



**EQUATORIAL ENERGIA S.A.**  
**CNPJ / MF No. 03.220.438 / 0001-73**  
**NIRE 2130000938-8**  
**Publicly Held Company**

Dear Shareholders,

We present below Management's Proposal with respect to the matters included in the day's order of business of the Company's Extraordinary General Meeting that is scheduled to be held on April 27, 2017:

***1. Consideration of the proposed capitalization of the Legal Reserve and part of the Investment and Expansion Reserve.***

We propose to capitalize one hundred and seventy-three million, seven hundred and thirty-three thousand, seven hundred and forty-one *Reais* and thirty-five cents (R\$173,733,741.35) from the Legal Reserve and seventy million *Reais* (R\$70,000,000.00) from the Investment and Expansion Reserve, which will henceforth be part of the new balance of the Company's Capital Stock.

In both of the capitalizations proposed in the paragraph above, no new shares will be issued.

In the event that the above proposal is approved, the Capital Stock will increase to a figure of two billion, two hundred sixty million, four hundred ninety-four thousand, one hundred forty-one *Reais* and seventy-two cents (R\$2,260,494,141.72).

Under the terms of article 14 of CVM Instruction 481/09, the information regarding the above capitalization proposal is detailed in Exhibit I to this proposal.

***2. Consideration of the proposed amendment of the Company's Bylaws, to amend Article 6 of the aforesaid by-laws, in order to reflect the consideration stated in the previous item.***

As recognized at the meeting of the Company's Board of Directors that was held on March 8, 2017, we propose to amend the wording of article 6 in order to reflect the Company's new capital stock, which has increased to the sum of two billion, two hundred sixty million, four hundred ninety-four thousand, one hundred forty-one *Reais* and seventy-two cents (R\$2,260,494,141.72).

In order to consolidate the proposed amendment to the Bylaws and comply with the requirements of article 11 of CVM Instruction 481/2009, the information regarding the alteration of the Company's Bylaws is included in the Management Proposal as Exhibit II.

***3. Setting of management's annual global compensation, considering the proposal below.***

We propose that management's overall compensation for the 2017 fiscal year, for the period from January 1 to December 31, be set at a total amount not exceeding fifteen million five hundred thousand *Reais* (R\$15,500,000.00).

In the proposal regarding the 2016 fiscal year, for the period from January 1 to December 31, management's compensation of up to fourteen million five hundred thousand *Reais* (R\$14,500,000.00) was proposed and subsequently approved by the Shareholders' Meeting. For the same period, the total compensation recognized came to a figure of twelve million, five hundred and four thousand, four hundred and fifty *Reais* (R\$12,504,450.00), as shown in item 13.2 of the Company's Reference Form, excluding the costs of the Company's Stock Option Plan, which we do not regard as compensation. This difference is due to the payment of a lower amount for Variable Compensation than the maximum forecast.



The information required for the proper analysis of the proposal for management's compensation, as determined by article 12 of CVM Instruction 481/09, can be found in Exhibit III to this proposal.

***4. Setting of the Company's Fiscal Council's annual global compensation.***

We propose that the Company's Fiscal Council's overall annual compensation be set at a total amount not exceeding four hundred thousand *Reais* (R\$400,000.00).

The information required for the proper analysis of the proposal regarding the Fiscal Council's compensation, as determined by article 12 of CVM Instruction 481/09, can be found in Exhibit III to this proposal.

**EXHIBIT I**  
**CAPITAL INCREASE**  
**Exhibit 14 (CVM Instruction 481/09)**

1. Inform the value of the increase and of the new share capital

<u>Description</u>	<u>Amounts in R\$</u>
Share Capital prior to the Increase	2,016,760,400.37
Capitalization of the Legal Reserve	173,733,741.35
Capitalization of the Inv. and Expansion Reserve	70,000,000.00
Share Capital after the proposed Increase	<b>2,260,494,141.72</b>

2. Indicate whether the increase will be made via: (a) conversion of debentures into shares; (b) exercise of subscription rights or of subscription bonus; (c) capitalization of profits or reserves; or (d) subscription of new shares:

The proposed capital increase will be by capitalization of the following reserves: R\$173,733,741.35 from the Legal Reserve and R\$70,000,000.00 from the Investment and Expansion Reserve.

3. Provide a detailed explanation of the reasons for the increase and its legal and economic consequences

In accordance with article 199 of Law 6404/76 (with the new wording as given by Law 11638/07), this capitalization is being proposed to the General Shareholders' Meeting so that revenue reserves will not exceed the limit of 100% of share capital.

It is stressed that this capitalization will not involve the issue of new shares and that there will be no economic consequences, bearing in mind that is merely a transfer between the accounts that make up Shareholders' Equity.

4. Provide a copy of the opinion of the fiscal council, if applicable

A: Fiscal Council's opinion dated March 08, 2017, available on the CVM's IPE system.

5. In case of a capital increase via the subscription of shares

A: Not applicable

- a. Describe the allocation of the resources
- b. Inform the number of shares issued of each type and class
- c. Describe the rights, advantages and restrictions attributed to the shares to be issued

- d. Indicate whether the subscription will be a public one or a private one
- e. In the case of a private subscription, indicate whether related parties, as defined by the accounting rules that deal with this subject, will subscribe shares in the capital increase, specifying the respective amounts, when these amounts are already known
- f. Inform the issue price of the new shares or the reasons as to why their setting should be delegated to the board of directors, in cases of public distribution
- g. Inform the nominal value of the shares issued or, in the case of shares with no par value, the portion of the issue price that will be earmarked for the capital reserve
- h. Provide management's opinion with regard to the effects of the capital increase, especially in relation to the dilution caused by the increase
- i. Inform the criteria used to calculate the issue price and provide a detailed justification of the economic aspects that determined its choice
- j. If the issue price has been fixed at a premium or a discount to market value, specify the reason for the premium or discount and explain how it was determined
- k. Provide a copy of all reports and studies that supported the issue price that was set
- l. Inform the quotation of each of the company's types and classes of shares in the markets in which they are traded, identifying:
  - i. Minimum, average and maximum quoted price for each year, during the last three (3) years
  - ii. Minimum, average and maximum quoted price for each quarter, during the last two (2) years
  - iii. Minimum, average and maximum quoted price for each month, during the last six (6) months
  - iv. Average price during the last 90 days
- m. Inform the issue prices of shares in capital increases that were made during the last three (3) years
- n. Report the potential dilution percentage as a result of the issue
- o. Inform the terms, conditions and form of subscription and payment of the shares issued
- p. Inform whether the shareholders will have preemptive rights to subscribe for the

new shares being issued and give details of the terms and conditions that this right is subject to

- q. Inform management's proposal for the treatment of any surpluses
- r. Describe in detail the procedures that will be adopted, if there is a provision for partial ratification of the capital increase
- s. If payment of the issue price of the shares is wholly or partially made in assets
  - i. Provide a complete description of the assets
  - ii. Explain the relationship between the assets incorporated into the company's equity and their corporate purpose
  - iii. Provide a copy of the valuation report of the assets, if one is available

6. In the case of a capital increase by means of the capitalization of profits or reserves

- a. Inform whether this will entail altering the par value of the shares, if there is one, or distributing new shares among the shareholders

The shares have no par value and no new shares will be issued.

- b. Inform whether the capitalization of profits or reserves will be undertaken with or without any modification in the number of shares in the companies with shares with no par value

It will be carried out without any modification of the number of shares.

- c. In case of distribution of new shares

No new shares will be distributed.

- i. Inform the number of shares issued of each type and class
  - ii. Inform the percentage that the shareholders will receive in shares
  - iii. Describe the rights, benefits and restrictions attributed to the shares to be issued
  - iv. Inform the acquisition cost, in Reais per share, to be attributed so that the shareholders can comply with article 10 of Law 9249, of December 26, 1995
  - v. Inform treatment of fractions, if applicable
- d. Inform the time limit in para. 3 of article 169 of Law 6404 of 1976



Not Applicable

- e. Inform and provide the information and documents provided in item 5 above, when applicable

Not Applicable

7. In the event of a capital increase by means of the conversion of debentures into shares or by exercise of subscription bonus

A: Not Applicable

- a. Inform the number of shares issued of each type and class
- b. Describe the rights, advantages and restrictions attributed to the shares to be issued



**EXHIBIT II**  
**COMPANY'S BYLAWS**  
**Annex 11 (CVM Instruction 481/09)**

**CHAPTER I**  
**NAME, PURPOSE, HEADQUARTERS AND DURATION**

Article 1 - The Company is called "EQUATORIAL ENERGIA S.A." and shall be governed by these Bylaws and by applicable legal provisions.

Sole Paragraph – With the admission of the Company in the special listing segment named *Novo Mercado*, of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros ("Novo Mercado" and "BM&FBOVESPA", respectively), the Company, its shareholders, its management e Fiscal Council members, when active, are bound by the Novo Mercado listing rules (Novo Mercado Rules).

