

Sustainability Rating

Summary

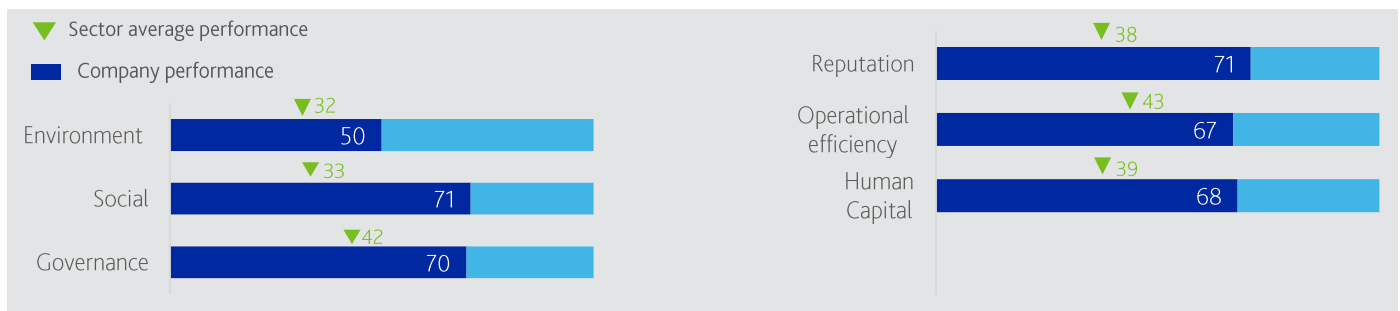


Rank in Sector	1/3
Rank in Region	4/854
Rank in Universe	86/4890

As of April 2022, Banco Nacional de Desenvolvimento Economico e Social (BNDES) obtains an A1+ rating, based on an overall score of 65/100. The company's overall score has increased by 1 point since our solicited 2021 review. This improvement is due to the correction of the data on the absenteeism rate and a stronger involvement of human rights considerations in financing decisions.

BNDES is a federal public Company associated with the Brazilian Ministry of the Economy. Its goal is to provide long-term financing for endeavours that contribute to the country's development. BNDES has two integral subsidiaries: FINAME, which supports industry in Brazil (import, export, and local produced machinery and equipment) and BNDESPAR, which carries out capitalization operations of undertakings through minority positions. The Institution is headquartered in Brazil.

ESG AND RISKS MANAGEMENT PERFORMANCE (./100)



STRENGTHS (updated as of April 2022)

- ▶ Advanced integration of ESG factors into investment and lending activities
- ▶ State-of-the-art systems to prevent discrimination and promote career
- ▶ Comprehensive efforts to mitigate corruption and money laundering risks

WEAKNESSES (updated as of April 2022)

- ▶ No monitoring of CO2 emissions linked to financing activities
- ▶ No externally certified environmental management system
- ▶ Some missing KPIs on key material issues

KEY TAKEAWAYS

Impacts: BNDES displays a limited energy transition score, while CO2 emissions related to financed activities are not monitored. KPIs demonstrating its social footprint (in terms of diversity, training and health and safety) reveal mixed trends. A wide variety of financing tools address the UN sustainable development goals, representing between 10% and 20% of total assets in 2020.

Risks: The company's risk management system appears robust but does not seem to cover all of the group's most material CSR risks. The company displays advanced capacity to safeguard and enhance its reputation, operational efficiency, and human capital cohesion.

Management: BNDES appears to pro-actively integrate ESG factors into its strategy and operations. Its approach is supported by comprehensive commitments but by a limited number of quantitative targets. Convincing means and processes address the most material challenges. When reported, KPIs display mixed trends. BNDES faces one controversy only and communicates on remediation measures for it.

Impacts

VALUE CREATION AND SHARING

Preliminary note: a development bank collects money to invest in different projects but does not invest in its own development. Hence, the following indicators reflect value sharing rather than value creation.

Average employee wages and benefits [Increase, Stable or No Clear Trend, Decrease]	Increase	The average employee salary has increased by 14% over last three years from BRL 353,990 (USD 91,169) in 2018 to BRL 403,910 (USD 77,653) in 2020.
Ratio of CEO compensation vs. average employee salary [Increase, Stable or No Clear Trend, Decrease]	Decrease	The ratio of the President's compensation vs. average employee salary has decreased by 11% over the past three years, from 3.15 in 2018 to 2.8 in 2020.
Transparency on tax payments [Major, Significant, Limited, None]	Major	BNDES discloses the total taxes paid and the number of employees at year end. In addition, the Institution reports the reconciliations between the taxes due, their anticipations and the amounts payable, as well as the effective tax rate. BNDES only operates and pay taxes in Brazil.
Operations in offshore financial centres (OFC), including non-compliant OECD jurisdictions [No Operation in OFC, Justified Operations in OFC, Unjustified Operations in OFC]	No Operations in OFC	The institution does not operate in any location considered by the IMF as 'offshore financial centres' and/ or in jurisdictions considered by the OECD as not compliant enough on tax transparency rules.

