A LANDSCAPE OF SUSTAINABILITY IN THE BRAZILIAN CAPITAL MARKET

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A landscape of sustainability in the Brazilian capital market

INTRODUCTION

ANBIMA – the Brazilian Financial and Capital Markets Association – extended an invitation to Brazilian capital market institutions: shall we talk about sustainability?

This issue is not new. Discussions about sustainability have been present in society and in the corporate world since 1987, when the UN's World Commission on Environment and Development, in a document titled "Our Common Future", introduced the concept of sustainable development, defining it as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

On the financial market, the issue gained even greater visibility in 2004 with the dissemination of the term ESG (Environmental, Social and Governance) – known in Brazil by the Portuguese-language acronym ASG (Ambiental, Social e Governança) – in the report titled "Who Cares Wins" published by the Global Compact in partnership with the World Bank. Soon thereafter, in 2006, the Principles of Responsible Investment (PRI) were launched, an initiative – which investors join on a voluntary basis – that requires its signatories to take ESG factors into account in their investment analysis and decision-making processes. The initiative has grown over the years, and by March 2021 counted with more than 3,000 signatories, including service providers, managers and institutional investors, the latter two with assets under management exceeding US$ 120 trillion as of that date.

The incorporation of ESG criteria into investment practices has advanced significantly in the financial and capital markets in recent years. Around the world, sustainable investments totaled US$ 35 trillion in late 2020, according to the Global Sustainable Investment Alliance.

Also on the Brazilian market, the awareness of the importance of taking into account ESG aspects in the investment analysis process has been growing among market agents. The increasingly visible effects of climate change, environmental tragedies, and the increase in social problems have sparked an alert as to the need to include sustainability in investment decision-making processes.

Covid-19 has reinforced the emergence of this issue. On the one hand, post-pandemic economic recovery programs focused on sustainable aspects. On the other hand, investors' perception of risk has changed. In both cases, the sustainable agenda – which until recently, even when identified, was less frequently observed – has been transformed into a mandatory one. The inclusion of ESG risks on the radar expanded the scope of risk management and ushered in potential improvement in the risk–return ratio in the medium and long term.

From a society perspective, the benefits of sustainable investments are also clear: earmarking resources to companies with better social and environmental results generates a positive impact for society as a whole and for the planet. It's a win-win situation. So, what's missing for this agenda to gain momentum on the Brazilian capital market? To answer this question, ANBIMA decided to take a step back and try to understand the stage of maturity of sustainability at local market institutions.

We found a wide assortment of understandings and perceptions, ranging from professionals who see no gain in this banner, through those who call themselves sustainable by recycling plastic office cups, to those who have sustainability at the core of their business. Knowing the different mindset models that exist among players is an essential part for us to outline an efficient work agenda.

We also interviewed more than 250 institutions in order to get to know the current level of ESG maturity on a daily basis: dedicated team, assets under management, the most commonly used approaches, among other points. This survey is a continuation of the survey conducted every two years by ANBIMA. The results allow us to see – in a consolidated way – how the market has been coming along in recent years.

As an association that aims at supporting the development of the Brazilian capital market, we are committed to consolidating all of this knowledge and assisting the market in advancing the implementation of ESG practices.

Around here, we've been dealing with this issue for quite some time. Sustainability entered the agenda in 2015, with the creation of a technical group responsible for stimulating debate and exchange of experiences, as well as conducting initiatives on the issue geared toward the asset management segment. Under the coordination of this body, two surveys were conducted on the practices adopted by asset management firms in relation to ESG analysis and the publication of the first version of the ANBIMA ESG Guide. In 2020, as a result of the increasing relevance of the issue, the group underwent a reformulation and took on a consultative character, reporting directly to the Association's Executive Board, and has been working on an agenda that focuses on three fronts: a better grasp of the market's understanding and practices (which this survey is a part of); definition of best practices for managing assets and issuing securities; and knowledge dissemination to investors and industry professionals.

We also sought to interact with market initiatives through active participation in various international and local activities and working groups, e.g., LAB (the Financial Innovation Laboratory), an initiative sponsored by CVM (the Securities and Exchange Commission of Brazil Commission), IDB (Inter-American Development Bank) and ABDE (the Brazilian Development Association).

We are aware of the challenge of advancing this agenda on the Brazilian market, and we believe that with this accurate view of the scenario, as well as an understanding of institutions' recent advances, and players' doubts, ANBIMA will be able to support the sector throughout this journey of transformation.

Good reading!

EXECUTIVE SUMMARY

As we will go into further detail below, the survey provides findings regarding the market's understanding of sustainability and the engagement of institutions in adopting ESG practices. Below we preview some of the highlights that you will see in detail on the following pages:

Most institutions attach relevance to this issue: roughly **86% rated the importance with scores from 7 to 10.**

The term"sustainability" is still understood in different ways buy the market.

Sustainability gained relevance for institutions over the last 12 months and is expected to increase even more in the coming 12 months. **The covid-19 pandemic has increased the need for risk assessment.**

There are many difficulties on the ESG trail.

The market is comprised of institutions at different stages of maturity. Although a relevant portion indicated that they had already implemented several practices, processes and commitments, most institutions are still in the process of implementing ESG practices at the present time, or stated that they have plans for implementation, but nothing concrete to advance the agenda.

We found five profiles of institutions, from the most advanced to the least advanced on the ESG journey. **Namely: distrustful, distant, initiated, emerging, and engaged.**

For 44% of institutions, the ESG agenda is under the **responsibility** of the Compliance & Risk areas.

The profiles of "less mature" in their understanding of and dealing with the issue of ESG – called distrustful and distant – account for 40% of the surveyed sample and are mostly composed of smaller institutions.

In general, one can see an evolution in the adoption of ESG processes and practices by management firms compared to the same survey carried out in 2018.

A LITTLE ABOUT THE METHODOLOGY

The survey's target audience included more than 900 institutions of the market, including asset management firms, commercial banks, full-service banks, investment banks, brokerage firms, securities distributors, and others.

The study was divided into two stages. The first was a qualitative one, that counted with the support of strategic consulting firm Na Rua, aimed at identifying the different perceptions and patterns of behavior on the market regarding sustainability.

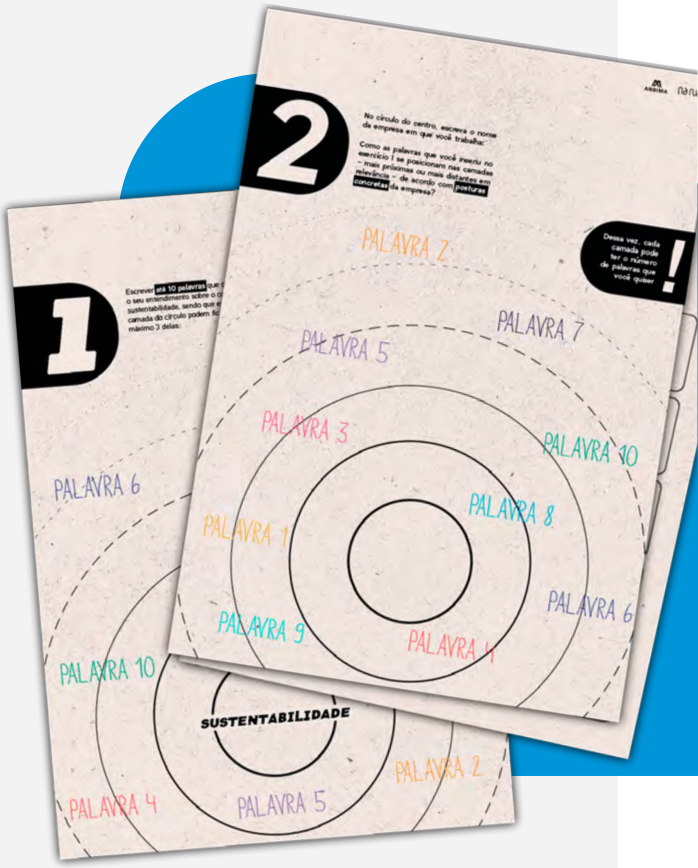
Market executives received a kit with paper, a pen, colored pencils, and other materials to complete a hand-written exercise. They were free to reflect and tell how the company they represent is dealing with ESG principles. In total, executives from 144 institutions participated in this stage of the survey: 104 asset management firms, 23 banks, six brokerage firms, five distributors, and six other institutions.

Upon first glance, the use of physical materials (whose manufacture and shipping require natural resources) to develop a project on sustainability may seem to be a contradiction. But there was a reason for this procedure: to create an atmosphere of entertaining and non-automated reflection so as to obtain more spontaneous and unreviewable responses.

Concomitantly, in order to offset the environmental impacts of this study, we donated trees – one sapling planted for each kit distributed – to the Brazilian Diversity Fund (Funbio). These trees will help reforest the headwaters of the Xingu River.

In the exercise, each respondent was asked to define the term "sustainability by writing the words associated with this term on a sheet of paper and by attributing different degrees of importance to them. On the next page, they were asked to write the name of the institution that the professional represents, and to associate (or not) the same words to their company, also with different degrees of importance.

The objective was to understand how the terms associated with sustainability, considered fundamental in the participant's view, are treated at the institution they work at.



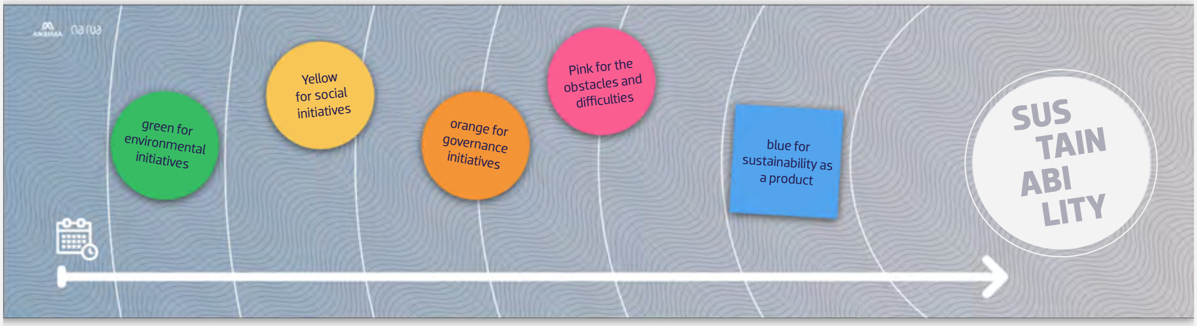
Then, the respondent was encouraged to give concrete examples of actions taken by the institution regarding each of the terms mentioned.

At that time, we were able to identify a discrepancy between the perception of what is considered important to do in the field of sustainability, versus the reality of implementing such actions at companies.

We discerned five patterns of behavior that exist in the capital market executives and institutions and will look at each of them on the following pages.

In order to fully understand the patterns identified, 41 companies representing the 5 different profiles were chosen for an in depth-interview. The intent was to get to know them up close, evaluate them, and evolve with the lessons learned in an interview with the person responsible for managing sustainability initiatives.

Ten of the interviews were conducted in person, and 31 by videoconference. The conversation was guided using a board game, which represented the journey of these companies towards sustainability. The participants mentioned and chronologically positioned pieces that represented the attitudes and commitments of the company.

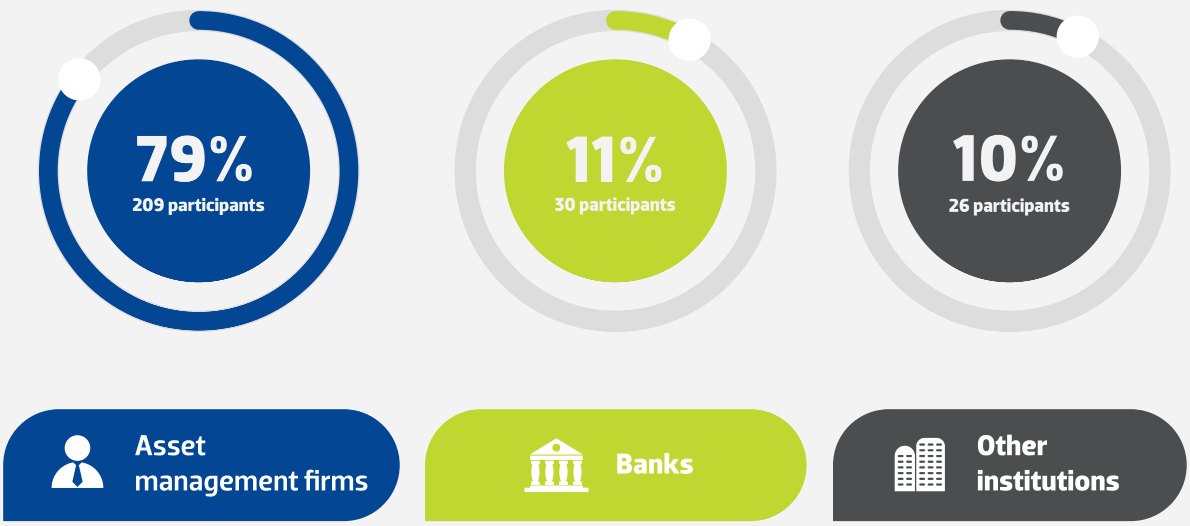


We then moved on to the second stage of the study: quantifying these profiles and mapping the capital market's maturity regarding ESG practices through a survey process.

In this quantitative phase, with the support of Instituto Datafolha, a questionnaire was sent to market institutions. There were 265 participants in total. While a first session with ten general questions was answered by all types of institutions, a second one with 18 questions was applied only to asset management firms.

Most of the professionals interviewed hold a senior position at their institution, i.e., they are decision-makers. Forty-three percent are directors, while 15% are department heads or managers, 12% are presidents or CEOs, and 8% are partners.