Article 2 – Where a tender offer required under the provisions of these Bylaws is materially detrimental to the rights of shareholders, the Novo Mercado Listing Rules shall prevail over the provisions of these Bylaws.

Article 3 - The Company has as its purpose holding interest in the capital stock of other companies, consortiums and undertakings that operate in the electricity sector or in similar activities.

Article 4 - The Company's headquarters and jurisdiction are in the City of São Luis, State of Maranhão, and it may, at the Board of Directors' discretion, create and extinguish branches, agencies and sales offices in any part of the country or abroad.

Article 5 - The Company's term of duration is undetermined.

**CHAPTER II**  
**CAPITAL STOCK**

**ORIGINAL TEXT**

Article 6 - The Capital Stock is two billion, eleven million, seven hundred and one thousand, nine hundred and fifty-seven reais and seventy-two cents (2,011,701,957.72), divided into one hundred ninety-eight million, four hundred and forty-seven thousand, three hundred and fifty-two (198,447,352) non-par registered common shares

**PROPOSED TEXT**

Article 6 - The Capital Stock is two billion, two hundred sixty million, four hundred ninety-four thousand, one hundred forty-one *Reais* and seventy-two cents (R\$2,260,494,141.72), divided into one hundred ninety-eight million, six hundred ninety-three thousand, seven hundred thirty-three (198,693,733) non-par registered common shares

**JUSTIFICATION**

The capital increase being proposed is based on the capitalization of the Legal Reserve and from the Investment and Expansion Reserve, respectively, one hundred seventy-three million, seven hundred thirty-three thousand, seven hundred forty-one Reais and thirty-three cents (R\$ 173,733,741.35) and seventy million Reais (R\$ 70,000,000.00). As per our understanding, there are no legal or economic consequences that should be noted, since it is only a transfer of balance between accounts within the Shareholder's Equity, not changing its final value.

Paragraph One - Each common share is entitled to one (1) vote in the resolutions of the Company's General Meetings.

Paragraph Two - The compensation mentioned in paragraph 3 of Article 35 of Law 6,404, of December 15, 1976, as amended ("Corporation Law"), may be charged from shareholders.

Paragraph Three - The Company may not issue preferred shares or founders' shares.

Article 7 - The Company is authorized to increase its capital stock, regardless of amendment to the Bylaws, up to the limit of three hundred million (300,000,000) shares by issuing new common shares.

Paragraph One - Within the authorized capital limit, the Board of Directors shall be responsible for resolving on the issue of shares, simple or convertible debentures or subscription bonuses, establishing if the increase shall take place by public or private subscription, the payment conditions and the issue price, and it may also exclude the preemptive right or reduce the term for the exercise of the issues whose placement is made through sale on a stock exchange or by public subscription, or in a public offering of control acquisition, as set forth by law.

Paragraph Two - The Board of Directors, within the authorized capital limit and according to the plan approved at the General Meeting, may grant a call option of shares to administrators, employees or individuals who provide services to the Company or to a company under its control as long as he or she does not have the ability to enable the change of the Company's control.

Article 8 - For purposes of reimbursement, the share value may be determined based on the Company's economic value ascertained in an appraisal by a specialized company indicated and chosen according to the provisions in Article 45 of the Corporation Law, or based on the Company's book value, whichever is lower.

### **CHAPTER III** **GENERAL MEETING**

Article 9 - The General Meetings shall be called pursuant to Article 124 of the Corporation Law, with at least fifteen (15) days advance notice counted from the publication of the first call notice; if the Meeting is not held, a second call notice shall be published at least eight (8) days before the Meeting.

Sole Paragraph – According to Article 126, paragraph one of Law 6,404/76, the Company may waive the certification of signatures and notarization of the powers of attorney granted by its shareholders, in compliance with legislation applicable to publicly-held companies.



Article 10 - The General Meeting shall be chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman of that body, who shall invite one of the attendees to be the secretary of the meeting.

#### **CHAPTER IV** **MANAGEMENT**

##### **Section I - General Rules**

Article 11 - The Board of Directors and the Board of Executive Officers are responsible for the Company's Management.

Article 12 - The General Meeting shall establish the Management's annual overall compensation, including benefits of any nature and agency fees, taking into account their responsibilities, the time dedicated to their functions, their professional competence and reputation and the value of their services in the market, being incumbent upon the Board of Directors the payment of the fixed compensation.

Article 13 - The management shall be invested in their positions upon the execution of the Instrument of Investiture drawn up in the Company's records within thirty (30) days after their election. The management's investiture shall be subject to the previous subscription of the Management Instrument of Agreement, mentioned in the *Novo Mercado* (New Market) Listing Regulation and the Disclosure Policy of Material Acts or Facts adopted by the Company pursuant to CVM Instruction 358 of January 22, 2002, as in accordance with the applicable legal provisions.

Sole Paragraph - The members of the Board of Directors and of the Board of Executive Officers are obligated, without adverse effects to the duties and responsibilities attributed to them by law, to be discreet about all the Company's businesses, treating as confidential all information they have access to and concerning the Company, its businesses, employees, management, shareholders or contracted parties and service providers, undertaking to use such information in the Company's exclusive and best interest. Upon investiture in their positions, the management shall execute the term of confidentiality, as well as see that subordinates or third parties do not violate their obligation to confidentiality.

##### **Section II – Board of Directors**

Article 14 - The Board of Directors, shall be composed of at least five (5) and at most nine (9) sitting members, all elected and dismissable by the General Meeting, with a unified term of office of two (2) years. Reelection is allowed. At least 20% of the members of the Board of Directors shall be Independent Board Members, defined as such in the *Novo Mercado* Rules and also declared as such in the General Meeting where he is elected.

Paragraph One – For the purposes of these Bylaws, an "Independent Board Member" is as defined in the *Novo Mercado* Listing Regulation.



Paragraph Two - Those elected as provided for in paragraphs 4 and 5 of Article 141 of the Corporation Law shall also be considered Independent Board Members.

Paragraph Three - When compliance with the percentage referred to in Paragraph One above results in a fractional number of board members, that number shall be rounded, according to the Novo Mercado Rules to the whole number: (i) immediately higher, when the fraction is equal to or higher than  $\frac{1}{2}$ , or (ii) immediately lower, when the fraction is lower than  $\frac{1}{2}$ .

Article 15 - The Board of Directors may determine the creation of advisory committees aimed at assisting the respective members of the Board of Directors as well as define the respective composition and specific duties.

Article 16 - The Board of Directors shall have one (1) Chairman and one (1) Vice-Chairman who shall be elected by majority vote of the sitting members. It shall be incumbent upon the Chairman or, in his absence, upon the Vice-Chairman, to chair the Board of Directors' meetings. In their absences or temporary impediments, the Chairman and the Vice-Chairman shall substitute each other reciprocally.

Paragraph One - In the event of absence or temporary impediment of other Members of the Board of Directors, they may be substituted by other Board Members to whom special powers have been granted. In this case, the Board Member who is substituting the absent or temporary impeded Member shall express the vote of the Board Member he is substituting in addition to his own vote.

Paragraph Two - In the event that the position of Chairman or Vice-Chairman becomes vacant, a meeting of the Company's Board of Directors shall be called immediately for the election of a substitute. In the event that other positions on the Board of Directors become vacant, a Board of Directors' meeting shall be likewise called pursuant to Article 150 of the Corporation Law, and the remaining Board Members shall elect a substitute who shall remain in office until the Company's first General Meeting. In the event that most positions on the Board of Directors become vacant, a General Meeting shall be called immediately to proceed with the new election of Board Members.

Paragraph Three - The Board of Directors shall always meet whenever called by the Chairman, by the Vice-Chairman or by the Chief Executive Officer in writing, including through facsimile, at least five business days in advance. Regardless of the call formalities, a meeting that all members of the Board Directors attend shall be considered lawful.

Paragraph Four - The meetings shall be called to order with the attendance of the majority of their Members, being indispensable the attendance of the Chairman or of the Vice-Chairman of the Board of Directors. The Board Members may participate in such meetings by means of conference call or video conference, thus considered as attending the meeting, and they shall confirm their vote through a written declaration submitted to the Chairman by letter, facsimile or electronic mail immediately following the end of the meeting. Once the declaration is received, the Chairman shall be invested with full powers to sign the minutes of the meeting on behalf of the said Board Member.

Paragraph Five- The resolutions shall be made by majority vote.



Paragraph Six – The Chairman of the Board of Directors and Chief Executive Officer or main officer of the Company shall not be held by the same person.

