



# 2009

SUSTAINABILITY REPORT

**CEMIG**

A Melhor Energia do Brasil.

GLOBAL LEADER IN SUSTAINABILITY FOR  
THE SECOND TIME BY THE DOW JONES INDEX.

## MAIN SUSTAINABILITY INDICATORS

Financial data (Economic Dimension – in R\$) are consolidated according to Brazilian accounting standards. From all remaining information, Gasmig, Infovias, TBE, Terna and Light were excluded, in accordance with the GRI – Global Reporting Initiative methodology.<sup>1</sup>

	2 0 0 5	2 0 0 6	2 0 0 7	2 0 0 8	2 0 0 9
<b>General Data</b>					
Number of Consumers – ('000) <sup>2</sup>	6,010	6,240	6,440	6,602	6,833
Number of employees	10,271	10,658	10,818	10,422	9,746
Municipalities serviced	774	774	774	774	774
Concession Area – km <sup>2</sup> <sup>3</sup>	567,478	567,478	567,478	567,478	567,478
Saifi – number of outages (EU28)	6.78	6.43	6.39	6.53	6.76
Saidi – hours of outage (EU29)	12.21	13.03	13.14	13.65	14.09
Number of plants in operation <sup>4</sup>	54	61	62	63	65
Number of substations <sup>4</sup>	440	469	472	474	540
Installed capacity – MW (EU1) <sup>5</sup>	6,113	6,692	6,678	6,691	6,716
Transmission lines – km (EU4) <sup>5</sup>	4,892	5,364	5,313	5,755	7,506
Subtransmission lines – km (EU4)	16,040	16,788	16,676	16,810	16,959
Distribution network – km (EU4)	Total	379,400	394,168	423,802	436,905
	Urban	84,585	85,479	85,815	87,086
	Rural	294,815	308,689	337,987	349,819
<b>Economic Dimension</b>					
Operational Revenues – R\$ million	11,703	13,431	15,790	16,488	17,442
Ebitda – R\$ million	3,058	3,222	4,073	4,099	4,039
Net profit (loss) – R\$ million	2,003	1,719	1,735	1,887	1,861
Stockholders' equity – R\$ million	7,185	7,522	8,390	9,352	10,276
Debt as % of stockholder's equity (2.8)	175.55	206.03	187.31	160.29	180.92
<b>Environmental Dimension</b>					
Funds invested in the environment – R\$ million (EN30) <sup>6</sup>	85.4	58.1	44.1	70.5	88.4
Total residues Generated – metric tons (EN22)	3,371	3,899	4,945	7,410	4,600
Residues recycled, reutilized or disposed of – metric tons (EN22)	3,098	3,165	4,592	6,659	4,088
Total Energy Consumption – GJ (EN3)	619,883	1,706,679	2,823,675	2,899,634	434,960
Total Water Consumption – m <sup>3</sup> (EN8)	274,064	292,060	350,913	423,590	446,697
Fish Repopulation – minnows ('000)	722	445	484	616	523
Tree Saplings Produced ('000)	190	392	350	416	421
CO <sub>2</sub> emissions – metric tons (EN16)	35,145	119,846	203,236	207,657	21,921
<b>Social Dimension</b>					
Average number of hours of training per employee (LA10)	49.03	59.34	50.73	71.25	72.43
Social Investment – R\$ million <sup>7</sup>	5,920	6,448	7,268	7,797	7,767
Accident rate – own employees (LA7) <sup>8</sup>	0.534	0.370	0.485	0.434	0.510
Accident rate – outsourced employees (LA7) <sup>9</sup>	1.906	2.168	1.342	0.937	0.960

<sup>1</sup> For further information on the GRI methodology, please visit the website: [www.globalreporting.org](http://www.globalreporting.org). <sup>2</sup> The chart with the number of consumers per category is described in item Cemig's Market, Page 32. <sup>3</sup> Contemplates alterations in previous years, reflecting only the concession area of Cemig Distribuição. <sup>4</sup> Figures concerning the Cemig Group, contemplating alterations in previous years for compatibilization with new criteria. <sup>5</sup> Consolidated Cemig Group figures, including the proportional participation in controlled / affiliated companies, contemplating alterations in previous years for compatibilization with new criteria. <sup>6</sup> Total sum of funds applied in the environment directed towards operation and maintenance and to new ventures. <sup>7</sup> Total sum of funds invested in external social indicators and total internal social indicators. For further details, see Social Statement. <sup>8</sup> Number of accidents resulting in injuries and time off work per 200,000 hours worked.



*Man. Part of a whole.*

*Emerges from the Water and  
opens the way forward.*

*Conquers the world.*

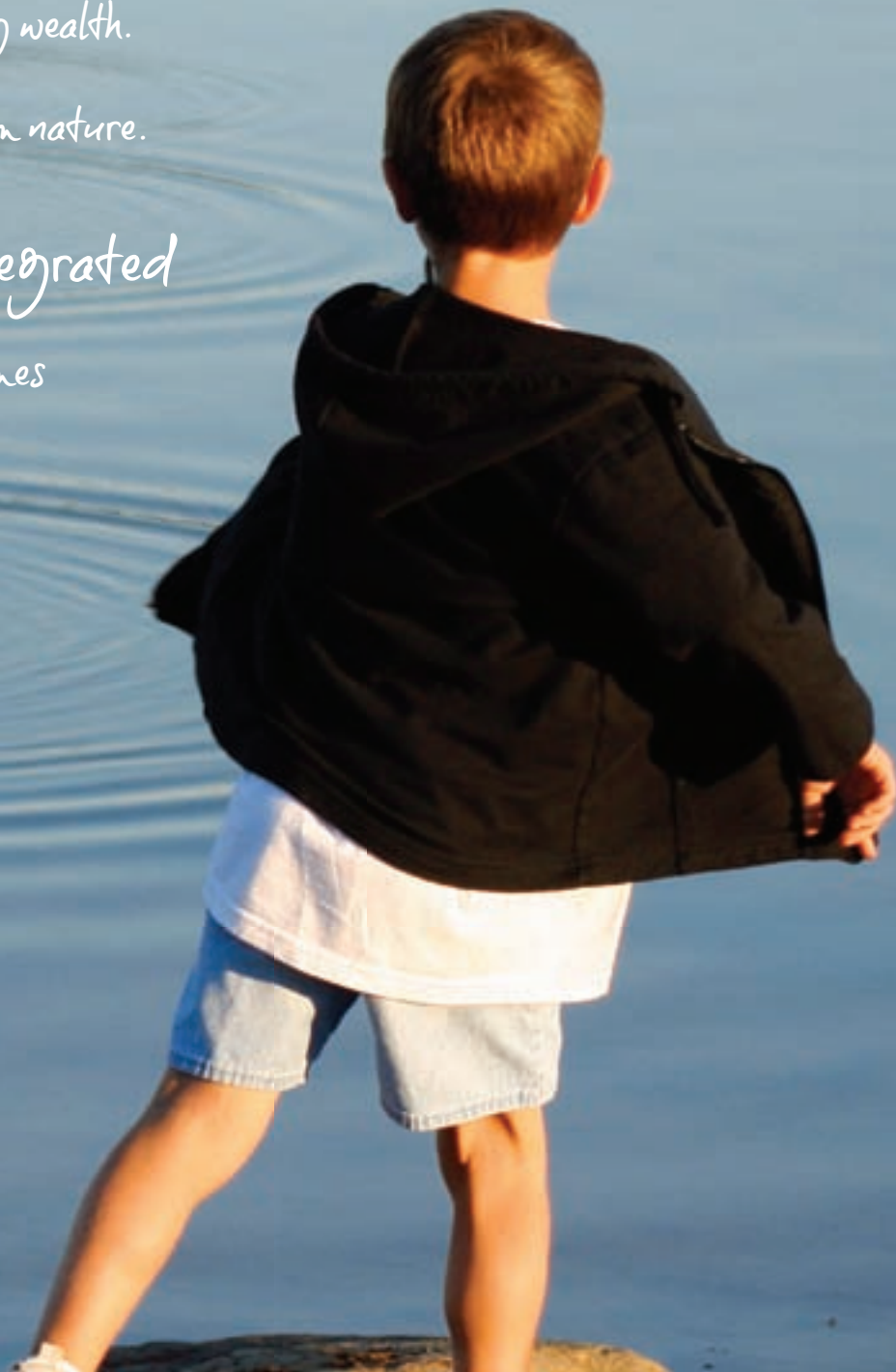
*Strong when creating  
opportunities and generating wealth.*

*Weak when disconnected from nature.*

*Man. Wise when integrated  
into the whole and becomes  
sustainable, like Cemig.*

**CEMIG**

A Melhor Energia do Brasil.





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# MESSAGE FROM MANAGEMENT



In 2009, Cemig sought to continually improve its corporate sustainability actions, aligning the creation of economic value, respect for social relations with stakeholders and preservation of the environment. As a reflex of this posture, in its 2009/2010 edition, Cemig celebrated its tenth year of inclusion in the Dow Jones Sustainability Index World (DJSI – World), of which it has been a part since its creation. Cemig has also been elected, once again, global leader in the utilities supersector.

As confirmation of this position, Cemig had its corporate socio-environmental risk classified as “prime” by the German Oekom Research agency and was selected to be part of the Corporate Sustainability Index – ISE/Bovespa for the 5<sup>th</sup> consecutive year. Cemig has been a part of this index since its creation in 2005.

In 2009, water sources were responsible for 99% of Cemig’s energy generation, allowing the Company to make water the driving force behind its development and ensuring that greenhouse gas emissions are well below the average levels of the global electric energy sector.

The investments made have cemented Cemig as the largest integrated company in the Brazilian electric energy sector, with operation in 19 states in Brazil and in Chile through 62 companies and 10 consortia.

However, the Company felt the effects of the international crisis in its operations and results, suffering a reduction in the industrial consumer market and economic impacts resulting from the revision of Cemig Distribuição tariffs.

The Company also voluntarily joined the UN Global Compact in May 2009, reinforcing its commitment to the corporate responsibility expressed in the ten principles of the Pact covering human rights, labor, the environment and anti-corruption.

Even so, Cemig has come through the financial crisis, transforming 2009 into a year of opportunities, establishing itself in the consolidation of the Brazilian electric energy sector. The acquisition of an equity stake in Terna Participações (now

Taesá) and an increase in its equity stake in TBE contributed towards an increase in the extension of its transmission lines by approximately 30%. The increase in the equity stake in Light, which is responsible for the distribution of energy in the city of Rio de Janeiro and another 30 municipalities in the state of Rio de Janeiro, when concluded, will give the two companies, together, approximately 16% of the Brazilian distribution market.

The new energy generation projects, especially the acquisition of three wind farms in Ceará (99.6 MW, equity stake of 49%), ensure the Company's growth in the generation of energy utilizing clean and renewable sources.

Also worth mentioning was the inauguration of the Cachoeirão SHPP (49% equity stake, 27 MW of power) and the Baguari Hydroelectric Plant (140 MW, equity stake of 34%), in addition to continuation of construction of the Santo Antônio Hydroelectric Plant (3,150 MW, 10% equity stake) and the Dolores de Guanhanes, Senhora do Porto, Fortuna II, Jacaré and Pipoca SHPPs, in which the Company has a 49% equity stake, with a total power of 64 MW. In the transmission segment, the Charrúa – Nueva Temuco Transmission Line in Chile was inaugurated in January of 2010.

In 2009 Cemig implemented the Special Integrated Management Program of Networks and Trees – Premiar together with municipalities, universities and the population. The objective of the program is to establish a strategy and procedures aimed at managing urban trees that are close to

electrical systems, always focusing on reducing conflicts between trees and the electric network and thereby ensuring the quality of the electric energy supply.

Knowledge management took another step forward with the creation of UniverCemig, a corporate university aimed at ensuring managerial and operation excellence at Cemig, whose tonic is the integration of people and efforts to generate and share knowledge.

In its quest to continually improve relations with its suppliers, the Company developed the "Cemig Supplies and Relationship with Suppliers Manual" in order to establish a set of principles and directives, translated into commitments, that will guide the actions undertaken by Cemig and its suppliers.

The Company made progress at several long term programs that have already benefitted thousands of users throughout the state of Minas Gerais, with an emphasis on the "Luz Para Todos" Program, directed at providing universal electric energy service, the "Conviver" Project directed at promoting energy efficiency and "Peixe Vivo", directed at mitigating impacts on fish.

All the work done in 2009 demonstrates Cemig's commitment to overcoming the challenge expressed in its new vision of "To be, in 2020, one of the two largest energy groups in Brazil in terms of market value, with a significant presence in the Americas and to be a world leader in sustainability in the sector".

# BOARD OF DIRECTORS, EXECUTIVE BOARD AND AUDIT BOARD

## EXECUTIVE BOARD



DJALMA BASTOS  
DE MORAIS  
CEO



ARLINDO PORTO  
NETO  
Executive Vice-President



LUIZ FERNANDO  
ROLLA  
Chief Officer for Finance, Investor  
Relations and Control of Holdings



BERNARDO AFONSO  
SALOMÃO DE ALVARENGA  
Chief Trading Officer



JOSÉ CARLOS  
DE MATTOS  
Chief New Business  
Development Officer



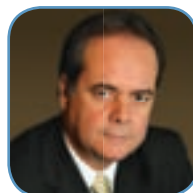
FERNANDO HENRIQUE  
SCHUFFNER NETO  
Chief Energy Distribution and  
Commercialization Officer



MÁRCIO AUGUSTO  
VASCONCELOS NUNES  
Chief Officer for the Gas Division



LUIZ HENRIQUE  
DE CASTRO CARVALHO  
Chief Energy Generation and  
Transmission Officer



MARCO ANTONIO  
RODRIGUES DA CUNHA  
Chief Corporate  
Management Officer



## BOARD OF DIRECTORS\*

### Effective Members

Sergio Alair Barroso  
Djalma Bastos de Moraes  
Adriano Magalhães Chaves  
Arcângelo Eustáquio Torres Queiroz  
Antônio Adriano Silva  
Francelino Pereira dos Santos  
Maria Estela Kubitschek Lopes  
João Camilo Penna  
Guy Maria Villela Paschoal  
Britaldo Pedrosa Soares  
Evandro Veiga Negrão de Lima  
Roberto Pinto Ferreira Mameri Abdenur  
André Araújo Filho  
Thomas Anthony Tribone

### Deputy Members

Paulo Sérgio Machado Ribeiro  
Lauro Sérgio Vasconcelos David  
Kleber Antonio de Campos  
Franklin Moreira Gonçalves  
Marco Antonio Rodrigues da Cunha  
Luiz Antônio Athayde Vasconcelos  
Fernando Henrique Schuffner Neto  
Guilherme Horta Gonçalves Júnior  
Cezar Manoel de Medeiros  
Jeffery Atwood Safford  
Maria Amália Delfim de Melo Coutrim  
Clarissa Della Nina Sadock Accorsi  
Andréa Leandro Silva  
José Castelo Branco da Cruz

## AUDIT BOARD\*

### Effective Members

Aristóteles Luiz M. Vasconcellos Drummond  
Luiz Guaritá Neto  
Thales de Souza Ramos Filho  
Vicente de Paulo Barros Pegoraro  
Luiz Otávio Nunes West

### Deputy Members

Marcus Eolo de Lamounier Bicalho  
Ari Barcelos da Silva  
Aliomar Silva Lima  
Newton de Moura  
Leonardo Guimarães Pinto

\* Position on December 31<sup>st</sup>, 2009.

# COMPANY PROFILE



2.1

Companhia Energética de Minas Gerais – Cemig is the largest integrated energy company in the country and was founded in 1952 by the then governor of Minas Gerais, Juscelino Kubitschek de Oliveira. The Group operates in 19 states in the Brazilian energy sector, primarily with electrical energy. Cemig has 65 power plants with a total installed capacity of 6,716 MW and has 7,500 km of transmission lines and 450,000 kilometers of distribution lines serving more than 6.8 million customers in 774 municipalities. With these numbers, the group stands as the largest integrated company in the electric energy sector, being the third largest power generator, the third largest group in energy transmission and the largest group in distribution.

2.8

On December 31<sup>st</sup>, 2009, accounting for Cemig Holding, Cemig Distribuição and Cemig Geração e Transmissão altogether, the Company had 9,746 employees. The group's consolidated operating revenues reached R\$ 17.4 billion in 2009, based on a matrix whose main source of energy is water resources (97% in 2009). Cemig holds 12% of the electrical energy market in Brazil (both captive and free markets), positioning itself as a major force in the consolidation of the Brazilian electric

sector. Due to its commitment to the principles of environmental responsibility and to its consistency and technical excellence, Cemig is recognized internationally as a benchmark in sustainability.

## VISION, MISSION AND VALUES

4.8

Cemig's vision, mission and values are the pillars that support the Company's affairs, direct its strategic guidelines and its development. In addition, they establish the premises for its management system, respecting and taking into account the needs of stakeholders.

### Vision

To be, in 2020, one of the two largest energy groups in Brazil in terms of market value, with a significant presence in the Americas and to be a world leader in sustainability in the sector.

### Mission

To perform activities in the energy sector with profitability, quality and social responsibility.

### Values

- Integrity – to honor commitments and act with transparency and honesty.










- **Ethics** – to do good. To respect people’s dignity.
- **Wealth** – to generate goods and services for the welfare and prosperity of customers, shareholders, employees, suppliers and society.
- **Social responsibility** – to supply customers with safe, clean, reliable and cost-effective energy; contributing to economic and social development.
- **Enthusiasm at work** – to act with commitment, creativity and dedication.
- **Entrepreneurial spirit** – to show initiative, to dare and to decide, observing the Company’s guidelines.

## CEMIG TODAY

Cemig is a mixed private-public sector company controlled by the government of Minas Gerais, which owns 51% of its common stock. Besides the controller, the company has 116,000 shareholders in 44 countries, and shares listed on the São Paulo Stock Exchange – Bovespa, in New York – the New York Stock Exchange – NYSE and on the Madrid Stock Market Latin American Latibex.

Currently, the Company operates in 19 states in Brazil with the generation, transmission, distribution and sale of electric energy and gas distribution (see map below).



 GENERATION	 WIND POWER GENERATION	 TRANSMISSION	 DISTRIBUTION	 FREE MARKET CLIENT
 GENERATION (CONSTRUCTION)	 WIND POWER GENERATION (CONSTRUCTION)	 GAS DISTRIBUTION	 ENERGY BUYING	

2.2

2.3

2.5

2.6

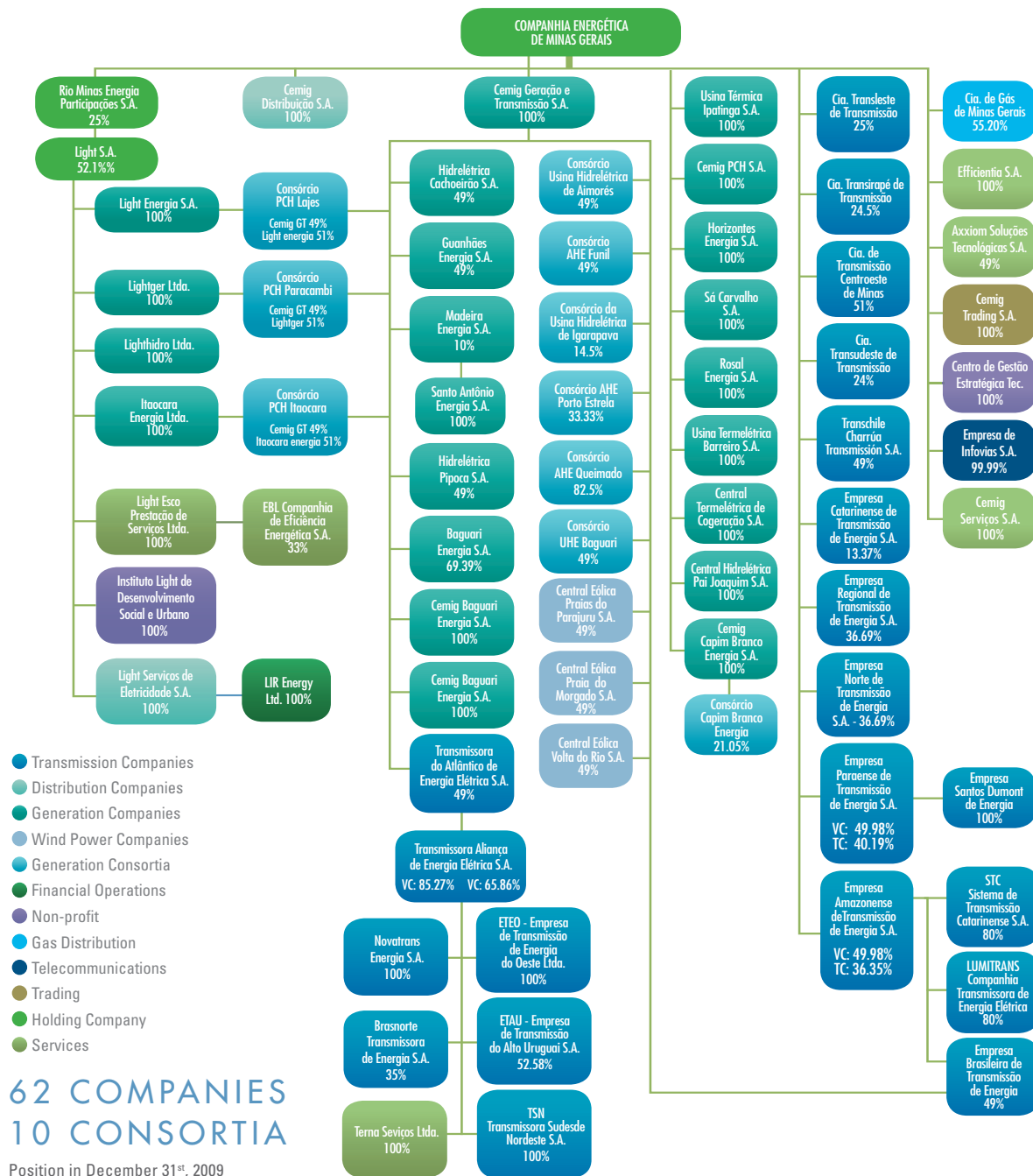
2.7

2.8

The Group is controlled by a holding company and its two subsidiaries: Cemig Geração e Transmissão S.A. and Cemig Distribuição S.A. It also has equity stakes in power distribution utilities (Light), electric energy transmission

companies (such as TBE), investments in natural gas distribution (Gasmig), data transmission (Cemig Telecomunicações) and two transmission-line sections for the Charrúa and Nueva Temuco Substations in Chile (see chart below).

#### CEMIG'S COMPANIES AND CONSORTIA (POSITION IN DECEMBER 31<sup>ST</sup>, 2009)



62 COMPANIES  
10 CONSORTIA

Position in December 31<sup>st</sup>, 2009

VC = Voting Capital TC = Total Capital



Cemig is the third largest power generation group in Brazil with a total of 65 generating units, based mainly on hydropower. In 2009, it acquired a 49% stake in three wind farms, all located in the state of Ceará.

With the completion of the acquisition of Terna in November 2009 and the increase in participation in TBE, Cemig now totals 7,500 kilometers of electric energy transmission lines. This extension of lines cements Cemig's third place ranking among energy transmission companies in the country.

Cemig has the largest electric energy distribution network in South America and one of the four largest in the world with 450,000 kilometers. The proportions of the Company's network make it the largest distributor in Brazil in terms of the number of consumers, energy transported and network extension. Its market share for electric energy

distribution – considering both the captive and the free markets, is 12%.

Cemig composes the Global Dow Index portfolio – GDOW<sup>1</sup> along with another 149 companies from 25 countries and is one of three Brazilian companies to participate in this international index and the only one in the Latin American electric energy sector.

## MARKET AND SECTOR REGULATION

The electric energy sector is formed by the generation, transmission and distribution segments, which are public concession activities that operate in an interconnected manner, forming the National Interconnected System – SIN. SIN covers the Southeast, South and Northeast, and part of the Midwest and North. The Midwest and North regions are not connected to the SIN and are isolated systems. The commercial segments and the free market complete the sector<sup>2</sup>.



<sup>1</sup>For further information on the Global Dow Index, please go to <http://www.djindexes.com/globaldow/>.

<sup>2</sup>For more information, please refer to Annex 1 of this report.



## 1.2

## MAJOR IMPACTS, RISKS AND OPPORTUNITIES

Due to the magnitude of its projects, Cemig mobilizes a large amount of natural, human and financial resources for their implementation, operation and maintenance, while adopting a view that ensures that the necessary care is taken with the resulting impacts. The balanced growth of its activities contributes to the development and improvement in society's quality of life. Also, the Company's concern with minimizing social and environmental impacts reduces the

economic and financial risks. Accordingly, the Company conducts a detailed analysis in order to quantify these impacts and minimize them, carrying out consultations with stakeholders through surveys and negotiations.

EU19

In social terms, the Company identifies as key risks those associated with the relocation of populations when implementing its projects and illegal electric energy connections. To manage and minimize them, Cemig conducts environmental licensing processes, participates in public

hearings and promotes universal service and efficiency programs (Programs Luz para Todos, Clarear and Conviver). All these actions are based on the Cemig Policy for Communication with the Community. The Company also acts in line with its Sponsorship Policy, which clearly defines the guidelines that guide its investment in the fields of culture, sports and support for social institutions.

Cemig recognizes as major environmental risks to its activities changes in environmental legislation and issues related to global climate change, which can result in physical, regulatory and strategic risks. For details in relation to climate risks, see Cemig's response to the Carbon Disclosure Project – CDP at the link <http://cemig.infoinvest.com.br/ptb/s-16-ptb.html>.

From an economic point of view, the most significant risks arising from macroeconomic factors are the possibility of changes in the fiscal and exchange rate policies and domestic and external economic crises.

Regulatory risks arising out of Cemig's relationship with Aneel (National Electric Energy Agency) should also be considered. Among them are penalties, imposed by Aneel, for breach of their concessional contracts and regulations.

The risks identified by Cemig came to be seen as opportunities for developing new markets and technologies. Other opportunities are related to the expansion of natural gas supply, investment in

Small Hydroelectric Plants (SHPPs), co-generation in the steel sector and studies for future use of alternative energy sources such as: urban solid wastes, biomass and biomass wastes, wind energy, hydrogen, among others under research and development (for more information, please consult the chapter Environmental Dimension).

In 2009, contributing to the growth of the Company were:

- Acquisition of Terna Participações S.A.
- Process of increase in Light shareholding.
- Acquisition of three wind farms in Ceará, with start-up of the first wind farm in August 2009.
- Cachoeirão SHPP (27 MW) – Start-up.
- Consortium formed with Light for implantation of the Paracambi (25 MW) and Itaocara (195 MW) plants.
- Baguari HPP (140 MW) – Start-up.

To manage reputation and image risks, Cemig has indicators that are integrated to the Balanced Scorecard – BSC and has implemented an internal management process which, since 2008, is supported by a workgroup comprising representatives from all executive offices. The workgroup is also responsible for the internal alignment of projects aimed at strengthening the Cemig brand before all its stakeholders. Cemig has hired Brand Finance to conduct the evaluation of its brand (including all companies in the Cemig Group), which resulted in a valuation of R\$ 1.3 billion in 2009.









# Corporate GOVERNANCE

JOINING FORCES,  
BUILDING A PATH THAT  
LEADS TO CONQUEST.



Cemig's relationship with stakeholders is based on the principles of transparency, equality and accountability. The Bylaws clearly establish the roles and responsibilities of the General Shareholder Meetings, Board of Directors, Audit Board and Executive Board in the development, approval, execution and monitoring of the Company's policies and directives, therefore ensuring clarity in the conduction of businesses.

## 4.12

Cemig is at level 1 of Corporate Governance at Bovespa – the São Paulo Stock Exchange, which requires the adoption of the following practices:

- A minimum free float of 25% of the capital must be maintained.
- Cash flow and consolidated data must be added to the financial statements and quarterly reports.
- Public meetings must be held annually with analysts and any other interested parties to disseminate economic and financial information, projects and perspectives.
- The calendar for corporate events must be published annually.
- Disclosure of the main related party agreements.
- Respect for specific procedures in the case of public offerings.
- Compliance with Bovespa's disclosure rules for the negotiation of the Company's securities by the controlling shareholder and managers.
- Not having Beneficiary Parties.
- Other practices are detailed in Level 1 rules<sup>3</sup>.



<sup>3</sup> For further details on Level 1 rules, please access the website at: <http://www.bmfbovespa.com.br/pt-br/mercados/download/RegulamentoNivel1.pdf>.

Cemig shares are listed on the following stock exchanges:

- **S**ão Paulo Stock Exchange – Bovespa (Corporate Governance Level 1):
  - Preferred Shares – CMIG4.
  - Common Shares – CMIG3.

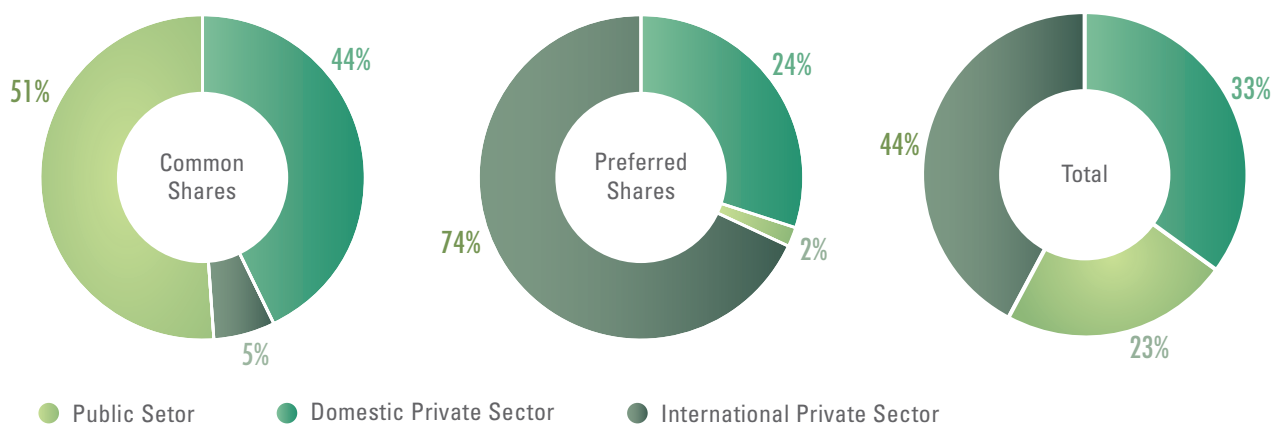
- **N**ew York Stock Exchange – NYSE:

- Preferred Shares, ADRs Level 2 – CIG.
- Common Shares, ADRs Level 2 – CIG.C.

- **M**adrid, Latin American Stock Exchange – Latibex – XCMIG.

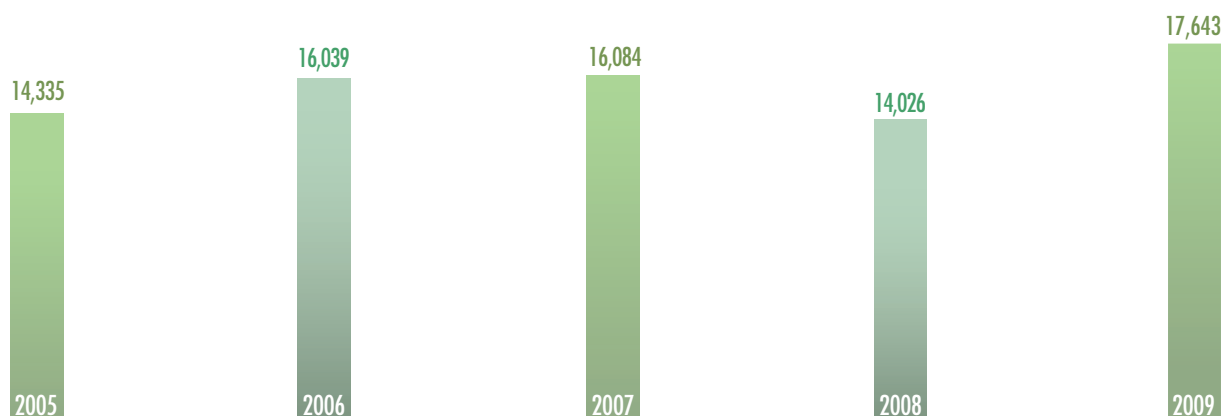
2.8

Cemig's controlling shareholder is the Government of Minas Gerais, which holds 51.0% of common shares (with voting rights). On December 31<sup>st</sup>, 2009, the Company's shareholding structure was composed as follows:



On December 31<sup>st</sup>, 2009, Cemig's market value was R\$ 17.6 billion, as explained in the following chart:

**CEMIG: MARKET VALUE ON DECEMBER, 31<sup>ST</sup> (R\$ MILLION)**



4.1

The Corporate Governance structure at Cemig is composed, fundamentally, of the following devices:

4.8

## ETHICAL PRINCIPLES AND CODE OF CONDUCT

4.9

GC 10

Cemig has a Declaration of Ethical Principles and Code of Professional Conduct that is applicable to all employees, managers, members of the Executive Board, Board of Directors and Audit Board, as well as contracted parties and service renderers. The document consolidates the ethical values and conducts incorporated into the Company culture in the 11 principles listed as follows:

- 1** Commitment to Health and Safety.
- 2** Commitment to the Client.
- 3** Compliance with the Law and Commitment to the Best Governance Practices.
- 4** Professional Integrity.
- 5** The Environment and Social Responsibility.
- 6** Observance of Norms and Internal Instructions.
- 7** Preservation of the Institutional Image and the Cemig Brand.
- 8** Protection of Assets.
- 9** Relationship with the Society and Press.
- 10** Relationship with Suppliers and Contracted Parties.
- 11** Adequate utilization of information and IT Resources and Means.

The document is managed and coordinated by the Cemig Ethics Commission, that also assesses likely nonconformities with the document, receives

and investigates all reports of its violation. Its management structure also relies on the Anonymous Whistleblowing Channel, for exclusive use by Cemig employees and collaborators, by means of which the Ethics Commission receives reports of irregular practices.

Due to its legal status as a mixed private-public sector company, Cemig must also abide by the Code of Ethical Conduct of the Public Servant and of the Government Administration of the State of Minas Gerais.

In addition, Cemig makes its Ombudsman Channel available to citizens and clients, and it can be accessed at the Company's website ([www.cemig.com.br](http://www.cemig.com.br)).

## SHAREHOLDERS' MEETINGS

The Annual General Meeting (AGO) occurs before the end of April of each year, as provisioned for by the legislation in force. Extraordinary Shareholders' Meetings (AGE) may be held during the year, as many times as deemed necessary. Both must be called a minimum of 15 days in advance, by means of the publication of notices in newspapers with ample national circulation. All shareholders that hold common or preferred shares have the right to participate in person or be represented by proxies holding power of attorney from them. However, only the common Cemig shares bear voting rights.



4.4 Opinions, suggestions or recommendations for the Shareholder Meetings may be forwarded to the electronic mail address [ri@cemig.com.br](mailto:ri@cemig.com.br), which is also made available at the Investor Relations website: <http://cemig.infoinvest.com.br>.

## MANAGEMENT

Cemig's Management is composed of the Board of Directors and by the Executive Board, elected in the following manner: the AGO elects the members of the Board of Directors who, by means of an internal ballot, elect their Chairman and Vice Chairman, in addition to nominating the Executive Board. The members of the Audit Board are also elected by the AGO.

## Board of Directors (CA)

Each member of the Board of Directors enjoys a three-year term, and can be reelected. The current members of the CA were elected by the 2009 AGO and their mandates expire on the same date as the 2012 AGO. Of the current 14 members, eight were elected by the State of Minas Gerais, 5 by Southern Electric Brasil Participações – SEB, and one by the minority shareholders of preferred shares. Among board members, seven are considered independent, as defined in the “Code of Best Corporate Governance Practices” from IBCG – the Brazilian Institute for Corporate Governance<sup>4</sup>.

4.3

4.5

4.6

4.7

4.9

4.10



<sup>4</sup>For further information, please access [www.ibgc.org.br](http://www.ibgc.org.br).

The Board of Directors is multidisciplinary, composed of members with diverse qualifications and vast business management background. The remuneration of the members is 20% of the average paid to the members of the executive board, does not include stock options and is not linked to the Company's social and environmental performance. The activities of the Board of Directors are supported by the following committees:

- Support Committee.
- Governance Committee.
- Human Resources Committee.
- Strategy Committee.
- Finance Committee.
- Audit and Risks Committee.

In 2009, the Board of Directors met 25 times. At the beginning of each meeting, members are invited to speak if there is any conflict of interests in relation to the matters to be addressed.

The attributions and responsibilities of the Board of Directors are described in their Internal Regiment.<sup>5</sup>

## Executive Board

The Executive Board is composed of nine members whose functions are established in the bylaws, are elected for three year mandates and may be dismissed at any time by the Board of Directors, reelection being allowed. Also

allowed is the exercise of concurrent and non-remunerated positions in the management of Cemig's whole subsidiaries, controlled and affiliated companies, at the discretion of their Board of Directors. The mandate of the current Officers expires at the first meeting of the Board of Directors to be held after the 2012 General Shareholder Meeting.<sup>6</sup>

The Executive Board meets, in principle, weekly. In 2009, 59 meetings were held.

## AUDIT BOARD

The Audit Board at Cemig is permanent and is composed of five effective members and their respective deputies, who are elected at the general Shareholders' Meeting for one year terms and may be reelected, as explained below:

- One elected by holders of preferred shares.
- One elected by holders of common shares who, not being in the controlling group, represent at least 10% of the capital.
- Three elected by the majority shareholder.

The Audit Board is multidisciplinary and is composed of members with diverse qualifications. Their remuneration is 10% of the average paid to members of the executive board. In 2009, 10 meetings were held.<sup>7</sup>

At Cemig, the Audit Board acts as an alternate body to the Audit Committee, in accordance to

<sup>5</sup>Available at the Corporate Governance link, on the Cemig Investor Relations page, <http://cemig.infoinvest.com.br>. The page also supports channels for sending suggestions and recommendations to the Board of Directors.

<sup>6</sup>The composition of the Board of Directors, their curriculum vitae and attributions are available at the Corporate Governance link on the Cemig Investor Relations webpage: <http://cemig.infoinvest.com.br>.

<sup>7</sup>The composition of the Audit Board, their curriculum vitae and attributions are available at the Cemig website: <http://cemig.infoinvest.com.br>.



the exemption allowed for by the Exchange Act, rule # 10-3<sup>a</sup>, regulated by release 82-1234 of the Securities and Exchange Commission (SEC).

## INDEPENDENT AUDITING

Cemig's 2009 Financial Statements were reported on with no reservations by the auditing firm KPMG Auditores Independentes, which was selected by means of a public bidding process. Independent auditors are changed every five years, as required by Law.

