

Social, Environmental and Climate Risk - Standard

Social, Environmental and Climate Risk

The social, environmental and climate risk management process aims at preventively identifying, managing and mitigating potential damage that an economic activity can cause to society and the environment, as well as its exposure to climate change. Risks associated with financial institutions are mostly indirect and arise from business relationships, including those with the supply chain and customers through financing and investment activities.

The social risk includes violation of rights, fundamental guarantees or harmful acts to the common interest, such as the practice of slave-like labor and child labor. Environmental risk comprises environmental degradation and excessive use of natural resources. Climate risk refers to transition events to a low-carbon economy (transition risk) as well as changes in weather frequency and patterns (physical risk).

1. Risks Governance

The Organization's Corporate Governance involves all hierarchical levels, from Senior Management to the business areas, and aims to optimize the company's performance and protect stakeholders.

The management of social, environmental and climate risks is carried out across the Organization, ensuring an efficient structure that includes the measurement and control of these risks, through committees, policies, rules and procedures, which proactively guarantee proper identification, measurement, mitigation, monitoring and reporting.

Social, Environmental and Climate Risk Standard - summary

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

Credit and Financing Transactions

I - Projects covered by 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 law, the Organization requires the application of the Performance Standards of the International Finance Corporation (IFC) and the Health, Safety and Environment Guidelines of the World Bank, 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, riverine people).

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

- Advice to Project Finance whose operation value is US\$ 10 million.
- Project Finance whose operation value is at least US\$ 10 million.

- Project-related corporate loans that meet the criteria:
 - Customer has effective operational control (direct or indirect);
 - Minimum total transaction value of US\$ 50 million;
 - Bradesco's individual commitment (in a union situation) of at least US\$ 50 million;
 - Financing period of at least two years.
- Bridge Loans with maturity lower than two years, which will be refinanced by Project Finance or by Corporate Financing.
- Project-related refinancing and project-related acquisition financing, where all four of the following criteria are met:
 - The underlying project was funded under the Equator Principles framework;
 - No significant change in the scale or scope of the Project;
 - The Completion of the Project has not occurred until the signing of the credit agreement;
 - While the Equator Principles are not to be applied retroactively, signatory institutions will apply them to financing expansions or modernizations of an existing Project.

II - Project Financing

This involves analyzing the social, environmental and climate risks of financing for new projects, expansions, modernizations or acquisitions, with a value of at least R\$ 150 million. For real estate financing, proposals with a value equal to or greater than R\$ 30 million are analyzed.

III - Sectorial Projects

The Sectorial Projects deal with the analysis of operations of relevant sectors of the economy, which can cause significant impacts to society and the environment or be exposed to climate changes.

Projects inside Indigenous Lands, Conservation Units or Areas considered as Historical and Cultural Heritage protected by law or by an international organization are considered as high-risk projects.

In this way, the following sectors were established: projects, involving the Mining and Pig Iron sectors, with a minimum operating value of R\$ 25 million.

IV - Analysis of Pre-existing Risks

It deals with the analysis of social, environmental and climate risks in credit operations for customers that operate in controversial sectors and/or with significant potential for generating social, environmental and climate impact, regardless of the value of the credit operation. Additionally, all credit operations in which there are indications of the customer's involvement with child labor, work analogous to slavery or sexual exploitation are subject to analysis.

V - Reform and Renewal of Boundaries

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

VI - Hiring and Monitoring

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

Real Estate Collateral Operations

This involves analysis of social, environmental and climate risks for rural real estate guarantees with social and environmental restrictions and minimum liquidity value of R\$ 10 million and urban real estate with signs of contamination, regardless of the assurance value, involving industrial areas; 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 preventive measures for Legal Entities involved in mining without authorization from regulatory bodies; extraction, industrialization and trade of asbestos and manufacture and sale of heavy military equipment not intended for national security.

Additionally, restrictive and preventive measures are adopted for lines of credit/loan activities, subscription of fixed income products and financing of projects (new or expansion of existing projects) for activities of: extraction (mining) of mineral coal; extraction and processing of shale (oil and gas) and bituminous sands; industrialization and commercialization of uranium not intended for medical purposes; energy generation by coal-fired thermoelectric power plants, except when necessary to guarantee the country's energy security; nuclear power plants; ocean trawling with nets greater than 2.5 km in length; real estate projects overlapping indigenous lands; and any customers who have infractions related to illegal deforestation and who operate in the sectors of agricultural crops, slaughterhouses, cold chambers and forestry production. It applies, at first, to customers involved in the use of slave-like labor, child labor or sexual exploitation.

Donations and Sponsorships

Due to the potential image and reputation risk, transactions involving donations and sponsorship must have a social, environmental and climate risk analysis, in accordance with the Corporate Donations and Sponsorships Standard.

Investments

With regard to investments, all Private Equity operations are analyzed, in which the results of the analyzes are reported and, for cases classified as High or Very High Risk, deliberated in the Private Equity/2bCapital Risks and Controls Management Committee.

Bills

Because they present possible impacts on the operational routine, such as an increase in the Organization's legal responsibility or an increase in risk exposure due to the relationship with customers, the Bills of the municipal, state or federal legislative houses that involve the social, environmental and climate theme, are monitored by the Organization and must undergo a risk analysis.

Record of Losses

Financial operating losses resulting from social, environmental and climate damage are monitored and the recording of data relating to actual losses is periodically managed, including values and type and must form the basis of operating losses.

Suppliers

I - Suppliers with Pre-existing Risks

This is the analysis of social, environmental and climate risks of vendors 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 labor or analogous to that of a slave.

II - Suppliers with Potential Social, Environmental and Climate Risks

This is a social, environmental and climate risk analysis applied to (i) vendors under approval with annual revenues from R\$ 30 million; or (ii) vendors with contracts in force from R\$ 30 million that operate in the following sectors of activity:

Note: observing the sectors of activities below, the Purchasing Department may request an analysis of social, environmental and climate risks from the vendor, regardless of the billing/contract amounts.

Activity Sectors: civil works, material printing (e.g.: graphics, copiers, electronic printing, printing outsourcing), clothing, wood chain, visual communication, manufacturing of infrastructure equipment (e.g.: air conditioning and batteries, self-servicing and hospital), manufacture of cards, manufacture of information technology equipment (e.g.: automation, IT and telecommunication equipment, mainframe, hardware and computers), and transport services (armed security, patrol, custody and valuables), surveillance, agency back office, call center and aircraft and vehicle maintenance.



*This document is a summary of Standard 05.403 Social, Environmental and Climate Risk (Internal), approved on 04/17/2023, which regulates the management of social, environmental and climate risks.
Scope: Related Companies, Branches, Departments*