Article 17 - It is incumbent upon the Board of Directors:

- (a) to establish the general guidance of the Company's businesses including the preparation of any substantial amendment to its business plan;
- (b) to elect and dismiss the Board of Executive Officers;
- (c) to oversee the Management of the Board of Executive Officers;
- (d) to call, by its Chairman, or its Vice-Chairman, or by any two (2) of its Members, the Annual and Extraordinary General Meetings;
- (e) to give its opinion about the Management report and the Board of Executive Officers' accounts;
- (f) to establish and distribute, within the limits annually set forth by the General Meeting, the administrators' compensation when voted as an overall allocation;
- (g) after observing the legal provisions and hearing the Fiscal Council, if instated, (i) to declare, during the fiscal year and up to the Annual General Meeting, interim dividends, including as partial or total anticipation of the minimum mandatory dividend on the account of: (a) profits ascertained on a semiannual balance sheet; or (b) retained earnings or profit reserves existing in the last annual or semiannual balance sheet; (ii) to determine the payment of interest on the Company's own capital;
- (h) the approval of the Company's dividend policy and the declaration, during the fiscal year and up to the General Meeting, of interim dividends, including as partial or total anticipation of the minimum mandatory dividend, on the account of profits ascertained on a semiannual or quarterly balance sheet, or on a balance sheet for a smaller period of time, or of retained earnings or profit reserves existing on the last balance sheet;
- (i) the constitution of any lien on movable or fixed assets, or the pledge or assignment of revenues or credit rights as guarantee in financial operations, or not to be entered into by the Company, whenever the total amount of the assets of the guarantee exceeds ten percent (10%) of the Company's total shareholders' equity, or any lower percentage to be established by the Board of Directors, determined based on the Company's most recent audited financial statements;
- (j) the sale of any asset included in the Company's permanent assets whose value exceeds ten percent (10%) of the total value of the Company's permanent assets, determined based on the Company's most recent audited financial statements;
- (k) the acquisition of any asset to be included in the Company's permanent assets whose value exceeds ten percent (10%) of the Company's total shareholders' equity, or any lower percentage to be established by the Board of Directors, determined based on the Company's most recent audited financial statements;
- (l) to give prior opinion on the proposals to issue shares and/or any securities by the Company and resolve on the issue of shares or subscription bonuses within the authorized capital limit, as the case may be, and of simple or convertible debentures;
- (m) to choose and dismiss independent auditors;
- (n) to authorize the Company to hold interest in other companies;
- (o) to authorize the acquisition of shares issued by the Company for purposes of cancelation or to be held in treasury and their subsequent sale, according to the provisions in paragraph 1, items "a" and "b" of Article 30 of the Corporation Law;
- (p) to authorize the assumption of responsibility or obligation by the Company, the release of third parties from obligations with the Company, and transactions to

- prevent or end litigations, involving an amount higher than five million reais (R\$5,000,000.00);
- (q) the approval of investments and/or the contract of loans or financing of any nature, including the issue of commercial papers, debentures and/or any other bonds or similar instruments for distribution on any capital markets whose individual amount, or overall amount in the event of a series of connected or identical operations, is higher than 5% of the Company's total shareholders' equity, or any lower percentage to be established by the Board of Directors, determined based on the Company's most recent audited financial statements. Any of the aforementioned operations shall also depend on prior approval of the Board of Directors, regardless of the value, in the event the additional indebtedness represented by them exceeds, within a certain fiscal year, 10% of the Company's shareholders' equity;
  - (r) to authorize the opening or closing of branches, agencies or sales offices in any part of the country or abroad;
  - (s) to give prior opinion on the proposals of amendments to the Company's Bylaws;
  - (t) to give prior opinion about the proposals of mergers, amalgamations, spin-offs, transformations or any similar operations that involve the Company and its subsidiaries;
  - (u) to establish the vote of the Company's representative at the General Meetings and meetings of the companies in which it participates as partner or shareholder, give prior approval to the amendments to the articles of incorporation or to the bylaws of the companies in which the Company participates, also approving the choice of the management of subsidiaries or affiliated companies to be elected with the Company's vote;
  - (v) to approve the legal businesses and the resolutions referred to in this article by the Company's subsidiaries or affiliated companies;
  - (w) to establish general compensation criteria and the benefits policy (indirect benefits, profit sharing and/or a share in sales) of the Company's management and senior employees (superintendents or employees with management positions);
  - (x) to approve the execution of any businesses or agreements between the Company and its shareholders and management (and partners, directly or indirectly, of the Company's shareholders and their respective management), except the acquisition of products or services in uniform conditions or as part of the normal course of business;
  - (y) to define the three-name list of companies specialized in the economic appraisal of companies for the preparation of the appraisal report of the Company's shares, in the event of a public tender offering for deregistration as a publicly-held company or for delisting from the *Novo Mercado*; and
  - (z) to approve any long-term agreements between the Company and its clients, suppliers, service providers and other entities with which it has a commercial relationship, or their extensions, with a term of duration longer than twelve months and total amount higher than five million reais (R\$5,000,000.00), except with concessionaires of public services or others that maintain uniform conditions.
- (aa) Express itself in favor or against regarding any tender offer initiated for shares issued by the Company, publishing a reasoned opinion within 15 (fifteen) days after the publication of the announcement of the tender offer, that should address, at least (i) the timing and convenience of the bid vis-à-vis the interests of shareholders and the liquidity of their shares; (ii) the impact of the offer on the business interests of the Company; (iii) the bidder's announced strategic plans for the Company, and; (iv) any other point of consideration the Board may deem relevant, in addition to information required under the applicable CVM rules.



### **Section III – Board of Executive Officers**

Article 18 - The Board of Executive Officers, elected by the Board of Directors, shall be composed of at least (2) and at most seven (7) Officers, with one (1) Chief Executive Officer and one (1) Chief Financial and Investor Relations Officer; the other members elected to compose the Board of Executive Officer shall not have a specific designation. All Officers must be residents in the country, shareholders or not, to be elected by the Board of Directors, with a term of office of one (1) year. Reelection is allowed.

Article 19 - The Board of Executive Officers is not a collective body, however, it may meet to discuss operational aspects, whenever necessary, at the Chief Executive Officer's discretion, and he shall also chair the meeting,

Sole Paragraph. The meetings of the Board of Executive Officers shall be called to order with the attendance of the majority of the members of the Board of Executive Officers.

Article 20 - In their absence or temporary impediments, the Chief Executive Officer and the Chief Financial and Investor Relations Officer shall substitute each other, reciprocally.

Sole Paragraph - In the event that a position on the Board of Executive Officers becomes vacant, a Board of Directors' meeting shall be called immediately for the election of his substitute.

Article 21 - Incumbent upon the Board of Executive Officers are the duties determined by law, in compliance with the other rules of these Bylaws.

Paragraph One - It is incumbent upon the Chief Executive Officer: (i) to call and chair the Board of Executive Officers' meetings; (ii) to command the Company's businesses; (iii) to determine and follow the exercise of the duties of the Officers with no specific designation; (iv) to chair the Board of Executive Officers' meetings and the General Meetings, the latter only in the absence of the Chairman and of the Vice-Chairman of the Board of Directors; and (v) to implement the resolutions of the Board of Directors and of the General Meeting.

Paragraph Two - It is incumbent upon the Chief Financial and Investor Relations Officer: (i) to manage Company's finances; (ii) to manage the controllership, treasury and accounting areas; (iii) to execute the guidelines determined by the Board of Directors; (iv) to substitute the CEO in his absence and temporary impediments; and (v) those duties assigned to the Investor Relations Officer by the legislation in force, such as to provide information to investors, to the Brazilian Securities and Exchange Commission and to the São Paulo Stock Exchange – BM&FBOVESPA, as well as to keep the Company's registration current according to the applicable regulation of the Brazilian Securities and Exchange Commission.

Paragraph Three - It shall be incumbent upon the Officers with no specific designation to execute the policies and guidelines set forth by the Chief Executive Officer, Chief Financial and Investor Relations Officer and the Board of Directors.

Article 22 - All documents that assume obligations for the Company or release third parties from obligations with the Company shall, under the penalty of being rendered ineffective, be signed: (a) by any two (2) Officers; (b) by any one (1) Officer pursuant to paragraph two of this



Article; or (c) by one (1) Officer, jointly with one (1) attorney-in-fact constituted pursuant to paragraph one of this Article.

Paragraph One - The powers of attorney granted by the Company shall be signed by any two (2) Officers, expressly specify the powers granted, including the assumption of obligations as mentioned in this Article, and delimit the term of validity which shall be limited to, at most, one (1) year, except those granted to attorneys for the Company's representation in judicial or administrative proceedings

Paragraph Two - Paragraph Two - The powers of attorney for financial institutions to guarantee financing may be valid for more than one year, being restricted to the period of their funding or guarantee agreement, and also provide for the substitution, always with reserve of equal powers.

Paragraph Three - The Company may also be validly represented by any one (1) Officer, including for the assumption of obligations, as long as there is a unanimous, express and specific resolution of the Board of Executive Officers to this effect, or in the following situations:

- (i) when related to the hiring of service providers or employees;
- (ii) in routine issues before federal, state and municipal public bodies, autonomous public entities and mixed companies;
- (iii) in the signature of correspondence concerning routine issues;
- (iv) in the endorsement of instruments aimed at collection or deposit on behalf of the company; and
- (v) in the representation of the company at the general meetings of its subsidiaries and other companies in which it has equity interest in compliance with the provision in these Bylaws.