4.9

## INTERNAL CONTROLS AND THE SARBANES- OXLEY ACT (SOX)

With the objective of full compliance with the SOX and contributing towards the effectiveness of risk management processes and corporate governance, all internal control systems at Cemig aimed at the mitigation of risks associated with the development and disclosure of the Financial Statements have been certified since

2006. The certification is granted by opinion report issued in accordance with section 404 of the Sarbanes-Oxley Act and the norms of the Public Company Accounting Oversight Board - PCAOB, which is an integral part of the Annual Reports according to the 20-F Forms filed with the SEC.

## RELATIONSHIP WITH STAKEHOLDERS

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Cemig believes that the success of its businesses and the quality of its products depends on how the Company conducts its relationship with stakeholders, always seeking a harmonic interaction, respecting and considering the needs and contributions of each one of them. Therefore, based on its integrated management system, the Company has listed those stakeholders that play a determinant role in its activities and established relationship mechanisms. Next there is a list of these mechanisms, which include policies, access channels and management committees, as well as their interrelationship with the parties.

## RELATIONSHIP WITH STAKEHOLDERS

Stakeholder	Relationship Policies with impact on Stakeholders
Government and Electricity Sector Authorities	To comply with the legal principles regulated by Aneel - the National Electric Energy Agency; to comply with the Environmental Policy and Communication Policy.
Stakeholders and Investors	To comply with the determinations and regulations of the Stock Exchanges on which Cemig is listed and the corresponding legislation. Respect the Dividends Policy, the Disclosure Policy, the voluntary compliance with Level 1 of Corporate Governance of Bovespa and the Communication Policy.
Clients and Consumers	To be guided by sector regulations established by Aneel, Declaration of Ethical Principles and Code of Professional Conduct, Energy Commercialization Policy and Communication Policy.
The Scientific Community (Universities and Research Centers)	To develop and participate in cooperation projects with the objective of creating Technological Excellence Centers, by means of agreements and partnerships with universities and research institutions, following the Environmental and Communication Policies.
Suppliers and Service Renderers	To use criteria for registration, selection and bidding processes procedures concerning the materials and services suppliers, available at <a href="http://www.cemig.com.br">www.cemig.com.br</a> , item Purchase Portal (Portal de Compras) and comply with Federal Law # 8.666, of June 21 <sup>st</sup> , 1993. Follow the Supplies and Relationship with Suppliers Manual.
Internal Audiences (Employees)	To be guided by the Human Resources, Safety, Health and Well-Being and Communication Policies. To follow Cemig's Declaration of Ethical Principles and Code of Professional Conduct, besides respecting the labour legislation.
Society and Community	To be guided by the Declarations of Ethical Principles and Professional Conduct, available at <a href="http://cemig.infoinvest.com.br/static/ptb/codigo_etica.asp?idioma=ptb">http://cemig.infoinvest.com.br/static/ptb/codigo_etica.asp?idioma=ptb</a> , by Concession Contracts and by the legislation in force. To adopt the principles of the Environmental, Health, Safety and Well-being, Communication, Community Communication and Sponsorship Policies.



Relationship Channels	Committees/Commissions whose Actions Impact Stakeholders
Institutional Relations and Regulatory Matters Management Unit.	Corporate Risks Management Committee, Regulatory Matters Committee, Strategic Management of Technology Committee, Electric System Integration Committee, Social and Environmental Compliance Program Committee.
Investor Relations Internet Page <a href="http://cemig.infoinvest.com.br/">http://cemig.infoinvest.com.br/</a> , Finance, Investor Relations and Control of Holdings Office, Annual Report, Letter to Stakeholders, meetings, conference calls and notifications by e-mail.	Budget Committee, Strategic Planning Committee, Management and Control Committee, Corporate Risks Management Committee, Financial Risks Management Committee, Strategic Management of Technology Committee, Credit Committee, Social Responsibility Committee.
Cemig Virtual Agency <a href="http://agenciavirtual.cemig.com.br/">http://agenciavirtual.cemig.com.br/</a> / Cemig Answers telephone numbers 116 or 0800-721-0116, e-mail <a href="mailto:atendimento@cemig.com.br">atendimento@cemig.com.br</a> , Ombudsman: <a href="http://www.cemig.com.br/ouvidoria/">http://www.cemig.com.br/ouvidoria/</a> , telephone: +55 31 3506-3838, e-mail <a href="mailto:ouvidoria@cemig.com.br">ouvidoria@cemig.com.br</a> . Electricity saving and safety tips at <a href="http://www.cemig.com.br/noticias/dicas.asp">http://www.cemig.com.br/noticias/dicas.asp</a> .	Energy Risks Management Committee, Strategic Planning Committee, Corporate Risks Management Committee, Strategic Management of Technology Committee, Social Responsibility Committee, Electric System Integration Committee.
Technology and Alternative Energy Management Unit, Research projects, participation in seminars and conferences.	Strategic Planning Committee, Corporate Risks Management Committee, Strategic Management of Technology Committee.
Purchase Portal: <a href="http://compras.cemig.com.br/">http://compras.cemig.com.br/</a> and the Utilities and Services Management Unit.	Corporate Risks Management Committee, Strategic Planning Committee, Information Security Committee, Strategic Management of Technology Committee, Social Responsibility Committee.
HR Intranet Portal, RH Interativa, RH Informa, RH in the Countryside Program (RH no Campo), Organizational Atmosphere Survey, Whistleblowing Channel on the Intranet, Ethics Commission.	Union Negotiation Committee, Information Security Committee, Strategic Planning Committee, Ethics Commission, Materials and Equipment Norms Committee, Social Responsibility Committee, Permanent Committee for Labour Safety.
Available on the internet at <a href="http://www.cemig.com.br/ouvidoria/">http://www.cemig.com.br/ouvidoria/</a> , telephone +55 31 3506-3838 or e-mail: <a href="mailto:ouvidoria@cemig.com.br">ouvidoria@cemig.com.br</a> , Annual Report, Sustainability Report, Cemig Answers telephone numbers 116 or 0800-721-0116 or e-mail: <a href="mailto:atendimento@cemig.com.br">atendimento@cemig.com.br</a> .	Strategic Planning Committee, Strategic Management of Technology Committee, Transmission and SubTransmission Lines Right-of-Way Risk of Invasion Committee, Social Responsibility Committee, Social and Environmental Compliance Program Committee.

Internal Policies	Description of Internal Policies
Environmental	Published in 1990, it contains the principles that guide the Company's activities regarding the protection of the environment.
Declaration of Ethical Principles and Code of Professional Conduct	Published in 2004, it guides decisions and choices made by employees, managers, executive officers and members of the Board of Directors and Audit Board, ensuring the maintenance of the Company's integrity.
Disclosure	Approved in 2002 by the Board of Directors, its basic objective is to ensure full access by the public to all the information disclosed by the Company and to deal, in a clear and transparent manner, with all matters of interest to the public and investors.
Dividends	Contained in the Bylaws, it establishes the criteria for the distribution and payment of dividends to shareholders, the minimum guarantees given to preferred shares and the minimum dividends guaranteed by Cemig.
Human Resources	It seeks to guide labor relations, with the objective of ensuring the availability of qualified, healthy and safe people that are motivated and satisfied and are able to add value to the Company's businesses.
Health, Safety and Well-Being	It defines the criteria for the Company to accomplish the safety, health and well-being of its employees (own, contracted, or of contracted companies), as well as of the community directly or indirectly affected by its operational system.
Supplies and Relationship with Suppliers Manual	Establishes principles and directives, translated into commitments, which guide and seek to imprint excellence into the relationship with clients and suppliers, in consonance with the other corporate policies of the Company.
Information Security	It defines a set of norms and instructions based on NBR ISO/IEC 17,799, intended to reduce and manage risks related to information security and protection.
Energy Commercialization	It guides activities regarding the purchase and sale of energy, access to the Transmission and Distribution Systems, the development of new and systematic forms of commercialization and related activities, including within the scope of the CCEE – the Electric Energy Trading Chamber.
Communication	It establishes the directives for the definition of communication actions or communication materials and explains Cemig's practices towards the protection of human rights, sustainability and corporate social responsibility, thus guaranteeing excellence in communication with stakeholders such as governmental and electric sector authorities, shareholders, investors, clients and consumers, the scientific community, suppliers and service renderers, employees, society, communities and the press.
Communication with Society	It establishes the criteria and guides decisions that involve the dissemination of information on initiatives implemented in the communities in which Cemig is active, as a means of ensuring their understanding by governmental authorities and electric sector authorities, investors, clients and consumers, the scientific community, suppliers and service renderers, the Company's internal public, society, communities and the press.
Sponsorship	It is an integral part of the Cemig Communication Plan, providing guidance for investments in cultural and sports activities and for the support of social institutions, thus demonstrating Cemig's commitment to reality and to the demands of the environment in which it operates.

Cemig observes the recommendations of Aberje – the Brazilian Corporate Communication Association, and follows its own Strategic Communication Plan, which provides for the establishment of the characteristics of the communication with each stakeholder and for the desirable ethics and transparency therein. The Communication must reflect the Company's Mission and Vision, in addition to its values and strategies. Publicity campaigns conducted by the Company are undertaken by firms that abide by the Brazilian Publicity Self-Regulation Code, regulated by Conar – the National Publicity Self-Regulation Council.

The basic precepts that define publicity ethics, which are abided by the Company, are: every advertising piece must (I) be honest and truthful and respect the country's laws; (II) be devised out of the due sense of social responsibility, avoiding the accentuation of social differences; (III)

demonstrate the responsibility of the production chain before consumers; (IV) respect the principle of ethical competition and (V) respect the advertising and publicity activity and never disregard the public reliance on the services that publicity renders.

No non-conformities were registered by the Company in 2009 with respect to communications, advertising, publicity, promotions and sponsorship actions, nor was the Company, administratively or in court, sued for any infractions regarding unfair competition, whether for antitrust issues, monopolistic practices or unethical competition.

As a mixed private-public sector company and in face of the juridical order it is regulated by, the Company cannot and does not allocate any financial contributions towards political parties, politicians or related institutions.

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# Economic DIMENSION

KNOWING HOW TO WAIT  
FOR THE RIGHT TIME TO INVEST  
AND HARVEST RESULTS.

## STRATEGY AND MANAGEMENT

Cemig's strategy establishes the premises for the Company's strategic planning process and follows the Long Term Strategic Plan in force from 2005 to 2035, the pillars of which are:

- Growth via acquisitions or expansion.
- A focus on the electric sector and a greater presence in the natural gas sector.
- Profitability, financial stability and governance.
- Operational efficiency in asset management.

The strategy management process utilizes the Balanced Scorecard methodology, through which the strategy is unfolded into maps and contribution panels, with defined goals for the Company's businesses and areas.

In order to achieve its vision of "To be, in 2020, one of the two largest energy groups in Brazil

in terms of market value, with a significant presence in the Americas and to be a world leader in sustainability in the sector" and to follow the Long Term Strategic Plan, Cemig will face great challenges, whether in the quest for efficiency with its current assets, or in growth through investments in generation, transmission, distribution and natural gas. The Company will work to take advantage of opportunities that arise in Brazil and in the Americas to become one of the largest agents for consolidation in the Brazilian energy sector.

### Risk Management

Corporate risk management is a management tool that is integrated into Cemig's Corporate Governance practices. In order for it to become more efficient and more easily inserted into the organization's culture, the Company seeks to align risk management with the Strategic Planning Process, in which the strategic objectives for the businesses are defined.

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Risk measurement at Cemig is defined by the ORCA Methodology, which is based on four dimensions: objectives, risks, internal controls and alignment, made viable by the Integrated Risk Management System application, which follows this methodology.

Corporate risk management at Cemig is centralized. This generates relevant information with a systemic vision and meets the demands of the Corporate Risk Management Committee; the Committee analyzes and prioritizes the actions established by the Board of Directors and by the Executive Board. This structure allows for interaction with other management components, such as the Committees for Corporate Governance, for Budget, for Energy Risk Management, for Insurable Risks, for Control and Management and for Financial Risk Management. Additionally, it meets the requirements of the Sarbanes-Oxley Act and

the Internal Audit process. The Financial Risk Management Committee, in turn, has the goal of implementing directives and monitoring the financial risk of operations that may compromise the Company's liquidity and profitability and recommends hedging strategies for currency, interest and inflation risks that are effective and in line with the Company's strategy.

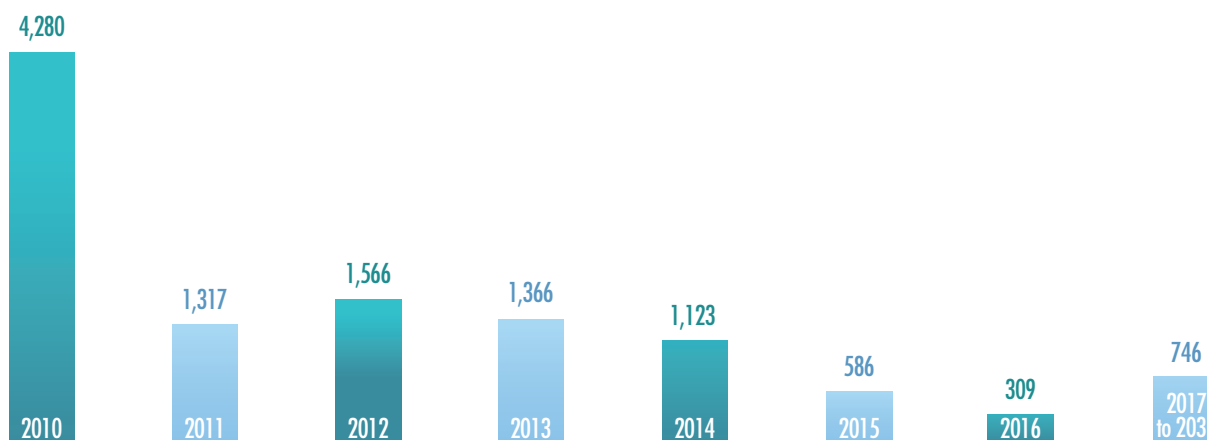
Further details on risks and the Company's financial exposure are available on the Investor Relations website of the Company under "Financial Information".

## Debt Management

Cemig's management works to manage debt with a focus on extending its tenor, limiting debt to levels established by the Bylaws, reducing its cost and preserving the Company's ability to pay, without exerting pressure on cash flow, that could lead to refinancing risks.

On December 31<sup>st</sup>, 2009, the consolidated debt amortization chronogram was as follows:

### DEBT AMORTIZATION CHRONOGRAM



Position on December 31<sup>st</sup>, 2009 (R\$ million)

The large amount of debt that matures in 2009 is derived from the raising of R\$ 2.7 billion through promissory notes that will be replaced with debentures issued in March of 2010 that will mature between 2012 and 2015, which will adequately scale the Company's debt maturation. The average cost of the debt at the end of 2009 was 5.32% p.a. at constant prices.

### Customer Management

The "Customer Management System" deals with the metering, billing, energy invoice issuance and printing, bill collection and commercial service and relations. Its implementation in 2008 resulted in a higher quality of customer registration data, billing process control and security, integration with other management systems, technology updating and replacement of the mainframe computer, in addition to greater compliance with the Sarbanes-Oxley Act – SOX. From the client's point of view, the system allows for the registration of all contacts, resulting in a more timely service and improved information quality, greater interaction among the various client communication channels and other advantages.

Cemig's wholesale sales (ACR – Regulated Procurement Environment) are directed at energy Generators, Traders, Distributors, Importers and Exporters. Sales to free clients (ACL – Free Procurement Environment) are classified by Cemig according to business segment: non-metallic, energy-intensive, base

industry, manufacturing, agribusiness and medium voltage – sources that receive discounts in energy transportation costs.

For the free clients segment, 2009 was marked by the creation of a structure called Contact Center, which is a relationship channel exclusively for low and medium voltage clients and corporate groups that rely on exclusive relationship agents that are prepared to facilitate services in the pre-operational, operational and post-operational phases.

### Demand Side Management – DSM

Meeting the electric energy demand from Cemig's various consumer categories requires the utilization of a large amount of resources. The entire generation, transmission and distribution network needs to be dimensioned so as to serve this group of consumers, even at times of greater consumption (peak hours). The occurrence of large variations in the volume of energy consumed during peak hours and at other times may result in a loss of efficiency, as the Company's structure runs the risk of being underused at certain times. With the objective of minimizing peaks and, consequently, the occurrence of underuse of its structure at times of lower demand, the Company works together with its largest industrial consumers, by means of commercial policies (Hourly-Seasonal Tariff System – THS) which provide incentives to move energy demand away from peak hours.



The chart below shows how DSM allowed for a reduction in demand at peak hours in 2009:

#### REDUCTION IN DEMAND OBTAINED BY MEANS OF DSM PROGRAMS – CEMIG 2009

	SUMMER	WINTER
Cemig's maximum demand MWh/h	7,199	7,567
Total reduced – MWh/h	915	915
%	12.7	12.1

Cemig offers some programs that, among other objectives, contribute towards minimizing energy losses. See the Conviver (in the Social Dimension chapter) and Clarear (further in the Economic Dimension chapter) Programs.

### Management systems

Currently, Cemig is working with management systems that make a significant contribution towards ensuring that the macro-processes of companies in the group are solidly based on management practices that are continually audited, thereby guaranteeing the sustainability of the Company's several businesses. The following systems are implemented:

- **Quality Management** – SGQ, according to ISO 9001: 2000 and 2008 norms
- **Environmental Management** – SGA, according to ISO 14001:2004 and Internal System – SGA Level 1, developed considering the principles of the NBR ISO 14001.

- **Health and Safety** – SGS, according to OHSAS 18001.

In addition to undergoing external audits, the systems are subject to periodic internal verifications. In 2009, 125 external audits and 94 internal verifications were conducted, representing 6,428 hours of work.

With the certifications and recertifications obtained in 2009, 100% of the large plants in Cemig's generation system are certified with NBR ISO 14001:2004 or SGA Level 1; NBR ISO 9001:2008 and OHSAS 18001:2007, ensuring that 89%, or 5,767 MW of installed capacity conform to international Quality, Environmental and Health and Safety standards.

During the year, approximately 240 employees received training in the ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 Norms and in the program for the qualification of Internal Auditors of Internal Systems and in Notions of Legal Conformity as well.

Some noteworthy aspects of each management system are presented below:

**Quality Management:** roughly 80% of the Company's processes are certified with NBR ISO 9001, allowing for their effective management with a focus on continuous improvement. Of note in 2009 was the initial certification of the Cemig Ombudsman's office and the human resources

management office, which is responsible for corporate development and talent management.

**Environmental Management:** in 2009 Cemig's own transmission system migrated part of the SGA Level 1 to NBR ISO 14001:2004 certification. Thus, 100% of the substations and transmission lines now have all processes certified under the Environmental, Quality, and Health and Safety systems.

**Health and Safety Management:** among the

processes that produce significant impacts, 100% of those belonging to transmission activities are certified with the SGS, as are all the Company's own plants, in addition to the Rosal plant, representing 89% of the Company's installed generation capacity. With respect to both distribution and commercialization activities, certification covers Maintenance of the Central region Distribution, Commercial Relationships and Services at Curvelo and Ipatinga and the North Region Planning and Expansion.

#### NUMBER OF EMPLOYEES WORKING WITH MANAGEMENT SYSTEMS

SYSTEM	2005	2006	2007	2008	2009
SGQ	3,909	4,296	6,052	6,993	7,301
SGA	1,084	1,694	2,056	2,307	2,360
SGS	27	785	926	1,473	1,573

## CEMIG'S MARKET

Cemig's market encompasses the commercialization of energy by Cemig Distribuição S.A., Cemig Geração e Transmissão S.A., and the Controlled/Affiliated companies Horizontes, Ipatinga, Sá Carvalho, Barreiro, Cemig PCH, Rosal, Cachoeirão and Parajuru, thereby eliminating the need for transactions among these companies. This market encompasses energy sales to captive and free final consumers (in the concession area in Minas Gerais

and outside the state) and the commercialization of energy to electric sector agents in the Regulated Procurement Environment (ACR) and the Free Procurement Environment (ACL).

Energy Sales to final consumers in the ACL and ACR totaled 53.8 TWh in 2009, an amount 0.6% higher than that registered in 2008, which was influenced by the effect of the international financial crisis on industrial activities in Minas Gerais, which represents 41.2% of total sales (see next table).

## CEMIG ENERGY SALES

DESCRIPTION	2008		2009		2008-2009
	MWh	(%)	MWh	(%)	VARIATION (%)
<b>Total</b>	<b>54,102,455</b>	<b>100.0</b>	<b>53,775,452</b>	<b>100.0</b>	<b>(0.6)</b>
<b>Sales to final consumers</b>	<b>42,939,935</b>	<b>79.4</b>	<b>39,716,234</b>	<b>73.9</b>	<b>(7.5)</b>
Residential	7,163,793	13.2	7,774,466	14.5	8.5
Conventional	5,263,888	9.7	5,776,923	10.7	9.7
Low Income	1,899,905	3.5	1,997,543	3.7	5.1
Industrial	26,212,267	48.4	22,173,440	41.2	(15.4)
Captive	5,562,687	10.3	4,826,009	9.0	(13.2)
Free	20,649,580	38.2	17,347,431	32.3	(16.0)
Commercial/Services	4,422,932	8.2	4,678,965	8.7	5.8
Captive	4,390,742	8.1	4,642,166	8.6	5.7
Free	32,189	0.1	36,799	0.1	14.3
Rural	2,295,897	4.2	2,208,247	4.1	(3.8)
Others	2,845,046	5.3	2,881,116	5.4	1.3
<b>Proinfa* Sales</b>	<b>-</b>	<b>-</b>	<b>20,244</b>	<b>0.0</b>	<b>-</b>
<b>Wholesale Supply</b>	<b>11,162,520</b>	<b>20.6</b>	<b>14,038,974</b>	<b>26.1</b>	<b>25.8</b>
ACR sales (auction)	7,650,983	14.1	11,498,433	21.4	50.3
ACL sales (traders)	3,511,537	6.5	2,540,541	4.7	(27.7)

\*Alternative Electric Energy Source Incentive Program

Regarding sales to Final Consumers, energy billed in 2009 totaled 39.7 TWh, with a decrease of 7.5% in relation to 2008. In 2009 the various consumer classes presented distinct behaviors, with the Residential and Commercial/Services classes contributing towards a minimization of the effects of retraction in the Industrial and Rural classes.

**Residential** – presented a growth of 8.5% in the volume of energy billed in 2009, with the addition of 201,712 consumers. The average monthly consumption per consumer was 117.6 kWh, 4.1% higher than in 2008. This performance is associated with the vegetative growth of consumers and the positive performance of macroeconomic variables related to consumption



by families (salary increases, transfer payments from the government, real increase in the minimum wage and low inflation, leading to a lower loss of workers' purchasing power and personal credit).

**Industrial** – despite the gradual recovery of some production sectors in 2009, energy consumption remained below the value registered in 2008, with a decrease of 15.4%, associated with a 13.2% reduction in supply to captive clients and 16.0% in sales to free clients. In the Minas Gerais industry, the segments that presented the

greatest reduction in energy consumption were: iron alloys, the steel industry, the chemical and mechanical sector and transportation goods. On the other hand, sectors with a small degree of participation in the total energy sales to the industrial class presented positive growth rates in 2009 and included: oil refining, beverages, pharmaceutical and veterinary products and civil construction (a reflection of the initial impact of government measures directed at this sector).

**Commercial/Services** – presented a growth of 5.8% in energy billed in 2009, with the



addition of 9,166 consumers. This was the sector that best resisted the crisis, in virtue of consumption incentive measures implemented by the government. Noteworthy among the main activities that continued with positive growth trends are: Wholesale and Retail Business, Housing and Food, Communication and Health Services and Financial Institutions.

**Rural** – registered a fall in billed consumption of 3.8% in 2009, despite a growth of 4.5% in medium voltage consumption, which reached a level of 380.4 kWh. The reduction in this market is related to favorable weather conditions (sufficient rain) beginning in September, 2009

and a consequent reduction in the demand for irrigation.

Energy commercialized in the ACR grew by 50.3% in comparison with 2008, due to new energy contracts entering into force and the initiation of sales set in the 9<sup>th</sup> adjustment auction, while sales to traders (ACL) fell by 27.7%, given that energy was directed towards the more attractive segments in the Cemig Geração e Transmissão portfolio.

In December of 2009, 6.8 million consumers were billed, with the greater increase coming in the Residential, Commercial and Rural classes.

The table below shows the number of consumers billed by consumer class:

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#### CONSUMERS BILLED BY CONSUMER CLASS

DESCRIPTION	2008		2009		INCREASE	VARIATION (%)
	CLIENTS (UNITS)	(%)	CLIENTS (UNITS)	(%)		
<b>Total</b>	<b>6,602,213</b>	<b>100.0</b>	<b>6,832,528</b>	<b>100.0</b>	<b>230,315</b>	<b>3.5</b>
Residential	5,400,214	81.8	5,601,926	82.0	201,712	3.7
Industrial	74,489	1.1	75,180	1.1	691	0.9
Captive	74,344	1.1	75,018	1.1	674	0.9
Free	145	0.0	162	0.0	17	11.7
Commercial	578,021	8.8	596,290	8.7	18,269	3.2
Captive	578,017	8.8	596,285	8.7	18,268	3.2
Free	4	0.0	5	0.0	1	25.0
Rural	482,952	7.3	490,140	7.2	7,188	1.5
Others	66,537	1.0	68,992	1.0	2,455	3.7
Wholesale Supply	46	0.0	53	0.0	7	15.2

The amount of energy transported by Cemig Distribuição corresponding to contracts for access to the distribution networks by free

clients, distributors and self-producers fell by 13.4% in 2009 in comparison with 2008 as a result of the lower industrial activity in the state.

#### AMOUNT OF ENERGY TRANSPORTED BY CEMIG DISTRIBUIÇÃO

DESCRIPTION	2008		2009		2008-2009
	MWh	(%)	MWh	(%)	VARIATION (%)
<b>Total</b>	<b>17,410,734</b>	<b>100.0</b>	<b>15,080,664</b>	<b>100.0</b>	<b>(13.4)</b>
Industrial	17,186,137	98.7	14,716,398	98.2	(14.4)
Commercial	95,446	0.5	124,800	0.8	30.8
Distributors	129,151	0.7	234,466	1.0	85.4

### Electric Energy Balance

Cemig's consolidated electric energy market balance encompasses the electric energy purchase and sale transactions conducted by the Cemig group in 2009, except for Light's distribution market related to Cemig's equity stake in Rio Minas Energia Participações S.A.

The total resources used in 2009 reached 70,548 GWh, 3.3% higher than in the previous year. Energy produced was 35,667 GWh and energy purchased 34,881 GWh, with a growth of 6.3% and 0.3% in relation to the respective resources in 2008. Own generation grew by 5.6% during the year, totaling 33,540 GWh, which corresponds to 94.0% of the energy produced.

The energy supplied to final consumers reached 41,004 GWh in 2009, with the destination of 63.1% of the total energy, 34.4% by Cemig D to the captive market and 28.8% by Cemig GT to the free market. The variations in the market relatively to

the previous year, respectively 0.3% and - 17.4%, are due to the effects of the global financial crisis that began in the second half of 2008.

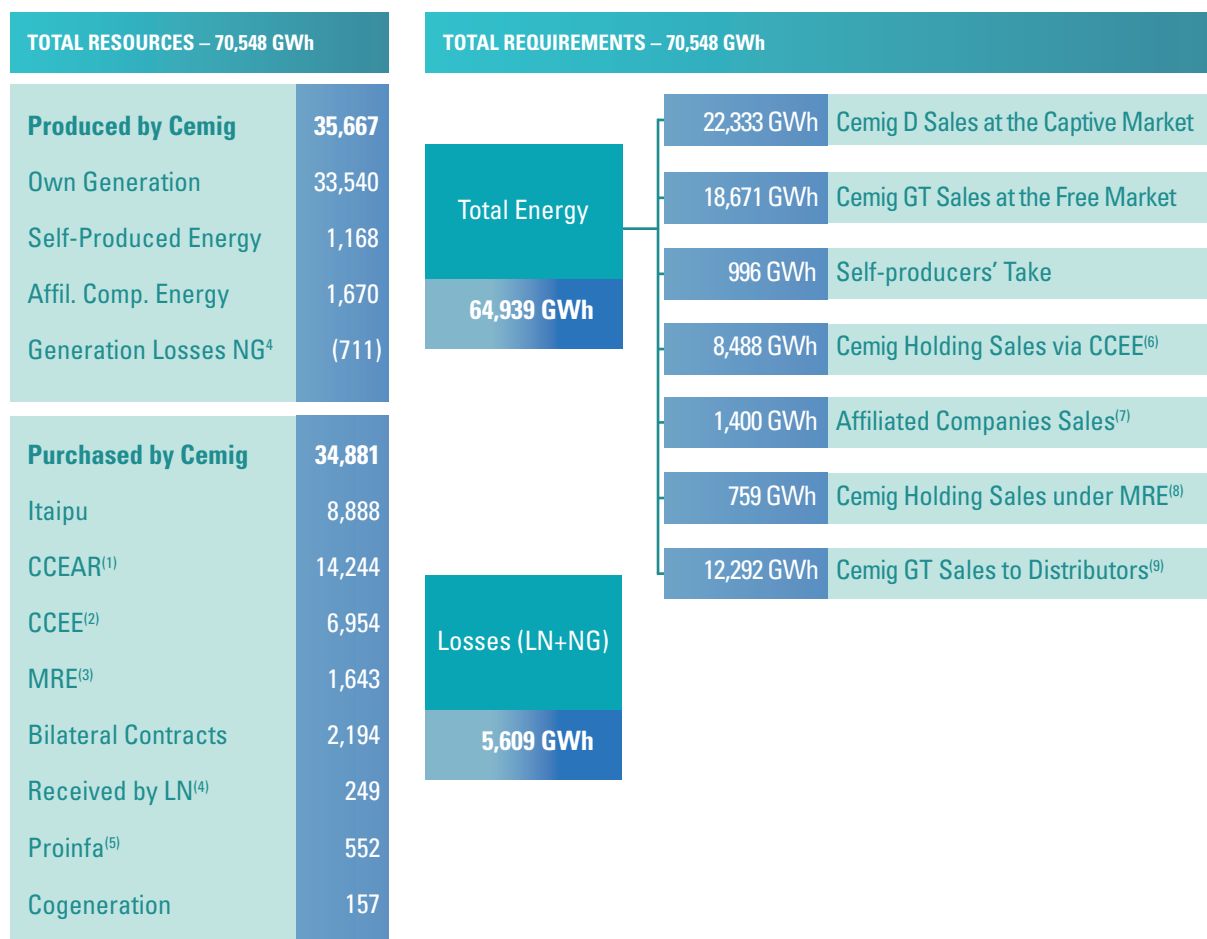
In the regulated purchase environment, Cemig GT supplied 12,292 GWh to Brazilian distributors, which corresponds to 18.9% of the total resources in 2009, with a growth of 52.8% in relation to the previous year supply.

Cemig Holding's transactions within the scope of the CCEE – Electric Energy Trading Chamber and MRE totaled 9,247 GWh. This amount of energy represents 14.2% of total resources and a growth of 27.7% in relation to 2008 transactions.

In the 2009 energy balance, total losses were 5,609 GWh, corresponding to 8.0% of total resources and 3.1% lower than losses in 2008. Losses from the distribution network totaled 7.4% and the stake attributed to the basic network was 0.6%, similar to 2008.

The figure below presents Cemig's Consolidated Electric Energy Balance.

#### SOURCES AND USES OF ELECTRICITY – CEMIG CONSOLIDATED 2009



<sup>(1)</sup>Energy Commercialization Contracts in the Regulated Environment

<sup>(2)</sup>Electric Energy Trading Chamber

<sup>(3)</sup>Energy Reallocation Mechanism – MRE

<sup>(4)</sup>LN – Cemig's Own Distribution Network and NG – National grid

<sup>(5)</sup>Alternative Energy Source Incentive Program

<sup>(6)</sup>Short Term Energy Liquidation

<sup>(7)</sup>Bilateral Contracts – Sá Carvalho, Horizontes, Pai Joaquim, Rosal, Barreiro and Ipatinga Thermal Plants

<sup>(8)</sup>MRE Sales – Cemig, Sá Carvalho, Rosal, Capim Branco and Consórcio Igarapava

<sup>(9)</sup>Sales in the Regulated Procurement Environment (ACR)

EU28

## Energy Quality

EU29

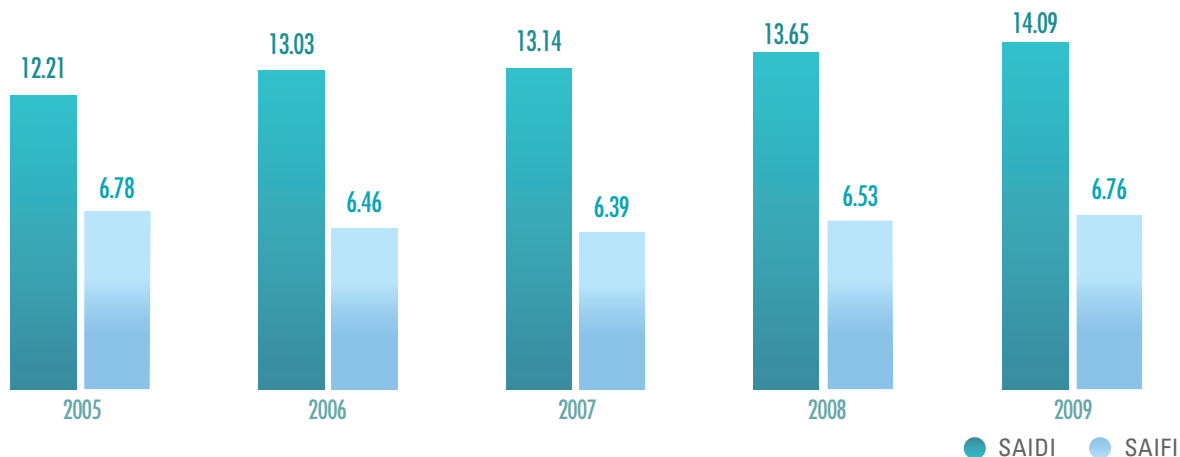
The distribution system, represented by lines, networks and substations with voltages below 138 kV, is subject to interruptions. These interruptions originate in the actions of external and internal agents on the electric system, such as natural phenomena, environmental interferences, failures,

the actions of protection equipment and operational necessities. The quality of the energy supply is measured by means of two indicators: Saidi (average duration in hours of outages per consumer over a period, normally a year) and Saifi (frequency of outages per consumer/year), which are monitored by the Company and by

Aneel – the National Electric Energy Agency. The Saidi and Saifi continuity indicators in 2009 were 14.05h and 6.64 interruptions, respectively. The

Saidi indicator exceeded the goal established by Aneel by 6.4%, while Saifi indicator was 31.6% lower than the goal established by Aneel.

#### SAIDI AND SAIFI EVOLUTION



In 2009, 349,893 sustained interruptions were registered<sup>8</sup>, of which 59% were accidental and originated in causes that were external to the system (natural phenomena and the environment), 30% accidental with an internal origin (equipment failures, human error, handling errors, etc.) – totaling 89% of accidental interruptions and 11% scheduled ones. In general, the scheduled interruptions, whose objective is the maintenance and upgrading of the system to the quality standards established by Aneel, are preceded by warnings so as to minimize the impact of the power outage on consumers.

#### Tariffs

Electric energy tariffs of Cemig Distribuição are readjusted annually and revised every five years. Aneel has readjusted the Company's supply and TUSD – distribution system utilization tariffs for

the period starting April 2009 and ending March 2010. The average effect of the readjustment was 6.21% and is being applied in a differentiated manner as per consumer class. The effect on low voltage consumer bills was 4.87%, while for high voltage consumers there was an average variation of 9.42%.

Cemig Distribuição had, in December 2009, approximately 2.38 million consumers classified as low income residential that benefit from the subsidized low income tariff. For consumers with a monthly consumption of up to 30 kWh, the benefit results in a discount of approximately 59%; 48% for consumption between 80 kWh and 90 kWh; 47% for the range up to 100 kWh; and 35% for consumption up to 180 kWh. Those who consume up to 90 kWh per month also benefit from exemption from the ICMS tax.

<sup>8</sup>Sustained interruption is the one that lasts longer than three minutes.



## RESULTS AND THEIR DISTRIBUTION

In 2009 the Company registered a consolidated net profit of R\$ 1.861 billion, which is practically the same level (a reduction of 1.4%) in relation to the R\$ 1.887 billion in 2008. This result is due mainly to the tariff revision that Cemig Distribuição underwent in 2008, which significantly reduced the average tariff for consumers by 12.8% beginning in April 2008 and

whose effect was fully felt in 2009. However, this impact was offset by an increase in the profitability of Cemig Geração e Transmissão, whose net profit rose R\$ 323.7 million, and also by the contribution from TBE, which added R\$ 43 million to net profit.

An extensive analysis of the economic and financial results may be accessed on the Company's Investor Relations website via the following link:

<http://v2.cemig.infoinvest.com.br/ptb/s-13-ptb.html>.

The chart below shows the contribution of the Group companies to the consolidated net profit:

### CONTRIBUTION FROM COMPANIES TO CEMIG'S NET PROFIT

	2008	%	2009	%
Cemig – Parent Company	(189)	(10.0)	(186)	(10.0)
Cemig Distribuição S.A.	709	37.6	338	18.2
Cemig Geração e Transmissão S.A.	986	52.2	1,309	70.3
Gasmig	47	2.5	42	2.3
Rio Minas Energia (Light)	129	6.8	79	4.3
Others	205	10.9	279	15.0
<b>Consolidated Net Profit</b>	<b>1,887</b>	<b>100.0</b>	<b>1,861</b>	<b>100.0</b>

### EC1

## Distribution of Value Added

The Economic Value Generated by Cemig reached R\$ 18.2 billion in 2009, 4.1% higher than in 2008, as shown in the table below. The Economic Value

Distributed totaled R\$ 16.5 billion, representing a 3.5% growth over the R\$ 16.0 billion distributed in 2008. Thus, the Economic Value Accumulated, which includes retained earnings, depreciation and deferred income tax, reached 1.9 billion, 9.3% higher than in 2008.

