

# Code of Corporate Governance

## Contents

1.	Introduction .....	2
2.	Principles of Corporate Governance .....	2
3.	Corporate Structure .....	3
4.	Mission, Vision and Values of the Company .....	3
5.	Model of Administration .....	4
6.	Shareholders .....	4
7.	Dividends .....	4
8.	Board of Directors .....	5
9.	Related Parties .....	5
10.	Fiscal Council .....	6
11.	Specialized Committees .....	6
12.	Executive Board .....	7
13.	General Meeting .....	8
14.	Rules for Level 1 Corporate Governance .....	9
15.	Disclosure Policy of an Act or Material Fact .....	10
16.	Securities Trading Policy .....	11
17.	Code of Corporate Ethics .....	14
18.	General Provisions .....	24

## 1. Introduction

According to the Brazilian Corporate Governance Institute (IBGC), corporate governance is a system by which companies are managed and monitored, involving shareholders and quota holders, the Board of Directors, the Executive Board, the Independent Auditors and the Fiscal Council. Good corporate governance practices are designed to increase corporate value, facilitate access to capital and contribute to the company's longevity.

The objective of this Code of Corporate Governance is to translate the ethical principles of CTEEP – Company de Transmissão de Energia Elétrica Paulista into objective recommendations, seeking to guide the relations between Shareholders, the Board of Directors, the Fiscal Council and the Executive Board of the Company.

The Code of Corporate Governance presents a panoramic view and a source of simplified reference with respect to CTEEP's principles and practices, contributing to the strengthening of the transparency of the Company's management, increasing institutional value and facilitating access to capital on the part of investors as well as contributing to the Company's longevity.

Consequently in approving its Code of Corporate Governance, CTEEP demonstrates management commitment to transparency, accountability, equitability and socio-environmental responsibility, supported by the use of monitoring tools designed to align the posture of the executives with the interests of shareholders and Company.

This Code of Corporate Governance is being updated as a result of legal or statutory changes, any provision herein that becomes incompatible as a result of future changes in the Company's Bylaws or in its legal norms, to be deemed as nullified.

## 2. Principles of Corporate Governance

Management posture rests on four basic principles of Corporate Governance:

### Transparency (Disclosure)

More than the obligation of informing, the Company must maintain open, clear and comprehensive communication with in-house and external stakeholders, ensuring the accuracy, consistency and timeliness in disclosing financial and non-financial information which guides managerial actions and fosters the creation of value.

### Equitability

Characterized by the fair treatment of all shareholders and other stakeholders. Discriminatory attitudes or policies under whatever pretext are totally unacceptable.

### Accountability

The Company's management must be accountable for their actions to all shareholders, taking responsibility in full for the consequences of their acts and omissions.

### **Corporate Responsibility**

Is to exert due care for ensuring the sustainability and longevity of the businesses (long-term view), incorporating considerations of a social and environmental nature in the management of the businesses with adherence to the prevailing legislation.

CTEEP's Code of Corporate Governance is approved by the Board of Directors and, together with the Bylaws, the Fiscal Council's Internal Charter and the Code of Ethics, delineates the compendium of corporate governance practices adopted by the Company.

## **3. Corporate Structure**

CTEEP is a public utility electric energy concessionaire which operates by means of making available installations which integrate the Basic Network and Other Transmission Installations in the Brazilian electricity system.

In addition, the Company participates in enterprises in the electric energy transmission segment through stakes in the capital stock of companies that have a public service concession for energy transmission, exercising activities relative to the installation and exploration of transmission projects, providing technical, operational, administrative and financial support to its Subsidiaries.

CTEEP's shares trade on the São Paulo Stock Exchange ("BM&FBOVESPA") and the Company was the first in the electricity sector in the state of São Paulo to formally sign up to the Corporate Governance differentiated practices, signing BM&FBovespa's Adherence Agreement to Level 1 Differentiated Practices of Corporate Governance on September 18 2002.

CTEEP also participates in the sponsored American Depositary Receipts (ADR) Level 1 program backed by underlying common and preferred shares issued by the Company at a ratio of one 1 Depositary Receipt for each share.

## **4. Mission, Vision and Company Values**

### **Mission**

To expand, operate and maintain electric energy transmission systems with excellence in the services provided, customer satisfaction, environmental sustainability, adequate shareholder returns and by contributing to the community's economic and social development.

### **Vision**

In 2016, CTEEP will be the principal non-state owned company in the energy transmission sector in Brazil with revenues of R\$ 3.5 billion, of which 25% originating from operations outside the state of São Paulo.

## Values

### ✓ Ethics

To maintain coherence between public discourse and practice, fostering transparent attitudes and actions fundamental to the construction of lasting relations with all stakeholders.

### ✓ Social Responsibility

To continuously seek sustainable development through compliance with commitments undertaken with our stakeholders.

### ✓ Innovation

To create and incorporate new practices or improvements that contribute to achieving the organization's goals.

### ✓ Excellence

To assure the standards of quality throughout the organization with the objective of being recognized by the market and adding value to the business.

## 5. Model of Administration

The CTEEP's Members of Management (the Board of Directors and the Executive Board) represent the interests of the Shareholders and other agents with which the Company relates with a view to perpetuating the businesses.

The Members of Management have as their mission to protect and give due importance to the Company as well as to optimize its return on the investments of its Shareholders over the long term aligned with the interests of the other agents with which the Company relates.

