

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 and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ align with those recognized by the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021. Sustainalytics considers the range of eligible projects to have positive environmental and social impacts and to advance a number of UN Sustainable Development Goals including 1, 3, 7, 8, 9, 10, 11, 12 and 15. Sustainalytics notes, however, that the Framework's criteria deviate from market expectation in four areas: low-carbon agriculture, biofuels, green buildings and clean transportation. Sustainalytics considers this to be a limitation of the Framework.



PROJECT EVALUATION / SELECTION Banco do Brasil's Finance Division and Corporate Sustainability Executive Management, supported by other strategic units, will be in charge of project evaluation and selection. The Unit's Committees of Management will be responsible for approving projects. Banco do Brasil has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be aligned with market practice.



MANAGEMENT OF PROCEEDS Banco do Brasil's Finance Division will be responsible for the tracking and management of the net proceeds. Banco do Brasil's intends to achieve full allocation of proceeds within 36 months of each issuance, and will temporarily hold or invest unallocated proceeds in the Bank's cash account, and 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 of proceeds on an annual basis and until the redemption of the instrument. The report will be made available on its website. In addition, Banco do Brasil intends to report on qualitative and quantitative impacts. The Bank will also pursue annual reviews from a recognized third-party, until the end of maturity. Sustainalytics views Banco do Brasil's allocation and impact reporting as aligned with market best practice.

Evaluation Date December 16, 2021²

Issuer Location Brasília, Brazil

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¹ Environmentally Sustainable Management of Living Natural Resources and Land Use, Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Affordable Housing, MSME Financing and Microfinance, Socioeconomic Advancement & Empowerment and Access to Essential Services

² This Second-Party Opinion is an updated version of the previous Banco do Brasil Sustainable Finance Framework Second-Party Opinion dated November 2021. The scope of Sustainalytics' update includes the assessment of a new green eligibility criteria and confirming that changes made to existing criteria are compliant with the intentions of the original Framework, and sustainable finance market practice.

Introduction

Banco do Brasil S.A. (“BB”, the “Bank”, or the “Issuer”) was the first bank founded in Brazil in 1808 and is currently one of Latin America’s largest banks servicing over 66 million customers at 4,368 branches as of yearend 2020. The Bank offers consumer, commercial, and agribusiness loans, amongst other banking services.

The Bank has developed the Banco do Brasil Sustainable Finance Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and loans, 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 green eligibility criteria in the following six areas:

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

The Framework defines social eligibility criteria in the following four areas:

1. Affordable Housing
2. MSME Financing and Microfinance
3. Socio-Economic Advancement
4. Access to Essential Services

BB engaged Sustainalytics to review the Banco do Brasil Sustainable Finance Framework, dated December 2021, 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 2021 (SBP)³, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP).⁴ This Framework has been published in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the 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 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, 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.

³ 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/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

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

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

⁶ 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.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

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 (1) they understand it is the sole responsibility of BB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that 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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised 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 is of the opinion that the Banco do Brasil Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of BB's Sustainability Finance Framework:

- Use of Proceeds:
 - The eligible categories – Environmentally Sustainable Management of Living Natural Resources and Land Use, Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Affordable Housing, MSME Financing, Socioeconomic Advancement & Empowerment, and Access to Essential Services – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - The Environmentally Sustainable Management of Living Natural Resources and Land Use category is further broken down into: low-carbon agriculture, sustainable irrigation systems and forestry projects that will contribute to Brazil's Low-Carbon Agriculture Plan (the "ABC Plan"), and have ecological, social and economic benefits, such as revival of productivity of land, reduction of GHG emissions, carbon sequestration, and the provision of ecosystem services. Refer to Section 3 for further information on Brazil's ABC Plan. Sustainalytics highlights the following aspects of the eligibility criteria for this category:
 - Under the low-carbon agriculture category, BB intends to provide loans to projects utilizing one or more of the following: (i) no-till farming systems, (ii) soil recovery and restoration, (iii) integrated cropland-livestock-forestry systems and agroforestry systems, (iv) biological nitrogen fixation, (v) animal waste treatment, and (vi) other

projects related to adaptation of agricultural production systems and the ecological buffering of climate impacts.

- 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 organic carbon and prevent soil erosion and runoff.
- Integrated cropland-livestock-forestry systems (ICLFS)⁷ 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.^{8,9} However, such integrated projects could face certain barriers,¹⁰ 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.^{11,12} BB has confirmed that all ICLFS projects funded under the Framework will be on smallholder farms, and that projects exclusively dedicated to livestock will be excluded.¹³
- Sustainalytics views investments in soil restoration from degraded pasturelands, if done with the intent of promoting future livestock activities, to represent a deviation from market practice, as soil restoration may not address the key drivers of the environmental impacts of livestock production. This is therefore considered to be a substantial limitation to the Framework.
- Biological nitrogen fixation projects intend to capture and convert nitrogen from the atmosphere into ammonia utilizing microorganisms, which reduces the dependence of leguminous crops on synthetic fertilizers, thus reducing chances of agricultural runoff while maintaining soil fertility.^{14,15}
- Animal waste treatment projects aim to support the biodigestion and composting of animal waste (manure), including the generation of biogas. Sustainalytics recognizes the environmental benefits of such activities.
- Within this category, the Framework contemplates investments in adaptation to agricultural production systems and projects related to the ecological buffering of climate impacts. These include but are not limited to the conversion of non-certified production of agriculture and forestry products to third-party certified production, as well as water and microclimate management systems, and weather monitoring systems, including 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,¹⁶ Better Cotton Initiative (BCI), UTZ, 4C and Fairtrade.¹⁷ Please refer to Appendix 1 for Sustainalytics' assessment of the certifications.
- 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

⁷ Under the Framework, ICLFS systems may include Crop-livestock-forest, Crop-livestock, Crop-forest, Livestock-forest, and Agroforestry projects.

