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## SOCIAL AND ENVIRONMENTAL NEGOTIATIONS AT CEMIG

**Replaces IS-48,  
of 08/14/2012**

### 1. PURPOSE

1.1 Establish the procedures to be adopted by the bodies of Companhia Energética de Minas Gerais – CEMIG, in processes involving negotiations with interested parties (communities, Third Sector Organizations, public agencies and others) on issues related to the environment and the resettlement or relocation of populations, for the implementation of new ventures or operation of existing ventures, in those processes where it is necessary to adopt this procedure.

### 2. CONCEPTUALIZATION

2.1 **Enterprises:** They are establishments that use environmental resources, are considered effectively or potentially polluting or capable of causing environmental degradation, and depend on environmental licensing for their installation and operation.

2. **Negotiation** is a process that occurs in a given environment between two or more parties that approach a given situation (problem or opportunity) from common or antagonistic interests. For this purpose, according to the rules of the game (cooperative, integrative, competitive, distributive, clear or hidden), the parties use means of communication through which they manifest behaviors of influence to confront and discuss detailed proposals, intending to reach an agreement.”

2.3 **Social and Environmental Negotiation:** for the purposes of this Instruction, "social and environmental negotiation" means the process related to any project, implementation or operation that CEMIG's agencies develop, involving related audiences when there is a need for adjustments of interests on both sides, aiming at the establishment of an agreement (acceptable solutions for all parties), in the aspects in which a negotiation is necessary.

2.4 **Communication under negotiation:** the set of information presented translates into the main objective of reaching a joint decision to satisfy stakeholders in a negotiation process.

2.5 **Socioeconomic diagnosis:** it is the survey carried out in the region where the enterprise will be developed or installed, covering the municipalities and surrounding areas. It must include the variables (social, cultural, economic and other) significant and specific to the region and its routine to subsidize contacts and evaluations within the negotiation process, presenting an updated scenario of the local reality.

**Note:** When the socioeconomic diagnosis is performed and is linked to the environmental licensing process, it must be followed by the content of the Term of Reference, approved by the respective environmental agency.

**6 Stakeholders:** represent the groups with any type of interest (positive, negative, claim) in the enterprise or installation and may be represented by Federative Entities, communities, Public Agencies, Third Sector Organizations, merchants, landowners, residents, social movements and others.

**2.7 High-Priority Stakeholders:** they are the main opinion-forming agents that can radiate a favorable or contrary position to the enterprise with the other stakeholders.

**2.8 Term of Agreement or Term of Commitment:** it is the term signed between the parties interested in the enterprise, which details the rules of conduct and each party's obligations and limits. An agreement is the result of a negotiation or a debate. The parties involved set out their arguments during the negotiations and seek a common position; upon finding it, they reach an agreement. The Term of Agreement is the legal instrument where these accepted conditions are made explicit and recorded.

**2.9 Conduct Adjustment Term (TAC, *Termo de Ajustamento de Conduta*):** it is a legal instrument intended to collect, from the cause of harm to the consumer, collectively considered, an extrajudicial enforceable title of obligation to do, not do or indemnify, through which the pledgor assumes the duty (or obligation) to adapt its conduct to legal requirements, under penalty of sanctions fixed in the Conduct Adjustment Term.

The TAC is an exceptional means of transaction, only applicable in cases expressly authorized by law, to allow the potential aggressor to meet and adapt to the protected interest.

**2.10 Term of Reference - TR:** it aims to determine the scope, procedures and general criteria for preparing a particular environmental study. It must be appropriate to the specific characteristics of the project and the environment of its insertion.

It is a guidance document previously agreed upon between the environmental licensing agency and the entrepreneur to prepare a specific environmental study.

**2.11 Key Variable:** these are the strategic variables considered in the main aspects of the negotiation.

**2.12 Federative Entities:** The Federal Government, States and Municipalities.

**2.13 Third Sector Organizations:** the civil society associations, which declare themselves for public and non-profit purposes, develop actions in different areas and generally mobilize public opinion and the support of the population for their causes. These organizations can also complement the work of the State, carrying out actions that it cannot reach, being able to receive funding and donations from it and also from private entities for this purpose.

### 3. REFERENCES

#### 3.1 Federal Legislation

- Constitution of the Federative Republic of Brazil – Article 23 - items III, VI and VII, Article 24 - item XVI and Article 225;
- Federal Law No. 6.938 of August 31, 1981 – National Environmental Policy;
- Federal Law No. 9.605 of February 12, 1998 – Environmental Crimes Law;
- Federal Law No. 9.433 of January 8, 1997 – National Water Resources Policy;
- Law No. 12.651 of May 25, 2012 – Federal Forest Code;

- Decree No. 7.830 of October 17, 2012, which establishes general rules for Environmental Regularization Programs, referred to in Law No. 12.651;
  - CNRH Resolution No. 5 of April 10, 2000, which establishes guidelines for the formation and/or operation of River Basin Committees;
  - Federal Law No. 7.347 of July 24, 1985, which regulates the public civil action of liability for damages caused to the Environment, to the consumer, to goods and rights of artistic, aesthetic, historical, tourist and landscape value;
  - Decree No. 6.040 of February 7, 2007, which regulates traditional communities;
- Decree No. 7.342 of October 26, 2010 - It institutes the socioeconomic register for identification, qualification and public record of the population affected by developments in hydroelectric power generation. It creates the Interministerial Committee for Socioeconomic Registration under the Ministry of Mines and Energy and other measures.

