

Responsible Investment Manual

Investment Analysis – ESG

BRADESCO ASSET MANAGEMENT S.A. DTVM

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1. Introduction

The factors that support Bradesco Asset Management's investment process incorporate macroeconomic and financial aspects, combined with the analysis of environmental, social and governance (ESG) elements. Responsible investment at Bradesco Asset Management began in 2007 with the launch of the Bradesco FIA Sustentabilidade Empresarial fund, from which Bradesco Asset Management began to integrate ESG methodologies into its investment process.

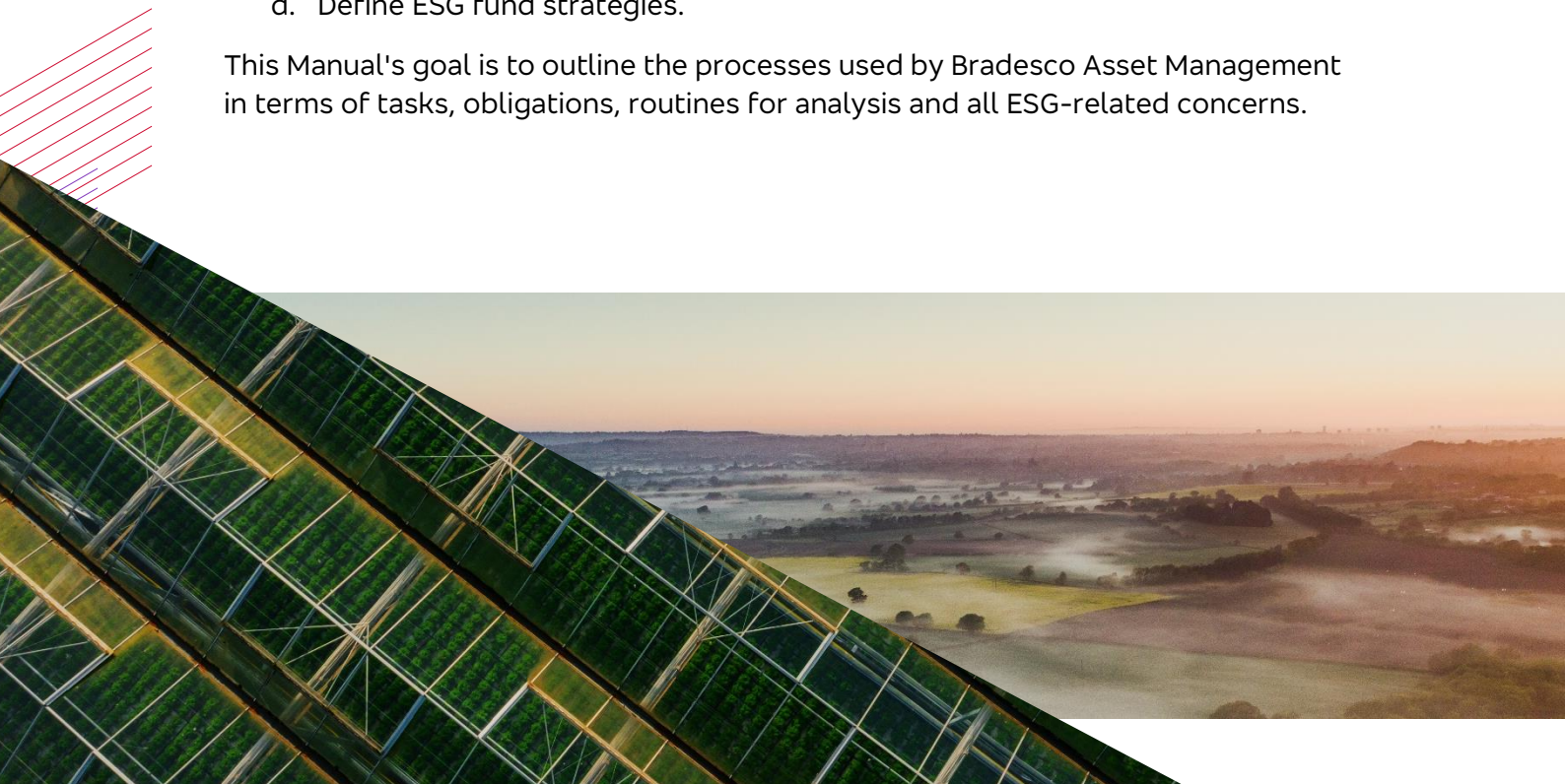
In compliance with its fiduciary duty and in view of the growing importance of socio-environmental and corporate governance issues on the performance of assets under management, Bradesco Asset Management incorporates, based on this document, ESG issues in its investment process across the board and integrates them with its different asset classes.

