

Environmental, social and climate risk structure

1. Comprehensive and rigorous standards, deeply rooted in our culture

Our comprehensive environmental, social and climate risk (SCR) framework is deeply rooted in our culture and

- governs relations with our customers and suppliers and applies to all activities;
- meets the highest industry standards as recognized environmental, social and governance standards; and
- is integrated with management practices and control principles supervised at the governance level of our company.

This structure is aligned with UBS BB's Social, Environmental and Climate Responsibility Policy, which covers all activities and resources related to sustainable finance, philanthropy, environmental programs, SCR risk, human resources policies and diversity that govern relations with our customers and suppliers.

1.1. Introduction

We live in a world that is more interconnected, interdependent, and interactive than ever before. Rapid technological advances, in particular, continue to have a profound impact on the economic, political, cultural, environmental and social environment. These advances have changed the way we think and act. They've changed the way we do business. They have transformed the products and services we consume and reshaped the perception of the world around us. While this has brought great benefits and opportunities, it has also generated a greater awareness of the challenges we all face.

As a partnership between the largest truly global wealth manager (UBS) and the second largest bank in Brazil by assets (Banco do Brasil), UBS BB is in a unique position to help address these challenges, together with our clients and through our own efforts. Our principles and standards clearly define how we want to do things at UBS BB. They apply to all aspects of our business and ways we interact with stakeholders. Our Code of Conduct and Ethics guides our approach to corporate responsibility. Our work in key social areas such as protecting the environment and respecting human rights are part of this. Meeting our social responsibilities contributes to a broader goal of sustainable development. As a company that follows a global guideline, we take responsibility for leading this debate on important social topics, contributing to standard-setting, and collaborating within and beyond our industry.

SCR management is a key component of our corporate responsibility. We apply the SCR framework to all our activities, products and services and this helps us to identify and manage possible adverse impacts on the environment and human rights, as well as the associated risks that affect us and affect our customers. We set standards for the development of products, services and for purchasing decisions in the supply chain. We identify controversial activities and sensitive sectors, establishing the areas with which we will not engage or will only engage under strict criteria. As part of this process, we interact with customers and suppliers to better understand their processes and policies and to explore how any environmental, social and climate risk can be mitigated. UBS BB's SCR structure was defined based on UBS BB's Code of Conduct and Ethics and UBSBB's Social, Environmental and Climate Responsibility Policy.

1.2. Our Focus

Our sector plays an important role in global agendas, such as the protection of human rights and the conservation of the environment. Climate change impacts ecosystems, societies and economies around the world and we help our clients achieve their goals in the process of transitioning to a low-carbon economy. Growing environmental and human rights concerns have generated a rapidly changing competitive and regulatory environment that affects our company, our suppliers and our customers. In response to these emerging risks and opportunities, we are creating appropriate solutions and commitments.

More than 25 years ago, UBS was one of the first financial institutions to sign the "Declaration of Financial Institutions on Environment and Sustainable Development, the UN environmental programme. UBS was also among the first companies to endorse the UN Global Compact, being also a signatory to CDP and other relevant and vocal initiatives on the sustainability agenda, for example, UBS is a member of the Sustainable Palm Oil (RSPO) roundtable.

In 2014, UBS endorsed the Banks' Environmental Initiative Compact and the Consumer Goods Forum on "Agricultural Products," which reaffirms its commitment to the development and implementation of responsible trade standards.

In 2019, UBS became a signatory to the UN Principles for Responsible Banking. The principles constitute a comprehensive framework for integrating sustainability among banks. They define responsibilities and require all banks to establish, publish and work towards ambitious targets.

