

# FAMA Investimentos

Stewardship Report

First Quarter 2021

## Introduction

In this report you will find FAMA's main stewardship efforts that took place during the 1<sup>st</sup> quarter of 2021, divided as shown below (the summary contains some quick links to the main subtopics):

1. **PRIVATE ENGAGEMENTS**
2. **VOTING OVERVIEW**
3. **INTERNAL INITIATIVES/UPDATES**
  - ✓ **TCFD OFFICIAL SUPPORTERS**
  - ✓ **ESG ACADEMIC AWARD – FAMA INVESTIMENTOS**
4. **ADVOCACY**

### Articles

- ✓ **FABIO ALPEROWITCH'S ARTICLE: "2021 OR BACK TO THE 90'S?" – JOTA (JAN/21)**
- ✓ **FABIO ALPEROWITCH'S ARTICLE: "ENOUGH CALLING THE CLIMATE CRISIS AN ENVIRONMENTAL PROBLEM. IT IS A SOCIAL ISSUE" – PODER (MAR/21)**
- ✓ **FABIO ALPEROWITCH'S ARTICLE: "ESG IS NOT MATHEMATICS (AND THIS MAY BE GOOD FOR BRAZIL)" – VALOR FINANÇAS (MAR/21)**
- ✓ **FABIO ALPEROWITCH'S ARTICLE: "YES, THIS TIME IS DIFFERENT" – FAST COMPANY (MAR/21)**

### Events

### Interviews

### News

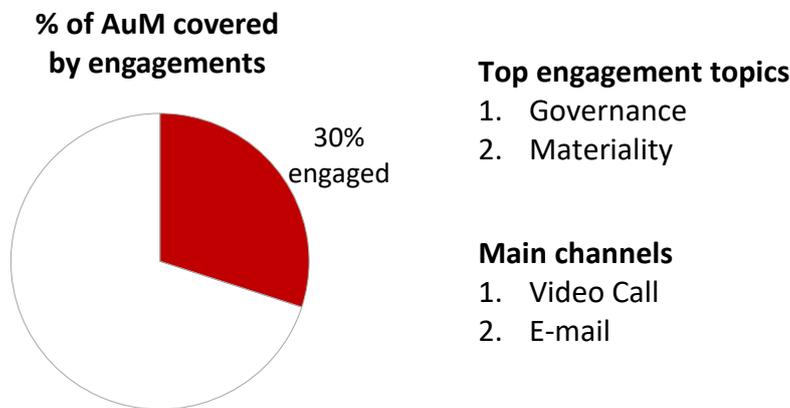
### Podcasts

### Webinars

### Esg Classes

## 1. Private Engagements

During the first quarter of 2021, we engaged with four companies from our portfolio and four other companies from outside our portfolio.