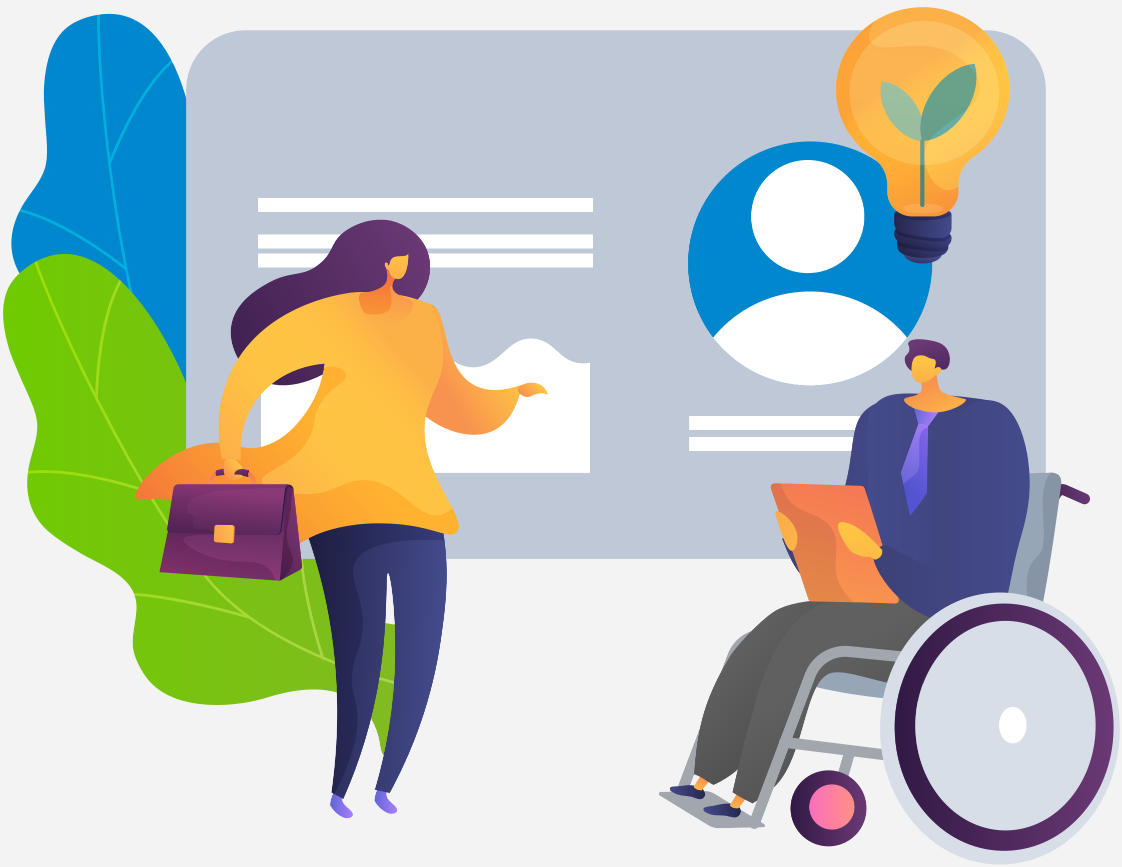
Segment of participants
(in % and absolute number)



Sample: 265 respondents

The error margin of the quantitative phase was seven percentage points, within a 95% confidence level. Many questions asked in the survey's 2021 edition had already been included in the previous survey by ANBIMA (2018). Where possible, we will present the historical evolution, but it is worth mentioning that the sample of asset management firms increased from 110 in 2018 to 209 in 2021, representing a major sampling difference. If, on the one hand, a larger portion means a depiction closer to the market reality; on the other hand, sudden changes in the result (whether sharp drops or spikes) can be explained by the sampling difference and not necessarily by the change in the maturity of the topic.

In order to link the two stages of the survey, we also sought to identify the five profiles observed in the first stage and match them to their counterparts in the quantitative survey. This took place through a set of variables that sum up the characteristics observed in the qualitative stage and that could bring institutions closer or farther to each of the archetypes. Through different combinations of answers and a clustering exercise, homogeneous institutions were grouped within each profile, and heterogeneous profiles were sorted out among themselves.



INSIDE THE MINDS OF LEADERS

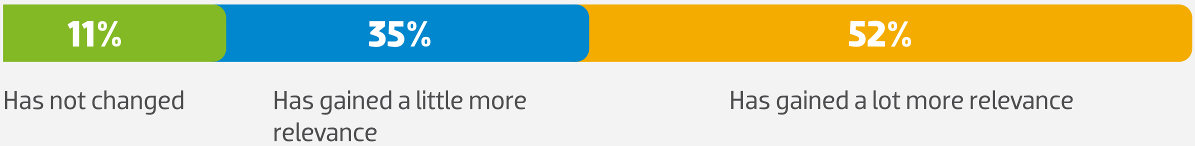
When combined, the findings of the qualitative and quantitative portions of the study offer an unprecedented overview of how ESG is seen and treated on the Brazilian capital market. Spoiler: institutions are at different stages of maturity when it comes to ESG.

Relevance of sustainability

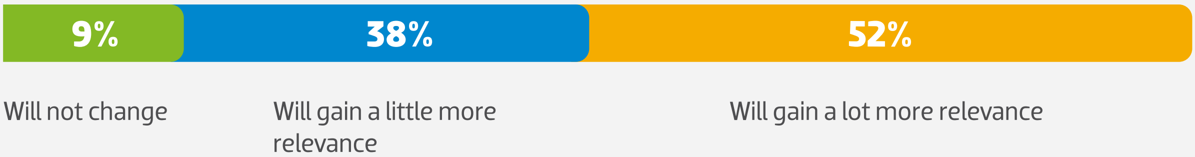
As previously mentioned, the pandemic changed the market's perception of risk. Eighty-six percent of asset management firms stated that the issue has gained more relevance for them in the last 12 months.

This change is not expected to be fleeting: 52% of respondents stated that sustainability will take on much more relevance over the next 12 months and 38% think the discussion will have some more importance.

In the last 12 months



In the next 12 months

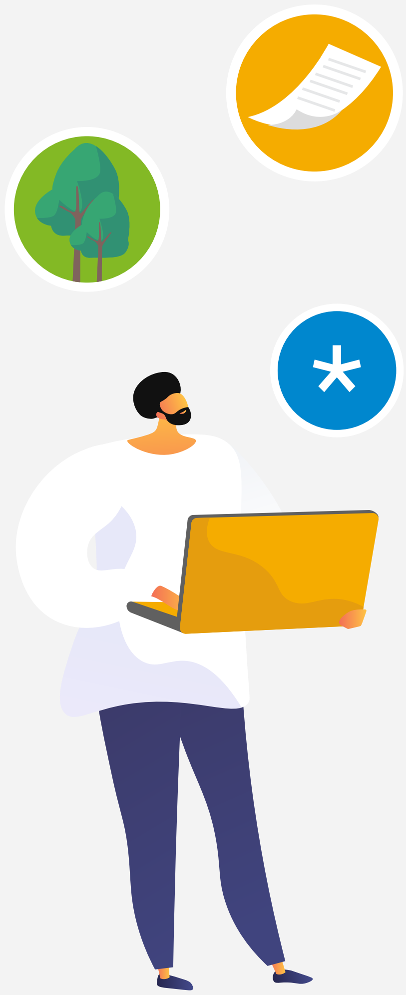


Sample: 265 respondents

Most institutions attach relevance to this issue: 86% rated the importance with scores from 7 to 10. Of the roughly 44% that indicated the relevance of the issue with scores of 10 and 9, the main rationale was that sustainability is an important subject that everyone must engage in (society, investors, employees). Another significant portion attributes high relevance to the issue with scores of 8 and 7 (42%). The main reason is that they are getting organized internally to address the issue.

Only 3% of institutions rate the subject with scores between 4 and 0. In these cases, the argument is blunt and straightforward: lack of concern about ESG issues on the part of such institutions.

More than 30% of the companies attribute a score of 10 for the relevance of sustainability



Score 10 **33.2%**	Score 9 **10.6%**
Score 8 **23.8%**	Score 7 **18.1%**
Scores 5 – 6 **11.3%**	Scores 0 – 4 **3%**

Sample: 265 respondents

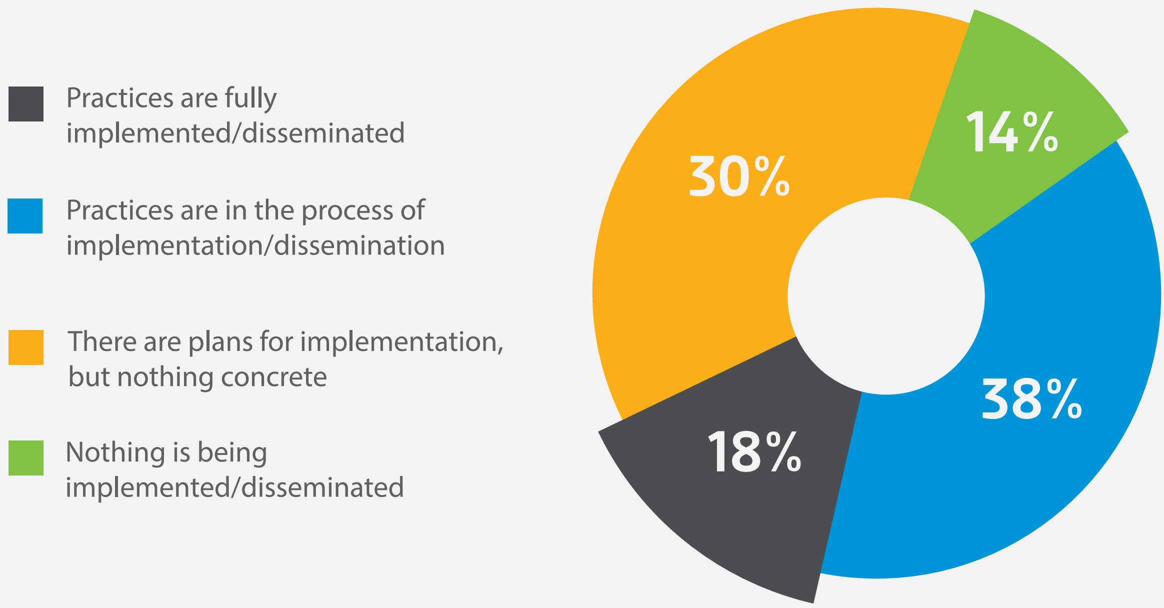
However, there is a clear asymmetry between attributing importance to sustainability and actually adopting measures in practice. Many of those who responded positively to the questions about the perception and importance of the issue of ESG indicated that there are still no concrete actions within their institutions.

While 85% of management firms and 90% of banks gave scores above 7, only 26% of asset management firms and 43% of banks indicated that they address sustainability in their codes of conduct.

When institutions are asked whether sustainability is an essential part of the development and dissemination of their products, one can see that – although most consider the topic to be relevant – each one is at a different stage in the evolution of commitments. Only 18% have such practices fully in place. They include mostly larger banks and asset management firms.

When asked about the importance and stage the institution is at in terms of the understanding of the issue by all teams, around 50% say they are in the process of disseminating sustainability to all areas, and 27% say it is fully implemented.

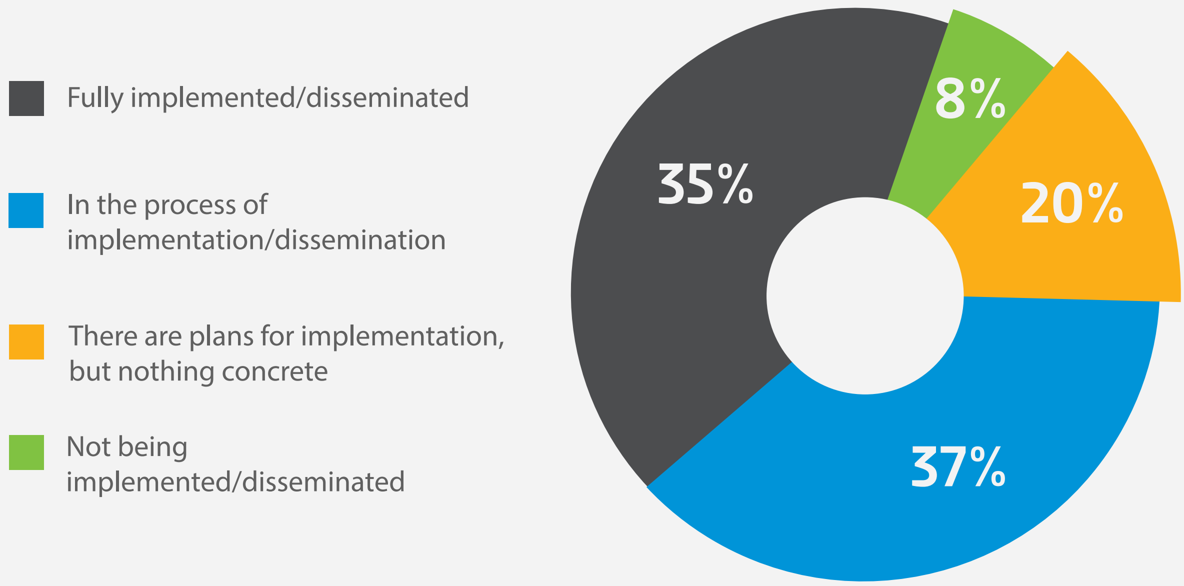
Nearly 40% of institutions are in the phase of implementing ESG practices in product development and dissemination



Sample: 265 respondents

The share of companies that consider sustainability in their strategic planning is even greater. Seventy-two percent say they are in the process of implementing or have their practices fully implemented. Again, most of these are major banks and larger asset management firms.

Sustainability is part of strategic business decisions (including the exclusion of opportunities that do not meet these criteria)



Sample: 265 respondents

Although between 20% and 30% of institutions indicate having an implementation plan, but nothing concrete at the time, a relevant percentage of institutions are currently implementing practices and commitments. The answer "in the process of being implemented" is spread across nearly all segment and sizes, whether in the code of conduct, in internal processes, in strategic decision making, in the development and dissemination of products, or in the dissemination of knowledge internally.

But let's take a step back. Before assessing the importance of ESG practices for business, do all market institutions have the same understanding of what sustainability is?

The many meanings of sustainability

The term "sustainability" is defined in a rather heterogeneous way by the institutions, thus reflecting the differences in the understanding of the subject matter. This means that the market does not speak the same language when talking about sustainability, turning the definition of weights and measures to assess the relevance of proposals and actions into a complex task. The meanings cited by the respondents are:

Sustainability as soundness: many executives confuse the commitment to sustainability with actions that ensure soundness in the business. However, the fact that they venture less into uncertain territory, invest in trustworthy companies, and use the money they manage responsibly, does not in itself represent a commitment to ESG practices.

"Sustainability is investing in a serious company, which makes a profit today, but can also make a profit in the future by having a sound business."

Sustainability as philanthropy or benevolence: there are those who think that supporting social causes and/or providing a good working environment and benefits to employee are sufficient to ensure sustainable behavior.

"Our commitment to sustainability is that we are a company that encourages social movements, sports, and culture. We've sponsored several causes in this regard and we intend for this support to grow more and more."

Sustainability as a full commitment: there are still very few companies that truly understand the importance of sustainability as a fundamental pillar in the development of a new business model and that place this value in the corporate framework in a way that serves to guide opportunities and strategies in accordance to ESG goals.

"On this journey towards sustainability, our difficulty was to remove this subject from the 'annex', and bring it to the core of the company. Because this commitment cannot take place as an appendix to the core business: it has to be ingrained in the business."

If the misunderstanding about the term sustainability is frequent, the lack of knowledge on the acronym ESG (or its equivalent in portuguese) is event more usual. It was mentioned spontaneously very rarely in the exercises applied in the qualitative phase.