Article 23 – Company Officers and attorneys-in-fact are prohibited from obligating it in businesses different from the corporate purpose, as well as from practicing acts of liberality on behalf of the Company or grant sureties and guarantees unnecessary to the achievement of the corporate purpose.

## **CHAPTER V** **FISCAL COUNCIL**

Article 24 - The Company shall have a non-permanent Fiscal Council, composed of three (3) to five (5) sitting members and the same number of deputies elected at the General Meeting, who shall have those duties provided for by law.

Paragraph One - The investiture of the members of the Fiscal Council is subject to the prior subscription of the Instrument of Agreement of the Members of the Fiscal Council, mentioned in the *Novo Mercado* Listing Regulation, and in accordance with the applicable legal provisions

Paragraph Two - Each operating period of the Fiscal Council shall end on the date of the first Annual General Meeting held after its investiture.

Paragraph Three - The members of the fiscal council shall have the duties and responsibilities established by the corporate legislation in force and in the *Novo Mercado* Listing Regulation.

## **CHAPTER VI**

### **FISCAL YEAR, PROFITS AND THEIR DISTRIBUTION**

Article 25 - The fiscal year coincides with the calendar year, ending December 31 of each year, on which date the Company's balance sheet shall be drawn up and the financial statements shall be prepared for purposes of publication and examination at the General Meeting.

Paragraph One - The Company, by resolution of the Board of Directors, may draw up semiannual, quarterly or monthly balance sheets, as well as declare dividends on the account of profits ascertained on these balance sheets, pursuant to the provisions in Article 204 of the Corporation Law.

Paragraph Two - The Company, by resolution of the Board of Directors, may also declare interim dividends on the account of retained earnings or profit reserves existing in the last annual or semiannual balance sheet.

Paragraph Three - The interim or interposed dividends paid and the interest on the Company's own capital, net of taxes, shall always be computed as anticipation of the minimum and mandatory dividend.

Article 26 - Jointly with the financial statements for the year, the Board of Directors shall present to the Annual General Meeting a proposal on the allocation of the net income for the year, after the deduction from the shared profits referred to in Article 190 of the Corporation Law and in Paragraph 2 of this Article, adjusted for the purposes of calculating dividends pursuant to Article 202 of the same law, in compliance with the following deduction:

Paragraph One - From the result of each fiscal year, any accumulated deficit and provisions for Income Tax and for Social Contribution on Profit shall be deducted before any profit sharing.

Paragraph Two - The net income for the year shall be allocated successively as follows:

- (i) five percent (5%) for the constitution of the legal reserve until it reaches twenty percent (20%) of the capital stock;
- (ii) the Company may choose not to constitute the legal reserve in a fiscal year in which the balance of this reserve plus the amount in capital reserves exceeds thirty percent (30%) of the capital stock;
- (iii) at least twenty-five percent (25%) of the balance of the net income for the year obtained after the deduction mentioned in item (i) of this Paragraph shall be distributed as dividends to all the Company's shareholders;
- (iv) the remaining portion of the net income for the year after the payment of dividends to shareholders shall be allocated to the Investment and Expansion Reserve in a percentage to be defined at the General Meeting, which reserve has is to (i) ensure resources for the acquisition of interests in the capital stock of other companies, consortiums and undertakings that operate in the electricity sector; (ii) reinforce the Company's working capital; and, (iii) be used for redemption, reimbursement or acquisition of shares of the Company's capital; and



- (v) the annual amount to be allocated to the Investment and Expansion Reserve shall be at most seventy-five percent (75%) of the net income for the year, being certain that the amount of the said reserve shall comply with the limit referred to in Paragraph Four of this Article.

Paragraph Three - The General Meeting, by a proposal of the Board of Directors, may, at any time, pay dividends to the Investment and Expansion Reserve account, or allocate its balance, fully or partially, to increase the capital stock, including with bonus in new shares.

Paragraph Four - Pursuant to Article 194, III of the Corporation Law, the Investment and Expansion Reserve may not exceed the amount equivalent to eighty percent (80%) of the Company's capital stock.

Article 27 - Except the contrary resolutions of the General Meeting, the payment of dividends, of interest on the Company's own capital and the distribution of shares resulting from the capital increase shall be put into effect within sixty (60) days from the date of the respective resolution.

## **CHAPTER VII**

### **SALE OF THE CONTROL POWER**

Article 28 - The direct or indirect Sale of the Company's share Control (as defined in the Sole Paragraph of Article 29), either by means of a single operation or by means of successive operations, shall be contracted under suspensive or resolutive condition that the Acquirer of the control undertakes to hold, pursuant to the conditions and terms provided for in the current legislation and in the *Novo Mercado* Listing Regulation, a public offering of acquisition of shares from the other shareholders in order to guarantee them treatment equal to that given to the Selling Controlling Shareholder.

Article 29 - The public offering referred to in Article 28 shall also be held:

- (a) when there is an onerous assignment of subscription rights of shares and of other bonds or rights related to securities convertible into shares that results in the Sale of the Company's Control; and
- (b) in the event of the sale of control of a company that holds the Company's Control Power, and in this case the Selling Controlling Shareholder shall be obligated to declare to the São Paulo Stock Exchange – BM&FBOVESPA the value attributed to the Company in this sale and attach the documentation proving this value.

Sole Paragraph – For the purposes of the provisions in these Bylaws, the following are defined as:

“Control Shares” the block of shares that directly or indirectly ensures its holder(s), the individual and/or shared exercise of the Company's Control Power;

“Shares being Traded” total shares issued by the Company, except those held by the Controlling Shareholder, by people connected to him, management members and those in treasury.



“Controlling Shareholder” the shareholder or Group of Shareholders who exercises the Company’s Control Power.

“Selling Controlling Shareholder” the Controlling Shareholder that seeks to promote the Company’s Control Alienation.

“Acquirer” that to whom the Selling Controlling Shareholder transfers the Control Shares in a Control Alienation.

“Control Alienation” transfer to a third party of the Control Shares.

“Group of Shareholders” means the group of people: (i) bound by agreements or contract of any nature, either directly or through subsidiaries, controlling companies or companies under common control; (ii) between which there is a control relationship, or (iii) under common control.

“Control Power” is the power effectively used to direct the social activities and guide the operation of the Company’s bodies, directly or indirectly, de facto or de jure, independently of the shareholding stake held. There is a relative presumption of ownership of control in relation to the person or Group of Shareholders that holds of shares ensuring him the absolute majority of votes of shareholders attending the last three general meetings of the Company, even if he is not the holder of shares that ensure him the absolute majority of the voting capital.

Article 30 - Whoever that acquires the shareholder Control Power due to a private agreement of purchase and sale of shares entered into with the Controlling Shareholder involving any number of shares, undertakes to:

- (a) hold the public tender offering referred to in Article 28 of these Bylaws;
- (b) refund, under the rules specified below, amount equivalent to the difference between the price of the tender offer and the price paid per share eventually purchased on the stock exchange in the six (6) months before the date of the acquiring of Control Power, duly restated until the payment date. Such amount should be distributed among every person that has sold the Company shares in the trading sessions where the Acquirer has acquired shares, proportionately to the net daily selling balance, pursuant to BM&FBOVESPA to organize the distribution, according to its rulings; and
- (c) when necessary, take reasonable measures to recompose the minimum percentage of twenty-five percent (25%) of the total Outstanding Shares of the Company within six (6) months after the acquisition of the Control Power.

Article 31 - the Company shall not register any transfer of shares to the Purchaser, or to those who hold the Control Power, as long as they do not subscribe the Instrument of Agreement of the Controlling Shareholders mentioned in the *Novo Mercado* Listing Regulation; or

Sole Paragraph - Any Shareholders’ Agreement that provides for the exercise of the Control Power shall be registered in the Company’s headquarters without its signatories having



subscribed the Instrument of Agreement of the Controlling Shareholders to which refers the Novo Mercado Rules.

## **CHAPTER VIII**

### **DEREGISTRATION AS A PUBLICLY-HELD COMPANY**

Article 32 - Deregistration as a publicly-held company shall be preceded by a public tender offering, to be done by the Controlling Shareholder or by the Company, obligatorily having as minimum price the economic value ascertained through the appraisal report, pursuant to the criteria established in Articles 33 and 34 below, respecting the applicable legal and regulatory norms.

Article 33 - The Appraisal Report shall be prepared by a specialized company, with proven experience and independence from the Company's decision power, management and/or Controlling Shareholders, in addition to meeting the requirements of paragraph 1 of Article 8 of the Corporation Law, and holding the responsibility provided for in paragraph 6 of the same Article.

Paragraph One - The choice of the specialized company responsible for the determination of the Company's economic value is incumbent upon the General Meeting, based on the presentation by the Board of Directors of the three-name list, and the respective resolution, not counting blank votes, shall be made by majority vote of the shareholders representing Outstanding Shares attending that meeting, which if instated at first call shall be attended by shareholders who represent at least twenty percent (20%) of the total Outstanding Shares, or which, if instated at second call, may be attended by any number of shareholders representing the Outstanding Shares.

