

# SUSTAINABILITY REPORT

2022

A photograph of a hand holding a daisy flower, which is partially obscured by the large white number '2022' overlaid on the page. The background of the entire page is a solid orange color. On the left side, there is a large, rounded purple shape and a vertical bar composed of many small, colorful rectangular segments in shades of blue, green, yellow, and red.



22

SUSTAINABILITY  
REPORT  
OF THE MINAS GERAIS  
DEVELOPMENT BANK



[bdmg.mg.gov.br/report](https://bdmg.mg.gov.br/report)



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**Claudio de Oliveira Torres**  
President



**Emílio Humberto Carazzai Sobrinho**  
Vice President



**Andrea Maria Ramos Leonel**  
Advisor



**Henrique Augusto Mourão**  
Advisor



**Márcio Rezende Magalhães**  
Advisor



**Otávio Romagnolli Mendes**  
Advisor



**Paulo Antônio Spencer Uebel**  
Advisor



**Welerson Cavaliéri**  
Advisor

## MESSAGE FROM THE BOARD OF DIRECTORS

Upon completing its 60th anniversary, BDMG has been strengthening itself to increasingly fulfill its strategic role in fostering the development of the state of Minas Gerais. In 2022, it was no different, achieving consistent results for society and greater integration with public policies of its shareholder, the Government of Minas Gerais.

Despite the adversities of the national and international macroeconomic scenario, the bank ended the year with a net profit above target and a volume of disbursements significantly higher than the previous year. The ability of its teams to promote a balance between the institution's financial solidity and its role in providing liquidity for the development of public and private agents comes as ballast to this.

It is important to highlight the 89% increase in the total amount disbursed to municipalities, compared to the previous year, servicing a total of 240 municipalities and one inter-municipal consortium attended. This indicator symbolizes what we consider to be the main value of BDMG for society in Minas Gerais: making financial instruments more accessible for truly strategic action, that is, meeting the needs of infrastructure, quality public services and, with regard to stimulating entrepreneurship, leveraging structuring investments, supporting companies of all sizes and, thus, increasing the traditional, innovative production chains that form the rich economic matrix of our state.

In this way the Bank's relevant countercyclical role is clear, as it focuses its activities precisely on the most urgent needs and at the most difficult times. Thus, the scope of the customer portfolio, with its variety of regions, sizes and sectors, shows the institution's importance in maintaining and generating employment and income for the sustainable and equitable development of Minas Gerais.

In parallel, as a financial institution committed to understanding the economic reality of Minas Gerais, but attentive to the best international practices, BDMG has taken to a route of continuous improvement of governance systems and practices. The Bank's progressive alignment with global sustainability agendas is notorious, especially in the credit market. Given its important function of guiding capital flows, BDMG remains committed to promoting socio-economic development in an ethical and responsible manner, improving its methods of analysis and measurement of socio-environmental and climate risks as a strategic guideline.

As members of the Board of Directors, our main mission is to contribute to directing BDMG towards the generation of positive impacts for society in Minas Gerais, in permanent dialogue with the public development policies anchored by the Government of Minas Gerais. Aware of the challenges of the future, we will work strenuously to create even more value for society in Minas Gerais, based on clear guidelines, strong governance, transparency and ethics.

**Claudio de Oliveira Torres**  
Chairman of the Board of Directors



## MESSAGE FROM THE PRESIDENT

It is with great satisfaction that we present the BDMG Sustainability Report to society for financial year 2022, the 60th year of its existence. The content presented here substantiates the set of actions carried out by the Bank, demonstrating, in a transparent manner, an aggregate of information on strategy, performance, projects, among others.

Despite the macroeconomic difficulties signaled by high inflation and the generalized monetary difficulties, BDMG reaffirmed its role as a promoter of development by increasing the total amount disbursed by 26%, compared to the previous year. With presence in the main value chains and strategic sectors, in 2022 the Bank served 5,182 customers in 562 municipalities, of which 83% have a Human Development Index (HDI) lower than the Brazilian average.

**Total Disbursements in 2022 were R\$2,422.8 million, a 26% increase over 2021. Of this total 41% were destined to projects aligned with at least one of the UN Sustainable Development Goals, with a highlight for affordable and, clean energy (SDG 7), decent work (SDG 8) and sustainable cities and communities (SDG 11).**

**BDMG's support to urban infrastructure in Minas Gerais' municipalities has also been growing, as well as structuring projects in this area. By means of more dynamic action, more accessible and with a wide variety of products, BDMG has expanded its disbursement volume to the public sector by 89%, to a total of R\$173.7 million. It is important to note that 62% was aligned to at least one SDG, which shows the Bank's commitment to the generation of positive external direct impacts on the population.**

In other words, BDMG arrived where people from Minas Gerais most needed it, generating impact with timely, efficient responses to the demands of the public sector and companies of all sizes. In this context, it is estimated that the Bank's disbursements in the state's economy, throughout 2022, have generated a value of R\$4,557 million in mining production, with 60,530 jobs stimulated, in addition to the generation of R\$147 million in ICMS tax.

To assert its role, BDMG has captured competitive funding in the international and domestic markets. With an adequate capital structure, it has achieved gains in efficiency, decrease in operating costs and increased

profitability, fundamental for the relevant growth in the volume and quality of its credit operations.

The Bank has also continuously aligned itself with the best international governance and sustainability practices, with an emphasis on establishing partnerships with multilateral institutions for the development of methods and instruments for evaluating, measuring and mitigating climate and socio-environmental risks related to its portfolio.

Also in 2022, the Social, Environmental and Climate Responsibility Policy (SECRP) was implemented. This establishes a series of principles and guidelines for the Bank's activities. It is important to mention its significant performance in supporting initiatives in the renewable energy and energy efficiency segments. The highlight here refers to the disbursement of more than R\$150 million for photovoltaic solar energy projects, which increased by 168% compared to 2021. In addition, the first disbursement was made for energy generation projects from biomass.

Finally, we received, with great enthusiasm, the "Bank of the Year 2022" Award, granted by the Latin American Association of Financial Institutions for Development – ALIDE. Recognition of the work carried out reinforces the assertiveness of the path taken, encouraging us to work even more vigorously for the continued growth of the portfolio and for the generation of relevant social, economic and environmental impacts.

We will remain intensely focused on the purpose of fulfilling our mission to society in Minas Gerais. In these 60 years of history, BDMG has been present in all chapters of socioeconomic development in Minas Gerais. Our duty is to preserve the path built and, together with the Government of Minas, our shareholder, to enable new futures, new challenges and new opportunities for generations to come.

**BDMG's Management thanks the support of its shareholders, employees and all those who contributed to the results achieved in the year and, especially, to the mineiro society, the reason for all the efforts by our teams.**

Enjoy your read!

**Gabriel Viégas Neto**  
President





## EXECUTIVE BOARD

Gabriel Viégas Neto | President  
Antônio Claret de Oliveira Junior | Vice-President  
Edmilson Gama da Silva | Executive Officer  
Marcela Amorim Brant | Director Officer  
Rômulo Martins de Freitas | Director Officer

# ABOUT THIS REPORT

This is a report of the events and relevant data between January 1st and December 31st, 2022, providing transparency to the results and impacts generated by the activities of the Development Bank of Minas Gerais - BDMG.

This report, approved by the Board of Directors (CAD), on April 19, 2023, meets the standard required by State-Owned Companies Law, No. 13,303, of June 30, 2016, item IX, article 8.

As a result of rounding, the sum of numbers in graphs may not be exact, and percentages in graphs may not add up to 100. For the same reason, there may be a small variation between values presented throughout the report.

For more in-depth information on specific topics, access the BDMG website <https://www.bdmg.mg.gov.br/> and also consult:

- **Management Report and Financial Statements.**
- **Risk Management Report.**
- **Annual Public Policy and Corporate Governance Letter.**

The English version of this report is available at:  
<https://www.bdmg.mg.gov.br/sustainability-report/>

For more information about this document and its content, send an email to [comunicacao@bdmg.mg.gov.br](mailto:comunicacao@bdmg.mg.gov.br).





# WHO WE ARE

Samuel Queiroz Pinto | Simone Biscoto  
Estéfano Luiz de Sá Winter | Livia Moraes Torres



# IDENTITY

Created by State Law nº 2,607, of 01/05/1962, the Development Bank of Minas Gerais SA (BDMG) is a financial institution that promotes the development of Minas Gerais and is part of the state's economic development system, being linked to the Secretariat State of Economic Development (SEDE) of the State of Minas Gerais.

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

## About Development Banks

Development Banks are public financial institutions focused on the allocation of resources that guide and drive socio-economic growth, multiplying available funds and directing the construction of the future through credit, in order to induce the behavior of economic agents and generate positive development for society.

They operate in the process of awarding and, as they are the institutions that provide credit, they can take on an important role in directing the course of business. They are also responsible for directing financial funds towards the setting up of new companies and projects, strategically defining which

As a development bank, it is part of the National Financial System and has the function of promoting social well-being by offering financial services that encourage investments by economic agents.

In addition to Minas Gerais, the Bank operates in four other bordering Brazilian states, as permitted by current legislation: São Paulo, Rio de Janeiro, Espírito Santo and Mato Grosso do Sul.

sectors and activities will have the greatest economic and social impact, as well as working together with the public sector to encourage the improvement of services and infrastructure for the population.

In this context, BDMG, as a sub-national development bank, is responsible for identifying regional and local priorities, mobilizing resources and implementing a development agenda through financing long-term projects, mitigating market failures, granting credit to vulnerable sectors and higher risk and promote countercyclical action to support economic recovery in times of financial instability.

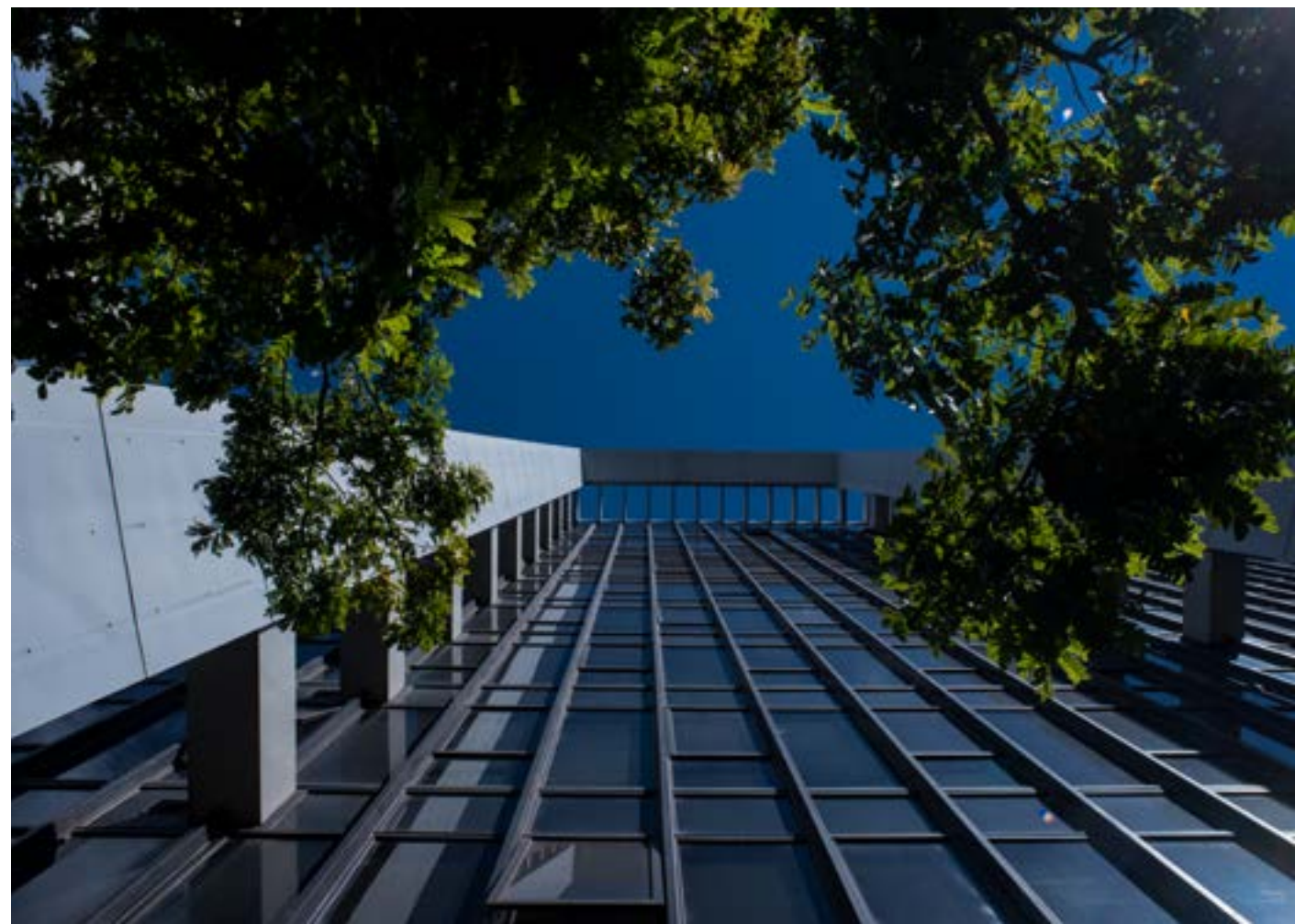
# GOVERNANCE STRUCTURE

BDMG's governance structure is made up of: Board of Directors, Fiscal Council, Audit Committee, Risks and Capital Committee, Personnel, Eligibility, Succession and Compensation Committee, Executive Board, Credit and Renegotiation Committee, Ombudsman and Superintendencies, in addition to four other non-statutory committees: Risk Committee, Sustainability Capital, Finance Committee, Information Security and Data Protection Committee, Personnel Committee and Information Technology (IT) Committee. All bodies report directly or indirectly to the General Shareholders' Meeting, the highest decision-making body, as determined by law.

Periodically, BDMG's governance structure is reviewed in order to strengthen the institution's safety, efficiency and transparency. In 2022, the

Bank's Articles of Incorporation were updated to include the creation of the Personnel, Eligibility, Succession and Compensation Committee, linked to the Board of Directors. **The Risk and Capital Committee came to have exclusive attributes in assisting the Board of Directors, and it changed its makeup, with independent external members, as well as a member appointed by the Board of Directors. Thus, governance requirements are higher than those required by the National Monetary Council for institutions of the same size.**

The Management Committee became a statutory body and was renamed the Executive Committee. In turn, the Credit and Renegotiation Committee was renamed the Credit and Renegotiation Executive Committee. The BDMG governance model can be seen in the following organizational chart:



# GOVERNANCE STRUCTURE ORGANIZATION CHART

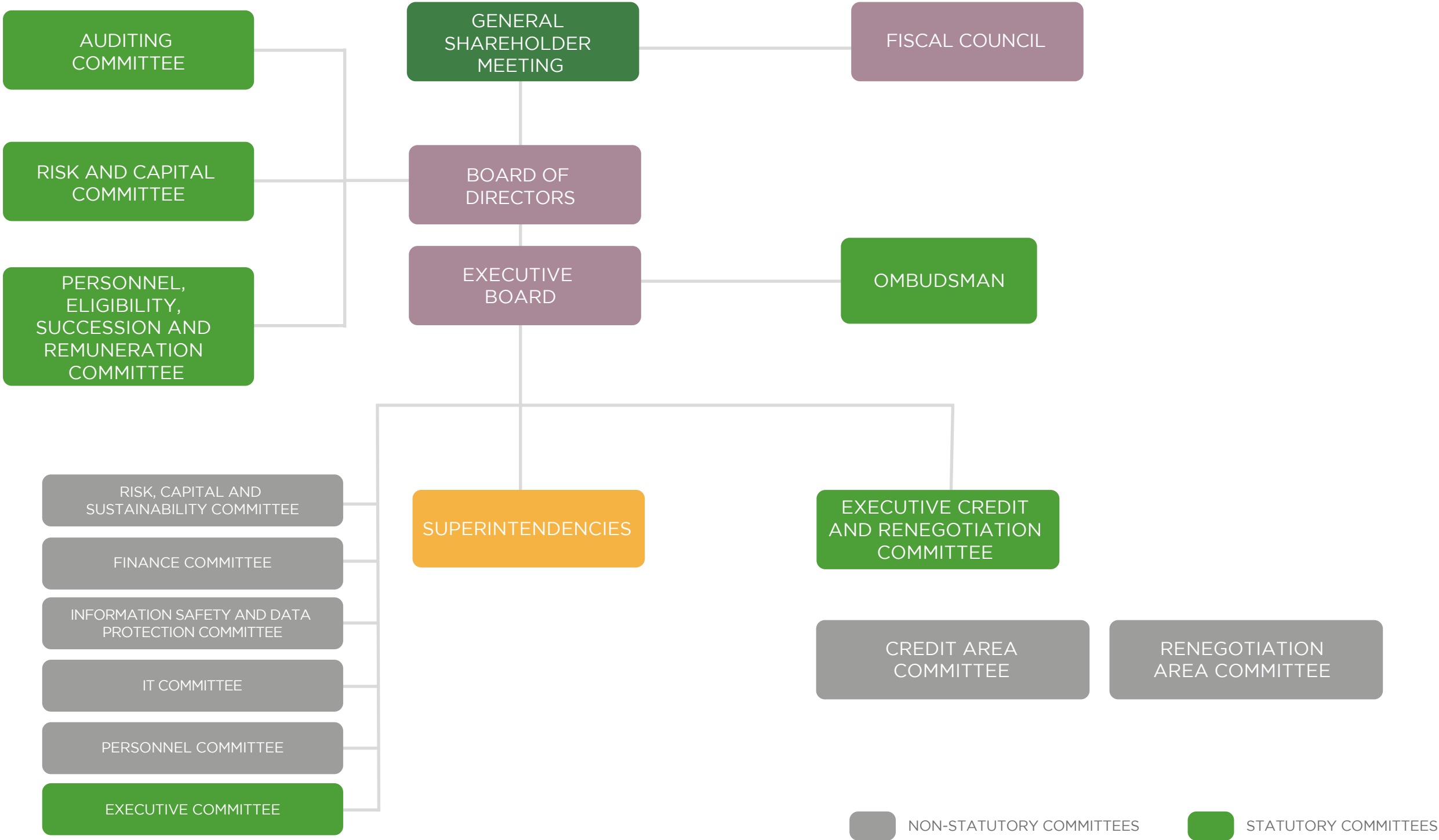


Figure 01: BDMG Governance Structure



The statutory bodies that make up the governance structure, with their respective attributions, are:

## General Shareholders' Meeting

The General Meeting is made up of shareholders and meets ordinarily once a year, in the first four months following the end of each fiscal year, to deliberate on the matters provided for by law and, extraordinarily, whenever corporate interests, legislation or provisions of BDMG's Articles of Incorporation require.

It is installed and chaired by the Chairman of the Board of Directors and has the following attributions

and powers: The main attribution and responsibilities are **to examine, discuss and vote on the financial statements; deliberate on the allocation of net income for the year and dividend distributions, as well as fixing the global and individual amounts of remuneration of Administrators, members of the statutory committees and Fiscal Council, with prior manifestation of the Controlling Shareholder, and reform of the Articles of Incorporation.**

## Fiscal Council

The Audit Committee is a permanent statutory body directly linked to the General Shareholders' Meeting and has inspection and opinion powers. Pursuant to current legislation and BDMG's Articles of Incorporation, the body is composed of a minimum of three and a maximum of five effective members, and an equal number of substitutes. It will have at least one member appointed by the State of Minas Gerais, who must be a civil servant with a permanent link with the Public Administration. Currently, the collegiate has five effective members and five substitutes.

The Fiscal Council has the function of supervising the acts of the administrators and verifying the fulfillment of their legal and statutory duties. It is also responsible for issuing an opinion on the annual management report and financial statements for the fiscal year. They must also give their opinion on the proposals of the Management bodies, to be submitted to the General Meeting, related to the modification of the share capital, issue of debentures or subscription warrants, investment plans or capital budget, distribution of dividends, transformation, incorporation, merger or split.

## Board of Directors

The Board of Directors (BD) is composed of a minimum of seven and a maximum of nine members, as provided for in the Bank's Articles of Incorporation. This is BDMG's main administrative body, and it is responsible for establishing the guidelines for the institution's activities in promoting economic and social development activities in the state. The Board meets once a month in ordinary session and in an extraordinary session when necessary, convened by its President, its Vice President or the majority of its seven current members.

Based on the attributions provided for in Law, in the Articles of Incorporation and in its Rules of Procedure, the Board of Directors of BDMG has, among others, the following attributions:

Deliberate annually on the annual business plan and the long-term strategy for the Bank's performance in promoting the state's economic and social development activities, promoting the annual

monitoring and analysis of compliance with the goals and results of its execution;

Approve: Policies and objectives compatible with the state plan and its respective regional and sectoral development programs; Development programs to be carried out by BDMG, general rules, basic criteria and priorities for its operations;

**Also, the Board of Directors is incumbent to approve BDMG's organizational structure and its alterations and establish criteria to enter into agreements and legal and extra-legal transactions.**

The General Audit, the Audit Committee, the Personnel, Eligibility, Succession and Compensation Committee and the Risks and Capital Committee report to the Board of Directors, which is responsible for defining the attributions, regulating the operation, as well as appointing its holders .

## Executive Board

The Executive Board exercises the general management of BDMG, seeking to ensure the fulfillment of its objectives and the effectiveness of the Board of Directors' resolutions to guarantee its regular operation. Additionally, it is incumbent upon the Board of Directors to submit proposals on relevant matters of the institution to the Board of Directors for resolution, as defined in the Articles of Incorporation.

The Board of Executive Officers is made up of five members, including a Chief Executive Officer, a Vice-President Officer and three sectoral

Executive Officers. They perform the Bank's general management and meet weekly, under the coordination of the Chief Executive Officer. Based on the attributions provided for in the Law and in the Articles of Incorporation, the Executive Board of BDMG has, in general terms, **the attribute to exercise the general management of BDMG.**

It is also incumbent upon the Executive Board to define the organizational structure at the Superintendence level, observing the limits of 16 Superintendencies, 39 Departments and 11 Coordination Offices.

## Audit Committee

The Audit Committee, an auxiliary body of the Board of Directors, with permanent operation, will be composed of a minimum of three members and a maximum of five, elected by the Board of Directors, observing the legal requirements. Currently, the Board has three members. The duties of the BDMG Audit Committee include, among others:

Opinion, in order to assist the Shareholders, in the appointment of Directors and members of the fiscal council on the fulfillment of the requirements and the absence of prohibitions for the respective elections;

Review, prior to publication, the half-yearly financial statements, including explanatory notes, management reports and independent auditor's report;

Supervise and assess the effectiveness of the internal controls, controllership, independent and internal auditing areas, including verification of compliance with legal and regulatory provisions applicable to BDMG, as well as rules of procedure and codes;

Evaluate compliance by the management of BDMG with the recommendations made by the independent or internal auditors;

Evaluate and monitor BDMG's exposure to risk and request, among others, detailed information on policies and procedures relating to Management compensation, use of BDMG's assets and expenses incurred on behalf of BDMG, among other attributes;

## Risk and Capital Committee

The Risk and Capital Committee (RCC) was recently created and has a minimum of three and a maximum of four members, at least one of whom is a member of the Board of Directors, the other members are external with proven knowledge in the banking business that qualifies them for the function. Currently it has three independent members, even

though this is not required by Financial Institutions in the S3<sup>1</sup> segment, as is the case for BDMG. The RCC advises the Board of Directors in risk and capital management and aids in fixing and revising the levels of risk appetite of the Institution, as well as making proposals to the Board on policies, strategies and limits of risk and capital management.