In May 2010, Bradesco Asset Management became a signatory to the UN Principle for Responsible Investment (UNPRI) and, since then, has been perfecting the incorporation of ESG factors in decision-making to improve risk management, generate long-term returns and engage the Brazilian market, contributing to the ESG agenda.

The objectives of this process include:

- a. Align with the Bradesco Organization's positioning in relation to the analysis and management of risks and business opportunities arising from socio-environmental and corporate governance issues;
- b. Implement Bradesco Asset Management's Responsible Investment Policy;
- c. Encourage the incorporation of ESG issues into asset analysis and management.
- d. Define ESG fund strategies.

This Manual's goal is to outline the processes used by Bradesco Asset Management in terms of tasks, obligations, routines for analysis and all ESG-related concerns.

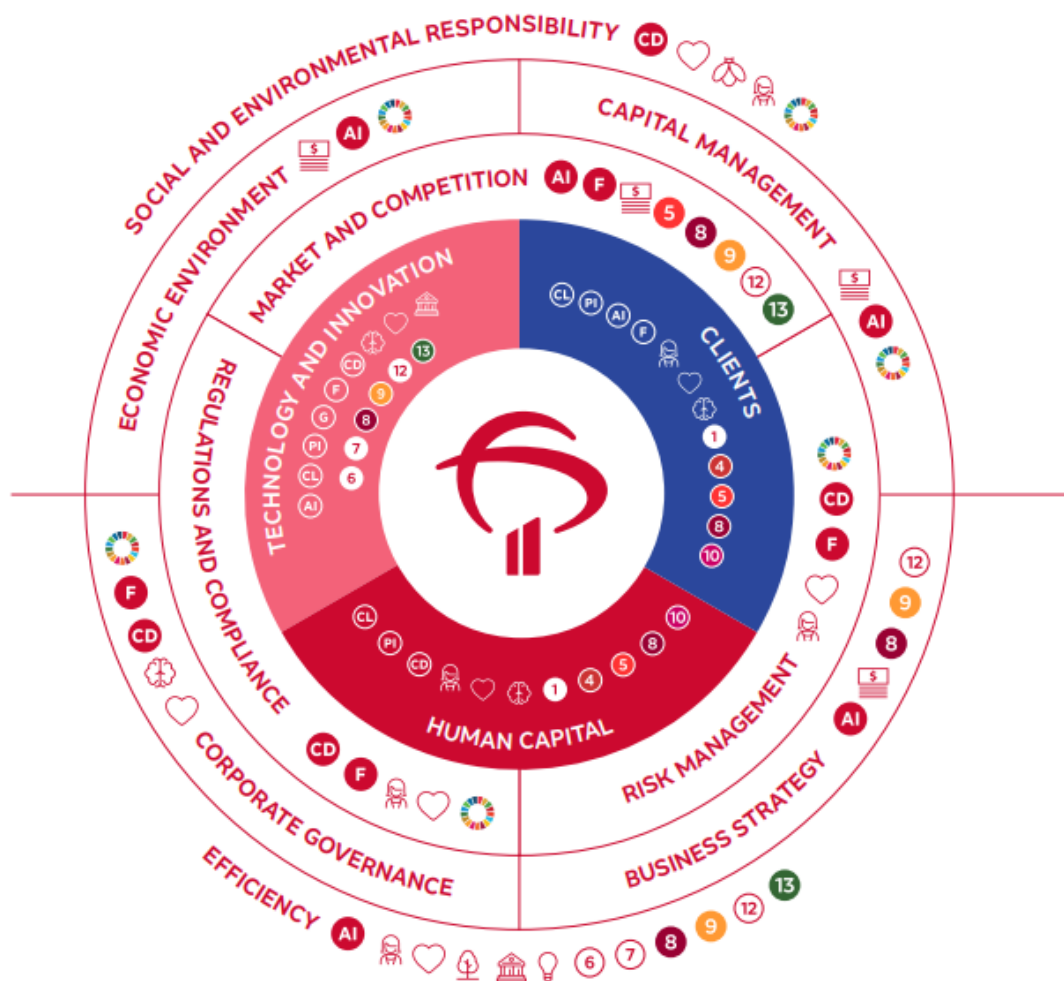


2. The positioning of the Bradesco Organisation

Bradesco is committed to environmental, social and governance factors. The business strategy associated with the materiality matrix aligns the Organization's actions to be a positive transformation agent.

Updating the material topics defined by Bradesco was developed based on the analysis of sector studies, the Sustainable Development Goals (SDGs) of the 2030 Agenda, and the participation of leadership, investors, regulatory bodies, sectoral associations, suppliers, society, employees, and customers, including the participation of Bradesco's Board of Directors in the alignment.

As a result, a mandala was prepared that includes the most important topics for our stakeholders, as well as the SDGs to which the Bradesco organization is committed (see below).



3. Commitment to Responsible Investment

In line with the Bradesco Organisation's sustainability pillars, Bradesco Asset Management has developed its ESG policy, which, in line with the UNPRI Principles for Responsible Investment, establishes the guidelines related to responsible investments and is called in accordance with the institution's nomenclatures: *Bradesco Asset Management's Responsible Investment Policy*.¹

