Risk Assessment: Petróleo Brasileiro S.A. – Petrobras

I. Executive Summary

This report provides a comprehensive risk assessment of Petróleo Brasileiro S.A. – Petrobras (Petrobras) based on the ethical guidelines governing the Norwegian Government Pension Fund Global (GPFG). The analysis evaluates the company against both product-based and conduct-based exclusion criteria, with a specific focus on risks related to gross corruption, severe environmental damage, unacceptable greenhouse gas (GHG) emissions, human rights violations, and the overarching influence of its controlling shareholder, the Brazilian state.

The assessment concludes that while Petrobras does not meet the specific criteria for product-based exclusion under §3 of the guidelines, it presents a confluence of severe, interconnected, and forward-looking risks under the conduct-based criteria of §4. These risks, when aggregated, are deemed to surpass the threshold of "unacceptable risk" for the GPFG.

The primary areas of material concern are:

1. **Severe Environmental Damage (§4e):** The company's strategic imperative to explore for oil in the Foz do Amazonas basin presents an acute and potentially irreversible threat to a unique and globally significant ecosystem. Despite repeated license denials from Brazil's environmental agency (IBAMA) due to technical deficiencies in its environmental planning, Petrobras continues to pursue the project under intense political pressure. Scientific assessments indicate that an oil spill in this region, characterized by extreme deepwater conditions and complex currents, would be catastrophic and likely uncontrollable, constituting a clear and unacceptable risk of severe environmental damage.
2. **Unacceptable Greenhouse Gas Emissions (§4f):** Petrobras's corporate strategy and capital allocation are fundamentally misaligned with the goals of the Paris Agreement. The company's 2025-2029 Business Plan commits over USD 100 billion to expanding fossil fuel production, a strategy that independent analysis shows is only profitable in a high-warming scenario. This massive investment in new oil and gas reserves locks in decades of future emissions and creates significant stranded asset risk in a low-carbon

transition. While the company has made commitments to decarbonize its own operations (Scope 1 & 2), these efforts are dwarfed by the climate impact of its core business model, which on an aggregated level, contributes to an unacceptable level of GHG emissions.

3. **Gross Corruption and Governance Failure (§4g & Geopolitical Risk):** The structural vulnerability that enabled the "Operation Car Wash" corruption scandal—pervasive state control—remains fundamentally unresolved. Recent and direct government interventions in CEO appointments, dividend policy, and strategic direction demonstrate that political objectives continue to override independent corporate governance. This persistent political risk acts as a multiplier, elevating the probability and potential severity of all other identified conduct-based risks. It undermines the durability of post-scandal compliance reforms and creates a high probability of future governance failures or politically motivated mismanagement.
4. **Human Rights Violations (§4a):** There is a significant risk that Petrobras will contribute to systematic human rights violations through its failure to adequately consult with and obtain the consent of affected Indigenous communities for the Foz do Amazonas project, in contravention of international norms to which Brazil is a signatory.

These risks are not isolated; they are deeply interconnected, with the overarching political influence of the Brazilian state serving as the central driver. This influence incentivizes the pursuit of high-risk environmental projects, perpetuates a fossil-fuel-dependent business model, and weakens the institutional safeguards against corruption and human rights abuses. The combination of these factors leads to the conclusion that there is an unacceptable risk of future, severe norm breaches.

Final Risk Categorization: 2 - High Risk

Petrobras is categorized as a **High Risk** entity. The identified risks are severe, systemic, and directly linked to the company's core strategy and governance structure. The forward-looking probability of norm breaches related to severe environmental damage and unacceptable GHG emissions is exceptionally high. While not an immediate candidate for exclusion based on past conduct alone, the company's current strategic trajectory, driven by state influence, places it on a path that is in direct conflict with the fundamental ethical norms outlined in the GPFG's guidelines. This warrants placing the company under heightened scrutiny and observation, with a strong potential for future exclusion should these risks materialize or the strategic direction remain unchanged.

