CEMIG
A Melhor Energia do Brasil.

# CEMIG ANNUAL & SUSTAINABILITY REPORT 2019

Aerial view of the reservoir and dam of Irapé hidroelectric power plant.

# CEMIG'S MAIN INDICATORS

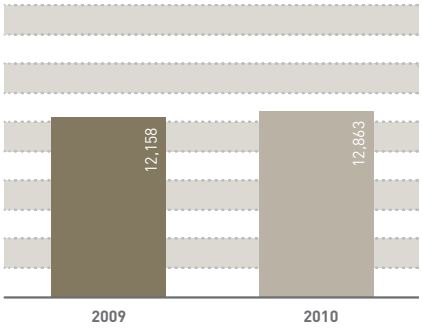
Financial data (Economic Dimension – in R$) are consolidated according to the IFRS. The other data refer to the controlling company (holding) Cemig – Companhia Energética de Minas Gerais S.A. and its whole subsidiaries: Cemig Distribuição S.A. (Cemig D) and Cemig Geração e Transmissão (Cemig GT) in accordance with the GRI – Global Reporting Initiative methodology.[1]

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| **General Data** | | | |
| Number of Consumers – thousand[2] | 6,602 | 6,833 | 7,065 |
| Number of employees | 10,422 | 9,746 | 8,859 |
| Municipalities serviced | 774 | 774 | 774 |
| Concession Area – Km²[3] | 567,478 | 567,478 | 567,740 |
| Saifi – Number of outgages (EU28) | 6.53 | 6.76 | 6.56 |
| Saidi – Hours of outgages (EU29) | 13.65 | 14.09 | 13.00 |
| Number of plants in operation[4] | 63 | 65 | 66 |
| Installed capacity – MW (EU1)[5] | 6,691 | 6,716 | 6,896 |
| Transmission lines – Km (EU4)[5] | 5,755 | 7,506 | 8,768 |
| Subtransmission lines – Km (EU4) | 16,810 | 16,959 | 16,835 |
| Distribution network – Km (EU4) Total | 436,905 | 450,316 | 453,935 |
| Urban | 87,086 | 96,971 | 91,465 |
| Rural | 349,819 | 353,345 | 362,470 |
| **Economic Dimension** | | | |
| Operational Net Revenues – R$ million | NA | 12,158 | 12,863 |
| Ebtida – R$ million | NA | 4,588 | 4,543 |
| Net profit (loss) - R$ | NA | 2,134 | 2,258 |
| Stockholders equity - R$ | 10,107 | 11,166 | 11,476 |
| Market value (R$ million) | 15,761 | 19,595 | 18,220 |
| Dividends paid (R$/share)[6] | 931 | 944 | 1,196 |
| Dividend Yield (%) | 6 | 6 | 9 |
| **Environmental Dimension** | | | |
| Funds invested in the environment – R$ million (EN30)[7] | 70.5 | 88.4 | 88.0 |
| Total waste produced – metric tons (EN22) | 7,410 | 4,600 | 3,598 |
| Waste recycled, reutilized or disposed of – metric tons (EN22) | 6,659 | 4,088 | 3,333 |
| Total Energy Consumption – GJ (EN3) | 2,899,634 | 434,960 | 622,852 |
| Total Water Consumption – m³ (EN8)[8] | 1,137,017 | 1,139,886 | 1,202,019 |
| Fingerlings for release – thousand | 616 | 523 | 523 |
| Production of seedlings – thousand | 416 | 421 | 360 |
| $CO_2$ emissions – metric tons (EN16) | 207,657 | 21,921 | 38,335 |
| **Social Dimension** | | | |
| Average number of hours of training per employee (LA10) | 71.25 | 72.43 | 75.66 |
| Social responsibility investments – R$ million[9] | 45,461 | 45,365 | 77,440 |
| Accident rate – own employees (LA7)[10] | 0.43 | 0.51 | 0.41 |
| Accident rate – outsourced employees (LA7)[10] | 0.94 | 0.96 | 0.60 |

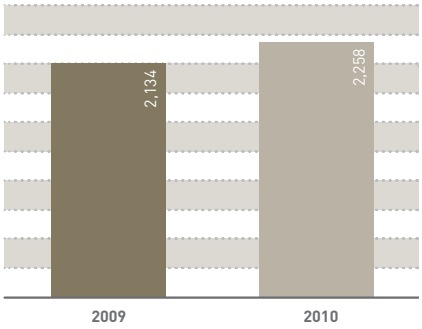
2.8
3.10
3.11

[1]For further information on the GRI methodology, please check: www.globalreporting.org.
[2]The chart with the number of consumers per category is described in item Cemig's Market.
[3]Brings changes in previous years, reflecting only the concession area of Cemig Distribuição.
[4]Figures for Cemig, contempling changes in previous years for compatibilization with the new criteria
[5]Consolidated Cemig figures, including the proportional participation in controlled / affiliated companies, contemplating changes in previous years for compatibilization with the new criteria.
[6]Proposal of Dividend Payment on 2010 results, presented to the General Shareholders' Meeting held in April, 29th, 2011.
[7]Total of resources applied in the environment directed towards operation and maintenance and to new ventures.
[8]Total water consumed for administrative and industrial purposes.
[9]Total of resources invested in external social indicators and total internal social indicators. For further details, see Social Balance Sheet.
[10]Number of accidents resulting in injuries, with time off, per 200,000 hours worked.

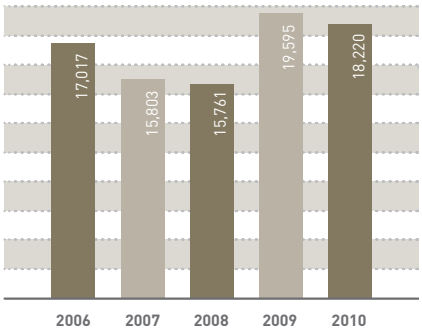
Net Operationa Revenues (R$ million)



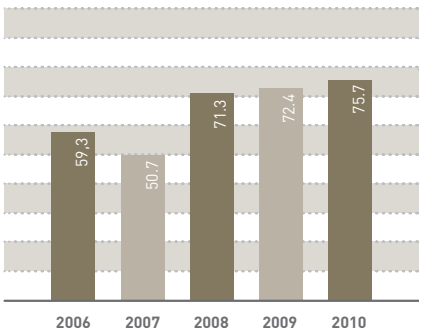

Net Profit (R$ million)



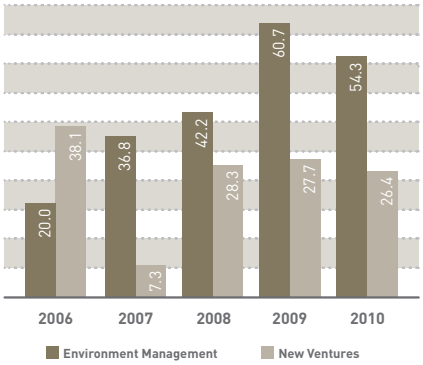

Market Capitalization (R$ million)



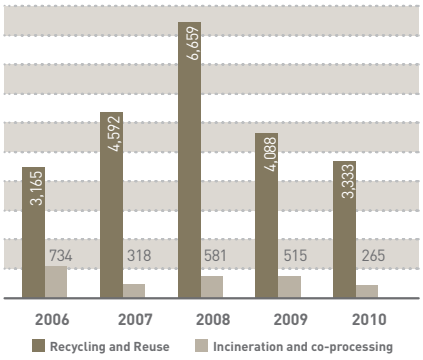

Average training hours per employee



### Resources for Environment (R$ million)

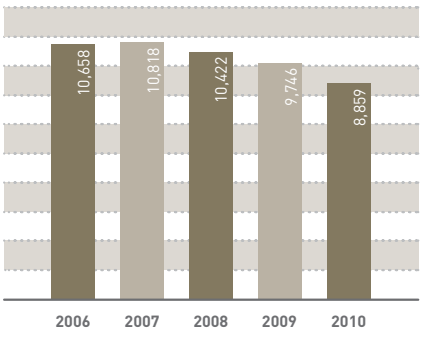



### Final Disposal of Waste (t)*

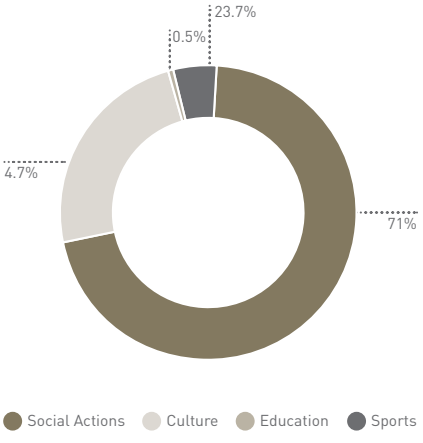



*In the period from 2009 to 2010, the volume of wastes sent to ladfill was zero.

### Consolidated Number of Employees




### Investment Areas



ENERGY SPINS TURBINES, SUPPLIES CITIES, LIGHTS HIGHWAYS, POWERS MACHINES AND BRIGHTENS HOMES.

IT'S ALMOST IMPOSSIBLE TO IMAGINE A WORLD WITHOUT ENERGY. IT'S EVEN MORE DIFFICULT TO IMAGINE THE FUTURE OF THIS ENERGY IF IT'S NOT RATIONALLY USED.

THIS IS THE CHALLENGE OF SUSTAINABILITY. A COLLECTIVE TEST, IN WHICH EACH OF US HAS TO RETHINK THE WAY WE ACT TO PROMOTE THE WELFARE.

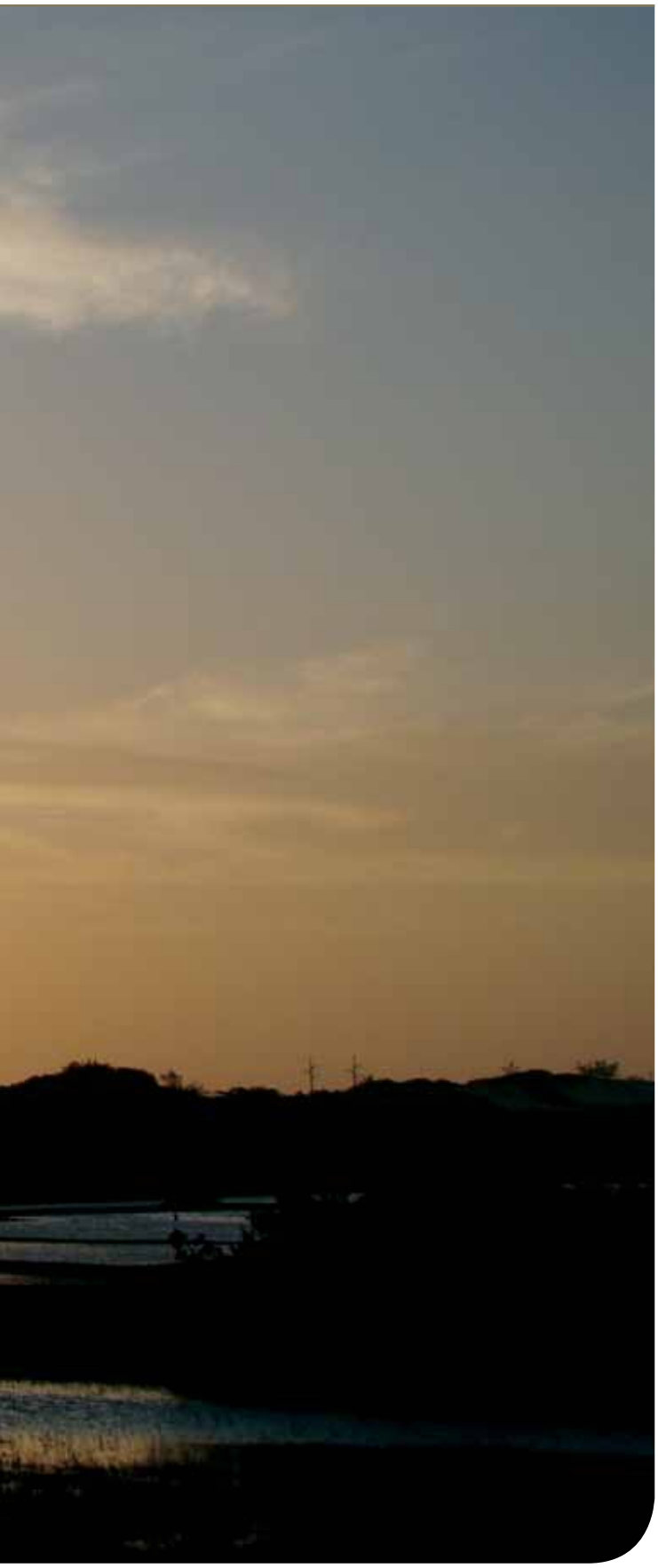
SINCE IT WAS FOUNDED, WHEN SUSTAINABILITY WASN'T EVEN SPOKEN OF, CEMIG HAS ASSUMED THIS COMMITMENT.

MORE THAN GENERATING, TRANSMITTING AND DISTRIBUTING ENERGY, CEMIG ORIENTS ITS ACTIONS ALONG A LONG-TERM HORIZON, WITHOUT FORGETTING ITS CORE VALUES.

ALL THIS IS PART OF A CIRCLE. THE MORE WE DEVELOP, THE MORE ENERGY WE NEED. AND THE MORE ENERGY WE GENERATE, THE GREATER OUR POTENTIAL FOR GROWTH.

A VIRTUOUS CIRCLE, WHICH BEGAN WITH THE FOUNDING OF CEMIG AND PERMEATES OUR VALUES AND GUIDES OUR ACTIONS, EACH AND EVERY DAY.

*PARAJURU WIND FARM*



# Highlights of 2010



- Installed capacity: 6,896 MW.
- Transmission lines: 8,768 km.
- Distribution Lines: 474,559 km.
- Market share – Brazilian Electric Sector:

  Distribution: **12%.**
  Energy Generation: **7%.**
  Electric Energy Transmission: **10%.**
  Sales to Free Consumers: **25%.**

- Market capitalization: R$ 18.2 billion (43% premium over equity accounting).
- Shareholders: 114,600, spread in more than 40 countries.
- 11th consecutive year in the Dow Jones Sustainability Index – DJSI World, 2010/2011 edition.
- 6th consecutive year in the BM&FBovespa S.A. Corporate Sustainability Index – ISE, 2010/2011 edition.
- For the second year in a row rated as Prime in sustainability by oekom research AG, a German sustainability rating agency.
- Selected to integrate the Efficient Carbon Index – ICO2 by BM&FBovespa S.A. and BNDES – Brazilian National Development Bank, which takes into consideration, for calculations with the participating shares, companies' emissions of Greenhouse Gases.
- Cemig Distribuição was classified as finalist in the PNQ 2010 (National Quality Award) by FNQ (National Quality Foundation).

# About this Report

2.9 3.1 3.2 3.3 3.4 3.9 3.10 3.11 3.13

For the first time Cemig presents the Annual and Sustainability Report in a consolidated manner, an important improvement compared to the previous years. Thus, the Company presents to stakeholders a set of more detailed information regarding to Cemig's profile and its actions and plans for the environmental, social, economic, corporate governance and strategy dimensions.

This report is also an instrument for dialogue with the various publics interested in the Company's performance. It is produced annually and the present version refers to the 2010 fiscal year.

In compliance with Brazilian corporate law, from 2010 fiscal year on, Cemig's financial statements began to be produced according to the IFRS (International Financial Reporting Standards). The adoption of the IFRS implies changing many acounting practices, which impacts on companies' financial statements are so significant that they become no longer comparable with the financial statements produced in the past years, in accordance with the BR-GAAP (Brazilian Generally Accepted Accounting Procedures). The Company has also produced the financial statements for 2009 (complete) and for 2008 (balance sheet only) and the 2009 Income Statement in accordance with the IFRS, aiming to allow comparability between the 2010 data and data from previous years.

The company has surrounded itself with devices aimed at guaranteeing the accuracy of the data contained in this report, among which are the extension of internal auditing to non-accounting data besides the mandatory auditing of accounting data. However, there may be revisions to the information presented in previous reports, whether in virtue of accounting reclassifications, a revision of measurement methods or even changes in the nature of the business as a result of acquisitions. In these cases, in order to facilitate understanding, an explanation regarding these modifications is presented together with the data.

Questions regarding this report may be sent to the Corporate Sustainability Superintendence or to the Investor Relations Superintendence (contact information is presented on the back cover of this report).

## ESTABLISHMENT OF THE LIMITS OF THIS REPORT

3.5 3.6 3.7 3.8

The data presented in this report refers to the controlling company (holding company) Cemig – Companhia Energética de Minas Gerais, and its whole subsidiaries: Cemig Distribuição S.A. (Cemig D) and Cemig Geração e Transmissão (Cemig GT), except when mentioned in the text.

The name **"Cemig"** is used in reference to the following set of companies: Cemig Distribuição S.A., Cemig Geração e Transmissão S.A. and Companhia Energética de Minas Gerais.

The name **"Companhia Energética de Minas Gerais"** is used in reference to the employees or operations solely within the scope of the "controlling" company, or that is, excluding its subsidiaries.

The message from management, profile and the accounting data refer to the results of all the companies in which Cemig has an equity stake, which have been consolidated proportionately in accordance with the criteria established in Brazilian corporate law (for further details see Explanatory Note Nr. 3 for the Standardized Financial Statements on the Company's website). The non-accounting data regarding the other controlled/affiliated companies covered in this Report are available in the "Profile" chapter or in specific references throughout the text.

## PRINCIPLES OF THE GLOBAL REPORTING INITIATIVE - GRI APPLIED IN THE PROCESS OF ELABORATING THE REPORT:



In order to elaborate this report, the guidelines of the Global Reporting Initiative – GRI G3 (third generation) were adopted, which guarantees comparability with other companies. In addition, indicators and comments from the GRI Electric Sector Supplement were included, as well as progress regarding compliance with the ten principles of the Global Compact.

All accounting data disclosed in this Report were previously audited by KPMG Independent Auditors during their audit of the Company's Financial Statements (the Financial Statements are available on the company's website and on the CD attached to the printed version of this report).

Though not legally obligated to do so, Cemig opted to submit the data from this edition of the Report to an independent audit, with the goal of lending a greater degree of reliability to this document. The audit work was performed by Bureau Veritas Certification. In the Annual and Sustainability Report, all the indicators from the 2009 version of the Sustainability Report were kept, with the addition of some new indicators, the measurement of which was possible based on the evolution of the Company's control and governance practices. In the 2010 version, this improvement culminated in the measurement of all the essential GRI indicators, leading the Company to the maximum level of GRI guidelines application: A+ (complies with all the essential guidelines and the data are submitted for external verification), in accordance with the chart below, transcribed from the GRI protocol:

| | Subject / level of application | C | C+ | B | B+ | A | A+ |
|---|---|---|---|---|---|---|---|
| Content | Profile | 1.1<br>2.1 – 2.10<br>3.1 – 3.8, 3.10 – 3.12<br>4.1 – 4.4, 4.14 – 4.15 | Audited by external auditor | All from level c +:<br>1.2<br>3.9, 3.13<br>4.5 – 4.13, 4.16 – 4.17 | Audited by external auditor | The same as level b. | Audited by external auditor |
| | Information on the type of management | Not required. | | Information about the type of management for each category of indicators. | | Information about the type of management for each category of indicators. | |
| | Performance indicators | A minimum of 10 performance indicators, with at least one from each: social, economical and environmental. | | A minimum of 20 performance indicators with at least one from each: human rights, labor, society, product responsibility, economic and environmental. | | Each essential GRI indicator and of the sector supplements, respecting the materiality principle: a) stating the indicator or b) explaining the reason why it was omitted. | |

| | | 2002 "According to" | C | C+ | B | B+ | A | A+ |
|---|---|---|---|---|---|---|---|---|
| Compulsory | Self declared | | | With external verification | | | | With external verification |
| Optional | Examined by third-parties | | | | | | | |
| | Examined by GRI | | | | | | | |

## RELEVANCE TEST[1]

4.14

In order to identifying the most relevant issues to be dealt in this report, Cemig engaged in a consultation process with its stakeholders.

The stakeholders were identified based on Cemig's Communication Policy[2] and are identified in the figure below:


For the purpose to conduct the Relevance Test, six groups of stakeholders that were to be consulted in person were identified: Employees, Suppliers, Communities, Large Clients, Consumers and Shareholders, totaling 72 participants.

The workshops were held with homogenous groups to ensure that the opinion of each public were duly considered and their demands and expectations addressed in the evaluation. Cemig did not participate in the workshops so as to provide greater freedom of expression to the participants.

In order to define the themes that will be dealt with in the report, in addition to the in-person consultations, the demands and requirements from the following groups and organizations were utilized:

- Sustainability Indexes such as the DJSI – Dow Jones Sustainability Index, ISE – Corporate Sustainability Index and oekom research;
- Governmental Authorities – identified through the indicators for the Annual and Socio-Environmental Responsibility Report for Electric Energy Companies established by ANEEL – National Electric Energy Agency; and
- The Press – through daily clippings of news articles related to Cemig from various press vehicles.

The Relevance Matrix, as well as the themes discussed by the stakeholders, is attached to this report's final part (as in annex).

## REPORT CONTENT (KEY)

The content of this report that refers to the GRI indicators and to the principles of the Global Compact are highlighted throughout the text, which facilitates their localization and association with the corresponding indicator or principle.

The Remissive Index of GRI Indicators and Global Compact Principles (Page 147) presents a summary of all the information available in the report, organized in a synthesized manner.

## GLOSSARY

To provide a better understanding of the themes presented in this report, Cemig provides a glossary, which is located on the Company's website at http://ri.cemig.com.br/static/enu/glossario.asp?idioma=enu.

*[1] Equivalent to the materiality test – GRI*
*[2] NO-02.14 of 03/08/2010 http://www2.cemig.com.br/cemig2008/content/sustentabilidade/NO-02.14.pdf*

CEMIG'S HEADQUARTERS

# Message from management

1.1

The year 2010 was notable for the consolidation for some advancements that the Company has been undertaking in the past few years with respect to its vision "To be, in 2020, one of the two largest electricity groups in Brazil by market capitalization, with a significant presence in the Americas, and world leader in sustainability in the sector".

In this context, acquisitions play a fundamental role: in the first half of 2010 we completed the process of making a public offer for the acquisition of Taesa shares in circulation, with the acquisition of 24.42% of the shares belonging to minority shareholders, amounting to R$ 1 billion, which raised our equity stake to 56.69% of the Company's total capital.

Another important acquisition concluded in the year was an additional 13.03% in Light's shareholding capital, with which our equity stake increased to 26.06%. Light is the energy distributor present in the second largest state capital in the country, Rio de Janeiro, which is to host the next Fifa World Cup in 2014 and the Olympic Games in 2016. This investment of R$ 749 million consolidates Cemig's position as the largest electric energy distribution conglomerate in Brazil, with more than 10 million consumers supplied in the states of Minas Gerais and Rio de Janeiro.

Of note is the effort on the part of the management to undertake value-adding acquisitions, always seeking to maximize the return on assets by promoting improvements in operational efficiency. As an example, we may highlight the results of Taesa, in which efficiency and profitability indicators have been showing continuous improvements under our management.

We have been continuously investing to ensure quality and the continuity of the electric energy supply to our Distribution clients. Worth noting is the Investment Program respective to the 2nd tariff revision cycle for Cemig Distribuição, for the period between 2008 and 2013. The Program invested more than R$ 3.2 billion with the goal of expanding and, most especially, renovating and improving the existing networks. These investments have already been reflected in improved quality and supply indicators for Cemig Distribuição in 2010, as they translate into improvements in the services rendered to the population of the State of Minas Gerais. In recognition of this effort, Cemig Distribuição was classified as a "Finalist" in the National Quality Award by FNQ – Fundação Nacional da Qualidade.

Cemig is the largest electric energy supplier to free consumers in the country, with a market share larger than 20% in this market segment. Despite the lower energy prices in the Brazilian market in 2010, the consolidated results were positively influenced by the revenues produced by involvement in energy trading contracts, thus consolidating Cemig's position as the largest energy free market trader in Brazil.

In its Distribution business, the Company continuously seeks to improve operational efficiency. The challenge is to reduce costs in an environment with heated demand that puts pressure on expenses related to the services provided and contracted workforce. In this scenario, voluntary dismissal plans were implemented in 2009 and 2010 and enabled the company to reduce its workforce by more than 2,000 people. We now face the challenge of consolidating these gains, with operational measures and financial discipline so that, as soon as 2011, we may come to obtain in Light and, mainly, in Cemig Distribuição, better results than those from 2010, when we faced some non-recurrent costs respective to a court settlement with free consumers, which impacted our bottom-line.

The year 2010 was finished with R$ 2.3 billion in profits, which represents the largest nominal profit in the Company's history. Similarly, cashflow generation, as measured by Ebtida, was R$ 4.5 billion, greater than the Company's financial projections announced to shareholders at our annual meeting, which was held in May in Belo Horizonte. We are confident that the current measures aimed at controlling costs and fostering operational efficiency and part of our permanent search for the efficacy in processes will be successful and will lead to improved results in our 2011 operations.

Our dividends policy, as provisioned for in the Bylaws, determines the payment of dividends equivalent to a minimum of 50% of the net profit, with additional dividends every two years, if the financial conditions allow it. In 2010, we distributed R$ 931 million in extraordinary dividends, reaching a total amount of R$ 1.83 billion, representing R$ 2.81 per share. This remarkable dividend distribution, added to the higher value of the company's shares, represents to shareholders a total return of 11.56% in 2010.

In 2010, more than R$ 10 billion of our shares were traded on the Bovespa alone, which makes Cemig's the most traded shares in the Brazilian securities market among those in the electric energy industry, and the shares boasting the best liquidity among those listed by the securities exchange in the USA.

We have, once again, been listed by the Dow Jones Sustainability Index World – DJSI, now for the 11th consecutive year, which makes the Company proud of the international recognition of its sustainability management practices concerning the socio-environmental and economic dimensions.

In reaffirming its positioning as a sustainable company, Cemig, one more time, had its socio-environmental risk classified as Prime by the German agency oekom research. The Company was also selected to compose the ISE/Bovespa – Corporate Sustainability Index for the sixth consecutive time, an index in which Cemig has been listed since its creation in 2005. Cemig was also selected for the Bovespa/BNDES ICO2 – Carbon Efficient Index, which lists 53.8% of the electric energy industry companies' shares.

In celebration of the International Year of Biodiversity, as declared by the UN – United Nations, the Cemig Biodiversity Policy was approved. It was developed with the participation of several segments of society involved with the theme, formalizing the principles that govern the Company's actions aimed at biodiversity conservation. As proof of the international recognition given to biodiversity programs, Cemig was one of five Brazilian companies selected to present projects at the UN Convention on biodiversity – COP10 in Nagoya, Japan.

We expect the Brazilian economy to continue growing in 2011, especially investments in infrastructure, in which investments in electric energy feature prominently. We understand that Cemig plays an important role in this process, as an energy company that serves millions of consumers and a significant portion of the large industrial clients in Brazil and will benefit from the opportunities for new projects which, allied with mergers and acquisitions, will reinforce our position of leadership in the process of consolidating the Brazilian Electric Sector.

We would like to thank all our collaborators for their commitment and competence, our more than 100,000 shareholders all over the world who have placed their trust in us, and, especially, our controlling shareholder, the Government of Minas Gerais. It is the integration of everyone's efforts that makes Cemig the Best Energy in Brazil.

# Executive Board[3]

DJALMA BASTOS DE MORAIS
CEO

ARLINDO PORTO NETO
Vice-President

FERNANDO HENRIQUE SCHÜFFNER NETO
Chief Distribution and Commercialization Officer

FREDERICO PACHECO DE MEDEIROS
Chief Corporate Management Officer

FUAD NOMAN
Chief Natural Gas Officer

JOSÉ CARLOS DE MATTOS
Chief New Business Development Officer

JOSÉ RAIMUNDO DIAS FONSECA
Chief Commercial Officer

LUIZ FERNANDO ROLLA
Chief Financial, Investor Relations and Equity Stake Financial Control Officer

LUIZ HENRIQUE DE CASTRO CARVALHO
Chief Generation and Transmission Officer

LUIZ HENRIQUE MICHALICK
Chief Institutional Relations and Communications Officer

MARIA CELESTE MORAIS GUIMARÃES
Chief Legal Officer

# Board of Directors[3]

DOROTÉA FONSECA
FURQUIM WERNECK
Chairwoman of the board

**Effective Members**
Dorotéa Fonseca Furquim Werneck
Djalma Bastos de Morais
Antônio Adriano Silva
Arcângelo Eustáquio Torres Queiroz
Francelino Pereira dos Santos
João Camilo Penna
Luiz Carlos Costeira Urquiza
Maria Estela Kubitschek Lopes
Guy Maria Villela Paschoal
Eduardo Borges de Andrade
Otávio Marques de Azevedo
Paulo Roberto Reckziegel Guedes
Ricardo Coutinho de Sena
Saulo Alves Pereira Junior

**Alternate Members**
Paulo Sérgio Machado Ribeiro
Lauro Sérgio Vasconcelos David
Marco Antonio Rodrigues da Cunha
Franklin Moreira Gonçalves
Luiz Antônio Athayde Vasconcelos
Guilherme Horta Gonçalves Júnior
Adriano Magalhães Chaves
Fernando Henrique Schüffner Neto
Cezar Manoel de Medeiros
Ricardo Antônio Mello Castanheira
Renato Torres de Faria
Newton Brandão Ferraz Ramos
Paulo Márcio de Oliveira Monteiro
Tarcísio Augusto Carneiro

# Fiscal Council[3]

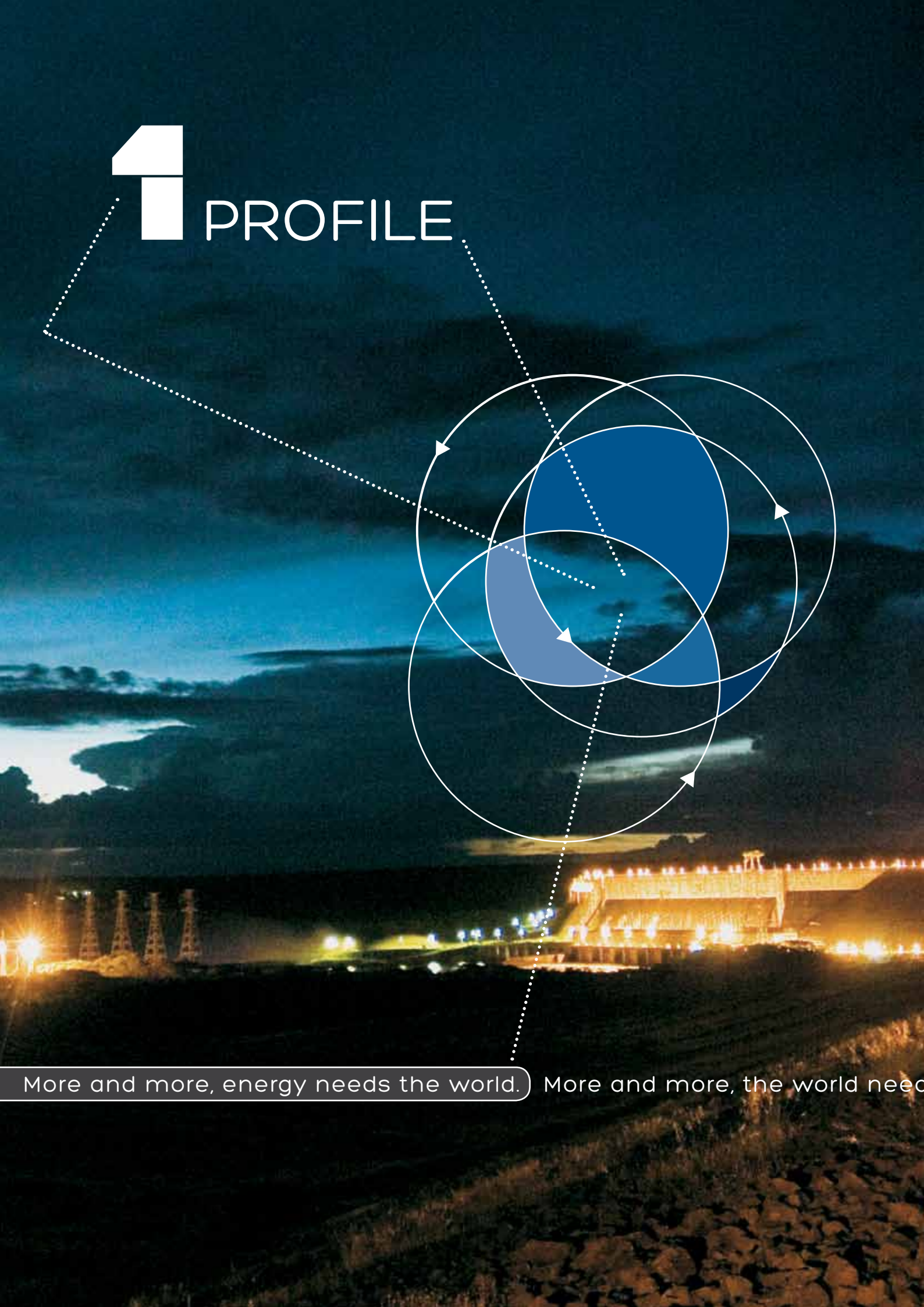
**Effective Members**
Aristóteles Luiz Menezes Vasconcellos Drummond
Luiz Guaritá Neto
Thales de Souza Ramos Filho
Vicente de Paulo Barros Pegoraro
Helton da Silva Soares

**Alternate Members**
Marcus Eolo de Lamounier Bicalho
Ari Barcelos da Silva
Aliomar Silva Lima
Newton de Moura
Rafael Cardoso Cordeiro

*[3]Information on the composition, election, mandate, main responsibilities and attributions of the Board of Directors, Audit Board and Executive Board, as well as the résumés of its members, are available on the Company's Investor Relations website at the following address: http://cemig.infoinvest.com.br/static/ptb/diretoria_conselheiros.asp?idioma=enu*

d more, energy needs the world. More and more, the world needs energy.

# PROFILE



More and more, energy needs the world. More and more, the world need

# Profile



Founded in 1952 by Minas Gerais governor Juscelino Kubitschek de Oliveira, the Companhia Energética de Minas Gerais – Cemig operates in the areas of electric energy generation, transmission and distribution and energy solutions (Efficientia S.A.). The Cemig conglomerate is constituted of 58 companies and 10 consortia. It is controlled by a holding company, headquartered in Belo Horizonte-MG, with assets and businesses in 18 Brazilian states and in the Distrito Federal, as well as in Chile. It also has investments in natural gas distribution (Gasmig S.A.) and in data transmission (Cemig Telecom).

Cemig is a mixed capital company controlled by the government of Minas Gerais State, which holds 51% of its common shares. In addition to the controlling shareholder, the Company has 114,600 shareholders in 44 countries (data from Dec. 31st, 2010) and shares listed on the BM&FBovespa S.A., New York Stock Exchange (NYSE) in New York and the Mercado de Valores Latino-Americanos (Latibex) in Madrid. Over the last five years Cemig's market value has risen from R$ 14.3 billion to R$ 18 billion.

The Company has 8,700 km of transmission lines and 67 generation plants with a total installed capacity of 6,896 MW.

In the area of electric energy distribution, Cemig has approximately a 12% share of the Brazilian market (captive and free markets). The Conglomerate has 475,000 km of distribution lines, serving roughly 18 million people in 774 municipalities.

In 2010, the Company increased its equity stake in Light, an energy distributor that serves the capital and other municipalities in the state of Rio de Janeiro, to 26.06%. It also has equity stakes in companies that comprise TBE – Transmissoras

*SÃO SIMÃO HYDROELECTRIC POWER PLANT*

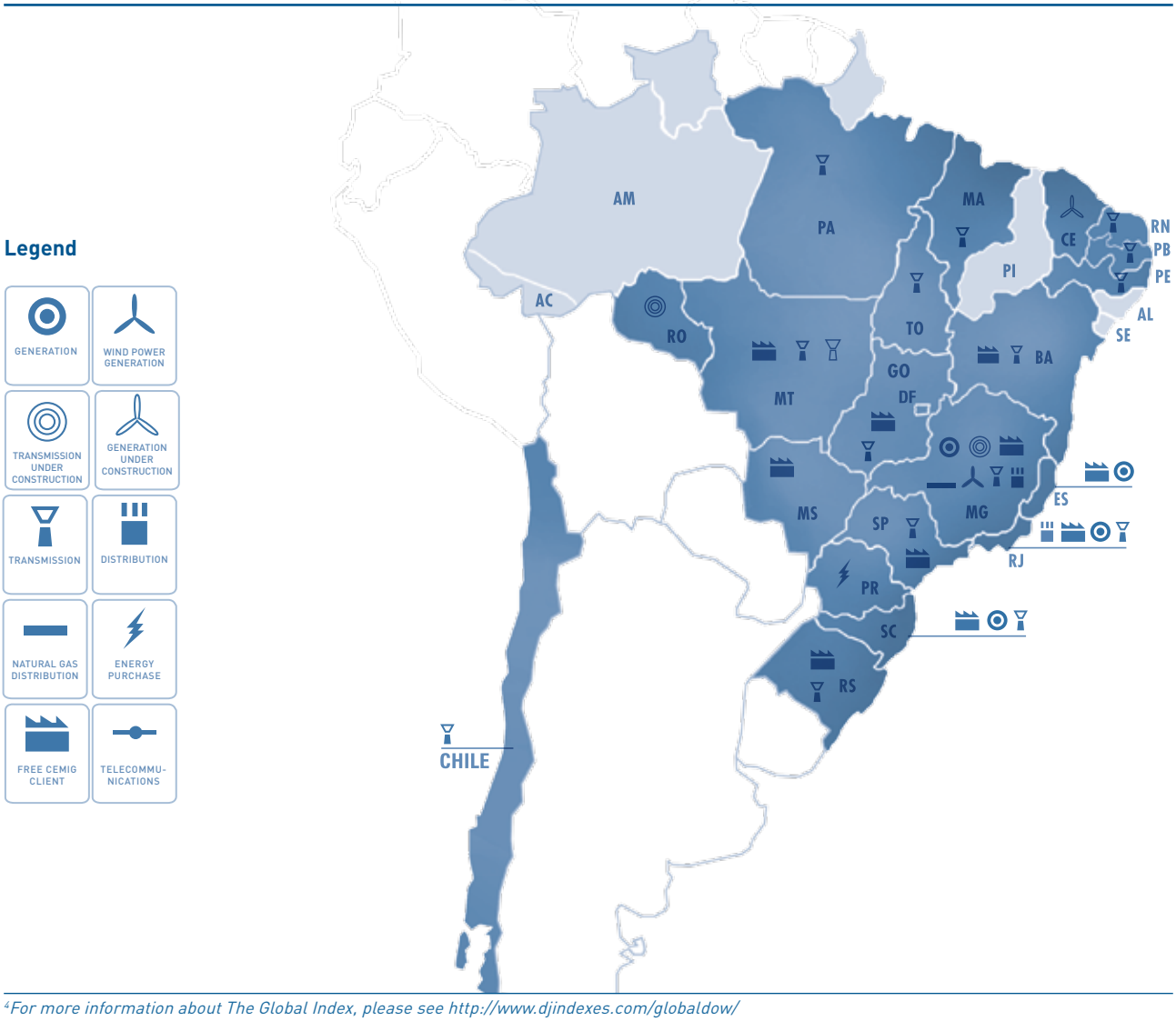
Brasileiras de Energia (see percentages in description of TBE in chapter 1.1), which owns and operates transmission lines in the North and South of the Country and a 56.69% equity stake in Transmissora Aliança de Energia Elétrica S.A. (Taesa).

The consolidated operational revenues reached R$ 12,863 billion in 2010, based on a matrix whose main source of energy is water resources (96.5% of installed capacity – data as of December/2010). As a result of its commitment to socio-environmental responsibility, solid economic-financial situation and management and technical excellence, the Company is recognized internationally as a benchmark in sustainability and has positioned itself as one of the main vectors for consolidation in the Brazilian energy sector.

Cemig is part of The Global Dow Index – GDOW portfolio with another 149 companies from 25 countries and is one of the three Brazilian companies to be part of this international index and the only one from the Latin American electric sector.[4]

At the end of 2010, Cemig had 8,859 direct employees.

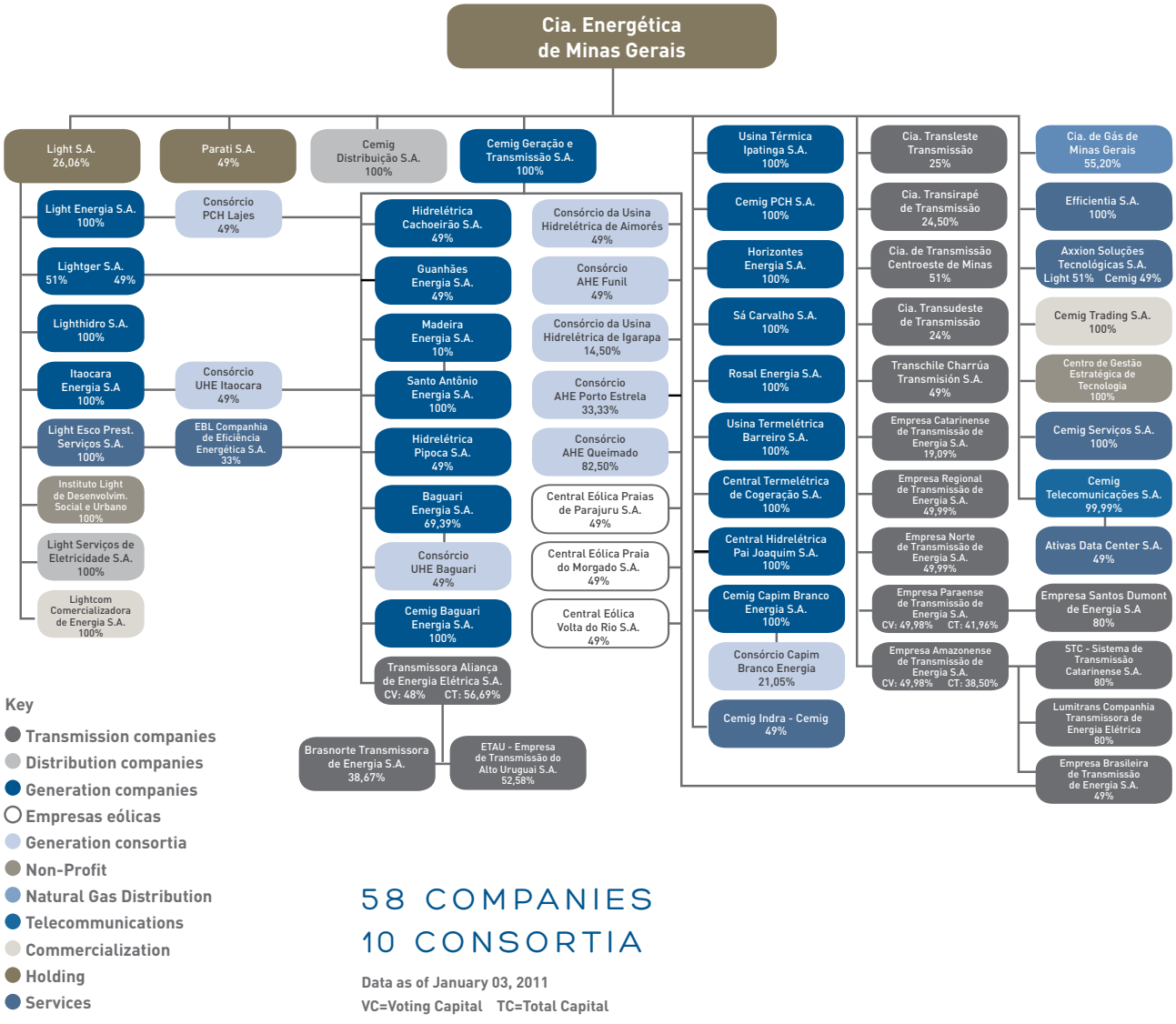
Below is a map of the location of the Company's main operations in Brazil.




[4] *For more information about The Global Index, please see http://www.djindexes.com/globaldow/*

Cemig is coordinated by a holding company and its two subsidiaries: Cemig Geração e Transmissão S.A. (Cemig GT) and Cemig Distribuição S.A. (Cemig D). It has equity stakes in an energy distribution utility company (Light) and in electric energy transmission companies (Taesa and TBE), investments in natural gas distribution (Gasmig) and data transmission (Cemig Telecom), in addition to two stretches of transmission line at the Charrúa and Nueva Temuco substations in Chile. Presented below is an organizational chart of the companies in the conglomerate:

**Cemig conglomerate companies and consortia**




58 COMPANIES
10 CONSORTIA

Data as of January 03, 2011
VC=Voting Capital TC=Total Capital

## MAIN CEMIG COMPANIES

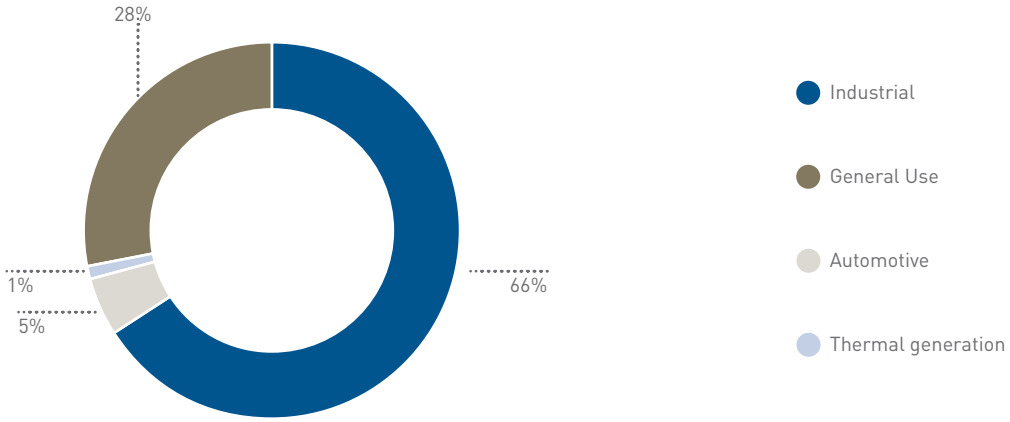
### Gasmig

The Companhia de Gás de Minas Gerais (Gasmig), which is owned by Cemig and Gaspetro (a Petrobras company) and whose main activity is the distribution of natural gas through pipelines in Minas Gerais, has 793 km of installed distribution networks, serving 41 municipalities in Minas Gerais, with industrial clients operating in 30 of these.[5]

[5] *For further information, please check: http://www.gasmig.com.br*

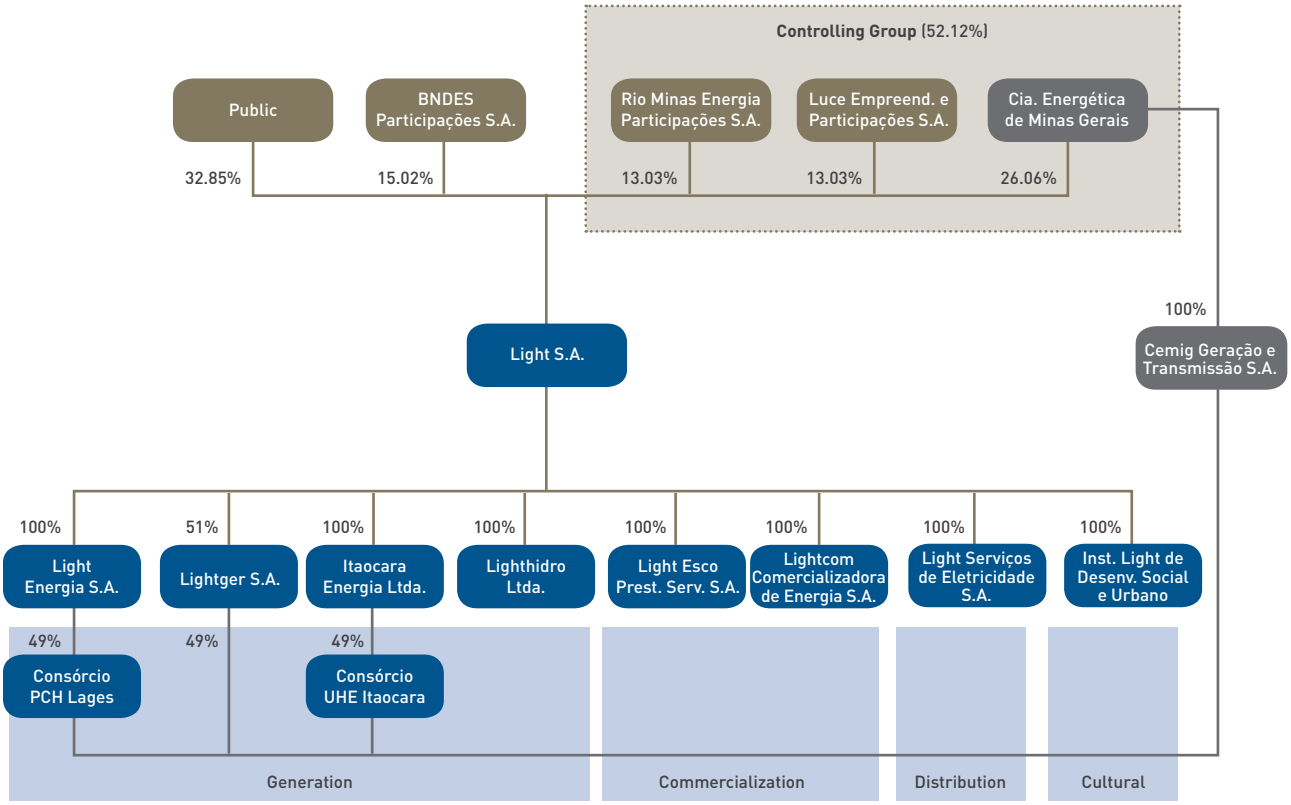
In 2010, 929,470,000 m³ were commercialized (compared with 551,105,000 m³ in 2009). Natural gas sales are broken down as per type of client in the chart below:

**Natural GAS Commercialization (%)**




## Light

Light S.A. (Light) operates in 31 municipalities in the state of Rio de Janeiro, covering a region with over 10 million people and a total of 4 million clients. Founded over a century ago, Light S.A. is a holding company that controls whole subsidiaries that participate in three business segments: Light SESA, in energy distribution, Light Energia, in energy generation and, in energy commercialization and services, Light Esco, LightCom and Light Soluções, the latter two created in 2010. Below is a chart showing the shareholder composition and the main equity stakes held by Light:



Light has strengthened even further its partnership with public and private institutions in the State of Rio de Janeiro. The reestablishment of the legal rights in the less favoured communities of this region, resulting from actions undertaken by the state, municipal and federal governments through PPUs (Police Pacification Units), has been fundamental to the Company enter in these communities and also fulfill its role of promoting citizenship among these populations. In 2010, R$ 55 million were invested in 12 communities with PPUs and in other 203 low income communities.

