Eletrobras
Eletrosul

Sustainability Report 2018

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INTRODUCTION

About this Report

GRI 102-54

For the last ten years, Eletrosul's Sustainability Report has emphasized the company's commitment to maintaining a transparent and solid relationship with its stakeholders.

This document has been prepared based on the best global management practices, including corporate governance on sustainability disclosure:

- Guidelines of the Global Reporting Initiative (GRI), the world's most trusted and widely used standards on corporate sustainability reporting. This is the first time we have adopted the GRI Standards, the most recent version of the guideline, in its essential adhesion option;
- Principles of the Global Compact of the United Nations (UN);
- Sustainable Development Goals (SDG); and
- Framework of Integrated Reporting (IR).

USEFUL READING TOOLS

Two additional navigation options are found at the end of this report, guided by:

GRI INDEX

It explains each GRI indicator (disclosure) and displays the page where it is reported.

When you access a page that includes an indicator, you will find the symbol GRI XX-X.

Visit https://bit.ly/1UL5UAS to learn more about the GRI guidelines.

Mapping Capitals (integrated reporting)

It displays where the capitals that sustain the business model are discussed. When you access a page where a particular capital is presented, you will find the following symbols:


Financial


Human


Intellectual


Manufacturing


Natural


Social and Relationship

Visit https://bit.ly/2ATdaZ1 to learn more about the Integrated Reporting guidelines.

Content

GRI 102-40 / 102-42 / 102-43 / 102-44 / 102-46 / 102-47 / 102-49 / 102-50

This document includes detailed information on our corporate strategy and management implemented between January 1st and December 31st, 2018; in addition to facts regarding the company's performance over the same period of time, focusing on economic, social, and environmental aspects of considerable relevance to our sustainability.

The information presented covers all the activities carried out by Eletrosul itself, including its operations as an independent electric utility engaged in electric power transmission and the production/distribution of electricity. Our holdings in Special Purpose Entities (SPE's) are not addressed throughout this document, except for a few passages.

In order to identify which themes are considered a priority for our sustainability in the short, medium, and long term — known as material themes — our Holding, Eletrobras, seeks for shareholder feedback and conducts an ongoing review of its strategic business planning.

Learn more about the analysis of the materials conducted by Eletrobras Holding by checking out its 2018 Annual Report – available at *https://bit.ly/2YavINY*

Based on the material themes defined by our Holding, we conducted a specific analysis of Eletrosul, which examined their relevance to the company based on an internal and an external perspective. Internally, we considered our strategic documents and Eletrosul's Business and Management Plan. We also interviewed a group of sustainability specialists.

Externally, we have gathered the opinions of our main stakeholders[1]:

- Clients;
- Employees and overall workforce;
- Communities;
- Suppliers, partners, and sponsors;
- Government, congressman, and regulatory bodies;
- Society;
- Press and opinion formers; and
- Sustainability specialists representing the Eletrobras Group.

[1] Throughout this Report, we also refer to our stakeholders as concerned parties.

The intersection of these two perspectives enabled us to gather 16 Material Themes for our business. The audiences impacted by each of these themes and how they relate to the indicators that will be addressed throughout this publication are listed below:

	Internally*	Externally (stakeholders)	Disclosure GRI related
1. Retention and development of collaborators	●	9	GRI 102-8, 401-1, 401-2, 401-3, 402-1, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1; EU14
2. 2. Relationship with communities	●	1 3 5 6 7 8	GRI 411-1, 412-2, 413-1, 413-2, EU-20, EU-21, EU22
3. Water (availability and quality)	●	1 2 4 5 6 8	GRI 303-1, 303-2, 303-3, 303-4, 303-5; EU21
4. Climate Change and Renewable Sources	●	1 4 5 6 7 8	GRI 201-2, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7; EU1, EU2, EU6, EU10
5. Biodiversity	●	4 5 6 7 8	GRI 304-1, 304-2, 304-3; EU21
6. Relationship with suppliers	●	1 2 4 5 6 7	GRI 102-9, 102-10, 204-1, 407-1, 408-1, 409-1, 410-1, 412-3, 414-1
7. Ethical culture	●	1 2 4 5 6 7 8	GRI 102-16, 102-17, 406-1, 205-1, 205-2, 205-3, 415-1, EU21
8. Health and safety	●	9	GRI 403-1, 403-2, 403-3, EU16
9. R&D, and innovation	●	1 8	EU-8
10. Governance and risk	●	9	GRI 102-15, 102-18 a 102-39
11. Clients	●	1 3 4 5 6 7 8	GRI 102-43
12. Legal compliance	●	1 2 4 5 6 7 8	GRI 417-3, 419-1
13. Energy efficiency	●	9	GRI 302-1, 302-3
14. Energy Supply	●	1 3 4 5 6 7 8	EU1, EU2, EU4, EU11, EU12, EU30
15. Environmental Policy	●	1 2 4 5 6	GRI 307-1
16. Financial Results	●	1 2 5 6 7 8	GRI 102-7, 201-1

Legend

- ● All operations
- 1 Clients
- 2 Employees
- 3 Communities
- 4 Suppliers
- 5 Government
- 6 Society
- 7 Press
- 8 Sustainability specialists representing the Eletrobras Group
- 9 All of them

**Information on the Special Purpose Entities (SPE's) in which Eletrosul participates is addressed only when noted.*

Trust

GRI 102-32

This report aims to provide our stakeholders with reliable information, which has been carefully gathered and validated by a team of Eletrosul technicians. The final document has been formally reviewed and approved by Eletrosul's Executive Board and Administrative Council, the company's highest governance body, which certifies its integrity and transparency.

Know More

GRI 102-53

Detailed information about the company's operational and economic performance can be found in our website, as well as in the Management Report and Financial Statements available at: *http://bit.ly/2E-7TDW9*.

Please contact us for any questions, suggestions, comments, or clarification about the information included in this Report:

Email: sustentabilidade@eletrosul.gov.br

Phone: +55 48 3231-7690

Highlights

- Transfer of Eletrosul's participation in Uirapuru and ETAU SPE's to Eletrobras, resulting in the reduction of the debt with the Holding.
- Acquisition of 100% of the shares of Transmissora Sul Brasileira de Energia S.A. (TSBE) through an exchange with Companhia Paranaense de Energia (Copel). In contrast, Eletrosul's shares in Costa Oeste and Marumbi SPE's were transferred to Copel.
- Implementation of the Shared Services Center (SSC) – Southern Unit, which promotes an integrated management among all Eletrobras companies.
- Statement of expiration of Lot A, granted to Eletrosul for the construction and operation of transmission projects across Rio Grande do Sul, which resulted in its extinction.
- Reduction of 50.1% of the company's net financial expense (debt service).
- Excellence in operations, with 99.94% availability of transmission lines, 96.13% of hydroelectric generation, 98.44% of wind energy, and 99.27% of solar energy.
- 94.37% scored in the Global Customer Satisfaction Index.
- Signing of the service order for the implementation of the Laguna Thermosolar Plant in Santa Catarina, which aims to develop the Concentrated Solar Power (CSP) technology.
- Implementation of the Consensual Dismissal Plan, which resulted in the dismissal of 112 employees.
- Mandatory completion of integrity risk assessment forms by critical suppliers.
- Recognized as one of the winners of the 3rd IG-Sest Governance Indicator Certification, an instrument that continuously monitors the governance of federal state-owned companies.
- Consumption of water in administrative activities reduced to 13.4, as compared to the previous year.
- Migration of the energy consumption of Santa Catarina's regional to the Free Contracting Environment (ACL), which demonstrates that the energy consumption in this region derived from renewable sources reached the 100% mark.
- 18.0% reduction in greenhouse gas emissions (GHG) as compared to 2017.
- R$ 5.1 million invested in social programs, promoting the development of communities where Eletrosul operates.

Message from the Manegement

GRI 102-14

In 2018, Eletrosul celebrated half a century of existence. It was a celebrative year that also enabled us to take a closer look into the history of the company and what it represents for the Brazilian Electric Sector.

But it was also a year during which we faced important issues that could deeply affect our future and determine how we would position ourselves amidst increasingly intense competition. In this context, we have transferred assets to Eletrobras in order to reduce indebtedness with our Holding, in addition to implementing a consensual dismissal plan and the South Unit of the Shared Services Center (SSC), aiming at the modernization and rationalization of business management. Thus, we prepare ourselves to face the next challenges, which include the tax revision to be defined by the Brazilian Electricity Regulatory Agency (Aneel).

The availability indicators of our production and transmission assets remained high throughout the year, which was confirmed by the positive results achieved in the Client Satisfaction Survey conducted by Eletrosul in 2018, with a 94.37% score on the global satisfaction index.

The implementation of the Laguna Thermosolar Plant in Santa Catarina, which will use Aneel research and development (R&D) resources, highlights Eletrosul's innovative outlook. The technical cooperation agreement signed with the National Education and Research Network (RNP) also represents another important initiative towards sharing communication infrastructure, which will enable teaching and research institutions located across Eletrosul service areas to access high-speed Internet.

Our ethical, transparent, and sustainable practices enabled Eletrobras to re-enter the Business Sustainability Index portfolio of B3 – Brasil, Bolsa, Balcão S.A. (ISE B3). These same practices also enabled the company to become one of the winners of the 3rd IG-Sest Certification in Governance Indicator, granted to federal state-owned companies that have demonstrated optimal governance policies.

In terms of environmental impact, we have managed to reduce our administrative consumption of water by 13.4%, and greenhouse gas emissions by 18%, as compared to 2017.

Eletrosul Business and Management Plan – PNG 2019-2023, approved in December 2018, provides for the implementation of several actions designed to consolidate the Company's financial health in the next coming years.

We will face few challenges in 2019, such as the conclusion of the current negotiations involving the mitigation of Lot A included in the Aneel 004/2014 Auction, and the effects resulting from its expiration. It is important to highlight that a significant part of the amount invested by Eletrosul has already been recovered.

However, the most significant issue in 2019 refers to the corporate restructuring between Eletrosul and Electric Power Thermal Generation

Company (CGTEE), which is controlled by Eletrobras in the Southern Region. Both companies will benefit from the unified service delivery through the SSC, the implementation of the Single-Instance SAP system, and the use of a single platform for energy auctions in the Free Contracting Environment (ACL), as well as a better distribution of people in each area. The restructuring will enable the Eletrobras System to obtain economic-financial, operational, and logistical gains.

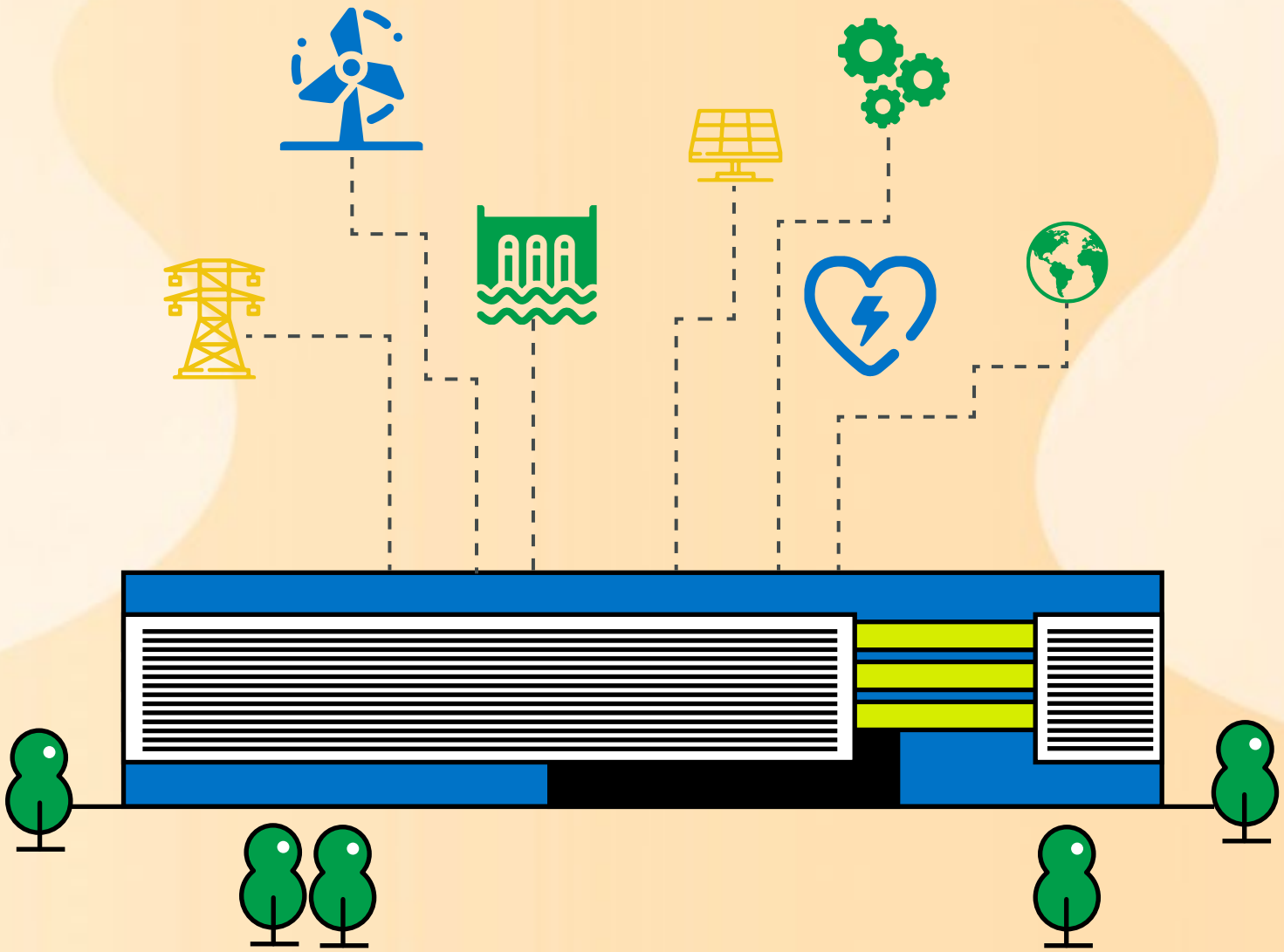
In 2019, we will continue to promote projects such as “Community Gardens” (“Hortas Comunitárias”) and “Open House” (“Casa Aberta”), which demonstrate our ongoing commitment to the communities located where the company operates.

Eletrosul reaches the age of 50 thanking everyone who contributed to its success story – especially its employees, who have gone far and beyond over the years to establish the positive reputation the company has today. We are aware of the responsibilities and challenges we face at the moment. Yet, we are committed to maintain our focus on promoting the continuous development of the company and that of Brazil.

Elvira Cavalcanti Presta
President of the Administrative Council

Antonio Carlos Nascimento Krieger
Chief Executive Officer

CORPORATE PROFILE



About Eletrosul

Manufacturing Capital

GRI 102-1 / 102-2 / 102-3 / 102-4 / 102-5 / 102-6 / 102-7 / 102-16

Founded in 1968, Eletrosul Centrais Elétricas S.A. is a concessionaire of public transmission services and independent power producer based in Florianópolis, Santa Catarina.

We invest in research and development while encouraging the use of alternative energy sources. We also provide telecommunication services, maintenance and operations, in addition to engaging in other forms of commerce resulting from such activities.

On December 21st, we launched Eletrosul's 50th anniversary historic and commemorative book, which was finalized on December 23rd. The publication was made possible in partnership with the Electricity Memorial Center in Brazil (Centro da Memória da Eletricidade no Brasil). As part of the celebrations, a seal and a stamp were also issued by the Brazilian Postal Services.

Our Mission

To operate in energy markets in an integrated, profitable, and sustainable manner.

Our Vision

To be among the three largest global clean energy companies and among the ten largest electric utility companies, with profitability compared to the best in the sectors and being recognized by all its stakeholders.

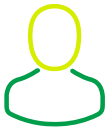
Our Values

Focus on results, ethics, and transparency; appreciation and commitment towards people, entrepreneurship, innovation, and sustainability.

Operations

3 regions across Brazil

7 states: Santa Catarina, Rio Grande do Sul, Paraná, Mato Grosso do Sul, Mato Grosso, Pará, and Rondônia



1,118 employees
434 suppliers

Production

1,695.6 MW production capacity of 19 plants, including partnerships*

2 Hydroelectric Power Plants (UHE)
2 Small Hydropower Plants (PHC)
2 Hydroelectric Power Plants (UHE) in partnerships
1 Hydroelectric Power Plant (UHE) in consortium

6 Wind power plants
5 Wind power plants in partnerships

1 Solar plant

100% CAPACITY IN CLEAN ENERGY SOURCES

Transmission

12,527 km km of transmission lines
1,449 km km of lines in partnership

44 substations
8 substations in partnership
27,483 MVA of transmission capacity at its own substations

1 frequency converter

* considering only the percentage applicable to Eletrosul in partnerships and consortium.

Shareholder Structure

GRI 102-7

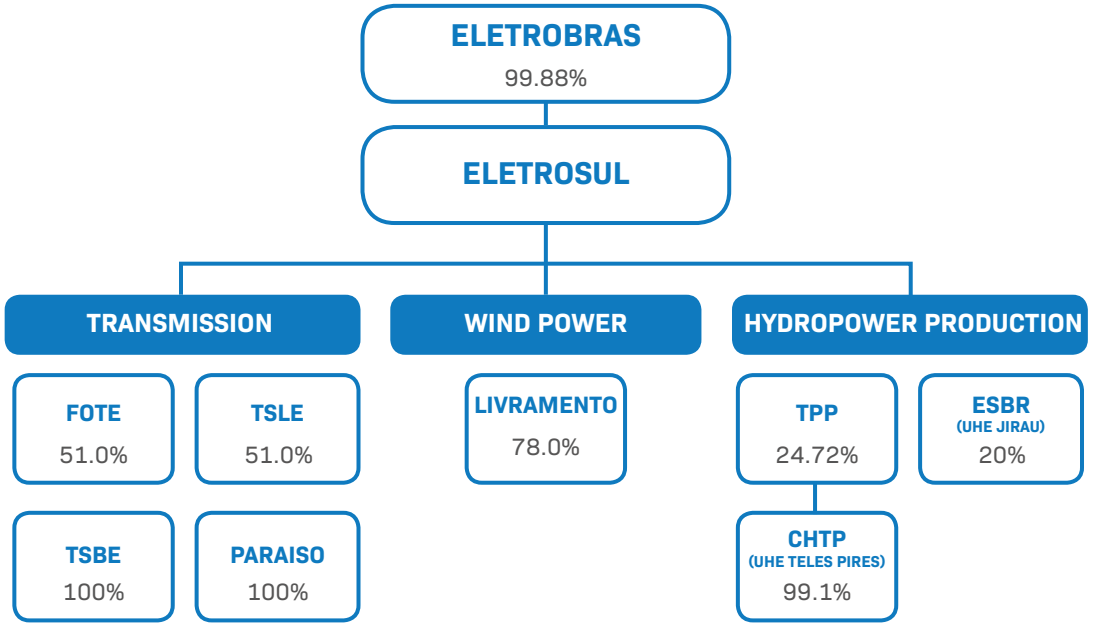
We are a privately held, joint-stock company, controlled by Centrais Elétricas Brasileiras S.A. (Eletrobras), which operates under the Ministry of Mines and Energy (MME). Our Holding is a publicly traded mixed-capital company, managed by the Brazilian government, with shares traded in the São Paulo, New York (USA), and Madrid (Spain) stock exchanges.