SOCIAL & ENVIRONMENTAL IMPACTS

NB: Due to the exceptional situation in 2020 with the Covid-19 pandemics, some 2020 indicators are not taken into account for assessing trends. Moreover, given that the 'Specific Purpose Banks & Agencies, Emerging Market' sector is only composed by 3 companies, sector averages are not displayed for the indicators mentioned below.

Environmental impacts:

MESG considers BNDES' direct carbon footprint to be moderate and the company therefore receives a grade A (first on a four-level scale) in this regard. BNDES obtains an energy transition score of 42/100, which is well above the average performance of the Specific Purpose Banks & Agencies Emerging Market sector (20/100), composed of 3 companies. This performance results from our assessment of the company's efforts to mitigate impacts of its loans and investments as well as impacts resulting from its direct energy consumption and transportation on climate change.

CO2 emissions associated with assets [Decrease, Stable or No Clear Trend, Increase]	No clear trend	Information obtained from the institution is insufficient. Of note, BNDES indicated to MESG that one of its ESG goals is to restart BNDES' emission inventories, which were interrupted in 2014. The Bank is currently working on scope 1 and 2 inventories. There are plans to do inventories for the portfolio in the near future. These inventories will also cover emissions of projects financed. As indicated in its financial statements, BNDES has been divesting a major part of its equity portfolio as part of its strategy, including companies that have important carbon emissions, so that its portfolio has been decarbonised substantially already.
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CO2 emissions linked to energy consumption [Decrease, Stable or No Clear Trend, Increase]	Decrease	BNDES' CO2 emissions linked to its energy consumption, normalised to the number of employees, have decreased by 5% over the period 2017-2019, down to 0.4 tonnes of CO2 per employee in 2019. Of note, figures for 2020 were 23% lower than in 2019.
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Social impacts:

Organic growth of employment [Positive, Stable, Negative, Undisclosed]	Negative	While the perimeter of the institution has not changed, the total number of employees in the workforce has declined by 6.7% over the last three years, from 2,688 in 2018 to 2,508 in 2020.
Percentage and trends of women in management [Increase, Stable or Unclear, Decrease or Undisclosed]	Decrease	The share of women in management positions has decreased by 3.4 percentage points over the past five years, from 34.6% in 2016 to 31.2% in 2020.
Average number of training hours per employee [Increase, Stable or Unclear, Decrease or Undisclosed]	Unclear	The number of hours of training per employee has decreased by 63% over the past three years, from 84.2 hours per employee in 2018 to 30.9 hours per employee in 2020. However, over the 2017/2019 period, there was a 10% increase. The company has indicated that low 2020 figures are due to the Covid-19 pandemic, since teleworking has a negative influence on training hours.
Employee turnover [Increase, Stable or Unclear, Decrease or Undisclosed]	Stable	The employee turnover rate of the Institution has slightly increased by 0.3 percentage points over the past five years, from 2.6% in 2016 to 2.9% in 2020. It has however remained at a very low level over the whole period.
Absenteeism rate (Updated as of April 2022) [Decrease, Stable or Unclear, Increase or Undisclosed]	Decrease	The rate of absenteeism has decreased by 1.16 percentage points between 2019 and 2021, from 2.79% in 2019 to 1.63% in 2021.

IMPACTS OF PRODUCTS & SERVICES

BNDES is considered to have a minor percentage of services contributing to sustainable development (below 20% of total assets in 2019). These services appear to materialise the Group's contribution to UN Sustainable Development Goals number 1 (End Poverty), 8 (Decent work and economic growth), 10 (Reduce inequalities), and 17 (Partnership for the UN Development goals).

