

OF LIGHT S.A.'S GOVERNANCE MANUAL

*APPROVED BY THE BOARD OF DIRECTORS
IN THE MEETING HELD ON NOVEMBER 6, 2006.*

INDEX

1	THE COMPANY'S CORPORATE GOVERNANCE MODEL	4
1.1	CONCEPT	4
1.2	PURPOSES OF CORPORATE GOVERNANCE	4
1.2.1	To promote congruence among the company's interests	4
1.2.2	To build a positive dynamic among shareholders	4
1.2.3	To create conditions for business management	4
1.2.4	To formalize interactions	5
1.2.5	To establish proper communication	5
1.2.6	To prioritize the company's interests	5
1.3	BASIC PRINCIPLES	5
1.3.1	Ethics	5
1.3.2	Stability	5
1.3.3	Congruence	5
1.3.4	Fairness	5
1.3.5	Agility	6
1.3.6	Meritocracy	6
1.3.7	Transparency	6
1.3.8	Clear Roles	6
1.3.9	Accountability	6
2	CORPORATE GOVERNANCE AUTHORITIES	7
2.1	SCHEMATIC MODEL	7
2.2	SHAREHOLDERS' MEETING	7
2.3	BOARD OF AUDITORS	7
2.4	BOARD OF DIRECTORS	8
2.5	CHIEF EXECUTIVE OFFICER	8
2.6	EXECUTIVE BOARD	8
3	BOARD OF DIRECTORS	9
3.1	PRINCIPLES	9
3.2	BOARD MEMBERS' DUTIES	9
3.3	KEY TOPICS	10
3.3.1	Values, Ethics and Financial Integrity	10
3.3.2	Risk Management	10
3.3.3	Communication with Primary Stakeholders	10
3.3.4	Corporate Performance	10
3.3.5	Long-Term Strategy	10
3.3.6	Evaluation and Succession of Executives	10
3.3.7	Finance	11
3.3.8	Governance	11
3.3.9	Remuneration Policy	11
3.4	COMPOSITION OF THE BOARD OF DIRECTORS	11
3.5	DUTIES OF THE BOARD OF DIRECTORS	12
3.6	BOARD OF DIRECTORS' MEETINGS	14
3.7	CHAIRMANSHIP OF THE BOARD OF DIRECTORS	15
3.8	INFORMATION FOR THE BOARD OF DIRECTORS	16
3.9	BOARD OF DIRECTORS' OUTSIDE RELATIONS	17
3.9.1	Interaction Between the Board of Directors and Executives	17
3.9.2	Interactions Between the Company and External Agents	17
4	COMMITTEES	18
4.1	PURPOSES	18
4.2	PRINCIPLES	18
4.3	COMPOSITION	19

4.4	CHARACTERISTICS OF THE COMMITTEES' MEMBERS	19
4.5	DUTIES OF THE COMMITTEES	19
4.5.1	<i>Audit Committee (CAUDIT)</i>	20
4.5.2	<i>The Finance Committee (CFIN)</i>	21
4.5.3	<i>Management Committee (CGEST)</i>	21
4.5.4	<i>Human Resources Committee (CRH)</i>	22
4.5.5	<i>Governance and Sustainability Committee (CGOV)</i>	22
4.6	COMMITTEE MEETINGS	23
5	SECRETARY OF THE BOARD OF DIRECTORS (SECRETARY)	24
5.1	PURPOSES AND DUTIES	24
6	CHIEF EXECUTIVE OFFICER	25
6.1	PURPOSES	25
6.2	DUTIES	25
7	SCOPE OF DECISIONS	27
7.1	VALUES	27
7.2	PERFORMANCE	27
7.3	STRATEGY	28
7.4	HUMAN RESOURCES	28
7.5	FINANCES	29
7.6	GOVERNANCE	29
8	INDICATIVE CALENDAR OF REQUIRED MEETINGS	31

1 THE COMPANY'S CORPORATE GOVERNANCE MODEL

1.1 Concept

Corporate governance can be understood as a set of formal and practical mechanisms that, respecting the interest groups that engage with the company (shareholders, officers, executives, employees, the government, the environment, the capital market, financial institutions, the community and others), are intended to meet the purposes of creating value for the company and its shareholders, establishing an adequate level of transparency and communication with the market and other stakeholders through the following:

- Building a positive dynamic among shareholders, providing the company with clear direction and the shareholders and officers with agility in their decision making.
- Creating the conditions necessary for the company's executives to effectively manage the business;
- Formalizing and organizing interaction, enabling dialogue and effective understanding among shareholders and executives, without creating counterproductive bureaucracy; and
- Disclosing all material facts concerning the company, including its financial status, performance, shareholder participation and company governance, in a timely and precise manner.

Good corporate governance practices aim to add value to the company and its shareholders, facilitating the company's access to outside capital and contributing to its long-term survival.

1.2 Purposes of Corporate Governance

1.2.1 To promote congruence among the company's interests

To ensure the mutual compatibility of the opinions and positions of shareholders, officers and executives regarding the company's primary focal points in order to build a harmonious relationship among shareholders, the Board of Directors and the Executive Board.

1.2.2 To build a positive dynamic among shareholders

To seek congruence among shareholders in terms of the company's vision and to streamline the decision-making process, taking into consideration relations among shareholders and their strategic objectives.

1.2.3 To create conditions for business management

To clearly define the role of officers and executives in directing the company pursuant to the strategy established by the shareholders, taking into consideration the complexity

of the businesses, providing the autonomy and resources necessary for officers' and executives' successful performance and holding them accountable for previously established results.

1.2.4 To formalize interactions

To efficiently organize interactions with shareholders, board members, officers and executive directors, formalizing fundamental aspects of governance that permit dialogue and understanding among shareholders and executives.

1.2.5 To establish proper communication

To transmit credibility to the market and to other stakeholders through an adequate level of transparency, directing communication (representatives, channels and content) to primary stakeholders in a manner that is congruent with legal and regulatory requirements.

1.2.6 To prioritize the company's interests

To ensure that the company's interests prevail over the specific interests of individual shareholders, members of the Board of Directors and executive directors.