## 6. Shareholders

Part of the positioning adopted by CTEEP is to consolidate a permanent line of communication with the shareholders and the market. For this purpose, the Company invests in the promotion of initiatives such as the consolidation of corporate governance practices, the application of performance indicators of Bovespa's Corporate Sustainability Stock Index (ISE) and the holding of periodic meetings and conference calls with analysts and investors.

The Company has Policies for Disclosure of an Act or Material Fact and for Securities Trading which determine the disclosure of important information and restrict the use of insider information among the Controlling Shareholders, Members of the Board of Directors and Fiscal Council, Members of Committees, Statutory Officers and other Executives, and any persons who due to the positions they occupy, have access to confidential information.

## 7. Dividends

In each fiscal year, the shareholders of publicly held companies have the right to receive an amount corresponding to a portion of company earnings for that period in the form of a mandatory dividend. The Company's Bylaws provide for minimum mandatory dividends corresponding to 10% of the paid in capital stock (for each class of shares), based on the income statements for the end of each fiscal year. Holders of preferred shares have priority in receiving dividends, albeit without the right to any premium. It is incumbent on the Annual General Meeting of the Company to decide on the allocation of net income for the fiscal year and the distribution of dividends.

The Company's Bylaws allow the distribution of interim dividends at the proposal of the Executive Board and the approval of the Board of Directors, ad referendum of the General Meeting. In addition, Company's Board of Directors may also declare a payout of interest on equity capital pursuant to Paragraph 7 of Article 9 of Law 9,249 of December 26 1995, and including such payouts of interest on equity capital as part of the minimum mandatory dividend.

## **8. Board of Directors**

The Board of Directors is the central forum for decision making and general business guidance on CTEEP's businesses, its focus being on creating shareholder value.

The Board is made up of 10 members, one being a chairman, one a vice chairman and eight directors, among which one an independent, one a representative of the minority shareholders and one representing the employees.

The principal duties of the Members of the Board are: to elect the members of the Executive Board; supervise the management of the business; examine the Management Discussion and Analysis, the Financial Statements and Management accounts; approve the economic-financial plans and budgets and execution of work prepared by the Executive Board and to select and dismiss the Independent Auditors.

In line with best Corporate Governance practice, the chairman of the Board of Directors does not sit on the Executive Board. Meetings are held ordinarily on dates scheduled in the annual calendar of events approved by the Board of Directors at the first meeting for each fiscal year, and extraordinarily whenever convened by its chairman, or at the request of the majority of the Board's members.

According to the Company's Bylaws, the Board of Directors may comprise up to 10 (ten) members, with a term of office of 1 (one) year, reelection being permitted.

The Board of Directors compensation is set annually by the Annual General Meeting. The Directors receive no additional compensation for sitting on Board Advisory Committees and Commissions and the Alternate Directors are only entitled to receive fees when exercising their duties, substituting the Directors for whom they are deputies.

## **9. Related parties**

CTEEP adopts rules, policies and practices with respect to transactions with related parties.

Related parties are deemed as controlling shareholders, controlled companies, key members of management, and entities with joint control, entities under common control and in which in some way exercise significant influence over the Company. Entities in which the controlling shareholders have participation in the respective management bodies, even when not exercising control have been deemed as having significant influence.

The process of decision making for executing transactions with related parties is made primarily with the Company's senior management and ratified by the Board of Directors in addition to being notified to and submitted for the prior agreement of ANEEL. Pursuant to the Company's Bylaws, it is incumbent on the Executive Board at a meeting and upon the decision of the majority of its members, to recommend to the Board of Directors the granting of loans to third parties, including controlled companies and companies affiliated to the Company when the operation surpasses 2% (two per cent) of the paid-in capital stock. This in turn shall be subject to the respective approval of the Board of Directors.

In addition, operations and business with parties related to the Company are always executed observing usual market prices and conditions and therefore not generating any benefit or loss to the Company or any other parties.

## **10. Fiscal Council**

The Company's Fiscal Council operates on a permanent basis. The Fiscal Council is a body which operates independently of the Company's management and the outside auditors. Its principal functions are to oversee the acts of the members of management, examine and opine on the financial statements for the fiscal year and report on its conclusions to the Company's shareholders.

Pursuant to the legal provisions, the Fiscal Council shall comprise from 3 (three) to 5 (five) effective members and an equal number of alternates with a term of office of 1 (one) year, elected by the Annual General Meeting, with reelection permitted. In accordance with the Brazilian Corporate Law, members of the Company's management and employee bodies or members of a controlled company or of the same group and the spouse or family relation of the members of management may not be elected to the Fiscal Council.

The compensation of the effective Councilors is established annually by the Annual General Meeting of Shareholders. The compensation of each Member exercising his mandate on the Fiscal Council may not be less than 10% of the average compensation received by each Executive Officer, excluding from this calculation benefits, representational fees and participation in profits. The same applies to preferred shareholders with voting rights or with restricted voting rights to elect, in a separate vote, one councilor and his alternate.

Currently, the Fiscal Council is made up of 5 members, 2 of these being proposed by the minority shareholders.

## **11. Specialized Committees**

In the governance model adopted by CTEEP prioritizing management efficiency and the professionalization of managers, The Company's committees play a fundamental role in interacting with the Executive Board through the preliminary preparation of themes to be debated and approved by the Board of Directors.

### **Internal Audit Committee**

The purpose of the Internal Audit Committee is to strengthen the Internal Control System, Risk Management and the Company's Corporate Governance practices and is made up of five members, four of whom are members of the Board of Directors and the corporate auditor of the ISA Group. CTEEP's auditor and CEO participate in the meetings as technical secretary permanent invitee, respectively. The meetings are held at least three times annually.

