

Corporate Social Responsibility

Introduction

In reaffirming its commitment to sustainability and its vision of a more prosperous world, Cemig is making this booklet available to its internal public and suppliers with the objective of disseminating the practices established in the Global Compact and in the Social Accountability 8000 – SA8000 norm. We hope that this will help provide employees and suppliers with knowledge of the themes dealt with in these documents that dictate the basic Corporate Social Responsibility directives that are to be followed by companies around the world.

The Global Compact principles are composed of ten Corporate Social Responsibility Practices with a strong emphasis on labor relations and worker dignity.

Though complementary, they are documents of a distinct origin and nature. The Global Compact is a voluntary movement, initiated by Kofi Annan, while he was secretary-general of the United Nations, and proposes principles that are to be followed by companies with the goal of producing a deeper commitment to both human and sustainable development. The Social Accountability 8000 – SA8000 – is an international Corporate Social Responsibility norm, or that is, a procedural standard based on criteria and processes that are to be implemented by companies and organizations that are seeking SA8000 Certification. While the SA8000 deals exclusively with aspects linked to labor relations, the Global Compact also deals with issues related to human rights, the environment and working against corruption.

This booklet is structured in two blocks. In the first, we deal with themes and practices common to both documents; in the second, with the themes specific to the Global Compact.

To disseminate internally and encourage the adoption of these principles by suppliers, Cemig reaffirms and publicly expresses the principles and values in which it believes.

What is the Global Compact?

The Global Compact is an international voluntary movement led by the United Nations – U.N. – to promote responsible development and encourage Corporate Social Responsibility Practices. Created in 1999, the Global Compact invites companies to adopt and support the ten principles of conduct that cover four large areas: human rights, labor standards, the environment and anti-corruption.

The Global Compact principles are based on universal rights and derived from international agreements, such as the Universal Declaration of Human Rights; the International Labor Organization Declaration on Fundamental Principles and Rights at Work (ILO); the Rio Declaration on the Environment and Development; the United Nations Convention against Corruption.

They are:

1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence;
2. Businesses should make sure that they are not complicit in human rights abuses;
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. Businesses should uphold the elimination of all forms of forced and compulsory labor;
5. Businesses should uphold the effective abolition of child labor;
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation;
7. Businesses should support a precautionary approach to environmental challenges;
8. Businesses should undertake initiatives to promote greater environmental responsibility;
9. Businesses should encourage the development and diffusion of environmentally friendly technologies;
10. Businesses should work against corruption in all its forms, including extortion and bribery.

The objective of the Global Compact is to encourage companies around the world to align their corporate strategies, policies and practices with these universal values, with the goal of a globalized environment of economy and the sustainable development of the planet.

What is the Social Accountability 8000 – SA8000

Social Accountability 8000 – SA8000 – is a norm developed by an international council that brings together businessmen, NGOs and trade union organizations.

SA8000 seeks to encourage the participation of all sectors of society in the quest for good and dignified work conditions. And, to this end, it was constituted with the objective of improving well-being and the provision of adequate social, environmental and economic circumstances for workers, in addition to developing a monitoring and control system that guarantees the continued conformity of certified companies with the standards established by the norm.

The SA8000 contains nine elements: child labor, forced labor, freedom of association and right to collective bargaining, discrimination, health and safety, discipline, working hours, compensation and management systems. Four of these elements are also dealt with by the Global Compact.

Common themes in the Global Compact and SA8000

Employment and Labor Relations

The dimension that deals with labor relations of the Global Compact covers four principles that address basic values, such as concern for the collective, diversity, the eradication of slave labor and child labor. The adoption of specific policies and practices regarding these themes is encouraged both by the Global Compact and by the SA8000, and the four practices below are cited in both documents.

Practice 1

Support freedom of association and the effective recognition of the right to collective bargaining.

This means: recognizing the individual right to union association and rejecting any practice that discriminates against trade union associated collaborators or their officers or representatives. This also means recognizing the representativeness of these institutions, collectively negotiating benefits for workers represented by unions.

Practice 2

Elimination of all forms of forced labor.

