

Second Party Opinion

Banco do Brasil's Sustainable Credit Portfolio



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About SITAWI

SITAWI Finance for Good is a Brazil-based organization whose mission is to mobilize capital for positive environmental and social impact. We develop financial solutions for social impact and advise the financial sector on how to incorporate environmental and social issues into strategy, risk management and investment analysis. We are one of the 5 best environmental and social research houses for investors according to Extel Independent Research in Responsible Investment (IRRI 2019) and a pioneer in the green bond market in Brazil, Latin America and Caribbean.

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I. Scope

This document aims to provide a second party opinion (SPO) regarding Banco do Brasil's sustainable credit portfolio alignment to the best international sustainability standards.

SITAWI used its proprietary assessment method for portfolio assessment, which is aligned to the Green Bond Principles (GBP), Climate Bonds Standards, European Union Taxonomy for Sustainable Activities, Social Bond Principles, The Coolest Bond, Febraban's Green Taxonomy and other internationally recognized sustainability standards. The details of this method are available in section IV.

SITAWI's opinion is based on the alignment analysis of Banco do Brasil's sustainable credit portfolio with climate and sustainability standards.

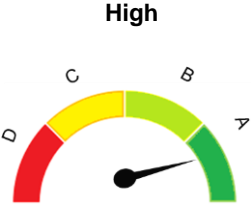
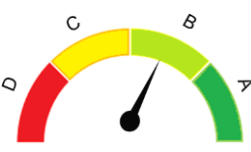

This analysis used information and documents provided by Banco do Brasil (some of them confidential), desk research, as well as other elements accessed via interviews with the bank staff. This process was carried out between August and October of 2021.

SITAWI had access to all request staff, however found technical and operational limitations to access granular data from Banco do Brasil's system within the proposed schedule. Therefore, this opinion has a limited level of assurance regarding completeness, precision and reliability.

This document updates the second party opinion report of Banco do Brasil's Sustainable Credit Portfolio prepared by SITAWI in February 2021.

II. Opinion

SITAWI concluded that the majority of Banco do Brasil's sustainable credit portfolio has **High** additionality regarding environmental and social issues. This conclusion was based on the alignment of credit operations with international sustainable projects and businesses standards, as detailed in the Portfolio Assessment section.

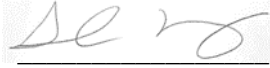
Additionality	Credit line	Percentage of the portfolio	Loans outstanding in September/2021 (R\$ million)
 <p>High</p>	<ul style="list-style-type: none"> • ABC Program • Agro Energy Program* • Green FCO* • BB Renewable Energy Credit (Renewable Energy credit lines – wind, solar and bioenergy) * • FCO Dissociated Working Capital Covid-19* • FCO Renewable Energy PF* • Pronaf • BB Accessibility Credit • FIES • MPO for Individuals and Legal Person • PESE Fopag • Pronampe • Companies portfolio • Low Income Housing Levels 1, 1.5 and 2 • PCA¹ • Moderinfra 	54.33%	153,258
 <p>Moderate</p>	<ul style="list-style-type: none"> • Pronamp • Agricultural Funding for No-Till Farming (Traditional Agricultural Funding) • Agricultural Funding for No-Till Farming (Pronamp Agricultural Funding) • Inovagro • Taxi Driver Support Fund • Funding for the public sector • Municipal Efficiency Program • Companies portfolio • FCO Economic Infrastructure Program* • Low Income Housing Level 3 	41.25%	116,354
 <p>Limited</p>	<ul style="list-style-type: none"> • PCA • Moderagro • SUDENE* • Prodecoop* • FCO Program for Regional Tourism Development* 	4.42%	12,475

*Credit lines that were not analysed on 2021 February's Report

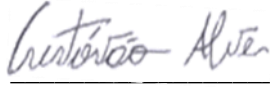
Banco do Brasil's sustainable credit portfolio lists credit lines to fund clients and projects with positive environmental and social impacts, which can be divided into five major lines: i) Low Carbon Agriculture; ii) Sustainable Agricultural Practices; iii) Companies Portfolio (operations/products for sectors of the Green Economy); iv) Social Loans; v) Renewable Energy. The assessment of each of these major lines are presented in the following section.

¹ It's being considered only the portion of PCA's investments that are invested in warehouses with a high level of eco-efficiency, as described in the opinion below.

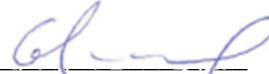
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Disclaimer

SITAWI is not a shareholder, investee or supplier of Banco do Brasil. In 2019, SITAWI has supported BB to develop its Sustainable Finance Framework, in technical cooperation with the Inter-American Development Bank. The aforementioned project has no direct relation with this SPO, which was performed by professionals from another area of SITAWI. Therefore, SITAWI declares to be able to provide an independent Second Party Opinion regarding Banco do Brasil Sustainable Credit Portfolio.

The analysis contained in this SPO is based on a series of documents, part of which are confidential, provided by the bank. We cannot attest their completeness, accuracy or reliability. Therefore, SITAWI² cannot be held responsible for the use of the information contained in this report.

² The final responsible for this report is KOAN Finanças Sustentáveis Ltda. (KOAN Sustainable Finance Ltda.), which operates under the name of SITAWI Finance for Good.

III. Portfolio Assessment

SITAWI used its proprietary assessment method to assess Banco do Brasil's sustainable credit portfolio, which is aligned with the following references:

- Green Bond Principles (GBP), from the International Capital Markets Association
- Social Bond Principles (SBP), from the International Capital Markets Association
- The Coolest Bonds, from SITAWI Finance for Good³
- Climate Bonds Taxonomy⁴
- European Union taxonomy for sustainable activities⁵
- Febraban's Green Taxonomy (Taxonomia Verde da Febraban)⁶

The credit lines and products were divided across the following categories:

- a) Low Carbon Agriculture;
- b) Best Socio-Environmental Practices;
- c) Companies Portfolio;
- d) Social Loans;
- e) Renewable Energy;

Over the following pages, we will assess the alignment of each of these credit lines and products according to the aforementioned sustainability standards.

Low Carbon Agriculture

Plano ABC (ABC Program)

The Low Carbon Agriculture Program (ABC) is a credit line created by The Central Bank of Brazil in 2010, being part of the ABC Plan, and it aims to finance practices that reduce greenhouse gases (GHG) emissions from agriculture and cattle raising activities. Since 2010, the program has directed more than R\$ 19.1 billion to sustainable agriculture⁷ through partner banks (Banco do Brasil, Banco da Amazônia e Banco do Nordeste)⁸

The program aims to increase agricultural productivity, reduce deforestation, promote soil and water conservation, adequate rural properties to the law, expand the area of cultivated forests and recover degraded lands.

In 2019, agriculture was responsible for 72% of the Brazilian GHG emissions, according to the United Nations Framework Convention Climate Change (UNFCCC) and the Food and Agriculture Organization (FAO). Besides, Brazilian agriculture production is expected to increase over the following years.⁹

ABC Program has eleven distinct credit lines with specific goals each, as presented below. It is worth highlighting that the goals and results below refer to ABC Program as a whole and not just to Banco do Brasil's credit operations.

³ <https://info.sitawi.net/thecoolestbonds>

⁴ https://www.climatebonds.net/files/files/CBI_Taxonomy_Tables_January_20.pdf

⁵ https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teq-final-report-eu-taxonomy_en

⁶ <https://portal.febraban.org.br/pagina/3292/1103/pt-br/consulta-publica>

⁷ <https://www.oc.eco.br/plano-abc-ganha-nova-fase-mas-permanece-com-1-do-plano-safra/>

⁸ <https://www.gov.br/agricultura/pt-br/assuntos/sustentabilidade/plano-abc/plano-abc-agricultura-de-baixa-emissao-de-carbono>

⁹ <https://www.ecodebate.com.br/2020/11/12/agropecuaria-respondeu-por-72-das-emissoes-do-brasil-em-2019/>

Credit Line	Description	Goals
ABC Recuperação (ABC Recovery)	Recover degraded pastures. The pasture degradation reduces the vegetation coverage and organic matter in the soil, which increases the greenhouse gases emissions into the atmosphere.	- Recover 15 million hectares of degraded pastures and mitigate from 83 to 104 million of tons of carbon equivalent (t CO ₂ eq). - Between 2010 and 2018, 4.46 million hectares of degraded pastures were recovered (30% of the target), and 16.9 million t CO ₂ eq were mitigated (18% of the target)
ABC Orgânico (ABC Organic)	Implementation and improvement of organic agricultural production systems.	-
ABC Plantio Direto (ABC No-Till Farming)	Implementation and improvement of no-till farming. Among the benefits of this system, are the soil, biodiversity and water conservation. In addition to increasing the fertilization efficiency, reducing the consumption of fossil fuels and the use of fertilizer.	Reach 8 million hectares of no-till farming and mitigate from 16 to 20 million t CO ₂ eq. Between 2010 and 2016, 9.97 million hectares of no-till farming were produced (125% of the target), and 18.25 million t CO ₂ eq. were mitigated (101% of the target).
ABC Integração (ABC Integration)	Implementation and improvement of integrated crop-livestock, crop-forestry, livestock-forestry or crop-livestock-forestry systems and agroforestry systems (SAF). SAFs combine forest species with traditional crops.	Implementation of 4 million hectares of ICLFS and mitigate from 18 to 22 million t CO ₂ eq. Between 2010 and 2016, 5.83 million hectares were converted to ICLFS (146% of the target), and 22,11 million t CO ₂ eq. were mitigated (111% of the target)
ABC Florestas (ABC Forests)	Implementation, maintenance and improvement of forests, including those intended for industrial use or charcoal production. The planted forests of native species (such as Paricá and araucaria) and exotic ones (such as pine and eucalyptus) contributes to CO ₂ capture. By increasing the wood supply, the cultivation of exotics species also reduces the pressure on native forests.	Foster the cultivation of 3 million hectares of economic forests and mitigate from 8 to 10 million t CO ₂ eq. Between 2010 and 2018, 1.1 million hectares of forests were planted (37% of the target) and 2 million t CO ₂ eq. were mitigated (25% of the target).
ABC Ambiental (ABC Environmental)	Adjustment or regularization of rural properties in face of environmental legislation, including recovery of legal reserves, permanent protection areas, recovery of degraded areas and implementation and improvement of sustainable forest management systems.	-
ABC Tratamento de Dejetos (ABC Waste Management)	Implementation, improvement and maintenance of systems for the treatment of animal waste and residues from animal production for energy generation and composting. Animal waste treatment reduces the methane emissions and produces organic fertilizer enabling reduction in the use of chemical inputs that contribute to GHG emissions. Besides, enabling the conversion of biogas into energy.	Foster the treatment of 4.4 million cubic meters of animal waste and contribute to mitigate 6.9 million of t CO ₂ eq. Between 2010 and 2018, 1.7 million cubic meters of swine industry solid waste were treated (39% of the target), contributing to the mitigation of 2.67 million t CO ₂ eq (39% of the target)
ABC Dendê	Implementation, improvement and maintenance of "dendê" palm forests, primarily in degraded productive areas.	-
ABC Fixação (ABC Fixation)	Encouraging the use of biological nitrogen fixation. The inoculation of seeds with bacteria capable of fixing atmosphere nitrogen into the soil reduces the use of fertilizer that contributes to GHG emissions.	Adopt BNF in 5.5 million hectares and mitigate 10 million t CO ₂ eq. Between 2010 and 2016, 9.97 million hectares were planted using BNF (81% of the target), and 18.25 million t CO ₂ eq were mitigated (182% of the target).
ABC Cultivos Permanentes (ABC Permanent Cultures)	Implementation, improvement and maintenance of açai berry, cocoa, olive and walnut plantations.	-
ABC Demais (added in the latest portfolio review)	Implementation or expansion of bioinput and biofertilizer production units on rural properties, conservation practices for the use, management and protection of natural resources, including correction of soil acidity and fertility.	-

