

FAMA Investimentos

Stewardship Report

First Quarter 2022

Introduction

In this report you will find FAMA's main stewardship efforts in the 1st quarter of 2022, divided as shown below (the summary contains some quick links to the main subtopics):

1. PRIVATE ENGAGEMENTS

2. VOTING OVERVIEW

3. INTERNAL INITIATIVES/UPDATES

- ✓ FAMA INVESTIMENTOS' CLIMATE MANAGEMENT IS A GLOBAL CASE STUDY FOR THE INVESTOR AGENDA
- ✓ FAMA INVESTIMENTOS IS RUNNER-UP AT THE ESG INVESTING AWARDS 2022

4. ADVOCACY

ARTICLES BY FABIO ALPEROWITCH

- ✓ SO, MARKET, LET'S TALK ABOUT "CLIMATE JUSTICE"? – BLOOMBERG LÍNEA
- ✓ REPLICA: ESG DOES NOT CONFORM TO HAMMER BLOWS – BRAZIL JOURNAL

EVENTS

INTERVIEWS

NEWS

PODCASTS

WEBINARS

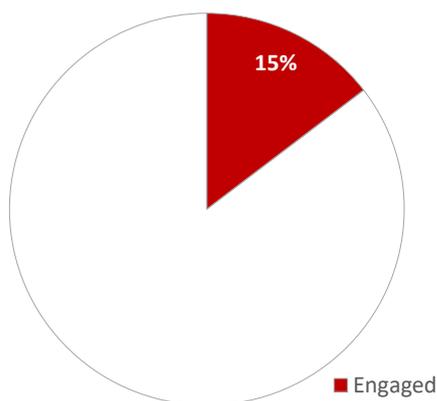
OTHERS

1. Private Engagements

The table below summarizes the interactions we had with some companies related to E, S, or G issues during the 1st quarter of 2022.

We are currently discussing our engagement plan with investee companies for 2022. In it, we will define the priorities according to the most material topics for the company, for our stakeholders and ourselves, alongside the objectives, scope, intensity, frequency, as well as escalation methods in case we deem the engagement was not successful. We will share more details in the coming months.

% of AuM covered by engagements (only portfolio companies)



Top engagement topics

1. ESG Materiality
2. Governance - Remuneration

Main channels

1. Video Call
2. E-mail

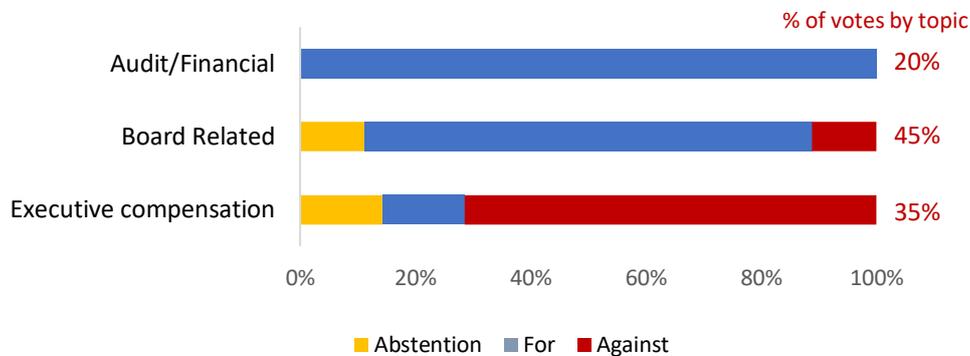
2. Voting Overview

During the first quarter of 2022, we voted in 100% of the AGM/EGM (Annual General Meetings/Extraordinary General Meetings), totaling five meetings and forty-five proposals.

Of those proposals, ten were write-in votes or yes/no votes and are not counted in the statistics below.

