

MATERIALITY CEMIG 2024



Materiality Analysis and metrics

1. INTRODUCTION

Cemig has identified the most relevant sustainability factors for its long-term value creation, considering the interrelation between external impact on society or the environment on the one hand and internal impact on the company value on the other hand.

Guided by its public commitments related to sustainability and aligned with the need for constant improvement in ESG practices, Cemig discloses, in this public report, its materiality topics, its materiality determination process and how the materiality analysis was conducted.

The materiality analysis is conducted annually and was carried out between December/2023 and March/2024. The process of identifying the new material topics for Cemig followed methodologies based on international norms and standards, such as AA1000 and GRI.

There was the involvement of internal and external stakeholders in identifying the material issues. Cemig's stakeholder mapping lists the main company's internal and external stakeholders, identified after using the following criteria: (i) accountability; (ii) influence, (iii) proximity, (iv) dependence, (v) representation, (vi) strategy and policy statement.

Based on those criteria and on the Communication with Stakeholders Policy, Cemig defined the following groups as its stakeholders:

1) External stakeholders:

- government authorities
- shareholders and investors
- clients
- consumers
- suppliers
- press
- community in general (NGOs, civil society, universities)

2) Internal stakeholders:

- employees
- leadership members
- Executive Board
- Board of Directors.

After the identification of its stakeholders, consultations with each group were carried out through forms and/or interviews:

3) External audience:

- suppliers: interviews and online forms
- local communities: interviews and online forms
- sectoral associations: online forms
- Consumers' Council: online forms
- shareholders and investors: interviews and online forms

4) Internal audience:







- senior managers: interview
- Board of Directors: interview
- employees: interviews and online forms.






A total of 13 interviews were conducted and 350 questionnaires were issued online, 143 for internal stakeholders and 207 for external stakeholders.

The process of classifying the relevance of all mapped material topics for Cemig was based on a prioritization process, which considered the dimensions of importance and severity of the impacts in the social, environmental and/or economic spheres, through an analysis of scale and scope of each impact.

Double materiality was considered in the analysis and development. Cemig thus keeps up to date with the best corporate sustainability practices and is in line with market and society expectations regarding ways of identifying and reporting its main impacts.

The list of priority themes and their descriptions is updated below:

Topic	Topic description	GRI	Topic boundaries		Prioritizing	SDGs
			Internal	External		
Climate change	Contribution to the global effort to mitigate emissions and adapt to climate change through the management of greenhouse gas (GHG) emissions for the whole company and the commitment to reduce emissions; investment in clean and non-polluting energy; fight against losses in transmission and distribution; diligence on the subject in its value chain, and investment in predictability and adjustments to climate change.	Energy: GRI 302-1; 302-2; 303-4; 303-4; 302-5 Emissions: GRI 305-1 to 305-7 Sectoral: EU1, EU2, EU5, EU12	Business units	Shareholders and investors Government authorities	12	 
Renewable Energy	Prioritizing and investment in renewable and clean matrix energy, divestiture and discontinuation of non-renewable and polluting energy projects, contributing to transition to a low-carbon economy and adaptation to regulatory trends.	Energy: GRI 302-1; 302-2; 303-4; 303-4; 302-5 Sectoral: EUB, EU0, EU1, EU30	Business units	Government authorities, Customers, Suppliers	12	 
Ethics and Integrity	Performance in ethical and legal compliance, including guidelines and anti-corruption control mechanisms related to its entire value chain and strict compliance with legal precepts and applicable regulations.	[2-9][2-15][2-27] Fight against corruption: GRI 205-1 205-2, 205-3 Unfair competition: GRI 206-1 Socio-economic compliance: GRI 419-1 Legal compliance: GRI 307-1/2-27 Conflicts of interest: GRI 2-15	Employees, Business Units	Shareholders and investors Government authorities, Customers, Communities	12	
Environmental impact and protection	Environmental management beyond legal requirements, aiming at the development of initiatives to preserve biodiversity and protect natural habitats; waste management, including fostering circular economy, and development of R&D projects focused on these themes.	Environmental compliance: GRI 307-1; 2-27 Biodiversity: GRI 304-1; 304-3; 304-4 Waste: 306-1 to 306-5 Environmental assessment of suppliers: 308-1; 308-2 Sectoral: EU13	Business units	Government authorities, Customers, Communities	11	 
Transparency	Commitment and adoption of good transparency practices in relation to its financial, strategic and operational information, including socio-environmental risks and impacts linked to its activities.	[2-4][2-5][2-16]	Employees, Business Units	Shareholders and investors Government authorities, Customers, Communities	11	

