



BANCO SUMITOMO MITSUI  
BRASILEIRO S.A.

# **SOCIAL RISK, ENVIRONMENTAL RISK AND CLIMATE RISK GOVERNANCE REPORT (GVR)**

**BASE DATE: 31/12/2023**

**BANCO SUMITOMO MITSUI BRASILEIRO S.A**

## 1. OBJECTIVE

This report presents the information on Social, Environmental and Climate Risk Management Governance of Banco Sumitomo Mitsui Brasileiro S.A ("SMBCB", "Bank") required by the Central Bank of Brazil ("BCB"), through Resolution BCB 139/21, according to the standardization, detailed in Table GVR, established for the institutions included in segment S3.

## 2. SOCIAL, ENVIRONMENTAL AND CLIMATE RISK MANAGEMENT GOVERNANCE

SMBCB's Social, Environmental and Climate Risk management practices follow the guidelines established by PRSAC, taking into account both the existence and materiality of the risks, in a manner compatible with the nature and complexity of the business, processes and products existing in the SMBCB.

The governance of control of Social, Environmental and Climate Risks ("SAC Risk") is integrated into the existing Risk Management governance, under the responsibility of the Risk Officer ("CRO"), and established in the "Three Lines of Defense" ("3LOD") model which segregates responsibility/risk management from functions that provide independent risk supervision and from functions that ensure independent assessment:

- First Line of Defense – Functions that are responsible for the risk resulting from business activities and their management, and they must comply with established rules and procedures.
- Second Line of Defense – Functions that provide independent and integrated oversight and control of risks, providing an overview to the Board of Directors, in order to support decision-making according to risk appetite.
- Third Line of Defense – Internal audit, through independent assessment of the adequacy of controls and compliance with internal and regulatory standards.

The Social, Environmental and Climate Risk Management ("SAC Risk") process includes:

- A. Provision of information and support to decision processes, whether in collegiate forums or other decision platforms defined in the governance of the SMBCB, through the identification of risks and their analysis, considering materiality diagnosis and analysis of any mitigators, which are reflected in the communication between areas and with the Board, being an integral part of:
  - a. Due diligence processes integrated with existing processes related to money laundering, terrorist financing, corruption and bribery, in the admission and monitoring of customers, suppliers and relevant stakeholders, which may result in the application of relationship restrictions.
    - ✓ Includes regulatory requirements and corporate policies, considering published information and restriction/exclusion lists
  - b. Processes for evaluation and approval of credit/counterparty limits and financial operations, based on the identification of impacting risks, evaluation of mitigators, information resulting from the due diligence process and lists of excluded activities.
  - c. Preparation of analysis and approval of new operations, products and business activities, through the identification of risks, including SAC Risks, materiality diagnosis and introduction of methodological or process restrictions or requirements, control requirements, required communication.
  - d. Reputational Risk Assessment Processes, considering results of the due diligence process and pertinent information from the credit/counterparty analysis.
  - e. Employee evaluation process.

- B. Evaluation of required control structures and subsequent monitoring of business assumptions, portfolio monitoring, and control processes, including data regarding risk events, losses and its treatment.
- C. Identification of SAC Risk indicators, and materiality diagnosis, in an integrated manner with the other risks and aspects required by PRSAC, including Business Continuity Management, Reputational Risk, Credit Risk, Operational Risk, Market Risk and Liquidity, with inclusion, when relevant, in the Stress Testing Program, Capital Management and Contingency, Liquidity Management and Contingency.
- D. Auditing

## 2.1 Structure of Committees and Forums

**The Risk Committee**, composed of the Board of Directors of the SMBCB, of minimum annual frequency, has among its attributions the supervision, in a comprehensive and integrated way, of adherence to policies, the analysis of relevant aspects in risk management and definition of actions and strategies related to social, environmental and climate risks, in coordination with monitoring and deliberation platforms, as set forth in SMBCB's corporate governance, and with other committees, the following forums :

