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(A free translation of the original report in Portuguese)

## **Independent auditors' Limited Assurance Report about the performance information presented in the Reporte - Sustainable Linked Finance Framework - KPI Performance Report - Banco do Brasil S.A.**

The Management  
**Banco do Brasil S.A.**  
Brasília – DF

We were engaged by Banco do Brasil S.A. ("Bank") to prepare a report on the performance information presented in the Reporte - Sustainable Linked Finance Framework - KPI Performance Report - Banco do Brasil S.A. - (Attachment I) ("Report"), in the form of an independent limited assurance conclusion that, based on the work performed and the evidence obtained, we are not aware of any fact that causes us to believe that the performance information presented in this Report is not adequately presented, in all material respects, according to the criteria described in the document Sustainable Linked Finance Framework of Banco do Brasil - (Appendix II) ("Criteria").

### **Responsibilities of the Bank's Management**

The Bank's management is responsible for the proper preparation of the Report, necessary to ensure that it is free from material misstatement in accordance with Sustainable Linked Finance Framework of Banco do Brasil - (Appendix II).

This responsibility includes: the design, implementation, and maintenance of relevant internal controls for the presentation of the Report, necessary to ensure that it is free from material misstatement, whether caused by fraud or error. It also includes the selection of the criteria defined in the document Sustainable Linked Finance Framework of Banco do Brasil - (Appendix II).

Bank management is also responsible for the prevention and detection of fraud, as well as for identifying and ensuring that the bank complies with laws and regulations applicable to its activities. Additionally, management must ensure that employees involved in the proper presentation of the Report, are adequately trained, that systems are properly updated, and that any changes in the preparation and disclosure of information encompass all significant business units.

### **Auditors' Responsibility**

Our responsibility is to review the information used by the bank for the preparation of the Report, and to prepare a report on this information in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our work in accordance with NBC TO 3000 (revised) – Assurance Engagements Other than Audits or Reviews and



ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Federal Accounting Council and the International Auditing and Assurance Standards Board, respectively. These standards require the planning and execution of work procedures to obtain a meaningful level of assurance about whether the information presented in the Report is adequately presented, in all material respects, according to the criteria described in Sustainable Linked Finance Framework of Banco do Brasil - (Appendix II) as a basis for our limited assurance conclusion.

KPMG Auditores Independentes Ltda. ("KPMG") applies the Brazilian Quality Management Standard (NBC PA 01), which requires that the firm plan, implement and operate a quality management system, including policies or procedures related to compliance with ethical requirements, professional standards and applicable statutory and regulatory requirements. We comply with the independence and other ethical requirements of the Accountant's Professional Code of Ethics and Professional Standards (including the Independence Standards) based on the fundamental principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Report and other circumstances of the engagement and on our consideration of areas in which material misstatements are likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing, and their extent is less than that of a reasonable assurance engagement. Therefore, the level of assurance obtained from a limited assurance engagement is significantly lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed.

As part of this engagement, we have not performed any audit or review procedure or check the Report or the underlying records or other sources from which the Report has been extracted.

Our scope covers the performance information disclosed on each of the KPIs, which is limited to 2024's performance for KPIs 1, 2 and 4 and 2023's performance for KPI 3.

### **Criteria**

For the purposes of this limited assurance report, the rules set out on the document Sustainable Linked Finance Framework of Banco do Brasil - (Appendix II) are defined as criteria, which sets the rules for the allocation of resources or performance indexes, as applicable to each key indicator and described below:

"KPI 1 – Increase in balances for sustainable businesses": defines the allocation of resources in credit lines until December 31, 2024 intended for financing customers and projects with a positive social and environmental impact within four major lines: i) Low Carbon Agriculture; ii) Good Social and Environmental Practices; iii) Business Portfolio – CNAEs of Green Economy; and iv) Social Businesses, more specifically in financing for renewable energy, energy efficiency, reforestation and other projects with high social and environmental impact;

"KPI 2 – Expansion of credit for sustainable agriculture operations": defines the allocation of resources in credit lines, until December 31, 2024, intended for the financing of (i) Low Carbon Agriculture and (ii) Good Social and Environmental Practices;

"KPI 3 – Reducing the intensity of greenhouse gases (GHG) emissions financed by the credit portfolio": sets targets for reducing the intensity of GHG emissions for the activities financed by the Bank – i.e. within scope 3 (indirect emissions that occur in the Bank's value chain, but outside its direct operations), covering the Bank's Corporate Loan Portfolio, which consists of loans to companies with annual revenues of more than R\$ 200 million. The calculation of



intensity is made according to the information included in the GHG Emissions Inventories available on the Public Emissions Registry portal or on the clients' institutional websites. For those customers that do not disclose their inventories, the calculation of emissions is estimated based on net operating revenue (ROL) in relation to the sectoral emission factor, calculated by the Climate Investors initiative (IPC) tool. The team used an equivalence of related categories in the industries where there is no exact correlation.

Note: Considering that the 2024 data await the Bank's industry and customer reports for its release, for this KPI, the performance information presented in the Report refers to 2023;

"KPI 4 – Increasing Gender and Racial Diversity in Senior Leadership": Sets goals for improving gender and racial diversity in the Bank's senior leadership in the employee base as of December 31, 2024.

**Conclusion**

Our conclusion has been formed based on and is subject to the matters described in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

According to the procedures applied by our team and the evidence obtained by our team, we are not aware of any fact that causes us to believe that the performance information presented in the Reporte - Sustainable Linked Finance Framework - KPI Performance Report - Banco do Brasil S.A. – (Appendix I) was not properly presented, in all material respects, based on the criteria set on Sustainable Linked Finance Framework of Banco do Brasil - (Appendix II).

Brasília, July 30, 2025

KPMG Auditores Independentes Ltda.  
CRC SP – 014428/F-0

João Paulo Dal Poz Alouche  
Accountant CRC 1SP245785/O-2





# Report

## *Sustainability-Linked Finance Framework*

# Banco do Brasil S.A.

## Introduction

Banco do Brasil S.A. (BB)'s commitments to sustainability are an integral part of its corporate strategy.

By adopting sustainable financial practices, BB contributes to environmental preservation and to economic and social development, ensuring the Bank's ethical and sustainable growth while benefiting its clients and the broader community.

This report presents the performance of the main Key Performance Indicators (KPIs) aligned with our Sustainable Finance Framework, in accordance with the principles established by ICMA and LMA/LSTA/APLMA..

**Our goal is to provide transparency and clarity to investors regarding our progress toward achieving our sustainability objectives.**



# Disbursement of Sustainable Loans



## KPI:

Disbursement of Sustainable Loans

## Performance target (SPT):

Balance of  
**R\$320** Billion  
for sustainable loan portfolio  
by 2030

## Performance in 2024:

**R\$219.99** Billion

## Description:

This KPI reflects our commitment to financing projects that promote sustainable development in Brazil.

The portfolio includes financing for renewable energy, energy efficiency, reforestation, and other projects with high social and environmental impact. In 2023, we reached **R\$207.27 billion**, a significant increase compared to the baseline of **R\$127.84 billion** in 2020.



# Sustainable Credit for Agribusiness

## KPI:

Sustainable Credit for Agribusiness

## Performance Target (SPT):

**R\$200** Billion

sustainable agribusiness credit of R\$200 billion by 2030

## Performance in 2024:

**R\$169.597** Billion

## Description:

This KPI measures our support for sustainable agribusiness by financing agricultural practices that minimize environmental impacts and promote sustainability. In 2023, we reached **BRL 152.7 billion** in sustainable credit for agribusiness, up from a baseline of **BRL 149 billion** in 2022..





# GHG Emissions Intensity

## in the Corporate Credit Portfolio

### KPI:

GHG emissions intensity in the corporate credit portfolio (for corporates with over BRL 200 million in annual net revenues)

### Performance Target (SPT):

A

# 25%

reduction in the GHG emissions intensity reduction in the corporate loan Portfolio by 2031

### Performance in 2023<sup>1</sup>:

**0.1133** Million tons of CO<sub>2</sub> per **BRL 1 Billion** in corporate loans

### Description:

This KPI assesses our effectiveness in reducing greenhouse gas (GHG) emissions associated with corporate lending<sup>2</sup>. In 2023, we reduced emissions intensity<sup>3</sup> to 0.1133 million tons of CO<sub>2</sub>e per BRL 1 billion, compared to a baseline of 0.1196 million tons in 2021.

**Note:** The emissions intensity figures presented here differ from those disclosed in the Sustainable Linked Finance Framework previously published, due to improvements in the process of collecting external information—such as net operating revenue, indebtedness within the National Financial System (SFN), and capitalization—that took place throughout 2024. This revision enhanced the quality of the previously published data, increasing the reliability of the calculation.



# Gender and Racial Diversity

## in senior leadership positions

### KPI:

Representation of Women and Underrepresented Ethnic Groups in Leadership Positions

### Performance Target (SPT):

**30%**

of representation of women and **30%** representation of black, brown, indigenous, and other underrepresented ethnicities in senior leadership roles by 2030

### Performance in 2024:

**27.4%**

of women

&

**29.1%**

of underrepresented ethnicities

### Description:

This KPI reflects our commitment to diversity and inclusion in leadership positions, based on the initial 2022 baseline of **23.2%** for the representation of women and **22%** for underrepresented ethnic groups.





# Conclusion

The progress made on the commitments undertaken highlights the relevance of BB's sustainability journey, demonstrating to society and investors the strength and real-world impact of sustainable business practices.

Banco do Brasil S.A. remains committed to transparency and accountability in its sustainable financing practices. This report demonstrates our significant progress toward achieving our sustainability goals and reaffirms our commitment to creating long-term value for our investors and society.

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<sup>1</sup> The 2024 data are pending the reporting from BB's sectors and clients prior to disclosure. Once available, they will be published in the document BB Commitments to Climate Change, on the Investor Relations webpage.

<sup>2</sup> Loans to corporate clients with annual revenue exceeding BRL 200 million are taken into account.

<sup>3</sup> The emissions intensity calculation is based on information available in the GHG Emissions Inventories published on the Public Emissions Registry portal or on clients' institutional websites. For clients that do not disclose their inventories, emissions are estimated based on net operating revenue (NOR) in relation to the sectoral emission factor, calculated using the tool developed by the Investors for Climate initiative (IPC). For sectors where there is no exact correlation, a matching of related categories was applied.