This means: that the company should work towards the elimination of and condemn any form of forced labor, respecting and practicing a free labor and work relationship in an assertive manner. The company should guarantee the right to worker freedom, preserving their right to come and go. The company should not withhold employees' personal documents, withhold salaries as a security measure and should respect the workers' freedom to leave at the end of their standard workday.

In Brazil, slave labor is a crime, established in article 149 of the Penal Code and transcribed as follows:

"Art. 149. Reducing any person to the condition analogous to that of a slave, whether submitting them to forced labor or exhaustive workdays, whether subjecting them to degrading working conditions, whether restricting, by any means, their movement due to debt incurred with the employer or their employee."

It should be noted that forced labor covers both obligatory labor to pay prior debts or prison labor.

Practice 3

Effective abolition of child labor.

This means: working against and condemning any form of child labor, paid or not, preserving children's time for their rights to education, development and leisure.

In Brazilian legislation, the minimum employment age for adolescents is 14 years of age, established in Federal Law 10.097, promulgated in the year 2000 and known as the Apprenticeship Law. This law is directed towards low income youths and has the objective of recognizing their value, training them and preparing them for future work. The work load is reduced and they are guaranteed the rights to study and to compensation – based on the minimum salary. Further information on the basics of this Law can be found in the text of Art. 428 and its First Paragraph, which we have transcribed below:

"Art. 428. The apprenticeship contract is that specific work contract which is written and adjusted for a certain period of time and through which employers commit themselves to ensuring that employees over the age of fourteen and under the age of eighteen who are enrolled in an apprenticeship program are given methodical technical-professional development program, compatible with their physical, moral and psychological development, and through which apprentices commit themselves to execute, with zeal and diligence, the tasks necessary for this development.

"§ 1st – The validity of the apprenticeship contract presupposes the due annotations in the Labor and Social Security Booklet (Carteira de Trabalho e Previdência Social) of the apprentice's school enrollment and attendance records, if they have not finished 8th grade. It also presupposes their enrollment in an apprenticeship program under the guidance of an entity qualified in the methodical technical-professional development program."

Practice 4

Elimination of discrimination in respect of employment and occupation.

This means:

- guarantee equality of compensation, access to new career opportunities in the company based on competences and merit, and independently of the gender, race or sexual orientation of the employee. Encourage the adoption of institutional directives that prohibit discriminatory practices in the work environment and promote equality for all;
- define norms and principles of conduct for relations among company employees and partners, disapproving of any demonstration of preconceptions or discrimination;
- recognize the merit of each individual and offer, in an egalitarian manner, access to new Professional and intellectual development opportunities that exist in the organization;
- give priority to a concrete manner of access to employment positions for people with disabilities, establishing a culture of respect and recognizing the value of these individuals, in accordance with State Law 11.867/1995, which stipulates the reservation of a percentage of public positions or jobs, within the scope of the State public administration, for people with disabilities.
“Art. 1st – The direct and indirect State public administration is obligated to reserve 10% (ten per cent) of public positions or jobs, at all levels, for people with disabilities.”

What Cemig does in alignment with the four principles of the LABOR STANDARDS dimension of the Global Compact and SA8000:

- Cemig respects union association initiatives and values other forms of voluntary organization by its professionals.
- Cemig recognizes the legitimacy of the unions, and the other labor entities that represent its employees, and negotiates with all of them the Collective Bargaining Agreement for their trade class and Specific Agreements regarding themes relevant to the workers. Currently, 100% of Cemig Professionals are represented by unions.
- Cemig conducts internal and external campaigns dealing with occupational health and safety.
- Cemig does not engage in the exploitation of workers, does not maintain commercial relations and does not hire services from organizations that adopt any form of forced labor.
- Cemig also does not hire any direct or indirect employee that has not reached the legal working age.
- Cemig, in partnership with civil society organizations, contributes towards the development of hundreds of low income youths that benefit from Young Apprentice Programs. They receive professional training, fair compensation, meal vouchers and an opportunity to participate in the formal job market.
- Cemig seeks to enter into partnerships with specialized organizations in order to develop training programs.
- The Cemig supplier registration process and service contracts signed are clear in regards to the prohibition of the use of any form of forced labor or child labor in the chain of company suppliers.
- Cemig uses its Electronic Purchasing Portal, with information for registration, bidding processes, documentation and forms, available to society.
- The Cemig Declaration of Ethical Principles and Code of Professional Conduct deals in a clear manner with the responsibilities that the company assumes in relation to recognizing the value of diversity, not allowing any form of discrimination, based on race, sex, skin color, appearance, nationality, religion, age, physical and mental condition, marital status, political ideology or time served in the company.

