

Integrated
Report
2019





Summary

Message from the Chairman of the Board of Directors	3	External and Internal Contexts	20	Management Performance	42
Message from the Chief Executive Officer (CEO)	5	Open Season	21	Operation and Maintenance	43
About the Report	7	Commercial and Regulatory Scenarios	22	Safety and Socio-environmental Responsibility	43
Highlights	8	Materiality	23	Compliance	45
TBG - 20 Years of Operations	8	How We Create Value	25	Internal Processes Innovations	46
TBG	9	TBG's Business Model	27	Economic and financial Performance	47
Organizational Identity	10	Our Capitals		Risks and Opportunities	49
About Us	10	Human Capital	28	Risk Management	50
Our Operations	10	Intellectual Capital	29	Opportunities	51
Shareholder Composition	11	Natural Resources Capital	29	Prospects	52
Planning, Governance and Management	13	Social and Relationship Capital	30		
Strategic Planning	13	Productive Capital	33		
Corporate Governance	15	Financial Capital	35	Credits	55
Management Policy	18	Main Results	36		
Integrated Management System	18	Profitability	38		
		Financial Results	39		
		Operational Indicators	40		
		Human Resources	41		



Message from the Chairman of the Board of Directors



Over the last few years, TBG has realized actions and worked tirelessly to prepare the Company to develop all the activities necessary to consolidate the market opening of the Brazilian natural gas transmission system

The decision to implement a more independent Board of Directors was in line with the expectations for a promising future for this pioneer business enterprise in the transmission of large volumes of natural gas by designing excellent quality services. The appointment of an external Board of Directors, aligned with Company's values, is an important step to assure competitiveness as they will contribute to the adoption of a robust market vision, a stable economic environment and strategic business policies, in view of the new sector's conjuncture in Brazil.

The "New Gas Market" program, launched by the Federal Government (July 2019), was created to: improve the use of natural gas extracted from the pre-salt reserves; expand investments in infrastructure to improve the flow, processing, transmission service and distribution of natural gas, increase thermoelectric generation with natural gas and reinforce industry competitiveness. With these objectives in mind, TBG be able to expand its commercial and operational flexibility, now more agile and efficient, to enable the transmission service of imported or processed gas in Brazil, from multiple entry points along the pipeline.

The TBG's commitment is to expand and provide efficient use of its main asset, the Bolivia-Brazil Gas Pipeline (Gasbol), providing a fast, high quality transmission service capacity through Open Season processes assuring equal access to all market agents based on a model of safety, reliability, sustainability, excellence and generation of value, under the strong TBG leadership, fomenting the transformation of the natural gas sector. The objective now is to meet the demands of the natural gas market which is expanding in Brazil.

With the constant evolution of the Company's structure and capacity, thanks to its operational maturity, TBG is moving forward through cost management development and capital discipline programs, to sustain long-term, safe and profitable pipeline operations. Additionally, both governance and compliance were strengthened to achieve the best business practices, in line with the Company's corporate strategies.

The Company is getting organized **to achieve strategic objectives, guarantee profitability** for our shareholders, **satisfy** demands from all stakeholders and **ensure long-lasting corporate sustainability**.

The Company management system is focused on generating value, oriented by guidelines set down in the TBG's Business and Management Plan 2019-2023. Future actions to be undertaken by the Company were approved in 2019, by the Board of Directors and can be seen in our 2020-2024 Business Plan. They reflect our business objectives and envision short and mid-term strategies based on considerations arising from the risks and opportunities analyses made, within the framework of our current Strategic Plan.

Moving toward an economy based on low carbon emissions, and given the current moment of change in the regulatory environment, the participation of natural gas in the Brazilian energy matrix demands serious, relevant performance by the Company. Since the Gasbol pipeline runs through the most industrialized states in Brazil, by giving the pipeline a strategic character, it gives us the opportunity to offer cleaner, more efficient energy to the market.

TBG is following a path laid down by our robust, operational and financial indicators and commanded by our trained and qualified employees. Initiatives for the Company's transition are in line with future challenges resulting from the new "Transmission System Operator" functions that are part of the TBG's transmission system. These commitments and efforts reflect the positive operational prospects of the new natural gas market model in which, through our pioneer leadership, the supply of available transmission service capacity will be offered on a new bases, thanks to the inauguration of a modern contract regime for contracting natural gas transmission system services "Entry and Exit" contracts. And so, a new chapter begins in the Company's history!



The first Open Season procedure, aligned with new sector rules, will create conditions for expanding our client portfolio in 2020. The potential entry of new shippers, over the coming years, requires the repositioning of our Company as well as the development of improved operational skills in the new gas market, while maintaining our important role in the Brazilian energy scenario.

The Company is prepared to face the challenge of doing more business and creating more value in the new business environment. While conducting our activities responsibly, we are making significant progress in the portfolio transformation process. TBG is developing new opportunities that aim, above all, to expand operations, assets and future revenues. The Company is getting organized to achieve strategic objectives, guarantee profitability for our shareholders, satisfy demands from all stakeholders and ensure long-lasting corporate sustainability.

I have accepted the mission of presiding over TBG as the Chairman of the Board of Directors with great enthusiasm and the goal of promoting the generation of value and the on-going success of the Company, together with the other Board members, acting in the best interests of the Company and its shareholders.

To learn more about the Company's milestones in 2019, I invite you to read our Integrated Report, prepared with care and dedication by the TBG team.

Alexandre Jadallah Aoude

Chairman of the Board of Directors



 Paulinia's Compressor Station



Message from the Chief Executive Officer (CEO)



In 2019, we celebrated twenty years of commercial operations. This is a special and highly motivational moment. Our history in natural gas transmission system is a source of pride. It was built not only by us at TBG, but also by our clients, suppliers, owners, and the communities located along the pipeline network and our other stakeholders with whom we maintain relations. The experience acquired during this period was accompanied by new challenges and marked by unprecedented milestones.

TBG is ready to start an important cycle of renewed activities. Financed by national and international financial institutions, and in operation since 1999, the Company was a pioneer in the “Project Finance” operations of gas pipelines in Brazil during which we consolidated our operating capacity. Today we have become a reference in the country for gas transmission service activities including compressor operations, cathodic protection, metrology and pipeline maintenance, among others.

To move towards meeting the needs of the new gas market, TBG, which ended its contractual cycle in December 2019, will begin a new marketing cycle. We are facing new challenges: we also want and need to improve our commercial area. Our commitment is to our make natural gas transmission system capacity services available to the entire market, equitably. We need to evolve and implement commercial actions that ensure the best conditions and sustainable operational pipeline for the next twenty years or more, with a focus on creating value.

We have successfully completed the Company’s main challenge by launching our first Open Season in 2019. The event started in August. Transmission Service contracts were signed with the winning shippers in December. For the first time, our contracts introduced the “Entry and Exit” contract regime, ever used in the Brazilian natural gas transmission system market. TBG pioneered this process. In addition to elaborating the new contractual terms, we also signed the first contracts adopting this new modality.

We initiated the 2020 Open Season process to contract out the Incremental Natural Gas Transmission System Capacity, for agents interested in the inclusion or expansion of Entry-Exit points in the TBG transmission service network, agents who previously could not take advantage of our existing transmission system capacity.

Furthermore, we are developing products to expand our business portfolio and strengthen the Company’s management procedures. We have a solid and integrated management system and internal processes that have been designed and defined, so we are ready to adapt to our new role as transmission system operator (TSO), TBG’s new function in the market.

I also wish to highlight that in 2019, our transmission system was almost 100% available to agents, with a 99.4% rate of Compression System Reliability, zero Delivery Failures and a Total Recordable Injury Frequency Rate (TRI) equal to Zero. The preventive measures adopted by TBG reduced the occurrence of clandestine diversion installation to just one event. On an average day, we carry 17.7 million m³ of Bolivian gas and 5.9 m³ of natural gas processed in Brazil as well as LNG (Liquefied Natural Gas).

By the end of 2019, we set a new historical record: five years and 282 days without accidents with remoteness. We will continue to pursue these excellent results by intensifying our third party and employee training programs. Ensuring safety is one of our permanent goals, an objective that has grown into a strong and dominant feature of our Company culture.

We have successfully completed the Company’s main challenge by launching our first Open Season in 2019. The event started in August. Transmission Service contracts were signed with the winning shippers in December.

Health campaigns, safety drills and the constant dissemination of our HSE Golden Rules, Environment and Safety Rules have become frequent initiatives. Additionally, our Social Communication Program for the neighboring communities, located close to our gas pipeline, reinforce social actions that strengthen our relations with the people living near our installations, as well as for safety agencies and local city halls. These actions are building an improved safety awareness while providing permanent dialogue channels with these communities.

For the second consecutive year, our actions encouraging the preservation of the environment have been officially recognized and awarded the “Environmental Highlight Certificate” (Green Seal), issued by the Jornal do Meio Ambiente of the State of São Paulo.

The TBG’s economic-financial performance was another highlight. We ended 2019 with a revenue of R\$ 2.04 billion, EBITDA of R\$ 1.3 billion and a net profit totaling R\$ 745 million. We anticipated a partial payment of shareholders dividends amounting to R\$ 382 million. Since project conception and the start-up of operations in 1999, by the end of 2019, TBG paid out a total of R\$ 5.4 billion to shareholders.

Job training and investments have been important for the Company to increase knowledge and prepare for the commercial, economic and regulatory challenges that we will face in coming years. In view of the constant transformation of the gas market, we want to stay at the forefront of these changes, whether in the valorizing of our gas pipeline, our employees and the quality of the services we provide inside and outside the Company, or in pioneering innovations that foster sustainable, permanent growth.

The consolidation and achievement of such great results were only possible thanks to the professionals who, since the beginning of the Company, have been totally committed and are continuously striving to increase, our technical competence, safety, ethics, compliance and responsibility. This makes TBG what it is. Over the years, Gasbol was one of the key factors responsible for increasing gas participation in the country’s energy matrix, from 3% in 1999/2000, to approximately 13% in 2019.

The gas pipeline crosses five Brazilian states with different sizes, characteristic’s and peculiarities. It was necessary to create and develop specific, local solutions adapted to each municipality, city, state, as well as the different types of soil, climate, culture and legislation. In our search for continuous improvement, we have expanded our knowledge and expertise, learning to do things in the best possible way, and what we do, we do with excellence. This is the reason for the high quality of our services.

I wish to take this moment to thank the TBG workforce, which has contributed to the building of the Company’s successful history over these two decades. With this feeling of accomplishment, I also wish thank the Brazilian market for their confidence in our natural gas transmission services.

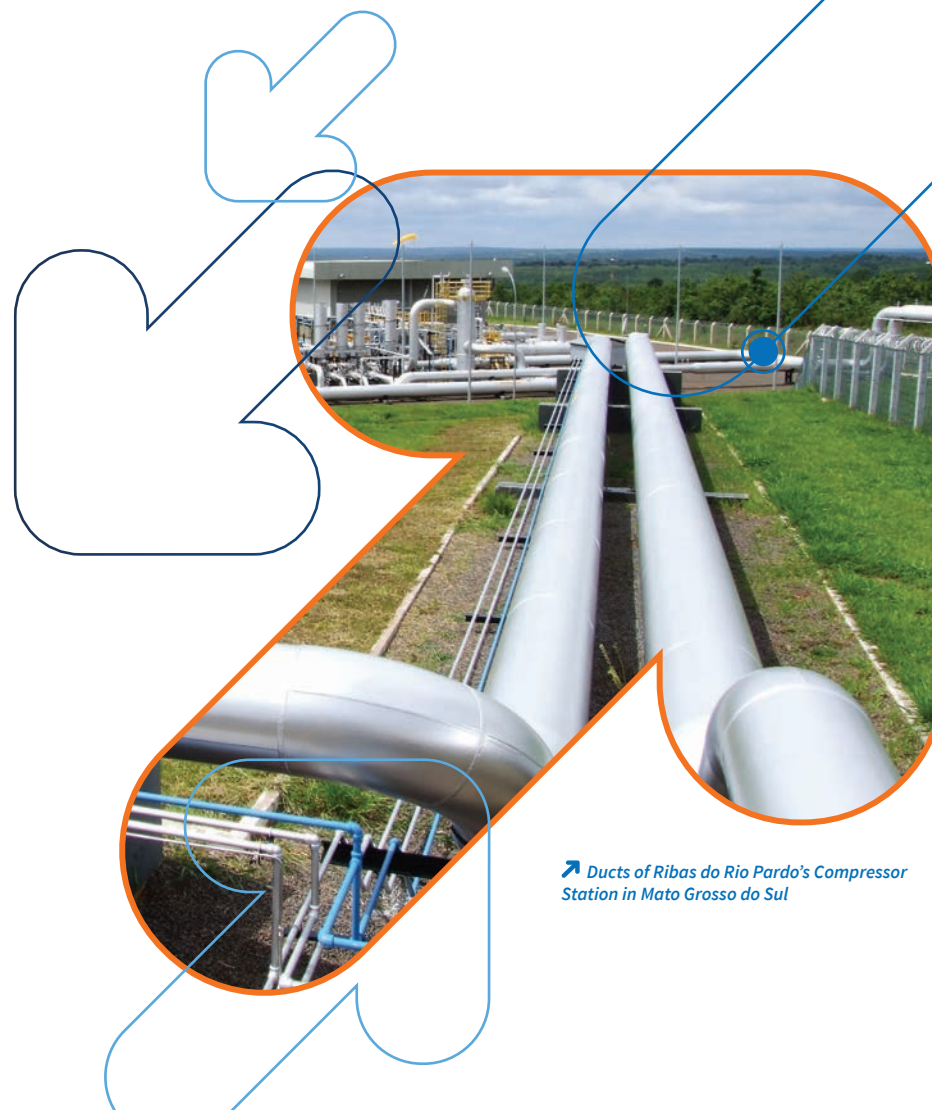
We have much work ahead of us, a lot of transformation and innovations to introduce. TBG is redefining its place in the market. Operational flexibility, efficiency and greater agility will allow for

promising and competitive advances in the Brazilian gas market. The challenges are huge, and we are counting on everyone’s help. Motivation and energy drive us: the future is a place that we are building together.

We are TBG, opening new ways for natural gas in Brazil.

Erick Portela Pettendorfer

Chief Executive Officer - CEO



[Ducts of Ribas do Rio Pardo's Compressor Station in Mato Grosso do Sul](#)

About the Report

Since the first TBG Integrated Report, in 2017, we have focused on making improvements and perfecting our process of preparing the content and information necessary for this new format. With each new report, we have tried to evolve, making each yearly report more cohesive and assertive, improving the interconnection of our corporate information to be shared with the market, improving our transparency and demonstrating how we are constantly creating value for our stakeholders.

The TBG's Integrated Report has two main parts: this publication and our Financial Statements. Its purpose is to bring together, in one volume both financial and non-financial information and demonstrate in a concise manner, how strategy, governance, business performance and the perspectives of our internal and external environment, are leading to an increase of value at the Company. This report is published on an annual basis.

The contents of this report comply with current regulations and guidelines. It is a "Annual Report" in the form of an "Integrated Report" and meets all legal requirements set forth in Law 13.303 / 2016, Law 6.404 / 76 and in the Guide Book published by the Federal Audit Court (TCU) for the annual presentation of corporate accounts.

The Integrated Report is based on the principles and contents recommended by the structural framework proposed by the IIRC - International Integrated Report Council.

In this publication, we will demonstrate how TBG's performance also reflects many of the 17 Sustainable Development Goals (SDGs), proposed in the 2030 Agenda by the 193 member-countries of the United Nations. The sharing of good business practices in fact contributes to increasing the value of corporate sustainability and strengthens worldwide collaboration by companies and nations, while reducing negative impacts on society.

All contents of this report have been validated by the TBG's Board of Directors and approved by the TBG's Executive Board. Financial Demonstrations for the year ended on December 31, 2019 were audited and approved by KPMG Independent Auditors.

Pleasant reading!



