

Rules of the Board of Directors



Grupo Energía Bogotá



RULES OF THE BOARD OF DIRECTORS OF GRUPO ENERGÍA BOGOTÁ S.A. E.S.P.

TITLE I COMPOSITION

CHAPTER I COMPOSITION AND TERM

ARTICLE 1.- NUMBER OF MEMBERS

The Company's Board of Directors shall be comprised by nine (9) members elected by the General Meeting of Shareholders by means of the electoral quotient system, four (4) of whom must be independent as per the terms defined in the Corporate bylaws, the Rules of the General Meeting of Shareholders, these Rules, the Company's Corporate Governance Code, and Law 964/2005 and any provisions that amend, clarify or replace them, when applicable to the Company.

Pursuant to Article 19, Section 16 of Law 142/1994, the Board of Directors shall represent shareholdings in a proportional manner.

PARAGRAPH: The President of the Company shall attend the meetings of the Board of Directors with voice but no vote.

ARTICLE 2.- COMPOSITION OF THE BOARD OF DIRECTORS:

The Board of Directors shall be comprised by the following members:

1. Independent members: They are those who meet the conditions established by Law, in the Rules of the General Meeting of Shareholders and in these Rules.
2. Shareholder members: They are not independent members; instead, they have been expressly appointed to the Board of Directors by a shareholder (individual or legal entity), or group of shareholders.

3. Executive members: They are registered agents or members of Senior Management who participate in daily Company management.

PARAGRAPH: Independent and shareholder members shall always be a majority over executive members, whose number, if any, shall be the minimum required to cover the requirements of information and coordination between the Company's Board of Directors and Senior Managements. Under no circumstance will executive members be members of the Board committees.

ARTICLE 3.- ELECTION

The Board of Directors is elected by the General Meeting of Shareholders using the electoral quotient procedure.

Pursuant to Article 19, Section 16 of Law 142/1994, the Board of Directors shall represent shareholdings in a proportional manner.

The Board of Directors shall be comprised by people with the highest professional and personal qualifications, as defined in the Board of Directors Appointment, Succession and Compensation Policy recommended by the Compensation and the Corporate Governance committees and approved by the Company's General Meeting of Shareholders. In electing them, the General Meeting of Shareholders shall take into consideration criteria such as:

- (i) experience in the fields of finance, law and similar sciences, and/or in activities related to the public utilities business, and/or in the businesses in which the Group is involved, and
- (ii) the candidates' profiles, including their background, recognition, prestige, availability, leadership and good name in connection with their professional qualifications and integrity.

The review of the qualifications of candidates to the Board of Directors and fulfillment of applicable conditions must be performed before the election, under the terms set forth in the Rules of the General Meeting of Shareholders and the Board's Appointment, Succession and Compensation Policy.

In accordance with Article 379, Section 1 of the Commercial Code and Article 18 of the Rules of the General Meeting of Shareholders, in order to facilitate their legal right to appoint candidates, shareholders shall submit candidates to the Board of Directors to the verification of requirements through the Compensation and Corporate Governance committees, which will submit through their chairpersons a report to the General Meeting of Shareholders on



fulfillment of such requirements prior to the election.

When a Board member is appointed for the first time, orientation will be provided, which will include making available the information required to obtain sufficient knowledge on the Company and the industry, as well as information related to the responsibilities, obligations and duties of the position.

The provisions of this article and all other matters related to the appointment of Board members are regulated by the Board's Appointment, Succession and Compensation Policy approved by the General Meeting of Shareholders.

ARTICLE 4.- TERM

Notwithstanding the provisions of transitory Article 24, Board members shall be appointed to serve for a period of two (2) years, and may be re-elected, without prejudice for the General Meeting of Shareholders' power to remove them at any time.

ARTICLE 5.- COMPENSATION

Board members shall receive the compensation approved by the General Meeting of Shareholders in accordance with the Corporate bylaws and the Board of Directors Appointment, Succession and Compensation Policy.

Board members are excluded from remuneration schemes that include stock options.

