

Social, Environmental, and Climate Risk Management Policy (PGRSAC)

1. Goal and Scope

The Social, Environmental, and Climate Risk Management Policy, referred to in this document as PGRSAC, establishes rules for managing social, environmental, and climate risks, through guidelines, roles, and responsibilities adopted for managing these risks, under the terms stipulated by the Central Bank of Brazil (BACEN) and the National Monetary Council (CMN), through CMN Resolution no. 4.557/2017, as amended by Resolution no. 4.943/2021, in the Safra Prudential Conglomerate, hereinafter referred to as SAFRA.

The following are subject to the Social, Environmental, and Climate Risk Management Policy:

- The entire SAFRA Financial Conglomerate, according to the structure in force;
- The outsourced service providers considered relevant to SAFRA's operation and its employees;
- SAFRA employees, regardless of their position or function.

2. Guidelines

- It contains principles and guidelines that govern the social, environmental, and climate actions to be complied with by the Institution in conducting its business, activities, and processes, as well as in its relationship with Interested Parties;
- It establishes guidelines for strategic actions related to its governance, including for the purposes of managing social, environmental, and climate (SAC) risks;
- The Policy and the management of social, environmental, and climate risks will be governed by the Principles of Relevance and Proportionality;
- The Social, Environmental, and Climate Risk Management Policy and its actions shall be proportional to the business model, the nature of operations, and the complexity of SAFRA's products, services, activities, and processes, and appropriate to the size and relevance of the exposure to social, environmental, and climate risks;
- The limits and procedures to maintain exposure to social, environmental, and climate risks shall be in accordance with the levels established in the Risk Appetite Statement - RAS, in compliance with the Senior Management's guidelines.

3. Definitions

Social Risk is the possibility of occurrence of losses for the Institution, caused by events associated with the violation of fundamental rights and guarantees or acts that are harmful to the common interest.

Environmental Risk is the possibility of occurrence of losses for the Institution, caused by events associated with the degradation of the environment, including the excessive use of natural resources.

Climate Risk is divided and defined into two aspects, namely: transition risk and physical risk.

- Transition climate risk is the possibility of occurrence of losses for the institution, caused by events associated with the transition process to a low-carbon economy, in which the emission of greenhouse gases is reduced or compensated and the natural mechanisms for capturing these gases are preserved.
- Physical climate risk is the possibility of occurrence of losses for the Institution, caused by events associated with frequent and severe climate events or long-term environmental changes, which can be related to changes in climate patterns.

4. Social, Environmental, and Climate Risk Assessment in the Institution

SAFRA, in accordance with its values and principles based on respect for human rights, preservation of the environment, protection and conservation of ecosystems, water resources, and biodiversity, including climate issues, and in the interests of employees, customers, non-customers, and society in general, does not finance activities and materials considered illegal under Brazilian law. In the wake of the analysis of social, environmental, and climate risks, the Institution's most relevant and proportional customers are considered, as well as the sectors in which it operates and the non-exhaustive diligence that the Individuals and organizations have with respect to the health and safety of their employees and the community in which it operates; the respect for labor laws; the compliance with environmental laws, avoiding environmental license revocation and environmental violations; embargoes; water, soil and air pollution; illegal deforestation; exceeding the limits of preservation areas and traditional population; and the efficient use of water and energy.

SAFRA understands the importance of the energy matrix and the large contribution it makes to greenhouse gas emissions. Therefore, whenever possible, this element is considered in climate risk assessments.

Likewise, the agriculture, livestock, and forestry production sectors that depend on a balanced environment in order not to suffer from water unavailability and extreme physical climate events, such as drought, frost, and torrential rain, are observed.

4.1. Prohibited activities

SAFRA has as a guideline to restrict commercial relations with Individuals and organizations or their subsidiaries, regardless of the line of business they belong to or practice (provided that the fact is public knowledge, and based on consistent and verifiable criteria and information):

- Exploitation of child labor in disagreement with the cases admitted by the Brazilian legislation in force;
- Practice related to sexual exploitation or criminal profit from prostitution;
- Illegal deforestation or exploitation of native forests without the proper certifications or authorizations issued by competent agencies;
- Use of PCB (*Polychlorinated Biphenyl*);
- Illegal mineral and vegetal extractivism;
- Gambling and casinos;
- Human trafficking;
- Predatory fishing.

