

SUSTAINABILITY REPORT

2020



Virtual and in-person
photographs present in this
report, produced during the
pandemic, followed all safety
guidelines and protocols with
regard to Covid-19.

BDMG'S RESPONSE TO THE HEALTH CRISIS



Aurora, entretanto eu te diviso,
ainda tímida, inexperiente
das luzes que vais acender
e dos bens que repartirás
com todos os homens.

Sob o úmido véu de raivas,
queixas e humilhações,
adivinho-te que sobes,
vapor róseo, expulsando
a treva noturna.



Carlos Drummond de Andrade

A noite dissolve os homens

*This is an excerpt from the poem
"A noite dissolve os homens"
by Carlos Drummond de Andrade,
a poet from Minas Gerais born in Itabira.
This text has no English translation yet.*

Trecho do texto A NOITE DISSOLVE OS HOMENS, publicado no livro
Sentimento do Mundo, de Carlos Drummond de Andrade,
Companhia das Letras, São Paulo;
Carlos Drummond de Andrade © Graña Drummond
www.carlosdrummond.com.br



Sustainability Report

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of Minas Gerais

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Fernando Lage de Melo
Chairman of the Board of Directors



Carlos de Camargo Penteado Braga
Vice-Chairman



Ivone Hiromi Takahashi Saraiva
Board Member



Leonardo Guimarães Parma
Board Member



Sergio Murilo Bahdur Vieira
Board Member



Sergio Eduardo Weguelin Vieira
Board Member



Sergio Gusmão Suchodolski
Board Member



Luiz Antônio do Souto Gonçalves
Board Member



A message from the Board of Directors

The world was not prepared for a pandemic. On the other hand, science, technology and human ingenuity have proven to be capable to reach extraordinary achievements. A singular talent for adapting and surviving that moves us - yes, we will overcome yet another challenge!

In 2020, in light of this scenario, and by means of an efficient executive management, BDMG found, within itself, a purpose, values, teamwork and leadership to actively respond to the demands of the Minas Gerais society, providing the market with credit under competitive conditions, and activating control mechanisms to ensure the excellence of its governance.

The Bank's capillarity and its strategic "specialist" vision in Minas Gerais provided a growth of 36% in the client portfolio, with active clients located in 774 out of the 853 municipalities of Minas Gerais, 87% with an HDI below the Brazilian average.

According to estimates, BDMG disbursements in 2020 contributed to the generation of R\$ 1 billion in added value in the economy of Minas Gerais; the stimulus of 28,150 jobs and a BRL 77 million

increase in ICMS. This means a strategic and management orientation aimed at generating impact, for effective production chain and public investment dynamization.

Based on the deepening of international partnerships and the strategic alignment to the development agendas at the global level, BDMG's management maintained due prudence in the search to optimize expenses, in the improvement of controls and risk metrics, and in the internalization of various funding, at the same time that it knew how to act anticyclically.

These are the reasons why 2020 was not just a year of delivering. It was a year in which the BDMG demonstrated to Minas Gerais what is, in fact, a development bank that makes a difference in people's lives.

The Board of Directors, in agreement with the Executive Board, renews the feeling of accomplishment, in the hope that the crisis initiated in 2020 will be overcome as soon as possible.

Fernando Lage de Melo
Chairman of BDMG's Board of Directors





A message from the CEO

In the deepest crises, it is the human ability to find resilient responses that emerges as a sign of transformation and, above all, of evolution. 2020 tested the entire planet's ability to deal with its environmental limits, and social, economic and cultural inequalities. Of this challenge, what ruled BDMG's performance, as an expression of its commitment to the development of the society of Minas Gerais was the reunion of overcoming opportunities.

At the international and national levels, in a time when debates on the role of development institutions and the ability to expand the access to financing for sustainable development were intensifying, BDMG was able to quickly perceive the new dynamics and restructure itself to better meet the inherent needs of such a challenging scenario.

With a strong anti-cyclical performance and framing its strategy with the major global sustainable development agendas, the Bank reached the end of 2020 with a record disbursement in its 58 years of activity, using mostly its own resources. The adjustment of the product portfolio to the new reality and the intensification of the funding diversification strategy - with a record of BRL 2.3 billion raised - brought greater liquidity to the market and evident positive socioeconomic repercussions. Without prejudice to the preservation of the financial parameters adhering to the necessary financial sustainability of the Institution, the main business portfolios showed significant growth. With highlight to the micro and small business segment,

whose disbursed volume was 343% higher than in 2019, exceeding BRL 900 million.

Aiming to create opportunities for a faster recovery in economic activity, the Bank reduced rates, extended payment terms, started a debt renegotiation program, created or expanded credit programs focused on micro and small businesses and also granted exclusive conditions to businesses from the health sector. The collective of these and other initiatives, endorsed by the mandate given by the main shareholder - the Government of the State of Minas Gerais - brought BDMG closer to the full exercise of its role as a development bank committed to the sustainable socioeconomic development of Minas Gerais.

Achieving these results with the employees having to quickly adjust complex processes to the telecommuting regime was undoubtedly a source of great pride. BDMG's Management appreciates the support of its shareholders, employees and all who contributed to the results achieved throughout the year, especially the society of Minas Gerais, which is the reason behind all the efforts undertaken by our teams.

As we enter our 59th year, we will continue to actively work to fulfill our purpose in an innovative way, with greater transparency, better governance, better ability to measure the impact of our financing, always combining global trends with local demands, with prominence and responsibility. Most of all, we will continue with the entrepreneurial tenacity that suits so well the spirit of the Minas Gerais citizens who, every day, bequeath their best efforts to build a better, more sustainable and inclusive society.

Sergio Gusmão Suchodolski
Chief Executive Officer



BDMG's Executive Board



Sergio Gusmão Suchodolski
Chief Executive Officer



Henrique Amarante Costa Pinto
Vice Chief Executive Officer



Marcela Amorim Brant
Executive Officer



Otavio Lobão de Mendonça Vianna
Executive Officer



Vinicio José Stort
Executive Officer



Claudia Costa Paiva
Manager

MINAS GERAIS AND ITS ECONOMY

“ In this environment that is quite susceptible to structural changes, development financial institutions had their commitment and their role strengthened.”



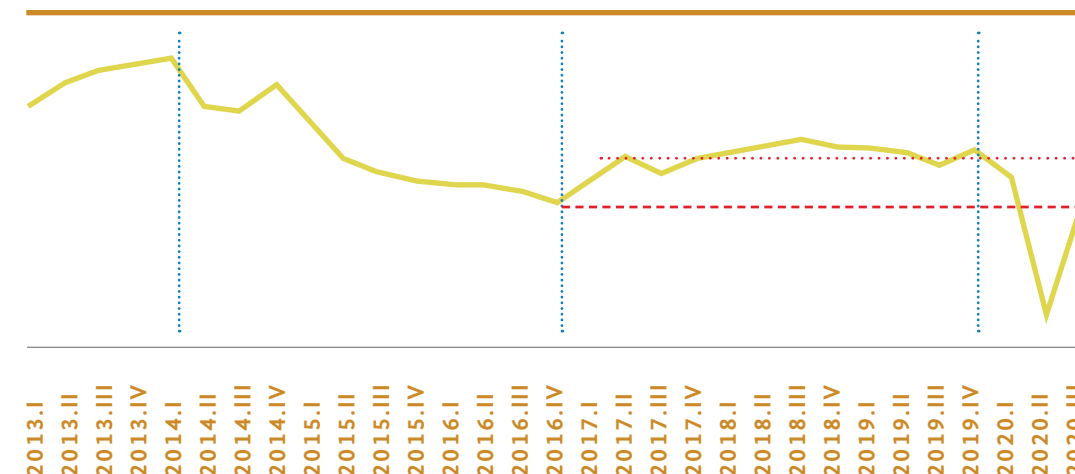
Throughout 2020, BDMG reinforced its performance as a specialist in Minas Gerais, updating analyses and studies related to the conjunctural and structural diagnosis of the State's economy when facing the challenges of resuming growth with sustainability.

In a brief historical digression, one can conclude that the economy of Minas Gerais was severely affected by the mid-

decade recession, showing a substantial drop in the level of activity between Q1 2014 and Q4 2016, when the seasonally adjusted Gross Domestic Product (GDP) of Minas Gerais shrank 8.7% in real terms. After this retraction, the recovery was erratic, with some stagnation between 2017 and 2019. Factors such as the crisis in the mining sector, the retraction of civil construction, of the investments in capital goods and of automotive sales contributed to this performance.

Seasonally adjusted quarterly volume index (2002 average = 100)

Minas Gerais GDP: 2013 – 2020



Source: João Pinheiro Foundation (FPJ)

In early 2020, a scenario of gradual recovery was outlined. However, the Covid-19 pandemic outbreak caused a severe adverse shock. There was an interruption in the world's growth trajectory, with varying impacts across sectors and countries, resulting in significant declines in production and changes in consumption patterns.

The productive sectors were differently impacted by the crisis, with those depending

mainly on face-to-face activities, such as certain types of services, being affected the most. In this context, the GDP of Minas Gerais fell sharply in the first semester of 2020 (-10.9%), with impacts spread across all sectors. The exception was to agriculture and cattle raising, the only activity to show growth in the year-to-date of Q3 (+ 9.3%).

After the deep and widespread initial shock, the beginning of a significant recovery in

the level of economic activity was observed in Q3, both in the main world economies, and in Brazil and Minas Gerais. Over that period, the State's GDP grew 8.1%, driven by the manufacturing (+ 21.1%) and

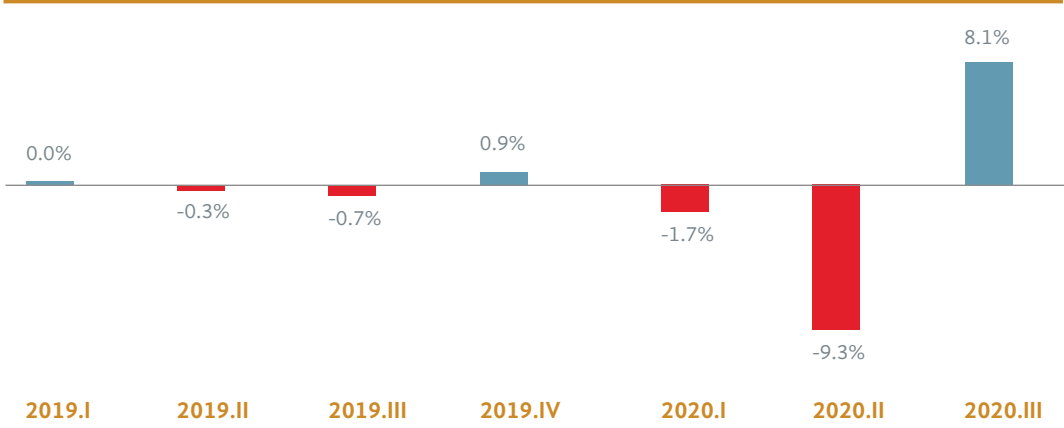
trade (+ 16.1%) industries. This recovery took place with the influence of factors supporting income and consumption, such as credit incentives and support for families through the “Emergency Aid”.



Fabiana Araújo – Partner of Enfoque Soluções Empresariais and BDMG client

MG GDP variation (%)

Quarter over previous Quarter



Source: Own elaboration, with data from FJP.

Considering the monthly activity indicators of IBGE (PIM, PMS and PMC) and Central Bank (IBC-Br), and based on

data accumulated up to October of 2020, the economy of Minas Gerais performed relatively better than the national average:

Selected indicators of the MG and BR economy

Annualized variation — MG x BR – 2020 up to October
Average index variation in 2020 vs. the same period of the previous year

SURVEY	INDICATOR	MG	BR
PIM	Industrial production	-5.80%	-6.30%
PMS	Services	-7.50%	-8.70%
PMC	Trade	1.60%	-2.60%
IBCR-MG/IBC-BR	Activity	-1.29%	-4.53%

Source: Own preparation with data from IBGE and Bacen. Data on the volume of services and trade were used. In the latter, expanded retail trade data (2020) are considered. Ten-month period in 2020, up to October

During Q4, a second wave of contamination with new strains of Covid-19, associated with the reduction of economic stimulus

measures, made the pace of this recovery uncertain, with the settling of the coincident indices of economic activity.

Prospects for Minas Gerais' economy

As for the prospects for 2021, the base scenario of the BDMG contemplates a gradual improvement of the external environment, especially starting from the second half of the year, with positive effects on the emerging economies.

In addition, it is expected that stimulated monetary conditions and inflation within the target defined by the National Monetary Council (NMC) will be maintained, but with adjustments in the basic interest rate

throughout the year. In this base scenario, an annual growth of around 4.3% of the Minas Gerais economy is projected for 2021.

Among the sectors, there are good prospects for private investments in infrastructure projects related to public concessions, in addition to the continuity of the expansion process of renewable energy sources - especially photovoltaic -, as well as the increase of sustainable agricultural production.

Expectations for the MG economy

Quarter over previous Quarter (Q/Q)

COMPONENT	2020	2021	AVERAGE 21/25
Agriculture and Livestock	6.0	4.0	4.0
Industry	-2.4	8.4	5.1
Services	-5.2	2.9	2.7
GDP	-3.9	4.3	3.4

Source: Own elaboration with data from LCA Consultores.

The main risks to this scenario are the reversal of expectations about Brazilian economy growth due to rising unemployment, delays in the vaccination process in face of new

waves of the pandemic, tax challenges in the three levels of the Federation and the stalling of reforms due to the political scenario.



The role of development financial institutions

In this environment, which is very conducive to structural changes, development financial institutions have had their commitment and role strengthened. The pre-crisis sustainable agenda, which had already been growing with the consolidation of the international green bond market, proved to be even more relevant. In its *Panorama of the World Economy*, the IMF approached the pandemic crisis as an opportunity for a less carbon-intensive global economy.

The need to induce green investments has grown as a challenge for multilateral agencies, mainly to meet the goals of the 2030 Agenda (UN), which establish the reduction of greenhouse gas emissions.

The BDMG, being a “last mile” institution operating close to the territory, has a fundamental role in connecting the global agendas for sustainable development to the needs of the Minas Gerais economy, mobilizing and channeling fundamental resources to the State's recovery process.



Edson Alessandro
Alves Pereira
Analyst

BACKGROUND

“ The Bank always sought to attenuate regional inequality through the effective allocation of resources. ”



58 years of history

Founded in 1962, the Development Bank of Minas Gerais - BDMG was born in an economic, social and political scenario characterized by what became known as “developmentalism”. Thus, its purpose was to establish development conditions with a focus on the growth of industrial activity, mainly for micro and small businesses, providing technical and financial conditions for projects of interest to the State Government. The Bank has always sought to mitigate regional inequalities through effective resource allocation.

The BDMG participated in the creation of related entities such as the Integrated Development Institute of Minas Gerais (INDI), the João Pinheiro Foundation (FJP), the Minas Gerais Industrial Districts Company (CDI/MG) and the Management Assistance Center (CEAG), which gave rise to the Brazilian Micro and Small Business Support Service (Sebrae).

Along its trajectory, the BDMG, besides being a financial development agent, has also had expressive participation in the elaboration of large economic studies. This process provided the Institution with privileged knowledge of the characteristics of the Minas Gerais market and, therefore,

with better conditions for the planning of actions for the elaboration of economic and social strategies such as: *Diagnosis of the Minas Gerais Economy* (1969); *Minas Gerais' Economy: Diagnosis and Perspectives* (1989); *Minas Gerais of the 21st Century* (2002), *Improvement Agenda* (2010) and *BDMG Journals* (2002 to 2014).



BDMG headquarters

Project articulation

The BDMG is a major supporter, coordinator and partner of projects and programs. Still in the 1960s, BDMG developed the Recovery and Development Program for the Dairy Industry to enable the modernization, expansion and creation of new industries in the sector.

In the same period, the BDMG, in partnership with INDI, FJP, Sebrae, CEAG and *Fundação Centro Tecnológico de Minas Gerais* (CETEC), played a decisive role in supporting the Integration and Expansion Program of the Steelmaking Park in the State of Minas Gerais.

Among the local and regional development programs in which the BDMG actively participated, the Alto Paranaíba Directed Settlement Program (PADAP), the Estrada Real Venture Development Program and the Japanese-Brazilian Cooperation Program for the Development of the Cerrados (Prodecer) can be named.

At the State level, the experience gained from the work done in partnership with the Japanese at Prodecer led BDMG to create the Jaíba Program and structure the Jaíba Fund.

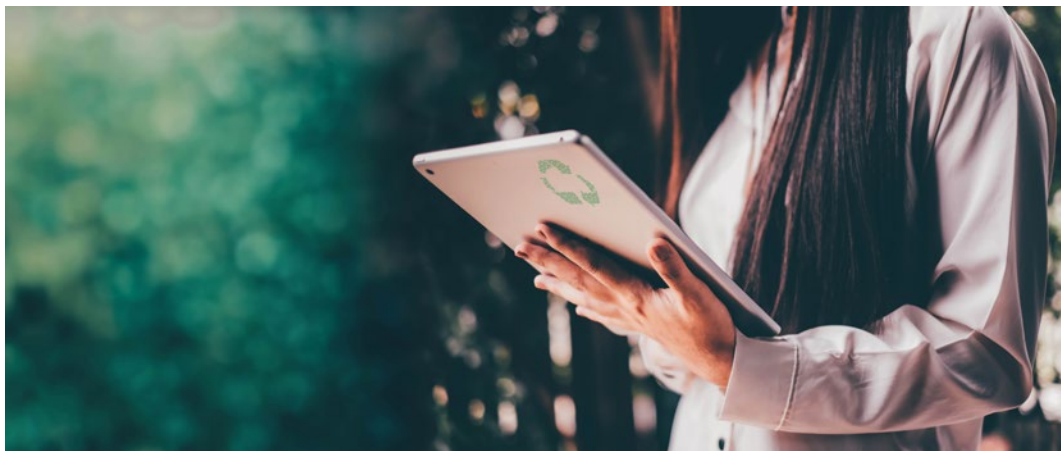
Sectorial performance

Thanks to products such as Pró-Indústria, Fundo Mega, Proim and Fundiest, the industrial and agricultural sectors have always been prominent in BDMG's portfolio. The Somma Program makes the Bank, as well, a major partner for the municipalities of Minas Gerais, especially in supporting projects for institutional strengthening, basic sanitation, urban infrastructure and environmental sustainability.


In the field of biodiversity, the State Government created, in 1994, the

Pro-Floresta Fund, with BDMG being its financial agent.

Recognized as the largest generators of employment and income in Minas Gerais, micro and small businesses have always deserved special attention throughout the history of the BDMG. The Geraminas, Geracontábil and Credpop programs, to name a few, arose from the resources coming from the Fund for the Promotion and Socioeconomic Development of the State of Minas Gerais (Fundese).



A history of development

 **1962**
Starting point

- Socioeconomic studies
- Signing of the 1st Agreement with BNDE
- Support program for Agribusiness and Mining

 **1970 / 1980**
Support to sectors of the economy

- Recovery of the Agroindustry Sugar Program
- Support to the mining-metallurgical sector (Açominas, Usiminas, Acesita, etc.)
- Opening of the Fiat plant in Betim with the decisive support of BDMG
- Coffee Industry Development Program
- Support to the industrialization of the State

 **1990**
State funds

- Experience with the capital market (IPO for Cedro Cachoeira Itaunense)
- Consolidation of the role of support to State planning through economic studies
- Creation of State funds - one of the main sources of funds until the 2000s

 **2000**
Strategic projects

- Work with the structuring of projects and concession, and PPPs
- Financing for the municipalities of Minas Gerais and strategic projects
- Strengthening of the partnership with BNDES

 **2010**
International fundraising, BDMG Digital and Innovation

- Work with the structuring of projects and concession, and PPPs
- Financing for the municipalities of Minas Gerais and strategic projects
- Strengthening of the partnership with BNDES

 **2020**
Covid-19 crisis and anti-cyclical measures

- Historical record of disbursement and number of clients served
- Record funds raised in the market
- Issuance of Green Bonds
- High-volume renegotiation processing, meeting customer demand and minimizing impact on defaults
- Award for best Socioeconomic Impact Bank in Brazil in 2020, granted by the British magazine CFI - Capital Finance International



Elaine Soares
Analyst

STRATEGY

“BDMG is committed and engaged in contributing to the UN’s 2030 Agenda, through the Sustainable Development Goals, strengthening its role and its relevance in Minas Gerais.”