II. Introduction: Corporate Profile and Operating Context

Petróleo Brasileiro S.A. – Petrobras is a Brazilian multinational, integrated energy company and one of the largest oil and gas producers globally.[1] Headquartered in Rio de Janeiro, the company's operations span the entire energy value chain, structured across key business segments: Exploration and Production (E&P); Refining, Transportation, and Marketing; and Gas and Power.[3] Petrobras is a world leader in deepwater and ultra-deepwater exploration and production technology, a result of decades of developing Brazil's vast offshore basins, particularly the pre-salt reserves discovered in 2006.[5] While it maintains an international presence in countries including Bolivia, Colombia, and the United States, its operational and financial core is overwhelmingly concentrated in Brazil, which accounted for 92% of its worldwide production in 2014.[4]

The defining characteristic of Petrobras's corporate structure is its status as a state-controlled enterprise. The Brazilian Federal Government is the controlling shareholder, directly and indirectly owning a majority of the company's voting shares.[4] This structure, established by law, grants the state significant influence over the company's strategic direction, investment decisions, and leadership appointments.[9] This fundamental reality of state control forms the critical context for this risk assessment, as it directly impacts the company's governance, its response to environmental and social challenges, and its alignment with the interests of minority shareholders. The company's shares are publicly traded on the B3 stock exchange in São Paulo and as American Depositary Receipts (ADRs) on the New York Stock Exchange.[4]

III. Assessment Against Product-Based Exclusion Criteria (§3)

The GPFG's ethical guidelines establish clear, product-based criteria for the observation or exclusion of companies. This section assesses Petrobras's business activities against the specific prohibitions outlined in §3 of the guidelines.[11]

Analysis of Prohibited Products (§3(1))

The guidelines explicitly prohibit investment in companies that develop or produce certain categories of weapons, tobacco products, or cannabis for recreational purposes.[11] A thorough review of Petrobras's declared business segments and product portfolio reveals no evidence of involvement in any of these activities. The company's core operations are exclusively focused on the oil, natural gas, and energy industry, including exploration, production, refining, marketing, and a growing, albeit small, renewable energy segment.[3] Therefore, Petrobras is compliant with the criteria set forth in §3(1).

Detailed Assessment of Thermal Coal Activities (§3(2))

The guidelines stipulate four specific thresholds related to thermal coal that can trigger observation or exclusion for mining companies and power producers. Petrobras operates a significant power generation business, including a portfolio of 13 to 18 thermoelectric plants, which warrants a detailed assessment against these criteria.[5]

1. **Revenue and Operations Thresholds:** The guidelines set a threshold of 30% or more of revenues or business activities derived from thermal coal.[11] Petrobras's thermoelectric plants are consistently identified as being fueled by natural gas, fuel oil, or diesel.[13] The company does not report any revenue from thermal coal mining or power generation. While Petrobras produces and markets "Green Petroleum Coke," a solid fuel byproduct of its refining process, this is a petroleum derivative and is distinct from mined thermal coal.[15] Consequently, Petrobras does not meet the 30% thresholds for revenue or operations based on thermal coal.
2. **Extraction and Capacity Thresholds:** The guidelines also set thresholds for companies that extract more than 20 million tonnes of thermal coal per year or have a power capacity exceeding 10,000 MW from thermal coal.[11] Petrobras is not involved in coal mining. Its total thermal power generation capacity is approximately 5,000 MW, and as established, none of this capacity is coal-fired.[12] Therefore, the company does not meet the thresholds for coal extraction or coal-fired power capacity.

Based on this analysis, Petrobras is fully compliant with all product-based exclusion criteria outlined in §3 of the GPFG guidelines.

