



Code of Corporate Governance Practices of Eletrobras

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CODE OF CORPORATE GOVERNANCE PRACTICES OF ELETROBRAS

1 Introduction

Eletrobras plays a vitally important role in the organization and development of the Brazilian electricity sector, particularly in competitive terms, in the operation and expansion of the supply of electricity, striving to adequately remunerate its shareholders as well as contributing to the country's energy security and sustainable development.

Global efforts to implement corporate governance best practices reflects the need to develop management control systems, in order to enhance the company's credibility in the market, attract investment and achieve the best results for its different stakeholders.

The main purpose of this code is to consolidate Eletrobras' corporate governance practices and principles – addressed in its Bylaws, internal regulations, policies, standards, procedures and code of ethics – in a sole document. Thus, it is expected to facilitate and simplify the access and consultation of such information, as well as to strengthen the company's transparency.

2 About Us

Centrais Elétricas Brasileiras S.A. (Eletrobras) is a mixed economy company and open capital, whose shares are traded on the stock exchanges of São Paulo (BM&FBOVESPA), Madrid (LATIBEX), in Spain, and New York (NYSE), in the United States. It was founded in accordance with the authorization contained in Law No. 3890-A, of April 25, 1961, and is organized according to its Bylaws.

Eletrobras operates in the generation, transmission and distribution markets through its subsidiaries, which, together with the holding company, comprise the Eletrobras companies, representing the largest company in the sector in Latin America.

The Strategic Plan redefined Eletrobras' positioning, including the following aspects.

Mission: Acting in energy markets in an integrated, profitable and sustainable way.

Vision: In 2020, to be the largest global clean energy company system, with a profitability comparable to the best companies in the electric sector.

Values:

- Focus on results;
- Entrepreneurship and innovation;
- Appreciation and commitment to people;
- Ethics and transparency.



Final strategic objectives:

- Widening and improving the business of generation, transmission, distribution and commercialization (GTD&C) of electric energy in a competitive and profitable way;
- Maximizing the participation of clean energy, including new alternative sources, within the Eletrobras System power grid;
- Expanding selectively the international participation in GT&C, aligned to the company's business and with focus on the Americas;
- Supporting electric energy programs of government interest, agreeing on implementation policies and measures to obtain economic financial balance;
- Ensuring that the Eletrobras System projects are sustainable development vectors for their surrounding areas.

3 Shareholders

Share capital of Eletrobras is comprised of preference and ordinary shares, where the latter predominate, and the Brazilian government is the controlling shareholder.

Among the rights guaranteed by Eletrobras to its shareholders, the most outstanding are: participation in company profits; participation in the company's assets in case of liquidation; preference to underwrite shares beneficiary parts convertible into shares, debentures convertible into shares and underwriting bonus; supervision of company business management; equal treatment of a same class of shares and right of access, as provided for by law.

The right to supervise social business management enables shareholders to follow procedures adopted by the company's management and verify performance honesty and regularity. Supervision basically refers to the following rights: attending Shareholders' Meetings and discussing the subjects in the agenda; calling Shareholders' Meetings when administrators postpone, for over 60 (sixty) days, calling those meetings as in cases provided for under law or in the Bylaws; requesting the written clarification given by administrators in the Shareholders' Meetings and requesting a copy; and requesting the company books judicially backed by shareholders that represent at least 5% of the share capital.

Inspection is also provided by the Eletrobras Fiscal Council, which is a body wherein shareholders are represented, with the participation of minority common shareholders and preferred shareholders.

In case of alienation of control, when conditions and deadlines provided for under Listing Rules of Corporate Governance Level 1 of BM&FBOVESPA (Regulation of Level 1) are complied with, Eletrobras ensures shareholders of ordinary and preference shares the same rights guaranteed by law, to include: i) ordinary shares - right to vote in Shareholders' Meetings, as well as enabling the non-preferential participation of that shareholder in the company's financial results; ii) preference shares - priority to receive dividends and the right to be included in public offer of control alienation, under conditions provided for under art. 254-A, of Law 6404, assuring dividend at least equal to what is paid to ordinary shares.



