

## Second-Party Opinion

# Banco do Brasil Sustainable Finance Framework

## Evaluation Summary

Sustainalytics is of the opinion that the Banco do Brasil Sustainable Finance Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Environmentally Sustainable Management of Living Natural Resources and Land; Renewable Energy; Energy Efficiency; Green Buildings; Clean Transportation; Sustainable Water and Solid Wastewater Management; Affordable Housing; MSME Financing and Microfinance; Socioeconomic Advancement and Empowerment; Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 3, 7, 8, 9, 10, 11, 12, 15.



**PROJECT EVALUATION AND SELECTION** The project evaluation and selection process will be managed by Banco do Brasil's Finance Division, ESG unit and other strategic units, as needed. Banco do Brasil has adopted internal environmental and social risk processes that are informed by Banco do Brasil's Environmental and Social Risk Management (ESMS) practices. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Banco do Brasil's Finance Division will be responsible for the overall management and tracking of the proceeds. Banco do Brasil intends to allocate all proceeds within 36 months of each issuance. Pending full allocation, unallocated proceeds will be temporarily held in Banco do Brasil's cash account or high liquidity and low risk instruments, such as government bonds. This is in line with market practice.



**REPORTING** Banco do Brasil intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation. Allocation reporting will include metrics such as the average loan amount, number of beneficiaries, disbursement amount for each eligible category and the amount of unallocated proceeds. Banco do Brasil intends to report on relevant impact metrics. Sustainalytics considers the allocation and impact reporting commitments as aligned with market practice.

## Second-Party Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

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**Evaluation Date** March 8, 2024<sup>1</sup>

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**Issuer Location** Brasilia, Brazil

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<sup>1</sup> This document updates the Second-Party Opinion originally provided by Sustainalytics in December 2021.

## Introduction

Banco do Brasil S.A. (“BB”, the “Bank”, or the “Issuer”) is a Brazilian bank with business segments focusing on retail and commercial banking, investments, fund management, and pension fund and capitalization, among others. Founded in 1808, the Bank is headquartered in Brasilia and has over 81 million customers at 3,983 branches, as of 31 December 2022.<sup>2</sup>

The Bank has developed the Banco do Brasil Sustainable Finance Framework dated February 2024 (the “Framework”) under which it intends to issue green, social and sustainability bonds and obtain green, social and sustainability loans (collectively, the “Sustainable Financing Instruments”), and use the proceeds to finance and refinance, in whole or in part, existing or future projects that are expected to deliver positive environmental and social outcomes.

The Framework defines eligibility criteria under the following environmental categories:

1. Environmentally Sustainable Management of Living Natural Resources and Land
2. Renewable Energy
3. Energy Efficiency
4. Green Buildings
5. Clean Transportation
6. Sustainable Water and Solid Wastewater Management

The Framework defines eligibility criteria under the following social categories:

7. Affordable Housing
8. MSME Financing and Microfinance
9. Socioeconomic Advancement and Empowerment
10. Access to Essential Services

BB engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),<sup>3</sup> Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).<sup>4</sup> The Framework will be published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

<sup>2</sup> Banco do Brasil Sustainable Finance Framework, at: <https://ri.bb.com.br/en/corporate-governance-and-sustainability/sustainability/>

<sup>3</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>4</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>5</sup> The Banco do Brasil Sustainable Finance Framework is available on BB’s website at: <https://ri.bb.com.br/en/corporate-governance-and-sustainability/sustainability/>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics held conversations with various members of BB's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BB representatives have confirmed that: (1) they understand it is the sole responsibility of BB to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Banco do Brasil Sustainable Finance Framework

Sustainalytics considers the Banco do Brasil Sustainable Finance Framework to be credible, impactful and aligned with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Environmentally Sustainable Management of Living Natural Resources and Land; Renewable Energy; Energy Efficiency; Green Buildings; Clean Transportation; Sustainable Water and Solid Wastewater Management; Affordable Housing; MSME Financing and Microfinance; Socioeconomic Advancement and Empowerment; Access to Essential Services – are aligned with those recognized by the GBP, SBP, GLP, and SLP.
  - Under the Environmentally Sustainable Management of Living Natural Resources and Land category, the Bank considers financing projects related to: i) sustainable agriculture; ii) irrigation systems; and iii) forestry projects, as per the following criteria:
    - (i) Expenditures and projects that aim to reduce GHG emissions in agriculture under the Brazilian government's Renovagro Financing Program for Sustainable Agricultural Production Systems (the "Renovagro Programme"),<sup>7</sup> which targets rural producers. The eligible projects financed under the category may include:
      - Investments in no-till farming. Sustainalytics believes that no-till farming is an integral part of conservation agriculture as it minimizes soil disturbance and maintains or restores soil cover, and therefore helps to maintain soil's organic carbon and prevent soil erosion and runoff.
      - Investments in soil recovery and restoration of degraded pasture.<sup>8</sup> BB has communicated to Sustainalytics that the soil remediation projects mainly include financing provided to farmers who have either bought or inherited

<sup>7</sup> BNDES, "Renovagro – Financing Program for Sustainable Agricultural Production Systems", at: <https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/renovagro>

<sup>8</sup> BB has confirmed to Sustainalytics that soil recovery and restoration projects are not intended to support industrial livestock activities.

degraded farmland wherein the soil damage may be a cause of a predecessor farmer's actions. As such, BB has confirmed that soil degradation may not be a result of the borrowers' own activities. However, Sustainalytics acknowledges that there may be exceptional cases in which the soil degradation might be an effect of the borrower's own actions due to lack of knowledge, adequate training and/or awareness of good practices related to managing externalities from farming activities. Sustainalytics is of the opinion that investments in soil remediation projects can be expected to create a positive environmental impact, and views such remediation activities resulting from the borrower's own activities as unsuitable for green financing.