Table 1: Assessment Against GPFG Product-Based Criteria (§3)		
Criterion (as per §3 of Guidelines)	**Petrobras Activity/Involvement**	**Compliance Verdict**
Production of Prohibited Weapons (§3a)	No evidence of involvement.	Compliant

Production of Tobacco (§3b)	No evidence of involvement.	Compliant
Production of Cannabis for Recreational Use (§3c)	No evidence of involvement.	Compliant
Thermal Coal Revenue ≥ 30% (§3(2)a)	No revenue from thermal coal.	Compliant
Thermal Coal Operations ≥ 30% (§3(2)b)	No operations based on thermal coal.	Compliant
Thermal Coal Extraction > 20 million tonnes/year (§3(2)c)	Not involved in coal mining.	Compliant
Thermal Coal Power Capacity > 10,000 MW (§3(2)d)	No coal-fired power capacity.	Compliant

IV. Assessment Against Conduct-Based Exclusion Criteria (§4)

The conduct-based criteria outlined in §4 of the GPFG guidelines require a forward-looking assessment of whether there is an "unacceptable risk" that a company contributes to or is responsible for severe breaches of fundamental ethical norms.[11] This analysis evaluates Petrobras against the most relevant of these criteria: gross corruption, severe environmental damage, unacceptable GHG emissions, and human rights violations.

A. Gross Corruption and Economic Crime (§4g): The Legacy of 'Operation Car Wash' and the Durability of Reform

The risk of gross corruption at Petrobras cannot be assessed without a thorough understanding of the "Operation Car Wash" (*Operação Lava Jato*) scandal, the largest corruption scheme in Brazilian history, in which the company was the central nexus.[16] From approximately 2004 to 2014, a cartel of Brazil's largest construction companies colluded with politically appointed Petrobras executives and senior politicians to systematically inflate the value of contracts.[18] A percentage of these inflated contracts, typically 1% to 5%, was funneled back as bribes and illegal campaign contributions to political parties and individuals.[16]

The scale of the malfeasance was staggering. The scheme involved billions of dollars in illicit payments, leading to formal accusations against hundreds of individuals, including top executives and high-ranking politicians.[17] For Petrobras, the financial consequences were devastating, with the company booking a loss of approximately USD 17 billion due to graft and mismanagement and paying over USD 850 million in penalties to U.S. authorities to settle charges.[16] The scandal crippled the company's market value, burdened it with over USD 100 billion in debt, and inflicted profound and lasting reputational damage.[16]

In the aftermath, Petrobras implemented extensive governance and compliance reforms. The company established a new Compliance Program designed to prevent, detect, and remediate fraud and corruption, explicitly aligning its standards with international laws such as the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.[20] This framework includes a revised Code of Ethical Conduct, an independent reporting channel, and enhanced due diligence for suppliers.[20] These formal measures represent a significant and necessary response to the failures that allowed the scandal to flourish.

However, the central question for a forward-looking risk assessment is whether these reforms are sufficient to mitigate the risk of future corruption. The evidence suggests they are not. The fundamental vulnerability that enabled Operation Car Wash was not merely a lack of formal controls, but the systemic political influence inherent in Petrobras's status as a state-controlled entity.[23] Political parties used their power to appoint directors who would then facilitate the kickback scheme.[18] This core structural risk remains unchanged. The Brazilian government retains its controlling stake and the legal authority to direct the company's strategy and leadership.[5] As detailed in Section V of this report, the government has continued to exercise this authority aggressively, intervening in leadership appointments, dividend policy, and strategic priorities to align the company with its own political and economic agenda.[25] This persistent and active state intervention fundamentally undermines the independence of the company's governance structures. While the new compliance architecture may prevent a precise replication of the previous scheme, it remains highly vulnerable to being overridden or manipulated to serve political ends. The risk of future gross economic mismanagement or corruption driven by state imperatives, therefore, remains unacceptably high.

