



Social and Environmental Risk

Banco do Brasil is premised on ethics in its relationship with its various publics and the environment. Thus, the generation of social values and the protection of the environment go hand in hand with the economic indicators in the formation of the result and in the search for the institution's permanence and solidity.

We face the challenge of reconciling business competitiveness with building a more sustainable and socially fair world in a constructive and transparent manner by building and refining our standards, agreements, commitments and processes.

The commitment to social and environmental risk management manifests itself in initiatives and pacts that we are signatories, such as the Equator Principles, the Green Protocol and the Principles for Responsible Investment (PRI).

Banco do Brasil Sustainability Credit Guidelines - Agribusiness, Irrigated Agriculture, Electricity, Construction, Mining, Oil & Gas, Transportation and Pulp & Paper - seek to give visibility to BB business and administrative practices, reinforcing the fulfillment of the public commitments assumed in alignment with the social and environmental responsibility principles contained in our Policy.

How does it work in practice?

Banco do Brasil Credit Policy intends to provide compliance with social and environmental criteria in the analysis and conduct of loans and financing. Thus, we require borrowers to present documents that prove social and environmental regularity, such as licenses, water permits, for example. In case of properties located in the Amazon Biome, we also check for embargoes by deforestation or irregular burning.

Besides that, we do not assume credit risks with clients who submits their workers to degrading or similar to slave conditions, envolved in sexual exploitation of minors or child work.

We do not accept contaminated properties as collateral, except if they are rehabilitated for use, with the classification RA (rehabilitated areas). For this purpose, we perform a technical analysis to verify any evidence of soil contamination and we also consult official public lists of contaminated areas.

These criteria and conditions are materialized in clauses included in all our credit instruments, used to formalize the client commitment with the subject and allow the Bank to suspend new releases of credit or demand early payment of the debt in case of violation.

Since October 2004, we assess the level of social and environmental responsibility in the credit limit analyzes of companies that, due to their size and economic activity, present the highest risk potential, and also in analysis of



investment projects with an amount financed by BB equal or over R\$ 2.5 million. The assessment is carried out through Socio-Environmental Questionnaire and provides subsidies for credit decision.

If necessary, we visit on site to verify socio-environmental conditions of the client and / or the project to be financed, allowing the Bank to ascertain the information presented in greater detail.

Projects that achieve the Equator Principles criteria have a specific line of analysis with some stages, as framework, categorization and follow-up, in accordance to the social and environmental impact identified. The category assigned to the project defines the client's responsibilities, such as the elaboration of a Social and Environmental Action Plan, the providing of periodic reports of following-up, the building of a Social and Environmental Management System and the hiring of an independent consultant for projects that involves a higher risk potential.

With these good practices, the Bank seeks to mitigate risks to the environment and society and reduce the impacts of its financing and investments, as well as identify new opportunities for action in the sustainable business value chain, based on relevant socio-environmental issues and issues for sustainable development.

Next, we show some examples of the applicability of our socio-environmental diligence:

1. Banco do Brasil discontinued the analysis of a transmission line project when evidence of potential impacts were found in traditional quilombola communities – afro-descendants of self-liberated slaves , during the internal process of due diligence and evaluation of the Environmental Impact Study (EIA), required by the Bank for financing.
2. Due to social and environmental issues associated with companies that use tailings containment dams in their processes, Banco do Brasil has prepared a specific strategic study to identify risks and mitigators and to carry out periodic follow-ups, revising its support conditions to one of these companies, considering the higher risk.
3. Banco do Brasil prevented new credit exposures with customers that failed to adopt measures provided in the Conduct Adjustment Agreement - TAC, entered into with the Federal Public Prosecution Service, which, according to the technical diligence performed, presented social and environmental risks.
4. Banco do Brasil no longer supports long-term financing for an industry involved in environmental crime reporting, even though the customer claimed to have the necessary licenses and permits and requested that the investigation be filed, attributing the occurrence to a third party.