BDMG has surpassed 58 years of existence guided by strategic planning with medium and long-term goals, built to ensure the reach of its vision of the future: to be a global benchmark for State development banks focused on impact.

The current generation of the strategic map, represented by the 2021-2025 five-year period, continues to rely on the fundamentals of financial sustainability, maximizing impact and development, and on a specialty in Minas Gerais to add value to the society. The Impact thematic is at the center of the strategy, anchored in themes that will guide the achievement of the purposes, always with the vision of the future as the main conductor.

BDMG works to consolidate itself as a bank that supports changes in the reality of its territory, stimulating greater generation of employment and income; development of a cleaner energetic

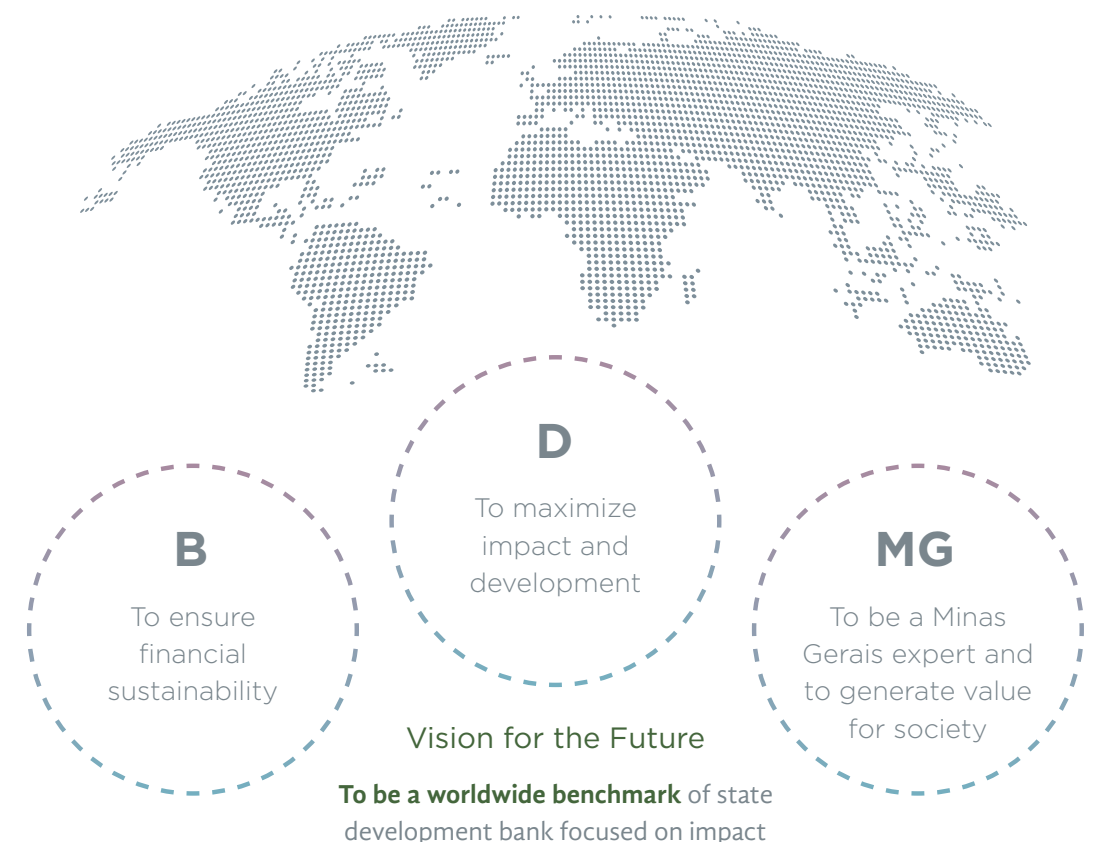
matrix; transition to green agriculture – with greater added value; fostering culture and innovation; reduction of regional, gender and race inequalities; better conditions for education, health and sanitation in the municipalities. A bank built by people driven by a greater purpose, committed to supporting a more economically, socially and environmentally sustainable future for Minas Gerais. A financially sound bank, aligned with the global development agendas, connecting international trends to local demands.

Purpose

To turn initiatives into reality to make a difference in the lives of the people of Minas Gerais.

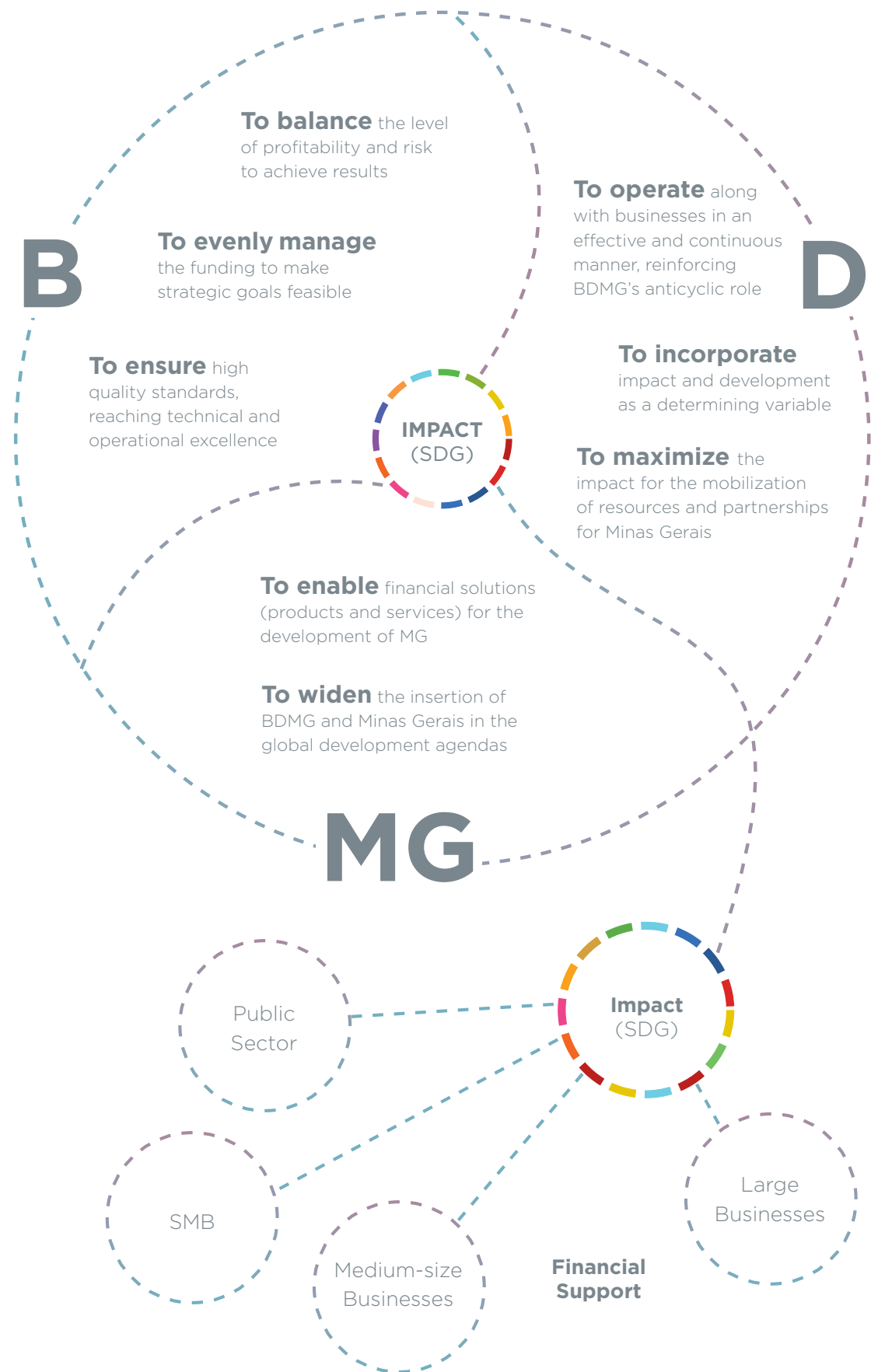
Values

- Prominence
- Innovation
- Result-orientation
- Cooperation



Prepared in the second half of 2020, the Strategic Map for the 2021-2025 period organizes the main BDMG goals in this time of challenges, but

also of opportunities to provide development with impact and contribute to the transformation of the reality of the people of Minas Gerais:



On the Map, the matter of Impact is now at the center of the strategy. The "B" dimensions bring up the Bank's main economic activity; "D" refers to its purpose as an institution focused on development; "MG" identifies the largest end customer, the State of Minas Gerais.

With financial viability as a background and being defined the strategies for the formation of a balanced portfolio in the segments served, the goal is to see the impact of BDMG's performance on the following fronts:



The construction of multi-annual planning aims to establish guidelines, objectives, and goals. In order to achieve managerial efficiency, it is necessary to provide the organization with more robust instruments to support the decisions of the Executive Board

regarding the conduction of the strategy, in addition to aspects related to financial sustainability, impact maximization, development and generation of value for Minas Gerais' society. The plan is reviewed on an annual basis, incorporating one year into its scope.

Strategic Drivers

With the Minas Gerais scenario as the premise, it is of utmost importance to highlight the strategic drivers adopted for the 2021-2025 five-year period

in the process of building the new strategic planning proposal. The six main drivers that interact significantly with the future of the Institution are:



	1 NO POVERTY
	2 ZERO HUNGER AND SUSTAINABLE AGRICULTURE
	3 GOOD HEALTH & WELL-BEING
	4 QUALITY EDUCATION
	5 GENDER EQUALITY
	6 CLEAN WATER AND SANITATION
	7 AFFORDABLE AND CLEAN ENERGY
	8 DECENT WORK AND ECONOMIC GROWTH
	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	10 REDUCING INEQUALITY
	11 SUSTAINABLE CITIES AND COMMUNITIES
	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	13 CLIMATE ACTION
	14 LIFE BELOW WATER
	15 LIFE ON LAND
	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	17 PARTNERSHIPS FOR THE GOALS



1 Impact:

Development banks have excelled at reinventing the way they do business, being mindful of the digital transformation and funding challenges, but also of the perspective of what the organization delivers, which is to say, the effects that the financing granted has on the society. In this sense, BDMG is committed and engaged in contributing to the 2030

agenda (UN), through the sustainable development goals (SDG), strengthening its role and its relevance in Minas Gerais. To that end, the strategy is being built to intensify BDMG's actions in support of this global agenda, solving the obstacles that restrict the channeling of financing for sustainable development, and taking advantage of opportunities to increase the investments adhering to the SDG in Minas Gerais.

2 Competitiveness:

The BDMG is organized to grow in a manner compatible with its capital structure. Its competitiveness lies on the excellence of the development of financial solutions for development, which include services and consultancies, in addition to constant improvement in customer experience, adherence to the market in terms of positioning and profitable offers.

3 Partnership:

The BDMG believes that development and impact can be maximized by partnerships, which are a means to enable the implementation of the strategy and the effectiveness of its performance. To this end, it is constantly exploring new business opportunities, including partnerships with institutions having its same "DNA", for the transfer and spread of knowledge, as well as the mobilization of resources for relevant projects in Minas Gerais and in neighboring states.

4 Organizational culture:

It concerns "how things are done", as well as the dynamics of decision-making in the institution. Thus, BDMG believes that the achievement of the goals proposed in the new planning demands an orientation towards – whether they are internal, reflected in the fulfillment of corporate goals and their consequences – or whether they are external, demonstrating the effectiveness of the Bank's activity in society.

5 Digital transformation:

The digital transformation is rapidly changing the business model in the development sector on a global scale, allowing the resources of development programs to reach more efficiently the hands of those who need them. This involves being prepared to explore opportunities arising from digital transformation in the financial market; migration to cloud storage – infrastructure as a service; data intelligence and artificial intelligence to support the decision-making process, and automation, aiming at productivity gains.

6 Financial sustainability:

It was incorporated into the strategic drivers in this five-year planning period, based on the balance between the level of profitability and the risk to the achievement of results; in the balanced management of funding, so that it is possible to make the strategic goals viable, and in guaranteeing high quality standards, achieving technical and operational excellence. To this end, periodic reviews of risk appetite and credit policy have been carried out, with instruments to mitigate credit risk and monitor scenarios. The main focus is a growth compatible with BDMG's capital structure, and the improvement of financial models and projections.



Laiz Esther
Intern

GOVERNANCE

“ For BDMG,
good governance
means to
provide greater
transparency
and reliability of
its actions to its
stakeholders, with
special attention
to the citizens of
Minas Gerais. ”

Identity

Founded by State Law No. 2,607 of 1/5/1962, Development Bank of Minas Gerais (BDMG) is a financial institution that fosters the sustainable development of Minas Gerais and is part of the state's economic development system, being linked to the Economic Development Secretariat of the State of Minas Gerais (SEDE).

It is a public company controlled by the State of Minas Gerais, a legal entity of private law, part of the indirect administration, acting in Minas Gerais or in neighboring states. It is headquartered

in the city of Belo Horizonte - MG.

As a development bank, it is part of the National Financial System (SFN) and its scope is to promote social well-being, offering financial services that stimulate investments by economic agents.

In addition to Minas Gerais, the Bank can act in bordering states, according to current legislation.

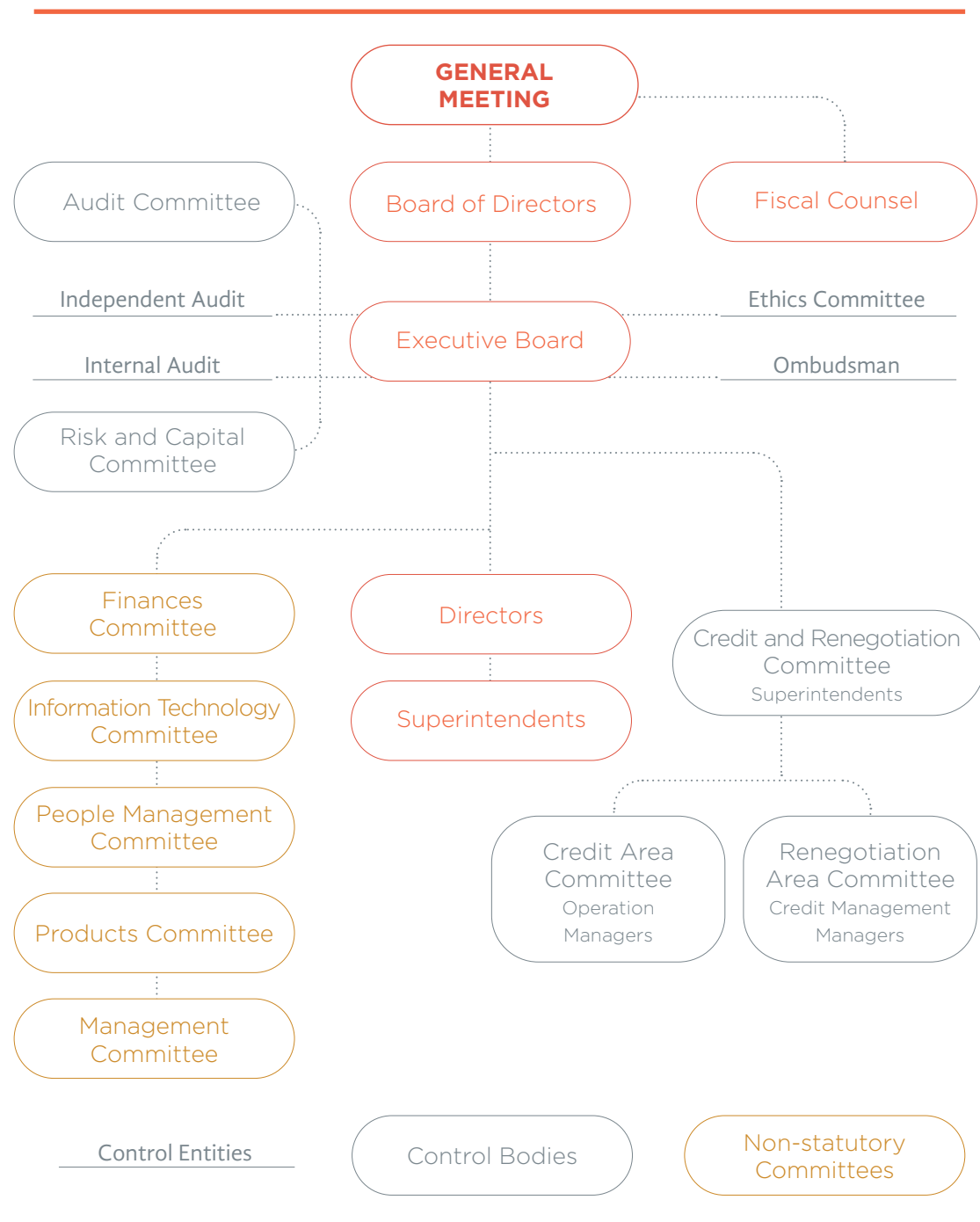
Governance structure

The BDMG understands that having a good governance means providing its stakeholders, with special attention to the citizens of Minas Gerais and customers, with greater transparency and reliability of its actions, ensuring risk mitigation without prejudice to the achievement of its objectives.

BDMG has a risk governance structure and internal controls that aim to ensure the Institution's security, compliance and accountability, as well as the achievement of strategic goals. This structure consists

of: Board of Directors, Fiscal Council, Audit Committee, Risk and Capital Committee, Executive Board, Credit Committees, Renegotiation and Ombudsman Committees, in addition to five other non-statutory committees: Management Committee, People Committee, Finance Committee, Product Committee and Information Technology Committee.

As determined by law, all entities are directly or indirectly subordinate to the General Shareholders' Meeting, the highest decision-making body.



General Shareholder's Meeting

The General Meeting takes place, ordinarily, within the first four months following the end of the fiscal year. It can also take place, extraordinarily, whenever the Bank's social interests so require, convened by the Board

of Directors or, in the cases admitted by law, by the Fiscal Council or by any shareholder. The meeting, as a rule, is chaired by the Chairman of the Board of Directors, appointed by the attending shareholders.

Board of Directors

The Board of Directors consists of eight members, and their duties are provided for by law, in particular on article 142 of Federal Law 6,404/1976, in article 14 of the Bylaws and in its Internal Regulations. The Collegiate meets once a month in an ordinary session and, in an extraordinary session, whenever necessary, when convened by its Chairman, Vice-chairman or most of its members. The

Board of Directors meetings are opened with the presence of at least five of its members, and decisions are made by majority vote, with the Chairman having the casting vote.

The minutes of the meetings, as well as other related documents, are available at the BDMG website: <https://www.bdmg.mg.gov.br/transparencia-governanca/?administracao>

Fiscal Council

The Fiscal Council is permanent entity of the BDMG; it consists of, at least, three and, at most, five effective members, in addition to an equal number of alternates, elected by the General Meeting for a two-year term, with two consecutive reappointments allowed. The Collegiate has, at least, one member appointed by the State of Minas Gerais, who must be a civil servant with a permanent bond to the public administration. The member of the Fiscal Council who has been reappointed

twice in a row may rejoin the Collegiate after, at least, two years have elapsed since the end of his/her term of office.

It currently consists of three effective members and three alternate members; their duties are provided for by law, in particular on article 163 of Federal Law 6,404/1976, in article 9 of the Bylaws and in its Internal Regulations. The Fiscal Council meets every quarter and, extraordinarily, whenever convened.

Audit Committee

The BDMG Audit Committee is an auxiliary and advisory entity to the Board of Directors, with permanent functioning; it consists of at least three members, and at most five, elected by the Board of Directors, observing the legal requirements, with the election of members of the Board itself being permitted.

It currently consists of three members, with their duties are provided for by law, in particular on Article 24 of Federal Law 13,303/2016, Article 36 of State Decree 47,154/2017, in Article 26 of the Bylaws and in its Internal Regulations. The Committee has operational autonomy and its own budget allocation, within limits approved

by the Board of Directors, to carry out or determine the performance of consultations, evaluations, and investigations within the scope of its activities, including for the hiring of independent external specialists.

The meetings are held at least once a month, observing the regulatory requirements; at least quarterly with the Board of Directors, the Executive Board, the Internal Audit and the Independent

Audit, separately or jointly, and with the Fiscal Council and the Board of Directors, at the request of these Collegiate, to discuss policies, practices and procedures identified within the scope of their respective powers and whenever deemed necessary by any of its members. It may even require the summoning of directors, internal or independent auditors, specialists or those responsible for internal areas of the Administration.