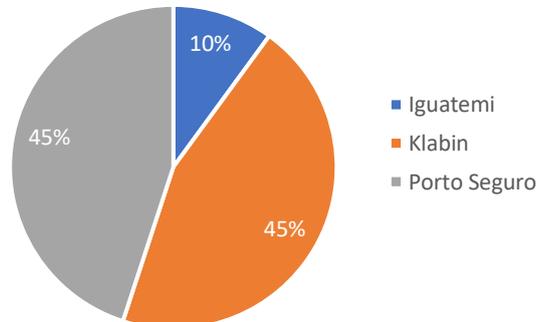
For the remaining thirty-five proposals, twenty were classified as relevant (votes on material issues), of which we abstained from voting on 10% of them, voted against 30% and in favor of 60% of the proposals.

Voting Activity per Topic



Most of the proposals voted were “Board Related” representing 45% of the relevant votes, followed by “Executive Compensation” representing 35% of the votes and by “Audit/Financial” representing 20% of the votes.

Proposals voted by company



For 88% of the relevant 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

✓ **FAMA Investimentos' Climate Management is a Global Case Study for The Investor Agenda**

In January 2022, [The Investor Agenda](#) published some case studies highlighting the best climate practices of investors around the world, with FAMA Investimentos being the sole reference in Latin America and one of the only cases in Emerging Markets.

We are honored to share the details of our climate agenda with reference to “The Investor Climate Action Plans (ICAPs) Expectations Ladder”, which measures the level of governance and investor action in four specific areas: Investment, Corporate Engagement, Advocacy, and Disclosure.

FAMA Investimentos is aligned with Level 1 (the most advanced) in the Investment and Advocacy categories and with Level 3 in Disclosure on a scale that ranges from 1 to 4.

The ICAPs Expectations Ladder is designed to be a framework for investors to assess their climate journey and what initiatives they can take to support the transition to a low-carbon, net-zero-emissions economy by 2050 or earlier.

For more information on the case studies, please click [here](#).

✓ **FAMA Investimentos is runner-up at the ESG Investing Awards 2022**

The ESG Investing Awards was established by Global Markets Media and evaluates the best companies involved in ESG worldwide. FAMA Investimentos was the runner-up in the third edition of the awards, in the “Best ESG Equity Investment Fund: Emerging Markets 2022” category, being the only representative from Latin America to have reached the finals.

We competed for the award with highly renowned assets in the ESG world – such as Cartica, Matthews Asia and Fisher Investments Europe – as well as global managers such as JP Morgan, Goldman Sachs and Franklin Templeton.

It has now been almost three decades of investing with ethical rigor and engagement with companies that create long-term value for all their stakeholders, aiming beyond just shareholder returns. Our recognition comes from pioneering qualitative ESG integration, our solid commitments, huge advocacy efforts and total transparency with our stakeholders.

You can access the full list of winners [here](#).

To know more about our commitments and initiatives, as well as other recognitions and transparency reports, please click [here](#).

For more information released in the media, please click on the following link: [Época Negócios](#)

4. Advocacy

Articles by Fabio Alperowitch

✓ **Article: “So, market, let's talk about 'climate justice'?” – Bloomberg Línea (jan/22)**

Beyond discussing the causes and consequences of climate change and the financial market reactions, the article focuses on its social impacts and the capital market responsibilities in combating climate change as well as mitigating its effects.

“Based on a study by Amnesty International, half of greenhouse gas emissions between 1990 and 2015 were carried out by the richest 10% of the world's population, while the poorest 50% were responsible for only 7% of emissions. In other words, those least responsible for the climate crisis are precisely the most vulnerable in relation to its effects”

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

✓ **Article: “Replica: ESG does not conform to hammer blows” – Brazil Journal (mar/22)**

The article brings some counterparts to a quarterly letter written by a traditional Brazilian asset manager justifying its investment in Eneva, a Brazilian energy company, and its coal assets.

By shedding light on the slavery period, where many narratives were created to justify the unjustifiable, the article draws attention to the use of coal despite IPCC’s warnings about the serious consequences derived from climate change and coal’s direct impacts, as well as the need to have a gradual coal decommissioning plan.

The letter concludes that coal decommissioning is financially unfeasible; however, calculations do not consider coal subsidies or other externalities which are not yet priced in.