In 2010, Light's net revenues reached R$ 6.5 billion and its net profit was R$ 575 million.[6]

## Taesa

Transmissora Aliança de Energia Elétrica S.A. (Taesa) operates with the transmission of electric energy in 11 states in the country, through the controlled or affiliated companies Transmissora Sudeste Nordeste S.A. ("TSN"), Novatrans Energia S.A. ("Novatrans"), Empresa de Transmissão de Energia do Oeste S.A. ("ETEO"), Empresa de Transmissão do Alto Uruguai S.A. ("ETAU"), Brasnorte Transmissora de Energia S.A. ("Brasnorte") and Taesa Serviços Ltda. Together, these companies have 3,716 km of transmission lines integrated into the Basic Network of the National Interconnected System – SIN.

On May 7th, 2010 a public shares offer was held as a means of extending to minority shareholders the same share sale conditions as those of November 3rd, 2009, when Cemig GT acquired its equity stake in Taesa. This operation involved financial transactions of R$ 1 billion and Cemig GT and the Fundo de Investimento em Participações (FIP), together, increased their stake in Taesa by 29.42%. In doing so, Cemig GT and FIP came to hold, jointly, 95.28% of the total capital in Taesa, with 97.96% of the Common Shares and 86.17% of the Preferred Shares, with a total investment of R$ 3,149,231,000. Cemig's total equity stake is 56.69% of the Company's Shares.

On December 31st, 2010, the operational companies TSN, Novatrans, ETEO and Taesa Serviços Ltda. were incorporated, along with the reverse takeover of the Empresa Alterosa de Energia S.A. and Empresa Alvorada de Energia S.A. holding companies, which were created as a vehicle for the acquisition of the shares from the public offering. There was no alteration to the equity structure of Taesa as a result of these actions.[7]

## TBE

Transmissoras Brasileiras de Energia (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 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 31st of 2010, TBE had 142 employees. The TBE companies are as follows:[8]

**TBE Companies**

| Companies | Initial | Cemig's |
|---|---|---|
| Empresa Amazonense de Transmissão de Energia S.A. – Eate | mar/03 | 38.53% |
| Empresa Catarinense de Transmissão de Energia S.A. – Ecte | mar/02 | 19.09% |
| Empresa Paraense de Transmissão de Energia S.A. – Etep | aug/02 | 41.96% |
| Empresa Norte de Transmissão de Energia S.A. – Ente | feb/05 | 49.99% |
| Empresa Regional de Transmissão de Energia S.A. – Erte | sep/04 | 49.99% |
| Sistema de Transmissão Catarinense S.A. – STC | nov/07 | 30.82% |
| Companhia Transmissora de Energia Elétrica – Lumitrans | oct/07 | 30.82% |
| Empresa Brasileira de Transmissão de Energia S.A. – Ebte | Scheduled: apr/2011 | 68.64% |
| Empresa Santos Dumont de Energia S.A. – Esde | Scheduled: apr/2012 | 41.96% |

*Note: the table shows Cemig's direct and indirect equity stakes in the STC, LUMITRANS and ESDE companies and Cemig's direct and indirect equity stakes in EBTE.*

*[6] For further information, please check: http://www.light.com.br/ri/index_ri_en.htm*
*[7] For further information on Taesa, check: http://www.mzweb.com.br/terna/web/default_eni.asp?idioma=0&conta=46*
*[8] For further information on TBE, please check: http://www.tbe.com.br*

### Madeira Energia

The Special Purpose Company (SPC) called Madeira Energia S/A was established in August of 2007 in order to build, operate and perform maintenance on the Santo Antônio hydroelectric plant, which is part of the future Madeira River hydroelectric complex, through its whole subsidiary Santo Antônio Energia S.A. ("SAESA"). Equity stakes in this SPC are held by FURNAS (39%), Cemig (10%), CNO (1%), Odebrecht Investimento em Infraestrutura (17.6%), Andrade Gutierrez (12.4%) and Fundo de Investimentos em Participações (20%).

The construction of the Santo Antônio Hydroelectric Plant will require investments of R$ 16.1 billion and is scheduled for completion in November of 2015. However, the plant will gradually begin operations in December of 2011.

The project got its installation license on August 18th, 2008 and in September of that year the construction was begun on the right bank.

The Santo Antônio Hydroelectric Plant will be the sixth largest in Brazil in terms of installed capacity (3,450 MW) and the third in terms of assured energy.[9]

### Cemig Telecom

Cemig Telecomunicações S.A. (Cemig Telecom), formerly Empresa de Infovias S.A., uses Cemig's infrastructure to offer the largest optical network for telecommunications services in Minas Gerais providing its services manly to telecommunications companies. It has expanded its coverage to 12 municipalities this year, and now its telecommunications networks covers 41 cities and towns in Minas Gerais State.

Cemig Telecom and Ativas, an information technology company controlled by the Asamar Group, inaugurated their datacenter in 2010. With an initial investment of US$ 50 million and a 49% equity stake in Cemig Telecom,[10] the enterprise entered into operation with its own structure and recognition for two international certificates for availability and physical security, which attest the high technology and complexity of its products.

### Efficientia

Efficientia S.A. began operations in 2002 and the company's objective is to develop efficient energy usage solutions.[11] Through constant technological improvement and upgrades, Efficientia provides its clients with alternatives and projects that improve efficiency in energy use. The company provides gains in competitiveness and profitability to its clients through assistance, management and monitoring of results. Detailed information on projects undertaken by Efficientia is available in the Environmental Dimension of this Report.

## 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 Brazilian regions. The Midwest and North regions, which are not connected to the SIN, operate isolated systems. The commercial segments and the free market complete the sector. For further information, please check the Economic Dimension of thes report.

## KEY IMPACTS, RISKS AND OPPORTUNITIES

The efforts made towards providing continuity in operations and towards sustainable growth require severe monitoring of the socio-

[9]For further information on the Santo Antônio Hydroelectric Plant, please check: http://www.santoantonioenergia.com.br./site/portal_mesa_en/home/home.asprt
[10]For further information about Cemig Telecom, please check http://www.infovias.com.br
[11]For further information on Efficientia, please check: http://www.efficientia.com.br

environmental impacts resulting from these resources, always working to improve the society's quality of life and, simultaneously, reducing the economic-financial risks to which the Company is exposed.

In social terms, the Company identifies as key risks those associated with the displacement of populations when implementing its projects and the risk associated with the inadequate provision of energy distribution services, such as unscheduled interruptions and variations in voltage. To manage and minimize the risk associated with the displacement of populations, Cemig, as part of the licensing process, participates in public audiences and conducts all the necessary socio-environmental studies. In addition, the Company has an internal Service Instruction regarding socio-environmental negotiations, which establishes procedures to be adopted in processes that involve negotiations with stakeholders (communities, NGOs, public bodies and others) regarding issues related to the environment and the resettlement or relocation of populations in order to implement new enterprises or operate existing ones.

EC2

In order to minimizing the risks related to supply, in 2010 Cemig invested R$ 114.6 million in the improvement and maintenance of the distribution network. The goal is to reduce the number of interruptions and to reestablish energy supply as short as possible, diminishing inconveniences to the population and to businesses. For further information, see the item "Energy Quality" on the Economic Dimension of this report. All these actions are guided by Cemig's Communication Policy with the Community.

Cemig recognizes as major environmental risks to its activities the changes in environmental legislation and issues related to global climate change, which can result in physical, regulatory, and strategic risks.[12] Cemig's actions to minimize environmental risks can be found in the Environmental Dimension section of this report.

## Concessions

From an economic point of view, the most significant risk lies in the expiration of Cemig's concessions.

As established in Brazilian electric sector regulations (Laws 8987/95, 9074/95, 10848/04 and Decree 1717/95), from July of 2015 on, various electric energy generation concession contracts will end due to the expiration of the contractual term and, given the complexity of the issue, there is some legal uncertainty regarding whether it will be possible to extend the concession contracts or whether a new bidding process will be necessary. The Company's concession contracts indicate that, up to a horizon of ten years, the following amounts of installed capacity are at risk of not being renewed: 680.5 MW in 2015 and 380 MW in 2017. Some transmission facilities also run the risk of not being renewed. There is no way to guarantee that the current concessions will not be renewed under terms that are less favorable than those currently in place, which also adversely affects the Company's financial situation and operational results. Cemig and its controlled companies hold exploitation concessions, granted by ANEEL, in the areas of electric energy generation, transmission and distribution.

The Ministry of Mines and Energy has formed a technical workgroup to analyze the criteria that will be applied for renewals of generation, transmission and distribution concessions that expire as from 2015. Suggestions will be submitted to the National Energy Policy Council

*[12] For details in relation to climate risks, please, check Cemig's response to the Carbon Disclosure Project - CDP at: http://cemig.infoinvest.com.br/ptb/s-16-ptb.html [EC2]*


SÃO SIMÃO HYDROELECTRIC POWER PLANT

and, according to statements by participants of that group, will be aimed at reducing tariffs for consumers. The Company is working with the expectation that renewals of its concessions will be granted.

Details on location, installed capacity, date of authorization or approval and expiration dates can be found in Note Nr. 4 of the Financial Statements. Regulatory risks must also be considered. These result from the Company's relationship with ANEEL (National Electric Energy Agency). Among them are possible punishments, by ANEEL, for failure to comply with concession contracts and all applicable regulations.

In order to manage the risks to its reputation and image, Cemig uses indicators integrated into the Balanced Scorecard – BSC, in addition to an internal management process that, since 2008, has featured a workgroup formed of representatives of all the executive officers and is also responsible for the internal alignment of projects of strengthening the brand among the publics with which the Company relates. More information regarding this item can be found in the chapter 2 – "Strategy", item "risk management".

The risks identified by Cemig have come to be faced as new opportunities for the development of new markets and technologies. Launched in March of 2009, the Special Integrated Tree and Network Management Program – Premiar is the program that defines Cemig's policies and actions related to urban tree management, with a focus on a reduction in conflicts between trees and the electric network. Premiar is also focused to ensure the quality of the electric energy supply, implementing vegetation management programs and pruning trees with the frequency and quality necessary to prevent electric network interference. (For more information on the performance of the Premiar Program in 2010, please consult the item "coexistence with urban trees" in the Environmental Dimension chapter).

Other opportunities are related to the expansion of the supply of natural gas, investments in Small Hydroelectric Plants (SHPs), co-generation in the steel industry and studies on the future use of alternative energy sources, such as: solid urban waste, biomass and biomass waste, wind power, hydrogen, and other sources studied (for more information, please see the Environmental Dimension chapter).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# 2 STRATEGY

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# Strategy

4.8 Cemig's Vision, Mission and Values are the pillars of the Company's business.

The Company's Vision of the future, consolidated in 2009, is "To be, in 2020, one of the two largest electricity groups in Brazil by market capitalization, with a significant presence in the Americas, and world leader in sustainability in the sector".

The fruit of this Vision of the Future has been the definition of the strategic guidelines that shall serve as a base for the definition of the objectives and initiatives that the Company should pursue. In order to achieve its vision of the future for 2020 and to follow the 2005-2035 Long Term Strategic Plan, Cemig complies with the following directives:

- Strive to be a national leader in its markets, with a focus on market share;
- Strive for operational efficiency in asset management;
- Be one of the most attractive companies for investors;
- Be a benchmark in corporate management and governance;
- Be innovative in the search for technological solutions for its business;
- Be a benchmark in sustainability: social, environmental and economic.

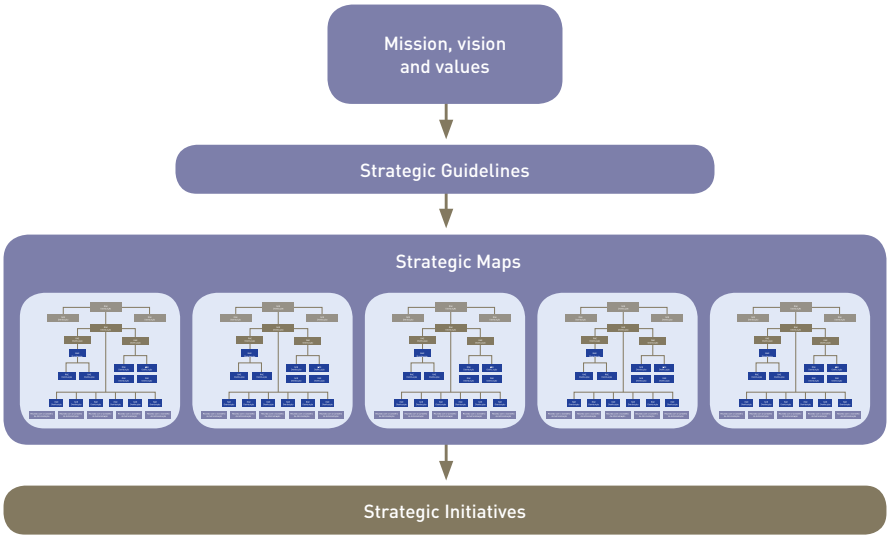
The Company's Mission is "To perform activities in the energy sector with profitability, quality and social responsibility".

Cemig's Values are as follows:

- **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 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.

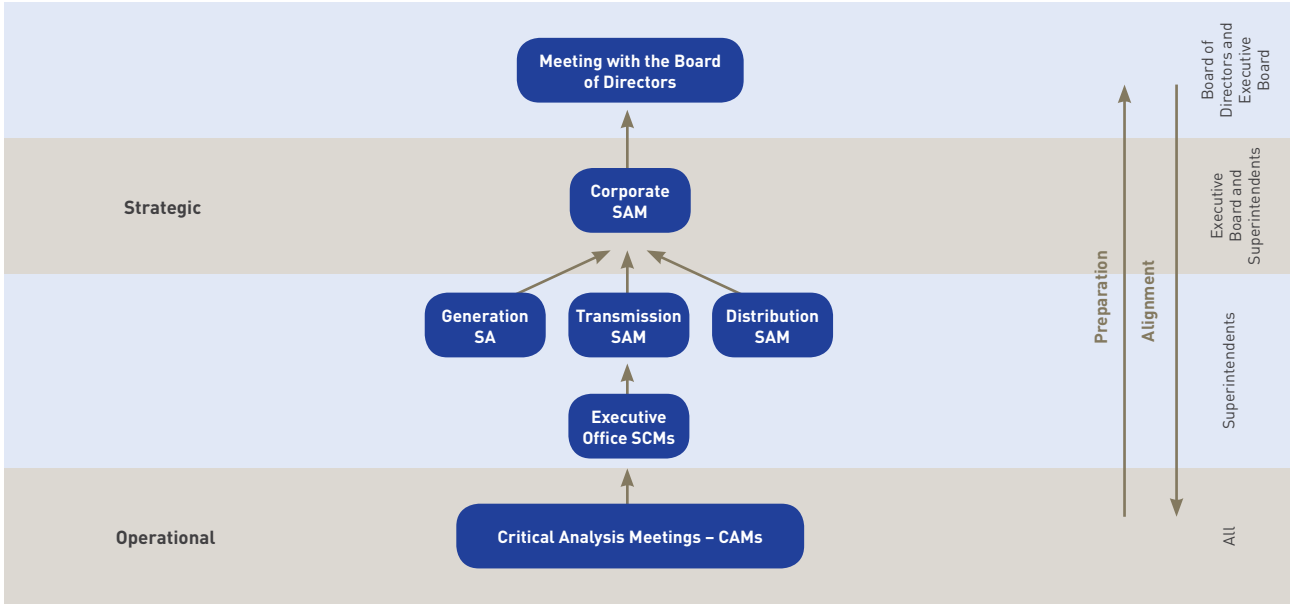
*SÃO SIMÃO HYDROELECTRIC POWER PLANT*

Cemig conducts its Strategy Management process with the assistance of the Balanced Scorecard (BSC) methodology, translating the company's strategy into strategic maps with objectives, indicators, goals and initiatives, which unfold into strategic maps for the Corporation and for the Generation, Transmission and Distribution Businesses.




All the maps are monitored through a structured flow of meetings with the goal of correcting deviations, revising and adapting the strategy, whenever necessary. These meetings begin with the CAMs – Critical Analysis Meetings, move through the SCMs – Strategy Contribution Meetings and end with the SAMs – Strategy Analysis Meetings, which allows greater employees' participation in the Strategy Planning and Management process.

The Executive Board, at the direction of the Board of Directors, deals with the critical issues related to the operations of the businesses controlled by Cemig and with major corporate challenges in the Strategy Analysis Meetings held quarterly, in which the objectives, indicators and goals from the strategic maps are monitored and any deviations are analyzed with the goal of evolving the discussions that are held in each cycle of meetings.



## INTANGIBLE ASSETS

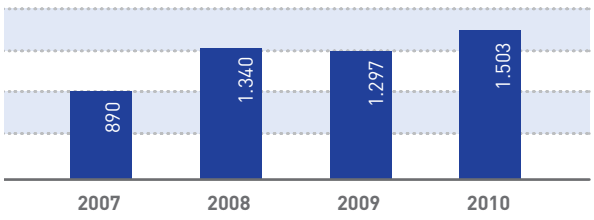
### Brand value

The strength of the Cemig brand has been growing each year and can be seen in the relationship with clients, shareholders, opinion formers (specialized media, environmentalists, NGOs, prefectures, and others), as well as investors and employees.

The value of the Cemig brand, and how much it contributes to the Company's business environment, has been undergoing periodical evaluations since 2007 through a survey of various publics regarding the following criteria: Credibility, Confidence and Solidness of the Company, Innovation and Technology, Ethics and Transparency, Quality, Management Practices, Development, Image, Tariff/Contract Conditions, Technical Support/Service, Socio-environmental Responsibility, Association with the State.

The evaluation conducted in March of 2010 was performed by an independent company – Brand Finance. The result of the Brand and Reputation Survey is important since one of the objectives of Cemig's strategic map is "To be one of the strongest brands in Brazil". One performance indicator for this objective is the result of this survey. The value of the Cemig brand, considering the opinions of shareholders in the generation, transmission and distribution businesses, is shown in the graph below:

**Value of Cemig's Brand (R$ million)**




### Intellectual Property

Cemig's Brands and Patents Office accompanied 8 patents granted, 47 patent applications in progress, 29 brands registered, 5 applications for brand names in progress, and 25 computer programs. Two new patent applications were filed with the Brazilian National Industrial Property Institute (INPI).

### Technology and Innovation

In 2010 Cemig Telecomunicações S.A. – Cemig Telecom began rendering services on its new GPON Network (Gigabit Passive Optical Network), which was installed using FTTH (Fiber-to-the-Home) architecture in 31 gated communities in the metropolitan Belo Horizonte region.

The technology employed in the FTTH GPON Project represents the "state-of-the-art" in multiservice telecommunications network technology and is the ideal network for ultra-broadband internet access. In Minas Gerais this is the first network to feature this technology. Cemig benefits from innumerable partnerships with research institutions with the goal of allowing the Company to actively participate in the development process for technology in those fields in which the Company operates.

The Company announces annually its demands for the collection of proposals that will be evaluated by Cemig's technical staff through what are called Technological Forums. These proposals, following a technical and strategic evaluation, are transformed into projects developed through an extensive network of partnerships, generating a range of products from prototypes of state-of-the-art technology to the licensing of products with commercial potential. In 2009 and 2010, over 400 proposals for R&D projects were received for assessment and prioritization by Cemig. Of these proposals, the 100 most innovative and best aligned with the Company's strategic objectives were selected to be transformed into research projects. The expected investment in these projects in the next few years is approximately R$ 150 million.

Through its Research and Development (R&D) Program, Cemig develops new methodologies, processes, software, materials, devices and equipment that are aimed at improving the electric system and the operative process, as well as the protection of the environment, personal safety and asset security. The R&D Program is composed of a range of projects spread over 12 different research themes. In 2010, 80 projects were ongoing, in which R$ 20 million was invested.

Among the technology and innovation projects begun in 2010, the Smart Grid deserves a highlight. This technology is the future of the relationship between the utility company and the final electric energy consumer – a new concept of the electric system with the intensive use of communication and information technology resources that increase efficiency, availability and safety, reduce the peak demand for energy and improve the services rendered. Noteworthy among the benefits offered is the prevention of damage to the network with the identification and correction of errors in real-time, the rendering of new services to consumers, remote service and maintenance, and the possibility of managing energy consumption in residences by means of mobile telephones, web applications and other common use interfaces.

In order to test the applicability of the smart grid, Cemig launched the Cities of the Future project in partnership with CPqD and FITEC, at a total estimated cost of R$ 32.5 million. The project, which is experimental, will be implemented in the city of Sete Lagoas-MG, as the region presents all the different types of Cemig's clients, such as residential, commercial, industrial and rural and presents the necessary scale for the test. In addition, UniverCemig, the Company's corporate university, is located in the region in an area that facilitates the conduction of the tests. Cemig is the first Brazilian utility to implement the concept of the smart grid in its totality.

Cemig is working on the development of a UAV (Unmanned Aerial Vehicle), with the goal of conducting inspections of its electrical system. The goal of using UAV technology in these inspections is to reduce costs and increase the frequency of inspection operations. The project is being implemented in partnership with FITEC and is expected to involve R$ 3.7 million in investments, of which R$ 2.4 million will come from a non-reimbursable subsidy from FINEP. Also in 2010, Cemig signed its first licensing contract for a product generated through its R&D Program. It is a contract with the Ritz do Brasil company and is the result of an R&D project begun in 2007. The use of a switch, associated with Live Line techniques, allows for corrective and preventive maintenance on transmission line terminals without having to turn them off. With this contract Ritz will pay royalties to Cemig for the right to industrialize and commercialize this product.

## INVESTMENTS

EC8

EU6

Investments in new projects and acquisitions play a fundamental role in helping Cemig to achieve its long term vision. The main investments made in 2010 are described below.

### New acquisitions

**Finalization of the acquisition of 25% of the voting capital in Light**

On March 25 of 2010, Cemig acquired 12.50% of the total and voting capital in Light S.A., which had been owned up that point by Andrade Gutierrez Concessões ("AGC"). The price paid by Cemig to purchase the shares was R$ 718,518,000, which corresponds to R$ 29.54 per share.

In November of 2010 the Company acquired an additional 0.53% of the total and voting capital in Light, which had also been held by AGC. The price for this 0.53% of the total capital in Light was R$ 31,949,000.

**Acquisition of equity stake – Lightger**

On August 18 of 2010 Cemig Geração e Transmissão acquired from Light S.A. 49% of the total and voting capital in Lightger S.A., which is a special purpose company controlled by Light that has been granted permission to engage in the Paracambi SHP project. Cemig GT paid R$ 19,960,000 for this stake.

**Option to purchase additional shares in Light**

Cemig exercised an option to purchase the shares held by Luce Investment Fund, which holds 75% shares owned by Luce Brasil Fundo de Investimentos em Participações. In exercising this option, Cemig would acquire ordinary shares that represent 9.75% of total and voting capital for the price of US$ 340,455,000, from which would be deducted any dividends and interest on own capital paid or declared by Light S.A. between December 01st, 2009 and the date on which the option is exercised.

The option was exercised on October 6th, 2010 when Enlightened Partners Venture Capital LLC, which indirectly controls Luce Empreendimentos e Participações S.A., announced its decision to exercise the option to sell the shares held by Luce Brasil Fundo de Investimento em Participações.

The closing of the deal is conditional on meeting specific established contractual requirements and on the approval of the competent authorities and, in applicable cases, of the financial agents or holders of debentures related to Light and its controlled companies.

**Acquisition of complementary equity stake in Transmissora Aliança de Energia Elétrica – Taesa**

On May 06th, 2010, Cemig GT made a Public Offer for the Acquisition of shares and units held by minority shareholders, through Transmissora Alterosa de Energia Elétrica. This resulted in the acquisition of 24.42% of the shares until then held by minority shareholders at a cost of R$ 1,002,000, which equates to R$ 15.57 per share. The premium paid in this transaction was R$ 523,000.

With this investment, Cemig GT, together with Fundo de Investimentos em Participação Coliseu, has concluded the process of acquiring Transmissora Aliança de Energia Elétrica – Taesa (formerly Terna Participações). The minority shareholders that did not accept the Public Offer for the Acquisition of the shares continue to hold 4.72% of Taesa's shares freely floating on the Market.

**Acquisition of equity stake – Ativas Data Center S.A.**

On July 08th of 2010, Cemig Telecomunicações S.A. signed a Shares Purchase and Sale contract with Ativas Participações S.A. for the purchase of 49% of the voting capital in Ativas Data Center S.A., whose core business is rendering Information and Communication Technology – ICT infrastructure supply services to medium and large companies. The initial investment was R$ 6,753,000.

In addition, Cemig makes investments in new generation, transmission, distribution and natural gas projects. The main projects are described below:

## Generation

Cemig concluded two energy generation projects in 2010: the Baguari Hydroelectric Plant and the Pipoca Small Hydroelectric Plant.

| Enterprises | Power | Cemig equity stake | Investment through to 2010 R$ million | Operations start-up |
|---|---|---|---|---|
| Baguari Plant | 140 MW | 34.00% | 181 | may/2010 |
| Pipoca SHP | 20 MW | 49.00% | 17 | october/2010 |

The table below shows the currently ongoing projects:

| Enterprises | Power | Cemig equity stake | Investment through to 2010 R$ million | Scheduled start-up |
|---|---|---|---|---|
| Santo Antônio Plant | 3,150 MW | 10% | - | 1st half of 2012 |
| Paracambi SHP | 25 MW | 49% | 37 | 2nd half of 2011 |
| Dores de Guanhães, Senhora do Porto, Fortuna II and Jacaré SHPs | 44 MW | 49% | 10 | (*) |

*(*) Enterprise in feasibility study stage*

Cemig has been conducting a broad repowering program for its plants with the goal of reestablishing the useful life of its plants, estimated at 30 years following the repowering.

A large, detailed diagnostic of the plants was performed with the objective of assessing the investments necessary for the facilities repowering. The total resources needed for these repowering projects will be on the order of R$ 1.7 billion over the next 15 years.

With the goal of expanding generation through more efficient exploitation of existing assets, an SHPs expansion program was structured, which is currently in the basic project conclusion and environmental study phases. Through the program, 23 SHPs with a total installed power of 106 MW were identified that, through this expansion, will have their total installed power increased to approximately 303 MW.

Of note among the benefits identified in the SHPs expansion program are a reduction in plant maintenance and operation costs, the elimination of losses with the Assured Energy Reduction Mechanism, avoided costs related to the maintenance and refurbishing of equipment and civil structures and others.

Cemig is implementing the Long Term Strategic Plant and Substation Automation Plan with investments on the order of R$ 17 million.

## Transmission

Cemig transmits both the energy generated at its own plants and energy purchased from Itaipu, wich power plant belongs to the Interconnected System and other sources. Cemig's transmission network is composed of transmission lines with a voltage capacity equal to or greater than 230 kV and is integrated into the Brazilian transmission network.

With the implementation of the tele-assistance modality for transmission substations, completed in 2010, the Operations Center began to remotely control all the substations operated by Cemig Geração e Transmissão S.A.

In the second cycle of Cemig GT's tariff revision, ANEEL authorized investments in improvements of R$ 38,772,000 annually for the 2009-2012 cycle, for a total of R$ 155,087,000 during this period.

The company has been investing in the construction of new transmission lines and substations.

The projects concluded in 2010 are shown below:

| Enterprises | Power | Investment through to 2010 R$ million | Scheduled start-up |
|---|---|---|---|
| Furnas – Pimenta LT | 51% | 18 | March 25 |
| Charrúa – Nueva Temuco TL | 49% | 41 | January 21 |
| EBTE TL | 49% | 103 | December |
| Pirapora 2 – Várzea da Palma 1 LT | 100% | 3 | July 03 |
| S. G. do Pará Substation | 100% | 11 | May 22 |
| Jaguara Substation | 100% | 9 | August 07 |

The Barreiro and Conselheiro Lafaiete substations are under construction and scheduled to start operations in 2011. Four and seven million reais have been invested in these projects, respectively.

## Distribution

Of note among the investment programs aimed at distribution are the following:

**Luz para Todos (Light for Everyone) Program – Universal access and use of electric energy**

EC4
EC9

After conclusion of the 1st phase of the program (LPT I) in 2008, with the connection of roughly 190,000 rural properties, additional demand of 95,000 residences/establishments that needed to be served was identified.

Of this additional demand, Cemig has already signed a contract with Eletrobrás for the second and third stages, which will serve 70,000 new residences/establishments by April of 2011, with investments on the order of R$ 796 million and a further 25,000 clients serviced, which should be concluded by December of 2011, with investments on the order of R$ 355.7 million.

**Cresceminas Program**

The Cresceminas Project, also characterized as one of the Minas Gerais State Government's structuring projects, has the main goal of expanding the availability of electric energy distribution infrastructure in order to meet the demands resulting from growth in the State market. Of note in this project is the ongoing work to reinforce substations, distribution lines and networks, covering 687 km of distribution lines, the availability of a further 620 MVA, with 11 new substations, 101 expansion projects at various existing substations, 2,052 km of new distribution networks and improvements and reinforcements for 2,750 km of medium voltage networks. This set of projects will benefit approximately 310 municipalities (40.1% of the total in the state).

Investments on the order of R$ 759 million are planned for the 2006-2012 period, with investments of R$ 384 million in High Voltage and R$ 260 million in Medium voltage already having been made.

**Urban Electrification Program – Clarear**

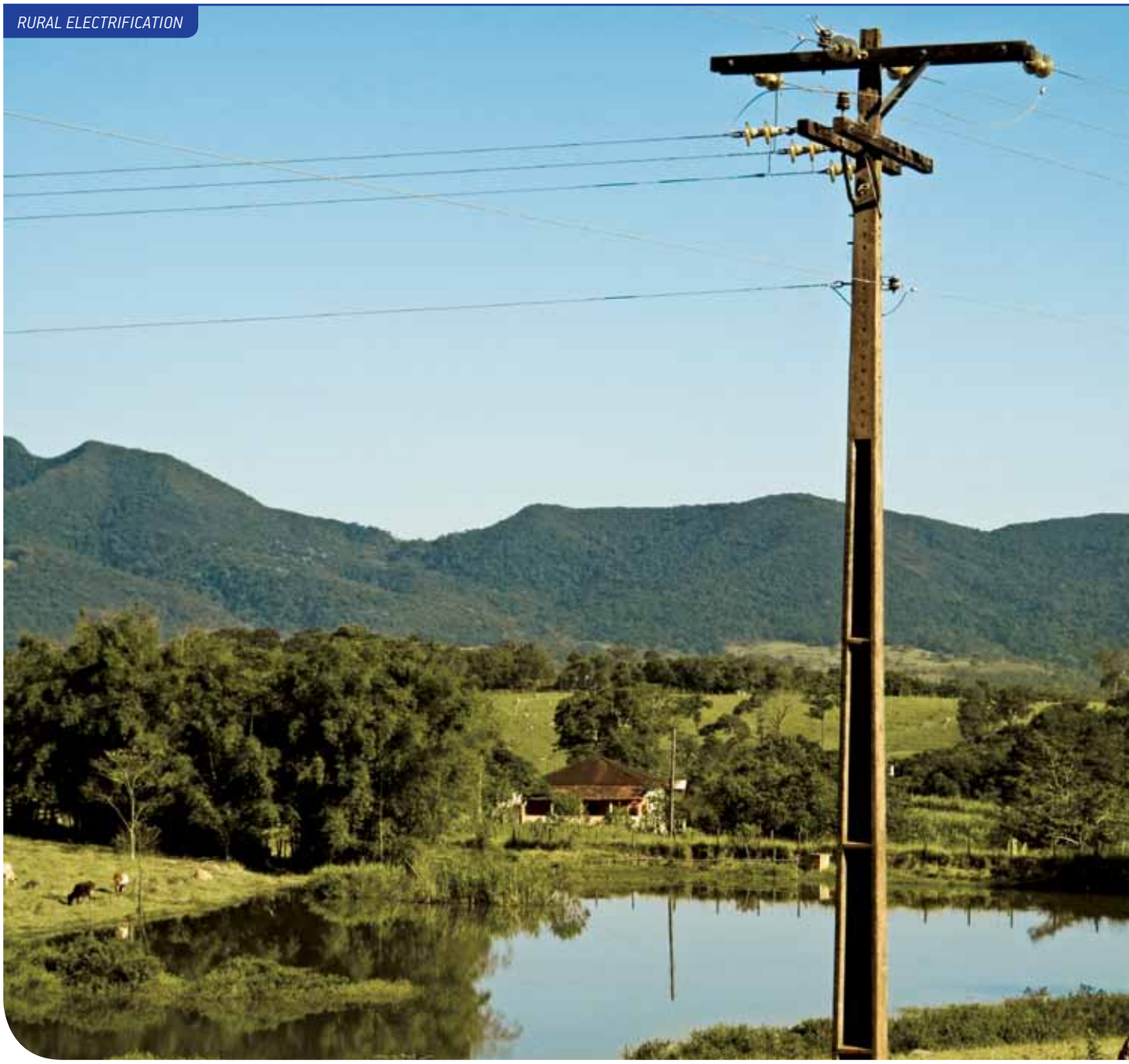
The Clarear Program is constituted of projects related to the connection, extension, modification and reinforcement of the medium and low voltage distribution network in order to serve consumers located in urban areas, thus maintaining universal access to energy within Cemig Distribuição's urban concession area.

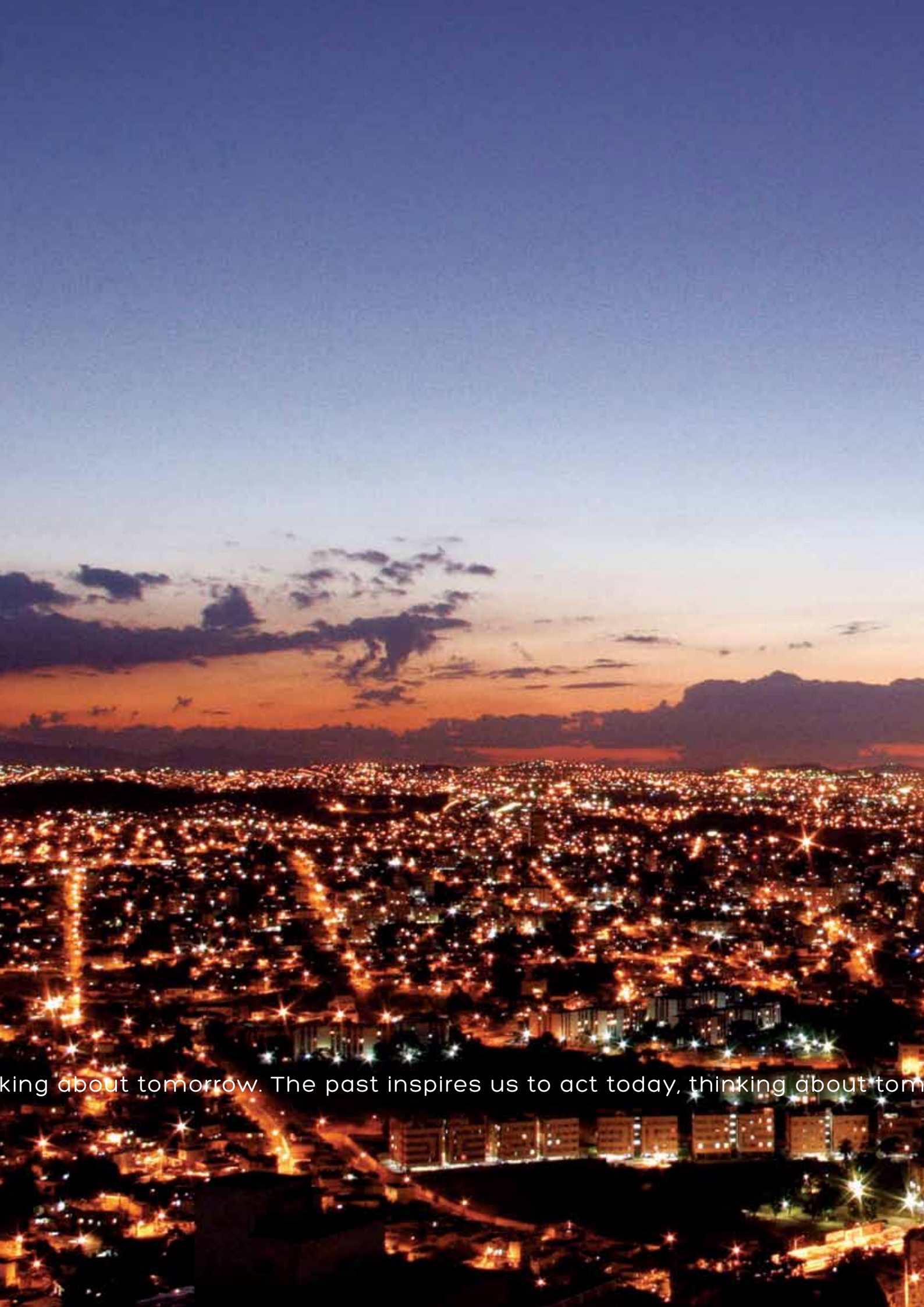
Through this Program, in 2010, 195,000 consumers in urban areas were served with investments of roughly R$ 93 million, including the installation of 10,000 posts and the extension of networks by approximately 380 km.

**Campos de Luz (Fields of Light) Program**
Since 2008 Cemig, in partnership with the Government of Minas Gerais State, has been running the Fields of Light Program, which consists of lighting and equipment upgrade work at amateur soccer fields and fields in needy communities. Among the benefits provided by the Program are: improvements in sporting and cultural activities, a greater sense of security for residents, increased usage of existing spaces, a reduction in crime and vandalism rates and improvements in the lives of these communities through sports and culture.

Cemig D provided lighting, together with the State Sports and Youth Ministry, over 128 amateur soccer fields during 2010, for a total of 730 fields lit since 2008.

*RURAL ELECTRIFICATION*

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3
CORPORATE
GOVERNANCE
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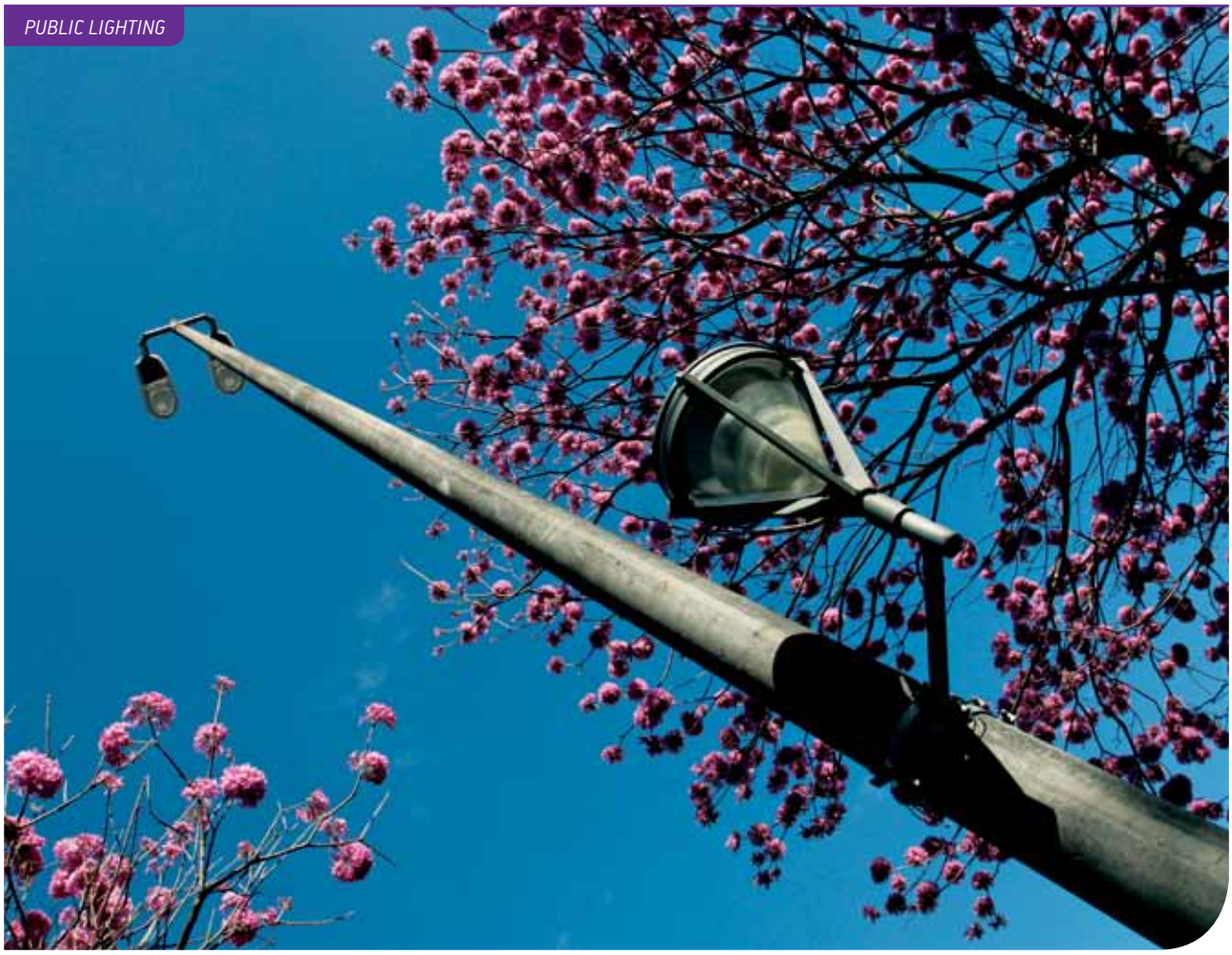
# Corporate Governance

Cemig's corporate governance model complies with the Code of Best Corporate Governance Practices of the IBGC – Brazilian Corporate Governance Institute, which is based on the principles of transparency, equity and accountability. The model is also based on clear definition of the roles and responsibilities of the Board of Directors and the Executive Board in formulation, approval and execution of the policies and directives that govern the conduct of the Company's business, as well as the role of the Audit Board in inspecting the actions and accounts of Upper Management. The evolution of Cemig's corporate governance is shown in the table below.

**Evolution of Cemig's corporate governance**

| | |
|---|---|
| **May. 22, 1952** | Cemig |
| **Oct. 14, 1960** | Shares listed on Minas Gerais Stock Exchange |
| **Jan. 14, 1972** | Shares listed on São Paulo Stock Exchange (BM&FBovespa) |
| **Jun. 16, 1993** | Level I ADRs on NYSE – Over-the-Counter Market |
| **Dec. 1, 2000** | BM&FBovespa creates differentiated corporate governance levels |
| **Sep. 18, 2001** | Level 2 ADRs for Cemig's PN shares listed on NYSE |
| **Oct. 15, 2001** | Cemig adheres to BM&Bovespa Level I Corporate Governance |
| **Jul. 12, 2002** | Cemig shares listed on Latibex exchange of Madrid |
| **Nov. 4, 2003** | NYSE establishes new corporate governance rules |
| **Jun. 12, 2007** | Level 2 ADRs for Cemig's ON shares listed on NYSE |


*PUBLIC LIGHTING*

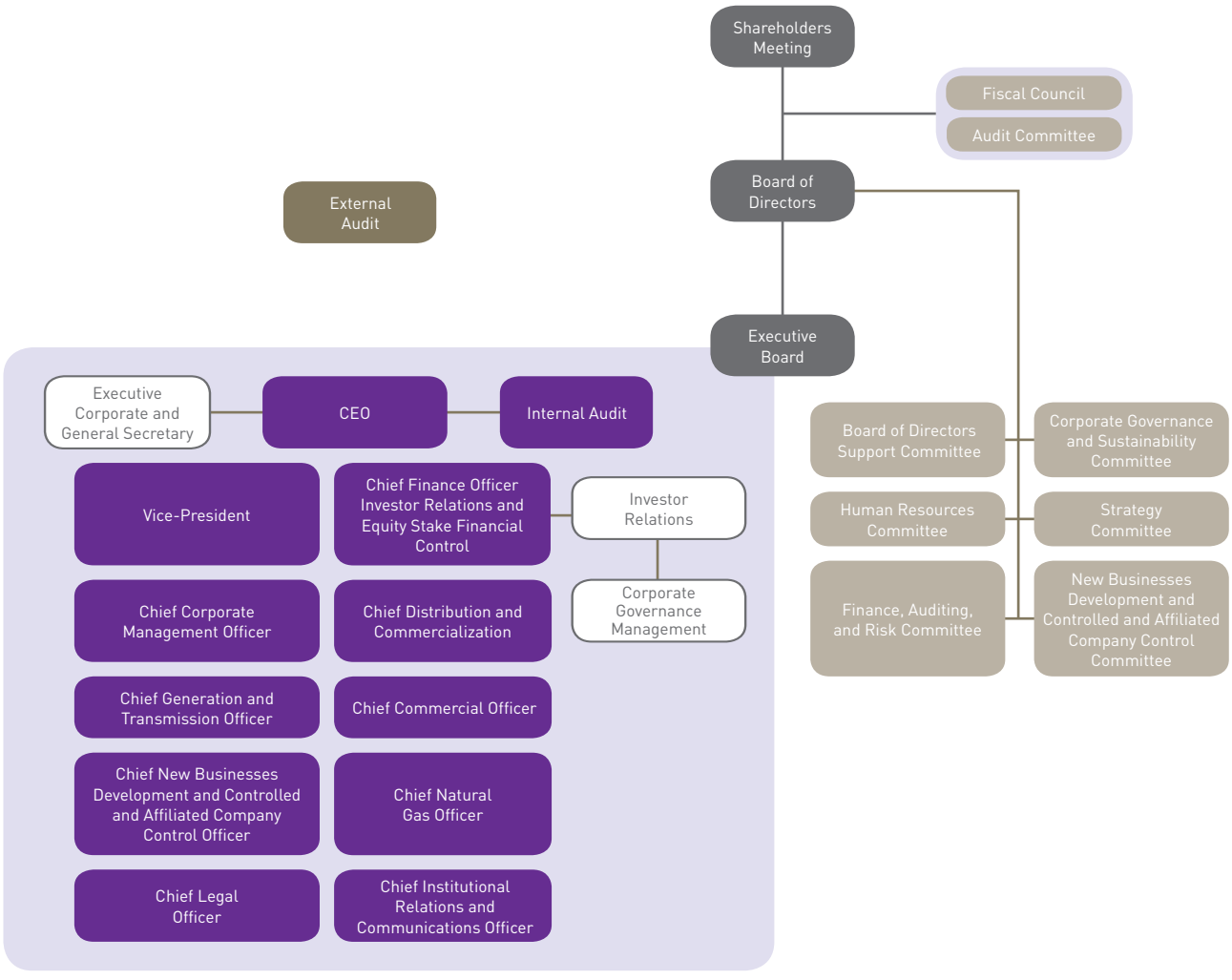
4.12

Cemig practices a differentiated level of Corporate Governance (Level 1 of the BM&FBovespa S.A. – Stock, Commodities and Futures Market), which requires the adoption of several practices, among them:[1]

- a minimum free float of 25% of the capital must be kept;
- 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 contracts signed between Cemig companies;
- respect for the diverse and specific procedures in the case of public stock offers;
- compliance with disclosure rules rendering the required information to BM&FBovespa for trades involving securities issued by the Company negotiated or held by the controlling shareholder and managers;
- not to have Beneficiary Parties.