Risk and Capital Committee

The Risk and Capital Committee consists of, at least, three and, at most, five effective members, being mandatory: the Chief Executive Officer, the officer responsible for Risk Management, and the officer responsible for Capital Management. May also be part of the committee other members of the Board of Directors and independent external members with proven knowledge in the banking area that qualify them for the position.

The members of the Risk and Capital Committee are appointed and discharged by the Board of Directors. It is chaired by the Chief Executive Officer, who appoints a replacement in case of his/her absence. Currently, it consists of four members. The powers of the Committee are established in the applicable legislation, in article 28 of BDMG's Bylaws and by the Board of Directors, according to the Collegiate internal regulations.

Internal Audit

The Internal Audit unit is subordinate to the Board of Directors, interfacing with the Audit Committee. The auditing body has sufficient structure and budget to carry out its duties. Among others, its attributions include carrying out BDMG's auditing activities of an accounting, financial, budgetary, administrative, patrimonial and operational nature, as well as proposing preventive and corrective measures for the detected deviations.

It is the Internal Audit's duty to, independently and objectively, evaluate the efficiency and effectiveness of the systems and processes of internal controls, risk management and corporate governance with regard to the business risks associated with BDMG's processes; to perform audit activities, so as to add value and improve the Bank's operations, and assist the Institution in achieving its business goals, through a systematic and disciplined approach.



External Audit

The BDMG, in compliance with the current legislation and in line with the highest standards of corporate governance, prepares quarterly financial statements, which are evaluated at the same periodicity by independent external auditors.

Through the revisions carried out by the independent audit, public administration and society are given high levels of control over their assets, as well as assurance of the reliability of the financial assertions described in the Institution's financial statements. Currently, the company hired to perform BDMG's external audit activities is Ernst & Young.

Code of Ethics, Conduct and Integrity

The Code of Ethics, Conduct and Integrity was prepared in accordance with Law 13,303, of June 30, 2016, which provides for the legal status of state-owned businesses, with State Decree 46,644, of November 6, 2014, which provides for the Code of Ethical Conduct for Public Agents and Senior State Administration, and with the other applicable legal provisions. Through this code, BDMG restates its commitment to the fulfillment of the collective interest, oriented towards the achievement of economic well-being and the socially efficient allocation of resources, as well as the accomplishment of its mission, vision and values.

The aforementioned Code establishes rules of ethics, conduct and integrity that must guide the actions of administrators, members of the Fiscal Council and the Audit Committee, employees, collaborators, as well as those who act or provide services for or on behalf of BDMG in internal and external relationships with its stakeholders: shareholders; customers; competition and market; partners and suppliers; constituted powers and other supervisory and regulatory entities; environment; media; communities and society in general; associations and class entities, as applicable.



Ethics Committee

The BDMG has an Ethics Committee that acts independently and is directly linked to the Chief Executive Officer. The Committee consists of three full members and two alternates, chosen and appointed by the Chief Executive Officer, with a three-year term, with the possibility of renewal for an equal period. Its operation is provided for in the Committee Internal Regulations. The team is responsible for ensuring compliance with BDMG's Code of Ethics, Conduct and Integrity, as well as the Code of Ethical Conduct for the Public Agent of the State High Administration.

It is also responsible, among other attributions mentioned in its Internal Regulations, for guiding public employees on professional ethics in the work environment, especially in dealing with people and with the public estate; adopting ways of disseminating ethical standards, and preventing ethical misconduct,

as well as investigating any ethical misconduct in the internal environment.

During 2020, the Committee responded to inquiries about conflicts of interest and conduct and answered complaints about discriminatory conduct and other interpersonal issues.

Despite the limitations imposed by the pandemic, the Committee participated in the *National Forum for the Management of Ethics in State-owned Companies* in November and December and confirmed its participation for 2021. Its members also participated in the *11th Annual Meeting of the Public Ethics Council* with Ethics Committees.

Internally, an elucidative article on prohibited conducts in electoral campaigns based on Joint Resolution SEGOV-SECGERAL-AGE No. 02, of 7/9/2020 was published on the intranet. The access channel to the Ethics Committee is the email: etica@bdmg.mg.gov.br.

Integrity and compliance

Directly linked to the Chief Executive Officer, the Compliance Management's duty is to ensure that the Bank acts in a manner that respects the rules related to the organization, complying with laws, internal and external regulations, in addition to encouraging the practice of ethical and responsible conduct and promoting a culture of compliance, providing an understanding of its importance for the safe and efficient achievement of strategic goals.

The management is responsible for stimulating integrity actions related to BDMG employees, customers, partners, and other collaborators; for mitigating compliance risks and issuing guidance on consultations received regarding the practice of ethical conducts in conjunction with the Ethics Committee.

Integrity and compliance: continuous improvement.

During 2020, several internal rules were revised and updated, including those related to the attributions and activities of the organizational units, credit policy, risks, people management, socio-environmental, prohibitions and impediments, disclosure of information and Prevention of Money Laundering and Financing of Terrorism (PML / FT).

An internal money laundering risk assessment methodology was also created for the purposes of compliance with Newsletter No. 3,978 of the Central Bank of Brazil, as well as the

Privacy and Protection of Personal Data Policy in compliance with Law No. 13,709/2018, on the General Law of Protection of Personal Data.

In December, the annual training was promoted for members of the Executive Board, Board of Directors, Fiscal Council and Audit Committee on Governance, Risks and Compliance, including the main points of Law 13.303/2016, which provides for the legal status of the public company, the mixed capital company and its subsidiaries.

Ombudsman and reporting channel

The BDMG Ombudsman is structured as an administrative unit directly linked to the Presidency, with the purpose to respond in last instance to complaints addressed to the Institution by clients and also users of its products and services. The body acts in defense of the interests of those who are not satisfied with the solution presented after the usual service provided by the Bank. BDMG's Ombudsman is regulated by Resolution no. 4.860 of the National Monetary Council (CMN).

In the performance of its responsibility, the Ombudsman observes the legal and regulatory rules related to consumer rights, and acts as a communication

channel between BDMG and clients, and also users, including in the mediation of conflicts. The application of the principles of legality, impersonality, morality, publicity and efficiency is ensured.

The BDMG Ombudsman's access channel can be found on the Bank's website via phone number - 0800 940 5832 – for answers to complaints related to the Bank's products and services. For the communication of information that may affect the reputation of statutory entity members, as well as situations with indications of illegality of any nature related to the activities of the BDMG, channel 162 - Ombudsman-General of the State of MG is also available on the Bank's website.

Information Disclosure Policy

In order to increase the transparency of its activities, BDMG elaborated an Information Disclosure Policy aiming to govern the disclosure of information to the general public, in accordance with regulations applicable to the Bank, in particular the State Decree of Minas Gerais no. 47,154, of February 20, 2017.

One of the guidelines is to guarantee access to clear and accurate information to the various interested parties according to the nature of the subject, in addition to ensuring the continuous process of verification and confirmation of the reliability of the information to be disclosed, respecting the confidentiality imposed by Brazilian or foreign legislation, when applicable.

The following information is disclosed on a timely basis, preferably in a specific section of the BDMG website (www.bdmg.mg.gov.br), without prejudice to other information that may be determined by specific rules:

a) Relevant information, especially that related to activities developed, control structure, risk factors, economic and financial data, management's comments on performance, policies and corporate governance practices;

b) Annual corporate governance letter that consolidates in a single written document, in clear and direct language, the information referred to in the previous item;

c) Explanatory notes to the financial statements of the operational and financial data of the activities related to the achievement of the purposes of collective interest;

d) Sustainability report;

e) Reports on internal audit activities;

f) Description of the composition and of all the values that befit the officers and directors, in a detailed and individual manner;

g) Policy of transactions with related parties;

h) Minutes of the Audit Committee's meetings;

i) Annual conclusion of the Board of Directors regarding the fulfillment of the goals and the results in the execution of the business plan and the long-term strategy, which must also be reported to the Legislative Assembly of the State of Minas Gerais and to the State Audit Court of Minas Gerais.



Luiz Carlos Batista
Coordenador

STAFF

“ The focus is the continuous evolution of the people and the Bank, taking into account that each one is the protagonist of her/his own development. ”

BDMG’s staff consists of qualified and committed professionals always seeking solutions for the development of Minas Gerais. At the end of 2020, the Bank staff’s headcount was of 429 employees, 295 of whom were hired through public examinations and 28 who were appointed to broad recruitment positions, linked to the Board’s mandate, and 106 interns and apprentices.

The Bank has 256 and publicly hired employees, admitted with higher-education requirements, and 39 with secondary education requirements. Of the total staff, 77% have a doctorate, master's or postgraduate degree, with the main areas of studies being Administration, Engineering, Economics, Accounting, System Analysis and Law.

STAFF

Employee education level

EDUCATION LEVEL	QUANTITY
Doctorate degree	7
Master's degree	35
Postgraduate Studies	185
College Education	63
High School	5
Grand Total	295

Source: Internal data

Age group of career officers (%)

POSITION	AGE GROUP				TOTAL
	30 TO 39	40 TO 49	50 TO 59	60 OR MORE	
Total	23 %	41 %	30 %	6 %	100 %

Source: Internal data

0055

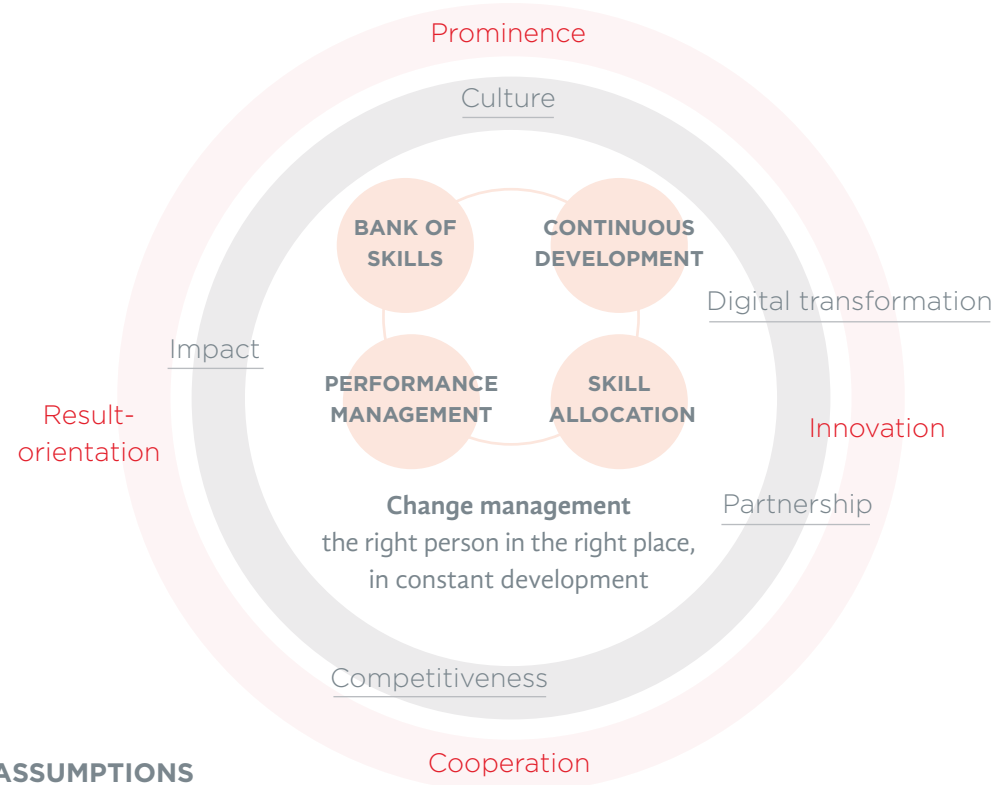
People management policies

People management aims to provide the Bank with the human resources necessary to achieve its goals, ensuring integration, retention and development.

In order to promote the revitalization of personnel policies and processes and align the human capital towards the achievement of the Institution's goals, throughout 2020 several participatory processes were carried out in line with the strategic planning, research, surveys and workshops involving the technical and managerial bodies.

Based on these participatory processes, BDMG defined the essential skills for the implementation of the strategy, which serve as a basis for all personnel processes and policies, and also worked on the modernization and integration of people management processes: performance management; continuous development and allocation of skills; Its implementation is expected from 2021 onward.

2020-2021 People management strategy



ASSUMPTIONS

- Effective leadership participation
- Listening to employees
- Strengthening the role of the People Management Committee

The BDMG maintains, as a human resources policy, a periodic performance evaluation of its employees. This occurs within the annual process of Management for Development and Results, whose focus is the continuous evolution of the people and the

Bank, considering that each one is the protagonist of their own development.

Also in 2020, the new Outsourcing Policy was defined and implemented, according to the new regulatory framework, which allows efficient alternatives for resource allocation



Continuous development

The purpose of the training and development activities provided by BDMG is to qualify its employees to perform their duties, as well as contributing to the achievement of organizational and unit goals.

In 2020, training initiatives also had to adapt to the context of the pandemic caused by Covid-19. To encourage training actions to take place in the digital format, the Training and Development team started to periodically send all employees a newsletter with a selection of courses, activities and content, in order to contribute

to the continuous improvement of the teams' intellectual capital, in line with BDMG's strategic guidelines, purpose and values. In total, 53 contents in different formats were shared, such as courses, events, webinars, livestreams, podcasts, e-books, among others, addressing topics such as leadership, soft and hard skills, technologies, innovation, economics and finances, and more.

In addition, in 2020, BRL 195.5 thousand were invested in congresses and seminars, long-term courses, external courses and in-company courses.

Internship and Apprenticeship Program

BDMG's Internship Program aims to promote the integration between BDMG and educational institutions, as well as to encourage teamwork and the exchange of experiences between students and Bank professionals. The program offers opportunities for students graduating in Administration, Accounting, Law, Economics, Engineering, among others. The Bank ended 2020 with 104 interns allocated in its various areas.

The Apprenticeship Program seeks to promote the personal and professional development of adolescents, facilitating their insertion in the formal labor market and providing them with the acquisition of habits, experiences and attitudes essential to human and social formation. The program encompasses only the Minor Apprentice modality, and the total number of apprentices is limited to 15% of the staff of development technicians who do not occupy a trust position in the BDMG

BDMG Plural

BDMG has defined a set of guidelines created to value diversity in the work environment, named BDMG Plural. A committee was formed consisting of employees from different areas of the Bank who, in addition to other duties, are responsible for organizing internal actions related to the topic. The goal is to spread new concepts in people management and organizational culture.

In partnership with BDMG Cultural, the Bank, through the BDMG Plural program, promoted the virtual exhibition *Em Nome das Rosas*, aimed at giving visibility to the issue of domestic violence. The show presented 80 works by visual artist Eugênia

França from Minas Gerais. BDMG Plural also supported the free virtual exhibition of films *Mostra Cinema, Um Olhar Feminino*, which included the exhibition of long and short films directed by women, addressing the theme of violence.

Other initiatives supported by BDMG Plural were the Leda Maria Martins Award for Black Performance Arts, which reveres artistic expressions about black culture, and the mini-documentary *Elas que lutem*, which addresses the feminine power present in the creative scene of Belo Horizonte, through testimonials from women entrepreneurs from Minas Gerais.

Paris Development

Bank Statement on Gender Equality and Women's Empowerment

On the occasion of the Finance in Common Summit, the largest meeting of public development banks in the world, which took place in 2020 during the 3rd Paris Peace Forum, BDMG became

a signatory to the Paris Development Bank Statement on Gender Equality and Women's Empowerment. In total, the 26 signatory institutions will work together to improve their gender equality policies

Total of employees per gender

Comparative chart 2018 to 2020

	2020 (feb./21)		2019 (jan./20)		2018 (mar./19)		2017 (feb./18)	
Men	237	55 %	235	55 %	232	54 %	246	54 %
Women	192	45 %	194	45 %	194	46 %	206	46 %
Total	429	100%	429	100%	426	100%	452	100%

Source: Internal data

Management positions are held by 66 effective employees with a more balanced gender

distribution when compared to the total distribution of employees between men and women.

Distribution of positions by gender

TYPE OF EMPLOYEE	FEMALE		MALE		TOTAL
Effective	118	40 %	178	60 %	296
Managerial positions	33	50 %	33	50 %	66

Source: Internal data

Interns by gender

Comparative chart 2018 to 2020

	2020 (feb./21)		2019 (jan./20)		2018 (mar./19)		2017 (feb./18)	
Men	43	41 %	36	37 %	42	38 %	42	39 %
Women	61	59 %	61	63 %	68	62 %	67	61 %
Total	104	100%	97	100%	110	100%	109	100%

Source: Internal data

People by color or race

Comparative chart 2018 to 2020

	2020 (feb./21)		2019 (jan./20)		2018 (mar./19)		2017 (feb./18)	
Black	21	5 %	31	7 %	26	6 %	16	4 %
Others	408	95 %	398	93 %	400	94 %	436	96 %
Total	429	100%	429	100%	426	100%	452	100%

Source: Internal data

Interns by color or race

Comparative chart 2018 to 2020

	2020 (feb./21)		2019 (jan./20)		2018 (mar./19)		2017 (feb./18)	
Black	11	11 %	19	20 %	18	16 %	5	5 %
Others	93	89 %	78	80%	92	84 %	104	95 %
Total	104	100%	97	100%	110	100%	109	100%

Source: Internal data

Disabled People (DP)

Comparative chart 2018 to 2020

	2020 (feb./21)		2019 (jan./20)		2018 (mar./19)		2017 (feb./18)	
DP	18	4 %	17	4 %	17	4 %	17	4 %
Others	411	96 %	412	96 %	409	96 %	435	96 %
Total	429	100%	429	100%	426	100%	452	100%

Source: Internal data

Employee benefits offered



Private pension

In order to assure the employees, the complementation of the pension granted by the General Social Security Regime (RGPS), BDMG sponsors the supplementary pension plans managed by the BDMG Social Security Foundation (DESBAN).



Occupational medicine

The Bank has an Occupational Medicine service on its premises, whose responsibilities are to conduct medical examinations for: admission, dismissal, periodic and return to work, in addition to monitoring the control of absences from work due to health issues.



Health care plan

The health care plan offered by the BDMG Social Security Foundation (DESBAN) provides dental, outpatient and hospital coverage to its users, as well as to their dependents, and is funded by BDMG, DESBAN and by active, assisted and self-sponsored users.



Extended maternity and paternity leaves

BDMG is a participant of the *Empresa Cidadã* Program, offering a 60-day extension to maternity leave (total of 180 days) and a 15-day extension to paternity leave (total of 20 days) in cases of birth or adoption. The benefits related to maternity and paternity leave are offered to women and men employees, including those who declare same-sex relationships.

BDMG Engolve Program

Since 2001, BDMG has been promoting actions dedicated to the health and well-being of its employees through a program named BDMG Engolve. It includes:

Postural reeducation

An initiative that works on the prevention of musculoskeletal diseases associated with work, offering activities focused on ergonomics, such as gymnastics, workstation evaluation, ergonomic assessments and individual interventions.

Nutrition group

Food reeducation initiative, which aims to inform and train employees to deal with their food related difficulties, reduce their weight and build healthy eating habits. It is also the result of a partnership between BDMG and the Association of BDMG Employees (AFBDMG)

Vocal group

The result of the partnership with BDMG Cultural, the group named *Quem canta seus males espanta* aims to educate voices for a good diction, and work on disinhibition through singing activities.

Free Library Project

The project was launched on the “Day of the Book” with the proposal of stimulating the exchange of books among people

of the Bank, with easy and free access for all. The books are available in an area where employees circulate often.

Engolve Lounge

Exclusive place for the practice of BDMG Engolve activities, integration between people and meetings of strategic, creative and innovation projects. The activities take place after working hours. The project offers Pilates, massage therapy, yoga, meditation, aromatherapy, and dance classes.

Comfort and breastfeeding room

A space for women employees who return from maternity leave and wish to pump out breast milk, with privacy and safety, and store it in an appropriate place.

All these in-person activities were interrupted due to the Covid-19 pandemic. However, the Bank has adapted to the context and undertaken an alternative way of contributing to the prevention of musculoskeletal tension occurrences and stress relief. On regular basis, the physical therapists that are members of the Postural Reeducation Program made available a series of videos with guidelines for carrying out labor gymnastic movements, breathing exercises and other tips for the proper telecommuting environment.

Internal Commission for Accident Prevention (CIPA)

Bearing in mind that the work in the Bank does not represent considerable chemical, physical or biological hazards, CIPA BDMG's focus is on ergonomic and accident risks, as well as on activities to promote the good health of the employees. In 2020, CIPA's actions were directed at encouraging the participation of all employees in occupational gymnastics activities; at completing the Professional Re-adjustment Program - Welcoming Project, in order to assist still-impaired employees, after a long period of work, and to aid in the development and implementation of the Occupational Health Medical Control Program (PCMSO), Environmental Risk Prevention Program (PPRA), Ergonomic Survey, among others.