According to the Climate Bonds Standards' Agriculture Criteria, the adoption of climate-friendly agricultural practices may be considered eligible to climate bond issuance. Therefore, it could be considered a sustainable activity. According to The Coolest Bond Report, the activities funded by the ABC Program are mostly aligned with 2°C scenario,

recommended by the Paris Agreement. The European Union Taxonomy for Sustainable Activities states that agricultural activities that have been proven to decrease or avoid GHG emissions can be classified as sustainable activities. According to the Green Bond Principles, the ABC Program can be framed as sustainable agriculture within the category Environmentally Sustainable Management of Living Natural Resources and Land Use.

Therefore, we conclude that the credit operations within the ABC Program have **High (A)** contribution to a sustainable economy and are fully aligned to the environmental and climate standards adopted.

Agricultural funding for no-till farming

There are two credit lines for operating expenses in No-Till Farming Systems. They are:

- Traditional Agricultural Funding
- Pronamp

These credit lines finance expenses such as agricultural inputs, cultural treatments and harvesting, production of certified and inspected seedlings and seeds. While Pronamp can finance rural producers with annual income up to R\$ 2.4 million, Traditional Agricultural Funding is directed to larger producers.

No-till farming is an agricultural technique in which the seed or seeding is placed directly in the soil, without disturbing it through tillage. This system does not require previous soil preparation, allowing to anticipate the sowing of the subsequent crop. This technique contributes to climate change mitigation by avoiding emissions from the stock carbon retained in the soil. It also inhibits erosion, protecting the soil against the disruptive action of the rain.

According to The Coolest Bond Report, no-tillage systems avoids over 50% of CO₂ emissions when compared to traditional agricultural systems, and it is aligned with a 2°C scenario.

As reported by the Portfólio de Boas Práticas Agrícolas (Best Socio-Environmental Practices) – Programa Água Brasil (Brazil Water Program), no-tillage systems have the following benefits:

- Reduction of soil loss by erosion, once it is protected by a layer of straw. The straw makes the water penetrate slowly and avoids silting;
- Conservation and increase of organic matter in the soil, reducing the ploughing and accumulating of organic matter. Besides, the straw degradation increases the soil fertility;
- Water conservation, since the straw decreases the evaporation;
- Lower soil temperatures, as it is not exposed to direct radiation, even in the hottest periods of the day;
- Reduction in the workforce required, minimizing costs;
- Increased sowing time, since the soil is kept moist for longer periods after raining;
- Greater stability and balance of the physical, chemical and biological properties of the soil, since it is less mobilized;
- Increased productivity associated to a higher humidity, especially during prolonged drought;

- Increased carbon storage in the soil.

According to the Climate Bonds Standards Agriculture Criteria, the eligible use of proceeds related to agricultural production systems may include OPEX and CAPEX related to inputs (e.g. soil, seeds, fertilizers, energy, information); capital goods (e.g. land, equipment, real estate); agricultural processing (e.g. plantations and reforested areas); agricultural products (e.g. grains, vegetables, fibers, meat, dairy products); waste management (e.g. composting, manure, agricultural waste processing, recycling); processing and storage before distribution. However, the same criteria forbids the conversion of native vegetation after 2010, as well as requires a climate risk assessment of the rural properties. Such conditions are not required by BB.

Furthermore, because the lines are focused exclusively on operational expenses, the level of additionality, based on this framework is Moderate.

Therefore, we conclude that the projects and activities classified as no-till farming have Moderate **(B)** contribution to a sustainable economy.

Best Socio-Environmental Practices

This products promotes the best socio-environmental practices as defined by Banco do Brasil. The lines within this subdivision are the following:

- Prodecoop – Programa de Desenvolvimento Cooperativo para Agregação de Valor à Produção Agropecuária (Program for the Development of Cooperative Agricultural Production);
- Pronaf - Programa Nacional de Fortalecimento da Agricultura Familiar (National Program to Strengthen Family Farming);
- Pronamp Investimentos - Programa Nacional de Apoio ao Médio Produtor Rural (National Program to Support Mid-Sized Rural Producers);
- Inovagro - Programa de Incentivo à Inovação Tecnológica na Produção Agropecuária (Program to Promote Technological Innovation in the Agricultural Production);
- PCA - Programa para Construção e Ampliação de Armazéns (Program to Promote the Construction and Expansion of Agricultural Warehouse);
- Moderagro - Programa de Modernização da Agricultura e Conservação de Recursos Naturais (Program for Agriculture Modernization and Conservation of Natural Resources);
- Moderinfra - Programa de Incentivo à Irrigação e à Produção em Ambiente Protegido (Program to Promote Sustainable Irrigation and Storage);
- FCO Verde - Fundo Constitucional para Financiamento do Centro-Oeste Verde (Green FCO – Mid West Regional Fund for Green Activities);
- FCO Empresarial - Fundo Constitucional para Financiamento do Centro-Oeste Empresarial (Corporate FCO – Mid West Regional Fund for Corporate Activities);
- SUDENE – FDNE - Fundo de Desenvolvimento do Nordeste (SUDENE – FDNE – Northeast Regional Fund);
-

Below, the aforementioned lines will be evaluated according to the environmental and social standards adopted.

Prodecoop – Program for the development of Cooperative Agricultural Production

Prodecoop is a program that aims to finance the production and distribution systems of Brazilians cooperatives.

Created in 2003, Prodecoop is the main policy focused on agricultural cooperatives in Brazil. Between 2003 and 2021, the program allocated approximately R\$ 18.24 billion in the sector¹⁰.

Agricultural cooperatives are responsible for supporting the logistics, distribution and trading of rural production. It also provides technical assistance to cooperative members. Brazil currently has about 50 million people directly or indirectly related to cooperative systems, which shows the robustness of this system as a source of income and employment. According to a survey¹¹ carried out in 2019 involving cooperatives in Rio Grande do Sul, the average wage of a cooperative employee was 12% higher than the earnings in the private sector. According to the Organization of Brazilian Cooperatives (OCB), there are more than 1,200 agricultural cooperatives operating in Brazil, and these generate around 207,000 jobs¹². According to the 2017 Agricultural Census (IBGE), 71.2% of the cooperative agricultural establishments are based on family farming.

According to the Social Bond Principles, the Prodecoop is aligned with the categories “empowerment and socioeconomic advancement” and “access to essential services”, given the importance of cooperative systems to reduce inequality.

On the other hand, it cannot be guaranteed that the proceeds of the credit operations are directed to target populations in vulnerable conditions. Therefore, we classify the additionality as **Limited**.

Based on the arguments above, since the program is aligned with the categories defined in the Social Bond Principles but it is not restricted to target populations in vulnerable situations, it was classified as **Limited additionality (C)**.

Green FCO – Mid West Regional Fund for Green Activities

Green FCO aims to finance environmental and land regularization of rural properties in the Brazilian Mid-West region, especially those that intend to implement production systems and technologies to mitigate greenhouse gases emissions. It can be contracted by individuals, legal entities or cooperatives.

The Mid West Regional Fund (FCO) was created by the Federal Constitution of 1988, aiming to promote socioeconomic development of the region.

In 2019, agriculture accounted for 72% of Brazilian GHG emissions, according to the United Nations Framework Convention on Climate Change (UNFCCC), and the United Nations Organization for Agriculture and Livestock. In addition, Brazilian agricultural production should continue to grow in the coming years¹³.

¹⁰ Planos Agrícola e Pecuária anuais, consultados em <https://www.gov.br/agricultura/pt-br/assuntos/politica-agricola/todas-publicacoes-de-politica-agricola/plano-agricola-pecuario>

¹¹ Expressão do Cooperativismo Gaúcho, 2019.

¹² <https://www.gov.br/agricultura/pt-br/assuntos/agricultura-familiar/cooperativismo>

¹³ <https://www.ecodebate.com.br/2020/11/12/agropecuaria-respondeu-por-72-das-emissoes-do-brasil-em-2019/>

Among the items financed by Green FCO, it is important to emphasize that all of them must necessarily be aligned with agricultural practices for mitigating greenhouse gases emissions. Most of these items match the objectives of the ABC program, as it is presented below:

- Implementation of agroforestry systems, afforestation or reforestation, implementation of plant nurseries, recovery of pasture areas, permanent crop and native species;
- Conservation and/or recovery of water bodies;
- Implementation of agroforestry systems, integrated or not;
- Treatment of agricultural effluents;
- Food production with sustainable practices;
- Production of organic inputs, such as bioinputs, biofertilizers, organic compounds, seedlings and seeds;
- Transition services from traditional to organic agriculture;
- Certification of carbon sequestration projects, reduction of greenhouse gas emissions and forestry projects;
- Low impact forestry management;
- Implementation of environmental management systems;
- Oilseed crops for biodiesel production;
- Recovery of degraded legal reserve areas and permanent preservation areas;
- Implementation, expansion and modernization of projects for alternative energy sources, such as photovoltaic and biodigesters;
- Soil preparation with agricultural correctives;
- Acquisition of seeds and seedlings;
- Ground cover;
- Implementation of improvements for integration systems;
- Acquisition of machinery and equipment;
- Acquisition of bovine and ovine matrices for reproduction;
- Milk production;
- Fruit growing or pulp;
- Acquisition of breeders, semen and embryos of cattle and sheep;
- Expenses with land title regularization and environmental adaptation to current legislation.

