



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN BRAZIL 2022

A REPORT FROM TEAM SWEDEN IN BRAZIL

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FOREWORD

Swedish companies have been present in Brazil for more than a hundred years. And even though Brazil can be a challenging market at times, new Swedish companies keep on setting up operations in the country while long-established corporations continue to invest. Employing around 40 000 people, these companies are active in sectors such as telecom, transport, machinery, defense, healthcare, mining, services and more.

This year's report is the third edition within a global collaboration between Business Sweden and the Swedish international chambers of commerce. A collaboration which in 2022 facilitated for a global comparison of 22 markets from all over the globe, in addition to the local market results from Swedish enterprises in Brazil.

The objective of this report is to provide market insights as well as a better understanding of how the current business climate in Brazil is perceived by leading Swedish companies. This report will serve as a comparison tool for Swedish companies with plans to further invest in their current business or expand into new markets.

This year, the Business Climate Survey Brazil collected answers from 53 Swedish companies in Brazil, across various sizes and industries, reaching a similar level of responses from previous years. The survey was performed between April seventh and 27th.

Team Sweden in Brazil, consisting of 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 partners help to better position and grow Sweden in Brazil through various activities and programs, out of which the execution of the annual Business Climate Survey is one good example.



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EXECUTIVE SUMMARY

ECONOMIC OUTLOOK

- 77 per cent of Swedish companies were profitable in 2021, while only six per cent presented losses – a better result than in the previous year
- Brazil grew 4.6 per cent in 2021 following the global rebound trend; however, the forecasted growth for 2022 is of around one per cent only
- Swedish companies expecting to grow in 2022 are fewer (77 per cent), but the ones expecting to invest are now more (71 per cent)
- Swedish companies are optimistic about the business climate in Brazil (45 per cent), the most positive result in the series, driven mainly by the Covid-19 pandemic deceleration

THE MARKET

- More than half of respondents were established in Brazil prior to 2000, and some for more than a century
- The great majority of respondents have more than 1 000 employees globally, with varying sizes of operations in Brazil – 38 per cent have 250 or more local employees
- Many Swedish companies in Brazil belong to industries such as automotive, machinery and healthcare, besides business services
- Companies have great local access to clients, suppliers, distributors and service providers, in a good business culture environment
- Corporate taxes and the regulatory burden – “Brazil cost” – remain as the main challenges for business in the country

HOW SWEDISH COMPANIES SUCCEED IN BRAZIL

- Half of Swedish companies surveyed have production in Brazil, and almost a third drives R&D activities locally
- Cost efficiency, sales competence and collaboration with customers continue to guarantee Swedish competitiveness in Brazil
- 87 per cent of companies declare that they benefit in some way from being marketed as Swedish in Brazil

ACTING SUSTAINABLY

- Almost half of Brazilians customers are considering sustainability aspects during their purchases, according to the Swedish companies
- Despite being identified as a common challenge in Brazil, only four per cent of respondents were exposed to corruption in 2021
- Most Swedish companies in Brazil still have less than 30 per cent of their management team composed by women

ABOUT THE SURVEY

The 2022 survey received 53 answers from the most prominent Swedish companies in Brazil

This year, Business Climate Survey Brazil was sent out on April seventh and collected answers until April 27th, giving companies 20 days to respond. 53 answers were collected, from large manufacturers operating in Brazil for decades to smaller service providers newer to the Brazilian market. This number represents an increase of two when compared to the number of companies that answered the 2021 survey.

Mature and experienced companies in Brazil compose 91 per cent of respondents. Only nine per cent of companies got established in Brazil after 2016. Almost three quarters of those companies are large corporations, with more than 1 000 employees globally.

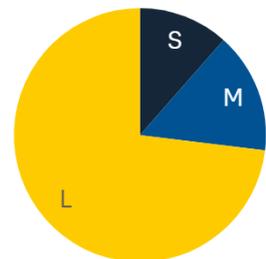
A large part of respondents are industrial manufacturers (42 per cent), followed by professional service providers (32 per cent) and consumer products suppliers (nine per cent). 17 per cent of respondents classified themselves as “Other”.

Team Sweden estimates that there are around 150 Swedish companies with established local entities in Brazil. With 53 responses, the survey is considered representative of the Swedish business community, mainly when considering that these responses cover the largest Swedish companies, with more intensive operations in Brazil.

The Business Climate Survey Brazil 2022 is divided in the following chapters:

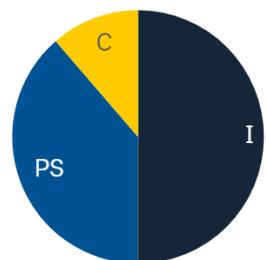
- **Economic outlook:** presents the performance of Swedish companies during the previous year, market expectations over revenue and investments for the upcoming months and an assessment of the current business climate in Brazil.
- **The market:** investigates the nature of Swedish presence in Brazil, with information on company size, industries and experience in the market, and discusses local challenges and advantages when doing business in Brazil.
- **How Swedish companies succeed in Brazil:** presents how Swedish companies operate in Brazil and which strategies they use for achieving success, including the Swedish branding.
- **Acting sustainably:** Indicates how Swedish companies in Brazil perceive sustainability challenges and what they are doing to contribute towards environmental protection, gender equality and corruption.

SIZE OF COMPANIES



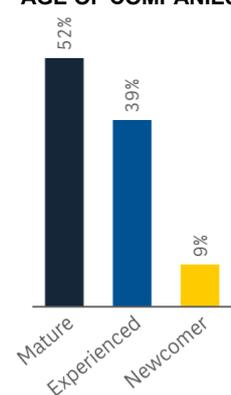
NOTE:
Global employees.
Large >1000
Medium 250-1000
Small 0-249

MAIN INDUSTRY



NOTE:
Industrial 42%
Professional services 32%
Consumer 9%

AGE OF COMPANIES



NOTE:
Mature (-2000)
Experienced (2001-2015)
Newcomer (2016-)

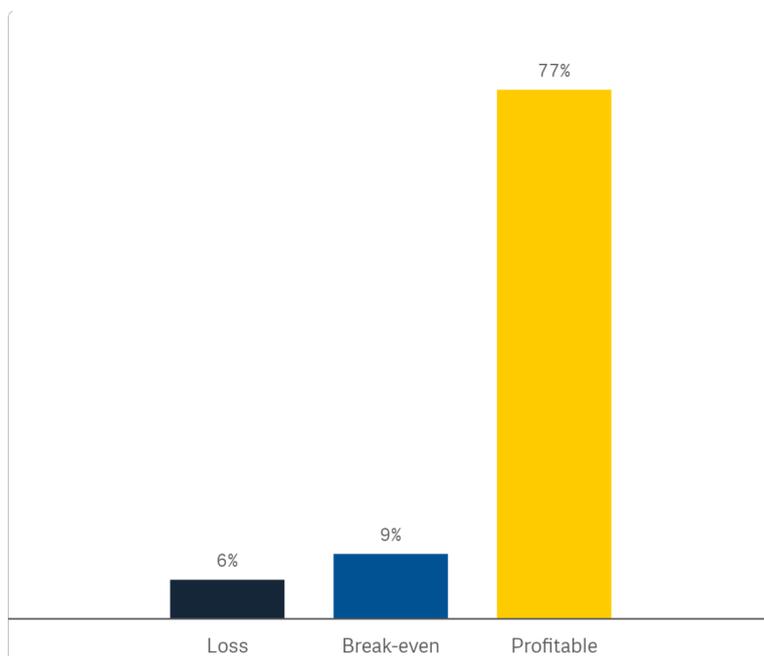
ECONOMIC OUTLOOK

Swedish companies remained profitable in Brazil through the pandemic

77 per cent of Swedish companies in Brazil were profitable in 2021, while only six per cent of companies presented losses. This is a better result than the one observed by the last year's survey, when 65 per cent of Swedish companies declared to have been profitable mid Covid-19 pandemic. The 2021 economic rebound must be taken into account, when Brazil's GDP grew 4.6 per cent against the -4.1 per cent retraction in 2020.