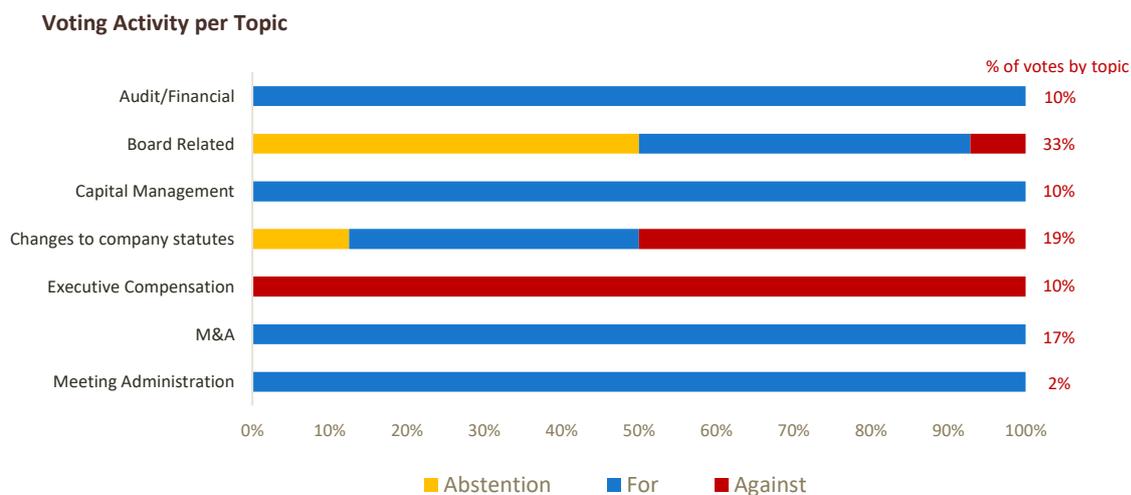


All the engagements were individual.

## 2. Voting Overview

During the first quarter of 2021, we voted in 100% of the AGM/EGM (Annual General Meetings/Extraordinary General Meetings) totaling seven meetings and fifty-two proposals. Of those proposals, ten were write-in votes or yes/no votes, and are not counted in the statistics below.

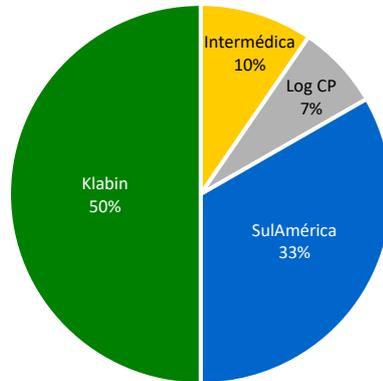
We abstained from voting on 19% of the proposals, voted against 21% of the proposals and in favor of 60% of the proposals.



From the proposals voted, 33% were “Board Related”, followed by “Changes to company statutes” representing 19% of the votes, “M&A” representing 17% of the votes, “Audit/Financial”, “Capital

Management” and “Executive Compensation” each representing 10% of the votes, and “Meeting Administration” representing 2% of the votes.

Proposals voted by company



For 65% of the votes in which we voted against or abstained from voting, we communicated the rationale of our decision privately to companies before the meetings.

### 3. Internal Initiatives/updates

#### ✓ TCFD Official Supporters

FAMA Investimentos has become an official supporter of the Taskforce for Climate-related Financial Disclosures (TCFD), an initiative created in 2015 by the Financial Stability Board (FSB) that brings a set of recommendations for reporting climate-related information to make it more consistent and comparable across sectors and jurisdictions.

It began as a voluntary framework and has become mandatory for some jurisdictions, including the European Union, Canada, Japan, Singapore and South Africa. The United Kingdom and New Zealand are mandating TCFD disclosures by 2025 and 2023, respectively.

As asset owners, we have an important role to play in influencing the organizations in which we invest to provide better climate-related financial disclosures. Also, as founding members of the Net Zero Asset Manager's initiative, we are expected to report our progress in achieving Net Zero emissions by 2050, based on TCFD's recommendations.

You can find all the TCFD's supporters and more information [here](#).

#### ✓ ESG Academic Award – FAMA Investimentos

In the middle of march, we closed entries to the academic contest launched in August 2020 to encourage research in ESG/Sustainable Investment.

The initiative was well received and immediately attracted the support of partners such as Resultante and Economatica, who offered their databases free of charge to candidates, as well as the broker XP that supported the communication and outreach of the contest, which we are thankful for.

We expected 15 to 20 applications but got interest from more than 100 individuals and received 59 fully registered reports. More than the number of registrations themselves, we were glad to see diversity in different fronts, as shown below:

- Gender: 46% women / 54% men
- Brazilian states represented: 11
- Academic institutions represented: 27
- Participant profile: 42% students / 58% recent graduates
- Education level:
  - 46% graduation
  - 12% postgraduate
  - 24% master's
  - 14% doctorate
  - 5% postdoctoral

USP (University of São Paulo) led the number of enrollments (17%), followed by Unicamp (12%), FGV (12%) and UFRJ (8%). We had three registrations from academic institutions abroad and two residents from outside of Brazil.

