



Eletrobras

Financial Hedge Policy of Eletrobras

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Scope and Objectives

Eletrobras is a non-financial and a state-owned company with the main goal of operating in the sectors of generation, transmission, commercialization and distribution of electrical power. Therefore, the Company should adopt a conservative posture in situations that involve variables of a financial nature, such as currencies, interest rates and prices of commodities, and their impact on the financial management and on its financial statements.

The aim of the Financial Hedge Policy of Eletrobras, therefore, should pursue the mitigation of the exposure to market variables that impact assets and liabilities of the Company and its subsidiaries, thus reducing the effects of undesired volatility of these variables in their financial statements. Thus, the aim of the policy in question is that the Company's results should reflect operational performance and the future cash flow with less volatility.

A transparent hedge policy is in line with the best practices of corporate governance and risk management. Eletrobras is a public listed company, and due to the fact that the volatility of its results can impact its stakeholders negatively, the adoption of practices of risk mitigation is well seen by stakeholders in general, adding value to the stocks.

Premises

- Imbalances between assets and liabilities that present some form of exposures should be compensated, preferentially, with actions of structural nature that consider the natural balance of the exposed positions;
- Operations with other types of financial instruments can also be analyzed or exchanged for assets and liabilities with companies with similar risk to the Company and that present some imbalances of complementary nature, as long as the original conditions of profitability, maturity and risk of these assets and liabilities are respected;
- For the residual exposures considered as relevant, operations may be performed with derivative financial instruments, respecting the guidelines established below.

Guidelines

- The operations with financial derivatives should be made exclusively to protect the exposure of indexed assets and liabilities of the Company and its subsidiaries that present, on their balance sheet, some mismatches, or exposure, and should not be characterized by financial leverage or operation of credit concession to others agents;
- Budget exposures indexed items to market variables, that represent risks to the targets of costs and/or profitability goals previously established, can be included in the hedge policy;

- The use of derivative instruments should reflect the risk profile of the Company, allowing the use of structures that do not aggregate additional risk to the positions;
- To operate the derivative, the financial institutions should be classified according to the criteria of accreditation defined by the Company, also meeting the credit limits calculated by the Company;
- Operations with derivatives that do not cause periodic cash outflow should be allowed, which will not create volatility to the Company's cash;
- The operations with derivatives that imply in cash outflow should respect the limits established by the Financial Hedge Committee, based on the reference value of each operation (notional value);
- The operations with derivatives should be adapted to the premises used in the budget projections of the Company.

Attributes

The Board of Directors of Eletrobras is responsible for:

- Approving the Financial Hedge Policy herein;
- Approving the programs of operations with derivatives, in relation to terms and sums, forwarded by the Executive Board of Eletrobras;
- Approving the delegations of the following attributes for the various instances of the Company.

The Executive Board of Eletrobras is responsible for:

- Approving the derivatives programs, regarding the terms and sums, submitting them to the deliberation of the Board of Directors;
- Approving the criteria of selection of the financial institutions that will participate in the derivatives operations.

The Financial Hedge Committee will be responsible for:

- Approving the strategies and instruments proposed by the Business Development Department (DFN) for the hedge operations;
- Evaluating the adaptation of the strategies and the instruments proposed to the standards of risk defined by the Risk Management Department (PGA);
- Approving the details of the operations with derivatives (volumes, target quotes and maturity dates, among other relevant variables) proposed by the DFN;
- Monitoring the results of the operations, verifying their adherence to the terms defined by the Executive Board.

The Business Development Department (DFN) is responsible for:

- Elaborating strategies and defining instruments for the hedge operations;
- Defining the details of the operations with derivatives (volumes, target quotes and maturity dates, among other relevant variables);

- Managing the portfolio of derivative instruments, calculating fair prices, performing the competent accounting entries and monitoring the risk indicators;
- Defining methodologies for the credit limits of the financial institutions.

The Risk Management Department (PGA) is responsible for:

- Identifying, together with the Financial Board, the relevant financial risks to which the Company and its subsidiaries are exposed, evaluating the probability of occurrence and the power of impact;
- Defining, together with the Financial Board, actions to mitigate the financial risks, suggesting methodologies and action plans to handle them;
- Monitoring the execution of the operations with derivatives, defining metrics that guarantee the adherence of the results to the present policy;
- Monitoring the management of the risks associated to the portfolio of derivative instruments;
- Consolidating the information and forwarding them to the Company's Risk Committee.

Final Considerations

- The policy presented should be incorporated to other related policies of the Company, such as the capture of resources, concession of loans and financing and management of corporate risks;
- The exceptional or omissive cases should be evaluated by the Executive Board of Eletrobras, which may request the additional deliberation of the Board of Directors.



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