

DUE DILIGENCE PROCEDURES MANUAL

1. GENERAL PROVISIONS

This DUE DILIGENCE PROCEDURES MANUAL's objective is to explain the procedures and criteria to be observed by the those interested participating in the sale of the State's equity interest in CESP, when accessing the DATA ROOM and/or participating in TECHNICAL VISITS and MEETINGS WITH THE COMPANY, as the case may be.

The access to the DATA ROOM, the participation in TECHNICAL VISITS and MEETINGS WITH THE COMPANY will be allowed only e exclusively to representatives of the INTERESTED PARTIES, pursuant to the provisions in this DUE DILIGENCE PROCEDURES MANUAL.

The documents provided in the DATA ROOM were drafted in "Portuguese", which will necessarily be the language used in MEETINGS WITH THE COMPANY.

However, if the INTERESTED PARTIES so deem necessary, they can arrange for their own interpreters, who must be on the list of representatives of such INTERESTED PARTY.

Any and all expenses related to INTERESTED PARTIES, including, but not limited, to travel, lodging, meals, interpreters, advisers, among others, will be exclusively and fully borne by the INTERESTED PARTIES.

Moreover, the entire due diligence procedure will be carried out by the INTERESTED PARTIES, who will bear the whole risk, irrespective of whether it will be possible for each of them to take part in the destatization process, holding harmless all all direct or indirect Government entities and all involved parties in its structuring, of any liability arising from any reason that frustrates said procedure or that results from the due diligence activities.

The OFFICE is in charge of the general coordination of the PROCESS and the audit mentioned in this MANUAL.

The timeframe within which to schedule TECHNICAL VISITS and MEETINGS WITH THE COMPANY will be later released on the process' website.

In case of any discrepancy between the version in Portuguese and English of this DUE DILIGENCE PROCEDURES MANUAL, the version in Portuguese shall prevail.

2. DEFINITIONS

In addition to the definitions contained in other documents of the PROCESS, which are to be used when reading this DUE DILIGENCE PROCEDURES MANUAL, the following definitions are adopted in this Manual:

SELLER(S): State of São Paulo, Companhia do Metropolitano de São Paulo – Metrô, Companhia Paulista de Parcerias - CPP, and any other entities controlled by the State of São Paulo that may hold equity interest in CESP.

CESP means CESP - Companhia Energética de São Paulo, publicly traded corporation, power generation concessionaire, with its principal place of business in the City and State of São Paulo, at Avenida Nossa Senhora do Sabará, 5,312, enrolled with CNPJ under No. 60.933.603/0001-78;

COORDINATOR is the representative of the OFFICE in charge of managing the due diligence activities, as well as for advising and assisting INTERESTED PARTIES, pursuant to this DUE DILIGENCE PROCEDURES MANUAL; during the PROCESS the COORDINATOR may appoint other representatives to assist him/her;

CONSULTANTS are consulting companies hired by the OFFICE, through public tender (Electronic Auction NC No. 45/2016), to provide consulting services for evaluation, modeling and execution of sale of movable owned by the STATE, namely, Banco Fator S.A. and subcontractors duly approved by the STATE;

COMMISSION is the Commission to be composed of: (i) a representative of CESP; (ii) a representative of the PGE/SP; and (iii) a representative of the OFFICE, who will preside over and also be the general coordinator of the PROCESS of due diligence and will count on the support of a Committee composed of representatives of each one of CESP's Executive Boards;

STATE is the State of São Paulo, legal entity of internal public law, represented herein by the OFFICE;

INTERESTED PARTY/PARTIES: people interested in participating in the AUCTION for CESP's privatization, whose objective is to have access to the DATA ROOM and/or to participate in TECHNICAL VISITS and/or MEETINGS WITH THE COMPANY;

Leader means each INTERESTED PARTY's team leader, the only one authorized to contact the COORDINATOR;

DUE DILIGENCE PROCEDURES MANUAL means this document;

PGE/SP is the Office of the Attorney General of the State of São Paulo;

PROCESS is the process of sale of SHARES that started with publication of Law No. 9,361, dated as of July 5, 1996, and ends with the official closing by PED - PRIVATIZATION STATE PROGRAM's Directing Council, which will occur only after the financial settlement of the TENDER OFFER;