The committee's principal functions are: (i) to strengthen the internal control and risk management systems and the Company's Corporate Governance practices; (ii) to increase the effectiveness of the internal audit function and to evaluate its performance; (iii) to monitor the work of the independent auditors and evaluate their performance; (iv) to approve the Annual Internal Audit Plan and to monitor its compliance; and (v) to ensure the implementation of the plans for improvements which result in recommendations issued in the internal and external audit reports.

### **Compensation Committee**

The Company has a Compensation Committee currently made up of 3 (three) members of the Board of Directors and responsible for monitoring, analyzing and proposing to the Board of Directors matters relating to the compensation of the executive officers and councilors, nomination of members to the Executive Board, positions and salaries, salary policy, variable compensation, profits and results sharing (PLR) and collective wage bargaining agreements.

## **12. Executive Board**

The Company's Executive Board is made up of up to 5 (five) members, Brazilian or foreign-born, resident in Brazil, being one Chief Executive Officer, one Chief Financial and Investor Relations Officer, one Chief Administration Officer, one Chief Operating Officer and one Chief Enterprises Officer.

The Executive Board meets at the convening of the Chief Executive Officer. Among other functions, the Executive Officers are responsible for practicing acts necessary for the regular functioning of the Company.

Pursuant to the Company's Bylaws, it is incumbent on the meeting of the Executive Board and on a majority decision to:

- practice all acts necessary for the regular functioning of the corporation;
- approve the Company's internal charter and regulations and levels of authorization of managers and employees for approving matters and documents;
- propose the Management's fundamental guidelines to the Board of Directors for the latter's examination;
- submit a proposal to the Board of Directors for increasing the capital and modifying the Bylaws;
- recommend to the Board of Directors the acquisition, sale or encumbrance of goods or fixed assets pertaining to the Company, the raising of funds through the issue of Promissory Notes, the obtaining of loans or financing, the constitution of encumbrance and the granting of secured or unsecured guarantees in guarantee of the Company's own liabilities or those of controlled companies or companies affiliated to the Company, when the operation surpasses 2% (two percent) of the paid in capital stock;
- recommend to the Board of Directors the granting of loans to third parties - including companies controlled or affiliated to the Company, when the operation surpasses 2% (two percent) of the paid-in capital stock;
- make the Board of Directors cognizant of the fiscal year's financial statements, the annual and multi-annual economic-financial plans and budgets and the execution of works; and

- exercise the other functions which shall be attributed to it by the Board of Directors, in accordance with the applicable norms.

### **13. General Meeting**

The General Meeting shall be convened ordinarily by April 30 of each year, as legally required, in order to:

- a. take cognizance of the management accounts for the last fiscal year;
- b. examine, discuss and vote the financial statements in conjunction with the opinion of the Fiscal Council;
- c. rule on the allocation of net income for the fiscal year and the distribution of dividends;
- d. elect the effective members and alternates to the Fiscal Council;
- e. elect, as the case may be, the members of the Board of Directors; and
- f. establish the compensation of the members of the Fiscal Council and the aggregate annual compensation and other management benefits.

Article 13 - The General Meeting shall be convened by the Board of Directors or, in cases pursuant to the law, by shareholders or by the Fiscal Council.

Article 14 - The shareholders shall present an identity document and/or corporate acts proving their status as legal representative at the General Meetings.

First Paragraph - The corporation shall waive the submission of proof of share ownership by the titleholder of book entry shares included in the list of shareholders supplied by the financial depository institution.

Second Paragraph - In addition to other documents required under this Article, those shareholders that are participants of the fungible depository service, shall deposit at the corporation's registered offices at least 2 (two) business days before the date of the General Meeting a statement issued at least 5 (five) days prior to the date of the General Meeting by the Brazilian Clearing and Custody Chamber or other authorized body, containing the respective shareholding participation.

Third Paragraph - The shareholders may be represented at the General Meeting by an attorney-in-fact appointed pursuant to Paragraph 1 of Article 126 of Law 6.404/76 through a public or private instrument with certified signature, conditional on the respective mandate having been delivered to the corporation's registered offices, together with the other documents required under this Article, at least 2 (two) business days prior to the date that the General Meeting is to be held.

Article 15 - The General Meetings shall be presided by the Chairman of the Board of Directors or by his substitute, who shall appoint the Secretary.

Article 16 - The resolutions of the General Meeting shall be adopted by a majority of votes of those present, except where otherwise stated pursuant to Law 6.404/76 or these Bylaws, blank votes or abstentions not being counted.

First Paragraph - The General Meeting may only deliberate on matters included in the day's agenda, contained in the respective convening notice, except where otherwise stated pursuant to Law 6.404/76.

Second Paragraph - The minutes of the Meetings shall be drafted to the minutes register for General Meetings in summarized format of the facts discussed and published omitting the signatures.

## **14. Rules for Level 1 Corporate Governance**

The São Paulo Stock Exchange – BM&FBOVESPA implemented Differentiated Corporate Governance Levels in December 2000. These levels are special listing segments that have been established for providing a business environment for stimulating investor interest and at the same time, capitalization of companies.

Companies listed in these segments offer their shareholders improvements in corporate governance practices which enlarge minority shareholder rights and increase the transparency of the companies through the disclosure of a larger volume of information of a better quality, facilitating the monitoring of their performance.