# Sustainability Linked Finance Framework

Sustainability goals





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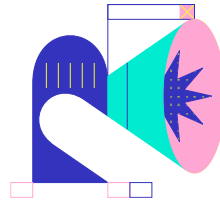
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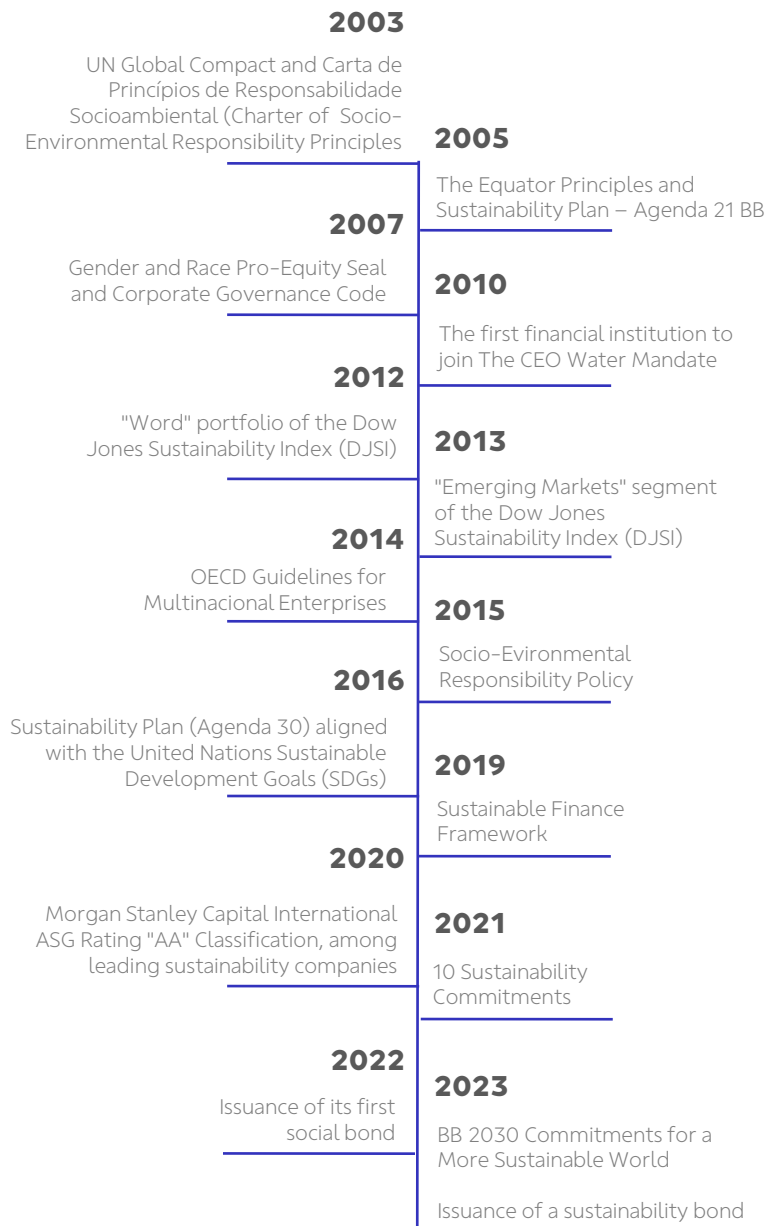


# Introduction



Banco do Brasil has a long history of incorporating ESG – environmental, social and governance – aspects (Figure 1) on its business practices. Among these initiatives, it is relevant to highlight the bank's Sustainability Plan, which contributes to the improvement of business and processes by consolidating actions with a socio-environmental focus. The plan, titled 'BB 2030 Commitments for a More Sustainable World' (BB Commitments), unfolds in commitments mapped based on the assessment of national and international sustainability trends, market indices, and the overall demands of society.

Figure 1 – Banco do Brasil ESG history





The BB Commitments 2030 for a More Sustainable World are crucial to this document, as they outline sustainability targets undertaken by the Bank through 40 actions and 110 indicators (within the context of 24 themes) for the short and medium term in the BB 30 Agenda (2023-2025). Thus, BB commits to sustainability targets, from which it declares targets to be implemented by 2030<sup>1</sup>, divided into four fronts: sustainable credit, responsible investment and ESG and climate management, and positive impacts on the value chain.

In addition to the key points highlighted in Figure 1, Banco do Brasil has other specific initiatives aligned with a sustainable development trajectory. In 2023, examples of these initiatives include the reorganization of bank units to prioritize ESG performance in its strategic structure<sup>2</sup> and the “All Amazonia” initiative, introducing a new sustainability-focused

campaign as part of a global movement that aims to raise awareness about the importance of preserving the forest and recovering degraded areas.

Seizing the opportunity presented by the global attention on New York during the United Nations General Assembly, BB conducted a series of institutional and business agendas throughout September 2023. The goal was to promote and support awareness of the critical importance of preserving the Amazon, while also highlighting its biodiversity and potential<sup>3</sup>.

Therefore, beyond its results and recognition, Banco do Brasil has been building corporate and portfolio targets related to ESG issues. As previously presented, the indicators and targets considered in this document should take into account this pre-existing sustainability strategy of BB, aligning with or surpassing it.



<sup>1</sup> Specifically, in the case of reducing the intensity of scope 3 emissions, the target pertains to 2031, as the information is assessed at the end of the year 2030.

<sup>2</sup> BB strengthens ESG performance and empowers the role of the Ombudsman with the reorganization of some units in the headquarters structure <https://www.bb.com.br/pbb/pagina-ini-cial/imprensa/n/67641/BB%20refor%C3%A7a%20atua%C3%A7%C3%A3o%20ASG%20e%20empoderamento%20da%20Ovidoria%20com%20reorganiza%C3%A7%C3%A3o%20de%20algumas%20unidades%20na%20estrutura%20da%20sede/>

<sup>3</sup> Banco do Brasil All Amazonia <https://sustentabilidade.bb.com.br/all-amazonia?lang=EN>



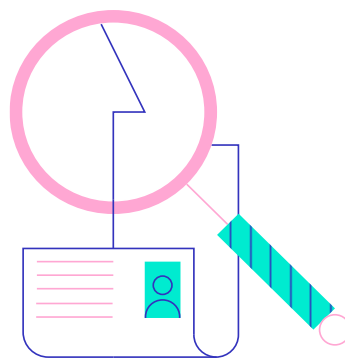
# Objective and Methodology

## Objective of the SLFF

Labeled debt instruments, also known as sustainable, thematic, or ESG instruments, are financial mechanisms through which companies and financial institutions can raise and allocate funds to generate positive impact on the environment and/or society. These instruments, which can be formalized through loans or debt securities, are a way to provide resources for activities and projects that bring environmental and social benefits or to support companies and financial institutions in achieving sustainability targets.

There are two types of labeled debt instruments: those tied to the Use of Proceeds (UoP) and those linked to ESG performance targets (Sustainability-Linked). In the former case, funds raised in the issuance of bonds or loans are "earmarked" for a specific purpose. In the case of instruments linked to ESG performance targets, as referred to in this Framework, funds raised in these issuances have unrestricted use – however, the issuer assumes an obligation to fulfill certain predefined targets.

The sustainable debt market originated<sup>4</sup> with instruments tied to the use of proceeds (UoP), and for this reason, Banco do Brasil chose to commence its journey in this market through such instruments. In 2020, BB published its first Sustainable Finance Framework (SFF) with the purpose of reinforcing its commitment to the transition to a greener and more inclusive economy through the issuance of sustainable bonds and loans in domestic and international markets. The document was updated in 2021 to incorporate feedback received in its Second Party Opinion (SPO), conducted by an international consultancy.



Committed to expanding its fundraising tools, Banco do Brasil aims to advance its sustainability agenda by defining Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) based on international references. In that sense, the bank presents its Sustainability-Linked Finance Framework (SLFF) to issue sustainability-linked bonds and loans in the domestic and international markets<sup>5</sup>.

The selected KPIs and SPTs pertain to both the bank's financed operations, as the cardinal impact of a financial institution relates to its resource mobilization, and corporate diversity actions. Thus, BB integrates this initiative into its commitment to a sustainable future, aiming to reconcile economic results, biodiversity protection, and social development.

While the 2020-21 Sustainable Finance Framework (SFF) details possibilities for the use of thematic resources for socio-environmental issues, the current Sustainability-Linked Finance Framework (SLFF) defines indicators and their respective sustainability targets aligned with the Bank's commitments and international best practices.

The publication of this document coincides with the rise of ESG initiatives in Brazilian financial institutions. More specifically, the market is witnessing the acceleration of performance-linked ESG debt, which presupposes the establishment of specific performance targets for the institution – unlike the case of debt associated to the thematic UoP. In this way, Banco do Brasil aligns itself with market trends and best practices regarding fundraising for the promotion of environmental, social, and governance initiatives.

<sup>4</sup> Capital Reset: What are green bonds? The ABC of ESG debt <https://capitalreset.uol.com.br/fi-nancas/divida-esg/o-que-sao-os-green-bonds-o-abc-da-divida-esg/>

<sup>5</sup> Issuances may be carried out, domestically and internationally, by Banco do Brasil S.A., including, but not limited to, through Banco do Brasil S.A., Grand Cayman Branch.





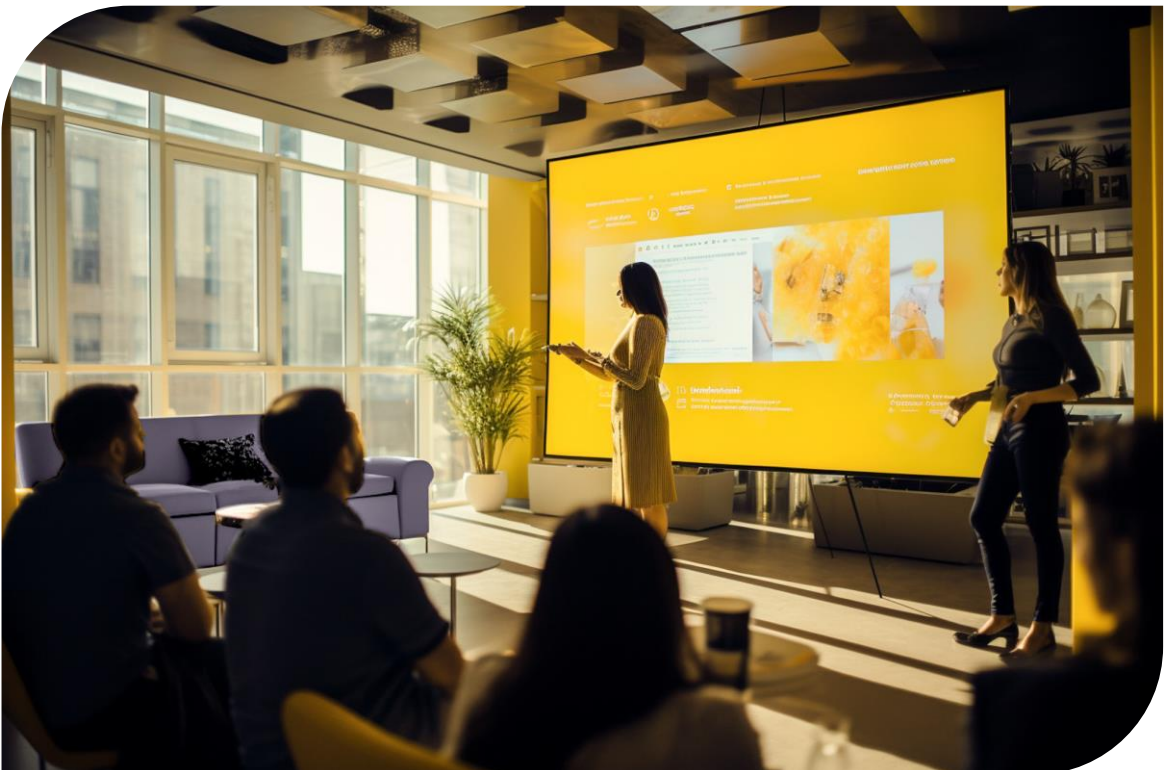
## Methodology for the SLFF

The present document is based on the methodology for selecting indicators and targets from the Sustainability-Linked Bond Principles (SLBP)<sup>6</sup> – as defined by the International Capital Market Association (ICMA) – and the Sustainability-Linked Loan Principles (SLLP)<sup>7</sup> – as defined by the Loan Syndications and Trading Association (LSTA) – for the issuance of bonds and loans linked to targets, respectively.