4.2. Prohibited sectors

SAFRA restricts commercial relations with Individuals and organizations or their subsidiaries in the sectors they belong to or practice (as long as the fact is public knowledge, and based on consistent and verifiable criteria and information):

- Production of charcoal from native forests;
- Extraction, industrialization, and commercialization of asbestos;
- Manufacture, commercialization, or distribution of chemical or biological weapons, nuclear weapons, or ammunition containing uranium;
- Extraction of radioactive minerals, unless for use in medical equipment, quality control equipment (measurement), or any other equipment in which the radioactive source is considered trivial and or adequately protected.

4.3. Restricted sectors

The following are considered restricted sectors for a relationship with the Bank, subject to assessment by the Socioenvironmental and Climate Risk area:

- Extraction and processing of shale;
- Extraction and processing of bituminous sand;
- Manufacture of heavy military equipment, except military combat vehicles; and

- Manufacture of firearms, other weapons, and ammunition.

The arms industry becomes prohibited under the following conditions:

- Use, production, development, maintenance, testing, storage, and trade of the cluster, or fragmentation weapons and ammunition, lethal autonomous weapons (LAWS), landmines, and key components;
- Supply of weapons and weapons systems, military transport systems, and other military goods (provided that the fact is public knowledge, reported in the media, and based on consistent and verifiable criteria and information):
 - For countries that are under a UN or relevant multilateral arms embargo;
 - If there is an overriding risk that the weapons will be used for serious violations of international human rights and humanitarian law;
 - For countries that seriously violate the rights set forth in the Universal Declaration of Human Rights, according to data released by the United Nations;
 - To parties involved in conflict (e.g., over territorial disputes or border claims, ethnic-religious rivalries, among others), unless acting in accordance with a UN Security Council resolution;
 - To countries that are experiencing civil conflict without a legally established government;
 - For countries that are "corruption-sensitive" because they are not known to have anti-corruption instruments or legislation;
 - For countries that spend a disproportionate share of their budget on arms purchases that are not in the interest of population and national security.

4.4. Restrictive public lists of social, environmental, and climate risk

Relationships will not be initiated with counterparties that have records on restrictive official public lists that disclose employers that have submitted workers to slave-like conditions; companies punished for acts provided for in Law no. 12.486/2013; expulsions from the Federal Government; IBAMA embargoes if the operation involves the embargoed area; or convictions for administrative misconduct.

4.5. Restrictions for Rural Credit

Specifically for rural credit operations, a credit will be granted provided that the conditions and exceptions set forth in section 9 of the Rural Credit Manual (MCR) of the Central Bank of Brazil, as per BCB Resolution no. 140/2021, are respected. The Rural Credit area is responsible for performing the classification. The Socioenvironmental and Climate Risk area may be called to clarify doubts or provide a second opinion on an operation under analysis.

4.6. Consultative public lists of social, environmental, and climate risks

Customers that show indications of social, environmental, and climate risk are systematically monitored by means of consultative public lists, which involve companies that are ineligible and suspended; private non-profit entities that are impeded; leniency agreements; and IBAMA embargoes, when this does not involve the area under analysis.

4.7. Social, environmental, and climate risks at the start of the customer relationship

All customers undergo a systemic assessment of socio, environmental, and climate risks, which is done based on the record of the existence of information on public lists captured and registered in the SAFRA internal system and in the internal databases mentioned above.

When social, environmental, and/or climate risk is identified, the case is submitted to the Socioenvironmental and Climate Risk area for assessment and opinion, and it may be recommended that the customer relationship should not begin, due to evidence of social, environmental, and climate risks that indicate high exposure.

4.8. Social, environmental, and climate risks in the formalization of operation contracts with customers and suppliers and in the product assessment

The Institution's standard social and environmental risk clause is practiced in the contracts of credit operations with customers, critical suppliers, and/or any other interested party.

4.9. Social, environmental, and climate risks in product and supplier assessment

SAFRA previously assesses the potential negative social, environmental, and climate impacts, if applicable, of new products and services offered by the Institution and in the supplier approval process, including in relation to reputation risk.

