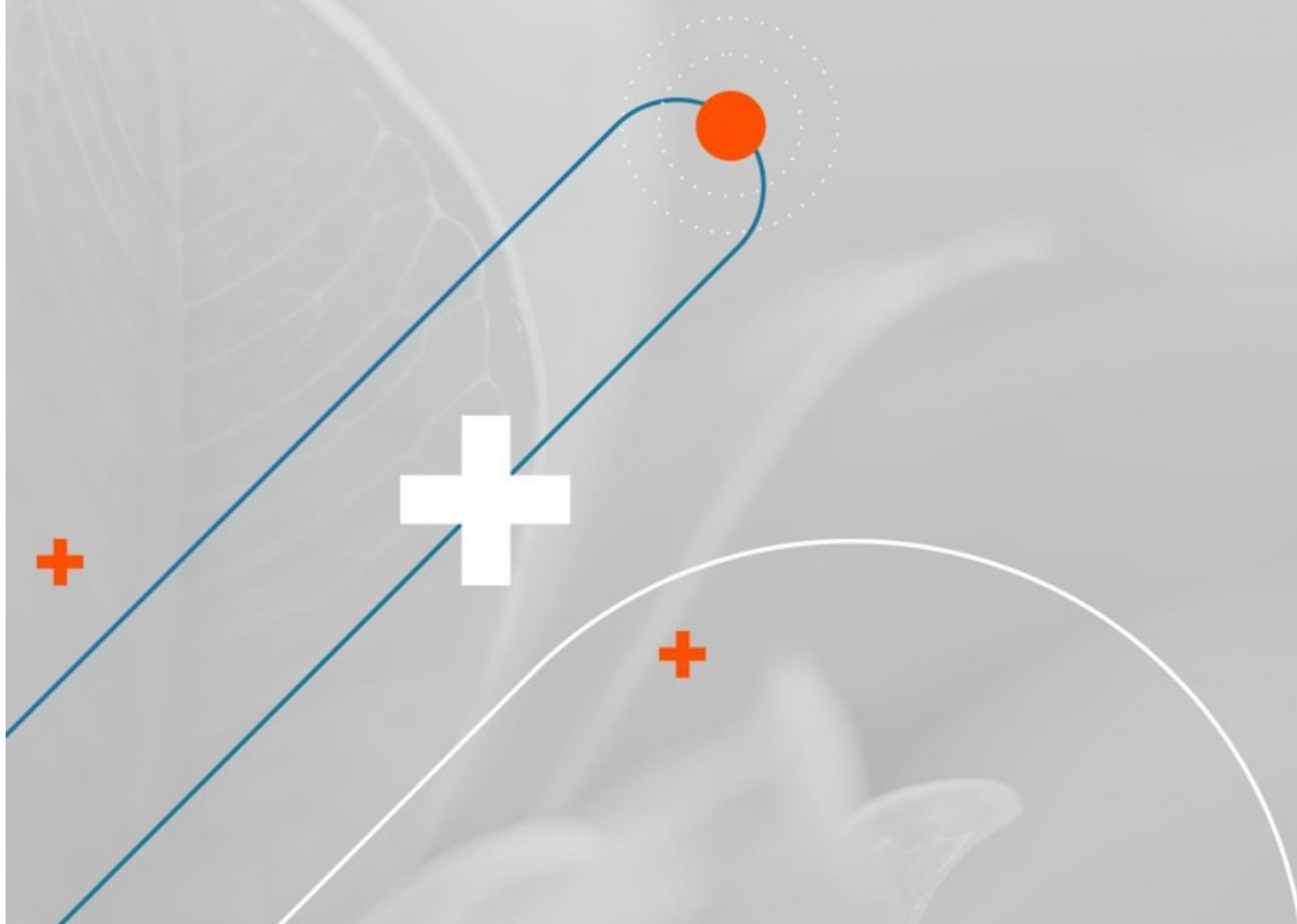


Sustainable Finance Performance Evaluation

Banco de Desenvolvimento de Minas Gerais
BDMG
Evaluation 2025





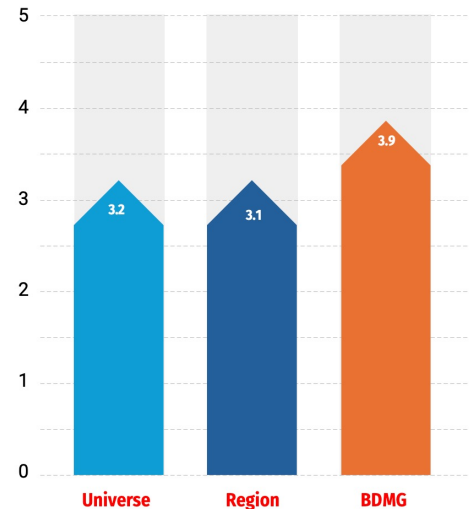
Sustainable Finance Benchmark Assessment

IDB Invest, with the support of MU Consulting, conducted the 2025 Sustainable Finance Benchmark Assessment for a group of 46 financial institutions participating in the program. The objective of this evaluation is to assess the maturity of sustainability management and environmental and social risk management through the Sustainable Finance Scorecard model.

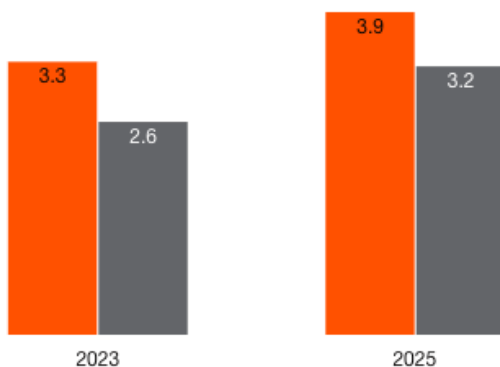
The evaluation combines quantitative data with qualitative indicators to assess how sustainability is integrated into institutional strategy, risk management, and financial product development across three dimensions: Strategy and Governance, Environmental and Social Risk Management, and Sustainable Financial Products. The universe of evaluated financial institutions comprises 81 entities, providing a broad comparative base for the analysis.

In the 2025 assessment, Banco de Desenvolvimento de Minas Gerais (BDMG) obtained an overall score of 3.9, positioning the institution within the advanced maturity level and significantly above the regional benchmark average of 3.1.

The regional benchmark group for this assessment comprises financial institutions from the South Cone Group.



General results of the evaluation for BDMG



Overall, the results indicate that BDMG has developed a strong and well-established foundation for sustainability management, positioning the institution significantly above the regional benchmark average and demonstrating a faster pace of improvement compared to its peers. This trajectory reflects BDMG's consistent efforts to strengthen governance structures, integrate environmental and social considerations into its operations, and expand its sustainable finance activities.

