



Banco do Brasil's Commitment to climate change



Context

Sustainability and environmental, social and governance (ESG) issues have been gaining more and more relevance over the last few decades. The concern with achieving a model of economic development, production and consumption that is in harmony with environmental limits and, at the same time, contributes to the reduction of inequalities is global and shared by governments, companies, non-governmental entities and civil society in general.

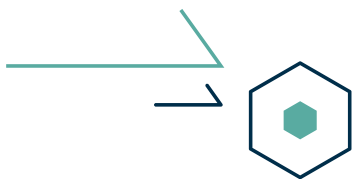
When considering ESG aspects in business strategy, the sector can offer new financial instruments to the market, such as capital for new technologies, emissions trading platforms and green loans, taking advantage of the opportunities of shared value. Thus, sustainability becomes a long-term strategic asset in creating value for companies.

Climate change is currently one of humanity's greatest challenges. The emission of greenhouse gases (GHG) caused by human activities

and their possible impacts on economic and ecological processes, based on strong scientific evidence, has presented a disruptive potential of economic and social processes that needs to be addressed by society.

More and more companies and global conglomerates seek to adopt policies and implement practices to face the challenges related to the climate, making them more attractive by generating sustainable value in their strategies and incorporating non-financial performance





indicators or with the cost of capital directly linked to the environmental performance.

In 2015, during the United Nations Framework Convention on Climate Change in France, 196 countries signed the Paris Agreement, a document through which they committed themselves to adopt targets for reducing greenhouse gas emissions, aiming to reduce emissions from their production processes, in an attempt to combine efforts for the benefit of a low carbon future, in which global average warming does not exceed 2°C above the pre-industrial, economic and social levels that need to be addressed by society.

To achieve the ultimate goal of the Agreement, governments have engaged in building their own commitments, based on the so-called Nationally Determined Contributions (NDC). Through the NDCs, each nation presented its contribution to reducing greenhouse gas emissions, following what each government considered feasible from the local social

and economic scenario. The Brazilian government has committed itself to reduce greenhouse gas emissions by the year 2025 by 37% below 2005 levels, with a subsequent indicative contribution of reducing greenhouse gas emissions by 43% below 2005 levels by 2030.

In 2020, the Ministry of Environment (MMA) ratified the commitments made in the NDCs and also made a commitment to neutralize Brazil's emissions by 2050. For this objective to be achieved, greater engagement with the various actors in civil society will be necessary, among them Banco do Brasil.

For leaders of the World Economic Forum (WEF), environmental risks are among the most serious in terms of their effect on the world's wealth and prosperity today. Climate change has been high on the forum's agenda for the past five years, with the recognition that it is reaching a crisis point in many parts of the world. According to the "Global Risks Report 2019", since 2011 climate

change has been among the top five global risks in terms of probability and economic impact.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) launched a special report, in which it reinforces that, even with the goals established by the countries under the Paris Agreement, the trajectory toward an average temperature increase of 3°C by the end of the century in relation to the pre-industrial levels (IPCC, 2018), considering the observed trends and the impacts on economic activities.

**For leaders
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¹ Available at http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf



TCFD – Task Force on Climate-Related Financial Disclosure

The Financial Stability Board (FSB)² was set up in 2009 by the Group of 20 (G20), a group of economic ministers and central bank presidents from the 19 most developed countries in the world, plus the European Union. The FSB is the international body that monitors and makes recommendations on the global financial system. In 2015 it announced the establishment of a task force, the Task Force on Climate-related Financial Disclosures (TCFD), to develop a consistent way of reporting financial risks related to climate change.

As such, companies will have to develop a governance model for the climate change theme containing strategy, risk and opportunity management and management indicators, aiming to provide information on the potential impact of climate change to clients, investors, insurers

and other stakeholders in relation to the impacts of physical risks, transition risks and other opportunities related to the issue.

According to the TCFD report³, one of the most significant risks facing organizations today is related to climate change. While it is widely recognized that the continuity of greenhouse gas emissions is aggravating global warming and this may lead to economic and social losses, the exact timing and severity of physical effects are difficult to estimate, which makes the problem a unique challenge, especially in the context of economic decision-making.

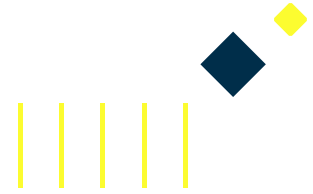
Impacts are not only physical and do not manifest themselves only in the long-term. The reduction of GHG emissions implies a reduction in the use of fossil fuels and related physical

assets, with the consequent loss of profitability of related activities. On the other hand, the transition to a low-carbon economy generates opportunities for solutions in mitigating emissions and adapting to the consequences of climate change, such as increasing clean and more efficient technologies, targets for reducing resource consumption (energy, fuels, paper), financing low-carbon farming techniques, prioritization of photovoltaic and wind energy sources, increasing the resilience of city infrastructure etc.

The expected transition to a low-carbon economy is estimated to require about USD 1 trillion of investment per year, generating new investment opportunities. At the same time, the reputational risk of organizations exposed to the effects of climate change can vary significantly,

²The Financial Stability Board (FSB) was established in 2009 as the successor to the Financial Stability Forum (FSF). The FSF was founded by the G7 in 1999 and by a demand from G20 leaders in 2008 to become a stronger institution, it was re-established as FSB in 2009.

³Recommendations of the Task Force on Climate-related Financial Disclosures. Available at <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062.817.pdf>



as these organizations may be most affected by the physical impacts of climate change, by climate policies and by new technologies. A 2015 study⁴ estimated that by the end of the century the value of assets in the world at risk from climate change will range from USD 4.2 trillion to USD 43 trillion.

Banco do Brasil, aware of the relevance and urgency of the issue of climate change and

the importance of engaging governments, the private sector and society in efforts to reduce greenhouse gases and to adapt communities in areas of climate vulnerability, is committed to the transition to a low-carbon economy and to the leadership role that Brazil can assume in this issue.

Thus, and in order to continue as protagonists in the search for new

opportunities to generate value for our stakeholders and contribute to the preservation of the environment, in 2021 BB did adherence to recommendations of the Task Force on Financial Disclosures related to the climate (TCFD) and launched the 10 Long-Term Sustainability Commitments with goals until 2030, in alignment to goals of global development.

⁴The Economist Intelligence Unit, "The Cost of Inaction: Recognizing the Value at Risk from Climate Change", 2015. Value at risk measures the loss a portfolio may experience, within a given time horizon, at a particular probability, and the stock of manageable assets is defined as the total stock of assets held by non-bank financial institutions. Bank assets were excluded as they are largely managed by banks themselves.



What guides us?

At Banco do Brasil, Corporate Sustainability is expressed in policies and in the various voluntary commitments assumed over time. The main objective of Sustainability Governance is to manage BB's socio-environmental performance, which occurs based on the implementation and dissemination of the Socio-environmental Responsibility Policy (PRSA), which considers, in an integrated manner, the economic, social and environmental dimensions

in business and in the ethical and transparent relationship with stakeholders.

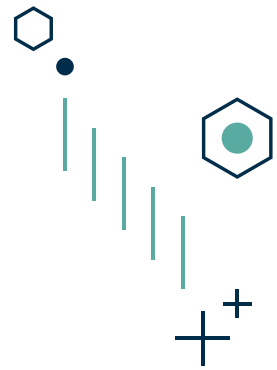
Climate change is included in the Socio-environmental Responsibility Policy - PRSA, in the BB Sustainability Guidelines for Credit and also in the Socio-environmental Guidelines - Restrictive List and Exclusion List.

In 2019, PRSA was updated in light of market developments, greater adherence to CMN Resolutions 4.557 / 2017,

CMN 4.327 / 2014, SARB Normative No. 14 of 2014 and the improvement of practices adopted by BB. The monitoring of the action plan for the implementation of PRSA takes place through the Sustainability Plan - Agenda 30 BB.