In 2020, UBS became a founding member of the net zero asset managers initiative and a founding member of the alliance of net zero asset banks in 2021. These industry-led alliances bring together banks and asset managers that are committed to reaching net-zero emissions by 2050. The progress made in implementing UBS's objectives in the Society was reported as part of UBS's annual report. This report has been externally reviewed and certified in accordance with the requirements of the Global Communication Initiative (GRI) Sustainability Communication Guideline. UBS is certified to ISO 14001, the international environmental management standard. Our sector plays an important role in global agendas, such as the protection of human rights and the conservation of the environment. Climate change impacts ecosystems, societies and economies around the world and we help our clients achieve their goals in the process of transitioning to a low-carbon economy. Growing environmental and human rights concerns have generated a rapidly changing competitive and regulatory environment that affects our company, our suppliers and our customers. In response to these emerging risks and opportunities, we are creating appropriate solutions and commitments.

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- **Please refer to UBS Sustainability Report for further information on external commitments and initiatives**

1.3. Climate Change

Climate change is one of the greatest challenges of our time. Key environmental and social challenges, such as population growth, energy security, biodiversity loss and access to clean water, are closely intertwined with climate change. This makes the transition to a low-carbon economy essential. We support this transition through our comprehensive climate strategy, which is based on four pillars:

Protecting our own assets: UBS has reduced carbon-related assets on its balance sheet and we have further integrated climate-related risk into our risk management framework.

Protecting our clients' assets: We help our clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services.

We also actively interact on climate issues with companies in which we invest.

Transferring private and institutional capital: We transfer private and institutional capital to investments, facilitating climate change mitigation and adaptation to help transition to a low-carbon economy as a corporate advisor and/or with our lending capacity.

Reducing our direct climate impact: In 2020, UBS met its goal of using 100% renewable energy. This reduced the Group's greenhouse gas footprint by 79% compared to 2004 levels.

We publicly support collaborative and international action against climate change. UBS also continues to support the development of TCFD, and in April 2021, UBS issued the Net Zero Emission Pledge, bringing the company to the goal of net-zero emissions resulting from all aspects (scope 1, 2 and 3) of its business by 2050, with immediate milestones set to ensure progress.

- **Refer to Climate and Nature Report highlights part of 2022 UBS Sustainability Report to further climate strategy information**

1.4. Forests and Biodiversity

Deforestation and forest degradation can cause biodiversity to be reduced. As about 80% of the world's documented species are found in tropical forests, deforestation in these areas will impact global biodiversity. In fact, deforestation is, second only to the energy sector, the source of the highest greenhouse gas emissions and is responsible for more than 20% of global emissions, more than the entire global transport sector.

In addition, it is estimated that more than 50% of tropical deforestation is due to the production of soy, palm oil, timber and meat. In human terms, millions of people depend directly on forests (small-scale agriculture, hunting, extraction and harvesting of forest products such as rubber). However, deforestation continues to cause serious social problems and sometimes leads to violent conflicts.

In recognizing these risks, UBS:

- became a member of the Sustainable Palm Oil (RSPO) roundtable in 2012
- endorsed the pact on the Environmental Initiative of the Banks and the Consumer Goods Forum on "Agricultural Products". In doing so, UBS aims to support the transformation of agricultural product supply chains, expecting producers to commit to achieving full certification under applicable sustainability certification schemes such as the RSPO. The UBS Group recognizes that acquiring land without proper consultation, remuneration, and consideration of land rights (often referred to as land grabbing) can significantly impact local communities, often smallholders who rely primarily on subsistence agriculture
- we have identified and will not participate in certain activities that contribute to deforestation and its related impacts (see the sections of controversial activities in which UBS BB Serviços Financeiros and the other entities of the prudential conglomerate ("UBS BB") will not do business and areas of concern, in which UBS BB will only do business except under specific criteria).

1.5. Human Rights

UBS BB is committed to respecting and promoting Human Rights in all its business activities. We believe this is a responsible approach underlying our willingness to reduce, as far as possible, the possibly negative impacts on society. The UBS Group's commitment in this important area is longstanding. In July 2000, UBS was one of 43 companies that pledged to join the Global Compact.