- Investments in integrated crop-livestock-forest (ICLF), integrated crop-livestock (ICL), crop-forest (ICF) and livestock-forest (ILF) agroforestry systems.
  - BB has confirmed that projects exclusively dedicated to livestock will be excluded and ICLFS projects may include smallholder and medium-scale farmers.<sup>9</sup>
  - Sustainalytics recognizes that integrated cropland-livestock-forestry systems (ICLFS) and agroforestry projects encompass a diversified production strategy that aims to enhance agricultural productivity and have been demonstrated to reduce the vulnerability of farmers (particularly smallholder farmers) to environmental shocks, including climate change. However, such integrated projects could face certain limitations,<sup>10</sup> especially in relation to their effective adoption at the farm level, and their overall potential to achieve a net reduction in methane emissions resulting from livestock production.<sup>11</sup> Sustainalytics further notes that it considers it to be a good practice to restrict financing to small-scale ICLFS and that extending financing to medium-scale farmers, even if for organic production, may result in limited net positive impact due to methane emissions from livestock.
  - BB has communicated to Sustainalytics that forestry projects will be accompanied by a sustainable forest management plan, enabling family producers to comply with requirements that would have otherwise been met through Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certification.<sup>12</sup>
- Biological nitrogen fixation projects for atmospheric nitrogen transformation in assimilable forms for plants by microorganisms. Sustainalytics understands that these projects will support the ABC Programme's target to expand the use of biological nitrogen fixation as a source of nitrogen for plant nutrition<sup>13</sup> and recognizes the potential environmental impact of such projects.
- Animal waste treatment projects that aim to support the bio-digestion and composting of animal waste, including the generation of biogas. Sustainalytics understands that these projects will take place in the context of the Renovagro Programme.<sup>14</sup> While the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, livestock farming has a significant carbon and water footprint that is not addressed using livestock by-products in energy generation. Furthermore, such farming techniques may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation to provide positive impacts in the short term.

<sup>9</sup> The Framework defines smallholder farms as those with annual revenue up to BRL 500,000, following the definition in the Rural Credit Manual of the Central Bank of Brazil. Central Bank of Brazil, "Manual de Crédito Rural (MCR)", (2021), at: <https://www3.bcb.gov.br/mcr/completo>.

<sup>10</sup> The adoption of integrated crop-livestock systems is influenced by several factors, including the "costs of adoption versus non-adoption, supply chain infrastructure, biophysical suitability, availability of skilled labour, access to information and know-how, as well as the willingness to diversify production." Gil, J.D.B. et al. (2016), "Determinants of crop-livestock integration in Brazil: Evidence from the household and regional levels", Land Use Policy, at: [https://www.bu.edu/gdp/files/2018/02/Gil\\_Garrett\\_et\\_al\\_2016\\_Determinants-of-ICLS.pdf](https://www.bu.edu/gdp/files/2018/02/Gil_Garrett_et_al_2016_Determinants-of-ICLS.pdf)

<sup>11</sup> IPCC, Land-Climate Interactions: [https://www.ipcc.ch/site/assets/uploads/2019/08/2c.-Chapter-2\\_FINAL.pdf](https://www.ipcc.ch/site/assets/uploads/2019/08/2c.-Chapter-2_FINAL.pdf)

<sup>12</sup> Sustainalytics highlights that forestry-related assets or projects certified with either FSC or PEFC integrate an appropriate management plan related to soil health, water and fire management, riparian area protection, biodiversity management, species selection, and chemicals use.

<sup>13</sup> Climate Bonds, "Unlocking Brazil's Green Investment – Potential for Agriculture", (2020), at: [https://www.climatebonds.net/files/reports/brazil\\_agri\\_roadmap\\_english.pdf](https://www.climatebonds.net/files/reports/brazil_agri_roadmap_english.pdf)

<sup>14</sup> BB has confirmed to Sustainalytics that waste treatment projects will not include waste from industrial-scale livestock production.

- Investments that enable the adaptation of agricultural production systems to enable ecological buffering of climate impacts. Examples of such investments include: i) conversion of non-certified production of agriculture and forestry products to third-party certified production;<sup>15</sup> ii) water and microclimate management systems such as drip irrigation and protected agriculture; iii) weather monitoring systems; and iv) vulnerability mapping and modelling.
  - The Framework identifies the following third-party certifications that will be considered under this category: Bonsucro, FSC, PEFC, IFOAM, Organico Brasil,<sup>16</sup> Better Cotton Initiative (BCI), Rainforest Alliance or UTZ, Fairtrade<sup>17</sup> and 4C.
  - The Issuer intends to finance third-party certified organic agriculture farms (Organico Brasil) for crops and livestock. Sustainalytics notes that the Issuer includes organic small and medium-scale (with revenue up to BRL 3 million) livestock farms within Integrated Cropland-Livestock-Forestry systems (ICLFS). Sustainalytics recognizes that ICLFS and agroforestry projects encompass a diversified production strategy that aims to enhance agricultural productivity and have been demonstrated to reduce vulnerability of farmers (particularly smallholder farmers) to environmental shocks, including climate change. However, such integrated projects could face certain barriers,<sup>18</sup> especially related to their effective adoption on a farm-level, as well as their overall potential for achieving a net reduction in methane emissions resulting from livestock production.<sup>19</sup> Sustainalytics further notes that it considers it to be a good practice to restrict financing to small-scale ICLFS and that extending financing to medium-scale farmers, even if engaged in organic production, may result in limited net positive impact due to methane emissions from livestock.
  - Sustainalytics notes that the intended environmental benefits of low-carbon agriculture projects financed by the Bank may be limited by implementation challenges, such as a lack of training, insufficient knowledge, and technical capacity to appropriately implement low-carbon strategies.
  - Sustainalytics encourages BB to promote the holistic deployment of conservation agriculture practices<sup>20</sup> through its lending criteria for low-carbon agriculture for all agriculture and agroforestry projects. BB has communicated to Sustainalytics that agroforestry projects will be accompanied by a sustainable forest management plan, enabling family producers<sup>21</sup> to comply with requirements that would have been met otherwise through Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) certification.<sup>22</sup>
- (ii) BB's Sustainable Irrigation projects include investments in sustainable irrigation systems, including pivot, flood, and high-efficiency drip. Sustainalytics acknowledges that such irrigation projects will support farmers in transitioning to more environmentally friendly practices with positive impacts, but notes that some systems may be dependent on fossil fuels. Sustainalytics encourages BB to limit financing to such farms where the possibility of the use of fossil-fuel backup is limited.