Also noteworthy is the elaboration of the Risk Condition Report, which allows

Bank employees to register and report to CIPA any risk condition/ situation at the Bank. RCI legitimizes the actions of CIPA, which can act and take the necessary measures to neutralize and/or eliminate the identified risk condition / situation.

In the pandemic scenario, CIPA maintained the calendar of monthly meetings and a constant dialogue with the People Management Superintendence on issues related to fighting Covid-19. In August, CIPA promoted the Internal Week for the Prevention of Accidents at Work (SIPA), with the theme of Health Pillars: work, family, emotions and life habits, and featured speakers from different areas of activity, especially in the healthcare area.





Rafael Barbonaglia
Manager

MEASURES IN RESPONSE TO COVID-19

“ The goal was to act with agility and flexibility to offer credit at even more accessible conditions, so that the sectors would be able to restructure themselves in face of the crisis. ”

In view of the challenging context imposed by the pandemic, BDMG promptly mobilized to guarantee the well-being of its employees and the continuity of the operations, stimulating anti-cyclical business proposals and concurrent adoption of measures aimed at preserving the financial sustainability of the Bank. A set of measures structured on three major work fronts was undertaken, with the following objectives:

- I) Dealing with actions related to the well-being of its employees, preserving the continuity of the operation;
- II) Adjusting the Bank's marketing activities, developing new financial products;
- III) Monitoring risks and preserving the Institution's financial sustainability.

Front I

Employee well-being and continuity of the operation

Initiatives related to employee well-being and the continuity of the operation were implemented in cycles as soon as the World Health Organization (WHO) declared the pandemic outbreak. Still in March, the first measures were taken, such as increased hygiene and ventilation of rooms, cancellation of national and international trips, suspension of events and meetings with external guests.

In order to ensure the continuity of business and look after the health of employees, the Covid-19 Management Committee was created to monitor the situation of the pandemic and its developments within the organization. The structure consisted of members of the People and Equity Management Superintendence, Communication Management, BDMG Social Security Foundation (DESBAN), Presidency Advisory and Planning Superintendence.

As early as on March 18th, the large majority of the employees started to gradually be released to the telecommuting regime with previously established rules and goals. All measures were taken to ensure

the continuity of operations remotely. At the end of the year, approximately 90% of employees continued to work from home.

BDMG also adopted several measures aimed at meeting the health protocols and guaranteeing the safety of its employees within the Bank's facilities for people who, due to the characteristics of their work, had to work in-person.

Focused on caring for the health of the employees, DESBAN implemented a 24-hour call center for Pró-Saúde users, which includes: telemonitoring; home medical visits in suspected cases; exams made at home; referral to the accredited hospital network, and ambulance transportation.

The Bank offered the flu vaccine to 100% of its employees, interns and service providers/contractors. It also made available daily videos of workplace gymnastics to maintain the ergonomic health of the staff.

In view of the monitoring of epidemiological conditions and the movement of the containment measures imposed by the

superior state and municipal levels, the Covid-19 Management Committee and areas related to the theme also worked on the elaboration of the Plan of Return to in-Person Work. This plan aims to prepare BDMG facilities in advance for when the return to in-person work is necessary and safe. Its premises: to guarantee the resumption of in-person activities in a safe manner, in compliance with the determinations and guidelines of the Public Health agencies, and to define a gradual return, in waves, prioritizing the areas with the greatest benefit or need for return, according to objective criteria.

In May, in order to assess the perception of employees about working from home, a survey was carried out determining that 90% of them positively evaluated the new way of working, especially in relation to adaptation and productivity. In November, the survey was carried out again, and the index remained at the same level: 89%. In other words, since the beginning of the telecommuting regime, the perception levels on work delivery and team motivation has remained high.

Front II

Business and new credit lines

BDMG also acted promptly in order to ensure financial resources for the Minas Gerais business community, with the immediate revision of the financial product portfolio planned for 2020. The goal was to act with agility and flexibility to offer credit at even more accessible conditions, so that the sectors could structure themselves in the crisis scenario.

For the healthcare sector, resources were made available for working capital and investment for businesses of all sizes, from pharmacies, distributors and manufacturers of hygiene supplies, to laboratories, industry and hospitals. To that end, four lines of credit were created (BDMG Saúde; Geraminas Saúde; Giro Mais Saúde and BDMG Saúde Emergencial) with special conditions to assist businesses of all sizes in this sector. These lines were intended for

working capital and investments, purchase of raw material for the manufacture of high demand products (masks, hand sanitizer, wipes, etc.), increase in stock, preparation of hospital beds, and hiring of temporary staff, among others.

As a result, BRL 185.1 million were disbursed to businesses across the health chain in 2020. Those funds were used, for example, to develop 500,000 quick tests for Covid-19, distribute 700,000 gloves to 66 units of the State, such as the Military Police and the Secretariat of Health, among others. It is estimated that at least 6 thousand jobs have been stimulated with the disbursement of these resources.

In the public sector, still in the healthcare field, the Bank supported the construction

of 40 health centers in the Primary Care Network on the city of Belo Horizonte. In addition, approximately BRL 4.6 million

were disbursed to 15 cities, 13 of which have a Human Development Index (HDI) below the Brazilian average¹.

¹ The Human Development Index (HDI) measures a nation's progress from three dimensions: income, health and education. Between 2018 and 2019, Brazil's HDI increased from 0.762 to 0.765. However, it fell five positions in the ranking, compared to the previous year, reaching 84th place among 189 countries. Source: <https://www.br.undp.org/>

Pronampe

Among all the products created, the National Support Program for Micro and Small Businesses (Pronampe) stood out due to the high number of businesses it served. BDMG was the 2nd financial institution in the country accredited to operate the resources of the program created by the Federal Government. It is a credit line for SMEs with annual sales of up to BRL 4.8 million and founded until May 18, 2019.

In the 1st phase of the Pronampe offer, which took place in June and July, BDMG released 100% of the BRL 215 million limit that was guaranteed to it. In early September, the Bank and the Federal Government

launched the 2nd phase of the Program. In this phase, BDMG made BRL 443 million available for disbursement to micro and small businesses in Minas Gerais. In the third phase of the program, BDMG made available an additional BRL 42 million.

As a differential in comparison to the market practice, BDMG offered the product 100% digitally, through its website, with less bureaucracy and more agility in the granting of the credit. In addition, the Bank's clients could count on a 327 banking-correspondent network, allowing for even more capillarity in service. The total amount disbursed in 2020 was BRL 650.1 million for 9,187 customers.

Glauco Michelotti – President of Hospital Lifecenter and BDMG client



Other credit lines

The encompassing and strategic tourism chain also had financing conditions facilitated by BDMG. The Bank's operations, with resources from the General Tourism Fund (Fungetur), intended for the working capital of SMEs in the sector, underwent a reduction in interest rates and an extension of the grace period. Between March 24 and December, 774 businesses were served in 162 municipalities, with a total disbursement of BRL 50.7 million.

Another product the Bank created was Giro Mais Emergencial, aimed at small businesses with annual revenues ranging from BRL 4.8 million to BRL 30 million, not covered by Pronampe. The offer of this line of credit was also 100% digital. From September to December, Giro Mais Emergencial served 55 clients who, altogether, received BRL 16.4 million.

Empreendedoras de Minas, a program encouraging women entrepreneurship, offering accessible working capital, had another product in its portfolio: Empreendedoras de Minas Emergencial. The two credit lines of the program served 789 companies in 199 municipalities, with BRL 31.2 million disbursed.

Due to the pandemic, the special conditions of the BDMG Solidário program, previously valid only for SMEs in municipalities under emergency decree (heavy rains at the beginning of the year), remained valid for SMEs in all municipalities of Minas Gerais. Since its reformulation, 1,050 companies have been served in 221 municipalities with BRL 38 million disbursed.



Aparecida Rosa – Co-owner of Clínica Veterinária Sagrada Família and BDMG client

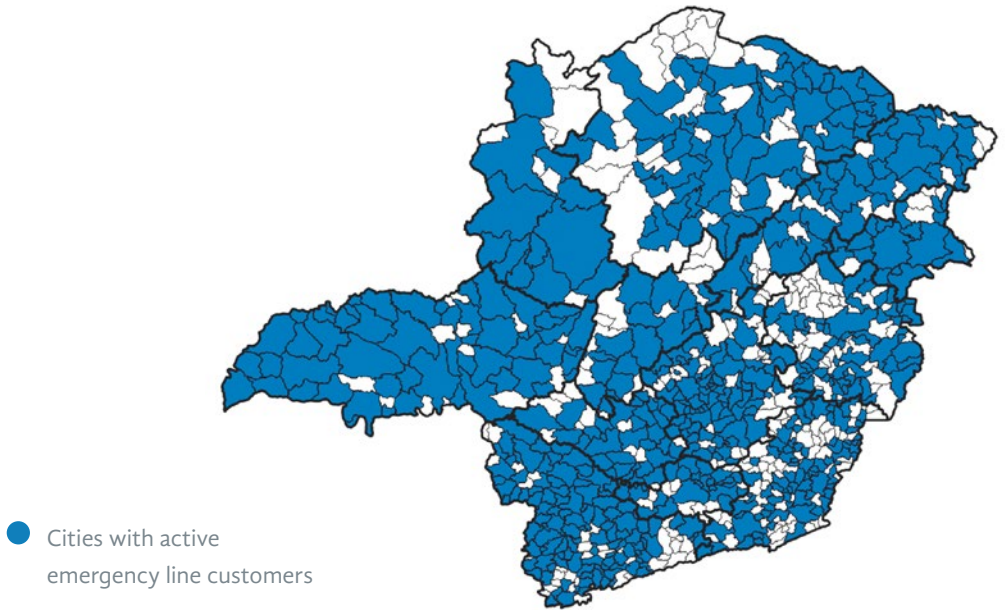
Results

As a global result, considering only the emergency lines, created or adapted to the context of Covid-19, BDMG supported

11,317 businesses located in 561 municipalities (see map below), representing a disbursement of BRL 1,164.7 million.

Emergency Lines

Cities with at least one customer



Front III

Risks and financial sustainability

The BDMG carried out systematic monitoring and simulations, assessing impacts and taking actions in a coordinated manner to minimize the effects of the crisis on its operations, liquidity, capital structure and financial statements.

The policy for granting credit through the digital channel was revised with the reduction of credit limits for some segments. Fraud monitoring was also intensified. The liquidity and market indicators started to be monitored even more rigorously, with simulations of scenarios for assessing impacts and defining measures to be adopted.

The operational risk management area, being responsible for managing the business continuity plan, monitored the progress of critical processes along with the organizational units, recording and reporting to the Administration the

needs and difficulties of the period.

In view of the current scenario, with uncertainties regarding the extent of the economic impact and the pace of recovery from the crisis, the criteria for measuring credit risk were adapted and the use of mitigators for that risk was expanded. Thus, the goal was to make the Bank's strategic performance sustainable in alignment with the needs of the State of Minas Gerais. It also improved the credit risk pricing criteria, the prevention of external fraud, the credit limit for micro and small businesses and the reporting of that risk.

The BDMG expanded the use of credit guarantee funds and their potential for action through capital contribution made by the State Government. In May, the Bank had a capital contribution of BRL 100 million, made by the shareholder

State of Minas Gerais. In the same month, Decree 47,939, of 2020, was set forth, which created the MG Investe Garantidor, an economic measure supported by the Investment Fund of the State of Minas Gerais, to exercise the functions of guaranteeing credits granted by BDMG and covering its losses, using, for this purpose, resources available at BDMG's cash flow due to the deposits made to the MG Investe account. Such measures expressed the shareholder's confidence in the efficient allocation of the resource and in the strengthening of the Bank's financial sustainability. Through the capital contribution made by the State Government, the Bank increased the use of credit guarantee funds and their potential for action.

In addition to increasing the supply of credit lines, BDMG created special conditions so that active clients of all sizes could renegotiate their financing. The type of settlement made with the businesses was the standstill, which allows the contractual conditions to remain unchanged.

Initially, MSEs were offered a three-month grace period. However, at the end of that period, an additional six months of grace period was made possible, since, with the extension of quarantine measures, difficulties for businesses remained. In all, 2,533 MPE

and 419 medium and large businesses have had their agreements renegotiated since the beginning of March, making a total of 2,952 contracts and a balance of BRL 1,373 million.

Regarding the agreements with State City Governments, the Bank also approved renegotiation conditions for the Minas Gerais municipalities that requested support: a grace period until December, with the extension of the agreement for an equal period, acting in accordance with the Federal Complementary Law 173, which establishes the Federative Program to Fight Covid-19².

With regard to new credit demands, deadlines for the delivery of documents and records were relaxed, in addition to simplifying legal processes and instruments. Automation solutions have also been developed on the digital platform in order to enable a greater number of agreements via BDMG Digital.

At the same time, the Bank remained alert to the need to preserve its financial sustainability. In this sense, the credit limit available via BNDES Investment Guarantee Fund (FGI) was increased to BRL 100 million. This meant more resources to offer to businesses of all sizes and of all sectors in the State, limited to an annual turnover of up to BRL 300 million.

² http://www.planalto.gov.br/ccivil_03/leis/lcp/lcp173.htm

The pandemic and BDMG

Synthesis of anti-cyclical actions

FEBRUARY

Improvement of the external fraud prevention methodology.

MARCH

Portfolio review with the creation of three emergency products for the Health sector; Fungetur in facilitated conditions; flexible deadlines for the delivery of documents; simplification of legal procedures and instruments.

APRIL

Increase of BRL 100 million in the credit limit available via BNDES 'FGI'; Improvement in credit risk reporting; flexible deadlines for delivery of documents and records; simplification of legal procedures and instruments; Minas Gerais women entrepreneurs with facilitated conditions.

MAY

Automation solutions at BDMG Digital: streamlining agreements with customers; State Government announces a contribution of BRL 100 million; improvement of the credit limit calculation for MPE.

JUNE

Adherence to PEAC (BNDES); adherence to FGO Pronampe. 2nd financial institution accredited in the country.

JULY

Launch of BDMG Solidário Coronavirus and BDMG Geraminas Saúde; renegotiation approval for municipalities.

AUGUST

Special conditions for renegotiation: standstill.

SEPTEMBER

Announcement of Pronampe's 2nd phase; launch of BDMG Giro Fácil Emergencial.

NOVEMBER

BDMG Agro Emergencial and BDMG CPR Emergencial.

DECEMBER

Pronampe's 3rd Phase.





Samuel Morais
Analista

PERFORMANCE

“BDMG recorded a historical record in disbursement: BRL 2,850 million authorized, representing an increase of 118% over 2019. As of March, the month in which the pandemic was officially declared, disbursements began to increase.”

In 2020, the demand of businesses and municipalities for financial support was above the normal range. Aware of its anti-cyclical role as a development bank, and in line with the guidelines of the Government of Minas Gerais, BDMG concentrated special efforts to support its clients during the crisis triggered by the pandemic.

When comparing the variation between the funds released by the Bank in 2019 and 2020, with the total concession of the National Financial System (SFN) and with the total concession only for Legal Entities (PJ),

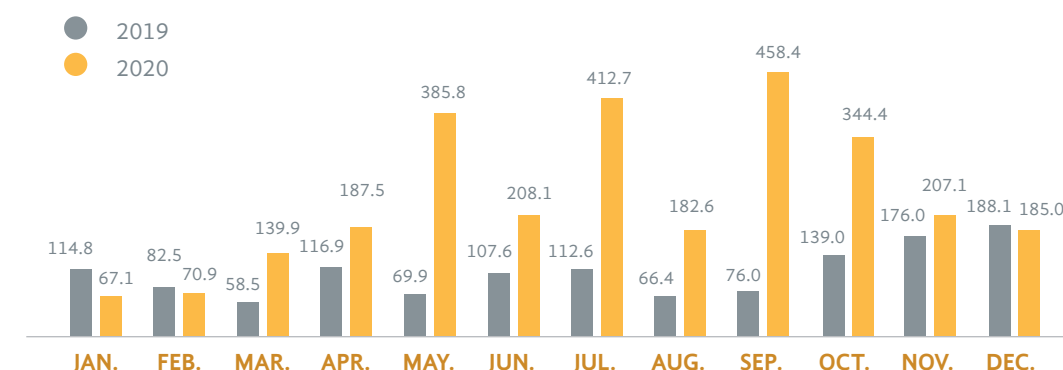
the anti-cyclical measures adopted by BDMG are evident: the latter increased its disbursement by 118%, while total and PJ concessions, across the country, grew 5% and 11%, respectively³.

As a result, BDMG recorded a record disbursement of BRL 2,850 million cleared, representing an increase of 118% over 2019. As of March, the month in which the pandemic was officially declared, disbursements began to grow, as shown in the chart below:

³Source: <https://www3.bcb.gov.br/sgspub/localizarseries/localizarSeries.do?method=prepararTelaLocalizarSeries>

BDMG's monthly disbursements

Comparative 2019-2020 (nominal values Thousand BRL)



Source: Own elaboration

Regarding disbursements, at the end of December, 73% of the BDMG portfolio was made out of own resources, 26% came from onlending and 1% from funds managed by the Bank.

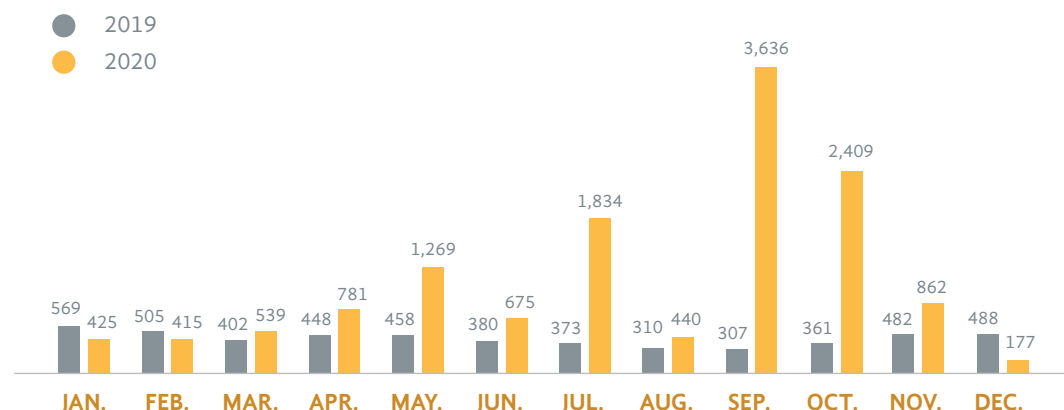
The number of clients served by BDMG was 165% higher than in 2019: 13,462, against 5,083, with 12,801 being micro and small businesses. The Trade and Services sector accounted for 59% of

disbursements, followed by Food Products and Beverages at 10%, and Sanitation and Urban Development at 7%. Globally, the releases that took place in 2020 were aimed at businesses based in 686 municipalities, 85% of which have a Human Development Index (HDI) below the Brazilian average.

The total number of clients in the portfolio also increased, from 21,440 in December 2019 to 29,171 in 2020, an increase of 36%.

Evolution of the number of customers

Comparative 2019-2020



Source: Own elaboration

Public sector



BDMG's work along with the municipalities has the goal of improving the quality of life of Minas Gerais inhabitants by financing urban infrastructure, including construction works, renovation and expansion of public buildings, water and sewage supply, solid waste management, urban mobility and drainage, in addition to the possibility of purchasing machinery and equipment.

The BDMG ended 2020 with an active loan portfolio of BRL 662.7 million with the public sector, through agreements with 458 municipalities in Minas Gerais, and BRL 11,500 million in managed funds, totaling a BRL 674.5 million portfolio of financing with the public sector. The vast majority of agreements originated from public

notices with wide publicity and access to all 853 municipalities in Minas Gerais.

In the last Notice of Municipalities, published in 2019, the Bank received "Consultation Letters" from 452 City Governments, which resulted, in 2020, in 282 new financing agreements. In the 2019/2020 biennium, BDMG was responsible for 62% of all credit operations in Minas Gerais municipalities approved by the National Treasury Secretariat (STN), consolidating itself as the public bank that serves the largest number of Minas Gerais municipalities, especially the smaller and of lower HDI regions. For municipalities with an HDI below the State average (around 42% of the total), BDMG granted, in the 2019 Notice, the additional benefit of reduction in all lines of interest rates practiced.