⁸ World Development Perspectives, Overcoming barriers to low carbon agriculture and forest restoration in Brazil: The Rural Sustentável project: <https://www.sciencedirect.com/science/article/pii/S2452292916301321#b0010>

⁹ Current Opinion in Environmental Sustainability, Climate risk adaptation by smallholder farmers: the roles of trees and agroforestry: <https://www.sciencedirect.com/science/article/pii/S1877343513001619?via%3Dihub>

¹⁰ 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

¹¹ Agriculture, Ecosystems & Environment, Adoption and development of integrated crop–livestock–forestry systems in Mato Grosso, Brazil: <https://www.sciencedirect.com/science/article/abs/pii/S016788091400471X>

¹² IPCC, Land-Climate Interactions: https://www.ipcc.ch/site/assets/uploads/2019/08/2c.-Chapter-2_FINAL.pdf

¹³ The Framework defines smallholder farms as those with annual revenues up to BRL 500,000, as defined by the Brazilian government’s Rural Credit Manual: <https://www3.bcb.gov.br/mcr/completo>.

¹⁴ Nature Education Knowledge, Biological Nitrogen Fixation: <https://www.nature.com/scitable/knowledge/library/biological-nitrogen-fixation-23570419/>

¹⁵ The process of symbiotic nitrogen fixation could be restricted for certain type of plants (legumes) and needs further development in nonlegumes.

¹⁶ BB has confirmed that Organico Brasil certification will be used for crop agriculture projects only, and that livestock agriculture projects will be excluded

¹⁷ BB has confirmed that the Fairtrade certification 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.

- implement low-carbon strategies.
 - Sustainalytics encourages BB to promote the holistic deployment of conservation agriculture practices¹⁸ 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 producers¹⁹ 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.²⁰
 - Overall, and considering the exceptions noted above, Sustainalytics considers the investments in this category as likely to deliver positive environmental impacts and to be aligned with market expectation.
- BB's Sustainable Irrigation projects include investments in sustainable irrigation systems, including pivot, flood, and high-efficiency drip. Sustainalytics considers this to be in line with market practice.
- BB's Forestry projects include commercial plantation forestry and sustainable management of forests that are certified with FSC or PEFC, and recovery of legal reserve²¹ with riparian forests and environmental preservation as applicable consideration. This is in line with market practice.
- Under the Renewable Energy category, BB contemplates financing the construction, development and operation of solar (photovoltaic), wind, biomass, and hydropower plants. In addition, the Framework also includes investments in transmission infrastructure and biofuel projects.
 - For hydroelectric projects, the Bank may finance run-of-river hydropower plants with capacity up to 30 MW. BB has confirmed to Sustainalytics that all hydropower projects will be subject to a socioenvironmental screening to assess the inherent risk of projects. This is aligned with market practice. For further assessment of the Bank's environmental and social risk mitigation policies, please refer to Section 2.
 - The biomass plants will produce electricity from waste biomass feedstock such as sugarcane bagasse, forestry residues, food waste, manure and agriculture waste. This is aligned with market practice.
 - The Framework contemplates investments in biofuel projects, specifically ethanol production that is certified under BONSUCRO, ISCC EU, or is in compliance with the GHG threshold of the Climate Bonds Initiative's Bioenergy criteria.²²
 - Sustainalytics considers the production of ISCC EU-certified biofuels and ethanol from BONSUCRO-certified sugar in Brazil²³ to be aligned with market expectation.
 - In relation to biofuel production from other feedstocks, Sustainalytics acknowledges that the emissions threshold referenced by the Framework is in line with market practice, and that the Framework's exclusion criteria²⁴ will meaningfully contribute to environmental risk reduction. Nevertheless, Sustainalytics notes that the use of a GHG threshold as a sole eligibility criterion falls short of market expectation in areas of biodiversity protection and deforestation, and therefore to represent of a limitation of the Framework.²⁵
- The Bank contemplates financing Energy Efficiency projects that improve energy performance

¹⁸ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance 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." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

¹⁹ Family producers defined under the National Programme to the Family Agriculture Strengthening (PRONAF).

²⁰ 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.

²¹ Sustainalytics notes that legal reserves represent almost one-third of Brazil's native vegetation and considers its recovery as a crucial step forward to preserve biodiversity and ecosystem services associated with such areas. Perspectives in Ecology and Conservation, Why Brazil needs its Legal Reserves: <https://www.sciencedirect.com/science/article/pii/S253006441930118X>

²² Climate Bonds Initiative, "Bioenergy Criteria under the Climate Bonds Standard" (2021), at: <https://www.climatebonds.net/files/files/standards/Bioenergy/Bioenergy%20Criteria%20Document%20Mar%202021.pdf>

²³ Based on data from the literature, such feedstocks are likely to deliver lifecycle emissions intensities in line with market practice.

²⁴ Sustainalytics notes the Framework's exclusion of new sugarcane production for ethanol in areas of the Amazon and Pantanal biomes or the Alto Paraguai basin that have been deforested since October 28th 2009.

²⁵ Sustainalytics considers it market expectation to prohibit feedstock production on land that has been deforested within the last 10-15 years. BB is encouraged to report on the characteristics of the land used to produce the feedstock financed under the Framework to ensure transparency with regards to deforestation, which is an area of significant concern for many regions of Brazil.

- by at least 20%. Eligible expenditures include efficient lighting, heating, ventilating and air conditioning (HVAC) systems, reduction of heat losses, smart grid systems, and increased waste-heat recovery in industrial processes not related to fossil fuel production or usage.
- BB's Framework allows for allocation of "smart grid" investments. While noting the variety of definitions and applications of "smart grid" technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages BB to select projects that are clearly anticipated to deliver tangible efficiency improvements.
 - Within the Green Buildings category, projects include the construction or upgrade of residential, industrial and commercial buildings that are certified under LEED, and Selos Procel Edificações. BB is encouraged to prioritize green building projects aiming for LEED Gold or higher certifications, yet the Framework may finance investments in lower levels of LEED certifications. Sustainalytics notes this as a limitation to the Framework. Please refer to Appendix 3 for Sustainalytics' assessment of the certifications.
 - Under the Clean Transportation category, the Bank intends to make investments in non-motorised transport including bicycles and scooters, as well as pedestrian infrastructure, mass-transit systems, rail, electric or hybrid vehicles and related infrastructure.
 - Sustainalytics notes that BB intends to finance hybrid passenger vehicles that are labelled under the Brazilian National Institute of Metrology, Quality and Technology's Labelling Programme (2021)²⁶ SIM Selos CONPET for Energy Efficiency.²⁷ Sustainalytics considers a carbon emissions threshold of 75 gCO₂/km to be aligned with international trajectories for low-carbon light-duty passenger vehicles (LDVs), while noting that best practice is to achieve a threshold of 50 gCO₂/km.²⁸ These thresholds reflect the need to shift LDV powertrain technologies to battery-electric, hydrogen fuel cell, and plug-in hybrids – technologies that are necessary for the deep decarbonization of passenger transportation. Sustainalytics notes that the SIM Selos CONPET certification includes vehicles that emit up to 106 gCO₂/km, and as such, considers this to be a limitation of the Framework.
 - BB contemplates the financing of investments related to expansion and improvement of passenger and freight rail infrastructure in Brazil. Sustainalytics notes that rail transport is recognized to be significantly more efficient compared to transport by road, reducing greenhouse gas emissions by up to 75%.^{29,30}
 - BB is unable to provide asset- or portfolio-level emissions performance data on the financed assets, as BB is not the operator of the railcars. While such disclosures would provide additional assurance relating to the environmental credentials of the green assets, based on the above, Sustainalytics is nevertheless confident that the financing under the Framework will result in net-positive environmental outcomes.
 - BB will finance BRT infrastructure³¹ for systems that have received certification (Bronze and above) under the Institute for Transportation & Development Policy's (ITDP) Bus Rapid Transit Standard. Sustainalytics considers this investment to be in line with market expectations and anticipates that it will deliver environmental and social impacts. It is also recognized that, over the long-term, the decarbonization of the bus fleet operating on the BRT system will maximize these benefits.
 - Within the Sustainable Water and Wastewater 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.

