



Business Climate Survey Brazil 2021

São Paulo, Brazil

June 2021

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Background

- Swedish companies have been present in Brazil for more than a hundred years. Even though Brazil can be a challenging market, new Swedish companies continue to set up operations in the country while long-established corporations continue to invest. Employing 50,000 people, they are active in sectors such as telecom, transport, machinery, defense, healthcare, services, mining and more.
- This year's report is the second within a global collaboration between the Swedish international chambers of commerce and Business Sweden. This collaboration has in 2021 facilitated for a global comparison of 22 markets from all continents, in addition to the local market results among Swedish enterprises in Brazil.
- The objective of this initiative is to provide a better understanding of the world's business climate and the development of Swedish companies in general. It will serve as a comparison tool for Swedish companies with plans to invest either in their current business or expand into new markets. All other countries included in this initiative have also carried out their surveys between February and April 2021. Respondents in Brazil completed the survey between April 6th and 29th.
- Just as during last year's survey, the world faces the COVID-19 pandemic which continues to affect Swedish businesses worldwide. In 2020 during the pandemic's first months, Swedish respondents foresaw a considerable drop in sales for Brazil as well as disruption in their production chains. This year we were able to measure the actual impact of the pandemic over 2020 results and asked about transformations and opportunities brought by the "new normal". Still, as many countries suffer new waves of infection and developed markets start to step out of the global crisis due to successful vaccinations, the critical situation in Brazil – with record number of deaths in April and a slow-paced vaccination campaign – may still influence Swedish companies' perception of the country's business climate during the rest of 2021.
- Team Sweden in Brazil – the Embassy and Consulates, Business Sweden and Swedcham – works to promote Sweden, the Swedish industry and Swedish economic interests in Brazil. The commitment and close cooperation between the Team Sweden members help to better position Sweden in Brazil, out of which the annual Business Climate Survey is one such example.
- We hope that the 2021 issue of the Swedish Business Climate survey will serve as an inspiration for newcomers, as well as a useful tool for policy makers, stakeholders and partners, showing Sweden's long-term view and firm commitment to Brazil.

Key Takeaways: Brazil Business Climate Survey 2021



The economic recession brought by the pandemic in Brazil had a weaker than expected impact over Swedish companies, which were mostly profitable in 2020



With the recovery of economic activity in Brazil, almost 90% of Swedish companies expect sales growth in 2021 while more than half plans to invest in the country



Challenges such as political inefficiency and delayed reforms contribute to a moderate perception over the business climate in Brazil going forward



The COVID-19 pandemic has transformed the way Swedish companies operate in Brazil by accelerating the digital transformation of team collaboration and sales work



Corruption and environmental challenges figure as risks for Swedish companies doing business in Brazil. Human rights violations are not expected to largely affect business. The participation of women in management is generally lower than 30%.

Business Climate Survey Brazil 2021

● Swedish Business in Brazil

- Economic Outlook
- Brazil Business Climate and Challenges
- How Swedish Companies Succeed in Brazil
- Acting Sustainably
- Appendix: Privatizations program and regulatory updates

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Key Takeaways: Swedish Business in Brazil



51 Swedish companies took part in the survey, out of 85 invited; response rate was 60%



The great majority of respondents (78%) have more than 1 000 employees globally, with varying sizes of operations in Brazil



The majority of respondents are industrial companies in sectors such as automotive, machinery, healthcare and mining

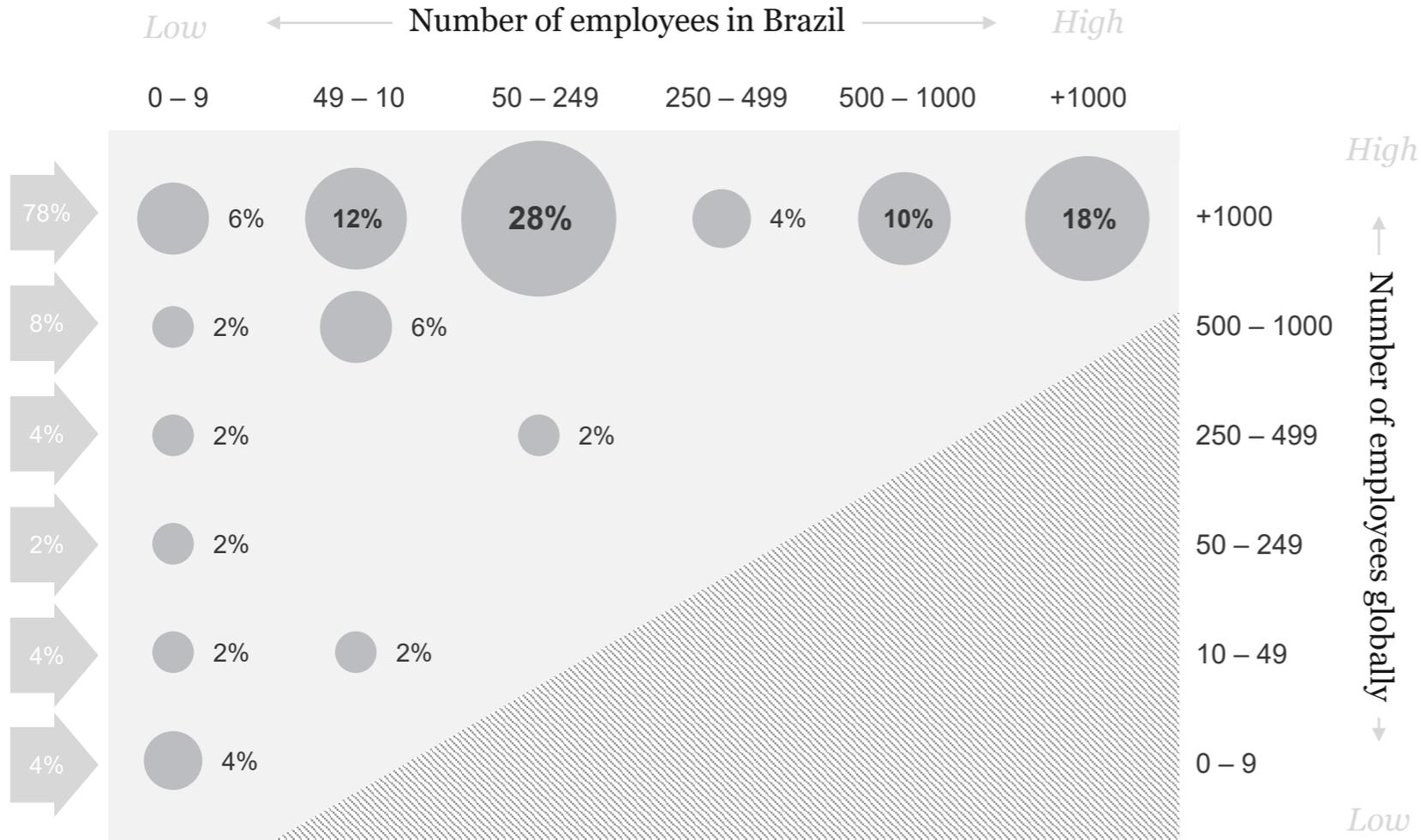


Half of respondents were established in Brazil prior to 2000, and some for more than a century



Size: Large multinationals are the majority among Swedish companies in Brazil, running mid-size to large operations locally

Question 1: Please estimate: (a.) the global and (b.) the local number of full-time employees in your company in 2021



based on responses by 50 companies*

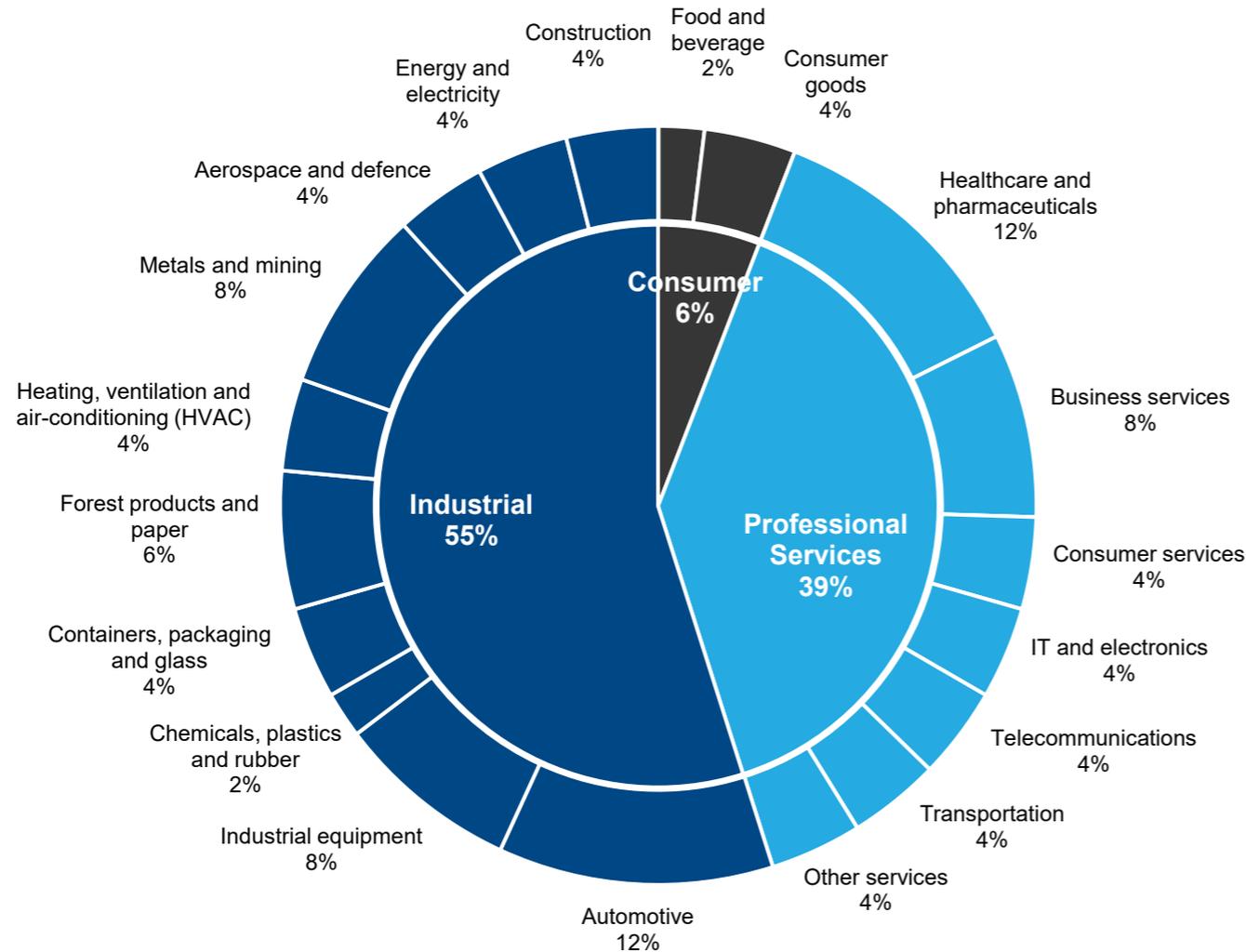
- 78% of the Swedish companies in Brazil participating in this survey have more than one thousand employees globally. From those, a good part run medium size operations in Brazil with between 50-500 employees, while another part runs intense operations with +500 employees.
- Around 28% of companies have large operations in Brazil as well as globally, with +500 employees. These are mainly industrial companies established in Brazil for many decades.
- The group of Swedish companies is completed by smaller digital and service providers which find in Brazil a particularly important market for business.
- There is not much difference in the size profile of Swedish respondents from 2020. The most significant change was the higher number of companies with smaller local operations replacing a few medium sized respondents. Yet, the number of responses revolved around 50 in both years.

* Note: responses Don't know/Not applicable were excluded from this analysis.



Industries: More service providers answered the 2021 survey, but industrial companies are still the majority among respondents

Question 2: What is your company's main industry in Brazil?