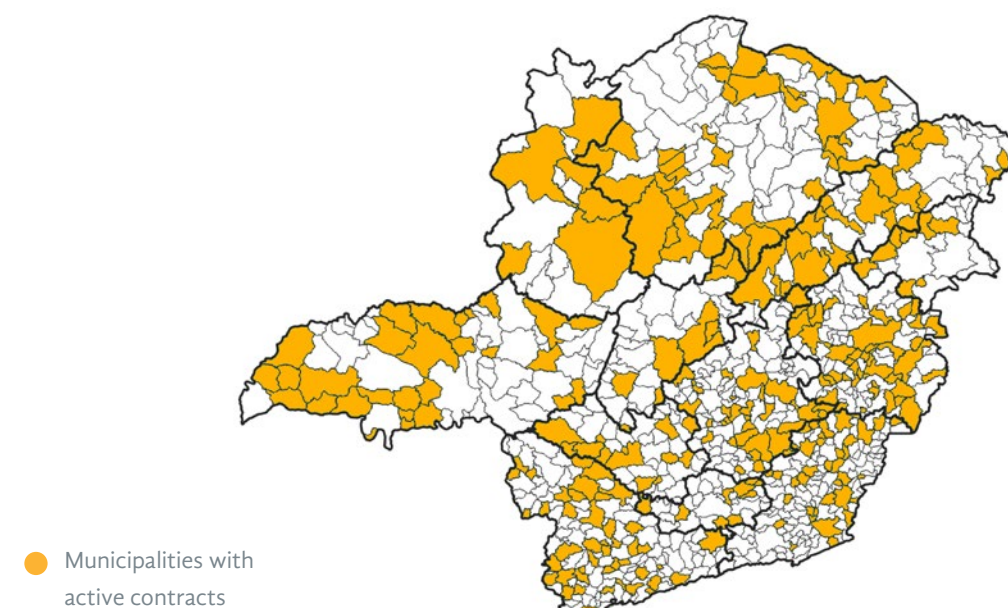
In 2020, new agreements with the public sector summed BRL 297 million; all agreements were entered into without guarantees from the Federal Government. During the year, BRL 198.5 million were disbursed for projects in 279 municipalities in Minas Gerais, a value 56% higher than that disbursed in the same period of 2019 (BRL 127.5 million). Of this total, BRL 163

million (82%) were directly associated with the UN Strategic Development Goals, which frame the Bank's macro-strategy.

In the context of the Covid-19 pandemic, the BDMG granted an intermediate grace period until December 2020 for 63 municipalities responsible for 21% of the portfolio balance, based on Supplementary Law 173/2020.

Municipalities with active contracts

Dec. 2020



Project platform

Municipal advisory

In August, the Municipality of Poços de Caldas launched the public concession consultation for the management and operation of the Municipality's Integrated Tourism Circuit, formed by the Cristo Redentor Tourist Complex, with its cable car, Fonte dos Amores, Recanto Japonês

and Complexo Turístico Veu das Noivas. The project was structured by BDMG and authorized by the city to carry out the studies. A new bid is scheduled for the first half of 2021 with adjustments that improve the potential of the project.

Assistance to the State Government

In April, BDMG entered into a cooperation agreement with the Inter-American Development Bank (IDB) and a service provision agreement with the State Secretariat for Infrastructure and Mobility (SEINFRA), to structure the road concession for the Lote Ouro Preto. The studies include road sections that cover the municipalities of Brumadinho, Ouro Preto, Mariana, Viçosa and Rio Casca, among others, as part of the State Highway Concession Program. It is estimated that the public consultation will take place in the second half of 2021, and that the agreement will be signed in the first half of 2022. The goal is to make investments and the guarantee of maintenance of the stretches viable, strengthening the logistical infrastructure of the State of Minas Gerais.

In December, the Instituto Estadual de Florestas (IEF) published a public bidding notice for the concession of three conservation units of Rota das Grutas Peter Lund, a project that is part of the State Park Concession Program (Parc). The concession project model was developed by BDMG, consolidating the Bank's performance in the segment of project structuring also for the State Government. The concession, which is the first in the state's environmental area, is scheduled for a period of 25 years and includes the possibility of using the areas for tourism purposes, such as lodging, food, leisure and adventure activities and the sale of souvenirs. The estimated value of the agreement is around BRL 347 million, with an initial investment of BRL 6.3 million. The inaugural public bidding session is scheduled for the first quarter of 2021.

Partnerships for the infrastructure sector

In September, a cooperation agreement was signed with the BNDES for the structuring of privatization projects and support for projects related to the themes of green cities and smart cities in Minas Gerais. The agreement provides for coordinated action between the banks to design a model capable of promoting the development of privatization projects in Minas Gerais municipalities, and being replicable also in other contexts. This design also seeks to expand the capacity for structuring projects through the mobilization of a network of institutional partners.

On that same month, a cooperation agreement was signed with the State Secretariat for the Environment and Sustainable Development, with the goal

of promoting actions for the development of public policies for environmental management and basic sanitation, together with programs and projects of interest to the state's economic and social development. Through this agreement, BDMG grows closer to state public policies on basic sanitation, aiming to support the structuring of projects that promote the universal service to the population.

Finally, in October, a non-reimbursable technical cooperation agreement was signed with the IDB to hire consultancies necessary to carry out a public infrastructure concession project, aiming to improve the provision of basic sanitation and solid waste services in the municipalities of the State of Minas Gerais.

Clean energy and environment



The BDMG actively works to contribute to increasing the share of renewable energies in the energy matrix and in fighting climate change.

In 2020, the volume disbursed for renewable energy projects – solar photovoltaic and small hydroelectric – was BRL 97.8 million, 67% higher than in 2019. The projects were financed through the lines BDMG Sustentabilidade BEI, Finame - Fundo Clima, BDMG Solar Fotovoltáico, among other products.

Thanks to the power generation potential of these projects, an annual production of

85.5 GWh/year is estimated, which is equivalent to the average annual consumption of 28,508 Brazilian households (consuming an average of 250 kWh/month). These projects contribute to the reduction of greenhouse gases, avoiding the emission of 6,414 tons of CO₂/year, or 138 thousand tons of CO₂ during the useful life of the projects.

Of the total disbursed, BRL 87 million (89%) were allocated to photovoltaic solar energy projects, with around 60% being in the northern region of Minas Gerais. In addition, of the 21 municipalities served, half of them have an HDI lower than the Brazilian average.

Investment in renewable energy

Comparative 2019-2020 (in thousand BRL)

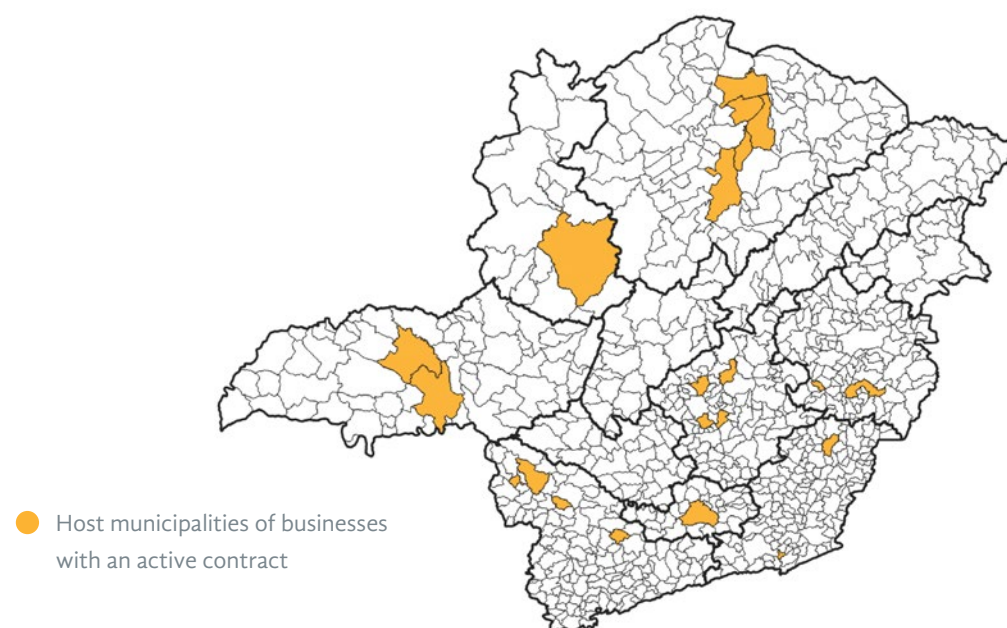
	2019	2020	variation (%)
New, expanded or improved transmission and distribution systems	0.6	-	-
Hydro-electric energy	3.5	10.7	206%
Photovoltaic Solar Energy	54.6	87.0	59%
Total of Renewable Energies	58.7	97.7	67%

Source: Internal data

In addition to contributing to the economic development of the regions, these projects are committed to the generation of clean energy and are in line with the precepts of financing favorable to the improvement of

climatic conditions in the world. It is noteworthy that the impacts caused by photovoltaic generation are relatively lower compared to fossil fuel sources, in addition to the contribution to reducing the emission of greenhouse gases.

Location of solar energy projects that received resources in 2020



Partnership with the European Investment Bank (EIB)

As part of its strategy, BDMG seeks to promote energy savings and encourage actions favorable to the reduction of climate change, always in line with global agendas for sustainable development. In this context, there is financing for energy efficiency and renewable energy projects. The agreement with the European Investment Bank (EIB), signed in 2019, aims precisely to promote these initiatives. Until December 2020, 11 projects were financed, including 10 photovoltaic plants and a hydroelectric generating plant.

The projects financed in partnership with the EIB are distributed in 10 municipalities in Minas Gerais, of which 50% are located in the North of the State and 60% have the HDI below the national average. Together, the projects financed with this resource total an annual generation of around 80 GWh, which will avoid an emission of around 127,000 tons of CO₂ throughout the useful life of the projects, signaling the importance of channeling investments into less impacting technologies and activities, that favor the development of a clean economy.

Among the projects approved by the EIB in 2020, we highlight a hydroelectric generating plant in the municipality of Varginha, which contributes to the

generation of 14,980 MWh per year, and a photovoltaic solar plant project in Verdelândia, which contributes to an annual generation of 13,342 MWh.

Other sustainability actions

The incentive to sustainable development goes beyond the operations financed by the BDMG and is also unveiled in the institutional commitment to international principles related to the theme. Internally, there is also a concern

about maintaining good socio-environmental practices in its building, whether through the efficiency in the consumption of water and energy, or through waste management and awareness programs, among others.

Global compact

On March 9, 2020, BDMG became a signatory to the UN Global Compact. It is a voluntary commitment and constitutes the largest initiative worldwide in the dissemination of corporate responsibility practices. Through the pact, the

signatories make a commitment to protect the environment, fight corruption, observe labor standards and respect, and avoid the violation of, human rights; guidelines that are strongly related to the Sustainable Development Goals (SDG).

Installation of solar panels in the BDMG building

In April 2020, BDMG implemented the first photovoltaic power unit on the Bank's premises. The project was an initiative of the Sustainability Commission and meets part of the building's power demand. Using 96 modules and an estimated generation of 2,750 KWh/month, the unit occupies a 280 sqm area and is remotely monitored and supervised on basis.

The project contributes to the diversification of BDMG power matrix, produces self-sustainable electricity and consists of a climate-friendly alternative.



CO₂ calculator

In 2020, BDMG concluded, in partnership with the IDB, the development of a CO₂ calculator. The tool was designed to assess emissions, removals, forest carbon stocks and emission reductions from operations financed by the Bank. The calculator has been used by different BDMG areas to analyze and monitor projects. The indicators obtained

assist in making strategic decisions, such as the planning of lines and resources geared to the climate, in addition to enabling the reporting of the impact of operations to all stakeholders. To ensure the correct use of the tool, 40 employees were trained on how the calculator works.

Management of Greenhouse Gas Emissions

In 2020, BDMG obtained, for the fifth consecutive year, a Gold Seal in its inventory of greenhouse gas emissions. The inventory has been published since 2015 under the Brazilian GHG Protocol

Program, a tool used to quantify and manage Greenhouse Gas (GHG) emissions. It is the method most used worldwide by businesses and governments to carry out GHG inventories today.



The evolution of sustainability at BDMG

2015

New Strategic Map — sustainability strategic goal

PRSA review according to Resolution CMN 4,327

Inventory of greenhouse gas emissions — Gold Seal according to GHG Protocol

Annual publication of the social-environmental report

Implementation of internal sustainability actions aimed at reducing water and energy consumption and better waste management

2018

Green Framework certification with a Second Opinion

Launch of the "BDMG Sustainability" product

2020

BDMG signatory to the Global Compact

Framework SDG Certification with Second Opinion Issuance by Sustainalytics

SDG Tool

EUR 70 million for climate change projects

CO₂ Calculator

Issuance of Green Bonds

2013

EUR 50 million for sanitation and climate change projects

Social and Environmental Responsibility Policy (PRSA)

2016

Implementation of the socio-environmental risk methodology

2017

Products launched: "Hybrid BDMG Cabs" and "Solar BDMG"

BDMG Green portfolio verified

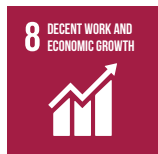
2019

EUR 100 million in EIB fundraising for renewable energy and energy efficiency projects

Cooperation with the IDB for the SDG Framework and emissions calculator



Micro and small businesses



The important role that Micro and Small Businesses (MPE) play in an economy is undeniable, mainly in the supply of jobs. In Brazil, they accounted for 54% of formal employment and ensured the entire positive balance of formal employment generated in the country in 2019⁴. Based on a recent study carried out by Sebrae and Getúlio Vargas Foundation, MPEs have been playing an increasingly important role in the Brazilian

economy; in 2017, they already accounted for 30% of the value added to the GDP⁵.

Recognizing the role of MPEs in the economic mesh, the BDMG evaluates and grants financing through an online platform, BDMG Digital. With this, it allows the expansion and streamlining of access to credit, factors that have become even more relevant in the face of the scenario revealed by the pandemic in 2020.

⁴ Source: "Analysis - Covid-19, the world of work and the importance of micro and small businesses: The "Brazil Case", from the International Labor Organization (ILO), June 2020.

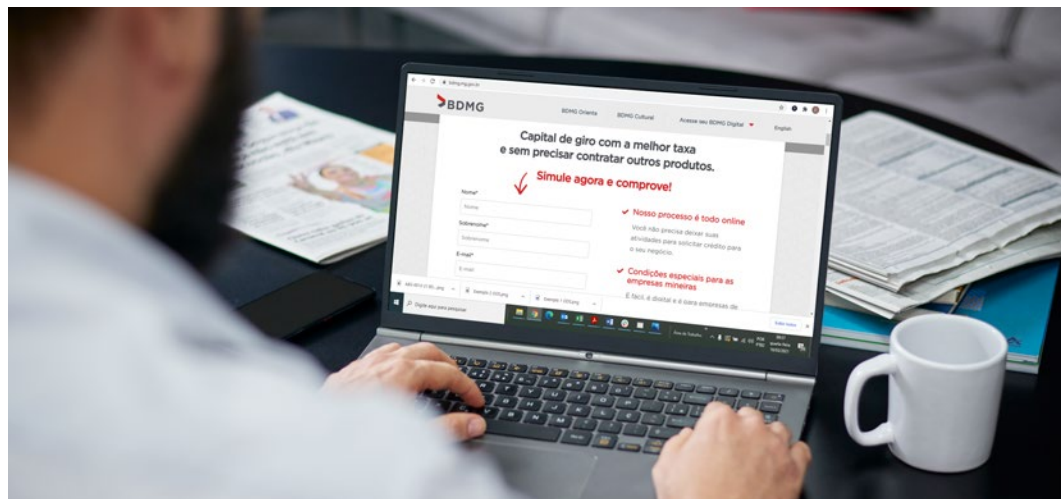
⁵ Source: <https://www.sebrae.com.br/sites/asn/uf/NA/pequenos-negocios-ja-representam-30-do-produto-interno-bruto-do-pais,7b965c911da51710VgnVCM1000004c00210aRCRD>

BDMG Digital

Disbursement from processes originated via BDMG Digital was of BRL 889 million, corresponding to 96% of the total released to micro and small businesses in 2020, a 425% increase compared to 2019.

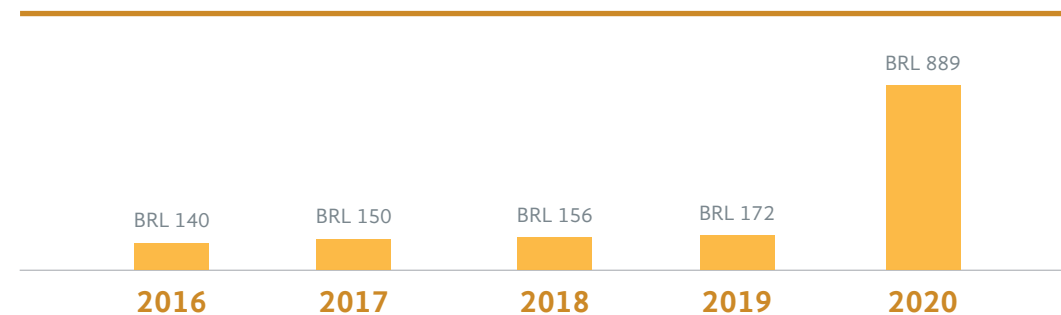
In terms of number of customers, 12,830 were served in 591 municipalities in Minas Gerais (69% of the total), with 8% obtaining a second financing in 2020. Compared to the number of customers in 2019, a 182% growth is seen.

BDMG Digital



BDMG Digital: amount released per year

(in Thousand BRL)

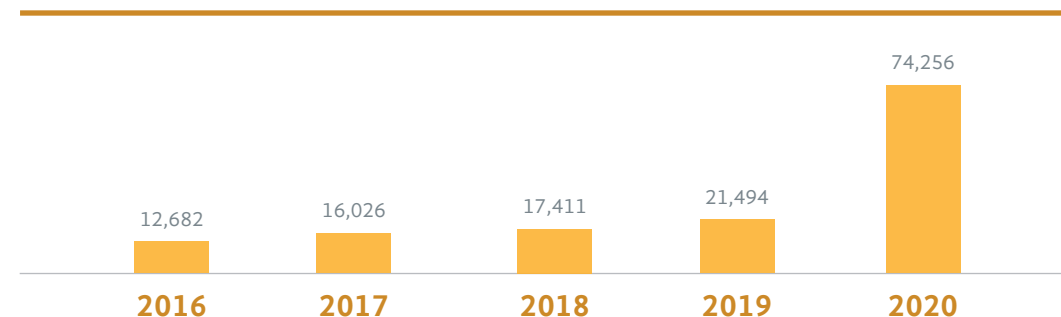


Source: Internal data

In addition, in 2020, BDMG Digital recorded about 703 thousand accesses, a number that represented a historical record, with a 17% growth in relation to accesses to the platform in 2019. Analyzing the monthly average of accesses, there was an increase of 49,757 in 2019 to 58,565 in 2020.

In 2020, the record number of simulations recorded on the digital platform was 74,256 CNPJ, compared to 21,494 in 2019. Of this total included in 2020, 48% came from the direct sales channel, which in 2019 represented 46% of the total.

BDMG Digital: number of simulations carried out per year



Source: Internal data

BDMG banking correspondents

In addition to direct access to finance via digital, MPEs also had a network of banking correspondents distributed throughout the State, formed by class federations and unions, credit unions and banks.

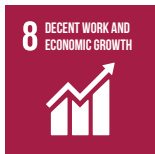
In 2020, there were 327 correspondents, in almost 200 municipalities in Minas Gerais, serving businesses in 711 municipalities, a number 29% higher than the 550 reached in 2019.

Assisted Credit Program

To support small businesses affected by the pandemic, BDMG and Sebrae Minas entered into a partnership to implement the Assisted Credit Program, offered to micro and small businesses, free of charge, without requiring any contribution

from the BDMG for membership. The initiative encompasses the provision of training combos, according to the needs of each project, including courses, management worksheets, e-books, and personalized financial consultancy.

Medium and large businesses



BDMG believes that innovative technologies and competitive industrial parks contribute to diversify the State's economic matrix in a sustainable manner, generating employment and income. In this context are inserted larger companies, capable of connecting relevant production chains for the development of the State.