<sup>15</sup> BB has confirmed that certifications for agriculture and forestry products will be used for crop agriculture projects or ICLFS with smallholder or medium-scale farmers.

<sup>16</sup> BB has confirmed that Organico Brasil certification will be used for crop agriculture projects and may include ICLFS projects.

<sup>17</sup> BB has confirmed that the Fairtrade certification scheme will be used as a proxy only under social and sustainability bond issuances. Sustainalytics sees this as aligned with market practice as Fairtrade's main focus is on working conditions and a fairer deal for farmers.

<sup>18</sup> The adoption of integrated crop-livestock systems is influenced by several factors, including the "costs of adoption versus non-adoption, supply chain infrastructure, biophysical suitability, availability of skilled labor, access to information and know-how, as well as the willingness to diversify production." Land Use Policy, Determinants of crop-livestock integration in Brazil: Evidence from the household and regional levels: [https://www.bu.edu/gdp/files/2018/02/Gil\\_Garrett\\_et\\_al\\_2016\\_Determinants-of-ICLS.pdf](https://www.bu.edu/gdp/files/2018/02/Gil_Garrett_et_al_2016_Determinants-of-ICLS.pdf)

<sup>19</sup> IPCC, Land-Climate Interactions: [https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2\\_FINAL.pdf](https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2_FINAL.pdf)

<sup>20</sup> Conservation Agriculture is a set of management practices that helps maintaining soil health, enhancing biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." FAO, "Conservation Agriculture", at: <http://www.fao.org/conservation-agriculture/en/>

<sup>21</sup> Family producers defined under the National Programme to the Family Agriculture Strengthening (PRONAF).

<sup>22</sup> Sustainalytics highlights that forestry-related assets or projects certified with either FSC or PEFC integrate appropriate management plan related to soil health, water and fire management, riparian area protection, biodiversity management, species selection, as well as chemical use.



- Sustainalytics acknowledges that retrofits achieving performance improvements of 20% may result in some environmental benefit but considers it to be market practice to ensure that retrofits achieve emissions or energy performance improvements of at least 30%.
  - Under the Green Buildings category, projects include the construction or upgrade of residential, industrial and commercial buildings certified under LEED<sup>28</sup> and Selo Procel Edificações.<sup>29</sup>
    - Sustainalytics views the Selo Procel Edificações (Class A) certification specified in the Framework to be credible.
    - For LEED certified industrial buildings, BB has confirmed that a minimum of LEED Silver will be obtained for eligibility under the Framework.
      - Sustainalytics believes that the LEED Silver certification alone will not be sufficient to guarantee energy efficiency improvements of buildings and therefore encourages BB to prioritise financing for buildings that achieve LEED Gold or higher or to limit allocations to those buildings with LEED Silver certification where the financed building achieves a 20% energy efficiency improvement over a credible regional baseline.
  - Under the Sustainable Transportation category, BB may finance investments in the following types of public and private vehicles and associated infrastructure projects:
    - Non-motorised transport including bicycles and scooters and infrastructure for active modes of transport such as cycling paths and walking.
    - Electric vehicles, electric vehicles charging stations and hybrid passenger vehicles.
      - Sustainalytics notes that BB intends to finance hybrid passenger vehicles labelled by Brazil's Selo CONPET for Energy Efficiency,<sup>30</sup> which requires that vehicles emit up to 75 gCO<sub>2</sub>/km.<sup>31</sup> Sustainalytics views this to be aligned with market practice.
    - BB has communicated that the financed investments may also include:
      - Passenger rail with direct emissions threshold lower than 50 gCO<sub>2</sub>e/pkm or 80.47 gCO<sub>2</sub>/pmi.
      - Freight rail with emissions threshold, for the portfolio, of less than 25 gCO<sub>2</sub>/tkm or 40.23 gCO<sub>2</sub>/tmi. BB has confirmed that financing will be limited to freight rail where less than 25% of the rolling stock is dedicated to the transport of fossil fuels.
      - Expansion and improvement of metro, light rail transit (LRT) and bus rapid transit (BRT) infrastructure in Brazil. BB will finance BRT infrastructure<sup>32</sup> for systems that have received certification (Bronze and above) under Brazil's Institute for Transportation & Development Policy's (ITDP) Bus Rapid Transit Standard. Sustainalytics notes that BB intends to finance BRT infrastructure not exclusively dedicated to low-carbon vehicles meeting the 50 gCO<sub>2</sub>/km threshold. However, Sustainalytics acknowledges that the Government of Brazil's climate change pledges include a commitment to implementing decarbonization measures for public passenger transportation.<sup>33</sup> Sustainalytics encourages BB to prioritize investment in BRT infrastructure in states, and municipalities that have a decarbonization strategy for their fleets.
    - Sustainalytics considers expenditures under this category to be aligned with market practice.
  - In the Sustainable Water and Solid Waste Management category, the Bank intends to finance the construction or expansion of water treatment and supply facilities, sewage systems, industrial wastewater treatment, industrial recycling facilities and waste-to-energy technologies.
    - Industrial recycling facilities include those processing recyclable waste fractions into secondary raw materials, and facilities that collect, sort, clean, refurbish, recondition, and repair products.
    - For waste-to-energy projects that use municipal solid waste, Sustainalytics recognizes