The Guidelines provide socio-environmental guidance to be considered in the analysis of loan and financing proposals. They address strategic issues, including climate change, and are applicable in the





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analysis and granting of credit to the sectors of Agribusiness, Irrigated Agriculture, Electricity, Civil Construction, Cement, Mining, Oil & Gas, Transport, Paper & Cellulose and Steel. The elaboration and annual reviews of the Guidelines count on the participation of several stakeholders (shareholders, industry experts, NGOs, customers and employees), supported by the analysis of studies and reports that, in turn, consider projections of global climate models.

The Socio-environmental Guidelines - Restrictive List and Exclusion List, on the other hand, bring various

activities in which the Bank assumes credit risk under certain conditions, applying different rigor in the analysis, granting and monitoring of credit (Restrictive List). The Exclusion List, as the name implies, lists excluded activities that the Bank does not assume credit risk due to legal impediments or because they are not in alignment with the BB Guidelines.

In 2020, the Guidelines were updated considering the legal, political, economic and socio-environmental aspects.

In 2020, BB approved the Specific Climate Risk

Management Policy with the objective of contributing to improving the risk management, establishing guidelines for proactive action and taking advantage of opportunities related to climate issues.

Other policies include various socio-environmental aspects, which are also considered in business and administrative practices, such as credit and investment operations, and relationships with suppliers and employees. Due to their relevance, these guidelines are replicated in the Credit Sustainability Guidelines for different sectors.

Sustainability Plan - Agenda 30 BB

Banco do Brasil's Sustainability Plan contributes to the improvement of business and processes by consolidating actions with a social and environmental focus. Revised every two years and ordered into sustainability challenges prioritized by senior management, it is broken down into commitments established for a period of

three years, covering the entire company.

Since 2017, the Plan has been called Agenda 30 BB. The new agenda reflects the premises of the global 2030 Agenda and is inspired by the Sustainable Development Goals (SDGs), responding to the global call to build a world driven by adequate management of natural resources, respect



Agenda 30 BB

Nosso Plano de Ação
para um Futuro
Sustentável



for human rights and generation of sustainable results.

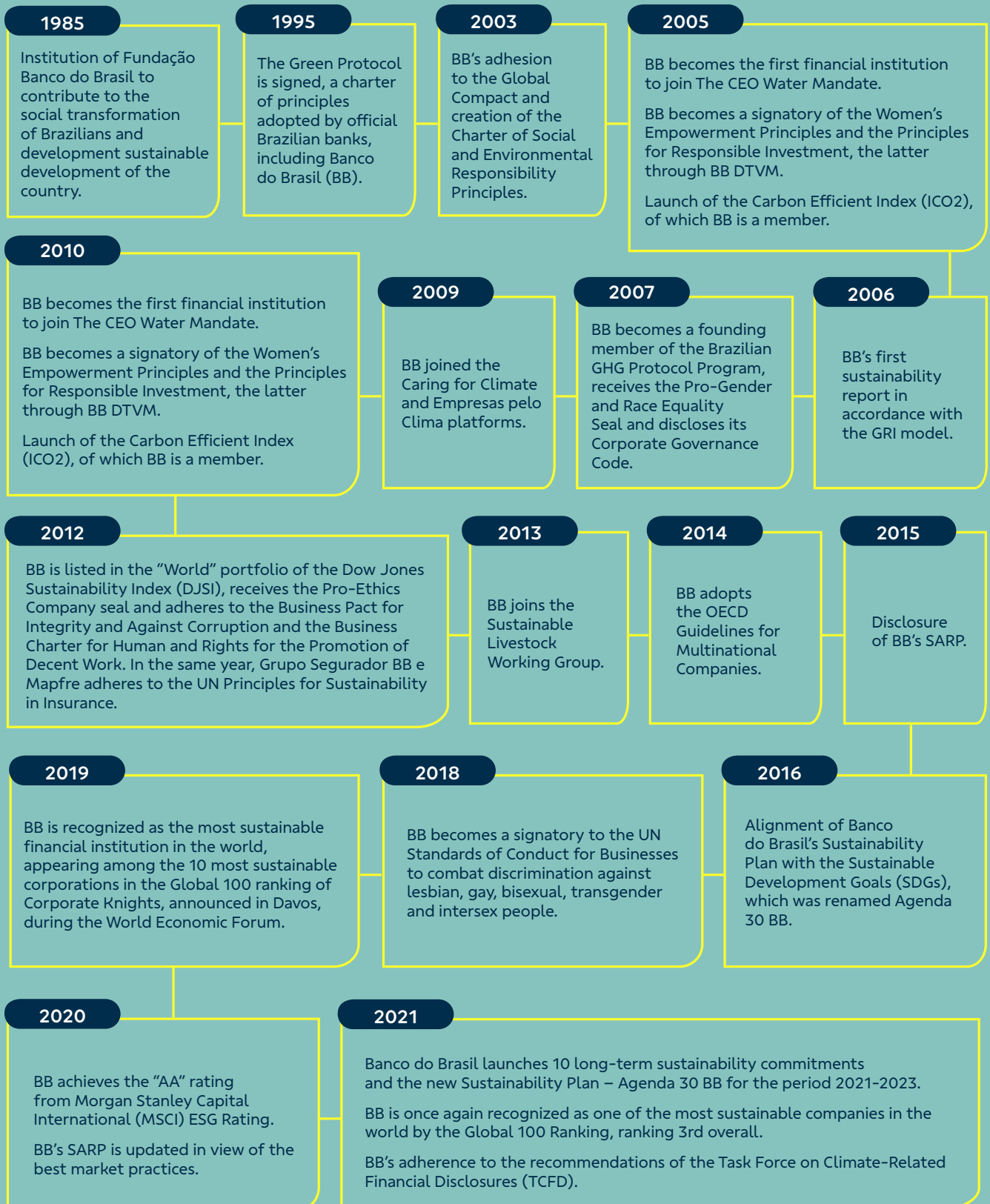
The Agenda 30 BB ensures that internal processes are adopted in a robust manner, agreeing on commitments and actions that have an impact on the business as a whole. With increasingly sustainable business and administrative practices, BB disseminates to its entire value chain the importance of incorporating the principles of sustainability in the planning and execution of actions. Sustainability

is a transversal pillar in the Bank's strategy, whose leaders are committed to the challenge of reconciling business competitiveness with the construction of a more sustainable world. Sustainability is one of the dimensions present in the Corporate Strategy BB 2021-2025 and presents itself as one of the objectives in the Bank's strategic map, which has its leaders committed to the challenge of reconciling business competitiveness with the construction of a more sustainable world.

In 2021, the Sustainability Plan – Agenda 30 BB 2021-2023 was approved. The climate issues are included in the challenge: "Improve the governance and management of risks and opportunities related to climate issues, giving transparency to Banco do Brasil's commitments and practices in relation to the topic". Through BB's Annual Report, account is taken of the actions developed in the previous period and the actions that will be developed in the coming years.

Voluntary pacts and commitments

For almost three decades, Banco do Brasil has participated in various Forums and Initiatives in the governmental and private spheres.





Among the voluntary commitments and pacts made over time, several address the issue of climate change directly or transversely, such as the following:

- Caring for Climate – The Global Compact
- Carbon Disclosure Project – CDP
- Companies for the Climate – EPC Platform
- Sustainable Development Goals – SDG
- Equator Principles
- Brazilian GHG Protocol Program
- TCFD



Corporate Sustainability

Corporate Sustainability permeates the organizational structure and is expressed in the policies and various voluntary commitments assumed. The main objective of Corporate Sustainability is to manage social and environmental performance, based on the Socio-environmental Responsibility Policy (PRSA), which takes into account, in an integrated manner, the economic, social and environmental dimensions in business and the ethical and transparent relationship with stakeholders.

Issues related to climate change, both from the perspective of risks and opportunities, are dealt with, according to their specificities, by the various instances that are part of Corporate Sustainability at BB.

In 2021, the Executive Sustainability Committee (Cesus) was created, subordinated to the Board of Officers and composed of Vice-presidents and directors and has, among other objectives, to decide on the Sustainability Plan – Agenda 30 BB, to guide the implementation of sustainability initiatives with potential impact on

businesses, define guidelines for the topic, in addition to giving a multidisciplinary view to decision making.