## Personnel, Eligibility, Succession and Remuneration Committee

The Personnel, Eligibility, Succession and Remuneration Committee has three effective members, one member of the Audit Committee, one member of the Risks and Capital Committee and one member of the Board of Directors, **who chairs the Committee. Although not obligatory, the Committee has independent members, in order to assure more autonomy and transparency in its decisions.**

The Personnel, Eligibility, Succession and Remuneration Committee **has, among others, the following duties:**

Give an opinion, prior to the election, in order to assist shareholders in appointing Board of Directors and Audit Committee members on compliance with the requirements and the absence of prohibitions;

Assist the Board of Directors in the preparation, revision and follow-up of the succession policy for Directors and in the evaluation of proposals related to the personnel policy and in its follow-up;

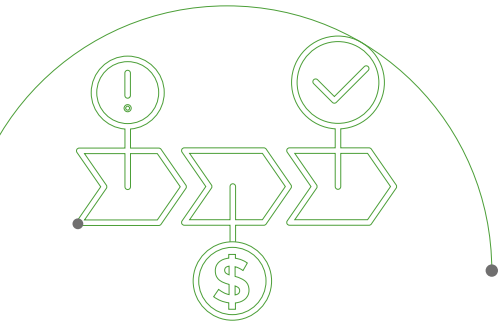
Give a statement prior to the Board of Directors' resolution on proposals that deal with: increase in the number of own personnel, implementation of voluntary dismissal programs, granting of benefits and advantages, review of job plans, salaries and careers, change in remuneration of employees Directors, Fiscal Council members, independent members of the statutory committees and of freely filled positions, as well as the profit sharing program.

## Executive Committee

The Executive Committee is a permanent statutory body that follows BDMG's strategic corporate subjects. Its purpose is to advise the Executive Board and is made up of managers directly linked to the Executive Board. Its mission is to strengthen relations between the organizational units; it is responsible

for the implementation of strategic orientation defined by the Executive Board and to linked prior to deliberation by the Executive Board in relation to changes in the Credit Policy, complying to BDMG's strategic objectives, market conditions and risk appetite.

<sup>1</sup> Classification of the Financial Institutions of the Brazilian Central Bank. The IF S3 are smaller than 1% (one per cent) and equal or higher than 0.1% (one tenth of a percent) of the GDP.





## Executive Credit and Renegotiation Committee

Made up of Superintendents from the following areas: (1) Credit Analysis, (2) Operations, (3) Credit Management; (4) Products, (5) Risks and Internal Controls, (6) Finance, (7) Planning, (8) Legal, Executive Credit Committee and Renegotiation. Its main attributes are: deliberate up to the equivalent amount of 1% of BDMG's Net Equity, on matters

related to the limit and utilization of credit, considering, for definition of the limit the amount recommended by the technical area; alteration of guarantees and other contractual alterations, considering the account balance for definition of the limit; Renegotiation and sale of non-utilized assets.

## Ombudsman

The BDMG Ombudsman is a body structured as an administrative unit linked to the Chief Executive Officer and responsible for receiving, registering, instructing, analyzing and giving formal and adequate treatment to complaints from customers and users of products and services, in addition to providing the necessary clarifications and informing complainants about the progress of their demands and the

measures adopted. The Ombudsman's term of office is two years, with only one reappointment permitted for the same period. Receive, register, instruct, analyze and give formal and adequate treatment to complaints from customers and users of products and services; Provide the necessary clarifications and inform the complainants about the progress of their demands and the measures adopted.

## Additional Information

Additional information on BDMG governance can be found at:

[www.bdmg.mg.gov.br/transparencia-governanca](http://www.bdmg.mg.gov.br/transparencia-governanca)



# GOVERNANCE PRACTICES ADOPTED BY BDMG

## Integrity and Compliance

The Compliance area's mission is to make the Bank operate in a way that complies with the norms related to the organization, complying with internal and external laws and regulations, in addition to promoting a culture of compliance, providing an understanding of its importance for safe achievement and efficient implementation of strategic objectives with employees, customers, partners and other BDMG employees.

It is also the responsibility of the area to mitigate compliance risks and issue guidance on queries received regarding the practice of ethical conduct, together with the Ethics Committee.

Among the themes that are worthy of attention, we highlight sustainability. With the objective of complying to Central Bank regulations and adopting good governance and sustainability practices,

BDMG is implementing measures associated to the ESG pillars – Environment, Social and Corporate Governance, among which are:

- compliance with environmental Law, especially evaluation of customers as to environmental risks;
- compliance to worker legislation and respect to differences, assuring diversity and inclusion and the wellbeing of its employees;
- strengthening of corporate governance via consolidation of an ethical, responsible culture.

Issues, such as ethics, good practices, complaint hotline, fraud, corruption and abuse prevention are strategically discussed, so that the results of sustainable compliance generate environmental, social and financial impacts for society.

# Ethics Committee

The principles and values that guide the conduct of employees are established in the Code of Ethics, Conduct and Integrity of BDMG, which is available for internal consultation and applicable to all who exercise a mandate, position, function, employment or who provide services to the institution, even if temporarily and/or without remuneration. The Code was prepared in accordance with Law 13,303, of June 30, 2016, which provides for the legal status of state-owned companies.

The last update of the Code of Ethics included specific provisions to deal with social media, conflicts of interest, parallel activities and receiving gifts/giveaways. In 2022, based on a study, new suggestions were presented and are under analysis by the Board of the Ethics Committee. Approved changes will be incorporated into the document.

The Ethics Committee, set up at the Bank to ensure compliance, updating and dissemination of the Code of Ethics, has its attributions defined in its Rules of Procedure and in State Decree No. 46,644, which mainly rules on following the norms and guidelines of the Public Ethics Council of the State of Minas Gerais (CONSET), as well as guides and clarifies about professional ethics. It is also the responsibility

of the Commission to investigate conduct that may constitute an infringement of ethical and professional principles or rules, arising from a complaint.

The verification of unethical conduct is carried out following the guidelines established in the Rules of Procedure. If, after the verification process, the Committee concludes that the employee or collaborator should be held responsible in the administrative, labor, civil or criminal spheres, a copy of the verification procedure is forwarded to the Personnel Management area so that the appropriate measures can be applied (Article 14 of the Rules of Procedure).

The BDMG Ethics Committee maintains access to employees on its page on the Intranet, booklets related to the themes of Ethics at Work and Moral Harassment. The documents were made available by CONSET – Minas Gerais Ethics Council.

Within the scope of State Decree 48,419/22, which instituted the Minas Gerais Policy for the Promotion of Integrity (PFPI), the BDMG Ethics Commission seeks the continuous improvement of its performance. In 2023, the body will have a representative on the commission that will implement the PFPI at the Bank.

# Tip Hotline

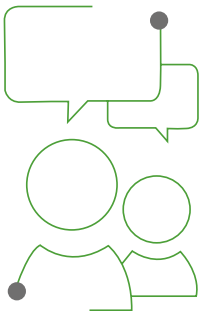
BDMG has a tip hotline for anonymously receiving information on signs of fraud, violation of legislation or regulations and internal Code of Conduct, Ethics and Integrity, and that may affect members of statutory bodies, in addition to evidence of wrongdoing.

During 2022, the Ethics Committee received two reports of personal conflicts that were duly addressed. One of the complaints resulted in a warning issued by the Commission itself and the other was archived due to the lack of evidence that would hold the accused accountable.

# Disciplinary Process

The Bank has an internal rule that deals with disciplinary process, which provides for: “BDMG employees, for failing to fulfill their duties or for failing to observe the prohibitions imposed on them or for any action or omission that constitutes labor misconduct, will be subject to one of the penalties

provided for in the Personnel Statute”, subject to the rules set forth in the standard. It also describes when warning or suspension penalties should be applied and the process for dismissal for just cause. It also describes how the investigative procedure and the disciplinary procedure should be.







# TEAM

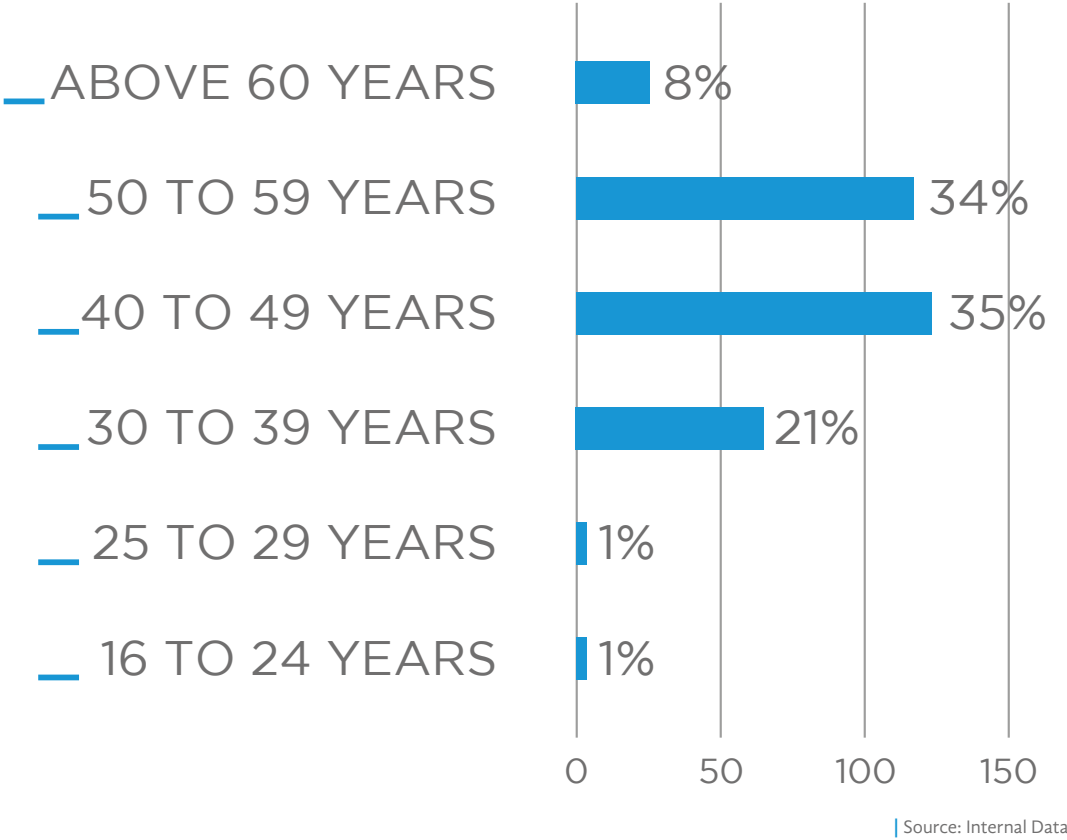
Sabrina Evelyn | Daniel Lage | Lunia Cristina  
Paula Campanha | Karen Alexandra | Paulo Henrique



# TEAM

BDMG has a qualified functional team committed to finding solutions for the development of Minas Gerais. At the end of 2022, there were 333 professionals on its staff, 293<sup>2</sup> of whom staff admitted through a public tender and 40 appointed to broad recruitment positions, linked to the mandate of the Board of Directors.

Graph 02: Age Group of BDMG Employees - Dec/2022



Furthermore, at the end of 2022, the BDMG team had 110 interns, 4 apprentices from the Apprenticeship Program and 167 employees from outsourced teams who provide services that are not typical of BDMG careers, such as: building maintenance and general services, IT services, engineering project analysis and administrative services.

Of the total permanent employees in December 2022, 72% had a doctorate, master's or postgraduate degree, in Administration, Engineering, Economics, Accounting, Systems Analysis and Law.

<sup>2</sup> Among these, 14 employees were on loan or had a suspended contract.

Table 01: Level of Education of BDMG Employees - Dec/2022

Level of education	No.	%
Complete Doctorate	11	3%
Incomplete Doctorate	1	0.3%
Master's Degree	34	10%
Incomplete Master's Degree	4	1%
Full Graduate	194	58%
Incomplete Graduate	5	2%
Complete Undergraduate	72	22%
Incomplete Undergraduate	7	two%
Complete high school	5	two%
Total	333	100%

Source: Internal Data

## Internship Program and Apprenticeship Program

The BDMG Internship Program encourages teamwork and the exchange of knowledge between students and professionals, based on the Bank's integration with teaching institutions. Aligned with the needs of the Bank's operational and business dynamics, the Program also maximizes the impact on the student's career, promotes inclusion and diversity in the work environment.

The Apprenticeship Program promotes the personal and professional development of adolescents, facilitating their insertion in the formal job market and encouraging the acquisition of habits, experiences and attitudes that are essential for human and social development. The program encompasses the Minor Apprentice modality, the total number of which is limited to 15% of the staff of development technicians working at the Bank.



Francesca Flávio Ferraz | João Akaki | Layla Figueiredo de Faria  
Camila Magalhães do Carmo | Cristiano Souza Borges de Oliveira | Vinícius de Paulo Lopes



Personnel Management Policies

Personnel management policies ensure that the Bank has qualified professionals who are committed to the organizational strategy, through continuous development in a productive, safe and healthy work environment, encouraging knowledge of the business through the transformation of the institution.

BDMG follows a personnel management model articulated by skills, which promotes the alignment of management processes with the organizational strategy, creating means that enable the commitment of individuals and groups to the organization's objectives.

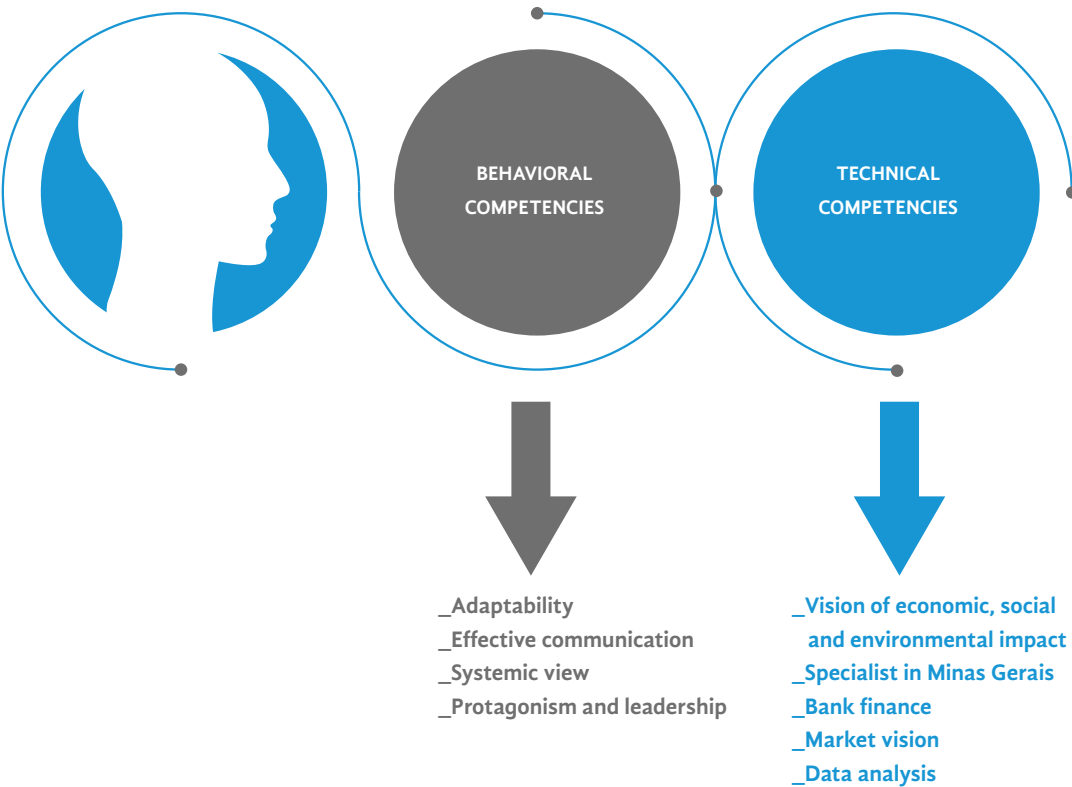
The essential skills for implementing the strategy, which serve as a basis for all personnel processes

and policies, were defined in Behavioral Skills and Technical Skills:

The Management for Development and Results process focuses on the continuous evolution of people and the Bank, taking into account that each professional is the protagonist of their own development.

In this process, skills are checked and mapped periodically, deliveries are agreed and performance is evaluated. Based on these instruments, needs are identified to support the Continuous Development Program, as well as the career planning of each employee.

Figure 02: BDMG Essential Skills



CONTINUOUS DEVELOPMENT PROGRAM

BDMG focuses on training and developing its employees to perform their duties and, thus, contribute to meeting organizational and unit goals.

In 2022, R\$1 million was invested in employee development actions, including support for

postgraduate, MBA and foreign language proficiency courses; technical and mandatory training; lectures and workshops in addition to a leadership program, totaling 2,552 hours, according to the Annual Training and Development Plan.

Structuring programs

Throughout 2022, BDMG invested in two structuring programs, focused on meeting demands for relevant knowledge and skills for running the business.

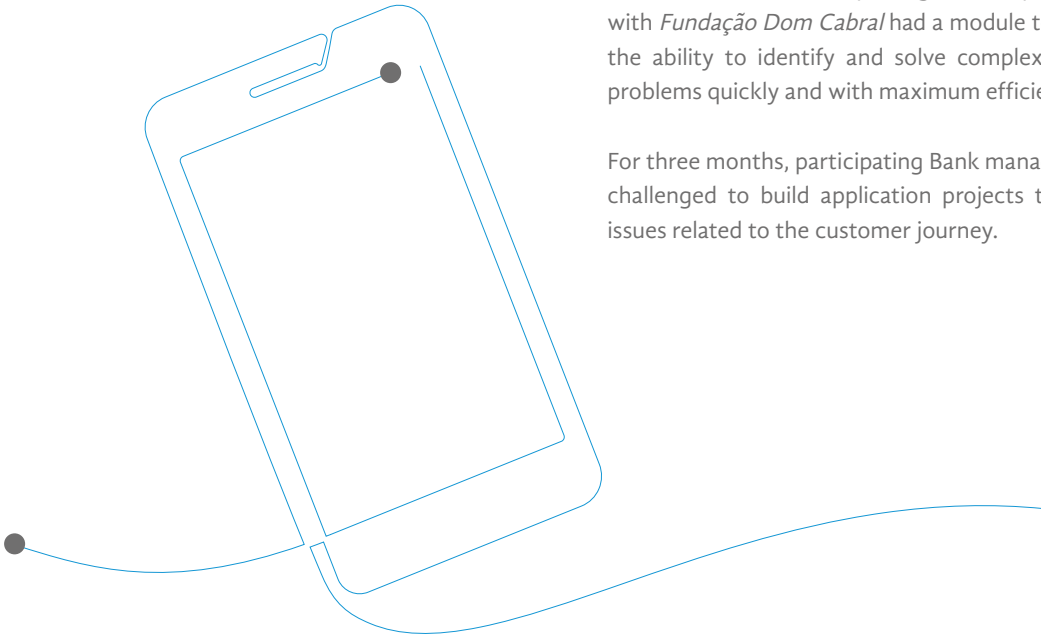
The first program was aimed at improving proficiency in foreign languages of professionals who work directly in international negotiations.

The second program was aimed at development of technical and management skills, through the provision of financial subsidy for the completion of long-term courses, postgraduate and MBA courses.

Leadership Program

In 2022, the Leadership Program, in partnership with *Fundação Dom Cabral* had a module to develop the ability to identify and solve complex business problems quickly and with maximum efficiency.

For three months, participating Bank managers were challenged to build application projects to resolve issues related to the customer journey.



## Vision of economic, social and environmental impact

Within the framework of the partnership with UK Pact, a workshop was held on the theme “Measuring the carbon footprint financed by the BDMG”, to review the measurement methods stipulated by the PCAF (Partnership for Carbon Accounting Financials), train employees on the use of the emission estimation model and recommend improvements to the model used by BDMG.

The initiative is the result of a partnership established with the Inter-American Development Bank (IDB), also enabling the training of BDMG managers in relation to ESG concepts and the dissemination of the governance of BDMG’s Social, Environmental and Climate Responsibility Policy.

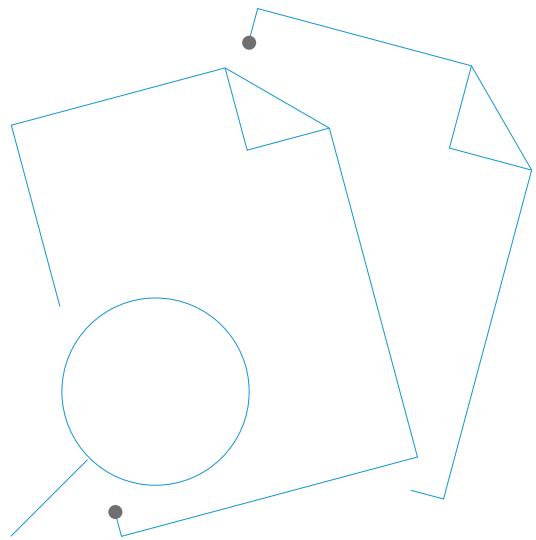
## Systemic View

Among the actions carried out in 2022, training for the development of the essential competence “Systemic View” stands out, carried out in the Development Track format. For three months, weekly meetings were held led by BDMG reference employees in each

theme worked on. The objective was to increase employees’ understanding of the impacts of their work on other areas and on the Bank’s strategy, in addition to promoting the exchange of experiences and synergy among its participants.

## Data analysis

For the development of the Data Analysis essential competence, a learning methodology designed by the Gartner consultancy was used. The pilot plan was implemented prioritizing on the job actions, in which skills are learned in the workplace. Analysts were selected according to their familiarity with the topic and use of data analysis in their work routines. The objective of the pilot project was to develop this competence in analysts in the various areas of the Bank and provide autonomy to the superintendencies in IT.



## Customer focus

In order to encourage proactive attitude and engagement of employees who work in BDMG’s customer service, training was offered based on the exclusive methodology of Disney’s Customer Experience. Topics were addressed such as focus on

solutions for internal and external customers, service and profitability for the organization, as well as the relationship between these aspects and the Bank’s strategy and results.

## Mandatory training

Mandatory training by law was carried out for permanent employees, interns, outsourced workers and the Board of Directors on the topics compliance and integrity, General Data Protection Law (LGPD) and cyber security.

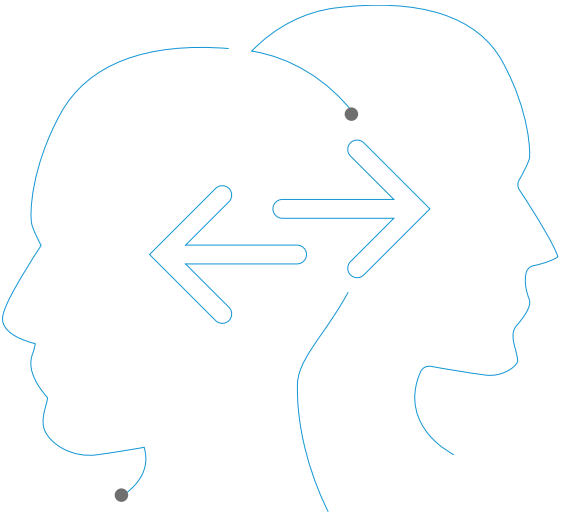
With regard to cyber security, the training had the participation of 524 employees and used gamification resources, being divided into three seasons throughout the year to further develop the organization’s cyber security culture.

The training covered content on integrity, ethics and compliance, building credibility, strengthening image and data protection.

## Other initiatives

In addition to the initiatives above, 209 employees took part in courses, lectures and seminars on

topics such as IFRS 09, Rural Credit, Environmental Licensing and Public Procurement.