According to the Climate Bonds Initiative's Agriculture Sectorial Criteria, the adoption of climate-friendly agricultural practices is eligible to issue a climate bond. According to The Coolest Bonds, the practices financed by Green FCO are, for the most part, aligned to a 2°C scenario. The European Union's Taxonomy of Sustainable Activities includes agricultural activities that are proven to reduce or prevent GHG emission. According to the Green Bond Principles, Green FCO can be classified as sustainable agriculture within the Environmentally Sustainable Management of Living Natural Resources and Land Use category.

Thus, we conclude that the credit operations within the Green FCO lines have **High additionality (A)** and are fully aligned with environmental and climate standards adopted.

Corporate FCO – Mid West Regional Fund for Corporate Activities

Corporate FCO is a fund for companies linked to industrial, agro-industrial, mineral, tourism, economic, commercial and infrastructure sectors located in the Mid-west Region. The fund includes are the following products:

- FCO Program for the Development Regional Tourism;
- FCO Program for Economic Infrastructure;

Corporate FCO is a fund originated from the Brazilian Federal Constitution aimed to finance the implementation, expansion, modernization, reform, environmental and sanitary adaptation of industrial, agro-industrial, economic infrastructure, tourism, commerce, services, science, technology and innovation, working capital associated with investment projects, working capital to support general expenses related to the administration of projects (except amounts related to loans and financing in the National Financial System)¹⁴.

The Mid west region is a successful case of development of its agro-industry and integration into the national economy¹⁵. The region overcame a “demographic vacuum” prior to the 1970s and 1980s and became one of the highest regional GDP and lowest index of social vulnerability among its municipalities. According to the Brazilian Human Development Atlas (IPEA/UNDP – 2016)¹⁶, every state from the mid-west region have a high human development index¹⁷ (with the exception of the Federal District, which is has a very high index). This fact puts the region in the same group as the South and Southeast regions of the country, considered the richest and most developed regions.

The Midwest region had a sharp development over the last decades. In 1991, about 94% of the municipalities had a very low human development index. In 2010, no municipality in the region had this index and 97% of the municipalities had medium or high human development indices.

The beneficiaries of FCO Corporate are companies of every size: individual entrepreneurs, micro and small companies, and medium and large companies.

1) FCO Program for the Development of Regional Tourism

This credit line promotes the modernization and expansion of touristic activities through access to goods and services.

Specialized literature¹⁸ correlates social and economic development of specific regions with local tourism development. As a consequence, planned tourism development may also generate and distribute income.

However, it is important to point out that the credit line is not directed to vulnerable population, and can be accessed by legal persons of any size. Therefore, the social additionality is considered to be limited.

¹⁴ <https://www.gov.br/sudeco/pt-br/aceso-a-informacao/perguntas-frequentes-1/fundo-constitucional-de-financiamento-do-centro-oeste-fco>

¹⁵ Silva, W. G., & Abrita, M. B. (2017). Políticas Públicas de Desenvolvimento Regional: uma análise a partir da atuação da primeira Superintendência de Desenvolvimento do Centro-Oeste (1967-1990). *Ateliê Geográfico*, 11(1), 235–256. <https://doi.org/10.5216/ag.v11i1.37387>

¹⁶ Acessado em:

<http://repositorio.ipea.gov.br/bitstream/11058/6217/1/Desenvolvimento%20humano%20nas%20macrorregi%C3%B5es%20brasileiras.pdf>

¹⁷ IDH: índice de desenvolvimento humano, que mede aspectos relacionados a Renda, Longevidade e Educação dos indivíduos de determinada região.

¹⁸ Silveira, G. T. (2008). Turismo, emprego e renda: o caso da cidade histórica de Tiradentes - MG. (Dissertação de mestrado) Programa de Pós-Graduação em Turismo) - Universidade de Caxias do Sul. Caxias do Sul, RS, Brasil.

This credit lined is aligned with the SBP category “employment and income generation”. How since it is not directed to vulnerable target population, its social additionality is **limited (C)**.

2) FCO Economic Infrastructure

This credit line aims to implement, expand, modernize and reform infrastructure across the following sectors: waterway transport, sanitary sewage, water supply, domestic and industrial effluent treatment, composting sectors and landfills, and renewable energy generation.

Items financed within this line and their alignment with the sustainability standards are presented below:

Item	Sustainability standards alignment
Water supply and sewage	Alignment with Green Bond Principles and Social Bond Principles.
Domestic and non-domestic effluents treatment	Alignment with Green Bond Principles and Climate Bond Standards. For Climate Bonds Standards, specific energy efficiency criteria may also be applied.
Composting units or landfills	Alignment with Green Bond Principles
Piped gas production and distribution	No clear alignment with the adopted sustainability standards
Storage, transport, communication and energy in logistics activities	No clear alignment with the adopted sustainability standards
Telecommunications	No alignment with environmental standards. Possible alignment with social criteria depending on sociodemographic issues and impacted population
Electric power transmission lines	Alignment with Green Bond Principles, Climate Bond Standards and European Union Taxonomy since it is connected to low-polluting sources.
Road transportation	No alignment with environmental standards. Possible alignment with social criteria depending on sociodemographic issues and impacted population
Renewable energy generation (solar, SHP, CGH, biomass, biogas and wind)	Alignment with Green Bond Principles, Climate Bond Standards and European Union Taxonomy

Part of the items above are in line with the criteria of the Climate Bonds Initiative, the European Union's Sustainable Finance Taxonomy and The Coolest Bond. In addition, the BB FCO Economic Infrastructure line also finances the implementation, expansion, modernization of gas pipelines, which reduces the alignment of the credit line as a whole, given the high environmental and social risk of gas pipelines.

In conclusion, the projects and activities financed by the credit line have **Moderate additionality (B)**. To achieve a higher level of additionality, it would be necessary to segregate the operations that are directed to the high additionality items described above.

SUDENE (Superintendence for the Development of the Northeastern)

SUDENE credit line aims to promote the development of the Northeastern Region, guaranteeing proceeds for investments in infrastructure, public services and productive enterprises.

According to IPEA's Social Vulnerability Index (social vulnerability atlas of Brazilian municipalities – 2015)¹⁹, the Northeastern region has worst social vulnerability indicators. Such indicators reflect access to basic sanitation and urban mobility, health and education, and issues related to occupation and child labor, in addition to other thematic aspects.

According to the aforementioned study, half of the municipalities (47.7%) in the Northeastern region present a high social vulnerability situation, while 32.4% of its municipalities present a very high social vulnerability situation²⁰. Between 2000 and 2010, the region improved its social vulnerability situation, from a very high vulnerability grade (index: 0.564) to highly vulnerable grade (index: 0.414). Such improvement can be partially explained by the regional development policies implemented during that period.

SUDENE credit line is directed to medium and large companies, including mixed-capital companies, and excludes projects related to arms trade, tobacco and others defined by the Northeastern Development Fund's Deliberative Council (FDNE).

According to the Strategic Axes of the Northeastern Regional Development Plan (PRDNE), the Guidelines and Priorities for the application of FDNE²¹ proceeds are the following: innovation, education and development of human capacities, productive modernization, social and urban development, and water security and environmental conservation.

Among the projects financed by SUDENE/FDNE, it is possible to observe that a large portion is not aligned with green finance development. However, there are items which promote and develop basic infrastructure, essential services, employment generation and socioeconomic advancement and empowerment, which present social additionality.

The table below shows the items that can be financed by this credit line, as well as its alignment with environmental and social sustainability standards:

item	Alignment with sustainability standards	Level of alignment
Financing of industrial parks, ICT sectors, and implementation of innovative processes and energy efficiency in the food, textile, pharmaceutical, health, electro-metal-mechanical, agro-industry, water sanitation utilities, energy, oil, gas, cement, steel and chemical industries.	European Union Taxonomy	Partially aligned: water sanitation utilities and energy efficiency projects. Not aligned: oil and gas
Technical and higher education for low income students (FIES)	SBP	Full alignment
Renewable energy generation; power transmission and distribution, natural gas distribution projects; use of LNG and regasification terminals; telecommunications, fiber optic infrastructure, telephony	CBI EU	Full alignment: solar and wind energy

¹⁹ http://ivs.ipea.gov.br/images/publicacoes/lvs/publicacao_atlas_ivs.pdf

²⁰ O Índice de Vulnerabilidade Social (IVS) é um indicador que permite aos governos um detalhamento sobre as condições de vida de todas as camadas socioeconômicas do país, identificando àquelas que se encontram em vulnerabilidade e risco social. O IVS é o resultado da média aritmética dos subíndices IVS Infraestrutura Urbana, IVS Capital Humano e IVS Renda e Trabalho. A leitura do IVS parte das unidades 0 à 1, classificadas como muito baixa (0 – 0,2), baixa (0,2 – 0,3), média (0,3-0,4), alta (0,4 – 0,5) muito alta (0,5-1).

