



## **SOCIAL AND ENVIRONMENTAL RISK FRAMEWORK POLICY - PRSA**

### **1. OBJECTIVE**

The policy, hereinafter referred to as PRSA, establishes the framework for social and environmental risk management, by means of guidelines, roles and responsibilities adopted for managing this risk, under the terms of CMN Resolution 4,327, of April 25, 2014, published by the National Monetary Council (CMN), in the Financial Conglomerate of Banco Safra, hereinafter referred to as SAFRA.

### **2. GUIDELINES**

The PRSA shall:

- Contain principles and guidelines that drive the actions of social and environmental nature in businesses and relationship with stakeholders<sup>1</sup>;
- Set out the guidelines on strategic actions related to its governance, including for purposes of managing social and environmental risk, as described in the chapter "Operational Risk Management Framework", of this document;
- Be subject to evaluation annually by the executive management, or whenever it is amendment, and every five years by the board of directors of SAFRA.

SAFRA designated the Officer responsible for the compliance with the PRSA and, additionally:

- Assures that the PRSA is updated and internally and externally disclosed;
- Maintain documentation related to the PRSA at the disposal of the Brazilian Central Bank.

#### **2.1. Scope**

The following are subject to the PRSA:

- The institutions belonging to SAFRA according to the effective structure;
- The companies that provide material outsourced services for the operation of SAFRA and their employees;
- The employees of SAFRA, regardless of their jobs or duties.

#### **2.2. Definitions CMN Resolution 4,327/14**

##### **Social and Environmental**

Possibility of incurring losses arising from social and environmental damages. The social and environmental risk shall be identified as a component of several risk modalities to which SAFRA is exposed.

##### **Principle of Materiality**

Level of exposure to the social and environmental risk of the activities and operations of SAFRA.

##### **Principle of Proportionality**

Compatibility of the PRSA with the nature of SAFRA and the complexity of its activities and its financial services and products.

#### **2.3. Governance**

SAFRA shall maintain a governance framework compatible with its size, business nature, complexity of the offered services and products, as well as its activities, adopted processes and systems, to assure the fulfillment of the PRSA guidelines and objectives.

The governance framework shall provide conditions for performing the following activities, in the scope of the PRSA:

- Implement actions;
- Monitor the fulfillment of the implemented actions;
- Evaluate the effectiveness of the implemented actions;
- Verify the adequacy of the established social and environmental risk management;
- Identify possible deficiencies in the implementation of actions.

<sup>1</sup> Stakeholders are the customers and users of the products and services offered by the institution, the internal community of the organization, and other persons who, according to the institution's evaluation, are impacted by its activities.



The attribution to monitor and evaluate the PRSA, being also able to propose improvements, will be a responsibility of the Full Internal Controls Committee of SAFRA. The CCI Pleno reports to the CGROC - Operational Risk Management and Compliance Committee of SAFRA, delegated committee of the Executive Management.

#### **2.4. Operational Risk Management Framework**

The Operational Risk and Internal Controls Area is an independent control unit (UC), subordinated to the Operational Risk and Internal Controls Directorship, segregated from the unit that performs the internal audit activity, and is responsible for meeting the requirements from the CMN Resolution 4,327, of April 25, 2014, regarding the following: the need for implementing actions in the scope of the PRSA, as well as for the preparation, dissemination and maintenance of the PRSA, and establish criteria and specific mechanisms for risk assessment, upon the performance of the operations related to the economic activities with greater potential for causing social and environmental damages. It is also responsible for the activities of internal controls and compliance, and establishing the responsibilities of the providers of material outsourced services. In other risk management frameworks of SAFRA, procedures for identifying, classifying, assessing, monitoring, mitigating and controlling social and environmental risk may also be adopted.

The social and environmental risk management of SAFRA shall consider the following:

- Systems, routines and procedures that enable the identification, classification, assessment, monitoring, mitigation and control of the social and environmental risk existing in the activities and operations of SAFRA;
- Record of data related to actual losses in view of the social and environmental damages, for a minimum period of five years, including amounts, type, location and economic sector of the operation;
- Previous evaluation of the potential negative social and environmental impacts of new modalities of products and services, including in relation to reputational risk;
- Procedures for adjusting the social and environmental risk management to the legal, regulation and market changes.

The social and environmental risk management framework is hereinafter referred to as FRAMEWORK, annually re-evaluated by the executive management and approved by the board of directors of SAFRA every five years.

The FRAMEWORK comprises the following:

##### **2.4.1. Board of Directors:**

- I. Set out the guidelines on social and environmental risk management;
- II. Review and approve every 5 years the PRSA and its respective action plan (if any);
- III. Fix the levels of SAFRA's Social and Environmental Risk appetite in RAS<sup>2</sup> and revise the principles of the Superior Risk Committee and CGROC;
- IV. Authorize, when necessary, exceptions to the policies, procedures, limits and possibilities extrapolations of the Social and Environmental Risk appetite established in RAS, by the Superior Risk Committee and CGROC.

##### **2.4.2. Board of Directors:**

- I. Annually review and approve the PRSA.