The policy establishes Bradesco Asset Management's commitment to ESG issues across the board in the asset analysis and management process, considering the following aspects:

- legal compliance;
- situations of corruption and conflicts of interest;
- transparency and accountability;
- respect for human and labour rights; and
- impact on the environment and climate change.

The responsible investment strategy also includes investment guidelines in sensitive sectors, with restrictions on the following sectors:

- weaponry;
- mining of coal and uranium; and
- gambling.

4. Methodology for Analysis

Bradesco Asset Management has its own customised ESG methodology, using a distinct approach to ESG issues for each investment strategy, as presented in Table 1.

1

https://www.bradescoasset.com.br/BRAM/static_files/portal/files/Governanca/10.investimentos_responsaveis_da_bram-bradesco_asset_management.pdf

INVESTMENT STRATEGY	INTEGRATION	ENGAGEMENT	VOTE
Equities			
Active Management	X	X	X
Passive Management		X	X
Fixed Income			
Private securities	X	X	X
Receivables Investment Fund	X	X	X
Government securities	X		
Funds of Funds	X	X	

Table 1. ESG strategies for different investment processes.

4.1. ESG Analysis of Companies

For the ESG analysis of the companies invested in Bradesco Asset Management's portfolios, specific methodologies are used that result in a *rating* from 0 to 100% for these issues.

4.1.1. Construction of the methodology

The themes considered in the analysis methodology were created through consultation with a number of sources and processes, to conceive the perceptions of each research analyst:

- Global Reporting Initiative Guidelines (GRI-G4);
- B3 Brasil Bolsa Balcão: Corporate Sustainability Index Questionnaire;
- IBGC Guide to Best Practices in Corporate Governance;
- Sustainability Accounting Standard Board (SASB) Materiality Map;
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD);
- Sector-specific agreements and regulations;
- Greenhouse Gas Protocol (*GHG Protocol*);
- Carbon Disclosure Project (CDP); and
- Partnership for Carbon Accounting Financials (PCAF).