# HEALTH AND SAFETY

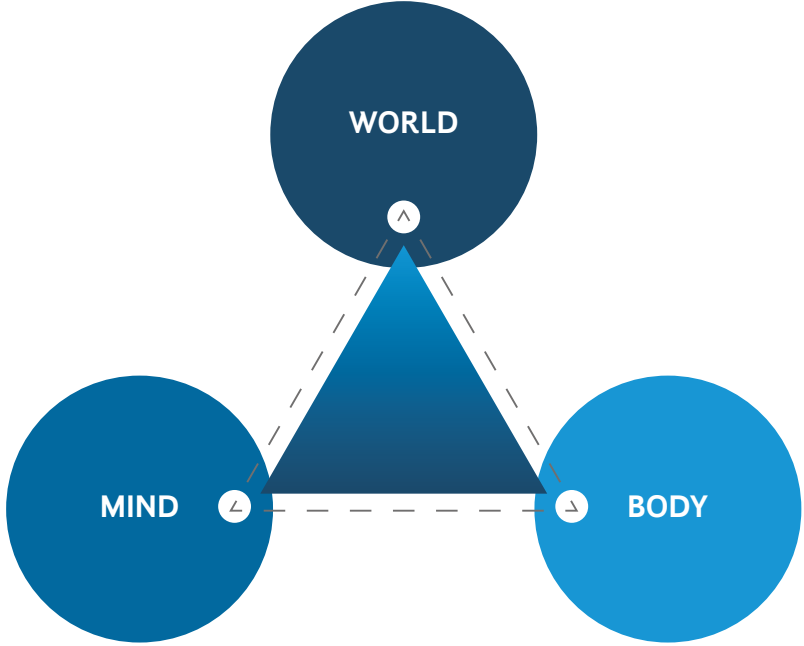
## Body and mind

### BDMG Envelope

In 2022, the Bank promoted the revitalization of its quality of life program, BDMG Involves, based on the changes observed in the world after the most serious period of the pandemic and the trends, practices and responsibilities of companies in support of health and quality of life of its employees.

In this sense, the program was rethought to encompass three pillars. The first is Body, through initiatives that include healthy eating, physical activity and relaxation. The second is Mind, with actions that contribute to the development of mental health and, finally, the World pillar, with initiatives focused on social responsibility, sustainability, diversity and inclusion.

**Espaço  
envolve**

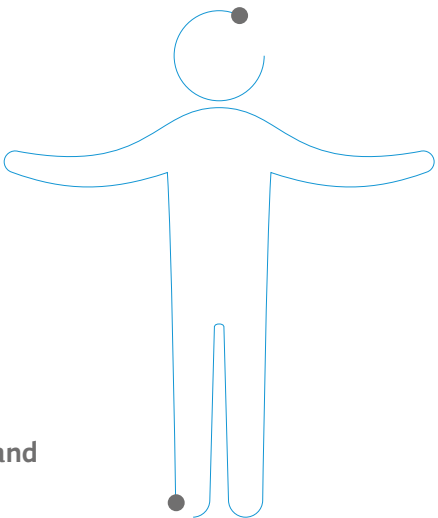


### Body Pillar

In September 2022, activities the Body Pillar were offered to employees, such as Nutrition Group, Pilates, Therapeutic Massage and Acupuncture. The Postural Reeducation and Labor Gymnastics

Program returned to its activities with adequate adjustments to the hybrid work regime, with the following actions:

- Work gymnastics
- Physiotherapy support
- Ergonomic guidelines for the workstation
- Body sense perception relaxation activities
- Partnership with *Instituto São Rafael* for mobility and safety guidance for visually impaired employees
- Support for outsourced employees (maintenance area and general services): adaptation of schedules of activities foreseen in the program to better adapt to the team's work dynamics





# Mind Pillar

The Healthy Mind Program – the result of a partnership with Desban and Gattaz, Health & Results – launched the 2nd cycle of initiatives in favor of mental health, with the lecture “Saúde 360, mind-body-world integration”, by renowned psychiatrist Wagner Gattaz.

Employees were invited to answer a new questionnaire for evaluation and reflections on their mental conditions.

Based on the last assessment of people undergoing treatment, 64% said they had felt an improvement in

the evolution of emotional complaints and 84% had improved their subjective perception, and 82% said they had felt an improvement in their ability to work.

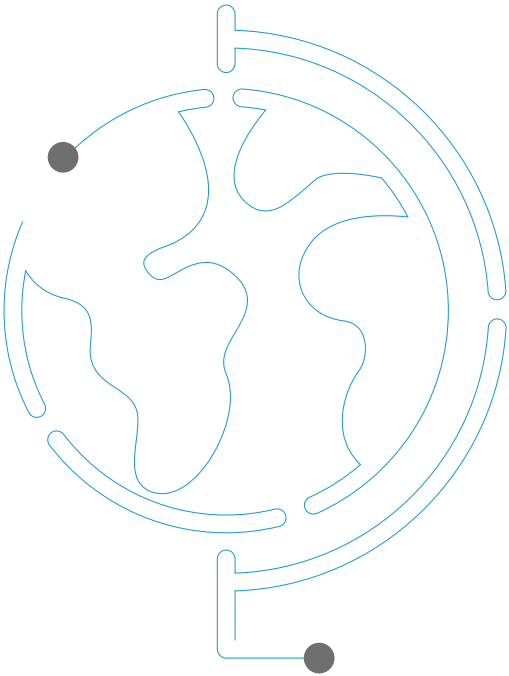
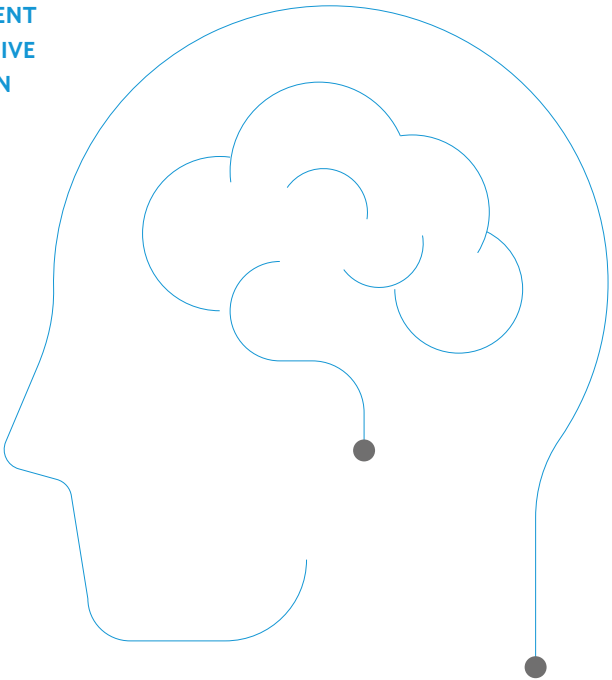
Other actions were carried out, such as the “Lifestyle and Mental Health” conversation circle, with a 15-minute presentation and 45 minutes of debate, in addition to the maintenance of online psychological care for all employees.

The BDMG Health and Safety Platform was made available with content trails on topics such as sleep, emotional safety and depression.

**64%** IMPROVEMENT  
OF EMOTIONAL  
COMPLAINTS

**84%** IMPROVEMENT  
OF SUBJECTIVE  
PERCEPTION

**82%** IMPROVEMENT  
OF WORKING  
CAPACITY



# World Pillar

In the World Pillar, the focus is on the relationship between employees and their surroundings, which encompasses environmental and social responsibility,

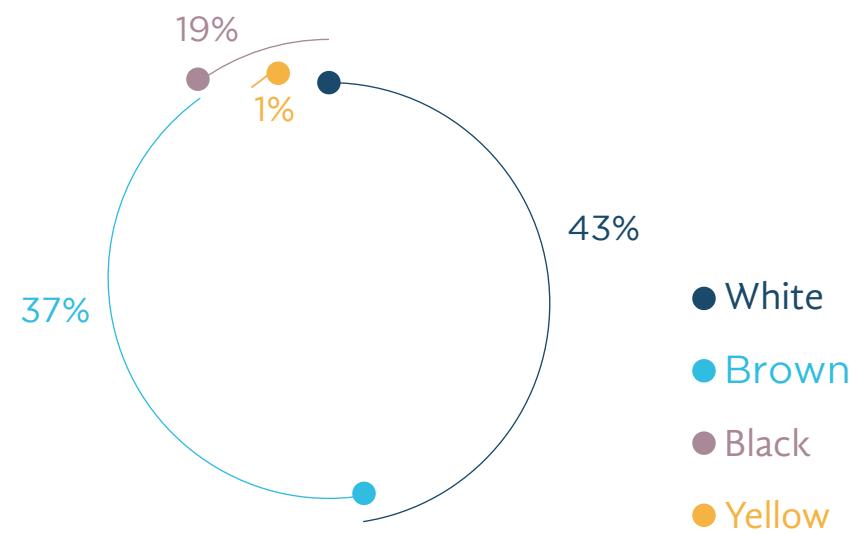
diversity and inclusion. With regard, for example, to these last two aspects, the following actions were carried out in 2022:

- Release of the book “Chronicles for a more diverse world” by Folha de S. Paulo reporter and columnist, Jairo Marques, who gave a lecture to employees on capacitismo (discrimination against the handicapped) and ways to prevent its dissemination
- Training of the Working Group formed to implement the diversity strategy (specialization courses started in October 2022)
- Disclosure of affirmative internship vacancies for PWD

As a contribution to the UN Sustainable Development Goals, the BDMG Internship Program adopts socioeconomic and gender criteria in the selection process, expanding opportunities for women, young people from public schools and beneficiaries of government programs.

Of the 110 active interns in December 2022, 62% were selected based on socioeconomic criteria, 45% are women and 3% are persons with disabilities (PWD). With regard to race, brown and black are 56%, as shown in the graph below.

Graph 03: Diversity among BDMG interns: By race - Dec/2022



Source: Internal Data

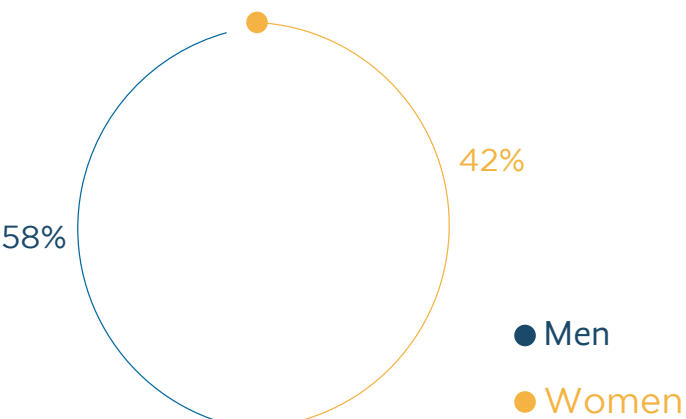
It is worth noting that diversity and inclusion criteria are also adopted in the selection processes for Young Apprentices.

With regard to employees, admissions to BDMG are carried out through a public tender, and therefore,

the inclusion criteria are limited to those permitted by federal and state legislation. Currently, 42% of the bank's employees are women and 4% are persons with disabilities (PWD). As for race, white is predominant: 74% of the civil servant employees.

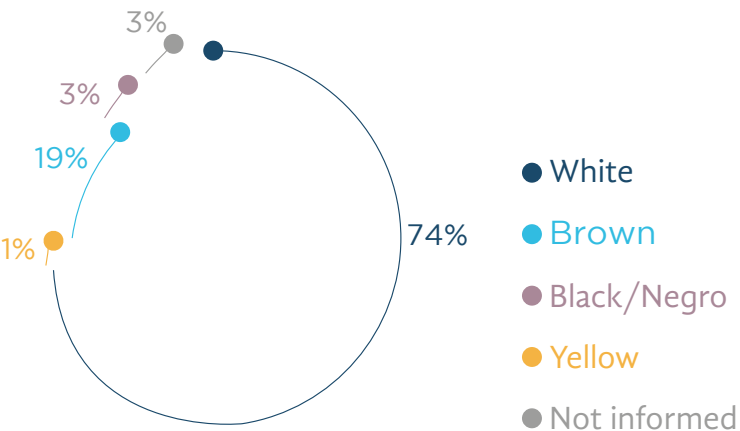
Graph 04: BDMG Employees - By gender

Source: Internal Data



Graphics 05: Diversity among BDMG Employees: breakdown by race

Source: Internal Data



## Internal Accident Prevention - CIPA

Considering that the Bank does not have significant chemical, physical and biological risks, the focus of CIPA BDMG is on ergonomic, mental health and accident risks, in addition to actions that promote the health of female and male employees.

In 2022, CIPA's actions were directed at monitoring the return of employees to the face-to-face and hybrid regime, in addition to monthly actions to publicize the health campaigns on the national calendar.

Within the context of the Pandemic, CIPA promoted guidelines and recommendations regarding means of

prevention against Covid.

CIPA also organized the Internal Week for the Prevention of Accidents at Work – SIPAT. With the theme “Happiness at Work”, the event featured an Ecological Walk at the opening and, for the first time, a gamification platform to disseminate content related to health and safety in a more attractive way among employees.

There was also the creation of the CIPA Open Channel, available as a tool for listening to themes related to health and safety.



# 60 YEARS FAVORING DEVELOP MENT

Elizabeth José dos Santos



# 60 YEARS FAVORING DEVELOPMENT

BDMG's trajectory began in 1962, when it took on the role of active promoter of the development of the State of Minas Gerais through financing. Its mission was to establish development conditions focused on the growth of industrial activity, mainly for micro and small companies; acting as a provider of technical and financial conditions for projects of state interest; in effectively allocating capital, nationally and internationally, in order to provide equitable development.

BDMG participated in the creation of highly relevant entities, such as the Minas Gerais Industrial Development Institute (INDI), the João Pinheiro Foundation (FJP), the Minas Gerais Industrial Districts Company (CDI/MG) and the Assistance Center (CEAG), which gave rise to the Brazilian Micro and Small Business Support Service (Sebrae). It also, it prepared important economic studies sharing differentiated knowledge, which served as a basis for planning and for the elaboration of economic and social strategies of several governments.

Throughout its history BDMG carries with it the mark of resilience. It survived significant economic crises and financial difficulties arising from its own development action. Despite national and international economic fluctuations, BDMG's support for strengthening the productive sector was essential for the evolution of Minas Gerais. Through all these times, the presence of a highly-qualified technical team and the Bank's ability to dialogue with relevant interlocutors in the state and federal governments fostered a unique institutional continuity in Brazilian economic history.

With an eye to the future, BDMG has been a pioneer in Brazil in diverse agendas undertaken by development systems around the world. Recently, it has been increasingly aligned with the new dynamics of the world's development banks, which require greater focus on sustainable investments with positive impacts. Its six decades of history exemplify how the institution was essential to promoting the modernization and economic development of the state since its foundation. Indeed, it will contribute significantly to Minas Gerais and Brazilian society in this new cycle of challenges that stand out in the second decade of the 21st century.







# ECONOMIC OUT LOOK

# ECONOMIC OUTLOOK

In 2022, the global scenario was marked by a reduction in economic activity. Inflation at a historically high level, the cycle of monetary tightening in the main global economies, the unequal impacts of the Covid-19 pandemic and the conflict in Eastern Europe caused a slowdown in the pace of economic expansion.

On the domestic scene, economic activity was marked by the duality between credit and income, resulting, on the one hand, from the cycle of high interest rates and, on the other, by good performance of the labor market. This dissimilarity was reflected in all sectors of the economy.

In the industrial sector, while the segments of consumer goods, more associated with income, such as food, beverages and fuel, had growth in the year, the segments of durable and semi-durable goods, more associated with consumption via credit, such as vehicles, metal products and machinery and equipment, retreated.

This duality was also present in the trade and services sectors. Consumer segments more dependent on credit, such as vehicles and construction material, had limited performance or a retraction in sales volume, while segments more associated with income, such as fuel and supermarkets, had an increase. In Minas Gerais, economic activity had similar dynamics, but with a performance superior to that of the country, justified by the better performance of trade and services activities, despite the weaker performance of industry.

For 2023, BDMG is working with a scenario of challenges for the economic growth of Minas Gerais and Brazil, justified by the slowdown of the global economy, which has reduced the demand for products exported from the state and the country, and by the lag of the restrictive monetary policy, which has begun to take its toll on economic activity, especially in the labor market. In spite of these factors, the Bank's projection is for GDP growth of 1.3% in Minas Gerais and 0.65% in Brazil.







# STRATEGY

# STRATEGY

In 2023, BDMG will guide its actions through the 2023-2027 Strategic Plan, with medium and long-term objectives constructed to ensure the achievement of its vision of the future: to be a benchmark development bank focused on impact investments for Minas Gerais.

Aligned with the Minas Gerais Integrated Development Plan – PMDI, BDMG acts as a state agent for the development of sectors and regions in Minas Gerais with the mobilization of resources that enable health, education, sanitation, low-carbon agriculture and clean energy projects, in addition to investment and export projects. BDMG mobilizes resources for - agribusiness, tourism, industry and services and resources for micro, small and medium-sized companies. In addition, it contributes to increasing the state's efficiency by providing privatization services, structuring public-private partnerships, with a focus on sanitation and energy efficiency, and infrastructure projects for municipalities.

These actions aim to transform initiatives into reality to make a difference in the lives of the people of Minas Gerais.

To this end, BDMG seeks to balance its performance between B (bank) by ensuring financial sustainability; D (development) by maximizing funding focused on generating impact and development; and MG (Minas Gerais) by being a specialist in the vocations and economic potential of its territory. Thus, it simultaneously aims to expand its credit portfolio and returns for its shareholders, while efficiently managing assets and liabilities; exercise its role in promoting sustainable development, contributing to the climate strategy of Minas Gerais; stimulate the growth of key sectors and production chains to enable the growth of investments in the private sector and in the 853 municipalities in the state.

BDMG's work involves serving micro, small, medium and large companies, rural producers and the public sector in Minas Gerais and neighboring states, focusing on financing projects that generate impact.

This impact is measured by aligning the environmental, social and economic effects of disbursements with Sustainable Development Goals - SDGs, anchored in the UN's 2030 Agenda. There are five BDMG impact commitments for its operations in the coming years:

- 1 FINANCIAL INCLUSION:** guarantee access to financial services under favorable conditions for micro and small companies, supporting the maintenance of jobs.
- 2 CLEAN ENERGY:** expand the renewable energy matrix, enabling investments in clean energy sources and energy efficiency.
- 3 PRIORITY INVESTMENTS WITH A POSITIVE IMPACT:** expand fixed investment in order to stimulate the growth of Minas Gerais companies, increasing productivity, creating new jobs and moving value chains, especially in dynamic sectors of the economy and with future potential.
- 4 INCLUSIVE AND SUSTAINABLE CITIES IN MINAS GERAIS:** having more inclusive and sustainable cities and enabling infrastructure projects (sanitation, health, education, urbanization and inclusive spaces).
- 5 LOW CARBON AGRICULTURE:** enable investments in agro-innovation that guarantee high levels of productivity and contribute to soil regeneration, biodiversity and reduction of Greenhouse Gas (GHG) emissions.

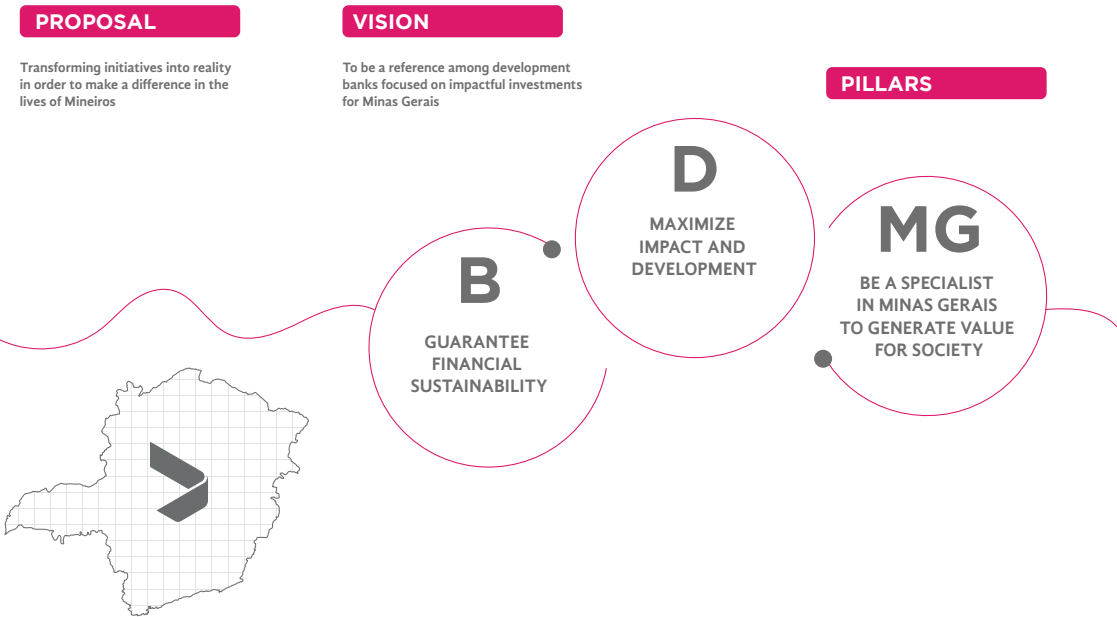


Figure 03: Purpose, Vision and Pillars of BDMG

# BDMG MOBILIZES FUNDS TO MEET THE DEMANDS OF SECTORS AND REGIONS OF THE STATE OF MINAS GERAIS

Figure 04: BDMG impact action





Figure 05: Strategic Drivers

IMPACT	COMPETITIVE EDGE
<b>Commitment</b> to the 2030 Agenda and to Sustainable Development Goals ( <b>SDGs</b> )	<b>Excellence in financial solutions</b> for development, including services and consulting
Positioning of BDMG as a regional <b>feasibility specialist for development</b> projects	Constant improvement in the <b>customer experience</b>
<b>Mobilize funds</b> for Minas Gerais and neighboring states	Market adhesion in terms of <b>positioning</b> and <b>supply</b> , with profitability
<b>Monitoring &amp; Evaluation</b> of the impacts of BDMG's performance in the State's development	Strengthen <b>partnerships of customer service</b>
ORGANIZATIONAL CULTURE	DIGITAL TRANSFORMATION
<b>SIGA:</b> Synergy, Innovation, Governance & Agility	Be prepared to explore opportunities originating in <b>changes in the financial system</b>
<b>Synergy:</b> <b>Alignment</b> of all in favor of organizational <b>objectives, acting with effectiveness and affection.</b>	<b>Data intelligence and artificial intelligence</b> , as a way to support the decision process
<b>Innovation:</b> Create innovative solutions that can help build the Minas Gerais of the future	<b>Automation</b> , with a view to <b>productivity</b> gains
<b>Governance:</b> Strengthen <b>governance practices, compliance and risk management</b>	Raise <b>cyber security level</b> of the institution
<b>Agility:</b> Prioritize <b>continuous, incremental deliveries</b> , seeking <b>simplicity, agility and adaptability</b>	
FINANCIAL SUSTAINABILITY	
Periodic reviews of <b>risk appetite and credit policy</b>	Use of instruments to <b>mitigate credit risk</b> and <b>scenario monitoring</b>
<b>Growth</b> compatible with BDMG's capital structure	<b>Improvement of financial models</b> and projections

The global economy and society are experiencing humanitarian and climate challenges, marked by disparities in opportunity, wealth and power, gender inequality, global health threats, depletion of natural resources and the negative impacts of environmental degradation. To alleviate this context, it is necessary to transform socio-economic behavior for countries to grow sustainably.

The world and its main multilateral development institutions are already moving towards a solid consensus on the need to encourage the best strategies to overcome these challenges. In turn, development banks will continue to play an essential role in mobilizing and allocating the capital needed to strengthen sustainable development.

Another fundamental agenda for the coming years is to further increase the transparency and clarity of the purpose of these financial institutions for society, with more visible indicators of how the financed projects impact the degree of socio-economic development of the region where they operate.

In this context, to guide BDMG in the challenge of growing its investment portfolio, with profitability and quality, in order to preserve its financial solidity, four corporate goals were established for 2023:

- Average loan portfolio balance of R\$6 billion.
- R\$1.4 billion disbursed in investment projects
- Portfolio Quality Index of 5.10.
- Recurring net income of R\$117 million

With regard to commitments to generate a positive impact, six goals were established:

- 1 40%** disbursement in operations classified as adhering to at least one SDG
- 2 21.000** jobs supported in micro and small companies (MSE)
- 3 120.000** MWh generated in financed clean energy projects
- 4** Avoided emission of **10.000** tons of CO<sub>2</sub> in financed projects
- 5 R\$1,4** billion in investments made possible in the private sector
- 6 R\$20** million disbursed in low carbon agriculture
- 7 450** municipalities in Minas Gerais with active projects

These goals corroborate BDMG's commitment to contribute to the economic and social development of Minas Gerais, playing an essential role in mobilizing

the capital needed to contribute to the development of Minas Gerais on an increasingly sustainable basis.





