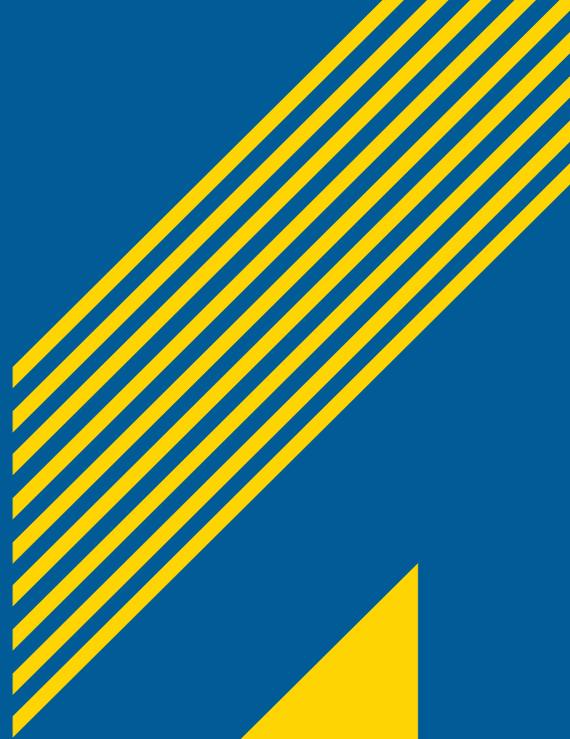


SWEDISH
BUSINESS
CLIMATE IN
BRAZIL 2016



SWEDISH BUSINESS CLIMATE IN BRAZIL 2016



SWEDISH-BRAZILIAN CHAMBER OF COMMERCE

Project Coordinator Brazil

Jonas Lindström - Managing Director

Graphical analysis and layout design

S/A LLORENTE & CUENCA

LLORENTE & CUENCA is the leading communication, public affairs and reputation management firm in Brazil, and part of LLORENTE & CUENCA, Spain, Portugal and Latin America. Thanks to its international expansion, the company ranked 54 on The Holmes Report Annual Global Ranking of the most important communication firms in the world. S/A LLORENTE & CUENCA is one of the 15 biggest communication agencies in Brazil. The agency has more than 70 professionals at its offices in Sao Paulo, Rio de Janeiro and Brasilia. The company is the winner of the Latin American Excellence Awards 2015. It was also recognized with Aberje Prize in 2010 and 2011 besides being finalist at Cannes Festival in 2009.

TEAM SWEDEN IN BRAZIL WOULD LIKE TO THANK THE PARTICIPATING COMPANIES:

AAK, ABB, AF Consult, Agab, Akzo Nobel, Alfa Laval, Arla Foods Ingredients, AstraZeneca, Atlas Copco, Atos Medical, Autoliv, BAE Systems Hägglunds, BAMA, Borgstena Brazil, Brasil projects, Brazilship, Camfil, Cejn, Chilli Brasil (Rekorderlig), Cinnober, Dellner, Diaverum, Dometic, Elanders, Electrolux, Elekta Medical Systems, Elof Hansson, Ericsson, Eritel, Flexlink Systems, FinanZero, Gunnebo Gateway, Gunnebo Industries, GWS, Haldex, Höganäs, Husqvarna, IFS, Ikea, iZettle, Kazamax, Kinnarps, Kreab, Leax, Linde Gases, Mercuri Urval, Munksjö, MSAB, Nefab, Nordea, Nordic, Norvida, Nynas, Penguin Consultants, PQR International, Quant, Roxtec, Sandvik, Scania, Scanjet Group, SEB, Semcon, SKF, Snow Software, SSAB, Starsprings, Stora Enso, Swedish Match, Systemair, Tanac, Tetra Pak, Trelleborg, Thule, VBG Group, Vecsa International, Vector Brasil, Volvo and Volvo Cars.

São Paulo, October 2016

SWEDEN AND BRAZIL DO BUSINESS TOGETHER

Every year, Swedcham - the Swedish-Brazilian Chamber of Commerce - carries out a survey amongst Swedish enterprises in Brazil in order to better understand the business climate and the direction of the businesses in general.

The idea is to conduct the same survey on other markets in the world as it can become an important tool for Swedish companies that plan to enter new markets, or do further investments where they already are established. India and China are the first two countries to join this Business Climate survey already in 2016/2017.

Swedcham works closely with the Swedish Embassy, the Swedish Honorary Consulates and Business Sweden to promote Sweden, Swedish industry and Swedish economic interests. The commitment and close cooperation of all those involved is the core of Team Sweden, which is formed by all of the above. Through the Embassy a close dialogue with Brazil's government is maintained, helping to implement the strategic partnership between Brazil and Sweden that was updated in 2015. The Strategic Partnership Action Plan covers areas such as political dialogue, trade and investment, sustainable development, innovation, education and defense.

Sweden and Brazil are embarking on a new era of bilateral cooperation as contacts expand and intensify across the borders. One important factor is the Gripen project which covers the development and production of 36 fighter aircraft for the Brazilian Air Force. This partnership will last for 30-40 years and will create spillover effects in other sectors.

This year, Swedcham is also chairing Eurocamaras, the umbrella organization for European Companies in Brazil, which represent more than 5 000 European industries and companies in this country. Given this responsibility, focus on Sweden is further enhanced.

Sweden is a relatively small country although Swedish companies employ around 60 000 people in Brazil, but competition is increasing. Only by coordinating our efforts and work smarter than our competitors we can still punch above our weight. We hope the new issue of the survey Swedish Business Climate will help us do an even better job in the future.



Per-Arne Hjelmborn
Ambassador of Sweden
in Brazil



Nils Grafström
Chairman EuroCamaras
and Swedcham



Renato Pacheco
Swedish Honorary Consul
General in São Paulo



Jonas Lindström
Managing Director at the
Swedish Chamber of Commerce



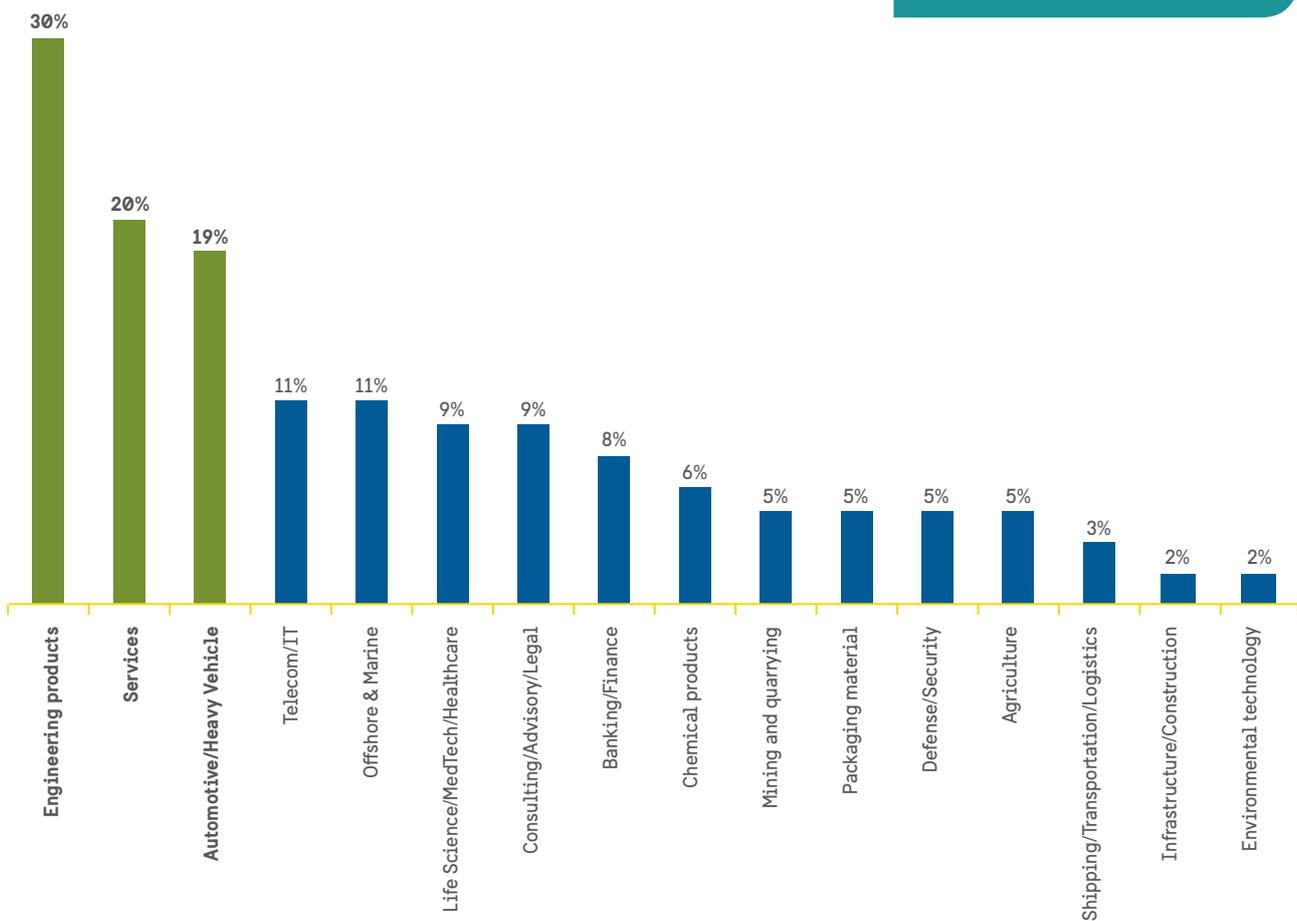
Johan Noren
Trade Commissioner at
Business Sweden in Brazil

BUSINESS ENVIRONMENT

A VERY DIVERSIFIED PRESENCE IN BRAZIL

Swedish companies are present in various sectors in Brazil. The engineering, automotive and services sectors account for almost 3/4 of Swedish presence in the country, but banking and consultancy have a growing presence.

“The engineering, automotive and services sectors account for almost 75% of Swedish presence in the country”





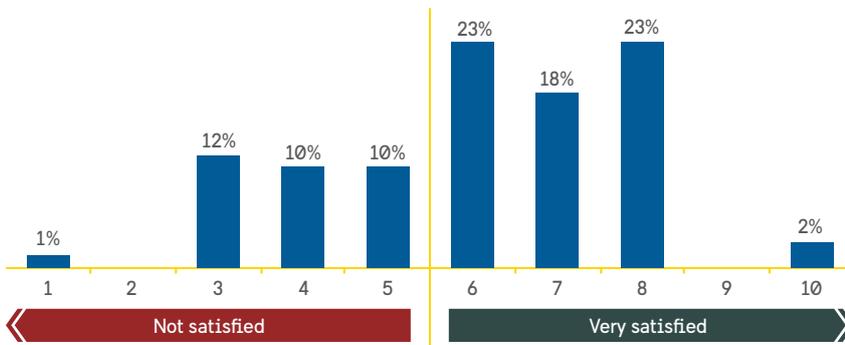
Quant is a global leader in industrial maintenance. For over 25 years, we have been realizing the full potential of maintenance for our customers.



Volvo Cars is a well-known and respected premium car maker in the world, and has operated in Brazil since 1991. During these 25 years, we have offered to Brazilian consumers innovation and security of products based on the worldwide strategy: our human-centric focus which is what makes us different from other car companies, and is at the heart of everything we create. This is why Volvo Cars are 'Designed Around You'.

BUSINESS ENVIRONMENT IN GENERAL, COMPANIES ARE SATISFIED DOING BUSINESS IN BRAZIL...