In face-to-face interviews, professionals that work on the forefront of sustainability initiatives at major organizations said they had never heard of this acronym –. This shows that, although it has been spread since 2004 – when it was first mentioned in a publication by the United Nations Global Compact in partnership with the World Bank – the initials that sum up one of the greatest challenges of today's society are only now becoming established in the vocabulary of the Brazilian financial market.

Quotes from participants.

Who's who

By analyzing the comments made during the exercises of the qualitative phase of the study, we were able to identify different mindset models that translated into five patterns of behavior of the institutions, based on their positioning and their understanding of sustainability. Based on the definition of behavior patterns, we proceeded to quantity these groups more precisely.

The archetypes help to identify where each institution is on its journey towards sustainability, and their particular needs in order to evolve.

Distrustful

4.2%

Idea of sustainability as a threat: misunderstanding and expression of doubts on the subject

Characteristics:

- They see sustainability as an obstacle to business development. Sustainability is a "lose-lose" game.
- They almost always use subjective criteria to determine what sustainability is, sometimes trying to justify that their investments take ESG into account, without being mindful to the existing concepts.
- Executives who advocate this discourse exhibit suspicion, do not see value in ESG aspects, and often denote that they are not clear on the subject.
- They have not acted to implement concrete actions related of sustainability and have not included sustainable aspects in the institution's commitments and processes.

Profile:

100% are asset management firms, but they account for only 5% of asset management firms that responded to the survey.

Distant 35.5%

Idea of sustainability related to environmental issues

Characteristics:

- They have a simplified view of the issue, and perceive sustainability exclusively as a commitment to the environment.
- By associating sustainability with strictly environmental issues, institutions conclude that the issue is very far from their business, especially when it comes to smaller firms, which produce little waste, consume few natural resources, and therefore do not cause a significant negative or positive impact on the planet.
- They show a mismatch between actions and concepts of sustainability. They have a low level of implementation/dissemination of concepts of sustainability, and may present inconsistencies in their statements.

Profile:

81% are asset management firms; 14% are other institutions, such as distributors, brokers and other segments; and 5% are banks.

Among the asset management firms, the average amount of assets under management in this group is R$ 2.3 billion.

By segment: it is worth noting that 50% of the other types of institutions (brokers and distributors) that took part in the survey are in this profile, as well as 35% of asset management firms and 17% of the banks.

Initiated 32.1%

Idea of sustainability related to environmental issues, but with concrete actions

Characteristics:

- This group also relates sustainability strictly to environmental issues, but they have concrete internal actions, because they see possibilities of causing transformation within the business, albeit small.
- They are in some way building a framework to include sustainability in the day-to-day activities of the institution and the business.
- Use of LED lamps in the offices and timers on lavatory faucets, efficient use of air conditioning and waste reclycling in the building are cited as examples of initiatives with an impact.
- As a major contribution, they point out the recent digitization of processes and signatures, which led to a decrease in the use of resources related to printing. These are positive attitudes, but they do not go beyond the office environment, or directly influence the company's main activity.
- Among management firms, although many claim to take into account ESG factors for at least part of their assets under management, a deeper analysis shows that these practices are still incipient and more focused on the governance factor ("G") than on the others ("E" and "S").

Profile:

75% are asset management firms, 14% are banks, and 11% are other institutions.

By segment: this profile is mostly found in banks (40%).

For asset management firms, the average of assets under management in this group is R$ 4.3 billion.

Emerging 21.5%

Idea of sustainability as a broad commitment that encompasses the environmental, social and governance areas

Characteristics:

- Take a broader look at sustainability, embracing at least two pillars of ESG, i.e., they already understand sustainability as beyond merely caring for the environment.
- Demonstrate greater development, with full implementation of one or more main items, and an appropriate conceptualization of the issue of sustainability.
- Are more committed to social or corporate governance issues.
- At times demonstrate to be engaged in carrying out (or funding) philanthropic, projects, mainly linked to education and sports. In some cases, they encourage employees to participate in social work and volunteer initiatives.
- Some institutions mention the benefits granted to employees as part of a social commitment.
- The asset management firms of this group generally have more advanced ESG investment analysis practices, which encompass all three factors, and many have responsible investment and engagement policies with invested companies. They also adhere to voluntary commitments.

Profile:

81% are asset management firms, and 83% are asset management firms. 16% are banks, and 4% other institutions.

Among the asset management firms, the average of assets under management in this group is R$ 7.2 billion.

By segment: 30% of banks and 22% of asset management firms participating in the survey are in this profile.

Engaged 6.8%

Idea of sustainability is part of the institution's strategy; a major commitment, and a profitable one as well.

Characteristics:

- Show complete consistency between concepts and actions for working with sustainability.
- Have fully implemented the main ESG practices and quote things like: "when it comes to sustainability, everyone always wins".
- ESG aspects permeate strategic decisions and demand transparent criteria from company leaders about what it does, what type of customers it caters to, and with whom it enters into partnerships.
- Have a clear understanding that sustainability needs to be part of the business framework itself, and not be practiced in the form of projects apart from the institution's organizational structure, such as philanthropic or charitable projects.
- Have managed to transform sustainability into products and services that honor social, environmental and governance commitments, such as lines of credit for clean energy projects or green investment funds.
- Manage to have a vision that goes beyond the business and understand the global importance of sustainability.
- Among management firms, they demonstrate more mature and comprehensive ESG analysis processes.

Profile:

67% are asset management firms, 22% are banks, and 11% are other institutions.

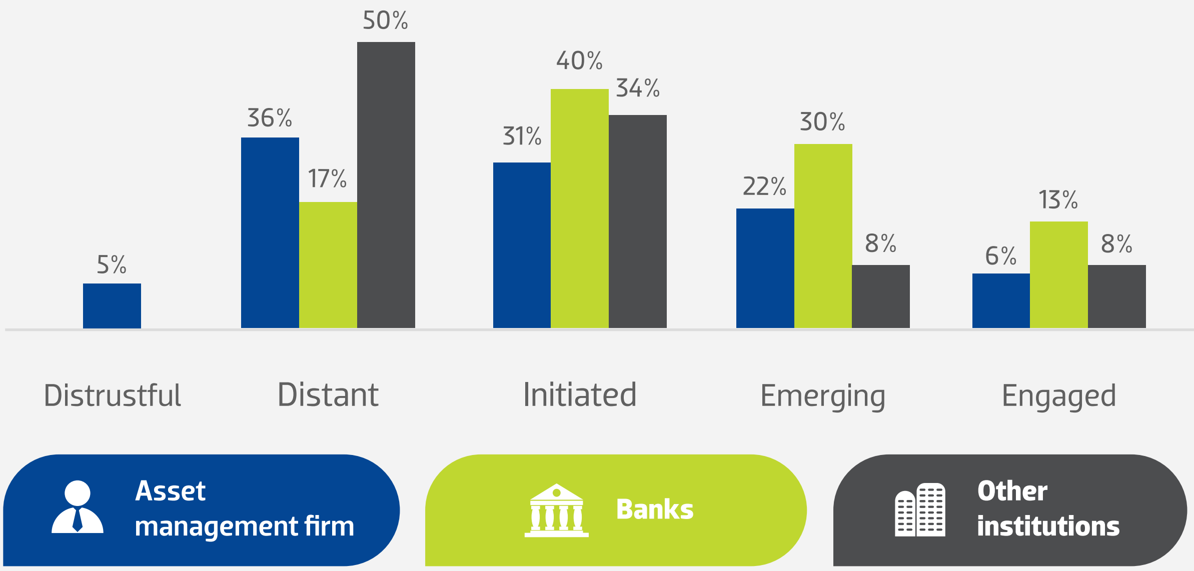
Among the asset management firms, the average amount of assets under management in this group is R$ 2.8 billion.

By segment: 13% of banks are in the engaged profile, 8% of other institutions (distributors, brokers, etc.), and 6% of asset management firms.

Roughly 67% of the market understands sustainability as something distant or that only concerns internal actions in the work environment

Sample: 265 respondents

More advanced ESG profiles are concentrated among banks



Sample: 265 respondents

In the different segments, one can see that 72% of the asset management firms are in the profiles of lower maturity (distrustful, distant, and initiated) and 28% are in the more mature profiles (emerging and engaged). A similar scenario can be seen for other institutions, which include brokerage firms and distributors, with 84% and 16%, respectively. Among banks, although most are still in the lower-maturity profiles (57%), the scenario is more balanced: 17% are in the distant profile, 40% in the initiated profile, and 43% in the emerging and engaged profiles.

A cross-checking of the profiles showed that some groups have intersections in certain aspects, revealing some overlapping of understandings and practices, particularly in the profiles identified in the intermediate positions (distant and initiated), demonstrating that **there is a large portion of institutions – roughly 67% – that are still in the incipient stage of maturity regarding this issue.**

Since they represent a greater percentage of the sample, below we will deal in detail with the profiles of asset management firms. Before we proceed, a few general remarks can be extracted from the segmentation of the different profiles:

Profiles of lesser maturity in terms of understanding and dealing with the subject, herein referred to as distrustful and distant, represent 40% of the surveyed sample and are mostly comprised of smaller institutions. This may mean that they are companies that have little maneuvering room in the insertion of concepts regarding sustainability in their businesses and among their teams. In general, the institutions in these profiles have mistaken and contradictory understandings of the issue.

The major asymmetry of perceptions and processes of ESG detected in the survey suggests that intermediate profiles, particularly the initiated group, can implement initiatives that may unintentionally result in the risk of greenwashing at a later time.

The profiles with greater maturity, herein called emerging and engaged, account for 21.5% and 6.8% of the institutions surveyed. Despite the significant correlation between the size of the company and maturity on this subject, it is necessary to highlight the relevant presence of smaller institutions that fall under the Engaged group. This reflects the existence of a niche of institutions that are active on the capital market and have incorporated ESG factors into their policies and actions as a fundamental strategy.

WHO CALLS THE SHOTS?

It only takes a look around companies' offices to see that the financial market is still male-dominated – especially among the group of professionals with more advanced certifications, such as the CGA (ANBIMA Asset Managers Certification), of whom more than 90% are male. This means that men, not women, are the main responsible for decision making when it comes to investments at institutions.

It is noteworthy that the majority of employees assigned to respond about sustainability at the companies participating in the study are female. Of the 41 interviews carried out by the Na Rua consulting firm, 27 were with women and 14 were with men.

This paradox is key to a discussion within the sector and within companies. After all, the predominance of men in the capital market denotes a gap in sustainability policies, since diversity is an essential part of the social aspect of ESG. Another important sign given by the data is that sustainability has been a topic that has been kept out of business decisions at most institutions.

On the other hand, at a relevant portion of the companies that show an advanced view of ESG – i.e., where this issue is intrinsic to the business –, those responsible for the topic are female leaders. Several of them came from other professional areas and do not have technical training focused on sustainability – as do other male professionals, since only recently has this topic been addressed on the market.

In which department is sustainability handled?

In some cases the area designated to handle sustainability at the asset management firm can give us clues as to the degree of commitment to sustainable practices. The survey showed that the matter is still dealt with by wide-ranging areas.

Institutions that have a department dedicated to sustainability – a specific sector or even executive board – are the exception. And most of them have only recently been created.

At most asset management firms, leadership roles that are in charge of ESG commitments are in areas such as Human Resources, Communication & Marketing, and Compliance & Risk. There are also those that delegate the matter to Facilities or Administrative areas. Below, we detail the motivations mentioned by companies in choosing one area or another:

In the Compliance area: close to legal expertise

The choice of the company's Compliance & Risk area to manage ESG commitments is related to the perception of risk that ESG generates for the institution.

In the Marketing area: concern with image

When the issue of sustainability is under the responsibility of the Communication & Marketing area or is designed based on a desire to improve the organization's brand positioning, it is evident that the company understands the impact on the company's reputation when assuming ESG commitments. It is also clear that there is a perception of customer demand for products and services that meet best practices.

In the study, one can see that the dispositions of these companies, in certain cases, transcend image concerns and are translated into permanent sustainability programs.

In the Facilities area: In-house only

In controlling all the services provided by the institution's offices – which involves purchasing supplies and managing resources – participants in this area responsible for ESG show a commitment to saving materials and taking practical actions. This translates into rules for the work environment, such as waste recycling or monitoring of document print-outs. These companies perceive sustainability as the need to keep the workplace in harmony with the environment, but they do not incorporate ESG issues into the planning and strategy of the business itself.

With third parties: know-how outside the company

Some companies leave implementing sustainability commitments in the hands of third-party firms specialized in the subject. Thus, they transfer the responsibility to an agent outside the company's organizational chart, contributing to institutes and foundations that carry out social or environmental projects.

With specialists: in the company's culture

At larger financial institutions, such as banks, which have a wide array of departments, sustainability is assigned to an exclusive area. It includes professionals who are specialists on the subject matter, who drive initiatives and seek to ensure that ESG principles permeate the entire organization. This role is relatively new, and those responsible have the additional challenge of taking on commitments that until recently were entrusted to third parties, such as specialized ESG institutes or foundations.

With the CEO: in the hands of the boss

There is also a minority of professionals in the financial market who founded companies with sustainability already embedded in the business' DNA. In these cases, institutions have a specific department to deal with ESG or there is no separate area: good practices are disseminated among employees at all hierarchical levels.

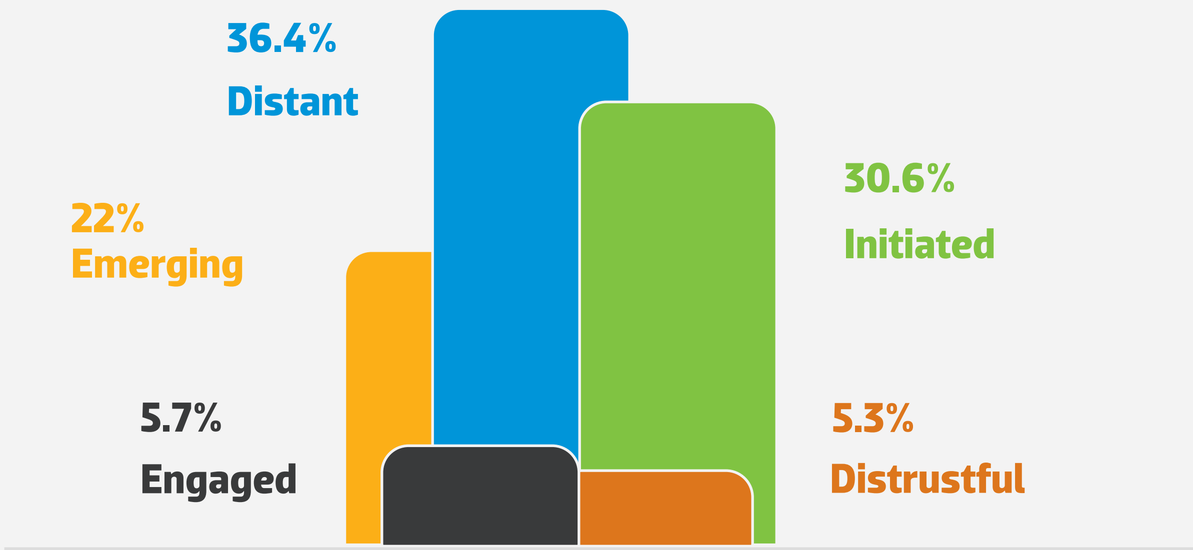
ZOOMING IN ON ASSET MANAGEMENT FIRMS

We placed a magnifying glass over asset management firms: 209 of these institutions responded to the survey, i.e., 79% of the total number of companies interviewed. As asset management firms had already participated in previous editions of this study, we were also able to understand the evolution of discussions and implementation of sustainability practices in this market segment in recent years.