# OPERATING PERFORMANCE

| Alex Ramon Aladim | Izak Carlos da Silva

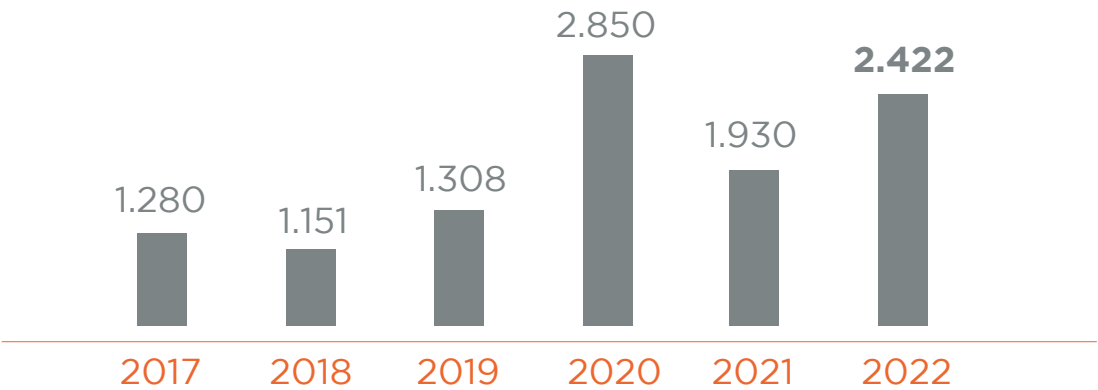
# OPERATING PERFORMANCE

In line with its role in promoting economic and social development, BDMG has been charting paths to expand its operations in the economy of Minas Gerais. In a scenario of post-pandemic economic recovery, with still timid growth in macroeconomic aggregates at the national level, the importance of development institutions becomes even more evident.

To this end, the total amount disbursed by BDMG in 2022 was 26% higher than in 2021, to a total of R\$2,422.8 million in releases for companies of all sizes and city governments, from 562 municipalities, 83% of them with HDI lower than the Brazilian average.

Compared to the pre-Covid-19 pandemic scenario, the volume released in 2022 was, on average, 51% above previous levels<sup>3</sup>.

Graph 06: Total Disbursement 2017-2022 (in R\$MM)



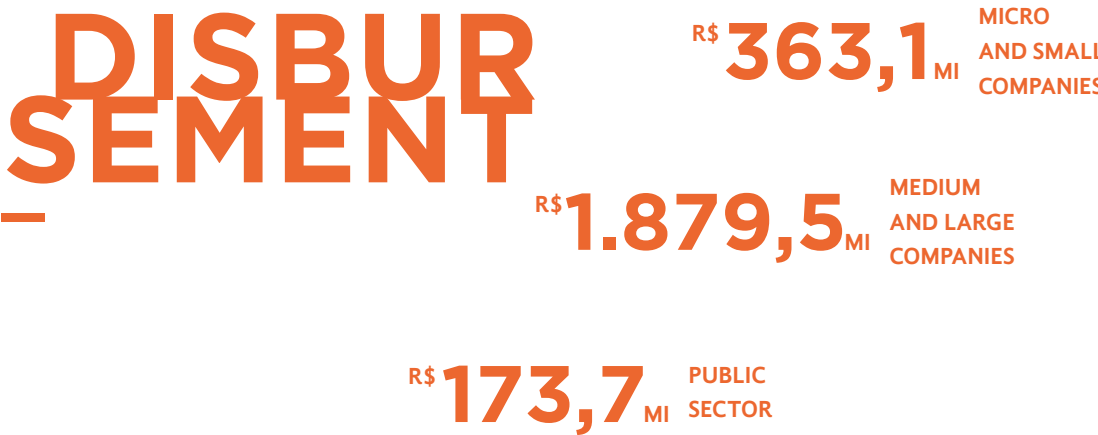
Source: BDMG, 2023

Analyzing by company size, the disbursement for the micro and small segment was R\$363.1 million, 20% higher than in 2021. For the medium and large segment, BDMG disbursed R\$1,879.5

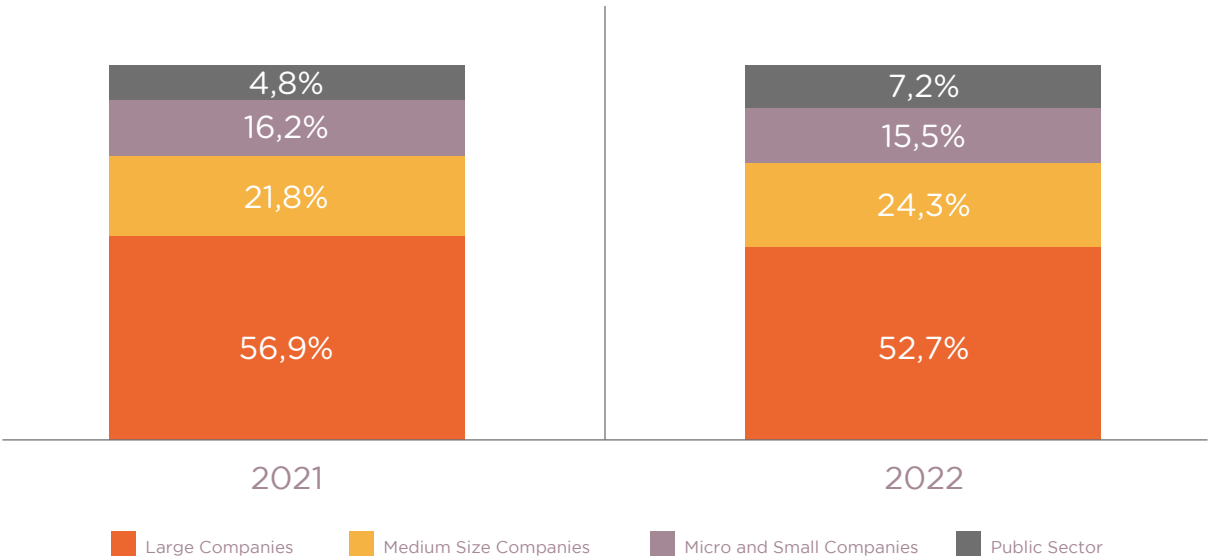
million, a growth of 25% compared to the previous year, highlighting 40% more disbursements for investments.

For the public sector, R\$173.7 million were disbursed in 2022, which is a significant growth of 89% compared to 2021. Of this total, R\$157.2 million

came from own resources and R\$16.5 million from Renova Foundation transfers<sup>4</sup>.



Graph 07: Disbursement by Type and Size of Customers – 2021 and 2022 (BRL MM)



\*Resources earmarked for investment in FIPs represented 0.3% in the two periods above.

Source: BDMG, 2023

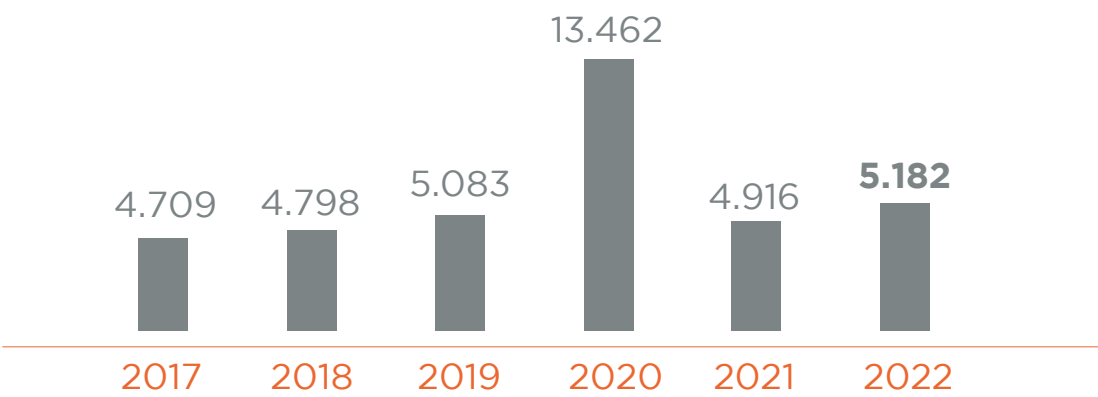
<sup>4</sup> The Renova Foundation is a private non-profit non-governmental organization, established in 2016 with the duty to repair the damage caused by the breach of the Fundão dam, in November 2015. Since 2017, BDMG has been working with Fundação Renova in socio-economic programs related to economic dynamism in the Rio Doce region.



It is also worth mentioning the 25% increase in the volume of funds contracted compared to 2021.

The number of customers served also surpassed the amount reached in the previous year by 5.4%. The Bank evolved from 4,916 customers served in 2021 to 5,182 customers in 2022, 89% of which are micro or small companies.

Graph 08: Number of Customers Served – 2017-2022



The total value of the loan portfolio ended the period with a balance of R\$5,857 million<sup>5</sup>, with the Bank having at least one active customer in 802 (94%) of the Minas Gerais municipalities. The total number of active customers in the portfolio grew, from 22,839 to 22,922.

Table 02: Operating Indicators - Comparison 2022-2021

Indicator	2021	2022	Variation (%)
Contracted (R\$million)	2.199,7	2.755,8	25%
Disbursement (R\$million)	1.929,7	2.422,8	26%
Customer portfolio balance (R\$million)	5.828	5.800	- 0,5%
Customers serviced (unit)	4.916	5.182	5,4%
Active customers (unit)	22.839	22.922	0,4%

Source: BDMG, 2023

With regard to the regional distribution of the volume disbursed, R\$666.4 million (28%) were allocated to the Central macro-region and R\$459.7 million (19%) to the South of Minas Gerais. It should be noted, in comparison with the previous year, the increase in the amount disbursed to the North (112%), Midwest

(132%), Jequitinhonha (143%) and Rio Doce (151%) macro-regions. There was a the significant increase in the number of customers in the North (28.9%), Rio Doce (69.4%) and Jequitinhonha (21.8%) macro-regions.

Table 03: Disbursement by macro-region 2021-2022 (in BRL MM)

Macroregion	2021	%	2022	%
Central	551,2	29%	666,4	28%
Southern Minas	447,9	23%	459,7	19%
Mineiro Triangle	223,9	12%	219,3	9%
Alto Paranaíba	199,0	10%	201,7	8%
North of Minas	93,6	5%	198,7	8%
Midwest Minas	81,9	4%	190,3	8%
Zona da Mata	100,8	5%	141,2	6%
Northwestern Minas	69,7	4%	84,7	4%
Rio Doce	29,8	2%	75,0	3%
Jequitinhonha	19,8	1%	48,2	2%
Subtotal	1.817,6	94%	2.285,1	94%
Contribution in FIP and other States	112,0	6%	137,7	6%
Grand total	1.929,7	100%	2.422,8	100%

Source: BDMG, 2023

Regarding the origin of disbursed resources, 73% came from own resources and/or domestic and international funding, 25% came from onlendings and 2% from funds. The highlight of the own sources were the Agribusiness Letter of Credit (LCA) issues, which is 31% of the total disbursed. As for resource transfers, 54% came from the Coffee Economy Defense Fund (FUNCAFÉ) and 33% from the National Bank for Economic and Social Development (BNDES).

Table 04: Origin of resources disbursed in 2022

Resource Source	2021		2022	
	Amount (R\$MM)	%	Amount (R\$MM)	%
Own resources	1.262,3	65%	1.767,9	73%
Transfers	639,9	33%	605,9	25%
Funds	27,5	1%	49,0	2%
Total	1.929,7	100%	2.422,8	100%

Source: BDMG, 2023

<sup>5</sup> The total loan portfolio considers credits equivalent to credit operations and Interbank Onlendings (R\$57 million).



# PERFORMANCE HIGHLIGHTS

Mariana Ribeiro Tavares

# AGRIBUSINESS

In 2022, 42% of BDMG's disbursements were allocated to the segment, with R\$1.026 million released, a 8% increase compared to the previous year.

Financing was carried out mainly through lines that use resources from the Coffee Economy Defense Fund (Funcafé), Agribusiness Letters of Credit (LCA) and BNDES. The disbursement linked to LCA lines was

R\$579 million, 58% of the total allocated to agribusiness, 33% more than in 2021; Funcafé was 32% of the total disbursed (R\$325.6 million).

With regard to resources for the 2022/2023 Crop Year, which began last July, the Ministry of Agriculture and Livestock allocated R\$257 million to BDMG to set up lines of credit to serve the coffee sector.

## Partnership with agricultural cooperatives

### Agro Repasse

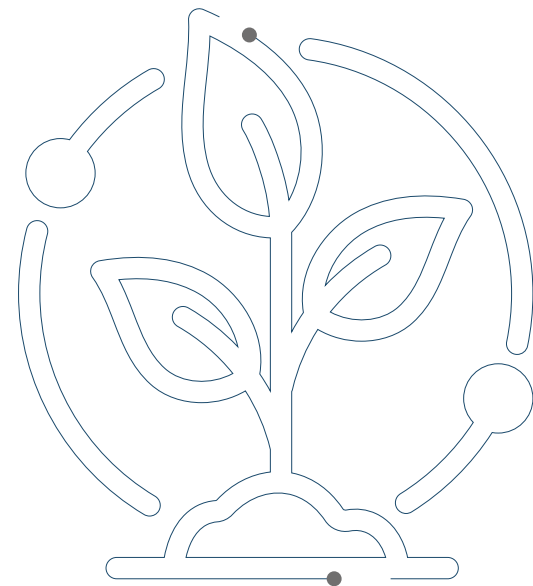
Acting in partnership with cooperatives – with a view to expanding its operations with rural producers, individuals or companies –, BDMG prospected R\$176.3 million in contracts for the Agro Repasse product, distributed among 10 credit cooperatives that are big in the segment. As a highlight in 2022,

R\$58.2 million have already been disbursed to 346 rural producers. This is the result of the first year of a new business model adopted by the Bank, with expectations of expanding the volume of transfers in the coming years.

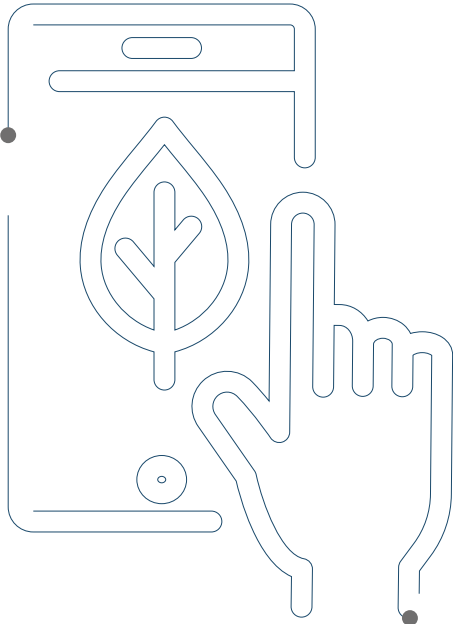
## LabAgroMinas: Sustainable agribusiness

Also in 2022, LabAgroMinas was launched, a partnership between BDMG and Embrapa promotes and encourages low-carbon agriculture. The program focuses on promoting sustainable, climate-smart practices, by adopting new agricultural technologies that reduce greenhouse gas emissions and soil regeneration, ensuring high crop productivity.

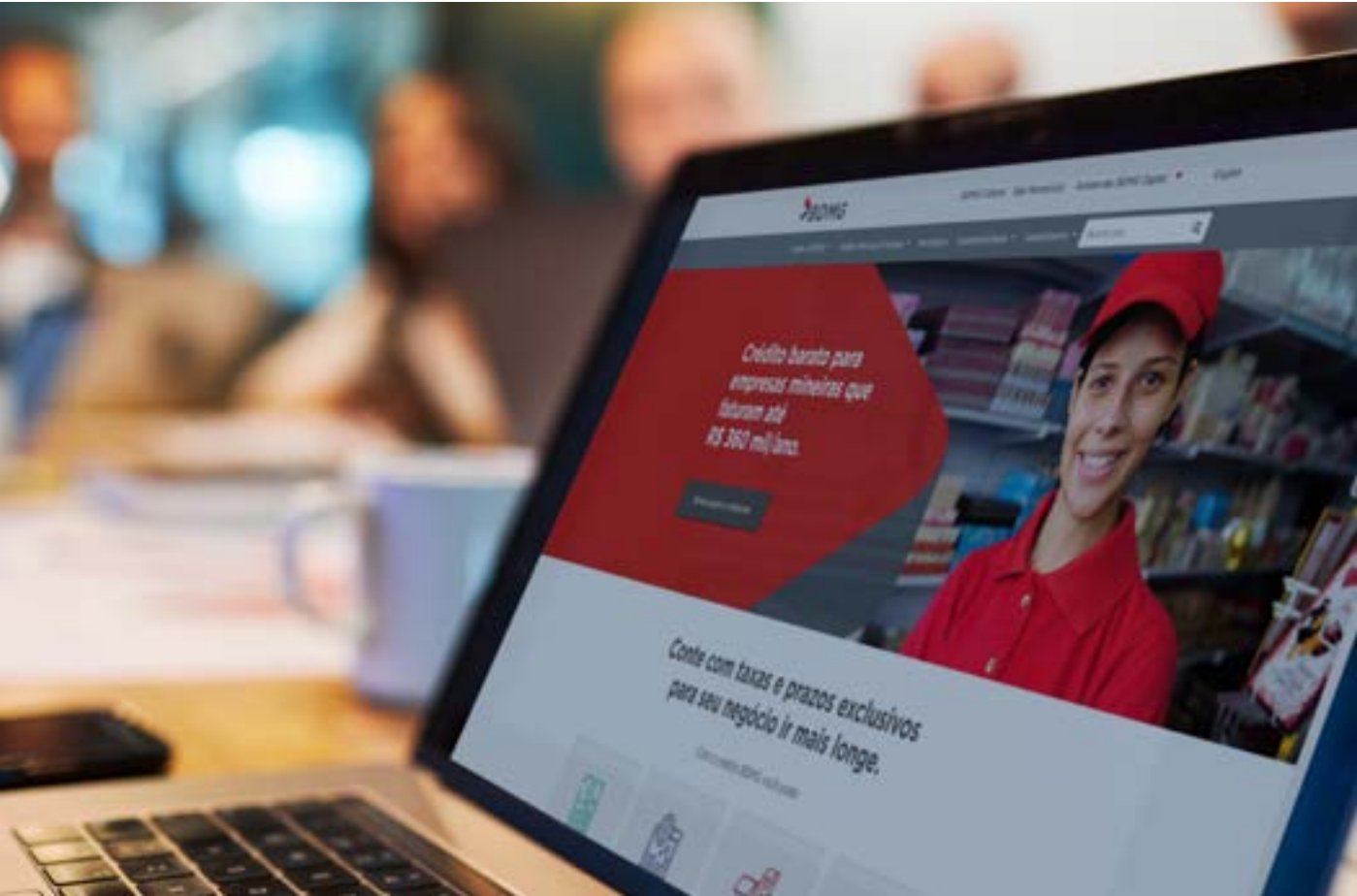
In December, the first disbursement was made within the scope of LabAgroMinas, a total of R\$2 million. Through BDMG's performance as a "second tier bank" – in this case, with its partner Sicoob Credipontal – the sponsored project will convert animal waste into clean energy and bio-fertilizers for use in corn crops. With this, it is estimated it will generate R\$1.2 million annually in clean energy and avoid the emission CO<sub>2</sub> equivalent to 425,000 km driven by a heavy diesel truck.



# MICRO AND SMALL COMPANIES (MSE) - BDMG DIGITAL



The total disbursement volume for MSE increased by 20%, to a total of R\$376.1 million in 2022. Of this amount, 93% came from processes via the Bank's website, which gives access to the BDMG Digital platform designed to facilitate and speed up the analysis and granting of credit. There were 4,630 customers with financing disbursed, with 66% served by correspondent banks and 34% via direct access to the digital platform.

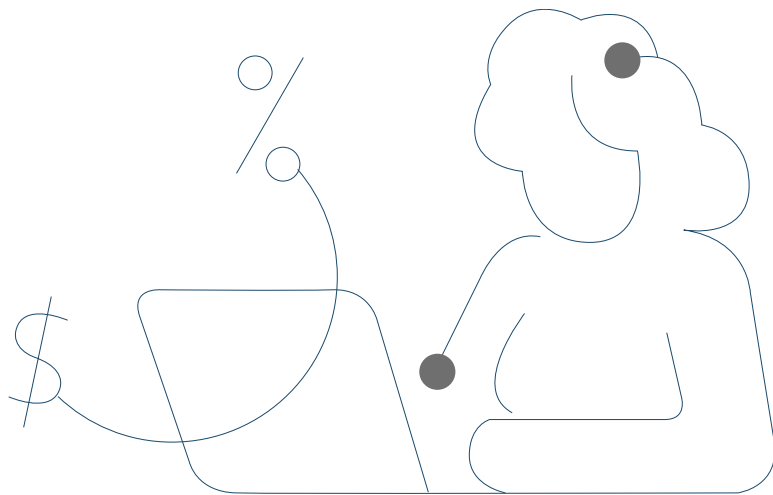




## BDMG Pronampe 2022

In allusion to BDMG's 60<sup>th</sup> anniversary and considering the permanent quest to offer more competitive products to its customers, the Bank offered Pronampe credit<sup>6</sup> with differentiated conditions and at rates lower than those practiced by the competition. Through the Program, R\$137.9 million were disbursed, with emphasis on Pronampe

Fidelidade and Pronampe Mulheres modalities, which were 63% of the disbursements of this product. The first targets customers with a good record of relationship with the Bank. The second, values female entrepreneurship, having as a mandatory requirement the participation of a female entrepreneur in at least 50% of the company's share capital.



## BDMG APL

In June, BDMG launched the BDMG APL program, a credit line aimed at strengthening small businesses that are part of the Local Productive Arrangements

(APLs) recognized by the State Secretariat for Economic Development of Minas Gerais.

## Correspondent Bank Network

During 2022, the accreditation process for new correspondent banks was improved, allowing for a more prospective performance of this type of partner. There was a 30% increase in the number of accredited correspondents, reaching a total of 620 in Minas Gerais.

A Quality Control Plan was also created, which establishes benchmark criteria for the performance of correspondent banking, through the improvement of processes and management of BDMG in the relationship with its partners.

<sup>6</sup>he National Support Program for Micro and Small Businesses (Pronampe) was established by Law No. 13,999, of May 19, 2020, to support small businesses during the COVID-19 pandemic. The Program became permanent by Law No. 14,161, of June 2, 2021.

# MEDIUM AND LARGE COMPANIES

In 2022, BDMG served 311 medium and large companies, 236 of which were medium-sized and 75 large-sized<sup>7</sup>. For medium-sized companies, R\$576.9 million were disbursed, while for large companies, the amount was R\$1,302 million. Emphasis on agribusiness, 59% of the amount disbursed to large companies, was R\$765.8 million.

The medium and large companies that obtained financing in 2022 are located in 138 municipalities, of which 60% with an HDI below the Brazilian average, contributing to the injection of resources into the areas of local suppliers.

**2022** 311 MEDIUM AND LARGE COMPANIES SERVED

R\$ **576,9** MI MEDIUM COMPANIES

R\$ **1.302,6** MI LARGE COMPANIES

<sup>7</sup>Medium-sized companies are considered to have annual revenues between R\$4.8 million and R\$300 million. Above R\$300 million, they are classified as large.

# PUBLIC SECTOR

In 2022, BDMG directed its strategy to expand the permanent financing lines for municipal infrastructure, in addition to novelties brought by the Public Notice BDMG Municipalities, which offered credit to the public sector online, more agile and less bureaucratic, via the BDMG Digital platform.

Throughout the year, R\$173.7 million were disbursed for projects of 240 municipalities in Minas Gerais and one inter-municipal consortium, R\$16.5 million of which were allocated to projects in the Sewage Collection and Treatment and Solid Waste Disposal Program, in partnership with the Renova Foundation.

## BDMG Municipalities Public Notice 2022

In March, the Bank launched a new version of the Public Sector Financing Notice, making resources available through five lines: Urbaniza (urban infrastructure), Sustainable Cities (clean energy, modernization of public buildings), Sanitation (water, sewage and solid waste), Highways (side-roads, bridges and viaducts) and Maq (machinery, equipment and vehicles).