1.3 Basic Principles

1.3.1 Ethics

Officers must model their behavior on the company's ethical and behavioral standards, guaranteeing their observance of the legislation in effect and the company's institutional responsibility, overseeing financial management and ensuring total transparency of the company's primary risks.

1.3.2 Stability

The model must guarantee the continuity of corporate processes independent of changes to the composition of shareholders or officers.

1.3.3 Congruence

The company's officers must focus on maximizing share value for all shareholders and stakeholders and, therefore, should not follow the sole guidance of any particular shareholder.

1.3.4 Fairness

Just and equal treatment must be afforded all minorities as well as any other stakeholders, such as employees, clients, suppliers and creditors. Attitudes or policies that are discriminatory for any reason are entirely unacceptable.

1.3.5 Agility

Governance must allow for decision making and the subsequent Implementation of decisions to occur at a pace consistent with the company's and market's needs, guaranteeing all controls necessary for shareholders and officers.

1.3.6 Meritocracy

For everything that occurs within the company, the actions and decisions of shareholders, board members and executive directors must encourage the practice of meritocracy, in other words valuing skill, commitment, attitude and actions that truly add value to the company.

1.3.7 Transparency

Fundamental information to inform decision making must flow freely to all shareholders, officers, regulators and other stakeholders in the company.

1.3.8 Clear Roles

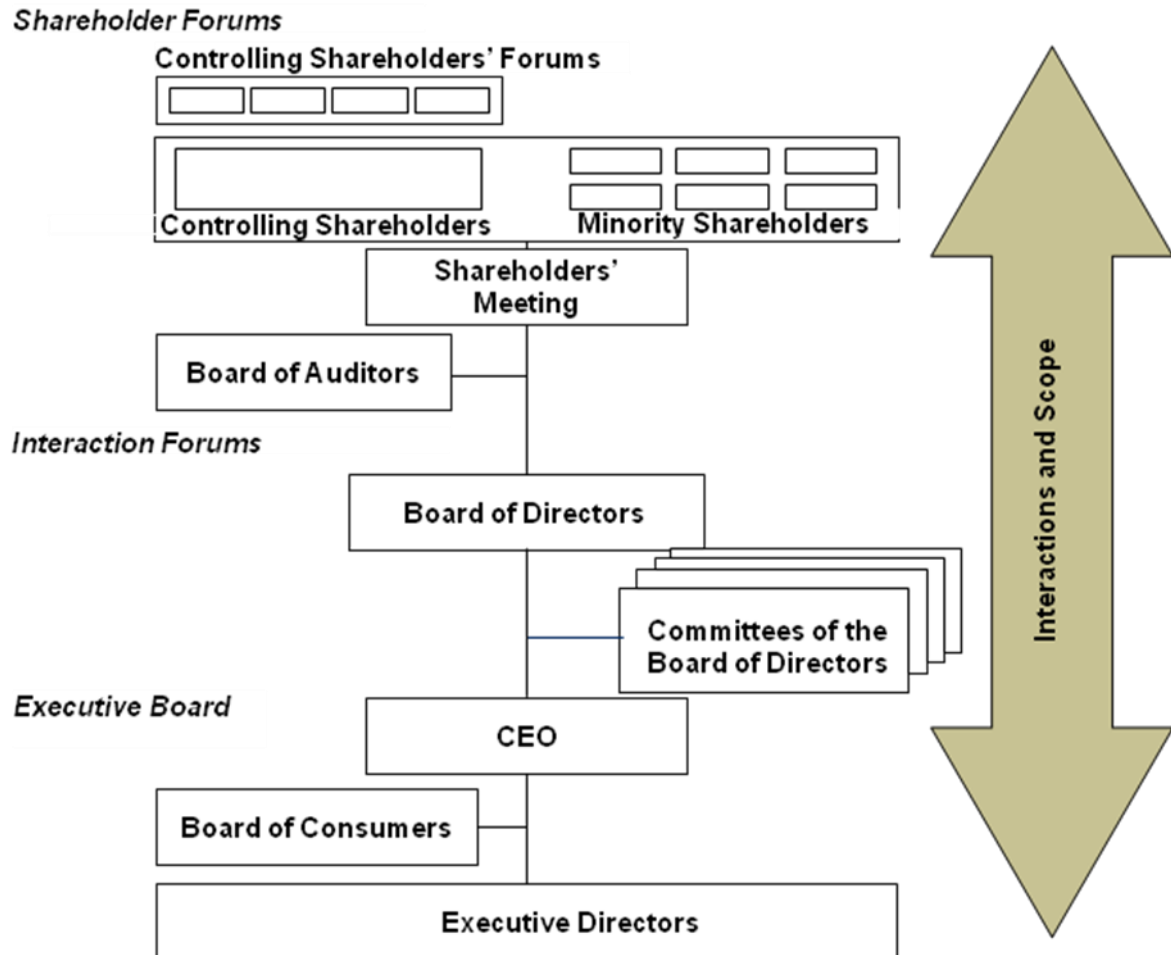
The company must guarantee that members of the board of directors clearly understand their roles in order to maximize their own performance and avoid overlapping duties or divergent positions.

1.3.9 Accountability

Corporate-governance agents must account for their actions to those who appoint them, answering fully for all acts in which they engage while serving their terms of office. Likewise, shareholders, whether controlling or otherwise, must always exercise their rights to demand accountability, always keeping the company's interests in mind.

2 CORPORATE GOVERNANCE AUTHORITIES

2.1 Schematic Model



2.2 Shareholders' Meeting

The company's maximum decision-making body that also serves as a forum for decisions among different shareholder groups. As established in article 122 of the Brazilian Corporation Law [*Lei das Sociedades por Ações*], the Shareholders' Meeting has exclusive authority to appoint the Board of Directors and the Board of Auditors.

2.3 Board of Auditors

The Board of Auditors shall comprise at least three (3) and at most five (5) sitting members and their respective alternates and shall be entrusted with auditing management's actions and the company's financial statements, reporting to the Shareholders' Meeting. Among its primary duties set forth in article 163 of the Brazilian Corporation Law and in the Regulation of the Novo Mercado listing segment of the Brazilian Stock Exchange are to evaluate annual reports and management proposals,

and to report errors, fraud and other legal prohibitions committed by individuals related to or working in the company.