²⁶ <https://www.gov.br/inmetro/pt-br/assuntos/avaliacao-da-conformidade/programa-brasileiro-de-etiquetagem/pbe-veicular/pbe-veicular-2021.pdf>

²⁷ BB will rely on the car models with the Selos CONPET as per the National Institute of Metrology Standardization and Industrial Quality (Instituto Nacional de Metrologia, Qualidade e Tecnologia) assessment on the classification of pollutant emissions related to the current limits of the Motor Vehicle Air Pollution Control Programme 2021. These reference values are obtained from consumption measurements made in the laboratory, according to NBR 7024 standards. At: <https://www.gov.br/inmetro/pt-br/assuntos/avaliacao-da-conformidade/programa-brasileiro-de-etiquetagem/pbe-veicular/pbe-veicular-2021.pdf>.

²⁸ The threshold of 50 gCO₂/km is included in the EU Taxonomy Climate Delegated Act (at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf) and has been adopted in the latest version of the Climate Bond Initiatives standards for the Land Transport Criteria. At: https://www.climatebonds.net/files/files/CBI%20Transport%20Criteria%20document_Apr2021.pdf

²⁹ ICCT, "Freight In Brazil - An assessment and outlook for improving environmental performance", at: <https://theicct.org/sites/default/files/publications/brazil-freight-assessed-sept21.pdf>

³⁰ Association of American Railroads, The Environmental Benefits of Moving Freight by Rail, July 2019, at: <https://www.aar.org/wp-content/uploads/2018/07/AAR-Environmental-Benefits-Moving-Freight-by-Rail.pdf>

³¹ BB has confirmed that the financing of vehicles will not take place under this category.

- BB's Framework excludes wastewater treatment of fossil fuel operations which is aligned with market practice.
- BB's Framework allows for investments in industrial recycling facilities that will include the processing of recyclable waste fractions into secondary raw materials, and facilities that collect, sort, clean, refurbish, recondition, and repair products. Sustainalytics considers investments within this category to be aligned with market practice.
- Regarding waste-to-energy from municipal solid waste, Sustainalytics recognizes that while this activity may deliver environmental impacts related to waste management and low-carbon energy, it could remove recyclable materials from circulation and undermine the objectives of a zero-waste circular economy. Sustainalytics notes that BB's overall investments in solid waste management incorporate waste hierarchy principles that prioritize waste avoidance, reuse, recycling and recovery; this is therefore considered to be aligned with market expectation.
- Under the social categories eligible under the use of proceeds, the Framework identifies target populations, such as low-income families, micro, small and medium-sized enterprises (MSMEs), small rural (family) farmers, people with disabilities, and people living in underserved municipalities. This definition is aligned with market practice.
- The Affordable Housing category considers financing for housing units included in the Brazilian governmental programme *Casa Verde e Amarela* for families with a monthly income of up to BRL 7,000 (USD 1,250). The *Casa Verde e Amarela* programme determines eligibility based on three income brackets and limits the total value of the financed homes to BRL 264,000 (USD 47,100).³² Each of the programme's income brackets have 30-year limits on their mortgage terms, as well as corresponding maximum interest rates, with a maximum rate of 7.66% for the programme as a whole.³³
 - Sustainalytics notes that the *Casa Verde e Amarela* programme offers housing support for families earning up to BRL 7,000 per month, a figure considered to be 124% of a living wage in the country according to Brazil's Inter-Union Department of Statistics and Socio-Economic Studies.³⁴ Brazil's previous federal government housing assistance programme however, targeted the lowest income brackets it had established with the vast majority of its assistance.³⁵ Further, 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 8,360); and for its middle-income bracket, it offers mortgages with interest rates up to 5.25% and total subsidies of up to BRL 29,000 (USD 5,100).³⁶
 - Sustainalytics considers the subsidies and interest rates³⁷ of the *Casa Verde e Amarela* programme as likely to improve housing access for low-income populations, and as such, is of the opinion that the financing of projects under the programme is expected to lead to positive social outcomes overall and be aligned with market expectations.
- The MSME Financing and Microfinance category is defined for companies, cooperatives and institutions based on annual revenues of up to BRL 16.75 million (USD 3 million). BB's criteria for classifying micro, small and medium enterprises is aligned with the International Finance Corporation's (IFC) definition.³⁸
- BB intends to provide financial support to small rural producers with annual revenues of up to BRL 500,000 (USD 88,000) under selected subprograms within the National Programme to the

³² Casa Verde e Amarela has three (income) brackets; i) BRL 0 - 2,000, ii) BRL 2,000 - 4,000, and iii) BRL 4,000 - 7,000.

