



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 Banco Safra Prudential Conglomerate, 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 stakeholders¹;
- 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 and board of directors of SAFRA, or whenever it is amendment.

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 Risk

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. Customer risk assessment

SAFRA, in accordance with its values and principles based on respect for human rights and the interests of employees, customers, non-customers and society in general, has as a guideline not to maintain any type of commercial and / or financing relationship with organizations (or subsidiaries, regardless of their activity) that manufacture, market or distribute:

¹ 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.



- i. Chemical or biological weapons;
- ii. Nuclear weapons; and
- iii. Ammunition containing uranium.

Also no credit operations will be carried out whose counterparties are institutional institutions that are included with restrictive list records of:

- i. Slavery;
- ii. Corruption;
- iii. Administrative dishonesty.

In addition, those clients that show signs of social and environmental risk through consultative and restrictive brands will be monitored.

Consultative marks are those that result from informing the cases of: IBAMA sanctions, non-profit entities prevented from operating with the Public Administration, unreliable and suspended companies prevented from operating with the Public Administration and leniency agreements.

Restrictive social and environmental risk marks are those resulting from corruption, administrative impropriety and or employing workers in conditions similar to those of slavery. These brands make it impossible to open accounts and new credit operations for individuals and companies.

2.4. Socio and environmental risk at the beginning of the relationship with the client

All clients, Natural or Legal Entities, both at the beginning of their relationship with SAFRA, as well as in contracts for new operations and / or credit renewals, undergo a socio and environmental risk assessment - RSA, which is based on the registration of the existence of information in public lists, listed below:

- Registration of Employers who have submitted workers to conditions analogous to slavery, published by the Ministry of Economy, Department of Labor;
- Registration of Unfaithful and Suspended Companies (CEIS), published by the Transparency Portal of the Comptroller General's Office (CGU);
- National Register of Punished Companies (CNEP), published by the CGU Transparency Portal;
- Federal Administration Expulsion Register (CEAF), published by the CGU Transparency Portal;
- Registration of Impeded Private Non-Profit Entities (CEPIM), published by the CGU Transparency Portal;
- List of Leniency Agreements; published by the CGU Transparency Portal;
- List of embargos, published by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA);
- Administrative Improbability Base;
- List of News Identifier.

Right at the beginning of the relationship with the client, when there is an identified social and environmental risk, the case is submitted to the socio and environmental Risk area for evaluation and opinion, and it is recommended not to start the relationship with the client due to the evidence of signs of social and environmental risk that have high exposure.

2.5. Socio and environmental risk in customer monitoring

As a way of preventing socio and environmental risk, SAFRA systematically monitors customers who show signs of socio-environmental risk after starting the relationship with the Institution. When there are identified signs, it is recommended to leave the client's risk



due to the evidence of signs of social and environmental risk that has high exposure.

2.6. Socio and environmental Risk in Formalizing Operations and Supplier Contracts

In the contracts credit operations contracts with critical suppliers and / or any other interested party, the Institution's standard Social and Environmental Risk clause is applied, which contains the following statements:

- i. Respect for the labor legislation and the environmental legislation in force in Brazil;
- ii. Absence of definitive condemnation in the judicial or administrative sphere for:
 - (a) labor issues involving work in a condition analogous to that of slave labor and / or child labor, or (b) crime against the environment;
- iii. Compliance of activities and properties with Brazilian environmental legislation; and
- iv. Possibility, when applicable, of anticipation of the Contract if the supervenience of a final judicial or administrative decision, recognizing the practice, by the CLIENT, of the acts previously indicated.

Any type of change in the standard social and environmental risk clause will be submitted for evaluation by social and environmental risk team.

2.7. Socio and environmental risk in the evaluation of real estate guarantees

The Real Estate Guarantee Valuation area will evaluate:

- i. Environmental Reports with confirmatory analysis of soil and water;
- ii. Possible signs of contamination in properties / areas used as guarantees through the Survey of Indications of Contamination (LIC);
- iii. The presence of real estate guarantees, through geolocation, in possible areas of environmental and / or indigenous preservation and with sanctions at IBAMA.

In case of identification of high exposure socio and environmental risk, the operation may not be carried out.

2.8. Socio and environmental risk in product evaluation

SAFRA assess in advance the potential negative social and environmental impacts of new types of products and services, including in relation to reputation risk.

2.9. Socio and environmental risk in the assessment of suppliers

SAFRA assess the potential negative social and environmental impacts of new suppliers in the supplier approval process, including in relation to reputation risk.

2.10. 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.



The attribution to monitor and evaluate the PRSA, being also able to propose improvements, is a responsibility of the Operational Risk Management and Compliance Committee (CGROC), a delegated committee of the Executive Board.

2.11. Social and Environmental Risk Management Framework

The Social and Environmental Risk area is an independent Control Unit (UC), subordinated to the Operational Risks Board, 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 on: the need to implement actions within the scope of PRSA, as well as for the preparation, dissemination and maintenance of PRSA; and establish specific risk assessment criteria and mechanisms when carrying out operations related to economic activities with the greatest potential to cause social and environmental damage.

Procedures for the identification, classification, evaluation, monitoring, mitigation and control of social and environmental risk may also be adopted in other SAFRA risk management structures.