2.4 Board of Directors

The Board of Directors is the body responsible for guiding the company's social business and for supervising the Executive Board's activities, setting goals, designing business strategies and appointing the CEO; it shall comprise at least five (5) and at most thirteen (13) sitting members and their respective alternates, as established in the Novo Mercado listing segment of the Brazilian Stock Exchange.

The Board of Director's meetings represent the shareholders' decision-making forum and influence the company's operations through participation in special matters.

Among its primary duties contained in article 142 of the Brazilian Corporation Law are (i) to provide general guidance for the company's business and (ii) to appoint and dismiss members of the Executive Board.

2.5 Chief Executive Officer

The company's guiding officer is the CEO, who is appointed by the Board of Directors and is responsible for directly and indirectly representing the company and for indicating other executive directors.

2.6 Executive Board

The executive directors shall also directly and indirectly represent the company, as expressed in the Articles of Incorporation/Bylaws, aiding the CEO in conducting business and operations; the executive directors' powers and authority shall be established by the Board of Directors such that engaging in certain actions shall require the Board of Directors' approval.

The Executive Board shall comprise persons indicated by the CEO and approved by the Board of Directors.

3 BOARD OF DIRECTORS

3.1 Principles

The Board of Directors shall exercise its duties directly and shall weigh and make decisions on proposals from the Executive Board via the CEO. In order for the Board of Directors to carry out its duties with agility and efficiency, committees shall be created that shall support the Board of Directors in analyses and follow-up of specific questions, pursuant to item 4 below. The committees shall have no decision-making power.

The Board of Directors shall approve, reject or modify the proposals submitted, with prior analysis and report by the appropriate committees where requested by the Board of Directors.

In addition to reviewing the Executive Board's proposals, the Board of Directors is authorized (i) to propose initiatives to be implemented by the Executive Board, the studies for which shall be submitted to the Board of Directors for its approval, and (ii) to propose that the committees analyze important questions that may or may not have been raised by the Executive Board. The reports and proposals prepared by the committees are remitted to the Board of Directors for resolution but are not a necessary condition for submitting matters to the Board of Directors for their analysis and resolution.

In the case of matters that do not clearly fall within the scope of any one committee or that pertain to more than one committee, the Board of Directors may create a specific group to aid in analysis and decision making.

3.2 Board Members' Duties

The follow are duties and conducts required of board members:

- To be fully informed regarding the company, its businesses and all matters that come before the Board of Directors;
- To bring to the discussion any question that is in the company's interest and to make pertinent contributions regarding such;
- To place the interests of the company above the interests of shareholders or board members;
- To work well in a team and to express themselves properly;
- To have strong business backgrounds;
- To maintain good relations and to cooperate with fellow board members;
- To contribute to long-term planning;
- To participate in meetings and to be available when necessary;
- To prepare for meetings; and
- To act attentively and proactively.

3.3 Key Topics

The Board of Directors' duties can be divided into the nine (9) key topics listed below:

3.3.1 Values, Ethics and Financial Integrity

- To establish the company's ethical and behavioral standards;
- To guarantee adherence to the law and to the company's institutional responsibility; and
- To oversee the company's financial management.

3.3.2 Risk Management

- To ensure understanding of the company's risks during strategy meetings;
- To guarantee total transparency of the company's primary risks; and
- To provide conditions so that internal risk-management and control structures operate efficiently.

3.3.3 Communication with Primary Stakeholders

- To properly disclose the governance structure to shareholders;
- To guarantee that the company meets shareholders' performance expectations regarding company management;
- To prevent possible losses to value due to the disclosure of improper financial information or to the non-disclosure of obligatory information; and
- To support relations with the government, unions, clients and main suppliers, acting in accordance with the Executive Board.

3.3.4 Corporate Performance

- To establish general performance goals and to approve the budget;
- To approve the company's Technology Policy;
- To evaluate the company's financial and operating performance; and
- To hold executive directors accountable for performance and to establish corrective actions when necessary.

3.3.5 Long-Term Strategy

- To establish the strategic guidelines, to approve the company's mission and its values;
- To approve the Strategic Plan and the budget;
- To monitor execution of the Strategic Plan and the budget.

3.3.6 Evaluation and Succession of Executives

- To establish criteria for the remuneration, evaluation and succession of the CEO and principal executives; and
- To evaluate the CEO's and top executives' performance, to prepare for and install the new CEO, and to approve the top executives indicated by the CEO.

3.3.7 Finance

- To give its opinion on the dividends policy to be submitted to the Annual Shareholders' Meeting;
- To approve the financial policies; and
- To approve raising capital through previously specified securities.

3.3.8 Governance

- To promote harmony among the various parties that compose upper management (shareholders, Board of Administration, Executive Board);
- To ensure the proper operation of the Board of Directors and to promote a periodic evaluation of corporate governance, including evaluations of the board members, secretary of the Board of Directors and the CEO of the company, as well as the interaction among these stakeholders.
- To establish the practices and regulations of good governance, including the operation of the Board of Directors and its committees;
- To establish the general operating parameters of the Board of Directors' committees; and
- To participate, where applicable, in the recruitment and evaluation of independent board members.

3.3.9 Remuneration Policy

- To determine the remuneration policy for the CEO and CFO (including base salary, benefits, variable remuneration and long-term incentives);
- To approve the remuneration policy for the other executive directors (including base salary, benefits, variable remuneration and long-term incentives);
- To approve the general features of the remuneration policy for the company's other employees.

3.4 Composition of the Board of Directors

According to the company's Articles of Incorporate/Bylaws, the Board of Directors comprises at least five (5) and no more than thirteen (13) sitting members, and their respective alternates designated by the Shareholders' Meeting. As required by the regulation of the Novo Mercado listing Segment of the São Paulo Stock Exchange, at least 20% of the members of the Board of Directors, including representatives of minority shareholders, must be independent. Moreover, in light of the regulation of the privatization notice of Light SESA, employees have the right to designate at least one (1) member of the Board of Directors and the member's alternate.