#### DISTRIBUTION OF THE VALUE ADDED (R\$ MILLION)

	2006	2007	2008	2009
Direct economic value generated <sup>(1)</sup>				
Revenues	14,712	16,996	17,502	18,211
Economic value distributed				
Operational Costs <sup>(2)</sup>	3,614	4,663	5,021	5,745
Employee salaries and benefits <sup>(3)</sup>	1,625	1,405	1,599	1,532
Payments to capital providers <sup>(4)</sup>	2,815	2,600	2,287	2,145
Payments to the Government <sup>(5)</sup>	5,667	7,029	7,012	7,063
Investments in the Community	54	45	45	45
Economic value Retained <sup>(6)</sup>	937	1,254	1,538	1,681

<sup>(1)</sup>Includes Gross revenues + Provision for Doubtful Debts + losses from sale of assets + financial revenues

<sup>(2)</sup>Inputs from third parties (-) losses from sale of assets

<sup>(3)</sup>Includes Forluz administrative costs

<sup>(4)</sup>Includes financial expenses, dividends paid and participation of minority shareholders

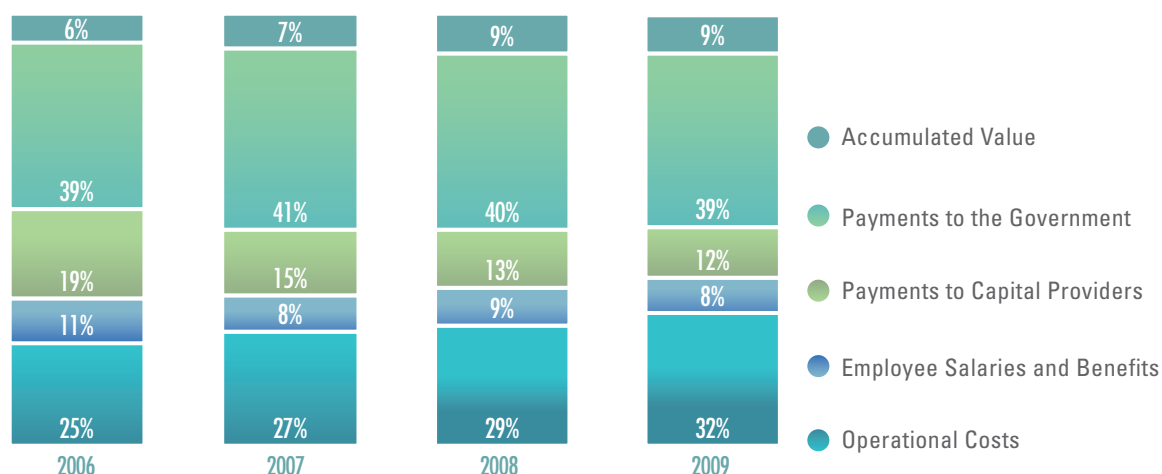
<sup>(5)</sup>Includes Taxes, fees, contributions and Income Tax

<sup>(6)</sup>Includes retained earnings, depreciation and deferred Income Tax

Regarding the distribution of the Economic Value, there was a slight reduction in 2009 of 1 p.p. in the stake directed to payments to the Government, responsible for 39%, while operational costs represented 32% of the total distributed, compared with 29% in 2008. In the

record presented below, it is possible to note that over a period of four years, the category that altered the most was that of payments to capital providers, both in absolute terms (-23.8%) and in terms of representativeness, moving from 19% in 2006 to 12% in 2009.

#### DISTRIBUTION OF THE VALUE ADDED 2006/2009



EC8

EU6

## INVESTMENTS

The Budget Committee was created at the end of the 1990s, with the purpose of analysing expansion

projects contained in the 5-year business plan, recommending these projects to the Executive Board and guaranteeing that the minimum return required by the Board of Directors is achieved.

Cemig's main investments, net from disposal of stockholdings, were as follows:

	2008	2009	2008-2009
	R\$ MILLION	R\$ MILLION	VARIATION (%)
Generation	206	783	280.1
Distribution	883	877	0.5
Transmission	105	1,659	1,480.0
Natural Gas and Others	159	293	84.3
<b>Total</b>	<b>1,353</b>	<b>3,612</b>	<b>167.0</b>

### Investments in Generation

#### Repowering of Cemig's generation plants –

Cemig has been conducting a broad repowering program for its plants. The goal is to extend the useful life of the plants, which is estimated at 30 years post-repowering.

The Repowering Project includes technological updates to the regulation, excitation and protection systems, in addition to renovations of the generators and turbines. The repowering of the generation plants, in addition to extending their useful lives, increases operational reliability, provides greater physical and electrical protection and better responses to oscillations in the system.

A highlight in 2009 was the repowering of the Igarapé Thermal Plant and the Três Marias Hydroelectric plant, with investments of approximately R\$ 80 million.

The year also marked the planning for the repowering of 10 generation units, four at the Volta Grande Plant and 6 at the São Simão Plant, scheduled for the period between 2010 and 2018.

#### Long Term Strategic Automation Plan –

With the goal of increasing operational efficiency, Cemig is implementing the Long Term Strategic Automation Plan with the objective of installing full remote assistance for large plants through the COS - System Operations Center. In 2009, 5 Small

Hydroelectric Plants began to be assisted by the COS: Marmelos, São Bernardo, Xicão, Gafanhoto and Anil. The investment in the automation of large and small plants is roughly R\$ 17 million.

### Expansion of Electric Energy Generation –

The main enterprises that started operations in 2009 and are under construction are listed below:

GC 9

PROJECT	Installed Capacity (MW)	Cemig's Share (%)	Investment until 2009 (R\$ million)	Estimated Start-up
Baguari Plant	140	34.0	179	2 <sup>nd</sup> half/2009
Dores de Guanhões, Senhora do Porto, Fortuna II and Jacaré SHPPs	44	49.0	10	16 to 20 months after issuance of Service Order
Santo Antônio Plant	3,150	10.0	-	1 <sup>st</sup> half/2012
Pipoca SHPPs	20	49.0	17	1 <sup>st</sup> half/2010
Paracambi SHPPs	25	49.0	-	2 <sup>nd</sup> half/2011

### Transmission

Cemig's transmission network is composed of transmission lines with a voltage capacity equal to or greater than 230 kV integrates the Brazilian transmission network. Cemig transmits both the energy generated in its plants as well as the energy purchased from Itaipu from the National Interconnected System (SIN) and other sources.

**Acquisition of Transmissora Aliança de Energia Elétrica S.A. (Taesa)** – In November of 2009, by means of the Transmissora do Atlântico de Energia S.A., Cemig Geração e Transmissão S.A. (Cemig GT) and the Fundo de Investimento em Participações Coliseu (FIP) acquired 65.85% of Terna Participações S.A.

(Terna), for R\$ 2.15 billion. At the same date, Terna assumed the new name Transmissora Aliança de Energia Elétrica S.A. – “Taesa”. On December 28, 2009, Transmissora do Atlântico de Energia S.A. was spun off and incorporated by Taesa, in which Cemig GT and FIP came to hold direct equity stakes of 32.27% and 33.59%, respectively.

Taesa transmits electric energy in 11 states in the country, through 6 companies that possess 3,716 km of transmission lines integrated in the SIN Basic Network.

**Investments in Substations (SE) and Transmission Lines (TL)** – The main projects under construction are shown below:



PROJECT	CEMIG'S SHARE (%)	INVESTMENT UNTIL 2009 (R\$ MILLION)	ESTIMATED START-UP
TL Furnas - Pimenta	51.0	14	1 <sup>st</sup> half/2010
TL Charrúa - Nueva Temuco	49.0	41	1 <sup>st</sup> half /2010
TL EBTE	49.0	77	2 <sup>nd</sup> half/2010
TL Pirapora 2-Várzea da Palma1	100.0	3	1 <sup>st</sup> half /2010
SE Barreiro	100.0	4	2 <sup>nd</sup> half /2010
SE S. G. do Pará	100.0	11	1 <sup>st</sup> half /2010
SE Jaguará	100.0	9	1 <sup>st</sup> half /2010
SE Cons. Lafaiete	100.0	7	1 <sup>st</sup> half /2010

## Distribution

Of note among the programs executed are the following:

### EC4

***The Luz para Todos (“Light for Everyone” Program) – Universalization of Access to and Use of Electric Energy*** – The program was instituted by the Federal government in 2003 with the objective of promoting universal access to and use of electric energy. The program serves rural producers and establishments, in addition to populations affected by dams, municipal and state schools, community water supply wells, rural settlements, communities descended from quilombos (communities founded by slaves) and racial minorities.

In the first phase of the Program, completed in 2008, roughly 190,000 rural properties were

connected, benefitting approximately 855,000 people in 774 municipalities in the Company's concession area. Investments during this stage totaled R\$ 1.7 billion, with resources from the Federal and State governments and from the Company itself. In 2009, R\$ 182 million were invested in connections for 9,439 residences.

In December 2009, Cemig's Board of directors approved the revision of the second stage of the Light for All Program, which will run until December 2010, raising the investment from R\$ 647 million to R\$ 796 million and the number of residences/establishments served from 55,000 to 70,000. On this same occasion, the Board also approved the third stage, Light for All III, with expected investments of R\$ 336 million and service for 25,000 residences/establishments, also in 2010.

***The Cresceminas (“Minas Grows”) Program*** – The “Minas Grows” Program is one of the structural projects held by the government of Minas Gerais and has the main goal of expanding electric energy distribution infrastructure availability in order to serve the growing market in the state.

Scheduled for this Project up to 2010 are projects to strengthen substations, distribution lines and networks, encompassing a set of 687 km of distribution lines, 11 new substations, 101 expansion projects for existing substations, 2,052 km of new distribution networks and improvements and repowering activities for 2,750 km of medium voltage networks. This work will benefit approximately 453 municipalities (59% of the state), a population of approximately four million and approximately 1.1 million consumers in the state.

Since its beginning, 3,821 km of medium and low tension networks have been installed, 130 km of distribution lines have been built and 300 MVA of capacity has been installed. Investments between 2006 and 2010 will total about R\$ 750 million, of which approximately R\$ 529 million had already been invested by December 2009, of which R\$ 296 were for lines and substations and R\$ 233 million for medium voltage networks.

Of note in 2009 were investments of R\$ 153 million in distribution lines and substations and R\$ 65.5 million in the construction of 1,362 km of medium and low voltage networks.

***Urban Electrification Program – The Clarear Program*** – The Clarear Program involves, above all, work related to the connection, expansion, modification and repowering of the medium and low voltage distribution network in order to serve consumers in urban areas. The work is undertaken with no onus on the party making the request, so as to maintain universal access by the public to electric energy service.

In 2009, 192,665 new consumer units were connected, for a total of 1,045,156 new connections since 2004.

## TECHNOLOGY AND INNOVATION

Cemig benefits from innumerable partnerships with research institutions with the goal of allowing the Company to actively participate in the process of technology development in those fields in which the Company operates – the generation, transmission and distribution of energy.

The Company also runs the Cemig/Aneel R&D program which, through Fiemg – the Federation of Industries of the State of Minas Gerais, announces its demands and collects proposals for projects aimed at meeting them. These proposals, following a feasibility analysis by Cemig’s technical staff, are undertaken together by Cemig and those who proposed them.

EU6

EU8

GC 9

In 2009, almost 270 proposals for R&D projects were received at technology forums for assessment and prioritization by Cemig. Of these proposals, the most innovative and best aligned with the Company's strategic objectives were selected and are scheduled to begin in 2010 with an investment of approximately R\$ 45 million.

In 2009, there were over 80 ongoing research and development projects, in which approximately R\$ 10 million were invested.

By the end of 2009, Cemig Telecomunicações (Infovias) installed an internet access network that utilizes radiotechnology in 10 municipalities in

the state of Minas Gerais. This was done through a government project called Digital Minas. The goal of this project is to furnish municipalities with a population below 20,000 with the basic infrastructure so that local governments can access broad band internet service. It was the responsibility of Cemig Telecomunicações to establish the infrastructure from the municipality to the nearest network point and thus establish high speed communications with the central region of Belo Horizonte. The municipalities included in this stage were: Antônio Dias, Maravilhas, Prudente de Moraes, Ribeirão Vermelho, Itumirim, S. S. Bela Vista, Fama, Iguatama, Casa Grande and Queluzito.











# Environmental DIMENSION

RESPECTING LIMITS WHILE STRIVING  
FOR SELF-SUSTAINABILITY.



## COMMITMENT TO THE ENVIRONMENT

Cemig has an Environmental Policy, published in 1990, containing 7 principles that orient its activities and direct all efforts towards the protection of the environment and sustainable development ([http://www.cemig.com.br/meio\\_ambiente/infor.asp](http://www.cemig.com.br/meio_ambiente/infor.asp)). These principles are translated into actions that seek to raise awareness among employees and partners with respect to environmental challenges.

Cemig's activities, in all its businesses, are focused on socio-environmental responsibility, seeking new solutions and technologies that integrate electricity generation, transmission and distribution into the environmental conservation, minimizing the impacts of these activities on society.

## Relationship with Society

Cemig recognizes in its relationship with society an important tool for mapping the priorities of the real environmental needs of the regions in which it operates. The Company participates in Environmental and Water Resources Committees and Councils, conducts environmental programs and meetings with environmental organizations, promotes seminars and also makes information regarding the environment available.

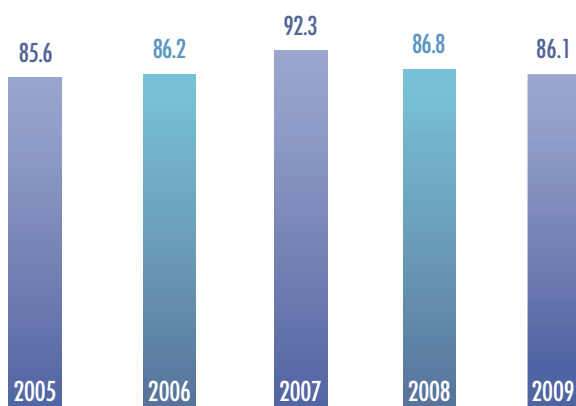
Cemig also carries out activities regarding the plan for integration with communities located within the areas of influence of reservoirs and hydroelectric power plants and with the local press, with the main objective of informing them of the planning and the operation of plants and their influence on the communities. This plan also relies on explanatory lectures, guided visits to the plants and the availability of updated information.



The Company participates in several Environmental Councils, among which are: (I) Copam, notably at the Climate Change and Energy Technical Chamber and the Technical Infrastructure Chamber; (II) the Brazilian Corporate Council for Sustainable Development (CEBDS) (affiliated to the WBCSD – World Business Council for Sustainable Development) in the Climate Change and Energy Technical Chamber; (III) the State Water Resources Council; and (IV) nearly all state and federal River Basin Committees concerning rivers that run through the state of Minas Gerais.

Every year Abradee conducts a research to measure the satisfaction of consumers. Among the assessed attributes is the company's concern with the environment. Regarding that attribute, Cemig scored 86.1, above the national average of 80.6.

#### EVOLUTION OF THE COMPANY ENVIRONMENT ATTRIBUTE



GC 8

## Environmental Education

Since 2001 Cemig has been conducting, in partnership with Biodiversitas Foundation, an

environmental education program for schools, under the name “Terra da Gente” (Our Land)<sup>9</sup>. It was created to provide adequate didactic and pedagogical support in environmental education to educators working with the state's educational system, with an emphasis on the protection, conservation and recovery of Minas Gerais biomes biodiversity. The first regions worked within the Project were the Minas Triangle and Upper Paranaíba, and the focus was the Brazilian Cerrado biome. 364 schools had been given support by the end of 2009, which represents 87.7% of the schools in the region, 130,000 students and 7,800 teachers. In 2009, in its second phase of implementation, the project held events in all the Regional Education Superintendences in the regions of Campos das Vertentes and Southern Minas Gerais, which resulted in the participation of more than 210 schools in the program. As part of this second phase in the Campos das Vertentes and Southern Minas Gerais regions, Cemig published a set of the Terra da Gente educational textbooks, focused on the Atlantic Rainforest biome.

Since its creation, the Program has promoted the training of 9,342 educators, which represents 6% of Minas Gerais educators.

Cemig also conducts an Environmental Education Program developed at the Environmental Stations and Plants which received, in 2009, 23,134 students from several schools throughout the state. During the visits, students receive information on energy generation and its

<sup>9</sup>For details, please go to [http://www.cemig.com.br/meio\\_ambiente/terra\\_gente/index.htm](http://www.cemig.com.br/meio_ambiente/terra_gente/index.htm). Information available only in Portuguese.

relationship with the environment, as well as messages regarding sustainable development and the need of ecosystems conservation.

Another highlight is the promotion of Cemig's Environment Week, which in 2009 offered its visiting public presentations on the river that best represents the country cultural diversity, seen from the point of view of its most remarkable character: the São Francisco River fisherman. The event schedule, which featured the theme "The São Francisco River Basin – the Man, the History and the Hope", included theater plays, technical shows, a photography exhibition and the launch of the Fisherman's Manual. The Environment Week presented this universe to pass on the message of the need for a collective effort towards the preservation of our culture and of the state river basins, in accordance with the principles of sustainability. More than 4,000 students from the public educational system took part in the event, which was held at the Company's headquarters in Belo Horizonte. The presentations continued in Três Marias, with the participation of nearly 3,000 students from the public educational system.

## ENVIRONMENTAL MANAGEMENT

Cemig invests in environmental conservation, in accordance with the concept of sustainable development. The implementation of an Environmental Management System, therefore,

was the natural consequence of a practice that has already been internalized by the Company and specially contributed to the further improvement of environmental programs processes.

### Environmental Management System

Within Cemig, the different areas may obtain Environmental Management System – SGA certification, in conformity with the NBR ISO 14001:2004 Norm, or adopt an Internal Management System, the SGA Level 1, developed based on the principles and requirements of NBR ISO 14001.

The following areas are certified according to NBR ISO 14001:2004 :

- **Generation:** the Nova Ponte, Itutinga, São Simão, Miranda, Irapé and Rosal Hydroelectric Power Plants, the Galheiro Environmental Station, the East and West Plants Management and the Dam Safety Management.
- **Transmission:** Asset Maintenance Management of East and Southeast Transmission.
- **Corporate level:** Industrial and Asset Safety Management.
- **Distribution:** Maintenance of the Center Region Distribution; Services and Commercial Relationships at Curvelo and Ipatinga and the North Region Planning and Expansion.

The following areas are certified in conformity with SGA Level 1:



- **Generation:** the Camargos, Três Marias, Volta Grande, Jaguará, Emborcação and Salto Grande Hydroelectric Power Plants and the Igarapé Thermoelectric Power Plant.
- **Transmission:** Transmission Assets Maintenance Management of Center North and Triangle Regions.
- **Corporate level:** Materials and Waste Storage, Logistics and Administration of the Jatobá Materials Distribution Center, Igarapé Advanced Distribution Center (CDA), Governador Valadares CDA, Uberlândia CDA, Montes Claros CDA (certified in 2009) and the Suppliers and Materials Quality area.
- **Distribution:** South, North and Center Operation and Maintenance; South and West Planning and Expansion; Services and Commercial Relations in Divinópolis, João Monlevade, Montes Claros, Pouso Alegre and Uberlândia.

In the materials and logistics area, the Advanced Distribution Centers, which are located in the cities of Uberlândia and Montes Claros, were certified in the SGA Level 1 in 2009.

Currently, all of Cemig's plants with an installed capacity over 30 MW are certified with the Environmental Management System, which

represents 5,767 MW, or 89% of Cemig's installed generation capacity.

Cemig achieved, in 2009, a 100% certification rate for its substations and transmission lines in the SGQ, SGS, SGA and SGAN1. Especially noteworthy above all is the migration of the Southeast and East Transmission Assets Maintenance Management from SGAN1 to ISO 14001 and the SGAN1 certification acquired by the Center North Transmission Assets Maintenance Management. The percentage of employees included in the certified scopes is 96%.

A relevant aspect is that every unit that interfere in the environment, regardless of the implementation of an Environmental Management System, must comply with a set of directives from the "Minimum Environmental Compliance Requirements", the initial level of the Company's Environmental Management System, which was established for environmental control and protection and includes the evaluation of impacts and action plans for the adjustment of any identified issues.



EN30

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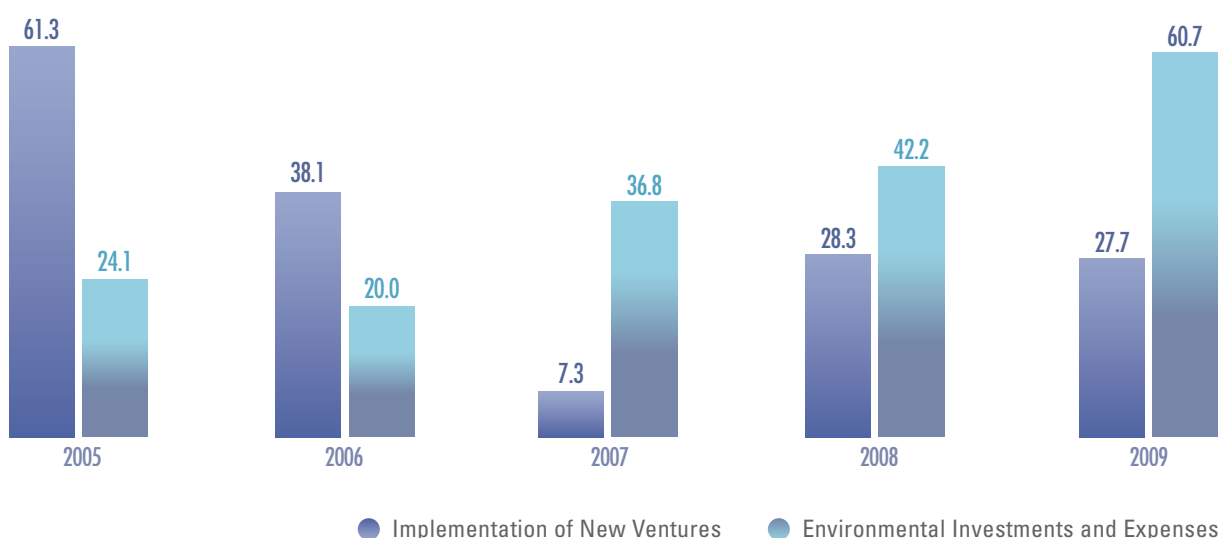
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## Programs and Resources

In 2009, Cemig allocated a total of R\$ 88.4 million to projects and expenses related to the environment, R\$ 27.7 million of which went to environmental care and other activities related to the implementation of new ventures, notably

the Santo Antônio Hydroelectric Power Plant, to which were allocated R\$ 11.9 million. Another R\$ 60.7 million were allocated to operations, maintenance and investments in environmental projects. Of this total, R\$ 22 million were invested in research projects concerning the environment.

### RESOURCES INVESTED IN THE ENVIRONMENT (R\$ MILLION)



The increase in the resources invested in environmental expenses and investments is due to the improvement of the environmental compliance process of the facilities and to the monitoring undertaken in the environmental programs that have been implemented.

From the environment-related investments carried out by Cemig in 2009, R\$ 733,000 were destined to the compliance of residues storage areas. Another R\$ 2.06 million were spent by the Company on the proper destination of residues.

Regarding the energy generation programs,

Cemig has a Dam Safety Monitoring Plan that was fully implemented in 2009 through the execution of over 100 services, which comprised dam-related constructions, research studies and maintenance projects, generation infrastructure and environmental adequacy, with an emphasis on the reevaluation and reestablishment of both functional and structural safety conditions of dams and other associated structures.

This plan allowed for special inspections, with the participation of consultants and specialists at the Emborcação, Volta Grande, Lajes, Martins, Salto Morais, Santa Luzia and Piçarrão power plants.

In 2009, flooding maps were produced for the Três Marias, Irapé, Volta Grande, Carmargos and Itutinga Hydroelectric Power Plants. The flooding maps for areas downstream from the dams became part of the preliminary Emergency Action Plans, designed for the hypothetical event of a dam rupture.

Regarding maintenance activities on transmission lines, Cemig adopts both preventive and corrective actions in areas degraded by erosive processes, which were intensified in 2009 with the incorporation of the Degraded Areas Recovery Program and the implementation of improvements in line with the control of the conditioning clauses of the Environmental Permits of Substations and Transmission Lines.

With respect to electric energy distribution, an interesting development is the use of the Insulated Single Phase Aerial Distribution Network (RDIM), an alternative adopted by the Company in densely forested areas and with single phase lower voltages. The RDIM prevents the occurrence of accidental outages due to interferences from trees, atmospheric discharges or animals, also enabling animals to move under the cable between posts without danger of electric shocks. In 2009, 118 kilometers of rural networks were installed, totaling 1,808 kilometers of RDIM.

With respect to the Verde Minas (Green Minas) Project, in 2009 it began to be considered a System as its data base was transferred to the Company's georeferenced information platform





and a WEB version was made available for consultation. Verde Minas is a planning tool that allows for the identification of existing protected environmental areas in the state of Minas Gerais and their interference with Cemig's electric system structures and installations.

Cemig has a mobile substation since 2008 whose objective is to respond to emergencies and conduct programmed maintenance at the conventional substations, providing a rapid response and service to areas affected if any substation facility becomes defective. The mobile substation uses vegetable insulating oil throughout, and has a 15 MVA capacity, enough to serve a population of approximately 50,000.

<sup>10</sup>Refers to the Company's installed capacity.

## Water Resources

97%<sup>10</sup> of Cemig's energy matrix is composed of hydroelectric generation, which means that the water resources theme is of strategic importance for the sustainability of the Company's business.

Part of the strategy adopted by Cemig for water resources management in 2009 was to maintain and expand its participation in the Water Resource Councils, both State and National, and in the River Basin Committees (CBHs) of the rivers where the Company conducts hydroelectric activities.

In relation to Financial Compensation for the utilization of Water Resources for hydroelectric

energy generation (CFURH), Cemig paid R\$ 137 million in royalties during 2009, equivalent to 6.75% of the value of the electricity produced. Of this, R\$ 15.2 million were directed to the implementation of the National Water Resources Policy, to cover expenses related to National Water Resources Management and to the preservation, recovery and maintenance of water resources, as determined by Federal Law # 9984 of July, 2000.

Cemig has a monitoring network for controlling the water quality at its main reservoirs. The network monitors eight river basins in the State of Minas Gerais: the Grande, Paranaíba, Pardo, São Francisco, Doce, Paraíba do Sul, Itabapoana

and Jequitinhonha river basins, in addition to one basin located in the State of Santa Catarina – the Uruguai River, and another 35 different sub-basins, comprising 52 reservoirs and 247 stations for the collection of information on water quality, effluents and industrial water.

Cemig also uses the Water Quality Index (IQA) to monitor the quality of the water. The index indicates water contamination level due to organic, solid materials and nutrients, which are pollution indicators commonly associated with domestic sewage discharges. This index classifies water quality on a scale from 0 to 100, according to the intervals listed below. The table presents the IQA data for Cemig's main plants:

PLANT	BODY OF WATER	IQA
Volta Grande	Grande River	
São Simão	Paranaíba River	
Salto Grande	Guanhães River	
Nova Ponte	Araguari River	
Miranda	Araguari River	
Jaguara	Grande River	
Itutinga	Grande River	
Três Marias*	São Francisco River	
Irapé	Jequitinhonha River	

QUALITY LEVEL	RANGE
EXCELLENT	90<IQA<100
GOOD	70<IQA<90
MEDIUM	50<IQA<70
BAD	25<IQA<50
VERY BAD	0<IQA<25

\*Data supplied by Igam

Concerned with the Golden Mussel infestation and aware of the losses caused by this invasive species, Cemig has been working preventively, since 2003, in an attempt to stop the expansion of this mollusk. In 2009, new informative publications were produced and used in environmental education campaigns at the plants, fishing contests and fish repopulation activities. Cemig also held in 2009, at Belo Horizonte, the II International Seminar on Invasive Aquatic Species Management and Control, with the objective of bringing together the scientific community from several different countries to discuss solutions and technological evolution regarding the theme.

### Environmental Licensing

Environmental licensing processes are conducted so as to ensure the proper analysis of all the studies and reports and the prompt compliance with the requirements of the environmental bodies. These studies are conducted by contracted expert professionals, including consulting companies, research centers and universities.

In 2009, Cemig obtained the corrective operation permits for the Triangle and Southeast Regional Transmission Systems, and the operation permit for the Baguari hydroelectric power plant. The Praias de Parajuru wind farm in Ceará also obtained its operation permit in 2009, with an annual expiration date.

The Company is currently negotiating with environmental bodies the issuance of Corrective Environmental Operations Permit for enterprises which entered into operation before February, 1986.

Cemig has 138 water resource utilization permit certificates, which means the activities of the Company do not compromise the availability of that resource in the long term. In 2009, Cemig obtained 10 permit certificates for underground and surface water.

### Urban Trees Coexistence

The management of urban trees relies on the existence of skilled staff for planning, implementing and maintaining the trees. Therefore, when planning actions regarding urban trees, one must take into account the planting of “the Right Tree in the Right Place”, prioritizing the use of small-sized tree species when planting along the electric energy distribution networks.

With this objective, Cemig invests in the production of seeds and seedlings of species for urban tree planting and provide Prefectures within its concession area with these products, free of charge. The Company also promotes the professional development and training of its own and contracted employees, and also the Prefectures employees. Training programs focus on the planning, implementation and maintenance of urban trees.





In 2009, 25 training programs were ministered to own and contracted employees, amounting to 750 people trained to undertake pruning activities on trees located in the surroundings of electric energy networks. The company produced and distributed to Prefectures and other public bodies, in 2009, 25,000 tree species of seedlings suitable for planting in urban areas, and 105 kilograms of seeds of the same species were produced and distributed to the same entities.

Cemig also promoted the III Seminar for the “Management of Urban Arboriculture Close to the Electric System”, in partnership with the Brazilian Urban Arboriculture Society and the International Society of Arboriculture. The goal was to discuss and improve the maintenance techniques regarding trees located close to the electric energy distribution network, in addition to promoting a closer relationship between prefectures and the electric energy utilities.

The Company has also adopted, since March 1999, the Protected Distribution Network (RDP) as a minimum standard for urban supply, in definitive replacement of the conventional bare networks, which makes Cemig a pioneer in this practice in Brazil. Currently, Cemig has 5,942 kilometers of protected and insulated distribution network lines in its primary system, which represents 18% of the total of primary urban networks. Concerning the secondary urban networks, there are 25,216 kilometers of insulated networks, which represents 45% of the secondary urban networks.

## PREMIAR PROGRAM

Launched in March, 2009, the Special Integrated Management Program of Networks and Trees (Premiar) aims at conducting Cemig's policies focused on the management of urban arboriculture located in the proximity of electrical systems, with the objective of promoting harmony in the relationship between urban trees and the electric energy system. The Program also intends to assure the quality of electric energy supply, implement programs for the vegetation management and promote harmony between the electric energy network and urban infrastructure.

This program has a team composed of professionals of the planning, engineering, geoprocessing, information technology and social communication areas. The integration of these areas and management based upon the best project management practices allow for the development and the control of more efficient measures.

Premiar seeks to get the community involved in its actions and, in order to do so, conducted opinion polls with inhabitants of the city of Belo Horizonte and its internal public to verify their perception regarding the issue of urban arboriculture and electric energy networks. Workshops were

also held with environment experts, NGO representatives, various entities, community leaders from some districts and the internal public of Cemig to present the Premiar and promote discussions on the Program theme. This interface with community allowed the collection of suggestions and their further application, reaffirming the importance of each citizen in defining and consolidating the actions of the Program.

Conducted in partnership with the Belo Horizonte Prefecture, Premiar involves the community in all the proposed activities, especially in compensatory planting, which consists in planting well developed and resistant seedlings, which are at least 2.5 meters tall, at adequate sites, in replacement of trees that are found to be in precarious state and pose risks to the community.

The projects encompassed by the Premiar Program are:

- **Network adequacy:** the replacement of conventional electric energy distribution networks with protected and insulated networks, providing the proper harmony with the tops of trees and avoiding interferences with the electric energy supply;
- **Geoanalysis** – activities related to the handling, organization and creation of georeferenced data by means of the Geographical Information Systems

(SIGs) for the cities of Belo Horizonte and Contagem, containing information on trees, the electric network and administrative systems and limits.

- **Pampulha Pilot-Project:** survey of information regarding conflicts and risks involving trees and the electric energy network in the Pampulha Region in Belo Horizonte, carried out by specialists in energy distribution networks, forest engineers, agronomy engineers and urban arboriculture experts.

In the research and development field, the program also comprises the following projects:

- **Development of Methodology for the Assessment of the Health of Tree Trunks**

and Roots of Trees Located on Streets and Avenues – Demasaar.

- **The utilization of pruning residues.**
- **The development of methodology, techniques, procedures and management of trees for the promotion of urban tree harmony with the public lighting and the electric energy system.**

The Program also undertakes the following projects in the Information Technology area:

- **Formulation of a reference term for the inventory development and a its software.**
- **Development of an application for the collection of risk and conflict reports.**



## ECO-EFFICIENCY

Ecoefficiency consists of the promotion, by the Company, of continuous improvement in the utilization of natural resources and in

the management of its business. Generating, transmitting and distributing electric energy with the minimum environmental impact possible is the objective for which Cemig invests in new technologies and the management of its processes.

The table below lists the main ecoefficiency indicators at Cemig, which will be better explained in the items that follow:

	2005 <sup>(2)</sup>	2006	2007	2008	2009
<b>FINAL DESTINATION OF RESIDUES</b>					
Recycling and Reutilization (tons)	3,098	3,165	4,592	6,659	4,088
Proper Final Destination (tons)	274	734	353	752	512
<b>WATER CONSUMPTION (M<sup>3</sup>)</b>	<b>274,064</b>	<b>292,060</b>	<b>350,913</b>	<b>423,590</b>	<b>446,697</b>
<b>ENERGY CONSUMPTION (GJ)</b>	<b>619,883</b>	<b>1,706,679</b>	<b>2,823,675</b>	<b>2,899,634</b>	<b>434,960</b>
<b>ATMOSPHERIC EMISSIONS</b>					
CO <sub>2eq.</sub> – Scope 1 <sup>(1)(3)</sup> (tons)	32,143	113,723	185,874	191,054	21,921
CO <sub>2eq.</sub> – Scope 2 <sup>(1)(3)</sup> (tons)	896	944	2,374	2,203	889
SO <sub>2</sub> (tons)	32.3	241.1	1,431.2	1,382.4	479.5
NO <sub>x</sub> (tons)	30.1	81.1	607.4	422.4	69.4

<sup>(1)</sup>Scope 1 and Scope 2 CO<sub>2eq.</sub> emissions were calculated in conformity with the Brazilian GHG Protocol Program methodology. <sup>(2)</sup>For the year 2005, Scope 1 and Scope 2 emissions were calculated based on emission factors from 2006. <sup>(3)</sup>Please refer to the Glossary for the definition of Scope 1, Scope 2 and Scope 3 emissions.

### Materials and Residues

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Cemig has an area certified in conformity with the Environmental and Quality Management Systems, responsible for the triage and separation of materials for recycling, reutilization or alienation, and the proper final destination of residues.

In 2009, Cemig generated 3,182 tonnes of residues classified as non-hazardous by the Brazilian Technical Norm NBR 10004, which

were forwarded for recycling and reutilization and represented 69% of residues generated.

In 2009 the Company also generated 1,418 tonnes of residues classified as hazardous by NBR 10004, of which 906 tons were forwarded to be recycled or reutilized and 512 tons were coprocessed or incinerated. Of this, Cemig itself regenerated or reutilized 38,5 tons of insulating mineral oil removed from electrical equipment, reprocessed

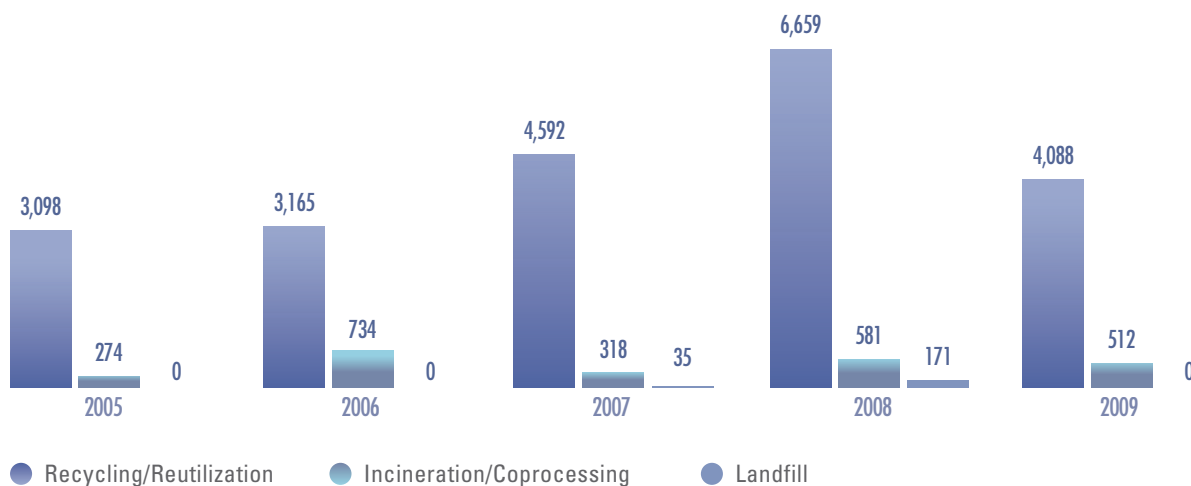


467 tons of oil-impregnated residues (gloves, tow and sawdust) and 2.9 tons of Individual Protection Equipment and accessories, incinerated 15 tons of insulating mineral oil improper for reutilization in electrical equipment, 21.8 tons of small equipment contaminated with askarel (Polichlorinated Biphenyl – PCB) and three tons of solvents and other Class I residues. The commercialization of PCBs has been prohibited since 1981 by Brazilian legislation and, though their utilization is allowed in equipment already in operation, in Cemig all large-sized equipment manufactured before 1981 was retired from the system and forwarded to incineration in 2001. The smaller pieces of equipment are now being identified, retired and forwarded for incineration.

Cemig's own fluorescent lamps and those from the public lighting system within its concession area are collected and forwarded for decontamination and recycling. In 2009, nearly 445,000 lamps were used and 3.5 tons of broken lamps were decontaminated and recycled.

Overall, in 2009 512 tons of residues were co-processed and incinerated, and 4,088 tonnes of materials and equipment were recycled or reutilized, which is 38% less than in 2008. This reduction is due to the decrease in the generation of wires and cables, metal scrap and insulator scrap and the reduction in the alienation of the several types of oil and in the regeneration of insulating mineral oil.

#### RESIDUES GENERATION AS PER FINAL DESTINATION (TONS)<sup>(1)</sup>



<sup>(1)</sup>Due to improvements in the accounting methodology, the values corresponding to the period from 2005 to 2008 have been altered.

The management of all corporate printing processes at the Headquarters and the Itambé building resulted in a significant reduction of the impact this activity had on the environment, through campaigns, accounting and the standardization of

printing services (copies, faxes and digitization). The Company also installed 76 corporate printers that feature back and front printing, resulting in a 49% rate of back and front printing in 2009, and implemented a 98%-return policy for printing



tonners. Altogether, these measures have reduced the number of printing copies by 14% from 2008 to 2009.

Cemig promotes a selective collection campaign with the goal of promoting the reutilization of recyclable materials, unusable for Cemig but which can be possibly used by some other institution. The campaign was promoted on Cemig's largest facilities, located in Belo Horizonte Metropolitan Region, and resulted in the collection of 105 tons of recyclable materials in 2009, among which 59.8 tons of paper, 41.8 tons of cardboard paper and 14.2 tons of plastic.

All material collected was passed to the NGO Association of Collectors of Paper, Cardboard and Recyclable Materials of Belo Horizonte (Asmare).