Figure 1 – Sustainable Development Goals



Highlights

5 years and 282 days without accidents with remoteness (Date-base: 12/31/2019)

6 years and 11 months without gas delivery failure

100% of finalized gas pipeline Environmental Compensations achieved

Historic Record - national gas received: monthly average volume – 9.3 MMm³/day, in GASCAR

Record annual gas delivery: 32 MMm³, dated 10/14/2019

Record total movement in the pipeline South Branch: more than 12 MMm³/day on the 19 and 20th of November / 2019

Reliability Index: 99.4, in the Compensation System

For the second consecutive year, TBG was awarded the Green Seal for environmental excellence

Record payment of annual dividends*; R\$ 980 million

**Value shown in Selic*

→ TBG - 20 Years of Operations

Twenty years ago, on July 13, 1999, TBG delivered 11.6 m³ of natural gas to the Paulínia Refinery Entry Point (Replan / SP), a milestone in the history of the Company. This was the first natural gas delivery we made after completing the construction and assembly of the pipeline installations, including the Supervision and Control Center (CSC), at TBG Headquarters in Rio de Janeiro.

The project assured an increase in natural gas supply in the Brazilian energy matrix, allowing many consumers to start using this fuel, thus providing many gains related to environmental protection issues.

Considering the arrival of the gas pipeline, gas distribution companies were created in Mato Grosso do Sul, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul states, delivering natural gas to thousands of final consumers in the industrial, commercial and residential segments, especially automotive plants and thermoelectric generation installations.

Over these twenty years, TBG has expanded its capacity to 30 million m³ / day at the Bolivian border.

We closed 1999 year, delivering an average daily volume of 2.07 million cubic meters at three pipeline entry points. In 2019, we transported a daily average of 23.6 million cubic meters.

→ Gas Pipeline Supervision, Control and Data Acquisition Screen





TBG





TBG

→ Organizational Identity



Mission

Transmission of natural gas, operating the system with safety and reliability, generating value, satisfying the expectations of our stakeholders and guaranteeing compliance with all regulatory requirements.



Vision

Be recognized for the excellence of our actions and pioneer spirit when caring for natural gas transmission system demands.



Values

Competitiveness; Commitment; Ethics and Transparency; Focus on Results; Innovation; Respect for Life, People and the Environment, and Responsibility.

➤ Figure 2 – Mission, Vision, Values

→ About Us

TBG, Transportadora Brasileira Gasoduto Bolívia-Brasil S.A, is a privately-owned Brazilian corporation, created to be a reference in natural gas pipeline transmission system and the leader of a transformation process in the natural gas transmission sector in Brazil.

We own and operate the Bolivia-Brazil Gas Pipeline, which has an installed capacity to transport up to 30.08 million m³ / day of Bolivian natural gas without interruption. Since 2016, we have also transported natural gas produced and processed in Brazil.

Our gas pipeline extends 2,593 kilometers in Brazil. It starts in the city of Corumbá, in Mato Grosso do Sul state and runs through the states of São Paulo, Paraná and Santa Catarina, terminating in the city of Canoas, in Rio Grande do Sul state, passing through 136 municipalities along the route. The Company is headquartered in the State of Rio de Janeiro, where our Supervision and Control Center - CSC is located. We also have a Maintenance Center, located in the city of Campinas / SP.

Motivation and energy move us forward - We are TBG, opening new ways for natural gas.

→ Our Operations

We operate 15 Compression Stations, 47 City Gates, 3 Measuring Stations and 2 Pressure Reduction Stations through remote or long-distance technology. We maintain other surface installations that ensure the continuous operation of our gas transmission system. The parameters that guarantee the excellence of our services and guide our performance include: operating, maintaining and implementing transmission pipelines with safety, sustainability, efficiency, agility and operational reliability.

We supply natural gas to clients in Mato Grosso do Sul, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul states, which are responsible for more than 50% of the national GDP (source: IBGE). We also have connections with other national transmission system operators through interconnections located in the State of São Paulo (NTS Transmission System Operator), and in Rio Grande do Sul, with TSB Transmission System Operator.

The parameters that guarantee the excellence of our services and guide our performance include: operating, maintaining and implementing transmission pipelines with **safety, sustainability, efficiency, agility and operational reliability.**



Planning, Governance and Management





Planning, Governance and Management

→ Strategic Planning

In recent years, our controlling shareholder, Petrobras, in addition to publicly expressing an interest in reducing its participation in the natural gas chain, supported the adoption of the new regime for contracting entry and exit capacity.

Due to this market scenario, the Brazilian regulatory agent, ANP (the National Petroleum, Natural Gas and Biofuels Agency) and the government authority, the Ministry of Mines and Energy (MME), made efforts to improve the legal framework for the implementation of a new natural gas industry business model similar to the process that took place in the European market, where successive directives were published in order to make market rules more flexible.

It is the current government's focus to create an environment that favors competition, encourage national and foreign investments and reduce natural gas prices. A program was launched in 2019 by the MME, for promoting competition, integrating natural gas with the electric and industrial sectors, harmonizing state and federal regulations and removing tax barriers.

The strategic nature of Gasbol in diversifying the national energy matrix requires a relevant performance by the Company in view of this challenging moment of transition in the regulatory environment.

The purpose of the new rules is to create conditions for the providing of transmission services to encourage the potential entry of new agent-participants in the role of shippers over the coming years. To make this viable, it became clear that the repositioning of the Company and the development of better operating options were necessary in the new model.

Thus, defining strategies and planning the future of TBG became the big challenge. The characteristics of natural gas transmission system operator, TBG's main business, must become more dynamic and will require highly efficient Company performance. The basis of this policy is oriented by the TBG Mission, Vision and Values.

TBG Strategic Objectives

Shareholders	Maximize results and financial return
	Manage business risks
	Maintain Corporate Sustainability
Society, Market & Environment	Act strategically with market's agents, and government authorities
	Strengthen TBG image in the market & society
	Natural gas transmission: safely, reliably, respecting life and the environment
Workforce, learning & growth	Be the transmission system operator caring for all clients with excellence
	Develop people
	Preserve technical capacity & management
	Promote organizational development
Internal Processes	Encourage productivity & innovation capacity
	Guarantee integrity and adequate asset availability
	Guarantee compliance
	Optimize costs
	Simplify processes
	Incorporate new practices and technologies
	Be safety efficient

Table 1 - TBG Strategic Objectives

Our strategies are divided into goals or indicators with initiatives foreseen in the TBG Business Plan, covering five years, orienting short and mid-term Company actions.

The TBG Business Plan includes the necessary adjustments for transition to the new Brazilian natural gas market model, while paying attention to important external interfaces. It is also focused on associating initiatives with strategic objectives, to achieve the goals established by the Company's top metrics and commercial strategies.



Commercial Strategies:

- Annual Open Season procedures offering firm capacity volumes;
- Offer short-term products;
- Offer Incremental Open Season procedures;
- Coordinate Open Season processes with other gas pipeline transmission system operators.

Operational, commercial and economic-financial performance monitoring results are presented monthly to Senior Management in a Monthly Business Performance Report (MBPR). Additionally, a monthly Critical Analysis Meeting (CAM) is held with the participation of different Company areas to mitigate or define remedial actions when problems are identified in attaining goals.

The TBG corporate governance structure guarantees the participation of senior and middle managers to achieve the results set by the Company; they participate throughout the process, starting with setting goals to periodic monthly monitoring.

In 2019, the Company instituted the new Variable Compensation Program (VCP) for TBG employees. The VCP has a focus on commitment to achieving results and strengthening meritocracy.

The results of actions taken to reach the strategic goals is shown in the table below:

KEY PERFORMANCE INDICATORS	GOAL	RESULTS
DLE – Net debt/ EBITDA	0.2	0.0
OEI – Operational Efficiency Index	10.1%	11.4%
TRI – Total Recordable Injury Frequency Rate (*)	0.6	0.0
ROCE – Return on Capital Employed	30.5%	39.9%
CSR – Compression System Reliability	98.0%	99.4%
Customer Satisfaction Level	99.1%	98.8%
ROCF – Return on Operating Cash Flow	30.0%	47.3%

*Maximum Admissible Limit

Table 2 – TBG Key Performance Indicators

The Strategic Planning agenda will be revised and will take into consideration the lessons learned in the Open Season held in 2019. This will represent the consolidation of the new scenario of our transmission system capacity contracting model, that encourages the inclusion of new businesses as a way to diversify our activities portfolio aiming at increasing our profitability.

New Business Development and Regulation

We are developing and prospecting new business opportunities in the midstream of the natural gas value chain, in view of current regulations and new natural gas market conditions, in order to generate long-term value for the Company.

New business opportunities have been developed and include providing Operation and Maintenance services, Consulting, Calibration services, Hydraulic Thermo Simulations and the Implementation of New Gas Pipelines, among others.

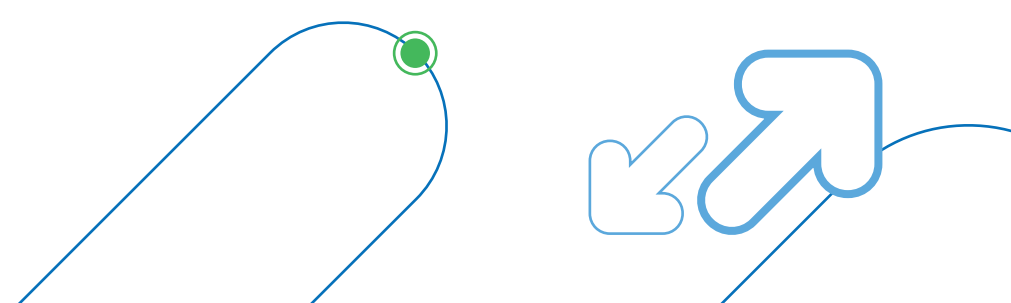
We will continue to work in close collaboration with government institutions, such as MME (Ministry of Mines and Energy), EPE (Energy Research Company) and the Brazilian regulatory agency, the ANP (National Agency of Petroleum, Natural Gas and Biofuels), and other sector agents that play a relevant role in the natural gas value chain. The objective is to improve the regulatory framework through adoption of the best industry practices. Our goal is: TBG will be recognized as a national reference; a model of excellence, in the natural gas energy sector.

Pricing Methodology for Gas Transmission Services

Our tariff planning and pricing team recently started to examine tariff methodology for new contracts and for simulations requested by new agents and other the market players.

The natural gas transmission service tariff desing has been prepared in compliance with requirements laid down in the regulatory framework in force in Brazil today, as established during the market transition phase.

This activity requires dynamic decision-making, careful market monitoring and constant updating of economic, financial and regulatory parameters, while never forgetting our commitment to create competitive values for the Company and our shareholders and at the same time, generating added value, strengthening TBG corporate sustainability.





→ Corporate Governance

Our Business and Corporate Governance Policy, approved by the TBG Board of Directors, establishes the principles and guidelines that assure Company performance. Governance is the system by which the Company is directed, monitored and encouraged to do business. The Policy also helps form relationships between shareholders, the Board of Directors, the Executive Board, advisory committees, supervisory and control organs and other stakeholders.

The reason for TBG's continuous search for best practices is to add value to the Company's management behavior. TBG Governance is guided by the following values: transparency; equitable treatment of shareholders; respect for society in general; accountability; economic, social and environmental responsibility, and respect for applicable legal and regulatory requirements.

The Business and Corporate Governance Model principles were designed to:

- generate value for shareholders and society in general, in an ethical and sustainable manner;
- guarantee TBG sustainability and the continuity of best governance practices;
- improve senior management decision-making processes;
- improve the Company's planning processes, controls and performance;
- increase transparency and information disclosure; and
- strengthen the Company's institutional image and reputation.

Governance is subject to the principles described in the TBG Code of Ethics and the Conduct Guide adopted by the Company. Both these documents establish Zero Tolerance for fraud, corruption and any form of business or ethical misconduct.

These principles support and orient management actions and decisions. It is essential and expected that all TBG employees adopt our compliance standards, and that Company rules and procedures be respected and monitored at all times.

TBG's Corporate Governance structure consists of: regular General Shareholders' Meetings, a Fiscal Council conducting permanent actions led by the Board of Directors, Statutory Audit Committee, Internal Audit Team, and the TBG Executive Board together with an integrated management staff that is organized in Committees and Commissions.

Furthermore, TBG contracts an External and Independent Audit team to examine the Company's financial statements on a quarterly basis and at the end of each fiscal year. The financial statements for

the year ended are approved by the Annual General Shareholders' Meeting (AGO). Every five years, the contracted auditors are replaced to guarantee equality, independence and transparency in the audit process.

The Governance structure has deliberative and executive bodies that always work in an integrated and coordinated manner, following the determinations of pertinent government legislation and TBG Bylaws.

Corporate Governance Model

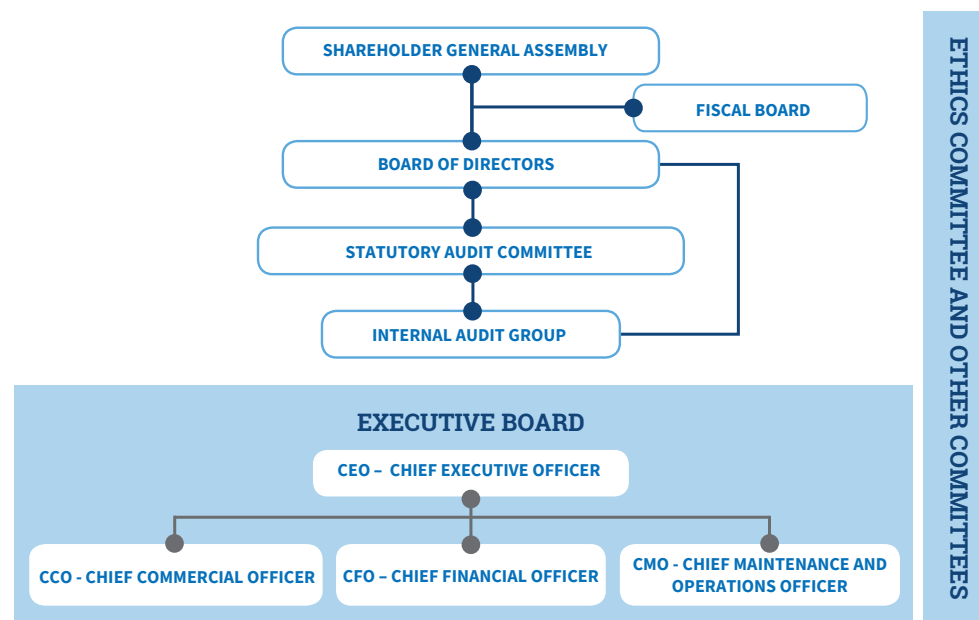


Figure 5 – TBG Corporate Governance Model

Shareholder General Assembly	The supreme corporate governing body, exclusively deliberative, members issue decisions relevant to Company business actions.
Board of Directors	Superior TBG governing body – 8 members, 1 elected by workforce according to Fed. Law 12.353/10 All members have two-year term and a maximum of three consecutive reappointments.
Fiscal Board	Autonomous control and fiscal organ: evaluates management decisions affecting budget and assets, must preserve and defend Company and shareholder interests. Made up of a president, two members and two eventual member substitutes; two-year terms of office, renewable for two more years.
Statutory Audit Committee	Consisting of 3 independent members, acts as advisory group to the Administrative Board, made up of a president, two members and two eventual member substitutes; two-year terms of office, renewable for two more years.
Executive Board	Composed of: Chief Executive Officer , Chief Commercial Officer , Chief Financial Officer and Chief Maintenance and Operations Officer . This organ is responsible for the management and operationalization of all Company business actions, according to the Corporate Strategic Plan, approved by the Board of Directors. In decision-making processes, this organ receives assistance from TBG Corporate Committees respective to each organizational topic and the Ethics Committee regarding ethical matters.
Internal Audit Group	Internal audit rules approved by Board of Directors, acts as advisory group to the Executive Board, to guarantee compliance with internal controls and risks, respecting the Annual Internal Audit Plan. Results of internal audits are submitted to the Fiscal Board, Statutory Audit Group and Executive Board as well as government authorities – Federal Audit Court - TCU and Federal Financial Controlling Court - CGU.I.

Table3 – TBG Corporate Governance Structure

TBG is carefully watching the transformation of the new natural gas pipeline market in Brazil, designed to improve the Company’s competitiveness by contributing to a dynamic market vision, an improved economic environment and strategic direction, within the new natural gas sector framework in the country.