In 2020, BDMG served 382 companies, 300 of which were medium-sized (annual revenues ranging from BRL 4.8 million to BRL 300 million). They received BRL 726.8 million (+ 126% vs. 2019), while large companies (annual revenue above BRL 300 million) received BRL 1,010.8 million (+ 57% on 2019).

Otávio Viegas – CEO of VMI Médica and BDMG client



Tourism

Tourism is an activity that generates jobs in all income groups, in addition to bringing significant impacts to different production chains.

To serve the sector, BDMG has been working along with the Ministry of Tourism in the operation of the Fundo Geral de Turismo (Fungetur) since 2018,

transferring resources aimed at improving the tourism infrastructure. In 2020, 867 businesses in the sector received financing, totaling BRL 55.4 million in releases. Of this total, 85% are from Fungetur itself, and the remaining 15% are from Fungetur Pronampe, a Pronampe sub-product, which, in three months, disbursed BRL 8.1 million to 132 businesses.



Agribusiness

In view of the relevance of agribusiness to the State's economy, BDMG has highlighted its support to Minas Gerais' farmers. In 2020, 33% of the Bank's disbursement was earmarked for this segment, with BRL 953 million cleared and a 52% increase compared to 2019. Financing took place mainly through lines that use resources from the issuance of Agribusiness Letters of Credit (LCA), Funcafé and BNDES. The disbursement linked to LCA lines was BRL 471 million, or 49% of the total destined to agribusiness - an increase of 65% compared to 2019.

Funcafé represented 48% of the total disbursed to the sector (BRL 453 million), with an increase of 103% compared to the previous year. With respect to Crop

Year 2020/2021, BDMG is operating with the largest resource in its history aimed at credit to the coffee sector: BRL 392 million, growth of 29% compared to the limit made available for the previous harvest. BRL 304.5 million have already been disbursed, representing 78% of utilization of the limit for the current crop.

In the third quarter, the BDMG Agro Emergencial line was launched, which, through the funds raised by the Agribusiness Letter of Credit (LCA), aims to support operations in the rural segment that go beyond the established by the Rural Credit Manual (MCR). By the end of 2020, BRL 77.7 million had already been released for 23 businesses.

Gender inclusion



With the goal of supporting MPEs controlled by women and encouraging women entrepreneurship, BDMG provides the Empreendedoras de Minas financing line. Through it and the “Emergency” version, created exclusively for the time of the Covid-19 crisis, BRL 31.2 million were cleared in 2020, serving 789 entrepreneurs. Despite the 4% reduction in disbursement and the 24% in the number of businesses served, compared to 2019, in general, there was an increase in the number of businesses served in which women have a share capital greater than, or equal to, 50%, depending on the availability of other emergency lines developed in the context of the pandemic.

During March, celebrating the International Women's Day, BDMG launched a series of

actions honoring women, with reflections, interactive spaces, videos, commercial actions and lectures open to the external public on the role of women in society. With the slogan “The change of attitude begins with knowledge” an internal campaign was launched in line with SDG 5 - Gender Equality.

The Espaço Mulheres was temporarily created with images and testimonies from some of the Bank's women employees and clients about the challenges of being a women entrepreneur in the country and how the Bank's special credit helped them overcome obstacles, maintain, and expand their businesses.

Katia Tavares – Owner of Loja da Katia and BDMG client



Innovation



BDMG aims to promote innovation in the Minas Gerais productive sector and eases the creation and access to the credit market for technology-based businesses, in addition to supporting innovative projects.

To finance innovative projects, the Bank has been operating for nine years with resources from partnerships with FAPEMIG and for six years with Finep, in addition to a partnership with BNDES. In 2020, despite all the challenges imposed by the pandemic, BDMG disbursed BRL 16.9 million for 23 of these projects.



Investments in participations

In addition to stimulating innovation through financing, BDMG also works with investment instruments to support innovative businesses with high growth potential. In 2020, BRL 7.2 million were paid into the nine Participation Investment Funds (FIPs) and a Venture Debt Fund. Together, these funds have already invested BRL 71.7 million in 29 businesses in Minas Gerais, of which approximately BRL 1 million are in the form of venture debt.

The Bank has an equity interest in two businesses, holding 6.5% of the shares of Unitec Semicondutores SA, a semiconductor industry under implementation, located in Ribeirão das Neves - MG, of which it has been a shareholder since 2012, and 5.97% of Biom SA, a biopharmaceutical industry located in Nova Lima - MG, of which it has been a shareholder since 2013.

Hubble Hub

Another important initiative is Hubble, a BDMG-based hub for startups that use technology in an intensive and innovative way. As a result of the partnership between BDMG, LM Ventures and Banco Olé Consignado, Hubble Hub found itself, in 2020, in the 2nd Batch, with 13 participating startups: Asotech, Banco Liberdade, Cashtag Blockchain, Crawly, Galax Pay, Go Credit, HTS, Mitosis, Predify, Pris Software, Sobix, Trovato Lending and Tyde.

Businesses have different solutions for the financial market, from new products, such as microcredit, quantitative investment funds, payroll loans and credit for the middle market, to solutions to generate more efficiency, such as means of payment, blockchain, artificial intelligence, and machine learning and management software.

In 2020, the pandemic prevented the use of the Hubble Hub's physical space and, therefore, in-person interaction between startups and corporate partners. Despite these challenges, startups grew by an average of more than 52% compared to 2019, ending the year with a total turnover of more than BRL 13 million.

In order to keep the community engaged, all events and content programmed by

the Hubble Hub were held online with the participation of entrepreneurs, employees and the community in general. Thirty-eight events were held, impacting more than 1,500 people through lectures, workshops and meetings.

It is worth mentioning the Fintech event as a credit alternative, which included the participation of the CEO of BDMG, the CEO of Creditas; the CTIO of the Central Bank and the Executive Director of LM Ventures. The Open Banking webinar: *A Revolução do Mercado Financeiro* also had good repercussion, as well as the presentation of the Hekima case, a startup in Minas Gerais acquired by iFood in late 2019.

For its work with Hubble, BDMG received the ALIDE Award - Management and Technological Modernization category, granted by the Latin American Association of Financial Institutions for Development. According to the organization, Hubble is an initiative that aims to promote an ecosystem for startups that use technology in an intensive and innovative way, benefiting the technology-based market. The ALIDE Award is given in recognition of the best practices in development financial institutions. Subscribers are evaluated by an independent international jury.

Economic recovery after disasters



Since 2017, BDMG has worked together with the Renova Foundation on socioeconomic programs related to the economic dynamism of the Rio Doce region, in the 35 municipalities in the Minas Gerais area where Renova operates. In 2020, disbursements from the Renova Foundation's resources totaled BRL 27.25 million, which represents a 31% growth compared to 2019 (BRL 20.76 million), although there was a reduction in the number of total clients served: from 542 in 2019, to 463 in 2020, between private businesses and municipalities.

Fundo Desenvolve Rio Doce is a financing product for working capital with the goal of fostering economic activity in the municipalities of Minas Gerais and Espírito Santo affected by the failure of the Fundão dam. In 2020 alone, 358 businesses were served, and BRL 12.8 million were disbursed in financing for the trade and service (90%), manufacturing industry sectors (9%), and other sectors (1%). The figures indicate a reduction compared to 2019 of 10% in total disbursement and of 20% in the number of customers served, respectively BRL 14.1 million and 445 customers in 2019.

The program for the Collection and Treatment of Sewage and Disposal of solid waste, within the notice/product Renova

Municipalities Non-Refundable, provides financial resources to the municipalities for the elaboration of basic sanitation plans, the elaboration of sanitary sewage system projects, the implementation of water works, collection and treatment of sewage, eradication of dumps and implantation of regional sanitary landfills. Since the beginning of the program, BRL 14 million have been disbursed to 25 municipalities. Of this total, BRL 11.7 million was released in 2020 for 18 projects, showing a 398% increase in disbursement compared to 2019.

Launched in December 2018, and in force until November 2020, the Compete Rio Doce Fund, in partnership with Sebrae Minas, aimed to ease the access to credit to businesses that, due to financial restrictions, were unable to obtain financing through the Desenvolve Rio Doce Fund. These projects received a consultancy from Sebrae Minas in order to make a diagnosis of the businesses' operational capacity and guide them in the search for business sustainability. During its term, the program served a total of 127 businesses and disbursed BRL 6.8 million. In 2020 alone, BRL 2.8 million were disbursed to 87 businesses. The figures indicate a 35% reduction in disbursement compared to 2019.



Sarah Laine
Coordinator

IMPACTS

“ Given the context of the pandemic, the performance exceeded expectations, reaching 57% of the disbursement aligned with the SDGs, 225% higher than 2019 2030 agenda and the sustainable development goals (SDGs). ”



2030 Agenda and the Sustainable Development Goals (SDGs)

BDMG has been working to consolidate its strategy, agenda and activities in sustainability and social development.

Therefore, in 2020, the Bank set a 30% target of its total disbursement in line with at least one of the Sustainable Development Goals (SDGs) advocated by the United Nations in its 2030 Agenda.

Given the context of the pandemic and the launch of emergency financial lines for the recovery of the economy, the performance exceeded expectations, reaching 57% of the disbursement, in line with the SDGs, a performance 225% higher compared to in 2019. Emergency lines for micro and small businesses, the lines for businesses operating in the health sector and, also renewable energy projects, as shown in the table below stood out:

Disbursement by subcategory

(in thousand BRL)

Categories	2019	2020	2020/2019 (%)
Social	357.5	1,435.6	302%
Economic recovery after disasters	19.1	935.4	4.808%
Health	58.3	189.7	225%
Urbanization	118.6	166.9	41%
Job creation	118.8	102.3	-14%
Socioeconomic empowerment	32.5	31.2	-4%
Education	10.3	10.0	-3%
Sustainability	138.7	177.4	28%
Renewable energy	59.4	97.8	65%
Sustainable agriculture	59.6	43.4	-27%
Sanitation	11.1	17.8	61%
Energy efficiency	5.2	13.8	164%
Transport	2.7	3.1	15%
Responsible production and consumption	0.7	1.6	144%
SDG Subtotal	496.1	1,613.00	225%
Total Disbursement	1,308.40	2,849.50	118%
Percentage in SDG projects	38%	57%	-

Source: Internal Data

As a result of social financing, BDMG registered at least 11,844 students impacted by educational projects; 978 healthcare institutions served, causing more than 10,000 jobs to be maintained and/or expanded and more than 30,000 patients served, in addition to the production of 2.2 million hospital and related products.

Urbanization initiatives are very relevant to sustainable development. In 2020, BDMG's operations provided 1,270,741 sqn of paved area and 4,795.7 km in length, which directly served around 280 thousand inhabitants.

In addition to the projects supported in 2020, in December, BDMG issued the first Sustainable Bonds structured by a Brazilian public bank, aimed to finance projects with a potential for positive impact in the social and/or environmental spheres.

Public and private sector investments capable of generating clear social and environmental benefits in all sectors of the economy can be supported with this new source of funds. Eligible projects are categorized according to the classification used by the Green Bond Principles 2019 and Social Bond Principles

2019, in addition to being aligned with one or more goals of the different SDG.

Two categories of projects eligible to receive resources from Sustainable Titles were defined: The Social category and the

Sustainable category, which, in turn, were broken down into 12 subcategories. Once framed in one or more categories, result and impact indicators are linked for each project, which will make it possible to measure the benefits for the environment and for society.

Financing to economic sectors

In 2020, the trade and service sector was the most contemplated, accountable for 59% of the disbursement followed by

transformation Industries, accountable of 24%. Compared to 2019, trade and services was the sector that had the largest increase in the volume of funds released.

Sectoral distribution of BDMG disbursements - Comparative 2019 and 2020

(in thousand BRL)

Sector	2019	2020	2020/2019 (%)
Trade and Service	611.1	1,583.40	159%
Transformation Industry	319.9	633.4	98%
Utility Services Industry	165	262.4	59%
Agriculture, Livestock and Forestry	87.9	114.7	31%
Construction	51.8	86.9	68%
Mineral Extractive Industry	6.3	5.8	-8%
Grand Total	1,241.90	2,686.50	116%

* Does not consider funding or disbursements to other states.

Source: Internal Data

Input-product matrix

To assess the impacts of Bank's total disbursement on the economy of Minas Gerais, BDMG applies the Input-Product Matrix methodology, prepared by the João Pinheiro Foundation (FJP), which allows the identification of the number of inputs from different branches of activity necessary for the manufacture of any product. Then, it is possible to identify the key sectors of the economy, as well as carry out studies

to assess the impact of public policies on employment, income, state revenue, etc.

Disbursements provided an increase of BRL 1.944 million to the production in Minas Gerais; BRL 1.007 million in added value; the stimulus of 28,150 jobs and a total remuneration of BRL 440 million⁶. Regarding tax collection, it is estimated that a BRL 77,420 thousand increase in ICMS occurred.

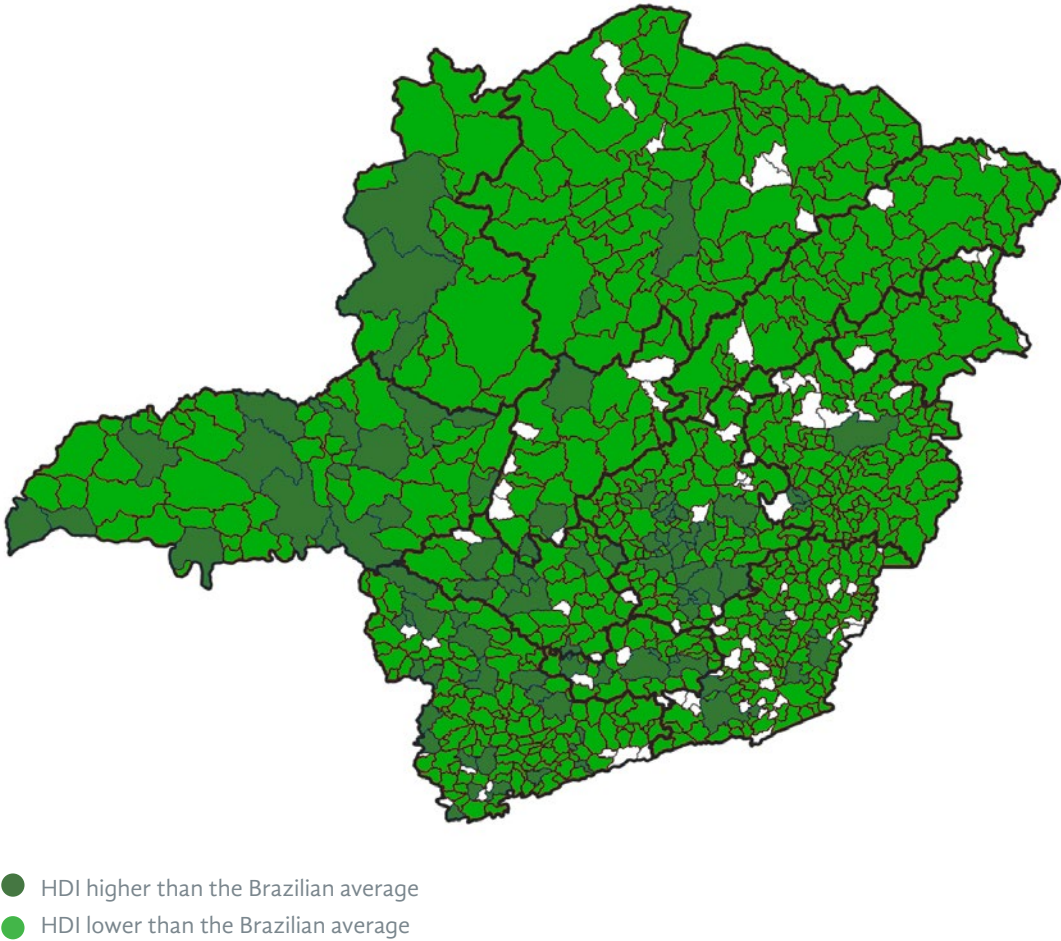
⁶ Explanatory Note: * Values at the price of January 2021. Production: sum of all final goods and services produced by the locality in question. The value of production may be higher than the state's GDP, as it considers other complements and intermediate consumption present in the final value, besides the added value and indirect taxes. Added Value: obtained, in each economic activity, by the difference between the production value and the intermediate consumption absorbed by the activity. Its sum plus indirect taxes forms GDP. Remunerations: remunerations for the stimulated work (employment) required to increase production due to the exogenous shock provided by the credit provided. Employment: stimulated work required by the additional production required. ICMS: main indirect tax charged by the State. 25% collected is transferred, by Constitution, to the municipalities. 75% remains with the State of Minas Gerais. All the additional production obtained with an exogenous credit shock helps to leverage the payment of this tax and reinforces the treasury of the federative entities of Minas Gerais

Human Development Index - HDI

Regarding the regional distribution of the disbursed volume, BRL 1.874 million (66%) was allocated to the Central, South of Minas and Triângulo Mineiro macro-regions. The Northern and Jequitinhonha regions had an increase of 170%, with disbursements of BRL 203 million (7%). Other macro-regions received BRL 773 million of the total volume released (27%).

Active customers were located in 774 out of the 853 municipalities in Minas Gerais. Among those 774, 677 (87%) have HDI below the Brazilian average (0.765). The financing of private and public projects in these cities promotes local development, stimulating employment and income.

Municipalities served by the BDMG - by HDI



International acknowledgment

In June, the British magazine CFI (Capital Finance International) granted BDMG with the Best Socio-Economic Impact Bank - Brazil 2020 award. The magazine highlighted BDMG's strategic alignment with the UN SDGs, support for micro and small businesses with the use of digital technologies, as well as the promotion of

cultural and citizenship initiatives. In recent months, several global organizations have been recognized by CFI in their respective areas, such as IBM, Total Eren, DHL, Electrolux, BNP Paribas, Walmart and J.P. Morgan. Among the Brazilian businesses already awarded are Gol Linhas Aéreas, Fibria, Banco do Brasil, Itaú and PetroRio.



Daisy Filocre
Analyst

SOURCE OF RESOURCES

“About BRL 2.3 billion were raised from the market, a historical record, aiming to provide financial backing for the maintenance or structuring of new lines of credits of the Bank.”



In 2020, BDMG expanded its strategy of diversifying sources of funds, intensifying the raising of financial resources in the international market and in the domestic market. In the period, around BRL 2.3 billion were raised in the market, a historic record, aiming to provide financial support for the maintenance or structuring of new Bank credit lines.

International funding took place with different institutions, applying different forms of structuring, with new credit agreements, with the flexibility of using the resources of a contract in progress and with the issuance of a Green Bond, the first carried out by a public bank in Brazil. The main focus of the operations was to attend to the emergency situation related to Covid-19 and to stimulate the sustainable development of Minas Gerais.

Diversification of funding sources

At the beginning of the year, BDMG requested the first tranche of funds, in the amount of U\$ 9.3 million, related to the financing agreement signed in October 2019, with a credit limit of EUR 100 million, with the European Investment Bank (EIB). The scope is to finance clean energy generation projects (solar photovoltaic energy, PCH, etc.) and energy efficiency with competitive costs for the sector.

In March, in Uruguay, BDMG attended the 1st Integration and Development Forum, held by FONPLATA, a multilateral development bank formed by Argentina, Bolivia, Brazil, Paraguay and Uruguay. On the occasion, the institutions signed a memorandum of understanding. In May, after structuring this funding, the agreement was signed between both, for which an amount of U\$ 36 million was disbursed to rebuild the BDMG credit lines for the municipalities of Minas Gerais. It was the first agreement of a Brazilian public bank with FONPLATA.

In August, BDMG signed an agreement with the French Development Agency (AFD), which made EUR 70 million available to the Bank's credit lines for businesses and municipalities in Minas Gerais. The funds will be used to minimize the

socio-economic effects of the pandemic and to strengthen the Bank's strategy, financing projects in line with the SDG.

In September, BDMG concluded another fundraising with a new partner, Cargill, a multinational based in the United States, which offers services and food, agricultural, financial and industrial products. The contract was signed with Cargill Financial Services International, which disbursed U\$ 10 million to BDMG to finance activities in the agribusiness chain in Minas Gerais, including the production of agricultural commodities and food products for export. This operation, carried out with a counterpart of the private market and of broad solidity like Cargill, proves BDMG's commitment to look for new sources of funds for the financing of more strategic sectors for Minas Gerais, contributing to the increase of competitiveness in this moment of resumption economical.