Strategy and Governance

BDMG has strengthened the integration of sustainability into its strategic and governance framework over time. BDMG performs well above the benchmark, supported by a formal governance structure and alignment with national and international frameworks.

Environmental and Social Risk Management

The results indicate improvement over time in BDMG's environmental and social risk management practices. BDMG performs above the benchmark average, supported by formal policies and the incorporation of E&S risk analysis into credit processes, with opportunities to strengthen due diligence and monitoring.

Sustainable Financial Products

BDMG demonstrates strong progress in the development of sustainable financial products. BDMG's performance exceeds the benchmark, supported by established risk management practices, its Sustainable Bonds Framework, and a clear development mandate.

1. The analysis and recommendations presented in this report are the sole responsibility of MU Consulting and do not necessarily represent the views of IDB Invest.
2. The Sustainable Finance Scorecard evaluation model developed by IDB Invest combines quantitative data and qualitative parameters across three dimensions.

What does the scorecard measures?

- Strategy and Governance Dimension: Assesses the strategic alignment, governance structure, and accountability mechanisms related to sustainability.
- Environmental and Social Risk Management Dimension: Evaluates the institutional capacity to identify, assess, mitigate, and monitor environmental and social risks throughout the credit cycle.
- Sustainable Financial Products Dimension: Measures the level of development, control, monitoring, and reporting of financial products with sustainability attributes.

How to interpret the scores:

The evaluation model generates a score on an ordinal scale from 0 to 5, where:
0 – <1 Emerging | 1 – <2 Elementary | 2 – <3 Good | 3 – <4 Advanced | 4 – 5 Leader.