Share of investments contributing to sustainable development over total Assets under Management (Updated as of April 2022) [Major, Significant, Minor, Inexistent or Undisclosed]	Minor	<p>Social lending (< 10% of total assets): BNDES reports providing loans to meet the liquidity needs of large enterprises in sectors related to human health through the Emergency Direct Credit Program. In addition, the Bank provides loans for the infrastructure sector, including for subway and rail transport. Social lending appears to represent a minor share of the Bank's total assets.</p> <p>Finance and support services for SMEs (14% of total assets): BNDES reports providing loans to SMEs through the BNDES Small Enterprises Credit Line. Finance for SMEs appears to represent a minor share of the Bank's total assets.</p> <p>Of note, BNDES reports providing loans to finance companies through the RenovaBio program, which aims to help the agrofuels sector in decarbonizing the Brazilian economy and improving energy environmental efficiency. To join the program, mills must have their production process audited, including the origin of their biomass, which must respect the zero-deforestation policy. In this product, the financing interest rate is reduced as the customer achieves improvements in their emission factor. It is however disputed whether all kinds of agrofuels provide average positive environmental impacts. This service represents a minor share of the Bank's total assets.</p> <p>Of note, on its website in Portuguese, BNDES discloses the amounts it considers having disbursed by each of the 17 SDGs, from 2015 on. Between 2016 and 2020, those investments have decreased by 15%, down to BRL 116,407m (USD 22,380m), in line with the decrease of total disbursements. At end 2020, this amount still represented 2.4 times the total income from financial intermediation and 15% of total assets.</p>
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<p>Share of Assets managed following SRI principles (Updated as of April 2022)</p> <p>[Major, Significant, Minor, Inexistent or Undisclosed]</p>	<p>Undisclosed</p>	<p>An undisclosed share of BNDES' assets are managed following SRI principles:</p> <ul style="list-style-type: none"> - Integration of environmental and social standards in the company's lending and financing process: BNDES reported to M ESG that all direct and non-automatic indirect financial support to projects goes through an ESG screening process (which includes a verification on whether the client or its managers were convicted of crimes related to slavery-like work, as well as E&S specific requirements for sectors such as cattle raising, ethanol, sugar and power generation), and that export credit and direct investments are also covered through their respective E&S policies. Indirect loans are screened for legal compliance with E&S licenses and registries only. - Negative screening: BNDES reported to M ESG that it applies an exclusion list (which has been recently extended) to sectors and development projects, i.e. mining projects that incorporate a rudimentary mining process, or generation of thermoelectric energy using mineral coal. - Thematic funds/ investments (for private equity): the Institution reports that its portfolio currently includes several ESG-themed Investment Funds: <ul style="list-style-type: none"> ▶ The Climate Change fund, whose aim is to support the implementation of projects, the acquisition of machinery and equipment and technological development related to the reduction of emission of greenhouse gases and adaptation to climate change and its effects. For said goals, during 2021, BNDES raised USD 500 million from the New Development Bank. ▶ The Amazon Fund, created in 2008 to raise donations earmarked for non-refundable investments in preventing, monitoring and combating deforestation, in addition to the conservation and sustainable use of the Amazon biome forests. At end 2019, the fund reached USD 1.3 billion in donations received. ▶ Restauração Ecológica is BNDES' non-refundable support for restoration projects in all Brazilian biomes, whose aim is to increase the vegetation cover with native species. The amount of money collected through this tool is not communicated by BNDES. ▶ In 2020, BNDES issued BRL 1 billion (USD 192m) in Green Financial Bonds (LFV) focused on raising funds in the Brazilian domestic market to finance environmentally sustainable projects in the wind or solar energy generation sector. ▶ BNDES raised USD 100 million in September 2020 with the Japan Bank for International Cooperation (Jbic). The funds raised will allow to leverage support to 12 wind farms in the states of Bahia and Pernambuco, with total installed capacity of 331.85 MW.

		<p>- Engagement policies: BNDES reported to MESH that in some cases it has the right to name a member to the Board of Directors within the invested entities, and in this case the designation is preceded by a meeting to align the expectations of the appointee's contribution on certain important topics, which include Sustainability. The share of companies covered by ESG engagement policies within the listed Equities and Private assets portfolio is unclear. The Institution reports shareholder's agreement in place for 38 of the 54 companies in its portfolio, resulting in 30 companies with members appointed by BNDES to the Board of Directors as of December 2020.</p>
<p>Involvement in controversial weapons [Major, Significant, Minor, Inexistent or Undisclosed]</p>	<p>Major</p>	<p>MESH considers that when a company is a minor shareholder (3-19.99%) of any company involved in cluster munitions or anti-personnel landmines, it has a major involvement in military products.</p> <p>BNDES owns 5.37% of Embraer. Embraer manufactures the A-29 Super Tucano light attack aircraft, which is designed to carry a series of munitions, reportedly including BLG-252 cluster bombs. The Super Tucano can drop BLG ('Bomba Lança-Granadas') cluster bombs containing 263 submunitions ('Granadas').</p>

Risks

RISK FACTORS

BNDES' most material risk and opportunity factors relate to:

- Prevention of corruption and money laundering
- Climate change
- Integration of environmental factors in asset management
- Management of assets' impacts on human rights and communities
- Employees' health and well-being

Our analysis reveals that BNDES' ability to address these challenges is robust to advanced.