## Water

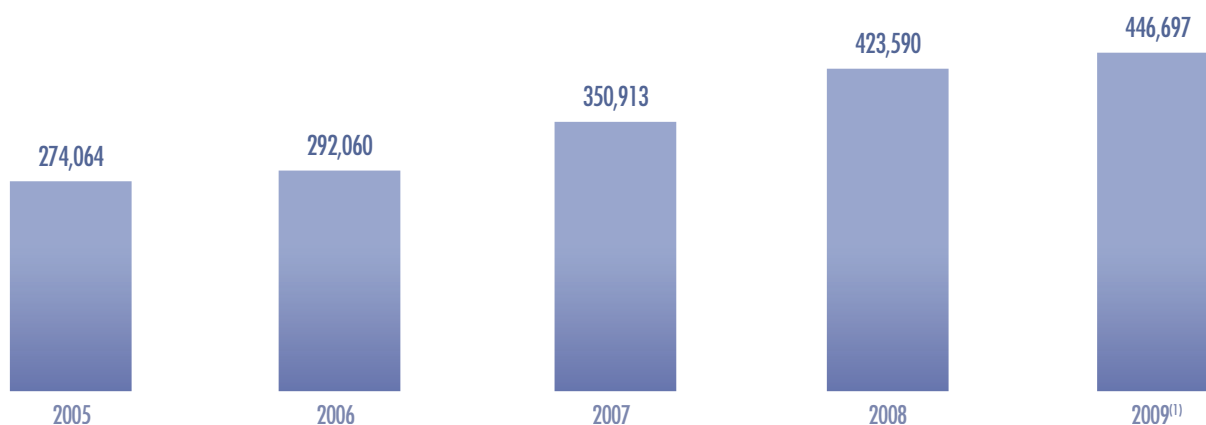
The efforts to reduce water consumption at Cemig's facilities are enhanced by awareness campaigns and through the monitoring of indicators. The chart below presents the water consumption of the operational and administrative areas linked to generation at the hydroelectric plants and to the transmission and distribution of electric energy.

In 2009 446,697 m<sup>3</sup> of water were consumed,

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### TOTAL WATER CONSUMPTION (M<sup>3</sup>)



<sup>(1)</sup>In 2009, values related to surface water collection for utilization at Cemig's forest nurseries started to be accounted for.

307,729 m<sup>3</sup> of which were withdrawn from the public system supply, 121,496 m<sup>3</sup> were ground water and 17,472 m<sup>3</sup> surface water.

Total water consumption in the industrial process at Cemig's thermal power plants (Igarapé, Barreiro and Ipatinga), not accounted for in

Cemig's consumption, was 431,768 m<sup>3</sup> in 2009, which represents 1,543 m<sup>3</sup>/GWh generated.

The Company collects surface water (from reservoirs) for utilization in fish culture activities, which is returned to the reservoirs. In 2009, this collection accounted for 2,884,588.00 m<sup>3</sup>.

In 2009, the actions promoted by Cemig aimed at the optimization of water use in its administrative facilities resulted in a reduction in consumption of 12,811 m<sup>3</sup> in relation to 2008; the main action was the implementation of valves and taps installed with sensors in the overhauling of the hydro sanitary facilities of the Julio Soares building (Company's Headquarters).

## Energy

Cemig's energy consumption is a result of the total electric energy consumed at its industrial facilities and the company's offices, added to the total amount of fuels used by the Company's fleet of vehicles, aircraft and at the Igarapé Thermal Power Plant.

EN3

### TOTAL ENERGY CONSUMPTION (GIGAJOULES – GJ) – 2005 THROUGH 2009

	2005 <sup>(4)</sup>	2006 <sup>(4)</sup>	2007	2008	2009
<b>Electric Energy<sup>(1)</sup></b>	115,239	121,315	172,295	166,266	165,030
<b>Fuels<sup>(2)(5)</sup></b>	327,644	302,564	281,380	283,368	255,391
<b>Igarapé<sup>(3)</sup></b>	177,000	1,282,800	2,370,000	2,450,000	14,539
<b>Total</b>	619,883	1,706,679	2,823,675	2,899,634	434,960

<sup>(1)</sup>Own consumption at industrial facilities and offices. <sup>(2)</sup>Gasoline, diesel oil, LP gas and kerosene for Jet engines in Cemig's fleet. <sup>(3)</sup>Fuel oil used at the Igarapé Thermal Power Plant. <sup>(4)</sup>The 2005 and 2006 electric energy consumption data do not include the consumption at Cemig GT facilities. <sup>(5)</sup>For calculation of total fuel value, the consumption of LP gas is included in the historical record.

EN5

The consolidation of the Total Fleet Control Program (CTF) has allowed for improved management of the refueling process of the Company's vehicles, as fuel consumption was reduced by 33.2% from 2005 to 2009. In addition to that, the Vehicle Fleet Compliance and Renovation Policy adopted by the Company establishes a five-year period as the average age for the fleet.

In 2009, Cemig approved the trucks and passenger vehicles rental and management project, which foresees the replacement of 1,193 vehicles in 2010.

The Igarapé Thermal Plant, which runs on fuel oil, was put into operation for only 8 hours and 40 minutes in 2009, when tests were made with the main transformer as it had been fully overhauled and for a proof of availability of the 131 MW generating unit. In 2008, the total operational time was 2,985 hours.

Cemig has another two thermal power plants that use blast furnace gases, tar and other residual gases generated in the steel industry process. They are the Ipatinga Thermoelectric Plant (40 MW) and the Barreiro Thermoelectric Plant (12.9 MW), which are operated in

partnership with two integrated steel mills, respectively, Usiminas – Usinas Siderúrgicas de Minas Gerais S.A. and Siderúrgica V&M do Brasil. In 2009, 3,868,543 GJ of inputs were used to fuel the plants. However, this energy is not accounted for in Cemig's Total Energy Consumption as the fuels used therein

generate the electric energy that is used at the steel plants themselves.

## Emissions

As shown by the table below, the energy generated by Cemig comes, basically, from renewable sources – 99.2% of hydraulic sources in 2009.

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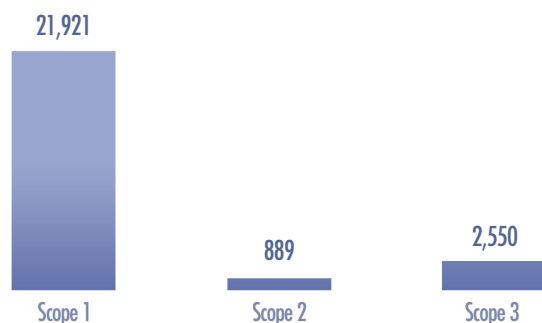
### CEMIG'S CAPACITY AND GENERATION – 2009

SOURCE	INSTALLED CAPACITY 2009		GENERATION – 2009	
	MW	%	MWh	%
Total Cemig	6,610	100.00	35,333,423	100.00
Hydraulic	6,410	96.98	35,040,032	99.17
Thermal – Fuel Oil	131	1.98	588	0.00
Thermal – Process gases	53	0.80	272,675	0.77
Wind Power	16	0.24	20,128	0.06

Note: data relates to installed capacity and energy generation from Cemig GT's wholly-owned operating plants and those plants partially owned by Cemig or Cemig GT, from January 2009 to December 2009, excluding Light.

Cemig calculates its Greenhouse Gas – GHG emissions in conformity with the emission factors of the Brazilian GHG Protocol Program, which is a quantification and management tool for GHG emissions, adapted to the Brazilian reality.

### CO<sub>2eq</sub> EMISSIONS – 2009 (TONS)



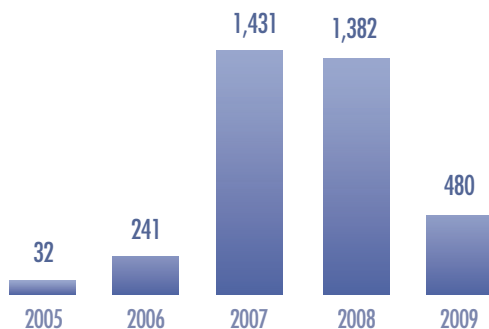
Cemig's Scope 1 GHG emissions originate from a fuel-oil burning thermal plant (Igarapé), from the Company's aircraft and vehicle fleet and from the SF<sub>6</sub><sup>11</sup> emissions coming from equipment installed in electric energy distribution networks and in substations. In 2009, 21,921 tons of CO<sub>2eq</sub> were emitted, representing 86% of the Company's total emissions. That means an emission intensity of 0.62 kg CO<sub>2eq</sub>/MWh. The Scope 1 emissions were reduced by 90% in 2009 in relation to 2008, due to the few hours of operation registered by the fuel-oil burning thermal plant. In a comparative analysis, the 12 leading companies in the 2009 Electric Utilities Report from the Carbon Disclosure Project – CDP presented an average level of emissions of roughly 584.34 kg CO<sub>2eq</sub>/MWh.

<sup>11</sup>Sulfur hexafluoride: a gas utilized in electricity industry equipment.

Carbon dioxide emissions (CO<sub>2</sub>) from the vehicle fleet and aircraft showed an accumulated reduction of 22% in the 2005/2009 period. The 15,509 tons of CO<sub>2</sub> emissions in 2009 represented a reduction of 9% in relation to 2008.

The Scope 2 GHG emissions of Cemig originate exclusively from the consumption of electric energy from the National Interconnected System (SIN)<sup>12</sup> in its industrial facilities and offices. In 2009, 889 Scope 2 tons of CO<sub>2eq</sub> were emitted. This value represents a reduction of 60% in relation to 2008. The reduction is a consequence of the reduction in the emission factor calculated by the Ministry of Science and Technology, which fell from 0.0484 tons CO<sub>2</sub>/MWh in 2008 to 0.0246 tons CO<sub>2</sub>/MWh in 2009, and also of a 0.75% reduction in the consumption of electric energy by the Company.

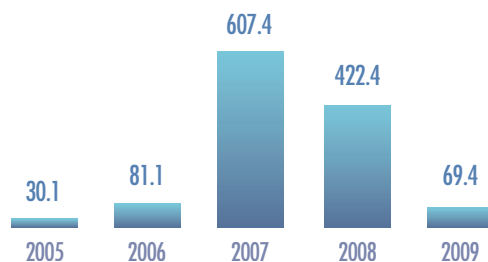
#### SO<sub>2</sub> EMISSIONS (TONS)



Cemig's scope 3 GHG emissions were calculated considering air travelling by employees on commercial flights and transportation of employees and materials by third parties. In 2009 these emissions represented 2,549.8 tons CO<sub>2eq</sub>, which corresponds to 10% of Cemig's total CO<sub>2</sub> emissions.

Emissions from sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>)<sup>13</sup> result from the burning of fuel by thermoelectric plants. Cemig's NO<sub>x</sub> emissions in 2009 were 69.4 tons, which represents a reduction of 84% in relation to 2008. As for SO<sub>2</sub>, emissions were 479.5 tons, 65% less than in 2008. The reduction presented in 2009 is due to the reduced operation of the Igarapé Thermoelectric Plant, as already mentioned. The graphs below show Cemig's atmospheric emissions of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) from 2005 to 2009.

#### NO<sub>x</sub> EMISSIONS (TONS)



EN14

## BIODIVERSITY

EU8

GC 8

Cemig undertakes actions aimed at protecting ecosystems and preserving biodiversity, of note among

which are investments in Research and Development projects, the maintenance of Environmental Stations and conservation units and ichthyofauna programs, especially the Peixe Vivo (Fish Alive) Program.

<sup>12</sup>The greenhouse gas emissions for this activity are set by using the emission factors developed for the use of fossil fuels in the production of the electric energy of the national "grid" of the national interconnected system, mainly by the operation of thermoelectric plants.

<sup>13</sup>SO<sub>2</sub> and NO<sub>x</sub> cause acid rain.

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## Environmental Stations

Cemig's environmental stations are areas used for conducting studies of flora and fauna, educational activities and hosting scheduled visits. These stations have over 4,000 hectares of protected areas, spread over the Galheiro and Jacob Environmental Reserves (both Private Natural Heritage Reserves – RPPNs), the Volta Grande, Peti, Itutinga and Machado Mineiro Environmental Reserves and the Taquaril protected area. Cemig also has an area of 1,500 hectares located in the municipality of Capelinha (MG), which is currently in the registration phase of its transformation into an RPPN.

Regarding fauna, the Peti Environmental Station is running the Wild Animal Release Project – ASAS/Profauna, in partnership with Ibama. The project receives, nurses back to health and

reintroduces animals that have been caught by the Environmental Police and Ibama. In 2009, 798 animals of 68 species were received, such as Jacu / Dusky-legged Guan (*Penelope obscura*), Canário-Chapinha / Saffron Finch (*Sicalis flaveola brasiliense*), Pintassilgo / Black-headed Goldfinch (*Carduelis magellanicus*), Coleiro / Double-collared Seedeater (*Sporophila caerulea*), Azulão / Ultramarine Grosbeak (*Passerina brissonii*), Trinca-ferro / Green-Winged Saltator (*Saltator similis*), Bigodinho / Lined Seedeater (*Sporophila lineola*), Sabiá-laranjeira / Rufous-bellied Thrush (*Turdus rufiventris*), Curió / Lesser Seed-finch (*Oryzoborus angolensis*), Sabiá-poca / Creamy-bellied Thrush (*Turdus amaurochalinus*), Pássaro-preto / Chopi Blackbird (*Gnorimopsar chopi*), Arara-Canindé / Blue-and-yellow Macaw (*Ara ararauna*), Canário-da-terra / Saffron Finch (*Sicalis flaveola*), Papa-capim (*Sporophila* sp),



Tiziu / Blue-black Grassquit (*Volatina jacarina*), Irerê/White-faced Whistling Duck (*Dendrocygna viduata*), Pato-do-mato Muscovy Duck (*Cairina moschata*), Ananaí Brazilian Duck (*Amazonetta brasiliensis*), Sabiá-barranco / Pale-breasted Thrush (*Turdus leocomelas*), among others. Altogether, 416 were returned to nature in 2009.

Important projects were also undertaken at the Volta Grande Environmental Station in 2009, including the beginning of the compliance works of the Ichthyofauna Center of Excellence.

At the Galheiro Environmental Station, Cemig undertook the Lobo-Guará<sup>14</sup> Monitoring Project, aimed at preserving Latin America's largest wild canine mammal. Begun in 2004 by means of an agreement between Cemig and the Zoo-botanic Foundation, this project is in its final phase and involved research into the ecology of the Lobo-Guará utilizing satellite telemetry technology at the Environmental Station. In 2009 activities that complement the project were also undertaken, such as environmental education for teachers and students of the Belo Horizonte Municipal Educational System and the technical revision of the project booklet.

Also worth noting in 2009 was the revision and upgrading of the former Station Management Plan, which was developed in 1995.

In May, 2009 Cemig inaugurated, together with Vale, the Aimorés Hydroelectric Plant Botanical

Park. The Park, which occupies an area of 70 hectares on an old farm, received 77,000 seedlings of native Atlantic Rainforest trees. The main objective of the Park is to recreate the original environment of the region, which has been degraded due to its utilization as pasture land. The park is located on the Viçosa farm, 6 km from downtown Aimorés – ES.

### Ichthyofauna (Fish)

In 2009, with the objective of repopulating and maintaining the biodiversity in Cemig's reservoirs and in the rivers in Minas Gerais, 100 fish repopulation events were undertaken with the participation of students and representatives from the various sectors of society. Fish were released into the Araguari, Paranaíba, Grande, Jequitinhonha and Pardo rivers, covering 52 counties in the state of Minas Gerais.

Cemig produced and released roughly 523,000 minnows, which corresponds to 17.4 tons of different species of fish. The North of Minas and Jequitinhonha Valley regions received a record volume of fish, produced in partnership with the Federal Agrotechnical School of Salinas and totaled over 2.4 tons of biomass (143,000 minnows). The Jequitinhonha region alone received about 1.5 ton, over four times more than in the previous year. The Pardo River basin was repopulated with 1,067 kilograms of fish.

In order to guarantee the production of minnows and create opportunities for income generation,

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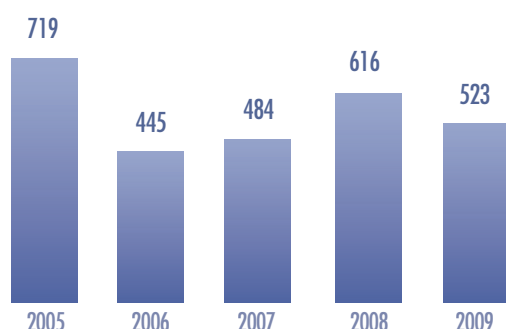
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<sup>14</sup>Lobo-Guará (*Chrysocyon brachyurus*) is a Brazilian endangered wolf.

part of the production is conducted in partnership with rural producers, who receive input materials, post-larval fish and technical assistance. In return, Cemig receives half of their production, while the other half is traded by the producer.

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#### PRODUCTION OF MINNOWS FOR RELEASE ('000)



Among the ichthyofauna-related programs that Cemig conducts, of note is the Peixe Vivo Program, which in 2009 completed its second year. Several activities are undertaken through the program, aimed at increasing ichthyofauna conservation actions in Minas Gerais. 2009 marked the initiation of four research projects in partnership with important research centers in the state in an effort to find solutions that integrate the generation of hydroelectric energy with the conservation of ichthyofauna.

In 2009 there were also significant advances in the project for the creation of one of the largest ichthyofauna research centers in Brazil with the initiation of renovations to the fishculture tanks and buildings at the Volta Grande Environmental

Station, which will become the Volta Grande Ichthyology Center of Excellence.

The program also produced important results in terms of integration with the other areas of the Company and with society. In 2009, various seminars, forums and meetings were held with the objective of disseminating to society information on Cemig's actions for the conservation of ichthyofauna. The program received the 4<sup>th</sup> Brazilian Environmental Award (presented by "Jornal do Brasil" publication) for the best Flora and Fauna work in 2009.

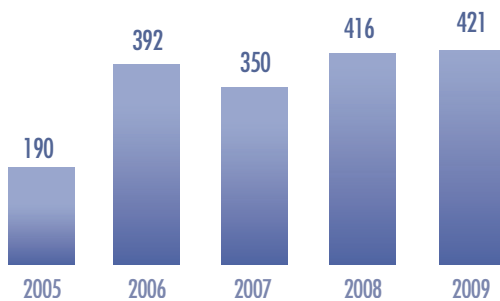
Also of note is the work conducted with the reproduction of the Jaú (*Paulicea lutkeni*), an endangered species that is of significant commercial value for fishermen. Little is still known about the cultivation and handling of Jaú populations in semi-intensive cultivation systems and other artificial systems. In partnership with universities, studies are conducted on the early life, fingerling stage and feeding habits of the Jaú, which will allow for a greater understanding of many aspects of its biology, especially embryonic and larval development, growth and mortality aspects and the inter-relationships in the food chain.

### Seeds and Seedlings

Cemig has two Forest nurseries located at the Itutinga and Volta Grande environmental stations and a seed laboratory. These nurseries exist to supply the Company's environmental programs

demands. The production of seedlings is planned according to the Company's own demand and that of municipal governments, NGOs, public organizations and environmental institutions, for utilization in environmental protection programs. In 2009 Cemig produced 421,000 seedlings.

#### SEEDLING PRODUCTION ('000)



In 2009 Cemig produced 735,690 kg of seeds from 85 native forest species. Of this total, Cemig made approximately 706 kg available, 65% of which for the Company's own forest nurseries and 35% for the other institutions nurseries. The seed were also used in germination tests ran by the Company in its seed laboratory.

In that same year Cemig began a reforestation program for the affluents of the Três Marias Hydroelectric Plant Reservoir with 40,000 seedlings of native Brazilian Cerrado species, in partnership with Emater, IEF (the Minas Gerais Forests Institute) and local landowners. The program resulted in the fencing off of 20 hectares of natural springs, riparian forests and recharge areas.

17 hectares of riparian forests were also recomposed along the banks of the Volta Grande, Nova Ponte and Jaguará reservoirs, in partnership with local rural landowners. For this recomposition, the Company used seedlings from the nursery located at the Volta Grande Hydroelectric Plant.

## Research and Development

GC 7

Cemig undertakes research and development projects in the environmental area in partnership with Universities, Research Centers and the National Electric Energy Agency (Aneel).

With resources from the Cemig / Aneel program, R\$ 696.2 thousand were invested in 11 projects in 2009.

In addition to these projects, in 2009 Cemig also invested, voluntarily, R\$ 1.5 million in research projects linked to the Peixe Vivo Program, as described below:

- **Assessment of the fish death risk at Cemig plants.**
- **Behavior of fish downstream from dams aimed at ichthyofauna conservation.**
- **Development of biotic integration indices for the assessment of environmental quality, serving as an input for the restoration of habitats in minnows release areas.**
- **Assessment of the efficiency of repopulation actions at the Nova Ponte and Volta Grande dams.**

## CLIMATE-RELATED ACTIONS

Cemig conducts specific actions that encompass the minimization of emissions of greenhouse gases. Of note among the main projects that contribute towards this objective is the development of projects that fit under the Clean Development Mechanism, established by the Kyoto Protocol, energy efficiency projects, small and large hydroelectric enterprises and the development of new energy sources.

Inserted into the context of opportunities related to climate change and aligned with global efforts to reduce Greenhouse Gas emissions, Cemig operates the Barreiro Thermoelectric Plant, which generates electric energy by means of the industrial process gases from V&M do Brasil. The Barreiro Thermoelectric Plant has a project

to obtain carbon credits approved in the CDM (Clean Development Mechanism) of the Kyoto Protocol and registered with the Executive Board of the UNFCCC (details available at: <http://cdm.unfccc.int/Projects/DB/DNV-CUK1134505349.88/view>)<sup>15</sup>. Although Cemig owns 100% of the plant assets, it has assigned the carbon credits arising from this project to the steel company V&M do Brasil, which is the supplier of the fuel used in the plant (gases from process).

Cemig, through Efficientia, a service company owned by Cemig that is the first Brazilian Esco – Energy Service Company to be certified to NBR ISO 9001:2005, is also conducting three other CDM projects involving co-generation with blast furnace gases in the steel sector. One of these projects is being developed with Siderúrgica Pitangui and is currently in phase of approval and registration by the United Nations Executive Board.



<sup>15</sup>For further information on the CDM, UNFCCC and subjects related to climate change, access [www.unfccc.int](http://www.unfccc.int), [www.ipcc.ch](http://www.ipcc.ch) and [www.mct.gov.br](http://www.mct.gov.br)

Cemig has other ongoing CDM projects related to Small Hydroelectric Plants (SHPPs), such as: Cachoeirão – 27 MW ; Dorés de Guanhões –14 MW; Senhora do Porto – 12 MW; Fortuna II – 9 MW; and Jacaré - 9 MW SHPs, in which the Company has a 49% equity stake. The Project Concept Documents (PCDs) have already been completed for these projects and are currently under validation by the Designated Operational Entities (DOEs).

The Company has signed a contract with a specialized consultancy firm for the development and monitoring of CDM projects, based on opportunities identified by Cemig in the areas of SHPP installation/repowering, wind farms and other alternative energy sources.

The Company also participates in forums and workgroups, among which are the Minas Gerais Climate Change Forum and the Energy and Climate Change Technical Chamber – CTClima of the Brazilian Corporate Council for Sustainable Development – CEBDS.

Following a practice initiated in 2007, Cemig responded to the Carbon Disclosure Project 7 questionnaire, which is a global report formulated by institutional investors from around the world with the objective of calculating and disseminating information from companies about their climate change policies and strategies for reducing environmental risks in their processes<sup>16</sup>.

Gasmig is a company owned by Cemig and Gaspetro (a Petrobras company) and it has the objective of maximizing the benefits of natural gas use. Gasmig supplies natural gas for utilization in industry and automobiles, which then replaces more polluting fuels. In 2009 Gasmig began the expansion of its distribution network, taking natural gas to new clients that may now count on natural gas to contribute towards a reduction in GHG emissions.

Measures adopted by Cemig to contribute towards a reduction in greenhouse gas emissions also cover programs for energy efficiency and conservation, solar energy, small hydroelectric plants and alternative energy research.

## Energy Efficiency and Conservation

Within the context of the Energy Efficiency Program – PEE Cemig/Aneel, R\$ 26.5 million were directed towards energy efficiency projects in 2009, resulting in a reduction in energy consumption of 27,765 MWh/year and a reduction in final demand of 11.62 MW. The actions undertaken by the program resulted in a reduction in greenhouse gas emissions of 539 tons CO<sub>2eq</sub><sup>17</sup>, indirectly, as the programs were undertaken at the facilities of third parties. The energy saved could supply approximately 19,300 residences with an average consumption of 120 kWh/month.

The partnership between Cemig, Cohab (Companhia Habitacional do Estado de Minas

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<sup>16</sup>Cemig's responses, available in Portuguese and English, may be found at the following address: <http://v3.cemig.infoinvest.com.br/ptb/s-16-ptb-2009.html>.

<sup>17</sup>Considering a Brazilian emissions factor of 0.0246 tonnes CO<sub>2eq</sub>/MWh.



Gerais) and Sedru – the State Department for Regional Development and Public Policy, begun in 2002, continues the Water Heating with Solar Energy for Low Income Housing Developments project, with the objective of optimizing the consumption of electric energy and reducing the load at peak hours.

Also through the Cemig/Aneel program, 100 energy diagnosis were performed in 2009 at large hospitals and Servas nursing homes, resulting in a potential installation of 8,000 m<sup>2</sup> in collection panels. These systems will be installed in the next two years and will result in a reduction in energy consumption of 3,750 MWh/year and in demand of 2,850 kW.

Since 2006, Cemig carries on the Conviver Project in order to provide orientation regarding energy efficiency measures for low income clients in the metropolitan Belo Horizonte region (RMBH) and in the interior of the state of Minas Gerais. In 2009, with an investment of R\$ 12 million, the Conviver projects served 30,000 low income families in the RMBH, who received 140,000 compact fluorescent light bulbs, 1,100 heat recovery kits for use in showers and 3,500 efficient refrigerators. In total, 2009 actions resulted in energy savings of 3,476 MWh/year.

Another Cemig/Aneel Energy Efficiency Program (PEE) is “Cemig at School – Procel”, an environmental education program used as a communication channel with primary and secondary school

teachers and students to bring them themes related to combating electric energy wastage, environmental protection and safety in energy handling. In 2009, the Program included free distribution of 210 educational kits to schools, training for students and an investment of roughly R\$ 1.3 million.

In order to implement energy efficiency projects in the rural sector, Cemig relies on the Energy Farm, located in Uberaba, in the Minas Triangle region. In 2009, the farm held 8 events attended by 887 people, aimed at raising awareness of the importance of using energy efficiently in sustainable development. Approximately R\$ 327,000 were invested in the project in 2009.

Another highlight the Rational Use of Electric Energy and Water in Irrigation for Family Agriculture project in the Jaíba District in the North of Minas region, ongoing since 2007. The installation of 82 irrigation systems was completed in 2009 by means of an investment of R\$ 1.17 million from the Cemig-Aneel Energy Efficiency Program, resources from third parties and consumers. The new irrigation systems are totally automated and more efficient, and result in electric energy and water of some 33%. The Project implementation will lead to energy consumption roughly 403 MWh lower and an expected energy demand reduction of 161 kW. In 2009, this project received the National Conservation and Rational Use of Energy Award from the Ministry of Mines and Energy in the

category of Large-sized Electric Sector Company, Distribution Modality.

Cemig also works energy efficiency through Efficientia S.A., which coordinates projects aimed at promoting cost reduction and energy savings at the facilities of large industrial and commercial clients.

Six investment contracts were signed in 2009 for modernizing and improving the efficiency of equipment and processes in various industrial segments in the state of Minas Gerais and one contract was signed with BHTRANS, a mixed private-public company in which the Belo Horizonte municipal government holds a majority equity stake, to improve efficiency of the municipal traffic light system.

In 2009, R\$ 11.9 million were invested in the implementation of projects, representing an energy saving of 24,029.53 MWh/year, with

a reduction in peak demand of 2.0 MW. This corresponds to the annual consumption of approximately 16,700 residences with an average consumption of 120 kWh/month, which represents an annual reduction in emissions of about 466 tons equivalent of CO<sub>2</sub>.

Efficientia also coordinates various projects in the sugarcane-alcohol sector and is in charge of the construction of new transmission lines and substations to connect sugarcane and alcohol plants to Cemig's system. These initiatives allow the energy generated through co-generation based on sugarcane bagasse (production waste) to be injected into the system, increasing the contribution from renewable energy sources to the national energy matrix. In 2009 five contracts of this nature were signed in the Vale do Tijuco, Paracatu, Chaveslândia, João Pinheiro and Frutal regions, all in Minas Gerais. These contracts will result in 174 MW of power injected into the system.

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## NEW HYDROELECTRIC PROJECTS

On October 22, 2009 the Baguari Hydroelectric Plant was inaugurated, built by a consortium formed by Cemig (34%), Neoenergia (51%) and Furnas (15%). The new hydroelectric plant has an installed generation capacity of 140 MW, with an average assured energy of 80.2 MW, enough to supply a city of 450,000 inhabitants.

The Baguari Hydroelectric Plant is especially noteworthy because of its lower environmental impact, as it operates on a run-of-river system with a technology that uses bulb turbines, which require a smaller flooded area for the machines to work. The plant reservoir covers 16 km<sup>2</sup>, considered a small area for this generation capacity, and extends for 22 kilometers in the Doce River and 5 kilometers on the Corrente Grande River. A fishway was also constructed at the site in order to help migratory species in the Doce River reach the flooded area. Ichthyofauna monitoring studies at the fishway and downstream will indicate how native species respond to the implementation of this mechanism.

Through the Madeira Energia consortium, Cemig is participating in the construction of the 3,150 MW Santo Antônio Hydroelectric Plant, which will be erected at the Madeira River, in the state of Rondônia. In 2009, the socio-environmental actions necessary for the installation of this plant comprised programs for flora conservation



and fauna rescue, ichthyofauna monitoring programs, communication actions and social programs, among other actions. Cemig has a 10% stake in this enterprise, which is expected to enter into operation in 2012.

### Small Hydropower Plants

Cemig continues to work towards the goal of expanding its generation system by means of the installation of Small Hydropower Plants (SHPPs) in Minas Gerais. The Minas SHPP Program contributes to these efforts and is aimed at the implementation of generation projects, thereby leveraging the development of regional markets in the state.

The first plant installed by the Minas SHPP Program, in partnership with Santa Maria Energética, was the Cachoeirão SHPP, located in the municipalities of Pocrane and Alvarenga in the eastern part of Minas Gerais. Producing 27 MW of power, the SHPP hired a specialized company to implement 18 environmental measures and projects listed among the conditions of its Operating Permit and Environmental Control Plan.

### Wind Power

In 2009 the Company acquired a 49% stake in three wind farms owned by Impsa and located in the state of Ceará: Praias de Parajuru (28.8 MW), inaugurated in August 2009, and Praia do Morgado (28.8 MW) and Volta do Rio (42.0 MW), both under construction.

Also in 2009 Cemig finalized the mapping of wind potential throughout the state of Minas Gerais, where promising sites are also being identified for the implementation of new projects.

Cemig was the first Brazilian utility to install, in 1994, a wind farm connected to the integrated electric system: the Morro do Camelinho Experimental Wind Farm. The Company is currently developing, in partnership with the Federal University of Minas Gerais – UFMG, small wind-powered electric energy generators adapted for installation in mountainous regions that have the potential to serve remote locations.

### Solar Energy

Cemig's pioneer work in solar energy, both in its photovoltaic form and in its solar thermal form, which uses flat collectors and solar concentrators, has helped creating energy alternatives and increasing efficiency for consumers in the State of Minas Gerais. In 2009, Cemig undertook the planning, bidding processes and structuring for the installation of 15,000 solar heating systems to be installed in 2010 and 2011. This project

## DEVELOPMENT OF NEW SOURCES

Cemig has been investing in projects for the utilization of renewable energy sources, especially wind power, solar energy, biomass and biodiesel. Additionally, the Company has also been implementing projects in co-generation, hydrogen, fuel cell and distributed generation.

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will result in an estimated 50% reduction in electric energy consumption in each residence with an installed system. The Company is also conducting experimental studies on district solar heating systems, which have potentially lower acquisition, installation and maintenance costs.

The first solar thermoelectric plant in Brazil is installed at Cefet-MG – the Federal Technological Education Center of Minas Gerais. It is a 10 kW experimental unit developed since 2008 in partnership with Cemig. The final operating and performance tests were conducted in 2009 and their results will be incorporated into the final report of the Project, to be released in 2010.

Cemig has already installed, as part of the Light for Everyone Program, photovoltaic energy generation systems at 1,667 residences that, added to the units installed by previous programs, amount to 2,500 residences, schools and healthcare clinics. In 2009, about 51 pieces of old equipment were replaced and performance analyses were undertaken for four photovoltaic systems that were interconnected with the electric distribution network in 2008. This initiative is aimed at obtaining subsidies for the installation of large photovoltaic generation units in the medium term. In terms of research, Cemig continues to invest in projects aimed at the purification of metallurgical silicon and development of low cost photovoltaic cells.

It should also be noted that Cemig and GTZ – the German Technical Cooperation Agency are

cooperating in a study of the feasibility of converting the Mineirão Stadium and Mineirinho Arena into buildings supplied by photovoltaic energy.

## Biomass

Cemig is conducting R&D projects related to biomass, such as the production of biogas from sanitary landfills, biodigestors for cattle farming waste, the utilization of vegetable oils and alcohol in energy generation systems and microturbines powered by sawdust.

It is important to notice that, in 2009, partnerships were established for the development of technologies for the generation of electricity using gases from charcoal production sites, energy forest cultivation waste and from the production of charcoal waste. There is also an ongoing project to generate energy through the gasification of biomass to activate fuel cells.

## Solid Residues

Cemig is looking for viable opportunities to generate energy from solid urban residues. The Company is conducting the “Assessment of technological options for the generation of electricity from urban residues and tree clippings” research project, which will allow the Company to learn better ways of using urban residues energy from an environmental point of view.

## Biodiesel

Cemig supports the development of Technologies for the production and use of biodiesel through



research projects and partnerships with other state organizations. So, the Biofuel Laboratory has been built, in partnership with Cetec, with a production capacity of 1,000 liters/day of biodiesel.

In 2009 the Company finalized the "Production of biodiesel for the generation of electric energy with microturbines and stationary engines" project and began testing a pickup truck in the Cemig fleet that utilizes B100 biodiesel. A biodiesel distributed generation system analysis project is under negotiation.

## Hydrogen and Fuel Cells

Cemig has a laboratory for the production of hydrogen via electrolysis and via the processing of ethanol, whose project has been concluded. The main challenges for the feasibility of this energy are reducing production costs and storing and transporting this fuel. The hydrogen may be used initially as a fuel for tests in fuel cells, to supply internal demand and also as a chemical element for the purification of silicon, which is to be used in the photovoltaic cell R&D project.

Cemig has been investing in the R&D of fuel cell technologies since 2000 through projects linked to low temperature and high temperature (SOFC) fuel cells, specifically in the development of new cell materials and elements, such as polymeric membranes, the application of carbon nanotubes in protonic membranes and the application of DLC (Diamond-like Carbon) techniques aimed at reducing cost and dependency on external components.

In 2009, a prototype of a low power SOFC fuel cell was produced and an integrated energy generation system is currently being developed using the gasification of biomass to activate SOFC fuel cells.

## Distributed Generation Technology

Cemig is studying, in partnership with universities and research centers, the best service options for its consumers utilizing new distributed generation technologies, noteworthy among which are fuel cells, biomass gasifiers, stirling engines, microturbines and tri-generation systems (simultaneous generation of heat, cooling and electric energy).

Of note in 2009 was the conclusion of projects to take advantage of biomass by means of stirling engines and the development of a low power solid oxide fuel cell.

Also in 2009, Cemig incorporated in its fleet and tested four Palio Weekend automobiles powered by electric energy. Vehicles were obtained through a partnership with Itaipu Binacional and Fiat Automóveis, which built the prototypes, and were distributed to different areas of the Company, some to travel through highways and others used in urban traffic. Cemig is assessing the development, acquisition and testing of other vehicles, such as buses and trucks.





# Social DIMENSION

MULTIPLYING SUMS AND DIVISIONS  
TO REDUCE DIFFERENCES.



## SOCIAL STRATEGY

Cemig's social strategy is incorporated into its daily activities and is part of the elements that comprise its vision of the future. The Company is aware of the social impact caused both directly and indirectly by its electric energy generation, transmission, commercialization and distribution activities, which transform the lives of thousands of people and mobilize a significant contingent of human resources. On the other hand, this impact is viewed by the Company as a great opportunity for action directed towards territorial and human development, given the scope of its activities from a geographical and social relations point of view, which involve stakeholders with multiple needs and various interests.

The importance of social responsibility for Cemig may also be seen in its Mission, which places

this theme in the center of the Organization's strategy, and in the existence of a corporate social responsibility committee, which establishes its social responsibility and citizenship policy. Internally, Cemig undertakes, through its Human Resources Policy, actions directed at its employees, who are important agents of change for the strategic challenges and necessities faced by the Company. However, its social responsibility surpasses its operations and is expressed through social projects related to citizenship and culture and the excellent relationship with the market, clients, suppliers and service providers.

In recognition of its social strategy, Cemig is part of the workgroup for the creation of ISO 26000 – Social Responsibility, invited by the International Organization for Standardization (ISO), the Instituto Ethos and ABNT.





## SOCIETY

The search for new ways to cope with the communities with which Cemig interacts is a constant concern. Therefore, in 2009 Cemig defined its Sponsorship Policy, which establishes the directives for investment in the fields of culture and sport and the support of social institutions by means of sponsorships and the use of fiscal incentives, and the Communication with Society Policy, which orients its communication strategy for community relations initiatives.

As a company that provides public services, Cemig's relationship with communities is not restricted to the economic realm; it includes the social realm as well. Concrete initiatives such as the Conviver Project (which means to live together) demonstrate that energy is a necessary input

not only for the transformation of raw materials and the production of goods, but also for active citizenship, quality of life and the functioning of appliances. Therefore, Cemig is constantly working to transform its consumers into partners in the development of the state of Minas Gerais.

For Cemig, investing in social, cultural and sports projects is not seen merely as in terms of the quantity of resources, but of the quality with which they are applied, with the objective of reaching the largest number of people possible, in a continuous and responsible manner, through the formation of action networks composed of diverse sectors of society and of the cultural set.

The funds invested in education, culture, social actions and sports totaled R\$ 46.5 million in 2009.

TYPE OF PROJECT	R\$ MILLION – 2007	R\$ MILLION – 2008	R\$ MILLION – 2009
<b>Culture*</b>	29.7	33.4	22.4
<b>Education</b>	NA	NA	2.5
<b>Sport**</b>	NA	NA	3.0
<b>Social Actions***</b>	15.3	12.1	18.6
FIA, AI6% and Donations	-	-	4.6
Subsidies	-	-	14.0
<b>Total****</b>	<b>45.0</b>	<b>45.5</b>	<b>46.5</b>

NA – Not Applicable

\*In previous years Culture and Education were a single category.

