



# Sustainable Finance Framework

**June**

**2024**



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## 1

# Introduction

## 1.1.

## Who We Are

We are Sicredi (Cooperative Credit System), a cooperative financial institution with over 120 years of history. Throughout our trajectory, we have created positive environmental, economic and social impacts for our members and communities through our financial and nonfinancial solutions.

Our systemic operating model has 5 Central Cooperatives and 104 Singular Cooperatives ("Cooperatives"), which guarantee our physical presence in all Brazilian states and the Federal District, with around 2,600 service points offering over 300 financial and non-financial products. Our Cooperatives have the autonomy to act locally, and count on the support of the Sicredi Administrative Center (CAS) in terms of technology, security and financial solidity.

Each Cooperative is affiliated to one of the five Central Cooperatives, which are shareholders of the SicrediPar Board of Directors, the holding company that coordinates, along with the Cooperatives themselves, the strategic decisions of the System.

Our structure also includes specialized companies that offer security and reliability to members, such as Sicredi Confederation, Sicredi Guarantee Funds, Sicredi Foundation, Sicredi Cooperative Bank and its subsidiaries - Asset Management, Consortium Administrator and Insurance Broker -, located in Porto Alegre (RS), at the Sicredi Administrative Center.





## 1.2.

# Our Sustainability Strategy

Our business's cooperative nature makes us pay special attention to the impacts of our operations, especially with regard to our potential to create a positive impact for our members, the environment and the community. In addition to our strategic guidelines - Mission, Vision and Values - which guide how we conduct our business, we have a robust Sustainability Strategy. Our Strategy directs how we operate and incorporates the best management practices in the market, based on the Environmental, Social, Economic and Governance pillars, proving our focus on the sustainability and longevity of the business.

## SUSTAINABILITY POLICY

It lays down the principles and guidelines that govern decision-making in all areas of the business and in dealings with stakeholders, with the aim of increasing our positive impact and reducing our adverse impact. It considers the economic, social, environmental and climatic opportunities and challenges surrounding the issues relevant to Sicredi's sustainability.

## SOCIAL, ENVIRONMENTAL AND CLIMATE RISK MANAGEMENT POLICY

It sets the guidelines for the management of social, environmental and climate risks in all the Entities of the System and in Sicredi's relationship with members and other stakeholders, preventing the occurrence of financial, legal or reputation losses related to these risks. To this end, it complies with legal, regulatory and self-regulatory provisions.

## SUSTAINABILITY REPORT

Institutional document that addresses Sicredi's main impacts in a systemic way, based on our material themes. The publication's main purpose is to inform about our performance and value creation for members, employees, communities and other stakeholders, in relation to our financial and non-financial services.

## SUSTAINABILITY DRIVERS

As part of our Sustainability Strategy, we have established drivers and focal themes, which guide our planning and action towards where we can actually generate a positive impact. Our three Governance drivers - Relationship and Cooperativism, Responsible Solutions and Local Development - are divided into 12 focal themes, which are our material themes, i.e. the themes that are most relevant to sustainability and where we should focus our efforts so as to promote the sustainable growth of the business.

\* With the aim of aligning our communication on Sustainability Strategy with best market practices, we have revisited our materiality and made some adjustments to three material themes: The focal theme - Promoting inclusion and diversity, has been revised to: Promote inclusion, diversity and equity; The focal theme - Offer financial and non-financial solutions with a positive economic, social and environmental impact, has been revised to: Offering financial and non-financial solutions with a positive impact. The focal theme: Ensure integrated risk management, has been revised to: Ensuring integrated management of social, environmental and climate risks.



Figure 1 – Sicredi's Sustainability Strategy

To connect all the dots in our Sustainability Strategy and provide an institutional direction to support Cooperatives to become protagonists in local and sustainable development, we created our Sustainable Development Framework. Through this tool, we measure initiatives, programs and actions developed in a systemic way, which promote a positive impact related to Sustainability.

Thus, based on the definition of indicators connected to the three drivers that make up our Sustainability Strategy, the Sustainable Development Framework is the basis for measuring Sicredi's positive impact, allowing us to track our performance in sustainability at national, regional and local levels.

*All these initiatives enforce our commitment to the UN Global Compact and the Sustainable Development Goals (SDGs), evidencing how our business model creates a sustainable development in the regions we are present.*



**Get to know more about our Sustainability Strategy:**  
<https://ri.sicredi.com.br/en/sustainability/sustainability-strategy/>