Paragraph Two - The costs incurred with the preparation of the report shall be the full responsibility of the offeror.

Article 34 - When the decision to deregister as a publicly-held company is communicated to the market, the offeror shall disclose the maximum value per share or one thousand shares by which the public offering will be formulated.

Paragraph One - The public offering shall have the condition that the value ascertained in the appraisal report is not higher than the value disclosed by the offeror.

Paragraph Two - If the economic value of the shares, ascertained pursuant to Articles 33 and 34, is higher than the value communicated by the offeror, the decision to deregister as a publicly-held company shall be automatically revoked, except if the offeror expressly agrees to reformulate the public offering according the economic value ascertained, and the offeror shall disclose to the market the decision he has adopted.

Paragraph Three – The procedure for the Company's deregistration as a publicly-held company shall meet the other requirements set forth in the rules applicable to publicly-held companies and the precepts in the *Novo Mercado* Listing Regulation.

## **CHAPTER IX**



## **DELISTING FROM THE NOVO MERCADO**

Article 35 - The Company's delisting from the Novo Mercado shall be approved at the General Meeting by a majority vote of attending shareholders and communicated to BM&FBOVESPA in writing thirty (30) days in advance.

Paragraph One – Should the Company's delisting from the Novo Mercado be deliberated for the Company's securities to be registered for trading off of the *Novo Mercado*, or due to a corporate restructuring, in which the securities issued by a company resulting from this restructuring are not admitted for trading on the Novo Mercado within 120 (one hundred and twenty) days from the day of the General Meeting that approved such transaction, the Controlling Shareholder shall hold a public offering of acquisition of shares belonging to the other shareholders of the Company by at least the economic value ascertained in the appraisal report prepared pursuant to Articles 33 and 34 of these Bylaws.

Paragraph Two – In the case of not having a Controlling Shareholder, should the Company's delisting from the Novo Mercado be deliberated for the Company's securities to be registered for trading off of the *Novo Mercado*, or due to a corporate restructuring, in which the securities issued by a company resulting from this restructuring are not admitted for trading on the Novo Mercado within 120 (one hundred and twenty) days from the day of the General Meeting that approved such transaction, its delisting is conditioned to the realization of a tender offer under the same conditions of the above paragraph.

Paragraph Three – The mentioned General Meeting should name the responsible(s) for the tender offer, who, present at the meeting, should expressly assume the obligation to conduct the offer.

Paragraph Four – In the absence of the definition of those responsible for the tender offer, in the case of a corporate restructuring, in which the company arising from this restructuring is not admitted for listing in the Novo Mercado, the responsibility to conduct the offer falls over the shareholders that voted favorably to the corporate restructuring.

Article 36 - The Company's Control Alienation which occurs within the twelve (12) months after its delisting from the *Novo Mercado* shall obligate the Selling Controlling Shareholder, jointly and in conjunction with the Acquirer, to offer to the other shareholders the acquisition of his shares for the price and on the conditions obtained by the Controlling Shareholder in the sale of his own shares, duly restated, pursuant to the legislation in force and in compliance with the same rules applicable to the Sale of Control provided for in Chapter VII of these Bylaws.

Paragraph One - If the price obtained by the Controlling Shareholder in the sale referred to in the "caput" of this Article is higher than the value of the public offering held according to the other provisions of these Bylaws, duly restated pursuant to the legislation in force, the Selling Controlling Shareholder, jointly and in conjunction with the Acquirer, shall be obligated to pay the difference of the value ascertained to acceptors of the respective public offering on the same conditions provided for in the "caput" of this Article.

Paragraph Two – In relation to the shares held by the Controlling Shareholder, the Company and the Controlling Shareholder are obligated to register in the Company's Registry of Shares a



lien which obligates the purchaser of those shares to extend to the other shareholders of the Company price and payment conditions equal to those paid to the Selling Controlling Shareholder, in the event of sale, as provided for in the “caput” and in paragraph one, above.

Article 37 – The Company’s delisting from the Novo Mercado due to the breach of obligations under the Novo Mercado Rules is conditioned to the realization of a tender offer, at minimum, by the economic share value, to be calculated in the appraisal report mentioned in articles 33 and 34 of these Bylaws, respected the applicable legal rules.

Paragraph One – The Controlling Shareholder shall conduct the tender offer described in the caput of this article.

Paragraph Two – In the case of not having a Controlling Shareholder and the delisting from the Novo Mercado mentioned in the caput is due to a deliberation by the General Meeting, the shareholders voting in favor of the deliberation that implied the breach shall conduct the tender offer mentioned in the caput.

Paragraph Three – In the case of not having a Controlling Shareholder and the delisting from the Novo Mercado mentioned in the caput is due to the an act of fact of the management, the management should call a General Meeting in which the subject will be about how to solve the breach of obligations in the Novo Mercado Rules, or, if the case, approve the Company’s delisting from the Novo Mercado.

Paragraph Four – Should the General Meeting mentioned in the Paragraph Three above approve the Company’s delisting from the Novo Mercado, the mentioned General Meeting shall name the responsible(s) for conducting the tender offer mentioned in the caput, who, present at the meeting, shall expressly assume the obligation to conduct the offer.

## **CHAPTER X** **ARBITRATION**

Article 38 - The Company, its shareholders, management and members of the Fiscal Council undertake to resolve by means of arbitration, within the Market Arbitration Chamber, all and any disputes or controversies that may arise between them, related to or resulting from, especially, the application, validity, efficiency, interpretation, violation and their effects of the provisions in Law 6,404/76 and these Bylaws, and in the rules edited by the Brazilian Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as of the other rules applicable to the operation of the capital markets in general, in addition to those in the *Novo Mercado* Listing Regulation, the Participation Agreement in the *Novo Mercado* and the Arbitration Regulation of the Market Arbitration Chamber.

## **CHAPTER XI** **LIQUIDATION**

Article 39 - The Company shall be liquidated in the events provided for by law, or by resolution of the General Meeting, which shall establish the form of liquidation, elect the liquidator and,



as the case may be, instate the Fiscal Council for the liquidation period, electing its members and determining their respective compensation.

**CHAPTER XII**  
**SHAREHOLDERS' AGREEMENTS**

Article 40 - Any shareholders' agreements that establish the purchase and sale conditions of their shares, or the preemptive right in their purchase or the exercise of the voting right, shall always be respected by the Company as long as they are filed at Company headquarters, being incumbent upon the respective management to abstain from counting the votes cast against the terms of such agreements.



### **EXHIBIT III**

## **MANAGEMENT COMPENSATION**

### **Item 13 - Reference Form (CVM Instruction 480/09)**

#### **13.1. Policy or practice for compensation of the board of directors, of the statutory and non-statutory boards of executive officers, of the fiscal council and of the committees**

##### **a) objectives of the compensation policy or practice:**

Equatorial's compensation policy is designed to attract and retain, motivate and develop executives with the standard of excellence required by the Issuer. Compensation practices are aimed at creating a culture that is focused on the achievement of results, by means of attaining and exceeding targets that are of interest to employees, the company and shareholders.

In addition to the compensation policy, the Issuer has a Stock Option Plan which gives its holders the right, but not the obligation, to subscribe to the Issuer's shares at a fixed price during a certain period of time. In our view, this is an instrument that, on the one hand, involves risk, but, on the other hand, makes it possible to align management's interests with those of the company's shareholders over the medium and long term.

##### **b) composition of compensation:**

###### **i. elements of compensation and objectives:**

The members of Equatorial's Board of Directors and of its Audit Committee receive fixed monthly fees for the performance of their duties, which are in line with the market average.

The compensation of the Statutory Board of Executive Officers is made up of a fixed monthly fee, profit sharing, and benefits. The fixed compensation is in line with the market average and is defined by means of market research, using the Hay Group methodology. For its part, the variable compensation is determined by the attainment of targets and is an element of meritocracy, a value practiced by the Issuer. The benefits received by the Officers are as follows: health and dental plan, meal allowance.

###### **ii. proportion of each element in the total compensation:**

December 31, 2016				
Entity	Fixed Fee	Benefits	Variable	Stock Options Plan*
Fiscal Council	100%	0.00%	0.00%	0%
Board of Directors	47.16%	0.56%	52.28%	0%
Statutory Board	15.57%	0.96%	83.47%	0%

\* Merely for information (see item 13.16)

###### **iii. methodology of calculation and adjustment of each of the elements of compensation:**



There is no specific adjustment methodology for each of the components of the compensation, either for the board members or for the statutory officers. With regard to the calculation methodology, an analysis is undertaken at regular intervals of market practices, by means of market research, with the aim of evaluating the internal alignment of the amounts to the market's reality.