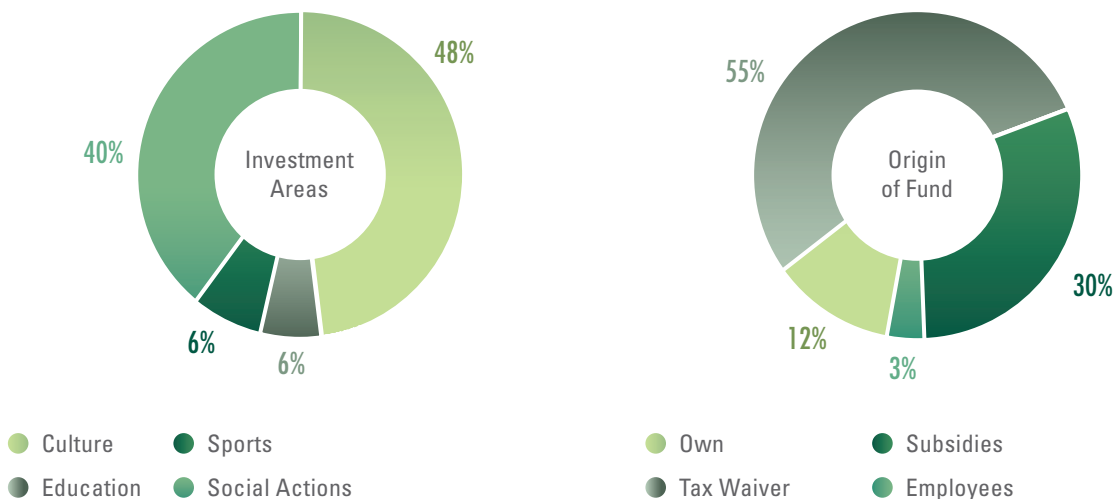
\*\*The investment of resources in this area is recent. The legislation was introduced in 2004.

\*\*\*In previous years the Social Actions item included "Subsidies" and "FIA and donations".

\*\*\*\*Total resources from own resources and tax waivers resulting from federal legislation.



The distribution of the funds invested by the Company by area of investment and by origin in 2009 is shown below:



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## Social Impact Programs

Some of the work undertaken by the Company deserve greater attention due to its breadth and social impact, whether for the innovative actions, for the mobilization of financial and human resources or for being directly associated with the Company's sustainability strategy. Some of these experiences are presented below.

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**Conviver Project** – The Conviver (to Live Together) Project integrates Cemig's Energy Efficiency Program (PEE). It has the objective of promoting access to and the conscientious use of the services rendered by Cemig to low income communities, elevating the number of families that benefit from the benefits provided regular, efficient and safe electric energy and also expressed by an energy bill compatible with the consumer's budget.

With a budget of R\$ 23 million to serve the Metropolitan Belo Horizonte Region – RMBH, the Conviver Project saw, from 2007 to 2009: service for 100 communities in the RMBH; visits and registration of 100,000 families; and donations of 190,000 compact light bulbs, 6,000 shower heads and 7,000 efficient refrigerators.

The results achieved through the project up to 2009 via donations of efficient equipment were:

**1** Energy Saved = 35,501 MWh/month.

**2** Demand Avoided = 7,125,756 kW.

These results are equivalent to:

**1** The energy supply required for approximately 5,340 new residences per year.

**2** An average additional income per family served of R\$ 18.00/month, equivalent to approximately 3.8% of the minimum wage<sup>18</sup>.

<sup>18</sup> Minimum wage in force on December 31<sup>st</sup>, 2009, of R\$ 465.00/month.

Through 2011, a total of R\$ 77 million are scheduled to be invested, with R\$ 32 million being allotted for the RMBH and R\$ 45 million for the interior of the state. It is estimated that 250,000 families in the RMBH and 150,000 families in the interior will be served and registered; 1.3 million compact light bulbs, 24,000 heat recuperators, 23,000 refrigerators will be donated, in addition to electrical renovations and the installation of electric utility meter boxes throughout the state.

The partnership between Cemig and community leaders is established through a team of social analysts. The formal leadership is involved in the planning of the actions and events and the leaders are periodically informed during meetings with the Company of the evolution of the Conviver Project. In addition, a Reference Group, composed of leaders and volunteer residents, is formed in each community and meets periodically to discuss problems and analyze the results of the project. The Conviver Community Agent (youths from the communities served) is the facilitator and executor of the project actions and directives along with the beneficiaries.

In order to achieve its objective, the Conviver Project conducts campaigns for the correct use of energy, donates energy efficient equipment and also establishes a permanent community relations channel.

The Conviver Project also adopts the actions from the “Cemig at School” project in order

to contribute through educational activities regarding the efficient use of energy in public and private schools with the goal raising awareness of the need to reduce waste and environmental impacts and to change habits.

The old refrigerators, collected by Cemig when the clients receive the new equipment, undergo a recycling process in which the components that present a risk to the environment are separated from those that can be recovered and sold. The chlorofluorocarbon (CFC) gas is sent for regeneration and the aluminum, plastic, iron and copper are separated and sold to companies that use it as a raw material.

In addition to resulting in direct gains for the community, the Conviver Project allows for significant gains to be made in corporate terms, such as the reduction of arrears and energy losses in the communities served by the project, as well as the postponement of investments in the electrical system.

***Irapé Program*** – The Irapé Program is composed of various actions that consolidate Cemig’s socio-environmental commitments in terms of the installation of the Irapé hydroelectric plant in the Jequitinhonha Valley. These actions have been ongoing since the plant began operations in 2006 and allow the Company to engage in pro-active activities that result in good relations with the surrounding communities.

The program involves various areas and processes: operation of the plant and reservoirs, dam safety, engineering, the environment, social communication, an agreement with Emater (State of Minas Gerais Technical Assistance and Rural Extension Company), land management and corporate sustainability. It is focused on benefitting the populations of the municipalities in the reservoir's area of influence, families relocated by the plant, downstream municipalities and communities located on the stretch of river between the hydroelectric plant and the Araçuaí River.

#### Main Sub-programs:

- 1** Improvement and maintenance of water systems and provisory exemption from payment of energy bills.
- 2** Plan to Address Remaining Irapé-related Issues (PEP Irapé).
- 3** Emater – MG technical assistance agreement.
- 4** Irapé Arts and Crafts Project (Emater – MG agreement).
- 5** Real estate management and compliance.
- 6** Irapé Communication Program.

The Irapé Arts and Crafts Project, which is the fruit of an agreement between Cemig and Emater – MG, was implemented in 2009. 140 artisans with the potential to participate in the project, which was structured by means of qualification workshops and the organization of arts and crafts production centers, were identified in

the resettlements. In December 2009, the 1st Irapé Arts and Crafts Project Fair was held at Cemig's headquarters in Belo Horizonte with the active participation of the resettled families. The success of the Fair was fundamental to the credibility of the project and the enrollment of more resettled people. The program provides work for these families and, consequently, income, which is essential for their survival and for the sustainability of the resettlements.

In 2009, 270 land titles, 42% of the expected total, were delivered to the resettled families who were impacted by the formation of the Irapé reservoir.

Within the scope of communication, informative meetings were held in the communities and 6 informative publications, 23 radio programs and 9 TV programs were produced for the region impacted by the plant, all of which were used as a relationship and dissemination channel for the local communities. The presentation of "Os Olhos do Surubim Rei" (The eyes of the Surubim fish) play in 10 different locations reached 12,000 people. The guided environmental education visits resulted in 1,700 visits to the plant and the Reference Center. This set of cultural and communication activities helped to bring the Company and the communities closer together.

**AI6% Program** – The AI6% Program – Building Up Active Citizenship began in 2000. The general objective is to expand the partnership with the Municipal Child and Adolescent Rights Councils

(CMDCA) in an effort to identify opportunities for improvement in the relationship between the Councils, Organizations and the Company. This makes it possible to optimize the social impact the companies of the group have on the surrounding communities, thereby allowing for the execution of programs and services that promote the defense of the rights of children and adolescents in situations of social risk. In this manner, the Company promotes and provides an incentive for the voluntary participation by Cemig employees and those of Cemig Intermanagerial Association (AIC) in social practices and their contribution by transferring part of their Income Tax owed to the Councils.

The results achieved have improved each year. In 2009, the collection goal for absolute amounts was not reached, even though the amount was 1.83% higher than in 2008. The 2009 campaign made it possible to expand the number of institutions that benefit from 147 to 193.

The organizations that benefit from the Program are involved in education, job training, income generation, shelters and youth homes. 38% of the organizations aim at supporting for people with special needs, which then represent the largest benefited group. They are located in municipalities with populations ranging from 3,800 to 2.2 million inhabitants; of the 193 organizations, 41 are located in municipalities with less than 20,000 inhabitants, of which 21 are in municipalities presenting parameters below those considered ideal for development according to indicators from the 2000 Human Development Index – HDI, the Social Exclusion Index and the 2004 Child Development Index – CDI.

The evaluation of the impacts resulting from the investment is the responsibility of the Municipal Child and Adolescent rights Councils, while Cemig is in charge of evaluating the investment of the resources.

#### EVOLUTION OF THE AIC6% PROGRAM – 2005/2009

YEAR	COLLECTION (R\$ THOUSAND)	NUMBER OF EMPLOYEES	NUMBER OF INSTITUTIONS	NUMBER OF MUNICIPALITIES
2005	542.9	1,719	65	48
2006	960.4	2,595	108	65
2007	1,243.1	2,619	139	80
2008	1,577.1	2,848	147	88
2009	1,606.6	2,818	193	105



**Cemig/Cesam Agreement** – The Cemig/Cesam Learning Program, begun in 2003, has the objective of implementing a teaching program at Cemig’s facilities for 200 adolescents, in conformity with Law 10.097/2000. The Program offers needy adolescents, assisted by and with an employment link with Cesam – the Salesiano Youth Center, the opportunity to Administrative Services Assistance Course. This Program allows youths to experience the reality of work and of the Company, thereby promoting the development of their professional competences.

The theoretical training that adolescents receive takes place by means of courses given at Cesam on Saturdays, while the practical professional component occurs at Cemig. These adolescents are supervised by tutors that, together with

Cesam educators, monitor the performance of the youths, supervising them and evaluating them in terms of behavior, efficiency, social skills and their progress as to sociability.

### **Social, Cultural and Sports Initiatives**

The Company undertakes social initiatives that were not mentioned in the previous section, “Social Impact Programs”. Cemig’s social actions, donation and subsidies totaled R\$ 18.7 million in 2009. The Incentive-based Sponsorships granted by Cemig Holding, Cemig D, Cemig GT, Sá Carvalho and Capim Branco in 2009 totaled roughly R\$ 25.4 million. Of note among the projects sponsored are the “Solidarity Education Centers” run by Servas – the Social Action Volunteer Service, the “Salão do





Encontro” (Meeting Room) Foundation and the “Associação Querubins” (Cherubs Association), which have been supported by Cemig for many years and therefore allow for the continuous evaluation of the benefits generated.

In addition to these, which are of a permanent nature, there is also the Integrated Social Actions Program – Asin/Cemig, in which more than 1,100 employees are registered as volunteers. The program contributes towards the generation of resources and training for institutions involved in social work, community associations, schools and nursing homes, with the goal of ensuring their sustainability.

In cultural terms, Cemig sponsored in 2009, through federal cultural incentive laws, about

170 projects, 48 of them being sponsored with the Company’s own resources, in addition to those established and guaranteed by law, with the utilization of art. 26 of the Rouanet Cultural Incentive Law.

The selection of projects is conducted in partnership with the State Department of Culture, through the “Cultural Cemig” Program, which represents a clear effort to build support for a public policy for cultural investments. This way, the Company meets demands from the interior of the state of Minas Gerais, small groups of beginners, alongside with instigating contemporary art initiatives, as well as complex cultural segments that require a deep understanding and for which sponsorship from private initiatives is scarce.

11 integrated international art festivals were held in Belo Horizonte and in the interior of the state during the year, which strengthens and expands the network for cultural exchange with groups from other states and other countries. 2009 was the “Year of France in Brazil” and Cemig sponsored 10 events chancellored by the Ministry of Culture.

With the fourth edition of the Film in Minas Program, Cemig reaffirmed its commitment to supporting audiovisual arts. In the 2009/2010 period, 35 projects were included in a wide variety of categories. Awards were given, in addition to feature-length and short films, to experimental videos, documentaries, ongoing research projects and literature in this area.

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Some of the more noteworthy results from the social, cultural and sports programs are shown below:

Social Programs	Origin	Start	Public Benefited	2006 Results
Al6% Program	Cemig, AIC and employees	2001	Children and adolescents	108 institutions of 66 municipalities
“Light for Everyone”	Cemig	2004	Rural properties	112,454 properties
“Co-existence” Program	Cemig	2006	Low income	20,000 homes
Asin/Cemig Project	Cemig	2000	Needy population in the Company's concession area	12,513 children
Energy Bill in Braille	Cemig	2005	Visually impaired people	156 clients
Energy Efficiency Program	Cemig	1998	Cemig clients	R\$ 45 million invested
Cemig X Cesam Program	Cemig	2003	Needy adolescents	200
ReLuz	Cemig	2001	Municipalities	7,000 public lighting fixtures
Itinerant Library	Cemig	2005	Employees, families and society	578 loans
Clarear Program	Cemig	2004	Population in the Company's concession area	852,491 consumer units connected between 2004 and 2008

It is the only audiovisual contest in the country that presents awards to all segments of the area and that guarantees the completion and distribution of the winning projects. Since its first edition (2005/2006), more than R\$ 10 million reais have been invested in selected projects. Many of them were given awards in Brazil and abroad, such as “Nascente” by Helvécio Marins, “O Andarilho” by Cao

Guimarães and “Batismo de Sangue” by Helvécio Ratton.

Regarding the sponsorship of Sports, Cemig invested, via tax credits, roughly R\$ 3 million in projects that benefit children and adolescents in situation of social risk by their introduction to soccer in the base categories operated by four of the main teams in Minas Gerais.

2007 Results	2008 Results	2009 Results	Dissemination Method	Social Impacts
139 institutions of 80 municipalities	147 institutions of 88 municipalities	193 institutions of 105 municipalities	Internal media	Active citizenship
25,982 properties	3,970 properties	9,439 properties	TV, radio, newspapers, the Internet, lectures, seminars, meetings	Universal service coverage
30,000 homes	50,000 homes	30,000 homes	TV, radio, newspapers, the Internet, lectures, seminars, meetings	Efficient use of energy
14,485 children	25,917 children	40,000 children	Internal Media	Education, health, community action, the environment
235 clients	8,496 clients	1,487 clients	TV, radio, newspapers, the Internet, lectures, seminars, meetings	Universal service coverage
R\$ 50 million invested	R\$ 24 million invested	R\$ 26.5 million invested	TV, radio, newspapers, the Internet, lectures, seminars, meetings	Energy efficiency
200	200	200	Contacts with Cesam	Professional development
15,000 public lighting fixtures	20,000 public lighting fixtures	Project in Uberaba and Sete Lagoas to be executed in 2010	Contacts with municipalities	Efficient use of energy
425 loans	841 loans	383 loans	Internal media	Education
852,491 consumer units connected between 2004 and 2008		192,665 consumer units	Consumers' service and service agencies	Universal service coverage

## HUMAN CAPITAL MANAGEMENT

Cemig considers its human capital to be of fundamental importance in order to fulfill its commitment to economic, social and environmental sustainability and, with this focus, adopts the best people management practices available.

The permanent quest for corporate competitiveness and profitability, within a posture of respect for constitutional, legal, environmental and social precepts, unfolds through the adoption of policies permeated by ethics, transparency and mutual respect that characterizes labor relations. These policies cover: sourcing new staff, labor and union relations, the development of workers as professionals and as people, occupational health and safety, social monitoring, remuneration and benefits, as well as the promotion of communication with employees.

The Cemig Human Resources Policy is based on the Company's culture, beliefs and values, in consonance with its Declaration of Ethical Principles and Code of Professional Conduct, the Social Responsibility Primer and the actions of the Social Responsibility Committee with the participation of all the Company's Executive Officers.

The implementation of this Human Resources Policy allows Cemig to pursue its goal of being "The Best Energy in Brazil" and, in this context, the Company believes that the best energy in

Brazil is the energy of its people, which is why it considers and recognizes each one of its employees as being essential to the fulfillment of its corporate mission.

Aware of the dynamic character of the social relations that permeate and affect labor relations, Cemig has committed itself to constantly revising and updating its policies whenever necessary in order to reflect the transformations that occur within the legal, political, economic and social scopes as part of an ongoing and permanent effort to achieve an equilibrium between the interests of consumers, employees, shareholders and society.

### Internal Audience

**Workforce** – In 2005, Cemig's Strategic Human Capital Alignment was begun with the aim of promoting the strategic management of competences, recognition of the value of employees and their commitment to the Company's results so as to produce an environment that strengthens and elevates the performance of the people in the Organization.

The next step was to implement of the Strategic Human Capital Management System, whose objective is to align the human resources management model with the organizational strategy, incorporating a long-term vision and focusing on actions that add value to the businesses and help integrated management. In this system, Performance Management is

the link between the “Cemig strategy” and the diverse people management processes, demonstrating how the strategic directives are applied in the Company.

The Performance Management Process involves all employees and aims at the development of the strategic competences that lead to the best results, by means of goals and agreements directed towards aligning individuals and teams with the corporate directives.

In May 2009, the fourth cycle of the performance assessments was held and the results of the assessments served, as in previous years, as a base

for individual wage alterations, through horizontal and vertical progressions, in accordance with the Specific Collective Bargaining Agreement for the Implementation of the Cemig Positions and Remunerations Plan. In the 2008-2009 performance management cycle, 2,337 employees received individual salary alterations, either through horizontal or vertical progression, totaling 24% of the employees assessed.

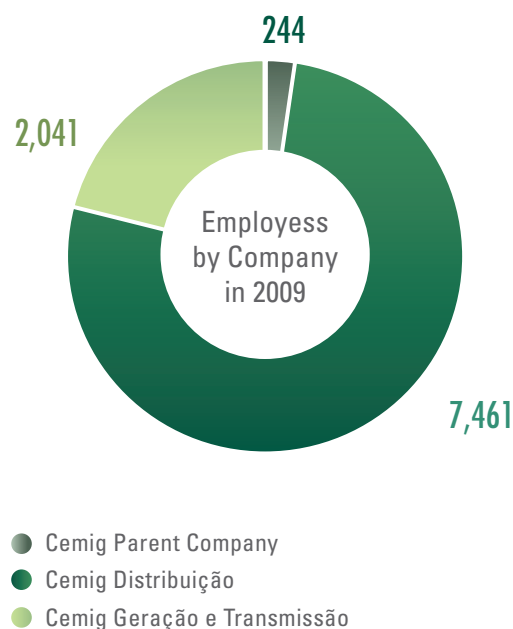
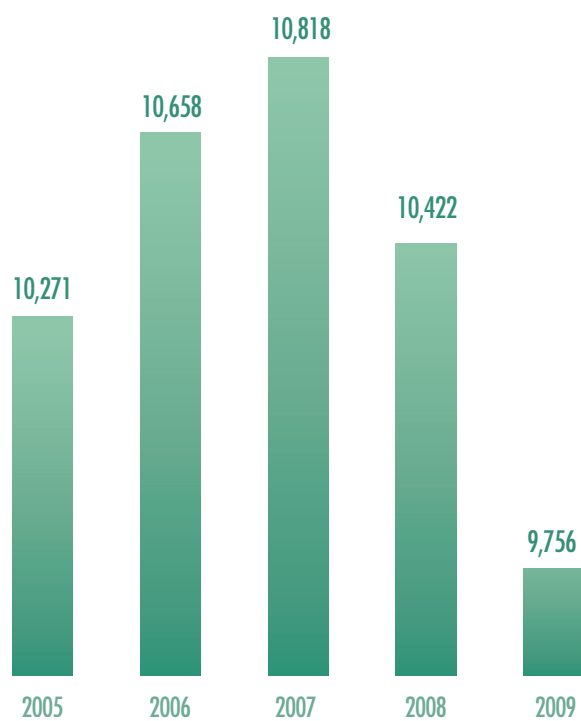
Due to the schedule of mobility processes and internal selection and to electoral legislation, there was no External Hiring Process this year and Cemig finished 2009 with 9,746 employees.

**Diversity and Equality of Opportunities** – As Cemig

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#### NUMBER OF EMPLOYEES





is a mixed private-public sector company, admissions occur through public admission exams. Any discriminatory practices for the selection of employees based on race, color, age, sex, level of education and/or special needs are inadmissible.

Regarding people with special needs, the Company complies with State Law # 11.867/95 and directs 10% of the positions offered through the public admission exams for them. Currently, the Company has among its workforce 49 people with special needs, which represents 0.5% of its labor force, 39 of which work for Cemig Distribuição and 10 for Cemig Geração e Transmissão. In 2009, 23 employees were readapted<sup>19</sup>, all of them working for Cemig Distribuição. The small number of people with special needs among its workforce is the result of the Company's legal standing and the requirements for admission.

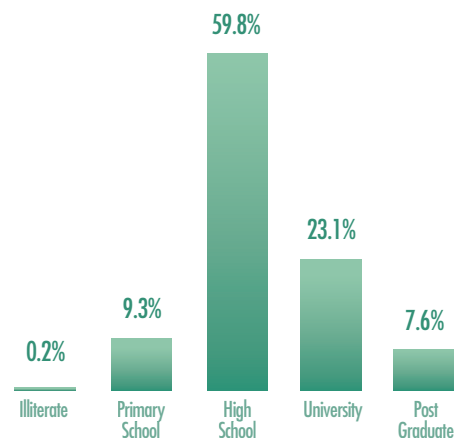
Among the Company's 9,746 employees, 6,684 can broadly be classified as caucasian, 385 as African-Brazilian, 2,635 as mixed-race, 29 of Oriental races and 13 are "Brazilian Indian". Among the employees that hold managerial positions, 255 are caucasian, one African-Brazilian, 34 mixed-race and two Oriental.

Women represent 13.6% of the total number of active employees – many of them occupy managerial positions and key positions, including some traditionally occupied exclusively by men

– such as the positions of electricians, plant operators and system operation technicians. 73.9% of the employees are between 30 and 50 years of age, 17.3% are over 50 years of age and 8.8% are under the age of 30.

Secondary school is the most common level of education, representing 59.8% of the Company's employees. Illiterate employees were admitted to the Company prior to the legal requirement for public admission exams for public jobs and represent 0.2% of the total.

#### EDUCATION PROFILE OF COMPANY EMPLOYEES



**Organizational Atmosphere Management** – Aware of the fact that achieving a high level of performance – a strategic necessity for organizations – is intimately linked with a healthy and stimulating environment, Cemig has established “being one of the best companies to work for” as a goal.

**1** In order to achieve this objective, the Company

<sup>19</sup>The employees are readapted – have their duties altered – when there is a change in their physical or mental condition that alters their capacity to work.

utilizes various instruments and tools to manage the organizational atmosphere aiming at: Identifying and understanding the aspects that contribute to the satisfaction of people at Cemig, as well as those that lead to dissatisfaction.

**2** Identifying the probable existing cultural differences and convergences among the areas and promoting alternatives aimed at greater organizational synergy.

**3** Promoting intelligent management, building and maintaining an environment that engages and stimulates people to achieve superior performance.

Of note among the tools utilized for atmosphere management is the Organizational Atmosphere Survey (Phase 1 of the Figure below), conducted biannually by an external consultant. This survey

evaluates not only the degree of employee engagement, but also their perception of the strategic management and Cemig's external reputation, the respect with which the Company treats its employees, the level of autonomy and training that they receive in order to do their jobs, and other aspects that are fundamental to the creation of a stimulating and challenging environment. The survey is utilized as an "input" for the planning of improvement actions throughout the Company (Phase 2 of the Figure), reflected in Corporate and specific (Management Offices and Units) Action Plans. When the plans are produced, actions are implemented and monitored (Phase 3), the results of which are announced and monitored by all employees through bulletins and electronic messages.

Cemig's most recent Organizational Atmosphere

#### ORGANIZATIONAL ATMOSPHERE MANAGEMENT PHASES



Survey was conducted in August 2009 with the voluntary participation of 70% of the employees. Another important tool for Organizational Atmosphere Management is the Client Satisfaction Survey, conducted annually with the internal

clients of the Human Resources Management Unit with the objective of measuring the degree of satisfaction with the services rendered by the Human Resources area and subsidizing improvement actions in the area. In 2009, the

Human Resources Management Unit obtained an approval rating of 71.30, surpassing the 2008 rating of 70.2 and the defined goal of 71.

**Attraction and Retention of Talents** – One of the greatest challenges faced by companies is their capacity to attract and retain talent within a highly competitive domestic and international corporate context. For Cemig, the challenge is even greater as, following the promulgation of the Minas Gerais State Constitution in 1989, the Company was only allowed to admit people through public admission exams, given its status as a mixed private-public sector company subject to the same regulations as the State Government Administration. This did not prevent the implementation, over time, of bold people management policies and practices in an effort to attract and retain talent that follow and understand the corporate strategies, maintaining a balance between work and quality of life and personal needs.

In addition, and in order to compensate for part of the limitations resulting from its status as a public company, Cemig adopts processes for internal mobility between careers, internal selection and external recruitment that, based on pre-established criteria, bring together corporate necessities and individual interests and potential.

After conducting the mobility process, and based on demands from the various areas of Cemig, the Human Resources area conducts

an analysis of the real necessities and fills the positions via internal selection. The process is aimed at promoting Company employees to the positions established in their career plans based on their qualifications, experience and proven potential. Participation by the employees in the selective process has the single goal, therefore, of facilitating their functional progression within the careers in which they operate, without the possibility of a career change, which is constitutionally prohibited.

Receiving the 2008 Human Being Award from the Brazilian Human Resources Association, Minas Gerais branch, drove Cemig to compete nationally for the 2009 Human Being Award – The Best People Management Practices, presented by the ABRH – the Brazilian Human Resources Association, which recognizes companies for their people management practices. Cemig was one of the finalists in the Corporate Responsibility category: “CEPAP: Building Sustainable Links between the Cemig business and society.

**Training and Development** – The Company ensures the maintenance of the conditions necessary for the training of its employees so that they may fully perform their functions by permanently offering courses that are aligned with their strategic objectives.

All employees follow a Training Plan associated with their careers, the strategic orientations and the Business Plan. The different areas conduct

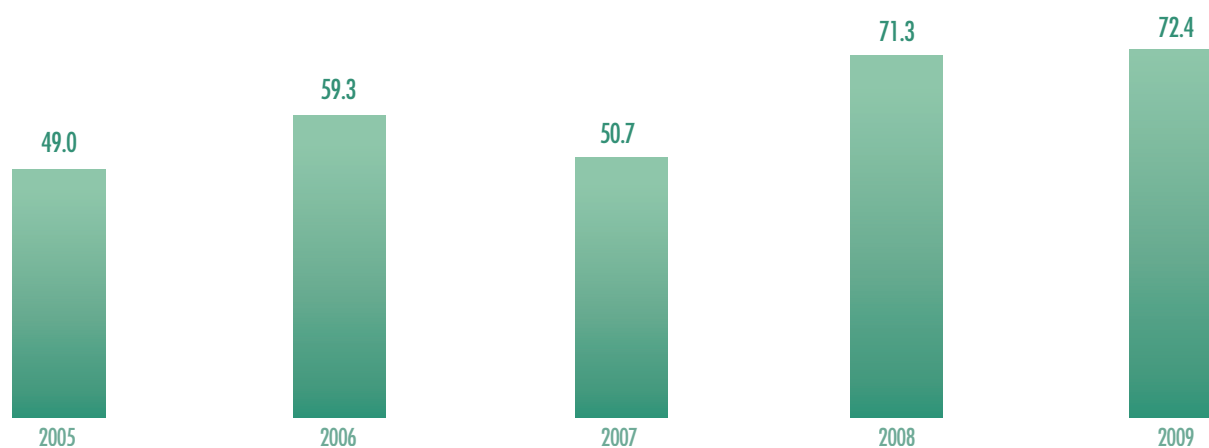
an Assessment of Training Necessities guided by the careers and by the initiatives/expectations of the management office in relation to the performance of the employee during the year.

Fulfilling the employees' Annual Training Plan and the Company's Individual Development Agreement, generated according to the feedback from the Performance Assessment, there were 57,200 instances of participation in training sessions in 2009, including technical training,

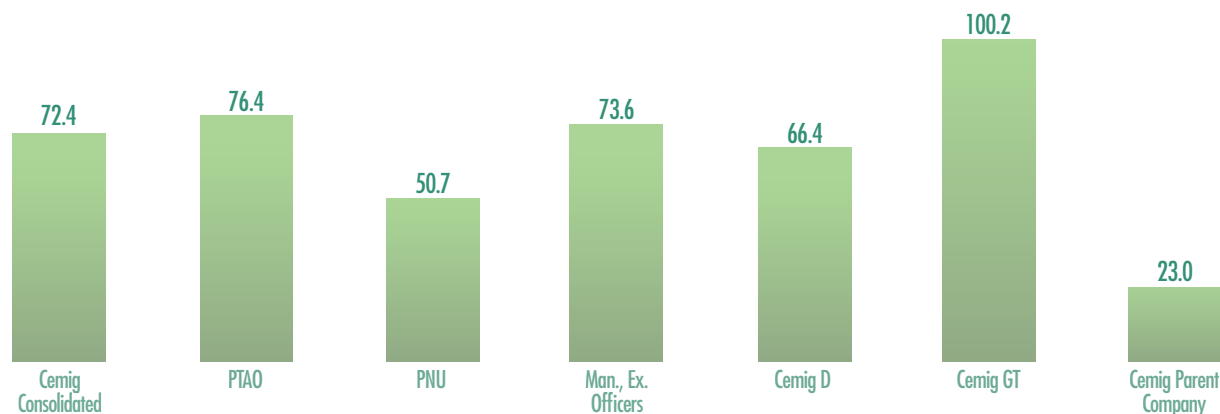
corresponding to 705,900 hours of training (70% for Cemig Distribuição S.A., 29% for Cemig Geração e Transmissão S.A. and 1% for the Companhia Energética de Minas Gerais, totaling an average of 72.4 hours of training per employee. 86% of this time was dedicated to technical and administrative level employees (PTAO), 11% to university level employees (PNU) and 3% to managerial level employees – managers, superintendents and executive officers).

The Educational Assistance Program, implemented

#### AVERAGE TRAINING HOURS PER EMPLOYEE – 2004/2009



#### AVERAGE TRAINING HOURS PER HIERARCHICAL LEVEL AND PER COMPANY – 2009



in 2006, reimburses employees for expenses related to the monthly tuitions for Graduation or Technical courses and presents concrete results, with a gradual evolution, regarding the participant's motivation. This is reflected as much in their performance at school (attendance and grades) as in their professional performance. During the technical assessment the majority of participants presented results superior to "B".

In 2009, 504 reimbursements were distributed for both technical and graduate courses for a total value of R\$ 525,700.

Cemig also supports post-graduate courses in an effort to promote the professional and technological development of its workforce classified under the University Level Plan and give them the opportunity to contribute to the achievement of corporate goals. In 2009 there were 97 instances of participation in the Program, totaling R\$ 734,000 in reimbursements.

LA11

### *UniverCemig – Cemig Corporate University*

UniverCemig was launched in December 2008 and has since expanded its activities in order to create competitive advantages for the companies in the Group. During 2009, training and partnerships produced results that contributed towards its consolidation.





Of note among the events and activities undertaken by UniverCemig are:

- 1** Revision of the Careers and Remuneration Plan (PCR) and new mapping of competencies as a base for the development of programs.
- 2** Seminars and Conferences.
- 3** Implementation of development programs with the utilization of new educational technologies.
- 4** Development of the University Portals (internal and external).
- 5** Restructuring and revitalizing of its Campus in Sete Lagoas/MG.
- 6** Study of the structuring activities of the Knowledge Technology Center – NTC.

All the thematic axes of UniverCemig have been defined and are organized in the following manner:

- 1** Cemig Energy & Culture: focus on the development of the essential competencies and on basic educational development activities that are fundamental to the performance of all employees.
- 2** Energy & Sustainability: focus on competency development processes that support Social Responsibility and Sustainability actions.
- 3** Energy & Technical Excellence: focus on the development of technical competencies directly related to “end” areas (generation, transmission and distribution businesses).
- 4** Energy & Strategic Support: focus on the development of competencies directly related to the administrative areas (Legal, Financial, Accounting, Human Resources, Logistic, Supply, among others).

- 5** Energy & Leadership: focus on the development of the leadership competencies necessary to ensure excellence in the energy sector operations.

#### *Cemig's Professional Training and Development School – EFAP*

– In 2009 BVQI maintained the certification of the Professional Training and Development School – EFAP in the NBR ISO 9001:2008 norm. The main objective of the implementation and maintenance of the Quality Management System at EFAP is the quest for continuous improvement of its processes, focused on the quality of the technical training offered to its internal and external clients.

Aligned with the corporate objective of having and maintaining a workforce with a level of development compatible with its needs and constantly trained, developed and specialized, in 2009 UniverCemig – the Energy University, enabled, through EFAP, 13,903<sup>20</sup> instances of participation in technical training for employees of Cemig Distribuição S.A., Cemig Geração e Transmissão S.A., Cemig Holding and other companies. There were a total of 350,218 man-hours of training.

Of note was the training of 4,562 employees in NR 10 – Regulatory Norm for Facility and Electricity Services Safety and of 509 members of CIPA in Occupational Accident Prevention. UniverCemig also supplies, through EFAP, consulting services for various areas of the Company.

EU14

<sup>20</sup>This number is included in the 57,200 instances of participation at the beginning of the Training and Development topic.

**Leadership Development** – Considering the globalized international scenario, the position that Cemig holds on the New York Stock Exchange, the internal challenges related to achieving growth goals via expansion and acquisition and taking advantage of opportunities in the international market, it is necessary to foster and invest in the development of a strong leadership, prepared to mobilize people to develop and implement challenging solutions.

Within this reality, the importance of a continuous executive education program is even more evident. Therefore, the Human Resources Strategic Planning process is aligned with the Company's Strategic Planning Process. The following are part of this development: Advanced Management Program – APG, in partnership with Amana-key Development and Education and the Management Leadership Program – Celig, formatted in partnership with the Dom Cabral Foundation. These programs have existed since 2005 with the objective of guaranteeing strategic competences.

In 2009, 31 Managers participated in Amana-key and 173 in the Management Leadership Program, in addition to the 74 university level employees that participated in a program to enhance personal skills, within the Succession Management Program, whose objective is to prepare mid-level managers for upper level management positions.

**Succession Management** – The Succession Management Program was begun in 2007 and is integrated into the current organizational

scenario and seeks to strike a balance between two aspects: the business on one hand – volume of operations, growth model, Business diversity, degree of internationalization, expected technology adjustments; and factors related to human capital on the other – staff turnover (resignations, retirements and profile adjustments), career paths, level of results, readiness of competencies, personal characteristics, history and expectations.

The Succession Management objectives are:

- To support growth and guarantee the sustainability of the business.
- To set a structured plan for filling vacant key positions, preventing interruptions in the business management.
- To identify and contribute towards the development and retention of potential successors to key positions.
- To contribute towards the development of successors and ensure the profiles for key positions are aligned with the Company's strategic challenges.
- To align individuals' career evolution with strategic demands.

By the end of 2009, about 43% of the employees participating in the program were promoted to Manager and/or Managerial positions.

**Remuneration and Benefits** – Cemig has a Positions and Remuneration Plan (PCR) which measures importance and complexity relative to the results expected for the position, analyzes

technical knowledge, abilities, intensity and the complexity of the analytical process required for the position and responsibility for results. The PCR is applied to all employees independent of sexual orientation, age, sex, color or race.

Every two years, at least, Cemig conducts a remuneration survey within the main companies in the electrical sector and other sectors in the domestic and regional market and establishes adjustment policies for its salary table in relation to market practices. Through the salary survey conducted in 2009, it was verified that the average salary at Cemig represents 112% of the median<sup>21</sup> for the market and that 95% of its employees are remunerated at a level above the median. The Company also offers performance bonuses for managers, superintendents and supervisors, calculated based on the base salary, in addition to salaries that are differentiated as a result of the performance of functions with a greater level of complexity and responsibility.

Aware of the importance of having attractive remuneration practices, the Company also offers:

- Profit sharing.
- Special Monthly Bonus corresponding to 16.67%, based on the employee's remuneration.
- Daycare Assistance for female employees until their children reach the age of 7. In special cases, the benefit is extended to male employees.
- All the other benefits provided for in legislation, in addition to some freely conceded by Cemig.

**Forluz** – In accordance with Brazilian legislation, the retirement and pension plans are managed by independent entities which administrate the guaranteed funds separately from the Company's resources. Cemig sponsors the Forluminas Social Security Foundation – Forluz ([www.forluz.org.br](http://www.forluz.org.br)), which is a non-profit entity whose objective is to improve the quality of life of its participants through payment of a complement to retirement and other pensions through two pension plans: the Balanced Plan and the Mixed Plan, with 12,285 and 12,373 participants, respectively, at the end of 2009.

EC3

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<sup>21</sup>In probability theory and in statistics, the median is the number that, within a group of ordenated data, separates the lower half of the sample, population or probability distribution, from the upper half; that is, half the population will have values lower than or equal to the median and half will be above it.

The Forluz pension plans are maintained in equal proportions by contributions from Cemig and its subsidiaries and from its employees.

In addition to the complementary retirement plans administered by Forluz, Cemig makes compulsory contributions to the pension plan maintained by the federal government, which is a defined benefit system with a payment ceiling and financed through a pay-as-you-go system.

Cemig also contributes to a healthcare plan and a dental plan for its employees, retirees and their dependents that are managed by Forluz. These are plans with ample coverage and a lower cost for the employees in relation to others offered in the market.

The Company also maintains, independently from the plans made available by Forluz, the payment of part of the life insurance premiums for its employees and retired employees.

**Internal Communication** – Cemig is undergoing a period of expansion in which acquisitions and mergers are part of its daily operations. With the objective of achieving the vision projected for 2020, strategic choices and corporate directives have become fundamental, and internal communication is key to the composition of this scenario. By means of effective communication actions, people management and the alignment of human resources management with the Strategic Planning process, the Company seeks to guarantee that all employees receive an appropriate level of information. Also to be considered is the advance of technology, which allows for the dissemination of information in real time, resulting in a need for constant adaptation, investment and training. Below are some of the main communication channels used by the Company in communicating with its employees:

Communication Channels	Application
Corporate Portal – CemigNet	The main dissemination channel used by the Company in 2009, with the daily publication of decisions, actions, data and facts that are relevant to human resources and the Company as a whole.
RH Informa – Human Resources Newsletter	On-line publication that has shown itself to be an effective instrument for disseminating to a wide audience information of a corporate nature, as well as orientations and information on campaigns, in a timely manner.
Interactive RH	A digital space that functions as an open channel with the human resources management, created so that employees can ask questions, search for information, critique and contribute with ideas and suggestions for improvements to HR processes, tools, policy and practices.
RH Fácil (Easy HR)	A digital space that provides information and gives each employee independent Access to their personal, salary and functional information and other registered data. In 2009, a data bank aimed at the Succession Management Process was created, making it possible for employees to register their interest in a managerial career, as well as information from their résumés.

