

Code of Ethics

**Ethical Principles and
Conduct Commitments**



Photo: Ruy Salaverry



Eletrobras

Energy for new ages

2010

PRESENTATION:

The Single Code of Ethics for the Eletrobras Companies, presented herein, is another expression of the importance of the ethical dimension in our corporate decisions and practices. Covering all of the Eletrobras Companies, the Code reflects the new reality of our Companies, not only in its results, but also in the way in which it was created.

Result of a joint effort, it was inspired by the changes that are still being implemented and by the new ideals, expressed in the mission, vision and values established in the Strategic Plan 2010-2020.

Based on a complete and comparative review of the codes of ethics and of conduct, established previously in the Eletrobras Companies, the process of elaboration and unification of the codes counted on the participation of all the collaborators, representatively in workshops that involved the whole board and employee consultation followed by comprehensive dissemination, to encourage suggestions and criticisms from all those involved, received through a direct electronic channel.

The result is a clear definition of the principles that guide the actions and commitments related to institutional conduct, present in the interactions of the Eletrobras Companies, with their employees, collaborators, suppliers and other audiences with whom they are involved.

Now, it is time for all the collaborators from the Eletrobras Companies to acknowledge and incorporate the values contained in this Code. Ethics is consolidated this way: every day, in each person's work and in small actions, which, together, define the culture of a company. A large Brazilian company.

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ETHICAL PRINCIPLES

I. HUMAN DIGNITY AND RESPECT TO PEOPLE

Valuing life and affirming citizenship, respecting the physical and moral integrity of all people, their individual differences and the diversity of social groups in an equal, equitable and fair manner.

II. INTEGRITY

Complying with commitments undertaken to honesty and probity, in which discourse and actions are coherent, and repudiating any manner of fraud and corruption by maintaining an active stand under situations which are not in compliance with the ethical principles.

III. SUSTAINABILITY

Operating through a well-balanced environmental, social and ethical responsibility, respecting the right to a full life for present generations and contributing to life preservation for future generations.

IV. TRANSPARENCY

Ensuring visibility of criteria, which charter the decisions made and actions taken by Eletrobras Companies by communicating in a clear, accurate, agile and accessible manner, taking into account the limits to the right of confidentiality.

V. IMPARTIALITY

Establishing that public interests must be above personal ones in order to ensure objectivity and impartiality in decisions, actions and in the use of resources from Eletrobras Companies.

VI. LEGALITY

Complying with Brazilian laws and with the legislation of countries in which Eletrobras Companies operate, as well as with internal norms which regulate the activities of each company, in accordance with Brazilian constitutional principles and international treaties entered by Brazil.

VII. PROFESSIONALISM

Performing in a professional manner, with integrity, responsibility and care, based on social values, loyalty and mutual respect, in which the excellence and development of Eletrobras Companies are a common commitment.

CONDUCT COMMITMENTS

1. Commitments of Eletrobras Companies related to corporate governance

- 1.1. Making corporate decisions based on the principles of ethics, transparency, integrity, loyalty, impartiality, legality and efficiency, and to use their economic-financial resources with responsibility in order to attain higher levels of competitiveness, excellence and profitability, taking into account the legitimate interest of all stakeholders and their sustainability-related commitment.
- 1.2. Operating their business in a self-supporting manner in order to strengthen their economic-financial position by adopting transparent policies and guidelines for investments, dividend distribution and balance sheets, safeguarding their assets and institutional image. assets and institutional image.
- 1.3. Basing their relationship with stakeholders on proactive communication that is accurate, proper, transparent and timely, making all information promptly available in order to deflate rumor and speculation.
- 1.4. Performing in an impersonal, ethical and responsible manner when using strategic information, complying with professional confidentiality behavior to safeguard investors' and stakeholders' interests.

1.5. Adopting transparent and equitable criteria to select environmental, social and cultural projects.

1.6. Performing in line with public policies, not making any concession to any interference or the favoring of partisan or private interests, both related to corporate decisions and holding of positions.

1.7. Refusing to form partnerships with Companies which make use of child labor or forced labor and denouncing the law-breakers.