The basic assumption is that the adoption of good corporate governance practices by the companies gives greater credibility to the equities market and consequently increases investor trust and willingness to acquire company shares, pay a higher price for them, reducing funding costs.

CTEEP was the first electric energy company in the state of São Paulo to adhere formally to corporate governance practices, on September 18 2002, signing the Level 1 Corporate Governance Differentiated Practices Adherence Agreement with BM&F Bovespa.

Level 1 companies undertake principally to improve the disclosure of information to the market and to shareholding diffusion. For example a publicly held company with a Level 1 listing has the additional obligations over and above the legislation to:

- Improvement in disclosed information through, in addition to the Quarterly Financial Statements (ITRs) – a document which is filed by listed companies with the Brazilian Securities and Exchange Commission - CVM and BM&FBOVESPA, made available to the public at large and containing quarterly financial statements – among others: consolidated financial and cash flow statements.
- Improvement in the information relative to each fiscal year, in addition to the Standard Financial Statements (DFPs) – a document which is sent by listed companies to the CVM and BM&FBOVESPA, made available to the public at large and containing the annual financial statements – among others, the cash flow statements.
- Improvement in disclosed information through, in addition to the Annual Information Statements (IANs) – a document which is filed by listed companies with the CVM and BM&FBOVESPA, made available to the public at large and containing corporate information – among others, the quantity and characteristics of securities issued by the Company held by shareholder groups represented on the Fiscal Council as well as the evolution of these positions.
- Holding of public meetings with analysts and investors at least once a year.
- Disclosure of an annual calendar containing a program of corporate events such as meetings, disclosure of results etc.
- Disclosure of the terms of the contracts signed between the Company and related parties.
- On a monthly basis, disclosure of the controlling shareholders' negotiations involving the Company's securities and derivatives.

- Maintenance of a minimum free float representing 25% (twenty-five percent) of the Company's capital stock.
- In the event of a public offering of shares, the adoption of mechanisms which favor the diffusion of capital

## 15. Disclosure Policy of an Act or Material Fact

Pursuant to CVM Instruction 358, the Company has an internal policy for disclosing an act or material fact or the procedures with respect to maintaining the confidentiality of an act or material fact as yet not in the public domain.

Pursuant to its internal policy, any decision on the part of a controlling shareholder, decision of the General Meeting or of the Company's management organs or any other act or fact of a political-administrative, technical, commercial or economic-financial nature which has occurred or is related to the Company's business, is deemed material when it may significantly influence:

- (i) the price of the Company's securities;
- (ii) the decision of investors to buy, sell or hold the Company's securities; or
- (iii) in the determination of the investors to exercise any rights inherent to the condition as holders of the Company's securities.

It is incumbent on the Investor Relations Officer to formally disclose an act or material fact and to divulge the content of the respective communication to the CVM and, if the case, the BM&F Bovespa and any other stock exchanges or organized markets in which the Company's securities are listed for trading, always complying with the terms contained in the Company's policy.

The announcements to be made by the Investor Relations Officer shall be effected before the opening or after the close of business on the stock exchanges and organized over-the-counter markets in which the Company's securities are eligible for trading, the trading hours of the Brazilian market taking precedence over all others.

Pursuant to the Company's policy, should disclosure of the act or material fact put the Company's legitimate interests at risk, exceptionally the Investor Relations Officer's duty to make an announcement is waived contingent on the submission of a solicitation to the President of the CVM. However, disclosure of the act or material fact is mandatory where the respective information is no longer in the Company's control, or there is an atypical oscillation in the quotation, price or quantity of the securities as a result of the aforementioned information.

In line with the Company's policy, the disclosure of any act or material fact to the market at large shall be effected through publication in the newspapers through which the Company habitually channels its communications to the market, it being optional for the said act or material fact to be published in abbreviated form with the full text of the announcement posted to the Company's website.

The controlling shareholders, officers, members of the Board of Directors, Fiscal Council and of any other organs with technical or advisory functions created by statutory provision, or who by virtue of their post, function or position in the Company, its controlling company, its controlled companies or affiliates, being cognizant of an act or material fact ("Related Persons"), have the duty in line with the Company's internal

policy to expressly communicate in writing such an act or material fact to the Investor Relations Officer who, as the case may be, shall promote its disclosure.

It is the duty of Related Persons to safeguard confidentiality and not make use of the information deemed as an act or material fact to which they have privileged access in the light of the post or position they occupy until the disclosure of the same act or material fact to the market in accordance with the terms of the Company's policy. The Related Persons shall inform their subordinates and third parties in their trust, who have access to information understood as an act or material fact, on the need to maintain secrecy until the act or material fact has been disclosed to the market as well as taking every precaution that that this duty is respected in such a way as to avoid any type of personal responsibility.

## **Duration**

Approved at the meeting of the Board of Directors, this Disclosure Policy became effective on July 15 2002 and shall remain for an indeterminate period until a resolution to the contrary by the Board of Directors.

# **16. Securities Trading Policy**

## **1. PURPOSE**

The purpose of the Policy for Trading Securities Issued by CTEEP – Companhia de Transmissão de Energia Elétrica Paulista is to establish the criteria and procedures to be followed by the Company and for all persons connected thereto for the orderly and transparent trading of the issued securities, or instrument indexed to them, assuring privileged information is not used in such a way as to impact the Company's market price pursuant to CVM Instruction 358 of January 3 2002, as amended by CVM instructions 369/02 and 449/07, thereby complying with the Policy for Disclosure of an Act or Material Fact of CTEEP, approved by the Board of Directors on June 24 2002.