In October, after a negotiation carried out since the beginning of the pandemic in Brazil, BDMG signed an addendum with the European Investment Bank (EIB), allowing a flexibility of up to 30% of the resources of the contract signed in 2019, which provided for the credit of EUR 100 million

exclusively for climate action projects. This additive enabled the allocation of EUR 30 million in credit lines for micro, small and medium-sized businesses. Then, BDMG requested the second tranche, comprising U\$ 11.2 million, related to the financing of eight more projects for renewable energy in Minas Gerais, together with the use of flexibility. This summed a disbursement of U\$ 46.9 million from the EIB to BDMG, effected in early December.

In December, after negotiating with the Development Bank of Latin America (CAF), BDMG signed a credit agreement of U\$ 100 million, an amount that was disbursed in the same month, in a single installment. This resource will be allocated in credit lines for micro, small and medium-sized businesses in Minas Gerais, in order to minimize the socioeconomic effects caused by the pandemic and reactivate the economic recovery.

Funding sources by origin



In addition to international funding, the funds obtained in the national market issuing Agribusiness Letters of Credit (LCA), Bank Deposit Certificate (CDB) and Deposit with Special Term Guarantee from the FGC (DPGE) stand out. Together, more than BRL 1 billion was raised in 2020. Of this amount, more than 80% refer to investors living in other states of the

Federation. These resources became part of the productive capital of Minas Gerais through the exclusive action of BDMG, which has acted focused on the generation and maintenance of employment and income in the society of Minas Gerais, besides increasing the state tax collection, encouraging the local economy. Issuances carried out in 2020 are the following:

Total of issuances – 2020

(nominal values - thousand BRL)

CDB		DPGE * POST-RESOLUTION 4,785			LCA		TOTAL
POS	PRE	POS	PRE	FUNDS	POS	PRE	1,048.938
65,426	390	80,000	420,000	100,000	108,139	274,983	

* Deposit with Special Term Guarantee

Source: BDMG, 2021.

Issuance of Green Bonds

In December, BDMG became the first Brazilian public bank to issue Green Bonds on the market. The transaction was registered on the New York Stock Exchange and summed USD 50 million, which was subscribed by IDB Invest (Inter-American Investment Corporation), belonging to the Inter-American Development Bank (IDB) group.

As of 2021, the proceeds from these bonds should be transformed into credit lines for projects aligned with the Sustainable Development Goals (SDG), benefiting not only environmental initiatives - as the already established “Green Bonds” already do - but also social initiatives. In other words, the Green Bonds will be

able to finance both energy efficiency, renewable energy or waste management projects, as well as sanitation, urbanization, health or education, for example.

To leverage the issuance of Green Bonds, BDMG published a framework with the goal of framing financial and social projects that can be financed in the context of the SDGs. In addition, the international consulting firm Sustainalytics attested to the Bank's aptitude for issuing sustainable national and international bonds through Second-Party Opinion (SPO) certification. The initiative inserts BDMG in a scenario of responsible economic growth and opens opportunities for new operations focused on sustainable development.



Danton Felipe
Analyst

RATING

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Moody's risk rating agency, in December 2020, kept BDMG's perspective stable; it also reaffirmed the Institution's ratings: 'B2' on a global scale and 'Ba1. Br-' (long term) and 'BR- 4' (short term) on a national scale. According to the agency, this rating reflects the Bank's well-established operations in its regional market, as well as the strong alignment and the importance of its operations for the development policy of Minas Gerais.

“a fundamental role in the regional economic development program, which is fully in line with the goals of its controller, the State of Minas Gerais; very high levels of capitalization; high reserves against unexpected increases in asset risk”.

Regarding the challenges, Moody's emphasizes, for example, the concentration of the credit portfolio by region and borrower of resources, the reduction of profitability and the contraction of the credit portfolio that occurred in 2019.

The full report can be accessed at:
<https://www.moody.com/researchandratings/research-type/issuer-research/ratings-news/00300E/00300E%7C042086/-/0/0/-/0/-/-/-/-/-/-/0/en/bra/pdf/-/rra#>



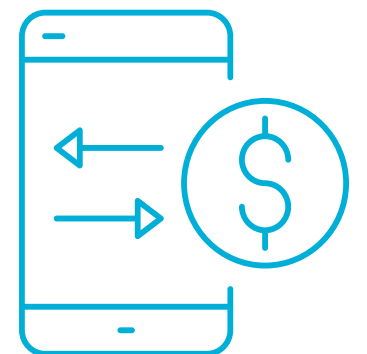
Standard & Poor's

Standard & Poor's (S&P) risk rating agency, in December 2020, kept BDMG's outlook stable; it also reaffirmed the Institution's ratings: 'B' on the global scale and 'brA-' on the national scale. According to the agency, BDMG's solid capitalization and prudent liquidity management justify maintaining its rating. "BDMG's capitalization is greater than that of its peers, and we hope it will continue to sustain its credit quality. In our opinion, BDMG has well-defined policies to manage liquidity risk. Its liquidity is calculated on a daily basis, considering different time horizons for its cash flow analysis. The Bank also applies stress tests that consider, among other assumptions, a default of its largest customers and a reduction in the Bank's ability to roll over its debt maturities over different time horizons, which are used to establish a minimum level of liquid assets". On the

other hand, the agency draws attention to issues such as the concentration of funding sources and the close combination of geographic area and number of clients.

The agency concludes that "the Bank is fundamental for the local economy and important for long-term investments and infrastructure financing", and that BDMG plays a "very important role in the State of Minas Gerais because (...) it facilitates the access to credit in the State, granting loans mainly to sectors that the government considers critical for the state's economic development and to small and medium-sized businesses that do not have access to credit other than through BDMG".

The full report can be accessed at: https://www.standardandpoors.com/pt_LA/web/guest/home e <https://www.bdmg.mg.gov.br/relacao-investidores/?ratings>.





Flávio Reis
Intern

INTEGRATED RISK MANAGEMENT

“ The Bank manages and monitors credit, market, liquidity, operational and socio-environmental risks aiming to mitigate them. ”

The Risk Management structure is closely in line with the BDMG's strategic guidelines for action and with the recommendations of the regulatory entity, committed to the Bank's ethical standards of conduct and reliability, in line with the best market practices.

The Bank manages and monitors credit, market, liquidity, operational and socio-environmental risks aiming to mitigate them and optimize operational efficiency and results. Thus, risk management

practices are adopted that are appropriate to the nature and specificities of the operations carried out by the Bank, maintaining control standards, with a capital adequacy index higher than the minimum requirement adopted in Brazil.

The structure responsible for risk management consists of a Board of Directors, Executive Board, Risk and Capital Committee, Officer responsible for Risk Management and the unit responsible for Risk Management.

Risk Appetite Statement

The Risk Appetite Statement, established and approved by the Board of Directors under the Risk Appetite Policy, aims to attest the types and amounts of risks that the Management is willing to accept, thus defining its desired profile in pursuit of the goals aligned with the interests of the State and guaranteeing the Institution's economic and financial solidity. It should be noted that the BDMG Risk Appetite Statement is aligned with its purpose and strategic drivers.

All organizational units and decision-making levels must observe the risk appetite defined by BDMG within the scope of their activities and routine risk-taking decisions.

Among the goals most directly related to the Risk Appetite Statement, it is worth mentioning:

1. To balance the levels of profitability and risks to achieve results;
2. To perform balanced management of funding to make strategic goals feasible;
3. To ensure high quality standards, achieving technical and operational excellence.

The statement is structured into four dimensions, which include indicators related to the main risks involved, in order to allow the monitoring of exposures and the adequate capital structuring:

Capital and profitability dimension: determines that BDMG must demonstrate diligence in the management of its resources through systematic monitoring that ensures the allocation of resources, minimum profitability, aiming at financial sustainability; the maintenance of a capital structure that, in addition to complying with regulatory requirements, also has a safety margin to cover unexpected events, in accordance with the Capital Management Policy.

Liquidity dimension: establishes the need to maintain minimum liquidity reserves for short, medium and long-term horizons and a diversified funding structure, in order to protect the Institution against long periods of funding stress.

Business diversification and sustainability dimension: determines the reasonable level of risk that the Bank can assume in the execution of its business model, aiming at low

volatility of the results and financial sustainability of the Institution, as well as meeting the strategic goals. To this end, concentration and exposure limits to the largest customers/economic groups and monitoring of default are established.

Operating and complementary aspects dimension: aims to protect the Bank from exposure to operational risks that, if materialized, may negatively impact internal processes, compliance, financial performance and the image of the Institution.

Risk Appetite monitoring is reported to the Senior Management and guides the taking of preventive measures in order to ensure that exposures are within the established limits.

In 2020, the Risk Appetite Statement was revised aiming at adapting it to the current scenario and to the new strategic planning guidelines.

Integrated Stress Testing Program

The Stress Testing Program, as defined by CMN Resolution 4,557, aims to assess the impact of potential adverse events and circumstances on the Institution or on a specific portfolio, identifying possible vulnerabilities.

Its results are documented and used in the identification, measurement, monitoring and control of BDMG's risks, being considered in the revisions to the Risk Appetite Policy, in the assessment of the Bank's capital and liquidity levels and in the preparation of contingency plans.

Credit risk

Credit risk encompasses the possibility of losses associated with the failure by the borrower to meet its financial obligations under the agreed terms, devaluation or reduction of expected earnings in a financial instrument, recovery costs and concentration risk.

The policies and procedures adopted in the management of credit risk are constantly being improved. This process is in line with the best market practices, enabling the proper identification, measurement, control, mitigation and reporting of this risk category.

In order to guarantee quality standards for the fundamental models and processes for risk management, the Bank has segregation between business activities, credit analysis, compliance, credit management and control, ensuring independence between the areas and, consequently, balanced decisions regarding the risks incurred.

The structure responsible for credit risk management establishes the general guidelines to be observed by the Institution, incorporating the principles of corporate governance. The credit decision-making process has different decision-making levels. The analysis, risk management and credit management and collection processes are carried out by segregated areas of the business areas.

Credit risk management includes the stages of identification, measurement, monitoring of the credit portfolio and the credit risk

rating system, preparation and updating of credit risk rating methodologies, support in the preparation of credit policies and reporting to Senior Management.

In monitoring the loan portfolio, the following instruments are used, among others:

- Stress test report;
- Indicators of risk appetite and quality of the credit portfolio (problematic assets, defaults, coverage, portfolio composition, concentration risk);
- Control of rating migration.

Credit risk management has a structured internal communication process for exposures. Each report has defined frequency and recipients, with the Board of Directors being reported at least quarterly.

In 2020, the prudential exposure and concentration limits of the loan portfolio were revised. In addition, for the micro and small business segment, the criteria for credit limits, the policy for preventing external fraud and the calculation of the expected loss for pricing in operations with the use of new guarantee funds (Pronampe and PEAC) were reviewed. In view of the crisis caused by Covid-19, several scenarios were monitored for the assessment of impacts, projections and changes were also proposed in credit risk policies and methodologies, aiming to balance the high market demand with the need to preserve controls, metrics and the Bank's financial sustainability.

Market Risk & Interest Rate Risk Banking Book (IRRBB)

The market risk is represented by the losses resulting from the fluctuation in the market prices of positions held by the Institution, by mismatches in its active and passive operations, such as amounts, terms, currencies and indexes.

Interest Rate Risk of Banking Book (IRRBB) is defined as the risk, either current or prospective, of the impact of adverse movements in interest rates on capital and on the results of the financial institution, for instruments classified in the banking portfolio.

BDMG's market risk management structure encompasses all processes, people and systems that support risk management, aiming to mitigate adverse effects resulting from market fluctuations and interactions between the institution's other risks, in order to ensure their financial stability.

Processes and systems include the identification of transactions subject to market risk and IRRBB, with their respective terms and risk factors; the differential treatment for transactions classified as trading portfolio or other positions; the generation of information to comply with the regulations of supervisory entities; the provision of management reports that allow the assessment, by risk factor and by type of portfolio, of daily exposure to market risk and IRRBB and of compliance with operational limits.

Metrics are adopted within the applicable regulations, observing the best market practices and making them compatible with the Institution's operational characteristics. Value at Risk (VaR) is

used to measure exposure to market risk using complementary tools. Identification, measurement and IRRBB control are carried out based on methodologies consistent with the portfolio characteristics, considering the maturity, liquidity and risk sensitivity of the instruments classified in that portfolio. Interest rate shocks and stress scenarios are used in order to verify the impacts on economic value and results, through the Economic Value of Equity (EVE) indicators - Economic Value of Capital - and Net Interest Income (NII) - Result of Financial Intermediation.

Every quarter, at least, simulations of extreme market conditions (integrated stress tests) are carried out, including the breakdown of assumptions, the results of which must be considered when establishing or reviewing policies and limits for capital adequacy.

Besides the operating limits set in the RAS, aimed to maintain exposure to market risk at levels considered acceptable, additional limits are also established by the Risk and Capital Committee. The adequacy to the established limit is monitored daily and, in case of extrapolation, there is a report to the competent levels, which decide on the measures to be adopted.

In 2020, the management policy was revised, with the definition of an appetite limit as per IRRBB, and a new methodology for calculating the capital portion to cover the interest rate risk of financial instruments classified in the banking portfolio in accordance with current regulations was adopted.



Liquidity risk

Liquidity risk refers to the possibility that the Institution will not be able to efficiently honor its expected and unexpected, current and future obligations, including those arising from the binding of guarantees, without affecting its daily operations and without incurring significant losses. It also refers to the possibility that it will not be able to trade a position at market price, due to its high size in relation to the volume normally traded or due to some discontinuity in the market.

BDMG's liquidity risk management structure covers all processes, people and systems that support its management, in order to mitigate the adverse effects of liquidity, guaranteeing the payment capacity, as well as protecting the Institution against periods of funding stress, through appropriate indicators for measuring and monitoring liquidity reserves.

The liquidity assessment is carried out based on the projected updated cash flows, considering the premises of strategic planning and capital management. The exposure limits for liquidity risk are established in the RAS and aim to prepare the

Institution to withstand adverse scenarios, considering different time horizons.

The Funding Policy provides for a profile of resources appropriate to liquidity risk, observing the adequate diversification of its sources and maturity terms, as well as the agreed conditions regarding their early maturity.

In the event of insufficiency of liquidity risk indicators, or evidence that they will be insufficient, the competent authorities are reported in a timely manner to decide on the measures to be adopted.

In 2020, in the management of liquidity risk, actions to monitor possible variations in cash flow were intensified, with the creation of a specific committee for the monitoring of cash, given the complex scenario triggered by the pandemic. The management policy was also revised, updating the parameters that make up the indicators and change to the Risks and Capital Committee, in view of the need for dynamic assessment, with technical deepening, on the variables involved in the constitution of reserves.



Socioenvironmental risk

BDMG's Social and Environmental Responsibility Policy (PRSA) was created in 2013 and underwent a broad review in 2020 to align with best sustainability practices, incorporating guidelines from the UN Sustainable Development Goals (SDG), the United Nations Global Compact and of the Paris Agreement. PRSA assists in promoting strategies to incorporate sustainability analyses into the financial market. The policy also encourages the development of financial products that provide innovative socio-environmental practices, the raising of national and international resources to finance sustainable businesses, as well as support for public policies and initiatives in favor of society and that mitigate social and environmental impacts.

The regulation also establishes specific principles, guidelines and procedures for the Bank's socio-environmental practices in business and in the relationship with stakeholders, including risk management.

The management of socio-environmental risk follows the requirements of Resolution 4,327 and aims to identify, measure, mitigate and monitor the risks, direct and indirect, related to social and environmental issues of the Bank's processes, products and businesses.

The socioenvironmental risk methodology was implemented in 2016 and, since then, the Bank has been monitoring the information generated by the system in order to promote the improvement of the environmental performance of its operations, the continuous improvement of the methodology and the identification of more sustainable business opportunities.

All businesses that request financing from BDMG undergo an analysis of socio-environmental risk, and a large part of the clients served are considered to be of low socio-environmental risk.

With actions aimed at mitigating socio-environmental risks, criteria established in the policies and in the analysis, contracting and monitoring processes are observed in accordance with the specifics of each operation. The analysis criteria are guided by lists of restricted and prohibited activities, socioenvironmental criteria for the constitution of real estate guarantees, inclusion of socioenvironmental clauses in agreements, assessment of compliance with local socioenvironmental legislation and best practices for the management of socioenvironmental risks. Also noteworthy is the continuous training of employees and the socio-environmental risk assessment process for the approval of new products, which ensures compliance in all products launched by the Institution.

It is noteworthy that BDMG must ensure that all operations follow socio-environmental criteria in accordance with state and national environmental policies, and also with its Social and Environmental Responsibility Policy, seeking to avoid and minimize possible risks and negative impacts to the environment and the society.

In 2020, the structuring of new products, many of them of an emergency nature due to the pandemic and associated with the promotion of SDG, were important advances in line with the constitution of a more sustainable portfolio with less socio-environmental risk.



Operational risk

Operational risk is defined as the possibility of losses resulting from failure, deficiency or inadequacy of internal processes, people and systems or external events. It determines the exposure to operational risks that, if materialized, can negatively impact the Institution's internal processes, compliance, financial performance and image.

BDMG adopts an operational risk management structure suitable to the nature of the operations, the complexity of the products and the Institution's operational risk exposure. The management model used aims to identify, measure, evaluate, monitor, report, control and mitigate the Institution's exposure to this risk so that:

- I. Activities are carried out properly, in accordance with its premises and rules, in order to protect its assets and promote the administrative efficiency;
- II. The operational risks inherent to BDMG's activities are identified, assessed and minimized applying the appropriate methodology and controls, so that the residual risk levels remain within the acceptable limit, as defined by the Risk and Capital Committee and Board of Directors. Administration;
- III. The structure of internal controls is continually reviewed, considering the risks

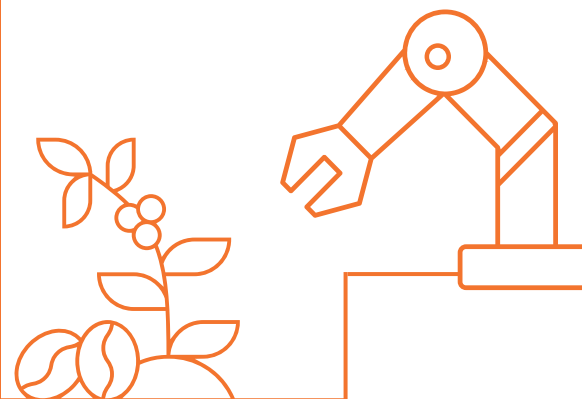
existing in the business processes, minimizing the costs associated with uncontrolled risks and/or unnecessary control activities;

IV. Potential conflicts of interest are identified, and the associated risks are minimized implementing measures to segregate functions, control access to systems and monitor activities;

V. Employees clearly understand the goals of the operational risk management process and the roles, functions and responsibilities assigned to the different BDMG hierarchical levels;

VI. The operational risk arising from outsourced services, relevant to BDMG regular operation is identified and monitored. In order to calculate the risk-weighted portion of assets, BDMG adopts the Basic Indicator Approach methodology to support losses arising from operational risk.

In 2020, aiming at strengthening corporate governance and spreading the risk culture, the BDMG Safe Management Project was implemented, contemplating a communication campaign for all employees, about concepts such as risk, risk management and management processes, awareness-raising lectures for different hierarchical levels and training for managers, through theoretical and practical workshops on process management with a view to risk.





Juliana Carneiro Rosa
Technician

INSTITUTIONAL PERFORMANCE

“ The BDMG seeks to place itself as a knowledge platform for discussions and learning on the most pressing issues of financing sustainable development. ”



Within the context of the new challenges of resuming economic, social and environmental development, banks and financial development institutions need to work in an integrated way to rethink their patterns of action and their institutional roles. In this sense, BDMG seeks to place itself as a knowledge platform for discussions and learning on the most pressing issues of financing sustainable development, digitalization, governance, monitoring and evaluation, among others.

The strategy was prospecting opportunities and strengthening relations with institutions that share the same development mission, entering into several partnerships throughout the year with institutions such as BNDES, Sebrae, Development Bank of Southern Africa (DBSA), Inter-American Development Bank (IDB), among others.

In September, BDMG signed a technical cooperation agreement with BNDES to structure projects with emphasis on concession studies. It is also worth mentioning a memorandum signed between the Bank and DBSA to share technology and knowledge in the digital credit granting process, the first signed with a bank on the African continent.

BDMG also joined the Brazilian Center for International Relations (CEBRI). Connected to the international agenda, CEBRI prioritizes thematic works with the greatest potential to achieve the country's international insertion in the global economy, proposing pragmatic solutions in the formulation of public policies.