Prevention of corruption and money laundering

Due to the nature of its activities, BNDES is exposed to misconducts, such as manipulation of financial markets, money laundering, financing of suspicious activities, etc. Due to their public nature and their development mission, Specific Purpose Banks & Agencies' are under scrutiny by stakeholders and the civil society. The illicit use of their loans might, therefore, impact their reputation. In addition, allegations arising from inadequate quality of internal control may lead to distrust from investors and expose senior officers to judicial scrutiny.

BNDES shows pro-active efforts to prevent corruption and money laundering. The company's commitment in this respect is exhaustive on both its internal operations and investee projects. Relevant training programmes, with mandatory annual refreshment courses, cover all employees. Internal control measures appear comprehensive and include assessments of clients' corruption risks and procedures for identification of and follow up on unusual or suspicious activities. While the Institution refers in its Management Report to the number of complaints received by the Ombudsperson, no breakdown by category is provided, which is a room for improvement, given the exposure of BNDES to one controversy on misuse of public funds. The Banks has however carried out remediative measures, which included an investigation by an external body, which is considered as a best practice in such case.

Climate change (Updated as of April 2022)

As a development bank, BNDES has an important role to play in supporting transition to a low carbon economy, via its decision to finance assets that contribute to energy transition, as well as to reduce or avoid investments in projects bearing significant impacts on climate change. Such efforts may protect the long-term value of the company's assets and foster its capacity to attract responsible investors.

BNDES shows a robust performance for climate-change issues. The company's commitment includes a target to help increasing the installed capacity of renewable energy in Brazil by 2.0 GW by 2022 and also excludes coal-powered generation from its financed activities. The Institution has several financing tools to support the transition to a low carbon economy, such as a thematic funds (for instance its Climate Fund, with a sub-program on renewable energies), credit products (for instance RenovaBio for the agrofuel sector) and green bonds. It is however unclear to which percentage of investments the climate risk assessment applies and the company does not report CO2 emissions linked to its portfolio. However, since 2019 BNDES has implemented a strategy of divestments in its equity participations and it has significantly reduced its shareholding in companies that have important carbon emissions. BNDES has indicated to MESH that, after interrupting them in 2014, it has recently restarted its GHG emission inventory activities, both for employee transportation and for its investing portfolio. While the Institution reports a total amount of 364.58 tonnes of CO2eq for commuting and air travel, BNDES states that portfolio emissions are likely to be disclosed by the end of 2022.

Integration of other environmental factors in asset management

The Bank offers several financial support mechanisms to Brazilian companies of all sizes as well as public administration entities, enabling investments in economic sectors that may have significant environmental and social impacts. The inclusion of environmental factors in credit allowance and asset management is therefore key to protect the company's ability to ensure long-term profitability, while an inadequate ESG strategy may impact the company's reputation given the ever-increasing significance attached by investors to these issues.

BNDES displays an advanced performance in terms of integration of ESG standards in its investment policy. Besides exclusion screening and thematic funds, BNDES has an Environment & Social Operational Policy (E&S Policy), which establishes guidelines, instruments and operational procedures to be followed during a project's assessment, which is conducted in several stages during the project cycle at BNDES, with specific requirements for certain operations and sectors, like mining, cattle-raising and power generation. The Bank also undertakes engagement procedures with companies where it is a shareholder, which can result in the presence of a BNDES' representative with the Board of Directors of the invested company or the setup of an Advisory Committee to the Board of Directors, to align the expectations of the appointee's contribution on certain important topics, including Sustainability.

Management of assets' impacts on human rights and communities

Due to their very nature and mission, the promotion of social and economic development is a prime objective of development banks. But support to development projects is a subtle exercise: development projects may lead to conflicts with local communities and receive criticisms by stakeholders. Upholding human rights can help ensure the success of a development project by addressing the root causes of poverty. Conversely, violations of human rights can prevent the investment from generating net development benefits.

BNDES demonstrates a robust to advanced performance on those aspects. The Institution has formalized its societal objectives in several public documents and has set a series of quantitative targets for 2022, which includes goals linked to the SDGs and directly related to the development of the regions of Brazil, such as sanitation, public lighting services, education, healthcare equipment and employment. Extended means have been allocated with that aim, such as inclusive finance (finance for SME's, micro-finance), support to infrastructures and access to basic services, and engagement with local communities. Measures allocated to assess human rights risks however appear limited to assessment of risk exposure of clients or projects, and set up of grievance mechanisms, although one could expect further measures such as human rights awareness of staff in charge of project selection and assistance program for clients, active consultation of stakeholders, and action plans that would include mitigation and remedy measures. Finally, BNDES reports hundreds of indicators in relation to operations financed by the Bank and related to the 17 SDGs. It is however difficult to draw clear trends from those indicators and to retrieve the ones corresponding to the numerous disclosed quantitative targets.

