to 2018, the volume dropped by 30% (from 704.4 million m3 to 493.1 million in 2018).	Page 8 of complementary brochure.
Life on land		
15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the **loss of biodiversity** and, by 2020, **protect and prevent the extinction of threatened species.**	We have since 2017 been implementing the Biodiversity Matrix project to identify the fauna and flora present in the areas close to operating units and in the Conservation Units (CUs) near the projects. The project covers the six Brazilian biomes and contributes to setting environmental management and handling guidelines, and reinforcing species and ecosystems protection mechanisms.	Page 5 and 6 of complementary brochure.
15.a Mobilize and significantly increase **financial resources** from all sources to **conserve and sustainably use biodiversity and ecosystems.**	The Company has become involved in the creation and maintenance of two full-protection conservation units - the Fritz Plaumann State Park and the Teixeira Soares Municipal Natural Park-Uruguay River Forest. Another relevant action front in this context lies in the monitoring, prevention and mitigation of impacts on the environments where projects are implemented, with the collection of quantitative and qualitative research data. Also, in 2018 alone, the Company donated or planted 414 thousand saplings of native tree species of the regions where they are grown.	Page 4 of complementary brochure.

Managing production-chain impacts

Decent work and economic growth		
8.6 By 2020, substantially **reduce the proportion of youth not in employment, education or training.**	To foster the retainer of local workers, particularly for projects undergoing implementation, we partner with learning institutions to hold professional initiation and skills-building training courses. In 2018, more than 7 thousand CVs were filed in the Umburanas region alone. In addition, we maintain other forms of skills-building, with direct benefits to the community. Some examples are those for health workers, youths and adults literacy, communal vegetable gardens, etc.	Page 34 of complementary brochure.
8.8 Protect **labor rights** and promote **safe and secure working environments** for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	We are under occupational health and safety improvement targets for both own employees and those of contractors. The purpose is to reach zero accidents internally and along our value chain.	Page 26 of complementary brochure.

Summary of GRI Content

GRI 102-55

This report has been prepared according to the GRI Standards: essential option. The material provides references to all GRI standard protocols published in 2016.

General Disclosures

General themes		Reference (p.)/Direct response	Omission
Organizacional Profile			
102-1	Name of the organization	Page 10.	
102-2	Activities, brands, products, and services	Page 10.	
102-3	Location of headquarters	Page 10.	
102-4	Location of operations	Page 10.	
102-5	Ownership and legal form	Page 13.	
102-6	Markets served	Pages 10 and 27.	
102-7	Scale of the organization	Page 8, 10 and 43.	
102-8	Information on employees and other workers	Page 21 of the Complementary brochure. The data collected refers to ENGIE Brasil Energia's staff and does not include holdings in controlled companies.	
102-9	Description of the organization's supply chain	Page 44. Page 28 of the Complementary brochure.	
102-10	Significant changes to the organization and its supply chain	Page 28 of the Complementary brochure.	
102-11	Precautionary Principle or approach	Page 31.	
102-12	External initiatives	Page 38 of the Complementary brochure.	
102-13	Membership of associations	Page 38 of the Complementary brochure.	
Strategy			
102-14	Statement from senior decision-maker	Page 3.	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	Pages 10, 17 and 54.	
102-17	Mechanisms for advice and concerns about ethics	Pages 17 and 54.	

Governance			
102-18	Governance structure	Page 18.	
102-22	Composition of the highest governance body and its committees	Page 18.	
102-23	Chair of the highest governance body	Page 18.	
Stakeholder Engagement			
102-40	List of stakeholder groups	Pages 42 and 54.	
102-41	Collective bargaining agreements	Page 54. Page 21 of the Complementary brochure.	
102-42	Identifying and selecting stakeholders	Pages 52 and 54.	
102-43	Approach to stakeholder engagement	Pages 52 and 54.	
102-44	Key topics and concerns raised	Pages 52 and 54.	
Reporting Practices			
102-45	Entities included in the consolidated financial statements	Page 52.	
102-46	Defining report content and topic Boundaries	Page 52.	
102-47	List of material topics	Page 52.	
102-48	Restatements of information	None.	
102-49	Changes in reporting	None.	
102-50	Reporting period	Page 52.	
102-51	Date of most recent report	2017	
102-52	Reporting cycle	Annually.	
102-53	Contact point for questions regarding the report	ri.brenergia@engie.com	
102-54	Claims of reporting in accordance with the GRI Standards	Page 52.	
102-55	GRI content index	Page 61.	
102-56	External assurance	Page 66.	