4 Shareholders' Meeting

The Shareholders' Meeting is held within the first four months following the end of each fiscal year. Extraordinary Shareholders' Meetings will take place whenever necessary, subject to legal requirements.

The first meeting notice must be sent within a minimum of fifteen (15) days before the Shareholders' Meeting is held, and the second meeting notice, within eight (8) days.

On its website, Eletrobras has a channel of communication with its investors – "Investor Relations" – which contains presentations and events that have taken place, as well as a calendar of upcoming events.

5 Management

The Board of Directors and Board of Executive Officers are responsible for the management of Eletrobras. Only Brazilian nationals are entitled to hold positions under Eletrobras' management boards, while the Executive Officers need to be residents in the country.

The following are disqualified from holding positions on management of Eletrobras: those declared ineligible by the Brazilian Securities Commission (CVM), as well as those prevented by special law, or convicted of bankruptcy crime, prevarication, bribery, extortion, embezzlement, commercial fraud, breach of public trust, crimes against property or any criminal conviction that prohibits, even temporarily, access to public office.

5.1 Board of Directors

The Board of Directors is responsible for setting fundamental management guidelines, at the initiative of its members, or via proposals, for examination and approval, from the Board of Executive Officers. It is also responsible for upper control of Eletrobras, verifying compliance with guidelines it has established, monitoring the implementation of approved programs and checking the results.

The Board of Directors is comprised of ten members, one of whom is appointed Chairman. The members are elected at the Shareholders' Meeting and have a term of office of one year, with reelection allowed.

On the Board of Directors, seven (7) members are chosen by the majority shareholder, one is elected by the common shareholders, one by the shareholders of preference shares and one is elected as a representative of the employees.

The participation of independent members on the Eletrobras Board of Directors adheres to the criteria established by BM&FBOVESPA and the Dow Jones Sustainability Indexes (DJSI).



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The Board of Directors meets regularly, once a month, and, on an extraordinary basis, whenever deemed necessary, by a majority of votes, and the Bylaws can stipulate matters that must be approved by a quorum.

The Board of Directors shall meet at least once a year without the CEO of the company and at least twice a year in the company of the external auditors.

The Internal Regulation of the Board of Directors govern its operation and relationship with other bodies, clearly delineating its responsibilities and duties, according to the provisions of the company's Bylaws and current legislation.

5.2 Board of Executive Officers

The Board of Executive Officers is composed of the CEO and Executive Officers, representing five boards: Administration Board, Finance and Investor Relations Board, Generation Board, Distribution Board and Transmission Board.

The CEO of Eletrobras is chosen from among the members of the Board of Directors, and the same person cannot hold the positions of CEO and Chairman.

In accordance with the guidelines established by the Board of Directors, the Board of Executive Officers is responsible for the overall management of Eletrobras, and meets weekly to make decisions.

6 Performance Evaluation

The performance of the Board of Directors and Board of Executive Officers of the holding is evaluated yearly on the basis of a specific methodology contained in the Performance Evaluation Manual for the Eletrobras Board of Directors and Board of Executive Officers.

The Eletrobras Board of Directors conducts its own formal performance evaluation in addition to that of the Board of Executive Officers, in order to assist shareholders make decisions regarding the reelection of managers, as well as perform a self-evaluation. The Executive Officers perform a self-evaluation and an evaluation of the Board of Executive Officers.

7 Statutory Support Committees for the Board of Directors

Eletrobras has three (3) committees subordinated to the Board of Directors, whose function is to assist with analysis, monitoring and recommendations for strategic issues pertaining to each committee.

The committees are composed of three (3) members and meetings take place according to the previously established annual schedule, with priority placed on monthly meetings.