**iv. Reasons that support the composition of the compensation:**

The composition of the compensation takes into account the responsibilities of each position and uses the values practiced by the market for professionals who perform functions with a similar level of complexity as a parameter.

**c) the main performance indicators that are taken into account in determining each element of the compensation:**

The compensation of the members of the Issuer's Board of Directors and of its Fiscal Council is fixed and does not take into account performance indicators.

The variable compensation of the statutory officers is defined by means of a management system of previously contracted targets which are in line with the Issuer's strategic planning. The main indicators evaluated include: EBITDA, operating cash generation, execution of investments, quality indicators, customer and employee satisfaction indicators and energy loss indices, among others.

**d) how the compensation is structured in order to reflect the evolution of the performance indicators:**

With regard to the statutory officers, the variable compensation is based on formally contracted quantitative targets, which reflect the evolution of the issuer's performance indicators.

The overall targets are broken down for each department and so on in such a way that the segmented achievement of the targets contributes to the Issuer's result. In addition, it is necessary for the Issuer to achieve a minimum desired performance in order to be able to make payment of the variable compensation, while exceptional results are also reflected in differentiated variable compensation.

**e) how the compensation policy or practice is aligned with the issuer's interests in the short, medium and long term:**

The compensation format described above is designed to encourage employees to seek the best return on the investments and projects of the Issuer in such a way as to align their interests.

The indicators defined as targets, the results of which influence their variable compensation, are established so as to align the interests of the Company's managers with the interests of its shareholders over the short and medium term.

The Stock Option Plan, although it is our view that the said Plan is not of a compensatory nature (as described in item 13.16 of this Proposal), is designed to align the long-term interests of the Company and its shareholders with the interests of its Management. Nevertheless, bearing in mind the structure of the information required under the scope of item 13, and only for information purposes, provisions for the Stock Option Plan will be included throughout the course of this item.

**f) the existence of compensation supported by direct or indirect subsidiaries, related companies or parent companies:**

Equatorial and its subsidiary, CEMAR, share resources in strict compliance with the applicable legislation, particularly the accounting and regulatory legislation. Therefore, a percentage of the

compensation for the exercise of activities of part of the statutory executive board at the parent company is transferred to the subsidiary.

**g) the existence of any compensation or benefit linked to the occurrence of any particular corporate event, such as the sale of the ownership control of the issuer:**

The Issuer does not have any compensation or benefits linked to the occurrence of any particular corporate event.

**13.2. Compensation of the board of directors, of the statutory executive board and of the fiscal council recognized in the income for the 2016 fiscal year and the compensation forecast for the current fiscal year:**

(1) All the charges and provisions for accrual are included in the amount of compensation.

<b>COMPENSATION RECOGNIZED FOR THE 2014 FISCAL YEAR (R\$) *</b>				
<b>a. Entity</b>	<b>Board of Directors</b>	<b>Fiscal Council</b>	<b>Statutory Board</b>	<b>TOTAL</b>
Total number of members	7	3	7	17
Number of members compensated	7	3	7	17
<b>c.i. Fixed annual compensation</b>				
Salary or fees	1,170,000	189,000	2,091,000	3,450,000
Direct and indirect benefits	-	-	100,260	100,260
Compensation for participation in committees	-	-	-	-
Others (company's part of INSS)	234,000	37,800	418,200	690,000
<b>c.ii. Variable compensation</b>				
Bonus	-	-	-	-
Profit sharing	-	-	4,966,480	4,966,480
Compensation for participation in meetings	-	-	-	-
Committees	-	-	-	-
Others (company's part of INSS on profit sharing)	-	-	993,300	993,300
Others	-	-	-	-
<b>c.iii. Post-employment benefits</b>	-	-	6,770	6,770
<b>c.iv. Benefits on relinquishing a position</b>	-	-	-	-
<b>c.v. Share based compensation*</b>	-	-	3,543,000	3,543,000
<b>d. Amount of compensation by each entity<sup>(1)</sup></b>	<b>1,404,000</b>	<b>226,800</b>	<b>12,119,010</b>	
<b>e. Total compensation of the entities</b>				<b>13,749,810</b>

\* Includes Stock Options merely for information purposes (see item 13.16)

<b>COMPENSATION RECOGNIZED FOR THE 2015 FISCAL YEAR (R\$) *</b>				
a. Entity	<b>Board of Directors</b>	<b>Fiscal Council</b>	<b>Statutory Board</b>	<b>TOTAL</b>
Total number of members	7	3	5,83	15,83
Number of members compensated	7	3	5,83	15,83
c.i. Fixed annual compensation				
Salary or fees	1,318,500	182,610	1,853,670	3,354,780
Direct and indirect benefits	-	-	91,870	91,870
Compensation for participation in committees	-	-	-	-
Others (company's part of INSS)	263,700	36,520	370,730	670,950
c.ii. Variable compensation				
Bonus	-	-	-	-
Profit sharing	-	-	7,965,830	7,965,830
Compensation for participation in meetings	-	-	-	-
Committees	-	-	-	-
Others (company's part of INSS on profit sharing)	-	-	1,593,170	1,593,170
Others	-	-	-	-
c.iii. Post-employment benefits	-	-	5,830	5,830
c.iv. Benefits on relinquishing a position	-	-	-	-
c.v. Share based compensation *	-	-	7,859,000	7,859,000
d. Amount of compensation by each entity <sup>(1)</sup>	<b>1,582,200</b>	<b>219,130</b>	<b>19,740,100</b>	
e. Total compensation of the entities				<b>21,541,430</b>

\* Includes Stock Options merely for information purposes (see item 13.16)

<b>COMPENSATION RECOGNIZED FOR THE 2016 FISCAL YEAR (R\$) *</b>				
a. Entity	<b>Board of Directors</b>	<b>Fiscal Council</b>	<b>Statutory Board</b>	<b>TOTAL</b>
Total number of members	6	3	6	15
Number of members compensated	6	3	6	15
c.i. Fixed annual compensation				
Salary or fees	1,868,500	182,670	1,320,000	3,371,170
Direct and indirect benefits	22,140	-	67,770	89,910

Compensation for participation in committees	-	-	-	-
Others (company's part of INSS)	373,700	36,530	264,000	674,230
<b>c.ii. Variable compensation</b>				
Bonus	-	-	-	-
Profit sharing	2,071,530	-	5,074,220	7,145,750
Compensation for participation in meetings	-	-	-	-
Committees	-	-	-	-
Others (company's part of INSS on profit sharing)	414,306	-	1,014,844	1,429,150
Others	-	-	-	-
<b>c.iii. Post-employment benefits</b>	-	-	13,440	13,440
<b>c.iv. Benefits on relinquishing a position</b>	-	-	-	-
<b>c.v. Share based compensation *</b>	-	-	10,050,903	10,050,903
<b>d. Amount of compensation by each entity <sup>(1)</sup></b>	<b>4,750,176</b>	<b>219,200</b>	<b>17,805,177</b>	
<b>e. Total compensation of the entities</b>				<b>22,774,553</b>

\* Includes Stock Options merely for information purposes (see item 13.16)

<b>COMPENSATION FORECAST FOR THE 2017 FISCAL YEAR (R\$) *</b>				
<b>a. Entity</b>	<b>Board of Directors</b>	<b>Fiscal Council</b>	<b>Statutory Board</b>	<b>TOTAL</b>
Total number of members	7	3	6	15
Number of members compensated	7	3	6	15
<b>c.i. Fixed annual compensation</b>				
Salary or fees	1,800,000	180,000	1,440,000	3,420,000
Direct and indirect benefits	24,350	-	74,550	98,900
Compensation for participation in committees	-	-	-	-
Others (company's part of INSS)	360,000	36,000	288,000	684,000
<b>c.ii. Variable compensation</b>				
Bonus	-	-	-	-
Profit sharing	1,881,690	-	3,795,150	5,676,840
Compensation for participation in meetings	-	-	-	-
Committees	-	-	-	-
Others (company's part of INSS on profit sharing)	376,338	-	759,030	1,135,368
Others	-	-	-	-
<b>c.iii. Post-employment benefits</b>	-	-	-	-

			14,780	14,780
c.iv. Benefits on relinquishing a position	-	-	-	-
c.v. Share based compensation*	-	-	10,050,903	10,050,903
d. Amount of compensation by each entity <sup>(1)</sup>	<b>4,442,378</b>	<b>216,000</b>	<b>16,422,413</b>	
e. Total compensation of the entities				<b>21,080,791</b>

\* Includes Stock Options merely for information purposes (see item 13.16)

**13.3. Variable compensation of the board of directors, of the statutory executive board and of the fiscal council recognized in income for the 2016 fiscal year and the compensation forecast for the current fiscal year:**

<b>VARIABLE COMPENSATION IN THE 2014 FISCAL YEAR (R\$ thousands)</b>			
a. Entity	Board of Directors	Fiscal Council	Statutory Board
Total number of members	7	3	7
Number of members compensated	7	3	7
<b>c. Bonus</b>			
i. Minimum value forecast in the compensation plan	N/A	N/A	0
ii. Maximum value forecast in the compensation plan	N/A	N/A	7,370,000
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	4,860,000
iv. Value actually recognized in income	N/A	N/A	4,966,000
<b>d. Profit sharing</b>			
i. Minimum value forecast in the compensation plan	N/A	N/A	N/A
ii. Maximum value forecast in the compensation plan	N/A	N/A	N/A
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	N/A
iv. Value actually recognized in the income of the last 3 fiscal years	N/A	N/A	N/A

<sup>(1)</sup> All the charges and provisions for accrual included in the amount of compensation.