Profile of asset management firms

Most of the management firms participating in the survey still lack a broader adoption of ESG principles. Of the interviewees, 36.4% fall under the distant profile, while 30.6% are of the initiated archetype, and 5.3% are categorized as distrustful. Those with an emerging profile totaled 22%, while only 5.7% can be classified under the engaged archetype.

Distribution of profiles at management firms follows market segmentation as a whole

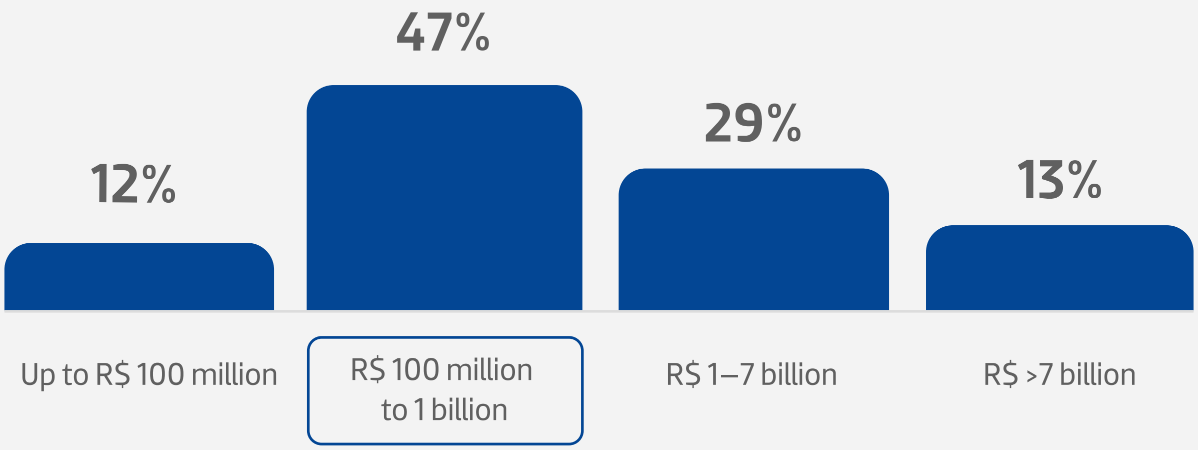


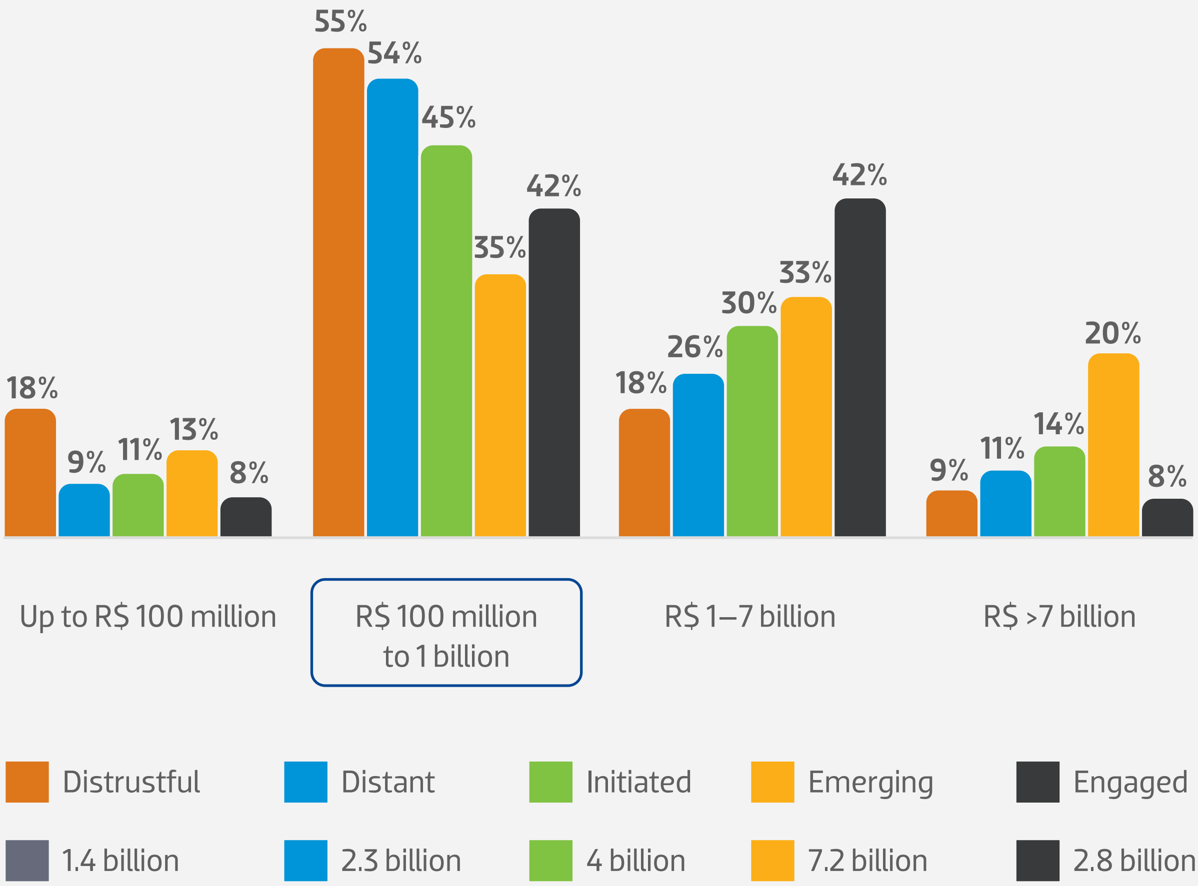
Sample: 209 respondents

Again, one can see a correlation between the size of the asset management firms and sustainability adoption. Almost half of those interviewed (47%) have between R$ 100 million and R$ 1 billion in assets under management.

Asset management firms with assets between R$ 1 billion and R$ 7 billion make up the second largest group of respondents – at 29%. 42% of asset management firms with the engaged profile are found in this subgroup. Medium-sized companies are therefore the most advanced in understanding and practicing sustainability principles.

Survey participants have, on average, R$ 3.9 billion in assets under management





Sample: 209 respondents

At small firms (with up to R$ 100 million under management) – which account for 12% of respondents – the most prominent profile is distrustful: 18% of asset management firms of this size are in this group. But there are also 8% in the engaged and 13% in the emerging profiles.

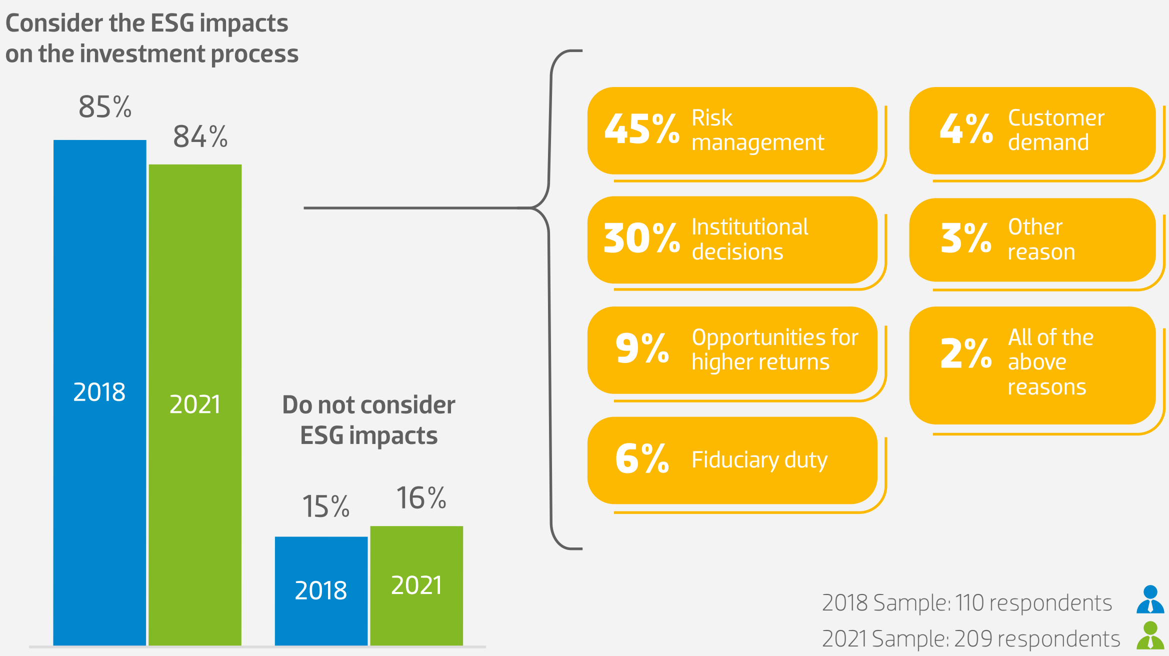
The largest management firms, which comprise 13% of those interviewed, are slightly behind the mid-sized asset management firms: the most common profile found in this group is emerging, at 20%.

ESG Integration

The percentage of management firms which consider the potential impact of sustainability issues in their investment process remained practically the same: **from 85% in 2018 to 84%** in 2021, despite the significant increase in the number of participants.

Of those who are concerned about this issue, 45% mention risk management as a reason. Among the reasons for complying with sustainability issues, institutional decisions place second (30%), and the pursuit of better return opportunities is mentioned by 9%. Asset managers with a distant profile are the ones that most often cite fiduciary duty as the greatest motivation for considering ESG factors (59%).

Risk management is the main reason for adopting ESG among the companies interviewed

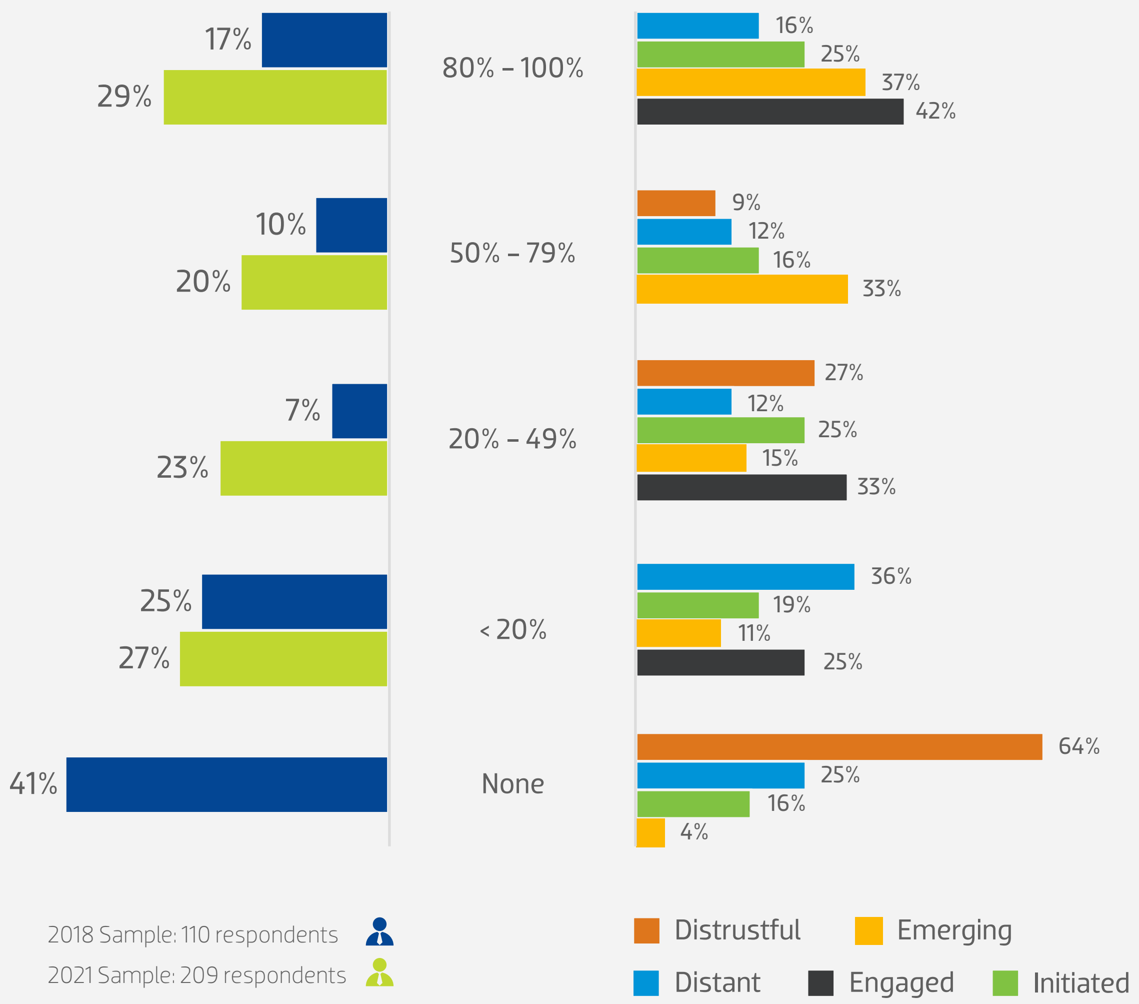


2018 Sample: 110 respondents
2021 Sample: 209 respondents

Assets with ESG valuation

The percentage of assets under management analyzed through the ESG lens has increased. In 2021, 49% of management firms said they considered factors for more than 50% of assets under their management, while in 2018 this figure was 27%.