The structure of Cemig's corporate governance is composed, mainly, of the following devices (as of January 20, 2011):

4.1




[1] *For more information on Level 1 regulations, access the following link: http://www.bmfbovespa.com.br/pt-br/en-us/markets/dowload/regulamento_nivel1_ingles.pdf*

Cemig shares are listed on the following stock exchanges:

- BM&FBovespa S.A. – Stock, Commodities and Futures Market:
  - Preferred Shares – CMIG4;
  - Common Shares – CMIG3.
- New York Stock Exchange – NYSE:
  - Preferred Shares, ADRs Level 2 – CIG;
  - Common Shares, ADRs Level 2 – CIG.C.
- Madrid, Latin American Stock Exchange – Latibex – XCMIG.

2.8

Cemig's controlling shareholder is the Government of the State of Minas Gerais, which holds 51.0% of the total common shares (shares with voting rights).

On June 18 of 2010 the stake in Cemig held by Southern Electric Brasil Participações Ltda. ("SEB") was sold to AGC Energia S.A. The sale in question took place under the terms of a Shares Purchase and Sale Agreement ("SPA") entered into by SEB and AGC Energia on November 12 of 2009 and involved the totality of the stake in Cemig held by SEB, or that is, 98,321,592 common shares issued by Cemig, representing 32.96% of the voting capital and 14.41% of the Cemig's total capital.

### Other Corporate Governance Practices

Internal Board of Directors Regulations[2]
Internal Fiscal Council Regulations[3]

### Differentiated Bylaws:

- Contains a dividend policy unique in the market, as can be seen in the Capital Markets chapter.
- Focuses on investments on the Company's core business.
- Establishes limits on the actions of the upper management based on the Long Term Strategic Plan.

The Bylaws were modified as provided for by the Ordinary and Extraordinary Shareholders' Meetings of January 20, 2011, and may be consulted in its entirety on the Investor Relations website[4].

### Public Information Dissemination Policy:

- As required by Instruction 358 issued by the Brazilian Securities and Exchange Commission – CVM, the "Information Dissemination and Use Manual and Cemig Share Trading Policy" was created in 2002 and revised in 2009. This manual describes employees' responsibilities when disseminating information of public interest. This document is available to all employees on the Company's Intranet.

According to this policy, among other obligations, all upper management must declare any changes in their investments in Company shares. The basic objectives of this policy are:

- To ensure complete access by the general public to all information released by the Company;
- To deal in a transparent manner with all the issues of interest to the general public and to investors, guaranteeing the accuracy and quality of the information provided.

## ETHICAL PRINCIPLES AND CODE OF CONDUCT

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4.9
Global Compact Principle 10

Cemig created, in May of 2004, its Declaration of Ethical Principles and Code of Professional Conduct in order to discipline the work-related actions and decisions taken by its employees, managers, executive officers and members of the Board of Directors and Audit Board. This declaration consolidates, in 11 principles, the ethical conduct and values incorporated into the Company's culture that reinforce the internal corporate governance system.[5]

[2] *http://ri.cemig.com.br/static/enu/regint_cons_administracao.asp?idioma=*
[3] *http://ri.cemig.com.br/static/enu/regint_cons_fiscal.asp?idioma=*
[4] *http:/ri.cemig.com.br/static/enu/estatuto_social_asp*
[5] *(http://cemig.infoinvest.com.br/static/ptb/codigo_etica.asp?idioma=ptb)*

All employees, managers and executives, in the act of assuming their position or when signing their employment contract, make a solemn commitment and declare, in writing, to know, observe and comply with the values and principles contained in the Declaration. Compliance with the values, principles and responsibilities related to the Declaration is monitored by Cemig's ethics commission, which is composed of a group of Company's managers.

The Ethics Commission is a tool for submitting reports of irregular practices that are contrary to the Company's interests, such as financial fraud, including adulteration, falsification or suppression of financial, fiscal or accounting documents; the undue appropriation of assets and resources; the reception of undue advantages by managers and employees, and irregular contracting practices, through Cemig's open intranet channel – the Whistleblowers' Line. In addition, the Commission has the following attributions:

- Assess and make decisions regarding reports of wrongdoing received through the Whistleblower's Line, Cemig Ombudsman or e-mails addressed to the Ethics Commission;
- Establish procedures for investigations related to non-compliance with "Cemig's Declaration of Ethical Principles and Code of Professional Conduct";
- Assess the need for revisions of Cemig's "Declaration of Ethical Principles and Code of Professional Conduct".

In addition, Cemig makes an Ombudsman channel available to citizens and clients, which may be accessed through the Company's website.[6] Due to its legal status as a mixed-capital company, the Company is also subject to the Code of Ethical Conduct for Public Servants and the Upper Administration of the State of Minas Gerais.[7]

## SHAREHOLDER MEETINGS

The Ordinary Shareholders' Meeting takes place before the end of April every year, as provisioned for by the current Brazilian corporate law. Extraordinary Shareholders' Meetings 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 a deputy. However, only the common Cemig shares bear voting rights.

In 2010, in addition to the Ordinary Shareholder Meeting, five Extraordinary Shareholders' Meetings were held.[8]

Opinions, suggestions or recommendations for the Shareholders' Meetings may be forwarded to the electronic mail address ri@cemig.com.br, which is also made available at the Investor Relations website.[9]

4.4

## MANAGEMENT

Cemig's Management is composed of the Board of Directors and by the Executive Board, elected in the following manner: the Ordinary Shareholders' Meeting 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 fiscal council are also elected by the Ordinary Shareholders' Meeting.

### Board of Directors

Cemig's Board of Directors is a decision-making panel, elected at the General Shareholders' Meeting, whose main attributions are to establish the general orientation of the Company's business, approve the annual budget and elect and dismiss

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[6] *(link to the Ombudsman channel: by telephone (+5531) 3506-3838*
[7] *Please, check http://www.fazenda.mg.gov.br/secretaria/comissao_etica/codigo_conduta_etica.pdf*
[8] *Further information on the meetings held may be found by accessing the following link: http://cemig.infoinvest.com.br/enu/s-4_enu.html?idioma=enu*
[9] *http://cemig.infoinvest.com.br*

executive officers, as well as establish their responsibilities. The Board is composed of 14 members, appointed by the shareholders, being eight appointed by the majority shareholder, the State of Minas Gerais, five by AGC Energia S.A. and one by the minority shareholders that hold preferred shares. Nine of the Board members are considered independent according to the definition in the Brazilian Institute of Corporate Governance – IBGC's "Code of Best Corporate Governance Practices". All the Board members and their alternates are elected for three-year terms and they may be reelected at the end of their term. The current members' terms expire at the General Shareholders' Meeting to be held in 2012.

The Board of Directors is multidisciplinary, composed of members with diverse qualifications and vast business management background.[10] The remuneration of the Board members is 20% of the average earned by the executive board members , does not include stock options and is not linked to the Company's socio-environmental performance.[11]

Since 2006, there have been committees constituted by the Board of Directors that analyze and discuss in advance the material to be debated by the Board.

The attributions and the members of each committee are listed below:

| Committees | Attributions | Members |
|---|---|---|
| Board of Directors Support Committee | Assess and recommend, prior to meetings of the Board of Directors, any possible corrections to the content of the meeting's agenda, prioritize issues, examine the documentation necessary to allow understanding by Board members, the quantity, quality and content of the material, the need for presentations/ clarifications, detailing of material, compliance with Bylaws and other measures that are necessary to allow the objectives of the meetings be achieved; | Lauro Sérgio Vasconcelos David (Coordinator)<br>Adriano Magalhães Chaves<br>Cezar Manoel de Medeiros<br>Fernando Henrique Schüffner Neto<br>Franklin Moreira Gonçalves<br>Marco Antonio Rodrigues da Cunha<br>Paulo Sérgio Machado Ribeiro<br>Saulo Alves Pereira Junior |
| Corporate Governance and Sustainability Committee | Propose the structuring and constitution of Committees to the Board of Directors, conduct periodical evaluations of the Board of Directors, Committees, the Chairman and the Secretary of the Board, actions to improve the functional dynamics of the Board of Directors, criteria for the assessment and development of Corporate Governance and Sustainability, the rules for dealing with shareholder conflicts of interest involving shareholders, amongst themselves and with the Company, the revision of the responsibilities of the Committees, the reassessment of the structure and profile and needs of new members, issue opinions to the Board of Directors; | Dorothea Fonseca Furquim Werneck (Coordinator)<br>Djalma Bastos de Morais<br>Eduardo Borges de Andrade<br>Franklin Moreira Gonçalves<br>Francelino Pereira dos Santos<br>Ricardo Antonio Mello Castanheira<br>Ricardo Coutinho de Sena |
| Human Resources Committee | Examine and provide opinions, interacting with the Executive Corporate Management Office, regarding issues related to human resources, issuing opinions to the Board of Directors; | Marco Antonio Rodrigues da Cunha (Coordinator)<br>Antônio Adriano Silva<br>João Camilo Penna<br>Paulo Roberto Reckziegel Guedes<br>Paulo Sérgio Machado Ribeiro<br>Ricardo Antonio Mello Castanheira<br>Tarcisio Augusto Carneiro |
| Strategy Committee | Examine and provide opinions, interacting with the Executive Finance, Investor Relations and Equity Stakes Control Office, regarding economic-financial issues, such as: loans/refinancing, debt management, financial risk analysis, cash flow, corporate results, covenants/BSC, budget execution, dividend policy, share or debenture issuance, monitoring the management of Company risks; identify, assess and monitor in a continuous manner the performance of controls (SOX); monitor the evolution of the Company's liabilities; monitor the application of the integrated risk analysis model for Company projects; propose criteria for the identification of risks inherent to the Board of Directors' activities, as well as preventive actions; issue opinions to the Board of Directors. Promote interaction between the Audit Board and the Board of Directors, regarding internal and external audit issues; | João Camilo Penna (Coordinator)<br>Cezar Manoel de Medeiros<br>Fernando Henrique Schüffner Neto<br>Luiz Carlos Costeira Urquiza<br>Paulo Roberto Reckziegel Guedes<br>Renato Torres de Faria<br>Saulo Alves Pereira Junior |

*[10] The Board members' résumés can be found at the following address: http://cemig.infoinvest.com.br/static/ptb/diretoria_conselheiros.asp?idioma=ptb*
*[11] Please, see explanatory note 26, item remmuneration of key management people*

| Committees | Attributions | Members |
|---|---|---|
| Finance, Audit and Risk Committee | Examine and provide opinions, interacting with the Executive Finance, Investor Relations and Equity Stakes Control Office, regarding economic-financial issues, such as: loans/refinancing, debt management, financial risk analysis, cash flow, corporate results, covenants/BSC, budget execution, dividend policy, share or debenture issuance, monitoring the management of Company risks; identify, assess and monitor in a continuous manner the performance of controls (SOX); monitor the evolution of the Company's liabilities; monitor the application of the integrated risk analysis model for Company projects; propose criteria for the identification of risks inherent to the Board of Directors' activities, as well as preventive actions; issue opinions to the Board of Directors. Promote interaction between the Audit Board and the Board of Directors, regarding internal and external audit issues. | Marco Antonio Rodrigues da Cunha (Coordinator)<br>Cezar Manoel de Medeiros<br>Lauro Sérgio Vasconcelos David<br>Newton Brandão Ferraz Ramos<br>Paulo Márcio de Oliveira Monteiro<br>Paulo Roberto Reckziegel Guedes<br>Paulo Sérgio Machado Ribeiro |
| Business Development and Subsidiary and Affiliate Corporate Control Committee | Examine and provide opinions, interacting with the Executive New Business Development Office and the Executive Finance, Investor Relations and Equity Stakes Control Office, regarding the conduction of studies of potential acquisitions and/or equity stakes in new businesses; assess and propose premises for investments (IRR, payback period, capital cost and other indicators of risk/return that are necessary); assess the positive and negative points of each potential business through preliminary analysis presented to the Executive New Business Development Office; provide opinions regarding the continuity of studies for each acquisition and/or equity stake analyzed; provide opinions regarding potential acquisitions and/or equity stakes new businesses, previously analyzed by the Executive New Business Development Office; analyze the positive and negative points of each potential business through detailed studies conducted by the Executive New Business Development Office; identify potential problems and approaches to be followed in the negotiation for and acquisition of businesses; provide opinions regarding the acquisition of and/or equity stakes in each previously analyzed option; provide opinions regarding significant matters relating to the Company's whole subsidiaries, controlled companies or affiliates; provide opinions regarding potential alienations of equity stakes coordinated by the Executive Finance, Investor Relations ad Equity Stakes Control Office following consultation with the other Executive Offices; analyze the economic-financial feasibility of each potential alienation through detailed studies conducted by the Executive New Business Development Office; identify potential problems and approaches to be followed in the negotiation and alienation of businesses; provide opinions regarding the alienation and/or divestment of each option previously analyzed; issue opinions to the Board of Directors. | Fernando Henrique Schüffner Neto (Coordinator)<br>Guy Maria Villela Paschoal<br>Lauro Sérgio Vasconcelos David<br>Luiz Carlos Costeira Urquiza<br>Paulo Roberto Reckziegel Guedes<br>Ricardo Coutinho de Sena<br>Saulo Alves Pereira Junior |

*The names of the following positions of the Executive Board were changed in early 2011:*
** The Department of Finance, Investor Relations and Holdings was named Director of Finance, Investor Relations and Equity Financial Control*
*** The Department of Business Development was named Director of Business Development and Business Control of Subsidiaries and Affiliates*

In 2010, the Board of Directors met 27 times to discuss various matters, from strategic planning to investment projects. At the beginning of each meeting, the Board Members are invited to declare whether they have a conflict of interest regarding any of the matters to be discussed.

Information on the composition, election, term, main responsibilities and attributions of the Board of Directors are described in the bylaws.

## Executive board

Cemig's Executive Board is composed of eleven members whose individual functions are established in the social bylaws, are elected and may be dismissed at any time by the Board of Directors and for three year mandates, reelection being allowed. Also allowed is the exercise of concurrent and non-remunerated positions in the upper management of Cemig's whole ownedsubsidiaries, at the discretion of their Board of Directors.

*[12]And are available at the following address: http://cemig.infoinvest.com.br/static/enu/estatuto_social.asp?idioma=ptb*

The current executive officers' mandates expire at the 1st meeting of the Board of Directors held following the General Shareholders' Meeting of 2012.[13] The Executive Board is supported by 24 management committees, two subcommittees and one commission, composed of executives from various areas of the Company, which meet whenever called upon to do so, in order to support the strategic decisions made by the Executive Board and Board of Directors.

The Executive Board meets, generally, on a weekly basis. In 2010, 66 meetings were held.

## FISCAL COUNCIL

The Fiscal Council is permanent and is composed of five effective members and their respective alternates, who are appointed by shareholders and who meet the independence requirements in accordance with international practices. The members of the Fiscal Council are elected at the Ordinary 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 social capital; and,
- three elected by the majority shareholder.

The Fiscal Council is multidisciplinary and is composed of members with diverse qualifications. Their remuneration is 10% of the average paid to members of the executive board.[14]

The Fiscal Council also has the attribution to examine, at each monthly meeting, all the reports filed by company employees with the Ethics Commission. The reports are collected and classified as operational or non-operational, using an electronic system available on the intranet – Reports of Wrongdoing Channel. The Fiscal Council analyzes each non-operational report and proposes treatment actions to be carried out by the Internal Audit area.

At Cemig, the Fiscal Council acts as an alternate body to the Audit Committee, in accordance with the exemption allowed for by the Exchange Act, rule # 10-3ª, regulated by release 82-1234 of the Securities and Exchange Commission (SEC).

The Fiscal Council held 11 meetings in 2010.

## INDEPENDENT AUDITORS

Cemig adopts a system of rotation of independent auditors with a periodicity of five years, given the determination of the CVM.

The financial statements for the fiscal year 2010 were audited by KPMG and received an unqualified opinion.

As provided by law, the independent auditors of Cemig are selected through a bidding process.

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

In 2002 the U.S.A. government drafted a new act, known as the Sarbanes-Oxley Law (SOX), which applies to non-American companies with shares listed on stock markets in the United States, which imposes corporate governance rules, among which is the certification of financial statements by the Chief Executive Officer and by the Chief Financial Officer for these companies.



*[13] Information on the composition, election, mandate, main responsibilities and attributions of the Executive Board, as well as the résumés of its members, is available at the following address: http://cemig.infoinvest.com.br/static/enu/diretoria_conselheiros.asp?idioma=enu*

*[14] Its members' résumés, as well as the composition, election, mandate, main responsibilities and attributions are available at the following address: http//cemig.infoinvest.com.br/static/enu/diretoria_conselheiros.asp?idioma=enu*


CEMIG'S HEADQUARTERS

This law is aimed basically at protecting investors against accounting errors and fraudulent accounting practices. It establishes transparency rules for corporate acts and financial statements and obligates the US inspection body (Securities and Exchange Commission – SEC) to revise the information supplied to the market every three years. The document expands the penalties associated with fraud and white collar crimes. This law requires that Cemig be subject to its requirements, in virtue of the Company's ADR program.

Based on analysis and review of the mapping of risks in processes, each year the Company's management documents and tests the effectiveness of the controls, at the business process and entity levels, including the controls supported by information technology, in accordance with the rules of the Securities and Exchange Commission (SEC) and based on the criteria of the Public Company Accounting Oversight Board (PCAOB), the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Control Objectives for Information and Related Technology (COBIT).[15]

As well as complying with SOX, the activities related to Certification of Internal Controls contribute to the efficiency of the risk management, control, and corporate governance processes. They are carried out and monitored systematically and permanently.

Cemig has been awarded, with no exceptions whatsoever, the Certification of its Consolidated Financial Report Internal Controls for the 2010 fiscal year. For the 2010 Certification, which is to be concluded in 2011, a connection was established between the controls and the potentially significant accounts and an external auditor has validated the process design and key controls that ensure the mitigation of risks associated with publishing the financial statements for this fiscal period.

## TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2010, Cemig had a credit balance of R$ 1.8 billion remaining from Results to Compensate Account, which was transferred to the State of Minas Gerais. More information about related party transactions can be found in Note Nr. 26 of the Financial Statements.

*[15]Coso is a private nonprofit organization dedicated to guide companies in establishing more ethical, effective operations and efficiency. It suports and disseminates methodologies based in research, analysis and best practices of internal control*

## STAKEHOLDER RELATIONS

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Cemig believes that the success of its businesses and the quality of its products depends on the way in which 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, the Company, in its Communication Policy,[16] has established directives, criteria and values that orient the definition of strategies and the creation of Company communication actions or documents. Cemig's Communication Policy lists the practices that it has adopted within the scope of communication with the goal of guaranteeing human rights, sustainability and corporate social responsibility. It is an instrument that reiterates the commitment to transparency in management and making public the premises and foundations that orient the definition of communication strategies and tactics.

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Cemig's Consumer Council held 6 ordinary meetings and 1 extraordinary meeting. Cemig's main relationship channels with its stakeholders are listed in item "CAC – Custom Service Center" of the Social Dimension in this report.

| Stakeholder | Committees/Commissions whose Actions Impact Stakeholders |
|---|---|
| Government Authorities and electric sector regulatory bodies | Corporate Risks Management Committee,<br>Regulatory Issues Committee,<br>Strategic Management of Technology Committee,<br>Electric System Integration Committee,<br>Socio-Environmental Compliance Program Committee. |
| Shareholders and Investors | Budget Priorities Committee,<br>Strategic Planning Committee,<br>Management and Control Committee,<br>Corporate Risks Management Committee,<br>Financial Risk Management Committee,<br>Strategic Technology Management Committee,<br>Credit Committee,<br>Social Responsibility Committee |
| Clients and Consumers | Energy Risk Management Committee,<br>Strategic Planning Committee,<br>Corporate Risks Management Committee ,<br>Strategic Technology Management Committee,<br>Social Responsibility Committee,<br>Electric System Integration Committee |
| Scientific Community (Universities and Research Centers) | Strategic Planning Committee,<br>Corporate Risks Management Committee,<br>Strategic Technology Management Committee. |
| Suppliers and Service Renderers | Corporate Risks Management Committee,<br>Strategic Planning Committee,<br>Information Security Committee,<br>Strategic Technology Management Committee,<br>Social Responsibility Committee. |
| Internal Public (employees) | Negotiations with Labor Unions Committee,<br>Information Security Committee,<br>Strategic Planning Committee,<br>Ethics Commission,<br>Materials and Equipment Norms Committee,<br>Social Responsibility Committee,<br>Permanent Committee for Hazards and Risks. |
| Society and Community | Strategic Planning Committee,<br>Strategic Technology Management Committee,<br>Transmission and Sub Transmission Lines Right-of-Way Risk of Invasion Committee,<br>Social Responsibility Committee,<br>Socio-Environmental Adequacy Program Monitoring Committee,<br>Ethics Commission. |

[16] *http://www2.cemig.com.br/cemig2008/content/sustentabilidade/NO-02.14.pdf*

## INTERNAL POLICIES AND COMMITTEES

PR6

In addition to the committees that work with the Board of Directors, the Company benefits from various internal committees that deal with various issues related to its internal policies. Some of these committees and policies are listed below:

Cemig follows the recommendations of Aberje – the Brazilian Corporate Communication Association, and its own Strategic Communications Plan, which establishes the communication characteristics with each stakeholder and the desirable ethics and transparency therein. The Communication must reflect the Company's Mission and Vision,

| Internal Policies | Description of Internal Policies |
|---|---|
| Environmental | Published in 1990, it contains the principles that guide all the Company's activities regarding the protection of the environment. |
| Biodiversity | Cemig, aware of the impacts caused by its activities on biodiversity, has created a Policy with the participation of various segments of society involved with this theme. To this purpose, the Company held consultation workshops with the participation of diverse publics and received suggestions from the participants, thereby consolidating the Policy.<br>Cemig's Biodiversity Policy is intended to formalize the principles that govern the Company's actions aimed at the conservation of biodiversity. |
| 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 of the Audit Board, in 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 Social 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 Welfare | It defines the criteria for the Company to accomplish the safety, health and welfare of its employees, own, contracted, of contracted companies, as well as of the community that is directly or indirectly affected by its operational system. |
| Supply and Supplier Relations Manual | It establishes the principles and directives, translated into commitments, that guide and seek to imprint excellence into the relationship with clients and suppliers, in consonance with the Company's other corporate policies. |
| Information Security | It defines a set of norms and instructions based on rule NBR ISO/IEC 17.799 that is 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, development of new and systematic forms of commercialization and related activities, including within the scope of the CCEE – the Electric Energy Trading Chamber. |
| Communications | It establishes the directives for the definition of communications 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, with governmental and electric sector authorities, with shareholders, investors, clients and consumers, with the scientific community, with suppliers and service renderers, with employees, society and 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 means of ensuring the initiatives are understood by governmental authorities and electric sector authorities, Investors, clients and consumers, the scientific community, suppliers and service renderers, the Company's internal public, by society and communities and the press. |
| Sponsorship | It is an integral part of the Cemig Communications Plan, providing guidance for investments in cultural and sports activities and support for social institutions, thus demonstrating Cemig's commitment to its reality and to those demands found in the environment in which it operates. |

*BETIM SUBSTATION*

in addition to its values and strategies. Publicity campaigns conducted by the Company are undertaken by firms that follow the Brazilian Publicity Self-Regulation Code, regulated by Conar – the National Publicity Self-Regulation Council.

S07
PR7

No non-conformities were registered by the Company in 2010 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.

S06

As a mixed economy 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 [SO6].

S02

Cemig has a triennial Audit Plan (the current one covers the 2010-2012 period), which has been approved by the CEO and which is complemented by the Annual Internal Audit Work Plan. As a result, within every three-year period, 100% of the company's processes and units are audited.

The audit work is performed in accordance with international audit principles, techniques and procedures, in conformity with the standards established by The Institute of Internal Auditors – IIA and using the COSO (Committee of Sponsoring Organizations of the Treadway Commission).

Assuming that the Internal Control System facilitates the identification of risks and that its adequate operation allows the management or reduction of the identified risks, the preventive audits of the controls for diverse processes and sub-processes are the focus of the work of Cemig's Internal Audit, with the goal of complying with the guidelines of the Sarbanes-Oxley Act, Normative Instruction Nr. 14/2008 of the Minas Gerais State Audit Office (which assesses the legality of companies' budget, financial and asset management actions) and Cemig's Procedural Organization and Instruction Norms, in accordance with the best Corporate Governance practices and with Cemig's Declaration of Ethical Principles and Code of Professional Conduct.

The accomplishment of the Triennial Audit Plan is aimed at contributing towards achieving Cemig's strategic objectives through the assessment of the process that have the greatest exposure to audit risks and the monitoring of the implementation of strategic initiatives. It comprises internal audit of 198 sub-processes, which are classified into different risk levels (high, medium and low).

Cemig is a signatory of the Global Compact, which 10th principle is aimed combating corruption. This is incorporated into Cemig's Corporate Social Responsibility Booklet.

In 2010, three internal investigative inquiries/ processes were launched following reports of questionable conduct and possible cases of corruption. All the procedures have been concluded and resulted in a suspension as a result of one inquiry and a warning in the other two procedures. The situations analyzed did not require drastic measures, such as dismissal, against the collaborators.


nges into even more opportunities.
Identify opportunities that transform

# 4 ECONOMIC DIMENSION

challenges into even more opportunities. Identify opportunities that tran

# Economic Dimension

## MANAGEMENT

### Risk Management

4.11

Corporate risk management is an integral management tool of Cemig's corporate governance practices. To be more effective and more easily inserted into the culture of the organization, the Company seeks to align risk management with the Strategic Planning Process.

The risks present in Cemig's corporate matrix refer to events that might impede the achievement of objectives and guidelines established for strategic planning. The Company's value chain covers the following areas of business: Holding, Generation, Supply, Transmission and Distribution. Risks are assessed in terms of their likelihood of occurrence and their impact on the various businesses in the value chain as a result of: (i) a decrease in its impact and / or its probability through the refinement of the controls, (ii) the implementation of action plans; (iii) a transfer of risks through insurance policies; (iv) risk taking, due to the effectiveness of the control environment and the permitted level of financial exposure or; (v) mitigation, contributing to the upper management's decision making process, thus leading to business continuity.

The measurement of risk is defined using the ORCA Methodology, based on four dimensions: Objectives, Risks, Controls and Alignment. This methodology, adopted by Cemig, privileges operational and process risks. This does not, however, prevent the identification of strategic risks, which receive special treatment with regard mainly to their classification and measurement.

Besides the process of identification and measurement of risks, the Company has specific committees to address issues related to risks, among which we can relate the Energy Risk Committee – CGRE, Corporate Risk Management Committee – CGRC and Financial Risk Committee.

The goals of these committees are to ensure:

- The ongoing monitoring of Cemig's risk appetite regarding strategic objectives, ensuring alignment between them;
- The implementation of effective actions to reduce the levels of financial exposure and intangible impact to an acceptable level;
- The consistency of instruments and limits for the activities of buying and selling energy, as well as policies and procedures proposed to the Executive Board in relation to the goals and corporate strategy and the risk tolerance of Cemig as a whole;
- All risks of buying and selling of energy be identified, understood and analyzed qualitatively and, where possible, measured quantitatively;
- The recommendation of policies, limits and parameters for financial investment, fundraising, obtaining / supply of guarantees;
- Identification of embedded derivatives in contracts linked to the normal course of Company's businesses.

Although the structure adopted for the management of Cemig corporate risk has a decentralized matrix configuration, its monitoring is centralized at the Corporate Risks area, which generates relevant information and allows a systemic view. This structure enables the interaction of corporate risk management with other components of management, among which may be mentioned the Budget Prioritization Committee, Energy Risk Management Committee, Insurable Risks Committee, Control and Management Committee, Financial Risks Management Committee, and also compliance with the Sarbanes-Oxley Act and with the Internal Audits.

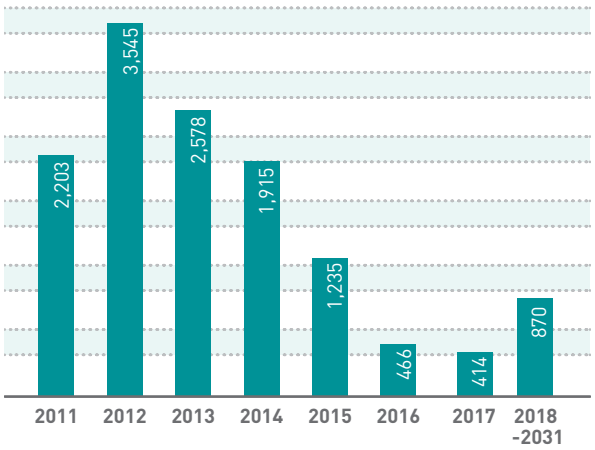
## Indebtedness

Cemig manages its debt with a focus on lengthening the term, limiting debt levels as per recommended in the bylaws, reducing the financial cost and preserving the Company's ability to pay, without pressure on cash flow, what might suggest refinancing risk.

The credit ratings of Cemig and its main subsidiaries reflect a perception of healthy profitability and strong cash generation, ensuring solid credit indicators and adequate liquidity profile, according to the major rating agencies.

The Company performs an ongoing effort to promote the proper scheduling of its debt, adjusted to its annual cash generation. The schedule of debt amortization can be seen in the chart below:

**Debt Amortization Schedule**
**As of December/2010 (R$ million)**



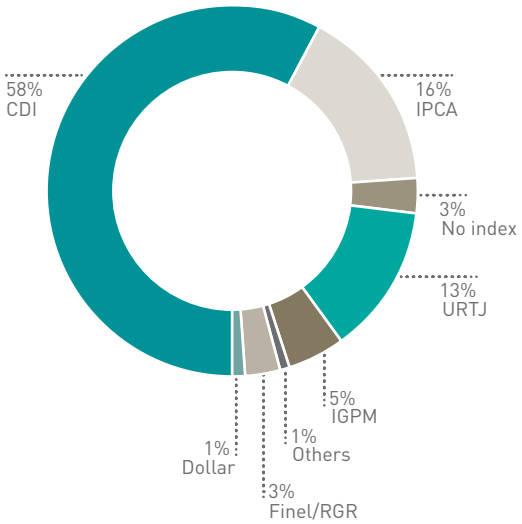

In 2010, Cemig D raised R$ 904 million, R$ 66 million through funding from Eletrobrás for the following programs: Reluz, Cresce Minas and Luz para Todos. Another R$ 189 million through lost fund resources from Luz para Todos Program (CDE resources), covenants for the Polo de Citricultura, Planoroeste and economic subsidy related to pricing policy applicable to low-income consumers.

Cemig GT raised R$ 2,949 million, R$ 2,700 million through a debenture issue for discharging the same value in promissory notes used in the acquisition of Terna Participações S.A. shares.

As can be seen below, the largest debt parcel is concentrated in CDIs (58%), due to the refinancing of the debt from 2002 on. In these operations, bank loan was widely used, followed by the issuance of bonds and securities (debentures), where a significant demand was contracted at local interest rates.

Only 1% of the debt is foreign currency-linked, what does not represent a material financial risk to the Company, as part of it is protected by swap operations. There is also another protection provided by selling energy contracts indexed to the dollar.

**Indebtedeness Indexation**




*[1]See comments on liquidity risk at explanatory note 27, in the consolidated financial statements*

**Hedging Policy**
The derivative instruments employed are intended to protect the Company's operations against the risks of exchange rate variations of financing contracts and they are not used for speculative purposes. The hiring of operations considers liquidity, the relative assets' price and concentration of debt service payments.

The Company prefers to cover its exchange rate-linked liabilities (that are not relevant) through a natural hedge represented by some of its contracts for electricity sales signed with large consumers, pegged to currency fluctuations.

The Company's derivative financial instruments are measured at fair value in accordance with Brazilian accounting practices.

## Customers

The "Client Management System" deals with the metering, billing, issuing and printing of energy bills, collection and charging of bills in arrears, customer service and commercial relations. Its implementation, in 2008, resulted in higher quality of client registration data, billing control and security, bill collection and customer service, integration with other management systems, technological updating and mainframe computer replacement, in addition to a greater degree of compliance with the requirements of the Sarbanes-Oxley Act.

From the clients' point of view, the system allows the recording of all contacts, resulting in greater service speed and improvement of information quality, greater interaction between the various client communication channels and other advantages.

**Captive Clients**
Captive clients are those who are exclusively served by Cemig Distribuição through an indeterminate term commercial relationship, with tariffs regulated by ANEEL.

In the captive market, the role of the consumer is entirely passive, with energy being supplied exclusively by the local distributor with the price, and other supply conditions being regulated by ANEEL (National Electric Energy Agency). In turn, distributors may only buy electricity to supply to their clients in a regulated manner, through the Regulated Procurement Market.

In addition to existing channels, such as Speak with Cemig; Service Agencies; Relationship Agents; the Virtual Agency; and Simplified Service Centers (PAS), Cemig is working hard to streamline its relationship with clients.
For further information on the existing channels, please consult the Social Dimension, item customer service center.

Normative Resolution No. 414,[2] from September 09th, 2010, published by the National Electric Energy Agency – ANEEL, changed the quality level of customer's service. Article 178 of this resolution instituted the obligation for the Company to provide in-person service in all the municipalities in its concession area. Now, the Cemig Fácil Service Centers (PCFA) are responsible for service in municipalities with up to 10,000 consumer units[3]. There are currently 239 centers operating in these cities and towns, with another 388 currently being prepared (239 will be operational by June 15th and the other 149 by September 15th of 2011).

Another action aimed at improving client service is the Integration Network – "Keeping an Eye on the Client" project, the objective of which is to align people, processes and initiatives. The Network is comprised of multidisciplinary teams from all the management offices in the Executive Distribution

*[2] http://www.aneel.gov.br/cedoc/ren2010414.pdf*
*[3] Before 414 resolution, PCFA used to be present in cities wich up to 6,000 consuming units*

Office. This network formalizes references and representatives for each process, in an effort to resolve technical or operational problems with an emphasis on reducing bureaucracy, through investments in existing tools, and through contacts between the people involved.

**Large Corporate Clients**

Cemig has a rich tradition in the free market and it was one of the first energy companies to sign contracts in this market.

The company currently has roughly 25% of the free energy market, selling 19,602,616 MWh to 356 clients in the states of Minas Gerais, São Paulo, Rio de Janeiro, Rio Grande do Sul, Bahia, Pará, Espírito Santo, Mato Grosso do Sul, Santa Catarina and Goiás. This makes Cemig the largest seller of electric energy to end-use clients in Brazil. Cemig's portfolio of clients includes, among others, Usiminas, Grupo Fiat, Arcelor Mittal, Gerdau, Novelis, Samarco, Votorantim, White Martins, Indústrias Alimentícias Vilma and Química Amparo (Ypê cleaning products).

Cemig believes that visits and daily contacts, through its relationship agents, are an efficient manner of identifying the needs and expectations of its clients and bringing about their realization.

Another efficient method of identifying these needs is by holding events focused on clients, such as meetings of market agent associations, regional and sector meetings and international conferences, at which issues of interest to the electric sector and strategic themes are discussed.

Through these initiatives, Cemig develops products, often in partnership with the client, in an effort to meet their specific needs through the implementation of a customized solution.

Cemig's main relationship channels for large corporate clients are shown below:

| CHANNEL | GOAL | ACCESS | COMMENTS |
|---|---|---|---|
| Corporate Clients' Portal | Providing information and guidance on legislation compatible with customer profile. | • http://www.energiaCemig.com.br/<br>• Cemig's Superintendence of Relationship with Corporate Clients Address: Av. Barbacena, 1.200, Sto. Agostinho, Belo Horizonte, MG, CEP 30190-131 energiacemig@cemig.com.br | Tool developed in 2010 for implementation in 2011, along with the new Portal Cemig. |
| Meetings with corporate customers: Energy Biennial | Held in 2010, the Fourth International Conference on Corporate Clients (Energy Biennial) enjoyed the participation of renowned lecturers, both domestic and international. The current scenario and future economic prospects for the business performance strategy were discussed. The event dealt with energy as a strategic factor for the resumption of growth. | | Audience: executives from Cemig's corporate clients, operating in a competitive power market (700 business groups spread over 2500 consumer units. Monthly net income of around R$ 350 million, which represent 42% of Cemig's revenue).<br><br>A customer relationship and loyalty instrument, this event is to Cemig, a tool for relating with this target market segment and also for creating business opportunities. |
| Informative message for Corporate Clients | Bimonthly informative message with news and information of interest. | Sent to corporate clients via email. | Bimonthly news letter. |
| Contact Center | Streamline and facilitate service to medium voltage customers. | Hotline for medium voltage customers who are able to become free consumers, run by specialized staff. | Project started in 2009 and implemented in February of 2010. |
| Satisfaction Survey on energy supply to medium and high voltage customers | Evaluate the quality of company services (focus on energy supply) and understand the customers' needs in terms of the electricity use. | | The Supply Satisfaction Survey will help to: **1.** Identify possible points of improvement in the supply of medium and high voltage customers. **2.** Identify the most important attributes of the power supply to these customers. **3.** As background information the survey also provides information regarding its services, the Company's image and other topics. |

## Demand - Side Management

EU7

Meeting the electric energy demand from Cemig's various consumer modalities 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 energy volume 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 is working together with its largest industrial consumers, by means of commercial policies (Hour-Seasonal Tariff System – THS) which provides incentives to not concentrate energy demand at peak hours.

The table below shows how Demand Side Management allowed for a reduction in demand at peak hours in 2010.

| | SUMMER | WINTER |
|---|---|---|
| Cemig's maximum demand – MWh | 7,337 | 7,801 |
| Total reduction – MWh/h | 707 | 707 |
| Demand Reduced / Maximum demand % | 9.64 | 9.06 |

## Management Systems

From among the various existing management support models, Cemig has opted to utilize the models based on the 9000 and 14000 Series ISO norms and also on OHSAS 18001. This methodology has contributed towards a solidification of the Conglomerate's processes through continuously audited management practices.

### Environmental Management System

At Cemig, the different areas may be certified in the Environmental Management System – SGA, in accordance with the NBR ISO 14001:2004 Norm, or they may adopt an Internal Management System, called SGA Level 1, which was developed based on the principles and requirements of the NBR ISO 14001 Norm. For more information regarding the Environmental Management System, see the Environmental Management item on page 80 of this report.

### Quality Management System

All major hydroelectric power plants belonging to Cemig are certified according to ISO 9001, allowing its effective management in line with the macro business, which ensures the control and continuous improvement of its quality.

### Health and Safety Management System

Cemig obeys the determinations of OHSAS 18001:2007. 100% of the Company's substations and Transmission Lines with a voltage above 230 kV, 89% of its installed generation capacity and 90% of its corporate area are certified and have an Occupational Health and Safety Management System.

# CEMIG'S MARKET

## Evolution of the Market

Cemig's market encompasses the commercialization of energy by the consolidated companies Cemig Distribuição and Cemig Geração e Transmissão (Cemig GT, Cachoeirão, Pipoca and Centrais Eólicas Praias do Parajuru, Praia do Morgado and Volta do Rio proportional to Cemig GT's equity stake), and Controlled and Affiliated

companies (Horizontes, Ipatinga, Sá Carvalho, Barreiro, Cemig PCH, Rosa and Capim Branco).

This market corresponds to sales of energy to captive consumers and free clients, in the Minas Gerais concession area and outside of the State, the commercialization of energy to other electric sector agents in the Regulated Procurement Environment and in the Free Procurement Environment and sales through Alternative Electric Energy Source Incentive Program – PROINFA and through the Electric Energy Commercialization Chamber – CCEE, not counting the transactions between Cemig corporation companies.

Cemig continues to invest in alternative energy sources. In 2010, the following enterprises, in which Cemig has a 49% equity stake, entered into operation:

- Central Eólica Praia do Morgado S/A wind farm, which entered into operation on May 26th of 2010, in accordance with National Electric Energy Agency – ANEEL dispatch 1.463/2010 with an installed capacity of 14.11 MW, and
- Central Eólica Volta do Rio S/A wind farm, which entered into operation on September 3rd of 2010, in accordance with National Electric Energy Agency – ANEEL dispatch 2.795/2010 with an installed capacity of 20.58 MW.

This energy is commercialized by Eletrobrás – Centrais Elétricas Brasileiras, through the Alternative Electric Energy Source Incentive Program – PROINFA.

Cemig's market is detailed in the table below, which includes a list of the transactions made during 2010 in comparison with those in 2009.

The energy that was commercialized by Cemig in 2010 totaled 57,219 GWh, which represented a 6.4% increase in relation to the year 2009.

Energy sales to final consumers totaled 42,873 GWh, with growth of 7.9%, due to the expansion of the internal market and the continuing trend towards a recovery in production by free industrial clients.

**CEMIG'S MARKET**

| Description | 2010 | | 2009 | Variation % 2010/09 |
|---|---|---|---|---|
| | MWh | % | MWh | |
| CEMIG Consolidated | 57,218.585 | 100.0 | 53.775.453 | 6.4 |
| Sales to end-consumers | 42,873,351 | 74.9 | 39,716,234 | 7.9 |
| Residential | 8,134,143 | 14.2 | 7,774,466 | 4.6 |
| Industrial | 24,442,324 | 42.7 | 22,173,441 | 10.2 |
| Captive | 4,757,191 | 8.3 | 4,826,009 | **-1.4** |
| Free | 19,685,133 | 34.4 | 17,347,432 | 13.5 |
| Commercial | 4,862,394 | 8.5 | 4,678,965 | 3.9 |
| Captive | 4,775,770 | 8.3 | 4,642,166 | 2.9 |
| Free | 86,624 | 0.2 | 36,799 | 135.4 |
| Rural | 2,455,112 | 4.3 | 2,208,247 | 11.2 |
| Other Classes | 2,979,378 | 5.2 | 2,881,116 | 3.4 |
| Wholesale Sales [1] | 14,260,462 | 24.9 | 14,038,974 | 1.6 |
| CCEAR ACR | 10,144,034 | 17.7 | 11,498,433 | **-11.8** |
| Free and Bilateral Contracts | 4,116,428 | 7.2 | 2,540,541 | 62.0 |
| Proinfa Sales | 84,771 | 0.1 | 20,245 | 318.7 |

*(1)Commercialization contracts in the regulated procurement environment (Auction). CCEAR contracts between Cemig GT and Cemig D and sales from Capim Branco (controlled company) to Cemig D not included.*

The performance of the main electric energy consumption classes are described below:

- Residential: Residential consumption continued to grow every month in 2010 in relation to previous years. This class uses 18.4% of the energy distributed, totaling 8,134 GWh in 2010, with growth of 4.6% compared with 2009. The increase in consumption by this class is associated with the connection of new consumer units and growth in families' final consumption, in function of the favorable economic conditions in the state.
- Industrial: The energy consumed by captive and free clients represents 42.7% of Cemig's consolidated market and totaled 24,442 GWh in 2010, with growth of 10.2% in comparison with 2009.

The volume of energy consumed by free clients represents 80.5% of the entire industrial class and grew by 13.5% in 2010, with free clients returning to and even surpassing 2008 consumption levels.

Consumption by the captive segment fell by 1.4%, due to the migration of medium voltage clients to special free market in the Mining, Food, Transportation Equipment, Plastics, Pulp and Paper and Textile industries.

- Commercial: The energy supplied to captive and free clients represents 8.5% of Cemig's consolidated market and totaled 4,862 GWh, which represents growth of 3.9% in comparison with 2009.

In this class, the increase in families' incomes and credit availability led to greater consumption of goods and services, the demand for which is directly linked with the economic dynamic and the expansion of the commercial and service sectors.

The different sectors in the commercial and service class, which consume 62.1% of the energy consumed by this class, presented the following consumption growth rates in 2010: Retail (6.4%), Food and Housing Services (1.9%), Wholesale (9.7%), Communication Services (0.2%), Healthcare Services (4.4%) and Asset Management, Real Estate and Development (13.2%).

- Rural: This class presented growth of 11.2% in billed consumption in 2010 in comparison with 2009, which is related to 42,636 new consumer units and to an increase in demand for irrigation in function of the low amounts of rainfall and above average temperatures recorded in Minas Gerais.

- Other classes: The other classes – government, public lighting, public service and own consumption, representing 6.7% of the energy distributed, consumed 2,979 GWh and, together, grew by 3.4% in 2010 in comparison with 2009.

Wholesale energy Sales totaled 14,260 GWh in 2010, with growth of 1.6% in relation to 2009. There was a decrease of 11.6% in the Regulated Procurement environment – ACR and growth of 62.0% in the Free Procurement Environment – ACL as a result of the resurgence in industrial activity following the international economic crisis of 2008.

- The client structure in Cemig's market is detailed in the table below, with a listing of the number of consumers billed as per the electric energy supply and commercialization segments, with the position in December of 2010 being comparatively similar to that of December, 2009.

The total number of consumers billed reached 7.065 million in December of 2010, with growth of 3.4% in comparison with December of 2009.

EU3

**NUMBER OF CEMIG CONSUMERS – CONSOLIDATED**

| Description | December 2010 | | December 2009 | 2010/09 variation % |
|---|---|---|---|---|
| | Number of Consumers | % | | |
| Total Consumers | 7,064,502 | 100.0 | 6,832,581 | 3.4 |
| Supply | 7,064,449 | 100.0 | 6,832,528 | 3.4 |
| Residential | 5,774,879 | 81.7 | 5,601,926 | 3.1 |
| Industrial | 76,050 | 1.1 | 75,180 | 1.2 |
| Commercial | 609,266 | 8.6 | 596,290 | 2.2 |
| Rural | 532,776 | 7.5 | 490,140 | 8.7 |
| Government | 58,646 | 0.8 | 56,563 | 3.7 |
| Public Lighting | 3,357 | 0.0 | 3,131 | 7.2 |
| Public Services | 8,649 | 0.1 | 8,474 | 2.1 |
| Own Consumption | 826 | 0.0 | 824 | 0.2 |
| Wholesale Sales | 53 | 0.0 | 53 | 0.0 |
| ACR - Distributors | 35 | 0.0 | 36 | -2.8 |
| ACL - Traders and Generated | 18 | 0.9 | 17 | 5.9 |

The amount of energy transported by Cemig Distribuição in 2010 was 19,274 MWh, with growth of 27.8% in comparison with 2009, as a result of the expansion of the Brazilian economy due to recovery in production at clients in the industrial and commercial and service classes and to the migration of captive clients to the free market.

**CEMIG'S DISTRIBUTION – Transported Energy**

| Description | 2010 | | 2009 | 2010/09 variation % |
|---|---|---|---|---|
| | MWh | % | MWh | |
| Total Energy | 19,273,610 | 100.0 | 15,080,664 | 27.8 |
| Industrial | 18,835,553 | 97.7 | 14,716,398 | 28.0 |
| Commercial | 197,894 | 1.0 | 124,800 | 58.6 |
| Utilities | 240,163 | 1.2 | 239,466 | 0.3 |

EU12

## Electric Energy Balance

The electric energy balance for Cemig's consolidated market comprises all the electric energy purchase and sale transactions conducted by Cemig Distribuição, Cemig Geração e Transmissão, Cachoeirão and Controlled and Affiliated companies.

The total resources used in 2010 reached an amount of 77,660 GWh, which is 10.1% higher than the resources utilized in the previous year.

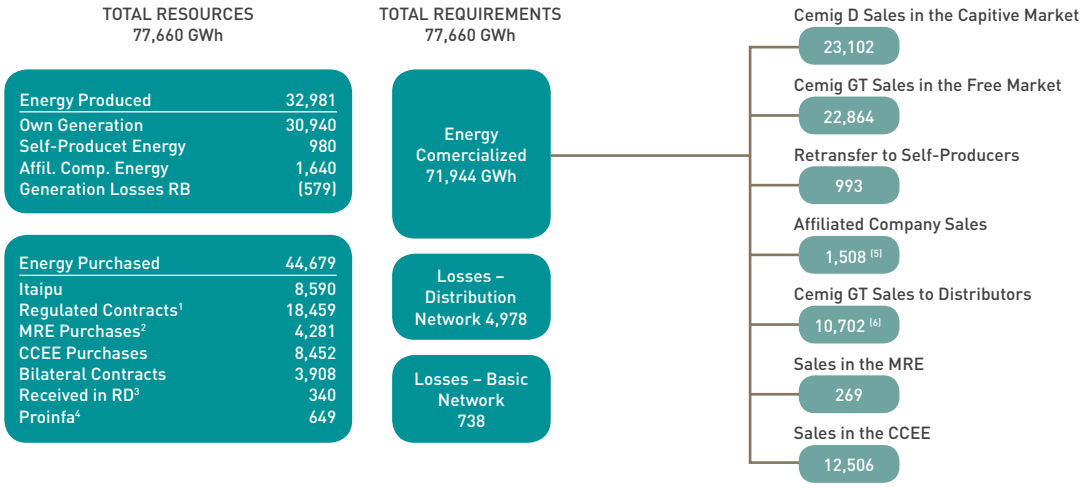
The amount of energy produced in 2010 was 32,981 GWh, which constituted a decrease of 7.5% in relation to 2009 and the amount of energy purchased totaled 44,679 GWh, with growth of 28.1%.

