

# INTERNAL REGULATION OF THE BRAZIL- CHINA COOPERATION FUND FOR EXPANSION OF PRODUCTION CAPACITY

## CHAPTER I ON THE FUND

**Article 1.** THE BRAZIL-CHINA COOPERATION FUND FOR EXPANSION OF PRODUCTION CAPACITY (hereinafter referred to as the "**FUND**") was established under the Memorandum of Understanding signed on October 11, 2016 (hereinafter referred to as "**MOU**"), between the Secretariat for International Affairs of the Ministry of Planning, Development and Management of the Federative Republic of Brazil (hereinafter referred to as "**SEAIN**") and the China-LAC Industrial Cooperation Investment Fund Co., Ltd. (hereinafter referred to as "**CLAIFUND**"). In this **Internal Regulation** which is based on Article 2 of the **MOU**, **SEAIN** and **CLAIFUND** are collectively referred to as the "**Parties**" and individually a "**Party**".

**Article 2.** The **FUND** does not constitute a legal entity or closed condominium and is intended to function as a mechanism of cooperation, through which an evaluation process of projects in sectors set forth in item (IV) of Article 2 of **MOU** is established, for mutual benefit.

**Article 3.** The **FUND** shall aim to evaluate projects to be carried out in Brazil and in accordance to the rules established by this **Internal Regulation** and by the **MOU**.

**Article 4.** For analysis and classification of the projects in accordance to the sectors set forth in item (IV) of Article 2 of **MOU**, the **Proponents** shall forward **Consultation Letters**, as described in the Annex I to this **Internal Regulation**.

## CHAPTER II OF THE ORGANIZATIONAL STRUCTURE

**Article 5.** The organizational structure of the **FUND** shall be composed of:

- I. Steering Committee
- II. Technical Working Group
- III. Executive Secretariat

**Article 6.** The **Steering Committee** is constituted by high-level representatives nominated by each Party in equal numbers.

Paragraph 1 - Each representative referred to in this article will have an alternate, who will replace him in the impossibility of his presence. If a member or an alternate is nominated or renominated, the Party shall give notice to the other Party within ten (10) days.

Paragraph 2 - The **Steering Committee** may invite **Potential Financiers** (as defined in Chapter IX) and representatives of other relevant agencies and entities, whether public or private, and experts in matters related to a given subject to occasionally participate in activities held by the **Steering Committee**.

**Article 7.** The Technical Working Group (**TWG**) is constituted by technical-level representatives nominated by each Party in equal numbers.

Paragraph 1 - Each representative referred to in this article will have an alternate, who will replace him in the impossibility of his presence. If a member or an alternate is nominated or renominated, the Party shall give notice to the other Party within ten (10) days.

Paragraph 2 - The **TWG** may invite **Proponents** and representatives of other relevant agencies and entities, whether public or private, who are experts in the topics proposed in the **Consultation Letters** (Annex I), to participate in activities held by the **TWG**.

**Article 8. SEAIN** shall exercise the function of **Executive Secretariat** of the **FUND**.

**Article 9.** The work of the **Technical Working Group** and the **Steering Committee** is limited to evaluate the projects submitted through **Consultation Letters** pursuant to the Guidelines of the **FUND**.

Sole Paragraph - It is not the task of the **Technical Working Group** or the **Steering Committee** to examine the economic-financial feasibility of projects or any recommendation, deliberation or pre-approval regarding financing or investment in the project.

### CHAPTER III

#### ON THE STEERING COMMITTEE

**Article 10.** The **Steering Committee** is responsible for evaluating the proposed classification of **Consultation Letters** submitted by the **TWG** and issuing the final decision of classification or rejection.