ARTICLE 6.- CHAIRPERSON AND VICE-CHAIRPERSON

The Board of Directors shall appoint from among its members a Chairperson and a Vice-chairperson for a two (2) year term. The Chairperson shall be responsible for leading the Board, and the Vice-chairperson shall act in the event of the Chairperson's absence.

The Chairperson of the Board must be an independent member, to be elected by at least three (3) independent members and one (1) member appointed by the City of Bogotá, from among those attending the meeting.



ARTICLE 7.- DUTIES OF THE CHAIRPERSON

The following are the functions and main duties of the Chairperson of the Board of Directors:

1. Ensure that the Board of Directors efficiently sets and implements the Company's strategic management.
2. Promote governance action at the Company, acting as a liaison between shareholders and the Board of Directors.
3. Plan the operation of the Board of Directors by establishing an annual work plan based on the assigned functions, and based on Management's proposal, and establish the annual timetable of sessions.
4. Preside over the meetings and moderate debates.
5. Ensure execution of the agreements of the Board of Directors and follow up on its duties and decisions.
6. Lead the annual assessment of the Board of Directors and its committees, except his/her own assessment.
7. Oversee the active participation of the members of the Board of Directors.
8. Authorize the presence of Company employees or special guests at the sessions to discuss specific matters.
9. Maintain constant communication with the Company's President in order to monitor fulfillment of the commitments and agreements that have been made.

ARTICLE 8.- INDEPENDENT MEMBERS

In order for a Board member to be considered independent, in addition to the conditions set forth in applicable legislation, the following must be met:

1. Not being or having been an employee nor having a relative within the third degree of

consanguinity or spouse who is or has been an employee or director of the Company or any of its affiliates or subsidiaries, including persons who have had such status during the last three (3) years prior to their appointment, except in the case of the reelection of an independent member.

- 2.** Not being or having been within the last year from the appointment an employee or director of shareholders who, directly or by agreement, conduct, guide or control the majority of voting rights or determine the composition of the majority of management, direction or control bodies of the Company or any of its controlled, related or associated entities.
- 3.** Not being a shareholder who, directly or through agreement, conducts, guides or controls the majority of voting rights of the Company or determines the composition of the majority of its management, direction or control bodies.
- 4.** Not being or having been a partner or employee nor having a relative within the third degree of consanguinity or a spouse who is or has been a partner or employee in the three (3) years prior to the appointment of associations or companies that provide advisory or consulting services to the Company or companies that belong to the same economic group as the Company, and such associations or companies receive revenues from such services equal to or greater than four thousand and seventy (4,070) legally valid monthly minimum wages or two percent (2%) of its total revenue, whichever is greater.
- 5.** Not being an employee or director of a foundation, association or company that receives any contributions or sponsorships from the Company.
- 6.** Not being or having been a manager nor having a relative within the third degree of consanguinity or spouse who is or has been a manager within the last three (3) years from the appointment of a company in which the Company's President or some Board members form part of the Board, except when the Board member is as an independent member.
- 7.** To not depend exclusively on the revenues received as professional fees as member of the Company's Board of Directors.
- 8.** Not receiving or having received from the Company, nor having a relative within the third degree of consanguinity or spouse who receives or has received from the Company, for twelve (12) continuous months over the last three (3) years from the appointment, any compensation other than professional fees as Board member, of the Audit Committee, or any other committee created by the Board of Directors.

9. Not being or having been a partner or employee nor having a relative within the third degree of consanguinity or spouse who is or has been a partner or employee over the last three (3) years from the appointment, of the firm appointed as statutory auditor of the Company.

PARAGRAPH: The independence of Board members shall be determined by means of a statement by the candidate of his/her independence from the Company, its shareholders and members of Senior Management, included in his/her acceptance letter.

The independent members of the Board of Directors must fulfill the requirements set out in Article 2 of Decree 3923/2006. Notwithstanding the above, each Board member has the obligation of verifying fulfillment of said requirements and notifying the Company of any arising circumstance that could affect such status.

ARTICLE 9.- SECRETARY OF THE BOARD OF DIRECTORS

The Company shall have a Legal, Regulatory and Compliance Vice President who shall act as Secretary of Board meetings and the general meetings of shareholders, who shall be responsible for the formal functions of the Company, for maintaining the books and records required by Law and the bylaws, for communicating calls to meetings of governance bodies, for attesting to internal acts and documents, as well as fulfilling the duties assigned to him/her by the Board of Directors and the President.