<https://www.caixa.gov.br/voce/habitacao/casa-verde-e-amarela/urbana/Paginas/default.aspx>

³³ CAIXA, "Casa Verde e Amarela - Habitação Urbana – Recursos", at: <https://www.caixa.gov.br/voce/habitacao/casa-verde-e-amarela/urbana/Paginas/default.aspx>

³⁴ UOL, "Salário mínimo em setembro deveria ter sido de R\$ 5.657,66, indica Dieese" (2021), available at:

<https://economia.uol.com.br/noticias/redacao/2021/10/06/salario-minimo-em-setembro-deveria-ter-sido-de-r-565766-indica-dieese.htm?cmpid=copiaecola>

³⁵ The *Casa Verde e Amarela* programme in Brazil was preceded by the *Minha Casa Minha Vida* (MCMV) program, which operated from 2009 until 2020 and similarly was targeted at improving urban housing access. Throughout the course of MCMV's tenure, it supported the development of 1,094,000 housing units for the lowest income range of the program, while all other components of the programme delivered a combined total of 183,904 housing units. <https://www.mdpi.com/2673-8392/1/3/49/htm>

³⁶ Caixa Brazil, "Casa Verde e Amarela - Habitação Urbana - Recursos FGTS", at: <https://www.caixa.gov.br/voce/habitacao/casa-verde-e-amarela/urbana/Paginas/default.aspx>

³⁷ The average mortgage interest rate in Brazil between 2011 and 2021 was 8.73%. Average mortgage interest rates as of October 2021 in Brazil were 7.47%. https://www.theglobaleconomy.com/Brazil/mortgage_interest_rate/

³⁸ IFC, IFC's Definitions of Targeted Sectors:

https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors

- Family Agriculture Strengthening (PRONAF).³⁹ 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 internal policies and guidelines (described in Section 2 of this document) will be applied to ensure projects financed under this social category apply as many of the principles of low-carbon agriculture as possible.
- Under the Socioeconomic Advancement and Empowerment category, BB will consider financing the provision of technologies and services to support persons with disabilities that include but are not limited to wheelchairs, hearing aids, orthosis, prosthesis, walkers, housing adaptations and other technologies for disability assistance.
 - 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.
 - Within the Access to Essential Services category the Framework allows for financing of private health clinics, dentistry facilities and equipment located in municipalities with low healthcare access, as defined by the public health system (SUS) Performance Index.⁴⁰
 - Sustainalytics recognizes that while the Bank may finance both public and private healthcare facilities, in the Brazilian context these systems are complementary as privately run clinics may deliver services on behalf of Brazil's public healthcare system, the Sistema Único de Saúde, which provides free universal access to healthcare. The healthcare investments under the Framework will be directed to facilities in underserved communities, as identified by the Brazilian Government's SUS Performance Index, thereby targeting regions where private facilities will support in providing publicly accessible care. On this basis, Sustainalytics views these investments in health and dental clinics as likely to provide improved overall access to health services for vulnerable 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 BB has a broad list of projects or credit operations excluded from the Framework, including working capital lending for large companies⁴¹, and activities related to tobacco, firearm weapons, alcohol, fossil fuels, exploitation or child labor, gambling, slavery, or activities or production on the lands owned or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples. Sustainalytics highlights that such exclusions will help prevent the net proceeds directed towards projects that could have significant environmental and/or social risks.
 - Project Evaluation and Selection:
 - The project evaluation and selection process will be carried out cross-functionally, with input from the Bank's Finance Division, and the Corporate Sustainability Executive Management, as well as other strategic units as needed. The Unit's Committees of Management, composed of Executive Managers and Directors, or in Strategic Collegiate of BB, will be responsible for approving projects. The BB Sustainability Forum, comprised of Executive Managers from various strategic units, will monitor this process periodically 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 clear delineation of responsibility and the application of environmental and social risk management processes, Sustainalytics considers the Framework's project evaluation and selection procedures to be in line with market practice.
 - Management of Proceeds:
 - The net proceeds from the instruments structured under the Framework will be tracked and managed by the Bank's Finance Division.
 - BB intends to allocate all proceeds within 36 months of each issuance. Unallocated proceeds will be held in the Bank's cash account or high liquidity and low risk instruments, such as government

³⁹ PRONAF subprograms include: PRONAF Mais Alimentos, PRONAF Agroindústria Familiar, PRONAF Cotas-Partes, PRONAF Mulher - agricultores familiares, PRONAF Agroecologia and PRONAF Eco.

⁴⁰ Sustainalytics opinion on the benefits of the healthcare investments contemplated under the Framework is based on the targeting of underserved populations through the SUS Performance Index. BB has not made an updated version of this index available to Sustainalytics.

⁴¹ 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, smalls or medium enterprises with annual revenues up to this threshold only once they defined as presenting clear social benefits, including employment generation and maintenance, as well as financial inclusion.

- bonds.
 - Based on the disclosures related to management approach and the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - BB intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation.
 - Allocation reporting will include the average loan amount, number of beneficiaries, disbursement amount for each eligible category, and regional distribution of proceeds. BB will also report on financing used for existing versus new projects.
 - Impact reporting may include environmental and social indicators, where feasible, GHG emissions avoided, % of water reduced/ avoided, population with access to water, number of beneficiaries, estimated number of jobs supported, number of financed women-led enterprises, and estimated annual revenue generated for rural families.
 - Based on commitments to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Banco do Brasil Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of BB

Contribution of the Framework to Issuer's sustainability strategy

Banco do Brasil demonstrates its commitment to advancing sustainable development as follows:

At the organizational level, the Bank aims to finance projects which aim to have social and environmental value creation. To this end, the Bank has a "sustainable loan portfolio"⁴² valued at approximately BRL 244.7 billion (USD 42.76 billion) in 2020, and which comprises investments of over BRL 32.17 billion (USD 5.62 billion) in low carbon agriculture and BRL 65.36 billion (USD 11.42 billion) in best socioenvironmental practices.⁴³

The Bank's Sustainability Plan Agenda 30 BB ("the Sustainability Plan"),²⁴ was approved in 2021, for the years 2021-2023, and focuses both on the impact of the Bank's own operations and the impact of the projects it funds. BB has outlined a number of environmental commitments including, but not limited to, promoting the transition to a green and inclusive economy, the assessment and implementation of business conditions for products and services aimed at facilitating the transition to a green economy and the incorporation of socio-environmental rating losses data in the lending pricing process. The Bank's Board of Officers monitors the ESG performance and related initiatives of the plan bi-annually, while the Board of Directors is responsible for reviewing the organization's social and environmental performance on a bi-annual basis.⁴⁴

Regarding its social commitments, BB has positioned itself as a key stakeholder of Brazil's Minha Casa Minha Vida (MCMV) Program through the provision of home loans to low-income families. The Bank has facilitated the construction of over 58 developments in 2020, with a total of 6,879 new homes.⁴⁵ In support of encouraging entrepreneurship and small business development in Brazil, the Bank offers loans to micro and small companies through Guided Productive Microcredit (Microcrédito Produtivo Orientado – MPO), a programme that focuses on advising and monitoring enterprises. The Bank also supports rural farmers in Brazil by providing assistance under the national *Pronaf* programme. Of the approximately 203.5 thousand family farmers who benefited from Pronaf's assistance in 2020, BB participated in 47% of market contracting of loans for costing and investment operations.⁴⁶

Based on the Bank's sustainability strategy and social commitments and related reporting, Sustainalytics is of the opinion that the Banco do Brasil Sustainable Finance Framework will further BB's achievement of its sustainability strategy.