**Article 11.** It is the **Steering Committee's** responsibility:

I. To approve by consensus this **Internal Regulation** and its subsequent amendments;

- II. To approve the Guidelines and the Annual Work Plan of the **FUND** prepared by the **TWG**;
- III. To propose measures, resolutions and procedures that shall ensure the proper functioning of the **Steering Committee**'s activities;
- IV. To clarify doubts about the application of the regulatory rules of the **FUND** in matters within its competence;
- V. To approve the basic criteria, procedures and standards for the analysis and classification of the **Consultation Letters** proposed by the **TWG**;
- VI. To evaluate the proposed classification of **Consultation Letters** submitted by the **TWG** and issue final decisions of classification or rejection;
- VII. To decide on reconsideration of requests submitted by the project **Proponents** in case **Consultation Letters** are rejected;
- VIII. To carry out other management acts related to the **FUND**.

Paragraph 1 - The **Steering Committee** may dialogue with representatives of private sector entities in order to discuss strategies and projects.

Paragraph 2 - The **Steering Committee** shall be supported by the **TWG** and the **Executive Secretariat**, respectively, with respect to the evaluations and classification of **Consultation Letters**, as well as on the administration of its activities.

**Article 12.** The classification by the **Steering Committee** does not oblige the **Potential Financiers** or any other investors to approve any investments and does not entitle the **Proponent** of the **Consultation Letter** to receive any investments by the **Potential Financiers** or any other investor.

## **CHAPTER IV**

### **ON THE FUNCTIONING OF THE STEERING COMMITTEE**

**Article 13.** The **Steering Committee** shall function by means of face-to-face meetings or by means of videoconferences, and shall hold face-to-face meetings alternating between Brazil and China, as agreed by the Parties.

**Article 14.** The **Steering Committee** shall seek consensus in its decisions with the presence of all its members.

Sole paragraph - In case of two sequential meetings called without the presence of all members, the third meeting shall be held, exceptionally, with a minimum presence of four members of the **Steering Committee**, two of each Party.

**Article 15.** The **Steering Committee** shall send to the **Executive Secretariat** the decisions issued concerning the classification for pertinent forwarding, according to Chapter VII.

**Article 16.** The meetings shall be convened by the **Executive Secretariat**, which will prepare and issue the convocation, agenda, working documents and minutes of the meeting.

Paragraph 1 - The notice for convening the **Steering Committee**'s ordinary meetings should be sent at least thirty (30) days prior to the meeting by electronic means and should contain:

- I. Preliminary agenda;
- II. Indication of date, time and locations; and
- III. Relevant documents for the meetings.

Paragraph 2 - The preliminary agenda for the meetings may be amended, at the request of the members, within ten (10) days prior to the meeting.

**Article 17.** The **Executive Secretariat** will draw up minutes of each meeting, whether personally attended or held by videoconference.

**Article 18.** The minutes of **Steering Committee**'s meetings shall contain:

- I. The place and the date of its occurrence;
- II. The names of those present;
- III. The summary of the topics presented;
- IV. The deliberations issued, whenever applicable; and
- V. The relevant documents.

Paragraph 1 - The minutes shall be forwarded to the members and participants within ten (10) days after the meeting for acknowledgement and confirmation by signature through mail or electronic means, with a copy to all members of the **Steering Committee**. The minutes shall be deemed to have been approved once all members have confirmed the minutes by signature.

Paragraph 2 - Remarks and corrections on the minutes shall be informed to the **Executive Secretariat** within ten (10) days after the members received the minutes.

Paragraph 3 - The final version of the minutes approved by all members in accordance with this Article shall be kept by the **Executive Secretariat**, with a record provided to the **Parties** and each member of the **Steering Committee** and the **TWG**.

**Article 19.** The members of the **Steering Committee** may present requests for advice and communicate through electronic means with the support of the **Executive Secretariat**.

## CHAPTER V

### ON THE TECHNICAL WORKING GROUP

**Article 20.** The Technical Working Group (**TWG**) is the technical decision-making body of the **FUND**. The **TWG** is responsible for analyzing the **Consultation Letters** according to this **Internal Regulation**, guidelines and procedures approved by the **Steering Committee** and submit a proposed classification of **Consultation Letters** to the **Steering Committee** for final decision.