In 2019, the TBG Board of Directors was composed to include shareholders representatives, one person to represent the Ministry of the Economy and employee representatives as demonstrated in the tables below:

Board of Directors - Profiles in 2019

GENDER	
Men	75%
Women	25%
UNIVERSITY DEGREE	
Engineering	5
Economics	1
Law	1
Health and safety technician	1
Total	8

Table 4 - Board of Directors - Profiles in 2019

The Company’s governance structure also maintains commissions and committees, for the purpose of assisting the Executive Board in making decisions on matters of organizational relevance and integrated management issues, including:

- Internal Accident Prevention Commission
- Ethics Commission
- Corrections Committee
- Human Resources Committee
- Corporate Risks Management Committee
- Corporate Safety Committee
- Telecommunications and Information Technology Committee
- Materials Management Committee
- Contracts Management, Supervision and Monitoring Committee
- Internal Energy Conservation Committee
- Organizational Development and Planning Committee
- Operational Deviations and Associated Commercial Impacts Committee



Below, please see the TBG Organizational Model responsible for managing all Company affairs

TBG Structural Organization

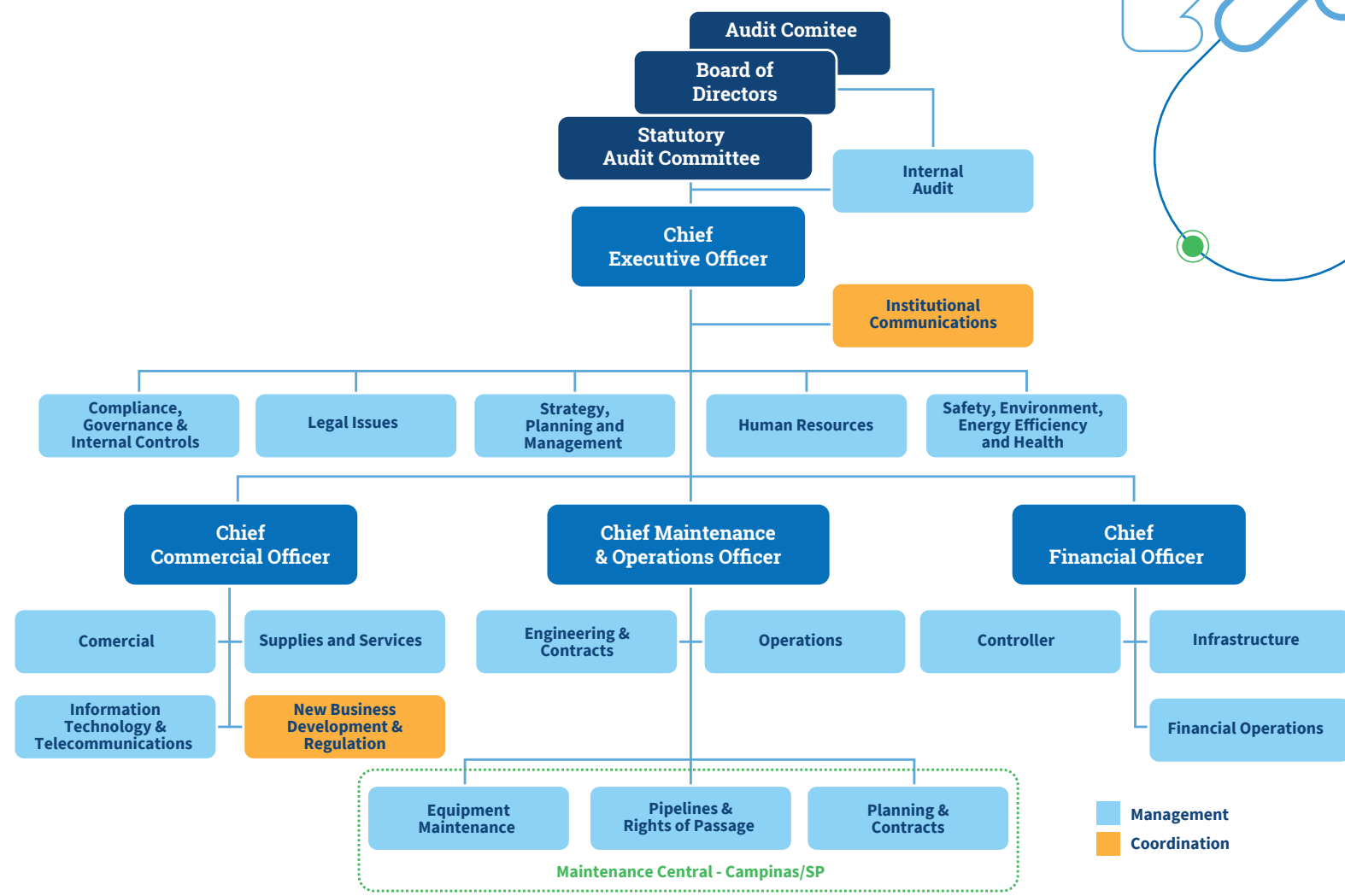


Figure 6 – TBG General Organogram



At the beginning of 2019, Inmetro confirmed our ISO / IEC 17025: 2017 qualification for our Pressure and Temperature Calibration Service Management System (SGSC). **TBG remains the only transmission system operator in Brazil to have this certification.**

TBG management promotes several continuous actions to improve Corporate Governance, to establish the best business and corporate practices in line with Company strategies and in full compliance with national legislation, as highlighted in the following descriptive texts.

The Company's Bylaws, reformed in 2018 to comply with Law 13,303 / 16 (State Law), brought, among other benefits, new mechanisms to increase transparency, control and accountability. New procedures for purchasing goods and contracting services were also introduced. TBG Bidding and Contracts Regulation (RLCT) procedures were elaborated to discipline general hiring rules and meet the requirements of art. 40 of the State-Owned Companies Law. As a result, bidding, offered in a public Invitation modality started using the "best quote" criterion and the new bid documentation began to be published in the Official Federal Gazette as well as in the Electronic Portal (Petronect), assuring isonomic participation of all interested suppliers in highly transparent bidding processes.

The TBG Annual Letter of Public Policies and Corporate Governance was published, in compliance with Law 13.303 / 16, aimed at the general public; a document that comments Company activities and its public commitments, internal controls structures, management and risk factors, main results, the TBG governance model, corporate governance practices and a description of the Management composition and remuneration of the Board of Directors and Executive Board.

→ Management Policy

Our management policy has been built to strengthen business management actions used in the natural gas transmission system sector in Brazil, predominantly reflecting the purpose and values of the Company and ensuring, sustainable safety, reliability and operational efficiency. Our policy also reflects our pioneering spirit and our vocation for innovative actions while adding value to stakeholders, complying with all regulatory demands and remembering the TBG respect for life, people and the environment.

→ Integrated Management System

The TBG Integrated Management System (IMS), in addition to adding value to the business, makes constant efforts to improve our processes with a focus on quality, the environment, safety and health at work and procedures at our calibration laboratory. The SGI proposes objectives and goals that encourage continuous improvement of all Company areas.

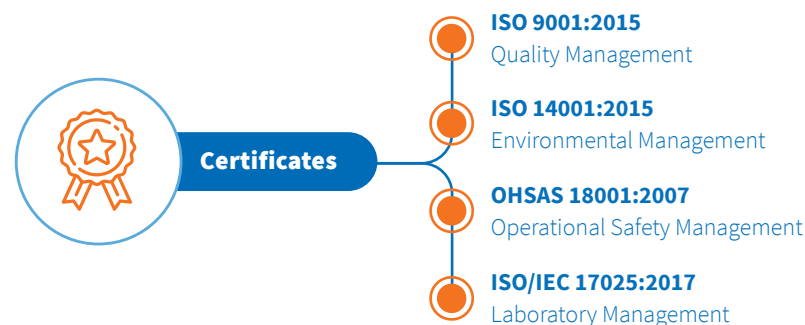
IMS planning was created to satisfy client requirements, as well as meet Company strategic objectives and what we call, the Company's Value Chain. This planning is part of our strategic business and supports our macroprocesses, to care for stakeholders' interests while providing more efficient management and process actions, keeping eventual risks in mind and of course, new opportunities.

At the beginning of 2019, Inmetro confirmed our ISO / IEC 17025: 2017 qualification for our Pressure and Temperature Calibration Service Management System (SGSC). TBG remains the only transmission system operator in Brazil to have this certification.

The renewal of this certification is an official market acknowledgment of TBG's capacity to carry out calibration activities necessary to manage monitor temperature and pressure grids at pipeline City Gates and at our Measurement Stations. It tells the market that the Company meets all requirements and is qualified to make accurate calibration measurements in the Company's laboratory.

The accurate calibration of natural gas custody transfer equipment is of paramount importance for receiving gas at injection points, delivering gas to city gates and metering stations, in order to measure the amount of gas received or delivered. These operations significantly reduce gas losses and operational uncertainties.

TBG is the only natural gas transmission system operator in Brazil awarded with the following certificates of approval:





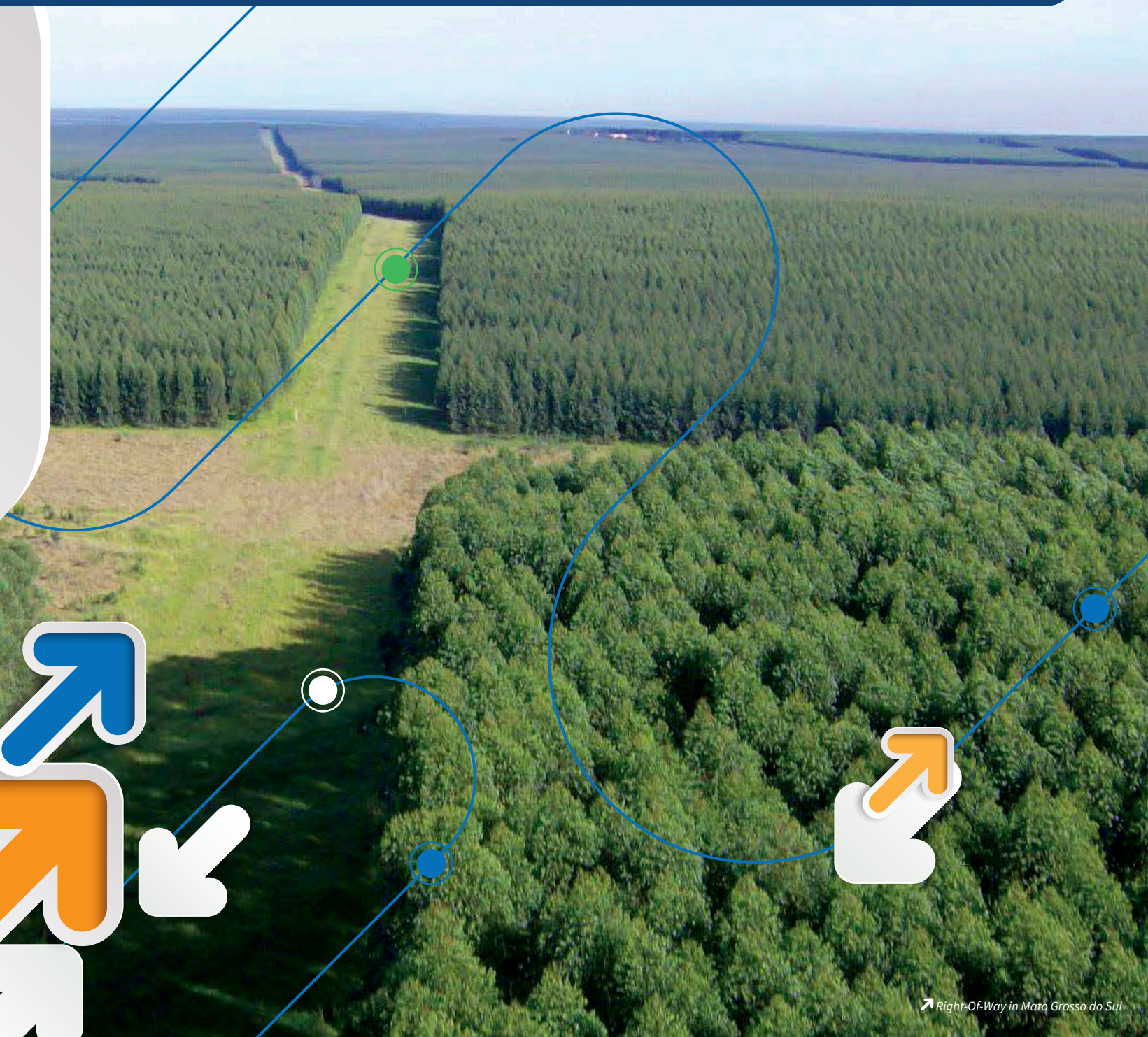
Intense, on-going internal work mobilizes all the Company areas that prepare the groundwork for each of our Integrated Management System (SGI) Recertification Audits. TBG understands the importance of the work that leads to the certification recommendations made by world-class independent external auditors. The certificates express the recognition that our Company respects and follows the global standards and principles of Quality Management (ISO 9001), Environment Management (ISO 14001) and Work Safety and Health Management (OHSAS 18001), internationally recognized standards that have been adapted to the changes made in the most modern ISO 9001 and ISO 14001 versions.

Paulinia's Compressor Station





External and Internal Contexts





External and Internal Contexts

→ Open Season

In 2019, we began our journey towards creating the new Brazilian gas market. Under the guidance of the Brazilian Regulatory Agency - ANP, we conducted a Open Season, (ANP 01/2019); a process that offered the market our available gas transmission capacity, after the end of the TCQ Brasil contract, which at that time was the Company's main transmission contract.

In 2009, gas regulation Law No. 11,909, (the Gas Law), was enacted. This law was regulated by Decree 7,382 (2010) and later amended by Decree 9,616 of 2018. The Gas Law determines that gas transmission pipelines granted by the government, shall offer transmission services to the market through Open Seasons procedures, according to regulations set down by the National Regulator, ANP. Considering the end of the TCQ Brazil Contract, in effect during the period of 2016 to 2019, TBG prepared an Open Season process in conjunction with the ANP, known in Brazil as the "Open Season" 01/2019".

The process started in August and transmission service contracts were signed with the winning bidders, on December 27, 2019. These were the first contracts to adopt the Entry and Exit contracting modality in the Brazilian market. The results of the ANP Open Season 01/2019 are available in the TBG website (<https://chamadapublica.tbg.com.br/>).