3.5 Duties of the Board of Directors

Independent of the duties contained in applicable legislation and in corporate documents, the Board of Directors shall vote:

- I – To establish the general guidelines for the company’s business affairs;
- II – To call the Shareholders' Meeting;
- III – To appoint and dismiss the CEO, assigning duties thereto;
- IV - At the suggestion of the CEO, to appoint and dismiss members of the Executive Board, assigning duties thereto, and to appoint the executive director who shall serve as the investment relations officer;
- V – To analyze management's report, the Executive Board's accounts and the company’s consolidated earnings, which must be submitted for approval;
- VI – To oversee the Executive Board’s management, checking the company’s books and papers at any moment, requesting information regarding contracts executed or to be executed, and any other acts;
- VII – To establish the means of distributing the company's officer's salaries, if such are determined in total by the Shareholders’ Meeting, and approving the general rules for the salary policy for the company’s employees;
- VIII - Pursuant to legal provisions, to approve the company’s policy for paying interest on dividends and declaring, during the fiscal year and until the Shareholders’ Meeting, any interim dividend payments including as partial or total advanced dividend payments against earnings calculated in semiannually, quarterly or incrementally-smaller statements or retained earnings or revenue reserves from the last statement, and voting on approval and payment of interest on shareholder equity;
- IX – To propose the creation of a capital reserve for contingencies and/or any other earning reserve, as well as any operation or mechanism that may lead to a decrease in earnings to be paid to shareholders either by the company or by its subsidiaries;
- X - To approve any company business plans, annual or multiannual budgets, and the revisions thereof;
- XI – To vote on the constitution of any lien on company goods, real estate or moveable property, or the security deposit or transfer of revenue or credit rights in guaranty on banking operations or otherwise celebrated by the company, whenever the total value of the assets under guaranty is greater than five percent (5%) of the company’s total net worth, or any lesser percentage that the Board of Directors comes to establish as the minimum, calculated based on the company's most recent audited financial statements;
- XII - To vote on the disposal of any goods that make up the company's permanent assets whose value exceeds five percent (5%) of the company's total asset value, calculated based on the company's most recent audited financial statements.
- XII – To vote on the acquisition of any goods that make up the company's permanent assets whose value exceeds five percent (5%) of the company's total asset value, calculated based on the company's most recent audited financial statements.
- XIV – To vote on any legal business affair whose purpose is the acquisition, disposal or collateralizing of any stock, real estate assets, or subscription or purchase rights;

- XV - Top vote on the company's or any of its subsidiaries' contracting, in a single transaction or in a series of related transactions, any amount that exceeds R\$5,000,000.00 (five million reais) and is not provided for in the company's annual budget;
- XVI – To approve the company's association with third parties, under any circumstances, including engaging in any undertaking together with a third party, or the company's holding shares in other legal entities, in accordance with the limits set forth in article 256 of the Brazilian Corporation Law;
- XVII - To approve investments (that are not set forth in item XVI save for in the case of article 256 of the Brazilian Corporation Law) that, in a single transaction or in a series of related transactions, exceed R\$5,000,000.00 (five million reais), with said amount reviewed every two years at the Shareholders' Meeting;
- XVIII - To approve participation of the Company or the subsidiary in any business that involves the Company's shareholders or stakeholders, or individuals or legal entities, in which the Company or its stakeholders have any direct or indirect economic stake, iterating that any board members named by the party in conflict may not participate in any discussions/resolutions regarding said matter nor may they vote on such;
- XIX - To authorize any special management meeting or act not listed, by law or by the company's Articles of Incorporation/Bylaws, as a duty of other corporate bodies;
- XX - To approve the company's policy on the limit of credit extended;
- XXI - To propose the company's redemption, amortization or repurchase of its own shares and to decide whether stock in the treasury shall remain until subsequent cancelation and/or disposal, under the terms of applicable legislation;
- XXII - To vote on appointing representatives or attorneys-in-fact to implement the acts listed in this item;
- XXIII - To vote on the issuance of shares, within the limit of authorized capital, for the exclusive purpose of exercising the right granted through the subscription bonus, in the understanding that the issuance of shares shall comply strictly with the conditions set forth in the subscription bonus;
- XXIV - To vote on the issuance of commercial papers and/or other securities or similar instruments intended for trading in capital markets;
- XXV - To choose to dismiss independent auditors and to make changes to the company's accounting and tax policy;
- XXVI - To propose the request to cancel the company's registration as a publicly-held company;
- XXVII - To propose the dissolution or liquidation, or the authorization that allows for the company's management to file for court-supervised or external reorganization, or to declare the bankruptcy of the company or its subsidiaries;
- XXVIII - To establish the committees that shall be responsible for drafting proposals or making recommendations to the Board of Directors, and defining their respective duties, remuneration and operation;
- XXIX - To define the company's ethical and behavioral standards, guaranteeing observance of the legislation in effect and the company's institutional responsibility, overseeing the company's financial management and ensuring total transparency for the company's primary risks.
- XXX – To prepare and change the Board of Directors' Internal Regulations;

- XXXI - To approve guidance of the vote to be taken by the company's executive directors in exercise of the company's right as shareholder or partner in another company;
- XXXII - To approve programs that grant share purchase or subscription options to the company's or company subsidiaries' managers and employees;
- XXXIII - To monthly analyze Light's economic and financial performance;
- XXXIV - To approve the signature or rescission, by the public-utility companies, of supply contracts related to the company's corporate purpose;
- XXXV - To approve the remuneration policy for employees, workers, executive directors and other service providers that compose Grupo Light;
- XXXVI - To monitor and evaluate the company's performance;
- XXXVII - To evaluate the performance of members of the Executive Board;
- XXXVIII - To evaluate development the company's management processes; and
- XXXIX - To approve a corporate human-resources policy that proposes the process for replacing the CEO;
- XL - To following the company's career and succession plan.

3.6 Board of Directors' Meetings

The Board of Directors shall meet regularly once a month and on special occasions whenever called to meeting by any board member or by the chairman of the Board of Directors at least five (5) business days in advance, with the agenda under discussion to be sent at least five (5) business days in advance.