Cemig commercialized 71,944 GWh of energy, which is 10.8% more than that commercialized in 2009 and, of this total, 63.9% (45,966 GWh) was directed to both captive and free final consumers.

The energy supplied by Cemig Distribuição to captive consumers was 23,102 GWh, with growth of 3.4% in 2010 and the energy commercialized by Cemig Geração e Transmissão in the free market totaled 22,864 GWh, with growth of 22.5%.

In the Regulated Procurement Environment, Cemig Geração e Transmissão supplied 10,702 GWh to distributors. This amount corresponds to 18.9% of total resources in 2010, with a decrease of 12.9% in relation to the previous year.

**Electric Energy Balance – 2010**
**Consolidated Cemig's Market**




1. Energy Coommercilization Contracts in the Regulated Environment and Adjustiment Auctions
2. Energy Reallocation Mechanism
3. Generation injected directy into the distribution Network
4. Alternative energy Source incentive Program
5. Bilateral Contracts – Sá Carvalho, Horizonte, Pai Joaquim, Rosal, Barreiro, Cachoeirão and Ipatinga Thermal Plants
6. Cemig GT Sales in the regulated Procurement Environment

The installed capacity and net generation of Cemig's generation system, which is comprised of Cemig Geração e Transmissão's plants in commercial operation in 2010 and also the parcel corresponding to its equity stakes in Controlled and Affiliated Companies, is presented in the table in the Emissions item in the Environmental Dimension, page 89. The reduction in the generation of electric energy in 2010 is the result of the operation policy of the National Electric System Operator – ONS and of the lower storage levels in the reservoirs.

**Losses Management**

The loss control is one of the strategic objectives of Cemig D and currently there is a structure dedicated to this purpose. In order to measure this goal, it was implemented the Index of Total Distribution Losses with multi-year targets, validated annually and monthly monitored on the Panel of the Board.

In the energy balance of 2010, total losses (comprising the sum of technical losses and non-technical losses) in the distribution network and core network totaled 5,716 GWh, corresponding to 7,4% of total resources.

**Technical Losses**

In 2010, the technical losses of Cemig D were reduced even with the expansion of distribution networks for the program of energy universalization "Luz Para Todos" (Energy for All), with construction of 14,147 km of rural networks, mainly from the ends of existing networks, aiming service for dispersed small loads with low load factor.

Among the actions undertaken in 2010 for the technical losses control are:

- Investment of R$ 58 million and R$ 151 million to strengthen the electrical system of medium/low voltage and high voltage subtransmission (69 kV to 230 kV), respectively;
- Acquisition of distribution transformers with amorphous core technology, wihich reduce the losses to empty in about 80%.

**Non-Technical Losses**

In 2010, approximately R$ 45 million was invested in programs aimed at reducing non-technical losses, corresponding to the inspection of approximately 150,000 consumer units, with gains of R$ 120 million (about 300 GWh), considering the potential revenue due to the energy retroactively charged and the energy increase after regularization.

## ENERGY QUALITY

EU6
EU28
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 (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index), which are monitored by the Company and by ANEEL – the National Electric Energy Agency.

The SAIDI and SAIFI continuity indicators in 2010 were 13.00 and 6.56 hours of interruptions, respectively. The SAIDI indicator hit exactly the goal established by ANEEL (13.00 hours). The SAIFI indicator was almost 30.0% lower than the goal established by ANEEL (9.33 hours).

*CLIMBING ELECTRICIAN*

Cemig Distribuição has adopted a strategy of seeking continued improvements in the performance of the electric system through a policy of sharply increasing investments after the last tariff revision. Funds on the order of R$ 600 million/year are being invested in improvement, reinforcement, renovation and preventive maintenance actions in order to guarantee the quality of the electric energy supply.

In 2010 roughly R$ 111.5 million were invested in projects involving the replacement of damaged equipment, the replacement and repair of networks and equipment that presented critical performance problems, an elevated failure rate, low operative flexibility and that were at the end of their useful lives. This investment represents an increase of 67% in comparison with 2009. Resources of approximately R$ 225 million were also invested in the maintenance of networks, lines and substations through such actions as pruning trees, cleaning and clearing right-of-ways, replacing structures and increasing the number of emergency service teams.

Compared with 2009, there was an increase of about 53% in terms of these resources.

In order to solidify the project and maintenance plan for this program, it was necessary to increase the number of scheduled interruptions. This impacted the SAIDI indicator, which measures the average time that each consumer is not supplied with electric energy. However, Cemig Distribuição made the strongest possible effort to reduce the effects of these interruptions through the utilization of teams specialized in energized network (live line) work, the utilization of mobile substations and special generator motor groups for medium voltage connections, mega jumpers, the development of provisory high voltage arrangements for the connection of lines or new consumers, etc.

In 2010, 323,764 interruptions were registered. Of these, 84% were accidental and 16% were scheduled. Roughly 50% of the sustained energy interruptions in 2010 originated in causes that were external to the system (natural phenomena

*CEMIG'S ELECTRICIAN*

and the environment), 34% were of internal origin (equipment failures, human error, handling errors, etc.) and 16% were scheduled interruptions. Among the main external causes, lightning was responsible for 27%, contact between birds and animals and the network represented 10% and tree-related interruptions accounted for 8%.

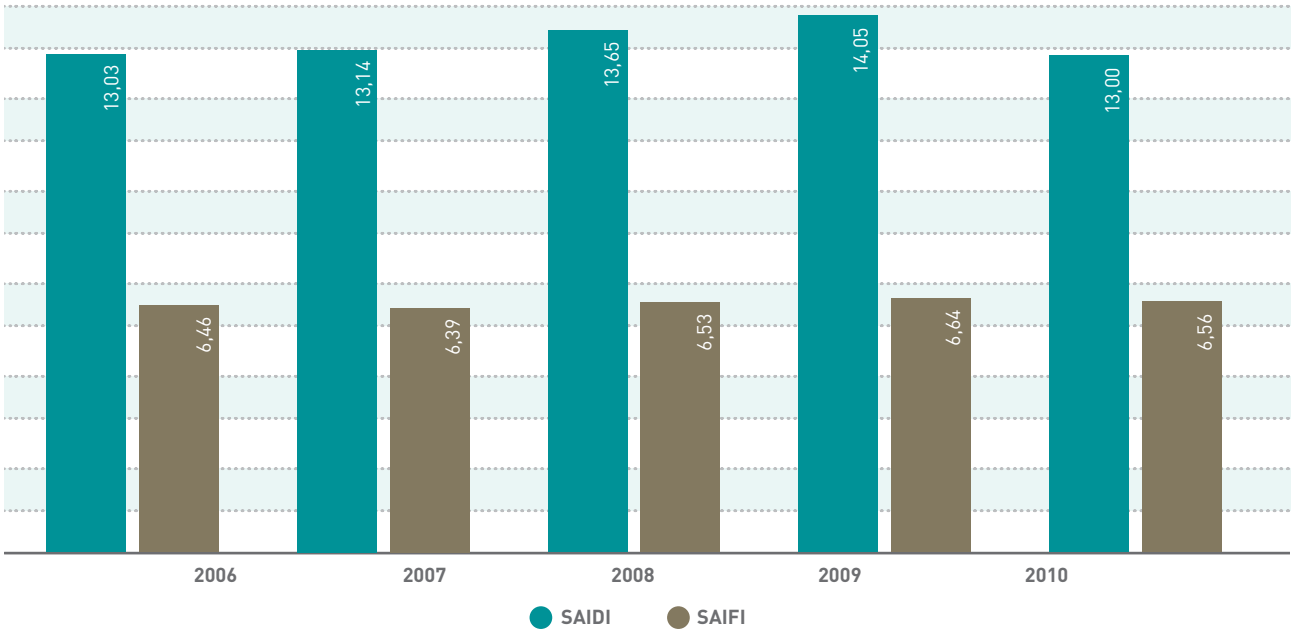
In 2010, R$ 83 million were invested in preventive maintenance (cleaning and clearing right-of-ways, pruning, replacing crossarms, maintenance of structures, replacement of deteriorated posts, transformers and cables), and R$ 36 million were invested in network renovations (network shielding, circuit renovation and the interconnection of circuits).

These actions were vital to the improved performance of the distribution system and are considered an assertive strategy, which is evidenced in the 2010 SAIDI indicator and in the ANEEL satisfaction survey. In 2010, Cemig reduced the SAIDI indicator by 1.09 hours in relation to 2009, which corresponds to an improvement of 8% over the 2009 result, reversing a trend that has been present the past seven years. In addition, the SAIDI index registered for Belo Horizonte was the lowest among those in state capitals in the Southern, Southeastern and Central-West Regions.

In 2010 the Company spent R$ 11.1 million on fines imposed by ANEEL resulting from 4 administrative processes. The two main cases were related to a failure to meet targets for the SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) indicators (Resolution 660/2003).

S08

**SAIDI and SAIFI indicators**




## TARIFFS

### Cemig Distribuição (Distribution)

Cemig Distribuição S.A.'s electric energy tariffs are regulated and monitored by ANEEL - the National Electric Energy Agency, which also determines the cost associated with each type of consumer, which in turn is utilized to calculate the different tariffs for the various consumption voltages. Cemig works alongside ANEEL to the regulatory milestone development, providing information to the agency, mainly in defense of the Company in order to secure recognition of the costs and investments necessary to render quality services, among others.

There are three tariff revision modalities in the concession contracts:

**Ordinary Tariff Revision**
This occurs every five years, when the economic-financial balance of the utility is checked. This process takes into consideration the non-manageable costs (such as energy purchase and taxes), operational costs (through the company of reference) and remuneration/reintegration of capital invested. The last revision occurred in 2008 and the next one is scheduled for 2013.

**Extraordinary Tariff Revision**
There is no established periodicity for this revision, as it is designed exactly to be an instrument for the correction of great economic-financial imbalances at any time. There was, for example, an Extraordinary Tariff Revision when there was energy rationing in 2001.

**Annual Tariff Readjustment**
This occurs every year, in the month of April, except in years in which there is a tariff revision. The objective of this process is to pass on, in their entirety, the non-manageable costs and to monetarily correct the manageable costs, which were established in the tariff revision.

The average effect of the April 2010 readjustment for captive consumers was a reduction of 1.48%, applied differently for each consumer class. The effect on low-voltage consumers' bills was -0.77%, while for high voltage consumers, the average tariff variation was -3.48%.

Taxes and sector charges are levied on the tariff. Cemig is obliged by law to perform the tax collection directly through consumers' bills and forward them to the respective governmental spheres. The charges are contributions, defined by laws passed by the Congress and are used for specific purposes.[4]

The National Electric Energy Agency (ANEEL) publishes, via resolutions, the value of the tariff for electric energy without taxes, by consumer class (residential, commercial, industrial, etc). Based on these values, the energy distributors include taxes (PASEP, COFINS and ICMS) and CIP – Contribution for Public Lighting, which make up the electric energy bill that consumers pay.

Cemig Distribuição S.A. has about 2.34 million consumers (as of 2010) classified as low income residential, who benefit from a subsidized tariff for this class, which means a higher tariff for the rest of the low voltage consumers. For consumers with monthly consumption of 30 kWh, the benefit results in a 65% discount (approximately); for consumption in the range between 31 kWh and 100 kWh, the discount is 40%, for monthly consumption from 101 kWh to 220 kWh, the discount is 10%, above 220 kWh of consumption consumers have no discount. Residential consumers who consume up to 90 kWh per month also benefit from an exemption from the ICMS.

Additionally, it is important to note that Cemig has 567,743 km² of concession area and more than 460,000 kilometers of distribution network, which requires more capital in terms of labor, materials and outsourced services and network investments, i.e., higher tariffs than smaller and more geographically concentrated distribution companies.[5]

## Cemig Geração e Transmissão (Generation and Transmission)

The first Transmission Tariff Revision, for Cemig GT's entire transmission asset base, was

*[4] For more information about the taxes and charges levied on the bill, please see the booklet "Por dentro da conta de luz " - Aneel - http://www.aneel.gov.br/area.cfm?idArea=532*
*[5] http://agenciavirtual.cemig.com.br/portal/avisos/?txtCod=1*

approved by ANEEL's Executive Board on June 17th of 2009. In this revision, the Agency fixed the Company's Allowed Annual Revenue at 5.35%, retroactive to 2005.

On June 1st of 2010, ANEEL accepted and partially granted the Administrative Resource requested by Cemig GT, with an alteration in the repositioning of its first Transmission Tariff Revision from 5.35% to 6.96% due to costs from the amount assessment report, an alteration in the Net Remuneration base and the inclusion of the sector charges over the difference in revenues.

R$ 10,542,000 from this resource were incorporated into the value for the financial component established by ANEEL, resulting in a value of R$ 168,632,000. This value results from the retroactive effects of the tariff repositioning, which occurred between July 1st of 2005 and June 30th of 2009. The first parcel, of R$ 85,732,000, was incorporated into the 2009/2010 readjustment cycle and the second parcel, of R$ 93,009,000, will be compensated for in the 2010/2011 readjustment.

On June 8th, 2010, ANEEL homologated the results of Cemig GT's second Transmission Tariff Revision, which fixed the tariff repositioning for Annual Allowed Revenue at -15.88%, retroactive to June of 2009. Thus, a reimbursement of R$ 75,568,000 to users of the transmission system was calculated and will be returned to them in the tariff cycle from July of 2010 to June of 2011. This value was registered as a reduction in revenues by Cemig GT in the second quarter of 2010.

*CLÁUDIO SUBSTATION*

## ANALYSIS AND DISTRIBUTION OF RESULTS

The results presented below are in accordance with new accounting standards, within the process of harmonizing Brazilian accounting norms (BR-GAAP) with international ones (IFRS). Thus, the result for 2009 was revised to reflect these changes and to allow comparison with that for the year 2010.

The impacts resulting from the adoption of new Brazilian accounting standards and the IFRS, whose main item is the exclusion of regulatory assets and liabilities, are described in detail in the Explanatory Note Nr. 2 of the Company's financial statements.

In this context, Cemig achieved, in the 2010 fiscal year, a net profit of R$ 2,258 million compared with R$ 2,134 million in 2009, representing an increase of 5.81%.

Cemig's EBITDA in 2010 did not change significantly compared with 2009, presenting a slight decrease of 0.98%.

### Operating Revenue

As is shown in the table below, Cemig's operating revenue presented an increase of 5.48%.

| Operating Revenue | | |
|---|---|---|
| R$ million | 2010 | 2009 |
| Gross supply of electric energy | 14,954 | 15,008 |
| Revenue from use of electric energy distribution system – TUSD | 1,658 | 1,332 |
| Revenue from use of transmission network | 1,555 | 903 |
| Other operating revenues | 791 | 652 |
| Deduction to operating revenue | (6,095) | (5,737) |
| **Net operating revenue** | **12.863** | **12.158** |

The main items that affected the results were:

- a 6.06% increase in the total of electric energy billed to end-use customers (excluding companies' own consumption) and
- a 3.35% reduction in the average tariff in 2010, R$ 282.01 in comparison with R$ 291.79 in 2009. This reduction stems from the increased volume of regulatory items included in the tariff in 2009, for example, the Extraordinary Tariff Recomposition and non-manageable costs of the distributor – CVA.

Revenue from the gross supply of electric energy was R$ 14,954 million in 2010 compared to R$ 15.008 million in 2009, representing a reduction of 0.36%.

Revenues from electricity sold to end-use consumers, excluding own consumption, was R$ 13.352 million in 2010 compared to R$13,233 million in 2009, an increase of 0.90%.

The quantity of electric energy sold to other power utilities increased by 2.49%, from 13,859,700 MWh in 2009 to 14,204,530 MWh in 2010. The average selling prices for energy slightly decreased, from R$ 101.72 per MWh in 2010 compared to R$ 117.87 per MWh in 2009. The main reason for the reduction was the result of energy sale contracts through adjustment auctions for the distributors, held exclusively in 2009, with an average price of R$ 145.00 per MWh. Thus, there was a reduction of 11.57% in revenue from supply

*PAPAGAIO SUBSTATION*

to other power utilities, from R$ 1,444 million in 2010 to R$ 1,633 million in 2009.

Revenue from Use of Electric Distribution Systems, of Cemig Distribuição and Light, corresponded to R$ 1,658 million compared to R$ 1,332 million in 2009, an increase of 24.47%. This revenue comes from charges to consumers free of the electricity sold by other players in the electricity sector. This increase is due to increased transport of energy to free consumers, consequence of a rebound in industrial activity and the migration of captive customers to the free market.

Revenue from use of the transmission network grew by 72.20%, reaching R$ 1,555 million in 2010 compared to R$ 903 million in 2009. This revenue represents the availability of Cemig GT's interconnected transmission system and also the jointly controlled companies, among which the group known as TBE and Taesa. The increase in this revenue in 2010 resulted primarily from the acquisition of Taesa in October 2009 and through a public offer of shares in May 2010, which impacted positively on the consolidation of revenue in 2010.

Other Company revenues are as follows:

| | Consolidated R$ million | |
|---|---|---|
| | 2010 | 2009 |
| Natural gas supply | 398 | 307 |
| Billed service | 16 | 17 |
| Telecomunication services | 131 | 115 |
| Service rendered | 179 | 129 |
| Rental and leasing | 60 | 72 |
| **Others** | 7 | 12 |
| | **791** | **652** |

## Operating Revenue Deductions

Taxes on operating revenues were R$ 6,095 million in 2010 compared to R$ 5,737 million in 2009, representing an increase of 6.24%. The main changes in deductions from revenue are as follows:

Expenses on the Fuel Consumption Account was R$ 532 million in 2010 compared to R$ 493 million in 2009, representing an increase of 7.91%. This refers to costs of thermal plant operation from the interconnected and isolated Brazilian system, apportioned among the electric energy traders through an ANEEL Resolution.

Expenses on the Strategic Development Account was R$ 423 million in 2010 compared to R$ 408 million in 2009, representing an increase of 3.68%. The payments are set by ANEEL Resolution.

The expenses on these accounts are classified as non-manageable costs, and, in the distribution activity, the difference between the values used as a reference for setting tariffs and the cost effectively achieved is offset in the subsequent tariff adjustment. For the portion relating to transmission services, the company simply passes the burden onto Eletrobras, since such expenses are charged to free consumers through the use of the grid.

Other deductions from revenue are the taxes calculated as a percentage of revenue. Therefore, the variations are due, substantially, to the changes in revenue.

Other deductions from revenue are the taxes calculated as a percentage of revenue. Therefore, the variations are due, substantially, the changes in revenue.

For a breakdown of taxes on incomes, see Explanatory Note 23 of the consolidated Financial Statements.

## Operating Costs and Expenses

Costs and operating expenses, excluding the financial results in 2010, represented R$ 9,217 million compared to R$ 8,467 million in 2009, an increase of 8.86%. This result is mainly because of increases in non-manageable costs of energy purchased for resale. For more information see Note 24 of the consolidated Financial Statements.

The main changes in expenses are described below:

- Spending on electricity purchased for resale was R$ 3,722 million in 2010 compared to R$ 3,199 million in 2009, representing a sharp increase of 16.35%. It was mainly due to increased purchases of power by distributors in the regulated environment. This is a non-manageable cost and the difference between the values used as reference for setting tariffs and the cost effectively achieved is offset in the subsequent tariff increase. For a breakdown of expenditures, see Note 24 in the Consolidated Financial Statements.
- Expenses related to charges for use of the transmission network fell by 14.54%, from R$ 853 million in 2009 to R$ 729 million in 2010. These expenses relate to charges payable by distribution and power generation agents, the use of facilities, basic network components, as defined by ANEEL resolutions. This is also a non-manageable cost for the Company, and the difference between the values used as

reference for setting tariffs and cost effectively achieved is offset in the subsequent tariff increase.

- Personnel expenses were R$ 1,211 million in 2010 compared to R$ 1,318 million in 2009, dropping 8.12%. The Voluntary Dismissal Program (PDV), the main cause of this result, was implemented in 2009 with costs of R$ 206 million. In 2010 the program costs were only of R$ 40 million (adjustment provision recorded in the previous year), associated with the reduction in the number of employees (holding, Cemig GT and D), which dropped from 9,746 in 2009 to 8,859 in 2010.
- The expense for depreciation and amortization did not change between 2010 and 2009 (R$ 896 million).
- Spending on post-employment obligations was R$ 107 million in 2010 compared to R$ 150 million in 2009, representing a decrease of 28.67%. These costs basically represent the interest on Cemig's actuarial obligations, net of expected return on plan assets, estimated by an external actuary. The reduction in this expense is due to greater expectations of return on plan assets in 2010 compared to bonds.
- Operating provisions were R$ 138 million in 2010 compared to R$ 124 million in 2009, an increase of 11.29%. This result is due, substantially, the conclusion of agreement to end court proceedings, with industrial consumers from the tariff increase determined by ordinance DNAEE 045/86, with the spending of R$ 178 million in 2010, partially offset by a reversal in the provision for retirement premium in 2010 of R$ 22 million, compared to a provision of R$ 41 million in 2009. For a breakdown of the provisions, see explanatory Note 24 in the consolidated Financial Statements.
- The cost of natural gas purchased for resale was R$ 225 million in 2010 compared to R$ 166 million in 2009, representing a rise of 35.54%. This variation is due to the greater quantity of gas sold in 2010 due to higher thermal plant operation by Gasmig customers.

*IGARAPÉ THERMOELECTRIC PLANT*

## Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA

| EBITDA – R$ million | 2010 | 2009 | VAR. % |
|---|---|---|---|
| Net income | 2,258 | 2,134 | 5.81 |
| + Provision for Income Tax and Social Charges | 564 | 1,131 | (50.13) |
| + Financial results | 825 | 355 | 132.39 |
| + Amortization and Depreciation | 896 | 895 | - |
| + Minority shareholders' participation | - | 73 | - |
| = EBITDA | 4,543 | 4,588 | (0.98) |
| Non recurring items: | | | |
| + Court agreement with industrial clients | 178 | - | - |
| + ICMS Low income consumer | 26 | - | - |
| + Voluntary Dismissal Program – PDV | 40 | 206 | (80.58) |
| ADJUSTED EBITDA | 4,787 | 4,794 | (0.15) |

Cemig's EBITDA in 2010 did not change significantly compared to 2009, as there was a slight decrease of 0.98%.

The main non-recurring effects which impacted the EBITDA were:

- Recognition of an expense in 2010, incurred by Cemig D, amounting to R$ 178 million, resulting in an agreement on the lawsuit filed by industrial consumers for the reimbursement of the tariff increase introduced by DNAEE during the Cruzado Plan;
- Recognition of ICMS expense in 2010 relating to the grant of a discount for Low Income Consumers, totaling R$ 26 million, due to join the Fiscal Amnesty Program, implemented by the State of Minas Gerais Government;
- Provisions records in 2010 and 2009, amounting R$ 40 million and R$ 206 million, respectively, for the Voluntary Dismissal Program implemented by the Company.

Cemig presented in the 2010 fiscal year a net profit of R$ 2,258 million compared to R$ 2,134 million in the 2009 fiscal year, an increase of 5.81%.

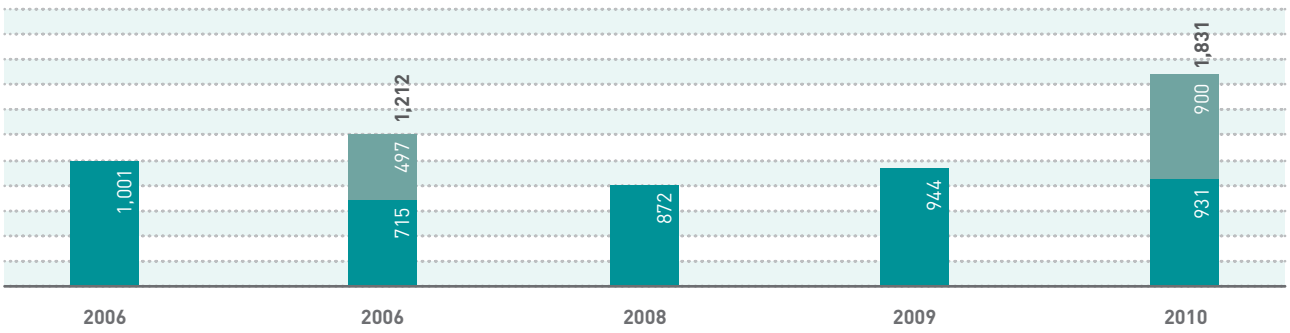
## Dividends Policy

Cemig's Bylaws contain a commitment to distribute a minimum dividend of 50% of the net profit for each year. Every two years, whenever there is cash available, Cemig distributes extraordinary dividend.

Dividends are paid in two equal installments, by June 30th and December 30th of the year subsequent to the year they refer to. Preferred shares enjoy preference under the hypothesis of a share buyback and have a minimum annual dividend equal to or greater than the following values: 10% calculated over the book value at 3% of the net equity value per share. Following this payment, the common and preferred shares have equal rights with regard to the remaining dividends.

Growing profitability combined with a strong dividends policy results in significant gains for Cemig shareholders, as is shown in the graphs below.

**Dividends paid (R$ million)**




The Board of Directors will propose to the Annual General Shareholder Meeting, to be held on April 29th, 2011, that the net profit from the fiscal year, in the amount of R$ 2,258 millions, should be allocated as follows:

- R$ 238 million to offset losses accrued on the adoption of new accounting standards;
- R$ 113 for the constitution of the Legal Reserve;
- R$ 1,196 million (52.97 % of the net profit) for payment of dividends;
- R$ 711 million will be retained in equity.

In 2010, paid dividends totaled R$ 1,831 million, with R$ 900 million corresponding to extraordinary dividends, with a 9% return and payout of 52.97%.

***Dividend yield* – %***


**Profit per share – (R$)**


** This is the dividend return, the profitability that refers to preferred shares and the closing quote on December 30th, 2010.*

# CAPITAL MARKETS

## Cemig shareholders in 44 countries


**North America**
Canada
U.S.A.
Mexico

**South America**
Argentina
Bolivia
Brazil
Chile
Uruguay

**Central America**
Bermuda
The Bahamas
Cayman Islands
Turks and Caicos Islands
Virgin Islands

**Europe**
Luxembourg
The United Kingdom
Spain
Ireland
Guernsey
Jersey
Romania
Netherlands
France
Sweden
Denmark
Italy
Switzerland
Germany
Belgium
Austria
Portugal
Poland

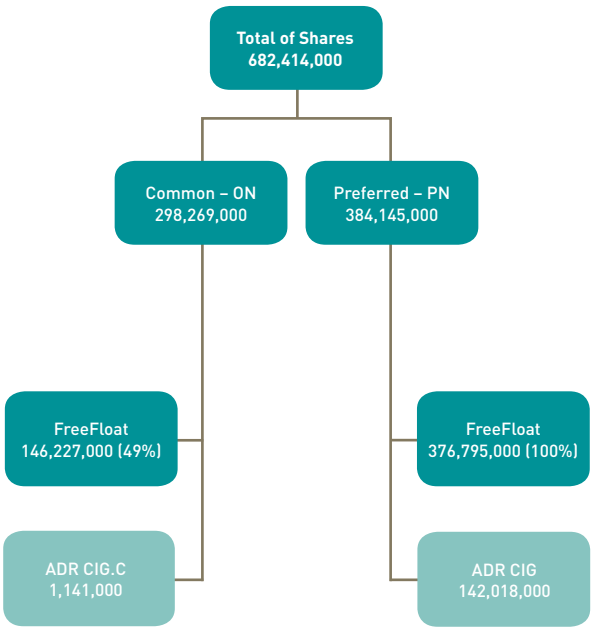
**The Middle East**
Saudia Arabia
United Arab Emirates
Kuwait
Oman
Syria
Lebanon

**Asia**
Brunei
Singapore
South Korea
Japan
Malaysia
Taiwan

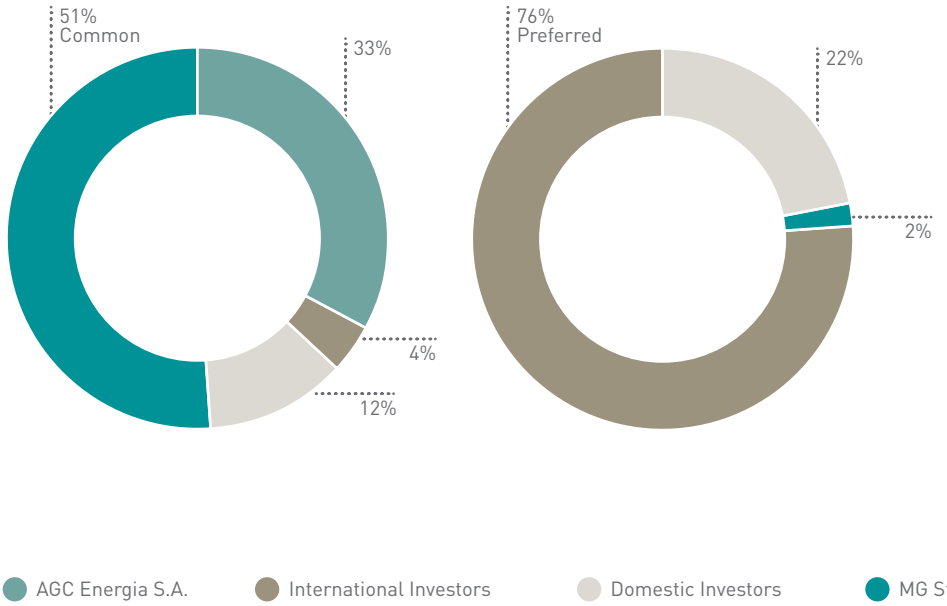
**Oceania**
Australia

Cemig's shares were first listed on the State of Minas Gerais stock exchange on October 14th, 1960. On January 14th, 1972 the common (ON) and preferred (PN) shares were listed on the São Paulo stock exchange (Bovespa), now BM&FBovespa S.A., and currently trade under the stock tickers CMIG3 (ON) and CMIG4 (PN). Since October of 2001, the Company has been in the Level 1 of Corporate Governance listing of the BM&FBovespa. In addition, since 1993, Cemig's preferred shares have been traded on the New York Stock Exchange with ADRs (CIG) Level 1. These became ADRs Level 2 in 2001. In June of 2007, ADR's representing Cemig's common shares (CIG.C) began trading on the NYSE. Cemig also has preferred shares listed on the Latibex (Madrid Stock Exchange) since 2002 .

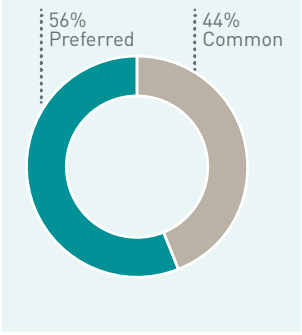
## Cemig Capital Structure – Dec/2010



**Breakdown of Shareholding – Dec/2010**




**Total of shares**




## Cemig Share Rights

***Common Shares (nominal value of R$ 5.00)***

- Tag along right to 80% of the value paid per share held by the controlling shareholder;
- Elect 13 members of the Board of Directors and 4 members of the Fiscal Council;
- When the Company does not make sufficient profits to allow the payment of dividends to its shareholders, the State of Minas Gerais shall ensure for the Company's capital shares issued up until August 5th of 2004, privately held, a minimum dividend of 6% (six per cent) per year, under the terms of article 9 of State Law Nr. 828, of December 14th, 1951, and of State Law Nr. 15,290, of August 4th, 2004.

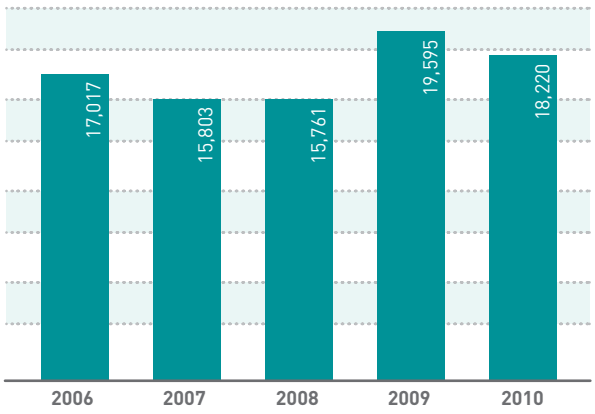
***Preferred Shares (nominal value of R$ 5.00)***

- do not have tag along rights;
- elect one member of the Board of Directors;
- elect one member of the Fiscal Council;
- are given preference under the hypothesis of a redemption of shares;
- receive a minimum annual dividend equal to or greater than the values listed below:
  - 10% calculated over the nominal value;
  - 3% shares equity value.
- When the Company does not make sufficient profits to allow the payment of dividends to its shareholders, the State of Minas Gerais shall ensure for the Company's capital shares issued up until August 5th of 2004, privately held, a minimum dividend of 6% (six per cent) per year, under the terms of article 9 of State Law Nr. 828, of December 14th, 1951, and of State Law Nº 15,290, of August 4th, 2004.

## Cemig's Shares Performance

Cemig's market value in 2010 fell by 7.02% in comparison with 2009. However, when analyzing the variation over the past five years, this indicator presents an increase of 18%. It is worth mentioning that the market value shown below is represented by the totality of the Company's shares, using the value of the preferred shares on the last business day of each year.

**Market capitalization (R$ million)**




*Source – Economática – unadjusted quotations*

In 2010, there was a trading volume of R$ 10 billion in Cemig's preferred shares – CMIG4, with a daily average of almost R$ 42 million. This information confirms that Cemig shares are the most liquid in the electric sector and are among the most actively traded on Bovespa. It is also worth noting that average daily trading volume for preferred shares on the New York Stock Exchange mirrors that in the Brazilian Market, reinforcing the Company's position as a global investment option.

With a slight rise in value of 1.04% for the year, compared with the strong value generated in 2009, the main index for the São Paulo Stock Exchange did not meet market expectations for 2010, as it was affected mainly by the economic instability and uncertainties caused by European countries.

In this sense, Cemig's shares outperformed the São Paulo Stock Exchange index, with its common shares, CMIG3 and preferred shares, CMIG4, rising by 5,87% and 2.26%, respectively. The total return for CMIG3 and CMIG4 shareholders was 19.56% and 12.54%, respectively, for 2010.

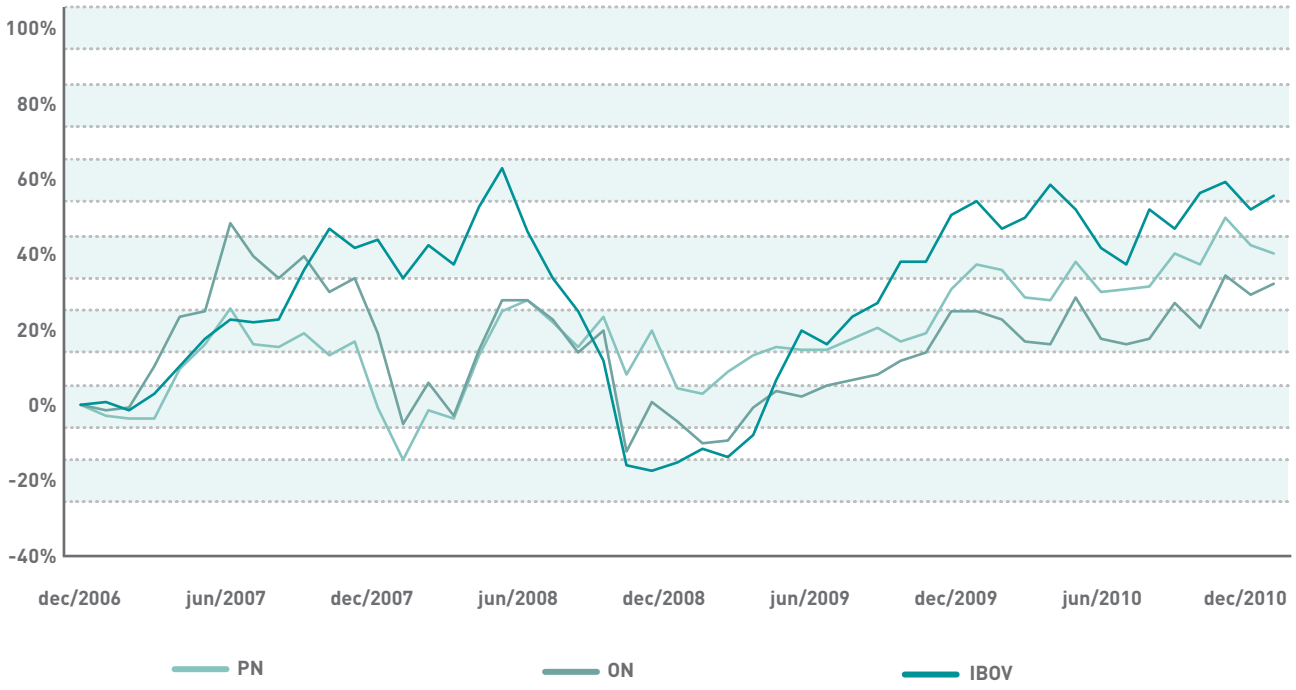
| Denomination | Ticker Symbol | Currency | 2009 Closing | 2010 Closing |
|---|---|---|---|---|
| Cemig PN (Preferred) | CMIG4 | R$ | 26.12 | 26.71 |
| Cemig ON (Common) | CMIG3 | R$ | 19.60 | 20.75 |
| ADR PN (Preferred) | CIG | US$ | 15.65 | 16.59 |
| ADR ON (Common) | CIG.C | US$ | 11.86 | 12.44 |
| Cemig PN (Preferred) (Latibex) | XCMIG | € | 12.57 | 12.30 |

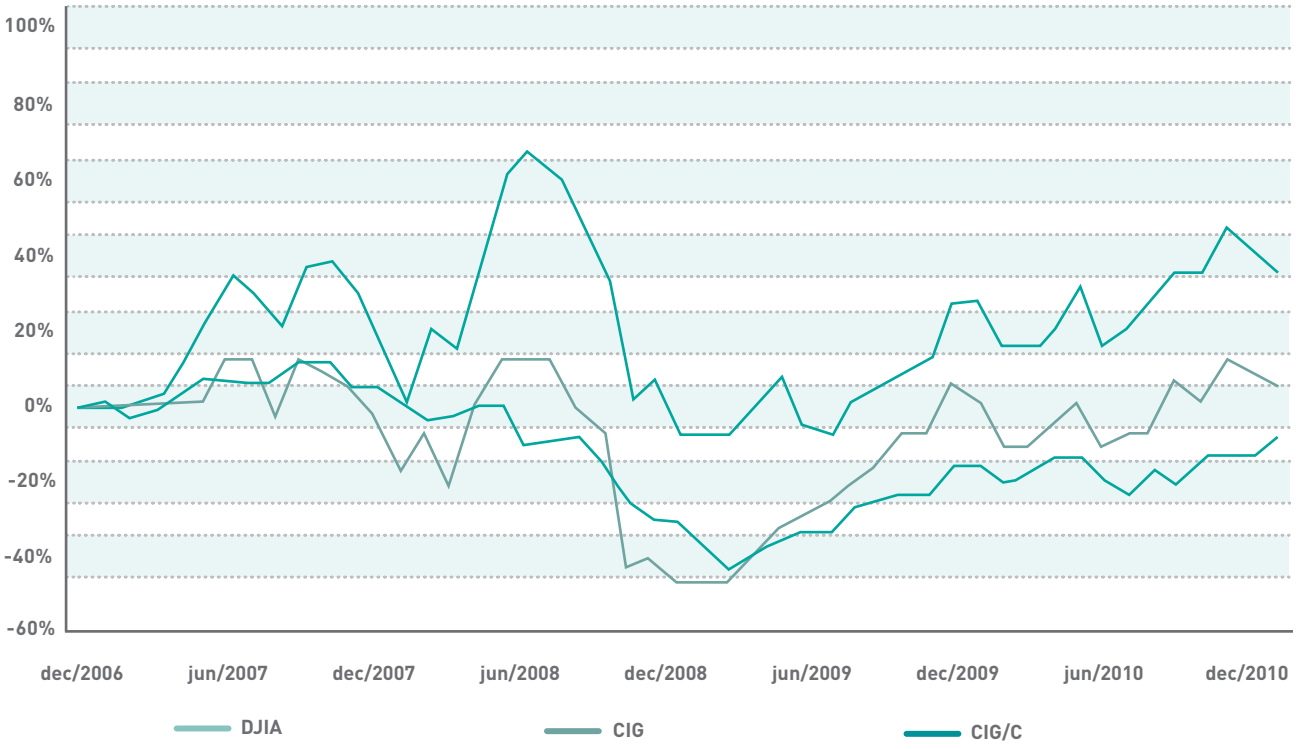
*Source – Economática – quotes adjusted for earnings, including dividends*

| | CMIG4 | CMIG3 | CIG | CIG.C | IBOV | DJIA | IEE |
|---|---|---|---|---|---|---|---|
| 2010 | 2.26% | 5.87% | 6.01% | 4.89% | 1.04% | 11.02% | 11.98% |


*NYSE*

**Evolution of Cemig Shares in Comparison with Other Indicators**




## Statement of Added Value

The Statement of Added Value shows the representativeness of the Corporation to the society. Cemig had R$ 11,674 million of value added in 2010 compared to R$ 11,396 million in 2009.

EC1

## Investor Relations

Cemig continues to invest in its relations with capital markets, through different actions aimed at shareholders, analysts, investors and financial institutions, demonstrating its commitment to the best corporate governance, transparency and information equity practices.

The quantity and quality of the information released by Cemig through its investor relations website[6] meetings with capital market professionals and analysts through the Belo Horizonte, São Paulo, Rio de Janeiro, Porto Alegre, Florianópolis, Brasília and Fortaleza regional centers of the Apimecs – Associations of Capital Market Investment Analysts and Professionals; meetings with domestic and international analysts and investors at conferences and "Non Deal Roadshows"; the announcement of quarterly and annual results with presentations broadcast via live webcasts and teleconferences, with simultaneous translation into English; participation in domestic trade fairs (Expo Money – São Paulo and Belo Horizonte) and international trade fairs (Money Shoe – Orlando and San Francisco in the U.S.A.) demonstrate the Company's commitment to optimizing the strategic relationship with the various investor classes, whether institutional or individual.

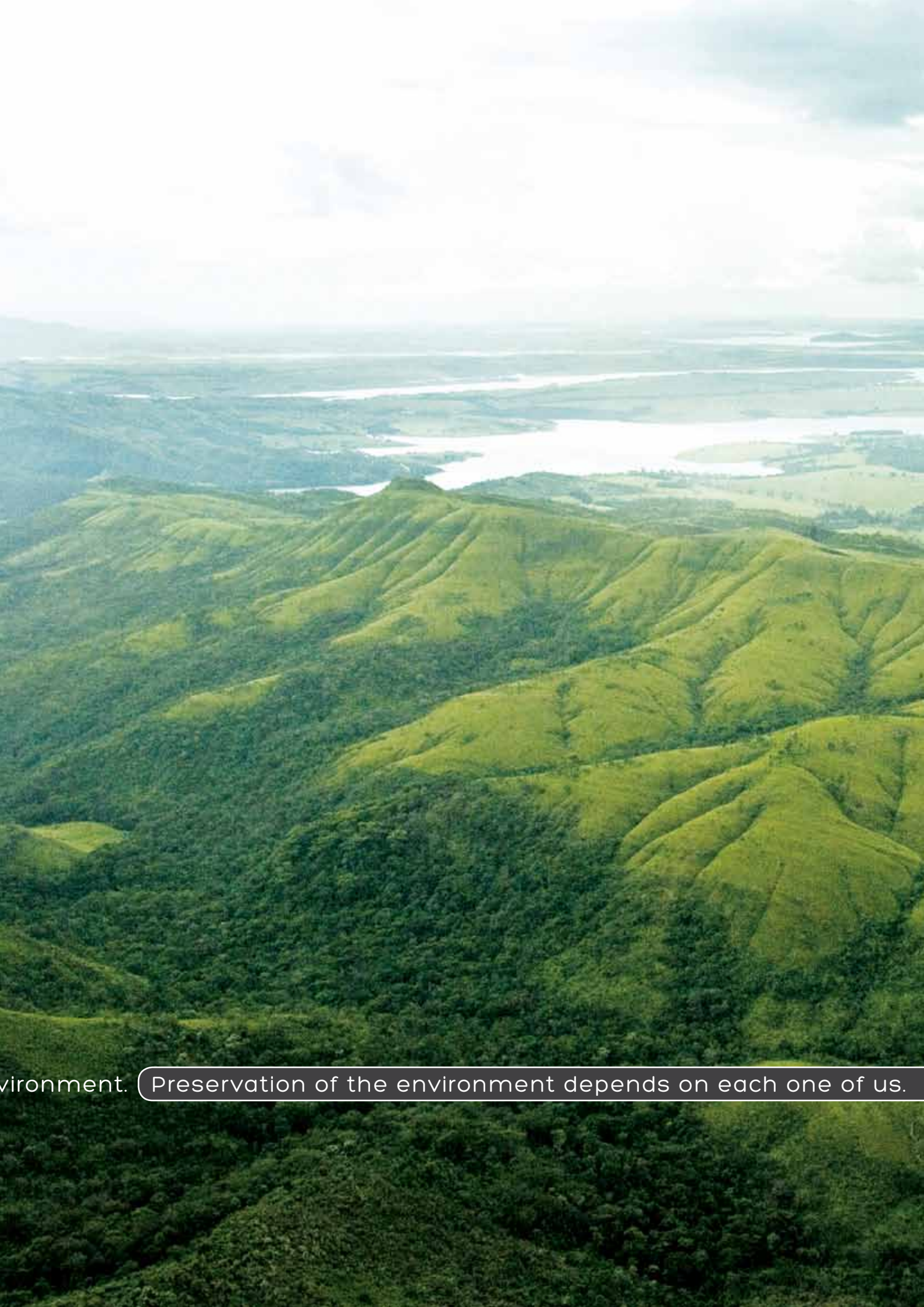
In 2010 Cemig participated in 36 seminars, conferences and special events related to the investment market, 4 Non Deal Road Shows and 15 conferences, training programs and trade fairs (as an exhibitor). These events were held in Brazil and abroad, allowing Cemig's investor relations professionals to conduct more than 500 meetings.

The following events are especially noteworthy:

- XV Annual Cemig-Apimec Meeting – In May, Brazilian and international financial market analysts and professionals met in Belo Horizonte-MG for a meeting with Cemig executives, which included a technical visit to the Peti Environmental Station and Plant.
- Cemig Day – On October 20th, for the sixth time, Cemig participated in the traditional Closing Bell ceremony at the New York Stock Exchange (NYSE). This event marked the closing of the trading day. In recognition of Cemig's position as one of the most valuable and frequently traded companies on the international market.
- Company Day – Cemig was the first partner in the BM&FBovespa's "Do you want to be a partner?" campaign, which is aimed at providing financial education and was unveiled nationally by former soccer player Pelé. The partnership was made official at Cemig Company Day on November 19th at the São Paulo Stock Exchange.

[6] *cemig.infoinvest.com.br/?idioma=enu*


*NYSE*


vironment.
Preservation of the environment depends on each one of us.

# ENVIRONMENTAL DIMENSION

And each one of us depends on the preservation of the environment. P

# Environmental Dimension

Global compact Principle 8

## COMMITMENT TO THE ENVIRONMENT

Cemig seeks a balance between responsible socioenvironmental action and efficiency in its electric energy generation, transmission and distribution businesses, providing solutions and new technologies that minimize the impacts of its activities and increase the benefits for society.

The company's actions are oriented by its Environmental Policy, which was published in 1990. There are seven principles that guide decisions and activities in a manner that allows the company to realize its strategic vision, the environment protection and the sustainable development. Such principles are translated into actions that are aimed at raising awareness among employees, partners and other publics regarding the environmental challenges that arise.[1]

### Relationship with Society

Aware of the importance of its role in the society where it operates, Cemig prioritizes the quality and effectiveness of its relationship with stakeholders through various communication channels.

