



## Cases of Socio-Environmental Risk Mitigation

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

All credit and financing operations are aligned with the principles of socio-environmental responsibility contained in general and specific policies, such as the Specific Socio-environmental Responsibility Policy (PRSA), Specific Credit Policy, BB Sustainability Guidelines for Credit and Socio-environmental Guidelines for Controversial Issues. Furthermore, BB's commitment to the socio-environmental risk management is manifested in initiatives and agreements to which we are signatories, such as the Equator Principles, the Green Protocol, and the Principles for Responsible Investment (PRI).

PRSA bases socio-environmental responsibility performance on strategic definitions, in line with the laws and rules that govern the subject. The Specific Credit Policy considers the counterparty's socio-environmental responsibility when deciding on a credit risk operation; the BB Sustainability Guidelines for credit uses socio-environmental criteria in the processes of credit limit analysis and in granting financing to projects, considering their potential impacts and risks and the adoption of mitigating and compensatory measures; and the Socio-environmental Guidelines for Controversial Issues reinforces our actions on behalf of society with regards to relevant socio-environmental issues and strategic topics.

The following are examples of the applicability of our socio-environmental assessment.

### a) EQUATOR PRINCIPLES

A way of mitigating socio-environmental risks, we analyze projects based on the Equator Principles. Such projects have their analysis rational, covering the stages of classification, categorization, and monitoring, according to the potential socio-environmental impact identified. The project categorization, according to the case, implies responsibilities to the client, such as the elaboration of a socio-environmental Action Plan, the provision of periodic monitoring reports, the elaboration of Social and Environmental Management Systems, and the hiring of an independent socio-environmental consultant for highest risk projects potential. In the follow-ups carried out by the Bank, any pending issues, measures, or recommendations to be adopted by the client are pointed out, which in case of non-compliance may even lead to the suspension of financed resources.

In 2019, we had four Project Finance operations, whose total cost of capital is equal to or greater than US\$ 10 million. In all cases, our monitoring was carried out by independent consultants.

**Case 1:** Small Hydroelectric Power Plant (SHP), framed in the Equator Principles, whose resources were momentarily suspended, until



confirmation of compliance with the requirements and recommendations recorded in the Socio-Environmental Action Plan, foreseen in the Equator Principles, with deadlines, accountable persons, budget and stage of attending, to enable the proper monitoring of the project's implementation and its impacts, in accordance to the Equator Principles and the policies and guidelines adopted by BB. Among the aspects that could not be confirmed at that time, the development of Alert, Emergency, and Communication Plans within the affected communities stood out.

**Case 2:** Small Hydroelectric Power Plant (SHP), framed in the Equator Principles, whose monitoring process indicated, among other aspects, the necessity to adapt the Dam Safety and Emergency Action Plans, as well as pending issues for the implementation of the Conservation Unit required, in addition to the installation of fences to protect the Permanent Preservation Area (APP). To mitigate these impacts, new reports were requested to indicate compliance with the regulatory agency (National Electric Energy Agency - ANEEL) demands regarding the Dam and Emergency Safety Plans, besides to the recovery and protection of the Permanent Preservation Areas - APP.

**Case 3:** Project Finance for offshore support vessel construction, to whom corrective measures were considered efficient and sufficient in remedy the non-conformities raised, regarding the Equator Principles. They were: waste management, chemical product storage, the emission of particulates in the painting and blasting booths, and the generation of noise. It was also required to expand the project's evaluation scope, to include the operation of the financed vessels.

**Case 4:** Electricity transmission enterprise, framed in the Equator Principles, properly licensed, with no irregularity concerning environmental agencies' requests, the Equator Principles and the policies and guidelines adopted by BB. Nevertheless, it was decided for ongoing monitoring, for the entire licensing, with implementing measures, environmental rehabilitation, and protection measures.

**b) SUSPENDED FINANCING:** situations when the project financing analysis was discontinued due to the identification of socio-environmental risk.

**Case 1:** BB ceased to support long-term financing for a company involved in environmental crime complaint, even though the client claimed to have the necessary licenses and authorizations and had requested to close the investigation, attributing the occurrence to its outsourced.

**Case 2:** BB discontinued the analysis for an energy transmission line project, due to evidence of potential impacts on traditional and quilombola (African enslaved descendants) communities nearby was found during internal due diligence process and Environmental Impact Assessment (EIA), required by the Bank.

**Case 3:** BB has halted new credit exposures to clients that failed to adopt measures set out in Conduct Adjustment Terms - TAC, signed with the



Federal Public Ministry, which, according to the technical due diligence performed, presented socio-environmental risks.

- c) **OTHER FINANCING:** a situation where the socio-environmental assessment required specialized management.

**Case 1:** Due to socio-environmental issues associated with companies that manage tailings dams in their productive processes, BB prepared a specific strategic study to identify risks and mitigators and carry out periodic monitoring, reviewing its commercial relation to one of these companies, rated as high risk.