B. Severe Environmental Damage (§4e): A Dichotomy of Performance and High-Stakes Frontier Exploration

Petrobras's environmental record is mixed. The company has a history of operational incidents, including significant oil spills such as the 2000 Guanabara Bay disaster, which released 1.3 million liters of fuel oil and prompted major reforms to Brazil's pollution liability regime.[28] More recently, the company has faced repeated fines for irregular wastewater discharge and smaller spills from its offshore platforms, indicating persistent challenges in operational environmental management.[30] Concurrently, Petrobras has developed corporate policies aimed at environmental protection, including commitments to biodiversity and support for conservation projects.[32] In 2023, the company reported seven oil spills greater than one barrel, none of which were deemed to have reached sensitive areas.[34]

The most material and severe forward-looking environmental risk stems from the company's strategic plan to explore for oil in the Foz do Amazonas basin, part of the Equatorial Margin off Brazil's northern coast.[35] This region is of exceptional ecological importance and sensitivity. It is home to the Amazon Reef, a unique and largely unexplored 9,500-square-kilometer coral and sponge system, and the world's largest continuous belt of mangrove forests, which serve as a critical nursery for marine life and a source of livelihood for coastal communities.[37]

For nearly a decade, Brazil's environmental agency, IBAMA, has consistently blocked Petrobras's attempts to secure a drilling license for its primary block in the region (FZA-M-59). In May 2023, IBAMA formally denied the license, citing "worrying inconsistencies for safe operation in a new exploratory frontier of high socio-environmental vulnerability".[39] The agency's technical reports highlighted deficiencies in Petrobras's environmental impact assessments, particularly regarding the potential impacts on Indigenous communities and the inadequacy of its oil spill response plan.[41]

Independent scientific modeling reinforces these concerns. A study supported by Greenpeace, using oceanographic drifters, demonstrated that in the event of a spill, strong and complex local currents could rapidly disperse oil across international borders to French Guiana, Suriname, and Guyana, and cause "irreversible damage" to the mangrove ecosystems.[43] The operational challenges are immense; the proposed well is in deep water at a depth of 2.88 kilometers, far deeper than the 1.5-kilometer depth of the 2010 Deepwater Horizon disaster in the Gulf of Mexico, which proved technologically overwhelming to contain.[45]

Despite these clear technical and scientific warnings, there is immense political pressure from the Brazilian government to approve the project. Senior government officials and Petrobras's leadership have framed the exploration as a matter of "national interest" essential for Brazil's energy security and economic development.[46] This political will appears to be overriding the technical and environmental objections of the regulatory body, with Petrobras proceeding with a Pre-Operational Assessment (APO)—a final step before licensing—under this pressure.[49]

The combination of an exceptionally sensitive ecosystem, documented deficiencies in the company's preparedness, extreme operational challenges, and intense political pressure to bypass regulatory concerns creates a scenario where the potential for a catastrophic accident is high. Such an event would unquestionably constitute "severe environmental damage" under §4e of the GPFG guidelines. The pursuit of this project, in defiance of clear environmental risks, therefore represents an unacceptable risk.

C. Unacceptable Greenhouse Gas Emissions (§4f): A Climate Strategy at Odds with Capital Allocation

Petrobras has publicly articulated a set of climate commitments aimed at reducing its operational carbon footprint. The company has pledged to achieve net-zero operational (Scope 1 and 2) emissions by 2050 and to reduce its absolute operational emissions by 30% by 2030, relative to a 2015 baseline.[51] It has also set specific intensity-based targets for its E&P and refining segments and has made significant strides in reducing methane emissions, joining the Oil & Gas Methane Partnership (OGMP 2.0) and supporting the World Bank's "Zero Routine Flaring by 2030" initiative.[51] The company is also a global leader in Carbon Capture, Utilization, and Storage (CCUS), having reinjected a cumulative 53.7 million tons of

CO2 in its pre-salt fields.[51]

However, these operational decarbonization efforts are fundamentally contradicted by the company's overarching corporate strategy and capital allocation. The Petrobras Business Plan for 2025-2029 earmarks an overwhelming majority of its USD 111 billion in planned investments for the expansion of oil and gas exploration and production.[36] Investments in low-carbon businesses account for only 15% or less of this total.[57] This strategy is projected to increase the company's total oil and gas production through the end of the decade.[36]