In other words, these international references establish best practices for structuring, disclosing, and developing frameworks focused on the issuance of Sustainability-Linked Bonds (SLB) and Sustainability-Linked Loans (SLL) – that is, bond financial instruments (SLB) or loans (SLL) which may have varying financial and/or

structural features depending on whether the issuer achieves predefined ESG objectives.

ICMA and LSTA define that issuances aligned with the SLBP/SLLP should provide an investment opportunity with transparent sustainability credentials. Due to the arbitrary nature of resource utilization for this type of instrument, aligned with the institution's performance, it is essential to emphasize the transparency, accuracy, and integrity of information that issuers will disclose and report to stakeholders. Therefore, SLBs/SLLs encourage the issuer to achieve predetermined, ambitious, and quantifiable sustainability targets that are regularly monitored and externally verified.



<sup>6</sup> ICMA: Sustainability-Linked Bond Principles <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slb/>

<sup>7</sup> LSTA: Sustainability-Linked Loan Principles <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>



In order to reinforce and uphold these robust standards of transparency and integrity, the European Leveraged Finance Association (ELFA) partnered with ICMA to create a set of additional recommendations specifically tailored for non-investment-grade issuers: the Practical Recommendations for High Yield Sustainability-Linked Bonds<sup>8</sup>. The recommendations encompass more detailed guidance on the disclosure of indicators and targets, insights into coupon adjustments, contractual requirements, among other aspects, utilizing platforms for enhanced transparency.

Banco do Brasil<sup>9</sup> commits to promoting, based on the guidelines outlined in this document, future enhancements in its social and/or sustainability outcomes within the established timelines. These future performance objectives will be:

- i. Measured through Key Performance Indicators (KPIs)
- ii. Evaluated in comparison to Sustainability Performance Targets (SPTs).

The next section details the alignment of Banco do Brasil’s SLFF with SLBP/SLLP main components:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets (SPTs)
- Bond characteristics
- Reporting
- Verification

Table 1 – BB’s KPIs and SPTs at a glance

	KPI	Scope	Baseline year	SPT
1	Increase sustainable loan balance	BB’s sustainable business portfolio – category A (20% of the credit portfolio – individuals and legal entities)	2020	Disburse BRL 320 billion for sustainable loan portfolio by 2030
2	Expansion of credit for sustainable agribusiness operations	BB’s sustainable agribusiness portfolio (59% of the total agribusiness portfolio)	2022	Expand sustainable agribusiness credit operations to achieve a balance of BRL 200 billion by 2030
3	Reduction in the intensity of greenhouse gas emissions financed in the credit portfolio	BB’s Corporate Loan Portfolio (13% of the total)	2021	Reduce financed GHG emissions’ intensity from the corporate loan portfolio by 25% by 2031
4	Increase in gender and racial diversity in senior leadership	Banco do Brasil S.A. (banking activities, does not include other subsidiaries of the financial conglomerate)	2022	Attain 30% representation of women and 30% representation of Black, Brown, Indigenous, and other underrepresented ethnicities in senior leadership roles by 2030

<sup>8</sup> ICMA: ELFA and ICMA publish Practical Recommendations for High Yield Sustainability-Linked Bonds <https://www.icmagroup.org/News/news-in-brief/elfa-and-icma-publish-practical-rec-ommendations-for-high-yield-sustainability-linked-bonds/>

<sup>9</sup> Only the bank, does not include other companies neither subsidiaries of the prudential con-glomerate.





## Sustainability-Linked Finance Framework

# Selection of Key Performance Indicators (KPIs)



The selection of indicators was based on the analysis of five parameters defined as primary criteria in the SLBP/SLLP for determining the best KPIs for Banco do Brasil, enabling a subsequent definition of targets linked to these indicators. Banco do Brasil considered various parameters (Table 2) for analyzing and selecting the indicators.

Table 2 – SLBP/SLLP parameters for defining KPIs

Analysis criterion	Options	Explanation
Relevance and materiality to BB's Business	Low	The indicator can exhibit high, medium, or low relevance and materiality concerning the issuer's services and activities. In the case of Banco do Brasil, a financial institution, the highest materiality is associated with the societal and environmental impacts of financed activities.
	Moderate	
	High	
Alignment with BB's Sustainability Strategy	Low	The indicator can have high, moderate, or low alignment with Banco do Brasil's sustainability strategies, commitments, and plans
	Moderate	
	High	
Measurability	Yes	The indicator may or may not be measurable, meaning it may or may not have methodologies, techniques, or tools to quantify it
	No	
Verifiability	Yes	The indicator may or may not allow external verification, meaning data collection is possible if there are platforms/methods/resources to verify the indicator
	No	
Comparability	Yes	The indicator may or may not allow for comparison, i.e., whether counterparts of Banco do Brasil (other banks in the S1 <sup>10</sup> segment) also work with the indicator or not
	No	

The following four subtopics (**KPI 1: Increase sustainable loan balance; KPI 2: Expansion of credit for sustainable agribusiness operations; KPI 3: Reduction in the intensity of greenhouse gas emissions financed in the credit portfolio; KPI 4: Increase in gender and racial diversity in senior leadership**) specify the selected Key Performance Indicators (KPIs) and their classification according to the SLBP/SLLP methodology parameters, along with the respective justifications for the assessment.

<sup>10</sup> Universal banks, commercial banks, investment banks, exchange banks, and savings banks that: have a size equal to or greater than 10% (ten percent) of the Gross Domestic Product (GDP) or engage in significant international activities, regardless of the size of the institution ([https://www.bcb.gov.br/estabilidadefinanceira/resprudencialsegmentacao?moda=IAberto=mod\\_55](https://www.bcb.gov.br/estabilidadefinanceira/resprudencialsegmentacao?moda=IAberto=mod_55))





## KPI 1: Increase sustainable loan balance

Banco do Brasil's sustainable business portfolio lists credit lines aimed at financing clients and projects with positive socio-environmental impact within four major categories: i) Low Carbon Agriculture; ii) Good Socio-environmental Practices; iii) Corporate Portfolio – CNAEs (National Classification of Economic Activities)<sup>11</sup> related to Green Economy; and iv) Social Businesses.

Banco do Brasil believes that its sustainable business portfolio has a positive impact, taking into consideration the relevance of each of its credit lines. In an evaluation report on BB's sustainable business portfolio conducted in 2024<sup>12</sup>, the consulting firm ERM NINT classified credit lines with "high (A)" additionality in the bank's portfolio<sup>13</sup> (Table 3).

Table 3 – Criteria for independent audit opinion on BB's sustainable business portfolio

Category	Environmental classification	Social classification
High (A) <sup>14</sup>	<ul style="list-style-type: none"> <li>• Full alignment with environmental standards</li> <li>• Low socio-environmental risk (corporate portfolio)</li> <li>• Included lines and projects primarily support investments</li> <li>• Projects falling within this classification would be automatically eligible for labeled debt issuance</li> </ul>	<ul style="list-style-type: none"> <li>• Full alignment with the categories and target population of the SBP</li> <li>• Projects falling within the classification would be automatically eligible for labeled debt issuance</li> </ul>

The method used to assess the portfolio was based on Green Bond Principles (GBP)<sup>15</sup>, Climate Bonds Standards<sup>16</sup>, European Union's Sustainable Finance Taxonomy<sup>17</sup>, Social Bond Principles<sup>18</sup>, The Coolest Bonds<sup>19</sup>, Febraban's Green Taxonomy (Brazilian Federation of Banks)<sup>20</sup>, and other internationally recognized sustainability standards. Considering that there is already a methodology in place for measuring the impact of Banco do Brasil's sustainable business portfolio, it can be affirmed that the indicator is measurable.

When evaluating the "increase in balance for sustainable business" indicator against the SLBP/SLLP criteria (Table 4), Banco do Brasil believes that KPI 1 is aligned with the best market practices.

Table 4 – Summary of KPI 1 analysis

Analysis criterion	Analysis KPI 1
Relevance and materiality to BB's Business	High
Alignment with BB's Sustainability Strategy	High
Measurability	Yes
Verifiability	Yes
Comparability	Yes

<sup>11</sup> CNAE (Classificação Nacional de Atividades Econômicas) is a national standardization instrument for the codes of economic activity and classification criteria used by various tax administration agencies in Brazil <https://www.gov.br/receita-federal/pt-br/assuntos/orientacao-tributaria/cadastros/cnpj/classificacao-nacional-de-atividades-economicas-2013-cnae/apresentacao>

<sup>12</sup> The credit lines in the portfolio classified as having moderate or limited socioenvironmental additionality are not within the scope of KPI 1 and SPT 1

<sup>13</sup> The concept of additionality, widely disseminated since the Kyoto Protocol and the creation of the Clean Development Mechanism (CDM), is related to the environmental or social benefit that would not occur without the incentives or resources provided. <sup>14</sup> The information regarding the credit lines within category A can be consulted on the sustainability page of Banco do Brasil (Sustentabilidade – Banco do Brasil RI (bb.com.br)

<sup>15</sup> ICMA – Green Bond Principles <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>16</sup> Climate Bonds Initiative (CBI) – Climate Bonds Standard <https://www.climateteam.net/standard>



## Relevance and materiality to BB's Business

The cardinal impact of a financial institution (FI), both positive and negative, materializes through its portfolio. This is because, by facilitating capital flows and channeling resources to various sectors and productive activities, FIs play a fundamental role in the economy: they have the capacity to encourage activities with positive socio-environmental impact and restrict those with negative impact. Therefore, unlike companies in the real economy, financial institutions impact and are impacted by the environment and society through their portfolio of financed operations.

In July 2023, Banco do Brasil's business portfolio – category A reached BRL 207,27 billion, representing approximately 20% of the total portfolio (individuals and legal entities).

