Annual and Sustainability Report - Cemig

Base Year 2020

Cemig
Final Draft
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CUSTOMER	
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ABOUT THIS REPORT

1 RAS 2020

[102-1; 102-50] Cemig, Companhia Energética de Minas Gerais (Minas Gerais Power Utility Company) presents here its Annual Sustainability Report - RAS 2019 relating to the period from January to December 2020.

[102-52] The annual dissemination of the RAS contributes to foster Cemig's transparent dialogue with its stakeholders by providing relevant information about its activities, the Company's performance in environmental, economic and social aspects, and also relevant information on governance.

[102-45; 102-56] The accounting data presented in this report refers to the set of companies under the holding's operational control, which are described in Cemig Group's organizational chart, in the chapter 'Cemig', section 'Major Equity Interests'. Exceptions are mentioned throughout the report. These data were consolidated based on criteria laid down in Brazilian law[1] and previously audited by Ernst & Young Auditores Independentes S.A. The Company's Financial Statements, available at the Company's website, are presented according to the International Financial Reporting Standards - IFR in thousands of R$ (except where another currency is indicated).[2]

Regarding non-accounting information, RAS 2020 may cover other subsidiaries of the Cemig Group; there will be an explicit statement in the text in cases when that happens. The terms "Cemig", "Business" or "Company" refer to the Cemig holding and Cemig Distribuição S/A (Cemig D) and Cemig Geração e Transmissão S/A (Cemig GT) subsidiaries. The name "Parent Company" is used to refer to the Cemig holding (Cemig H) as an individual company, and does not include its subsidiaries.

[102-51; 102-54] RAS 2020 was prepared following the **GRI Essential option** standard, and meets the following assumptions:

- Full compliance with the GRI Standard
- Assurance of legacy and comparability with data and information presented in previous reports[3].

Additionally, the Company was inspired by integrated report guidelines of the *International Integrated Reporting Council (*IIRC), including the value-generation diagram using the so-called capitals employed. It also provides information regarding integration between the Company's programs and projects), as well as their contributions to the United Nations (UN) Sustainable Development Goals - SDGs).

[1] For further details, see the explanatory notes to the Standardized Financial Statements - DFP, on Cemig's website. Available at: http://ri.cemig.com.br/divulgacao-e-resultados/central-de-resultados/

[2] The financial information audit report can be viewed at the end of the document by following the link https://api.mziq.com/mzfilemanager/v2/d/716a131f-9624-452c-9088-0cd6983c1349/2ad54e07-276a-9b18-f4b8-b1b3f1481dd7?origin=1

[3] For this reason, information from the GRI Sector Supplement for the Power Sector (G3) is also included.

[102-56] The RAS 2020 submitted to independent external verification, carried out by Bureau Veritas, resulting in the Assurance Statement attached to the end of this report. All pieces of information regarding greenhouse gas (GHG) emissions and their sources and precursors were also audited by Bureau Veritas within the scope of Cemig 2020 GHG Emissions Inventory.[4]

[102-48] This report contains information and data from previous reports that may have been revised or changed. The change indication includes the reason for reframing the information (change due to alterations in the period or base year or in the measurement method, resulting from changes in the Company due to mergers and/or acquisitions).

[102-53] Questions about this report can be sent by e-mail to the Corporate Sustainability Oversight Department (sustentabilidade@cemig.com.br) or the Investor Relations Oversight Department (ri@cemig.com.br)

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization (WHO) declared the situation of the spread of Covid-19 as a pandemic, reinforcing the recommendations for restrictive measures as a strategy to combat the virus worldwide. These measures, embodied mainly in social distancing, negatively impacted many entities, affecting their production processes, interrupting their supply chains, causing labor shortages and closing stores and facilities. World economies have been struggling to develop measures to address and reduce the effects of the economic crisis caused by the pandemic, especially by means of their central banks and tax authorities.

Government measures aimed at the electricity industry

Several government measures aimed at the electricity industry to tackle the crisis have been implemented, among which we highlight:

- Enactment, on April 8, 2020, of Provisional Measure No. 950/2020, which provided for a 100% discount in the calculation of the Electricity Social Tariff, from April 1 to June 30, 2020, for eligible consumers in the low-income residential subclass, with a rate of electricity consumption less than or equal to 220 kWh/month. The measure also authorized the Federal Government to allocate funds to the Energy Development Account (CDE), limited to R $ 900 million, to cover for the tariff discounts created;

- Extension from 15% to 30% of the limit related to the total amount of electric energy that can be declared by distributor utilities, in all the processing of the Surplus Sale Mechanism (MVE) of the year 2020, aiming to facilitate the contractual reductions;

- Release by the Electric Energy Trading Chamber (CCEE), in April 2020, in compliance with Aneel Order No. 986/2020, of financial resources available in the reserve fund for future burden relief, with Cemig Distribuição's share being R$ 122 million;

[4] The audit report of the Inventory information can be viewed by following the link https://www.cemig.com.br/programa-sustentabilidade/inventario-de-emissoes/

- Implementation of measures aimed at maintaining the public energy distribution service, through Aneel Resolution No. 878/2020 from March 24, 2020. These include the prohibition against power cuts due to default for 90 days, extended until July 31, 2020, for some classes of consumers (residential ones), prioritizing of urgent and emergency customer service, as well as the supply of energy to services and activities considered as essential, drafting of a specific contingency plan for service to medical and hospital units, and other measures. By means of Normative Resolution No. 891/2020 from July 21, 2020, the regulatory body amended Aneel Resolution No. 878/2020, maintaining the prohibition against the suspension of energy supply as of August 2020 only for low-income residential subclasses, revoking the provisions for the other residential classes and related to the provision of services and activities considered as essential;

- Authorization to create the Covid Account, as detailed in the next topic.

Covid Account

On May 18, 2020, aiming to tackle the state of public calamity caused by the Covid-19 pandemic, the creation of the Covid Account was authorized by Decree 10,350/2020. This was aimed at covering deficits or anticipating revenues related to energy distribution concessionaires and licensees, which are the basis of the financial flow of the electricity industry, related to (i) the over-contracting of energy; (ii) Compensation Account for Variation of Values of Items of Installment A (CVA); (iii) the neutrality of sector charges; (iv) the postponement until June 30, 2020 of the results of the tariff processes of energy distributors approved until the same date; (v) the anticipation of the regulatory asset related to Installment B, according to Aneel regulation, and the schedule defined by the distributor utility.

On June 23, 2020, Aneel issued Normative Resolution No. 885/2020, which established the criteria and procedures for managing the Covid Account, in addition to regulating the use of the CDE tariff charge.

On January 26, 2021, Aneel issued Order No. 181/2021, in which it defined the monthly charge to be paid for amortization of the loan and the respective coverage to be included in the tariff for payment of this charge. The annual quota of CDE Conta-Covid will be paid by the distributors, by means of a tariff charge included in the electricity tariffs and in the tariffs for the use of the distribution systems.

The amounts equivalent to the total amounts received by Cemig D from Conta-Covid during 2020 will be reversed, duly updated by the Selic index, in the form of a negative financial component in the 2021 tariff adjustment, thus ensuring neutrality.

Cemig D adhered to the financial compensation mechanism of Conta-Covid, aiming at reinforcing its cash, allowing for the fulfillment of its financial obligations even in the face of the reduced collection caused by the economic crisis. The total funds of Conta-Covid destined to Cemig D, in the amount of R$ 1,404,175, had an initial transfer of R$ 1,186,390 in July 2020, the remaining amount being transferred until December 2020 in monthly installments, positively affecting the Company's cash and cash equivalents and marketable securities as of December 31, 2020.

Restrictions are applied to distributor utilities that adhere to Conta-Covid, namely, (i) prohibition of requirements for suspension or reduction of the volumes of electric power acquired by contracts for the purchase and sale of electric power based on the reduction of consumption due to the pandemic, in place until December 2020, (ii) limitation, in the event of intra-sector default, of dividend and interest on equity distribution to the minimum legal percentage of 25% of net income, preserving the

constitution of legal and contingency reserves, and (iii) waiver of the right to dispute, at the judicial or arbitration level, the conditions, procedure and obligations established in the legal and regulatory provisions on the Covid Account. However, the right to request economic and economic-financial recovery is preserved.

Due to the manifestation of the waivers established in the Acceptance Term attached to Normative Resolution No. 885/2020, Cemig D's Extraordinary General Assembly, held on July 3, 2020, approved the amendment and consequent consolidation of its Bylaws, with the inclusion from paragraph 4 to article 33, providing for the exceptional limitation of the distribution of mandatory dividends or the payment of interest on equity, without prejudice to the legal minimum, in the cases and under the terms in which the regulatory body, through normative or contractual provision, should so require to mitigate a situation of financial imbalance caused by a third party, a government authority act, an act of God or force majeure expressly acknowledged.

Measures implemented by the Company

In March 2020, the Company created the Coronavirus Crisis Management Steering Committee, with the objective of ensuring greater streamlining in decision-making, in view of the rapid progress of the scenario, which has become more comprehensive, complex and systemic.

In line with the recommendations for maintaining social distancing, the Company implemented an operational contingency plan and a series of preventive measures to maintain the health and safety of its workforce, including:

- Daily on-site contact with in-service teams by Safety and Nursing technicians;
- Daily integration with the contractors' social service to monitor the evolution of suspected cases;
- Changing and scaling of schedules to reduce agglomerations;
- Restriction on national and international travelling;
- Use of remote means of communication;
- Adoption of a home office for a significant portion of the employees;
- Distribution of masks to employees who are active in their facilities or in external service and requirement of the same procedure for contractor companies.

In August, the Company initiated a plan of gradual return to face-to-face activities for employees working from home offices, observing the measures aimed at preventing, controlling and mitigating the risks of transmission of Covid-19 in work environments.

Additionally, face-to-face service at the branches has been temporarily suspended and resumed, by appointment, as of August 3, 2020, in the municipalities that adhered to the Minas Consciente (Minas Awareness) Plan, prepared by the Government of Minas Gerais, and which are in the green wave stage of the program. The decision to provide face-to-face customer service via scheduling follows the rules of the plan and is in line with the resumption of the economy in the state in a responsible manner, due to the Covid-19 pandemic.

The virtual channels of communication with consumers were maintained, as well as essential services at consumer addresses, ensuring an adequate supply of power and gas.

The Company also adopted the following measures, in order to contribute to society:

- Flexibility in the payment flow of low-income customer accounts, registered as a social tariff, which could pay their bills in up to six installments, without interest and fines, in effect until July 1, 2020;
- Installment payment of amounts not collected, billed to public and philanthropic hospitals and emergency care units without the charging of fines and interest, whose conditions were in effect until July 1, 2020;
- Payment in installments of debts in up to six interest-free installments for microenterprises in the sectors affected by the crisis, whose conditions were in effect until July 1, 2020.
- Launch of a negotiation campaign, allowing for the payment of consumer debt in up to 12 interest-free installments, the conditions of which were valid until October 31, 2020.

Additionally, Cemig's Executive Board approved the following measures to support the fight against Covid-19 during the purple wave period established by Resolution 138, of March 16, 2021 of the Covid-19 Extraordinary Committee within the territory of the State of Minas Gerais:

- Suspension of electric power cuts for customers registered as a social tariff (low income) ones;
- Payment in installments of debts of consumers classified as social tariff (low income) ones, under the conditions specified in the program, available on the Company's website;
- Payment in installments of debts of other classes, including commercial consumers classified as Microenterprises in the sectors affected by the crisis, under the conditions specified in the program, available on the Company's website;
- Priority to the supplying of electricity to emergency care units, clinics, hospitals and other healthcare facilities and companies categorized as essential services;
- Communication actions aimed at raising awareness among the population on the importance of staying at home, on the rational use of electric energy in homes, as well as on the care with the use of electronic devices, avoiding overload, short circuits and fires.

The aforementioned measures generated an estimated effect of postponing cash for the next financial year of up to R$ 151.4 million, considering the amounts referring to the installments maturing in 2021.

To mitigate the impacts of the economic crisis, the Company was diligent in protecting its liquidity and implemented the following measures, among others:

- Investment contingency management planned for 2020, in the approximate amount of R$ 349 million, and budget review with a reduction in costs and expenses with staff, materials, third-party services and others (PMSO), amounting to about R$ 164 million;

- Reduction in the payment of dividends to shareholders, as well as the postponement of payments of dividends and interest on shareholders' equity until the end of 2020 (see note 26);

- Negotiation of contracts with its free consumers;

- Negotiation of terms and deadlines established in their contracts with gas suppliers, including Petrobrás;

- Deferral of taxes and labor charges over the year, as authorized by law.

Impact on financial statements

Since March 2020, the Company has been monitoring the impacts of the Covid-19 pandemic on its business and market, with the implementation of a series of measures to preserve the health of its employees and support the prevention of the new Coronavirus in its operational and administrative areas. The initiatives are in line with the recommendations of the World Health Organization (WHO) and the Ministry of Health, and aim to contribute to the efforts of the population and Brazilian authorities to mitigate the risks of spreading the disease.

The crisis caused by Covid-19 impacted the operations of the Cemig Group companies, mainly the electricity distribution business, due to the market shrinkage and measures of social distancing, with an impact on production processes, and interruption in the supply chains, reducing the demand for labor, and closing of stores and facilities, which results in lower energy consumption and a higher risk of default.

In this scenario, intervention in market policies and initiatives to reduce the transmission of Covid-19 also led to a reduction in natural gas consumption by industries and the automotive sector by 3% and 28%, respectively, in 2020, when compared to the same period in the previous year. On the other hand, there was an increase in residential and commercial consumption in the year of 2020 by 20% and 14%, respectively, when compared to the same period in the previous year, naturally motivated by an increase in the use of natural gas, which is safer and continuously supplied.

On December 31, 2020, based on the observation of the economic impacts of the pandemic, the Company assessed the assumptions used to calculate the fair value and recoverable value of its financial and non-financial assets:

- The subsidiary Cemig GT assessed whether the greater pressure on exchange rates combined with the lack of liquidity in the financial market will have a negative impact on the derivative financial instrument contracted to protect its operations from risks arising from foreign currency variation. In view of the current market conditions, the variation in the fair value of the derivative instrument, which considers future projections of exchange rate and interest, and the semiannual settlement of the swap were sufficient to offset the exposure to the exchange variation of the principal of the debt, generating a net gain of R$ 4 million in income for the year ending in 2020. Long-term projections indicate a depreciation of the dollar in relation to the current quotation, which, if confirmed, will represent a decrease in the Company's exchange variation expenses;

- As a result of the Covid-19 pandemic, market conditions suffered negative impacts and, in these circumstances, the fair value of the investment in Light suffered a significant reduction

in the first quarters of 2020. However, the market value of the shares recovered at the end of 2020, resulting in the reversal of the impairment on its market value less selling expenses, recognized during the year. The sale of the interest held by the Company in this portfolio companies was concluded by means of a public offering for distribution of shares on January 22, 2021, according to note 32 of those financial statements;

- In measuring the expected loss on doubtful credits, the Company assessed the circumstances of the Covid-19 pandemic and the measures taken to reduce the impact of the economic downturn on default. The Company intensified measures to mitigate default risks, with a specific campaign to negotiate with customers, including those with a momentary impediment to suspend the supply of energy and intensify individualized actions for habitual collection. The resuming of economic activities after the acute period of the pandemic, as well as the release of the suspension of supply from August 2020 through Normative Resolution No. 891/2020, have contributed to the reestablishment of the collection behavior. In addition, negotiations to allow the recovery of overdue credits and the Regulatory Agency's measures for economic rebalancing mitigated the negative effects of the economic crisis on tax collection;

- The assumptions adopted by the Company in determining the recoverable value of its relevant investments in subsidiaries, jointly controlled companies and affiliates were not significantly influenced by the Covid-19 pandemic, since the cash flows of these portfolio companies are mostly derived from long-term economic exploitation of regulated-activity commercial operation rights. Therefore, no adjustments were made to reduce the recoverable value of its portfolio companies, subsidiaries, jointly-controlled affiliates, due to the current economic scenario;

- Despite the uncertainties related to the unfolding of the crisis in the long term, the Company does not expect that the negative effects on the projections will jeopardize the feasibility of realizing its deferred tax assets;

- The Company's management performed a sensitivity analysis of the fair value of financial assets and liabilities, reflecting the current projected market conditions and rates, whose impacts are presented in note No. 31 of those financial statements;

- A drop in the load of the National Interconnected System (SIN) was noticed in 2020, especially between the months of March to May, with a gradual recovery as of that period. In the year to date, the energy conveyed and the energy sold to consumers at Cemig D showed a growth of 4.42% and a decrease of 5.31%, respectively, with the second half of 2020 only showing a growth of 10.29% in the energy conveyed and 94.66% in the energy sold, in comparison with the same period of the previous year, reflecting the measures adopted to relax the conditions of social isolation;

- The accumulated variation in the market of Cemig D's captive customers, measured from the beginning of the pandemic until December 2020, showed a decrease of 8%. It should be noted that the effects of financial expenditures on energy purchase by Cemig D were minimized with the creation of Conta-Covid;

- The Company has been negotiating with its customers and suppliers of electricity and gas, in order to preserve the liquidity of Cemig GT and of Gasmig in the crisis period.

The impacts of the Covid-19 pandemic disclosed in its financial statements were based on the Company's best estimates. Despite the impacts of the pandemic on the Company's equity situation in 2020, significant impacts are not expected in the long term.

1.1 MESSAGE FROM THE BOARD

[102-14] Certainly, the year 2020 will be remembered in history by its uniqueness, when society had to deal with the effects of a worldwide pandemic, with significant impacts on people's behavior and lives, and also relevant impacts on the economic and social environment.

In March 2020, we created the Coronavirus Crisis Management Steering Committee, with the objective of ensuring greater streamlining in decision-making, in view of the rapid progress of the pandemic, with comprehensive, complex and systemic effects. Several measures were taken to protect cash, such as the investment and expense contingency management, postponement in the payment of dividends, and renegotiation of credits receivable from customers.

One of our main priorities was to ensure the safety and health of our employees by means of a series of actions, including the adoption of home-office for a significant portion of our workforce and safety protocols in accordance with the guidelines of the health agencies. for our field teams. Unfortunately, we had employees who became victims of the pandemic; these are irreparable losses, a matter of great regret and our heart goes to their respective families. We remain firm in our purpose that respect for life is a non-negotiable asset at Cemig.

Our mission was to make it possible to provide quality energy to society during the pandemic, ensuring uninterrupted service to hospitals and other public services. In 2020, we managed to reach the best DEC5 in our history, of 9.6 hours; that is an index that measures the duration of interruptions, and this was improvement of 9.4% in relation to the previous year.

And in this challenging environment, Cemig once again proved its resilience and the sustainability of its operations, also in the financial side.

Our profile as an integrated company, with business diversification in the sectors of generation, transmission, commercialization and distribution of energy, provides us with solidity, reduction of risks in facing adverse scenarios, and greater stability for our results.

Even considering the economic activity downturn, with the closing down and/or partial operation of commerce and industry for a good part of the year, we ended 2020 with a profit of R$ 2,864 million and an EBITDA6 of R$ 5,694 million (a 29.64% growth in relation to 2019).

We continue on a positive path for reducing our indebtedness, and we closed the year with a net debt/adjusted Ebitda ratio of 1.3 times, a result that demonstrates the solidity of our financial position and cash generation capacity.

[5] Equivalent Interruption Duration per Consumer Unit
[6] Earnings before interest, taxes, depreciation, and amortization

These results and advances at Cemig were acknowledged by the rating agencies. In 2020, even considering the effects and uncertainties of the pandemic, we had an improvement in our credit ratings by Fitch and Moodys and, in January 2021, Standard & Poors (S&P) raised our rating on two global levels, from “B” to “BB-”, from “A+” to “AA+” on the Brazilian nationwide scale, a significant increase of three levels7.

We remain seeking for continuous operational improvement and cost reduction, and this year we managed to have our operating expenses at levels below the regulatory limit by Aneel for tariff coverage in the distribution business, for the first time. A result that should be celebrated and that makes us even more motivated to continue to strive in the coming years to increase our operating margins by reducing non-technical losses and defaults, with increased inspections and cuts, and other efficiency measures, which will also allow us to achieve a EBITDA higher than the regulatory benchmark in the near future.

In the transmission business, we were successful in the tariff review process, with the approval of our investments and the recognition of Cemig as one of the most efficient companies in the sector, when comparing our operating costs with that of other transmission companies.

Due to the downturn in industrial and commercial activity, our energy trading business suffered a greater impact of the pandemic, thanks to our larger customers adopting contracts flexibility, which affected profitability in that business. These impacts were temporary, and already in the fourth quarter of 2020, we noticed a resumption of consumption at the levels expected in our planning.

We invested close to R$ 2 billion in 2020 in the segments of distribution, generation and transmission of electricity, and distribution of natural gas, and we have a robust investment program for the coming years in our main businesses, with an emphasis on distribution, where we intend to invest close to R$ 12 billion in the next 5 years. These significant investments will allow us to provide a better service to customers in Minas Gerais, with an increase in the regulatory asset base and generation of higher revenue, in addition to a reduction in expenses with operation and maintenance of assets.

Moving on with our divestment program, in early 2021, we sold our remaining stake in Light, adding R$ 1,372 million to our cash flow, thus improving our liquidity and financial capacity to carry out our investment program.

We are acknowledged as a sustainable company, concerned with the impact of our actions on the environment and society, as we are the company that most invests in culture in the State. We are included in the BM&F/Bovespa Corporate Sustainability Index and the Dow Jones Sustainability Index, which we have been included in since 1999. We are signatories to the United Nations Global Compact and have a prominent position in several other national and international sustainability ratings, which shows the recognition awarded to our actions in that area.

Even though we are still living with the effects of the pandemic, we expect that, in 2021, Brazil will show signs of economic recovery, which will certainly have positive impacts on our businesses.

The Company's management, managerial staff and skilled labor are committed and motivated to ensure the progress and sustainability of our operations, guaranteeing an adequate return to shareholders and meeting the expectations of other stakeholders.

[7] Scale for the S&P rating:

AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D

We're optimists regarding Cemig's future.

In preparation for this future, we concluded the review of our strategic planning in early 2021, with the objective of “focusing to win”, prioritizing the generation, transmission and distribution regulated businesses we have control of, seeking to become a leader in customer satisfaction, safety and optimum levels of efficiency, through modern and sustainable management.

Additionally, in 2020 we started developing an organizational culture project, reinforcing and enhancing our corporate values and expected behaviors, in a way that converges with our ethical principles, in a more harmonious and productive environment.

We are grateful to our employees, shareholders and other stakeholders for their converging effort to maintain Cemig's recognition as a company of relevance and prominence in the Brazilian electricity sector.

1.2 MATERIALITY

[102-46; 102-49] 2020 started like any other year, but even before the end of the first quarter, the Covid-19 pandemic created an unprecedented global health emergency, impacting people, governments and the economy. In general, contingents of the workforce have been moved over to remote work, including the leaders of the companies, as well as their Boards.

Like so many other companies, Cemig faced the challenge of the crisis produced by the pandemic, causing temporary and/or perennial operational changes, to deal with the necessary adaptation to the context created by the pandemic. When planning the 2020 sustainability report, there is nothing more natural than focusing on complementing the Materiality that supported RAS2019, and take into account the safety restrictions imposed by Covid-19.

Thus, Cemig opted to carry out an expeditious exercise to address some current challenges produced by the pandemic, as a way of supplementing the Materiality of RAS 2020, as follows:

- Consultation with Cemig's top leadership: focus on the Covid-19 situation;
- Use of the results of consultations with stakeholder managers, carried out for RAS 2019;
- Review of the sustainability context;
- Prioritizing of topics (application of Materiality Principle - GRI tests).

The applied approach focused on obtaining skillful information to report the performance of and potential impacts on Cemig in 2020:

- relating to emergency changes;
- That potentially reflect perennial strategic and/or operational changes:
    - Short- and medium-term plans;
    - Long-term planning.

- To find out how the company is preparing for the immediate post-Covid-19 situation;
- Aiming at pointing out how the 2020 context will influence (speeding up or delaying) existing trends. And how the company will be prepared in the event that the crisis extends over time, and/or for recovery.

The results of this exercise influenced the reporting of some GRI Contents[8], which will be pointed out throughout RAS 2020[9].

Cemig believes that supplementing aimed at adjusting the set of metrics commonly used are appropriate, as these do not substantially alter the metrics that have been monitored for some years by the Company. Maintaining year-to-year comparability is important for performance management, and for stakeholders to make assessments regarding Cemig.

Before the global pandemic event, those metrics had been adequate to the Company, without drastic changes from year to year. Considering the effects of the pandemic in the economic and social, local and global situations, Cemig will consider making a comprehensive review of materiality for RAS 2021.

In the identification of topics and subjects of interest to stakeholders, and those related to impacts and their limits, direct consultations with the categories of stakeholders were not carried out.

Prioritizing of the topics identified as material was carried out by applying the tests in the Materiality Principle of the GRI Standard. Grouping up into GRI and non-GRI topics was done in two phases: (i) the consulting firm applied the Contents of the GRI 101 (2016) standard to group up the identified topics; (ii) the results were discussed with Cemig, which consolidated the review/grouping up of material topics.

Governance topics were not included in the prioritizing stage, as they are mandatory for reporting and are invariably a priority for the Company.

The entire process complied with the Principles for Defining Report Contents and it has been considered that all the requirements contained in the Materiality Principle and prescribed by the GRI Standard have been met.

[102 -21; 102-40; 102-42] Regarding engagement with stakeholders, Cemig has an internal procedure[10] for identifying, selecting, and prioritizing stakeholders, called Stakeholder Mapping. In that procedure there are described the actions and methods used by the Company to identify Cemig's major stakeholders, based on the following criteria: (i) responsibility; (ii) influence, (iii) proximity, (iv) dependence, (v) representation, (vi) strategy statement and policies. Based on these criteria and the

[8] The official version of the GRI Standard into Portuguese translated “Disclosure” by “Conteúdo” (Contents): thus, this document uses the term in capitals to differentiate its meaning from its common usage.
[9] The structure and content of RAS 2020 is also based on the results of the Materiality exercise carried out for RAS 2019: “The process of defining the structure and content of RAS 2019 was carried out through a structured exercise. This exercised aimed at identifying and prioritizing topics (and/or subjects) that are significant for our stakeholders and Company. Through direct consultations with interested parties (leaders and relationship managers with different categories of Cemig's stakeholders), and a survey in public sources, it was possible to identify and assess relevant and significant topics to make up the report of the company's contribution to sustainable development.” More detailed information in this regard can be found at: [https://novoportal.cemig.com.br/wp-content/uploads/2020/07/ras-2019.pdf]
[10] Cemig SE/AS - 0012/2010 Procedure.

Communication Policy[11], Cemig defined the following groups as stakeholders for its Sustainability Report:

- Government authorities;
- Shareholders and investors;
- Customers;
- Consumers;
- Communities in general (NGOs, the society, universities, etc.);
- Employees;
- Suppliers;
- The press.

For 2020, besides the results of consultations carried out in 2019, we consulted Cemig's top management, as well as reviewed the sustainability context. Both consultations focused on the Covid-19 pandemic, seeking to identify (i) how the company handled the pandemic scenario; and (ii) current trends considering that the pandemic scenario continues to impact society and the economy.

The external references that guided the identification of the most relevant themes for companies in the electricity utilities sector support the consideration regarding Cemig's relevant and significant topics. This also served to indirectly determine the themes of interest and potential impacts in the following categories of stakeholders: in-house and outsourced workforce, critical suppliers, shareholders and investors, corporate customers, captive customers, communities potentially impacted by activity and operation, regulatory agencies, and investors.

[102-43] Regarding the management of the relationship with stakeholders, Cemig has operated continuously throughout the years utilizing management departments and teams dedicated exclusively to answering the demands received. This practice supports the Company in keeping a relationship with its stakeholders and efforts to help them understand important matters related to its activities up to date.

Concerning the engagement process related to the sustainability report, and/or to the definition of material topics, Cemig defined a progressive approach, stated in its contract with a Consulting Firm that supports it in the process of preparing the RAS[12].

[11] The Policy is available at: https://www.cemig.com.br/en/wp-content/uploads/sites/7/2021/01/cemig-communication-policy-with-the-community.pdf

[12] The consultancy firm proposed the methodology to be used in the engagement for the preparation of the RAS, and must follow the requirements of GRI ("GRI 100 Universal Standards"); at first, every 2 years, it must carry out queries to identify expectations, interests and needs of stakeholders, to keep the RAS aligned with them. For RAS 2020, identification of material themes for some categories of stakeholders was done by means of (i) interviews with top management; (ii) media analysis; and (iii) consultations to technical sources and publications from the domestic and international energy sector. Concerning the context of sustainability, there was a review of documents on sustainability in the energy sector, sustainability reports, and national/international initiatives to which Cemig adhered was carried out, together with documents that incorporate the outlook of domestic regulations and international agreements relevant to the Company.

[102-44; 102-47; 103-1] The list of material themes and topics[13] for RAS 2020 and a description of why they are material is updated in the table below.

Table 1: Material (priority) themes and topics and related Sustainable Development Goals - SDGs

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
Biodiversity and Protection of Habitats	Experts and Organizations of the Sector.	The activities of the Company are carried out mainly on two Brazilian biomes, the Cerrado and the Atlantic Forest. The impacts on biodiversity and habitat protection are mainly related to energy generation and transmission activities. Besides that, the Company manages fresh water reservoirs over 3,500 km² in area.	Biodiversity (304) Environmental Compliance (307)			SDG 14 (Life below water); SDG 15 (Life on land).
Compliance and Ethical Conduct	Top Management; Sustainability Committee; Workforce; Investors.	The Brazilian business background has been marked by proven cases of unethical conduct in the public and private sectors. In this regard, compliance, ethics, and transparency fostering initiatives have been presented and deployed. As a semi-public corporation, Cemig engages in and endorses these initiatives with a high degree of priority.	Ethics and Integrity (102-14 and 102-15) Economic Performance (201) Anti-corruption (205) Public Policies (415) Social and Economic Compliance (419)			SDG 16 (Peace, Justice and Strong Institutions).
Fight Against Losses	Sustainability Committee.	Energy losses impact (i) the safety of the population (when they result from illegal connections), (ii) the environment,[14] (iii) the	Economic Performance (201)			SDG 7 (Affordable and Clean Energy);

[13] In this report, "material topics" are considered as the grouping up categories of the GRI Standards that respond to the organization's material topics.

[14] According to the Brazilian GHG Protocol Program, "Emissions from Losses in Transmission and Distribution (T&D) are those related to the portion of electricity lost by the transmission and distribution systems, being applicable only to

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
		Company's results, in view of unearned revenue and operational inefficiency, and (iv) the customers, due to the effects on the quality of supply. In addition, the greater the losses in the transmission and distribution of electricity, the greater the need for energy generation and distribution, leading to an increase in indirect greenhouse gas emissions.	Indirect Economic Impacts (203) Energy (302) Emissions (305) Customer Health and Safety (416)			SDG 9 (Industry, Innovation and Infrastructure); SDG 11 (Sustainable Cities and Communities).
Local Communities	Top Management; Captive Customers; Sustainability Committee; Experts and Organizations of the Sector; Media.	Cemig supplies electric energy to an important amount of the population in the area it works at. Therefore, expansion of its operations is directly related to the development of communities. On the other hand, the proximity to generation plants and transmission and distribution networks directly impacts local communities. Thus, engagement with communities is vital to the activity of generation and supply of energy. Cemig values life and addresses this topic with a high degree of priority and relevance.	Customer Health and Safety (416) Local Communities (413)			SDG 1 (No Poverty); SDG 7 (Affordable and Clean Energy); SDG 11 (Sustainable Cities and Communities).

companies that have such systems in their operations." According to ANEEL, "the losses refer to the generated power that passes through the transmission lines and distribution network, but that is not commercialized, either for technical or commercial reasons." According to ANEEL, "The conveyance of energy inevitably results in technical losses related to the transformation of electrical energy into thermal energy in the conductors (joule effect), losses in the cores of the transformers, dielectric losses, etc. Non-technical or commercial losses are mainly due to theft (clandestine connections, direct diversion from the network) or energy fraud (tampering with the meter), popularly known as "power hogs", and measurement and billing errors." Considering Cemig's reality, T&D losses must be included/accounted for in Scope 2 emissions from the company's GHG Inventory, since the losses are a portion of the direct emissions from the "use" (loss) of the purchased electricity (which is conveyed through the Company T&D).

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
Financial Performance	Top Management	Overall, the financial performance is vital for the continuity of any business. As one of Cemig's objectives is generating wealth and value for society through its performance and investments, it is important that the company should have no problems with its tax collection and revenues.	Economic Performance (201)			SDG 8 (Decent Work and Economic Growth).
Human Rights	Specialists, Investors and DJSI, and Sector Organizations.	Cemig initiated processes for considering Human Rights in its activities in 2017, when it carried out an exercise to identify and assess their impacts of the Company, in its operations and in its business relationships (e.g., in the supply chain). It has guided its processes by the UN Guiding Principles on Business and Human Rights, and other related benchmarks. This includes strict legal compliance with regulations on labor, children, forced labor, health and safety, non-discrimination, and other legal frameworks that aim to protect certain human rights. It has sought to improve its processes to ensure the proper management of its business partners with regard to preventing adverse impacts on human rights.	Non-discrimination (406) Forced or Slave-Like Labor (409) Safety Practices (410) Human Rights Assessment (412)			SDG 5 (Gender Equality) SDG 8 (Decent Work and Economic Growth).
Management Efficiency	Top Management;	Cemig has invested heavily in the efficiency of its management. As a semi-	Governance (102-18 to 102-39)			SDG 8 (Decent Work and

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
	Experts and Organizations of the Sector; Investors.	public corporation, Cemig's results are in the public interest and directly impact the government and citizens of the state of Minas Gerais. As a way of ensuring these results, Cemig's management team is committed to fostering the Company's operational efficiency, reliability, and resilience.	Economic Performance (201)			Economic Growth); SDG 16 (Peace, Justice and Strong Institutions).
Regulatory Framework	Top Management; Experts and Organizations of the Sector.	The electricity sector is linked to the regulatory environment, which justifies its weight in the strategy and its level of influence in Cemig's management, whose focus has been efficiently deal with corporate risks involving regulatory aspects in the industry scenario. Cemig is aware of the importance of its business to society, so regulatory compliance and adherence is a fundamental guideline for Cemig.	Environmental Compliance (307) Social and Economic Compliance (419)			SDG 7 (Affordable and Clean Energy); SDG 16 (Peace, Justice and Strong Institutions); SDG 17 (Partnership for the Goals).
Fostering the Energy Transition	Top Management; Corporate Customers; Sustainability Committee; Experts and Organizations of the Sector; Media (mediatic field).	The risks and opportunities arising from climate change and technological innovations drive the transition of the energy sector to a low carbon economy. This transition is characterized by new possibilities for the provision of services and energy alternatives, which include elements such as smart grids, distributed generation, trends	Strategy(102-14 and 102-15) Economic Performance (201) Energy (302) Emissions (305)			SDG 3 (Good Health and Well-Being); SDG 7 (Affordable and Clean Energy); SDG 9 (Industry, Innovation and Infrastructure)

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
		in the electrification of the economy, and energy storage. Besides that, with nearly 100% of electric energy generation made up of hydroelectric plants and with the imminence of water crisis, the challenges of safety and energy efficiency are heightened for Cemig. Its operations impact on and are impacted by the energy transition, which makes this theme a material one.				SDG 11 (Sustainable Cities and Communities); SDG 12 (Responsible Consumption and Production); SDG 13 (Climate Action).
Management of Suppliers	Top Management; Suppliers;	Environmental, economic and social impacts arising from the activities carried out by Cemig's suppliers are considered indirect impacts of the Company's operations, which is why management of the supply chain is vital for Cemig.	Environmental Supplier Assessment (308) Social Assessment of Suppliers (414)			SDG 12 (Responsible Consumption and Production); SDG 17 (Partnership for the Goals).
Water Resource Management	Sustainability Committee; Investors; Experts and Organizations of the Sector; Media (mediatic field).	With almost 100% of the generation of electric energy coming from hydroelectric plants, the management of water resources is essential for Cemig's operation. In addition, the forecast of intensification of extreme climatic events resulting from climate change poses significant risks for Cemig's business.	Economic Performance (201) Water and Effluents (303)			SDG 6 (Clean Water and Sanitation).
Risk Management	Top Management; Experts and Organizations of the Sector.	Risk management enables the insertion of diversified outlooks in case of changes in the economic, political,	Strategy (102-14 and 102-15); Governance			SDG 9 (Industry, Innovation and Infrastructure).

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
		institutional, regulatory context, and others. Risk management at Cemig is based on structured governance, supports decision making, and has focused on aspects such as the health and safety of employees, suppliers, customers, the general population and the environment, among others. Cemig approaches risk management with a high degree of priority and relevance.	(102-18 to 102-39) Economic Performance (201) Indirect Economic Impacts (203)			
People Management	Top Management; Sustainability Committee; Experts and Organizations of the Sector; Workforce.	People management is fundamental to fulfilling Cemig's mission and achieving its vision. Cemig's people management model is based on both strategic planning and the Human Resources Policy, which guide human resources initiatives and programs geared at people management, with the objective of adding value to the business, aiming at gaining efficiency and at quality assurance and availability of staff to provide services to consumers and the population of Minas Gerais. People management includes aspects such as training and increased productivity, meritocracy, accountability and the health and safety of its employees. It is highly relevant to the company, which seeks to add value to its businesses through it.	Employment (401) Training and Education (404) Diversity and Equal Opportunities (405) Non-discrimination (406)			SDG 4 (Quality Education); SDG 5 (Gender Equality); SDG 8 (Decent Work and Economic Growth); SDG 10 (Reduced Inequalities).
Governance of ESG aspects	Top Management; Experts and Organizations of the Sector; Investors.	The focus of Cemig's strategy is to allow for a balance between the economic, financial, environmental and social aspects, in order to	Governance (102-18 to 102-39)			SDG 8 (Decent Work and Economic Growth);

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
		continuously contribute to sustainable development. This supports a structured governance and aims at contributing to improve its relationship with shareholders, customers, employees, the society and other interested parties.	Economic Performance (201) Indirect Economic Impacts (203)			SDG 9 (Industry, Innovation and Infrastructure) SDG 12 (Responsible Consumption and Production); SDG 17 (Partnership for the Goals).
Research, Development and Innovation	Experts and Organizations of the Sector;	The development of innovations in products and processes is a fundamental part of Cemig's activities, which have an important role in the technological research and development of solutions for the generation, transmission, and distribution of electric energy. The positive impacts that these solutions have on the electricity sector and on society make this a material issue for the Company.	Indirect Economic Impacts (203)			SDG 7 (Affordable and Clean Energy); SDG 9 (Industry, Innovation and Infrastructure).
Quality of Energy, and Customer Satisfaction and Loyalty	Top Management; Captive Customers; Corporate Customers; Sustainability Committee.	The supplying of energy is Cemig's core business; and the quality of the service offered is an essential condition for the continuity of that business. Energy quality is measured by indicators of interruption in energy supply and Cemig is subject to minimum standards required by the regulatory body and	Organization profile (102-1 to 102-13); Strategy(102-14 and 102-15) Economic Performance (201) Indirect Economic Impacts (203)			SDG 7 (Affordable and Clean Energy) SDG 9 (Industry, Innovation and Infrastructure);

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
		expected by its customers. Besides that, with the growing migration of customers from the energy sector to the free market, there is a greater decision-making power on energy purchasing. In that regard, the quality of energy, as well as customer satisfaction and loyalty, is a material theme for Cemig.	Local Communities (413) Customer health and safety (416) Customer Privacy (418)			SDG 11 (Sustainable Cities and Communities).
Cybersecurity	Experts and Organizations of the Sector.	Cybersecurity deals with a set of actions, tools and processes that aim to protect against cyber attacks, and is fundamental for the Company and its stakeholders. As previously mentioned, because of its role as the major energy supplier in the state of Minas Gerais, Cemig has access to data on thousands of individuals and legal entities. Ensuring the protection and integrity of this data is essential, especially since the protection of its digital processes contributes to preventing cyber attacks, which harm its controls and systems.	Customer Privacy (418)			SDG 16 (Peace, Justice and Strong Institutions).
Population Safety	Experts and Organizations of the Sector; Media.	The safe use of energy is a relevant matter for Cemig because it comprises issues of health and safety issues for costumers and the general population. Cemig is aware of the risks and dangers inherent in the use of the power system by the population and	Customer health and safety (416)			

Priority material topic	Stakeholder Category (interest or effect upon)	Management Strategy Report – GRI 103-1	GRI topic (GRI Contents)	Topic boundaries		SDGs
				Internal Impact	External Impact	
		is dedicated to preventing and monitoring the occurrence of accidents throughout its concession area. Respect for life is one of its values, and efforts to promote the safety of the population are a priority for the Company.				
Workforce Health and Safety	Top Management; Sustainability Committee;	Transmission and distribution networks pose a high risk to the security of their operators. The health and well-being of the workforce suffer impacts from Cemig's operations and impact the Company's results. In this situation, caring for the health and safety of the workforce is a material issue for Cemig.	Customer Health and Safety (403)			SDG 3 (Good Health and Well-Being); SDG 8 (Decent Work and Economic Growth).

The GRI index, placed at the end of the document, presents the sections and pages where these topics are covered.

[102-49] The comparison of the set of material topics for Cemig (RAS 2019 and RAS 2020) is a highlight of the table below. It is noteworthy that there were no significant changes regarding the limits of impacts related to the topics.

Table 2: Priority material topics in RAS 2019 and RAS 2020

RAS 2019 priority material topics	RAS 2020 priority material topics
Biodiversity and Protection of Habitats	Biodiversity and Protection of Habitats
Compliance and Ethical Conduct	Compliance and Ethical Conduct
Development of Local Communities and Risk Management	Fight Against Losses
Management Efficiency	Local Communities
Energy Efficiency	Financial Performance

Fostering the Energy Transition	Human Rights
Management of Suppliers	Management Efficiency
Water Resource Management	Regulatory Framework
People Management and Development	Fostering the Energy Transition
Research, Development and Innovation	Management of Suppliers
Protection against Losses	Water Resource Management
Quality of Energy	Risk Management
Customer Satisfaction and Loyalty	People Management
Cybersecurity	Governance and ESG aspects
Workforce Health and Safety	Research, Development and Innovation
---	Quality of Energy, and Customer Satisfaction and Loyalty
---	Cybersecurity
---	Population Safety
---	Workforce Health and Safety

1.3 OUR FIGURES 2020

Table 3: Historical series of major indicators

General Data	2018	2019	2020
Number of consumers (millions)	8,408	8,537	8,698
Number of employees	6,083	5,596	5,254
Number of municipalities serviced	774	774	774
Concession area – km²	567,478	567,478	567,478

FEC – number of interruptions	5.06	5.05	5.05
DEC – duration of interruptions in hours	10.05	10.62	9.64
Number of plants in operation	89	88	89
Installed capacity – MW	6,070	6,020	6,086
Extension of transmission lines – km	4,930	4,930	4,930
Total extension of distribution grids – km	536,569	539,807	545,706
Urban extension of distribution grids – km	108,576	109,977	111,995
Rural extension of distribution grids – km	410,486	429,830	433,711

Environmental Aspect	2018	2019	2020
Funds invested in the environment – R$ million	48	55	36.5
Fleet consumption by renewable fuel (GJ)	139,114	144,916	128,026
Installed capacity free from GHG emissions (%)	98	100	100
Total water consumption – m^3	266,618	254,094	172,672
Direct emissions of CO_2 – tCO_2e	35,613	51,938	11,652
Funds invested in environmental R&D - R$ million	4	22	7

Social Aspect	2018	2019	2020
Average training hours per employee	37.88	56.52	14.85
Total of funds invested in in-house and external social indicators – R$ million	12,287	13,597[15]	12,146
Accident frequency rate – in-house employees	0.91	1.03	1.31
Accident frequency rate – contractor employees	1.71	1.76	1.75

[15] Amount adjusted according to the 2020 Financial Statement.

1.4 AWARDS, ACKNOWLEDGMENTS AND VOLUNTARY COMMITMENTS

1.4.1 AWARDS AND ACKNOWLEDGMENTS

In 2020, Cemig's environmental, economic, social and governance performance was evaluated and acknowledged by the major sustainability indexes of stock exchanges and specialized agencies.

Dow Jones Sustainability World Index* - DJSI *World

Cemig has remained on the select list of the Dow Jones Sustainability Index (DJSI World) for 21 consecutive years, as it was also selected for the 2020/2021 period.
For further information on DJSI World, go to https://www.spglobal.com/esg/csa/csa-resources/djsi-csa-annual-review

Corporate Sustainability Index - CSI B3

The Corporate Sustainability Index - ISE B3 includes Cemig in the composition of its portfolio in force in 2021, acknowledging the company's commitment to good sustainability and corporate governance practices. It is 16 consecutive years appearing in ISE B3.

The new portfolio comprises 46 shares, from 39 companies in 15 sectors. Together, the companies add up to R$ 1.8 trillion in market value, 38% of the total market value of companies with shares traded on B3, based on the closing of November 25, 2020. For further information on ISE B3, go to http://iseb3.com.br/

FTSE4Good Global Index

Cemig was selected for the 4th consecutive year for inclusion in the FTSE4Good Global Index, one of the important international indexes that assess environmental, social and governance performance (ESG) of companies.

On a scale of zero to five, Cemig obtained an overall score of four, higher than the performance of the world average in the utilities sector. It was awarded the maximum score in three criteria: risk management, climate change and labor practices. For further information on the FTSE4Good Global Index, go to https://www.ftserussell.com/products/indices/ftse4good

2021 Sustainability Yearbook

Cemig was listed in the bronze category of the Sustainability Yearbook 2021, one of the world's most prestigious publications on corporate sustainability. The 2021 selection achieved a record number of 7,032 participating companies, broken down in 61 industries. Cemig took 15th position, after 220 companies in the power industry were evaluated. The scores obtained in the evaluation conducted by S&P Global are also a key factor in the selection of the DJSI. For further information, go to https://www.spglobal.com/esg/csa/yearbook/

Carbon Efficient Index – ICO_2

Cemig is part of B3's Carbon Efficient ICO_2 Index portfolio, from 01/04/2021 to 04/30/2021. The index, which rebalanced every four months, is made up of actions from companies included in the IBrX100 index that have been appraised and selected for their transparent practices regarding their

greenhouse gas emissions(GEE). For further information on ICO_2, go to http://www.b3.com.br/pt_br/market-data-e-indices/indices/indices-de-sustentabilidade/indice-carbono-eficiente-ico2.htm

Disclosure Insight Action - CDP

Cemig achieved the maximum double rating on the CDP's "A List", for ensuring water security and for its commitment to combating climate change. The company, which in the past year had already achieved excellence in water risk management, for the first time obtained an 'A' rating also in climate management. Thus, it becomes one of a select number of global companies with an 'A' rating on both CDP lists, after over 5,800 organizations were evaluated. For further information on CDP, go to https://www.cdp.net/en/

MSCI ESG Research

Ranked in the "AA" Leader category for the sixth consecutive year, within a scale ranging from "CCC" to "AAA". For further information on MSCI ESG, go to https://www.msci.com/our-solutions/esg-investing/esg-ratings

2020 Transparency Trophy

For the 16th time, Cemig won the Transparency Trophy in the "Publicly Traded Companies with Net Revenue above R$ 8 billion" category, carried out by the Brazilian National Association of Finance, Administration and Accounting Executives (Anefac), with technical analysis by the Foundation Institute for Accounting, Actuarial and Financial Research (Fipecafi) and sponsored by Serasa Experian.

"We believe in transparency to generate value for the market and we will continue to strive to always do our best. We thank our workforce for leading us to this acknowledgment".
Reynaldo Passanezi, Cemig's President – in Oct/2020

The winning companies in both categories - with net revenue above and up to R$ 8 billion - were selected after an analysis of the quality of the financial results information presented to the market, which are public and serve as a basis, so that those interested in investing can safely do so, thereby reducing the risks of their decisions. For further information on the 2020 Transparency Award, go to https://www.anefac.org/transparencia

Top 100 Green Utilities:

Cemig occupies the 23rd position in the ranking of the top 100 power generation companies that utilize practices focused on renewable sources energy and the reduction of greenhouse gas emissions. For further information on the Top 100 Green Utilities, go to http://www2.energyintel.com/Green_Utilities_Report_2020

1.4.2 VOLUNTARY COMMITMENTS

[102-12] Cemig is a signatory and supporter of and participant in several domestic and international initiatives to boost its commitment and contribution to sustainable development, guide the practices of its administrators, tax advisers, employees, interns, contractors and subcontractors, business partners, suppliers, and service providers. The following voluntary commitments stand out:

- Since 2007, Cemig has been a company participating in the Carbon Disclosure Project (CDP);
- Since 2009, Cemig has become a signatory of the accession charter to the United Nations (UN) Global Compact;
- Since 2017, Cemig has become a signatory of Ethos Institute's Business Pact for Integrity and Against Corruption;
- In 2020, the Company entered the Alliance for Climate Action (ACA-Brazil). That is a coalition of players from several sectors of society, such as corporate leaders, investors and state and municipal governments to boost the subnational climate agenda.

CEMIG

2 BUSINESS MODEL

[102-1;102-2; 102-5] Companhia Energética de Minas Gerais S.A. (Cemig) is a mixed-capital and publicly-traded company that is controlled by the state of Minas Gerais, holding 50.97% of the Company's common shares. The Federal Government, through BNDES[16] Participações S.A. - BNDESPar, holds 11% of the common shares. The Company's shares are traded at the São Paulo, New York and Madrid stock exchanges. The Company's market value on 31/Dec/2020, was approximately R$ 23 billion.

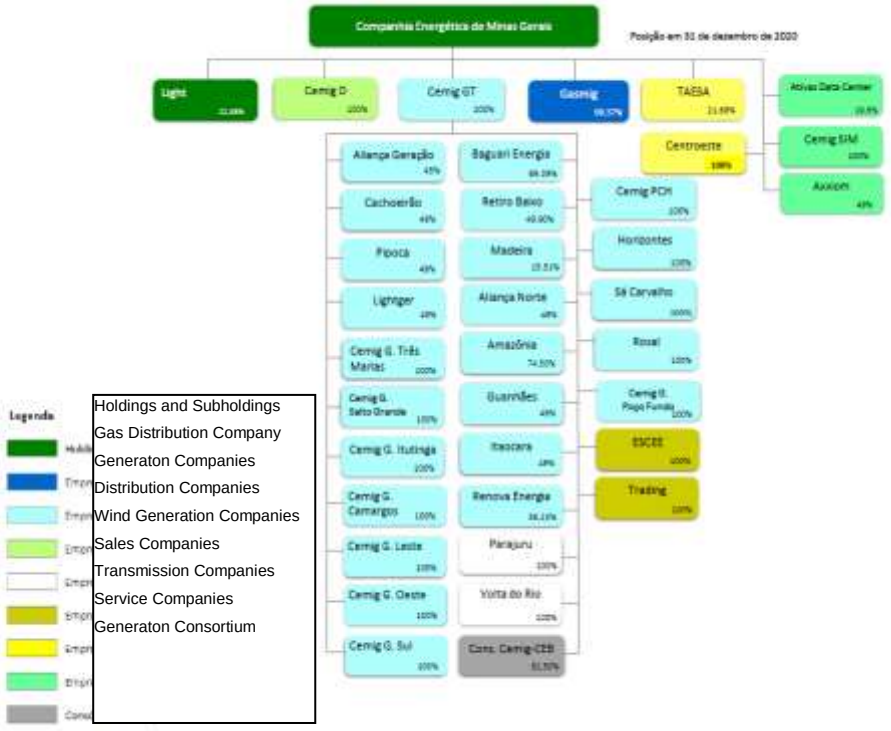
[102-3; 102-4] The Cemig Group is headquartered in Brazil, in the city of Belo Horizonte, Minas Gerais, and is responsible for providing services to over 30 million people in 805 municipalities in the Brazilian states of Minas Gerais and Rio de Janeiro[17]. Its operations include the management of the largest power distribution network in South America, over 545 thousand kilometers long. Cemig's generation and transmission businesses reach 25 Brazilian states and the Federal District

As of December 31, 2020, the Cemig Group was comprised of 185 companies, 14 consortiums and two Private Equity Interest Funds (FIPs) [18]. The Company is formed by its wholly owned subsidiaries, Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A. Also Cemig holds a 22.6% interest in the capital of Light S.A., in which it participates in the control block, and also holds a 21.68% interest in the capital stock of Transmissora Aliança de Energia Elétrica S.A., Taesa, thus granting it control of the company. Cemig Holding's interest in the capital of subsidiaries and affiliates are displayed in the figure below.

Position as of December 31, 2020

[16] Brazilian National Bank for Economic and Social Development.
[17] In Minas Gerais alone it is 774 municipalities. As of January 2021, the 31 municipalities in Rio de Janeiro are no longer served by Cemig.
[18] In January 2021, Cemig sold its 22.6% equity interest in Light's capital, a company that works in energy distribution to Rio de Janeiro and a further 32 municipalities of the state. In February 2021, the Cemig Group was made up of 176 Companies, 14 Consortiums and two FIPs.

Figure 1: Cemig Group's Organizational Chart



and affiliates by an active participation in their management bodies, following the criteria of good corporate governance and ensuring compliance with their business plans.

Cemig is recognized for its size and technical competence, and is the largest integrated company in the power sector in Brazil. In Minas Gerais, it accounts for 96% of the concession area, with over 8,600 consumers in 774 municipalities. It is also (i) the largest supplier of energy to free customers in the country; (ii) the third largest generator group; (iii) the second largest transmitter; and (iv) the largest distribution group in Brazil.

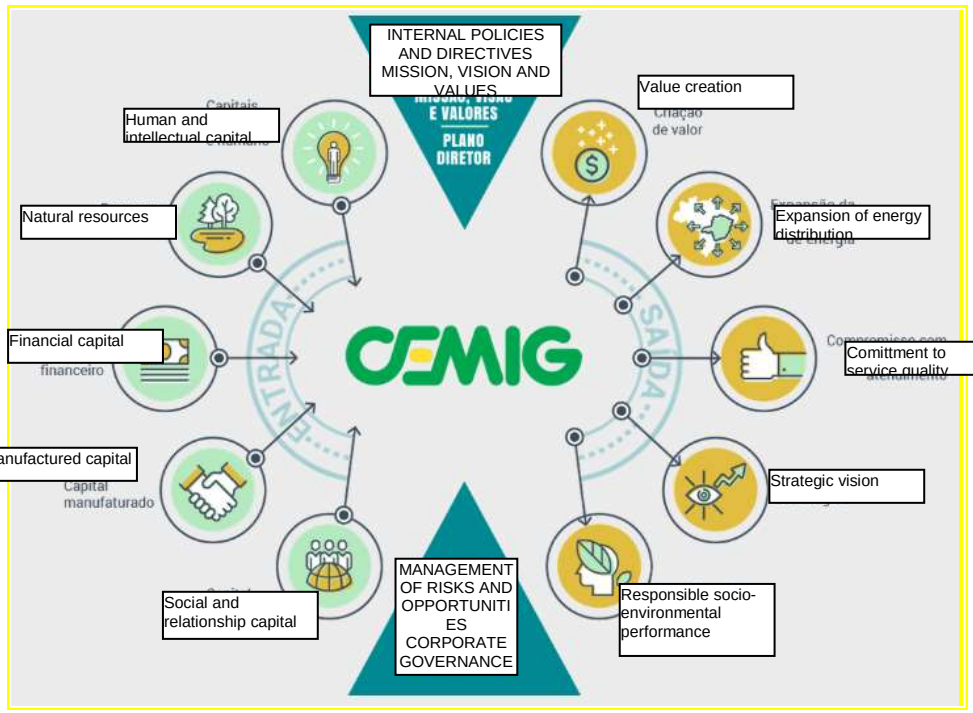
In carrying out its activities, Cemig seeks to create value for its shareholders, employees, suppliers, and society. Investments in expanding energy distribution and a commitment to the quality of customer service substantiate Cemig's strategic vision, which is based on the principles of sustainability and social and environmental responsibility.

Cemig's main elements are the following:

- The technical capacity and quality of its workforce, acknowledged both domestically and internationally for its expertise;
- Natural resources, mainly water, as a large part of its nameplate capacity comes from hydroelectric plants;
- The financial resources of the government and other shareholders required for the development of the business;
- Inputs provided by suppliers and customer, consumer, and local community loyalty.

The diagram below shows how Cemig's management and governance structures can have significant impacts on natural, physical, financial, social, and relational, human, and intellectual capital.

Figure 2: ***Value-Generation Diagram***



Cemig's management system follows the guidelines stated in its strategic foundations, mission, vision, and values. It is geared towards successfully leading and operating the Company's organization and was designed to continuously improve its performance. Below are these guidelines, which were updated and approved by the Board of Directors.

- Mission: provide clean and accessible energy integrated solutions to society, innovatively, sustainably;

- Vision: to be among the 3 best integrated electric power groups in Brazil regarding governance, financial health, asset performance, and customer satisfaction;

- Values: The organizational values stand for the beliefs and attitudes that give personality to Cemig's relationship with stakeholders.

Cemig Values

Respect to life: act prudently and prevent accidents in any situation.

Integrity: act ethically, transparently and honestly.

Value generation: provide solutions for the well-being and prosperity of customers, shareholders, employees, suppliers, and society.

Sustainability and social responsibility: supply safe, clean, and reliable energy, contributing in a sustainable way to economic and social development.

Commitment: act with responsibility, enthusiasm, dedication, and in a proactive way.

Innovation: be creative and seek new solutions to the challenges faced by the company.

Cemig assesses its management using several tools and processes. First of all, it is important to note that a part of the Company's business processes are certified in the ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System) standards. The organization's processes certified in these standards undergo periodic internal and external audits that assess compliance with regulatory requirements. In general, the audit processes promote actions to improve management; these are an important way to assess the full functioning of its management practices, as well as compliance with its indicators and meeting the interests of its most critical stakeholders.

Cemig also has a business strategy management sector that, together with representatives of the various processes, assesses the internal and external environments, periodically drafting and reviewing the corporate mission, vision, and values, as well as its short and long term objectives. When carrying out the analysis of the business background, the Company assesses its management; this is sometimes helped by specialized consultants and uses corporate models (benchmarking) data as a basis for these analyses.

Also, strategy management constantly monitors the system of objective-linked performance indicators, one of the major ways of assessing management.

Cemig annually participates in several national and international sustainability rating initiatives, to obtain assessment and validation of recognition for its quality and sustainability practices. Participation in ratings helps the organization to be in line with the best management practices, adapting to global trends, and using the inputs of this participation to improve its management.

Another way the organization has of assessing and adjusting its management tools is customer satisfaction surveys. Considering only Cemig D, there are two major forms of gathering customer perception on corporate processes: (i) Aneel Consumer Satisfaction Index (IASC) survey carried out by Aneel; and (ii) the Perceived Quality Satisfaction Index (ISQP) coordinated by Abradee.

These surveys provide important information about the organization's management. The surveys are held at different times of the year and have specific methodologies, thus allowing the company to understand which aspects of management need to be improved. The results are evaluated by the teams in charge of the effort, and those teams produce improvement actions accompanied periodically by the Company's top management.

2.1 OPERATIONS

[102-7; 102-10] In late 2020, the Company had 89 plants, 82 of which were hydropower ones (40 UHEs, 32 PCHs and 10 CGHs)[19], a photovoltaic plant and 6 wind parks. The installed capacity totaled 6,086 MW [20], which amounted to a 1.1% increase in relation to the Company's installed power in late 2019. In the domestic power generation segment, Cemig GT is one of the largest electric energy generators in Brazil, with a 2,303 MW installed capacity.

100% of Cemig's installed capacity comes from renewable energy sources.

Table 4: Installed Capacity per Plant[21]

Power Plant	Installed Capacity (MW)
Emborcação	1,192
Nova Ponte	510
Irapé	399
Três Marias	396
Salto Grande	102
Queimado	83.6
Rosal	55
Sá Carvalho	78
Itutinga	52
Camargos	46
Santo Antônio	553.4
Belo Monte	1,376.2
Aimorés	148.5
Amador Aguiar I	94.4
Amador Aguiar II	82.6
Funil	81
Igarapava	49.75
Wind	115.2
Geração Light	268.3
Baguari	47.6

[19] HPP (Hydroelectric Power Plant), SHP (Small Hydroelectric Plant) and HGP (Hydraulic Generating Plant).
[20] Datum considering all plants from Cemig and the holding companies in which it has an interest.
[21] Installed capacity is given in its participation share of Cemig in the project.

Others	355
TOTAL	6,086

Table 5: Cemig's power generation complex

Source	Installed Capacity (MW)				Net Generation (MWh)			
	2020	%	2019	%	2020	%	2019	%
Water	5,969.4	98.18	5,903.4	98	12,549,147	98.7	13,208,158	98.5
Wind	115.2	1.9	115.2	1.1	157,295	1.9	152,818	1.1
Solar	1.4	0.02	1.4	0.02	1,112	0.09	1,381	0.01
Total	6,086	100	6,020	100	12,707,554	100	13,407,445	100

Energy transmission carried out by Cemig GT is made via a 4,927-km-long transmission network[22] including 39 substations strategically distributed over its area of operation. The table below shows the makeup of the transmission network by voltage level.

Table 6: Cemig's Power Transmission Lines 2020

Voltage Level (kV)	Total Extension (km)
230	767.129
345	1,978.771
500	2,181.4
Total	**4,927**

Cemig D is the Cemig Group's company in charge of operating the distribution network. With an area of operation covering 774 municipalities in Minas Gerais, Cemig D has 545,706 km of distribution networks - including medium, low and high voltage networks (MV, LV and HV, respectively).

Table 7: Cemig's Distribution Lines in 2020[23]

Kind of Network	Extension		
	km MT	km BT	km AT
Urban Aerial Networks	41,016.62	67,658.07	934.23
Rural Aerial Networks	398,371.59	18,771.02	16,502.29
Urban Underground Networks	327.23	2,059.24	0
Rural Underground Networks	0	66.42	0
Total (km)	**545,706.71**		

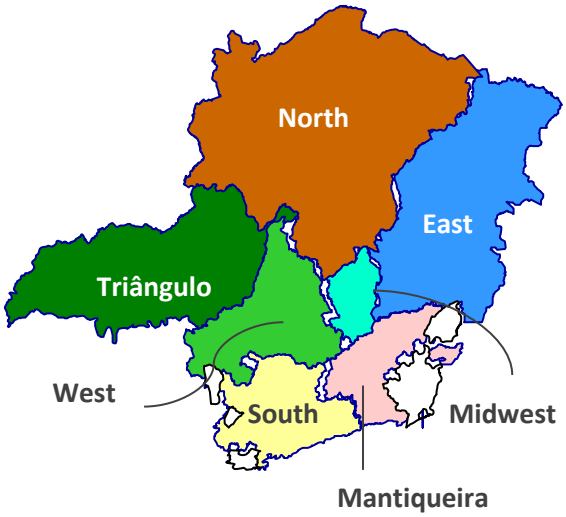
Cemig has been consolidating its shareholding in several significant companies in the national energy sector, including working on the exclusive distribution of piped natural gas throughout the territory of Minas Gerais by grant or concession.

[22] Electric Sector GRI EU-04
[23] Electric Sector GRI EU-04

Generaton
Transmission
Cemig free customers
Wind generatoin

The Compan house employees in 2020. Further information on the organization size can be found in t erformance chapter.

Figure 3: Where we are



Operating area – Cemig D

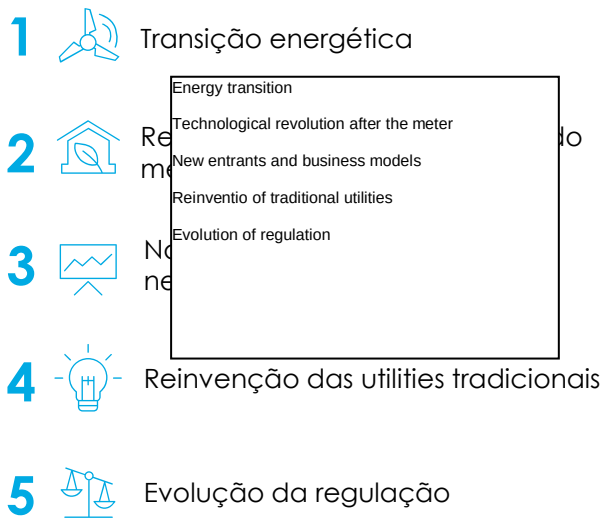
2.2 STRATEGY

The guiding principles of strategic planning (mission, vision, and values), as well as the guidelines, goals, and initiatives of Cemig and its businesses, support the deployment and conducting of its business strategy.