Around 30% of management firms consider ESG criteria on the analysis of nearly all of their assets

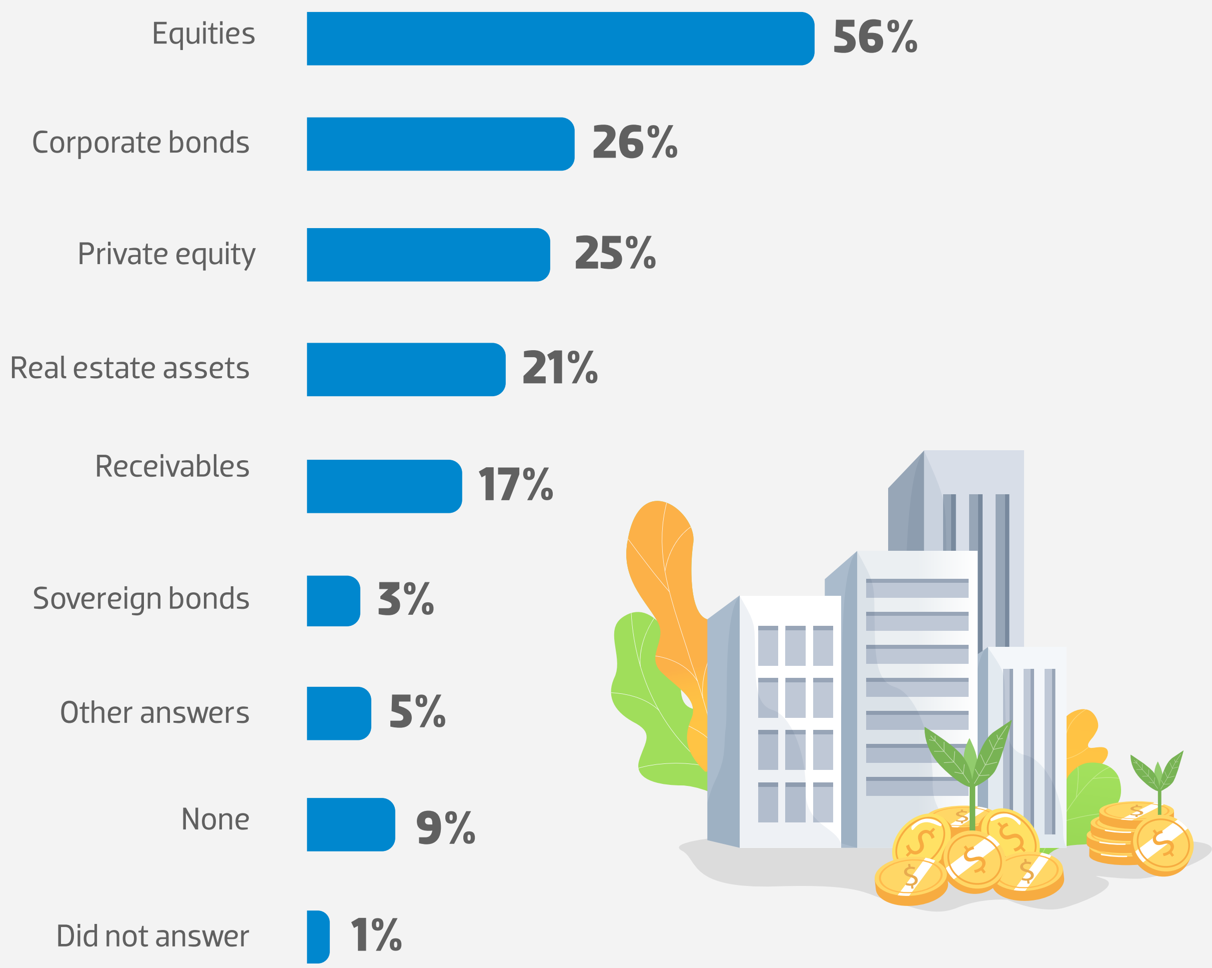


The engaged profile stands out the most: 42% of management firms in this archetype valuate between 80% and 100% of the securities according to ESG practices. Next, there is the emerging group, at 37%. The distrustful profile is concentrated more among those who still do not analyze anything: 64%.

Asset classes valuated with ESG criteria

Equities are the most widely asset type assessed, mentioned by 56% of the companies in 2021. The current survey also detected new classes not included in the previous survey, such as real estate assets and receivables, representing 21% and 17%, respectively.

Variable-income assets are the most widely valuated by management firms

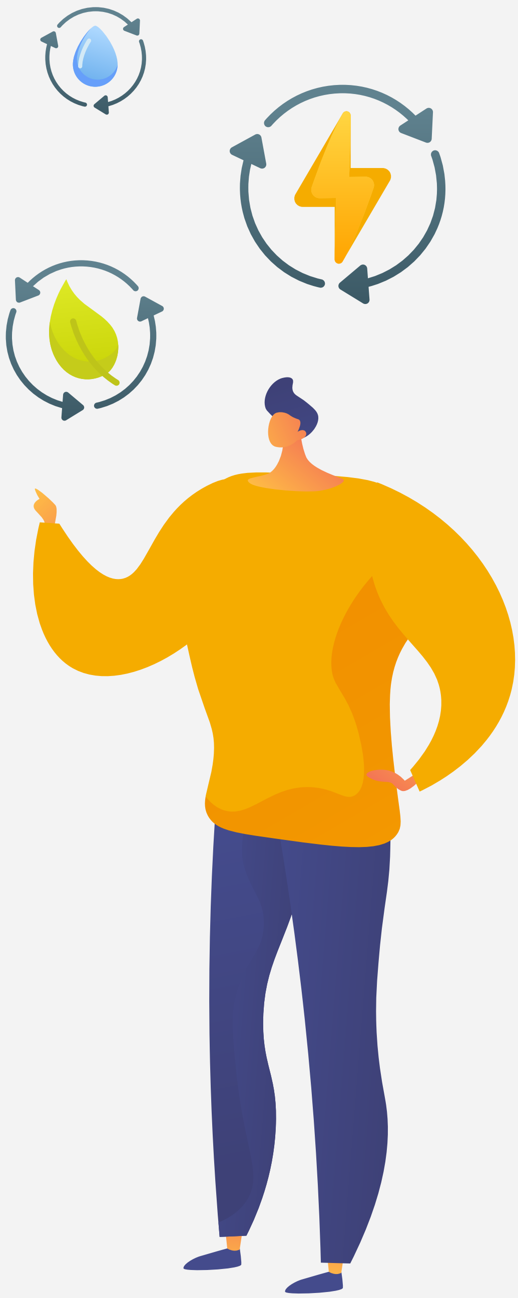


2021 Sample: 209 respondents

Criteria considered

Each aspect of the ESG universe – environmental, social and governance – offers a series of criteria that can be considered by management firms in their investment analyses. **The most commonly mentioned by management firms in the survey were transparency (92%) and ethics (92%), which are part of the governance universe.** All profiles identified in the survey take this factor into account in their analyses.

This reflects the fact that governance has a longer history of being incorporated into the analysis of companies in several countries, including Brazil, while environmental and social aspects have only been incorporated more recently.

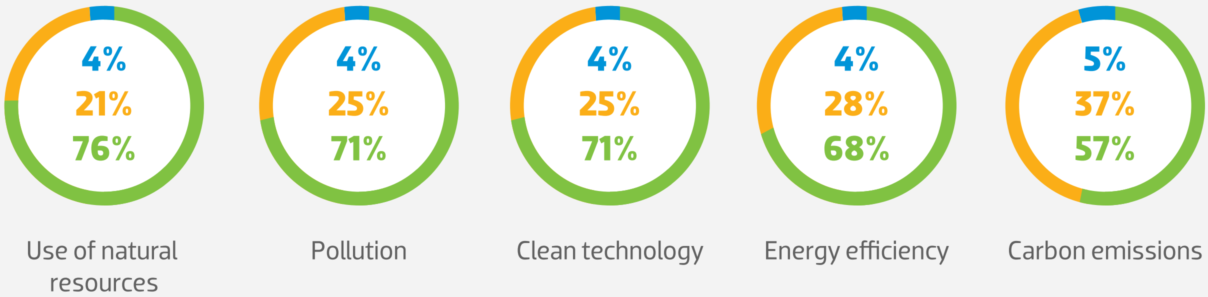


Aspects related to the environmental and social dimensions, respectively, were mentioned less frequently. **As for environmental, the use of natural resources (76%), clean technology (71%), and pollution (71%) stand out the most. In the social field, human rights stand out above the rest (73%).** In general, criteria related to diversity – such as the inclusion policy and composition of the board of directors – are the ones that receive less attention from managers.

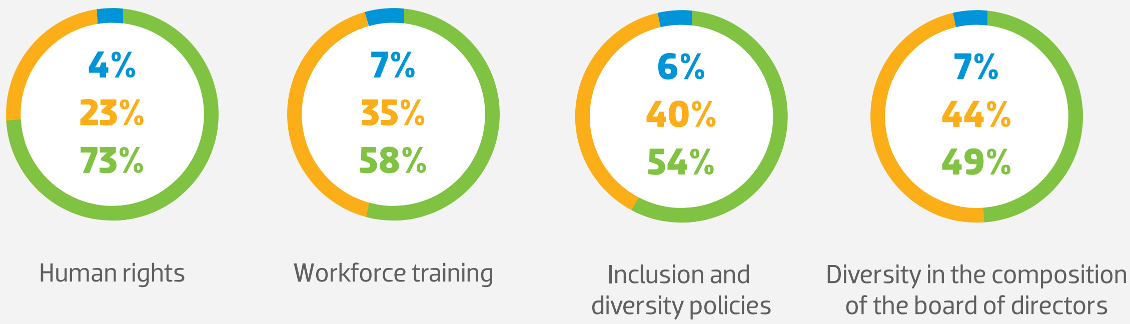
The emerging and engaged profiles appear ahead of the others: besides governance, they also consider environmental and, to a lesser extent, social criteria.

Social criteria, such as diversity and inclusion, are less adopted by the management firms

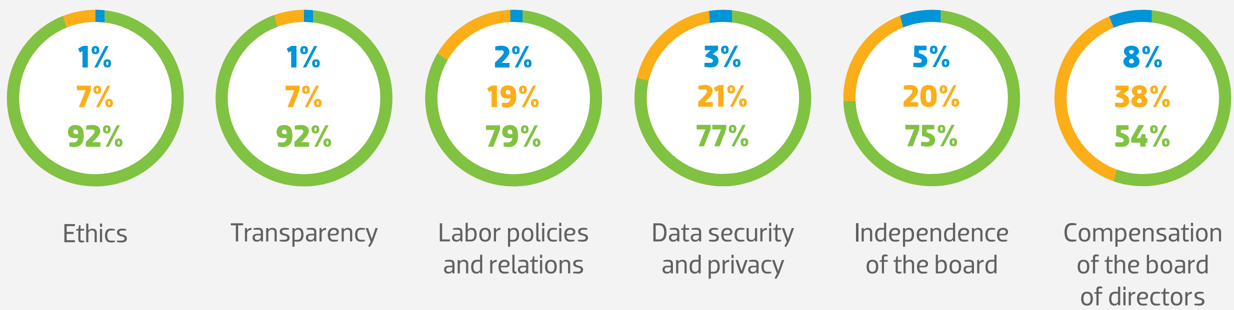
Environmental



Social



Governance



Considers in investment analysis
Does not consider
Never heard of it

Sample: 209 respondents

Institution's structure for dealing with ESG

There has been an advance on the market in this respect: while in 2018 only 34% of management firms said they had an organizational structure for dealing with ESG, today 71% say they have some type of framework (whether exclusive or not) for dealing with sustainability, but with employees directly involved or trained, or a specific committee dedicated to the issue.

71% of the companies interviewed have some type of organizational structure for dealing with sustainability

	2018	2021
Has a specific area in charge of the issue	11%	6%
Has no specific area, but has employees directly involved or trained	18%	53%
No, but it has a specific committee dedicated to the issue.	5%	12%
None of the above	66%	29%

Average: 5 employees

Up to 5 employees	54%
6–10 employees	18%
> 10 employees	4%
Doesn't know	24%

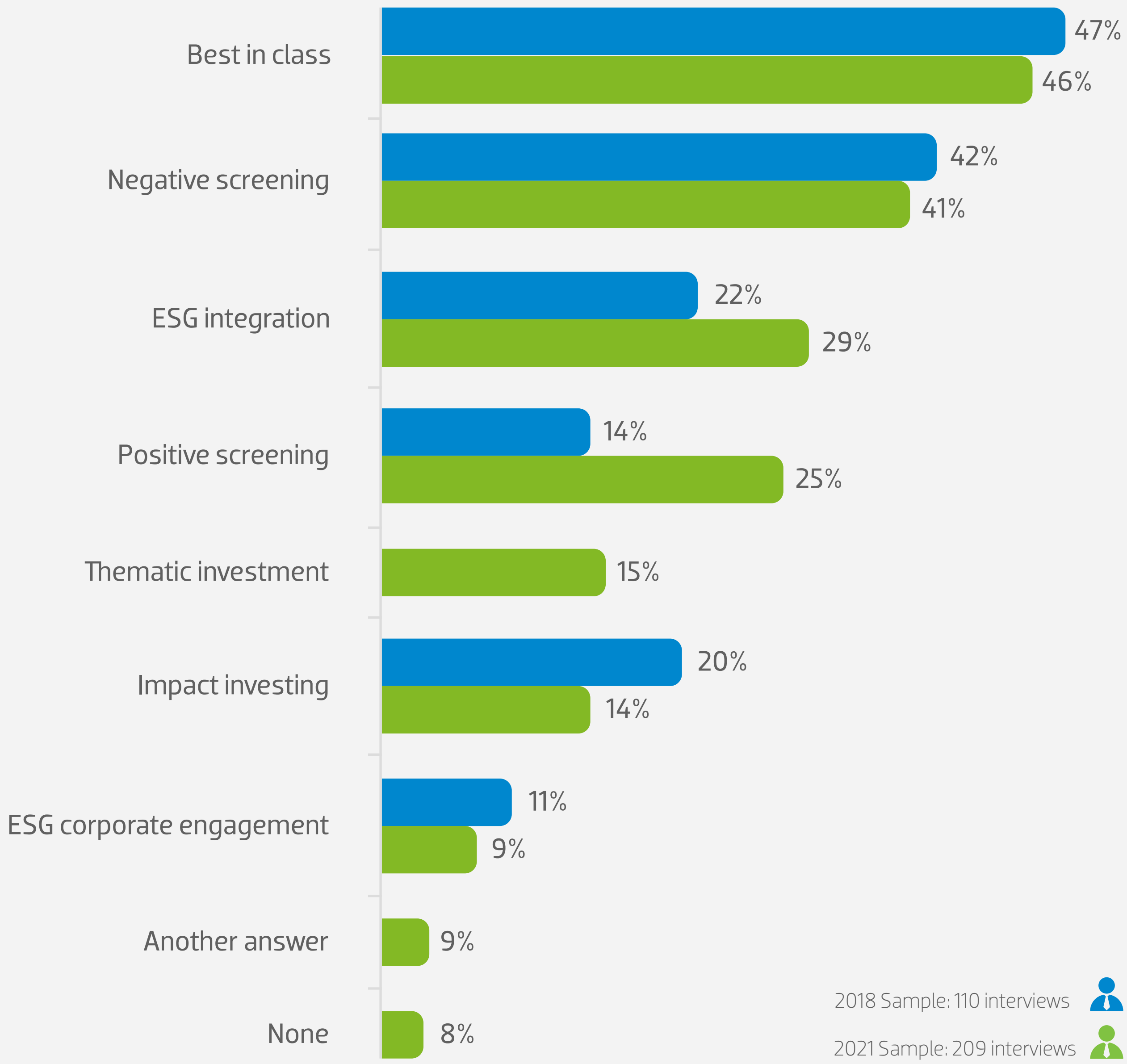
2018 Sample: 110 interviews

2021 Sample: 209 interviews

Approaches to ESG in the investment process

There are several approaches that can be used by the market participants when dealing with criteria in investment decisions. One indication of greater maturity in dealing with the topic is the use of a combination of approaches. In the survey, asset management firms cited two approaches, on average.