Employees' health and well-being (Updated as of April 2022)

The company is not prone to physical health risks, but as all organisations, development banks are confronted with the risk of high work pressure and stress levels, with a possible negative impact on employees' well-being and motivation. Specific work conditions, like travelling frequently or – just as during the Covid-19 pandemic – teleworking most of the time, may especially affect the well-being of employees.

Although the Bank's commitment towards health and safety is general and measures reported to address physical health remain limited, means dedicated to manage stress at work cover all employees and mainly relate to the prompt detection and management of experienced stress, such as stress management training, employee assistance programme and counselling services, as well as opinion surveys. In particular, during the Covid-19 pandemic, an active follow-up pilot was carried out with a team of psychologists entering into contact with each employee. In terms of results, the Lost-time injury frequency rate (LTIFR) does not show any clear trend over the period 2017-2019 and the rate of absenteeism decreased by 1.16 percentage points between 2019 and 2021, to stand at a low 1.63%.

RISK MANAGEMENT (Updated as of April 2022)

BNDES' risk management system displays the main expected features, but it does not seem to cover all of the group's most material CSR risks. While risk mapping does not seem to be conducted regularly, materiality assessment activities are carried out annually.

Among its main risks, the Institution includes socioenvironmental risks, that is possibility of losses resulting from socioenvironmental damages associated to deterioration of the institution's image. Risks covered by the internal controls system also relate to business ethics, such as information security, money laundering and financing terrorism. However, impacts of the financed projects on local communities does not appear to be listed among the main CSR risks.

- ▶ The Institution performed a materiality assessment in November 2018, through an internal workshop with representatives from different divisions of the Bank, to discuss material issues considered most relevant. No formal external stakeholder consultation is in place. BNDES merely refers to requests, comments and statements received through its relationship channels, such as the Citizen Information Service (SIC), the Ombudsperson's Office, and the Call Centre.
- ▶ Internal audits of risk-management processes: The Compliance and Risk Management Department has two divisions:
 - a specific division that centralizes matters regarding the management of risks pertaining to credit and the market;
 - another division, responsible for integrity and compliance, addressing operations risks (including CSR ones), while making efforts to improve internal controls.
- ▶ Confidential hotline: The Ombudsperson's Office (which reports directly to the CEO) is the institutional channel that is responsible for receiving external or internal reports of violations of compliance and integrity principles. It operates confidentially and can be contacted via an online dedicated platform, email, fax, free phone service, on-site meetings.
- ▶ Reporting on risk management to the Advisory Board and Executive Committee: The Advisory Board approves and reviews, annually, the Corporate Risk Management Policies and oversees the risk management and internal control systems established for the prevention and mitigation of key risks to which BNDES is exposed. The Audit Committee (composed of three non-executive members) has a comprehensive role, which includes overseeing internal audit and internal controls. At management level, the Institution maintains a Risks Management Committee, which includes the President, the Vice-President and Managing Directors. The Director of the Risk Management Division is a member of the Management Board.
- ▶ From the public governance perspective, the Bank's management is also controlled by the Fiscal Council, which comprises representatives of the national Brazilian Government. Major assignments of this Fiscal Council are, among others, to assess the periodic reports related to the internal control systems of BNDES. As a financial institution, it is also subject to inspection by Brazil's Central Bank (BACEN) and to the norms and resolutions of the National Monetary Council (CMN). In addition, its accounts are inspected by the Federal Court of Accounts (TCU), an auxiliary entity to National Congress, while its processes are audited by the Office of the Comptroller General (CGU). Finally, BNDESPAR, the capital markets branch, is also inspected by CVM, the Brazilian regulatory body for capital markets.

REPUTATION (Updated as of April 2022)

REPUTATION (/100)	
Executive remuneration	92
Promotion of social and economic development	79
Environmentally responsible financing	65
Respect for human rights standards and prevention of violations	64
Minimising environmental impacts from climate change	54

OPERATIONAL EFFICIENCY

OPERATIONS (/100)	
Board of Directors	83
Responsible customer relations	81
Corruption and money laundering	72
Promotion of labour relations	69
Audit and internal controls	62
Transparency and integrity of influence strategy and practices	55
Environmental strategy	46

HUMAN CAPITAL (Updated as of April 2022)

HUMAN CAPITAL (/100)	
Career management and promotion of employability	74
Non-discrimination	72
Improvement of health and safety conditions	59