The process started in August and transmission service contracts were signed with the winning bidders, on December 27, 2019. **These were the first contracts to adopt the Entry and Exit contracting modality in the Brazilian market.**

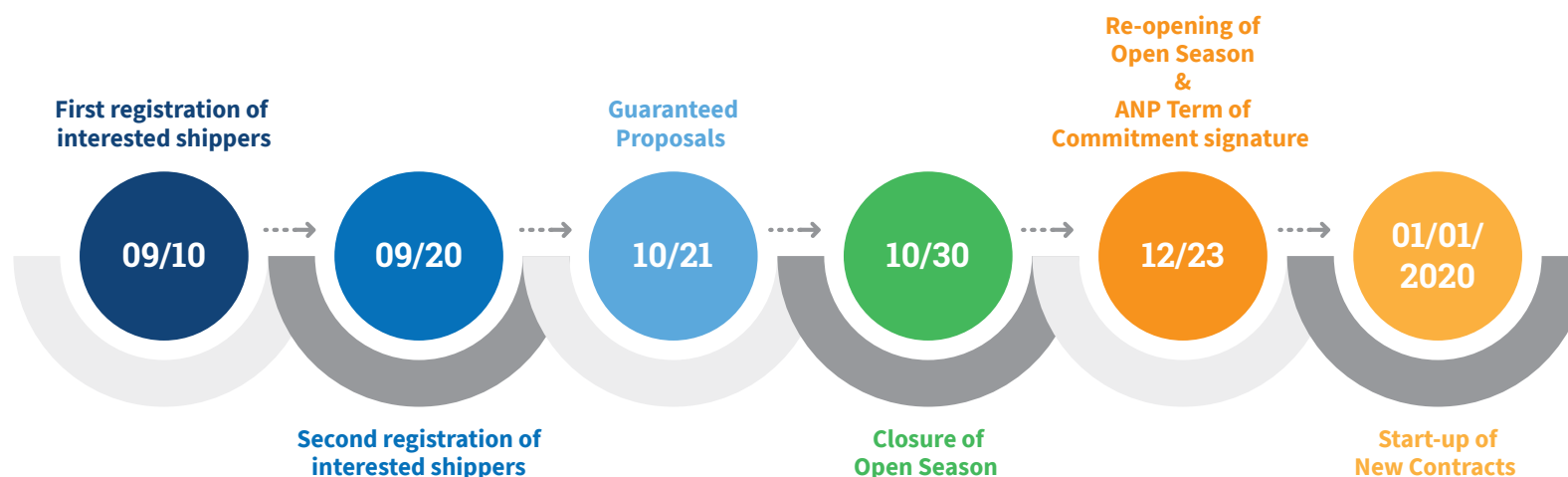


Figure 7 – Open Season process 01/2019 - How it was organized



This is what TBG did to organize the event to promote the 2019 Open Season and announce it publicly:

- Publication of an announcement in the Anuário Cenários Gás 2019, published by Editora Brasil Energia;
- Sponsorship of the 19th Natural Gas Seminar, held by the IBP - Brazilian Petroleum, Gas and Biofuels Institute;
- Sponsorship of the Rio Pipeline Conference promoted by the IBP - Brazilian Petroleum, Gas and Biofuels Institute;
- A presentation of the TBG Open Season at the IGU (International Gas Union).
- A Workshop was held on the Gasbol Open Season procedure organized by the Regulator - ANP, where the new Entry-Exit contract models were shown to market agents; questions and answers were heard by all participants.

→ Commercial and Regulatory Scenarios

We started mapping the demands for an Incremental Open Season by posting a form on the TBG website, so that interested agent shippers could register their requests for transmission capacity associated with new systems investments.

The contractual drafts for the extra service modality were made available based on the annual regime of normal Entry-Exit contracts. The Extra or Incremental Transmission Services option is a contract alternative that may be made available at any time, regardless of the normal annual Open Season.

We actively participated with the Natural Gas Transmission Services Association (ATGAS) in the discussions on the New Gas Law Project (Project 6407/13), pending in the National Congress, as well as in the search for a viable tax treatment solution for gas transactions in Brazil based on the new pipeline entry-exit contractual regime, sanctioned by approval of the SINIEF 17 Adjustment (Integrated National System of Economic and Tax Information) dated 10/10/2019. The adjustment changes the focus from the physical gas flow to the commercial gas flow as a new criterion, thus complying with accessory tax obligations under the new regime for contracting natural gas transmission service.

Throughout 2019, for the purpose of expanding our knowledge through best business practices and interactions with international gas shippers and traders (international players), TBG sent its technical teams to natural gas Transmission Service Operators (TSO) and European regulatory institutions to learn more about their ways of doing business.



➔ TBG's website - Incremental Open Season



Materiality



Materiality



To better suit TBG's current and future scenarios, we reviewed our Materiality Matrix, redefining the key material issues to be addressed in this report.

In order to define these themes, we focused on the aspects that could reflect significant economic, environmental and social impacts, issues relevant to our stakeholders that, over time, could affect our capacity to generate value. Company management carefully studied and evaluated these themes. The analyses made considered the corporate connections between strategy, governance, performance and future business perspectives.

TBG's materiality matrix is shown in the graphic representation below; the relevant risks and opportunities that could affect the Company's ability to generate value. Thus, we defined the following themes to compose our matrix:

TBG's Materiality Matrix

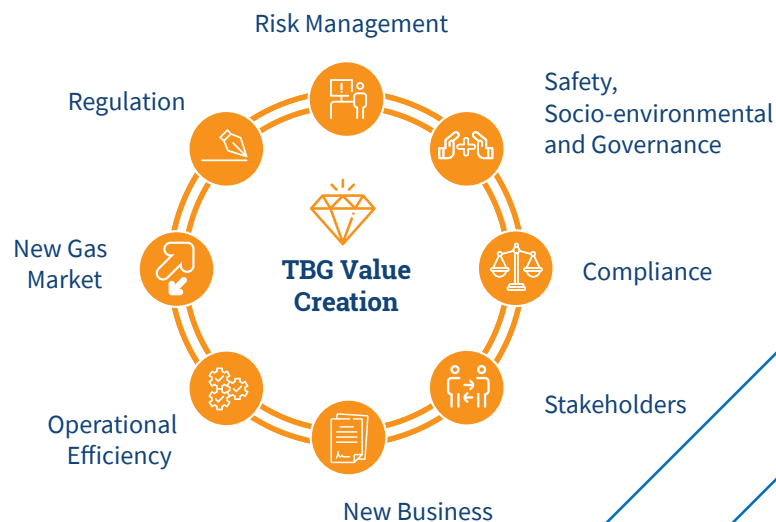
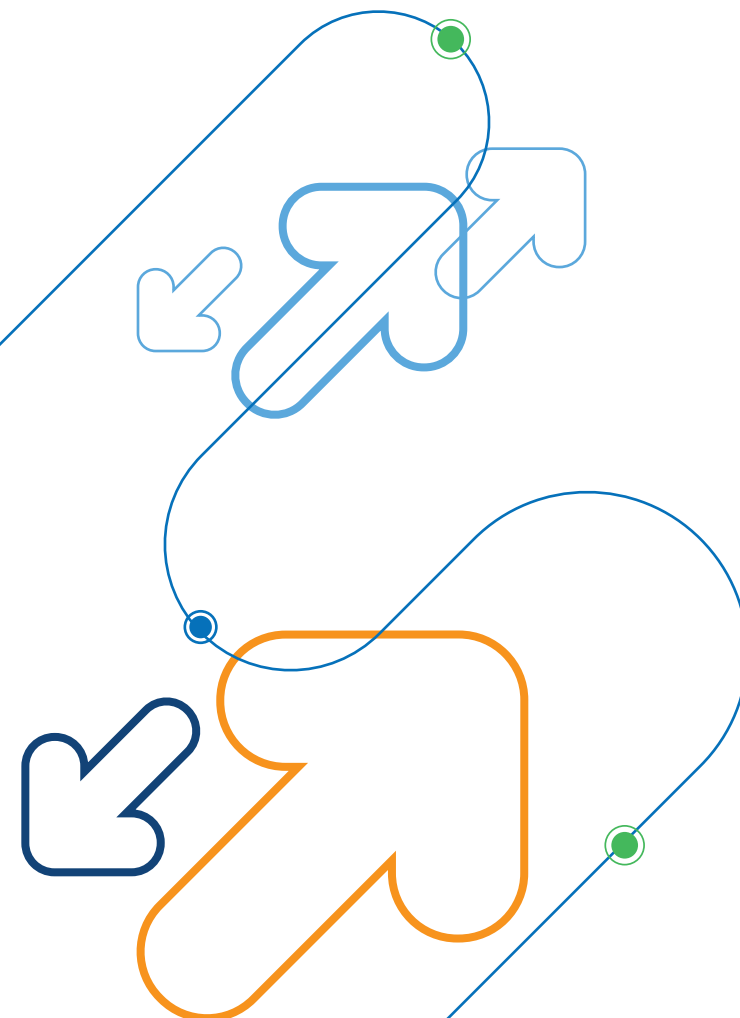


Figure 8 – TBG's Materiality Matrix





How We Create Value



How We Create Value

Creating value is essential to ensure TBG economic sustainability. By creating value, the Company grows consistently, becomes more financially sustainable and creates new opportunities for employees and the entire industry.

The Company generates value through its strategic management macro-processes and actions undertaken by our business and business support teams, as established in the TBG Business Model. This model used as a management tool drives growth and creates value for all our stakeholders by harmonizing internal processes and implementing well-structured actions.

The actions implemented in 2019 were designed to minimize risks and enhance the opportunities for better performance, aligned with our strategic objectives, mainly to protect stakeholders through decisions and actions involving our human, intellectual, natural, social and relationships, productive and financial capital.

TBG undergoes constant reevaluations of its all macroprocesses and internal processes, in order to comply with legal requirements and to adapt to the new challenges imposed by an expanding market.

To safeguard and eventually share knowledge and information, the Company makes use of the Integrated System of Electronic Standardization and Processes (SINPEP) in which all our policies, guidelines and procedures are filed and published.

Creating value is essential
to ensure TBG economic sustainability.

➤ Hortolandia's Pressure Reduction Station



Our Capitals

→ Human Capital

Our Human Resources capital includes all our qualified teams of professionals and represents one of our great corporate differentials. These people, in addition to contributing to the construction, operation, consolidation and maturity of the Company in the natural gas marketplace they manage our affairs, with commitment, technical competence, safety, ethics, compliance and socio-environmental responsibility.

Our workforce is structured as follows:

TBG Employee Profile in 2019

EDUCATION

	High School	University	Degree	Master's Degree	Doctoral	Post Doctoral
	65	104	51	10	1	1
	1	35	26	-	1	-
	66	139	77	10	2	1

REGION



GENDER



MANAGEMENT PROFILE



In recent years, our activities focused on actions to prepare the Company for the opening of the natural gas transmission market in Brazil, and to prepare our employees to adopt best business practices. We intensified our training actions and initiatives, focusing on the development of new leaders and new programs to transmit and perpetuate knowledge, technical skills, values and experiences.

We reinforced the concept of continuing education by implementing our Leadership Development Program (PDL) for managers, coordinators and supervisors working in pipeline operations and equipment maintenance areas.

From September to December 2019, we carried out our homeworking pilot project. With the participation of 27 employees from 13 areas of the Company, the project was created to improve the quality of life of our professionals and their families, encourage creativity and build a new professional profile that balanced both the personal and professional aspects of their lives.

We instituted the new Variable Compensation Program, based on not only performance, but on personal and professional behavior that may affect results. This strengthened the meritocracy concept among our employees.

We implemented the new Jobs and Salaries Plan (PCS), to provide greater career development possibilities and a meritocratic evaluation process in line with the Company's Strategic Plan; in the case of HR, our objective was to "Improve People Management" and attain our Human Resources Policy objective: "To adopt levels of remuneration and a benefits policy that reflect the best market practices and the Company's human capital strategy".

At TBG, we offer benefits that show our employees how they are important to us. Our main benefits include two very important plans, namely; the Supplementary Pension Plan and the Health Plan.

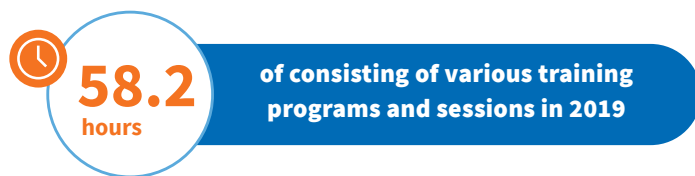
In 2019, we enrolled 47 trainees in our internship program for higher education students. Besides the professional experience acquired at the Company, these young people also had the opportunity to participate in our professional training workshops.

Within the scope of TBG Sustainable Development Goals dealing with health and well-being, we have created awareness campaigns that play a relevant role in the area of occupational health education, in addition to several other Company programs, such as:

- The "Entre Amigos" support program committed to helping solve personal problems that arise in the lives of our employees and their families. The program is managed by a multidisciplinary team of psychologists, lawyers and finance specialists, among others. In 2019 we provided assistance to 66 people;
- Quali + Vida Program, which offers our Company professionals nutritional support provided by specialists that coach them through individual consultations and continuous monitoring;

- The Company also maintains a Medical Control and Occupational Health Program (PCMSO) and an Environmental Risk Prevention Program (PPRA), two programs required by law.

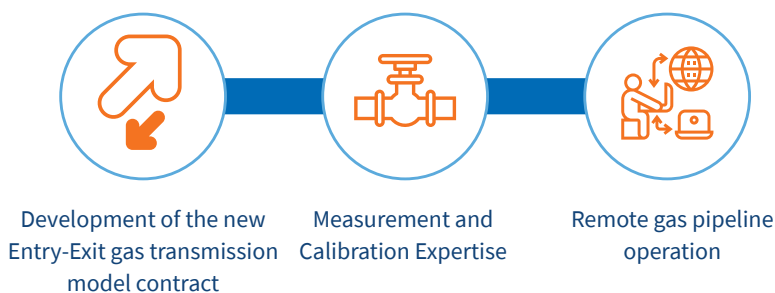
Training programs have been an important part of our HR area and have helped us to acquire knowledge while we are preparing for the commercial, economic and regulatory challenges that TBG will face in the coming years with the opening of the gas market. During 2019, every employee was benefited by an average of 58.2 hours of consisting of various training programs and sessions.



→ Intellectual Capital

Intellectual Capital is composed of our market-recognized technical capacity, administrative expertise, know-how in operating services, our natural gas pipeline transmission services and Gasbol administration. It represents TBG's intangible organizational assets and is based on the knowledge and technical specialties arising from our Human Capital, that is to say, the acquired knowledge, skills and attitudes that enhance our work performance resulting in the Company's ever-expanding economic value.

Competencies



The TBG Knowledge Management process is aimed at improving the qualification of our professionals, by sharing their experiences among team members. Many aspects of the TBG's business know-how is not found our documents and systems, rather, this know-how can be experienced in our

business processes, in our daily practices and in the experience accumulated over the years by our professionals.

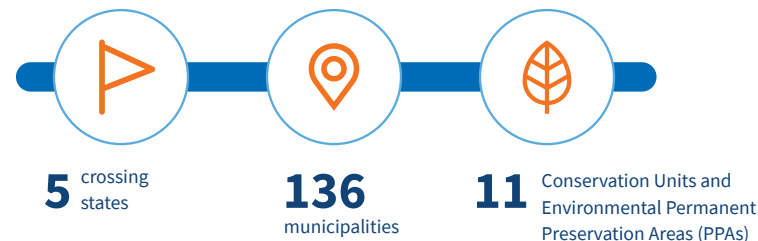
The Mentor Program is developed internally, commanded by our more experienced people. It focuses on innovation and maintaining quality in critical Company activities that may be affected by the retirement, departure or movement of our employees. The long-term objective is pass-on, perpetuate and safeguard all special knowledge gained over the years.

→ Natural Resources Capital

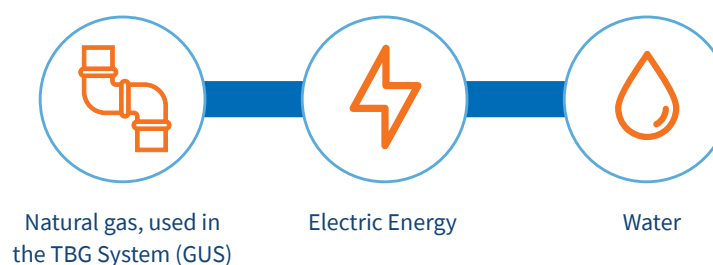
TBG's Natural Resources Capital is made up of renewable and non-renewable environmental resources, that are part of, or impacted by our production process, that is to say; our natural gas pipeline transmission services.

The TBG gas pipeline
extends some

2,593
kilometers



The key resources used at TBG include:



GUS is the most widely used resource at TBG, mainly in the gas turbines and compressors that assure a continuous flow of gas along the pipeline.

Other types of energy are used on a smaller scale in our assets, as the vast majority of our equipment uses natural gas.

Since TBG only uses a small amount of water in its main production process, our natural gas transmission service, the Company does not require an environmental concession or license to use this resource.

Water resources, located along the gas pipeline route remain basically as they were before construction work. The gas transmission pipes are buried at depths between 1.20 and 2.50 meters under streams and riverbeds and in trenches two meters wide or in directional boreholes.

Main impact generated:



Environmental Impact Index

IMA = 0

Permissible Limit: < 0.5 m3 / month

- IMA: Sum of volumes of oils and chemicals released accidentally = zero.

With regard to residues generated and the emission of gases from the transmission and delivery of gas along the pipeline, TBG complies with all environmental legislation in force; measurements taken are within the established parameters, as certified in the ABNT NBR ISO 14001: 2015 standard (System Environmental Management Requirements).