This strategic direction is in direct conflict with climate scenarios aligned with the Paris Agreement. The International Energy Agency's (IEA) Net Zero by 2050 scenario, a key benchmark for a 1.5°C pathway, explicitly states that no new oil and gas fields are needed beyond those already approved for development.[59] Independent analyses from organizations such as Carbon Tracker and the International Institute for Sustainable Development (IISD) conclude that Petrobras's strategy is not Paris-aligned.[60] These reports highlight a critical financial risk: up to 85% of the oil in Petrobras's planned new projects is not economically viable in a 1.5°C world, creating a stranded asset risk valued between USD 13 billion and USD 36 billion.[57] The company's business model appears to be predicated on a future that significantly overshoots global climate targets.

The GPFG's criterion §4f refers to "actions or omissions that on an aggregated company level in unacceptable grad lead to emissions of greenhouse gases".[11] Petrobras's decision to allocate over USD 100 billion to expand fossil fuel production is a corporate action that locks in decades of future emissions. While its operational emissions (Scope 1 and 2) are being addressed, this is overshadowed by the massive scale of its Scope 3 emissions (from the combustion of its sold products), which account for an estimated 87% of its total value chain emissions.[64] The company has set no reduction targets for these Scope 3 emissions.[59] This strategic commitment to fossil fuel expansion, in defiance of scientific consensus on climate action, constitutes a corporate action that leads to an unacceptable level of aggregate GHG emissions.

Table 2: Petrobras Climate Targets vs. Oil & Gas Peers			
Company	**Net Zero Ambition (Scope Coverage)**	**Methane Target**	**Low-Carbon CAPEX (% of total)**
Petrobras	Scope 1 & 2 by 2050 [51]	OGMP 2.0 Gold Standard; 70% intensity reduction by 2030 [51]	~15% [57]
Equinor	Scope 1, 2 & 3 by 2050 [67]	Near-zero methane intensity by 2030 [68]	>30% by 2025
Shell	Scope 1, 2 & 3 by 2050 [67]	Near-zero methane emissions by 2030	25-33%
TotalEnergies	Scope 1, 2 & 3 by 2050 [67]	80% absolute methane reduction by 2030	~33%
ExxonMobil	Scope 1 & 2 by 2050 [67]	OGMP 2.0; Net-zero Permian	~15-20%

		by 2030	

D. Human Rights Violations (§4a): Policies Versus Practice in Sensitive Operating Areas

Petrobras has developed a formal framework for respecting human rights, which includes its Human Rights Guidelines, a Social Responsibility Policy, and a commitment to adhere to the UN Guiding Principles on Business and Human Rights and the International Labour Organization (ILO) Declaration.[69] The company has begun implementing Human Rights Due Diligence (HRDD) in its operations and supply chain, with a goal of covering all E&P and refining operations by 2026.[70] Its policies explicitly recognize the specific rights of Indigenous peoples and traditional communities, referencing ILO Convention 169 concerning the right to consultation.[71]

However, a significant gap between policy and practice is evident in the company's engagement with Indigenous communities regarding the Foz do Amazonas exploration project. The area of potential impact includes the lands of the Karipuna, Palikur-Arukwayene, and Galibi-Marworno peoples in Oiapoque.[41] Indigenous organizations, notably the Council of Chieftains of the Indigenous People of Oiapoque (CCPIO), have repeatedly denounced the lack of adequate and meaningful consultation and have voiced their opposition to the project.[39]

International law, specifically ILO Convention 169 which Brazil has ratified, requires governments to consult Indigenous peoples through their representative institutions whenever legislative or administrative measures may affect them directly.[39] This principle of Free, Prior, and Informed Consent (FPIC) is a cornerstone of Indigenous rights. Reports indicate that Petrobras has argued that such consultation is not necessary before exploratory drilling or that the time for such requests has passed.[39] There are also credible allegations that the company has misrepresented the views of certain individuals as representative of the broader Indigenous community in its submissions to regulators, a tactic that undermines the legitimacy of the consultation process.[39]