⁴² In 2020, the portfolio was comprised of credit operations related to investments and loans for low carbon agriculture, renewable energy, energy efficiency, construction, sustainable transport and tourism, water, fishing, forestry, and waste management. The portfolio also included social investments such as low-income housing loans, student loans, and covid relief loans.

⁴³ Banco do Brasil, Annual Report, (2020), at: <https://api.mziq.com/mzfilemanager/v2/d/5760dff3-15e1-4962-9e81-322a0b3d0bbd/22f3f814-cc25-4b66-d8ef-2c17811ade81?origin=2>

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

Approach to managing environmental and social risks associated with the projects

While the net proceeds will be directed towards eligible projects that are expected to deliver overall positive environmental and social outcomes, Sustainalytics recognizes large investments, in particular those related to agriculture and forestry, may be associated with a potential risk of negative environmental and social impacts. As a financial institution, BB plays a limited role in the development of specific projects which it finances. Notwithstanding, some key risks related to the projects that are intended to be financed by loans from BB include biodiversity loss from agriculture projects, adverse impact to local communities, and lack of pollution control. Sustainalytics considers that the following policies and procedures which BB has put in place will help mitigate these risks:

- **Policies** – BB has enacted policies to reduce the negative environmental and social impact of projects, including the Socio-environmental Responsibility Policy (the “Policy”)⁴⁷ and the Sustainability Credit Guidelines (the “Guidelines”).⁴⁸ The Policy promotes ethical and transparent operational activity through a set of principles including, but not limited to, the promotion of human rights and fundamental rights of labour, the development of actions and initiatives for eco-efficiency and reduction of emissions. The Guidelines aim to provide visibility on the credit management process of financing, helping mitigate possible negative impacts on the environment and society. The Bank has also implemented a Human Rights Policy⁴⁹ and a Code of Ethics and Standards of Conduct⁵⁰, mandating ethical behavior amongst both its internal and external stakeholders.
- **Due Diligence** – The Bank’s Guidelines specifically mention that for projects with significant socio-environmental risks, BB may require the client to carry out a project-specific risk assessment and action plan to mitigate any identified risks, and the Bank may ultimately decide not to provide financing. Where financing is provided, the Bank includes conditions in credit agreements and may perform monitoring of these conditions. BB has also created a Risk and Capital Committee responsible for advising its Board of Directors on the Bank’s approach to risk management, including socio-environmental exposure as well as capital.
- **Global ESG Standards** – BB has been a signatory to the Equator Principles since 2005.⁵¹ The Bank also adheres to the IFC’s Performance Standards on Environmental and Social Sustainability and the World Bank Group’s General Environmental, Health and Safety (EHS) Guidelines and is a signatory of the Green Protocol Programme and the Principles for Responsible Investment (PRI).⁵²

Given the above, Sustainalytics is of the opinion that BB has adequate systems in place to manage potential environmental and social risks associated with the eligible projects.

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 ABC Programme

The agriculture and agribusiness industry is a key driver of the Brazilian economy, accounting for approximately 23% of the country’s GDP.⁵³ In this context, its proportion of the nation’s environmental footprint is now considered a principal source of GHG emissions in Brazil, accounting for approximately 34% of the nation’s total emissions.⁵⁴ Recognizing the growth trajectory of this sector, the Brazilian government was prompted to enact Brazil’s Low-Carbon Agriculture Plan in 2010, which led to the implementation of the Programme for Reducing Greenhouse Gas Emissions in Agriculture (“the ABC Programme”).⁵⁵ The ABC Programme, a low-interest credit scheme, was created to incentivize and fund the implementation of low carbon agricultural practices that contribute to climate change mitigation through a reduction of GHG

⁴⁷ Banco do Brasil, Socioenvironmental Responsibility Policy: <https://www45.bb.com.br/docs/ri/ra2012/eng/ra/11.htm>

⁴⁸ Banco do Brasil, Sustainability Credit Guidelines: <https://www.bb.com.br/docs/pub/siteEsp/uds/dwn/DSBBCL.pdf>

⁴⁹ Banco do Brasil, Banco do Brasil and the Human Rights: <https://www.bb.com.br/docs/pub/siteEsp/uds/dwn/CompEng.pdf>

⁵⁰ Banco do Brasil, Code of Ethics and Standards of Conduct: <https://www45.bb.com.br/rao/ri/ra2017/en/codigo-etica.html>

⁵¹ Equator Principles, Reporting – Banco do Brasil (2018): <https://equator-principles.com/reporting-banco-do-brasil-2018/>

⁵² PRI, “PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil”, at: <https://www.unpri.org/signatory-directory/previ-caixa-de-previdencia-dos-funcionarios-do-banco-do-brasil/1662.article>

⁵³ Brazilian-American Chamber of Commerce, “Brazilian Agribusiness: A Success Story that Keeps on Giving”, (2018), at: <https://brazilcham.com/wpcontent/uploads/2018/12/agriculture-report-1.pdf>

⁵⁴ The Carbon Brief, The Carbon Brief Profile: Brazil: <https://www.carbonbrief.org/the-carbon-brief-profile-brazil>

⁵⁵ World Development Perspectives, Overcoming barriers to low carbon agriculture and forest restoration in Brazil: The Rural Sustentável project: <https://www.sciencedirect.com/science/article/pii/S2452292916301321#b0010>

emissions and through the sequestration of carbon.⁵⁶

In Brazil, low-carbon agricultural practices have been identified to include a series of agriculture and forestry-related activities, such as developing integrated crop-livestock forestry systems, commercial plantation forests, and the management and restoration of degraded natural forest areas. In addition, the ABC Plan includes no-till farming, restoration of degraded pasture, biological nitrogen fixation, and manure management. According to a study conducted in 2016, since its inception, the ABC Programme has issued more than 28,500 loans to rural producers, amounting to BRL13.2 billion (USD 2.36 billion).⁵⁷ BB, a key stakeholder in the Brazilian market, has positioned itself as a market leader in the contracting of financing under the ABC Program, and in 2018 financed approximately BRL8.6 million (USD 8.6 million) through it.⁵⁸ Through the issuance of green instruments, the Bank aims to continue facilitating the transition to a low carbon economy by providing financing of the key assets and projects as captured under the ABC Plan. 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 goals⁵⁹ and enhance carbon sequestration.