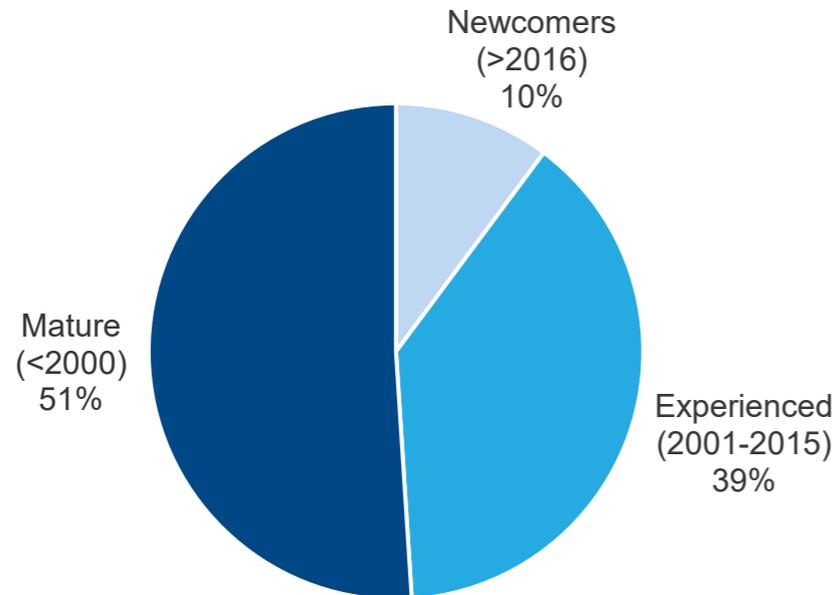
- Brazil has a great presence of Swedish companies from industries such as healthcare & pharmaceuticals, automotive, industrial equipment and metals & mining.
- This year, more Swedish service companies answered the Business Climate Survey. Those are mainly B2B service providers.
- Consumer goods still represent a smaller share of Swedish business in Brazil. The future reduction of import duties from the EU-Mercosur Free Trade Agreement may provide a turning point for exporters in this segment.

Note: Other/Not Applicable answers were reclassified to the companies' closest business areas for the analysis of this question.



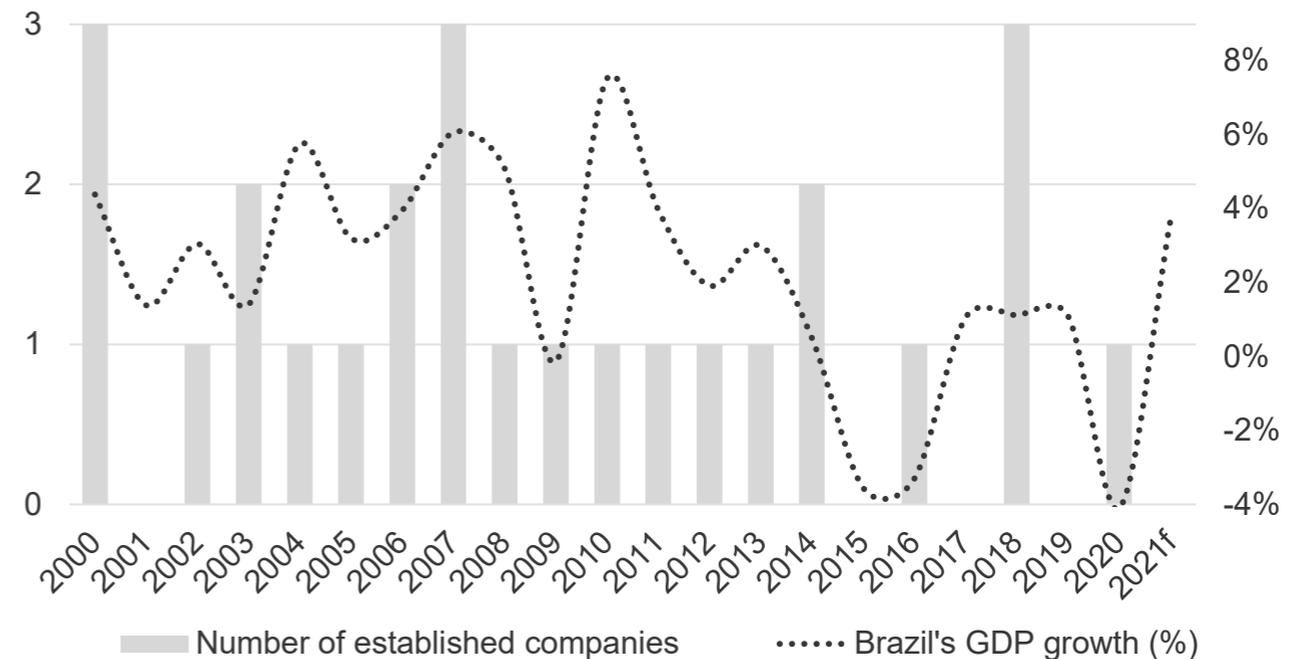
Age: More than half of respondents are in Brazil for more than 20 years

Question 3: In what year did your company establish operations in Brazil?



- Mature companies, established before 2000, are composed mainly by large manufacturers with industrial plants in Brazil.
- Yet, many relevant industrial companies have established themselves in Brazil in the 2000's, with a focus on industrial solutions, specialized services, healthcare and businesses related to agriculture and metals.
- Newcomers, established after 2016, comprise digital companies and service providers in industries such as healthcare.

Swedish companies established after 2000 and GDP growth*



- The establishment of companies was almost linear during Brazil's main growth period, with a modest number of new entrants.
- This trend was reduced during the 2014-2017 recession but peaked again in 2018. The COVID-19 pandemic may also have hindered Swedish market development in Brazil during the last year.

* Note: regarding 2021 respondents only (excludes Don't know/Not applicable answers). Brazil 2021 GDP forecast by OECD (3.7%).

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Key Takeaways: Economic Outlook



70% of Swedish companies were profitable in 2020 despite the pandemic; only 17% presented losses



Business climate in Brazil is perceived as moderate, which represents an improvement from 2020



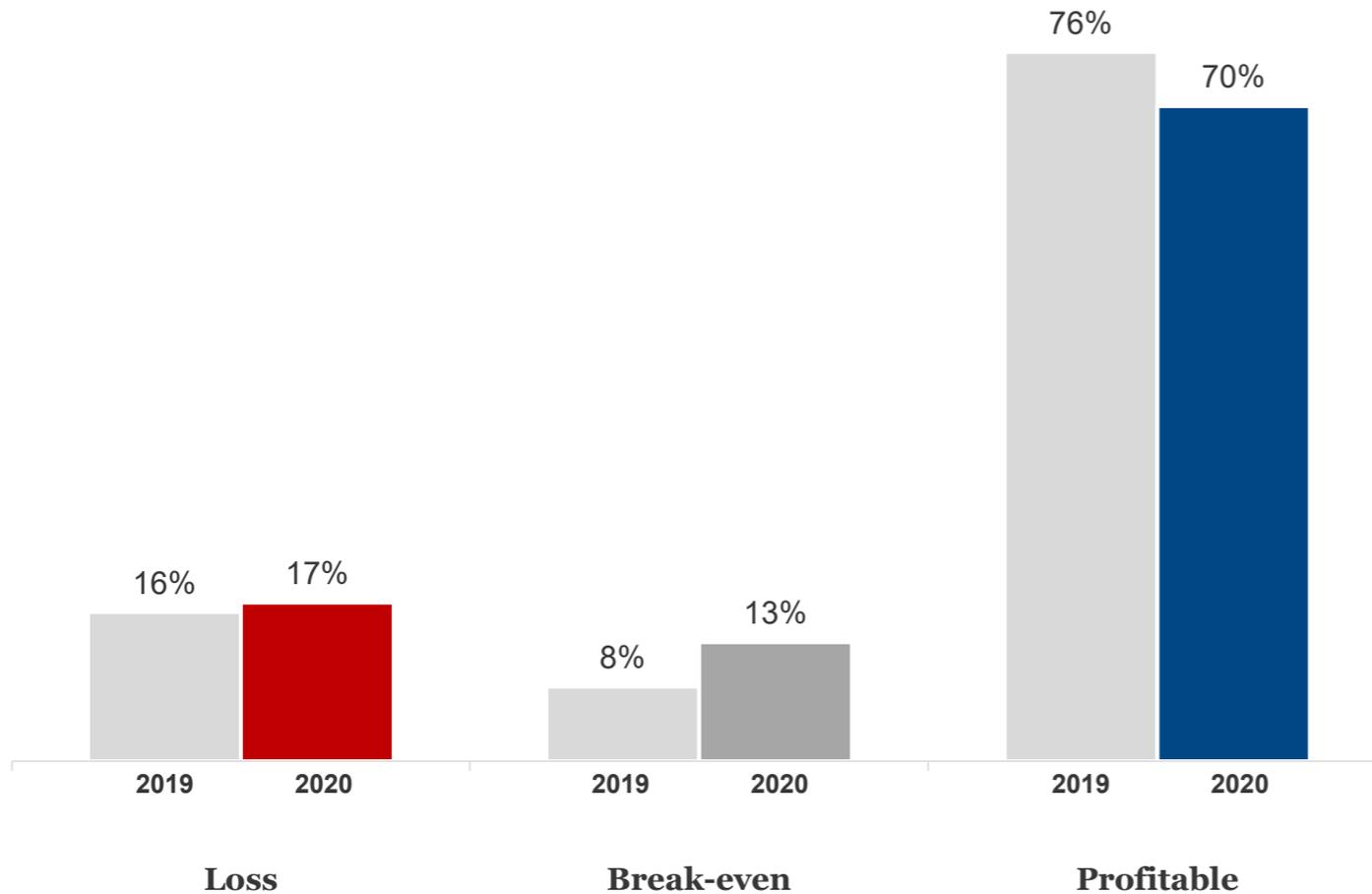
In contrast to last year, most Swedish companies expect turnover growth and increased local investments during 2021



Brazil faced a weaker recession in 2020 than many other markets; forecasted growth for 2021 is between 3-4%

Surprisingly, 70% of companies surveyed were able to maintain profitability in 2020 despite the economic recession brought by the COVID-19 pandemic

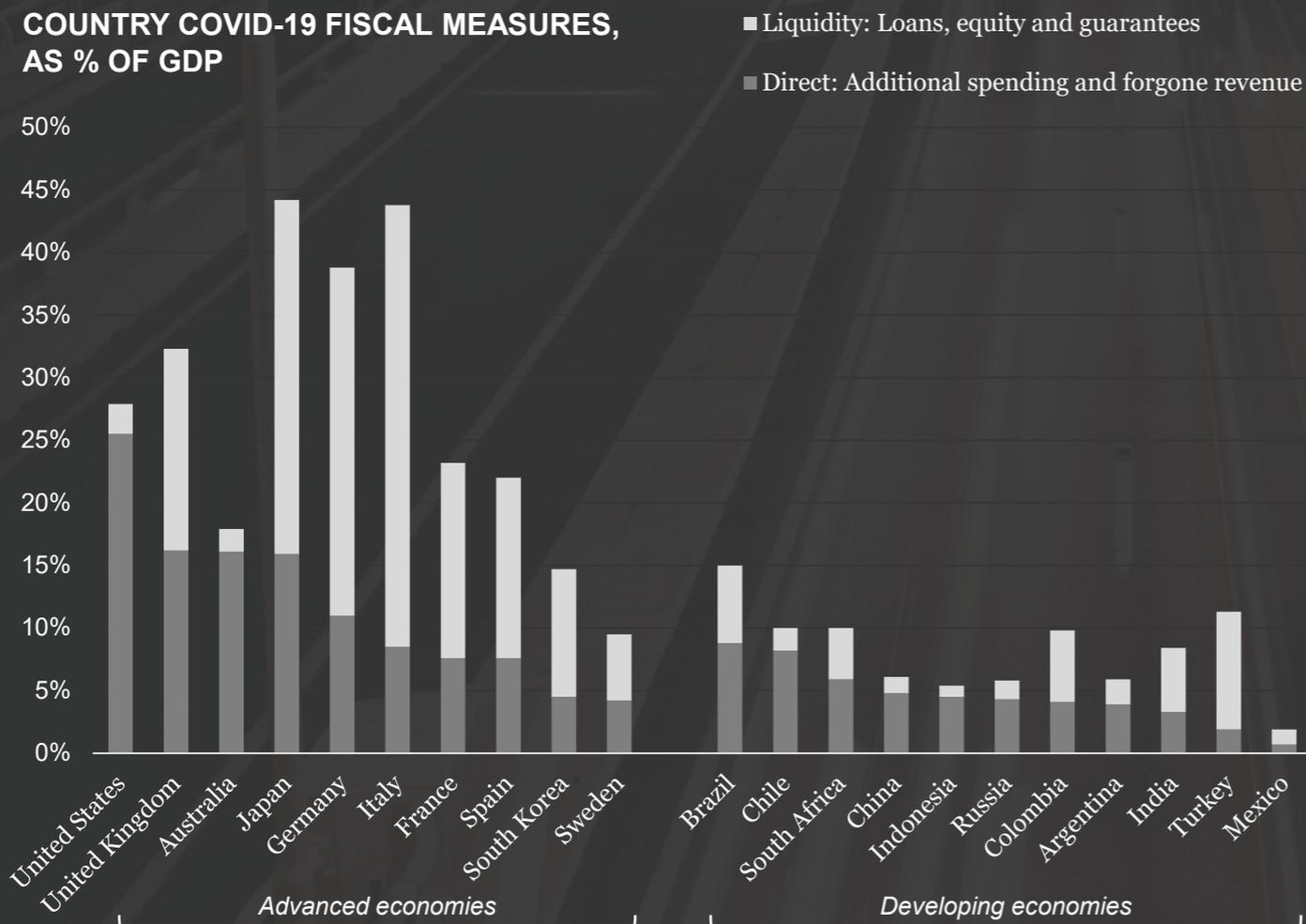
Question 4: How would you describe your company's financial performance in Brazil in 2020?