Learn more about the distribution of shares per shareholder in our Management Report, page 6, available at **http://bit.ly/2E7TDW9**.

Shareholder Participation

GRI 102-10

In addition to the production plant and transmission systems, we also participate in projects that include the production and transmission of electric power in conjunction with other jointly controlled companies. Our participation is structured as follows:



In 2018, we transferred our 27.42% ownership of Empresa de Transmissão do Alto Uruguai S.A. (ETAU) and a 75.0% stake in Uirapuru Transmissora de Energia S.A. to Eletrobras, in exchange for the liquidation of a portion of the loans owed to our Holding (learn more in Transfers of shareholder participation).

In November, through an exchange with Companhia Paranaense de Energia (Copel), we acquired all the shares of SPE Transmissora Sul Brasileira de Energia S.A. (TSBE), in which we were shareholders. In contrast, our shares in the Costa Oeste and Marumbi SPE's were transferred to Copel.

The Context of the Sector

Macroeconomic Scenario

During 2018, the Brazilian scenario continued to show signs of a slow economic recovery. According to the Brazilian Institute of Geography and Statistics (IBGE), the Gross Domestic Product (GDP) closed the year with a high of 1.1%, same level recorded in the previous year. Among the main factors that contributed to the deterioration of GDP expectations are the truck drivers' strike, the uncertainties surrounding the political scenario, and the exchange rate fluctuation.

At the same time, inflation measured by the Extended National Consumer Price Index (IPCA) reached 3.75%, against 2.95% in 2017, remaining below the target established by the National Monetary Council (CMN). The IGP-DI General Price Index rose 7.10% in the first half of 2018. In the previous year, the index had retracted 0.42%.

Sector Indicators

According to the Energy Research Company (EPE), the electricity consumption in Brazil was 472.2 thousand GWh in 2018, 1.1% higher than the previous year. All segments and regions showed growth, with the exception of the North part of Brazil.

Evolution of energy consumption by segment

Industrial	+1.3%
Residential	+1.2%
Commercial	+0.6%

Evolution of energy consumption by region

Northeast	+2.0%
North	-5.7%
Southeast	+3.8%
Midwest	+3.2%
South	+1.7%

According to EPE estimates, Brazil's electricity consumption is expected to grow 3.6% over the next ten years. This will require an investment of about R$ 394 billion in the electric sector, being R$ 286 billion in production and R$ 108 billion in transmission.

Eletrobras

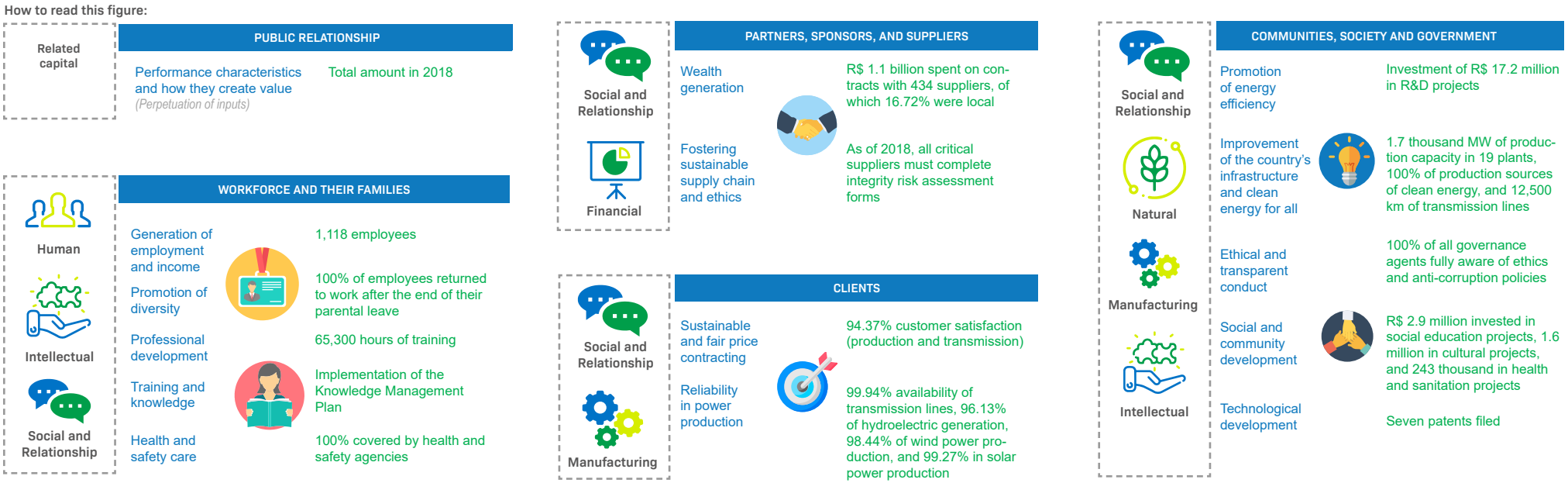
In 2017, the Ministry of Mines and Energy (MME) announced its decision to democratize the capital of Eletrobras. The capitalization proposed by the Holding aims to reduce government participation in the company's capital while preserving veto power to ensure the maintenance of strategic decisions for the country, in addition to boosting its investment capacity in the face of economic growth recovery. Eletrobras awaits the National Congress to pass Law No. 9.463/2018 to proceed with the capitalization process.

How we Creat Value

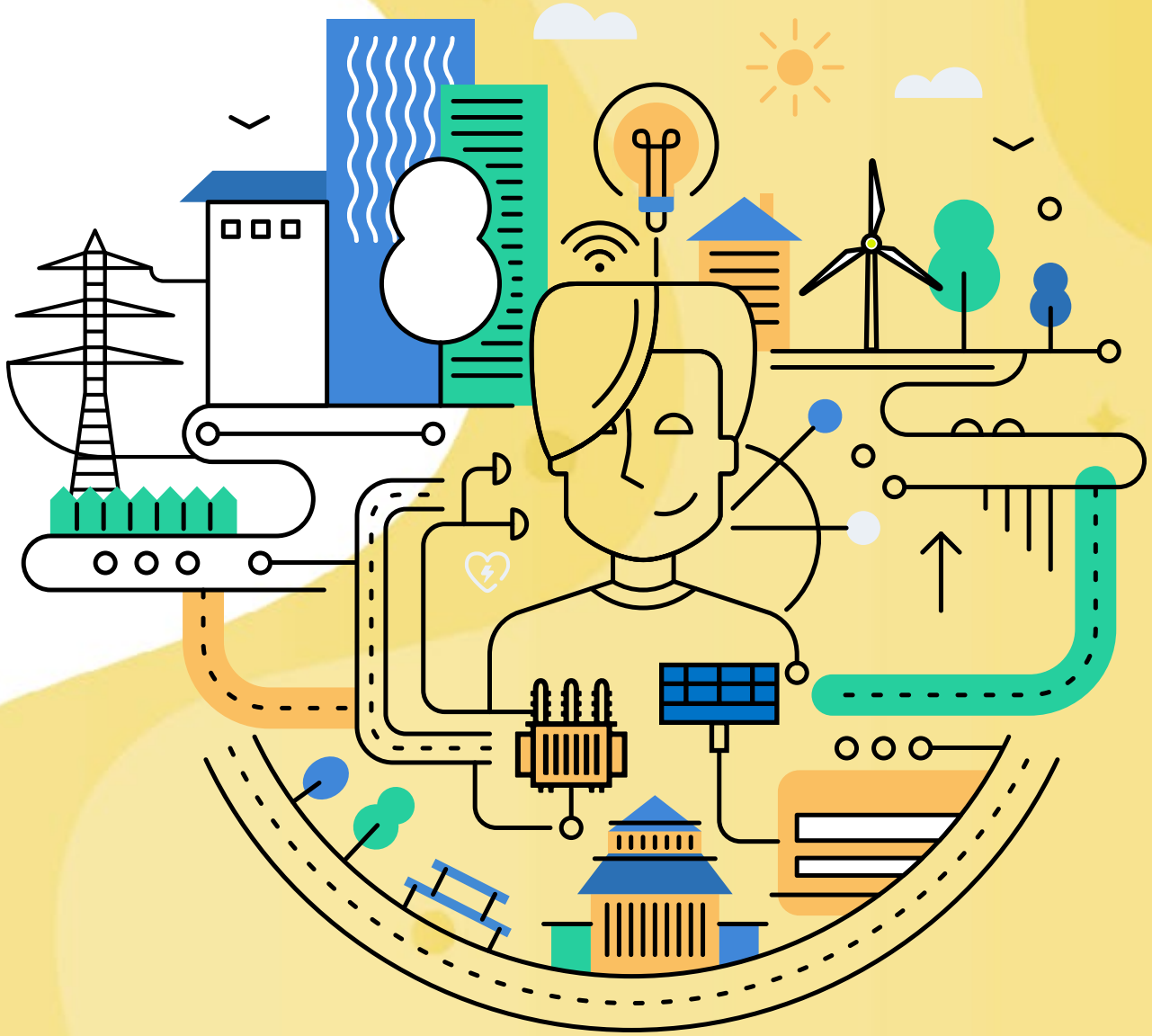
The ability to generate value for society is part of the very nature of our business. By producing and transmitting clean energy, we contribute with an essential input for all sectors of the economy, which is used in residences, businesses, factories, schools, hospitals, and public services across Brazil. By enabling access to electricity, we contribute to the socio-economic development of the regions where we operate.

In addition, we strive to be trusted business partners by working collaboratively with all our stakeholders. To do so, we identify the main capitals that interact with our company and promote the management of each one of them, in order to create value for our stakeholders.

In the following image, we show the capitals with which we interact, the main stakeholders, and how we generated value for each one of them in 2018.



STRATEGY AND VISION OF THE FUTURE



Intellectual Capital

Strategic Planning

GRI 102-15 / 102-26

The 2015-2030 Strategic Plan adopted by all Eletrobras Companies establishes the Eletrosul's guidelines, objectives, and strategies for a 15-year horizon. It was prepared in 2015 based on identifying trends, risks, and uncertainties related to your business.

Every year, Eletrobras deploys the 2015-2030 Strategic Plan into a Business and Management Master Plan (PDNG). The plan contemplates goals and projects designed to achieve strategic results for the next 5 years, in addition to promoting the implementation of decisions regarding the business portfolio of all Eletrobras Companies.

Every year, the Eletrobras Companies draw up their Business and Management Plans (PNG), which provide the guidelines for the Corporate Performance Target Contract (CMDE). The contract must be agreed upon by the Holding. In addition to economic, financial, operational, managerial, and corporate governance performance indicators, the CMDE includes a set of socio-environmental indicators that evaluate our performance based on sustainability practices.

Eletrosul's PNG and CMDE are approved by the Executive Board and the Administrative Council, which is also responsible for monitoring the results obtained.

We have included the goals and targets related to the five SDG'Ss that are most relevant to our business in the PNG 2018-2022 for the first time, prioritized in a joint work among all Eletrobras companies (learn more in Voluntary Commitments). In December 2018, we approved PNG 2019-2023, in accordance with the Holding's strategic guidelines and the latest perspectives of the sector.

Throughout this report, we highlight some of the goals outlined in our strategy, as well as their relationship with the Sustainable Development Objectives (SDG), with the symbol:

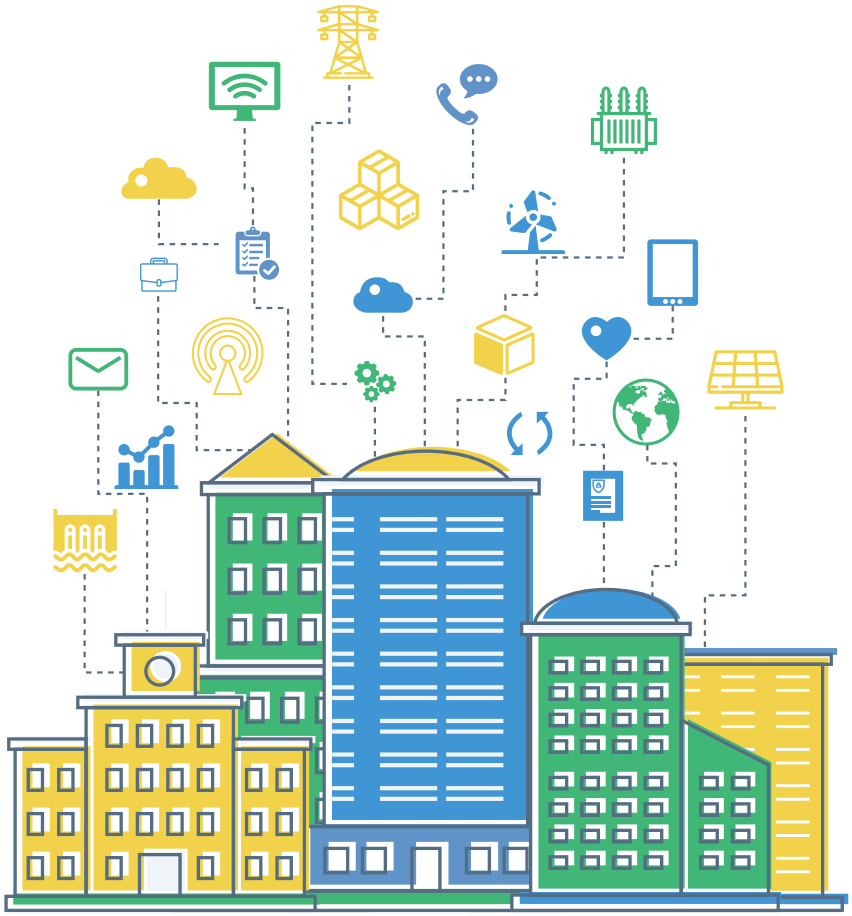
SDG

Shared Services Center – SSC

Eletrobras Business and Management Master Plan determined the implementation of a Shared Services Center (SSC) destined to centralize the transactional and support activities conducted by all Eletrobras Companies, such as: finance, accounting, human resources, supplies, information technology, legal, logistics, infrastructure, and general services.

In May 2018, the South Unit of the SSC was launched, which includes Eletrosul and CGTEE. The SSC will enable us to share the management of these topics, optimizing the use and allocation of resources, so that we can focus on the production and transmission of electricity. In addition, we will be able to share with other system companies the best practices, the standardization of the support process, and greater control over compliance levels.

The ERP Standard Deployment Program (ProERP) was deployed in January 2019, soon after the completion of the works involving its launching (end of 2018). The initiative, which is also being implemented at the other Eletrobras Companies, will benefit SSC operations by modernizing management, standardizing processes, improving controls, and expediting decision-making processes.



R&D+I

Natural Capital 

Intellectual Capital 

GRI 102-15 / 103-1 / 103-2 / 103-3 / EU-8

Our ability to continue creating value for society and the environment depends on the continuous promotion of Research, Development, and Innovation (R&D+I), with focus on clean energy production.

Therefore, our policies, strategies, and guidelines foster research on new sources of electricity production, as well as new technologies in the areas of production and transmission of electricity designed to meet quality demands of service provision for the market and society.

Our Research, Development, and Innovation Policy (R&D+I) is aligned with the Strategic Plan adopted by all Eletrobras Companies. In line with the guidelines of this Policy, we have attended meetings with other Eletrobras companies to evaluate joint actions and proposals for new research projects, including the possibility of signing mutual cooperation agreements.

Law No. 9.991/2000 determines that 1% of the Regulatory Net Operating Revenue of companies in the electricity sector must be invested in R&D, with 0.2% being applied towards the Energy Research Company (EPE); 0.4% towards the Fund Sector, managed by the Financier of Studies and Projects (FINEP); and 0.4% towards its own management research. As a result, we invested R$ 17.2 million in R&D+I in 2018 and had seven patents registered on behalf of the company.

Investments on R&D+I

Investment	Amount (R$)
Transmission technology	447,833
Production technology	1,399,824
Sustainability-related services and projects	9,009
Renewable energy technologies	1,399,824
Cepel	3,628,972
Total investments under Eletrosul management	**6,885,462**
FINEP	**6,885,462**
EPE	**3,442,731**
Total Investment on R&D	**17,213,655**

Major Ongoing Projects

During 2018, we developed a series of research projects that encourage the production and transmission of clean energy, seeking to create value for our business and society as a whole.

The highlight of the year was the signing of the service order in May for the implementation of the Laguna Thermosolar Plant (Santa Catarina), which aims to test the efficiency of CSP (Concentrated Solar Power) technology. The plant's power production capacity will be equivalent to 0.25 MW and is budgeted for R$ 16.5 million. The venture will be made possible by the Aneel's R&D Program, with a three-year implementation period.

Additional research was carried out on the following topics:

Insertion of electricity production derived from biogas produced by the breakdown of waste and liquid effluents located in the Brazilian energy matrix

It aims to develop technical and commercial agreements so that the generation of electric energy derived from biogas produced by the breakdown of waste and liquid effluents can be inserted into the national energy matrix. The research and development project includes the construction of a 400 kW mini thermal power plant located in the municipality of Itapiranga (Santa Catarina). The activities are scheduled to begin in March 2019 and expected to be finalized within 180 days thereafter.

Biodigestion technology for the processing of agricultural residues

It seeks to improve construction and operation techniques designed for biodigesters capable of generating energy from agricultural residual biomass. The project is being conducted in Itapiranga (Santa Catarina) at the moment, in the same area of the previous project. Its activities will also begin in March 2019 and be finalized within 180 days thereafter.

Development of Industrial Processes for the Manufacture of Solar Cells using Aluminum Paste and Passivation

Developed in conjunction with the Pontifical Catholic University of Rio Grande do Sul (PUCRS), the processes are designed to obtain high-efficiency solar cells at low cost. In 2018, the research resulted in two patents registered.

Replacement of the substation battery bank by using fuel cell technology

It foresees the development of an electric backup system based on the use of hydrogen that is also able to replace battery banks located at substations. The project was finalized in 2018.

We were one of the 40 finalists of the 1st SDG Brazil Award, promoted by the Federal Government. The recognition is due to the Alto Uruguai I pilot project for sustainable energy production and consumption. The initiative was launched in Itapiranga (Santa Catarina) to dispose swine manure in an environmentally friendly manner.

Commitment to Sustainability

Natural Capital

Social and Relationship Capital

Sustainability Management

At Eletrosul, we are committed to remain a sustainable and competitive company, establishing excellence standards for the production and transmission of electricity. Our operations must consider economic, environmental, and social aspects of all projects, while promoting respect towards human rights; contributing to the development of Brazil and the communities where we operate; and ensuring the availability and quality of the essential resources required for the continuity of our business.

To ensure the alignment among our strategy, management, performance, and sustainability, we comply with the Sustainability Policy adopted by all Eletrobras Companies. In addition, we count on a dedicated management structure that remains committed to several organizations focused on sustainable development.

Voluntary Commitment

GRI 102-12 / 102-13

In order to expand our potential to contribute to sustainable development, we have aligned our strategy with a series of global initiatives that promote social, environmental, and economic projects.