The Bank will support businesses interested in settling at the Industrial Airport, an unprecedented project, which provides tax benefits to exporting businesses located within the airport site through a partnership with BH Airport, a concessionaire for the Belo Horizonte International Airport

BDMG, the Ministry of Tourism and the Special Secretariat for Culture signed a protocol of intentions for the Bank to start operating the Sectorial Audiovisual Fund (FSA), one of the main tools for promoting the film and audiovisual industry in the country.

Another relevant event is the formalization via a protocol of intentions signed with the Brazilian Association of Distributed Generation (ABGD), the Sudene Association of Municipalities in the Minas Gerais Area (AMAMS) and Sudene Multipurpose Inter-municipal Consortium in the Minas Gerais Area (CIMAMS). The partnership includes actions, studies and analyses to create opportunities for professionals and local businesses, aiming at institutional and financial support to the renewable energy sector in Sudene Minas Gerais area.

The Bank entered into a partnership with CDL/BH to publicize its credit lines, mainly Pronampe, through a landing page on the entity's website, created exclusively for this purpose. Through this partnership, more than 500 customers accessed Pronampe.



BDMG as platform and knowledge agent

Despite the limitations imposed by the quarantine, BDMG remained active in discussions on the most pressing issues of financing and sustainable development. BDMG managers and teams promoted and participated in several virtual meetings, such as webinars and lives, maintaining a dialogue with federations and class associations, cooperatives, customers, the press, international partners and other stakeholders.

In February 2020, the CEO of BDMG, the Vice President and the Director of Planning, Risk and Operations were in Washington and New York, where they held important discussions and initiated potential partnerships with IFAD, the World Bank, UNDP, DESA, IDB, IFC, GIF, DFC, USTDA, among others. In March, the Bank attended the 1st Integration and Development

Forum, organized by FONPLATA and the LatinFinance magazine, in Montevideo (Uruguay), in the panel of Public Financing Institutions, International Agencies and their role in the Development of Latin America.

As of the last half of March, virtually, the Bank was invited to participate in several international events: GRI Club Infraestrutura, Wilson Park Virtual Dialogue, PRCA Emerging Markets Group: Engaging with Governments in Crisis: Lessons from Latin America. In November, the Bank attended an online event: The Atlantics Dialogues 'on the panel' L'Etat Providence dans le Grand Sud: Le Retour d'un Grand Absent?', promoted by the Policy Center for the New South.

BDMG also supported the Brazilian stage of the Meeting Negotiation of the International Negotiation Competition (INC), an event

held for more than 20 years with participants from several countries aimed at fostering the art of negotiation and developing and improving skills through training, negotiation practices, sharing of learning and networking.

At the national level, the Bank CEO also attended events and webinars promoted by different institutions such as ABDE, Federaminas, Diário do Comércio, CEBRAP/ USP, Conexão Empresarial - VB Comunicação, AMCHAM, CDL. On the agenda, leaders from different sectors and institutions gathered virtually to share initiatives that are leading to the search for overcoming the challenges that today presents. In addition, the President participated in the Intergov Consórcios Project, whose theme was How could development banks contribute to the financing of the operation of the consortia.

In a webinar in July, the BDMG and the IDB discussed the role of development institutions in encouraging the issuance of green and Green Bonds in Brazil. An opportunity for society to learn a little more about an investment modality that has been gaining space due to its capacity to generate positive socioenvironmental impact.

In September, the CEO of BDMG attended the virtual version of TEDxPUC Minas. The theme of the exhibition was the pandemic as a trigger for financing a new, more sustainable and inclusive economy, in addition to exemplifying how BDMG is contributing to this.

During August and September, the Brazilian Center for International Relations (CEBRI) and BDMG promoted a virtual event to contribute to the public debate on the role of financial development institutions in the process of building sustainable responses to the pandemic. Representatives of several institutions, such as the New Development Bank, CAF, BNDES, Asian Infrastructure Investment Bank, Bank of Communications, BBM, Ministry of Economy, among others attended the event.

Based on a joint initiative by ALIDE, IDB, IDFC and BDMG, a series of webinars was held in October, encompassing topics such as: performance of development banks in response to Covid-19, economic recovery and sustainable development.

Finance in Common Summit

It is worth mentioning the Bank's outstanding performance during the Finance in Common Summit, the largest meeting of public development banks in the world, which took place during the 3rd Paris Peace Forum. BDMG was responsible for organizing one of the high-level panels of the event, whose theme was Financing local action and resilient cities: the role of subnational development banks.

Still within the scope of the Paris Peace Forum - an initiative of the French government aimed at establishing, along with public and private world leaders, a global forum for governance projects and reaffirming the common commitment to face great challenges - BDMG participated at the important international seminar The Visible Hand: Development Banks in Transition. Organized by AFD and IDDRI, the event

focused on the fundamental contribution of development banks to SDG and on preparing the way to rebuild our economic systems in a more responsible and sustainable way. BDMG Digital's experience was one of 100 selected projects that were promoted by the Paris Peace Forum to be presented as good practice, out of a total of 850 registered by businesses, NGOs and governments around the world.

On the Forum website, BDMG Digital is described as a pioneering inclusive economy project among development banks in Brazil, that combines the power of the internet and digital technologies to promote the financial inclusion of MPE, offering credit lines related to the 2030 Agenda and the challenges of Covid-19, such as the inclusion of gender, health, tourism and special lines for micro-businesses.

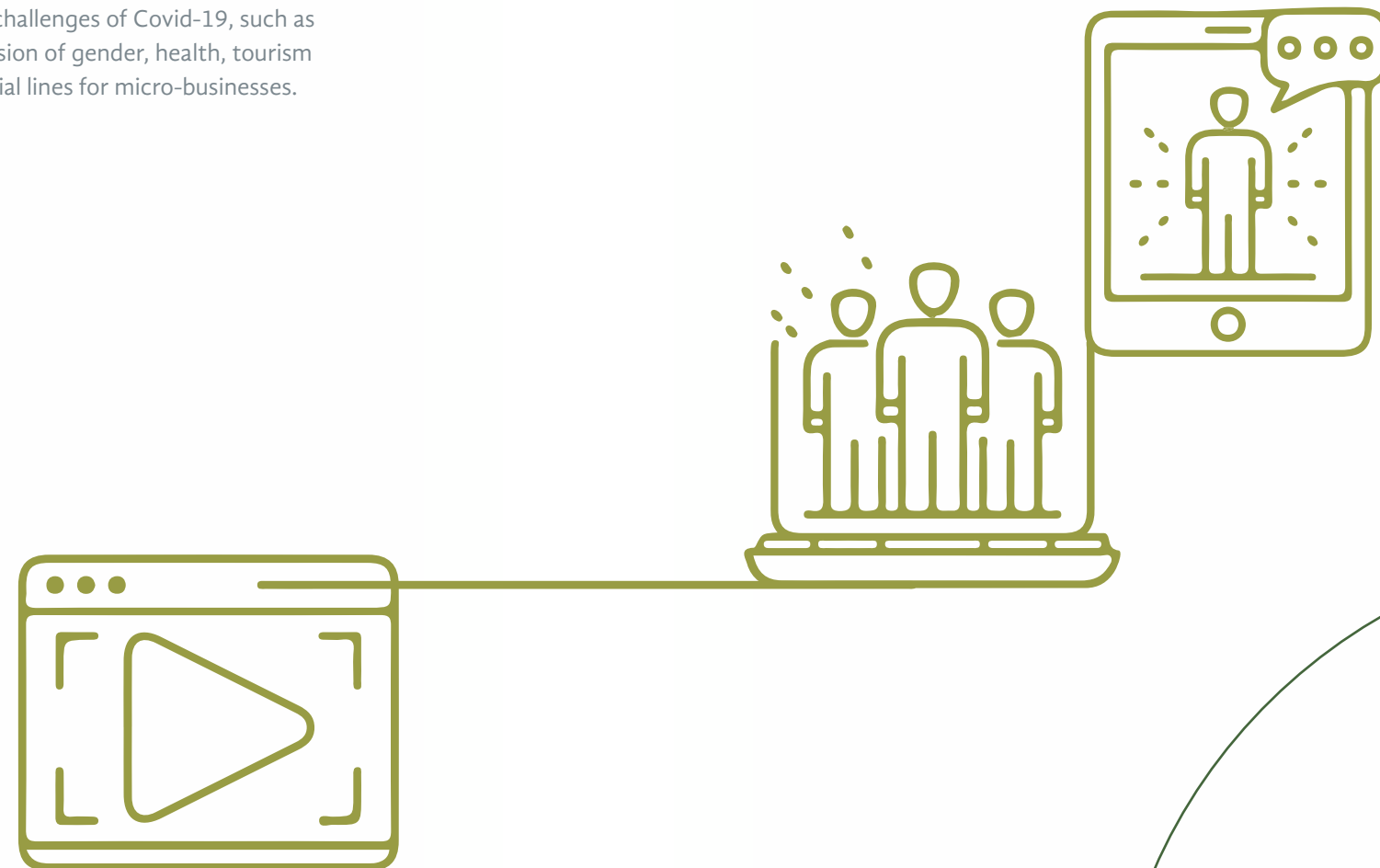
Inova Minas Gerais Award

In 2020, the 5th edition of the Inova Minas Gerais Award was launched, in a partnership between the Bank and the State Secretariat for Planning and Management (SEPLAG). The award is aimed at state employees of the Executive Branch holding effective or commissioned positions who present good practices and innovative ideas that contribute to government management, both those that have already been implemented and those that have the potential to qualify the provision of public service in the State.

Minas Award of Economy

Created in 1988, the Minas Award of Economy is a reference in the area, awarding the best Economics course completion monographs. BDMG instituted it in partnership with the Regional Council of Economics of Minas Gerais and the Society of Economists of Minas Gerais.

The award-winning works in 2020 were Environmental Disasters, Justice, and the Stock Market: Assessing the Impact of the Mariana Dam Failure, Spatial Concentration of the Agents of the National Financial System in Minas Gerais in the Year 2017: an Exploratory Spatial Data Analysis and Effect of Depressive Disorder on Tobacco Product Consumption.

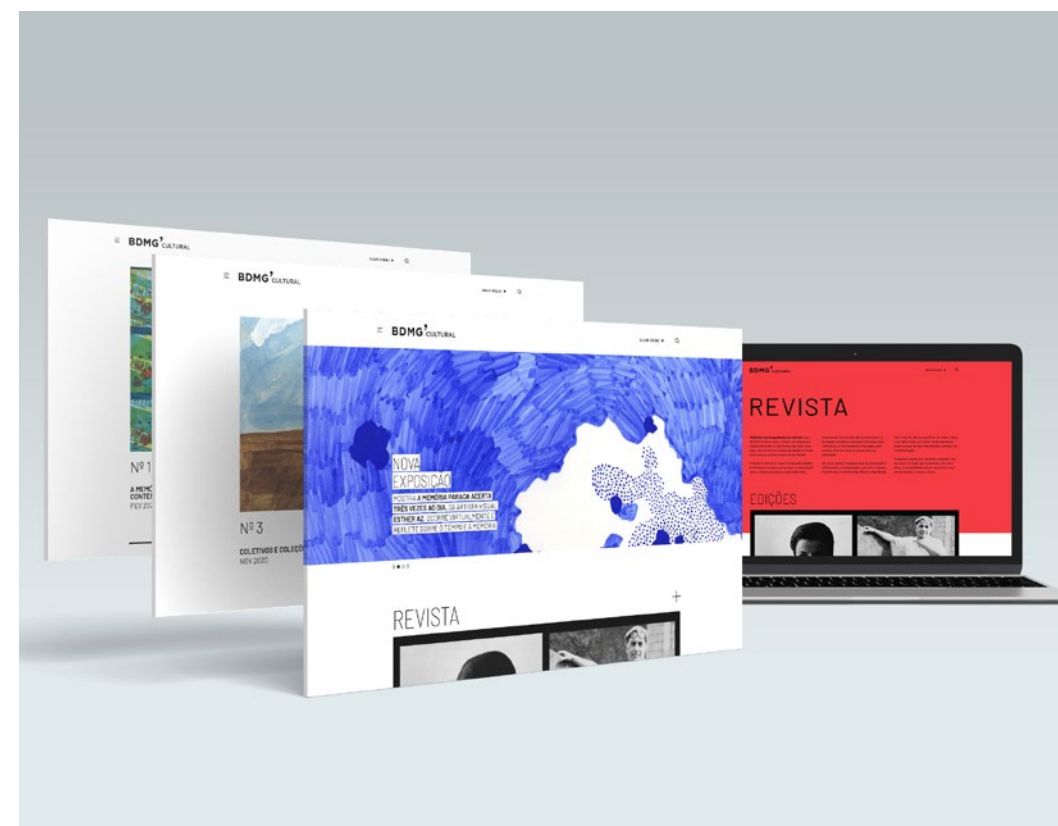




Olivia Gomes Batista
Analyst

SOCIAL RESPONSIBILITY

“BDMG Cultural carried out a series of development actions, contributing to the boost of Minas Gerais’ production in the cultural sphere, even when facing the restrictive scenario brought about by the pandemic.”



BDMG Cultural

BDMG understands culture as a fundamental vector for development, insofar as it is intrinsically related to the production of knowledge, to the symbolic, sensitive and historical formation of individuals, to inventiveness and innovation, as well as to different productive sectors of the society. As a result, BDMG has maintained the Instituto Cultural Banco de Desenvolvimento de Minas Gerais - BDMG Cultural since its creation, in 1988.

With headquarters in Belo Horizonte and statewide coverage, BDMG Cultural is a non-profit organization that works in a multidisciplinary way to foster, register and spread cultural processes in Minas Gerais, through programs - and in the convergence between them - in the areas of music and visual arts and in the production and sharing of knowledge through seminars, publications and content.

In 2020, BDMG Cultural carried out a series of actions to promote, recognize and disseminate different artistic languages, contributing to the dynamism of the production in Minas Gerais in the sphere of culture, even in face of the restrictions caused by the pandemic.

In the year, the institute's new website was launched, which includes a digital magazine, with three issues released, in addition to a special edition, and a virtual visit to the collections and catalogs of the BDMG Cultural 2019/2020 Exhibitions.

As of March, due to Covid-19, BDMG Cultural's initiatives have become mostly virtual, with actions also designed to mitigate the effects of the pandemic on the state's cultural sector:

- LAB Cultural Program: launch of the program platform, of 30 research development grants under tutorship, in visual arts, performing arts and music and sound experimentation;
- Movies: 6th BDMG Cultural/FCS Low Budget Short Film Award: 20 award-winning films, made under isolation conditions (made in part with funds from the Federal Culture Incentive Law);
- Launch of the public notice “Redes de Conhecimento”, for professionals in the cultural sector to offer online educational activities during the months of April and May, and launch of BDMG Cultural's video classes on YouTube;
- Visual arts: BDMG Exhibition project - exhibitions at the BDMG Cultural Art Gallery, Photographic Expedition workshop (events held until March), virtual exhibition Em Nome das Rosas, by Eugênia França, and production of a hotspot, in partnership with the BDMG Plural project, with domestic violence figures in Minas Gerais, Brazil and the world; Educational Program - four cycles of virtual educational actions; launch of the virtual and in-person show Bunker 24 - The Pink Ghetto, by visual artist Lamounier Lucas;
- BDMG Cultural sponsorship program: Piseograma Magazine, 4th Leda Maria Martins Award for Black Performance Arts in Belo Horizonte, 15th National Book Fair and Flipoços 2020, Photographic Marathon FIF BH 2020 – BH International Photography Festival, 4th Muriaé Film Festival - online, Wavers from Tocoíós - The Colors of the Jequitinhonha Valley, Publication of the Portrait Book of the Morro Portraitists Project - Imagistic Collection of Traditional Photographers from Aglomerado da Serra, Publication of the Work of First on Rua Nova, 9th Edition of the Artes Vertentes

Festival - Tiradentes International Arts Festival, Cine Barranco - A Record of Cinema in Januária, 33rd and 34th Weeks of Chamber Music, Female Hands - Weaving Meetings to Sustain Tomorrow, Pedagogies of the Rivers of Minas, Publication Manzuá 4 - Mosaic Sertão Veredas/Peruaçu;

- Sponsorship, via the Municipal Cultural Incentive Law, for projects about the River (installation of signs on the streets of Belo Horizonte, which identify the rivers and streams that run under the roads); Faísca International Risography Festival; forumdoc.bh: XXIII Documentary and Ethnographic Film Festival; Ponta a Pé Cultural Festival - Art and Society;
- Performing arts: Trilha Cultural project (carried out with funds from the Federal Cultural Incentive Law) - signing of contracts with 10 businesses from the State to perform shows in several cities; performance of a literary writing show and workshop in Santo Antônio do Rio Abaixo, São Sebastião do Rio Preto, Passabém and Santa Maria de Itabira;
- Music: Flávio Henrique and Marco Antônio Araújo Awards (promoted with funds from the Federal Culture Incentive Law); launch on YouTube of eight videos of the BDMG Choir (Coral em Casa project); launch of the Young Musician BDMG program and the 10-episode Instrumental BDMG Show on the BDMG Cultural YouTube channel, celebrating the project's 20 years;
- Literature: launch of the book Literatura Mineira: Trezentos Anos, in a livestream on YouTube.

In December, the 2019 - 2020 Actions and Contributions to Society Report was published, which highlights BDMG Cultural's actions during these two years.

Citizenship Institute of BDMG's Employees (INDEC)

Still within the social responsibility context and being inspired by the national campaign to fight hunger by sociologist Herbert de Souza, “Betinho”, in 1993, the BDMG Employees Association (AFBDMG) created the Center for Fighting Hunger and Misery which, in 1998, created the Citizenship Institute of BDMG's Employees (INDEC), of which BDMG has been a partner since the beginning of its activities.

INDEC provides technical and financial support to populations in situations of economic and social vulnerability in the State, developing projects in the fields of education, sports, culture, professionalization, health and social assistance. With the pandemic outbreak, it became necessary to adjust the institute's performance with regards to long-term projects and redirect part of the budget to the demands that emerged, focused on basic and urgent needs of vulnerable populations, even in the field of food security.

Some supported projects, such as the community day-care Dirce Maria das Dores, in Rio Manso - MG, managed to maintain part of their pedagogical activities for some age groups, obeying the necessary protocols for the safety of everyone. The Futuro da Comunidade, a social project for teaching soccer to children and teenagers, adapted to the digital format, providing online classes and games, maintaining contact with the students served and reinforcing the necessary measures of protection with the families. In many cases, due to the vulnerability of the public served by these projects, resources were directed towards

sending basic food and hygiene items to some families who needed them most.

As of March, with the closure of many economic activities, there was a considerable increase in emergency demands and requests for the donation of essential resources, such as basic food items and personal hygiene products.

Altogether, in 2020, INDEC supported 36 institutions and social projects, some more than once, which directly benefited almost seven thousand people in the municipalities of Belo Horizonte, Contagem, Betim, Sabará, Raposos, Brumadinho, Rio Manso, Caeté, São João da Ponte, Conselheiro Lafaiete and Capim Branco.

The support to the Central Única das Favelas (CUFA), for example, allocated financial resources for the distribution of vouchers to families from 100 favelas, to be exchanged for food at local businesses. INDEC also contributes donating PPE and snacks for professionals at Hospital Sofia Feldman and Hospital Eduardo de Menezes.

The Christmas campaign also adapted to the scenario and was carried out fully through virtual means. The initiative served not only the children of the projects supported by INDEC, but a special group of children from the 13 de Setembro Emergency Space. It is a refugee shelter managed by the humanitarian organization Fraternidade sem Fronteiras in partnership with the Refúgio 343 project and supported by the UN Refugee Agency (UNHCR).



ECONOMIC- FINANCIAL PERFORMANCE 2020

Despite the difficulties faced in 2020 due to the pandemic, the BDMG managed, even with the reduction of interest rates, to generate net profit of BRL 25 million; lower in comparison to the net result of BRL 84 million in 2019 but evaluated as quite expressive.

As of December 31, 2020, the Bank's shareholders equity amounts to BRL 1,937 million, 6.4% higher than the shareholders' equity of BRL 1,821 million recorded on December 31, 2019.

The Bank's portfolio includes securities classified in the category held to maturity in the amount of BRL 147 million and, in compliance with Bacen Circular Letter 3068/2001, the Bank's Management declares that it is financially able to maintain these securities until their maturity.

Development Bank of Minas Gerais' financial statements can be accessed at:
<https://www.bdmg.mg.gov.br/transparencia-documentos/?demonstracoes>