**Article 21.** The **TWG**'s responsibilities are:

I. Propose the Guidelines and the Annual Work Plan of the **FUND** for approval by the **Steering Committee**;

II. Propose to the **Steering Committee** basic criteria and procedures for the analysis and classification of **Consultation Letters**;

Paragraph 1 - The **TWG** may dialogue with entities from the private sector in order to discuss strategies and projects.

Paragraph 2 - The **TWG** shall be supported by the **Executive Secretariat** with respect to the proposed classification of **Consultation Letters**, as well as on the administration of its activities.

## CHAPTER VI

### ON THE OPERATION OF THE TECHNICAL WORKING GROUP

**Article 22.** The **TWG** shall function through videoconferences and whenever possible through face-to-face meetings in Brazil or China, as agreed by the Parties.

**Article 23.** The **TWG**, with the presence of all its members, shall seek consensus for the elaboration of its proposed classification

Sole paragraph - In case of two sequential meetings called without the presence of all members, the third meeting shall be held, exceptionally, with a minimum presence of four full members of the **TWG**, two of each Party.

**Article 24.** The **TWG** shall send the proposed classification of **Consultation Letters** to the **Executive Secretariat**, for pertinent forwarding according to Chapter VII.

**Article 25.** The meetings shall be convened by the **Executive Secretariat**, which should prepare and issue the convening, agenda, working documents and minutes of the meeting.

Paragraph 1 - The notice for convening **TWG**'s meetings should be sent at least fifteen (15) days prior to the meeting by electronic means and shall contain:

- I. Preliminary agenda;
- II. Indication of date, time and location; and
- III. Relevant documents for the meetings

Paragraph 2 - The preliminary agenda for the meetings may be amended, at the request of the members, within ten (10) days prior to the meeting.

**Article 26.** The Executive Secretariat will draw up minutes of each meeting. The minutes of the **TWG** meetings shall contain:

- I. The place and the date of its occurrence;
- II. The names of those present;
- III. The summary of the subjects presented;
- IV. The decisions issued, whenever applicable; and
- V. The relevant documents.

Paragraph 1 - The minutes shall be forwarded to the members and participants within ten (10) days after the meeting for acknowledgement and confirmation by signature through mail or electronic means, with a copy to all members of the **TWG**. The minutes shall be deemed to have been approved once all members have confirmed the minutes by signature.

Paragraph 2 - Any remarks or corrections on the minutes shall be informed to the **Executive Secretariat** within ten (10) days after the members received the minutes.

Paragraph 3 - The final version of the minutes approved by all members in accordance with this Article shall be kept by the **Executive Secretariat** with a record provided to the Parties and each member of the **Steering Committee** and the **TWG**.

**Article 27.** The members of the **TWG** may present requests for advice and communicate through electronic means with the support of the **Executive Secretariat**.

**CHAPTER VII**  
**ON THE EXECUTIVE SECRETARIAT**

**Article 28.** The responsibilities of the **Executive Secretariat** are:

- I. To coordinate the process of analysis and classification of **Consultation Letters** within the scope of the **Steering Committee** and **TWG**;
- II. To perform technical and administrative activities per the instructions of the **Steering Committee** and **TWG**;
- III. To elaborate documents and technical notes to support the **Steering Committee** and **TWG**;
- IV. To suggest the agendas for meetings of the **Steering Committee** and **TWG**;
- V. To prepare the minutes of the meetings of the **Steering Committee** and **TWG**;
- VI. To convene other entities of Public Administration of each country to participate in meetings of the **Steering Committee** and the **TWG**, upon the respective instructions of the **Steering Committee** or **TWG**;
- VII. To request clarifications by the competent authorities on matters included in the agenda of the **Steering Committee**'s and **TWG**'s meetings;
- VIII. To maintain communication and coordination on all matters with relevant entities which have been indicated by the **Steering Committee** or **TWG**;
- IX. To execute the Annual Work Plan and working agenda approved by the **Steering Committee**;
- X. To present the evaluation of actions carried out over the year and to elaborate a report on the execution of the Annual Work Plan;
- XI. To organize forums and seminars aiming at the discussion, promotion and attraction of projects upon the instructions of the **Steering Committee** and **TWG**;
- XII. To receive **Consultation Letters** prepared in accordance with requirements of Annex I by project **Proponent**;
- XIII. To conduct a review of the **Consultation Letters** on whether all items set forth in Annex I are included in the **Consultation Letters**, and to request the **Proponents** whenever necessary to revise the **Consultation Letters** as appropriate;
- XIV. To forward **CLAIFUND** all communications between the **Executive Secretariat** and Chinese **Steering Committee** members; and
- XV. To implement other duties established by the **Steering Committee** or **TWG**.