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;

- 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, with an annual reassessment period by the SAFRA Board of Directors.

The FRAMEWORK comprises the following:

2.11.1 Board of Directors and Executive Management

Establish guidelines for the management of socio-environmental risk;

- i. Annually review and approve PRSA and its respective action plan (if any);
- ii. Establish the SAFRA's Social and Environmental Risk appetite levels in the RAS and review them through the Superior Risk Committee and CGROC;
- iii. Authorize, when necessary, exceptions to policies, procedures, limits and possible extrapolations and to the levels of appetite for Social and Environmental Risk established in the RAS, through the Superior Risk Committee and CGROC.

2.11.2 Executive Board:

- i. Review and approve the PRSA annually.

2.11.3 Superior Risk Committee:

- i. Propose recommendations to the Board of Directors on the Socio and Environmental Risk management policies, strategies and limits;
- ii. Assess the levels of appetite for Socio and Environmental Risk established in the RAS.

2.11.4 Operational Risk and Compliance Management Committee (CGROC)

- i. Exercise its responsibility as a guiding and decision-making forum for matters relating to the management of socio-environmental risk in SAFRA;



- ii. Treat socio-environmental risk as a distinct category of risk to be managed, in its deliberations;
- iii. Supervise the activities and evaluate the works of the Socio and Environmental Risk area related to the management of socio-environmental risk;
- iv. Evaluate the effectiveness of the actions implemented and the internal controls in face of socio and environmental risk, including regarding compliance with legal provisions and regulations applicable to SAFRA, in addition to internal regulations and codes;

v. Submit to the Superior Risk Committee, through the GIR Kit, significant changes and / or exceptions, in SAFRA's policies and strategies, as well as in its systems, routines and procedures, in addition to any extrapolations to the established Social and Environmental Risk appetite levels in the RAS.

2.11.5 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. 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.

2.11.6 Social and Environmental Risk Area:

- i. Acting as responsible for the development of social and environmental risk management activities;
- ii. Support the appointed director and other instances with information on socio and environmental risk management;
- iii. Keep PRSA updated, and submit it to the nominated director for review;
- iv. Review PRSA on a regular basis;
- v. Make PRSA accessible to all employees, publishing it on the SAFRA intranet, after due approvals;
- vi. Regularly review the FRAMEWORK, and forward it to the nominated director for review;
- vii. Participate in the Products Committee supporting the areas on the risks involved in the launch of new products or in the revaluation of existing products;
- viii. Implement the socio and environmental risk management structure and its Policy, in compliance with CMN Resolution No. 4.327, of April 25, 2014;
- ix. Implement, maintain and disseminate a structured process of communication and information on socio-environmental risks;
- x. Propose and implement guidelines for the management of socio-environmental risk;
- xi. Monitor and monitor the appetite for socio and environmental risk defined in the RAS and execute any action plans requested by the Superior Risk Committee and the CGROC;
- xii. Develop formalized processes and procedures for the management of socio and environmental risk;
- xiii. Propose the termination of relationship in proven cases of high exposure to socio-environmental risk;



- xiv. Disseminate the culture of socio and environmental risk management at SAFRA;
- xv. Monitor the effectiveness of controls against socio and environmental risk, in order to ensure adherence to the current resolution.

2.11.7 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.

The socio and environmental Risk area has a consultative role and supports the areas mentioned above.

2.12 Financial Inclusion

SAFRA provide products and services with an inclusive character, through the segments of Finance, AgZzero, Safrapay and Safrainvest, especially linked to credit, investments and insurance, which serve the population of all social classes and smaller companies. In addition, SAFRA provides accessibility in its branches and also makes its services available on digital platforms.

2.13 Training

SAFRA train all Conglomerate employees on its Socio and Environmental Responsibility Policy, regardless of their position or function.

2.14 Transparency

In order to promote transparency and quality of service, SAFRA provide communication channels that allow anonymous registration of matters related to customers and interested parties.

2.15 Society

SAFRA contributes to the development of society in the most diverse areas: social inclusion, health, culture, education, sports, among others.

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.



4. Approval level plan

Social and Environmental Risk Area is responsible for the management of PRSA, which is responsible also for knowing and dealing with matters pertinent to the mitigation of social and environmental risk in the institution, as well as the discussion of changes in the Policy that may be necessary. If there is a need for a hierarchical decision in relation to matters relating to PRSA, and in particular to restrictive (impeding) and advisory (non-impeding) brands associated with clients, the following plan of action will be addressed:

- Restrictive social environmental risk brand for Slave Labor: Chief Risk Officer and Credit Bi PF / Financ / Consig Executive Director;
- Restrictive social environmental risk brand due to Administrative Corruption or Improbability: Chief Risk Officer and Social and Environmental Risk Director;
- Consultative Brand, regardless of the reason: Social and Environmental Risk Director and the General Superintendent of Social and Environmental Risk.

All the aforementioned jurisdictions must involve the Social and Environmental Risk area, which will issue an opinion considering the situation and documentation presented and consult the technical area in question, if applicable.

Any change to this document requires board evaluation and approval. In addition, the Board of Directors must also annually 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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