Since 2017, our actions have been strategically focused on achieving Sustainable Development Goals (SDG's), defined by the UN to establish national policies and engage companies from all over the world to contribute towards the eradication of poverty, the fight against climate change, and the preservation of natural resources.

For the first time in 2018, we developed our PNG 2018-2022, designed to achieve goals and targets based on the guidelines established by the SDG's. In order to do so, we considered the five most relevant SDG's to our business, prioritized according to a joint work conducted by all Eletrobras companies, namely:

- SDG 7 — Affordable and clean energy;
- SDG 8 — Decent employment and economic growth;
- SDG 9 — Manufacturing, innovation and infrastructure;
- SDG 13 — Fighting against climate change; and
- SDG 16 – Peace, justice and more efficient institutions.

THE GLOBAL GOALS

In addition to the SDG's, we are also engaged in the following:

- Global Pact;
- Brasil Mulher Project (Women's Project);
- National Movement for Citizenship and Solidarity "We Can" – Santa Catarina;
- Gender and Ethnicity Pro-Equity Project;
- Santa Catarina's Forum for Ending Violence and Sexual Exploitation of Children and Youth;
- Principles of Women's Empowerment;
- OAB Citizen Commission Social Network; and
- "He for She" Commitment (UN Women).

In May, Eletrosul joined the Federal Government's Rede Brasil Mulher (Women's Network) Project, being the first public company based in Santa Catarina to formalize the commitment. The initiative aims to promote gender equality and foster women's empowerment.

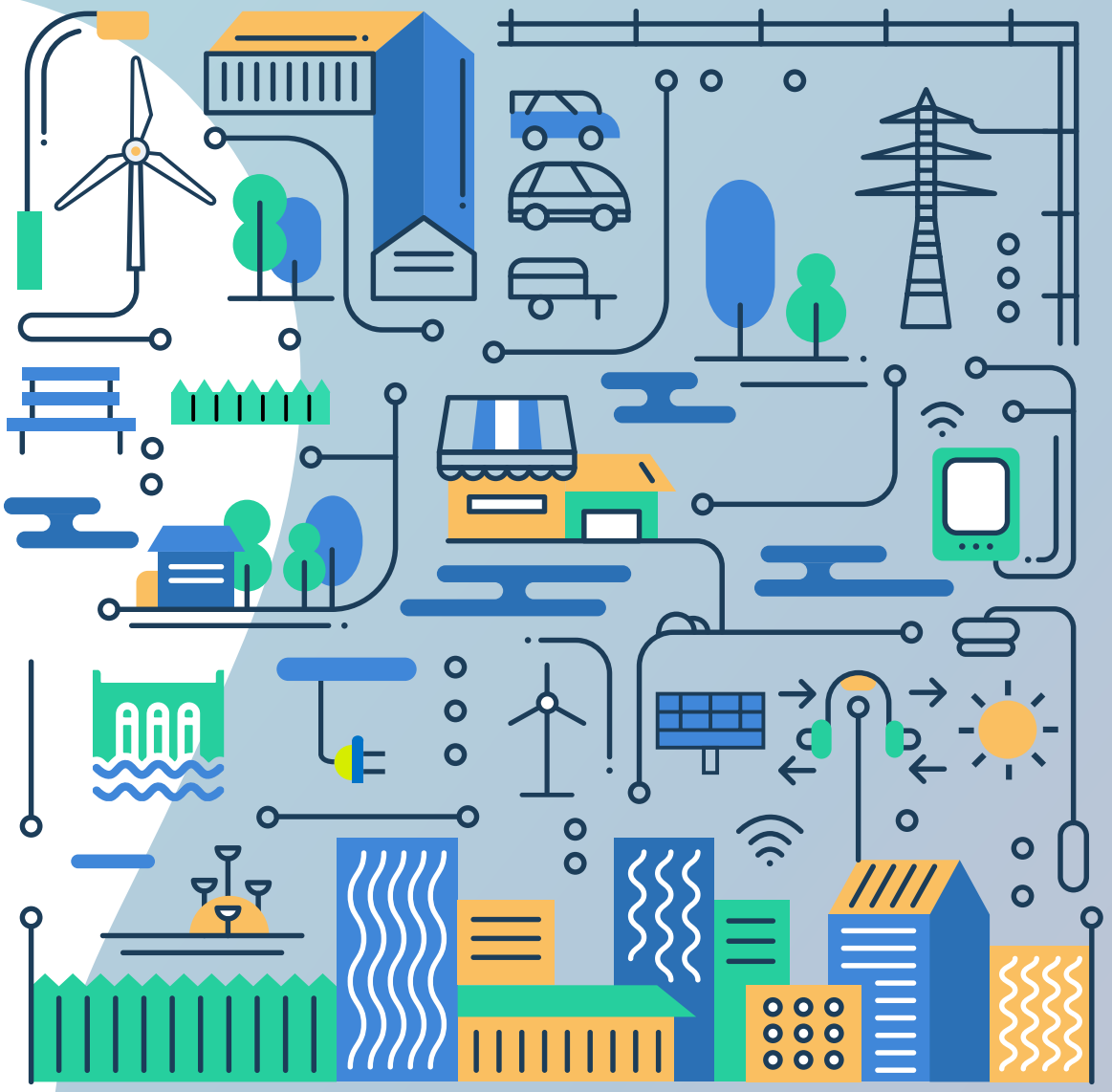
We also participate in sectoral entities and in areas related to our business, namely:

Associations	Eletrosul's Role
Brazilian Association of Electricity Production Companies (ABRAGE)	1, 2, 3
Brazilian Association of Large Electricity Transmission Companies (ABRATE)	1, 2, 3
Brazilian Association of Wind Energy Production (ABEEólica)	1, 3
Brazilian Association of Risk Management (ABGR)	2, 3
Brazilian Association of Maintenance (ABRAMAN)	3
Brazilian Association of Human Resources (ABRH)	3
Santa Catarina Association of Electricity Producers (APESC)	3
Brazilian Committee of the Regional Energy Integration Commission (BRACIER)	1, 3
Electricity Trading Chamber (CCEE)	3
Brazil's Electricity Memorial Center (Centro da Memória da Eletricidade no Brasil)	1, 3
Electricity Research Center (Cepel)	1, 2, 3
Brazilian National Committee of the Production and Transmission of Electricity (CIGRÉ Brasil)	1, 2, 3
National Forum on Ethics Management in State-Owned Companies (Fórum Nacional de Gestão da Ética nas Empresas Estatais)	3
Business Management Committee Foundation (Fundação COGE)	1, 3
National Electrical System Operator (ONS)	1, 3
National Union of Self-Management Health Care Institutions (UNIDAS Nacional)	2, 3
Latin America Utilities Telecom Council (UTC – UTCAL)	1, 3

LEGEND

1 – Associations in which we participate through governance bodies
2 – Associations in which we participate through projects and commissions
3 – Associations in which we participate strategically

GOVERNANCE AND COMPLIANCE



Corporate Governance

Intellectual Capital

Social and Relationship Capitals

Commitment

GRI 103-1 / 103-2 / 103-3

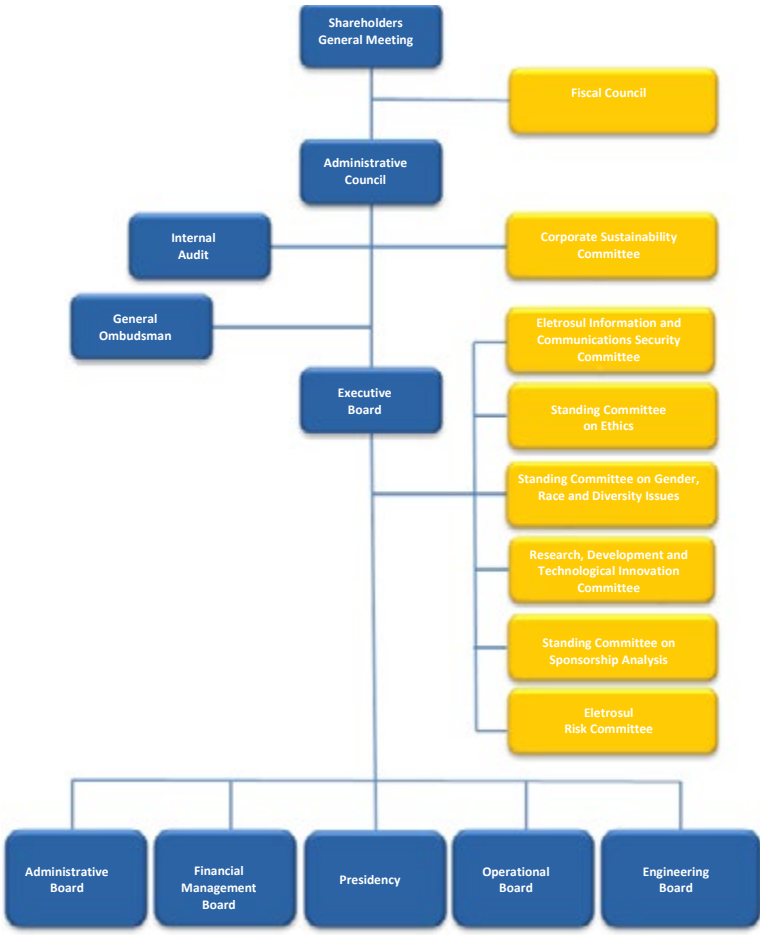
As a mixed-capital company, our Corporate Governance complies with the provisions established by our bylaws, Law No. 6.404/76 (Brazilian Corporation Law), and Law 13.303/16 (State-owned Law).

We are also controlled by Eletrobras, a public company with publicly traded shares. We comply with the Sarbanes-Oxley Act (SOx) requirements, which enables the Holding to trade its shares and participate in the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange, and the Corporate Sustainability Index of the São Paulo Stock Exchange (ISE-B3).

In 2018, we were one of the winning companies of the 3rd IG-Sest Governance Indicator Certification, an instrument of the Federal Government for the continuous monitoring of the governance policies adopted by federal state-owned companies with direct and indirect government control.

Governance Structure

GRI 102-18 / 102-19 / 102-20 / 102-22 / 102-23 / 102-24 / 102-26



Shareholders General Meeting

Objective: Eletrosul's maximum deliberative body. It holds the power to decide on every business activity conducted by the company and to execute the resolutions it deems appropriate to maintain its integrity and promote its development.

Structure: It is composed of shareholders under the terms outlined by the Brazilian Corporate Law.

Operation: Ordinarily held within the first four months following the end of a term, or extraordinarily whenever requested.

Administrative Council

Objective: It is the highest governance body of the company, responsible for strategic direction, guidance, and monitoring of results. Its role is defined based on the current Bylaws. It delegates authority to the Executive Board for managing the business, including topics related to economic, environmental, and social performance.

Structure (as of 12/31/2018): Composed of seven members elected during the Shareholders General Meeting. The members of the Administrative Council are assigned a two-year unified management term and a maximum of three consecutive renewals.

At the end of 2018, the Administrative Council included two employees, one being the Chief Executive Officer and the other, a representative of a group of employees, chosen by their peers through a specific electoral process.

Two Eletrobras employees were also members: the President, a professional with long and recognized experience in the Brazilian electric sector; and the Financial and Investor Relations Manager with long experience in economics and finance.

The other members of the Council were a representative of the Ministry of Planning, Development and Management (MPDG) and, as of 11/23/2018, two independent directors with extensive marketing experience.

The President of Administrative Council was Eletrosul's President until 12/31/2018. In 2019, the Financial and Investor Relations Officer of Eletrobras became the President.

Operation: The Administrative Council meets ordinarily once a month, or extraordinarily when necessary.

Fiscal Council

Objective: Its role is defined by Law. The Fiscal Council is responsible for overseeing the Company's Senior Management and verifying its compliance with legal and statutory duties.

Structure: It is composed of three effective members and three alternates, shareholders or not, elected annually by the AGO, subject to legal qualifications and impediments.

Executive Board

Objective: Responsible for the general management and administration of the company, respecting the guidelines set forth by the Administrative Council.

Structure: The body is composed of a Chief Executive Officer and four Officers (Administrative, Financial, Engineering, and Operating), elected by the Administrative Council.

Internal Audit

Objective: Adbound to the Board of Directors in accordance with corporate bylaws, it determines its own attributions and competences. Its

activities are carried out based on the best international auditing practices and foreseen in the Annual Activity Plan of the Internal Audit (PAINT).

Operation: The results of the Internal Audit activities are reported monthly to the Administrative Council and Fiscal Council, the Company's Presidency, and the Federal Controller's Office (CGU) through the Monthly Report on Internal Audit Activities; and annually, through the Internal Audit Activities Report (RAINT).

General Ombudsman

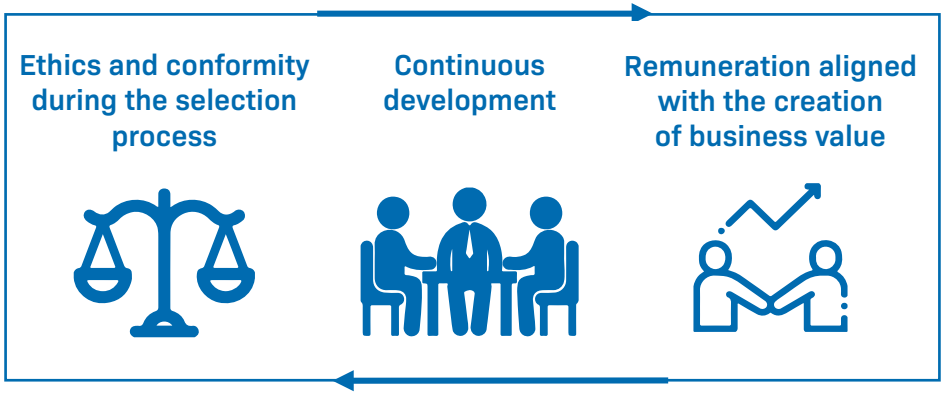
Bound to the Executive Board, it maintains a personal and interactive relationship channel with internal and external audiences, with the purpose of receiving, analyzing, and forwarding complaints, compliments, suggestions, and requests for any information regarding company procedures.

Eletrosul's Corporate Sustainability Committee

Bound to the Administrative Council and coordinated by the Chief Executive Officer, the Committee is responsible for advising the Senior Management on matters related to the company's economic, social, and environmental sustainability through the identification and approach towards critical issues that may pose risk, or may have a material impact on the business, long-term results, relationships with stakeholders, and corporate image.

Selection and Development of Senior Management

Law 13.303 (State Law), regulated by Decree 8.945 in 2016, introduced new guidelines for the selection and qualification of candidates for administrator and fiscal councilor positions. With the objective of aligning ourselves with new requirements, we have improved our processes designed to analyze conformity and the qualification of each nominee. We have also introduced a series of initiatives aimed towards professional development.



Selection

GRI 102-24

In line with the legislation and our Bylaws, any appointment to the Administrative Council, Executive Board, and Fiscal Council must be analyzed in advance by the integrity and governance areas of the Holding. The objective is to evaluate the compliance profile of the nominees based on queries to the company's database on sanctions applied by the Public Ethics Commission, websites of regulatory agents, and the ombudsmen of Eletrobras companies.

Since 2017, the Holding's Management, People and Eligibility Committee has deliberated on the appointment of members of the management team and Fiscal Council of all Eletrobras companies, in addition to promoting and monitoring the adoption of good corporate governance practices regarding remuneration and succession for the whole system, proposing updates and improvements whenever necessary.

Evaluation

GRI 102-28

In order to subsidize the shareholder's decision regarding the reappointment of managers, Eletrosul conducts a yearly performance evaluation of the Executive Board and the Administrative Council, according to the criteria established by its internal regulations.

In 2018, the evaluation was carried out independently by an external consultancy organization. The methodology included self-assessment, structured interviews, and business performance indicators for the Administrative Council and Executive Board. The Chairman of the Administrative Council and the Chief Executive Officer were evaluated by the members of their respective boards. The evaluation criteria included three pillars: competencies, company results, and company's responsibilities.

The results were assessed and consolidated as a report. The respondents participated in a feedback meeting, where they were introduced to an action plan aimed towards their development.

Continuous Development

GRI 102-27

Eletrosul's Bylaws establish that its managers must participate, both upon taking on a position and annually, in specific training on corporate legislation, capital markets, as well as other topics related to the company's activities.

During 2018, the Brazilian Institute of Corporate Governance (IBGC), in partnership with the Corporate University of the Eletrobras System (Unise), conducted the "Governance, Integrity and Capital Market Improvement course designed specifically for Directors of Public Companies and Mixed Economy Partnerships".

Remuneration

GRI 102-35 / 102-36 / 102-37

Administrative Council and Fiscal Council

in accordance with Brazilian law, the salary established for members of the Fiscal Council of public companies and federal mixed companies may not exceed 10% of the average monthly remuneration of directors. Council Members do not receive any additional compensation for their participation in the Council's Advisory Committees.

Executive Board

the monthly remuneration of Executive Officers is approved during the Shareholder General Meeting, in accordance with the guidelines set forth by the Coordination and Governance Department of Government Companies (Sest). The 2018 Annual Variable Remuneration Program (RVA) can add up to 2.5 salaries and is structured based on the business goals agreed between the Executive Board and the Administrative Council, being subsequently formalized in conjunction with Sest. The indicators inserted in the 2018 RVA are described as follows:

Category	Indicators
Corporate	Net Profit/Net Worth
	Percentage of Investment Made
	Intensity of emission of greenhouse gases (GHG)
	Classic PMSO/Net Operating Revenue Adjusted
	Relative Generation Availability ("DISPGR")
	Operational Availability of Transmission Lines ("DISPOLT")
	Net Debt/Management EBITDA
Collegiate	Evaluation of the Collegiate Board by the Board of Directors
	Sest Compliance Indicator
Business Unit	Project Performance Index

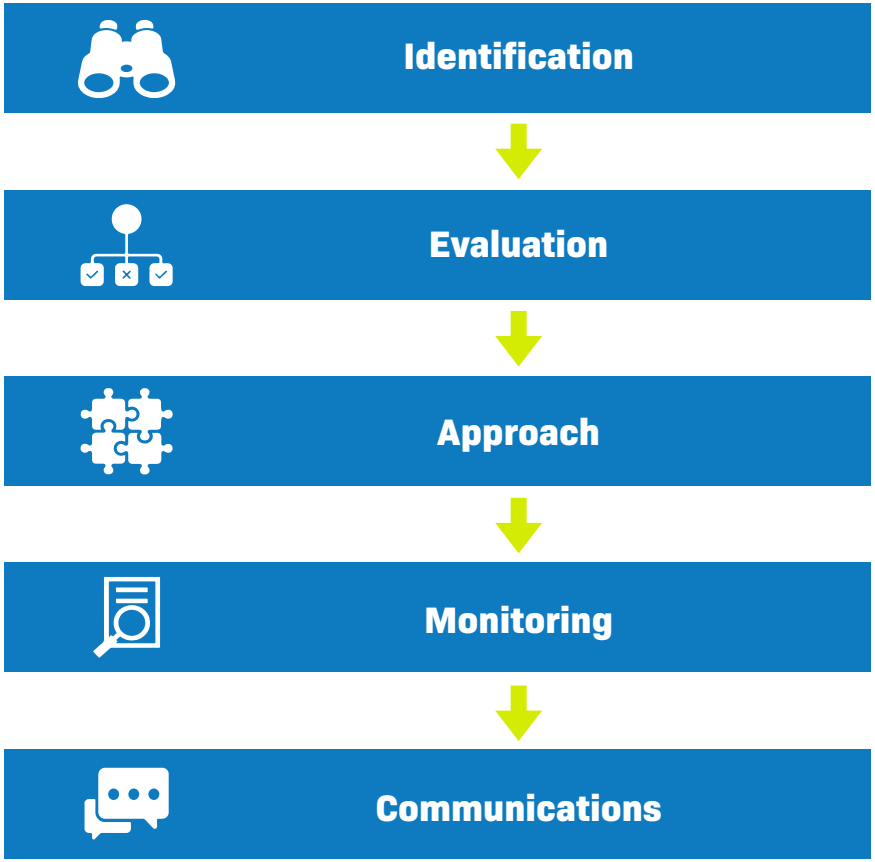
Risk Management

GRI 102-11 / 102-15 / 102-21 / 102-29 / 102-30 / 102-31 / 102-33 / 102-34 / 103-1 / 103-2 / 103-3

Eletrosul's integrated risk management structure is an effective and efficient tool for reducing exposure to risk events that may negatively impact the company's strategic objectives. Through a structured approach, it aligns strategy, processes, people, technology, and knowledge, while creating value for the company and its shareholders.

