

# **INTERNAL REGULATIONS OF THE AUDIT BOARD**

## ***CHAPTER I***

### ***PURPOSE***

- Clause 1 The purpose of these regulations is to specify rules for the working of the Audit Board of Companhia Energética de Minas Gerais – CEMIG, Cemig Distribuição S.A. (‘Cemig D’), and Cemig Geração e Transmissão S.A. (‘Cemig GT’), defining its responsibilities and competencies, subject to the by-laws of these Companies and the applicable legislation, in particular Law 6404 of December 15, 1976, as amended, Law 13303 of June 30, 2016, and Minas Gerais State Decree 47154, of February 20, 2017, and good corporate governance practices.

## ***CHAPTER II***

### ***COMPOSITION OF THE AUDIT BOARD***

- Clause 2 The Audit Board of the Company is constituted permanently, and has five sitting members, each having an alternative member. These are elected by the General Meeting of Stockholders for a period of office of two years. A member may be re-elected twice.

§1 The following rules apply for nomination of members of the Audit Board:

- a) The following two groups of stockholders each have the right to elect one member, in a separate vote, in accordance with the applicable legislation:
  - (i) the minority holders of common shares, and
  - (ii) the holders of preferred shares.
- b) The majority of the members must be elected by the Company’s controlling stockholder; at least one must be a public employee, with a permanent employment link to the Public Administration.

§2 At its first meeting after election of its members, the Audit Board shall elect, by majority of votes, its Chair, who shall call and conduct the meetings.

**CHAPTER III**  
**TAKING OFFICE**

- Clause 3 The members of the Board shall take office upon signature of a Term of Investiture in the Book of Minutes of Meetings of the Audit Board. Signature of the Manager's Term of Consent specified by the Regulations of Level I of the *Novo Mercado* of the B3 (São Paulo Stock Exchange) is a prior condition for investiture.
- Clause 4 Members of the Audit Board must:
- keep their personal information updated with the Company's Corporate Executive Office;
  - supply a copy of their Identity Card, their National tax number (CPF) and their résumé;
  - make the statements required by the by-laws and the applicable legislation and regulations;
  - and annually present a statement of their private assets in accordance with the procedure set by the Office of the Comptroller General of the State of Minas Gerais.
- Clause 5 Members of the Audit Board must participate, on taking office and annually, in specific training sessions made available by the Company on:
- I corporate law and the capital markets;
  - II disclosure of information;
  - III Internal Controls and risk management;
  - IV the Statement of Ethical Principles and Code of Professional Conduct of Cemig;
  - V Federal Law 12846 of August 1, 2013;
  - VI tenders and contracts; and
  - VII other subjects related to the Company's activities.
- §1 Those who have not, in the preceding two years, participated in annual training made available by the Company are prohibited from being re-appointed to their positions.
- Clause 6 Members of the Audit Board must satisfy the following requirements:
- I be individuals resident in Brazil, with unblemished reputation;
  - II have academic qualification compatible with the exercise of the function;
  - III have a minimum of 3 years' experience in a position of:
    - a) management or advisory in the Direct or Indirect Public Administration; or
    - b) membership of the Audit Board, Board of Directors, or Executive Board of a company; and
  - IV not be subject to any of the prohibitions referred to in Article 147 of Federal Law 6404 of 1976.
- §1 Academic qualification should include a university or postgraduate degree recognized and accredited by the Education Ministry.
- §2 The periods of experience referred to in separate paragraphs of Sub-item III of the head paragraph of this clause may not be added for the calculation of the time required.
- §3 The periods of experience referred to in any single paragraph of Sub-item III of the head paragraph of this clause may be added for calculation of the time required, provided they refer to different periods.

## **CHAPTER IV**

### **IMPEDIMENTS, LEAVE, VACANCIES AND REPLACEMENTS**

- Clause 7 The function of member of the Audit Board may not be delegated. In the event of resignation, death or impediment, a sitting member of the Audit Board shall be replaced by their respective alternate member, until the new member is elected by the General Meeting of Stockholders, and such member shall be chosen by the same party that appointed the alternate member.
- Clause 8 In the event of absence, the Chair of the Audit Board shall be substituted by any one of the other members of the Board, on nomination by the majority of members of the Board.

## **CHAPTER V**

### **COMPENSATION**

- Clause 9 The compensation of the members of the Audit Board shall be set by the General Meeting of Stockholders which elects them, in accordance with the applicable legislation.
- §1 Article 32 of Minas Gerais State Decree 47154/17 shall be obeyed in relation to prohibition of remunerated participation in more than two boards among all Boards of Directors or Audit Boards of state-controlled companies or their subsidiaries.
- Clause 10 Sitting or alternate members of the Audit Board resident outside the municipality of Belo Horizonte shall be reimbursed the expenses of travel and accommodation necessary for them to attend meetings and/or carry out their functions, and as cost assistance shall receive the equivalent of approximately 10% of the total monthly remuneration of a member of the Board for each meeting they attend.