Strategically, the RSAE theme is conducted by the Autonomous Executive Management of Corporate Sustainability (Gesem), linked to the Vice-Presidency of Government and Corporate Sustainability (Vigov), while the Risk Management Directorate (Diris) is responsible for managing climate risk.

At Banco do Brasil, governance in sustainability follows the following structure:

> Board of Directors

Monitors socio-environmental performance and ongoing initiatives every six months;

> Board of Officers

Responsible for approving and monitoring the initiatives of the Sustainability Plan – Agenda 30 BB, until 2020. In 2021, it started monitoring The ESG performance and related initiatives every six months;

> Risk and Capital Committee

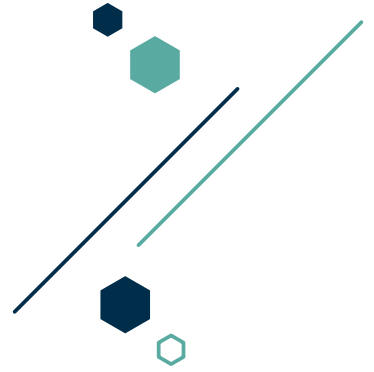
Advises the Board of Directors in the performance of its functions related to risk management, including the socio-environmental and capital risk;

> Executive Sustainability Committee (Cesus)

Subordinated to the Board of Officers and composed of Vice-Presidents and Directors and has, among other objectives, to decide on the Sustainability Plan – Agenda 30 BB, to guide the implementation of sustainability initiatives with potential impact in business, to define guidelines for the topic, in addition to giving a multidisciplinary view to decision making.

> Sustainability Forum

Instance composed of executive managers and the Banco do Brasil Foundation (BB Foundation). The Forum supports the incorporation, alignment and dissemination of sustainability precepts and practices, in addition to monitoring socio-environmental initiatives



and the implementation of actions of Agenda 30 BB. It meets quarterly and, until the end of 2020, was subordinated to the Executive Business Committee and currently reports to the Executive Sustainability Committee;

> **Corporate Sustainability Management (Gesem)**

It is an Executive Management linked to the Vice- Presidency of Government and Corporate Sustainability – responsible for guiding the sustainability theme and for the specific management of socioenvironmental risks in the 1st Line of Defense, with strategic and cultural guidelines for the topic;

> **Credit Directorship**

Unit responsible for the specific management of socioenvironmental risk in the 1st Line of Defense related to the credit process;

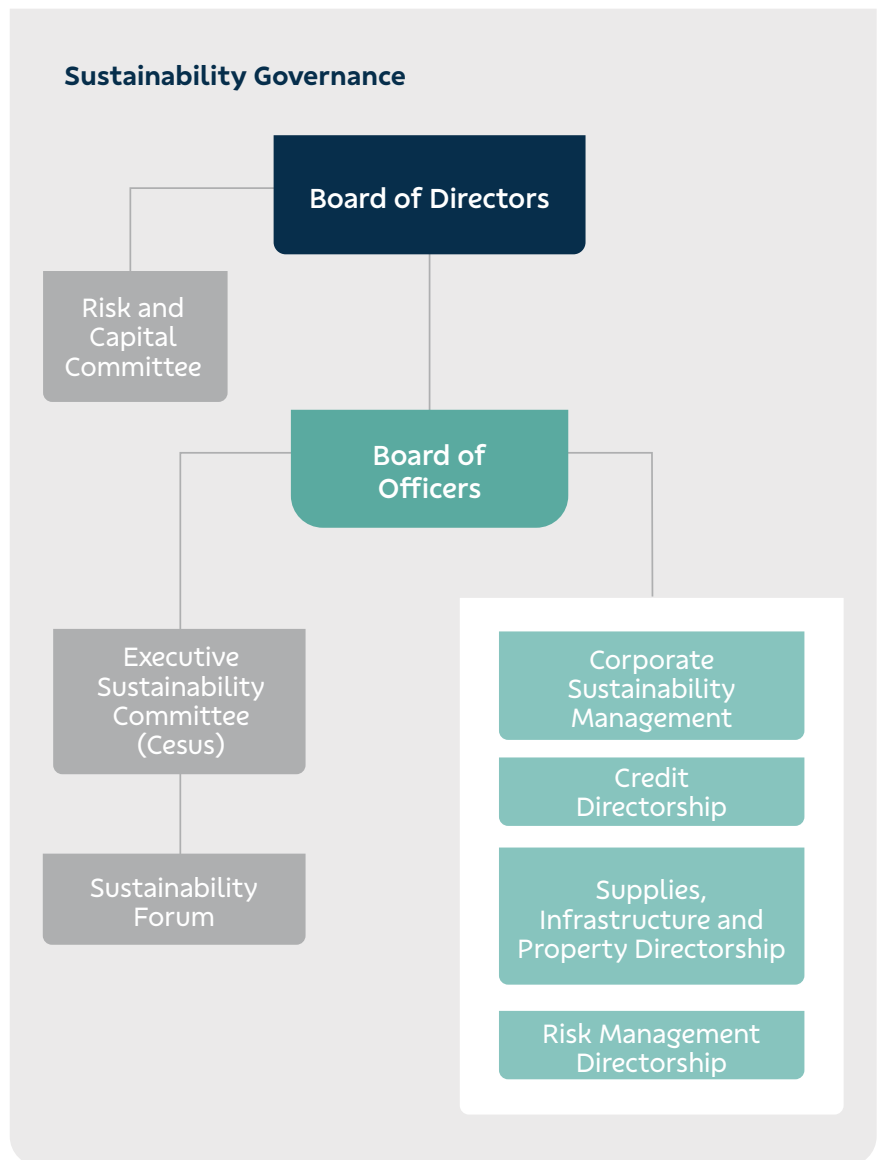
> **Supplies, Infrastructure and Property Directorship**

Unit responsible for the specific management

of socio-environmental risk in the 1st Line of Defense related to purchases, contracts, management of logistics resources and eco-efficiency;

> **Risk Management Directorship**

Unit responsible for corporate management of socioenvironmental and climatic risks in the 2nd Line of Defense.



Climate risk management

By definition, climate risk is the possibility of losses arising from the transition of businesses to a low-carbon economy, the triggering of extreme climate events or that will have long-term consequences and may affect the generation of value by companies. This new approach was based on the recommendations published by TCFD, in which financial institutions were asked to identify and transparently disclose climate change risk, and to suggest analysis of climate elements as key elements for the resilience of the business strategy.

By November 2018, the management of risks arising from climate change was carried out at BB within the scope of social and environmental risk. Due to the worsening of the possibility of losses resulting from the triggering of extreme weather events and the transition of businesses to a low carbon economy, which may affect the generation of value by companies, climate risk is now considered even more relevant in strategic decisions, since it is an element that will influence the future profitability of the Bank's business.

In 2020, the Board of Directors approved the Specific Climate Risk

Management Policy with the objective of contributing to the improvement of risk management, establishing guidelines for proactive action and taking advantage of opportunities related to climate issues.

The initiative reinforces our commitment to the topic, and is in line with the best practices in the market. The financial sector's perspective on the way in which companies incorporate climate risks directly impacts the assessment and decision-making process on the allocation of resources.

The effects of climate change can influence various market segments. Thus, it seeks to know and measure the impact of physical and transition risks on financing and insurance portfolios. Physical risks related to extreme weather events, such as floods and windstorms, are considered in the evaluations because they are directly related to the increase in operating costs and the reduction of business revenues.

Faced with the potential impacts of climate change, financial institutions have sought to improve their understanding of future risks to their business, strategies and financial performance. Considering the scenarios pointed out by

the TCFD and based on pre-existing information, in 2019, in partnership with WWF, Banco do Brasil prepared the document Climate Change, Scenario Analysis and Strategy.