The meetings of the Board of Directors shall be validly in session with the attendance of the majority of the sitting members or their current alternates.

The yearly calendar set up for the Board of Directors' meetings shall be finalized by the chairman of the Board of Directors, by the CEO and by the secretary of the Board of Directors by December of the preceding year and shall include the basic structure for the meetings, obligatory topics and the location where the meetings shall be held. Preferably, the meetings shall be in session with the attendance of the sitting board members; however, as rescheduling meetings should be avoided, should the sitting members not be able to attend, they shall be substituted by their respective alternates.

The meetings shall be presided over by the chairman of the Board of Directors. Should the chairman of the Board of Directors be absent, he shall be substituted by the vice-chairman of the Board of Directors. Should the vice-chairman be absent, the meeting shall be presided over by the board member so appointed by the chairman of the board of Directors and, should the chairman not have appointed anyone, by the person so chosen by the other members of the Board of Directors.

The detailed agenda for each meeting must be established at least five business days in advance of the meeting and must include not only the topics included for the meeting in the annual schedule, but also any pertinent topics at the moment. Any board member may request that a topic be addressed, and such shall necessarily be included in the discussion. The detailed information, studies and proposals regarding the matters to be discussed shall be sent to the board members at least five (5) business days in advance.

The secretary shall record all recommendations made during debate and shall provide a final summary of the primary resolutions made during the meeting.

Consensus among the board members for all topics that require a definitive decision shall be sought before proceeding with any vote. However, should there be no consensus, decisions shall be made by a simple majority (51% of those in attendance). For voting on whether or not the company or its subsidiaries should conduct business with shareholders or stakeholders, those board members so indicated by the shareholder who intends to conduct said business shall not attend the part of the meeting in which this topic is discussed and voted on, and subsequent voting shall take place according to the majority of the board members in attendance.

All regular meetings shall include a larger presentation on one (1) topic of importance for the company's business or operations, and such shall be presented by a member of the Executive Board for 1-2 hours; the topic of this presentation shall be chosen two months in advance.

Every meeting shall be divided into three (3) stages:

- Restricted stage, at which only members of the Board of Directors are present.
- Intermediate stage, in which only the board members and the company's CEO and CFO are present, with the CEO and CFO excusing themselves in situations where there is a conflict of interest.
- General stage, in which the Executive Board and necessary executives are in attendance:
 - To discuss corporate performance since the last meeting (opening);
 - To guide the presentation of the chosen topic; and
 - To debate other particular matters listed in the agenda.

3.7 Chairmanship of the Board of Directors

The chairman of the Board of Directors has greater authority than the other board members, but his primary specific duties include: (i) To report the decisions made by the Board of Directors prior to the meetings' adjournment to the CEO; (ii) To prepare the agenda for the Board of Directors' meetings; (iii) To assure that all board members are clearly and completely informed in sufficient advance of the discussions regarding the matters in question; (iv) To facilitate/articulate discussions and to seek consensus; and (v) to call the board members to vote and make resolutions.

The positions of chairman and vice-chairman of the Board of Directors are rotational. Those initially appointed shall remain in their positions for two years. Subsequently, the term of office shall be one year.

Should the chairman be absent or incapable of exercising his duty as chairman, the vice-chairman of the Board of Directors shall preside over the meeting or, should he be absent, the meeting shall be presided over by the board member so appointed by the chairman of the board of Directors and, should the chairman not have appointed anyone, by the person so chosen by the other members of the Board of Directors.

Regardless, the rotational nature of the chairman of the Board of Directors shall not influence the company's operating and financial performance.

3.8 Information for the Board of Directors

The following documents shall be supplied to the Board of Directors:

3.8.1 Monthly Performance Report

- A summary of the company's performance during the preceding month, comparing actual results with the budget forecast, identifying any deviations from the forecast and analyzing the causes for such;
- This should be concise and clearly highlight critical information;
- Distributed monthly to all board members;
- This reports shall be sent to the board members at least five days prior to the Board of Directors' meetings; and
- The report shall include, but shall not be limited to, the following information:
 - Monthly highlights;
 - An analysis of profits and losses;
 - An analysis of the energy market;
 - An analysis of operating performance;
 - An analysis of investment;
 - Company indicators;
 - An overview of the capital market.
- The report shall also contain, as an annex, detailed information that board members may need to individually analyze the company's performance.

3.8.2 A Critical-Action Control Board

Used to monitor: (i) initiatives regarding the transformation process; (ii) topics that are critical to the businesses normal operations (e.g. the status of the rate-revision process); and (iii) other priority actions that are of interest to the Board of Directors.

3.8.3 Analyses and Specific Reports

- Analyses and reports that allow for a better understanding of the company vis-à-vis other electric companies and the development of the sector in general;
- The frequency of this report shall depend on the topics considered therein and the availability of information (e.g. quarterly performance benchmarks based on data from the annual report and quarterly reports).

3.9 Board of Directors' Outside Relations

3.9.1 Interaction Between the Board of Directors and Executives

Any board member may request information on the company's operations exclusively through the CEO, though it is strictly prohibited for any board member to provide individual guidance or to direct claims of any nature to the company's executives.

The company's CEO shall obtain the information requested or shall direct the request to some other member of the Executive Board. Subsequently, the CEO or any other executive director appointed to the task shall send the information requested by the board members exclusively through the secretary of the Board of Directors, who shall remit such to all board members.

3.9.2 Interactions Between the Company and External Agents

Communication between the company and external agents shall be handled exclusively by the company's CEO or, for specific situations upon appointment by the CEO, by the CFO and other executive directors.

The Board of Directors shall monitor interactions with the other stakeholders to assure they are acting congruently with the pre-established outlook and strategy, and may even support the CEO in interactions with specific stakeholders, acting in accordance with the Executive Board.

4 COMMITTEES

The Board of Directors shall have support committees made up exclusively of board members; these committees shall have no voting authority and may not serve to remove any duty beholden to the collective board members.

4.1 Purposes

The purpose of the committees is merely to offer efficiency and agility to the Board of Directors in carrying out its duties by delving deeper into the topics pertaining to the Board of Directors, enriching the quality of the decision-making process and facilitating interactions with the Executive Board.