²¹ <https://www.gov.br/sudene/pt-br/centrais-de-conteudo/notatecnica211-2020.pdf>

and broadband; strengthening and densification of local productive arrangements (APLs) in agriculture; financing of irrigation systems; highways; railways; airports; waterways; logistic terminals; ports and port terminals, including dredging of port access channels; expansion and improvement of the tourist infrastructure in the region; fostering the expansion of the regional hotel network; financing of producers and suppliers of equipment and services in the solar and wind production chain; financing of projects associated with the internet of things; artificial intelligence; 4.0 industry; implementation of data centers; boosting the creative economy based on the richness and diversity of regional culture; financing of the biotechnology, pharmaceuticals, biopharmaceutical, bio pesticides, cosmetics and biomaterials industries; financing of industrial enterprises; activities associated with the development of the space sector at the Alcântara Space Center (CEA).	NPEB (The Coolest Bond)	production chain; irrigation; Not aligned: Natural gas, oil and gas
	SBP	Partial alignment: tourism promotion; telecommunications infrastructure; creative economy
Health sector; technologies to improve public services; infrastructure for the integration of metropolitan regions; urban mobility; water supply, sanitary sewage and solid waste treatment, including energy generation.	SBP	Full alignment: urban mobility, water supply, sanitation and solid waste treatment
Interventions authorized in the national water security plan (PNSH) under the PISF (São Francisco River Integration Project)	SBP	Full alignment: water supply

Although SUDENE has fundable items that are aligned with the adopted environmental and social standards, it is not possible to guarantee that the funds are fully allocated to them. Therefore, we classify its additionality as **Limited (C)**. To achieve higher levels of additionality, it would be necessary to segregate items high environmental and social benefits.

Pronaf – National Program to Strengthen Family Farming

Pronaf is a program to fund family agriculture, aimed to implement, expand or modernize the production, processing, industrialization and services structure in rural establishments or in nearby rural community areas.

The program was created in 1995 by the federal government to provide a special service to small farmers. That is, those farmers whose production is a result of its own labor or family labor. The purpose of this program is, therefore, to strengthen the activities developed by the Family Agriculture, integrating it into the larger scale agribusiness value chain through the modernization of the production system. As a result, their production would increase its added value, which, in turn, would increase the family income.

Family Agriculture is the main responsible for the food production available to the Brazilian population, as reported by the last agricultural census conducted in 2017. In permanent cultures, the segment accounts for 48% of the coffee and banana production values; in the temporary crops, it is responsible for 80% of the cassava production value, 69% of pineapple and 42% of bean production. The rural land management is shared by the family and the agricultural activity in the main source of income. The familiar agriculture has a particular relationship with the land, his place of work and housing. Productive diversity is also a striking feature of this sector, as it often combines subsistence production with market destined production.

Through Pronaf, agricultural cooperatives, rural producers (individual and legal entities) and their families, artisanal fishermen, aquaculturists, marine farmers, foresters, quilombolas, indigenous, agrarian reform settlers and beneficiaries of the National Land Credit Program can be financed. In order to have access to the program, the following requirements must be met:

- live on rural propriety or nearby, depending on the geographical characteristics of the region;
- explore the land, whether as owner, squatter, tenant, partner or concessionaire of the National Agrarian Reform Program (PNRA)
- have in the family farming itself the basis of work to maintain it;
- have at least 50% of the gross family income coming from rural activities, whether agricultural or not;
- have gross Family income up to R\$ 360,000 over the last 12 months of production (in this amount it is not considered the social security benefits of rural activities and related revenues);
- have up to four fiscal modules for agricultural activity or six to livestock activity;
- use third-party labor only on a seasonal basis (if the employees are permanent, they should be fewer than the family members)

Thus, we can classify Pronaf according to the following categories and target population of the Social Bond Principles:

Table 1 – Definition of eligible categories and target population that will access Pronaf proceeds:

SBP Categories	Target population
Access to essential services, such as financing and financial services.	Farmers with gross Family income up to R\$ 360,000 in the last 12 months of production and owner of up to 4 fiscal modules, considered as small rural propriety.

Therefore, we conclude that the projects and activities financed by Pronaf have **High (A)** additionality to a sustainable economy and are fully aligned with social standards (SBP).

Pronamp – National Program to Support Average Rural Producers

Pronamp aims to finance investment projects for small and medium-sized rural producers. The program will benefit rural landowners, squatters, tenants, partners or borrowers who cumulatively meet the following eligibility criteria:

- Annual gross income of up to R\$2.4 million²²;

The main goal of this program is to serve producers who do not fit into Pronaf's requirements, either because the annual income or the propriety size, therefore not being able to access the traditional agriculture financing lines.

According to the Social Bond Principles categorization, Pronamp's can be categorized in 'empowerment and socioeconomic advancement', due the access to finance for small and medium-sized rural producers.

On the other hand, we cannot be sure whether the resources are directed to vulnerable target populations. Thus, we classified the social additionality as **Limited**.

It is important to say that, among the nine categories of Pronamp's fundable items, three of them are aligned with environmental standards:

²² When the rural producer (legal entity) is part of an economic group, the group's consolidated gross revenue must be considered.

1) *Irrigation, damming e drainage:*

Brazilian irrigated agriculture still represents a small share of the sector, with only 6.7% of the total cultivated area. However, it is responsible for 20% of the national production and 43% of the value produced (Braga, 2017 – EMBRAPA). These values demonstrate a clear competitive advantage of irrigated agriculture.

The Coolest Bond Report (SITAWI, 2018), shows that the irrigation systems reduces energy and water consumption, and are aligned to a 2°C climate change scenario.

According to CBI (2020), irrigation systems and water reuse are eligible to receive green funding.

2) *Afforestation, reforestation and tree stump removal*

Forests have a huge potential for carbon sequestration. Carbon sequestration occurs during the trees life cycle and contributes to greenhouse effect mitigation. Brazil has approximately 7.84 million hectares of planted forests, which stock around 1.7 billion t CO₂ eq. The carbon capture potential of these forests – and hence of the forestry sector, varies according to species composition, age, soil composition, type of cut, among other elements.

Afforestation and reforestation are strategic efforts to combat deforestation, strengthening the compliance with the Brazilian Forestry Code and compensating emissions associated with deforestation through sustainable management. The renewing planting and harvesting cycles restore areas that were previously anthropized by agricultural and extractive activities. Depending on the type of vegetation, it may also promote biodiversity in the area and prevent deforestation-related activities, such as illegal logging and extensive farming. To each hectare of planted forest for commercial purposes, the forestry sector allocates 0.7 hectare to Permanent Preservation Areas (APPs), Legal Reserve areas (RL) and Natural Heritage Private Reserve (RPPN), collaborating to the conservation of local biodiversity.

Furthermore, according to CBI, planted forests and forest restoration are examples of green projects and assets.

3) *Restoration of degraded pasture*

In Brazil, there are approximately 180 million hectares of pastures. However, more than half is degraded. The restoration of degraded pasture contribute to sustainability in cattle farming, by increasing livestock productivity without clearing new areas. Given that, restoration of degraded pasture helps to reduce carbon emissions in rural sector.

According to the Coolest Bond (SITAWI, 2018), the restoration of degraded pasture is aligned with the scenario of 2°C. The study states that it can avoid from 25% to 35% or carbon emissions.

As stated by CBI, agriculture criteria, the “conversion of degraded land for agricultural production, or maintenance of climate friendly farming practices” can be considered eligible to a climate bond emission.

Although some of Pronamp credit lines are aligned with the sustainability standards adopted, we cannot ensure that 100% of the proceeds are directed to these items. Additionally, it isn't possible to segregate the volume of credit operation directed to clients

that belongs to vulnerable groups. Therefore, Pronamp was classified as **Moderate (B)** additionality.

Moderinfra - Program to Incentivize Sustainable Irrigation and Storage

Moderinfra is a credit product that aims to fund sustainable irrigated agriculture. It also aims to foster protected rural production and fruit farming from the incidence of hail. The credit line can be accessed by rural producers and cooperatives of any size.

Banco do Brasil requires borrowers to comply with labor legislation and the Forestry Code in order to access this credit line. The eligible projects are related to irrigation systems (all infrastructure and operation), equipment for specific crops (olericulture, fruit, floriculture, coffee and other forest species) and meteorological stations and systems. The fundable items are investment projects or isolated acquisition of machinery and equipment listed below:

- 1) Irrigation systems (including electrical infrastructure, water reserve and equipment for monitoring soil moisture);
- 2) Acquisition, implantation and recovery of equipment aiming to protect crops inherent to olericulture, fruit, floriculture, coffee and production of seedlings of forest species.
- 3) Meteorological stations and software required for its operation are subject to prior authorization by the final beneficiary of the financing, and must share the data produced by this equipment with public institutions.

According to CBI (2020)²³, irrigation and water reuse systems are eligible as green/climate projects. In addition, the second and third items above can be considered as adaptive agricultural investments to climate change, classified as NDC scenario in The Coolest Bonds (2018).

Based on the information above, Moderinfra is classified as **High (A)** additionality, due to its alignment with the environmental and climate standards.

Inovagro - Program to Incentivize Technological Innovation in Agricultural Production

Inovagro is a credit line that aims to finance technological innovations in rural properties, in order to increase productivity and enhance the management. The credit line can be accessed by rural producers (individual and legal entities) and rural cooperatives.

Technological innovation is one of the main solutions proposed by the Brazilian government, which is fundamental to implement the ABC Program and to restore 15 million hectares of degraded pastures by 2030 (Brasil, 2015).

The Coolest Bonds (SITAWI, 2018) lists a set of projects that are eligible as sustainable projects. Since most of it has the technological character as fundamental for its implementation and success, the incentive for technological innovation in the agriculture can be recalled as a sustainable activity.

²³ <https://www.climatebonds.net/resources/reports/unlocking-brazil%E2%80%99s-green-investment-potential-agriculture>

The table below shows the fundable items by Inovagro, as well as their alignment with environmental and climate sustainability standards:

Item	Related Sustainability Standard	Alignment Level
Systems for alternative power generation and distribution	Climate Bonds Standards The Coolest Bonds European Union taxonomy	Full
Livestock and agriculture precision equipment and services	Climate Bonds Standards	Full
Aquaculture, poultry, shrimp, swine, sheep, goat, fish and dairy farming segments facilities automation, adaptation and construction	Not Aligned	Not Aligned
Software for management, monitoring and automation	Not Aligned	Not Aligned
Advisory/Education services for technical and management capacities	Not Aligned	Not Aligned
Genetic material acquisition (semen, embryos and oocytes)	Not Aligned	Not Aligned
Items complying with the Integrated Agricultural Production Systems PI-Brazil ²⁴ and Animal Welfare, and Safe Food Programs ²⁵ from various production chains, and Good Agricultural Practices for Beef and Milk Cattle	Green Bond Principles	Partial alignment
Items or products developed within the Technological Innovation Program (Inova-Empresa) ²⁶ ;	Not Aligned	Not Aligned
Technical services for project preparation, implementation, monitoring and execution	Not Aligned	Not Aligned
Costing associated with investments and acquisition of sows and breeders, with genealogical registration certificate, issued by qualified institutions.	Not Aligned	Not Aligned

Although Inovagro has fundable items that are aligned with environmental standards, it is not possible to guarantee that the credit operations will be fully directed to them. Thus, we classify its additionality as **Moderate (B)**.