## MAKE A PROSPEROUS SOCIETY **TOGETHER.**

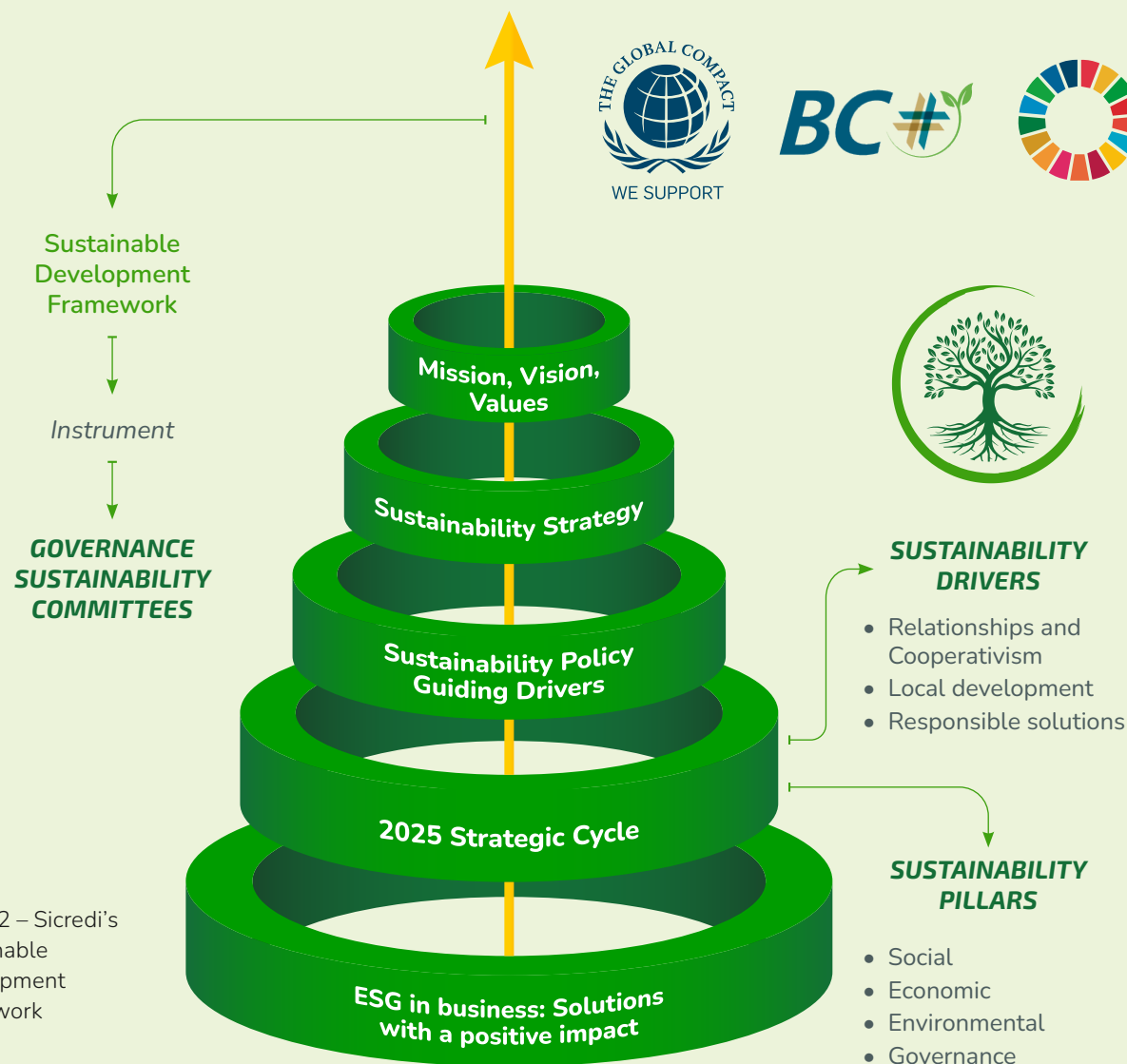


Figure 2 – Sicredi's Sustainable Development Framework



## 1.3.

## Our Governance

Our governance structure is internationally recognized in the credit cooperative sector. We are organized as a system based on the specialization of areas, reducing operating costs, enabling gains in scale and inter-cooperation and expanding the possibilities of meeting members' demands. Each entity has specific roles, providing efficiency gains for our strategy, decision-making and the development of internal processes. All these entities together make up Sicredi.

One of the key principles of our cooperative model is democratic management by members, promoting their active participation in decision-making. This direct involvement in the management of the business takes place through credit unions' assemblies, where representatives are elected and the direction of the business is decided.

Regarding the sustainability governance, the management of the Sustainability Strategy is carried out by the Sustainability, Administration and Finance Executive Board, and its implementation is the responsibility of all the entities that make up the System and all the employees. To implement the strategy, we rely on two structures with different responsibilities: one structure for decision making and another to ensure the implementation of the topic.

### Decision-making Framework

*It's the structure responsible for the systemic decision-making process regarding the Sustainability Policy and Strategy*



Figure 3 – Sicredi's Sustainability decision-making structure

In the decision-making structure, the Sustainability, Administration and Finance Executive Board is responsible for devising strategies and guidelines for sustainability, which are sent for analysis and recommendation to the Cooperativism and Sustainability Committee, which is responsible for advising SicrediPar's Board of Directors.

SicrediPar's Board of Directors, for its part, is responsible for decision making and discussion at a systemic level, directing the relevant issues to the credit unions for their consideration and vote.

<sup>1</sup> Cooperativism and Sustainability Committee - Advisory committee to SicrediPar's Board of Directors, in compliance with CMN Resolution 4.945, of September 15, 2021.

<sup>2</sup> Board of Directors of Sicredi Participações S.A. - SicrediPar.

The structure responsible for implementing the Policy and executing the Sustainability Strategy is made up of the Sustainability Committees and the National Cooperativism and Sustainability Summit.