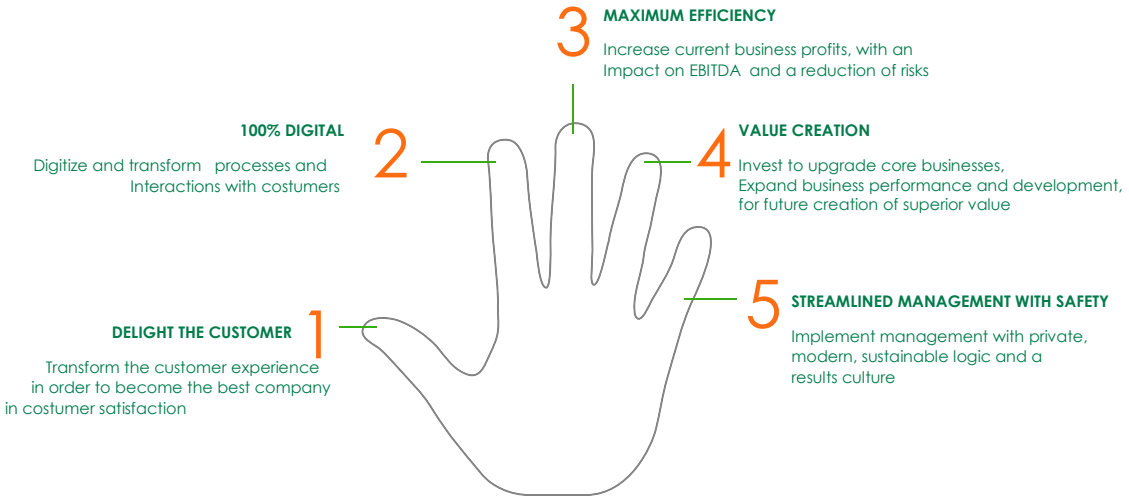
[102-26] Pursuant Law No. 13,303/16 and State Decree (MG) No. 47,154/17, the Executive Board is responsible for presenting the strategic planning to the Board of Directors, which is responsible for approving (i) the business plan for the following fiscal year, and (ii) the updated long-term strategy with analysis of risks and opportunities for at least the next 5 years. The Executive Board is responsible for preparing the proposal for the annual review of strategic planning and forwarding it to the Board of Directors for consideration.

In January 2021, Cemig's Board of Directors approved the review of the Company's strategic planning for the 2021-2030 cycle.

In analyses carried out on the external environment, five major transformational trends in the electric industry were identified, which will impact the Company's strategies, requiring greater efficiency, greater customer focus and increased competitiveness:



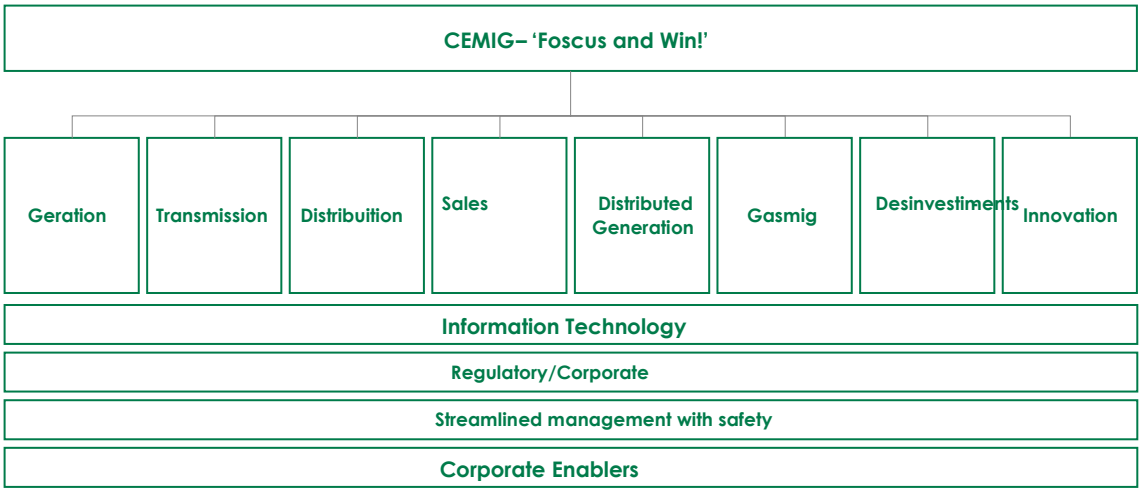
Cemig's Strategic Plan aims to speed up the transformation, based on five main pillars:



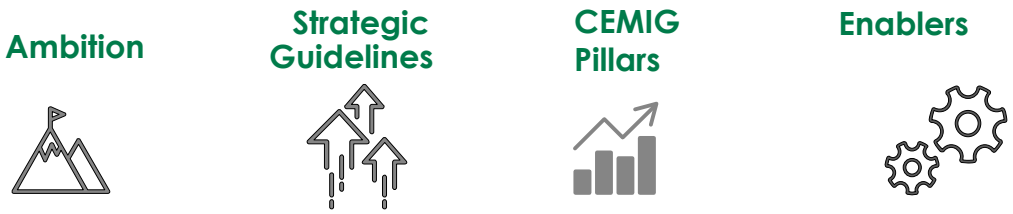
Some of the challenges identified in each of the pillars are:

1. Put the customer at the center to transform their experience on the journey;
2. Modernize platforms and infrastructure; automate, integrate and enable analytical capacity; boost digital skills;
3. Reduce operating costs; modernize assets; increase productivity; increase/recover revenue; maintain levels of quality and continuity within regulatory limits;
4. Invest in strengthening and expanding current businesses and exploring new opportunities; execute the divestiture plan;
5. Implement management with a private, modern logic, by reinforcing ESG practices and with a culture focused on results.

The strategy was detailed for Cemig, its main businesses, companies and key enablers, in order to allow the delivery of results:



The monitoring dynamics of the Plan are based on our strategic ambition and guidelines and, as a pathway, the strategic pillars and enablers defined for the holding and the businesses (2021-2030). The target is the indicators and goals to be achieved and the strategic initiatives are responsible for helping to realize results.



The strategy was deployed for the different areas of the Company through action plans, projects, initiatives and indicator panels, linked to the strategic deliveries of 2021. There will be a follow-up by means of systematic meetings throughout the year.

A Results Delivery Office (EER) was set up, which will be responsible for monitoring action plans, projects, initiatives and results of the Company's key indicators. EER will report directly to top management on the reach of the Strategy.

CEMIG D'S RESULTS PLAN

In order to achieve the objectives laid down by sectoral regulation, Aneel developed, in 2016, a new inspection model called Strategic Inspection[24], based on the best practices of the regulatory agencies that are members of the Organization for Economic Co-operation and Development - OECD).

Using this methodology, the Agency aimed at contributing to the solution of the problems detected in the inspection processes, seeking regulatory compliance for its concessions (by exchanging the punitive approach for a preventive one involving participation and collaboration with companies).

Cemig D participated in the first cycle of the Results Plan (September 2017 to October 2019), and showed it needed to improve in five indicators:

- Quality in energy supplying;

[24] For more information, go to: < http://www2.Aneel.gov.br/arquivos/PDF/ficalizacao_estrategica-evento-03-03-2016.pdf>

- Commercial quality;
- Customer service in the countryside;
- Safety indicators;
- Economic and financial sustainability indicators.

In October 2019, the Company started a new cycle of the Results Plan (presented by Aneel), with end date for September 2020, and focused in two indicators, for the others had already shown performance improvements:

- Connection with works: monitoring of the performance of the Distributor Utility in meeting requests for initial supply and charge increase, with the need for works. Indicators that measure the average term of studies, budget for the works, and the average term of execution are monitored. The goals are that the average term of studies in arrears must be less than or equal to 39 days, and the percentage of works carried out after the deadline must be less than or equal to 5%;
- Continuity of supply: assesses the quality of the service provided by the Distributor Utility and compliance with regulatory aspects regarding duration and frequency of interruptions and the time taken to respond to incidents. The goal is to reach 158 sets[25] within the DEC limit and 246 sets within the FEC limit, in addition to complying with the global concession indicators.

The results achieved were the following:

- Connection with construction works: Cemig presented values lower than the targets forecast in the Plan for all indicators;
- Continuity indicators: Cemig was able to increase the number of sets with DEC within the limit and improve the FEC indicator of the sets, however, without reaching the expected targets.

Due to the result obtained, Aneel considered that, for the topic of Continuity of Supply, the performance was partially satisfactory and should be continued through the monitoring of a new cycle (2020 to 2021).

DIVESTITURE PROGRAMS

[102-10] Currently, Cemig's strategy for participation aims to maximize value and capital recycling based on three pillars:

- Divestitures: non-strategic assets with low synergy and opportunistic offers;

[25] Sets are the subdivisions that Aneel uses to monitor the continuity indicators of a concessionaire. They are usually related to the number of substations and consumers. In the case of Cemig D, there are 295 electrical sets. For more information, go to: <https://www.Aneel.gov.br/documents/656827/14866914/M%C3%B3dulo_8-Revis%C3%A3o_10/2f7cb862-e9d7-3295-729a-b619ac6baab9>

- Expansion: through specific companies and the renewal of concessions for some plants;
- Management: by leveraging synergies, capital structure and distribution policy, and improving governance.

The above pillars can be affected by external factors, especially the divestiture one, due to specific risks associated with each business, such as performance (technical, operational, commercial and financial), market risks, sectoral risks, and domestic and international macroeconomic risks (for example, market volatility). In addition, the completion of divestiture operations depends on the favorable evolution of negotiations with potential investors, according to the conditions of possible transactions.

The review of the Strategic Planning will include the new drives for investments and divestitures of the Cemig Group.

2.3 INNOVATION

[103-2: 203; 103-3: 203] The development of innovations in products and processes is a fundamental part of Cemig's activities. The commitment to identify and implement new technologies allows for the creation of goods and services capable of bringing benefits to the whole society, such as access to quality energy, based on a clean, diversified and reliable energy matrix.

Transformational trends in the energy sector, such as energy transition and a greater main role for consumers in the electrical system, demand an expansion of the strategic focus on innovation.

Thus, in 2020, Cemig focused on rethinking its innovation model, resulting in the following initiatives:

- Creation of an innovation core integrated with the Strategy area, to coordinate innovation management processes, analyze scenarios, prospect technologies, provide solutions that add value to the Company's business, promote the interaction of the Company internally and with other organizations aiming at the creation of innovation networks, and encourage the creation of innovation platforms connecting people in environments conducive to experimentation;
- Development of Cemig's Innovation Policy, and the innovation strategy and plan. These documents will have to be approved by the Executive Board;
- Formation of a portfolio of ongoing innovation projects, considered as strategic, based on a survey by the innovation core together with the business areas.

In order to carry out its innovation strategy, Cemig values its technological partnerships entered into between the Company and universities, other companies in the industry, research centers, the community, etc.

In 2020, negotiations to establish new partnerships were intense. The intensification of meetings using digital means, due to the pandemic, allows for the expansion of preliminary contacts with proponents. However, new partnerships have not been consolidated, as new innovation projects were not concluded in 2020.

RESEARCH AND DEVELOPMENT

Cemig annually invests part of its net operating revenue in Research and Development in the electricity sector. Thus, Cemig has a Research and Technological Development (R&D) Program, which has been in force since the 1990s and includes (i) the development of incremental technology projects that are responsible for generating gains in operational efficiency and cost reductions, and (ii) initiatives of a radical or disruptive nature, capable of supplying radically new products.

As a result of this Program, new methodologies, processes, software, materials, devices, and equipment are produced that are geared at improving the electrical system and the operating process, in addition to increasing personal and property safety.

Cemig's R&D consists of a range of projects on different topics and lines of research. Technical tender documents are published annually presenting Cemig's requirements for attracting proposals. The proposals received are assessed by the Company's technical staff through technological forums. These proposals are transformed into projects developed by a network of partners, yielding from prototypes of cutting-edge technologies to the licensing of products with marketable potential.

In 2020, a new project was contracted by means of a specific call for proposals of innovative solutions for notification devices in case of dam emergencies, opened in 2019. The table below shows information on the contracted project and its progress in 2020:

Table 8: R&D projects contracted in 2020

Project Number	Title	Objective	Project Total Amount	Amount Paid in 2020
GT656	Individual Notification Device (DIN) in case of Dams Emergencies	Individual Notification Device (DIN) intended to alert residents of risk areas in the event of emergency events, including the deployment of a pilot project in a small-sized and a large-sized region, last RF mile, gateways, backhaul, network management, and web application.	R$ 5,359,388.60	R$ 1,568,965.73

As a measure of its efforts in innovation, the Company uses the INOV indicator, which translates as the relationship between the total investments made in R&D and innovation efforts in the current year and the net operating revenue for the same year. This resource is applied to actions in the various areas of the Company with the purpose of creating value for the business as a whole, involving innovations in different perspectives, ranging from innovation in products and processes to organizational and marketing innovations. The result determined indicated that 0.33% of the year's net revenue was allocated to research, development, and innovation, and fell 0.56% behind the goal. This result is justified by the following facts:

Since 2006, Cemig leverages Lei do Bem (Law No. 11,196/05) in its favor, which makes it possible to deduct the amount corresponding to the sum of expenditures on technological research and innovation projects from income tax due. For projects to be considered for this benefit, Cemig must identify those resulting from the design of a new product or process, as well as those responsible for gains in quality or productivity via incremental improvements to its processes. Since it started complying with the law, Cemig has obtained R$ 98 million in taxes due deductions. In 2020, R$ 8 million was deduced.

- There was a delay in technical developments due to the closing down of laboratories as a result of the pandemic;
- Contingency management of 70% of the resources provided for R&D, also motivated by the pandemic, since the Company needed to guarantee resources for priority actions, ensuring essential services and meeting regulatory restrictions;
- Fourteen projects were in the process of being amended and their activities were halted.

Figure 4: INOV Indicator – Expenditures in Innovation – 2020

INDEX OF EXPENDITURES IN INNOVATION - INOV					
2020 - P65 realized	2020 - R&D realized	2020 - Special Projects realized	Total innovation expenditures	NOI - Net Operating Income	INOV
R$ 13,914,183.01	**R$ 40,452,678.67**	**R$ 1,543,438.75**	**R$ 55,910,300.43**	**R$ 17,168,402,225.00**	**0.33%**

MOVIMENTA PROGRAM

Movimenta is an ongoing program to encourage the culture of innovation by the registering of projects with the potential to create value for Cemig, presented by the Company's employees themselves. Its objective is to stimulate the participation of employees in a search for solutions aimed at generating revenue, reducing costs, increasing quality, and improving levels of corporate sustainability, without prejudice to returns from the economic and financial sides.

The projects presented by the teams include changes in procedures and suggest new work methods that generate revenues and reduce costs for the company, always taking into account both quality and corporate sustainability.

The second edition of the program happened in 2019, and had 96 projects enrolled, 18 of which were approved in all phases of the public tender. The third edition of the program was not launched in 2020 due to the social distancing caused by the Covid-19 pandemic and the prioritization of resources and projects defined by the Company. With the adapted and functional remote work tools, a new program format is being prepared to receive new initiatives from 2021 onwards.

It is important to stress that, in 2020, projects approved in the second edition of Movimenta were implemented with the proper determination of the benefit for the Company. There was an award for those whose effects were noticed by the Company.

INTELLECTUAL PROPERTY

Regarding intellectual property, Cemig analyses the feasibility and aspects of obtaining privilege on inventions, brands, software, Internet domains, etc., guiding applicants in the preparation and monitoring of requests for privilege, and promoting the custody and disclosure of charters, records, and other intellectual property deeds.

In 2020, Cemig filed for a new patent application and had three patents granted. In total, the Cemig Group has 15 patents in effect and 44 applications are in progress.

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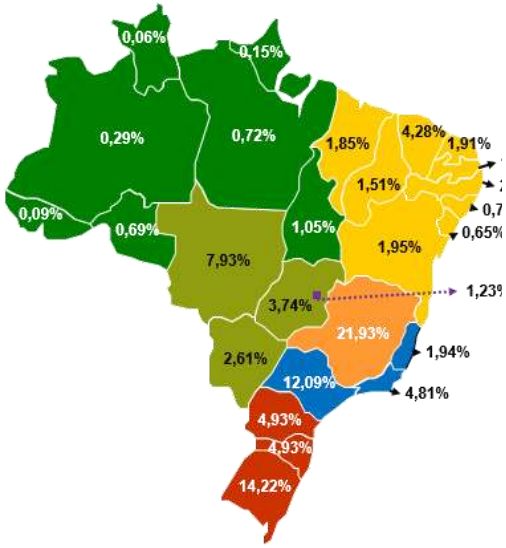
2.4 NEW BUSINESSES

Since 2012, when Aneel established the Electricity Compensation System, Cemig has been leading the market for Distributed Generation (DG) connections [26] in Brazil. In the period between the publication of Resolution 482, in 2012, and December 2020, 68,435 generating units have already been connected by the Company, 68,283 (99.8%) of which are photovoltaic solar sources, reaching a total installed capacity of 839.4 MW with Distributed Generation. In the domestic scenario, the connections made by Cemig amount to 17.7% of all distributed generation connections in Brazil, and the 839.4 MW installed by Cemig represent 17.5% of the total 4,792.7 MW installed in the Brazilian territory by December 31, 2020.

Figure 5: Percentage of Installed Power in Brazil per State

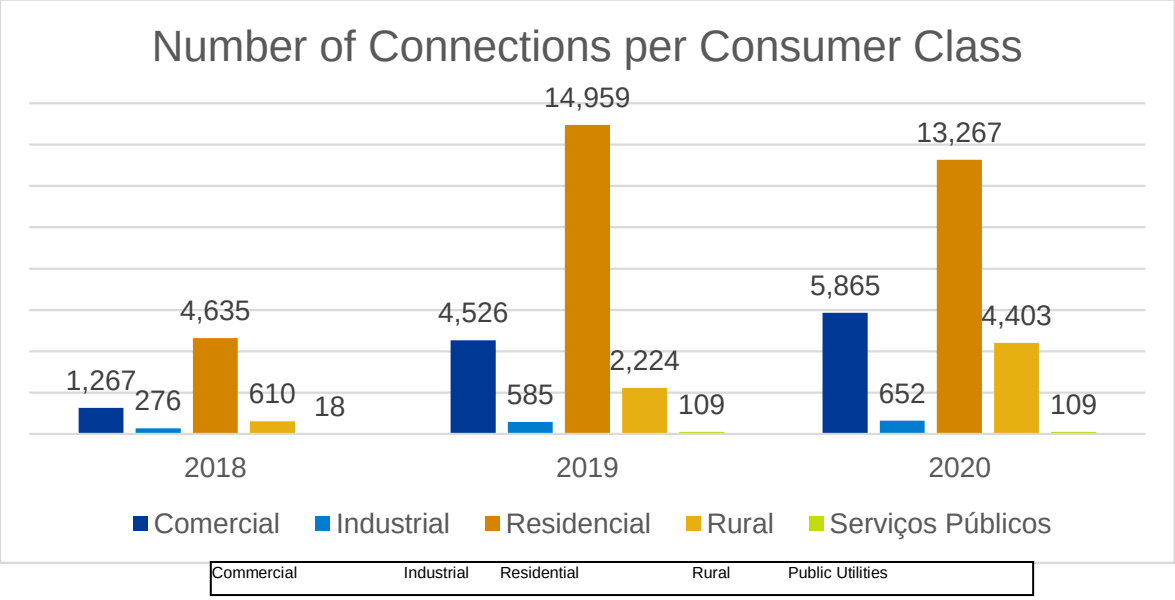


In 2020, 34,298 new installations were carried out by the Company, which practically doubled the number of utility

[26] DG is the ability to generate energy next to or near the consumer, including allowing them to generate their own energy from renewable sources. Thus , the emphasis is on decentralizing electricity generation, allowing savings in terms of transmission and reducing technical losses. This system is regulated by Aneel and allows consumers who produce their own energy to inject their surplus into the utility's network and later be compensated with the consumption of power.

connections in Cemig's concession area in one year. The progress in the number of connections between years 2018 and 2020, stratified by consumer class, has shown the profile displayed in the charter below.

Chart 1: Number of connections by consumer class



In the past three years, approximately 90% of microgeneration connections[27] were made by Cemig with a reduction in the average service time, considering from the origin of the order down to the connection. For connections without the need for works on the power system, the reduction was 51 to 43 days. For connections that needed works on the power system, the reduction was from 197 to 161 days. Considering the minigeneration connections, around 83% were provided, with a reduction in the time required; that reduction was from 125 to 111 days for those without the need for works, and from 479 to 306 days for those in need of works.

CEMIG S!M

Cemig S!M is the Cemig Group company aimed at participating in the Distributed Generation (DG) and energy services market. Cemig S!M customers obtain energy credits from the solar farm complex and, thus, reduce electricity costs.

Figure 6: Cemig S!M's performance dynamics

[27] In microgeneration of solar energy, the photovoltaic system has a power of up to 75kW, and in the minigeneration of solar energy, the photovoltaic system has a power between 76 and 5MW.

1. The solar farms (an infrastructure of photovoltaic panels that capture sunlight and transform it into electricity) are installed in the regions with the highest levels of sunshine in Minas Gerais.

2. The energy generated passes through the distribution grid before reaching the customer's address.

3. The customer receives a discount of up to 18% on their energy bill. If the contracted energy is not used, it accrues for the following month.

To serve and expand its base of approximately 2,000 customers, CEMIG S!M acquired, in 2020, a 49% interest in seven special purpose companies (SPE), geared to DG using a photovoltaic solar source. An investment of approximately R$ 55 million was made in 19 photovoltaic plants (UFV) and 32 MW of power.

With the connection of the 19 generating units, Cemig S!M closed 2020 with a total installed capacity of 42 MW in miniDG. In 2020, the energy generated and offset to Cemig S!M customers reached an amount of 35.9 GWh, which is equivalent to a reduction in the emission of 2,660 tons of CO_2 into the atmosphere.

Cemig S!M plans to continue expanding its installed capacity in 2021. It will also extend its services, hitherto restricted to the commercial and industrial market, to the residential market.

The process of contracting the energy generated by Cemig S!M is completely digitalized[28]: consultation of information on the types of services and plans offered, simulation of discounts, request for proposals and execution of the contract. The digital platform was designed to facilitate the interaction of potential customers with Cemig S!M's portfolio of products and services, thus speeding up the gathering of the information required for the drafting of commercial proposals in a transparent, safe and efficient way.

[28] Access on the website https://cemigsim.com.br/

Cemig S!M is also betting on the electric mobility segment. It intends to build a network of charging stations for electric vehicles supplying in Minas Gerais. In 2020, the company made four public charging points available in Belo Horizonte.

2.5 GRANTS

One of Cemig's most valuable intangible assets is its concessions to exploit resources and infrastructure in the areas of generation, transmission and distribution of electricity and gas. The Cemig Group's activities are supervised and regulated by Aneel, through concession contracts from the Federal Government.

Generation

In the generation business, the Company earns revenue from the sale of energy from its plants in the regulated environment (ACR), as well as in the free environment (ACL). While in the regulated environment, transactions take place by means of centralized and public auctions; in the free environment, negotiations are bilateral and reserved for stakeholders.

There is also revenue from the short-term market (MCP), which remunerates agents for energy not included in the supply contract, which is settled at the Difference Settlement Price (PLD).

Transmission

According to the transmission concession contracts, Cemig and its subsidiaries are authorized to charge the tariff for the use of the transmission system (TUST). Tariffs are adjusted annually on the same date as the adjustments in the Permitted Annual Revenues (RAP) of transmission concessionaires. This tariff-charging period begins on July 1 of the year when tariffs are published and extends to June 30 of the following year.

Payment for the use of transmission also applies to the generation of Itaipu Binacional. However, due to the legal characteristics of that plant, the corresponding charges are taken on by the distribution concessionaires that hold the respective shares of the plant power.

Power distribution

Cemig D has a concession (from Aneel) to exploit the electricity distribution activity in most of the state of Minas Gerais maturing in December 2045.

As determined by the concession agreement, all assets and facilities that are linked to the provision of the electricity distribution service and that have been executed by the concessionaire are considered reversible and are part of the estate of the respective concession. These assets will revert to the granting authority upon contract termination. Then assessments and determination of the amount of indemnification due to the concessionaire will be carried out, without prejudice to the amounts and dates of incorporation to the electric system.

Cemig D does not have bonds for compensatory payments for the exploitation of distribution concessions. It is required to meet the quality and investment mandates provided for in the concession agreements.

Concession agreements and Brazilian law have a maximum price mechanism that allows for 3 types of tariff adjustments: (i) annual adjustment; (ii) periodic review; and (iii) extraordinary review.

Cemig D has the right to request an annual adjustment each year, which is intended to offset the effects of inflation on tariffs, and allows consumers to pass on certain changes in costs that are beyond Cemig D's control, such as the cost of electricity purchased and sector charges, including charges for the use of transmission and distribution facilities.

In addition, Aneel carries out a periodic tariff review every 5 years, the last having occurred in 2018, which aims at identifying the variations in Cemig D's costs, as well as to establish a factor based on gains in scale applied to annual tariff adjustments in order to share these gains with Cemig D's consumers.

Cemig D is also entitled to request an extraordinary review of tariffs in case unforeseeable events significantly altering the economic and financial balance of the concession. The periodic review and the extraordinary review are, to a certain degree, subject to Aneel's discretion, although there are pre-established rules for each review cycle.

According to the distribution concession agreements, Cemig D is authorized to charge its consumers a tariff for the supplying of energy, consisting of 2 components: (i) a portion related to the costs of electricity purchased for resale, charges for the use of the basic transmission network and charges for the use of the non-manageable energy distribution system ("Portion A Costs"); and (ii) a portion of operating costs ("Portion B Costs").

Fifth Addendum

In December 2015, the Company signed the Fifth Addendum to the concession agreement, extending the power distribution concession for another 30 years, starting on January 1, 2016. The main characteristics and conditions of the Addendum include:

- Limitation on the distribution of dividends or payment of interest on equity to the minimum amount established by law, in the event of non-compliance with the annual limits of collective continuity indicators (DECi and FECi) for two consecutive years or three times in five years, until regulatory parameters are restored;

- Requirement to meet efficiency criteria related to continuity of supply and economic and financial management for maintaining the concession, considering that: (i) for a period of five years as of January 1, 2016, any non-compliance for two consecutive years, or any of the conditions at the end of the five-year period, will result in the termination of the concession; (ii) as of January 1, 2021, an eventual non-compliance for three consecutive years for the criteria of efficiency in the continuity of supply and for two consecutive years for the criteria of efficiency in the economic and financial management will imply the starting of the proceeding of forfeiture of the concession.

The efficiency criteria related to continuity of supply and economic and financial management for maintaining Cemig D's concession were met in the years ended December 31, 2020 and 2019.

The global continuity indicator of Duration Equivalent Interruption per Consumer Unit (DEC), despite having been met in 2020, has not been met three times in the last 5 years and, thus, Cemig D will have its dividend distribution in the year 2021 limited to 25% of the 2020 net income, adjusted by the constituted legal reserve.

Distribution of natural gas

Concessions for natural gas distribution are state-owned and, in Minas Gerais, natural gas tariffs are set by the regulatory body, the State Secretariat for Economic Development, on a market segment basis. Tariffs consist of a gas cost portion and a gas distribution portion. Each quarter, tariffs are readjusted to pass on the cost of gas, and once a year to update the portion intended to cover the costs related to the provision of the distribution service - return on invested capital, and to cover all operating, commercial and administrative expenses the Concessionaire had to make.

In addition to these readjustments, periodic tariff reviews are expected. The First Periodic Tariff Review, referring to the 2018-2022 cycle, was completed in November 2019. These reviews should take place every five years, from the end of this 1st cycle, with the objective of assessing the variations in Gasmig costs and adjusting the tariffs. The concession agreement also provides for the possibility of an extraordinary revision of tariffs, if there are reasons that put the concession's economic and financial balance at risk.

In 2019, the Third Addendum to the Gasmig Concession Agreement was signed, ensuring to Gasmig the extension of the duration of its concession until 2053.

2.6 PUBLIC POLICIES AND SECTORAL ASSOCIATIONS

[415-1] The electricity generation, transmission and distribution companies are regulated and governed by public policies, which leads Cemig to interact with governments and public bodies. The form of interaction is suited to the federal, state and municipal levels, as a natural consequence of the division of responsibilities between the three branches.

At the federal level, interaction takes place mainly through sectoral associations. These constitute the appropriate channels for obtaining clarifications and for the Company's contributions on public policies related to Cemig's business.

Cemig's interaction with the legislative and executive branches of the state of Minas Gerais takes place through the relationship between the Company's top management and leaders and employees who have this role, with the executive bodies assigned to the sector and with the Legislative Assembly. Some of these interactions take place through public hearings, including quarterly events to report on Cemig's performance in the state. It is worth mentioning that the Company carries out equal relations with the members of the various political parties, complying with the provisions of its Code of Conduct.

"We want Cemig to be an conductor of economic growth in the state of Minas Gerais, and we know that this is associated with the growth in the generation of renewable energy".

Reynaldo Passanezi, CEO of Cemig, at a public hearing of the Extraordinary Commission for Renewable Energies and Water Resources of the Legislative Assembly of Minas Gerais, held on 16/Dec/2020.

Considering the state legislative proposals with the potential to have a relevant impact on its business, Cemig monitors whether its positions argued before the Legislative Assembly have been successful.

At the municipal level, the most frequent interaction is between members of city halls and Cemig D's commercial agents, with public lighting being a recurring theme.

Cemig does not contribute to political campaigns or political organizations whose function is to influence political campaigns or legislative activities. It also does not register lobbyists or lobby groups.

SECTORAL ASSOCIATIONS

[102-13] The need for synergy between industry entities encourages the organization of sectoral associations to exchange experiences and best practices, and to contribute to the evolution of regulation in the electricity sector. Cemig is aware of that, and so participates in the major Brazilian associations in the sector.

Cemig does not allocate resources to organizations whose main role is to create or influence public policies, nor does it contribute to political campaigns, political organizations or groups exempt from taxation whose function is to influence political campaigns or legislative activities, including chambers of commerce, trade boards and the like. It also does not register lobbyists or lobby groups.

In 2020, Cemig paid R$ 1,186,052.20 in annual tuitions to the major associations, as detailed below:

ABRADEE– BRAZILIAN ASSOCIATION OF ELECTRICITY DISTRIBUTORS

Abradee's objectives are:

- Judicial or extrajudicial representation of its members for the defense of their interests;
- Support to members in the technical, commercial, economic, financial, legal, political and institutional areas;
- Fostering of mutual collaboration among members;
- Conducting of studies and research of interest to members;
- Preparation of studies and proposals for solving in collaboration with the government under in issues related to the activities of the members;
- Promoting and holding courses and seminars, and editing information of interest.

CEMIG's Director of Institutional Relations, Alexandre Gomes Peixoto, is part of Abradee's Board of Directors. Several employees Cemig perform in different Association Working Groups, with an emphasis on those of Energy Efficiency and Socio-Environmental Responsibility.

In the past few years (2015 to 2020), connections of micro and minigeneration of distributed energy (DG) have increased, making the discussion about Normative Resolution No. 482/2012 more relevant, especially regarding tariff impacts on consumers without DG and the benefits of that modality to the

power system. In order to fight for a fair standing for both power distributors and consumers, Cemig supports Abradee in its efforts with Aneel and MME (Ministry of Mines and Energy) on that theme.

Cemig has contributed with annual tuitions to Abradee, defined at a general meeting of the entity, pursuant its bylaws. In 2020, this amount was R$ 516,441.96.

ABRAGE - Brazilian Association of Electricity Generating Companies

Abrage's objectives are:

- The exchange of technical, commercial, financial and legal information regarding electric power generation activities;
- The drafting of analyses and studies of common interest;
- The signing of technical cooperation and information exchange agreements and covenants with domestic and international public and private entities;
- The preparation and defense of proposals to solve common problems.

Cemig has contributed with annual tuitions to Abrage, defined at a general meeting of the entity, pursuant its bylaws. In 2020, this amount was R$ 206,419.24.

APINE - Brazilian Association of Independent Electric Energy Producers

The main objectives of the Association that make Cemig membership strategic are:

- Promote the defense of the interests of the electricity generation segment, especially with regard to independent producers and similar generating utilities, advocating for the expansion of their market presence and the preservation of their profitability;
- Cooperate with government authorities and domestic and international bodies and institutions as a technical and advisory body in the study of and solution for problems related to the activities of its members, in the preservation of free competition in offers, and in the preservation of the economic order of the electricity market.

Cemig has contributed with annual tuitions to Apine, defined at a general meeting of the entity, pursuant its bylaws. In 2020, this amount was R$ 230,000.00.

ABRATE - Brazilian Association of Electricity Transmission Companies

Abrate's main objectives are:

- Represent legitimate interests and add value to member companies, with a proactive approach to ensuring the sustainability, development and attractiveness of the electricity transmission business;
- To be acknowledged as a leading institutional agent in promoting the sustainability, development and attractiveness of the electricity transmission sector.

In 2020, Cemig participated in strategic activities of the Transmission business coordinated by Abrate, including meetings with MME (Ministry of Mines and Energy), Aneel and ONS (National Power System Operator). It had an active participation in processes linked to Public Inquiries opened by Aneel, which

allowed the regulatory agency to promote improvements in the methodologies for calculating operating costs and revising the regulatory weight average cost of capital (Wacc), which made it possible to fix a regulatory remuneration more in keeping with investors' expectations.

Cemig has contributed with annual tuitions to Abrate, defined at a general meeting of the entity, pursuant its bylaws. In 2020, this amount was R$ 158,191.00.

ABRACEEL - Brazilian Association of Energy Traders

Abraceel's objectives are:

- Fight for free market competition as an instrument to promote efficiency and security of supply in the areas of electricity, ethanol and natural gas, as well as stimulating the growth of carbon credit negotiations;
- Foster union among the members, representing them before government authorities, domestic and international bodies and institutions, fighting for their rights, interests and aspirations;
- Cooperate with government authorities and domestic and international institutions as a technical and advisory body capable of entering into agreements or covenants that are of interest to serve its corporate purpose.

Cemig currently has no representation in the association's governance structure. It participates in the Technical Group responsible for discussing, proposing and sending contributions to public hearings of MME/Aneel about the association's participation in government bodies.

Cemig contributes with annual tuitions to Abraceel, defined at a general meeting of the entity, pursuant its bylaws. In 2020, this amount was R$ 75,000.00.

3 CORPORATE GOVERNANCE

[102-18] Cemig's corporate governance is based on transparency, equity and accountability. The Company is managed by Board of Directors and the Executive Board, and it also has a permanent Fiscal Council. All are governed by the Company's Articles of Incorporation and applicable law.

Changes in Cemig's Articles of Incorporation and in the Company's governance structure in 2019, aiming at adopting best practices of Corporate Governance were put in place during 2020.

Peace, justice and efficient institutions

3.1 GOVERNANCE MODEL AND MAIN PRACTICES

[102- 19] The main characteristic of Cemig's governance model is a clear definition of the roles and responsibilities of the Board of Directors and the Executive Board in the formulation, approval and execution of the policies and guidelines that relate to conducting the Company's business. The members of the Board of Directors, who are appointed by the General Shareholders' Meeting, elect their Chairman and Vice-Chairman and appoint Cemig's Executive Board. The structure and

composition of the Board of Directors and the Executive Board are identical in wholly owned subsidiaries Cemig D and Cemig GT, with possible exceptions, so as to be approved by the Board of

The focus of the Company's governance has been the balance between the economic, financial, environmental and social aspects of Cemig's projects, in order to continuously contribute to sustainable development, and geared at improving its relationship with shareholders, customers, employees, the society and other interested parties.

In order to support a well-structured corporate governance model, Cemig follows the good practices and recommendations of Brazilian Corporate Governance Institute (IBGC), fostering a relationship of trust and integrity with its stakeholders. Since 2001 Cemig has followed Level 1 Corporate Governance practices from B3, the São Paulo stock exchange.

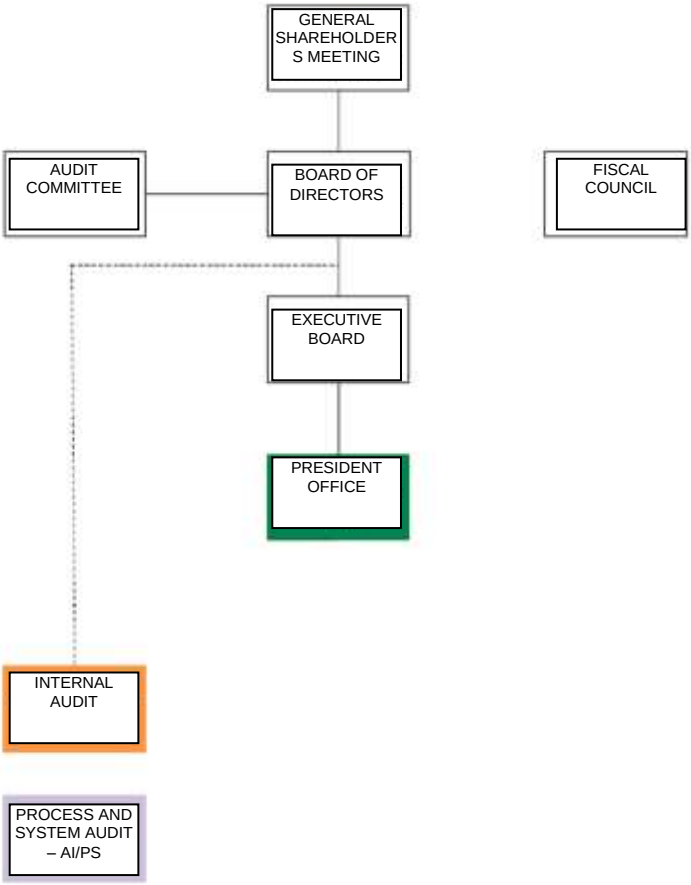
[102-25] Cemig has a formal practice to ensure the prevention and/or management of possible conflicts of interest. The Company, its shareholders, administrators and members of the Fiscal Council undertake to resolve, through arbitration preceded by mediation before the B3 Market Arbitration Chamber (CAM) or the FGV (Getulio Vargas Foundation) Mediation and Arbitration Chamber, any and all disputes or controversies that may arise among them. Besides decision-making processes, conflicts of interest are stated to the stakeholder publics by means of official notices posted on the Company's website.

[102- 18] The decision-making processes of Cemig's top management are subsidized by the Technical Committees. These committees are established by a specific decision of the Board of Directors to analyze more in depth the matters of their specialty and to issue expert opinions and recommendations on decisions and actions to be carried out.

The committees have no executive function or decision-making power, but are intended to ensure objectivity, consistency and quality in the decision-making process.

The following figure displays the corporate governance structure at Cemig June 2020:

Figure 7: Cemig's Corporate Governance Structure



[102 -23] It is important to stress that, according to Cemig's Articles of Incorporation, the positions of Chairman of the Board of Directors and Chief Executive Officer of the Company cannot be vested into the same person.

3.1.1 BOARD OF DIRECTORS

[102-22; 102-24; 202-2] According to Cemig's Articles of Incorporation, the Board of Directors must be made up of 9 standing members, all Brazilian natives, employees being assured the right of electing 1 member, pursuant provisions of Law 12,353 from 28/Dec/2010. At least 25% of the members of the Board of Directors must be independent members, or at least one, if the minority shareholders decide to exercise their multiple voting right. In 2020, a majority member renounced his office. So, during that year, Cemig's Board of Directors performed with eight members.

Among the elected members, the Chairman and the Vice-Chairman are chosen by their peers at the first meeting held after the formation of the Board of Directors, for a single tenure of 2 years, with a maximum of three consecutive reinstatements. It should be noted that both the CEO and the Vice-CEO can be removed at any time by the General Shareholder's Meeting.

66% of the council members serving in 2020 had characteristics of independent council members according to the criteria of the Dow Jones Sustainability Index(DJSI) e of the Brazilian Institute for Corporate Governance(IBGC).

The duties of the Board of Directors are described in the Board of Directors Bylaws, available at Cemig's website[29]. This document determines that the Board of Directors should meet regularly at least once a month to analyze the results of Cemig's holding company and its wholly owned, controlled and affiliated subsidiaries, in addition to deciding on the other matters included in the agenda. And, extraordinarily, when convened by its Chairman, its Vice-Chairman, one third of its members, or when requested by the Executive Board.

MEETINGS THE BOARD OF DIRECTORS.

Cemig holds an Ordinary General Assembly annually, pursuant its Articles of Incorporation and the legislation in effect. Extraordinary Shareholder's Meetings are also held and, in their turn, can be held several times throughout the year, whenever necessary.

Both are convened at least 30 days in advance using Cemig Investor Relations website and the Securities and Exchange (CVM)[30], as well as in newspapers widely published throughout Brazil. Information on these Meetings and the summary of their main resolutions, entered in official minutes, can be found on the IR website[31].

Opinions, suggestions and recommendations related to the meetings can be sent to the electronic address ri@Cemig.com.br, or by going to the Company's Investor Relations website.

[102-33; 102-34] The matters sent by the Executive Board for inclusion in the agenda, issued by the Deliberation Proposal (PD) of the Executive Board and/or the Board of Directors, must be accompanied by recommendations, reports, expert opinions and, as the case may be, a statement of compliance with Cemig's Long-Term Strategy and Multiannual Business Plan and included in the annual budget.

In 2020, 772 PDs were forwarded to the Executive Board for analysis and filtering which were accepted and forwarded for deliberation to the Board of Directors for deliberation and the General Meeting, according to the decision-making responsibility. There is no compilation by topic on all the matters dealt with by the PDs sent to the Executive Board, considering that they come from all areas of the Company, addressing a diverse range of fields and interests.

However, some of the matters discussed by the Board of Directors during 2020 stand out: (i) increase in capital stock via stock bonuses and articles of amendment; (ii) fundraising from Conta-Covid; (iii) creation of the Human Resource Committee and the Strategy and Finace Committee; (iv) policies for data privacy and conflicts of interest; and (v) work plan for risks and internal controls.

The Board Members must always attend the meetings prepared in advance by examining the documents made available to them and participate actively and diligently in them. Any supplementary

[29] Available at: http://ri.cemig.com.br/governanca-corporativa/estatuto-codigos-politicas-e-regimentos/
[30] Available at: <http://www.cvm.gov.br/>.
[31] Available at: < http://ri.cemig.com.br/governanca-corporativa/assembleias-e-reunioes/>

clarifications on the matters to be resolved at the meetings may be requested by any Board Member, in writing, and the respective areas involved must provide the related clarifications or send supplementary documents by the beginning of the meeting.

In 2020, the Board of Directors met 28 times to decide on several matters, including strategic planning and investment projects.[32] At the start of each meeting, the Directors are invited, according to the due formalities, to speak up on any conflicts of interest relating to the matters to be resolved

PERFORMANCE

[102 -27; 102-28] Annually, the members of the Board of Directors are submitted to independent, individual and collective performance self-assessments, aiming at improving their jobs. The following minimum requirements must be complied with:

- Exposure of the management acts performed, regarding the legality and effectiveness of the administrative action;
- Contribution to the income for the year;
- Achievement of the objectives laid down in the Multiannual Business Plan and compliance with the Long-Term Strategy and the Annual Budget.

The Audit Committee is responsible for independently verifying the conformity of the assessment process of the members of the Board of Directors.

In addition, Cemig annually prepares its Annual Social and Environmental Responsibility Report for Electric Energy Companies, a regulatory requirement of the Brazilian Electricity Regulatory Agency (Aneel). The report follows guidelines defined by the regulatory body and includes data and information from the Company's wholly owned subsidiaries, in order to provide a broad, consistent and consolidated view of relevant issues specific to the electricity industry, outlined in its regulatory framework, and general issues on social and environmental responsibility. The preparation of the report allows Cemig to present its descriptive and quantitative considerations on its performance indicators, thus enabling a dialogue with its different stakeholders to assess the results of the actions carried out during the year.

Before its publication, Aneel's Annual Social and Environmental Responsibility Report is included in the agenda and discussed by the Corporate Communication and Sustainability Department with the Company's Board of Directors. At this time, Cemig's social and environmental issues are presented to the Directors, aiming to raise their awareness of the importance of these issues and to have them discuss them together, in order to define points for improvement.

The analysis of the Social and Environmental Responsibility Reports is the major moment for discussion and engagement by the Board of Directors in the Company's social and environmental issues. However, throughout the year, whenever necessary, the various areas of the Company are able to hold presentations and discussions within the scope of the Board of Directors by submitting a Deliberative

[32] The summary of the decisions can be seen on http://ri.cemig.com.br/governanca-corporativa/assembleias-e-reunioes/

Proposal addressed to the Board. This mechanism exists precisely to bring the Board of Directors closer to the critical concerns of the several areas of Cemig.

STRUCTURE THE BOARD OF DIRECTORS.

Below is a table with the structure of the Board of Directors:

Table 9: Structure of the Board of Directors in 2020[33]

Standing Members	Term of Office	Ranking	Power highlights
Márcio Luiz Simões Utsch - Chairman	*(Inauguration 25-Mar-2019)*	Independent	A lawyer with an MBA in Advanced Management/Finances by FDC and specialization in Retail Management by UFRJ He was COE of Alpargatas S.A.
Vacant (majority)	-	-	-
Cledorvino Belini (majority)	*(Inauguration 25-Mar-2019)*	Non-Independent	Business administrator with a master's degree in Finances from USP and an MBA from FDC He was Development CEO at Fiat Chrysler for Latin America Independent Councilmember at JBS by BNDES
José Reinaldo Magalhaes (majority)	*(Inauguration 25-Mar-2019)*	Independent	Economist with a master's degree in Corporate Finance and Corporate Law from FGV and in Finance from IBMEC He was assistant manager of Bank of Brazil in New York Investment Director at PREVI - Bank of Brazil Employee Pension Fund
Afonso Henriques Moreira Santos (majority)	*(Inauguration 31-Jul-2020)*	Independent	Electrical Engineer and Master's in Electrical Engineering graduated from UNIFEI and PhD in Energy Planning from UNICAMP. He was National Energy Secretary, at the Ministry of Mines and Energy - MME, and Director of the Brazilian Electricity Regulatory Agency - Aneel. He was a board member at the following companies: TAESA, Light S.A.
José João Abdalla Filho (majority)	*(Inauguration 31-Apr-2014)*	Independent	CEO and controlling shareholder of Banco Clássico S.A.

[33] [202-2; 405-1] In 2020, Cemig's Board of Directors was composed only of men. Stratification by race is currently not available. This identification is made via self-statement and is not mandatary; in Cemig's profile surveys there were no answers to that effect for any of the respective positions. Besides, no members of the Board of Directors were hired from the local community.

Standing Members	Term of Office	Ranking	Power highlights
			Deputy member of the Board of Directors of Companhia Distribuidora de Gás do Rio de Janeiro (CEG) Chief Executive Officer of Dinâmica Energia S.A.
Marcelo Gasparino da Silva (preferred shareholder representative)	*(Inauguration 02-May-2016)*	Independent	Lawyer specialized in Corporate Tax Administration He was chairman of the Board of Directors of ETERNIT, Cemig, and a deputy member of the Fiscal Council of Petrobras
Paulo César de Souza e Silva (minority)	*(Inauguration 31-Jul-2020)*	Independent	Bachelor of Economics from Universidade Mackenzie and Masters in Business Administration from University of Lausanne. He was a Project Analyst for CIA Suzano de Papel e Celulose, Vice-President of Westdeutsche Landesbank, Vice-President of Sales Financing, President and CEO of Commercial Aviation and President and CEO of Grupo Embraer S.A.
Marco Aurélio Dumont Porto (Employee Representative)	*(Inauguration 25-Feb-2020)*	Non-Independent	Civil Engineer with a Postgraduate Degree in Project Management and an MBA in Business Management He has worked in several areas of Cemig since 1986 and is currently a quality analyst in the area of Strategy and Environment

3.1.2 FISCAL COUNCIL

Cemig also has a permanent Fiscal Council, which is responsible for the attributions laid down in the applicable Brazilian legislation, as well as in the laws of the countries in which Cemig's shares are listed and traded, when they do not conflict with Brazilian law. The Council inspects the acts of the administrators and verifies the fulfillment of their legal and statutory duties, in addition to giving their expert opinion on the annual management report. That opinion must include any complementary information that they deem necessary or useful for the decisions of the General Shareholder's Meeting.

The Fiscal Council is responsible for examining all non-operational complaints regarding fraud and misconduct in matters relating to the financial statements and the disclosure of results or reports forwarded to regulatory bodies. In addition, it is also responsible for examining any charges it may consider as relevant to the Company's assets, forwarded by the Ethics Committee.

Charges are received and analyzed via an electronic system available on Cemig's Intranet environment, the Cemig's Complaints Channel, and it is the Fiscal Council's responsibility to propose treatment actions.

Cemig's Fiscal Council is multidisciplinary and is made up of five effective members and their alternates. The members of this Council are also elected by the Shareholders' Meeting for two-year terms. In 2020, the Fiscal Council met 16 times.

Table 10: Composition of the Fiscal Council in 2020

Standing Members	Term of Office	Ranking
Gustavo de Oliveira Barbosa (Chairman)	*(Inauguration 07-Aug-2019)*	Independent
Fernando Scharlack Marcato (majority)	*(Inauguration 19-Oct-2020)*	Independent
Elizabeth Jucá e Mello Jacomet (majority)	*(Inauguration 07-Aug-2019)*	Independent
Michele da Silva Gonsales Torres (preferred shares)	*(Inauguration 31-Jul-2020)*	Independent
Cláudio Morais Machado (minority)	*(Inauguration 11-Jun-2018)*	Independent
Alternate Members	**Term of Office**	**Ranking**
Igor Mascarenhas Eto (majority)	*(Inauguration 09-Nov-2020)*	Independent
Carlos Eduardo Amaral Pereira da Silva (majority)	*(Inauguration 07-Aug-2019)*	Independent
Fernando Passalio de Avelar (majority)	*(Inauguration 31-Jul-2020)*	Independent
Ronaldo Dias (preferred shares)	*(Inauguration 07-Aug-2019)*	Independent
Carlos Roberto de Albuquerque Sá (minority)	*(Inauguration 11-Jun-2018)*	Independent

3.1.3 EXECUTIVE BOARD

[102-20] Cemig's Executive Board is composed of 7 executive officers, whose jobs are laid down in the Company's Articles of Incorporation. Its members are elected and can be taken out of office at any time by the Board of Directors and are in office for two years, a term which can be extended for a maximum of three times. The directors are allowed to occupy simultaneous and unpaid management positions in Cemig's wholly owned, controlled and affiliated subsidiaries.

[102- 20] The Executive Board will follow and comply with targets and limits laid down by the Board of Directors, relating, in particular, to indebtedness, liquidity, rates of return, investments, and regulatory compliance. In this sense, it is the role of the executive officers to coordinate and manage the work of the Company, as well as all strategic and institutional activities of its affiliates and controlled companies, and consortia it is a part of.

Responsibilities for economic, environmental and social topics pervade the entire executive structure, and their management is consolidated by the Corporate Communication and Sustainability area.

Economic and financial issues are the responsibility of the executives appointed by the Finance and Investor Relations Department who answer for the 4 superintendent departments that make up that department (Controllership, Corporate Planning and Control, Investor Relations, and Corporate Finance Management).

Environmental issues are the primordial responsibility of the executives appointed by the CEO's Office to make up the Strategy and Environment Superintendent Department and the Environmental Management Department.

Social issues, in their turn, are under the responsibility of the executives assigned by the CEO's Office to work in the areas of People Management and Corporate Communication and Sustainability, which are composed of ten departments (Labor Relations, Occupational Health and Safety, Hiring and Development of People, Organization and Compensation, Institutional Relations, Sustainability, Communication, Innovation and Transformation, and Energy Efficiency).

Table 11: Structure of the Executive Board

Name	Board of Directors	Term of Office	Powers
Reynaldo Passanezi Filho	Chief Executive Officer	*(Inauguration 13-Jan-2020)*	Economist and Lawyer, with a Master's Degree in Economics from Universidade de Campinas, and specialization in Management, Leadership, and Innovation from Stanford University (USA). A career in executive positions in the electrical sector (CEO of ISA CTEEP), in the financial sector (Country Manager and Managing Director of C&IB at BBVA Brazil) Jobs in the public sector, notably in privatization programs (Advisor to the Board of Directors of the State Privatization Program of the Government of the State of São Paulo).
Dimas Costa	Cemig's Trade Director's Office	*(Inauguration 01-Sep-2016)*	Electrical Engineer with a postgraduate degree in Economic Engineering from Fundação Dom Cabral, and in Thermal Engineering from UFMG. At Cemig, he was Commercial Superintendent for Encouraged Customers From 2013 to 2016, he acted as managing partner of Ponta Energia Consultores Associados Ltda.
Maurício Dall'Agnese	Cemigpar Executive Board	*(Inauguration 11-Dec-2020)*	Bachelor's in economics from Universidade de São Paulo (USP). He has extensive experience in financial projects and in the execution of M&A projects. He was vice president of Banco Bilbao Vizcaya Argentaria (BBVA), a Spanish banking group. He served as new business and M&A manager at Companhia de Transmissão de Energia Eletrica Paulista (CTEEP). He was also director and commercialization and regulatory manager of Vale Energia S.A. and Vale S.A.
Ronaldo Gomes de Abreu	Cemig D Board	*(Inauguration 28-Jun-2017)*	A business administrator and lawyer, with an MBA in Strategic Management and Business Management from UFMG. Working at Cemig since 1985, he acted as manager in managerial careers in the Distribution and Marketing, and Finance and Investor Relations Director Offices

Name	Board of Directors	Term of Office	Powers
			in the areas of Coordination and Execution of the Distribution Development Plan, Distribution Coordination, and Economic-Financial Regulation.
Leonardo George de Magalhães	Finances and Investor Relations Board	*(Inauguration 20-Mar-2020)*	He graduated in accounting sciences, and has worked for Cemig for over 30 years, in the Controllership supervisory board since 2008, having accumulated several executive duties in the Finance Board that include accounting, tax planning, financial planning, budgeting, investment valuation, cash management, results forecast.
Paulo Mota Henriques	Cemig GT Board	*(Inauguration 21-Mar-2019)*	Electrical Engineer, a specialist in Control Engineering and Industrial Automation from UFMG, with an MBA in Business Management from FGV, and an MBA in Finance from IBMEC. He followed technical, managerial and executive careers at Cemig Holding and Cemig Geração e Transmissão S.A, with 31 years of experience He was the Chief Executive Officer of TAESA (2009-2011), and a member of the Board of Directors of ABRATE, a member of the ABDIB Transmission Committee, a member of the ONS Board of Directors, and a member of the Board of Directors of Transmission Companies.
Eduardo Soares	Regulation and Legal Board	*(Inauguration 20-Mar-2020)*	A lawyer with 30 years of professional experience, dedicated to the area of infrastructure, energy, structured finance and project finance, administrative law and corporate law. He has extensive experience in financial, M&A, and corporate restructuring.

As a relevant fact in early 2021, a date outside the limits of this report, there was a change in the composition of Cemig's executive board. The Distribution and Commercialization Director was replaced by Marney Tadeu Antunes, on January 6, 2021.

Additional information on the structure, election, term of office, main responsibilities, and duties of the Board of Directors is available on Cemig's Investor Relations website[34]. The Bylaws are also available on that website.

[34] Available at: <https://www.cemig.com.br/estatutos-e-regimentos/

3.1.4 AUDIT COMMITTEE

[102-22] The Audit Committee is an independent body, with its own budgetary allocation, of a consultative and permanent nature, intended to advise the Board of Directors, to which it reports. It is also charged with carrying out the other activities that applicable laws and regulations assign it.

In 2020, the Committee had four members, all independent members appointed by the Board of Directors for a 3-year non-coincident term of office, one re-election being permitted. The appointment of the Audit Committee happens at the first meeting after the General Shareholders' Meeting.

Table 12: Audit Committee Members

Standing Members	Term of Office	Ranking
Pedro Carlos de Mello (Coordinator)	*(Inauguration 18-Jun-2018)*	Independent
Márcio de Lima Leite	*(Inauguration 21-May-2020)*	Independent
Roberto Tommasetti	*(Inauguration 31-May-2020)*	Independent
Afonso Henriques Moreira Santos	*(Inauguration 15-Sep-2020)*	Independent

The members of the Audit Committee must participate in specific training sessions provided by Cemig (which are held when they are inaugurated, annually). Reelection of those who have not attended the annual training provided by the Company in the past two years is prohibited.

Besides the process of assessing the members of the Audit Committee, the Board of Directors members are also responsible for verifying the conformity of the evaluation process of the other Company administrators, the members of the advisory committees to the Board of Directors, and the members of the Fiscal Council.

The Audit Committee is also responsible for conducting a background check on potential candidates to compose Cemig's strategic boards and committees. The background check is a procedure carried out regarding the professional history and legal records of all the names appointed to occupy strategic positions in the Company.

3.1.5 REMUNERATION OF MEMBERS OF THE GOVERNANCE BODIES

[102-35] Pursuant the Articles of Incorporation, the global or individual amount of remuneration for the Board of Directors, the Executive Board and the Audit Committee will be set at the General Meeting, in accordance with the applicable legislation. Payment of sharing of any kind in the Company's profits to the members of the Audit Committee and the Board of Directors, with the exception of the employee representative member, is forbidden.

BOARD OF DIRECTORS

The members of the Company's Board of Directors receive compensation including a fixed amount, consisting of salary or pro-labore monthly pay and direct benefits, and a variable part, consisting of an amount equivalent to attendance to meetings. Their remuneration is broken down into two parts, with

80% referring to the monthly remuneration and 20% in director's fees[35] to be paid to active Directors and deputy Directors attending at meetings. If there is more than one meeting in the month, the director's fee will be divided in proportion to the number of meetings held; should there be no meeting in the month, the Board will be paid the total amount of the monthly compensation.

The other components of the Board of Directors' remuneration are the company's contribution to the INSS (government pension fund) on salary and attendance to meetings. As direct benefits, the Company offers to the members of the Board of Directors residing in cities other than that of the Company's home office the reimbursement of travel and accommodation expenses (within Brazilian territory), necessary for attending meetings and the performance of their functions, or when invited by the Chief Executive Officer to a Company meeting; they are also an allowance for trips.

In addition, the Company grants members of the Board of Directors the option to optionally enroll in a group life insurance policy, which is fully paid by the Company, as well as optional participation in a private pension plan partially paid by the directors themselves and partially paid by the Company, in equal amounts. The fixed salary and other components of the remuneration aim to reward the members of the Board of Directors for the time dedicated to the performance of their duties and for their contributions to the company; it is determined based on an assessment of their duties and responsibilities, also makes it possible, in return, to demand a level of performance from each of its members by the Chairman of the Board of Directors.

The remuneration for attendance to meetings aims to motivate members to attend meetings convened, contributing to an effective participation in the conduct of business and the effective performance of their functions.

EXECUTIVE BOARD:

The compensation policy for Cemig Group's Executive Officers comprises a fixed and a variable compensation for members, in accordance with Company Bylaws, and based on the Long-Term Strategy, the Multi-Annual Business Plan, and the Annual Budget.

The fixed remuneration comprises payments in kind whose objective is the direct compensation for the services provided, in line with market practices. In turn, the variable remuneration is the bonus conditional on performance and the delivery of measurable results that lead to the Company's success. The variable compensation for the Executive Board consists of profit sharing, following the same criteria established in the Specific Bargaining Agreement of the Company and considering the Company's earnings, with the assessment of goals laid down by the Board of Directors.

The Officers are also entitled to an annual leave, for a term not exceeding 30 days and on a non-cumulative basis, during which they are entitled to a remuneration equivalent to their monthly remuneration plus one third. As direct benefits, Cemig offers an amount value equivalent to meal vouchers determined for employees in a Collective Bargaining Agreement, group life insurance, and healthcare and dental plan coverage. In addition, the Company grants to Directors the participation in a private pension plan. Other components of the Officers' remuneration are an annual bonus on the

[35] "… Bonus for attending meetings of decision-making bodies of the 3 government levels - Federal, State and Municipal - paid to public servants attending meetings of collective decision-making bodies of centralized and autonomous municipal administration, which was established by Decree-Law 162 of 18/Nov/1969."

amount of their monthly salary, paid leave of absence, the company's contribution to INSS and FGTS on the salary and profit sharing received.

FISCAL COUNCIL

The members of the Fiscal Council receive only a fixed remuneration, consisting of salary or pro-labore monthly pay and direct benefits. As direct benefits to the members of the Fiscal Council, the Company also offers to active and deputy members residing in cities other than the headquarters of the Company the reimbursement of expenses with accommodation and commuting.

In addition, the Company grants the members of the Fiscal Council the option to optionally enroll in a group life insurance policy paid by the company, and the Company contribution to INSS on the salary received.

Decent Work and Economic Growth Responsible Consumption and Production Peace, justice and strong institutions

3.2 ETHICS AND TRANSPARENCY

[103-2:205; 103-3:205; 102-16; 205-1] Cases of corruption, legal non-conformities, lack of transparency, and/or information of a dubious nature contradict Cemig's commitments and vision for a responsible company, and can cause significant economic impacts and compromise the Company's reputation. Also, these cases can interfere with stakeholder decision-making processes. The instability caused by any misconduct by the Company and its representatives poses a risk to the business.

Cemig's exposure to potential occurrences of this nature happens through its nature as a Company, business relationships, and its situation as a mixed-capital company. For this reason, Compliance and Ethical Conduct are a priority material theme for Cemig and its stakeholders, and are treated with the due seriousness.

In this regard, Cemig assumes public commitments. As a signatory to the UN Global Compact, it seeks to align itself with Principle Number 10 - “Businesses should work against corruption in all its forms, including extortion and bribery”. Cemig is also a signatory to the Business Pact for Integrity and Against Corruption, *coordinated* by the Ethos Institute[36], which provides guidelines and procedures that must be adopted and monitored by the signatory companies in their relationship with public authorities.

The Company has a system of internal controls and compliance, made up, among other things, by: Cemig's Declaration of Ethical Principles and Code of Professional Conduct[37] (Code of Conduct); an Ethics Committee; Cemig's Complaints Channel; a set of policies, rules and instructions for procedures related to the topic; and an area dedicated to Compliance, Corporate Risks and Internal Controls, under

[36] Available at: <https://www.ethos.org.br/conteudo/signatarios-do-pacto-empresarial-pela-integridade-e-contra-corrupcao/>

[37] The Company's Code of Conduct is public and available on its webpage - http://ri.cemig.com.br/governanca-corporativa/estatuto-codigos-politicas-e-regimentos/

the Company President Office. This system, which is properly structured and monitored, effectively contributes to the identification and mitigation of fraud and corruption risks.

The Code of Conduct aims to guide and discipline the conduct of people who act on behalf of or interact with Cemig. Adhering to the legal norms applicable to it, it must be complied with by all its recipients, be it its administrators, directors, employees, interns, contractors, and subcontractors, in all business relationships established by the Cemig Group.

Anti-Fraud Policy: it guides the ways of preventing and combating fraud and corruption, addressing situations of conflict of interests and political contributions, among others; it also provides guidance on mapping the most relevant risks and mitigating actions.

Among the set of formal documents that apply to the material subject of Compliance and Ethical Conduct intended for Cemig Group employees, are the following:

Compliance Policy: consolidates guidelines aimed at adopting a high standard of integrity and regulatory and legal compliance. It aims to foster a culture of compliance and prevent, detect and respond to failures to comply with internal rules and misconduct.

The Company maintains a three-year Compliance Policy Implementation Program, pointing out structural and priority measures for the deployment of the Policy and improvement in structures and procedures related to it. The Executive Board is responsible for approving that Program. The projects and initiatives derived from the Program are carried out by the areas in charge of them, and monitored by the Compliance area. There is periodic reporting on the execution of the Plan to the Executive Board and the Board of Directors.

[103-2:419; 103-3;419] Over the past few years, the Company has been improving its governance system, including requirements outlined in Law No. 13,303/16 (Law of State-Owned Companies). Among these requirements are the drafting of a new bidding and contracting regulation for the Company and the creation of a Statutory Audit Committee. Joining the areas of Compliance and risk management to the Deputy Manager Office of Compliance, Corporate Risks and Internal Controls.

[205-2] Compliance-related topics are continuously addressed by means of training and internal communication channels, reaching 100% of the workforce and members of the governance bodies. In 2020, due to the effects of the pandemic, the use of physical means of communication, such as bulletin boards, was limited. Communication via digital media was intensively employed. In addition to the disclosure of the policies and procedures mentioned above, articles, texts and videos with content on the culture of integrity and compliance were also published.

In 2020, Cemig conducted training on the Code of Conduct, addressing principles and criteria for anti-corruption conduct.[38] Another relevant action involves holding lectures on general aspects of corporate culture - including some related to organizational ethics - for new employees they join the Company.

[38] See chapter 5.3 Diversity, item 412-2, for the number of employees who undertook the training

During the process of selecting and hiring suppliers, the Code of Conduct and the Anti-Fraud Policy are communicated to that public. As for suppliers considered as critical, there are contacts throughout the contract management that allow the communication on this topic to be maintained.

Considering that anti-corruption clauses in line with documents made official by Cemig are included in all the Company's contracts (procurement and sale of assets, procurement and sale of energy, loans and financing, shareholder agreements, covenants, sponsorships, centralized and decentralized contracts, and acquisition of materials and services), it is possible to say that Cemig addresses the issue with practically all its suppliers and business partners.

[102-17] With a focus on active and permanent management of corporate ethical conduct, the Cemig Complaints Channel was instituted[39], available to stakeholders, on its website. This channel is permanent and dedicated to receiving complaints and ethical queries, with or without identification of the complainer or consultant. The complaints and consultations received are investigated and answered according to criteria, deadlines and procedures established in the Company's internal rules. These rules define the determination period as up to 45 days.