Importance of affordable housing in Brazil

Brazil's affordable housing shortage is significant, with approximately 25% of the country's population living in inadequate housing or lacking housing altogether as of 2017.⁶⁰ Brazil's urban slums – favelas or vilas in Portuguese – are home to more than 11 million people who are either entirely cut off or have precarious access to basic services, such as electricity, plumbing and sanitation.⁶¹

Among other significant investments to tackle the housing issue, the Brazilian federal government implemented the “Casa Verde e Amarela” housing programme which aims to assist 1.6 million low-income families with housing financing by 2024, and leading to the construction of over 350,000 new affordable homes.⁶² State and city governments in the country have also launched their affordable housing programmes, such as the State of São Paulo's “Nossa Casa” programme, which is a public-private partnership-based programme to develop 20,000 social housing units by 2036 through a BRL 850 million (USD 150 million) state government investment and BRL 1.42 billion (USD 250 million) investment from the private sector.⁶³

The challenges posed by the affordable housing shortage in Brazil will demand continual investments to help deliver homes to the people of Brazil. In this context, Sustainalytics is of the opinion that the investments under the Framework that support affordable housing programs in Brazil are expected to deliver positive social outcomes.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Banco do Brasil Sustainable Finance Framework advances 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

⁵⁶ Climate Smart Agriculture, “Brazil’s Low-Carbon Agriculture Plan”, at: <https://csa.guide/csa/brazil-s-low-carbon-agriculture-abc-plan>

⁵⁷ Ibid.

⁵⁸ Banco do Brasil, Annual Report 2019: <https://api.mziq.com/mzfilemanager/v2/d/5760dff3-15e1-4962-9e81-322a0b3d0bbd/4f4e2cae-563c-fa5f-7fbedec9043ea662?origin=1>

⁵⁹ Ministério das Relações Exteriores, “Brazil submits its Nationally Determined Contribution under the Paris Agreement”, at: <https://www.gov.br/mre/en/contact-us/press-area/press-releases/brazil-submits-its-nationally-determined-contribution-under-the-paris-agreement#:~:text=The%20NDC%20is%20Brazil's%20main,emissions%20by%2043%25%20in%202030.>

⁶⁰ Brasil de Fato report, “Brazil: MTST holds historic protest in their struggle for dignified housing” on November 2017 at <https://www.brasildefato.com.br/2017/11/01/brazil-mtst-holds-historic-protest-in-their-struggle-for-dignified-housing/>

⁶¹ BBC report, Favela Life: Rio's city within a city dated June 2014 at: <https://www.bbc.com/news/world-latin-america-27635554>

⁶² Acervo Lima, “Casa Verde e Amarela Program”, at: <https://wiki.acervolima.com/casa-verde-e-amarela-program/>

⁶³ World Policy Journal, “Brazil: My House, My Life” dated July 2016 at: <http://worldpolicy.org/2016/07/07/brazil-my-house-my-life/>

		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	<p>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.</p> <p>15.B Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation.</p>
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
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	<p>8. Decent Work and Economic Growth</p> <p>9. Industry, Innovation and Infrastructure</p>	<p>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.</p> <p>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.</p>
Socioeconomic Advancement and Empowerment	<p>1. No Poverty</p> <p>10. Reduced Inequalities</p>	<p>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.</p> <p>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.</p>
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.

Conclusion

Banco do Brasil has developed the Banco do Brasil Sustainable Finance Framework under which it intends to issue green, social or sustainability bonds and loans, and use the proceeds to finance or refinance, in whole or in part, existing or future projects that will deliver positive environmental and social outcomes.

Banco do Brasil's Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Banco do Brasil's Framework is aligned with the Bank's sustainability strategy and that the eligible categories will advance a number of key Sustainable Development Goals, particularly 1, 3, 7, 8, 9, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Banco do Brasil has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is of the opinion that Banco do Brasil is well-positioned to issue sustainability bonds and that the 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 (2021), Green Loan Principles (2021), and Social Loan Principles (2021).

Appendices

Appendix 1: Certification Schemes for Forestry Activities

	Forest Stewardship Council (FSC) ⁶⁴	Programme for the Endorsement of Forest Certification (PEFC) ⁶⁵
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements
Types of standards/benchmarks	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) programme (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source) 	<ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo • Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement





⁶⁴ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

⁶⁵ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

Governance	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.
Scope	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) ³ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC 	<ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood • The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody
Non-certified wood sources	FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including: <ul style="list-style-type: none"> a) Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b) Wood harvested in violation of traditional and civil rights, c) Wood harvested in forests where high conservation values are 	The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from: <ul style="list-style-type: none"> a) forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> o operations and harvesting, including land use conversion, o management of areas with designated high environmental and cultural values, o protected and endangered species, including CITES species, o health and labor issues, o indigenous peoples' property, tenure and use rights, o payment of royalties and taxes. b) genetically modified organisms, c) forest conversion, including conversion of primary forests to forest plantations.