The process complies with the principles, guidelines, and responsibilities established in the Risk Management Policy adopted by all Eletrobras Companies, developed based on the best market practices, such as COSO 2013 and ISO 31000: 2009. According to the document, our risk management takes place in five stages (Identification, Evaluation, Approach, Monitoring, and Communication), as described in the following image.

Stages of the risk management process



Risk management process steps

At Eletrosul, the risk management process takes place through the elaboration of a Risk Matrix, including a survey and description of all the risks to which the company is exposed, followed by the prioritization of the critical risks for the cycle.

In 2018, the Executive Board approved the monitoring of 54 risk events, 13 of which were considered a priority, namely:

- Cash Flow;
- Financial and Accounting Statements;
- Litigation Training and Management;
- Pension Funds;
- Socio-environmental Management of Projects;
- Corporate Business Management;
- Business Management of SPE's;
- Energy Trading;
- Review of Transmission Tariff;
- Management of Personnel;
- Fraud and Corruption;
- Transmission Operations, and
- Transmission Maintenance.

Action plans are drawn up for events where the exposure level is considered High or Critical. During the first monitoring cycle of 2018, three events were classified as High or Critical, namely:

a) Review of Transmission Tariff;

b) Corporate Business Management; and

c) Energy Trading.

The Board plays a key role in this process, reviewing the Risk Matrix, prioritizing risks annually, and approving the company's degree of risk appetite and risk tolerance.

The Board can be informed of critical risks during ordinary Board meetings when relevant business areas have the opportunity to address specific topics directly.

Intellectual Capital 

Social and Relationship Capitals 

Corporate Integrity

GRI 102-16 / 103-1 / 103-2 / 103-3 / 205-1

Our commitment to ethics, integrity, and fighting against corruption is registered in the Code of Ethical Conduct and Integrity adopted by all Eletrobras Companies, which describes the ethical principles and commitment that represent the driving force behind the relationship we have with our stakeholders. Employees, shareholders, investors, suppliers, partners, and representatives of government entities that have a relationship with Eletrosul must be aware of and adopt the Code of Ethical Conduct and Integrity.

We count on a Permanent Ethics Committee that constantly promotes the management of ethics within the company, in addition to reinforcing the guidelines set forth by the Public Ethics Committee and the Code of Ethical Conduct and Integrity through educational actions that investigate ethical breaches based on complaints or official notifications.

Eletrosul maintains a technical and financial cooperation agreement with the National Ethics Management Forum within Public Companies, which promotes initiatives aimed towards the development and strengthening of government and business principles related to ethics management, and the relationship between public companies, their diverse public, and society in general.

MAIN POLICIES AND STANDARDS FOR THE PROMOTION OF CORPORATE INTEGRITY

- Code of Ethical Conduct and Integrity: https://bit.ly/2UbFopw

- Anti-Corruption Legal Compliance Manual: https://bit.ly/2tKHWix

- Anticorruption Policy adopted by all Eletrobras Companies: https://bit.ly/2Ek4v2t

Integrity Program

In line with these commitments, the Holding maintains the Eletrobras 5 Dimensions Integrity Program, which is applicable to all Eletrobras companies. The program counts on Eletrosul's Executive Board and Administrative Council to strengthen the integrity of processes, routines, and conduct for the development of a culture of integrity; and to establish guidelines to ensure that members of the governing bodies, employees, representatives, and third parties comply with the requirements of the Anti-Corruption Laws applicable.

The Program guidelines are:

1. Development of the management environment focused on the Integrity Program
2. Periodic analysis of corporate risks
3. Structuring and implementing of policies and procedures
4. Effective communication and training on the subject
5. Monitoring of the Program, including remediation measures and application of penalties

In 2018, the Tenders and Contracts Regulation was implemented to adapt the rules concerning the hiring of Eletrobras companies to Law 13.303/2015 (Public Companies Law), and to provide for the evaluation of the supplier's corporate integrity during the hiring process and the entire execution of the contract.

Eletrosul administers a Due Diligence and Background Check questionnaire to assess the integrity of third parties. This survey enables us to identify integrity risks and, if necessary, to establish monitoring plans to follow-up on practices capable of mitigating possible risks.

One of the objectives of our Business and Management Plan (PNG 2018-2022), related to "SDG 16 –Peace, Justice and Effective Institutions", establishes that, by 2018, at least 60% of our critical suppliers must undergo a Due Diligence process based on integrity standards.

Throughout the year, we identified 11 critical suppliers who were required to undergo an integrity risk evaluation, exceeding the corporate goal. The number of critical suppliers corresponds to 2.5% of the total number of suppliers hired throughout the year.

Training

GRI 205-2

Communication on anti-corruption policies and procedures

Public	Participation
Members of Management	100%
Governance	100%
Employees with University Degree	99%
Employees with no University Degree	100%
Business Partners (SPE's Partners)	100%

Training on anti-corruption policies and procedures

Public	Participation
Members of Management	100%
Governance	100%
Employees with University Degree	99%
Employees with no University Degree	100%

Conflict of Interest

GRI 102-25

In order to ensure the prevention and management of conflicts of interest, we conduct an integrity analysis of third parties, suppliers, representatives, and nominees prior to filling positions of the Company's Fiscal and Administrative Councils. The analysis contributes to the verification of shareholding participation including Eletrosul's employees, directors, and officers in companies that supply goods or services, in addition to the identification of any relationship with Eletrosul that is not compatible with the current legislation.

All Eletrobras companies are subject to Law 12.813/2013, which regulates the performance of public agents involved in conflicts of interest, determining which situations are the contributors to the conflict, the rules applicable, and the public bodies and tools required for the inspection and evaluation of conflicts.

The law also establishes that the Public Ethics Committee and the Federal Controller's Office (CGU) must act upon the monitoring and evaluation of situations involving conflicts of interest.

In 2018, Eletrosul's Administrative Council approved the Transactions Policy between Eletrobras and Related Parties, which establishes the principles required to guide these transactions, safeguarding the interests of Eletrosul and those of its shareholders, in addition to regulating the exchange of information necessary to comply with the capital market legislation.

Complaints

GRI 102-17 / 102-21

We count on three complaint channels open to those who wish to report any violation against the Code of Ethical Conduct and Integrity adopted by all Eletrobras Companies, or the legislation in force across Brazil.

Ombudsman

E-mail

ouvidoria@eletrosul.gov.br

Phone

0800-648-7822
(48) 3231-7809
(48) 3231-7315

By mail or in person

Rua Deputado Antônio Edu Vieira, 999 - Bairro Pantanal – Florianópolis (SC)
CEP: 88.040-901

Standing Committee on Ethics

E-mail

etica@eletrosul.gov.br

Unified Complaints Channel available to all Eletrobras Companies

www.canaldedenuncias.com.br/eletrobras

Phone

0800-377-8037

The **General Ombudsman** is an impartial and independent body linked to the Board of Directors created to enable the internal and external public to submit complaints, suggestions, requests, and praise related to the performance and services provided by Eletrosul. The Executive Board and the Administrative Council analyze the reports sent by the Ombudsman's Office on a monthly basis.

The **Permanent Ethics Committee**, in addition to providing employees with ethical guidance, also receives complaints on actions and procedures that violate the principles and commitments established in the Code of Ethical Conduct and Integrity.

Created in 2017, the **Unified Complaints Channel available to all Eletrobras Companies** is available in Portuguese, English, and Spanish, 24 hours a day. The channel is managed by an external and independent company that ensures secrecy, anonymity and confidentiality. All complaints received are forwarded to the Integrity System Committee (CSI) and are coordinated by the Holding. It is composed of representatives of all Eletrobras companies ready to conduct their investigation, remediation, and accountability whenever needed.

It is important to highlight that the complaints received through the General Ombudsman and Ethics channels are forwarded to Eletrobras unified complaints channel responsible for the management of complaints.

We ensure non-retaliation, as established in the Code of Ethical Conduct and Integrity and the Consequences Management Policy adopted by all Eletrobras Companies.

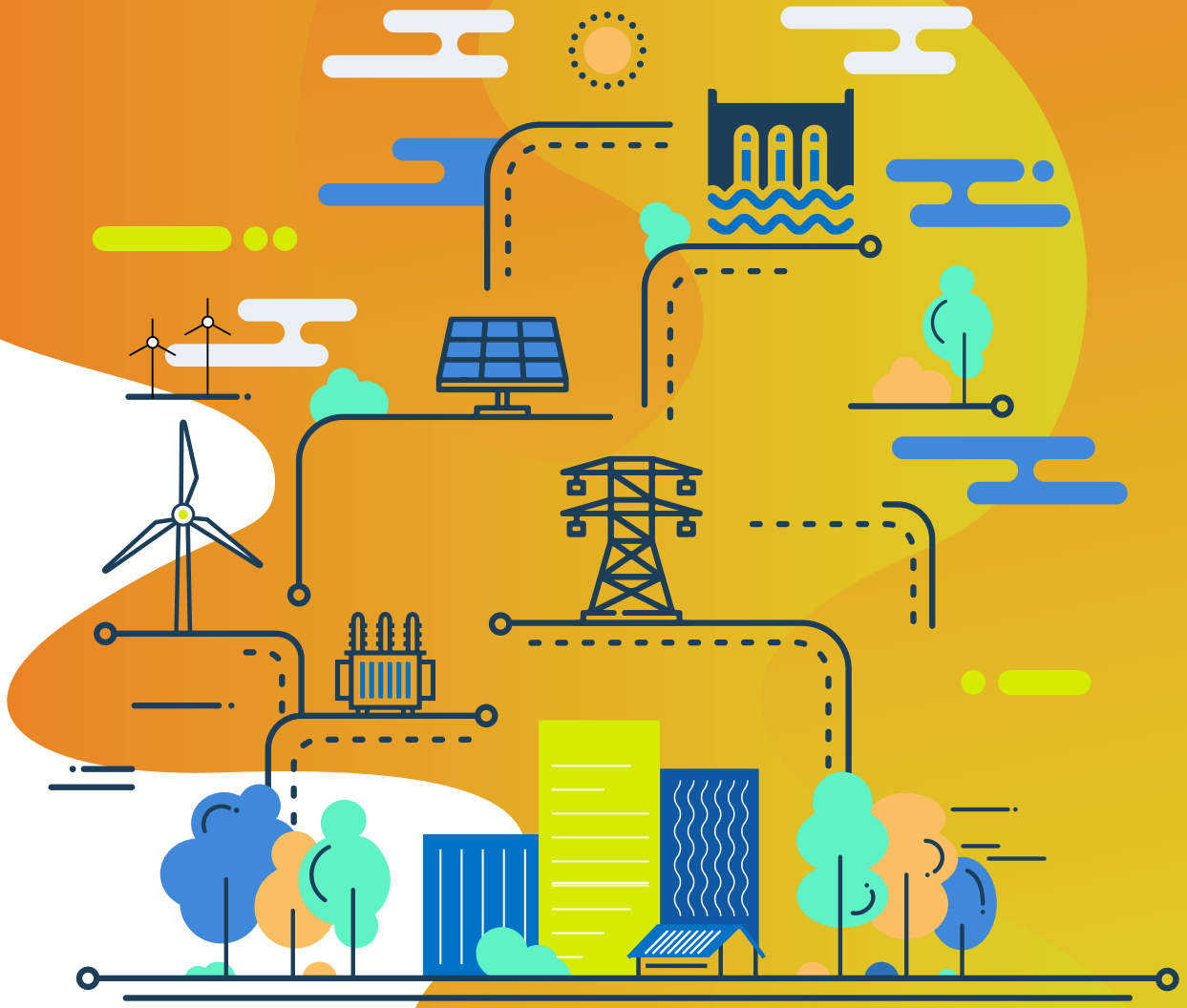
Performance

GRI 102-17

66 requests received and **100%** answered throughout the year.

9 complaints received and analyzed during the year, approximately 55% of which were unfounded.

OPERATIONAL AND FINANCIAL PERFORMANCE



Operations

Manufacturing Capital

GRI 103-1 / 103-2 / 103-3

Management

GRI 103-1 / 103-2 / 103-3

The Ministry of Mines and Energy (MME) and the Energy Research Company (EPE), assisted by the National System Operator (ONS), are responsible for the planning of the electric power sector in Brazil. Power companies engage in expansion planning to provide relevant agencies with information, or to seek the information required for the implementation of their strategic processes.

In order to meet the growing demand for power production, we seek to participate in the bidding process of new production concessions, or to request authorization for the construction of new plants, in accordance with our strategic planning.

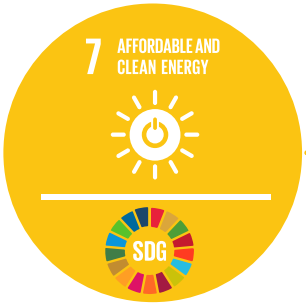
In the case of transmission, we expand our operations by participating in bids for new transmission concessions or by authorizing the expansion of existing concessions.

Our Business and Management Plan (PNG 2018-2022), however, does not foresee investments in new plants and new transmission concessions for the next five years.

Production

Capacity Installed

EU-1



As far as production projects, our activities are focused on the implementation and management of hydroelectric projects and alternative energy sources, maintaining a matrix that is 100% clean.

By doing so, we were able to meet the goal established by our PNG 2018-2022, which is bound to SDG 7 – Clean and Affordable Energy, ensuring 100% participation in clean energy sources.

Currently, we operate 11 plants commercially, one as a consortium and seven in partnership, with a total capacity of 1,695.6 MW.

Power Plant	Ownership (%)	Energy Installed (MW) Proportional
Corporate	-	**476**
UHE Passo São João	100	77
UHE Governador Jayme Canet Júnior (Consórcio Cruzeiro do Sul)*	49	177.9
UHE São Domingos	100	48
PCH Barra do Rio Chapéu	100	15.2
PCH João Borges	100	19
Eólica Cerro Chato I	100	30
Eólica Cerro Chato II	100	30
Eólica Cerro Chato III	100	30
Eólica Coxilha Seca	100	30
Eólica Capão do Inglês	100	10
Eólica Galpões	100	8
Megawatt Solar	100	0.9
Partnership	-	**1,219.56**
UHE Jirau *	20	750
UHE Teles Pires *	24.7	449.9
Livramento *Holding* * (with 5 Wind plants)	78	19.66
Total	-	**1,695.56**

**Energy installed (MW) proportional to Eletrosul's participation*

In 2018, the total amount on investments including production projects was R$ 5.4 billion.

Energy Production

EU-2

In 2018, we generated 2,228 thousand MWh of energy, 7% less than the previous year. The decrease in production was mostly due to the adverse hydrological scenario.

Source	Electricity net production (MWh)	%
Hydroelectric	1,754,350.8	78.7%
Wind Power	472,655.9	21.2%
Solar Power	1,250.8	0.1%
Total	**2,228,257.5**	**100**

Availability

GRI 102-48 / 103-3 / EU-30

One of the indicators we use to measure the operational performance of our plants is the availability factor, which measures the time a plant is available to generate power without forced shutdowns or planned maintenance.

Availability	2016	2017	2018
Availability Hydroelectric Plants	92.25%[1]	92.56%[1]*	96.13%[1]
Availability Wind Power Plants	98.77%[2]	97.07%[2]	98.44%[3]
Availability Solar Power Plants	-	-	99.27%

1 Annual average
2 Annual average availability of Wind Power Plants Cerro Chato I, II and II.
3 Annual average availability of Wind Power Plants Cerro Chato I, II and III, Coxilha Seca, Galpões, and Capão do Inglês.
** restated amount*

Commercialization

GRI 103-2

Through the Regulated Contracting Environment (ACR), we sell 100% of the energy produced by UHE Passo São João, UHE Governador Jayme Canet Júnior, UHE São Domingos, and Cerro Chato Wind Power Complex; in addition to more than 60% of Galpões, Capão do Inglês, and Coxilha Seca wind power plants.

Eletrosul also commercializes energy in the Free Contracting Environment (ACL), a more dynamic environment with flexible supply volumes and terms, including more volatile prices as compared to those established by ACR. On the other hand, we seek to capture opportunities to negotiate better sales prices, increasing the profitability of our projects.

The company's strategy is based on the gradual sale of available energy over a given period of time in order to minimize the risk of exposure to the Settlement Price of Differences (PLD), which determines short-term market prices. In 2018, the electricity market was affected by high Settlement Price of Differences due to low reservoir levels and the consequent use of thermoelectric plants at higher prices.

Due to low reservoir levels, we also produced a smaller amount of hydropower derived from our "physical guarantee". This production deficit, known as GSF (Generation Scaling Factor), stood at 81.6%, reducing the energy available at our hydroelectric dams.

As a result, we have introduced a number of initiatives to preserve our revenue stream. By renegotiating the hydrological risk related to the plants included in the Regulated Contracting Environment, we have ensured protection against the reduction of physical guarantee in GSF scenarios greater than 8% as an attempt to mitigate negative impacts. In addition, we opted for allocating part of the energy produced to implement a "hydrological hedge", which also reduced the financial effects resulting from the production deficit (GSF).

Transmission

Transmission Lines

EU-4

In 2018, our transmission line network reached a total of 11,077 km.

	Tension (kV)	Length (km)
Eletrosul's Own Transmission Lines	69	56.2
	132	12.5
	138	1,918.5
	230	5,446.9
	525	3,643.1
	Total	**11,077.2**

We also participate in other Special Purpose Entities (SPE's), which together correspond to 1,449.39 km of transmission lines.

In 2018, the availability index of transmission lines was equivalent to 99.94%. As a result, we exceeded the 99.84% target registered in our Business and Management Plan (PNG 2018-2022) for the Operational Availability of Transmission Lines.