<sup>28</sup> LEED: <https://www.usgbc.org/leed>

<sup>29</sup> SustentArqui, "Procel Edificações Seal: Certificate of Energy Efficiency in Buildings", at: <https://sustentarqui.com.br/selo-procel-edificacoes/>

<sup>30</sup> BB will rely on car models with a Selo CONPET issued by Brazil's National Institute of Metrology Standardization and Industrial Quality (INMETRO), which assesses vehicles according to pollutant emissions under limits set in Brazil's Motor Vehicle Air Pollution Control Programme. These reference values are obtained from consumption measurements made in the laboratory, according to NBR 7024 standards. Government of Brazil, Ministry of the Environment, "Air Pollution Control Program by Motor Vehicle", (2011), at: [https://www.ibama.gov.br/phocadownload/veiculosautomotores/manual%20proconve%20promot\\_english.pdf](https://www.ibama.gov.br/phocadownload/veiculosautomotores/manual%20proconve%20promot_english.pdf)

<sup>31</sup> Government of Brazil, Ministry of the Economy, INMETRO, "Veículos Automotivos (PBE veicular)", at: <https://www.gov.br/inmetro/pt-br/assuntos/avaliacao-da-conformidade/programa-brasileiro-de-etiquetagem/tabelas-de-eficiencia-energetica/veiculos-automotivos-pbe-veicular>

<sup>32</sup> BB has confirmed that the financing of vehicles will not take place under this category.

<sup>33</sup> Climate Action Tracker, "Brazil", at: <https://climateactiontracker.org/countries/brazil/policies-action/>

that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, the composition of the residual waste, particularly fossil carbon content, is a crucial consideration for such projects to have low emissions intensities. However, Sustainalytics also notes that energy from waste can offer a better residual waste management option than landfills in many cases, considering constraints on recycling in many parts of the world. Sustainalytics recommends BB to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.

- The Framework also allows for financing of biogas projects at operational landfill sites, limited to those with an expected gas capture efficiency of up to 65%. Sustainalytics views as market practice in the green bond market to restrict eligibility to decommissioned landfills, however, the inclusion of operating landfill facilities with high gas capture in the context of Brazil can offer some environmental benefit as a significant percentage of waste does not go to the landfill or recycling but is thrown away in open dumps.<sup>34,35</sup> Sustainalytics notes that landfill gas capture for energy generation is a key waste management strategy for reducing methane emissions from landfills with no gas capture and from open dumps. Sustainalytics recommends BB to monitor and report on gas capture efficiency in order to estimate the overall benefits to be achieved over the gas generation lifetime of the facility (approx. 150 years).
  - BB has confirmed that waste collection and waste-to-energy projects will support the segregation of recyclables, including plastic, at source. BB has also confirmed that treatment of wastewater from fossil fuel operations will not be financed under this category.
  - Sustainalytics considers investments within this category to be aligned with market practice.
- Under the Affordable Housing category, the Bank may finance programmes aimed at increasing access to affordable housing to vulnerable populations through the provision of financial assistance to facilitate housing ownership under the *Casa Verde e Amarela* programme.
    - The *Casa Verde e Amarela* programme determines eligibility based on income brackets and considers households with a gross monthly income of up to BRL 2,416 (USD 487) and BRL 8,000 (USD 1,620) for rural and urban areas, respectively.<sup>36</sup> Sustainalytics notes that the income threshold for urban areas is 116% of the country's median monthly income.<sup>37</sup> However the programme prioritizes financing for families in situation of risk and vulnerability, those led by women or families with elderly, people with disabilities, children or adolescents as beneficiaries of property titles.<sup>38</sup>
    - The programme offers financial assistance in the form of subsidies and discounted interest rates to qualifying households, based on location and income. For its lowest income bracket the *Casa Verde e Amarela* programme offers mortgages with interest rates up to 4.75% and subsidies of up to BRL 47,500 (USD 9,588); for the middle-income bracket, the programme offers mortgages with interest rates up to 7% and total subsidies of up to BRL 29,000 (USD 5,853), while for the highest-income brackets, mortgages rates go up to 8.16%, with no subsidies. Sustainalytics notes that the interest rates offered by the programme compare favourably with the market rate of 13%.<sup>39</sup>
    - Sustainalytics considers that the subsidies and interest rates of the financed programme can be expected to lead to positive social outcomes by improving housing access for low-income and target populations.
  - Under the MSME Financing and Microfinance category, the Bank intends to finance companies, cooperatives and institutions with annual revenues up to USD 3 million. Sustainalytics notes that

<sup>34</sup> Only 4% of the recyclable solid waste undergoes recycling in Brazil.