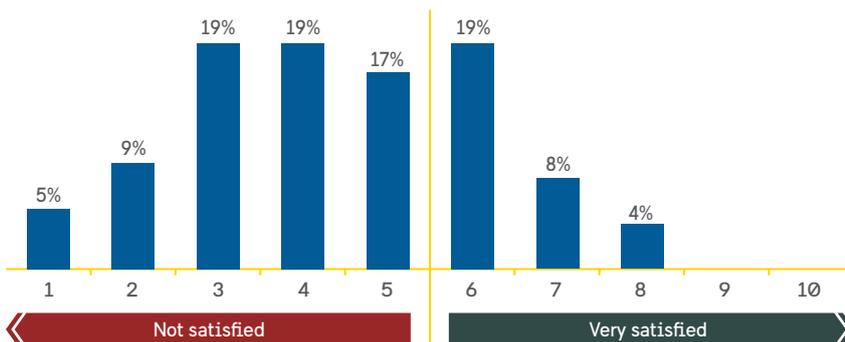
More than 60% of the Swedish companies are satisfied with the development of their business in Brazil, however the number is closer to 5 than to 10, in terms of positive perception.



“An outstanding majority includes the political situation as negative for the development of their business in Brazil”

BUT, THEY CONSIDER THE CURRENT BUSINESS CLIMATE NEGATIVE

More than 65% of the Swedish companies consider the current business climate of Brazil negative. As shown in the graph below, the numbers are closer to 5 than to 1, in terms of negative perception.



Has the current Brazilian political scenario impacted on your business?





Multinational Swedish-Swiss **ABB** develops solutions for all industrial sectors, such as automotive, pulp and paper, oil and gas and the naval industry; energy efficient solutions, commodities and mining.



Gunnebo Industries is the preferred partner in lifting and related applications for customers throughout the world. We are known for our innovative, safe and reliable products and our excellent support and service. Our subsidiary in Brazil is responsible for South America and we support the market development.

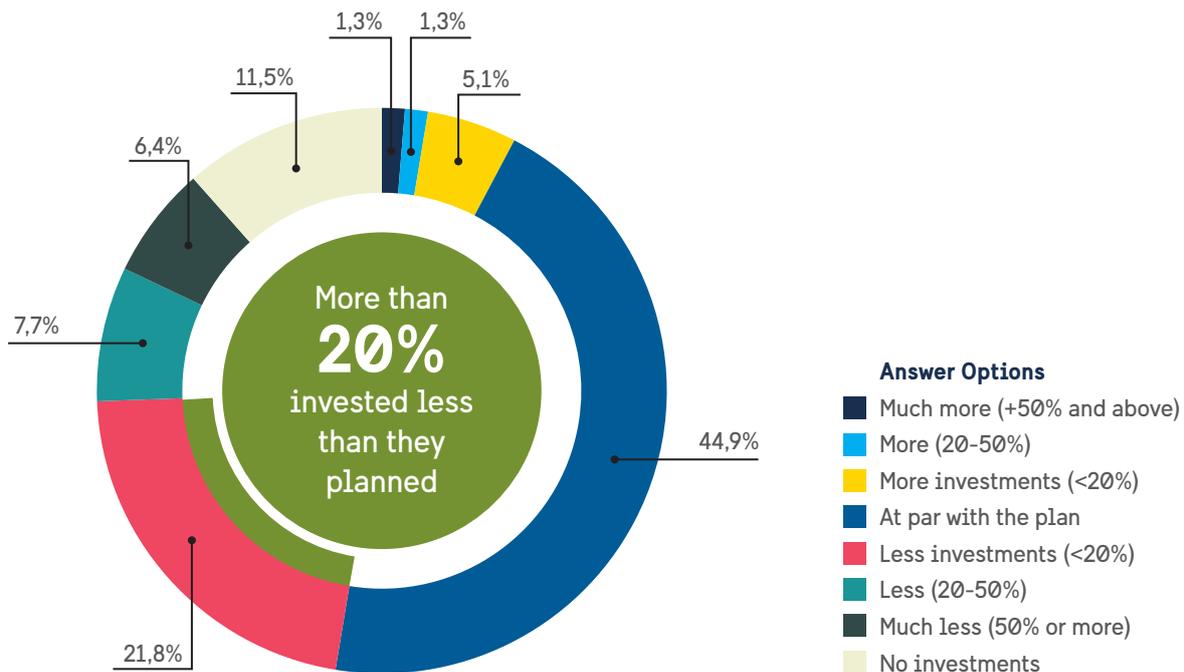
INVESTMENT FORECASTS

THE NEGATIVE PERSPECTIVE HAS AFFECTED INVESTMENTS MADE DURING THE PAST 12 MONTHS

The negative business environment has taken a toll on the investment perspective with more than 20% investing less than planned, and around 40% just keeping what was on paper. The reason was mainly the lack of growth in the country, the drop in the profit margins and the low confidence in Government reforms, and one of the consequences was the reduction in the number of employees. Following the national situation on the labor market, the Swedish companies have been in a negative trend in terms of employment generation. 1 out of 3 companies has reduced the number of employees during the last year. The positive side is that they forecast a recovery in the workforce in the forthcoming months.

“Swedish companies have been in a negative trend in terms of employment generation”

Over the last year, have your investments been in the range of what you originally planned/predicted them to be?





The plant established in São Bernardo do Campo (SP) was Scania's first production unit outside Sweden. Producing heavy trucks, buses and industrial and maritime engines for almost 60 years in Brazil, Scania keeps its long term commitment to the future of transport and to the development of the country and region.



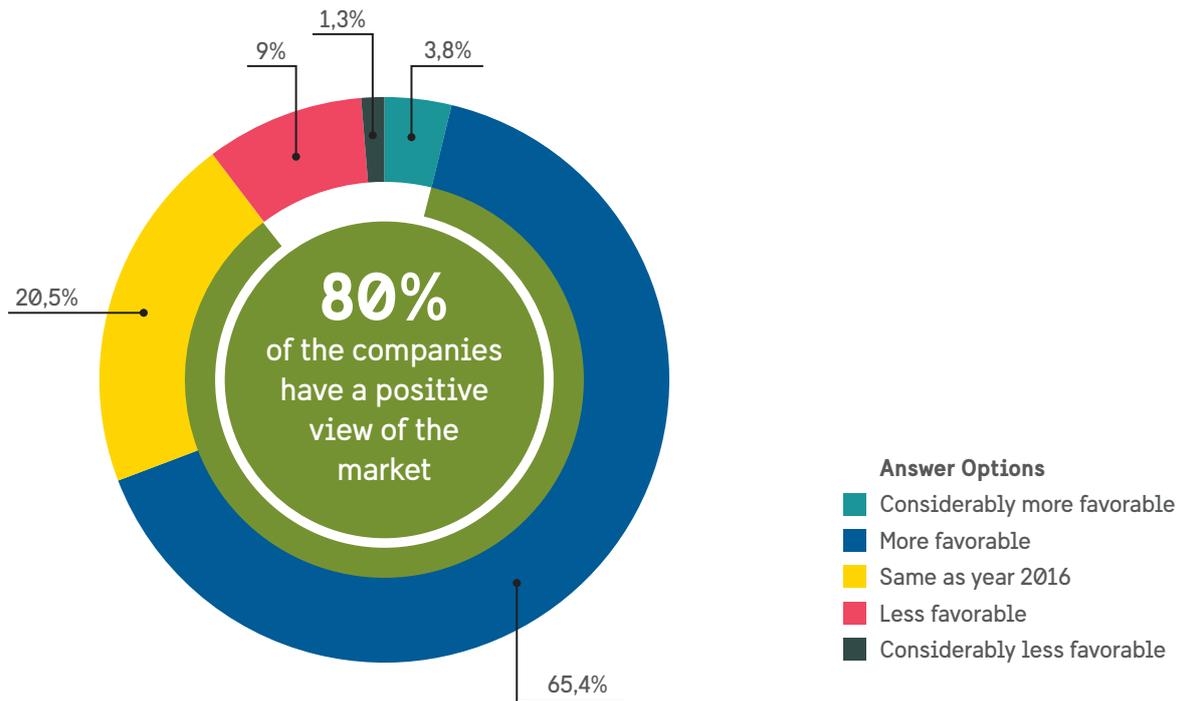
INVESTMENT FORECASTS

IT SEEMS AS IF THIS IS JUST A PHASE...

In general, the perspective is positive for the next year with up to 80% of the surveyed companies having a positive view of the market. This also has increased the perspective in the medium term, where 2 out of 3 companies want to increase their activities in Brazil.

“2 out of 3 companies want to increase their activities in Brazil”

How do you perceive the investment climate in Brazil for the coming three years?





The Project “Connect to Learn” is being implemented for the first time in Brazil through a partnership between **Ericsson** and **Vivo** which promotes access to high quality education in the heart of Amazonas with the implementation of solutions in information technology communication (ITC) in the Suruacá and Belterra communities in the Pará Amazon rainforest.

Tetra Pak’s project *Cuidando do Futuro*, started in 2014, aims to develop leaders who can manage successfully and in a sustainable way the waste pickers cooperatives in Brazil. Through in-person meetings, expert consultants teach participants to assume the role of managers, how to deal with the decision-making process and identification of successors. The project is now on its third edition and, since 2014, has impacted 94 people from 23 different waste pickers cooperatives.



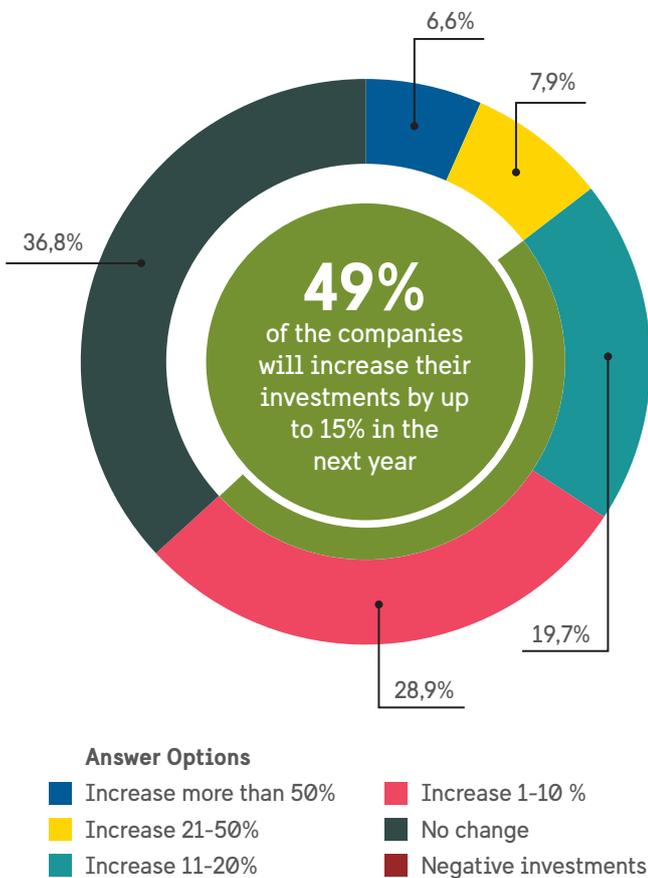
INVESTMENT FORECASTS

THINGS WILL GET BETTER... INVESTMENTS WILL COME DURING NEXT YEAR

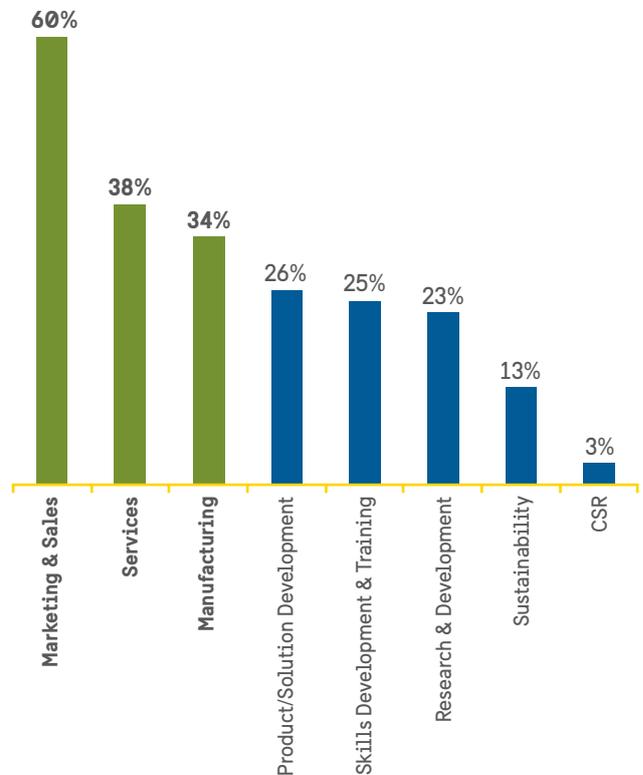
Almost 50% of the Swedish companies answered that during the next year the average increase of investments will be almost 15%. These investments will be focused mainly on marketing and sales, services and manufacturing.

