

CLIMATE FINANCE FRAMEWORK



2020



bradesco

Introduction

At Bradesco, sustainability is one of the Organization's strategic drivers. Management of environmental, social and governance ("ESG") aspects is paramount for Bradesco's growth and perpetuity within an increasingly dynamic and challenging setting. By seeking to generate shared and long-term value for our investors, employees, suppliers, customers, and society at large, we also contribute toward the sustainable development of the nation.

We embody this vision in our management, mainly through robust governance with an effective set of corporate policies and standards, as well as ongoing management of social and environmental risks and opportunities, in addition to engagement with our various stakeholders.

In 2019, Bradesco reviewed its Sustainability Strategy, considering the foremost global challenges and macro-trends, indications of its Materiality Matrix, and the Organization's business objectives, in addition to national and international sustainable development agendas – particularly the Sustainable Development Goals and the Paris Agreement¹.

The pillars of our Strategy underpin Bradesco's goal of expanding the offer of financial solutions with positive social and environmental impacts, and supporting our customers in transitioning to a less carbon-intensive economy, more resilient to the impacts of climate change. Such solutions aim to serve individuals, micro-entrepreneurs and small business, and even major corporations.

Climate Finance Framework

In line with the interests of Bradesco's Sustainability Strategy, we seek to raise funds from the market to finance projects and assets that contribute toward preventing or mitigating the impacts of climate change. This document establishes the criteria and processes that will be used by Bradesco for issuing Climate Bonds.

To do so, we base our Framework following the four pillars of the Green Bonds Principles (GBP) issued by the International Capital Market Association (ICMA), in its 2018 version:

- Use of funds;
- Selection and evaluation of projects;
- Resource management; and
- Reporting.

¹ More information is available in Bradesco's Integrated Report 2019, available at www.BradescoRI.com.br.

1. Use of funds

Table 1, below, describes the categories and types of projects and assets that will be eligible to receive funds raised by bonds that adhere to this Framework.

The foregoing categories are in line with the requirements of the ICMA’s Green Bonds Principles (2018 version). We also use the recommendations of the Climate Bonds Standard and Certification Scheme of the Climate Bonds Initiative (CBI), as benchmarks.

Additionally, we list the indicators that – within the limits of viability – will be followed and accounted for the reporting of results, which will follow two modalities:

- a) **Operation indicators:** Demonstrate the direct results of financed projects and assets, according to their type.
- b) **Impact indicators:** They present the benefits generated by the funded projects, considering the climate perspective – primarily in terms of avoided or sequestered greenhouse gases (or carbon, by conversion).

The indicators may be provided directly by the executors of the projects, or be calculated based either on estimates and benchmarks of similar projects or on carbon emission factors indicated in academic and industry studies and research. Whichever the case, the sources of information will be referenced in the periodic reports described in the “Reporting” section.

Table 1 – Use of funds

Eligible categories	Description of projects	Operation indicators	Impact indicators
Renewable energy	Financing or refinancing of projects in the generation and infrastructure for source energy within Brazil: <ul style="list-style-type: none"> - Solar; - Wind; - Biomass projects, provided that they <ul style="list-style-type: none"> - Release less than 16.0 g CO₂eq/MJ; - Have certification, or third-party verification, regarding low indirect impact on land use, indicating production without expansion of areas or use of previously degraded land in their production chain – preferably with the presentation of certifications such as FSC, RSB, RTRS, and Bonsucro. - Biofuel projects, provided that they: <ul style="list-style-type: none"> - Release up to 16.0 g CO₂eq/MJ, for the production of liquid, solid 	Electricity generated (MW)	Carbon avoided (tCO ₂)

and gaseous biofuels for heating and cogeneration;

- Release up to 18.8 g CO₂eq/MJ, for the production of liquid fuels for transportation;

- Have certification, or third-party verification, regarding low indirect impact on land use, indicating production without expansion of areas or use of previously degraded land in their production chain – preferably with the presentation of certifications such as FSC, RSB, RTRS, and Bonsucro.