Agencia Brasil, "Brazil recycling rate merely 4%", (2022), at: <https://agenciabrasil.ebc.com.br/en/geral/noticia/2022-06/recycling-rate-brazil-only-4-says-abrelpe>

<sup>35</sup> Only 59% of Brazil's municipalities dispose their waste in sanitary landfills while the rest 41% of Brazil's municipalities deposit their waste in landfills with limited environmental controls or in open dumps.

The World Bank, "With Carbon Finance, Brazil Landfills Reduce Methane Emissions and Turn Trash Into Treasure", (2020), at:

<https://www.worldbank.org/en/news/feature/2020/09/10/with-carbon-finance-brazil-landfills-reduce-methane-emissions-and-turn-trash-into-treasure>

<sup>36</sup> FDR, "Casa Verde and Amarela 2023: Registration, Subsidy Table and Simulation", (2023), at: <https://fdr.com.br/artigos/casa-verde-e-amarela-2023/>

<sup>37</sup> Global Data, "Median Household Income in Brazil (2010-2021, Purchasing Power Parity in Current International Dollars), at:

<https://www.globaldata.com/data-insights/macroeconomic/median-household-income-in-brazil/>

<sup>38</sup> FDR, "Casa Verde and Amarela 2023: Registration, Subsidy Table and Simulation", (2023), at: <https://fdr.com.br/artigos/casa-verde-e-amarela-2023/>

<sup>39</sup> Trading Economics, "Brazil: Interest Rates", (2023), at: <https://tradingeconomics.com/brazil/interest-rate>



- BB adheres to the International Finance Corporation's (IFC) definition of micro, small and medium enterprises.<sup>40</sup>
- BB has communicated to Sustainalytics that the MSMEs financed under the Framework have systems in place to prevent risks such as child labour and poor working conditions. MSMEs involved in activities related to tobacco, firearms and weapons, palm oil, fossil fuel operations, etc. are excluded.
  - Sustainalytics views the expenditure under this category to be in line with market practice.
- Under the Socioeconomic Advancement and Empowerment category, the Bank may finance the following activities:
- Provide financial support to small rural producers with annual revenues of up to BRL 500,000 under selected subprogrammes within the National Programme to Strengthen Family Farming (PRONAF).<sup>41</sup> Sustainalytics recognizes that the purpose of the programme is to incentivize and empower smallholder agricultural activities with multiple lines of credit for several types of activities, such as forestry, food production, and support for women-run family farms. BB has confirmed to Sustainalytics that the Bank's internal policies and guidelines (described in Section 2) will be applied to ensure projects financed under this social category apply as many of the principles of low-carbon agriculture as possible.
  - Financing the provision of technologies and services to support persons with disabilities. Examples of such expenditures may include wheelchairs, hearing aids, orthotics, prosthetics, walkers, housing adaptations and other technologies for disability assistance.
    - BB has communicated to Sustainalytics that the technologies and services will be accessible to the target populations at subsidized rates regardless of ability to pay.
    - Sustainalytics considers the provision of technologies and services to support persons with disabilities to provide positive societal benefits, particularly in underserved communities, and encourages BB to report on the impacts of such financing.
- Under the Access to Essential Services category, BB intends to finance expenditures related to public and private health clinics, dentistry facilities and equipment located in municipalities with low healthcare access, as defined by the IDSUS, which is Brazil's Unified Health System's (SUS) performance index.<sup>42</sup>
- BB has communicated to Sustainalytics that public healthcare facilities financed under this category will be accessible to all regardless of ability to pay and will provide healthcare services at subsidized rates or free of cost. BB has communicated to Sustainalytics that private healthcare services will be accessible to low-income individuals or individuals from under-served communities with private insurance plans.
  - Sustainalytics recognizes that the Bank may finance public and private healthcare facilities, which form complementary systems in the Brazilian context as privately run clinics may deliver services on behalf of Brazil's public healthcare system which provides free universal access to healthcare. As noted above, expenditures in this category will be directed to facilities in underserved communities, as identified by the IDSUS performance index, thereby targeting regions where private facilities will support the provision of universal healthcare. Sustainalytics views these investments in health and dental clinics as likely to provide improved overall access to health services for underserved populations and encourages the Bank to report on how its specific investments are improving access for low-income individuals in individual cases.
  - Sustainalytics notes that the Framework establishes an exclusionary criterion as per which the Bank will not provide financing or working capital lending for large

<sup>40</sup> IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

<sup>41</sup> The selected subprogrammes include: Pronaf Mais Alimentos, Pronaf Agroindústria Familiar, Pronaf Cotas-Partes, Pronaf Mulher - agricultores familiares, Pronaf Agroecologia and Pronaf Eco.

<sup>42</sup> Sustainalytics opinion on the benefits of the healthcare investments contemplated under the Framework is based on the targeting of underserved populations through the IDSUS performance index, which measures the performance and effectiveness of Brazil's Unified Health System (SUS), in municipalities in Brazil. The IDSUS performance index comprises 24 indicators, 14 measuring access to health care and 10 assessing the effectiveness of the health care system.

Oliveira L et al., "Considerations on the Brazilian national health system (SUS) performance index", GPublic, University of São Paulo, at: <https://www.gp.usp.br/2021/04/27/considerations-on-the-brazilian-national-health-system/>

companies<sup>43</sup>, and activities related to tobacco, firearms and weapons, alcohol, fossil fuels, exploitation of child labour, gambling, slavery and activities or production on lands owned or claimed under adjudication by Indigenous Peoples, without full documented consent of such peoples. Sustainalytics notes positively that such exclusions will help prevent proceeds from being directed towards projects that could have significant environmental and social risks.