There is greater diversity in the approaches that the market uses, with the growth of ESG integration and positive screening



Most of institutions (46%) use what's called "best in class". This is a positive screening model, which functions as a ranking. ESG criteria are selected for evaluating a particular sector or project; based on this analysis, the best ones for receiving the investment are defined. This type of verification is able to capture the possible competitive advantages among companies in the same sector. It is prominently present among the emerging and engaged profiles.

In second place, with 41%, is negative screening, which is an exclusion of investments due to their high social and environmental risk. For example, the decision not to invest in the sectors of alcoholic beverages, nuclear energy, or weapons and munition. This type of approach is also more strongly present in the emerging and engaged profiles.

Two approaches grew notably between 2018 and 2021. Mentions of integration in investment valuation (ESG integration) rose from 22% to 29%. This strategy captures the impacts that certain ESG factors will have on the company's future, whether on the risk profile or profit generation. E.g.: the financial analysis model could apply a discount on the valuation of a company in the automotive sector that has no electric car production project. Again, the engaged and emerging profiles stand out the most because they are the ones that most use different approaches.

Another approach on the rise is that of positive screening, which jumped from 14% to 25%. Positive screening works similarly to negative screening, but instead of excluding assets, they include those that meet specific criteria and standards. If carbon reduction is a "material issue" (in ESG parlance), the asset manager will select sectors and companies that have active carbon emissions policies. The engaged profile is the one that most often mentions this type of screening.

Thematic investment, which did not appear three years ago, has now been mentioned by 15% of management firms. As the name says, investments are classified by the areas of activity of the invested companies, such as healthcare, renewable energy, water, etc., and appeared predominantly in the responses of management firms with engaged and emerging profiles.

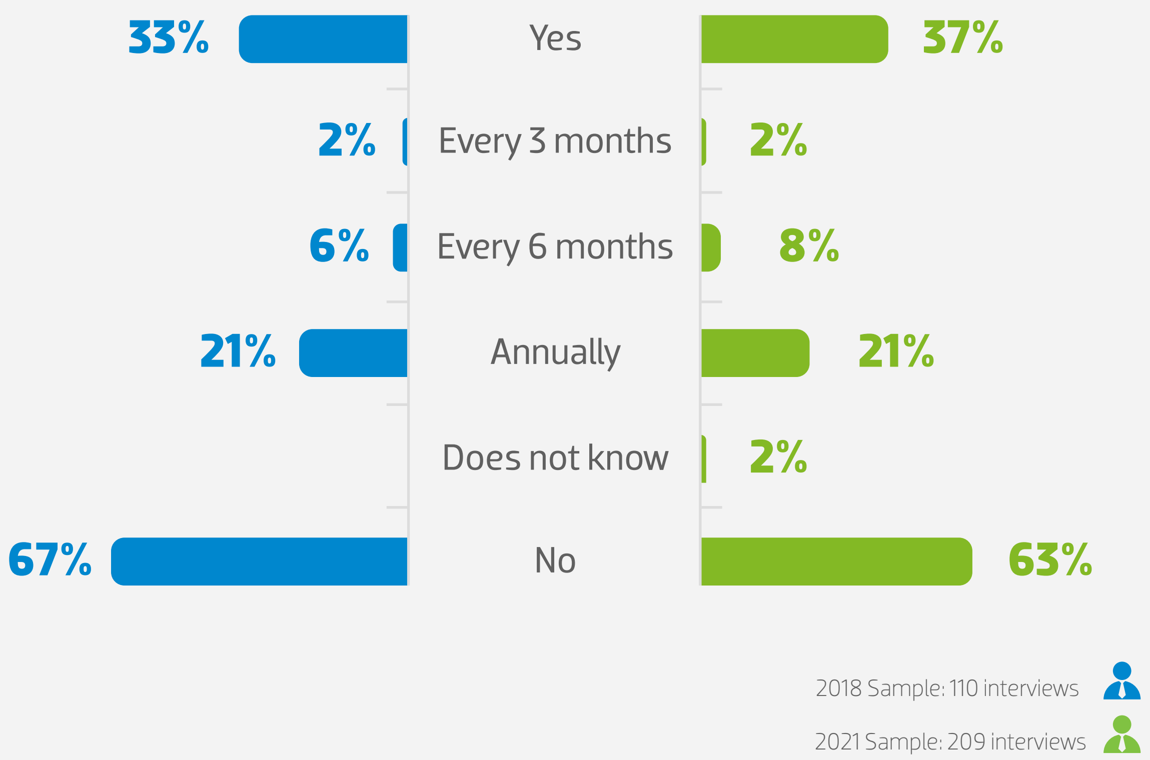
Setting targets and goals for ESG integration

A consistent plan for implementing sustainability principles at a company requires the setting of targets and goals that are periodically reviewed. From 2018 to the present, more asset managers have realized the importance of this guideline.

Targets are adopted by just over one third (37%) of management firms in their ESG integration. This number grew 4 points compared to 2018. Asset management firms with assets under management totaling more than R$ 1 billion and/or with more than 11 employees stand out in this respect. The majority (71%) review these goals annually.

A total of 63% do not work with targets at all and this figure rises to 73% among firms with up to ten employees and 71% among those with less than R$ 100 million in assets under management. The big firms also appear in this group: 56% of those who mention not having targets have more than R$ 7 billion in assets under management.

Roughly one third of management firms adopt targets in ESG integration



Responsible investment policy

In 2021, more asset management firms claim to have a responsible investment policy or a document that formalizes their treatment of the issue; and if it is not yet in place, it is at least under development: 80% of the firms participating in the current edition of the survey, vis-à-vis 69% in the previous edition.

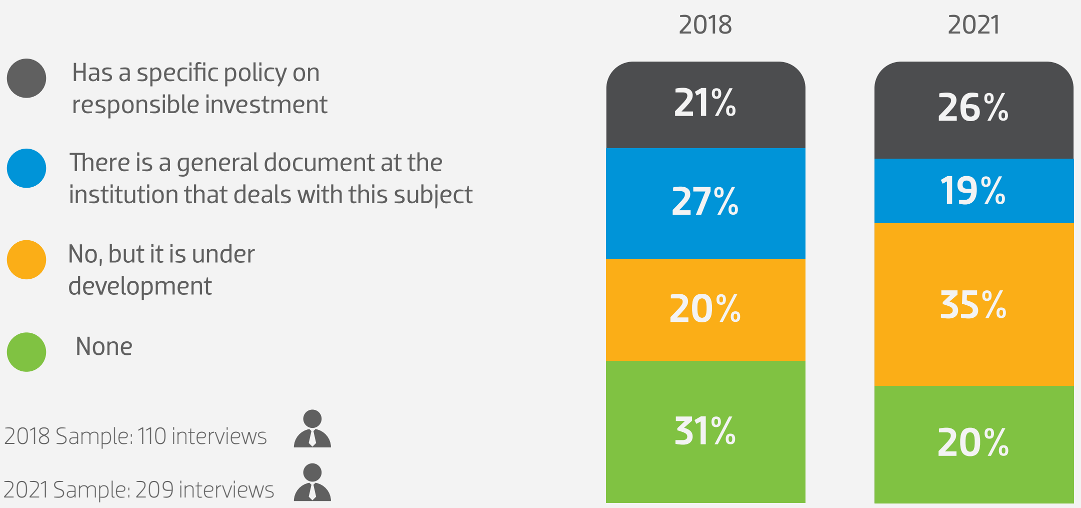
19% of management firms have a general document at the institution that also deals with the subject, compared to 27% in 2018. On the other hand, among those that already have a specific policy on responsible investment, the number grew from 21% to 26%, mainly covering those firms with more than R$ 7 billion in assets under management.

Around one third (35%) of the institutions that took part in the survey are in the process of developing a document incorporating ESG issues, with the predominance of the distant and initiated profiles.

Among the asset management firms with a distrustful profile, 82% do not have any formal document about their responsible investment policies, and 18% are in the process of developing one.

Among the asset management firms that do not have a policy and are not developing one, those with up to R$ 100 million in assets under management stand out the most.

80% of firms have a responsible investment policy/formal document either in place or under development



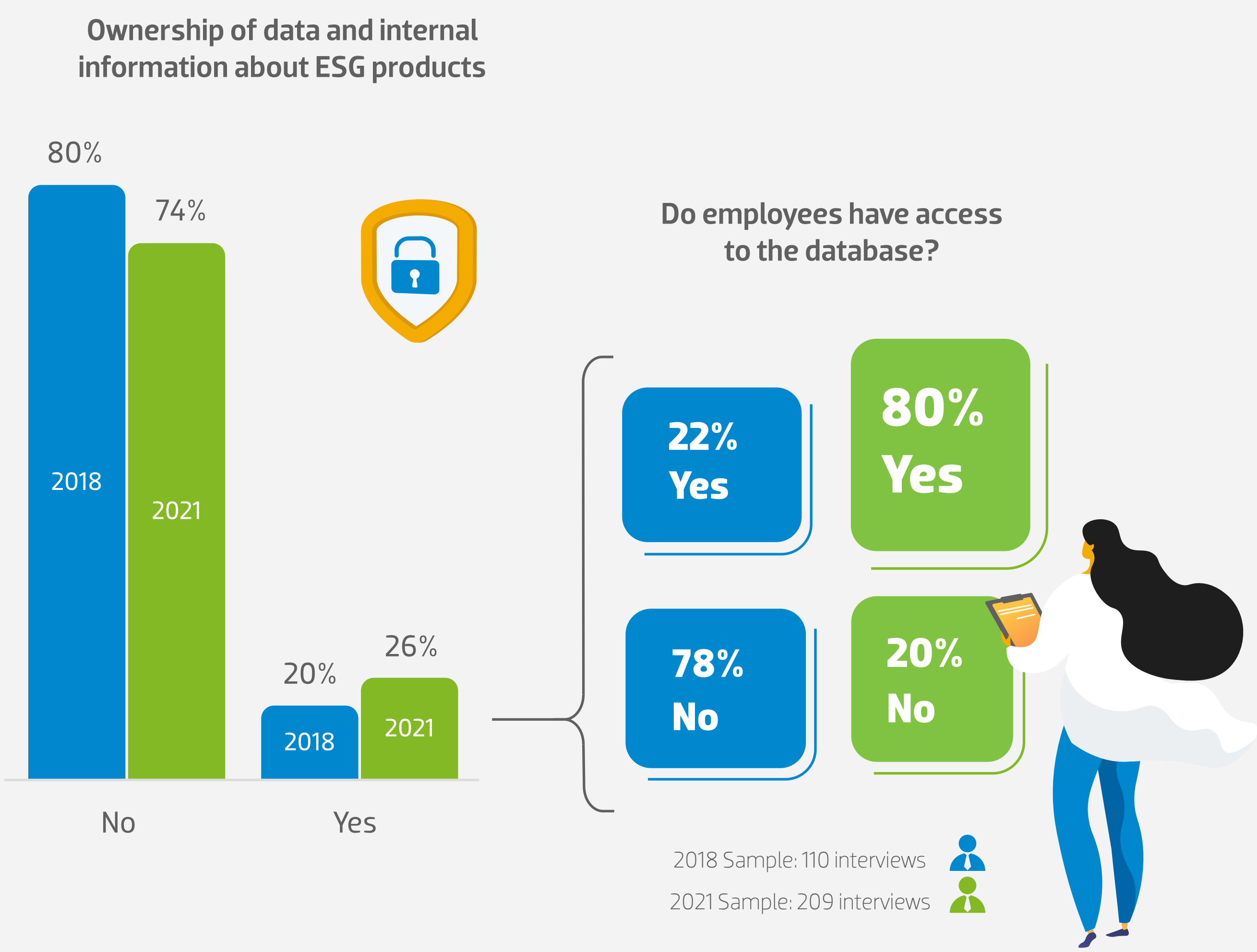
Database and internal information about ESG products

Having a good database of ESG products at hand is important to direct an asset management firm's sustainability strategy and support investment decisions.

Roughly quarter of asset management firms have an internal database, while 17% hire services from a third-party provider. These percentages remained practically stable compared to the previous study, but are still at a low level.

However, the access granted to employees to use these databases has increased significantly, which shows the spread of the sustainability topic at companies.

Employee access to ESG product databases has grown

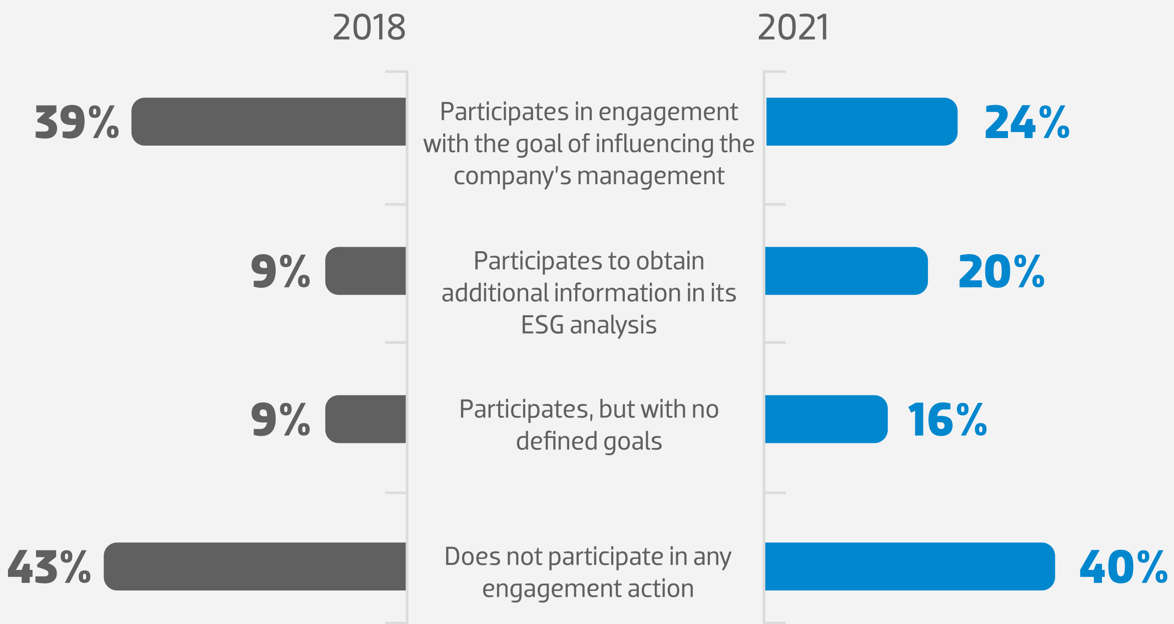


Corporate engagement

A large portion of financial institutions affirm they actively engage with invested companies on ESG matters: 60%. When compared to the 2018 results, there is a downturn in engagement with the objective of influencing the company's management (from 39% to 24%) and an increase in asset management firms that aim to obtain additional information in their ESG analysis (from 9% to 20%) or have no defined goals (from 9% to 16%).