Evidence of its actions can be seen in the Peixe Vivo Program, which won the Aberje 2010 – Regional Award (Minas Gerais State and Brazilian Central-West region) in the "Communication Programs aimed at Corporate Sustainability" category.

*AQUARIUM OF BELO HORIZONTE CITY – SÃO FRANCISCO RIVER BASIN*

[1] *Further details may be found at the following address: http://www.cemig.com.br/sites/en/Sustainability/Pages/Cemig'sEnvironmentalPolicy.aspx*

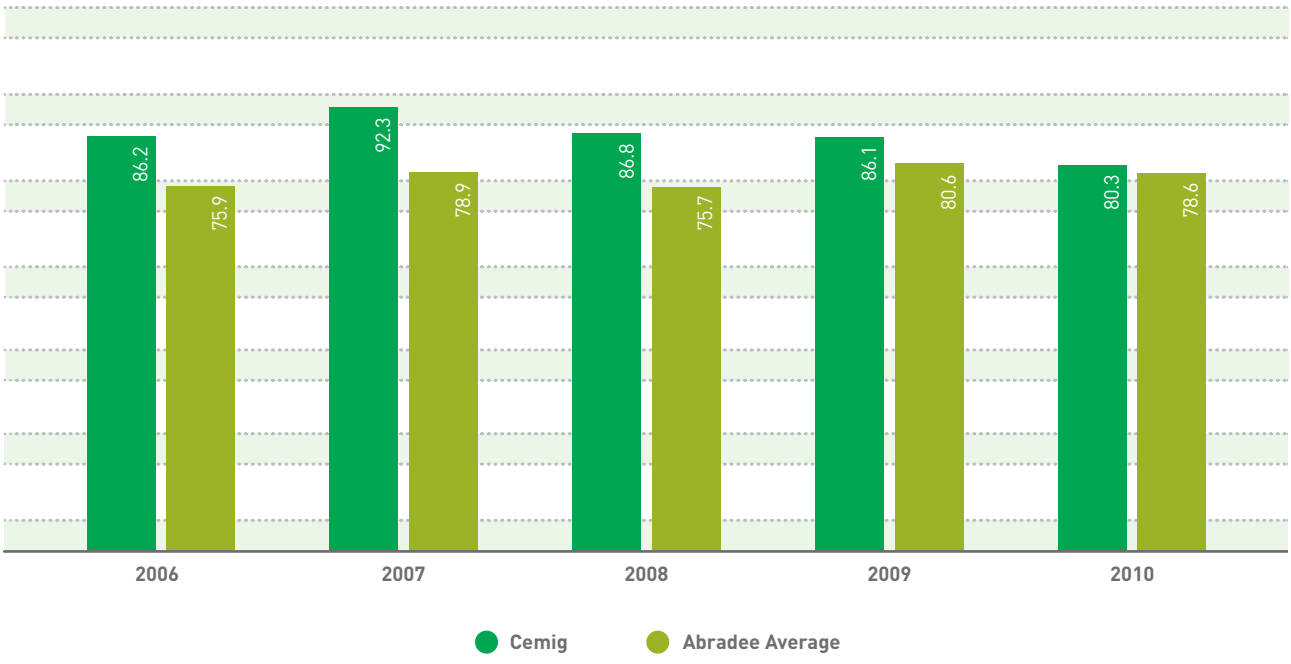
Through initiatives and programs based on socioenvironmental responsibility, the Company interacts with its different publics. These actions occurs in Committees, Councils, Debate groups, proposals for environmental programs, partnerships in academic and research studies that are focused on socio-environmental responsibility and water resources.

Main Cemig's networks: Copam, State of Minas Gerais Technical Infrastructure Chamber and Technical Energy and Climate Change Chamber, State Water Resources Council, State of Minas Gerais Climate Change Forum and the Technical Energy and Climate Change Chamber – CTClima of the Brazilian Corporate Council for Sustainable Development – CEBDS.

Cemig has various communication channels (check table on page 110 at Social Dimension) that are available to approaches and for relationship with society. The goal is to resolve the demands addressed to the company in a transparent and efficient manner. Complaints related to environmental issues were dealt with by the areas responsible in their entirety, with 75% of them being handled until 15 days.

The Brazilian Association of Energy Distributors – Abradee conducts an annual survey to measure consumers' satisfaction with companies. Among other attributes that were evaluated, worth noting was "company concerned with the preservation of the environment". For this attribute, consumers' evaluation of Cemig was 80.3%, compared with the national average of 78.6%.

**Company concerned with the environment attribute (%)**




## Environmental Education

Created in 2001 in partnership with the Fundação Biodiversitas, the Terra da Gente program has the goal of lending didactic-pedagogical support for environmental education to educators in the Minas Gerais State school network, with an emphasis on the protection, conservation and restoration of biodiversity in the biomes present in this State. Since its creation, 14.953 educators have been trained through the program, which represents 10.13% of all educators in the state.

At the second stage, that involved the Campos das Vertentes and Sul de Minas regions, the program was distributed to educational institutions, material with an emphasis on the Atlantic Forest biome (kits containing books for students and teachers, literary books, educational videos and DVDs). The program has reached 318 schools in with the participation of over 91,000 students and training for 5,600 teachers, reaching 41% of the schools in the two regions.

The program chosen for Cemig's Environment Week was the Premiar Program.[2] The general theme for the event, "Living in harmony is an art", focused on harmonious coexistence with urban trees. The event was attended by 2,500 students between the ages of 10 and 12 from municipal and state schools in Belo Horizonte and the Metropolitan Region.

At its hydroelectric power plants and environmental stations, Cemig also undertakes programs focused on socio-environmental education. These programs include monitored visits, interactive workshops and lectures for students, teachers and residents of the areas around the enterprises, 23,077 people have participated in these events. During the visits, participants receive information about energy generation, their relationship with sustainable development and need for changes in behavior and critical awareness.

Cemig has opened its Permanent Education Center in Três Marias. The Center provides the municipality and the region with a space at which it is hoped that cultural and environmental spaces will converge to the realization of events, exhibitions and meetings. The new space is the headquarters for and environmental education project and houses an auditorium and an art gallery. In the gallery, a permanent exposition presents panels with the theme-the fisherman and the São Francisco River.

## ENVIRONMENTAL MANAGEMENT

Cemig's Environmental Policy guides the environmental management process in all the Company's units and constitutes the base upon which the Company formalizes its commitment to the preservation of the environment. The definition of environmental protection policies and directives is done at a corporate level and is executed by the areas responsible for each business. Based on its directives, the Company establishes corporate environmental procedures to be implemented in the Company's units and followed by all those that work at Cemig or render services in its name.

### Environmental Management System

In Cemig, the different areas may obtain Environmental Management System – EMS certification, in conformity with the NBR ISO 14001:2004 or adopt an Internal Management System, the SGA Level 1, which was developed based on the principles and requirements of NBR ISO 14001. Both the systems are audited by an external third party and Cemig's own employees.

In addition, all Cemig's areas that interfere with the environment, regardless of whether they have implemented the Environmental Management System, are obligated to meet the Minimum Environmental Compliance Requirements, which are the initial requirements of the Environmental Management System. The Minimum Environmental Compliance Requirements are established in order to control and protect the environment. This includes an assessment of the environmental impacts and action plans for the correction of identified issues. The audit of the "Minimum Environmental Compliance Requirements" is conducted once a year through a sampling and the results are sent to the management offices and executive offices responsible for the areas audited to generate a critical analysis.

*[2]For further informacion about the program, check the item "coexistence with urban forestry" – Page 84*

All Cemig's plants with an installed capacity above 30 MW and 100% of its transmission lines above 230 kV are certified with the Environmental Management System.

The table below shows Environmental Management System coverage at Cemig.

**Environmental management system coverage at Cemig (%)**

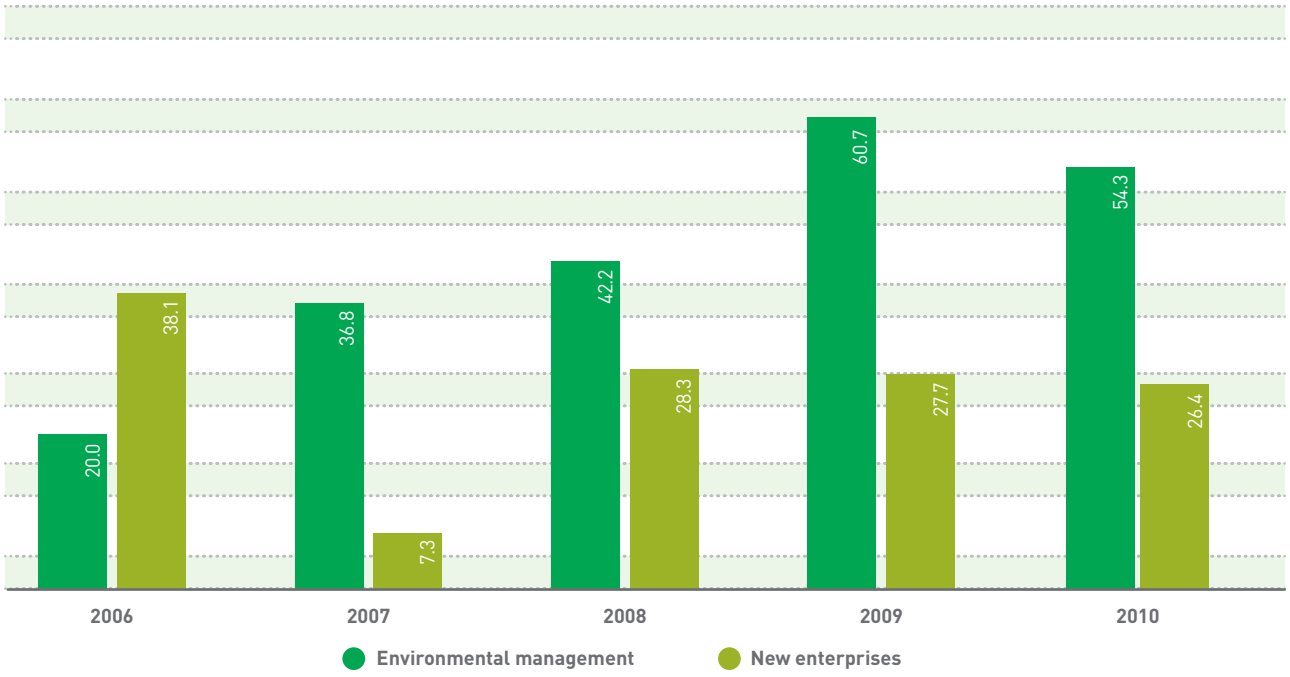
| Activity | ISO 14001 | SGA Level 1 | Minimum Requirements |
|---|---|---|---|
| Generation[3] | 48% | 41% | 100% |
| Transmission[4] | 20% | 80% | 100% |
| Distribution[5] | 8% | 15% | 100% |

## Invested Capital

At Cemig, corporate environmental performance is reviewed by the Socio-environmental Compliance Program Monitoring Committee, which is composed of representatives from the executive board. Its main attribution is to verify the company's operational performance in terms of the socioenvironmental impacts that result from its business and compliance with the current legislation.

Updated for the 2009-2013 period in 2008, the Program was reformulated and the capital to be invested in the environment is defined in it.

**Environmental investments (R$ million)**




The company categorizes its investments into Environmental Management and New Enterprises. In 2010, Cemig invested a total of R$ 88 million related to environmental issues, with R$ 26.4 million being invested in new enterprise installation actions, R$ 507,000 in solid waste management and R$ 54.3 million in environmental management and corporate investments – including R$ 3.9 million for research and development programs, with R$ 3 million being Cemig's own resources and R$ 883,000 coming from the Cemig/ANEEL program. It is important to note that the resources invested in consortia in which Cemig is a partner but does not directly manage, totaled R$ 6.9 million. Due to the fact that these consortia are managed autonomously, and are not able to present the same level of detail in terms of the investment of environmental resources.

*[3]Percentage calculated based on installed capacity (MW).*
*[4]Percentage calculated based on the extension of the transmission lines (km).*
*[5]Percentage calculated based on the number of consumers served.*

Global Compact Principle 8

Resources aimed at the installation of new enterprises refer to the Santo Antônio Hydroelectric Power Plant, the Paracambi, Pipoca and Guanhães SHPs, EBRTE and Cia. de Transmissão Centroeste. There was a reduction of 4.9% in comparison with 2009 due to the inauguration of the Baguari Hydroelectric Power Plant.

## Water Resources

EN25

The Cemig's energy source matrix is 96.5%[6] composed of hydroelectric generation plants, which means that the water resources theme is of strategic importance for the sustainability of the Company's business.

Cemig has maintained its active participation in the State and National Water Resource Councils, Hydrological Basin Committees where it has hydroelectric power plants and forums that represent the multiplicity of water uses aligned with the socioenvironmental promotion of this natural resource.

An evidence of Cemig's articulation with society is its Community Integration Plan. In 2010, 730 people participated in nine meetings through this program. With the objective of providing information to communities near Hydroelectric Power Plants and to the press regarding their operation, control and influence on the water courses, mainly during rainy periods, open-to-the-public interactive lectures are given. The participants have the opportunity to experience a guided visit to the power plant facilities and see everything that they have learned in action.

During the rainy season bulletins are issued containing information on weather conditions, water levels in the rivers and the operation of the reservoirs in the areas in which the heaviest rains fall. These bulletins are transmitted over local radio and published in the written press. Cemig provides information, such as the reservoir levels and flows, the level of water in the rivers and the amount of rain, to civil defense and other organizations that are involved in control and safety operations with the objective to preventing accidents. In 2010 the Community Integration Plan was presented and received the outstanding project award at the International Seminar on "Hidrología Operativa y Seguridad de Presas" in Argentina.

In relation to Financial Compensation for the Utilization of Water Resources– CFURH, Cemig totaled R$ 132.9 million in payments, that is 6.75% of the value of the produced energy.

Out of this amount, a parcel of R$ 53.2 million was transferred to municipalities impacted by the construction of power plants along with another R$ 53.2 million to States. The Federal Government received investments in order to R$ 14.8 million for the restoration and maintenance of water resources, through the National Water Agency, the National Scientific and Technological Development Fund (FNDCT) received R$ 4.7 million, another R$ 3.5 million went to the Ministry of Mines and Energy and the remaining R$ 3.5 million was transferred to the Environment Ministry.

The quality of the water in Cemig's reservoirs is monitored regularly by a network that covers the main hydrological basins in Minas Gerais (Grande, Paranaíba, Pardo, São Francisco, Doce, Paraíba do Sul, Itabapoana and Jequitinhonha). This network operates at 40 reservoirs and over 150 physical chemical and biological data collection stations.

As a monitoring tool Cemig also utilizes the Water Quality Index (IQA), made available by the Water Management Institute – IGAM, which indicates the degree of contamination by organic material, nutrients and solids.

*[6] This percentage refers to the installed capacity of the Company.*

The table presents the IQA[7] data for Cemig's main power plants:

| Plant | Body of water | IQA |
|---|---|---|
| Irapé | Jequitinhonha | 73.48 |
| Volta Grande | Grande | 87.50 |
| Nova Ponte | Araguari | 80.78 |
| Salto Grande | Santo Antônio | 88.40 |
| São Simão | Paranaíba | 68.63 |
| Cajuru | São Francisco | 85.74 |
| Piau | Piau | 70.77 |

| Quality level | Range |
|---|---|
| Excellent | 90 < IQA ≤ 100 |
| Good | 70 < IQA ≤ 90 |
| Médium | 50 < IQA ≤ 70 |
| Bad | 25 < IQA ≤ 50 |
| Very bad | 0 < IQA ≤ 25 |

Sample collections for quality monitoring generate a large volume of data that are analyzed and stored, thus guaranteeing an extensive databank that makes it possible to analyze the temporal and spatial evolution of the reservoirs. Cemig makes Siságua available on the internet[8] with the objective of sharing with society the information acquired on the aquatic ecosystems where the company's enterprises are located. It should be noted that at the Hydroelectric Power Plants, water is utilized for the purpose of spinning turbines and 100% of it is returned to its course, meaning that it is not consumed during any stage of the electric energy generation process.

## Environmental Licensing

Environmental Licensing contributes towards the effective regularity of the Company's enterprises. It is performed in a manner that ensures the proper analysis of all the studies and reports conducted and produced and compliance with rules established by the competent environmental authorities.

In the case of enterprises that are exempt from the need for environmental licensing, Cemig's Minimum Environmental Compliance Requirements are applied in order to guarantee the identification, control and monitoring of the impacts evaluated.[9] The enterprises that do not have environmental licenses are in the process of obtaining corrective licenses.

The company has registered, with the Brazilian Institute of Environment and Natural Resources – Ibama and with the Regional Environment Superintendences of the State of Minas Gerais – Supram, the requests to obtain Corrective Operational Licenses (LOC) for all of its enterprises that began operations prior to February of 1986, 11 Hydroelectric Plants, 24 SHPs, 4 Regional Transmission Systems and 7 Regional Distribution Systems.

LOCs have already been obtained for the following enterprises: Itutinga and São Simão Hydroelectric Power Plants, Gafanhoto, Joasal, Paciência, Pissarrão, Poquim, Rio de Pedras, Salto Morais and Santa Luzia small hydroelectric power plants and the Barreiro thermoelectric power plant.

In 2010, the LOC renovation process was filled for the Pissarrão, Poquim, Salto Morais and Santa Luzia SHPs, as well as 27 processes for obtaining water use permits for hydroelectric use by the SHPs located on the rivers within the domain of the State of Minas Gerais. This requirement stems from SEMAD – IGAM Joint Resolution Nr. 936 of April 24th, 2009, which established technical and administrative procedures for obtain water

*[7] The IQA data are updated online by external suppliers. Thus, the data presented in this document refer to december 31st, 2010.*
*[8] http://www.cemig.com.br/sag/*
*[9] Check item "environmental management system*

*PUBLIC LIGHTING IN HARMONY WITH THE AFFORESTATION*

utilization permits for hydroelectric use on bodies of water in Minas Gerais. For enterprises located on rivers within the federal domain, ANA Resolution Nr. 131/2003 exempts enterprises installed prior to its date of publication from the need to request such permits.

Cemig has obtained renewal of the Operational License (LO) for the Irapé Hydroelectric Power Plant, the revalidation of the Rio de Pedras SHP, the LOC for the Central Regional Transmission System and 7 certificates of water use permits to collect water from artesian wells at its facilities.

Regarding energy distribution, the company has seven areas (Central, Eastern, Triângulo, Western, Mantiqueira, Northern and Southern) that encompass all its energy distribution lines and substations – its completed network. The Triângulo and Western networks were licensed in 2009 and the others are currently in the corrective licensing process with the Minas Gerais State Environmental Licensing System – SISEMA.

Cemig has 178 valid certificates of water use permits (surface water collection or collection via artesian wells), with nine having been obtained in 2010 and 10 in the approval process before the competent authority.

Global compact Principles 7 and 8

## Coexistence with Urban Forestry

Urban tree maintenance procedures related to the electric energy distribution system follow operational procedures that were developed based on the best practices for managing vegetation near electric systems, in conformity with the North American norm ANSI A300 and recommendations from the International Society of Arboriculture. The investment in interventions in trees with the objective of reducing the number of occurrences due to interruptions in the supply of electricity reached R$ 17 million, mainly related to tree pruning activities. Special attention in 2010 for

the reduction in the number of occurrences in the urban distribution system, with a decrease of almost 5% in comparison with 2009, which was the result of the preventive measures adopted. Also with the objective of promoting arboriculture and fostering the professional development of all the involved in the process, Cemig hosted the International Urban Planning, Tree and Electric System Seminar held by the COGE Foundation.

It should be moted the joint actions by the company and municipal government of Belo Horizonte, through the Special Integrated Tree and Network Management Program – Premiar. In addition to the vegetation management activities, the main emphasis of the program is dedicated to the constant involvement and awareness of the communities regarding the importance of urban trees to the quality of the urban environment and importance of adequate planning, implementation and maintenance. Premiar launched the Geoárvores computational tool which gathers together information on trees, the electric network and the territorial limits of Belo Horizonte and lends support to the management and planning activities undertaken through Premiar, thereby influencing the decision-making process regarding urban tree management. Another highlight was the program's nomination for the Aberje Communication award and reception of the environmental management award presented by the Zeladoria do Planeta NGO.

## ECO-EFFICIENCY

EN18

Global compact Principle 7

Eco-efficiency consists of the promotion, by the Company, of continuous improvements in the utilization of natural resources and in the management of their business. Generating, transmitting and distributing electric energy with the minimum environmental impact possible is the objective for which Cemig invests in new technologies and in the management of its processes.

In face of the need to use the resources intelligently and rationally, Cemig has created a multidisciplinary Workgroup with the mission to develop a Water and Electric Energy Management Program. When the work has been completed, this program should consist of the actions, monitoring indicators, reduction targets, resources and people necessary for the implementation, action monitoring structure and verification of the feasibility of reusing water and utilizing rainwater.

The table below describes Cemig's main Eco-efficiency indicators, which are explained in the items below.

| Eco – efficiency | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Recycling and Reutilization (t) | 3,165 | 4,592 | 6,659 | 4,088 | 3,333 |
| Adequate Final Destination (t) | 734 | 353 | 752 | 512 | 265 |
| Water consumption for administrative purposes ($m^3$) | 797,037 | 889,935 | 1,137,017 | 1,139,886 | 1,202,059 |
| Water consumption for cooling ($m^3$) | 504,977 | 481,050 | 612,671 | 612,831 | 573,337 |
| Consumo de energia (GJ) | 1,583,953 | 3,427,035 | 3,574,618 | 1,114,644 | 622,852 |
| **Atmospheric Emissions** | | | | | |
| $CO_2e$ – Scope 1[1] (t) | 113,723 | 185,874 | 191,054 | 21,921 | 38,335 |
| $CO_2e$ – Scope 2 Consumption of electric energy[2] (t) | 944 | 2,374 | 2,203 | 889 | 2.373 |
| $CO_2e$ – Scope 2 Losses[1] (t) | 175,615 | 164,900 | 280,236 | 137,931 | 291,087 |
| $SO_2$ (t) | 241.1 | 1,431.20 | 1,382.40 | 479.5 | 354 |
| NOx (t) | 81.1 | 607.4 | 422.4 | 69.4 | 56,2 |

[1] *For definition of Scope 1, Scope 2 and Scope 3 emissions, see Glossary.*
[2] *Emissions resulting from Losses of electric energy were announced for the first time in 2010.*

## Materials

EN1
EN2
EN26

Cemig manages the quantity and quality of the materials and services supplied through an area that is certified in SGA Level 1. The main materials acquired by Cemig are destinated for use in the distribution system, either for expansion or maintenance of the electric system, on economic and strategic value represents 80% of the company's stock and are described below:

| Year | Distribution Transformers (Un) | Concrete Posts (Un) | Cables (m) | Cables (Kg) | Meters (Un) | Public Lighting (Un) Composed of relay bulbs, reactors and fixtures |
|---|---|---|---|---|---|---|
| 2006 | 3,689 | 25,708 | 6,840,217 | 1,639,570 | 107,080 | 91,706 |
| 2007 | 5,538 | 28,363 | 7,770,061 | 2,776,712 | 90,046 | 808,161 |
| 2008 | 4,252 | 21,181 | 6,259,928 | 1,627,698 | 117,867 | 795,581 |
| 2009 | 14,978 | 46,663 | 7,947,761 | 2,441,632 | 149,169 | 757,425 |
| 2010 | 9,623 | 38,509 | 8,568,304 | 1,546,142 | 383,645 | 2,124,812 |

Global compact Principle 8

At Cemig, all large equipment that contains askarel or Polychlorinated Biphenyl – PCBs and that was fabricated before 1981 was removed from the system and sent for incineration in 2001. Brazilian legislation has prohibited the sale of PCBs since 1981, though it allows their use in equipment that is still in operation. Smaller pieces of equipment are being identified, removed and sent for incineration.

## Waste

EN22
EN24
EN26

**Generation and Final Destination of Waste**

Waste management at Cemig is performed in accordance with the corporative procedures for handling, separating, labeling, temporarily storing, transporting, conditioning and forwarding to the final destination of waste. The areas that generate waste are responsible for all steps prior to the transport of the waste to the Materials Distribution Center. When received at this facility, the waste is temporarily stored, prioritized and separated for alienation and forwarding to its final destination. Throughout the entire industrial waste management process, the compliance with environmental legislation is verified and controlled.

Among the waste disposed of, 2,438 t were classified as non-hazardous in accordance with Brazilian Technical Norm NBR 10.004/2004 and were sent for recycling or reuse. This waste represented 68% of the Company's total waste.

Regarding hazardous waste, the company correctly disposed of 1,160 t, with 265 t being co-processed or incinerated and 895 t being sent for recycling/reuse. Of this total, 155 t of insulating mineral oil removed from electrical equipment were reconditioned and utilized by the company itself. The waste sent for co-processing included 252 t of waste impregnated with oil (gloves, rags and sawdust), 1.7 t of PPE (Personal Protective Equipment) and accessories and 11 t of insulating mineral oil unfit for utilization in electrical equipment was sent for incineration.

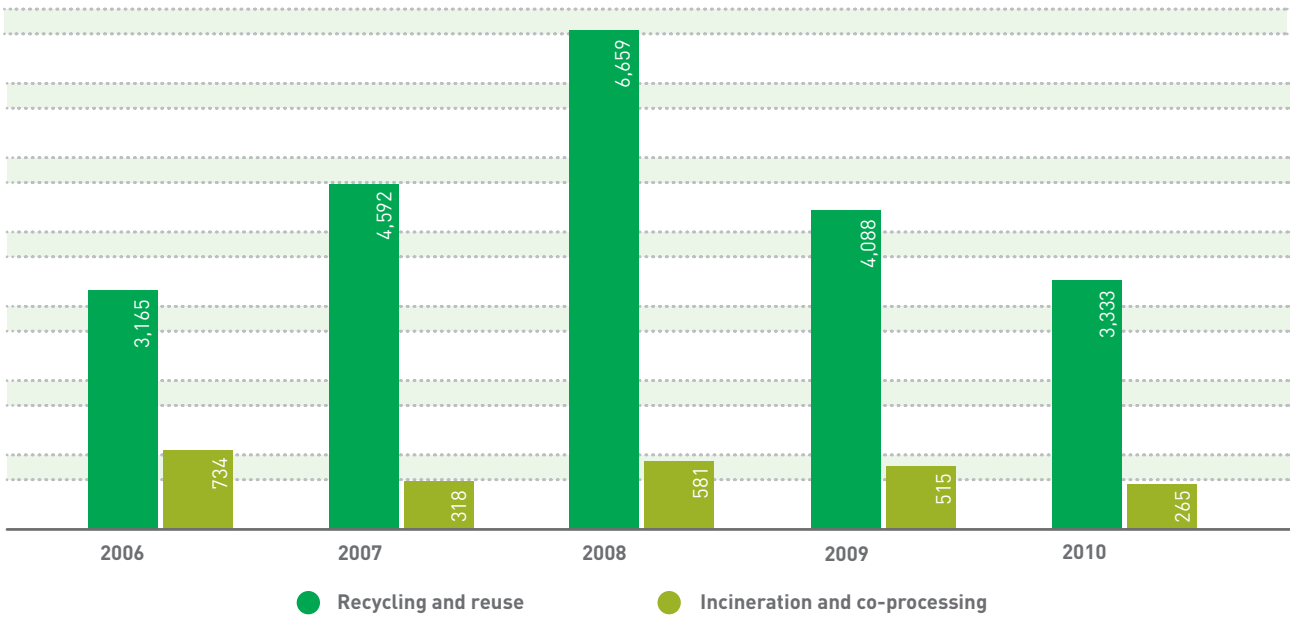
680,000 fluorescent and public lighting bulbs from throughout the company's concession area were sent for recycling, as were 256,000 incandescent bulbs. 3,333 t of materials and equipments were alienated/recycled, which is 18.5% less than in 2009, it was due to a reduction in the generation of transformers, metal scrap, meter scrap, reactors and batteries, in addition to a reduction in the alienation of diverse oils.

EN26

The management of corporate printed material in offices located in Belo Horizonte concluded a program to replace printers with more modern and economical equipment, which resulted in a reduction in the number of documents printed of 2.5 million, a 50% fall in the number of color documents printed and a 51% decrease in the amount of paper used.

Global compact Principle 8

**Final destination of waste* (t)**




*In the period from 2009 to 2010, the volume of wastes sent to landfill was zero.

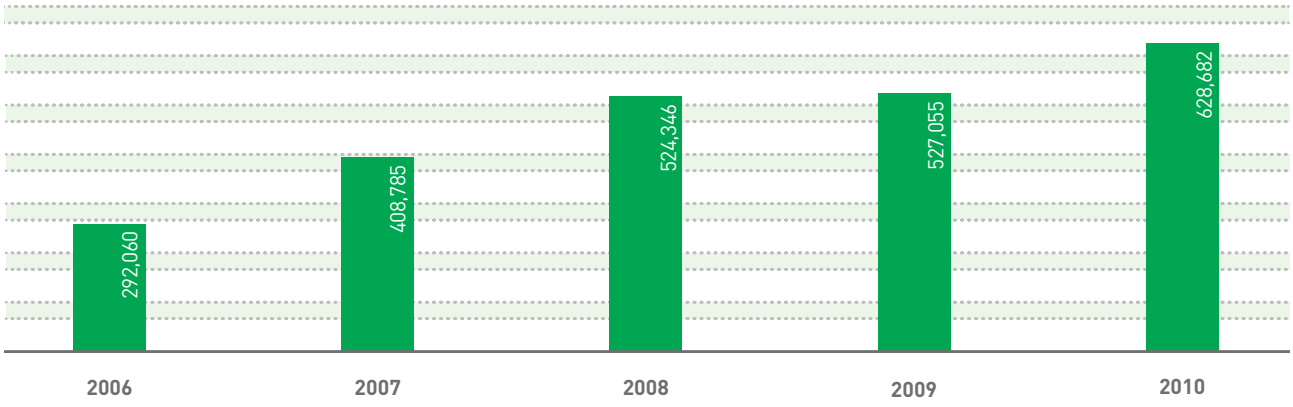
## Water and Effluents

EN8
EN9
EN21
EN26

Cemig's water consumption and effluent generation is predominantly of a domestic usage nature, since approximately 52.3% of this consumption is for administrative purposes in its headquarter and various units, with the remaining 47.7% being used for cooling at its Thermoelectric Power Plants.

Cemig's total water consumption for administrative purposes was 628,682 m³, including public supply, surface water capture and artesian well use.

**Administrative water consumption (m³)**

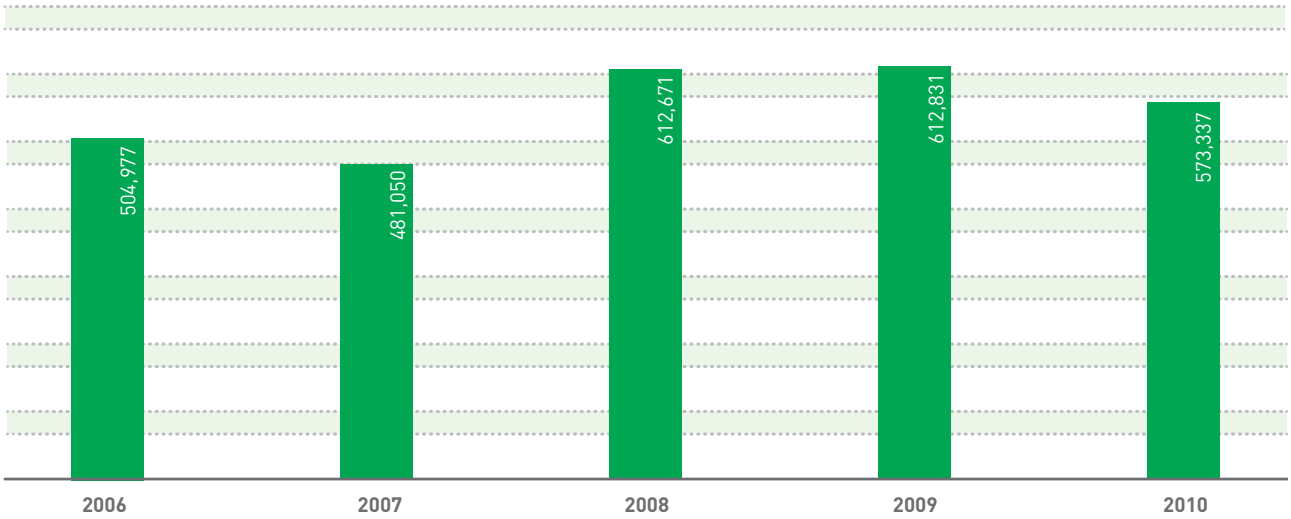



*[10]Due to methodological changes, the data presented in the period 2007 – 2009 have been modified*

The rise in water consumption in comparison with 2009 is the subject of an internal evaluation and will be dealt with in the Water and Electric Energy Management Program. This program will establish targets for reduction, monitoring and verification of the feasibility of reusing water and utilizing rainwater.

Water consumption for cooling totaled 573,337 $m^3$, which is 15.5% less than in 2009. This was due to improvements in the monitoring and management processes at the Thermoelectric Power Plants.

**Industrial water consumption ($m^3$)**




The company collects surface water for its fish farming activities. Water used in this manner totaled 781,948 $m^3$ in 2010. It should be noted that the water collected is returned to the reservoirs after flowing through the tanks and is not classified as a consumed resource.

Given the domestic-use nature of the administrative activities, the effluents generated are discarded into the public network or directed to septic tanks and do not directly affect any water courses. In 2010, 502,945 $m^3$ of effluents were generated.[11]

## Energy

EN3
EN4
EN5
EN7

Energy consumption at Cemig resulting of the electric energy utilized in the administrative and industrial facilities, the consumption of fuel in its vehicle and aircraft fleet and the energy used in the Igarapé Thermoelectric Power Plant and during start-up at Ipatinga and Barreiro Thermoelectric Power Plants (residual fuel oil and natural gas, respectively).

EN18
EN26
EU11

The Ipatinga Thermoelectric Power Plant (40 MW) is operated in partnership with Usina Siderúrgica de Minas Gerais S.A. – Usiminas. The average thermal efficiency for this plant was 25.4%. The average thermal efficiency for the Barreiro Thermoelectric Power Plant (12.9 MW), which is integrated into Siderúrgica V&M do Brasil, was 20.9%. Both use blast furnace gases, tar and other residual gases. However, this energy is not included in the calculation of Cemig's Total Energy Consumption, as the fuels utilized generate electric energy for use in the industrial plants themselves.

The rational use of electric energy in its operations is also an objective of Cemig's Water and Electric Energy Management Program.

*[11] Domestic waste production calanlated using the coefficient of water – semer = 0,8, according to NBR 7229 (Brazilian Techinical Standards)*

**TOTAL ENERGY CONSUMPTION (GIGAJOULES – GJ)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Electric Energy[1] | 121,315[2] | 172,295 | 166,266 | 165,030 | 167,735 |
| Fuel for fleet[3] | 301,135 | 279,978 | 281,999 | 255,391 | 219,712 |
| Igarapé Thermoelectric Power Plant Fuel Oil | 1,282,800 | 2,370,000 | 2,450,000 | 14,539 | 4,022 |
| Ipatinga Thermoelectric Power Plant Fuel Oil | ND[4] | 604,667 | 676,215 | 679,565 | 231,332 |
| Barreiro Thermoelectric Power Plant Natural Gas | 17.6 | 94.9 | 137.7 | 119.2 | 51.1 |
| **Total** | **1,583,953** | **3,427,035** | **3,574,618** | **1,114,644** | **622,852** |

*(1) Own consumption at facilities and office. (2) The 2006 data on electric energy consumption do not include consumption at Cemig GT facilities. (3) Gasoline, diesel oil, LPG and aviation kerosene for Cemig's fleet. (4) Total consumption of fuel oil at the Ipatinga Thermoelectric Plant in 2006 was not considered.*

Total energy consumption fell by 44.1% in comparison with 2009, due mainly to a reduction in the utilization of fuel oil at the Ipatinga Thermoelectric Power Plant. The fuel oil was replaced with coke-oven-gas (COG).

During the year, Cemig replaced 1,851 vehicles in its fleet: 854 passenger vehicles, 673 pickups and 324 trucks. All these vehicles were equipped with an Electronic Management System, which allows the vehicles to be monitored and tracked.

## Emissions

As shown by the table below, the energy generated by Cemig comes, basically, from renewable sources – 98.6% of hydraulic sources.

EN16 EN17 EN18 EN19 EN20 EN26 EN29 EU1 EU2

**Cemig Generation System**

| Source | Installed Capacity | | Net Generation – MWh | | Average availability |
|---|---|---|---|---|---|
| | MW | % | MW | % | % |
| **Total Cemig** | **6,687** | **100** | **32,771,036** | **100** | **90.3** |
| Hydraulic | 6,453 | 96.5 | 32,319,591 | 98.6 | 92.4 |
| Thermal – fuel oil | 131 | 2,0 | - | - | - |
| Thermal – process gases | 53 | 0,8 | 365,370 | 1.1 | 87.9 |
| Wind | 50 | 0,7 | 86,075 | 0.3 | 68.8 |

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.

Within the context of improvements, of note is the incorporation of emissions related to energy losses in its generation, transmission and distribution processes. This inclusion justifies the increase in total Scope 2 emission in comparison with previous years.

Cemig's Scope 1 GHG emissions originate from its fleet of vehicles and aircraft (14,266 t $CO_2e$), from $SF_6$[12] gas present in equipment installed in the electric transmission and distribution networks and in substations (5,831 t $CO_2e$), and from emissions resulting from the operation of the Igarapé, Ipatinga and Barreiro Thermoelectric Power Plants (18,278 t $CO_2e$). In 2010, 38,335 t $CO_2e$ were emitted, which represents an emissions intensity of 1.08 kg t $CO_2e$/MWh. Fuel consumption by the fleet presented a reduction in accumulated emissions of 21.5% in the 2006/2010 period, while in comparison with 2009, the reduction was 8.27%.

EU10 EU30

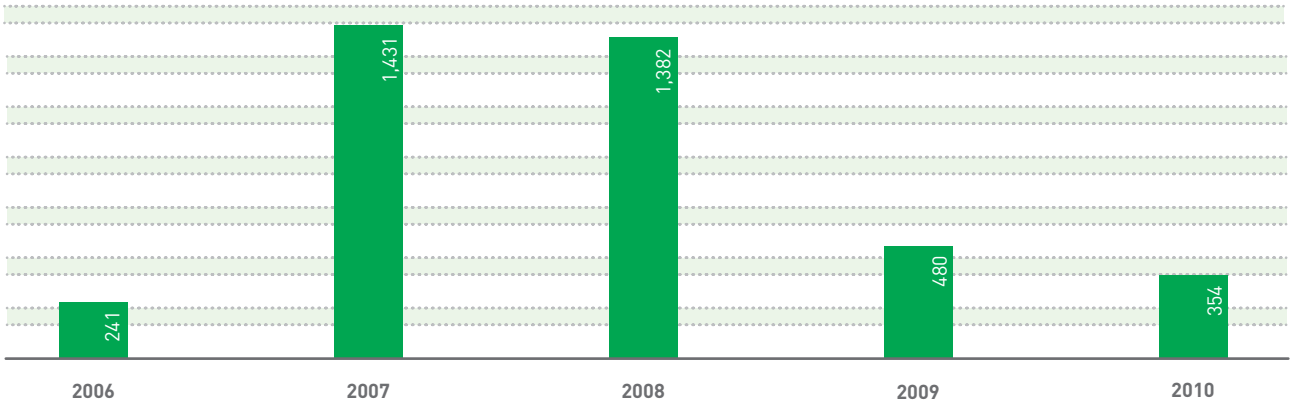
[12] *Sulfur hexafluoride, a gas used in electrical equipment industry*

Scope 2 emissions refer to consumption at its industrial facilities and offices of electric energy from the National Interconnected System (SIN), as well as energy losses in the electric system.[13] Emissions totaled 2,373 t $CO_2e$, resulting from energy consumption and 291,087.24 t $CO_2e$ from losses in the electric system, for a total of 293,460.2 t $CO_2e$.[14] It is worth noting that total losses in the distribution network and basic network totaled 5,716 GWh, or that is, they corresponded to 7.4% of total resources and are 1.9% higher than losses in 2009 (5,609 GWh). In relation to 2009, there was an increase in emission, due mainly to a change in the $CO_2$ emissions factor for the National Integrated System, which rose from 0.0246 t $CO_2$/MWh in 2009 to 0.0509 t $CO_2$/MWh in 2010.

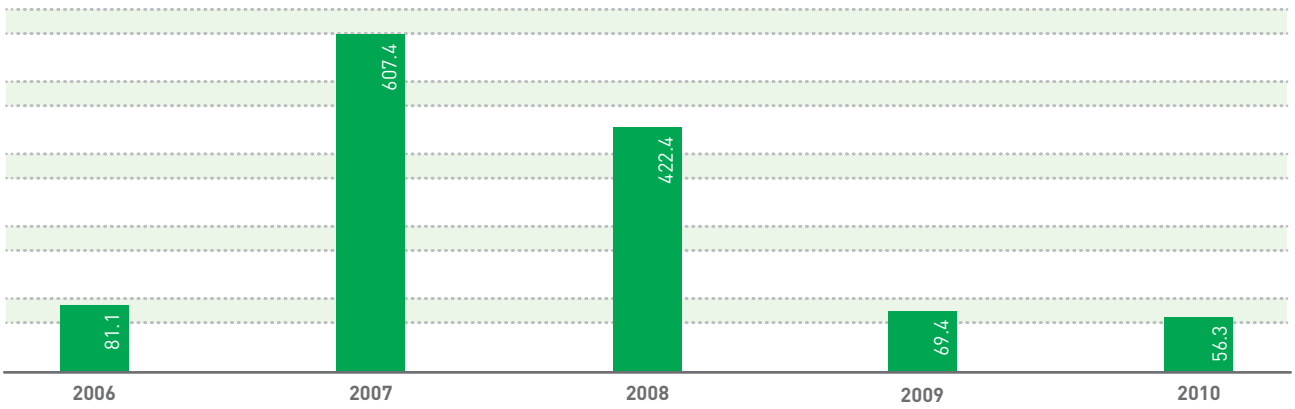
Scope 3 emissions refer to indirect emissions resulting from outsourcing transporting of employees (1,064.2 t $CO_2e$), the transportation of materials in Cemig's areas of operation and air travel by employees on domestic and international commercial flights (2,428.9 t $CO_2e$), which totaled 3,493 t $CO_2e$ In 2010, Cemig began accounting for indirect emissions related to outsourced transporting of employees throughout its area of operations, while in 2009 only transport within the Metropolitan Belo Horizonte Region was included in the calculation.

The graphs below show Cemig's atmospheric emissions of sulfur dioxide ($SO_2$) and Nitrogen Oxide ($NO_x$) in the period from 2006 to 2010.

**$SO_2$ emissions (t)**




**$NO_x$ emissions (t)**




*[13] The greenhouse gas emissions for this activity are arrived at 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.*
*[14] For additional information, please check "losses management", page 58 at Economic Dimension.*

Global compact Principles 7 and 8

The company's thermoelectric power plants are responsible for emissions of sulfur dioxide ($SO_2$) and nitrogen oxide ($NO_x$)[15]. Only one of Cemig's Thermoelectric Power Plants utilizes fossil fuels in its operation – the Igarapé Thermoelectric Power Plant, which is not currently operating at full capacity. In 2010, the two thermoelectric plants that utilize blast furnace gases, tar and other residual gases generated in steel mill industrial processes – the Ipatinga and Barreiro Thermoelectric Power Plants, were the main emitters of $SO_2$ and $NO_x$.

NOx emissions were 56.3 t, which represent a reduction of 18.9% in comparison with 2009. As for $SO_2$, 354 t were emitted, which is 26.3% less than in 2009.

This reduction was due to the lack of operation at the Igarapé Thermoelectric Power Plant.

## BIODIVERSITY

EN12

EN14

Cemig has published its Biodiversity Policy, which formalizes the principle that already oriented the company's actions into the conservation of biodiversity. The company opted to develop it by means of a participative process through which representatives from various segments of society involved with the theme were consulted.

The policy is based on the United Nations Convention on Biological Diversity and features an organizational logic that follows key themes and establishes relations between the Company's activities and biodiversity.

| | |
|---|---|
| **PRINCIPLE 1**<br>Strategy | Cemig includes issues related to biodiversity in its operational strategy and develops programs aimed at improving its environmental performance. |
| **PRINCIPLE 2**<br>Planning | Cemig plans, designs and undertakes its activities taking into consideration the prevention, minimization or elimination of negative impacts and works to produce positive impacts, so as to contribute towards the conservation of biodiversity. |
| **PRINCIPLE 3**<br>Compliance with legislation | Cemig complies with all environmental legislation and establishes internal norms related to the minimization of impacts on biodiversity, respecting regional characteristics. |
| **PRINCIPLE 4**<br>Programs | Cemig implements programs related to the conservation of flora and fauna, water quality, urban trees and other actions on its environmental reserves and stations. |
| **PRINCIPLE 5**<br>Vulnerable areas and endangered species | Cemig establishes specific programs in order to minimize the impacts of its activities, paying special attention to vulnerable areas and endangered species. |
| **PRINCIPLE 6**<br>Stakeholder engagement | Cemig seeks, through partnerships and dialogue, participation by stakeholders in the development and execution of its programs. |
| **PRINCIPLE 7**<br>Research, development and innovation | Cemig promotes and undertakes research projects, technological development and innovation programs aimed at the conservation of biodiversity in partnership with universities and research centers, making it possible for knowledge to be transferred to society. |
| **PRINCIPLE 8**<br>Communication and Environmental Education | Cemig disseminates knowledge and seeks to raise awareness among employees, partners, suppliers and society regarding the conservation of biodiversity through its communication and socio-environmental education programs, including relations with formal educational organizations and in compliance with domestic and international public policies. |

In accordance with the principles of its Policy, Cemig identifies, generates and monitors its activities that have a direct impact on biodiversity.

Cemig's electric energy generation, transmission and distribution enterprises operate in conformity with regulatory and inspection authorities, bringing together studies and programs – environmental licensing instruments – which cover all the impacts on biodiversity, according to their coverage, relevance and magnitude. For each impact, the respective mitigation, control or compensation measures are identified and implemented in such a manner that guarantees the application of better control techniques and environmental monitoring.

*[15] $SO_2$ and $NO_x$ cause acid rain.*

## Protected Environmental Areas

EN11
EN13
EN15
EN26

In order to expand the knowledge and availability of information on the flora and fauna in its areas of operation, Cemig maintains environmental stations that cover a total of over four thousand hectares in two important biomes: the Atlantic Forest and the Cerrado. The knowledge acquired in these studies is shared with society through partnerships, studies and academic-scientific research and environmental education projects undertaken by the Company.

Cemig's Environmental Stations are as follows: Galheiro and Jacob (both Private Natural Heritage Reserves – RPPNs), Volta Grande, Peti, Itutinga, Machado Mineiro and the Taquaril protected area. Currently in the formal recognition and registration phase, Cemig's Fartura environmental reserve is located in the municipality of Capelinha (MG) and covers 1,500 hectares. The reserve will also be an RPPN, which is important for the conservation of fragments of the Atlantic forest in the region. The survey and monitoring of fauna has been conducted in 75% of these areas.

As for protected areas of fresh water, Cemig has 40 own reservoirs which cover a total area of 2,148.53 $km^2$. The monitoring of ichthyofauna is undertaken in 25 of these reservoirs, with the objective of detecting any variations in the abundance, richness and composition of fish species. The company began an Integrated Biotic Study for the Nova Ponte, Três Marias, São Simão and Volta Grande reservoirs, the goal of which is the development of Indexes of Biotic Integrity (IBI) as a tool for evaluating the socioenvironmental quality of the hydrological basins and subsidizing the restoration of habitats in Cemig's fingerling release areas.

With the objective of identifying existing protected environmental areas in the federal, state and municipal spheres in Minas Gerais and their interference with the facilities and structures that

*PARAJURU BEACH*

comprise Cemig's electric system, the company has created a planning tool called the Cemig Verde Minas System, which currently has entries in its database for 83.2% of these areas in the Minas Gerais State. The Verde Minas System allows for corporate decisions regarding planning, the development of new electric projects, construction, operation and the maintenance of existing structures to be made in a manner that allows for harmonious coexistence between Cemig's activities, the environment and the pertinent legislation.

Cemig does not own any land within environmental protection areas. In some situations, there is an intersection of these areas with transmission lines or distribution networks. In these cases the situation is identified and closely monitored.

Next to the Taquaril Substation, in the Metropolitan Belo Horizonte Region, Cemig has an area of 50 hectares where the Taquaril Environmental Project is being carried out. This project consists of Environmental Education for children, especially those from public schools, with monitored visits to the reserve. At the station, the area is crossed by water courses, such as the Cubango and Barraquinha creeks, which feed into the Velhas River, one of the main tributaries of the São Francisco River. This program was created in 2001 through a voluntary initiative by company employees.

