SUSTAINABLE FINANCE DISCLOSURE

INTRODUCTION

Sustainability has been a topic with high relevance to the Bradesco Group. The bank has been engaged in a number of local and international initiatives and forums. As an example, in 2019 Bradesco became a signatory of the United Nations (UN) Principles for Responsible Banking (PRB), a framework for the financial services industry to benefit from an economy focused on sustainable development. Bradesco is not only among the first signatories, but was also the only Brazilian bank to be among the 30 financial institutions engaged since March 2018 in developing the framework in alliance with the United Nations' Environment Programme Finance Initiative (UNEP FI).

More recently, in “The Sustainability Yearbook 2021”, compiled by S&P Global using the methodology originally developed by investment manager RobecoSAM, Bradesco was one of only 4 Brazilian companies among 631 sustainability leaders selected from more than 7.000 companies evaluated across the globe.

It is also worth noting the commitment of the group with climate change. The group has become one of the first large financial institutions to have 100% of its operations supplied with electricity from renewable sources in 2020.

The bank has also neutralized 100% of its carbon emissions since 2006 (scope 1 and 2) and has now completed offsetting also its scope 3 emissions.

In 2019, Bradesco has reviewed its Sustainability Strategy considering the major challenges and global trends, the perception of stakeholders, the business goals of the Organization and major national and international agendas for sustainable development – especially the Sustainable Development Goals (SDGs) of the United Nations.

As a result, new pillars were established to direct the work of Bradesco on the theme of sustainability. In addition, in line with the guidelines, six of the 17 SDGs have been prioritized for channeling the efforts of the Organization.

Six new strategic pillars

Sustainable business

Our goal is to expand our offering of products and services that contribute to building a more inclusive society and support customers in their transition to a more sustainable economy.

Climate change

We also work to ensure that our businesses are prepared for climate challenges and to create greater transparency around our climate impacts.

Customer relations

Our purpose is to serve customers with excellence in a way that is responsive to their needs and goals and supports their life achievements.

Diversity

Bradesco embraces and promotes diversity among our employees and customers. Our goal is to attract and engage talents, increase access to career opportunities and serve an increasingly diverse spectrum of customer profiles.

Innovation

The mission is to promote innovations that contribute towards sustainability and the solution of ESG challenges, encouraging the cooperation between companies and Bradesco's ability to remain sustainable and increasingly relevant to society.

Private social investment

As one of the largest private donors in Brazil, we aim to amplify the results and impacts with our social investment in Brazil.

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Integration of ESG factors into product selection

The bank has been closely following the developments in sustainable finance and has taken steps into incorporating ESG factors into the selection of products and of external managers of products that we provide to our clients.

The concept of ESG may be relatively new to some investors or may still be unclear to others. As per the European regulation, sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. The level to which companies follow the standards expected by the various stakeholders and regulators may have a relevant impact in the company's future business prospects and financial conditions. This has led to the concept of ESG risk as an additional group of information that should be considered when investing, alongside the more traditional financial metrics. Sustainability risk is generally described as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

This is the reason why the bank has begun to incorporate certain ESG factors when it selects products that will be offered to clients. The goal is to start considering those aspects at this stage even acknowledging that there is still a substantial development expected in the amount, quality and common taxonomy of what is currently available.

We acknowledge that this is a multi-year process with a number of regulatory developments still to come. While the depth and breadth of the offering is expected to increase over time, both client and regulatory demands are a reality. The bank has taken the decisions described below to include ESG factors into our product selection process and is proceeding with the necessary caution to provide clients with a well-founded ESG consideration.

Funds and ETFs

We believe that a robust selection process of third-party asset managers, funds and ETFs must contemplate how ESG metrics are incorporated into their investment decision process. The bank has taken steps to include ESG aspects in our due diligence process.

Our approval process requires that ESG policies and processes are presented to the bank to be part of our evaluation process. We have also incorporated ESG-specific questions in our due diligence questionnaire for asset managers and for individual funds.

Understanding how the managers deal with ESG when deciding to invest in a sector or company is extremely relevant for our investment selection process. We expect these standards to rapidly evolve as new regulations come into force.

We base our analysis on the information provided by the asset manager, including the Principal Adverse Impacts information. For our advisory services, if our client has a sustainability preference regarding PAI we consider the instrument is in line with client`s preference if a financial instrument is taking into consideration at least one of the PASI (E, S or G category).

Bonds

We believe that the assessment and selection of bonds must consider not only financial metrics but also ESG characteristics of the issuer. In our opinion, considering only financial metrics is not sufficient to capture the full company profile. The addition of ESG data contributes to the overall analysis of the risk/return of these financial instruments and is critical in our decision to recommend them or not.

We believe that the inclusion of ESG in our bond investment decision can add value to our clients, including a better understanding of potential risks and opportunities. The bank therefore considers ESG characteristics and ratings in the normal course of recommending bonds to clients. By considering ESG ratings of the companies we intend to have a better view of the risks associated with the future cash flows that are expected to be generated and will ultimately be the source of payment of interest and repayment of principal. The higher the ESG risk of a company is, the higher is the probability of an ESG risk materializing and therefore the higher risk of investing in the instrument issued by that company. This may lead to a decision that we will not recommend such investment given the underlying uncertainty or that the expected return should be higher to compensate for that risk.

While these overall ESG metrics are part of our selection process, we acknowledge that there may be certain clients who wish to be even more restrictive in investing in instruments that do not meet certain ESG standards. They may wish to invest only in bonds that are certified to have met certain ESG standards. The bank therefore also makes available to those clients a list of instruments existing in the market, including green, sustainable and social bonds. Clients can then choose instruments from that list that would fit their investment preferences.

For our advisory services, the Bank does not take PAI into consideration when recommending individual bonds.

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