- Hydroelectric plants, provided that they;

- Have energy density greater than 5 W/m² of flooded area or release less than 100 g CO₂/kWh of generated energy².

Operating Efficiency	Financing or refinancing of projects to improve processes and replace machinery and/or raw materials that seek to: - Reduce energy demand in production processes; - Reduce carbon generation in operations; - Increase productivity while maintaining the same levels of energy consumption or carbon generation. Projects that generate efficiency gains equal to or greater than 20% in the production process or product line benefited by the funds will be eligible, according to the corresponding operation indicator.	Reduction of energy consumption (MW) or Emission reduction (tCO ₂) or Increase in productivity (%)	Carbon avoided (tCO ₂)
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² The aforementioned criteria were selected from the “Hydropower Criteria: The Hydropower Criteria for the Climate Bonds Standard and Certification Scheme” of the Climate Bonds Initiative.

Sustainable transportation	Financing or refinancing for: <ul style="list-style-type: none"> - Acquisition of new electric, hydrogen, or hybrid light vehicles or public transportation vehicles; - Acquisition of new light biofuel-powered vehicles, the emission factor of which is less than 50 g CO₂/passenger-km; - Acquisition of new biofuel-powered vehicles with the purpose of offering public transportation, the emission factor of which is less than 25 g CO₂/passenger-km; - Sustainable transportation infrastructure (such as preferential bus transit systems, for example: Bus Rapid Transit – BRT)³. 	Reduction of fuel consumption ⁴ (Liters) and/or Persons Impacted (public transportation projects and vehicles)	Carbon avoided (tCO ₂)
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Green Buildings	Financing or refinancing, at any stage of execution, of: <ul style="list-style-type: none"> - Projects for construction of buildings that have LEED Gold, LEED Platinum, or Living Building Challenge pre-certification; - Building retrofit projects, the results of which show a minimum of 30% reduction in the generation of carbon emissions; - Projects with LEED Gold, LEED Platinum, or Living Building Challenge Certification, including ancillary items such as management fees and maintenance improvements. 	Reduction of energy consumption ⁵ (MW) or Emission reduction (tCO ₂)	Carbon avoided (tCO ₂)
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Bradesco reserves the right to invest the funds of the Climate Bonds in one or more of the eligible categories and, not necessarily in all of the categories listed in this framework.

³ Projects with external verification to certify compliance with BRT eligibility criteria of the Climate Bonds Initiative (CBI) will be considered. The current version is available at: https://www.climatebonds.net/files/files/standards/Land%20transport/final_brt_criteria_and_guidelines.pdf

⁴ The average fuel consumed per kilometer traveled by Brazilian vehicles will be used as a benchmark. For hybrid vehicles, the average fuel consumption per kilometer of hybrid vehicles available on the Brazilian market will be considered.

⁵ The average greenhouse gas emissions by Brazilian commercial buildings will be considered in comparison with the emission limits for each type of LEED certification for commercial buildings.

2. Project selection and evaluation

Projects or assets financed and/or refinanced through funds from Climate Bond will undergo a process of analysis in order to ensure eligibility according to the criteria described in Section "1. Use of funds". The analysis will be based on the conditions and processes described as follows:

Definition of eligibility – will take place in two ways:

- 1) Specific financial solutions: Eligibility will be automatic in the case of financing products dedicated and exclusive to projects or assets that adhere to the criteria presented in Section "1. Use of funds". For example, "CDC Fotovoltaico" (Credit Notes to finance solar panels and other components of solar energy generation systems for individuals and companies).
- 2) Other operations and financial solutions: The Corporate Sustainability area (Controllershship Department) and the Treasury Department, with the participation of management areas (such as the Loans & Financing Department and International & Foreign Exchange Department), will analyze the operations to identify those that are eligible according to the established criteria.

Eligibility period – the following will be eligible:

- 1) Active balance of operations entered into within 24 months prior to the date of issue of the bond; and
- 2) The amounts of the eligible operations contracted after the date of issue of the climate bond.

Social and environmental risk management and monitoring:

The process has a robust governance structure composed of committees, policies, standards and procedures that allows social and environmental risks to be properly identified, measured, mitigated, monitored and reported.

