



## Cases of Socioenvironmental Risk Mitigation

At Banco do Brasil (BB), we seek to mitigate risks to the environment and society and reduce the impacts of its financing and investments. We also look to identify new opportunities to operate in the sustainable business value chain, based on relevant socioenvironmental issues and strategic topics for sustainable development.

All credit and financing operations are aligned with the principles of socioenvironmental responsibility contained in general and specific policies, such as the Specific Socioenvironmental Responsibility Policy (PRSA), Specific Credit Policy, Sustainable Guidelines for Credit and Socioenvironmental Guidelines – Restrictive List and Exclusion List. Furthermore, BB's commitment to the socioenvironmental risk management is manifested in initiatives and agreements to which we are signatories, such as the Equator Principles, the Green Protocol, and the Principles for Responsible Investment (PRI).

PRSA bases the socioenvironmental responsibility performance on strategic definitions, aligned with the laws and rules that govern the subject. The Specific Credit Policy considers the counterparty's socioenvironmental responsibility when deciding on a credit risk operation; the Sustainable Guidelines for Credit uses socioenvironmental criteria in the processes of credit analysis, granting and management, disclosing for society the socioenvironmental criteria adopted on strategic issues.

The following are examples of the applicability of our socioenvironmental assessment.

### a) EQUATOR PRINCIPLES

The Equator Principles are a set of criteria, voluntarily adopted by financial institutions worldwide, used to identify, assess and manage the risks and social and environmental impacts associated with larger projects.

For projects with a higher risk potential within the scope of the Principles, Banco do Brasil requires the elaboration of a Socioenvironmental Action Plan, the provision of periodic monitoring reports, the establishment of a Social and Environmental Management System and the hiring of an independent socioenvironmental consultant by the customer, that in case of non-compliance may lead to a suspension on the release of the financed resources or a early maturity of the operation.

In 2020, we had three Project Finance operations contracted, presented below, periodically monitored by independent consultancy.

**Case 1:** Wind farm, located in the Northeast region of the country. The socioenvironmental assessment report of the independent consultancy attested that the environmental and social impacts and risks of the project were limited, in small numbers, reversible and readily controllable through mitigation measures. Notwithstanding, it was required the presentation of an Action Plan by the creditor and the evidence of compliance with the consultancy's notes, being



recommended its incorporation into the company's Social and Environmental Management System, under preparation at the time.

**Case 2:** Enterprise of thermoelectric power generation from natural gas. Among other obligations, the development of a Social and Environmental Management System was required, comprising a Social and Environmental Management Plan (PGS) and, if the applicable standards are not met, the Equator Principles Action Plan (PA), to be prepared by an independent socioenvironmental consultancy.

**Case 3:** Enterprise of transmission lines and electricity substations, framed in the Equator Principles. The project, which had a Simplified Environmental Report (RAS), had its Operation License (LO) recently renewed, being stipulated for its validity the attendance of programs included in the Basic Environmental Plan (PBA), among which the presentation of work plans of the programs to compensate the impacts on fauna and avifauna and the execution of programs for the recovery of degraded areas and the prevention of erosion processes.

**b) SUSPENDED OR SEALED CREDIT:** Situations in which the operation analysis or the financing relationship with the client was discontinued due to the identification of socioenvironmental risk.

**Case 1:** In 2020, in compliance with its Sustainable Guidelines for Credit Banco do Brasil discontinued its financing relationship with all customers included in the "Dirty List of Slave Labor" ("Lista Suja do Trabalho Escravo") of the Brazilian Ministry of Economy – a register of employers who have submitted workers to conditions analogous to slavery. In total, 25 clients were prevented from operating with the Bank.

**Case 2:** Due to a public civil action alleging irregularities in the issuance of the Small Hydroelectric Plant (PCH) operation license and the plant's activities being subject to suspension, the Bank decided by prohibiting new business with the customer.

**Case 3:** As a result of a preliminary court decision that suspended the environmental licenses and, consequently, the works for the electric power transmission Project under implementation, Banco do Brasil has forbidden the granting of any loans and financing to the project.

**c) OTHER FINANCING:** situations in which socioenvironmental assessment by specialized consultants were required.

**Cases:** The socioenvironmental assessment by a specialized consultancy was required for all the projects financed under the Equator Principles, mentioned in item "a".