The potential impacts of the project on these communities are severe, ranging from the direct environmental and cultural consequences of an oil spill to the social disruption caused by increased industrial activity.[74] Proceeding with a project of this magnitude and risk without the genuine consent of the affected Indigenous peoples would constitute a serious and systematic violation of their fundamental rights. The discrepancy between Petrobras's stated commitment to respecting Indigenous rights and its reported actions on the ground creates an unacceptable risk of the company contributing to gross or systematic human rights violations, as defined by §4a of the guidelines.

V. Overarching Risk Factor: Geopolitical Exposure and State Intervention

The most significant and pervasive risk factor influencing Petrobras is the active and direct intervention of its controlling shareholder, the Brazilian Federal Government. This is not a passive or theoretical risk; it is a structural feature of the company's operating environment that has repeatedly manifested in ways that are detrimental to independent governance and the interests of minority shareholders. The government's control is exercised through its majority of voting shares, which allows it to dominate the Board of Directors and appoint key executives.[5]

Recent history provides a clear pattern of this influence. In May 2024, President Luiz Inácio Lula da Silva orchestrated the dismissal of CEO Jean Paul Prates, replacing him with Magda Chambriard, a former regulator perceived as more aligned with the government's developmentalist agenda.[26] This move was widely interpreted by markets as a signal that the government intended to accelerate investments in sectors like refining and shipbuilding to create jobs, even if these ventures offer lower returns than the company's core pre-salt E&P business.[26]

This intervention extends directly to financial policy. In March 2024, government-appointed board members voted to withhold the payment of extraordinary dividends, a decision that caused the company's market value to plummet by over USD 11 billion in a single day.[25] The government's rationale was to retain capital for its ambitious investment plan, explicitly prioritizing national economic objectives over shareholder returns.[25] Furthermore, the government exerts continuous pressure on the company's fuel pricing policy, seeking to insulate domestic consumers from international price volatility to manage inflation, which can negatively impact Petrobras's profitability and financial predictability.[47]

The broader political and economic context in Brazil—characterized by fiscal challenges, high public debt, and political polarization—increases the incentive for the government to use Petrobras as an instrument of state policy.[79] This state influence is not merely a governance concern; it is a "risk multiplier" that directly exacerbates all the conduct-based risks identified in this report.

- It is state pressure that drives the high-risk push for exploration in the Foz do Amazonas, overriding environmental and human rights concerns in the name of "national interest".[47]
- It is the government's developmentalist agenda that underpins the fossil-fuel-centric

investment plan, making the company's climate strategy subservient to national economic goals.[57]

- It is the political appointment of leadership that weakens the independence of compliance functions, perpetuating the core vulnerability that led to the Operation Car Wash scandal.

This pervasive political risk ensures that the company's strategic direction is subject to the volatile and often short-term priorities of the government of the day, creating a deeply unstable and high-risk environment for a long-term, ethically-minded investor.

Table 3: Key Indicators of State Influence (2023-2025)			
Date	**Event**	**Stated Government Rationale / Context**	**Market Impact / Consequence**
March 2024	Government-appointed board members block payment of extraordinary dividends.[25]	To retain capital for increased investment in line with President Lula's economic agenda.[25]	Petrobras market value drops by over USD 11 billion; investor concerns over governance intensify.[25]
May 2024	CEO Jean Paul Prates is fired by President Lula; Magda Chambriard is appointed.[26]	Perceived failure by Prates to accelerate investment and create jobs; desire for a CEO more aligned with government policy.[27]	Shares fall 10% on news; increased investor concern about political interference in corporate strategy.[26]
May 2024	New CEO Chambriard declares Foz do Amazonas	To overcome regulatory hurdles from IBAMA and align the project	Reinforces view that political will is overriding environmental