Following the guidelines of the Bradesco Organization's Corporate Sustainability Policies⁶, the social and environmental Risk Analysis & Control area conducts processes to evaluate operations and customers, formulating a social and environmental risk rating as well as monitoring activities, according to the scope and criteria indicated in the [Social and Environmental Risks Standard](#), in addition to the requirements and obligations established by Brazilian laws and regulations.

As a signatory to the Equator Principles, Bradesco observes its guidelines on financing for new projects and those involving expansions or refurbishments that include substantial change in results or function. The performance standards of the International Finance Corporation ("IFC") and the World Bank Group's Environmental, Safety and Health Guidelines and matters are covered regarding natural resources, impact on diversity, solid waste, liquid effluents and atmospheric emissions, neighboring communities, among other.

As long as they are within the requirements of the Standard, the projects and assets that will receive funds from the Climate Bonds will be evaluated and monitored from the standpoint of social and environmental risk.

⁶ The policy is available at the Investor Relations Officer on the Bradesco website – www.BradescoRI.com.br.

List of excluded operations:

Irrespective of the potential eligibility and compliance with the other requirements presented above, the following assets and projects will be excluded from receiving funds from the Climate Bonds.

- 1) Projects in sectors considered controversial, such as, but not limited to:
 - a. Production or trading of weapons and munition;
 - b. Production or trading of radioactive materials;
 - c. Production, trading or use of asbestos fibers; and
 - d. Production or trading of tobacco.
- 2) Operations generated from transfers of funds from government agencies and multilateral banks/development banks, to avoid double counting of the benefits generated;
- 3) Operations without definition regarding the allocation of funds, such as (for example) working capital. Except in the case of Special Purpose Entities (SPEs) focused exclusively on eligible projects and assets.

3. Resource Management

Internal instruments and procedures will be used to account for and monitor contracts and disbursements of funds obtained from the Climate Bonds.

Funds from Climate Bonds will be managed and monitored by Bradesco's Treasury Department, jointly with different internal departments (such as Loans & Financing, International & Foreign Exchange, and Integrated Risk Control).

The management process will ensure that the total amount of funding is less than or equal to the active balance of the eligible operations. In the event of any mismatch (such as, for example, in anticipation of payments by customers), the balance will be maintained and/or invested in high-liquidity, low-risk instruments up to the total allocation, according to the criteria of this Framework.

The aim is for funds raised through Climate Bonds to be earmarked according to the Framework within 18 months after issuance.

The Corporate Sustainability area (Controllershship Department) will verify the eligibility of projects and assets, and will report the results at least once a year to the Organization's sustainability governance forums.

4. Reporting

The disbursements and results of projects and assets that will receive funds from the Climate Bonds will be published at least once a year, and will be available on Bradesco's Investor Relations ⁷ and Sustainability⁸ websites.

Within the limits of viability and confidentiality, each report will present the following information:

- 1) Period of reporting;
- 2) Description of financial solutions with automatic eligibility (as described in the "Project selection and evaluation" section);
- 3) Number of contracts and consolidated total disbursements for financial solutions with automatic eligibility;
- 4) Description of other operations per eligible category and indication of compliance with eligibility criteria;
- 5) Operation indicators per disbursement line (as described in the "Use of funds" section);
- 6) Sum of operation indicators per eligible category;
- 7) Impact indicators per disbursement line (as described in the "Use of funds" section);
- 8) Sum of impact indicators (mainly in avoided and/or sequestered carbon, in tCO₂);
- 9) Information and data sources, and calculation methods;
- 10) Sum of disbursements in the reporting period;
- 11) Remaining balance;
- 12) Temporary investment of funds;

The reports on results will be reviewed by a third party, observing not only the disbursement of the funds raised, but also the process of calculating the social and environmental impact indicators. The opinion (or similar) of the company and/or independent body will be part of each published report.

For further information and questions:

Corporate Sustainability
Sustentabilidade@Bradesco.com.br

⁷ www.BradescoRI.com.br

⁸ www.bradescosustentabilidade.com.br