1.8. Treating the specific features of Eletrobras Companies according to their unique technical criteria, in order to develop a corporative culture with equity and without discrepancy.

1.9. Refusing and denouncing any form or attempt of corruption, bribery, kickback and “back-scratching”.

1.10. Giving no support or contributions to political parties or political campaigns for elected offices.

1.11. Disseminating the ethical principles and conduct commitments addressed under this *Code of Ethics*.

2. Commitment of Eletrobras Companies to their stakeholders: directors, board members, employees, third-party staff, service providers, trainees and young apprentices.

2.1 Commitment of Eletrobras Companies with their employees / workforce

2.1.1. Treating their employees / workforce with cordiality and respect.

2.1.2. Promoting higher quality of life for their workforce by providing well-being, health, hygiene and safety at the workplace.

2.1.3. Respecting and valuing social and cultural diversity as well as individual differences, treating all individuals with equity, without social, cultural, ethnic prejudice or bias related to their gender, age, religion, political opinion, sexual orientation, physical, psychic and mental condition, or any other kind of discrimination.

2.1.4. Encouraging the free expression of ideas and rejecting threats, blackmailing, humiliation, intimidation, disqualifications or any form or manner of harassment in work relationships.

2.1.5. Ensuring that the workforce have access to all functional information related to their jobs.

2.1.6. Repudiating child labor, child and adolescent abuse and sexual exploitation in their own activities or in the activities of partners that operate in the production chain of Eletrobras Companies, as well as forced labor or work performed under degrading conditions. Repudiating any kind of physical, sexual, moral or psychological harassment, denouncing the law-breakers.

2.1.7. Making available to all workforce effective, safe and reliable communication means to receive information, suggestions, consultations, criticism and denouncements.

2.1.8. Promoting institutional warranties to protect the confidentiality of the workforce involved in denouncements in order to protect the rights and that unbiased decisions will be made.

2.1.9. Valuing intellectual production and acknowledging the merits related to work developed by employees/workforce, regardless of their hierarchical position, taking into account their process improvement proposals.

2.1.10. Adopting pre-set transparent and objective criteria for the assessment of the workforce, taking into account the merit of their technical performance and ethical behavior, thus guaranteeing their right to know the criteria and assessment results.

2.1.11. Providing for their employees the appropriate conditions in which they can improve their competencies, offering functional promotion opportunities and guaranteeing equal opportunities.

2.1.12. Treating, without distinction, all the permanent, the temporarily assigned and the requested employees.

2.1.13. Guaranteeing free association to employee unions and the right to collective bargaining, acknowledging unions, class associations and entities which represent employees as their legitimate representatives, in which the respectful and constructive dialogue is continuously in place, giving priority to collective bargaining as the preferred form of solving labor conflicts.

2.1.14. Providing a safe and healthy workplace environment for trainees, apprentices and service providers for as long as they are working in their facilities.

2.2. Commitment of employees to Eletrobras Companies

2.2.1. Knowing and complying with the *Code of Ethics*.

2.2.2. Performing their activities in a professional manner, aiming at their continuous improvement and updating of competencies in order to help attain excellence of processes, products and services.

2.2.3. Not practice, submit nor engage in collusion with acts of prejudice, discrimination, threat, blackmailing, false testimony, verbal, gestural or physical abuse, humiliation, constraint, coercion, and moral, political, religious and sexual harassment or any other act contrary to principles and commitments under this Code of Ethics, denouncing immediately the law-breakers.

2.2.4. Preserving the integrity of documents, records, registers and information systems of Eletrobras Companies.

2.2.5. Keeping sensitive, strategic, classified and confidential information related to the company, which they are privy to on account of their function, regardless of their hierarchical position. No information will be used for their own benefit or for the benefits of third-parties.

2.2.6. Talking on behalf of the company only when duly authorized to do so or when having the required competency, respecting each area responsible for maintaining a relationship with the communication and press release agencies and capital market, not disclosing untruthful, misleading or confidential information.

2.2.7. Helping integrate collaborators and developing team work within an “esprit de corps” and responsible manner in an environment in which the health and safety of every person is preserved.