Moderagro - Program for Agriculture Modernization and Natural Resources Conservation

Moderagro is a credit line for agricultural investments funded by the Brazilian Economic and Social Development Bank (BNDES). It promotes animal welfare and animal traceability systems for human consumption.

The program also supports soil recovery, production, processing, industrialization and storage of beekeeping, aquaculture, poultry, chinchiculture, rabbit farming, floriculture,

²⁴ O Sistema de Produção Integrada é focado na adequação dos processos produtivos para a obtenção de produtos vegetais e de origem vegetal de qualidade e com níveis de resíduos de agrotóxicos e contaminantes em conformidade com o que estabelece a legislação sanitária, mediante a aplicação de boas práticas agrícolas, favorecendo o uso de recursos naturais e a substituição de insumos poluentes, garantindo a sustentabilidade e a rastreabilidade da produção agrícola na etapa primária da cadeia produtiva, que é passível de certificação pelo selo oficial "Brasil Certificado".

²⁵ O Programa Alimentos Seguros - PAS - tem como objetivo o ensinamento de técnicas sobre Segurança de Alimentos e a implantação das Boas Práticas e do Sistema APPCC (Análise de Perigos e Pontos Críticos de Controle) nos estabelecimentos que produzem alimentos. O programa é uma ação nacional em parceria do Sistema S (Senac, Sesi, Sesc e Sebrae), a Anvisa (Agência Nacional de Vigilância Sanitária) e a Embrapa (Empresa Brasileira de Pesquisa Agropecuária.)

²⁶ Apoio ao desenvolvimento e ao adensamento das cadeias produtivas de insumos para a agropecuária, de produtos e processos da indústria de alimentos e de máquinas e equipamentos para agropecuária.

fruit growing, horticulture, fishing, sheep farming, dairy farming, ranching, sericulture and pig farming.

Legal compliance requirements regarding the Forest Code, labor legislation and environmental licensing are the same as for all BB's rural financing lines. Moderagro's financeable items are described below:

- 1) Support for the production, processing, industrialization, packaging and storage of agricultural products;
- 2) Promotion of animal welfare and traceability for human consumption;
- 3) Soil recovery through funding for acquisition, transportation, application and incorporation of agricultural corrective;
- 4) Construction and expansion of agricultural machinery, and agricultural inputs facilities.

The European Taxonomy of Sustainable Finance states that soil improvement is a certifiable activity only when there is forestry and forestry systems recovery intention. According to the Climate Bonds Initiative, purchase, transportation, application and incorporation of agricultural correctives may be eligible to green financing, since it demonstrates reduced carbon emissions.

Beyond that, animal traceability is a measure that guarantees cattle ranchers and consumers that animals have legal origins, and that were not raised in illegal deforested areas. Sanitary control can also be done more efficiently, since alerts about vaccines and improvements regarding the management location are available

Based on the analysis above, we conclude that part of the credit operations from Moderagro are partially aligned with the adopted sustainability standards. However, it is not possible to ensure that all program resources are directed towards these credit operations. Therefore, Moderagro was classified as **Limited (C)** additionality.

PCA - Program to Promote the Construction and Expansion of agricultural warehouse

PCA aims to support investments in warehouses construction, expansion and modernization. The program aims increase the availability of agricultural warehouses in Brasil, which is below the FAO's recommendations (United Nations Food and Agriculture Organization).

According to FAO, a country's static storage capacity must be 20% greater than its production. In quantitative terms, Brazil has a total available capacity for grain storage of around 175 million tons, while the ideal capacity should be approximately 300 million tons of grain.

According to Leidens (2019)²⁷, building private warehouses avoids logistical bottlenecks, reduces production costs and ensures better grain negotiation strategies (being able to choose the best time for selling).

These facilities enable supply control, improve products appearance and reduce costs, mainly related to transportation. As a result, rural producers may increase their revenue.

²⁷ <http://revistasafra.com.br/armazenagem-investimento-estrategico-para-o-produtor-e-para-o-pais/>

It is worth mentioning that all these improvement actions avoid food waste and increase properties efficiency, reducing the need of new growing areas.

We can say that PCA is aligned with the Social Bond Principles, within the category “food security and sustainable food systems: access to healthy and nutritious food and reduction of food waste”.

However, its funding is not directed to target populations in vulnerable conditions.

In addition, increased storage capacity improves transportation logistics, which reduces greenhouse gas emissions, which generates environmental benefits.

Therefore, based on the aforementioned points, we conclude that PCA is aligned with the SBP food security and sustainable food system category. However, the program is not restricted to vulnerable target population. Thus, its additionality is classified as **Limited (C)**.

According to the Green Building Council Brasil, the logistics sector has its greenhouse gas emissions divided between transportation and storage system. Transportation is responsible for 87% of the sector's emissions, while warehouses account for the other 13%, which denotes the importance of actions to reduce emissions and sustainable solutions.

The main certifications for sustainable warehouses are LEED BD+C, for new constructions or major renovations, and LEED O+M, for warehouses already built or undergoing improvement works. LEED certifications have a set of criteria that need to be met, in order to demonstrate that the property is eligible for a green certification. Such criteria minimize the use of natural resources and materials in construction, low energy consumption, low greenhouse gases emissions, efficient water use solutions, and innovative solutions, among other aspects.

Warehouses certified with LEED Gold or Platinum, or those that demonstrate proper eco-efficiency practices, can reduce water and energy consumption by more than 40%, through energy efficiency actions, automated lighting and refrigeration, rainwater harvesting, among others. In addition to LEED certifications, EDGE Advanced²⁸ certified buildings are applicable for sustainable buildings (based on the LEED Gold or Platinum standard), and promote similar environmental benefits.

According to The Coolest Bond, buildings with renewable energy generation, buildings with “carbon zero” certification, projects that involve energy efficiency may be aligned with the 1.5°C and 2°C climate change scenarios. Furthermore, investments in energy efficiency in the agribusiness industry are also classified as aligned with a 2°C scenario.

In relation to manufactured items that make up the eco-efficiency framework of buildings, the European Union's Sustainable Finance Taxonomy includes these items as sustainable activities when they are in accordance with ISO eco-efficiency standards (for example: EN ISO 10077-1:2017 for windows and doors, EN ISO 12631:2017 for room partitions, and EN ISO 6946:2017 for other building components) or have similar eco-efficiency certifications. Therefore, we classified warehouses that are certified under the

²⁸ EDGE sustainable building certification was developed in partnership with the IFC (International Finance Corporation – World Bank <https://edgebuildings.com/certify/>)

LEED Gold, Platinum or similar criteria, or meet the conditions below might be classified as high additionality:

- Generation of photovoltaic solar energy that meets at least 30% of the warehouse's consumption demand;
- Use of equipment such as grain dryer and automation systems that represent a reduction in energy consumption of more than 30% compared to the consumption of traditional equipment;
- Equipment for drying and reusing residual grains, with the objective of eliminating the disposal of damaged, defective grains or grains that do not meet quality standards and achieving zero waste of these grains;
- Traceability of the grains sourcing, in order to ensure that they were not produced in deforested or embargoes areas, nor in farms that have been involved in land disputes and conflicts with local communities and degrading/slavery-like working conditions;

Based on the arguments above, we observe that investments in new warehouses or equipment that are aligned with the aforementioned criteria have **High additionality (A)**.

Companies Portfolio

The Companies Portfolio consists in a set of credit operations directed to economic sectors which are believed to have positive environmental or social additionality. In order to select these sectors, Banco do Brasil selected the National Classification of Economic Activities (CNAE) codes aligned with the Green Taxonomy of the Brazilian Federation of Banks (Febraban)²⁹ launched in 2021.

These CNAE sectors include activities such as renewable energy, energy efficiency, sustainable construction, sustainable transport, sustainable tourism, water, fishing, forest, sustainable agriculture, waste, products with specific purposes and social activities, such as education, health, productive inclusion and regional development.

The new version of Febraban's Green Taxonomy considers the alignment of economic activities with sustainability standards such as the European Union's Sustainable Finance Taxonomy, Climate Bonds Initiative, Green Bond Principles, Social Bond Principles and ISO 14.030. With that, we can affirm that all the activities included in the new Taxonomy are fully or partially aligned with the environmental and social standards already adopted in this opinion.

Febraban's taxonomy classifies the CNAE codes as High or Moderate regarding the level of environmental and social benefits delivered. It also indicates the environmental and social risk level to which a given activity is exposed. These definitions, constructed in the Febraban Green Taxonomy, and their relation with the analysis of additionality in this opinion, are presented below:

²⁹ <https://portal.febraban.org.br/paginas/1103/pt-br/#>

Febraban Taxonomy Classification	Criteria	Level of additionality according to SITAWI
Social High	Alignment with SBP categories and low exposure to environmental and social risk. It is not directed to vulnerable target populations.	Moderate
Social Moderate	Alignment with SBP categories and high exposure to environmental and social risk. It is not directed to vulnerable target populations.	Moderate
Environmental High	Activity aligned with CBI taxonomy or classified as enabling activity or own performance in the EU Taxonomy. Low exposure to environmental and social risk.	High
Environmental Moderate	Activity eligible according to the CBI taxonomy, depending on the use of proceeds and classified as transition activity in EU Taxonomy. High exposure to environmental and social risk.	Moderate

BB's companies portfolio includes credit operations that support both investments and working capital for clients. Although the bank informed that about 90% of the value of the operations is destined for investments, it was not possible to verify this proportion.

Regarding environmental and social risk exposure, we consider that BB's social and environmental risk management system is sufficient to mitigate negative impacts from the funded activities. Therefore, it did not affect the level of additionality defined in this assessment. Regarding the management of negative environmental and social risks, the following elements were considered:

Social and Environmental Policies: Banco do Brasil has an Environmental and Social Responsibility Policy and Credit Sustainability Guidelines. The policy defines several sustainability principles in its operations, such as promoting human and labor rights, eco-efficiency and reducing pollution. The guidelines define several environmental and social issues considered in the credit process. In addition, the bank has a Human Rights Policy and Code of Ethics, establishing good practices in the relationship with internal and external stakeholders.