DUE DILIGENCE PROCEDURE includes access to the DATA ROOM, TECHNICAL VISITS and MEETINGS WITH THE COMPANY;

MEETINGS WITH THE COMPANY means, together and interchangeably, the meetings requested by any of the INTERESTED PARTIES, scheduled in advance, between their representatives and technicians, with CESP's managers and officers, or with other people appointed by CESP, whose participation will depend on the COORDINATOR's appointment and analysis as to the relevance of the matters to be discussed, in which verbal questions and answers take place, in order to better understand CESP's operationality and resolve doubts about the documents and information made available in the DATA ROOM. The COORDINATOR may propose the Chief Executive Office participate in MEETINGS WITH THE COMPANY, in such case, limited to one meeting with the Chief Executive Office per INTERESTED PARTY;

DATA ROOM is the virtual environment in which documents, data, reports, access to systems and any other kind of information about CESP, pertaining to the PROCESS, are available and can be accessed by interested parties registered that meet the requirements in this DUE DILIGENCE PROCEDURES MANUAL;

OFFICE is the Office of Finance, that, as the STATE's representative, is responsible for the publication of the BID NOTICE and PROCESS coordination;

TECHNICAL VISIT is the procedure in which the representatives of the INTERESTED PARTY conduct a visit to CESP, for the purposes of assessing the operation of the facilities of a certain area of CESP, as previously scheduled and authorized.

3. COORDINATION OF DUE DILIGENCE PROCESSES

The implementation, access and coordination of all procedures related to the DATA ROOM, TECHNICAL VISITS and MEETINGS WITH THE COMPANY are under the coordination of the Office, pursuant to authorization granted by CESP, with technical support from PGE/SP and the CONSULTANTS; the OFFICE, through the COORDINATOR, will be responsible for the organization of the requests to access the DATA ROOM, TECHNICAL VISITS and MEETINGS WITH THE COMPANY.

The coordination of audits will be performed by the COORDINATOR Mr. Jorge Luiz Avila da Silva (incumbent) and his substitute Fabio Bernacchi Maia (substitute), people with the authority to determine the necessary measures and define rules that complement this Manual, with the purpose of facilitating the audit activities in a fair and efficient manner, who will count with the technical support of the Office, PGE/SP and the CONSULTANTS, which will have free access to CESP and may even participate in MEETINGS WITH THE COMPANY and answer questions from INTERESTED PARTIES.

All communication with the coordination of audits should be made by e-mail, at the following email address cesp2017@fazenda.sp.gov.br.

4. ACCESS TO THE DATA ROOM

The DATA ROOM, made available in a virtual environment, may be accessed at an electronic address to be made available on the process website.

For virtual access to the DATA ROOM, the COORDINATOR will deliver to each registered INTERESTED PARTY, pursuant to the terms of item 5 of the DUE DILIGENCE PROCEDURES MANUAL, an access key unique to each member of the INTERESTED PARTY's team (limited to 50 team members).

The content of the DATA ROOM will always be made available in the same manner, and always in an isonomic way, to any INTERESTED PARTIES.

5. REQUIREMENTS FOR ACCREDITATION TO AUDITS

To accredit as AN INTERESTED PARTY in the PROCESS, the applicant must comply with the following steps:

- i. To fill out the forms needed to access the DATA ROOM, according to TEMPLATE 1 and TEMPLATE 2 (item 10 IN this Manual).
- ii. To EXECUTE the Confidentiality Instrument in TEMPLATE 3 (item 10 of this Manual).
- iii. The INTERESTED PARTY must make payment in the amount of R\$ 25,000.00 (twenty-five thousand Brazilian Reals), for access right to the DATA ROOM virtual environment, that will also include, also, the right to participate in TECHNICAL VISITS and MEETINGS WITH the COMPANY, as indicated in TEMPLATE 5 (item 10 of this Manual). For the purposes of clarification, any and all costs of the INTERESTED PARTY related to TECHNICAL VISITS, such as, but not limited to, travel, lodging and transportation, will be borne by the INTERESTED PARTY itself.