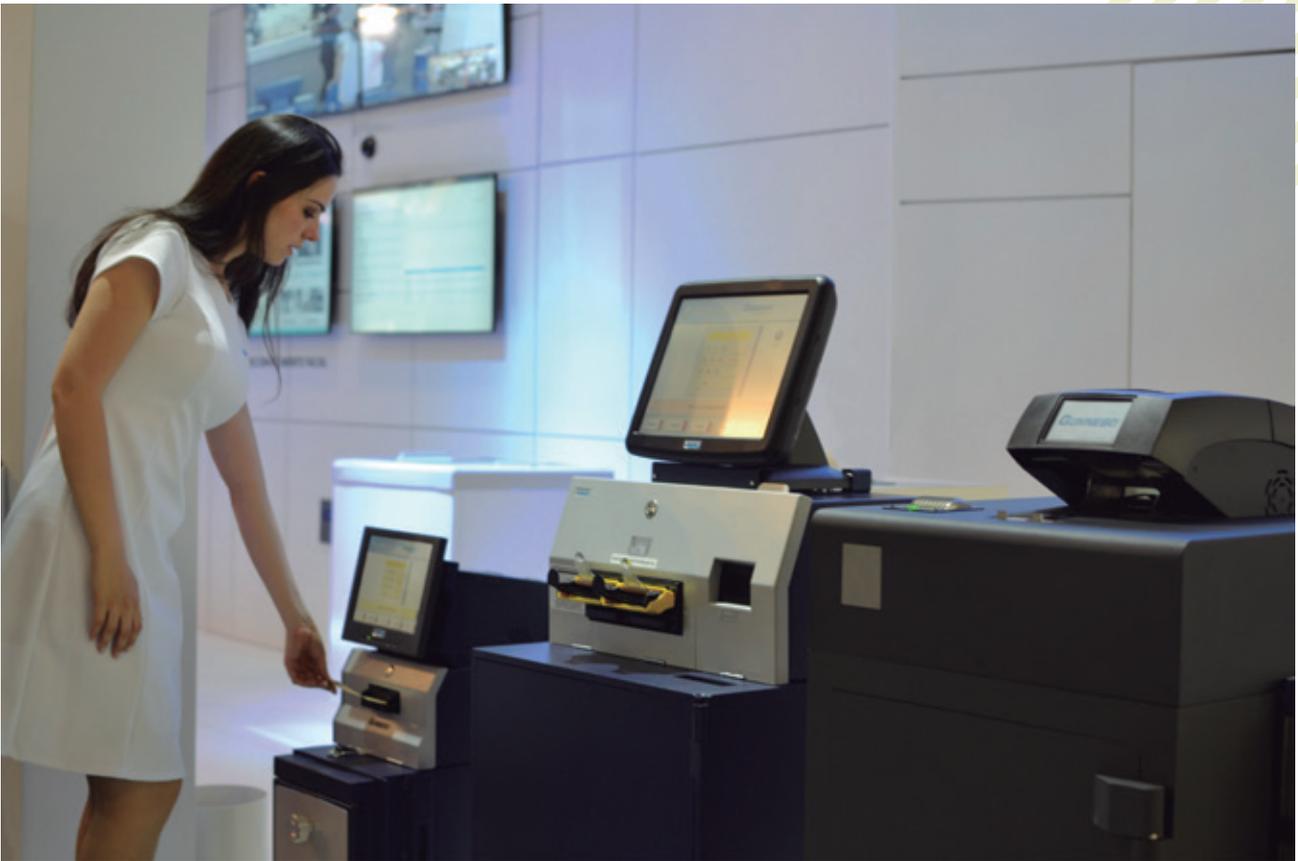
“60% of the investments in 2017 will be focused on Marketing & Sales”

What is your estimate for the company’s investments in Brazil next year compared with 2016?



In which business areas do you plan to increase your investments?





Gunnebo is a leading global security provider, offering solutions on cash management, entrance security, electronic security and electronic article surveillance. The Gunnebo Group is based in Gothenburg, with offices in 32 countries across Europe, the Middle East, Africa, Asia-Pacific and the Americas. In Brazil, Gunnebo is a reference on Loss Prevention and one of the most important partners for retailers as Walmart, Riachuelo, Marisa, Raia Drogasil, Leroy Merlin, Livrarias Saraiva, Fnac and others.



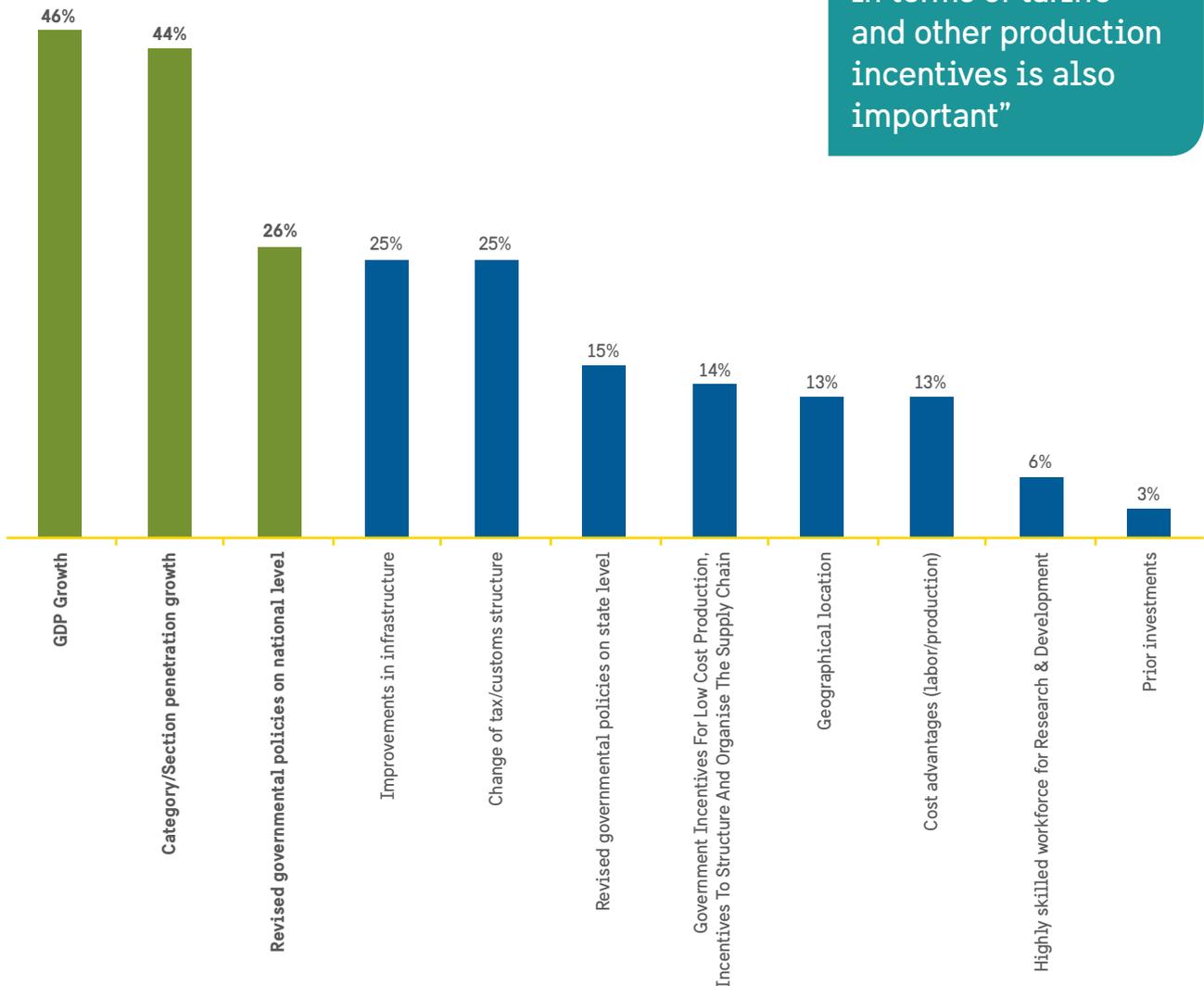
A special paper made by **Munksjö** counts on intelligent use of modern technologies for a high-value product design in an efficient and environmentally friendly way.

MARKET BARRIERS

THINGS COULD BE MUCH BETTER IF...

Companies identified the GDP growth and the market penetration as the main important areas in order to increase their performance in the country. It is important to highlight that Government action in terms of tariffs and other production incentives is also essential.

What are the key external factors contributing to opportunities for your company in Brazil in the short term?



“GDP growth and the category/section penetration growth are considered the main factors to increase performance. Government action in terms of tariffs and other production incentives is also important”



AAK, a leading manufacturer of high value-adding specialty vegetable oils and fats, inaugurated a new specialty and semi-specialty edible oils factory in Jundiaí, São Paulo State, on June 15. The factory required an investment of around SEK 400 million (USD 62 million).



Atlas Copco's 'Sustainable Productivity' statement is truly deployed all over its offices and factories in Brazil. Employees are deeply engaged with environmental and social programs and local technologies are developed to produce highly energy efficient and ecologically friendly equipment.