Considering the bank's high performance and the significance of the socio-environmental impact of an institution based on its credit portfolio, the relevance and materiality of the indicator for BB's business are high.

## Alignment with BB's Sustainability Strategy

The BB 2030 Commitments for a More Sustainable World are related to the increase of the bank's portfolio in sustainable businesses, as exemplified by the following points:

- Achieve a balance of BRL 30 billion by 2025 in renewable energy
- Entrepreneurship promotion: 1 million entrepreneurs by 2025
- Disburse BRL 40 billion in state and municipal efficiency
- Originate BRL 100 billion in sustainable resources for BB and its clients by 2030.

Banco do Brasil already has concrete internal strategies and efforts to incentivize sustainable

businesses, needing only to overcome them. For this reason, the alignment of the indicator with BB's sustainability strategy is high.

## Measurability

In 2021, Banco do Brasil engaged ERM NINT to develop a methodology for measuring the sustainable business portfolio. The measurement is based on the amount contracted in credit lines with high, moderate and limited environmental and/or social additionality or allocated to finance activities and/or segments with positive socio-environmental impacts in the sectors of renewable energy, energy efficiency, sustainable construction, transportation, and tourism, water, fisheries, forestry, sustainable agribusiness, waste management, education, health, and local and regional development. It is important to note that only the high additionality portion of the portfolio (category A) is considered within the scope of KPI 1.

## Verifiability

The external verification of Banco do Brasil's sustainable business portfolio is directly conducted by ERM NINT, with an annually published independent opinion in the bank's website. Given that there is already an established verification method in place for Banco do Brasil's sustainable business portfolio — and this method is assessed by independent opinions — it can be affirmed that the indicator is measurable and verifiable.

## Comparability

Through the measurement of the sustainable business portfolio in recent years, Banco do Brasil can compare its historical performance on the indicator. Additionally, several Brazilian banks are seeking to measure their portfolios for activities with a positive impact on society and the environment. Therefore, it will be possible to compare BB's performance with its peers, making the indicator in question comparable.

17 European Commission – EU Taxonomy [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en)  
 18 ICMA – Social Bond Principles <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>  
 19 ERM NINT – The coolest bonds <https://esg.nintgroup.com/the-coolest-bonds>  
 20 FEBRABAN – Green Taxonomy [https://www.sbfnetwork.org/wp-content/assets/policy-library/183\\_Brazil\\_Explanatory\\_Guide\\_to\\_FEBRABAN\\_Green\\_Taxonomy\\_2021\\_FEBRA-BAN\\_En.pdf](https://www.sbfnetwork.org/wp-content/assets/policy-library/183_Brazil_Explanatory_Guide_to_FEBRABAN_Green_Taxonomy_2021_FEBRA-BAN_En.pdf)







## KPI 2: Expansion of credit for sustainable agribusiness operations

Banco do Brasil is the largest financier of agribusiness in the country. Sustainable agribusiness operations represented, in 2022 4Q, 59% of the bank's total agribusiness portfolio. This value considers the Low Carbon Agriculture and Best Socio-Environmental Practices<sup>21</sup> components of the Sustainable Loan Portfolio. In comparison with SLBP/SLLP criteria (Table 5), Banco do Brasil believes that KPI 2 is aligned with the best market practices.

Table 5 – Summary of KPI 2 analysis

Analysis criterion	Analysis KPI 2
Relevance and materiality to BB's Business	High
Alignment with BB's Sustainability Strategy	High
Measurability	Yes
Verifiability	Yes
Comparability	Yes



### Relevance and materiality to BB's Business

Banco do Brasil is the largest agribusiness financier in the country, representing 54.1% of the rural credit. Affirming this leadership, the bank allocated BRL 200 billion for the 2022/23 Harvest Plan (Plano Safra)<sup>22</sup>, a volume 48% higher than announced in the previous season. It is the largest amount ever made available by the bank for sector financing.

However, it is important to note that conventional agriculture in Brazil, characterized on a large scale by monoculture practices, can have negative impacts on the environment. One example is soil exhaustion, resulting in nutritional impoverishment. Additionally, the intensive use of pesticides and fertilizers can lead to contamination of groundwater and other water resources. This water pollution causes contamination of aquatic life, leading to ecological imbalance, disease proliferation, and threats to native species, among other consequences.

Beyond avoiding ecological imbalance, sustainable management of areas in agribusiness reduces risks such as land conflicts, land grabbing, among others. The increase in areas under sustainable management, consequently, plays a central role in reversing a negative national scenario. As the main financier of the country's agricultural sector, Banco do Brasil has the potential to be one of the main drivers of this change, making the relevance and materiality for BB's business high.

<sup>21</sup> The Best Socio-Environmental Practices category encompasses the following BB rural credit lines - Pronaf Mais Alimentos, Pronamp, Moderinfra, Moderagro and PCA - with the exception of FCO

<sup>22</sup> The federal government program that anticipates the allocation of public resources to finance and ensure the activities of small, medium, and large-scale producers in the country.



## Alignment with BB's Sustainability Strategy

Throughout the year 2021, Banco do Brasil maintained its leadership in securing financing under the Low Carbon Agriculture Program (Programa de Agricultura de Baixo Carbono or ABC), capturing 61.4% of the market share. The ABC Program stands as the largest national initiative for low-carbon agriculture. Additionally, among the BB 2030 Commitments for a More Sustainable World, there is a target to disburse BRL 200 billion in credit operations for sustainable agribusiness by 2030. Given this track record of pioneering efforts, the alignment of the indicator with BB's sustainability strategy is high.

## Measurability

Financing related to Low Carbon Agriculture requires the submission of a technical project, signed by a qualified professional, containing a descriptive sketch, production system (e.g. no-till farming system<sup>23</sup> or conventional system) and a history of the use of the project area to be financed. The information contained in the technical project, including costing proposals, will be verified and must be aligned with what appears in the Referencial Técnico Agropecuário System (RTA)<sup>24</sup>. This system presents different frameworks depending on the type and level of technology implemented, considering culture, geographic location and type of labor (mechanized or non-mechanized).<sup>25</sup> The project must present a minimum of four points on the perimeter of the mentioned area — GPS located

— that will be recorded in the Rural Credit Operations System (Sicor) of the Central Bank after verifying the consistency of the data regarding the location of the plot in the municipality(s) where the respective property is situated and the compatibility between the area calculated using Geodesic Coordinates and the financed area specified in the credit agreement. Therefore, it is possible to consistently demonstrate the allocation of resources for operations related to sustainable agribusiness. Through this value measurement, it can be asserted that the indicator is measurable.

## Verifiability

It is possible to track the indicator overtime internally by checking the amount disbursed by the bank for financing agribusiness areas under sustainable management. Therefore, it can be affirmed that the indicator is verifiable.

## Comparability

Brazilian banks that finance agribusiness through Rural Credit lines are required to report the financed amount to the Central Bank of Brazil (BCB). The BCB is implementing the Green Rural Credit Bureau<sup>26</sup> system to enhance the verification of socio-environmental criteria in granting financing for agribusiness. This will enable a comparison of the amount allocated to sustainable agribusiness within Rural Credit by each bank, making the indicator comparable.



<sup>23</sup> No-till farming system (SPD) is considered by Embrapa to be a highly efficient Conservationist Agriculture tool.

<sup>24</sup> Climate Bonds Initiative (CBI) criteria are observed and considered during the update and review process of the entire RTA system, although there is no expectation of meeting all criteria.

<sup>25</sup> More information in the Annual Report or ESG Databook <https://www.bb.com.br/docs/portal/gesem/RelatorioAnual2022.pdf>

<sup>26</sup> Banco Central do Brasil – Sustainability [https://www.bcb.gov.br/acessoinforma-cao/bchashtag\\_sustentabilidade?modalAberto=sustentabilidade\\_regulacao](https://www.bcb.gov.br/acessoinforma-cao/bchashtag_sustentabilidade?modalAberto=sustentabilidade_regulacao) (regulation)





## KPI 3: Reduction in the intensity of greenhouse gas emissions financed in the credit portfolio

Among the BB Commitments, the bank has set targets for reducing Scope 1 and 2 greenhouse gas emissions. However, applying targets for reducing the intensity of GHG emissions for financed activities—i.e., within Scope 3—represents an even more significant enhancement in the Bank's sustainability agenda. When evaluating the indicator "reduction of GHG intensity financed by the credit portfolio" against the criteria of SLBP/SLLP (Table 6), Banco do Brasil believes that KPI 3 is aligned with best market practices.

Table 6 – Summary of KPI 3 analysis of KPI 3

Analysis criterion	Analysis KPI 3
Relevance and materiality to BB's Business	High
Alignment with BB's Sustainability Strategy	High
Measurability	Yes
Verifiability	Yes
Comparability	Yes

### Relevance and materiality to BB's Business

Among the BB Commitments, noteworthy targets include achieving 100% offset of greenhouse gas emissions in scope 1 from 2021 and a 42% reduction in these emissions by 2030, along with the target of using 100% renewable energy (scope 2) by 2023. However, the most relevant emissions for a financial institution are those stemming from its portfolio. Therefore, accounting for and reducing scope 3 emissions are of utmost importance for Banco do Brasil.

In the context of financial institutions (FIs), the significance given to scope 3 lies in the fact that FIs have the capacity to invest in or limit investments for carbon-intensive companies and sectors—and likewise, they can incentivize mitigating activities. Thus, the relevance of financial institutions in combating climate change is crucial, especially through their portfolios, as outlined in one of the objectives of the Paris Agreement<sup>27</sup>: "make financial flows consistent with low greenhouse gas emissions."

In 2022, the Bank engaged the consultancy of Carbon Trust<sup>28</sup> to account for the emissions of its portfolio according to the PCAF (Partnership of Carbon Accounting Financials) methodology. The measurement encompasses emissions of the Corporate Loan Portfolio of BB, which consists of loans to companies with annual revenues exceeding BRL 200 million and represented 37.2% of the Extended Corporate Credit Portfolio and 13% of the entire credit portfolio (individuals and legal entities). Considering the importance of financed emissions for a bank and given the presented context, the relevance and materiality of the indicator for BB's business are high.

<sup>27</sup> Universal treaty on climate change adopted at the United Nations Framework Convention on Climate Change in 2015

<sup>28</sup> CarbonTrust <https://www.carbontrust.com/>





## Alignment with BB's Sustainability Strategy

Among BB Commitments, Banco do Brasil directly includes incentives for reducing GHG emissions within scope 3: the promotion of renewable energy of BRL 30 billion by 2030 would contribute to the reduction of these emissions.

There is also the Agro Energy Program, aimed at stimulating the use of renewable energy in rural areas through financing for micro and/or mini power plants. In 2021, BRL 823.2 million was released for investments in the program. In 2022, BRL 1.4 billion was released for Agro Energy investments, a 71% increase from 2021.