2.2.8. Respecting the work environment by not adopting any improper behavior that might hinder the good performance of activities.

2.2.9. Valuing personal appearance that should befit the type of activity they carry out, the work environment, the target audience and the local community with whom they maintain contact.

2.2.10. Respecting hierarchy without waiving the possibility of denouncing improper behavior of any collaborator, regardless of their hierarchical position.

2.2.11. Respecting intellectual production and acknowledge the merit related to the work developed by their peers, regardless of their hierarchical position.

2.2.12. Obtaining prior authorization from their superior officers to publish or exhibit outside the company studies, research, expert opinions and other work of their authorship or participation that involve company-related knowledge.

2.2.13. Ensuring the physical and moral integrity of all persons and property safety at all times, including when they are on strike.

2.2.14. Communicating at once to the proper areas all acts and facts which are against public interest or company's interest, requesting a solution.

2.2.15. Communicating to the proper area any actual or apparent conflict arising between the interests of Eletrobras Companies and interests related to their professional, personal or third-party activities.

2.2.16. Using tools, machines, equipment and other material and immaterial resources of Eletrobras Companies in a proper, rational and sustainable manner exclusively for work purposes in order to prevent and combat any form of misuse and waste.

2.2.17. Not use work time, position and administrative influence for their own benefit or to obtain favors for themselves or third-parties.

2.2.18. Not maintain direct hierarchical subordination with a spouse or family relation up to second degree.

2.2.19. Not control nor influence the administration of competitive companies, suppliers or clients.

2.2.20. Not engage in business transactions of Eletrobras Companies with companies of which they are partners or whose shareholders or managers maintain kinship relations up to the second degree or by affinity.

2.2.21. Not take advantage of the status of being an employee of an Eletrobras company by engaging in any kind of political or religious propaganda, nor in commercial publicity within or outside the workplace.

2.2.22. Not offer nor accept gifts, privilege, payment, loan, donation, service or any other manner of benefit for their own enjoyment of for third-parties.

2.2.23. Refusing and denouncing to the proper areas any kind or attempt of corruption, bribery, kickback and "back-scratching".

2.2.24. Carrying out management responsibilities with transparency and equity, guiding and motivating fellow-employees in order to establish a healthy and harmonious work environment which leads to performance and productivity excellence, observing the compliance with all norms, with the *Code of Ethics* and corporate instructions.

2.3. Commitment of Eletrobras Companies to private pension entities

2.3.1. Ensuring financial and actuarial balance as well as transparency when managing privately-owned companies under its sponsorship in order to comply with social security obligations to its participants, assisted members and beneficiaries.

2.3.2. Ensuring the transparent performance of the sponsors in the fiscal and deliberative boards of complementary private pension entities sponsored by Eletrobras Companies.

2.3.3. Encouraging employees participation in matters related to the complementary private pension entity sponsored by Eletrobras Companies.

3. Commitment of Eletrobras Companies and their employees to suppliers, service providers, other partners and clients.

3.1. Selecting and hiring suppliers and service providers according to legal, technical, quality, cost and timeliness criteria, in which an ethical profile of responsible socioenvironmental responsibility must be in place.

3.2. Refusing unfair competition practices, the use of child labor, sexual harassment and exploitation of children and adolescents, forced labor or degrading work conditions, as well as any kind of physical, sexual, moral or psychological violence and other practices that breach this Code of Ethics, inclusive in the production chain of their suppliers, denouncing the law-breakers.

3.3. Not participate in negotiations that might result in personal advantage or benefits that could be construed as actual or apparent conflict of interest for the employees involved from either party.

3.4. Not do any favor nor provide any remunerated service for suppliers or service providers with whom they have a relationship on account of their professional activities.

3.5. Treating with respect and cordiality all employees of suppliers and service providers according to the principles under this *Code of Ethics*.

3.6. Discouraging contractual provisions that affront or minimize the dignity, life quality of the social well-being of service provider employees and trainees.

3.7. Offering high quality products and services to ensure the full satisfaction of both clients and consumers in order to maintain a long-standing relationship in which dialogue is transparent and ongoing.