At the Peti Environmental Station, through a partnership between Cemig and IBAMA, the ASAS – Wild Bird Release Area Project is being conducted. This project has received 662 animals seized from animal traffickers. Through this project the animals are received, nurtured back to health and reintroduced into nature in carefully defined areas that resemble their natural habitat. In 2010 the Peti station also celebrated the birth of a baby primate known as GUIGÓ Monkey of the species Callicebus nigrifrons, which is considered a rare animal that is difficult to breed in captivity.

At the Baguari Hydroelectric Power Plant, through its Reservoir Bank Reforestation Project, 97,275 saplings of 72 different species native to the Atlantic Forest have been planted over a total area of 112.5 hectares. The reforested areas are part of the creation of an ecological corridor that connects the São Manuel Island (downstream from the facility) with the Corrente Grande National Park. The objective is to facilitate the reproduction and survival of local fauna.

With its area of operations covering practically the entire state of Minas Gerais, various species of endangered animals are found during Cemig's activities and at its facilities. According to the Biodiversitas Foundation's List of Endangered Animals in Minas Gerais, the main and most frequently encountered endangered species at the Company's Environmental Stations are:

| Scientific Name | Common Name |
|---|---|
| *Chrysocyon brachyurus* | Lobo-guará |
| *Puma concolor* | onça-vermelha, onça-parda |
| *Lontra longicaudis* | Lontra, lontrinha |
| *Callicebus personatus* | Sauá, guigó |
| *Macroperipatus acacioi* | Peripatus, vermes veludo |
| *Ozotoceros bezoarticus* | Veado-campeiro |

## Ichthyofauna Programs

One example of the interaction between environmental conservation and the added social benefits is the Peixe Vivo program. The Peixe Vivo program was launched in June of 2007 and its purpose is creation and expansion of actions aimed at preserving aquatic fauna in the hydrological basins in which the Company's enterprises are located. The program seeks to expand fish stocking, research and preventive alternative activities focused on energy generation actions with the lowest possible impact on ichthyofauna, always with the involvement of the community.

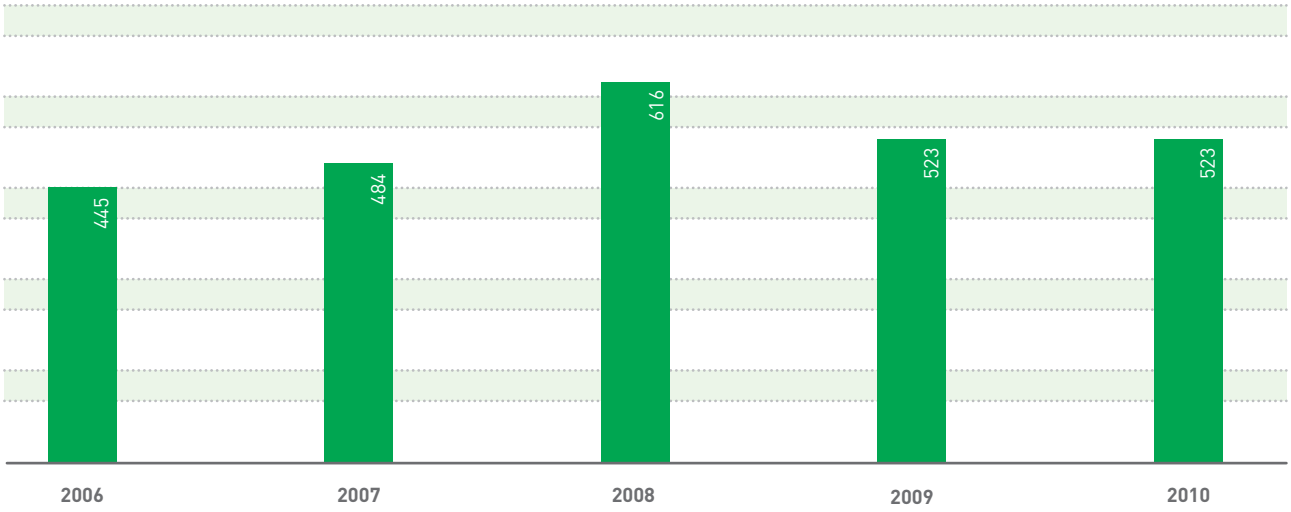
EU13
EN12
EN13
EN14

One important action coordinated by the Peixe Vivo program is fish stocking. The fish are produced at Cemig's Fish Farming Stations in Volta Grande, Itutinga and Machado Mineiro and released into plant reservoirs, tributaries and rivers. These are important events for the involvement of the community in environmental education actions. 522,851 fish weighing a total of 11,749 kg have been released in Cemig's reservoir through 65 fish stocking activities. This fish stocking takes place at 12 of Cemig's reservoirs and their tributaries on the Araguari, Paranaíba, Grande and Jequitinhonha Rivers. Of these, eight reservoirs have an ichthyofauna monitoring programs.

The fingerlings that are produced through fish farming are the result of a partnership program between Cemig and rural producers. The environmental stations provides the fry of native species and after roughly three months of production they are distributed, with half being destined for fish stocking and the other half for sale by the rural producers. This system was responsible for roughly 30% of production fingerling in 2010. The producers are also trained by Cemig in the proper management techniques.

The Company is creating the Volta Grande Center of Excellence in Ichthyofauna (CEIVG) in the Triângulo Mineiro region. It is hoped that the Center will become a national benchmark in the management of fishery resources, development and transfer of ichthyofauna handling technology in the Grande, Araguari and Paranaíba River basins. In order to establish the Center, the Volta Grande Scientific Review Group was created with researchers from the UFMG, UFLA and PUC-MG universities and environmental analysts from the Brazilian Institute of the Environment and Renewable Natural Resources, the State Forest Institute and Cemig. One of the main efforts was directed at the construction of the Fish Behavior Assessment Laboratory, a unique project in South America, which involves Brazilian and international specialists, in addition to the Multifunctional Laboratory, for genetic and sanitary analyses and fishery biology analysis, and the Fish Reproduction Laboratory, for conducting research into the reproduction of species native to the region.

**Production of fingerlings for release (thousand)**




The Peixe Vivo program was one of Brazil's representatives at the tenth edition of the United Nations Conference of the Parties about the Convention on Biological Diversity (COP-10), which was held in Nagoya, Japan. The program, which stands out as one of the main biodiversity conservation programs in Brazil and guarantees the conservation of ichthyofauna in rivers in Minas Gerais, participated with the presentation of two studies.

## Seeds and Seedlings

EN14

One of Cemig's practices aimed at the conservation and maintenance of native species in the biomes in which it operates is scheduled seedlings production and seeds collection. The Company manages two bird located at the Itutinga and Volta Grande environmental stations and a seed laboratory. The saplings produced are of native species, for urban tree planting and to supply Cemig's environmental programs and partnerships with society. In 2010, Cemig produced over 360,000 seedlings, with 17,940 of them destined for planting in urban areas.

Cemig also produced 1,004 kg of seeds of 180 forest species. Of this total, 317 kg were destined for the Company's own bird nurseries and 687 kg were sent to other partner institutions.

## CLIMATE CHANGE

EN18

The global relevance of climate change theme leads companies in the electric sector to pay special attention to the consolidation of a predominantly renewable energy matrix, the identification of potential risks to their business and the search for solutions that will allow for adaptation and mitigation of the possible effects that may impact them.

In order to contribute to a reduction in emissions of GHGs – Greenhouse Gases, Cemig invests in energy efficiency and conservation programs, small and large hydroelectric power plants, alternative energy sources and the development of CDM – Clean Development Mechanism projects, which are called for in the Kyoto Protocol. Since 2007, the company has been responding to the CDP – Carbon Disclosure Project, the largest global databank on corporate climate impacts, which represents 535 global investors with over US$ 64 trillion in assets being managed. Its main objective is to calculate and announce information from responding companies on their climate change policies and strategies for reducing the environmental risks in their processes.

Cemig identifies the main risks to its businesses that may arise as a negative effect of climate change and develops monitoring measures.[16]

Cemig was selected to be part of the Efficient Carbon Index – ICO2. Developed by BM&FBovespa and BNDES – the National Development Bank; the ICO2 is composed by the shares of the participating companies in the IBrX-50 index, taking into consideration, when weighing participants' shares, the companies' Greenhouse Gas emissions.

Regarding Clean Development Mechanism – CDM projects, the company is engaged in projects that are in different stages of registering and obtaining CERs – Certified Emission Reduction certificates for hydroelectric power plants (large and small).

| Project | Description | Status | Annual reduction of t $CO_2e$ | Total reduction of t $CO_2e$ |
|---|---|---|---|---|
| Baguari Hydroelectric Power Plant | The project consists of a run-of-river hydroelectric plant with an installed capacity of 140 MW located in the State of Minas Gerais in the Southeastern region of Brazil. | Registration | 64,373 | 450,613 |
| Cachoeirão SHP | The project consists in the generation of electricity from a renewable source (hydroelectric generation) through the construction of a Small Hydroelectric Power Plant (SHP) with an installed capacity of 27 MW located in the state of Minas Gerais in the Southeastern region of Brazil. | Approval | 26,400 | 184,801 |
| Pipoca SHP | The project consists of the generation of electricity from a renewable source (hydroelectric generation) through the construction of a Small Hydroelectric Power Plant (SHP) with an installed capacity of 20 MW located in the state of Minas Gerais in the Southeastern region of Brazil. | Validation | 24,082 | 168,574 |
| Siderpita Project | The project consists in the generation of electric energy from blast furnace gas. The primary energy source is charcoal from reforested areas. The plant has a generation capacity of 5 MW and 30,000 MW/ year and is located in the municipality of Pitangui. | Approval | 6,000 | 60,000 |

[16] *http://portalcemig/sites/en/Sustainability/Documents/Cemig%20-%20CDP%202010%20-%20en.pdf*

Up until now, the company has not trade carbon credits, since its projects have not yet reached the final stage of having CERs – Certified Emission Reduction certificates issued.

In 2002, Efficientia S.A. was created. This company is a whole subsidiary of Cemig and has the objective of developing technological solutions that result in energy savings and a consequent reduction in Greenhouse Gas emissions, as well as a reduction in costs for clients through an improvement in their competitiveness. The Company is focused on serving medium and large sized clients in the commercial, industrial and service sectors.

## Energy Efficiency and Conservation

EN5
EN6
EN26

Cemig's Energy Efficiency Program complies with the ANEEL legislation that determines the destination of 1% of the Company's net operational revenue for projects and research with this purpose.

The Program's beneficiaries are, prioritarily, communities with low purchasing power, the hospital industry, public institutions, and non-profit educational and charitable entities. The total amount invested in Energy Efficiency Projects was R$ 38.9 million. These projects allowed for a reduction of 71,333 MWh/year in energy consumption, with a total peak demand reduction of 29 MW, which corresponds to 3,633 t $CO_2$e of GHG emissions avoided.[17] The energy saved is enough to supply 50,000 residences with average consumption of 120 kWh/month.

The table below shows the main programs undertaken by the Company in 2010.[18]

| Project | Public serviced | Total Investment (R$ million) | Energy saved (MWh/year) | Total Reduction of t $CO_2$e |
|---|---|---|---|---|
| Conviver | Low income clients | 29.8 | 69,800 | 3,555 |
| Conviver Solar | Communities with low purchasing power | 4 | 562 | 29 |
| Conviver Rural - Jaíba | Small family farmers | 2.8 | 971 | 49 |

In 2010, Efficientia signed seven new contracts for the implementation of the energy efficiency projects, totaling R$ 3.5 million in investments. When concluded, these projects shall represent a total energy savings of 5,803 MWh/year and will have moved 427 MW of demand off the peak hour and promoted reductions in GHG emissions on the order of 1,160 t $CO_2$e / year.

## Small Hydroelectric Plants

Aiming at increasing its generating structure, Cemig has also invested in the construction of Small Hydroeletric Power Plants, SHPs. The Minas SHP Program, established in 2004, is aimed at making these constructions technically, economically and environmentally feasible, thus bringing development to regional markets in the State. Cemig has implemented two enterprises (Cachoeirão and Pipoca SHPs, totaling a 47 MW of installed capacity) and investments on the order of R$ 232 million. Also through the Minas SHP program, another four projects are in final stages of development, totaling 44 MW of installed capacity.

## Alternative Energy Sources

EN6
EN18

Cemig has historically invested in studies, research and tests that may result in even more efficient and attractive technologies through the utilization of alternative energy sources.

*[17] Considering a Brazilian emissions factor of 0.0509 t $CO_2$e/MWh*
*[18] For further information on other programs, please consult the item "Social Impact Programs", on page 105 of this report*

The company already has enterprises that offer electric energy on a large scale that rely on these new sources, and, increasingly, the company seeks to invest in its diversity and to expand the socioenvironmental benefits for society. Noteworthy over the years are the research projects and ventures aimed at the production and utilization of biodiesel, the generation of energy using solid urban waste, the production of high temperature fuel cells, among other distributed generation technologies.

**Wind Power**

A pioneer in Brazil in the connection of a wind farm to the National Interconnected System in 1994, namely the Morro do Camelinho Experimental Wind Farm, Cemig has, over the years, maintained studies and investments in wind power generation. It holds equity stakes at the following companies: Praia de Parajuru Wind Farm (28.8 MW), in the municipality of Beberibe (110 km from Fortaleza), Praia do Morgado Wind Farm (28.8 MW) and the Volta do Rio Wind Farm (42.0 MW), both located in the municipality of Acaraú (approximately 250 km from Fortaleza). The energy generated by the wind farm complex will avoid annual emissions of approximately146,000 t $CO_2e$.

In 2010, Cemig launched the Wind Power Atlas. It mapped the wind power potential of the state of Minas Gerais in their entirety, which are on the order of 40 GW and signals the most promising sites for the implementation of new ventures. Cemig effectively contributes to the socialization of information on the wind power potential of the State of Minas Gerais by making available this information to society at large.[19]

**Solar Power Energy**

In 2010, the most outstanding iniciative is the Research and Development project for a 3 MW photovoltaic solar power plant interconnected to the electric grid and developed in partnership with a company in the sector. The new facility will be located in Minas Gerais and will be the largest photovoltaic power plant connected to the electric network in Brazil. Construction of the power plant is scheduled to start up in the first half of 2011.

Cemig is now developing an up-to-date solar power resource atlas for the state of Minas Gerais. A specialized firm was hired to undertake the project, which is expected to be published in 2011. The result of this project will be the creation of a data base with historical data and solar power resource information both observed and calculated, consistent for all of the 853 municipalities of Minas Gerais. The data will enable entrepreneurs to identify sites with greater potential for the installation of photovoltaic solar power plants and solar thermoelectric power plants in the state. In terms of research and development, the project is expected to consolidate expertise in the calculation of photovoltaic systems, to be embodied by researchers and specialists in Minas Gerais, culminating in the foundation of a local center of excellence in this theme.

**"Mineirão Solar" Project:**

The objective of the Mineirão Solar project is to install a photovoltaic solar power plant on the roof of the Governor Magalhães Pinto football stadium, popularly known as Mineirão and on the roof of Mineirinho, the Journalist Felipe Hanriot Drumond gymnasium. The project is part of the 2014 World Cup preparations. Along with the energy efficiency project for the stadium, the goal is to achieve the Gold category in the Leed Certification by setting a remarkable example of "green building".

Photovoltaic modules are to be installed on the existing concrete roof area on the Mineirão and Mineirinho. Also scheduled to be installed are photovoltaic panels embedded in polycarbonate roofing, which is

[19] *http://www.cemig.com.br/Inovacao/AlternativasEnergeticas/Documents/atlas%20eolico%20MG.pdf*

*EXPERIMENTAL SOLAR POWER PLANT*

to constitute the new additional rooftop of the stadium. Total estimated installed capacity is 1.4 MW and is planned to be concluded on Dec 31st, 2012, six months prior to the Confederations' Football Cup. The energy to be generated in these sport arenas will be commercialized by Cemig to free clients or to units consuming 'incentivated' energy (from renewable sources) through a connection to be installed at its distribution grid.

Total investment estimates amount to R$ 30 million, of which 80% to be financed by the German development bank KfW Bankegrouppe and with technical support from GTZ.

In 2010, was realized a technical training on the technology for connecting photovoltaic systems to the network at UniverCemig, given to Cemig's employees and project partners and German teams paid technical visits to Brazil. Also tested and simulated were several options for technologies and the layout for the installation of the photovoltaic panels on the Mineirão and Mineirinho rooftops.

**Biomass**

Efficientia coordinates several projects being undertaken in partnership with the sugar-alcohol industry through which it manages the construction of new transmission lines and substations to connect sugar and alcohol/ethanol plants to the electric system. These initiatives have enabled the injection of the energy generated through cogeneration – utilizing sugar cane bagasse (production waste), into the electrical system, thus increasing the contribution from renewable energy sources to the national energy matrix. In São Simão, Minas Gerais, a recent project has just been concluded, which will inject 43 MW of power into the system as of 2011. In addition, the construction of the connections concerning contracts signed in 2009, were installed in the following regions: Vale do Tijuco, Paracatu, Chaveslândia, João Pinheiro and Frutal in Minas Gerais, thus allowing for the an additional injection of power on the order of 174 MW into the electric system, all produced from this renewable energy source.

Cemig is investing, in a partnership with a company in the bioenergy sector, R$ 8 million in a Research and Development project aimed at the generation

of electric energy using process gases from the carbonization of wood in the production of charcoal. It is worth noting that this charcoal is produced with the utilization of planted forests whose specific objective is to produce charcoal for the steel industry in the State. The project will use the Buritis Bioreducer Production Unit (UPB) situated in the municipality of Martinho Campos (MG), where the eucalyptus production is fully mechanized.

**Sanitary landfill gas commercialization**

Cemig is going to commercialize, as of 2011, the energy generated from biogas composed of methane and carbon monoxide generated by the garbage decomposes in sanitary landfills. This electric energy purchase contract, which receives incentives as it is an alternative source of energy, was entered into in 2010, is a pioneering initiative in Minas Gerais for electric energy production from garbage decomposes and the third of its type in Brazil.

Contracted by the Belo Horizonte City Hall, the Consortium exploits the gas at the city's sanitary landfill, which has not been used since 2007. Both a biogas use station and a thermal power plant were installed at the site and will generate energy using the 21 million t of garbage dumped during the site's 20 operational years. Cemig will buy, between 2011 and 2014, an average of 4.9 MW a year of the energy produced with the objective of selling it to its corporate clients.

**Electric Vehicle**

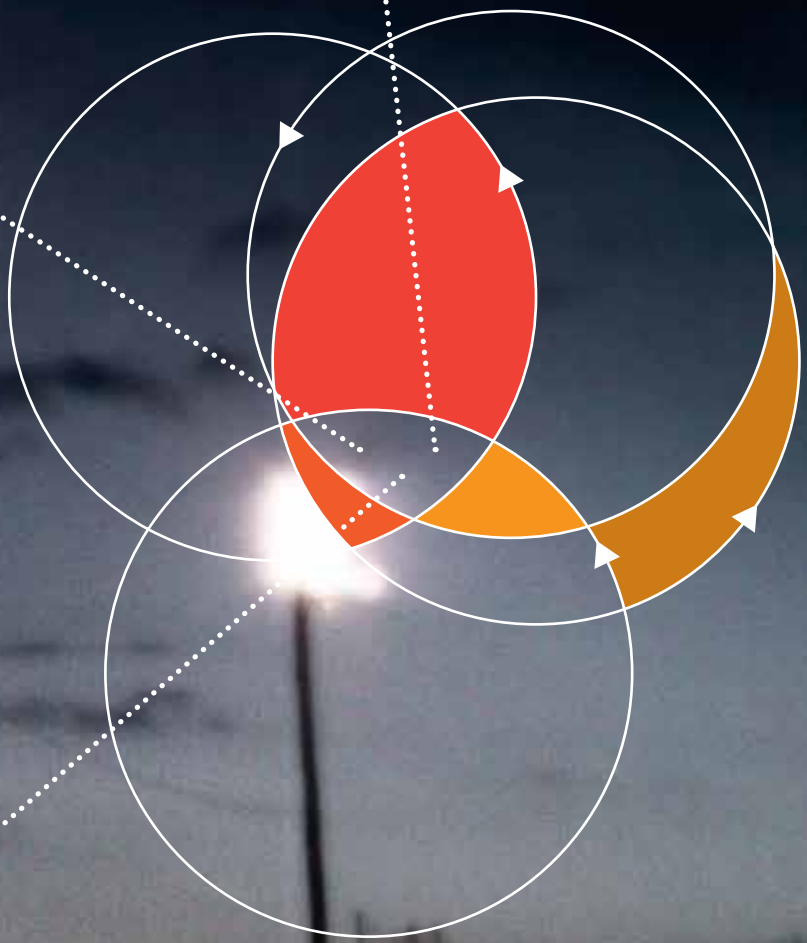
Cemig´s electric vehicle was presented and exhibited at the 13th International Electrical and Electronic Industry Trade Show, at the 6th Technological Innovation Trade Show, both held in Belo Horizonte and at the 1st Energy Efficiency and Renewable Resources Trade Show, held in Betim.

In September, Cemig hosted the meeting of the Permanent National Electric Vehicle Committee in Belo Horizonte. The goal of the event was to promote and disseminate the Electric Vehicle project at its current stage with representatives from companies such as Itaipú Binacional, Fiat, Petrobras and Light, among others. Topics discussed dealt with the challenges of reducing the prices of batteries, the possibilities of integrating the electric vehicle concept into the smart grid, and obtaining carbon credits through the project, as well as the impacts the insertion of electric vehicles will have on the distribution network, and the strategic and global visions with respect to the electric vehicle.

*LIGHTNING RESEARCH CENTER – UFMG*

ment of future generations. The development of the current generation,

# 5 SOCIAL DIMENSION



guaranteeing the development of future generations. The development

# Social Dimension

## SOCIAL STRATEGY

Global Compact Principles 1 and 2

Cemig seeks equilibrium between the environmental, economic and social aspects, which is incorporated into the Company's vision. Cemig's social strategy covers relations with society, the internal public, suppliers and consumers, in addition to responsibility in terms of its products and services and respect and efforts to protect human rights. The company's actions are directed at integrating territorial and human development, involving multiple stakeholders.

4.13

The search for local development and socioenvironmental actions linked to the company's business occurs through the Energia Inteligente program (Discussed in the item Social Impact Programs) and INDI (Minas Gerais Institute for Industrial Development Studies).[1]

INDI is an agency that promotes investments in the State, and receives the majority of its financial support from Cemig. Its objective is to provide sustainable economic, social and environmental development in the various regions of the State, minimizing inequalities and fostering balanced socioenvironmental growth.

In 2010, a record number of investments were attracted. 174 projects were formalized, totaling R$ 52.9 billion in intended investments, which could generate 154,700 jobs directly and indirectly. Also in 2010, an indicator was developed aimed specifically at Cemig's strategic needs. This indicator demonstrates the demand and offer of energy in relation to projects assisted by INDI. The table below illustrates the situation of all the active projects in 2010.

**Status of the active projects – 2010**

| Stage | Number of Projects | % | Total Investment (R$) | % | Direct Jobs | % | Indirect Jobs | % | Energy Demand (MW) | % | Energy Supply (MW) | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Initial Contact | 83 | 20.60 | 6,924,312 | 8.73 | 5,364 | 5.58 | 5,040 | 2.67 | 58 | 1.99 | 3 | 0.35 |
| Promising Project | 148 | 36.72 | 19,499,208 | 24.57 | 41,730 | 43.40 | 77,795 | 41.27 | 1,574 | 54.11 | 428 | 50.35 |
| Formalized Decision | 63 | 15.63 | 44,262,018 | 55.78 | 36,046 | 37.49 | 81,211 | 43.09 | 835 | 28.70 | 337 | 39.65 |
| Implementation Begun | 36 | 8.93 | 8,126,337 | 10.24 | 10,475 | 10.89 | 21,280 | 11.29 | 410 | 14.09 | 82 | 9.65 |
| Start-up | 73 | 18.11 | 539,627 | 0.68 | 2,537 | 2.64 | 3,155 | 1.67 | 32 | 1.10 | 0 | 0.00 |
| Total Active | 403 | 100.0 | 79,351,502 | 100.0 | 96,152 | 100.0 | 188,481 | 100,0 | 2,909 | 100.0 | 850 | 100.0 |

## SOCIETY

SO1

EU19

Cemig's operations are guided by the search for points of synergy between socioenvironmental investments and the Company's business, with the objective of maximize the benefits of its products and services. The Company also seeks to establish collaboration strategies with the communities with which it relates, as well as the quality and effectiveness of the investments made in a transparent manner, extending the benefits of the capital invested.

EU20

This perspective is adopted in the construction, operation and maintenance phases for its

[1] *www.indi.mg.gov.br/en/home/*

enterprises and activities. Cemig's Environmental Policy[2] contains two principles (the 5th and 6th) which refer directly to relations with the communities affected by Cemig's activities. The Company believes that it is an enriching experience when the affected or interested communities participate during the planning phase of its activities. In addition to complying with the applicable government laws, regulations and policies, in a manner to improve them, Cemig may come to complement them with its own rules, if necessary.

In 2009 Cemig's Communication with the Community Policy[3] was launched with the objective of establishing directives and criteria for the corporate decisions that involve initiatives implemented in the communities where the Company operates and ensuring that these are understood by the stakeholders with which it relates. In addition to these policies, the Company's work procedures are oriented by Service Instructions that establish the operational standards for socioenvironmental negotiations with stakeholders (communities, NGOs, government authorities and others). These negotiations also can involve issues related to the environment and the resettlement or relocation of populations as a result of the installation of new enterprises or the operation of existing enterprise. Also, these internal directives establish that the area managing the installation of the enterprise is responsible for any possible resettlements. If such settlements are required, the area directly responsible for the action must coordinate the negotiation, interacting closely with the other areas involved.

Socioenvironmental negotiations with stakeholders take into account the socioeconomic diagnostic that results from the data collection conducted in the region where the enterprise will be or is installed, covering the municipalities and surrounding areas. Knowledge of the region's variables (social, cultural, economic and others) is an obligatory requirement that subsidizes the contacts and assessments at the negotiation process.

In 2010 there were displacements of people and indemnities paid related to three enterprises in which Cemig is a participant: two SHPs (Small Hydroelectric Plants) and one HPP (Hydroelectric Power Plant). At Pipoca SHP (49% equity stake) 3 people were displaced and at Paracambi SHP (49% equity stake) 1 person was displaced. In addition, for these two enterprises, R$ 50,000 were invested in land acquisition and R$ 3.75 million in compensation for 13 properties in areas that are to be flooded and for the Environmental Protection Area.

EU22

Cemig has a 10% equity stake in Santo Antônio Energia, the company responsible for the development of the Santo Antônio hydroelectric power plant in the Amazon region. The formation of the reservoir for this power plant, in conformity with the Conditions of the Provisory License and the Installation License granted by IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources), will affect 1,356 properties and a population of 1,720 families, who are in the final phase of resettlement. Various relocation alternatives were discussed and adjusted as compensation for the displaced population. The most significant alternative, in this scenario, was the payment of cash indemnities or the resettlement onto 50-hectare rural lots with a house, running water, electricity, roads and community and public equipment. Up until the end of 2010, the population had been resettled onto five rural settlements and two urban ones, with the construction of 556 houses. The expected investment in the relocation of the population in estimated at R$ 570 million.

[2] *http://www.cemig.com.br/site/en/Sustainability/Page/Cemig'sEnvironmentalPoliy.aspx*
[3] *http://www.cemig.com.br/Sustentabilidade/Documents/NO-02.15_Politica%20de%20Comunicacao%20com%20a%20Comunidade.pdf*

Comprising this set of established policies and procedures, Cemig has a Sponsorship Policy,[4] which defines the directives for investment in the fields of culture and sport and support for social institutions through sponsorships and the use of fiscal incentives, representing transparency in capital management.

As shown in the table and graphs below, the capital invested in 2010 in education, culture social actions and sport totaled R$ 78.4 million, representing an increase of 68% in relation to 2009. This change was due to an increase in subsidies and donations which rose from R$ 18.6 million to R$ 55.7 million. Of this amount, R$ 14.9 million were own resources.

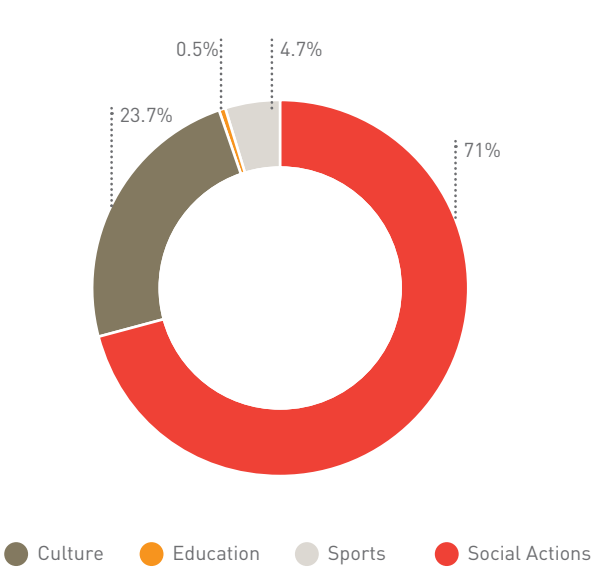
As an example of the Donations item, 4,005 social organizations were exempted from having to pay their energy bills, which totaled consumption of 54,089 MWh. This consumption represents approximately R$ 12 million that was freed for other uses rather than paying electric energy bills.

**Amount Invested per Type of Project**

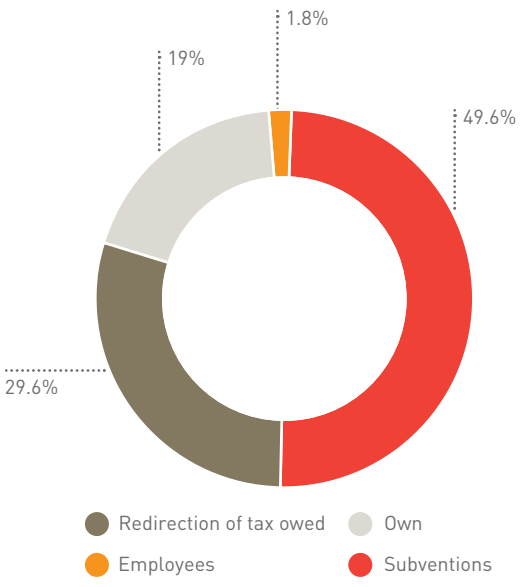
| R$ million | 2008 | 2009 | 2010 |
|---|---|---|---|
| Culture* | 33.4 | 22.4 | 18.6 |
| Education** | NA | 2.5 | 0.4 |
| Sports | NA | 3.0 | 3.7 |
| Social Actions*** | 12.1 | 18.6 | 55.7 |
| FIA, AI6% and Donations | - | 4.6 | 16.8 |
| Subventions | - | 14.0 | 38.9 |
| Total**** | 45.5 | 46.5 | 78.4 |

*NA – not applicable. *In previous years Culture and Education were calculated together. **The amount invested in education fell markedly in function of the legal restrictions that Cemig must abide by in election years. ***In previous years the Social Actions item included "Subsidies" and "FIA and donations." ****Total*

**Investment areas**




**Source of invested capital**




[4] *http://www2.cemig.com.br/cemig2008/content/sustentabilidade/N00216.pdf*


LOWLANDS SOCCER FIELDS

## Social Impact Programs

The social impact of some works performed by Cemig deserves greater attention, due to its manner of operation, the mobilization of human and financial resources or for being directly associated with the company's strategy.

As a company that renders public services, Cemig's relationship with the communities in which it operates is not restricted to the economic development stage, but also directly refers to the social development stage. Cemig's Energia Inteligente Program ("Intelligent Energy Program") concentrates a large amount of capital, as a structural program, and is conceived through the point of view that energy is a necessary input not only for the transformation of raw materials and the production of goods, but also for the quality of life and for the functioning of collectively used equipment and facilities, such as schools and cultural and recreation centers.

The Energia Inteligente Program translates Cemig's concern with providing clients with quality service and orienting them regarding the correct and rational use of electric energy, thereby generating environmental, economic and social benefits for clients, for Cemig and for society. Some of these gains are: a reduction in costs for clients, especially low income clients; higher quality in the supply/service to the client; an indirect reduction in greenhouse gas emissions; lower environmental impacts, reduction in flooded areas; postponement of investment in expansions.

The Energia Inteligente and Energia Eficiente (Intelligent Energy and Efficient Energy) Programs are, in their majority, multi-year programs and have the objective of undertaking projects in low income communities, hospitals, non-profit public institutions and educational institutions, promoting a change in the culture of electric energy wastage.[5]

[5] *http://www.cemig.com.br/site/en/Sustainability/Programas/Energyefficienty/pages/energyefficieny.aspx*

The investment made in the Energia Eficiente Program projects, the energy saved and the emissions prevented are described in the item "Energy Efficiency and Conservation" in the Environmental Dimension of this report. Below are described Cemig's main Energy Efficiency projects.

**Energia Inteligente Program – main projects:**

Conviver ("To cope with") – this project has the objective of bringing energy efficiency measures to low income clients[6]. Begun in 2007, through to 2009 the project had benefitted 135,000 families in the Metropolitan Belo Horizonte Region and, in 2010, it was extended to the inner state as well, benefiting a further 200,000 families. The project includes the replacement of high consumption light bulbs, electric shower heads and refrigerators with other more efficient equipment, matching consumption with the payment abilities of the benefitted families. In 2010 R$ 29.8 million were invested and 1.15 million light bulbs, 6,000 electric shower heads and 24,000 refrigerators were replaced, resulting in energy savings of 69,800 MWh/year.

Rural Conviver – Jaíba – in partnership with EMATER-MG (State of Minas Gerais Technical Assistance and Rural Extension Company), the São Francisco and Paranaíba Valley Development Company (CODEVASF) and the Jaíba Irrigated District (DIJ) – irrigation systems that had been in use for over fifteen years for family farming on small irrigated plots within the Jaíba Project were replaced. This is the largest collective irrigation project in Latin America. In 2010, 120 systems (11% of the total) were replaced and R$ 2.8 million were invested, which resulted in a decrease in energy consumption of 971,400 kWh/year.

Solar Conviver – in partnership with Cohab-MG (State of Minas Gerais Habitation Company) – With an investment of R$ 4 million and roughly 1,680 systems installed in 2010, the project aims at the replacement of obsolete electric shower heads with solar heating equipment. This action produces a 50% reduction in energy costs (up to R$ 70.00 /month/residence), which can then be directed towards other expenses and activities (food, clothing, culture and others). By 2012, 15,000 residences throughout the State will have benefitted from the program.

ILPI Solar – in partnership with SERVAS – Volunteer Social Assistance Service – this program identifies Retirement Homes that may benefit from solar heating systems. Around 500 diagnostics/executive projects were undertaken through this project in 2010.

Hospitals Solar – replacement of electric shower heads in public institutions. Through to 2010, 70 diagnostics/executive projects had been undertaken in hospitals.

Cemig is investing approximately R$ 45 million in the Solar ILPI and Solar Hospitals projects in order to install roughly 30,000 square meters of solar heating collector sheets, which will replace the conventional electric heating systems;

Of note among the benefits of this project are:

- Savings of roughly 70% in energy consumption for water heating, freeing up funds for investment in healthcare and the modernization of equipment and increasing the hospital's treatment capacity.
- Increased comfort in the showers/baths as a result of a central heating system.
- Removal of approximately 12 MW of demand at peak hours and estimated total energy savings of 14,000 MWh/year, allowing for the postponement of investments in the electric energy facilities.

*[6]In addition to the criteria determined by Law # 12.212 of January 20th, 2010 – Social Electric Energy Tariff – TSEE, Cemig considers as low income clients those single-phase residential clients living in any Special Zones of Social Interest – ZEIS, urban villages or agglomerations ("Slums"). In general, these locations are defined as such by the municipality as, most of the time, social programs directed at the inhabitants are undertaken*

- Reduced need to construct power plants, eliminating the need to flood reservoir areas.
- Utilization of renewable energy sources.
- Useful equipment life of 15 to 20 years.

Autoclaves – the objective is to increase energy efficiency at the hospitals' Sterilized Material Center – CME. The project is expected to serve 32 public hospitals in the State of Minas Gerais. Equipment used to sterilize clinical and surgical equipment will be replaced with more efficient equipment, with an expected investment of R$ 7.2 million.

Lighting – the focus in this project is also on hospitals. In total, 17 public hospitals in the State of Minas Gerais will benefit in 2011. Reactors, light fixtures and light bulbs in the hospitals' lighting systems will be replaced, which will bring improvements in the lighting quality, thereby providing the clinical staff and patients with greater comfort and safety in the execution of medical procedures.

The project will allow for the removal of 388 kW of demand at peak hours from the system, in addition to reducing energy consumption by 2,791 MWh/year. The expected investment is R$ 2.4 million.

Cemig at School – Procel – an educational efficient use of energy and natural resources program, with a focus on a reduction the wastage of electric energy, in accordance with the Procel program run by the Brazilian Ministry of Mines and Energy. In 2010, 170 Schools and 119,000 students were served and R$ 2.3 million were invested.

Cemig is active in other ways in terms of Social Impact Programs. The company transfers capital to institutions/organizations so that they may implement projects. Of note are the AI6% and social, cultural and sports initiative programs, which are described below.

AI6% Program

The objective of the AI6% Program is to encourage employees and retirees to transfer part of their income tax owed to Childhood and Adolescence Funds. The Program's 2010/2011 campaign ran for 23 business days, during which 2,326 Cemig employees participated, making 3,058 transfers, which resulted in funds totaling R$ 1.37 million, which will be distributed among 205 Social Institutions through 106 Municipal Child and Adolescent Councils (CMDCA).

In 2010 one new council and 20 new institutions joined the program.

Evolution of the AI6% program

| Year | Collection R$ thousand | Number of employees | Number of Institutions | Number of Municipalities |
|---|---|---|---|---|
| 2006 | 960.4 | 2,595 | 108 | 65 |
| 2007 | 1,243.1 | 2,619 | 139 | 80 |
| 2008 | 1,573.0 | 2,848 | 147 | 88 |
| 2009 | 1,606.0 | 2,621 | 193 | 105 |
| 2010 | 1,372.0 | 2,326 | 205 | 107 |

## Social, Cultural and Sporting Initiatives

In 2010, all the maintenance projects for permanent educational spaces such as Museums, Libraries and Theatres were maintained, as were all the university extension festivals, with a total investment of R$ 18.6 million. This posture reinforces Cemig's position in relation to the continuity of structuring cultural projects and its alignment with the State in search of the development of public policies specifically focused on culture linked with regional development and the structuring of the cultural market in the state of Minas Gerais.

Demands from all cultural segments in roughly 30 municipalities in Minas Gerais, in addition to Belo Horizonte, were met and innovated projects were included, such as Ronaldo Fraga's Legends of the São Francisco, which is the first Fashion project approved by the Ministry of Culture.

Sponsorships for projects registered under the Sports Law totaled R$ 3.75 million and included various different sports (soccer, water sports, rugby) and para-sports, as was the case with the APAE (Association of Parents and Friends of People with Special Needs) schools in Ipatinga.

Of note is the launch of the Water Sports and Environmental Education Social Project, modeled after the Grael Project, which is headquartered in Niterói, Rio de Janeiro. This project is the fruit of a partnership between Cemig, the Rumo Náutico Institute and the City Hall in Três Marias, Minas Gerais. The Project promotes initiatives based on three educational programs: introduction to sports, complementary education and professional development. The Project will serve 150 children and youths between the ages of 9 and 24 each semester and those benefitting from the project must be enrolled in the public school system. Students in the project will learn the following sports: swimming, sailing (dinghy and optimist class) and rowing, through both theoretical and practical classes.

Cemig conducts Universal Service programs for users throughout its concession area, with the Luz para Todos and Clarear programs being especially noteworthy.

Luz para Todos ("Light for Everyone") Program makes possible to connect rural properties to the electrical system and benefitted more than 40,000 properties in 2010. Clarear ("to iluminate"), in turn, involves the extension, modification and strengthening of the medium and low voltage distribution networks in order to fulfill consumers' requests, at no cost to them, for new connections in all urban areas throughout Cemig's concession. In 2010, over 194,000 new consumer units were connected through Clarear Program.

These programs have become an instrument for social integration and economic improvement in the rural and urban communities served. They improve people's quality of life, offer comfort, facilitate

*NAUTICAL SPORT*

opportunities for better health and safety, increase job and income opportunities, add value to the production, commercialization and conservation of rural products, speed up access to information and increase the consumption of durable goods.

In rural areas, these programs encourage families to return and to stay on the land, attenuating the impact that the rural exodus may have on urban centers.

Regarding cultural subsidies, the Company relies on the support of fiscal transfer laws (tax deductible transfers), but also finances actions with its own investments, such as support agreements with the Royal Road Institute and a partnership with State Culture Department for the installation of the "Cemig Popular Art Center", which is to become part of the Minas Gerais Government's strategic initiative of Circuitos Culturais da Praça da Liberdade ("Liberty Square Cultural Complex"). Cultural sponsorships have reached a total of 192 projects.

In 2010, Cemig, in terms of socioenvironmental and cultural investments, demonstrated continuity and alignment with the Company's strategy regarding the reputation and social dimension attributes as well as adherence to public policies that guarantee the perennial and legitimacy of its actions.

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

EU23

S01

| Social Programs | Start-up | Benefitted Publics | 2009 Results | 2010 Results | Dissemination Method | Social Impacts |
|---|---|---|---|---|---|---|
| AI6% Program | 2001 | Children and teenagers | 193 institutions in 105 municipalities | 205 institutions in 107 municipalities | Internal Media | active citizenship |
| Luz para Todos | 2004 | Rural properties | 9,439 properties | 40,629 properties | TV, radio, newspapers, Internet, lectures, seminars, meetings | Universal service coverage |
| Conviver | 2006 | Low Income | 30,000 residences | 200,000 residences | TV, radio, newspapers, Internet, lectures, seminars, meetings | The efficient use of energy |
| Energy Efficiency Program | 1998 | Cemig Clients | R$ 26.5 million invested | R$ 38.9 million invested | TV, radio, newspapers, Internet, lectures, seminars, meetings | Energy efficiency |
| Clarear Program | 2004 | Population in the Company's concession Area | 192,665 consumer units | 194,505 consumer units | CAC and Service Agencies | Universal service coverage |

## CLIENTS AND CONSUMERS

The Company offers relationship channels that allow clients to conduct business, register complaints, present suggestions and request services in an efficient and timely manner. In addition to the continuous improvement of the existing relationship channels, Cemig works to offer quicker and easier-to-use options for contacting the Company.

Researches are also conducted with the objective of registering consumers' perceptions regarding the Company, so as to allow for comparative analyses with other companies in the energy utilities.

EU26

The effort to provide universal service to the entire population is constant. As a result, Cemig Distribuição now serves 99.75% of the urban population and 95.01% of the rural population within its concession area. This means that 0.98% of the clients in Cemig Distribuição's concession area are not served.

EU27

Customer's defaults resulted in 959,512 suspensions of electric energy supply in 2010. After the bills in arrears are paid, connection is reestablished, on average, in less than 48 hours for 65% of the units.

## Cemig Ombudsman

The Ombudsman is a democracy consolidation tool for citizens' participation in organizations and strengthening measures aimed at active citizenship.

The Ombudsman's Office renders post-service to deal with stakeholders' requests. It furnishes solutions in line with legal requisites, in a timely manner, with transparency, respect, quality, value and social responsibility. In addition to being a direct channel for citizens' requests, it is the manager of ANEEL Ombudsman's Office processes forwarded to the Company. Its actions led to improvements in management of the Company such as the management of the time in which client requests were responded to, the quality of the responses to client requests and the care used in the correct application of the resolutions and procedures related to the supply of electric energy. In 2010, direct requests from clients and those sent by ANEEL totaled approximately 48,000 requests dealt with.

ANEEL Normative Resolution 414/2010, of September 24th, 2010, established the general conditions for the supply of electric energy, and established the right of citizens/consumers to contact the Ombudsman after the deadline for the completion of service has expired or when they disagree with the position/actions adopted by the Company. Contact can be made by telephone +55 (31) 3506-3838 or e-mail ouvidoria@cemig.com.br.

## 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, via internet (chat and e-mail) or telephone. The number of requests serviced in 2010 was 124,000 via chat, approximately 44,000 via e-mail and more than 13 million via telephone.

EU24

The Company also seeks to offer improved relationship and services with its special consumers by aligning its Customer Service Agencies with accessibility norms (ABNT-NBR 9050), providing a chatroom at its Virtual Agency and issuing electric energy bills in Braille.

| Channels | Goal | Access | Comments |
|---|---|---|---|
| Website | Information on energy savings. | http://www.cemig.com.br. | In addition to Portuguese, service is available in English and Spanish |
| Energy Bill in Braille | Allow visually impaired consumers to monitor and control their electric energy consumption. | Request by dialing 116 – Speak with Cemig. | 680 clients registered with Cemig to receive the energy bill in Braille. |
| "Speak with Cemig" (telephone, e-mail and fax) | To facilitate client's access to the Company. | Telephone numbers: 116 or 08007210116, atendimento@cemig.com.br; Fax #: +55 (31) 3506-7222. | ISO 9001/2000 Certification; 560 service positions with more than 1,000 attendants; from 50,000 to 80,000 calls are received in a day. |
| Ombudsman's Office | To watch over the citizens' right to be heard by standing as their voice in the Company. | http://www2.cemig.com.br/ouv20a/Default.aspx and ouvidoria@cemig.com.br, as shown in all Cemig electric energy bills. +55 (31) 3506-3838 | ISO 9001/2000 Certification. |
| Service Agency | To facilitate client access to the Company. | 132 own agencies. | Average of 400,000 customer contacts a month. |
| Cemig Fácil (Easy Cemig) | To provide further commercial services to the populations at locations and sites where Cemig has no physical representation. | 239 registered service sites – PAs. | Services offered at the Cemig Fácil Service Sites: issuance of 2nd copy of bill or other documents; location for the delivery of bills as requested by consumer; prepaid form, to request services or making complaints. |

| Channels | Goal | Access | Comments |
|---|---|---|---|
| Cemig Postal | Specific channel for simpler commercial services, via the Post Office. | 800 postal boxes scattered all throughout the State of Minas Gerais. | Prepaid post forms, available at the Cemig Fácil sites, for changing names, altering consumer information, requesting new connections, making complaints and suggestions. |
| Cemig na Praça (Cemig on the Go) | Itinerant service structure providing clarifications, forwarding service requests and attending to customer demands. | Office set up in a central square or place in smaller towns with a team of electricians, service personnel and operations technician to serve the population. | Average of 180 annual events that generate nearly 1,100 service requests a month. |
| Mobile Service Agency Project | Trailer equipped with a Mobile Service Agency, rendering services to commercial clients. | Specific channel for commercial services. | Averages of 400 service requests processed a month in 2010 in 55 different municipalities in the state of Minas Gerais |
| – PAS – Simplified Service Agency | Partnership between Cemig and prefectures. | 90 PASs throughout the state with services rendered by the prefectures' own clerks, who are trained by Cemig's agents. | Roughly 2,000 thousand service requests a month. |
| Consumer Council | Represent and defend the individual and collective interests of consumers before the Company. Improve service for consumers, taking into consideration the various interested segments. Send suggestions, cooperate in inspections and forward reports of wrongdoing and complaints to Cemig. | Access via the Internet: http://www.cemig.com.br/ConselhoDeConsumidores/Paginas/default.aspx. | 2010: 6 ordinary meetings and 1 extraordinary meeting. See main accomplishments in item 3.8 in the Corporate Governance chapter. |
| Diverse Communication Channels | To promote the broad dissemination of 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, the Internet (http://www.cemig.com.br/ALADEIMPRENSA), Cemig TV (shown internally and on a broadcast TV program) | |

PR5

## Customer's Satisfaction

Every year Cemig takes part in important surveys conducted with the purpose of assessing the level of consumer's satisfaction with the services rendered by the utilities that distribute electric energy, thus generating indexes that make possible a comparison of these results and indicate the sector's global perception.

The surveys focus on guiding the continuous improvement of the services rendered by aiding the regulatory authority (ANEEL) in its regulation, supervision and management processes. Those indicators that originate from these surveys complement the 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, which calculates the Perceived Quality Satisfaction Index, and the Residential Consumer Satisfaction Assessment Survey conducted by ANEEL, which results in ANEEL's Consumer Satisfaction Index.