Payment for access right shall be made via wire transfer to the STATE's bank account below:

Account Holder: Governo do Estado de São Paulo
Bank: Banco do Brasil (001)
Branch: 1897-X
Transaction: Credit to checking account
Account No.: 454219-3
CNPJ: 46.379.400/0001-50

Access to the DATA ROOM will only be allowed after the following documents, already completed, are delivered - physically and via e-mail - to the

COORDINATOR, 2 (two) business days prior to the date when each INTERESTED PARTY wishes to have access to the DATA ROOM:

- i. Form in TEMPLATE 1 (Request for Access to the DATA ROOM);
- ii. Form in TEMPLATE 2 (list of Team members to have access to the DATA ROOM);
- iii. Confidentiality Instrument in TEMPLATE 3 duly completed and executed;

The physical documents must be delivered at the following address: Av. Rangel Pestana, 300 - 3º andar - Sé, São Paulo - SP, to the care of the COORDINATOR of the process.

Each INTERESTED PARTY, through its Legal Representative, may appoint a team composed of up to fifty (50) people, and shall appoint one (1) LEADER, who will be the only person authorized to contact the COORDINATOR.

If necessary, the INTERESTED PARTY may complement the list of team members, presented as it is in TEMPLATE 2, to include team members, provided the team is limited to fifty (50) people. The request to complement the list shall be sent to the COORDINATOR's e-mail address. Replacements will not be accepted so that the total number of accesses does not exceed the abovementioned limitation.

All people that participate in MEETINGS WITH THE COMPANY or TECHNICAL VISITS must sign an attendance register.

The DATA ROOM will be available in a virtual environment to be accessed by the people on the list.

Information regarding non-operational properties of CESP will be available in a computer at the Company's headquarters for consultation upon prior scheduling, whose request must be sent to cesp2017@fazenda.sp.gov.br.

In case the INTERESTED PARTY deems necessary to physically verify any of the documents made available online in the DATA ROOM, such party will have to request the COORDINATOR, through its LEADER, access to the intended document(s).

The request will be made via e-mail (see item 3), by means of which the INTERESTED PARTY, after identifying itself, will have to specify all references to the document(s) to which it intends to have access, and it is the COORDINATOR's prerogative to authorize it or not. In case the COORDINATOR does authorize it, after consulting with CESP, he will have to inform all INTERESTED PARTIES the documents will be made physically available, informing date, time and place, and available time for such document(s) to be inspected. The INTERESTED PARTIES who want to analyze documents made physically available will have to make such intention formal, via e-mail, to schedule a specific time slot. Only three (3) people at a time may have access to the place informed, upon presentation of official identity document, valid in all national territory.

During the time they stay at the place to inspect the documents, the COORDINATOR and additional CESP assistants will not respond to any clarification and/or questions from the INTERESTED PARTIES, except questions relating exclusively to the identification and/or location of the documents.

Capturing images, by any way, during the inspection of the document(s) will not be allowed. The INTERESTED PARTIES will access the site carrying only paper, pencil and pen they own or provided by CESP, in addition to one laptop computer, if so they wish, provided the camera is covered.

At the discretion of CESP and per the COORDINATOR's decision, support rooms with lockers may be made available to the INTERESTED PARTIES.

The INTERESTED PARTIES are not allowed to access the document verification site with food and/or beverages.

Without prejudice to the provisions in this chapter, it will be ensured that access to the DATA ROOM will be free of charge upon specific request made to the controlling bodies and regulatory agencies, according to their authority.

6. ORGANIZATION AND PROCEDURES

The DATA ROOM will contain documents distributed in folders sorted properly. The list of all documents available will be available in the respective DATA ROOM.