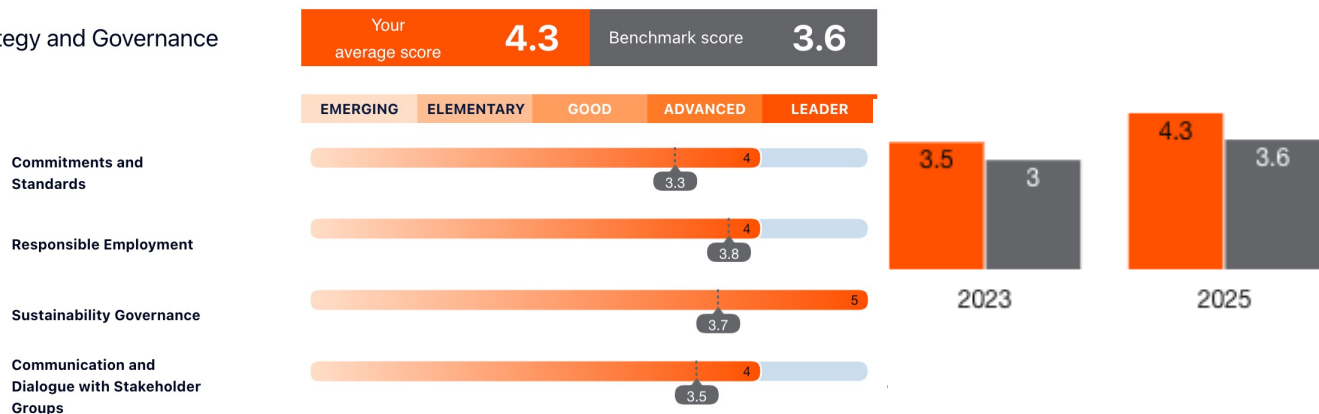
Strategy and Governance

BDMG demonstrates a strong integration of sustainability within its strategic and governance framework, performing well above the benchmark average. This is supported by its alignment with national climate priorities through the PLAC-MG, as well as established policies such as the PRSAC and climate risk policy, which are reviewed annually and linked to defined ESG KPIs, including decarbonization and social indicators. As a financial agent of the state, BDMG incorporates climate targets into its strategy and supports initiatives aligned with global commitments such as Race to Zero and Race to Resilience.

BDMG has a formal sustainability governance structure, including a dedicated Sustainability Management unit and a Sustainability Subcommittee connected to the Executive Committee, which meets regularly to monitor performance and ensure the implementation of ESG objectives across business areas. This structure is reinforced by clear reporting mechanisms and cross-functional coordination, supporting the integration of sustainability into institutional processes and decision-making.

Additionally, BDMG promotes responsible employment practices through a formal Ethics Commission, mandatory training programs, and an independent whistleblowing channel, while maintaining transparency through annual sustainability reporting and periodic disclosures aligned with international standards such as GRI and SASB.

Strategy and Governance



BDMG demonstrates consistent improvement across both overall performance and Strategy and Governance, increasing its scores from 3.5 to 4.3 in 2025, while maintaining a clear position above the regional benchmark.



COMPARISON WITH OTHER INSTITUTIONS

Within the South Cone benchmark group, financial institutions demonstrate varying levels of maturity in integrating sustainability into their strategic frameworks and governance structures, with most institutions positioned between the Good and Advanced maturity levels.

In comparison, BDMG demonstrates a high level of maturity in this dimension, supported by a well-established institutional approach and consistent performance across governance-related indicators. BDMG benefits from strong internal coordination and oversight mechanisms that support the implementation and tracking of sustainability objectives.

Compared with peer institutions, BDMG stands out for the strength of its governance arrangements and formal mechanisms that reinforce accountability, transparency, and ethical conduct, contributing to the integration of sustainability into decision-making processes.

As reflected in the results, BDMG's score increased from 3.5 in 2023 to 4.3 in 2025, remaining above the benchmark average of 3.6, positioning BDMG among the strongest performers in Dimension 1.



RECOMMENDATIONS

- Strengthen the cascading of ESG strategy by aligning ESG KPIs (including decarbonization and social indicators) with business unit performance targets, supported by standardized monitoring tools and dashboards.
- Enhance stakeholder engagement by complementing existing disclosure practices with structured and periodic dialogue mechanisms that incorporate stakeholder feedback into strategic decision-making.
- Further strengthen governance formalization by documenting coordination and decision-making processes across the Sustainability Subcommittee, risk, and business areas to ensure consistent implementation of ESG objectives.
- Continue advancing alignment with international best practices by building on existing frameworks such as GRI and SASB, incorporating methodologies that enhance consistency and comparability.