## **2. PERSONS SUBJECT TO THE SECURITIES TRADING POLICY**

2.1. The following are subject to this Policy:

- a. CTEEP - Companhia de Transmissão de Energia Elétrica Paulista;
- b. the controlling shareholders, direct or indirect, officers, and members of the Board of Directors, Fiscal Council, Internal Audit Committee, Compensation Committee and any other entities with technical or advisory functions, whether installed or otherwise by statutory provision;
- c. other employees who in the light of their post, function or position in the Company are privy to material information not in the public domain;
- d. natural and/or corporate persons that enjoy a relationship of trust, whether professional or commercial, with the Company, such as consultants, independent auditors, institutions which are members of the distribution system and any others that may have access to the act or material fact prior to its publication;
- e. the spouse, partner and family members up to twice removed, either of lineal or collateral descent, having a blood relationship or one of affinity, of the persons acceding to this Policy, as well as companies controlled directly or indirectly by them.

2.2. All persons listed under items “b”, “c” and “d” of item 2.1 must adhere to this Policy through signature to the Adhesion Agreement, with the exception of those mentioned in sub-item 2.2.1, as well as others that Company management deems to be necessary or convenient. The persons that adhere to this Policy shall act in a diligent manner.

2.2.1. The institutions which are members of the distribution system are not required to sign this Adhesion Agreement, a clause of confidentiality and adherence to this Policy to be expressly included in the respective contractual services agreements.

2.3. The members of management whose termination of employment with the Company has been formalized prior to the public disclosure of an act or material fact, which has originated in their period of management, remain subject to this Policy during a period of six months as from date of termination of the labor contract or until the date of disclosure of the act or material fact, whichever occurs first.

2.4. The persons adhering to this Policy are responsible for any negotiation contrary to the rules herein established undertaken by a family member or company as listed under item “e”.

### **3. INFORMATION ON TRADING ACTIVITIES OF MEMBERS OF MANAGEMENT AND CONNECTED PERSONS**

3.1. The officers, and members of the Board of Directors, the Fiscal Council, the internal audit committee, the compensation committee and any bodies with technical or consultancy functions, created or otherwise by statutory provision, are mandatorily required to notify the Company through its Investor Relations Department as to the ownership and the trading undertaken involving securities issued by the Company itself, and by its controlling companies or controlled companies (if listed companies).

3.2. This notification shall cover trading with derivatives or any other securities indexed to securities issued by the Company or by its controlling companies or controlled companies and shall include:

- a. name and qualification of the natural or corporate person responsible for the notification as well as tax register (CPF/CNPJ) number;
- b. quantity, by type and class, in the case of shares, and other characteristics in the case of other securities as well as the identification of the issuing company and the outstanding balance held before and after the conclusion of the transaction;
- c. form of acquisition or sale, price and date of the transactions.

3.3. The persons indicated in item 3.1 shall also notify the securities issued by the Company which are held by the spouse from whom they are not legally separated, partner, any dependent included in their annual tax return and the companies directly or indirectly controlled by them, as well as any trading with these securities.

3.4. Notification must be made:

- a. within in 5 (five) days following the execution of each transaction;
- b. the first working day following investiture in the post.

### **4. RESTRICTIONS**

4.1. The following practices are not permitted:

- a. the release of privileged information for the use and benefit of third parties (tipping);
- b. the use of confidential information for personal gain (insider trading) in purchasing and selling securities, having possession of material information which is still not in the public domain.

4.2. The Company and the persons listed in item 2 shall not trade securities issued by the Company, or securities indexed to them under the following circumstances:

- a. as from the date of becoming aware of any act or material fact until the date of their disclosure to the market;
- b. during a period of 15 (fifteen) days prior to the disclosure of the Company's quarterly (ITR) and annual information (DFP and Reference Form).

4.3. The Investor Relations Officer may at his discretion maintain the restriction pursuant to item 4.2 after the disclosure date of the act or material fact whenever a situation is verified that the transaction would cause damage to the shareholders or the Company itself.

4.4. The restrictions in this Policy apply not only to transactions executed on the stock exchange and on the over-the-counter market, organized or not, but also those executed without the intervention of an institution which is a member of the distribution system.

## **5. EXCEPTIONS**

The restrictions pursuant to item 4.2 do not apply to transactions executed through investment funds of which the persons cited in item 2 are unit holders as long as the investment funds are non-exclusive and the trading decisions of the portfolio manager cannot be influenced by the unit holders.

## **6. INFRINGEMENT OF THE POLICY**

6.1. The infringement of the regulations established in this Policy represents a grave violation and subjects the offender to the relevant administrative, civil and criminal sanctions and penalties pursuant to Article 11 of Law 6.385/76.

6.2. An event of infringement caused by a third party, such as consultants, independent auditors and risk appraisal company analysts that for any reason, may become aware of material information, shall be characterized as a contractual event of default, the Company, without the burden of proof, being able to rescind the respective contract and demand payment of the fine stipulated therein without limitation on claims for losses and damages.

## **7. FINAL PROVISIONS**

7.1. The general management of this Policy is incumbent on the Investor Relations Officer.

7.2. Any amendment or revision in this Policy is subject to the approval of CTEEP's Board of Directors and shall be notified to the CVM together with the copy of the resolution and the full content of the documents comprising the said Policy.

7.3. This Policy may not be approved or amended pending an act or material fact as yet undisclosed.

7.4. The model of the “The Adhesion Agreement to the Policy for Trading Securities Issued by CTEEP” is an integral part of this instrument (Attachment I).