The objective of our Environmental Management System is to provide a structure to protect the environment and enable fast responses to changes in environmental conditions and socio-economic needs. The commitment made by our employees and top management has been essential to the success of our system than always exceeds our environmental goal standards.

Waste Management Program

In 2019, we completed the TBG annual training and awareness program agenda on the use and treatment of wastes, held in our Operating Units, an activity that is part of the Company's Basic Environmental Plan.

In three years of activities, 482 employees have been qualified; in 2019 alone, we trained 145 professionals, including people from own staff and service providers

→ Social and Relationship Capital

Interactions with stakeholders are part of our social and relationship capital. The improvements in our market communication, through transparent and permanent dialogues, is strengthened through our media channels, social actions, brand image and various interactions with our relations networks.

Institutional Communication actions also coordinate and guide TBG activities related to the identification of market and agent demands in order to increase Company visibility in the scenario of new business opportunities.

We have grown and consolidated our presence in the gas pipeline transmission market by establishing bonds of trust with society and strengthening relationships with our stakeholders. We will continue on this road and we believe that we are well positioned to expand our business.

The relationship network is formed by our interactions with the 10 key stakeholders listed below:



Figure 10 – TTBG Social and Relationship Capital

Communities neighboring our gas pipeline

From our very beginnings, we've given a lot of attention to the safety of the communities located around our pipeline. Residents are constantly being informed about possible impacts and / or risks that may eventually arise from our activities. We maintain a permanent dialogue with these residents to ensure their safety and the safety of the environment, and our Company assets.



The TBG Social Communication Program was created to raise the level of awareness of these communities, regarding the proper care and treatment of the pipeline right-of-passage, safety procedures and the restrictions for use and occupation of the surrounding margins of our passage way along the Corumbá / MS-Canoas / RS pipeline section.

Initially scheduled for two years, the project includes annual communication campaigns, which consist of visits and awareness-expansion meetings organized in the communities and focused on accident prevention recommendations, the safety of the residents, the environment and the TBG business. The program includes visits to resident property owners, lands crossed by the pipelines' right of passage, as well as meetings with companies whose activities may potentially interfere with the gas pipeline. Meetings are also held with government institutions, such as city halls, municipal departments of works, planning and education groups and water and sewage companies working in the locations where the gas pipeline is present, and finally; Civil Defense and Fire Departments in the different regions.

Communities close to the gas pipeline are also the focus of the campaign. People who live in regular allotments and settlements, or who work at distances of up to 200 meters from the actual pipeline installations, are visited door to door or in meetings such as workshops organized to divulge information and promote debates on the presence of the gas pipeline their respective regions. The criteria for choosing the locations where the campaigns will be held were defined by TBG and approved by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA). The final aim of these initiatives is to increase the awareness of the surrounding populations of the best ways to assure a safe coexistence for the communities close to our pipeline.

In 2019, more than 600 individual properties and more than 130 security agencies, city halls and communities were benefited from TBG campaigns. In the tracts of land shared with Petrobras, our activities were developed around the 155 kms of land running through the South stretch, in the municipalities of Curitiba, São José dos Pinhais, Fazenda Rio Grande and Tijucas do Sul, in the State of Paraná, and Guaratuba, Garuva, Joinville, Tijucas and Biguaçu, in Santa Catarina State. More than 350 properties and their owners were included in three campaigns.

TBG maintains a toll-free number: 0800 026 0400 Gas Line, and the Fale Conosco (Talk to Us) channel, available on the TBG Website, two key relations channels open to the communities surrounding the right-of-way. They help preserve the integrity and protection of the pipeline, while improving community relations and a sense of mutual trust and a spirit of partnership established with the population living close to the Bolivia-Brazil gas pipeline. Calls made to the 0800 number are free, including calls made from cell phones. The service is available 24 hours a day, including weekends and holidays, 365 days of the year.



609 – calls were made by local residents to the TBG call hotline in 2019

By using this TBG communication channel, you can:

- Learn what actions and activities may be permitted in the pipeline right-of-way zone;
- Request a visit from one of our technical staff to learn what you should do before initiating any kind of activity close to the gas pipeline;
- Find out about possible incidents or abnormalities in any Company installation, including those caused by natural events;
- Make a complaint about an undue intervention, or request explanations about our gas pipeline operations or request more information about our Company.



Figure 11 – TBG toll free number

Customers

Understanding what clients think about our performance regarding the services we provide, our relations with the public, our organizational image among our clients - all these questions are extremely important to TBG management. To find the answers to these questions, TBG conducts a Customer Satisfaction Survey (PSC) every year. The results obtained from the survey held in 2019 revealed a client satisfaction index of 98.9%.

The results obtained from the survey held in 2019 revealed a client satisfaction index of

98.9
%

Suppliers

The Conditions for the Supply of Materials, Goods and Associated Services published by TBG lay the groundwork for improving relationships with the supplier market. To establish general contracting rules and meet the requirements of Law 13.303 / 16, TBG has prepared document entitled Regulation of Bids and Contracts. These documents are available on our website: <http://www.tb.com.br>.



Opportunities for contracting services and/or purchasing materials comply with rules set down by public administration authorities and are published in the Official Federal Gazette - DOU and on the Petronect website : <http://www.petronect.com.br>.

In 2019, TBG celebrated purchase and service contracts with

420
suppliers

Academic and Scientific Communities and Natural Gas Market Institutions

Regarding the natural gas transmission scenario, we are actively contributing to scientific and academic communities as well as natural gas market institutions. Since its foundation, the Company has always been a pioneer, adopting a pro-active attitude, always open to innovations in the sector. To date, we've participated in several scientific and technical events where we've made technical paper presentations. Highlight from some of the events held in 2019 include:

- 19th IBP Natural Gas Seminar: discussions on the New Gas Market, the ANP Regulation Agency, the importance of gas pipeline transmission for the Economy, the participation of natural gas in the Brazilian energy matrix and the new model for contracting transmission services through Entry-Exit contracts. At the event, TBG demonstrated its pioneering spirit and the experience acquired during the process of preparing the 2019 Open Season; the result of four years of work by the TBG technical team in conjunction with the ANP.
- IV Pipeline Maintenance Forum, at the Transpetro Academy / RJ, in which TBG presented three technical papers: Geotechnical Works in Gas Pipeline Crossings, Signaling at Pipeline Crossings and Social Communication impacts on the presence of the TBG gas pipeline in shared pipeline networks.
- Calgary Awards, TBG participation on the Awards Judgement Committee.
- Rio Pipeline 2019, organized by IBP, TBG coordinated the activities of the event's Technical Committee and presenting works on Automation, control systems, measurement and Control Rooms Management, Integrity, Natural Gas Measurement for ISO 17025: 2017 Standard and Security Systems certification.

Government Institutions

TBG maintains constant communication and relations with various government institutions. The Company stands in full compliance with all legal obligations, regulations and standards, as well as other rules and practices related to our activities.

Press Relations

Our Press Agency relations are conducted in a transparent manner. Prompt attention is made to any demand as well as the issuing of notes on relevant TBG matters when required. We monitor our visibility in the media, through the daily analysis of news clippings which makes it possible to keep track of the number of times that TBG is referred to in printed or digital media. These daily actions give us the opportunity to issue statements to correct news released by the Press, when necessary.

Internal Public

Actions directed to our internal public are aimed at informing, involving, educating and training our workforce to achieve the best results to assure generating value for the Company. We maintain two vehicles for this purpose. Namely; "Internal Communications" and "News for the Internal Portal of TBG".

As established in Communication Policy principles, the Company must maintain an accurate, clear, consistent, transparent, simple and agile communication flow, representative of our identity and positionings for all our target publics.



Paulinia's Hub

→ Productive Capital

TBG productive capital is made up of our infrastructure used in our productive processes; resources that are capable of generating wealth and increase our productive capabilities while improving the quality of the services we provide to the market.

We maintain a Maintenance Center located in Campinas, São Paulo, our corporate headquarters in Rio de Janeiro, a Central Distribution installation, in Hortolândia, in São Paulo state, as well as Operational Units distributed along the natural gas pipeline. The main physical assets include as follows:

Onshore Pipeline

The TBG natural gas pipeline extends some 2,593 km and is composed of welded steel tubing buried underground at an average depth of one meter. The pipeline was laid across 5 Brazilian states in continuous 20-meter wide right-of-passage zones. The entire route is identified by signal signs used to inform neighboring communities of the limits of the right of way.

Compression Stations

The Bolívia-Brasil gas pipeline includes 15 gas compression stations designed to maintain ideal pipeline pressure conditions to stabilize the flow of gas throughout the system. Stations are located in the states of Mato Grosso do Sul, São Paulo, Paraná and Santa Catarina.

City Gates

The pipeline also has 47 city gates where pipeline pressure is reduced to permit the delivery or transfer of gas to local gas distribution companies. They are distributed by Mato Grosso do Sul, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul states.

Measuring Stations

There are four Measurement Stations along the pipeline, one in Bolívia and three 3 in Brazil that measure natural gas for delivery to local distribution companies. They are:

- EMED Mutun (Bolívia) – Gas Entry point
- EMED Guararema (SP) – Gas Exit points and on occasion, Gas Entry points
- EMED Gascar (Campinas-Rio) - in Paulínia/SP – Entry and Exit points
- EMED Gaspaj (Paulínia-Jacutinga) in Paulínia/SP – Gas Exit points

Operational Measurement Stations / Estações de Medição Operacional

The Gas Pipeline has two Operational Measurement Stations that are responsible for measuring operational variables, such as gas pressure and temperature. They also carry out operations for both launching or receiving PIG (Pipeline Inspection Gauge), a device that is has been installed inside the pipeline for inspection and cleaning operations. These stations are located in:

- EMOP Corumbá (MS)
- EMOP Canoas (RS)

Pressure Reducing Stations / Estações de Redução de Pressão

The pipeline system also includes two Pressute Reduction Stations responsible for limiting operational gas flow pressure at a determined point in the pipeline. These stations are located in:

- ERP Paulínia (SP)
- ERP Araucária (PR)

Shut Down Valves (SDV)

These valves were installed to reduce the volume of gas lost in the event of pipeline leakages or in other words, the escape of gas into the atmosphere.



Paulinia's HUB

The HUB is a central gas pipeline interconnection point, responsible for coordinating natural gas deliveries to several regions from this location. The TBG HUB is located in Paulínia / SP, one of the pipelines' main gas entry points for gas produced in Brazil.

Control and Supervision Center (CSC)

The CSC controls the pipelines' remote operation. TBG maintains teams kept on call, 24 hours a day, every day of the year, who monitor this operation. It is located at TBG Headquarters in Rio de Janeiro / RJ.

TBG also has an emergency CSC, with the same functionality as the main one, located in another building near the Company's headquarters.

Other Assets

Other physical inventory includes gas turbines, compressors and gas heaters as well as other specialized equipment installed in the pipeline.

Investments

In 2019, TBG made investments totaling R\$ 134 million, funds used to finance corporate management improvements, and new infrastructure projects

TBG investment projects have been consolidated in our Structural Programs portfolio which includes all the actions necessary to achieve the Company's strategic targets. They include:

1. Transmission System Maintenance – Objective: safeguard the reliability and integrity of the pipeline and all facilities, aiming at the operational safety and assuring commitments, with total respect for life and the environment. Investments included in this Program are necessary to guarantee the integrity of the facilities, reliability, security, compliance with legal requirements and operational efficiency, while promoting actions to update equipment and electronic components, make improvements in asset infrastructure and the electrical system, make improvements and adaptations in the operational measurement and custody transfer systems, as well as guarantee the best working condition of all mechanical equipment.

2. Operational Support – Objective: to adopt initiatives that reinforce the Company's operational conditions, and include actions necessary for the maintenance of all corporate infrastructure and corporate security while preserving the environment and exercising social responsibility.

3. Innovation and New Technologies – Objective: to adopt best market practices and new technologies that increase the efficiency of operations and incorporate improvements in processes. It also includes the investments necessary for the optimal operation of the natural gas transmission system, in alignment with the new attributions and responsibilities that are part of current regulation, while considering the expanded performance attributed to TBG and the standard of excellence in customer service.

In the quest for **continuous operational improvement, to reduce risks, increase the safety of people and the reliability of the transmission system service**, TBG systematically takes actions to revitalize its installations. Highlights include overhaul projects to optimize the gas turbines and engines working with the generators in our Compression Stations.

4. New Developments – Objective: to plan and implement new developments arising from TBG's obligations as a gas transmission system operator, in compliance with the legal / regulatory framework established, as well as arising from new business opportunities to be developed to assure the continuity of the Company's business within the concept of corporate economic sustainability.

In the quest for continuous operational improvement, to reduce risks, increase the safety of people and the reliability of the transmission system service, TBG systematically takes actions to revitalize its installations. Highlights include overhaul projects to optimize the gas turbines and engines working with the generators in our Compression Stations. Such projects are developed without compromising the continuous flow of gas transmission operations and, consequently, without impacting on the obligations arising from the natural gas transmission contracts. In 2019, all such projects were completed - nearly every turbine in São Carlos / SP, Campo Grande/MS and Ribas do Rio Pardo/MS was inspected.

In 2019, innovations and new technology projects directly related to Open Season were prioritized. They included Special System Projects, Digital Platform improvements as well as Corporate Management System improvements.

We finalized our Environmental Compensation projects, the Acoustic Barrier at the Capão Bonito Compression Station / SP, and a project associated with the Adequacy of the New Distribution Center, which is essential to keep the system balanced, and finally, the Company's Measurement Laboratory.

In order to improve Compression Reliability and comply with the termination clause of the TCQ contract, we purchased dry, natural gas for our operational inventory and for packing the pipeline, which is necessary to balance the system and to meet the needs for new transmission services.

Our productive capital and investments contribute to attaining our Sustainable Development Goals while providing clean and affordable energy for industry, fostering innovations and new infrastructure and actions to contend with global climate change. The main energy resource used in our machinery and equipment is natural gas.

→ Financial Capital

TBG's Financial Capital is made up of the available financial resources, allocated to our productive activity.

The Company did not take on new financial debts in 2019 to make investments. The Operational Cash Flow Generation was sufficient to supply the Company with monetary resources to fund our investment budget, necessary to maintain the gas pipeline transmission system and to serve our customers.

The TBG “Project Finance”

The “Project Finance” for the construction of the Bolivia-Brazil Gas Pipeline was classified as a financing event for a project to be sustained by long-term natural gas transmission service contracts, in the “ship or pay” modality, with a duration of twenty to forty years.

Over the twenty years of commercial operations, TBG has adopted best business practices applied to resources management, resulting in quality services and operational excellence. TBG's financial performance made it possible to liquidate the commitments assumed with shareholders, with “Export Credit Agencies” and with multilateral investment agencies.

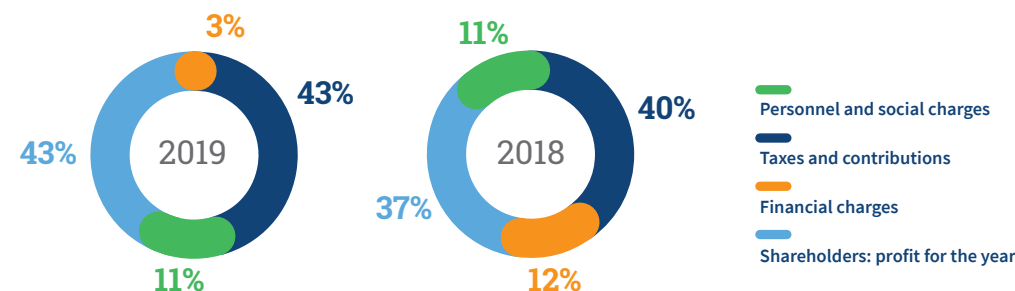
The Finance Project has been successfully completed; all our objectives were attained. The Bolivia-Brazil gas pipeline, is in full operation, providing clean and accessible energy to the Brazilian states that collectively are responsible for producing more than 50% of the national GDP. As a result of our excellent performance, we have, distributed dividends to shareholders in the amount of R\$ 5.4 million during this period.