	<p>threatened by management activities,</p> <p>d) Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</p> <p>e) Wood from management units in which genetically modified trees are planted.</p>	
Accreditation/verification	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
Qualitative considerations	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁴ and both have also faced criticism from civil society actors.^{5,6} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

Appendix 2a: Overview and Assessment of Agricultural Certifications

	Rainforest Alliance ⁶⁶	UTZ ⁷³	Fairtrade ⁶⁷	Bonsucro ⁷⁵
Background	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The UTZ Label is a global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.	The FAIRTRADE Mark is a global certification system that seeks to address power imbalances in trading relationships. Organizations certified to Fairtrade standards must meet general, trade, product and business development requirements.	Bonsucro was developed out of the Better Sugarcane Initiative, an international multi-stakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and sugarcane derived products are sustainably produced.
Clear positive impact	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.	Promoting sustainable practices for agricultural products, consumer goods and gold.	Promoting sustainable sugarcane production.
Minimum standards	Rainforest alliance establishes a minimum threshold for impact through critical criteria and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	UTZ establishes a minimum threshold for impact through mandatory points and additional points and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.	Fairtrade has a set of core requirements that must be met and development requirements that are intended to foster continuous improvement and which certified producers must make progress on.	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.
Scope of certification or programme	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	UTZ addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	Fairtrade addresses key risks through its requirements, including child labour, forced labour and pesticide use.	Bonsucro addresses key risks such as human and labour rights, ecosystem management, biodiversity and land use through its criteria.
Verification of standards and risk mitigation	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement.	Certified entities undergo third-party audits to ensure compliance with criteria.
Third party expertise and multi-stakeholder process	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.	Bonsucro is a full member of the ISEAL Alliance and respects the ISEAL Code of Good Practice for Setting Social and Environmental Standards and the Impacts Code.
Performance Display				

⁶⁶ Rainforest Alliance, Sustainable Agriculture Certification, at: <https://www.rainforest-alliance.org/business/certification/>

⁶⁷ Fairtrade, Fairtrade Standards", at: <https://www.fairtrade.net/standard/fairtrade-standards>.

Qualitative considerations	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.	Global recognition across 131 countries around the world. There are 987,000 UTZ Certified farmers in the UTZ programme with more than 368,000 workers on the UTZ certified farms in 41 producing countries and more than 3.4 million hectares of UTZ certified crops. The UTZ name or label is present on more than 15,000 products in 131 countries worldwide. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.	FLO-CERT GmbH. FLO-CERT is the largest certifier for Fairtrade, responsible for the certification of all producers and most traders.	Bonsucro has certified around 3.37% of global sugarcane production and covers 3.70% of global area of sugarcane, having 207 member organizations in over 20 countries.
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Appendix 2b: Overview and Assessment of Agricultural Certifications

	Better Cotton Initiative (BCI) ⁶⁸	IFOAM ⁶⁹	4C ⁷⁰	Orgânico Brasil ⁷¹
Background	The Better Cotton Initiative (BCI) is a global non-profit cotton sustainability programme that seeks to (i) reduce the environmental impact of cotton products, (ii) improve livelihoods and economic development in cotton producing areas, (iii) improve commitment to and flow of Better Cotton through supply chain, and iv) ensure credibility and sustainability of the Better Cotton Initiative.	The Intercultural Federation of Organic Agriculture Movements (IFOAM) is an NGO that represents more than 160-member organizations, including farmers, producers, traders, research and lobby organizations, environmental and consumer NGOs and companies. Its main purpose is to promote knowledge, principles and practices about organic agriculture. The Family of Standards contains all standards endorsed as organic by the Organic Movement.	4C (The Common Code for the Coffee Community) is an independent, stakeholder-driven, internationally recognized sustainability standard for the entire coffee sector, aiming at anchoring sustainability in coffee supply chains.	Produto Orgânico Brasil is Brazil's official national organic product seal given by the Ministério da Agricultura, Pecuária e Abastecimento (MAPA), the country's ministry of agriculture, for products grown using organic agricultural standards. There are two types of seals, one obtained by an audit process (Certificação por Auditoria) and one by a community participation programme (Sistema Participativo).
Clear positive impact	Transforming cotton production worldwide by developing 'Better Cotton' as a sustainable mainstream commodity.	Promoting sustainable practices for organic agriculture.	Promoting sustainable coffee production.	Promoting organic production practices in Brazil's agriculture.
Minimum standards	In order to receive a license to grow 'Better Cotton', farmers must comply with a set of minimum requirements and "improvement" criteria	Each standard, which is a part of IFOAM, has its own set of minimum requirements.	The 4C Code of Conduct comprises: -12 principles across economic, social and environmental dimensions based on good agricultural and	In order to receive the certification, organic producers must be part of the National Register of Organic Producer, and receive certification through one of the following mechanisms:





⁶⁸ BCI Principles and Criteria, Version 2.1: <https://bettercotton.org/wp-content/uploads/2019/06/Better-Cotton-Principles-Criteria-V2.1.pdf>

⁶⁹ IFOAM Certification, at : <https://www.ifoam.bio/our-work/how/standards-certification/organic-guarantee-system/ifoam-standard>



⁷⁰ 4C Certification, at: <https://www.4c-services.org/>

⁷¹ Organico Brasil Certification Manual, at: <https://www.organicsnet.com.br/certificacao/manual-certificacao/>