3.8. Establishing and maintaining a good relationship and communication with suppliers, service providers and other partners according to the ethical principles under this *Code of Ethics*, treating all with equity and avoiding any type of privilege or discrimination.

3.9. Preserving and treating as classified data all details and information related to clients, suppliers, service providers and other partners, obtained from the business relationship.

3.10. Not recommend clients to service providers or suppliers, even at their request.

3.11. Not accept nor give gifts, bonuses or advantages, even in the form of preferential treatment given to or for clients, suppliers, service providers and other partners associated with the businesses or interest of the Eletrobras Companies..

4. Commitment of Eletrobras companies to the environment and socioenvironmental responsibility

4.1. Operating in accordance with the principle of sustainability and being committed with social development, respecting local cultures, giving priority to renewable natural resources and using economic resources in a responsible and efficient manner, in order to meet the needs of the present generation and to preserve the rights of future ones.

4.2. Ensuring that all employees develop a socioenvironmental awareness and contribute to the preservation of the environment both in the workplace and outside the company.

4.3. Operating in a manner that minimizes socioenvironmental impacts from their operations in order to re-establish the environmental balance within the physical, biological, social and cultural aspects of the area in which they operate.

4.4. Using in a conscientious, rational, responsible and sustainable manner the indispensable natural resources necessary to develop their business, respecting biodiversity.

4.5. Carrying out energy conservation and energy efficiency actions, fighting any kind of waste and developing social responsibility in their area of operation.

4.6. Embodying socioenvironmental criteria in the company's management processes and in their relationship with business partners and suppliers.

4.7. Promoting and participating in technological and industrial research & development projects, in which they actively interact with the academic and scientific community in order to foster sustainable development.

5. Commitment of Eletrobras Companies with the community

5.1. Taking into account all the social groups involved in all stages of the enterprises, starting with the planning stage, in order to identify their expectations and needs, in order to minimize environmental, social and cultural impacts posed on those communities.

5.2. Maintaining permanently open channels of communication and dialogue with the communities and establishing a relationship in which local people and culture are respected.

5.3. Fostering the communities' sustainable development by participating in the creation and implementation of projects in partnership with local entities, taking into account their needs and expectations and respecting their diversity.

5.4. Being the motivating head of local and regional development in which they operate, helping to improve the quality of life of communities and preserving the environmental balance of regions in which they operate.

6. Commitment of Eletrobras Companies to society, government, State, controlling and regulating agencies

6.1. Sharing the ideals of respecting human rights and the principles of social justice and well-being.

6.2. Maintaining permanently open channels of communication and dialogue with all target-audiences in a transparent, respectful and constructive manner.

6.3. Complying with governmental guidelines and performing as an effective partner of government to implement policies and projects addressed to the country's sustainable development.

6.4. Cooperating with public authorities when they are carrying out their legal functions.

6.5. Providing services which meet public interests in a responsible and harmonious manner.

6.6. Encouraging their employees' involvement and commitment to joining discussions and to drafting proposals, including volunteer work, with the purpose of actually implementing and strengthening social projects via actions articulated with public and private agencies, both governmental and non-governmental.

7. Commitment of Eletrobras Companies to international parties

7.1. Complying with international treaties, agreements and contracts signed with countries, partners, clients or suppliers, ensuring a well-balanced and harmonious relationship in which the common interests of the countries at hand are respected.

7.2. Observing the legal systems amongst countries involved in partnerships, in compliance with the Federal Constitution of Brazil and the principles of ethics under this *Code of Ethics*.

7.3. Respecting the sovereignty of the countries when using natural resources under the condominium scheme or under any other kind of partnership agreement, being aware of the relevant role they play in promoting economic and social development among the countries.

8. Commitment of Eletrobras Companies to business competition

8.1. Maintaining a civilized and independent relationship with companies in competition, seeking market information in a legal manner from authorized sources and using them fairly and credibly.

8.2. Making business decisions taking into account their best interest, observing and defending the norms of free competition, in compliance with Brazilian legislation and the laws of countries in which they operate.

9. Commitment of Eletrobras Companies to the press and other communication agencies

9.1. Maintaining a respectful, transparent and independent relationship, establishing dialogue channels to disseminate information, according to the level of authorization and competency.