We are now carrying out the assessment process with the support of our Judging Panel, according to what is stipulated in the academic contest Regulation.

For more information about the contest, please click [here](#) (PT).

For more information released in the media, please click on the following links: [Exame invest](#), [Folha dirigida](#).

## 4. Advocacy

### Articles

✓ **Fabio Alperowitch's Article: "2021 or back to the 90's?" – Jota (jan/21)**

In his article, Fabio talks about corporate governance, calling attention to several governance scandals, some of them very recent, and the response or lack of response of the market, including the regulators. He makes a comparison of the 21st century with the 90's film "Wall Street", which left a cultural symbol of greed, through its iconic character Gordon Gekko.

Fabio warns that the "Novo Mercado" is not necessarily a segment that brings together the best companies in terms of corporate governance as was initially thought by the Brazilian stock exchange when created it twenty years ago. In recent times, the ten biggest corporate governance scandals occurred with companies from this segment. He warns that corporate governance cannot be translated into a list of practices, as it is much more linked to corporate culture and ethics.

For more information, please click [here](#) (PT).

✓ **Fabio Alperowitch's Article: "Enough calling the climate crisis an environmental problem. It is a social issue" – Poder (mar/21)**

In his article, Fabio alerts it's a mistake calling the climate crisis "global warming" and affirming that "the planet will not survive in the future" when it is us who will not survive - the planet will eventually recover as it always does. He also reminds that climate change is a problem of our time if we consider that it is our children who will live in a devastated planet if we continue down the path we are now.

He also points out another mistake that is thinking climate change is an environmental problem when it is a social problem. He warns about the devastating consequences of a warmer planet, such as the lack of food, entire cities flooded, and a huge wave of migration, causing drastic changes to societies in proportions even greater than those caused by the Syrian refugees in Europe.

For more information, please click [here](#) (PT).

✓ **Fabio Alperowitch's Article: "ESG is not mathematics (and this may be good for Brazil)" – Valor Finanças (mar/21)**

In his article, Fabio discusses the limitations of quantifying ESG while comparing the current indices and ratings used to classify credit risk and financial balances. He highlights the extremely low correlation between the three largest ESG rating agencies, as well as the low transparency and disclosure that underpin the current Brazilian scenario

and hamper quantitative analyses. He also brings some practical examples on why giving a number to ESG issues is flawed and the richness of understanding culture, ethics, and governance. He finally reinforces the importance of indicators and calls for more qualitative analysis for ESG issues.

For more information, please click [here](#) (PT).

✓ **Fabio Alperowitch's Article: "Yes, this time is different" – Fast Company (mar/21)**

In his article, Fabio uses the well-known term "this time is different" to describe the moment we live in, which according to him is marked by a generation of people concerned with socio-environmental impacts and with purpose, and not only with profits. He also highlights the frequency and severity of extreme natural events that will activate, in one way or another, the sense of urgency in society, that this new generation will impact consumption, employment, investment and even political spheres and the importance for companies to be prepared for it.

For more information, please click [here](#) (PT).

## Events

✓ **Event: 11th GIFE Congress/Frontiers of collective action – hosted by GIFE (feb/21)**

The 11<sup>TH</sup> edition of the GIFE congress in celebration of its 25<sup>th</sup> anniversary was focused on discussing the new economy and how to rebuild it after the covid-19 pandemic considering all the challenges presented, including those related to environmental and social issues. Fabio Alperowitch was invited to debate, alongside Roseli Faria (Economist and Vice-president of ASSECOR) and Thomas Teodorovicz (Harvard University Post-doctoral Researcher) with the moderation of Sonia Favaretto (UN Global Compact SDG Pioneer).

Each of the guests presented their perspectives on the main challenges and perspectives for building a new, more inclusive and egalitarian economy. Fabio Alperowitch talked about the transition of capitalism that places people at the center of decision-making and the role of the consumer which is strictly related to a new generation focused on purpose.