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

Events

✓ **Event: 1st GFANZ Meeting + Race to Zero Brazil: mobilizing finance and delivering implementation – hosted by Brazilian British Embassy (mar/22)**

The Brazilian British Embassy organized an event to bring together sustainability and ESG leaders from companies, states and municipalities to launch the Glasgow Alliance for the Decarbonization of Financial Services (GFANZ) in Brazil and to open an invitation for others to join the initiative.

FAMA Investimentos was invited to participate in a debate session with Alok Sharma, COP26 president, and other six leaders from the Brazilian financial sector to discuss the pathways towards Net-Zero.

FAMA Investimentos highlighted the role of banks which have a huge responsibility not just in terms of financing, but also in terms of education and product offering. It also highlighted the opportunities for partnerships with ESG managers and the need to include the topic of Climate Justice in the discussions.

✓ **Event: PRI Workshop about Net-Zero initiatives (mar/22)**

Event for PRI (Principles for Responsible Investment) Brazilian signatories (65 attendees) to talk about the Net-Zero Asset Managers (NZAM) Initiative and some of the signatories' decarbonization strategies.

FAMA Investimentos had the opportunity to present its Net-Zero strategy (FAMA was one of the founders of the NZAM Initiative), covering aspects of investment, engagement, policy advocacy, as well as disclosure. Along with FAMA Investimentos, José Pugas and Rodrigo Figueredo also had the opportunity to present JGP and AMBEV strategies, respectively.

Interviews

✓ **Interview with “Um Só Planeta” (mar/22)**

In this interview for “Um Só Planeta”, Fabio talks about FAMA Investimentos and the reasons for having most of its investors from abroad and not local. He also comments on the challenges of advancing ESG Investing in Brazil, the need to discuss more on social inequality and his positive long-term visions.

If you would like to read the interview, please click [here](#) (PT)

News

✓ **News: “Is ESG theory or practice? 5 steps to assess listed companies behavior”– Invest News (jan/22)**

The article brings together the opinion of ESG experts and some studies on the subject that deal with several aspects, including the positive impacts of ESG, consumers' perception of companies' lack of commitment and the current disclosure scenario and practices.

FAMA Investimentos comments on the lack of critical analysis to understand what is really fundamental for each company and hinders the identification of greenwashing. It also comments on the lack of commitment by companies and investors with ESG, as many of them are more focused on their marketing materials than on practical actions.

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

✓ **News: “Experts point out which ESG themes will be essential in 2022”– Folha De S.Paulo (jan/22)**

Experts in ESG, including FAMA Investimentos, discuss in this article what they believe will be the most relevant topics in this area for 2022.

Climate Change will continue to have great importance, but the focus will be more on the opportunities that will raise from more capital inflows needed for decarbonization plans, which involve the development of new technologies and more innovation. Also, more focus will be given on the social impacts of Climate Change, involving topics such as litigation and climate justice.

Referring to climate litigation, FAMA Investimentos comments on the possibilities of that impacting Brazil, perhaps not in the short term, and how this is already a reality in other parts of the world, giving the example of Shell that was ordered to cut its carbon emissions by a district tribunal at The Hague last year.

Among other topics, data intelligence and the legitimacy of ESG goals were mentioned. Specifically, the latter must be linked to the company's strategy and executive compensation.

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

✓ **News: “Funds with specific theses focused on sustainability gain relevance in Brazil. Is it worth investing?”– InfoMoney (jan/22)**

Drawing on the findings of a Bank of America report stating that for every US\$3 invested in funds worldwide, US\$1 was allocated to ESG funds in 2021, the article discusses the local scenario of ESG Investments by collecting the opinion of some Brazilian fund managers, including FAMA Investimentos and commenting on their portfolios and performance.

FAMA Investimentos comments on its ESG Investing philosophy and the false dichotomy between profit and socio-environmental responsibility. All asset managers interviewed indicate there is still a long way to go for the development of ESG investments in Brazil and the importance of focusing on long-term returns.