5. Governance

SAFRA has a governance structure that is compatible with its size, the nature of its business, the complexity of the services and products offered, as well as the activities, processes, and systems adopted to ensure compliance with guidelines and goals of the Social, Environmental, and Climate Risk Management Policy.

The governance structure provides conditions for the exercise of the following activities, within the scope of the Social, Environmental, and Climate Risk Management Policy:

- Implement the actions;
- Monitoring the fulfillment of the implemented actions;
- Assess the effectiveness of the implemented actions;
- Verify the adequacy of the management of the established social, environmental, and climate risks;
- Identify any deficiencies in the implementation of actions.

5.1. Social, environmental and climate risk management framework

The social, environmental, and climate risk management structure is referred to in this document as the STRUCTURE, with periodic annual reassessment by SAFRA's executive board and Board of Directors.

The STRUCTURE is composed as follows:

5.1.1. Board of Directors

- Establish the guidelines for social, environmental, and climate risk management;
- Review and approve annually the Social, Environmental, and Climate Risk Management Policy and its respective action plan (if any);
- Set SAFRA's socio-environmental and climate risk appetite levels in the RAS (Risk Appetite Statement) and review them through the Senior Risk Committee;
- Authorize, when necessary, exceptions to the policies, procedures, limits, and eventual extrapolations and to the social, environmental, and climate risk appetite levels fixed in the RAS, through the Senior Risk Committee.

5.1.2. Senior Risk Committee

- Propose recommendations to the Board of Directors on policies, strategies, and limits for the management of social, environmental, and climate risks;
- Assess the social, environmental, and climate risk appetite levels set in the RAS.

5.1.3. Operational Risk Management and Compliance Committee (CGROC)

- Exercise its responsibility as a guiding and decision-making forum for matters relating to the management of social, environmental, and climate risks in SAFRA;
- Treat social, environmental, and climate risks as a distinct category of risks to be managed, in its resolutions;
- Supervise the activities and assess the work of the Socio-environmental and Climate Risk area related to social, environmental, and climate risk management;
- Submit to the responsible Committees significant changes and/or exceptions to SAFRA policies and strategies, as well as to its systems, routines, and procedures, in addition to eventual extrapolations to the social, environmental, and climate risk appetite levels set forth in the RAS.

5.1.4. Executive Board / Officer appointed

- Review and approve the Social, Environmental, and Climate Risk Management Policy annually;
- Understand and become informed of the major social, environmental, and climate risks incurred by SAFRA;
- Verify the adequacy of the management of social, environmental, and climate risks established in the Social, Environmental, and Climate Risk Management Policy;
- Annually submit the Social, Environmental, and Climate Risk Management Policy to the approval of higher authorities; and
- Assess and approve the social, environmental, and climate risk management practices that are conducted and implemented in compliance with the legal provisions, as well as SAFRA's strategies.

5.1.5. Socio-environmental and Climate Risk Area

- Implement the social, environmental, and climate risk management structure and its Policy, in compliance with the determinations of the Regulatory Body;
- Keep the Social, Environmental, and Climate Risk Management Policy updated and accessible to employees, and submit it to the officer for review;
- Participate in the Product Committee, supporting the areas about the risks involved in launching new products or re-assessing existing products;
- Propose and implement guidelines for social, environmental, and climate risk management;

- Follow up and monitor the social, environmental, and climate risk appetite defined in RAS and to execute eventual action plans;
- Disseminate the social, environmental, and climate risk management culture in SAFRA;
- Monitor the effectiveness of controls in relation to social, environmental, and climate risks, so as to ensure adherence to the Resolutions in effect.

5.1.6. Other areas

Other areas of the Institution carry out, among other activities, those related to social, environmental, and climate risks:

- Registration Validation;
- Rural Credit;
- Real Estate Collaterals.

The Socioenvironmental and Climate Risk area has a consultative role and offers support to the above-mentioned areas.

6. Applicable Regulation

External Regulation
CMN Resolution no. 4.557, dated February 23, 2017, published by the National Monetary Council (CMN)
BCB Resolution no. 140, dated September 15, 2021, published by the Central Bank of Brazil (BACEN)
Self-regulation - SARB no. 14, dated August 28, 2014, published by the Brazilian Federation of Banks (FEBRABAN)

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