The documents to be made available in the DATA ROOM may have the following classification as to access privileges, to be defined by CESP by the date when the DATA ROOM will be opened:

- i. Documents with a **confidentiality "A"** level refer to general access information, such as financial statements, corporate acts in general, certificates, etc. It is characterized as information generally accessible that the INTERESTED PARTY may obtain through other sources. This information will be provided to the INTERESTED PARTIES in the DATA ROOM and can be printed, saved or copied;
- ii. Documents with **confidentiality "B"** level refer to restricted information, such as financial and operational agreements, accounting audit reports, asset valuation reports, legal matter reports, financial data, etc. These documents will not be available to be printed, *downloaded* and/or copied and must be reviewed within the virtual platform.

iii. Documents with **confidentiality "C"** level refer to information containing, at the sole discretion of CESP and/or the STATE, other information that is not of general access and that features restrictions to the external disclosure. The INTERESTED PARTIES will possibly not have access to the full content of such information, and, for their assessment, a summary of amounts or any other form that would prevent sensitive details be obtained may be used, pursuant to market practice standards.

MEETINGS WITH THE COMPANY or TECHNICAL VISITS may not be recorded in any way.

After holding MEETINGS WITH THE COMPANY, the INTERESTED PARTIES may send questions and requests for additional information, which shall be directed to the COORDINATOR, in Portuguese, through the form, in Word format, as in TEMPLATE 4 (item 10 of this Manual), within fifteen (15) days prior to the AUCTION.

In order to ensure equal treatment to all INTERESTED PARTIES, the questions made through TEMPLATE 4, as well as the replies submitted as Additional Information, will be placed in the DATA ROOM by the COORDINATOR, so that they are available to all INTERESTED PARTIES.

Responses will be forwarded to the INTERESTED PARTIES by the Coordinator within five (5) days and included in the DATA ROOM as indicated above; the OFFICE, CONSULTANTS and CESP reserve themselves the right not to respond to questions they consider unfounded, or whose answers are in the documents provided or to those that have been previously answered.

It is forbidden for the INTERESTED PARTIES to contact any of CESP's employees, suppliers and service providers, unless they have been appointed to do so, pursuant to this DUE DILIGENCE PROCEDURES MANUAL. If any contact is

maintained, INTERESTED PARTIES may be excluded from access to the PROCESS.

7. SCHEDULE AND ACCESS TO THE DATA ROOM

There will be uninterrupted access to the DATA ROOM until two (2) business days prior to the delivery of documents for PRE AUCTION IDENTIFICATION, except for interruptions beyond the STATE's or CESP's control.

The COORDINATOR may, at any time, modify the Schedule of Events, without any consequence to CESP or others involved in the PROCESS.

Any changes to the Schedule of Events must be published on the process's website and communicated, preferably via e-mail, to those who are already properly registered.

The schedule with the estimated period for events of the DATA ROOM, TECHNICAL VISITS and MEETINGS WITH THE COMPANY can be found below:

Date/period	Event
July/2017	Opening of the DATA ROOM
July/2017	Period to forward "Request for TECHNICAL VISITS and MEETINGS WITH THE COMPANY" (TEMPLATE 5) to the COORDINATOR starts
August/2017	Period to forward "Request for TECHNICAL VISITS and MEETINGS WITH THE COMPANY" (TEMPLATE 5) to the COORDINATOR ends
August/2017	Beginning of period for TECHNICAL VISITS
August/2017	Beginning of period for MEETINGS WITH THE COMPANY
August/2017	Ending of period for MEETINGS WITH THE COMPANY
August/2017	End of period for submission to coordination of TEMPLATE 4, "Request for Additional Information"
August/2017	End of period for TECHNICAL VISITS
two (2) business days prior to the delivery of PRE AUCTION IDENTIFICATION documents	Access to the DATA ROOM ends

The dates of the events indicated in said schedule are only estimated and will be set and disclosed on the website of the process in due course.

The accreditation of INTERESTED PARTIES to access the DATA ROOM, TECHNICAL VISITS and MEETINGS WITH THE COMPANY will be done from Monday to Friday, from 9:30 a.m. to 5:30 pm., upon presentation of the documents indicated in item 5 of this Manual.

8. TECHNICAL VISITS and VISITS WITH THE COMPANY

As previously mentioned, each INTERESTED PARTY shall be entitled to participate in TECHNICAL VISITS and MEETINGS WITH THE COMPANY. The departments with which the INTERESTED PARTIES may have meetings, as determined by the COORDINATOR, are mentioned in TEMPLATE 5.