Large industrial companies were the most profitable in 2021, while only half of the small and medium size respondents declared to have been profitable during this period. Swedish companies newer to the Brazilian market – established in 2016 or later – had a harder time being profitable than more experienced companies; all the newcomers in the study were breaking-even in 2021.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN BRAZIL IN 2022?



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

Inflation threatening growth in 2022

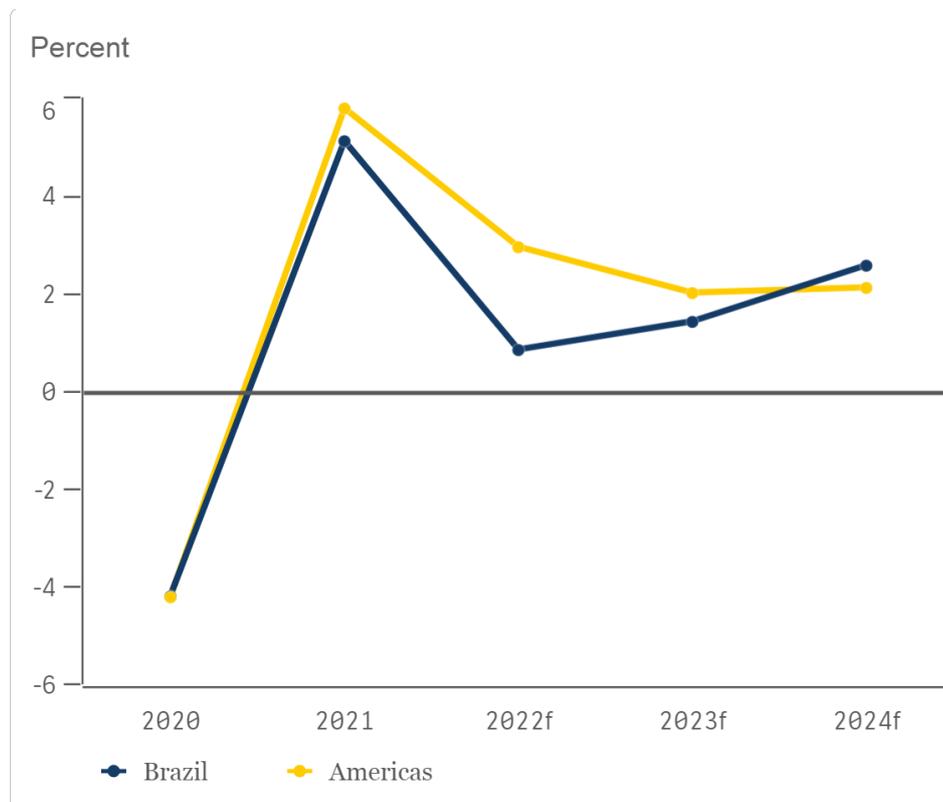
Despite the better-than-expected results in 2021, inflation has reduced Brazil's GDP growth forecasts for 2022 to around one per cent, below regional average. While most

global organizations set Brazil's GDP growth forecast to 0-1 per cent as of June, the Brazilian market expects a higher growth of 1.5 per cent.

Currently, the largest challenge for economic recovery in Brazil is high inflation caused mainly, but not only, by high international oil prices. Although Brazil is a large oil producer with intense activity by Petrobras – an oil company partially owned by the government – it did not control local fuel prices, something largely pushed by President Bolsonaro and an issue with great potential impact during the upcoming presidential elections in October. With Brazil's transport matrix highly dependent on roads, high fuel prices trickle down the whole economic chain, increasing costs in most industries.

In June, the 12-month accumulated inflation in Brazil reached 11.9 per cent. Nevertheless, the Brazilian market expects inflation to slow down by the end of 2022, registering an annual rate of eight per cent for 2022 (Jan-Dec). Brazil is only expected to recover growth between 2.5 per cent and 3 per cent by 2024.

PROJECTED GDP GROWTH IN BRAZIL



NOTE: Constant prices.
SOURCE: Oxford Economics. Last updated April 20th 2022.

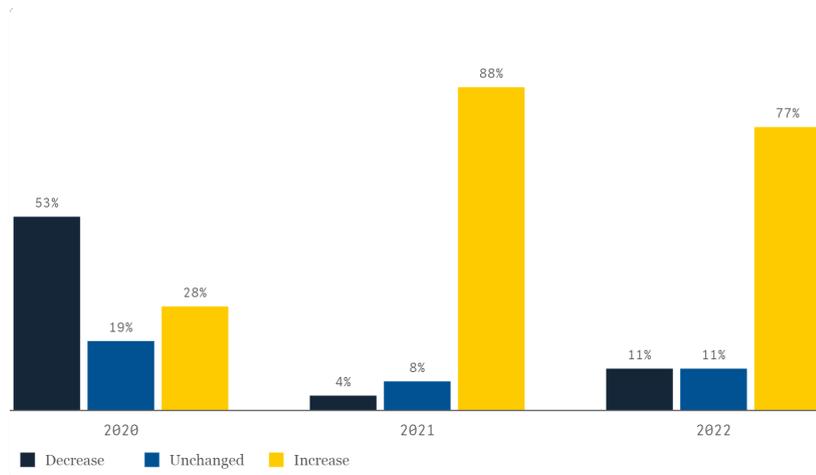
“Supply chain disruptions, inflation and the 2022 elections will disturb the local business environment beyond belief, primarily in the second half of 2022 when (a) activity levels should soften, reflecting a 'hold position' from the market before the elections while (b) the industry continues to safeguard margins by passing cost increases onto retail prices...

President Brazil
Industrial Materials
Company

Lower but still high expectations on revenue growth by Swedish companies

77 per cent of respondents expect to grow in Brazil during the next 12 months, which includes mainly market newcomers and service providers. That number is lower than the 88 per cent expecting to grow in 2021, but still way higher than the 28 per cent which expected to grow in 2020. Reasons for the current scenario include inflationary pressures and the uncertainty brought by the October presidential elections when businesses usually put their plans on hold until they have some indication of the main policies for the next four-year presidential term.