- Project Evaluation and Selection:
  - The project evaluation and selection process will be managed by the Bank’s Finance Division, ESG unit and other strategic units, as needed. The BB Sustainability Forum, which includes executive managers from various strategic units at BB, will be responsible for periodically monitoring the project evaluation and selection and will provide updates to the Sustainability Committee and Board of Officers on a semi-annual basis.
  - BB has adopted internal environmental and social risk processes that are informed by the Bank’s Environmental and social risk management (ESMS) practices. For further information about the Bank’s risk evaluation and mitigation practices, please refer to Section 2.
  - Based on the cross-functional oversight for project evaluation and selection and the application of environmental and social risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The Bank’s Finance Division will be responsible for the overall management and tracking of the proceeds.
  - BB intends to allocate all proceeds within 36 months of each issuance. Pending full allocation, unallocated proceeds will be temporarily held in the Bank’s cash account or in high-liquidity and low-risk instruments, such as government bonds.
  - BB has communicated to Sustainalytics that instruments issued under the Framework may include multi-tranche loan facilities. BB intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
  - Based on the disclosures related to management and temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - BB intends to report on allocation of proceeds on its website on an annual basis until full allocation.
  - Allocation reporting will include: i) average loan amounts; ii) number of beneficiaries; iii) disbursement amounts for each eligible category; iv) amount of unallocated proceeds; v) percentage of proceeds allocated for refinancing and vi) regional distribution of proceeds.
  - Depending on the availability of information, impact reporting may include environmental and social indicators such as: i) GHG emissions avoided (measured in tCO<sub>2</sub>e); ii) percentage of water saved; iii) population with access to water; iv) number of beneficiaries; v) estimated number of jobs supported; vi) number of women-led enterprises financed; and vii) estimated annual revenue generated for rural families.
  - BB has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
  - Based on the commitments to impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023**

Sustainalytics has determined that the Banco do Brasil Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

## **Section 2: Sustainability Strategy of BB**

### **Contribution to BB’s sustainability strategy**

BB is committed to incorporating sustainability into its retail and commercial banking model. The Bank’s sustainability objectives are aimed at incorporating ESG considerations into its own operations, helping customers transition to a more sustainable portfolio and supporting investors in allocating investments to companies that deliver positive social and environmental externalities.

<sup>43</sup> Large companies are defined in the Framework as those with annual revenues of greater than BRL 16.75 million (USD 3 million). Working capital may be available for micro, small and medium enterprises with annual revenues up to this threshold only when they provide clear social benefits, including employment generation and maintenance, as well as financial inclusion.

In 2021, BB established long-term sustainability commitments in an ESG action plan for the Bank to implement by 2030. BB has communicated to Sustainalytics that these commitments include, amongst others: i) promoting renewable energy by extending credit worth BRL 30 billion; ii) financing sustainable agriculture projects worth BRL 200 billion; iii) disbursing BRL 40 billion for projects promoting state and municipal efficiency; iv) responsible investments worth BRL 22 billion with a focus on ESG factors; v) reducing the Bank's direct GHG emissions by 42% (over on a 2021 baseline), offsetting 100% of direct GHG emissions by 2030 and procuring 100% of the Bank's electricity from renewable sources.<sup>44</sup>

In line with these commitments, the Bank grew its sustainable loan portfolio to BRL 327.3 billion in 2022, comprising loans for renewable energy, energy efficiency, waste management and sustainable transport, agriculture and construction, and social investments in affordable housing and student financing.<sup>45</sup> The Bank serves as a financial agent for the government of Brazil's low-income housing programmes, Minha Casa Minha Vida and Casa Verde e Amarela, supporting efforts to promote affordable housing and reduce housing shortages in the country. During the 2019-2022 period, the Bank facilitated the construction of 167 building projects with 24,363 housing units.<sup>46</sup> Under its commitment to support entrepreneurship, the Bank extended BRL 91.6 billion in credit to 359,000 MSMEs in 2022.<sup>47</sup> Furthermore, in 2022, among the Bank's debt capital raised, USD 500 million were raised through social bonds, USD 240 million via sustainable time deposits and USD 500 million in a loan facility, to support environmental and social projects.<sup>48</sup>

Sustainalytics is of the opinion that the Banco do Brasil Sustainable Finance Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

#### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the Sustainable Financing Instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the financed projects may include issues involving the loss of biodiversity from land use for large-scale infrastructure development; emissions, effluents and waste generated in construction; occupational health and safety; community relations; and business ethics and responsible lending.

Sustainalytics acknowledges BB's limited involvement in the development of specific projects financed under the Framework, but notes that the Bank could be exposed to environmental and social risks associated with the loans that it may provide.

Sustainalytics is of the opinion that BB is able to manage or mitigate potential risks through implementation of the following:

- BB addresses risks related to the loss of biodiversity and emissions, effluents and waste generated during construction through its Credit Policy which guides the Bank's due diligence process and risk mitigation for financing activities that involve environmental issues. As part of the policy, the Bank assesses borrowers' compliance with the environmental permits, licenses and environmental impact reports, where needed, and ensures that the financed activities do not take place in protected or conservation areas in Brazil.<sup>49</sup> Following its Socio-environmental Guidelines,<sup>50</sup> Socio-environmental Responsibility Policy<sup>51</sup> and Sustainability Credit Guidelines,<sup>52</sup> the Bank assesses the social and environmental impacts of its business operations, and incorporates ESG factors into its credit analysis and lending practices. Under the Sustainable Credit Guidelines, the Bank may require a borrower to carry out a project-level risk assessment and action plan to mitigate any identified risks and may monitor the action plan as part of the credit agreement.<sup>53</sup> BB has also incorporated the UN Global Compact Principles in its environmental and social risk management and is a signatory to the