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

Advanced: from 60 to 100

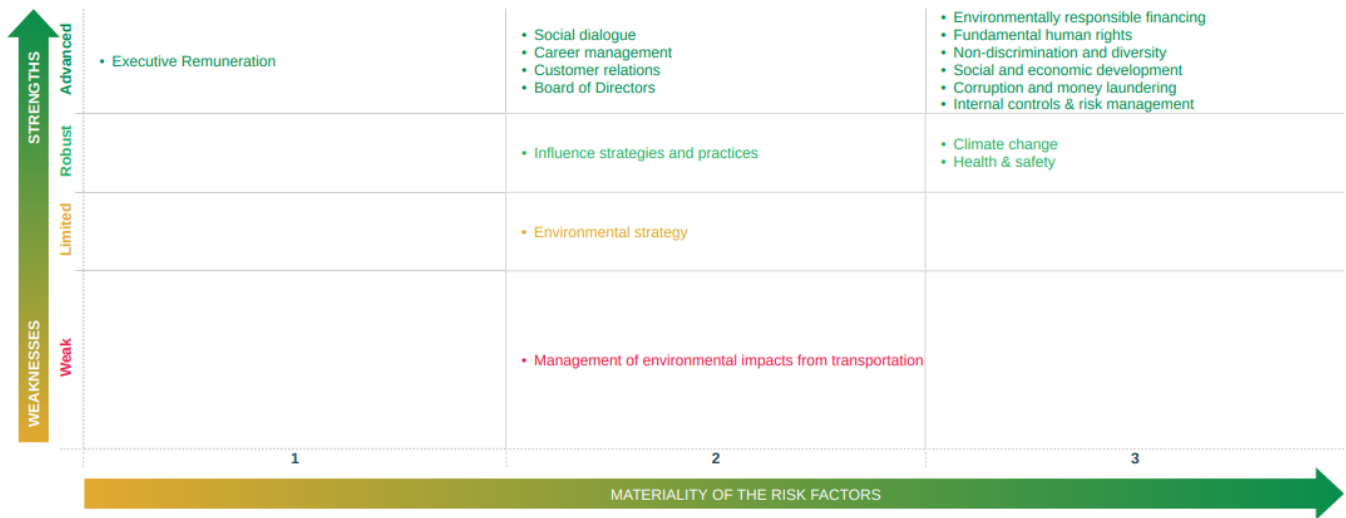
Management

INTEGRATION OF ESG FACTORS INTO CORPORATE GOVERNANCE (Updated as of April 2022)

Most factors under review demonstrate BNDES's strong willingness and fair capacity to integrate ESG factors into its governance structure and decision-making processes.

- ▶ The Bank's Advisory Board comprises representatives of the government and civil society. In May 2020, a subcommittee for ESG issues was created within the Advisory Board, responsible for human resources, compliance, legal, operations, governance, internal and external communications and institutional image. Most of the relevant CSR issues for the company are discussed at Board level since the Advisory Board approves all policies. In January 2021, the Advisory Board discussed the corporate project "BNDES ESG", which encompasses environmental and social issues on investment activities and promotion of social and economic development. More recently, the project was re-branded "BNDES ESG + Climate" to reflect the importance the institution gives to climate risks and impacts in its activities. BNDES' mission is "Facilitating solutions that contribute with investments for the sustainable development of the Brazilian nation".
- ▶ At operational level, BNDES has a Sustainability Committee (formerly CSS, now CS) since 2014, which aims to promote the integration of the socio-environmental dimension into BNDES policies, processes and relationships, in line with the institution's Social and Environmental Responsibility Policy. During 2021, the Sustainability Committee was restructured, resulting in two main changes: the Committee now also has Executive Board members in its composition and reports directly to the Executive Board and Board of Directors. The Institution reported to MESH that the Head of the CSR department reports to the CS at least every two months, and to the Advisory Board or its subcommittees as often as required.
- ▶ CSR risks are covered by the internal control system, which entails rather comprehensive risk mitigation processes (these are analysed in detail in the "risk management" part on p 8 of this document).
- ▶ Reporting to external stakeholders: A separate page of BNDES' website (available in English) is dedicated to 'Social and Environmental Responsibility', which addresses issues related to ESG internal management (such as diversity) and to ESG criteria in financing. Some CSR related information is present in BNDES' FY 2020 Management Report, especially within chapters 'Ethics management', 'Ombudsman Office', 'People Management' and 'Sustainability', which is fairly detailed for a non-listed entity. MESH however considers that this CSR reporting is limited and does not include sufficient KPIs on key material issues. It is also not reviewed by any third party.
- ▶ Part of Executive remuneration (5%) is stated to be based on ESG criteria, although these are not publicly disclosed and do not appear to be formalised in the company's remuneration policy.