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?



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

“We believe volumes and sales are getting better compared to 2021 and the supply chain will be more predictable in the coming months. The predictability would mean more stable prices and less capacity constraints.

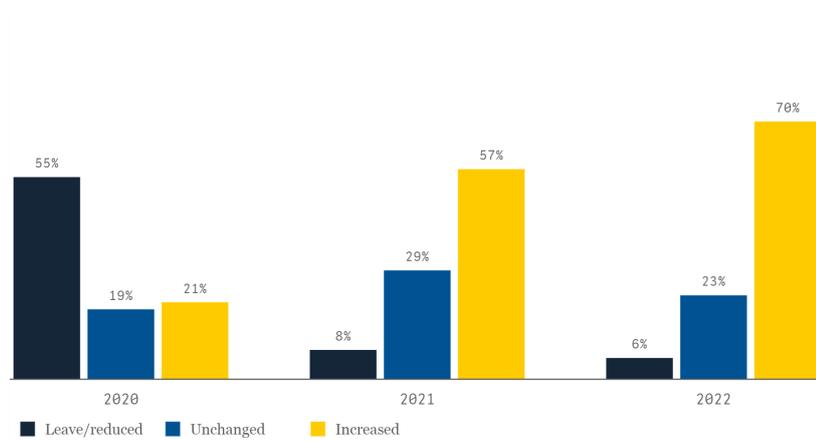
General Director
Automotive Systems
Supplier

Increased Swedish investments ahead

Despite slightly lower growth expectations, more companies said they will be increasing investments in Brazil during the next 12 months, adding up to 70 per cent of respondents this year against 57 per cent in 2021. Smaller companies, from services and consumer segments are the ones planning to increase investments in Brazil the most.

With this result, Brazil comes out as the second largest market where Swedish companies will increase investments in all markets analysed by the Business Climate Survey in 2022, only behind the UK. In fact, Brazil was the fourth largest FDI destination in 2021 with USD 50.4 billion in resource inflows, according to the IMF. One reason for that is the redirection of investments from Eastern Europe to more stable emerging economies such as Brazil, midst the Russian-Ukraine conflict.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN BRAZIL, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

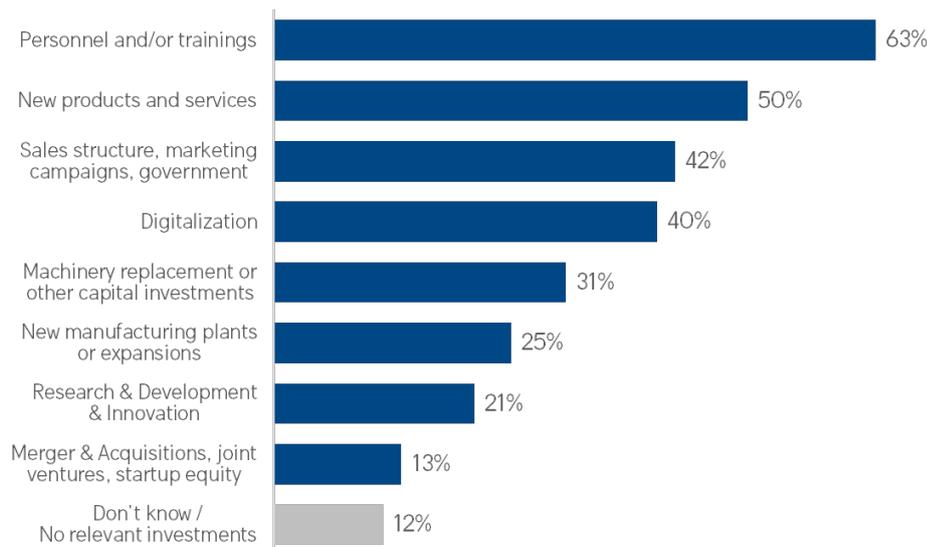
Investing in human capital and new solutions are top priority for Swedish companies

Sales competence and staff training figure as top competitive advantages for Swedish companies in Brazil (see further chapters), which explains the 63 per cent of respondents which will be investing in human capital, by hiring new personnel and/or performing trainings.

Many industrial companies will be investing in new products or services and digitalisation projects. 25 per cent of Swedish companies will invest in new manufacturing, including industries such as automotive, consumer products and infrastructure segments. Another 31 per cent of manufacturers will invest in machinery replacements and capital investments.

21 per cent declared that they will invest in R&D&I, which represents most companies which currently conduct such activities in Brazil (30 per cent), as presented in a further chapter. Meanwhile, only a few companies will invest in M&A, joint-ventures and start-ups, most of which belong to the healthcare sector.

IF YOUR COMPANY WILL INCREASE INVESTMENTS IN BRAZIL IN THE NEXT MONTHS, WHERE WILL IT BE INVESTING LOCALLY?



NOTE: The number of respondents for this question was 53.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

Most favourable business climate in seven years

45 per cent of Swedish companies are positive about the business scenario in Brazil, the best result in the series and a 19 pp increase from last year's result (26 per cent). At the same time, companies which are negative about the scenario dropped 23 pp, to only nine per cent. Large and industrial companies are slightly more optimistic about the business climate in Brazil than smaller Swedish businesses.

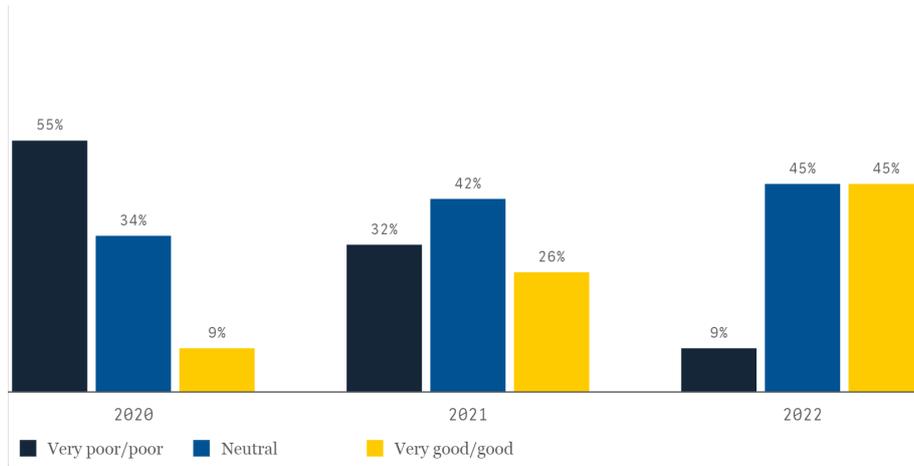
The Brazilian industry is also more optimistic about the local business environment overall, with ICEI – the Industrial Businessman Confidence Index – reaching 57.8 out of

“If you have a good concept, Brazil is the country to invest in.”

General Manager
Industrial Services Provider

100 in June 2022, although that is slightly lower than in June the previous year. The most confident companies are found within mining and consumer products.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN BRAZIL?



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

“The outlook for Brazil looks positive and could be much better if some of key areas, like infrastructure, tax policy, customs and environmental program incentives improve.”