Cemig's Complaints Channel preserves the anonymity of people who make the complaints and those who speak for themselves through it. It allows for the reporting of any situation that amounts to a violation to the Code of Conduct.

[205-3] After registration, the process of verification, investigation and treatment of complaints and ethical queries takes place. Complaints are classified and dealt with according to their content, for the purpose of applying disciplinary measures, when the misconduct is proven.

In 2020, 304 complaints and 41 ethical consultations were registered through Cemig's Complaints Channel. As for the ethical queries, 17 were on conflict of interest and nine on corporate governance.

The table below details the complaints received by type.

Table 13: Complaints received by kind[40]

Kind of complaint	No. of complaints	Completed	Ongoing
Improper behavior	69	64	5
Corruption	55	38	17
Health and Safety	34	29	5
Labor Relations	24	24	0
Assets Protection	20	19	1
Mobbing	18	16	2
Contract Management	18	16	2
Corporate Governance	14	12	2
Commercial Customer Service	08	08	0
Conflicts of Interests	08	06	2
Idleness	06	06	0

[39] Access to the Complaints Channel: https://www.cemig.com.br/etica/
[40] A complaint can have of one or more types related to it.

Kind of complaint	No. of complaints	Completed	Ongoing
Undue use of resources	06	06	0
Others	24	25	0

Regarding the 55 complaints involving corruption:

- 01 complaint was investigated internally at the Cemig Group company, with an inconclusive result. Then, an external investigation was hired;
- 04 complaints did not contain enough information for the investigation process;
- 14 complaints were considered valid, having as treatment the creation of controls (1), a review of the process or procedure (1), termination of the contract with the supplier (1), suspension of the employment contract (2), severance of the outsourced employee (9);
- 17 complaints are currently being investigated;
- 19 complaints were dismissed as groundless.

AUDIT PLAN

The Annual Audit Plan is prepared based on a preventive approach, in line with the best corporate governance practices, regulations, and international auditing standards Institute of Internal Auditors (IIA) and Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Through monthly reports, the Internal Audit monitors the actions by notifying the Company's Top Management of the action plans for delayed audit work, complaints pending a response. It carries out the same communication procedure during the period of the Annual Training and Adherence to the Declaration of Ethical Principles and Code of Professional Conduct.

The Process Compliance Indicator (ICONF) is used to assess the effectiveness of events arising from:

- The process audit activities, provided for in the Annual Audit Plan;
- The evaluation of SOX[41] internal controls;
- for the treatment of complaints;
- Of activities carried out within the scope of the Forensic Audit.

ICONF is determined annually. Due to the processes related to internal controls linked to SOX not being covered within a full calendar year, the ICONF result for the year 2020 will be obtained in the first half of 2021.

[41] The American Sarbanes-Oxley law, also known as Sarbox or SOX, aims to ensure the creation of reliable audit and security mechanisms in companies, including rules for the establishment of committees in charge of supervising their activities and operations

[206-1] There are no lawsuits (whether pending or closed) for unfair competition, violation of antitrust laws, or sectoral regulations.

3.3 RISK MANAGEMENT

[102-15] Corporate risk management enriches the management dialogue by adding perspectives to a strategy's strengths and weaknesses in the event of a change of context, in addition to assessing the strategy's alignment with the organization's mission and vision.

Risk management planning takes into account factors that may pose risks to the health and safety of employees, suppliers, customers, the general population and the environment. Eventually, opportunities are identified and developed according to the Company's objectives and business plans, especially regarding process efficiency. The risks inherent to Cemig's business activities are assessed by their probability of occurrence and by their impact on the various businesses in the value chain.

The Company has structured governance to help decision-making related to risk management, supported by the competent levels, whether business areas, the Corporate Risk Monitoring Committee, and also the Executive Board and the Board of Directors.

The implementation of corporate risk management took place in 2003 and has been continuously improved by Cemig. This form of management is based on processes and is in line with the Master Plan and the Company's strategic planning, with Cemig's Corporate Risk Management Policy[42] as the main guiding element.

Cemig's current Corporate Risk Management Policy was updated in 2019, and its approval is the responsibility of the Board of Directors, as provided for in Cemig's Articles of Incorporation. The Board of Directors is also responsible for validating the Company's risk matrix, which is updated annually. This engagement of the highest governance body in the Company with risk management demonstrates not only the relevance of the theme, but also Cemig's alignment with good Risk Management and Corporate Governance practices.

[102-11] Based on Cemig's Corporate Risk Management Policy, the company's risk appetite is defined, which signals the Precautionary Principle as one of the factors considered in the decision-making flow related to risk management, in addition to attention to legal precepts and regulations that determine the activities of companies in the electricity industry in Brazil. In addition, the policy follows guidelines that reflect the best market practices, and is aligned, in particular, with the governance model called "Three Lines of Defense Model".

The "Three Lines of Defense Model" is a simple and effective way of defining and clarifying the roles and responsibilities related to risk management, coordinating all the integral parts so that there is no duplication of efforts or gaps in controls, thus improving communication of risk management and internal controls. The model proposes the orientation of responsibilities and not the creation of departmental structures to serve it, the owner of each risk being responsible for the management of their own risk and/or control mechanism. In this way, risk management processes are managed by

[42] Available at: <https://www.cemig.com.br/gerenciamento-de-riscos/ >

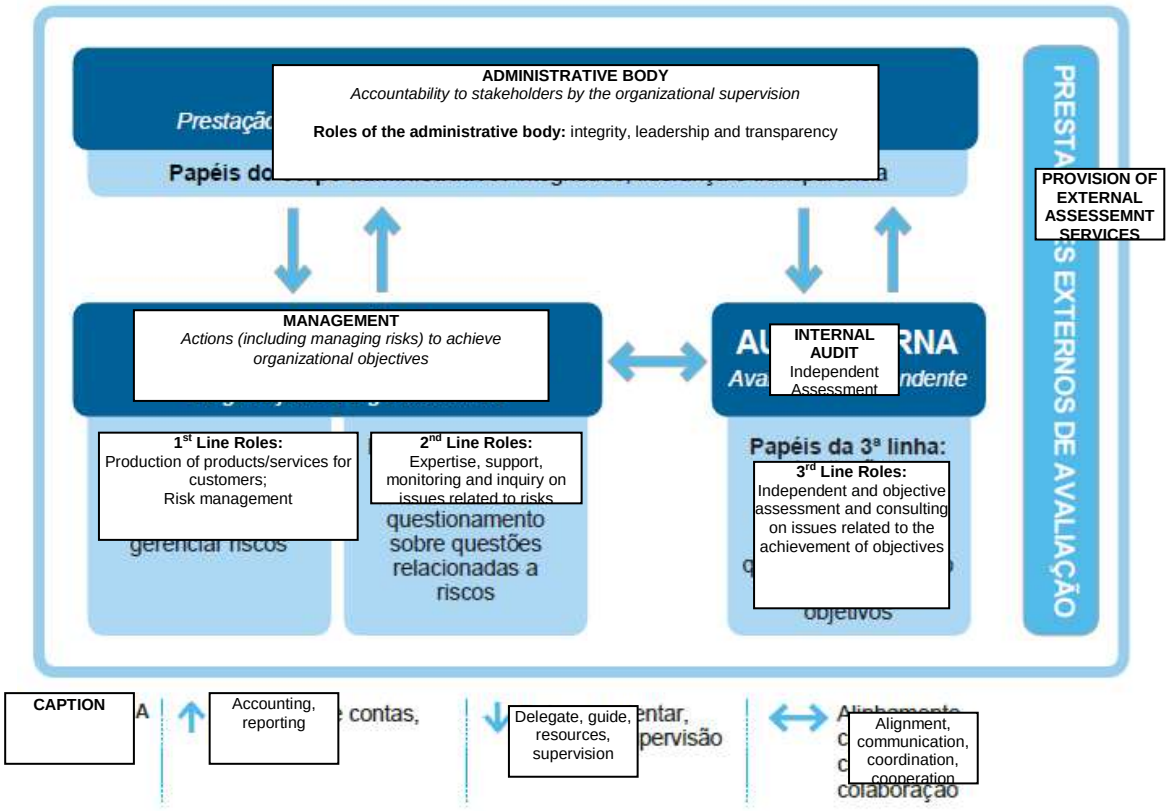
each area of Cemig that is the owner of their respective risks, and monitored centrally by the Risk Management Department and Internal Controls Management.

The first line is made up of all the Company's administrative and business areas. Managers and employees in these areas are responsible for leading and directing actions (including risk management) and investing resources to achieve the organization's objectives.

In the second line are the functions that have a supporting role in risk management. In addition, this line is responsible for monitoring the implementation of risk management practices in the first line of defense and assisting managers in defining risk tolerances and in the way that risk information and controls are disclosed within the organization. The Compliance, Risk Management, and Internal Controls areas are responsible for coordinating the respective processes at Cemig and providing support to risk and control owners.

The third line consists of the organization's internal audit. It is responsible for communicating independent and objective assessment and advice to management and the governance body on the adequacy and effectiveness of governance and risk management (including internal control), to support the achievement of organizational objectives and to promote and facilitate continuous improvement. .

Figure 8: *Three Lines of Defense Model*



CEMIG'S RISK MANAGEMENT PROCESS

Based on the guidelines laid down in its Risk Management Policy, Cemig has put together a risk management program that allows for the mapping and assessment of both strategic risks and those

arising from operational processes. This program is coordinated by the Risk Management and Internal Controls Management Department, which provides technical support to the several areas of the Company. The objective is to provide information to Top Management so they can make decisions regarding the most relevant risks and opportunities.

[102-15; 102-29; 102-30; 102-31] In order to do that, Cemig has put together a risk management process that aims to plan, identify, analyze, treat and monitor the mapped risks. At first, the Company ranks the risks identified as (i) process risks, which are those related to operations and are limited to the activities of each of the processes; (ii) macro-process risks, the impacts of which include different processes and departments of the Company; and (iii) Top Risks, which are macro-process risks that can directly impact the Company's strategy.

The Top Risks, as well as treatment recommendations made by the Corporate Risk Monitoring Committee - CMRC, are communicated to Top Management.

When a Top Risk is mapped for the first time at Cemig, the following steps must be followed:

1) Planning - alignment between risk management and the Company's strategic objectives;

2) Identification - understanding of the scope, causes and impacts of the risk;

3) Analysis - an estimation of the probability of the risks occurring, as well as the potential damage caused by the impacts identified in the previous step;

4) Treatment - a survey of all actions and controls for risk mitigation, as well as the mitigating effect of these actions on the mapped impacts;

5) Monitoring - monitoring of mitigation initiatives and risk validation with their owner.

In the risk identification activity, the area responsible for centralized risk management and internal controls consults the managers of the areas related to the identified themes, including those areas that interact with external stakeholders, such as investor relations, strategic planning, sustainability and the general secretariat.

After the result of this consultation with the leaders, a proposal for a risk matrix is presented to the CMRC, which represents the Executive Board and brings considerations for improvements in the matrix. After that, the matrix is sent for analysis by the Executive Board, which also perfects the product, and then forwards it to the Board of Directors. Also, the proposed matrix can be presented to the Board of Directors' support bodies, such as the Audit Committee and the Fiscal Council.

As a result of this process, Cemig builds the Top Risks Matrix, covering the Generation, Transmission, Distribution, Commercialization, Distributed Generation, and Holding businesses, as well as risks common to the business and/or possible adjustments to adapt to the current Strategic Planning.

The following stand out as corporate economic, environmental and social risks prioritized by the Board of Directors:

Table 14: *Top Risks identified and prioritized by Cemig*

Top Risk	Description	Examples of Potential Impacts	Examples of Mitigation Actions
Non-payment level higher than that acknowledged by the legislator	Non-payment level higher than expected in the short term and/or above the one acknowledged by the regulatory body in the long term.	i) inadequacy of operating costs and annuities to the limit of the regulatory coverage approved by Aneel ii) reduction in the company's profitability".	• Negotiation campaigns
Dam breaches and extreme hydrological events	Sudden and uncontrolled release of a large volume of water from the reservoir of the dam, considering damage related to natural floods, droughts and dam breach events, to the downstream valley.	Social: Impacts on the society affected by the dam breach, loss of property improvements, change in routine, temporary loss of access ways, basic services, education, and trade; Economic: Damage to properties, buildings, vehicles, infrastructure, loss of generation, loss of production, fines and indemnities; Environmental: damage to flora, fauna, watercourses, and contamination.	• Readjustment plan for the overflow capacity of spillways • Investment plan for improvements in operational/electromechanical vulnerabilities.
Accident with the population along low and medium voltage lines	Situations that pose a risk of an accident (with electric shock or not) to the population, specifically in distribution assets, whether in substations, or low or medium voltage networks.	Serious or fatal accident and interruptions in the power supply.	• Creation of a Working (GT) for communication, security, legal affairs and property security; • Shielding of underground power line conduit boxes.
Accidents and diseases among the workforce	Serious accidents (with leave of more than 15 days, incapacitating injuries, amputations or fatalities) or (occupational) accidents and illnesses that cause leave of absence of less than 15 days, compromising	i) Increase in expenses with leave of absences ii) Loss of productivity	• Service Level Agreement for Health and Safety at Work with Cemig's areas; • Structured communication campaign with workers and the leadership.

	the corporate indicators.		
Lack of liquidity in the company	Cash balance at zero or lower than accounts payable.	i) Payment of interest or fines due to delays, and ii) Damage to the Company's Image.	N/A
Non-compliance with environmental obligations	Non-compliance with environmental obligations and legislation applicable to the Expansion, Maintenance and Operation of the Assets of Cemig Group Companies.	i) Embargoes/Suspension of operation of facilities ii) Legal liability (civil, criminal or administrative) of the entity and/or individuals.	• Management system for monitoring environmental constraints • Development of soil bioengineering techniques for surface drainage and control of linear erosion along transmission and distribution lines.

Among the Top Risks, Cemig seeks to identify and manage non-financial and/or emerging medium and long-term risks that may significantly impact the company's business. In the last matrix of risks, we identified the following emerging themes:

Table 15: Emerging risks identified by Cemig

Top Risk	Description	Examples of Potential Impacts	Examples of Mitigation Actions
Inefficiency in measures to minimize and adapt to the impacts of climate change at Cemig	They refer to the inadequacy of mitigation and adaptation measures to climate change in the long run, resulting from non-implementation or inefficiency of the measures necessary to minimize the impacts resulting from extreme weather events..	i) Damage to the power generation, transmission and distribution infrastructure, which may cause interruption of those services ii) Loss of revenue and market due to new low carbon solutions implemented by competitors.	• Structuring and execution of the 2023 - 2027 Distribution Development Plan (PDD); • Research and Development (R&D) Program; • Distribution Operations Center of the Future (deployment of software based on the concepts of time-oriented and hyper-vision visual analytics, responsible for providing situational awareness to operators via a graphic interface).
Changes in the way of using the Distribution system (DG)	The evolution of micro and minigeneration has taken place at levels higher than those projected by Aneel in	i) Expansion of the system for GD service without associated load growth (market) (construction	• Research and Development (R&D) Program

	its most optimistic forecasts, with a significant increase trend for the next 3 or 5 years. It has been noticed that the injection estimated for 2023 has already been achieved in 2020.	works for GD connection in regions with low consumption density ii) Distribution Utility revenue reduction.	• Distributed Energy Resource Management System; • Diagnosis of Improvement Drives (the objective is stratifying the points of improvement of the whole Distributed Generation connection process by priority performance drivers by grouping them up and focusing on the most relevant causes).
Failure in the protection to, availability of and unauthorized access to corporate and operating computing resources (Cyber Risk)	Failure in the protection to and availability of computer systems rated as mission critical. It is noteworthy that, due to the dynamics and uncertainties associated with attack technology and systems protection, this risk covers scenarios of up to five years, considering an emerging view.	i) Loss of integrated control of the electric power system (Distribution and Generation/Transmission); ii) "Loss of productivity with consequent reduction in operational efficiency.	• IT Service Continuity Plan (seeks to ensure availability of the Company's computer, information technology infrastructure and telecommunication systems, thus reducing the chance of interruption of the organization's businesses supported by those systems and by that infrastructure and/or reducing the time to have them back up in the event of an interruption); • Continuous management of technical vulnerabilities.

RISK MANAGEMENT MONITORING

The Board of Directors' assessment of risk management activities includes ensuring the implementation and monitoring of these management efforts, in order to prevent and mitigate the major risks the Company is exposed to. This includes risks related to the integrity of accounting and financial information and the occurrence of corruption and fraud.

In this scenario, Cemig develops analyses to define the way it will manage economic, environmental, and social topics and their impacts, risks, and opportunities. In this process, the performance of the Corporate Risk Monitoring Committee (CMRC) stands out, whose main duties are:

- Recommend guidelines and procedures to be adopted in the Corporate Risk Monitoring Process to the Executive Board, aiming at the process effectiveness and continuous improvement;
- Continuously monitor the scenario where the Company operates, as well as its corporate risk matrix, in order to identify the major risks and recommend priority mitigating actions to be proposed to the Executive Board;
- Monitor the structure of internal controls and the actions taken to minimize the occurrence of events capable of compromising the achievement of Cemig's strategic objectives.

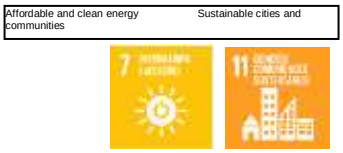
Cemig does not centrally manage opportunities. However, the Company submits the proposed Corporate Risk Matrix to different levels of management and administration to gather their understanding regarding the prioritization that should be given to each risk.

WHERE OUR POWER COMES FROM

Power is a word that has accompanied Cemig since its foundation. It is present in everything the Company accomplishes when fulfilling its Mission and for the realization of its Vision. This power can be seen in the day-to-day work of its employees and other collaborators, in the relationship with its suppliers and in the constant search for excellence in service to its customers and consumers. This power can also be seen in its social and environmental performance. And it is reflected in its economic performance.

4 CUSTOMERS

A continuous search for customer satisfaction is part of Cemig's Vision. The commitment to excellence in the provision of services and good relations with customers is one of the principles stated in the Company's Code of Conduct.

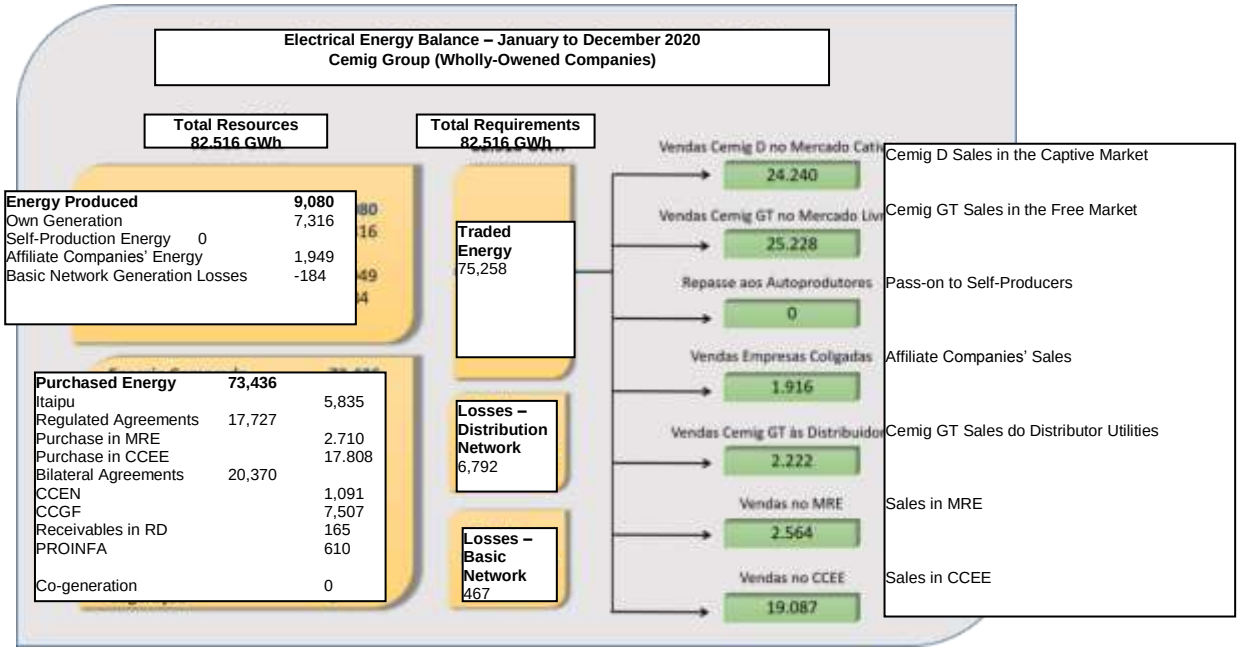


4.1 MARKET DEVELOPMENT

The Cemig Group trades energy via Cemig D and Cemig GT companies, and wholly owned subsidiaries Horizontes Energia, Sá Carvalho, Cemig PCH, Rosal Energia, CE Prajuru Beaches, CE Volta do Rio, Cemig Geração Camargos, Cemig Geração Itutinga, Cemig Geração Salto Grande, Cemig Geração Três Marias, Cemig Geração Leste, Cemig Geração Oeste, and Cemig Geração Sul.

The figure below shows the electrical energy balance in Cemig's consolidated market, comprising sales operations realized by the Group companies in the year 2020[43].

Figure 9: Electrical Energy Balance[44]



The energy traded by the Cemig Group in 2020 totaled 53,309,140 MWh. Sales of energy to final consumers and in-house consumption totaled 39,402,291 MWh, a decrease of 9.5% compared to 2019. Sales to Distributors and Traders/Generators/Independent Energy Producers totaled 13,906,848 MWh, a 24% increase over the previous year. Cemig's performance, broken down in its different consumer classes, is detailed below[45].

Homes

Home consumption accounts for 20.6% of the energy distributed by Cemig D and totaled 10,980,626 Mwh, a 4.2% increase in the period from January to December 2020, against the same period in 2019.

The average monthly consumption per consumer in 2020 was 128.6 kWh/month, which corresponds to an increase of 2.0% against the previous year of 126.1 kWh/month. The consumption behavior in homes can be explained by:

- A 2.1% increase in the number of consumer units;
- People staying longer at home due to the pandemic.

[43] EU2, G3 and EU12, G3

[44] The Electrical Energy Balance includes Cemig D, Cemig GT, Cemig PCH Horizontes, Rosal, Sá Carvalho and SPEs, and excludes transactions among the companies; Regulated Contracts: energy trade contracts in the regulated environment (CCEAR and auctions); MRE – Energy Realization Market; PROINFA - Program of Incentive to Alternative Sources of Energy; Sales of Affiliate Companies: bilateral contracts of companies Cemig GT, Sá Carvalho, Horizontes, Rosal, Cemig PCH and SPEs; Sales of Cemig GT to Distributor Utilities: sales of Cemig GT in the Regulated Contracting Environment (ACR)

[45] Electric Sector GRI EU-03.

Industrial

Energy billed in the Industrial class to captive and free customers in Minas Gerais and other states amounts to 23.9% of the volume of energy sold by the Cemig Group and totaled 12,731,167 MWh from January to December 2020, a decrease of 14,4% compared to 2019.

This result reflects the 25.6% reduction in the captive segment and the 12.3% reduction in the free market, and can be explained by:

- The industrial class strongly affected by the crisis caused by the pandemic, resulting in reduced consumption;
- The captive segment impacted by the migration of consumers to the free market;
- termination of the contract for a large client of Geração Salto Grande.

Commercial and Services

Energy billed in the class to captive and free customers in Minas Gerais and other states amounts to 16.1% of the volume of energy sold by the Cemig Group and totaled 8,671,078 MWh in the year 2020, a decrease of 8,2% compared to 2019.

The behavior of this class is associated with a 15.9% decrease in the amount of energy billed to Cemig D's captive consumers and a 1.6% increase in the amount of energy billed by Cemig GT and Wholly Owned Subsidiaries to free customers, in Minas Gerais and other states of Brazil. The following factors may explain the behavior mentioned:

- Reflexes of the crisis caused by the pandemic;
- Reduction of the captive market of this class, due to the migration of consumers to the free market and to distributed microgeneration;
- Expansion of the free market of this class, due to the adhesion of new consumers.

Rural

The consumption of the rural class, which reached 3,766,186 MWh, amounts to 7.1% of the energy sold by Cemig, amounting to a 0.8% decrease in 2020, in comparison to 2019.

Other classes

The power supplied to the other classes - Public Power, Public Lighting, Public Service, and In-House Consumption - which uses 6.3% of the Cemig Group's energy, totaled 3,353,235 MWh in 2020, a decrease of 8.7%, against 2019.

In the Street Lighting class, there was the impact of an adjustment made to the billing calendar (Aneel Resolution No. 888/2020), and the adoption of LED lamps (more economical) in some municipalities.

Sales in the Free Contracting Environment (ACL) and bilateral agreements

In 2020, energy sales reached 11,808,227 MWh, amounting to an increase of 20.3% compared to 2019. At CEMIG GT there was a higher volume of short-term sales to traders in the first months of 2020, with the objective of redeeming part of the high credit that the Company has at CCEE. In addition, there were sales made with supply in the second half of 2020, in the expectation of recovering part of the reduction caused by the drop in consumption by free customers.

Sales in the Regulated Contracting Environment- ACR

Energy sales in the ACR totaled 2,098,622 MWh from in 2020, a 0.4% decrease compared to 2019.

Cemig Group's market performance is detailed in the following table:

Table 16: Energy sales by class

Description	Amount (un)	Energy (MWh)
Sales to Final Consumers	8,697,006	39,368,202
Homes	7,113,837	10,980,626
Industrial	30,630	12,731,167
Captive	29,525	1,772,812
Free	1,105	10,958,355
Commercial	778,119	8,571,078
Captive	776,942	4,383,757
Free	1,177	4,187,321
Rural	688,212	3,766,186
Captive	688,201	3,749,372
Free	11	16,814
Other Classes	86,208	3,319,146
Private Consumption	708	34,089
Wholesaling	381	13,906,848
ACR	27	2,098,622
Free and Bilateral Agreements	354	11,808,227
TOTAL	**8,698,095**	**53,309,140**

GAS SALES

Cemig also operates in the natural gas trade and distribution segment by means of its subsidiary Gasmig, which is the exclusive distributor of piped natural gas throughout the state of Minas Gerais.

In the year 2020, Gasmig traded a total of 945,726,509 m³ of gas: 76% for the industrial segment, 15% for thermal generation, and the other 9% divided among the automotive and home segment and others.

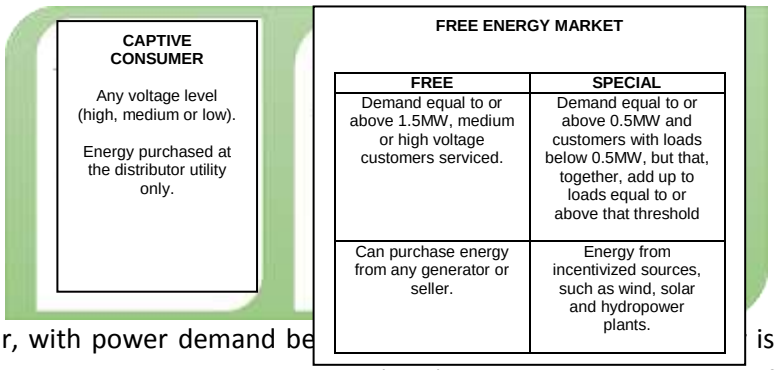
4.2 OUR CUSTOMERS AND CONSUMERS

Cemig seeks to offer a differentiated and excellent service to all customers. Along those lines, the Company has an oversight department solely dedicated to guaranteeing custom-made service and a

team of professionals with specific technical knowledge who are in charge of managing the contracts and all customers' demands. Additionally, they work in prospecting and attracting new customers.

The Energy Trading Policy[46] aims at establishing guidelines for the relationship with its consumers under Regulated Agreements and also its customers under Free Agreements.

[102-6] Cemig's types of customers are:



(I) Captive customers, located in the concession area in the state of Minas Gerais: consumers who are linked to the distributor, with power demand be is served only in the Regulated Contracting Environment (ACR). They can be consumers of the residential, industrial, commercial, rural, public power, public lighting, and public service classes;

(II) Free customers in the state of Minas Gerais and in 22 other states[47] in Brazil and the Federal District: consumers who can buy energy in the Free Contracting Environment (ACL), are not just linked to the distributor utility, and have an energy demand over 500kW. They can be custo mers of the industrial, commercial and rural classes;

(III) Electric sector players (independent energy traders, generators and producers) serviced in the ACL; and

(IV) Power distributor utilities that work in other concession areas serviced in the ACR.

In December 2020, the Cemig Group reached the mark of 8,698,095 billed customers group 1.85% increase against December 2019. Of this total, 8,697,714 are final consumers[48] and for their own consumption and 381 are other players in the Brazilian electricity sector, as shown in the table below.

Table 17: Number of customers by class

NUMBER OF CUSTOMERS BY CLASS				
	2018	**2019**	**2020**	**19/20 Variation**
Final Consumers	8,408,481	8,536,461	8,697,006	1.9%
Home	6,817,365	6,966,696	7,113,837	2.1%
Industrial	73,003	30,659	30,630	-0.1%

[46] The policy provides for the presentation of the following topics to the Board of Directors in the last quarter of each year: an estimate of the various markets to be served and projections of average price and average tariff; Estimate of Tariff Readjustments and Revisions, in average figures, within the timeframe of 2 revision cycles; Estimate of the evolution of average energy prices, resulting from auctions and bilateral contracts; Estimate of the evolution of the Price of Settlement of Differences - PLD; and Risk mitigation strategies (with the actions and/or products adopted) and criteria for determining under or over renewal of contracts at Cemig D S.A.

[47] Cemig Group's free customers are also located in the following states: Acre, Alagoas, Amapá, Amazonas, Bahia, Espírito Santo, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Rondônia, Santa Catarina, São Paulo, Sergipe and Tocantins.

[48] Final consumers include types (I) and (II)

Commerce and Services	721,149	806,602	778,119	-3.5%
Rural	712,793	647,066	688,212	6.4%
Public Sector	84,171	85,438	86,208	0.9%
Private consumption	702	715	708	-1%
Wholesaling	352	342	381	4.1%
TOTAL	8,409,535	8,537,518	8,698,095	1.9%

The 3.5% downturn noticed in the Commerce and Services class is strongly related to the negative impacts of the pandemic on the tertiary economic sector, although there was also the migration of consumers to the free market and distributed microgeneration, which also contributed to reduce the captive market.

Some free customers pay for the use of Cemig D's distribution network, regardless of whether or not they buy energy from the Company. The number of customers with this profile is given in the table below, by class.

Table 18: Free customers who pay for using the Cemig D's distribution

NUMBER OF FREE CUSTOMERS THAT PAY FOR SHIPPED ENERGY				
	2018	**2019**	**2020**	**19/20 Variation**
Industrial	574	707	847	19.8%
Commercial	555	724	907	25.3%
Rural	6	7	17	142.9%
Authorized dealer	3	3	3	0.00%
TOTAL	1,138	1,441	1,774	23.1%

CORPORATE CUSTOMERS

Potential corporate customers[49] are subjected to a thorough credit analysis. Before the sale is concluded, the operation is submitted for approval to the Energy Risk Management Committee - CGRE[50], to assess feasibility and verify compliance with commercial guidelines. After their approval, the operation is submitted to the Executive Board for deliberation.

Cemig's corporate client portfolio accounts for a significant percentage of the share of energy sales and, consequently, of the Company's revenue. The focus of management on corporate customers is the result of the acknowledgment of its importance to Cemig's business. Cemig has an internal structure specially trained to deal with corporate clients. With this structure, Cemig develops and improves its technical and commercial relationship with its customers, who operate mainly in the commercial and service sectors and work with great consumption of electricity.

Considering the complexity of the electricity industry, which requires extensive knowledge of legislation, rules and procedures for the sale of energy that govern the market, Cemig provides a personalized commercial relationship structure, in addition to teams and processes aimed at serving corporate customers, including [51]:

[49] The types of customers described in items (II), (III) and (IV) are those called Cemig “corporate customers”.
[50] CGRE is composed of members from different areas of Cemig.
[51] Cemig's relationship channels with its customers are detailed in the “Relationship channels” section.

- Structuring the relationship divided by commercial management departments to serve high and medium voltage customers;

- Putting together teams with technical and commercial knowledge to operate both in the regulated energy supply market and in the free market for the sale of electricity.

- Creation of internal processes for prospecting customers, product portfolio diversification, contraction and management of trade energy, contracting the distribution system, risk analysis, forecasting and monitoring of energy prices, customization of customer service, submission of operations for internal approval and for deliberation by the Executive Board.

4.3 QUALITY OF ENERGY

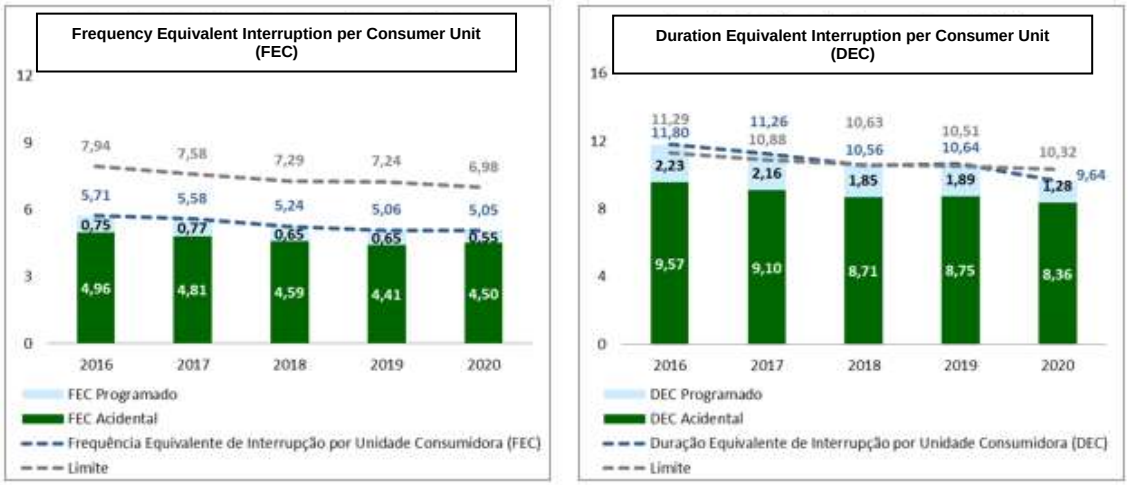
To meet the standards expected by customers and required by the regulatory agency, Cemig carries out actions and initiatives to improve operational management, organize the logistics of emergency response services, and permanently carry out inspections and preventive maintenance of substations and distribution lines and networks. The Company also invests in training its professionals, in cutting-edge technologies, and the standardization of work processes.

The Duration Equivalent Interruption per Consumer Unit (DEC) and Frequency Equivalent Interruption per Consumer Unit (FEC) indicators are the major benchmarks used to assess the effectiveness of the actions and initiatives carried out by Cemig regarding energy supplying quality.

These indicators show, respectively, how many times in average the consumer was left without power and the average number of hours that consumer was without power. In the analysis of these indicators, Cemig looks into the difference between interruptions caused by accidents and scheduled interruptions related to procedures for improvements in the electrical system that, eventually, demand the interruption of the energy supply.

The following charts show the evolution of the DEC[52] and FEC[53] continuity indicators.

Chart 2: Cemig's DEC and FEC History



[52] Electric Sector GRI: EU-29
[53] Electric Sector GRI: EU-28

In 2020 there was a decrease of 9.2% in relation to 2019 for DEC, while FEC remained at its lowest value in the historical series. The DEC and FEC indicators were below the limits stipulated by Aneel. The FEC indicator had a result of 5.05 (interruptions) against a limit of 6.98 (interruptions). The DEC indicator showed a marked improvement, with a result of 9.64 hours, below the limit of 10.32 hours. The 2020 result was the best ever obtained by Cemig D and reflects the investment plans and the commitment to continuous improvement, as well as to customer service.

The constant search for improvements in these indicators is a reality in Cemig's operations. In addition to the dir extrapola tes a risk for t ory targe ive years or i ling of th eel thus involving the risk of loss of the concession.

Scheduled FEC
Accidental FEC
Frequency Equivalent Interruption per Consumer Unit (FEC)
Threshold

Scheduled DEC
Accidental DEC
Duration Equivalent Interruption per Consumer Unit (DEC)
Threshold

In 2020, approximately R$ 54 million was paid in compensation to Cemig D's customers for breach of individual electricity supply continuity indicators (DIC, FIC, DMIC, and DICRI). This compensation amount was 3.1% higher than in 2019.

Table 19: Indemnities to Cemig's customers

Year	2018	2019	2019
Amounts spend with Indemnities (R$ M)	46.2	50.0	54.0

The Average System Interruption Index (SAID) of the Basic Transmission Network (DEC) in 2020 was 0.06 hours, considering that Cemig D's customers are serviced by other transmission utility companies besides Cemig GT.

Quality education
Responsible consumption and production
Peace, justice and strong institutions

4.4 SAFE USE OF ENERGY

[103-2:416; 103-3:416] Cemig understands that a grid in perfect technical and safety conditions, by itself, is not capable of preventing accidents from occurring, due to the system's exposure to user interference and interventions.

Cemig continuously provides information and clarification regarding the safe use of energy and promoting the population's awareness of the care necessary to live near power grids, thus avoiding accidents and saving lives.

The safe use of energy is a relevant matter for Cemig[54] precisely because it directly addresses issues that include the safety of both customers and the general population. The Company is aware of the risks and dangers inherent in the use of electric energy by the population and is dedicated to preventing and monitoring the occurrence of accidents throughout its concession area.

[54] Respect for life is one of the Company's values and, in the strategic planning, efforts to promote the safety of the population are made clear by the “Minimize Impacts on the Community” initiative. This initiative presents a specific guideline for this topic: "Expand the prevention of accidents with the population".

[417-1] Cemig invests in communication about the safe use of energy, carrying out information campaigns, providing technical instructions in its relationship channels, providing teams for verification and guidance on risk situations, to inform about the safe use of electricity, and other issues.

Throughout its concession area, Cemig implements accident prevention actions, instructing the population directly via news reports (radio, newspapers, and TV) and posts in social networks, and indirectly using different types of educational material published in electronic media, and also booklets, folders and posters, besides sporadic campaigns at the communities.

In 2020, Cemig increased its press releases, with a special focus on educational campaigns, actions in which about R$ 1 million reais were invested.

[417-2; 417-3] All Cemig communications comply with the recommendations of the Brazilian Business Communication Association (Aberje) and ensure that companies hired for the campaigns follow the Brazilian Advertising Self-Regulation Code (Conar). So, there were no reported cases of non-compliance with regulations and voluntary codes related to marketing communications or information about Company services, besides complying with all provisions laid down in the contracts in effect[55].

[416- 1; 416-1] Besides that, Cemig makes various pieces of information available to the population on its website, regarding the safe use of power[56], both in urban and rural areas. These precautions involve the use of energy inside homes, on the streets, in the countryside, close to buildings, during rainy periods, festivities, etc. Accordingly, the Company considers that 100% of the product and service categories are subject to health and safety assessments focused on prevention and continuous improvement. There are no records of non-conformity with laws and/or voluntary codes relating to impacts on the health and safety caused by products and services during the period covered by the report.

INTEGRATED COMMUNICATION PLAN FOR POPULATION SAFETY

[103-2:416; 103-3:416] According to data released by the Consumer Defense Institute (IDEC), Minas Gerais was the second state in the domestic ranking with the most accidents involving the population in the electricity grid and the third in number of deaths in the past ten years.

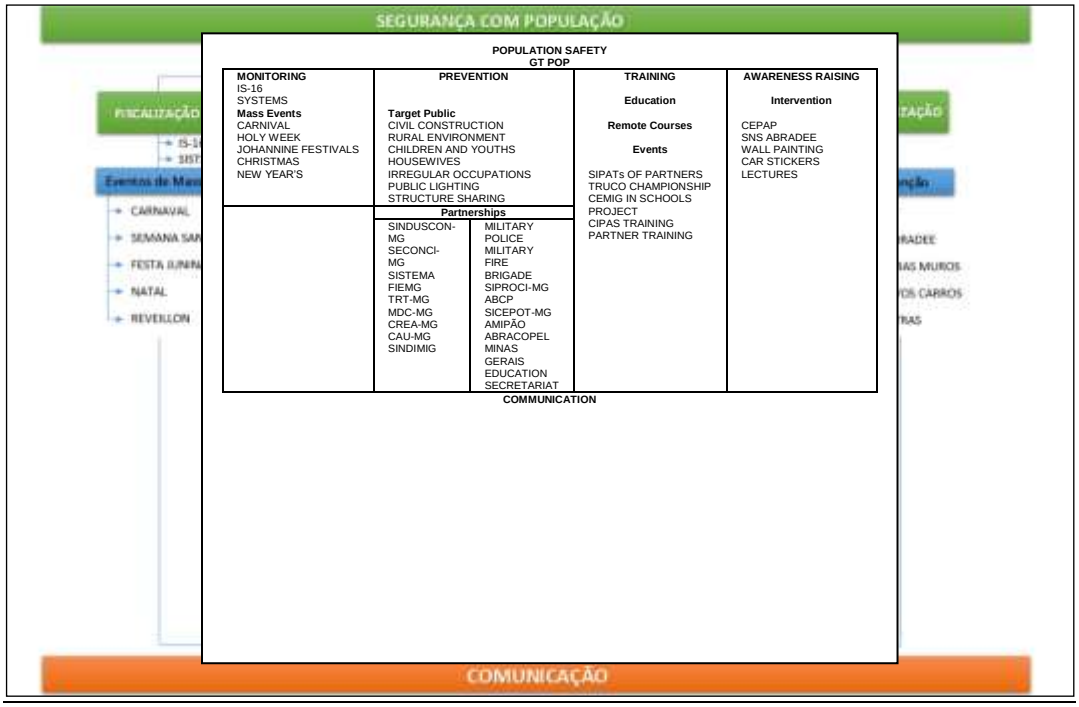
In 2020, Cemig innovated and developed a Strategic Integrated Communication Plan for Population Safety (2020/2021), aiming to influence a change in consumer behavior regarding the safe use of electricity.

Among the objectives of this Plan are awareness-raising among the population, the mobilization of the various stakeholders of the Company to include guidelines on safety in the use of energy, and awareness-raising among employees regarding preventive actions inside and outside the Company. The Plan intends to disseminate mass communication campaigns, providing information of public interest to a wide audience, and to launch targeted communication campaigns, providing information of interest to specific audiences.

[55] In compliance with Law No. 12,232, 29/Apr/2010, which lays down general rules on public tenders and contracts by the public administration of publicity services provided necessarily via advertising agencies, within the scope of the Federal Government, the States, the Federal District and the Municipalities. http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2010/lei/l12232.htm

[56] Available at: < https://www.cemig.com.br/usinas-do-conhecimento/dicas-seguranca/>

Figure 10: Organizational chart of the Strategic Plan for Integrated Communication for Population Security (2020/2021)



One of its pillars is accident prevention, targeting construction workers, housewives, rural workers, and others.

Cemig established cooperation agreements with 16 entities that have common objectives in terms of preventing accidents with the population, such as the Military Police and the Fire Department. The capillarity and specificities of these entities can assist Cemig in the dissemination of safety information, in addition to providing support in risk situations identified by its employees.

Preventive and public awareness-raising action in the civil construction sector about safety regarding the power grid

With the support of the Minas Gerais Construction Materials Trade Association (Acomac-MG), the Minas Gerais Civil Construction Industry Union (Sinduscon-MG), and other institutions, Cemig developed videos simulating various accident situations in the industry. Accidents are more common in informal construction works, usually carried out by workers without proper qualification and training, and the videos have tried to show some of these risks and how to avoid them. The idea is that these videos should arouse, especially in the publics of the civil construction sector, the need to carry out works safely and with respect to the power grids.

In 2020, Cemig reduced the number of accidents in civil construction works by 35%, compared to 2019. Even with the pandemic, the sector grew by 42%, which shows great progress in reducing accidents, even with a greater number of works and workers.

Footage of awareness videos on the safe use of energy in construction

Acting on another pillar of the Plan, that of education, Cemig made remote training on Electricity Safety[57] available in 2020, free of charge and directed to the population from the age of 10. The course is also available for people with hearing and visual impairments. The training aims to enhance the

Dissemination of Training on Electricity Safety

[57] Link for enrollment in the Remote Training – Electricity Safety training: https://univercemig.cemig.com.br/

dissemination of information on the safe use of electric energy and expand public knowledge on the subject. It is structured into 5 modules:

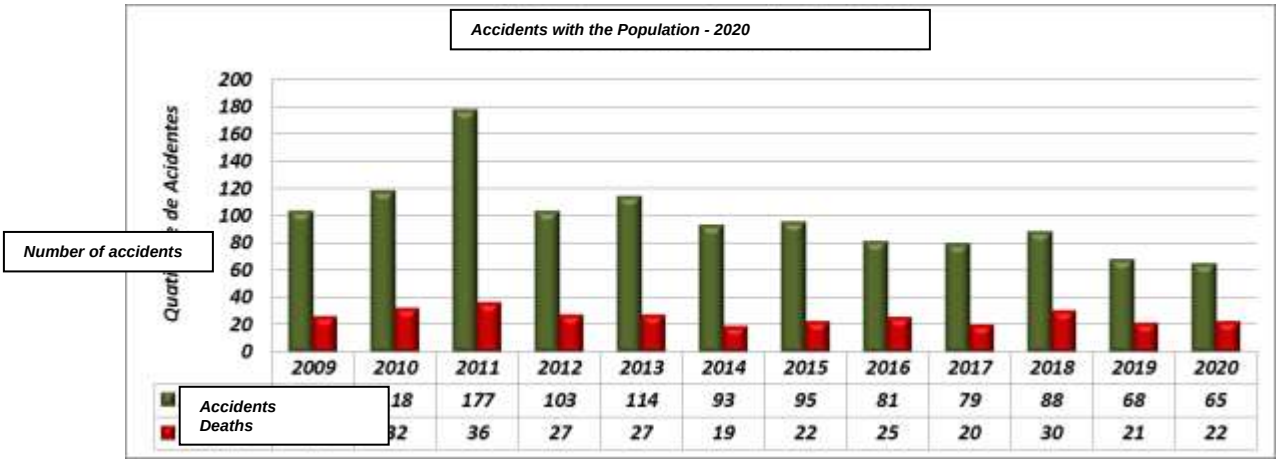
- **Module 1** - The pathways of energy: from generation to our homes - 2 hours
- **Module 2** - Electric power system (SEP) - 4 hours.
- **Module 3** - Basic rules for living well with SEP - 6 hours.
- **Module 4** - Safe use of energy: prevention tips - 20 hours.
- **Module 5** - Safe use of energy: extra tips - in the home - 8 hours.

PERFORMANCE RESULTS

After a worsening of the 2018 results, in 2019, Cemig again reduced the number of recorded accidents with the population in the Company's concession area. When comparing the results of incidents with the population regarding people who suffered effects on their health (victims of accidents), a decrease of 35.4% was recorded in relation to the 2018 figure. And a 36.4 one in relation to fatalities in that same period.

The chart below shows accidents with and without fatalities recorded in the past three years[58].

Chart 3: History of records of accidents with the population



[58] Electric Sector GRI: EU-25.

When an accident takes place, an investigation process is triggered and the conditions of the event are assessed to check for a causal link between the occurrence and Cemig's asset activity or operation. In 2020, a stratification of recorded accidents was carried out; the table below shows all accidents with the population.

Table 20: Number of Accidents with the Population - 2020

Accidents with the Population	2020	
	Fatalities	Mandatory
Building construction/maintenance	7	28
Execution of rural services	3	4
Execution of telephone services	4	5
Theft	3	6
Installation of TV/Radio antenna	1	3
Works in public roads	0	1
Others	2	11
Operation of dump truck/crane	1	4
Tree pruning	1	1
Flying kites	0	2
TOTAL	22	65

In 2020, there were 51 lawsuits filed against Cemig related to accidents involving the population.. Cemig continues making efforts to reduce accidents with the population in order to record increasingly fewer accidents and no fatalities.

4.5 PROTECTION AGAINST LOSSES

The management of energy losses is one of Cemig's strategic objectives, since they represent unearned revenue. In addition, the greater the losses in the transmission and distribution of electricity, the greater the need for energy generation and distribution, leading to an increase in indirect greenhouse gas emissions. In 2020, total losses in transmission and distribution represented 99.47% of Cemig's scope 2 emissions.

Inadequate general loss management causes a major impact in the business, which is the commitment to the Company's financial sustainability (due to decreased revenue). On the other hand, the major risk associated with management of these energy loss is related to failure to meet the regulatory targets laid down by Aneel for the current tariff cycle (2018 to 2022).

Finally, the control of electrical losses is related to the quality of the energy supply and the safety of the population, both topics considered relevant for the Company.

The models adopted by Aneel have presented increasingly challenging limits for companies in the sector. When considering the limits imposed by Aneel in the last tariff review, it is possible to attest to the high degree posed by risk, mainly due to the adoption of simplified statistical models for the

calculation of technical and non-technical losses. Also, the changes made by the Federal Government in the electricity sector, which culminated in successive tariff readjustments and the current scenario of economic recession, led to restrictions on the budget required to make the necessary investments and put controls in place.

The Indicator of Total Losses in Distribution (IPTD) is calculated using the difference between the total energy injected into the distribution system, determined with the Electric Energy Trading (CCEE), and the total energy consumed by the market. IPTD is segmented into technical losses (PPTD) and Non-Technical Losses (PPNT).

TECHNICAL LOSSES

Technical losses are those inherent to the energy movement and distribution process along the transmission and distribution equipment and lines. Its result is influenced by the conditions of energy movement from the plants, the performance of works to improve the electrical system, changes in consumer behavior, and other factors. Technical losses are calculated using the current regulatory methodology (Electricity distribution procedures - module 7[59]).

Noteworthy is the improvement obtained by Cemig in the regulatory coverage of technical losses. Coverage increased from 7.84% in the 3rd tariff cycle (2013 to 2018) to 8.77% in the 4th tariff cycle (2018 to 2023), which represents an increase in financial revenue, amounting to R$ 90 million, annually.

The reduction in technical losses has been provided by the deploying of works to reinforce the electrical system, via the Distribution Development Plan (PDD). In 2020, three new substations were powered up: Elói Mendes, Itabira 6 and Romaria. Still in 2020, feeder lines were reconfigured, which represents a reduction in energy losses of 2,482 MWh/year (R$ 521,000/year).

Finally, the significant increase in energy injected via distributed generation in the medium and low voltage system has also contributed to the reduction of technical losses.

NON-TECHNICAL LOSSES

Non-technical losses relate to deficiencies or irregularities in the measurement and billing of consumer units, as well as the existence of power hogs in the distributor utility's network. Non-technical losses are calculated by the difference between total losses and technical losses.

As the majority of non-technical losses occur in the low voltage network, Aneel defines the percentage indicator of those losses in relation to the volume of energy conveyed along the low voltage network. This way, the control and decrease of non-technical losses is essential to minimize Cemig's financial losses, which are, in part, passed on to the consumer tariff in the tariff review process.

To reduce the levels of non-technical losses, Cemig has boosted the deployment of actions to combat power hogs after a period of increase of the indicator due to the Brazilian economic recession.

[59] www.Aneel.gov.br/modulo-7

Legalization of power hogs - Glória Community, in Uberlândia:

The legalization of power hogs in the Glória community in the city of Uberlândia, in the Triângulo Mineiro region, took place in September 2020 and generated a recovery of revenue for Cemig above expectations, of 116kWh/client x 130kWh/client, with no negative repercussions. In communicating to the community, Cemig stressed that [power hogs, in addition to putting their families' life at risk, caused problems for the whole community, such as power outages, burning of appliances, fires and even fatal accidents. So that the residents of the community could receive quality and safe energy, in addition to benefits such as a solar heating system, they legalized their situation with the Company.

In 2020, Cemig promoted several combat actions, including carrying out 484 thousand inspections throughout the state of Minas Gerais, amounting to an increase of 58% against 2019, when 306 thousand inspections were carried out. These inspections meant a R$ 90 million increase in Cemig's revenue. In addition, approximately R$ 33 million was obtained from retroactive collections on irregularities charges.

Other actions taken in 2020 to mitigate non-technical losses included:

- Remote monitoring of over 40 thousand large customers, representing a screening of approximately 60% of Cemig D's revenues;
- Removal of over 1,100 power hogs;
- Replacement of 81 thousand obsolete meters, thus modernizing the measurement system throughout the state of Minas Gerais;
- Elaboration of 270 documents that show the frauds identified in measurement systems and were forwarded to the police authorities aiming at the criminalization of recurrent scammers;

Finally, in order to reach the target set for Cemig regarding regulatory losses by 2022, the company prepared an Energy Recovery Plan; and the following actions are scheduled for 2021:

- Execution of 455 thousand inspections at consumer units;
- Replacement of the communication system of 1,600 free customers, allowing for greater reliability and faster billing.
- Deployment of smart meters at 159 thousand low voltage customers;
- Replacement of 100 thousand obsolete meters;
- Renewal of registration of 1.2 million street lights;
- Rectification of the energy supply for 20 thousand families living in seizure and low-income areas;
- Efforts to identify and mitigate sources of administrative losses.

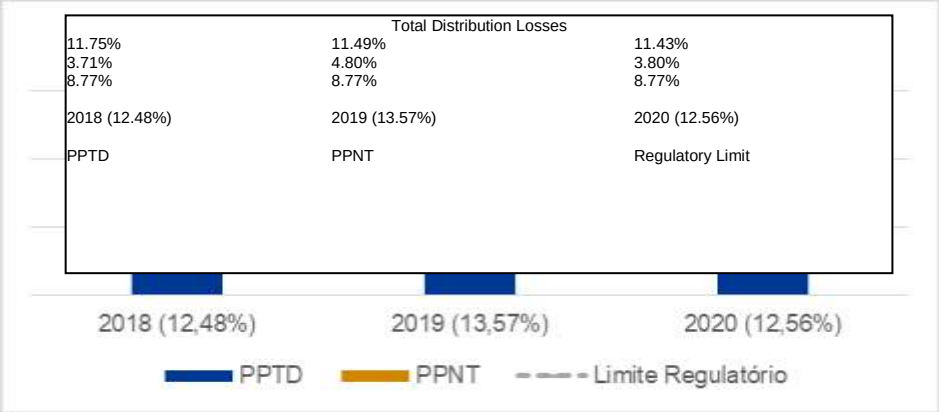
TOTAL LOSSES

In relation to the results of the indicators calculated in 2020, the total losses in distribution rate - IPTD was 12.56% against the total energy injected into the distribution system. Of that total, 8.77% was related to technical losses (PPTD), while 3.80% pertained to non-technical losses (PPNT) against the total energy injected into the distribution system. This result is above the 11.43% target established by Aneel for Cemig in the tariff cycle in effect in 2020.

The 2020 result was lower by 1.01 percentage points, when compared to the value of 2019, when IPTD was 13.57%. In 2022, the target determined by Aneel for Cemig will reach 11.23%, which will require continuous efforts to adjust the Company to the regulatory coverage of losses[60].

Regarding the PPNT indicator, the result in 2020 was 9.96% for the low voltage market, for a regulatory target of 6.89% (a result 0.5. p.p. lower than the 2019 one).

Chart 4: Total Losses in Distribution



In 2020, the Basic Transmission Network loss index was 1.60%, calculated by the ratio between participation in the proration of the basic network losses carried out by CCEE, counted due to power consumed (Cemig D) and energy generated (Cemig GT and subsidiaries), and energy traded.

PAYMENT DEFAULT

Cemig uses communication and collection tools to prevent an increasing in default, including telephone calls, sending of e-mails, SMS messages, and collection letters, the blacklisting of defaulting customers, judicial collection and, mainly, cutting the power,

The year 2020 was especially challenging for the Company, given the unprecedented effects of the pandemic on tax collection and collection activities.

[60] EU12, G3

In the second quarter, the challenges were even greater, due to the impact of movement restriction efforts and limited use of collection tools, especially power cuts (Normative Resolution No. 878/20[61] and Federal Law 14,015/20[62]), as well as the strong economic downturn in the country.

The improvement in the indexes was gradual, starting on the months of May and June, with stabilization in the last quarter at a level above 97% of collection and defaults below 5%.

These results were the fruits of the Contingency Management Plan for Mitigation of Default, which was grounded in four basis:

- Monitoring of indicators: daily sending of information on collection and outstanding debts, and monthly on default to the top management, leveraging the efficiency of the decision-making process;
- Intensification/improvement in the use of the available collection tools: e-mail, SMS, blacklisting with the credit analysis information companies for business decisions, suspension of the electricity supply whenever possible, delivery of a collection letter together with the power bill, collection via digital/online platform, protest, and administrative and judicial collection. Regarding the suspension of supply, it is worth noting the expansion of the remote cut for the next cycles (around 320 thousand over the next two years, focused in Belo Horizonte) and the adoption of a target selection software tool based on machine learning. In 2020, a specialized consulting company was hired, with the objective of making a diagnosis and proposing improvements in the entire Revenue Protection process;
- Easing up of the rules for payment in installments and incentive for on-sight payment of the amounts in arrears. A specific negotiation campaign was carried out for customers with a momentary impediment of suspension of the energy supply or with paralyzed activities: low-income, public or philanthropic hospitals and micro-businesses whose activities were suspended as determined by the State Government, for as long as the pandemic lasts;
- Expansion of negotiation channels:
    - Cemig Atende Web, at www.cemig.com.br;
    - Assistance via administrative collection companies for regular and irregular consumption debts and construction works/services (amount collected of approximately R$ 8 MM);
    - Digitalization of the debt installment payment process via WhatsApp at 31 3506-1160, with an increase in the volume of transactions by more than 12 thousand/month;
    - Exclusive call center for negotiation via phone number 0800 721 7003;

[61] Normative Resolution No. 878/20, which prohibits the suspension of supply by default of consumer units related to the supply of energy to services and activities considered essential, and of subgroup B1 residences, low-income subclasses, rural residential subclass, and of B2 subgroup . https://www.in.gov.br/en/web/dou/-/resolucao-normativa-n-878-de-24-de-marco-de-2020-249621270

[62] Federal Law No. 14,015 / 20, which prohibits the suspension of the provision of public services, such as water, gas and electricity, on Fridays, Saturdays, Sundays, holidays or the eve of holidays. https://www.in.gov.br/en/web/dou/-/lei-n-14.015-de-15-de-junho-de-2020-261697846

- Virtual service scheduled on Cemig's website.
- Conducting of negotiation campaigns during the peak of the pandemic, thematic campaigns (FGTS and Emergency Aid) and participation in negotiation fairs with one of the Credit Bureaus with the best reputation.

- Diversification of payment methods:
  - Receipt of bills and installments via debit and credit card, via the electricians, meter readers and Cemig's customer service website;
  - Partnership with a company that offers cashback;
  - Accreditation of Digital Banks for collection;
  - Expansion of the number of accredited banks for registering "Direct Debit" straight on Cemig's digital service channels and boosting of communication and marketing campaigns focused on that payment method;
  - Payment via PIX (QR Code) on power bills - expected to be implemented in 2021.

In 2020, Cemig D recorded R$ 153.57 million of Estimated Losses from Doubtful Credits (PECLD), a reduction of R$ 45.7 million compared to the previous year. The reduction was due to the effects of the actions reported above and the mitigation of the credit risk of the Minas Gerais government debts in view of the negotiation to offset the energy consumption debts due by June 2019. For this, ICMS tax credits were used, pursuant to article 3 of State Decree No. 47,908/2020[63], which regulated State Law No. 47,891/2020[64].

In 2020, 684,978 power cuts were carried out, 372,660 less than in 2019. This reduction was due to restrictions on termination activities imposed by Aneel, through resolution 878, due to the pandemic.

Table 21: *Duration and number of power cuts performed in 2019*

Cut duration time	Number of cuts by duration
< 48 hours	252,248
48 Hours - 1 week	100,752
1 week - 1 month	61,660
1 month - 1 year	150,173
> 1 year	2,785

[63] State Decree No. 47,908/2020, which determines that the tax credit for the Tax on Transactions related to the Circulation of Goods and Interstate and Intermunicipal Transport and Communication Services - ICMS under the responsibility of the suppliers themselves, may be offset against debts from direct Public Administration agencies, foundations and state authorities resulting from the purchase of electricity, telecommunication services, and liquid or gas fuel derived or not from petroleum. Article 3: The compensation referred to in art. 1 will depend on the supplier's request, signed by a legal representative and addressed to the State Finance Secretariat - SEF within 120 days from the publication of this decree. http://www.fazenda.mg.gov.br/empresas/legislacao_tributaria/decretos/2020/d47908_2020.html#:~:text=Disp%C3%B5e%20sobre%20a%20compensa%C3%A7%C3%A3o % 20de, specifies% 2C% 20e% 20d% C3% A1% 20other% 20provid% C3% AAencias.

[64] State Law No. 47,891/2020, which decreed, as of May 4, 2020, a state of public calamity within the entire State, in effect until December 31, 2020, due to the socioeconomic and financial impacts resulting from the Covid-19 pandemic.

4.6 RELATIONSHIP WITH CUSTOMERS

Cemig has a Consumer Council that represents the interests of all consumption classes collectively and promotes the defense of their rights. It consists of six full members and six deputies, representing the following classes of consumption: residential, industrial, commercial, rural, and government.

The Council is charged with giving due treatment to the suggestions received, cooperate in inspections and accept charges and complaints made to Cemig, based on the general conditions of power supply.

In 2020, the Council held six general meetings to discuss relevant issues related to the legislation and regulation of the electricity sector, service indicators, ombudsmen offices, works execution plan, impacts of Normative Resolution 800, and Distributed Generation, impacts of Normative Resolution 800 and Distributed Generation, impacts of MP 950/2020 – Covid-Account and pandemic-related customer service.

The Council also provided contributions to Public Hearings (AP) and Public Inquiries (CP) from Aneel intended to obtain subsidies on several relevant topics, such as:

- CP 001/2020: extension of the deadlines for the registration review of the tariff benefits treated by Normative Resolutions No. 414/2010 and No. 800/2017;
- Positions sent to MME, Aneel and Cemig on the sharing of the burden on the electricity industry resulting from the pandemic;
- Sending of an administrative appeal to Aneel on Cemig's tariff readjustment in 2020;
- CP 011/2020: 2020 tariff flags
- CP 029/2020: methodological improvement of the treatment of energy losses and irrecoverable revenues and of the Tariff Regulation Procedures (PRORET);
- CP 062/2020: : review of the methodology for calculating Regulatory Operating Costs - PRORET sub-modules 2.2 and 2.2A;
- CP 035/2020: obtaining subsidies for the improvement of the Normative Resolution that regulates Decree nº 10,350/2020, regarding the financial aspects impacted by the Covid-19 pandemic;
- CP 035/2020 - phase II: improvement of the proposed regulation of art. 6 of Decree 10,350/2020, on the economic-financial recovery of concessions;
- CP 038/2020: amendments to Normative Resolution No. 878 from March 24, 2020, which deals with measures to preserve the provision of public electricity distribution services due to the public calamity related to the Covid-19 pandemic;
- PLS 232/2016 Analysis: portability.

MAJOR RELATIONSHIP CHANNELS.

Due to the scope of Cemig's concession area (a presence in 774 municipalities), diversity in relationship channels is an essential resource to provide quality service to its customers.

VIRTUAL

FACE-TO-FACE

With a focus on the customer, Cemig aims at getting closer to and strengthen relations with its consumers and offer a modern and streamlined service with quality and transparency. To that effect, there are service channels available that bring together various means, such as face-to-face, telephone, and virtual communications.

Cemig is aware of the growing demand for virtual channels, and has invested in the diversification of these service channels without, however, failing to offer other channels with the same care and quality required to guarantee consumer satisfaction.

All this apparatus is essential to provide adequate service to its more than 8.6 million customers who, in 2020, requested over 94 million services through the several channels. Even with the Covid 19 pandemic, that figure amounts to a 16% increase, when compared to the total number of contacts carried out in 2019.

One of the highlights was a 55.7% increase in the number of calls made through digital channels in 2020. There were 59.2 million interactions in 2020, against 38 million in the previous year. In 2020, digital services amounted to 72% of calls for services and solutions.

Through the **Virtual Web Branch**[65], available on Cemig's website, the customer can request various services, such as bill duplicates, debit consultation, change payment due date, register the invoice sending by email, change of holder, new connection, and others.

The Virtual Web Branch also offers segmented service, with exclusive areas to serve customers of distributed generation, medium voltage large customers, designers, and others. In 2020, more than 21 million contacts were made via the Virtual Web Branch.

In 2020, the Virtual Web Branch received improvements in its usability and made available new services, especially: scheduling for face-to-face service, video remote service, registration and unsubscription of invoice direct debit, and debit payment in installments via credit card.

The virtual channels include the **Cemig Atende** application, available for Smartphones and Tablets on Android and IOS platforms. Through that application, customers can access several services, such as recording a power outage, providing meter readings, checking outstanding debts, getting a duplicate from their bill, and other services. Also, customers have access to information about their call register, about Cemig, energy tips, and a consumption simulator. In 2020, 28.4 million contacts were recorded.