The BDMG Municipalities Public Notice 2022 brought the financing of roads and bridges, the expansion of credit limits per municipality, the inclusion of infrastructure projects in tourism, culture and sport as financeable items in the Sustainable Cities line, in addition to 100% digital contracting.

A total of 120 municipalities were awarded new contracts, making possible a total volume of R\$222 million in credit for investments in the improvement of urban infrastructure and public services at the local level. Around 43% of the amount (R\$96 million) will be allocated to 57 municipalities with an HDI below the state average, which will have the additional benefit of a 1 pp reduction in interest rates when compared to other customers.

In addition to the offer of credit via Public Notice, the permanent financing lines were expanded and reformulated:

- 1

**BDMG SUSTAINABILITY**  
for investments that adhere to the Sustainable Development Goals (SDGs).
- 2

**BDMG SOLIDÁRIO**  
for emergency investments caused by a state of emergency or public calamity.
- 3

**BDMG MOBILIDADE**  
for the construction and renovation of side-roads and bridges, in addition to mobility and urban drainage works.
- 4

**BDMG MÁQUINAS**  
for the isolated acquisition of machinery and equipment.
- 5

**BDMG REURB**  
which finances the contracting, by the municipal government, of technical consultants for the execution of land ownership legalization.



Public Sector Service Room

## Training of municipal technicians

In October, more than 250 managers of agreements from the municipalities of Minas Gerais took part in training courses by BDMG on the efficient use of the digital platform for controlling works financed by the Bank. In the training the main processes were

addressed so that the technicians of the municipalities could apply for BDMG financing, in addition to the dissemination and provision of clarifications on the permanent lines of credit for the municipalities.

## BDMG Reurb

In June, BDMG launched a new credit line to support Minas Gerais municipalities in land regularization projects, BDMG Reurb. Its purpose is to finance the contracting by the municipal government, via a bidding process of technical consultants for the execution of all items necessary to structure land ownership legalization processes, such as

mapping, geo-referencing, property title research, registration of owners and expenses records, among other activities. It is also up to city halls to identify properties in the urban area that can be regularized, as well as to select beneficiary families based on social criteria.

# POST DISASTER ECONOMIC RELIEF

Since 2017, BDMG has worked together with the Renova Foundation in socio-economic programs related to the economic dynamism of the Rio Doce region, in the 35 municipalities in the Minas Gerais area where the Foundation operates.

The *Fundo Desenvolve Rio Doce* is a working capital financing product with the aim of fostering economic activity in the municipalities affected by the Fundão dam failure. In 2022, R\$31 million were disbursed to 452 customers, representing a 318% increase compared to 2021. Since the beginning of its operation, in October 2017, until the end of 2022, the

*Desenvolve Rio Doce* program had already supported almost 7,600 jobs, in 1,994 operations carried out, totaling a disbursement of R\$80.6 million.

BDMG is also financial agent for the Sewage Collection and Treatment and Solid Waste Disposal Program, in partnership with the *Renova* Foundation. From the beginning of the program until the end of 2022, R\$45.1 million were disbursed to 31 municipalities in a consortium. Of this total, R\$16.5 million were released in 2022 to 26 customers, showing a 13.7% growth in disbursements compared to 2021.

## Business District of the Mariana Municipality

In November, a Cooperation Agreement was signed between BDMG, *Renova* Foundation and the Municipality of Mariana at R\$14.8 million for the implementation of the Business District of Mariana. The initiative will make the city more attractive for business investments, seeking to diversify the economy. BDMG will be responsible for the financial transfer and monitoring of the work to be carried out by the municipality of Mariana.

Furthermore, also within the framework of Mariana's economic diversification, BDMG will be the financial agent of the financing program for small and medium-sized companies in the City, offering interest rates and terms that are more accessible than the market average.

## BDMG's Role in *Recupera Minas*

BDMG provided a budget of R\$366 million in emergency credit to support the normalization of activities that generate income and development for the population impacted by the rains that affected the State in early 2022. The initiative was part of an action plan announced by the Government of Minas Gerais, called *Recupera Minas* and included financing

lines with reduced rates and affordable terms for city governments (infrastructure and popular housing) and small businesses in cities with an emergency situation or disaster decreed, published by the Civil Defense Agency of Minas Gerais. Among the lines, the following stood out:

### 1 BDMG HABITAÇÃO MUNICÍPIOS

this exclusive credit line for municipalities impacted by the rains made it possible for city governments to build houses on their own land and donate them to families who lost their homes.

### 2 BDMG SOLIDÁRIO

this line was created with the purpose of supporting companies located in cities that declared emergency or public calamity due to floods.

# ADVICE TO THE PUBLIC SECTOR

In line with the public interest and in compliance with its corporate mission (Articles of Incorporation, art. 4, IV), in 2022, BDMG developed, activities to structure the processes of privatization and sale of assets of state-owned companies in Minas Gerais, providing specialized services, advisory services and technical assistance, through partnerships with various State Secretariats. These services include scenario diagnosis, economic and financial assessments, legal analyses, modeling, technical

assistance in the preparation and execution of asset sales.

In 2022, a specialized area was structured, bringing together teams that provide services to the public sector, with the aim of advising the State Government on its privatization program, as well as the Minas Gerais municipalities, both to expand and to improve the quality of service provision and infrastructure to the population.



R\$ **14,8** MI



## Advisor to the State Government

The execution of the service provision contract entered into with the State Secretariat for Economic Development (SEDE), whose purpose is to provide advisory services and technical assistance in the preparation and monitoring of *Codemge's* asset divestment system. Its main achievements were the completion of the structuring of the divestment of shares held by *Codemge* in companies *Companhia Brasileira de Lítio* (CBL), *IAS*, *Datora* and *Helibras*. Also in 2022, the divestment execution phase began: in July, the CBL Share Purchase and Sale Agreement (CCVA) was signed and, in September, the sale of the shares held by *Codemge* in the company. Both were assisted by BDMG.

In July 2022, a service provision contract was signed with the State Secretariat for the Environment and Sustainable Development (SEMAD) aimed at structuring modeling of two projects for the concession of public services for the management of solid urban waste for two mining consortia. After a public tender held by SEMAD, two projects were

chosen – CISPARG (Inter-Municipal Public Consortium for Sustainable Development of Alto Paranaíba) and CISAB SUL (Inter-Municipal Consortium for Basic Sanitation of Southern Minas Gerais), which started in the second half of 2022. It should be noted that the CISPARG Project also receives support from the Inter-American Development Bank (IDB), within the scope of the cooperation agreement signed in April 2020 for sanitation projects in Minas Gerais, providing the project with US\$300,000 for hiring consultancies that will provide technical inputs for modeling.

Under the service provision contract with the State Secretariat for Infrastructure and Mobility (SEINFRA), whose purpose is to make investments viable, ensure maintenance of stretches of highway and strengthen the state's logistics infrastructure throughout 2022, updates were made to the modeling of the Ouro Preto highway concession, whose studies had their first version completed in February 2022 and are still being adjusted.

## Advice to Minas Gerais Municipalities

As part of the cooperation agreement entered into with the British Government, through the Brazil Green Finance Program – UK Pact, signed in June 2021, consultations were made available to promote partnerships in the management and disposal of waste as a sustainable infrastructure project in the environmental and climate agenda of Minas Gerais. Support was directed to the diagnosis stage, carried out within the framework of a project to model the concession of services for the management, treatment and final disposal of municipal solid waste from a group of 31 municipalities belonging to the Consortium Multisetorial Intermunicipal do Vale do Piranga (CIMVALPI), whose service provision

contract was entered into with BDMG in February last year.

In December 2022, the Municipality of Poços de Caldas signed the concession contract for the management and operation of the Integrated Tourist Circuit of the municipality, made up of the Cristo Redentor Tourist Complex, with its cable car and free flight ramp, Amores Fountain, the Japanese Retreat and the Bridal Veil (Veio da Noiva) Tourist Complex. The project was structured by BDMG and foresees around a minimum R\$36 million in investments, as well as the generation of 250 direct and indirect jobs.

R\$ **36**<sub>MI</sub> + **250**  
JOBS  
GENERATED

## Structuring actions for 2023 and following years

Also in December 2022, a Letter of Intent was signed with the then Special Secretariat for the Investment Partnerships Program of the Ministry of the Economy (PPI), with a view to making the necessary institutional efforts to integrate and promote training actions and technical support for structuring

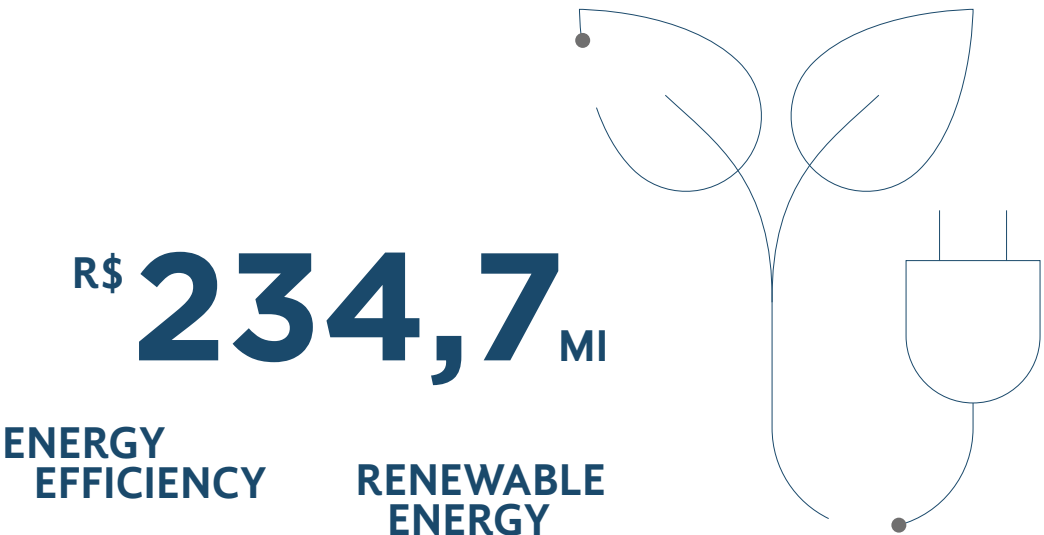
and implementation of concession projects and public-private partnerships (PPPs). The partnership takes place in a context of seeking possibilities to leverage BDMG resources to structure a greater number of projects, reaching more municipalities in Minas Gerais.

# CLEAN ENERGY AND CLIMATE CHANGE

In line with the UN's 2030 Agenda and with the goals established in the Paris Agreement, BDMG has been expanding its investments in energy efficiency projects and renewable energy generation.

In this scenario, projects related to energy efficiency (EE) and renewable energy (RE) received R\$234.7

million from BDMG, which is a 38% increase compared to 2021. This amount was distributed to 77 customers in 66 municipalities. Highlight for photovoltaic solar energy projects, which are 68% of disbursements for EE and RE. This confirms the Bank's alignment with international climate guidelines that indicate the reduction of carbon emissions.



EIB Projects

BDMG’s contract with the European Investment Bank (EIB), signed in 2019 100 million Euros, encourages projects that favor the reduction of climate change. In 2022, R\$196.1 million were disbursed for projects of photovoltaic plants, hydroelectric generation centers

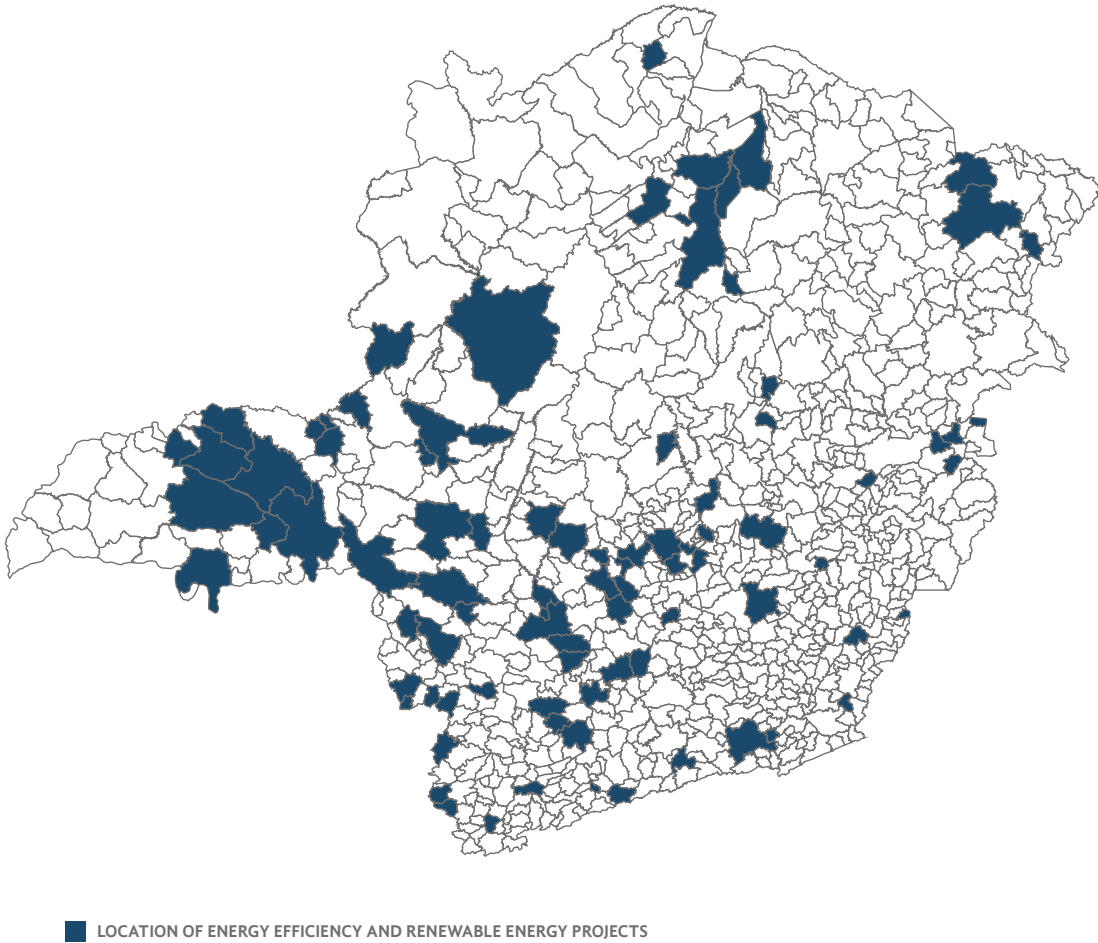
(HGCs) and plants based on biomass. Since 2019, when the contract with the BEI was signed, until the end of 2022, R\$442.6 million have already been contracted, with R\$387.2 million in disbursements.

Table 05: EE and RE Disbursement - 2021-2022

Framework	2021	2022	Var (%)
Energy efficiency	18,7	21,3	14%
Improving energy efficiency, installing more efficient lighting or equipment	0	12,6	-
Expansion of the public lighting network with more energy-efficient technology	18,7	8,7	53%
Renewable energy	150,4	213,4	42%
Photovoltaic solar energy	59,5	159,7	168%
Energy from biomass or biogas	0	37,3	-
Ethanol production	22,8	11	52%
Hydro-electric energy	64,1	5,4	92%
Others	4,0	-	-
Total	169,1	234,7	39%

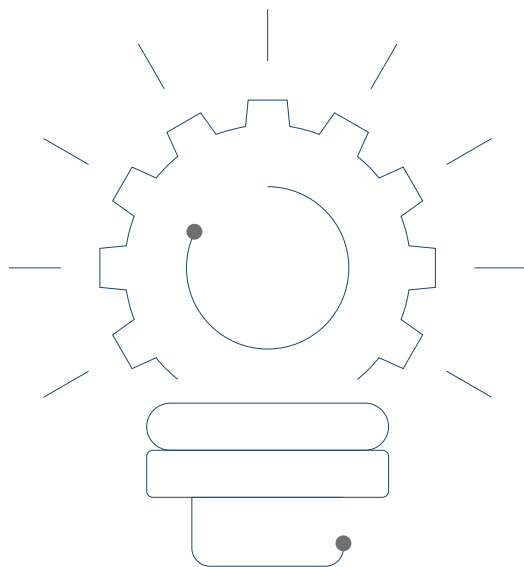
| Source: BDMG, 2023

Figure 06: Location of Energy Efficiency and Renewable Energy Projects - Projects approved 2022



# INNOVATION

In order to increasing the competitiveness of companies by encouraging innovative activities that generate value and greater productivity, in December, the Bank signed a new agreement with the Research Support Foundation of the State of Minas Gerais – FAPEMIG, through the Pro-Innovation Program. R\$50.4 million were funded by FAPEMIG. BDMG will fund 30% of this amount as the operations take place.



R\$ **50,4** MI

+

**30** %

INVESTED IN  
INNOVATION  
ACTIVITIES

+ VALUE  
PRODUCTIVITY

## Equity Investment Funds (EIFs)

In addition to stimulating innovation through financing, BDMG also works with investment instruments to support innovative companies with high-growth potential. Throughout 2022, R\$6.5 million were paid into this portfolio, made up of eight Equity Investment Funds (EIFs) and a Venture Debt Fund. Together, these funds have already signed investment commitments in 40 companies in Minas Gerais, totaling R\$153.6 million.

The Bank has a stake in two companies, holding 6.5% of the shares of *Unitec Semicondutores SA* semiconductor industry under implementation in the municipality of Ribeirão das Neves, in which it has been a shareholder since 2012; and 4.98% of *Biom SA*, a biopharmaceutical company located in Nova Lima, in which it has been a shareholder since 2013.

# GENDER EQUALITY

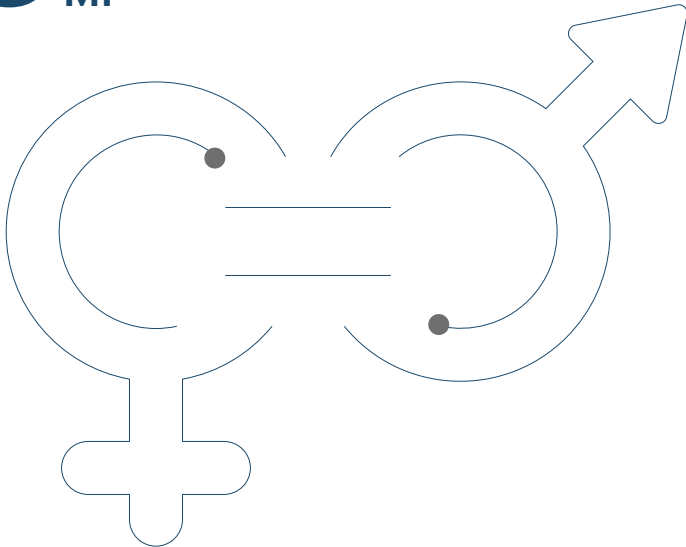
With the aim of supporting micro and small companies controlled by women and encouraging female entrepreneurship, BDMG made available the *Empreendedoras de Minas* and *Pronampe Mulheres* financing lines. As a result, BDMG stood out in the credit market by making the Pronampe line available under special conditions for companies with female leadership. In all, R\$41.6 million were released by

these financing lines in 2022, serving 673 companies with this profile.

Since October 2018, the Bank has supported female entrepreneurs with credit lines with special conditions. In the accumulated result, R\$186.9 million have already been transferred to 4,136 entrepreneurs from Minas Gerais.

R\$ **41,6** MI

FOR 673  
COMPANIES





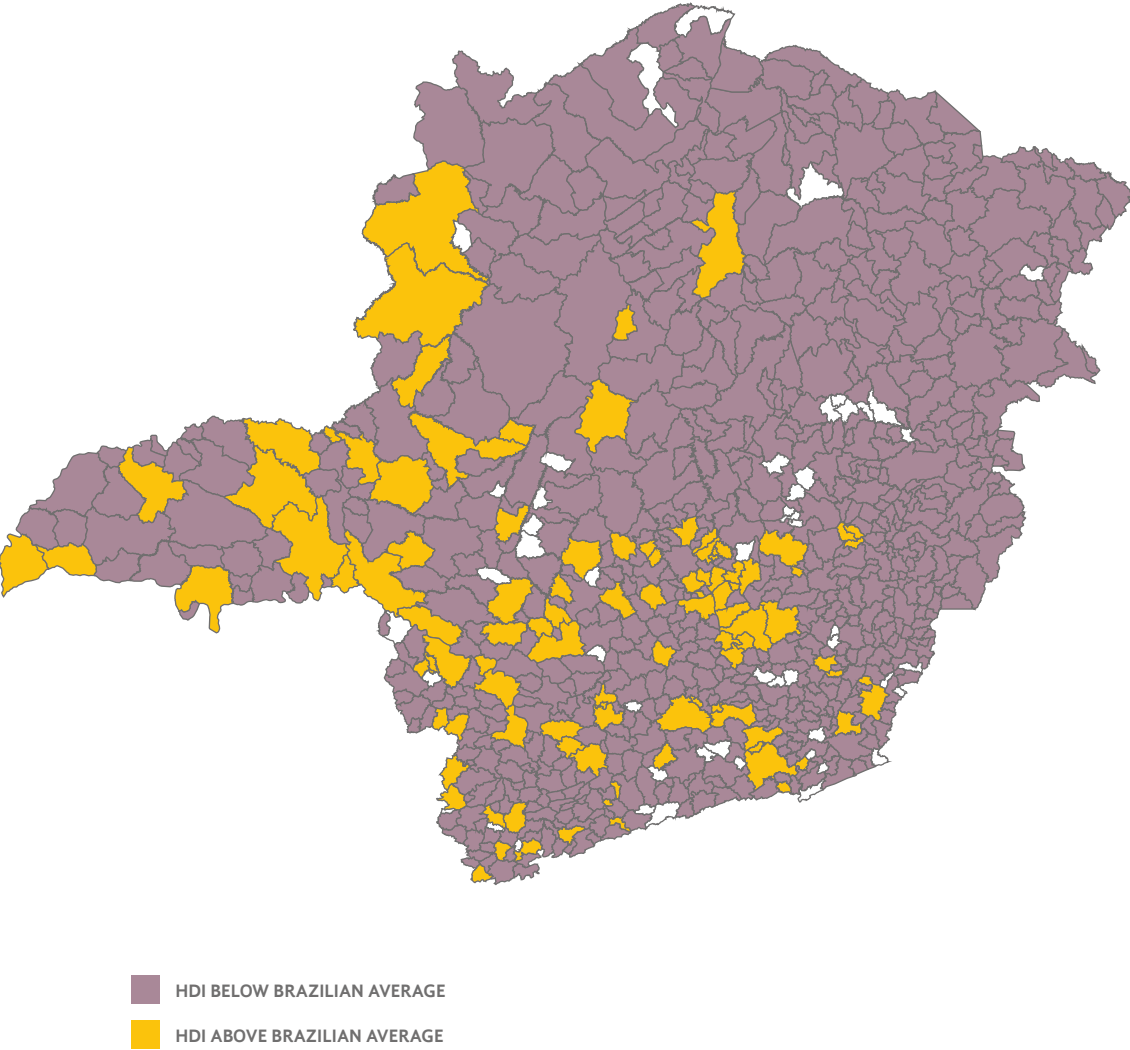


# IMPACTS

# IMPACTS

In 2022, around 83% of the municipalities where BDMG made disbursements have an HDI below the Brazilian average. This indicator summarizes the institution's relevance in the allocation of resources in territories where credit is able to provide, in a more evident way, the generation of economic, social and environmental impact for society. It is also important to highlight that the volume released to these municipalities with an HDI below the Brazilian average grew by 31% compared to 2021.

Figure 07: Presence of BDMG in Minas Gerais municipalities, according to HDI (Dec/22)



# IMPACTS BY SECTOR

## Renewable Energy and Energy Efficiency

In 2022, the disbursement of R\$213.4 million for renewable energy made it possible to carry out several clean energy generation projects. Considering 47 photovoltaic solar energy projects and two energy plants based on biomass, which use sugarcane as fuel, BDMG helped to create an installed capacity of more than 140MW. Thus, this allows the generation of 630GWh of renewable energy per year, enough to supply, on average, 210 thousand families in the period. It is estimated that these projects will be responsible for avoiding the emission of almost 40,000t of CO<sub>2</sub>e/year, which is equivalent to the emissions generated by 3,300 Rio-São Paulo flights, considering round trips.