ESG MATERIALITY AND PERFORMANCE MATRIX (updated as of April 2022)



ENVIRONMENT (Updated as of April 2022)

Strengths	Areas for improvement
<p>Comprehensive processes in place to integrate environmental considerations in the selection and management of assets may provide a competitive advantage when raising investor's funds.</p> <p>The Institution's headquarter in Rio de Janeiro has obtained the 'Breeam In Use' and LEED certifications, which give some assurance on the relevance of measures taken to reduce the company's own energy use and GHG emissions.</p>	<p>Although the company has recently structured its own internal Environmental Management System (EMS), no externally certified EMS seems to be in place at BNDES offices. Implementing such measure would increase the insurance of stakeholders on the effectiveness of BNDES' environmental performance.</p> <p>BNDES does not disclose CO2 emissions linked to financing activities. The Bank has indicated to MESH that it has started again its inventory activities and will likely be able to disclose the results by the end of 2022. Such disclosure will allow for objective performance review, in a continuous improvement perspective.</p> <p>Although the institution has set up most of the relevant measures to reduce its environmental impacts related to the transport of its personnel, it does not disclose any related commitment or result indicator, which would be a relevant starting point to assess, map and design further opportunities to reduce the Bank's own environmental impact.</p>

SOCIAL (Updated as of April 2022)

Strengths	Areas for improvement
<p>The advanced training and career management systems may strengthen the group's ability to keep the competencies up-to-date, given the complex nature of BNDES's activities and its aims to have employee more committed on ESG matters.</p> <p>A collective agreement which commits the Bank to promote social dialogue and that covers subjects related to the quality of the work environment may increase the involvement of employees and guarantee that their voices are heard.</p> <p>State-of-the-art systems to prevent discrimination and promote diversity may help ensuring talent attraction and retention.</p> <p>Strong efforts to promote social and economic development can positively impact the company's reputation and widen its partner basis.</p>	<p>The company's commitment on Health and Safety appears general, a broader commitment, for example addressing the reduction of work accidents or the awareness of employees on the subject, could be beneficial to BNDES' performance in this domain.</p>

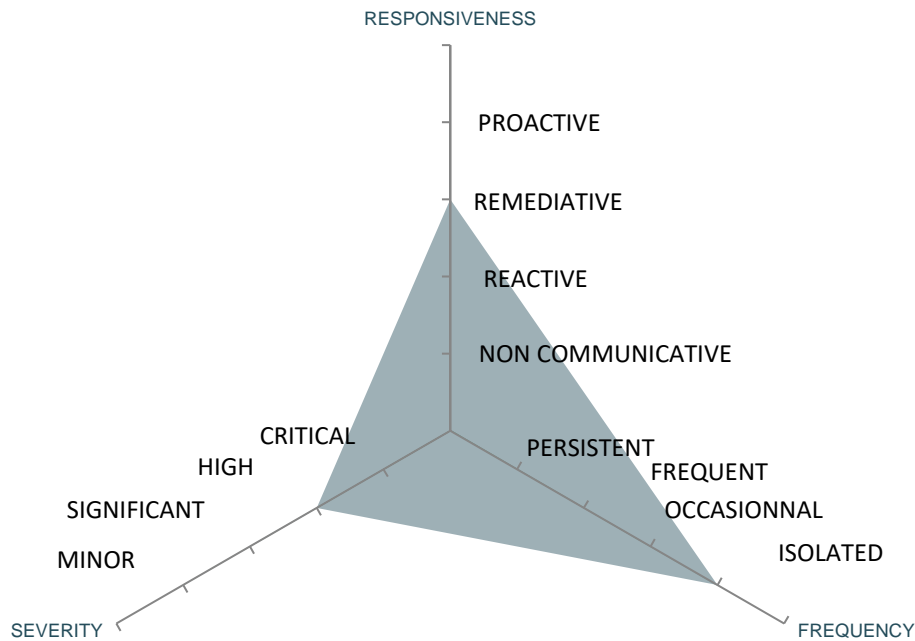
GOVERNANCE (Updated as of April 2022)

Strengths	Areas for improvement
<p>A comprehensive commitment towards corruption and money laundering prevention, backed by efficient measures in controlling business ethics related risks contributes to reinforce our assurance in the company's ability to respect its compliance obligations and to avoid being involved in violations of ethics rules.</p> <p>A diversified composition of the Advisory Board, which includes a specific committee on CSR issues, and which discusses most of the relevant CSR issues in its meetings, may help ensuring stakeholders' interests are duly taken into consideration.</p> <p>Although limited processes dedicated to management of CSR risks appear to be in place, the Audit Committee has a comprehensive role, the internal control system covers CSR risks, and the Institution also appears to assess several elements of the governance structure of investee companies. All this contributes to maintaining stakeholders' confidence in BNDES' ability to mitigate risks throughout the financing cycle of projects.</p>	<p>BNDES is confronted to one severe controversy related to purchase of shares of a company that caused the losses of public funds. To such controversy the institution has responded with convincing remediation measures and no convictions against BNDES' employees were inflicted by public authorities. Of note, BNDES adds that, following the recent sale of said company's shares, it diminished its participation of about 5% and owns now around 20% of the capital (as of end of Q1 2022).</p>