For more information, visit:

www.tst.gov.br – Tribunal Superior do Trabalho (Labor Court of Appeal)

www.oit.org.br – International Labor Organization

www.unicef.org.br – United Nations Children's Fund

www.cedca.mg.gov.br – Minas Gerais State Council for Child and Adolescent Rights (Conselho Estadual dos Direitos da Criança e do Adolescente de Minas Gerais)

www.eca.org.br – Child and Adolescent Statute

www.cemig.com.br – Companhia Energética de Minas Gerais

II Specific themes of the Global Compact

The Global Compact deals with four large thematic Groups. In addition to the thematic group that deals with Labor Standards, contained in the “Common themes in the Global Compact and SA8000” first block of this booklet, we shall learn about the following three thematic groups that complement the Global Compact Principles: Human Rights, the Environment and Anti-Corruption.

Human Rights

This area covers two principles that deal with recognition and respect for human rights and address the required engagement for the non-violation of these principles.

Practice 5

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

This means: businesses should respect and protect human rights.

Human rights are the fundamental rights of human beings. They are rights that guarantee individuals the capacity to develop themselves and participate fully in life.

The right to life, to food, to medical care, to shelter, to education, the right to affection and to the free expression of sexuality are among the fundamental human rights.

No right is more important than another. Respecting human rights means working towards a life in society, free of any discrimination due to social class, to culture, to religion, to race, to ethnicity, to gender, to sexual orientation. In order for equality of rights to exist, differences must be respected.

Article 5 of the Brazilian Constitution guarantees the fundamental rights of man which are, briefly: the right to life, to equality, to security and to property.

Practice 6

Make sure that there is no complicity in human rights abuses

This means: working to impede the violation of human rights.

As human rights are founded on the preservation of life and its physical, moral and social integrity, any person may have their rights violated. However, in general, the violation of human rights occurs much more often among those who are socially excluded or who belong to ethnic, religious or sexual minorities.

Torture, racism, forced labor, domestic violence, discrimination against women and discrimination based on sexual orientation are forms of human rights violations.

What Cemig does in support of the Human Rights principles:

- Cemig works to promote development.
- Cemig operates in a transparent manner, respecting diversity, the right to life, individual choices and freedom.
- Cemig invests in and encourages social initiatives that seek to improve the locations in which it operates and the quality of life of the residents there.
- Cemig supports the Program to Direct Resources to Municipal Child and Adolescent Rights Councils, in accordance with the Child and Adolescent Statute – Federal Law 8.069/90.

For more information, visit:

www.onu-brasil.org.br – The United Nations in Brazil

www.direitoshumanos.gov.br – Secretaria Especial de Direitos Humanos - SEDH (Special Secretary for Human Rights)

Environment

There are three Global Compact principles that deal with the relationship with the environment.

Practice 7

Support a precautionary approach to environmental challenges.

This means: the care taken regarding the impact of the business on the environment should be analyzed and businesses should adopt preventive strategies and processes aligned with the principles of sustainability and with the environmental challenges. It is hoped that business will be proactive in the prevention of pollution and in the reduction of consumption and will minimize the production of waste and encourage the recycling of used materials.

Practice 8

Undertake initiatives to promote greater environmental responsibility.

This means: incorporating into businesses' corporate strategy and processes, policies and practices that encourage environmental responsibility on the part of all employees and suppliers, disseminating practices that are to be adopted to protect the environment, supporting preservation projects and demonstrating a concern for the environment through environmental preservation practices in the location where they operate, with the goal of strict compliance with the laws in force.

Practice 9

Encourage the development and the diffusion of environmentally friendly technologies.