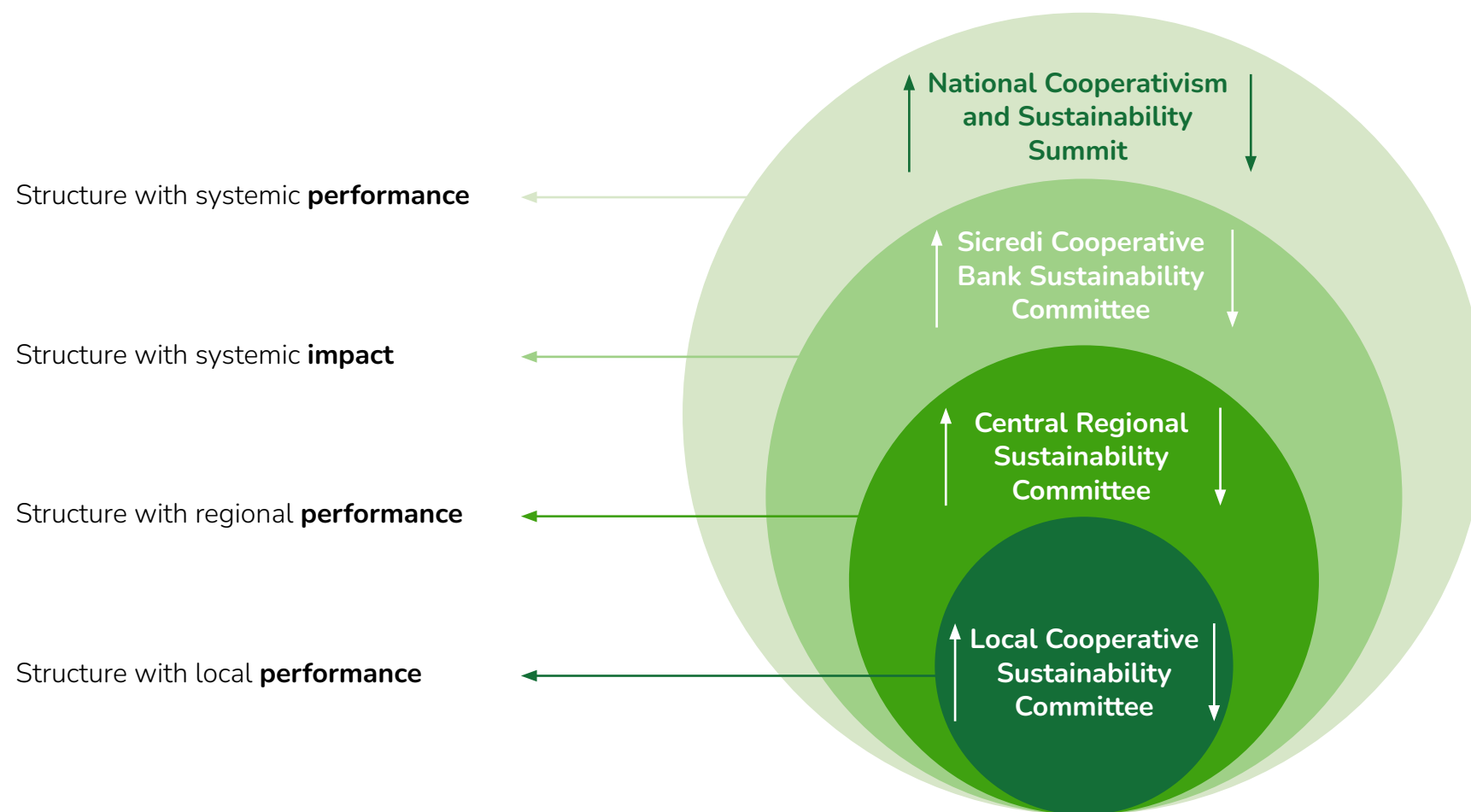


Figure 4 – Sicredi's Sustainability implementation structure





#### 1.4.

### *The importance of Cooperatives for financial inclusion*

We believe that access to credit and other financial services is crucial for the economic and social development of people and communities. That's why we operate in cities where other financial institutions don't usually have a physical presence, bringing our financial and non-financial products and services to support financial inclusion.

In 2023, we launched the fourth edition of the study "Benefits of Credit Cooperativism: The effectiveness of cooperativism". In this edition, the study was carried out to measure the impact of Cooperatives on the lives of members, compared to different banking institutions. In all, we analyzed 235 municipalities in which we are present, but which do not have any branches of other financial institutions; in this way, we were able to understand how our physical presence generates value for these cities in isolation.

The study showed that opening a branch in municipalities previously underserved by the National Financial System has a significant impact on people's access to services and credit in the communities, as well as contributing to financial education.

The benefits of cooperativism in small towns can be seen in the average increase in the use of adequate and nonrestrictive credit, the use of other more complex financial services and adherence to investments, considering the advising role of the account manager. The study showed that these behaviors were also positively modified in Sicredi members after the opening of a branch in their city of residence. As a result, the study indicates that Sicredi's closeness and advice contribute positively to wider and healthier access to the National Financial System.

Even with technological evolution and the growing search for digital means, physical presence is still important and contributes to the use of financial products, compared to municipalities that don't have physical service. That's why we're going to continue investing in a humanized service close to our members, hand in hand with the evolution of digital channels, because we want to continue making it possible for more people to have access to financial products and services, promoting local development in the communities where we are present.

## 2

## ***Rationale** for Framework*



We believe that raising funds for sustainable projects can contribute to the company's strategy, connecting to our Sustainability Strategy and our Sustainability Drivers. In addition, these funding instruments are effective tools to channel investments towards projects with demonstrated environmental, social and climate benefits and that contribute to the achievement of the Paris Climate Agreement and the United Nation Sustainable Development Goals ("UN SDGs").

By issuing sustainable debt or other financing instruments, we intend to align our funding composition with our mission and strategy. In addition, as the first Brazilian cooperative system, we aim to contribute to the development of the sustainable finance market in Brazil and inspire others to follow the same path.



## 3

## Alignment with the **Principles**

Sustainable Instruments are debt financing products where an equal amount of the net proceeds is exclusively applied to finance or refinance, in part or in full, new, or existing sustainable projects that are considered green, social or a combination of both.

### **ELIGIBLE INSTRUMENTS**

Under the Sustainable Finance Framework (the “Framework”) we may from time to time, offer, enter and issue domestic and foreign bonds, notes – including private placements -, loans and term deposits for new and/or existing specific investments, assets and projects that adhere to the Eligibility Criteria.

**We have established this Framework to support the future issuance of Sustainable Financing Instruments (“SFIs”), including:**

- » **Green Financing Instruments (“Green-FIs”):** Any financing instrument where an equal amount of the net proceeds will be exclusively applied to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects;
- » **Social Financing Instruments (“Social-FIs”):** Any financing instrument where an equal amount of the net proceeds will be exclusively applied to finance or re-finance, in whole or in part, new and/or existing eligible Social Projects;
- » **Sustainability Financing Instruments (“Sustainability-FIs”):** Any financing instrument where an equal amount of the net proceeds will be exclusively applied to finance or re-finance, in whole or in part, new and/or existing eligible Green and Social Projects.





*Sicredi has developed this Framework as per the following voluntary process guidelines (the “Principles”), which are considered the best practices to promote its transparency, disclosure, and integrity:*

- i. The Sustainability Bond Guidelines of 2021 (“SBG”)<sup>1</sup>
- ii. The Social Bond Principles of 2023 (“SBP”)<sup>2</sup>;
- iii. The Green Bond Principles of 2021, with June 2022 appendix (“GBP”)<sup>3</sup> and together with the SBG and the SBP simply “Bond Principles”, administered by the International Capital Markets Association (“ICMA”) aiming to encompass future issuances in the capital markets;
- iv. The Green Loan Principles of 2023 (“GLP”)<sup>4</sup>; and
- v. The Social Loan Principles of 2023 (“SLP”)<sup>5</sup>, together with the GLP the “Loan Principles” published by the Loan Markets Association (“LMA”) aiming to encompass bilateral or syndicated loans with financial institutions and/or multilateral agencies. They provide guidelines for any type of loan instrument that finances or refinances green and/or social projects.