Therefore, the Bank already has indicators, actions, and plans that move towards the mitigation and reduction of GHG within its financed activities, thus falling within scope 3 emissions. Due to this history and the initiative to engage Carbon Trust, the alignment of the indicator with BB's sustainability strategy is high.

## Measurability

Scope 3 includes indirect greenhouse gas (GHG) emissions that occur in the company's value chain, both upstream (supply chain) and downstream (consequences of the use of the company's products or services). In 2023, Carbon Trust measured the emissions from BB's corporate loan portfolio for the years 2021 and 2022 using the PCAF methodology, and this process will continue for the coming years. For this reason, the indicator is measurable.

## Verifiability

The Banco do Brasil has already measured its financed emissions (Scope 3), allowing for external verification of the indicator. The target of reducing BB's financed greenhouse gas (GHG) emissions will be submitted to the

Science Based Targets Initiative (SBTi) – an initiative that aims to define "science-based targets" for companies and financial institutions to provide a pathway for GHG emission reduction.

Targets are considered "science-based" if they align with the latest climate science and what is deemed necessary to achieve the goals of the Paris Agreement<sup>29</sup> – limiting global warming to below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Defining a science-based target involves a five-step process:

- **Commit:** Issuing a letter to express the commitment to set a science-based target.
- **Develop:** Creating a GHG emission reduction target in accordance with SBTi criteria.
- **Submit:** Presenting the target to SBTi for official validation.
- **Communicate:** Announcing the target and informing stakeholders.
- **Disclose:** Reporting the institution's emissions and tracking progress toward the target annually.

In the context of submitting targets to SBTi, organizations have 24 months after sending a commitment letter to present their target. Validation decisions are issued within 30 to 60 business days after the contract is executed<sup>30</sup>. Therefore, it can be affirmed that the indicator is verifiable.

## Comparability

Several Brazilian banks disclose their emissions through the GHG Protocol, and the expectation is that an increasing number of financial institutions will account for Scope 3 emissions. Itaú and Bradesco, for instance, are among the institutions setting targets for their financed emissions. Consequently, the indicator is comparable.

<sup>29</sup> UN Brazil – Paris Agreement <https://brasil.un.org/pt-br/88191-acordo-de-paris-sobre-o-clima>  
<sup>30</sup> SBTi (FAQs) <https://sciencebasedtargets.org/faqs#how-long-does-the-sbti-process-take>





## KPI 4: Increase in gender and racial diversity in senior leadership

In March 2023, specifically on March 8th, International Women's Day, Banco do Brasil launched its Diversity Program, accompanied by a dedicated governance structure within the bank. In this way, BB aims to increasingly align its strategy with the promotion of diversity and inclusion measures within its banking activities (does not include other subsidiaries of BB's financial conglomerate). KPI 4 aims the enhancement of gender and racial diversity in senior leadership (Table 7), which includes the first management level of all BB's units, second management level of strategic, supporting and tactic units, as well as the third management level of strategic units.

Table 7 – Summary of KPI 4 analysis

Analysis criterion	Analysis KPI 4
Relevance and materiality to BB's Business	Moderate
Alignment with BB's Sustainability Strategy	High
Measurability	Yes
Verifiability	Yes
Comparability	Yes



### Relevance and materiality to BB's Business

As previously mentioned, Banco do Brasil launched its Diversity Program in 2023, which encompasses five affinity groups: gender, generation, LGBTQIAPN+, PCD, and races/ethnicities, with a cross-cutting geographical-cultural dimension in all groupings. To implement the program, a multidisciplinary working group was formed with representatives from various affinity groups, under the coordination of the Directorate of Culture and People Management and the Directorate of Strategy and Organization of Banco do Brasil. The proposal aims to integrate employees and senior management to accelerate the focus and management of Diversity, Equity, Inclusion, and Belonging (DEIB). The actions of the Diversity Program include the promotion of diversity forums to analyze collected demands and discuss new needs, as well as training activities.

The Diversity Program complements another program created by the Bank in 2018, the Female Leadership Program, a training project to identify, train, and empower female leadership at BB.



Given the importance of the diversity theme and the presented context, the relevance and materiality of the indicator for BB's business are high. However, being a public bank with a hiring process through public exams and a standardized career plan, increasing diversity in senior leadership is more challenging to achieve.

### Measurability

The bank has data on diversity within the total number of employees and, also, within managerial positions. The groups included in the diversity breakdown are: Black, Brown, Indigenous, people with disabilities, and women<sup>31</sup>. Therefore, the indicator is measurable.

### Verifiability

It is possible to verify the number of employees belonging to minority groups in leadership positions through their self-declaration. Thus, the indicator is verifiable.

### Comparability

Bradesco bank accounts for general diversity metrics in its workforce, including gender, age group, race/ethnicity, and people with disabilities. The same is true for Caixa Econômica Federal<sup>32</sup> and Itaú (which also considers LGBT+ employees)<sup>33</sup>. Therefore, the indicator is comparable.



31 BB: 2021 Annual Report <https://www.bb.com.br/docs/portal/gesem/Relatorio-Anual2021.pdf>

32 Caixa Econômica Federal: 2021 Integrated Report <https://api.mziq.com/mzfilemana-ger/v2/d/fb86b0b8-b4e9-407b-a575-ba3668a566a9/da554a87-f497-926e-83a7-4217d264fd67?origin=1>

33 Itaú: Diversity <https://carreiras.ita.com.br/diversidade>





## Sustainability-Linked Finance Framework

# Calibration of Sustainability Performance Targets (SPTs)

From the definition of key performance indicators (KPIs), one or more targets (SPTs) are developed related to them. In this case, the Framework establishes four indicators and four targets, with each target linked to a specific indicator. As far as loan transactions are concerned, Banco do Brasil commits to defining annual SPTs per KPI selected for each year of the loan term: the target achievement will be monitored internally by Banco do Brasil at least annually, considering the last day of each year as the observation date (December 31). The calibration process of one or more targets (SPTs) per KPI will also be crucial for structuring SLBs/SLLs, as the targets express the level of ambition the issuer is willing to undertake and, therefore, what is deemed realistic (Table 8). Banco do Brasil considered the following analysis parameters for setting targets (SPTs):

Table 8 - SLBP/SLLP parameters for defining SPTs

Analysis criterion	Options	Explanation
Banco do Brasil's historical performance	Low	To understand how challenging a target is, it is necessary to study the issuer's performance over time. A minimum of 3 years of historical measurements on the selected KPIs is recommended, and when possible, a prospective view on the KPIs
	Moderate	
	High	
Peer/Competitor performance	Low	Whenever possible, the target should be compared to a benchmark or an external reference. This type of comparison will help assess the institution's level of advancement/delay compared to its peers
	Moderate	
	High	
Scientific Landscape and International/National/Regional References	N/A	It is also crucial to reference science, that is, systematic reference to scientific scenarios, or absolute levels (e.g., carbon budgets), or national/regional/international target of the country (Paris Agreement on Climate Change and net-zero targets, Sustainable Development Goals (SDGs), etc., to establish relevant targets in environmental and social issues
	In development	
	Comprehensive	
Ambition level of the target	Low	For the target to be truly ambitious, it must represent a material improvement in the respective KPI and go beyond the 'Business as Usual' trajectory
	Moderate	
	High	

The following four subtopics (SPT 1: Disburse BRL 320 billion for sustainable loan portfolio by 2030; SPT 2: Expand sustainable agribusiness credit operations to achieve a balance of BRL 200 billion by 2030; SPT 3: Reduce financed GHG emissions' intensity from the corporate loan portfolio by 25% by 2031; SPT 4: Attain 30% representation of women and 30% representation of Black, Brown, Indigenous, and other underrepresented ethnicities in senior leadership roles by 2030) specify the selected Sustainability Performance Targets (SPTs) and their classification according to the SLBP/SLLP methodology parameters, along with the respective justifications for the assessment.



## SPT 1: Disburse BRL 320 billion for sustainable loan portfolio by 2030

SPT 1, related to **KPI 1: Increase sustainable loan balance**, is to 'disburse BRL 320 billion for sustainable loan portfolio by 2030' in comparison with the baseline of BRL 127,84 billion in 2020. When analyzing the target against the SLBP/SLLP criteria (Table 9), Banco do Brasil believes that SPT 1 aligns with the best market practices.

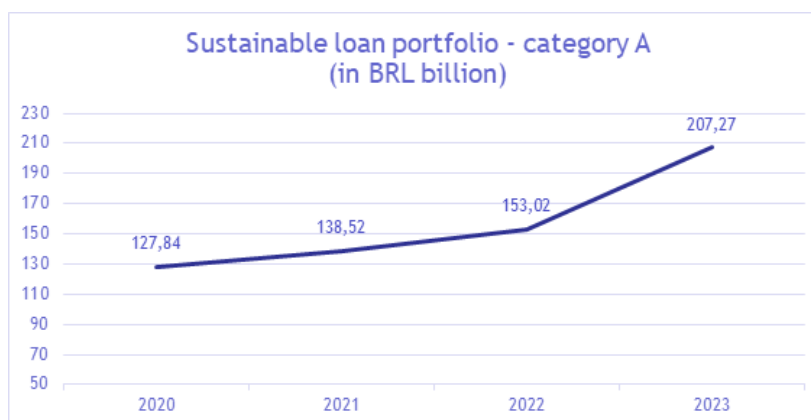
Table 9 – Summary of SPT 1 analysis

Analysis criterion	Analysis SPT 1
Banco do Brasil's historical performance	High
Peer/Competitor performance	Moderate
Scientific Landscape and International/National/Regional References	Comprehensive
Ambition level of the target	High

### Banco do Brasil's historical performance

In Banco do Brasil's sustainable business portfolio – category A totaled BRL 207.27 billion in 2023 (Chart 1). BB also sets targets to promote sustainable businesses through its 10 sustainability commitments. Additionally, the BB 2030 Commitments for a More Sustainable World encompasses the promotion of businesses that incorporate ESG aspects. Given these initiatives and the Bank's performance on them, it can be stated that Banco do Brasil's historical performance in disbursing funds for its sustainable business portfolio is high.

Chart 1 – BB's Sustainable loan portfolio historical balance by volume



Source: Internal data from Banco do Brasil

A key factor beyond the issuer's direct control that may affect the achievement of the target is the misalignment of the scope of the Brazilian Sustainable Taxonomy in development in relation to BB's sustainable business portfolio.



## Peers performance

Similar targets were consulted for other banks S1 (Table 10). The set targets for the amount disbursed for sustainable loans by BB's peers range from BRL 100 to 250 billion. These values consider the implementation deadline of 2025. Thus, the Bank is already above average in this regard, as only the part of the bank's sustainable portfolio with the greatest additionality (category A) is being considered, so for the target to be ambitious, it needs to surpass its own performance. The average performance of Banco do Brasil's peers/competitors for this target is, therefore, moderate.