4.1.2. ESG Rating

For the ESG *rating*, data obtained from an independent *research* house, contracted to provide an initial analysis composed of indicators defined by Bradesco Asset Management and data from a platform are used as reference, and the data is weighted according to any controversial news that may impact the perception of the ESG analysis. The criteria are divided into the environmental, social and corporate governance dimensions shown in table 2.

TOPICS ANALYZED

Environmental

- Natural Resources Management
- Waste, Effluents and Emissions
- Climate Change
- Biodiversity/ Deforestation Resource Management
- Environmental Impacts of Products and Services

Social

- Employee Relations
- Client Relations
- Relationships with Suppliers
- Relationship with Communities
- Scandals, fines and sanctions with stakeholders

Governance

- ESG Integration into the Strategy
- Transparency and Management
- Asset ownership and voting
- Board
- Conduct and Conflicts of Interest



Table 2. Criteria analyzed in terms of environmental, social and governance.

4.1.3. Sectoral differences

Since environmental, social and corporate governance issues are sector-specific, the *ESG Rating* calculation considers different weights for each dimension.

An independent *research* firm, analysts with ESG expertise, analysts and investment managers engage in the calculation of sector weights.

4.1.4. Analysis process

The review process is coordinated by two dedicated ESG analysts and follows the steps outlined in the flowchart below:



Figure 1 – ESG Analysis Flow – equity and fixed income.

ESG Analysis: ESG analyses are developed based on information provided by an independent *research* house (which presents the calculation of an ESG *Rating*), meetings with regulatory agencies, sector studies and engagement meetings with companies to determine points of attention and risks relevant to Bradesco Asset Management's portfolios.

The information is made available in a report with company *ratings* containing the themes and sub-themes assessed. These, in turn, are analysed by sector analysts who suggest, where appropriate, changes to the *ratings* based on specific information collected in the asset analysis processes.

Recommendation to managers: final versions of ESG *ratings* are presented to investment managers.

4.1.5. Analysis renewal frequency

ESG analyses are renewed annually for all companies in Bradesco Asset Management's coverage universe.

ESG *ratings* may be revised on an exceptional basis in the event of an incident, scandal or involvement of the investee company in an operation that significantly increases or reduces its exposure to ESG risks.

4.2. Fixed Income – Government Bonds

For the ESG analysis of the countries in which Bradesco Asset Management invests via government bonds, a specific methodology is used that results in a *rating* from 0 to 100%, with a yearly review cycle.

4.2.1. Construction of the methodology

The ESG country analysis methodology was developed by *benchmarking* with other existing global methodologies, such as S&P, MSCI, PIMCO, Vigeo, Axa and PRI.

The themes and indicators were selected according to the databases of the World Bank (World Bank Data), the United Nations Development Program (UNDP), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and of the World Health Organization (WHO), to establish a standard while being easy to update.

4.2.2. Topics covered in the analysis methodology

The countries' ESG rating is made up of indicators defined in Bradesco Asset Management's analysis methodology, which are divided into environmental, social and corporate governance dimensions, as shown in table 3.

TOPICS ANALYZED




Environmental	Social	Governance
<ul style="list-style-type: none"> ▪ Natural Resources ▪ Climate Change ▪ Infrastructure 	<ul style="list-style-type: none"> ▪ Human Development ▪ Poverty ▪ Human Rights 	<ul style="list-style-type: none"> ▪ Political bodies ▪ Regulatory bodies ▪ Civil rights
		

Table 3. Themes analysed in the ESG analysis of Fixed Income – Government Bonds.