Municipalities in Minas Gerais have also invested in energy efficiency and renewable energy projects. In addition to providing environmental gains with the reduction of energy consumption and greenhouse gas emissions, replacing conventional light bulbs with LED light fixtures generates greater savings for the municipality's bills, facilities for system maintenance, as well as providing greater security for the population with the increase in the extension of the public lighting network. In 2022, with the support of BDMG, 21 municipalities in Minas Gerais invested around R\$18 million in clean energy projects.

## \_CONNECTION WITH SDGS



**RENEWABLE ENERGY**  
Through 47 photovoltaic solar energy projects and 2 energy plants based on biomass, it was possible to create an installed capacity of more than 140MW

These projects will allow the generation of 630 GWh of renewable energy per year, enough to supply, on average, 210 thousand families with four people



**CLIMATE ACTION**  
It is estimated that these projects will be responsible for avoiding the emission of almost 40,000t of CO<sub>2</sub>e/year, equivalent to the emissions caused by 3,300 Rio-São Paulo flights, considering round trips.



# Financial and gender inclusion

BDMG Digital, BDMG’s credit granting platform for micro and small companies, contributed to maintain more than 28 thousand jobs in 2022. The MSCs assisted were located in 419 municipalities in Minas Gerais, 80% of which had an HDI below the Brazilian average.

Considering only the lines aimed at strengthening and boosting female entrepreneurship, BDMG Digital contributed to maintain more than 3,000 jobs in 157 municipalities in Minas Gerais.

In promoting economic recovery after disasters, BDMG once again had a strong role in supporting companies located in cities that declared an emergency or public calamity due to the floods that devastated the state. In this context, the Bank has contributed to maintain more than 19 thousand jobs in 352 municipalities in Minas Gerais.

## \_CONNECTION WITH SDGS



### JOB GENERATION – BDMG DIGITAL

More than 28,000 jobs supported in 419 municipalities in Minas Gerais, 80% of which have an HDI below the Brazilian average



### GENDER INCLUSION

More than 3,000 jobs supported in 157 municipalities in Minas Gerais  
662 entrepreneurs assisted



### ECONOMIC RECOVERY

More than 19,000 jobs supported in 352 municipalities in Minas Gerais affected by floods

# Education and Health

In 2022, BDMG disbursed R\$60 million for health projects in 16 municipalities in Minas Gerais, 56% of them with an HDI below the Brazilian average.

Among the projects carried out by the municipalities of Minas Gerais, the municipalities of Campo Florido and Piedade de Ponte Nova carried out, respectively, the renovation of the Center for Medical Specialties and the renovation of the Maria do Carmo Bordoni Municipal Polyclinic building. Together, these works will directly benefit more than 9,000 people. In Uberlândia, through the refurbishment and expansion of the outpatient clinic and emergency room at Hospital Municipal e Maternidade Dr. Odelmo Leão Carneiro, it is estimated that the directly benefited population reaches around 50 thousand people. In Buritizeiro, the renovation and expansion of the Hospital Rodolfo Mallard will directly benefit 28,000

people; 38 new beds will be created

In the private sector, eight other projects reinforce investments in the health area, either through the expansion of the health service provision network, construction of hospitals, expansion of the manufacture of pharmaceutical inputs or working capital operations that will support the companies in the sector in replenishing cash, paying employees or even purchasing hospital supplies.

Projects targeting education were implemented in five municipalities in Minas Gerais, all of them with an HDI below the Brazilian average and covered populations in the Midwest, North, Rio Doce and South of Minas. Among the funded projects, two serve 485 elementary school students; the other three are in the field of early childhood education and benefit 423 children.

## \_CONNECTION WITH SDGS



### HEALTH

16 municipalities in Minas Gerais served  
9 projects in the public sector  
8 projects in the private sector  
9,000 people directly benefited from reforms in the specialized care network  
50,000 people directly benefited from the renovation and expansion of the outpatient clinic and emergency room at the Dr. Odelmo Leão Carneiro  
28,000 people directly benefited from the renovation and expansion of Hospital Rodolfo Mallard



### EDUCATION

5 municipalities in Minas Gerais with below-average HDI served  
2 projects in elementary education benefiting 485 students  
3 projects for early childhood education benefiting 423 children



# Sanitation

Sanitation projects promote the population's access to various services, such as treated water, sewage collection and treatment and solid waste treatment. Through the execution of these projects, city governments and public service concessionaires contribute to the eradication of diseases, to increase the quality of life, to improve health indicators and the Human Development Index (HDI), in addition to greater control of expenses in public health, preservation of the environment and stimulus to tourism.

In 2022, 36 municipalities in Minas Gerais, 89% with an HDI below the Brazilian average, carried out 37 sanitation projects through financing from BDMG. There were four water supply projects that will benefit more than 10,000 people through almost 3,000 water connections. In addition to these, 28 sewage projects were carried out and five related to the treatment and collection of urban solid waste.

In total, BDMG disbursed R\$19.4 million for sanitation in 2022.

## \_CONNECTION WITH SDGS



### SANITATION

36 municipalities in Minas Gerais served, 89% of them with an HDI below the Brazilian average  
37 sanitation projects  
More than 10,000 people benefited through almost 3,000 water connections from water supply projects  
28 sewage projects  
Five projects for the treatment and collection of urban solid waste

## Impact on the State Economy

Applying the Input-Output Matrix<sup>8</sup>, an econometric methodology that helps to assess the impacts of BDMG disbursements on the state economy, it is estimated that BDMG disbursements in the state economy have generated a value of R\$4,557

million in Minas Gerais production, with 60,530 jobs stimulated, in addition to the generation of R\$147 million in ICMS (Tax on Circulation of Goods and Provision of Services) throughout 2022<sup>9</sup>.

<sup>8</sup> The input-output analysis methodology simulates the productive structure of Minas Gerais and the rest of Brazil and measures the economic impacts of increased investments in the state, resulting from the performance of BDMG.

<sup>9</sup> The effects on the economic variables of revenue (Gross Production Amount), jobs (number of jobs), salary mass, ICMS collection and gross value added (GDP) were evaluated, using a matrix with an opening of 67 sectors, calibrated for two regions (Minas Gerais and Rest of Brazil) using 2015 as a reference.

# Impact Score



In recent years, BDMG has been developing practices and tools for measuring impact, such as the CO<sub>2</sub> calculator and impact and result indicators connected to taxonomy for classifying financing. In 2022, BDMG created an Impact Score, a tool that generates a score resulting from the combination of different impact attributes of each funding. That is, the higher the score, the more likely an operation will be included.

The Score is applied at the time of project analysis and takes into account 11 variables that were distributed into five different axes, as shown in the table below:

Table 07: Impact Score Methodology: Variables by Axis

1	2	3
OBJECTIVE	SOCIAL	ENVIRONMENT
<ul style="list-style-type: none"><li>- SDG Framework</li><li>- Financing type</li><li>- Product with a specific target audience and/or meeting demand</li></ul>	<ul style="list-style-type: none"><li>- IDH</li><li>- Number of inhabitants of the municipality</li><li>- Business size or revenue Municipality</li><li>- Impact economic activities</li></ul>	<ul style="list-style-type: none"><li>- Climate vulnerability</li></ul>
4	5	
ECONOMIC	BEST PRACTICES AND EFFECTIVENESS	
<ul style="list-style-type: none"><li>- Economic sectors</li></ul>	<ul style="list-style-type: none"><li>- Socio-environmental certifications</li><li>- Presence of registered impact indicator</li></ul>	

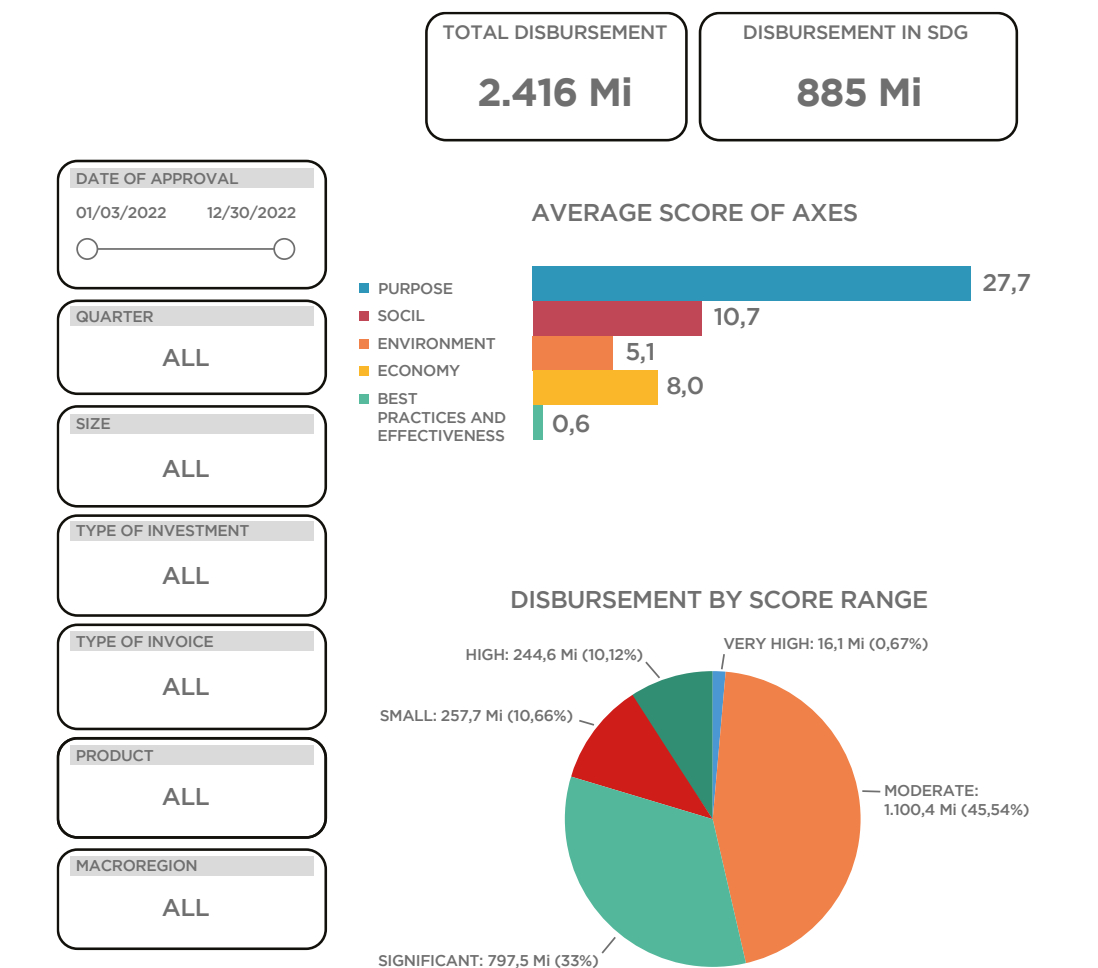
| Source: BDMG, 2023

The Score measures the level of impact of projects financed by the Bank through its own methodology, making the impact an essential component in the credit decision. In other words, the Impact Score brings additional information to the analysis and deliberation of operations, in addition to allowing the comparison between projects with greater and

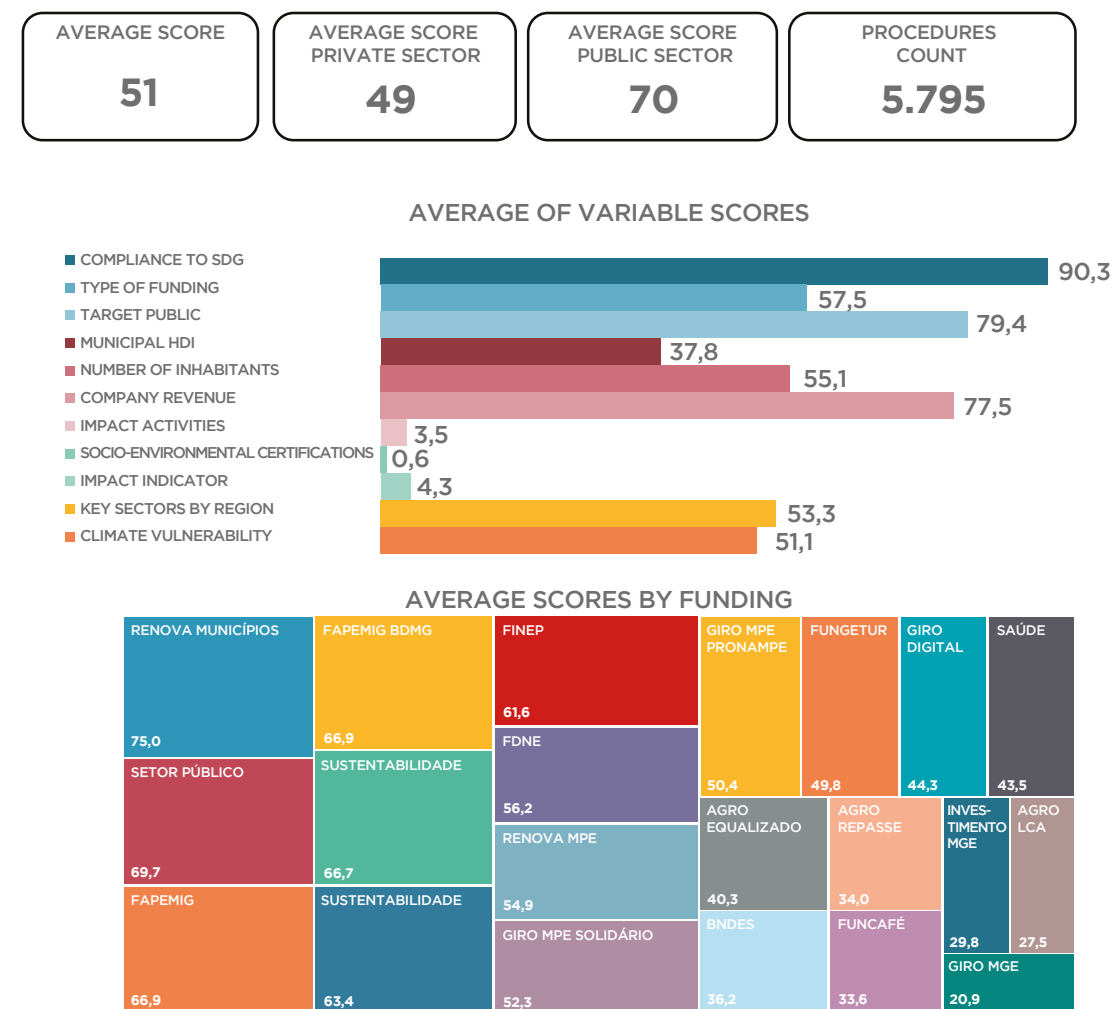
lesser impact, which helps in the development of new analyses and indicators.

All BDMG employees have access to the results of the Impact score through the Power BI dashboard in the Bank's intranet.

Figure 08: Power BI – Impact Score



Source: BDMG, 2023



## Evaluation of Results and Impacts

With the aim of strengthening the culture and training in evaluating results and impacts in developmental institutions, BDMG participated in a series of six workshops organized by the Qualification and Evaluation Network (ReDeCa), which is part of the Executive Committee at BDMG.

ReDeCa, which creates a forum for the exchange of experiences and continuous improvement in the subject of monitoring and evaluation in

development institutions, was founded by Office of Evaluation and Oversight (OEO), an independent office for the evaluation and monitoring of IDB Group project practices.

In November, Bank representatives attended the conference on “Evaluation in Development Banks: Challenges and Contributions”, held at the IDB’s facilities in Washington, DC



# RELATIONSHIPS



# INSTITUTIONAL AND PARTNERSHIPS

## Technical Cooperation

During 2022, activities in the terms of technical cooperation with the Inter-American Development Bank (IDB) and the French Development Agency (AFD) were carried out.

With the IDB, BDMG is part of a pilot project to test a physical climate risk assessment tool in the Bank's portfolio, developed by a specialized company. Alignment with the Environmental, Social and Governance (ESG) principles was also part of the scope of this partnership. Benchmarking, a diagnosis and a proposal for structuring the Bank's governance related to the theme were drawn up, focusing on the

implementation of the Social, Environmental and Climate Responsibility Policy.

With AFD, cooperation includes six fronts that will help in the development of methodologies for measuring and mitigating climate risk and socio-environmental risks, expansion of the portfolio linked to the SDGs, continuous improvement of socio-environmental management, implementation of a climate and gender equality strategy, in addition to support for municipalities and project audits for micro and small companies and infrastructure.



## 27th United Nations Conference on Climate Change (COP-27)

BDMG was part of the delegation of the Government of Minas Gerais present at COP-27, in November 2022, in Sharm El-Sheikh, Egypt, when leaders from all over the world addressed issues such as financing for energy transition, policies for mitigation and adaptation to climate effects.

The Bank, together with the State Secretariat for the Environment and Sustainable Development (SEMAD), participated in the panel "The Imperative for Sub-national Climate Financing", an initiative of the Global Fund for the Development of Cities (GFDC) – a global network of local governments, created in 2010 to finance sustainable urban development – and ICLEI-Local Governments for Sustainability.

## Post-COP27 Conference

In December, the "Post COP27 conference: global context and prospects for climate action in the state of Minas Gerais" was held at the Bank's headquarters. Organized by the State Secretariat for the Environment and Sustainable Development (SEMAD), it brought together renowned specialists to discuss the challenges of the climate agenda.

During the event, the Minas Gerais Climate Action Plan was presented - *Race to Zero*, to direct the state towards low-carbon sustainable development and resilience to the effects of climate change. In this process, BDMG will play a key role as a financial agent for sustainable projects.

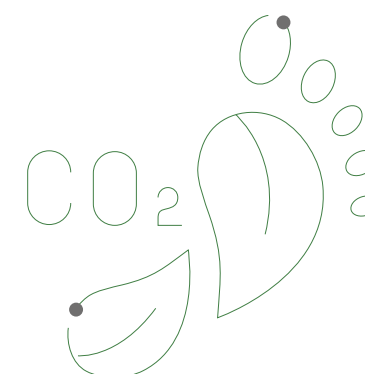
## Carbon footprint

The measurement of the carbon footprint of the BDMG portfolio was one of the products envisaged within the scope of the UK-Brazil Green Finance Program (BGFP). The results were presented at the workshop "Measuring the carbon footprint financed by BDMG", held in March 2022 and carried out by the Carbon Trust consultancy, in which the importance and ways of measuring emissions from projects financed by the Bank were discussed.

O UK-Brazil Green Finance Program (BGFP) is a program linked to the UK pact, a British Government

initiative that ended on March 30 with the aim of boosting investments in sustainable infrastructure projects in Brazil. Technical cooperation between BDMG and BGFP began in June 2021 and deliveries focused on benchmarking and structuring of financial instruments, such as Carbon Credits and Linked Bonds.

Consultancies were also made available to BDMG to encourage the financing of sustainable infrastructure projects, as well as to assess the degree of maturity of gender equality internally in the Bank.



## Global Compact

In 2022, upon completing two years as a signatory of the UN Global Compact, BDMG renewed its commitment to support the ten principles of the Compact on human rights, labor, the environment and the fight against corruption.

The letter in which the Bank reaffirms its engagement forms an integral part of the Communication on Progress document (CoP). It

describes actions aimed at continuously improving the integration of the Global Compact principles with BDMG's business strategy, culture and daily operations.

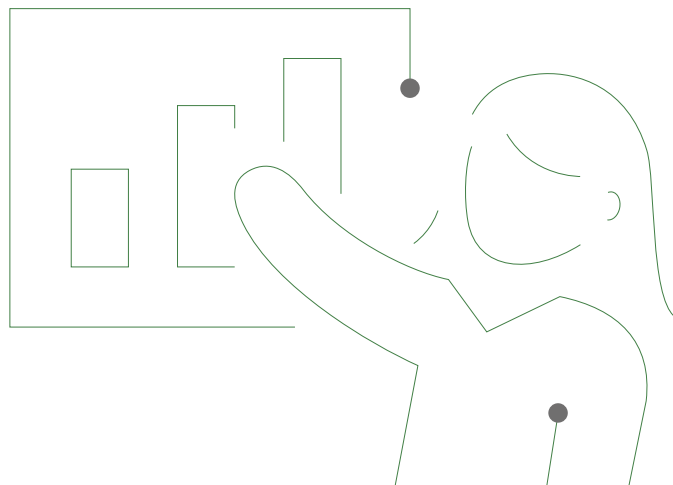
The CoP is available at: [www.unglobalcompact.org/participation/report/cop/create-and-submit/active/464593](http://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/464593)

# Board of Directors Statement on Gender Equality and Women’s Empowerment

The Declaration is an initiative began on the occasion of the Finance in Common Summit (2020), and is coordinated by the French Development Agency – AFD and the UN Women. It is a forum that brings together 33 development and promotion institutions from all over the world, which have committed to working together to improve their gender equality policies and contribute to the achievement of SDG 5 (Gender Equality) via improved gender equality policies and financial products. BDMG has been part of the initiative since its inception.

## Women’s Empowerment Principles (WEPs)

Since August 2021, BDMG is a signatory to the Women’s Empowerment Principles (WEPs), a set of commitments established by the UN Global Compact and UN Women that aims to leverage gender equality in the business world.



## Workshop on Gender Equity and Social Inclusion

Within the technical cooperation under the program UK Pact, the “Workshop on Gender Equity and Social Inclusion” was held in March for Bank employees, with the participation of the president of the Associação Brasileira de Desenvolvimento (ABDE), Jeanette Lontra, who shared her experience on the topic. During the event, the result of the BDMG Gender Maturity and Inclusion Assessment was presented, which revealed that the bank is at the “Advanced” (median) level, on a five-level scale study revealed that the theme of gender equality is widespread in the company, but points can be deepened and expanded so that the highest level (Sustainable) is reached.

# BDMG as a platform and knowledge agent

With the aim of strengthening the culture and training of performance evaluation in development financial institutions, the Qualification and Evaluation Network (ReDeCa), of which BDMG is a member of the steering committee, held six workshops on practical tools for monitoring and evaluation. The BDMG Sustainability product was the case study during the training.

With a view to aligning new infrastructure projects with the ESG (Environmental, Social and Governance) agenda, at the end of August, the Bank signed the Green Investment Strategy for Regional Development,

an agreement with the Ministry of Regional Development and which includes private agents and public, local and federal.

BDMG was present at the 2nd Annual Meeting of the Steering Committee of the Alliance of Sub-national Development Banks in Latin America and the Caribbean, which is one of the co-founders. On that occasion, the workshop had as its theme “The role of Sub-national Development Banks in financing an urban transition”.

## Minas Economy Award

In 2022, the 34th Minas Economy Prize, sponsored by BDMG and carried out by the Regional Council of Economy (Corecon-MG), awarded the best final papers of courses related to the institution in the state.

The objective is to encourage excellence in the monographs for the conclusion of economics

and international economic relations courses and contribute to improving analyses on developmental aspects. The winners in 2022 were monographs that highlighted topics such as the role and impacts of mining; the evolution of public debt; youth work and social mobility and the creative economy analyzed in regional terms.

## Inova Minas Award

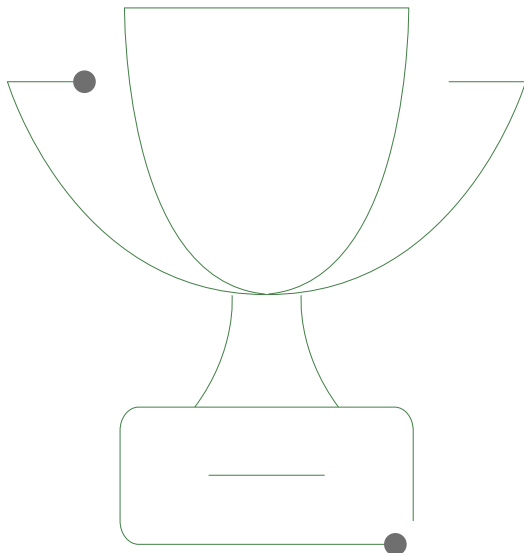
The Inova Minas Award is an initiative of the Minas Gerais State Planning and Management Secretariat (SEPLAG-MG), coordinated jointly with BDMG and the State Ombudsman’s Office (OGE), to recognize and reward the best ideas and initiatives by public agents with the potential to contribute to improving the state’s efficiency.