He also mentioned how the pandemic opened up space for reflections and that he expects relations to be, in the medium and long term, more humanized. With regards to the current scenario in the investment sector, he highlights there have been advances; however, we are far from an ideal scenario. Nonetheless, he recognizes chaos is also part of the maturing process.

If you would like to know more about the congress, please click [here](#) (PT).

✓ **Event: Expert ESG – XP Inc. (mar/21)**

At the 2021 XP event and over four days several ESG issues were discussed, among them, how ESG is being incorporated by asset managers. In this event, Fabio Alperowitch was invited to debate alongside Cindy Shimoide (Head of Multi-Asset Portfolio and Investment Consulting for Latin America at Blackrock), Hilde Jenssen (Head of fundamental equities at Nordea Asset Management), and Florian Bartunek (Founding Partner and CIO at Constellation Investimentos), with the moderation of Fabiano Cintra (International Funds Specialist at XP).

Each of the guests presented their views on why the financial market adhered so rapidly to ESG and if it is possible to imagine a future without ESG, on the methodologies used to incorporate ESG and how to engage with companies to contribute to ESG improvement.

Fabio Alperowitch comments that the offer of ESG products is currently greater than the demand, at least in Brazil. He sees the flow of money to ESG is still very slow, mainly due to a lack of understanding. People often think that ESG is about philanthropy and still do not see it as a quality filter that tends to reduce risk and bring higher returns. Jenssen took the opportunity to bring her international perspective. She comments that, although ESG has been present in the Nordic region for a longer time, it was reserved for few investors. She emphasizes it is no longer seen as a niche in part due to the regulatory changes that require asset managers to explain the inclusion or not of ESG factors.

If you would like to know more about the event, please click [here](#) (PT).

✓ **Event: Circular Economy HUB (jan/20)**

Event to discuss circular economy and climate change with Izabella Teixeira (Former Brazilian Environmental Minister) and ESG Investments with Fabio Alperowitch.

✓ **Event: ESG Integration into the business AMCHAM (feb/20)**

Meeting with members of American Chamber, large businessmen from the interior of São Paulo, to discuss how to incorporate ESG into their businesses.

✓ **Event with ABRE (Brazilian Packaging Association) (mar/20)**

Meeting with members of the Brazilian Packaging Association (including Tetrapack) to discuss the responsibility of packaging producers and circular economy.

✓ **Event: Nexus+1 2021 – The Future we choose – Vision from the actors (mar/20)**

For more information, please click [here](#) (SP).

✓ **Event: Environmental ESG/Climate Change – FGV-CES (mar/20)**

Talk for students and professors of the FGV Masters Course on the role and responsibility of the financial market in the climate issue.

## Interviews

✓ **Interview: Sustainable Investments – CBN Sustentabilidade (jan/21)**

For more information, please click [here](#) (PT).

✓ **Interview with Conecta Ambiental (jan/20)**

Live about biodiversity's impact on businesses and companies, and how investors should address these risks and opportunities.

✓ **Interview with Bridge 3 (jan/20)**

Live with Prof Wayne Visser (CSR International) mediated by Daniela Manole to discuss whether ESG is in fact integrated at companies.

## News

✓ **News: “Brazil’s Recent Past a Challenge to Winning ESG Credibility” – Wall Street Journal (feb/21)**

The article focuses on the challenges Brazilian companies face in attracting foreign investment amidst the Brazilian scenario of corruption, inequality and deforestation.

Fabio Alperowitch comments Brazil’s image is damaged mainly because of the actions of the government and three of the largest companies on the stock exchange; however, he recalls that some Brazilian companies, also listed on the stock exchange, have stood out for their good governance and risk management processes, several of which are part of FAMA’s portfolio.

For more information, please click [here](#) (EN).