The Company's natural gas transmission service, operation and maintenance of the gas pipeline, and economic-financial management activities **generated R\$ 1.7 billion in wealth added to society.**

Statement of Value Added

The Statement of Value Added shown below presents social and economic information and an evaluation of TBG activities in the natural gas transmission services sector.

The graph shown in summary form, presents the values corresponding to the formation of wealth generated by the Company in 2019, and its respective distribution. The Company's natural gas transmission service, operation and maintenance of the gas pipeline, and economic-financial management activities generated R\$ 1.7 billion in wealth added to society.



Graph 1 – Value Added Distribution in 2019 – 2018

TBG - SVA - Statement of Value Added		
	(in R\$ millions)	
Value Added Statement	2019	2018
Operating Revenues	2,044	1,878
Third Party Input	(157)	(141)
Retentions (Depreciation)	(187)	(188)
Financial Revenues	22	17
Total Value Added	1,722	1,566
Value Added Distribution	2019	2018
Staff including social charges	191	169
Government - taxes and contributions	746	627
Financial charges	40	184
Shareholders - profit in fiscal year	745	586
Added Value Distributed	1,722	1,566

Table 5 – Distribution of Added Value 2019 – 2018



Main Results





Main Results

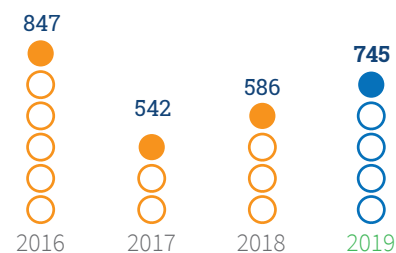
NET OPERATIONAL REVENUE

in R\$ Millions



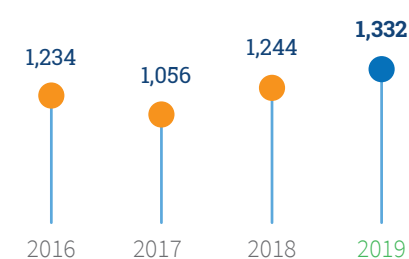
NET PROFIT

in R\$ Millions



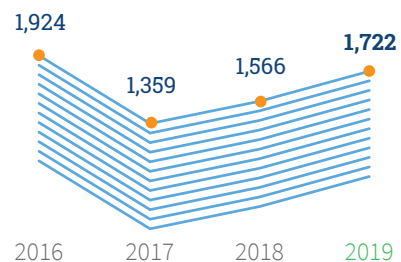
EBITDA

in R\$ Millions



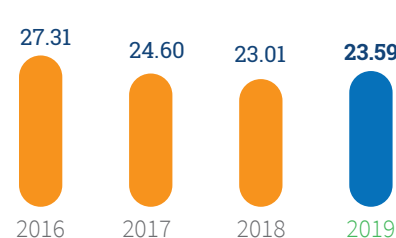
VALUE ADDED

in R\$ Millions



AVERAGE GAS VOLUME TRANSPORTED

MMm³/day



INVESTMENTS

in R\$ Millions



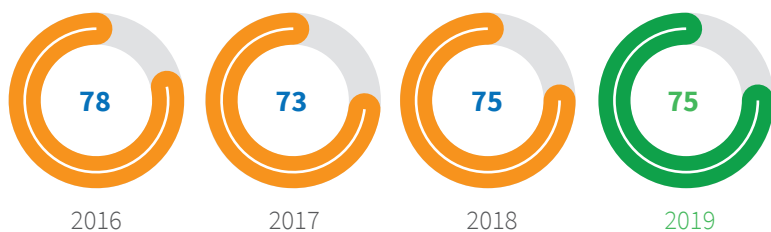


Profitability

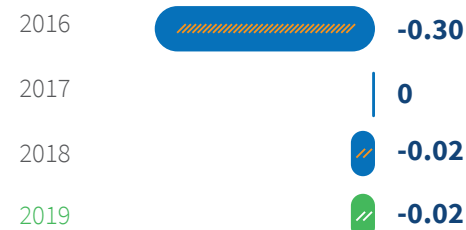
Strategic Objectives: maximize results and financial returns and preserve Corporate Sustainability.

Gross Margin (Gross Profit on Net Revenue)

(%)

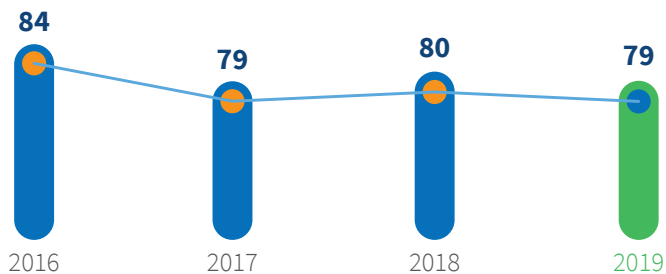


Net Debt on EBITDA



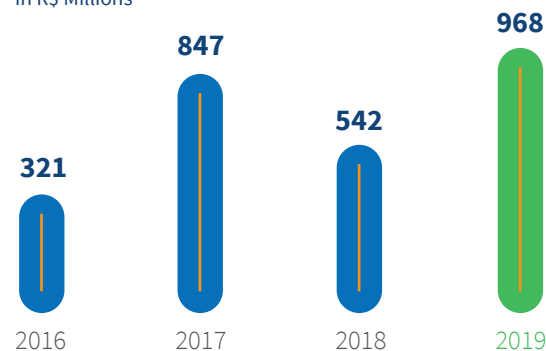
EBITDA on Net Revenue

(%)



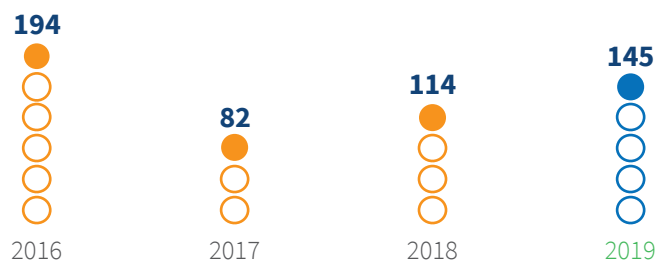
Dividends Paid

in R\$ Millions



Profit on Shareholders Equity

(%)



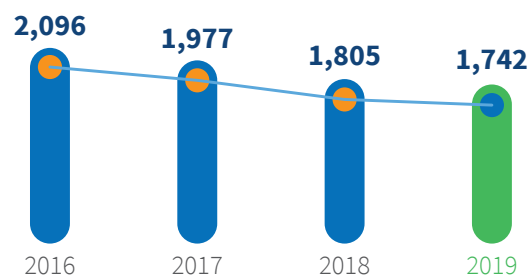


Financial Results

Strategic Objectives: maximize results and financial returns.

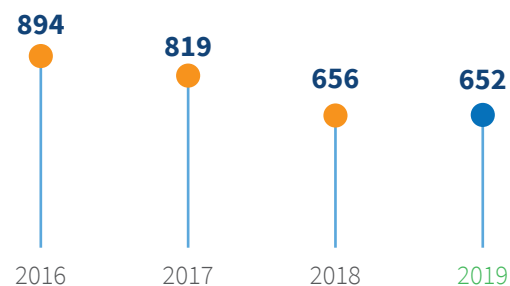
Permanent and Intangible Assets

in R\$ Millions



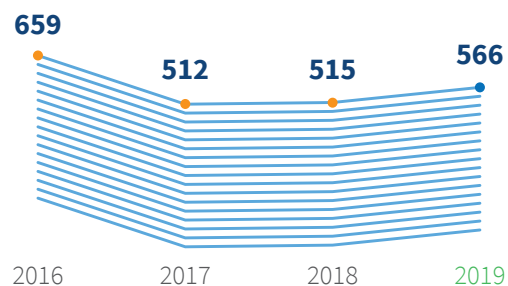
Indebtedness (linked to USD)

in R\$ Millions



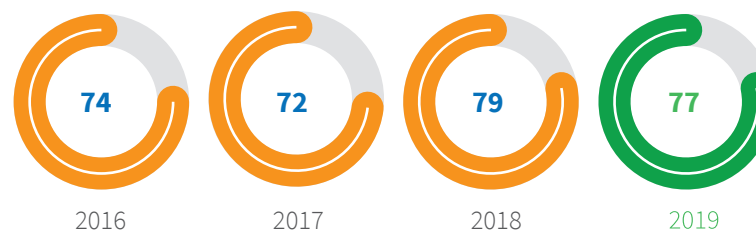
Net equity

in R\$ Millions



Capital Structure (Third-Party Capital/Total Liabilities)

%

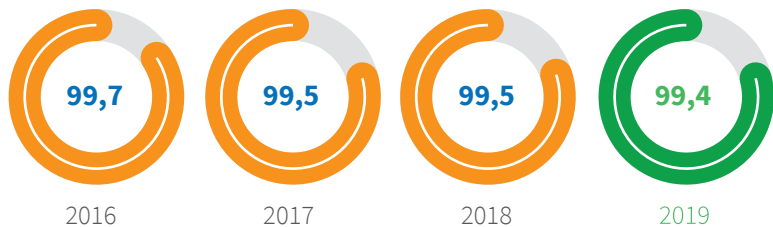


Operational Indicators

Strategic Objectives: guarantee the integrity and availability of assets; focus on safe natural gas transmission system, demonstrate reliability and respect for life and the environment; play the role of Gas Transmission System Operator and satisfy client needs with excellence.

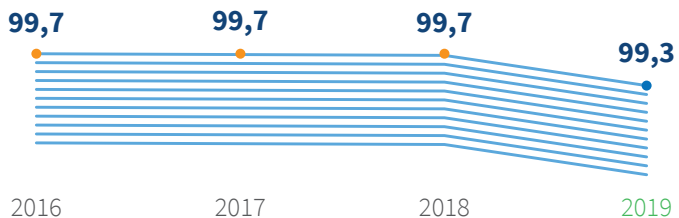
Compression System Reliability

(%)



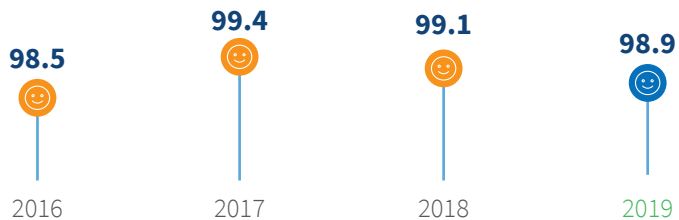
Preventive Maintenance

(%)

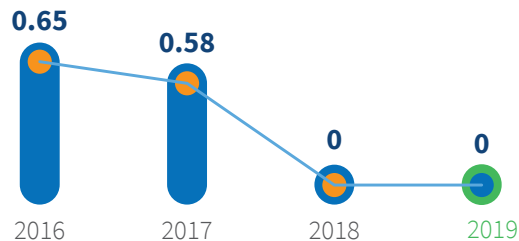


Level of Client Satisfaction

(%)

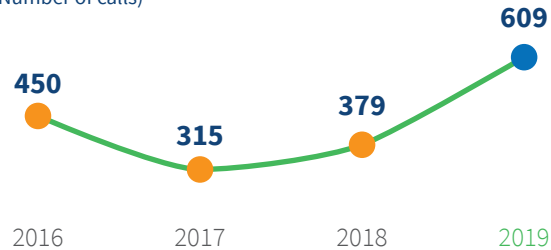


Total Recordable Injury Frequency Rate (TRI)



Gas Hot Line Service

(Number of calls)



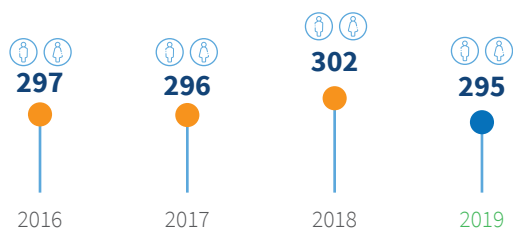
Delivery Failures



Human Resources

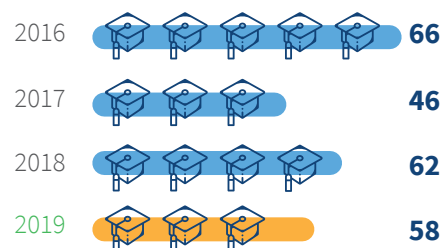
Strategic Objectives: develop people. Encourage productivity and innovative capacity; promote corporate organizational development.

Number of Direct Employees



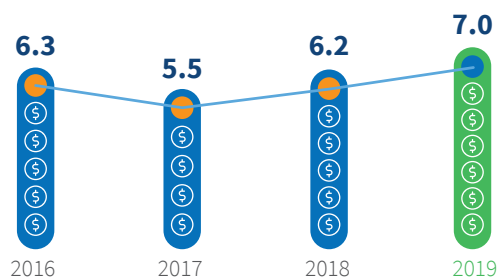
Note: TBG's own employees assigned to Petrobras System until 12/31/2019.

Hours of Training per Employee/Year



Gross Operational Revenue per Employee

in R\$ Millions



Technician at Campo Grande's Compressor Station



Management Performance





Management Performance

→ Operation and Maintenance

TBG performance is a result of ambitious operational performance goals. The goals require dedication and commitment from the workforce, such as “zero failures” in gas delivery actions and 98.0% compression system reliability.

In 2019, we achieved a historic record; six years and eleven months without any type of gas delivery failure, thus fulfilling all of our commercial and operational commitments. The Gas Delivery Failure index is one of TBG’s corporate business performance indicators; our goal is ZERO occurrences. Achieving this target requires full-time efforts and is based on actions taken to avoid any interruption in gas delivery that could stop work at a factory-client or a thermoelectric plant, or even a “blackout” in one or more regions, among other inconveniences.

To guarantee the delivery of natural gas without a single failure for such a long period of time, TBG maintains an ambitious program managed by our Inspection and Reliability Maintenance Center, aided by the analyses of causes and effects of failures, widely used in the aeronautical industry, a sector that also demands very high reliability performance.

By focusing on our traditional commitment to meet the challenges inherent in gas transmission services operations, our workforce continues to make all necessary efforts in the preventive, predictive and corrective maintenance operations, ensuring operational performance and safety excellence.

In 2019, several maintenance services were carried out as highlighted:

- Painting and revitalization of TBG installations located in the states of SP, PR, SC and MS;
- Changing and overhauling machinery at Compression Station in Mato Grosso do Sul;
- General air compressor overhauling procedures;
- Turbocharger axial compressor field balancing at Compression Station de Miranda / MS;
- Simultaneous replacement of the São Carlos gas turbine and the compressor dry mechanical seal;
- Change of blocking valves at Compression Stations and pipeline City Gates.

In 2019, we achieved a historic record; six years and eleven months **without any type of gas delivery failure, thus fulfilling all of our commercial and operational commitments.**

In 2019, instrumented “PIG” inspection campaigns were carried out in the following gas pipeline sections; Araucária-Biguaçu (20 inch), Siderópolis-Canoas (16 inch), Paulínia-Capão Bonito and Capão Bonito-Araucária (24 inch). These inspections were all completed as part of a maintenance campaign started in 2018. We also made inspections of the Paulínia-Guararema (24 inch) and Biguaçu-Siderópolis (18 inch) stretches. No defects requiring immediate actions were identified.

We carried out native flora eco-restoration projects along the gas pipeline shared track, located in the Environmental Protection Area - APA Guariroba, in Campo Grande / MS.

To finalize, we installed new safety signs on the stretch of the shared track with Transpetro.

→ Safety and Socio-environmental Responsibility

Safety

“Nothing is so urgent that it cannot be done safely.” The responsibility for safety depends on everyone; Company leadership, employees and service providers. One of TBG’s priorities is to ensure the safety of the workforce and encourage Company professionals to develop a permanent focus on safety.

On December 31, 2019, as a result of this mindset, we reached the historic mark of five years and 282 days without lost-time accidents. This milestone is the result of a continuous effort and permanent commitment to train, educate and expand safety awareness among Company employees. Our goal is “Zero Accidents” in any and every one of our installations. We will continue going to great lengths to achieve this goal.