The Certification of the Internal Communication Process by the Quality Management System – SGQ, implemented in 2009, reinforces the Communication mission of establishing an efficient dialogue process between Human Resources and employees (a relevant stakeholder for the Company) in an effort to construct a reliable base.

GC 1, 2, 3

## Labor and Union Practices

Cemig recognizes Unions as the legitimate representatives of its employees. It is the Company's goal to facilitate, permanently, through ethical and transparent attitudes, a relationship channel with the employees and their representative entities in an effort to exhaust all corporately acceptable means in the quest for negotiated solutions.

Cemig has a management unit to deal specifically with labor and union relations, which allows for a direct, responsible and permanent relationship with the union entities that represent its employees. As a means of guaranteeing a better process and meeting the expectations of its clients, all Union Relations processes are certified under NBR ISO 9001:2000 since 2007.

The collective bargaining agreements cover 100% of Cemig employees and are signed at least once a year with the unions.

LA4

In 2009 Cemig held 24 meetings with Union Entities, aiming at, among other things, signing a Specific Collective Bargaining Agreement for the distribution of funds to the employees

through the Profit Sharing program for the 2009 and 2010 fiscal years, with clear and transparent rules so that all employees understand and participate effectively in the program. The Collective Bargaining Agreement 2009/2010 was then renewed, as was the Specific Collective Agreement for holding sector meetings at Company Facilities.

In the 2009 negotiations, Cemig assumed relevant commitments in the document "Extra-Agreement", constituting two Workgroups composed of representatives from the union entities and the Company. One workgroup had the theme "Occupational Health and Safety" and the other had the theme "Outsourcing". The Occupational Health and Safety Workgroup had experimentally a deliberative and consensual character.

The Collective Bargaining Agreement requires the nomination of a representative from the Union Entities to each one of the Company's 84 CIPAs (Internal Accident Prevention Commissions).

LA9

Cemig considers strike action to be legitimate, under the terms of article 9 of the Federal Constitution and Law 7.783/89, which deals with this subject. However, as the services rendered to the population and the Company are considered "essential activities", in the event that a strike is to take place, this must be communicated formally by the union entities or by workers 72 hours in advance of the event. In this case, the Company activates an emergency



operational group which allows for continuity in the rendering of services to the community.

The Global compact signed by Cemig in 2009 ratifies the commitments agreed to by the Company and the Union Entities over the years, reinforcing the commitment to adopt modern and transparent labor and union practices within the corporate scope.

## Safe and Healthy Work Environment

In order to achieve efficiency in its business and be “The Best Energy in Brazil”, Cemig must constantly seek to be also the safest energy. Therefore, its own employees and those of third parties and the community directly or indirectly affected by its operational system must be adequately protected. For that reason the Company has established health, safety and well-being directives that constitute its Health, Safety and Well-Being Policy.

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GC 1, 2

**Well-Being** – Cemig’s corporate programs and actions directed towards the well-being of employees, families and members of the community include:

**Professional Readaptation Program:** aimed at redirecting employees that have had their work capacity reduced as a result of illness or accident, causing a change in their functions. The program is run in an integrated manner by the medical, psychological, social and occupational

safety areas and later homologated by the INSS (National Social Security Institute).

### CONCLUDED PROFESSIONAL READAPTATION CASES

2007	2008	2009
05	22	23

**Medical and Social Orientation Course for Pregnant Couples:** with regard to the Mother-Child relationship, its objective is to provide couples with greater safety during the pregnancy, delivery and the care of the child, thereby reducing risks for the mother and for the baby and avoiding unnecessary leaves of absence and worries that can interfere in the employee’s good performance.

### MOTHER-CHILD PROGRAM NUMBER OF PARTICIPANTS

2007	2008	2009
28	44	31

In December 2009 the “3rd Post-Maternal Course Meeting” was held with the objective of fostering an exchange of experiences and reflection on the role of parents in raising children. 12 employees with their respective children participated in the event. A total of 16 adults and 9 children participated.

**Personal and Family Budget Planning Program:** conducted through lectures and one-on-one consultations, the Program raises employees’ awareness to the importance of financial balance for their peace of mind and, consequently, for the

prevention of accidents caused by factors not linked to the normal work routine. The 10 lectures of the Program reached 302 employees and family members, in addition to the private consultations. Through the program, 95 loans were granted in 2009 for healthcare, housing and other purposes, totaling R\$ 381,000, in an effort to contribute towards employees' financial balance and peace of mind.

**Retirement Preparation Seminar:** this seminar contributes by helping participants construct a life project and by discussing how to use the free time available following retirement.

LA11

RETIREMENT PREPARATION SEMINAR NUMBER OF PARTICIPANTS	2007	2008	2009
	297	283	184

The significant reduction in the number of participants in 2009 is due to the temporary creation of the Travelling Seminar as part of the Voluntary Retirement Plan implemented at the Company.

**Travelling Seminar on Retirement:** this seminar prepares employees for retirement and deals with the Voluntary Retirement Program launched in 2009. 8 events were held, which benefitted from the participation of Forluz and Sebrae, totaling 755 participants throughout the state.

LA11

**171 Social Interventions:** undertaken together with employees, third party workers and people who have retired due to disabilities resulting

from occupational accidents or industrial disease, aimed at providing guidance and cover expenses related to healthcare. 53 weekend and holiday sessions were also held with the objective of providing social services to employees who have suffered serious accidents and the families of employees involved in fatal accidents, work-related or not. With the preventive work of the Social Inventory and the consolidation of the Health, Safety and Well-Being Policy, there is hope that there will be a reduction in social interventions.

**Social Inventory:** from August to November 2009, in the Service and Distribution Management Offices of Uberlândia, Uberaba, Araguari, Ituiutaba, Frutal, Araxá, Divinópolis, Juiz de Fora, Januária, Ouro Preto and Belo Horizonte regions approximately 500 electricians were attended. This program consists of individual scheduled appointments for electricians with social workers with the goal of reducing accident rates, absenteeism and occupational accident costs. The program has resulted in a social diagnosis of the respective areas, which will subsidize corporate strategies for improvements in the quality of life at work.

**Health** – In 2009, in addition to the health programs already implemented by means of periodical examinations at the Company, examinations for the prevention and treatment of dyslipidemia, diabetes, coronary diseases, the prevention of prostate cancer, early detection of breast

LA8



cancer and the prevention of intestinal cancer were conducted and an epidemiological profile of the employees was produced. An analysis of this profile allowed for the systemization of information on workers' health, the identification of the most frequent occupational risks and the suggestion of themes related to workers' health that are to be more deeply explored. The employee inclusion criteria for some programs were altered in order to expand the possibilities of including other employees.

The Company promoted a Vaccination Campaign in 2009 and also developed a contingency plan was also developed for the prevention and handling of cases of Influenza A (H1N1) in accordance with recommendations

from the WHO (World Health Organization) and Ministry of Health.

In order to continue orienting and raising awareness among employees of disease risks factors and their prevention methods, Vital Energy quality of life programs were maintained and achieved, with their sub-programs, the following indices in 2009:

***PROLONGAR – Program to Stimulate Physical Activity***

– This program provides incentives for the practice of aerobic physical activity for employees that meet the program inclusion criteria through the reimbursement of part of the monthly fees for courses such as swimming, gymnastics, hydrogymnastics and others. It also

provides incentives for engaging in gymnastics at the workplace during working hours and employees' participation in competitions linked to running.

In November 2009 over 240 employees participated in the "Vital Energy" run. The prize for the runners placed 1st, 2nd and 3rd in

both the men's and women's categories was an opportunity to compete in the Miami half-marathon.

All emergency service staff and employees who have undergone stomach reduction surgery, independent of their weight, were enrolled in the program in 2009.

#### PROLONGAR – PHYSICAL ACTIVITY PROGRAM

YEAR	ENROLLED EMPLOYEES	EXERCISING EMPLOYEES	% OF EXERCISING EMPLOYEES
2006	887	472	53.20
2007	1,135	620	54.63
2008	1,294	743	57.42
2009	1,222	743	60.80

**REPENSAR – Obesity Prevention Program** – This program alerts employees to the risk of obesity in terms of their health and also to the related occupational safety problems. Enrolled employees

are sent to a nutritionist, endocrinologist and psychologist, with expenses paid by the Company. In 2009, 1,224 employees were enrolled; of these, 21.98% managed to lose over 5% of their body weight.

#### REPENSAR – OBESITY PREVENTION PROGRAM

YEAR	ENROLLED EMPLOYEES	EMPLOYEES WITH A BMI < 30	% OF EMPLOYEES WITH CONTROLLED BMIs
2006	906	138	15.20
2007	1,135	275	24.23
2008	1,294	368	32.30
<b>EMPLOYEES WITH WEIGHT LOSS &gt; 5%</b>			
2009*	1,224	269	21.98

\*The criteria have been changed to the analysis of the number of employees with weight loss greater than 5% in 12 months.

**PROCOHAR – Arterial Hypertension Control**

**Program** – The monthly control of blood pressure provides guidance for employees with irregular blood pressure and encourages physical activity. The Program includes financial contributions by the Company through the reimbursement of expenses related to gymnastics, swimming, cycling and other exercises for employees enrolled in these activities.

The program contributes to minimizing the disease risk for participating employees. In 2009, 90.35% of the Company's employees suffering from hypertension had this disease under control, which is well above both the percentage found among the Brazilian population, of 15%, and that found in developed countries.

**PROCOHAR – ARTERIAL HYPERTENSION CONTROL PROGRAM**

YEAR	ENROLLED EMPLOYEES	EMPLOYEES WITH BLOOD PRESSURE UNDER CONTROL	% OF EMPLOYEES WITH BLOOD PRESSURE UNDER CONTROL
2006	1,536	1,037	67.50
2007	1,553	1,073	69.09
2008	1,577	1,220	77.36
2009	1,285	1,161	90.35

**RESPIRAR – Program to Quit Smoking**

– This Program consists of medical guidance for smokers, anti-smoking campaigns and restricts smoking to the special smoking areas established in the Company's buildings.

The Vital Energy Program guides the SESMT action strategies regarding the lifestyle habits of employees and their families, encouraging education activities, monitoring, support and safety with the goal of reducing the incidence of illness, controlling risk factors and altering the health profiles of employees.

**Safety and Prevention** - Health and Safety comprise the first principle of the Cemig

Declaration of Ethical Principles and Code of Professional Conduct. Prevention is inherent to the Company's posture. The identification, assessment and control of health and safety risks for employees and the community and asset integrity are integral parts of the activities carried out in all work processes, contributing to a reduction in occupational accidents.

Cemig follows the OHSAS 18001:2007 determinations. The number of collaborators directly involved in areas with certified processes at the end of 2009 corresponded to 16.14% of the Company's employees and

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33.6% of the employees were in the process of implementing the norm.

It should be remembered that in the uncertified areas, Occupational Health and Safety System Management is undertaken by the Occupational Safety area, which makes available the standardized corporate procedures that must be followed by 100% of employees, regardless of certification status.

In addition, the Ministry of Labor and Employment has instituted the CIPAs – Internal Accident Prevention Commissions, which act as a space for discussion, in an autonomous and independent manner, for the prevention of work-related accidents and illness. At the end of 2009, there were 84 CIPAs at Cemig composed of employee representatives, representatives designated by the employer and one union entity representative, in accordance with the collective bargaining agreement in force.

Establishments with more than 20 employees must, by law, create CIPAs. Locations exempt from the requirement to create CIPAs must have one employee assigned, preferentially one who is part of the CIPA of their management office, ensuring that 100% of the Company's employees are represented on health and safety committees.

Procedures related to the norm (OHSAS 18001:2007), which aim at promoting health and safety and thus at the physical and psychological

integrity of the employees, are periodically audited, either in the management system audits, by the members of the Specialized Occupational Medicine and Safety Engineering Services (SESMT) or by the Cemig Auditing Superintendence. The Company is also subject to external inspection by the Ministry of Labor.

Of note in 2009, among others, are the following actions undertaken through the Cemig Safety Management System:

- 1** Analysis and validation of the base documents for the Environmental Risk Prevention Program – PPRA for over 100 of the Company's facilities, resulting in a greater reliability on the information and, especially, the correct identification, evaluation and control of environmental risks.
- 2** Inclusion of the Protection Equipment Management process in the Quality Management System of the Workplace Safety unit.
- 3** Publication and distribution, to all management offices, of the Occupational Health, Safety and Well-Being Technical Manual – SSO&BE, which contains all the procedures and definitions of responsibilities in order to guarantee compliance with legislation and the accident prevention practices at the Company.
- 4** Reformulation of the layout of the SESMT portal, facilitating user access and promoting alignment with actions undertaken at UniverCemig for the dissemination of a culture of safety at Cemig.

The following corporate actions undertaken in 2009 in conformity with the Company's Health, Safety and Well-Being Policy directives are of note:

- 1** The activities, in an integrated manner and regional scope, of the SESMTs, involving specialists in Safety, Medicine, Nursing and Occupational Psychology, in addition to Social Assistants, taking into consideration the specificities of the various locations in the State.
- 2** Safety Moment strengthening, for employees to reflect upon Occupational Health, Safety and Well-Being, generating reports with suggestions for continuous improvements in the work environment. In 2009, roughly 1,500 suggestions related to various SSO&BE themes were sent.
- 3** Evolution of the Golden Rules Program for the Permanent Occupational Health, Safety and Well-Being Campaign with the objective of spreading a culture of safety throughout Cemig's entire workforce (own employees and those of third parties).

- 4** Organization of the 7<sup>th</sup> Cemig Electrician's Rodeo, with the participation of 60 multifunctional electricians, aimed at recognizing the value of the technical, safety and behavioral abilities of the electricians in the execution of activities that involve a high degree of complexity and risk.
- 5** Cemig's participation in the 4<sup>th</sup> National Safety Week for the Population, held by the Brazilian Association of Electric Energy Distributors – Abradee with the goal of providing orientations regarding the risks associated to electric energy and accident prevention methods; the event reached 104,000 people.
- 6** The External Campaign for the Prevention of Accidents involving the Population – Cepap was held with the participation of 680,000 people.

The goal in 2010 is to reduce the number of accidents involving the population through the expansion of the number of people in the general public reached by prevention campaigns.



The Office of the CEO of the Company also engaged in actions directly related to this theme, noteworthy among which are:

**1** Sending a Letter from the President in November 2009 to all employees, informing them of the Company's occupational accidents and inviting employees to commit to the Zero Accident Goal.

**2** Monthly meetings of the Board of Directors and Executive Board to monitor the Accident Frequency Rate (TFA) indicator and correlated actions.

Cemig's actions in the fields of occupational health and safety bring national recognition to the Company through the awards received from institutions directly linked to the electric sector or related themes. Of note in 2009 were:

**1** 2009 Human Being Award, presented by ABRH-MG, in the "Best People Management" and "Best Corporate Social Responsibility Work" categories.

**2** Cemig was a finalist at the 2009 Coge Foundation Award in the Occupational Health and Safety Management category.

Other initiatives:

**1** Preparation for and response to environmental, health and safety emergencies:

Cemig maintains a general procedure, applicable to the areas certified in the SGA and/or SGS, which sets directives and requirements for the preparation and response to workplace environment, health and safety emergencies, including simulated drills.

The procedure was revised in 2009. The identification of Occupational Health and Safety Risks (SST) became obligatory and now involves areas surrounding the Company, the scheduling of simulations and takes into consideration the needs of interested parties, such as emergency services and neighborhoods. At the Company's

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facilities, in addition to the general procedure, specific procedures developed in accordance with the particularities of each area are followed when applicable. The simulations cover incidents such as fires, explosions, dam ruptures, flooding of galleries, leaks, drowning, shocks and other events.

At the same time, Cemig makes available through the SESMT Portal a corporate instruction applicable to all areas of the Company that establishes the conditions for the formation, training and retraining of fire brigades. Also makes available on-line orientations regarding the Emergency Response Plan – PAE and the formation and action of the Fire Brigades.

## 2 Combating the Risks Resulting from the Invasion of Transmission Line Right-of-ways and Clandestine Connections:

Cemig constantly works towards the elimination of situations that present a risk to the health of the population. Among the most relevant risks are invasions of transmission line right-of-ways and clandestine or illegal connections.

Right-of-ways are normally occupied by low income families. This exposes this population to the inherent risks of this type of installation. Considering this reality, Cemig has approved its Human Occupation of Transmission and Subtransmission Lines Right-of-Way Addressing and Prevention Policy and works to

map, register and raise awareness among the families involved.

In 2009, 6,000 activities directly related to the inspection of Transmission and Distribution Line Right-of-ways were undertaken throughout the State of Minas Gerais.

Clandestine or illegal connections are those connections made by unauthorized people that may result in serious injury or even death. Cemig conducts educational campaigns for the population in an effort to raise awareness among users. This is followed by the deactivation and removal of the clandestine connections.

**Accidents** – The frequency rate of accidents with time off work in 2009 increased by 20.3% in relation to 2008.

Among the accidents that resulted in time off work, that is, days lost and days deducted, the most serious occurred in traffic or were of an electric nature.

Several actions were undertaken specifically to improve these indicators: the revision of the authorization process for driving the Company's vehicles; the electronic distribution of a training booklet on defensive driving via the SESMT portal; various on-line training courses and employee involvement in electricity related activities, especially the NR-10 courses. Other activities directed at

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changing this indicator are: the Vital Energy program, which has already been mentioned in the Health topic; the announcement of safety-related incidents; lectures and seminars; employing, via the Internet, the SSO&BE Portal as a dissemination vehicle for contracted companies and for the internal public in general. Regional SESMTs will also

be established to create a positive impact on the indicator.

In 2008, Cemig was classified as below average in the electrical sector in the accident statistics compiled by the Coge Foundation. This result is also expected for 2009, despite the increase observed in the frequency rate during the period.

#### FREQUENCY RATE – CEMIG

US CRITERIA – 200,000	2005	2006	2007	2008	2009
Own Personnel	0.53	0.37	0.48	0.43	0.51
Contracted Workers	1.91	2.17	1.35	0.94	0.96
Workforce	1.18	1.30	0.92	0.72	0.79

## RELATIONSHIP WITH THE VALUE CHAIN

The value chain is the entire sequence of activities or parties that either add or acquire value in the form of products and services; it involves a whole set of activities that create value which encompasses raw material sources, component suppliers, delivery to end-users, all the way to the post-consumption phase. Noteworthy among other value-acquiring participants in a chain are Clients and Consumers, while Suppliers and Contracted Third Parties deserve special attention among those adding value.

The Company's relationship and commitment to its several different audiences, which include its internal public, can also be qualified as a value creating activity as it effectively contributes to sustainable development.

Walking side by side with all the different players in the value chain strengthens Cemig's continuity, as both dialogue and process management are the main allies for conducting and reinforcing partnerships.

### Clients and Consumers

The Company offers relationship channels that enable clients to negotiate, complain, suggest



and request services in an efficient and timely manner. In addition to regular investments in the existing dialogue channels, Cemig seeks to offer contact options featuring even greater ease and timeliness. The great challenge for 2010 will be the implementation of the in-person Service Representativity in all 774 municipalities within Cemig's concession area.

Research is also being conducted with the goal of collecting the consumers' perceptions of the Company, which shall allow for comparative analyses with other companies in the electric industry.

Some of the channels worth noting are presented below:

**Cemig Ombudsman** – Existing for 6 years, the Ombudsman's Office today consolidates democracy in the Company, the participation of the citizen in organizations and the enforcement of citizen rights.

The Ombudsman's Office renders post-service services to deal with stakeholders' requests. It furnishes solutions in line with legal requirements, in a timely manner, with transparency, respect, quality, value and social responsibility. As of March 2009, the Ombudsman's Office was assigned as the manager of Aneel Ombudsman's Office

processes forwarded to the Company. The Office's actions led to improvements in management such as the management of the time of response to client requests and the care for in the correct application of the resolutions and procedures.

In 2009, the area was certified with ISO 9001 and also serviced more than 53,000 requests.

**CAC – Customer Service Center** – The CAC represents the first level of contact between the Company and its clients and consumers. It comprises several communication channels, be they via internet (chat and email) or telephone. The number of requests serviced in 2009 were 78,000 by chat, approximately 47,000 by email and over 13.5 million by telephone. Out of all the telephone contacts serviced, only 0.14% (19,877) corresponded to complaints.

The Company also seeks to offer its special consumer publics improved relationship and services by aligning its Customer Service Agencies with accessibility norms (ABNT-NBR 9050), providing a chatroom at its Virtual Agency and electricity bills in Braille. At Cemig's environmental stations there are trails guided in Braille which are intended to integrate visually impaired people into the visits.

Below, we present a list with Cemig's main relationship channels with its publics:

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TARGET PUBLIC	CHANNEL	OBJECTIVE	ACCESS AND DIFFERENTIATED FEATURES	RESULTS / SPECIAL OBSERVATIONS
Public Organization Clients	Internet Page	To make available information such as energy saving tips, efficient buildings and how to structure an internal energy saving commission in a public organization.	<a href="http://www.cemig.com.br/consumidores_publicos/index.asp">http://www.cemig.com.br/consumidores_publicos/index.asp</a> .	
Visually Impaired Consumers	Energy Bill in Braille	Easier reading and control of electricity bills.		1,400 clients registered to receive energy bills in Braille.
Consumers and Society	Speak to Cemig	To facilitate clients' access to the Company	Several Channels: telephone numbers: 116 or 08007210116; e-mail: <a href="mailto:atendimento@cemig.com.br">atendimento@cemig.com.br</a> ; <a href="http://www.cemig.com.br">www.cemig.com.br</a> ; Fax #: +55 (31) 3506-7222.	ISO 9001/2000 Certified; 560 call center positions, more than 1,000 call operators; 80,000 to 114,000 calls/day.
Consumers and Society	Ombudsman	To watch over the citizens' right to be heard by standing as their voice in the Company.	<a href="http://www.cemig.com.br/ouvidoria/">http://www.cemig.com.br/ouvidoria/</a> and <a href="mailto:ouvidoria@cemig.com.br">ouvidoria@cemig.com.br</a> (printed on all Cemig electricity bills).	ISO 9001/2000 Certified.
Consumers and Society	Service Branches	To facilitate clients' access to the Company	Periodic recycling programs for attendants through behavioral training and customer service techniques.	124 branches with an average of 400,000 customer contacts / month.
Consumers and Society	Direct Channel to the consumer protection service (Procon)	To facilitate clients' access to the Company with emphasis on consumer law.	Partnership with and the Housewives Movement of the Minas Gerais – MDC/MG and relationship with the Company Consumers' Council.	
Consumers and Society	Cemig Fácil (Reaching Cemig)	To register commercial establishments to expand the number of collection points and provide further commercial services to the population of locations and sites where Cemig has no physical representation.	Access to bill collection; issuance of second copies of bill; location for the delivery of bills as requested by consumer; delivery of prepaid forms to request services or make complaints.	570 service sites – PAs, which collect, on average, 1 million bills a month.
Consumers and Society	Cemig Postal	Specific channel for simpler commercial services.	Prepaid postal forms, available at the Cemig Fácil sites, for changing client names, altering consumer information, requesting new connections, making complaints and suggestions.	800 post boxes throughout the state of Minas Gerais.
Consumers and Society	Cemig na Praça (Cemig On the Go)	Itinerant service structure providing clarifications, forwarding service requests and answering customer demands.	Office set up in a central square or place in smaller towns with a team of electricians, service personnel and an operations technicians.	Average of 180 events/ year with nearly 1,100 service requests/ month.
Consumers and Society	Mobile Service Agency Project	Specific channel for commercial services.	Trailer equipped with a Mobile Service Agency, rendering services to commercial clients.	400 service requests processed/ month utilizing satellite connections. - In 2009, it covered 73 municipalities in the state of Minas Gerais.
Consumers and Society	PAS – Simplified Service Agency	Services rendered by the prefectures' own clerks, trained by Cemig's agents.	Partnership between Cemig and municipal prefectures.	88 PASs throughout the state, processing nearly 2,000 thousand service requests/month.
Consumers and Society	Virtual Branch	To provide an easier and more comfortable service system that includes services rendered by other channels.	<a href="http://agenciavirtual.cemig.com.br/porta/inicial/default.aspx">http://agenciavirtual.cemig.com.br/porta/inicial/default.aspx</a> .	- Access for the Visually Impaired; - Specific and restricted area for real estate agents.

TARGET PUBLIC	CHANNEL	OBJECTIVE	ACCESS AND DIFFERENTIATED FEATURES	RESULTS / SPECIAL OBSERVATIONS
Consumers and Society	Consumers' Council	To defend individual and collective interests of consumers related to cemig.	<ul style="list-style-type: none"> <li>- Improving customer services, considering the views of stakeholders;</li> <li>- Forward suggestions, cooperate in overseeing and furnishing information on complaints made to Cemig <a href="http://www.cemig.com.br/conselho/index.asp">http://www.cemig.com.br/conselho/index.asp</a>.</li> </ul>	<p>In 2009, 6 ordinary meetings and 1 extraordinary meeting were held.</p> <p>Main accomplishments in 2009:</p> <ul style="list-style-type: none"> <li>- Ordinary meetings held at the Minas Gerais Association of Municipalities;</li> <li>- Analysis of the Public Consultation 017/2008 that amends Resolution 138/2008, which regulates and deals with the general conditions for the structuring, functioning and operation of Electric Energy Consumer Councils;</li> <li>- Meeting held with representatives of the National Electric Energy Consumer Council on March 5th- 6th in Belo Horizonte, aiming at outlining the workplan for the 2009/2010 period and determining the council's structure;</li> <li>- Analysis of the main topics of Aneel Resolution 456, specially of alterations accepted by Aneel, as compared 2008 Cemig's Consumer Council suggestions;</li> <li>- Participation of the Council's President in a program broadcast by Itatiaia Radio station to clarify issues regarding the tariff adjustment of Cemig, to avoid misunderstandings by third-parties and consumers;</li> <li>- Production and distribution of explanatory letter on the taxes and charges that impact energy bills within the scope of the National Council;</li> <li>- Analysis of indicators such as: average and maximum time for the reestablishment of service in the event of failures in the electric system, service time with respect to commercial requests and statistics concerning client complaints;</li> <li>- Participation in the XI National Meeting of Electric Energy Consumer Councils, sponsored by Light in Rio de Janeiro;</li> <li>- Responding to questions/suggestions forwarded to the Consumers' Council by e- mail.</li> </ul>
Large Clients	Corporate clients entitled to take part in the competitive energy market	To provide information on legislation of interest to this client profile	<a href="http://www.energiaCemig.com.br/">http://www.energiaCemig.com.br/</a> and Cemig's Corporate Clients Relationship unit, Av. Barbacena, 1200 – Santo Agostinho, Belo Horizonte-MG – CEP 30190-131, <a href="mailto:energiaCemig@cemig.com.br">energiaCemig@cemig.com.br</a>	Contact and Communication Channel between clients and the Cemig's agents/analysts supported via email.
Large Clients	Corporate clients entitled to take part in the competitive energy market	Regional Meetings with Corporate Clients	Meetings with corporate clients from industrial sectors to discuss issues of their interest.	2009: one meeting with clients from the textile industry with an approval rate over 80%.
Large Clients	Corporate clients entitled to take part in the competitive energy market	GEM B2B Study Group	Cemig takes part in a permanent workgroup that studies relations among companies with the goal of understanding them and identifying client needs so as to construct a solid and reliability-based relationship.	2009 surveys showed a greater demand for relationship on the part of medium voltage corporate clients. To meet their needs a Medium Tension Competitive Market Corporate Client Management Office was created and interaction with Efficientia was amplified to meet efficiency-related demands.
Large Clients	Corporate clients entitled to take part in the competitive energy market	GEM B2B – Corporate Client Surveys.	Two surveys in 2009 to understand corporate clients value perception and identify their needs, so as to offer a better cost/ benefit ratio and build a long term relationship.	5 clients took part in a qualitative survey aimed at identifying their value drivers and corporate groups participated in a quantitative survey to identify value perceptions, willingness to pay and position Cemig towards the competition.
Large Clients	Corporate clients entitled to take part in the competitive energy market	Brand and Reputation Corporate Client Surveys	Annual brand reputation survey with corporate clients.	Identifies critical points and respective actions. 2009 survey identified as most important: 1 – Corporate alignment of client services focusing on Cemig business. 2 – Adding Value to Cemig products.

TARGET PUBLIC	CHANNEL	OBJECTIVE	ACCESS AND DIFFERENTIATED FEATURES	RESULTS / SPECIAL OBSERVATIONS
Large Clients	Corporate clients entitled to take part in the competitive energy market	Meetings with Corporate Clients – Energy Biennale	In 2010, the Energy Biennale will be held to discuss the current scenario and future economic perspectives, focusing on corporate strategy. Goal: to promote a view of Brazil from a global perspective, impacts of the world crisis in infrastructure investments necessary sustainable and competitive growth. Target public: executives of Cemig's clients from the competitive energy market, comprising nearly 700 corporations distributed in 2,500 consuming units: approximately R\$ 350 million monthly net revenue to Cemig, or 42% of Cemig's total revenues.	This event is a powerful instrument for developing relationships and promoting client fidelity. Cemig's main goal is to establish closer, in addition to business opportunities. 2009 results: 33 business opportunities for Efficientia, and 28 business deals for Cemig GT, besides those deriving from the announcement of Cemig's strategy to take back the energy not consumed by clients in 2009 due to the world economic crisis and the energy sale from subsidized sources.
Large Clients	Corporate clients entitled to take part in the competitive energy market	Newsletter aimed at corporate clients.	Publication directed at corporate clients, sent bimonthly by email.	First release in January 2009. Clients were sent a total of 7 newsletters during the year.
Large Clients	Corporate clients entitled to take part in the competitive energy market	The creation of the Medium Voltage Competitive Market Corporate Client Prospection Management office	To build a closer relationship with clients and create a new market for energy sales from subsidized sources by means of differentiated commercial service.	<ul style="list-style-type: none"> <li>- Expanding sales of clean and low impact energy (biomass, SHPPs, etc.)</li> <li>- Helping clients to take advantage of all benefits of the utilization of subsidized sources and of the free market features.</li> <li>- Integration with Efficientia to render services to these clients, either for energy efficiency or for building new electrical installations.</li> </ul>
Large Clients	Corporate clients entitled to take part in the competitive energy market	Research And Development Project: Assessing Financial Return on Investments related to Client Relationship	Activities and actions which bear an optimized cost/benefit ratio, to develop a methodology to quantify the financial results of every action.	Conducted under Aneel's R&D program and executed by RI Consultoria em Reputação Empresarial Ltda in partnership with the Federal University of Minas Gerais.
Large Clients	Corporate clients entitled to take part in the competitive energy market	Contact Center	Implementation started in 2009 and concluded in February 2010, to increase the speed of services and provide customers with greater ease in using the services.	To offer specialized telephone services to a group of clients supplied with medium voltage and who are already entitled to become free clients. Clients are attended via telephone by a dedicated/ specialized agent.
Philanthropic Institutions	Subvention Grants	Granting subventions by means of discounts on energy bills / invoices for philanthropic institutions of a social assistance nature, Hospitals and Churches / Temples.	<a href="http://www.cemig.com.br/programasubvencao">www.cemig.com.br/programasubvencao</a>	2009: nearly 4,100 institutions benefited, totaling approximately R\$ 10.3 million and a yearly grant of 54,400 MWh.
Philanthropic Institutions	Raising funds, donations and contributions	To support social work philanthropic institutions through donations/grants from the energy bill.	<a href="http://www.cemig.com.br/programasubvencao">www.cemig.com.br/programasubvencao</a>	"Best Friend" Program is available, free of charge, to nursery homes, daycare facilities, shelters, homes for drug-addiction recovery, and others.
Prefectures within Cemig's concession area	Distribution Management Office for Special Clients of the Public Sector	To render customized services to prefectures within Cemig's concession area.		
Society	Energy Bill	To provide consumers with improved monitoring and control of energy consumption, beyond fulfilling legal requirements.	The Company's current relationship channels.	Approximately 6.5 million energy bills issued/month for low and high voltages.
Society	Diverse Channels	To disseminate information on the Company to society at large.	Communication and dissemination channels for publicizing campaigns on the radio, TV, billboards, buses, print media, the Company's newspapers – Energia da Gente and Cemig Notícias ( <a href="http://www.cemig.com.br/cemig2008/content/aplicativos/informativos.asp">http://www.cemig.com.br/cemig2008/content/aplicativos/informativos.asp</a> ), etc.	Cemig uses the most appropriate communication for each type of information, language and public.

**Consumer Satisfaction** – Every year, Cemig participates in important surveys that assess the level of satisfaction of the consumer with the services rendered by electric energy distribution utility companies, thus allowing for the production of indices which enable the comparison of these results and demonstrate the global perception of the sector as a whole.

These surveys focus on the continuous improvement of the services rendered, thus aiding the regulating authority (Aneel) in the process of regulation, supervision and management. Indicators deriving from these surveys complement the already existing internal indicators such as the Saidi and Saifi.

The two main surveys in which Cemig participates are the Urban Residential Consumer Satisfaction Survey, conducted by Abradee and the Residential Consumer Satisfaction Evaluation Survey, undertaken by Aneel.

Quantitative research data are collected through structured questionnaires by independent research institutes in those municipalities that are representative of the Company's concession area.

In 2009, the 11th National Abradee Survey was conducted. Based on the results, the ISQP – Perceived Quality Satisfaction Index is calculated. Within Cemig's concession area, the survey was undertaken using a sample of 625 interviews, so as to ensure a 4% margin of error for a confidence interval of 95.5%. The survey resulted in a general





ISQP, concerning the general average of all companies affiliated to Abradee and one for each company. The index ranges from 0 to 100 points.

The ISQP evaluates several aspects regarding social responsibility and Cemig is well evaluated in this theme, scoring 81.4 points in 2009, above the average (79.9).

The residential consumer satisfaction survey conducted by Aneel covers all electric energy distribution utilities. In 2009, the sample was calculated as a function of the size of the company: in Cemig's concession area, 450 interviews were conducted in 20 randomly selected communities.

Comparable indicators are produced as per region and per size of company along with one

single consumer satisfaction indicator that expresses the global perception of the sector. The main indicator is the IASC – Aneel Consumer Satisfaction Index, in which Cemig scored 68.14 in 2009, out of a possible 100 points.

The perception of residential consumer satisfaction with the quality of services rendered was worse compared to 2008. The areas with the greater impact in relation to 2008 were energy supply (service reliability) and customer service (access to the company). On the other hand, the best evaluated areas relate to providing information to clients, electric energy bills and the company's image.

The charts below show the evolution of the ISQP and the IASC for Cemig in the last 5 years.

**CEMIG'S PERFORMANCE IN THE ISQP – 2005/2009**



The Company wishes to obtain a significant and consistent improvement in the level of satisfaction among its clients, with advancements in both the ISQP and IASC. The 2010 ISQP growth rate for

**CEMIG'S PERFORMANCE IN THE IASC – 2005/2009**



Cemig, suggested by the survey itself, is 1.10%, which projects a rate of 82.50%. An action plan will be developed by the Company considering the critical issues in the 2009 Abradee Survey, as per priority.

***Client and Consumer Data Information Security***

The Company understands information to be a valuable asset that is protected by law, and which constitutes a competitive advantage. All information generated, acquired, processed, stored, transmitted and discarded is considered an asset and must be diligently protected.

With the objective of mitigating risks related to the possibility of client and consumer data and information leakage, Cemig has adopted a series of processes: information related to clients is classified according to its level of confidentiality and treated accordingly; the rules for providing access to this information are implemented by the Information Technology area and access permission is compulsorily revised once a year; the extraction of every piece of information from the data bases must follow strict and authorized standards and exceptions require the due authorization of the respective manager; employees and contracted parties that are to use this information must sign a Confidentiality Agreement.

In 2009, Cemig received no proven complaints regarding violations of privacy or losses of client data.

**Suppliers and Contracted Parties**

Socio-environmental responsibility is a commitment that is present in all corporate decisions. Therefore, the Company seeks to promote the maximum alignment of its suppliers

and contracted parties with the Company's vision of sustainability and with its corporate commitments and values.

***Management Improvement in 2009***—Management of suppliers was greatly improved in 2009, benefiting from the launching of the new Cemig Supply Policy, the Relationship with Suppliers Manual and the Cemig Suppliers' Award, during the first Cemig Suppliers' Meeting.

The Cemig Supply Policy seeks to broadly publicize to the market place all corporate commitments and values that sustain the Company's service procurement and material acquisition processes.

The Supply Policy comprises 5 commitments: to public assets and respect for the principles of legality; to Corporate Ethics; to isonomy; to transparency; and to social and environmental responsibility. Cemig hopes that the dissemination of its values and the commitments contained in its Supply Policy will contribute to an increase in the sustainability of the national industrial sector.

The Relationship with Suppliers Manual clarifies the Company's procurement procedures, thus reinforcing the transparent character of relations with suppliers, contracted parties and society in the several stages of the supply chain. It is applicable to individuals or corporations that wish to relate with Cemig in any of the stages of its supply chain<sup>22</sup>.

The Cemig Suppliers' Award will celebrate its first edition in the first semester of 2010, acknowledging the best management practices of suppliers and their alignment with the corporate commitments and values established in the Company's Supply Policy. The award will recognize the three suppliers with the best performance in each category. The number of participating suppliers and areas is expected to be gradually expanded.

Through the Award, Cemig will grant "Cemig Certified Supplier" Certificates to suppliers that demonstrate performance excellence.

This management tool will bring advantages and benefits for both parties. Suppliers will be exempt from inspections by Cemig as a pre-requirement for delivery and billing; there will be a reduction in production process costs (repetition of test runs); increased speed in material acceptance and billing; besides the possibility of announcing, to both domestic and international markets, the level of that supply certified by Cemig. For Cemig it will represent a greater speed in material supply and a reduction in operating costs.

Moreover, Cemig will be granted the right to continue to conduct rigorous inspections at the facilities of certified suppliers to perform new Technical Industrial Evaluations, which include verifying whether the health and safety, and socio-environmental conditions that motivated the granting of the certifications have been maintained.

All suppliers evaluation, management and development processes at Cemig have been certified in ISO 9001:2000, in the Environmental Management System – SGA level 1 and OHSAS 18001 norms. In December 2009, Cemig launched its new Purchase Portal (<http://compras.cemig.com.br>), that ensures greater speed in material acquisition processes, service procurement and an updated communication with suppliers. Through both electronic auctions and electronic bidding, it is possible to reduce costs and do business in a secure and transparent manner.

**Development of Suppliers** – With the goal of improving, introducing new Technologies and attracting and developing new suppliers, three business rounds were carried out in partnership with Fiemg and Sebrae-MG. This process resulted in the participation of new companies interested in integrating Cemig's row of suppliers.