In all, 18 works participated in the final phase, with four works in each category receiving awards. The categories were “Implementable Innovative Ideas” and “Successfully Implemented Initiatives”, in the modalities “Innovation in Public Policies” and “Innovation in Organizational Processes”.

# AWARDS RECEIVED

## ALIDE Award

BDMG was elected “Bank of the Year 2022” by the Latin American Association of Financial Institutions for Development (ALIDE), due to the social impact generated and the work carried out in favor of sustainable development. The award took place during the 52nd ALIDE General Assembly, held in the city of Willemstad, Curaçao, in May.



## Equilibrista (Balancing Act) Award

In December, the Presidency of BDMG received a tribute in the Equilibrista Award, from the Brazilian Institute of Finance Executives - IBEF Minas Gerais, in recognition of the Bank’s 60 years of contribution to Minas Gerais society.

## Minas Award – Business Performance

In November, BDMG was one of the institutions awarded the XXIV Minas Award – Business Performance – Best and Biggest Companies, by Mercado Comum magazine. The Bank received homage for its 60 years in the “Tradition and Perpetuity” category and the “50 Best and Biggest – Excellence Companies of Minas Gerais” award, in the Finance category.

## SAIN-ABDE Award

In June 2022, BDMG received the award for second place in the SAIN-ABDE Award for Best Practices in International Fundraising, won at the 7th Development Forum. The award went to the International Funding Project with the Development Bank of Latin America (CAF), with the opening of a credit line of US\$100 million aimed at financing operations for companies, mainly micro, small and medium-sized, impacted by the effects caused by the Covid-19 pandemic and support in the process of recovery of economic activities in Minas Gerais.

## Gold Seal of the Brazilian GHG Protocol Program (PBGHG)

BDMG won, for the seventh consecutive year, the gold seal of the Brazilian GHG Program Protocol (PBGHG), the main methodology used in the world to measure greenhouse gas (GHG) emissions. The initiative was created by World Resources Institute (WRI), from the United States, which certifies the main international organizations.

According to the inventory of 2022 (with data from 2021), GHG emissions from some of the sources that belong to or are controlled by BDMG, such as, for example, fugitive emissions from air conditioners, fell 69% in six years, from 70.8tCO<sub>2</sub>e to 21.7 tCO<sub>2</sub>e. Indirect emissions from energy consumption also showed a significant reduction in emissions.

Although the recent results have been a reflection of the decrease in in-person activities at the Bank, due to the need for social isolation during the pandemic, there has been a continuous process of emissions reduction by BDMG over the years.





# SOCIETY: CORPORATE COMMUNICATION

In 2022, BDMG took social communication actions for its stakeholders in order to give visibility to institutional and marketing measures, maintain internal alignment and care for the Bank's image and reputation, in line with the strategic guidelines of its shareholder, the Government of Minas Gerais.

Thus, the Communication and Marketing area undertook structured planning of advertising campaigns in media on and offline which involved the dissemination of credit programs such as BDMG *Solidário*, BDMG *Pronampe*, BDMG *APL* and *Editai* BDMG *Municípios*, among others. The focus is on contributing to the dissemination of the advantages of the Bank's financing lines, highlighting, as a context and whenever possible, the generation of their impact on society. To make this narrative tangible, part of the campaigns used videos, photos and/or testimonials from actual Bank customers, both in the private and public sectors, to express how credit transformed realities and contributed to more development for the state.

It is worth mentioning that in the months when the electoral legislation that limited the scope and reach of communication initiatives by public companies was in force, BDMG adjusted its advertising actions, website and activities on social networks to disseminate exclusively commercial content, without institutional emphasis. In this way, compliance with electoral standards was reconciled with the benefit for society, that is, keeping knowledge about the Bank's credit offers accessible to all during the restrictive period.

BDMG maintained its proactive, transparent stance with the press, obtaining qualified results in 2022. In total, the Bank was mentioned in 4,789 articles

captured by the clipping system, 98.8% of them were classified as positive/neutral, an index 1.5 pp higher than in 2021. They included 42 hours of exposure on TV and radio stations in the state, notably media with greater reach and capillarity. Although the focus of the exhibition was on the Minas Gerais press, 115 of the total mentions were made in national media outlets, which contributed to expanding knowledge about the Bank and supporting its reputation with other strategic financial centers in the country.

In social networks, in tune with the various campaigns undertaken, the Bank's channels were constantly fed with multimedia content of a marketing and institutional nature, when the electoral legislation allowed. Highlight for the channel on the YouTube platform, updated with videos about products, customer cases, campaigns and public utility information related to obtaining credit. Continuous improvements and updates were also made to the content of the Bank's website, with a view to covering the widest possible range of topics of interest to users.

From the point of view of internal communication, 240 articles were published in online and intranet reports, in order to keep the internal public updated on the main news of the Bank's operations and to value the work of the teams, giving a voice to employees. Initiatives were also carried out to mark the institution's 60th anniversary, such as a commemoration for employees in partnership with BDMG Cultural, assessment of challenges and opportunities through a meeting with the Board, recording of a celebratory video with employees and other symbolic actions.

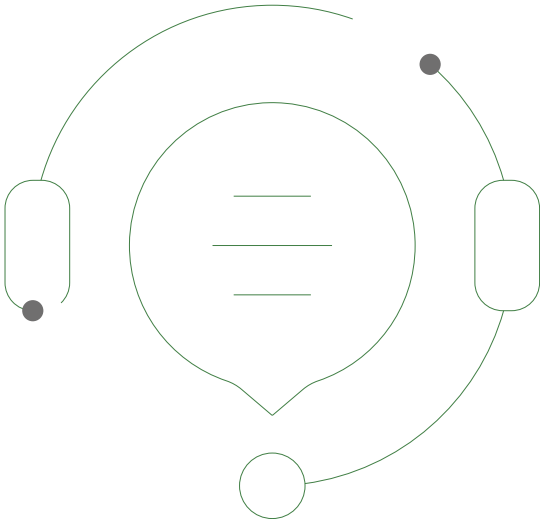
# CUSTOMER RELATIONSHIPS

## Ombudsman

Complaints from customers and users of products and services are received through a 0800 (toll free) telephone number and are registered by the Customer Service Center (NAC) in the CRM system. The Ombudsman also responds to demands sent by the Central Bank Ombudsman (BACEN) and the State Audit Committee and General Ombudsman

(OGE/MG), ensuring compliance with deadlines and ensuring strict compliance with legal and regulatory rules relating to the rights of its customers.


The number of demands met showed successive reductions throughout 2022, presenting a lower level than the previous two years.



## Customer Service Center (CSC)

The CSC is made up of a team of 17 attendants and two supervisors, working in the Micro and Small Business area. They are responsible for answering customers of all sizes, via telephone or chat, but mainly micro and small companies (95%). To this end, the attendants receive training in the use and access to the BDMG systems, in addition to courses and lectures on information security, bank secrecy,

data protection law and customer relations. The customer service satisfaction survey, carried out during 2022 and applied at the end of each incoming call, showed that 96.5% of customers were very satisfied or satisfied; 91.6% of them declared that the demand was completely resolved.



# SOCIAL, ENVIRONMENTAL AND CLIMATE RESPONSIBILITY

■ Pedro Henrique Valentim de Magalhães Lauar



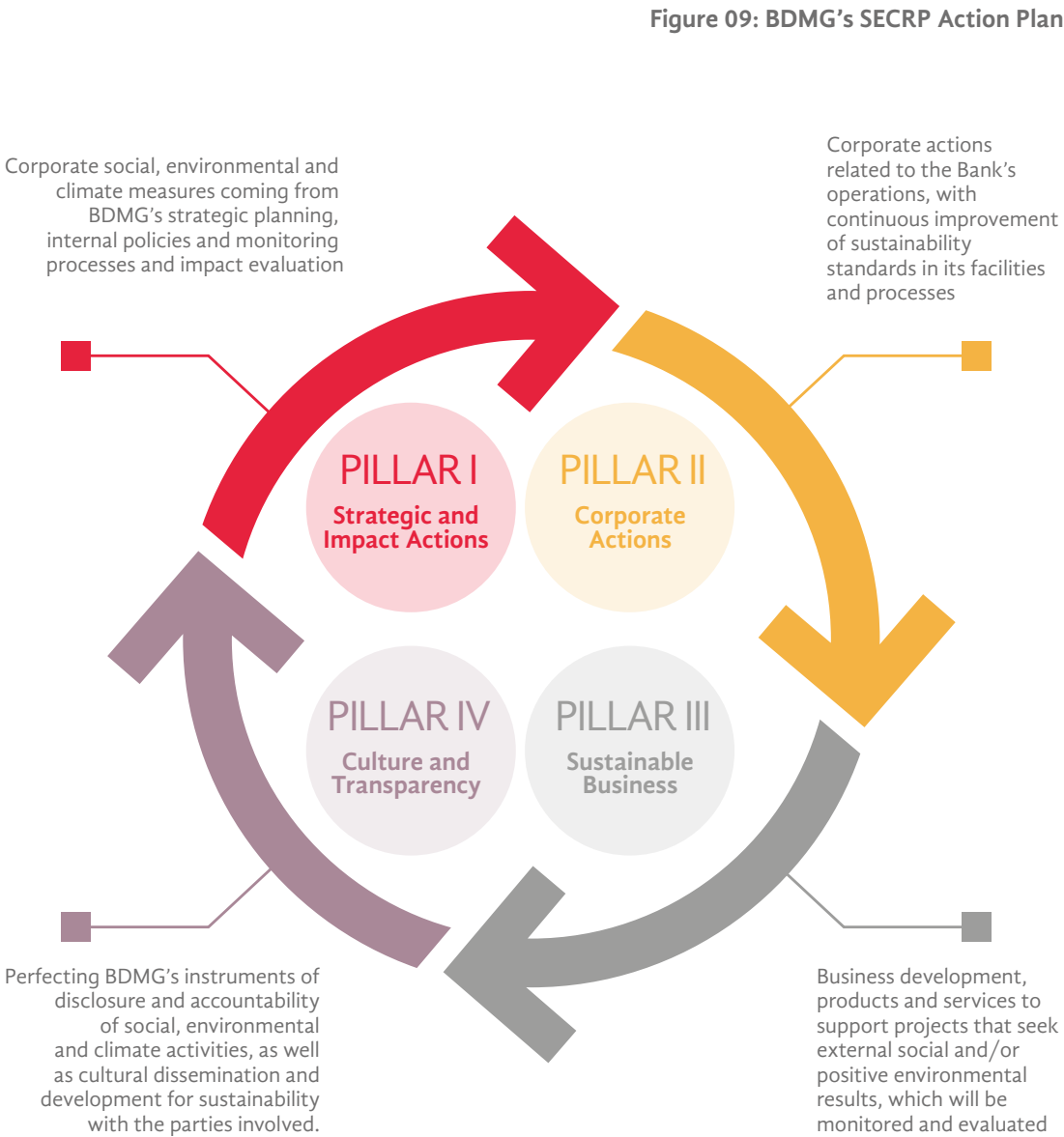
# Social, Environmental and Climate Responsibility Policy

In compliance with CMN Resolution No. 4,945, of September 15, 2021, BDMG's Social, Environmental and Climate Responsibility Policy (SECRP) was approved in August. The SECRP consists of a set of social, environmental and climate principles and guidelines to be observed by the Bank in carrying out its strategy, its businesses, its activities and its processes, as well as in its relationship with stakeholders, to promote the sustainable socio-economic development of Minas Gerais.

After the approval of the SECRP, an Action Plan was drawn up guided by global agendas in favor of sustainability and climate change, such as the UN

2030 Agenda, the Paris Agreement, the Addis Ababa Action Agenda, in addition to other initiatives within the national scope. The Plan is also fully aligned with the Minas Gerais State Climate Action Plan (CAPL-MG), coordinated by the State Secretariat for the Environment and Sustainable Development (SEMAD), to achieve net greenhouse gas emissions neutrality in the state until 2050, notably within the scope of the campaign Race to Zero.

The Action Plan has of four pillars which, in turn, encompass actions that will be implemented over the next three years:



The SECRP and related documents can be accessed at [www.bdmg.mg.gov.br/sobre-bdmg/?responsabilidade](http://www.bdmg.mg.gov.br/sobre-bdmg/?responsabilidade)



Evandro Dolabella Melo | Wellington Assis Braga Barros





Exposição Bordados da Terra e do Céu

## BDMG Employees Citizenship Institute (INDEC)

Inspired by the National Campaign to Combat Hunger, by the sociologist Herbert de Souza, Betinho, in 1993, the BDMG Employees Association (AFBDMG) created the Nucleus to Combat Hunger and Poverty which, five years later, would give rise to the BDMG Employees Citizenship Institute (INDEC).

INDEC technically and financially supports populations in situations of economic and social vulnerability in the state, with education, sports, culture, professionalization, health and social assistance projects.

In all, there were 16 social projects supported by INDEC in 2022, 10 of which were emergency projects. Approximately two thousand people were directly benefited by these projects, in the municipalities of Belo Horizonte, Contagem, Ibirité, Betim, Montes Claros, Rio Manso, São João da Ponte and São João das Missões.

In addition to donations from Bank employees, INDEC receives financial support from AFBDMG and support from BDMG.

## BDMG Cultural

The BDMG understands that culture is a fundamental element for development, as it is intrinsically related to the production of knowledge, to the symbolic, sensitive and historical training of individuals, to inventiveness and innovation, as well as to various productive sectors of society.

As a result, BDMG has maintained the Instituto Cultural Banco de Desenvolvimento de Minas Gerais – BDMG Cultural since its creation in 1988. Headquartered in Belo Horizonte and covering the entire state, BDMG Cultural is a non-profit organization that operates in a multidisciplinary way to promote, record and disseminate 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 2022, BDMG Cultural continued to carry out a series of actions to promote, recognize and disseminate different artistic languages, contributing to making production more dynamic in the field of culture in Minas Gerais.

In addition to sponsoring 13 cultural projects, the main initiatives carried out by BDMG Cultural were:

- **Exhibition Circuit with four exhibitions and educational workshops;**
- **Guest Artist Exhibition “Embroidery from Earth and Heaven”, which presented the voice of women from rural communities and quilombo communities in the Jequitinhonha Valley through embroidered works;**
- **Meetings with the presence of artists from the Jequitinhonha Valley, through the educational project “Mostra Bordadeiras”;**
- **3rd edition of LAB Cultural, an online Cultural Residency program;**
- **Two editions of the BDMG Cultural Magazine: nº 6 “Nas Curvas do Tempo” and nº 7 “Fazeres Locados”;**
- **21st BDMG Instrumental Award, which held individual concerts of the four winners of the contest.**
- **10th Edition of the Marco Antônio Araújo Award: annual award for the best instrumental music album made in Minas Gerais;**
- **20th Edition of the Young Musician BDMG: holding concerts by young students of classical music from Minas Gerais;**
- **19th Edition of the BDMG’s Young Instrumentalist: offers tutoring scholarships for teachers or instrumentalists for young instrumentalists from Minas Gerais or residents in the state.**



Creche Dirce Maria das Dores – Rio Manso/MG





# FINANCIAL SUSTAINABILITY

Funding

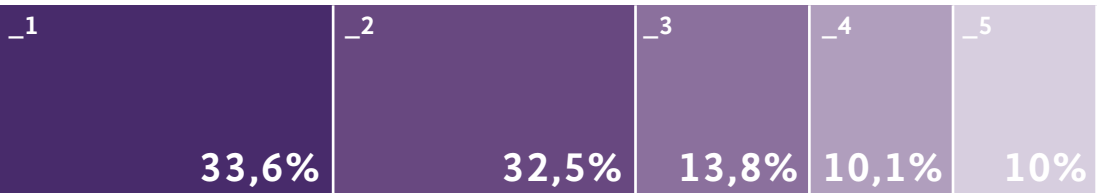
BDMG ended 2022 with 51.5% of its funding from abroad and 48.5% from the domestic market, always focusing on adequate diversification of funding within each of these markets.

With regard to external sources, the BDMG has been deepening multilateral partnerships, with the involvement of relevant actors. Resources from the contract signed with the European Investment Bank (EIB) were internalized, approximate amount of EUR31.2 million, through two tranches (in March and November). These resources made it possible to expand the offer of credit to renewable energy generation and energy efficiency projects in the state.

In October, the External Financing Commission (Cofix) approved the preparation of the external

credit operation with the New Development Bank (NDB), which, once implemented, will be BDMG's first with the Union's guarantee and the first direct credit operation of the NDB in Minas Gerais. The funds to be raised from the NDB, up to US\$200 million, will be used to support the financing of infrastructure and sustainable development in Minas Gerais. In December, a Memorandum of Understanding was signed with the NDB which covers, in addition to financing, the exchange of knowledge and technical expertise between the institutions.

Overall, at the end of the year ending December 2022, the table of resources from external sources was as follows:



| Source: BDMG, 2023

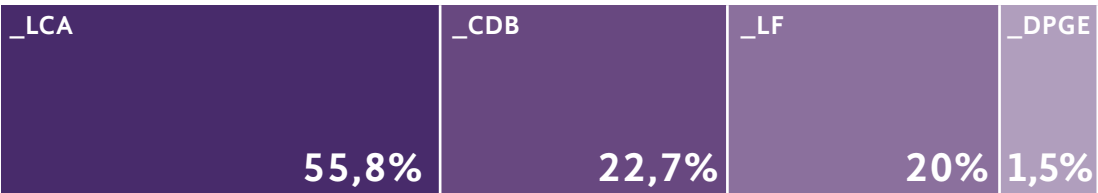
- 1 European Investment Bank
- 2 Latin American Development Bank
- 3 IDB Invest\*
- 4 Fonplata – Development Bank
- 5 French Development Agency (AFD)

\*O BID Invest, membro do Grupo Banco Interamericano de Desenvolvimento (BID), é um banco multilateral de desenvolvimento, comprometido com o desenvolvimento econômico de seus países membros, na América Latina e no Caribe, por meio do setor privado.

With regard to internal funding, it should be noted that BDMG supported the capture of retail funds, raising in excess of R\$1 billion through the issuance of Agribusiness Letters of Credit (LCAs), Bank Deposit Certificates (CDBs) and Financial Bills (LFs) and Time Deposits with Special Guarantee – DPGE. Highlight for the resumption of issuance of Financial

Bills, started in July 2022, with a total volume of R\$277.8 million at the end of the year.

As for the balance of internal funding, BDMG maintained the following composition at the end of the year ended in December 2022:



| Source: BDMG, 2023

In line with best market practices, BDMG implemented several enhancements to its financial management systems in 2022, such as a new Enterprise Resource Planning (ERP) for Treasury and

Trading Desk, automation of daily retail issuances, structuring for issuance of DPGE II (Term Deposit with Special Guarantee) paper and investment in the structure of Asset and Liability Management (ALM).

Brazilian Payment System (BPS)

Since November 2022, all BDMG payments have been made using a new Financial Management system. The change makes it possible for BDMG to open an account with the Central Bank called the Bank Reserve Account, allowing processes to become more agile and the settlement timetable

to be expanded, in addition to greater efficiency in the allocation of resources and formatting of new products, as well as greater profitability in cash flow management. The change eliminates the need for intermediary banks in BDMG's financial transactions.





## Rating

In June 2022, risk rating agency Moody's America Latina raised its rating for BDMG issues (national scale) to BBB+.br from BBB.br, with a positive outlook. According to the agency, the rating assigned reflects BDMG's social mandate to support development in the state of Minas Gerais through financing for local companies, which results in geographic and borrower concentration of credit.

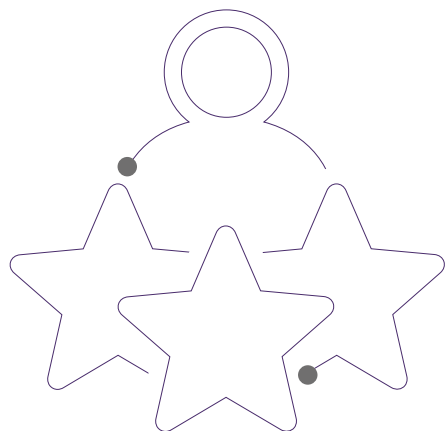
The fundamentals of raising the rating, according to Moody's, are the improvement in the quality of BDMG's assets, which, despite having a high level of renegotiations, has been performing adequately, and its strong profitability. Furthermore, the assessment of the rating indicates that the funding structure has had positive changes, with sources being dispersed and a reduction in the concentration of repass, even though their volume is high. The positive outlook is based on the expectation that the Bank will maintain good levels of asset quality and increase the share of funds raised in retail, such as Agribusiness Letters of Credit (LCAs) and Bank Deposit Certificates (CDBs).

On a global scale, in July 2022, Moody's Investor Services ratified BDMG's global rating at B2, with a stable outlook. According to the risk classification agency, the global rating reflects the operations focused on the regional market, volume of renegotiations, robust capitalization, which provides a cushion for the risk of credit deterioration, and successful efforts to diversify

funding with multilateral agencies and other domestic instruments.

In November 2022, the rating agency Standard & Poor's (S&P) reaffirmed BDMG's rating of in B (global scale) and brA- (national scale), both with a stable outlook. In its report, the risk rating agency pointed out that, despite the portfolio concentrated in the state of Minas Gerais and the high SELIC interest rate in the period, BDMG has diversified its customer base through new commercial partnerships and expansion of its channels fingerprints. S&P expects the Bank's net income to continue to recover, due to gradual credit growth. The analysis also highlighted as positive points higher capitalization levels than its peers, prudent liquidity management, with well-defined policies to mitigate asset-liability mismatches and a solid relationship with international multilateral credit agencies.

As for ESG credit metrics, S&P indicated social factors as positive, recognizing the very important role of BDMG for the local economy, access to credit for micro, small and medium-sized companies, long-term investments and financing of the infrastructure sector in the state of Minas Gerais. According to its report, S&P expects the Bank to maintain adequate financial performance, to continue to diversify its funding sources and to keep its liquidity management prudent.



## Product Profitability Management

BDMG has pricing and product monitoring tools to maintain competitiveness in the financial market and the financial sustainability of the institution. This monitoring is reflected in corporate targets

with global product margin indicator, which enables the periodic review of product prices, as well as the launch of new products based on finding demands and opportunities in the market.

## Integrated Risk Management

BDMG manages and monitors credit, market, liquidity, operational and social, environmental and climate risks, with a view to mitigating them and optimizing operational effectiveness and results. Thus, risk management practices are adopted 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 at levels sufficient to guarantee maintenance of solidity of the Institution

in stressed scenarios.

The governance structure is made up of the Board of Directors, Audit Committee, Internal Audit, Independent Audit, Risks and Capital Committee, Executive Risks, Capital and Sustainability Committee, Credit and Risks Board, Risks Superintendence, Compliance and Internal Controls and other units that are responsible for risk management in senior management.

## Risk Appetite Statement

Among the objectives most directly related to the Risk Appetite statement, the following should be highlighted:

- 1 BALANCE** levels of profitability and risk to achieve results.
- 2 CARRY OUT** balanced management of the funding to achieve the strategic objectives.
- 3 ENSURE** high quality standards, achieving technical and operational excellence.

The Declaration has four dimensions, which include indicators of the main risks involved, in order to monitor exposures and adequate capital structuring:

## 1 CAPITAL AND PROFITABILITY DIMENSION

determines that BDMG must show diligence in the management of its resources through systematic monitoring that ensures the allocation of resources; minimum profitability with a view to financial sustainability; and maintain a capital structure that, in addition to complying with regulatory requirements, also has a safety margin to cover unforeseen events, in accordance with its Capital Management Policy.

## 2 LIQUIDITY DIMENSION

establishes the need to maintain minimum liquidity reserves for short, medium and long term horizons and a diversified funding structure, with the aim of protecting the institution against prolonged periods of funding stress.