9.2. Stating clear and relevant public interest information through authorized sources, and protecting confidential information to safeguard the businesses' legal and legitimate interests.

9.3. Maintaining an impersonal tone in their institutional publicity to ensure it will not result in any type of personal promotion.

COMPLEMENTARY PROVISIONS

SCOPE

This *Code of Ethics* encompasses all members of the Board of Directors, directors, board members, employees, third-party staff, service providers, trainees and young apprentices.

As a confirmation of the commitment of Eletrobras Companies to the principle of gender equity, we hereby clarify that the terms “stakeholders”, “employees”, “third-party staff” and others used in this document refer to both men and women.

Companies that supply or provide services to Eletrobras Companies will have a clause in their contracts whereby they agree to respect, comply with and ensure the compliance with this *Code of Ethics*, as follows:

“CONTRACTED hereby declares that it is aware of and agrees to respect, comply with and to have complied with the *Code of Ethics* of Eletrobras Companies that is published at the electronic address of the company, under the penalty of suffering the sanctions provided for under this contract”.

TERMS, EVALUATIONS AND REVISIONS

The term of effect of this *Code of Ethics* is indeterminate. However, Eletrobras Companies undertake to submit its content and practices to the regular evaluation and revision at times that shall be defined during its process of dissemination.

ACCESS CHANNELS FOR REFERENCE, CLARIFICATION, SUGGESTIONS, CRITICISM AND DENOUNCEMENT

For reference purposes, this *Code of Ethics* is published in the intranet or at the internet at the electronic address of the company.

For purposes of clarification, suggestions, criticism and denouncement, any person can make contact with the *Ethics Commission* via the company’s Ombudsman. Full confidentiality and institutional protection are guaranteed against any manner of retaliation that might be directed to affect those that use that channel. Denouncement of breaches to the principles of conduct or commitment thereof will be studied by the respective *Ethics Commission*.

SPECIFIC NORMS OF CONDUCT FOR THE COMPANIES

Given that each of Eletrobras Companies has their own organizational peculiarities; they may create complementary specific norms of conduct in conformity with the ethical principles and conduct commitments set forth under this *Code of Ethics*.

DISCIPLINARY MEASURES

The breach of any ethical principles or conduct commitments set forth under this *Code of Ethics*, which shall be identified by the Ethics Commission, may result in disciplinary measures with educative purpose, notwithstanding the adoption of administrative and/or judicial measures in the case of contractual and/or legal breaches.

GLOSSARY

CODE OF ETHICS. A *Code of Ethics* is an express agreement between people of the same Institution or Organization, which defines parameters for their conduct, so they can be universally validated and accepted, without loss of identity and regional characteristics.

ETHICAL PRINCIPLES. A principle is an idea that works as a starting point of an action. Here, in this *Code of Ethics*, the Ethical Principles are our basic references and should inspire the ethical conducts that we expect for the Eletrobras Companies. The ethical principles inspire and justify human conduct, so they attain universal validity. The five principles of Public Administration, established by the Brazilian Constitution (1988) in its Art. 37, included in the Ethical Principles of the Eletrobras Companies are: Morality, Legality, Impartiality, Publicity/Transparency and Efficiency. Morality, here, encompasses the entire Code. Efficiency is implicit in the principle of Professionalism.

CONDUCT COMMITMENTS. The Conduct Commitments established in this *Code of Ethics* are based on the Ethical Principles and originate from them. They are the substantiation of the Ethical Principles, in the establishment of standards of personal, professional and organizational conduct. These are classified into themes and cover the most critical, complicate and difficult situations in which there should be ethical conduct.

ETHICS. In the *Code of Ethics* herein, the concept adopted for “Ethics” refers to the field of studies and of reference on which our personal, professional and organizational conduct is based, so they are universally acceptable.

MORAL. In the *Code of Ethics* herein, the concept adopted for “Morality” corresponds to the field of studies and references on which our personal, professional, institutional, organizational and national conducts are based, whose validity is attributed exclusively to tradition, laws, habits and customs. That is why such moral conduct cannot always be validated under the ethical point-of-view of universality.

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