- Despite a slightly worse performance than during 2019, 70% of Swedish companies ended 2020 with profits in a year with Brazil's GDP contracting -4.1% and many market uncertainties.
- This surprisingly positive result was potentially driven by the competitive advantages of Swedish companies in Brazil such as cost efficiency, sales competence and good local relations (see the next report sections).
- Medium size companies were the most affected with losses in 2020. Mature manufacturers and small service providers were able to keep profitability.
- In general, productivity in Brazil was affected by the pandemic and the imposed social restrictions, as well as by sick leaves granted by employers. A survey conducted by the Getúlio Vargas Foundation in April 2021 found that 34% of companies interviewed had granted sick leaves to employees because of Covid-19. Among industrial firms – which continued to operate through the pandemic –, 42% reported that employees had lost work time because of Covid. For retail firms – more affected by social distancing measures –, the total was 25% and, in the services sector, it was 31%.

A deeper recession in Brazil was prevented by a rather robust economic rescue package, compared to other developing economies and Sweden

COUNTRY COVID-19 FISCAL MEASURES, AS % OF GDP



KEY COMPONENTS OF BRAZIL'S RECOVERY PLAN

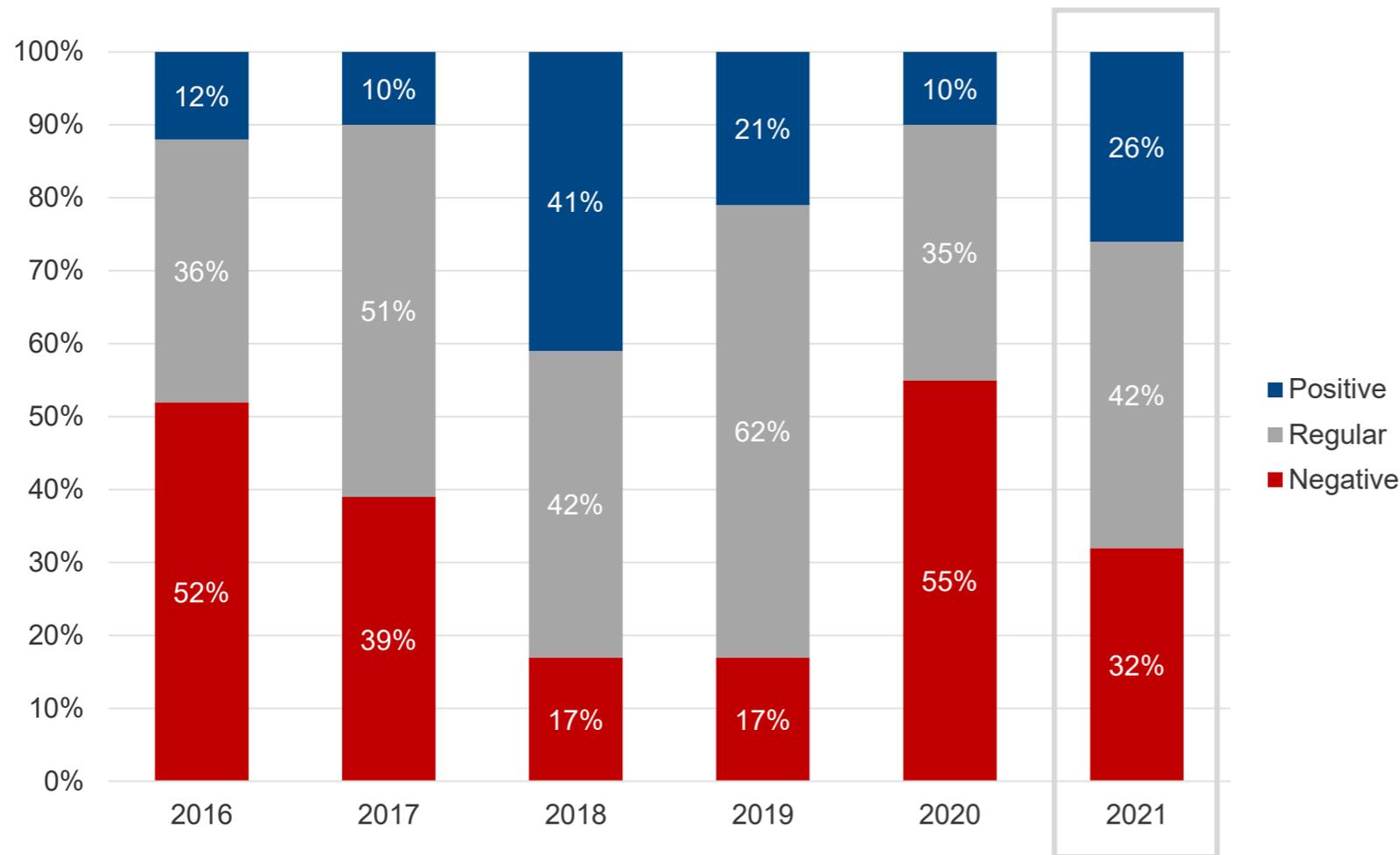
- Total fiscal measures amount to almost **15% of GDP**
- **+300 bn BRL in grants to low-income population** and temporary workers, in monthly installments through 2020, reaching around a third of Brazilians. The benefit was renewed but reduced for 2021.
- **Corporate credit package** of 60 bn USD from public banks (i.e. BNDES) with focus on working capital and advantageous credit lines for SMEs. The credit line was made permanent by the Congress in 2021.
- **Tax deferral** for SMEs, over bank loans and tariffs applicable to medical and Covid-19 treatment related products.
- New **infrastructure investments program** worth 56 bn USD, focused on public-private partnerships.

Source: IMF (chart), Brazilian Ministry of Economy.



Perception over business climate improved in 2021, but Swedish companies are still not very optimistic about the situation in Brazil

Question 5: How do you perceive the current business climate in Brazil?

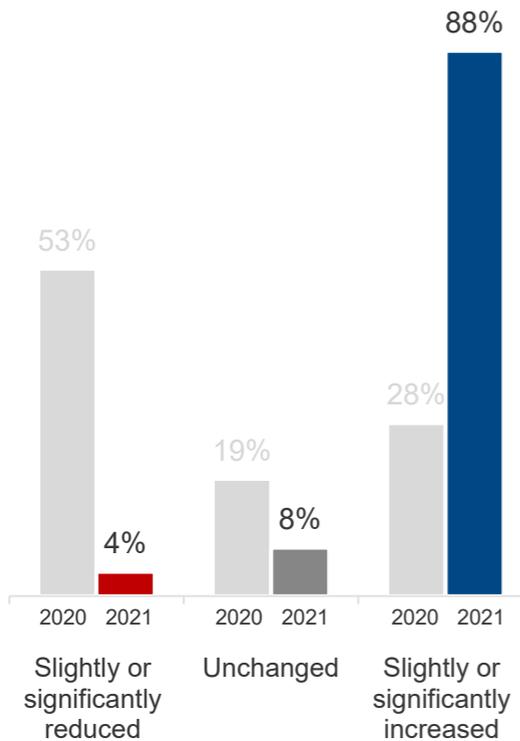


- When companies answered this survey in 2020, the economic recession in Brazil was expected to be way worse, with an IMF forecasted GDP contraction of -9.1% in June. Already in October, this forecast improved to a -5.8%, and Brazil closed the year with an even smaller contraction of -4.1%.
- The GDP of the different economic sectors in Brazil presented divergent results: agriculture (+2%), industry (-3.5%) and services (-4.5%). In fact, commodities exports performed very well in 2020.
- The government stimulus package contributed to a mitigation of the economic impact, but loose social restrictions could not prevent Brazil from reaching the 1st position in the number of deaths per inhabitants due to COVID-19, as of May 2021.
- In 2021, Swedish views on Brazilian business climate were well distributed among positive (26%), regular (42%) and negative (32%).
- This variation is also noticed across company size and age in Brazil. Yet surprisingly, consumer goods companies were all positive about the business climate in Brazil, even with the current hard time for retail.

Despite a moderate perception of Brazil's business climate, most Swedish companies expect increased sales and investments for the next 12 months

Expectations shifted from a pessimistic 2020 view on turnover retraction and reduced investments

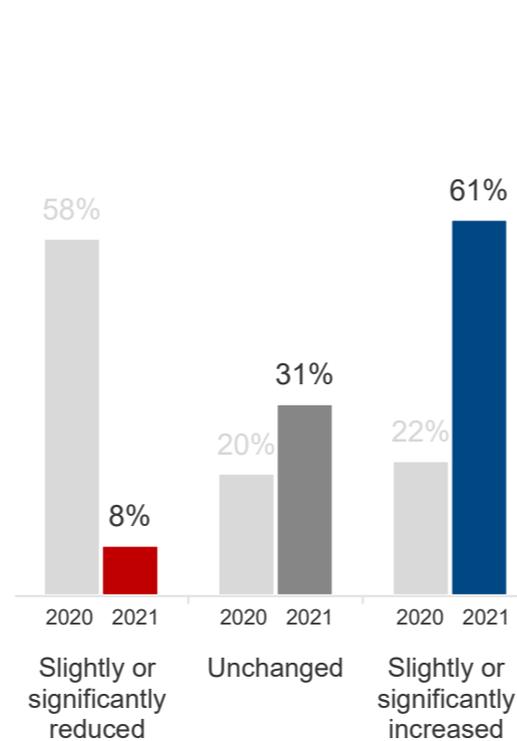
Turnover expected for the next 12 months



Question 6:

Compared to the development in the past 12 months, what are your expectations for the coming 12 months for your industry in Brazil regarding turnover?