Environmental and social Projects Assessment: For projects that represent environmental and social risks, BB conducts assessments and develop action plans to address such risks. Depending on the result of this assessment, the operation may be vetoed. Alternatively, it may also have to include specific monitoring and management clauses. BB also has a responsible Risk Committee, which is responsible for advising its executives on the exposure to environmental and social risk.

ESG Global Standards: BB has been a signatory to the Equator Principles since 2005. In addition, the bank is also a signatory to the Green Protocol and the Principles for Responsible Investment. The bank has adhered to the International Finance Corporation (IFC) Performance Standards and the World Bank's Health, Safety and Environment Guidelines.

Based on these credentials, we conclude that Banco do Brasil has sufficient internal capacity to manage potential environmental and social risks arising from activities financed by its companies portfolio.

Social Loans

Among the Social Loans category, BB has included the programs and credit lines that are believed to have social additionality, which are:

- FIES – Student Financing Fund;

- BB Accessibility Credit;
- Guided Productive Microcredit for individuals and legal entities ;
- Low Income Housing Levels 1 1.5, 2 and 3;
- Taxi Driver Support Fund;
- Fopag Covid-19 - Emergency Employment Support Program;
- Pronampe Covid-19 Working Capital - National Support Program for Micro and Small Business Covid-19;
- BB Public Sector Funding;
- Municipal Efficiency Program;
- FCO Dissociated Working Capital Covid-19;

The social additionality of each credit line and product will be assessed below, based on the Social Bond Principles.

FIES – Student Financing Fund

FIES is an education program from the federal government that finance undergraduate courses in private universities. The funded courses must have a positive scoring in the National Higher Education Assessment System (Sinaes).

The funding is directed to people in financial vulnerability, with family income up to 10 minimum wages (up to 3 minimum wages per person). Depending on the family income, the program will fund different percentage of the courses.

This initiative seeks to provide access for people in high vulnerability conditions, who otherwise would not be able to access higher education.

According to a study by the Brazilian Association of Higher Education Maintainers (ABMES)³⁰, the FIES beneficiary has the following characteristics:

- 66% are women;
- 77% attended high school in public schools;
- 75% belongs to C, D and E social classes;
- 44% are 25 years old or younger;

In addition, the same study concluded that 36% of dropout in private higher education is associated with financial reasons, being its main cause. For FIES students, this percentage is three times lower.

According to SBP, eligible social projects are those that promote access to basic services, including education and socioeconomic empowerment through the creation of opportunities, such as access to higher education. In addition, SBP's target populations are people who would not have access to higher education otherwise. Therefore, the credit line is aligned with SBP's categories. In addition, based on the program's socioeconomic profile and restrictions, we can conclude that the line of financing is directed to vulnerable target population. Thus, the credit line can be classified as **High additionality (A)**.

³⁰ <https://abmes.org.br/abmes-pesquisas/detalhe/18/financiamento-estudantil-impacto-na-educacao-superior-e-perfil-do-estudante-beneficiado>

BB Accessibility Credit

Credit line for assistive technology goods and services, aimed to promote social inclusion and to allow equal opportunities for people with disabilities. Among the financeable items are: wheelchairs, hearing aids, orthoses, prostheses, walkers, adaptations in a residential property, among other assistive technology products. The customers in this line are only individuals and financing are limited to R\$ 30,000.

People with disabilities are those who have long-term physical, mental, intellectual or sensory impairments, which can obstruct their plain and moderate participation in society on equal terms with other people.

BB Accessibility Credit line can be included in the SBP's socioeconomic empowerment category (equitable participation and integration into market and society). In addition, people with disabilities are considered a vulnerable population. Therefore, we can characterize this credit line additionality as **High (A)**.

MPO – Guided Productive Microcredit for individuals and legal entities

MPO is a product for financial inclusion, which provides banking services for a niche of approximately eight million micro entrepreneurs in Brazil, being many of them with informal business. To access MPO credit line, the clients must meet the following criteria:

- Being an informal entrepreneur with a maximum monthly income of R\$ 30,000;
- Being an individual micro entrepreneur (MEI) with revenues up to R\$ 81,000 per year or microenterprise with revenue up to R\$ 360,000 per year;

Productive guided microcredit is a widespread financial service with an important regarding income generation, job creation and guidance for micro-entrepreneurs from recognized institutions (SEBRAE, 2018). Guided productive microcredit is a credit line provided to small business, which uses a methodology based on the direct relationship of micro entrepreneurs and credit agents, who are responsible for guiding and monitoring the funding.

All MPO clients can be considered, at some level, vulnerable. Firstly, regarding to small companies (including MEI and micro), these clients face difficulties to access traditional credit lines, corresponding to the second larger obstacle by small companies in the business expansion process in emerging markets and developing countries, according to World Bank Data³¹.

According to Trevisan's Business School, micro and small companies have approximately 27 days of working capital to honor their commitments. The high tax burden is also a difficulty faced by micro-enterprises (ME) and small companies (EPP), in addition to compete for customers, as indicated by the "ME and EPP Profile" survey, published in August 2019, prepared by the Brazilian Support Service for Micro and Small Enterprises (SEBRAE)³².

³¹ 20 <https://www.worldbank.org/en/topic/smefinance>

³² <https://www.infomoney.com.br/negocios/paradas-pequenas-empresas-nao-tem-folego-nem-para-um-mes/>

According to the Fundação Getúlio Vargas and SEBRAE's study named "Participation of MSEs in the National and Regional Economy"³³, micro and small enterprises accounted for 30% of the value added to the Gross Domestic Product (GDP) in the country and for more than half of formal jobs in the last three decades.³⁴

MEIs are entrepreneurs who own a small business and run it on their own. MEI was officially created by the Federal Government under Complementary Law No. 128/2008 in order to reach professionals who developed their activities informally, allowing them to formalize their business and to have access to benefits such as retirement, maternity leave, banking services, among others. However, this public face adversity situations in the context which they operate, such as income generation.

As indicated by SEBRAE's "Perfil do MEI" (6th edition), the income obtained by these entrepreneurs is the only revenue source for 1.7 million families in Brazil. In addition, the survey shows that an average household income in this segment was equivalent to four minimum wages (or R\$ 4.400).

Based on the justifications above, we can conclude that MPO credit line is aligned to the SBP category "Job creation and programs that aims to prevent and alleviate unemployment". In addition, the target population - MEI, microenterprises and informal entrepreneurs - can be categorized as vulnerable. Therefore, we conclude that the credit line additionality is **High (A)**.

MCMV - Low Income Housing Levels 1 1.5, 2 and 3

MCMV is a Federal Government program to fund low income housing. It was created in 2009 to facilitate housing access in Brazil. The program subsidizes the acquisition of houses for low-income families and offers lower interest rates (compared to private funding). The beneficiaries must have a monthly family income up to R\$ 9,000.

MCMV is divided into 4 income levels. Level 1 includes families with a monthly income up to R\$ 1,800. Level 1.5 includes families with income between R\$ 1,801 and 2,600 per month. Level 2 includes families up to R\$ 4,000, and level 3 includes families with a monthly income up to R\$ 9,000. Each level has specific government subsidies.

Between 2009 and 2019, the program contracted 5.7 million units. The image below presents the number of units delivered per income level:

³³ <https://datasebrae.com.br/wp-content/uploads/2019/10/Pesquisa-Perfil-das-ME-e-EPP-2019-VF.pdf>

³⁴ <http://www.agenciasebrae.com.br/sites/asn/uf/NA/pequenos-negocios-ja-representam-30-do-produto-interno-bruto-do-pais,7b965c911da51710VgnVCM1000004c00210aRCRD#:~:text=Pequenos%20neg%C3%B3cios%20j%C3%A1%20representam%2030%25%20do%20Produto%20Interno%20Bruto%20do%20pa%C3%ADs,-Estudo%20elaborado%20pelo&text=Nas%20C3%BAltimas%20tr%C3%AAs%20d%C3%A9cadas%20C%20as,adicionado%20ao%20PIB%20do%20pa%C3%ADs>

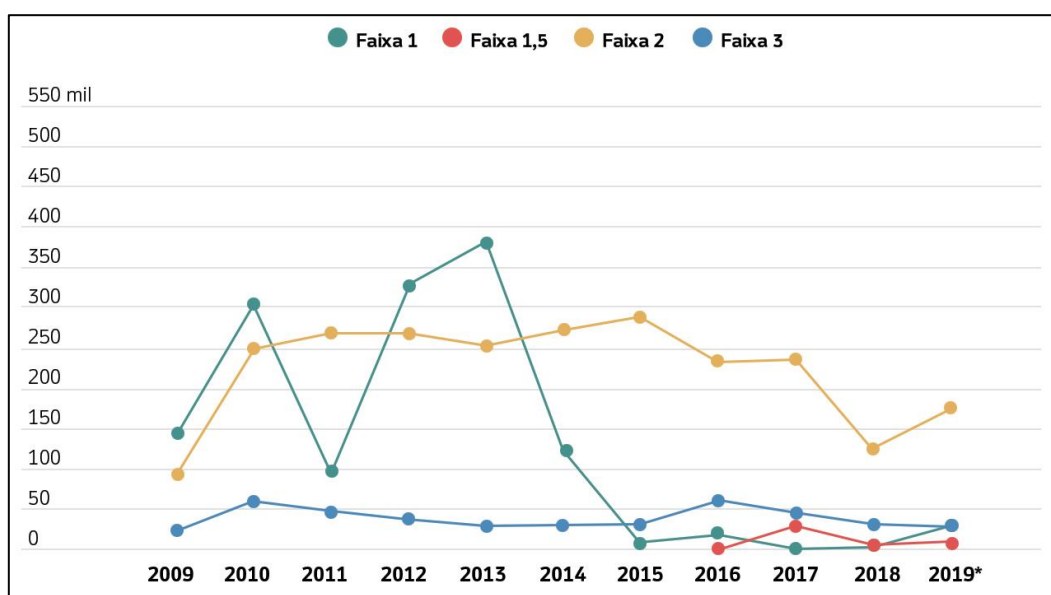


Figure 1 - Units delivered by MCMV divided by income level

Until December 2018, the program generated 3.5 million direct jobs, which represents an average of 390 thousand jobs per year³⁵.