Social networks[66] provide a speedy way of sharing information and, due to their coverage, interactivity, and the greater familiarity of the public in using the several applications that come up on a daily basis. Based on that assumption, Cemig also interacts with customers in their social networks, clarifying doubts and forwarding requests on a daily basis. Due to the pandemic, Cemig used social

[65] The Virtual Web Branch can be accessed through the Cemig Atende option at the top of the Cemig website page - https://cemig.com.br.

[66] Social networks: Facebook.com/Cemig.atende); Twitter (@Cemig_atende); Instagram (@cemigenergia)

networks atypically in 2020, facilitating access of customers to the more essential services. Over 2 million direct calls were made through social networks.

Through ***Telegram*** and ***WhatsApp***, which are totally free applications, it is possible to obtain assistance by exchanging messages in real time. There are three services compatible with all smartphone operating systems, customers can access several services, namely:

- *Telegram*: automated service via the @CemigBot bot. Customers can request the creation of a register, obtain information on debit, inform meter reading and complain about lack of energy in the installation.

- WhatsApp: at +55 31-3506-1160, Cemig offers some of its main services, such as informing readings, debits and power outages, among others. In 2020, 4.7 million calls were made through this channel.

Face-to-face service is provided by the "**Cemig Fácil de Atendimento**" customer service network, through 142 branches and 635 Customer Centers. In 2020, due to the pandemic, the Company adopted as security measures the temporary closure of branches and the scheduling of appointments. 9.82 million contacts were registered through this channel, 10% less than in 2019.

In order to speed up service at service centers, since 2015, Cemig has offered self-service terminals there, so that customers can obtain bill duplicates, their account history, provide information on meter readings, and change their invoice due date. Through self-service machines (totems) located inside the branches and in five external stations, 2.0 million contacts were made in 2020.

The telephone service is provided by "**Fale com a Cemig**" (Talk to Cemig), by dialing 116 and 0800 721 0116 (for landline calls originating at the border of the concession area or outside the state). The channel is available to all customers, 24 hours a day, 7 days a week[67]. This handles requests for emergency services related to the electrical system, information requests for commercial services. That channel was responsible for serving 11.32 million registrations.

Besides, Cemig provides **Cemig Torpedo**, a text messaging service (SMS) by which the consumer can request assistance for power outages, view debts, and send readings; requests must be sent to the number 29810. The customer just needs to enter the CPF or CNPJ number of the account holder and the keyword for the desired service to receive it. It were over 2.1 million calls served in 2020.

[67] "Fale com a Cemig" has both human clerks and Interactive Voice Response (IVR).

Cemig is concerned with providing better service and interaction for its handicapped customers. That is why the Company offers customized service in its various channels, such as online channels and Talk to Cemig calling 0800 723 8007, which works as a kind of voice-activated chat for the hearing impaired. The online channels can be used by handicapped users through adapted devices and software.

The Company website is available in Portuguese, Spanish, and English. It also has features available in Brazilian Sign Language (Libras) for hearing-impaired people.

Cemig offers the option of printing power bills in Braille for the visually impaired. In 2020, 606 customers in this situation were served, with 7,774 accounts being printed in the year.

For customers with difficulty to access virtual channels, there is the phone customer service on number 116, and face-to-face service at Cemig Fácil de Atendimento branches. The customer service branches have adequate facilities matching accessibility standards (ABNT-NBR 9050[68]). [69]

There were no calls answered on the 0800 number dedicated to hearing impaired consumers in 2020. The contact number, which is provided on the back of power bills, is available 24 hours a day, 7 days a week. The calls made to this number are redirected to representatives of the special channel, who are the same who answer the ombudsman office, Procon, and medium voltage customers. For the system to work, the call must be made using a compatible device/system.

PATH TO UNDERSTANDING AND OMBUDSMAN OFFICE

The management of the relationship channels includes monitoring and control via the Contact Panels, where it is possible to check the calls made via all channels. It is also possible to check the amount of services provided by following the logic of the Path of Understanding[70] established by Aneel. Thus, a tiered order of the levels of treatment by which the consumer complaint must follow is established, namely:

- It is first dealt with by the area in charge (1st level);
- Then, by the distributor utility's Ombudsman (2nd level);
- Finally, by Aneel (3rd level).

All the relationship channels mentioned above make up the first level for handling customer demands. At the first level, the granularity and the volume of interactions is immense, considering Cemig's more than 8.4 million customers.

If requests or complaints are not resolved at this first level, the customer has the option of calling the Company's ombudsman office. The Ombudsman Office records, instructs, analyzes and - in the best possible way - deals with the complaints made by consumers in the first level, that is, in the customer service channels of the Distributor Utility, which have not yet obtained an unsatisfactory answer as

[68] ABNT is the Brazilian Association of Technical Standards. They approve the NBR, which are the Brazilian Standards for management systems procedures, for instance.
[69] Electric Sector GRI: EU-24.
[70] "Path of Understanding" is what Aneel calls the flow of treatment of calls to Ombudsman Offices in the Electric Sector. This flow was established in 2014 by means of a proposal made by the National Forum of Ombudsmen in the Electric Sector and accepted by Aneel in order to strengthen the Distributor Utilities' Ombudsman Offices.

determined in the current legislation. As a second-tier channel, the Ombudsman Office is an administrative and appellate body for settling conflicts related to Cemig's services and requests regarding the provision of services.

Finally, if the customer is still dissatisfied, they can go to the third level of service, making a request directly to the Ombudsman Office of Aneel, the sector's regulatory agency.

If the consumer submits his complaint outside this sequence, their request will be sent to the correct channel and they will be notified about this order for the consumer complaint process.

The data on the demands received by the Ombudsman Office[71] in 2020, by nature and topic, are presented in the tables below.

Table 22: Number of demands by kind received by the Ombudsman Office in 2020

Kind of Demand	Cemig's Ombudsman Office (2nd Level)	Aneel Ombudsman Office (3rd Level)
Contact info	14,339	34,714
Complaints	16,951	19,968
Complaints	1,998	80
Compliments	11	2
Suggestions	11	11

Table 23: Percentage of demands by topic received by the Ombudsman Office in 2020

Demand topic	Percentage Amount
Consumer Complaint	21%
Irregular Charges	3rd
Refunding of Electrical Damages	8%
Network Extension	4%
Power Outage	7%
Connection Order	6%
Microgeneration Connection	5%
Registry Change	3rd
Voltage Fluctuation/Variation	3rd
Phone customer service	3rd

SATISFACTION

[102- 43] Customer satisfaction is inherent to the Company's culture and is the responsibility of all employees. The positive impacts from this stance are brand appreciation and good standing for the Company in the markets it operates in and acknowledgment through satisfaction surveys, particular: Aneel's Residential Consumer Satisfaction Index (IASC) and Abradee's Perceived Quality Satisfaction Index (ISQP).

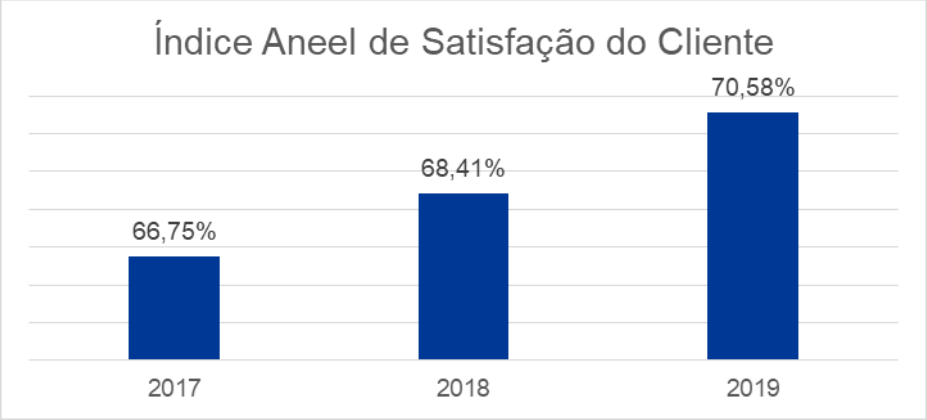
[71] The input channels to contact the Ombudsman Office are: phone, email, website, letter, face-toface, and Aneel.

The customer satisfaction indexes are important tools that support the creation of initiatives and action plans for the continuous improvement of the services provided, taking the perception of Cemig's consumers into account. Improvements are implemented by top management, when they identify of the opportunity, focusing on the efficiency of processes.

Published annually by Aneel since 2000, IASC assesses the opinion of residential customers concerning the quality of services provided by electricity distributors.

According to IASC 2019, 70.58% of Cemig's residential customers were satisfied with the services provided by the company, a result that exceeds the 70% goal laid down by Aneel. The average result of satisfaction with services provided by utility companies was 67.38%.

Chart 5: Chart - History of the Aneel Consumer Satisfaction Index - IASC (2017-2019)



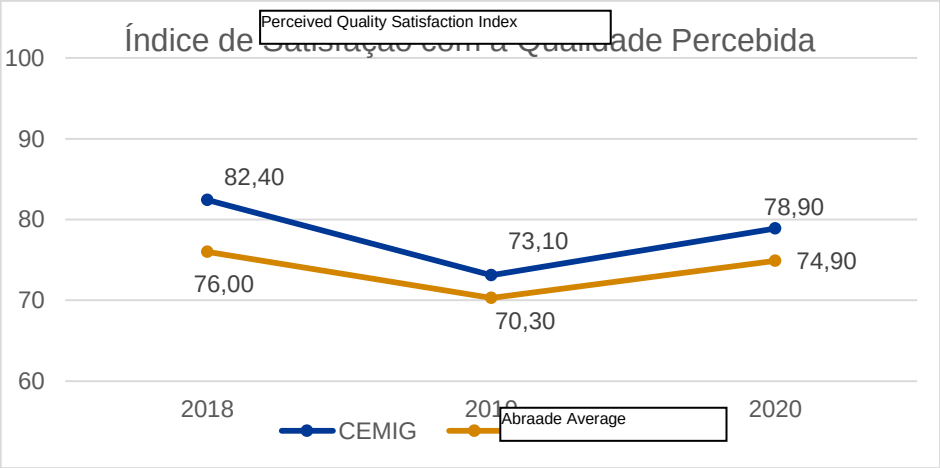
Due to the pandemic, there was a delay in conducting the survey with customers and the forecast for the disclosure of the IASC 2020 result is April 2021.

Cemig expects that IASC 2020 will continue to exceed the goal established by Aneel in view of its regularized portfolio of construction works, expansion of emergency response teams and investments in the expansion and improvement of grids in the regions that most needed it. Also, the service channels are now more efficient and diversified, and communication with different publics is more human and closer.

Aneel Customer Satisfactoin Index

Another important satisfaction indicator is ISQP. The year 2020 saw the 22nd edition of this survey conducted by Abradee to assess the satisfaction of residential customers. With a result of 78.9 points, amounting to a 7.9% increase in relation to 2019, Cemig is among the 12 best energy distributors in Brazil with more than 500 thousand consumers. The industry average is 74.9 points. Four surveyed areas showed improvements: supply, customer service, image, and power bill.

Chart 6: Cemig's ISQP historical series and Abradee average



Customer satisfaction is an ongoing issue in the internal communication media, reinforcing the awareness of employees and contractors about their responsibility and contribution in this process.

In 2020, Cemig started applying a methodology that allows for measuring customer satisfaction, called Net Promoter Score (NPS), and up to 24 thousand opinions are expected to be collected through that. The Company expects to obtain more assertive information on the satisfaction of each kind of customer, and, as a consequence of that, an action plan for

Peace, justice and strong institutions

4.7 INFORMATION SECURITY

[103-2: 418; 103-3: 418] In a fully connected world with unlimited possibilities for accessing and using information, the entirety of Cemig's data network requires a lot of control and security. Poor management of technological resources and/or security breaches can expose the Company to great risks in case of leakage and improper use of personal data, or unauthorized access to strategic databases and confidential information.

If the internal focus on information security had progressed with the measures adopted to comply with Law No. 13,709/2018 (General Data Protection Law[72]), it has gained even greater relevance with the significant increase in the use of the Internet for the purpose of remote work, caused by the pandemic.

Cemig invests in its Information Technology (IT) structure, seeking robustness in the governance and management of IT services, as well as in the management of information security:

[72]A law of international importance, law, which provides for the protection and privacy of personal data of all Brazilian citizens.
. The law is based on the General Data Protection Regulation, better known as GDPR, an European law which came into force on May 25, 2018, with the aim of protecting the privacy of citizens' data across Europe.

- To meet the requirements of the Sarbanes Oxley Act, to which the Company is subject for having its shares traded on the New York Stock Exchange, its IT security controls system is based on Cobit 5 and verified annually by internal and external audits;

- The management of IT infrastructure, operation and services is structured based on the good practices defined by the ITIL model, aiming at continuous improvement of the services that delivered to Company businesses.

- Information security is ensured by a management system based on the Brazilian Standard ("ABNT") NBR ISSO/IEC 27001: 2013, in line with the best market practices, which include processes for managing and controlling policies, risks, communication, information classification and information security.

In addition, Cemig participates in several groups that develop studies on information security. Among these, we highlight the ABNT Safety Techniques Study Commission and the Strategic Facilities Safety Committee of the Brazilian Association of Electricity Generating Companies (CESI/Abrage). The Company also cooperates with the Center for Studies, Response and Treatment of Security Incidents in Brazil - Cert.br, through its Computer Security Incident Response (CSIRT).

In 2020, Cemig developed preventive actions to mitigate the risk of cyber attacks: quarterly analysis of vulnerabilities to the external environment (exposure to the Internet), two invasion tests (pentest), and a red team exercise to detect and correct any weaknesses in the technological environment. In all cases, action plans were drawn up with a view to making appropriate corrections. Since November 2020, weekly vulnerability analyses have been carried out on the computer network connecting corporate workstations.

Aiming to raise awareness about risks and establish a culture of prevention, Cemig carries out constant campaigns aimed at its employees, using:

- Digital advertising material published via WhatsApp, that address specific information security topics;

- Texts published on the blog (Radar), prepared by the Information Security Administration area;

- "Quiz" on the topics covered in the digital advertising material and texts published on the Radar blog, with the aim of encouraging the participation of employees, who are awarded with random gifts;

- Implementation of a platform for raising awareness and promoting the culture of corporate cybersecurity, with the use of game mechanics and dynamics to engage people (gamification).

In addition to the monthly campaigns, employees participate in the "Em dia com a Segurança da Informação" (Up to date with Information Security) annual event, which focuses on the challenges and impacts of information security on business. 2020 saw its 18th edition, which addressed the topics of "Cybersecurity For Business And Life" and "Everyone Has The Power And Responsibility When It Comes To Cybersecurity".

38 cyber security incidents were recorded in 2020, one of which was reported by social networks and some media.

On December 25, 2020, anomalous behavior was detected on Cemig's network, with characteristics of a cyber attack that hijacks data using encryption and makes it readable only after payment (ransomware). Such behavior was detected by the Security Operation Center, which operates on a 24x7 basis (24 hours a day, 7 days a week). Due to the quick and effective action carried out by Cemig, the operation of the power system and the main databases (customers, billing, customer service and business management) were not compromised, guaranteeing the continuity of the provision of services. The Company was not contacted by any alleged perpetrator of the attack and there was no leakage of data of any kind. The competent authorities were promptly notified.

The security of servers and workstations is being boosted via (i) the application of good market practices; and (ii) the creation of a strategic plan for risk mitigation, which will stimulate the application of new processes, technologies and the restructuring of the information security area.

To monitor the level of protection that current security solutions offer to Cemig's computing environment, the Information Security Index indicator was established in March 2020. The adoption of this indicator makes it possible to compare the security level of Cemig's IT environment with that of other companies and to make decisions about additional investments in protecting this environment.

DATA PRIVACY AND PROTECTION

Cemig recognizes its responsibility to protect the personal data of almost 9 million customers who use its services and respects the privacy of its employees, service providers, suppliers and partners. It also believes that the personal data of its interested parties must be used in a responsible manner in keeping with the Brazilian laws, especially with Aneel Normative Resolution nº 414/2010 from September 9, 2010, which regulates the supply of electric energy, and to the General Data Protection Law (LGPD).

LGPD, whose main principle is a respect to privacy, provides that companies carry out the treatment of personal data made available to them (from customers, employees, suppliers, etc.) according to the prescribed guidelines and establishes rights for the owners of the data.

Even before the institution of LGPD, Cemig was aligned with regulations that converged with responsibility for the treatment and availability of data, such as the Positive Registration Law, the Access to Information Law and the Consumer Protection Code. The ongoing adaptation to LGPD represents another step by the Company in preserving the relationship of trust with its customers and other stakeholders.

The personal data of Cemig's data owners can be collected:

- for and due to matters related to the provision of energy supply services directly to the data owner;
- for and due to the provision of energy supply services to the companies they represent.

In 2020, Cemig implemented a Data Governance process, whose final purpose, in short, is to adapt to the requirements introduced by the law to the Company's structure. To support this process, a dedicated structure was created to meet all legal regulations related to the topic of data privacy and protection:

- Appointment of the Deputy Manager of Compliance, Corporate Risks and Internal Controls as Person in Charge of Processing Personal Data;
- A Committee for Privacy and Protection of Personal Data, at the level of the Executive Board;
- An internal, multidisciplinary team dedicated to the theme;
- Policies and procedures related to the theme, including the Privacy and Data Protection Policy[73];
- An exclusive service channel[74], in line with the rights provided for in Article 18 of LGPD. This channel allows for the receipt of requests from data subjects (DSAR), regarding their personal data, and the creation of a standardized and automated way to receive and manage them in a centralized system.
- Licensing of the market-leading Onetrust Technological solution to support the entire Cemig Privacy and Data Protection program.

The effectiveness of the process is being monitored by means of defined indicators and metrics, such as:

- Effectiveness of the Data Inventory process;
- Level of update of the Data Protection Impact Assessment (DPIA);
- Number of security and privacy projects;
- Level of compliance with requests from data subjects;
- Privacy-trained employees and collaborators;
- Complying suppliers.

[418-1] In 2020, no record of complaints for breach of privacy that may have caused any type of damage to the Company's customers and employees was identified.

4.8 STRUCTURE AND TARIFF ADJUSTMENT

The “tariff” theme is very important to Cemig. As it is its major revenue source, the value of tariffs charged directly influences the Company's economic and financial situation and its ability to deploy programs and projects. The methodology adopted by Aneel to define regulatory tariffs and revenues assumes that the defined revenue is enough for the concessionaire's economic and financial balance.

However, the risks associated with the topic are precisely those inherent to the rationale of regulation by incentive, which simulates competitiveness in the market, requiring the Company to always aim for efficiency and best practices.

[73] Link to access the Privacy and Data Protection Policy: https://www.cemig.com.br/privacy/#:~:text=11.1%20A%20Cemig%20compartha%20Dados,formal%20do%20Titular%20dos%20Data.

[74] The link to access the Customer Service Channel is the same as above.

Another risk-generating factor in regulated businesses is the possibility of the enactment of new regulatory rules caused by changes in policies in the electricity sector, thus changing the established scenario. In order to anticipate and mitigate such regulatory risks, actions are taken to monitor and analyze the evolution of the regulatory scenario that governs electricity services, proposing changes to maximize and safeguard the Company's results, in line with the interests of customers and consumers.

The tariff management approach is carried out by active participation in Aneel's public hearings, on issues relating to economic and financial regulation, and at the Ministry of Mines and Energy by pointing out possible negative impacts not provided for in the proposals and contributing to improvements.

Interaction efforts before Aneel in tariff processes are also part of the area activities, thus contributing to a proper tariff repositioning. Other opportunities for tariff management actions include internal actions in support of the Company's areas to understand the regulatory rules and help in the management of the Company's several processes.

Aiming at a tariff management approach, the management department responsible for the economic regulation of the Company actively participates in the formulation and calculation of indicators, among which the following stand out:

- IRCO D: it gauges the percentage of Cemig D's costs and expenses that are included in the tariff scope;
- IRCO D: it gauges the percentage of Cemig Transmissão costs and expenses that are included in the tariff scope;
- D Disallowance: Disallowance Rate of Investments in Distribution;
- GT Disallowance: Disallowance Rate of Investments in Generation and Transmission.

These indicators are periodically assessed by the Board of Directors and possible points for improvement and deviations are evaluated within the continuous improvement process. This way, preventive and/or corrective measures are adopted to guarantee the adherence of management mechanisms to business objectives. All of Cemig regulatory processes are monitored and regularly followed-up by the Regulatory Affairs Committee - CAR, which is made up of representatives from all boards. This Committee is responsible for assessing and proposing contributions from the public hearings at Aneel and the Ministry of Mines and Energy.

Therefore, the revenue defined and approved by Aneel for the Distribution and Transmission businesses takes the form of tariffs and the Annual Permitted Revenue - RAP, respectively. For the Generation business, especially as provided by Law No. 12,783 from January 11, 2013, the topic has become extremely relevant.

CEMIG D

Cemig D's tariffs are regulated and supervised by Aneel, as it works in a regulated market. In addition to setting tariffs, the Agency also determines the cost associated with each type of consumer. This is used to calculate the several tariffs for the different consumption classes.

In the process of defining tariffs, Cemig D acts in defense of the Company before Aneel to have the costs and investments necessary to provide a service with quality and availability recognized.

The revenue billed by the tariffs includes coverage for manageable and non-manageable costs.

Manageable costs are the distribution operational costs, the remuneration of shareholders, and the invested capital write-back share. Non-manageable costs, on the other hand, are those that the distributor collects from the consumer and passes on to other players in the sector. These are the purchase and movement (transmission) of energy and sectoral charges.

TARIFF ADJUSTMENT

Tariff adjustment aims at passing on non-manageable costs in full and to adjust for inflation the manageable costs that were determined in the tariff review. The adjustment happens on an annual basis, and the review, every five years, as defined in the contract. The manageable cost adjustment index is IPCA (Wider Consumer Price Index). Then, the X Factor to capture productivity according to the methodology of the regulatory price-cap model is netted out from that amount.

From the amount charged on the invoice, 22.5% are held at Cemig D and is intended to pay interest on the investment, and pay for depreciation and costing of the Concessionaire. This portion is called Portion B. The remaining 78% are called Portion A and are carried over to pay for energy purchase (29.9%), sector charges (12.9%), transmission costs (6.5%), together with ICMS (23.5%) and PASEP/COFINS (4,7%) taxes.

As determined by the Federal Constitution, Cemig is obliged to collect taxes directly from the consumer's account and pass them on to the competent authorities. In Minas Gerais, consumer units registered as low-income residential units, as defined by Aneel, are beneficiaries of the social tariff and whose monthly billing corresponds to an average consumption of up to 3 kWh per day are exempt from ICMS.

The Contribution for the Cost of Public Lighting Service (CIP) is also charged. Its amounts are defined by city halls. Cemig only collects the public lighting fee and passes it on to the municipality, which is responsible for the services of design, implementation, expansion, operation, and maintenance of public lighting facilities.

On May 15, 2020, in the face of the public calamity scenario resulting from the Covid-19 pandemic, the Company submitted a request to Aneel to defer the application of the result of its tariff process until June 30, 2020, in order to mitigate the effects over consumers in its concession area by keeping the tariff that was in force since May 2019. On June 25, 2020, Aneel approved the result of Cemig's readjustment with an average impact of 4.27%.

On August 5, 2020, the Company submitted to Aneel a proposal of reversal of R$ 714 million to consumers in its concession area, related to the financial component of reimbursement of PIS/PASEP and COFINS, in order to contribute to the moderation tariff at a time when society sought to reduce the impacts of the pandemic. On August 18, 2020, Aneel approved the readjustment with the insertion of this negative component.

The ratified result represented an average tariff readjustment of 0.0%, with the variation in costs of portion B, manageable costs having an increase of 0.84%, offset by the same negative percentage referring to the variation in non-manageable costs and the partial return of PIS/PASEP and COFINS credits mentioned in the previous paragraph.

TARIFF FLAGS

Tariff flags refer to a system established by Aneel to signal to consumers the actual conditions and costs of electricity generation in the month of consumption, allowing them to respond more rationally to the price of energy. The mechanism came into effect in January 2015, as determined by sub-module 6.8 of the Tariff Regulation Procedures (PRORET).

The tariff flag system is represented by a green flag, which indicates favorable conditions for power generation without implying a tariff increase, and by the yellow and red flags, which indicate less favorable and critical conditions for energy generation, resulting in additional charges beyond the Power Tariff.

The distributor utilities pass on the funds from the billing of the tariff flags to the Centralizing Account, which is managed by the Power Trading Chamber (CCEE). The funds available in this account are passed on to the distributors, according to the need to cover for the costs of power generation by thermoelectric source and exposures to the short-term market.

In addition to the tariff rate, the tariff flag system is an important mechanism to mitigate the mismatch between expenditure and tariff coverage in power purchases.

CEMIG GT

Cemig GT's transmission revenue consists of the sum of the revenues from all transmission assets. Thus, the Concession Agreements determined the Permitted Annual Revenues (RAP) of the assets in the existing system, which constituted the initial revenue responsible for the concessionaire's economic-financial balance.

As it operates in a regulated market, the revenue from Cemig GT's transmission assets is established by Aneel, and is updated in the periodic tariff review, extraordinary tariff review, and annual tariff adjustment processes. Similar to what happens at the Distributor Utility, the Company works with the Regulatory Agency to recognize its costs in the processes of reviews, readjustments, and ratification of RAP for new assets.

The transmission revenue annual adjustment takes place in July of each year, except when there is a Tariff Review. This process aims at adjusting the RAP for inflation by adding to it the revenue from the boosts and improvements that went into commercial operation in the past tariff cycle (July of the previous year to June of the adjustment year) and calculating the Adjustment Portion. The regulatory model methodology is Revenue-cap.

The inflation rate used by Aneel to readjust Cemig GT's revenue is the IPCA. Besides concession number 006/97, Cemig GT also has a concession for a tendered substation, SE Itajubá, whose readjustment also occurs in July, using IGP-M (General Market Price Rate).

5 EMPLOYEES

[103-2:401; 103-3:401] Cemig recognizes the importance of people for the success of the Company's business strategy, competitiveness, and prominence in the sector.

The engagement of employees[75] with the Company's strategy is essential for Cemig to achieve its long-term vision. At Cemig, people management includes monitoring staff, training, and increasing employee productivity, reducing the average cost of payroll, meritocracy, accountability, and the health and safety of company employees.

Cemig's people management model is based both in its strategic planning and in Human Resource Policy. The model guides initiatives and programs geared at adding value to the business, aiming at gaining efficiency in people management and at quality assurance and availability of staff to provide services to consumers and the population of Minas Gerais.

Below are listed some of the major initiatives from 2020:

- Management Staff Adequacy Plan: Established the conditions for joining the Scheduled Voluntary Severance Program (PDVP). The Plan included only employees who were removed from their leadership positions (superintendents and managers). The dismissal and the possibility of joining the PDVP aimed at adapting Cemig's organizational and cost structure;

- Basic Staff: Maintenance of a quantitative and qualitative in-house and outsourced staff by area, without compromising the quality of the services provided, in line with the business results (tariff coverage and personnel costs);

- Hiring of employees via public tenders, aimed at restoring the Company's staff, mainly in essentially technical areas. That measure aimed at maintaining operational safety of essential activities and also support corporate actions, so allowing for an ongoing search for an increase in productivity and operational efficiency;

- Strong involvement of senior leadership in the topic of health and safety at work, including the holding of online seminars (webinar) addressing technical, civil and criminal liability for occupational accidents for owners, managers and technical officers of partner companies;

- Adoption of a series of measures to safeguard the health and physical integrity of employees and other collaborators. The measures are detailed in item 5.7 of this Report;

- Application, in February 2020, of the Engagement and Climate Survey, with the objective of learning the aspects that show bond, connection and engagement, in order to bring objectivity to themes that may interfere in the corporate climate. 61% of the in-house employee staff participated, with a 66.1% favorable opinion percentage and pointing out there are major points to be worked on to improve employees' perception.

- Launching of the cultural empowerment program, called Novas Energias (New Energies), which seeks to identify and promote a new culture that makes it possible to meet needs and

[75] People who work for Cemig under a permanent and full-time employment contract.

obtain organizational results. Cultural mapping was carried out in July 2020, with participation of 49% of the in-house employee staff. In was possible to identify the Company's strengths and the main challenges and goals to be outlined in the coming years.

Regarding the results of the Engagement and Climate Survey and culture mapping, one of the strengths identified is the employees' feeling of belonging. As points for improvement, recognition and accountability practices were pointed out, greater clarity about the Company's strategic drives and the development of leadership, among others.

In February 2020, Cemig applied the Engagement and Climate Survey, with the objective of learning the aspects that show bond, connection and engagement, in order to bring objectivity to themes that may interfere in the corporate climate. 61% of the in-house employee staff participated, with a 66.1% favorable opinion percentage obtained. This result shows there are still major points that need to be worked on to improve employees' perception.

In order to identify and promote a new culture that makes it possible to meet needs and obtain organizational results, Cemig started, in June 2020, Novas Energias (New Energies), a cultural empowerment program, which seeks to develop behaviors that are not yet cemented, but which are fundamental to lead Cemig to have a more up-to-date management model, with more sustainable and lasting results. In July 2020, a culture mapping was carried out, with participation of 49% of the in-house employee staff, making it possible to identify the Company's strengths and also the main challenges and goals to be outlined in the coming years.

Gender equality Decent work and economic growth

5.1 EMPLOYEE PROFILE

[102-7; 102-8; 405-1] Cemig ended year 2020 with 5,254 in-house employees. This figure amounts to a 6% reduction compared to 5,596 employees in 2019. Of that total, 4,545 were men (86.7%) and 709 were women (13.3%). Women occupied 11.7% of management positions.

Table 24: *Number and percentage of employees by job category and gender*

Number of employees and % relative to the total number of employees							
Company	**Job category**	**Total**		**Males**		**Females**	
Cemig	Leadership	179	3.4%	158	3.1%	21	0.4%
	Graduate level	1,133	21.6%	891	16.9%	242	4.6%
	Technician level	3,942	75%	3,496	66.5%	446	8.5%
Total		5,254	100%	4,545	86.5%	709	13.5%

Table 25: *Percentage of employees by gender and job category*

	Leadership	**Graduate Level**	**Technician level**
Male %	88.27%	78.64%	88.69%
Female %	11.73%	21.36%	11.31%
Total	100%	100%	100%

Black, mixed-race, oriental, and indigenous employees, in turn, amounted to 35.6% of Cemig's in-house workforce. In terms of gender and race diversity, at the end of 2020 there were 4.2% of black and mixed-race women and 31% of black and mixed-race men. Regarding representativeness in management positions, black and mixed-race employees occupied 15.1% of those positions.

In relation to the 50+ group, Cemig had the seniority and experience of 1,064 professionals over the age of 50, a figure amounting to 20.3%. Employees aged between 31 and 50 years, in turn 3,624 people, 69% of the total, and the other 566 employees were under 30 years old, amounting to 10.7%.

As to stratification per region, 5,241 employees, amounting to 99.7% of the whole staff, worked in the state of Minas Gerais.

[401-1] In 2020, the Company held the **Scheduled Voluntary Severance Program (PDVP).** Launched in April 2020, employees would participate voluntarily of it and it was in line with a seniority criterion of 25 years or more at the Company by 31/Dec/2020. The program reached 395 accessions; the estimated reduction in staff costs for the Company should amount to R$ 100,680,00 per year. Regarding the age group of these employees, 199 were up to 50 years old and 196 were over 50 years old.

[401-1] In 2020, 104 new employees were hired by the Company[76] . On the other hand, 444 employees were terminated in 2020, including dismissals, pensions, and voluntary severance actions. In the same year, employee turnover, which measures the ratio between new employees who are hired and those who stopped working at the Company, was 8.91%.[77]

Staff detailing and stratification of information is given below.

Table 26: Dismissals, Hiring and Turnover Rate

		Total Number of Employees	Percentage	Total Number of Dismissals	Percentage	Total Number of Hired People	Percentage	Turnover
Gender	Male	4,545	86.7%	403	90.8%	97	93.3%	5%
	Female	709	13.3%	41	9.2%	7	6.7%	3.3%
Age Range	Below 30 years	471	9%	11	2.5%	37	35.6%	5.9%
	Between 30 and 50 years	3,719	70.7%	190	42.8%	58	55.8%	3.4%

[76] Hiring data include new hires and reinstated employees.
[77] This is calculated as follows: the number of people hired (A) and dismissed (D) are added during the year, and the total is divided by 2 the result is and multiplied by 100. This result should be divided by the Average Staff (EM), which is obtained by adding the existing staff in the months of the period considered, divided by the number of samples. {[(A+D)/2]*100}/EM

	Over 50 years	1,064	20.3%	243	54.7%	9	8.6%	9.3%
Region	Minas Gerais	5,241	99.7%	443	99.8%	104	100.0%	5%
	Other regions	13	0.3%	1	0.2%	0	0.0%	3.5%

In compliance with State Law No. 11,867/95, Cemig reserves 10% of the total vacancies for people with disabilities (PwD) in its public tenders. There is no reservation for places for PwD for positions that require additional hazardous work, as they require full ableness from the candidate, in keeping with what determines article 38, item II, of Federal Decree No. 3298/99. If the tender only considers positions of this nature, there is no vacancy reserved for PwD, which is the case, for example, of public tenders exclusively for hiring electricians and maintainers.

Cemig has 177 PwD in its staff, which corresponds to 3.37% of the total number of employees.

RETIREMENT AND SOCIAL SECURITY

Cemig has initiatives aimed at the pre-retirement and post-retirement phases of its employees.

[201-3; 404-2] The Company systematically carries out the Retirement Preparation Program (PPA)[78], participation in which is voluntary. The PPA aims to contribute to the building of the employee's life project after their dismissal, providing opportunities for reflection on the moment of retirement and its repercussions in the personal and family levels. In 2020, the program included 64 participants and, for the first time, it was carried out in the remote learning modality (EAD).

There is also a permanent preparation, through the Forluz Social Security and Financial Education Program - Para Viver Melhor (To Live Better). Issues such as budget management, investments, overcoming indebtedness and how to live better within financial possibilities are addressed.

OTHER EMPLOYEES

In addition to managing its own staff, Cemig also manages the contracts and labor relationships of employees hired as Temporary Labor (MOT), interns, and apprentices.

At Cemig, the hiring of MOT aims to supply or assist the fulfillment of the activities of the areas of the Company due to the complementary demand for services or the temporary replacement of an in-house employee, when it is not possible to relocate them, in accordance with Brazilian law[79]. These contracts are made by an outsourced company and last for 180 days, renewable for a further 90 days.

In 2020, hiring of MOT included 103 people, amounting to 1.97% of the total number of employees. The activities performed by temporary employees in 2019 do not amount to a significant portion of those activities that make up Cemig's operation. These employees are managed by specific contracts from the hiring departments, including concerning health and safety issues, a topic present in the various contracting stages.

[78] This program complies with Law 8,842 from 04/Jan/94, which determines that it is up to public bodies and entities "to create and encourage the maintenance of retirement preparation programs in the public and private sectors, at least 2 years before the worker retires".
[79] Law No. 13,429/2017

In 2020, Cemig's Internship Program was not held, which contributes to the professional development of students in technical and university courses. The decision was made by the Company due to the impossibility of supervisors (Cemig employees who were doing remote work) monitoring the interns more closely. This factor could compromise the student's learning. However, the trainees participating in the 2019 Internship Program were able to complete the cycle. In May 2020, when the program ended, there were 90 interns.

Cemig's Apprenticeship Program[80] is in its transition phase from Minor Apprentice to Electrician Apprentice. In 2020, Menor Aprendiz (Minor Apprentice) professionally trained 74 underprivileged teenagers, through a partnership with Inspetoria São João Bosco - Centro Salesiano do Menor (CESAM).

Based on the identification of a growing shortage of qualified labor to assist companies that provide services to Cemig, the Apprenticeship Program will focus on the technical and professional training of young people over 18 as Electricians of Overhead Power Distribution Grids. The apprentices will receive theoretical and practical training, with a total courseload of 570 hours. After completing the course, they will be able to carry out construction, maintenance and operation activities in the medium and low voltage overhead power distribution grid and public lighting structure, following specific technical standards of quality, efficiency and work safety.

The Apprentice Electrician will be developed in a partnership with the National Industrial Apprenticeship Service (Senai-MG), in the cities of Belo Horizonte, Governador Valadares, Juiz de Fora, Montes Claros, Pará de Minas and Uberlândia. It will train 120 apprentices per year and those with the best performances will be hired by the Company's partner companies.

Decent work and economic growth
Reducing inequalities

5.2REMUNERATION AND BENEFITS

[102-36; 102-37; 202-1] The guidelines related to compensation and benefits, which are part of the Positions, Careers and Compensation Plan (PCCR) of the Company, are established by the Board of Directors and complied with by the Executive Board in the management of the Company, as defined in its Bylaws.

The current PCCR was implemented in 2018, with the following objectives: to sustain and value the professional development and growth of employees, without losing sight of business results; to endow the structure with flexibility and internal mobility; to standardize the parameters for defining remunerations; and to provide a balance between in- and out-of-house wages.

The organizational restructuring that took place in 2019 and the need to maintain a current job plan that is consistent with the objectives and the business context culminated, in 2020, with the start of the development of the PCCR review project. Cemig hired a specialized consultancy to s

Position as of December 31, 2020

following scope: review of the career paths, the current jobs structure, the rules and norms of the PCCR and the variable remuneration policy, and a reassessment of the ranking of managerial and non-managerial positions.

[80] The Apprenticeship Program is intended to fulfill a legal obligation, under the terms of art. 429 of the CLT, which establishes the equivalent number of apprentices as a minimum of 5% and a maximum of 15% of the existing workers in each establishment, whose duties require professional training.

The consultancy hired is independent from management and linked to the Company only for the purpose determined in the technical specification of the contract. The project is expected to be completed in the first half of 2021.

Cemig expects that this review may positively affect the view its employees have of these issues. In the Engagement and Organizational Climate Survey carried out in 2020, the favorability obtained in the "Opportunity and Growth" aspect was 40.7%, and in the "Reward" aspect, it was 57.5%. These results are being considered in the PCCR review, as well as the views collected through discussion groups made up of employees from Belo Horizonte, Ipatinga and Uberlândia.

Table 27: Ratio between Cemig's lowest salary and the Brazilian - minimum wage in 2020

Group company	Lowes base salary paid	Ratio between the lowest salary and the minimum wage in 2020	Lowes base salary paid	Ratio between the lowest salary and the minimum wage in 2020
	Males		Females	
Cemig H[81]	R$ 4,183.52	4.00	R$ 9,926.37	9.50
Cemig GT	R$ 2,481.85	2.37	R$ 2,791.58	2.67
Cemig D	R$ 2,123.05	2.03	R$ 2,633.77	2.52

[102-38; 102-39] The ratio between the total annual remuneration of the highest-paid individual in the Company and the total annual remuneration of all employees (excluding the highest-paid) rate is 6.85. The increase in the remuneration of the best-paid person was 9.6%, and the increase in average annual total compensation of all employees was 18.28%, resulting in a ratio of 0.53.

[102-37] The remuneration includes the base wage, bonuses, additional payments, and variable remuneration. As variable remuneration, Cemig grants every Profit and Income Sharing (PLR) agreed between the Company and its employees, as represented by their unions. The distribution of PLR is based on the achievement of specific goals for each area and common corporate goals in line with the Company strategic objectives.

During the pandemic, there was no change in the remuneration of employees and aid for those doing remote work was not implemented. The employees' check in/out of employees is digitally controlled, with the blocking of access to computational resources in periods that go beyond working hours, including overtime previously agreed with the leadership.

[401-2] Cemig standardizes and offers a set of benefits, aiming at the retention and quality of life of its employees. These benefits are advantages granted by means of cash, services or training, in compliance with the legislation and/or offered spontaneously, in accordance with the Company's policies.

[81] The significant difference in the base salary paid by Cemig H in relation to Cemig GT and Cemig D is due to the composition of the workforce and number of years working in the Company. Cemig H is made up of 63 employees, 15 of whom are qualified at the technical level, with no women in this category. The amount of R$ 4,183.52 is paid to a technician who has a 24-year career at Cemig and the amount of R$ 9,926.37 is paid to an employee who falls under the university level plan and who has a career of 7 years at Cemig.

The benefits offered to employees include:

- Support program for minors and special efficient people (PAM), described in item 5.3;
- Reimbursement of expenses resulting from the disability of employees and/or their dependents;
- Funeral assistance in the event of the death of an employee or their direct dependents;
- Daycare assistance for children under 7 years old;
- Education aid/training allowance;
- Life insurance;
- Extension of maternity leave and paternity leave;
- Retirement preparation seminar;
- Biweekly salary advance;
- Vacation loan;
- Financial loan, granted based on the social economic evaluation carried out by the social worker;
- Health inventory;
- Monthly contribution related to the supplementary pension plan (managed by Forluz);
- Healthcare plan (managed by Cemig Saúde).

[401-3] All Cemig's employees are entitled to maternity or paternity leave. Of 22 women and 125 men who had the benefit granted in 2020, 14 and 121, respectively, returned to work in 2020 and the rest were on leave on 31/Dec/2020. All women who enjoyed the benefit in 2019 remained in the Company in 2020 and only one man, out of 136 beneficiaries in 2019, did not remain in the Company in the 12 months following the end of the paternity leave. The table below shows the rates of return to work and retention.

Table 28: Ratios relating to maternity and paternity leaves

	Return-to-work ratio	Retention ratio
Females	100%	100%
Males	100%	99.26%

5.3 DIVERSITY

[103-2:405; 103-3:405] The Code of Conduct and the Commitment to Human Rights[82] are documents formalized by Cemig that guide relations with stakeholders. They are aligned with globally recognized values and principles, such as those advocated by the UN through the Universal Declaration of Human Rights and the Global Compact, besides other instruments.

In turn, the Diversity Appreciation Group, created in 2019, under the Corporate Sustainability Committee and representing several areas of Cemig, follows the guidelines established through the two formalized documents. Its responsibility is to study and implement actions that promote gender equity and value diversity in the Company.

In 2020, the Organizational Climate and Engagement Survey, as well as the Cultural Mapping, addressed the theme of diversity and inclusion. The results confirmed the importance of addressing the issue at the Company. The launch of the Diversity Appreciation Program is scheduled for 2021, together with the publication of the Diversity Policy.

Below are the initiatives and actions were taken by the Diversity Appreciation Group or as a result of its performance in 2020:

- Communication actions on commemorative dates, such as LGBT + Pride Day, Black Awareness Day, Day to Combat Religious Intolerance, National Day for the Fight of Persons with Disabilities, and Blackout Tuesday;
- Representativeness and use of inclusive language in internal and external communications;
- Insertion of a gender and race/ethnicity stratum in the Organizational Climate and Engagement Survey and Cultural Mapping;
- Online events and brochures addressing issues such as domestic violence and remote work;
- Training of employees and distribution of a brochure on the topic of Moral and Sexual Harassment.

[412-2] In 2020, the online Code of Conduct improvement course was held online, which addressed the issues of valuing diversity and combating discrimination, in addition to reinforcing Cemig's Commitment to Human Rights. It counted on the participation of 5,078 employees and 4,998 contractors, accounting for 20,152 man-hours.

Compliance by the Company with commitments made in the themes of diversity, equal opportunities, human rights, discrimination, and harassment is monitored through Cemig's Complaints Channel.

[406-1] In 2020, Cemig's Complaints Channel received 304 complaints. Of the three cases related to discrimination, one is under investigation and two were concluded and dismissed. Of the 18 records referring to moral harassment, one did not have enough elements for investigation, two are being investigated and 15 were concluded and judged to be groundless. Finally, the two reports referring to sexual harassment were concluded as groundless.

[82] The Commitment to Human Rights is available at: https://novoportal.cemig.com.br/wp-content/uploads/2020/12/compromisso-com-os-direitos-humanos.pdf

ON GENDER EQUALITY

Cemig's professional environment is traditionally male, reflecting what occurs in technical and higher education directly related to the Company's core activities. So, gender equity offers many challenges for Cemig. Although men and women compete on equal terms, historically more men participated in public tenders held by Company, resulting in a percentage of 13.3% of women in its staff.

[405-2] The PCCR assumes equal pay between genders for similar positions and at the same career level. The pay differences shown in the table below are due to the history of promotions obtained by men and women in their careers. Aware of this and the importance of changing this reality, the indicator of the difference in remuneration between the genders started to appear as an indicator of the Company's Strategic Planning and will be used to measure the result of Cemig's inclusion actions.

Table 29: Mathematical ratio between base salary and remuneration of women against men

Cemig Group's Company	Women's Salary Average / Men's Salary Average			Women's Remuneration Average / Men's Remuneration Average		
	Leadership	Technical	Graduate	Leadership	Technical	Graduate
Cemig Holding	0.93	0	0.89	0.95	-	0.70
Cemig D	0.77	1	0.88	0.86	0.82	0.82
Cemig GT	0.97	1.05	0.88	0.96	0.84	0.83
Consolidated Cemig	0.93	1.01	0.88	0.94	0.82	0.82

Cemig participates in the Empresa Cidadã (Citizen Company) Program[83] and, therefore, grants extended parental leaves. In addition, there are other concessions that favor the exercise of parenting:

- Responsible parenting course;
- Special paternity leave in cases of incapacitating illness of the mother;
- Monitoring of employees during pregnancy, postpartum and during the first 3 months of their children's lives;
- Daycare allowance for employees in special conditions, such as widows/widowers, single or divorcees who have child custody.

ON PEOPLE WITH DISABILITIES

Among Cemig's employees, there are employees with physical, hearing, visual, and multiple disabilities, and in rehabilitation.

[83] Empresa Cidadã Program grants tax benefits to companies that offer employees extensions of maternity leave and paternity leave. It was instituted by Law No. 11,770/2008 and regulated by Decree No. 7,052/2009.

Upon joining Cemig or during their career, employees with disabilities rely on social workers and the people management area to facilitate their integration into the team and their adaptation (equipment, furniture, etc.).

Immediately after they are hired, a social worker conducts an interview with that employee, to check how their insertion in the work environment is going and whether there is a need for any adaptation. In a second step, a meeting is held with employee leaders, with the same objective as the interview just mentioned. And, at any time during their career, the disabled employee can request support from the social service for any necessary adaptation, awareness-raising for the team/management, and other demands.

Cemig also offers employees and/or their family members with disabilities guidance and support through the Special Care Program (PAM).

> "PAM entered our lives when our son Arthur was diagnosed with Cow's Milk Protein Allergy and continued afterwards, when his Autism Spectrum Disorder diagnosis came. It is an important Program for our family, as it is through it that we are able to provide Arthur with the appropriate treatment, with a whole multidisciplinary team always working for the development of our son".
>
> *Testimony of employee Leandro Angeloni and his wife, Suzana, disseminated on the Cemig Online internal communication channel on February 21, 2021*

As part of PAM, the Company reimburses 50% of the expenses of employees and dependents with physical and intellectual disabilities. Reimbursed expenses, subject to prior analysis by Cemig's Medical Service, may include tuition from specialized schools, therapeutic alternatives (art therapy, music therapy, play therapy, hydrotherapy, equine-assisted therapy, swimming, physiotherapy, and speech therapy), prostheses, and disposable diapers.

Cemig's physical facilities and buildings are accessible to all people, considering the aspects of use, safety and autonomy, in accordance with current legislation and standards

Quality Education

5.4PERFORMANCE MANAGEMENT

[103-2:404; 103-3:404] Cemig's Performance Management aims at encouraging the achievement of organizational goals and fostering the development of the skills required by the Company. The deployment of an effective Performance Management process contributes to a better performance by Cemig by aligning the activities carried out by employees and the initiatives laid down by the strategic planning. It also contributes to stimulate collaborative dialogue and planning of employees' careers.

Performance Management includes the stages of performance assessment, structured feedback meetings and the development and monitoring of development plans for each employee assessed. These steps are subsequent and are taken annually.

[404-3] In 2020, 97% of the Company's employees had their performance assessed; 86% were men and 14%, women.

Employees who performed poorly will be reassessed in March 2021, with a view to verifying the effectiveness of the Development Plan established with the leader at the time of feedback, and defining new development actions, if necessary.

In Cultural Mapping, the perception of employees regarding the Performance Management process was collected via the "Meritocracy and Valuing People" item. In the Organizational Climate and Engagement Survey, it was collected via the "Growth Opportunity" item. Neither factor allows the direct measurement of employee satisfaction with the Performance Management process, since both cover broader, though correlated, issues. However, it was possible to conclude that there is some dissatisfaction with the Performance Management process. This conclusion is being considered by Cemig in the review of some processes, as mentioned in Compensation and Benefits.

5.5 ORGANIZATIONAL LEARNING

[404-2] Cemig continuously invests in building and managing its corporate knowledge. This assertive corporate knowledge first undergoes a well-executed hiring process, where the technical requirements of the job positions are clear and fit the needs of the Company's. This way, Cemig seeks to develop the skills of employees relating to the specificities of the electricity sector, with the further goal of keeping its workforce trained and updated.

Once the professionals with the appropriate skills for the positions are hired, the Company provides them with a portfolio of technical, behavioral, and management training courses, intended to allow each employee to develop their knowledge for carrying out their jobs and for career advancement purposes. In order to correct deviations and improve performance, each employee draws up a Development Plan together with their manager, where their training requirements are drawn up.

Also regarding skills development, Cemig refunds its employees for expenses related to technical, undergraduate, and graduate courses, and foreign language training courses.

Cemig's corporate university (UniverCemig)[84] is responsible for training and developing Cemig's employees by building educational solutions, conducting their own training sessions, outsourcing training in Brazil and abroad, and managing post-graduation and language courses. Besides that, UniverCemig goes to market to offer training to other companies, especially contractors that provide services to Cemig D.

UniverCemig also adopts a way of managing its learning solutions that allows for flexibility according to Cemig's scenario. The training portfolio is in line with corporate policies and guidelines.

In 2020, a group of employees selected via public tenders was hired, and, also, a strong initiative for the Company to fulfill the DEC goal in the last year of the Cemig D grant contract. Thus, UniverCemig started the professional training of 45 new employees. 37 electricians, 6 technicians and 2 engineers. It also trained 198 employees of contractor companies online.

[84] Electric Sector GRI: EU-14.

It was also possible to allow for 2,937 in-house employees and 4,039 employees of other companies to attend on-site technical training. The total amounted to 212,418 of training man-hours, 78,043 of which were in-house employees and 134,375 were from other companies.

It must be stressed that, due to the pandemic, the average of on-site training hours per employee indicator fell from 53.19 hours in 2019 to 14.83 hours in 2020.

Table 30: Number of people trained and training hours in 2020, in the on-site modality.

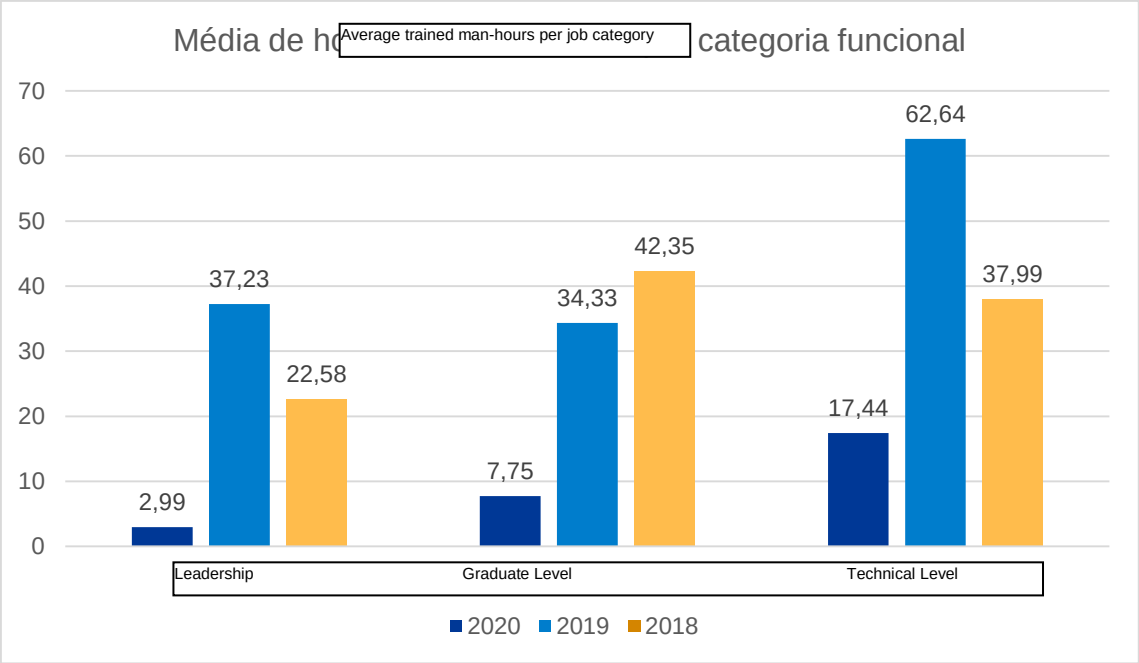
Training in 2020	Number of attendees	Trained Man-Hours (TMH)
Cemig	21,720	117,500
Other companies	15,716	157,655
Total	37,436	275,155

[404-1] The table below shows the number and average of training hours during the year of 2020 by job category and by gender.

Table 31: Man-h\ trained and training average by job category and by gender, in the on-site modality

		Number of employees		Trained man-hour		Average	
Company	Job category	Males	Females	Males	Females	Males	Females
Holding	Leadership	31	6	109	3	3.52	0.5
	Graduate level	9	2	24	0	2.67	0
	Technician level	15	0	736	-	49.07	-
Cemig GT	Leadership	55	7	197	43	3.58	6.14
	Graduate level	347	97	5,036	1,116	14.51	11.51
	Technician level	657	73	13,414	356	20.42	4.88
Cemig D	Leadership	72	8	155	28	2.15	3.50
	Graduate level	535	143	2,089	512	3.90	3.58
	Technician level	2,824	373	50,977	3,284	18.05	8.71
Total		4,545	709	72,737	5,342	13.10	4.85

Chart 7: History of average training man-hours by job category



Training provided in the remote learning (EAD) format played an important role in 2020, with a considerable increase in demand. More than 30,460 participations were registered, with more than 62,737 TMH (trained man-hours) in 22 courses offered. The following courses were made available to employees, fiscal advisors, administrators, contractors and interns:

- Health and safety protocol;
- Safe use of energy;
- Moral and sexual harassment;
- Code of Conduct (annual membership).

Another outstanding online training was the Retirement Preparation Seminar (PPA). There were two classes, with the participation of 64 employees from various locations in the state. The program, with texts, videos and live lectures, was based on the face-to-face PPA given to Cemig employees since 1985.

In 2020, UniverCemig continued with its two research and development projects: “D0595 - Development of Tacit Knowledge and Educational Alternation in the Training of Professionals” and “D0593 - PLAID-UniverCemig DIGITAL: Digital Platform for Staff Skill-Development and Training in Cemig's Electric System Operation Area”. Both projects seek to improve and speed up the training of Cemig's employees and to increase the effectiveness of the application of resources destined to training. The estimated investment for both projects is R$ 9,200,000.00.

LEADERSHIP DEVELOPMENT PROGRAM

The Cemig Leadership Development Program aims at:

- Applying the principles of Cemig's leadership (empowerment, communication, meritocracy, teamwork and orientation toward results);

- Developing strengths and skills, considered as critical for the senior and middle management positions;
- Enabling participants to understand the challenges and possibilities inherent to a management career;
- Increasing participants' ability to influence their superiors, peers, subordinates and customers;
- Improving the delivery of results of leaders in their areas of expertise;
- Developing skills related to the management and development of a work team, such as assertive communication, conflict management, feedback and delegation;

The Leadership Development Program includes structured actions, which aim to promote the continuous development of Cemig's different leadership levels, using the 70-20-10 learning model. This model unites theory and practice, with the following assumption:

- 10% of learning must be formal (classroom, books, etc.);
- 20% must come from relationships with other people in the student's work area;
- 70% is only acquired with practice.

The Program's actions are carried out on a permanent basis, prioritizing internal knowledge, the exchange of experiences and the presentation of cases by leaders from Cemig and other companies.

In 2020, the following initiatives were carried out:

- Leadership Development Trail: there were three modules addressing the themes of Authentic Communication, Genuine Interest and Expansive Resilience. There was an average participation of 185 leaders (superintendents, managers, supervisors and regional leaders);
- Lecture and debate on the theme "The Role of Leadership in Change Processes", with the participation of 50 leaders (superintendents and managers);
- Continuity of the executive post-graduate MBA85 course, Specialization Program in Business Management, held by Fundação Dom Cabral, for 72 superintendents, managers and senior analysts;
- Training on “Improvement in Governance and Capital Markets” for Cemig's managers and directors, with the participation of 100 employees.

PARCEIROS NA EDUCAÇÃO (PARTNERS IN EDUCATION)

Cemig, through Cemig D and Cemig Saúde, maintains the Partners in Education Program. The Program is an initiative of Pontifícia Universidade Católica (Pontifical Catholic University, or PUC Minas), in a partnership with institutions such as companies, professional bodies and the public administration.

[85] Master's in Business Administration.

PUC Minas offers the partner the benefit corresponding to a 20% scholarship on the value of the semester tuitions of several undergraduate courses.

Cemig D and Cemig Saúde employees and dependents (spouses and children) can obtain the same 20% (twenty percent) discount for undergraduate courses offered in the extramural modality, and a 15 % (fifteen percent) discount on the tuition of all lato sensu graduation courses (specialization and MBA), offered by PUC Minas Virtual.

5.6 LABOR AND UNION PRACTICES

[103-2:402] By a public commitment to adhere to the Global Compact and, internally, via its Human Resources Policy, Cemig acknowledges union entities as legitimate representatives, respecting the affiliation options of its employees and even transferring to those entities the amounts deducted from the payroll of affiliated employees.

Cemig has a specific area to deal with relationships with unions. This area maintains constant contact with them, always seeking to go over all the entrepreneurially-acceptable means to negotiate solutions ethically and respectfully. The Company carries relations with those entities in a very transparent way, and it believes there is no risk posed to the right of freedom of association and collective bargaining.

Annually, Cemig negotiates collective bargaining agreements with unions, in order to contribute to a good organizational climate and the Company's strategic objectives.

[102- 41; 102-41] The negotiation of Technical Cooperation Bargaining Agreements (ACTs) and of Specific Bargaining Agreements for Profit Sharing or Results follows the guidelines set by the Company's Board of Directors. These agreements are negotiated and signed with unions of different categories, such as engineers, industrial technicians, administrators, and lawyers, and with electricians' unions, which represent the employees of the administrative-operational technical staff.

The agreements cover 100% of the employees, who are all guaranteed the rights they provide. The whole negotiation process is communicated to employees and, once the agreements are signed, they are published on the Company's intranet.

Cemig's collective bargaining agreements expire annually on October 31, the date agreed between the employees and their representatives.

[403-4] In November 2019, the bargaining agreement came into effect; it is valid for 2 years - until 2021. It has 58 clauses covering topics on remuneration, occupational health and safety, retirement, working conditions, and others. Concerning health and safety, the points that stand out are:

- The commitment to carry out studies to search for collective protection solutions and the reaffirmation that protection must be employed by wearing Personal Protective Equipment (PPE) and Collective Protection Equipment (CPE);
- Inspection of contractors regarding work safety;
- Issuance of a health report;

- Granting of access of union directors to meetings of the Internal Accident Prevention Commission (Cipa) and the sending of copies of meeting minutes to the unions;

- Transfer of information on the frequency and types of illnesses and accidents, the notification, and summoning of unions in case of serious or fatal accidents to accompany the investigation of causes and the payment of hazard pay and “unpleasant work” pay.

[402-1] [402-1] It is worth mentioning that clause 33, second paragraph, of the ACT provides that the introduction of new technologies and/or procedures for automation or centralization of activities that involve job redundancy will take place after wide disclosure to the employees involved and to their representatives, seeking suggestions to ensure the best solution for each initiative.

Regarding the workforce and its union relations, in 2020, Cemig identified:

- 3,194 employees affiliated to unions, which amounted to 60.8% of the workforce;

- 155 active employees who made up the boards of representative unions;

- 105 employees with temporary job stability due to working at unions;

- Holding of virtual sectoral meetings and assemblies, due to the pandemic;

- 23 employees released full time to unions;

Active employees who exercise the function of union directors are authorized to engage in union activities for up to 6 whole days or part of them, per year, limited to a maximum of 2 days per month. This authorization is stated in the Collective Bargaining Agreement (ACT).

The union relations process is monitored via the indicator called Compliance with the ACT Clauses. This indicator was 100% determined in 2020.

5.7 LABOR HEALTH AND SAFETY

In the face of the impacts from the new Coronavirus, Cemig's care with the safety and health of its workforce has doubled. Thus, this chapter of the Report will comprise two parts. The first will be dedicated to the measures taken to prevent, control and mitigate the transmission risks of Covid-19. The second part will include the typical Occupational Health and Safety (OHS) actions adopted by the Company.

5.7.1 LABOR HEALTH AND SAFETY DURING THE PANDEMIC

The workforce awareness-raising and orientation actions started in January 2020, therefore, before the official recording of the first case in Brazil (February 26, 2020). Lectures were given to employees, addressing the concept of the new Coronavirus, the forms of transmission, the most frequent symptoms of the disease, its warning signs, and preventive measures against contagion.

Taking into account the knowledge under construction on the subject by the scientific community, updates on the subject were and have been systematically passed on to the Company's workforce and their families.

So, other actions that were carried out by Cemig, and maintained until this time, are:

- Implementation of home office for administrative activities in order to reduce the number of employees in its establishments;
- Identification of employees belonging to the group at risk of complications in the event of infection by Covid-19 and contraindication to performing face-to-face work;
- Distribution and mandatory use of masks to cover the nose, mouth and chin, in addition to the safety standards required for activities under electricity;
- Availability of Cemig's own cars for employees to commute from home to work, and vice versa;
- Temperature checking of employees at the entrance of the Company's establishments;
- Structural adaptations of workplaces: guidance signs on social distancing, on reducing the maximum limit of people in elevators, proper washing of hands, allocation and rearranging of chairs in cafeterias in compliance with a safety distance of two meters, replacement of drinking fountains by equipment that does not require contact with hands and mouth, and physical acrylic barriers between adjacent workstations;
- Breakdown of the two Electric System Operation Centers of the Company into eight different locations, aiming at complying with the distancing rules;
- Distribution of individual kits containing a mug and alcohol gel;
- Implementation of a tool (Cemig Click Saúde) for the early identification of both in-house and contractor employees showing symptoms suggestive of Covid-19 or contacts with people suspected or confirmed as carriers of the virus that causes the disease. This tool is made available over the Internet or a mobile application;
- Diagnostic test (RT-PCR) for employees in face-to-face work and with symptoms suggestive of Covid-19;
- Diagnostic test (RT-PCR) for asymptomatic employees, but who had contact with a person suspected or confirmed of having Covid-19;
- Teams from areas essential to the continuity of power supply are monitored by the medical team and symptomatic employees with an indication of home isolation are monitored by occupational nursing technicians;
- Preparation of physical activity videos made available both to employees and to the external public, through Cemig's video channel, to encourage people to remain active during social isolation.

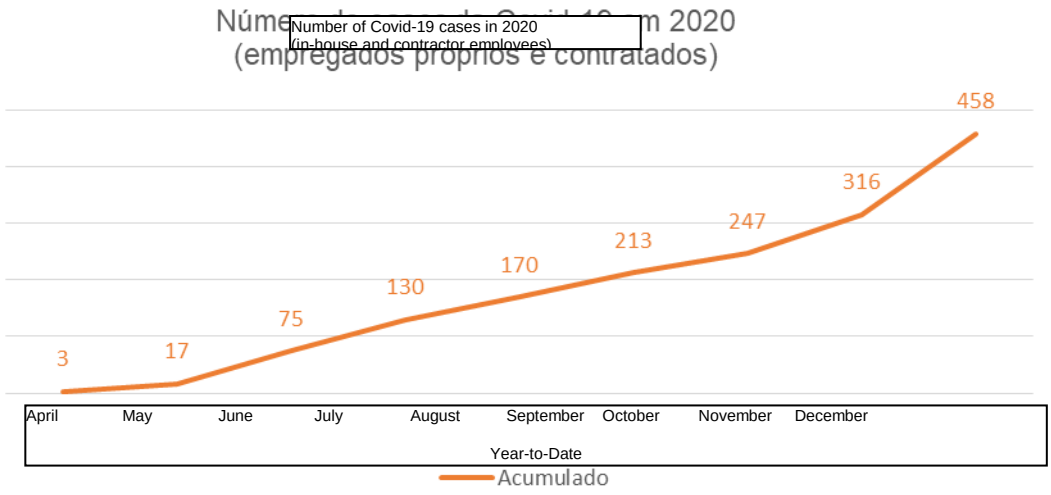
In addition, virtual meetings were held with the Health, Safety and Occupational Medicine teams of the contracted companies, aiming at aligning strategies, conducts, protocols and procedures for the preservation of the workforce.

Knowing that individual behavior is crucial for the safety of work environments, Cemig provided online training for its entire workforce, regarding the disease (signs and symptoms, transmission, prevention) and the rules to be followed in the Company's establishments. That action achieved the training of 15,270 employees.

Another important action was the holding of the online Internal Workplace Accident Prevention Week (SIPAT) for the entire workforce and their families. The 1st Integrated SIPAT Web brought together all the Internal Accident Prevention Commissions (Cipas) and counted with the active participation of the Company's top management. During the event, lectures were given by renowned experts, including on the Covid-19 theme, such as Dráuzio Varela, Carlos Starling, Felipe Pondé and Pedro Aihara.