Investments expected for the next 12 months



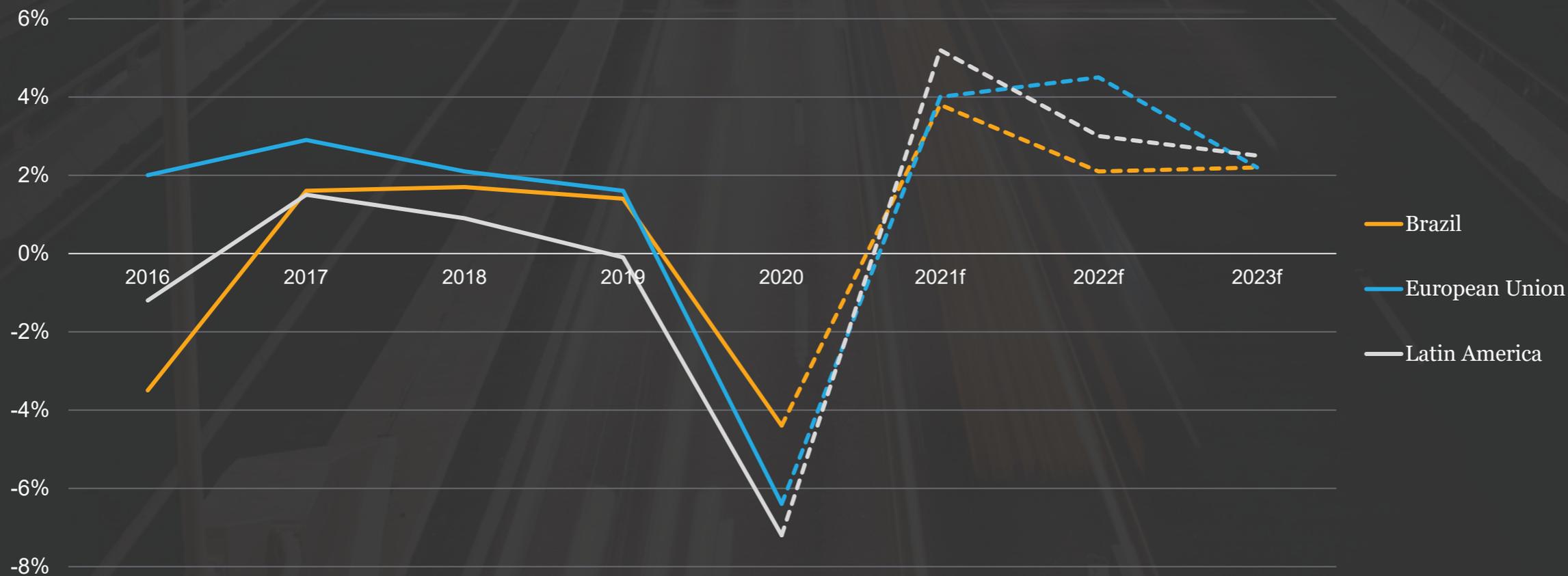
Question 7:

What are your company's investment plans for the coming 12 months in Brazil, compared to the past 12 months? Investments will be...

- This year, 88% of respondents expect at least a slight growth in turnover for the next period against 28% in 2020, which shows a drastic change and some optimism from Swedish companies. Large corporations compose the smaller pessimistic group of respondents.
- The same trend is identified regarding investments, with 61% of companies planning to increase investments in the next 12 months compared to 22% during 2020. Larger companies and Brazilian market newcomers intend to invest the most.
- Among the industries planning to invest in Brazil during the next 12 months are: automotive, industrial equipment, healthcare, consumer products and business services.
- No company responded that it would leave the market.
- Companies will work with the following scenario for 2021:
 - GDP growth between 3-4%
 - Unemployment rate above 14%
 - BRL appreciation by the end of 2021
 - Inflation between 4-5%

The 2020 recession in Brazil was weaker compared to many other countries, but growth forecast for the next years is also lower – around 3.8% for 2021

GDP GROWTH (%) AND FORECAST OF BRAZIL AND SELECTED REGIONS



Brazil dropped positions in the global ranking of largest economies in 2020, but it is still among the top 10 destinations for foreign direct investments

2020 LARGEST GLOBAL ECONOMIES, *bUSD current*

Rank	Country	GDP	Growth y-o-y
= 1	United States	20 933	-3.5%
= 2	China	14 723	+2.3%
= 3	Japan	5 049	-4.8%
= 4	Germany	3 803	-4.9%
▲ 5	United Kingdom	2 711	-9.9%
▼ 6	India	2 709	-8.0%
= 7	France	2 599	-8.2%
= 8	Italy	1 885	-8.9%
▲ 9	Canada	1 643	-5.4%
▲ 10	South Korea	1 631	-1.0%
= 11	Russia	1 474	-3.1%
▼ 12	Brazil	1 434	-4.1%
▲ 26	...Sweden	538	-2.8%

2020 LARGEST GLOBAL ECONOMIES, *bUSD PPP**

Rank	Country	GDP PPP
= 1	China	24 143
= 2	United States	20 933
= 3	India	8 907
= 4	Japan	5 313
= 5	Germany	4 497
= 6	Russia	4 097
= 7	Indonesia	3 302
= 8	Brazil	3 154
▲ 9	France	3 000
▼ 10	United Kingdom	2 960
▲ 11	Turkey	2 546
▼ 12	Italy	2 462
▲ 40	...Sweden	562

2020 LARGEST FDI DESTINATIONS, *mUSD current*

Rank	Country	FDI inflow	Growth y-o-y
▲ 1	China	212 476	14%
▼ 2	United States	177 093	-37%
▲ 3	India	64 351	27%
▲ 4	Luxembourg	62 003	319%
= 5	Germany	35 570	-34%
▼ 6	Ireland	33 349	-59%
▲ 7	Mexico	29 079	-15%
▲ 8	Sweden	26 111	158%
▼ 9	Brazil	24 778	-62%
▲ 10	Israel	24 759	30%
▼ 11	Canada	23 822	-50%
▼ 12	Australia	23 098	-36%
▼ 13	United Kingdom	19 732	-57%

Source: IMF (GDP), OECD (FDI, preliminary)

Note: PPP – Purchasing Power Parity

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Key Takeaways: Brazil Business Climate and Challenges



Swedish companies have great local access to clients, suppliers, service providers and key personnel



Taxes, bureaucracy and political inefficiency represent major challenges for the business climate in Brazil



The pandemic accelerated the digital transformation by Swedish companies, generating efficiency and innovation

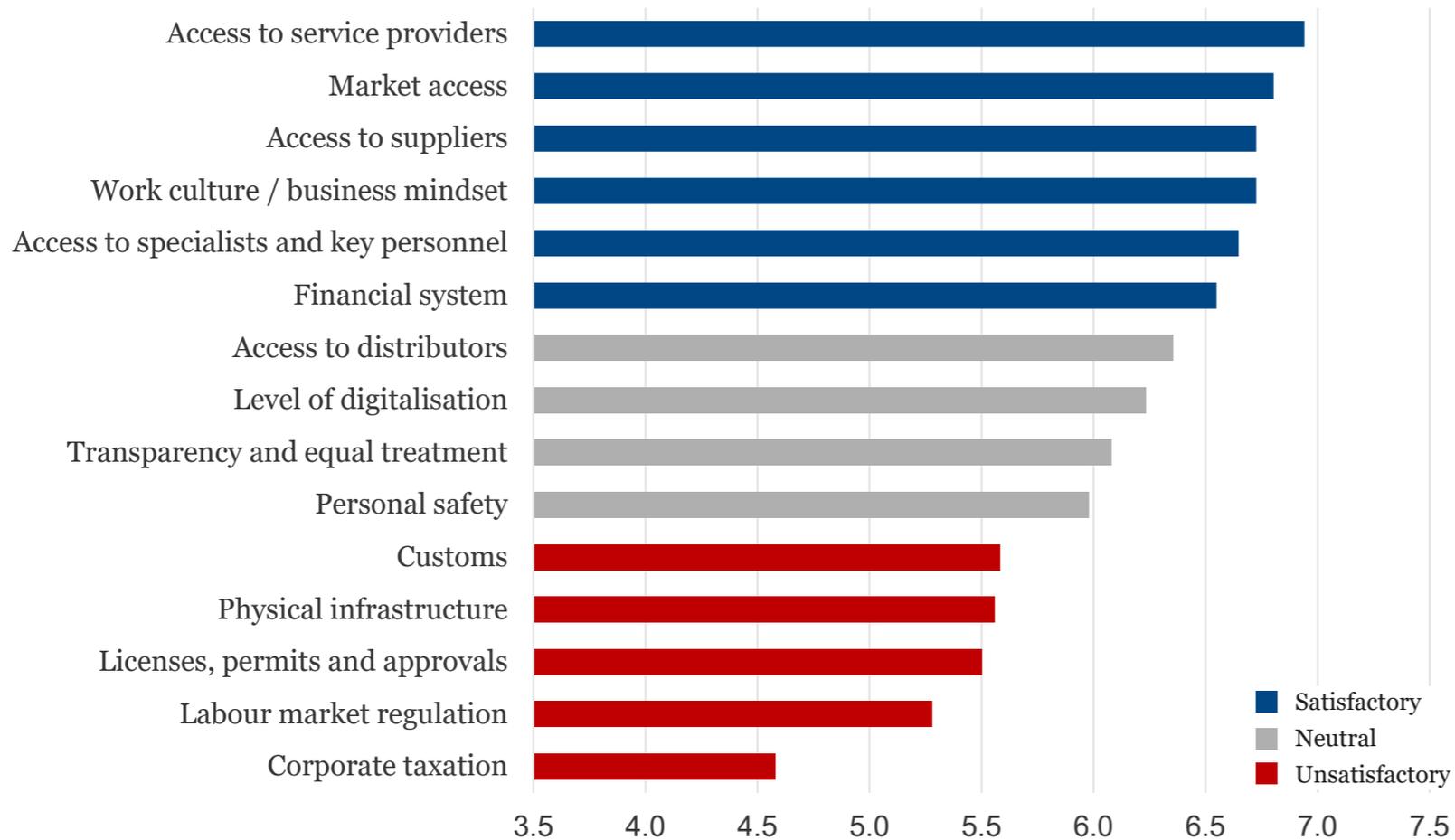


58% of Swedish companies in Brazil confirmed that the EU-Mercosur FTA will help them to grow business



Market access and good B2B environment still represent the greatest advantages when doing business in Brazil...

Question 8: Please rate from 1-9 how the below conditions meet the needs of your company's business in Brazil. (1/2)



- This year's analysis was marked by a general decrease of 0.5 score in almost all category averages, potentially showing a deterioration of Brazil's business climate in 2020.
- Yet, the position of the different categories as advantages and disadvantages in the Brazilian market were very stable. The most remarkable change was the "Financial system", which climbed some positions while "Access to distributors" dropped down.

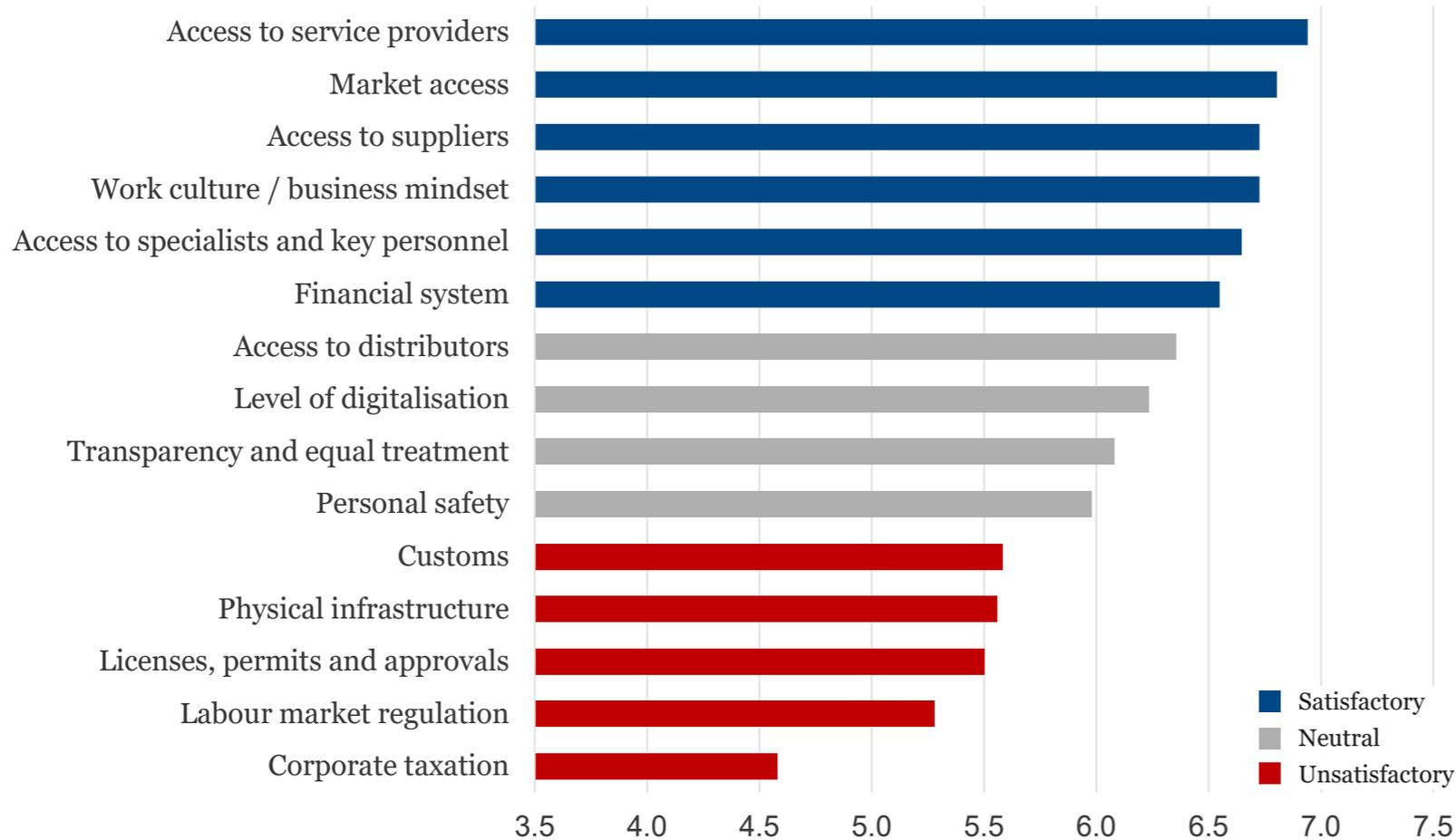
MARKET ACCESS

- "Access" categories still figure as the strongest points in Brazil, including access to service providers, general market and access to specialists and key personnel. For these categories, Swedish companies feel better served.
- Access to distributors dropped two positions since the last survey due to more negative responses from service companies. This could mean that it is more difficult for service providers to find good local partners.