In order to reinforce accident prevention and safety concepts and following up on initiatives focused on the preservation of lives, TBG has developed and implemented a number of programs. In 2019, training events were held covering the following themes:

- Safe Behavior and Golden Rules; more than 1,000 participants including our own staff and service providers participated in this program;
- Security Dialogue;
- Safe Directions;
- Security Cells;
- Safety Moment, held during various TBG meetings, highlighting Board of Directors meetings and weekly operational meetings organized for the Maintenance and Operation Directorate;
- HSE Reports, focusing on observed data on near-miss accidents.

TBG implemented the AUDICOMP Program (Behavioral Auditing) to mitigate accidents based on behavior and associated with possible deviations from HSE guidelines during routine activities in our installations and our pipeline. AUDICOMP addresses the Golden HSE Rules, including topics such as Work Permits, Associated Risks, Use of Tools, PPE and Procedures. AUDICOMP includes the participation of Company leaders and makes use of a positive approach technique using a previously established checklist.



As part of TBG efforts to develop closer relations with Company service providers, with a focus on Zero Accident and the Golden Rules, we organized the 1st Safety Workshop, held in October 2019, where once again we had the opportunity to reinforce the “Zero Tolerance” concept for SMSsafety issues. The event was a success and marked a milestone in the relations maintained by TBG with our service providers.

HSE GOLDEN RULES

Safety is everyone's responsibility:
LEADERSHIP, EMPLOYEES AND SUPPLIERS

PERMIT TO WORK
Work only after issuance of a **valid Work Permit** and when you completely understand the job to be done.

SAFE POSITIONING
Isolated areas must be respected. Never work under suspended loads or close to vehicles in movement. Remain at a safe distance or behind protective barriers.

INSULATION OF ENERGY SOURCES
Check to see that the machinery you are going to work on is deenergized, disconnected from the **energy source**, unplugged, turned off and isolated from energy sources.

WORK AT HEIGHT
Only execute **work at heights** wearing safety harnesses secured to safe and predetermined places.

CONFINED SPACE
Work to be executed: only after authorization to enter a **confined space** and after special training. Never work alone.

EXPLOSIVE ATMOSPHERE
Never enter an area with an **explosive atmosphere**. Always pay attention to advisory signs and alarms.

PERSONAL PROTECTIVE EQUIPMENT
Never work without individual protection equipment adequate for the job to be done.

ATTENTION TO CHANGES
Be aware of any risks from changes in work routines, installations, movement of materials or equipment. Begin work only after a risks analysis and authorization have been issued.

TRAFFIC SAFETY
Practice defensive driving. Use your safety belt. Obey traffic signs and speed limits. Do not use your cellphone when driving. Do not drive under the influence of alcohol or drugs.

ALCOHOL AND OTHER DRUGS
Alcoholic beverages or drugs in the work place is strictly prohibited.

Figure 12 – HSE Golden Rules

We conduct annual safety drills consisting of classroom training and field drills at our installations. In November 2019, we conducted a safety drill at the pipeline's city gate in Tubarão / SC involving local authorities such as the Fire Department, Military Police and Civil Defense, own staff and service providers, in addition to residents from the surrounding communities.

The Company is committed not only to preventing accidents, but also to making fast responses in case of emergencies. Our Emergency Response Plan, includes actions that are essential for the safety of our operations. In the event of an emergency, there is an immediate interruption of normal operating routines and adoption of corrective or preventive measures to minimize any damage that may be caused by the event.

TBG emergency plans are periodically reviewed to assure a safe working environment, in line with our safety standards.

The Environment

TBG maintains the Operating Licenses and the respective conditions in force (Corumbá-Canoas Excerpt licensed by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and Replan-Guararema Excerpt licensed by the São Paulo Environmental Company (CETESB).

In May 2019, all environmental compensations for the Bolivia-Brazil gas pipeline were executed, finalized with the conclusion of the last TBG compensatory reforestation project in the State of Rio Grande do Sul. This was a remedial action taken as a result of the removal of natural ground cover during the construction phase of the Bolivia-Brazil Gas Pipeline. The project was converted into the provision of financial resources by TBG, for the acquisition of 299.24 hectares of land in Aparados da Serra National Park and Serra Geral Park.

TBG provides employee environmental training courses which include waste management procedures in our Operational Units, as well as good business practices in relation to any work or intervention required in our pipeline and operations. In 2019, more than 120 professionals underwent specific training programs, including our own employees and service providers. These actions were designed to expand environmental awareness among the members of our workforce.

In regard to Company sustainable development objectives, specifically clean water and sanitation guidelines, we wish to highlight the environmental preservation work carried out in 2019, in the Environmental Protection Area - APA Guariroba / MS, reinforcing the conservation of the fresh water source that supplies the city of Campo Grande / MS. This hydric source is located in the area of influence of our gas pipeline. The Guariroba Stream Environmental Protection Area was created in 1995. It covers an area of 360 km². Guariroba is the most important water source supplying Campo Grande city and is responsible for about 50% of the potable water used in the municipality.

TBG works diligently to prevent any contamination of the environment through constant and rigorous monitoring of possible water pollutants such as oil or other products used in our Operational Units. Our management procedures are carried out in strict compliance with current environmental legislation. We take pride in announcing that there have been Zero Incidents reported in our IMA -

In May 2019, all environmental compensations for the Bolivia-Brazil gas pipeline were executed, finalized with the conclusion of the last TBG compensatory reforestation project in the State of Rio Grande do Sul.

Environmental Impact Index, which indicates that no observable volumes of oil and chemicals have been released into the environment.

For the second consecutive year, we have been awarded the Green Seal Certificate, issued by the São Paulo State Environment Journal, as a result of the work done by TBG in environmental preservation and education programs. This certificate was the result of a survey conducted by the aforementioned newspaper in conjunction with the state Secretariats for the Environment, Ministry of the Environment, IBAMA and CETESB.



→ Compliance

In 2019, work continued in the TBG Corruption Prevention Program (PPC-TBG) for the implementation and review of various safeguards.

When necessary, TBG, issues a compliance report for specific situations that are submitted to governance bodies for examination. An Integrity Background Check report is sent to personnel who are appointed to management positions, as well as to members of the Audit Committee, fiscal advisors and Company administrators; in all cases, the Degree of Integrity Risks are analyzed by Company leaders.

Some highlights of the work developed during this year include:

Normative Guidelines

All Compliance normative guidelines and rules are reviewed and updated every year.

Training

We carry out annual training sessions for our workforce, including every employee and trainee.

Our professionals work incessantly to develop better resources, tools, new practices and technologies to prepare TBG to be a part of the new reality of the Company in the market. In 2019, we witnessed a strong internal demand for the development of support systems to dynamize TBG's current and new businesses.

Additionally, third parties contracted to provide services to TBG, are required to watch an educational video produced in conjunction with our Communication area, a video entitled - TBG Corruption Prevention Program (PPC-TBG), Code of Ethics and Guide to Conduct. Training sessions are held on Mondays that include an innovative strategy format; part of initiatives made by the TBG Safety, Environment and Health area.

Compliance Agents

In September 2019, we instituted "Compliance Agents" in the Company. According to the TBG Corruption Prevention Program Manual, in addition to the structure responsible for taking compliance actions, a group of professionals from different Company areas, must act as "compliance agents", who are committed to play the role of information multipliers disseminating the need for a compliance culture and encouraging discussions that include the development of guidelines regarding full compliance with internal rules and regulations, especially those related to combating fraud, corruption and money laundering. These agents help TBG identify risks and the need for preventive action improvements as well as detect any form of misconduct.

Internal Controls

Our internal controls were developed based on the COSO Model (Committee of Sponsoring Organizations) and the Three Lines of Defense Concept; risk management methodology is the driver.

In this model, as part of our internal controls assessment, a survey containing 257 questions was distributed aimed at making an analysis of the Company's internal environment and based on the five components of the COSO Methodology (Control Environment, Control Activities, Monitoring Activities, Risk Assessment, Information and Communication). The questionnaire was distributed to Company managers. Results of the last survey indicate that in fact, TBG is complying with the corporate internal controls on a level with the Petrobras System.

In the second quarter of 2019, TBG developed a tool for analyzing internal control effectiveness on the work process level, in line with the TBG Internal Controls methodology, and with Federal Audit Court - TCU conceptual references, also considering the TBG Risk Methodology. Following, in the third quarter, a self-assessment questionnaire was distributed to all Company operational managers, a form entitled: Self-Assessment Control – CSA.

Compliance Survey

The Compliance Research process, carried out in 2019, included the participation of 43% of TBG staff. Results indicated compliance greater than 90%, regarding the following relevant aspects, such as:

- Reading and understanding the content of the Code of Ethics (96.06%);
- Reading and understanding the content of the Petrobras System Conduct Guide (94.44%);
- Reading and understanding the content of the Corruption Prevention Program (93.80%);
- Recognition that helping to prevent misconduct is the individual responsibility of every employee (97.71%).

Complaint Channel

TBG provides a Complaint Channel where any employee can make reports on violations, incidents or breach of rules, norms and procedures, unethical actions or other improper conduct or behavior he/she has witnessed or discovered. All callers remain anonymous. The Complaint Channel can be accessed in the TBG official website (www.tb.com.br >> seção: Contato > Canal de Denúncia) or by toll free dialing: 0800 601 6925.

Detection and Response

TBG maintains a formal procedure for investigating all reports submitted to the Complaint Channel. The Company also has a Corrections Committee to analyze and deliberate on disciplinary measures in cases related to fraud and / or corruption.

→ Internal Processes Innovations

In consonance with TBG strategic objectives, the Company encourages employees to exercise their spirit of innovation and expand productivity. The Company also is engaged in simplifying processes and incorporating new technologies, especially in preparation for the new natural gas market structure in Brazil.

Our professionals work incessantly to develop better resources, tools, new practices and technologies to prepare TBG to be a part of the new reality of the Company in the market. In 2019, we witnessed a strong internal demand for the development of support systems to dynamize TBG's current and new businesses.

Transmission Service Capacity Offer Platform

Our new Transmission Service Capacity Offer Platform, was utilized for the first time during the Open Season in 2019, to attract a larger external public and new potential shippers. The Portal facilitates the visualization of the market rules for all visitors to our website. New shippers were able to register, requesting the capacity each agent required, as well as monitor the progress of each stage of the process. The new TBG system helps our staff to centrally control, monitor and register key information throughout the open season process.

Gas Transmission Service Platform

In 2019 we launched our new Gas Transmission Service Platform (PTG), one of the largest and most complex information technology projects carried out at TBG. The PTG has proved to directly and positively impact our gas pipeline operations. The platform was developed to control important processes that make up the operation. They include; Nomination, Matching, Programming and Certification, among others, as well as business processes such as: Allocation, Inventory Control, Penalties Calculation and Pre-billing. Due to the scope and complexity of the platform, construction demanded intensive coordination and dedication from various areas of the Company.

The first version of the platform was delivered in December 2019, and included a Portal for gas shippers. The platform offered a minimum number of functions necessary to use the Entry and Exit gas transmission model, such as: nomination, monitoring of matchings and information on imbalances identified in the contract portfolio.

These initiatives greatly contribute to the TBG Sustainable Development Objective (SDG) number 9, under the title of: Industry, Innovation and Infrastructure.

Other Initiatives

In 2019, infrastructure assets maintenance activities in our installations were carried out for the purpose of implementing and managing protective corporate security measures and, to provide the necessary operational and administrative support services to the Company. TBG's real estate management area also executed various actions including acquisitions, leasing and property sales.

Management and execution of processes involving the acquisition of goods and the contracting of services, as well as the sale of fixed assets, unserviceable and scrap items were conducted in accordance with the TBG philosophy of creating synergy, centralizing control over various business actions while optimizing costs and increasing levels of quality results and performance.

→ Economic and Financial Performance

The projection of GDP growth in Brazil, started the year at 2.53%, then was reduced to 1.17%, according to the bulletins released by the Central Bank of Brazil, dated January 4, 2019 and December 27, 2019, respectively.

In spite of the modest economic recovery scenario in the country, **TBG achieved outstanding levels of economic and financial performance in 2019**, thanks to a proactive focus on resource management efficiency.

Due to the decrease in the forecasted expansion, the unemployment rate, although having fallen during the year, still remains in double digits, registering 11.2% in the quarter ended in December 2019, according to IPEA data. By comparison, in the quarter ended in January 2019, the unemployment rate was 12.0%.

The three macroeconomic variables that most affect TBG's income, investments and costs are respectively; the R\$/US\$ monetary exchange rate, the inflation index and the SELIC interest rate. The exchange rate has a direct effect on the operating revenue of Legacy Contracts (in this case, significant impact extends only until the closure of the TCX Contract, in 2021). Effects are also felt in regard to investments and in particular, gas turbine overhauls, and on the cost of outstanding debt.

The inflation measured in the period by the National Consumer Price Index (IPCA) fell short of the mid-mark of the 4.25% target, thus accumulating an increase of 4.31% for the period from January to December, according to IBGE data.

With inflation below the center of the target, interest rates dropped significantly in 2019. The Central Bank's Monetary Policy Committee announced four consecutive interest rate drops of one half of a percentage point each, bringing the Selic rate to a historic low of 4.5% for the year. Selic is used to determine earnings on financial resources investments and interest on dividends. For purposes of dimensioning this reduction in interest rates, the Central Bank bulletin dated January 4, 2019, projected the Selic rate at 7.0% for the end of 2019.

In spite of the modest economic recovery scenario in the country, TBG achieved outstanding levels of economic and financial performance in 2019, thanks to a proactive focus on resource management efficiency.

In 2019, TBG once again, distributed dividends to shareholders, a value corresponding to the total profit for the previous year. Additionally, and due to the strong cash generation at the Company, in

October 2019, shareholders were paid in advance; a partial payment of dividends corresponding to the accumulated profit up to the second quarter of the year, in the amount of R\$ 382.1 million. This anticipation resulted in an increase in the return to Shareholders, a record total accumulated in the year of R\$ 980 million (with Selic).

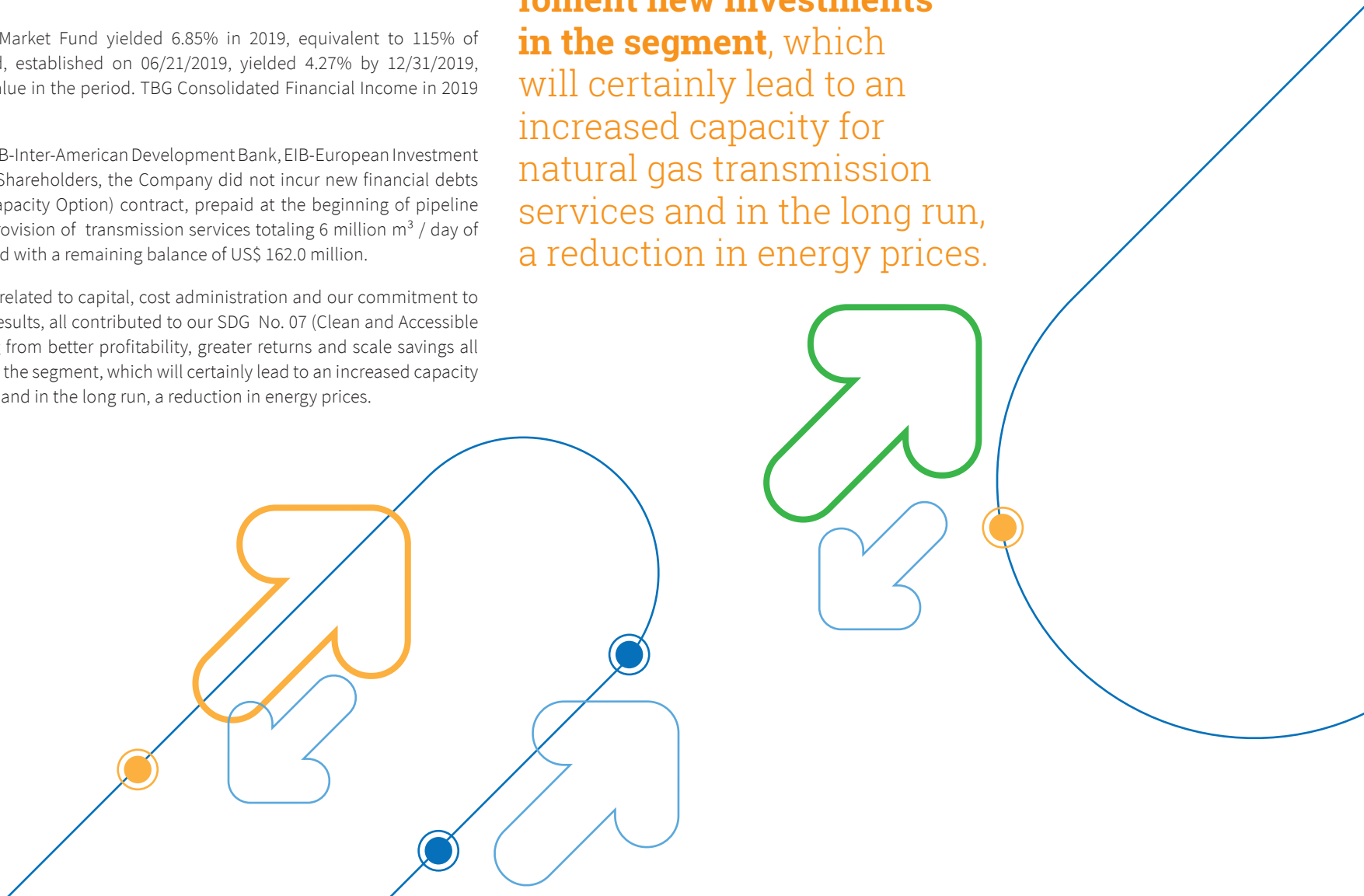
In June 2019, TBG set up an Exclusive Extra-Market Fund to diversify investments in the financial market. This increased financial income by approximately R\$ 2.0 million in the period between June and December 2019.