The dates to have MEETINGS WITH THE COMPANY and TECHNICAL VISITS scheduled will be disclosed in the future, taking into account the safety, integrity and continuity of CESP's operations, through the completion of TEMPLATE 5

The MEETINGS WITH THE COMPANY will be programmed through a written request in TEMPLATE 5, which shall be delivered by the LEADER of the INTERESTED PARTY to the COORDINATOR. CESP team that will participate in the MEETINGS WITH THE COMPANY will be defined by CESP, as well as how long they will last at the most.

The daily program of TECHNICAL VISITS and MEETINGS WITH THE COMPANY will be delivered to each INTERESTED PARTY as soon as the available dates to respond to the requests presented in TEMPLATE 5 are available.

Each INTERESTED PARTY's team that will participate in the MEETINGS WITH THE COMPANY shall be previously informed, pursuant to TEMPLATE 5. The participants in the MEETINGS WITH THE COMPANY may be different from professionals accredited through TEMPLATE 2.

CESP will endeavor all efforts to respond to all INTERESTED PARTIES, either for TECHNICAL VISITS or MEETINGS WITH THE COMPANY, within the shortest period of time, reserving itself the right to limit the number of INTERESTED PARTIES in TECHNICAL VISITS, in case there is a scheduling conflict, and to take other measures to make possible an fair, and transparent programming, per the COORDINATOR's decision and with equal treatment to the INTERESTED PARTIES.

9. CONFIDENTIALITY

The INTERESTED PARTIES and each of the members of their respective teams, indicated pursuant to TEMPLATE 2 and TEMPLATE 5, who have access to any information contained in the DATA ROOM and/or to which they have access during the PROCESS, will be subject to the provisions of the Confidentiality Instrument, in TEMPLATE 3.

Such information shall be used by the INTERESTED PARTIES, exclusively, as grounds for their assessments and preparation of proposals to participate in CESP's AUCTION, and may not be disclosed to third parties.

10. TEMPLATES

TEMPLATE 1 - Request for Access to the DATA ROOM;

TEMPLATE 2 - List of Team members to have access to the DATA ROOM;

TEMPLATE 3 - Confidentiality Instrument

TEMPLATE 4 – Request for Additional Information

TEMPLATE 5 - Request for TECHNICAL VISITS and MEETINGS WITH THE
COMPANY

TEMPLATE 1

Request for Access to the DATA ROOM

1. Applicant:	
CNPJ/CPF/other identification document:	

2. Legal Representative:	
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Company:		Telephone number:	
Position:		Fax number:	
Signature:		E-mail address:	

TEMPLATE 2

List of Team members to have access to the DATA ROOM

1. Applicant:	
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2. Team Leader:	
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Company:		Telephone number:	
Position:		Fax number:	
Signature:		E-mail address:	
4. Team:			

NAME	ID CARD/PASSPORT	POSITION	COMPANY	E-MAIL ADDRESS
1.				
2.				
3.				

TEMPLATE 3
Confidentiality Instrument

[Place], [Date]

To
C/O COORDINATOR

Dear Sirs,

1. In view of the publication of the DUE DILIGENCE PROCEDURES MANUAL regarding the opening of the PROCESS, the DATA ROOM and the TECHNICAL VISITS AND MEETINGS WITH the COMPANY and, considering the interest of [INTERESTED PARTY], [identification], in being granted access to the CONFIDENTIAL INFORMATION related to CESP, as defined below, with the intention of possibly presenting proposal in AUCTION for CESP's destatization, undertakes, in accordance with this CONFIDENTIALITY INSTRUMENT, in complying with the following terms and conditions.

2. For the purposes of this CONFIDENTIALITY INSTRUMENT, CONFIDENTIAL INFORMATION means the information and the documents to which the INTERESTED PARTY have access by virtue of the analysis process of the DATA ROOM, in addition to those obtained by reason of the MEETINGS WITH THE COMPANY and TECHNICAL VISITS made within the scope of the process of CESP's possible destatization, whether verbal, written, photographed, electronic or presented in any another manner.