Table 10 – Targets related to sustainable loans for peers/competitors of BB

Bank	Target and description	Reference
Bradesco	Allocate BRL 250 billion by 2025 for businesses with the potential to generate positive impacts on society and the environment (corporate credit, socio-environmental products, and acting as an investment bank).	<a href="#">Bradesco – negócios sustentáveis</a>
Itaú	Allocate BRL 100 billion through products and services to sectors with positive impact by 2025.	<a href="#">Itaú – Financiamento em setores de impacto positivo</a>

## Science and country/regional/international targets

The Green Economy Taxonomy of Febraban<sup>34</sup> allows banks to assess aspects related to climate change, green economy, and exposure to environmental risk in their portfolios. Thus, sector activities are classified as having high or moderate exposure (for cases of climate change and environmental risk) and high or moderate environmental and social contribution (for the case of the green economy). According to Febraban data, of the BRL 1.73 trillion lent to companies in 2020 by banks, BRL 376 million were granted to sustainable businesses<sup>35</sup>.

There are various taxonomies in the market that assist in allocating resources to sustainable businesses:

- o Some taxonomies are voluntary and sector-specific: Green Loan Principles (GLP), Green Bond Principles (GBP), Social Loan Principles (SLP), Social Bond Principles (SBP), Sustainability-Linked Bond Principles (SLBP), Sustainability-Linked Loan Principles (SLLP), and the taxonomy of the CBI (Climate Bonds Initiative).
- o Some are mandatory, multi-sectoral taxonomies that meet government regulation objectives: the taxonomy of the European Union and countries such as Bangladesh, China, the Netherlands, and Mongolia.
- o Institutions that disclose these taxonomies may also release recommendation and guidance documents to complement them. An example is the Practical Recommendations for High Yield Sustainability-Linked Bonds published by ELFA and ICMA to complement the Sustainability-Linked Bond Principles (SLBP).

Furthermore, various Brazilian research institutions (both public and private) are developing methods to identify sustainable practices in different types of businesses, such as in the food industry, agribusiness, and industrial activities. Hence, different measurement and analysis methods are proposed, making the scientific landscape for the target comprehensive.

<sup>34</sup> Portal Febraban: Green Taxonomy <https://portal.febraban.org.br/paginas/1103/pt-br/> <sup>35</sup> Febraban Tech: The green economy received more than 20% of the credit granted in 2020 <https://febrabantech.febraban.org.br/temas/sustentabilidade/economia-verde-recebe-mais-de-20-do-credito-concedido-em-2020>





## Ambition level of the target

The value of BRL 320 billion represents a growth in BB's sustainable business portfolio for category A of 150% in relation to the baseline of BRL 127,84 billion in 2020. Considering that the sustainable business portfolio was created in 2015, it is natural for the initial years to show high growth rates, and the intention is to maintain this high level of commitments.

It is reinforced that in the first years the measurement methodology underwent revisions that added new lines of credit that substantially increased the portfolio. From 2023, there was no possibility of including new lines of credit and the only way to grow the portfolio is through contracting new operations. Furthermore, there are specific cases of lines of credit that are being discontinued, such as Student Financing Fund (FIES), in which there are no new disbursements or contracts.

Thus, the target is for the portfolio to be impactful not only in its "debut" but also to function as an efficient impact investment platform throughout its lifespan. Taking into account the performance of peers – which BB already exceeds – and the bank's own performance, the target is highly ambitious.





## SPT 2: Expand sustainable agribusiness credit operations to achieve a balance of BRL 200 billion by 2030

Within its SPT 2, related to the KPI 2: Expansion of credit for sustainable agribusiness operations, Banco do Brasil wishes to ‘expand sustainable agribusiness credit operations to achieve a balance of BRL 200 billion by 2030’, in comparison with the baseline of BRL 149 billion in 2022. When analyzing the target against the SLBP/SLLP criteria (Table 11), BB believes that SPT 2 aligns with best market practices.

Table 11 – Summary of SPT 2 analysis

Analysis criterion	Analysis SPT 2
Banco do Brasil’s historical performance	Moderate
Peer/Competitor performance	Low
Scientific Landscape and International/National/Regional References	Comprehensive
Ambition level of the target	Moderate

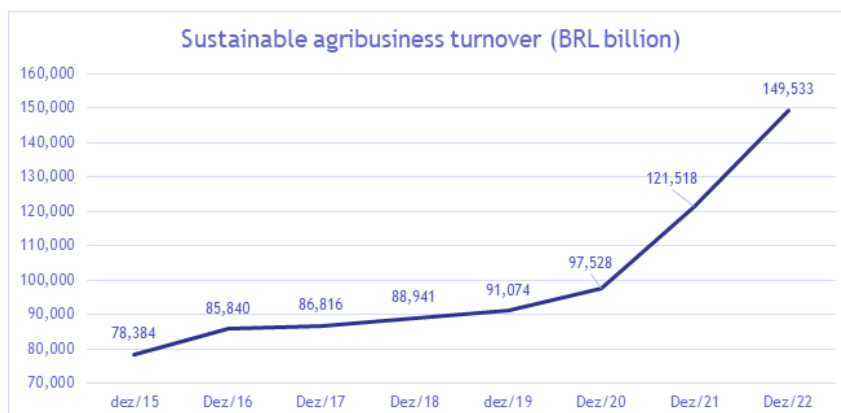
### Banco do Brasil’s historical performance

Since 2020, there has been a significant increase in the amount of funds disbursed for sustainable agribusiness by Banco do Brasil (Chart 2). Although this growth is relatively recent, the annual volumes are high, especially when compared to BB’s peers/competitors. Therefore, Banco disbursement of Brasil’s historical performance for this target can be considered high.

To achieve the target, BB has several strategies to induce the contracting of rural credit operations with prioritization of lines with sustainable characteristics. There are marketing strategies, communication plans, publicity at events, among others.

As this is a target set out in BB’s Corporate Strategy, they are replicated across the entire specialized service network for agricultural customers. BB’s agribusiness technical assistance also works to induce the contracting of these sustainable agribusiness financing lines, helping to originate projects and contributing to the training of employees who serve rural producers.<sup>36</sup>

Chart 2 – Historical disbursed volume for sustainable agribusiness



Source: Internal data from Banco do Brasil

<sup>36</sup> More information about the performance of each line of sustainable agriculture can be found in our Annual Report and in the ESG Databook, available at BB IR website.



Key factors beyond the issuer's direct control that may affect the achievement of the target are related to the misalignment of BB's sustainable portfolio with the Safra Plan and the occurrence of extreme weather events, which can turn loan less attractive to other financial products, such as insurance.



## Peers performance

Despite many banks outlining specific actions for disbursing funds in themes like sustainable agribusiness, there are few targets specifically focused on expanding credit for these operations, with well-defined values.

The bank already outperforms its peers, so for the target to be ambitious, it must exceed its own performance. Due to the significantly high gap between BB's performance and that of its peers regarding this target, the performance of peers/competitors is considered low.

## Science and country/regional/international targets

The Banco Nacional de Desenvolvimento Econômico e Social (BNDES) states that rural credit has been the main instrument of agribusiness policy to promote productivity and income growth<sup>37</sup>. Given the harmful consequences of conventional agricultural methods from both an environmental and social perspective (evidenced in the context of KPI 2: Expansion of credit for sustainable agribusiness operations), it is essential for Banco do Brasil to not only promote agriculture but also focus on sustainable agriculture.

The study by the Institute of Applied Economic Research (Ipea)<sup>38</sup> titled "The Impact of Sustainable Rural Credit on Greenhouse Gas Emissions: Evidence for Brazilian Agricultural Sustainability"<sup>39</sup> highlights credit provision as one of the evolving essential tools in Brazil to promote sustainable agricultural practices.

Thus, the scientific scenario related to credit provision for agriculture is comprehensive and supports the focus of the target on sustainable agriculture.

<sup>37</sup> BNDES: Sustainable agribusiness and rural credit in Brazil Agropecuária sustentável e crédito rural no Brasil (bndes.gov.br)

<sup>38</sup> Institution for the production and dissemination of knowledge and advisory services to the State in its strategic decisions

<sup>39</sup> Ipea: O Impacto do Crédito Rural Sustentável na Emissão de Gases de Efeito Estufa: Evidências para Sustentabilidade Agropecuária Brasileira (2022)





## Ambition level of the target

Banco do Brasil has been a pioneer in investing in sustainable agriculture compared to its peers/competitors. In order to consistently and systematically drive such initiatives, BB commits to the target of reaching a balance of BRL 200 billion in credit operations for sustainable agriculture by 2030, contributing to a growth of approximately 34% compared to the baseline of BRL 149 billion in 2022.

The main challenges for this growth in the sustainable agriculture portfolio are the projections of systemic disinvestment in this sector by the bank due to the decline in the prices of agricultural commodities. Also, most of these operations are short-term (12 months), mainly costing operations, needing to be renewed annually to maintain this portfolio balance (around R\$55 billion). Furthermore, there is the growth of other alternative fundraising instruments, such as the Rural Product Certificate (CPR)<sup>40</sup>, which compete with such lines.

The purpose of this target is to ensure that the significant investment in sustainable agriculture between 2020 and 2022 is not just an isolated episode from which the disbursed volume would decrease, but the starting point for a stable and growing flow of investment in sustainable agriculture.

Therefore, the level of ambition for the target is considered moderate.





## SPT 3: Reduce financed GHG emissions' intensity from the corporate loan portfolio by 25% by 2031

SPT 3, related with KPI 3: Reduction in the intensity of greenhouse gas emissions financed in the credit portfolio, aims at the reduction of 25% of GHG's financed emissions by 2031 in comparison to the baseline of 0.1033 million tCO<sub>2</sub>e for every BRL 1 billion in loans granted. When analyzing the target against the SLBP/SLLP criteria (Table 12), Banco do Brasil believes that SPT 3 aligns with best market practices.

Table 12 – Summary of SPT 3 analysis

Analysis criterion	Analysis SPT 3
Banco do Brasil's historical performance	Moderate
Peer/Competitor performance	High
Scientific Landscape and International/National/Regional References	Comprehensive
Ambition level of the target	High



### Banco do Brasil's historical performance

The calculation of financed emissions follows the PCAF (Partnership of Carbon Accounting Financials) methodology. In 2021, the financed emissions of Banco do Brasil reached 11,190,000 tCO<sub>2</sub>e in a corporate loan portfolio of BRL 108.32 billion, which translates to an emission intensity of 0.1033 million tCO<sub>2</sub>e for every BRL 1 billion in loans granted. The Corporate Loan Portfolio of BB consists of loans to companies with annual revenues exceeding BRL 200 million and represented, in 2022, 37.2% of the Extended Corporate Credit Portfolio.