Availability	2016	2017	2018
Transmission Lines*	99.95%	99.90%	99.94%

** Indicator obtained considering only shutdowns penalized with Variable Portion (PV)*

Substations

EU-4

Our Transmission System, considering all concession contracts, consists of 44 substations and one frequency converter (located along the Brazil – Argentina border), representing a total transformation capacity of 27,482.80 MVA.

In addition, we are involved with 52 other substations owned by other companies, either by providing maintenance and operational services, or by installing bays and equipment.

Maintenance

In compliance with Aneel's resolutions, we invested R$ 17.5 million in the reinforcement and improvement of our transmission assets in 2018.

These adjustments were made in the southern region and in the state of Mato Grosso do Sul aiming to increase the transmission capacity and reliability of the National Interconnected System (SIN), resulting in higher availability, reliability, and flexibility for Eletrosul's transmission system.

Losses

EU-12

The transmission loss rate in 2018 was 1.34%, 0.03 pp lower than the previous year, which shows an improvement of this indicator.

Transmission losses as a percentage of total energy	2016	2017	2018
Technical Losses	1.42%	1.37%	1.34%

Shareholding Transfers

GRI 102-10

Eletrobras Business and Management Master Plan (PNDG) 2018-2022 provides, among its objectives, for the transfer of shareholding participation in SPE's held by its subsidiaries, aiming to promote the settlement of the companies' debts with the Holding and contribute to the Group's financial discipline.

In 2018, we transferred our 27.42% shareholding participation in the Empresa de Transmissão do Alto Uruguai S.A. (ETAU) to Eletrobras for R$ 23 million; and our 75.0% shareholding participation in Uirapuru Transmissora de Energia S.A. for R$ 63 million.

In 2018, we also transferred our shareholding participation in the SPE's Marumbi (20%) and Costa Oeste (49%) to Companhia Paranaense de Energia (Copel). In return, we received the 20% participation in the TSBE SPE held previously by Copel. Currently, we hold a 100% stake in TSBE.

Recent Operations

Throughout the year, we invested R$ 27.49 million in the expansion and infrastructure of the transmission systems of the Southern Region and the state of Mato Grosso do Sul. In 2018, our transmission investment portfolio included 14 projects, five of which were finalized (SE Tapera 2, SE Santo Ângelo, SE Dourados, SE Biguaçu, and SE Nova Petrópolis), meeting Aneel' s deadline for energization. Other projects are still in progress and are expected to be finalized in accordance with Aneel deadlines.

Expiry of Lot A

GRI 102-10

At the beginning of 2018, we continued our negotiations with Shanghai Electric with the objective of establishing a partnership for the execution of works related to Lot "A" of Aneel Auction No. 004/2014, which comprises a set of power transmission projects in Rio Grande do Sul. The company was the only investor to bid in Eletrosul's public call.

The deadline established by Aneel for the closing of negotiations between the companies ended in September 2018, before the parties having reached an agreement, which made the transfer process unfeasible. As a result, the Ministry of Mines and Energy (MME) declared the expiration of the concession.

Following the declaration of expiration, Aneel filed an administrative lawsuit, against which we are filing our defense. Aneel is currently analyzing the proceedings.

Due to the expiration of the concession agreement of Lot "A", Aneel dismembered and started a new bid process for these projects, relaunching them in lots 10, 11, 12, and 13 of Aneel Auction No. 004/2018, whose public session took place in November/2018.

As we had already completed a series of stages of Lot "A", such as projects, social and environmental licensing, including land clearance and land acquisition, we launched a public call for companies interested in using these assets, once they were announced winners of the Aneel auction for the lots mentioned above. Throughout 2019, we will conclude negotiations with companies who demonstrate interest in bidding, which will mitigate the negative effects resulting from the expiration of the bid and recover a significant portion of the amount invested.

Lot E

GRI 102-10

Since 2016, we have made efforts to launch Public Bids in order to select companies interested in the acquisition of 100% of our shares in the SPE Paraíso Transmissora de Energia SA, the concession holder of the Lot "E" electricity transmission projects included in Aneel Auction No. 004/2014, located in Mato Grosso do Sul.

In 2018, we launched a successful Public Bid process that resulted in the acceptance of the proposal submitted by JAAC Materials & Engineering Services Ltda.

On October 31, 2018, Eletrosul's Extraordinary General Meeting approved the transfer of our shares in the SPE Paraíso to JAAC. In November, the SPE Paraíso submitted the corporate control transfer plan to Aneel. Since then, we have been providing additional information and documents required by Aneel. The transfer plan was approved in May 2019.

Telecommunications

We have a large digital telecommunications system that covers all of our facilities, through which strategic information essential to the operation and maintenance of our electricity production and transmission projects is exchanged, as well as the commercialization of telecommunications services.

Our telecommunication system consists of 11,471 km of optical fibers (3,658 km, Eletrosul's own; and 7,813 km through swap with other companies), 60 DWDM stations, 76 SDH stations, and 46 radio stations, covering the states of Rio Grande do Sul, Santa Catarina, Paraná, Mato Grosso do Sul, and São Paulo.

This entire structure includes data and information transportation technologies, enabling integration among administrative, business, operational, and maintenance areas, as well as with other Eletrobras companies, the National Electric System Operator (ONS), the Electric Energy Chamber of Commerce (CCEE), among others.

In addition to transmitting information regarding our own operations, the system may be used for the commercialization of telecommunications services followed by ANATEL's authorization. Thus, its surplus capacity is sold in SCM (Communication and Multimedia System) Mode to companies active in the Electric Sector. Through a technical-operational-commercial partnership agreement with Telebras, it also serves Internet providers, telecommunications companies, the federal government, including other parties. At the end of 2018, we had eight clients in the Electric Sector and approximately another 130 as partners with Eletrosul and Telebras.

In 2018, Eletrosul and the National Education and Research Network (RNP) signed a technical cooperation agreement to share telecommunication infrastructure. The partnership will expand the capacity of the National Education and Research Network, which also provides educational and research institutions located in Paraná, Santa Catarina, Rio Grande do Sul, and Mato Grosso do Sul with high-speed Internet. The agreement will be effective for 20 years and investments will exceed R$ 30 million spread over three phases until 2020.

Financial Results

Financial Capital

Management

GRI 103-1 / 103-2 / 103-3

Satisfactory economic performance is essential to ensure that we meet our goals and that our business will last for the short, medium, and long term. Therefore, our initiatives in this area count on a series of policies, including: Antitrust Policy, Environmental Policy, People Management Policy, Sustainability Policy, Social Responsibility Policy, Social Investment Policy, Integrated Information Technology Policy, Supply Logistics Policy, R&D and Innovation Policy, and Risk Management Policy.

In addition, our objectives and goals are set out in the Corporate Goals and Performance Agreement (CMDE) signed with the Controller company and broken down into internal goals (learn more in Strategic Planning).

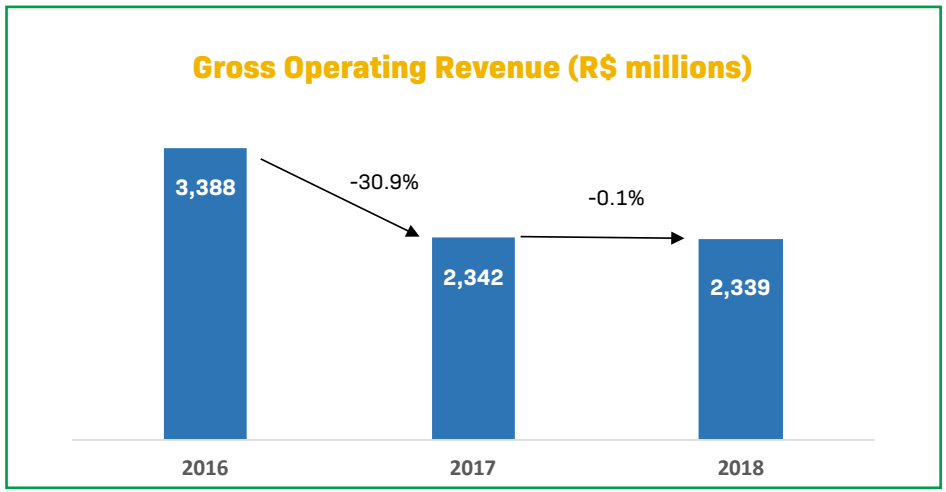
In recent years, one of our strategic focuses has been to reduce the company's indebtedness, especially in regard to the amount owed to the Holding. By transferring our shareholding participation in SPE's, which began in 2017 and continued throughout 2018, we were able to pay off over R$ 1.0 billion in debt to Eletrobras. Through these and other initiatives, we were able to reduce our net debt by 5.1% in one year, reducing our financial leverage by 4.4%.

Revenue

GRI 102-7

In 2018, our gross revenue was R$ 2.339 million, 0.1% less than the previous year.

Gross Operating Revenue (R$ millions)	2016	2017	2018
Transmission	2,598	1,316	1,289
Production	495	557	490
Commercialization	257	413	496
Other revenue	38	56	64
Total	**3,388**	**2,342**	**2,339**



We had a decrease of 2.1% in transmission operations, mostly due to the lower volume of construction revenue caused by the decrease of investments and revenue volume variance related to the indemnification of the Existing Basic Network Transmission (RBSE). The latter was caused by an accounting change in its measurement method, calculated at fair value starting 2018, and retroactive effects on Shareholders' Equity.

There was also a 12% decrease in production revenue, caused by the transfer of our shareholding participation in SPE's to Eletrobras. In the case of commercialization, we have registered a 20% increase due to the Power Purchase Agreement (PPA) we signed with SPE's transferred to Eletrobras (Hermenegildo I, II, III; and Chuí IX).

Costs and Operating Expenses

Our operating costs and expenses were equivalent to R$ 932 million in 2018, 10.7% higher as compared to 2017.

Costs and Operating Expenses (R$ millions)	2016	2017	2018
Personnel*	407	434	401
Energy purchased for resale	264	288	417
Materials	12	10	9
Third-party services	118	110	104
Total	**801**	**842**	**932**

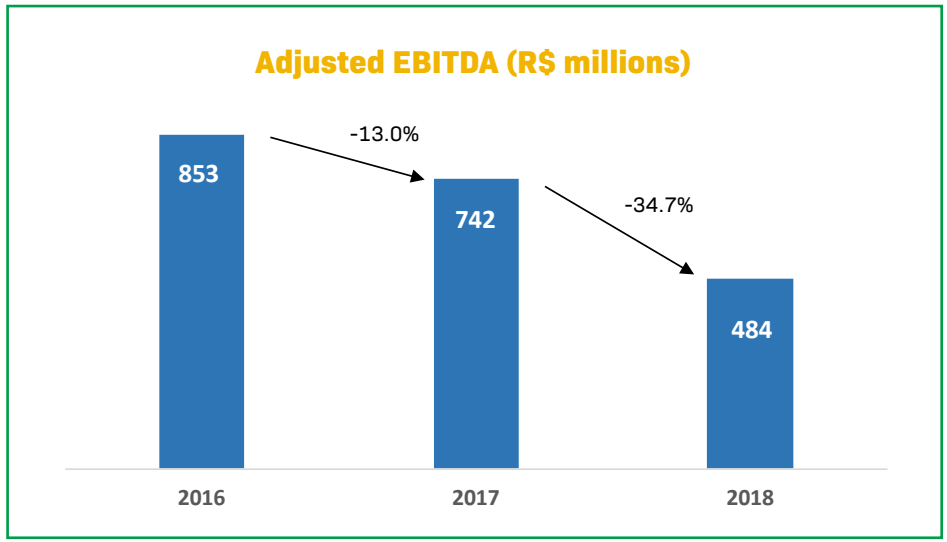
**Except for Withdrawal Incentive Plan and Profit Sharing.*

The increase was caused by energy purchased for resale, which rose 44.8% as compared to 2017. These purchases are mainly derived from Power Purchase Agreements (PPA) signed with the SPE's Energia Sustentável do Brasil S/A and Teles Pires Participações S.A., jointly controlled by Eletrosul; and the SPE's Hermenegildo I, II, III, and Chui IX. Our shareholding participation in these four plants was transferred to Eletrobras in December 2017, which changed the carrying amount of the energy purchase.

Personnel expenses were reduced by 7.5%, mostly due to the 2017 Extraordinary Retirement Program (PAE), which resulted in the dismissal of 120 employees from the permanent workforce.

Ebitda

During the year, our adjusted EBITDA was R$ 484 million, a decrease of 34.7% as compared to 2017. The EBITDA margin was 23.6%, 33.9 pp lower than the previous year.



Among the main factors that contributed to the decrease in EBITDA, we highlight the fact that the calculation considers total equity, which in 2018 demonstrated a negative result due to the loss caused by ESBR Participações (investee); and positive results derived from equity interests in 2017.

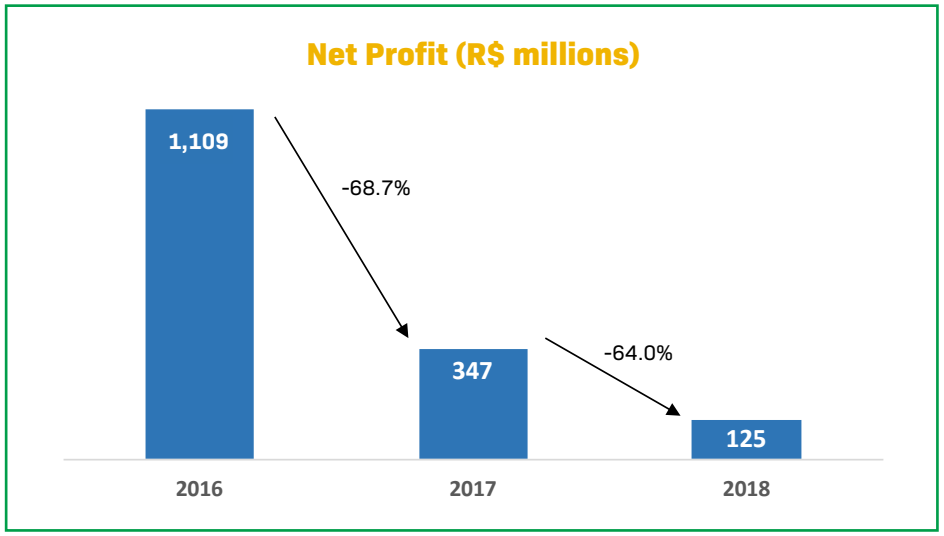
Financial Results

The financial result presented a net expense of R$ 238 million, a 50.1% decrease as compared to 2017.

The amount was mainly influenced by the reduction of financial expenses, caused by the debt settlement with Eletrobras through the transfer process involving shareholding participation in SPE's.

Net Profit

The 2018 net profit was R$ 125 million, a decrease of 64.0% as compared to the previous year. The decrease was mostly due to negative results derived from shareholding participation and provisions for its losses.



Indebtedness

GRI 102-7

The gross debt balance summed R$ 2,961 million at the end of 2018, representing an increase of 4.1% as compared to the end of 2017. Net debt, resulting from total debt less cash and cash equivalents, summed R$ 2,325 million, 5.1% less than the amount recorded for 2017.

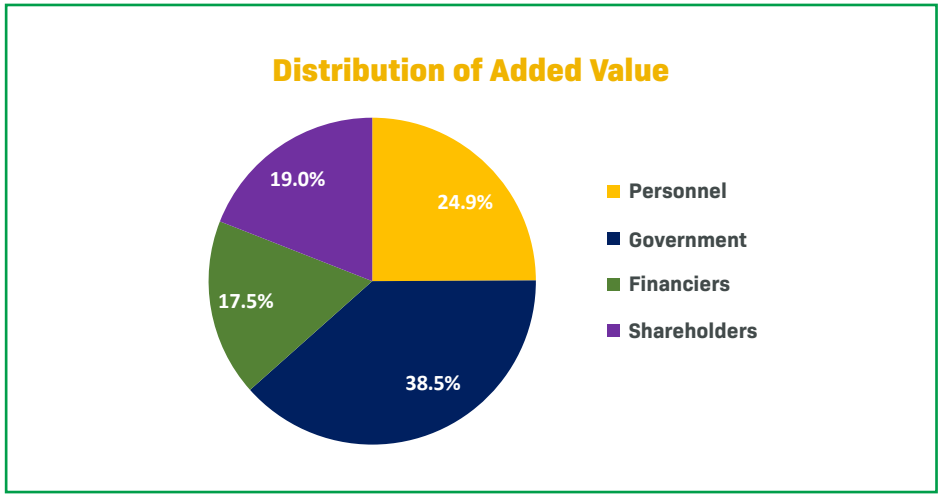
The variation in our indebtedness is partially explained by the transfer of shareholding participation in SPE's; the consolidation of SPE TSBE (learn more in Shareholding Participation); and the increase of Banco KfW funds through Caixa Econômica Federal, which summed R$ 283 million in December 2018.

Added Value

GRI 201-1

The value formation was equivalent to R$ 1,733 million in 2018, 14.1% less than 2017, due mostly because of the added value received in transfers and the negative result derived from shareholding participation.

Among the distribution of value, we highlight the reduction in personnel due to the decrease in expenses; as well as the reduction of Financiers due to the lower debt volume during 2018.



ENVIRONMENTAL RESOURCES

Management System

Natural Capital

GRI 103-1 / 103-2 / 103-3 / 307-1

At Eletrosul, we consider rational and responsible Environmental Management an essential element for our sustainability and the creation of value for our stakeholders. Therefore, we have an Environmental Management System that monitors all environmental actions, focusing on our corporate commitment towards exceptional corporate sustainability practices. The Environmental and Land Management System (SIFA) is being implemented to oversee activities related to the regularity of environmental licenses.

PILLARS OF THE ENVIRONMENTAL MANAGEMENT SYSTEM

Orientation:

Environmental Policy Adopted by all Eletrobras Companies

https://bit.ly/2HFYthH

It establishes the procedures required to deal with social and environmental issues associated with our projects, reinforcing our commitment towards the environment and the sustainable development of the country.

Management:

Environment Committee

We participate in the committee managed by the Holding, which includes experts assigned into thirteen thematic working groups and a temporary committee.

IGS System

Monitoring system of environmental performance indicators, subject to internal verifications.

SIFA System

Land and Environmental Information System, aligned with the premises set forth by the Geoprocessing Policy.

The activities associated with Eletrosul's Environmental Management are conducted by the Environmental and Land Management Department, bound to the Engineering Board, with the participation of the Operational Board.

In line with the Environmental Policy guidelines, which emphasize the use of indicators to track management results, Eletrosul and all Eletrobras Companies adopt an Indicator System for Sustainability Management called IGS. The system has a set of indicators capable of assisting and monitoring the sustainability management process applicable to any activity conducted by the company.

We seek to comply with the environmental legislation by observing carefully the environmental licensing process during all stages of our projects. All of them are currently licensed or in the process of being regularized, such as those that predate the licensing legislation.

An analysis of the vulnerability of risk factors associated with Environmental Management demonstrates the existence of controls already implemented, or partially implemented for more than 90% of identified risks, classifying as low the status of Eletrosul's control structure in relation to the Environmental Management risk.

As a result, we have not been penalized with any fines, sanctions, or lawsuits for noncompliance with environmental laws and regulations in 2018.