## CHAPTER VIII

### ON THE ANALYSIS AND CLASSIFICATION OF CONSULTATION LETTERS

**Article 29.** The process for the analysis and classification of **Consultation Letters** will follow the present procedures:

I. The **Proponent** will present the **Consultation Letter** in accordance to requirements of Annex I to the **Executive Secretariat**;

II. The **Executive Secretariat** will conduct a pure formality review of the **Consultation Letters** on whether all items set forth in Annex I are included, and process the **Consultation Letters** in the following manners:

A. Each **TWG** meeting will consider the **Consultation Letters** received until fifteen (15) days before the meeting date;

B. If any information in the **Consultation Letters** is missing, the **Executive Secretariat** will inform the **Proponent** to revise the **Consultation Letter**, who will have fifteen (15) days to revise and present the revised **Consultation Letter**;

C. If the **Consultation Letters** (either original or revised) satisfy the formality review, the **Executive Secretariat** will submit them to the **TWG** for substantial review per item III, and convene a **TWG** meeting.

III. At its meetings, the **TWG** will analyze the **Consultation Letters** according to this **Internal Regulation**, guidelines and procedures approved by the **Steering Committee** and put forward a proposed classification of **Consultation Letters** in accordance to the sectors set forth in item (IV) of Article 2 of **MOU**, which will be submitted to the **Steering Committee** through the **Executive Secretariat** for final decision;

IV. Upon receiving the proposed classification of **Consultation Letters** from the **TWG**, the **Executive Secretariat** will convene, at least thirty (30) days in advance, a meeting of the **Steering Committee** for the evaluation of the proposed classification of **Consultation Letters** submitted by the **TWG** and issue the final decision of classification or rejection;

V. For avoidance of doubt, in the following situations the **Executive Secretariat** shall inform the **Proponent** of the **Consultation Letter** to consider to revise it within fifteen (15) days and present a revised **Consultation Letter** pursuant to item I of Article 29 after official notice:

A. When the **Steering Committee** or the **TWG** considers the **Consultation Letter** does not fulfill a requirement or any information is missing;

B. When the **TWG** or the **Steering Committee** considers that it is necessary to inform the **Proponent** to submit a revised **Consultation Letter**.



VI. The **Executive Secretariat** shall inform the **Proponents** of the **Consultation Letters** and the **Potential Financiers** on the decision reached by the **Steering Committee**.

**Article 30.** The classification of the **Consultation Letter** by the **Steering Committee** does not give the **Proponent** any right or expectation as to the financing or investment in the project by the **Potential Financiers** and other investors, who will decide on the granting of financing or investing on the basis of their internal norms and processes and respective credit policies.

## CHAPTER IX

### ON THE PROPONENTS AND POTENTIAL FINANCIERS

**Article 31.** **Proponents** are individuals and legal entities, based or not in Brazil, who submit their projects through a **Consultation Letter** (refer to Annex I).

**Article 32.** The **Potential Financiers** are Chinese and Brazilian institutions set forth in item (VI) of Article 2 of **MOU**.

**Article 33.** Each one of the **Potential Financiers** is responsible for its own analysis and investment in projects that had **Consultation Letters** classified by the **Steering Committee**, as well as for deciding on the form of investment.