...On the other hand, lacking or over complicated regulation and high taxation levels are still major bottlenecks for Swedish companies

Question 8: Please rate from 1-9 how the below conditions meet the needs of your company's business in Brazil. (2/2)



MARKET CONDITIONS

- “Transparency”, “Level of digitalization” and “Personal safety” got intermediary positions in the rank, as did the “Financial system”, which climbed positions since 2020.
- “Physical infrastructure” is still a major challenge for Swedish companies, considering the low level of investments during the last years. The government’s privatization plans are expected to ramp up the infrastructure market with private capital.

LOCAL RULES AND OPERATIONS

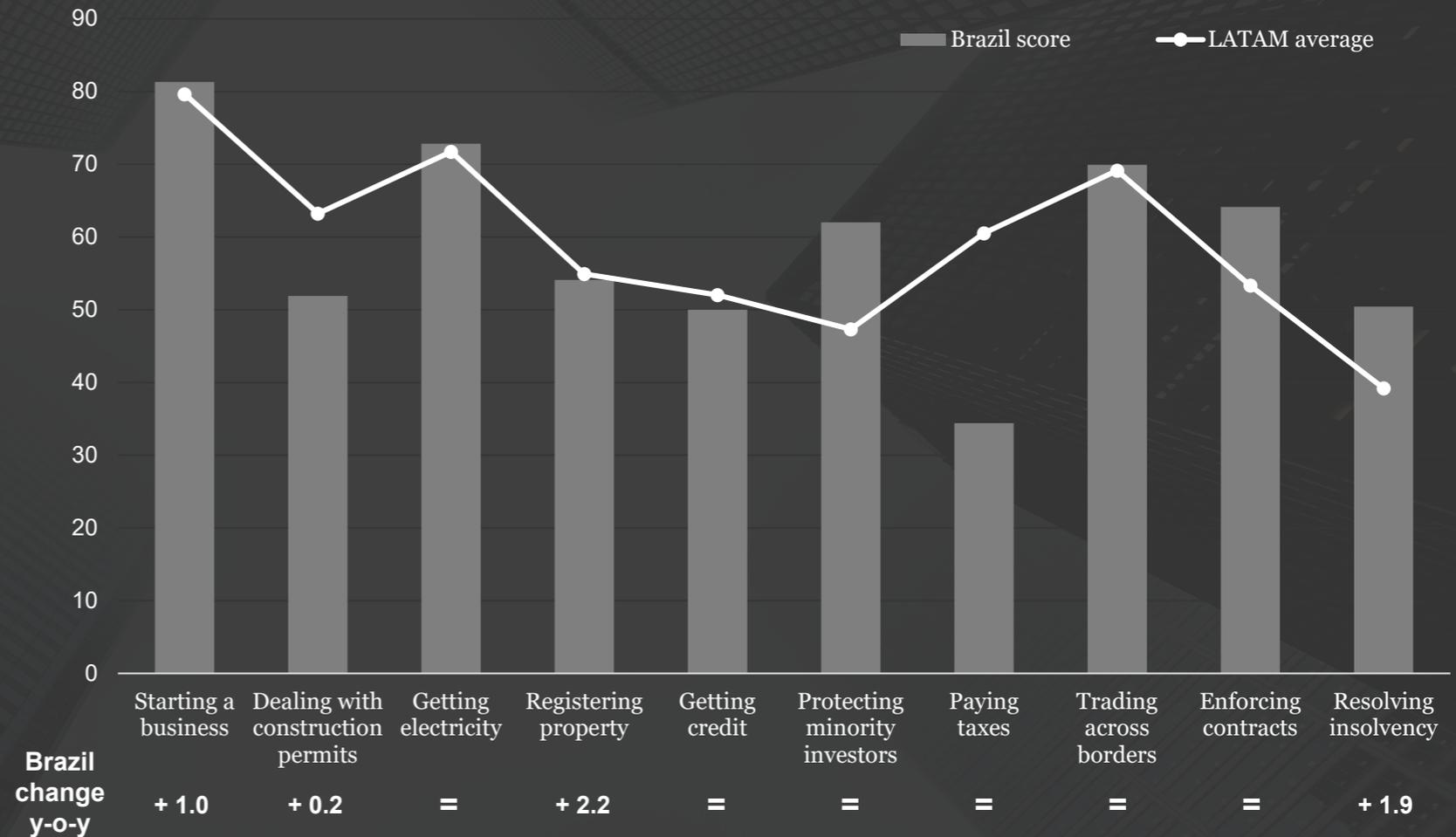
- Local market regulations are still indicated as the main disadvantages when doing business in Brazil, including “Licenses” and the “Labor market regulation”, despite recent developments.
- Taxes are in fact the greatest challenge, as companies wait for a definition on the tax system reform by authorities. Import costs also represent a burden, which could be lifted by the EU-Mercosur FTA.
- Work culture/business mindset was the only operations related topic with a high score in Brazil.

Brazil still lags behind its Latin American peers in regards to tax systems and general bureaucracy, despite recent improvements in business regulations

2020 Ease of Doing Business Rank, selected economies from rank with 190

Rank	Country	Final Score
= 1	 New Zealand	86.8 (+0.2)
= 2	 Singapore	86.2 (+1.0)
▲ 6	 United States	84.0 (+1.2)
▲ 8	 United Kingdom	83.5 (+0.9)
▲ 10	 Sweden	82.0 (+0.7)
▲ 22	 Germany	79.7 (+0.8)
▲ 28	 Russia	78.2 (+0.8)
▲ 31	 China	77.9 (+4.3)
▼ 59	 Chile	72.6 (+0.8)
▲ 63	 India	71.0 (+3.8)
▼ 67	 Colombia	70.1 (+0.9)
▼ 124	 Brazil	59.1 (+0.4)
▼ 126	 Argentina	59.0 (+0.2)

2020 Ease of Doing Business Scores, by category



” ” **Word cloud: Government related topics dominate current challenges faced by Swedish companies in Brazil**

Question 9: Is there anything else you would like to share regarding the business climate in Brazil?

Unemployment
Legal uncertainty
Overdue reforms
Postponed projects
Political instability
Government structure
BRL devaluation
Corruption
Unskilled workforce
Slow vaccination

Managers voices: Companies see many challenges in Brazil's future, but they can still find business opportunities

Government structures hinder economic development



“Brazil is a country with many opportunities to do business, primarily due to its size. But do not expect the country to have emerging market growth. The high number of political parties and high corruption levels will always represent a burden for needed reforms and long-term decisions when planning for the future. I don't believe this will ever change and the country will fall behind other emerging markets every year.”

Resumption of projects in specific industries



“Q1 2021 showed more optimistic than we were expecting, and it seems that the projects within O&G which were suspended last year are now reactivated. However, the increase in the commodities price and lack of raw materials has a potential to impact the 2021 growth forecast. Also, the political climate is still not favorable to accelerate growth in Brazil.”

Creativity and flexibility are required



“Brazil has many business opportunities, but it is not simple to thrive in this market. The localization of production is essential to avoid the impact of exchange rate variations. Creativity in the commercial area to know how to take advantage of upcoming opportunities is a differential.”

Lack of tech-skilled workforce



“Despite the many mistakes of the government, Brazil is a great country for doing business. Yet, there is a need of good people. Unfortunately, the competence in technology is proportionally lower and some companies will take people and remote deliveries from countries like Mexico and India.”

” ” **Word cloud: Most of the recent opportunities identified by the companies is concerning digitalization and the transformation of internal processes**

Question 10: What opportunities has the pandemic brought to your business? If any? (E.g., new infrastructure projects, change in consumption, development of new products/services/quality, market expansion/new segment approached etc)



Managers voices: Despite a difficult year for companies, 2020 introduced business transformations and even provided growth in specific segments

New ways of working



“Remote work is an opportunity to be more efficient, lower costs, save time and emissions from daily transport to office spaces. Others: E-learning, E-market, promotion of remote operations and automation.”



“We reinforced our vision to save more lives and show it in good real examples around the world. Business is important, but our people are way more. By caring for the people, we keep the business strong, healthy and sustainable for the future.”

Opportunities in growing segments



“Absolutely, new infrastructure projects in Data Centers and the coming 5G.”

“Government relationship strengthened, the market expanded and innovation in the healthcare system grew.”

“Residential construction market is growing fast as more people are spending more time at home.”

“Commodities prices are increasing, driving a new investment cycle.”

Change in customer behavior



“The biopharma and healthcare segments experienced a substantial growth with the pandemic. More stringent requirements in industrial processing, throughput increase, expansions and new projects brought up demand for equipment and consumable products.”

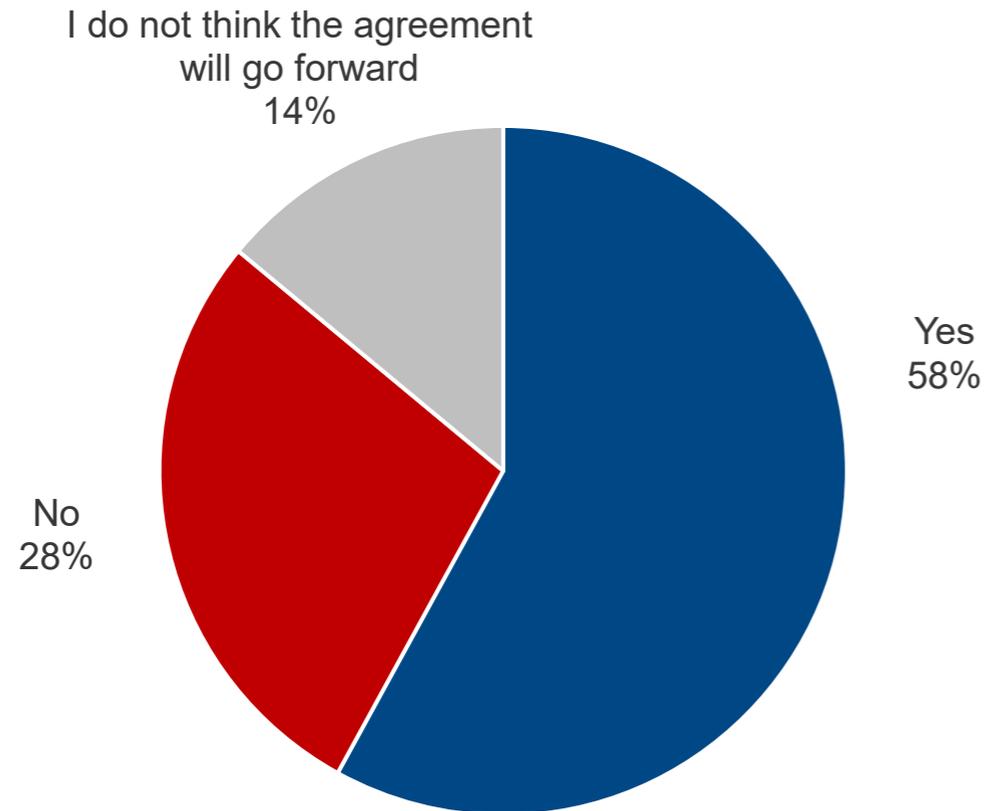


“More consumption at home, more awareness about food safety, more concern about health properties in the formulations, more concern about quality in general and more concern with the planet in general.”