## 3 BUSINESS DIVERSIFICATION AND SUSTAINABILITY DIMENSION

determines the reasonable level of risk that the Bank can assume in carrying out its business model, with a view to low volatility of results and the financial sustainability of the institution, as well as meeting strategic objectives. For this purpose, concentration limits are established for the largest customers/economic groups and monitoring of defaults. Furthermore, in order to mitigate possible losses due to changes in the marked-to-market value, the mismatch between the Bank's assets and liabilities must be monitored.

## 4 OPERATIONAL AND COMPLEMENTARY ASPECTS DIMENSION

seeks to protect the Bank from exposure to operational risks that, if materialized, could negatively impact internal processes, compliance, financial performance or the institution's image.

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

In 2022, the Risk Appetite Statement was calibrated in line with the prevailing economic and financial scenario and with the profile of the Bank's strategic guidelines throughout the year.

## Integrated Stress Testing Program

The Stress Test Program, as defined by CMN Resolution 4557, 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 risk control at BDMG, considered in the reviews of its 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 management includes the stages of identification, measurement, monitoring of the credit portfolio and the credit risk classification system, preparation and updating of credit risk classification methodologies, support in the preparation of credit

policies and reports to Senior Management. In monitoring the loan portfolio, the following instruments are used, among others:

- Stress Test Report
- Indicators of risk appetite and credit portfolio quality (problem assets, default, coverage, portfolio composition, concentration risk).

## Migration control of ratings

In 2022, BDMG improved the policy for managing this risk, continuing actions to diversify the portfolio, reducing the maximum level of exposure to a single economic group, reviewing the process for monitoring relevant customers and the process for granting credit to micro and small companies with a

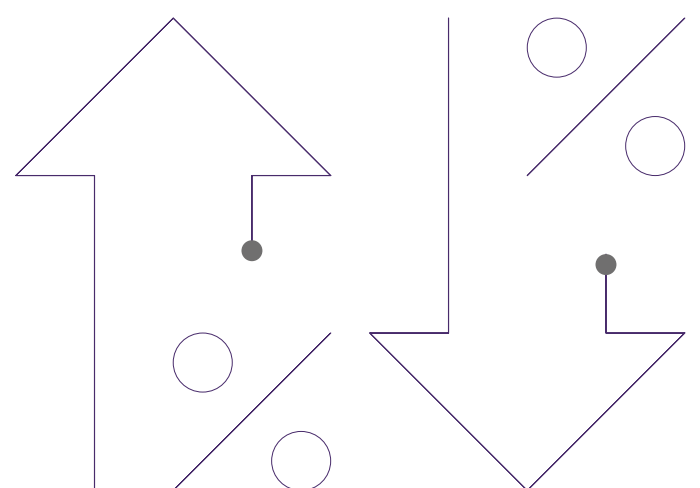
good track record in the institution. In addition, the criteria for calculating the expected loss for pricing purposes were improved. At the end of 2022, default levels were maintained at levels compatible with the financial market.

## Market Risk & Banking Portfolio Interest Rate Risk (IRRBB)

The identification, measurement and control of the IRRBB is carried out based on methodologies consistent with the characteristics of the portfolio, 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 on the results, through the indicators Economic Value of Equity – EVE and Net Interest Income – NII (results from financial intermediation).

In addition to the operational limits established in the Risk Appetite Statement (RAS), in order to maintain exposure to market risk at levels considered acceptable, additional limits are also established by the Executive Board. The adequacy of the limits is monitored in a timely manner and, in case of extrapolation, there is a report to the competent authorities that decide on the measures to be adopted.

In 2022, we highlight the adaptation of the IRRBB indicators with a review of the policy and definition of the limit for the Delta NII - dNII.



## Liquidity Risk

In 2022, the liquidity risk management policy was reviewed. Thus, the criteria for establishing liquid assets for the medium term and the methodology for the short-term liquidity risk indicator were improved, consistent with the Bank's business strategies. Also, in compliance with the risk management policy, the calculation parameters

were updated and the adequacy of the established financial reserve level was assessed. It is observed that the liquidity indicators remained adequate throughout the year's monitoring, as well as in the projections for the new strategic planning scenario.

## Social, Environmental and Climate Risks

The socio-environmental risk methodology was implemented in 2016 and, since then, the Bank has been monitoring the information generated by the system, to promote the continuous improvement of the methodology and to find more sustainable business opportunities. All companies that request financing from BDMG undergo a socio-environmental risk analysis, and most of the clients served are considered low risk.

In August 2022, in line with CMN Resolution 4943 of 2021, the Board of Directors approved the Social, Environmental and Climate Risk Management Policy, which defines the management structure and the guidelines, roles and responsibilities that must be observed in the management of these risks by BDMG, in order to keep them within the organization's appetite.

In September 2022, also in line with the new requirements of the National Monetary Council and the Central Bank, the Executive Board approved the new methodologies for managing social, environmental and climate risks.

Throughout 2022, BDMG continued technical cooperation to improve the management and methodologies of social, environmental and climate, physical and transitional risks.

It should be noted that BDMG must ensure that all operations follow socio-environmental criteria in

accordance with state and national environmental policies and also with its Social, Environmental and Climate Responsibility Policy, seeking to avoid and minimize possible risks and negative impacts to the environment and society.

As actions to mitigate socio-environmental risks, there is the observance of criteria established in the policies and processes of analysis, contracting and follow-up according to the specificities of each operation. The analysis criteria are guided by lists of restricted and prohibited activities, sector of activity, company size, socio-environmental criteria for real estate guarantees, inclusion of socio-environmental clauses in contracts, assessment of compliance with socio-environmental legislation and best practices for socio-environmental risk management.

**Worthy of note is that BDMG does not finance operations whose proponents, members of its economic group or guarantors of the operations belong to the list of employers who have adopted slave or child labor, as disclosed by the Ministry of Labor and Employment<sup>10</sup>.**

Also noteworthy is the continuous training of employees and the social and environmental risk assessment process for the approval of new products, which ensures compliance within the scope of the portfolio made available by the Bank.



<sup>10</sup> For further information about prohibitions, impediments and non-financeable items/activities, access: [www.bdmg.mg.gov.br/wp-content/uploads/2022/11/Atividades-nao-financeaveis.pdf](http://www.bdmg.mg.gov.br/wp-content/uploads/2022/11/Atividades-nao-financeaveis.pdf)



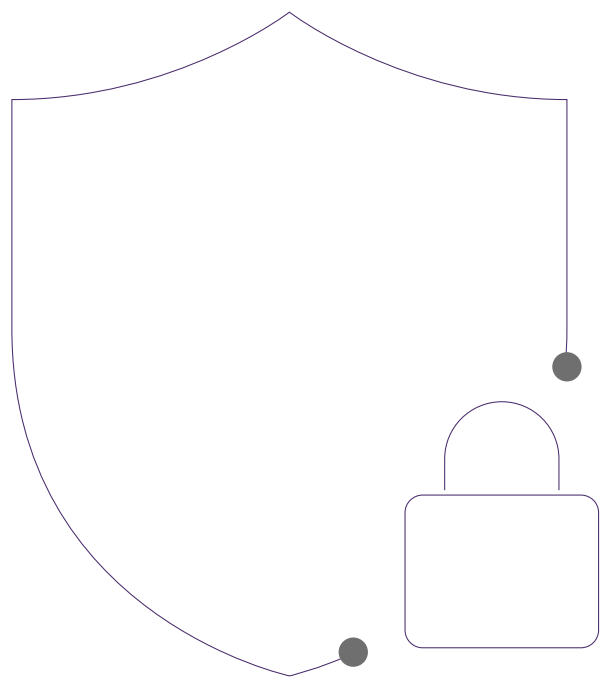
# Operational Risk

In 2022, the Bank launched its Operational Incident Communication Channel to receive process failures, problems in operations, relevant risks, records of non-compliance with standards of conduct, internal or external policies, or even external events that may generate losses or other damage to the Bank. With free access to all employees, interns and outsourced workers, the recorded information can be shared with the manager responsible for the process to correct any failures that may have occurred. The Creation of the Channel complies with CMN Resolution 4968/2021.

Also, BDMG completed the review of its Process Architecture, updating the list of macro processes, processes and sub-processes in order to provide a systemic view of the organization and implemented the GRC system (Governance, Risks and Compliance) to integrate compliance practices, auditing, risk and process management.

Also, 2022 was a year of transformational progress in Cyber Security. Adopting the conceptual structure of internationally recognized cyber security of the National Institute of Standards and Technology of the United States of America – NIST, the bank made improvements on all fronts of action, in order to reach level 3 of implementation of the NIST Cyber security Framework (CSF). More than treating this topic as a technological issue, cyber security is a subject inserted in the global transformations brought about by good environmental, social and governance practices.

Highlights include the review of the Institution's Information and Cyber Security Policy, the awareness and training campaign in cyber security, in addition to the implementation of the technical vulnerability management process and the detection and response service to cybernetic incidents, 24 hours a day, seven days a week, 365 days a year.



# Risk Management, Internal Controls, Compliance and Integrity

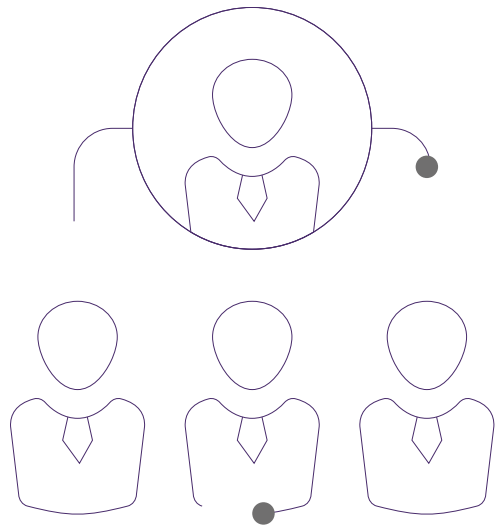
BDMG has areas dedicated to risk management, internal controls, compliance and integrity, with independent actions, directly linked to the Chief Executive Officer and that may be conducted by another Executive Director who is not responsible for the Bank's business activities.

The following are attributions of the areas responsible for risk management, internal controls, compliance and integrity, in addition to others provided for in the specific legislation and BDMG regulations:

- 1 ADVISING** the Board of Directors on integrated risk management, internal controls, compliance and integrity, proposing policies and strategies
- 2 DISSEMINATING** the culture of risk management, internal controls, compliance and integrity
- 3 FORWARDING** periodic reports to the Audit Committee of the activities carried out.

The areas responsible for risk management, internal controls, compliance and integrity report directly to the Board of Directors in situations where the involvement of a member of the Executive Board

in irregularities is suspected or when a member evades the obligation to adopt necessary measures in relation to the situation of irregularity reported to him.



## Integrity and Compliance

In 2022, several internal rules were reviewed and updated, including those related to credit policy, risks, people management, social, environmental and climate responsibility policy (PRSAC), information security and cybernetic policy, prohibitions and impediments , transactions with related parties and compliance policy.

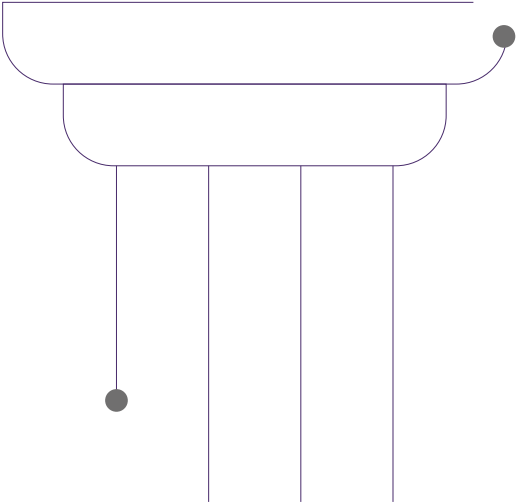
As part of promoting a culture of compliance and integrity, compliance and integrity training was carried out for members of the Executive Board, Audit Committee and employees, in addition to sending reports on the aforementioned topics to all Bank employees.

There was annual training, including one for members of the Executive Board and Board of Directors, Audit and Audit on Governance, Risks and Compliance, including the main points of Law 13,303/2016, which provides for the legal status of state-owned companies. There was training on Money Laundering and Terrorism Financing Prevention, in compliance with Central Bank regulations, for members of the Executive Board, Audit Committee and employees.

## Pillar 3 Report

Pillar 3 of Basel establishes the adoption of policies and requirements in order to provide transparency in the disclosure of relevant information on capital levels, Operations, main risks to which the institution is exposed and types of controls adopted.

In compliance with Resolution No. 54 of December 16, 2020 of the Central Bank of Brazil, which regulates the matter in Brazil, BDMG publishes its Pillar 3 Report quarterly and, includes the following information: I – Market discipline, providing information on Risk and Capital Management, prudential indicators, capital composition, leverage ratio, liquidity risk, market risk and bank portfolio risk, among others.



Main prudential requisites			
Values in R\$1,000	Dec/22	Dec/21	Variance
Required capital – Values			
Reference Shareholder’s equity	2.063.951	1.954.801	5,6%
Prudential Adjustment – Highlight of Ref. Equity	200.000	400.000	-50%
Reference Equity for operational purposes	1.863.951	1.554.801	19,9%
Risk weighted assets (RWA) – Values			
Credit risk	5.866.379	5.384.629	8,9%
Market risk	198.154	191.737	3,3%
Operational risk	699.953	676.137	3,5%
Value of capital for coverage of interest rate risk of bank portfolio	71.957	69.591	3,4%
Basileia Index	27,6%	24,9%	10,8%
Índice de Basileia amplo	27,3%	24,6%	10,9%
Additional capital	2,5%	2%	25%
Leverage ratio	21,1%	18,6%	13,7%
Minimum required reference of shareholder’s equity	748.406	694.841	7,7%

The report can be found at the following address:  
[www.bdmg.mg.gov.br/relacao-investidores/?relatorios-financeiros](http://www.bdmg.mg.gov.br/relacao-investidores/?relatorios-financeiros)

# GOVERNANCE OF SOCIAL, ENVIRONMENTAL AND CLIMATE RISK MANAGEMENT

In line with BCB Resolution 139, which provides for the disclosure of the report on social, environmental and climate risks and opportunities, and with Normative Instruction BCB 153, which establishes the standardized tables for the release of this report, we disclose in Table 01 the information on the governance of the management of social, environmental and climate risks in BDMG.

Table 01: GVR Table in compliance with Normative Instruction BCB 153

DETAILS OF INFORMATION CONCERNING SOCIAL, ENVIRONMENTAL AND CLIMATE RISK MANAGEMENT GOVERNANCE	
(A)	<p><b>_Governance Instances:</b></p> <ul style="list-style-type: none"><li>• Administrative Council</li><li>• Risks and Capital Committee</li><li>• Executive Board</li><li>• Executive Risk, Capital and Sustainability Committee</li><li>• Director of Credit and Risks</li><li>• Superintendency of Risks, Compliance and Internal Controls</li><li>• Socio-environmental and Climate Risk Management</li></ul>
(B)	<p><b>Description of Responsibilities:</b></p> <p><b>_ Board of Directors (BD):</b></p> <p>I. Continuously assess the effectiveness of strategies adopted to mitigate social, environmental and climate risks;</p> <p>II. Assure:</p> <p>a) the compatibility and integration of the social, environmental and climate risk management policy with the other policies established by the institution;</p> <p>b) adequate and sufficient resources to carry out social, environmental and climate risk management activities independently, objectively and effectively.</p> <p><b>_ Risk and Capital Committee:</b></p> <p>I. Assist the Board of Directors in defining and monitoring the appetite for social, environmental and climate risks suited to the characteristics, specificities and objectives of the BDMG;</p> <p>II. Evaluate the reports prepared by the area responsible for the management of social, environmental and climate risks prior to submission to the the Board of Directors;</p> <p>III. Evaluate recommendations on the revision of the Social, Environmental and Climate Risk Management Policy prior to the the Board of Directors's deliberation.</p>

	<p><b>_ Executive Board:</b></p> <p>I. Approve the methodologies to be used for the classification and management of social, environmental and climate risks, considering the size of the customers, the amount of the financial commitment and the higher risk sectors;</p> <p>II. Ensure that the necessary information is obtained for the calculation of social, environmental and climate risks, both through consultations with external sources and through questionnaires applied to customers who carry out higher risk activities;</p> <p>III. Ensure adequate training for the operational and credit areas on topics related to social, environmental and climate risks;</p> <p>IV. Ensure the updating, whenever necessary, of the drafts of the financing contracts in order to insert social, environmental and climate clauses in line with the best practices of the financial market;</p> <p>V. Establish procedures for assessing the social, environmental and climate risks of BDMG's suppliers and service providers that are relevant from the perspective of these risks;</p> <p>VI. Ensure that the evaluation of real estate guarantees includes the verification of social and environmental aspects and the consultation of public information whenever possible;</p> <p>VII. Conduct, in accordance with defined policies and strategies, activities that imply the assumption of social, environmental and climate risks.</p> <p><b>_ Executive Risk, Capital and Sustainability Committee:</b></p> <p>I. Advise the Executive Board in carrying out its attributions.</p> <p><b>_ Credit and Risk Director:</b></p> <p>I. Evaluate, prior to forwarding to the Executive Board, the Risks and Capital Committee and the Board of Directors, the reports prepared by the area responsible for managing social, environmental and climate risks at BDMG;</p> <p>II. Be responsible for the information contained in publicly accessible reports, in particular the report on social, environmental and climate risks and opportunities;</p> <p>III. Be responsible for the adequacy of the RAS and the institution's strategic objectives, of the policies, processes, reports, systems and models used in the management of social, environmental and climate risks.</p> <p><b>_ Superintendence of Risks, Compliance and Internal Controls and Social, Environmental and Climate Risk Management:</b></p> <p>I. Manage social, environmental and climate risks;</p> <p>II. Review the social, environmental and climate risk management methodology when necessary;</p> <p>III. Monitor and report to the Executive Committee on Risks, Capital and Sustainability, the Risks and Capital Committee, the Executive Board and the the Board of Directors, information on the main social, environmental and climate risks incurred by BDMG in its client portfolio;</p> <p>IV. Aid the Director in charge and other instances with information on the management of social, environmental and climate risks;</p> <p>V. Identify any deficiencies in the implementation of actions, proposing measures to improve their performance;</p>
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	<p>VI. Assess compliance with guidelines for managing social, environmental and climate risks;</p> <p>VII. Report BDMG losses arising from social, environmental and climate reasons through the operational risk report;</p> <p>VIII. Report the information required by regulatory and supervisory bodies;</p> <p>IX. Carry out training on topics related to social, environmental and climate risks;</p> <p>X. Recommend updating the Social, Environmental and Climate Risk Management Policy, whenever necessary;</p> <p>XI. Prepare and submit the annual report on social, environmental and climate risks and opportunities to the Director in charge, the Executive Committee for Risks, Capital and Sustainability, the Risks and Capital Committee, to the Board of Executive Officers and to the the Board of Directors;</p> <p>XII. Identify in a timely fashion political, legal, regulatory, technological or market changes, including significant changes in consumption preferences, which may significantly impact the social, environmental or climate risks incurred by the institution, as well as procedures for mitigating these impacts and adequacy if so.</p>
(C)	<p>_ Process and frequency of receipt of information by the Board of Directors:</p> <p>In line with Resolution CMN 4943, of 2021, BDMG prepared an APS (Analytical Project Structure), which contains the detailed activities, deadlines for compliance to them, responsible parties and areas involved. This APS resulted in an Action Plan, with activities planned until the end of 2023, which is frequently monitored by the Socio-Environmental and Climate Risk Management team.</p> <p>In order to monitor APS activities, actions and procedures that are being implemented are reported to the Executive Board, Risks and Capital Committee, Audit Committee and Board of Directors.</p> <p>With regard to social, environmental and climate risks, in September 2022, the Executive Board approved the regulations related to the management of these risks, directing the implementation of new procedures to meet the requirements of the Central Bank. After approval by the Executive Board, work began on the development and approval of new methodologies in the BDMG systems.</p> <p>From the implementation of the new methodologies, monitoring and management risk reports will include quantitative aspects related to social, environmental and climate risks. These reports will be carried out at least quarterly and will include information on the concentration of social, environmental and climate risks, to be measured by the indicators:</p> <ul style="list-style-type: none"><li>• Concentrations in economic sectors with high social, environmental or climate risk;</li><li>• Concentrations in geographic regions of greater climate vulnerability.</li></ul> <p>These indicators must be monitored and reported to the Board of Directors, according to the established agenda for the presentation of risk management monitoring.</p>

	<p>_ Description of the criteria used by the Board of Directors in the processes for approving and reviewing risk-related policies and programs:</p> <p>The risk appetite statement was revised in 2022 to include, in a qualitative manner, the social, environmental and climate risk appetite.</p> <p>In 2022, the Board of Directors also approved the Social, Environmental and Climate Risk Management Policy, which defines the structure for managing these risks, the responsibilities of the different instances and the guidelines for classifying, managing and monitoring these risks.</p>
(D)	<p>Based on these guidelines and new methodologies, automated procedures and controls were developed that will allow the preparation of reports by the Superintendence of Risks, Compliance and Internal Controls and by the Management of Social, Environmental and Climate Risks.</p> <p>These procedures and reports will allow the different instances, in particular the Executive Board, Risk and Capital Committee and the Board of Directors, to be able to continuously assess the effectiveness of the strategies adopted in mitigating social, environmental and climate risks and ensure that these risks are taken into account in the processes of approval and review of appetite levels, policies, strategies and limits, the stress testing program, among others.</p>
(E)	<p>_ Form of Monitoring by the Executive Board and Board of Directors of the strategic objectives and goals related to social, environmental and climate aspects:</p> <p>The Executive Board monitors the strategic planning and its breakdown into objectives and targets through the management panel available on the intranet (AVBDMG), as well as through the monthly Strategy Monitoring Meetings (SMM).</p> <p>A strategy panel is reported monthly to the Board of Directors, not only with strategic information, but also with the main management indicators of BDMG.</p> <p>In both instances, goals related to social and environmental aspects are reported, highlighting the disbursement aligned with the SDGs (Sustainable Development Goals), jobs supported in micro and small companies, financed projects for the generation of clean energy, CO2 emissions avoided in financed projects and disbursement in low carbon agriculture.</p> <p>At the end of the year, institutional reports are prepared and taken to the Board of Directors for approval, namely:</p> <ul style="list-style-type: none"><li>• Management Report that accompanies the balance sheet for the year and the financial statements;</li><li>• Annual Public Policy and Corporate Governance Letter;</li><li>• Analysis of compliance with goals and results; and</li><li>• Sustainability report.</li></ul>



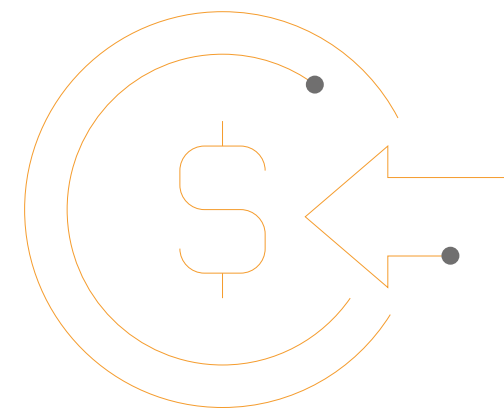
# ECONOMIC AND FINANCIAL PERFOR MANCE 2022

Francisco Fredson Lopes da Silva Ferreira

# ECONOMIC AND FINANCIAL PERFORMANCE 2022

BDMG ended 2022 with net income of R\$141.8 million and shareholders' equity of R\$2,184.2 million.

The Bank has securities classified in the held-to-maturity category in the amount of R\$248.5 million in its portfolio and, in compliance with Bacen (Central Bank) Circular 3,068/2001, the Bank's Management declares that it has the financial capacity to hold these securities to maturity.



R\$ **141,8**<sub>MI</sub>  
NET  
PROFIT

R\$ **2.184,2**<sub>MI</sub>  
SHAREHOLDER'S  
EQUITY

The financial statements of the Development Bank of Minas Gerais can be accessed at the following address:  
[www.bdmg.mg.gov.br/transparencia-documentos/?demonstracoes](http://www.bdmg.mg.gov.br/transparencia-documentos/?demonstracoes)





**MINAS  
GERAIS**

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