The Secretary shall also have the following duties:

1. Call the meeting in accordance with the annual timetable of meetings of the Board of Directors and its committees and its corresponding annual work plan.
2. Develop the agenda on the matters to be discussed during the meeting, and communicate it to Board members. The call for the meeting and the supporting documents for the different points on the agenda shall be sent to Board members at least five (5) calendar days in advance from the meeting.
3. Verify the quorum of each meeting.
4. Prepare minutes of the Board meetings, submit them to approval during the following

meeting, and once approved sign them jointly with the Chairman and incorporate them in the respective book of minutes, for which he/she is responsible. This provision does not rule out the power of the Board of Directors to appoint a committee to approve the minutes, in the case of matters on which such procedure must be expedited.

5. Follow up on the agreements and commitments made during Board meetings.
6. Preserve the corporate documentation, adequately reflect meeting proceedings in the book of minutes, and certify the agreements of the corporate bodies.
7. Oversee the formal legality of Board actions and ensure that its governance procedures and rules are followed and regularly reviewed, pursuant to the bylaws and other internal Company rules.
8. Inform the CEO's committees or relevant instances the decisions taken by the Board of Directors and the instructions given, in order to take the necessary measures for their fulfillment.

TITLE II MEETINGS

ARTICLE 10.- ORDINARY MEETINGS

The Board of Directors shall hold ordinary meetings once (1 time) per month at the time and place indicated in the call to the meeting.

At least one (1) meeting per year of the Board of Directors, either ordinary or extraordinary, shall focus primarily on defining, updating, reviewing or monitoring the Group's strategy.

ARTICLE 11.- EXTRAORDINARY MEETINGS

The Board of Directors shall hold extraordinary meetings whenever they are summoned by the Chairman, by five (5) of its members, by the President or by the Company's statutory auditor.



ARTICLE 12.- MEETING CALLS AND INFORMATION

The call to the meeting will be sent at least five (5) calendar days in advance to the Board members' e-mail and/or postal addresses registered before the Company. Along with said call will include as attachments the documents or information related to each point on the agenda, to enable Board members to actively participate in the decisions in an informed manner.

PARAGRAPH: The agenda will include clear and accurate items to be addressed in each session according to that established in the Annual Work Plan approved by the Board of Directors.

The agenda may be modified, even after the call has been made, as well as during the meeting. This may be done by deleting or adding items at the Chairman of the Board's, the Company CEO's request who will submit them to consideration.

The Company's President, jointly with the Secretary of the Board of Directors, shall be responsible for ensuring that the information provided to Board members is useful and is sent to them sufficiently in advance.

When prior to the Board meeting any of the Board committees have come together, said Committee Chairman shall report and indicate the decisions made regarding the functions delegated to the committee, and on the matters that must be approved or ratified by the Board of Directors.

ARTICLE 13.- PLACE OF THE MEETINGS

The meetings shall be held at the Company's main headquarters.

TITLE III QUORUM, DECIDING MAJORITY AND MINUTES

ARTICLE 14.- QUORUM FOR DELIBERATION AND DECISION-MAKING

The Board may validly deliberate with the presence of five (5) of its members, and shall

decide with the favorable vote of the majority of members present at the meeting.

ARTICLE 15.- SPECIAL QUORUM AND DECIDING MAJORITIES

Decisions on the following matters must only be adopted at Board meetings at which a minimum of seven (7) Board members are present, and their approval will require the affirmative vote of at least six (6) of the members present:

1. The sale, transfer or disposal, by any means, in one or several related transactions, of Company assets in an amount greater than five percent (5%) and less than fifteen percent (15%) of stock market capitalization (defined as the result of multiplying the number of ordinary shares outstanding, by the Company's average share price in the Colombian Securities Exchange (BVC, for the Spanish original) in the latest ten (10) trading business days from the date of the decision), except for the transfer of assets into stand-alone trusts and other vehicles aimed at structuring the execution of projects in which control is not lost.
2. Transactions made by the Company with related parties, as defined in the International Accounting Standards (IAS), and according to the rules included in the Transactions with Related Parties Policy, that exceed the following amounts:
 - a. With Bogotá, Capital District and other shareholders that hold more than twenty percent (20%) of GEB share capital, managers of GEB and its subsidiaries, as well as their close relatives and companies in which they exercise control or joint control, in amounts greater than two hundred (200) Colombian legally valid monthly minimum wages.
 - b. Transactions between GEB and its related parties in amounts above the threshold assigned to the Company's President, as set forth in the Corporate bylaws
3. Proposals for investments, to redefine existing investments, mergers, creation and/or changes to investment vehicles, acquisition of partners or strategic allies, and structured financing of new businesses in amounts greater than five percent (5%) of stock market capitalization.
4. Approval and amendments to the Company's strategic plan, business plan, management objectives, and guidelines for their execution
5. Appointment of the Chairman of the Company



6. Approval and amendments to these Rules of the Board of Directors

ARTICLE 16.- MINUTES

For all meetings of the Company's Board of Directors, minutes shall be prepared and signed by the Chairman and the Secretary of the Board, and shall include the deliberations, discussions and sources of information used as basis for the adopted decisions.

TITLE IV FUNCTIONS

ARTICLE 17.- FUNCTIONS

The Company's Board of Directors has the following general functions:

1. To establish and amend its own rules.
2. To appoint and freely remove the Company's President in accordance with the election process defined in the Corporate bylaws and in these Rules, and his/her alternates, as well as to assign his/her compensation and approve the Senior Management Succession Policy, which must cover both the President and the vice presidents.
3. Summon the General Meeting of Shareholders when deemed convenient, or when requested to do so by a number of shareholders representing ten percent (10%) of subscribed shares.
4. Define the management and direction policies of the corporate businesses of Grupo Energía Bogotá S.A. E.S.P., as well as the management and direction policies as the parent company of its business group.
5. Submit to the General Meeting of Shareholders, along with the annual financial statements, a reasoned report on the economic and financial position of the Company, with the contents required by law, by these bylaws and by the Corporate Governance Code, and a proposal for profit distribution. The Board of Directors may include the comments it considers necessary with respect to qualified or unfavorable opinion and/or emphasis of matter paragraphs in the Statutory Auditor's report, which will be included in the Management Report that will be presented to the General Meeting of Shareholders.

6. Approve and implement the rules for issuing, subscribing and placing shares, except in the case of issue of preferred shares.
7. Inspect the Company's books, accounts, contracts and documents in general.
8. Order increases in share capital in the case of events set forth in Article 19 of Law 142/1994.
9. Approve the Company's Contracting Manual.
10. Oversee compliance with the Law, the bylaws, the Corporate Governance Code, the orders of the General Meeting of Shareholders and the commitments acquired by the Company in furthering its corporate purpose.
11. Approve, amend and monitor the Company's strategic plan, business plan, management objectives, and guidelines for their execution.
12. Approve the Company's investment plan based on the recommendations of the Board's Finance and Investment Committee, the annual budget, its investment, maintenance and expense programs, and in general approve the financial and investment guidelines and policies of the Company, and review the Company's financial forecasts.
13. Decide on leaves of absence, vacations and licenses of the President and the statutory auditor.
14. Receive, review, approve or disapprove the reports submitted by the Company's President on management performance.
15. Oversee adequate provision of the public utility services that comprise the corporate purpose.
16. Order that appropriate action be taken against managers, officials or directors and other Company staff for omissions or harmful acts for the Company.
17. Oversee strict compliance with the bylaws and the law.
18. Authorize the President to delegate certain responsibilities, in accordance with the Corporate bylaws.