4.2.3. Analysis process

The review process is conducted by dedicated ESG analysts and follows the steps are outlined in the flowchart below:

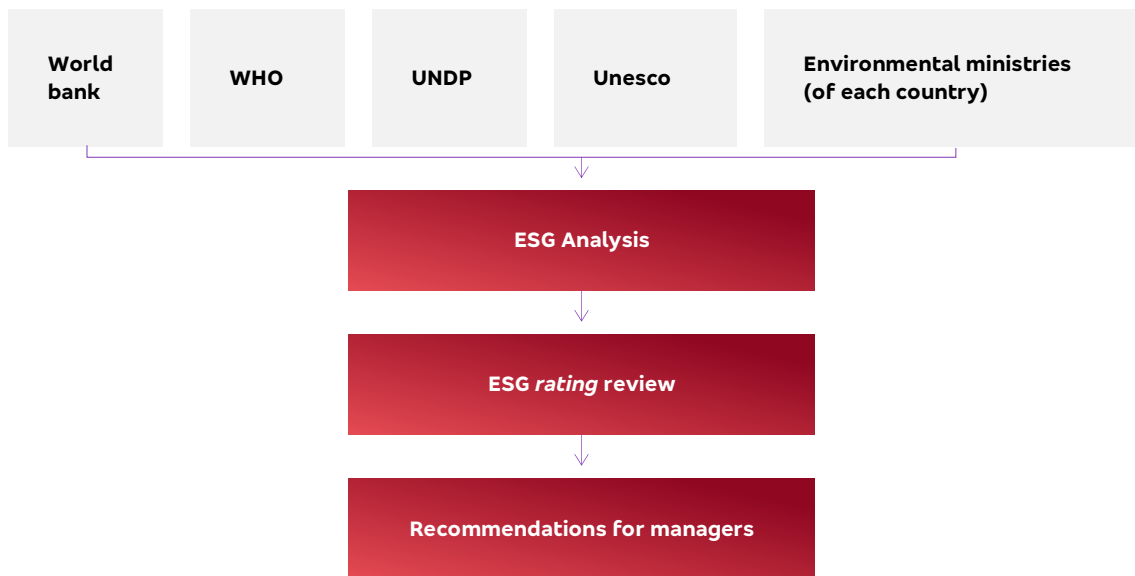


Figure 2 – ESG Analysis Flow – fixed income – government bonds

4.3. Fund of Funds

The Fund of Funds assessment is applicable to fund management houses in which Bradesco Asset Management already invests or which are under analysis, with the objective of understanding the level of incorporation of ESG factors in the Fund's investment process and in the Fund manager itself. The review cycle is, at a maximum, two years.

4.3.1. Methodology for Analysis

Analysis is prepared according to information collected through a form sent to the management houses during the initial review and *due diligence* process, which contains specific topics on ESG.

4.3.2. Analysis process

The form sent to the managers involves questions regarding the managers' voluntary commitments on responsible investment topics, their ESG methodologies and criteria in investment decision-making and *stakeholder* relations, policies and processes related to ESG issues and involvement in corruption and/or money laundering cases.

Each question has a specific weighting, which results in a *rating* from 0 to 100% for each management house.

4.3.3. Integration of the rating into the *due diligence* process of management houses

ESG *ratings* are used by the Fund of Funds area as one of the criteria for approval and allocation of funds to other asset management houses. It is weighted in conjunction with economic and financial criteria, the management quality and other *due diligence* forms in Anbima's processes.