<sup>1</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

<sup>2</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

<sup>3</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>4</sup> <https://www.lsta.org/content/green-loan-principles/>

<sup>5</sup> <https://www.lsta.org/content/guidance-on-social-loan-principles-slp/>

The Principles are voluntary process guidelines for best practices when issuing SFIs that recommend transparency, disclosure and promote integrity for best practices when raising funds with these instruments, either in the capital market or bilateral loans.

As described above, our Framework is aligned with the four core components of the Principles, namely:

- (1) *Use of Proceeds,*
- (2) *Process for Project Evaluation and Selection,*
- (3) *Management of Proceeds and*
- (4) *Reporting.*

There is also alignment with the recommendation of

- (5) *using a framework and*
- (6) *doing external reviews of the components listed in items 1-4 above.*

## 4

*Use of **proceeds***

An amount equal to the net proceeds of any SFI issued under this Framework will be used to finance or refinance, in whole or in part, existing or future loans made by Sicredi, any of its affiliates and/or subsidiaries that meet the Eligibility Criteria described below ("Investments").

- » Investments are defined as development, acquisition, maintenance, refurbishment, installation, expansion, and operation we finance through transactions with our clients, or proprietary capital expenditure from Sicredi and its affiliates in their own facilities and operations. All eligible Investments are aligned with Sicredi's Sustainability Policy and our strategy for sustainable development.
- » Sicredi will highlight which portion of the financing and/or the refinancing will be considered eligible in the appropriate documentation. Investments may be eligible when disbursed within two (2) years prior to the issuance of the SFI.
- » We intend to fully allocate the proceeds from each SFI within three (3) years but reserve the right to do so until the instrument's maturity.

Below we describe the Eligibility Criteria that will be used for the selected Investments and their associated Sustainable Development Goals (SDGs), as described by the United Nations (UN):

**GREEN ELIGIBILITY  
CRITERIA SELECTED:**

- » Renewable energy
- » Environmentally sustainable management of living natural resources and land use
- » Green building
- » Energy efficiency
- » Clean transportation
- » Sustainable water and wastewater management

**SOCIAL ELIGIBILITY  
CRITERIA SELECTED:**

- » Access to essential services – financial services
- » Access to essential services – education
- » Employment generation through the potential effect of SME financing and microfinance;
- » Family rural production;
- » Access to basic infrastructure
- » Socioeconomic advancement and empowerment



**GREEN AND SOCIAL  
OBJECTIVES OF OUR LOANS:**

- ✓ Facilitate the energy transition process of our members;
- ✓ Promote sustainable practices of food production;
- ✓ Contribute to inclusive and sustainable economic growth, including the growth of local economies in rural or remote areas;
- ✓ Provide equal access to essential services for underserved populations, especially related to financial inclusion;
- ✓ Promote and finance entrepreneurship.

## 4.1.

## Green eligibility criteria



### INVESTMENTS IN:

GBP Eligible Project Category	Eligibility Criteria and Project Examples	SDG Alignment
<b>Renewable energy</b>	<p>Energy generation projects in which members from both urban and rural areas can get credit for equipment, installation, upgrade and/or maintenance. Projects relate to:</p> <ul style="list-style-type: none"> <li>» Solar (photovoltaic);</li> <li>» Wind;</li> <li>» Biomass<sup>1</sup>;</li> <li>» Biofuels certificated under RenovaBio scheme (Resolution n° 758/2018 issued by the National Agency of Oil, Natural Gas and Biofuels of Brazil);</li> <li>» Biomethane from waste.</li> </ul>	
<b>Environmentally sustainable management of living natural resources and land use</b>	<p>Projects related to:</p> <ul style="list-style-type: none"> <li>» Low-carbon agriculture:             <ul style="list-style-type: none"> <li>» No-till farming: financing no-till farming methods for planting straw, which avoids plowing and harrowing operations, reducing the turning of the soil and, consequently, reducing the emission of greenhouse gases. In addition, the straw that remains on the ground promotes an increase in microbiological life, further reducing emissions.</li> <li>» Integrated crop-livestock-forest systems and agroforestry systems: Integrated systems using sustainable forest management, including crop- livestock-forest (ICLF), crop-livestock (ICL), crop-forest (ICF), livestock-forest (ILF) and agroforestry system.</li> <li>» Bio-inputs: substances containing variety of microbes having the capacity to enhance plant nutrient uptake, which helps in promoting the growth of plants and trees.</li> </ul> </li> </ul>	




<sup>1</sup> The sources considered in the biomass projects will be agricultural, especially for electricity generation. Eligible investments are those that meet the following conditions:

(a) For installations that produce electricity from biomass / biofuel, the electricity generated must have GHG emissions not exceeding 100gCO<sub>2</sub>e / kWh. (b) Feedstock will not be procured from land that was deemed to have high biodiversity OR a high level of carbon stock in the past 10 years.