As a result of the measures described, the Company ended 2020 with 458 confirmed cases of Covid-19 among its in-house and contractor employees, as shown in the chart below:

Chart 8: Number of Covid-19 cases in the workforce



For 2021, there is the expectation of mass vaccination of the Brazilian population but, due to the global limitations of production and availability of immunizers, it is not yet known when this process will be concluded.

This way, the universally recommended prevention measures should be maintained and, at the same time, it will be necessary to monitor the vaccination status of employees during the national immunization campaign against Covid-19.

5.7.2 LABOR HEALTH AND SAFETY MANAGEMENT

[103-2:403; 103-3:403] Cemig's Workplace Safety, Occupational Health and Welfare policy, in line with principle No. 3 of its Code of Conduct, since 2007, is translated by the “Respect for Life” Value and

Strategic Initiative No. 3, present in corporate strategic planning. This initiative is monitored by the Accident with Leave Frequency Rate (TFA) corporate indicator.

The policy, which is widely disseminated, establishes the high relevance of the topic for the Company's business and the adequate protection of its entire workforce, consisting of in-house, outsourced, and contractor staff.[86]

The principles of the Company's policy include the identification, assessment and control of risks to health and safety at work, proactivity in preventive actions, compliance with legislation and internal rules, the right of workers to refuse to expose themselves to unsafe situations, and their responsibility - regardless of tier level - for failure to commit to the promotion of Health, Occupational Safety, and Well-Being.

As a result of the policy, since 2009, the Company publishes a Technical Manual on Occupational Health and Safety on its intranet, which contains a series of internal mandatory instructions. Cemig also carries out periodic audits and establishes criteria and procedures for accountability and penalties for non-compliance with the policy, rules, instructions, procedures, or guidelines on the subject. Besides, Cemig publishes various campaigns and information on its website to encourage safety practices that contribute to the continuous decrease in the number of accidents, both for its own employees and third parties and customers.

In 2020, changes were made to the performance of Cemig D's team of safety engineers and technicians. A safety engineer was appointed to monitor each of the main business processes. Safety technicians started to report directly to the safety engineer, in each of the regional offices in Minas Gerais. These changes aim to optimize the prevention work by promoting a more integrated, collaborative effort focused on improvements necessary to reduce accidents at work.

Cemig's Health and Safety Management System, based on the OHSAS 18001 standard, was in the process of migrating to NBR ISO 45001: 2018 in 2020. It is focused on preventing labor illnesses and injuries.

This certification covers all processes related to generation, and transmission processes, and part of the energy distribution process. Regardless of whether the area is certified, there is an internal procedure, the Hira-Cemig Model, which ascertains that the main health and safety risks, including psychosocial risks, are identified and assessed, and that controls are in put in place to mitigate them to acceptable levels.

[403 -1] In addition to the Hira-Cemig model - in place since 2015 - Cemig has other tools to control risks. They are:

- Risk analysis carried out before each operational activity. It takes into account the specifics of each situation, including the physical and mental conditions of the workers in the time before starting the activity;

- Monitoring and Auditing System for Safety Analysis (SIMASP), which standardizes and unifies work safety inspections and feeds the Practiced Safety Indicator (ISP). This indicator shows

[86] Electric Sector GRI EU-16.

conformity of the work of in-house and contractor employees regarding health and safety requirements and procedures;

- Monitoring System for Occupational Accidents and Risks (SMART), which generates statistical reports based on the accident record by type, and is used in the monthly accident management;

- Use of the Power BI data analysis tool to consolidate and make visual health and safety information present in various sources. It is possible to carry out analyses, such as accident rates, types of injuries and leaves of absence by regions of the state, cities and bodies of Cemig, among other possibilities;

- Environmental Risk Prevention Program (PPRA), which is provided for in the legislation, is carried out annually at each facility of the Company and consists of the anticipation, recognition, assessment, and control of physical, chemical and biological risks; it is used as one of the subsidies to prepare the Hira-Cemig risk profiles;

- Internal Accident Prevention Commissions (CIPAs), made up of representatives of employees and the employer and that act autonomously and independently in the prevention of accidents and occupational diseases. Its members have annual terms of office and before each term, all CIPA members receive legal-content training provided by UniverCemig. At the end of 2020, Cemig had 48 Cipas, which represented 100% of the employees;

- Occupational Health Medical Control Program (PCMSO), aiming at the prevention, screening and early diagnosis of work-related health problems, including subclinical ones, in addition to finding cases of occupational diseases or irreversible damage to workers' health. That program is part of a broader set of Company's initiatives relating to the health of its workers, and must work in tandem with the provisions of the other Regulatory Standards (NRs), especially NR - 9 (Environmental Risk Prevention Program).

[403- 3] PCMSO monitors the health of employees by means of pre-employment, periodic, return-to-work, job change, and severance exams. In addition to these, aiming at specific assessments, special medical inventories and psychological assessments are carried out. These examinations and assessments are carried out at the employees' own workplace.

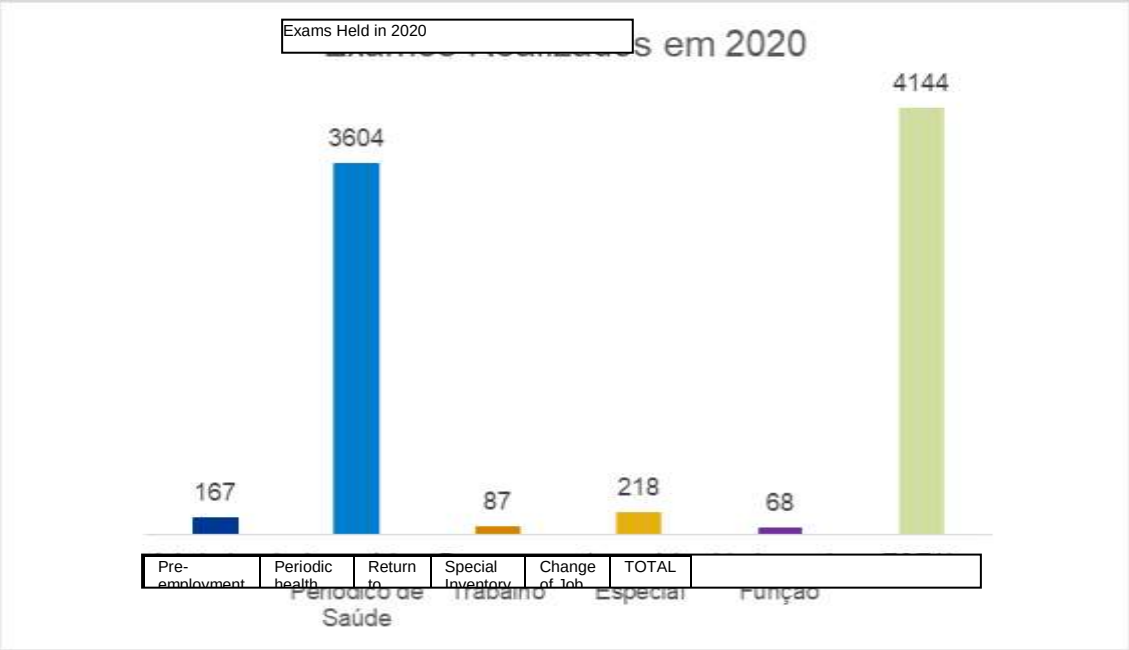
During MP 927, which provided for occupational measures to deal with the Covid-19 pandemic, occupational exams were suspended from March to August. In September, they were resumed, following the health and safety protocols.

To monitor suspected and confirmed cases, using the Cemig Click Saúde tool, the Company's medical service is notified immediately in the case of a person with symptoms or confirmation of the disease. The system notifies the user about not being released for face-to-face work and instructs them to start social isolation. Workers on a face-to-face basis work regime were treated virtually and referred for testing, when necessary. In the period from September to December, 729 virtual medical appointments were carried out and 212 RT-PCR tests were requested.

Taking into account the periodic diagnostic procedures performed in 2020, including medical and supplemental assessments, 14,469 exams were performed. During these assessments, it is possible to gauge the working capacity of employees, especially those who perform critical activities, such as overhead work, work with electricity, and in confined spaces, allowing for the tracking and early diagnose of pathologies that could cause sudden illness and, consequently, work accidents.

The mandatory occupational assessments (pre-employment exam, change of job, periodic health exams, and pre-severance and return to work exams) and the assessment resulting from demand by the operational areas and the medical service totaled 4,144 exams.

Chart 9: Exams carried out in 2020



In 2020, exams related to campaigns for early detection of coronary heart disease, diabetes, dyslipidemia, breast cancer, prostate cancer and bowel cancer were suspended. The flu vaccination campaign was carried out normally, resulting in the immunization of 4,048 employees

Cemig also offers the following social support programs to its employees:

Table 32: Program for social support to employees

Programs	Description
Professional Readaptation Program	It aims at relocating employees whose work capacity was reduced due to an accident or illness, thus requiring a job change. The program is carried out in an integrated way by the medical, psychological and social assistance areas.
Professional Rehabilitation Program	It aims to meet the referrals made by the INSS (Brazilian National Healthcare Institute) regarding employees who had their work capacity reduced due to an accident or illness requiring a change of job. The program is carried out in an integrated way by social analysts from the INSS, the company's medical area and the INSS, psychology and social assistance.
Personal and Family Budget Planning Program	Using lectures, social services, and lending, it aims at making employees aware of the importance of financial balance.

Social Intervention	It aims at guiding and covering health care expenses for employees on leave, injured at work, and retired due to disability resulting from an accident at work or occupational disease.
Monitoring of Social Workers from Contractors	Management of Social Workers from contractors, monitoring the monthly and annual work plan, and recording the work carried out. Cemig holds 2 annual meetings with the entire team from contractors.
Social Inventory	It consists of surveying the social variables that predispose the employee to an accident at work. We conduct individual interviews, present the social diagnosis, prepare the action plan and monitor its deployment in order to improve points displayed by the work carried out in the areas. The action plan is built together with the management of the respective departments.

[403-1] Due to technological developments in the electricity sector, with the consequent need for revising work methodologies, the Company maintains internal forums that debate technical matters directly or indirectly related to Health, Hygiene and Safety issues. They also actively participate in several workgroups in the domestic and international scene and ABNT commissions and study groups.

As a product of the internal discussions, the new facilities of the High Voltage Testing Laboratory for Protective Equipment (LEATEP) was inaugurated in 2020, to carry out tests and essays on Personal Protective Equipment (PPE) and Collective Protection Equipment (CPE). The tests and essays are carried out to ensure the safety of workers in electricity services.

PERFORMANCE RESULTS

[403-2] Cemig's accident statistics records and reports are made following the normative criteria of NBR 14.280: 2000 Work Accident Register - Procedure and Classification. In 2020, 215 accidents involving the workforce were recorded, with the most common injuries or health problems being: sharp force trauma, laceration, blunt force trauma, and puncture (15.7%), followed by fracture (12.9%), and excoriation and abrasion (12.3%).

All accidents recorded occurred in the state of Minas Gerais. Of the 215 labor accidents that happened in 2020, 210 involved men and only five involved women.

There happened 78 accidents with lost time, 12 involving in-house employees and 66 involving contractors, resulting in 538 lost days, as shown in the table below:

Table 33: *History of work accident data*

Type of accident	Category	2017	2018	2019	2020
Number of work accident without leave	In-house employees	32	15	26	20
	Outsourced employees	76	82	144	117
	Total	108	97	170	137
Number of work accident with leave	In-house employees	20	9	10	12
	Outsourced employees	36	56	59	66
	Total	56	65	69	78
	In-house employees	529	206	282	271

Lost days [87]	Outsourced employees	680	1,275	1,684	1,004
	Total	1,209	1,481	1,966	1,275

For management of aspects related to labor safety, the Frequency Rate (TF) and Severity Rate (TG) of accidents are monitored based on the standard referenced in the Brazilian Norm ABNT NBR 14,280.

In 2020, the TG determined for Cemig's workforce was 538 workdays lost against one million man-hours of risk exposure. The rates for in-house and contractor employees were 29 and 661, respectively. These figures represent a significant 292.4% increase in the severity of accidents that occurred, when compared to 2019.

The TFA for the workforce (in-house and contractor employees) has been the major indicator used to monitor the strategic objective of making safety a value in Cemig's corporate culture. In 2020, the result of the TFA calculation was 1.66 accidents per one million hours worked, 9.21% above the 1.52 limit laid down by the Company. In comparison to the 2019 result, the 2020 TFA showed a 3.75% increase.

TG and TFA were impacted by two accidents involving contractor companies, which resulted in four fatalities: three at Cemig D (electric shock) and one at Cemig GT (traffic).

The charts below show the history of the past for years:

Chart 10: History of Accident with Leave Frequency Rate

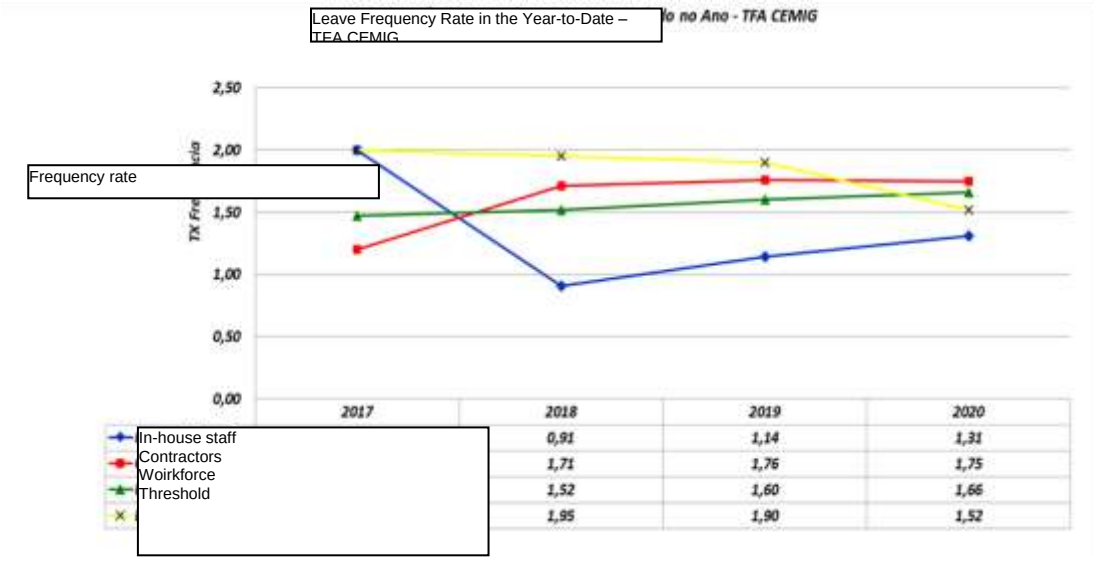


Chart 11: History of Fatalities

[87] Lost days are counted from the date of the accident and in calendar days.

In 2020, in compliance with a strategic guideline, Cemig started to consider more robust analyses of incidents and accidents without leave as well, in addition to accidents with leave, by calculating the TF. This guideline aims at deepening the safety analysis of its workforce based on the BIRD Pyramid Theory, so as to implement preventive actions to reduce accidents with lost time - which is currently monitored by TFA - and to avoid fatal accidents. The numbers recorded for 2020 are presented in the table below:

Table 34: *Rates relating to accidents: TG, TF and TFA*

Workforce				
Cemig Consolidated	School	TG	TF	TFA
	Annual - 2020	538	4.57	1.66
In-house staff				
Cemig Consolidated	School	TG	TF	TFA
	Annual - 2020	29	3.48	1.31
Outsourced employees				
Cemig Consolidated	School	TG	TF	TFA
	Annual - 2020	661	4.84	1.75

Considering these results, the Company intensified its actions in the area of health and safety, which involve the entire workforce, with the review of safety procedures, increased hours of training/refreshment training and discussions with suppliers, aiming at improving quality indicators for the year 2021.

MEASURES TAKEN AFTER ACCIDENTS WITH FATALITIES

As stated before, there were two accidents involving contractor companies that resulted in four fatalities: three at Cemig D (electric shock) and one at Cemig GT (traffic).

In the three days following the accident related to electric shock, which resulted in three fatalities, Cemig D teams and contractors engaged in activities in the Electric Power System were put on hold. During that period, the instructions related to the immediate causes of the accident were reinforced.

The Company's top management ordered a detailed investigation of the accident and the processes involved, directly or indirectly, aiming at the identification of possible failures. Depending on the scope,

the investigation process took two months. After the end of the investigation, seven working groups were set up and deployed to review the processes involved, including:

- Contracting template;
- Way the operations center sends service requests to field teams;
- Safety audits (documentary and in the field);
- Working methods;
- Engineering items (examples: engineering design criteria and standardization of structure to be climbed by electricians).

The activities of the working groups will be completed in May 2021. The changes in processes, identified during the evaluations still in progress, have started being implemented shortly after the conclusion of the analysis.

One of the analyses already completed refers to the temporary grounding of distribution grids. The methodology used by Cemig in relation to the protection of teams in de-energized networks was evaluated and ratified by a specialized and independent consultancy.

The second accident, which caused the death of an employee of a contractor company, was a traffic one. The necessary measures have been taken and the expert report has not yet been concluded.

Cemig regrets the occurrences and reaffirms that the safety of its workforce is a priority for the Company.

6 SUPPLIERS

[102-9] Cemig's supply chain is diversified, in order to meet the needs of its businesses. It covers, among others: (i) Companies that supply materials and equipment directly linked to the Company's core activities, such as transformers and hydraulic turbine components; (ii) companies that supply materials and equipment related to the processes supporting the main activities, such as microcomputers and office supplies; (iii) contractors for the execution of large projects, such as the construction of a photovoltaic plant; (iv) contractors for services related to energy distribution; and (v) service providers such as call center, and conservation and cleaning.

The Company's relationship with its supply chain is guided by Cemig's Supply Policy, its Code of Conduct and federal and state legislation[88]. The Company also has specific policies on social and environmental responsibility, which are replicated to its suppliers; they follow the guidelines of the SA 8000, ISO 14001, OHSAS 18001 standards, as well as the Principles of the Global Compact[89].

The supply chain management strategy includes 5 commitments that guide management actions; those are based on the stated policies, namely:

[88] For more information, go to: https://www.cemig.com.br/fornecedor/politicas-de-suprimentos/.
[89] Cemig acceded to the Global Compact in 2009

- Commitment to the public welfare and respect for the principles of legality;
- Commitment to business ethics;
- Commitment to legal equality;
- Commitment to transparency;
- Commitment to social and environmental responsibility.

[308-1; 414-1] Because of its legal nature, Cemig is subject to the specific legislation for tenders and direct Public Administration contracts. So, Cemig cannot select suppliers, whether new or not, based alone on social criteria (or based on due diligence) and environmental criteria. However, the criteria applied by Cemig in registering and approving new suppliers, as well as the renewal of the register of suppliers with contracts in effect, include environmental and social aspects.

Thus, as far as possible, Cemig seeks to apply to suppliers the same social responsibility and corporate value criteria that it applies in its operations.

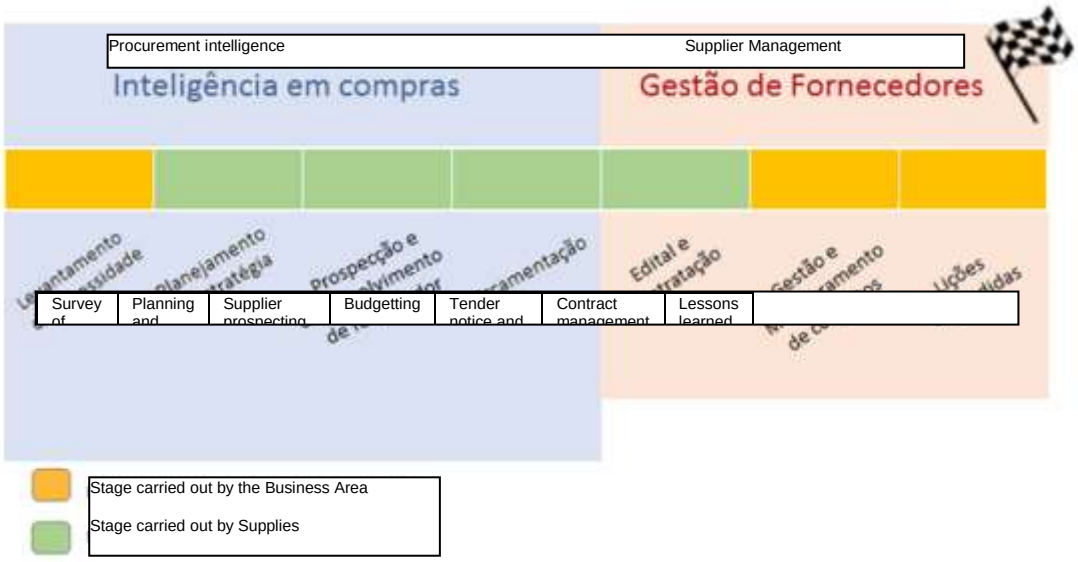
The Company has procedures that verify conformity to environmental and social aspects for both contracted and non-contracted suppliers, which enable it to divide critical suppliers by category. To verify the alignment of supplier practices with the Company's requirements, on-the-spot checks are carried out on all critical suppliers, and also sample checks of the total number of suppliers.

Regarding social aspects, Cemig acts so as to verify legal compliance with labor and social security rules, has procedures for investigating claims, complaints, and complaints, as well as applying contractual clauses aimed at preventing situations of risk to human rights. However, it still does not have a structured and ongoing due diligence process.

6.1 SUPPLY CHAIN MANAGEMENT

Cemig's Supplier Management process is divided into two macro processes: (I) Planning and Strategy; and (II) Hiring, Quality, and Logistics, shown in the figure below.

Figure 11: Cemig's supply chain management steps



The Supplier Management process is initiated by **surveying** the hiring demands of the business areas or the hiring needs identified centrally by the Supply area.

The planning stage for contracting services and materials allows for gains in scale, operational efficiency on the part of the internal teams involved, and the improvement of methodologies for cost definition, among other benefits.

The **prospecting and development** stage aims to expand and improve the supplier base, increasing the competitiveness of its bidding processes, as well as encouraging current suppliers to expand their portfolio of materials and/or services of interest to Cemig. In 2020, the prospecting for new suppliers was carried out through workshops conducted remotely, which resulted in an increase in the number of interested companies. Due to the pandemic, no visits or face-to-face contacts were made with the purpose of prospecting and developing suppliers.

This limitation affected the development of suppliers more significantly, since it demands greater face-to-face interaction.

In order to participate in the contracting stage, it is necessary for the applicant suppliers, including those who participated in the prospecting and development stage, to be part of the Supplier Register. All necessary documentation is delivered and analyzed using a computerized system. Any interested company can request its registration at Cemig, but only those that meet the requirements will be effectively registered:

- Compliance with registration eligibility;
- For the supply of materials of greater criticality to Cemig's business, an Industrial Technical Assessment (ATI) is required, which consists of documentary analysis and visits to the manufacturer's premises with the objective of verifying, through objective evidence, the conformity of the production process with the requirements defined by Cemig.

- The following aspects are considered: documentation and systems; receipt and supplier inspection; production lines; inspection and testing; maintenance and calibration; shipping, stock and layout; training and staff management; after sales; health and safety; social responsibility; environment;
- The quality assurance of the materials to be purchased by Cemig also goes through the approval process, which includes carrying out specific tests and inspections.

- For contractors working in distribution services, a Technical Assessment in Contractor (ATE) is required; for contractors working in private construction works that will become part of the Cemig's Electric Power System (SEP), the Verification of Technical Conformity in Contractor (VCTE) is required. ATE and VCTE aim to assess suppliers according to specific criteria, such as team composition, personnel, training, tooling, equipment, vehicles, facilities (offices, warehouses, cafeterias, locker rooms), documentation, and other items.

Most of Cemig's procurement processes take place by means of tenders (except the cases provided for by law).

The **contracting** stage complies with Cemig's Bidding and Contracts Bylaws[90], which lay down the conditions, rules, and procedures related to contracting works, service provision, procurement and rental of assets, sale of goods and assets, and the implementation of real liens.

Cemig's tenders and contracts aim to ensure the selection of the most advantageous proposal, observing the following principles: impersonality, morality, equality, publicity, efficiency, administrative probity, economy, sustainable national development, compliance with the tender request terms, competitiveness, and objective judgment. They must also observe guidelines, among which we highlight:

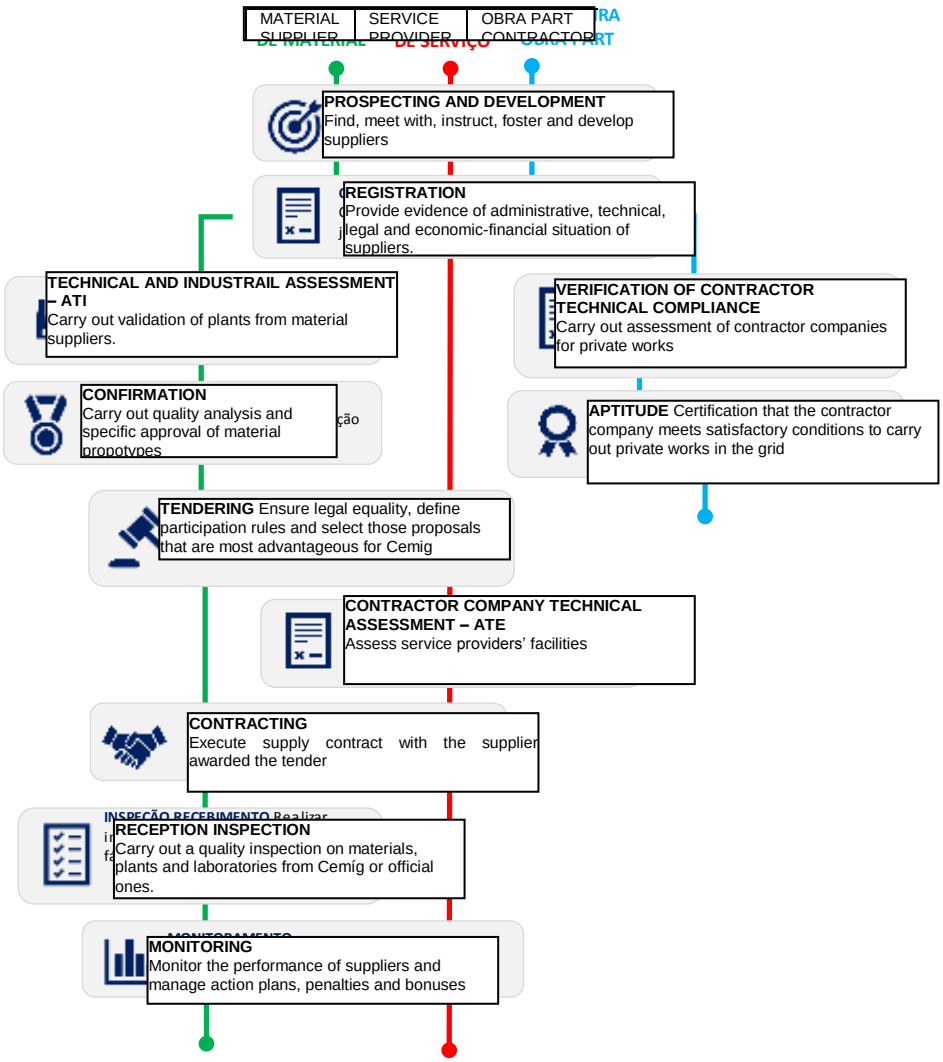
- A search for the greatest competitive advantage, considering direct and indirect costs and benefits of an economic, social or environmental nature, including those related to the maintenance, sale and donation of assets, the disposal of goods and waste, economic depreciation rate, and other equally relevant factors;
- Preference for bidding in the auction modality laid down by law No. 10,520 from July 17, 2002, for the sale and acquisition of regular goods, works and services, meaning those whose performance and quality standards can be objectively defined in the tender notice using specifications that are usual in the market;
- Compliance with the integrity policy and the provisions in Cemig's Code of Conduct;
- Compliance with environmental and sustainability standards, when applicable;
- Use of products, equipment, and services that reduce the consumption of energy and natural resources.

[90] Cemig's Internal Bidding and Contract Regulation is a consequence of compliance with Law 13,303/2016, known as the "State-Owned Company Law", which allowed for innovation in major aspects of the legal regime for bidding and contracts. It delegated to the Company's Bylaws the important function of systematizing and accommodating the new legal provisions to the specificities of each state-owned company, thus replacing the regime in Law 8,666/1993.

During the term of the contract, **management and monitoring** are carried out in order to guarantee compliance with the contracted object and the agreed conditions, which may result in acknowledgments or sanctions, depending on the performance determined. For materials, receipt inspections are part of the management, aiming to confirm the quality verified at the time of approval.

This relationship cycle between Cemig and its suppliers is shown in the figure below.

F igure 12: **Cemig - Supplier Relationship Cycle Macroflow**



[308-2] This relationship cycle between Cemig and its suppliers is shown in the figure below. However, there is even greater care in relation to the management of **suppliers considered critical** by Cemig, which are those whose goods or services may affect its competitiveness, success or survival. Typically, suppliers are: (i) associated to high supply amounts or critical components; (ii) unique in the market; (iii) irreplaceable; (iv) may cause large financial impacts; (v) may pode risks to supplying. Cemig intends to define strategies to minimize the degree of dependence on these suppliers.

The effectiveness of the supply chain management process is verified through internal and external audits, which take place according to the determination laid down in the quality management (ISO

9001), environmental (ISO 14001) and health and safety (OHSAS 18001) systems implemented in the Company.

6.2 SUPPLIER PERFORMANCE

Cemig monitors and evaluates the performance of its material and service suppliers through the Supplier Performance Index (IDF), which is calcu lated on a monthly basis based on three aspects:

Figure 13: Breakdown of the IDF Indicator

> Monitoring the Compliance aspect encourages suppliers to establish a code of conduct and an anti-corruption policy and to invest in training their employees.

Aiming at the continuous improvement of the supply chain management process, Cemig works with internal goals.

Table 35: Indicator goals that make up the IDF per supplier category

Indicator goals (%)						
	Material Suppliers			Service Suppliers		
	2019	2020	2021	2019	2020	2021
Supplier Performance Indicator-IDF	87.4	95.77	89	85	94.86	85
Technical Performance Indicator - IDCT	88	92	95	85	85	85

Compliance Performance Indicator - IDCO	100	100	100	100	100	100
Financial Health Performance Indicator - IDSF	70	70	70	70	70	70

It is important to note that the specifics of each contract, such as the level of complexity of the contracted object, are taken into account during the monitoring and assessment of performance.

Via IDSF, the financial health of companies having contracts signed with Cemig is monitored. That indicator allows the Company to preemptively identify any problems in maintaining contracts with suppliers. Thus, Cemig can support them by sharing good management practices, avoiding, insofar as possible, losses for the parties involved. Cemig does not contribute financial resources to partner companies.

Annually, Cemig monitors Supplier Integrity actions through the application of the due diligence questionnaire, the result of which allows a bonus of up to 3% in the IDF result.

The performance result determines the subsequent consequences. When the performance measured is below that set down in the contract, a punitive administrative process is carried out, geared at a gradual and pedagogical penalty, providing conditions for the supplier to improve its performance. On the other hand, suppliers with better than expected performance can be certified through the Assured Material Supply program and/or recognized in the annual Cemig Suppliers Award event.

Cemig Best Suppliers Award

In November 2020, Cemig honored its best performing suppliers in the period from August 2019 to July 2020.

Contracts whose supply amount was equal to or greater than R$ 1.5 million were selected. Thus, out of two hundred evaluated suppliers, thirty remained as finalists and ten were awarded in ten different categories. The winning suppliers were those who obtained the highest scores in the IDF.

Due to the pandemic, the event was held without an audience in Cemig's auditorium and broadcast via the Company's YouTube channel. During the event, the winners were announced. Suppliers were able to follow the broadcast of the event and the winners received their trophies by mail.

In 2020, 32 punitive administrative proceedings were opened (6% more than in 2019), of which 27 were for contractual default (non-compliance with deadlines, non-delivery of the object, irregular service), one for suspected forgery of documents and fraud, one due to the occurrence of a fatal work accident and one due to service interruption, added to the fact that, during Cemig's inspection, the employees claimed non-payment of wages. Of the 32 administrative proceedings, 14 were concluded in 2020, with ten resulting in suspension of the supplier.

The IDF applies to suppliers that are part of the scope of standardized and centralized monitoring adopted by the Company, which includes critical suppliers[91]. This scope will be expanded over the next few years. Regardless, all contracts have service level agreements that are monitored and assessed by contract managers using other management methodologies.

In the second half of 2019, in addition to revising the criteria for measuring materials, the aspects of Compliance and Financial Health were also incorporated into IDF. It is expected that all material contracts will be monitored via IDF within two years.

In 2018, IDF was calculated only for a set of material suppliers. The table below shows the three-year series relating to the performance of material suppliers.

Table 36: IDF - Material Suppliers

IDF – Material Suppliers			
2018	**2019**	**2020**	
Income	**Income**	**Income**	**Goal**
82%	88%	87.02%	95.77%

The table below shows the past two years of IDF measurement per Supplier Category.

Table 37: IDF per Supplier Category

IDF – Per Supplier Category[92]			
	2019	**2020**	
	Income	**Income**	**Goal**
Total IDF	82%	94.40%	95.97%
Material Suppliers IDF	88%	87.02%	95.77%
Service Suppliers IDF	81.7%	94.55%	94.86%

The goals stated above were defined before the pandemic. The lack of inputs in the market, one of the effects of Covid-19, caused delays in the supplying of materials, which had a negative impact in the IDF Technical side. The Financial and Compliance sides did not significantly contribute to the above results. The indicator that measures financial health of the suppliers, for instance, suffered a very minor negative variation (for suppliers rated as high-risk ones, it was -0.05%, when comparing 2019 to 2020).

There are two indicators that are part of the calculation of the IDF Technical side that are quite relevant for the analysis of the social and environmental performance of suppliers. Suppliers' performance in the health and safety items is assessed via the Work Accidents with Leave Frequency Rate (TFA) specific

[91]Critical suppliers are those whose good or services can affect the competitiveness, success or survival of the Company. Typically, suppliers are: (i) associated to high supply amounts or critical components; (ii) unique in the market; (iii) irreplaceable; (iv) may cause large financial impacts; (v) may pose risks to supplying.

[92] Due to a change in the methodology for determining suppliers' performance, the results obtained for 2018 are not being reported in this table, so as to avoid an inappropriate comparison.

for contractors; One of the indicators for assessing environmental performance is the Percentages of Waste destined to recycling, regeneration and reuse. That indicator is part of suppliers' monitoring due to the fact that contractor companies carry out services that produce much waste from customer service, tree pruning, construction of grids, cleaning of power transmission line bands, and other services.

Table 38: Relevant Socioenvironmental Indicators – IDF Technical Side

Suppliers – **Relevant** Socioenvironmental Indicators				
	2018	**2019**	**2020**	
			Income	**Goal**
Work Accidents with Leave Frequency Rate (TFA) – Contractors	1.71	1.76	1.75	1.52[93]
Percentages of Waste destined to recycling, regeneration and reuse.	99.75%	99.74%	97.74%	99%

6.3 IDENTIFICATION AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL IMPACTS

Sustainable cities and communities
Responsible consumption and

[103-2:308; 103-3:308; 103-2:414; 103-3:414; 308-2; 407-1; 408-1; 409-1; 414-2]

The Company identifies the risks related to environmental and social impacts on its Supply Chain, aiming to prevent situations that may cause damage to its brand, image and reputation, losses in relation to the market and its competitiveness, and civil and/or criminal joint liability lawsuits. Protection instruments are adopted throughout the supply chain management process, in order to mitigate exposure to these risks.

- When prospecting for new suppliers, those that do not meet socio-environmental requirements or that have a compromised reputation are disregarded for prospecting and development activities.
- When performing a new registration or an annual register update, Cemig's suppliers must sign the Statement on Basic Registration Requirements[94] stating that they:
    - Do not employ children under 18 in night-shift, hazardous or unhealthy work; do not employ children under 16 in any job, except from 14 years of age as an apprentices;
    - Do not adopt a labor relationship amounting to forced labor or analogous to slave labor;

[93] There is no goal (threshold) for the contractor-specific TFA indicator. The TFA threshold for the workforce is 1.52.
[94] Available at: < https://www.cemig.com.br/fornecedores/>.

- Do not acquire or use ores (tantalum, tungsten, tin and gold) from areas of armed conflict in the Democratic Republic of Congo and its neighbors, which are characterized by extreme levels of sexual and gender violence;
- Value diversity and do not adopt discriminatory practices based on race, gender, age, nationality, sexual orientation, physical disability, and religion;
- Know and comply with Cemig's Code of Conduct and Anti-Fraud Policy;
- They strictly and fully comply with the requirements on environmental legislation and personnel safety; guarantee the validity of the Operating Licenses, if applicable, of their industrial facilities, transportation and their sub-suppliers, and compliance with the respective environmental conditions.

When carrying out ATI, ATE and VCTE, social and environmental conditions are checked with suppliers, especially those related to hazardous and unhealthy work, forced labor, manufacturing processes, waste management, standardization of processes, and others. At those times, when Cemig is in contact with the suppliers' employees, it is also possible to identify potential situations for prejudice, harassment and labor debts. For hiring:

- Technical specifications and budget estimates that include all the social and environmental requirements for the execution of the contract are prepared. For example, in the social aspect, it can be required for workers, including subcontracted ones, receive meal tickets and have a health insurance; in the environmental aspect, it can be required that the supplier obtains environmental and operation licenses required by the scope.
- The price lists presented by suppliers that won the tender are checked over, to verify whether the amount quoted is sufficient to cover expenses related to contractual execution. Specifically regarding services, it is analyzed whether the quoted prices include labor benefits and charges.
- During the contractual execution period, the documentation presented by the supplier is verified, and payment depends on that. It is checked over whether taxes and social security charges were paid, as well as whether the management of social and environmental aspects was adequate.
- The monitoring of suppliers allows assessment of the performance in Health and Safety, Environmental Management, Legal compliance and Integrity, among other factors, as well as the correction of any deviations.
- Direct logistics and reverse logistics for materials and equipment operated by third parties are covered by a Service Level Agreement that allows for proper monitoring of environmental aspects.

The Company ranks its suppliers by degrees of risk (low, medium and high). For this, it considers the potential and actual negative environmental and social impacts identified during the registration stage or resulting from relevant non-conformities.

The following are considered when assessing negative impacts: (I) factors connected to environmental license for operation, products and services; (II) waste management; III) water grants;(IV) human rights

related to child and forced labor, freedom of association, working conditions, and occupational safety and health; (V) corporate ethics, corruption, and antitrust practices.

In 2020, there were 1,543 suppliers with current contracts categorized as medium and high social risk and 207 categorized as medium and high environmental risk. From that group, 115 are rated as high sustainability risk suppliers, due to dealing with the supplying of objects that pose a high environmental risk and a high social risk, and also, two of them are rated as posing a high financial risk. From the 115 high sustainability risk suppliers, 90 are critical suppliers.

Information to identify social and environmental impacts is collected through several sources: monitoring the IDF indicator; recommendations from internal and external audits; Cemig's Complaints Channel; inputs from Cemig's specialized areas, such as the ombudsman, risk and compliance areas; reports from Cemig employees scheduled for technical visits with suppliers.

The permanent assessment of these impacts provides inputs to promote changes in the supply chain management process, training and awareness actions for suppliers, and the application of punitive administrative proceedings.

In 2020, there was no significant record risk of cases of child labor, forced or compulsory labor, or threats to freedom of association and collective bargaining. Also, there was no record of significant negative environmental impacts detected along the supply chain.

It was not necessary to execute agreements on improvements or terminate contracts with suppliers based on social and environmental performance assessments.

6.4 COMMUNICATION CHANNELS WITH THE SUPPLIERS

Cemig provides several communication channels to its suppliers. One of the major ones is the Electronic Procurement Portal (PEC).[95] PEC is an open and direct channel where tender process procedures are listed, and contracting is published and made, thus allowing the supplier to interact with and look into processes and results, file proposals, and enter approval documents. Electronic auctions, which account for most of the contracted amount by the Company, are carried out through PEC. The website is accessible to the public and allows stakeholders in general to follow the processes, which contributes to greater transparency.

Cemig's Portal is another important channel of communication with suppliers. In a specific area of the Supplier Portal, the Supply Policy, the Internal Regulation for Bids and Contracts, information and instructions for registering and prospecting for new suppliers, technical agreement, prototype development and approval of material, and monitoring of suppliers, acknowledgments, etc. are made available.

On Cemig's Portal you can find the contact e-mails for the major supply areas, in addition to a Virtual Assistant to provide first-level service to Cemig's suppliers, in order to clarify their main doubts. A frequently asked questions list was put together that the COGNIBOT machine learning tool can answer.

[95] Available at: < http://compras.cemig.com.br/PortalPublico.aspx?ReturnUrl=%2f>

The list includes questions with direct and generic answers and that apply to a range of suppliers, and specific questions related to the asker, which will be answered via integration with Cemig's systems.

Cemig uses the Government Gazette to publicize its actions. In that newspaper, extracts from tender notices and contracting executed by the company are published.

Cemig is always open to receive suppliers and establish successful partnerships. The supply team is available to assist suppliers via phone, e-mail and meetings, to answer questions, provide guidance, and maintain this relationship.

6.5HIGHLIGHTS AND ADVANCES IN MANAGEMENT

[102-10] The highlights in supplier management progresses in 2020 are detailed below:

- Shutdown of the Materials Distribution Center (CDM) - Jatobá, located in the Barreiro neighborhood, in Belo Horizonte, after operating for 52 years as Cemig's main material distribution center. The entire operation was transferred to CDM-Cincão, located in the Cincão neighborhood, in Contagem, which has a modern structure and is ready for carrying out Cemig's logistical operation in the coming years;

- Delivery of 93% of the weight of materials used in Medium Voltage (MT) and Low Voltage (BT) being carried out by suppliers directly in the warehouses controlled by the contractors, whereas in the previous year the percentage was 77%. There was a reduction of approximately R $ 5 million/year in OPEX that was formerly spent on material handling;

- Implementation of a structured view of the demands for contracting services in 2020/2021, providing improvements in the accuracy of the contracting plan and, consequently, assistance within the agreed deadlines;

- Inclusion of the areas of expansion and maintenance of medium and low voltage distribution, measurement and underground grid in the Integrated Demand and Supply Planning (S&OP) process. Representatives and leaders from these areas started to participate in the S&OP meeting cycles, aiming at obtaining a plan for the demands of materials and equipment that would allow for the investments provided for in the PDD;

- Due to travel restrictions in 2020, caused by the pandemic, other means were used to ensure the continuity of the activities inherent to the management of suppliers, such as inspections of receipt of materials, monitoring of tests for the qualification of materials and ATI carried out through videoconference calls; hiring of local professionals to monitor incoming inspections abroad and in locations outside the state of Minas Gerais; improvement of test report analysis with the analysis of videos recorded from these tests by suppliers, and other tools;

- In 2020, the contracting and renovation of aerial distribution transformers was initiated with the objective of making better use of available resources. In 2020, a total of 2,750 pieces were renovated, accounting for savings of approximately R$ 6.3 million for the Company;

- Review of the service codes used in MT/BT investments in order to obtain full acknowledgment of the investment by Aneel;
- Renegotiation of several contracts, observing the peculiarities of each one and preserving the contractual good faith, due to the exacerbated increase in the General Market Price Index (IGP-M). Some renegotiations resulted in the termination of the contractual link and the opening of a new bidding process;
- Training of internal and external auditors in order to prepare them to carry out human rights audits at the Supply Chain, togehter with the other audits (environmental, technical and quality); starting of audits at critical suppliers;
- Making pamphlets available in order to disseminate sustainable human rights practices throughout the Supply Chain.

6.6MAIN MONITORING ITEMS

[102-9; 204-1] The main monitoring items in Cemig's supplier management area and the process indicators are shown below:

Monitoring items relating to pre-registration and registration of suppliers:

[308-2] Monitoring items relating to contracting and contract execution:

Table 39: Suppliers

Suppliers			
	2018	**2019**	**2020**
No. of Registered Suppliers	-	-	4,485
No. of Suppliers with an Active Register	1,438	1,292	1,131
No. of Suppliers with Contract(s) in Effect	1,839	1,304	1,668
No. of Suppliers with Contract(s) in Effect – medium and high environmental risk	207	176	207

No. of Suppliers with Contract(s) in Effect – medium and high social risk	1,589	1,503	1,543
No. of suppliers with Contract(s) in Effect – high sustainability risk	-	70	115
No. of Suppliers with Executed Contract(s)	748	490	633
No. of Registered Local (MG) Suppliers	-	-	2,128
No. of Registered Local (MG) Registered Suppliers – valid documentation	-	-	557
No. of Local (MG) Suppliers with Executed Contract(s)	1,320	1,200	336
No. of New Critical Suppliers	186	150	227
No. of Critical Suppliers with Contracts in Effect	550	177	646

Table 40: Contracts

Contracts			
	2018	**2019**	**2020**
Public Tenders	461	364	367
No. of Contracts in Effect	3,919	3,717	3,899
No. of Executed Contracts	1,408	1,168	1,329
No. of Contracts Executed with Local Suppliers (MG)	900	673	685
Amount of Contracts in Effect	R$ 5.609 bb	R$ 2.290 mm	R$ 13.310 bb
Amount of Executed Contracts	R$ 2.338 B	R$ 2.907 bb	R$ 2.999 bb
Amount of Contracts in Effect with Local Suppliers (MG)[96]	R$ 7.626 bb	R$ 8.448 bb	R$ 8.893 bb
Amount of Contracts Executed with Local Suppliers (MG)	R$ 1.732 bb	R$ 1.903 bb	R$ 1.280 bb
Disbursed Amount	R$ 1.319 B	R$ 2.854 bb	R$ 3.069 bb

Table 41: Expenditures with suppliers in 2020, by category

Composition of Expenditures with Suppliers

[96] The stated amounts of contracts in effect include amounts paid in previous years.

Category	Contracted Amount	Disbursed Amount	Contracts in Effect	Number of Suppliers[97]
Material	R$ 0.771 bb	R$ 0.772 bb	717	337
Service	R$ 2.109 bb	R$ 2.296 bb	3,138	1,336

Chart 12: ***Contracts issued by region***

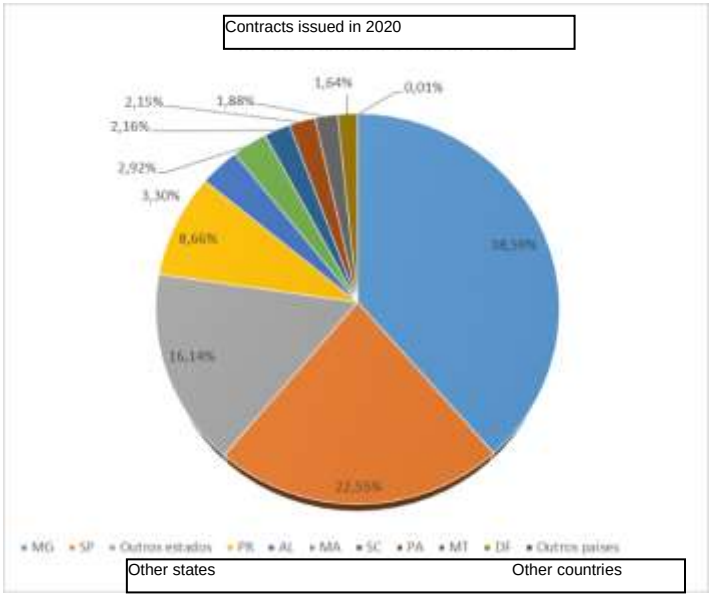
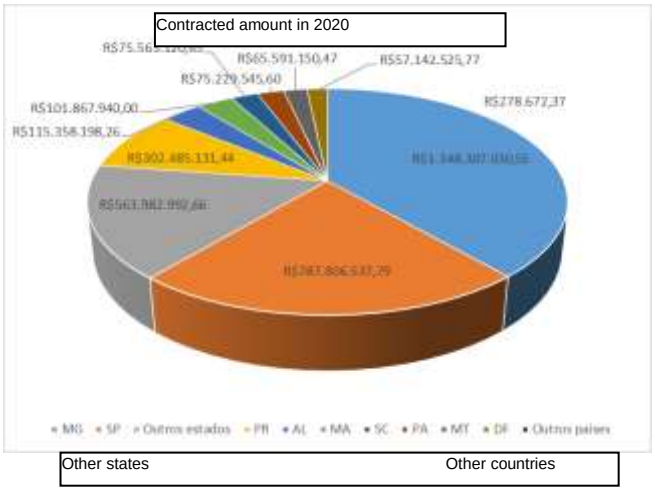
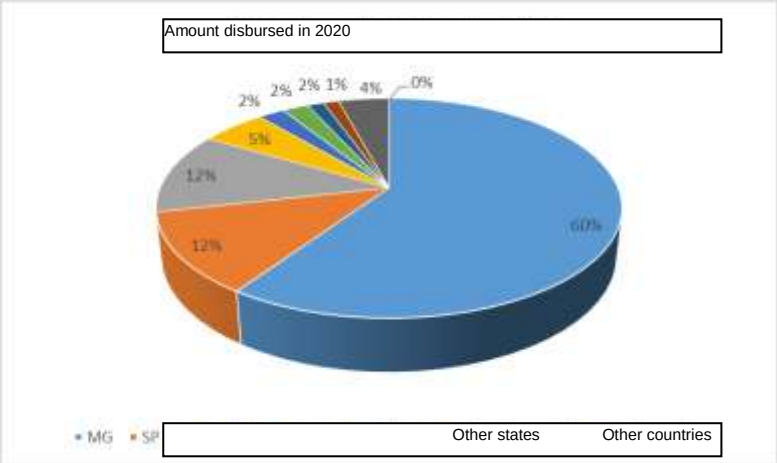


Chart 13: ***Contracted amount by region***



[97] The total number of suppliers does not represent the sum of service and material suppliers, as some suppliers provide both services and materials.

Chart 14: *Disbursed amount by region*



CEMIG AND SUSTAINABLE DEVELOPMENT

SUSTAINABILITY PLAN

Sustainability has increasingly taken on a fundamental role in companies that want, in a responsible way, to thrive in their market. The great challenge has to do with the fundamental principle of Sustainability: the balance between the Social, Economic and Environmental aspects. Statistics show that companies acknowledged as sustainable have their shares valued in the capital market and improve their image before their stakeholders.

Mindful of the Corporate Sustainability pillars, Cemig continuously aligns the creation of economic value, respect for social relations with stakeholders, and preservation of the environment by developing several projects in the Social, Economic, Governance, and Environmental fields.

Since 2016, Cemig has an Environmental Policy in place, which includes six principles that guide its activities and direct its efforts related to:

- Protection of the environment;
- Conservation of biodiversity;
- Sustainable use of natural resources;
- Waste management;
- Mitigation and adapting to climate change.

These principles are translated into actions, which are intended to make employees and partners aware of the main environmental challenges for Cemig and the world. Cemig's social responsibility is also incorporated into its daily life and is part of its Mission, which places the issue at the center of the Company's strategy. As a public services' provider, its social strategy includes relationships with society, its internal public, suppliers, and consumers, in addition to responsibility for its products and

services and respect for human rights. Thus, Cemig generates value for its shareholders, consumers, and for the whole of society.

In 2019, Cemig's Sustainability Plan was developed with the engagement of several Company areas, looking to achieve the following main objectives:

- Align Sustainability efforts to Strategic Planning;
- Create value for stakeholders;
- Identify risks and opportunities, integrating sustainable principles and practices into the Organizational Culture;
- Identify the major gaps and points for improvement in the Socio-Environmental and Governance aspects;
- Keep the company in line with best practices, boosting Sustainability leadership;
- Improve communication of the Sustainability strategy to stakeholders and add value to Cemig's brand and reputation.

Initially, a comprehensive analysis of the external environment was carried out, in order to identify trends, risks, threats and opportunities that may affect Cemig. The main themes were also systematized, considering the Environmental, Economic, Governance and Social aspects In this stage, several sources of information, international methodologies, Sustainability ratings, benchmarking with reference companies in Sustainability, and of the electricity industry, and ODSs.

Subsequently, an analysis of the internal environment was carried out to map the impacts caused by the Company's operations in its value chain, and identify the main weaknesses, points for improvement and best practices. At that stage, interviews were carried out with specialists in the areas, questionnaires were handed, and a workshop with the leaders, in addition to a detailed analysis of the Company's internal policies and guidelines.

Based on the information obtained via internal and external analysis, the seven most relevant topics were defined and prioritized, as shown below; they were then broken down into 31 sub-topics that make up the Materiality Matrix of the Sustainability Plan:

- Governance;
- Risk management;
- Innovation and renewable energies;
- Value chain management;
- People management
- Natural capital and climate change management;
- Efficiency.

Moving on with the work, initiatives were proposed in line with the Corporate Strategic Planning and the "Top Risks" of the Company, for the validation and implementation of actions by the various areas in charge of them in a five-year scenario. Due to the pandemic and the review of the Strategic Planning, the beginning of that process was moved forward to June 2021.

For monitoring, measurement and analysis of the results of Cemig's Sustainability Plan, approximately 50 indicators related to the topic are being defined. Their performance will be assessed at the end of each year against the previous year, in addition to monitoring implementing and carrying out the initiatives.

See the performance of the 2020 Sustainability Plan development goals below.

Table 42: Goals Being Developed by the Sustainability Plan

Goals	Performance in 2020	Further information
Obtain an ICONF - Cemig's Compliance and Governance Index in 2020 at each Executive Department equal to or greater than 75%.	It will be determined in the first half of 2021.	Chapter 3 – Corporate Governance
Have, in 2021, an accident frequency rate (TFA) below 1.52.	In 2020, the TFA for Cemig's workforce was 1.66, 1.75 for contractors and 1.31 for in-house employees. The limit of 1.52 for the workforce was not achieved.	Chapter 5 - Employees
Make investments of R$ 6.4[98] billion between 2018 and 2022 under the Distribution Development Plan (PDD).	The five-year investment cycle, as per the sector regulations, covers the period from 2018 to 2022, with an amount of R$ 6.4 billion having been approved for this time period. In 2020, the Company made investments amounting to approximately R$ 1.273 billion totaling 2.957 billion invested so far.	Chapter 7 - Economic Performance
Have, by 2021, 35% of employees participating in the AI6% Program.	in 2020, 29.5% of employees participated in the AI6% Program, showing a tendency to meet the goal in 2021.	Chapter 8 – Social Performance
Carry out the Cemig's Urban Tree Planting Circuit on an annual basis.	In 2020, the Urban Tree Planting Circuit was not held.	Chapter 9 – Environmental Performance
Plant 200 hectares until 2021 (Forest Cover Compensation)	In 2020, 19.47 ha were planted, totaling 119.47 ha; so, 59.7% of the goal was achieved.	Chapter 9 – Environmental Performance

[98] The R$ 6.4 billion amount is restated based on the currency value of June 2020.

Goals	Performance in 2020	Further information
Have a maximum of 819kg of biomass affected by 2021.	In 2020, measurements of biomass affected by Cemig operations amounted to 170 kg, a low figure compared to the one laid down in the goal. The goal was achieved.	Chapter 9 – Environmental Performance
Maintain, until 2022, power consumption at the level of amounts consumed in 2017.	In 2020, total energy consumption was 263,461.88 GJ, an amount 56.47% lower than the consumption in 2017. For 2020, the goal was achieved.	Chapter 9 – Environmental Performance
Reduce, by 2020, the Company's water consumption by 4%, based on consumption in 2011.	In 2020, a 93.24% reduction in relation to the consumption in 2011 was verified. That result shows that the goal laid down for 2020 was reached.	Chapter 9 – Environmental Performance
Have, in 2020, 99% of its industrial waste recycled, regenerated or disposed of.	In 2020, from all the waste produced by Cemig, 97.74% was destined to recycling, regeneration or sale, a result below the one determined by the goal scheduled for 2020.	Chapter 9 – Environmental Performance
Reduce, by 2020, the intensity (ton/MWh) of emissions of particulate matter from thermal sources by 2% and the emissions of particulate matter from vehicle sources by 4%, having 2017 as the base year.	In 2020, with the shutdown of UTE Igarapé, there was no emission of particle material from thermal sources. In relation to vehicular sources, in 2020, a 7.8% reduction was recorded, when compared to 2017. These results show that the goal laid down for 2020 was reached.	Chapter 10 – Climate Change
Reduce, by 2020, the intensity (ton/MWh) of emissions of NOx from thermal sources by 1% and the emissions of NOx from vehicle sources by 4%, having 2017 as the base year.	In 2020, with the shutdown of UTE Igarapé, there were no emissions of NOx from thermal sources. As for vehicle sources, in 2020, an 11.6% increase in relation to 2017 was recorded, a result above the goal scheduled for 2020.	Chapter 10 – Climate Change
Reduce, by 2020, the intensity (ton/MWh) of emissions of SOx from thermal sources by 25%, having 2013 as the base year, and the emissions of SOx from vehicle sources by 15%, having 2017 as the base year.	In 2020, with the shutdown of UTE Igarapé, there were no emissions of SOx from thermal sources. In relation to vehicular sources, in 2020, a 94.8% reduction was recorded, when compared to 2017. These results show that the goal laid down for 2020 was reached.	Chapter 10 – Climate Change

Goals	Performance in 2020	Further information
Maintain the percentage of SF6 losses (kg of SF6 issued/total installed quantity of SF6) at a maximum of 0.66% until 2022.	In 2020, the percentage of loss of SF6 verified was 0.34%. The goal was achieved.	Chapter 10 – Climate Change

The table below shows the major goals and objectives proposed by Cemig's Strategic Planning and its Sustainability Plan for 2021.

Table 43: Goals Being Developed by the Sustainability Plan

Indicator	2021 Goal
IPTD - Total Losses in Distribution Rate	11.28%
DEC	9.5 h
TFA (D)- Accident with Leave Frequency Rate at DCD	1.51 accident/million TMH
GT Accident Frequency Rate (510)	2.82 accident/million TMH
IASC - Customer Satisfaction Index	80%
Customer Satisfaction Percentage with Cemig Group Companies	90%
Percentage of Access Opinions of Micro and Distributed Minigeneration Issued on Time	100%
MAPRISK - Index of Company Top Risk Matrix Mapping	100%
MEDRISK - Index of Top Risk Mitigation Measure Monitoring	100%
Communication for the Fostering of Compliance Culture	100%
Employees Trained Privately	90%
Health of the Cemig Brand in Social Networks	50%
Reception of Spontaneous Media	120
Use of the Scenario for Federal Incentive to Culture	100%
DFS-LTD - Vacancy of Safety Belts of High Voltage. and Extra High Voltage Lines	121 homes
LRLC - Release of Place for Legalization or Removal of Power Hogs	70% (Scheduled)
PE-AI6% - Participation of Employees in the AI6% - Formando Cidadãos (Educating Citizens) Program	28.50%
P-Vol - Voluntary Participation in Corporate Initiatives	450 volunteers
PESP- Number of People Benefited by Sports Projects	5699
PIDOS- Number of People Benefited by Projects for the Elderly	5651
Affected Biomass	819 Kg

Recycling, Regeneration or Sale of Industrial Waste	99%
Planting (Forest Cover Compensation)	200 ha
Satisfaction of Relations with Investors	4.3 (Survey Score)
Corporate Climate Favorability Index	67%
Number of Trained Employees	8,000
ISOB - Dam Operational Safety Index	72.80%
ISEB - Dam Structural Safety Index	0.76
ICC - Environmental Constraints Compliance Index	100%
ILOI - Environmental Licensing Index - Cemig GT	85%
IPDAIA - DAIA Obtaining Deadline Index	365 days
Streamlining of Hospitals with Change of Equipment	20
Replacement of School Lights for LED Lights	1,596
Streamlining of APACs (Photovoltaic Plants)	31
Establish a Covenant with Municipalities for Moving People Living under Power Transmission Lines	1

SUSTAINABILITY COMMITTEE

Reaffirming the importance of sustainability for Cemig, the Company has a Sustainability Committee with the purpose of consolidating the integration of corporate sustainability into the Company's management process.

The Committee's performance aims at proposing policies, guidelines, actions, plans and projects, in addition to strategic initiatives, to boost Cemig's performance in the social, environmental, economic and corporate governance aspects, with a focus on its contribution to sustainable development.

The Committee coordination is conducted by an executive coordinator, who is responsible for monitoring and validating the work carried out, and a technical coordinator, in charge of carrying out the work. Both are appointed by the President’s Office. The committee is made up of active representatives and their deputies from all boards of the Company.

The following are directly linked to the Committee: a Social Responsibility Work Group, a Valuation of Corporate Diversity Work Group, and a Work Group to follow up on the Environmental Adequacy Program.

Cemig's Sustainability Committee has an advisory function. It does not have decision-making attributions. However, they may call, at their discretion, employees or support groups from the Company to guarantee the full and effective execution of its activities .

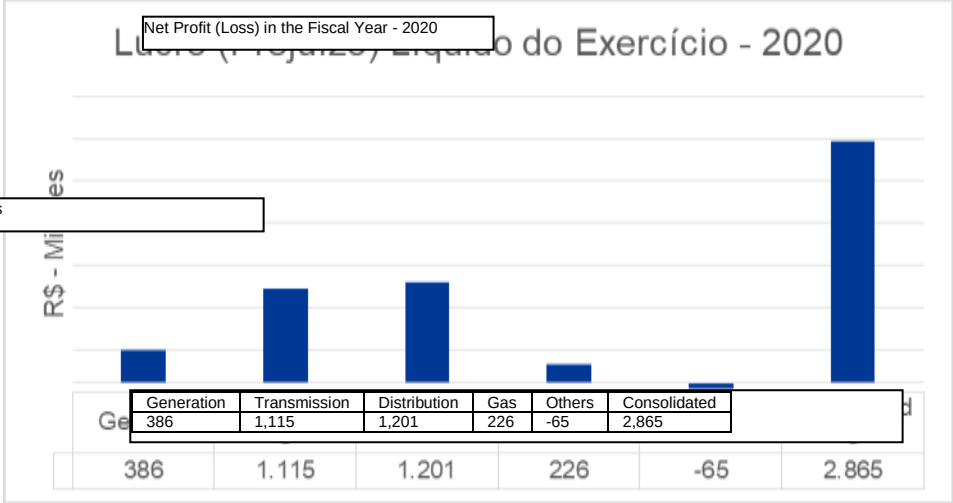
7 ECONOMIC PERFORMANCE

[102-45] The financial data presented in this report refer to the group of companies Cemig holding has operational control of, except when mentioned otherwise in the text. These companies can be found in the Cemig Group's organizational chart presented in the chapter ‘Cemig’.

All data presented here are included in Cemig's Administration Report and Financial Statement, and were consolidated based on criteria laid down in Brazilian legislation (for more details, see note 3 to the Standardized Financial Statements (DFP) on Cemig's website)[99].

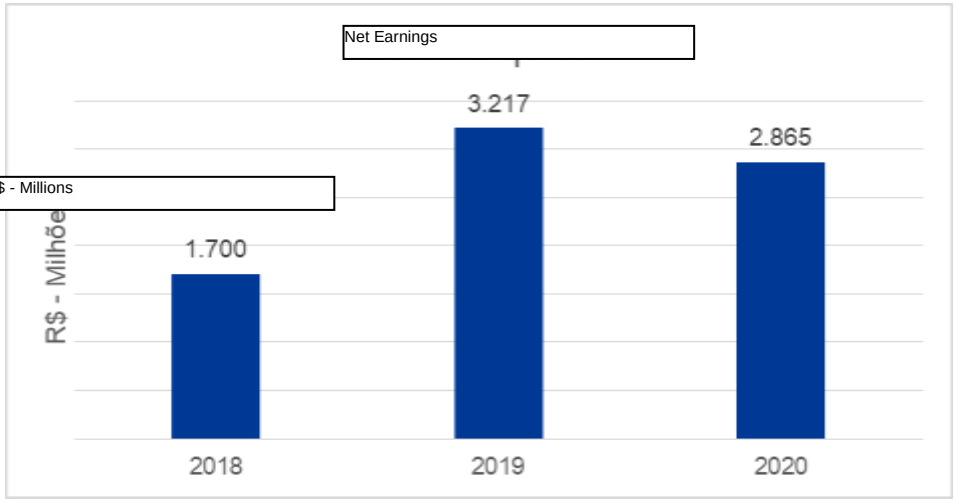
In 2020, Cemig showed a net profit of R$ 2.8765 million, against a net profit of R$ 3,194 million in 2019, amounting to a 10.31% decrease.

Chart 15: Fiscal year net earnings by segment and consolidated



Generation	Transmission	Distribution	Gas	Others	Consolidated
386	1,115	1,201	226	-65	2,865

Chart 16: Net earnings historical series



[99] Available at: https://api.mziq.com/mzfilemanager/v2/d/716a131f-9624-452c-9088-0cd6983c1349/2ad54e07-276a-9b18-f4b8-b1b3f1481dd7?origin=1

[201-4] Just as in 2019, in 2020 Cemig did not receive any kind of financial assistance from the government. The major variations in revenue and in net financials costs and expenses are provided throughout this chapter.

