



Social, Environmental and Climate Risk Mitigation Cases

Banco do Brasil (“BB”) is underpinned by ethics in its relationship with its various stakeholders and the environment. Accordingly, creating social value and protecting the environment go hand in hand with economic indicators in search for results and ensuring business continuity and perpetuity for the institution.

We face the challenges of reconciling business competitiveness with the construction of a more sustainable and socially fairer world in a constructive and transparent way, while developing our regulations, agreements, commitments and processes.

Our commitment to managing social, environmental and climate risks reflects in our initiatives and in the agreements to which we are signatories, such as the Equator Principles, the Green Protocol, and the Principles for Responsible Investment (“PRI”).

The BB Sustainability Guidelines for Credit - Agribusiness, Irrigated Agriculture, Electricity, Civil Construction, Cement, Mining, Oil & Gas, Transportation, Pulp & Paper and Steel - seek to impart visibility to the business and administrative practices in place at BB, bolstering our ability to meet public commitments and in line with the principles of social and environmental responsibility set out in our General and Specific Policies.

And how does that work in practice?

Our Credit Policy provides that our analysis and conduct of any loans and financing granted need to meet social and environmental criteria. Accordingly, we demand that our borrowers submit documents to prove their good environmental standing (environmental licenses, environmental impact reports and water grants, whenever appropriate). To contract any credit, our borrowers are required to submit documents concerning the origin of any animal or plant production, such as the Document of Forest Origin.

For properties located in any Amazon Biome Municipalities and for rural properties, checks are made to ascertain that none has been entered on the list of properties embargoed for deforestation or illegal burning.

In addition, we do not take any credit risks in connection with customers that subject workers to degrading work conditions, that employ any form of compulsory labor or that engage in sexual exploitation of minors and/or employ child labor or otherwise engage in any illegal activity. We do not take as collateral any properties located on archeological sites or areas that are either occupied by legally protected ethnic groups (indigenous people, *quilombolas*, etc.) or contaminated, except for Rehabilitated Areas (“ARs”), whether they are rehabilitated for a declared use or just for the sake of it. To accomplish that, we assess properties through a technical analysis to find out any indications of soil contamination, and we query published official lists of contaminated areas.

Additionally, for any credit instruments under which rural properties are pledged as collateral, provisions are required to be added imposing obligations related to social and environmental liabilities, as well as representations by any owner or owners of those properties being pledged and/or on which financed business ventures will be located that the same are and will be in



compliance with the environmental laws of Brazil and are not located on land belonging to indigenous people or *quilombolas*, as well as giving Banco do Brasil the prerogative to suspend fund transfers or even accelerate debts in the event of breach.

Since October 2004, we have been assessing our levels of social and environmental responsibility in analysis of credit limits for companies that, due to their size and economic activity developed, pose a greater potential for risk, as well as analysis of investment projects whose amounts financed by BB add up to R\$8 million or higher. Our assessment is based on an ESG Level Assessment Questionnaire and factors into our decision to extent credit. If necessary, we will make on-site visits to check the social and environmental conditions of the customer and/or project applying for credit, which allows the bank to more thoroughly ascertain the information provided.

Analyses of projects that are subject to the Equator Principles are conducted within a specific framework, comprising the classification, categorization and tracking steps, according to each potential social and environmental impact found.

Through these best practices, BB seeks to mitigate risks to the environment and society, as well as the impact of its financing arrangements and investments, while identifying new opportunities to do business in the value chains of sustainable businesses by asking key social and environmental questions and addressing issues that are strategic for sustainable development.

Check out below a few examples of the scope of our social and environmental due diligence:

(a) EQUATOR PRINCIPLES

The Equator Principles are a set of criteria for financial institutions worldwide to voluntarily adhere to that are based on the Social and Environmental Sustainability Performance Standards of the International Finance Corporation (“IFC”) and the World Bank’s Environmental, Health and Safety Guidelines. Adhering to them enables identification, assessment and management of social and environmental risks related to financing major ventures classified as Project Finance or Project-Related Corporate Loan, as well as other types of support and related services.

For projects showing greater potential for risk that adhere to the Equator Principles, BB demands not only proof of good social and environmental standing, which applies to all credit transactions, but also the implementation of a social and environmental management system and independent specialized advice hired to assess and monitor compliance with applicable legislation and IFC’s and World Bank’s standards and periodically send reports to BB throughout the term of each financing agreement.

In case a customer fails to address any unresolved issues, take any steps or follow any recommendations set out in such periodic monitoring reports, then BB has a contractual prerogative to suspend fund releases to their project or declare acceleration of it’s the financing.

Seven financing agreements were signed in 2021 within the framework of the Equator Principles, six of which referring to Project Finance — all for electricity generation — and one to Project-Related Corporate Loan in the manufacturing sector.



A social and environmental assessment by an independent specialized advisory firm was requested for all seven compliant financing arrangements. Overall, the ensuing social and environmental assessment reports concluded that the environmental and social impacts of the seven projects were limited, small in number, reversible and controllable by mitigating measures.

Cases of social and environmental risks mitigated over 2021 based on the measurements indicated in the monitoring reports for projects whose operations met the criteria of the Equator Principles are provided below:

Case 1: Banco do Brazil requested that evidence be produced that any noncompliance found in any electricity generation project has been addressed, including any emergency action plan updates, due to any fire occurring in any neighboring property.

Case 2: For a thermal power generation project, Banco do Brazil demanded that a monitoring procedure for potential impacts in the region's indigenous population be added in the Equator Principles Action Plan, even though that population is not located in the project's sphere of influence.

Case 3: A hydroelectric power generation project, which demonstrated it had improved its process monitoring and performance assessment indicators in connection with the Equator Principles, having fixed deviations as soon as they were identified by the independent social and environmental advisory firm.

(b) CREDIT SUSPENDED OR DENIED: Examples where the transaction analysis or credit relationship with the customer were discontinued because social and environmental risks were found:

Case 1: In 2021, in compliance with its Credit Sustainability Guidelines, Banco do Brasil discontinued its credit relationships with all customers included on the Ministry of Labor and Social Security's Register of Employers having subjected workers to compulsory work conditions. All told, 15 customers we had a relationship with were barred from doing business with BB.

Case 2: Banco do Brasil concluded that any new credit transactions were to be denied to a company in the food industry who was involved in an illegal release of liquid waste into a water stream, which characterized environmental crime and led the relevant agencies to impose a substantial fine.

Case 3: Due to the existence of various notices of material environmental violations and embargoes issued by the Brazilian Institute for the Environment and Renewable Natural Resources ("IBAMA"), involving even the illegal deforestation of a native forest, Banco do Brazil decided to bar that customer engaged in cattle farming from contracting any new credit.

Case 4: In 2021, Banco do Brazil denied credit to an electricity transmission company due to ongoing legal proceedings that resulted in a partial suspension of the implementation of its transmission lines running through an Environmental Protection Area ("APA").

(c) STRATEGIC STUDIES: Due to climate issues that resulted in a restrictive water scenario in Brazil back in 2021, which notably impacted Brazilian electricity generation companies, Banco do Brasil had a study specifically conducted to identify any risks and mitigators in our credit portfolio and periodically monitor the scenario as it unfolds, along with its implications.



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