##### **2.4.3. Superior Risk Committee:**

- I. Propose recommendations to the Board of Directors on the policies, strategies and limits of Socio-environmental Risk management;
- II. Evaluate the levels of Social and Environmental Risk appetite set in the RAS

##### **2.4.4. Operational Risk Management and Compliance Committee (CGROC):**

- I. Exercise its responsibility as a forum that drives and make decisions on the issues related to the social and environmental risk management in SAFRA;
- II. Address the social and environmental risk as a separate risk category to be managed, in its deliberations;
- III. Supervise the activities and evaluate the works of the Operational Risk area related to the social and environmental risk management;
- IV. Deliberate about the unresolved points of divergence in the Regular Internal Control Committee (CCI – Regular);
- V. Deliberate about methodologies for allocation of operational risk capita;



- VI. Evaluate the effectiveness of the implemented actions and internal controls in view of the social and environmental risk, including as to the fulfillment of legal provisions and normative documents applicable to SAFRA, besides the regulations and internal codes;
- VII. Indicate which of the outsourced service providers and suppliers are the most relevant to the operation of SAFRA, and if the business areas provide the necessary information, regarding these providers and suppliers, to include them in the contingency plans;
- VIII. Evaluate and appoint the officer to assume the regulatory responsibilities before the regulatory bodies (BACEN, SUSEP and CVM);
- IX. Determine the levels of Social and Environmental Risk appetite established in the RAS and the strategies for its management;
- X. Evaluate the adherence of the processes of the Social and Environmental Risk management structure to the Policy;
- XI. Submit to the Superior Risk Committee, by the Kit GIR, significant changes and/or exceptions, in SAFRA policies and strategies, as well as in its systems, routines and procedures, as well as possible extrapolations to the Social and Environmental Risk appetite in RAS.

#### **2.4.5.Appointed Officer:**

- I. Manage the social and environmental risk management program of SAFRA;
- II. Understand and be informed about the main social and environmental risks incurred by SAFRA;
- III. Verify the adequacy of the social and environmental risk management established in the PRSA;
- IV. Annually revise and submit the PRSA for the approval from the superior levels; and
- V. And Evaluate and approve the social and environmental risk management practices of the Operational Risk area that are conducted and implemented in compliance with legal provisions, as well as the strategies of SAFRA.

#### **2.4.6.Operational Risk and Internal Controls Area:**

- I. Operate as responsible for developing the activities of social and environmental risk management and internal controls;
- II. Support the appointed officers and other levels with information on the social and environmental risk management;
- III. Keep the PRSA updated, and submit to the appointed officer for revision;
- IV. Revise the PRSA on regular basis;
- V. Make the PRSA accessible to all employees, publishing it on the intranet of SAFRA, after the appropriate approvals;
- VI. Regularly revise the FRAMEWORK, and submit it to the appointed officer for revision;
- VII. Serve on the Product Committee supporting the areas on the risks involved in the launch of new products or re-evaluation of existing products;
- VIII. Implement the social and environmental risk management framework and its PRSA, in compliance with CMN Resolution 4,327, of April 25, 2014;
- IX. Implement, maintain and disclose a structured process of social and environmental risk reporting and information;
- X. Propose and implement guidelines on social and environmental risk management;
- XI. Evaluate and monitor the Social and Environmental Risk appetite defined in the RAS and execute any action plans requested by the Superior Risk Committee and the CGROC;
- XII. Develop social and environmental risk management policies, processes and procedures;
- XIII. Propose the termination of a relationship in cases of high social and environmental risk exposure;
- XIV. Disseminate the culture of social and environmental risk management in SAFRA.

#### **2.4.7.Other areas:**

In addition, the following areas, among other activities, carry out the following related to Social and Environmental Risk:

- Registration validation;
- Rural Credit;
- Real estate guarantees.

Among the activities carried out by the areas described above, the following stand out:

- Assessment of necessary environmental licenses;
- Identification of possible contaminations in real estate or areas used as guarantees;
- Analysis by means of Geolocation of presence in possible areas of environmental and / or indigenous preservation.



The Social and Environmental Risk Area has a consultative action and can support other areas.

### **3. OTHER GUIDELINES**

The actions towards the adequacy of the organizational and operational structure of SAFRA, as well as of the routines and procedures will be contained in the action plan, according to the guidelines of CMN Resolution 4,327, of April 25, 2014.

The PRSA and respective action plan (if any) shall be approved by the executive management and board of directors, assuring the appropriate integration with the other policies of SAFRA, such as those of credit, human resources management and risk management.

The limits and procedures aimed at maintaining the exposure to social and environmental risks shall be in compliance with the Risk Appetite Statement (RAS), observing the senior management guidelines.

Additionally, when necessary, the Social-Environmental Risk area can issue an opinion recommending the exit of the client's risk.

### **4. APPROVAL LEVEL PLAN**

Any change to this document requires executive management evaluation and approval. In addition, every five (5) years, the board of directors must also review and approve this document.

### **5. EXTERNAL REGULATION**

CMN Resolution 4,327, of April 25, 2014, published by the National Monetary Council (CMN).

CMN Resolution 4,557, of February 23, 2017, published by the National Monetary Council (CMN).

SELF-REGULATION - SARB 14, of August 28, 2014, published by FEBRABAN.

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