Water

Natural Capital

Water Use Profile

GRI 103-1

Our water consumption occurs during operational and administrative activities. The water used in our hydroelectric plants is not used for consumption, and it is returned to water bodies with quality similar to that of when it was first abstracted. The volume required for all operations is constantly monitored, as well as the water quality. Operative data is also monitored and made available to designated agencies upon request.

All our operations are environmentally licensed and we issue water quality monitoring reports on a regular basis in accordance with each licensing and the demands of environmental agencies. All four operating hydroelectric projects have been granted a water concession:

- The UHE Passo São João has a permit authorizing the abstraction of 333 m^3/s of water from the Ijuí River;
- The PCH Barra do Rio Chapéu has been authorized to capture 2.586 m^3/s from the Braço do Norte River;
- The PCH João Borges has been authorized to use 3.961 m^3/s of water from the Caveiras River; and
- The UHE São Domingos has a permit that authorizes a maximum turbine flow of 160m^3/s of water.

In the case of administrative activities, the water consumed is supplied by public utility companies (water and sewage); in most of the decentralized areas, it comes from underground sources.

Management

GRI 103-2 / 103-3 /303-1 / 303-2

Water management in our hydroelectric plants is associated with the quality and availability of this resource. Prior to its implementation, Environmental Impact Studies (EIA) consider minimum flow rates for maintaining downstream plant environments, species, and ecological processes. Regulators evaluate such studies and consider future demand for water use in the basin before issuing a permit.

The water volume stored in the National Interconnected System (SIN) reservoirs are defined by the National System Operator (ONS), according to the flows observed, storage capacities, and operating restrictions of the system, also taking into account the other uses of water where the operations are being carried out and the preservation of the basin.

The water volume required by our operations is monitored at various points upstream and downstream of the reservoir, and its quality and data are made available to specific agencies.

The Sustainability Management Indicator System (IGS) is used to track indicators and monitor our environmental performance so that we can continuously improve our management processes and develop strategies, plans, and goals.

At our headquarters and support offices, we have implemented a number of initiatives to reduce our water consumption, such as efficiency campaigns, inspections of any leaking equipment, and modernization of the central air conditioning automation system.

Effluent treatment usually occurs through local treatment systems in compliance with technical standards. This system is licensed together with the associated venture. When the public collection and treatment system is available, our units send the effluents to the municipal collective treatment system.

Commitment and Initiatives

GRI 103-2

Our water management program complies Eletrobras Water Resources Policy, which aims to promote sustainable and rational use of water, considering its multiple uses in the energy sector.

Since 2005, we have been participating in the Water Resources and Hydroelectric Potential Working Group promoted by the Eletrobras Companies (GTRH-EE), which prepares annual reports including the assessment and monitoring of project flows and an overview of water resources used for power production.

In 2018, we attended the first Eletrobras Technical Meeting, which presented technical articles such as: water resources management, dam safety, best water management practices, flow forecasting, in addition to technologies and sustainability in hydroelectric plants. Several Eletrobras employees who work directly with water resources attended the meeting.

Water Consumption

GRI 303-3 / 303-4 / 303-5

In 2018, we consumed 49,664.48 m³ of water, 13.4% less than 2017.

Total water consumption per source (m³)			
	2016	2017	2018
Administrative activities			
Supply network	22,292.70	23,528.16	22,185.27
Groundwater	45,659.22	33,296.48	26,936.25
Surface water	177.25	144.94	216.86
Rainwater collected	348.00	410.90	326.10
Total water consumption	**68,477.17**	**57,380.48**	**49,664.48**
Turbine Water (m³)			
Hydroelectric Turbine Water*	**-**	**-**	**10,599,500,000**

**Volume not calculated for 2016 and 2017.*

In hydroelectric plants, the water used for power production is only diverted to drive turbines, and therefore, does not integrate the total volume of water consumed in our operations. In 2018, 10,599 million m3 of water passed through turbines without being withdrawn from rivers or sources under water stress.

Our Business and Management Plan (PNG-2018-2022) highlights a water consumption target bound to "SDG 9 – Industry, Innovation and Infrastructure" . It establishes a 0.3% per year reduction in administrative water consumption of the supply network, as compared to the previous year. By the end of 2018, the indicator decreased to 5.7%, which is still higher than the previous PNG target at 0.3%.

Biodiversity

Natural Capital

Management

GRI 102-11 / 103-1 / 103-2 / 103-3 / 304-2

Our power production and transmission projects are concentrated in Brazil's southern states, in addition to the state of Mato Grosso do Sul; and Pampa, Mata Atlântica; and Cerrado biomes. These biomes are highly biodiverse but are constantly under the threat of human interference. Most of their land area (52.9%, 37.9% and 45.8%, respectively) is of high or extremely high biological importance, according to the Ministry of Environment (MMA).

Aware of the impact that our operations may have on these areas, we operate based on precautionary principles, which seek to anticipate and avoid the negative impacts of identified risks, or to prepare ourselves accordingly in the case of unwanted events.

The implementation of a plant, for example, can cause soil and water contamination due to oil leakage, affecting natural fish migration and terrestrial fauna, in addition to reducing the water quality of artificial reservoirs. Transmission lines can cause soil erosion and habitat destruction.

Therefore, the planning phase of our projects must include Environmental Studies that characterize, evaluate, and map out the biodiversity of the areas where our projects will be implemented, in addition to the identification of possible risks. Their surveys focus on rare, endemic, and endangered species.

Through impact evaluation, we have defined preventive, mitigating, and compensatory measures that include development and monitoring programs focused on the fauna, flora, water quality, forest replacement, permanent preservation areas (APP), erosion control, noise levels, solid waste, among others.

Regarding areas inevitably degraded due to the implementation of projects, several recovery actions are executed such as removal and storage of the organic layer of the soil, topographic reconstitution, in addition to soil and vegetation replacement with herbaceous, shrub, and tree species. The success of restoration measures is evaluated and monitored by expert technicians.

Since 2012, the biodiversity guidelines established by Eletrobras Environmental Policy have been used to guide the execution of our projects. In addition, the IGS system has indicators that contribute to the monitoring of the environmental impact of our projects.

Profile

GRI 304-1 / 304-3

In order to mitigate our negative impact on the biodiversity of areas under direct influence of our projects, we seek to undertake a series of environmental recovery actions and programs across the regions affected, especially in Permanent Preservation Areas (APPs). These include the demarcation and fencing of APPs, the application of forest replacement techniques, and the utilization of biodiversity conservation models, aiming to maintain key processes that help to recover the complexity of natural system conditions.

At the end of 2018, our hydroelectric projects were associated with 27.5 km² of APPs.

Project	APP (km²)
PCH Barra do Rio Chapéu	0.27
PCH João Borges	2.68
UH Passo São João	17.69
UH São Domingos	6.84

In 2018, three substations, considered small works, were enlarged, which resulted in the need to recover only 2,095 m² related to the construction site used to expand SE Nova Petrópolis. There was no need for biodiversity actions as the area had already been anthropized.

In 2018, wildlife monitoring, PPA restoration, and the acquisition of areas in need of compensation due to vegetation suppression were carried out.

The construction of the Centro de Educação Ambiental do Parque Estadual do Espigão Alto, located in the municipality of Barracão (RS) also began in 2018. With R$ 456,700 in investments, the project is one of the compensatory measures established in the environmental licensing process of 525 kV Campos Novos – Nova Santa Rita Transmission Line.

The success of the measures is evaluated by Eletrosul's environmental technical team and environmental agencies.

Climate Change

Natural Capital

Overview

GRI 103-1 / 201-2

At Eletrosul, we acknowledge the importance of mitigating Greenhouse Gas (GHG) emissions, fighting climate change, and contributing to a low-carbon economy. Therefore, we seek to continuously reduce CO2 emissions resulting from our operations. Our power production projects count on a 100% clean and renewable energy matrix that includes hydroelectric, wind, and solar plants.

On the other hand, renewable sources are more susceptible to the effects of climate change, which may affect our operations. Our ability to produce energy may vary over time as a result of the behavioral changes of natural phenomena, such as variations in rainfall index and evaporation coefficients affecting river flow, the incidence of extreme wind gusts, water indexes, solar irradiation, among others. The increase of extreme events may also affect our transmission operations and society in general, causing disruption to network operations.

Eletrobras Companies react against such challenging issues by adapting studies and analysis of risks and vulnerabilities to climate change. As part of this effort, the Climate Change Adaptation Task Force conducted, in 2018, a diagnostic assessment on climate change-related risks and opportunities by mapping them out and prioritizing the ones relevant to the organization, based on a perception survey conducted across different corporate areas.

Eletrosul participates in the "Expansion of Climate Services for Infrastructure Investments" – a global project that counts on the technical support and funding provided by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). In Brazil, the project is coordinated by the Ministry of Environment (MMA) and the Government of Santa Catarina. The state of Santa Catarina was chosen because it is the focus of a large number of extreme weather events that may affect Porto de Itajaí and several Transmission Lines.

The project aims to improve climate services in the planning and assessment of climate risks imposed upon infrastructure investments. The knowledge gained will benefit the government's territorial and sectoral planning, as well as the adaptation of Eletrosul's transmission system to climate change.

Management

GRI 103-2 / 103-3

We comply with the Environmental Policy adopted by all Eletrobras Companies, which aims to minimize emissions and the consumption of energy derived from non-renewable sources. These commitments were publicly endorsed in 2012 through a declaration of commitment to climate change.

To monitor and address climate change issues, we participate in two Eletrobras committees:

Energy Efficiency Integrated Committee of Eletrobras System (Cieese): it seeks to promote corporate energy efficiency through the development of technological solutions for all subsidiaries, technical cooperation, and excellence.

Climate Strategy Working Group (GT 3): bound to the Environment Committee of Eletrobras Companies (SCMA), it aims to develop GHG emission reduction strategies, including reduction targets. The GT counts on task forces created to conduct works on climate change adaptation and quantification of CO2 emissions and withdrawals resulting from land use activities.

In order to monitor our emissions and continually improve climate change management, direct and indirect emission sources are mapped out and monitored through the Sustainability Management Indicator System (IGS). After data validation, they are exported to a set of computational tools that calculate and track the historical evolution of variables related to greenhouse gas emissions (CO2, CH4, N2O, PFCs and HCFCs).

Energy

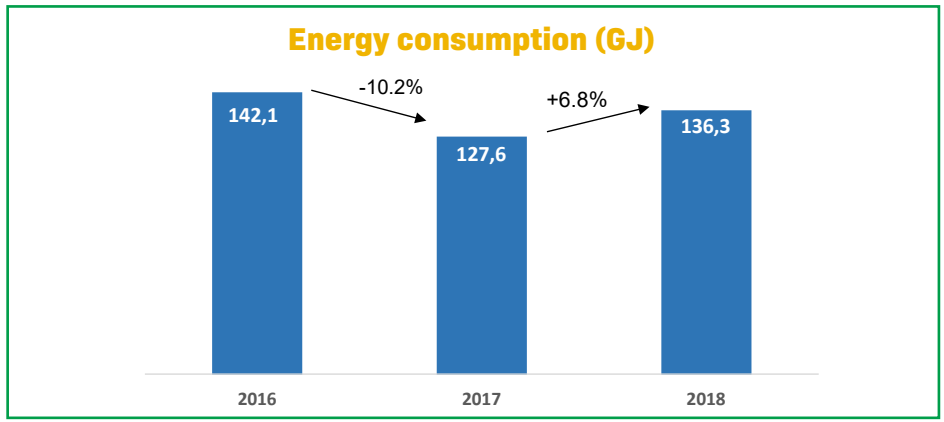
GRI 103-1 / 103-2 / 103-3 / 302-1 / 302-3

Energy consumption is one of the main inputs resulting from our production and administrative processes, through which we indirectly release greenhouse gases (GHG), known to contribute to global warming. For this reason, we have registered a set of indicators and variables associated with energy consumption in the IGS in order to assist the monitoring and continuous improvement of our Environmental Management process.

Our company's new ventures are built upon sustainability awareness, which also provide for the reduction of water and energy consumption.

In 2018, the following actions were taken to reduce energy consumption: energy efficiency campaigns, modernization of the central air-conditioning automation system, installation of movement sensors and switches in pantry areas, and the replacement of fluorescent lamps with LEDs in meeting rooms located at Shared Services Center.

Throughout the year, we consumed 136,256 GJ, 6.8% more energy than 2017.



The energy efficiency was equivalent to 0.061 GJ/MWh; that is, for each MWh produced by our operations, we consumed 0.061 GJ of power. We also calculated our energy efficiency based on the company's Net Operating Revenue (NOR) in 2018, which is equivalent to 0.66 GJ/NOR.

Our target for energy consumption described in the PNG 2018-2022, bound to "SDG 9 – Manufacturing, Innovation and Infrastructure", establishes an annual reduction of 0.2% in administrative energy consumption provided by the concessionaire.

Despite all the actions implemented, with a 1.35% energy consumption reduction registered by September, that target was not achieved due to the occurrence of high temperatures in the region during the last quarter of the year, which caused greater demand for the use of air conditioning. Our annual consumption was affected by the continuous use of air conditioning equipment, as it requires a higher amount of electricity at our headquarters.

Energy consumption (GJ)*		
	2017	2018
Electricity consumption (GJ)	63,980	67,007
Consumption of non-renewable fuels[1] (GJ)	19,589	17,034
Consumption of renewable fuels[1] (GJ)	2,761	2,424
Difference between gross power production and net power production[3] (GJ)	41,308	49,791
Total power consumption	**127,638**	**136,256**

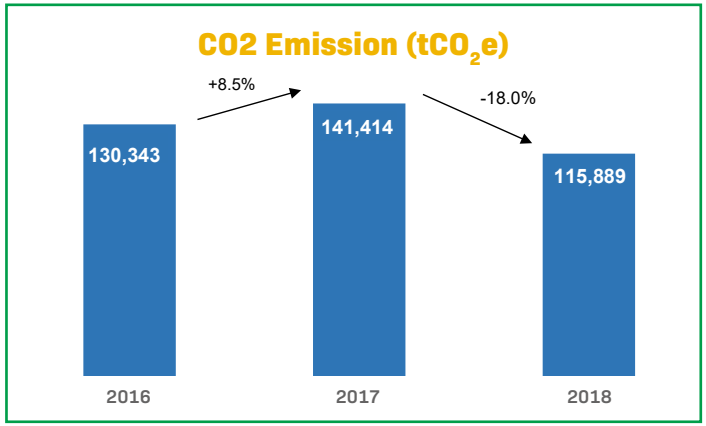
** The calculation methodology applicable to total energy consumption changed in 2017, so 2016 is not included in the table.*
[1] gasoline, LPG and diesel are classified as non-renewable fuels.
[2] ethanol and biodiesel are classified as renewable sources.
[3] the calculation of the amount of energy consumed in our operations include the amount of the difference between the energy produced by our plants and the energy delivered to the basic grid, resulting from losses derived from the grid shared among different projects.

Greenhouse Gas Emissions (GHG)

GRI 305-1 / 305-2 / 305-3 / 305-4 / 305-5

Our emission sources are continuously monitored. The results are published annually in the Greenhouse Gas Emissions Inventory by the Eletrobras Companies. The IPCC (2006) methodology and GHG Protocol guidelines are used to determine the results.

In 2018, the total was equivalent to 115,889 tCO_2e, 18.0% less than 2017.



Greenhouse Gas Emissions (tCO_2e)	2016	2017	2018
Direct emissions (Scope 1)[1]	3,841	10,155	10,560
Indirect emissions from energy acquisition (Scope 2)[2]	125,938	130,625	104,519
Other indirect emissions (Scope 3)[3]	566	633	810
Total	**130,343**	**141,414**	**115,889**

[1]This includes emissions from diesel generator fuel consumption , LPG from stationary sources, gasoline and diesel used by fleet vehicles, gasoline used by nautical vessels, sanitary effluents and SF_6 contained in transmission equipment, in addition to cooling gases released by air conditioning equipment. [2] It also includes emissions related to the consumption of electricity purchased from concessionaires operating in the SIN and losses in the transmission system. [3] This includes emissions related to business air travel, transportation of employees, transportation of non-energy products, and aviation kerosene used by aircraft charters.

As a result, we had an emission intensity rate of 0.0516 tCO_2e/MWh in 2018, which means that for each MWh produced, we released 0.0516 tCO_2e. The calculation considered Scope 1 and Scope 2 emissions only. We also calculated our emissions intensity based on the Company's Net Operating Revenue (NOR), which was equivalent to 0.0559 GJ/NOR in 2018.

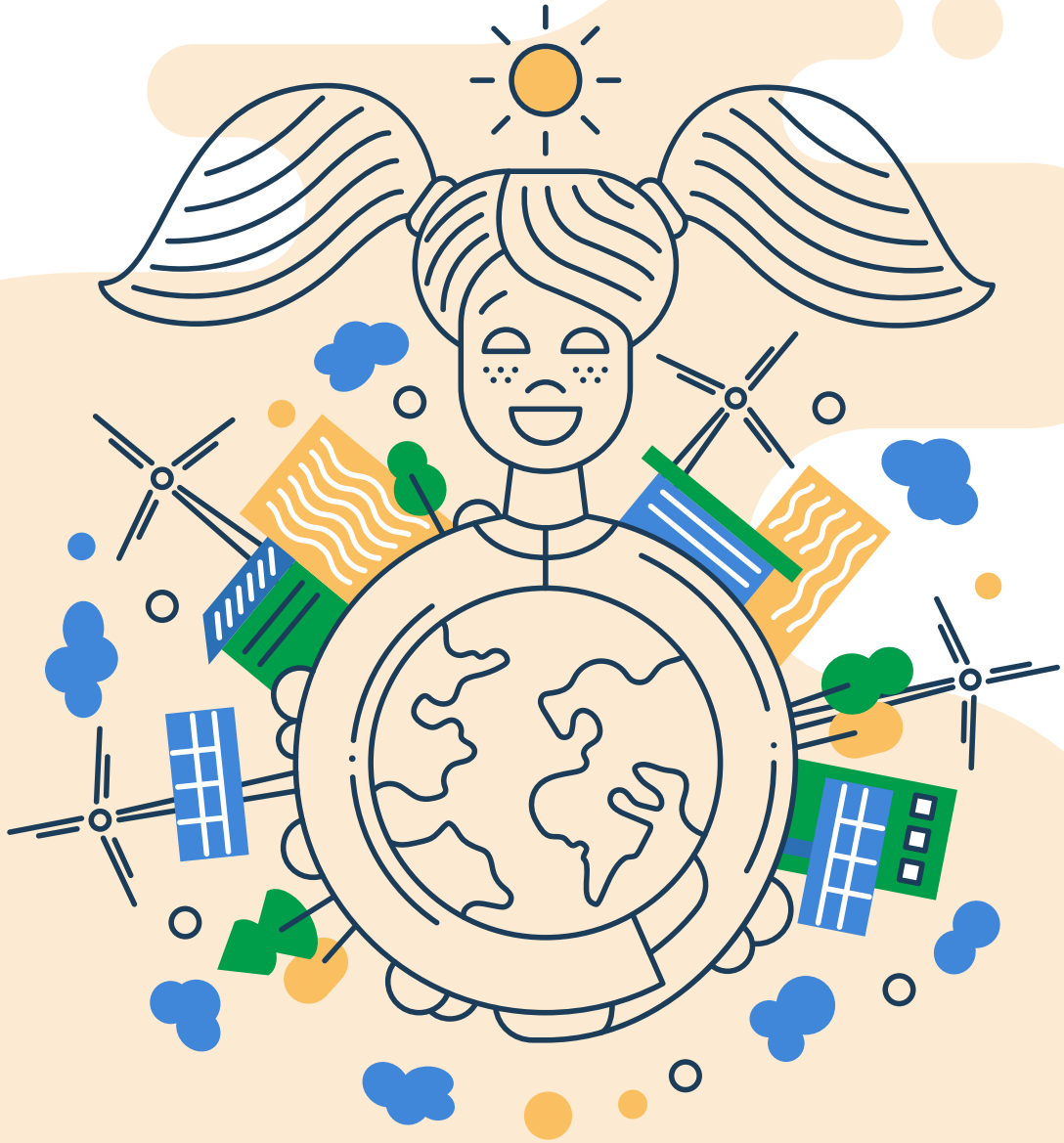
Our PNG 2018-2022 establishes a greenhouse gas emission target bound to "SDG 13 – Action against Global Climate Change". It establishes that the ratio between Total GHG Emissions and NOR must be equal to or less than 0.068, which was reached in 2018.