However, as sustainability is an emerging theme, some concepts are still not fully understood. The idea of engagement is related more to active participation in the investee (such as voting in shareholder´s meeting and public positioning when necessary) than to obtaining information. The lack of knowledge about the concepts that permeate the issue reveals room for ANBIMA to act in the future.

More than half of the companies claims to engage with invested companies



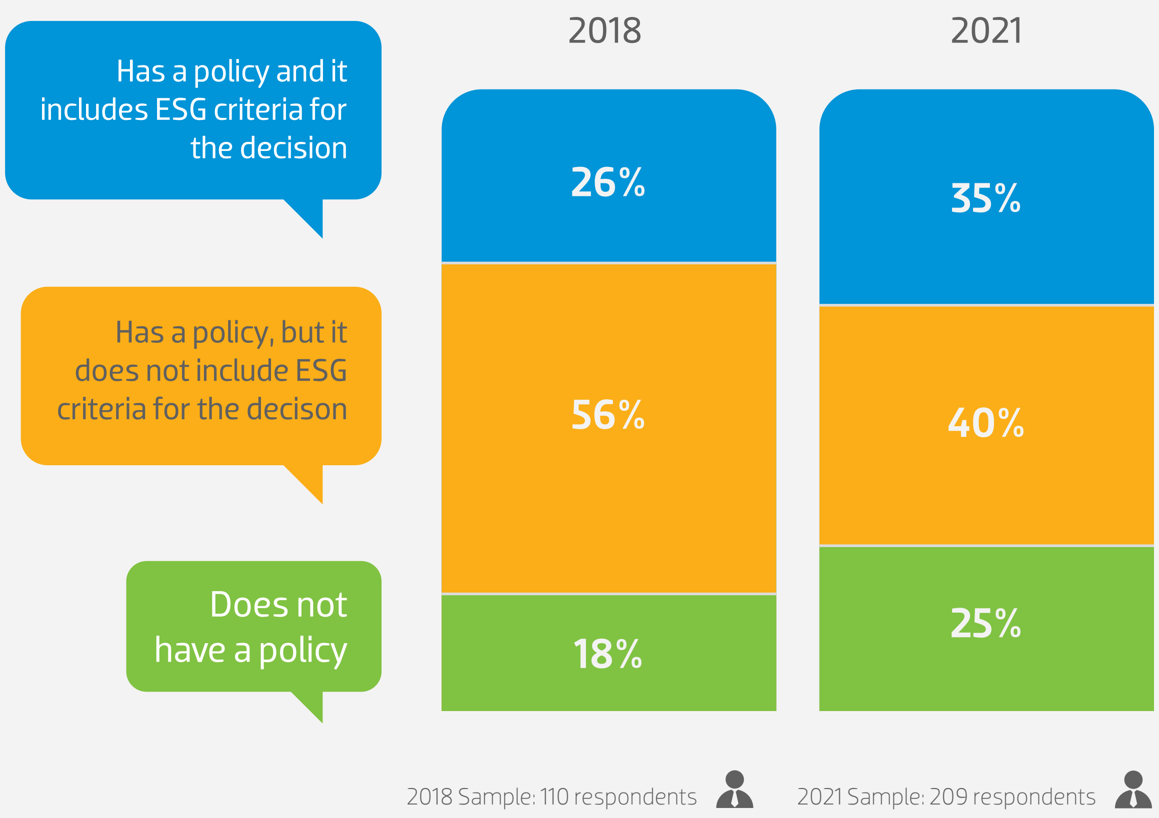
2018 Sample: 110 respondents
2021 Sample: 209 respondents

Proxy voting policy for shareholders meetings

One of the most important tools for investors' engagement with companies is participating and voting at shareholder meetings. Of the management firms interviewed, 75% have a proxy voting policy, which means a downturn compared to the 82% measured in 2018 – keeping in mind that the survey's margin of error is seven percentage points higher or lower, and therefore it is not possible to state that there is a significant difference statistically. In the current survey, the percentage of firms that include ESG criteria in their voting decision are nearly the same (35% of the total).

More than half of the asset management firms in the engaged (58%) and emerging (54%) profiles declared to include ESG criteria when exercising voting rights at shareholder meetings.

75% of management firms have a proxy voting policy

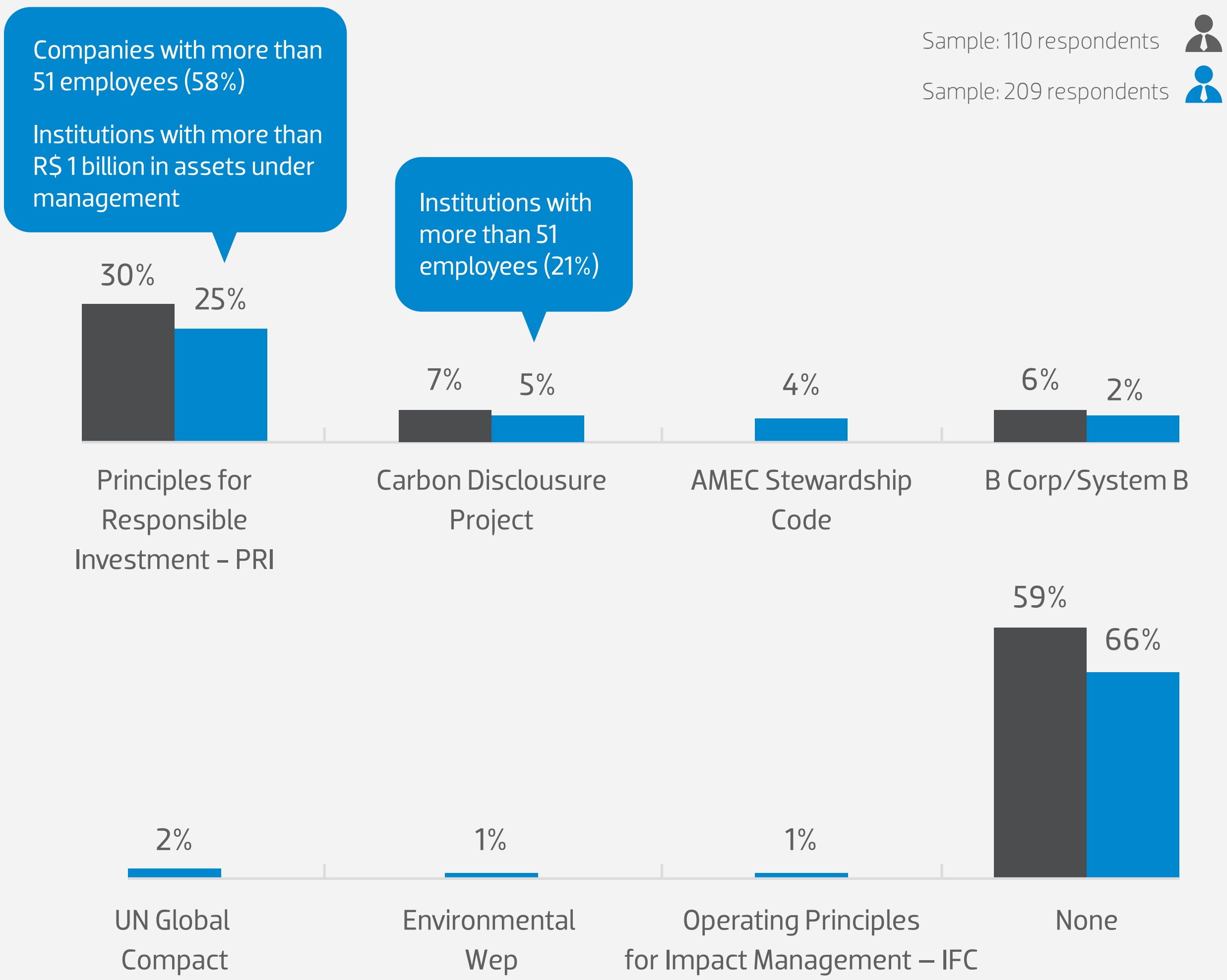


Voluntary commitments

The PRI manifesto (issued by Principles for Responsible Investment, an UN-supported international group of investors) continues to be the main voluntary commitment to which the institutions adhere. Half of the asset management firms in the engaged profile are signatories of the PRI, as are 48% of the emerging group.

In general, larger asset management firms – in terms of overall assets under management or total number of employees – are the ones that most often adopt voluntary commitments.

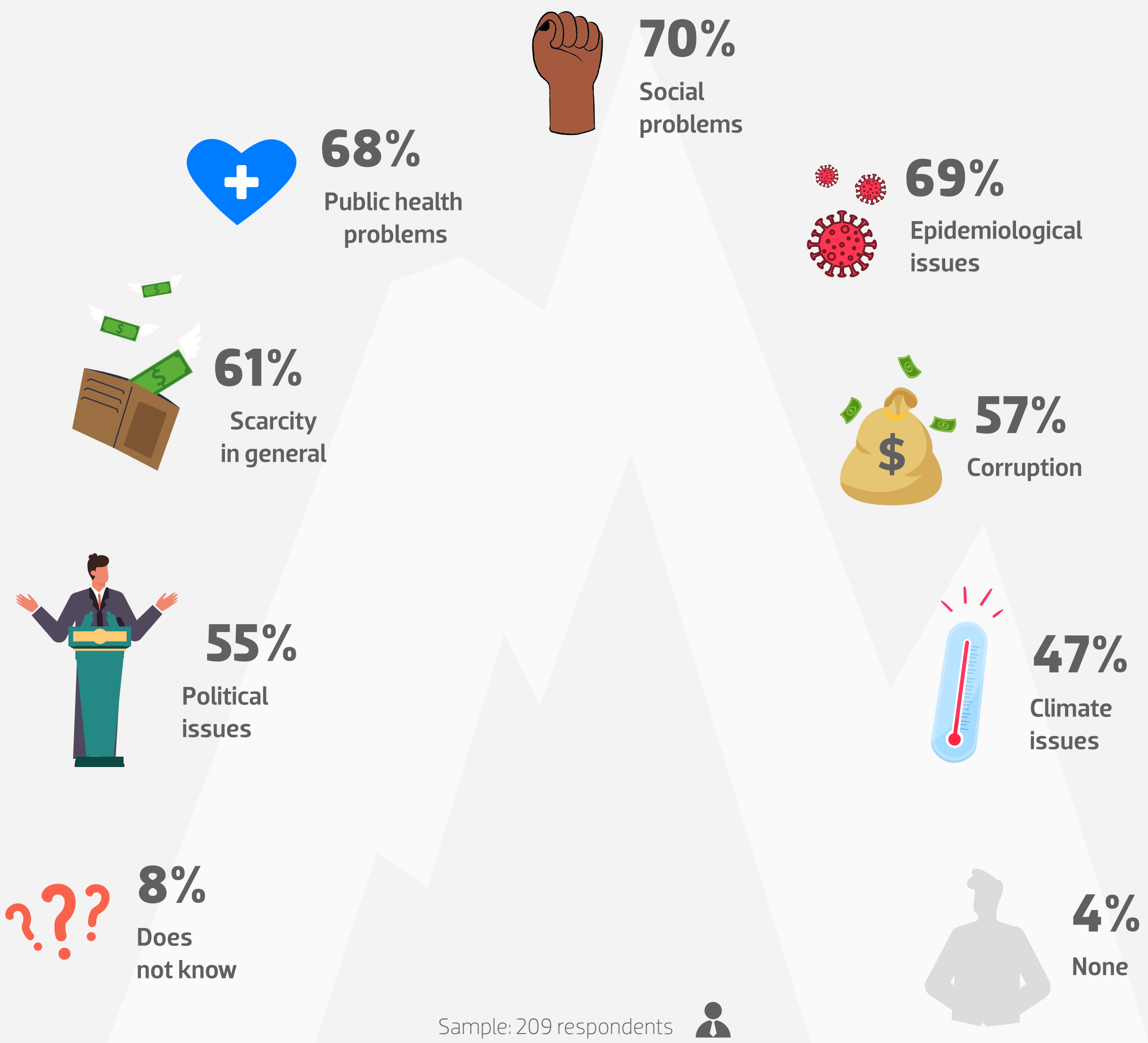
PRI is the most widely followed commitment, whereas more than half of the companies make no commitment at all



Better evaluated risks in the pandemic

The pandemic changed institutions' risk perception. Seventy percent of Brazilian asset management firms became more attentive to social problems; 69% to epidemiological issues; and 68% to public health problems. The Emerging and Engaged profiles are the ones that most often mention social problems as a risk that is now being closely monitored: 89% and 92%, respectively.

Social problems and epidemiological issues drew attention in the pandemic



Summary of ESG practices in each of the profiles identified

	Less mature profiles (distrustful, distant, initiated)	More mature profiles (emerging and engaged)
Responsible investment policy	Does not have any/under development	Has specific ESG policy
Voluntary commitments	Does not assume any	Assumes only the PRI
Targets and goals for ESG integration	No	Yes
Types of assets	Equites	Equities and fixed-income securities
Aspects analyzed	Governance	ESG
Approaches used	Best in class	Combination of approaches
Engagements with investees	No	Yes

DIFFICULTIES ON THE ESG TRAIL

If sustainability has become stronger in Brazil in recent months (and there is indeed a growing interest in ESG commitments by financial institutions, as our survey shows), it is expected that discussions on the environmental, social and governance dimensions will gain importance – and concrete actions – among companies in our country from now on. But the path to taking more responsibility for the environment and the community has several obstacles. Below, we consolidate the ones that most often came up in the interviews conducted in the qualitative phase of the survey.

Defining sustainability

A portion of market professionals has a distorted understanding of what sustainability is, often confusing it with philanthropy or benevolence. It is necessary to weave the aspects of ESG into the very structure of the business.

Where's the manual?

When institutions decide to take concrete steps towards embracing commitments to sustainability, they may feel lost because there is no "manual" that sets the parameters for all types of business in all regions of the world.

Is ESG a scoring system? Is there a checklist of what to do? Where's the step-by-step procedure? What to do if the goals don't seem right for that particular company? How to measure effects and results?

Creating principles and establishing specific actions involves a number of risks and poses challenges that are considered difficult to overcome without the help of a collective movement that gathers information and prepares the market for such a task. Professionals committed to dealing with sustainability at organizations assert that the market is still digesting this issue, and ideas are not yet solidified to the point where the information is convergent and easily accessible.