<b>VARIABLE COMPENSATION IN THE 2015 FISCAL YEAR (R\$ thousands)</b>			
a. Entity	Board of Directors	Fiscal Council	Statutory Board
Total number of members	7	3	5.83
Number of members compensated	7	3	5.83
<b>c. Bonus</b>			
i. Minimum value forecast in the compensation plan	N/A	N/A	0
ii. Maximum value forecast in the compensation plan	N/A	N/A	11,948,750
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	7,965,830
iv. Value actually recognized in income	N/A	N/A	7,965,830
<b>d. Profit sharing</b>			

i. Minimum value forecast in the compensation plan	N/A	N/A	N/A
ii. Maximum value forecast in the compensation plan	N/A	N/A	N/A
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	N/A
iv. Value actually recognized in the income of the last 3 fiscal years	N/A	N/A	N/A

<sup>(1)</sup> All the charges and provisions for accrual are included in the amount of compensation.

<b>VARIABLE COMPENSATION IN THE 2016 FISCAL YEAR (R\$ thousands)</b>			
a. Entity	Board of Directors	Fiscal Council	Statutory Board
Total number of members	6	3	6
Number of members compensated	6	3	6
<b>c. Bonus</b>			
i. Minimum value forecast in the compensation plan	N/A	N/A	0
ii. Maximum value forecast in the compensation plan	N/A	N/A	8,000,000
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	7,965,830
iv. Value actually recognized in income	2,071,530	N/A	7,074,220
<b>d. Profit sharing</b>			
i. Minimum value forecast in the compensation plan	N/A	N/A	N/A
ii. Maximum value forecast in the compensation plan	N/A	N/A	N/A
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	N/A
iv. Value actually recognized in the income of the last 3 fiscal years	N/A	N/A	N/A

<sup>(1)</sup> All the charges and provisions for accrual are included in the amount of compensation.

<b>VARIABLE COMPENSATION FORECAST FOR THE 2017 FISCAL YEAR (R\$ thousands)</b>			
a. Entity	Board of Directors	Fiscal Council	Statutory Board
Total number of members	7	3	6
Number of members compensated	7	3	6
<b>c. Bonus</b>			
i. Minimum value forecast in the compensation plan	0	N/A	0
ii. Maximum value forecast in the compensation plan	2,822,540	N/A	7,700,000
iii. Value forecast in the compensation plan, if the targets are achieved	1,881,690	N/A	3,795,150
<b>d. Profit sharing</b>			
i. Minimum value forecast in the compensation plan	N/A	N/A	N/A
ii. Maximum value forecast in the compensation plan	N/A	N/A	N/A
iii. Value forecast in the compensation plan, if the targets are achieved	N/A	N/A	N/A

<sup>(1)</sup> All the charges and provisions for accrual are included in the amount of compensation.



**13.4. Share based compensation plan of the board of directors and of the statutory executive board, in force in the last fiscal year and forecast for the current fiscal year:**

Due to a lack of specific classification and as we mentioned in item 13.1.a, we are providing information regarding the Issuer's Stock Options Plan in item 13.4.

**a) general terms and conditions:**

The creation of Equatorial's Fourth Stock Options Plan ("Fourth Plan") was approved at the Extraordinary General Meeting that was held on July 21, 2014. Under the terms of the Fourth Plan the share subscription options to be offered are not allowed to exceed 3% of the shares representing the Company's Capital Stock. Once the option is exercised by the interested parties, the aforesaid shares will be issued by means of an increase in the Issuer's capital, within the limits of authorized capital provided for in the Bylaws. Further details regarding the Plan can be found in the Minutes of the EGM that approved the Plan, which are available on the Issuer's website and on the CVM's website.

**b) main objectives of the plan:**

The aim of the Plan is to enable those people who are eligible, subject to certain conditions, to acquire shares, with a view to: (a) encouraging the expansion, success and achievement of the Company's corporate objectives; (b) aligning the interests of the Company's shareholders with those of the people who are eligible; and (c) enabling the Company or other companies under its control to attract and retain the people who are eligible.

**c) how the plan helps with these objectives:**

The plan helps with these objectives in that it offers its beneficiaries the possibility of becoming shareholders in the Issuer company, aligning the interests of shareholders and management, and encouraging them to achieve their maximum performance.

**d) how the plan fits into the issuer's compensation policy\*:**

The Issuer has a policy of valuing employees' individual merit, based on the achievement of operational and financial goals and on individual performance. The stock option plans are an incentive tool designed to encourage good individual performance and a commitment to corporate goals.

\* As mentioned in item 13.1.a, we do not regard this Plan as being compensation.

**e) how the plan aligns the interests of management and the issuer in the short, medium and long term;**

The options granted by the Plan have a medium and long-term exercise deadline, which may be as long as 6 years. In this way, the plan aligns the interests of management, the Issuer and the shareholders in that it encourages management's best performance over a longer timeframe, generating benefits for everyone by means of the appreciation in the Issuer's share price.

**f) maximum number of shares covered:**

Up to 3% of the Issuer's total Share Capital.

**g) the maximum number of options to be granted:**

Each option granted gives the right to subscribe for one (1) of the Issuer's common share, limited to the issue of up to 3% of the Issuer's total Share Capital.

**h) the conditions for the acquisition of shares:**



Without prejudice to the other terms and conditions established in the respective Option Agreements, the Options will become exercisable provided that the respective Beneficiaries remain as managers or employees of the Company or another company under its control, for the period between the Date of Granting and the anniversaries of each lot of Options granted. The Options will be extinguished 6 years after the Date of Granting (July 21, 2014).

Those Beneficiaries who wish to exercise their Options must notify the Company in writing of their intention to do so and indicate the number of Options that they wish to exercise.

**i) criteria for setting the acquisition or exercise price:**

The exercise price of the options granted under the terms of the Plan is based on the average price of the Company's Shares on the BM&F BOVESPA, weighted by the trading volume, during the 180-day period preceding the Date of Granting.

The Exercise Price will be reduced by the amount of dividends, interest on net equity and other proceeds distributed by the Company to shareholders or any other amounts per share made available to shareholders by the Company, including as a result of a reduction in the capital stock without the cancellation of Shares or any other corporate transaction that implies an allocation of resources to the shareholders or a reduction in the value of shares, always taking into account the period between the Date of Granting and the date of exercise of the Options.

**j) criteria for the setting of the exercise period:**

The plan provides for the exercise of the options, as follows:

(a) twenty five percent (25%) of the Options may be exercised after the 1st anniversary of the Date of Granting;

(b) twenty five percent (25%) of the Options may be exercised after the 2nd anniversary of the Date of Granting;

(c) twenty five percent (25%) of the Options may be exercised after the 3rd anniversary of the Date of Granting; and

(d) twenty five percent (25%) of the Options may be exercised after the 4th anniversary of the Date of Granting.

The deadline for exercise of the options is restricted to 6 years after the date of granting.

**k) form of settlement:**

Not indicated in the Plan.

**l) restrictions on the transfer of the shares;**

During the period of one (1) year from the exercise date of the Options, the Beneficiaries may not sell, assign or otherwise dispose of the Company's Shares that were originally acquired or subscribed for under the Plan, or those that they may end up acquiring as a result of bonuses, stock splits, subscriptions or any other form of acquisition and rights to subscribe for Shares or any other securities issued by the Company which are convertible into Shares or which grant the right to subscribe for Shares.

**m) criteria and events which, when confirmed, will cause the suspension, alteration or dissolution of the plan:**

The Issuer's Board of Directors may, at any time, modify or dissolve the Fourth Plan.

**n) effects of a manager's leaving the issuer's entities on his/her rights under the share-based compensation plan\*.**

\* As mentioned in item 13.1.a, we do not regard this Plan as being compensation.

In the event that a manager ceases to be a part of the Issuer's entities: (i) those Options which are not yet exercisable in accordance with the respective Option Agreement, on the date of his/her departure, will automatically be extinguished, in full, regardless of prior notice or notification, and without the right to any indemnification; and (ii) those Options which are already exercisable in accordance with the respective Option Agreement, on the date of his/her departure, may be exercised, within thirty (30) days counting from the date of departure, after which they will automatically be terminated, regardless of prior notice or notification, and without the right to any indemnification;

**13.5 In relation to the share based compensation\* of the board of directors and of the statutory board of executive officers, recognized in the results of the last 3 fiscal years and that forecast for the current fiscal year**

Options were only granted in 2014. No options were granted in 2015 and 2016 nor, at the date of preparation of this proposal, is any grant of share options forecast for 2017.