President Latin America
Industrial Equipment
Manufacturer

The Brazilian Survey also asked Swedish companies about how a few factors would impact their perspective of the local business climate, apart from structural conditions in Brazil. See below the results:

Negative impact: the conditions negatively affecting the business climate are mostly inflation and high interest rates, which will slow down the Brazilian economy throughout the rest of 2022. 68 per cent of respondents also feel that the Russian-Ukraine war impacts their local business in a negative way, while nine per cent can find opportunities in taking over markets affected by the conflict. 52 per cent responded that high commodity prices represent a challenge for local business, but 21 per cent think that they can benefit from this scenario, considering that Brazil is a large commodity exporter, and such commodity producers may soon invest in Swedish products and solutions.

Negative to no impact at all: Swedish companies are divided concerning the upcoming October elections; 45 per cent think that they will have a negative impact for the business climate while 47 per cent feel that it will not have a relevant impact. The remaining eight per cent think that the elections may represent something positive. In a similar way, 38 per cent of respondents oppose the current economic policy, while 52 per cent are rather neutral to it.

Positive: for 75 per cent of Swedish companies, the deceleration of the Covid-19 pandemic in Brazil during Q2 is the main reason for an improvement of the business climate as economic activity recovers and employment regains track, mainly within the services sector. 69 per cent are also in favour of government reforms, mainly regarding the tax system, something seen as a crucial point for supporting future growth in the country. Yet, with the upcoming elections, large changes are not expected to pass in Congress in time. Finally, 56 per cent of respondents are seeing the new FDI inflows in Brazil with good eyes.

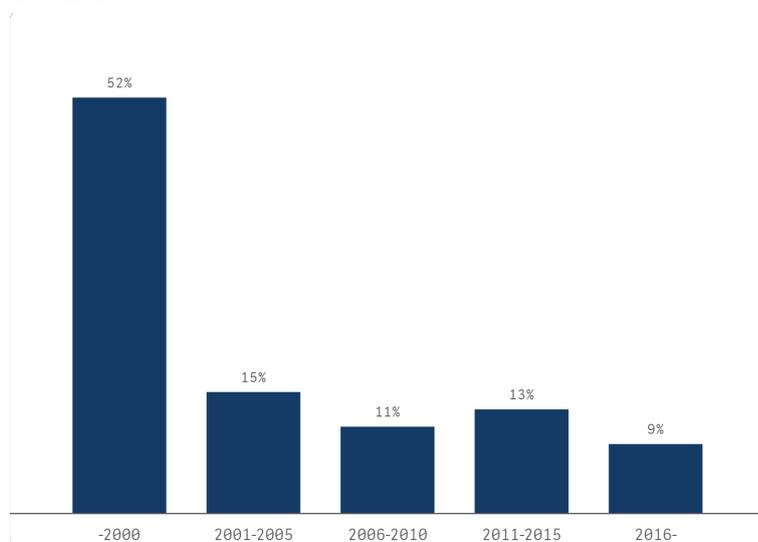
THE MARKET

Swedish business in Brazil is composed mainly by industrial companies, some with local presence for more than 100 years

Nearly half of respondents of the survey are present in Brazil for more than 20 years, but companies such as Ericsson, ABB and SKF have business in Brazil for more than a century. This mature group is composed mainly by large manufacturers, which today operate nearly 90 industrial plants and assembly units in the country.

On the other end, newcomers established after 2016 represent digital companies and service providers, besides a few manufacturing companies. Swedish companies such as these resumed their expansion plans into Brazil after the worst of the 2014-2017 recession and continued to invest even during the recent Covid-19 pandemic years.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN BRAZIL?



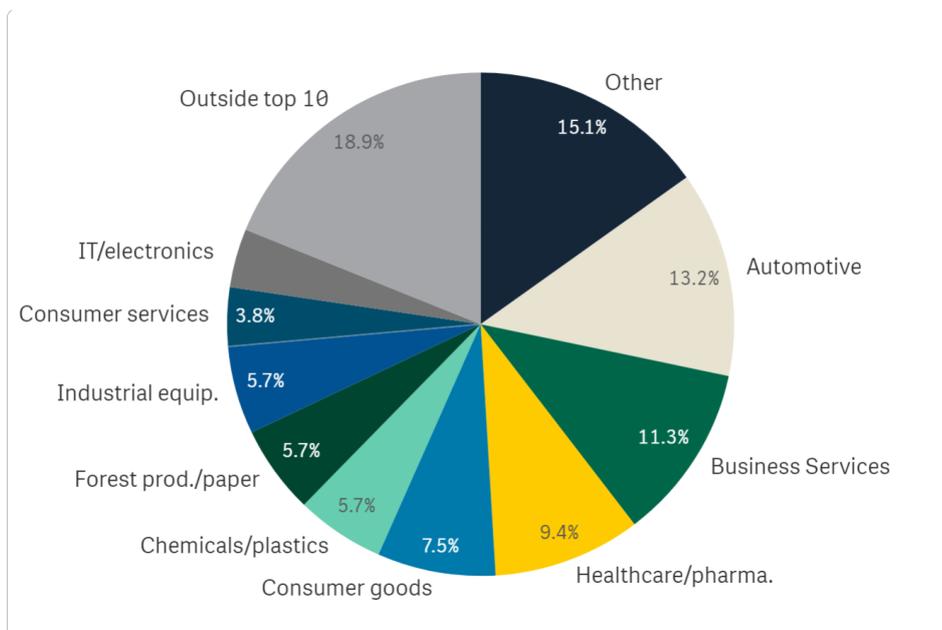
NOTE: The number of respondents for this question was 52. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

Around 42 per cent of companies belong to pure industrial segments, composing the core of Swedish business in Brazil. Main segments include automotive, chemicals & plastics, forest products & paper and industrial equipment. However, since the beginning of the 21st century, Swedish service providers – digital or not – have turned into a relevant share of Swedish companies in Brazil, focusing on either technical, consumer or business services.

Apart from healthcare & pharmaceutical companies, which own considerable manufacturing operations in Brazil, consumer goods companies represent a small share of Swedish firms present in Brazil.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN BRAZIL?



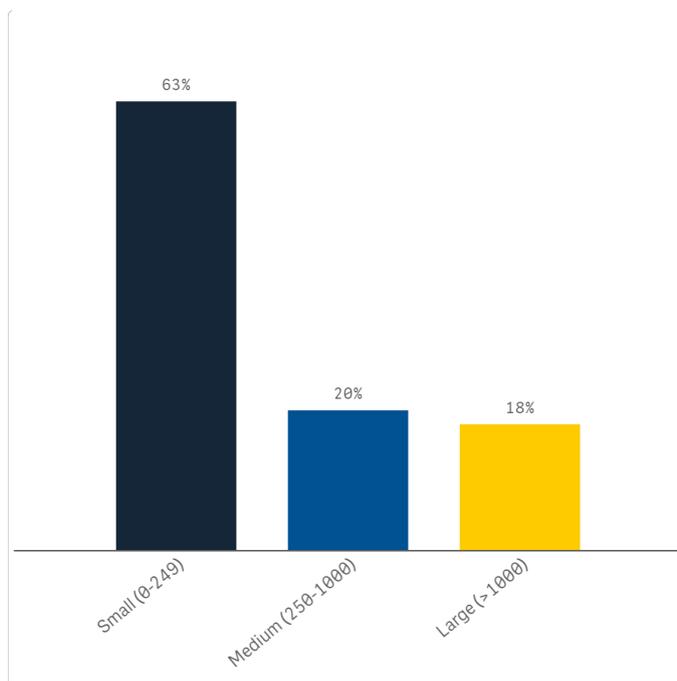
NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

72 per cent of the Swedish companies participating in this survey have more than 1 000 employees globally.