7.5. The Adhesion Agreement to this Policy shall be the responsibility of the Investor Relations Department and held at the disposal of the CVM, BM&FBovespa and the directors and officers of CTEEP.

7.6. The provisions of the Brazilian legislation currently in effect apply to this instrument where appropriate.

Approved at the meeting of the Board of Directors, this Disclosure Policy became effective on July 15 2002 and shall remain for an indeterminate period until a resolution to the contrary by the Board of Directors.

## **17. Code of Corporate Ethics**

### **Introduction**

Since its incorporation, CTEEP has sustained its identity employing principles based on the adoption of honest, constructive, reputable and socially responsible principles which promote the continuity of the business and contribution to the sustainable development of the regions where it operates.

In order to comply with its mission, CTEEP maintains relationships with shareholders and investors, employees and suppliers, customers, society and the State based on its values, policies and commitments, thus strengthening its corporate identity and institutional coherence.

By seeking to improve the relationship with these stakeholders, in launching its Code of Ethics CTEEP advances in the direction of transparency and corporate governance.

The Code of Ethics is a document applicable throughout CTEEP and represents a benchmark which seeks to put the philosophy and corporate values of the organization into practice through the use of orientating criteria for the activities of all employees and members of the board.

This document has been constituted on the basis of the Brazilian Corporate Law, Law 6.404/76, its amendments, regulations issued by the CVM and the Stock Exchange – BM&FBovespa, in addition to being aligned with the ethical principles applicable to the ISA Group and its companies.

### **Values**

CTEEP is working to build an organizational culture in which the values are the pillars that sustain the organization's results.

The defined corporate values promote confidence and credibility and guide the Company's conduct and the manner in which CTEEP wishes to be recognized. These values are:

## **ETHICS, SOCIAL RESPONSIBILITY, EXCELLENCE, INNOVATION**

The corporate values go hand in hand with attributes which support, strengthen and sustain activities related to ethics and facilitate their implementation and existence in the organization.

### **Ethical Attributes**

#### **TRANSPARENCY**

To act in a reliable, accessible, clear and honest manner.

#### **RECIPROCITY**

Respect the dignity of those with whom the company relates in an atmosphere of mutual recognition of the obligations and rights of the parties involved.

#### **RESPONSIBILITY**

Commitment for executing what has been promised and respecting the Organization's parameters, policies and standards.

#### **DIVERSITY**

Recognition that the difference between people contributes to an environment of respect and enriches the organization in the locations and cultures in which it operates.

#### **COMMITMENT**

It is the duty of the employees to fulfill their responsibilities for meeting the objectives contained in the organization's mission. This implies performing the work and duties proposed to them by the company with care and dedication.

## **Ethics at CTEEP**

CTEEP understands Ethics as a combination of principles which guide the actions of its employees, permitting the mutual coherence their declarations, the taking of decisions and the relationship with stakeholder groups, inspiring the fulfillment of the business objectives, transparency and common good.

### **Ethical Guidance**

The Code of Ethics is a reference document prepared with the purpose of showing how CTEEP's employees should act in their relationship with stakeholders, given that it guides general criteria for action and decision in accordance with corporate values. For this reason, it is essential that stakeholders are aware of the Code's guidelines for action given that these will impact on relations among the parties involved.

## **Shareholders and Investors**

### **Egalitarian treatment**

Every shareholder and investor, irrespective of the value of their investment or number of shares held, shall receive the same treatment, guaranteeing the exercise of their rights to submit doubts, requests or a position on any given matter.

CTEEP relies on practices of good governance with a view to developing the best management processes, guided not only for creating value from the investments but also for ethical business integrity.

### **Disclosure of information**

CTEEP is committed to practicing good governance and adding value to the business. For this reason it maintains the market informed on the performance of the companies and is duly accountable in an appropriate and transparent manner. The disclosed information should not affect the rights of third parties nor should represent risks for the investment or the continuity of the business.

## **Employees**

### **Relations based on egalitarian treatment**

CTEEP fosters in an egalitarian manner access to employment and to the appropriate conditions of work.

Discriminatory treatment on the grounds of gender, race, color, nationality, social origin, age, civil status, sexual orientation, ideology, political opinions, religion or any other personal condition whether physical or social shall not be tolerated.

#### Working conditions

CTEEP fosters an organizational climate based on respect and offers its employees a secure environment in which the risks that threaten their safety and health are duly managed and are known to each one. This is illustrated by the Company's requirement from its suppliers for legal compliance with the working conditions.

In addition, the Company fosters equilibrium between professional responsibilities and the personal and family life of its employees.

#### Intolerance of harassment

CTEEP fosters a working environment where manifestations of violence and physical, sexual, psychological, moral or any other type of harassment as well as abuse of authority at work or other conduct that creates a climate of intimidation or offence to the personal rights of its employees are not acceptable.

#### Protection of information

CTEEP respects, maintains and adequately protects the privacy of the employees as well as personal data required by law. In the same way, the employees hold themselves responsible for not disclosing strategic or confidential information to which they have access as a function of their positions in the Company.

#### Right to association

CTEEP recognizes the right of free association of its employees to labor unions or similar entities, respects their participation in any type of collective bargaining, not practicing any type of discrimination in relations with those of its employees pertaining to such entities.

#### Intolerance of fraud

CTEEP does not accept any type of fraud committed by its employees.

#### Use of company property

CTEEP provides its employees with the resources and the means necessary to execute work activities in accordance with each function.