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

✓ **News: “The Brazilian Stock Exchange Sustainability Ranking fails on ESG issues?”– InfoMoney (jan/22)**

The Corporate Sustainability Index (ISE) of the Brazilian Stock Exchange (B3), founded in 2005, has recently undergone an important methodological change. At the beginning of 2022, the new ISE portfolio was launched, for the first time giving access to the responses and scores of companies in each of the categories and subcategories of the questionnaire, which now differentiates the questions according to the sector and incorporates the companies’ CDP (environmental data) and RepRisk (reputational data) scores.

Despite the advancements, the index still has a long way to go. Just to mention some critical points, the information provided by companies is autodeclared and there is no audit or qualitative assessment by B3.

The article discusses some of the companies that are part of the 2022 ISE and that have a controversial history, such as Braskem and Minerva Foods. FAMA Investimentos comments there is nothing wrong with having companies from controversial sectors, as long as the company is responsible; however, it signals the risks that such an index represents for an unprepared market, that might understand that the companies that make up the index are responsible just for being part of the index.

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

✓ **News: “War prompts funds and banks to review weapons exclusion from ESG policies”– Capital Reset (mar/22)**

The text addresses different points of view regarding the debate towards financing the defense industry following the Russian invasion of Ukraine.

While it is well known that ESG is not an objective and that the boundaries that define its parameters have never been very clear, the exclusion of the defense industry for ESG investments has always been a consensus. For FAMA Investimentos, there will certainly be space for more dogmatic investors, with whom FAMA identifies, as well as for more liberal investors; however, it says, the discussion of this kind of topic cannot be casuistic.

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

Podcasts

✓ **Podcast: Financial assets and ESG practices – Kritike (feb/22)**

In this podcast, FAMA Investimentos discusses about how ESG is more strategic than technical, the importance of materiality and the need for empathy, ethics and a long-term vision as well as more debates to deconstruct bias.

The podcast also touches on a variety of issues such as additionality in the carbon market, corporate culture, executive remuneration linked to ESG metrics, climate litigation and climate justice and what to expect for COP27.

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

Webinars

✓ **Webinar: Brazil: how are globalization, digitalization and ESG trends reshaping the markets and local investor preferences? – hosted by AIMA (jan/22)**

Michelle Noyas (AIMA) talked with FAMA Investimentos, Brunel Partners, Giant Steps Capital, The Catalyst Group and WHG about alternative investments, such as digital assets and ESG.

Most of the discussion was around the macro economic and political context of Brazil and its main risks and opportunities. There was also space to compare the Brazilian market with other markets and to try to figure out the institutional investor perspective and the flow of money from and to Brazil.

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

✓ **Webinar: Sustainable finance: what is it and why does it matter for our future? – hosted by CVM Educacional (mar/22)**

During the Global Money Week 2022, the CVM (Brazilian Securities Commission) organized an event to discuss Sustainable Finance directed specifically to young people.

The webinar discussed the need for new skills and knowledge for the financial market, including empathy, ethics and long-term vision, the challenges and importance of conscious consumption which also integrates the consumption of financial services and the demand for critical thinking which arise when we internalize knowledge.

FAMA Investimentos participated along with José Pugas (JGP), Celso Lemme (COPPEAD UFRJ), Naiara Bertão (Valor Econômico) and Luana Ozemela (DIMA Consultancy) with the moderation of Daniela Baccas and Caropl Velloso, both from CVM.

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

Others

- ✓ **Event:** Chambers São Paulo Forum 2022 - Beyond Legal: the rules of business in the ESG era. Session “The New Industry: How key economic activities are reinventing themselves in the ESG era”
- ✓ **News:** [Brazilian companies that impact the world in the concept of ESG sustainability](#)
- ✓ **News:** [Understand what the barbecue at Bradesco reveals about ESG advertising](#)
- ✓ **Other:** Lecture on ESG for students participating in OBECON (Brazilian Economics Olympiad)
- ✓ **Podcast:** [ESG fad or reality – PG Law](#)