7.1 MAJOR FINANCIAL INDICATORS[100]

EBITDA

In 2020, Cemig's results, which were already following an upward curve, displayed significant growth. The Company's cash generation, as measured by EBITDA, grew 30%, from R$ 4,376 million in 2019 to R$ 5,694 million in 2020.

Table 44: LAJIDA 2020

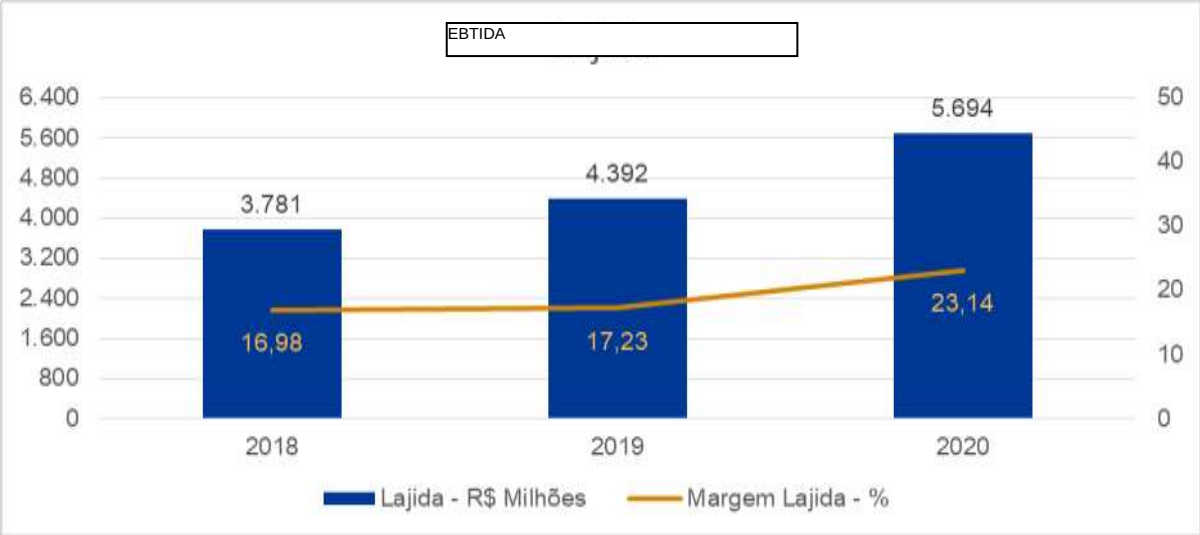
EBITDA – (R$ million)	2018	2019 (presented again)	2020	19/20 Variation
Income for the year	1,700	3,194	2,864	-10%
+ Income Tax and Social Security Expenses (*)	728	1,600	936	-42%
+ Income for the year	518	(1,360)	905	90600%
+ Depreciation and Amortization	835	958	989	3%
EBITDA	3,781	4,392	5,694	30%

(*) The income tax and social contribution expense in 2019 and 2018 include, respectively, the amounts of R$ 85 and R$ 129 million, which are presented by net include of discontinued activities.

Cemig's EBITDA margin went from 17.23% in 2019 to 23.14% in 2020. The increase in EBITDA in 2020 is mainly due to the higher result of the Company's operating activities, as well as the greater number of non-recurring events with a negative effect on the calculation.

Chart 17: EBITDA

[100] The 2019 results were presented again in 2020, due to a change in the accounting policy. For further details, se explanatory note No. 2.8 of the DFP.



EBDITA – R$ Millions EBTIDA Margin

OPERATING REVENUE

[103-2:201; 103-3-201] Generally, for the businesses of the Company and its subsidiaries, gas and other revenues are recognized when a performance obligation is met. The Company recognizes revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, considering the customer's ability and intention to fulfill the payment obligation.

[102-7] The composition of operating revenue for fiscal years ending on December 31, 2020, is as follows:

Table 45: Operating Revenues

	Operating Revenues (R$ Million)			
Revenue Composition	**2018**	**2019 (presented again)**	**2020**	**19/20 Variation**
Gross Supplying of Power	24,871,995	26,927,559	26,432,081	-2%
Revenues from the Use of Distribution Systems – TUSD	2,044,599	2,722,444	3,021,614	11%
CVA and Other Financial Components	1,973,064	57,988	454,741	684%
Revenues from Transmission Concession	410,852	351,837	279,263	-21%
Revenues from Transmission Construction	95,712	311,759	201,451	-35%
Financial Remuneration of the Transmission Contract Asset	-	327,995	438,393	34%
Revenues from Transmission Indemnity	250,375	-	-	-
Revenues from Generation Indemnity	55,332	-	-	-
Revenues from Distribution Construction	801,778	979,308	1,434,823	47%
Adjustment of the cash flow expectations for the recoverable financial asset of the distribution concession	325	17,839	15,464	-13%
Revenue from the Financial Correction of the Grant Share Dividend	321,427	318,266	347,057	9%
Transitions with energy at CCEE	217,218	431,994	153,762	-64%
Gas supplying	1,995,406	2,298,114	234,347	-90%

Penalty for violation of continuity indicator standard	(44,326)	-57,897	-50,532	-13%
Other operating revenues	1,584,094	1,723,059	1,709,486	-1%
Recovery of PIS/Pasep/Cofins tax credit	-	1,427,786	266,320	-81%
Taxes and burdens on revenues	(12,311,634)	-12,651,078	-11,721,729	-7%
Net operating revenues	**22,266,217**	**25,486,973**	**25,227,625**	**-1%**

Revenue from gross power supply was R$ 26,432 million in 2020, against R$ 26,928 million in 2019, amounting to a 1.84% reduction. Revenue from energy sold to final consumers was R$ 23,018 million in the 2020 fiscal year, against R$ 24,052 million in 2019, a 4.30% decrease.

The main items that affected this revenue are as follows:

- Cemig D's annual tariff readjustment, with an average positive impact on consumer tariffs of 8.73%, applicable as of May 28, 2019 (in full effect until June 30, 2020); and
- A 6.62% reduction in the amount of energy sold to final consumers, mainly in the industrial and commercial segments.

A 14.40% reduction in the amount of energy sold to the industrial segment stands out here. This result is a merge of the 25.6% reduction in the captive segment, due mainly to the migration of customers to the free market, and a 12.3% reduction in that market. In the free market, the reduction is mainly due to the effects of the pandemic on industrial activity in 2020.

In addition, there was a 8.19% reduction recorded in the amount of energy sold to commercial consumers. The negative behavior of this class is associated with a 15.9% decrease in the amount of energy billed to Cemig D's captive consumers and a 1.6% increase in the amount of energy billed by Cemig GT and wholly owned subsidiaries to free customers, in Minas Gerais and other states of Brazil. Also in this class, the strong impacts of the pandemic on business activity can be noticed, with an impact on energy consumption.

Revenue from the use of power distribution systems refers to the tariff for the use of the distribution system (TUSD), arising from charges levied on free consumers for distributed energy. In 2020, this revenue amounted to R$ 2,722 million, against R$ 3,022 million in 2019, representing a 11.02% increase. This variation is mainly due to the Cemig D's annual tariff adjustment, applicable as of May 28, 2019 (full effect in 2020).

Cemig GT's transmission revenue consists of the sum of the revenues from all transmission assets. Thus, the concession agreements establish the Annual Allowed Revenues (RAP) of the existing system assets, updated annually based mainly on the IPCA and IGP-M variation. That infrastructure operation and maintenance revenue was R$ 279 million in the financial year of 2020, against R$ 352 million in 2019 (amounting to) a 20,74% decrease.

Revenue from transactions with energy at CCEE was R$ 154 million in the 2020, against R$ 432 million in 2019, a 64.35% decrease. This reduction is mainly due to the decrease in GSF, with the worsening of hydrological conditions in 2020.

Revenue from transactions in the Surplus Sale Mechanism (MVE) reached the amount of R$ 234 million in 2020, relating to energy offers made at the end of 2019 by Cemig D. MVE is an instrument regulated

by Aneel that allows sale of the surplus of electricity contracted by the distributor utilities, that is, the amount of energy that went over what was needed to serve captive consumers.

The Company recorded a revenue from gas supplying amounting to R$ 2,011 million in 2020, against R$ 2,298 million in 2019, amounting to a 12.49% decrease. This variation basically results from the reduction of 16.28% in the volume of gas sold, being 945,727m3 in 2020, compared to 1,129,653m3 in 2019, mainly influenced by the thermoelectric and industrial segments, which presented a reduction of 51.31 % and 3.32%, respectively.

Finally, it is worth mentioning the PIS/Pasep and Cofins tax credits on the ICMS tax in 2019 amounting to R$ 1,428 million, which resulted from the success of a lawsuit where the Company disputed the inclusion of ICMS in the tax base of PIS/Pasep and Cofins, with retroactive effect to July 2003. More information can be found in note 9, which appears in the 2020 DFP.

OPERATING COSTS AND EXPENSES

Operating costs and expenses amounted to R$ 21,432 million in 2020, against R$ 22,475 million in 2019, a 4.64% decrease. The main variations in expenses are described below:

- The expense with profit sharing of employees and managers in the net profit was R$ 142 million in 2020, compared to the amount of R$ 263 million in 2019. This variation stems from the change in the criteria for calculating participation in the periods under comparison, as provided for in the collective agreements related to Cemig's Profit and Results Participation Program for 2019 and 2020.

- Expense with staff was R$ 1,276 million in 2020, against R$ 1,272 million in 2019, a 0.31% increase. The main changes in expenditure are due to the following effects:

    - A 6.11% reduction in the average number of employees, 5,254 in 2020, against 5,596 in 2019, offset by the events described below;

    - Recognition, in the first half of 2020, of costs and expenses with the voluntary severance program in the amount of R$ 59 million, against the amount of R$ 21 million in the same period of 2019; and

    - A 2.55% salary readjustment, as of November 2019, due to the Collective Bargaining Agreement.

- Expenses with third party services amounted to R$ 1,265 million in 2020, against R$ 1,239 million in 2019, a 2.10% increase. The major impacts are due to the prioritization of actions and expenditures by Cemig D, aiming at reducing energy interruptions and improving the quality of service to its consumers.

- Infrastructure construction costs were R$ 1,581 million in 2020, compared to R$ 1,200 million in 2019, a 31.75% increase. This variation was due to the greater amount of investments in distribution and transmission in 2020, when compared to the previous year. These costs are fully offset by the construction revenue and correspond to the Company's investment in the period in concession assets.

NET INCOME FOR THE YEAR

The Company obtained a negative net financial income in 2020 in the amount of R$ 905 million, compared to a positive net financial income result of R$ 1,360 million in 2019. This increase was mainly due to the situations detailed below.

In 2020, there was an increase in the exchange rate variation linked to foreign currency loans, which amounted to a financial expense of R$ 1,742 million in 2020, compared to a financial expense of R$ 226 million in 2019. This increase is mainly due to the dollar valuation in 2020, which caused an accrued foreign exchange variation of 29%, against 4% in 2019, with a negative impact on the principal of the debt in foreign currency (Eurobonds).

There was also an increase in gains from hedging operations contracted to hedge against the risks of foreign currency variation linked to Eurobonds, which was R$ 1,753 million in 2020, compared to R$ 998 million in 2019. This variation is mainly due to the appreciation of the future dollar.

In addition, there was an increase of 28% in 2020 in relation to 2019 in interest on the foreign currency loan, which was R$ 850 million and R$ 664 million, respectively, reflecting a positive exchange variation of 29% in the dollar during the year (R$ 4.03 in 2019 and R$ 5.19 in 2020). Finally, there was an update of the PIS/Pasep and Cofins tax credits on ICMS tax, recognized in 2019, in the amount of R$ 1,580 million. More information can be found in note 9, which appears in the 2020 DFP.

INCOME TAX AND SOCIAL SECURITY

In the 2020 fiscal year, the Company recorded expenses with income tax and social security amounting to R$ 936 million in relation to Profit Before Taxes On Profit (LAIR) of R$ 3.801 million, amounting to an actual tax bracket of 24.63%. The Company determined expenses with income tax and social contribution in 2019 amounting to R$ 1,600 million in relation to a profit of million R$ 4,570 million (represented), before taxes, thus amounting to an actual tax bracket of 35.01%.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents on Thursday, December 31, 2020 totaled R$ 1,680 million, against the R$ 536 million balance on December 31, 2019, and were not maintained in currencies other than the real. The reasons for this variation are given below.

Cash Flow from Operational Activities: net cash from operating activities in 2020 and 2019 totaled R$ 8,609 million and R$ 2,037 million, respectively. This higher cash generation in the year is mainly due to the amounts received in 2020 from the Covid account, of R$ 1,404 million, in addition to the amounts raised from judicial deposits from the Pasep/Cofins effect on the ICMS tax, in the amount of R$ 1,383 million. Additionally, in 2020 the Company started to offset Pasep/Cofins credits on ICMS against federal taxes payable, which caused a lower cash outflow for tax payments compared to 2019; that was R$ 240 million in 2020 and R$ 1,767 million in 2019.

Cash Flow from Investment Activities: net cash used in investment activities in 2020 totaled R$ 5,077 million, against a net cash used in investment activities in 2019 of R$ 1,189 million. This result is mainly due to the higher volume of funds transferred for investment in bonds and securities in 2020 (an

investment of R$ 3,368 million and redemptions of R$ 79 million in 2019), considering the greater availability of resources in 2020.

Cash Flow from Financing Activities: the cash flow consumed in financing activities during 2020 totaled R$ 2,387 million, and consisted of the amortization of R$ 2,531 million in financing and in obtaining R$ 826 million in funds, in addition to the payment of R$ 84 million in interest on equity and R$ 598 million in dividends.

The cash flow used in financing activities during 2019 totaled R$ 1,203 million, and consisted of the amortization of R$ 4.883 million from financing and R$ 4.477 million in financing having been obtained. Additionally, the payment of dividends and interest on equity in 2019 reached the amount of R$ 701 million, 14.69% more than the amount paid in 2020.

Fundraising and Debt Management Policy: in 2020, with the worsening of the crisis and uncertainties caused by the pandemic, the local debt market proved to be more selective, with less depth and larger spreads, a scenario that changed gradually, achieving better conditions throughout the fourth quarter.

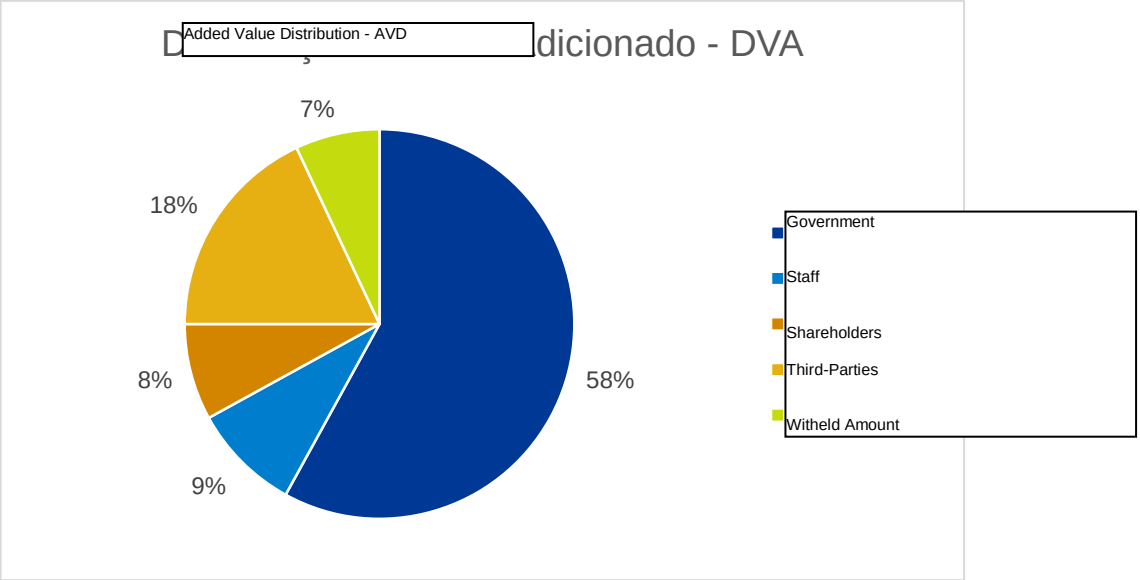
In the midst of this scenario, the Company showed resilience and adequate liquidity to face the crisis, had slight variations in its market and in delinquency, and also benefited from liquidity events, by not raising funds directly from its subsidiaries, Cemig D and Cemig GT. On the contrary, the Company amortized a significant amount of its debt in 2020. R$ 812 million of debt was amortized at Cemig D, R$ 807 million was amortized at Cemig GT, R$ 902 million was amortized at Gasmig and R$ 10 million was amortized at Centroeste.

In September 2020, Gasmig accessed the capital market, issuing R$ 850 million in infrastructure debentures to roll over an equal amount of promissory notes, extending its debt profile, without increasing its gross debt. The issue was priced at IPCA + 5.27%, for a term of 11 years.

DISTRIBUTION OF ADDED VALUE

[201-1] [201-1] The Value Added Statement - DVA shows wealth building and the Company's representativeness to society, with R$ 19,319 million of added value in 2020, against R$ 19,510 million in 2019 (restated). The distribution of added value occurs in 4 major directions. A portion is intended for the Company's employees, through direct compensation, benefits and a guarantee fund. Another part is destined to the municipal, state and federal governments, via the payment of taxes, fees and contributions. In addition, part of it is intended for return on equity - the Company's and third parties - by means of interest, rents, dividends and retained earnings. The chart below shows the form of this distribution for the 2020 fiscal year:

Chart 18: Added Value Distribution in 2019



PROPOSAL FOR INCOME DISPOSAL

The Board of Directors decided to forward the following proposal for the allocation of Net Income for 2020, in the amount of R $2,864 million, to the Annual General Assembly (AGM), in the amount of R$ 2,864 million from the realization balance of the assigned cost of fixed assets, in the amount of R$ 17 million from the adjustment of previous years, in the amount of R$ 211 million, and from the realization of the unrealized profit reserve in the amount of R$ 835 million:

- R$ 142 million to be kept in Shareholders' Equity in the Legal Reserve account, as established in Law 6,404/1976.
- R$ 1,482 million to be allocated to the payment of mandatory dividends to the Company's shareholders, to be paid in two equal installments, the first of which until June 30, 2021 and the second until December 30, 2021, as follows:
    - R$ 553 million declared as interest on equity (JCP) and charged to the mandatory dividend, as decided by the Executive Board on September 22, 2020 and December 23, 2020;
    - R$ 929 million mandatory dividends were declared, with shareholders who have their names registered in the Registered Share Registration on the date of the AGO being entitled to it.
- R$ 1,450 million be kept in Shareholders' Equity in the Profit Retention Reserve account, to guarantee the Company's consolidated investments planned for the year of 2021, according to the capital budget.
- R$ 18 million be kept in Shareholder's Equity in the Tax Incentive Reserve account related to tax incentives liked to investments made in the Sudene region.

The Unrealized Profit Reserve will continue with a balance of R$ 835 million, considering reversion of the reserve constituted in 2019 and the new reserve constitution in 2020, in the same amount.

7.2 CAPITAL MARKETS AND DIVIDENDS

Cemig trades its shares at the São Paulo Stock Exchange (B3) with the CMIG3 (ON) and CMIG4 (PN) symbols, at the New York Stock Exchange (NYSE) with the CIG and CIG/C denominations, and at the Madrid Stock Exchange under the name of XCMIG. Below are the closing quotes of shares in each of those markets for the years 2018, 2019 and 2020:

Table 46: Cemig shares market value

Name	Symbols	Currency	2018 Closing	2019 Closing	2020 Closing
Cemig PN	CMIG4	BRL	13.86	13.79	14.27
Cemig ON	CMIG3	BRL	14.39	15.59	16.11
ADR PN	CIG	US$	3.38	3.34	2.82
ADR ON	CIG.C	US$	3.76	3.90	3.18
Cemig PN	XCMIG	Euro	2.98	2.80	2.22

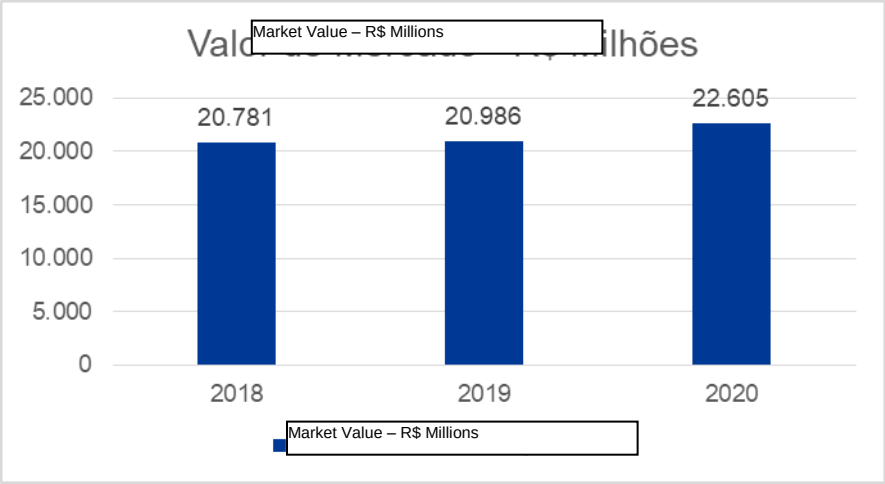
In 2020, CMIG4 preferred shares registered a trading volume of R$ 31.96 billion, with a daily average of R$ 128.3 million. This amount traded makes our preferred share (PN) one of the most traded shares on B3 providing security and liquidity for investors.

The average daily volume of trading with preferred shares on the New York Stock Exchange in 2020 was US$ 10.03 million and had transactions of US$ 2.53 billion, which consolidates Cemig's position as a worldwide investment option. Cemig had the highest amount traded in 2020 among the ADRs of the Brazilian electricity sector traded on the NYSE.

In terms of performance, the Company was the one most traded in the electric sector at B3. Both Cemig's shares had a performance better than the one verified by the energy industry index - (IEE).

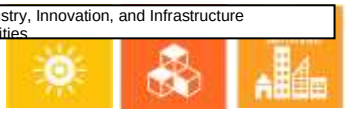
The market value is represented by the totality of the Company's shares at their market value on the last trading day of each year, with a growth in relation to the previous year of 7.71%

Chart 19: Market Value



7.3 INVESTMENTS IN GENERATION, TRANSMISSION AND DISTRIBUTION

Affordable and clean energy | Industry, Innovation, and Infrastructure | Sustainable cities and communities



While concerned with the balance of finances by carrying out negotiations aimed at structuring the cash flow, Cemig also works to constantly improve the services provided to its customers and consumers. Through various investment actions in new solutions, technical qualification, infrastructures and equipment, Cemig seeks to achieve its major objective: to offer the best quality of service, prioritizing the continuity of supply and the fast recovery in case of emergency events, maintaining the focus on the final consumer.

[203-1] Annually, Cemig makes massive investments in its system, in order to maintain it, reform it, renew it, reinforce it and expand it.

The multi-annual investment program for Cemig GT has been expanded from R$ 1.1 billion to R$ 1.45 billion over the next 5 years.

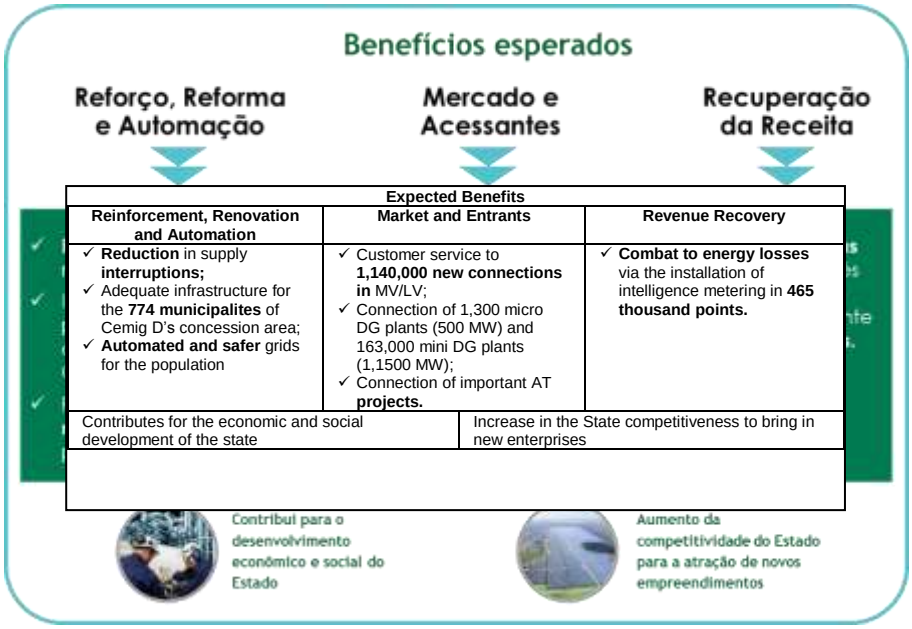
Cemig invested R$ 18 million in the installation of two 33 MVA autotransformers in the Alfenas 1 Substation and in carrying out adjustment works in the Poço Fundo Substation. These works were aimed at increasing the power generation of SHP Poço Fundo from 9.6 MW to 30.0 MW. The works are part of an investment plan of the Company in the South of the State, which reaches about R$ 376 million and also includes the construction of five new substations in the municipalities of Ilicínea, Campestre, Jacutinga, Silvianópolis, São Bento Abade, Jesuânia and Lambari.

DISTRIBUTION DEVELOPMENT PLAN

The Distribution Development Plan (PDD), in the order of R$ 1.2 billion per year, aims to increase the system's flexibility, selectivity, capacity and safety.

Through various investment actions in new solutions, technical qualification, infrastructures and equipment, Cemig seeks to achieve its major objective: to offer the best quality of service, prioritizing the continuity of supply and the fast recovery in case of emergency events, maintaining the focus on the satisfaction of our customers. By means of the PDD, Cemig D defines its priorities for investments relating to the Regulatory Remuneration Base (BRR).

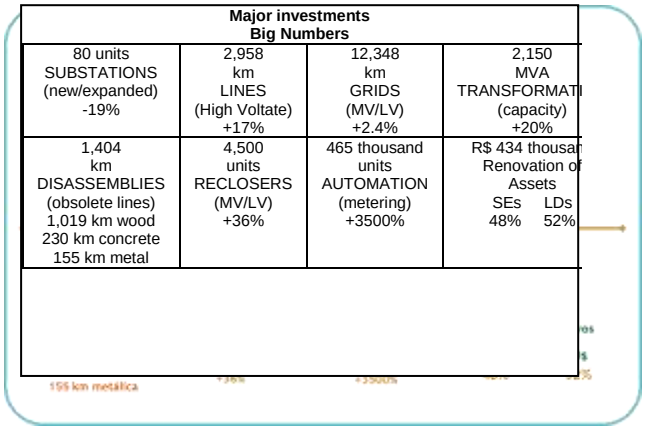
Figure 14: *PDD - Expected benefits*

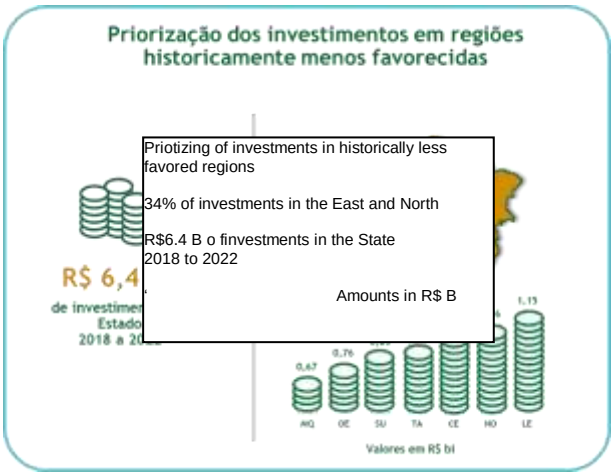


This planning instrument also support the prudent management of resources in the current tariff cycle, with the objective of increasing the availability of power on a continuous basis, with quality, safety and in the amount required by customers, thus promoting social and economic development in Cemig D's concession area.

The PDD consists of undertaking projects linked to the electric power system and associated with the expansion, boosting, refurbishing and renovation of Cemig D assets, such as substations and distribution lines.

Figure 15: *PDD Cycle 2018 to 2022 - Main Investments and Prioritizing of Investments*





According to the sector regulation, the five-year investment cycle covers the period from 2018 to 2022, with an amount of R$ 6.4 billion having been approved for this time period. In 2020, the Company

made an amount of approximately R$ 1.273 billion out of an approved total of R$ 1.350 billion, distributed among the following macroprojects:

Table 47: Investments in PDD Macro-Projects

Macro-project	Amount invested R$ x K
Expansion and reinforcement of high voltage lines	348,535
Care to consumers and accessing users (Cemig participation)	39,181
Renovation of the high voltage system	5,383
Operation and maintenance of high voltage lines	20,372
Reinforcement of medium and low voltage grids	82,950
Care to the medium and low voltage urban market	147,080
Care to the medium and low voltage rural market	84,826
Supplemental Program (Cemig participation) in low and high voltage	151,690
Third-Party Safety (Cemig participation)	9,924
Renovation of medium and low voltage grids	66,363
Operation and maintenance of medium and low voltage grids	128,369
Change of measurement/border measurement	62,842
Environment	3,065
Medium Voltage Automation Master Plan	68,952
Telecommunications	6,622
Scada Project	-
Lawsuits	46,861
TOTAL	**1,273,013**

The adequate application of investments seeks to maximize the Distributor Utility's revenue and minimize its operating costs, aiming at (i) meeting the increased demand for energy, both from new and existing customers; (ii) contribute to a decrease in DEC (the average time that each consumer is without energy) and FEC (the average number of times that each consumer is without energy); and (iii) improving security at Cemig's facilities for employees, contractors and the population as a whole.

As important as making investments is capitalization (accounting) to compose the Company's asset base, which is the source of the Distributor Utility's revenues. If capitalization does not carried out in accordance with regulation and deadlines, Aneel may order the non-remuneration of the asset, representing, therefore, loss of revenues, in addition to this constituting an infraction subject to a fine.

8 SOCIAL PERFORMANCE

Cemig acknowledges that its business causes direct and indirect impacts to several communities. The Company also believes that the success of its business and the quality of its products depend on the relationship with several categories of stakeholders. Therefore, it values a harmonious interaction, respecting and considering the needs and contributions of each stakeholder.

The primary focus of the company's social management has been strengthening relationships and promoting social development in the communities (i) surrounding hydroelectric plants, (ii) along transmission networks, and even (iii) in places mostly influenced by Distribution, such as large urban centers.

Reducing inequalities	Sustainable cities and communities

8.1 RELATIONSHIP WITH THE COMMUNITY

[103-2:413; 103-3:413] Cemig's strategic position in relation to local communities in the areas where it operates includes social, environmental and economic aspects to be considered in all the Company's projects. Its Policy of Communication with the Community determines that communication and engagement with stakeholders is the major route for corporate social responsibility.

This policy reinforces Cemig's commitment to transparency in its management efforts, with a focus on joint responsibility with the community, and the encouragement of local economic and social development, making public the fundamentals and premises that guide the definition of communication strategies and practices. They include objectives to create and perfect adequate communication tools between the stakeholders and the Company's main areas of activity, mainly those of generation, transmission, distribution, and energy development.

The Company's Communication Plan, which, together with the Policy of Communication with the Community, makes up the set of communication strategies adopted in the relationship with communities and directs the Social and Environmental Diagnostics prepared for each project or program.

Other documents that support and guide practices in the relationship with the community are the instruction on Social and Environmental Negotiations at Cemig (IS–48) and the Code of Conduct.

The major programs that involve direct relationships with the communities existing in the Company's area of activity are described in items 8.2 and 8.3 of this Report. They are aligned with the documents mentioned above and have their own indicators for measuring results, according to their specificities.

8.2 TERRITORY MANAGEMENT

Reducing inequalities Sustainable cities and communities

[103-2:413; 413-1; 413-2] Human occupation of the [illegible] voltage overhead lines is a problem that several Brazilian power utility companies are subject to. In addition to other factors, this happens as a reflection of the socioeconomic conditions of part of the population.

Most of the occupations are from low-income families with no housing options, who find in safety belts as an area available to establish themselves in, even in precarious conditions of life and safety.

In view of this situation, and in line with its strategic planning, Cemig saw the need to work on safety solutions for the population. The goal is to revert this critical situation represented by the occupations of the safety belts of electric power transmission and distribution lines.

[illegible] space defined by power relations - where there is a presence and/or human or political activity - its management is vital to outline strategic guidelines and fair practices when Cemig carries out its activities. The relationship with the community is essential to mitigate negative impacts and optimize opportunities.

Thus, Cemig aims to address the problem of human occupation and other irregularities in the lines' safety belts. This is done by the implementation of short, medium and long term measures capable of restraining the spread of occupations via continuous surveillance, and of reducing the existing amount of irregular occupations that are already there. This second action front is developed in partnership with the municipalities by signing agreements that allow the removal of illegal homes and the resettlement of families to decent housing units.

Given the above, the following Structural Measures were maintained and implemented in 2020:

- Creation of the strategic plan for combating and preventing human occupation under power lines, with three pillars: judicialization, eviction and treatment of risks.

Judicialization	Removal of peple – elimination of risk	Treatment of risks
Surveillance and repossession actions	Immediate removal of homes under construction (preventive)	Electro-mechanical reinforcements
Legal action alternatives	Underground bypasses – Cemig D (corrective)	Reocupation of areas under lines
	Removal of squatter settlements – Cemig GT (corrective)	Crisis management plan

- On 30/Nov/2020, a new belt inspection contract was signed for the Company's concession area;

- Publication of the Policy for the Determination and Prevention of Human Occupation Under Power Lines.

Also in 2020, 98 repossession actions were filed, with 14 demolitions in injunction issued for removal of illegal constructions. The agreed target of relocating families was also achieved, considering, in particular, the signing of an agreement between Cemig and the municipality of Contagem. Thanks to this agreement, 109 families living in the Vila Esperança neighborhood were resettled.

DAM SAFETY

In order to address one of its major water risks and aiming at guaranteeing the safety of the dams operated and maintained by Cemig, the Company employs a methodology supported by the best national and international practices. This methodology also complies with Federal Law 12,334/2010 (updated by Federal Law No. 14,066/2020), which lays down the Brazilian National Dam Safety Policy and its associated regulations (Aneel Normative Resolution No. 696/2015)[101].

Dam safety measures include procedures for field inspections, collection and analysis of instrumentation data, drafting and updating of dam safety plans, planning and monitoring of maintenance services, analysis of results, and ranking of civil structures. Based on the ranking of the structures, the frequency of safety inspections and the monitoring routine are laid down.

Each dam vulnerability is continuously monitored by a system specialized in Dam Safety (*Inspector* software). The system was originally developed via an R&D project. It includes anomaly georeferencing tools that enable a global analysis of the behavior of each dam, as well as systemic analyses of the portfolio. In 2020, a new version of the system will go into operation; it will be in line with technological developments and new regulatory requirements, in addition to incorporating risk management concepts.

Among other dam management activities, periodic safety reviews (RPS) are also carried out, with the objective of verifying the general safety state of the dam, considering the current state of the art for design criteria, the update of the hydrological data, and changes in conditions upstream and downstream of the dam. In addition to Cemig's professionals, these activities involve a multidisciplinary team of external specialists. Security-related issues are carefully checked.

Also as part of these activities, Cemig prepared the Emergency Action Plans (PAEs) specific to each dam; prepared a new Proximity Program Proposal to interact more intensively with the Municipal Civil Defenses (COMPDECs); established the “Work Group: “Dam safety of hydroelectric plants operated and maintained by Cemig GT Working Group”, and prepared the Crisis Management Plan for the dams.[102]

I. Emergency Action Plans

In compliance to the law regarding dam safety, Cemig prepared the Internal and External PAEs detailed below:

- Internal PAE: a document where all detection, prevention and correction procedures to be adopted by Cemig in an emergency situation are detailed. The document aims to impart a

[101] Pursuant to Law No. 12,344/2010 and Resolution 696 of Aneel, every business enterprise - meaning a private or governmental player with legal interest on the lands the dam and reservoir are located in or that exploits the dam for their own benefit or that of the community - shall draw up an Emergency Action Plan (PAE).
[102] Electric Sector GRI: EU-21

relative degree of certainty and agility to the decision-making process of the technical staff involved, and, where possible and appropriate, to preserve the structure of the dam, thus preventing accidents;

- External PAE: a document detailing the interfaces between Cemig and the external public to be put into place when emergency situations are detected.

In compliance with Aneel Normative Resolution No. 696/2015, internal PAEs have been addressed by the company's internal department responsible for the operation and maintenance of hydroelectric plants; these PAEs are now being made available for the projects and the dam and civil maintenance and technical staff. External PAEs must be available at the ventures, in the city halls involved, and also be handed to the competent authorities and civil defense organizations. The external document focuses on presenting the risk of flooding caused by normal floods and possible dam breach events. The objective is to build a culture of readiness for flood situations in the communities established along the rivers where Cemig's plants are located.

Cemig prepared specific External PAEs for the 42 dams, as determined in a Normative Resolution. The 42 dams run by Cemig impact the life dynamics of 122 municipalities, and in some cases, the same municipality is covered by two PAEs, since there are two dams operating in its territory.

In 2020, the “Proximidade Workshops - PAE” were held. In these, the PAEs and the Proximidade risk management application, already available, were worked on.

Finally, all the municipalities involved have the PAEs of the 42 dams of the Company. As these are documents that are constantly updated, the COMPDEC coordinators have a link to access the document, which will always be in its most updated version.

The actions to integrate the PAEs with the Protection Contingency and Civil Defense Plans (PLANCONs), such as, for example, the registration of the population mapped as being in a self-rescue zone, were postponed from 2020 to 2021, due to the pandemic.

II. Proximity Program

In compliance with the Brazilian National Dam Safety Policy (Law No. 12,334 from 20/Sep/2010) and its associated regulations, Cemig implemented a warning/alarm strategy and means of communication in the communities that may be affected by emergency situations resulting from dam breaches.

In 2020, a pilot action was carried out for the PAEs of PCHs Cajuru and Gafanhoto, involving the municipalities of Carmo do Cajuru and Divinópolis. Studies on the propagation of flood-inundation areas for scenarios of dam rupture and exceptional flood events were discussed. The indications of meeting points and escape routes, and the registration of the population mapped as being in a risk area in the self-rescue zone via the Proximity application were addressed.

Figure 16: Proximity Program

III. Crisis Management Plan

The Crisis Management Plan for dams aims at:

- Formalizing synchronized actions that will be taken in case of dam emergencies, aiming at avoiding human losses and reducing material losses;
- Ensuring continuity of the company's activities;
- Preventing the Company critical business processes from being affected;
- Preserving the company's image;
- Providing information to the several publics;
- Minimizing impacts on the potentially-affected population.

The activities for the deployment of the Crisis Management Plan began in 2020 and are expected to be concluded in 2022; they are being implemented by the Company's senior management and by the regional offices for decentralized actions.

As it involves several areas within Cemig, the dam crisis management plan will be covered as part of a corporate crisis management plan.

RELATIONSHIP WITH COMMUNITIES AROUND PCH POÇO FUNDO

During the works to expand the capacity of PCH Poço Fundo, located in the south of Minas Gerais, Cemig has interacted with the surrounding community (about 2,000 people). Since works started in 2019, several communication means are being employed with the goal of clarifying direct or indirect interferences with the locals' daily routine. Cemig also tried to take into account the views and expectations of the people in the region regarding the project. Some of the ongoing programs are listed below.

- Social Communication Program: it is geared at guiding residents who have homes within range of the rock blasting area and who drive along neighboring access ways, by means of an official communication channel. The Program also provides a suggestion box and an email[103] for the community, to deal with any matters related to the expansion of PCH Poço Fundo;

- Environmental Education Program: it aims at raising social and environmental awareness by mobilization and social participation of the local population and the project's employees. Actions planned for 2020 were mostly cancelled due to the pandemic. The execution of the Surroundings Signage Plan of the project and the training of employees in solid waste management were provided;

- Local Labor Mobilization Program: aims at generating work and income for the population in the area of direct influence of the project, during the implementation stage. Positions are announced in the municipalities of Poço Fundo and Campestre via social networks;

- Socio-Economic Aspect Monitoring Program: aims at monitoring possible changes caused by the implementation and operation of PCH Poço Fundo, in order to carry out necessary route corrections. The topics covered in the monitoring are: health, education, housing, basic sanitation, public security, the trade and services sector, and the local economy.

ACCESS TO ENERGY

Cemig also operates with the social tariff[104], a discount on the electricity bill for low-income families. In 2020, an average of 881 thousand Cemig consumers received monthly tariff benefits from the social tariff, totaling R$ 291.9 million in the year.

To receive the discount on the electricity tariff, consumers must comply with legal provisions. That is, those residential consumer units that are occupied by families enrolled in the Single Registry for Social Programs of the Federal Government - Cadastro Unico, or who receive the Continued Social Care Provision Benefit - BPC, pursuant Articles 20 and 21 of Law No. 8,742 from December 1993.

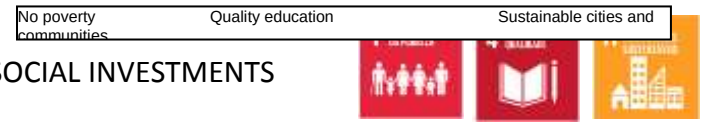
In 2020, due to the Coronavirus pandemic, Provisional Measure No. 950/2020 was enacted, which granted beneficiaries of the social tariff a 100% discount up to the consumption level of 220 kWh/month. The discount was granted for bills issued in the period of 01/Apr/2020 to 30/Jun/2020.

[103] Email provided by the Social Communication Plan relating to PCH Poço Fundo works: poçofundoampliacao@cemig.com.br

[104] For more information on how to request this benefit, go to: https://www.cemig.com.br/atendimento/cemig-explica-beneficio-da-tarifa-social-na-conta-de-energia/. In order for the benefit to be granted, the latest registry update must have happened up within up to two years.

In such cases, the discount will only apply up to a consumption of 220 kWh. Above that consumption rate, there will be no discount. The benefit results in a cumulative discount on the tariff applicable to the residential class according to consumption range: 65% from 0-30 kWh, 40% from 31-100 kWh, 10% from 101-220 kWh and 0% above 220 kWh. Indigenous and quilombola families have a 100% discount up to a consumption limit of 50 kWh/month.

The risks related to this program come from delays in the transfer of these funds and the consequent impact on the distributor utility's cash flow. The loss of revenue from the distributor utilities due to the subsidy granted to low-income residential consumers, as well as to other subsidies, is monthly covered by an investment of funds from the Energy Development Account (CDE).



8.3 CORPORATE CITIZENSHIP AND SOCIAL INVESTMENTS

[103-2:203] In line with its Vision, Mission and Values, Cemig seeks align its philanthropic and corporate citizenship strategies with its business objectives, in order to foster the economic and social development of the communities it operates in.

The corporate citizenship and philanthropy strategy defined by Cemig has the following priorities:

- Social and educational development;
- Boosting of the cultural sector; and
- Increasing the sports sector, strengthening the Company's brand and image in the market and in society.

In order to realize that strategy, it works in partnership with the Government (Health Secretariat, Secretariat for Education, Secretariat for Sports, Secretariat for Culture, Ministry of Sports, and Ministry of Health), with municipalities (Municipal Councils for the Rights of the Elderly and of Children and Adolescents), and with philanthropic institutions. Cemig also disseminates contribution initiatives to the sustainable development of its employees and customers by means of projects and actions that will be detailed throughout this chapter.

The Company has a Sponsorship Policy, which aims at contributing to boosting sectors such as culture, sports, education and social, always in line with public policies in force in the respective communities. That policy reiterates Cemig's commitment to the transparency of its management, making public the assumptions, foundations and origin of the funds, both in defining sponsorships, supports, partnerships, and in the use of incentive laws.

Cemig also has an internal Service Instruction (IS58 - Preparation and Management of Corporate Social Responsibility Projects) that determines the responsibilities of all the players involved and defines impact indicators in order to ensure efficiency in the management of social projects.

[203-1] Cemig promotes and executes different programs to foster social and educational development, some of them linked to indirect economic impacts. In other words, Cemig invests in infrastructure and service offers that produce positive impacts on communities and local economies. The SESI Energy Efficiency Center is an example of Cemig's investment in infrastructure, which aims to

contribute to the education of the community regarding the use of electricity. More details about the Center can be found in the text on Energy Efficiency, which is part of this Report.

[201-1] Community investments are also an important means of exercising corporate citizenship. This category includes contributions to community institutions, NGOs and research institutes, funds to support community infrastructure - such as recreational facilities - and direct costs of social programs, including artistic and educational events. Among those, some Cemig programs that stand out are detailed below..

DONATION GRANTING PROGRAM

Cemig grants philanthropic institutions that promote social assistance and health up to 25% deduction on the power bill. To participate in the Program, entities must present a Clearance Certificate issued by the Minas Gerais State Secretariat for Development. This benefit is calculated using the average power consumption (kWh) and/or demand (kW) determined in the 12 months before the date the donation is granted..

In 2020, 912 entities benefited from the program, totaling R$ 920 thousand deductions from power bills of the entities that enjoy the benefit.

SPONSORSHIP PROGRAM

The Sponsorship Program consists of gathering donations for institutions from third parties (sponsors) via power bills. These donations are then transferred in full via bank deposits. The institutions receive the donations securely by using Cemig's infrastructure and capillarity, without the cost of issuing, paying and receiving invoices and/or payment slips.

In 2020, 224 institutions received approximately R$ 65 million in donations.

CORPORATE VOLUNTEER PROGRAM (Você)

Corporate volunteering is acknowledged in the corporate world as an important tool for improving organizational climate and skills development, in addition to contributing to society, and the image and reputation of companies.

Você aims at encouraging and disseminating solidarity and voluntary work of the workforce, in order to foster human development and contribute to the well-being of the communities it operates in.

Due to the pandemic, volunteer work became even more important and challenging in 2020. With the imposition of social distancing, Cemig adapted its volunteer projects and actions. Thus, 390 volunteers were able to participate and 3,537 hours of volunteer work by Cemig Group employees were recorded. There was also the participation of 1,108 guest volunteers.

V Day

In 2020, the highlight of Você was Volunteer Day (V Day). This event, which has been held since 2001, has moved from the face-to-face to the digital format. Traditionally held in surrounding communities and counting on the mobilization of a large number of volunteers and the execution of various solidarity actions, V Day was held in the form of an online beneficent rally. It was a healthy and collaborative competition, having as backdrop the challenges related to the 17 UN SDGs.

The digital V Day was attended by 177 volunteers from Grupo Cemig, who contributed 2,683 hours. The 23 participating teams involved 1,102 guest volunteers (former Cemig employees, family members and friends). The rally helped carry out 90 social actions and raised R$ 37,658.27 and 926.5 kilos of food. 105 institutions benefited from which, which help 21,749 people. At the end of rally, the institutions sponsored by the five winning teams received a money prize.

> "In the 30 years since our foundation, we've had an old partnership with Cemig. Volunteering is essential to support our mission to care for and value children and adults with cerebral palsy. Although we can't now have personal contact, which was our icing on the cake before the pandemic, I recognize that there was a lot of quality and affection in the deliveries of the rally".
>
> Testimony by Nathália Resende, Institutional Development Advisor for the Novo Céu Assistance Project, December 2020.

Career Mentoring

Held in a virtual format, the initiative included young residents of Morro das Pedras community, in Belo Horizonte, and in seven towns in the region of influence of the Irapé Hydroelectric Power Plant, in the north of Minas Gerais. For three months, Cemig's volunteers acted as mentors to young people in socially vulnerable situations and at the beginning of their careers. Some of the topics covered included life planning, goals and career; curriculum and social media workshop; preparation for interviews; networking; scholarships; personal finances. Twenty-two volunteers worked 200 hours for the mentoring of 22 young people.

Energy Challenge

The Energy Efficiency Program, in partnership with Você, holds rallies with the objective of promoting a culture of energy efficiency and encouraging the use of innovative tools in cities and towns in Minas Gerais. The academic competition presents the participants with a real problem situation, related to the rational use of electric energy, and Design Thinking, immersion, ideation and prototyping tools to inspire solutions.

Throughout the activities, Cemig volunteers act as mentors. The digital version held in 2020 had the voluntary participation of 34 employees, who worked 266 volunteer hours and benefited 327 university students from the towns of Itabira, São João Del Rei, Patos de Minas, Leopoldina, Montes Claros, João Monlevade, Alfenas, Iturama and Belo Horizonte.

AI6% Program

Implemented 20 years ago, AI6% encourages employees to allocate part of their income tax due (up to 6%) to projects of institutions that work for children and adolescents in situations of social

vulnerability. The Company also allocates part of the income tax due (1%) to projects supported by employees.

In 2020, 126 volunteers served as sponsors of 164 institutions present in 85 municipalities in the Company's area of influence. R$ 1.2 million was allocated by 1,548 employees and R$ 1.5 million by Cemig. The total of R$ 2.7 million benefited 23,651 children and adolescents.

Partnership with Servas

In a partnership with the Voluntary Social Assistance Service (Servas) [105], Cemig carried out two campaigns:

- SOS Chuvas (SOS Rainfalls): in the beginning of 2020, when the rains hit Minas Gerais, this emergency campaign was carried out. The donations were loaded in 5 trucks and 31 volunteers participated in the sorting and preparation of kits for those affected by the rains;
- Letters to Santa: 301 letters were sponsored by employees with requests from children, adolescents and the elderly from charities and nursing homes.

SOCIAL INVESTMENTS

[201-1] The Company invests resources in culture, sports, health, education and citizenship, considering interests usually common to its 8.6 million clients, from 774 municipalities served in Minas Gerais.

The priority of initiatives to encourage social projects, whether by allocating social investments or by sponsoring projects, is to contribute to social transformation in multiple municipalities.

Culture

Culture was a sector that was very impacted by the pandemic, and needed to reinvent its activities. The Company strengthened the dissemination of projects in a virtual way by means a cultural agenda disseminated on social networks and sent to the press and radio broadcasters. In addition, it supported more than a thousand contents made available by its sponsors on the networks, including virtual visits, live shows, music, cinema and theater.

Cemig sponsors great names of Minas Gerais culture: Clóvis Salgado Foundation, Inhotim Institute, Minas Gerais Philharmonic Orchestra, Grupo Galpão, Grupo Corpo, and others. The quality of the content sponsored by the Company in virtual reality due to social distancing, has resulted in nominations for awards to institutions and artists. In 2020, the Company allocated R$ 12.6 million to sponsor 25 cultural projects.

Sports

For the community, sports projects generate social help and citizenship benefits, especially for children and adolescents, by stimulating the practice of sports and creating the possibility for them to become

[105] The Voluntary Social Assistance Service (Servas) is a non-economic civil association that aims to promote and carry out social actions in Minas Gerais.

athletes. For Cemig, sports projects strengthen its image as a company committed to the development of healthy habits, well-being and the development of local communities.

Cemig launched two public calls for tenders in 2020, to select projects aimed at the practice of sports, able to raise funds via Federal or State Sports Incentive Laws. 189 projects were received (109 from the federal call for tender and 80 from the specific call for tender), and approximately R$ 4 million were allocated to the best-evaluated projects.

Fund for the Elderly

The population over 60 has increased and so has life expectancy. In this context, through the allocation of incentive resources, Cemig seeks to allow for projects of protection and assistance to the elderly in the state of Minas Gerais. In addition, support for proposals that enable the structuring of Municipal and State Funds for the Elderly of the State are priorities for the Company, improving the actions aimed at this public.

In 2020, two public calls for tenders were launched in order to select the support projects for the elderly that are most in line with corporate guidelines. 131 projects were received (85 from the federal call for tender and 46 from the specific call for tender), and about R$ 1.5 million were allocated to the best-evaluated projects.

Healthcare

Through the Energy Efficiency Program, Cemig provided services to 64 hospital facilities, with an investment of R$ 9.5 million, involving the replacement of autoclaves, dryers and surgical lights, as well as the installation of photovoltaic plants.

In 2020, Cemig donated R$ 5 million to public hospitals in Minas Gerais for the purchase of respirators and equipment used in the treatment of Covid-19.

The details of the values for social investment and sponsorships are given in the table below:

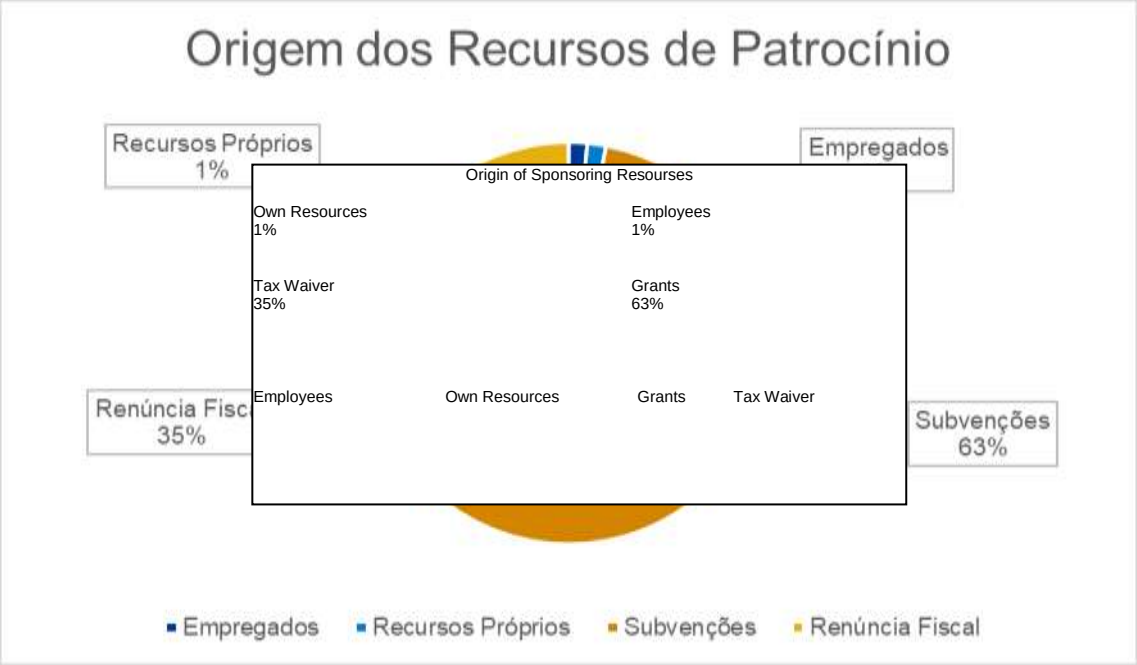
Table 48: Cemig Social Investments

Investment area	2018 (Million R$)	2019 (Million R$)[106]	2020 (Million R$)
Culture	17,295	31,777	20,449
Education	10,472	4,435	2,413
Sports	4,035	4,982	4,941
Social Actions	26,661	97,826	55,739
Healthcare	1,838	2,049	5,000
Public Property	0	8,604	0
Total	60,303	149,673	88,542

[106] The amount invested in Social Actions stated for the year 2019 was changed. The amount invested in Public Property for the same year was also added.

The funds used to carry out actions, investments and sponsorships can come from different sources, depending on the pathway used for financial contribution to the projects. The chart below gives the sources of funding and the proportion of amounts contributed to in 2020.

Chart 20: Origin of Funds Invested in Sponsorships



ENERGY EFFICIENCY PROGRAM

[203-1] Cemig has historically invested in the dissemination of and awareness-raising on topics related to the culture of efficiency, aiming to combat waste of electricity and to preserve natural resources.

Cemig D annually holds the Energy Efficiency Program (PEE), in compliance with sectoral legislation that determines the allocation of a percentage of the Company's annual net operating revenue to projects carried out at consumer facilities, aiming at increasing energy efficiency in end use of power.

The PEE provides for efforts geared toward society via educational actions, the replacement of inefficient equipment with more modern ones, and the implementation of alternative energy systems. In line with the strategic objectives of Cemig D's business, the actions of the Program seek to associate energy efficiency with social responsibility and innovation, with emphasis on efforts geared to hospitals, philanthropic entities, schools, low-income communities, and government facilities.

The selection process for part of the PEE projects is carried out via annual public calls for tenders aimed at customers connected to Cemig's distribution system and who are up to date with their legal obligations with the Company. Proposals can come from clients of the industrial, residential (condominiums), commerce and services, government and public service, and rural typologies, as well as projects that include ways to make public lighting more efficient. The main objective of the public call is to make the decision-making process for choosing projects and consumers benefited by the PEE more transparent and democratic, stimulating the participation of society.

In the latest calls, Cemig received proposals that resulted in the modernization of lighting, including public lighting, air conditioning equipment, engines, hospital laundry equipment, installation of solar water heating system, and installation of photovoltaic systems.

PEE maintains a large number of projects ongoing. At the end of 2020, there was a portfolio of 42 projects being carried out, including those arising from annual public calls for tenders and by others prepared directly by Cemig.

In 2020, PEE invested R$ 52,342,933.85 in projects in the entire Cemig D concession area, and made R$ 36.6 million available to the new public call process for the composition of the 2021 project portfolio. PEE projects completed in 2020, which enabled energy savings of 82,386 MWh/year and avoidance of over 7 thousand tons of CO_2 emissions, included:

- Orientation, replacement of lamps and refrigerators and installation of solar water heating systems in low-income communities;
- Orientation, replacement of lamps, refrigerators and showers in quilombola communities;
- Replacement of public school lighting;
- Replacement of lighting, dryers, autoclaves, surgical lights and installation of photovoltaic plants in public and philanthropic hospitals;
- Holding of lectures using mobile units for public school students. This activity was interrupted at the end of March 2020, due to the pandemic;
- Inauguration of the Cemig SESI Energy Efficiency Center at the Belo Horizonte Museum of Arts and Crafts;
- Financing of projects selected via calls for proposals.

Savings in schools: On average, approximately 300 light bulbs are replaced per school. With this initiative, the Company estimates savings of around 50% in lighting consumption in each benefited institution, in addition to improving the quality of lighting and reducing costs with maintenance and purchase of lamps.

Reduction of costs for re-socialization: The Associations of Protection and Assistance to Convicts (Apacs) of Itaúna, São João del Rei, Pouso Alegre and Nova Lima were contemplated with the installation of photovoltaic plants, which can have up to 90% of the energy consumed generated by this system; this amounts to an estimated savings of up to 75%. The initiative was born from a partnership between the Court of Justice of Minas Gerais (TJMG), Cemig, the Federation of Industries of Minas Gerais (Fiemg) and the Brazilian Fraternity for Assistance to Convicts (FBAC). All 39 units in Minas Gerais are expected to benefit from the PEE. 35 units located within Cemig D's concession area in Minas Gerais will be benefited.

Sesi Energy Efficiency Center: Since March 2020, the Museum of Arts and Crafts (Sesi MAO), located in downtown Belo Horizonte, includes the Sesi Energy Efficiency Center. It is a thematic room dedicated to the interactive and playful narration of the history of energy up to the sources that will be used in the future, the so-called clean energies. In addition to this room, temporary exhibits of artists who use energy matrixes in their works, lectures, workshops and seminars to deal with the themes of energy efficiency and sustainability are included in the project. As partners in this initiative, Cemig and Sesi seek to encourage a change in attitude towards the use of natural resources, with the aim of educating children, adolescents and visitors in general. The plan to encourage visits by groups of students from state and municipal public schools by offering free transportation was postponed due to the pandemic.

Table 49: Detailing of PEE actions by target audience

PEE Figures in 2020						
Action	**Target Public**	**Amount Completed (Consumers)**	**Investment made along the year (R$)**	**Energy Savings (MWh/year)**	**Reduction of Peak Demand (kW)**	**CO_2 avoided (ton)**
Enhancement of APACs (lighting)	Associations for the Protection and Assistance of Convicts	4	1,025,830.47	363.17	6.55	32
Enhancement of low-income communities (lamp bulbs, refrigerators, SAS/showers, visits)	Countryside Low-Income Families	32,439	7,767,474.16	4,469.74	1,496.48	398
Enhancement of low-income communities (lamp bulbs, refrigerators, showers, visits)	RMBH Low-Income Families	9,972	2,981,533.37	1,458.83	499.59	130
Enhancement of low-income communities (lamp bulbs, refrigerators, showers, visits)	Quilombola and Native Low-Income Families and families harmed by dams	11,708	3,437,740.23	980.63	512.28	87
Enhancement of schools (lighting and photovoltaic)	Schools in the public network	475	8,474,838.42	5,821.55	1,449.64	518
Educational	Schools in the public network	18,701	2,413,165.44	-	-	-
Enhancement of Hospitals (autoclaves, lighting, surgery lights, driers and photovoltaic)	Public and philanthropic hospitals	64	9,466,333.44	4,531.62	2,258.15	403

Sanitation Innovation	Standalone Water and Sewage Service	3	981,129.13	3,599.05	0.00	320
Financing of projects selected by calls for proposals	The whole of society	24	14,467,497.58	7,161.00	1,308.00	637
Installation of a cogeneration system	Bem Brasil Plant	1	0.00	54,000.00	7,500.00	4,806
Ongoing projects	Profit consumers	3	110,000.00	0.00	0.00	0
Ongoing projects	Non-profit consumers	-	655,843.81	0.00	0.00	0
Management plan	-	-	561,547.80	-	-	-
TOTAL			**52,342,933.85**	**82,386**	**15,031**	**7,332**

8.4 HUMAN RIGHTS

[103-2:412; 103-3:412; 103-2:410; 103-3:410; 412-1; 412-3; 416-1] In a public document called Commitment to Human Rights[107], Cemig states it respects and supports protection to human rights that are internationally acknowledged in its area of influence, always trying to make sure it is not an accomplice in violating them. That document also states the Company's aligment to the UN's Universal Declaration of Human Rights, to the fundamental norms of the International Labor Organization (ILO) and the UN's Global Compact.

Throughout this Report, the way the Company approaches several subjects relating to human rights of its stakeholders is already covered, particularly:

- right to health and safety ensured to any in-house, contractor or contractor company employee;
- Freedom of association and recognition of the Collective Bargaining Agreement;
- Adequacy of remuneration and benefits;
- Elimination of child labor and all forms of forced and compulsory labor;
- Adoption of accessibility standards and norms on the Cemig website;
- Prevention of moral and sexual harassment and valuing of diversity.

[107] [412-2] The online refreshment course on the Code of Conduct, which covered the Commitment to Human Rights, was taken by 5,421 in-house employees and 4,878 contractor employees. That Commitment is available at https://novoportal.cemig.com.br/wp-content/uploads/2020/12/compromisso-com-os-direitos-humanos.pdf

Cemig seeks to prevent, mitigate and repair violations of human rights that may occur in its operations, along its value chain, or in communities where it operates, even if it has not contributed to causing them.

The Company carries out a due diligence process on human rights in line with the UN Guiding Principles on Business and Human Rights. Held for the first time in 2017 and reviewed on an annual basis, the process starts from the identification of the impacts of the Company on human rights.

Cemig uses a specific methodology that makes it possible to assess the impact on 100% of its own operations and those of its suppliers, as well as the impact on local communities. The assessment of the impacts of Cemig's activities that impose a greater risk to fundamental rights resulted in a matrix of risks of violation of those rights. The impact assessment included severity, extent, duration, remediation, and whether the Company is directly related or contributed indirectly to the risk of violation.

In order to assess the risks and identify actual or potential impacts, several consultation sources and the knowledge of in-house workforce experts were taken into account.

Table 50: Consultation sources linked to groups/ potentially-impacted individuals

Groups / individuals	Consultation source
Employees and leaders	Climate Survey, Organizational Culture Survey and Reporting Channel.
Suppliers	Human rights audits and Complaints Channel.
Customers and community	Survey with customers, engagement actions with the community and Cemig's ombudsman office.
Vulnerable or minority groups (women, immigrants, blackZApeople, people with disabilities, LGBT+), inside and outside Cemig	Internal and external surveys, Complaints Channel, investigation of cases of harassment, discrimination or violence in Cemig's operations and /or involving employees and suppliers and forums on the subject of Human Rights, Diversity and Inclusion.

It is important to note that, in 2020, the Covid-19 pandemic scenario caused significant changes both in the internal and external environment of Cemig. Upon redoing the due diligence process, new risks were incorporated into the Matrix.

The table below shows a summary of the interactions with the major risks of non-compliance with human rights and which are the focus of due diligence.

Table 51: Summary of interactions with the major risks of non-compliance with human rights

	Rights
Employees	Right to life Right to non-discrimination and freedom of opinion Right to health
Suppliers	Right to life
	Right to not being subject to forced labor
	Right to decent and fair work conditions

	Right to non-discrimination and freedom of opinion Right to health
Surrounding community	Right to life

Unlike the previous year, the right to health was included as a priority theme.

The mitigation and monitoring actions carried out by the Company are detailed in the Suppliers, Employees and Communities chapters of this Report and are summarized in the table below.