The study considered the impacts of rising temperatures for seven traditional agricultural crops, including soy, corn and rice. Two climate scenarios were addressed:

- > **Temperature increase below 2°C (in line with RCP 4,5);**
- > **Average temperature increase of 3.7°C until the end of the century (equivalent to RCP 8.5).**

The results obtained were expressed in maps classifying Brazilian municipalities at high or low risk of exposure to elevated temperatures. Allowing the management areas of products related to agribusiness to increase the resilience of their strategic performance in the face of the challenges presented

and to minimize potential losses in the face of extreme weather events.

In the processes of granting and conducting loans and financing, the management of climate risk is particularly important, as Banco do Brasil is the largest financier of Brazilian agribusiness, with a 60% market share. Thus, climate risks have significant impacts on the rural activity financed by BB, due to its vulnerability to increasingly recurrent and intense extreme climate events.

As a way to minimize these risks, we observe the recommendations of the Agricultural Zoning of Climate Risk (Zarc) of the

Ministry of Agriculture, Livestock and Supply, revised annually, which indicate the municipalities with climatic and soil suitability for certain crops and which are the most adapted cultivars. Furthermore, BB customers also have a portfolio of products at their disposal that includes Agricultural Insurance, Agricultural Revenue Insurance, Proagro and Proagro Mais.

The recording of climatic events is carried out through BB's Climate Risk Monitoring System, which covers the entire national territory and is based on alerts of climatic events issued by the Bank's agribusiness advisory network. These

alerts, in turn, are registered in the Crop Monitoring Panel and allow observing the recurrence of extreme events and changes in the local weather pattern and adopting preventive measures to mitigate crop losses.

Seeking to analyze and make available data and models for assessing environmental and economic impacts related to transition risks, BB participates in a working group of Brazilian Federation of Banks (Febraban) with the objective of evaluating the risks and opportunities of the transition to an economy low carbon for the Agriculture, Electric Utilities, Oil & Gas (O&G) and biofuels sectors from integrated scenarios for different levels of climate ambition.

Long-term climatic scenarios will be developed and analyzed considering different limits for the increase of the global average temperature, from carbon budgets, as well as the evolution of the pricing of carbon dioxide (CO₂) and other GHGs until 2060. From the results of the modeling, a database will be prepared, made available to Febraban, including projections of supply and demand for energy and agricultural commodities for each long-term climate scenario.



The methodology for creating the scenarios is based on Integrated Assessment Models (IAMs), which allow assessing the interactions between the different sectors of the economy. Such tools are often used by international research groups and the Intergovernmental Panel on Climate Change (IPCC –

Intergovernmental Panel on Climate Change) to define transition scenarios for a low carbon world, considering the interactions between different economic sectors, GHG emissions and its consequences for the global climate.

It is expected to use at least 3 three scenarios developed by the Energy Planning

Program (COPPE) at the Federal University of Rio de Janeiro (UFRJ), they are:

- COFFEE (Computable Framework for Energy and the Environment);
- BLUES (Brazilian Land Use and Energy System); e
- TEA (Total-Economy Assessment).



The study being developed by Febraban is composed by the following accomplishments:

- > **Activity 1:**
Elaboration of the detailed work plan (Completed);
- > **Activity 2:**
Collection of needs and perceptions with the Febraban team, the Febraban Climate and Green Economy WG and the Sitawi team (Completed);
- > **Activity 3:**
Elaboration of a detailed conceptual plan (Completed);
- > **Activity 4:**
Construction of scenarios for assessing risks and opportunities for the transition to a low carbon economy in the sectors considered and dissemination of preliminary results to be validated with Febraban (In preparation);
- > **Activity 5:**
Consultation with Febraban on preliminary results (Awaiting previous step);
- > **Activity 6:**
Availability of the results of the scenarios produced in an easily accessible format (Waiting for the previous step);

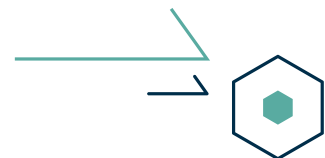
BB is evaluating the incorporation of the results and recommendations of this study in its management of transitional climate risks.



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At the end of the work, it is expected to know the uncertainties surrounding

the course of climate change itself, the breadth and complexity of the transmission channels, the primary and secondary impacts, and the need to consider transition risks in financing operations.



Business opportunities

On the opportunities arising from climate change, the Bank supports initiatives aimed at mitigation, such as the Low Carbon Agriculture Program (ABC Program), which represents an opportunity for both BB and for rural producers.

The ABC Program has the potential to contribute to the achievement of the environmental goals of the Paris Agreement (NDCs). Its role is especially relevant, as Brazil has presented targets that are not conditional on the receipt of international resources, which further justifies the need for its strengthening and alignment with the objectives of mitigating greenhouse gas emissions (GHG).

Since its launch in 2010, BB has been leading the initiative, which finances sustainable agricultural production systems, with recognized capacity to reduce or sequester greenhouse gas (GHG) emissions and promote the production of vegetation/ biomass and food, as well as the preservation of the environment.

Initiatives aimed at reducing CO₂ emissions in agricultural activity are supported by the Low Carbon Agriculture Program (ABC Program).

Through it, positive financial implications are identified with the contracting of operations that ran to R\$ 1.48 billion in 2020. Customers have at their disposal a product portfolio that includes Agricultural Insurance, Agricultural Insurance Billing, Proagro and Proagro Mais. In 2020, 59.2% of all agricultural costs, in the amount of R \$ 22.67 billion, were covered by Agricultural Insurance and Proagro to mitigate the risk of loss of production due to extreme weather events.

During 2020, BB reviewed the credit lines that compose the green portfolio, according to the methodology of Febraban and BB Sustainable Business Framework, which had a second opinion from Sustainalytics. Based on this and also considering the social contributions identified in the portfolio, a new nomenclature was proposed for the green portfolio: Sustainable Business Portfolio.

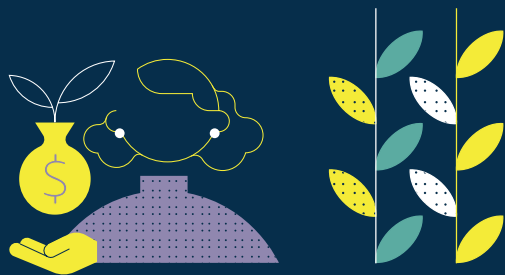
The result of the job was submitted to the independent evaluation of Sitawi Finanças do Bem, an important and recognized Brazilian organization, which classified the operations according to their contribution to sustainability

and reaffirmed in its opinion the mostly transformational contribution of the portfolio.

The identification of the credit lines eligible to compose BB's Sustainable Business Portfolio is based on the methodology developed by the Brazilian Federation of Banks (Febraban) and published in the study Measuring Financial Resources Allocated in Green Economy, and also in BB Sustainable Finance Framework, prepared according to the main international standards, such as the Green Bond Principles (GBP) and Social Bond Principles (SBP), among others.

In 2020, BB's Sustainable Business Portfolio had a balance of R\$ 244.7 billion. It is composed of investment and loan-related credit operations for the renewable energy, energy efficiency, sustainable construction, sustainable transport, sustainable tourism, water, fisheries, forest, sustainable agriculture and waste management sectors. Companies that receive credits that are inserted in segments whose performance generates effective transformational social and environmental impacts are also considered.