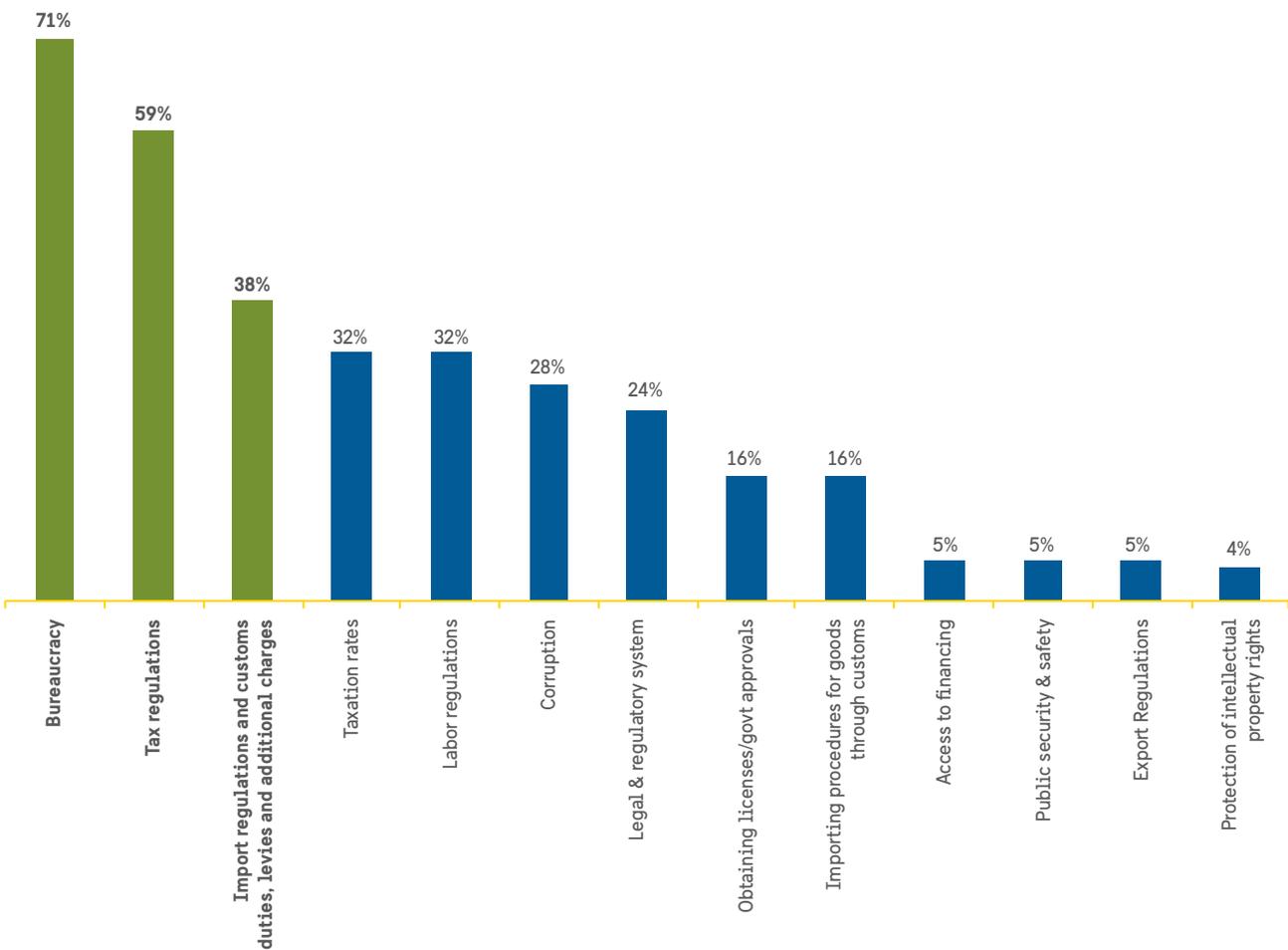
MARKET BARRIERS

THE BRAZILIAN MARKET STILL HAS BARRIERS

According to the companies there are some barriers that do not allow them to develop and generate more business opportunities. Bureaucracy and tax regulations are the main ones for the Swedish companies, according to the survey. These are also seen as the barriers which, once improved, could generate business opportunities in the short term.

“Bureaucracy and tax regulations are some of the main barriers for the Swedish companies”

Areas described as challenging for Swedish companies in Brazil.





We know that our future depends on our ability to do radically more while using less. To innovate more and use less traditional solutions. To use more renewable energy and less fossil-based. To redefine what is possible.

Akzo Nobel

Akzo Nobel - factory in Imperatriz, Maranhão

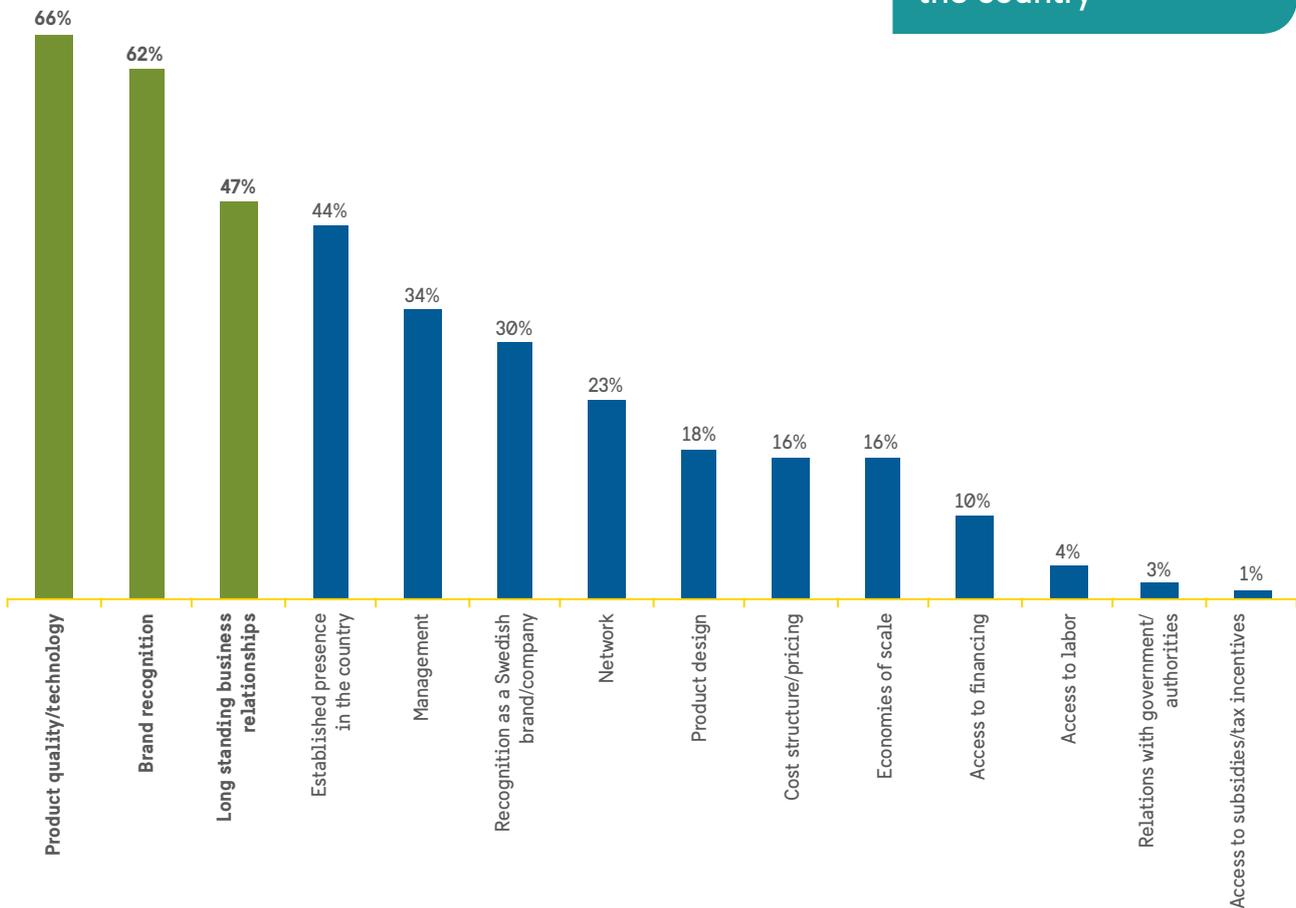
MARKET BARRIERS

WE HAVE A CLEAR IDEA OF WHAT WE BRING INTO THE MARKET...

The companies surveyed have a very clear idea of what their competitive advantages are in terms of defining what they do best and how they do it. In this case, the product quality and the brand recognition are the two main assets, followed by a longstanding business relationship and an established presence in the country.

“Product quality and brand recognition are the two main assets, followed by a longstanding business relationship and an established presence in the country”

What do you perceive to be your company’s biggest advantages among the competitors in Brazil?





Every day, more than 100 000 patients around the world are diagnosed, treated and supported through an oncological or neurological solution provided by **Elekta**. Through innovation and collaboration, we are making constant progress in taking care of patients.



Husqvarna Group is a world leading producer of outdoor power including chainsaws, trimmers, lawn mowers and garden tractors. The Group is also the European leader in garden watering products and a world leader in cutting equipment and diamond tools for the construction and stone industries.

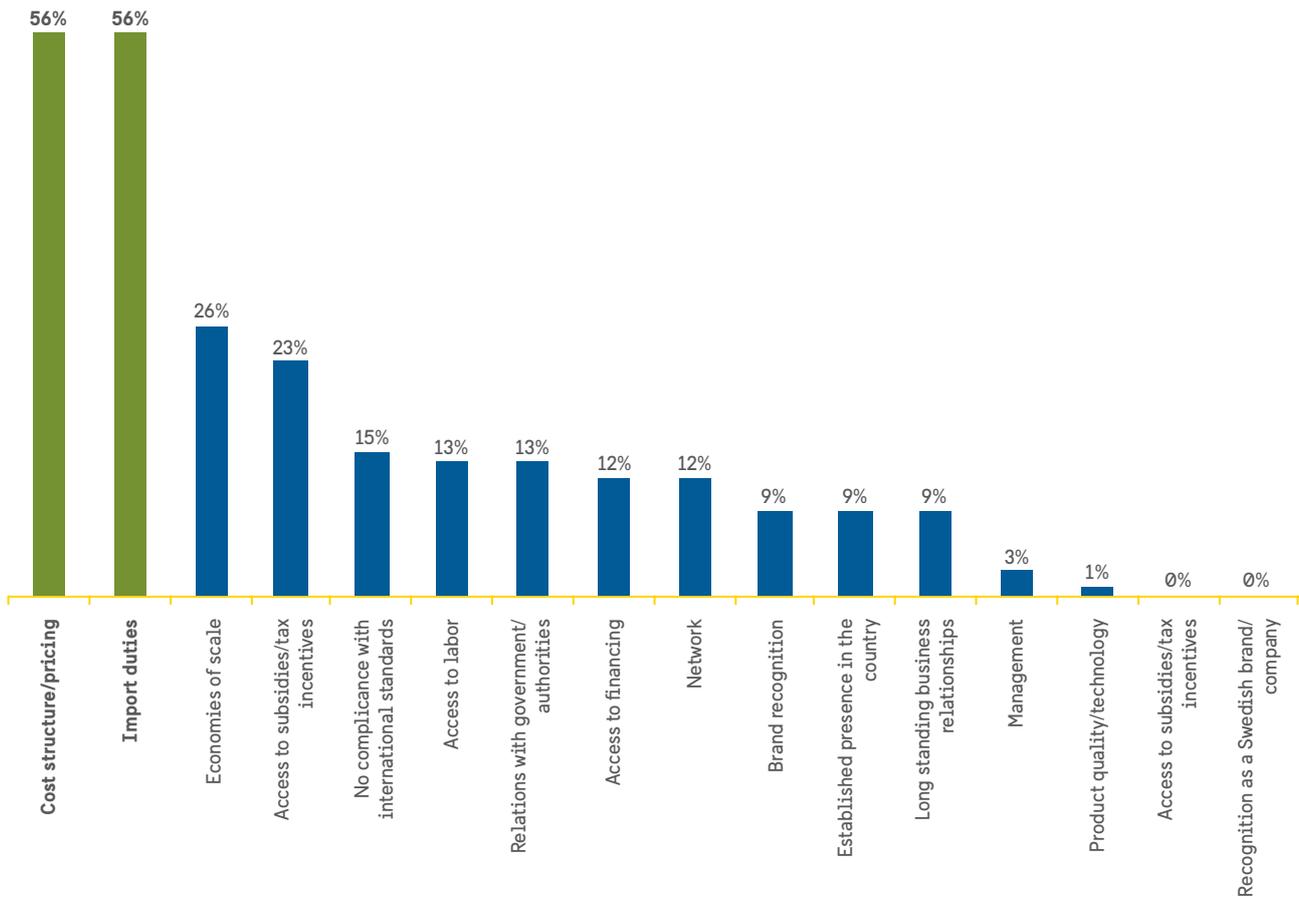
MARKET BARRIERS

WHAT NEEDS TO BE IMPROVED

Companies also listed their major disadvantages on the market, particularly the more external ones such as import duties and cost structure which depend less on the company's performance.

What do you perceive to be your company's biggest disadvantages among the competitors in Brazil?

“External factors such as import duties mean disadvantages against competitors in Brazil”





Every year **SKF** provides a family visit day at our facilities so the employees' relatives can come and experience an amazing day with recreational activities, go through medical care and take part in our working day routine. We have noticed a huge impact in the happiness level once they can show their relatives the place where they work and feel proud about it.