38 per cent of respondents have 250 or more employees in Brazil, which includes industrial companies and providers of specialised services. The remaining 62 per cent have smaller operations in the country, with less than 250 employees. A few respondents have less than 50 employees both globally and in Brazil. Those represent small service providers.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN BRAZIL IN 2022



NOTE: The number of respondents for this question was 51. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

Huge market potential impaired by taxation and burdensome bureaucracy

Once again, the survey asked respondents how they evaluate a few market conditions in Brazil. The individual scoring for almost all conditions increased in the 2022 assessment, with an average of +0.35 point. Nevertheless, the final ranking of conditions was very similar to the 2021 assessment.

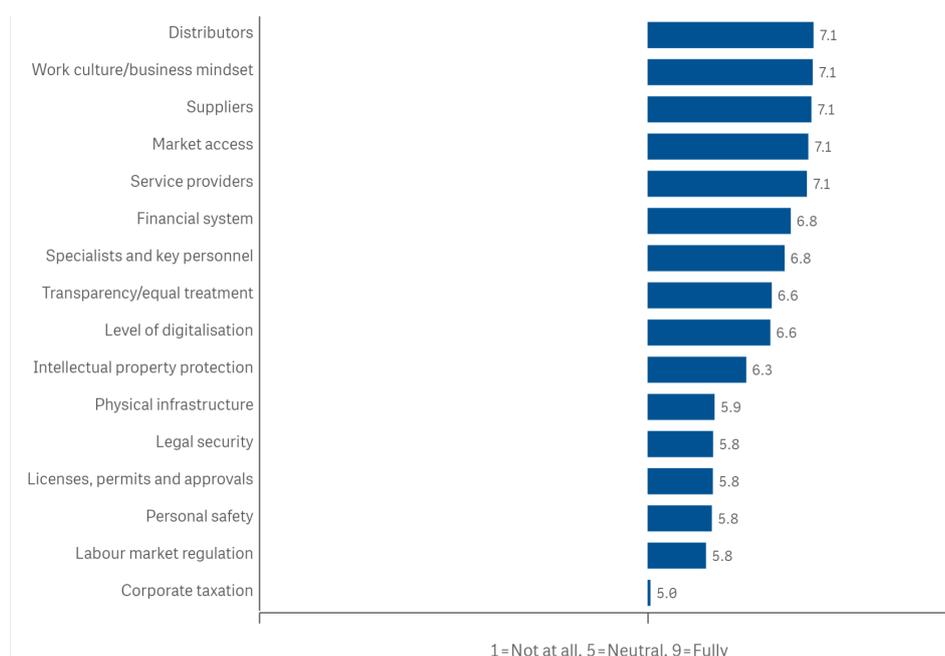
“**Access**” conditions figure once again as strong points in Brazil, including access to distributors, suppliers, key personnel, and access to market, besides a favourable business culture. Access to distributors climbed a few positions and reached the top of the rank this time around. All that confirms the large business potential for Swedish companies expanding to Brazil.

“**Market**” conditions such as the financial system, transparency and digitalisation got intermediary scores, just as in the 2021 survey. IP protection, a newly added condition, also received an intermediary position in the ranking.

“**Operations**” conditions represent weaknesses in Brazil’s business environment, including regulatory topics – licenses, legal security, and labour regulation – and corporate taxation, apart from infrastructure. Once again, corporate taxation received the worst score; with a maximum corporate income tax of 34 per cent, Brazil has one of the highest rates in the world, although still comparable to rates in Argentina, Colombia and India (for foreign companies, in this case).

Notably, personal safety was the only condition receiving a lower score than in 2021, dropping a few positions in the rank. In fact, coinciding with a nationwide increase in violent criminal activity, homicides in São Paulo State grew five per cent during Q1 2022 y-o-y according to São Paulo Public Safety Secretariat (SSP).

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN BRAZIL?



NOTE: The number of respondents for this question was 53.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

“Main issue is the complete lack of urgency from politicians to make changes that are needed. Reforms go one per time and take years. The tax reform to make tax payments easier and safer has been discussed so long, but no one has the power to push it past the lobby of those that today have the benefits.”

Managing Director
Industrial Packaging
Supplier

Trade barriers include high tariffs, customs procedures and regulations

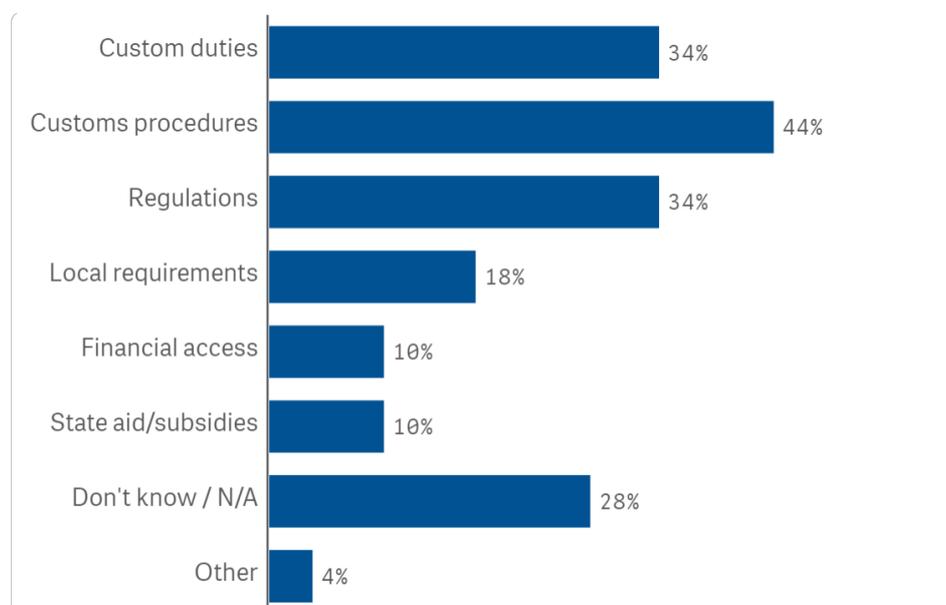
For Swedish companies in Brazil, customs procedures and regulatory issues represent harder obstacles than the actual level of customs duties, which are not to be considered low in the first place. In 2020, the weighted average import tariff in Brazil reached 10.3 per cent, well above most global economies, according to the World Bank.