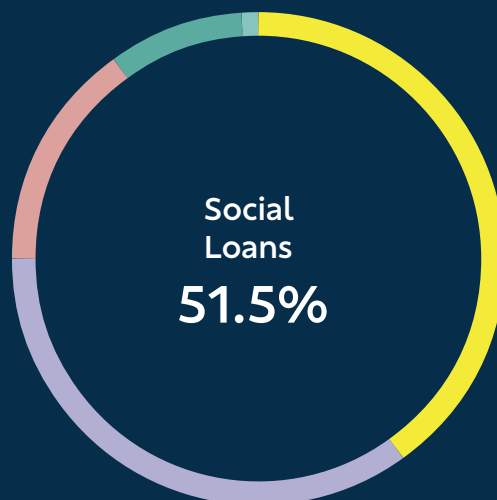
Sustainable Loan Portfolio

Total ESG Portfolio:
R\$ 244.7 billion

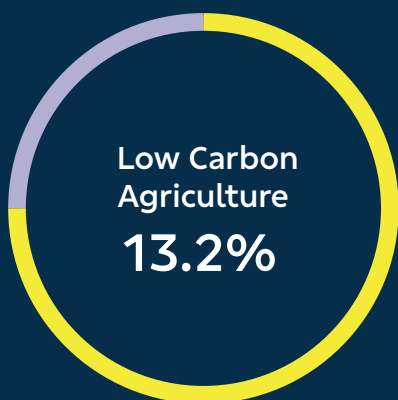
(R\$ - billion)
Dec/2020



Mostly High /
Transformational



R\$ 126.03 billion



R\$ 32.17 billion



R\$ 65.36 billion



R\$ 21.14 billion

Social Loans

	Government	49.45	
	FIES (Student Loans)	46.87	
	Minha Casa Minha Vida (Low Income Housing Loans)	21.18	
	Covid Relief Loans	8.13	
	Other	0.39	

Low Carbon Agriculture

	Working Capital (No-till)	25.31
	Low Carbon Program	6.86

Companies

	Companies	21.14
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Best Socio-environmental Practices

	Pronaf Mais Alimentos (Loans for Food Production)	36.34	
	Investment Loans	11.85	
	PCA/Moderagro (Agribusiness Infrastructure Financing)	9.10	
	Working Capital (Pronaf)	6.30	
	Investment Loans (Pronaf)	1.77	

Additionality / Sustainability Contribution

- High / Transformational
- Moderate / Effective
- Limited / Transitional

See the full report:



Second Opinion

SITAWI
FINANCAS do BEM

In October 2020, BB approved its sustainable finance model, which establishes parameters and management for raising funds for projects classified as sustainable in the global market. Funding resources of this type can be used to finance projects capable of offering financial returns and linked to Environmental, Social and Governance (ESG) benefits.

The process started with the Technical and Financial Cooperation Agreement between Banco do Brasil and the Inter-American Development Bank (IDB),

and had the technical support of the consultancy Sitawi Finanças do Bem, resulting in the elaboration of the "Sustainable Finance Framework", whose green and social categories are contemplated. The possibility of leveraging projects related to low-carbon agriculture sets it apart from those available on the market. The Framework was approved by Sustainalytics, one of the main independent companies in the world of Second Opinion (SPO), following a set of international standards and guidelines.

The model is unusual in the Brazilian financial system, in addition to considering the issues labeled as sustainable, green and social (supported by the Framework), it also considers the possibility of debt issues of the type Sustainability-Linked Loans and Sustainability-Linked Bonds. The SLLP and SLBP standards link the interest paid for these issues to the performance of its ESG indicators, such as reducing the company's carbon footprint, increasing the diversity of its staff and reducing the risk of credit portfolios of high socio-environmental impact.





BB Environmental Management System



The internal management of the effects of climate change is aligned with the Sustainability Plan - Agenda 30 BB, in relation to the development of initiatives and adoption of practices that contribute to the mitigation of the effects of operations on social and environmental aspects.

The BB Environmental Management System - EMS is in accordance with environmental legislation, with reference to the Brazilian Standard ABNT NBR ISO 14.001.

The System consists of a set of objectives, premises, requirements, responsibilities, programs, initiatives and standards for the implementation of environmental guidelines, aligned with BB's Specific Policy on Socio-Environmental Responsibility.

It is the premise of BB's EMS to consider the external and internal context of the organization in the search for continuous improvement of its System. BB's EMS carries out communication

actions to stimulate the efficient consumption of natural resources and prevent pollution, by raising awareness, engagement and strengthening of culture in RSA. In addition, BB continuously seeks to improve its environmental management skills, through training aimed at developing an environmentally appropriate conduct inside and outside the professional environment.

BB's EMS is composed of Environmental Programs, Initiatives and Indicators, including:

The BB Environmental Management System - EMS is in accordance with environmental legislation

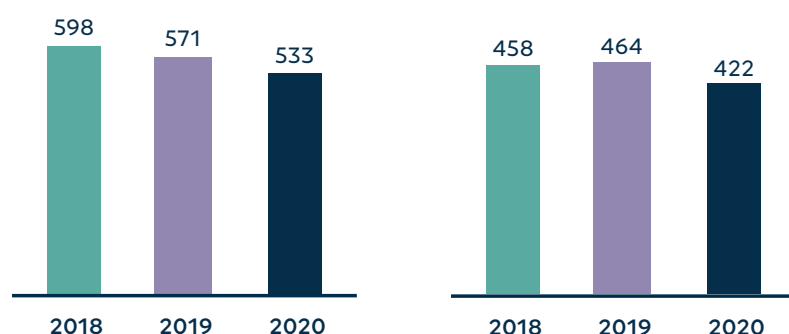
- Energy Conservation Program - Procen
- Rational Water Use Program - Puragua
- Toner Cartridge Reconditioning Program - Prorec
- Selective Collection Program
- PGRS - Solid Waste Management Plan
- Sustainable Procurement and Contracting
- Paper Consumption Reduction Project
- Disposal of Unserviceable Movable Property
- ISO 14.001 certification
- LEED Certification in Energy and Environment Design - LEED
- Indicator: Operational Efficiency Index - IEO

The following are some initiatives that contribute to the reduction of GHG emissions.

> Consumption of energy from renewable sources

Electric power consumption (comparison)

Electric power consumption (GWh) Total expenses (R\$ million)



Since 2018, Banco do Brasil and EDP have maintained a partnership for the Bank's entry into the Free Energy Market, in the Free Contracting Environment (ACL). The contract provides for the provision of approximately 400 GWh to 24 BB facilities located in 14 states, under a five-year contract. To get an idea of the volume contracted, the energy purchased is equivalent to the annual consumption of a city with 130 thousand inhabitants.

The great benefit of the partnership is that the energy purchased is of the incentive type, originating from renewable sources, such as wind, solar and small hydroelectric plants (PCHs), which reaffirms the Bank's commitment to the adoption of actions that

involve the reduction of greenhouse gas emissions. GHG in its operations.

In 2020, two buildings were migrated to the Free Market, totaling the 24 provided for in the contract, which resulted in savings of R \$ 4.5 million, equivalent to a 20% expense reduction compared to the captive market tariff. (acquired directly from the energy utility).

Also in 2020, we assumed the commitment to expand the participation of renewable sources in our energy matrix: the objective is to reach, by 2024, a level of supply of energy 90% renewable. The objective will be achieved through remote distributed generation, with 22%, and through the free market, with 68%. In the previous year, this level

was 88%, with electricity consumed from renewable sources⁵.

In this context, in March 2020, we inaugurated our first solar power plant in the distributed generation modality. In October, the second plant was inaugurated and another five plants are expected to start operating by the end of 2021.

The two projects in operation have a combined installed capacity of 6 MW, generating 15 GWh / year and will guarantee the supply of renewable energy to 141 branches, allowing the institution to save R\$ 53.7 million over 15 years. They will also enable an average reduction of 45% in the energy bill of our branches and will contribute

⁵Source: BB/EDP and ONS Contract – National Electric System Operator, available at: <http://www.ons.org.br/paginas/sobre-o-sin/o-sistema-em-numeros>



to the diversification of the renewable energy matrix in Brazil. When all the plants are in operation, 3,150 tons of carbon dioxide will no longer be emitted per year, which corresponds to the planting of about 21 thousand trees.

In 2020, new initiatives to optimize energy consumption and electricity costs joined those already implemented in previous years and which are still in progress. Among the new initiatives, the following were implemented:

- Automated management of electric energy – an initiative carried out at the units that may reduce expenses with this input by more than R \$ 500 thousand, as well as the expansion of operational efficiency and the improvement of consumption indicators;
- Integrated control of energy, water and building utilities – start of installations for a group of 300 service units, with the expectation of achieving 15% savings in consumption over the four-year service contract. Regionalized energy consumption parameters (kWh / m²) are used.