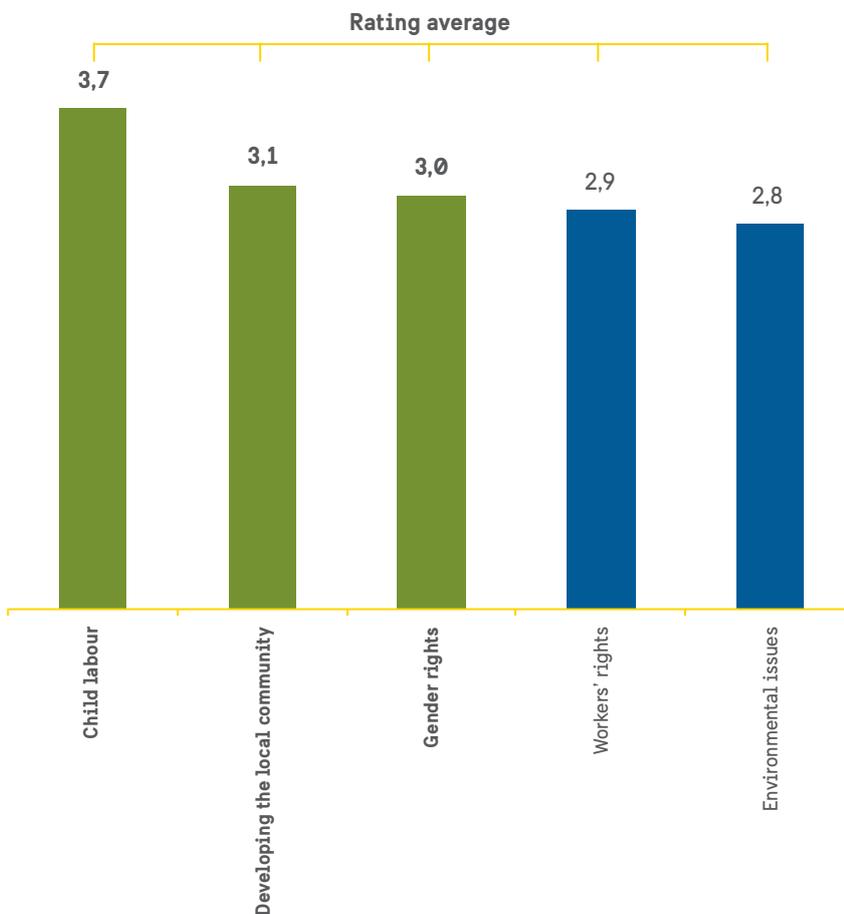
The **Volvo Group** Latin America is responsible for all of the brand's business in the continent: trucks, buses, construction equipment, marine and industrial engines, plus financial services. With industrial operations in Brazil since 1977, Volvo has two plants in the country. One in Curitiba (PR) where trucks, bus chassis, cabs, engines and transmissions are produced, and another in Pederneiras (SP), where the brand also produces construction equipment.

CSR

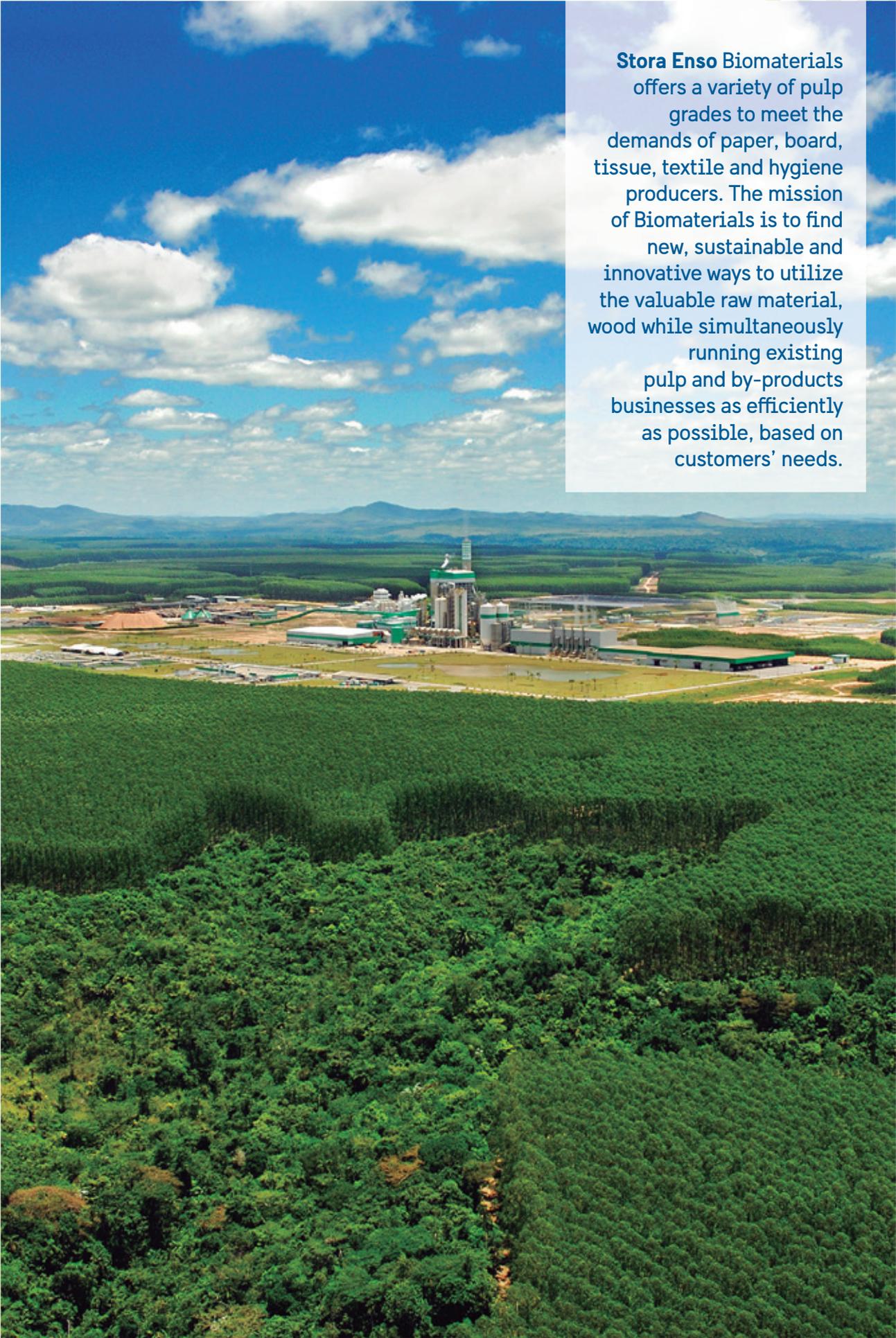
SWEDISH COMPANIES INCLUDE CSR AS PART OF THEIR CORE ACTIVITIES

2 out of 3 companies surveyed include CSR as part of their Balanced Scorecard. The problem of Child Labour is the first topic of interest, followed by developing the local communities and gender rights.

In which areas do you work most actively?



“The problem of Child Labour is the first topic of interest, followed by developing local communities and gender rights”



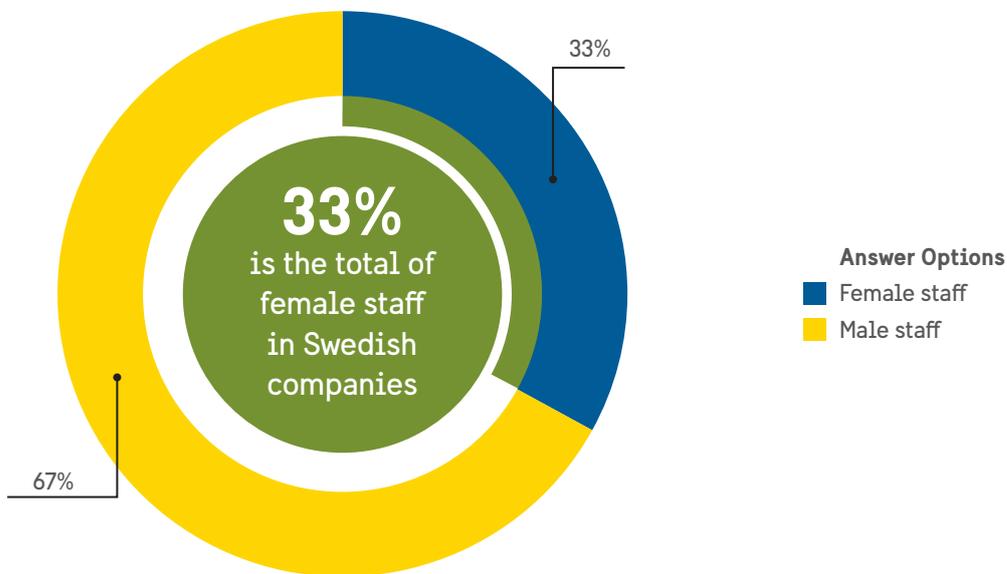
Stora Enso Biomaterials offers a variety of pulp grades to meet the demands of paper, board, tissue, textile and hygiene producers. The mission of Biomaterials is to find new, sustainable and innovative ways to utilize the valuable raw material, wood while simultaneously running existing pulp and by-products businesses as efficiently as possible, based on customers' needs.

GENDER EQUALITY

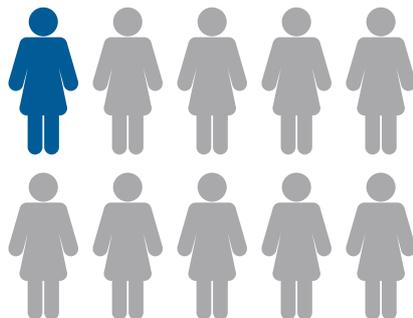
SOMETHING TO IMPROVE

Women represent 33 percent of the workforce at the participating companies, but less than 10 percent of those are in leading positions.

What is the percentage of female staff?



How many women are there in leading positions at the company?



“Less than 10% of the women at the companies are in leading positions”



Alfa Laval, a world leader within the key technology areas of heat transfer, separation and fluid handling, has a high percentage of female employees, but when it comes to women in leading positions this is a number that could be improved at Swedish companies in Brazil.



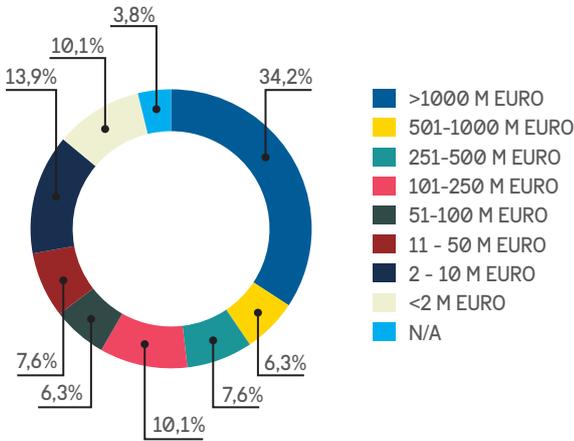


APPENDIX:
COMPLETE
SURVEY
RESULTS

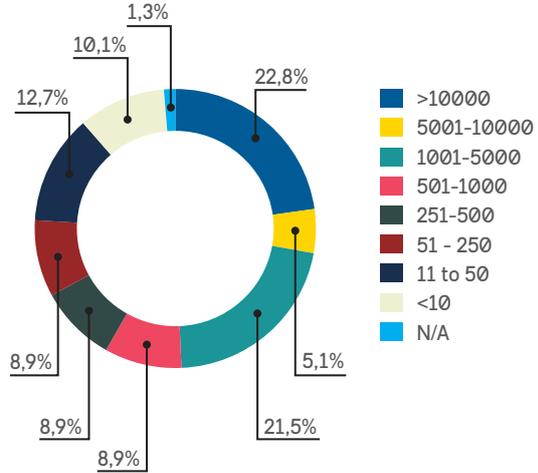


SWEDISH BUSINESS CLIMATE IN BRAZIL 2016

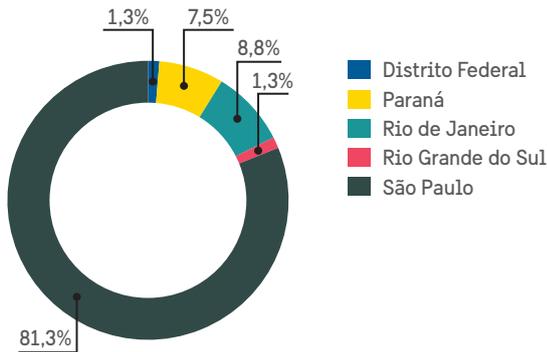
1 What is the annual global turnover of your company?