Table 52: Risk mitigating actions by stakeholder

Stakeholders	Cemig's commitment	Mitigation actions	Monitoring actions	Area in charge	Budget reserved for the action
Employees	Cemig must ensure that its employees carry out their work activities with the appropriate level of safety, thus avoiding accidents that can lead to fatalities.. (Cemig's Commitment to Human Rights – Theme: Health and Safety).	Risk analysis; Criteria for Educational Labor Safety Verifications; Safety Inspection; Program for Prevention of Environmental Risks; Audits, OHSAS 18001; Inspections and audits; Monitoring of the work of field teams by security technicians, aiming at eliminating any unsafe act; Non-participation in activities that involve the risk of employees who are not in adequate health (physical, emotional and social) conditions.	Monitoring and Auditing System for Practiced Security Analysis (SIMASP); Labor Accident and Risk Monitoring System (SMART); Daily Safety Inspections; OHSAS 18001 Audits; Sinal Verde na Rede (Green Light Along the Grid) Award (semi-annual); Siga em Frente no Trânsito (Move Along in Traffic) Award (semi-annual); Empregado Destaque em Segurança (Outstanding Employee in Safety) (annual).	HR – Health and Safety	Yes
Employees	Cemig must ensure the health of its employees. Respect for life is one of the Company's values. (Cemig's Commitment to	Since the beginning of the pandemic: • Work from home office for employees and contractors; • Distribution of masks for teams in the field;	Since the beginning of the pandemic, all employees and contractors must respond daily to a questionnaire about their health conditions (symptoms, contact with people infected	HR – Health and Safety and Cemig Saúde	Yes

	Human Rights – Theme: Health and Safety).	Mandatory online training on care protocols against Covid-19; Provision of booklets about Covid-19, work from home office, "how to adapt to the new normal"; publication of articles and Viva Mais (Live Longer) Blog; Implementation of electronic signature of documents; Online physical activity program; "SOS - Emotional Support" and Support Group - "Group Therapy"; Flu Vaccination Campaign (employees and dependents); Virtual guided meditation room for employees; Advance of vacation pay and compensation for overtime (pandemic onset); Online medical appointments by Cemig Saúde for employees and dependents.	with the Coronavirus, etc.). Temperature measurement before starting work for employees who are not working from home office.		
Suppliers	Cemig must ensure that its suppliers carry out their work activities with the appropriate level of safety, thus avoiding accidents that can lead to fatalities.	Risk analysis; Criteria for Educational Labor Safety Verifications; Safety Inspection; Delivery of an action plan to correct failures and recurrence, and the effectiveness verified during quarterly; Formal Safety Guidance for	Technical Assessment Questionnaire; Monitoring and Auditing System for Practiced Security Analysis (SIMASP); Labor Accident and Risk Monitoring System (SMART); Daily Safety Inspections;	HR – Health and Safety	Yes

		Contractors and Contractor Employees.			
Suppliers	Cemig must ensure that its suppliers carry out their work activities in compliance with Brazilian labor law, which forbids forced labor or compulsory labor.	Clauses for the protection of human rights; Periodic audits, including visits to supplier facilities; Verification of working conditions: employees labor rights, legal working hours, a minimum of 11 hours between working hours, hygiene and health conditions, accommodations, and other items; Industrial Technical Assessment (ATI); Contractor Technical Assessment (ATE); Identification of suppliers with high sustainability risk.	Supplier Performance Index (IDF); Sinal Verde na Rede (Green Light Along the Grid) Award – Semi-annual; Siga em Frente no Trânsito (Move Along in Traffic) Award – Semi-annual; Empregado Destaque em Segurança (Outstanding Employee in Safety) - Annual.	Supplies	Yes
Suppliers	Cemig must ensure that its suppliers carry out work activities in compliance with the Brazilian labor law, which include, among others, a determination of working hours, employee dismissal practices, remuneration, and practices related to compliance with Occupational Health and Safety.	Clauses for the protection of human rights; Periodic audits, including visits to supplier facilities; ATI; ATE; Identification of Suppliers With High Sustainability Risk Procedure; Indicators: The monitoring and supervision of contract execution is carried out by the management team, and there may be total or partial suspension of the contract, when there is a risk to the safety of contractor employees;	TF – Accident Frequency Rate; TG – Severity Rate; IDF; Sinal Verde na Rede (Green Light Along the Grid) Award – Semi-annual; Siga em Frente no Trânsito (Move Along in Traffic) Award – Semi-annual; Empregado Destaque em Segurança (Outstanding Employee in Safety) - Annual.	Supplies	Yes

		Monitoring of the work of field teams by security technicians, aiming at eliminating any unsafe act; Non-participation in activities that involve the risk of employees who are not in adequate health (physical, emotional and social) conditions.			
Suppliers	In all its relations, Cemig fights against and condemns any form of discrimination based on race, gender, sexual orientation, color, appearance, nationality, religion, age, and physical and mental condition, marital status or political ideology, and values diversity and equal opportunity.	Training on the Code of Conduct on Cemig's Supplier Portal, which includes the subject of non-discrimination and appreciation of diversity; Inclusion and non-discrimination actions by the Diversity Appreciation Group, involving suppliers; Supplier qualification process (Statement on Basic Registration Requirements).	Control and investigation of complaints about discrimination, mobbing, and sexual harassment. (It is worth mentioning that Cemig's Code of Conduct includes contractors and subcontractors as recipients).	Audit and Compliance	Yes
Suppliers	Cemig must ensure the health of its employees. Respect for life is one of the Company's values. (Cemig's Commitment to Human Rights – Theme: Health and Safety).	Since the beginning of the pandemic: Remoite work for contractors; Distribution of masks for teams in the field; Mandatory online training on care protocols against Covid-19; Distribution of brochures on Covid-19.	Since the beginning of the pandemic, all employees and contractors must respond daily to a questionnaire about their health conditions (symptoms, contact with people infected with the Coronavirus, etc.); Temperature measurement before starting work for contractors who are	HR – Health and Safety	Yes

			not working from home office.		
Community	Respect for life is one of the Company's values and, in the strategic planning, efforts to promote the safety of the population are made clear by the "Minimize Impacts on the Community" initiative. This initiative presents a specific guideline for this topic: "Expand the prevention of accidents with the population".	Information and clarifications to society regarding the safe use of energy; Awareness-raising of the population in relation to the necessary care to live with the power grids; Conducting of lectures and educational activities in schools, distribution of folders and brochures to the population; Mapping of critical areas with a higher change of accidents with the power grid, with priority given to intervention (replacement of grids, distancing, and campaigns).	Target of removal of people from the safety bands of high voltage overhead lines.	HR – Health and Safety	Yes

According to the recommendations of the UN Guiding Principles on Business and Human Rights, Cemig defines actions geared to mitigate, prevent and monitor, and defines a formal reparation process, when rights are violated.

For example, when an accident occurs with employees or the population within the Company's operations or area of influence, the health, safety and social service teams accompany the entire process, supporting the victim and their family. Expenses related to the accident that are not covered by Unified Healthcare System (SUS) are paid - including accommodation, transportation, medications, medical appointments, exams, and prostheses. Depending on the severity of the accident, the victim is granted a lifelong monitoring.

Annually, the Company reports on its human rights actions via the United Nations Global Compact Report, the Sustainability Report (RAS), ISE Bovespa and DJSI. It also monitors its human rights performance using these instruments, generating improvement actions based on inputs obtained and analyses carried out.

ASSET AND INDUSTRIAL SAFETY

[410-1] Cemig uses contracted companies for asset and industrial security services. These companies are specialized and properly constituted according to the law and authorized by the Federal Police

Department. The subjects of human rights and health care and occupational safety are part of the scope of training of security guards. Thus, we can say that 100% of the 163 security guards are trained in these matters.

9 ENVIRONMENTAL PERFORMANCE

[103-2:303; 103-2:304; 103-2:307] Cemig acknowledges its responsibility towards the environment and is committed to adopting and disseminating good environmental management practices. The Company has an Environmental Policy available to the public [108], which contributes to taking environmental aspects into account in the Company's decision-making processes[109] and establishes respect for the environment as a value that must be practiced by all employees and other stakeholders acting on its behalf, including its suppliers.

The Environmental Policy is supported by the Company's mission, vision and strategic planning and is directed by six main guidelines, which aim to reconcile both the development of the business, the preservation of biodiversity, and the rational use of natural resources;

i. Strategy:
ii. Management;
iii. Compliance with legal requirements;
iv. Pollution prevention;
v. Commitment to continuous improvement;
vi. Communication and environmental education, which guide Cemig's management processes and routine.

Thus, the objective is to reconcile four aspects relevant to both the business and the environment:

The Environmental Adequacy Program is a multiannual and transversal program across Cemig. It is the instrument that details the corporate strategy at the tactical level and where the strategic drives are established.

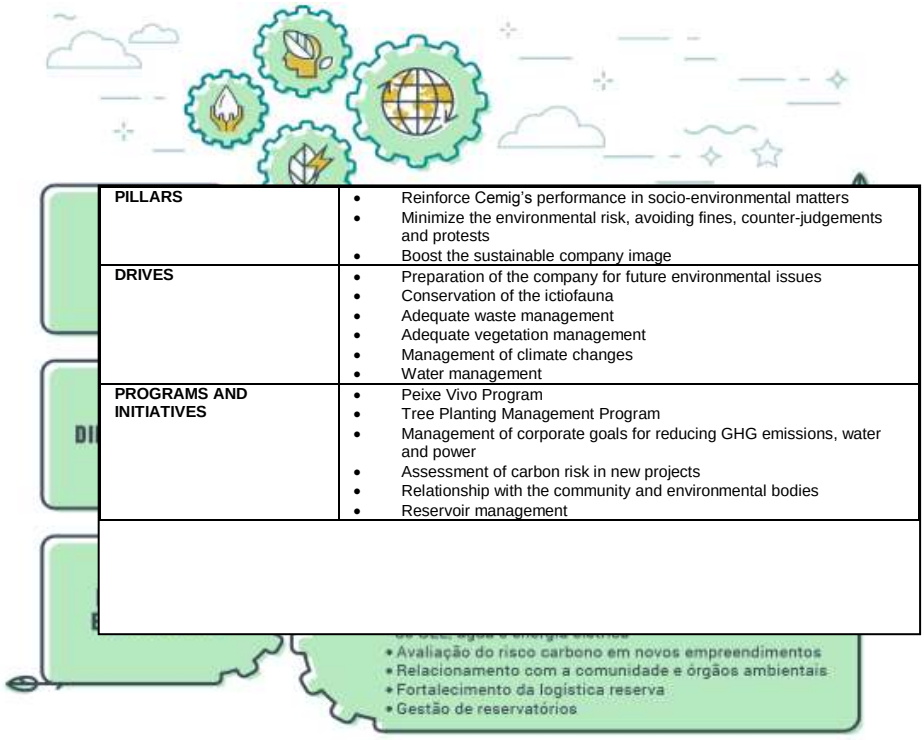
Based on a priority-assignment matrix, the implementation of the strategy is carried out through programs and initiatives, as well as their respective responsibilities, actions, goals, objectives, indicators and allocation of resources. Both programs and initiatives, as well as the prioritization matrix, cover topics such as Biodiversity, Water, Waste and Climate Change. The goals related to these and other topics are listed in the Strategy chapter.

The formation of partnerships and the engagement of Cemig's several stakeholders via performance networks are essential for the preparation and execution of all programs and initiatives.

The figure below presents the environmental strategy and its tactical and operational development.

Figure 17: Cemig's Environmental Strategy

[108] Cemig's Environmental Policy is available at: https://www.cemig.com.br/programa-sustentabilidade/politica-ambiental/.
[109] Projects, processes and activities related to the expansion, implementation, operation and maintenance of assets, execution of services and formation of partnerships



PILLARS	• Reinforce Cemig's performance in socio-environmental matters • Minimize the environmental risk, avoiding fines, counter-judgements and protests • Boost the sustainable company image
DRIVES	• Preparation of the company for future environmental issues • Conservation of the ictiofauna • Adequate waste management • Adequate vegetation management • Management of climate changes • Water management
PROGRAMS AND INITIATIVES	• Peixe Vivo Program • Tree Planting Management Program • Management of corporate goals for reducing GHG emissions, water and power • Assessment of carbon risk in new projects • Relationship with the community and environmental bodies • Reservoir management

Life below water Life on land Peace, justice and strong institutions

9.1 ENVIRONMENTAL MANAGEMENT

[103-3:304; 103-3:307] Cemig's environmental management is based on its policies and guidelines, in line with the Company's strategic planning, encompassing in its scope all the operational and support processes, from the planning, construction, and operation stages to the deactivation of the projects. The way the Management Systems is put together ensures that the premises are considered and applied by the whole of Cemig's workforce.

The Environmental Management System (SGA), based on ISO 14001:2015 standard, allows for the adoption of best practices to minimize environmental risks and optimize operating costs. Cemig's environmental management is carried out in a preventive manner, aiming at minimizing environmental impacts, reducing occurrences, the adequate preparation of employees to respond to emergencies, as well as having greater assertiveness in conducting the environmental strategy and the commitments taken on with the competent bodies[110].

NBR ISO 14001 takes into account environmental aspects influenced by the organization and others that can be controlled by it. The standard specifies requirements that provide the Company with a greater alignment of environmental projects with the organizational strategy and the risk management

[110] Only those areas that have an environmental license can have their Environmental Management System certified in NBR ISO 14001. So, as many facilities were built before the environmental legislation was enacted, they are currently undergoing a corrective licensing process with the environmental agencies. These facilities had good Environmental Management practices, but were prevented from obtaining the certification. Thus, Cemig developed SGA Level 1 as a step towards certification in ISO 14001. In fact, over time, after their first external audit, the facilities that obtained the environmental operating license managed to be recommended for certification in ISO 14001, thus showing the rigor of SGA Level 1 practices.

of processes. This way, it is possible to have an integrated view of the life cycle of services developed by Cemig, and understand the environmental impacts of projects from the beginning to the end of their value chain.

Projects that have environmental licenses are certified under the NBR ISO 14001:2015 standard, and projects that are still in the corrective licensing process, have an Internal Management System called SGA Level 1, developed based on the requirements of NBR ISO 14001:2015 Standard. To ensure control, the areas undergo independent internal and external audits conducted annually by a certifying body accredited by the General Coordination for Accreditation of Inmetro (CGCRE) [111].

Table 53: Coverage of Cemig's Environmental Management System

Coverage of the Environmental Management System at Cemig			
Activity	**ISO 14001**	**SGA Level 1**	**Minimum requirements[112]**
Generation[113]	65 %	20 %	15 %
Transmission[114]	72 %	28 %	0 %
Distribution	0%	0%	100%

In 2021, the company will take an important step towards best practices and will start a project to unify management systems involving the entire company. This unification is expected to be completed by September 2021, and will be completed after an external audit that will validate the new scope. The main objectives of this project are presented below:

i. Integrate the different areas of the company in a single scope of certification;
ii. Interconnect support processes with business results;
iii. Connect daily processes and routines with strategic objectives
iv. Engage the entire company in the constant incorporation of regulatory requirements in the processes

ENVIRONMENTAL MANAGEMENT MONITORING

To stipulate the most relevant topics for the systems and the main normative requirements to be met and monitored, Cemig prepared a Quality Manual, which is made available internally to its employees and guides the compliance with the regulatory requirements through the Company's practices. Complementarily, online trainings are held in order to present the content of the Quality Manual in a clear and objective way, and to train all employees to meet the normative requirements of NBR ISO 9001:2015, NBR ISO 14001:2015 and ISO 45001:2018, thus increasing everyone's engagement with the organization's Management Systems and certified processes.

[111] Inmetro's General Coordination for Accreditation (CGCRE) is the accreditation body for conformity assessment agencies recognized by the Brazilian Government. Cgcre is, therefore, part of Inmetro's organizational structure, the major organizational body that has full responsibility and authority over all aspects related to accreditation, including accreditation decisions.

[112] The Minimum Environmental Management Requirements are stated in an internal Instruction and require, in addition to other obligations, the need to survey significant environmental aspects and impacts, as well as their mitigation. They only apply where the SGA is not implemented, either based on 14001 or based on SGA Level 1.

[113] In relation to the MW generated in the large plants.

[114] In relation to the extension of GT Power Transmission Lines.

In addition, Cemig has the Conditioner Compliance Index - ICC, which annually monitors compliance with environmental conditions, seeking to ensure the environmental compliance of Cemig GT and Cemig D projects. In the 4th quarter of 2020, Cemig GT's ICC achieved 94.67% of the stipulated goal of 100%. In relation to Cemig D, the same index reached a 38% performance, against the 100% goal. Due to the COVID-19 pandemic, several encumbrances caused by sanitary restrictions contributed to prevent the laid down goals from being reached.

Another environmental management tool used by Cemig involves the determination of the Environmental Licensing Index for the Generation and Transmission Installation Operation (ILOI), intended to show the percentage of generation and transmission facilities in operation with an environmental license in force. In 2020, 85% of the projects of Cemig GT and its wholly owned subsidiaries were duly licensed and 15% were in the process of obtaining the respective licenses. The index is calculated every six months and its target grows annually, considering the objective of reaching 100% in the coming years.

In addition to monitoring these indices, external audits of legal compliance are carried out aiming at: (i) assessing the Company's performance in relation to the principles laid down in the Environmental Policy; (ii) complying with current environmental legislation; and (iii) controlling the environmental impacts of company activities.

In 2020, only one record of non-compliance was registered, demonstrating Cemig's concern and commitment to meeting the principles established in its Environmental Policy, as well as meeting the requirements of the standard. It is important to highlight that this record is properly treated and the actions are in progress.

At Cemig Geração, Legal Compliance audits are held every two years, and in them one management department is assessed. The goal of this is assessment is to verify compliance with all environmental legislation within the scope of the SGA. Within 10 years, 100% of Cemig Geração's facilities will be assessed. Therefore, the results presented here refer to the facilities located in Centro Sul region that are certified in NBR ISO 14001: 2015.

Likewise, At Cemig Transmissão, Legal Compliance audits are held every two years, and all facilities that are certified under NBR ISO 14001: 2015 are evaluated. In 2020, one non-compliance was identified and the applicable corrective measures were put in place.

ENVIRONMENTAL COMPLIANCE

[103 -3: 307] In addition to being a legal obligation, the environmental licensing of Cemig's activities[115] aims at ensuring that the expansion and operations take place in compliance with environmental criteria and in line with the Company's Environmental Policy, supporting the prevention of impacts and guiding its environmental management.

[115] Cemig D grouped up environmental licensing of projects deployed before 2007 by region, dividing the system into seven regional networks: Central, East, West, North, South, Mantiqueira and Triangulo. With the entry into effect of Normative Deliberation No. 217/17 from the government of Minas Gerais, which excluded projects subject to licensing from the substation code and changed the concept of transmission lines, Cemig D's undertakings are no longer subject to licensing; therefore, as of 2019, they all are now in compliance with environmental legislation.

For Cemig's business, the risks related to legal compliance and those related to environmental licensing processes are relevant, since non-conformities (whether with deadlines, obtaining licenses or implementing conditions) can cause impacts in the reputation and results of the Company. These risks are detailed and discussed in Cemig's Reference Form and Form 20-F.[116]

The monitoring of compliance with regulatory requirements is carried out by PROSIG, a computerized tool that provides a legislation database, allowing the legal requirements that must comply with regulatory obligations to be periodically assessed. Each identified requirement is analyzed by the responsible area, which verifies its applicability, includes evidence of its fulfillment, proposes the appropriate measures, and puts together action plans, objectives and goals.

At least once every 24 months, the areas must verify compliance with all legal and other applicable requirements.
In case of non-compliance with any requirement, a Non-Conformity Registry must be opened, which must be treated and recorded. Cemig GT and its wholly owned subsidiaries have 85% of their projects duly licensed and 15% in the process of obtaining the respective environmental licenses. 85% of projects from Cemig GT and its wholly owned subsidiaries are duly licensed, and 15% are in the process of obtaining the respective environmental licenses[117]. All processes are monitored for compliance with deadlines, which guides the submission of license renewal requests, whose deadlines are prescribed by law.

In addition, Generation projects that have environmental licenses must compulsorily comply with the conditions to ensure the maintenance of their activities. Inappropriate compliance with environmental conditions and failure to have them validated by environmental agencies can lead to loss of environmental licenses, penalties/fines, stoppage of units, and loss of revenue, in addition to negatively affecting the Company's image. In order to minimize the risk of non-compliance with these conditions, the Company manages this risk following the calculation of the Condition Compliance Index (ICC).

[307-1] In 2020, there were no significant notifications for environmental fines and violations[118]. At Cemig GT, a payment notification was received regarding the operation of PCD Peti without an operating license or TAC, with a fine to be applied, if deemed grounded, amounting to R$ 83,511.00. The defense was filed and is under analysis by the competent body.

At Cemig D, a payment notification was received from the City Hall of Viçosa, claiming land movement without the proper license from the competent agency. Cemig filed an administrative defense, which has already been tried in the lower court, and the fine was upheld, but with a mitigating effect. The Company appealed and the appeal is still under analysis. The fine to be applied amounts to R$ 50,210.06.

[116] Available at: < http://ri.Cemig.com.br/governanca-corporativa/formulario-de-referencia >
[117] Most of Cemig GT's projects were implemented before the environmental licensing was mandatory and fall into the corrective licensing category, with the exception of wind and photovoltaic plants, which were implemented after 2007, the year the licensing became effective.
[118] Environmental fines and violations are considered significant when the penalty amount is greater than US$ 10,000. Definition suggested by the Dow Jones Sustainability Index.

ENVIRONMENTAL GUIDELINES AND CONTROLS - MEASURES TO REDUCE THE IMPACTS OF TRANSMISSION AND DISTRIBUTION NETWORKS

[304-2] Cemig has developed an internal procedure with Environmental Guidelines and Controls that determines the care and methods to be adopted when new lines and grids are being built. The Company tries to change the layout of existing grids whenever possible, to avoid interference in areas of high tree density, or even renovates electrical circuits in these areas, adopting superior technological standards.

When designing networks or distribution lines, both in high tree density areas and rural areas, layout engineering favors those layouts that interfere as little as possible in forest patches. They also put taller structures in place to minimize the removal of vegetation when deploying distribution lines, whenever possible.

Plans for lines, networks and substations that compromise the tourism, cultural or speleological heritage, must include measures to eliminate their impacts, such as alternative layouts, underground or isolated grids, taller structures, among others. If it is not possible to adopt these measures, other measures should be employed to minimize impacts as much as possible. Regarding impacts on the fauna, there are specific precautions for removing bird nests from distribution grids and substations and other measures to prevent birds and small animals from approaching the equipment.

FINANCIAL RESOURCES INVESTED

In 2020, Cemig invested a total of R$ 36.5 million in environmental guidelines. Environmental investments were broken down into capital investments, expenses, and Research and Development. (R&D) projects, as shown in the table below.

Table 54: History of the total funds invested in guidelines for the environment by

Resources invested in guidelines for the environment (R$)	2018	2019	2020
Capital investment	R$ 13,351,000.00	R$ 7,446,000.00	R$ 3,142,000.00
Expenses	R$ 30,228,938.00	R$ 25,300,077.00	R$ 25,573,023.51
R&D	R$ 3,886,744.00	R$ 22,468,134.51	R$ 7,870,057.53
Total	R$ 47,466,682.00	R$ 55,214,211.51	R$ 36,588,081.04

The significant reduction in the amount put in R&D is due to the large number of projects started in 2019, since their first year of execution requires more resources due to the acquisition of necessary equipment and supplies. Among the investment fronts, it is worth mentioning an investment of R$ 718 thousand in projects aimed at waste management.

9.2 NATURAL RESOURCE MANAGEMENT

Cemig contributes to the conservation of natural reso of the adequate environmental management of its operations. The environmental management approach defined and implemented by Cemig moves in tandem with its environmental commitments, and with sustainable development.

ENERGY CONSUMPTION

[302-1] In carrying out its operations, Cemig consumes energy in the form of fuel and electricity. The 2020 data for energy consumption in the organization are detailed in the table below[119].

Table 55: Power consumption in the organization

Power consumption in the organization		
Forerunner	**Consumption**	
Non-renewable fuel	**(MWh)**	**(GJ)**
Diesel - Brazil	28,131.12	101,272.03
Gasoline - Brazil	4,908.37	17,670.13
Liquid Petroleum Gas (LPG)	5.78	20.81
Natural Gas	67.37	242.53
Natural Vehicle Gas (NVG)	250.47	901.69
Jet Fuel	761.35	2,740.86
Fuel oil	0.00	0.00
Renewable fuel	**(MWh)**	**(GJ)**
Hydrous ethanol	1,438.40	5,178.23
Total fuel consumption	**35,562.86**	**128,026.28**
Power Consumption	37,621.00	135,435.60
Total energy consumption	**73,183.86**	**263,461.88**

[302-4] For comparison purposes, Cemig's consumption history is presented grouped up in the major kinds of fuel: electric energy, fuel for the vehicle fleet, emergency generators, machinery and equipment. As, in 2020, the Plant Thermoelectric Plant (UTE) did not operate, there was no consumption of fuels for that purpose.

Table 56: Total energy consumption by Cemig

Total energy consumption - History				
Consumption per source (GJ)	**2018**	**2019**	**2020**	**19/20 Variation**

[119] Although conservatively ranked as non-renewable fuels, "Gasoline - Brazil" and "Diesel - Brazil" contain added renewable fuels (i.e. ethanol and biodiesel, respectively. Electricity consumption is also conservatively characterized as non-renewable due to the impossibility of ascertaining the effective participation of renewable sources in the National Interconnected System.

Power	149,235	150,766	135,436	-10.17%
Fuels for generators	331	505	2,772	448%
Fuels for the fleet	139,131	144,916	125,254	-0.14%
Fuels in UTE	276,104	484,009	0	-100%
Total Energy	564,801	780,197	263,462	-66.23%

[302-2] Cemig also accounts for the energy consumption in its value chain, divided into the following GHG Protocol categories: stationary combustion, mobile combustion, acquisition of electric energy, commuting of employees (home-work), movement and distribution (upstream and downstream) and the use of goods and services sold. The 2019 data for energy consumption outside the organization are detailed in the table below.

Table 57: Power consumption outside the organization

Power consumption outside the organization		
Forerunner	**Consumption**	
Non-renewable fuel	**(MWh)**	**(GJ)**
Diesel - Brazil	83,614.33	301,011.59
Gasoline - Brazil	6,147.02	22,129.26
Liquid Petroleum Gas (LPG)	186.53	671.52
Natural Gas	9,042,889.40	32,554,401.84
Natural Vehicle Gas (NVG)	288,287.74	1,037,835.85
Jet Fuel	380.18	1,368.65
Renewable fuel	**(MWh)**	**(GJ)**
Hydrous ethanol	4,948.99	17,816.37
Total fuel consumption	**9,426,454.19**	**33,935,235.08**
Power Consumption	53,439,662.00	192,382,783.20
Total energy consumption	**62,866,116.19**	**226,318,018.28**

Energy consumption inside and outside the organization was calculated based on the ranking proposed by the GHG Protocol methodology. The conversion factors adopted are made available by the Brazilian Energy Policy Council (CNPE), the Intergovernmental Panel on Climate Change (IPCC), the Brazilian GHG Protocol Program, and the Brazilian National Energy Balance.

CONSUMPTION OF MATERIALS

[103-2:306; 103-3:306; 301-1] The reporting of materials consumed by Cemig followed a measurement methodology laid down in 2019; this takes into account the most use-intensive and operationally-relevant materials. These consumed amounts are detailed in the following table, where the same methodology was applied for 2018, with the goal of providing the data with a comparison parameter:

Table 58: Consumption of Materials

Year	**Transformers for Distribution (unit)**	**Poles – Concrete and Wood (unit)**	**Cables (m)**	**Cables (kg)**	**Measurement equipment (unit)**	**Reclosers (unit)**

2018	28,456	105,528	7,122,642	3,795,949	445,520	1,630
2019	23,853	98,434	7,920,312	3,166,670	561,411	3,261
2020	18,048	97,559	8,795,226	3,859,163	543,563	6,139

[301-2; 306-1; 306-2] The reduction in the total number of transformers consumed was due to the increase in the reuse and renovation of that equipment. In 2020, a renovation of equipment (distribution transformers) was carried out, so it could be used by the company again; this prevented the generation of scraps from small transformers. The equipment corresponds to approximately 1.57% of the waste produced.

Considering the number of parts sent for destination in 2020, 15.7% of network transformers that would be scrapped were renovated, with these inputs being reused by the company. With this action, Cemig has managed to reduce not only the consumption of new materials, but also their destination as waste.

In addition, the growth in the number of reclosers consumed is related to the Company's investment in the installation of three-phase and single-phase reclosers in its distribution network. This electronic equipment minimizes the interruptions caused by transient failures, and its installation aims to reduce the service time in events of the power system, as well as reducing operating costs and improving the DEC and FEC quality indicators.

In addition to the protection functionality, three-phase reclosers make it possible to expand the operational flexibility of the Medium Voltage distribution network, reducing the number of customers affected in events and enabling the improvement of the performance of the power system.

DESTINATION OF WASTE

[306-5] Cemig's commitment is to dispose of the waste it produces with the least possible environmental impact, in compliance with the National Solid Waste Policy - PNRS, established by Law No. 12,305/10.

The generating units are responsible for the proper segregation of waste, identification, conditioning, and movement from the generation point to Igarapé Advanced Distribution Center (CDA-IG). In some cases, some companies are outsourced to carry out part of the process[120]. The CDA-IG is responsible for the temporary storage of corporate waste produced at Cemig D and Cemig GT. The management of these processes and final destination is the responsibility of the Material and Service Supply Superintendent Department.

The waste management processes are certified by the Environmental Management System - SGA Level 1 and by the ISO: 9001: 2015 standard. The destination process is monitored and, in 2017, Cemig implemented waste control via SAP-R3 to ensure greater traceability and availability of waste generation and destination data.

[120] Since 2014, for example, Empresa de Transportes Apoteose took over Cemig's logistics operation at CDA-IG and at Jatobá Advanced Distribution Center. These suppliers of waste transportation or final destination services must have environmental licenses, permits for handling the waste and Certificates of Regularity of Potentially Polluting Activities with the Federal Technical Registry/IBAMA, and those must be audited from time to time.

In the period from January to December 2020, 40,272 tons of waste were sent to final disposal: 96.91% of this waste was sold; 0.80% was regenerated, reused, or recycled; 1.57% was overhauled, 0.67% was co-processed; and 0.06% was disposed of in a class II landfill[121]. In 2020, no waste was sent for incineration.

It should be noted that the waste disposed of in 2020 was not necessarily produced in 2020. This is due to temporary storage, where waste is characterized, segregated, packaged, labeled, and later, disposed of. In 2020, a 14.47% growth was verified when compared to 2019, when 35.18 thousand tons were disposed of

In the year 2020, approximately 308,880 Kg (351,000 L) of insulating mineral oil were regenerated, representing savings of over 2.2 million reais (avoided expense with the purchase of new oil). This process recovers all the physical and chemical characteristics of the oil, with the input later returning to Cemig's operations.

The disposed waste consists mainly of cables and wires, scrap from transformers, metal scraps, scrap from meters, poles, crossheads, shavings, and wood waste. There are also used insulating mineral oil, which, when sold, undergoes a re-refining process, and battery scraps, which, when disposed of, are subject to recycling.

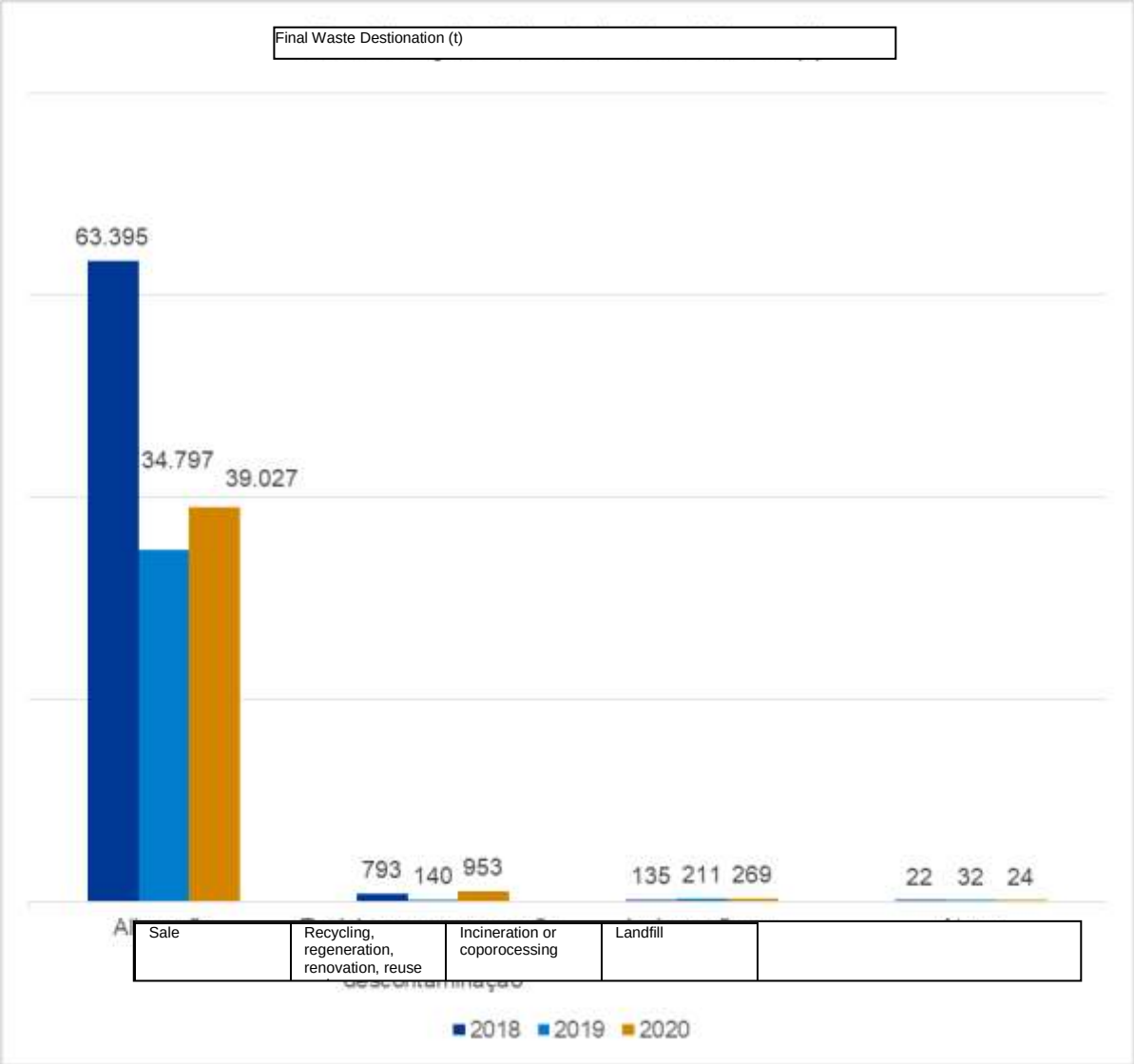
The revenue obtained from the sale of over 39 thousand tons of waste reached R$ 17.77 million in 2020[122], amounting to an increase of about 20% against the revenue obtained in 2019. IN 2020, destination of the other waste added up to R$ 134.4 thousand; they totaled 527,6 tons of waste[123], which amounted to a 18.26% decrease in the money spent on its disposal, when compared to 2019. Despite this decrease in expenses, there was an increase of 128% in mass, compared to the previous year.

Of the total oily waste disposed of, 856.7 tons of insulating mineral oil were regenerated and re-refined by the Company. This measure provides environmental benefits, such as the non-generation of hazardous waste, in addition to avoiding a cost to Cemig for the acquisition of new oil, not counting the costs for final disposal of the waste. With this practice, Cemig generated R$ 1,429,615.00 in revenues.

All waste disposal processes have supporting evidence in certificates for the final disposal of waste.

Chart 21: Final disposal of waste in tons and by disposal method

[121] Landfills that are the destination for waste rated as non-hazardous, according to ABNT NBR 10,004/04.
[122] Considering the materials sold that have been refined and recycled. This breakdown will be included in the charts along the text.
[123] Oil-impregnated waste; lamp bulbs; various oily residues; solvents, paints, cans, measuring seals, and other class I waste; non-recyclable waste (tailings); PPEs, energized line material and other class II waste; septic tank sludge; soot residue from the boiler; glass wool residue; and construction debris. Regenerated insulating mineral oil waste and recyclable waste destined for the cooperative did not generate revenues or expenses for Cemig; therefore, they were not accounted for in the weight value in this specific analysis.

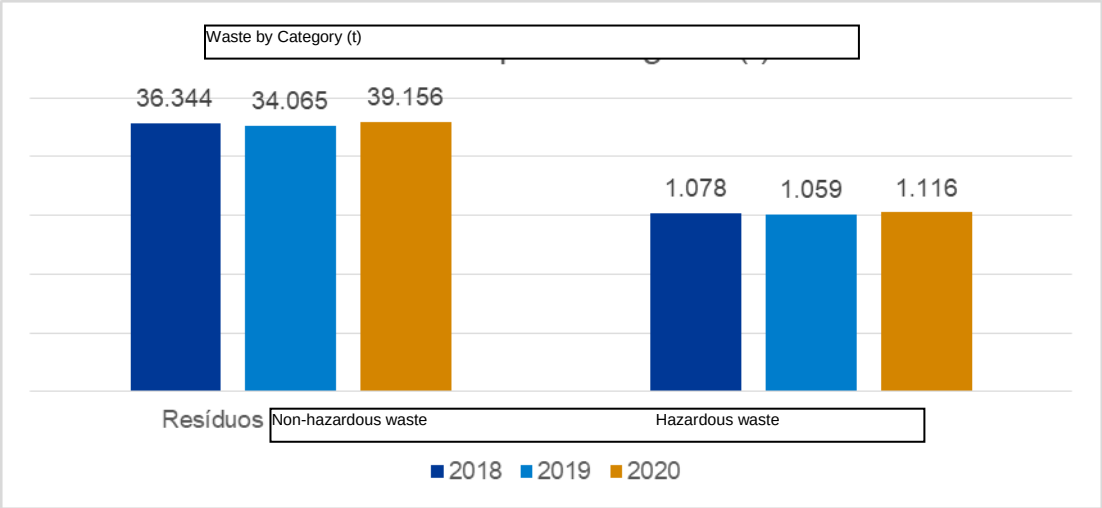


Waste produced by Cemig is ranked into two categories: non-hazardous waste and hazardous waste. Cemig follows the provisions of the Stockholm Convention of 2004, where deadlines are set for the removal of electrical equipment contaminated by PCBs (Polychlorinated Biphenyls). Said Convention requires equipment with residual PCB concentrations above 50 ppm to be removed from operation by 2025 and to be disposed of by 2028.

Cemig analyzed all its high voltage transformers and, today, has only transformer serial number 56.123 installed at SE Arcos contaminated by PCB at a concentration of 186 ppm. The other equipment contaminated by PCB has already been disposed of. Additionally, there are 2,780 kg referring to contaminated small pieces of equipment to be destined together with the aforementioned transformers. It should be noted that all these residues are under control and properly monitored/stored.[124] [125]

Chart 22: Waste by category

[124] PCB (Polychlorinated Binefil), known in Brazil as Ascarel, is a substance that was widely used as a fluid in transformers. As it is highly toxic and polluting, today there is a process for reducing its use.
[125] Electric Sector GRI 301 (EU).



[306-4] Considering that 1,116 tons of hazardous waste were treated and shipped[126], the remaining amount was sold. Cemig does not export or import hazardous waste.

WATER CATCHMENT AND EFFLUENTS PRODUCED

[103-3:303; 303-1; 303-2; 303-3; 303-4; 303-5] In 2020, total water consumption at Cemig was 172,708.5 m³. This amounted to a 32.03% decrease in relation to the total consumption in 2019, which was 254,094.78 m³.

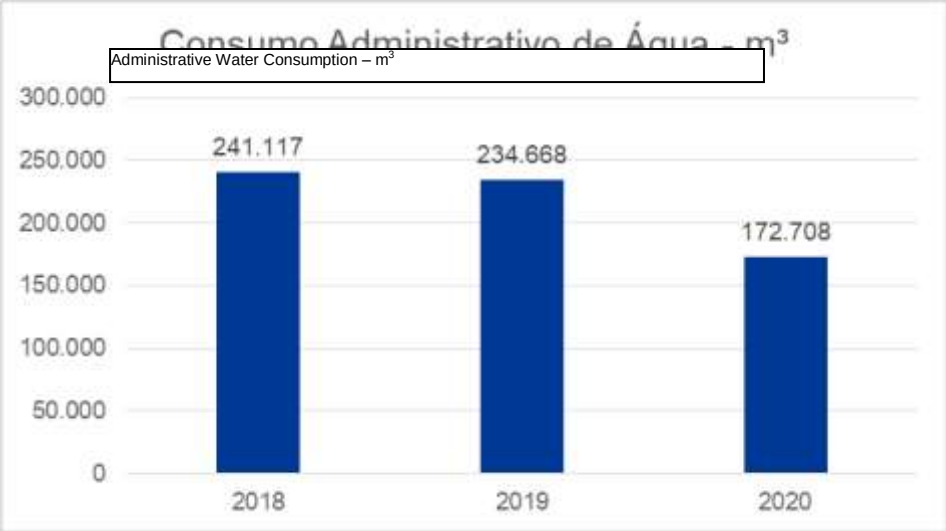
Cemig GT's water catchment was 52,852.50 m³, while Cemig D's catchment was 119,855.55 m³. In projects where it is not possible to perform direct measurement, an estimated calculation of the volume consumed is made. The breakdown of total water catchment by catchment source in 2020 is shown below.

Chart 23: Total water consumption by source

It is noteworthy that, due to the characteristics of Cemig's projects, in 2019, two ratings for its water consumption were used: administrative consumption and industrial consumption. It is important to stress that, due to closure of UTE Igarapé's operations, all of Cemig's water consumption in 2020 was rated as administrative. Administrative consumption takes place at the company's various facilities and can come from public utility supply, surface catchment, and artesian wells (underground collection). The history of Cemig's administrative water consumption is shown in the chart below:

Chart 24: History of administrative water consumption

[126] Waste given the following final disposal were considered as treated: co-processing, decontamination and recycling, incineration, and CTO regeneration.



In 2020, Cemig set a new target for a 6% reduction in administrative water consumption, with 2019 as the base year for the target and 2025 as the target year. Following the results achieved in previous years, in 2020, there was a 32.03% reduction in administrative water consumption compared to 2019, confirming the achievement of the target set for 2020, which was 228,633.47 m³.

Cemig's operational managements in 2020 collected water from artesian wells respecting the limits of the grant for each well. Water in these facilities is intended for human consumption, cleaning and eventually for irrigation of gardens. The total consumption of the facilities was 10,885.4 m³.

All artesian wells have water meters to measure consumption and monitor the limits of each well grant and the validity of the grants is monitored at the headquarters of each operational management sector. In facilities where water is supplied by public utility companies, this supply is preferred and is intended for human consumption, cleaning and eventually for irrigation of gardens; the consumption of all facilities in 2020 was 8,342 m³.

Cemig does not use recycled or reused water, nor does it adopt procedures for reusing or recycling water.

[306-1] The impacts of liquid effluent discharges vary according to the quantity, quality, and destination of the effluent. The major effluents produced by Cemig come from the sanitary facilities in its infrastructures, from the demineralization process of the water used in the boiler of the thermal plant, and from other operational uses of water in the Company's facilities.

[303-4; 303-5] The volume of effluent generated by Cemig is obtained using a conversion calculation, which considers that 80% of all water consumed is discarded as effluent. Thus, a volume of 138,166.44 m³ of effluents was estimated for 2020. Regarding treatment, 100% of the effluent produced is treated. Most of this effluent is sent to conventional treatment systems provided by local concessionaires, and a small portion is treated in septic tanks within Cemig's own projects. No effluent produced by the Company poses a risk to adjacent water bodies.

Regarding the disposal of water used in power generation and cooling down of equipment in hydroelectric plants, in most of the facilities, the water used is taken at the water catchment point and discharged into the tailrace system through a branch, but without being measured. These uses are

non-consumptive and the water is discharged as a whole directly into the stream. Eventual degradation in water quality can occur in negligible amounts when compared to the river streamflow.

Monitoring also consists in carrying out audits 3 times a year: an external audit carried out by the ABNT certifying body, and two internal audits carried out by experienced auditors adequately trained for that purpose.

[303-2] Regarding the quality of water and effluent disposal, Cemig does not establish minimum standards, just as Brazilian law does not establish standards for this type of disposal. However, the generation facilities that discharge effluents into water streams do annual or semiannual monitoring of the effluents released. The results from the sampling campaigns are compared with the maximum permitted values (VMP) by the following laws in force:

- Conama Resolution No. 430 that, in the use of the powers conferred on it, provides for the conditions and standards for the discharge of effluents;
- COPAM/CERH-MG Joint Normative Resolution No. 01/08, which, in the use of the powers conferred on it, provides for the classification of bodies of water and environmental guidelines for their ranking, as well as establishing the discharge conditions and for effluent, together with other measures.

[306-3; 306-5] It is important to stress that the major risk of negative impacts from the discharge of effluents from Cemig is the presence of oil in the water from the UHEs. Any type of incident related to contamination or leakage is recorded and consolidated in an Environmental Occurrence Report (ROA).

In the case of Cemig GT, in 2020, there were 10 instances of waste leakage, none of which was considered a significant leak.[127] In Cemig D, there were three recorded incidents in 2020, with a total volume of about 13,500 liters. In all incidents, all contaminated solid waste was removed and disposed of correctly. Below are details of the most significant episode, where about 12,000 liters of oil leaked.

Table 59: Leak/spillage episodes during Cemig D operations in 2020

Oil Leakage Record	
Deployment	Divinópolis Substation
Leak location	Gravel and soil
Leak volume (liters)	12,000
Material leaked	Insulating mineral oil

9.3 WATER IN THE GENERATION PROCESS

Life below Water

Water is the strategic resource Cemig's business depends on, since nearly 100% of the electricity generated comes from hydroelectric power plants. Cemig recognizes its role in conserving this resource and the potential impacts of its activities on water availability. It was acknowledged for the second consecutive year as a global leader in water management, earning a place in the choice "*A-List*" group of CDP Water Security.

[127] A leak equal to or greater than 1,000 liters is considered significant.

[103- 2: 303] Since 2016, it has a Water Resources Policy[128], whose principles are detailed below.

COMMITMENTS

Adoption of practices for the rational, integrated, and sustainable use of water resources.

Prevention and defense against critical hydrological events, both of natural origin and resulting from the inappropriate use of natural resources.

GOALS

Conservation of water and preservation of water sources by establishing partnerships with public agencies and with society, aiming at the best use of this natural resource.

RESPONSIBILITIES

Participation in Public Management and compliance with the Water Resources legislation

Safe Reservoir Management

Weather Monitoring

Qualitative and Quantitative Monitoring of Water

Relationship with Stakeholders

Research and Development.

WATER RESOURCE MANAGEMENT

[103-2:303; 103-3:303] The use of water to generate electricity is subject to the regulatory environment, the procedural order of the hydrothermal matrix of the National Interconnected System (SIN) being the responsibility of the National Power System Operator (ONS)[129].

Cemig has a Water Resource Policy that guides the management of that resource. Besides that, practices have been adopted for the rational use, prevention and defense against critical hydrological events, both of natural origin and resulting from the inappropriate use of natural resources, and considering the needs of current and future generations and water availability. [130] The Company considers the multiple uses of water by other users of the watershed when deciding on the operation and management of its reservoirs, which implies in multiple environmental and safety restrictions.

In periods of severe drought, as the one that happened from 2013 to 2018, the monitoring and forecasting of reservoir levels, as well as constant engagement with public authorities, civil society and users, is paramount in ensuring energy generation together with maintaining the other uses of water. In these situations, the availability of water for the several uses can be compromised. This would lead to an increase in the competition between the energy sector and other users, such as human supply, animal thirst-quenching, agriculture, and maintenance of natural habitats, resulting in less availability for hydroelectric power generation.

[128] Available at: < https://www.cemig.com.br/programa-sustentabilidade/recursos-hidricos/>

[129] ONS is a private company established as a non-profit civil law association responsible for coordinating and controlling the operation of power generation and transmission facilities from SIN, under the supervision and regulation of Aneel.

[130] Electric Sector GRI: 303(EU)

Even with the end of the water crisis scenario, Rio das Velhas, a source that guarantees public supply to approximately 2.4 million people - about 51% of the metropolitan region of Belo Horizonte - suffered from reduced flows, causing operational difficulties and jeopardizing the guarantee of supply.

The Alto Rio das Velhas Flow Management Group, created and led by CBH Velhas and formed by Cemig, COPASA, and Anglo Gold Ashanti, with support from the Minas Gerais Water Management Institute (IGAM), was called upon in 2020 to guarantee the flows on Rio das Velhas, so as not to harm public supply and water quality along the stretch.

Cemig, as well as the mining companies Vale and Anglo Gold Ashanti, have water dams in the Upper Rio das Velhas region, which makes these companies highly relevant players in thinking solutions aiming at RMBH water security.

At the same time, excess water can also pose a risk, as several stakeholders may feel harmed if the precipitation index rises and Cemig has to open its floodgates so as not to physically compromise dams, thus flooding a productive area downstream.

To mitigate the risks resulting from scenarios of excess or scarcity of water, Cemig has the following management practices:

- Damping of discharge variations of a stream resulting from natural storage in a section of its course;
- The effect produced by the reservoirs in order to retain excess water from periods of large discharges, to be used during drought periods;
- Proving a constant (or not very variable) discharge, whatever the size of the reservoir or the purpose of the accumulated water after having receiving discharges that varied much along time; that is, its function is the regularization of the stream discharge.

Due to using water, Cemig participates actively and strategically of the drafting of laws and norms for the Water Resource Policy and Management System. The Company is also present in the technical discussions of the main collegiate bodies for drafting rules and establishing guidelines, such as the National Water Resources Council (CNRH) (via ABRAGE), the State Water Resources Council (CERH), the Federal and State Watershed Committees, Technical Councils and working groups, with an emphasis on those dealing with the preparation of water resource master plans, the regulation of the Grant and the Charge for the Use of Water Resources.

Cemig represents the users of water resources for hydroelectric power generation in the State Minas Gerais State Water Resources Council (CERH/MG), 4 watershed committees under the Federal Government regulation, and 20 watershed committees in rivers under state regulation.

Currently, the following risks related to the management of water resources are mapped: siltation and breach of reservoirs, deviations in the weather forecast, loss of physical assurance of SHPs as a consequence of the decrease in water availability, regulatory and price structure changes, and potential conflicts with stakeholders, which may result from both prolonged droughts and the occurrence of flood events due to excessive rainfall[131].

[131] More details on the water risks faced by the company are available in other Cemig publications, namely: Form 20-F, CDP Climate Change Report (2019) and CDP Water Security Report (2019)

HYDROMETEOROLOGICAL MONITORING

Cemig takes a series of actions that enable the management of risks related to water availability. It has invested in preventive measures with a focus in allowing for safety, especially in potentially unfavorable scenarios, using effective techniques and equipment, such as the Storm Location System, a Telemetry, and Hydrometeorological Monitoring System, mathematical models of hydrological simulation and weather and climate forecasting.

Cemig operates a hydrometeorological network that monitors 372 variables, 178 focused on rainfall monitoring, 104 for watercourse levels and discharges, 53 for monitoring reservoir and river levels, and also 37 focused on climatological stations that monitor temperature, air humidity, wind speed and direction, solar radiation and atmospheric pressure. These stations are distributed throughout strategic locations in the states of Minas Gerais, Goiás, Rio de Janeiro, Espírito Santo and Santa Catarina, and their data are received in real time at the Company's headquarters in Belo Horizonte

To improve its forecast activities, Cemig has a Weather Rater that provides greater safety for the operation of hydropower projects and society. The radar is also strategic for the control and operation of hydroelectric power plant reservoirs. Having early information on the direction of displacement and the intensity of rains, it is possible to estimate the amount of water that will reach a reservoir and adjust its hydraulic operation to minimize the effects of floods for the population and the project. Besides, during the rainy season, Cemig can act preemptively and issues alerts to the State Civil Defense about storms that could have serious consequences for the population.

Using results from the climate models mentioned above and hydrological models of rain-discharge transformation, Cemig drafts tributary discharge scenarios for the major basins in the National Interconnected System. Based on these scenarios, inputs are entered in the official hydrothermal optimization models being used by the Brazilian Electricity Sector (Newave and Decomp[132]), which, in addition to the operating policy of the Brazilian generating complex, determines the price of energy in the short-term market.

Additionally, based on the Corporate Risk Management System, Cemig analyzes the scenarios and determines the degree of financial exposure to risks, considering the probability of their occurrence and impact, and establishes control measures for the following risks: silting of the reservoirs, deviations from the weather forecast, loss of physical security of SHPs and reduction of water availability, with impacts on sales.

WATER QUALITY

Having an energy matrix predominantly based on water sources, Cemig has a relevant role in the management of this resource, which is essential for the maintenance of biodiversity and natural cycles.

In line with the guidelines of the Company's Biodiversity Policy, whose premise is to establish more efficient strategies for biodiversity conservation and comply with state and federal resolutions, Cemig carries out a Water Quality Monitoring. This monitoring acts as an essential tool in the identification

[132] NEWAVE - Long and Medium Term Interconnected Hydrothermal Systems Operation Planning Model; DECOMP - Short-term Interconnected Hydrothermal Systems Operation Planning Model.

and gathering of information for the assessment and control of environmental impacts in aquatic ecosystems in all stages of its undertakings - from the design of the project to its operation.

The water quality monitoring studies are developed in partnership with research institutions and specialized companies, allowing for the identification of opportunities and improvements, which can contribute to the implementation of methodologies and innovations. The minimization of environmental impacts on biological systems obtained through these studies encourages the generation of energy with more environmental safety.

The water quality of Cemig's reservoirs is regularly monitored along a network that includes 46 reservoirs and 176 physical, chemical, and biological data catchment stations on the major watersheds of Minas Gerais. The monitoring is made upstream and downstream from the dams, so that the Company can identify if the watercourses are being impacted in any way. This monitoring acts as an assessment of the quality of the projects' effluent management, aiming at adjusting the parameters of the effluents to those set by the legislation.

The analyses carried out are presented in the table below:

Table 60: Analyses carried out

Analysis
Analysis of groundwater
Analysis of effluents - great traps
Analysis of effluents - water and oil separator
Water freshness analysis
Fumigation and Pest Control
Air quality of internal environments
Soil analysis in contaminated areas
Noise

WATER QUALITY INDEX - IQA

Water quality indexes are applied in order to assess the degradation levels of water resources. These indexes aim at simplifying, quantifying, analyzing, synthesizing, and communicating data obtained during the monitoring, to translate them and facilitate communication with the lay public. Thus, Cemig uses and makes available the Water Quality Index (IQA) (CETESB, 2019[133]) with the additional objective of feeding information for the environmental management of the 46 monitored plants.

The table below shows the 2020 average IQA results for some Cemig plants located in several watersheds.

[133] Based on a study carried out in 1970 by the "National Sanitation Foundation" in the US, CETESB adapted and developed the IQA - Water Quality Index that includes 9 variables considered relevant for the assessment of water quality. The creation of the IQA was based on an opinion survey among specialists in water quality, who pointed out the variables to be assessed, their relative weight, and the condition with which each parameter is presented, according to a rating scale. The variables and quality indicators used in the IQA are: pH, BOD, thermotolerant coliforms, total nitrogen, total phosphorus, temperature, turbidity, total residue, and dissolved oxygen.

Table 61: Average IQA for 2020

Plant	Water Body	IQA	
Cajuru	Pará	75.87	
Emborcação	Paranaíba	79.00	
Nova Ponte	Araguari	77.00	
São Bernardo	Ribeirão São Bernardo	81.75	
Irapé	Jequitinhonha	86.44	

Quality Level	Range
Excellent	90 < IQA < 100
Good	70 < IQA < 90
Medium	50 < IQA < 70
Bad	25 < IQA < 50
Very Bad	0 < IQA < 25

9.4 BIODIVERSITY

[103-2:304] Cemig pays special attention to the biodiversity conservation of the environments it has a presence in, since water and biodiversity are closely related. There is a legal commitment to recover, protect, and preserve woods, rivers, and fauna of the areas surrounding the projects.

Cemig's Biodiversity Policy[134] is a formal definition of its commitment to preserving fauna and flora. Cemig's operating area interfaces with two land hotspots[135], the Cerrado and the Atlantic Forest, and Cemig is the Company responsible for managing over 3,500 km² of freshwater reservoirs.

Specialized studies are developed for each project. These studies characterize, assess, and establish environmental programs aimed at controlling, mitigating, and compensating for negative impacts and enhancing positive impacts, according to their kind, in compliance with the general legal framework on environmental impacts. This involves synergy between research, innovation, and the practice of solutions that, in line with the project coverage, add value to society and the biomes where it operates.

As the Company's major generation source is hydropower plants that require a change in spatial layout for their construction, there is a legal commitment to recover, protect and preserve the forests, rivers, and fauna surrounding the projects, especially the ichthyofauna.

[304-4] In Cemig group projects, species are monitored as part of environmental programs to comply with licensing conditions, as well as by research projects and specific programs.

Thanks to the execution of these programs and projects, it was possible to obtain a list of endangered species categorized in some of the degrees of threat established internationally by IUCN in its “Red List of the International Union for the Conservation of Nature and Natural Resources”, the National list of ICMBio and MMA (2018), in the “Red Book of Threatened Brazilian Fauna”, and in the List of the State of Minas Gerais in Copam Normative Resolution No. 147/10.

In view of the foregoing, 32 species of fauna and four species of flora were found that appear in at least one of the lists of endangered species mentioned above. The names and threat levels for each species are given in the tables below.

[134] Cemig's Biodiversity Policy is publically available at: < https://www.cemig.com.br/programa-sustentabilidade/politica-ambiental/>.

[135] Highly threatened areas of special biological relevance for the entire planet.

Table 62: *List (1) of endangered fauna species*

Taxa	Common Name	List of Endangered Fauna[136]		
		COPAM 2010	MMA 2018	ION 2018
Mesoclemmys vanderhaegei	Argentine snake-necked turtle			NT
Pecari tajacu	Collared peccary	VU		
Lonchophylla dekeyseri	Dekeyser's nectar bat	EN	EN	EN
Glyphonycteris sylvestris	Bat	VU		
Chrysocyon brachyurus	Maned wolf	VU	VU	NT
Lycalopex vetulus	Hoary fox		VU	
Leopardus tigrinus	Oncilla	VU	EN	VU
Leopardus pardalis	Ocelot	VU		
Puma concolor	Cougar	VU	VU	
Puma yagouaroundi	Jaguarundi		VU	
Tapirus terrestres	South American tapir	EN	VU	VU
Myrmecophaga tridactyla	Giant anteater	VU	VU	VU
Rhea americana	Greater rhea			NT
Micropygia schomburgkii	Ocellated crake	EN	NT	
Penelope ochrogaster	Chestnut-bellied guan	CR	VU	VU
Crax fasciolata	Bare-faced curassow	EN	CR	VU
Platalea ajaja	Roseate spoonbill	VU		
Aratinga auricapillus	Golden-capped Parakeet			NT
Ara ararauna	Blue-and-yellow macaw	VU		
Primolius maracana	Blue-winged macaw		NT	NT
Alipiopsitta xanthops	Yellow-faced parrot		NT	NT
Spinus magellanicus	Hooded siskin	VU		
Syndactyla dimidiata	Planalto foliage-gleaner	EP		
Culicivora caudacuta	Sharp-tailed grass tyrant	VU		VU
Cistothorus platensis	Grass wren	NT		
Neothraupis fasciata	Shrike-like tanager			NT
Charitospiza eucosma	Coal-crested finch			NT
Cyanoloxia brissonii	Ultramarine grosbeak		NT	

Table 63: *List (2) of endangered Fauna species*

Taxa	Common Name	List of Endangered Fauna[137]		
		COPAM 2010	MMA 2018	ION 2018
Brycon orbignyanus	Piracanjuba	CR	EN	
Piaractus mesopotamicus	Caranha, pacu		NT	

[136] List of Avifauna, Herpetofauna and Mastofauna collected at Transmission Lines of Cemig Group Projects (LT) 345 Kv Furnas-Pimenta II (MG) and UHE Queimado. NT= Nearly Threatened, EN= Endangered, VU=Vulnerable, CR= Critical Risk, ID= Insufficient Data

[137] List of ichthyofauna species collected in Cemig Group's Hydropower Projects (UHE's Camargos, Emborcação, Queimado, Três Marias e nas PCH's Salto do Passo Velho e Salto do Voltão. NT= Nearly Threatened, EN= Endangered, VU=Vulnerable, CR= Critical Risk, ID= Insufficient Data

Salminus franciscanus	Dourado		NT	
Crenicichla empheres	Jacundá		VU	

Table 64: List of endangered Flora species

Taxa	Common Name	List of Endangered Flora[138]
		ION 2018
Xylopia brasiliensis	Pindaubuna, pindaíba, cortiça, bindaíba	NT
Bowdichia virgilioides	Sucupira, sucupira-do-cerrado, sucupira-branca	NT
Lepidaploa chamissonis	-	NT
Maytenus rupestris	-	VU

As the largest electricity distributor utility in Brazil in terms of extension of lines and grids, Cemig understands how critical the interference of electric networks in the environment is, and prioritizes actions to minimize the risks of power shutdowns and interruptions, and thus carries out sustainable management of vegetation and the management of terrestrial habitats[139].

INTEGRITY OF AQUATIC ECOSYSTEMS

[304-2] The construction and operation of a hydroelectric plant causes impacts on aquatic flora and fauna, related to the formation of the reservoir (damming of the river), such as preventing the free movement of migratory fish between their spawning sites, initial development and feeding, among other effects on other elements of aquatic fauna and flora. With the river dammed, fish may gather at the foot of the dams and go into the suction tube of the generating units, and the operation maneuvers of the plants expose them to the risk of injury and death.

The building of a reservoir changes the hydrological dynamics of the river, transforming an environment of moving waters into an environment of calm waters, favoring the survival of some species, while making it difficult for others to exist. The fauna that establishes itself is, primarily, dependent on the pre-existing species in the flooded area. The adaptations and peculiarities of each species will determine their level of success in adapting to the modified habitats.

The areas affected by these events are generally immediately downstream of the generating units or downstream of the spillway. In general, the impact is short-lived, but, as it causes widespread mortality, it may become irreversible.

ICHTHYOFAUNA CARE

[138] List of Flora Species collected in Cemig Group's Hydropower Projects (UHE Peti and PCHs Cajuru and Rio de Pedras). NT = Nearly Threatened, VU= Vulnerable.

[139] This way, the Company is contributing to the fulfillment of the UN's Sustainable Development Goals (SDG) 15: "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss."

Peixe Vivo Program [140] was established in 2007 with the mission of minimizing the impact on ichthyofauna, seeking solutions and management technologies that integrate Cemig's power generation with the conservation of native fish species and stimulating community engagement.

The positive impacts of the program are reflected in the significant decrease in fish deaths and, consequently, in environmental fines, in the improvement of management and conservation programs with solid scientific bases and the participation in the company's sustainability indexes.

During 2020, five research projects were carried out using resources from the Company and the Aneel R&D Program, and 23 works related to the projects or actions of Peixe Vivo Program were published, presenting results of ongoing projects and projects that have already been concluded.

In 2020, the research projects coordinated by the Peixe Vivo team involved a total of 64 people from teaching and research institutions. The training of people is an important pillar of Peixe Vivo Program, as these students will develop scientific projects in the area in the future, working with environmental agencies, NGOs, and companies. As they are carried out by trained professionals with a good level of education, the actions to preserve fish species will certainly be more effective over time.

Investment data, number of researches included, and other data are detailed in the table below.

Table 65: Peixe Vivo Program Indicators

Peixe Vivo Indicators		2018	2019	2020
Programs for the Conservation of Fishes and the Management of Basins	Investment in ichthyofauna research and management projects (R$)	2,544,896	7,780,932	4,193,181
	Affected biomass (kg) [1]	514.88	111.1	170.0
Research	Undergraduate research internship (students)	0	12	5
	Master's (students)	0	8	13
	Doctorate (students)	2	6	6
	Researchers (post-doctorate, technical support and researchers)	20	28	40
	Scientific production	12	49	23

[1] It measures the quantity of dead fish (in kg) due to the maintenance and operation of plants.

With the goal of reducing the impact during the operation and maintenance of the plants, the “Fish Death Risk Assessment Program in Cemig Group's Hydroelectric Plants” is being carried out. This program allows for the assessment of the potential risks to ichthyofauna during the operation of hydroelectric plants through periodic monitoring and monitoring before actions, thus determining the density of fish and environmental conditions downstream of hydroelectric plants.

In order to measure and follow-up the impact caused on the fish fauna, the Affected Biomass (BA) indicator was created. The annual thresholds are established as a result of the historical analysis,

[140] Further information on the Peixe Vivo Program is publicly available at https://www.cemig.com.br/programa-sustentabilidade/peixe-vivo/

seeking a continuous reduction. For 2020, the threshold for the Affected Biomass indicator was 766 kg, and the occurrences in the year totaled 170.0 kg, well below the established limit. Until 2020, the development and use of the ichthyofauna risk assessment methodology ensured an average annual reduction of 77.7% in the affected biomass, considering the current scenario of Cemig's plant structure. Besides, it allowed for a 97.7% reduction in the number of environmental fines imposed due to the occurrence of fish deaths.[141]

In relation to the species most impacted during the operation of the Cemig Group's plants between the years 2016 to 2020, the major one is *Pimelodus maculatus* and, to a lesser extent, we can mention: *Loricariidae* (cascudo), *Serrasalmus brandtii* (piranha), *Trachelyopterus striatulus* (maria-mole); *Leporinus* spp. (piau); *Prochilodus* spp. (curimba), together with some piabas and mandizinhos/catfish.[142]

This information, in addition to making up a database, supports corrective and operational actions related to the environmental safety of the procedures performed.