### **3.2 State Legislation**

- State Law No. 7.772 of September 8, 1980 – Provides for the protection, conservation and improvement of the environment in the State of Minas Gerais;
- State Law No. 13.199 of January 29, 1999 – State Water Resources Policy;
- State Law No. 14.181 of January 17, 2002 – Provides for the Policy for the Protection of Aquatic Fauna and Flora and the Development of Fisheries and Aquaculture in the State of Minas Gerais;
- Law No. 20.922 of October 16, 2013 - Provides for forestry and biodiversity protection policies in the State - State Forest Code;
- State Decree No. 44.844 of June 25, 2008 - It establishes rules for environmental licensing and environmental authorization of operation, typifies and classifies violations of the rules for the protection of the environment and water resources and establishes administrative procedures for the inspection and application of penalties;
- Decree 46336 of 10/16/2013 - Provides authorization to cut or suppress vegetation in the period and hypotheses it mentions.

### **3.3 CEMIG Standards**

- Communication Policy with the Community - NO-02.15;
- Environmental Policy - Organization Manual - NO-02.01;
- Service Instruction – IS-62 – Minimum Environmental Adequacy Requirements;
- Circular DPR-H-55-2008 – Relationship with environmental, federal, state and municipal licensing agencies;
- Service Instruction – IS-42 – Environmental licensing of the facilities and activities of Companhia Energética de Minas Gerais – CEMIG.

## **4. PROCEDURES**

### **4.1 Routine communication and negotiation situations.**

They are those usual activities of the Company involving its relations with consumers and public agencies within the scope of social and environmental issues. In these cases, negotiations must be conducted by the Company's body, which is responsible for the main activity.

Among others, the following are considered usual activities:

4.1.1 Those arising from institutional social and environmental demands.

4.1.2 Those arising from institutional communication demands.

4.1.3 Those arising from demands to Sign the Terms of Agreements and Terms of Commitment.

4.1.4 Those arising from the various phases of preliminary environmental studies (inventory phase) or the environmental licensing process (phases of preparation of environmental feasibility studies, prior licensing, installation, operation and compliance with the conditions of the operating license, and revalidations of licenses).

4.1.5 Consumer Relations and Complaints.

4.1.6 Acquisition of real estate.

4.1.7 Minor accidents, complaints, etc.

4.1.8 Resettlement.

**Note:** According to the analysis of the responsible Superintendence, the situations contemplated in this sub-item (4.1.) may or may not require total or partial application of the procedures detailed in item 5.

#### **4.2 Non-routine communication and negotiation situations.**

They result from complex, unforeseen processes and have a high degree of economic, administrative, legal, Environmental, social and image risk of the Company, not contemplated in sub-item 4.1 or described therein, but with significant impacts. The specific procedures detailed in item 5 must be adopted in these cases.

For these situations, Negotiating Working Groups must be created through a specific circular approved by the Chief Executive Officer.

In the composition of these Groups, the involvement of at least the following bodies is recommended: JE, CE, SE, GA and/or OM and the managing body of the enterprise.

## **5. NEGOTIATION PROCEDURES**

### **5.1 Preparation for Negotiation**

#### **5.1.1 Definition of the Purpose and Objectives of the Negotiation Process**

The Working Group must define the purpose and objectives of the negotiation process and develop goals and indicators that can measure the success or otherwise of the negotiation.

#### **5.1.2 Stakeholder Diagnosis**

##### **a) Stakeholder analysis**

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The identification and analysis of interested parties in the enterprise must be carried out according to the procedure exemplified in *Annex 2*.

b) Diagnosis and socioeconomic registration of the populations directly involved

Socioeconomic diagnosis is essential to diagnose the local reality before the negotiation. The more detailed the diagnosis, the better the possibility of negotiating properly, ensuring the veracity of the information.

When the Socioeconomic Diagnosis is carried out and linked to the environmental licensing process, the content of the Term of Reference, approved by the respective environmental agency, must be followed.

The details of this step are contained in *Annex 3*.

### 5.1.3 Preparation of the Negotiation Plan

In possession of the results of the Stakeholder Analysis and the Diagnosis carried out, the managing body of the enterprise must prepare the basic data of the enterprise to prepare the Negotiation Plan, thus allowing all CEMIG representatives involved to conduct the process in an organized manner.