According to an FGV technical report requested by Abrainc (Brazilian Association of Real Estate Developers), MCMV helped to reduce the number of families living in precarious housing.

MCMV worst-off financial families are those which earn less than one minimum wage (less than R\$ 998 in 2019) or between one and three minimum wages (between R\$ 998 and R\$ 2,994 in 2019). These families represent 91.7% of the total housing deficit in Brazil.

According to information from Banco do Brasil, about 92.4% of MCMV financing portfolio is directed to levels 1, 1.5 and 2. In other words, most credit operations fund families with monthly income up to R\$ 4,000. Thus, we have considered that 92.4% of the MCMV portfolio is aligned with SBP's vulnerability categories and criteria.

The remaining 7.6% is directed to level 3, for families with monthly income up to R\$ 9,000, which cannot be classified under the same vulnerability criteria.

According to the analysis above, we can conclude that MCMV's operations are categorized as affordable housing. However, it is not possible to guarantee that the resources will be fully directed to vulnerable target population. Thus, its additionality was considered **High (A)** for 92.4% of the portfolio. The remaining 7.6% of the portfolio was categorized as **Limited (C)**.

FAT Taxista - Taxi Driver Support Fund

FAT Taxista credit line aims to generate income and employment for taxi drivers through financing of car renewal. The eligible vehicles must be manufactured in Brazil, powered by renewable fuel (ethanol) or flexible (ethanol and gas). The product allows the financing of up to 90% of vehicle's value, limited to R\$ 60,000.

³⁵ <https://economia.uol.com.br/reportagens-especiais/minha-casa-minha-vida-dez-anos/#page11>

FAT contributes to the renewal of Brazil's taxi fleet, replacing used vehicles with new models, which are more efficient and less intensive in greenhouse gases emissions.

CNT's (National Transport Confederation) survey carried out in 2015, identified that the taxi driver's profile and showed that the monthly net income is R\$ 2,675.42, without fuel costs deduction.

SBP includes projects that aims to generate income and create jobs. However, it is not possible to guarantee that the resources are fully directed to a vulnerable target population.

Based on the above argumentation, we can conclude that the FAT Taxista is aligned with SBP's generation of employment and income eligible category. However, there are no guarantees that the credit operations are fully directed to vulnerable target population. Therefore, we conclude that the additionality is **Moderate (B)**.

Fopag Covid-19 - Emergency Employment Support Program

PESE is an emergency credit line for companies with revenues greater than R\$ 360,000 and lower or equal to R\$ 50 million in 2019. The proceeds must be used exclusively for employees' payroll payment and labor costs settlement.

The Fopag Covid-19 was created to mitigate the adverse economic impacts of Covid-19. Companies were allowed to finance up to 2 months of employees payroll. Financing is limited to two minimum wages (R\$ 2,090.00) per employee.

In July/2020 Brazil's unemployment rate reached the highest levels recorded since 1992 due to the Covid-19 pandemic: 13.8%³⁶. The number of unemployed people reached 13.1 million.

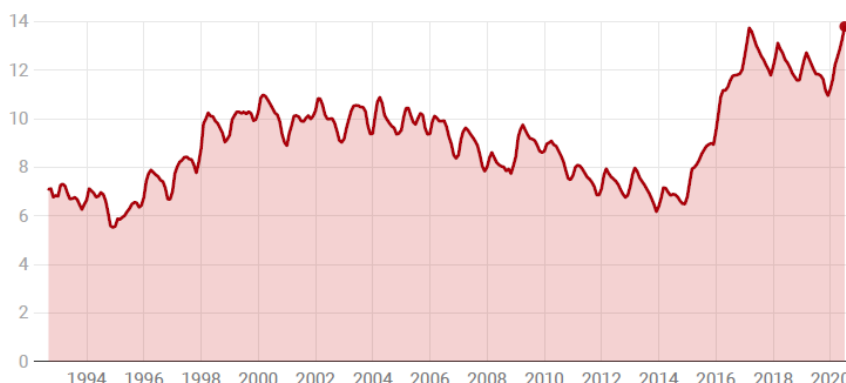


Figure 2 - Unemployment rate in Brazil (%) from 1994 to 2020

The SBP states that “unemployment relief due to social and economic crises” can be considered an eligible category. Likewise, unemployed people or those who were temporarily without access to income can be considered a vulnerable target population.

³⁶ <https://oglobo.globo.com/economia/pandemia-faz-pais-ter-maior-taxa-de-desemprego-em-quase-30-anos-24669064>

Based on the justifications above, we concluded that the emergency credit line Fopag Covid-19 has full alignment with the SBP and is considered to have **High (A)** additionality.

Pronampe Covid-19 Working Capital - National Support Program for Micro and Small Business Covid-19

Pronampe Covid-19 was created to support companies during the Covid-19 pandemic. Financing is eligible for companies with annual revenue up to R\$ 4.8 million. Transactions may not exceed 30% of the borrower's gross annual revenue.

Funding can be used for investments, working capital or working capital associated with investment, enabling the investment of machinery or equipment and/or operating expenses. Pronampe's objective is to refinance company costs, mainly to avoid wage and workforce cuts during the Covid-19 pandemic. The funding cannot be used to generate profits and dividends distribution for shareholders.

It is worth pointing out that due to the Covid-19 pandemic, 522,000 companies had to shut down in Brazil until June's 2020 (temporarily or permanently), 99.2% with up to 49 employees, 0.78% with 50 to 499 employees and 0.02% with more than 500 employees, according to IBGE (Brazilian Institute of Geography and Statistics)³⁷ estimates.

SBP states that "employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance" is an eligible category. In addition, the credit line benefits the following target population:

- a. MEI (with max annual income of R\$ 81,000);
- b. Micro enterprises (with income between R\$ 81,000 e R\$ 360,000);
- c. Small enterprises (with income between R\$ 360,000 and R\$ 4.8 million);

Based on the justification above, we conclude that Pronampe emergency credit line, which was created to tackle the socioeconomic effects caused by Covid-19 pandemic is fully aligned with SBP and its additionality is classified as **High (A)**.

BB Public Sector Funding

This credit product is directed to fund States and Municipalities' strategic programs and actions to generate social impact through improvement of well-being, health, education, sanitation and infrastructure.

BB Public Sector Funding includes several credit lines to support investments by the States, Federal District and municipalities. It provides funding for capital expenses included in the government multiannual plan and the law of budgetary guidelines (PPA and LOA).

³⁷ <https://www.ibge.gov.br/estatisticas/sociais/saude/28291-pesquisa-pulso-empresa-impacto-da-covid-19-nas-empresas.html?edicao=28717&t=downloads>

These programs represent a set of investments defined in a long-term strategic planning, with a multi sectorial, integrated and sustainable approach. Some priorities must be observed, such as regional environmental and social development, reduction of social and regional inequalities and promotion of income and employment. Financing must follow the priorities below:

- 1) Regional environmental and social development;
- 2) Reduction of social and regional inequalities, based on sustainability;
- 3) Promotion of income and employment;
- 4) Improvement in public services' quality and coverage;
- 5) Institutional development and modernization of States and Municipalities.

Through the Annual Budget Law (LDO) and Multiannual Plan (PPA) prepared by states and municipalities, it is possible to outline budgetary goals, guidelines and an investment agenda for the public entities.

Therefore, within the fundable items, there are several projects involving activities and essential public services that promotes well-being for the population. It is important to point out that these credit operations are directed to public agents, however, the beneficiary is the society as a whole, and not specific population groups.

SBP states that projects that involve basic and essential services access, such as housing, urban mobility, basic sanitation, environmental preservation, health, safety, among others, are eligible for a sustainable credit portfolio. Regarding target population, it is not possible to measure the vulnerability of the impacted groups.

According to CBI and GBP, some of the projects financed have positive environmental impacts, such as those involving water treatment and sanitation, rapid transit bus systems, cycle paths and sidewalks for walking pedestrians. Since it is not possible to assume that all projects financed by BB Public Sector Funding are certifiable, adherence to environmental standards is partial.

Based on the justifications above, we conclude that BB Public Sector Funding has partial alignment with the SBP. However, it is not possible to confirm whether the credit operations are fully directed to vulnerable target population. Likewise, the credit line is aligned with the adopted environmental standards, but there is no guarantee that the credit operations are fully aligned. Thus, the additionality was considered to be **Moderate (B)**.

Municipal Efficiency Program

Municipal Efficiency Program aims to finance investments in infrastructure that result in better provision of public services, contributing to socioeconomic development, improving well-being and enabling the implementation of public policies with environmental benefits. The following items are included in the credit line:

- 1) Public lighting: reduce maintenance and energy costs, improve the quality of street lighting and, consequently, municipal public safety;
- 2) Public buildings energy efficiency: adoption of new materials, equipment and technology to increase energy efficiency;
- 3) Road infrastructure and urban mobility: enhance accessibility and mobility for urban and rural areas, and improve road safety;

- 4) Basic sanitation utilities: improve the quality of water supply and sanitary sewage systems;
- 5) Health and education: improve access to health and education services through vehicles, machinery and equipment;
- 6) Municipal public management modernization: furniture and utensils, technical training, software, among others, aligned with PPA, LDO and LOA (public budget annual law).

According to the GBP the categories Energy Efficiency (2), Road infrastructure and urban mobility (3) and Basic Sanitation (4) are eligible as green categories.

Similarly, SBP recognizes that access to affordable basic infrastructure has social benefits. This category would include items 1, 2, 3, 4 and 5 above. However, it is not possible to ensure full social alignment with the adopted standards, since there is no evidence that the credit operations are directed exclusively to vulnerable target population.

Finally, the Climate Bond Standards has specific criteria for items 2 (public passenger transport), 3 (buildings) and 4 (water treatment) certification.

Based on the above reasons we conclude that the Municipal Efficiency Program has partial alignment with SBP, since it is not possible to ensure that the credit operations are directed to vulnerable target population. Likewise, these credit operations are partially aligned with the adopted environmental standards. Thus, we conclude that the additionality generated by the credit line is **Moderate (B)**.