Environmental and Social Risk Management

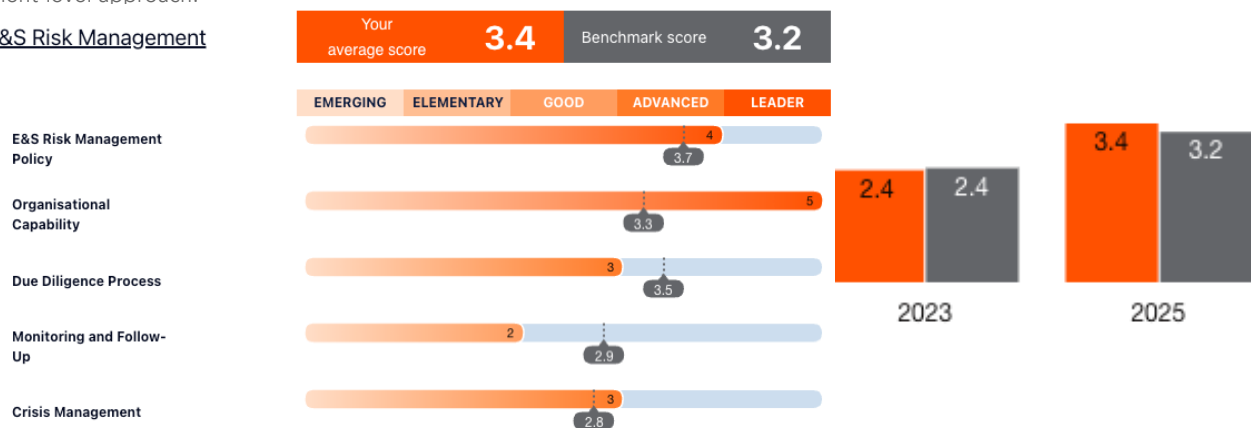
BDMG demonstrates a solid level of maturity in its environmental and social risk management framework, performing slightly above the benchmark average. BDMG has established a strong institutional foundation through Board-approved policies, including its Social, Environmental, and Climate Risk Management Policy and PRSAC, complemented by an exclusion list aligned with international standards and consistently applied during screening and credit evaluation. These policies are supported by defined methodologies that classify risks as low, medium, and high in accordance with regulatory requirements, and are currently being strengthened through ongoing collaboration with IDB.

BDMG also shows strong organizational capacity, supported by a dedicated ESC risk team that receives regular training and integrates E&S risk analysis into credit proposals, including risk categorization, impact identification, and monitoring indicators. Risk indicators are tracked and reported to senior governance bodies, including the Board of Directors and the Risk and Capital Committee, under a formal structure outlined in the GRSAC report. Additionally, BDMG sets impact targets aligned with the SDGs and discloses progress through its Sustainability Report.

BDMG further demonstrates established practices for crisis preparedness, including a formal Emergency Response Plan aligned with national requirements, defined roles for response teams, and periodic emergency drills. BDMG also maintains external communication channels, including an independent whistleblowing mechanism and public disclosure of relevant incidents.

However, opportunities remain to further strengthen the consistency of implementation, particularly in advancing more structured, risk-differentiated due diligence and monitoring processes, as well as expanding crisis management practices to a portfolio and client-level approach.

E&S Risk Management



BDMG shows a positive evolution in environmental and social risk management, increasing its score from 2.4 in 2023 to 3.4 in 2025, while maintaining a position slightly above the benchmark average.



COMPARISON WITH OTHER INSTITUTIONS

Within the South Cone benchmark group, financial institutions demonstrate varying levels of maturity in the implementation of environmental and social risk management systems, with most institutions positioned between the good and advanced maturity levels.

In comparison, BDMG demonstrates a moderate to strong level of maturity in this dimension, supported by a solid institutional framework and consistent performance across key risk management components. BDMG benefits from established policies, defined methodologies for risk classification, and the integration of environmental and social considerations into its credit processes.