Among the initiatives that contributed to this reduction, we can mention, in addition to those that affected energy consumption (learn more in Energy), an awareness campaign for the efficient use and maintenance of fleet vehicles, the implementation of vehicle tracking, and the use of alcohol as fuel for leased vehicles.

Our PNG 2018-2022 establishes a target for vehicle fuel consumption bound to "SDG 13 – Action against Global Climate Change", which establishes an annual reduction of 0.2% in fossil fuel consumption, accumulating a reduction of 1.0% until 2022. By 2018, the target was exceeded, with a 13.6% reduction in fossil fuel consumption as compared to the previous year.

Another initiative that contributed to reducing our emissions in 2018 was the migration of energy consumption from our Santa Catarina region to the free contracting environment, which started using clean energy produced by the PCH João Borges operations. The migration took place in April, leading to a clean energy consumption of 867.4 GJ throughout the year.

RELATIONSHIPS



Dialogue and Communication

GRI 102-40 / 102-42 / 102-43

Social and Relationship Capitals

At Eletrosul, we acknowledge the importance of our stakeholders in building our reputation and creating value. For us, establishing relationships and dialogue with our stakeholders is an essential part of our sustainability strategy.

The identification process of Eletrosul's stakeholders is developed in alignment with the business strategy and the Code of Ethical Conduct and Integrity adopted by all Eletrobras Companies.

We have developed a differentiated form of communication to strengthen our relationship with each one of them. The dialogue is guided by the Communications and Engagement with Stakeholders Policy adopted by all Eletrobras Companies.

PUBLIC DIALOGUE

- Shareholders General Meeting
- Customer Satisfaction Survey
- Climate Survey applied to collaborators
- Events open to society
- Corporate TV and Learn More
- Ombudsman and Reporting Channels
- Website and social networks
- Newspaper and TV Campaigns
- Management Report
- Sustainability Report
- Community programs

CHANNELS

- Shareholders
- Regulatory Agencies (Aneel, ONS)
- Financiers (banks)
- Regulatory Agencies (TCU, CGU, etc.)
- Clients
- Partners (SPEs)
- Sponsorships
- Suppliers
- Society
- Community
- Internal Audience
- Unions
- Press
- Government

In 2018, we became part of the new Integrated Communications Committee of Eletrobras Companies, which is coordinated by the Holding with participation of every communications superintendent/manager. The committee focuses on improving communication actions and stakeholder engagement, facilitating the development of integrated communication actions.
The Holding reviewed the Social Responsibility Policy adopted by all Eletrobras Companies with the participation of all companies, which enabled topics such as Integrity and Human Rights to be discussed in more detail.

Learn more about our relationship management practices with our main stakeholders in the following subchapters.

Employee Engagement

Human Capital

Intellectual Capital

Management

GRI 103-1 / 103-2 / 103-3

Our employees are a key element for creating value by acting as partners to build up our business, execute our strategy, and achieve operational and sustainability goals/ objectives.

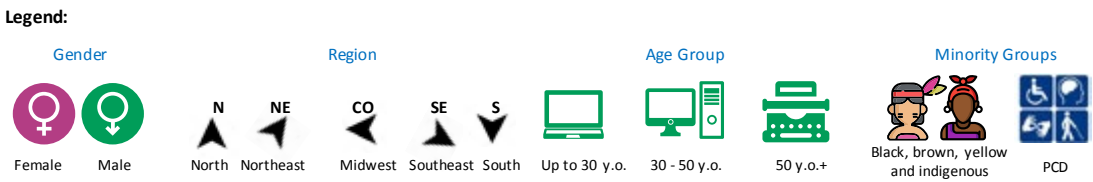
For this reason, we count on a personnel management process that focuses on continuous training and development, the application of career and succession management instruments, the adoption of effective occupational safety and occupational health programs, including benefit policies for employees and their dependents. The results are continuously monitored by the Personnel Management so that the implementation of initiatives can be evaluated.

Our actions comply with the Personnel Management Policy adopted by all Eletrobras Companies, which establishes the guidelines for the development, appreciation, and retention of employees. They promote integrated actions; monitor personnel management; and ensure equal rights, opportunities, and obligations, while respecting the specificities and characteristics of each region and increasing the synergy between employees and the company.

The policy was reviewed in 2018 and the Personnel Management Regulation adopted by all Eletrobras Companies was created aiming to establish common practices and rules that integrate personnel management and standardize the processes aligned with the strategic guidelines set forth by the Holding.

Profile

GRI 102-8 / 405-1



Employment Contract	♀	♂
Undetermined	176	942

N	NE	MW	SE	S
0	0	33	0	1,085

Tipo de emprego	♀	♂
Full-time	170	831
Part-time	6	111

	♀	♂
Leadership	12%	88%
Employees	16%	84%

0%	70%	30%
2%	70%	28%

4%	1%
11%	2%

** All employments contracts are indefinite because Eletrosul is a mixed capital company*

At the end of 2018, our workforce consisted of 1,118 employees.

Turnover

GRI 401-1

	♀	♀								
Total hires	1	5	0	0	1	0	5	5	1	0
Hiring rate	0.6%	0.5%	0%	0%	2.9%	0%	0.5%	20.8%	0.1%	0%
Total dismissals	22	106	0	0	10	0	118	3	27	98
Turnover rate	12.5%	11.3%	0%	0%	29.4%	0%	10.9%	12.5%	3.5%	31.3%

In 2018, we hired 6 people and dismissed 128.

The volume of dismissals is mainly explained by the implementation of the Consensual Resignation Plan (PDC), which resulted in the dismissal of 112 employees throughout the year. The Plan was implemented by all Eletrobras companies in accordance with the Holding's strategic orientation, with the objective of adapting its staff, generating process efficiency, rapport among teams, and a sustainable profile for business and people development in the coming years.

The Knowledge Transfer Program was developed as one of PDC stages, which seeks to ensure that the dismissal of an employee does not affect the activities conducted by his/her area or cause any harm to the company. In addition, the Personnel Management Policy and the Personnel Management Regulation adopted by all Eletrobras Companies establish planning processes and criteria that ensure appropriate career transitions.

Diversity

GRI 401-3 / 405-2

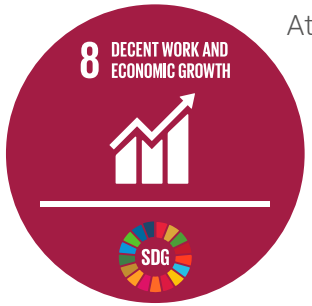
We are committed to promote respect towards the social and cultural diversity of our employees, including individual differences related to social, cultural, and ethnic background; gender; age; religion; political opinion; sexual orientation; and their physical/mental condition.

In order to meet this commitment, we count on a Standing Committee on Gender, Race and Diversity Issues, which reports to the Presidency of Eletrosul and is bound to the Standing Committee on Gender, Race and Diversity of the Ministry of Mines and Energy (MME).

In addition to the monthly meetings held in 2018, the Committee provided training for employees and contractors on "promoting racial equality and coping with racism", "conscious parenting", "self-defense for women", "promotion and defense of LGBT rights", and "principles of women's empowerment".

The actions developed are in line with the Women's Empowerment Principles established by the United Nations Women's Development Fund (UNIFEM), and by the United Nations Global Compact (UN). The Committee prepares biennial plans approved by the board, including actions designed to improve the organizational environment and seek equal opportunities for everyone within the company.

Because we are a mixed-capital company, our employees are hired through a civil service exam process, and therefore, the diversity profile occurs randomly.



At the end of 2018, 16% of our workforce were women, as well as 12.4% of all leadership positions. Thus, we achieved one of the goals set forth in our Business and Management Plan (PNG) bound to "SDG 8 – Decent Work and Economic Growth", which establishes a minimum of 12% of women in managerial positions for 2018.

We also monitor gender diversity indicators regarding pay equity and retention rate following parental leave:

Parental leave	
Parental leave taken in 2018	52
% of employees returning to work after leave	
Women	100%
Men	100%
% of employees returning to work and staying 12 months after leave	
Women	100%
Men	100%

Ratio between women's compensation vs. men					
Management level		University level		Elementary/high-school level	
Salary	Remuneration	Salary	Remuneration	Salary	Remuneration
1.00	0.95	0.88	0.86	1.04	1.00

Health and Safety in the Workplace

Management

GRI 103-1 / 103-2 / EU-16

Safety culture is one of the core values of our company. It provides a safe work environment and better quality of life for our employees. We focus on anticipating, acknowledging, evaluating, and controlling occupational hazards in the workplace; and promoting better health in accordance with current legislation and the technical, legal, and ethical precepts recommended by official bodies.

The actions taken comply with the guidelines of the Personnel Management Policy adopted by all Eletrobras Companies, which establishes the continuous maintenance of good working conditions and well-being of employees, in line with Eletrobras Sustainability Policy.

Our Occupational Health and Occupational Safety Management is defined in the Occupational Health and Occupational Safety Management Standards, and Eletrosul's Occupational Safety, Occupational Health and Social Support Plan (PESSOAS). This plan aims to ensure, through the promotion of occupational health and safety, the well-being and quality of life of every employee, in addition to a healthy and safe environment.

In order to better guide the team, PESSOAS actions were subdivided into nine major groups: advisory and communications, operational supervision, risk management, management of contracted services, compliance with legal requirements, standardization, training, awareness and development, skills and performance monitoring.

We highlight the following PESSOAS programs:

- Environmental Risk Prevention Program (PPRA) and the Technical Report on Environmental Working Conditions (LTCAT);
- Occupational Health Medical Control Program (PCMSO);
- Quality of Life Program;
- Eletrosul's Emergency Response Plan (PASE);
- Disability Assistance Program (PAPD);
- Alcohol and/or Other Drug Dependence Prevention Program (PRAD);
- Third of First Program (3D1);
- Retirement Orientation Program (POPA);
- Organizational Environment Management Program; and
- Follow-up Program for Employees Away from Work due to Occupational Illness and/or Accident.

Performance

GRI 103-3 / 403-2 / 403-3

Our Personnel Management conducts status diagnosis periodically through specific Health and Safety indicators, developing plans and implementing initiatives that mitigate risks and minimize impact on working processes. In 2018, we obtained the following health and safety indicators:

Health and safety indicators	Male	Female	Total
Injury Rate	5.6	9.2	**6.13**
Occupational disease rate	0	0	**0**
Lost days rate	3,127	336	**2,731**
Absenteeism Rate	2.97	5.52	**3.39**
Deaths	1	0	**1**

Among the many activities executed by our employees, we have identified risks, such as shoulder overload, associated with specific occupational diseases inherent to transmission line field work. We conduct an ergonomic evaluation of all employees engaged in such activities in order to improve work processes and implement a rotation of activities to prevent or reduce occupational diseases.

In addition, we provide these employees with a Fitness Program that focus on muscle strengthening followed by a fitness assessment conducted twice a year.

Additionally, we promote a socio-functional follow-up by identifying psychosocial factors that may be either protective or risky to the health and safety of our employees, which contributes to the management of a safe and healthy work environment.

Educational Actions

GRI 103-1 / 103-2 / 404-1 / EU-14

Aware of the importance of our employees' performance and knowledge in order to achieve our strategic goals, we seek to develop their professional skills through our corporate educational programs. The University of Eletrobras Companies (Unise) and Eletrosul's Corporate Education Unit contribute to the planning and development of educational actions aligned with the processes inherent to all corporate areas.

Unise develops general, managerial, and specific competencies critical to enabling the strategies set forth by the Holding through company-specific training and the dissemination of the group's culture and values. Our corporate education unit, on the other hand, promotes the management of general and company-specific competencies, including continuous learning programs through lectures, training, and qualifications.

In 2018, we offered a total of 65,300 hours of training, resulting in an average of 58.41 hours of training per employee.

Average hours of training offered	
By gender	
Men	60.62
Women	46.57
Based on position	
Managerial positions	58.77
Positions requiring university degree	46.65
Positions not requiring university degree	58.02
Total	**58.41**

Knowledge Management (GC)

Eletrosul's Knowledge Management Committee aims to promote knowledge culture within the company through knowledge sharing, retention, and standardization practices, in addition to defining strategies and policies aligned with the company's Strategic Planning and creating mechanisms to improve employee awareness.

In 2018, the Committee created a Knowledge Management Action Plan, approved by the Executive Board. It foresees 13 actions, organized into six specific areas:

- **Culture and Leadership;**
- **Structure;**
- **Sharing and Learning;**
- **GC strategy;**
- **People and Networks; and**
- **Information and communication technology.**

The actions implemented include a sensitization workshop with different leaders, the elaboration of a library readjustment project, the training of educator employees, and the creation of a corporate social network.

Career

GRI 103-3 / 404-2 / 404-3 / EU-14

Since 2010, the Career and Compensation Plan (PCR) adopted by all Eletrobras Companies unifies the group's guidelines and policies for positions, careers, compensation, and performance. Thus, we are able to align personnel management policies and practices with our strategic driving mechanisms in order to improve organizational performance based on competencies and focus on results.

As part of the PCR, the Performance Management System (SGD) promotes the planning, monitoring, evaluation, and development of our teams. Through the SGD, we evaluate the performance of 100% of our employees considering corporate and team goals.

Following the evaluation, we develop an Individual Development Plan (PDI) for each employee. In addition, our Team Development Planning (PDEquipe) consolidates the skills that need to be developed in each area.

Remuneration and Benefits

GRI 401-2

Our compensation policy complies with the Career and Compensation Plan (PCR) guidelines, and the variable compensation practice remains bound to the Profit/Results Sharing Program.

In addition to the fixed and variable compensation as part of the Employee Appreciation and Retention Policy, we offer a number of benefits and advantages either determined by law or based on the Collective Bargaining Agreement. We offer other benefits, spontaneously, based on the premises set forth by our human resources policy. We highlight the following benefits:

- extended maternity and paternity leave;
- medical/health insurance and dental care;
- additional pension plan;
- daycare/preschool allowance;
- meal allowance;
- holiday bonus;
- funeral assistance; and
- Psycho-pedagogical assistance to employees and/or dependents with special needs.

Client Satisfaction

Social and Relationship Capitals

Satisfaction Survey

GRI 102-43 / 103-1 / 103-2 / 103-3

Maintaining a close and constant relationship with our clients is essential to our sustainability strategy. We can receive and provide information on any technical or satisfaction issue that may impact our operations and affect our ability to create value.

Therefore, we conduct a biennial satisfaction survey including transmission and production clients that are inquired from a commercial perspective. In 2018, we also conducted a technical pilot survey with Eletrosul's System Operation clients focused specifically on their particularities.

RESULT OF THE 3rd CLIENT SATISFACTION SURVEY

Commercial focus

94.36% overall satisfaction

Target set by Eletrobras companies, 85.31% satisfaction, **EXCEEDED**

Technical focus

System Operation Processes

RESULT: 94.38%

Global result: 94.37%

In commercial terms, we achieved a 94.36% satisfaction rate, the highest among all Eletrobras companies. The satisfaction rate resulting from the technical research was 94.38%. This survey, conducted by Eletrosul, must be used as a reference for future client satisfaction surveys conducted by any Eletrobras company, expanding its coverage to other businesses and other types of clients.

Surveys use the Customer Window methodology, which measures client satisfaction based on perceptions of value attributes and the degree of importance given by the client.

The information collected during the survey serves as input for all corporate areas, which receive the evaluation results to identify opportunities for improvement and value creation, both for the company and its clients.

Social and Relationship Capitals

Human Capital

Strategic Suppliers

Profile

GRI 102-9 / 204-1 / 412-3

Our supply chain includes primarily service providers; manufacturers of electromechanical equipment and electrical materials; telecommunications and information technology; contractors; consulting services; surveillance; cleaning; and maintenance.

At the end of the year, we were working with roughly 900 suppliers, 434 of which were hired in 2018 alone, with a total R$ 1,050.8 million in expenses. Thirty-one of them represented significant investment contracts.

Supplier Profile	
Suppliers hired	434
Amount (R$ millions)	1,050.8
Estimated Total Number of Suppliers	900
Purchases made with local suppliers (R$ millions)	175.7
Percentage of purchases made with local suppliers	16.72%

Management

GRI 103-1 / 103-2 / 103-3 / 407-1/ 408-1 / 409-1 / 410-1

At Eletrosul, we realize how important it is to maintain a good relationship with responsible suppliers as it can affect the communities located in areas of operation and society in general. Therefore, we seek to share best practices and align our values with our suppliers in order to place value creation as the primary aim of our business.

We comply with the Supply Logistics Policy adopted by all Eletrobras Companies to guide logistics processes related to the supply of goods and services focused on sustainable development. The sustainability-related guidelines in this policy include:

- the promotion of sustainable purchasing;
- encouragement for the implementation of good practices; and
- hiring that reduces the production of waste and greenhouse gas emissions; energy and water consumption; and the use of environmentally toxic products.

In order to stimulate the promotion of sustainability across the supply chain, PNG 2018-2022 provides formal goals designed to promote engagement and maintain our relationship with suppliers. One of the goals related to "SDG 16 – Peace, Justice and Effective Institutions" states that by 2018, 60% of critical suppliers must receive training on anti-corruption policies and procedures. Throughout the year, 100% of the critical suppliers were trained on such policies and procedures.

Another goal, related to "SDG 8 – Decent Work and Economic Growth", establishes that the company must encourage 40% of its suppliers to adopt practices that value and promote diversity. In 2018, we exceeded our target by educating 80.7% of suppliers on diversity issues.

For being a Mixed Economy Society, we are subject to public bidding practices; which affect the formation of our productive chain, as they must conform with the legal aspects that regulate the procurement process.

In accordance with the law, our internal regulations that define the criteria for qualifying and selecting suppliers are public notice, registration, and qualification. Given the selection possibilities, we cannot establish any other criteria for choosing suppliers according to the location or relevance of the production chain.