19. Approve in-kind contributions received by the Company in accordance with Article 19.7 of Law 142/1994.
20. Approve the personnel policies, the compensation parameters proposed by the President and the annual personnel budget.
21. Perform any duties delegated to it by the General Meeting of Shareholders.
22. Approve Grupo Energía Bogotá S.A. E.S.P.'s governance model, the Company's Corporate Governance policy and the remaining policies that make up the Corporate Governance structure, such as the Policy on Transactions with Related Parties, Information Disclosure, Corporate Governance, Trading in Shares, Conflict of Interest Administration, Appointment, Succession and Compensation of the Board of Directors, Senior Management Succession, the Policy for Appointing the Statutory Auditor and the specific measures regarding the Company's governance, its behavior and its information, in order to ensure respect for the rights of those that invest in its shares or any other value it issues, as well as the adequate administration of matters and public knowledge of its management, and submit to the General Meeting of Shareholders, along with the CEO, a report related to previous matters.
23. Ensure effective compliance with the requirements established by securities market regulators.
24. Ensure that the rights of its shareholders and other investors are respected, in accordance with parameters set by securities market regulators.
25. Approve, amend and update the Corporate Governance Code submitted by the President, which shall compile all the rules and systems required by current regulations, and ensure effective compliance.
26. Address any claims submitted by shareholders or investors regarding application of the Corporate Governance Code.
27. Any other duty that is not assigned to any other Company manager.
28. Submit to approval of the General Meeting of Shareholders a report explaining the terms in which transactions or operations are to be performed and which may result in dilution of shareholdings. The aforementioned report shall be prepared by a qualified external consultant.

- 29.** Approve the Business Group Agreement to be entered into by Grupo Energía Bogotá S.A. E.S.P. and its subsidiaries, and any amendments thereof.
- 30.** Make decisions based on a group policy, taking into consideration the interests of the Company and its subsidiaries.
- 31.** Establish any committees deemed necessary to adequately comply with the law and its duties, and delegate to them any duties deemed necessary, such as approval of their internal rules.
- 32.** Submit to approval by the General Meeting of Shareholders the Board of Directors Appointment, Succession and Compensation Policy.
- 33.** Propose to the General Meeting of Shareholders the engagement of the statutory auditor, following a study of its experience and required human and technical resources, as well as a proposal of compensation for such work.
- 34.** Review and approve the transactions of the Company with related parties, as defined in the International Accounting Standards (IAS), in amounts above the thresholds defined in these Rules. Such transactions will require additional approval by the General Meeting of Shareholders when they occur in the situations defined in Section 17 of Article 59 of the Corporate bylaws, as per the terms defined in these Rules, when it is relevant and does not fulfill the following conditions: a) it is carried out at prices offered to the general market by the person acting in the capacity of supplier of the goods or services involved, and b) it is an ordinary transaction within the Company's normal course of business.
- 35.** Notwithstanding the powers assigned in the bylaws to the General Meeting of Shareholders, authorize the President to enter into contracts, acts and legal businesses in amounts greater than the equivalent in local currency of seventy thousand (70,000) legally valid monthly minimum wages.
- 36.** Perform an annual performance assessment of itself as a collegiate body, of its committees, and of its individual members.
- 37.** Approve and monitor adequate internal control systems and risk policies, and periodically monitor the main risks the Company is exposed to, including those taken on its off-balance-sheet operations.

- 38.** Propose to the General Meeting of Shareholders an Own Share Buyback Policy.
- 39.** Establish or acquire shares in special-purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as other transactions or operations of a similar nature.
- 40.** Appoint and remove the Group's general auditor, as well as appoint the compliance officer.
- 41.** Approve proposals for investments, to redefine existing investments, mergers, creation and/or changes to investment vehicles, acquisition of partners or strategic allies, and structured financing of new businesses in amounts greater than seventy thousand (70,000) legally valid monthly minimum wages.
- 42.** Approve the sale, transfer or disposal, by any means, in one or several related transactions, of Company assets in amounts greater than five percent (5%) and lower than fifteen percent (15%) of stock market capitalization, and present to the General Meeting of Shareholders, after having been approved by the Board of Directors, sales by any means, in one or several related transactions, of Company assets equivalent to more than fifteen percent (15%) of stock market capitalization.

FIRST PARAGRAPH: Notwithstanding that the Board may, for its performance, rely on the efforts of the Committees, the Board of Directors shall not delegate to management the functions listed in the following sections of this article: 1, 2, 4, 6, 8, 9, 10, 11, 12, 22, 25, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 40, 41 and 42.