In 2022, financed emissions reached 13,410,000 tCO<sub>2</sub>e in a corporate loan portfolio of BRL 133.41 billion, equivalent to an emission intensity of 0.1005 million tCO<sub>2</sub>e per BRL 1 billion in loans granted<sup>41</sup>. This represented a 2.7% reduction in emission intensity in 2022, surpassing the established target of a 2.5% reduction for the year (a 25% reduction over 10 years, considering the 2021 base year). Taking into account that the calculation of these emissions started only in 2021, it is understood that the historical performance of BB is moderate.

The key factor beyond the issuer's direct control that may affect the achievement of the target is the level of demand for carbon market regulation (under development), mainly for carbon-intensive sectors such as steel and oil and gas.

<sup>41</sup> The financed GHG emissions are available in the document "Banco do Brasil Commitment on Climate Change" at <https://api.mziq.com/mzfilemanager/v2/d/5760dff3-15e1-4962-9e81-322a0b3d0bbd/588d3f6b-6195-062e-21c7-58dd5ca8618f?origin=2>



## Peers performance

Itaú, Bradesco, and Banco do Brasil all adhere to the PCAF (Partnership of Carbon Accounting Financials)<sup>42</sup> methodology for calculating their emissions. Itaú establishes sectoral decarbonization targets for its portfolio: for electricity generation, it sets a 63% reduction in greenhouse gas emissions intensity by 2030 (103 gCO<sub>2</sub>e/kWh in 2021 to 38 gCO<sub>2</sub>e/kWh in 2030). Additionally, Itaú outlines sectoral practices for decarbonizing its portfolio in businesses related to coal mining and agriculture, although specific emission reduction targets are not set.

Similarly, Bradesco<sup>43</sup> focuses on a sectoral strategy for reducing financed emissions: a 59% reduction in emissions intensity by 2030 (23 kgCO<sub>2</sub>e/MWh in 2021 to 56 kgCO<sub>2</sub>e/MWh in 2030). In addition, Bradesco proposes initiatives for divestment from coal and combating legal deforestation, without specifying emission reduction targets.

These initiatives focus on a sectoral strategy, directing efforts to reduce the emissions intensity of the portfolio in key sectors. Banco do Brasil addresses its Corporate Loan Portfolio comprehensively, covering various sectors while directing efforts to reduce the greenhouse gas emissions intensity in companies with annual revenues exceeding BRL 200 million, indicating a high potential impact on its business.

Therefore, by encompassing key sectors in their decarbonization targets and assigning relevant initiatives to other sectors, the performance of these peers can be considered high.

## Science and country/regional/international targets

In the context of signing the Business Ambition for 1.5°C Commitment Letter<sup>44</sup>, Banco do Brasil established its target to reduce the intensity of financed emissions from the corporate loan portfolio following the guidelines of the Science Based Targets initiative (SBTi) for financial institutions, aligned with the well-below 2°C scenario. Therefore, there is substantial international reference evidence to support the target, indicating a comprehensive scientific scenario.

## Ambition level of the target

Banco do Brasil employed a robust methodology (PCAF) to measure its financed emissions. Additionally, the target focuses on the Corporate Loan Portfolio of BB, encompassing high-revenue companies (above BRL 200 million) across various sectors, thereby holding significant potential for reducing greenhouse gas emissions intensity.

In relation to the baseline of 0.1033 million tCO<sub>2</sub>e per BRL 1 billion in 2021, it was proposed that BB establishes an annual reduction target for carbon intensity (0.104 MtCO<sub>2</sub>e) of 2.5% over a 10-year period for the Corporate Loans segment, considering companies with revenue equal to or greater than BRL 200 million, achieving a value of 0.078 MtCO<sub>2</sub>e. Considering the use of PCAF and SBTi methodologies and the reduction level in the established scenario, it can be affirmed that the ambition level of the target is moderate.

<sup>42</sup> Itaú: 2023 Climate Report <https://www.italu.com.br/download-file/v2/d/42787847-4cf6-4461-94a5-40ed237dca33/6d4ad4d8-4c79-7dbf-344d-b88962a66ce7?origin=2>

<sup>43</sup> Bradesco: Climate Change <https://banco.bradesco/assets/classic/pdf/sustentabilidade/bra-desco-mudancas-climaticas.pdf>

<sup>44</sup> Science Based Targets Initiative: Business Ambition for 1.5°C Commitment Letter <https://sciencebasedtargets.org/resources/legacy/2020/03/Business-Ambition-Pledge.pdf>







## SPT 4: Attain 30% representation of women and 30% representation of Black, Brown, Indigenous, and other underrepresented ethnicities in senior leadership roles by 2030

SPT 4 is related to KPI 4: Increase in gender and racial diversity in senior leadership. Thus, the target (SPT) specifies a percentage and a specific date for the indicator (KPI). When analyzing the target to 'Attain 30% representation of women and 30% representation of Black, Brown, Indigenous, and other underrepresented ethnicities in senior leadership roles by 2030' against the SLBP/SLLP criteria (Table 13), Banco do Brasil believes that SPT 4 aligns with best market practices.

Table 13 – Summary of SPT 4 analysis

Analysis criterion	Analysis SPT 4
Banco do Brasil's historical performance	Moderate
Peer/Competitor performance	Moderate
Scientific Landscape and International/National/Regional References	Comprehensive
Ambition level of the target	Moderate

### Banco do Brasil's historical performance

As mentioned in the scope of KPI 4: Increase in gender and racial diversity in senior leadership, Banco do Brasil launched its Diversity Program in 2023, covering five affinity groups: gender, generation, LGBTQIAPN+, PWD, and races/ethnicities, with a geographical-cultural transversal dimension across all groups. The program is associated with a robust governance structure for effective implementation. However, considering that the program is still a novelty for the bank, the data collection and depth of the debate will evolve over time.

The Diversity Program at BB establishes guidelines to be followed by the Bank's areas with their relationship audiences. With the unfolding of the strategic guidelines, "Diversity" has been included as one of the values in the organization's strategy, leading to the development of a series of initiatives to accelerate the theme within the Bank. Among these initiatives, those directly linked to achieving SPT 4 stand out:

#### Underrepresented Races and Ethnicities

- Race is Priority Acceleration Pilot Program – the program aims to identify and accelerate the career development of individuals from underrepresented racial backgrounds within the functional body of the Bank. These individuals will be identified through BB's internal qualification process and may be placed in a "trainee" modality. Once qualified, they can assume managerial roles across the technical-administrative, operational, tactical, and strategic transversality of the BB.
- Black Leadership Mentoring – Mentoring Program for current black leaders at Banco do Brasil with the objective of enhancing leadership skills, discussing biases, expanding knowledge about race, and career development.



## Underrepresented Races and Ethnicities

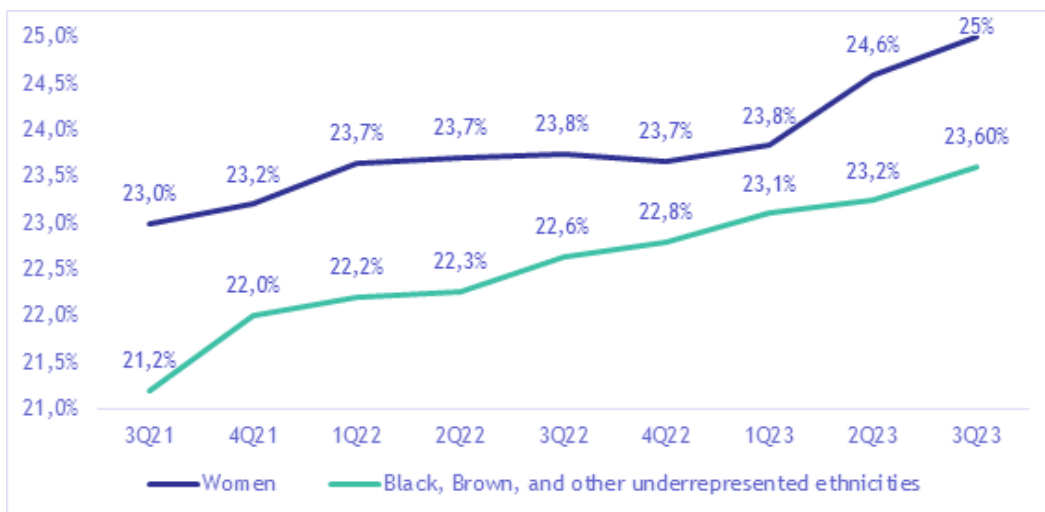
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## Gender

- Affirmative action in the Professional Advancement Program – a program for second-level managers and managers abroad, with an increase in the number of positions to ensure that women classified in recruitment represent at least the percentage of the overall target audience of women or the percentage of applicants (whichever is higher).
- Expansion of affirmative positions for women in the talent identification program for all managerial levels in business units.

Since the accounting of women and underrepresented ethnicities in leadership positions in a more robust manner is recent, the historical data is presented considering quarters of the year for better tracking of data evolution (Chart 3). Given BB's history and the targets and performance of peers/competitors, it can be stated that BB's historical performance for this target is moderate.

Chart 3 – Historical participation of women and individuals from Black, Brown, and other underrepresented ethnicities in senior leadership roles



Source: Internal data from Banco do Brasil



The key factor beyond BB's direct control that may affect the achievement of the target is the composition of the staff available at the bank for job-advancement, considering that it is a public company and relies on public tenders to hire new employees. Other factor is the availability and interest of these staff member to take on a leadership position, considering that they will have to relocate to cities where the bank has its headquarters.

## Peers performance

Table 14 – Targets related to female and Black, Brown, and other underrepresented ethnicities for peers/competitors of BB

Bank	Target and description	Reference
Itaú	The target is to have 35% to 40% of women in leadership positions by 2025, aligning with the objective of achieving representation in the incoming workforce (hiring) of 50% women and 40% individuals from Black communities.	<a href="https://www.itau.com.br/sustentabilidade/estrategia-esg/gestao-inclusiva/">https://www.itau.com.br/sustentabilidade/estrategia-esg/gestao-inclusiva/</a>
	By 2025, the target is to achieve 27% to 30% Black representation within the organization, with progress at all job levels, including leadership positions. This aligns with the objective of achieving representation in the incoming workforce (hiring) of 50% women and 40% individuals from Black communities.	

Itaú sets ambitious targets for the participation of women and people of color within the organization and in leadership positions (Table 14). Other S1 institutions do not have specific targets defined for this purpose, with a percentage perspective for increase and a timeframe to achieve the target. Therefore, the performance of peers/competitors is moderate.

## Science and country/regional/international targets

Women hold less than 15% of executive positions in companies listed in the financial sector on B3<sup>45</sup>, creating an asymmetry in comparison to the number of these positions held by men. When this number is analyzed for people of color, the situation is even more concerning: Black individuals occupy only 0.4%<sup>46</sup> of director positions.

According to the report 'Diversity Matters: Latin America,'<sup>47</sup> released by McKinsey in 2020, companies with executive teams that are gender-diverse have a 14% higher chance of outperforming other similar companies. Additionally, companies whose leadership demonstrates greater diversity in sexual orientation than the average of their competitors have a 25% higher probability of achieving superior performance.