The specific objectives and activities corresponding to the committees are established by the Board of Directors in this Governance Manual and the Internal Regulation, and such may not be altered by the respective committees.

4.2 Principles

The committees do not have the authority to execute or make decisions. They act in a reactionary manner, with meetings scheduled in December of the preceding year or when specially requested by the Board of Directors. The committees cannot be called to meeting by the Executive Board nor may they handle matters not requested by the Board of Directors.

The committees' work shall result exclusively in recommendations to aid the Board of Directors' discussions and decision making; their work shall not affect the Executive Board's duties.

The benefits of the committees include the possibility of (i) dedicating more time and effort to important matters, (ii) handling various topics at the same time under the auspices of the Board of Directors, (iii) involving different board members in different ways pursuant to their specific knowledge and availability and (iv) dealing with special question in a more restricted environment, allowing for due care.

On the other hand, the committees actions may not result in (i) members of Board of Directors branching off into specific discussions on account of different information and knowledge, (ii) exclusively limiting the sources of information of the committee members in decision making and (iii) inappropriate interference in topics that are executive in nature.

The committees' reports shall not constitute a necessary condition for submitting topics for analysis and voting to the Board of Directors, which alone shall decide upon this possible need. Moreover, the committees' reports shall not bind the Board of Directors' vote.

Each committee shall set up its own schedule as part of the duties assigned by the Board of Directors, in addition to coordination, which shall be implemented by each of the

committee's members and shall serve as the focal point for the Board of Directors, the secretary of the Board of Directors and other members of the committee. All committees shall be coordinated in a rotational manner and shall be composed of members of the Board of Directors chosen on an annual basis.

Participation on the committees is reserved for members thereof. For specific matters, the committee may request the aid of company specialists or specialists from shareholders or outsiders, whenever the members of the committee feel the need. In the case of the latter, contracting/hiring shall be implemented by the company's Executive Board, at the request of the committee, following the approval guidelines contained in this Manual and in corporate documents.

Committees' meetings shall be called at least five business days in advance, and the relevant material shall be sent to committee members at least three business days in advance.

In terms of committee meetings, the matters to be discussed shall be clearly defined, with priority given to significant matters, using the time available according to the importance of the topics to be discussed and not getting involved in matters that do not require a decision by the Board of Directors.

4.3 Composition

Each committee shall be composed of four (4) sitting members or alternates, chosen annually by the Board of Directors, with one (1) member per controlling shareholder of the RME, and shall have one (1) coordinator, chosen by the members of the committee, with said coordinator having no greater authority than the other members but with the duty to (i) define the dates of the meetings, (ii) mobilize members for discussions, (iii) prepare reports and (iv) ensure that the committee's objectives are met.

Guests may participate in the committee's meetings. These guests may include independent board members, board members who represent employees, company specialists or their shareholders, or outside specialists hired by the company.

4.4 Characteristics of the Committees' Members

The members of the committees shall have the following characteristics: (i) have specific and relevant knowledge for the respective committees on which they participate; (ii) be participatory and disposed to constructive discussions; (iii) have the time and analytical skill to carry out the required analyses; (iv) have easy access to the primary shareholders to interact with them during committee discussions, when necessary; (v) deepen knowledge and information on the committee's specific matters; (vi) be able to coordinate and head the committee, where necessary; and (vii) be able to communicate, to other board members, the critical points of the committees' discussions.

4.5 Duties of the Committees

4.5.1 Audit Committee (CAUDIT)

Duties:

- To analyze and approve the terms of the quarterly statements and the standardized financial statements prior to their publication.
- To monitor and assure the quality and integrity of the company's financial information;
- To analyze adjustment, effectiveness and risks in the internal-control processes;
- To monitor recommendations and evaluations by independent auditors and the performance of internal auditors;
- To check for irregularities in the audit reports and to apply measures to correct such;
- To support management;
- To monitor internal-control processes and to guide Implementation of corrective mechanisms in the case of errors, fraud or crime;
- To accompany the work of internal and outside auditors and to check on the procedures to correct noted errors;
- To review and recommend the accounting principles used and possible changes thereto;
- To establish the processes (frequency and extent) for revising financial information;
- To compare the company's practices regarding financial statements with those of other companies in the same line of business.
- To check that the company is following the rules for the Novo Mercado listing segment of the São Paulo Stock Exchange;
- To meet periodically with internal and outside auditors to understand the controls implemented and to delve deeper into relevant questions;
- To review and assess the effectiveness of control processes, especially in departments that are highly subject to risks;
- To design action plans to correct processes and minimize identified risks;
- To formally monitor any current or possible highly relevant questions for the company;
- To establish the objectives and primary activities of outside auditors and of the internal accounting department;
- To assist the Board of Directors in establishing the standards of quality for the financial reports and internal controls;
- To ensure the independence and objectiveness of outside and internal auditors;
- To assess the quality of the financial reports and the risks involved in the accounting principles used and to propose changes;
- To propose the processes (frequency and extent) for revising financial information;
- To assess the congruency of the Internal Auditing Plan and the effectiveness of internal controls, and to propose any changes necessary;

- To ensure that the risk-management policy and strategy reflect the views of the Board of Directors;
- To monitor identified problems; and
- To report to the Board of Directors and to follow up on the solution to identified problems.

4.5.2 The Finance Committee (CFIN)

Duties:

- To identify financial needs and to propose mechanisms to meet said needs;
- To monitor the primary financial indicators, including: (i) cash flow, (ii) investments, (iii) loans/long-term debt refinancing , (iv) risk analysis of exchange exposure, transaction guarantee and level of leverage, (v) policy on dividend payments, (vi) issuance of shares, and (vii) issuance of debt securities;
- To verify investments, profit sharing, pensions and benefits;
- To interact with the Executive Board to understand the needs of priority financing;
- To identify opportunities to improve the cost of capital; and
- To analyze the company's financial structure and to recommend corrective actions, where necessary.