The employees agree to use the goods, installations and resources of the companies to fulfill their professional objective, avoiding the direct or indirect use for their own benefit or of third parties, or that may favor actions which may cause the company damage.

These commitments also include:

- Protection and care of the company's assets in their charge or to which they have access.
- Protection of information systems, taking every security measure possible to this end.
- Using natural resources rationally and protecting the environment.

#### Conflicts of interest

A situation of conflict of interest is deemed to exist when an action occurs which does not take into consideration the employee's legal, contractual, statutory or ethical duties and arises when personal interests conflict directly or indirectly with those of the company.

Conflicts of interest arise when due to their functions, the employee, on taking a decision or realizing or omitting an action, must choose between their personal interest and that of their company, client or supplier, thereby generating as a result of their decision, an act or omission, an improper benefit which they would not receive in otherwise.

It shall also be deemed as personal interest when the conflict shall benefit a person with whom the individual is bound; for this reason no employee shall take part in contracts or negotiations in which there exists some form of conflict of interest or when negotiations involve family relations up to four times removed in a collateral or transverse line, two times removed by affinity and once removed in the case of a civil relationship.

In the event of conflicts of interest, the posture of CTEEP's employees shall be based on the following:

- Loyalty: to act at all times with loyalty to CTEEP and its shareholders, irrespective of their own or other interests.
- Abstention: abstain from intervening or influencing decisions that may affect the company, the people or entities with which there is a conflict.
- Confidentiality: should not have access to or disclose information deemed as confidential which may affect the conflict of interests.
- Information: inform his immediate superior in writing as to the experiencing of a situation of conflict of interests.

## Suppliers

### Integral and independent relations

CTEEP maintains relationships with suppliers based on respect, equality and mutual transparency, avoiding any kind of fraudulent treatment.

In this way, the Company stimulates suppliers to be cognizant of and share its ethical principles, requiring from the latter and its value chain performance based on the prevailing legislation and fostering compliance with the environmental rules, respect for human rights and socially responsible practices.

### Gifts and Favors

As a general rule, CTEEP's employees may not accept gifts, favors, courses or invitations from clients, competitors or suppliers of goods and services, including financial services, of a personal nature resulting in a functional relationship which may affect decisions, facilitate business or benefit third parties.

Not covered under this restriction are:

Objects of small value, such as promotional gifts which have no commercial value or which relate to commercial events common at times such as Christmas and the Company's anniversary.  
Invitations for technical training programs, but with the proviso that CTEEP shall always cover costs of travel and/or necessary accommodation.

Call the Ethics Line in the event of doubts on exceptions to these situations.

### Handling of information

CTEEP's employees make available to suppliers the information necessary for contractual relations on an egalitarian basis.

And commit to maintain the confidentiality of any information provided by the supplier, except in the event of a legal determination or court order, including information with respect to their businesses and operations, products and services, brand names, methods, systems, business plans or market methods and strategies, financial costs and information as well as any document, deemed of a confidential nature by the supplier.

Excluded from this condition is information in the public domain or contained in valuation reports on suppliers delivered as part of the company's selection process.

## **Clients**

### Impartiality in Relations

CTEEP fosters respectful and just relations with clients based on the recognition of their rights and needs.

### Management of Information

The services rendered by CTEEP are conducted in an honest and transparent manner, so avoiding the transmission of deceitful information in contractual clauses and in corporate communications.

CTEEP is committed to maintaining clear, transparent and balanced communications with its clients.

### Confidentiality

CTEEP seeks to maintain the confidentiality of client information, undertaking not to pass it on to third parties unless with the consent of the client or in the light of a court order.

### Service provision

CTEEP is committed to guaranteeing and maintaining the standards of quality of its products and services. In addition, the Company undertakes to provide its clients with the channels and relationship mechanisms which enable them to communicate their needs and perceptions of services rendered.

## **State**

### Compliance with the laws, norms and regulations

CTEEP complies with all the laws, norms and regulations prevailing in the regions where it operates, respecting the instances of jurisdictional order.

### Relations of cooperation and transparency

CTEEP maintains relations based on the principles of cooperation and transparency with the authorities, regulators and other governmental institutions.

### Intolerance of corruption

CTEEP does not accept that its employees execute practices which can be construed as corruption. In this context, under no circumstances can the Company accept that its employees promote any form of payment or benefit to persuade a third party, whether public or private, to make a decision in favor of the company or an employee or which accelerates administrative routine.

### Information and relationship with the State

CTEEP has in place fixed channels of communication to respond to formal requests for information from

local, regional or national government authorities. In addition, the Company is accountable to these institutions when appropriate.

CTEEP represents its legitimate interests and positions itself as a transparent, rigorous and coherent organization in its dealings with government authorities.

## **Society**

### Relations based on respect and recognition

CTEEP maintains a respectful posture and an attitude of dialog with society, in particular the communities adjacent to its infrastructure, with the purpose of reaching common objectives, presenting corporate positions and avoiding possible situations of conflict and risk.

In the management of this aspect of its business, the Company identifies appropriate actions with representative groups from society which encourage dialog in specific spaces and through established channels.

### Respect for Human Rights

CTEEP executes its operations based on respect. Its operations relate to human rights recognized in the domestic legislation and global initiatives as for example the Global Compact.

CTEEP does not tolerate any one of its stakeholder groups from performing, whether directly or indirectly, practices which infringe human rights, as well as not accepting any type of payment for sponsoring illicit activities.