Social sustainable development	Investment for the social development of Minas Gerais, expanding power distribution with a focus on stability and reliability; fostering economy dynamism through the creation of jobs and new businesses; and supporting and leveraging social and cultural projects, guided by an impactful social investment strategy.	Economic performance: GRI 201-2 Indirect economic impacts: GRI 203-1, 203-2 Local communities: GRI 413-1, 413-2 Rights of indigenous peoples: GRI 411-1 Social impact of suppliers: 407-1, 408-1, 409-1, 414-1, 414-2	Employees, Business Units	Communities	11	
Customer Satisfaction	Focus on customer satisfaction, based on the supply of quality energy, quick, simple and transparent service provision, with guaranteed data security, and adoption of practices that favor the use of energy, including clarity regarding tariffs, tariff reduction, when applicable, and communication about conscious consumption.	Marketing and Labeling: 417-1, 417-2, 417-3. Customer privacy: GRI 418-1 Sectorials: EU6, EU7, EU23, EU24, EU26, EU27, EU28, EU29.	Employees, Business Units	Customers, Government Authorities, Shareholders and Investors, Suppliers	11	
Water resources	Continuous adoption of the best water resource management practices, contributing to ensure water and water body quantity and quality conservation, aiming at sustainability of the company's activities and businesses and guaranteeing the use of water by stakeholders.	Water and effluents: GRI 302-1 to 302-5; 303-1; 302-2; 303-3; 303-4; 303-5	Business units	"Shareholders and investors Government authorities, Customers, Communities"	10	
Diversity and equity	Development of labor relations based on respect for diversity, non-discrimination and equal opportunities, considering greater participation of minority groups in the entire workforce and in senior leadership.	Market presence: GRI 202-1 Employment: GRI 401-1 to 401-3 Diversity and equal opportunities: GRI 405-1 and 405-2 Non-discrimination: GRI 406-1	Employees	Shareholders and investors	10	
People's health and safety	Promoting workforce health and safety and protecting the population, investing in preventing and monitoring the occurrence of accidents and occupational illnesses, and risks linked to power system use and management.	Health and safety at work: GRI 403-1 to 403-10 Customer health and safety: GRI 416-1 and 416-2 Sectorials: EU16, EU17, EU18, EU21, EU25	Employees, Business Units	Communities, Government Authorities	10	

Cemig acknowledges the importance of moving forward with integration between its materiality topics and corporate risk management. That is why **Cemig's risk matrix and the company materiality issues are closely related and integrated.** As examples, one can mention the relation between "Accidents with the population along low and medium voltage lines" top risk and "People's health and safety" material issue, as well as the "Climate change and adaptation initiatives" top risk to "Climate change" material topic.

The materiality process was audited by an independent third party named Bureau Veritas and the matrix was presented at the June 2023 Board of Directors' meeting. The assurance below is at the end of Cemig's Annual Sustainability [Report](#).

The material topics impact the business, create enterprise values which are measured by specific metrics, and help to identify the positive/negative impacts on external stakeholders.

This report highlights three priority material topics for Cemig. So Cemig publicly displays, on this report, the materiality analysis to identify the three most important material issues that have the greatest impact on its business, reports on how those issues impact its business and serve as significant determinants of long-term value creation.

A more detailed description of Cemig's material issues can be found in the company's Annual Sustainability [Report](#).

1.1 ETHICS AND INTEGRITY

One of Cemig's values is integrity, which includes ethical and transparent performance. Corruption cases, legal non-conformities and lack of transparent information contradict its value and are harmful to the company's intangible assets (such as its reputation, staff morale, or business relationships), and a top risk for Cemig. So, they can generate economic

losses and reputational impacts, which undermine business credibility, drive shareholder's investments away from the company and the company's elimination from sustainability indices, such as ISS, MSCI and DJSI, and increase capital cost.

The company's public commitment to this topic is identifiable by its **signature to the 100% Transparency Movement of the UN** and its public indicators to accomplish, linked to the Board of Directors variable remuneration.

By joining the 100% Transparency Movement, Cemig commits to moving towards the following **goals**:

- 100% transparency in interactions with the Public Administration
- 100% integrity in Senior Management Remuneration
- 100% of the high-risk value chain trained in integrity
- 100% transparency in Compliance and Governance structures
- 100% transparency on whistleblowing channels.

