



Eletrobras

**POLICY OF
REPRESENTATIVES IN SPES**

Version 1.0
Resolution No. 645/2015
12/1/2015



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1 Objective

Establish principles and guidelines for selection, appointment, evaluation and training for representatives working in governance bodies in Specific-Purpose Entities - SPEs, in which they have a stake in its capital share, as majority or minority partners, in order to protect the interests of shareholders.

2 Concepts

Instruments of control of society: documents used to manage the relationship between Eletrobras and its subsidiaries and the company with which it has a society, as well as those governing the functioning of each society.

Shareholders' agreement: legal instrument which establishes rights, duties and obligations of the partners involving the management, control and corporate governance of the society.

Management agreement: legal instrument establishing the rights, duties and obligations of the partners, current or future, involving the management, control and corporate governance of the society, while the corporate restructure in course is not concluded.

Concession contract: legal document signed by the society with the Licensing Power to operate the concession of public services involving the activity of generation, transmission and distribution of electricity.

Eletrobras Companies: companies in which Eletrobras is majority shareholder in his capital share, and that, in turn, has a majority or minority stake in Special-Purpose Entities - SPEs.

Bylaws: legal instrument which defines the business, the competencies and responsibilities.

Business Plan: document that specifies, in writing, the business that is required both regarding the financial and technical results, in compliance with the concession contract and guidelines of the shareholders during the whole life cycle of the business. It should include objectives, strategies, risks, budgets, costs, sources of resources, actions and other elements necessary to ensure the financial and economic balance and return on investment defined for the business.

Resolutions of the administrators of Eletrobras and its companies: decisions and deliberations of the Executive Board and/or Board of Directors of Eletrobras and its companies involving legal and statutory acts in the creation and organization of the society, the strategic guidelines of the shareholders for the business, the targets and the expected results and other relevant themes to the society.

Governance bodies: groups or bodies responsible for the management of the steering system and ownership of the society.



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Board of Directors: the main component of decision and strategic orientation of society, which holds the responsibility for the overall running of business.

Fiscal Council: body that ensures the exercise of the right of shareholders to supervise the management of the business, through the verification of the acts of the administrators and by issuing opinions on the accounts of the company.

Executive Board: body of implementation of the guidelines issued by the Board of Directors, who is responsible for the management of the business.

Representative: Professional qualified to work on the governance bodies of the SPEs in which the Eletrobras companies have a stake in its share capital, envisaging the protection of the interests of shareholders.

Specific Purpose Entities - SPEs: entities created for the execution of a specific project for generation or transmission of electrical energy.

3 References

- Bylaws of Eletrobras and its companies;
- Law no. 6.404, of December 15, 1976 (corporations);
- Law no. 6.385, of December 7, 1976 (securities market);
- Law No 12.486, of August 1, 2013 (practice of acts against the administration); and
- Law no. 12.813, of May 16, 2013 (conflict of interest);

4 Principles

"Corporate Governance is the system by which organizations are directed, monitored and encouraged, involving the relationships between partners, the Board of Directors, the Executive Board and control bodies.

The good practices of corporate governance translate principles into objective recommendations, aligning interests with the purpose of preserving and optimizing the value of the organization, facilitating their access to resources and contributing to their longevity.

The basic principles of corporate governance are:

Transparency: more than the obligation to inform is the desire to make available to interested parties the information that is of their interest and not only those imposed by provisions of laws or regulations. Adequate transparency results in a climate of confidence, both internally and in the relations of the company with third parties. It should not be restricted to the economic-financial performance, also contemplating the other factors (including intangibles) that guide the managerial action and which lead to the creation of value.



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Equity: is characterized by the fair treatment of all partners and other stakeholders. Attitudes or discriminatory policies, under any pretext, are totally unacceptable.

Rendering of Accounts (*accountability*): agents of governance must be accountable for their actions, assuming in full the consequences of their acts and omissions.

Corporate responsibility: the agents of governance should ensure the sustainability of organizations, seeking its longevity, incorporating environmental and social considerations in defining the business and operations.

5 Guidelines

The Eletrobras companies must draw up and implement internal rules on the process of selection, indication, performance assessment and qualification of its representatives in governance bodies of SPEs.

5.1 Selection

Definition of the nature of the technical criteria to be observed in the process of selecting the representatives

The members of the Board of Directors and those appointed for the roles of Executive Officer, including CEO, will be chosen among well known citizens of unblemished reputation, whereby the following minimum requirements should be met for their appointment:

- i. have professional experience in the sector of activity of the company or in the area related to the one that is appointed due to superior steering, exercised in the public or private sector;
- ii. having professional and effective action in the business society of same size, or with social object similar to the company; and
- iii. having academic training compatible with the position to which he is appointed.

Members of the Fiscal Council may be natural people, resident in the country, with academic education compatible with the exercise of the role.

The criteria required and/or desirable for the selection of the representatives

For the position of Director and member of Fiscal Council, priority should be given to professionals who are already staff members of Eletrobras and its companies, taking into account the technical criteria presented earlier.

For the role of Executive Officer, priority should be given to professionals of the market or selected from the effective staff members of the company, with proven experience, and possessing technical knowledge compatible with the Board to which they are being appointed, as well as knowledge of accounting,



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finance, applicable legislation, administration and other matters that may contribute to a better performance in the exercise of the role.

Situations of impediments and restrictions to the performance of the representatives

The following are forbidden for appointment to the Board of Directors and to the Executive Board:

- a) a person who has signed contracts or partnerships, as a supplier or buyer, the claimant or offerer, of goods or services of any nature, with the political-administrative person as controller of the state company or with their own state company in a period of less than 3 (three) years before the date of appointment; and
- b) person that has or may have any form of conflict of interest with the state company or with the political-administrative person as controller.