## **CHAPTER VI**

### **COMPETENCIES AND DUTIES**

- Clause 11 The Audit Board shall have the duties and competencies set by the applicable legislation and, to the extent that they do not conflict with Brazilian legislation, those required by the laws of the countries in which the Company's shares are listed and traded, including the following:
- a) to monitor and inspect, through any one of its members, the acts of the managers, and verify compliance with their duties under the law and the by-laws;
  - b) to give opinion on the annual report of management, and to include in such opinion any such complementary information that it deems to be necessary or useful to the decision of the General Meeting of Stockholders;
  - c) to give opinion on any proposals made by management bodies to be submitted to the General Meeting of Stockholders or the Board of Directors, as the case may be, in relation to any change in the share capital, issuance of debentures or warrants, investment plans or capital budgets, distribution of dividends, transformation, absorption, merger or split;

- d) through the person of any of its members, to report any errors, frauds or crimes that they discover to the management bodies, and if these do not take the measures necessary for the protection of the Company's interests, to the General Meeting of Stockholders, and suggest measures that will be useful to the Company;
- e) to call the Annual General Meeting, if the management bodies delay its convocation by more than 1 (one) month, and to call an Extraordinary Meeting of Stockholders whenever there are serious or urgent reasons, and include on the agenda of such meetings whatever matters they consider to be necessary;
- f) to analyze, at least quarterly, the trial balance and other financial statements prepared periodically by the Company;
- g) to examine the financial statements for the business year and to give opinion on them;
- h) to carry out these functions during liquidation, having in mind the special provisions regulating that procedure;
- i) to receive and examine, in accordance with Article 163 of Law 6404, copies of the minutes of meetings of the Company's governance bodies.

§1 At least one member of the Audit Board shall be present at any meetings of the Board of Directors at which any of the subjects on which it has the duty of giving an opinion are discussed or decided.

§2 At the request of any one of its members, the Audit Board may ask the external auditors for explanations or information necessary for investigation of specific facts.

## ***CHAPTER VII***

### ***MEETINGS***

Clause 12 The Audit Board shall meet, ordinarily, once per month, and extraordinarily, whenever necessary.

§1 At the opening of the meeting, the Chair shall state the agenda of matters to be examined, taking into account the following priorities:

- a) urgency or deadline for decision;
- b) matters not examined or decided in a previous meeting;
- c) ordinary matters.

Clause 13 Meetings shall be called by the Chair of the Audit Board, or, if the Chair is absent or impeded, by at least two members jointly, as follows:

- a) with at least three days' prior notice;
- b) by email, fax, letter or any other means of communication;
- c) with indication of the agenda, date, time and place.

- Clause 14 Meetings shall be held at the Company's head office, and may also, exceptionally, take place at a different location. On the basis of urgency, they may take place online, by telephone or video conference.
- Clause 15 Meetings of the Audit Board shall be held with the presence of at least the majority of its members, and recommendations shall be made by a majority of those present.
- Clause 16 As well as the members of the Audit Board, the Secretary shall take part in the meeting, without the right to vote.
- Clause 17 Members of the Executive Board, employees, consultants and members of the Board of Directors may be invited to take part in meetings, without the right to vote, remaining present during such time as the subject of their area of specialization is under discussion.
- Clause 18 The minutes of the meetings of the Audit Board shall be transcribed in the Book of Minutes of the Audit Board.

### ***CHAPTER VIII***

#### ***THE SECRETARY***

- Clause 19 The Audit Board shall have a Secretary, who must obligatorily be an employee of the Company, to record the proceedings and to assist and advise the members of the Audit Board.
- Clause 20 The Secretary has the following competencies and duties:
- a) to accompany the business of meetings, advising the Chair of the Audit Board on the progress of the activities;
  - b) to provide the complete logistics for the meetings;
  - c) to submit the relevant materials in good time;
  - d) formally to record the meetings; and
  - e) to file, internally, all the minutes of the meetings of the Board of Directors, and all the documentation upon which the meetings are based;

### ***CHAPTER IX***

#### ***DUTIES AND RESPONSIBILITIES***

- Clause 21 The members of the Audit Board have the same duties as the members of the Board of Directors and the Executive Board. They must:
- a) exercise their functions in the exclusive interest of the Company, subject to satisfaction of the requirements of the public good and the social function of companies;
  - b) serve the Company, and its wholly-owned and other subsidiaries, and affiliated companies, with diligence and loyalty, and maintain secrecy about their business;
  - c) maintain secrecy about information not yet disclosed to the market that has been obtained by reason of their position;
  - d) reserve and maintain time available in their schedules so as to comply with the convocations of meetings of the Audit Board, based on the timetable previously published.