VEGETATION MANAGEMENT[143]

The Vegetation Management Process activities are developed throughout all stages of Cemig D's projects and installations - design, deployment, maintenance, and decommissioning of projects. The objective is to reduce or eliminate negative impacts on plant formations, or even enhance the positive impacts of the Electric Power System on forest formations and in the biodiversity in Cemig's concession area.

The Vegetation Management Process is carried out as Preventive Maintenance with the intention of reducing the probability of failure (or interruption) of the service provided, as well as reducing the likelihood of people and properties being affected. Periodic inspections of the power system are carried out as part of this process, and the necessary maintenance services are listed, including interventions in vegetation, always bearing in mind that trees:

- Provide a variety of benefits to society;
- Are living organisms that naturally lose branches and fall;
- The risk they pose to society is small when compared to the benefits they provide;
- We must think about tree planting management.

The scheduled interventions are preferably carried out before the probable date of the appearance of a failure, to avoid the occurrences. They are carried out at a predetermined frequency, based on knowledge about the behavior and response of trees to interventions, both in urban and rural environments.

Another aspect of the process that has a preventive and mitigating nature is the use of distribution network engineering to reduce interruptions caused by trees, especially in urban environments. The

[141] Electric Sector GRI: EU-13
[142] Electric Sector GRI: 304-2
[143] Electric Sector GRI: 304 (EU)

growing use of protected and isolated grids is geared toward this reduction, and the Company has adopted the minimum standard of service in these environments with protected medium voltage networks and isolated low voltage networks.

Concerning the remediation of impacts caused by trees, Cemig is getting ready for more severe weather events, when the degree of risk posed by vegetation is high. Through meteorological monitoring and forecasting systems, it is possible to allocate power system repair teams in such a way that they respond more quickly to system occurrences, to reduce the time that consumers remain without power supply.

The Vegetation Management Methodology (MIV) is being implemented, and will serve as a standard procedure for the maintenance of bandpasses of Power Transmission Lines. MIV is the set of practices that:

- Uses procedures to control undesirable vegetation in the activities of opening and maintaining distribution network bandpasses using non-agricultural (NA) herbicides;[144]
- The establishment, in the long run, of a community of plants whose characteristics and growth do not interfere with the operational performance of electrical facilities, and which require minimal interventions, in addition to providing protection for the soil, shelter, and food for the fauna, among others environmental and operational benefits.

CONSERVATION UNITS

[304-1; 304-3] In order to promote biodiversity conservation, Cemig maintains some areas of forest remnants with a high degree of conservation and relevance to the biomes they are located in. They are:

- RPPN[145] Fartura, located in the municipality of Capelinha/MG, close to the UHE Irapé project. RPPN Fartura has 1,455 hectares of semideciduous seasonal forest in an advanced stage of regeneration and is an important remnant of the region Atlantic Forest. The fauna and flora inventory recorded 72 plant, 53 bird, 25 mammal, 20 amphibian, 17 reptile and six fish species. Among the endangered species, the jaguar, maned wolf, and ocelot stand;
- RPPN Galheiro, which is 2,695 hectares wide and is located in the county of Perdizes/MG, close to the UHE Nova Ponte project. It has a dense and well-preserved native vegetation made up of a mosaic of physiognomies, including Semideciduous Seasonal Forest, Gallery Forest and Cerrado, in addition to small spots of anthropized areas, with remnants of exotic pasture. The latter, currently in the process of natural regeneration, accounts for only 1.0% of the total area of the reserve. The fauna and flora inventory recorded 624 plant, 264 bird, 53 reptile, 36 mammal, and 20 of amphibian species, in addition to 78 families of insects. Endangered species have been identified, such as the Coimbra's titi or the white-eared titi, the giant anteater, the robust woodpecker, the maned wolf, and some rare species, such as the golden-

[144] Electric Sector GRI: 304 (EU)
[145] RPPN: Private Natural Heritage Reserve, pursuant Federal Law 9985/2000, which establishes the National System of Conservation Units - SNUC.

capped parakeet. All actions carried out at RPPN Galheiro followed the unit's Management Plan;

- The Peti Environmental Station is located on the banks of the UHE Peti reservoir. It has a total area of 504 ha and is part of the counties of Santa Bárbara and São Gonçalo do Rio Abaixo, in the border area between the Atlantic Forest and the Cerrado. In a partnership with the Federal University of Minas Gerais (UFMG) and the Minas Gerais Technological Center (Cetec), Cemig carried out the inventory of native species of animals and plants, identifying 556 insect, 502 plant, 256 bird, 39 mammal, 26 reptile, 24 amphibian, and 10 fish species. Among the endangered species, the red-ruffed fruitcrow - which was adopted as the symbol of the reserve - stands out, together with the maned wolf and the cougar. Four identified species are new to science, among them the dragonfly that received the scientific name of *Heteragrion petiense* and the cinnamon tree, named *Licaria triplicalyx*;

- Forest compensation at PCH Rio de Pedras, covering an area of 4.0456 hectares, defined according to IEF Ordinance No. 30 from February 30, 2015. The phytophysiognomy of the compensation areas is defined as Semideciduous Seasonal Forest and their vegetation is well preserved, with fragments in the middle stage of secondary succession, displaying two well-defined strata: canopy and understory. The average canopy height is approximately 11 meters and is made up of tree species of moderate breadth.

In 2020, no partnerships with other groups or organizations for the protection or restoration of Cemig areas have been established. In addition to forest remnant areas, Cemig also has Restored Areas, where the Degraded Areas Recovery Plan (PRAD) was implemented. They are:

- PRAD UHE Irapé: the areas are located within a 10-km radius from the plant, and considering all areas worked, 110 ha were maintained. The major activities carried out were: cleaning of gutters, firebreak maintenance, maintenance of fences, control of ants and termites, top dressing, replanting and reseeding, and irrigation. For these activities, there was no approval by independent external specialists, nor is there a partnership with third parties for the protection or restoration of the areas; however, currently, a company was hired to carry out Technical Specification – ET-MG/CT-2017/008 activities.

- UHE Emborcação PRAD: the Cemig - Aneel Technological Research and Development Project (R&D 602), with the goal of laying down strategies to speed up ecological succession in degraded areas around the UHE is being developed. It is developed in partnership with the Federal University of Ouro Preto - UFOP, and started in August 2018; it is expected to last for four years. The study will propose and test new techniques for the recovery of degraded areas surrounding UHE Emborcação, using new technologies and aiming at the establishment of islands of ecological succession using fauna as a source of colonizing species. Although the whole PRAD area of UHE Emborcação - with 220 ha - has been revegetated, its vegetation is still mostly made up of exotic grass species due to the chemical and structural characteristics of the local soil, which is extremely impoverished due to the intensive use at the time the dam was built. Altogether, 92 containment basins have already been established for greater retention of rainwater and, consequently, to feed the groundwater. Works to recover the concrete gutters installed in the area is also carried out on an ongoing basis in order to prevent

new foci of erosion from appearing due to damage to these structures. Only about 10% of the area has been reforested using dense tree vegetation.

RIPARIAN FOREST REFORESTATION PROGRAM

[304-3] With the formation of the large reservoirs of hydroelectric plants, a wide perimeter is created around their margins, normally without forest formations. When they exist, these formations are made up of species adapted to a drier environment and, therefore, little adapted to the high humidity of the soil due to the elevation of the groundwater level and fluctuations in the reservoir level.

This new layout of the environment creates the need for the deployment, recovery, and conservation of riparian forests surrounding the reservoirs to maintain ecological processes.

For almost 30 years, Cemig has been carrying out various research projects in partnership with universities, which have supported programs for the deployment of riparian forests around its reservoirs. Through its R&D Programs, the Company has tried to study and propose innovations in the face of technological challenges in the electricity sector. Partnerships with rural producers around their reservoirs have been fundamental to the success of these actions.

In 2020, 19.47 hectares were reforested on the margins of Cemig's reservoirs, 9.7 hectares at UHE Emborcação, 5,97 hectares in PCH Poço Fundo, 0.80 hectares in PCH Marmelos, and 3 hectares in the Rosal Energia riparian forest. In addition to planting, Cemig performed maintenance activities on 102.47 hectares of riparian forests, 30.83 of which belong to the UHE Emborcação reservoirs, 1.0 hectare in PCH Luiz Dias, 2.0 hectares in PCH Salto do Passo Velho, 0.8 hectares at PCH Marmelos, and 67.84 at UHE Rosal.

CONSERVATION OF FLORA

Cemig seeks to implement strategies to compensate for deforestation resulting from its Distribution expansion activities, committing itself to planting native plant species and recovering degraded areas. In 2020, Cemig D planted 37.09 hectares and maintained 67.38 hectares as part of its Environmental Compensation Program.

10 CLIMATE CHANGE

The global importance of discussions on the effects of climate change boosts the special attention that Cemig gives to the identification of risks and business opportunities, in addition to intensifying the search for solutions for adaptation and mitigation, avoiding risks and impacts on the Company's business.

The theme of low carbon economy is a central issue for sustainable development, given the potential impacts of global warming and climate change. Therefore , Cemig has intensified the search for solutions for adaptation and mitigation, avoiding risks and impacts to its business, and for means of reconciling economic development and protection of the climate system.

Cemig's leadership is engaged and involved in discussions related to Greenhouse Gas (GHG) emissions, focusing on effective action, as can be seen from the establishment of voluntary targets for reducing (i) emissions, (ii) power consumption, and (iii) energy losses.

In addition, the company's top management also plays a key role in administering risks and opportunities related to climate change, as presented in the Risk Management section of RAS 2020.

Cemig identifies the risks and opportunities for its businesses related to climate change and seeks solutions for adapting and mitigating the possible effects that may impact them.

Affordable and clean energy Responsible consumption and production Climate action

10.1 RISKS AND OPPORTUNITIES ARISING FROM CLIMATE CHANGE

[201-2] In order to carry out an analysis of the financial implications regarding the risks and opportunities related to climate change, Cemig adopts a time frame rating for the identified strategic risks/opportunities - among which are included the related risks to climate change. The table below shows the timeline ranking adopted by Cemig for the breakdown of its short, medium, or long term risks.

Table 66: Time raking of risks identified by Cemig

Short-term risks: 0 to 1 year	The risks that would already be occurring and/or those most likely to happen in up to 1 year are considered here. Chronic risks: an increase in average temperature.
Medium-term risks: 1 to 7 years	The risks that may occur in up to 7 years are considered here. Examples: Chronic risks: changes in rainfall patterns and extreme variability in weather patterns; Acute risks: increased severity of extreme weather events, such as cyclones and floods; Policies and legislation: others (e.g., carbon tax).
Long-term risks: 7 to 21 years	The risks that studies indicate that may occur starting 7 years from now, based on climate change scenarios, are considered here.

In 2020, the theme "inefficiency in measures to minimize and adapt to the impacts of climate change at Cemig" was identified and classified as Top Risk due to its likelihood and high impact. As measures to mitigate this risk, the following actions and controls are being carried out:

- Structuring and execution of the 2023 - 2027 Distribution Development Plan (PDD);
- Expansion of photovoltaic and wind generation;
- Continuous monitoring of weather forecasts and weather alerts;
- Participation in associations that accompany regulatory changes (Global Compact, Fiemg - Climate Change WG);
- Update and distribution of Cemig's Forest Fire Prevention and Fighting Manual

REGULATORY RISKS

Via the Climate Change National Policy, the Brazilian government made its contribution to the Paris Agreement official by taking on - via the Nationally Determined Contribution (NDC) the commitment to reduce greenhouse gas emissions by 37%, in relation to the 2005 levels, by 2025, with a subsequent indicative contribution to reduce greenhouse gas emissions by 43%, in relation to the 2005 levels, by 2030.

Cemig considers that adaptation to any regulatory changes imposed by the government in order to achieve such goals is the major impact of that risk this scenario may bring about. With the deactivation of the Company's only thermal plant at the end of 2019, this risk was stabilized. However, it may still materialize in the medium term, if Cemig invests again in thermoelectric plants and, consequently, fails to comply with the reduction in its GHG emissions.

Cemig seeks to implement measures to mitigate this impact, looking for opportunities to expand energy generation from low carbon renewable sources. Another way to mitigate this risk is via participation in sectoral associations like the Brazilian Business Council for Sustainable Development (CEBDS), which holds discussions on the risks associated with new regulations in Brazil.

CARBON TAX

Cemig considers the creation of a carbon tax and the consequent increase in operating costs the major potential impact of the above-mentioned risk.

In 2019, the Company's only fossil fuel-fired thermal plant was deactivated. Thus, in 2020, the electricity generation matrix was 100% renewable. However, this taxation is also a risk if Cemig needs to expand its electricity generation business in the future through fossil fuel-fired power plants.

Considering scope 1 emissions of 11,419.36 tCO2, and an internal price of US$ 12.50, with the dollar quotation at R$ 5.50, an eventual taxation on emissions would represent R$ 785,081 per year.

CAP-AND-TRADE SCHEMES

The establishment of a cap-and-trade GHG emissions trading market in Brazil may lead to the need for more planning by Cemig to meet market-regulations specific, especially concerning monitoring and verification emissions. To mitigate this risk, Cemig tries to identify projects that produce carbon credits and long-term contracts with verifying and certifying companies, thus reducing the likelihood of this risk for the Company becoming actual.

Besides, when assessing the acquisition of projects that use fossil fuels, Cemig makes internal analyses on the carbon risk and its financial impact for the Company; that is, the financial risk of the project in a possible future pricing scenario for emissions of GHG in Brazil.

PHYSICAL RISKS

Intensive rainfall in a short period, together with windstorms and lightning, can cause physical damage to the facilities that convey and distribute power, causing them to be unavailable and increasing Cemig's costs due to refunding to consumers because of power outages (DEC and FEC indicators).

These phenomena are increasingly associated with the effects of an unfavorable microclimate, typical of large urban centers. Management methods seek to reduce the magnitude of this risk through in the medium term through preventive adaptation) measures, such as the management of urban tree coverage through pruning, the operation of weather stations and a weather radar - which predicts the occurrence and intensity of storms more accurately - and an emergency plan with the allocation of maintenance teams for the speedy restoration of the power supply.

Besides, Cemig also carries out works on its distribution system (expansion, reinforcement, renovation, and upgrading of assets such as substations and distribution lines) in its distribution system. For the fifth five-year investment cycle, in the period from 2018 to 2022, as per the industry regulations, R$ 6 billion in funds were approved, which are distributed among the several macro-projects.

CHANGE IN THE RAINFALL PATTERN

Climate changes can cause change in seasonal rainfall patters, with extreme rainfall and drought events, changes in geographic distribution and average values of precipitation, thus impacting the amount of water that gets to the plants' reservoirs. As Cemig's electricity production comes mainly from hydraulic sources, these changes may cause a decrease in its generation capacity. Historically, the Company has been experiencing the impacts of these risks in the past five years due to water scarcity in the watersheds it has hydroelectric generation projects in.

Actions taken to mitigate this risk are linked to expansion of its operations to other regions of Brazil with hydrographic basins of greater water availability, such as execution of investment feasibility analyses considering the criteria related to water availability, as well as investments in diversification of the power generation matrix, such solar and wind energy.

Also, management of the hydrological risk is carried out considering randomness of climatic phenomena, without taking the effects of climate change into account. For that, Cemig has a structure fully dedicated to the matter, supporting decisions of committees for the management of existing risks and whose purpose is efficiently treating corporate risks involving operational, commercial, financial, and regulatory aspects of the group companies.

Cemig also participates in the Energy Reallocation Mechanism (MRE), whose purpose is to share the hydrological risks of power plants in situations of high inflows and generation and that transfer power to plants in situations of low inflows and generation.

CHANGES IN AVERAGE TEMPERATURE

Climate changes may cause an increase in average temperatures, changes in rainfall and drought regimes, and, indirectly, increase some risks to the Energy Transmission System, as prolonged drought conditions maximize the risk of fires.

Fires along or nearby right-of-way lanes can cause transmission lines to become unavailable. To mitigate this risk, Cemig continually inspects and cleans the right-of-way lanes of its transmission lines so as to maximize the safety and availability of transmission functions (always limited to a minimum removal of vegetation, avoiding cutting in places where there is no interference with those transmission lines).

TECHNOLOGICAL RISK

The electricity sector has been constantly undergoing technological changes that impose an ability to adapt more and more quickly on the sector's players. Cemig believes loss of market, customers, and consequently, Accordingly, is the main potential impact of this risk. The company may have its business impacted by new technologies in the medium and long term, if it does not develop strategic partnerships or fails to implement technological changes to its services.

Cemig seeks to implement measures to mitigate this impact by investing in research, development and innovation, always aiming to continuously improve its processes, reduce its emissions and prepare for the effects of climate change - considering energy alternatives and energy efficiency.

In order to mitigate this risk and leverage opportunities, Cemig defined a medium and long-term strategic initiative to explore new technologies and opportunities, such as smartgrid, hybrid generation, energy storage, “charging stations”, digitalization, and others.

OPPORTUNITIES

Among the opportunities to be taken advantage of, the entry into the shared energy market through distributed generation energy, cogeneration and energy storage, energy efficiency, management of street lighting and utilities, sales of certified renewable energy, electric mobility, and services in the power bill stand out through the establishment of the wholly owned subsidiary Cemig S!M. The company was formed with the expectation that 250 MW of installations will be carried out in the next two years. Also, it is important to stress the opportunities below:

- Carbon Market: the establishment of a cap-and-trade emissions trading market along the lines of the CDM, for example, could lead Cemig to position itself as an important provider of emission reduction certificates. This opportunity could lead to an increase in revenue at Cemig, which has 1,225,026 credits issued under CDM in PCH Cachoeirão and UHE Santo Antônio plants. However, in both instances, the Company does not have operational control. Thus, credit management is not exclusive, so it is necessary to have an agreement with third parties. PCH Cachoeirão holds 167,097, with 49% of equity interest from Cemig. In its turn, UHE Santo Antônio holds 1,057,929 credits, with a 15% equity interest by Cemig.

- Sale of energy solutions projects: in a scenario of larger corporate investments in energy efficiency aimed at reducing power consumption and GHG emissions, CEMIG S!M subsidiary may have an increased demand for its services with the implementation of projects for use of lighting with LED, cogeneration, distributed generation, and other energy solution services.

- Sale of certified renewable energy:

- The Emborcação Plant, located in the municipality of Araguari (MG), was certified by the "International Renewable Energy Certificate Standard" (I-REC) system. It is a certificate that attests that the energy produced is from a renewable source. Having that certification, Cemig can sell energy to RE100 companies, a group that brings together companies committed to consuming 100% renewable energy, which already amounts to a demand of over 170 TWh.
- Another opportunity is being developed through the creation of its own certificate, called "Cemig REC". It meets international standards, such as the GHG Protocol and CDP, and ensures that the company's energy is renewable, through its own controls and the methodology proposed by a specialized consultancy. With this certificate, companies can guarantee that the energy they consume comes f rom renewable sources.

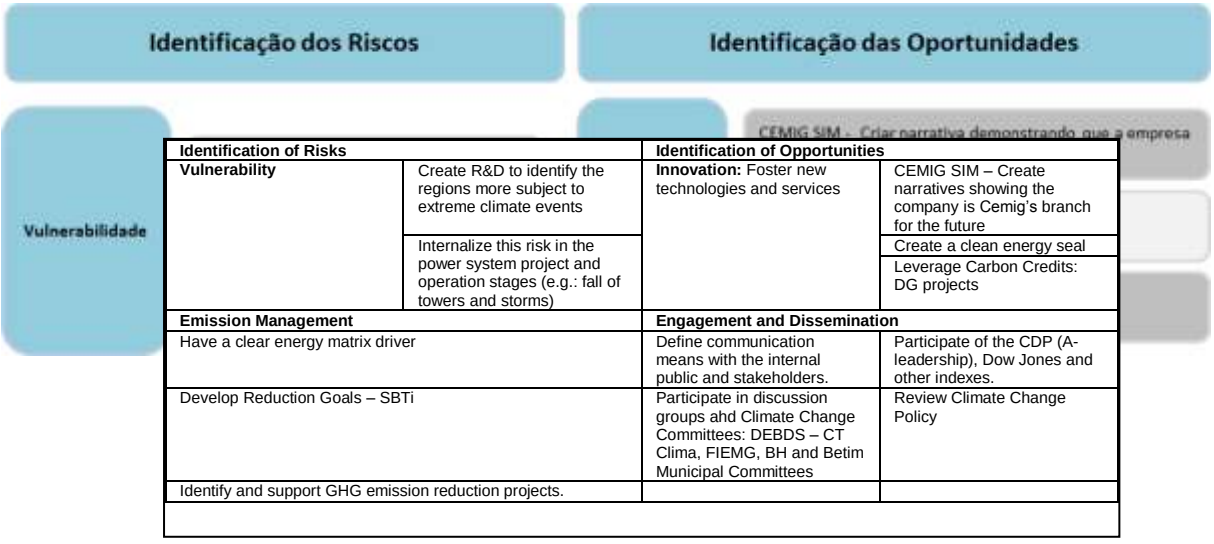
10.2 CLIMATE STRATEGY

[103-2:305; 103-2:305] Despite the characteristics of Cemig's electric matrix, which are predominantly renewable and have low GHG emission, the senior leadership is engaged in defining strategies to reduce GHG emissions. This is made clear by their establishment of voluntary targets for (i) emission reduction, (ii) electricity consumption, and (iii) energy losses.

Cemig's strategy for mitigating, adapting and disseminating the topic to society and its investors is explained in its Commitm ent to Climate Change (10 Climate initiatives), undertaken on December 1, 2011 by the Executive Board[146].

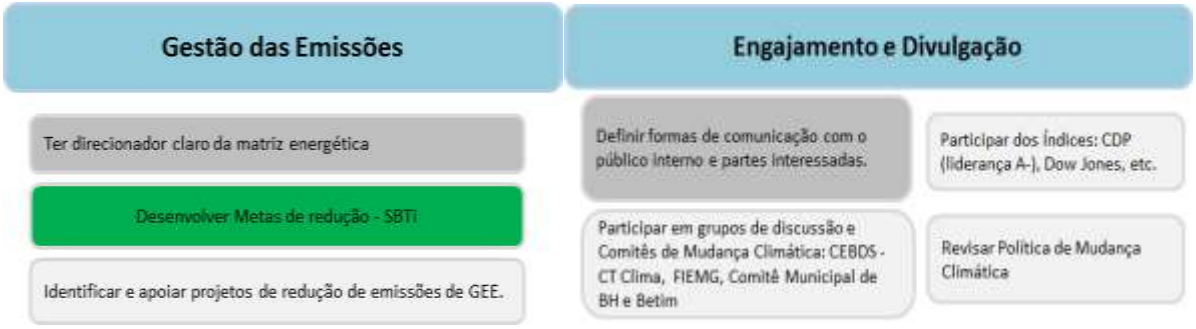
The main guidelines of Cemig's Climate Strategy are exemplified in the figure below:

Figure 18: Cemig's Climate Strategy Guidelines



Identification of Risks		Identification of Opportunities	
Vulnerability	Create R&D to identify the regions more subject to extreme climate events	**Innovation:** Foster new technologies and services	CEMIG SIM – Create narratives showing the company is Cemig's branch for the future
	Internalize this risk in the power system project and operation stages (e.g.: fall of towers and storms)		Create a clean energy seal
			Leverage Carbon Credits: DG projects
Emission Management		**Engagement and Dissemination**	
Have a clear energy matrix driver		Define communication means with the internal public and stakeholders.	Participate of the CDP (A-leadership), Dow Jones and other indexes.
Develop Reduction Goals – SBTi		Participate in discussion groups ahd Climate Change Committees: DEBDS – CT Clima, FIEMG, BH and Betim Municipal Committees	Review Climate Change Policy
Identify and support GHG emission reduction projects.			

[146] The Commitment to Climate changes is publicly available at <https://www.cemig.com.br/wp-content/uploads/2020/05/CircularMudancasClimaticas-1.pdf>



The objective of following the lines of action laid down in the Company's Commitment to Climate Change is to prepare Cemig for a low carbon economy, taking steps to align its businesses based on the assessment of climate risks and opportunities.

CDM PROJECTS

Cemig has Clean Development Mechanism (CDM) projects[147] that adopt an internal carbon price to analyze the feasibility of new projects. Cemig has projects in different stages to obtain the Reduced Emission (CER) for hydroelectric plants (UHE and PCH) and solar) plants, as shown in the table below.

Table 67: MDL Projects

Project	Status	Annual CO_2eq (t) reduction estimate	Credit Period	Credits Emitted	Traceability
SPC Guanhães (4 PCHs, 44 MW)	Recorded	62,949	Jan/13 to Jan/20 (Renewable)	-	http://cdm.unfccc.int/Projects/DB/RINA1280831660.48/view
SHP Cachoeirão (27 MW)	Recorded	23,444	Feb/12 to Feb/19 (Renewable)	167,097	http://cdm.unfccc.int/Projects/DB/RINA1305214649.79/view
Solar Settesolar (3 MW)	Recorded	942	Feb/13 to Feb/20 (Renewable)	-	http://cdm.unfccc.int/Projects/DB/RWTUV1356098187.07/view
SHP Pipoca (20 MW)	Recorded	17,051	Dec/12 to Dec/19 (Renewable)	-	http://cdm.unfccc.int/Projects/DB/RINA1339141027.8/view
SHP Paracambi (25 MW)	Recorded	33,993	Jul/14 to Jul/21 (Renewable)	-	http://cdm.unfccc.int/Projects/DB/RINA1392324439.94/view
HPP Santo Antônio (3568 MW)	Recorded	4,015,196	Jan/13 to Dec/22 (Fixed)	1,057,929	http://cdm.unfccc.int/Projects/DB/PJR%20CDM1356613142.79/view

Cemig is not submitted to any legal requirement to reduce CO_2emissions; however, it has the following voluntary targets:

- Absolute target for scope 1 emissions (2017 being the base year and 2022, the target year), defined in 2018. The following criterion was laid down: maintain the SF6 [148] emission percentage at most at 0.6%, and reduce by 10% of the mobile source emissions in relation to the 2017;

[147] Electric Sector GRI EU-05.
[148] Sulfur Hexafluoride.

- Scope 2 goal: Stay below the index of 12.56% of total energy losses in 2020, 11.53% in 2021 and 11.24% in 2022. Besides that, maintain power consumption at 41,334 MWh until 2022.

10.3 EXTERNAL INITIATIVES

In order to boost its efforts on climate issues and strengthen its image as an environmentally responsible company, and following its strategic pillars, Cemig participates in external initiatives that address the topic of climate change. The most relevant initiatives are presented below.

CDP

Since 2007, Cemig answers to CDP, an international non-profit organization that provides a global environmental disclosure system. In its repor
Partnership for the goals
opportunities for its businesses resulting from climate change and monitoring and control measures. CDP is considered a management tool for the Company, considering a scenario of growth in the level of information and consistent initiatives in carbon management.

In 2020, Cemig achieved the maximum double rating on the CDP's “A List”, for ensuring water security and for its commitment to combating climate change. The company, which in the past year had already achieved excellence in water risk management, for the first time obtained A rating also in climate management. Thus, it becomes one of select number of global companies with an 'A' rating on both CDP lists, after over 5,800 organizations were evaluated. Cemig was the only in the Brazilian electricity industry to get that accolade.

This is the ninth consecutive year that CDP has awarded the Company. The selection took into account the level of detail in the responses regarding criteria such as risk management, commitment to mitigations, and initiatives to reduce greenhouse gas emissions. The best results point to a high level of transparency in the disclosure of information related to the topic, providing investors with consistent content on climate change management and water security.[149]

CARBON EFFICIENT INDEX - ICO2

Cemig is part of the 2020/2021 Portfolio of the B3 ICO2 Carbon Efficient Index. To weigh the actions of the companies included in it, this index - which assesses transparent practices in relation to greenhouse gas (GHG) emissions - takes into account their degree of efficiency in GHG emissions, in addition to the free float (total stocks outstanding)) of each of them.

The Carbon Efficient Index (ICO2) was developed in a partnership between B3 and the Brazilian National Bank for Economic and Social Development (BNDES). It is made up of shares from companies included in the IBrX50 index that have adopted transparent practices regarding their greenhouse gas

TOP 100 GREEN UTILITIES

[149] Cemig answers to CDP 2019 can be seen on the CDP website: <https://www.cemig.com.br/relatorios/sustentabilidade/cdp/>

Top 100 Green Utilities is a ranking of the top 100 power generation companies that utilize practices focused on generating renewable energy and reducing greenhouse gas emissions. Cemig It occupies the 23rd position, and there are only two more Brazilian companies included in the index.

CDP BENCHMARK PROGRAM

In 2020, Cemig participated in the CDP Benchmark Club Program, which offers the opportunity for companies to deepen their knowledge on risk and opportunity management, as well as about the challenges of climate change, and water management. Workshops are held with the participating companies, where the best practices in climate management and water security are presented, making it possible to establish partnerships among the participating members.

BRAZILIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (CEBDS)

Cemig is affiliated to CEBDS, a non-profit civil association to foster initiatives based on the principles of sustainable development. It has a seat at the Thematic Chamber for Energy and Climate Change (CTClima) and is a member of that institution's Leaders Council.

At CTClima, Cemig participates in meetings, discussions, and debates aimed at the development and implementation of corporate solutions for mitigating and adapting to climate change. The Chamber also promotes a dialogue between the public and private sectors to contribute to the development and improvement of public policies on the subject of climate change, energy efficiency, and renewable energies.

PARTICIPATION IN THEMATIC COMMITTEES

Cemig also engages directly with policymakers, through partici pation in legal discussion forums. At the municipal level, the Company acts on the Municipal Committees on Climate Change and Eco-efficiency (CMMCE) of the Belo Horizonte City Hall and the Betim City Hall. In these committees, public and private sectors meet to discuss and propose local policies for mitigation and adaptation to climate change.

10.4 EMISSIONS

[103-2:305] Cemig annually publishes its greenhouse gas emission inventory, which identifies its sources of emissions, quantifies the Company's total emissions, and monitors the progress of emissions over time.

The Greenhouse Gas (GHG) emissions inventory is the management tool that allows for the assessment of an organization's impact on the global climate system. The results of the annual inventory are fundamental for (i) the effective management of the company's emissions, as it is the basis for the assessment of risks and opportunities related to the climate; (ii) establishment of emission reduction targets; (iii) prioritization and monitoring of emissions mitigation actions; and (iv) participation in programs for disseminating climate management and comparing the Company's performance with other businesses in the sector.

To prepare the Inventory, the GHG sources and sinks associated with the Company's operations are identified by raking them into direct or indirect emissions, using the scope concept. Below, are the definitions for each of the 3 scopes adopted by the GHG Protocol.

- Scope 1: Direct GHG emissions from sources that are owned or controlled by the;
- Scope 2: Indirect GHG emissions from the purchase of electricity that is consumed by the organization;
- Scope 3: Optional reporting category that considers all other indirect emissions not covered by Scope 2. They are a consequence of the organization's activities, but they occur in sources that do not belong to or are not controlled by it.

The GHG Inventory is subjected to independent verification. Its reference data for calculating Scopes 1, 2, and 3 were collected based on a centralized approach with those responsible for their management, using the following means of verification:

- Existing records in Cemig's ERP system;
- Records in corporate operating and control systems;
- Invoices;
- Contracts;
- Registration spreadsheets.

[103:305- 2; 305-1; 305-2; 305-3; 305-7] In order to put together Cemig's GHG inventory for the year 2020, the NBR ISO 14064 standard and the specifications in the GHG Protocol were adopted as a reference. The emission factors and Global Warming Potential (GWP) values used were extracted from the IPCC (Intergovernmental Panel on Climate Change) assessment reports. For purposes of reporting on the GHG inventory, Cemig adopts the Operational Control approach, that is, it quantifies the emissions of companies that are 100% controlled by Cemig.

It should be noted that the areas responsible for the information are certified in internationally referenced management standards, such as NBR ISO 9001: 2008 and/or NBR ISO 14001: 2004 and SGA Level 12, which Cemig has developed for units whose license has not yet been issued by the environmental agency. All of these certifications are audited internally and by a third-party certification body. Cemig's 2020 Emission Inventory was developed using CLIMAS®, a calculation software package developed by WayCarbon.

The 2020 Cemig Inventory considered CO_2, CH_4, N_2O and SF_6 emissions according to the mapped emission sources and data availability. Besides, the inventory also computed CO_2 emissions from renewable sources.

At Cemig, CO_2, CH_4, N_2O and SF_6 gases are generated by the following activities:

- CO_2: generated by mobile and stationary sources burning fossil fuels (such as diesel, natural gas, kerosene and liquefied petroleum gas). Also, there are CO_2 emissions related to waste

treatment and the use of agricultural fertilizers;

- CH_4: generated by mobile and stationary sources burning fuels, by fugitive emissions in natural gas distribution lines, and by the decomposition of organic matter in solid waste treatment processes;

- N_2O: generated by mobile and stationary sources burning fossil fuels (such as diesel, natural gas, kerosene and liquefied petroleum gas). Also, there are N_2O emissions related to waste treatment and the use of agricultural fertilizers; and

- SF_6: generated in the maintenance of energy transmission and distribution equipment, which use this gas as an insulator or to extinguish electrical arcs. In these maintenance actions, gas lost by fugitive emission is replaced.

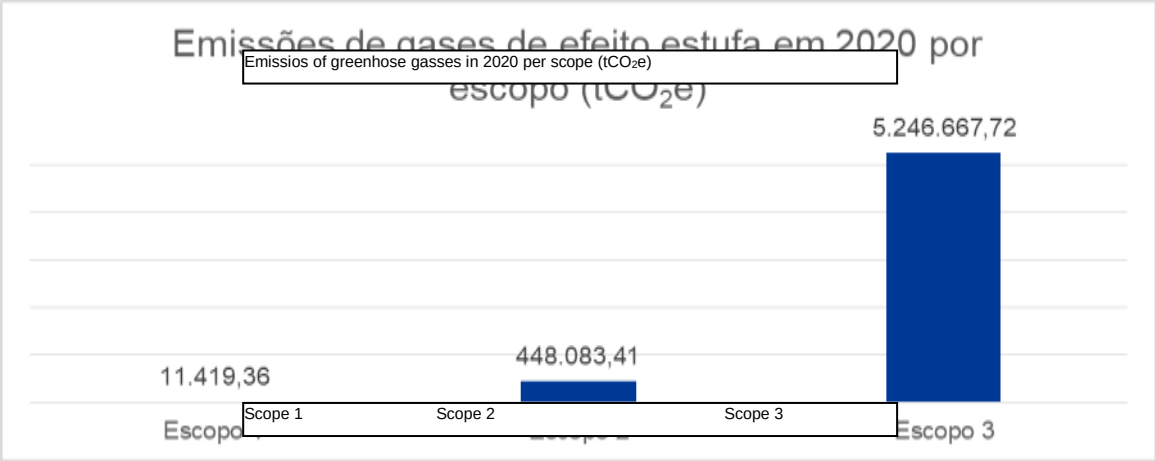
Table 68: Total Cemig Emissions

Scope	Category	Emission (tCO_2e)	Representativeness (%)
Scope 1	Stationary combustion	198.43	1.74%
	Mobile combustion	7,927.83	69.42%
	Fugitive emissions	3,262.22	28.57%
	Change in land use	30.88	0.27%
	Scope 1 Total	11,419.36	-
Scope 2	Power Consumption	2,385.87	0.53%
	T&D Losses	445,697.54	99.47%
	Scope 2 Total	448,083.41	-
Scope 3	Goods and services purchased	43.45	0.00%
	Employee commuting (home-work)	173.95	0.00%
	Waste generated in operations	1,004.05	0.02%
	Movement and distribution (downstream)	20,989.83	0.40%
	Movement and distribution (upstream)	808.04	0.02%
	Use of goods and services sold	5,223,549.59	99.56%
	Business trips	98.83	0.00%
	Scope 3 Total	5,246,667.72	-

Also, 5,212 tCO2 were emitted from renewable sources[150] (1,374 tCO2 renewable for Scope 1, and 3,839 tCO2 renewable for Scope 3). Cemig's Scopes 1, 2 and 3 emissions for 2020 are detailed below:

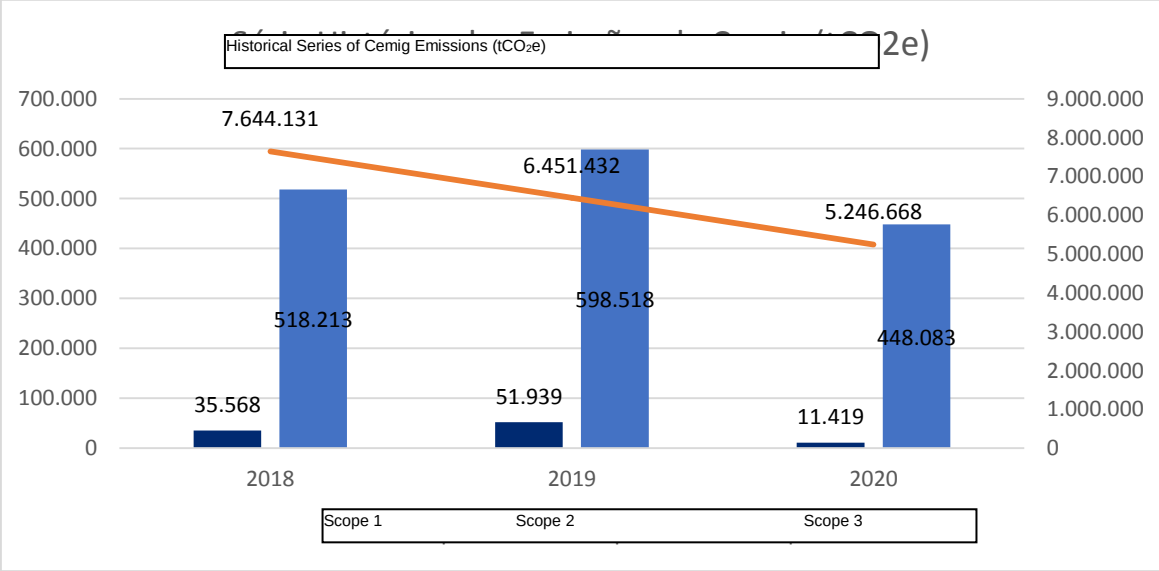
Chart 25: Greenhouse gas emissions in 2020 by scope (tCO_2e)

[150] CO_2 emissions from the use of renewable biomass energy. Emissions of this kind do not contribute to long-term increase in the concentration of CO_2 in the atmosphere.



Putting the 2019 res ults in perspective, Scopes 1, 2 and 3 emissions for the past 3 years are given below:

Chart 26: Historical series of Cemig emissions (tCO_2e)



[305-1] In 2020, Cemig's operations were responsible for the direct emission (Scope 1) of 11,419.36 tCO_2, amounting to a 78.01% decrease in relation to 2019, when Scope 1 emissions added up to 51,939 tCO_2, thus accruing to a 98.15% decrease in relation to the base year (2014= 617,717 tCO_2e).

Mobile combustion emissions made the largest contribution, compared to other Scope 1 categories, with the emission of 7,927.83 tCO_2e. Within this category, diesel oil consumption by the company-owned vehicle fleet accounts for 6,649.73 tCO_2e. The stationary combustion category showed an emission of 198.43 tCO_2, which corresponds to a decrease of approximately 37 thousand tCO_2in relation to 2019, thanks to the decommissioning of UTE Igarapé, which before was the major responsible for Cemig's Scope 1 emissions.

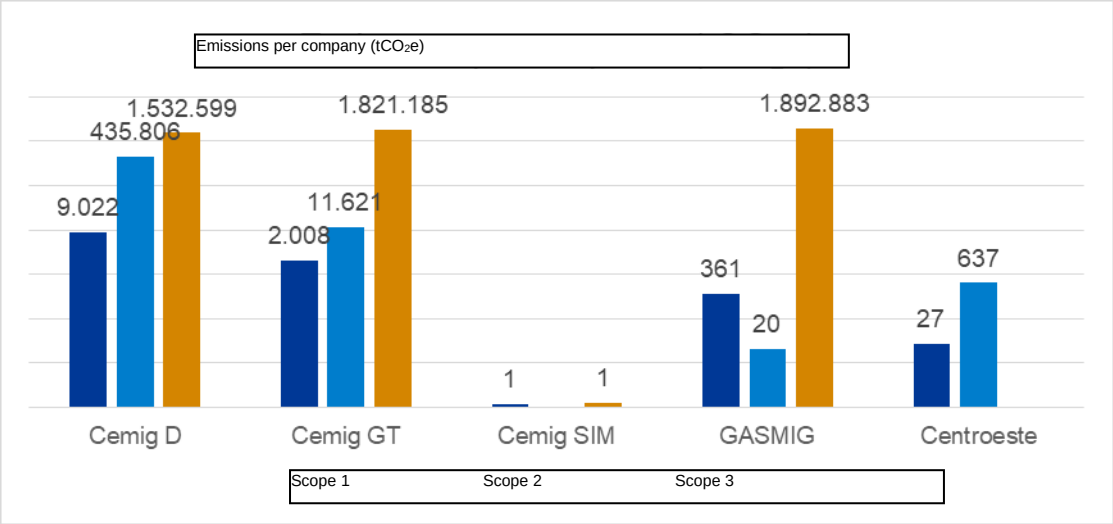
[302-4; 305-2] Indirect emissions relating to the acquisition of energy (Scope 2) in the year 2020 totaled 448,083.41 tCO_2e, amounting to a 25.13% decrease against the previous year (in 2019, 598.518 tCO_2e), and a reduction of 47,78% in relation to the base year of 2014 (858,014 tCO_2e).

In terms of Transmission and Distribution Losses (which amount to 99.47% of Scope 2 emissions), there was a decrease of about 25.14% in relation to 2019, especially due to a 17.73% reduction in the grid average emission factor (0.0750 tCO_2e/MWh in 2019; 0.0617 tCO_2e/MWh in 2020).

[305-4] Cemig uses 2 indicators of emission intensity as a benchmark for its assessment of greenhouse gas emissions. The first relates total emissions in Scopes 1 and 2 to net operating revenues (tCO_2e/R$) and the second, to the net energy generation (tCO_2e/MWh) in the year.

[305-3] Cemig's Scope 3 emissions in the year 2020 totaled 5,246,668 tCO2e, amounting to a 18.67% reduction in relation to the previous year (in 2019, 6,451,462 tCO2e) and a 53.70% reduction in relation to 2014 (11,332,770 tCO2e). Scope 3 emissions are mainly associated with the sale of energy and natural gas, which is pigeonholed as Use of goods and services sold. Emissions in this category make up nearly the total of Scope 3 emissions, amounting to 99.56% of the total.

Chart 27: GHG emissions by scope by company (tCO_2e)



More information on GHG emissions at Cemig can be found in the 2020 GHG Emissions Inventory.[151]

OTHER EMISSIONS

[305-7] Regarding other emissions, such as sulphur dioxide (SO_2), nitrogen oxides (NOx), and particulate matter (MP), from 2020 on, with the shutdown of the Igarapé thermoelectric plant, the only source of that emission came from vehicles. Total emissions for each of these pollutants are shown in the table below.

Table 69: Emissions of air pollutants

Total emissions (t)			
Year	**SO_2**	**NOx**	**MP**
2018	3.39	7.36	0.256
2019	3.32	8.58	0.265
2020	2.88	7.09	0.252

[151] Available at: < https://www.cemig.com.br/programa-sustentabilidade/inventario-de-emissoes/>

There was a 21% decrease in NOx emissions due to lower fuel consumption in 2020. In relation to SO_2 emissions, there was a 15% reduction, when compared to 2019. Finally, MP emissions fell by 4%.

[305-6] Emissions of ozone-depleting substances (ODS) are not relevant for the Company.

OTHER DATA

11 GRI INDEX

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
102-1	Essential	GRI 102	General Disclosures	2016	Name of the organization	1 About This Report	
102-2	Essential	GRI 102	General Disclosures	2016	Activities, brands, products and services	2 Business Model	
102-3	Essential	GRI 102	General Disclosures	2016	Location of headquarters	2 Business Model	
102-4	Essential	GRI 102	General Disclosures	2016	Location of operations	2 Business Model	
102-5	Essential	GRI 102	General Disclosures	2016	Ownership and legal form	2 Business Model	
102-6	Essential	GRI 102	General Disclosures	2016	Markets served	4.1 Our Customers and Consumers	
102-7	Essential	GRI 102	General Disclosures	2016	Scale of the organization	2.1 Operations; 5.1 Profile of Employees; 7.1 Major Financial Indicators	
102-8	Essential	GRI 102	General Disclosures	2016	Information on employees and other workers	5.1 Profile of Employees	
102-9	Essential	GRI 102	General Disclosures	2016	Supply Chain	6 Suppliers 6.7 Main Monitoring Items and Indicators	
102-10	Essential	GRI 102	General Disclosures	2016	Significant changes to the organization and its supply chain	2.1 Operations 6.5 Highlights and Advances in Management	
102-11	Essential	GRI 102	General Disclosures	2016	Precautionary Principle or approach	3.3 Risk Management	
102-12	Essential	GRI 102	General Disclosures	2016	External initiatives	1.4.2 Voluntary Commitments	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
102-13	Essential	GRI 102	General Disclosures	2016	Membership in associations	2.6 Public Policies and Sectoral Associations	
102-14	Essential	GRI 102	General Disclosures	2016	Statement from senior decision-maker	1.1 Message from the Board	
102-15		GRI 102	General Disclosures	2016	Key impacts, risks, and opportunities	3.3 Risk Management	
102-16	Essential	GRI 102	General Disclosures	2016	Values, principles, standards and norms of behavior	3.2 Ethics and Transparency	
102-17	-	GRI 102	General Disclosures	2016	Mechanisms for advice and concerns about ethics	3.2 Ethics and Transparency	
102-18	Essential	GRI 102	General Disclosures	2016	Governance structure	3 Corporate Governance 3.1 Governance Model and Main Practices	
102-19	-	GRI 102	General Disclosures	2016	Delegating authority	3.1 Governance Model and Main Practices 3.1.3 Executive Board	
102-20	-	GRI 102	General Disclosures	2016	Executive-level responsibility for economic, environmental, and social topics	3.1.3 Executive Board	
102-21	-	GRI 102	General Disclosures	2016	Consulting stakeholders on economic, environmental, and social topics	1.2 Materiality	
102-22	-	GRI 102	General Disclosures	2016	Composition of the highest governance body and its committees	3.1.1 Board of Directors 3.1.4 Audit Committee	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
102-23	-	GRI 102	General Disclosures	2016	Chair of the highest governance body	3.1 Governance Model and Main Practices	
102-24	-	GRI 102	General Disclosures	2016	Nominating and selecting the highest governance body	3.1.1 Board of Directors	
102-25	-	GRI 102	General Disclosures	2016	Conflicts of Interest	3.1 Governance Model and Main Practices	
102-26	-	GRI 102	General Disclosures	2016	Role of highest governance body in setting purpose, values, and strategy	2.2 Strategy	
102-27	-	GRI 102	General Disclosures	2016	Collective knowledge of highest governance body	3.1.1 Board of Directors	
102-28	-	GRI 102	General Disclosures	2016	Evaluating the highest governance body's performance	3.1.1 Board of Directors	
102-29	-	GRI 102	General Disclosures	2016	Identifying and managing economic, environmental, and social impacts	3.3 Risk Management	
102-30	-	GRI 102	General Disclosures	2016	Effectiveness of risk management processes	3.3 Risk Management	
102-31	-	GRI 102	General Disclosures	2016	Review of economic, environmental, and social topics	3.3 Risk Management	
102-32	-	GRI 102	General Disclosures	2016	Highest governance body's role in sustainability reporting	-	Currently at Cemig, the Board of Directors has no role in the preparation and publication of RAS

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
102-33	-	GRI 102	General Disclosures	2016	Communicating critical concerns	3.1.1 Board of Directors	
102-34	-	GRI 102	General Disclosures	2016	Nature and total number of critical concerns	3.1.1 Board of Directors	
102-35	-	GRI 102	General Disclosures	2016	Remuneration policies	3.1.5 Remuneration of Members of the Governance Bodies	
102-36	-	GRI 102	General Disclosures	2016	Process for determining remuneration	5.2 Remuneration and benefits	
102-37	-	GRI 102	General Disclosures	2016	Stakeholders involvement in remuneration	5.2 Remuneration and benefits 5.6 Labor and union practices	
102-38	-	GRI 102	General Disclosures	2016	Annual total compensation ratio	5.2 Remuneration and benefits	
102-39	-	GRI 102	General Disclosures	2016	Percentage increase in annual total compensation ratio	5.2 Remuneration and benefits	
102-40	Essential	GRI 102	General Disclosures	2016	List of stakeholder groups	1.2 Materiality	
102-41	Essential	GRI 102	General Disclosures	2016	Collective bargaining agreements	5.5 Labor and Union Practices	
102-42	Essential	GRI 102	General Disclosures	2016	Identifying and selecting stakeholders	1.2 Materiality	
102-43	Essential	GRI 102	General Disclosures	2016	Approach to stakeholder engagement	1.2 Materiality; 4.6 Relationship with Customers	
102-44	Essential	GRI 102	General Disclosures	2016	Key topics and concerns raised	1.2 Materiality	
102-45	Essential	GRI 102	General Disclosures	2016	Entities included in the consolidated financial statements	7 Economic Performance	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
102-46	Essential	GRI 102	General Disclosures	2016	Definining report content and topic Boundaries	1.2 Materiality	
102-47	Essential	GRI 102	General Disclosures	2016	List of material topics	1.2 Materiality	
102-48	Essential	GRI 102	General Disclosures	2016	Restatements of information	1 RAS 2020	
102-49	Essential	GRI 102	General Disclosures	2016	Changes in reporting	1.2 Materiality	
102-50	Essential	GRI 102	General Disclosures	2016	Reporting period	1 RAS 2020	
102-51	Essential	GRI 102	General Disclosures	2016	Date of the most recent report	1 RAS 2020	
102-52	Essential	GRI 102	General Disclosures	2016	Reporting cycle	1 RAS 2020	
102-53	Essential	GRI 102	General Disclosures	2016	Contact point for questions regarding the report	1 RAS 2020	
102-54	Essential	GRI 102	General Disclosures	2016	Claims of reporting in accordance with the GRI Standards	1 RAS 2020	
102-55	Essential	GRI 102	General Disclosures	2016	GRI content index	11 GRI Index	
102-56	Essential	GRI 102	General Disclosures	2016	External assurance	1 RAS 2020	
103-1:201	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Economic Performance	1.2 Materiality	
103-2:201	Essential	GRI 103	Management Approach	2016	The management approach and its components: Economic Performance	7.1 Major Financial Indicators	
103-3:201	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Economic Performance	7.1 Major Financial Indicators	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
201-1	-	GRI 201	Economic Performance	2016	Direct economic value generated and distributed.	7.1 Major Financial Indicators; 8.3 Corporate citizenship and social investments	
201-2	-	GRI 201	Economic Performance	2016	Financial implications and other risks and opportunities due to climate change	10.1 Risks and opportunities arising from climate change	
201-3	-	GRI 201	Economic Performance	2016	Defined benefit plan obligations and other retirement plans	5.2 Remuneration and benefits	
201-4	-	GRI 201	Economic Performance	2016	Financial assistance received from government	7 Economic Performance	
202-1	-	GRI 202	Market Presence	2016	Proportion of the lowest salary paid by gender, compared to the local minimum wage	5.2 Remuneration and benefits	
202-2	-	GRI 202	Market Presence	2016	Proportion of senior management hired from the local community	3.1.1 Board of Directors	
103-1:203	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Indirect Economic Impacts	1.2 Materiality	
103-2:203	Essential	GRI 103	Management Approach	2016	The management approach and its components: Indirect Economic Impacts	2.3 Innovation 8.3 Corporate citizenship and social investments	
103-3:203	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach:	2.3 Innovation	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
					Indirect Economic Impacts		
203-1	-	GRI 203	Indirect Economic Impacts	2016	Infrastructure investments and services supported	7.3 Investments in generation, transmission and distribution; 8.3 Corporate citizenship and social investments	
204-1	-	GRI 204	Procurement Practices	2016	Proportion of spending on local suppliers	6.6 Main monitoring items	
103-1:205	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Anti-corruption	1.2 Materiality	
103-2:205	Essential	GRI 103	Management Approach	2016	The management approach and its components: Anti-corruption	3.2 Ethics and Transparency	
103-3:205	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Anti-corruption	3.2 Ethics and Transparency	
205-1		GRI 205	Anti-corruption	2016	Operations assessed for risks related to corruption	3.2 Ethics and Transparency	
205-2		GRI 205	Anti-corruption	2016	Confirmed incidents of corruption and actions taken	3.2 Ethics and Transparency	
205-3		GRI 205	Anti-corruption	2016	Confirmed incidents of corruption and actions taken	3.2 Ethics and Transparency	
206-1		GRI 206	Unfair Competition	2016	Lawsuits for unfair competition, the practice of trust, and monopoly	3.2 Ethics and Transparency	
301-1	-	GRI 301	Materials	2016	Materials used by weight or volume	9.2 Natural Resource Management	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
301-2	-	GRI 301	Materials	2016	Recycled input materials used	9.2 Natural Resource Management	
301-3		GRI 301	Materials	2016	Reclaimed products and their packaging materials	Not applicable	Cemig has no products or packaging
103-1:302	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Energy		
103-2:302	Essential	GRI 103	Management Approach	2016	The management approach and its components: Energy		
103-3:302	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Energy		
302-1	-	GRI 302	Energy	2016	Energy consumption within the organization	9.2 Natural Resource Management	
302-2	-	GRI 302	Energy	2016	Energy consumption outside of the organization	9.2 Natural Resource Management	
302-3	-	GRI 302	Energy	2016	Energy intensity		Cemig is reassessing the assumptions of this indicator
302-4	-	GRI 302	Energy	2016	Reduction of energy consumption	9.2 Natural Resource Management 10.4 Emissions	
303-1		GRI 303	Water and Effluents	2018	Interactions with water as a shared resource	9.2 Natural Resource Management	
303-2		GRI 303	Water and Effluents	2018	Management of water discharge-related impacts	9.2 Natural Resource Management	
303-3		GRI 303	Water and Effluents	2018	Water withdrawal	9.2 Natural Resource Management	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
303-4		GRI 303	Water and Effluents	2018	Water discharge	9.2 Natural Resource Management	
303-5		GRI 303	Water and Effluents	2018	Water consumption	9.2 Natural Resource Management	
103-1:304	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Biodiversity	1.2 Materiality	
103-2:304	Essential	GRI 103	Management Approach	2016	The management approach and its components: Biodiversity	9 Environmental performance; 9.4 Biodiversity	
103-3:304	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Biodiversity	9.1 Environmental management	
304-1	-	GRI 304	Biodiversity	2016	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	9.4 Biodiversity	
304-2	-	GRI 304	Biodiversity	2016	Significant impacts of activities, products, and services on biodiversity	9.1 Environmental management; 9.4 Biodiversity	
304-3	-	GRI 304	Biodiversity	2016	Protected or restored habitats	9.4 Biodiversity	
304-4	-	GRI 304	Biodiversity	2016	IUCN Red List species and national conservation list species with habitats in areas affected by operations	9.4 Biodiversity	
103-1:305	Essential	GRI 103	Management Approach	2016	Explanation of the material	1.2 Materiality	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
					topic and its Boundary: Emissions		
103-2:305	Essential	GRI 103	Management Approach	2016	The management approach and its components: Emissions	10.2 Climate strategy 10.4 Emissions	
103-3:305	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Emissions	10.2 Climate strategy	
305-1	-	GRI 305	Emissions	2016	Direct (Scope 1) GHG emissions	10.4 Emissions	
305-2	-	GRI 305	Emissions	2016	Energy indirect (Scope 2) GHG emissions	10.4 Emissions	
305-3	-	GRI 305	Emissions	2016	Other indirect (Scope 3) GHG emissions	10.4 Emissions	
305-4	-	GRI 305	Emissions	2016	GHG emissions intensity	10.4 Emissions	
305-5	-	GRI 305	Emissions	2016	Reduction of GHG emissions	10.4 Emissions	
305-6	-	GRI 305	Emissions	2016	Emission of ozone-depleting substances (SDO)	10.4 Emissions	
305-7	-	GRI 305	Emissions	2016	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	10.4 Emissions	
306-1	-	GRI 306	Effluents and Waste	2016	Water discharge by quality and destination	9.2 Natural resource management	
306-2	-	GRI 306	Effluents and Waste	2016	Waste by type and disposal method	9.2 Natural resource management	
306-3	-	GRI 306	Effluents and Waste	2016	Significant spills	9.2 Natural resource management	
306-4	-	GRI 306	Effluents and Waste	2016	Transportation of hazardous waste	9.2 Natural resource management	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
306-5	-	GRI 306	Effluents and Waste	2016	Water bodies affected by water discharges and/or runoff	9.2 Natural resource management	
103-1:307	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Environmental Compliance	1.2 Materiality	
103-2:307	Essential	GRI 103	Management Approach	2016	The management approach and its components: Environmental Compliance	9 Environmental performance;	
103-3:307	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Environmental Compliance	9.1 Environmental management	
307-1	-	GRI 307	Environmental Compliance	2016	Non-compliance with environmental laws and regulations	9.1 Environmental management	
103-1:308	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Environmental Supplier Assessment	1.2 Materiality	
103-2:308	Essential	GRI 103	Management Approach	2016	The management approach and its components: Environmental Supplier Assessment	6.3 Identification and management of environmental and social impacts	
103-3:308	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Environmental Supplier Assessment	6.3 Identification and management of environmental and social impacts	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
308-1		GRI 308	Supplier Environmental Assessment	2016	New suppliers that were screened using environmental criteria	6 Suppliers	
308-2		GRI 308	Supplier Environmental Assessment	2016	Negative environmental impacts in the supply chain and actions taken	6.1 Supply Chain Management 6.3 Identification and management of environmental and social impacts 6.6 Main monitoring items	
103-1:401	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Employment	1.2 Materiality	
103-2:401	Essential	GRI 103	Management Approach	2016	The management approach and its components: Employment	5 Employees	
103-3:401	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Employment	5 Employees	
401-1		GRI 401	Employment	2016	New employee hires and employee turnover	5.1 Profile of employees;	
401-2		GRI 401	Employment	2016	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Remuneration and Benefits	
401-3		GRI 401	Employment	2016	Parental leave	5.2 Remuneration and Benefits	
402-1		GRI 402	Labor/Management Relations	2016	Minimum notice periods regarding operational changes	5.6 Labor and union practices	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
403-1		GRI 403	Occupational Health and Safety	2018	Occupational health and safety management system	5.7.2 Occupational Health and Safety Management	
403-2		GRI 403	Occupational Health and Safety	2018	Hazard identification, risk assessment, and incident investigation incidents	5.7.2 Occupational Health and Safety Management	
403-3		GRI 403	Occupational Health and Safety	2018	Occupational health services	5.7.2 Occupational Health and Safety Management	
403-4		GRI 403	Occupational Health and Safety	2018	Worker participation, consultation, and communication on occupational health and safety .	5.6 Labor and Union Practices	
103-1:404	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Training and Education	1.2 Materiality	
103-2:404	Essential	GRI 103	Management Approach	2016	The management approach and its components: Training and Education	5.4 Performance management	
103-3:404	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Training and Education	5.4 Performance management	
404-1		GRI 404	Training and Education	2016	Average hours of training per year per employee	5.5 Organizational Learning	
404-2		GRI 404	Training and Education	2016	Programs for upgrading employee skills and transition	5.1 Profile of Employees 5.5 Organizational Learning	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
					assistance programs		
404-3		GRI 404	Training and Education	2016	Percentage of employees receiving regular performance and career development reviews	5.4 Performance management	
103-1:405	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Diversity and Equal Opportunities	1.2 Materiality	
103-2:405	Essential	GRI 103	Management Approach	2016	The management approach and its components: Diversity and Equal Opportunities	5.3 Diversity	
103-3:405	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Diversity and Equal Opportunities	5.3 Diversity	
405-1		GRI 405	Diversity and Equal Opportunity	2016	Diversity of governance bodies and employees	5.1 Profile of employees	
405-2		GRI 405	Diversity and Equal Opportunity	2016	Ratio of basic salary and remuneration of women to men	5.3 Diversity	
406-1		GRI 406	Non-discrimination	2016	Incidents of discrimination and corrective actions taken	5.3 Diversity	
407-1		GRI 407	Freedom of Association	2016	Operations and suppliers in which the right	6.3 Identification and Management	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
			and Collective Bargaining		to freedom of association and collective bargaining may be at risk	of Environmental and Social Impacts	
408-1		GRI 408	Child labor	2016	Operations and suppliers at significant risk for incidents of child labor	6.3 Identification and Management of Environmental and Social Impacts	
409-1		GRI 409	Forced or Compulsory Labor	2016	Operations and suppliers with a significant risk of forced or compulsory labor cases	6.3 Identification and Management of Environmental and Social Impacts	
410-1		GRI 410	Security Practices	2016	Security personnel trained in human rights policies or procedures	8.4 Human Rights	
103-1:412	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Human Rights Assessment	1.2 Materiality	
103-2:412	Essential	GRI 103	Management Approach	2016	The management approach and its components: Human Rights Assessment	8.4 Human Rights	
103-3:412	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Human Rights Assessment	8.4 Human Rights	
412-1		GRI 412	Human Rights Assessment	2016	Operations that have been subject to human rights reviews or impact assessments	8.4 Human Rights	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
412-2		GRI 412	Human Rights Assessment	2016	Employee training on human rights policies or procedures	8.4 Human Rights	
412-3		GRI 412	Human Rights Assessment	2016	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	8.4 Human Rights	
103-1:413	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Local Communities	1.2 Materiality	
103-2:413	Essential	GRI 103	Management Approach	2016	The management approach and its components: Local Communities	8.1 Relationship with the community; 8.2 Territory management	
103-3:413	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Local Communities	8.1 Relationship with the community	
413-1		GRI 413	Local Communities	2016	Operations with local community engagement, impact assessments, and development programs	8.2 Territory management	
413-2		GRI 413	Local Communities	2016	Operations with significant actual and potential negative impacts on local communities	8.2 Territory management	
103-1:414	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Social	1.2 Materiality	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
					Assessment of Suppliers		
103-2:414	Essential	GRI 103	Management Approach	2016	The management approach and its components: Social Assessment of Suppliers	6.3 Identification and management of environmental and social impacts	
103-3:414	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Social Assessment of Suppliers	6.3 Identification and management of environmental and social impacts	
414-1		GRI 414	Supplier Social Assessment	2016	New suppliers that were screened using social criteria	6 Suppliers	
414-2		GRI 414	Supplier Social Assessment	2016	Negative social impacts in the supply chain and actions taken	6.3 Identification and management of environmental and social impacts	
415-1		GRI 415	Public Policy	2016	Political contributions	2.6 Public Policies and Sectoral Associations	
103-1:416	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Customer Health and Safety	1.2 Materiality	
103-2:416	Essential	GRI 103	Management Approach	2016	The management approach and its components: Customer Health and Safety	4.4 Safe use of energy	
103-3:416	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Customer Health and Safety	4.4 Safe use of energy	
416-1		GRI 416	Customer Health and Safety	2016	Assessment of the health and safety impacts of product and service categories	4.4 Safe use of energy 4.4 Safe use of energy	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
416-2		GRI 416	Customer Health and Safety	2016	Incidents of non-compliance concerning the health and safety impacts of products and services	4.4 Safe use of energy	
417-1		GRI 417	Marketing and Labeling	2016	Requirements for product and service information and labeling	4.4 Safe use of energy	
417-2		GRI 417	Marketing and Labeling	2016	Incidents of non-compliance concerning product and service information and labeling	4.4 Safe use of energy	
417-3		GRI 417	Marketing and Labeling	2016	Incidents of non-compliance concerning marketing communications	4.4 Safe use of energy	
103-1:418	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its limits	1.2 Materiality	
103-2:418	Essential	GRI 103	Management Approach	2016	The management approach and its components	4.7 Information security	
103-3:418	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach	4.7 Information security	
418-1		GRI 418	Customer Privacy	2016	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.7 Information security	
103-1:419	Essential	GRI 103	Management Approach	2016	Explanation of the material topic and its Boundary: Socio-	1.2 Materiality	

GRI Standard Code	Approach	GRI Standard Number	GRI Standard Title	Publication Year	Standard Description	Location in the Text - Section	Reasons for Omission
					economic compliance		
103-2:419	Essential	GRI 103	Management Approach	2016	The management approach and its components: Socio-economic compliance	3.2 Ethics and Transparency	
103-3:419	Essential	GRI 103	Management Approach	2016	Evaluation of the management approach: Socio-economic compliance	3.2 Ethics and Transparency	
419-1		GRI 419	Socio-Economic Compliance	2016	Non-compliance with laws and regulations in the social and economic area		

12 INDEPENDENT VERIFICATION STATEMENT