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The CEO of Eletrobras cannot participate in the Audit and Risk Committee or the Compensation and People Management Committee, in order to avoid any potential conflicts of interest, since the CEO also participates in the management of the company.

7.1 Audit and Risk Committee

The Audit and Risk Committee deals with matters related to internal control, audits and risk management.

One of the responsibilities of this committee is to meet four times a year with the external auditors.

It is composed of one independent member, who will be the chairman of the Committee, and one member who represents the employees.

7.2 Compensation and People Management Committee

The Compensation and People Management Committee addresses the development of organizational competences and mechanisms to encourage the retention of talent, in addition to implementing human resources policies and practices, such as variable compensation, which foster individual and team performance. It also evaluates succession and knowledge management mechanisms.

Executive Officers and members with an employment relationship do not participate in this committee, and priority is given to the participation of an independent member, thus avoiding potential conflicts of interest.

7.3 Sustainability Committee

The main function of the Sustainability Committee is the continuous improvement of practices related to the company's sustainable development. It is responsible to monitor sustainability indicators, formulate goals and make decisions regarding processes and tools to enhance the company's sustainability. It coordinates activities related to the Sustainability Report, DJSI questionnaire and ISE (Corporate Sustainability Index – BM&F BOVESPA). The committee is also responsible for monitoring and evaluating the results of implementing internationally recognized sustainable management tools within the scope of the Eletrobras companies, as well as study initiatives for raising awareness among the internal publics of the Eletrobras companies regarding the importance of corporate sustainability.

There are no restrictions placed on who can participate in this committee, whether executives or not.

8 Inspection

8.1 Fiscal Council

The Fiscal Council, which is permanent in nature, consists of five (5) members and their respective alternates, elected at the Shareholders' Meeting. All its members



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must be Brazilian, domiciled in the country and subject to legal requirements, whether shareholders or not. One of the members will be elected by the minority common shareholders and the others by the preference shareholders, in separate votes. Among those elected will be a chairman of Fiscal Council and a financial expert (as required by the SEC). The term of office of Fiscal Council members is one year, with reelection allowed.

Like the Board of Directors, the Fiscal Council also has its own Internal Regulation.

In accordance with the legal requirements for the functioning of Fiscal Councils recommended by the Securities and Exchange Commission (SEC), the Internal Regulation of the Eletrobras Fiscal Council were changed (June 23, 2006), so that instead of creating an Audit Committee a financial expert was included in the makeup of the Council, thereby giving it the responsibilities and characteristics of an Audit Committee.

The Fiscal Council meets regularly, once a month, and, on an extraordinary basis, whenever convened by the Chairman of the Board of Directors, the CEO of Eletrobras or any one of its members. The minimum quorum for holding a meeting and approving matters on the Fiscal Council is three (3) members.

8.2 Internal Audit

Linked to the Eletrobras Board of Directors, the purpose of the Internal Audit is to check the adequacy, efficiency and effectiveness of internal controls, compliance with legislation and internal and external regulatory acts, as well as the fulfillment of plans, goals, objectives and policies established by the company.

The Internal Audit formulates its Annual Plan for Internal Audit Activities (PAINT), which contains the schedule of work activities for a given year, in accordance with existing regulatory instruments. This plan is submitted to the Board of Directors and General Federal Comptroller (CGU).

The Fiscal Council monitors the carrying out of the PAINT and when noncompliant situations are detected, it proposes measures to rectify them.

9 Shareholdings Participations in Other Companies

In carrying out the business activities within the scope of its corporate purpose, Eletrobras may do so directly or through its subsidiaries or companies with whom it partners. Shareholding participations are another means of indirectly achieving its corporate purpose. This gives Eletrobras, in some cases, the right to appoint representatives to the management bodies and Fiscal Councils of these companies.