Cemig had 75,000 suppliers listed in its supplier registry at the end of 2009, out of which 15,000 were entitled to participate in bidding processes. Among these, 62% are from Minas Gerais.

In the acquisition of goods and services, conformity with requisites regarding quality, environment, occupational health and safety is verified. In order to verify whether those companies interested in supplying materials (goods) duly meet the requirements, technical industrial evaluations are conducted at their facilities, and in the case of service renderers, the area managing the contract will also be present during the visit

HR2

HR6

HR7

GC 1, 2, 3, 4

<sup>22</sup>For further details, please access the link "Fornecedores", at the New Cemig Purchase Portal at <http://compras.cemig.com.br/PortalPublico.aspx>. Information available only in Portuguese.

along with the Supply area (ATE – Contractor Technical Evaluation). During the visits, aspects such as labor and safety equipment are evaluated, among other requirements concerning social responsibility, following the directives of norm SA 8000 and of the Global Compact, such as: child labor, forced-labor, valorization of social diversity, employee benefit programs, client services and the development of socially oriented volunteer actions and projects. Accordingly, in 2009, the Technical Assessment Questionnaire that is applied at each visit was refined and questions concerning Environmental Management, Occupational Health and Safety Management, Social Responsibility and Legal Requirements were included, among which were questions addressing specific issues of child labor and degrading labor.

99 Technical Industrial Visits were paid in 2009 alone, in addition to 22 Technical Contractor Evaluations and another 8,218 Inspections of materials.

The bidding processes, their respective contracts and their management ensure the existence and the fulfillment of legal requirements aimed at guaranteeing compliance with labor legislation, occupational safety, health and hygiene, with the preservation of the environment and the observance of the Child and Adolescent Statute. Corporate procedures guarantee equality in the treatment of suppliers by establishing

requisites for their legal permission, proof of fiscal regularity and technical, economical and financial qualification. Suppliers are assessed periodically, according to objective and previously defined parameters. Therefore, suppliers are evaluated as per a specific indicator, the Supplier Performance Index which, in a permanent character, evaluates, manages and controls requisites such as: quality, supply, price, company information and service/guarantee.

Suppliers are informed of the assessment criteria and their results, which guarantees transparency in the relationship and gives them the opportunity to improve their products and facilities.

Also an integral part of contracts and monitored by Cemig are clauses concerning:

- **Prohibition of night labor, dangerous or insalubrious labor for anyone under 18 years of age and of any work for anyone younger than 16 years old, except in the case of apprentices, starting at the age of 14, as established by the Federal Constitution of Brazil.**
- **Prohibition of any labor relations that characterize forced or compulsory labor or in any way resemble slave labor.**
- **Compulsory presentation of environmental permits necessary for the execution of services when required by legislation.**
- **Preference for local labor hiring.**

EU16

GC 1, 2

Also required are:

- Compliance with normative instructions, regulatory norms, technical norms and notes issued by the Labor Ministry, with respect to occupational health and safety.
- That companies have occupational safety technicians and engineers on their staff.
- The availability and utilization of Individual Protective Equipment – IPE and Collective Protection Equipment – CPE.
- The production and delivery of the Occupational Accident involving Contracted Employees Analysis and Investigation Report, as well as the Hours Worked and Occupational Accidents Monthly Report and the Communication of Health and Safety Incident.
- The presentation of a declaration by the contracted company, before the beginning of services, duly signed by a qualified occupational safety professional, certifying that employees

allocated to the services object of the contract have been trained in occupational safety, covering at least the following topics: basic safety concepts, IPEs and EPCs, Risk analysis and unsafe acts and conditions.

- The rigorous control of the work shift, intershift and intrashift intervals, as provisioned for by the labor legislation.
- The provision, to employees that work on a permanent basis at the construction sites, of a healthcare program, school and medical care structure, extended to their respective families.
- The monthly proof of the payment of taxes, insurances and salaries to employees, labor and social and pension duties.
- The adoption of the necessary measures for environmental protection and precautions to prevent the occurrence of damage to the environment and to third parties.







- The production and delivery of Occupational Health and Medicine Control and Environmental Risk Prevention Plans.
- The environmental recovery of all areas degraded by the execution of the construction.
- The guarantee that all installations and facilities provided are able to operate in accordance with all the environmental conditions and parameters in force, and are installed with management systems concerning their environmental aspects, including noise control, atmospheric emissions, effluent emissions and solid waste emissions.

All service contracts foresee the application of penalties in the event any occurrences of non-conformities regarding health and safety and

socio-environmental responsibility. Penalties vary according to the non-conformity.

The Company has also instituted a mechanism to foster the adoption of good socio-environmental and occupational health and safety practices by service suppliers, establishing a reduction in contract penalties in the event the supplier presented, on any date prior to the date of the event causing the penalty, the comprobation of items such as ISO 9.001, ISO 14.000, OHSAS 18.001 Certifications, of a Personnel Turnover Index smaller than or equal to 5%, among others. The reduction in penalties may be as much as 50%, according to the socio-environmental performance of the supplier.

Cemig cares for the physical integrity of third-party and subcontracted employees and workers and seeks the promotion of a health and safety workplace. Therefore, the Company also requires:

- **Expert opinions on Insalubrity and Periculosity:** in 2009, 23 insalubrity and periculosity opinions were issued with safety specifications for the procurement of services.
- **Specific clauses addressing Occupational Health and Safety and Well-Being (SSO&BE) in the service contracts:** the results of the monitoring are converted into an index, the ISPE – Safety Practices of Contractors, which guides meetings and from which action plans are designed for the resolution of the non-conformities identified.
- **Corporate ISP – Monitoring and Auditing System for the Analysis of the Safety Practices – Simasp:** in 2009, a corporate program was developed concerning the registry of data from occupational safety inspections. These inspections are meant to analyze all activities undertaken by people, vehicles, equipment or at any occupational environments, both with regard to Cemig's own employees and contracted employees, and calculate a final index that measures the "Occupational Safety Level". The program also allows for the registration of action plans addressing the non-conformities.
- **Participation in SIPAT and CIPA:** seeking to promote interaction among employees and the dissemination of organizational principles concerning health and safety, the SIPAT – Internal Accident Prevention Week is held

by Cemig and suppliers. In addition, Cemig Distribuição hosts monthly CIPA meetings with the participation of service providers.

- **Release of Occupational Health and Safety and Well-Being (SSO&BE) Norms:** several instructions and orientations were made available to suppliers on the Cemig website.

### *Occupational Health and Safety Training Programs for Suppliers*

– Cemig requires the training of 100% of contracted companies' employees in specific programs, so that they get the same level of training and ability as the Company's own employees with regard to occupational health and safety. In 2009, in addition to the training programs conducted by the contracted companies themselves and of those ministered by EFAP<sup>23</sup>, an agreement signed with by Cemig/ Senai-MG<sup>24</sup>/ Sindimig<sup>25</sup>/ Fiemg<sup>26</sup> added significant improvements to the qualification level of third-party labor, as a number of training programs were held and the "Professional Competencies Certification" process was implemented for workers of companies rendering services for the low and medium voltage distribution networks. The agreement enabled training programs for 1,893 workers in 2009 alone. Not accounting for the NR-10 obligatory training programs, which are held every two years, in 2009 the number of trained workers increased by 14% in relation to 2008. For 2010, there is a demand for the qualification of nearly 2,500 employees working with companies associated to Sindimig.

EU18

<sup>23</sup>Professional Qualification and Development School

<sup>24</sup>National Service for Industrial Apprenticeship

<sup>25</sup>Minas Gerais Electric, Gas, Hydro and Sanitary Appliances Industry Union

<sup>26</sup>The Federation of the Industries in the State of Minas Gerais

# STOCKHOLDINGS AND INTERESTS



## GASMIG

Gasmig was constituted in July, 1986 to engage the distribution of natural gas through pipelines in Minas Gerais. In August, 2004, Cemig and Petrobras signed an Association Agreement, according to which Cemig agreed to sell a 40% share in Gasmig to Gaspetro, a subsidiary of Petrobras. The Association Agreement established that Petrobras would invest in the expansion of the capacity of the gas transportation pipelines and in the construction of new pipelines. In addition, both parties committed to finance the Gasmig Long Term Strategic Plan for the expansion of its distribution network.

Among Gasmig's natural gas distribution capacity expansion projects, the first stage of the Southern Minas Gerais Project has been concluded, with investments of R\$ 144 million. The Project entered into operation in January

of 2010. These networks extend for 114.4 km and are supplied by the Paulínia – Jacutinga gas transportation pipeline. 2009 also marked the beginning of the construction of 188 km of the planned 282 km for the second phase of the Vale do Aço (Steel Valley) pipeline distribution project. Investments in this project totaled R\$ 421 million through to 2009.

In 2009 Gasmig sold 551,105,000 m<sup>3</sup>, 73.9% being for industrial use, 9.7% for automotive use and 16.4% for thermal generation. Its 695 km network served 274 clients of 23 municipalities in the Belo Horizonte Region, the Zona da Mata region, the Vale do Aço region and the Southern Minas Gerais region.

The "Risk Communication" program solidified and reaffirmed Gasmig's technical cooperation actions with various social defense organizations (Fire Department, Civil Defense, Military Police and others).

The initiatives in 2009 aimed at the internal public prioritized the development and preservation of the technical competence of employees and the improvement of leadership, and totaled an average of 110.4 hours of training per employee. A new intranet was also implemented at Gasmig allowing for improved internal communication.

In addition, the Risk Management System improved the speed of the monitoring process of action plans aimed at the mitigation of corporate risks and resulted in a better schedule follow-up and an enhanced update of the Internal Audit system.

Gasmig follows a philosophy of respect and dialogue with stakeholders and the communities directly and indirectly affected by the installation and expansion of its network. Annually, part of its Income Tax is directed towards cultural projects listed in the Federal Cultural Incentive Law (Rouanet Law) and to social institutions registered with the Municipal Child and Adolescent Rights Councils, by means of the Child and Adolescent Fund (FIA). In 2009 roughly R\$ 454,000 were directed towards eight cultural projects and another R\$ 113,000 to ten non-profit institutions that provide services to children and adolescents in the capital and interior of Minas Gerais.

The Company has been engaged in the recovery of environmentally degraded areas, such as the Serra do Rola Moça State Park and the Fechos Ecological Station, planting approximately 30,000 seedlings over 10.16 hectares in 2009.

The Itacolomi State Park, located in the municipalities of Ouro Preto and Mariana, is home to various species of endangered rare flora and animals, as well as many natural springs. In 2009 Gasmig initiated the recovery project for 24.2 hectares of areas devastated by forest fires in this park.

## LIGHT

The Light Group serves more than 10 million people in 31 municipalities in Rio de Janeiro, its concession area. It is constituted by the Light S.A. holding company; the Light Serviços de Eletricidade S.A., a distribution company with almost four million clients; the Light Esco Ltda. commercialization company; and the Light Energia S.A. generation and transmission company, with an installed capacity of 853 MW. On December 31<sup>st</sup>, 2009 Cemig held a 13.09% equity stake in the Group.

Light's mission is "to be a large Brazilian company committed to sustainability, respected and admired for the excellence of the service rendered to its clients and the community, for the creation of value for its shareholders and for being a great place to work".

Since 2007, when signed the Global Compact and began to express sustainability in its Mission, Light has been working hard to become a benchmark in the adoption of the best social and environmental responsibility and



corporate sustainability practices, which has been recognized through its participation in the BM&FBovespa (the São Paulo Stock Exchange) Corporate Sustainability Index since that time.

In 2009 Light implemented a structured process of stakeholder engagement inspired by the AA 1000 international norm. Through this engagement process, a Materiality Matrix has been defined, serving as a the base for the 2009 Sustainability Report, in which Light once again declared itself as a Level A for the application of the GRI G3 guidelines.

In 2009, confirming its posture of zero tolerance for corruption, Light incorporated the Ethical Culture Reinforcement Program into the integration of new employees and extended

it to all areas of the company. In addition to emphasizing the rules of conduct and expected behavior, the program introduces instruments to fight corruption such as the Ethics Code and Commission, Ombudsman, Light Whistleblowing Hotline, policies and internal norms.

In 2009, Light invested R\$ 80 million in improvements to its transmission network and R\$ 308 million in its energy distribution network, with the introduction of new technologies, in order to guarantee greater safety and be prepared for an increase in demand.

In the same year, R\$ 170 million were used to combat non-technical energy losses, with approximately R\$ 120 million being spent on





insulating low voltage networks and new metering technologies, and R\$ 50 million on conventional energy recovery actions and process improvement. As a result, the amount of energy recovered in the year reached 151.9 GWh, or 21.7% of the total amount of energy that circulated in the company's network.

As for the internal public, the increase in women's participation in Light's workforce, the surpassing of various human resources goals, such as hours of training, coverage of the assessment process, the development of successors and employee satisfaction with the Quality of Life program are some examples of Light's achievements in 2009.

Within its workforce, Light today has 170 professionals with special needs who work in the administration, consumer services, billing, collection and virtual agency areas, among others. It is worth noticing the elevated participation of women and the inclusion of a woman, in 2009, in the company's management team. The professionals hired during the period were selected through a special training program that was developed and is run by the Light Academia.

Women's enrollment at the Electrician School of the Light Academia was another great highlight, especially considering their role in changing the low women participation profile that characterizes the electrical sector. This action resulted in the hiring of the first three female electricians by Light. In addition to the Electrician School, Light

was active along two other lines: the Trainee Program and the Internship Program.

Light seeks to ensure that the employees of hired companies get the same treatment as its own employees with regard to Occupational Health and Safety. This workforce concept was incorporated into the Company's management model and is computed in the "workforce accident rate" and linked to performance for profit sharing purposes.

In its relations with suppliers, in 2009 Light maintained its transparency and engagement actions through the Second Annual Meeting with Suppliers, which brought together more than 150 representatives from companies that provide services, materials and equipment. This event repeated the honor bestowed upon partners in the previous year through the Supply Quality Award. However, the award ceremony inaugurated a new category, the Light Assured Quality Certification, which was awarded to two companies that managed, together with Light, to certify their production processes, thereby becoming exempt for two years from the processes of inspecting and monitoring the Quality aspects of their products. Also of note was the holding of the 1<sup>st</sup> Exposupri event, which promoted sustainable action in the energy sector supply chain.

Since 1999, Light has undertaken 141 projects within the scope of its Energy Efficiency Program

(PEE) with total investments of R\$ 290.6 million. In 2009, investments totaled approximately R\$ 33 million in 17 Energy Efficiency Program projects. Of this total, R\$ 17.8 million were directed towards projects in low income communities.

As a source of innovation, in addition to being attuned to international tendencies in the electrical sector, Light's Strategic Research & Development Investment Plan is aligned with the corporate objectives; its thematic directives are convergent with the Company's growth needs and goals.

In 2009 Light made great strides in the environmental realm with the expansion of environmental protection actions and the accounting of concrete results in this area. Light's electric energy generation, transmission, distribution and commercialization operations follow the company's Environmental Policy, which is based on the NBR – ISO 14001 norm.

Light's Environmental Management System was implemented in 2001 and every three years all the certified units, which today encompass 213 sites, undergo a recertification process.

Another highlight in 2009 was the company's emission reduction in 2009 compared to 2008, as shown in its greenhouse gas emissions inventory. This result is due mainly to improvements in equipment with SF6-based insulation and incentives for the use of ethanol as a fuel in the company's own fleet of vehicles.

Among the awards received in 2009 are: third place in the 2009 "The Best Companies for Shareholders" award, presented by Capital Aberto magazine; the "Best Meeting of 2009" award; presented by Apimec São Paulo, and; the Performance Evolution Award (for companies with over 500,000 consumers) presented by Abradee.

## TRANSMISSORA ALIANÇA DE ENERGIA ELÉTRICA S.A. (TAESA)

On November 11, 2009, through Transmissora do Atlântico de Energia S.A., Cemig Geração e Transmissão S.A. (Cemig GT) and the Fundo de Investimento em Participações Coliseu (FIP) acquired a 65.86% stake in Terna Participações S.A. (Terna). On this same date, Terna changed its name to Transmissora Aliança de Energia Elétrica S.A. (Taesa). On December 28, 2009, Transmissora do Atlântico de Energia S.A. was spun off and incorporated by Taesa, in which Cemig GT and FIP came to hold direct equity stakes of 32.27% and 33.59%, respectively.

Taesa is an electric energy transmission company that operates in 11 states in the country, by means of its whole subsidiaries or affiliated companies Transmissora Sudeste Nordeste S.A., Novatrans Energia S.A., Empresa de Transmissão de Energia do Oeste S.A, Empresa de Transmissão do Alto Uruguai S.A., Brasnorte Transmissora de Energia S.A. and Terna Serviços Ltda. In total,

these companies have 3,716 km of transmission lines integrated into the SIN Basic Network.

In 2009 the Taesa Group invested in various social projects, with the following being especially noteworthy:

- Project to produce and distribute books in Braille and talking books for visually impaired people, throughout the entire country.
- 2009 Douradinho Project: Reprinting of 22,000 copies of the educational book “Amiga Lata, Amigo Rio” (Friendly Can, Friendly Rio). The book was distributed totally free of charge to public schools in twenty-eight municipalities in

the states of Pernambuco, Rio Grande do Norte, Tocantins and Bahia.

## TBE

TBE is a group of 9 electric energy transmission utilities that operate in the states of Pará, Maranhão, Santa Catarina, Mato Grosso and Rio Grande do Sul with installations that total 3,124 km of transmission lines and 28 substations, both own and shared, at primary voltages of 230, 345, 500 and 525 kV. On December 31, 2009 TBE had 135 employees. The TBE companies are as follows:

### TBE COMPANIES

COMPANIES	START OF OPERATIONS	% CEMIG'S SHARE (DEC. 2009)
Empresa Amazonense de Transmissão de Energia S.A – EATE	Mar/03	36.35
Empresa Catarinense de Transmissão de Energia S.A – ECTE	Mar/02	13.37
Empresa Paraense de Transmissão de Energia S.A – ETEP	Aug/02	40.19
Empresa Norte de Transmissão de Energia S.A – ENTE	Feb/05	36.69
Empresa Regional de Transmissão de Energia S.A – ERTE	Sept/04	36.69
Sistema de Transmissão Catarinense S.A – STC	Nov/07	29.08
Companhia Transmissora de Energia Elétrica – Lumitrans	Oct/07	29.08
Empresa Brasileira de Transmissão de Energia S.A – EBTE	Partial operation scheduled for Jun/10	49.00
Empresa Santos Dumont de Energia S.A. – ESDE	Scheduled: May/11	40.19

Note: the table presents Cemig's direct and indirect equity stakes in the STC, Lumitrans and ESDE companies.



The transmission concessions granted to the companies above are for a 30-year period, with the possibility of renewal by means of concession contracts signed with Aneel.

The TBE companies direct investments, via fiscal incentives, towards various citizenship and cultural projects, with special attention to communities located in regions where there are installed assets or where the companies are present.

EATE is investing in various projects of a socio-environmental nature in the states of Pará, Maranhão, Minas Gerais, Mato Grosso and São Paulo. Noteworthy among these are:

- **Rediscovering Citizenship** (Municipal Child and Adolescent Rights Council – CDMCA – Açailândia/MA) – Arts and Crafts and Professional Skills Workshops: biscuits, embroidery, ceramics, woodworking, sport and other activities.
- **Support/maintenance** for various institutions, among which are the Creche Boa Vontade (CMDCA – Cuiabá/MT), Apae (CMDCA – Salinas/MG), Ação Comunitária (CMDCA – São Paulo/SP) and Casa Lar da Criança e do Adolescente (CMDCA – Brasnorte/MT).

ECTE has invested about R\$ 250,000 in cultural incentive and socio-environmental projects, thus contributing to the restructuring of families that

were victims of the flooding in Santa Catarina, free psychological and social counseling for children with mental and physical disabilities and the recovery and collection of popular cultural heritage.

ETEP supported 9 social or environmental projects, the following being especially noteworthy:

- (CMDCA – Varginha/MG) Varginha Assistance Foundation for People with Special Needs: (FUVAE): a project that assists children with physical and mental disabilities and their families.
- Bachiana Philharmonic Foundation – Young Orchestra Project: Sponsorship of Concerts by the Bachiana Young Orchestra, which is composed of 45 university music students, under the regency of maestro João Carlos Martins.

ENTE invested in 13 projects in the states of Pará, Maranhão and Minas Gerais. Of note are the following projects:

- Art in the Community – Art and leisure through theatre in communities in the interior of Pará and Maranhão dealing with important themes in the region, such as: human and cultural diversity, indigenous peoples issues, environmental and cultural preservation and culture of peace. Activities related to the show are held following the presentations thus expanding their impact and later reflection.
- (CMDCA-Montes Claros/MG)–Sara Foundation:

maintenance and subsidies for this Institution that supports children with cancer.

## INDI – INSTITUTO DE DESENVOLVIMENTO INTEGRADO DE MINAS GERAIS

Indi is the Minas Gerais Government's investment promotion and attraction agency, sponsored in its majority by Cemig and by the Minas Gerais Development Bank – BDMG. Its mission is to attract subsidies that are sustainable in economic, social and environmental terms.

With regard to the economic dimension, the companies supported by Indi must contribute towards an increase in the state's Gross Domestic Product (GDP), expand the state's revenues, complement missing links and increase density of the production chains, adding value to the state's production matrix.

From January through to July 2009, Minas Gerais attracted US\$ 8.99 billion in investments, the majority of which in the metallurgy and food segments. With regard to sustainability and social responsibility, Indi focused on attracting intensive investment in direct and indirect job creation.

In the first half of 2009, persisting with its mission as a promotional agent for investments in Minas Gerais and, especially, as the executor of two projects structured by the government



of Minas Gerais, Indi surpassed the goals proposed by both, despite the adverse situation. The Institute's actions, specifically with regard to the "Promotion and Attraction of Strategic Investment and Development of Production Chains of Anchor Companies" and the "Promotion of Investments and Regional Insertion", which are structuring projects, not only fulfills the legal commitment assumed with the state government, but also plays an important role in the results of

its sponsors, contributing to the production of results in areas that are considered priorities by state public planners.

In the second half of 2009, actions were registered for 139 companies, which add up to a total investment, concluded or under negotiation, of some R\$ 12.9 billion, in addition to the direct creation of 65,200 jobs. The current situation for these projects is shown below:

PROJECT SITUATION	NUMBER OF PROJECTS	DIRECT JOB CREATION	TOTAL INVESTMENT (R\$ MILLION)
Operation Initiated	31	21,513	3,640
Implementation Initiated	17	9,312	2,509
Decision Formalized	23	16,952	3,073
Promising Project	51	16,575	3,524
Initial Contact	17	848	169
Total	139	65,200	12,914

## MADEIRA ENERGIA S.A.

The Special Purpose Entity (SPE) called Madeira Energia S.A. (Mesa) was constituted in 2008 with equity stakes held by Furnas (39%), Cemig (10%), CNO (1%), Odebrecht Investimento em Infra-estrutura (17.6%), Andrade Gutierrez (12.4%) and Fundo de Investimentos em Participações (20%) to implement and operate

the Santo Antônio Hydroelectric Plant, which is part of the future Madeira River hydroelectric complex.

The construction of the Santo Antônio Hydroelectric Plant is a R\$ 13.5 billion investment scheduled for completion in 2015. However, the Plant will begin operations gradually starting May, 2012.

The project was given its construction permit on August 18, 2008 and in September of the same year construction was begun on the right bank.

2009 marked the beginning of operations to clear the area and the construction of jobsite on the left bank, as well as excavations in the region of the main spillway.

In parallel with the main construction, important structures will be built, such as the Fishways which guarantee maintenance of the life cycle of fish, and the trunk interceptor, whose function is to prevent tree trunks and other floating objects from reaching the turbines and causing damage to underwater equipment.

The Santo Antônio Hydroelectric Plant will be the sixth largest in Brazil in terms of installed capacity and the third in terms of assured energy.

The project is also concerned with promoting the socio-environmental development of the region over which it exerts influence (Port Velho and neighboring locations), fostering a dialogue with the interested parties from the beginning of the construction. The first resettlements were conducted with the participation of the communities in choosing the location. Training has also been given to the producers in riverside communities and healthcare actions undertaken among the Karitiana and Karipuna indigenous groups.

From an environmental point of view, there is a constant effort to minimize environmental impacts with the goal of preserving the Amazon ecosystem in the region where the project is located. The work is undertaken respecting environmental legislation and the Equator principles. A highlight is the utilization of bulb turbines to generate energy, which results in a relation between the area of the reservoir and generation potential of  $0.09\text{km}^2/\text{MW}$ , one of the lowest among Brazilian plants.



# RECOGNITION AND AWARDS



2.10

In 2009, Cemig stood out in several different fields, as shown by the large number of awards received and of the top rankings Cemig held in indexes relevant for both society and the capital markets. The most noteworthy are listed below.

## DOW JONES SUSTAINABILITY INDEX

For the tenth consecutive time Cemig has been listed in the DJSI World, that is, since its foundation in 1999. In 2009, Cemig was selected for the second time as a World Leader in the Utilities Supersector. Cemig is the only company in the electric energy industry in Latin America listed in the Dow Jones Index.

Companies are selected according not only to their financial performance, but also their quality and continuous improvement of company management, which must incorporate both social

and environmental activities, thus creating the pillars for sustainability.

## GLOBAL DOW INDEX

Cemig is one of three Brazilian companies that belong to the distinctive Global Dow Index, which was launched in November of 2008 in the United States in order to create quality references for world markets. The Global Dow Index includes 150 companies located in 25 different countries, all considered global leaders.

## OEKOM RESEARCH – PRIME CLASSIFICATION

In August 2009, Cemig was awarded the status of “Prime” by Oekom, one of the world’s most significant social and environmental risk classification agencies. Oekom is located in Germany and has over 10 years of experience

in this field. With the Prime classification, Cemig became eligible to receive investments from Institutions that seek and value the type of credibility bestowed by Oekom standards, which means having access to approximately 90 billion Euros. Moreover, Cemig is the only company in the Brazilian utility sector ever to be classified as Prime by Oekom.

## CORPORATE SUSTAINABILITY INDEX

Cemig was selected in 2009, for the fifth consecutive time, to be part of the Corporate Sustainability Index portfolio maintained by Bovespa, the São Paulo Stock Exchange. This Index, created in

2005, evaluates the companies according to their performance in the economic, social, environmental and corporate governance dimensions and the nature of their products. Cemig has been included in this Index since it was created.

## 3<sup>RD</sup> BRAZILIAN ENVIRONMENTAL AWARD – BEST COMPANY

Cemig was honored in January, 2009 as the Brazilian company that best managed its enterprises and processes in terms of environment in 2008. The Best Company award was presented at the 3<sup>rd</sup> Brazilian Environmental Award ceremony, which is an initiative of the



CBM – the Multimedia Brazilian Company, through the Jornal do Brasil, JB Ecológico, JB Online and Gazeta Mercantil publications.

## THE PUENTE DE ALCÂNTARA INTERNATIONAL AWARD – IRAPÉ HYDROELECTRIC PLANT

The International Puente de Alcântara award was presented to Cemig for the importance of the Irapé Hydroelectric Plant. This Award is presented in recognition of the most important Ibero-American public works that bring together significant cultural, technological, aesthetic, functional and social aspects.

## OUTSTANDING COMPANY – NATIONAL APIMEC

Cemig was elected “Outstanding Company” by National Apimec, in the Listed Companies category, for its efficiency in investor relations, and for the promptness with which it sends information to the CVM (the Brazilian Securities and Exchange Commission). Besides being considered the most outstanding listed company in 2008, Cemig also won in the “Best Investor Relations Professional” category, for the accomplishments of Mr. Luiz Fernando Rolla, Cemig’s Chief Officer for Finance, Investor Relations and Control of Holdings.

## IR MAGAZINE AWARDS BRAZIL 2009

Cemig took first place at the IR Magazine Awards Brazil 2009 in the “Best meeting with the analysts’ community (large cap companies)”. This prize is presented by IR Magazine, together with the Revista RI, which is the main Brazilian publication on the theme, and IBRI – the Brazilian Institute for Investors Relations. Cemig also received honorable mentions in the “Best Investor Relations executive” and “Best socio-environmental sustainability” categories.

## OUTSTANDING COMPANY – AGÊNCIA ESTADO AWARD

Cemig was nominated by Agência Estado one of the top-ten listed companies in Brazil, in recognition for the high performance of its shares in 2008, in terms of volatility and liquidity. The award assessment process follows methodological criteria regarding return for investors, and reflects good transparency and corporate governance practices.

## CEMIG TELECOMUNICAÇÕES (INFOVIAS) – OUTSTANDING NETWORK INFRASTRUCTURE

In 2009, for the second consecutive year, Cemig Telecomunicações (Infovias) was chosen by the Anuário Telecom publication as “Best of the Year”



in the “Network Infrastructure Services” category, for its economic and financial performance in 2008.

## CEMIG GT – TRANSPARENCY TROPHY

Cemig Geração e Transmissão was elected as one of the five most transparent listed companies with revenues of up to R\$ 4 billion in Brazil. The Transparency Trophy (Anefac – Fipecafi – Serasa Experian Award), presented in recognition of this achievement, was conferred upon the Company for the quality and clarity of its financial statements in 2008.

## NATIONAL AWARD FOR RATIONAL ENERGY CONSERVATION

This Award was presented to Cemig by the Ministry of Mines and Energy, in the “Companies of the

Energy Sector, Large Size Distribution Modality” category, for the “Rationalization of Electric Energy and Water Use for Irrigation in Family Agriculture” project. Out of the 13 years in which the award has been presented, Cemig has taken first place in 1995, 1997, 2001, 2002/2003, 2005 and 2009.

## RECOGNITION OF THE AI6% PROGRAM – BRAZILIAN ENVIRONMENTAL BENCHMARKING

Cemig’s “AI6% Program” was recognized by the Brazilian Environmental Benchmarking Program as one of the very best in terms of socio-environmental management in the entire nation. The AI6% Program aims at motivating all employees in the Cemig Group to contribute up to 6% of their Income Tax to Childhood and Adolescence Funds.



# CONSOLIDATED SOCIAL STATEMENT



1 - BASIS OF CALCULATIONS	2009			2008		
	R\$ '000			R\$ '000		
Net sales revenue (NR)	11,705,083			10,890,319		
Operational profit (OP)	3,083,430			3,290,987		
Gross payroll (GP)	1,069,455			1,042,601		
2 - INTERNAL SOCIAL INDICATORS	AMOUNT R\$ '000	% OF GP	% OF NR	AMOUNT R\$ '000	% OF GP	% OF NR
Food	74,055	6.92	0.63	71,662	6.87	0.66
Mandatory charges and payments based on payroll	236,536	22.12	2.02	255,475	24.50	2.35
Private pension plan	149,386	13.97	1.28	264,219	25.34	2.43
Health	35,173	3.29	0.30	33,012	3.17	0.30
Safety and medicine in the workplace	10,957	1.02	0.09	11,475	1.10	0.11
Education	202	0.02	0.00	1,448	0.14	0.01
Culture	926	0.09	0.01	-	-	-
Training and professional development	29,472	2.76	0.25	17,502	1.68	0.16
Provision of or assistance for day-care centers	1,767	0.17	0.02	1,710	0.16	0.02
Profit sharing	238,554	22.31	2.04	370,350	35.52	3.40
Other	15,799	1.48	0.13	14,980	1.44	0.14
Internal social indicators – Total	589,241	74.13	6.77	1,041,833	99.93	9.57
3 - EXTERNAL SOCIAL INDICATORS	AMOUNT R\$ '000	% OF OP	% OF NR	AMOUNT R\$ '000	% OF OP	% OF NR
Education	2,805	0.09	0.02	2,369	0.07	0.02
Culture	28,588	0.93	0.24	30,974	0.94	0.28
Other donations / subsidies / ASIN project	13,972	0.46	0.12	12,118	0.37	0.11
<b>Total contributions to society</b>	<b>45,365</b>	<b>1.48</b>	<b>0.38</b>	<b>45,461</b>	<b>1.38</b>	<b>0.42</b>
Taxes (excluding payroll taxes)	6,928,957	224.72	59.20	6,709,892	203.89	61.61
External social indicators – Total	6,974,322	226.19	59.58	6,755,353	205.27	62.03
4 - ENVIRONMENTAL INDICATORS	AMOUNT R\$ '000	% OF OP	% OF NR	AMOUNT R\$ '000	% OF OP	% OF NR
Capital expenditure related to company operations	90,322	2.93	0.77	70,566	2.14	0.65
Investments in external projects or programs*	-	-	-	-	-	-

In relation to setting of annual targets to minimize waste in production and operation, and increase the efficacy of use of natural resources, the company:	( X ) has no targets	( ) meets 51-75% of targets	( X ) has no targets	( ) meets 51-75% of targets		
	( ) meets 0-50% of targets	( ) meets 76-100% of targets	( ) meets 0-50% of targets	( ) meets 76-100% of targets		
5 - WORKFORCE INDICATORS						
Number of employees at end of period	9,746			10,422		
Number of hirings during period	-			6		
Number of outsourced employees	N.A.			N.A.		
Number of interns	419			408		
Number of employees over 45 years old	4,011			4,266		
Number of women employed	1,325			1,421		
% of supervisory positions held by women	12.55			9.19		
Number of African-Brazilian employees	3,020			3,243		
% of supervisory positions held by African-Brazilians	11.98			9.13		
Number of employees with disabilities	49			52		
6 - CORPORATE CITIZENSHIP	2009			TARGETS FOR 2010		
Ratio of highest to lowest compensation	18.65			ND		
Total number of work accidents	98			ND		
Who selects the social and environmental projects developed by the company?	( ) senior management	( X ) senior management and functional managers	( ) all the employees	( ) senior management	( X ) senior management and functional managers	( ) all the employees
Who decides the company's work environment health and safety standards?	( ) senior management and functional managers	( X ) all the employees	( ) All teams + IAPC (**)	( ) senior management and functional managers	( X ) all the employees	( ) All teams + IAPC (**)
In relation to labor union freedom, the right to collective bargaining and/or internal employee representation, the company:	( ) doesn't get involved	( X ) follows ILO rules	( ) encourages and follows ILO	( ) will not get involved	( X ) will follow ILO rules	( ) will encourage and follow ILO
The company pension plan covers:	( ) senior management	( ) senior management and functional managers	( X ) all the employees	( ) senior management	( ) senior management and functional managers	( X ) all the employees
The profit-sharing program covers:	( ) senior management	( ) senior management and functional managers	( X ) all the employees	( ) senior management	( ) senior management and functional managers	( X ) all the employees
In selection of suppliers, the standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are suggested	( X ) are required	( ) will not be considered	( ) will be suggested	( X ) will be required
In relation to employee participation in volunteer work programs, the company:	( ) doesn't get involved	( ) supports	( X ) organizes and encourages	( ) will not get involved	( ) will support	( X ) will organize and encourage
Total number of consumer complaints and criticisms:	In the company N.A.	At Procon N.A.	In Court N.A.	In the company N.A.	At Procon N.A.	In Court N.A.
% of complaints and criticisms met or solved:	In the company N.A. %	At Procon N.A. %	In Court N.A. %	In the company N.A. %	At Procon N.A. %	In Court N.A. %
Total added value distributable (R\$ '000)	In 2009:	11,670,813		In 2008:	11,703,916	
Distribution of added value (DAV)	60.65% government 7.97% stockholders	13.00% employees 9.78% others 8.60% retained		58.88% government 9.08% stockholders	13.52% employees 10.46% others 8.05% retained	
7 - OTHER INFORMATION						

I. Of the total investments in the environment in 2009, roughly R\$ 15.7 million relate to the socio-environmental programs implemented during the construction of new hydroelectric plants and Transmission Lines. II. The waste generated is quantified and controlled in accordance with corporate procedures concerning waste handling, transport, storage and final destination. Of note is the recycling of fluorescent and public lighting light bulbs throughout the Company's concession area, totaling 445,000 light bulbs in 2009. In addition, approximately 38,000 liters of insulating mineral oil removed from transformers that were removed from operation were regenerated and reutilized in 2009. III. The quantification of electric energy and fuel consumption is conducted annually and there are no reduction targets. IV. 4,088 tonnes of material and equipment were alienated or recycled, 38% less than in 2008, due to a decrease in the generation of cables and wires, metallic scrap, insulating scrap, and a reduction in the alienation of various oils and in regenerated oil.

\* They were accounted for in the "Capital expenditure related to company operations" line.

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3.4

3.9

3.13

# ABOUT THIS REPORT

The main goal of this Report is to present to society at large the strategies and activities carried out by Cemig in seeking Sustainability in the economic, environmental and social dimensions of the process. It also represents an instrument of communication and dialogue with the audiences interested in Cemig's performance. This is a yearly report and the current version refers to the year 2009.

In order to guarantee the desirable comparability in relation to other companies, guidelines from the Global Reporting Initiative – GRI G3 (third generation) were adopted. Additionally, indicators and commentaries available in the Electric Utility Sector Supplement, launched in April, 2009, were included if considered material.

Even though not legally obliged to do so, Cemig chose to present the current edition of this Sustainability Report to an independent


auditing company, in order to imbue its document with an advanced level of trustworthiness. The auditing task was conducted by the Deloitte Touche Tohmatsu firm, according to GRI Guidelines.

All accounting data disclosed in this Report were previously audited in the Company's Financial Statements. There was also a consultation sent by mail to stakeholders that had registered themselves to receive our Sustainability Report. A request for suggestions was included in our letter.

The level of application of the guidelines was "B+", as described in the table, which was transcribed from the GRI protocol, and is shown in detail below.

For further information concerning this report, please forward an e-mail to [sustentabilidade@cemig.com.br](mailto:sustentabilidade@cemig.com.br).

	Report on Application Level	C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosure <b>OutPut</b>	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for level B	Report Externally Assured
	G3 Management Approach Disclosures <b>OutPut</b>	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators <b>OutPut</b>	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

		2002 "according to"	C	C +	B	B +	A	A +
Mandatory	Self declared			With external verification				With external verification
Optional	Examined by third-parties							
	Examined by GRI							

### 3.5 GRI principles applied in the Report development process:

- Materiality – the decisive factor in defining any information as being “material” to this Report was that the information had to notably affect the decision making processes of the stakeholders or cause any relevant social, economical or environmental impacts. In addition, the suggestions sent by the interested parties in response to the survey forwarded

along with our 2008 Sustainability Report (Annex II) were all taken into account.

- Inclusion of the stakeholders – the following were considered:
  - Governmental authorities – Municipal, state and federal.
  - Regulatory bodies.
  - Shareholders and investors – shareholders, banks and securities holders.



- **C**lients and consumers.
  - **C**ommunities in general and particularly those involved with Cemig’s services and projects.
  - **E**mployees.
  - **S**uppliers.
  - **U**niversities and research centers.
- **Scope** – the report is aimed at covering all relevant themes and indicators that reflect the economical, environmental and social dimensions, thus allowing for the evaluation of Cemig’s strategies and performance.

All data included in this Report were calculated in compliance with the GRI protocols or with the Brazilian accounting principles (BRGAAP).