5. ESG Rating of Portfolios

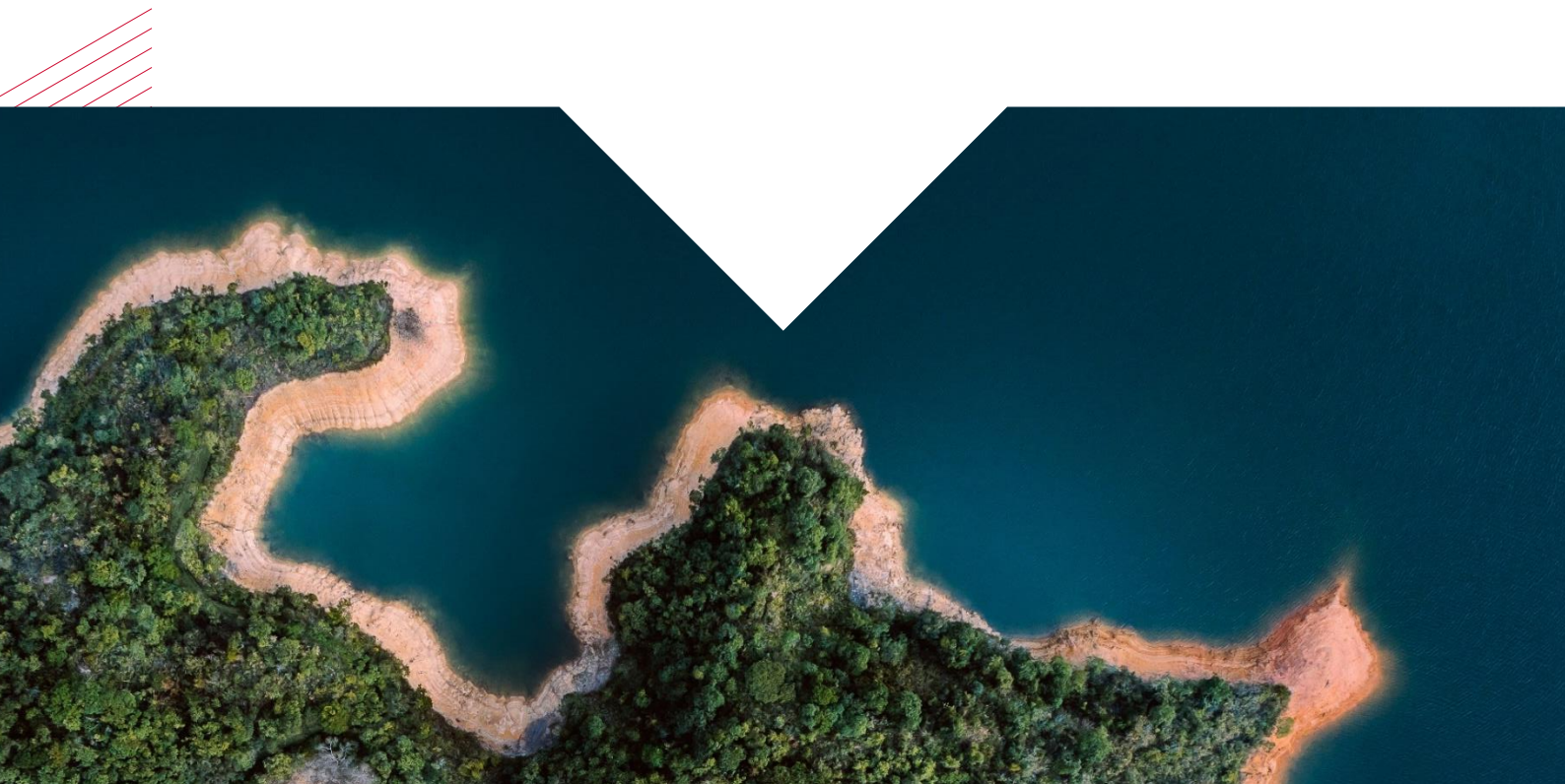
The ESG *Ratings* of the companies are inputs for the calculation of the ESG *Ratings* of the portfolios and the respective *benchmarks* in the *Performance Attribution* report conducted monthly by the Management area, or according to the ESG strategy defined for the Fund. In this way, it is possible to assess whether Bradesco Asset Management is allocating resources to companies with better or worse ESG performance in relation to the benchmarks.

As a rule, there are no sanctions or compliance deadlines for portfolios whose *ratings* are below their respective benchmarks, unless defined in the Fund's ESG rules. The indicator is a reference and recommendation for managers, who have discretion in the allocation of assets under their management.

6. ESG Funds

Bradesco Asset Management's objective is to seek a return on assets under management.

It is believed that ESG integration in portfolios could promote a better risk/return outcome for investors. In this way, ESG analysis was incorporated for all invested assets, and was considered for all of Bradesco Asset Management's funds.