Since April 2018, hiring and acquisitions have been formalized based on the new Bidding and Contract Regulation that adapts the hiring guidelines adopted by all Eletrobras companies to Law 13.303/2016, which determines that critical suppliers are subject to integrity evaluations throughout the execution of the contract (learn more in Integrity Programs).

In 2018, no suppliers were identified for engaging in child labor, forced or slave-like labor, or for violating freedom of association and collective bargaining policies. We seek to ensure our chain's compliance with such issues through clauses and provisions outlined in our contracts.

Safety

At Eletrosul, property security services are provided by third party companies. As a corporate requirement, all security professionals must be trained in accordance with relevant legislation, including specific training on human rights and interpersonal relations.

Community Engagement

Social and Relationship Capitals  Manufacturing Capital 

Overview

GRI 103-1 / 103-2 / 103-3 / 412-2 / 413-1 / 413-2

Our transmission and production projects, in particular, can affect surrounding communities positively, or negatively. Our sustainability strategy aims to ensure that they remain sustainable development vectors by building healthy and perennial relationships with people, minimizing negative impacts and creating value for communities.

The following are examples of negative impacts caused by our projects:

- Restriction on land use and occupation;
- Alteration of the local landscape;
- Compulsory displacement of families;
- Damage and devaluation of third-party properties;
- Noise generation;
- Visual pollution;
- Interference in productive areas and improvements;
- Interference in indigenous and “quilombola” communities;
- Interference in the daily life of the population involved; and
- Pressure on the local economy, essential services, urban facilities and local infrastructure.

In order to minimize these impacts before, during, and after construction work, we refer to our preliminary studies to develop engineering projects, in addition to social/environmental mitigation and compensation programs. The actions taken are evaluated and recorded in periodic reports including goals that vary from project to project, depending on their nature.

In line with the Global Compact; the Sustainability, Environmental, Social Responsibility and Communication Policy; and the Engagement with Stakeholder Policy, both adopted by all Eletrobras Companies, we are committed to promoting ethical and transparent dialogue, in addition to building strong relationships with the communities located in areas where we operate, acknowledging and respecting their cultural aspects, forms of social organization, and representatives.

Commitment to Community Relationships

OPEN AND PERMANENT DIALOGUE

RESPECT FOR THE VALUES AND INTERESTS OF EACH COMMUNITY

AWARENESS OF SAFE, EFFICIENT, AND RESPONSIBLE USE OF ENERGY

PROMOTIING QUALITY OF LIFE

SAFETY AND PROTECTION OF COMMUNITIES IN CASE OF EMERGENCY

RECOGNITION AND RESPECT FOR CULTURAL ASPECTS AND FORMS OF SOCIAL ORGANIZATION OF ALL THE COMMUNITIES AFFECTED, INCLUDING TRADITIONAL AND INDIGENOUS COMMUNITIES

The Human Rights Action Plan, which is expected to be implemented in 2019, is the result of a combined effort between Eletrosul and all Eletrobras companies. Throughout 2018, 105 Eletrosul employees underwent 850 hours of training on human rights issues.

Impact Management

Displacements

EU-20 / EU-22

For the implementation of our projects, it is often necessary to acquire land owned by third parties in order to execute the works.

Prior to initiating any project, we submit an administrative request to the National Electric Energy Agency (Aneel) to obtain a Public Utility Declaration (DUP). This document enables the expropriation and administrative easement procedures in the region.

The amounts paid as compensation for lands, crops, and improvements are based on pricing research conducted across the region, being the subject of discussion during meetings including representatives of the communities affected. Once approved, the pricing threshold determined is used as reference for every project.

When involuntary displacement is necessary, the relocation of the population takes place respecting the individuality and rights of the people directly affected in order to minimize the impacts resulting from the socioeconomic changes imposed by the installation of the projects.

These are complex situations, involving several interests, but the decision-making process must include intense dialogue with the community. Those affected participate by attending public hearings,

community meetings, and other gatherings during which agreements are drawn up to define minimum expropriation prices, including terms and conditions.

In 2015, we included new guidelines pertaining the relocation of populations affected by electricity projects into the relationship with society and environmental communication guidelines of our Environmental Policy.

The guidelines state, for example, that every Eletrobras company must monitor the evolution of socio-economic conditions of the relocated population and host communities with quantitative and qualitative evaluations for the same length of time established by environmental permits.

In addition to our internal guidelines, we comply with legal commitments and obligations during the environmental licensing process, such as Federal Decree 7.342/10, and Interministerial Ordinance 340/12, which deals with the socioeconomic registration of the population affected by dams.

In 2018, only substations extensions in areas owned by the company were built, without affecting neighboring properties. Thus, no one has been displaced, either physically or economically.

During the year, we paid off R$ 1.8 million in damages involving seven people for opening accesses, damaging crops, suppressing vegetation, and establishing land easement.

Safety

EU-21

Our plants have an Emergency Response Program that establishes responsibilities, measures, and effective actions taken during contingencies such as natural disasters, spills, fires, information technology issues, strikes, and image crises.

We can also count on a Transmission Line Emergency Response Plan, which stipulates actions taken to reestablish transmission lines as quickly as possible.

Transformers and other equipment are backed up by a Contingency Plan monitored through a System of Records and Contingency Plan System that ensures the continuity of electricity supply.

The Substations have the Emergency Response Plan – PASE, which also contributes to the safety of the installations.

Indigenous Populations

GRI 411-1

The Social Responsibility Policy adopted by all Eletrobras Companies emphasizes that we must pay particular attention to the engagement and relationship we maintain with vulnerable groups, such as traditional and indigenous communities. In this sense, we seek to promote ethical and transparent dialogue with indigenous peoples living in areas where we operate, acknowledging and respecting their culture, forms of social organization, and representatives.

The company's constant efforts to engage with vulnerable groups prevented the occurrence of cases of violation against indigenous and traditional peoples during the reporting period.

During the implementation of our projects, we try not to interfere with traditional peoples. If it is inevitable for whatever reason, we seek to minimize and compensate the impact by conducting specific studies, in line with the guidelines established by Funai.

The main actions carried out in 2018 were:

230 kV Biguaçu Transmission Line: our dealings with four indigenous communities seek to establishing an agreement to pursue the Basic Environmental Plan (PBA) of the indigenous component involved. The discussions were conducted by Funai in their own villages, with the active participation of indigenous leaders. The four communities presented their perspectives regarding Eletrosul's proposal. We were able to reach a consensus on three of them. The agreements were brought to court and Eletrosul still waits for a judicial decision to proceed with the works.

138 kV Jorge Lacerda Transmission Line, 525 kV Campos Novos Transmission Line, and 230 kV Salto Osório Transmission Line: Funai issued a Term of Reference with the guidelines required for the study including the indigenous component. We also hired a consultant to develop the socio-environmental diagnosis for the indigenous lands and people involved. In all three cases, the study is in the process of being finalized and reviewed by the technical team or being approved by Funai.

Community Development

GRI 413-1

We overcomply with the current legislation in order to mitigate negative impacts and maintain a good relationship with the communities located in areas of operation. Promoting the engagement and socioeconomic development of the regions where we operate, as well as the improvement of environmental conditions consist of an integral part of our daily routine.

In 2018, we spent R$ 1.8 million in institutional sponsorship actions. R$ 1.5 million alone was invested in cultural projects emphasizing the Rouanet Law. Our initiatives are aligned with Eletrosul's sustainability criteria and Social Investment Policy, which promotes, among other initiatives, the investment in the generation of employment, income, and community entrepreneurship projects.

During the execution of projects, we seek to develop environmental awareness and promote educational actions. As an example, 179 community representatives visited the Passo São João Hydroelectric Power Plant, where they were introduced to ongoing environmental programs and plant facilities.

We also partner with local institutions to promote this type of initiative. Our collaboration with Pe. Augusto Preussler Public Elementary School, located in Afonso Rodrigues/São Luiz Gonzaga/Emater (RS) communities, where 500 seeds of native plants were planted by students, teachers, and members of the community, is an example of one of the environmental awareness actions promoted by Eletrosul.

Amount invested in social programs (R$ thousands)	2016	2017	2018
Resources applied towards education	1,375	2,567	2,954
Resources applied towards health and sanitation	0	336	243
Resources applied towards cultural projects	290	152	1,619
Resources applied towards sports	70	19	26
Other resources applied towards social actions	961	31	324
Total	**2,696**	**3,105**	**5,166**

Hortas Comunitárias (Community Gardens)

Created in 2001, the Hortas Comunitárias Program provides the communities living close to our transmission lines with an income alternative, while encouraging the proper use and preservation of easements, and avoiding irregular occupations. Thus, we promote the cultivation of small crops and provide a better quality of life to the participating families. The program encourages them to produce and diversify their own food – in addition to increasing family income through the commercialization of surplus production.

The program has been implemented in the states of Paraná, Santa Catarina, and Rio Grande do Sul. Its 35 gardens cover a 302,500 m^2 of cultivated area. One thousand and thirty-five families receive, in addition to guidance and assistance, training on education, entrepreneurship, food, and quality of life.

Produção Orientada (Guided Production)

The Produção Orientada project also focuses on food production activities conducted under transmission lines. The project manages the performance of families who live near the lines and take the initiative to plant their own crops. Seventy-seven families receive guidance on how to work safely.

Eletrosul Casa Aberta (Open House Program)

The Casa Aberta Program was created in 1990 to enable elementary school students aged between 10 and 11 years old to gain knowledge on electricity. It covers information that includes energy production, transmission and distribution, main and alternative sources of energy, rational use of energy, and environmental preservation. Since its creation, Casa Aberta has served more than 4,347 schools, 308,245 students, and 17,924 teachers.

GRI INDEX AND MAPPING CAPITAL

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102-38	Ratio between the total annual compensation of the highest paid individual of the company in each country where the organization conducts significant operations, and the total annual average compensation of all employees (excluding the highest paid) in the same country	The ratio of median remuneration and that of the highest paid individual is 4.88
102-39	Ratio between the percentage increase in the total annual compensation of the highest paid individual of the company in each country where the organization conducts significant operations, and the average percentage increase in the total annual compensation of all employees (excluding the highest paid) in the same country	The ratio between the percentage increase in the compensation of the highest-paid individual and the increase in the compensation of all employees is -0.14
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Fight against corruption - 2016 Standard		
205-1	Operations evaluated according to corruption-related risks	P. 29
205-2	Communication and training in policies and procedures for fighting corruption	P. 30
205-3	Cases of corruption confirmed and action taken	In 2018, there were no cases of corruption confirmed at Eletrosul
ENVIRONMENTAL PERFORMANCE		
Energy - 2016 Standard		
302-1	Energy consumption within the organization	P. 53
302-3	Energy intensity	P. 53
Water - 2018 Standard		
303-1	Interactions with water as a shared resource	P. 47
303-2	Management of water discharge impact	P. 47
303-3	Water withdrawal by source	P. 49
303-4	Wastewater	P. 49
303-5	Water consumed	P. 49
Biodiversity - 2016 Standard		
304-1	Location and size of land owned, leased, or managed within or adjacent to	P. 51

Disclosure	Description	Direct response
DESEMPENHO AMBIENTAL		
304-1	protected areas and areas of high biodiversity value outside protected areas	P. 51
304-2	Description of significant impacts on the biodiversity of activities, products, and services in protected areas and areas of high biodiversity value outside protected areas	P. 50
304-3	Protected or restored habitats	P. 51
Emissions - 2016 Standard		
305-1	Direct greenhouse gas emissions (GHG) (Scope 1)	P. 55 CO_2, CH_4, N_2O, SF_6, and HFCs were the gases included in the calculation. The emission factors published in the First National Inventory of Atmospheric Emissions by Road Motor Vehicles (MMA, 2011) were used exceptionally for the calculation of emissions from road mobile sources (ethanol, gasoline, and diesel) to replace IPCC factors. The modification complied with good practices regarding the use of national emission factors, if available
305-2	Direct greenhouse gas emissions (GHG) derived from the acquisition of energy (Scope 2)	P. 55 CO_2 was the gas included in the calculation. Emissions corresponding to losses in electricity transmission were calculated based on information provided by Eletrobras' Transmission Operation Department. To calculate emissions from electricity consumption and

Disclosure	Description	Direct response
DESEMPENHO AMBIENTAL		
		transmission losses, the National Interconnected System (SIN) emission factors were used, which are calculated and published by the Ministry of Science, Technology and Innovation (MCTI)
305-3	Other indirect greenhouse gas emissions (GHG) (Scope 3)	P. 55 CO_2, CH4, N_2O were the gases included in the calculation of scope 3 emissions
305-4	Intensity of emission of greenhouse gases (GHG)	P. 55
305-5	Reduction of emission of greenhouse gases (GHG)	P. 55
305-7	Emission of Nitrogen Oxides (NOx), Sulfur Oxides (SOx) and other significant atmospheric emissions	Eletrosul's electric power generation process occurs from clean and renewable energy (hydroelectric, wind, and solar), without fossil fuel thermoelectric production, whose combustion process releases sulfur and nitrogen oxides (SOx and NOx), in addition to particulate matter. Therefore, the indicator does not apply to Eletrosul
Environmental Compliance – 2016 Standard		
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations	P. 45

Disclosure	Description	Direct response
SOCIAL PERFORMANCE		
Employment – 2016 Standard		
401-1	New hires and turnover	P. 60
401-2	Benefits not offered to temporary or part-time employees	The benefits offered to employees are described on page 64. We do not differentiate between the benefits offered to full-time and part-time employees. The company does not have temporary employees
401-3	Return to work and retention after parental leave	P. 60
Occupational Health and Safety – 2016 Standard		
403-1	Percentage of workforce represented in formal health and safety committees, made up of employees from different hierarchical levels, who help monitor and guide occupational health and safety programs	Formal occupational health and safety committees include 100% of employees
403-2	Types and rates of injuries, occupational diseases, lost days, absenteeism, and number of work-related deaths, by region and gender/eco-indicator	P. 62
403-3	Employees exposed to high incidence or high risk of occupational diseases	P. 62
Training and Education – 2016 Standard		
404-1	Average number of training hours per employee, according to gender and job category	P. 63

Disclosure	Description	Direct response
SOCIAL PERFORMANCE		
404-2	Skills management and lifelong learning programs that support continued employability and retirement readiness	In addition to the initiatives described on page 64, we have a Retirement Orientation Program (POPA) to help employees prepare for retirement
404-3	Percentage of employees receiving regular performance and career development reviews according to gender and job category	P. 64
Diversity and Equal Opportunity – 2016 Standard		
405-1	Diversity among governance bodies and employees	P. 59
405-2	Mathematical ratio of salary and remuneration between women and men according to employee category and relevant operating units	P. 60
Non-discrimination – 2016 Standard		
406-1	Total number of incidents involving discrimination and corrective action taken	No cases of discrimination were identified
Freedom of Association and Collective Bargaining – 2016 Standard		
407-1	Operations and suppliers identified where the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support this right	P. 66
Child labor – 2016 Standard		
408-1	Operations and suppliers at significant risk for incidents of child labor	P. 66

Disclosure	Description	Direct response
SOCIAL PERFORMANCE		
Forced or Slave Labor – 2016 Standard		
409-1	Operations and suppliers at risk for incidents of forced or slave labor	P. 66
Safety Practices – 2016 Standard		
410-1	Security personnel trained on human rights	P. 66
Indigenous rights – 2016 Standard		
411-1	Total number of incidents involving violations of indigenous rights and actions taken	P. 70
Evaluation of human rights – 2016 Standard		
412-2	Training on human rights	P. 68
412-3	Total and percentage of significant investment agreements and contracts that include human rights clauses or evaluation on human rights issues	The total significant investment agreements are described on page 66. All contracts included human rights clauses but are not subject to the evaluation of human rights issues
Local Communities – 2016 Standard		
413-1	Percentage of operations with local community engagement, evaluation of impact, and local development programs	PP. 68 and 71
413-2	Operations at risk of actual and potential negative impacts on local communities (location, actual and potential impacts)	P. 68

Disclosure	Description	Direct response
SOCIAL PERFORMANCE		
Marketing and Labeling – 2016 Standard		
417-3	Total number of non-compliance incidents with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship based on the outcome	In 2018, there were no cases involving non-compliance with regulations and voluntary codes in communication actions, including advertising, promotion, and sponsorship
Socioeconomic Compliance – 2016 Standard		
419-1	Number of incidents involving non-compliance with laws and regulations within social and economic areas	In 2018, there were no relevant cases involving non-compliance with laws and regulations within social and economic areas. The relevance criteria used to evaluate non-compliance cases was 1% of the net operating revenue
SECTOR SUPPLEMENT		
Organizational Profile		
EU-1	Installed capacity, separated by primary energy source and regulatory regime	P. 34
EU-2	Energy sent to the grid, detailed according to primary energy source and regulatory regime	P. 35
EU-4	Length of transmission lines surface and underground distribution, according to the regulatory regime	PP. 36 and 37
Research and Development		
EU-8	(DMA) Research and development related to electricity and the promotion of sustainable development	P. 18

Disclosure	Description	Direct response
SECTOR SUPPLEMENT		
System efficiency		
EU-11	Average production efficiency of thermoelectric plants according to power source and regulatory system	Eletrosul does not operate ther-moelectric plants
EU-12	Power transmission and distribu-tion losses as a percentage of total energy	P. 37
Employment		
EU-14	(DMA) Programs and processes to ensure the availability of skilled labor	PP. 63 and 64
EU-16	Health and safety policies and standards applicable to employee, subcontractors, and outsources	P. 61
Local Communities		
EU-20	(DMA) Management processes for community relocation	P. 69
Risk and Crisis Management		
EU-21	(DMA) Contingency, disaster/ emergency management, training programs, and recovery/restoration planning	P. 70
EU-22	Number of physically or economi-cally displaced persons and com-pensation offered, according to the type of project	P. 69

Disclosure	Description	Direct response
SECTOR SUPPLEMENT		
Access		
EU-30	Average plant availability factor according to energy source	P. 35

Mapping Capital

Financial Capital

Financial Results P. 40

Human Capital

Employee Engagement P. 59
Supplier chain P. 66

Intellectual Capital

Strategic planning P. 16

R&D+I P. 18

Corporate Governance P. 23

Business Integrity P. 29

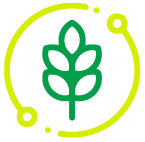
Employee Engagement P. 59

Manufacturing Capital

Eletrosul P. 10

Operations P. 34

Community Engagement P. 68



Natural Capital

R&D+I P. 18
Commitment to sustainability P. 20

Management System P. 45

Water and Effluents P. 47

Biodiversity P. 50

Climate Change P. 52

Social and Relationship Capital

Commitment to sustainability P. 20

Corporate Governance P. 23

Business Integrity P. 29

Dialogue and Communication P. 58

Client Satisfaction P. 65

Strategic Suppliers P. 66

Community Engagement P. 68

Credts

Executive Management
Assessoria de Gestão Empresarial - ASG

Editorial project, writing, and GRI consulting
RICCA Sustentabilidade

Graphic Design and Layout
Rogério da Fonseca / DOC. Comunicação

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Rogério da Fonseca / DOC. Comunicação e RICCA Sustentabilidade

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MINISTÉRIO DE MINAS E ENERGIA

PÁTRIA AMADA BRASIL GOVERNO FEDERAL