More than half of Swedish companies in Brazil will benefit from the Mercosur-EU Free Trade Agreement signed in 2019

Question 11: Would the EU-Mercosur agreement, once implemented, help to grow your business in Brazil and the region?



- 58% of respondents are in favor of the FTA signed in 2019 by Mercosur and the European Union after decades of negotiation. Not only Swedish subsidiaries conducting sales expect to grow business, but also companies manufacturing locally.
- The trade agreement will facilitate trade between Europe and the Mercosur bloc, comprised by Brazil, Argentina, Paraguay and Uruguay (Venezuela is suspended, Bolivia in the process of accession and Chile, Colombia, Ecuador, Guyana, Peru and Suriname are associate countries). That includes the acquisition of European technology by manufacturers in Brazil – including Swedish – which could have a positive impact on local production.
- Still, many companies do not see that this deal will support their business, potentially by a new competition threat from European players.
- Other respondents do not believe in the final ratification of the agreement, considering the opposition by Europe and environmental risk claims, besides the slow development of this topic since its start 20 years ago.

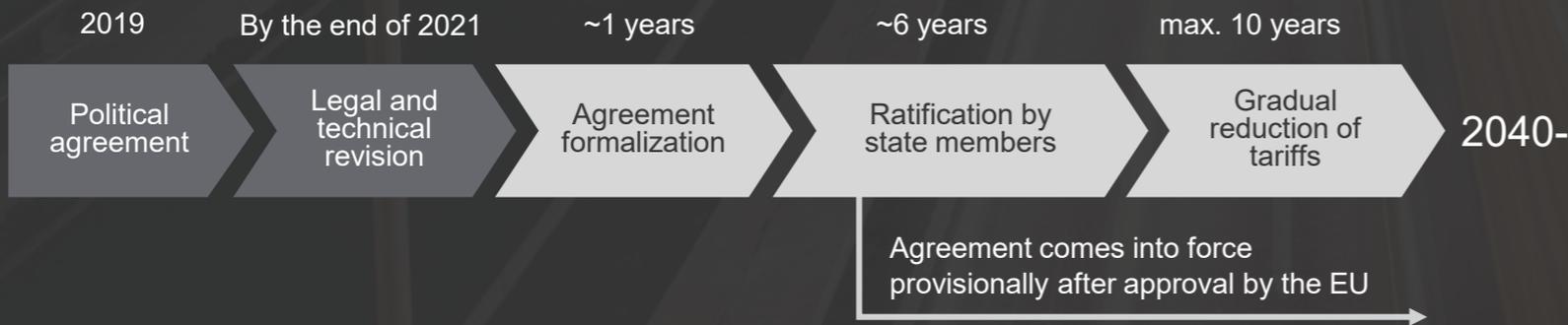
EU-Mercosur Free Trade Agreement

Now: tariffs range from **0%** to **35%** for EU products

FTA: 91% of EU export volume (91% of tariff lines) to Mercosur will have **0%** tariff.

– Safeguards: agriculture and food products.

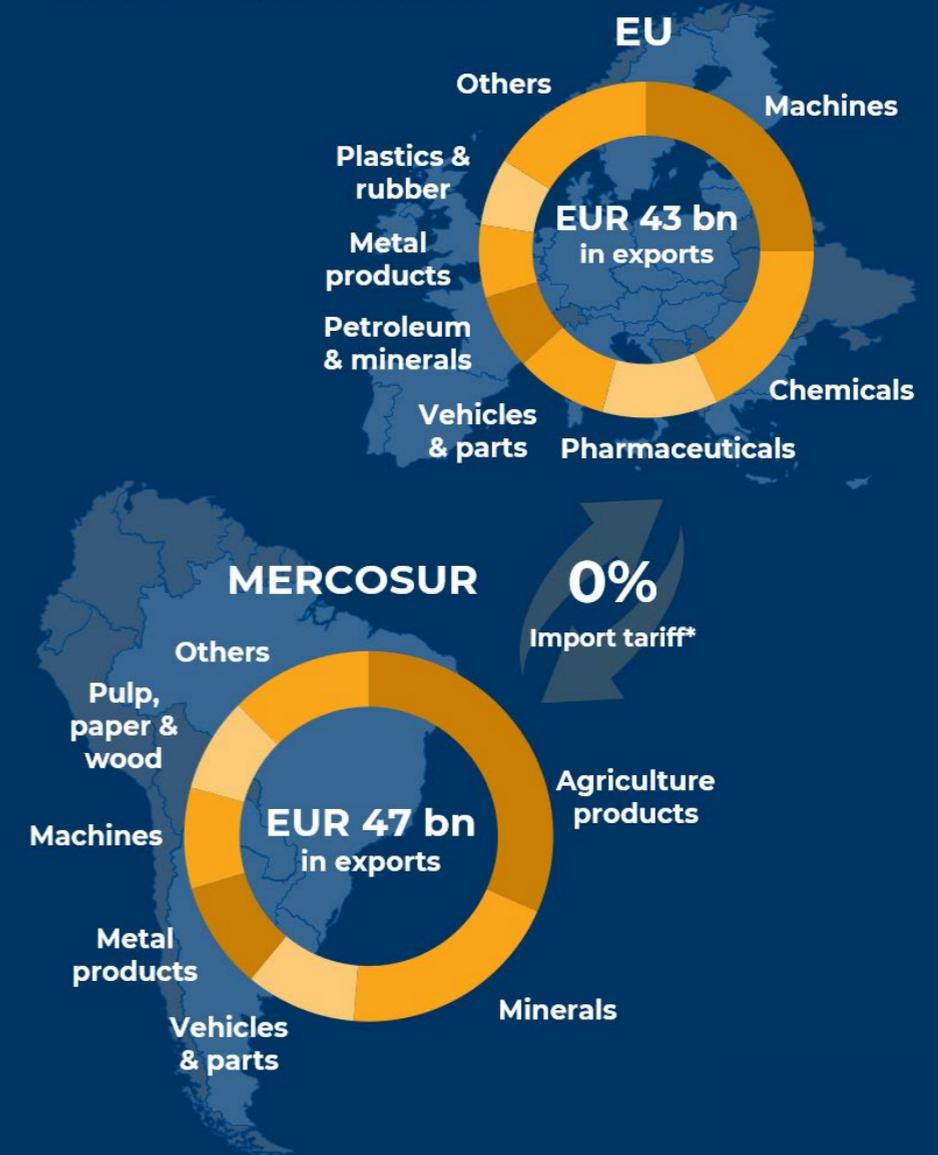
Status and timeline:



Who the agreement will affect:

1. Swedish companies exporting or planning to export to Mercosur members
2. Companies sourcing from Mercosur members
3. Swedish companies with local establishment or expansion plans in South America
4. Service providers and investors

THE EU-MERCOSUR FREE TRADE AGREEMENT



*In more than 90% of products

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Key Takeaways: How Swedish Companies Succeed in Brazil



51% of participants maintain local manufacturing or assembly; 24% perform Research & Development



Being marketed as a Swedish company contributes to the success of 3 out of 4 surveyed companies



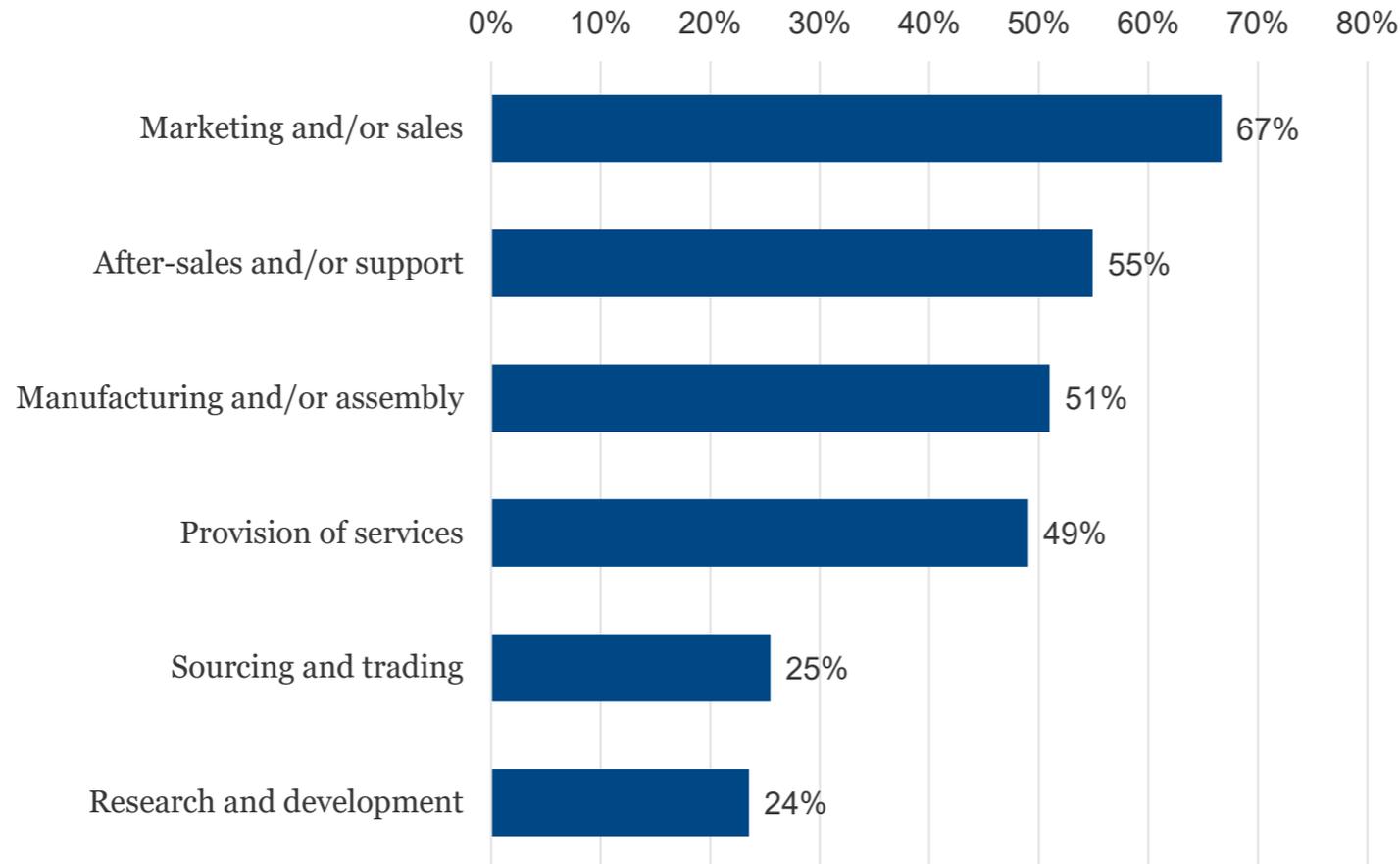
Cost efficiency, sales competence and local relations guarantee Swedish competitiveness in Brazil



The pandemic transformed Swedish companies, who will reduce business travels and keep partial home office

Half of Swedish companies surveyed have production in Brazil, and another half offer specialized services to local customers