- *Asset and Liability Management Committee (ALCO)*: Indicators of Capital Adequacy and Liquidity, impacts of Stress Scenarios on Capital and Liquidity Adequacy are presented to the Board of Directors for discussion, evaluation and selection of action plans, if necessary. Monthly basis.
- *Credit Management Forums (CRM)* – Analysis of relevance and materiality of SAC Risks, in accordance with PRSAC guidelines and impact on other risks including Business Continuity Management, Monitoring assumptions and aspects of the portfolio related to Social, Environmental and Climate Risk and subsequent definition of additional control requirements in case of diagnosis of materiality change, discussion, analysis and presentation of relevant events related to SAC Risks, including analysis of adequacy of controls and adequacy measures where relevant . Monthly basis.
- *PLD Committee (AML)*: Presentation and relevant analysis from the due diligence process. Monthly basis.
- *Operational Risk Management Committee (ORM)*: monitoring of RAF metrics related to SAC Risks, discussion and analysis of events and losses related to SAC Risk and treatments, when required. Monthly basis.

**Audit Committee**: Activities of Supervision of processes and controls, of internal audit, including those related to policies and process of SAC Risk Management

## 2.2 Main Responsibilities in SAC Risk Management

### SMBCB DIRECTORS

The SMBCB Board of Directors acts to ensure that the SAC Risk aspects are considered, given the SMBCB's governance requirements that require the participation of its members:

- In the analysis and approval of all institutional policies, according to the current business structure and products, including the Risk Management Policy, Capital Management Policy, Social, Environmental and Climate Risk Management Policy, PRSAC, and Policy and Procedures related to the evaluation and compensation of employees;

- In the analysis and approval of new products, operations and business activities, including assessment of impacts of SAC Risks and need for changes in management processes, if necessary;
- In the monitoring and analysis of audit reports;
- In the approval of Risk Appetite Indicators ("RAF");
- In the analysis and approval of admission and monitoring of stakeholders, the evaluation and approval of credit / counterparty limits and financial operations;
- In the committees and forums related to the Risk Management structure, which includes SAC Risks, analyzing monitoring information, identification, diagnosis of materiality of SAC Risks, impacts, necessary controls, adequacy and controls and processes and corrective actions, exercising their decision attributions when required.

#### **RISK DEPARTMENT**

The Chief Risk Officer ("CRO") is responsible for the duties described in Article 5 of Resolution of the National Monetary Council ("CMN") 4.945 ("Resolution 4.945"), namely :

- (i) providing support and participation in the decision-making process related to the establishment and review of PRSAC, assisting the Directors;
- (ii) implementation of actions aimed at the effectiveness of PRSAC;
- (iii) monitoring and evaluation of the actions implemented;
- (iv) improvement of the implemented actions, when any deficiencies are identified; and
- (v) adequate and reliable disclosure of information to the external public, in a single and easily identifiable place on the SMBCB website, in the manner established by Resolution 4,945.

The Risk Department is responsible for supporting the Risk Officer in his duties, for integrating and coordinating, together with the relevant areas; implementation, identification, diagnosis, monitoring, analysis, preparation and dissemination of reports; investigation, analysis and disclosure of occurrences related to socio-environmental and climate risks in order to support the processes of monitoring, elaboration of policies and procedures and information/recommendations required in decision-making processes, review and approval of operations, limits, products, services and strategies, according to PRSAC guidelines; including:

- Propose and review Risk Appetite indicators for approval by the Executive Board, prior to submission for approval by the Head Office;
- Develop the periodic training plan;
- Provide reports of modifications, analysis of events, losses, preparation of reports related to SAC Risk and due internal communication and to Senior Management in the appropriate forums.

#### **INTERNAL AUDIT**

Internal Audit is responsible for verifying compliance with policies and adherence of procedures and processes to PRSAC guidelines.

#### **COMPLIANCE DEPARTMENT**

Compliance Department is responsible for incorporating PRSAC guidelines and policies associated with the due diligence processes of customers, partners and suppliers, providing information support, in an integrated manner to the Risk Department, whether during admission or review to maintain relationships with customers, suppliers and other relevant stakeholders, as well as for the presentation of information in the AML Committee ("AML") when required.

#### **FRONT OFFICE**

Cumprir rules and procedures established.