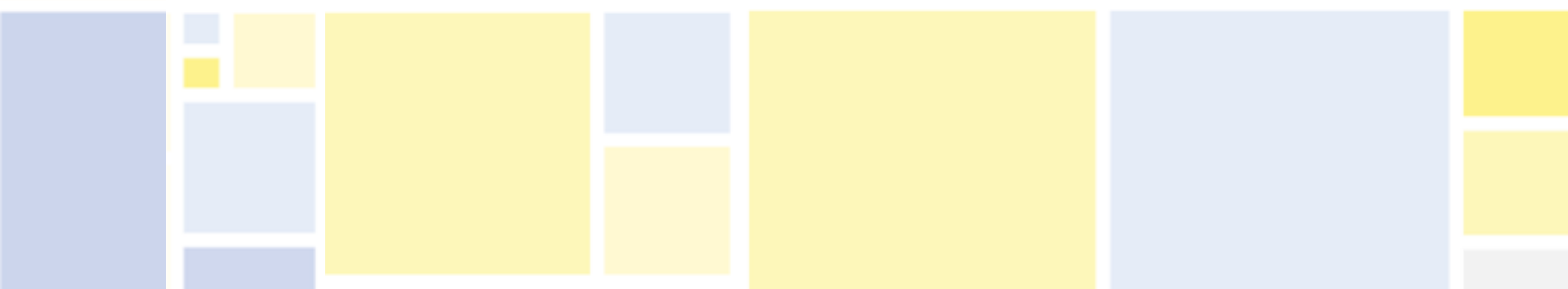


# The Equator Principles



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## The Equator Principles

The Equator Principles are a set of socio-environmental criteria for voluntary adoption by financial institutions worldwide referenced in the Environmental Sustainability of Performance Standards of the International Finance Corporation (IFC) and the Guidelines for the Environment, Health and Safety of the World Bank Group (EHS Guidelines). The Equator Principles apply to the analysis of the following financial products when used to support a new investment project:

- a) Project Finance with total Project Capital costs of US\$ 10 million or more;
- b) Project Finance Advisory Services where total Project capital costs are US\$ 10 million or more;
- c) Project-Related Corporate Loans whose majority of the loan is related to a single Project over which the client has either direct or indirect Effective Operational Control with a total aggregate loan amount of at least US\$ 100 million, individual commitment of the financial institution of at least \$ 50 million and the loan term is at least two years; and
- d) Bridge Loans with a term that covers less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan.

The principles deal with environmental assessments; protection of natural habitats; pest management; dam safety; indigenous peoples; involuntary resettlement of populations; cultural property; child labor, forced or slave labor; projects in international waters and health and safety at work.

Banco do Brasil was the first public bank worldwide to join the group of financial institutions that adhered to the Equator Principles (in February 2005). In July 2006 and June 2013, it formalized its readmission to the pact, in updated versions after a long process of consultations and discussions between banks, customers and civil society organizations.

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Socio-environmental issues are addressed by Banco do Brasil in its Credit Specific Policy. In it, the Bank defines that the socio-environmental responsibility and the capacity to generate employment and income of the enterprise should be considered in the decision on operations with credit risk. In addition, the policy emphasizes that the Bank does not assume credit risk with a client that is responsible for intentional damage to the environment, to submit workers to degrading forms of labor or keep them in conditions akin to slave labor, in which sexual exploitation of minors or child labor is practiced.

The flow of the credit process in Banco do Brasil starts in the commercial area, which directly serves the customer. Clients who comply with the Equator Principles are oriented towards their application and to whether or not to hire an independent socio-environmental consulting.

Subsequently, the environmental documentation is analyzed by advisers in a credit analysis department where it is and then made Socio-environmental Assessment Report is granted by a Credit Committee.

The projects assessed by Banco do Brasil are classified in a socio-environmental risk matrix that identifies relevant impacts and risks and management measures. Category A covers projects in which the potential risk or adverse socio-environmental impact is significant, multiple, irreversible or without a precedent. Category B, in turn, covers the projects that have the potential of risks and adverse socio-environmental impacts limited, in a lower number, extensively reversible and immediately controllable by using mitigation measures. Category C covers initiatives in which minimal or no adverse environmental and social risks and/or impacts. In all requests for financing categorized as A or B, Banco do Brasil requires the customer to develop or maintain an environmental and social management system. Furthermore, in high-risk cases it may be necessary to ask the customer to provide additional evaluation documentation, with a specific due diligence on human rights.

That process provides the expertise of employees involved with the application of the Principles. Benefits include better control and monitoring of projects, the greater range of risks vision, the ability to better mitigate environmental risks, reputation, credit, legal and positive approach to shareholders, customers and employees.

## Relation of Financial Products Contracted at Banco do Brasil in 2017 in Light of Equator Principles

### Project Finance contracted under the Equator Principles in 2017

Sector	Category A	Category B	Category C
Mining	0	0	0
Infrastructure	0	0	0
Oil & Gas	0	0	0
Energy	1	0	0
Others (Industry)	0	0	1
Subtotal	1	0	1
Region	Category A	Category B	Category C
Americas	1	0	1
Europe, Middle East and Africa	0	0	0
Asia	0	0	0
Subtotal	1	0	1
Country Designation	Category A	Category B	Category C
Designated Country	0	0	0
Non-Designated Country	1	0	1
Subtotal	1	0	1
Independent Consulting	Category A	Category B	Category C
Yes	0	0	0
No	1	0	1
Subtotal	1	0	1
Total			2

### Bridge Loan contracted under the Equator Principles in 2017

Sector	Category A	Category B	Category C
Mining	0	0	0
Infrastructure	0	0	0
Oil & Gas	0	0	0
Energy	0	1	0
Others (Industry)	0	0	0
Subtotal	0	1	0
Region	Category A	Category B	Category C
Americas	0	1	0
Europe, Middle East and Africa	0	0	0
Asia	0	0	0
Subtotal	0	1	0
Country Designation	Category A	Category B	Category C
Designated Country	0	0	0
Non-Designated Country	0	1	0
Subtotal	0	1	0
Independent Consulting	Category A	Category B	Category C
Yes	0	0	0
No	0	1	0
Subtotal	0	1	0
Total			1