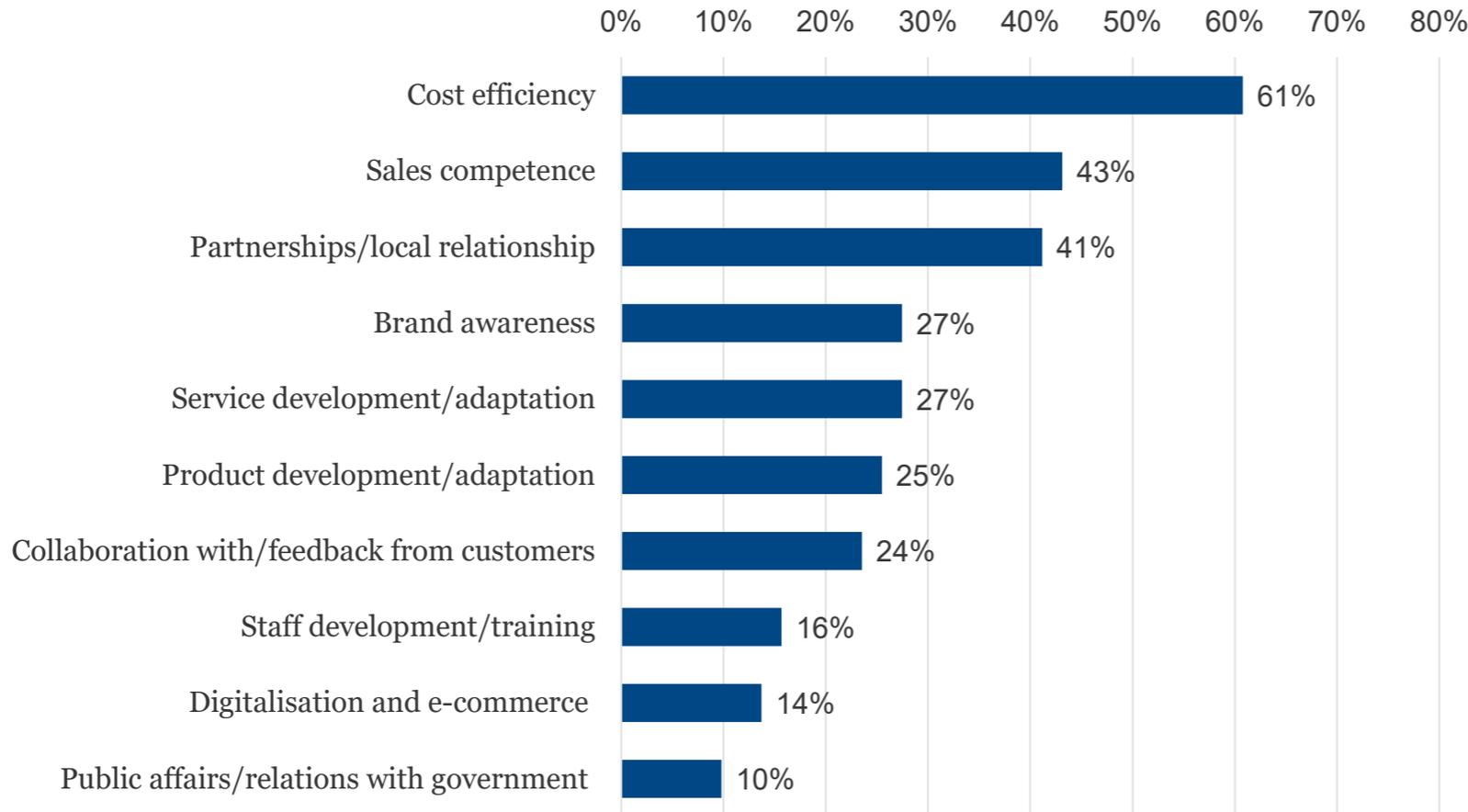
Question 12: What operations do you carry out in Brazil?



- The change in profile of respondents for this year's survey caused a decrease of focus on sales and after-sales – traditionally connected to industrial companies – and an increase in sourcing and trading due to business service participants.
- Still, comparing the number of companies manufacturing/assembling in Brazil (51%) and the ones conducting sales activities (67%), it is clear that Swedish companies still bet on local production as a main strategy to access the Brazilian market.
- Swedish companies are also intensive in their services and after-sales operations in the country.
- As expected, larger and mature companies in Brazil run most of the local production, although medium-sized companies also have local industrial plants. Newcomers and smaller companies have an increased focus on services.
- R&D is conducted by larger businesses established in Brazil since a long time, including equipment manufacturers and healthcare labs.

💡 This time around, Swedish companies added local relations to cost efficiency and sales competence as key competitive advantages in Brazil

Question 13: To date, which of the following areas have been important in maintaining competitiveness in Brazil?



↑ Increased relevance since last survey

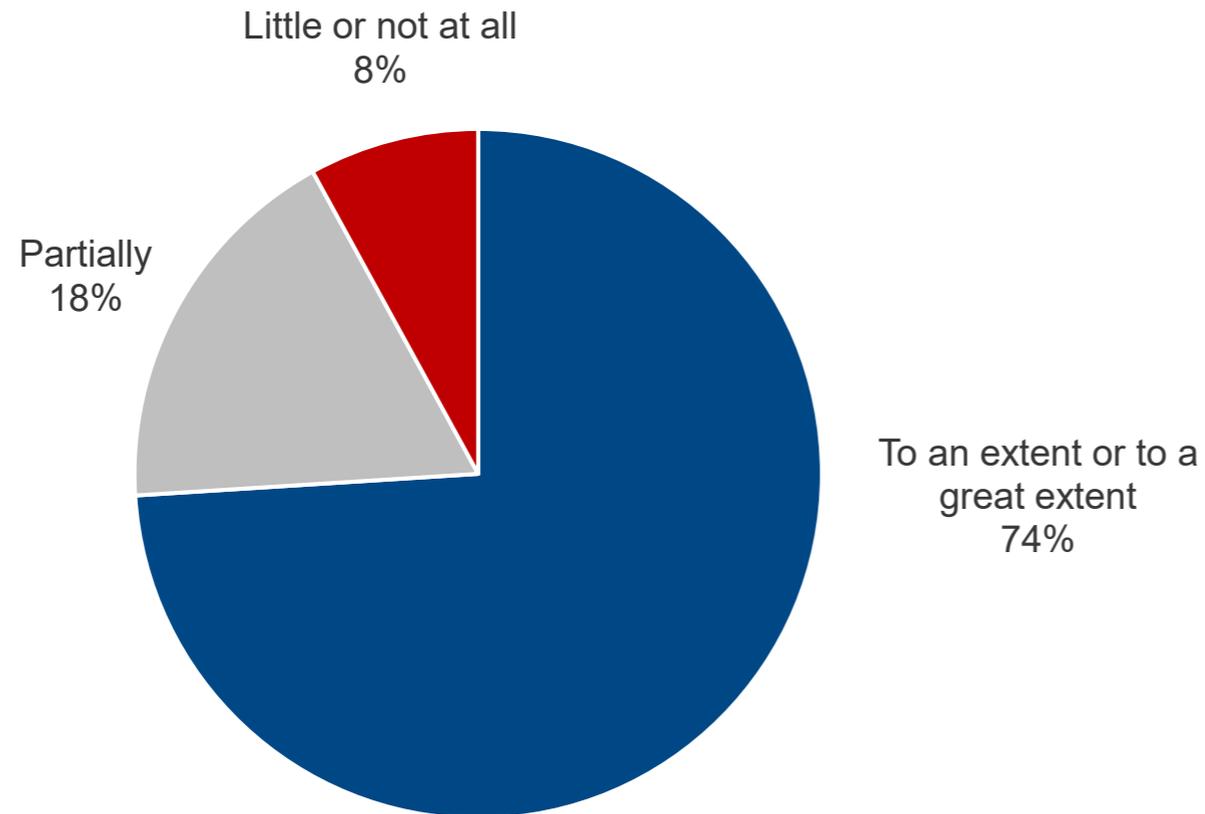
- Cost efficiency grew in relevance, and it is still the main competitive advantage of Swedish businesses.
- Local relations and partners are now more relevant to respondents, mainly for companies established after 2000.
- Digitalization and government relations, although the least mentioned areas, multiplied their results in 2021. Large and medium companies seem to be increasingly engaging with public stakeholders as well as with the digital transformation.

↓ Decreased relevance since last survey

- Product development and staff training appeared as less relevant for Swedish companies, with the latter dropping its score by half. This may be an effect of less industrial respondents this year.
- External activities such as collaboration with customers and brand awareness also lost percentage points from last year, although branding is still one of the main advantages in Brazil alongside service development/adaptation.

The “Swedish brand” has at least a partial impact on the business of more than 90% of companies in Brazil

Question 14: To what extent would you estimate that the "Swedish brand" contributes to your business in Brazil?



- Results are similar to the last year’s survey, however with a slight decrease of 2% among the companies which feel that the “Swedish brand” does in fact contribute to sales.
- A connection between Sweden and the company seems to help large and medium corporations more than smaller ones.
- Swedish newcomers in Brazil, primarily digital/services related companies, seem to benefit less from a “Swedish brand” marketing

” ” **Word cloud: Companies will keep home office and reduced traveling after the pandemic, while investing in digitalization and local supply chains**

Question 15: Which of the changes made within your company due to the pandemic do you think will stay also after the pandemic?



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Key Takeaways: Acting sustainably



Cost sensitivity prevents a higher demand of environmentally sustainable products by Brazilian customers



Relatively, human rights violations are expected to be less frequent in the Brazilian business environment



Most Swedish companies in Brazil still have less than 30% of the management team composed by women



Corruption is expected to continue to affect Swedish business in Brazil, but only to a certain extent

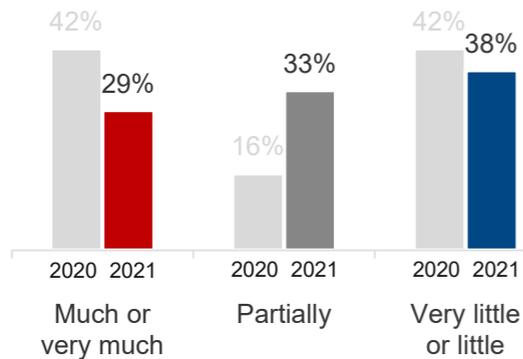


Swedish companies maintain a stable but rather negative perspective on corruption and environmental awareness in Brazil

Yet with slight aggravation, human rights violations are not expected to affect the business of most of the respondents

Corruption impact

- 2020 Corruption Perceptions Rank 94th/180 (improved 12 positions since last year)
- Swedish companies' perception is stable, with slight improvement on more severe corruption risks

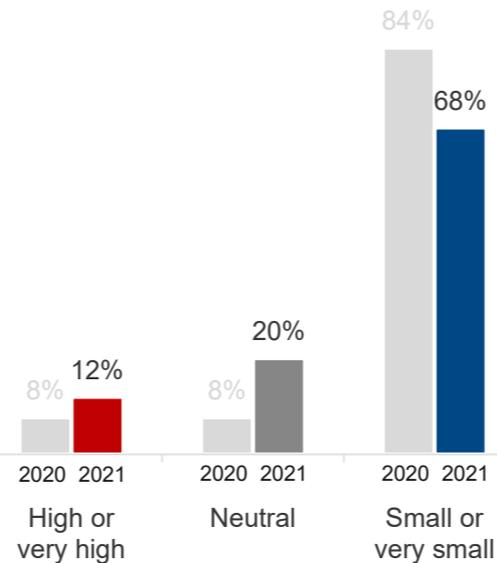


Question 16:

To what extent do you perceive that **corruption** in Brazil affects your business?

Human rights violations

- Slight deterioration of the protection of human rights according to companies this year
- Long established companies perceive a higher risk of human rights violations in Brazil than last year

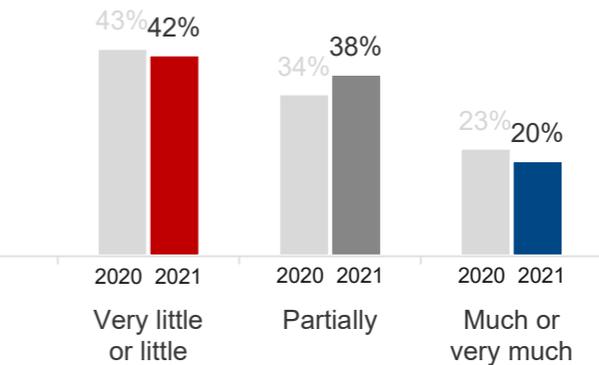


Question 17:

How do you perceive the risk of encountering **human rights violations and/or labour rights abuses** when conducting business in Brazil?