<sup>44</sup> Banco do Brasil, "Annual Report 2022", at: <https://api.mziq.com/mzfilemanager/v2/d/0501147c-6489-4fc5-8ac2-a39baa2721b9/61a1c963-fd01-c6d9-081a-dd4a28aa7f23?origin=1>

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> BB, "Social, Environmental and Climate Risk Mitigation Cases", at: <https://api.mziq.com/mzfilemanager/v2/d/5760dff3-15e1-4962-9e81-322a0b3d0bbd/12d1fe3d-a644-e3ae-2d77-c008547b73fd?origin=2>

<sup>50</sup> BB, "Socio-environmental Guidelines: Restrictive List and Exclusion List", at: <https://api.mziq.com/mzfilemanager/v2/d/5760dff3-15e1-4962-9e81-322a0b3d0bbd/2bdc801f-6ffb-5e9f-5db0-3ebdf5b1cbbc?origin=2>

<sup>51</sup> BB, "Socioenvironmental Responsibility Policy", at: <https://www45.bb.com.br/docs/ri/ra2012/eng/ra/11.htm>

<sup>52</sup> BB, "Sustainability Credit Guidelines", at: <https://www.bb.com.br/docs/pub/siteEsp/uds/dwn/DSBBCI.pdf>

<sup>53</sup> Ibid.

Equator Principles, the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), indicating its commitment to address environmental and social issues.<sup>54</sup>

- To address risks related to occupational health and safety, BB has adopted the International Finance Corporation's (IFC's) Environmental and Social Performance standards and the World Bank's Health, Safety and Environment Guidelines to inform its lending decisions. Furthermore, the Bank's Code of Ethics<sup>55</sup> mandates ethical behaviour, and considers safeguarding worker safety and health as paramount for both internal and external stakeholders.
- Regarding large-scale infrastructure projects that may impact surrounding communities, Sustainalytics notes that the Bank conducts a risk assessment of financed projects based on the Equator Principles, which require an evaluation and mitigation plan for impacts on local communities.<sup>56</sup>
- With respect to business ethics and risks related to predatory lending, BB has laid out its Commitment to Financial Inclusion<sup>57</sup> which includes ensuring responsible lending practices, preventing excessive indebtedness and focusing on financial health of borrowers, particularly the vulnerable target groups.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All ten use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of financing low-carbon agriculture under Brazil's Renovagro Programme

The agriculture, agribusiness and food industry is a key driver of the Brazilian economy, accounting for approximately 29% of the country's GDP.<sup>58</sup> The agricultural sector alone is considered a principal source of GHG emissions in Brazil, accounting for 34% of the country's total emissions.<sup>59</sup> Recognizing the growth trajectory of this sector, the Brazilian government enacted a Low-Carbon Agriculture Plan in 2010, which led to the implementation of the Programme for Reducing Greenhouse Gas Emissions in Agriculture (the "ABC" Programme).<sup>60</sup> The ABC programme, which was later renamed as RENOAGRO in 2023, is part of the Brazilian government's efforts to meet its commitments to reducing GHG emissions.<sup>61,62</sup> The programme offers a low-interest credit scheme to farmers to incentivize and fund the implementation of low-carbon agricultural practices that contribute to climate change mitigation,<sup>63</sup> such as integrated crop-livestock-forestry (ICLF) and agroforestry (AFS) systems and commercial plantation forests.<sup>64</sup> In addition, the programme includes no-till farming, restoration of degraded pasture, biological nitrogen fixation, and manure management. Furthermore, in 2021, the Brazilian government announced the Sectoral Plan for Climate Change Adaptation and Low Carbon Emissions in Agriculture Seeking Sustainable Development (2020-2030), dubbed the ABC+ programme, which aims to develop innovative strategies to enhance and modernize sustainable food production nationwide by 2030 through technological innovation.<sup>65</sup> As a key stakeholder in the Brazilian market, BB has positioned itself as a market leader in contracting of financing under the RENOAGRO

<sup>54</sup> BB, "2022 Annual Report", at: [61a1c963-fd01-c6d9-081a-dd4a28aa7f23 \(mziq.com\)](https://www.bb.com.br/pt-br/relatorio-anual-2022)

<sup>55</sup> BB, "Code of Ethics 2021-2022", at: [3dbb8f91-43f3-4bb9-8654-8778bc6e7044\\_CE%202021%20Ingles-compactado.pdf](https://www.bb.com.br/pt-br/codigo-de-etica-2021-2022)

<sup>56</sup> BB, "Cases of Socio-Environmental Risk Mitigation", at: [44abc213-445d-78c9-9174-27ce04d62824 \(mziq.com\)](https://www.bb.com.br/pt-br/casos-de-mitigacao-de-riscos-socio-ambientais)

<sup>57</sup> BB, "Banco do Brasil's Commitment to Financial Inclusion", at: <https://api.mziq.com/mzfilemanager/v2/d/5760dff3-15e1-4962-9e81-322a0b3d0bbd/0cb228ac-eea2-99d9-2916-0a3cd84904f9?origin=2>

<sup>58</sup> US Department of Agriculture, "Brazil's Momentum as a Global Agricultural Supplier Faces Headwinds", (2022), at: <https://www.ers.usda.gov/amber-waves/2022/september/brazil-s-momentum-as-a-global-agricultural-supplier-faces-headwinds/>