Small Swedish companies have a hard time complying with local regulatory standards, while large companies find more challenges related to customs procedures, besides being the only ones hurt by government subsidies to the local industry (10 per cent).

At the same time, Swedish companies with more experience in the Brazilian market are the ones identifying more trade barriers. Newcomers find barriers only related to customs procedures and regulations or no barriers at all.

Some companies mentioned additional barriers to trade, such as the reduced availability of international freight and the complex VAT regulation in Brazil – State tax called ICMS.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN BRAZIL WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 53.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

“The "Brazilian cost" has a major impact on the competitive power of local produced products. Major reforms (tax, political, etc) are mandatory to enable the country to develop and build the path to a global insertion.

Director Public Affairs
Automotive Manufacturer

HOW SWEDISH COMPANIES SUCCEED IN BRAZIL

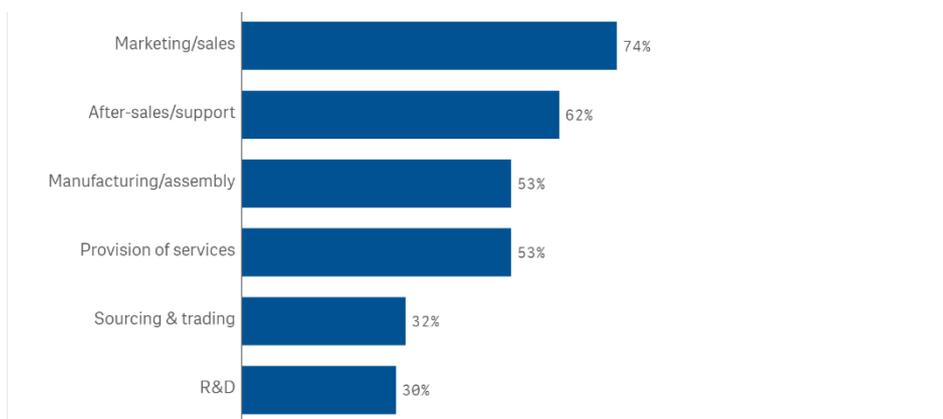
Half of surveyed companies have manufacturing in Brazil

53 per cent of respondents have manufacturing or assembly operations in Brazil, proving that local production is still a key strategy for accessing the Brazilian market for many Swedish companies. At the same time, the number of respondents who conduct local R&D operations grew from last year's survey, from 24 per cent to 30 per cent.

Categories "provision of services" and "sourcing and trading" also grew in 2022 in number of respondents, which may indicate an intensification of local operations by some industrial companies. International tensions caused by the Russian-Ukrainian war may be stimulating the nearshoring of supply chains by international companies.

Nevertheless, 74 per cent of companies carry out marketing and sales activities through their own local office, representing the main operation by Swedish companies in Brazil.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

Cost efficiency and sales competence as key capabilities for competitiveness in Brazil

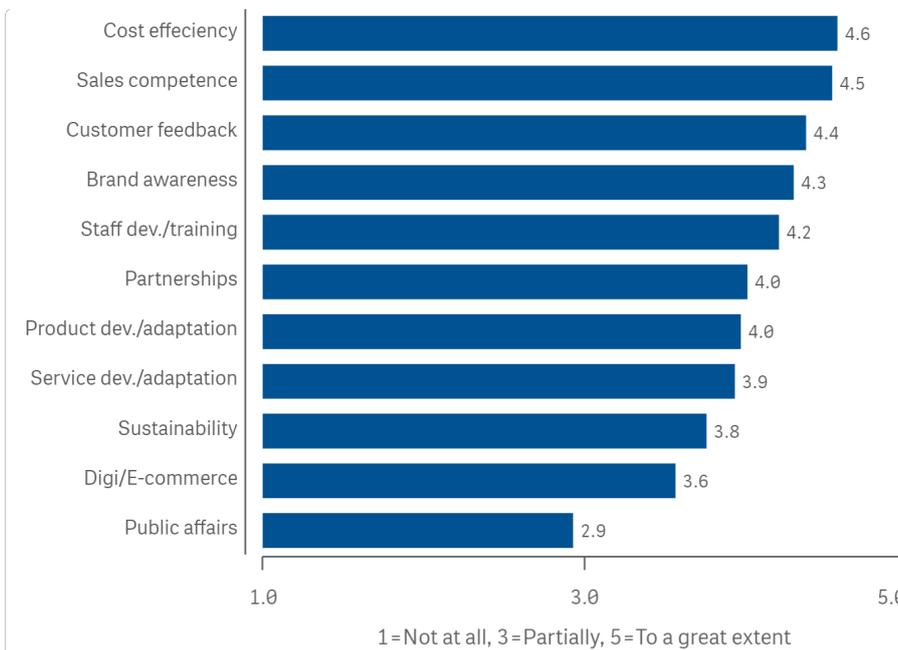
Cost efficiency and sales competence remain the key competitive advantages for Swedish companies in Brazil. It shows that having a great sales team is still the focus for most Swedish companies in such a price sensitive country, where cost efficiency may determine your success.

In this year's survey, customer feedback and staff development/training gained more relevance, perhaps showing a newfound appreciation for customers and collaborators

during the Covid-19 pandemic. At the same time, partnerships – the third most mentioned advantaged in 2021 – dropped four positions in the rank, now figuring among less relevant advantages.

Digitalisation/e-commerce and public affairs/government relations form once more the bottom of the list, this time joined by sustainability (a new addition to the question). On that note, Brazil is usually perceived to be behind in terms of sustainability and digitalisation. Meanwhile, Swedish companies may be avoiding connections to public authorities in the country with compliance concerns.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN BRAZIL?



NOTE: The number of respondents for this question was 53. “Don’t know/Not applicable” responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

“It is a price sensitive market, which places the reduction in acquisition costs as a determining factor.”

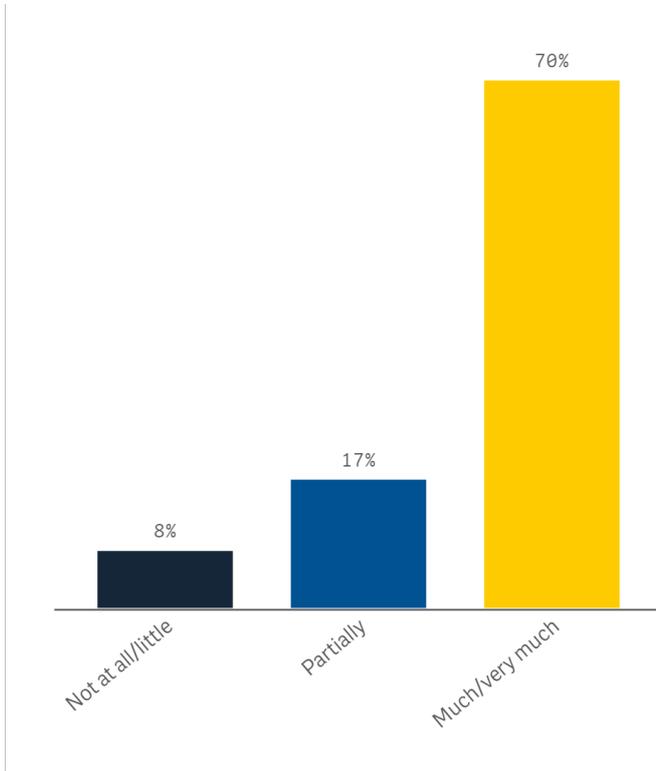
Sales Manager
 Security Equipment
 Supplier

87% of companies benefit at least partially from the “Swedish brand”

The 2022 result for this question is similar to the one verified in 2021, with 70 per cent of companies being favoured by a Swedish branding (“to an extent” or “great extent”), 17 per cent only partially and eight per cent not much or not at all. A few companies replied “Don’t know/Not applicable” (five per cent). It shows that a connection to Swedish values – such as integrity, reliability and quality care – supports companies in their daily business in Brazil.