4.5.3 Management Committee (CGEST)

Duties:

- To aid in defining the company's strategies, interacting with executives to develop the Strategic Plan, supported with established strategic and budget guidelines, general and specific goals, indicators, perspectives and metrics;
- To monitor the company's operational development, analyzing and synthesizing technical and operational materials;
- To verify compliance with goals, in addition to suggesting corrections;
- To monitor market risks and to propose initiatives to minimize those risks;
- To follow the business' long-term trends;
- To aid in establishing general goals;
- To help define long-term specific goals, including (i) business focus/sector; (ii) growth strategies; and (iii) expected return;
- To discuss the specific year-long goals;
- To discuss short-term and long-term economic indicators;
- To help establish the metrics and guidelines for the company's budget;
- To discuss technical matters with executives or outside specialists and to report the main points to the Board of Directors; and
- To discuss, with the Executive Board, the feasibility of meeting the established goals and to suggest, to the Board of Directors, measures for correcting any deviations.

4.5.4 Human Resources Committee (CRH)

Duties:

- To examine and to express its opinion regarding the remuneration policy and to monitor application of the fixed and variable compensation policy;
- To manage and recommend change to compensation criteria for executives;
- To revise the remuneration package and to recommend any changes to the Board of Directors;
- To revise executives' annual bonus and propose such to the Board of Directors;
- To revise and recommend criteria to evaluate executives;
- To revise and recommend formal evaluations of executives;
- To assist the company's CEO in identifying and indicating executives for key positions;
- To revise the management development plan and the plan for the succession of key executives; and
- To revise and recommend development/performance plans for executives.

4.5.5 Governance and Sustainability Committee (CGOV)

- To propose governance and sustainability practices and rules that ensure the proper functioning of the Board of Directors;
- To evaluate the company's corporate governance and sustainability;
- To propose the remuneration policy and to formally evaluate the CEO and CFO;
- To participate in recruiting independent board members, developing and managing the respective selection process;
- To monitor operation of the Board of Directors in order to ensure a competent, independent and diverse Board of Directors;
- To develop and periodically revise the description of the Board of Directors' duties;
- To propose the division of responsibilities among the committees and to regularly reevaluate the structure of the committees.
- To evaluate the needs of new members for the committees and to recommend candidates;
- To head the Board of Directors' evaluation process, revising, distributing and consolidating questionnaires, in addition to proposing changes concerning how the Board of Directors operates;
- To head the process for evaluating the CEO and CFO, revising, distributing and consolidating questionnaires, in addition to discussing conclusions and deciding upon actions to take;
- To study and suggest, to the Board of Directors, the system for remuneration of the CEO and CFO based on the evaluations;

- To supervise the Board of Directors' operations, including (i) meeting schedule, (ii) agenda, (iii) information flow, and (iv) establishing meetings and other communications with shareholders, the Executive Board and other interested parties; and
- To evaluate the career and succession plan in the company, headed by the CEO; and
- To assess the Board of Directors in Disseminating the strategic concept of sustainability, seeking to guaranty the Board's agreement with the company's long-term strategy;
- To suggest, to the Board of Directors, the company's general guidelines for application of the principles of sustainability; and
- To monitor the company's initiatives concerning sustainable development.

4.6 Committee Meetings

Each committee shall meet regularly on the dates listed in the committee's yearly schedule, as prepared by the committee's respective coordinator by December of the preceding year, and on special occasions, whenever called to meeting by any member at least five (5) business days in advance, with the agenda under discussion sent at least three (3) business days in advance.

The frequency of the meetings shall depend on the volume of each committee's work, honoring the minimum frequency below:

- Governance and Sustainability Committee: quarterly;
- Audit Committee: quarterly;
- Finance Committee: quarterly;
- Management Committee: monthly; and
- Human Resources Committee: monthly.

In all cases, all committees may meet more frequently in order to discuss matters requested by the Board of Directors.

5 SECRETARY OF THE BOARD OF DIRECTORS (Secretary)

5.1 Purposes and Duties

The Board of Directors shall appoint a person to serve as the secretary; this person shall (i) assist the chairman in all formal aspects related to the Board of Directors and (ii) document the processes for distributing material for the reading and drafting of the minutes, taking care of all bureaucratic tasks and procedures of the Board of Directors.

The Secretary is entrusted:

- To support the chairman of the Board of Directors in exercising his duties;
- To preserve the principles of governance and decision making, keeping such up-to-date and underscoring the established rules and procedures;
- To propose, adjust and manage the schedule and agenda of Board of Directors' meetings;
- To support the chairman of the Board of Directors so that discussions are objective and directed;
- To analyze, criticize and check support documents;
- To assure the terms of the calls to meeting and the flow of information;
- To help prepare meetings, draft and manage the notes and minutes of the meeting;
- To keep an eye on the time and content contained in the Board of Directors' agenda, alerting the chairman of the Board of Directors whenever either are off-track;
- To ensure that all the primary parties involved are called to meeting;
- To list, and express the implications of, decisions taken regarding which the rest of the Board of Directors may not be up-to-date;
- To follow up and report to the Board of Directors on Implementation and execution of earlier decisions;
- To support the Board of Directors in terms of the committee's functioning.
- To ensure compliance with legal requirements, whether in form or content; and
- To create and operate the filing system for all of the Board of Directors' material, including the committees' agendas, minutes and reports.

6 CHIEF EXECUTIVE OFFICER

The CEO is the company's executive leader. He is appointed by the Board of Directors and is accountable for the representing the company both actively and passively.

In the case of temporary absence or impediment, the CEO shall be substituted by the CFO. In the case of temporary absence or impediment, other executive directors shall be substituted by another executive director specially appointed by the CEO.

In the case of the CEO's definitive vacancy of his office, the Board of Directors shall appoint an interim CEO who shall complete the management term of the substituted CEO. In the case of the definitive vacancy of any executive director, the CEO shall appoint a substitute from the other executive directors; said substitute shall remain in the position until the CEO recommends, to the Board of Directors, the definitive interim executive director for the remainder of the management term.

6.1 Purposes

To promote the proper operation of the company's business affairs, representing the company both actively and passively, interacting with executive and voting bodies.