Objectives of the 100% Transparency Movement	
Goals	Detailing
100% transparency in interactions with the Public Administration	Publication of relevant interactions with the Public Administration on the companies' website, through a report form (hiding sensitive information) and publication of contracts, concessions and licenses that the company maintains with the Public Administration.
100% integrity in Senior Management Remuneration	Publication on the website or in an annual report on the existence of at least a Variable Compensation policy of senior management linked to integrity criteria; and publication of the related party transaction policy, if applicable.
100% of the high-risk value chain trained in integrity	Conducting training aimed at least at high-risk suppliers/third parties, with publication of evidence on the company's website or annual report.
100% transparency in Compliance and Governance structures	Publication on the website about the company's corporate governance and compliance structure, with the names of those responsible, reporting levels and seniority.
100% transparency on whistleblowing channels.	Publication - on the company's website or in an annual report - of aggregated data on the whistleblowing channel, with details (anonymized), periodicity and scope of the reports received and investigated; and the existence of a policy of non-retaliation against the whistleblower.

The year to **accomplish those targets** is 2030. In 2023, Cemig reached 60 % of accomplishment of the five goals of the UN's 100% Transparency Movement. The fulfillment of three to five goals in 2024 is equivalent to 80% to 120% of the **Board of Directors variable income**, with a weight of 20% of the variable remuneration.

Furthermore, the **type of impact** the material issue Ethics and Integrity has on Cemig's businesses is related to risk.

That is why Cemig has a **system of internal controls and compliance**: Declaration of Ethical Principles and Code of Professional Conduct; Ethics Committee; Anonymous Reporting Channel; policies and instructions; a department of Compliance, Corporate Risks and Internal Controls, under the Presidency. This system, properly structured and monitored, contributes to the identification and mitigation of fraud and corruption risks.

To measure the performance of the system, the Annual Audit Plan considers a preventive bias, in line with the best corporate governance practices, and international auditing standards of the Institute of Internal Auditors and Committee of Sponsoring Organizations of the Treadway Commission.

Through monthly reports, Internal Audit monitors actions by communicating to the Senior Management the action plans. Performs the same communication procedure during the period of the Annual Training and Adherence to the Declaration of Ethical Principles and Code of Professional Conduct.

For further information on the management of the topic, see the chapter Ethics and Transparency on Cemig's [Annual Sustainability Report](#) (p. 35).

1.2 CUSTOMER SATISFACTION

The mission and Cemig's future vision highlight the **strategic importance of pursuing its customer satisfaction**. Among the points that make up strategic planning, there is the customer service and satisfaction activities, which results are evaluated by indicators and regularly monitored by the company's management.

Commitment to consumer satisfaction is also identifiable by the Anel Consumer Satisfaction Index (IASC), which is linked to one of the objectives of the strategic map by measuring the customers' perception of the services provided by Cemig. IASC, coupled with one of the objectives of Cemig's strategic map in the market perspective, acts as a thermometer of customer perception of the services provided by the company. As the company's commitment to this indicator is essential, the result of it directly influences the

variable remuneration of employees and the Board of Directors. The goal established to the Board of Directors is to achieve 95% of the energy delivered, with a weight of 10% of the variable remuneration.

The IASC **target** for 2023 was 66% and the result obtained was 60,4%. The year to accomplish this target is 2030.

Furthermore, Cemig seeks to mitigate the risks associated with regulatory issues related to customer satisfaction, which may generate financial penalties by regulators and client defense agencies. In the worst possible scenario, low customer satisfaction rates could lead to the loss of the distribution concession by Cemig. That is why the type of impact the material issue Customer Satisfaction has on Cemig's businesses is related to risk.

In another words, Cemig participates in the satisfaction surveys conducted annually at the national level, important inputs for the creation of initiatives that aim at the continuous improvement of the services provided. Due to the results of the surveys, Cemig has been working hard to improve the relationship channels, either virtual, on-site or telephone. Today, the customer has access to service channels such as the Cemig Atende mobile applications, social media and a fully interactive agency.

Cemig has also been active in the continuous improvement of services through the which aims to reduce the frequency and duration of interruptions in the supply of electricity, which clearly improves customer satisfaction. The PDD - Distributor's Development Plan is the investment associated with the expansion and renewal of assets comprising substations, distribution lines and networks. For further information, see PDD in the Annual Sustainability Report. To see more about Customer Satisfaction initiatives, see chapter Focus on the Customer in the Annual Sustainability Report.

1.3 RENEWABLE ENERGY

Cemig's goal is to create value for all stakeholders by performing investments in expanding its portfolio of renewable energy. Renewable energy (or green energy) is energy from renewable natural resources that are replenished on a human timescale.

The expansion of its installed renewable capacity allows Cemig to serve the consumer market who is increasingly paying attention to the origin of energy. Therefore, customer demand for renewable energy certificates is growing

every year.

There is a corporative strategic plan that states that, as a **target metric**, Cemig will add approximately 1,100 MWm **by 2027**, and 1,900 MWm **by 2032** to Cemig's portfolio of hydro, wind and solar projects, projecting adequate financial returns for its business.