In the 12th Abradee Survey, undertaken in 2010, Cemig´s index was 80.5%, which is above the Abradee's average of 77.3%. In ANEEL's survey, which encompasses all the electric energy distribution utilities in the country, Cemig obtained a score of 70.25 in 2010 out of 100 possible points, thus ranking second among companies in the Southeastern market with more than 400,000 consumers.

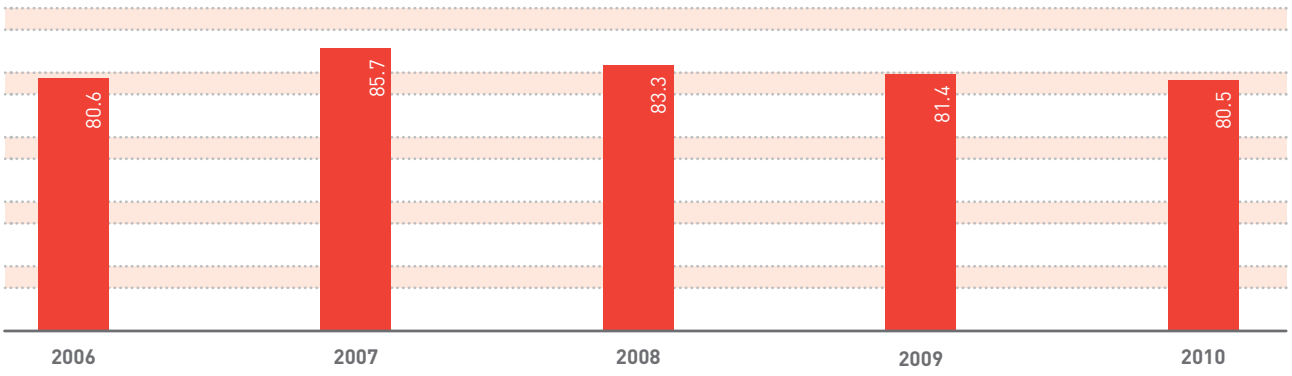
The Company's desire is to achieve significant and consistent improvements with regard to the satisfaction of its clients, increasing its satisfaction indexes. For this purpose, an Action Plan considering the critical points verified by the surveys was developed as per order of priority.

In 2010, in addition to the aforementioned surveys, whose surveyed public is strictly residential clients, Cemig undertook the Action Plan that resulted from the 1st Satisfaction Survey conducted with the Municipal Prefectures in 2009 and conducted the 2nd Satisfaction Survey with the same public, in December 2010.

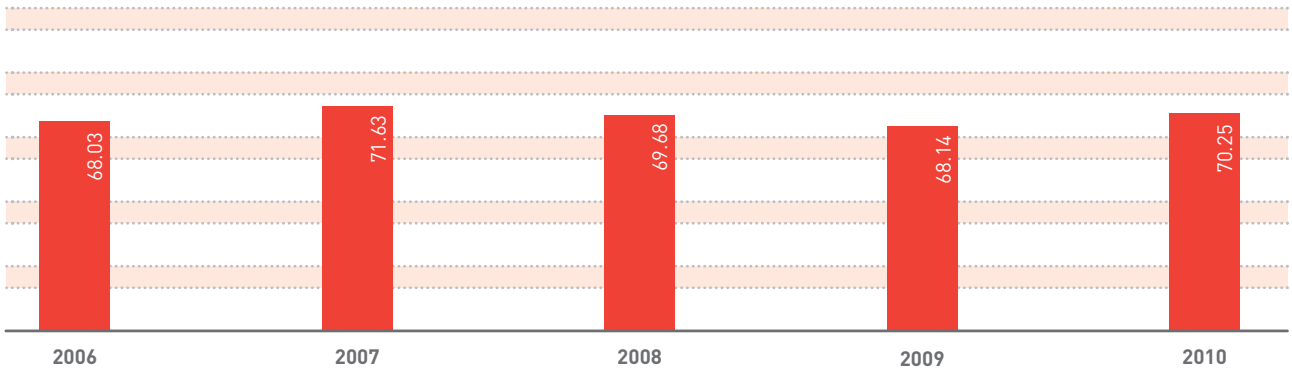
The universe of 774 Prefectures was sampled through 280 interviews conducted in 2010. With these surveys, Cemig created the ISPM – Quality Satisfaction perceived by Municipal Prefectures. In 2010, the result of the ISPM was 79.8%, which increased by 8.2% in comparison with 2009.

The charts below demonstrate the evolution of Cemig's satisfaction indexes in the last 5 years in which the surveys were conducted by Abradee and ANEEL, respectively.

**Cemig's performance – Perceived quality satifaction index**




**Cemig's performance – Annel's consumer satisfaction index**




## Security of Customers and Consumers data

PR8

With the objective of mitigating the risks related to the possibility of client and consumer information leakage, Cemig adopts a series of processes: information related to clients is classified according to its level of confidentiality and is treated according to that classification; the rules for having access to this information are applied by the Information Technology area and access permissions are compulsorily revised once a year; any type of information extraction from the data base that does not comply with the authorized and pre-established standards

can only be done with the due request and authorization from its manager; employees and contracted parties that utilize this information must sign Confidentiality Terms.

The entire information security process is consolidated in IC-45, which is an information classification and treatment instruction. The instruction is based on external references such as Sarbanes-Oxley Act – SOX, Federal Decree # 4.553[7] of 2002, ANEEL Portaria # 83[8] of 2004, CVM Instruction # 358[9] of 2002 and the best practices in the market. The Information Security system Work is been improved since November 2010, with the start-up of a computerized tool for the operation and management of information treatment and classification processes.

In 2010 Cemig did not receive any substantiated complaints regarding violations of privacy or loss of client data.

## RELATIONSHIP WITH THE VALUE CHAIN

The relationship and the Company's engagement with its diverse publics in its Value Chain,[10] which includes the internal public, are qualified as a value-adding activity.

The table below presents the communication channels Cemig uses in its relationships with publics in society.

| Target | Channels | Goals | Access | Comments |
|---|---|---|---|---|
| Philanthropic Institutions | Subvention Concession Program | Financial discount on invoices / energy bills sent to Philanthropic Institutions providing social assistance, Hospitals and Churches/Temples. | Internet access at: www.cemig.com.br/programasubvencao | In 2010, approximately 4,005 institutions benefited from the program.<br>Approximately R$ 12 million and 54,000 MWh |
| Government Authorities and Electrical Sector Regulatory Agencies | Regulatory Matters and Institutional Relationship Superintendence | Comply with legal principles as regulated by ANEEL – the National Electric Energy Agency; comply with the Communications Policy and the Environmental Policy. | | |
| Shareholders and Investors | Website, assistance via e-mail, telephone, shareholders' meetings, participation in events, reporting, etc. | To abide by the determinations and regulations of the Stock Markets on which Cemig is listed and by the respective legislation in force. Respect the Dividends Policy, the Information Disclosure Policy, the voluntary adhesion to BM&FBovespa's Corporate Governance Level 1 and its Communications Policy. | Investor Relations Website http://cemig.infoinvest.com.br/ and the Executive Finance, Investor Relations and Equity Stake Control Office; Annual Report and Sustainability Report, meetings, conference-calls and alerts through e-mails. | |
| Scientific Community (Universities and Research Centers) | Energy Alternatives and Technology Superintendence | Develop and participate in cooperation projects with the goal of fostering the creation of Technological Centers of Excellence, by means of associations and partnerships with universities and research institutions, in line with the Communications Policy and the Environmental Policy. | Research projects, participation in conferences and seminars. | |
| Suppliers and service providers | Procurement Portal | Utilization of criteria for registration, selection and bidding process procedures concerning materials suppliers and service suppliers, guided by Cemig's Supply Policy and Relationship with Supplier Manual, available at http://compras.cemig.com.br/ExibeAvisoPortal.aspx?Codigo=21 and in observance of Federal Law # 8.666 of June 21st, 1993. Abide by the Occupational Health, Safety and Welfare Policy and by the Communication and Information Security Policy. | Access via Internet: http://compras.cemig.com.br/ and the Materials and Services Superintendence. | |
| Prefectures within Cemig's Concession Area | Relations with Distribution-related Public Power Special Clients Management Office | Render differentiated and personalized services to prefectures within Cemig's concession area. | Monthly average issuance of 7 million low and high voltage bills. | |

*[7] http://www010.dataprev.gov.br/sislex/paginas/23/2002/4553.htm*
*[8] http://www.aneel.gov.br/cedoc/ren2004083.pdf*
*[9] http://www.cvm.gov.br/asp/cvmwww/atos/exiato.asp?File=%5Cinst%5Cinst358.htm*
*[10] Value Chain is the entire sequence of activities or parts that supply or receive value in the form of products or services; it involves a set of value-adding activities that range from the basic sources of raw materials, to suppliers of parts, to the delivery to the end user and, all the way through to the post consumption stage*

## CONTRACTED PARTIES

EC6
EC7

Cemig seeks to fully align its suppliers and contracted parties with its vision of sustainability and with its corporate values and commitments. The most direct and adequate communication channel with suppliers is the "Procurement Portal"[11] that is made available to the public and lists all respective procedures taken in the bidding processes, both active or inactive, and may be followed by all citizens, which adds transparency and correctness to processes.

Due to its legal nature and status – a mixed capital company – Cemig is governed by Law 8.666[12] of 1993 that states norms for bidding processes and contracts directly promoted by Public Administration bodies and which is extensible to mixed capital companies. Therefore, Cemig cannot stipulate and promote distinctions and preferences for contracting suppliers in function of their nationality, domicile or headquarters' location. That makes it impossible to undertake any effective actions that seek to privilege local suppliers of any category, be it regarding materials of services.

The Supply and Relationship with Supplier Policy is available in digital format on the Portal[13]. When it was launched in 2009, it also created the Cemig Supplier Award, the first edition of which was presented in May, 2010.

The award established a landmark in the relationship between Cemig and its suppliers and fosters quality in the rendering of services, in addition to recognizing the cooperation between suppliers and Cemig in seeking and achieving common goals.

For the 2010 Edition of the Cemig Suppliers Award, only those suppliers that had Purchase Orders or Contracts with Cemig between July and December 2009 were entitled to

*LABORATORY FOR ETHANOL REFORM*

[11] *http://compras.cemig.com.br/*
[12] *http://www.planalto.gov.br/ccivil_03/Leis/L8666cons.htm*
[13] *http://compras.cemig.com.br/ExibeAvisoPortal.aspx?Codigo=21*

participate, totaling 352 companies, including suppliers of materials for the electrical system (320) and those rendering distribution services (32). Based on criteria such as quality, safety, guarantee and price, 14 suppliers were awarded.

The award was composed of three categories and their subcategories: 1) Materials suppliers were divided into 5 product subcategories; 2) Service providers for distribution networks (contractors) in 1 subcategory; 3) Granting the "Cemig Certificate of Assured Material Supply" for material suppliers that, in addition to having good performance, achieved the level of excellence in supply by presenting no technical or commercial problems. This last category represents the highest rank possible for the award.

Another 15 companies achieved the level of excellence in "Assured Material Supply", and received a certificate that allows them to deliver and bill materials with no need of prior inspection by Cemig, for a period of one year. The Certificate contributes towards greater speed in the materials acceptance and billing processes and promotes a reduction in production costs, since they will no longer be required to repeat, in the presence of the Company's inspector, those tests that had been previously carried out during the quality control process for the supplier's own production.

From May through December 2010, 122 inspections of materials were requested for purchase orders issued by Cemig. Out of this total, 11.39% were exempted from inspections under the Assured Supply certification.

The award is in its consolidation stage and is an opportunity for Cemig to innovate and consolidate the relationship with its universe of suppliers.

## Supplier Development

HR2

Global Compact Principles 3, 4, 5 and 6

When registering with Cemig, every company has to attach to its documentation a declaration that it does not employ minors (younger than 18) in nocturnal shifts, hazardous or unhealthy work or anybody younger than 16 (sixteen), in any function, in compliance with the provisions of subsection V of Article 27 and paragraph/subsection XVIII of Article 78 of Law 8666 of June 21st, 1993, on letterhead dated and signed by the company's legal representative, as required by law.

In the acquisition of goods and services, conformity with requirements is verified as to quality, the environment and occupational health and safety. In order to verify proper compliance on behalf of those companies interested in supplying materials (goods), an ATI – Industrial Technical Assessment is carried out at the suppliers' premises. In the case of service providers, an ATE – Technical Assessment of Contractors is conducted with the participation of the company managing the contract or by the Company with the participation of the Supply area. These assessments, in addition to aspects concerning the production of goods or the rendering of services, other items concerning aspects related to legal requirements, occupational health and safety, the environment and social responsibility are verified in function of the directives provisioned by the SA 8000 Norm and the Global Compact, such as: child labor, forced labor, degrading labor, enhancement of social diversity, benefit programs for employees, client service and the development of volunteer social projects and actions.

HR6

HR7

In 2010, 100 ATI visits (Technical Industrial Assessment), 32 ATE visits (Technical Assessment of Contractors) and 9,754 materials items were inspected and registered in the SAP/R3 system.

Bidding processes, their respective contracts and their management ensure the existence of and compliance with the legal requirements that

EU16

are aimed at guaranteeing that labor legislation is enforced, as well as the occupational health and safety and Welfare regulations, along with the observation of the Child and Adolescent Statute and the preservation of the Environment. Therefore, all service contracts contemplate clauses related to health, Welfare and the protection of human rights.

The following clauses are integral part of the contracts and are monitored by the Company:

1. Prohibition of nocturnal, hazardous or unhealthy work for minors (younger than 18) and of any type of work for adolescents younger than 16, except under the condition of apprenticeships, starting at the age of 14, as provided for by the Brazilian Federal Constitution.
2. The obligation to produce the required environmental licenses at the execution of services as required by legislation.

Also required are:

3. Compliance with the normative instructions, regulatory norms, decisions and technical notes issued by the Labor Ministry, respective to occupational health and safety.
4. Availability and utilization of Personal Protective Equipment (PPE) and Collective Protective Equipment (CPE).
5. The production of a declaration by the contracted party, prior to the initiation of the services, duly signed by a professional qualified in occupational safety, certifying that the employees assigned to those services, subject of the contract, have been duly trained in occupational safety, covering at least the following topics: basic safety concepts, PPE and CPE, risk analysis and unsafe acts and conditions.
6. Producing and delivering an Investigation and Analysis Report on Accident involving Contracted Party Employee, as well as a Monthly Report of Occupational Accidents and Out-of-Work Hours and a CIS – Safety and Health Incident Communication;
7. Rigorous control of the work shift, inter-shift intervals and in-between shifts, in conformity with the CLT – Consolidation of Labor Legislation.
8. Monthly proof of payment of taxes, insurances, employees' salaries, social, labor and pension contributions.

The Company also instituted a mechanism to foster the adoption of the best socioenvironmental, health and safety and Welfare practices on the part of service providers and suppliers, by establishing a reduction of the contract penalties in the event the supplier has presented, on any date prior to the event that led to the application of the contract penalty, a proof of items such as ISO 9001, ISO 14000, OHSAS 18001, a Personnel Turnover Rate smaller than or equal to 5%, among others. The reduction applied to the penalties may come to be as much as 50%, depending on the supplier's socioenvironmental performance.

**Training Suppliers in Occupational Health and Safety**

EU18

Cemig requires that 100% of contracted companies' employees be given specific training that is aimed at giving them same the level of qualification as the Company's employees with regard to occupational health and safety. In addition to those programs promoted by the companies themselves and those ministered by UniverCemig, there was an improvement in the qualification of the outsourced labor due to an agreement entered into between Cemig/Senai/Sindimig/Fiemg aimed at holding training programs and at the "Professional Competences Certification" process for workers with companies that render services for the distribution network, both low and medium voltages. In 2010, 1,807 workers and 80 apprentices were trained through this agreement, which received a total

*CEMIG ELECTRICIANS*

investment of R$ 800,000. Technical courses were offered with implicit emphasis on occupational safety, along with specific courses on occupational safety, such as the "Safety in Electrical Installations and Services" course. For 2011, there is a demand for worker qualification and professional improvement of workers on the order of 2,500 employees with companies associated with Sindimig.

In the service contracts, Cemig introduced specific EHS&W clauses that are monitored by the respective contract managers and verified in the field service inspections that are conducted by occupational safety and accident prevention specialists and trained personnel, the results of which are converted into the ISPE – Contractor Safety Practice indicator. Following the identification of non-conformities, meetings are held with those responsible and plans are devised for taking action and promoting the immediate treatment of the inadequate conditions. As of 2010, inspections which up until then were performed by the operational management offices, started to be conducted on a corporate level and to be controlled by the Occupational Health and Safety and Welfare Management Office, through the SIMASP program.

HR8

In 2010, 33 technical opinions were issued for Hazard and Risk with safety specifications to be adopted in service contracts. In addition to these specifications, the corporate safety orientations that are available on the SESMT Portal are adopted, when applicable, along with those orientations that are specific to the site and established by the contracting management office.

Cemig has among its workforce service providers hired to perform technical and operational safety-related activities. Within this perspective, nearly 94% of the staff is considered to have been trained in the organization's policies or procedures specifically with regard to human rights issues and their application in safety. Training programs related to human rights but that are not exclusively dedicated to that topic are taken into account, as the topic may be implicit in compulsory trainings (professional qualification), or related to the Management Systems and the Company's norms.

The area in Cemig that is responsible for Asset Safety is installed with the Integrated Management System, the scope of which is "Planning, advisory services, administration and management of

industrial safety services (plants), asset safety and operational contingencies", which is also certified with ISO 9001, ISO 14001 and OHSAS 18001 norms.

Therefore, compulsory training programs for their professional development are held. Security guards, for instance, are trained to comply with the legislation (Security Guard Qualification Course and Recycling – compulsory every 2 years), which calls for a specific number of hours of training in human rights. Among the 282 security guards, approximately 65% of them were trained in 2010 in the recycling course, which is a compulsory legal requirement.

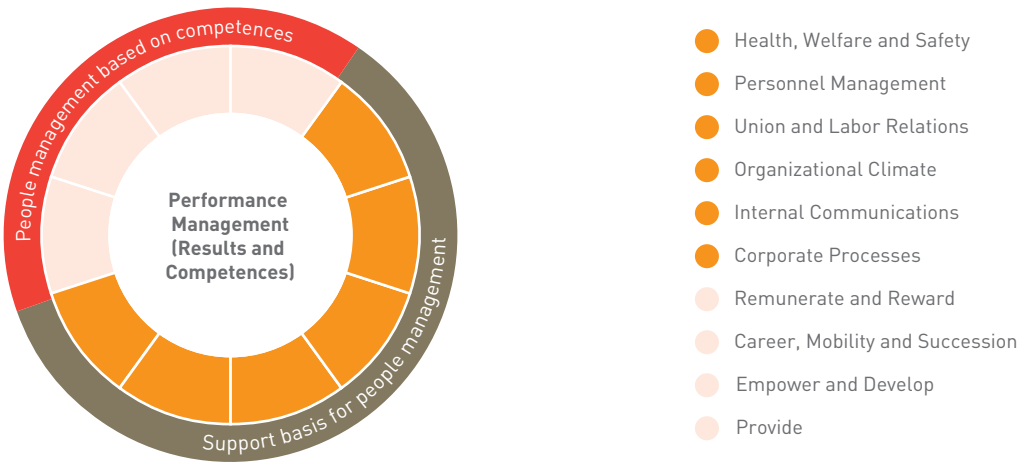
## HUMAN CAPITAL MANAGEMENT

Cemig understands that its human capital is of fundamental importance for the fulfillment of its Mission, as well as for the achievement of its Vision. Cemig's Human Resources Policy encompasses a set of principles that guide work relations, in consonance with the basic directives of Social Responsibility and with the Declaration of Ethical Principles and the Code of Professional Conduct. The management of the company's human capital is embedded with respect for the directives and conventions provided by the ILO – International Labor Organization.

Considering the principles provisioned for by the Policy, the Human Capital Strategic Management System constitutes the base for the personnel management at Cemig with the goal of aligning the human resources management model with the organizational strategy, by focusing on actions that add value to the businesses and that favor integrated management. It is composed of a set of inter-related processes, as demonstrated in the figure below:

In the fourth edition of the "100 Best Companies in Organizational Human Development Index (IDHO)" survey conducted by Revista Gestão RH (HR Management Magazine), Cemig ranked among the "10 Best Companies in IDHO" and was given an honorable mention in the "Human Capital" dimension.

**Cemig Strategy**




## Internal Public

**Own Employees**

LA1

Cemig[14] closed the year 2010 with 8,859 own employees, out of which 229 work with Companhia Energética de Minas Gerais, 6,807 with Cemig D and 1,823 with Cemig GT.[15]

*[14]The denomination "Cemig" is employed to refer to the Cemig companies, or that is, Cemig Distribuição S.A., Cemig Geração e Transmissão S.A. and Companhia Energética de Minas Gerais. The denomination "Companhia Energética de Minas Gerais" is used to refer to those operations undertaken solely within the scope of the "controlling" company, or that is, not including the subsidiary companies*

*[15]Cemig holds a minority equity stake (49%) in Transchile Charrua Transmission S.A. in Chile. Transchile has 9 employees, among whom only one is a Brazilian citizen, which corresponds to 0.1% of the company's workforce. These employees are not covered by this report and have not been accounted for in the reported indicators*

Due to the time chart for internal mobility and selections and the electoral legislation, only 6 employees were hired through an external selection process in 2010.

Cemig's personnel were reduced by 893 employees during 2010, among which the majority of labor contract terminations were due to the Voluntary Dismissal Program – PDV, which was instituted in April, 2009.

The program was comprised of financial benefits and entrepreneurship courses that were ministered by SEBRAE, as well as itinerant seminars about retirement and retirement preparation courses held by Cemig. All these actions were aimed at ensuring a healthy and safe transition.

LA11

As the Voluntary Dismissal Program is of a transitory character, it shall not be repeated in 2011, and the Premium Termination Program – PPD is being maintained in a permanent character and is applicable to labor contract terminations in a free and spontaneous manner.

EU15

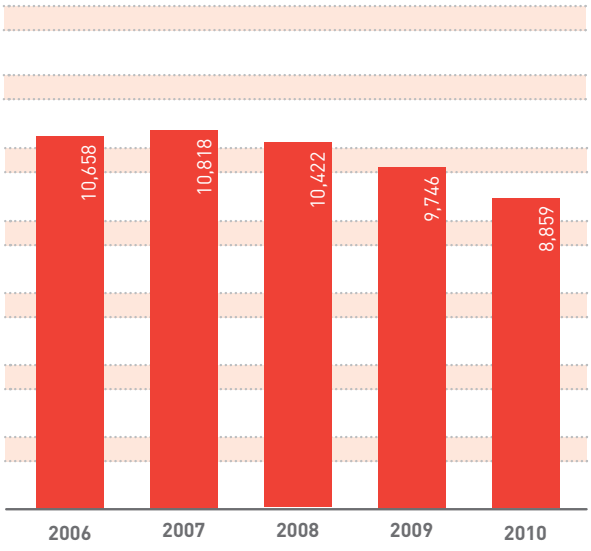
Approximately 15% of the employees shall be entitled to retired in the next 5 years and 38% in the next 10 years.

LA2

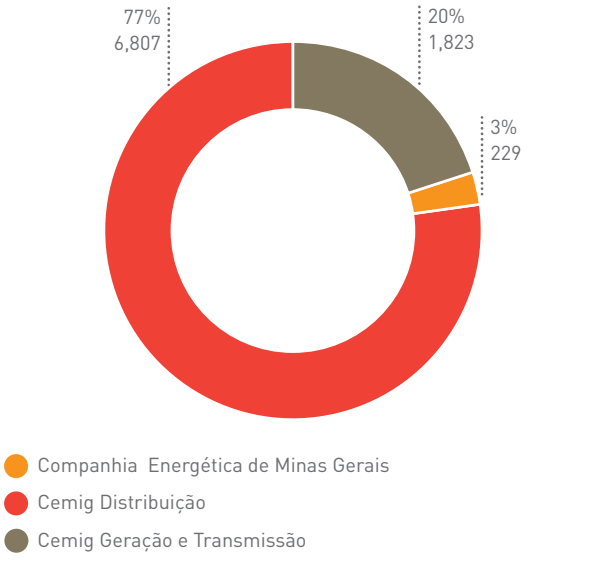
The turnover rate in the Company has been low historically, and this was not different in 2010 (2.4%).

## WORKFORCE

### Number of employees




### Employees per company in 2010




**Interns / CESAM**

Every year Cemig invests in the school internship program, offering university students and technicians in technical education programs opportunities to complement their learning and educational curricula. Cemig received 455 interns in 2010, of which 431 completed the program.

Since 2003, Cemig has maintained an agreement with CESAM – Centro Salesiano do Menor, which is responsible for the theoretical education of adolescents in the Administrative Services Assistant Course. Cemig provides for the professional practice of 200 adolescents a year, receiving them as young apprentices.

## Diversity and Equality of Opportunities

Global Compact Principle 6

LA13

HR4

The Declaration of Ethical Principles and the Code of Professional Conduct, which is applicable to own employees and to those of its whole subsidiaries, declares the Professional Integrity principle that embodies the responsibility for enhancement of diversity, not accepting any form of discrimination based on race, sex, color, appearance, religion, age, physical and mental conditions, marital status, political ideology or time served in the company.

As Cemig is a mixed capital company, admissions take place by means of public selection processes. These procedures follow the principles stated by the Brazilian Federal Constitution. A public selection process consists of the adoption of a procedure that guarantees equal access opportunities to public positions and terms to all those interested who meet the legal requirements (isonomy principle) and shall be selected through objective criteria and never by any subjective criteria determined by the public administrator (impersonality principle), with the goal of providing for the best choice possible offering no privileges or immoral favoring (morality principle). Therefore, any discriminatory practices for the selection of employees based on race, color, age, sex and/or disabilities, as well as criteria that favor the admission of individuals in function of their nationality or domicile are deemed inadmissible.

In the case of people with special needs, the Company, in complying with the legislation, reserves 10% of all vacant positions offered in a public selection process to persons with special needs. Currently, the Company has 54 workers with special needs among its staff, which represents 0.6% of the workforce, among who 41 work for Cemig Distribuição, 11 for Cemig Geração e Transmissão and 2 for Companhia Energética de Minas Gerais.

The small number of workers with special needs in the workforce is due to the company's legal framing and the requirements for hiring. It is important to note that several of the positions in the Company pose electrical risks, which makes the occupational environment even more limited in terms of receiving people with special needs.

Among the 8,859 employees of the Company, 6,019 are white, 362 are Afro-Brazilians, 2,436 *pardos*, 28 of eastern descent, 13 indigenous and 1 undeclared. Among those who occupy managerial positions, 236 are white, 1 is Afro-Brazilians, 34 are brown, 1 is of eastern descent and 1 is of indigenous descent.

*UNIVERCEMIG*

Women represent 13% of the total number of effective employees – several of them occupy managerial positions, key positions and, inclusively, some positions traditionally occupied by men – such as electricians, plant operators and system operation technicians. Women occupy 14.8% of the managerial positions.

10% of the employees are younger than 30, while 31% are between 31 and 40 years old, and 42% are between 41 and 50 years of age, and 16% are over 50.

High school is the most representative level of education among the workers, agglomerating more than 60% of the Company's employees. Illiterate employees entered the Company before there was a legal requirement for hiring through public selection processes and represent 0.15% of the total. 23% have a University degree and 8% of the employees have a post-graduate degree.

In 2010, one damages claim was filed against Cemig for moral harassment, which is currently before the courts. For that reason, no measure has been taken by the company regarding this issue.

HR4

## TALENT MANAGEMENT

Cemig defines talent as people that are capable of allying knowledge, productivity, quality, a proactive approach and relationships in a manner such that they have the chance to deliver beyond what is expected and create demanding challenges.

The legal context in which Cemig finds itself, due to its being a mixed capital company, imposes specific conditions, among which is the requirement to hold public admission exams for the composition or re-composition of its effective workforce. Therefore, talent attraction and retention represents a great challenge, since the Company cannot directly capture people it considers talented from the market and can only promote people from the Technical Administrative Operational Plant to the University Level Plan through an internal selection process with a broad level of participation, with the individual receiving the highest classification in this process moving to the new position. After conducting the mobility and internal selection processes in 2009, in 2010 Cemig began the re-composition of its workforce by holding public admission exams. Professionals were admitted to work in the Strategic Planning and Transportation Coordination and Management areas. A new Public Admission Exam with a broader scope is being planned with the goal of injecting new energy into the Company's workforce and ensuring that it is prepared to face new challenges.

Regarding Leadership Talent Management, Cemig has been running its Succession Management program since 2007. The program is aimed at replacing key people, and has become an appropriate tool for the identification of potential successors with the profiles that correspond to the competences required. In the first cycle, from 2007 to 2009, 81 university level employees were identified and trained/prepared, in partnership with the Dom Cabral Foundation, to occupy managerial positions, with 42 of them having been promoted to leadership positions. The second cycle began in December of 2009 and will run until 2012. Of the 84 employees in the program, 11 have already been promoted to leadership positions. As a result, at the moment, about 30% of the Company's leadership positions are filled by employees that have participated in the Succession Management Program.

## PERFORMANCE MANAGEMENT

LA12

The Performance Management process serves as a link between the Company's strategy and the other People Management processes, especially the Training and Development process. It consists of the determination of gaps in individual competences, either technical or essential, allowing for individual development agreements (IDAs) to be drafted for the Company's employees.

One of the tools used in this process was the Performance Evaluation (PE), which takes place annually for all employees, except for those who occupy managerial level positions. When receiving the feedback, the employee has the opportunity to make comments and suggestions and seek advice regarding the prospects for their professional career and the need for improvement in their training and development.

In 2010, the fifth PE cycle was conducted for 100% of the employees. In addition to providing input for the construction of the IDAs, and thereby subsidizing the Training and Development process, the results of the evaluations serve, as in previous years, as a base for individual salary alterations, through vertical and horizontal progressions, as stipulated in the Specific Collective Agreement for the implementation of Cemig's Careers and Remuneration Plan.

LA3

## REMUNERATION AND BENEFITS

Cemig has a Careers and Remuneration Plan (PCR) in which positions are described based on their nature and complexity, as well as on the knowledge requirements necessary for the performance of the functions. The remuneration is defined based on the position evaluations, performed in accordance with the Hay Methodology and the criteria for horizontal and vertical progressions.

The achievement of progressions is linked to the employees' performance. In the 2009-2010 performance management cycle, 2,209 employees were granted individual salary alterations, representing 25% of all the employees evaluated.

Since 2004, when the PCR was implemented, periodical revisions have been made with the goal of keeping it aligned with the corporate strategies. In addition, every two years, at most, a remuneration survey is conducted in order to ensure that employees' salaries are aligned with those in the market.

Cemig's own employees participate in a Profit Sharing program, which is linked to the achievement of established targets, as well as in other benefits, among which are: refund of expenses for employees and/or dependants with special physical and/or mental needs; daycare assistance; educational assistance; funeral assistance; group life insurance; meal/snack vouchers; transportation vouchers; payment of expenses related to healthcare treatments for employees that have retired as a result of an accident at work or industrial disease; two-week salary advance; advance payment of the Christmas bonus; advance vacations and vacation loans; special paternity leave (in cases of illnesses that incapacitate the mother); 6-month maternity leave; Private Pension Plan administered by Forluz – the Cemig Complementary Pension Foundation, and the healthcare plan administered by Cemig Health.

At Cemig there is no differentiation in remuneration based on gender at any hierarchical level.

LA14

The lowest salary at Cemig was 3.15 times the national minimum wage in force on December 31st, 2010.

EC5

There is a special system for contracted employees (who are not officially hired as part of Cemig's fulltime workforce), who receive a salary compatible with the function they perform in the Company, in accordance with the PCR, in addition to meal/snack vouchers and transportation vouchers.

## FORLUZ AND CEMIG HEALTH

LA3

EC3

In accordance with Brazilian legislation, the retirement and pension plans are managed by independent entities which administrate the guaranteed funds in a manner that is separate from the Company's resources. In this manner, Cemig sponsors the Fundação Forluminas de Seguridade Social – Forluz ("Forluminas Social Security Foundation" – Forluz), which is the 9th largest pension fund in Brazil. The Forluz pension plans are

maintained in equal proportions by contributions from Cemig and its subsidiaries and from its employees. The average monthly contribution by the company in 2010 was 8.17% over the salary payroll, which is equal to the employees' contributions. 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. This contribution represents 28.61% of the company's payroll.

In 2010, Cemig Health was created. It is a solely focused on the management of the Cemig Prosaúde Integrado (PSI) healthcare plan. The goal of this change is to achieve plan sustainability, guaranteeing its continuation with quality for all the participants and their families. The entire portfolio of employees and retirees that have participated in the healthcare and dental care plans offered by Cemig through Forluz are being transferred to the administration of Cemig Health. All the participants' rights, which are now part of the Cemig Prosaúde Integrado – PSI, have been maintained.

The PSI relies on a registered network spread throughout more than 240 municipalities in the State of Minas Gerais and in 2010 had assistance costs on the order of R$ 123 million.

The PSI currently has 65,745 beneficiaries in its portfolio, worth 9,183 active benefit policy holders (employees), 11,473 sponsored assisted benefit policy holders (retirees and pensioners), 44,746 dependants of policy holders and 343 self-sponsored beneficiaries.

## TRAINING AND DEVELOPMENT

EU14

Cemig has a directive that obligates it to ensure that its employees enjoy all the conditions necessary for them to perform their functions at the highest possible level. In addition to material resources, the company offers training through courses aligned with its strategic objectives on a permanent basis with the objective of ensuring that its labor is qualified and specialized. Within this context, a new approach to Training & Development is being developed, in which organization concept and learning practices are being adopted through the Corporate University.

### About UniverCemig

Created in December of 2008, UniverCemig has the main objective of aligning corporate knowledge and education management actions with the company's strategy, developing employees, suppliers, clients and the community, integrating people and efforts into the generation and sharing of knowledge, maintaining a constant focus on the achievement of sustainable results. To this end, UniverCemig offers educational programs in accordance with the map of competences produced for its publics and collaborators and stimulates informal learning in the workplace.

The programs are developed based on five thematic axes, spread through three schools.

**Culture And Sustainability School**

CEMIG ENERGY & CULTURE
(seeks to disseminate beliefs, values and business contexts, as well as strengthen attitudes and behavior that helps build a history of success for people and for Cemig)

SOCIAL ENERGY
(seeks to promote relationships and harmony with the external and internal public and strengthen the commitment to social responsibility and environmental preservation actions).

**Energy Technology School**

ENERGY & TECHNICAL EXCELLENCE
(seeks to develop the technical competences of employees of the Cemig conglomerate that work directly with the powered electric system and other energy systems)

**Business School**

ENERGY & STRATEGIC SUPPORT
(seeks to develop technical competences of employees of companies in the Cemig group that work in support areas)

ENERGY & LEADERSHIP
(seeks to develop the competences necessary to guarantee excellence among the Company's leaders, as well as the constant development of new leaders)

The UniverCemig campus is located in Sete Lagoas. In 2010, the Technical Energy School and the UniverCemig campus were certified in the Quality Management System under the NBR ISO 9001:2008 norm, in the Health and Safety Management System under the OHSAS 18001:2007 norm and in the Environmental Management System – SGA – Level 1.

Still in the structuring and development phase, UniverCemig has been gradually intensifying its actions. UniverCemig currently offers over 700 courses, which include administrative, corporate and, especially, technical training. About 250 training courses are concentrated in the Energy Technology School and are in frequent demand, often by service providers, with the courses on construction and maintenance of distribution lines and networks and occupational safety (NR10 and others) being especially noteworthy. The Energy Technology School is seen in Brazil and in Latin America as a benchmark in electric energy generation, transmission and distribution training.

In addition to courses that are held on campus and at a distance, electronic booklets are also produced to provide information and orientation to employees, suppliers and clients. They are made available online on the company's Intranet.

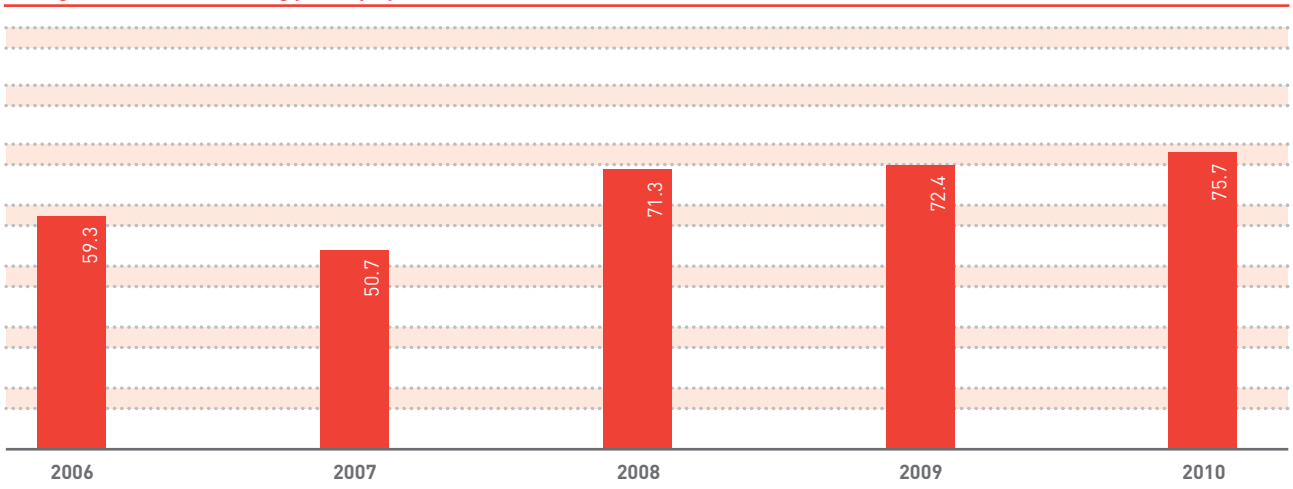
## Development of own Employees

LA10

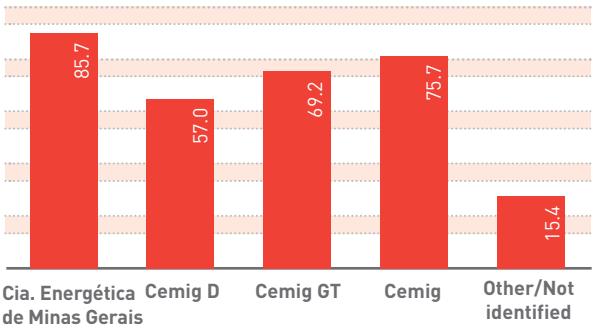
All employees follow a Training Plan associated with careers, strategic orientations and the Business Plan. The different areas conduct a Training Needs Assessment guided by careers and by the initiatives/expectations in the management office in relation to the employee's performance during the year.

In fulfillment of the Annual Training Plan for employees and the Individual Development Agreements, the latter entered into through the Performance Management process in 2010, there were over 41,700 participants in training programs, including technical training, corresponding to more than 670,000 hours of training (57.9% for Cemig Distribuição S.A., 18.8% for Cemig Geração e Transmissão S.A., 2.9% for the Companhia Energética de Minas Gerais and another 20.4% of the course load for which it was not possible to identify the company involved), totaling an average of 75.7 hours of training per employee, an increase of 4.5% in comparison with 2009. 66.5% of the time was dedicated to technical and administrative level employees (PTAO), 11.6% to university level employees (PNU) and 1.6% to managerial level employees (managers, supervisors and executive board members), in addition to the 20.4% for which it was not possible to identify which hierarchical level benefitted from the training.

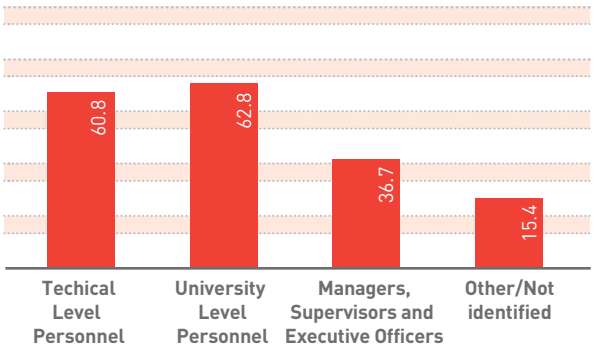
**Average nr. of hours of training per employee**



**Average nr. of hours of training per hierarchical level in 2010**




**Average nr. of hours of employee training per company in 2010**




### Cemig Leadership Development Program

Cemig has a continuous executive education program featuring Amana Key and programs formatted in partnership with the Dom Cabral Foundation: Cemig Leadership in Management – Celig, the Leadership Trails Program and the Successor Training Program. These programs have been running since 2005 with the objective of guaranteeing strategic competences in a sustainable manner.

In 2010, in a continuation of Celig, 44 new leaders were trained in People Management. Through the Successor Training Program, 33 employees selected in the first cycle of the Succession Management Program received Cemig – Vision 2020 training. 83 potential leadership successors, selected during the second cycle, participated in specific People Management classes.

In 2009, Cemig established partnerships with international schools with the objective of expanding its vision of leaders in terms of economic-financial sustainability, through practical managerial improvements and through training to allow for an expansion of the company's area of operations beyond the current geographical limits. Therefore, in 2010, 2 classes were formed with 81 students for the International Trails Program ministered by the Fundação Dom Cabral – FDC in conjunction with the French Business School for the World – INSEAD.

### Cemig Management of Supervisors Leadership Competences[16]

Cemig's Supervisors Competence Management Process is aimed at promoting the professional development of Supervisors and preparing their future successors, aligning them with the other Cemig leaders and with the Company's strategy.

In 2010, implementation of a development program based on the mapping of leadership competences conducted in 2008 for the target public was begun. 209 supervisors participated.

### Training of External Public

In addition to serving the internal public, UniverCemig ministered, in 2010, training programs for more than 50 strategic suppliers, industries and public utility companies from Brazil and other countries in Latin America, bringing tangible and intangible gains for Cemig.

## INTERNAL COMMUNICATION

Internal communication plays a fundamental role, as it is the means of informing employees and their families of the company's actions, strategy and directives. Through effective

*[16] Professional responsible for supervising a functional group of employees in technical and/or operational areas. Acts in a functional group not directly supervised by the Manager, when the Manager is out of the Management Office headquarters. Is tasked with monitoring employee attendance, scheduling of duties and services, approval of expenses incurred by the different teams, control of budget and goals*

communication actions, people management and alignment of human resource management with Strategic Planning, an effort is made to guarantee that all employees receive an appropriate level of information. Another point that deserves mentioning is the important role of technology, which guarantees communication to all Cemig's employees in a timely manner.

Below are some of the main communication channels the Company uses with its employees.

| Communication Channels | Application |
|---|---|
| Corporate Portal – CemigNet | The main dissemination channel utilized by the Company. It underwent a large-scale reformulation in 2010, becoming more attractive and interactive. It features the daily publication of decisions, actions, data and facts that are relevant to human resources and the Company as a whole. |
| Jornal Mural (Bulletin Board Newsletter) | Bi-weekly internal communication vehicle. Distributed only in the Metropolitan Belo Horizonte Region at 48 different points. For 2011, it is hoped that 10 more boards will be installed in strategic cities in the inner state. Its objective is the dissemination of general information on various themes and events related to the Company and to employees, which occur inside and outside of Cemig, with a simple approach and precise texts. |
| Energia da Gente Newsletter | Monthly periodical publication produced with a focus on employees and their families, which deals with information related to the company and employees in a humanized manner, with the goal of encouraging involvement and participation. |
| Corporate TV | Interactive communication vehicle, with short news stories of interest to employees. It is updated daily with company news. For 2011, 40 points are scheduled to be installed throughout the Metropolitan Region. |
| Outlook Messages | This is a direct and quick means of direct communication with employees through e-mail. Messages are directed in accordance with the target public. |
| On-Line Services | Channel through which employees request services, search for information, critique and contribute with ideas and suggestions on how to improve 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. |

## LABOR AND UNION RELATIONS

Global Compact Principles 1, 2 and 3

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

Cemig's management is constituted in a manner that allows it to deal with labor and union relations, which allows for a direct, responsible and permanent relationship with the union entities that represent its employees.

LA4

The collective bargaining agreements cover 100% of Cemig employees and are signed at least once a year with the unions that represent the categories involved. In addition, Cemig has signed 5 collective bargaining agreements with the Unions, dealing with specific issues: access by union leaders to Company facilities; holding of sector meetings at Company facilities; minimum salary for Engineers; Administration of the Healthcare Plan; and Profit Sharing – PLR.

In 2010 Cemig held 18 meetings with the Union Entities, with the goal of signing a Collective Bargaining Agreement, signing an additional term for the Specific Collective Bargaining Agreement for the Profit Sharing program for the 2010 fiscal year and the signing of a Specific Collective Bargaining Agreement for the Company Healthcare Plan since the administration of this plan has been transferred to a new Company in the Group. The issues involving union relations and the minimum salary for engineers were also discussed, making it possible to renew the existing Specific Agreements.

In the 2010 negotiations, Cemig assumed relevant commitments in the document titled "Extra-Agreement", constituting three Workgroups composed of representatives from the union entities and the Company. One workgroup had the theme "Occupational Health and Safety" and another had the theme "Outsourcing". The Occupational Health and Safety Workgroup had experimentally deliberative and consensual in character. The third workgroup will analyze issues related to the coordination of terms and other issues related to the Company's Careers and Remuneration Plan – PCR.

LA5

LA9

The current Collective Bargaining Agreement requires the nomination of a representative from the union entities on each one of the Company's 81 CIPAs (Internal Accident Prevention Commissions) and participation by the unions in the commission that investigates serious or fatal accidents involving Company employees. There is also a clause that deals with the utilization of Personal Protective Equipment (PPE) and Collective Protective Equipment (CPE) and Cemig's commitment to conduct safety campaigns. Lastly, the agreement states that in cases of centralization or automation in which jobs are made redundant, the Company will clearly announce this information to the employees involved and their representatives.

HR5

Cemig considers strike action to be legitimate. 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 accordance with Law 7.783/89. In this case, the Company activates an emergency operational group which allows for continuity in the rendering of services to the community. The Company has instituted an Emergency Operational Committee, which is responsible for the Company's emergency plan in the event of a strike. In 2010, the referred-to committee was activated and the Company's services were not compromised during an employee work stoppage.

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.

## EMPLOYEE HEALTH, SAFETY AND WELFARE EHS&W

EU16

Cemig seeks, continuously, to adequately protect its own employees, contracted workers, employees of contracted companies and the community directly or indirectly affected by its operational system. For this reason, principles have been established that constitute the Company's Health, Safety and Welfare Policy, which is aligned with Cemig's Declaration of Ethical Principles and Code of Professional Conduct.

Prevention is intrinsic to the Company's posture. The identification, assessment and control of risks to the health and safety of workers and the communities are integral parts of the activities undertaken in all work-related processes.

### EHS&W Management

LA6

Cemig obeys the determinations of OHSAS 18001:2007. All the substations and Transmission Lines over 230 kV, 89% of its installed generation capacity and 90% of the corporate area are certified in the norm and have an Occupational Health and Safety Management System.

It should be remembered that in the areas where there is no certification, the Management of Occupational Health and Safety is performed by the Occupational Safety area, which makes available the standardized corporate procedures that must be followed by 100% of the employees, whether they work in a certified area or not. Various EHS&W instructions and orientation are made available through the company's website.[17]

[17] *http://www2.cemig.com.br/univercemig/sesmt.html*

In addition, the Ministry of Labor and Jobs instituted Internal Accident Prevention Committees – CIPAs, which act as a forum for autonomous and independent discussion on the prevention of work-related accidents and illnesses. At the end of 2010, Cemig had 81 CIPAs.

Facilities with more than 20 employees must, by Law, institute CIPAs. Locations exempt from the requirement to constitute a CIPA must have one employee designated, preferentially by the CIPA in their own management office, ensuring that 100% of the Company's employees are represented on health and safety committees.

The procedures referred to in the norm (OHSAS 18001:2007) are periodically audited, whether during the audits of the management systems by members of the Specialized Safety Engineering and Occupational Medicine Services – SESMT, or by Cemig's Auditing Superintendence. The Company is also subject to external inspection by the Ministry of Labor and Employment.

In 2010, the following actions that complement Cemig's Health and Safety Management System were of special note:

**1.** Application in all management offices of the Employee Health, Safety and Welfare – EHS&W Technical Manual; Launch and initiation of the Monitoring and Audit System for Analysis of Practiced Safety – SIMASP, a program aimed at standardizing and unifying occupational safety inspections and providing the company with a corporate indicator for measuring the Practiced Safety Index – ISP. The SIMASP has 3 modules (one for the management of occupational safety inspections for own employees and those of contracted companies; another for training and the last for auditing). The SIMASP is integrated into the corporate systems and is aimed at the global management and registration in the computer

*CEMIG RUNNERS*

system of all corporate occupational safety issues at Cemig.