DETAILED EXPOSURE TO CONTROVERSIES (Updated as of April 2022)

ESG Issues: Generic Name	Number of companies facing associated cases within the sector	Company exposure	Company reactivity
Responsible customer relations	0	No	N/A
Prevention of corruption and money laundering	2	Yes	Remediative
Transparency and integrity of influence strategies and practices	0	No	N/A
Respect for human rights standards and prevention of violations	2	No	N/A
Non-discrimination	0	No	N/A
Environmental strategy	0	No	N/A
Environmentally responsible financing	1	No	N/A
Minimising environmental impacts from climate change	1	No	N/A
Management of environmental impacts from transportation	0	No	N/A
Promotion of the social and economic development	1	No	N/A
Board of Directors	0	No	N/A
Audit & internal controls	2	Yes	Remediative
Executive remuneration	0	No	N/A
Promotion of labour relations	0	No	N/A
Career management and promotion of employability	0	No	N/A
Improvement of health and safety conditions	0	No	N/A

CONTROVERSY MANAGEMENT (Updated as of April 2022)



As of April 2022, BNDES was involved in one controversy of high severity. In 2017, the Court of Auditors (TCU) in Brazil identified irregularities and losses of public funds related to the purchase of JBS SA shares and Swift Foods by BNDES. In both cases, the TCU cited former Finance Minister and former BNDES president as responsible for the losses. In August 2020, BNDES communicated new elements to MESH, stating that, despite no convictions against its employees by public authorities, BNDES hired an independent investigation, which indicated that no direct evidence of corruption, undue influence on the Bank or pressure for different treatment was found in the negotiation, approval and execution of the aforementioned operations. An investigation by an external body is considered as a best practice by MESH in such case. The company is considered by MESH as remediative to this event.

Based on the isolated frequency of controversies observed, as well as on their severity and on the company responsiveness to these events, our assurance on BNDES' ability to ensure balanced relationships with stakeholders is robust.

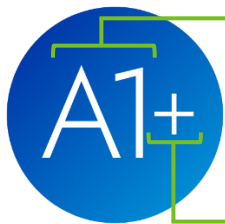
Methodology

Corporate Rating Scale

Our consolidated rating scale ranges from A1+ to D3-.

The consolidated rating translates the overall and relative ESG performance of an issuer according to 2 elements:

- Quartile performance and position within this quartile;
- Position in relation to its' peers.



First dimension: positions the issuer's overall ESG performance within our research universe, on a 12-level scale:

- The **letter** (A, B, C or D) positions the issuer's ESG score within one of the four quartiles of our overall research universe
- The **number** (1, 2 or 3) positions the issuer's ESG score in relation to its' peers within the same quartile.

Second dimension: the + or - symbol positions the issuer's domain performance in relation to its' regional sector peers.

Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. We have categorized these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

We believe that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 2 or 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$Ry = \frac{\sum(Sy \times Wy)}{\sum Wy}$$

Risk Typology – The Four Main Categories

Reputation	<ol style="list-style-type: none"> 1. Brand recognition, level and variation of brand image and organization, its leaders and consulting shareholders 2. Outbreak, persistence, reduction or elimination of rumours, allegations and controversies 3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties) 4. Talent attraction 5. Variation of levels of shareholder support and satisfaction
Human Capital Cohesion	<ol style="list-style-type: none"> 1. Stability of labour relations and social conflict mitigation 2. Retention of skills and know how; skills development 3. Attraction and mobilization of core skills 4. Company culture and values
Operational Efficiency	<ol style="list-style-type: none"> 1. Production cost management (work accidents, competencies, reducing energy consumption etc) 2. Competitiveness of products and services (training, waste reduction, employee training and participation) 3. Organizational and process effectiveness (audits and control mechanisms, environmental strategies etc)

	<p>4. Innovation and preventing production and organizational process techniques from becoming obsolete; prevention of technological obsolescence</p> <p>5. Security and quality of supplies and revenues</p>
Legal Security	<p>1. Recourse and complaints, litigation, legal proceedings, trials and fines</p>

Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights and governance issues, which involve their products, services or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorized into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorizes entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/ or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for our controversy analysis is based on our exclusive research. The Controversy Database is updated daily and involves correspondence with issuers.

Energy Transition Strategy Score

By considering the size, sector of activity and nature of its products and services, we assess a COMPANY's willingness and capacity to adopt a clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on our exclusive research and is updated at the same time.

Carbon Footprint

A COMPANY's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organization's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, we estimate the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.

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