Eletrobras attributes to the performance of its representative members in companies where it has shareholdings the right to be represented on the Board of Directors or Fiscal Council – which plays an important role in defending the company's interests as a shareholder – and their actions should be guided by the principles of corporate governance best practices, for the purpose of improving business efficiency and profitability and contributing to the sustainability of these organizations.



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In order to supply members on Boards of Directors or Fiscal Councils with relevant information, an Orientation Manual was prepared and disseminated among these members, which provides basic tools of conduct for achieving optimum performance and a standardized *modus operandi*.

10 Conflicts of Interest

According to the definition of the Brazilian Institute of Corporate Governance (IBGC), conflicts of interest occur when "someone is not independent in relation to a matter being discussed and may influence or make decisions motivated by interests other than those of the organization".

The company's Bylaws address situations involving conflicts of interest, in which case board members are instructed to abstain from the discussion and voting that will decide on the matter wherein a conflict of interest was noted. These abstentions are recorded in the minutes of meetings of the Board of Directors.

In order to avoid potential conflicts of interest and the use of confidential and strategic information, the Chief Executive Officers and Executive Officers may not exercise management functions, management consulting firms on private sector companies, which are electric energy public concessionaires under private law in any way connected to the electricity sector, except in subsidiaries, controlled companies specific purpose and concessionaires under control of the states in which Eletrobras has participation, where they can hold positions on Board of Directors and Fiscal Council, subject to the provisions of Law No. 9292 of July 12, 1996, from receiving compensation.

11 Related Party Transactions

Eletrobras discloses related party transactions in order to provide investors, and particularly minority shareholders, with sufficient information to understand the magnitude, characteristics and effects of this type of transaction on the financial position and results of the company, thereby facilitating decision-making of an economic and financial nature.

Eletrobras is required to disclose related party transactions, in accordance with Article 247 of Law No. 6404/76 and CVM Resolution No. 26/86. In addition to the information provided for by law, the company, in accordance with Clause 5.2 of the Listing Rules of Corporate Governance Level 1 of BM&FBOVESPA (Regulation of Level 1), must include in the notes to the Quarterly Information a note concerning related party transactions containing the disclosures provided for in the accounting rules applicable to annual financial statements.



12 Transparency

12.1 Meeting with Market Analysts

After releasing each set of quarterly results, Eletrobras holds a conference call meeting with capital market agents, according to the events calendar found on the company's website.

12.2 Disclosure and Use of Information and Securities Trading Policy

Pursuant to CVM (Securities Exchange Commission) Instruction No. 358, of January 3, 2002, and in accordance with the rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), Eletrobras put together the Manual for Communication of Material Facts and Policy on Trading in Securities Issued of the company.

The disclosure of material information seeks to provide investors with the information they need to make investment decisions, in a timely, efficient, complete and reasonable manner, ensuring the best possible symmetry in the dissemination of information.

The Policy of Disclosure and Use of Information of Material Act or Fact addresses, among other topics: definition of material information; internal procedures for the disclosure of material information; responsibilities in cases of omission; when, whom and how to impart information.

The Policy for Trading the Company's Securities lays down rules for trading securities issued by Eletrobras, taking into account the trading restrictions set forth in CVM Instruction No. 358 and the internal securities trading policy adopted by the company.

The Executive Officer of Investor Relations of Eletrobras is responsible, among other things, for the disclosure and communication of material information, as well as ensuring its immediate and simultaneous dissemination in all markets in which its securities are traded.

13 Ethics

Eletrobras actively participates in the national energy policy and requires its administrators and employees to uphold ethical principles and standards of conduct.

In an effort to achieve a broad conceptual alignment among its companies, Eletrobras prepared a document entitled "Code of Ethics", which applies to all Eletrobras companies. This document endeavors to reduce the gap between potential ambiguities and distortions that may arise from a free interpretation of ethical principles and standards of conduct, which all employees are expected to adhere to in internal relationships and with other segments of society.

