

Social and Environmental Risk



bradesco

Social and Environmental Risk

The social and environmental risk management process aims at the preventive identification, management and mitigation of potential damages that any economic activity can cause to society and the environment. The risks associated with financial institutions are mostly indirect and involve credit, financing, investment and supplier procurement operations.

Risk Governance

The Organization's Corporate Governance relies on the participation of all its hierarchical levels, from Senior Management to the business areas, and aims to optimize the company's performance and protect its stakeholders. The management of social and environmental risks, in turn, is carried out across the Organization, ensuring an efficient structure for measuring and controlling these risks, through committees, policies, standards and procedures, which proactively ensure their proper identification, measurement, mitigation, monitoring and reporting.

Social and Environmental Risk Standard – summary

The following scope of analysis reflects the content of the Organization's Social and Environmental Risk Standard.

Credit and Financing Transactions

I - Projects classified in the Equator Principles

This is a voluntary commitment adopted by financial institutions to identify, analyze and manage social and environmental risks in projects.

As a signatory, in addition to the criteria and obligations established by Brazilian laws, the Organization requires the application of the Performance Standards of International Finance Corporation (IFC) and the World Bank's Health, Safety and Environment Guidelines, to the projects it finances within the scope established by the commitment, addressing issues on Human Rights, Biodiversity, Climate Change, Traditional Populations (quilombolas, artisanal fishermen, riverside dwellers).

In order to comply with the Equator Principles, the following scope covers financing intended both for new projects and for expansions or modernizations that imply a substantial change of results or their function:

- Advisory service to Project Finance whose transaction value starts at US\$ 10 million.

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- Project-related corporate loans, which meet the criteria:
 - ▶ Customer has effective operational control (direct or indirect)
 - ▶ Total amount of the transaction of at least US\$ 50 million
 - ▶ Bradesco's individual commitment (as a union) of at least US\$ 50 million
 - ▶ Financing term of, at least, two years
- Bridge Loans with a maturity of less than two years, which will be refinanced by Project Finance or by Corporate Financing.

Project-related refinancing and project-related acquisition financing, in which all four of the following criteria are met:

- ▶ The underlying project was financed under the Equator Principles framework
- ▶ No significant change in the scale or scope of the Project

- ▶ Completion of the Project has not occurred until the execution to the loan agreement
- ▶ Although the Equator Principles should not be applied retroactively, signatory institutions will apply them to the financing of expansions or modernizations of an existing Project

II - Project Financing

This is the analysis of the social and environmental risk of financing intended for new projects, expansions or modernizations, with the price of at least R\$ 150 million. For real estate financing, proposals with price of at least R\$ 30 million are analyzed.

III - Sectoral Projects

The Sectoral Projects deal with the analysis of transactions in relevant sectors of the economy, which can cause significant impacts to society and the environment. Projects inside Indigenous Lands, Conservation Units or Areas considered as Historical and Cultural Heritage protected by law or by an international organization will be considered as high-risk projects.

Thus, Sectoral Projects were established as those involving the Mining and Pig Iron sectors, with operation values starting at R\$ 25 million.

IV - Pre-Existing Risk Analysis

This is the analysis of social and environmental risk in loan operations with customers operating in controversial sectors and/or with significant potential to generate any social and environmental impact, regardless of the value of the credit transaction.

Additionally, all loan operations in which there are indications of customer involvement with forced or slave-like labor are subject to social and environmental risk analysis.

V - Reform and Renewal of Limits

For the process of reforming and renewing limits, the scope of analysis considers the potential impact of the sector and the financial relevance of customers in the credit portfolio. Customers with internal restrictions are also part of the assessment scope.

VI - Engagement and Monitoring

It involves the inclusion of specific social and environmental clauses applicable to contracted transactions. Such transactions may be included in the Organization's social and environmental risk monitoring portfolio.

Real Estate Guarantee Transactions

This is a social and environmental risk analysis for rural and/or urban real estate guarantees, provided for in the loan operations described in the item: "Pre-Existing Risk Analysis". Additionally, rural properties with social and environmental restrictions, with a liquidity value from R\$10 million and urban properties

with signs of contamination, regardless of the value of the guarantee, which involve industrial areas must be submitted to social and environmental risk analysis; sheds with storage of potentially contaminating material; properties with fuel tanks; and free land in large urban centers.

Sensitive Sectors and Social and Environmental Notes

The Organization has guidelines preventing relationships for individuals or legal entities that are proven to be involved in the use of slave-like labor, child labor or the criminal

exploitation of prostitution, as well as those related to illegal mining, extraction, industrialization and sale of asbestos and manufacture and sale of heavy military equipment.

Additionally, restrictive guidelines are applied for the granting of credit to individuals and legal entities that operate in the activities of mineral coal extraction, shale and tar sand extraction and processing, industrialization and commercialization of uranium, coal-fired thermal power plant, trawling in the oceans

with networks longer than 2.5 km in length, construction of real estate projects overlapping indigenous lands and activities for raising cattle, cold chambers, slaughterhouses, agricultural crops and forestry production with violations related to illegal deforestation.

Donations and Sponsorships

Because they present potential image and reputation risk, transactions involving donations and sponsorship must have a social and environmental risk analysis, in accordance with the Corporate Standard for Donations and Sponsorships.

Investments

In relation to investments, all investment transactions are analyzed. Private Equity, whose results of the analyzes are reported and, cases classified as High or Very High risk, are discussed by the Risk Management and Control Committee of Private Equity/2bCapital.

Suppliers

I - Suppliers with Pre-Existing Risks

This is the analysis of the social and environmental risk of suppliers in the approval process or with current contracts that appear in lists published by the competent environmental agencies with embargo violations and/or contaminated areas and/or show signs of involvement with forced or slave-like labor.

II - Suppliers with Potential Social and Environmental Risk

This is a social and environmental risk analysis applied to (i) suppliers under approval process with annual revenues starting at R\$30 million; or (ii) suppliers with contracts in force starting at R\$30 million that operate in the activity sectors listed below.

Note: in compliance with the activity sectors below, the Purchasing Department may request a social and environmental risk analysis from any supplier, regardless of the revenue/contract prices.

Activity Sectors

civil works, printing materials (e.g. printers, copiers, electronic prints, outsourcing printing), clothing, woodworking, visual communication, infrastructure equipment manufacturing (e.g., air conditioning and batteries, self-service and hospital service), card manufacturing, information technology equipment manufacturing (e.g., automation, computing and telecommunication equipment, mainframe, hardware and computers), and transport services (armed security, patrol, custody and valuables), surveillance, back-office agency, call center and maintenance of aircraft and vehicles.