6.2 Duties

To handle business affairs in such a way as to maximize the creation of value for the company, oriented by, but not limited to, the guidelines established by the Board of Directors and the Shareholders' Meeting:

- To head the planning process;
- To implement the Board of Directors' guidelines and decisions;
- To head the process of motivating employees and ensuring cohesiveness among them;
- To evaluate the company's career and succession plan;
- To take initiatives to maximize returns for shareholders and to present said initiative for approval by the Board of Directors pursuant to established guidelines;
- To set up the Executive Board, suggesting, pending approval by the Board of Directors, the other executive directors and the respective remuneration for all;
- To evaluate the team of executive directors and to remit conclusions of said evaluation to the Board of Directors;
- To interact with all notable stakeholders regarding the company's operations, in representation of the company;
- To make all pertinent information available to all officers as soon as such are released;
- To create internal controls to organize and monitor the flow of information;
- To contribute to updating the Code of Ethics, to define the Internal Regulations and to ensure compliance with both;

- To head development of the Technology Policy;
- To facilitate access, for members of the Board of Directors and the Board of Auditors, to the facilities and to company information;
- To carry out the specific duties set forth in the following item 7.

7 SCOPE OF DECISIONS

In terms of the different corporate aspects, the duty of each decision-making body within the company can be organized in the manner below, taking into account the following definitions:

- Defines: single-handedly determines;
- Establishes directives: determines purposes and objectives, and indicates the routes to meet such;
- Develops: to studies, prepares, drafts;
- Approves: rejects, modifies, corrects;
- Implements: puts into practice, materializes;
- Monitors: controls, measures, evaluates, revises, modifies if necessary;
- Audits: observes, points out congruencies or deviations;
- Appoints: nominates, dismisses.

7.1 Values

	Shareholders' Meeting	Board of Directors	Executive Board
Company values		Approves	Develops, Implements, Disseminates, Monitors
Ethical and legal standards		Defines Directives, Audit	Implements, Disseminates, Monitors

7.2 Performance

	Shareholders' Meeting	Board of Directors	Executive Board
Strategic plan (includes budget and management commitments)	Audits	Approves, Monitors	Develops, Implements
Performance and results		Monitors, Evaluates	Implements, Audits, Takes Corrective Actions

7.3 Strategy

	Shareholders' Meeting	Board of Directors	Executive Board
Overall vision and mission		Establishes Directives, Approves, Audits	Develops, Implements, Monitors
Overall resource allocation among mergers and acquisitions, entering/exiting businesses	Approves	Establishes Directives, Approves e Monitors	Develops, Implements
Business strategy	Audits	Approves, Rejects, Modifies, Monitors	Develops, Implements
Technology policy		Approves	Develops, Implements
Investments, divestitures	Audits	Approves above R\$5.000.000,00, revised every two years	Approves above R\$5.000.000,00, revised every two years

7.4 Human Resources

	Shareholders' Meeting	Board of Directors	Executive Board
Composition of Board of Directors	Defines		
Board members	Defines, Nominates, Dismisses and Determines Remuneration)	Evaluates	
Chairman and vice-chairman of the Board of Directors		Appoints	
CEO and CFO of the company		Nominates, Dismisses, Evaluates, Develops	

Company executive directors		Approves Nomination, Audits Performance	CEO Recommends Nomination and Dismissal, Evaluates, Develops
Policy for HR management and HR development		Approves, Monitors	Develops, Implements
Plans for succession of key offices		Approves, Monitors	Proposes
Career and success plan		Audits	Develops, Implements, Monitors
Salary policy for CEO and CFO of the company directors (base salary, benefits, variable remuneration and long-term incentives)		Defines, monitor	
Remuneration policy for executive directors (base salary, benefits, variable remuneration and long-term incentives)		Approve, monitor	Develops, implement
Company's salary policy		Approve, oversee and monitor general parameters	Develops, implement

7.5 Finances

	Shareholders' Meeting	Board of Directors	Executive Board
Dividend-payment policy	Approve	Recommends to Shareholders' Meeting	Implements
Company accounting and financial statements		Monitors, Controls Integrity	Develops, Implements, Controls Integrity
Financial policies* and risk/return policy		Approves, Monitors	Develops, Implements
Obtaining funds for the company's plans and management of debt financing		Approves above R\$5.000.000,00, revised every two years	Develops, Implements, Monitors

7.6 Governance

*APPROVED BY THE BOARD OF DIRECTORS
NOVEMBER 6, 2006*

	Shareholders' Meeting	Board of Directors	Executive Board
Changes to the regulations of the Board of Directors		Develops, Implements	Does Not Participate
Changes to the company's Articles of Incorporation/Bylaws	Approves	Recommends to Shareholders' Meeting, Monitors	Develops, Implements
Evaluation of operation of the Board of Directors, the secretary and the CEO		Develops, Implements	

8 INDICATIVE CALENDAR OF REQUIRED MEETINGS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board of Directors	X	X	X	X	X	X	X	X	X	X	X	X
Audit Committee												
Review financial statements from preceding year		X										
Review internal auditing plan for the year	X											
First-quarter review				X								
Second-quarter review							X					
Third-quarter review										X		
Audit results of internal and outside audit			X			X			X			X
Finance Committee												
Establish dividend payments and changes to the capital structure				X								
Establish financial policies and risk/return policies	X											
Management Committee												
Review final version of the multiannual business plan	X											
Review compliance with the profit-sharing distribution goals from the preceding year			X									
Review and workshop to suggest strategic objectives to be established by the Board of Directors for the next planning cycle									X			
Define general and specific goals proposed for the next planning cycle										X		
Review of first draft of Strategic Plan												X
HR Committee												
Calculate long-term incentive – yearly payout and establish profit-sharing distribution for the year		X										
Review goal positions and budgets for profit-sharing distribution			X									

*APPROVED BY THE BOARD OF DIRECTORS
NOVEMBER 6, 2006*

(together with Management Committee)												
Evaluate executives and distribute variable remuneration from the preceding year			X									
Matters concerning remuneration				X								
Governance and Sustainability Committee												
Evaluate Board's operation and establish corrective measures						X					X	
Matters concerning sustainability			X			X			X		X	