✓ **News: “Private purchase of vaccine is controversial for ESG”– Valor Globo (feb/21)**

The article brings a discussion around the purchase of vaccines by the private sector amid the uncertainties of the Brazilian government, after a group of more than 70 businessmen met to negotiate the acquisition of more than 33 million vaccines.

Fabio Alperowitch comments it is not simply about voting in favor or against that type of action or condemning the company that is trying to solve the government's neglect and inefficiency problem in its own way. He highlights he prefers to have 33 million non-priority people vaccinated rather than none, but that the correct thing would be to donate 100% to the Brazilian Unified Health System, the SUS.

For more information, please click [here](#) (PT).

- ✓ **News: “Where is the S of ESG? Social funds are still minority in the market” – Estadão (mar/21)**

The infographic brings a compilation of articles and information related to the S of ESG.

Specifically the article “Younger investor is keeping an eye on S of ESG” highlights how the new generation is demanding more responsible practices from companies and that 2021 will be the stage for the S of Social, succeeding the E of Environmental which was the focus in 2020.

Some studies have concluded ESG factors are extremely relevant for the new generation. Out of five young people, four take ESG factors into account in their investment decisions according to a study of Bank of America, and seven out of ten young people say that it is important to defend causes related to their identity according to a McKinsey study.

Fabio Alperowitch comments ESG is still far away from an ideal point. For him, not discussing social and environmental issues properly for the last 20, 30 years, has led to reductionist views. People usually think the Environment is just Climate Change and that Social issues are only about Diversity and Inclusion.

For more information, please click [here](#) (PT).

- ✓ **News: “Vale: what does the R\$ 37.7 billion deal by Brumadinho say about the mining company?” – Exame invest (feb/21)**

For more information, please click [here](#) (PT).

- ✓ **News: “Fabio Alperowitch, of FAMA: “Brazilian still needs to separate ESG investments from philanthropy”” – Infomoney (mar/21)**

For more information, please click [here](#) (PT).

## Podcasts

- ✓ **Podcast: “Investment Exchange Forum - ESG in Emerging Markets”– CFA Chicago (jan/21)**

In this podcast, Rich Excell (CFA Society Chicago member) chats with Fabio Alperowitch on the history and particularities of ESG in emerging markets.

Fabio Alperowitch comments about the history of FAMA Investimentos and the evolution of ESG in Brazil. He points out ESG has become very trendy in Brazil giving space for greenwashing and few in-depth discussions on Human Rights and Environment.

He also recalls the importance of considering regional and local characteristics when analyzing ESG, which can be lost when comparing international ratings or rankings, the fundamental role of Generation Z in the transformation of consumption

patterns (including financial products), and the role of companies in assuming their responsibilities and not depending entirely on their governments.

He also gives his opinion on the PRI, which has already become a marketing tool for some investors, and highlights the B Corp certification and some serious commitments that FAMA has made recently. He finally comments on how FAMA weighs the different opportunities for its portfolio and brings final comments on what international investors can learn from what is happening in the Brazilian market and vice versa.

If you would like to listen to the podcast, please click [here](#) (ENG).

✓ **Podcast by ABERJE (jan/20)**

Interview to discuss ethical investments and the need for transparency in organizations.

## Webinars

✓ **Webinar: Sustainable Amazon: the role of international trade and investors – hosted by IPAM (jan/21)**

This webinar had the participation of Fabio Alperowitch and Marco van Der Ree (GRI Chief Development Officer) and was moderated by Paulo Moutinho (Senior Scientist at IPAM).

The webinar mainly discussed the risks that deforestation in the Amazon may present for international trade and the investment sector and how companies, investors and other global players can contribute to promoting economic and social progress while protecting the environment. Fabio Alperowitch comments that the attention the Amazon has gained nationally and internationally is very positive, but warns that the risks come from the lack of knowledge, debate and in-depth analysis, which leads to reductionism and limits the solutions. He highlights how production and consumption patterns are changing and that companies that are unable to understand this will not survive. During the webinar, the role of the Amazon as a global icon for the salvation of the planet Earth and the economic opportunities that Brazil has with a carbon market were also discussed.