Regarding electricity consumption, there was a reduction of 7% compared to 2019, equivalent to 41 GWh. This reduction is due

to the actions implemented, and due to the restriction of employees on the bank's premises, due to the pandemic and the implementation of the home office. The total saved reduced the annual expense by R \$ 42 million and would be enough to supply electricity to more than 18 thousand homes per year.



> Water Consumption and Paper Use

Water consumption (comparison)

	2018	2019	2020
Water consumption⁽¹⁾ (thousand m³)	1,383	1,136	955.7
Total expenses (R\$ million)	31.9	33	28.6

Target set to 2019:
-1% compared to the previous year ✓

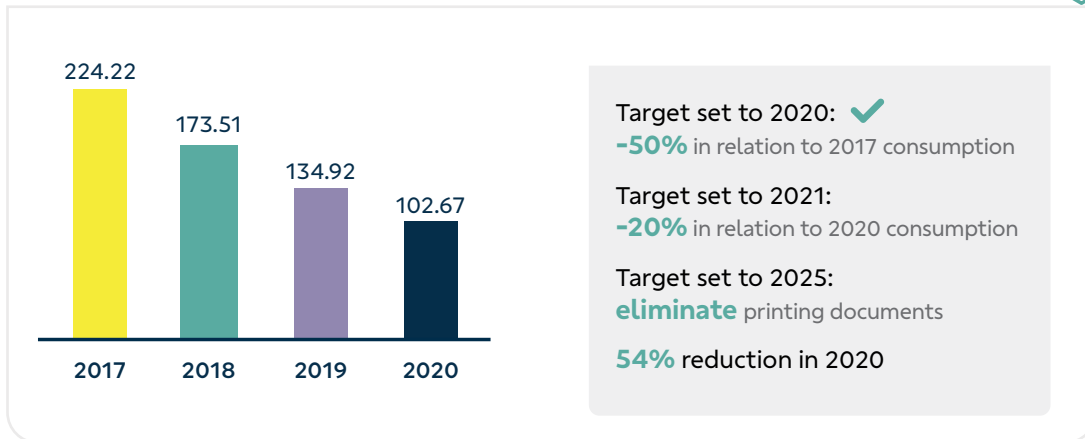
Target set to 2020:
-5% compared to the previous year ✓

Target set to 2021:
-5% compared to the previous year

Reduction of **17.9%** in 2019 | Reduction of **15.9%** in 2020

- (1) Recycled water is not used in the units. The water supply is carried out by the concessionaires. Following the same methodology adopted in 2019, water consumption in 2020 was obtained based on the average R\$/m³, after the survey of 11 thousand water bills registered by a contracted company. Thus, BB's water consumption is the result of the average (R\$/m³) by the annual expense, totaling R\$ 28.6 million.
- (2) Due to the nature of our industry, we have not yet carried out the measurement of total water consumption in all areas with water stress in megaliters.
- (3) We monitor the need for facilities to purchase mineral water outside local water utilities. In the cases in which the water supplied is not fit for consumption or even if there is no supply of the input, mineral water is acquired through the facility in two ways: water truck, to supply the facility as a whole (water tank); bottled mineral water, for the consumption of employees and customers.

Number of printouts (millions)



In relation to water consumption – an input from public concessionaires – regionalized parameters of efficient consumption are also adopted. Management is carried out through the establishment of actions for units that present water consumption above the established targets. In this sense, the inspections in the hydraulic installations must be highlighted, to detect the causes of high consumption.

Through BB initiatives such as Papel Zero, which aims to digitally transform our processes and raise awareness, engagement and guidance for employees, it was possible to reduce the consumption of A4 paper by 59.5% by December 2020 in relation to December 2017, exceeding the established target of 50%. Thus, in addition to optimizing processes through digitalization, the

impacts on the environment caused by the production and disposal of material will be reduced. Financially, the drop in expenses for paper is added to that of other related inputs, such as cardboard boxes for storage, envelopes for transportation, reels, printer maintenance, toner, pouches, in addition to space and cabinets for filing. As a result of these initiatives, the following were achieved during the year:

- 59.5% reduction in consumption of A4 paper, compared to 2017;
- 52% reduction in the consumption of bobbins for cash terminals and self-service terminals compared to 2017.

in addition to optimizing processes through digitalization, the impacts on the environment caused by the production and disposal of material will be reduced.

Selective Collection Program

The Selective Collection Program contemplates the management of solid, non-hazardous recyclable waste (paper, plastic, metal and glass) generated at BB's facilities, which are sent for recycling in accordance with public policies and current environmental legislation. In 2020, the program reached the mark of 1.849 facilities with the process implemented, compared to 1.679 participating facilities in 2019.

Environmental Certifications - ISO 14.001 and LEED

At the end of 2020, we maintained the following certifications, which attest to our commitment to environmental preservation:

- Leadership in Energy and Environment Design (LEED), certification related to sustainable construction and awarded by the United States Green Building Council, for the headquarters in Brasília (Federal District).
- ISO 14.001 Environmental Management System in operation at the company headquarters in Brasília (Federal District) and at the Torre Matarazzo Building in São Paulo (SP) Banco do Brasil's The GABB is verified by internal and

external audits that certify the requirements of the standard and prove the effectiveness of environmental actions related to consumption of water and electricity, selective waste collection and services and the involvement of the 8.000 people working within the area.

Operating Efficiency Index

Operational eco-efficiency index in order to increase the coverage of the Selective Waste Collection Program, intensify the reduction of GHG emissions and rationalize the consumption of water, energy, and paper, we adopted the Operational Ecoefficiency Index (IEO), a mechanism that assessed all branches for the following aspects:

- Water/electricity: assessed from the

cumulative average of the branch's monthly consumption records, with a consumption target of equal to or below the established regional standard.

- Paper: linear reduction target of 2% of consumption compared to the previous year.
- Selective Collection: assessed from the monthly records of the volume of waste selectively discarded (paper, plastic, metal, and glass) and sent for recycling.
- In 2020, 76% (4.364) of the units assessed achieved the target set for the IPE. This result was achieved as the one related to communication, guidance, and monitoring of the branches' performance.



Carbon Management

BB's GHG Emissions Inventory is the main tool for carbon management at the Bank. The inventory is built under the Operational Control approach, considering more than 5,000 facilities throughout the country (retail, wholesale and government agencies, regional units and strategic units)

The calculation of the Bank's GHG emissions follows the specifications of the Brazilian GHG Protocol Program and accounts for the gases emitted by its direct activities under Scope 1 (stationary combustion, mobile combustion and fugitive emissions), Scope 2 (electric power consumption) and the activities that influence Scope 3 (transportation and distribution, transportation and distribution, business travel, displacement of employees, solid and liquid waste from the operation).

The Inventory goes through external verification, according to ISO 14064 definitions, part of which attests that the information contained in the GHG inventory is complete, accurate, consistent, transparent and without discrepancies. BB's GHG inventory has been gold certified since 2010.

BB's GHG emissions data are published annually

in the [Public Emissions Registry](#). The information is also made available to the market via CDP (Carbon Disclosure Project) and [Annual Report](#), in addition to being part of the national social and environmental indicator reports, such as the BMF&Bovespa's Corporate Sustainability Index (ISE), and international reports, such as the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange.

In 2019, BB committed to offsetting GHG emissions from scopes 1 and 2 by acquiring carbon credits in the voluntary, regulated or carbon market.

Emission reduction and compensation targets

In addition to providing the reporting of the level and sources of greenhouse gas emissions by BB, the BB Emissions Inventory has the function, as already mentioned, of being an instrument for carbon management, and with that, guide the execution sustainability strategy in relation to GHG emissions.

At the end of 2019, Banco do Brasil established targets for reducing greenhouse gases with a long-term vision. By the 2030 horizon, BB has committed to reducing its emissions by 30% for Scopes 1 and 2.

The establishment of the targets was based on the guidelines and criteria published by the Science-Based Targets initiative (SBTi), and took advantage of the level of emissions verified in 2018 reported in its Emissions Inventory.