Newcomers and industrial companies seem to profit more from the “Swedish brand”. Meanwhile, small companies find less value in being recognised as Swedish.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN BRAZIL?



NOTE: The number of respondents for this question was 53. “Don’t know/Not applicable” responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

“ Companies of Swedish origin have an important reputation for delivering quality, robust and high-performance products. This is not just limited to the technology sector, but also to the automotive, industrial, oil & gas fields.

Sales Manager
 Security Equipment
 Supplier

ACTING SUSTAINABLY

Growing sustainability awareness among Brazilian customers

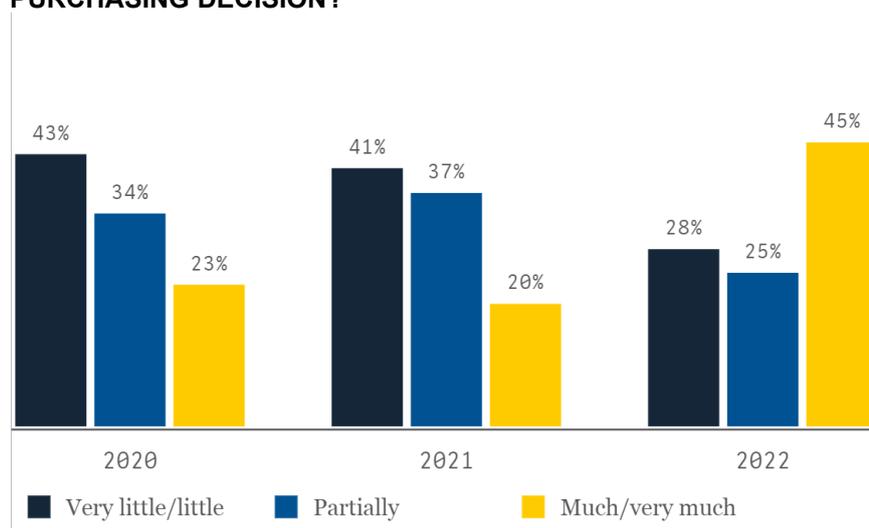
This year, respondents who see that customers consider environmental aspects in their purchase decision grew 25 pp compared to 2021, reaching 45 per cent, which represents a major change. 28 per cent of companies say that customers consider these aspects much and 17 per cent say they consider them very much.

On the other hand, 18 per cent of companies say that customers consider environmental aspects while purchasing just a little and 10 per cent say they consider them very little (total 28 per cent).

Large, industrial and mature companies are the ones picking up the positive change in customer behaviour towards sustainability. Small and new companies in Brazil haven't identified such changes. Consumer product manufacturers still see a lower inclination of customers towards sustainable goods, leading to conclude that the change verified is more intensive in B2B than B2C transactions.

Still, this result is surprising in a period of large environmental concerns, with increasing deforestation in the Amazon region and a general deregulation policy by the Brazilian government. It shows that companies and individuals may be voluntarily opting for more sustainable solutions, despite action by public authorities.

TO WHAT EXTEND DO CUSTOMERS IN BRAZIL CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022

“Everybody (industry, clients, government, consumers) wants more sustainable solutions, products. That's a good trend but considering the economic reality it will advance in a slower pace than desired. [...] Transfer that additional cost to consumers is challenging in an inflationary condition.

VP Sales Brazil
Healthcare Products
Manufacturer

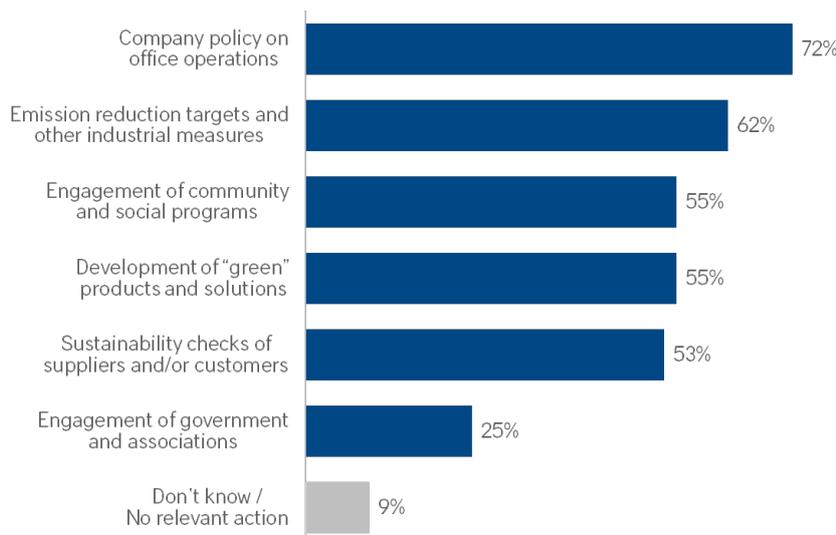
Swedish companies are taking real action to promote environmental protection in Brazil

The largest part of Swedish companies in Brazil (72 per cent) have imposed sustainable policies towards office operations, including waste management, recycling, power savings, printing, and air travel reduction. 62 per cent of companies also have emission reduction targets (e.g., carbon neutrality) and other sustainability goals related to industrial manufacturing, implicating local operations.

More than half of companies run social programs to engage local communities in Brazil. Another quarter performs engagement work on associative and governmental levels.

55 per cent of Swedish companies stated that they develop green products/solutions as part of their sustainability plans. Industries include automotive, materials, healthcare, industrial equipment and consumer products. Only nine per cent of companies claim that they do not conduct relevant action towards sustainability.

HOW DOES YOUR COMPANY PROMOTE ENVIRONMENTAL SUSTAINABILITY IN BRAZIL?



NOTE: The number of respondents for this question was 53.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022

Less than expected compliance issues observed by companies in Brazil

Despite the many compliance issues in Brazil, only a few Swedish companies directly came across corruption or human rights violations in 2021. Only one or two companies out of 53 faced corruption related cases involving employees, public authorities or external partners. It shows that, although corruption is still a major problem in Brazil, it may not affect the daily business of many Swedish companies, proving that it is possible to do business in Brazil and be compliant at the same time.