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: “ESG in focus” – Blue Chip Talks (jan/21)**

This webinar had the participation of Laura Vélez, Maria Eugenia Buossi (Economist and professor at Saint Paul School of Business), Mauricio Colombari (Partner and ESG leader at PwC Brasil), and Tatiana Assali (Finance manager for sustainable programs at Sitawi) and was moderated by Denisse Carvalho (Founding Partner at Blue Chip Talks) and Rosenildo Ferreira (Journalist at Papo Reto).

The webinar mainly discussed the advances and challenges of incorporating ESG in the Brazilian financial sector, specifically the role of investors. Laura Vélez briefly comments about the history of Corporate Sustainability as well as ESG, the triggers that have brought more discussion around ESG, the main challenges, including those related to reporting and standardization, the role of consumers and how FAMA incorporates ESG. Laura reminds sustainability is not just for big companies and does not necessarily involve huge amounts of money and technology, it is in everyday actions. She also comments that companies, rather than being concerned with reporting, should be concerned with truly incorporating sustainability into their core strategies and redefining their real purpose.

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: New carbon economy: investments, markets and laws in Brazil and the world – hosted by Política por inteiro (mar/21)**

This webinar had the participation of Fabio Alperowitch, Brenda Brito (Researcher at Imazon), Tiago Ricci (Founding partner of the firm Ricci, Santos, Amaral Advogados) and was moderated by Natalie Unterstell (Coordinator of the project Política por Inteiro).

The webinar discussed the main elements of public policy around climate change and how Brazil is positioned globally in this matter. It highlighted the relevance of governance to implement policies and to have appropriate incentives –such as tax reductions for implementing any policy related to climate change. Fabio mentioned that deforestation is not yet priced in assets, not because of a lack of information but because the financial market does not want to be the first to price it; however, once one starts, the others eventually will follow. He also highlights the urgency of the issue that requires action beyond transparency, as well as the importance of learning from the experience of the pandemic and the development of the covid-19 vaccine, which allowed international collaboration and gave due importance to science.

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar by Bichara Advogados (jan/20)**

Fabio Alperowitch discussed, with Tatiana Assali (sitawi) and Inaie Takaes, aspects of ESG and participated in the launch of Bichara's ESG book.

✓ **Webinar: ESG Funds – Strategy, Sustainability and Profitability in 2021 – C6 Bank (jan/20)**

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: “Conservation of Biodiversity and the E of ESG: Paths and Opportunities – Jataí Capital e Conservação (jan/21)**

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: Financial education and inclusion: is it part of your company's ESG agenda? – FGV (feb/21)**

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: Climate change: impacts and risks for companies – LIDE (mar/21)**

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: The growth of the ESG market trend and the impact of this on the way of investing – Exame invest (mar/21)**

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: Launch of the study “Risk matrix: a way for banks to incorporate the environment in their financing – Instituto Escolhas (mar/21)**

If you would like to watch the webinar, please click [here](#) (PT).

✓ **Webinar: Diversity – Why now?– YPO (mar/20)**

Panel with Luiza Helena Trajano (Magalu) and Luana Genot (IDIS), mediated by Thalita Gelenske (blend.edu) for about 200 CEOs of the YPO on the importance of incorporating a vision of diversity in a structural and urgent way in their businesses. Panel e structured and organized by Fabio Alperowitch.

## ESG Classes

FAMA Investimentos has been ministering ESG classes for undergraduates and master courses at different universities as well as high-schools.

During the first quarter of 2021, FAMA Investimentos ministered classes at:

- Nova School of Business and Economics (Nova SBE, Lisbon, Portugal) – class on ESG Valuation
- Instituto Brasileiro de Governança Corporativa (IBGC) – class on ESG for corporates
- Centro Universitário da Fundação Educacional Inaciana (FEI) – class on ESG integration
- CFA Woman – class about ESG & diversity.