The Negotiation Plan must act as an anticipatory instrument. It must provide for a strategy that can properly manage any conflicts between the parties involved and result in socially viable actions for both parties – considering a treatment that also includes hypotheses of analysis and referral of solutions to any special cases.

The details of the Negotiation Plan are contained in *Annex 4*.

a) Sizing of the negotiation team and its training needs

The size of the team depends on each project. The training for the team responsible for the negotiations should include, in addition to the technical and operational aspects, relationship content with the stakeholders, guidance on communication and negotiation techniques.

**Note:** The training must be before the start of the enterprise. When necessary, the managing body must structure and plan the training with the support of the Superintendence of Relations and Human Resources (HR).

b) Approval of the Negotiation Plan

The Negotiation Plan must be approved by CEMIG's Executive Board or the Superintendent of the enterprise's managing body, depending on the size of the enterprise in which the negotiation will be involved.

### 5.1.4 Implementation of the Communication Plan

Based on the analysis of stakeholders and the socioeconomic diagnosis, the Communication Plan should be prepared with the following objectives:

- create a favorable perception of the enterprise for stakeholders in the area of influence;

- transmit to stakeholders CEMIG's needs and limits, respecting the Company's Mission, Vision and Values;
- create and maintain relationship channels with local and regional leaders;
- strengthen the credibility of CEMIG's official information;
- anticipate possible rumors/distortions that may interfere with the conduct of the work;
- enhance expressions of support;
- neutralize possible oppositions not initially identified, and
- respect the social, cultural and moral values existing in the region.

The details of the Communication Plan are contained in *Annex 5*.

#### 5.1.5 Negotiation Structure

Delegations of responsibilities for the negotiation must be formalized, considering the management or employees responsible for each aspect of the negotiation.

##### a) Decision structure

The person responsible for negotiating shall be:

- Formal: formally appointed by the President, Director or Superintendent in charge;
- Location: preferably, be effectively at the location of the enterprise, or be available whenever necessary for the establishment of a “direct channel” with the negotiating interlocutors in the region and with stakeholders;
- Recognized: with a clearly recognized negotiator position in the Company.
- Exempt: devoid of interests or links of any nature with the subject of negotiation.

##### b) Structure of analysis

It is recommended to form the following teams:

- Negotiation team: team assigned by the project management to conduct the negotiation processes;
- Technical team: responsible for the technical aspects of the enterprise;
- Budget team: responsible for preparing and updating the budget for the actions defined in the negotiation process as CEMIG's obligation;
- Communication team: responsible for the communication aspects of the enterprise.

The details of the Negotiation Process are contained in *Annex 6*.

### 5.2 Conducting the Negotiation

A designated team will conduct the negotiation, issuing Minutes and an Attendance List at the end of each negotiation round.

### 5.3 Conclusion of the Negotiation

#### 5.3.1 Evaluation of the Negotiation Process

At the end of the negotiation process, the Working Group shall analyze whether the purpose and objectives of the negotiation, proposed in sub-item 5.1.1., were achieved by measuring the indicators and verifying the goals previously defined.

### 5.3.2 Documentation

A report shall be prepared containing:

- purpose and objectives of the Negotiating Process;
- methodology used;
- start and end date;
- a summary of stakeholder perceptions and expectations;
- a summary of the main discussions and interventions;
- results (consultations, proposals, recommendations, decisions, etc.);
- lessons learned.

The report should also contain the primary formal and informal documents, such as minutes, reports, correspondence, letters, tickets, tables, demonstration tables, meeting attendance lists, accounts and receipts. It should also provide suggestions for qualitative and quantitative indicators for evaluating the process in the medium and long term.

This report aims to document and safeguard the Company for cases of future questions and negotiation relapses and provide improvement by sharing lessons learned.

## 6. SOCIAL AND ENVIRONMENTAL NEGOTIATIONS IN CONSORTIUMS OR ASSOCIATIONS WITH OTHER COMPANIES

For projects in which CEMIG has a minority interest and the responsibility for conducting social and environmental negotiations lies with the Consortium or Associations with other companies, the Superintendence must be responsible for managing CEMIG's participation to establish management and control systems for the activities of social and environmental negotiations at the level of committees, whose representatives of CEMIG will validate their criteria with the responsible areas of CEMIG.

Original document signed by:  
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**Chief Executive Officer**

### Annexes:

1. Negotiation Plan and Schedule
2. Identification and Analysis of Stakeholders
3. Diagnosis and Socioeconomic Registration of Populations
4. Negotiation Plan
5. Communication Plan
6. Negotiation Process
7. Results Control

**THE CORPORATE SUSTAINABILITY SUPERINTENDENCE (IF) MUST MAINTAIN PERMANENT CORRESPONDENCE BETWEEN THE TERMS OF THIS INSTRUCTION AND THE PROCEDURES IN FORCE.**