GBP Eligible Project Category	Eligibility Criteria and Project Examples	SDG Alignment
<b>Environmentally sustainable management of living natural resources and land use</b>	<ul style="list-style-type: none"> <li>» Animal waste treatment: bio digestion and composting of animal waste, including energy generation<sup>2</sup>.</li> <li>» Soil conservation management practices, recovery and restoration of its acidity and levels of fertility: management practices to prevent soil degradation and build organic matter, including crop rotation, reduced tillage, mulching, cover cropping and cross-slope farming.</li> <li>» Regenerative agriculture: farming and grazing practices that rebuild soil organic matter and restoring degraded soil biodiversity.</li> <li>» Biological nitrogen fixation: process for atmospheric nitrogen transformation by microorganisms in assimilable forms for plants.</li> <li>» Organic farming systems: systems that eliminate the use of synthetic fertilizers and pesticides, veterinary drugs, genetically modified seeds and breeds, preservatives, additives and irradiation, which are replaced with site-specific management practices that maintain and increase long-term soil fertility and prevent pest and diseases.</li> <li>» Afforestation, reforestation and landscape conservation or restoration of natural landscapes.</li> <li>» Implementation and improvement of certified sustainable forest management and planting of commercial forests certified by FSC and PEFC.</li> <li>» Irrigation systems: systems that reduce the risk of crop loss due to extreme climate events, increasing the stability of food supply.</li> </ul>	
<b>Green buildings</b>	<p>Financing of:</p> <ul style="list-style-type: none"> <li>» Projects for construction of residential, commercial or industrial buildings that receive or target a Design or Post-Construction environmental certification. Eligible Certification Standards include: <ul style="list-style-type: none"> <li>» LEED Gold, LEED Platinum, EDGE, Aqua-HQE (Excellent or above), Living Building Challenge or Selo Procel Edificações (Class A).</li> </ul> </li> <li>» Retrofit projects for Buildings in which the level of energy performance of the building increases at least 30%.</li> </ul>	

<sup>2</sup> To be eligible, the waste management cannot include confined animal or any industrial livestock. For installations that produce electricity from animal waste, the electricity generated must have GHG emissions not exceeding 100gCO<sub>2</sub>e / kWh.

GBP Eligible Project Category	Eligibility Criteria and Project Examples	SDG Alignment
<b>Energy efficiency</b>	<p>Projects and items that bring energy gains equal to or higher than 20%.</p> <p>For individuals:</p> <ul style="list-style-type: none"> <li>» Items with energy efficiency classification<sup>1</sup> of A or B, according to the Brazilian National Institute for Metrology (Inmetro) or that have Procel<sup>2</sup> label.</li> </ul> <p>For companies:</p> <ul style="list-style-type: none"> <li>» Energy efficiency projects made by ESCO<sup>3</sup> or related to the purchase/finance of equipment<sup>4</sup>, civil works and associated cash flow necessities. Projects may include:             <ul style="list-style-type: none"> <li>» a) Buildings: efficient lighting (LED), cooling, water heating, mechanical ventilation, heat insulation and related system automations;</li> <li>» b) Industry: efficient air compressors, electric motors, and heat recovery systems.</li> </ul> </li> </ul>	
<b>Clean transportation</b>	<p>Financing of:</p> <ul style="list-style-type: none"> <li>» Purchase of clean fuel source (i.e. Battery Electric Vehicle) or hybrid<sup>5</sup> (i.e. Hybrid Electric Vehicle or Plug-in Hybrid Electric Vehicle) passenger cars, light commercial vehicles, and trucks;</li> <li>» Purchase of electric motorbikes, mopeds and bicycles;</li> <li>» Development of Electric Vehicle charging stations.</li> </ul>	
<b>Sustainable water and wastewater management</b>	<p>Financing of:</p> <ul style="list-style-type: none"> <li>» Technologies and equipment for efficient use of water, including smart dosage systems and rainwater collectors;</li> <li>» Systems for reduction of pollutants in liquid waste, including filters and others equipment for wastewater treatment, installation or maintenance of wastewater treatment plants for waste resulting from industrial processes.</li> </ul>	

<sup>1</sup> It is a mandatory Brazilian Labeling Program (PBE, for its initials in Portuguese), an efficiency equipment comparative label with categories from 'A' to 'C' or 'G,' depending on the product.

<sup>2</sup> Procel is a federal program designed to promote the rational use of electricity. The label is an indicator of that the item is more energy efficient.

<sup>3</sup> ESCO is a Brazilian classification of companies that provide energy conservation services.

<sup>4</sup> Fossil fuel powered equipment will not be financed.

<sup>5</sup> To be eligible, hybrid passenger vehicle must meet threshold of 50gCO<sub>2</sub>/km and hybrid freight vehicles must meet threshold of 25gCO<sub>2</sub>/km.

## 4.2. Social eligibility criteria

### TARGET POPULATION OF SOCIAL INVESTMENTS:

Target Population	Definition
<b>Low- and Middle-Income Individuals</b>	<ul style="list-style-type: none"> <li>» Families with household income as per the monthly data of the <i>Instituto de Pesquisa Econômica Aplicada</i> (Ipea). Reference values for March/24 are up to BRL 3,158.99 for Low-Income and BRL 10,529.96 for Middle-Income;</li> <li>» Per capita income will be calculated using an internal methodology derived from the data provided by the <i>Instituto Brasileiro de Geografia e Estatística</i> (IBGE) through the research <i>Pesquisa Nacional por Amostra de Domicílios Contínua</i> (PNAD-C).</li> </ul>
<b>Population with Low Social Indicators</b>	<ul style="list-style-type: none"> <li>» Population located in municipalities with Human Development Index (HDI)<sup>1</sup> below Brazil's average.</li> </ul>
<b>Micro and Small-sized Enterprises (MSEs)</b>	<ul style="list-style-type: none"> <li>» According to IFC's definition, the annual revenue threshold for this segment is USD 3 million;</li> <li>» These companies may face challenges related to limited access to financial services, such as affordable loans and payments solutions due the lack of collateral or minimum use of access of technology.</li> </ul>
<b>Medium-sized Enterprises</b>	<ul style="list-style-type: none"> <li>» According to IFC's definition, the annual revenue threshold for this segment is from USD 3 million to USD 15 million;</li> <li>» Medium companies in Brazil face similar issues as Micro and Small Enterprises in terms of access to financial services, especially in some regions in Brazil that lack infrastructure and economic opportunities.</li> </ul>
<b>Migrants and/or Displaced Persons</b>	<ul style="list-style-type: none"> <li>» Migrants and/or displaced persons (e.g. refugees and displaced persons fleeing the conflict).</li> </ul>

<sup>1</sup> HDI values per municipality and Brazil's average HDI can be found at the statistical information platform Atlas Brasil, developed by the UNDP in conjunction with the Brazilian entities *Instituto de Pesquisa Econômica Aplicada* (Ipea) and *Fundação João Pinheiro* (<https://www.atlasbrasil.org.br/>).