Eletrobras' adoption of ethical principles in its actions not only reflects the ethical commitment of the institution, but also the commitment of its employees to embrace appropriate standards of conduct.



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The company's Code of Ethics contains a set of core values that are to be upheld and practiced, thereby setting Eletrobras apart from other companies in regard to its relationships with employees, suppliers, shareholders, press, media, communities and other segments of society.

Among the ethical principles that underlie these relationships, Eletrobras deems the following as priorities: dignity and respect for people, legality, sustainability, professionalism, transparency, impartiality and integrity.

In order to ensure compliance with the concepts set forth in the company's Code of Ethics and the Public Ethics Commission, Eletrobras created an ethics management system which is coordinated by the Ethics Commissions that have been formally established in each of its companies.

13.1 Ombudsman

The Ombudsman's Office was set up in 2005 and its function is to establish a permanent channel of communication and mediation between the company's senior management, its stakeholders and society in general, for receiving and handling grievances, complaints, requests for information and praise, among others.

Users can communicate with the Ombudsman via email, fax, telephone, letter or other documents, and personally. In all these forms of communication, the name of the person who contacts the Ombudsman is kept secret and the content of the message is dealt with seriously, impartially and confidentially.

The Ombudsman Channel can be seen as a powerful mechanism for identifying failures in the company's service to its stakeholders, and can serve as a preventive tool through the formulation of proposals for improving processes.

Besides the Ombudsman Channel, there is also the Whistleblower Channel, created for receiving messages that may affect the company's financial results, and the Gender Channel, intended for receiving grievances and complaints about situations related to gender, ethnicity, moral harassment and others.

14 Risk Management

Corporate risk management in the Eletrobras companies seeks primarily to: deal with the uncertainties inherent in achieving the company's strategic objectives; align the organization's risk acceptance limits with the strategies that have been adopted; replace risk management in organizational silos with a vision guided by the structure of value chain processes; seek opportunities to obtain a competitive advantage and increased value for investors and other stakeholders; abide by the principles of corporate governance at the highest level, as well as compliance requirements; optimize decisions, based on recognition of the risks involved; and allocate capital better.

For this purpose, an integrated risk management (GIR) model was created, which is being implemented in all the Eletrobras companies. It is based on the reasoning and concepts of the COSO II – Enterprise Risk Management framework, designed to



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identify and respond to uncertain events that could affect the company's strategies. The model also fully complies with the ISO 31000 standard.

GIR processes generally include the following stages: identification and classification, evaluation, treatment, monitoring, and reporting and communication. The basis of the analyses is a corporate risk matrix which summarizes the taxonomy used and distributes the risks into four broad categories: strategic, financial, operational and compliance-related. Risks are prioritized, measured and systematically addressed, at intervals of time established for each process, in accordance with risk appetite, and this helps bolster the strategic actions adopted for conducting the business of the Eletrobras companies.

The guidelines are defined by the company's management, based on a decentralized risk management model, with a clear definition of responsibilities and reporting among the actors in the process – those directly responsible for the risks (risk owners), operational managers and risk committees. They represent basic principles for performance in the structures created, independence and support in the conducting of processes.

In order for risk management to achieve the desired results, all employees directly involved in the process should be prepared to develop a holistic view of the company at its different levels. So that the importance of implementing GIR is understood and propagated among the rest of the employees, the training and communication structures of the companies are used for raising awareness.

All these practices result in an environment that is aligned with the principles of corporate governance, with risk management directed toward the efficient allocation of resources and value creation. As a result, not only will legal demands and regulatory requirements be met, but also the desires of investors, shareholders and other market agents, thereby ensuring that Eletrobras' corporate strategies are imbued with greater transparency.

15 Policies

Other policies of the company that direct and guide its management, but were not mentioned in this document, can be found on our website. To consult them, simply access the following address www.eletrobras.com and browse through the "Sustainability" section.