The prohibitions extend also to relatives or next of kin up to the third degree of people stated therein, in accordance with Decree no 7.203, of June 4, 2010 (nepotism in the framework of the federal public administration).

Specification of the maximum limit of the number of boards of the SPE in which a same representative may act

A representative can exercise a maximum of one role in 2 boards. A group of SPEs with the same corporate structure is considered simply as one company, also called "complex of electric power generation".

The accumulation of positions of CEO and Chairman of the Board of Directors in an SPE by the same professional is prohibited.

It is forbidden to the member of the Board of Directors the accumulation of their functions with the exercise of the office of member of the Fiscal Council or of Executive Officer in any other SPEs.

5.2 Appointment

For the appointment of representatives in governance bodies of the SPE the complexity of society should be considered, its stage of planning, construction or operation and the good performance of the professional in other functions previously occupied.

The appointments of representatives of Eletrobras and its companies will be the responsibility of their administrations, approved by the Board of Directors of Eletrobras, according to the competence of their Bylaws (Art. 25, Item XVIII), in the case of appointment of Directors and Executive Officers, including CEO, and by the Executive Board of Eletrobras, in the case of appointment of members of Fiscal Council, subsequently elected for the governance bodies of the competent SPEs.

Rules on the limits of remuneration and/or advantages in the exercise of these roles



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The remuneration for the exercise of the role in the governance bodies of the SPE shall be defined for each SPE, considering the elements established in the respective Business Plan.

The remuneration of the representatives working as Directors and as a member of Fiscal Council will be limited to 10% of the average monthly wage established for the Executive Officers of the respective SPE.

Maximum period of participation and reappointment of representatives

The mandate of the members of the Board of Directors and those appointed for the role of Executive Officer, which will be unified, will have duration of not more than three (3) years.

The reappointment of representatives will be allowed, for a maximum of two (2) consecutive reelections.

5.3 Elements that allow the evaluation of performance

Control mechanisms and monitoring of the performance of representatives in the SPE

Eletrobras and its companies will promote, annually, an evaluation of the performance of the representative, aiming at the improvement of the performance of their assignment.

For the evaluation of the performance of the representative the following criteria shall be considered, among others:

- i. regular attendance in meetings of the collective bodies of the SPE;
- ii. sending to Eletrobras and/or its companies a brief report of the monitoring activities, as provided for in the Management Manual of SPEs;
- iii. participation in training sessions and qualification related to the development of its activities, offered by Eletrobras and its companies, seeking the continuous self-development and monitoring of changes and updates in the legislation; and
- iv. The performance and profitability of the SPE according to the business plan, in the period in which the professional worked as representative.

5.4 Training

Subjects which must be prioritized for the training of representatives

The training of representatives will have as a guideline to keep updated all fundamental knowledge for their good performance, based on the following elements for the management:

- i. corporate governance;



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- ii. methodology for the accounting management, according to the *International Financial Reporting Standards (IFRS)*, pursuant to Law no. 11.368 of December 28, 2007, equity and tax;
- iii. rules and accounting plan of the electrical energy sector;
- iv. financial planning of the ventures;
- v. business plan and feasibility analysis of investment projects; and
- vi. risks and control of implementation of electric energy projects.

Form and cases of legal assistance to be provided to its representatives

Eletrobras and its companies shall ensure its representatives on the Board of Directors and Fiscal Council of the SPE the defense in judicial and administrative proceedings instituted against them by the practice of acts in the exercise of their role or office, provided that there is no incompatibility with the interests of the company.

6 Responsibilities of representatives in SPEs

The representatives in the SPE will have as responsibilities:

- observe and follow the attributions and responsibilities defined in Law no. 6.404/1976, in Law no. 12.813/2013 (practice of acts against the administration), in Law no. 12.813/2013 (conflict of interest), in the Code of Ethics of Eletrobras Companies, in the Manual of *Compliance* of Eletrobras and its companies, in the Bylaws of the SPE, in the Shareholders' Agreement signed, if any, and in the Concession Contract;
- track and monitor the implementation of the Business Plan of the SPE, so as to guarantee the results established;
- follow the schedule of the project, particularly in its critical activities, themes of risk, audit, budget and compliance with the legal and contractual obligations of the SPE;
- follow up the management of financial resources and the debt of the society, checking its destination and eventual applications, and checking the financial statements;
- analyze the documents issued by the society that are the responsibility of the collegiate body to which it has been appointed, draw up a brief summary of the main activities and forward it to the area of governance of Eletrobras and/or the company that appointed him;
- keep Eletrobras and/or its companies permanently informed about relevant issues of interest of the society;



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- participate in training sessions and qualification related to the development of their activities, offered by Eletrobras and its companies, seeking the continuous self-development and monitoring the changes and updates in legislation.
- follow up the timeline for closure of the Financial Statements and of the Management Report, in addition to ensuring that this meets the requirements of Eletrobras and of its companies in the annual rendering of accounts;
- request subsidies and positioning from Eletrobras and/or its companies when the subject matter to be decided in the governance body of the SPE implies in the need to amend the shareholder's agreement, bylaws, business plan, the concession contract, the financing contract, warranty, debentures, sureties and the corporate structure of the business; and
- maintain and ensure the confidentiality of the information and documents processed in the society and in Eletrobras and its companies, in accordance with the legislation.

7 General Provisions

The guidelines established in this document must be observed by all employees, of Eletrobras and its companies that apply for the role of representative in the governance bodies of the SPE.

In view of meeting the peculiarities of each company of Eletrobras, this policy must be deployed into other specific normative documents, always aligned with the principles and guidelines set forth herein.

This policy was approved by means of Resolution no.645/2015 of 01/12/2015 of the Executive Board of Eletrobras.