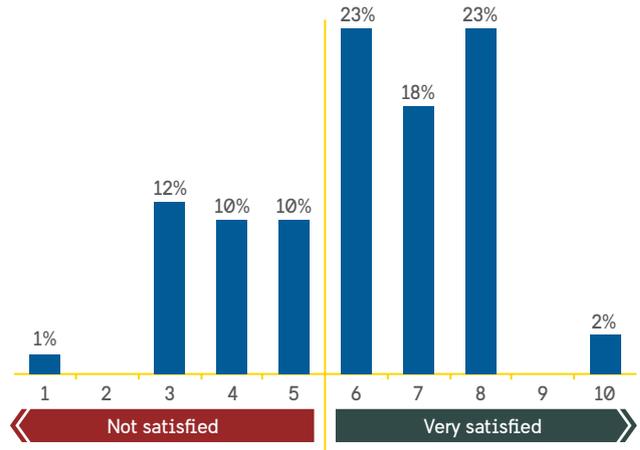
2 What is the global number of employees of your company?



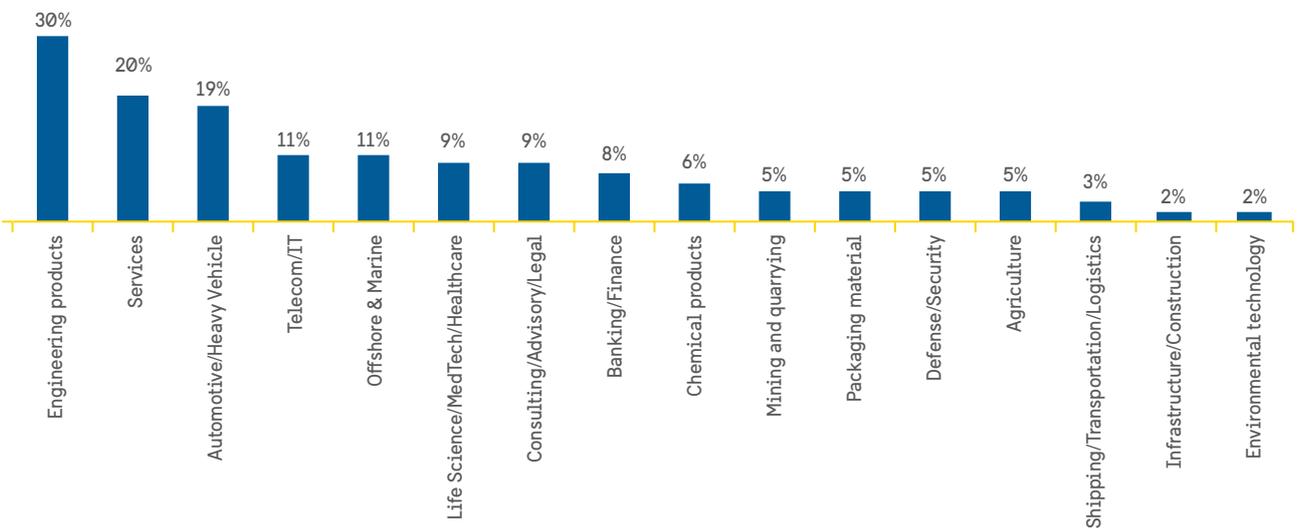
3 In which state is your company's Brazil headquarters located?



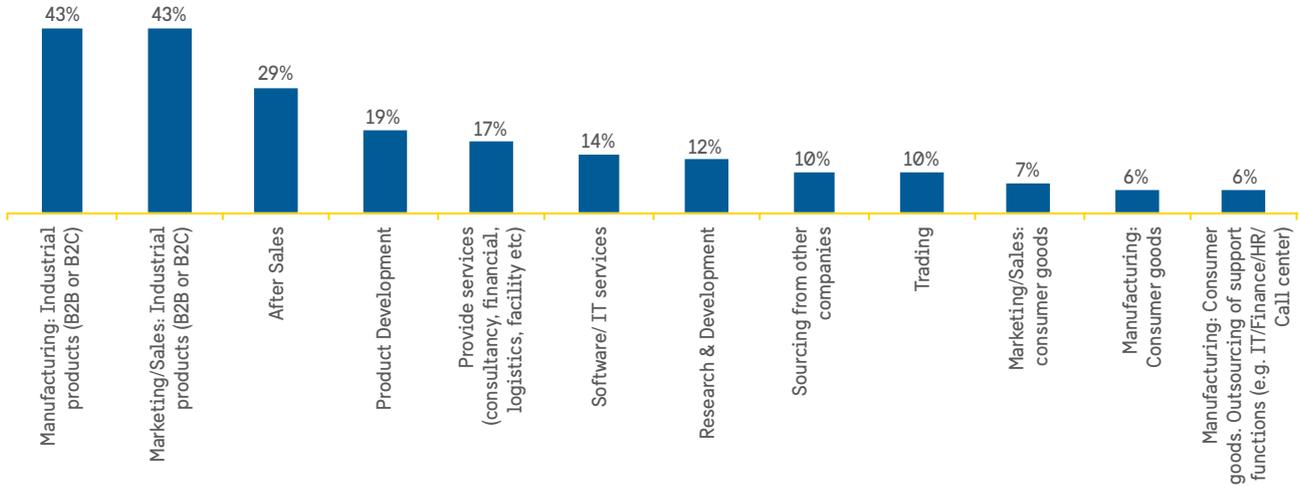
4 How do you rate your overall satisfaction of doing business in Brazil?



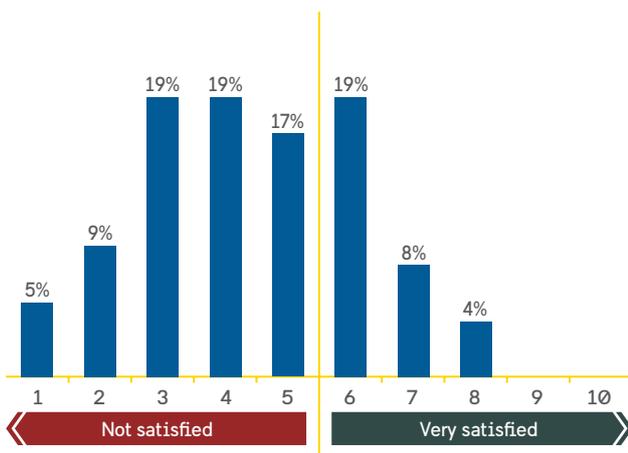
5 What is the main nature of your business in Brazil?



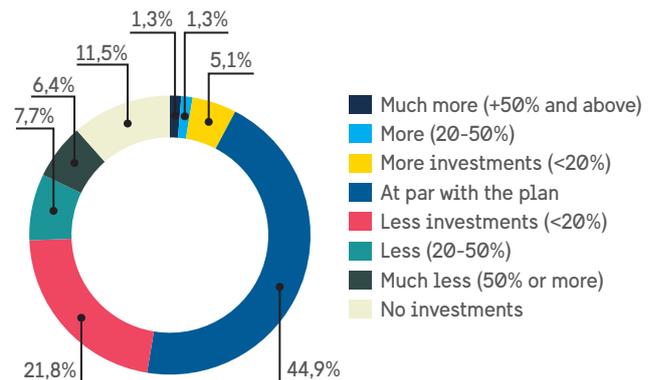
6 What operations do you carry out in Brazil?



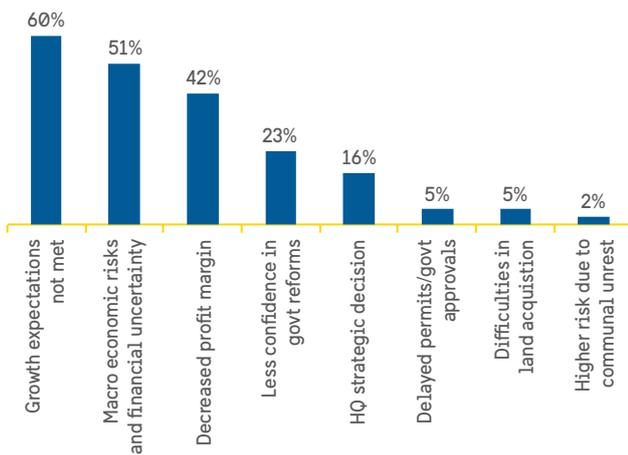
7 How do you consider the present business climate in Brazil?



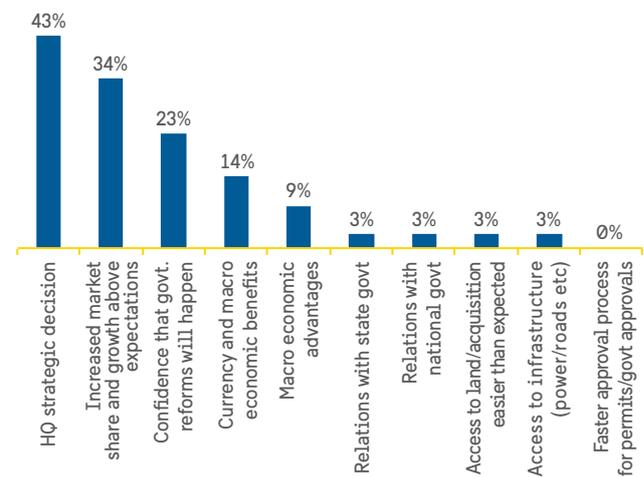
8 Over the last year, have your investments been in the range of what you originally planned/predicted them to be?



9 If you haven't made investments, or have invested less or much less than you anticipated, what are the main reasons for this?

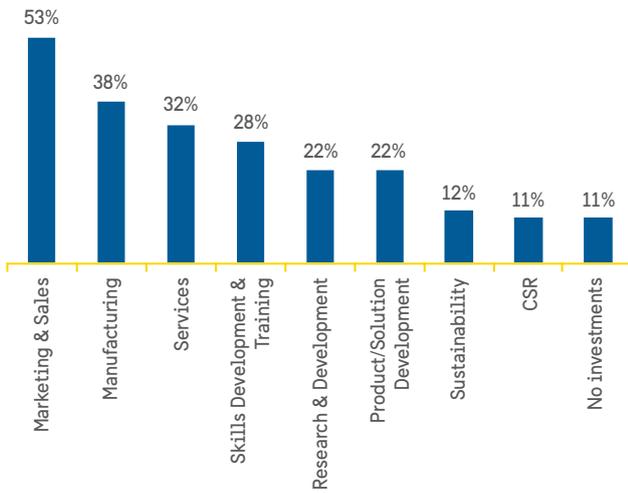


10 If you have invested as per plan, more or much more than you originally planned, what are the main reasons for this?

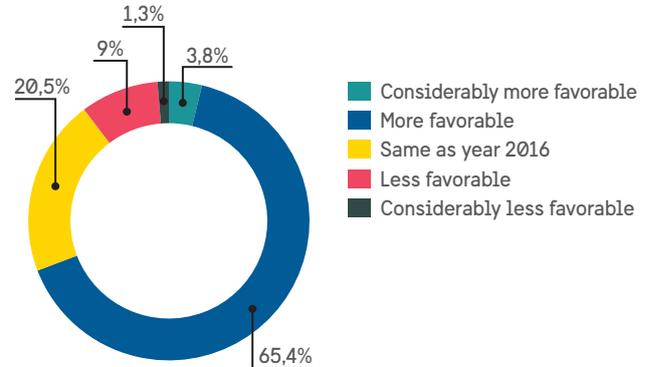


SWEDISH BUSINESS CLIMATE IN BRAZIL 2016

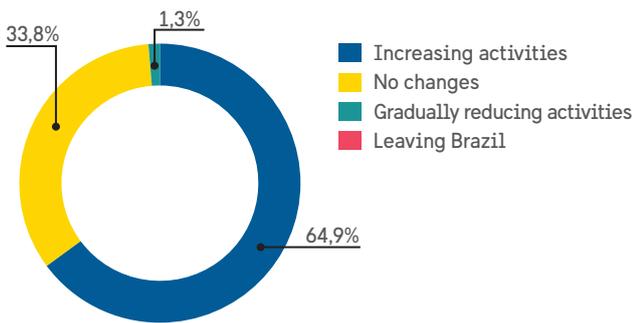
11 In which business areas did you invest last year?