SECOND PARAGRAPH: The committees created by the Board of Directors shall only have the functions defined in their current rules, and any function assigned previously by any means is revoked.

TITLE IV

DUTIES, RIGHTS, RESPONSIBILITIES, DISQUALIFICATIONS AND INCOMPATIBILITIES

ARTICLE 18.- DUTIES

The following are the duties of Board members:

- 1. Duty of diligence and care:** to make decisions in an informed manner and fulfill his/her duties with the diligence that a prudent person would consider reasonable in view of the circumstances of each decision.
- 2. Duty of loyalty:** to inform the Board of Directors of any actual or potential conflict of interest. They must abstain from acting, directly or through related persons, in situations of conflicts of interest, except with express authorization from the General Meeting of Shareholders, obtained in the cases and in accordance with the law, the Corporate Governance Code and the Conflict of Interests Management Policy.
- 3. Duty of non-competition:** to abstain from performing, directly or through related parties, any activities that compete with those of the Company, in the terms specified in the applicable legislation.
- 4. Duty of secrecy:** to abstain from disclosing any information that is not or should not be in the public domain and that he/she has become aware of in connection with performing his/her duties as a Board member.
- 5. The duty to not use corporate assets:** to refrain from using corporate assets for any purpose other than fulfillment of his/her duties as a Board member.

ARTICLE 19.- RIGHTS

The following are the rights of the Company's Board members

- 1. Right to information:** Board members shall receive full and specific information on the matters they must decide upon at each meeting. They also have the right to request the Company's President to provide any additional information they consider necessary to make their decisions, except in cases in which such information must remain confidential in order to protect the Company's interests.
- 2. Right to receive assistance from experts:** when considered necessary in order to be adequately informed of the decisions within its purview, the Board of Directors may request contracting a suitable and independent expert to issue opinions on the required matters within its purview. To this effect, the contract will be arranged by Management based on the rules of the Company's Contracting Manual.

3. Right to remuneration: Board members shall have the right to receive compensation for attending Board meetings and meetings of the Committees in which they are members, according to the guidelines and limits defined in the Board of Directors Appointment, Succession and Compensation Policy approved by the General Meeting of Shareholders.

4. Right to orientation and ongoing training: each year, the Company's President will submit to approval by the Board members an annual training plan, which should include topics related to their duties, obligations and responsibilities as Company managers, as well as other matters of interest for performance of its duties.

ARTICLE 20.- RESPONSIBILITIES OF BOARD MEMBERS

Upon acceptance of such status, the Company's Board members expressly declare that they are qualified to perform the management duties they have been assigned, and that they accept joint and unlimited responsibility for any actions and omissions that cause damages to the Company, to shareholders and third parties, up to ordinary negligence.

ARTICLE 21.- DISABILITIES AND INCOMPATIBILITIES

Notwithstanding the disqualifications and incompatibilities defined by law, the following are some of the causes that prevent a person from being a Board member:

1. Board members shall not have marital or common-law relationships, and shall have no links of kinship with each other, with the President, or with any other Management employee, or employees privy to confidential information, within the fourth degree of consanguinity, second degree of affinity and first degree of civil relationship.

2. A person shall not be allowed to be a Board member if he/she holds any position or responsibilities of representation, management or consulting at competitor companies, or if he/she has such duties or functions at companies that exercise control over competitor companies.

3. A person shall not be allowed to be a Board member if he/she holds a position or is a representative, or is involved, either directly or indirectly, with entities that are habitual customers or suppliers of goods and services for the Company, if such condition may be grounds for a conflict of interest with the Company.