Management Approach			
103-1	Explanation of the material topic and its Boundary	Pages 17, 19, 22, 42, 45, 46 and 52. Pages 4, 8, 10, 12, 20, 21, 28 and 32 of the Complementary brochure. Any limitations in relation to the limit of the material topic are presented in the course of the content, in order to clarify eventual exceptions.	
103-2	The management approach and its components	Pages 17, 18, 19 22, 42, 45, 46 and 68. Pages 4, 8, 10, 12, 20, 21, 28 and 32 of the Complementary brochure	
103-3	Evaluation of the management approach	Pages 17, 19, 22, 42, 45 and 46. Pages 4, 8, 10, 12, 20, 21, 28 and 32 of the Complementary brochure. Throughout the content, we present how a material theme is managed, we also show the initiatives for its continuous improvement and revision, in order to always evaluate the effectiveness of our management and improve it.	

Specific Contents

Economic disclosures

Economic Performance			
201-1	Direct economic value generated and distributed	Pages 8, 31, 39 and 54.	
201-2	Financial implications and other risks and opportunities due to climate change	Pages 12, 19, 50, 51 and 55.	
Anti-Corruption			
205-1	Operations assessed for risks related to corruption	Pages 17 and 54.	

Environmental Disclosures

Energy			
302-1	Energy consumption within the organization	Pages 10, 50 and 55.	
Water			
303-1	Water withdrawal by source	Pages 8, 48 and 55. GRI Standard used as a basis for reporting.	
303-2	Water sources significantly affected by withdrawal of water	Page 55. Page 8 of the Complementary Notebook. The watershed of the Caveiras River has about 2,400 km2 and the Tubarão River 4,728 km2 and are important for the supply of the surrounding municipalities. None of them is located in Conservation Unit. GRI Standard used as the basis for reporting.	Biodiversity value
303-3	Water recycled and reused	Pages 48 and 55. Page 8 of the Complementary Notebook. GRI Standard used as the basis for reporting.	

Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Pages 47 and 55. Page 4 of the Complementary brochure.	
304-3	Habitats protected or restored	Pages 47 and 55. Page 4 of the Complementary brochure.	
Emissions			
305-1	Direct (Scope 1) GHG emissions	Pages 48 and 55. Page 8 of the Complementary brochure. The measurement is based on the year of 2010, when the first GHG inventory was developed. The conversion factors used are those of the GHG Protocol tool.	Biogenic emissions
305-2	Energy indirect (Scope 2) GHG emissions	Pages 51 and 55. Page 12 of the Complementary brochure. The measurement is based on the year of 2010, when the first GHG inventory was developed. The conversion factors used are those of the GHG Protocol tool.	
305-3	Other indirect (Scope 3) GHG emissions	Pages 51 and 55. Page 12 of the Complementary brochure. The measurement is based on the year of 2010, when the first GHG inventory was developed. The conversion factors used are those of the GHG Protocol tool.	Biogenic emissions
305-4	GHG emissions intensity	Pages 51 and 55. Page 12 of the Complementary brochure.	
Effluents and waste			
306-1	Water discharge by quality and destination	Page 55. Page 8 of the Complementary brochure.	
Environmental compliance			
Supplier environmental assessment			
308-1	New suppliers that were screened using environmental criteria	Pages 28 and 54.	
308-2	Negative environmental impacts in the supply chain and actions taken	Page 54. Page 28 of the Complementary brochure.	
Social disclosures			
Ocupational Health and Safety			
403-1	Occupational health and safety management system	Pages 43 and 54. Page 26 of the Complementary brochure.	
403-2	Hazard identification, risk assessment, and incident investigation	Pages 43 and 54. Page 26 of the Complementary brochure.	
Training and education			
404-1	Average hours of training per year per employee	Page 54. Page 23 of the Complementary brochure.	
404-3	Percentage of employees receiving regular performance and career development reviews	Page 54. Page 23 of the Complementary brochure.	

Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Page 54. Pages 21 and 22 of the Complementary brochure.	
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Page 54. Page 20 of the Complementary brochure.	
Human rights assesssment			
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Page 54. Page 20 of the Complementary Notebook. All contracts with suppliers (significant or not) have human rights clauses. All significant investments by the Company (ventures) promote human rights assessments.	
Local communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Pages 45 and 54. Page 32 of the Complementary brochure.	
413-2	Operations with significant actual and potential negative impacts on local communities	Pages 45 and 54. Page 32 of the Complementary brochure.	
Supplier social assessment			
414-1	New suppliers that were screened using social criteria	Page 54. Page 28 of the Complementary brochure.	
414-2	Negative social impacts in the supply chain and actions taken	Page 54. Page 28 of the Complementary brochure.	
Sector Disclosures			
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	Pages 10 and 55.	
EU2	Net energy output broken down by primary energy source and by regulatory regime	Page 36.	
EU3	Number of residential, industrial, institutional and commercial customer accounts	Page 28.	
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Pages 29 and 55.	
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime	Page 55.	
EU30	Average plant availability factor by energy source and by regulatory regime	Pages 36 and 55.	

Limited assurance report issued by independent auditors

GRI 102-56

To the Board of Directors, Shareholders and Stakeholders
Engie Brasil Energia S.A.
Florianópolis - SC

Introduction

We have been engaged by Engie Brasil Energia S.A. ("Engie" or "Company") to apply limited assurance procedures on the sustainability information disclosed in 2018's Sustainability Report, related to the year ended December 31st, 2018.

Responsibilities of ENGIE'S Management

The Management of Engie is responsible for adequately preparing and presenting the sustainability information in the Sustainability Report 2018 in accordance with the Standards for Sustainability Report of Global Reporting Initiative – GRI (GRI-Standards), 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 2018 based on a limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the methodology developed globally by KPMG for assurance of social and environmental information disclosed in sustainability reports - KPMG Sustainability Assurance Manual - KSAM, applicable to historical non-financial 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 2018, taken as a whole, is free from material misstatement. A limited assurance engagement conducted in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards) and the KPMG Sustainability Assurance Manual - KSAM 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 2018 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 2018 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 2018, 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 2018. 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 2018 and its structure and content, based on the Principles of Content and Quality of the Standards for Sustainability Report of 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 2018;
- analysis of evidence supporting the disclosed information;
- visit 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 2018.

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 2018 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 12th, 2019

KPMG Assessores Ltda.
CRC 2SP034262/O-4 F-SP

Eduardo V. Cipullo
Contador CRC 1SP135597/O-6

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas

Corporate information *GRI 103-2*

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CEP 88025-255 – Florianópolis (SC)
Phone No.: (48) 3221-7000

Shareholders or Market Analysts:

Investor Relations
ri.brenergia@engie.com
Phone No.: (48) 3221-7225

Legal publications
Diário Oficial de Santa Catarina
Diário Catarinense

Shareholder services/Custody bank
Banco Itaú S.A.
Unified Service Department
Phone No.: (11) 3003-9285 / 0800-7209-285

Depositary bank
(American Depositary Receipts)
The Bank of New York Mellon

Environmental, health and safety, and social responsibility matters:

Sustainability Committee
Coordinator: Júlio César Lunardi
Administrative Director
comitesustentabilidade.brenergia@engie.com

Ethics, corruption, harassment, discrimination or human rights violation matters:

Ethics Committee
comitedeetica.brenergia@engie.com

Suppliers: https://www.engie.com.br/fornecedores/

Clients: negocios.energia@engie.com
https://minhaenergialivre.com.br/

Links along the contents will take readers to documents detailing the herein provided information, chief among which:

- **FINANCIAL STATEMENTS** – Operating and financial results;
- **REFERENCE FORM** – Strategy, governance and risk management;
- **ENGIE SUSTAINABLE MANAGEMENT POLICY** – Strategic sustainability-related guidelines;
- **CODE OF ETHICS** – Commitments, values and conduct guidelines for relations with all publics; and
- **EMISSIONS INVENTORY** – full and third-party verified disclosure of greenhouse gas emissions

Credits

General coordination
ENGIE Brasil Energia
Investor relations

GRI Consultancy, text and editing
RICCA Sustentabilidade

Graphic design and layout
Laura Camilo

Translation
Tristar Traduções Ltda.