45 BB: Diversidade is about all of us <https://blog.bb.com.br/dia-das-mulheres-diversidade-e-sobre-todos-nos/>

46 G1: Black individuals hold only 0.4% of executive positions, shows survey <https://g1.globo.com/trabalho-e-carreira/noticia/2022/09/16/negros-ocupam-so-04percent-dos-cargos-de-diretoria-mostra-levantamento.ghtml>

47 McKinsey & Company: 'Diversity Matters: América Latina Diversity Matters: América Latina | McKinsey



The United Nations Global Compact Network Brazil<sup>48</sup>, established in 2003 by the United Nations to align companies' strategies and operations in the areas of Human Rights, Labor, Environment, and Anti-Corruption, instituted the Equidade é Prioridade (Equity is a Priority)<sup>49</sup> movement in 2020. This movement gave rise to two other programs with specific focuses: Equidade é Prioridade: Gênero (Equity is a Priority: Gender) and Equidade É Prioridade: Étnico Racial (Equity is a Priority: Ethnic Racial) so that companies set ambitious targets regarding these two themes, integrating women and underrepresented ethnicities in leadership positions.

Therefore, it can be observed that the scientific scenario is comprehensive and supports the focus of the target on women and underrepresented ethnicities in leadership.

### Ambition level of the target

Taking into account the performance of peers/competitors, Banco do Brasil scores below average in terms of female leadership, but above average concerning the target for black, brown, and other underrepresented ethnicities. Additionally, the target of 30% by 2030 represents a growth of approximately 30.4% of female leadership in relation to the baseline of 23% in the third quarter of 2021 and of 41.5% of leadership of black, brown, and other underrepresented ethnicities in relation to the 22.2% baseline in the third quarter of 2021. Therefore, the level of ambition for the target is moderate.





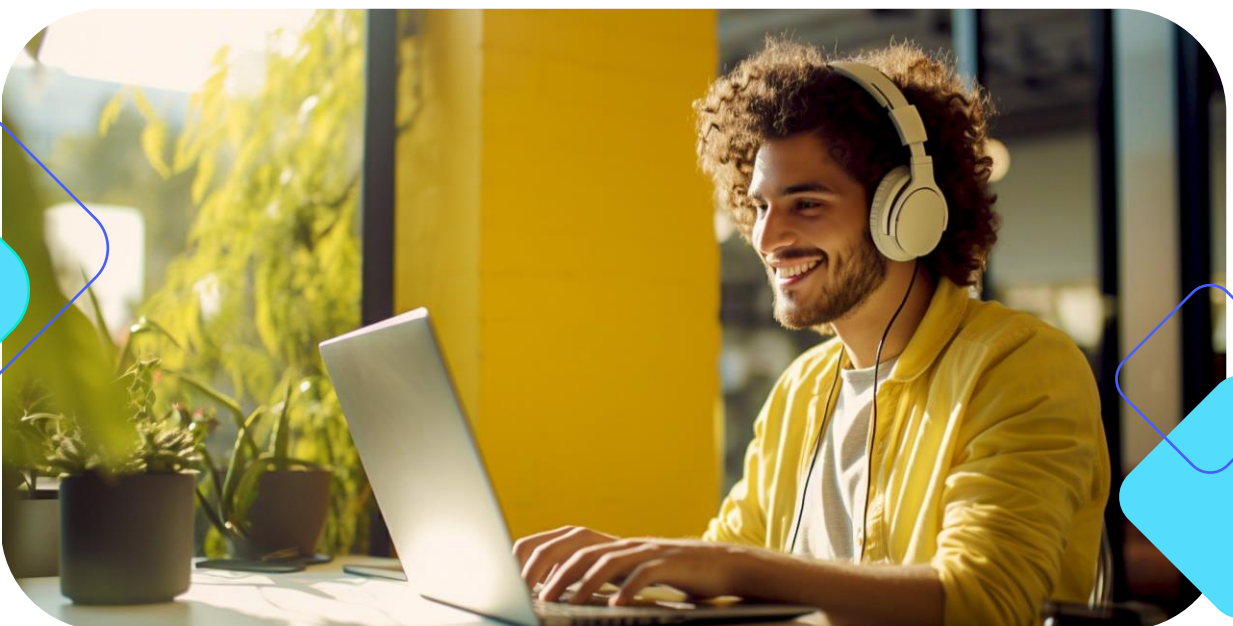
## Sustainability-Linked Finance Framework

### Bond/Loan characteristics

A fundamental characteristic of Sustainability-Linked bonds/loans is that the economic outcome from the financial instrument is associated with the fulfillment or non-fulfillment of predefined selected targets. For example, the interest rate on the security/the margin under the loan agreement may be reduced if Banco do Brasil meets a predefined target, in a process called step-down.

Similarly, the Bank may be subject to another type of variation: the step-up. This means that in the event of non-compliance with any of the predefined Sustainability Performance Targets (SPTs), BB would be subject to an increase in the interest rate on the security/under the loan agreement. If there is no report referring to the agreed observation date, or the SPTs cannot be calculated or observed by BB or a qualified external reviewer, the SPTs should be deemed not achieved and the related trigger events will occur, as defined in this section of the document.

Lastly, fallback mechanisms applicable to any Sustainability-Linked Finance Instrument issued under this framework (bonds or loans) include a potential recalculation of the baseline figures in case the SPTs cannot be calculated or observed in a satisfactory manner, taking into consideration potential exceptional events (such as a significant change in perimeters through material organizational restructuring, merger, or acquisition of companies) or extreme events, including drastic changes in the regulatory environment that could substantially impact the calculation of the Performance Indicator<sup>50</sup>. In this case, Banco do Brasil may require the restatement of the Sustainability Targets and/or their pro forma adjustments of baselines or Performance Indicator scope. Any recalculation of the baseline will be reported in the immediately following Sustainability-Linked Finance Progress Report, as stipulated in the Reporting section below, and verified by a qualified external reviewer or a similar party with the relevant expertise, as outlined in the Verification section of this Framework.



<sup>50</sup> Potential regulatory changes that might demand a reassessment of the established targets encompass, but are not limited to, shifts in national policies related to agricultural credit and alterations in environmental regulations. An additional layer of potential impact involves the ongoing development of the Brazilian Sustainable Taxonomy, expected to be mandatory by January 2026. It presents examples of criteria changes that could influence Banco do Brasil's approach to its sustainable business portfolio. Adaptability to evolving standards remains par-amount.



## Reporting

Banco do Brasil commits to publishing and keeping readily available and easily accessible:

- Up-to-date information on the performance of the selected KPI(s), including baselines where relevant. A verification assurance report of the SPTs, describing their performance and the related impact.
- Any information enabling investors to monitor the ambition level of the SPTs (e.g., updates on BB's sustainability strategy or KPI governance, and any relevant information for KPI and SPT analysis).
- Illustration of the positive sustainability impacts of the performance improvement, when feasible and possible.

This information will be published by the ESG Department in the ESG Databook<sup>51</sup> at least annually and on any relevant date/period to assess SPT performance, potentially leading to adjustments in the financial and/or structural characteristics of the SLB/SLL.



## Verification

Banco do Brasil affirms the credibility of the pre-issuance document through a second-party opinion from S&P Global. The Bank's performance for each KPI and each SPT should be independently assessed by a qualified external reviewer, such as an auditor, environmental consultant and/ or independent ratings agency, at least annually and on any relevant date/period to evaluate SPT performance, leading to potential adjustments in the financial and/or structural characteristics of the SLB/SLL until the last triggering event of the SPT has been achieved.

The performance verification related to SPTs and the respective impact, and timing of such impact, on the bond financial and/or structural characteristics must be made publicly available on BB's institutional website. Unlike pre-issuance external review, such as a second opinion, which is recommended, post-issuance verification is a necessary element of the SLBP/SLLP. For this, the Bank considers the Guidelines for External Reviews<sup>52</sup> published by ICMA, in the case of bonds; and the Guidance for Green, Social, and Sustainability-Linked Loans External Reviews<sup>53</sup> published by LSTA, in the case of loans.

<sup>51</sup> Available in: <https://ri.bb.com.br/en/corporate-governance-and-sustainability/sustainability/>

<sup>52</sup> ICMA: Guidelines for External Reviews <https://www.icmagroup.org/sustainable-finance/ex-ternal-reviews/>

<sup>53</sup> LSTA: Guidance for Green, Social and Sustainability-Linked Loans External Reviews <https://www.lsta.org/content/guidance-for-green-social-and-sustainability-linked-loans-ex-ternal-reviews/>



## Annex

# BB 2030 Commitments for a More Sustainable World

## Crédito Sustentável



### Carteira de Crédito Sustentável

**R\$ 500 bilhões** até 2030.



### Energia Renovável

**R\$ 30 bilhões** até 2030.



### Agricultura Sustentável

**R\$ 200 bilhões** até 2030.



### Eficiência Municipal e Estadual

Desembolsar<sup>1</sup> **R\$ 40 bilhões** até 2030.

## Gestão ASG e Climática



### Emissões Diretas de GEE

Compensar **100%** dos escopos 1 e 2.

**100%** de utilização de energia renovável<sup>3</sup> a partir de 2023.

Reduzir em **42%** as emissões diretas (escopo 1) até 2030.



### Diversidade

**30%** de mulheres em cargo de liderança até 2025.

**30%** de pretos, pardos, indígenas e outras etnias sub-representadas em cargos de liderança até 2025.



### Maturidade Digital

Alcançar **17 milhões** de clientes até 2025.

## Impactos Positivos na Cadeia de Valor



### Inclusão Financeira

Renegociar dívidas de **2,5 milhões** até 2025.

Alcançar **1 milhão** de empreendedores com crédito até 2025.



### Investimento Social Privado

Investir **1 bilhão** em educação, cuidado com meio ambiente, inclusão, incentivo ao voluntariado e tecnologias sociais por meio da Fundação BB até 2030.



### Reflorestamento e Conservação Florestal

**1 milhão** de hectares conservados e/ou de reflorestamento até 2025.

Reforçar práticas que promovam a recuperação de pastagens e áreas degradadas e assegurem o desmatamento ilegal zero nos financiamentos BB.

## Investimento Responsável



### Produtos de Investimento Sustentável

**R\$ 22 bilhões**

em fundos de investimentos sustentáveis<sup>2</sup> até 2030.



### Recursos Sustentáveis

**R\$ 100 bilhões** em recursos sustentáveis para o BB e seus clientes.

(1) Agricultura, cultura, defesa civil, educação, eficiência energética e iluminação pública, esporte e lazer, infraestrutura viária, limpeza pública, meio ambiente, mobilidade urbana, saúde, segurança e vigilância sanitária; (2) Em alinhamento à alteração regulatória dos fundos de investimento sustentáveis; (3) Usinas próprias, mercado livre e RECs





# **Sustainability Linked Finance Framework**