In the previous version of its Commitment to Climate Change, BB indicated that it would offset its emissions from Scopes 1 and 2. This year it has already offset 100% of its GHG emissions from Scopes 2 in 2020, via Renewable Energy Certificates I- REC (International REC standard). For Scope 1, 100% emissions are offset through the purchase of carbon credits, with completion expected by the end of 2021.

ICO2 Internal Pricing

Based on the average prices of qualified projects to compose the portfolio to offset our emissions, at the end of 2019 we approved the internal carbon pricing, with the adoption of R\$18.00/ tCO₂e (or US\$4.50/ tCO₂e), obtained by calculating the average price of ton of carbon registered in the voluntary and regulated markets in Brazil.

The definition of the internal carbon pricing methodology and the internal carbon price aims to offset BB's emissions related to scopes 1 and 2, in accordance with the climate change commitment and for evaluating investments





in the institution's own structure, in order to support investment stress testing, as well as motivate low carbon investments, the supply chain/suppliers and employees.

Carbon pricing also leads investments towards less carbon-intensive solutions by internalizing part of the externalities represented by emissions, so those companies can incorporate these external costs into their business decisions and seek alternatives to minimize their effects.

Increase in the CDP evaluation grade

In mid-2020, Banco do Brasil joined the Benchmark Club, from CDP, seeking support from the entity and improving its participation in the Climate Change Program, also from CDP. On December 8, the program's 2020 cycle result was released, and Banco do Brasil achieved its best result since 2005, reaching a B- score. In the last three years, the Bank's score was D, on a scale ranging from A to E.

With the score achieved in 2020, BB becomes eligible to be included in 2021 in the CDP Brasil Index of Climate Resilience (I-CDPR70), which measures the performance of the roles of companies with practices in climate management, in line with global trends and recommendations

In mid-2020, Banco do Brasil joined the Benchmark Club, from CDP

international agreements such as the Task-Force for Climate-Related Financial Disclosures (TCFD).

The evaluation of companies occurs through the analysis of an extensive questionnaire that includes the main parameters related to the theme of climate change: Governance (policies and guidelines); Engagement of senior management; Risks and opportunities; Business strategy; Goals and performance; Emissions methodology; Verification; Carbon pricing.

The increase in Banco do Brasil's score in 2020 reflects the improvement of practices, such as the adoption of a specific climate risk management policy, increased use of renewable energy, definition of internal carbon price, incorporation of criteria related to climate change in the supply chain and expansion of the business portfolio with potential reduction in emissions, among others.

For more information, consult Banco do Brasil's CDP Climate Change.

Suppliers

For the management of Scope 3 GHG emissions in its Inventory, BB promotes actions to mitigate socio-environmental risks in its supply chain within a broader scope, under the optimum of several instruments that govern this relationship, such as: Code Ethics, Supplier Relationship Policy, Internal Regulations, among others.

The Internal Regulations include specific rules for sustainable hiring, which include the Sustainable Purchasing and Descartes Standard document available on the BB Portal for consultation, meeting the legal requirements and the social and environmental commitments assumed. Documentary due diligence procedures are also carried out when contracting and paying suppliers, covering the Environmental, Human Rights and Integrity dimensions.

By joining the CDP Supply Chain in 2017, Banco do Brasil has been able to better monitor suppliers

with respect to their impacts on the environment, on climate change and the water management. Accordingly, we have guided our performance in fighting climate emergency by encouraging behavioral changes in the supply chain, something that can be perceived in the results achieved in the 2020 CDP Cycle.

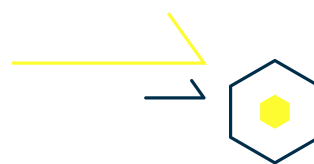
Even in the scenario of the Covid-19 pandemic, of the

total respondents in the year, 70% reported that Climate Change is part of their business strategy, an increase from the previous year and the result of awareness raising actions among our suppliers.

The results obtained in the Climate questionnaire represented an advancement in the supplier's climate change management. On the other hand, the results concerning water

management have signaled that this issue should be more closely followed by BB. We also underline that the list of respondent suppliers has been improved year by year to improve its representation and capture our supply chain complexity. Therefore, we seek to optimize the monitoring of emissions and mobilize our supply chain to achieve an increasingly low carbon economy.





Transparency in our actions

Carbon Efficient Index (ICO2) of B3 S.A. – Brasil, Bolsa, Balcão.

On June 17, 2010 BB subscribed to B3's ICO2, São Paulo Stock Exchange and was listed in all the last ten editions. The ICO2 is composed of shares of the companies participating in the IBrX-50 index and considers in its weighting not only the free float of the shares of the companies, but also the degree of efficiency of emissions of Greenhouse Gases, identified through the analysis of the inventories emissions.

With this, BB has demonstrated to the market its commitment to transparency, as well as its willingness to seek alignment with the best practices regarding business eco-efficiency and the contribution to a low carbon economy, consistent with the provisions of its strategy and its Social and Environmental Responsibility Policy.

Covid-19 Pandemic

Considering that the year 2020 was severely affected by the covid-19 pandemic, a response to the risks arising from the pandemic was

necessary. Thus, with the decree by the authorities of the pandemic state, BB took measures to adapt and protect its employees, service providers and suppliers, customers and society in general.

Awareness-raising and adoption of measures to protect against the spread of the virus were carried out: distribution of masks (common or face shields) to all employees (as well as mandatory use in all units), availability of gel alcohol, hygiene recurring of all furniture, equipment and physical structures, temperature measurement in all the Bank's facilities and the adoption of physical distance between people.

BB also implemented a large-scale home office and / or remote work for its employees, prioritizing those with comorbidities or who cohabit with family members in these conditions; reviewed and improved processes, products and services; provided services to customers and the population in general, as far as possible, remotely. Approximately 86% of the employees of the general administration and 29%

of those employed in the branch network worked remotely. At the end of 2020, around 33 thousand employees (approximately 36% of the total) were still working remotely. National travel was restricted and international travel was suspended, as well as training, events and face-to-face meetings, with digital media being prioritized.

As a result of these actions, there was a drastic reduction in commuting and business trips and trends in digitization and remote work were anticipated, which were already underway before the pandemic and which were intensified, in addition to other possibilities. It is expected that the result of these practices and trends will reflect on the reduction of BB's GHG emissions in the coming years, mainly in Scope 3, precisely the most relevant and on which the institution has less interference. Although there are still no quantitative and accurate data available about the full effect of these actions, they will certainly be considered in the improvement and execution of BB's corporate business strategy.



Our commitment to the future



At Banco do Brasil, we seek to face the challenges of reconciling business competitiveness with the construction of a more sustainable and socially just world in a constructive and transparent manner. For this reason, the issue of Climate Change is of great relevance to our company.

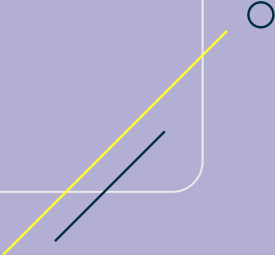
In order to move forward in this direction and be attentive to the international scenario and the needs of our country,

as well as to the directions of the financial sector, we are working with our Agenda 30 BB to connect our business strategies with global priorities. We seek innovative solutions to challenges, maintaining a sustainable operating model that combines financial performance with socio-environmental responsibility, in line with our history.

As such, we seek to act in a proactive and innovative way in the creation and

improvement of financial solutions that stimulate and help governments, companies and individuals to implement actions to reduce greenhouse gas emissions and adapt to the current and expected effects of climate change, collaborating in the transition to a low carbon economy.