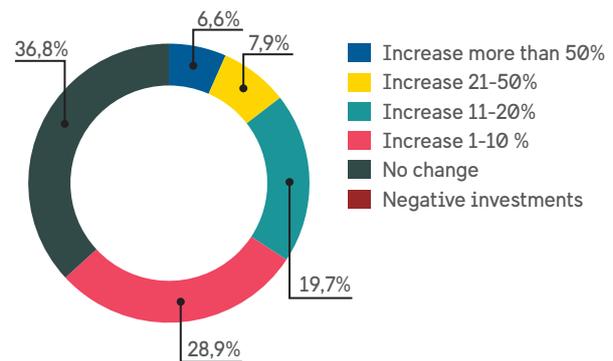
12 How do you perceive the investment climate in Brazil for the coming three years?



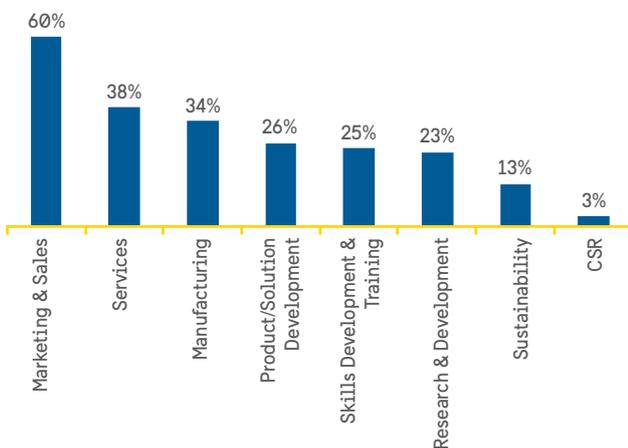
13 What are your company's investment plans in Brazil for the next three years?



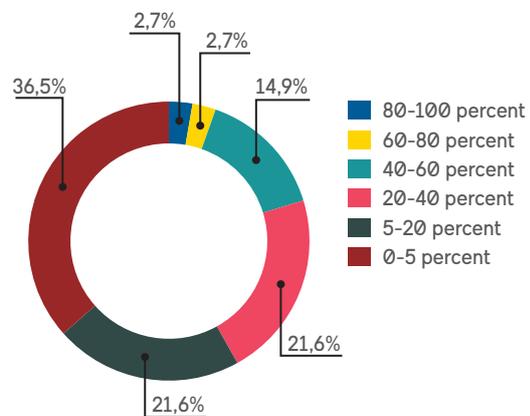
14 What is your estimate for your company's investments in Brazil next year compared with this?



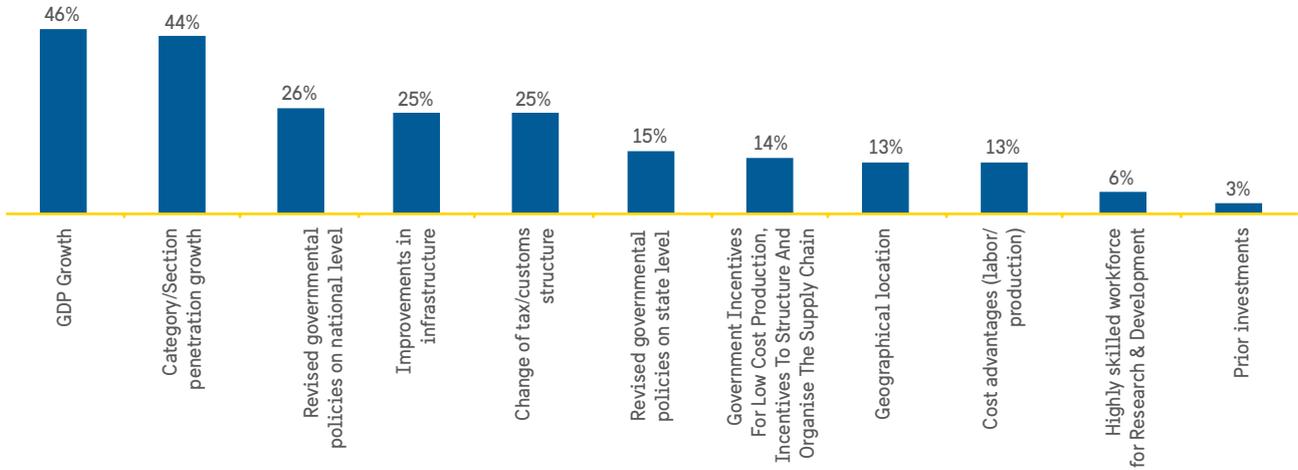
15 In which business areas do you plan to increase your investments?



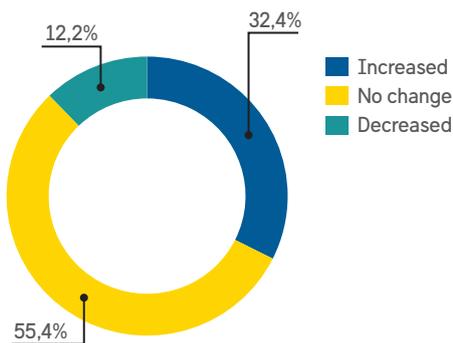
16 Please estimate your current market share in Brazil.



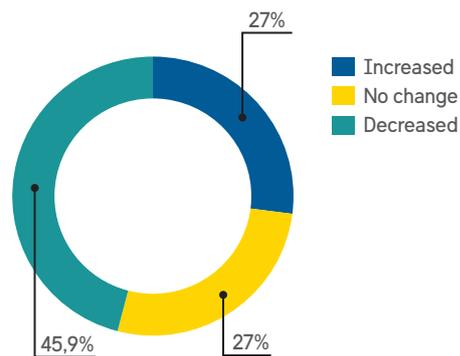
17 What are the key external factors contributing to opportunities for your company in Brazil in the short term?



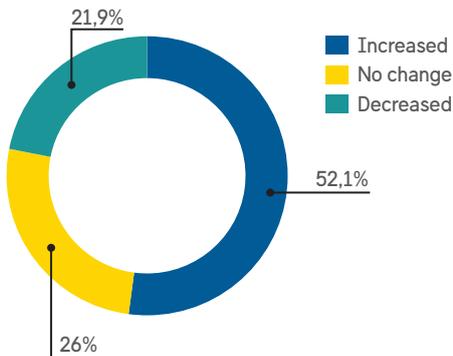
18 How has your market share changed compared to last year?



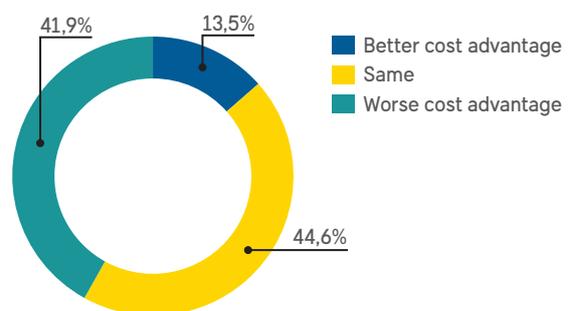
19 How has your profit margin changed compared to last year?



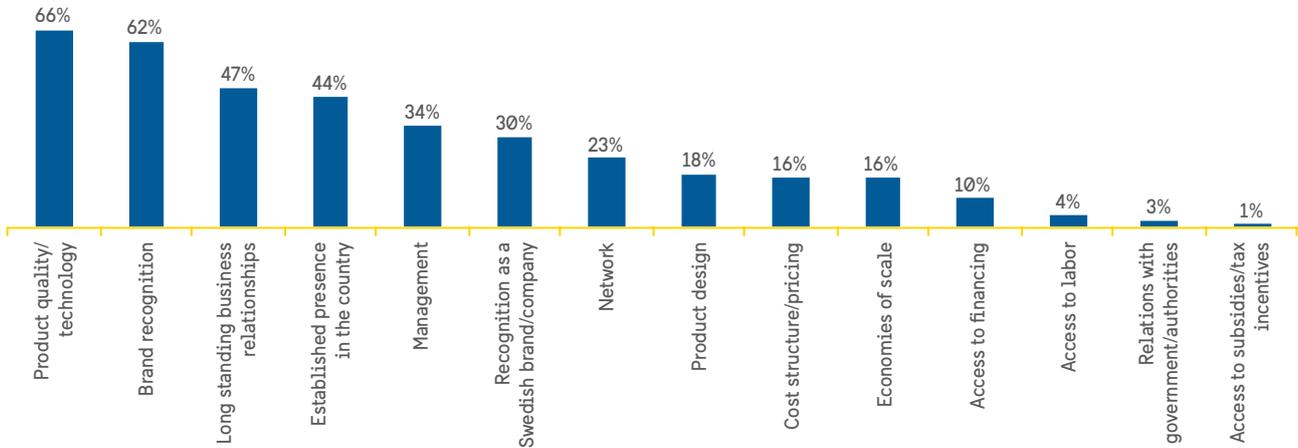
20 How do you perceive the profit margin in Brazil change the coming 3 years?



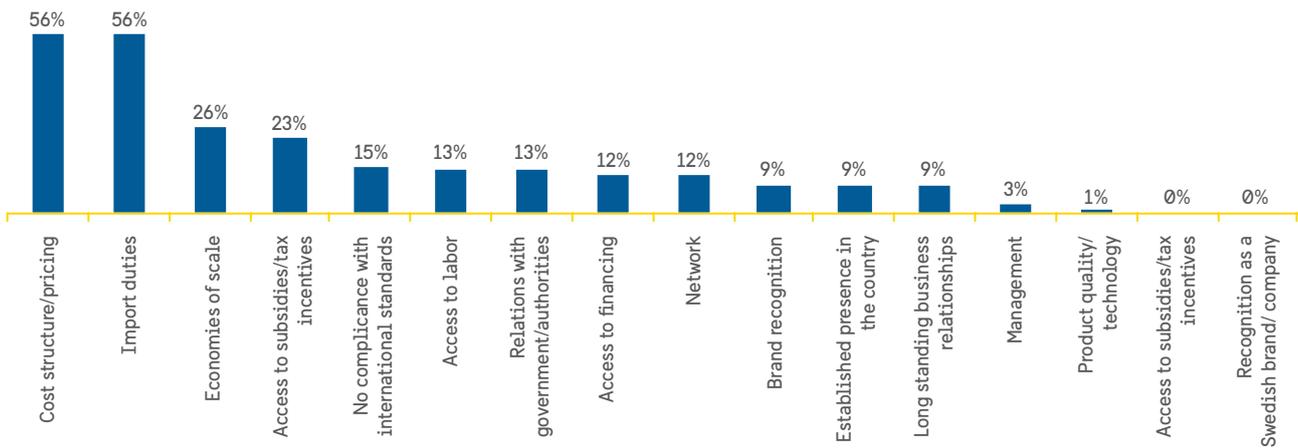
21 How do you perceive the competitive cost advantages in Brazil compared to last year?