FCO Working Capital Covid-19

This credit line aims to finance working capital needs based on CMN Resolution No. 4,798, of April 2020, given the context of public calamity due to the Covid-19 global pandemic. This line is designed to finance any cost, maintenance, inventories, including wages and other operational expenses that may not be paid due to the Covid-19 economic impacts.

It is noteworthy that, according to the IBGE, given the Covid-19 pandemic, the number of unemployed in Brazil reached 13.5 million people (September/2021), an increase of 33.1% compared to May/2021, when there were approximately 10.1 million unemployed people in the country, reaching a rate of 14% of unemployed. The country's GDP, also according to the IBGE, registered a drop of 4.1% in 2020, explained by social confinement and reduction in economic activity. In addition, according to a study published by Made-USP, the number of people living in extreme poverty rose considerably when compared to 2019, reaching 61 million in 2021, when the number in 2019 was 5.9 million people.

According to the Social Bond Principles, "income generation and programs to alleviate unemployment arising from socio-economic crises, including through the financing of small and medium-sized enterprises" is an eligible category. Furthermore, the financing line benefits companies of all business sizes, starting with individual micro-entrepreneurs (annual turnover of up to R\$ 81,000.00) and reaching large companies. The financing limit per borrower is R\$ 100,000.

Based on the above justifications, we conclude that the BB FCO Covid-19 Working Capital line combats socioeconomic effects caused by the Covid-19 pandemic and is fully aligned with the Social Bond Principles, and therefore, has **High additionality (A)**.

Renewable Energy

Banco do Brasil currently has several credit lines to fund renewable energy sources (wind, solar, biomass and biogas) and ancillary expenses, for different clients such as corporate, agribusiness, small and medium companies, Government and Individuals. The bank is committed to achieve R\$ 15 billion in credit operation for renewable energy sources by 2025.

- Agro Energy
- BB Renewable Energy Credit for Individuals
- BB Renewable Energy Credit Corporate

The Agro Energy Program aims to stimulate the use of renewable energy sources in the Brazilian rural sector. The program finances the acquisition and installation of micro and/or mini solar, wind and biomass power plants, thus generating several benefits for users, such as reduced production costs, energy self-sufficiency and the production, use and diffusion of clean energy.

The Agro Energy Program was launched in 2017 and financed approximately R\$ 1.3 billion between 2017 and 2020, for individuals, companies and cooperatives.

The other credit lines are focused on photovoltaic and thermal solar energy.

1) *Solar and wind energy*

The use of solar and wind power is aligned with the renewable energy category of the Green Bond Principles and with the Climate Bond Taxonomy. According to The Coolest Bond, investments in solar and wind energy may be eligible to issue green bonds and is aligned with a 1.5°C climate change scenario, as it reduces greenhouse gases emissions in over 90% when compared with traditional sources such as thermoelectric to fossil fuels.

Likewise, the European Union Taxonomy for Sustainable Activities defines investment in solar and wind energy as contributors to climate change mitigation.

2) *Biomass Power:*

Investment in thermal biomass is aligned with the Green Bond Principles' renewable energy category and with the Climate Bond Taxonomy. According to the publication The Coolest Bond, investments in biomass energy may be eligible for issuing green bonds and is aligned with a 1.5°C scenario, as it presents reductions in greenhouse gas emissions greater than 90% when compared to traditional sources such as thermoelectric to fossil fuels. It should be noted that there are two forms of biomass use, namely, residual biomass, arising from the use of forest residues and agricultural and urban organic waste, and biomass cultivated for energy purposes, which involves the planting of energy forests for the supply of firewood.

Likewise, the European Union Taxonomy for Sustainable Activities states that investment in biomass thermoelectric energy contributes to climate change mitigation.

3) *Biogas Power:*

The use of this resource is aligned with the renewable energy category of the Green Bond Principles. According to the publication *The Coolest Bond*, projects that use waste biogas for energy generation have significant potential for GHG emissions reduction, being aligned with a 1.5°C climate change scenario. The CO₂ emission from its burning is considered neutral as it is originated from organic matter. Furthermore, according to the publication, these projects have the potential to contribute systematically and in the long term to a low-carbon economy. Finally, in landfills, the biogas flaring technology in open flare (legal demand according to the PNRS³⁸) generates a reduction of GHG emissions of up to 50%, while the biogas flaring technology in enclosed flare leads to a reduction of GHG emissions up to 90%.

Thus, we conclude that financing within the lines of development of Renewable Energy has a **High additionality (A)** for a sustainable economy, and is fully aligned with environmental and climate standards.

³⁸ Solid Waste National Policy (PNRS), created by the Law 12.305/2010.

Assessment method

SITAWI's assessment is a proprietary methodology based on internationally recognized standards, which are listed below:

- SBP – *Social Bonds Principles*: Guidelines developed by the International Capital Market Association (ICMA) to classify credit operations with positive social impact. Social bonds are debt instruments that aims to finance projects with positive social impact. These operations must meet criteria regarding social externalities and impact on vulnerable target population³⁹.
- GBP – Green Bond Principles: Guidelines developed by ICMA, analogous to the SBP, but with the objective to fund projects with positive environmental and climate impacts⁴⁰.
- CBI – *Climate Bonds Taxonomy*: Taxonomy created to identify and certify projects and activities aligned with a 2°C global warming scenario and with the Paris Agreement targets (COP 21)⁴¹.
- European Union Sustainable Finance Taxonomy: Taxonomy produced by the European Union member countries, with an exhaustive list of projects that qualify as sustainable, and projects that are considered as "transitional".
- NPEB – the Coolest Bonds – Taxonomy produced by SITAWI for activities and projects aligned with a low carbon economy. The activities covered can be classified in 3 levels: 1.5°C scenario, 2°C scenario and a scenario corresponding to NDC of the Paris Agreement (COP 21).
- Febraban Green Taxonomy – The Taxonomy proposes a classification of economic activities based on their CNAE code (National Classification of Economic Activities). According to this taxonomy, economic activities may be classified as high as “high” or “moderate” environmental or social additionality. The taxonomy is endorsed by the Brazilian Federation of Banks.

1) **Assessment of project and items:** We assessed the alignment of items and project financed by Banco do Brasil against the aforementioned standards, as presented below:

Full environmental alignment: The item or project is aligned with EU Taxonomy (own performance or enabling activity), Climate Bonds Taxonomy or The Coolest Bonds (Scenario 1.5°C and 2°C).

Partial environmental alignment: The item or project is aligned with EU Taxonomy (transition), Green Bond Principles, The Coolest Bonds (NDC scenario).






Full social alignment: The item or project is aligned with the Social Bond Principles categories and the benefits are directed to a vulnerable target population.

³⁹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf>

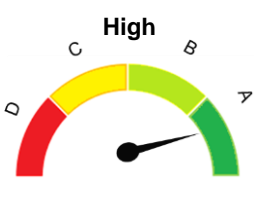
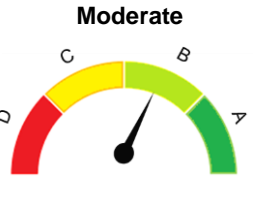
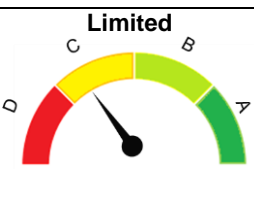

⁴⁰ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁴¹ <https://www.climatebonds.net/standard/taxonomy>

Partial social alignment: The activity is aligned with the Social Bond Principles categories but benefits are not directed to a vulnerable target population.

Level of alignment	EU Taxonomy	Climate Bonds Initiative	Green Bond Principles	The Coolest Bonds	Social Bond Principles	Febraban Green Taxonomy
 Environmental full	<ul style="list-style-type: none"> • Own performance • Enabling activity 	Aligned with sectorial criteria	Aligned with eligible categories	Scenario 1.5° and 2°	-	High contribution
 Environmental Partial	Transition	Not aligned with sectorial criteria	Aligned with eligible categories	NDC Scenario	-	Moderate contribution
 Social Full	-	-	-	-	Proceeds directed to vulnerable target population	
 Social Partial	-	-	-	-	Proceeds are not directed to vulnerable target population	
 Without alignment	-	Not aligned with sectorial criteria	Not aligned with eligible categories	Not aligned	-	

2) **Assessment of credit lines and products:** Each credit line may include several itens, projects or activities. Therefore, the assessment of credit lines and products was based on the level of alignment of the items and projects funded, as described in the previous step. For this purpose, we used the following terminology:

Additionality	Environmental allignment	Social alignment
 <p>High</p>	<ul style="list-style-type: none"> - All projects and itens within the credit line are fully aligned with the environmental standards; - Social and environmental risk is considered to be low (companies portfolio); - Proceeds are mostly allocated to capital expenditure; - Credit lines with high additionality would be eligible to issue green or climate bonds/loans. 	<ul style="list-style-type: none"> - All projects and itens within the credit line are fully aligned with the SBP categories and directed to vulnerable target population; - Projects with high additionality would be eligible to issue social bonds/loans.
 <p>Moderate</p>	<ul style="list-style-type: none"> - Projects and itens within the credit line are partially aligned with the environmental standards; - Some of the projects and itens are fully aligned with environmental standards; - Proceeds may be directed to capital or operational expenses; - Social and environmental risk is considered to be high (companies portfolio); - Part of the credit lines with moderate additionality would be eligible to issue a climate bond/loan 	<ul style="list-style-type: none"> - Projects and itens within the credit line are aligned with SBP categories, but the proceeds are partially directed to vulnerable target populations. - Part of the credit lines with moderate additionality would be eligible to issue a social bond/loan
 <p>Limited</p>	<ul style="list-style-type: none"> - Part of the orjects and itens within the credit line are partially aligned with the environmental standards; - Environmental benefits cannot be proven based on the environmental standards adopted; - Credit lines cannot be used to issue a green or climate bond/loan without further evaluation. 	<ul style="list-style-type: none"> - Projects and itens within the credit line are aligned with SBP categories, but proceeds are not directed to vulnerable target population. - Could not be used to issue social bond/loan.
 <p>Insufficient</p>	<p>Insufficient contribution to a sustainable economy. Credit line is not aligned with the environmental and social standards adopted. Projects with insufficient additionality could not be used to issue green/social/climate or sustainable bonds and loans.</p>	