Financial investments in the Extra-Market Fund yielded 6.85% in 2019, equivalent to 115% of CDI value. The TBG Exclusive Fund, established on 06/21/2019, yielded 4.27% by 12/31/2019, corresponding to 140% of the CDI value in the period. TBG Consolidated Financial Income in 2019 totaled R\$ 22.0 million.

After liquidating financing from the IDB-Inter-American Development Bank, EIB-European Investment Bank, and Subordinated Debt with Shareholders, the Company did not incur new financial debts in 2019. The TCO (Transportation Capacity Option) contract, prepaid at the beginning of pipeline operations, will be paid for by the provision of transmission services totaling 6 million m³ / day of natural gas until 2041. The year ended with a remaining balance of US\$ 162.0 million.

Our disciplined management policy related to capital, cost administration and our commitment to optimizing economic and financial results, all contributed to our SDG No. 07 (Clean and Accessible Energy). The financial results arising from better profitability, greater returns and scale savings all served to foment new investments in the segment, which will certainly lead to an increased capacity for natural gas transmission services and in the long run, a reduction in energy prices.

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Risks and Opportunities





Risks and Opportunities

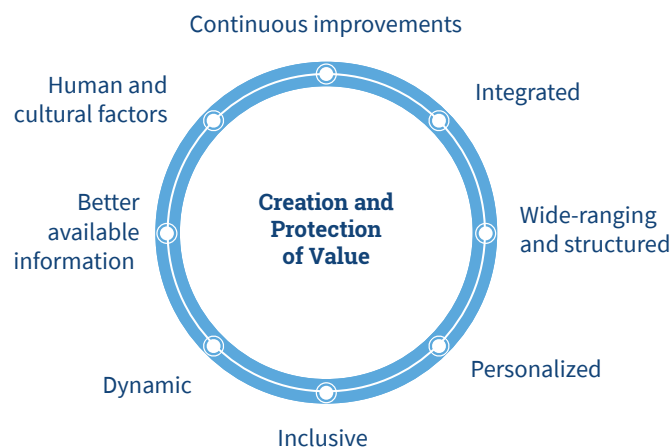
→ Risk Management

Our Corporate Risk Management structure is a defense system designed to anticipate any threat that may affect TBG strategic, economic-financial, operational or compliance objectives.

Our risk management structure operates according to the Three Lines of Defense Model.

1. The first line of defense is performed by the various TBG management groups;
2. The second line: vigilance by our Risks and Internal Controls areas;
3. The third line of defense is controlled by the Internal Audit team.

We continuously seek to improve Risk Management processes, in line with the principles of ISO 31000: 2018, always with the objective of providing value creation and protection, as shown in the following figure:



Critical Risk Analysis Meetings (RAC) were held as part of the scope of actions taken by the Executive Board, in which possible changes in internal and external contexts are observed; contexts that may affect risks already identified, or indicate emerging risks.

The Corporate Risk Management Committee (CRISC) is a permanent organ for the purpose of monitoring business risk management processes while acting as an advisory body to the Executive Board to analyze specific risk management issues. As such, each TBG management group is responsible for identifying, analyzing, evaluating and monitoring Company operations. Together with the Risks area, management must periodically communicate to Company Senior Management any and all risks detected as well as recommend remedial actions to eliminate the risks.

To assist in this process, our TBG Business Risk Management Policy establishes guidelines and responsibilities based on the following principles:

- Respect for life in all its diversity;
- Full alignment and consistency with our Strategic Plan;
- Ethical performance and compliance with all legal and regulatory requirements;
- Integrated risk management;
- Orientation of risk response actions to add or preserve value for shareholders and assure business continuity.



The year 2019 was marked by important advances. TBG saw the implementation of the Business Risk Methodology, in its revised version which included a walkthrough verification of all Company sub-processes.

Critical Risk Analysis Meetings (RAC) were held as part of the scope of actions taken by the Executive Board, in which possible changes in internal and external contexts are observed; contexts that may affect risks already identified, or indicate emerging risks. Furthermore, so-called differentiated risks (composed of risks that may have an impact on human life, corporate strategic risks and highest-level risks) and their respective response actions are presented by managers from different Company areas for discussion by Executive Board members.

From the debates that took place during RAC, for each of the differentiated risks and their respective materialization tendency that involves triggers concept, an evaluation is made of the effectiveness of the possible response actions for each possible risk. This information is consolidated in the Risk Management Dashboard, an executive tool used to streamline the reporting and monitoring by TBG Board of Directors.

Important Risk Management elements such as the 2019 Risk Matrix and the Definition of Risk Appetite - were presented to various Corporate Governance groups such as Board of Directors, Executive Board, Audit Committee and Statutory Audit Committee, increasing the visibility and relevance of risk issues in decisions made by senior management.

Several improvements were implemented in the Risk Management System (SGR), to strengthen its effectiveness as a tool to support risk management initiatives. Today, the system is used by 100% of the TBG management areas and includes all possible risks identified.

→ Opportunities

TBG has developed a pioneering model in the natural gas market. The Company acts as an operator and transmission system operator of our own natural gas transmission system. The first step towards opening new paths for natural gas in Brazil was taken with the 2019 Open Season.

We fully understand that we must adapt our internal processes to perpetuate our work by implementing and developing systems that will enable the provision of gas transmission services that offer a high level of quality.

We will continue our efforts to train employees and encourage these professionals to expand productivity and demonstrate a keen spirit of innovation.

Our Corporate Risk Management Policy takes into consideration not only the possible threats that may negatively affect our strategic, economic-financial, operational or compliance objectives, but also

examines how we can take advantage of the positive aspects of risks by identifying and potentializing new business opportunities, processes and products, or improving existing ones.

Based on our corporate resilience, our constant reviews of strategies, new investments and new business development opportunities, the TBG team will certainly reach all our strategic objectives, while assuring positive returns for our shareholders and stakeholders.

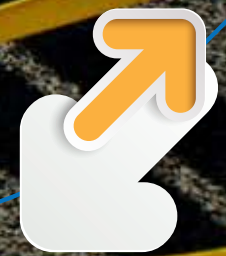
TBG has developed a pioneering model in the natural gas market. The Company acts as an operator and transmission system operator of our own natural gas transmission system. The first step towards opening new paths for natural gas in Brazil was taken with the 2019 Open Season.

Technician at Mirandópolis's Compressor Station





Prospects



Prospects



TBG is confident of the continuity of our operations and the important role we play in the Brazilian energy scenario. The initiatives we are taking are undergoing a transition due to the new functions that TBG is assuming as a Transmission System Operator in the natural gas system resulting from changes in the sector; the new natural gas market model, and TBG strategies and objectives, all working together, tightly aligned with the current strategic positioning in Brazil.

The challenges to the Company include; changes in the natural gas market resulting from on-going regulatory updates, the reduction of Petrobras' market share, entry of new market agents, an unstable macroeconomic scenario and new possibilities of supplying natural gas to consumers, greater market competitiveness and finally the preparation of TBG for the allocation of greater gas transmission service capacity arising from the finalization of the TCQ Brazil Contract.

The possibilities of natural gas supply have been increasingly steadily thanks to partial replacement, notably in 2019, of Bolivian natural gas by national gas sources, resulting from the growing production of the pre-salt oil and gas reserves. The supply of gas from Bolivia still has some uncertainties, mainly due to the question of available reserves, which may reduce the volume of natural gas available for export and as a result of the fall in investments in that country, or due to the political instability in Bolivia.

On the other hand, Brazil foresees a significant increase in the pre-salt natural gas supply in the next decade, with the entry into operation of routes 3, 4, 5 and 6, that will facilitate the flow of natural gas produced in the Santos / SP and Campos / RJ basins however, the country will remain a net importer until 2030, considering the average thermal dispatch, according to supply and demand scenarios elaborated by IBP and EPE- Energy Research Office studies.

Creating value is essential for TBG's economic sustainability. The generation of value assures Company growth in a consistent and financially sustainable manner. A strong, solid and financially healthy Company will create more value for both our shareholders and society at large.

We are starting yet another phase; the search for new business opportunities is imperative and marks the importance of innovation and the expanding technical capacity of our workforce. We will continue to measure our performance accurately, using as parameters, not only the growth of activities and

The high level of market demands requires **constant improvements in TBG actions and activities.**

assets, but also the effective value generated by our business actions. It is important that each employee be engaged in the objectives of our management system. Strategic planning is an important driver within this context and this is why we have endeavored to make it more far-reaching, to guarantee the Company's longevity.

The high level of market demands requires constant improvements in TBG actions and activities. The Company will need to deliver as much as possible, both as a service provider and as an employer. As such, reinforcing the daily commitments made by our employees becomes an even greater challenge.

We will continue to dedicate our efforts to protect the safety of our employees and our installations. We will constantly improve our training programs and business skills to increase the efficiency of our safety actions, the simplification of processes and the preservation of our technical and management capacity. We will continue to encourage productivity, innovation and promote the on-going organizational development of the Company, guided by the best principles of governance and compliance.





➤ Technician at Biguacu's Compressor Station

Our Integrated Management System defends the democratization of our Company's management and enables all employees to understand how their activities are creating value. This vision helps our people to make a commitment to the Company, encouraging their participation and assistance in decision-making processes. We will move towards these objectives, not only by improving our performance indicators, but by directing our management initiatives in the direction of ever-growing value creation .

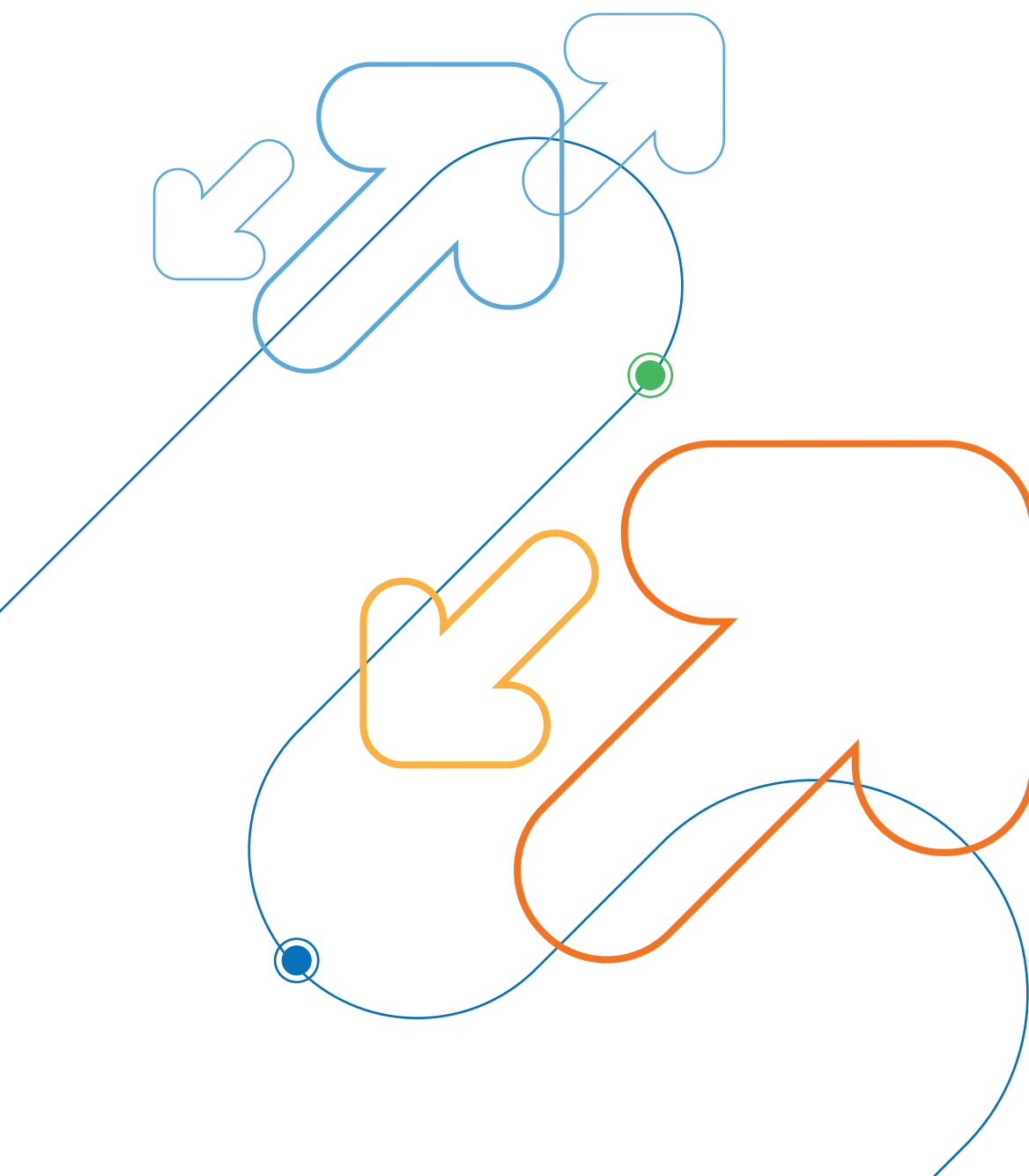
We will use technology, innovation and intelligence to cultivate long-lasting relationships, built on positive, personalized and value-added experiences, and resulting in the satisfaction of future shippers by providing them with the very best gas transmission services.

We will continue offering the market short-term products, Open Seasons, Incremental Open Seasons and Open Seasons coordinated with other transmission system operators , as well as other services created to diversify our portfolio and develop new opportunities that above all, will increase our performance, help us to develop our assets and increase future revenues. It will not be a simple task; however, our experience and expertise will help us to maintain and improve our performance excellence and open new ways for providing the very best in natural gas transmission services.

We at TBG stand at the forefront of this new era. It is not enough to be pioneers; our mission is to create value !

TBG - opening new ways for natural gas!

We will use technology, innovation and intelligence to cultivate long-lasting relationships, built on positive, personalized and value-added experiences, and resulting in the satisfaction of future shippers by providing them with the very best gas transmission services.



Credits

Editorial Coordination

Institutional Communication Coordination

Content Coordination

Strategy, Planning and Risk Management
Management of Controllershhip

Graphical Project and Diagramming

Grupo1000

Photographers

Acervo BIT | Pages 19, 22, 23 e 52

Ana Skrabe | Pages 26 e 42

Fernando Bergamaschi | Page 54

Júlio César | Page 51

Marcos Alves | Pages 9 e 33

Marcus Almeida | Page 49

Mário Luiz Bueno | Pages 6 e 41

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