7. ESG Funds

In addition, Bradesco Asset Management has a portfolio of ESG funds, which have specific responsible investment objectives, seeking to invest in best environmental, social and governance practices, as well as influencing the Brazilian market on these issues through engagement campaigns with investee companies and managers, and index providers for passive funds.

Strategies for ESG funds seek to include top performers across the environmental, social and corporate governance pillars, associated with sustainable investment engagements and strategies.

The following parameters are used, for example, the best rated companies in ESG criteria compared to the rest of the companies in the same sector (*Best in Class*) and/or the construction of portfolios with ESG *ratings* above market sustainability index(s).

The portfolio construction of each ESG Fund will respect the asset limits, issuers and investment policy set out in its regulations, observing the class/structure of each Fund.

8. Engagement

Bradesco Asset Management's engagement process is defined along three main lines: professionals, investee companies and the investment industry. These three audiences are considered priorities for Bradesco Asset Management's activities in the market and are incentivised through specific initiatives.

8.1. Professionals

The engagement of professionals and other areas of the Bradesco Organisation takes place especially through meetings and specific training about responsible investments.

The training sessions take place at least every two years, to update topics, and cover the methodologies used by Bradesco Asset Management to analyse ESG for assets, the strategies used in the market and other relevant issues in relation to its strategic positioning on the topic. ESG analysis, market strategies and other relevant issues in relation to its strategic positioning on the subject.

8.2. Investee companies

Bradesco Asset Management may conduct individual and collective engagement processes when it identifies specific ESG issues in companies or sectors relevant to

its portfolios, regardless of asset class. Engagements of investee companies can be conducted in two ways:

Individual: meetings coordinated by Bradesco Asset Management and may be attended by analysts and other investment professionals.

Collective: national and international collective engagement proposals consider ESG issues relevant to Bradesco Asset Management's portfolios and clients, are assessed by Bradesco Asset Management governance, with the participation of analysts and other investment professionals.

8.3. Investment Industry

Bradesco Asset Management plays a significant role in leading the investment industry and must engage not only *stakeholders* linked to its operations, but also other players in the investment industry. Engagement takes place through participation in forums and working groups on the topic of responsible investment, as well as an ESG assessment of brokers and asset managers.

8.4. Institutional Participation

As a signatory of the PRI, Bradesco Asset Management must actively participate in the activities promoted by the organisation in Brazil and in its working groups. To this end, the institution's main representative at the PRI, TCFD and other initiatives is ESG analysts, as well as other professionals in matters related to specific topics/activities.

8.5. Brokerages

The assessment of brokers ESG practices is primarily aimed at engaging them to adopt best practices regarding the integration of environmental, social and corporate governance issues in their *research* reports, recommendations, events and market relations. Bradesco Asset Management conducts this assessment every two years, by means of a specific questionnaire, as already shown.

In addition, the process of establishing a *Brokerage* Plan includes the quality of services provided in relation to ESG issues, which is considered in conjunction with the assessments of financial analysts, *traders* and managers in the evaluation of brokerages.

8.6. Other asset managers

Asset manager engagement occurs particularly through institutional participation, interaction with peers and competitors in forums and working groups, or through engagement in the evaluation of management houses in the *due diligence* process of Fund of Funds assets detailed earlier in this investment process.



9. Final considerations

The practices related to asset acquisition and acquisition monitoring described in this Manual are applied to all Bradesco Asset Management's assets. The analysis department continuously monitors the ESG performance of assets and, if it identifies any relevant factor in the monitoring, the department takes the issue to an internal committee for discussion.

The purpose of this Manual is to comply with Bradesco Asset Management's Responsible Investment Policy.

This document is reviewed at least every two years, or when there are changes to Bradesco Asset Management, routines, structures or responsible investment products:

Reviewer:

ESG Analyst

Reviewer:

ESG Analyst

Reviewer:

Regulatory Risk Analyst

Approver:

Investment Analysis Superintendence and Risk Superintendence

We declare this is a free English translation of the Bradesco Asset's Responsible Investment Manual.