In no way does it tolerate child labor or any form of forced labor and is committed to making its position clear to its stakeholder groups, especially suppliers and third parties.

### Sponsorship of political organizations

CTEEP does not finance or promote political parties, or representatives or candidates of political parties. Neither does it sponsor congresses nor activities which have as their end purpose political propaganda. For this reason, employees may not use company goods or resources (information systems, internal or external meetings, among others) for these purposes.

Hence, CTEEP does not exercise any pressure directly or indirectly on political representatives, or encourage any of its employees to do so.

In countries where active political participation is permitted, the employee may take actions of this type outside the working day in line with the foregoing restrictions.

#### Participation in outside events

To take part in conferences, events and other similar public activities in the name of CTEEP, the employee must have the agreement of their immediate superior who shall evaluate the relevance or otherwise of their participation.

#### Environmental care

CTEEP is committed to a corporate management style which permits the execution of its business operations as part of its commitment to sustainable development.

#### Relationship with civil society entities

The support and eventual contributions to civil society entities is conditional on compliance with local laws and conformity with corporate guidelines.

#### Relations with the competition

CTEEP maintains honest, constructive and proper relations with its competitors. This implies among other commitments:

To compete in the markets fairly without recourse to deceitful advertizing or denigrating its competitors or third parties.

Always obtain information on the competition in a legal manner.

Comply with anti-trust regulations avoiding any conduct which constitutes or may constitute a cartel, abuse or restriction of competition.

#### Code Management

Compliance with the Code of Ethics shall be monitored by the Chief Executive Officer, who may delegate this responsibility to the Ethics Committee, this committee being made up by an odd number of members, one of whom, the representative to be held accountable for the ethical management of the company.

In the event of non-compliance with the Code of Ethics, the Committee's representative for ethical management shall notify the fact to the appropriate monitoring authority, the latter taking the necessary procedures within its powers for corrective actions to be taken with respect to the case.

#### Duration

CTEEP's Code of Ethics was approved at the meeting of the Board of Directors held on December 17 2010 and as from this date has entered in full force and effect for all CTEEP's employees.

The Code of Ethics shall be revised and periodically updated when necessary at the Company's discretion.

#### Obligatory nature

All employees and members of the board agree to comply with the Code of Ethics. Consequently, this document applies to all directors, executive officers, employees, service providers, temporary employees, interns and apprentices, irrespective of their position in the corporate hierarchy, geographic location or post in CTEEP.

The Code of Ethics sets forth criteria and general guidelines for the conduct of CTEEP's employees, although each person is responsible for their actions or omissions.

Irrespective of position or responsibility, no one is authorized to request that an individual subject to the dictates of this Code shall violate ethical standards of conduct or infringe the provisions of this document. In turn, none of CTEEP's professionals may explain illegal, improper behavior or behavior which violates the Code of Ethics by justifying his actions on the grounds of complying with an order from a hierarchical superior or a corporate body of which he is a part.

#### Application

This Code does not include all the norms or regulations that are applicable to each routine situation of the companies. For this reason its content must be considered in conjunction with the CTEEP's policies, instructions and procedures as well as its legal requirements.

However, when the situation demands a specific orientation, the professional is expected to apply ethical principles.

The implementation of the requirements under the Code of Ethics shall occur without limitation on compliance with the internal regulations and norms of CTEEP's separate entities. As further internal regulations and/or norms are published establishing more rigorous criteria than contained in this Code, the former shall prevail over the provisions of this document.

#### Ethics line

The Code of Ethics is a document which guides the activities of CTEEP's employees in relation to stakeholders and should be respected and followed by all.

In case of doubt or perception of non-compliance with this document, CTEEP provides a support channel for the Code: [linhaetica@ctEEP.com.br](mailto:linhaetica@ctEEP.com.br).

This channel is exclusively for dealing with doubts, criticisms and complaints involving ethical behavior in CTEEP, or in other words, doubts, criticisms and complaints which imply non-compliance with the Code or lack of understanding of its content.

The Ethics Line is an electronic means which receives internal and external demands and gives appropriate attention to such. This system was purpose-developed to monitor complaints or doubts, ensure confidentiality and an obligatory response.

The Ethics Line respects anonymity (of information and people) and investigates questions raised through the medium of the channel. Its management shall be monitored by the Chief Executive Officer's office, through the Strategic Management Area, as part of the attributes of Corporate Social Responsibility. Should employees from the management area wish to send any particular demands through the channel, the system will undertake a pre-selection process and will then forward any issue on directly to the office of the company's Chief Executive Officer.

In the event of more critical themes, where management of the channel deems it to be necessary, the ethical group shall be activated, this group comprising the Strategic Management, Auditing, Legal and Human Resources management areas.

For CTEEP, the relationship of trust is also reflected in day-to-day relationships and for this reason, company guidance is that employees should seek first and foremost their immediate superiors to clarify their doubts and discuss ethical issues, opting for use of the channel when doubts persist.

Complaints of a vague nature are not accepted at CTEEP. Similarly, anonymous complaints are not encouraged, although employees shall decide whether to identify themselves or not at their own discretion.

**IMPORTANT:** Complaints relating to infringements of the Code of Ethics shall not imply retaliation or in the case of professionals notifying the complaints, any form of special status or recognition.

## 18. General Provisions

This Code of Corporate Governance came into effect on the date of its approval at a meeting of CTEEP's Board of Directors on December 17 2010 and may be modified at any time upon resolution of the Board of Directors.

São Paulo, December 17, 2010.