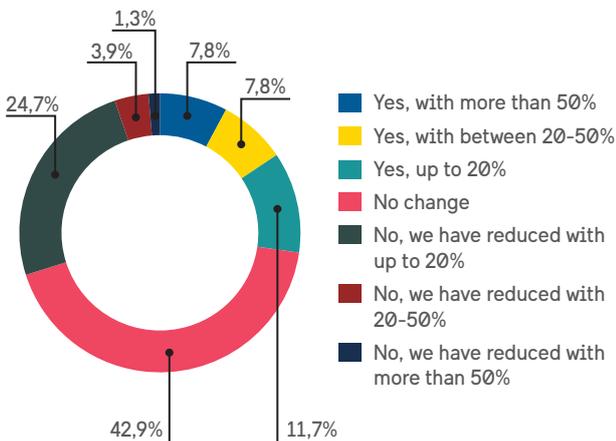
22 What do you perceive to be your company's biggest competitive advantages among the competitors in Brazil?



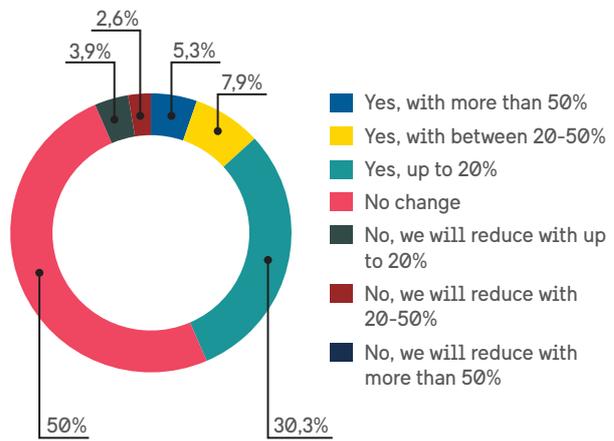
23 What do you perceive to be your company's biggest disadvantages among the competitors in Brazil?



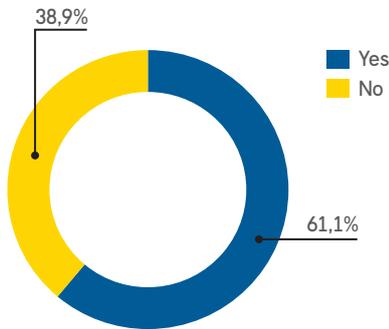
24 Have you increased your number of staff in Brazil compared with last year?



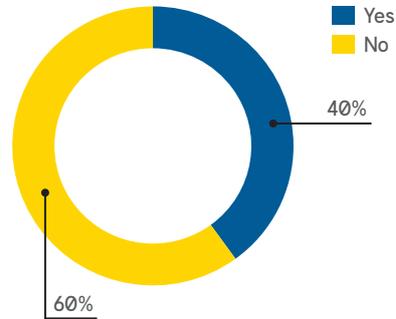
25 Are you planning to increase your number of staff in Brazil next year?



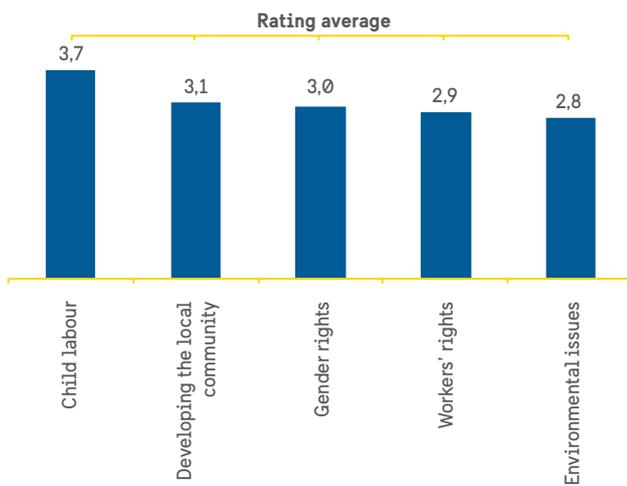
26 Is CSR work part of your Company Strategy?



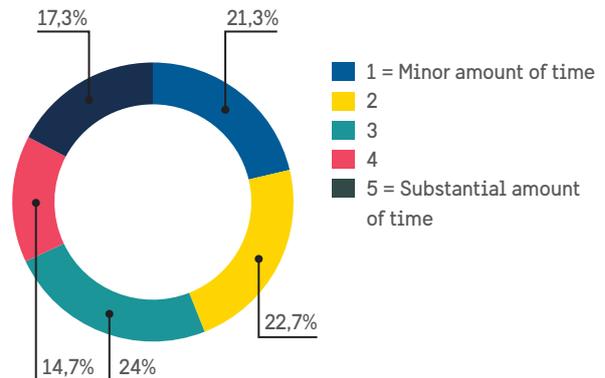
27 Is CSR work part of your Company Balanced Scorecard?



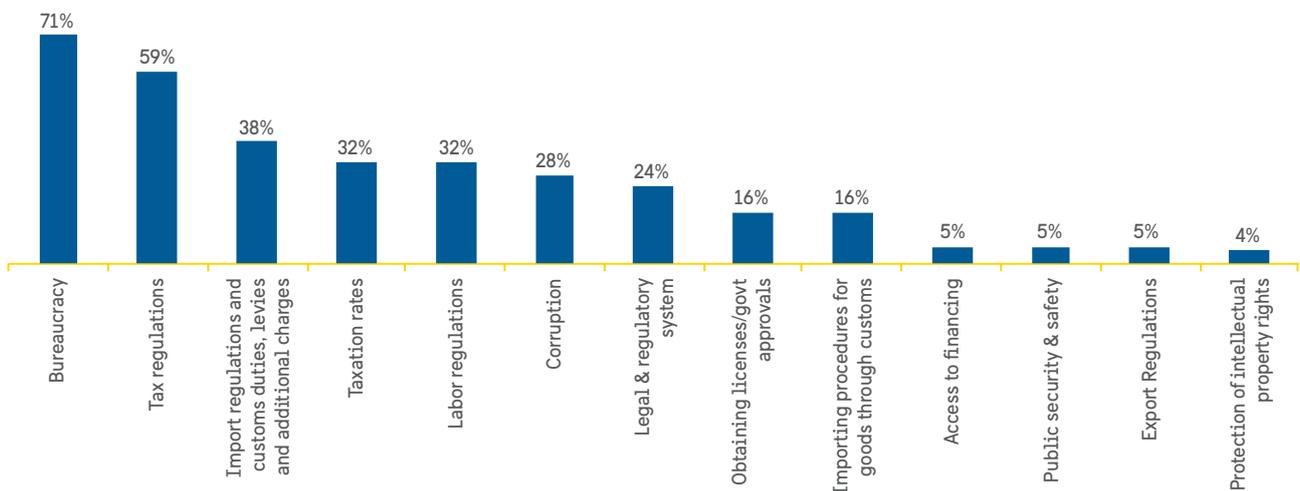
28 In which areas do you work most actively?



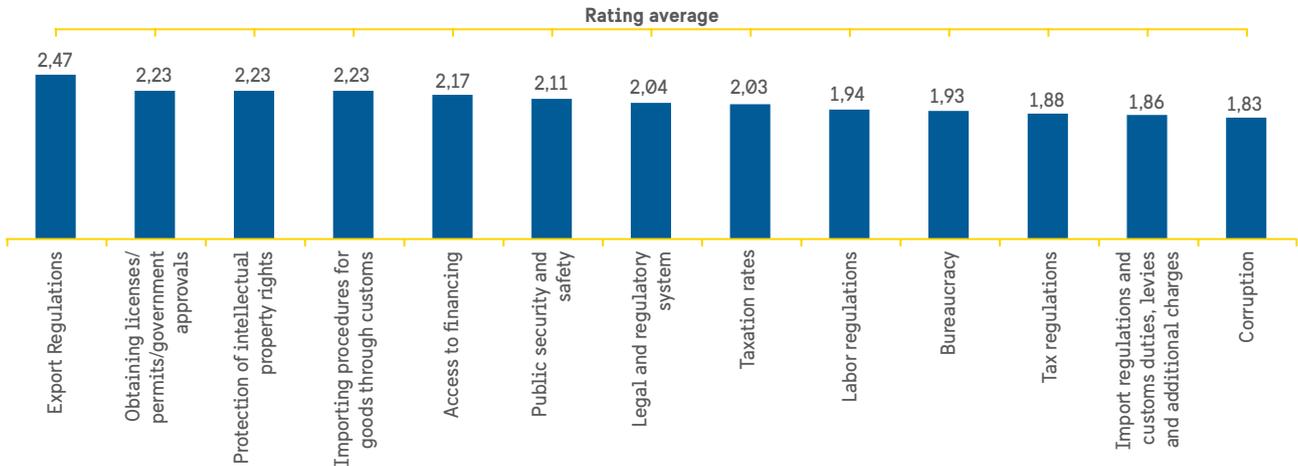
29 To what extent is your company's senior management's time spent on dealing with government officials/authorities about the application and interpretation of laws and regulations?



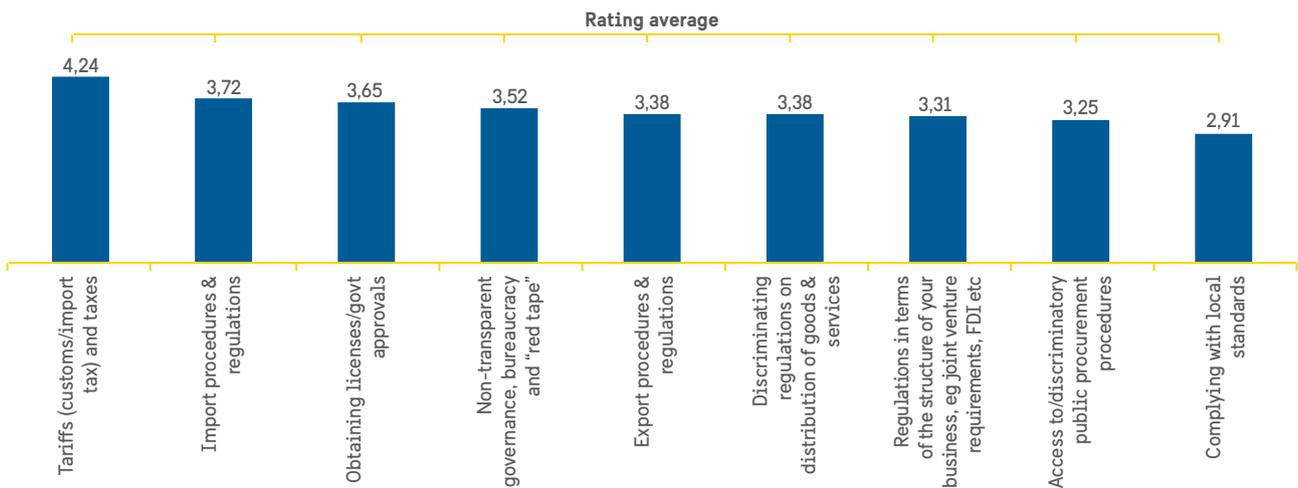
30 Which areas do you consider most challenging for your business in Brazil?



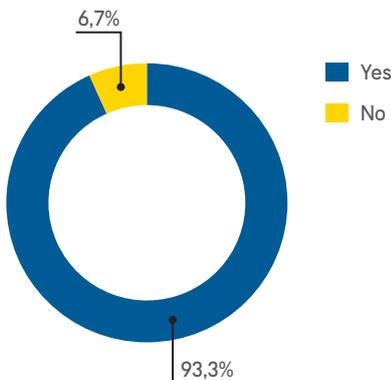
31 Which of the factors below would you rank as the most important to substantially improve the business climate in Brazil overall?



32 To what extent have the following factors affected your company's trading, business and investment in Brazil in the past year?



33 Has the current Brazilian political scenario impacted on your business?



34 In what area specifically?