3. We undertake: (i) to keep all CONFIDENTIAL INFORMATION to which we have access confidential; (ii) to use the CONFIDENTIAL INFORMATION exclusively for the purposes of assessing whether to participate in the AUCTION; (iii) not to disclose to third parties, reveal, reproduce or in any way dispose of such CONFIDENTIAL INFORMATION in relation to CESP or entities related to it; and (iv) not to disclose or reveal any CONFIDENTIAL

INFORMATION or information about our participation in CESP's destatization process.

4. Individuals and/or legal entities as well as their employees, part of the INTERESTED PARTY's team, per lists in TEMPLATE 2 and TEMPLATE 5 of the DUE DILIGENCE PROCEDURES MANUAL, are not considered third parties. The confidentiality obligation undertaken herein, as well as all the conditions mentioned herein, apply to them. We are totally and directly responsible for these people's total and integral participation in the negotiations.

5. We acknowledge that failing to comply with the obligations herein will make us subject to the applicable civil, criminal and/or administrative penalties, pursuant to the laws, and, we also undertake to hold harmless and/or to indemnify the STATE, the OFFICE, CESP, SELLER(S), the CONSULTANTS and/or any wronged third party (including, but not limited to, parties in CESP's agreements) for any and all damages, losses, liability attributed to them, with respect to claims, lawsuits, damages, costs and expenses that they may suffer as a result of failing to comply with the provisions in this CONFIDENTIALITY INSTRUMENT, and we agree that, without prejudice to any applicable measures, the STATE, CESP, the SELLER(S), the CONSULTANTS and/or any wronged third party may bring any judicial or extrajudicial measure to prevent or invalidate such violations.

6. In case we are required to disclose any CONFIDENTIAL INFORMATION due to legal determination of competent authorities, we shall immediately notify the COORDINATOR. We also undertake, in case we are required due to legal determination, not to disclose any information other than the information requested.

7. We acknowledge that the CONSULTANTS, the STATE, and the SELLER(S) are not capable of ensuring the documents and information made available in the DATA ROOM and in the TECHNICAL VISITS and MEETINGS WITH THE COMPANY

are true, accurate and updated. We waive any right or claim to bring an action in Court against the STATE, CESP, the SELLER(S) and the CONSULTANTS, as well as their respective representatives and employees, in relation to the documents made available and to the access to the DATA ROOM and TECHNICAL MEETINGS and MEETINGS WITH THE COMPANY, as well as with respect to CESP's sale, with respect to such documents, information, TECHNICAL MEETINGS and MEETINGS WITH THE COMPANY.

8. To settle any disputes arising from this CONFIDENTIALITY INSTRUMENT, we will be subject to the laws of the Federative Republic of Brazil and we choose the jurisdiction of the Judicial District of São Paulo, waiving any other however privileged they may be.

9. We represent that the obligation to keep the CONFIDENTIAL INFORMATION confidential is a full, final and irrevocable obligation that will remain in force for three (3) years, as of the closing of the DATA ROOM.

Best regards,

(Signature(s) of the INTERESTED PARTY's legal representative(s)

INTERESTED PARTY's Corporate Name

CNPJ (if a national company or foreign company that is enrolled with the Brazilian Revenue Service) **or principal place of business** (for foreign company)

Full Name(s) of the legal representative(s)

Title/Position

CPF and RG (Passport or RNE, as applicable)

TEMPLATE 4

Request for Additional Information

1. Applicant:	
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2. Date of Request:	
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3. Questions:

Question No.	Question
1.	
2.	
3.	
4...	

4. Team Leader:	
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Company:		Telephone number:	
Position:		Fax number:	
Signature:		E-mail address:	

TEMPLATE 5

Request for TECHNICAL VISITS and MEETINGS WITH THE COMPANY

1. Applicant:	
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2. Request:

	TECHNICAL VISITS
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	MEETINGS WITH THE COMPANY
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1. Detail subjects / places of interest:

4. Date Options:	
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5. Team Leader:	
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Company:		Telephone number:	
Position:		Fax number:	
Signature:		E-mail address:	

6. Team: (including the team leader, as well as any assistants, e.g. translators)

NAME	ID CARD/PASSPORT	POSITION	COMPANY	E-MAIL ADDRESS
1.				
2.				
3.				

Note: Complete a separate form for each one of the modalities - TECHNICAL VISITS and MEETINGS WITH THE COMPANY