4. No person may be appointed director simultaneously at more than five (5) boards of directors.
5. A person shall not be allowed to be a Board member if he/she has any type of pending litigation with the Company.
6. A person shall not be allowed to be a Board member if he/she has served on regulatory commissions or at the Public Utilities Superintendence within the year prior to his/her appointment as Board member, as well as persons whose spouses, common-law partners or relatives within the third degree of consanguinity and first civil level have served at such entities.
7. A person shall not be allowed to be a Board member if he/she holds directly or through a third party over 1% of the shares of a public utility company.
8. A person shall not be allowed to be a Board member if he/she has been convicted for crimes against the public administration, the legal administration or the public interest, or convicted to a prison sentence for any crime, except culpable and political crimes.
9. A person shall not be allowed to be a Board member if he/she has been suspended or barred from exercising his/her profession or would have been due to a serious breach.
10. A person shall not be allowed to be a Board member if he/she, when acting in the capacity of civil servant at any level, has been suspended twice or dismissed.

TITLE V SELF-ASSESSMENT

ARTICLE 22.- BOARD OF DIRECTORS SELF-ASSESSMENT REPORT

Each year, the Company's Board of Directors shall submit to the General Meeting of Shareholders a self-assessment report of its duties and work as collegiate body, indicating the level of fulfillment achieved.

It will additionally submit an assessment report on its committees and its individual members. To this effect, it may contract an external advisor to assist it in formulating the criteria to be taken into consideration for the assessment.



TITLE VI ELECTION OF THE COMPANY'S PRESIDENT

ARTICLE 23. MECHANISM FOR THE ELECTION OF THE COMPANY'S PRESIDENT:

The Company's President shall be appointed by means of the following selection and election procedure:

1. In the event the position is vacant or the Board of Directors decides to replace the President, an Ad-Hoc Committee of the Board of Directors will be created made up of three (3) independent members, assisted by an internationally recognized executive selection company (headhunter) with experience in the selection of executives for companies listed in the stock market, which will present the Ad-Hoc Committee a list of at least seven (7) candidates that fulfill the requirements and conditions in terms of years of experience, relevant sectors, similar positions and academic profile defined by the Ad-Hoc Committee.
2. The Ad-Hoc Committee shall select with the affirmative vote of a majority of its members at least three (3) candidates from among those presented by the head hunter, and will submit them to the consideration of the Board of Directors.
3. The Company's President must be elected by the Board of Directors from among the candidates proposed by the Ad-Hoc Committee, though the Board of Directors may turn down, only once, the initial list submitted by the Ad-Hoc Committee.
4. The Board of Directors shall elect the Company's President in a maximum of two (2) consecutive meetings held within a maximum period of four (4) months from the date on which the vacancy was opened or on which the Board of Directors decided to replace the President; and
5. From among the candidates proposed by the Ad-Hoc Committee in accordance with the procedures and terms established in these Rules, the Company's President shall be elected at a Board meeting with a minimum of seven (7) members present, and with the affirmative vote of at least six (6) members.

PARAGRAPH: The removal of the Company's President shall require a minimum quorum of seven (7) of the nine (9) Board members.



TITLE VII TRANSITORY

ARTICLE 24.

Only for the effects of the Ordinary General Meeting of Shareholders in 2019, Board members shall be divided into three (3) classes: (i) Non-independent members: Board members who do not fulfill the independence criteria defined by law and in the Corporate bylaws, the Rules of the General Meeting of Shareholders and other corporate documents; (ii) independent members: Board members who fulfill the requirements established by law, in the Corporate bylaws, the Rules of the General Meeting of Shareholders and other corporate documents to be considered independent; (iii) independent member appointed according to the provisions of Sections 5.04 and 5.05 of the Shareholder Agreement¹, for as long as it remains in effect.

¹ Shareholder Agreement delivered to the Company on July 31, 2018, as a result of the democratization process.

For the effects of this transitory article, the non-independent members shall be elected for a two (2) year term from the date of their appointment. The independent members shall be elected for a term of three (3) years from the date of their appointment, and the independent member appointed according to the provisions of Sections 5.04 and 5.05 of the Shareholder Agreement shall be elected for a term of one (1) year from the date of his/her appointment.

The term referred to above shall only begin to count from the date of the Ordinary General Meeting of shareholders in 2019. In future general meeting of shareholders held after March 2019 during which Board members are elected, the directors shall be appointed in order to succeed those whose two-year terms are set to expire, as indicated earlier.

The above does not rule out the possibility of replacing one, several or all Board members, in accordance with the provisions of Section 4 of Article 420 of the Commercial Code.