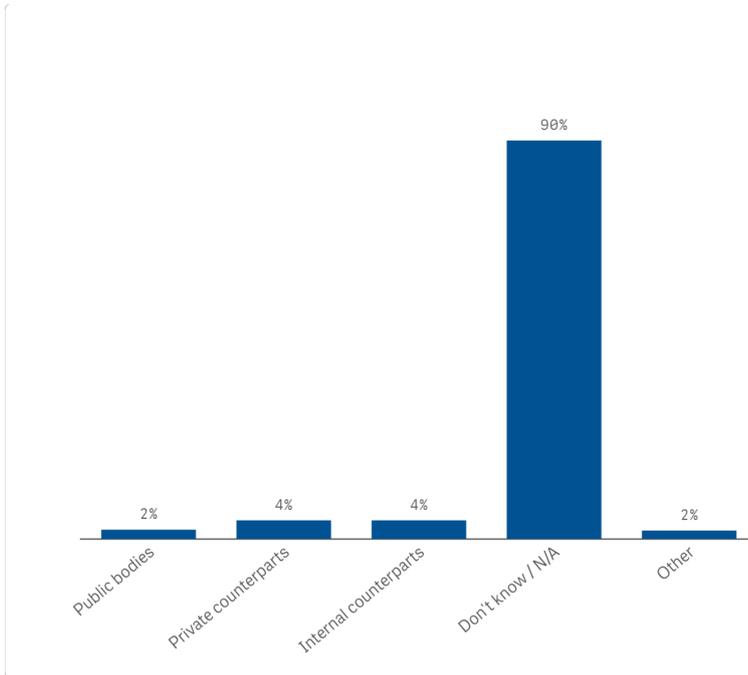
“Big challenge is to show the good examples (they sure exist!) of sustainable initiatives and some regional vocation that the country has, for example, for biofuels.

Director Public Affairs
Automotive Manufacturer

“Brazil is very rich in natural resources, and it is a place where sustainability is a strong call in the business area. Our challenge is that the government send dubious messages regarding its commitment to a sustainability drive.

President Latin America
Automotive Systems
Supplier

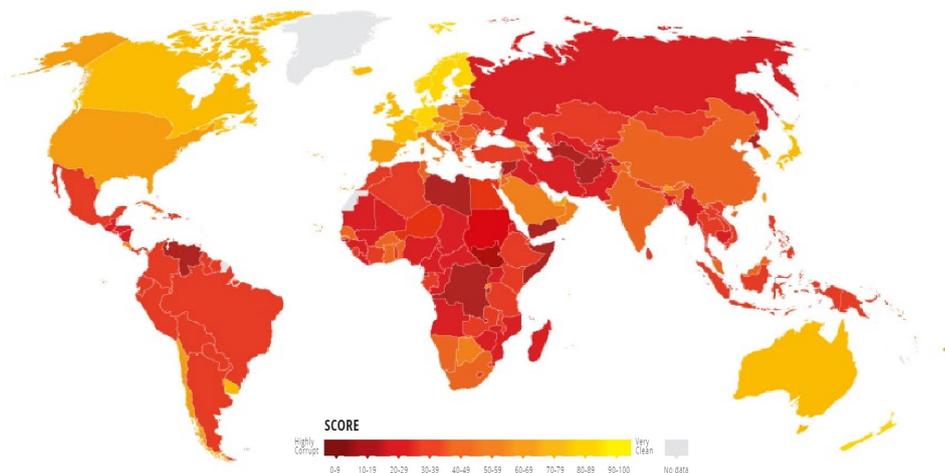
HAS YOUR COMPANY IN BRAZIL BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure. The "Other" response indicated no corruption cases in written form.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022.

After a period of improvement, Brazil dropped a few positions in the Corruption Perceptions Index in 2021, now occupying the 96th position. But overall, the market perspective is that Brazil is advancing in its fight against corruption after Car Wash Operation in 2014-2021 was able to dismantle major corruption schemes. Additionally, Brazil climbed a few positions in the World Bank's 2020 Political Stability and Absence of Violence Index, now being perceived as a more stable country than many emerging economies, including Mexico, Colombia, Indonesia, India, Turkey and Russia – Brazil now occupies the 145th position.

CORRUPTION PERCEPTION INDEX 2021



SOURCE: Transparency International.

“Large multi-national entities with high ESG standards often pay the price to maintain their high standards, while smaller and less mature organizations will still get away with hazardous environmental conduct through corruption or simply the lack of resources within the competent legal authorities to reach out to their malpractices.

President Brazil
Industrial Materials
Company

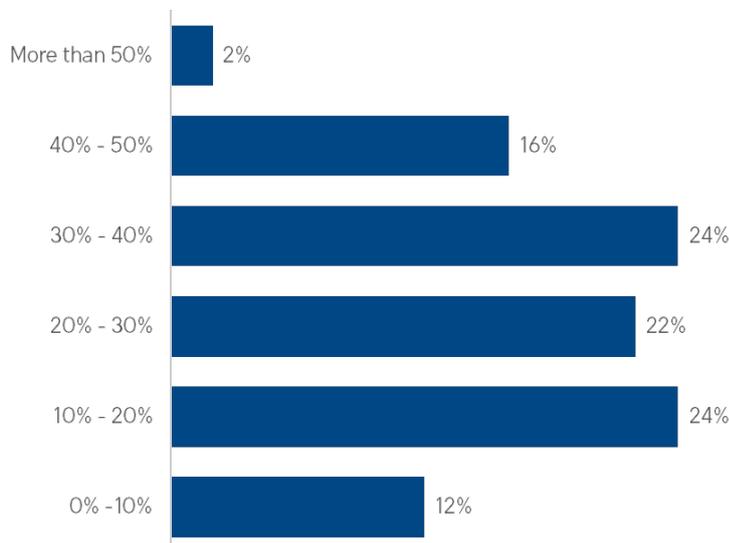
Female executive participation in Swedish subsidiaries is still low

Female participation in the management team of subsidiaries in Brazil is still shy compared to Swedish figures. Around 58 per cent of respondents don't reach a third of their teams composed by female executives. This may be explained by the nature of Swedish presence in Brazil; many of those Swedish companies belong to industrial segments, which in Brazil have a very low participation of female employment.

In only one company (two per cent) women are majority over men in managerial positions. Yet, the share of companies which had zero per cent to 10 per cent (lowest range) of women in management positions fell six pp compared to 2021, which may indicate an increase of female hiring in those positions.

According to the Brazilian Ministry of Economy, women represent 42 per cent of manager positions and 14 per cent of director positions in Brazil. Another 2019 assessment by the World Bank states that Brazil has nearly 39 per cent of senior and middle management positions filled by women, which is in line with many developed and Latin economies. These figures may be in part explained by the high proportion of female university graduates (higher than male) in Brazil and the participation of women as entrepreneurs in small local businesses.

WHAT IS THE SHARE OF FEMALE WORKERS IN YOUR MANAGEMENT TEAM IN BRAZIL?



NOTE: The number of respondents for this question was 53.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2022

