

# Banco do Brasil S.A.

**Type of Engagement:** Social Bond Pre-Issuance Review

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**Engagement Team:**

Charles Cassaz, charles.cassaz@sustainalytics.com, (+31) 20 205 02 09

Anchal Verma, anchal.verma@sustainalytics.com

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## Introduction

In October 2021, Banco do Brasil S.A. (“Banco do Brasil”, or “BB”) developed the Banco do Brasil Sustainable Finance Framework (the “Framework”) to finance or refinance a wide range of environmentally and socially impactful projects in the following 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 and Microfinance, Socioeconomic Advancement & Empowerment and Access to Essential Services. In December 2021, Sustainalytics provided a Second-Party Opinion on the Framework.<sup>1</sup>

In December 2021, Banco do Brasil engaged Sustainalytics to review a sample of the projects that will be financed or refinanced through the Social Bond (the “Bond”) to be issued in January 2022, and to provide an assessment as to whether the projects comply with the Use of Proceeds, Project Selection, and Management of Proceeds sections of the Framework.

## Evaluation Criteria

Sustainalytics evaluated the underlying projects that will be funded through the Social Bond for compliance based on whether:

1. The Nominated Projects are aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework; and
2. The commitments to select projects, manage proceeds, and report on allocation and impact in order to ensure that these commitments are aligned with the ones described in the Framework.

The projects funded by the Social Bond are summarized in Appendix 2, and Sustainalytics’ findings are summarized in Appendix 3.

## Issuing Entity’s Responsibility

Banco do Brasil is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of the eligible projects within each eligible category. This information was provided to Sustainalytics to support its review. Banco do Brasil is also responsible for confirming to Sustainalytics that processes for project selection and management of proceeds for the Social Bond will remain aligned with the commitments described in the Framework.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of BB’s Social Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from BB employees and review of documentation to confirm the conformance with the Banco do Brasil Sustainable Finance Framework.

Sustainalytics has relied on the information and the facts presented by BB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by BB.

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<sup>1</sup> Sustainalytics, “Banco do Brasil Sustainable Finance Framework Second-Party Opinion”, 2021, at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banco-do-brasil-s.a/banco-do-brasil-sustainable-finance-framework-second-party-opinion-\(2021\)/banco-do-brasil-sustainable-finance-framework-second-party-opinion-\(2021\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/banco-do-brasil-s.a/banco-do-brasil-sustainable-finance-framework-second-party-opinion-(2021)/banco-do-brasil-sustainable-finance-framework-second-party-opinion-(2021))

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Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Social Bonds Review Committee to provide oversight over the assessment of the pre-issuance review.

## **Conclusion**

Based on the limited assurance procedures conducted,<sup>2</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Social Bond's expected allocation is not aligned with the existing Framework.

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<sup>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendices

### Appendix 1: Banco do Brasil Sustainable Finance Framework’s Use of Proceeds Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
<b>MSME Financing and Microfinance</b>	Companies, cooperatives and institutions with annual revenues up to USD 3 million. <sup>3</sup>

### Appendix 2: Summary of Projects Funded by the Social Bond

On May 18, 2020, along with a set of stimuli for the economy due to the covid-19 pandemic outbreak, the Brazilian government published law No. 13,999<sup>4</sup>, creating the Pronampe, a national program to support SMEs.

Through the Pronampe, small and very small companies (with annual revenues up to R\$ 4.8 million – equivalent today to US\$ 850 thousand) can access credit with the guarantee from the FGO (fundo de garantia de operações – guarantee fund).

As the main financial institution operating Pronampe, BB disbursed a total of BRL 15.05 billion of loans. Banco do Brasil intends to partially refinance the current portfolio of loans and to finance upcoming loans to SMEs, as part of Pronampe. In addition, the Bank may also finance other credit lines to SMEs according to the eligibility criteria set in the Framework and detailed in Appendix 1.

Eligible SMEs are subject to the exclusionary criteria set in the Framework. The Bank cannot allocate proceeds to credit operations related to firearm weapons production or trade; alcohol production or trade; activities or production on the lands owned, or claimed under adjudication, by Indigenous People, without full documented consent of such peoples; businesses directly linked to fossil fuel and tobacco production, distribution or commercialization; activities that are proven to practice sexual exploitation of under-aged people and/or child labor; gambling; clients that submit workers to degrading working conditions or maintain them in conditions similar to slavery; and new sugarcane areas after October 28th, 2009 in the Amazon and Pantanal biomes or the Alto Paraguai basin.

#### Projected allocation per category

Use of Proceeds Category	Number of Loans	Projected Allocation (billion BRL)
SME Financing and Microfinance	75,000 <sup>5</sup>	15.05 (USD 2.72 billion)

<sup>3</sup> According to IFC’s definition of micro and small companies, the annual revenue threshold for this segment is USD 3 million. For more information, please refer to: [https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/priorities/ifcs+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)

<sup>4</sup> Government of Brazil, “LEI N° 13.999, DE 18 DE MAIO DE 2020”, at: [http://www.planalto.gov.br/ccivil\\_03/\\_ato2019-2022/2020/lei/L13999.htm#view](http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/lei/L13999.htm#view)

<sup>5</sup> The total number of loans to be financed via the Social Bond proceeds is estimated at 75,000, based on the assumption that the average of the loans disbursed will remain similar to the current portfolio,

### Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the Social Bond (Appendix 2) to determine if the projects aligned with the Use of Proceeds Eligibility Criteria outlined in the Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the Use of Proceeds Eligibility Criteria.	None
<b>Project Selection and Management of Proceeds Criteria</b>	Verification of the projects funded by the Social Bond to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	Banco do Brasil has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the Social Bond are consistent with the commitments described in the Framework.	None

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