In addition, Cemig has joined the Movement Net Zero Ambition of the UN to publicly state that it has long-term plans to halve its emissions by 2030. In other words, the expansion of renewable generation is an opportunity for Cemig to increase its revenues.

That is why the **type of impact** the material issue Renewable Energy has on Cemig's businesses is related to revenue.

The global relevance of discussions on the effects of climate change reinforces the special attention that Cemig devotes to identifying business risks and opportunities, in addition to intensifying the search for adaptation and mitigation solutions, avoiding risks and impacts to the company's business. Among the opportunities, there is the expansion of energy generation from renewable sources and the consequent sale of renewable energy certificates, as an additional source of revenue.

It is a certificate that attests that the energy produced comes from a renewable source. With the certification, Cemig can sell energy to RE100 Companies, a group that brings together companies committed to consuming 100% renewable energy, which already represents a demand of more than 170 TWh.

To achieve the goals related to renewable energy, Cemig has already celebrated contracts to implement Solar Plants of Boa Esperança and Jusante, with estimated CAPEX of R\$824 million. UFV Boa Esperança will have 85MW of power installed. UFV Jusante will be composed of 7 10MW each, so 70MW of installed power.

As more investment is made in clean energy, there will be more reduction in greenhouse gas emissions. Thus, the final indicator related to renewable energy is the Net Zero target, with a weight of 20% of the **variable remuneration of the directors**.

For further information on Cemig's initiative on this topic, see the Annual Sustainability Report.

2 MATERIAL ISSUES AND METRICS FOR EXTERNAL STAKEHOLDERS

Cemig conducted a materiality analysis to identify and value the positive and negative impact on external stakeholders associated with the company's business operations, products/services and/or its supply chain.

There are two main material issues that illustrate the most significant social and/or environmental impact on external stakeholder groups.

2.1 GHG (greenhouse gas)'s emissions

GHG's emissions from Cemig's operations **impact the health and well-being of the population and the environment**, causing deaths from cardiovascular diseases, worsening air quality, generating climate changes, decreasing water resources, causing floods and impacting biodiversity. **Cemig's operations are the part of the business which is responsible** for the external impact and the coverage of the business activity that has been considered in the assessment is over 50%.

One of the methodologies used for this measurement is the verification system impact EPS (Environmental Priority Strategies), developed by the Swedish Institute of Environmental Research IVL. In the EPS 2015 impact assessment method, values are expressed in ELU (Environmental Load Unit), with 1 ELU equal to €1 under specific conditions.

Thus, the quantitative metric used to measure the output of the direct social results of the business activity is **tCO₂e - Greenhouse Gas Emission (GHG)**. And the **social cost of GHG** 2023 amounted to 11,076 euros.

In other words:

To **calculate GHG emissions**, it was used the "Gas Estimation Tool for intersectoral sources" (GHG Protocol Tool, Brazilian version, "Ferramenta_GHG_Protocol_V2024.1.4").

In addition to the already known effects of greenhouse gas emissions on the environment, the measurement of the effects of such emissions has gained importance in people's lives, with the so-called **social cost of greenhouse gas emissions greenhouse**. One of the methodologies used for this measurement is the impact EPS (Environmental Priority Strategies), developed by the Swedish Institute of IVL Environmental Research. The values of the indicators

are determined by analyzing the values of market or estimated market values. For some categories, the values of direct market are available. For others, restoration costs are used as an approximation, since a market price in the future would be equal to the cost of production for a similar good. For human health, the values of years are used disability-adjusted life cycles.

2.2 Risk of accidents

Cemig's network generates risks to the health and physical integrity of the population, materialized in accidents. **Cemig's supply chain is the part of the business which is responsible** for the external impact and the coverage of the business activity that has been considered in the assessment is over 50%.

The **external stakeholders** who are impacted by accidents caused by Cemig are society, the consumers/end-users and internal/external employees. Among the main consequences of accidents involving the population, burns have the largest share, with 46% of all accidents recorded in the last three years. Among accidents without death, burns represent 65%. Out of the main activities responsible for accidents, building maintenance corresponds to 32.14% of the records. Telephone and internet services represent 14.29% and locomotion and rural services together add up to 19.64%.

For the calculation of the **social costs of accidents** without death, expenses with the treatment of victims in the public health system (from the transport of the injured person to the follow-up after emergency care) and social security expenses with their absence from work were considered. The total cost for one year is around 11.000 euros¹. To calculate the **social costs of accidents** with death, the value of the death pension, paid by the social security to family members, was considered 1 to maximum 3 allowed. The total cost for one year is around 530.000 euros.

¹ Acesso: http://sigtap.datasus.gov.br/tabela-unificada/app/sec/relatorio/procedimento_Atributos/publicados