2014	
a. entity	<b>Statutory Board</b>
b. number of members granted on the date	7
c. Total number of members compensated	7
i. date of granting	July 21, 2014
ii. number of options granted	1,760,000
iii. deadline for the options to become exercisable	25% a year starting from July 21, 2015
iv. maximum timeframe for the exercise of the options	July 21, 2020
v. period of restriction on transfer of the shares	1 year after exercise
vi. average weighted exercise price of each of the following groups of options:	
outstanding at the start of the fiscal year	R\$21.76
lost during the fiscal year	N/A
exercised during the fiscal year	N/A
expired during the fiscal year	N/A
d. fair value of the options at the date of granting	N/A
e. potential dilution in the case of exercise of all the options granted	3.00%

**13.6. Options of the board of directors and of the statutory board outstanding at the end of the last fiscal year**

2016		
Entity	Statutory Board	Board of Directors
Number of members granted on the date	6	1
Total number of members compensated	6	1
In relation to the options which are not yet exercisable		
Number	575,000	87,500
Date on which they will become exercisable	50% a year starting from July 21, 2017	50% a year starting from July 21, 2017
Maximum deadline for the exercise of the options	July 21, 2020	July 21, 2020
Period of restriction on transfer of the shares	1 year after exercise	1 year after exercise
Average weighted exercise price	R\$19,70	R\$19,70
Fair value of the options on the last day of the fiscal year	N/A	N/A
In relation to the options which are exercisable		
Number	575,000	175,000
Maximum deadline for the exercise of the options	July 21, 2020	July 21, 2020
Period of restriction on transfer of the shares	July 21, 2020	July 21, 2020
Average weighted exercise price	R\$19,70	R\$19,70
Fair value of the options on the last day of the fiscal year	N/A	N/A
Fair value of the total options on the last day of the fiscal year	N/A	N/A

**13.7. Options exercised and shares delivered as part of the share-based compensation\* of the board of directors and statutory board of officers, during the last 3 fiscal years**

2016	Statutory Board	Board of Directors
Number of members beneficiaries	0	1
Options Exercised		
Number of shares	N/A	87,500
Average weighted exercise price (R\$)	N/A	R\$19.98
Total value of the difference between the exercise value and the market value of the shares in relation to the options exercised (R\$ thousands)	N/A	R\$1,974

No shares were delivered or options exercised in the 2014 and 2015 fiscal years.

No shares were delivered in the 2016 fiscal year.

**13.8. Information necessary in order to understand the figures disclosed in items 13.6 to 13.8, as well as an explanation of the method for pricing the value of the shares and options**

**a) pricing model**

**b) data and assumptions used in the pricing model, including the weighted average share price, exercise price, expected volatility, life of the option, expected dividends and risk-free interest rate**

**c) the method used and the assumptions made to incorporate the expected effects of early exercise**

**d) the way of determining the expected volatility**

**e) whether any other characteristic of the option was incorporated in the measurement of its fair value**

The Black & Scholes method was used to price the options on the dates of the respective grants and at the end of the fiscal year. All parameters were based on historical data (volatility, risk-free rate of interest and share price) on the dates of granting or on the fiscal year end dates.



Therefore, on the corresponding dates of granting or year-end dates, we took the share's market price on that date, the historical volatility (no volatility was assumed), the average maturity of each lot of options, the exercise price of the options adjusted by projected dividends for the period and the risk free rate of interest based on the federal government securities' curve adjusted by the IPCA (Broad Consumer Price Index). We also took into account an expectation of employees holding options leaving the company, based on the Issuer's track record.

For volatility, we used the shares' historical volatility since the IPO.

The exercise price was calculated based on the issue price of the options, updated by the IPCA and adjusted to reflect dividends declared in the period.

The risk-free rate of interest adopted was based on the curve for federal government securities (NTN-B) with maturities similar to those of the options, adjusted for the IPCA.

As a parameter of revenues, we adopted the value actually declared in 2017 for the year 2016, and a future estimate in accordance with internal parameters.

**13.9. Inform the number of shares or quotas directly or indirectly held, in Brazil or abroad, and other securities convertible into shares or quotas, issued by the issuer, its direct or indirect controlling shareholders, companies controlled or jointly controlled by members of the board of directors, of the statutory board or of the fiscal council, grouped by entity, on the closing date of the last fiscal year.**

	Equatorial Energia S.A.		
	Directly held shares	Indirectly held shares	Total shares held
Board of Directors	146,209	-	146,209
Executive Board	521,785	-	521,785
Fiscal Council	-	-	-

**13.10. Existing pension plans granted to the members of the board of directors and to the statutory officers**

There are none.

**13.11. Compensation of the members of the board of directors, of the statutory board and of the fiscal council**

In thousands R\$	Statutory Board			Board of Directors			Fiscal Council		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Number of members	6	5,83	7	6	7	7	3	3	3
Amount of the highest compensation (Reais)	3,119	2,882	2,075	2,971	240	200	73	73	76
Amount of the lowest compensation	275	200	60	180	53	200	73	73	76

(Reais)									
Average amount of compensation (Reais)	1,292	2,038	1,225	792	226	200	73	73	76

For the purpose of calculating the average compensation of the Statutory Board, we did not include the value of Share-Based Compensation, as this is not regarded as a compensation plan, as described in item 13.16

**13.12. Description of the contractual arrangements, insurance policies or other instruments that structure compensation or indemnification mechanisms for members of management in the event of dismissal or retirement, as well as the financial consequences for the issuer**

There are none.

**13.13. The percentage of each entity's total compensation, in relation to the last 3 fiscal years, recognized in the issuer's income in connection with members of the board of directors, of the statutory board or of the fiscal council who are parties related to the direct or indirect controlling shareholders, as defined by the accounting rules that cover this matter.**

2016 FISCAL YEAR – EQUATORIAL ENERGIA			
Entity	Board of Directors	Fiscal Council	Statutory Board
Percentage of total compensation	4.57%	100.00%	77.25%

FISCAL YEAR 2015 – EQUATORIAL ENERGIA			
Entity	Board of Directors	Fiscal Council	Statutory Board
Percentage of total compensation	35.87%	100.00%	91.87%

FISCAL YEAR 2014 – EQUATORIAL ENERGIA			
Entity	Board of Directors	Fiscal Council	Statutory Board
Percentage of total compensation	0.00%	0.00%	0.00%

**13.14. In relation to the last 3 fiscal years, indicate the amounts recognized in the issuer's income as compensation of members of the board of directors, of the statutory board or of the fiscal council, grouped by entity, for any reason other than the position they hold, such as, for example committees and consulting or advisory services rendered**

Not applicable.

**13.15. Amounts recognized in the income of the direct or indirect controlling shareholders of companies under common control and of the issuer's subsidiaries, such as remuneration of members of the board of directors, of the statutory board or of the fiscal council of the issuer, grouped by entity, in relation to the last 3 fiscal years**

2016 FISCAL YEAR (R\$ thousands)			
	Board of Directors	Fiscal Council	

Entity	Statutory Board			
	Fixed	Fixed	Fixed	Variable
CEMAR	0.00	126.00	0.00	801.34
CELPA	84.00	162.00	2,060.00	528.84
<b>TOTAL<sup>(1)</sup></b>	<b>84.00</b>	<b>288.00</b>	<b>2,060.00</b>	<b>1,330.18</b>

2015 FISCAL YEAR (R\$ thousands)				
Entity	Board of Directors	Fiscal Council	Statutory Board	
	Fixed	Fixed	Fixed	Fixed
CEMAR	43.50	109.85	818.66	4,626.90
CELPA	184.00	140.81	890.00	1,901.74
<b>TOTAL<sup>(1)</sup></b>	<b>227.50</b>	<b>221.14</b>	<b>500.00</b>	<b>2,261.66</b>

2014 FISCAL YEAR (R\$ thousands)				
Entity	Board of Directors	Fiscal Council	Statutory Board	
	Fixed	Fixed	Fixed	Fixed
CEMAR	260	72	1,035	3,499
CELPA	449	77	120	0,00
<b>TOTAL<sup>(1)</sup></b>	<b>709</b>	<b>149</b>	<b>1,155</b>	<b>3,499</b>

<sup>(1)</sup> All the charges and provisions for accrual are included in the amount of compensation.

### 13.16. Provide other information that the Issuer deems relevant

The Issuer has a Stock Option Plan that gives its holders the right, but not the obligation, to subscribe to the Issuer's shares at a fixed price during a certain period of time. In our view, this is an instrument which does not have a compensatory nature, since, on the one hand, it involves risk, but, on the other hand, it makes it possible to align management's interests with those of the company's shareholders over the medium and long term.

Nevertheless, bearing in mind the structure of the information required under the scope of item 13, and only for information purposes, provisions for the Stock Option Plan are included throughout the course of this item.