Environmental awareness

- Very stable view on lack of environmental awareness by local customers
- Companies with experience in Brazil see a stronger environmental trend than newcomers



Question 18:

To what extent do customers in your industry in Brazil consider **environmental aspects** of a product or service in their purchasing decision?

...yet, Brazil performs better than many emerging economies in global sustainability rankings, including environment related topics

2020 CORRUPTION PERCEPTIONS INDEX, selected economies

Rank	Country	Score (0 to 100)
= 1	Denmark	88
▲ 3	Sweden	85
= 9	Germany	80
▲ 11	United Kingdom	77
▲ 25	Chile	67
▼ 25	United States	67
▲ 78	China	42
▼ 86	India	40
▲ 86	Turkey	40
▲ 92	Colombia	39
▲ 94	Brazil	38
▼ 102	Indonesia	37
▲ 124	Mexico	31
▲ 129	Russia	30

2019 POLITICAL STABILITY AND ABSENCE OF VIOLENCE/TERRORISM, selected economies

Rank	Country	Score (2.5 to -2.5)
= 1	Greenland	1.90
▲ 29	Sweden	1.05
▲ 71	Germany	0.58
▲ 77	United Kingdom	0.52
▼ 90	United States	0.30
▼ 96	Chile	0.21
▲ 131	China	-0.24
▲ 152	Indonesia	-0.48
▼ 157	Russia	-0.54
▼ 159	Brazil	-0.55
▲ 166	India	-0.70
▼ 167	Mexico	-0.71
▼ 178	Colombia	-0.90
▼ 190	Turkey	-1.34

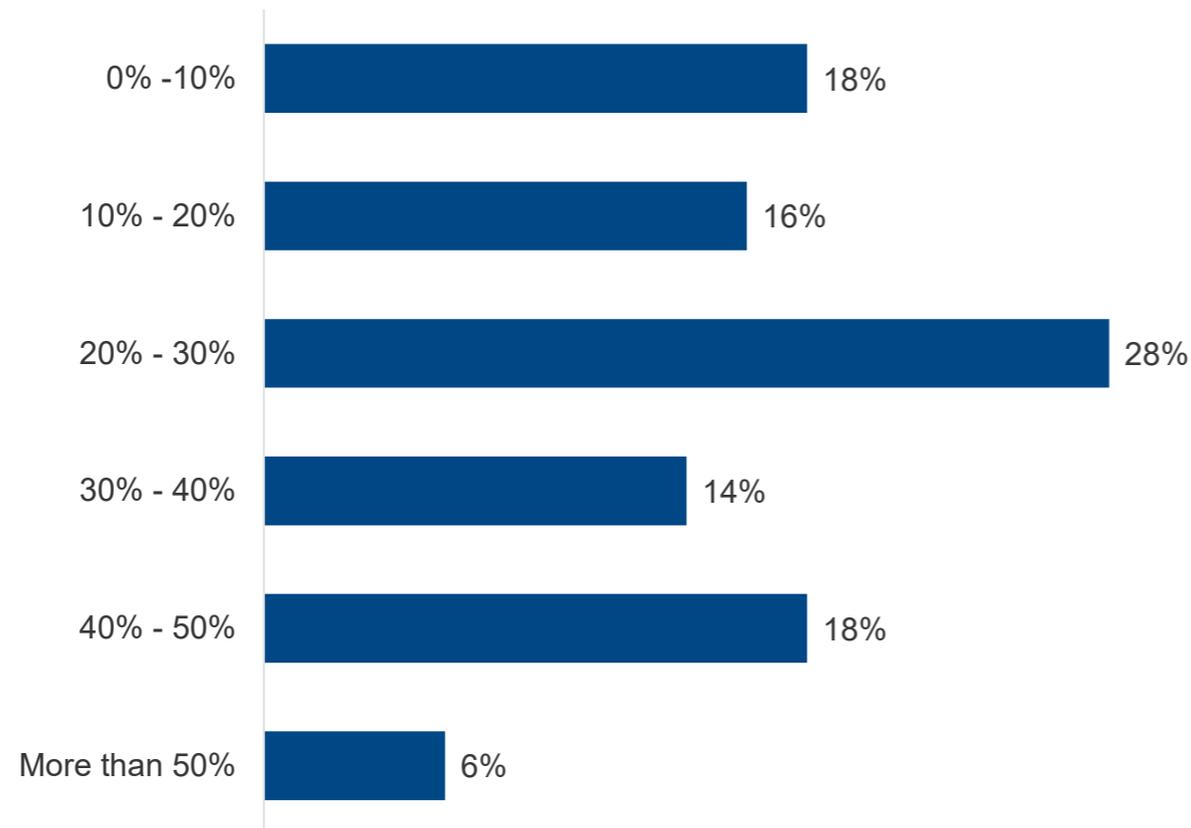
2020 ENVIRONMENTAL PERFORMANCE INDEX, selected economies

Rank	Country	Score (0 to 100)
▲ 1	Denmark	82.5
▲ 4	United Kingdom	81.3
▼ 8	Sweden	78.7
▲ 10	Germany	77.2
▲ 24	United States	69.3
▲ 44	Chile	55.3
▼ 50	Colombia	52.9
▲ 51	Mexico	52.6
▲ 55	Brazil	51.2
▼ 58	Russia	50.5
▲ 99	Turkey	42.6
▲ 116	Indonesia	37.8
= 120	China	37.3
▲ 168	India	27.6

Source: in order Transparency International, World Bank, Yale University.

♀ The majority of Swedish companies in Brazil have less than 30% of its management team composed of women

Question 19: What share of women are there in your management team locally?



- Female participation in the management team of subsidiaries in Brazil is still shy compared to Swedish figures. Around 62% of respondents don't reach a third of their teams composed by female executives.
- A quarter of Swedish companies in Brazil have a large female team composing of more than 40% of the management team. These are found across industries and company sizes.
- 6% of respondents have management teams in which women are majority over men.
- According to the Brazilian Ministry of Economy, women represent 42% of managerial positions and 14% of director positions in Brazil. In comparison, Swedish companies in Brazil score lower than the country average.

Managers voices: There is a lot to do on customer awareness, governmental action and corporate responsibility for a sustainable future in Brazil

Action by Brazilian public authorities has yet to contribute to a more favorable scenario for sustainable transformation

“Initiatives worldwide have been primarily driven by strong local government regulations (enforcing best environmental practices) as well as government incentives to environmental-friendly products (i.e. HEV, PHV, etc). While Brazil has a comprehensive environmental regulatory act, it lacks credibility due to lack of enforcement, making room for an inconsistent drive towards sustainable business practices. The absence of a clear environmental agenda does not make room for the private sector to plan investments or reconcile technology development with subsidy opportunities.”

The cost sensitivity in Brazil still drives the market, hindering large investments in sustainability that add to the price

“Focus is much more on price. We have global products with environmentally superior results, but they are more expensive. In Brazil we have not been able to implement them yet. I see a potential for global customers with presence in Brazil in adapting first to more environmental products, which will not start with local players.”

Some companies see that sustainability change can start with the private sector, beyond customer awareness or governmental action

“For the mining industry, there are several actions regarding CO₂ emissions. Some responsible mining companies control environmental care, business ethics and compliance in general in a very good way. Now when talking about gender diversity, we all need to take several actions to solve the gender bias within the industry and develop female talent for mining applications (in our case, female service technicians).”

Business Climate Survey Brazil 2021

- Swedish Business in Brazil
- Economic Outlook
- Brazil Business Climate and Challenges
- How Swedish Companies Succeed in Brazil
- Acting Sustainably
- **Appendix: Privatizations program and regulatory updates**

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“Pró-Brasil” relaunches more than 150 projects from the government’s privatizations program, expecting more than 230 billion BRL in investments

Main public-private projects from PPI



Segments

- Airports
- Bridges
- Energy
- Oil & gas
- Parks
- Ports
- Railway
- Roads
- Telecom
- Urbanization
- Urban mobility

Projects, by timeline	State	Investments, billion BRL	Project phase or expected timeline
Terminal leasing Aratu ATU12/18	BA	0,4	Bid concluded Dec 2020 ✓
Offshore fields – ANP Cycle 2020	various	-	Bid concluded Dec 2020 ✓
Transmission auction 01/2020	various	7,4	Bid concluded Dec 2020 ✓
EF-334 FIOLE concession	BA	3,3	Bid concluded Apr 2021 ✓
22 Airport concessions (6 th round)	various	6,7	Bid concluded Apr 2021 ✓
Terminal leasing Itaqui IQI03/11/12/13	MA	0,6	Bid concluded Apr 2021 ✓
Generation auction A-4 e A-3/2021	various	-	Bid in Jun 2021
BR-163/230 Sinop-Miritituba	MT/PA	1,9	Bid in Jul 2021
Generation auction A-5 e A-6/2021	various	-	Bid in Sep 2021
BR-318/262	ES/MG	7,7	Bid notice 3T 2021
EF-170 Ferrogrão	MT/PA	21,5	Bid notice 3T 2021
PPP Aeronautics telecom - COMAER	various	1,5	Bid notice 3T 2021
BR-116/101 Dutra - New concession	SP/RJ	15,0	Bid notice 3T 2021
Terminal leasing Santos STS08A	SP	1,2	Bid notice 3T 2021
Privatization of Codesa Port	ES	2,2	Bid notice 3T 2021
Reauction Natal airport	RN	-	Bid notice 3T 2021
Offshore fields - 17 th concession round	RJ/SP/RS/RN	-	Bid notice 3T 2021
Offshore fields – “Partilha” regime	SP	-	Bid notice 3T/4T 2021
Reauction Viracopos airport	SP	-	Bid notice 4T 2021
Concessions of 7 230 km – 15 tracks	various	53,6	Bid notice 2T 2022
BR-040/DF/GO/MG concession	DF/GO/MG	7,4	Bid notice 3T 2022
BR-135/316/MA concession	MA	-	Bid notice 3T 2022
Privatization of Eletrobras	various	-	Government discussion
BR-470/282/153 and SC-412	SC	8,0	Feasibility studies
EF-354 railway concession	GO/MT	2,7	Feasibility study
Privatization of Santos Port	SP	1,5	Feasibility study
EF-277 Ferroeste privatization	PR	-	Initial phase
5G telecom bid	various	-	Initial phase

Source: PPI program

The federal government is betting on regulatory change to attract investments and accelerate infrastructure development

Reference	Regulation	Value for businesses	Next legislative step				Federal Decree
			Evaluation at Chamber	Voting at Chamber	Evaluation at Senate	Voting at Senate	
<i>n/a</i>	Sanitation Framework (regulation)	Regulation of mechanisms to ensure the expansion of the system by utility providers, as established by the Sanitation Framework					
PLC 8/13	Free Flow Toll System	Implementation of the “free flow” model of flexible toll charging by road concessions					
PLS 261/18	Rail Legal Framework	Regulation of the railway system and the role of private entities in rail expansion					
PL 1.292/95	New Tender Law	Reforms including tender models, limits for tender dismissal and other rules					
PLS 232/16	Electric Sector Reform	New rules for public hiring of power generation and the regulation of power trade					
PL 6.407/13	Natural Gas Legal Framework	Creation of a new gas market, with entry of private distributors and increased competition					
PL 3.178/19	Oil Sector Reform	End of obligation of “sharing regime” with Petrobras in pre-salt oil field auctions					
PL 7.063/17	General Law of Concessions and PPPs	Updated framework for new infrastructure projects operated by companies					
PL 4.199/20	“Sea Road” (BR do Mar)	Incentives to coasting maritime transport (cabotage)					
PL 6.093/19	DT-e	Creation of the “transportation unified electronic document” to simplify freight bureaucracy					
PL 2.646/20	Debenture Law	Expansion of the use of debentures for the financing of public infrastructure projects					

Source: Senado Federal, Câmara dos Deputados, Valor

Note: Law Projects not necessarily follow the same legislative process. Projects can be sent from the Senate back to the Chamber for re-evaluation.

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