<sup>59</sup> The Carbon Brief, "The Carbon Brief Profile: Brazil", (2018), at: <https://www.carbonbrief.org/the-carbon-brief-profile-brazil>

<sup>60</sup> Newton, Peter, et al., (2016), "Overcoming barriers to low carbon agriculture and forest restoration in Brazil: The Rural Sustentável project", World Development Perspectives, at: <https://www.sciencedirect.com/science/article/pii/S2452292916301321#b0010>

<sup>61</sup> Brazilian Agricultural Research Corporation, "Low carbon agriculture", at: <https://www.embrapa.br/en/tema-agricultura-de-baixo-carbono/sobre-o-tema>

<sup>62</sup> Climate Policy Initiative, "Landscape of Climate Finance for Land Use in Brazil – Agricultural Credit Policy", at: <https://www.climatepolicyinitiative.org/landscape-of-climate-finance-for-land-use-in-brazil-agricultural-credit-policy/>

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

<sup>65</sup> US Department of Agriculture, "ABC Plus - Brazil's New Climate Change Adaptation and Low Carbon Emission in Agriculture Plan", (2021), at: [https://usdabrazil.org.br/wp-content/uploads/2021/05/ABC-Plus-Brazils-New-Climate-Change-Adaptation-and-Low-Carbon-Emission-in-Agriculture-Plan\\_Brasilia\\_Brazil\\_05-08-2021.pdf](https://usdabrazil.org.br/wp-content/uploads/2021/05/ABC-Plus-Brazils-New-Climate-Change-Adaptation-and-Low-Carbon-Emission-in-Agriculture-Plan_Brasilia_Brazil_05-08-2021.pdf)

(erstwhile ABC programme), financing approximately BRL8.69 million (USD 1.75 million) through it in 2022.<sup>66</sup>

Through the issuance of the Sustainable Financing Instruments, the Bank aims to continue facilitating the transition to a low-carbon economy by providing financing for key assets and projects under the RENOVAGRO Programme. Sustainalytics is of the opinion that BB's financing for low-carbon agriculture projects will help accelerate action in support of the country's GHG emission goals and enhance carbon sequestration.

### Importance of affordable housing in Brazil

More than 25 million people live in inadequate conditions in Brazil, where low-income households endure overcrowding and housing deterioration, especially in cities.<sup>67</sup> Urban slums in Brazil, known as favelas or vilas in Portuguese, accommodate more than 11 million people, many of whom have limited or uncertain access to essential amenities, such as electricity, water supply, and sanitation.<sup>68</sup>

The Brazilian government has recognized the significant housing deficit problem and introduced various government initiatives and programmes to tackle the challenge. Among various notable investments aimed at addressing the housing challenge, the Brazilian federal government introduced the Minha Casa, Minha Vida (MCMV) programme in 2009 to increase the supply of homes for Brazil's low-income population.<sup>69</sup> With approximately 2.4 million housing units being built in its five years, the project has been a significant step towards mitigating the housing deficit.<sup>70</sup> In 2020, the government introduced the Casa Verde e Amarela programme, which has since delivered 1.2 million homes across Brazil, benefiting almost 5 million people.<sup>71</sup> In particular, 384,000 units have been allocated to socially vulnerable households, reaching approximately 1.5 million individuals.<sup>72</sup>

In this context, Sustainalytics is of the opinion that investments under the Framework that support affordable housing programmes are expected to deliver positive social outcomes in Brazil.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The Sustainable Financing Instruments issued under the Banco do Brasil Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.  12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.  15.B Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide

<sup>66</sup> Banco do Brasil, "Annual Report 2022", (2022), at: <https://www.bb.com.br/docs/portal/japao/BB-Annual-Report-2022.pdf>

<sup>67</sup> Habitat for Humanity Great Britain, "Housing poverty in Brazil", (2023), at <https://www.habitatforhumanity.org.uk/country/brazil/>

<sup>68</sup> BBC, "Favela Life: Rio's city within a city", (2014), at: <https://www.bbc.com/news/world-latin-america-27635554>

<sup>69</sup> Metropolitics, "Changes in Contemporary Brazilian Housing Policy: The Dismantling of Social Housing and Grassroots Mobilization", (2022), at: <https://metropolitics.org/Changes-in-Contemporary-Brazilian-Housing-Policy-The-Dismantling-of-Social.html>

<sup>70</sup> RioOnWatch, "Minha Casa Minha Vida: An Overview of New Public Housing in Rio", (2014), at: <https://rioonwatch.org/?p=14887>

<sup>71</sup> Government of Brazil, "'Green and Yellow House' Program: 1.2 million houses delivered", (2022), at: <https://www.gov.br/en/government-of-brazil/latest-news/2022/casa-verde-e-amarela-1>

<sup>72</sup> Ibid.

		adequate incentives to developing countries to advance such management, including for conservation and reforestation.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Sustainable Water and Solid Wastewater Management	11. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
SME Financing and Microfinance	8. Decent Work and Economic Growth  9. Industry, Innovation and Infrastructure	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.  9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
Socioeconomic Advancement and Empowerment	1. No Poverty  10. Reduced Inequalities	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.  10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
Access to Essential Services	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

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## Conclusion

BB has developed the Banco do Brasil Sustainable Finance Framework under which it may issue green, social and sustainability bonds and obtain green, social and sustainability loans (the “Sustainable Financing Instruments”) to finance eligible projects that are expected to deliver positive environmental and social outcomes in Brazil.

The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of BB and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 1, 3, 7, 8, 9, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that BB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that BB is well positioned to issue or obtain Sustainable Financing Instruments and that that Banco do Brasil Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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