### SETTING OF LIMITS TO THE REPORT

Cemig has investments mainly in the production, transmission and distribution of both electric energy and the distribution of natural gas. In order to set the limits of this Report, were selected companies whose sustainability impacts were most meaningful and also those upon which Cemig exerts a control or noteworthy influence regarding their policies and financial and operational practices. All data presented refer to the controlling company and its whole subsidiaries: Cemig – Companhia Energética

de Minas Gerais S.A., Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A., except when stated in the text. The accounting data in this report refer to the results of all companies in which Cemig has an equity stake, which were consolidated proportionally according to the criteria established in Brazilian Legislation (for further details, please see “Explanatory Note #3” from “Financial Statements”, on Cemig’s website). All non-accounting information related to other controlled/affiliated companies covered by this report should be available in the “Stockholdings and Interests” chapter or referred to specifically in the text.

### MAIN CHANGES IN 2009

The 2009 version of the Cemig Sustainability Report demonstrates an evolution if compared with preceding years’ reports. The 2009 Report underwent a thorough revision in relation to its structure, with the goal of making it easier to read. A specific chapter for Corporate Governance was created, offering a more comprehensive approach to the theme. The other chapters were maintained, sometimes reorganized, but all brought to light the most important factor: the sought-after balance amongst the three main aspects addressed by the report: namely, the economic, social, and environmental dimensions.

The GRI Content Index (which follows) presents a summarized outline of all information made

- 3.5
- 3.6
- 3.7
- 3.8

- 2.9
- 3.2

available by the Report in an organized and brief format. The 2007 Report had been created after the preliminary version of the GRI Sector Supplement, whereas the 2008 was produced based on the final version which led to the alteration of some previous indicators and the inclusion/exclusion of others. In the 2009 version of the Report, all indicators from the 2008 version were maintained and some new indicators were added, which was made possible by the evolution

of the Company's control and governance practices.

Another plus in the 2009 version is that the table of contents presents, in addition to the GRI indicators, references to the Global Compact indicators. References are made to these indicators throughout the Report, in order to make it easier for the reader to locate and identify them as well.



## REPORTING/GRI INDICATORS

REPORTING/GRI INDICATORS		PAGE	OBS.: (see note 1)	GLOBAL COMPACT (principles)
1	STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy	4		
1.2	Description of key impacts, risks, and opportunities	12		
2	ORGANIZATIONAL PROFILE			
2.1	Name of the organization	8		
2.2	Primary brands, products, and/or services	9		
2.3	Operational structure of the organization	9		
2.4	Location of organization’s headquarters	Back cover		
2.5	Number of countries where the organization operates	9		
2.6	Nature of ownership and legal form	9		
2.7	Markets served	9		
2.8	Scale of the reporting organization	8, 9, 17 Back cover		
2.9	Significant changes during the reporting period	4, 142		
2.10	Awards received in the reporting period	134		
3	REPORT PARAMETERS			
Report Profile				
3.1	Reporting period for information provided	140		
3.2	Date of most recent previous report (if any)	142		
3.3	Reporting cycle (annual, biennial, etc.)	140		
3.4	Contact point for questions regarding the report or its contents	140		
Report Scope and Boundary				
3.5	Process for defining report content	141, 142		
3.6	Boundary of the report	142		
3.7	State any specific limitations on the scope or boundary of the report	142		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	142		
3.9	Data measurement techniques and the bases of calculations	140		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	Back cover		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Back cover		
GRI Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report	144-151		
3.13	Policy and current practice with regard to seeking external assurance for the report	140		

REPORTING/GRI INDICATORS		PAGE	OBS.: (see note 1)	GLOBAL COMPACT (principles)
4	GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
Governance				
4.1	Governance structure of the organization	17		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		It does not apply to Cemig	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	19		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	19		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	19		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	19		
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	19		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	8,18		
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	18, 19, 21		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	19		
Commitments to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	28		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4, 16		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations		Non-material	
Stakeholder Engagement				
4.14	List of stakeholder groups engaged by the organization	22, 23, 112		
4.15	Basis for identification and selection of stakeholders with whom to engage	21		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	21, 112		

REPORTING/GRI INDICATORS		PAGE	OBS.: (see note 1)	GLOBAL COMPACT (principles)
Stakeholder Engagement				
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	112		
5	MANAGEMENT APPROACH AND PERFORMANCE INDICATORS			
Economic Performance				
Economic Performance Indicators				
Aspect: Economic Performance				
EC1	Direct economic value generated and distributed	39		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	13		7
EC3	Coverage of the organization's defined benefit plan obligations	99		1,2
EC4	Significant financial assistance received from government	43		
Aspect: Indirect Economic Impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement	41		1,2
Environmental Performance				
Environmental Performance Indicators				
Aspect: Materials				
EN2	Percentage of materials used that are recycled input materials	60		8
Aspect: Energy				
EN3	Direct energy consumption by primary energy source	63, Back cover		7,8
EN5	Energy saved due to conservation and efficiency improvements	63, 71		7,8
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	73, 75		7,8,9
Aspect: Water				
EN8	Total water withdrawal by source	62, Back cover		
Aspect: Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	66		8
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	67, 74		8
EN13	Habitats protected or restored	66, 67		8
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	65		7,8



REPORTING/GRI INDICATORS		PAGE	OBS.: (see note 1)	GLOBAL COMPACT (principles)
Aspect: Emissions, Effluents and Waste				
EN16	Total direct and indirect greenhouse gas emissions by weight	64, Back cover		
EN17	Other relevant indirect greenhouse gas emissions by weight.	65		
EN18	Initiatives to reduce greenhouse gas emission sand reductions achieved.	70, 75		7,8,9
EN20	NOx, SOx, and other significant air emissions by type and weight	65		
EN22	Total weight of waste by type and disposal method	60, Back cover		8
Aspect: Products and Services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	60, 62 ,64		7,8
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		It does not apply to Cemig	
Aspect: Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	65		
Aspect: Overall				
EN30	Total environmental protection expenditures and investments by type	52, Back cover		7,8
Social Performance Indicators				
Labor Practices and Decent Work Performance Indicators				
Aspect: Employment				
LA1	Total workforce by employment type, employment contract, and region	90, 91		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	98, 99		
Aspect: Labor/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements	101		3
Aspect: Occupational Health and Safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	106		1,3
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	110, Back cover	Corresponds to the frequency Rate, that uses the 200,000 hour-ratio	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	102, 103		1,2
LA9	Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions.	101		1,2

REPORTING/GRI INDICATORS		PAGE	OBS.: (see note 1)	GLOBAL COMPACT (principles)
Aspect: Training and Education				
LA10	Average hours of training per year per employee by employee category	94, Back cover		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	96, 98, 103		
LA12	Percentage of employees receiving regular performance and career development review	91		
Aspect: Diversity and Equal Opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	92		6
<b>Human Rights Performance Indicators</b>				
Aspect: Investment and Procurement Practices				
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	119		
Aspect: Child Labor				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	119		5
Aspect: Forced and Compulsory Labor				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	119		4
<b>Society Performance Indicators</b>				
Aspect: Community				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	81,88		
Aspect: Public Policy				
S05	Public policy positions and participation in public policy development and lobbying.	87		
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	25		
Aspect: Anti-Competitive Behavior				
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	25		
<b>Product Responsibility Performance Indicators</b>				
Aspect: Customer Health and Safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	110		1
Aspect: Product and Service Labeling				
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	116		

REPORTING/GRI INDICATORS		PAGE	OBS.: (see note 1)	GLOBAL COMPACT (principles)
Aspect: Marketing Communications				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	25		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	25		
Aspect: Customer Privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data	118		1,2

ELECTRIC UTILITY SUPPLEMENT (see note 2)		PAGE	OBS.: (see note 2)	GLOBAL COMPACT (principles)
2	ORGANIZATIONAL PROFILE			
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	Back cover		
EU2	Net energy output broken down by primary energy source and by regulatory regime	64		
EU3	Number of residential, industrial, institutional and commercial customer accounts	35		
EU4	Length of above and underground transmission and distribution lines by regulatory regime	Back cover		
5	MANAGEMENT APPROACH AND PERFORMANCE INDICATORS			
Economic Performance				
Electric Utility Sector-Specific Disclosure on Management Approach				
Aspect: Availability and Reliability				
EU6	Management approach to ensure short and long-term electricity availability and reliability	13, 28, 41, 44, 74, 75		1,2
Aspect: Demand-Side Management				
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs	30		
Aspect: Research and Development				
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	44, 52, 65, 71, 74, 75		1,2,7,8
Electric Utility Sector-Specific Economic Performance Indicators				
Aspect: Plant Decommissioning				
EU9	Provisions for decommissioning of nuclear power sites		It does not apply to Cemig	
Electric Utility Sector-Specific Economic Performance Indicators				
Aspect: System Efficiency				
EU12	Transmission and distribution losses as a percentage of total energy	37		

ELECTRIC UTILITY SUPPLEMENT (see note 2)		PAGE	OBS.: (see note 2)	GLOBAL COMPACT (principles)
<b>Environmental Performance</b>				
<b>Electric Utility Sector-Specific Commentary</b>				
Aspect: Biodiversity				
EN14	Report the impacts (including fragmentation and isolation), develop mitigation measures, and monitor residual effects at new sites and existing sites on the following: forested areas; loss of indigenous species; Landscape; and Marine freshwater and wetland ecosystems	65		
Aspect: Emissions, Effluents and Waste				
EN16	Report CO <sub>2</sub> <sup>e</sup> per MWh broken down by country or regulatory regime, for: net generation from all generating capacity; net generation from all fossil fuel generation; and estimated net delivery to end users	64, Back cover		1,2
Aspect: Emissions, Effluents and Waste				
EN20	Report emissions per MWh net generation	65		
EN22	Include PCB and nuclear waste	60, Back cover	Refers to PCB, as the Company does not generate nuclear waste	
<b>Social Performance</b>				
<b>Electric Utility Sector-Specific Disclosure on Management Approach – Labor Practices and Decent Work</b>				
Aspect: Employment				
EU14	Programs and processes to ensure the availability of a skilled workforce	97		
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	120		
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	123		
<b>Electric Utility Sector-Specific Commentary – Labor Practices and Decent Work</b>				
Aspect: Occupational Health and Safety				
LA7	Report on health and safety performance of contractors and subcontractors working onsite or on behalf of the reporting organization off site	110, Back cover		
<b>Electric Utility Sector-Specific Disclosure on Management Approach – Society</b>				
Aspect: Community				
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	12		
Aspect: Disaster/Emergency Planning and Response				
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	109		1,2
<b>Electric Utility Sector-Specific Disclosure on Management Approach – Product Responsibility</b>				
Aspect: Access				
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services	82, 88		

ELECTRIC UTILITY SUPPLEMENT (see note 2)		PAGE	OBS.: (see note 2)	GLOBAL COMPACT (principles)
Aspect: Provision of Information				
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services	111, 112		6
<b>Electric Utility Sector-Specific Commentary – Product Responsibility</b>				
Aspect: Customer Health and Safety				
PR1	State the processes for assessing community health risks including monitoring, prevention measures and, if applicable, long term healthrelated studies	110		
Aspect: Access				
EU28	Power outage frequency	37, Back cover		
EU29	Average power outage duration	37, Back cover		

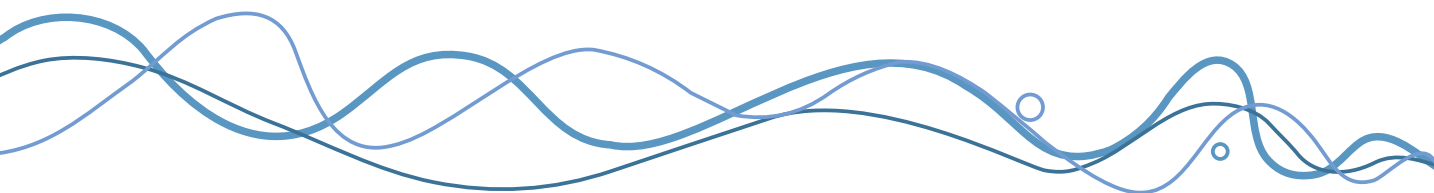
Note 1: observations in this field are complementary to the ones stated at the Report.

Note 2: indicators in this table refer to Electric Utility Sector Supplement, approved on April, 2009 and present a few changes relatively to the previous Supplement.

GLOBAL COMPACT'S PRINCIPLES		PAGE
<b>HUMAN RIGHTS</b>		
GC1	<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights	101, 102, 106, 109, 110, 118, 119, 120
GC2	<b>Principle 2:</b> make sure that they are not complicit in human rights abuses	101, 102, 109, 118, 119, 120
<b>LABOUR STANDARDS</b>		
GC3	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	101, 106, 119
GC4	<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour	119
GC5	<b>Principle 5:</b> the effective abolition of child labour	
GC6	<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation	92, 111
<b>ENVIRONMENT</b>		
GC7	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges	56, 58, 69, 71
GC8	<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility	49, 52, 56, 58, 65, 66, 67, 68, 70, 71
GC9	<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies	42, 44, 71, 74, 75
<b>ANTI-CORRUPTION</b>		
GC10	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	18



# ANNEX I



## BRAZILIAN ELECTRIC SECTOR REGULATION

The electric energy sector is formed by the segments of generation, transmission and distribution, which are public concession activities, in addition to the trade and free market segments. These segments operate in an interconnected manner, forming the National Interconnected System - SIN, which includes companies from the Southeast, South, Northeast, and parts of the Midwest and Northeast. The other localities in the Central West and North regions are not connected to the SIN and are isolated systems.

The institutions that regulate and supervise the sector are:

- **CNPE** – Conselho Nacional de Política Energética (The National Energy Policy Council).
- **MME** – Ministério de Minas e Energia (Ministry of Mines and Energy).
- **CMSE** – Comitê de Monitoramento do Setor Elétrico (Power Sector Monitoring Committee)
- **Aneel** – Agência Nacional de Energia Elétrica (National Agency of Electric Energy).
- **ONS** – Operador Nacional do Sistema Elétrico (National Electric System Operator).
- **CCEE** – Câmara de Comercialização de Energia Elétrica (Electric Energy Trading Chamber).



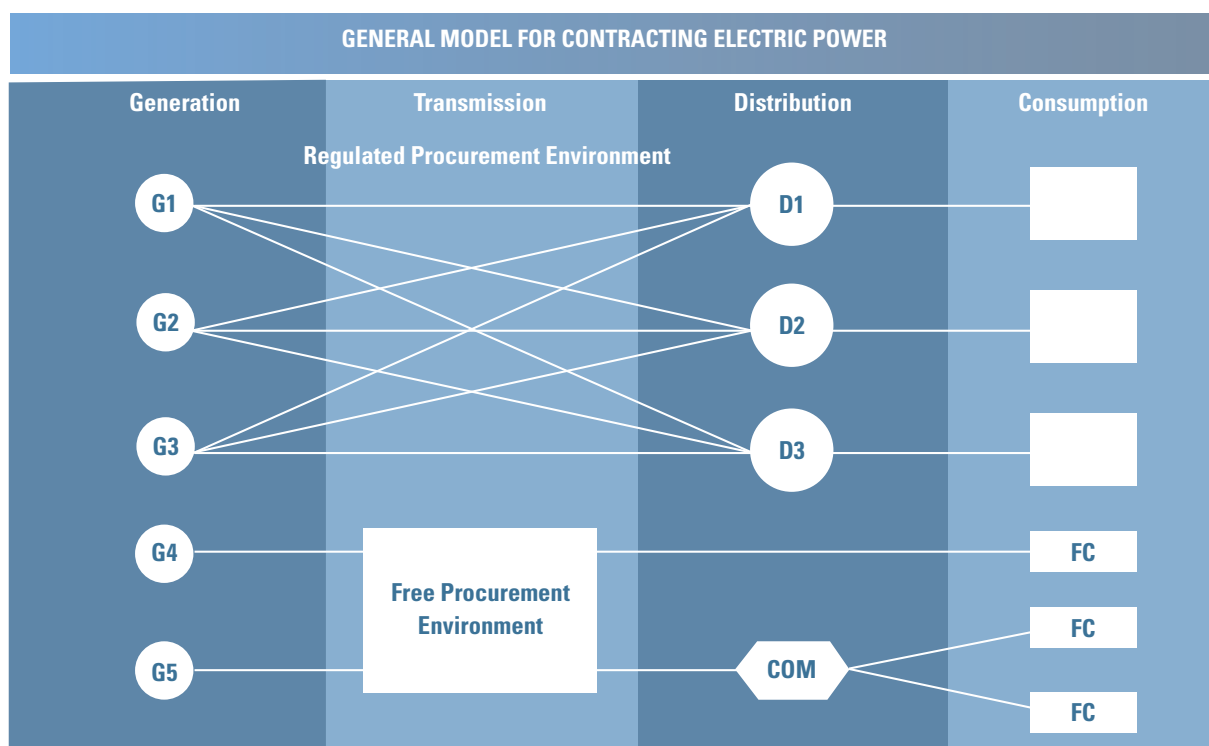
Law 10.848, of March 25, 2004, and Decree 5.163 of July 30, 2004, formed the basis of the current national electric energy sector regulation, regulating agents' activities in the various segments of this sector. These agents are characterized as:

- **Generation Agents.**
- **Transmission Agents.**
- **Distribution Agents.**
- **Commercialization Agents.**
- **Free Customers.**

Two energy procurement environments were also defined: the Regulated Procurement Environment

– ACR and the Free Procurement Environment – ACL. The ACR is the market segment in which the purchase and sale of electric energy between Generation Agents and Distribution Agents is carried out by means of bidding processes.

The ACL is the market segment in which the purchase and sale of electric energy, objects of contracts freely negotiated between Generation Agents, Trade Agents and Free Consumers are carried out. The characteristics and mode of action of various agents in the free and regulated environments will be explored in more detail in the following paragraphs. These are presented in simplified form in the diagram below:



Transmission Agents are those with the energy transmission assets that form the SIN Basic Grid. These agents cannot operate in Free Contract and Regulated energy trading environments. The assets of the Transmission Agents are paid solely through the Transmission System Utilization Tariffs – TUSTs paid by Generation Agents, Distribution Agents and Free Consumers connected to the Basic Grid. The expansion of the Basic Grid assets is done through public bidding. This process establishes the remuneration during the stated concession period.

Generation agents are those concession holders with permission or authorization to generate electricity in hydroelectric or thermal power plants. They may sell energy assets in the Free Procurement Environment – ACL or in the Regulated Procurement Environment – ACR. For the commercialization of energy in the ACR, Generation Agents participate in energy auctions promoted by the Ministry of Mines and Energy - MME on behalf of the Distribution Agents. For the commercialization of energy in the ACL, Generation Agents can freely negotiate with Free Consumers, Trade Agents, and other Generation Agents. For those Generation agents who hold concessions, permission or authorization in utility modality, energy trading must meet the transparency and free access criteria.

Distribution Agents are those who hold a concession, permission or an authorization to run distribution facilities, provide services

and supply electric energy to final consumers exclusively in a regulated way. The Distribution Agents have their tariffs for the sale of electric energy set by the Grantor and can only purchase energy to meet their needs through the purchase auctions promoted by the MME in the ACR or by a public call for the purchase of distributed generation, in this case up to the limit of 10% of their load.

Trade Agents are those agents authorized to purchase and sell electric energy in the ACL with Generation Agents and Free Consumers, but do not own any assets in the generation, transmission and distribution sectors.

Free Consumers are those who have to contract demand loads above 3,000 kW, regardless of the voltage level in which they are attended. Free Consumers negotiate their needs for energy purchase in the ACL with Generation and Trade Agents. If a captive consumer has a characteristic allowing him to become a Free Consumer, noting the duration of his current contract to captive supply, that consumer can become free with their inclusion in the CCEE and negotiate their need for electric energy in the ACL. Free Consumers are allowed to his return to the captive market of that Distribution Agent in the area where the consumer is connected to the energy grid, provided such decision is communicated to the Distribution Agent with a term of five years, whereupon a new captive supply should be signed.

There is another classification of Free Consumer, called the Special Consumer, which was introduced by Law 10.762, of November 11th, 2003. Because of this classification, electric power consumers or groups of consumers formed as per their commonality of interest, de facto or by law, whose demand loads exceed 500 kW, could purchase electric energy – regardless of the voltage provided – that is derived from the so-called “alternative sources”: hydroelectric power plants with an installed capacity of up to 30,000 kW, co-generation plants producing electric energy from biomass (sugar cane bagasse, rice husk, wood residue, among others) and solar and wind sources.

All activities of coordination and of energy generation and transmission operation control

within the SIN are performed by the ONS, which is a legal, nonprofit entity of private law that functions under the Grantor’s authorization. It is supervised and regulated by Aneel, and is comprised of holders of concessions, permissions or authorizations and free consumers who are connected to the Basic Network.

Finally, for the management of the commercial environment, the CCEE was founded. The CCEE is a legal, non-profit entity of private law functioning under the Grantor’s authorization and under Aneel’s regulation and oversight. It has the purpose of facilitating energy trading in the domestic electric sector, registering contracts, refining the measured values of consumption and generation and of enabling short term liquidation.



# GLOSSARY

**Abradee** – The Brazilian Electricity Distributors' Association. Initially the "Distribution Committee", Abradee transformed itself into an association in 1995. Its member companies comprise more than 95% of the Brazilian electricity distribution market.

**ADRs (American Depositary Receipts)** – Receipts for shares of a company not based in the United States, issued by a bank and held by a US bank as custodian.

**Aneel (Brazil's National Electricity Agency)** – An authority linked to the Brazilian Mining and Energy Ministry (MME) which regulates and inspects the activities of generation, transmission, distribution and sale of electricity. It has other functions: (I) to intermediate in conflicts between consumers and market agents and between market agents; (II) to grant, permit and authorize electricity facilities and services; (III) to homologate adjustments to tariffs; (IV) to ensure the availability of electricity supply throughout Brazil, and appropriate quality of the services provided; and (V) to stimulate investment and competition between the agents of the sector.

**Audit Board** – A body whose existence is not obligatory, responsible for inspecting and monitoring the acts of a company's management,

issuing opinions and providing information to the partners or stockholders.

**Balanced Scorecard (BSC)** – A method originated by academics of Harvard Business School, used in strategic management of the business of an organization.

**Biodigester** – Equipment used for the production of biogas – a mixture of gases produced by bacteria that digest organic matter in anaerobic conditions (that is, without oxygen).

**Biodiversity** – A term used to describe the wealth and variety of the natural world. Also referred to as biological diversity.

**Bio-fuels** – Fuels of biological origin, from renewable, not fossil, sources.

**Biomass** – In the context of electricity, any renewable resource arising from organic matter (of animal or vegetable origin) which can be used in the production of electricity.

**Board of Directors** – A committee decision body whose mission is to protect and increase the value of a company's stockholders' equity. The Board of Directors should have full knowledge of the values of the company and the purposes and beliefs of the partners or stockholders, and

make efforts for their improvement. It also has the responsibility of preventing and managing situations of conflict of interest or difference of opinion in such a way that the company's interest always prevails.

**Brazilian National Grid (SIN)** – The network and other transmission facilities that link generation and distribution systems in the South, Southeast, Center-West and Northeast regions of Brazil.

**Carbon Nanotubes** – Tube of carbon which can be used to provide energy efficiency gains since it is produced using nanotechnology.

**CCEE – Electricity Trading Chamber** – A nonprofit legal entity under private law which operates to enable purchase and sale transactions in electricity to be carried out between the agents of the CCEE, restricted to participants in the National Grid.

**CCEARs (Electricity Sale Contracts in the Regulated Market)** – Also referred to as “bilateral contracts”, these are agreements between each holder of a generation concession or authorization and all the holders of public service distribution concessions or permissions, which define the rules and conditions for the sale of electricity produced by generation enterprises.

**CDM (Clean Development Mechanism)** – A compensation mechanism specified by Article 12 of the Kyoto Protocol, which aims to help developed countries that are signatories to the Protocol (in its Annex I) to achieve their

targets for reduction of emissions and promote sustainable development in the developing countries. The CDM enables the Annex I countries to generate or purchase emission reduction certificates from projects developed in countries outside Annex I. In compensation, these countries have the possibility of accessing specific financial resources for the use and/or development of clean technologies.

**Co-generation** – Simultaneous production of electrical or mechanical energy and usable thermal energy in a simple energy conversion system.

**Co-processing** – The use of combustible industrial wastes and/or raw materials in high-temperature furnaces. From the operational and environmental point of view, an efficient and safe form of thermal destruction.

**Dividend** – The part of a company's profit that is distributed to its stockholders.

**Donation** – The free and definite transfer of financial resources or of asset ownership with the goal of providing for expenditures, investments and capital immobilization, with no reciprocation on the part of those benefitting from the resources (Brazilian Technical Accounting Norm – NBCT 10.16 item 10.16.1.18)

**Ebitda** – Earnings before interest, tax, depreciation and amortization, or operational cash flow. Expresses how much cash a company generates from its operations or principal business, after deduction of its operational



costs and expenses and without taking into account strictly financial gains or losses.

**Extraordinary General Meeting of Stockholders**

**(AGE)** – A meeting of the stockholders of a company, called and sitting in accordance with the law and the company's bylaws, for the purpose of deciding on any matter relevant to the company's objects that is not dealt with by the Ordinary (Annual) General Meeting of Stockholders (AGO). These meetings are called and held in accordance with the company's specific needs and, unlike the AGO, are not obligatory.

**Free Market** – Holders of generation concessions, Independent Power Producers (IPPs), Self-generating companies, electricity traders, importers of electricity and Free Consumers trade electricity freely in the Free Market – the Ambiente de Contratacao Livre (ACL) – or “Free Contracting Environment”.

**Global Compact** – United Nations initiative aimed at mobilizing the international business community to support, in their business practices, fundamental and internationally accepted values concerning human rights, occupational relations, the environment and the fight against corruption, which are reflected in 10 principles.

**Greenhouse Gas Protocol (GHG Protocol)** – The protocol on greenhouse gases, prepared in 1998 for the purpose of developing a standard

of accounting and disclosure of emissions of greenhouse gases (GHGs) to be internationally accepted and widely adopted.

**Greenhouse Gases (GHGs)** – Natural and man-made gases in the atmosphere which absorb and emit infrared radiation. Emissions of these gases were regulated by the Kyoto Protocol, an international treaty complementary to the United Nations Framework Convention on Climate Change (UNFCCC).

**Hedge** – A financial mechanism used by people or companies needing to protect themselves from fluctuations in prices which commonly occur in commodities or foreign exchange markets.

**Holding Company** – A company whose principal activity is to hold interests in one or more companies (subsidiaries), maintaining control or the power of coordination over them, usually by a majority holding of shares.

**Hydroelectric Plant** – A plant using mechanical energy of moving water to run rotors and generate electricity.

**Ichthyofauna** – Set of fish species within a certain bio-geographical region such as, for instance, a river or a river basin.

**Incineration** – The process of thermal destruction of wastes, through their exposure to temperatures above 1,000°C, transforming them into inert ash.

**IPCC** – The Intergovernmental Panel on Climate Change.

**Kyoto Protocol** – The protocol of an international treaty with rigid commitments for reduction of emissions of the gases which give rise to the greenhouse effect, causing global warming. Opened for signatures on December 11, 1997, and ratified on March 15, 1999. It came into effect on February 16, 2005. It proposes a calendar under which the member countries (mainly the developed countries) are obliged to reduce their greenhouse gas emissions to at least 5.2% below their 1990 levels in the period between 2008 and 2012, also called the Commitment Period. It also has the objective of guaranteeing a clean development model for the developing countries, through research and transfer of technology.

**Mainframe** – A large-scale computer, normally dedicated to processing of a large volume of information. Use of mainframes is now giving way to the use of servers.

**Market Capitalization** – Value of a company in the capital market on a given day: sum of the value of all shares representing its registered capital, according to the share price on the stock market on that date.

**Minnows** – recently-hatched fish.

**Mixed Private-Public-Sector Company** – A company jointly owned by the State and the private sector, in which the State holds more than 50% of the voting stock.

**MRE (Electricity Reallocation Mechanism)**

– A commercial process in which electricity generators share the financial risks associated with the centralized dispatching carried out by the ONS. Under the MRE, each plant is responsible for generation of a pre-established quantity of electricity (“assured energy”).

**ONS (the National System Operator)** – An agent under private law which coordinates and controls the operation of the electricity generation and transmission facilities in the Brazilian grid system. It is responsible for monitoring electricity consumption, and water levels in the reservoirs of Brazil’s principal hydroelectric plants.

**Ordinary General Meeting (Annual General Meeting)** – This meeting (the “AGO”) is obligatory in a Brazilian Corporation, and must be called annually to be held on a date up to 4 months after the close of the business year, to: (I) receive the accounts from the managers; and examine, discuss and vote on the financial statements; (II) decide on the allocation of the net profit for the year and the distribution of dividends; (III) to elect members of the Board of Directors and Audit Board; and (IV) to approve any adjustment to the monetary value of the registered capital.

**Photovoltaic Cell** – A device, typically made using monocrystalline silicon, that converts solar radiation into electricity.

**Photovoltaic Electricity** – Electricity obtained from solar energy by the use of photovoltaic cells, which absorb solar radiation and transform it into electricity.

**Proinfa** – Alternative Electric Energy Sources Incentive Program – Instituted by Federal Decree # 5.025/2004, managed by the MME – Ministry of Mines and Energy and executed by Eletrobras, it is intended to foster the diversification of the Brazilian Energy Matrix by promoting the increased participation of electric energy derived from small hydropower plants (SHPPs), biomass and wind power plants in the SIN – the National Interconnected System. The program foresees the implementation of 144 power plants with an installed capacity of 3,299.40 MW, of which 36% are to be generated by SHPPs, 43% by wind power plants and 21% derived from biomass, with a guaranteed 20-year energy purchase contract with Eletrobras.

**Project Concept Document** – Document devised according to specific methodology and based on technical and contextual data that are pertinent to the project. It must be validated by the Designated Operational Entity and approved by the Designated National Authority within the scope of the CDM, for it to be registered and assessed by the UNFCCC. If approved by the UNFCCC Executive Board it results in CER concessions.

**Protected Distribution Network** – Also known as compact networks: electricity distribution networks in which cables have a coating that avoids outages and accidents when trees fall, or there are other interferences.

**Regulated Market** – Distribution companies buy the electricity that they forecast they will need

for their captive consumers in the Regulated Market – the Ambiente de Contratacao Regulada (ACR) – or “Regulated Contracting Environment” through public tenders.

**RPPN** – Private Natural Heritage Reserve – This is a permanent conservation unit in privately owned areas aimed at preserving biological diversity. Established by Act # 9.985/2000 (SNUC).

**Saifi (System Average Interruption Duration Index)** – In electricity distribution, is the average time of outage, over a given period, suffered by each consumer unit in a given group.

**Saifi (System Average Interruption Frequency Index)** – In electricity distribution, is the average number of outages, over a given period, suffered by each consumer unit of a given group.

**Scope 1 Emissions** – direct greenhouse gas (GHG) emissions, which are defined in the GHG Protocol as those coming from sources that belong to or are controlled by the company. They are divided into five categories: stationary combustion; mobile combustion; physical and chemical processes that do not involve combustion; fugitive emissions; agricultural emissions.

**Scope 2 Emissions** – indirect greenhouse gas emissions coming from the acquisition of electric and thermal energy for the consumption of the company.

**Scope 3 Emissions** – indirect greenhouse gas emissions that occur in function of the company's

activities, but are derived from sources that do not belong to or are not controlled by the company itself.

**Securities and Exchange Commission (SEC)**

The regulator of the United States capital markets. Its equivalent in Brazil is the CVM (Comissao de Valores Mobiliarios).

**SESMT (Specialized Safety Engineering and Labor Medicine Service)** – A service whose purpose is to promote the worker’s health and safety in the workplace.

**Small Hydro Plant** – Any small-scale hydroelectric generating plant with installed capacity of less than 30 MW.

**Solar Energy** – Energy resulting from the use of the sun’s rays – by two methods: thermal and photovoltaic. In the thermal application, sunlight is used only as a source of heat for heating systems. In the photovoltaic application, sunlight is transformed into electricity.

**Stakeholders** – All the people, groups, organizations and systems that affect or are affected by the actions and activities of a company. Examples might be: stockholders, employees, the community, clients, suppliers, creditors, governments and NGOs.

**Stirling Engine** – An external combustion engine, also known as a “hot air engine” because it can use the gases of the atmosphere as its working fluid.

**Subsidiary** – A company whose financial and operational policies are directed by a controlling entity that benefits from its activities. The controlling company does not necessarily have to own stockholding control: the concept of control over a subsidiary arises from the capacity to direct its strategy and operations.

**Subsidies** – Transfers deriving from the Budget Act and granted by public sector bodies to both public and private entities with the objective of covering maintenance costs and expenditures, whether or not they are characterized by the respective reciprocal rendering of services or goods by that entity benefitting from the resources. (a) Social subsidies – those destined to public or private non-profit entities of a social assistance, medical, educational or cultural character so as to foster the rendering of essential services in replacement of private initiative; (b) Economic subsidies – those destined to public or private companies of an industrial, commercial or agricultural character, including for covering overhead deficits at public companies (Brazilian Technical Accounting Norm – NBCT 10.16 item 10.16.1.4)

**Substation** – A high-performance electricity facility containing equipment for transmission, distribution, protection and control of electricity flows. It functions as a control and transfer point in an electricity transmission

system, directing and controlling flows, transforming voltage levels, and functioning as a point of delivery to industrial consumers.

**Tariff Adjustment** – Updating of electricity prices specified in the concession contract, with the objective of preserving the economic and financial equilibrium of the concession-holding company.

**Tariffs for Use of Transmission Systems (TUSTs)**

– Tariffs owed by users (generators and free consumers) to transmission companies for the use of their transmission networks.

**Thermal Plant** – A plant that generates electricity from burning of a fuel – examples include coal, diesel oil, gas, and biomass.

**United Nations Framework Convention on**

**Climate Change (UNFCCC)** – Also known as the Climate Convention. Officially created at the United Nations Conference on the Environment and Development in Rio de Janeiro in 1992 (also referred to as the “Rio Summit” or “Earth Summit”) through an agreement signed by government leaders from all over the world. The objective of the UNFCCC is to seek stabilization of greenhouse gases at levels that will not result in dangerous climate change; and to limit emissions to levels that enable ecosystems to adapt to climate changes naturally and progressively.

**Volt** – see Units.

**Watt** – see Units.

**Watt-hour** – see Units.

**Wind Energy** – Electricity generated from the energy of the wind.

**Wind Farm/Plant** – An electricity generating plant that uses the power of the wind to generate electricity by moving a rotor.

**Units**

**Volt (V)** – Unit of electrical potential – and the electrical potential at which electricity supply is provided.

**Watt (W)** – Unit of electrical power. (Also used to specify the electrical power required for a device to function.)

**1 kilowatt (kW)** = 1,000 watts.

**1 megawatt (MW)** = 1 million watts.

**1 gigawatt (GW)** = 1 billion watts.

**1 terawatt (TW)** = 1 trillion watts.

**Watt-hour (Wh)** = Unit of electrical energy.

**1 kWh** = 1 kilowatt-hour = 1,000 Wh.

**1 MWh** = 1 megawatt-hour = 1 million Wh.

**1 GWh** = 1 gigawatt-hour = 1 billion Wh.

**1 TWh** = 1 terawatt-hour = 1 trillion Wh.

*(Convenience Translation into English from the  
Original Previously Issued in Portuguese)*

## ***Companhia Energética de Minas Gerais - CEMIG***

*Independent Auditors' Limited Assurance Report  
on the GRI Indicators Included in 2009  
Sustainability Report*

*Deloitte Touche Tohmatsu Auditores Independentes*



(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON THE GRI  
INDICATORS INCLUDED IN THE 2009 SUSTAINABILITY REPORT

To the Management and Shareholders of  
Companhia Energética de Minas Gerais - CEMIG  
Belo Horizonte - MG

1. We have reviewed the procedures used by the management of Companhia Energética de Minas Gerais - CEMIG (the "Company") to obtain and compile information and prepare the GRI indicators included in the Sustainability Report for the year ended December 31, 2009. The information on the indicators based on the general guidelines and the Electric Utility Sector Supplement provided by the *Global Reporting Initiative* (GRI) Release G3 included in the 2009 Sustainability Report has been prepared under the responsibility of CEMIG's management. Our responsibility is to issue a limited assurance report on the procedures used by CEMIG's management to obtain and compile the information relating to the indicators included in the 2009 Sustainability Report.
2. Our review was conducted in accordance with Assurance Standard and Procedure No. 1 ("NPO 1") - "Assurance Services Other Than Audit or Review of Historical Financial Statements", issued by the Brazilian Institute of Independent Auditors (IBRACON) and approved by Federal Accounting Council's Resolution 1160/09, of February 13, 2009, and consisted principally of: (a) discussion with CEMIG's management on the definition of the framework and content of the information related to its social, economic and environmental performance for inclusion in GRI's general indicators and Electric Utility Sector Supplement included in the 2009 Sustainability Report; (b) inquiry of and discussions with certain officials of the Company who have responsibility for accounting, financial and operating areas of CEMIG about the Company's main internal control systems used to obtain, validate and compile information; (c) comparison of significant accounting information to the financial statements audited by other independent auditors; and (d) review of the information and subsequent events that had or might have material effects on the information disclosed in GRI's general indicators and Electric Utility Sector Supplement included in the 2009 Sustainability Report. The procedures performed during our review were considered sufficient to provide a limited assurance level and, accordingly, do not contemplate those that might be required to provide a higher assurance level.

3. Our review was limited solely to the procedures used by the management of Companhia Energética de Minas Gerais - CEMIG to obtain and compile information relating to the indicators defined by the *Global Reporting Initiative* - GRI - Release G3, included in the GRI indicators in the 2009 Sustainability Report prepared by CEMIG's management and does not include any analysis and evaluation of the Company's social responsibility policies and procedures, also concerning projections, future plans, opinions, historical information and descriptive information disclosed in the GRI indicators included in the 2009 Sustainability Report, subject to subjective assessments. Since this review did not represent an examination in accordance with Brazilian auditing standards, we are unable to express, and do not express, an opinion on the information included in GRI's general indicators and Electric Utility Sector Supplement included in the 2009 Sustainability Report or on accounting information included by reference or disclosed in this report.
4. Based on our review procedures described in paragraph 2, we are not aware of any matters that would cause us to believe that the procedures defined and used by CEMIG's management are not effective, in all material respects, to obtain and compile information and prepare the GRI's general indicators and Electric Utility Sector Supplement included in the Sustainability Report for the year ended December 31, 2009, in accordance with criteria defined by the *Global Reporting Initiative* - GRI - Release G3.
5. The procedures defined and used by CEMIG's management to obtain and compile the information included in GRI's general indicators and Electric Utility Sector Supplement included in the Sustainability Report for the year ended December 31, 2008 were not reviewed by us or any other independent auditors.
6. This report has been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, May 14, 2010



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GOVERNO DE MINAS GERAIS