Target Population	Definition
<b>Women-Led MSEs or Medium Sized Enterprises</b>	<ul style="list-style-type: none"> <li>» Enterprise meets Micro, Small or Medium sized revenue threshold above, AND</li> <li>» Woman owned enterprise as per at least one of the following 2X Challenge Criteria: <ul style="list-style-type: none"> <li>» Entrepreneurship &amp; Ownership, with at least 51% of women ownership OR</li> <li>» 50% of a business founded by a woman in which she represents an active role;</li> <li>» Leadership, with a share of at least 30%<sup>1</sup> of women in senior management OR</li> <li>» at least 30%<sup>2</sup> of women on the Board or Investment Committee.</li> </ul> </li> </ul>
<b>People with Disabilities</b>	<ul style="list-style-type: none"> <li>» Those who have long-term physical, mental, intellectual, or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others<sup>3</sup>.</li> </ul>
<b>Elderly People</b>	<ul style="list-style-type: none"> <li>» People with 65 years old or more.</li> </ul>
<b>Vulnerable Children and Youth</b>	<ul style="list-style-type: none"> <li>» Children and people under 18 years old who are currently or are likely to be in adverse conditions, thereby subject to significant physical, emotional, or mental stress resulting in inhibited development.</li> </ul>
<b>Vulnerable People as a Result of the Impact Caused by Natural Events</b>	<ul style="list-style-type: none"> <li>» People affected by hazardous events that cause large numbers of victims, fatalities and/or overwhelming property damage, including but not limited to floods, volcanic eruptions, earthquakes, landslides, droughts, heat waves, tsunamis, tidal waves, cyclones, hurricanes, storms, tornadoes, tropical storms, typhoons, wildfires, insect infestations and epidemics.</li> </ul>
<b>Underserved</b>	<ul style="list-style-type: none"> <li>» Population lacking quality access to essential goods and services, including sanitation, water/waste treatment, electricity, food, health, and education.</li> </ul>
<b>Smallholder Farmers</b>	<ul style="list-style-type: none"> <li>» Those with annual revenues up to BRL 500,000, as defined by the Manual de Crédito Rural – MCR 1-2-3<sup>4</sup>.</li> </ul>




<sup>1</sup> Actual percentage vary according to country and sector (<https://www.2xchallenge.org/2xcriteria>).







<sup>2</sup> Actual percentage vary according to country and sector (<https://www.2xchallenge.org/2xcriteria>).

<sup>3</sup> As per the Convention on the Rights of Persons with Disabilities (<https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-rights-persons-disabilities>).

<sup>4</sup> The Manual de Crédito Rural is a law compendium about the rural credit in Brazil, published by Banco Central do Brasil and can be consulted on <https://www3.bcb.gov.br/mcr/completo>.

## INVESTMENTS IN:

SBP Eligible Project Category	Eligibility Criteria and Examples Projects	Target population	SDG Alignment
Access to essential services – financial services	Financing to target population in locations where Sicredi is the only financial institution physically present through credit lines with interest rates lower than the average of the Brazilian banking system.	<ul style="list-style-type: none"> <li>» Low and Middle-Income Individuals;</li> <li>» Population with Low Social Indicators;</li> <li>» Elderly People;</li> <li>» Migrants and/or Displaced Persons;</li> <li>» Underserved.</li> </ul>	
Access to essential services – education	Financing of the following projects with interest rates lower than the average of the Brazilian banking system: <ul style="list-style-type: none"> <li>» Operational or investment expenses of primary and secondary educational institutions located in municipalities with low social indicator or that have been affected by hazardous events;</li> <li>» Student loans to finance target population, including: primary, secondary and higher education fees, school supplies and language courses.</li> </ul>	<ul style="list-style-type: none"> <li>» Low- and Middle-Income Individuals;</li> <li>» Underserved Population;</li> <li>» Vulnerable Children and Youth;</li> <li>» Population with Low Social Indicators.</li> </ul>	
Employment generation through the potential effect of SME financing and microfinance	Financing of working capital and investment needs of SMEs and micro-enterprises, with the objective of expanding their access to financial services, contributing to maintenance of operations, expansion strategies and employment generation. Resources may be specifically directed to enterprises located in the North and Northeast regions of Brazil, in municipalities with a Human Development Index (HDI) below Brazil's average or that have been affected by hazardous events.	<ul style="list-style-type: none"> <li>» Micro and Small-sized Enterprises;</li> <li>» Women-Led MSEs or Medium-sized Enterprises.</li> </ul>	

SBP Eligible Project Category	Eligibility Criteria and Examples Projects	Target population	SDG Alignment
<b>Family rural production</b>	Small rural producers in selected subprograms such as: Pronaf Custeio, Pronaf Mais Alimentos, Pronaf Agroindústria, Pronaf Mulher, Pronaf Bioeconomia, Pronaf Agroecologia, Pronaf Cotas Partes.	» Smallholder Farmers.	  
<b>Affordable basic infrastructure</b>	Financing of projects aimed at providing potable water and/or basic sanitation for households in underserved locations of Brazil. Items may include, but are not limited to: artesian wells, domestic filters, water pumps and general construction expenses.	» Low- and Middle-Income Individuals; » Underserved Population; » Migrants and/or Displaced Persons; » Impact Caused by Natural Events.	 
<b>Socioeconomic advancement and empowerment</b>	Financing of technologies and services for people with disabilities.	» People with Disabilities.	

### 4.3.

## *Excluded activities*

Certain activities will be excluded as eligible under this Framework due to their unfavorable environmental or social characteristics, such as:

- » Weapons, ammunitions, and other military goods/technology.
- » Tobacco<sup>1</sup>.
- » Gambling, casinos, and equivalent enterprises<sup>2</sup>.
- » Radioactive materials<sup>3</sup>.
- » Unbonded asbestos fibers or asbestos-containing products. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- » Drift net fishing in the marine environment using nets more than 2.5 km. in length.
- » Commercial logging operations for use in primary tropical moist forest.
- » Production or trade of any product or activity that may relate to misdemeanors as importers and exporters (mainly in border regions), natural extraction, polluting/polluting substance producers.
- » Thermal coal mining or coal-fired power generation and associated facilities<sup>4</sup>.
- » Oil exploration and development projects.
- » Gas exploration and development projects. Under exceptional circumstances and on a case-by-case basis, consideration will be given to financing gas infrastructure where there is a clear benefit in terms of energy access for the poor and where greenhouse gas (GHG) emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.
- » Violation of Human Rights (such as forced labor, child labor, discrimination).
- » Projects exclusively dedicated to livestock.