Clause 22 Members of the Audit Board may not:

- a) take any loan or funds from the Company, or use assets belonging to the company to their own advantage;
- b) receive any type of advantage by reason of exercise of their position;
- c) use, to their own benefit or that of another person, with or without loss being caused to the Company or to any of its wholly-owned or other subsidiaries, or affiliated companies, any commercial opportunity of which they become aware by reason of the exercise of their position;
- d) be omiss in the exercise or protection of rights of the Company or its wholly-owned or other subsidiaries, or affiliated companies;
- e) acquire, for resale at a profit, an asset or right that they know to be necessary to the Company or which the Company intends to acquire;
- f) use any privileged information to obtain advantage for themselves or any other party, through purchase or sale of securities;
- g) intervene in any operations or transactions that have an interest conflicting with that of the Company or of any wholly-owned or other subsidiary, or affiliated company, and in such cases they must state the causes of their impediment in minutes;
- h) directly or indirectly participate in trading of securities issued by the Company or referenced to them:
  - (a) before disclosure to the market of any material fact or event that takes place in the Company;
  - (b) within fifteen days prior to disclosure of the Company's Quarterly Information (ITR) or annual information (DPF or IAN); or
  - (c) whenever there is intention to carry out an absorption, total or partial split, merger, transformation or stockholding reorganization.

Clause 23 Members of the Audit Board shall be liable for any damages resulting from omission to comply with their duties, or from any act carried out with negligence or malicious intent.

Clause 24 A member of the Audit Board is not responsible for unlawful acts of other members, unless he or she was complicit, or contributed to the act being committed.

Clause 25 Members of the Audit Board have joint liability in the event of omission in compliance with their duties, with the exception that a dissident member shall be exempt from such liability if he or she causes their disagreement to be recorded in minutes of a meeting of the Board and notifies the bodies of Management and the General Meeting of Stockholders.

Clause 26 The members of the Audit Board must immediately inform the head of Cemig's Corporate Law and Governance Office (*Gerência de Direito Societário e de Governança*) of any changes in their stockholding position in the Company, on the conditions and in the form laid down by the Securities Commission (CVM), in particular as specified in CVM Normative Instruction 358/2002, as amended, and also in accordance with the Company's Information Disclosure Policy.

**CHAPTER X**  
**PERFORMANCE EVALUATION**

Clause 27 Annually, the members of the Audit Board shall submit to individual and collective evaluation of performance, with a view to enhancing their functions. The methodology adopted must be previously approved by the members and be part of the overall process of evaluation of internal procedures and controls.

**CHAPTER XI**  
**CONTRACTING OF EXTERNAL CONSULTANCY SERVICES**

Clause 28 So as better to analyze and evaluate issues of importance to the Company, the Audit Board may requisition contracting of external consultants to issue opinions in support of taking of a decision, subject to the following:

- a) The process of contracting of services shall be subject to the Company's rules on contracting;
- b) the funds must be in the Company's Annual Budget; and
- c) the limits of reasonableness and probity in the ordering of such expenses must be obeyed, and they must be compatible with similar services contracted by the Company.

**CHAPTER XII**  
**POLICY FOR PREVENTION OF FRAUD AND INAPPROPRIATE CONDUCT**

Clause 29 The Audit Board shall receive information of accusations received through the anonymous ethics channel made available by the Company, regarding fraud and/or inappropriate conduct related to the financial statements and/or publication of results or of reports submitted to the regulatory bodies; and also, any accusation that it considers to be significant to the Company's financial position or property; and shall take the measures that it believes to be appropriate to the extent of its competencies and duties under law and the by-laws.

§1 The Board shall request periodic reports from Internal Auditing, on recommendations relating to non-compliance with the Statement of Ethical Principles and Code of Professional Conduct of Cemig, in any case where the members of the Board of Directors or the Executive Board omit to take necessary measures within 30 days in relation to a situation reported.

§2 The Audit Board, to the extent of its duties and competencies, may take measures for protection of the accusing party against attempts of pressure or threat until the accusation has been finally investigated and, if appropriate, submitted to the public bodies responsible for applying the law.

**CHAPTER XIII**  
**PROGRAM OF WORK**

- Clause 30 The Audit Board shall prepare a program of work, with a view to complying with its duties in accordance with the provisions of law. This must contain:
- a) definition of the scope and depth of the analyses carried out, in which tasks may be shared to facilitate its analysis;
  - b) sufficient breadth of scope to ensure certification of the material information for inclusion in the various instruments of disclosure.

**CHAPTER XIV**  
**BUDGET**

- Clause 31 Annually, within the budget process, the Company shall prepare the Budget for the following year with the objective of ensuring the necessary funds for compliance with the functions under the law and the by-laws.
- §1 The Annual Budget of the Audit Board shall include a special funding allocation to enable contracting, subject to the provisions of Clause 28 of these Internal Regulations, of consultants or external auditors able to assist it in the evaluation of specific questions, approved during a meeting, if necessary.
- §2 The Secretary shall provide all the infrastructure necessary to enable the Audit Board to have access to the information requested.

**CHAPTER XIV**  
**GENERAL PROVISIONS**

- Clause 32 These Internal Regulations come into effect on the date of their approval by the Board of Directors, and the Board of Directors may change them at any time, by a vote in favor given by the majority of its members present at a meeting that decides on the subject. They shall be filed at the head office of the Company.