

1. Environmental and Social Categorization and Rationale

This transaction is classified as a category FI-3 given that Banco do Brasil's use of proceeds from this Loan has a low risk potential. Banco do Brasil's current and future agribusiness loan portfolio is limited to Category C sub-projects, according to the IIC classification, including MSEs in the agribusiness value chain (i.e., companies that manufacture, process, or sell inputs to rural producers; or those that acquire agricultural products directly from the producers for subsequent processing or sale) with sub-loans with tenors up to three years and an average and maximum sub-loan size of US\$25,000 and US\$250,000, respectively.

2. Environmental and Social Risks and Impacts

BdB's portfolio concentration for private sector agribusiness companies in the past 3 years (2013-2015 period) represe

nted an average 8.6% of BdB's overall portfolio. Geographically, the agribusiness loan portfolio in the Northeast represented an average 6.2% for second quarter of 2016, compared to 33.2% and 33.5% in the Southeast and South of Brazil, respectively. BdB's portfolio for the "BB Giro Empresa Flex Agro" product for 2015 was BRL 3,834MM (Brazilian Reais) of which BRL 31MM (0.8%) were dedicated to micro enterprises and BRL 1,691MM (44.1%) to small companies.

The sub-loan operations are expected to have limited adverse environmental or social impacts and risks that are generally site-specific and readily addressed through mitigation measures. Potential environmental and social impacts and risks include: risks to labor and working conditions of direct activities and its supply chain; occupational health and safety risks; use of resources (i.e., energy, water) and handling of hazardous substances and wastes (i.e., agrochemicals).

These risks are managed through BdB's compliance with Brazilian environmental regulations and the application of BdB's policies and guidelines, including their environmental management system (ESMS), which are publicly available here: <http://www.bb.com.br>. Brazil has specific environmental regulations for the financial sector, in particular, Resolution 4327/2014, which establishes the requirements for the development and implementation of a Socioenvironmental Responsibility Policy by financial institutions and other institutions regulated by the Central Bank and Resolution 3545/2008, which establishes the requirement to present evidence of environmental compliance for financing agribusiness in the Amazon Biome. In observance of these regulations and BdB's company policies, the following key environmental, social and labor management policies, directives and guidelines were developed and are implemented by BdB.

Socioenvironmental Responsibility Policy (Politica de Responsabilidade Socioambiental, PRSA), dated February 2015, approved by the Board of Directors, which guides the application of BdB's guidelines and compliance with the regulatory requirements.

Environmental and Social Management System ("ESMS"), which reportedly articulates the implementation of the environmental policy and directives and specifies the responsibilities for implementation. Specific requirements of the ESMS include the application of environmental guidelines to meet the policy commitments; planning through which BdB assesses the E&S risks and impacts of its activities; implementation to achieve the objectives; monitoring and corrective actions through performance indicators and senior management commitment and review of effectiveness. A sustainability governance structure exists with identified representatives, including stakeholders and recurring meetings to review BdB's sustainability agenda.

Contractual Clauses are included in the bonds and credit agreements establishing the commitment

of the borrower with socio-environmental responsibility in accordance with the regulations of the Central Bank and FEBRABAN. Among these clauses, the borrower is required to comply with social and labor legislation, especially the norms related to occupational health and safety and the absence of forced labor, child labor and sexual exploitation of minors. Furthermore, in all credit operations, the borrower's commitment is also required to implement efforts with its suppliers of products or services, so that they also undertake to protect, preserve and prevent environmentally harmful practices by executing their activities in accordance with current legislation emanating from the Federal, State, District and Municipal spheres, and to comply with social and labor legislation, especially norms related to occupational health and safety and the absence of forced labor, child labor and sexual exploitation of minors.

Sustainable Credit Guidelines include specific requirements for agribusiness. These include, among others, proof of legal compliance; incorporating E&S criteria in the analysis process for granting funds to projects; labor relations in the agribusiness supply chain; decrease deforestation rates; restoration of degraded areas; land use planning; cattle ranching productivity to reduce their expansion; sustainable practices; certification; water use management; climate change adaptation; refuse loans to third party activities in indigenous lands..

List of Non-implemented Activities, Restricted Activities and an Alert List. In addition to this list, sub-loans will be subject to the List of Excluded Activities of the IDB Group found here: http://www.iic.org/sites/default/files/list-of_excluded-activities-iic-2016.pdf.

Several Tools are used to manage and monitor E&S risks of BdB's operations. In particular, for MSE sub-loans, BdB conducts aleatory monitoring of a sample of operations. If non-compliances with the loan requirements are found, the loan can be accelerated.

Commitment to Human Rights, which is consistent with the United Nations Guiding principles on Business and Human Rights and has other public commitments such as the Global Compact; Equator Principles; Sustainable Development Goals; Women's Empowerment Principles, among others.

Other Commitments that BdB has adopted/ is signatory include: Grupo de Trabalho da Moratória da Soja; CEO Water Mandate; Carbon Disclosure Project; World Water Council; OECD Guidelines; Sustainable Amazon Forum; Global Reporting Initiative; Grupo de Trabalho da Pecuária Sustentável; PRI; Green Protocol; and tens of other commitments, including BdB's Code of Ethics.

BdB's BB Giro Empresa Flex Agro is a line of working capital focusing on MSEs and has no specific environmental requirements in addition to the local legislation. In light of the nature and size of the operations (low risk) the program is not subjected to regular compliance inspections. Nevertheless, BdB's credit lines must comply with all BdB criteria/ policies for granting credit. BdB maintains a consistent process for risk credit and monitoring in loan transactions and, for credit concessions, there are generic credit policies in place, applied to all clients and deals.

BdB will confirm the specific application of its ESMS to the prospective sub-loans. BdB's ESMS and specific directives and tools applied for MSE agribusiness companies will be provided for review to ensure alignment with IIC's requirements..

3. E&S Action Plan

Action

Description**Completion date**

Comply with IDBG's List of Excluded Activities for all sub-loans

Include IDBG's List of Excluded Activities in the screening process for all sub-loans and comply with such exclusions.

Through the life of the loan

Provide the Environmental and Social Management System (ESMS) indicating the applicable requirements for the sub-loans under Giro Empresa Flex Agro.

Copy of the ESMS indicating, specifically, what requirements are applicable to the sub-loans under Giro Empresa Flex Agro and provide evidence of such requirements. The ESMS should incorporate relevant principles of Performance Standard 1 and be satisfactory to IIC.

Prior to financial close

Prepare and submit an annual monitoring report on the application of the ESMS to the sub-loans commensurate with the level of impacts and risks.

Annual monitoring report from BdB providing evidence of the application of the ESMS requirements to the prospective sub-loans commensurate with the level of E&S risks of such sub-loans, including performance indicators and compliance with E&S conditions in the loan agreement.

Annually for the term of the loan

Train staff on E&S risk management

BdB participation in E&S risk next management training provided or approved by IIC.

Next E&S training provided/ approved by IIC