Compared with peer institutions, BDMG stands out for its organizational capacity and governance of E&S risks, including the presence of a dedicated risk team, regular training programs, and the monitoring of risk indicators at senior decision-making levels. These elements support a structured approach to identifying and managing risks across operations.

As reflected in the results, BDMG's score increased from 2.4 in 2023 to 3.4 in 2025, remaining above the benchmark average of 3.2, positioning BDMG among the relatively stronger performers in Dimension 2, while still showing opportunities for further consolidation of its risk management system.



RECOMMENDATIONS

- Strengthen risk-differentiated due diligence processes by formalizing procedures, tools, and documentation requirements for each risk category, building on existing PRSAC and climate risk policies.
- Enhance monitoring practices by establishing a systematic, risk-based approach that defines frequency, scope, and responsibilities, particularly for medium- and high-risk operations.
- Expand crisis management practices by complementing the existing Emergency Response Plan with portfolio-level and client-specific protocols, including risk-based procedures and simulation exercises.
- Continue strengthening internal capacities by expanding specialized training for the ESC risk team and business areas, supporting alignment with international E&S standards.



Sustainable Financial Products

BDMG demonstrates a high level of maturity in the development of sustainable financial products, performing significantly above the benchmark average. BDMG has a structured approach to identifying climate and sustainable projects, supported by its Sustainable Bonds Framework aligned with international principles and the SDGs, enabling systematic classification, tracking, and reporting of green and social activities.

BDMG shows strong performance in project identification and impact generation, with 42.4% of disbursements in the first half of 2025 linked to at least one SDG, including financial inclusion, clean energy, and women's empowerment. Through its sustainable bond program, BDMG has mobilized significant financing toward green and social projects and reports measurable impacts, including CO₂ emissions reductions.

BDMG also has solid processes for the allocation and management of proceeds, supported by internal coordination across teams and annual verification by an independent auditor. Project selection is guided by defined criteria and impact indicators, reinforced by Second Party Opinions and external audits, while regular reporting supports transparency and accountability.

However, opportunities remain to further strengthen aspects such as the segregation of funds and the continued development of taxonomy alignment, which would enhance the consistency of its sustainable finance framework.

Financial Products



BDMG maintains a strong performance in sustainable financial products, with a slight decrease from 4.5 in 2023 to 4.3 in 2025, while remaining significantly above the benchmark average.



COMPARISON WITH OTHER INSTITUTIONS

Within the South Cone benchmark group, financial institutions demonstrate varying levels of maturity in the development of sustainable financial products, with most institutions positioned between the Elementary and Good maturity levels.

In comparison, BDMG demonstrates a high level of maturity in this dimension, supported by a well-structured sustainable finance framework and consistent performance across key components, including project identification, allocation of proceeds, and impact reporting. BDMG benefits from a clear methodology aligned with international principles and the SDGs, as well as strong internal coordination mechanisms that support the implementation of sustainable finance activities.

Compared with peer institutions, BDMG stands out for its ability to systematically identify, track, and report green and social projects, supported by its Sustainable Bonds Framework, Second Party Opinions, and independent verification processes. These elements contribute to a high level of transparency and credibility in its sustainable finance operations.

As reflected in the results, BDMG maintains a high score of 4.3 in 2025, significantly above the benchmark average of 2.7, positioning BDMG among the leading institutions in the benchmark for Dimension 3.



RECOMMENDATIONS

- Strengthen the segregation and traceability of sustainable finance proceeds by establishing dedicated accounts or sub-account structures, building on existing allocation and verification practices.
- Continue advancing the alignment of the Sustainable Bonds Framework with emerging taxonomies and international standards to enhance comparability and scalability.
- Enhance client engagement by developing technical support mechanisms that enable clients, particularly SMEs and municipalities, to structure eligible green and social projects.
- Further strengthen impact measurement and reporting by expanding quantitative indicators and forward-looking targets, building on existing SDG alignment.