2. Improvements in the Workplace Accident and Risk Monitoring System – SMART, so that it can receive, in addition to reports of accidents involving own employees and those of companies contracted by Cemig, reports of potential accidents (near-misses) and traffic accidents involving contracted workers and accidents in general at other companies in the Cemig Group.
3. Promotion of the Specialized Safety Engineering and Occupational Medicine Service – SESMT portal on the Internet, aligned with the actions undertaken by UniverCemig to disseminate a culture of safety at Cemig among the internal and external public.

EU21

4. Maintenance of a general procedure, applicable to all areas with SGA and/or SGS certification, in which directives and requirements are established for the preparation and handling of environmental and occupational health and safety emergencies, including the running of simulations. Since 2009, the identification of Occupational Health and Safety risks has been obligatory. This involves the entire Company, the scheduling of simulations and consideration of the needs of the pertinent stakeholders, such as emergency services and neighboring areas. At the Company's facilities, in addition to the general procedure, specific procedures are followed, when applicable, which are developed in accordance with the existing particularities in each area. The simulations cover events such as fires, explosions, dam ruptures, flooding in galleries, drowning, shocks and other events.

## Health

LA8

To the Energia Vital, a quality of life program which is being gradually expanded, Two new sub-programs were added in 2010: Equilibrar (for stress management) and Prevenir (for chemical dependence management). The other sub-programs have been ongoing since 2007: Prolongar (physical activity), Repensar (obesity prevention), Procohar (hypertension control program) and Respirar (anti smoking).

| Program | Application |
|---|---|
| PROLONGAR – Physical Activity Program | This program provides incentives for the practice of aerobic physical activity for employees through the refund of part of the monthly fees for courses such as swimming, gymnastics and hydrogymnastics. It also provides incentives for employees to participate in street running competitions.<br>In 2010, the program began accepting employees with special needs, who participate in para-sports programs.<br>Among all employees enrolled, 66.3% have maintained their physical activity programs, which represents an 8% gain in comparison with last year. |
| 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 the expenses being paid for by the Company. In 2010, 1,469 employees were enrolled; of these, 21.31% managed to lose over 5% of their body weight. |
| PROCOHAR – Hypertension Control Program | This 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.<br>In 2010, 80.6% 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, which is less than 50%. |
| 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. |
| EQUILIBRAR – Stress Management Program | Management of the at-risk group.<br>Promotes alternative therapies paid for by employees, during work hours, encouraging social inclusion;<br>Promotes walking/running groups and deals with the theme through digital/electronic media. |
| PREVENIR – Chemical Dependence Management Program | Management of the at-risk group – volunteer.<br>Offers the support of medical/psychological/social services; full reimbursement of the cost of medication and psychotherapy, in addition to support from Cemig Saúde. |

The Energia Vital Program indices are guided by the SESMT action strategies for the lifestyles and habits of employees and their families, offering education, monitoring, support and safety actions with the objective of reducing the incidence of disease, controlling risk factors and altering the health profiles of employees.

## Welfare

In addition to the benefits related to the welfare of employees mentioned in the Remuneration and Benefits item, some other relevant actions and programs related to the theme are highlighted in the chart below:

| Programs | Goals | 2010 |
|---|---|---|
| Professional Re-adaptation Program | Aimed at redirecting employees that have had their work capacity reduced as a result of illness or accident, with a change in their functions. The program runs in an integrated manner by the medical, psychological, social and occupational safety areas and later homologated by the INSS (National Social Security Institute). | 42 ongoing cases and 13 concluded cases |
| Medical-Social Orientation Course for pregnant couples | The objective is to provide couples with greater safety during the pregnancy, the birth 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 are prejudicial to the employee's good performance | 02 courses; 49 employees and spouses |
| Personal and Family budget Planning Program | Conducted through lectures and one-on-one consultations, the Program raises employees' awareness of the importance of financial balance. The number of loans granted for healthcare, housing and other purposes reached 95, totaling R$ 326,743.62. | 13 lectures; 842 employees and family members |
| Retirement Preparation Seminar and Entrepreneurship Course | The entrepreneurship course was offered to employees that enrolled in the PDV (Voluntary Dismissal Program) and promotes entrepreneurship as a means of contributing towards a life project in retirement. The course is composed of 3 modules: 1st) Learn to be an Entrepreneur; 2nd) Business Plan; 3rd) Small Business Management. | 06 seminars attended by 221 employees and family members; 5 courses for 135 employees |
| Social interventions | Undertaken together with employees and third part workers and people who have retired due to disabilities resulting from occupational accidents or industrial disease with the goal of having the Company provide guidance and cover expenses related to healthcare. | 179 employees |
| Weekend and Holiday Availability | People on duty on weekends and holidays with the goal of providing social assistance to employees that are victims of serious accidents and relatives of employees that have suffered fatal accidents, whether work-related or not. | 56 people served |
| Social Inventory | This program consists of individual scheduled appointments for electricians with social workers with the goal of reducing the accident rates, absenteeism and occupational accident costs. The program has resulted in a social diagnostic that will subsidize corporate strategies for improvements in the quality of life at work. | 356 employees |

LA11

## Accidents

LA7

The workforce lost-time frequency rate and the seriousness rate in 2010 fell, respectively, by 31.31% and 17.18% in comparison with 2009. The fall in the own people seriousness rate was an impressive 85.18%. The own people frequency rate was stable in the 2006-2010 period, while compared with the same index for contracted workers there was a reduction of 75%. These figures mean that the accident frequency rate for both employees and contracted workers, which was 5.9 in 2006, decreased to 1.3 in 2010, representing an improvement in Cemig's occupational health and safety management.

Among the accidents that resulted in lost time, or that is, days lost and days debited, the most serious resulted from poor physical condition, incomplete preliminary risk analysis and traffic accidents.

The Energia Vital program has been totally reformulated with the goal of, over the next few years, having 50% of all employees participating in at least one of the sub-programs, with the objective of reducing absenteeism due to poor physical conditions and health problems.

During all safety training programs, Risk Analysis is emphasized with the goal of making laborious tasks safer.

A program called "Trânsito Amigo" (friendly traffic) was created in which employees were able to participate in a corporate opinion-gathering session and present their suggestions for improving traffic safety. The traffic area implemented an electronic vehicle management system with the goal of registering any infractions committed by drivers.

UniverCemig is formatting a new defensive driving course with carefully selected content. In addition to announcing all the incidents that occurred in 2010, Cemig began recording all the traffic accidents that occurs involving vehicles operated by contracted companies.

In 2010, there were no deaths among own people and there were seven deaths among contracted workers, among which six were caused by traffic accidents and one due to electric shock.

**Frequency Rate - Cemig**

| | US Criteria – 200,000[18] | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Own Employees | 0.37 | 0.48 | 0.43 | 0.51 | 0.41 |
| Contract Workers | 2.17 | 1.35 | 0.94 | 0.96 | 0.60 |
| Workforce | 1.30 | 0.92 | 0.72 | 0.79 | 0.54 |

**Seriousness Rate - Cemig**

| | US Criteria – 200,000[18] | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Own Employees | 136 | 132 | 70 | 81 | 12 |
| Contract Workers | 461 | 421 | 168 | 257 | 215 |
| Workforce | 305 | 278 | 125 | 192 | 159 |

EU25

Cemig records all accidents involving the population that are electricity or traffic-related (being hit by a vehicle, collisions involving vehicles in service for the Company).

Cases in which vehicles hit posts are not counted as accidents involving the population.

In 2010, there were 119 accidents involving the population, with 44 being electrical in nature, 27 related to traffic and 48 due to other factors. Out of the total number of accidents, 29 were fatal accidents, of which 16 were electrical in nature, 4 were traffic accidents and 9 were related to other factors.

These circumstances highlight the need for and the importance of Actions aimed at the Population in terms of the proper, responsible and safe use of energy.

PR1

In addition to maintaining emergency service plans that include the populations near its facilities, Cemig constantly seeks to eliminate situations that may come to pose a risk to the health and safety of the population. Among the most relevant risks are invasions of the right-of-way areas under transmission and distribution lines and illegal connections, which may result in serious accidents or even death.

Some right-of-way areas have been occupied by low income families. This population is exposed to the risks inherent to this type of installation. In the face of this reality, Cemig has a Transmission and Subtransmission Line Right-of-Way Human Occupation Assessment and Prevention Policy and conducts the Geomap project, the objective of which is the provide precise and detailed information through three-dimensional images obtained via aerial sweeps with a laser, which serves as a georeferrencing tool for all the company's facilities.

Geomap allows for the identification and classification of illegal occupation beneath transmission lines and distribution lines; a diagnostic of the risk of invasion, the registration of invasions; analysis and classification of the

*[18]Internationally, the International Labour Organization – ILO aims for 200,000 U.S. standard indicators of occupational health and safety. The 200,000 U.S. factor is derived from 50 weeks working 40 hours per 100 employees. Using this factor, the resulting rate is related to the number of employees and not the number of hours*

soil and identification of environmental risks. The mapping between 2009 and 2010 resulted in 61 transmission lines being geoprocessed in the Metropolitan Belo Horizonte Region, which represents 852 kilometers of lines.

The mapping and registration work and the efforts to raise families' awareness were undertaken together with municipal governments and the competent public authorities. In 2010, 6,101 activities directly related to the inspection of transmission and distribution right-of-way areas were undertaken throughout the State of Minas Gerais.

Cemig conducts educational campaigns aimed at the population in an effort to raise awareness among users and follows this up with the deactivation and removal of illegal connections. The Conviver project is focused on directly establishing legal connections in low income communities in order to reduce the number of illegal connections. With the updating of the profile for illegal occupation of areas that pose risks, the Company provides subsidies for the definition of actions that are to be taken to prevent new invasions and the deal with the invaded areas, illegal connections and theft of energy and also works to improve active citizenship in these communities.

*LECTURE ON PROPER USE OF ENERGY FOR STUDENTS*

# RECOGNITION



**Cemig: awards received**

| 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| 2006 Guia Exame – Você S/A– The 150 Best Companies to Work For H | Dow Jones Sustainability Index H | Good Corporate Citizen – Belmiro Siqueira Administration Award H | 3rd Brazilian Environment Award – Best Company H | 4th Brazilian Environment Award – Best Work with Flora and Fauna GT |
| Anefac-Fipecafi-Serasa Award / Transparency Trophy 2006 H | ISE (Corporate Sustainability Index) – BM&FBovespa H | Global Dow Index H | March 19th Award – Best Innovation in State and Municipal Regulation D | Abap Sustainability Award: Multipliers, Sustainable Marketing and Sustainable Brand H |
| Apimec Trophy – Open Company of the Year Award H | 2006 Iasc Award – ANEEL Consumer Satisfaction Index D | ANEEL Client Satisfaction Award – Iasc D | International Puente de Alcântara Award (Spain) – Irapé Plant GT | IR Magazine Awards Brazil 2010 – Best meeting with the community of analysts H |
| VII Minas Award – Common Market H | 2007 Brazil Protection Award H | Dow Jones Sustainability Index H | Most Outstanding Company – Agência Estado Award H | Among the 10 Best Companies in Organizational Human Development Indicator (IDHO) H |
| Most admired companies in Brazil 2006 – Carta Capital/TNS Interscience H | IR Magazine Awards Brazil H | ISE (Corporate Sustainability Index) – BM&FBovespa H | IR Magazine Awards Brazil 2009 – The Best Meeting Held with the Analysts' Community H | 12th Abrasca Award – Best Annual Report – Corporate Governance Honorable Mention H |
| 2006 Abrasca Award – Best Annual Report for Transparency of Information H | 150 Best Companies to Work For H | Honorable Mention in the Strategy Category at the 10th Abrasca Awards – Annual Report (2008 Edition) H | National Apimec Award – Open Capital Company H | National Quality Award – Finalist D |
| Aberje Minas 2006 Award – Recognition of the Best Corporate Communication initiatives in Minas Gerais H | Assis Chateaubriand Social Responsibility Award - H | Minas Gerais Environmental Management Award GT | Classified as "Prime" in sustainability by Oekom H | Anefac-Fipecafi-Serasa Award / Transparency Trophy H |
| USP Award – Irapé GT | Minas Gerais Aberje 2006 Award – Invasão MAB Case | Human Being Award – Internal Selection Process H | 10th time in the Dow Jones Index Global leader in sustainability utilities industry H | 11th time in the Dow Jones Index H |
| 2006 Furnas Blue Gold Award GT | Ponto Terra Environmental Award – Minas Gerais 2007 H | O Equilibrista (Equilibrium) Trophy – Executive Finance, Investor Relations and Equity Stake Control Officer H | Anefac-Fipecafi-Serasa Award / Transparency Trophy GT | ISE (Corporate Sustainability Index) – BM&FBovespa H |
| IR Magazine 2006 – Best Investor Relations Executive – Large Cap. Companies H | Anefac-Fipecafi-Serasa Award / Transparency Trophy H | Anefac-Fipecafi-Serasa Award / Transparency Trophy H | National Conservation and Rational Use of Energy Award – Irrigation in Jaíba D | ANEEL Perceived Quality Satisfaction Index – 2nd place among companies with over 400,000 clients in the Southeast – D |
| Expomoney 2006 – Respect for Individual Investor Award H | Institutional Investor Magazine H | | ISE (Corporate Sustainability Index) – BM&F Bovespa H | BM&FBOVESPA and BNDES Efficient Carbon Index H |
| | Qualitas Fiat Group Award D | | Abraconee Award – Best Balance Sheet in the electric sector H | Classified as Prime in sustainability by Oekom for the 2nd time. H |
| | | | Brazilian Environmental Benchmarking – AI6% and Asin H | |

*H - Companhia Energética de Minas Gerais (holding)*
*GT - Cemig GT;*
*D - Cemig D;*

# Consolidated Social Balance

| 1) Basis | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Value (Thousand R$) | | | Value (Thousand R$) | | |
| **Net Revenue (NR)** | **12,863,330** | | | **11,705,083** | | |
| **Operating Profit (OP)** | **3,646,795** | | | **3,083,430** | | |
| **Gross payroll (GP)** | **1,071,921** | | | **1,069,455** | | |
| **2) Internal Social Indicators** | **Value (thousand R$)** | **% over GP** | **% over NR** | **Value (thousand R$)** | **% over GP** | **% over NR** |
| Food | 78,643 | 7.34 | 0.61 | 74,055 | 6.92 | 0.63 |
| Compulsory social charges | 268,002 | 25 | 2.08 | 236,536 | 22.12 | 2.02 |
| Private pensions | 107,038 | 9.99 | 0.83 | 149,386 | 13.97 | 1.28 |
| Health | 43,002 | 4.01 | 0.33 | 35,173 | 3.29 | 0.3 |
| Safety and occupational health | 11,001 | 1.03 | 0.09 | 10,957 | 1.02 | 0.09 |
| Education | 1,256 | 0.12 | 0.01 | 202 | 0.02 | 0 |
| Culture | 24,987 | 2.33 | 0.19 | 926 | 0.09 | 0.01 |
| Training and professional development | 38,687 | 3.61 | 0.3 | 29,472 | 2.76 | 0.25 |
| Day care or day care assistance | 1,814 | 0.17 | 0.01 | 1,767 | 0.17 | 0.02 |
| Participation in profits | 325,085 | 30.33 | 2.53 | 238,554 | 22.31 | 2.04 |
| Other | 31,256 | 2.92 | 0.24 | 15,799 | 1.48 | 0.13 |
| Total - Internal Social Indicators | 930,771 | 86.83 | 7.24 | 792,827 | 74.13 | 6.77 |
| **3) External Social Indicators** | | **% over OP** | **% over NR** | | **% over OP** | **% over NR** |
| Education | 401 | 0.01 | 0 | 2,805 | 0.09 | 0.02 |
| Culture | 18,578 | 0.51 | 0.14 | 28,588 | 0.93 | 0.24 |
| Other Awards / Grants / Project ASIN / Sports | 58,460 | 1.6 | 0.45 | 13,972 | 0.46 | 0.12 |
| **Total Contributions to Society** | **77,440** | **2.12** | **0.6** | **45,365** | **1.48** | **0.38** |
| Taxes (excluding social charges) | 6,929,903 | 190.03 | 53.87 | 6,928,957 | 224.72 | 59.2 |
| Total - External Social Indicators | 7,084,782 | 194.27 | 55.08 | 6,974,322 | 226.19 | 59.58 |
| **4) Environmental Indicators** | | **% over OP** | **% over NR** | | **% over OP** | **% over NR** |
| Investiments related to Company's production/operation | 86,686 | 2.38 | 0.67 | 90,322 | 2.93 | 0.77 |
| Regarding the establishment of annual targets to minimize waste, the consumption during operations, and increase the efficient use of natural resources, the company: | ( ) has no goals<br>( ) accomplishes 51 - 75%<br>( ) accomplishes 0 - 50%<br>( ) accomplishes 76 - 100% | | | ( x ) has no goals<br>( ) accomplishes 51 - 75%<br>( ) accomplishes 0 - 50%<br>( ) accomplishes 76 - 100% | | |
| **5) Staff Indicators** | | | | | | |
| Number of employees at end of period | 8,859 | | | 9,746 | | |
| Nr. of admissions during the period | 6 | | | - | | |
| Number of employees third parties | NA | | | NA | | |
| Number of trainees | 455 | | | 419 | | |
| Number of employees over 45 years | 3,255 | | | 4,011 | | |
| Number of women working in the company | 1,149 | | | 1,325 | | |
| % Of management positions held by women | 14.28 | | | 12.55 | | |
| Number of Afro-Brazilians working in the company | 2,798 | | | 3,020 | | |
| % Of management positions held by Afro-Brazilians | 12.54 | | | 12 | | |
| Nr. of people with disability or special needs | 54 | | | 49 | | |

| 6) Information relating to corporate citizenship | 2010 | | | Goals 2011 | | |
|---|---|---|---|---|---|---|
| Ratio between highest and lowest salary | 18.12 | | | NA | | |
| Total number of accidents at work | 96 | | | NA | | |
| The social and environmental projects developed by the Company are defined by: | ( ) Board | ( x ) Board and managers | ( ) all employees | ( ) Board | ( x ) Board and managers | ( ) all employees |
| The standards of safety and cleanliness in the workplace were set by: | ( ) Board and managers | ( x )all employees | ( ) All + CIPA | ( ) Board and managers | ( x )all employees | ( ) All + CIPA |
| As for freedom of association, the right to collective bargaining and internal representation of the employees, the Company: | ( ) does not get involved | ( x ) follows IWO rulles | ( ) incentivates and follows IWO rulles | ( ) will not get involved | ( x ) will follow IWO rulles | ( )will give incentives and will follow IWO |
| The pension plan includes: | ( ) Board | ( ) Board and managers | ( x ) all employees | ( ) Board | ( ) Board and managers | ( x ) all employees |
| The participation in profits or results includes: | ( ) Board | ( ) Board and managers | ( x ) all employees | ( ) Board | ( ) Board and managers | ( x ) all employees |
| In selecting suppliers, the same ethical and social responsibility and environmental responsibility: | ( ) Are not considered | ( ) are suggested | ( x ) are recquired | ( ) Will not be considered | ( ) Will be suggested | Will be recquired |
| Regarding the participation of employees (as) in volunteer work, the Company: | ( ) does not get involved | ( ) supports | ( x ) organizes and incentivates | ( ) Will not get involved | ( ) will support | ( x ) will organize and give incentives |
| Total number of complaints and criticisms from consumers: | At Company NA | At Procon NA | At Justice NA | At Company NA | At Procon NA | At Justice NA |
| % of complaints and criticisms solved: | At Company NA | At Procon NA | At Justice NA | At Company NA | At Procon NA | At Justice NA |
| Total added value to be distributed (thousand R$) | In 2010: 12,562,498 | | | - | | |
| Distribution of Economic Value Added (EVA) | 56.31% government 11.93% employees 8.99% shareholders 13.78% third parties 8.99% retained | | | 60.65% government 13.00% employees 7.97% shareholders 9.78% thrid parties 8.60% retained | | |

**7) Other information**

I. Out of the total investments in environment, in 2010, about R$ 25.43 million relate to social and 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 for handling, transport, storage and disposal. These procedures are developing for the determination of annual targets for waste reduction.

III. Noteworthy is the recycling of fluorescent lamps and public lighting throughout the concession area of the Company, totaling in 2010, 595 thousand lamps. Moreover, regenerated and reused, also in 2010, approximately 105,000 liters of mineral insulating oil of transformers were taken out of operation.

III. Quantifying the consumption of electricity and fuel is held annually and have no reduction targets.
IV. Were sold or recycled 2,900 t of material and equipment. Among the materials are insulators, porcelain, metal scrap meters, reactors, cables, wires and batteries.

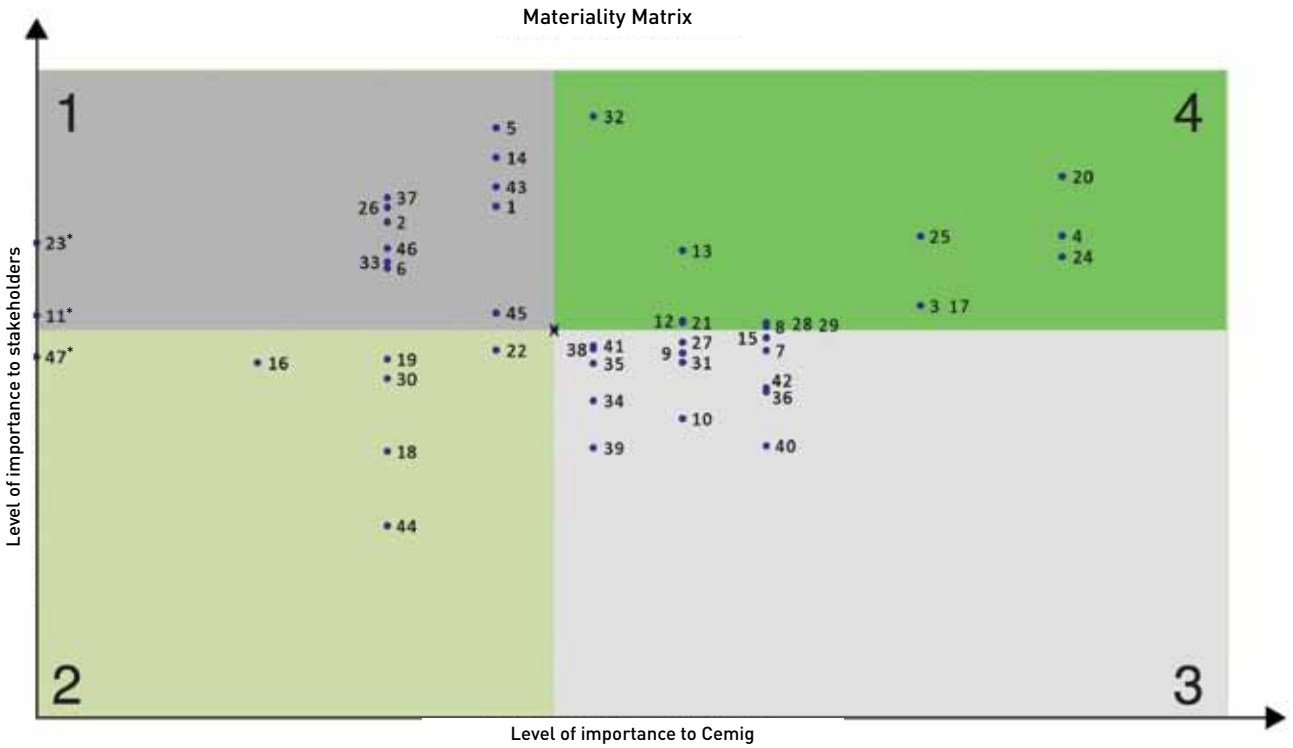
*Recorded under "Investment in production / operations."

# Relevance test

With the objective of determining the relevance of the subjects and assisting in the selection of the content, Cemig has, for the first time, conducted a Relevance Test for its Sustainability Report. Through this test, Cemig employees, suppliers and the community (academic representatives, non-governmental representatives and other entities involved in this theme), industrial clients, consumers, shareholders and investors evaluated the 2009 report. In order to ensure that each public's opinion was duly considered and their demands and expectations included in the evaluation, a meeting was held with each group on a specific day, resulting in six workshops. This work was undertaken between November16th and 25th, 2010.

The results of these consultations were compared with Cemig's evaluation and it was thus possible to construct a matrix that reflected the relevance of the themes for the two parties. The "Relevance Matrix" is, therefore, a graphic representation of the themes considered priorities and the manner in which they are positioned in the matrix reveals the importance attributed to them. This perception led to the construction of four quadrants, the significance of which is presented in the table below:

| Quadrant | Description |
|---|---|
| 4 | Relevant and prioritized themes in the report |
| 3 | Relevant themes for the company and that may be reported |
| 2 | Themes of little relevance and that shall be dealt with in accordance with specific demands |
| 1 | Relevant themes for stakeholders and that may be reported |




*The themes 23, 11 and 47 came up during the workshops and were evaluated only by stakeholders.

Cemig dedicates the implementation of this report's Relevante Test to the memory of the colleague Humberto Barbosa de las Casas.

| | Themes |
|---|---|
| 3 | Codes of Conduct |
| 4 | Mission, Vision and Values |
| 8 | Formation of Boards (Board of Directors, Audit board) |
| 12 | Operational costs |
| 13 | Supply tariffs and use of the distribution system |
| 17 | Strategies |
| 20 | Long Term Strategic Plan |
| 21 | Identification / management of risks and opportunities |
| 24 | Environmental Policy / Environmental Management System |
| 25 | Environmental Investments |
| 28 | Compliance with environmental laws |
| 29 | Environmental impact compensation and mitigation measures |
| 32 | Development of new sources |
| 7 | Shareholding |
| 9 | Independent auditing |
| 10 | Sarbanes-Oxley Act and PCAOB norms |
| 15 | Financial results |
| 27 | Biodiversity |
| 31 | Destination / Treatment of solid waste |
| 34 | Quality of work environment |
| 35 | Promotion policy / employee value recognition |
| 36 | Career plan |
| 38 | Employee training policy |
| 39 | Benefits provided to employees (healthcare plan, insurance, etc) |
| 40 | Impact of work on employee health (injury rate, leaves of absence, deaths) |
| 41 | Supplier qualification / contracting policy |
| 42 | Occupational safety practices |
| 1 | Image and reputation |
| 2 | Markets and clients |
| 5 | Communication and Dialogue Channels |
| 6 | Crisis management |
| 11 | Greater transparency regarding the criteria for the formation of the Board of Directors |
| 14 | Investments in infrastructure |
| 23 | Tariff formation and comparison |
| 26 | Efficient consumption of water and energy |
| 33 | Environmental Education |
| 37 | Company / community integration policies |
| 43 | Measurement of client satisfaction |
| 45 | Client and consumer relationship channels |
| 46 | Community relationship actions |
| 16 | Performance indicators |
| 18 | Description of market |
| 19 | Client management |
| 22 | Debt management |
| 30 | Emission of polluting gases and/or substances |
| 44 | Union relations |
| 47 | Labor outsourcing policy, including accidents involving third party labor |

In addition to the relevant themes, other specific demands from each public consulted were also calculated. Shown below are some of examples of these and how they are dealt with in the report:

| Dimension | Demand | Service |
|---|---|---|
| Corporate Governance | "Provide better explanations about the Sarbanes-Oxley Act" | Item: Internal Controls and Sarbanes-Oxley Act |
| Economic | "Explain the tariff composition more clearly" | Item: Tariffs |
| Environmental | "Provide greater detail and depth regarding the development of new energy sources" | Item: Alternative Energy Sources |
| Social | "Explain what the company / community integration policy entails and the resulting relationship actions" | Item: Society |

# Indexes of GRI indicators and Global Compact Principles

3.12

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| **1** | **Strategy and Analysis** | | |
| 1.1 | Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy | 10 | |
| 1.2 | Description of key impacts, risks, and opportunities | 21 | |
| **2** | **Organizational Profile** | | |
| 2.1 | Name of the organization | 16 | |
| 2.2 | Primary brands, products, and/or services | 16 | |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures | 16 | |
| 2.4 | Location of organization's headquarters | 16 | |
| 2.5 | Number of countries where the organization operates | 16 | |
| 2.6 | Nature of ownership and legal form | 16 | |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | 16 | |
| 2.8 | Scale of the reporting organization | back cover, 3, 16, 38 | |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | 6, 16 | |
| 2.10 | Awards received in the reporting period | 133 | |
| EU1 | Installed capacity, broken down by primary energy source and by regulatory regime | 89 | |
| EU2 | Net energy output broken down by primary energy source and by regulatory regime | 89 | |
| EU3 | Number of residential, industrial, institutional and commercial customer accounts | 57 | |
| EU4 | Length of above and underground transmission and distribution lines by regulatory regime | back cover | |
| EU5 | Allocation of $CO_2e$ emissions allowances or equivalent, broken down by carbon trading framework | | Cemig hasn´t already trade credits, because its current projects did not reach the phase where the reduction emission certificates are obtained at UNFCCC |
| **3** | **Report Parameters** | | |
| | Report Profile | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided | 6 | |
| 3.2 | Date of most recent previous report (if any) | 6 | |
| 3.3 | Reporting cycle (annual, biennial, etc.) | 6 | |
| 3.4 | Contact point for questions regarding the report or its contents | 6 | |
| | Report Scope and Boundary | | |
| 3.5 | Process for defining report content | 6, 7 | |
| 3.6 | Boundary of the report | 6 | |
| 3.7 | State any specific limitations on the scope or boundary of the report | 6 | |

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Report Scope and Boundary | | |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations | 6 | |
| 3.9 | Data measurement techniques and the bases of calculations | 6 | No decisions that do not apply GRI protocols or that diverge from them were reported |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | back cover, 6 | |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | back cover, 6 | |
| | GRI Content Index | | |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | 138 | |
| | Assurance | | |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | 6 | |
| **4** | **Governance, Commitments, and Engagement** | | |
| | Governance | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight | 37 | |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | 12 | Does not apply to Cemig's Corporate Governance model |
| 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 | 39 | Does not apply to Cemig's Corporate Governance model |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | 39 | |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance) | 39 | |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided | 39 | |
| 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 | 39 | |
| 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 | 26, 38 | |
| 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 | 38, 39, 42 | |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance | 39 | There are no such processes in Cemig |
| | Commitments to External Initiatives | | |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | 50 | |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | 37 | |
| 4.13 | Memberships in associations (such as industry associations) and/or national/ international advocacy organizations | 102 | |

# Indexes of GRI indicators and Global Compact Principles

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Stakeholder Engagement | | |
| 4.14 | List of stakeholder groups engaged by the organization | 7, 44 | |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | 44 | |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 44 | |
| 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 | 44 | |
| **5** | **Management Approach and Performance Indicators** | | |
| | Economic Performance | | |
| | Economic reports relating to the specific form of management of the Power Sector | | |
| | Availability and reliability | | |
| EU6 | Management approach to ensure short and long-term electricity availability and reliability | 28, 29, 59 | |
| | Aspect: Demand-Side Management | | |
| EU7 | Demand-side management programs including residential, commercial, institutional and industrial programs | 54 | |
| | Aspect: Research and Development | | |
| EU8 | Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development | 28 | |
| | Aspect: Plant Decommissioning | | |
| EU9 | Provisions for decommissioning of nuclear power sites | - | Do no apply. Cemig does not operate or have nuclear power plants |
| | Economic Performance Indicators | | |
| | Aspect: Economic Performance | | |
| EC1 | Direct economic value generated and distributed | 73 | |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | 22 | |
| EC3 | Coverage of the organization's defined benefit plan obligations | 122 | |
| EC4 | Significant financial assistance received from government | 32 | |
| | Aspect: Market Presence | | |
| EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation | 122 | |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | 114 | |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | 114 | |
| | 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 | 29 | |
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts | 32 | |

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Electric Utility Sector – Specific Economic Performance Indicators | | |
| | Aspect: Availability and Reliability | | |
| EU10 | Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime | 89 | |
| | Aspect: System Efficiency | | |
| EU11 | Average generation efficiency of thermal plants by energy source and by regulatory regime | 88 | |
| EU12 | Transmission and distribution losses as a percentage of total energy | 57 | |
| | Environmental Performance | | |
| | Environmental Performance Indicators | | |
| | Aspect: Materials | | |
| EN1 | Materials used by weight or volume<br><br>Comments on the indicator: Report in-use inventory of solid and liquid high level and low level PCBs contained in equipment | 86 | |
| EN2 | Percentage of materials used that are recycled input materials | 86 | |
| | Aspect: Energy | | |
| EN3 | Direct energy consumption by primary energy source | 88 | |
| EN4 | Indirect energy consumption by primary source | 88 | |
| EN5 | Energy saved due to conservation and efficiency improvements | 88, 96 | |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | 96 | |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | 88 | |
| | Aspect: Water | | |
| EN8 | Total water withdrawal by source<br><br>Comments on the indicator: Report overall water usage for processing, cooling and consumption in thermal and nuclear power plants, including use of water in ash handling | 87 | |
| | Aspect: Water | | |
| EN9 | Water sources significantly affected by withdrawal of water | 87 | |
| EN10 | Percentage and total volume of water recycled and reused | - | The amount of recicled or reused water by Cemig is insignificant |
| | 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 | 88, 92 | |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas<br><br>Comments on the indicator:<br>Include maintenance of transmission line corridors; fragmentation and isolation (islandization); and impacts of thermal discharge | 91, 93 | |

# Indexes of GRI indicators and Global Compact Principles

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Aspect: Biodiversity | | |
| EU13 | Biodiversity of offset habitats compared to the biodiversity of the affected areas | 93 | |
| EN13 | Habitats protected or restored | 92, 93 | |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity<br><br>Comments on the indicator: Report the impacts (including fragmentation and isolation), develop mitigation measures and monitor the residual effects of new units and existing units with respect to the following: areas with forest, landscape, ecosystems and freshwater wetland. The assessment and mitigation plans must consider the conservation of native species, changes in migration, or create habitat for animals (like fish transposition) caused by the infrastructure of the organization (such as power lines and dams) | 91, 93, 95 | |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | 92 | |
| | Aspect: Emissions, Effluents, and Waste | | |
| EN16 | Total direct and indirect greenhouse gas emissions by weight<br><br>Comments on the indicator: Report emissions of $CO_2$ per MW/h broken down by country or regulatory system, to:<br>- the net generation from the total generation capacity<br>- the net generation from all fossil fuel generation<br>- estimated liquid delivery to end users<br>Include emissions from its own generation, as well as gross energy purchased, including line losses | 89 | |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | 89 | |
| EN18 | Initiatives to reduce greenhouse gas emission sand reductions achieved | 85, 88, 89, 95, 96 | |
| EN19 | Emissions of ozone-depleting substances by weight | 89 | |
| EN20 | NO, SO, and other significant air emissions by type and weight<br><br>Comments on the indicator: Report emissions per MWh net generation | 20 | |
| EN21 | Total water discharge by quality and destination<br><br>Comments on the indicator: Include thermal discharges | 87 | |
| EN22 | Total weight of waste by type and disposal method<br><br>Comments on the indicator: Include PCB waste<br>Report on nuclear waste using IAEA definitions and protocols<br>Report mass and activity of spent nuclear fuel sent for processing and reprocessing per year. In addition, report radioactive waste produced per net MWh nuclear generation per year. Report (in terms of mass and activity) low/intermediate level waste and high level waste separately, based on IAEA radioactive waste classification. This should also include waste produced from reprocessing activities, where data is available | 86 | |
| EN23 | Total number and volume of significant spills | - | There were no significant spills at Cemig, in 2010 |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | 86 | Cemig does not make international waste transportation |

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Aspect: Emissions, Effluents, and Waste | | |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | 82 | |
| | Aspect: Products and Services | | |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | 86, 87, 88, 89, 92, 96 | |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | - | Does not apply |
| | Aspect: Compliance | | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations | - | Cemig did not receive any fine or environmental sanctions in 2010 |
| | 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 | 89 | |
| | Aspect: Overall | | |
| EN30 | Total environmental protection expenditures and investments by type | 81 | |
| | Social Performance Indicators | | |
| | Labor Practices and Decent Work Performance Indicators | | |
| | Aspect: Employment | | |
| EU14 | Programs and processes to ensure the availability of a skilled workforce | 123 | |
| EU15 | Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region | 119 | |
| EU16 | Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors | 115, 127 | |
| LA1 | Total workforce by employment type, employment contract, and region<br><br>Comments on the indicator: Report on total contractor workforce (contractor, subcontractor, independent contractor) by employment type, employment contract and region | 118 | |
| LA2 | Total number and rate of employee turnover by age group, gender, and region<br><br>Comments on the indicator: For the employees leaving employment during the reporting period, provide the average length of tenure of employees leaving broken down by gender and age group | 119 | |
| EU17 | Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities | - | Not available |
| EU18 | Percentage of contractor and subcontractor employees that have undergone relevant health and safety training | 116 | |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations | 122 | |

# Indexes of GRI indicators and Global Compact Principles

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Aspect: Labor/Management Relations | | |
| LA4 | Percentage of employees covered by collective bargaining agreements<br><br>Comments on the indicator: Report on percentage of contractor employees (contractor, subcontractor and independent contractor) working for the reporting organization covered by collective bargaining agreements by country or regulatory regime | 126 | |
| LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | 127 | |
| | 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 | 127 | |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region<br><br>Comments on the indicator: Report on health and safety performance of contractors and subcontractors working onsite or on behalf of the reporting organization off site | 130 | |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 129 | |
| LA9 | Health and safety topics covered in formal agreements with trade unions | 127 | |
| | Aspect: Training and Education | | |
| LA10 | Average hours of training per year per employee by employee category | 124 | |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 119, 130 | |
| LA12 | Percentage of employees receiving regular performance and career development review | 121 | |
| | 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 | 120 | |
| LA14 | Ratio of basic salary of men to women by employee category | 122 | |
| | Human Rights Performance Indicators | | |
| | Aspect: Investment and Procurement Practices | | |
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening | - | There were no significant investments in 2010 |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken | 115 | |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | - | There was no trainning on the subject in 2010 |

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Aspect: Non-discrimination | | |
| HR4 | Total number of incidents of discrimination and actions taken | 120, 121 | |
| | Aspect: Freedom of Ass ociation and Collective Bargaining Core | | |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights<br><br>Comments on the indicator: Report on management mechanisms to address the right to organize, right to bargain and right to strike or instances of lock out given the context of the industry's need to ensure continuous provision of essential services. Where the right to strike does not exist or is limited, report on remedial measures such as binding arbitration. Where freedom of association or expression are limited or prevented by regulatory regime, report on mechanisms and processes that exist for getting employee input on conditions of employment | 127 | |
| | 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 | 115 | |
| | 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 | 115 | |
| | Aspect: Security Practices | | |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations | 117 | |
| | Aspect: Indigenous Rights | | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | - | Cemig has no administrative lawsuit on the subject |
| | Society Performance Indicators | | |
| | Aspect: Community | | |
| EU19 | Stakeholder participation in the decision making process related to energy planning and infrastructure development | 7 | |
| EU20 | Approach to managing the impacts of displacement | 102 | |
| | Aspect: Disaster/Emergency Planning and Response | | |
| EU21 | Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans | 129 | |
| | Aspect: Community | | |
| SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting<br><br>Comments on the indicator: Include discussions of programs related to:<br>• Ways in which information is exchanged and local population is involved, prior, during and after the event and the provision for intervener funding for the local population; • Influx of workers and impacts on neighboring communities (including changes to local social structures and culture);<br>• Changes to land-use including loss of global commons (e.g. access to land, natural resources, and heritage); • Impacts on infrastructure (e.g. roads, housing), and access to services (e.g. education, utilities, healthcare); and<br>• Changes to the aesthetics and quality of the landscape | 102, 109 | |

# **Indexes** of GRI indicators and Global Compact Principles

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Aspect: Community | | |
| EU22 | Number of people physically or economically displaced and compensation, broken down by type of project | 103 | |
| | Aspect: Corruption | | |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption | 46 | |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures | - | There was no trainning on the subject |
| SO4 | Actions taken in response to incidents of corruption | 47 | |
| | Aspect: Public Policy | | |
| SO5 | Public policy positions and participation in public policy development and lobbying | 107 | |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | 46 | |
| | Aspect: Anti-Competitive Behavior | | |
| SO7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes | 46 | |
| | Aspect: Compliance | | |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations | 61 | |
| | Product Responsibility Performance Indicators | | |
| | Aspect: Access | | |
| EU23 | Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services | 109 | |
| | 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 | 110 | |
| | 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<br><br>Comments on the indicator: For electric utilities the following categories should also be assessed: • Resource planning • Generation • Transmission • Distribution • Use State the processes for assessing community health risks including monitoring, prevention measures and, if applicable, long term health-related studies<br><br>Identify community health risks that are assessed such as:<br>• Compliance with exposure limit(s) to electric fields (in kV per m) and magnetic fields (in µT) where available, for members of the public and employees in the areas in which the reporting organization operates | 131 | |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | - | There was no case concerning non-compliance on the subject in the period |
| EU25 | Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases | 131 | |

| Information / Reports / GRI Indicators | | Pages | Observations |
|---|---|---|---|
| | Aspect: Labelling of Products and Services | | |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements | - | There is no labeling on energy services |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | - | There is no labeling on energy services |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | 111 | |
| | Aspect: Marketing Communication | | |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | 45 | |
| 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 | 46 | |
| | Aspect : Customer Privacy | | |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | 112 | |
| | Aspect: Compliance | | |
| PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services | - | No significant fine related to the theme occurred during the period |
| | Aspect: Compliance | | |
| EU26 | Percentage of population unserved in licensed distribution or service areas | 109 | |
| EU27 | Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime | 109 | |
| EU28 | Power outage frequency | 59 | |
| EU29 | Average power outage duration | 59 | |
| EU30 | Average plant availability factor by energy source and by regulatory regime | 89 | |

| Global Compact | | Pages |
|---|---|---|
| | Human Rights | |
| | Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights | 102, 126 |
| | Principle 2: Make sure that they are not complicit in human rights abuses | 102, 126 |
| | Labor | |
| | Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | 126 |
| | Principle 4: The elimination of all forms of forced and compulsory labour | 115 |
| | Principle 5: The effective abolition of child labour; and | 115 |
| | Principle 6: The elimination of discrimination in respect of employment and occupation | 115, 120 |
| | Environment | |
| | Principle 7: Businesses should support a precautionay approach to environmental challenges | 84, 85, 91, 95 |
| | Principle 8: Undertake initiatives to promote greater environmental responsibility; and | 78, 82, 84, 86, 87, 91, 95 |
| | Principle 9: Encourage the development and diffusion of environmentally friendly technologies | 28 |
| | Anti-Corruption | |
| | Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery | 38 |

# Auditor's Opinion

**BUREAU VERITAS' INDEPENDENT ASSURANCE STATEMENT**

**INTRODUCTION**

Bureau Veritas Certification Brasil (Bureau Veritas) has been engaged by Companhia Energética de Minas Gerais S.A (Cemig) to conduct independent assurance of its 2010 Annual and Sustainability Report (the Report), covering evaluation of the report content, quality and the reporting boundary. The information and its presentation in the Report are the sole responsibility of the management of Cemig. Bureau Veritas' sole responsibility was to provide independent assurance according to the scope defined below.

**SCOPE OF WORK**

The assurance process was conducted to meet the requirements of a Type 2 assurance engagement as defined by AA1000 2008 Assurance Standard (AA1000 AS).[1]

Bureau Veritas assurance scope included the following:

- Data and information included in the Report covering the calendar year of 2010;
- Evaluation of the Report against the AA1000 Principles of:

- Inclusivity
- Materiality
- Responsiveness

- Evaluation of the Report against the principles: Materiality, Stakeholder Inclusiveness, Sustainability Context, Completeness, Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability, as defined is the Sustainability Reporting Guideline – Global Reporting Initiativetm GRI-G3 (2006);
- Appropriateness and robustness of underlying reporting systems and processes used to collect, review and compile the information reported.

Excluded from the scope of our work is assurance of any information relating to:

- Activities outside the defined assurance period (see scope of work above);
- Company position statements (expressions of opinion, belief, aim or future intention by Cemig); and
- Economic-financial information contained in the Report, itself extracted from validated financial statements that are subject to external audit conducted by an independent financial auditor.

**METHODOLOGY**

Our work was conducted using Bureau Veritas' standard internal protocol for the Independent Assurance of Sustainability Reports, based on current best practice[2] and including the following activities:

1. Interviews with relevant personnel (text owners) responsible for the Report data and information;
2. Review of documentary evidence produced by Cemig for the 2010 reporting period;
3. Evaluation of information and performance data against the principles that ensure Report Quality, as defined by GRI G3;
4. Site visits as follows: Powerplant and Environmental Station of Volta Grande;

*[1] Publicado por AccountAbility: The Institute of Social and Ethical Accountability http://www.accountability.org.uk.*
*[2] Bureau Veritas' independent assurance protocol, as deployed for this assignment, is based on the International Standard on Assurance Engagements (ISAE) 3000, AA1000 2008 Assurance Standard and the GRI G3 Sustainability Reporting Guidelines*

5. Small Hydro Power Plant and Envrironmental Station of Peti; Company Eficientia; Power Substataion of Papagaios and Pará de Minas 1; Base da Gerência de Serviços de Distribuição (Distribution Service Management) – Divinópolis and Pará de Minas; Centro de Distribuição de Materiais (Material Distribution Center) Jatobá; Power substation and Environmental Station of Taquaril (Transmission); Headoffice – Belo Horizonte (MG);
6. Evaluation of the methodology used to determine Material issues for inclusion in the Report, and consideration of the sustainability context and completeness of such reported information.

The assurance process was designed to provide a moderate level of assurance concerning the nature and extent of Cemig's adherence to the AA1000 AS accountability principles and a moderate level of assurance of the reliability of specified performance information within the report, providing a reasonable basis for our conclusions.

**OUR FINDINGS AND OPINION**

- According to our scope, the information and data submitted in the Report were deemed precise, free from substantial errors or false statements, and accessible to and understandable by identified stakeholders.
- The internal mechanisms for collection, analysis and compilation of information as well as processes for controlling of the relevant documents and their traceability, is deemed to be reliable;
- During field visits our team verified the use of standardized management practices, with observance of management systems designed in line with international standards ISO 9.001, ISO 14.001 and OHSAS 18.001. It was also verified that there is a proper organization of records and documents, which permitted us access to the source of information published in the Report;
- Cemig published all core indicators of the Guideline GRI-G3 and the sector supplement – Sustainability Reporting Guidelines & Electric Utility Sector Supplement, Version 3.0/EUSS Final Version, as well as some additional indicators of the GRI-G3;
- The Report presented a robust methodology for definition of the material sustainability themes to be addressed. The synthesis of such analysis was included in the Report as a Relevance Test. There was organization of workshops with Stakeholders that were mapped by Cemig; the results of which were used to give priority to each theme, taking into account the level of materiality to Cemig and to Stakeholders.
- In the demonstration of the material themes, Cemig also links material in the report to the Global Compact indicators, demonstrating alignment with internationally agreed values and policies;
- In adhering to the Principle of Stakeholders Inclusiveness Cemig used an official mapping of interested parties, established by the Business Communication department;
- Cemig planned the relevant phases of Report preparation according to a previously defined time schedule. The phase for verification of the Report was contemplated in such time schedule so that our team could verify the Report in an timely manner;

# Auditor's Opinion

- The Report reflects positive and negative aspects of the organization in an balanced manner, being impartial and objective concerning the presented information;
- All pending issues highlighted by our team were properly solved by Cemig during the process for Report Analysis;
- Based on our work, it is our opinion that the report has been prepared in accordance with the GRI Reporting Framework including appropriate consideration of the Reporting Principles and necessary indicators to meet the requirements of GRI Application Level A+.

**OPPORTUNITIES FOR IMPROVEMENT**

- Strengthen training of the persons in charge of the Report's content. Full understanding of the GRI Principles will enable a more structured approach during preparation of the Report, as report content may increase over time;
- Consider carrying out workshops with Local Governments when applying the new Materiality Test for future reporting. CEMIG is present in all municipalities of the State of Minas Gerais and there is a strong interaction with local administrations;
- Search for a higher standardization of water consumption measurement methods to ensure increased reliability of data;
- Improve data capture methods for internal sustainability initiatives. Site visits by Bureau Veritas found several examples of actions, aligned with material themes, which were not considered for publication.

**STATEMENT OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE**

Bureau Veritas is an independent professional services company specialised in Quality, Health, Safety, Social and Environmental management with more than 180 years history in providing independent assurance services.

No member of the assurance team has a business relationship with Cemig, its Directors or Managers beyond that required of this assignment. We have conducted this assurance independently, and it is our opinion that there has been no conflict of interest.

Bureau Veritas has implemented a Code of Ethics across its business to maintain high ethical standards among staff in their day to day business activities.

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