	exploration a matter of "national interest" and seeks to escalate decision-making.[47]	with national economic priorities.	regulation in strategic decision-making.
Ongoing 2024-2025	Government pressure to control domestic fuel prices and re-enter the retail fuel market.[77]	To combat consumer price inflation and perceived profiteering by private distributors.[77]	Creates uncertainty over Petrobras's profitability and pricing policy, undermining market-based principles.
July 2025	Government (via ANP) alters oil reference price, increasing royalty and tax burdens on producers.[83]	To increase federal government revenue by an estimated BRL 1 billion.[83]	Petrobras CEO expresses concern that the change could affect the economic viability of key projects.[83]

VI. Comprehensive Risk Synthesis and Final Categorization

The comprehensive risk assessment of Petrobras reveals a company compliant with the GPFG's product-based exclusion criteria but presenting severe and unacceptable risks across multiple, interconnected conduct-based criteria. The synthesis of these findings points to a corporate entity whose strategic trajectory and governance are fundamentally compromised by state influence, creating a high probability of future breaches of the ethical norms central to the Fund's mandate.

The analysis confirms that Petrobras is not involved in the production of prohibited weapons, tobacco, or thermal coal, and therefore passes the initial screening under §3 of the guidelines. However, the assessment under §4, which necessitates a forward-looking evaluation of the "probability of future norm brudd" [11], uncovers a deeply problematic risk profile.

The legacy of the Operation Car Wash scandal is not merely historical; it exposed a structural vulnerability—the weaponization of state control for corrupt ends—that remains intact. While new compliance systems have been erected, the persistent and active intervention by the Brazilian government in every facet of the company's strategy, from leadership to capital allocation, demonstrates that these safeguards are secondary to political imperatives. This overarching political risk is the critical node that connects and amplifies all other conduct-based risks.

This state-driven agenda manifests most acutely in the high-stakes gamble in the Foz do Amazonas basin. The pursuit of this project, despite clear scientific warnings of catastrophic environmental consequences and consistent technical rejections by the state's own environmental agency, represents a deliberate acceptance of an unconscionable risk. The potential for a deepwater blowout in this uniquely sensitive ecosystem constitutes a clear and present danger of "severe environmental damage" (§4e). Simultaneously, the failure to conduct meaningful consultation with affected Indigenous communities creates a high probability of contributing to "systematic violations of human rights" (§4a).

Furthermore, the company's climate strategy is untenable from the perspective of a responsible investor aligned with the Paris Agreement. The allocation of over USD 100 billion to expand fossil fuel production, a plan viable only in a world that fails its climate goals, is a corporate action that will lead to an "unacceptable" level of aggregate GHG emissions (§4f). This strategy not only poses a grave climate risk but also exposes the company and its investors to massive stranded asset risk.

Ultimately, the individual risks of environmental disaster, climate misalignment, human rights violations, and governance failure cannot be viewed in isolation. They are symptoms of a single, overriding condition: a state-controlled company being directed to prioritize short-term national political and economic goals over long-term sustainable value creation, environmental stewardship, and the rights of affected communities and minority shareholders. This creates an environment where the probability of future, severe norm breaches is not just a possibility, but a feature of the company's strategic path.

Final Risk Categorization: 2 - High Risk

Based on the synthesis of these findings, Petróleo Brasileiro S.A. – Petrobras is assigned a risk category of **2 - High Risk**.

This categorization reflects the conclusion that there is an unacceptable risk of the company contributing to severe norm breaches in the future. The identified risks are material, systemic, and deeply embedded in the company's governance and strategy. The forward-looking trajectory, particularly regarding the Foz do Amazonas project and the expansion of fossil fuel production, is in direct conflict with the ethical principles of the GPFG. While the company's past conduct does not trigger an automatic exclusion, its current path makes future breaches highly probable. This warrants placing the company under intense scrutiny and formal observation, with a clear potential for exclusion if the strategic direction that generates these severe risks is not fundamentally altered.

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