Therefore, we have made efforts to increase the financing and/or investments for:

- projects for generation, distribution and consumption of renewable energy, including decentralized microgeneration;
 - energy efficiency projects for industries, aiming at replacing them with more efficient machines and equipment and for commercial and residential real estate ventures;
 - low-carbon agriculture projects and for the adoption of sustainable agricultural practices;
 - sustainable timber and non-timber forest management projects and the reforestation of native and commercial forests;
 - urban mobility, energy efficiency and mitigation and adaptation of cities and their citizens to the effects of climate change;
 - access by investors and companies to capital directed to the low carbon economy via capital market instruments;
 - economic and financial projects and instruments that support the implementation of the National Climate Change Policy and the National Emissions Reduction Policy;
 - engagement with governments, academia, business and the third sector to jointly promote actions that contribute to the transition to a low-carbon economy.
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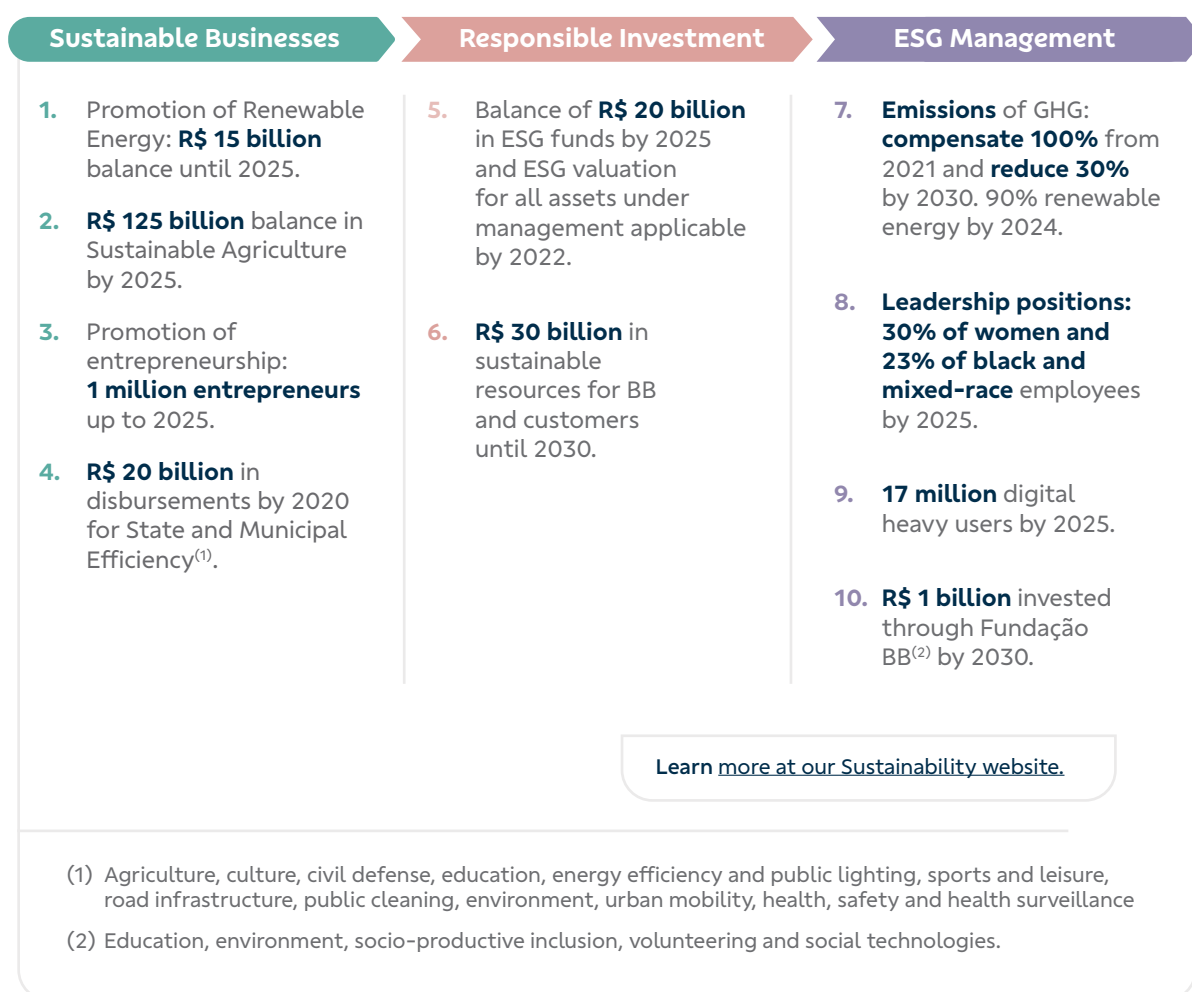
As such, we hope to continue to generate long-term value for both shareholders and society and, little by little, to build a fairer and more humane world for the generations to come.

This commitment is based on a practical Action Plan for the next 5 years and aligned with the company's strategy, Banco do Brasil's Socio-Environmental Responsibility Policy - PRSA and the Sustainability Plan - Agenda 30 BB.

The financial market plays an essential role in driving economic growth on a sustainable basis. Aware of this, we launched 10 sustainability commitments with targets until 2030. They reinforce our brand positioning and involve actions in Sustainable Business, Responsible Investment and ESG Management.

And to continue as protagonists in the search for an increasingly

sustainable world, we will do our homework and support employees, customers, investors, suppliers and society in the transition to a portfolio of products and services, and more sustainable practices, which generate value for people and the environment. All commitments are aligned with global objectives, such as the Paris Agreement and the SDGs (Sustainable Development Goals). Get to know BB's 10 Long-Term Sustainability Commitments:



The set of actions that will allow BB to achieve climate resilience is reported in our Sustainability Plan - Agenda 30 BB. In 2020, the 8th update cycle took place, in which the 10 Long-Term Sustainability Commitments were also considered, with goals to reach by 2030

and with the objective of increasing our positive contribution in alignment with the global priorities and demands of society.

Every two years the Sustainability Plan will be reviewed and updated according to the evolution

of the goals established in the long-term commitments, through risk analysis, studies of opportunities and trends; benchmarking with national and international peers; analysis of market indexes and rankings, and the perception of our various stakeholders;

Action 4: implement new attributes and/or differentiated commercial conditions (discounted fees, extended terms) for products/services aimed at the transition to an inclusive and low carbon economy.

- **Indicator 1:** Create new attributes and/or differentiated commercial conditions (discounted fees, extended terms) for a product/service aimed at the transition to a low-carbon and inclusive economy by December 31, 2021.

Impacted SDGs:



Action 5: Issue and originate a sustainable bond.

- **Indicator 1:** Issue a sustainable bond, according to BB's Sustainable Finance model by December 31, 2021.
- **Indicator 2:** Originate R\$ 6.5 billion in sustainable bonds by December 31, 2023.

Impacted SDGs:



Action 7: Increase the balance of assets under management with ESG aspects.

- **Indicator 1:** Develop ESG investment solutions for retail and private customers by June 30, 2022.
- **Indicator 2:** Achieve a balance of R\$ 12 billion in assets under management with ESG aspects by December 31, 2023.

Impacted SDGs:



Action 8: Increase the volume of sustainable credit

- **Indicator 1:** Disburse R\$ 536 million in the year 2023, aimed at energy efficiency and renewable energy by December 31, 2023 – Agro Market.
- **Indicator 2:** Disburse R\$ 548 million from 2021 to 2023, aimed at energy efficiency and renewable energy by December 31, 2023 – Companies/SMEs Pillar
- **Indicator 3:** Raise R\$ 1,499 million in the year 2023 in Project Finance and/or Structured Operations for renewable energy and/or operations intended for players in the renewable energy segment for investment in their activities by December 31, 2023.
- **Indicator 4:** Disburse R\$ 200 million in the year 2023, aimed at energy efficiency and renewable energy by December 31, 2023 – Public Sector Market.
- **Indicator 5:** Disburse R\$ 590 million from 2021 to 2023, aimed at energy efficiency and renewable energy by December 31, 2023 – Individual Customers Market.
- **Indicator 6:** Increase the portfolio balance aimed at best agricultural practices and low carbon agriculture to R\$ 113.0 billion by December 31, 2023.

Impacted SDGs:



Action 21: Strengthen the management and transparency of climate issues.

- **Indicator 1:** Improve climate-related information in financial reports by June 30, 2022.

ODS impactados:



The results achieved with these actions will be determined and published in BB's Annual Reports and disclosure of quarterly results.