The challenge of translating to local reality

In the search for references to help them build their sustainability policies, many financial institutions end up looking abroad. There are parameters adopted by other countries, but not known by the entire capital market in Brazil. Moreover, as the understanding of ESG may vary among different locations, the models need to be adapted to regional realities as well as different characteristics of the businesses.

"If there were a single model, everyone either would be or wouldn't be compliant with that model. Either you are or you aren't; that's it! When there's no model, I think it's nice, because it opens up new paths, creates many opportunities. But at the same time, I'm a little insecure that I won't have that recipe that makes me feel sure that if I tweak an item, I'll still be in compliance."

"Make the process simple: I think that's the major issue. If we complicate things too much, the decision decreases."

"The complexity lies in translating ESG issues not only into the activity of financial institutions, but into the real economy. It's necessary to regionalize these concepts. I think we're building international standards at an accelerated pace. But they have to be implemented in light of a Brazilian reality."

Various yardsticks

The minority of professionals and institutions that are more advanced in deploying practical actions for ESG commitments wind up discovering that there is a multitude of foreign indices, calculations, and methodologies that are used by different entities as a way to measure, determine, or ascertain the impact of measures taken by companies in wide-ranging sectors.

There are multiple rating providers with different methodologies, countless indices that propose to encompass companies or assets from the perspective of different aspects of sustainability, and different recommendations for good practices in ESG analysis. The use of different yardsticks can make it difficult to compare institutions and products, which hinders investor decision making.

"There are various standards. We say that it's like alphabet soup; companies often don't know all the details. So, I think there is a step that's already taking place, which is the convergence of all these frameworks for disseminating information, for measuring. It's a challenge, there's room to improve, and there's a learning curve. Investors have to know how to use it, and companies have the challenge to look to it, to use it."

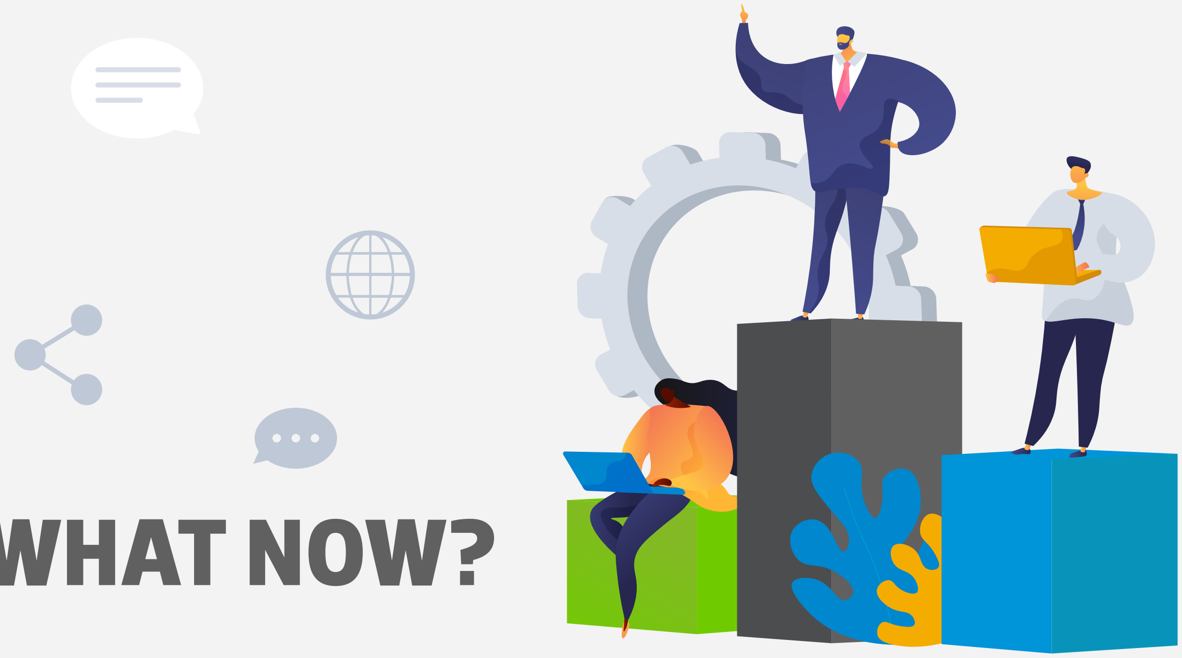
The risks of greenwashing

The need to embrace sustainability is imperative. However, the risk of making this issue so urgent is that organizations will use it solely as a marketing speech without truly taking responsibility; this is known as greenwashing. They might use superficial and limited measures as advertising for their activities, without actually practicing social, environmental and governance commitments. According to most of the respondents in the survey, this problem can be solved through the figure of the regulator or the self-regulator: an entity that stipulates the rules and organizes a standard according to the potential impact of all types of companies.

"So, it's important for ANBIMA to create and check the framework and carry out training and certifications, to educate... A lot of people have no idea what this is. So you're going to need a lot of education. There needs to be a renewal of blood in the system, and I think ANBIMA has this responsibility."

"ANBIMA has the role of developing self-regulation as a way to prepare the market for the regulations to come; following market trends and preparing companies for these trends, so that they are not caught off guard by these regulations, so that they have – through the use of 'soft law' – the ability to anticipate and truly prepare with more time, with guidance."

"Sustainability was never worth money, so whether companies were sustainable or not, they didn't need to tell the financial market, and the financial market didn't need to ask either. It was a non-issue. Now sustainable businesses are worth money. Unsustainable ones are removed from portfolios, so companies will make the greatest possible effort to show themselves as sustainable. This gap that was created over the span of 20 or 30 years will create a lot of room for greenwashing. So I think we're going to experience a very critical period, a rose-colored world in which everyone will become sustainable, everyone's cool, and no one will notice what people are actually doing."



WHAT NOW?

The Brazilian capital market is in undergoing a transition. To very different degrees, sustainability has been included in the company agendas. The COVID-19 pandemic may have accelerated the process, but nothing will ever be the same again.

From now on, values such as diversity, transparency, social and environmental responsibility will no longer be a competitive advantage, but rather a natural part of business – a reflection of the transformation of society driven by the entry of a new generation of professionals in the market. Young people today were born and are growing up in an environment in which these aspects are of tremendous importance, as a basis for purchasing and investment decisions, for example. In this scenario, even companies that have a certain resistance to changing their principles will end up needing to do so for the sake of survival.

"It should be stressed that companies that fail to integrate social-environmental and corporate governance issues into their decision-making processes will not survive the transformations brought about by society, especially by future generations."

"This generational transition comes with awareness in this regard. So, the environment matters. Diversity matters. All these human rights issues matter. People will not fall for baseless discourse. You can't fool these people easily."

"We're in the Decade of Climate Action until 2030; because of that, we're seeing many companies publishing sustainability or climate-related targets. So I'd say that it's not leveling down; it's leveling up. And in Latin America, we've seen a growing and very inspiring increase in companies that are issuing sustainable financial products."

ANBIMA's role

This is where ANBIMA comes in. Among those interviewed, there is a consensus that we have the potential to promote changes to bring the capital market closer to ESG criteria. A number of different roles are assigned to ANBIMA, as detailed below.

Sharing and consolidation of information

In the eyes of the interviewees, ANBIMA should facilitate and promote the alignment of understanding of ESG concepts, terms, and practices. Our role would be as a mediator the sharing of experiences, knowledge and doubts, bridging the gap between mature institutions and less advanced ones. Work on this front has already started here with the completion of this survey, which is the starting point to better understand market needs and lead focused initiatives that meet them.

"ANBIMA can develop training courses, understand the challenges of companies and, based on that, create working groups in order for companies to be able to help each other, to partner with national and international organizations, and to adopt international reporting standards and ESG actions as a rule."

"It always helps when a company, an institution, or a single agent takes on this task of consolidating concepts. Because, otherwise, each one could follow its own path, establish its own level of adaptation. And that – perhaps looking at the market as a whole – wouldn't be beneficial. It's important to outline minimum standards."

Training

Training and qualifying professionals in this area is relevant for the development of sustainability in the market. ANBIMA would assist in the task through a specific certification or by complementing existing ones. We are currently working to include ESG content in all our professional certifications (CPA-10, CPA-20, CEA, and CGA). The exams are expected to cover this topic starting in 2022.

> ANBIMA should have a system whereby you can search for a certified and qualified workforce. E.g.: you could go to ANBIMA's website and search there for back-office, management, and/or compliance professionals. This is to encourage more diversity on the market.

Education

Another activity that could be led by the Association, according to the survey, is financial education. Investment allocation in products and in companies committed to ESG practices permeate investors' decision-making. For those interviewed, it is essential to encourage society as to the importance of a medium- and long-term vision for investments – because only by taking a more critical look at financial products can one perceive the advantages of believing in an ideal and using capital for value creation.

This role is already played by ANBIMA in a comprehensive way, not only related to ESG investments. Financial education is one of our priorities, with a focus on: market professionals, by offering certifications and courses; investors, through the production and dissemination of educational content; and society as a whole, with the support of public financial education programs and policies.

> "I think it's necessary, in Brazil, to create a culture of long-term investment, in which you invest for your future and not for tomorrow. The market is volatile, but it has its moment; you need to wait for things to happen. It's a culture that we have to create in people."

Defining parameters

Amid so much information and different metrics, establishing parameters in the field of ESG is also a market demand for ANBIMA. Among the suggestions is the development a unified and transparent measure to be adopted for the assets and for the institutions linked to the association. Some of the interviewees advocated a strict posture right off the bat, with firm criteria, while others believe that the ideal would be to start with a "low bar" at first.

In their view, we could help the market by anticipating rules and conduct norms so that institutions could prepare for future regulations, avoiding unexpected demands regarding ESG. To do so, it would be necessary to create internal oversight mechanisms by setting rules on measurement, mitigation, and disclosure.

Mindful of this concern, ANBIMA has established criteria for the identification of sustainable investment funds, i.e., those that have the objective/purpose of sustainable investment. They must prove compliance with several rules relating to both the fund and the asset management firm in order to be able to use the suffix "IS", which stands for Sustainable Investment in Portuguese in the fund name. Funds that consider environmental, social and governance criteria in their investment analysis and decision process, but do not have sustainable investment as their objective, will also be recognized. They will have no such change in the product name, but may include a differentiation in the marketing materials with the phrase "ESG aspects are integrated in this fund management process". This is a first step towards for investors to identify and acknowledge the management firms' concerns in the ESG journey.

"Where ANBIMA will choose to place the bar is a good question, because if you set the bar too high, you won't have many people adhering to the criteria. Maybe you have to start with the bar set low, let everyone be part of it, then move it up one notch at a time."

CONCLUSION

The study results show that sustainability has gained increased relevance at capital market institutions, being rated on a scale of importance with scores from 7 to 10 by 86% of the respondents. If the COVID-19 pandemic – which increased the perception of the need for risk assessment at institutions – may have been an inducing factor (for 87% of respondents, the matter of sustainability took on more importance in the last 12 months), such growth in interest and concern with the issue is not expected to stop there: 90% believe that this agenda will gain even more traction next year.

However, the survey showed that the market is made up of institutions at different levels of maturity on this subject, and that there are different understandings of the term "sustainability", ranging from business soundness, philanthropy and benevolence to full commitment, in addition to the perception of many difficulties in dealing with this issue.

Five profiles were identified and qualified, based on the way they understand and deal with the topic. They were labeled distrustful (4.2%), distant (35.5%), initiated (32.1%), emerging (21.5%), and engaged (6.8%). The names are self-explanatory, but each one of them has particularities that should be fully understood in order for the sustainability agenda to be effective.

Although widely used in the press, the acronym ESG – and its Portuguese-language equivalent ASG – is seen as distant at 67% of institutions, or seen only as internal environmental actions around the office, e.g., recycling plastic cups or selective garbage collection.

Nonetheless, it is worth noting that there are differences between the various segments: among asset management firms, 72% are in the profiles of lesser maturity (distrustful, distant and initiated) and 28% are in the more mature profiles (emerging and engaged). A similar scenario can be seen for other institutions, which include brokerage firms and distributors, with 84% and 16%, respectively. Among banks – although most are still in the profiles of lower maturity (57%) – the scenario is more balanced: 17% in the distant profile, 40% Initiated, and 43% are categorized in the emerging and engaged archetypes.

Despite being heterogeneous, the market is evolving. Another noteworthy finding is the percentage of companies that are currently working on the issue or have plans to implement ESG policies and processes, even if they do not yet have anything concrete in place. Specifically at asset management firms, we measured the evolution of institutions in adopting ESG practices, in continuation of our 2018 survey; since that time, one can see a progress in the maturity levels. More companies have responsible investment policies, the volume of assets analyzed through the lens of ESG has increased, and the number of companies that have a specific internal structure to deal with the issue has also increased.

In any case, there is still a long way to go; the large number of institutions in the less mature profiles can be explained by the challenges and difficulties indicated by the survey participants. The main one is the absence of regulations or a guide to be followed when starting out on the sustainability journey, especially in a market where the ESG concept is still in the process of being absorbed. International benchmarks do not help either, because they do not match the Brazilian reality, which should prioritize social aspects. At the same time, there are a number of rules, metrics and rankings that are often more confusing than helpful. For smaller firms, these obstacles appear to be more difficult to overcome.

ANBIMA has been working to fill the gaps on the market and foster this agenda. One of the initiatives in this regard is to define criteria for the identification of sustainable funds. Our self-regulation rules defines requirements that apply not only to the funds but also to the asset managers so that product names can include the suffix "IS" (Sustainable Investment).

This definition will allow for a better view of the sustainable products, one that is more in line with the reality of the market will help investors to compare ESG products and will avoid greenwashing. For now, it is only valid for fixed-income and equity funds, but it will be expanded to multimarket funds, Private Equity Investment Funds (FIPs), and Credit Receivables Investment Funds (FIDCs). We will also launch the second edition of the ESG Guide, featuring guidelines, references and examples to support the market in understanding the criteria and deploying the necessary actions.

These are some of our actions for disseminating good practices, which are one of the pillars of ANBIMA's action plan. The other one is aimed at education, by training professionals through the inclusion of content on sustainability in our certification exams and the launch of new courses for investors and potential investors.

We are aware that this agenda is not an easy one and there is a long way to go. This study is a starting point for a transformation in the investment sector. More than an overview of sustainability on the capital market, the results of this survey clearly show the need to support institutions so that this topic can be understood in a more homogeneous way and become an integral part of the business strategy of all institutions.

RELATED MATERIALS

Check out some of the other content we have prepared on the topic:

- **Raw data (tables, database, and qualitative questionnaire)**
- **Video with the details of each of the profiles** – content in portuguese only
- **Access the special survey page** – content in portuguese only

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