**Article 34.** Decisions on financing, investments and disbursements for projects with **Consultations Letters** classified by the **Steering Committee** shall be made by the **Potential Financiers** and other investors on a project by project basis, in accordance with their respective internal regulations and procedures, without any interference by the **Steering Committee**, **TWG** or the **Executive Secretariat**.

## CHAPTER X

### LANGUAGES

**Article 35.** This **Internal Regulation** is executed in Chinese, Portuguese and English. The three versions have the same legal effects. The English version will prevail if there is any inconsistency. Portuguese and English are the working languages to be used by the **FUND** for verbal and written communication. Any documents prepared, used, originated or created by the **FUND** (including but not limited to meeting minutes, decisions, **Consultation Letters** and other documents) shall be written in both Portuguese and English. In case of any conflict between the two language versions, the English version shall prevail. English is the working language for any communication with **CLAIFUND**, Chinese Proponent and other Chinese financier.

## CHAPTER XI

### GENERAL PROVISIONS

**Article 36.** It is the responsibility of the Ministry of Planning, Development and Management of the Federative Republic of Brazil to provide the **FUND** with all means necessary for the exercise of its activities, including the support set forth in Article 3 of **MOU** and required for the implementation of the Secretariat activities.

**Article 37.** Each **Party** shall bear the costs of its own communicative, cooperative, travel and administration activities concerning the management and operation of the **FUND**, unless otherwise agreed.

**Article 38.** Any questions or disputes arising out of the interpretation or implementation of this **Internal Regulation** shall be decided by direct consultation between the Parties.

**Article 39.** The **Parties** agree that any dispute, controversy, difference or claim arising out of or in connection with this **Internal Regulation**, including the existence, validity, interpretation, performance, breach or termination thereof shall be resolved through consultation in good faith.

**Article 40.** Any information in connection with this **Internal Regulation** is considered as the information in connection with **MOU** which should be treated pursuant to Articles 10 and 11 of **MOU**. The principles of Articles 10 and 11 of **MOU** apply to all the **Steering Committee** and **TWG** members.

**Article 41.** This **Internal Regulation** may be amended, modified, or supplemented by the **Steering Committee**.

**Article 42.** This **Internal Regulation** shall come into force on the date of approval by the **Steering Committee**.

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## ANNEX I

### CONSULTATION LETTER

The **Consultation Letter** is the document describing the actions related to the execution of the projects to be contracted on the basis of the cooperation mechanism of the **FUND**.

The **Consultation Letter** shall contain the following points:

I. Identification: Name of the Project and Proponent Information

II. Project data:

1. Brief report on which problem the project proposes to solve, how the proponent intends to do it, how the project fits into the Governments' priorities, and to which sectors the project is associated.

2. Project report:

2.1. Project:

- i. Objectives of the proposed project: what are the results of the actions implemented through the project;
- ii. Indicators: quantitative assessment of the results expected from the implementation of the project;
- iii. Components: actions to be implemented by the project;
- iv. Steps Taken: the Proponent must inform the steps already taken in relation to the project.
- v. Geographical Scope: specify the project location and the region, state or municipality to be affected.
- vi. Target Public and Beneficiaries: the proponent should inform the segment of society that will directly and indirectly benefit from the actions of the project.

2.2. Project Cost and Financing: estimation of the overall cost of the project as well as the estimated value and/or percentage to be financed by the **FUND**.

2.2.1 The amount to be financed for each project will depend on the analysis of the financiers according to their operational policies.

2.3. Deadline: Indicate the deadline for the project's execution.

2.4. Timeline: Distribute product values for years.

2.5. Risks: the Proponent should inform the inherent and possible risks of the project.

2.6. Annexes: the Proponent should include information about time schedule, the analysis of the direct and indirect impacts of the project, a report on the import of technology or the generation of technology and any other data the proponent considers relevant to request access to the **FUND**.

The **Executive Secretariat** will provide technical information about how to submit a **Consultation Letter** as well as additional procedures.

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