This means: engagement by the company in the search for and utilization of new technologies and sources of clean energy, such as the spread of the use of solar energy, the use of fleets powered by biofuels, Wind Power, etc.

What Cemig does in support of this practice:

- The preservation of the environment is a theme of the Cemig Declaration of Ethical Principles and Code of Professional Conduct.
- Cemig recognizes and emphasizes the protection of the environment in all its processes and facilities.
- Cemig invests in the development of new clean technologies, such as wind power.
- Cemig takes into consideration the need to protect the environment and to collaborate towards the social development of the populations in the areas in which it operates in its planning and in the conduction of its activities.
- Cemig assumes for itself and for its employees the responsibility to act in conformity with legislation and environmental policy.
- Cemig bases its actions on national and international standards, the ISO 14000 norm, and maintains a transparent relationship with inspection authorities.

For more information, visit:

www.mma.gov.br – Ministry of the Environment

www.semad.mg.gov.br – State Department for the Environment and Sustainable Development

www.cebds.org.br – Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (Brazilian Corporate Council for Sustainable Development)

www.ibama.gov.br – Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Environment and Renewable Natural Resources Institute)

Anti-Corruption

The fourth dimension of the Global Compact deals with working against corruption in all its forms, including extortion and bribery.

Practice 10

Anti-corruption.

This means: guiding the behavior of the internal and external public in order to minimize ethical conflicts by strengthening conduct guided by transparency and ethics. Guaranteeing the existence of and supporting the actions of the Ethics Commission, which is responsible for the management of the ethical culture in the company, contributing towards the dissemination of good practices and the existence of procedures that define and allow for the punishment that may result, in the event that a violation of this principle occurs.

What Cemig does in support of this action:

- Cemig prohibits its employees from accepting, offering, promising, or asking for gifts, bonuses or personal advantages from clients and partners in order to obtain illegitimate advantages or to induce the violation of norms and laws.
- Cemig protects the ideas, programs and projects developed by the company and respects the right to ownership of ideas developed by partners.
- Cemig operates a Whistleblowing Line in order to collect, forward and process reports of irregular practices.
- Cemig has an Ombudsman office, which is a service channel available on the internet, in order to establish a link between society and the company in an effort to improve the services rendered.
- Cemig has an Information Security Policy that defines a set of norms and procedure instructions based on NBR ISO/IEC 17.799, aimed at reducing and administrating the risks related to security and the protection of information.

For more information, visit:

www.pnud.org.br – United Nations Development Program

www.ethos.org.br – Instituto Ethos de Empresas e Responsabilidade Social (Ethos Institute for Corporate Social Responsibility)

Glossary

Child: any person less than 15 years of age, unless the minimum age for work or mandatory schooling is stipulated as being higher by local law, in which case the stipulated higher age applies in that locality. If, however, the minimum age law is established at 14 years of age, in accordance with the exceptions for emerging nations under Convention 138 of the ILO, the lesser age among the two conditions shall prevail.

Company: the entirety of any organization or business entity responsible for implementing the requirements of this standard, including all personnel (i.e., directors, executives, managers, supervisors and other employees, whether directly employed, contracted or in some other manner representing the company).

Social Responsibility: a form of management that is defined by the company's ethical and transparent relations with all the publics with which it relates and by the establishment of corporate goals that drive the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social inequality (Instituto Ethos)

Supplier: a business organization which provides the company with goods and/or services integral to and utilized in or for the production of the company's goods and/or services.

Interested party: an individual or group concerned with or affected by the social performance of the company.

Remediation of children: all support and actions necessary to ensure the safety, health, education, and development of children who have been subjected to child labor, as defined above, and have been subsequently dismissed.

Sub-supplier: a business entity in the supply chain which, directly or indirectly, provides the supplier with goods and/or services integral to and utilized in or for the production of the supplier's and/or the company's goods and/or services.

Forced labor: all work or service that a person has not offered to do voluntarily and is made to do under the threat of punishment or retaliation.

Child labor: any work performed by a child younger than the age(s) specified in the above definition of a child, except as provided for by ILO Recommendation 146.

Young worker: any worker over the age of a child, as defined above, and under the age of 18.