<sup>1</sup> This does not apply to projects whose primary objective is not related to the production, trade, or use of tobacco.

<sup>2</sup> This does not apply to projects whose primary objective is not related to the construction and operation of gambling, casinos and equivalent enterprises.

<sup>3</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source is to be trivial and/or adequately shielded.

<sup>4</sup> This applies only to associated facilities which primary objective is related to the production, trade or use of coal for power generation or to the transmission of energy generated by a coal-fired power plant (e.g. a dedicated transmission line).



## 5

*Process for **project evaluation and selection***

The projects developed in the context of this Framework will be analyzed according to the eligibility criteria as described in Section “Use of proceeds”. The eligibility criteria can be used both (i) for qualifying a certain line of credit offered by Sicredi to its clients (and therefore all clients that use that specific line are automatically eligible based on the filters applied for using the line) or (ii) for qualifying a specific investment proposed by a client. For projects that have a broader scope (or require a project-by-project approach), the Sustainable Finance and Financial Institutions department will be responsible for evaluating the eligibility. The department is also responsible for the controlling and monitoring the portfolio of projects eligible to each Sustainable Financing Instrument. To make sure it has all the necessary information regarding the projects, the department may consult with others, such as (but not limited to): Treasury, Social, Environmental and Climate Risk, Credit and Sustainability.

Regarding risk mitigation, Sicredi carries out several processes to mitigate the existing of environmental and social risks. Among them, we can highlight the following fronts: environmental social risk questionnaires (collection of data on environmental social practices and qualitative assessment of responses), environmental and social screening (evaluation of aspects related to the regularization and use of resources, responsible for preventing or allowing the loan), geoprocessing (collection of coordinates of areas benefited by operations, ensuring the exclusion of environmental protection areas, conservation units, indigenous lands, etc.), quantitative assessments (monitoring indicators from the Risk Appetite Statement (RAS) and calculating the socioenvironmental rating of members), and definition of excluded activities/sectors in line with market practices. Also, Sicredi conducts a credit analysis process which includes not only the basic mechanisms of internal lending policy,

but also the questionnaire of Know Your Client (KYC), which is focused mainly to avoid money laundering resources to get into the financial system. After the KYC is completed, Sicredi extends the analysis for broader information regarding the potential client, relating the past transactions within the national financial system. If all the process is affirmative, the lending is confirmed.

Additionally, as a way of ensuring the correct formalization of specific projects applied to investments with a sustainable in agriculture, such as projects contributed with resources from the Plano ABC+<sup>1</sup>, we provide a list of mandatory documents to compose the proposal dossier, as well as manuals with the appropriate guidelines and related regulations. Furthermore, we rely on the opinion of technical analysts who guide and provide the necessary support for the proper formalization of projects.

<sup>1</sup>The Sectoral Plan for Adaptation to Climate Change and Low Carbon Emissions in Agriculture and Livestock, or “Plano ABC+”, was created by the Brazilian government to promote adaptation to climate change and control of greenhouse gas emissions from Brazilian agriculture and livestock (<https://www.gov.br/agricultura/pt-br/assuntos/sustentabilidade/planoabc-abcmais/publicacoes/final-isbn-plano-setorial-para-adaptacao-a-mudanca-do-clima-e-baixa-emissao-de-carbono-na-agropecuaria-compactado.pdf>).

## 6

*Management of proceeds*

An equal amount of the net proceeds from any Sustainable Financing Instrument will be credited to the bank's accounts and tracked via Sicredi treasury management and via its accounting system, contributing to the monitoring of the green and social proceeds. The Treasury department will be responsible for those tasks and for the alignment with the accounting department. Treasury will also be responsible for managing the proceeds that have not yet been allocated. The Sustainable Finance and Financial Institutions department will be responsible for the management of the allocated proceeds with support from key areas within the bank.

Pending the allocation of an equal amount to the net proceeds from any Sustainable Financing Instrument to eligible Investments, all or a portion of the net proceeds may be invested in cash, cash equivalents and/or other liquid instruments, in accordance with Sicredi's Investment Policy.

Any payment of principal and interest on any Sustainable Financing Instruments may be made from our general corporate accounts. Pursuant to the definition of the excluded activities described in the "Use of proceeds" section, investing any of

the unallocated net proceeds in controversial or in high GHG emission sectors or activities is strictly prohibited.

Complete allocation of the proceeds from any Sustainable Financing Instrument is expected as soon as possible but within 36 -months from the date of the issuance.

We will adopt all the necessary steps to attest that the proceeds obtained from Sustainable Financing Instruments follow all the appropriate internal processes and are demonstrably linked to the issuer's Investments. So long as there is outstanding balance, an equivalent amount will be allocated to eligible Investments. There will be periodical adjustments to account for repayments.

The proceeds can be managed per instrument (bond-by-bond or loan-by-loan approach) or on an aggregated basis for multiple instruments (portfolio approach).

The tracking method and the allocation of proceeds will be reviewed periodically by an external audit.

## 7

# Reporting

We will provide updated information regarding the Sustainable Financing Instruments in a public report (“Annual Allocation and Impact Report”), to be fully available in our website (“<https://www.sicredi.com.br/site/relacoes-com-investidores/>”). The information will be made, and keep, readily available annually and until full allocation, and on a timely basis in case of material developments.

The report will include the eligibility criteria on which the net proceeds have been allocated, either individually or by category, including the amounts and numbers of transactions on each criteria, as well as relevant outcome and impact indicators. In addition, we will include the outstanding amount of net proceeds to be allocated to Investments at the end of the reporting period (if any). We may also prepare (at investor’s request) specific reports that might be required depending on the Sustainable Financing Instrument selected.

Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, information will be presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories). We are committed to disclose all relevant information observing the relevant laws, agreements of confidentiality or conflicts of interest and whenever possible also be guided by ICMA’s Impact Reporting guidelines<sup>1 2</sup>.

The outcome and impact indicators may be selected from – but are not limited to – the list below.

<sup>1</sup> <https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects>

<sup>2</sup> <https://www.icmagroup.org/sustainable-finance/impact-reporting/social-projects>



Eligible category		Investments	Output Indicators	Impact Indicators
Green	Renewable energy	Solar, Wind and Biomass	» Renewable energy installed capacity (MW)	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to non-renewable energy
		Biofuel	» Biofuel production (m <sup>3</sup> )	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to non-renewable energy
	Environmentally Sustainable Management of Living Natural Resources and Land Use	No-till farming systems	» Farming area subject to no till farming (ha) » Number of benefited producers	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to traditional farming
		Integrated crop-livestock-forest systems and Agroforestry systems	» Area of ICLF, ICL, ICF, ILF adoption » Number of benefited producers	» GHG captured / avoided (tCO <sub>2</sub> eq.)
		Bio-inputs	» Number of financed bio-inputs production units » Number of producers that adopt bio-inputs	» GHG avoided (tCO <sub>2</sub> eq.)
		Animal waste treatment	» Treated waste (t) » Generated biogas (m <sup>3</sup> ) » Generated biofertilizer (t) » Number of benefited producers	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to non-treated wasted » Electric capacity (KW) of the generated biogas
		Afforestation, reforestation and landscape conservation or restoration	» Area under natural regeneration (ha) » Reforested area (ha) » Conserved area (ha)	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to non-treated wasted



Eligible category		Investments	Output Indicators	Impact Indicators
Green	Environmentally sustainable management of living natural resources and land use	Soil conservative management practices, recovery and restoration of its acidity and lower levels of fertility	» Soil recovered area (ha) » Number of benefited producers	» GHG avoided (tCO <sub>2</sub> eq.)
		Regenerative agriculture	» Farming area under regenerative practices (ha) » Number of benefited producers	» GHG captured / avoided (tCO <sub>2</sub> eq.)
		Biological nitrogen fixation	» Reduction in fertilizer consumption (t) » Number of benefited producers	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to the average of emissions of an equivalent area
		Organic farming systems	» Farming area under organic practices (ha) » Number of benefited producers	» GHG captured / avoided (tCO <sub>2</sub> eq.)
		Irrigation systems	» Area of adoption of irrigation systems (ha) » Number of benefited producers	» Water consumption reduced (m <sup>3</sup> )
		Implementation and improvement of certified sustainable forest management and planting of commercial forests certified by FSC and PEFC	» Area of certified forests (ha)	» GHG captured / avoided (tCO <sub>2</sub> eq.)

<i>Eligible category</i>		<i>Investments</i>	<i>Output Indicators</i>	<i>Impact Indicators</i>
<b>Green</b>	<b>Green building</b>	Buildings that have LEED Gold, LEED Platinum, EDGE, Aqua-HQE (Excellent or above), Living Building Challenge or Selo Procel Edificações (Class A)	» Number of buildings constructed/reformer » Annual energy savings (MW)	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to buildings with no ecoefficiency certification and standards
	<b>Energy efficiency</b>	Energy efficient items for individuals	» Number of items financed » Annual energy savings (MW)	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to inefficient equipment
		Energy efficient projects for companies	» Number of projects » Annual energy savings (MW)	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to inefficient systems
	<b>Clean transportation</b>	Electric/hybrid vehicles and charging stations	» Number of vehicles financed » Number of charging stations constructed	» GHG avoided (tCO <sub>2</sub> eq.) in comparison to average of tailpipe emission in Brazil
	<b>Sustainable water and wastewater management</b>	Water systems	» Number of water systems financed	» Water saved/reduced (m <sup>3</sup> )
		Wastewater systems	» Wastewater treated (m <sup>3</sup> )	» GHG avoided (tCO <sub>2</sub> eq.)
<b>Social</b>	<b>Access to essential services – financial services</b>	Financing for target population where Sicredi is the only financial institution physically present	» Number of beneficiaries	» Estimated financial benefit from lower rates

<i>Eligible category</i>		<i>Investments</i>	<i>Output Indicators</i>	<i>Impact Indicators</i>
<b>Social</b>	<b>Access to essential services – education</b>	Financing to Educational Institutions	» Number of institutions financed	» Estimated number of students impacted » Estimated financial benefit from lower rates
		Student loans and other expenses	» Number of beneficiaries	» Estimated financial benefit from lower rates
	<b>Employment generation, through the potential effect of SME financing and microfinance</b>	Micro, Small and Medium Enterprises financing	» Number of beneficiaries	» Estimated number of jobs supported
	<b>Family rural production</b>	Small rural producers selected in the government subprograms	» Number of benefited producers » Number of women producers financed	» Estimated annual revenue generated for rural families
	<b>Affordable basic infrastructure</b>	Potable water and basic sanitation projects	» Number of projects financed	» Estimated number of beneficiaries (incl. family members)
	<b>Socioeconomic advancement and empowerment</b>	Technologies and services for people with disabilities	» Number of items/services financed	» Number of beneficiaries

## 8

## *Verification*

We will obtain and make publicly available a pre-issuance external review from consultants with recognized environmental expertise to provide an opinion on the environmental and/or social benefits of this Framework. The second party opinion (“SPO”) provided by such consultant will be available on our investor relations website, as well as the SPO provider’s website.

As described above, we are also committed to provide a post issuance review about our management of proceeds, which can be made by the same consultant and/or an external auditor, or other recognized external party.

## 9

## *Review*

We will review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when they are released, with the aim of adhering to best practices in the market.

We will also review this Framework in case of material changes in the perimeter and categories selected. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified provider of SPO.

Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external verifier. The updated Framework, if any, will be published on our website and will replace this document.



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