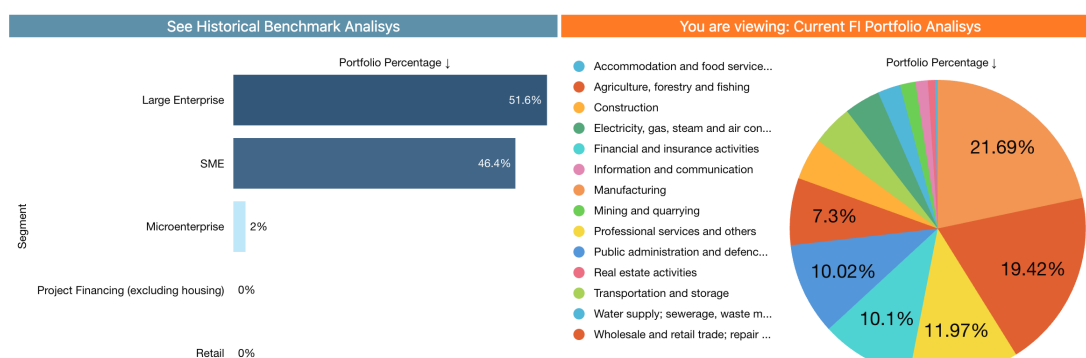
APPENDIX



General information for BDMG

BDMG's portfolio is oriented toward financing productive sectors and supporting regional development, with a strong focus on medium and large enterprises, as well as SMEs across a diversified set of economic activities. Environmental and social risk considerations are systematically integrated into credit evaluation through its SAC risk management framework, enabling the identification, classification, and management of risks associated with financed operations.

In parallel, BDMG has embedded sustainability into its portfolio through a well-established sustainable finance strategy supported by its Sustainable Bonds Framework. This approach allows BDMG to systematically identify and finance eligible green and social projects aligned with the SDGs, channeling resources toward priority areas such as clean energy, financial inclusion, and social development. Through this framework, BDMG not only expands sustainable financing opportunities but also tracks and reports measurable environmental and social impacts, reinforcing its role as a key development finance institution in the region.

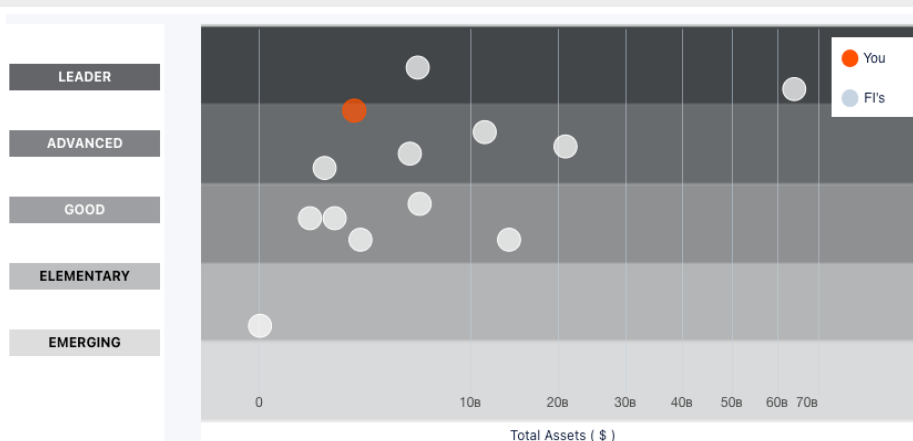


BDMG's portfolio is distributed between large enterprises (51.6%) and SMEs (46.4%), reflecting a balanced focus on corporate and smaller-scale financing, with limited exposure to microenterprises.

Sectorally, the portfolio is diversified, with the largest exposures in manufacturing (21.7%), wholesale and trade (19.4%), and professional services (12%), followed by financial activities (10.1%) and public administration (10.0%).



In the 2025 evaluation, BDMG obtained an overall score of 3.9, positioning the institution in the advanced quadrant.



Across the South Cone benchmark universe, financial institutions are progressively strengthening the incorporation of sustainability considerations into their strategic frameworks and risk management systems. With an overall score of 3.9, BDMG performs significantly above the regional benchmark average and is positioned within the Leader maturity level.

This result reflects BDMG's strong institutional framework for integrating sustainability into governance, environmental and social risk management, and sustainable finance activities, supported by established risk management practices, its Sustainable Bonds Framework, and a clear development mandate focused on generating economic, social, and environmental impact.

While the institution demonstrates a high level of ESG integration relative to its peers, further strengthening of due diligence processes, impact measurement, and monitoring mechanisms, as well as scaling sustainable finance activities, could reinforce its leadership position in the region.



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