	<p>across seven key principles: crop protection, water stewardship, soil health, biodiversity enhancement & land use, fibre quality, decent work and effective management. The principles and criteria form the global definition of what is considered 'Better Cotton'. In recognition of the differences in production methods and workforces, BCI distinguishes between the minimum requirements for three categories of farmers (smallholders, medium farms and large farms).</p>		<p>management practices as well as international conventions and recognized guidelines accepted in the coffee sector. -45 criteria, entailing specific checkpoints to be controlled during the audit in order to verify compliance with the respective criteria. -3 compliance levels, allowing for a smooth entry into certification and ensuring the continuous improvement of the certified producers.</p>	<ul style="list-style-type: none"> • Certification by Audit- The SisOrg seal is granted by a public or private certifier accredited by the Ministry of Agriculture. • Participatory Guarantee System- characterized by the collective responsibility of the members of the system, including producers, consumer, technicians and other parties <p>Social Control in Direct Sales- Brazilian legislations exempts family farmers from achieving mandatory certification of organic products. However, they must be accredited by a social control organization to become a part of the National Register of Organic Producer.</p>
Directly addressing social and environmental risk	<p>BCI addresses key risks through its requirements, including human, child labour, biodiversity use, water stewardship and pesticide use.</p>	<p>The IFOAM standards addresses different risk, including such as soil, pesticide, synthetic fertilizers and land use, through its criteria.</p>	<p>4C directly addresses key risks such as human and labour rights, working conditions.</p>	<p>Orgânico Brasil directly enforces principles of organic agricultural production,</p>
Verification of standards and risk mitigation	<p>BCI conducts supply chain monitoring and audits to ensure that companies sourcing cotton as Better Cotton comply with relevant Chain of Custody requirements, and to ensure continuous improvement.</p>	<p>Certified entities undergo third-party verification according to the specific IFOAM standard.</p>	<p>Certified entities undergo third-party audits to ensure compliance with sustainability criteria for coffee production and processing from the economic, social, and environmental dimensions to establish credible and traceable sustainable coffee supply chains.</p>	<p>Certified producers undergo routine scheduled and random inspections. Organic certification standards are established by the Technical Department of certified inspection agencies, that must comply with basic guidelines administered by the Brazilian Ministério da Agricultura, Pecuária e Abastecimento (The Ministry of Agriculture), and the National Institute of Metrology, Standardization and Industrial Quality.</p>
Third party expertise and multi-stakeholder process	<p>The WWF founded the Better Cotton Initiative in 2005. BCI partners with the following standards, which are all recognized by BCI as being equivalent to the Better Cotton Standard System: myBMP (My Best Management Practice) in Australia, ABRAPA (Associação Brasileira dos Produtores de Algodão) in Brazil, 'Cotton made in Africa' (CmiA) and 'Smallholder Cotton Standard' (SCS) of Aid by Trade Foundation (AbTF).</p>	<p>IFOAM maintains an Organic Guarantee System, which is a non-profit independent evaluation programme that provides customers with trusted organic labels. The Standards Requirements Committee is responsible for developing the IFOAM Standards Requirements (COROS), which serve as the basis for the approval of standards under the IFOAM Family of Standards. COROS was developed jointly by IFOAM, FAO and UNCTAD.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>	<p>The certification aligns with the Brazilian Ministry of Agriculture, the National Institute of Metrology, Standardization and Industrial Quality, and Livestock and Supply.</p>

Performance Display				
Qualitative considerations	<p>Global recognition across 21 countries. In 2018, 2 million licensed BCI Farmers produced 5.1 metric tonnes of Better Cotton, accounting for 19% of global cotton product. Some observers have cited the BCI's lack of commitment to a full phase out of synthetic chemicals among other social and environmental challenges.</p>	<p>In 2016, IFOAM was formed out of 40 governmental bodies, 297 companies and 245 civil society organizations. In total, IFOAM has around 800 affiliates in 117 countries.</p>	<p>4C has certified 194 producing groups encompassing more than 300,000 coffee producers in 20 countries around the world. Over 90% of 4C coffee producers are smallholders, meaning producers whose workforce consists primarily of family and whose coffee farm is normally not larger than 5 ha. Total green coffee production amounted to 26,7 million bags (60 kg) on nearly 850 thousand ha of the farm area.</p>	

Appendix 3: Certification Schemes for Green Buildings

	LEED ⁷²	Selo Procel Edificações ⁷³
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	Established in 2014, the certification is awarded to buildings that are designed efficiently from the project stage and can reach 50% in energy savings. The certification assessment methodology is determined by the Regulation for Granting the Procel Energy Savings Seal for Buildings, Technical Quality Regulation for the Level of Energy Efficiency in Commercial, Service and Public, and Technical Quality Regulation for the Energy Efficiency levels in Residential Buildings. The certification is granted in both the design stage, is valid until the completion of the work and in the stage of the built building. It is granted by Eletrobras. The Procel Edificações Seal can be used as an alternative way to prove compliance with the minimum energy performance requirement in the process of obtaining the international certification of sustainable buildings LEED
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Class A (Most Efficient) • Class B • Class C • Class D • Class E (Least Efficient)
Areas of Assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	The seal applies to commercial, service, public and housing buildings.
Requirements	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	In order to obtain the Seal, it is necessary to first obtain the PBE Edifica Label, Class A, for the three systems evaluated: envelope, lighting system and air conditioning system. It also classifies buildings in compliance with the performance requirements established in the technical standards and regulations, and classifies buildings into classes ranging from the most efficient (A) to the least efficient (E).
Performance display		

⁷² 1 LEED, “LEED Rating System”, at: <https://www.usgbc.org/leed>

⁷³ Selo Procel Edificações Certification at: <http://www.procelinfo.com.br/main.asp?View={8E03DCDE-FAE6-470C-90CB-922E4DD0542C}>

Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco do Brasil
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Banco do Brasil Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 16, 2021
Publication date of review publication:	September 14, 2020

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds⁷⁴ align with those recognized by the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021. Sustainalytics considers the range of eligible projects to have positive environmental and social impacts and to advance a number of UN Sustainable Development Goals including 1, 3, 7, 8, 9, 10, 11, 12 and 15. Sustainalytics notes however, that the Framework's criteria deviate from market expectation in four areas, including the financing of activities which support conventional livestock production and relating to the carbon intensity of hybrid vehicles. Sustainalytics considers this to be a limitation of the Framework.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

⁷⁴ Environmentally Sustainable Management of Living Natural Resources and Land Use, Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation, Sustainable Water and Wastewater Management, Affordable Housing, MSME Financing and Microfinance, Socioeconomic Advancement & Empowerment, and Access to Essential Services

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Banco do Brasil's Finance Division and Corporate Sustainability Executive Management, supported by other strategic units, will be in charge of project evaluation and selection. The Unit's Committees of Management will be responsible for approving projects. Banco do Brasil has in place environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be aligned with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Banco do Brasil's Finance Division will be responsible for the tracking and management of the net proceeds. Banco do Brasil's intends to achieve full allocation of proceeds within 36 months of each issuance, and will temporarily hold or invest unallocated proceeds in the Bank's cash account, and high liquidity and low risk instruments, such as government bonds. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Banco do Brasil intends to report on the allocation of proceeds on an annual basis and until the redemption of the instrument. The report will be made available on its website. The allocation reporting will include the average loan amount, number of beneficiaries, disbursement amount for each eligible category, regional distribution of proceeds, and the proportion of financed and refinanced projects. In addition, Banco do Brasil intends to report on qualitative and quantitative impacts. The Bank will also pursue annual review from a recognized third-party, until the end of maturity. Sustainalytics views Banco do Brasil's allocation and impact reporting as aligned with market best practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |

- Target populations
- Other ESG indicators (please specify): Please refer to Framework for a complete list

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): report to be published on BB's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially

sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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