The principles of the Global Compact, today's largest global responsibility initiative, are the result of the Universal Declaration of Human Rights, the World Labour Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption. In 2011, the UN took a significant step forward by endorsing the United Nations Guiding Principles on Business and Human Rights (UNGPs). At this time, UBS together with other banks formed the Thun Group of Banks to jointly consider these developments and conclusions, as well as to share experiences and ideas regarding the implementation of the UNGPs.

In recognizing the risks, UBS:

- establishes its position on Human Rights in 2006 and, in 2013, revises the company's SCR structure to formalize responsibility for Human Rights issues
- defines that UBS and UBSBB will not engage in commercial activities that make use of slave or forced labor or that violate the rights of indigenous peoples (see the subsequent section of "controversial activities, in which UBS BB will not do business")
- will continue to work internally and externally with the Thun Group of Banks and the OECD to understand how to best implement UNGPs in their operations

2. Our Standards

UBS BB, in line with UBS Group guidelines, has set standards for product development, investments, financing and supply chain management decisions, which include the definition of controversial activities and other areas in question in which UBS BB will not be involved, except under specific criteria.

Our SCR initiative was created to address risk across all business divisions and legal entities of our company. In 2022, we monitor emerging regulations around environmental, social and climate criteria, engaging with selected regulators for deep understandings, and further efforts to integrate environmental, social and climate risks into our company's traditional risk management. Other developments by the SCR team included the launch of sustainable product guidelines, building new capabilities to centrally structure, acquire, and deploy ESG data across UBS, and further refinement of governance and reporting methodologies and ESG disclosure.

2.1. Controversy Activities Where UBSBB does not do business

UBS BB will not knowingly provide financial or advisory services to clients whose main business activity, or where the proposed transaction, is associated with environmental or social damage to or through the use of:

- World Heritage as classified by the UN Educational, Scientific and Cultural Organization (UNESCO);
- Wetlands on the Ramsar list;
- Endangered species of flora and fauna listed in Appendix 1 to the Convention on International Trade in Endangered Species;
- Forests of high conservation value, as defined in the Forest Stewardship Council (FSC);
- Illegal burning: uncontrolled or illegal use of fires for land clearance;
- Illegal deforestation, including the purchase of illegally harvested timber (logs or logs);
- Child labour, in accordance with ILO conventions 138 (minimum age) and 182 (worst forms);
- Forced labour, in accordance with ILO Convention 29; and
- Rights of indigenous peoples, according to IFC performance standard 7.

The same standards apply when UBS BB purchases products or purchases services from suppliers.

In addition, UBS BB does not indirectly finance the development, production or purchase of controversial weapons from such companies that fall under the "Swiss Federal Law on War Materials".

On the topic of cluster bombs and antipersonnel mines: UBS BB does not provide credit facilities, nor conduct capital market transactions, to companies involved in the development, production or purchase of cluster bombs or antipersonnel mines. In addition, UBS does not include shares of these companies in the active management of managed retail and institutional funds and discretionary warrants. UBS makes use of external knowledge to decide whether a company is subject to the restrictions imposed by Swiss law.

2.2. Areas of Concern

Specific guidelines and evaluation criteria apply to transactions with corporate clients involved in the areas of interest listed below. In line with the UBS Group, the guidelines and valuation criteria apply to lending, trade finance, direct investments in real estate and infrastructure, equities and credit underwriting transactions, as well as investment advisory tasks.

Transactions in the areas listed below activate an improved due diligence and approval process. In addition to assessing regulatory compliance, compliance with the standards of UBS BBS's controversial activities, as well as consideration of past and current human rights performance and stakeholder concerns, these transactions require the evaluation of the following criteria:

Soft Commodities

- **Palm Oil:** Companies must be members of the RSPO and not subject to any unresolved public criticism from the RSPO. Companies must further have some level of mill or plantation certification and be publicly committed to achieving full certification (evidence must be available). Companies must also be committed to “No Deforestation, No Peat and No Exploitation.”
- **Soy:** Companies producing soy in markets at high risk of tropical deforestation must be a member of the Roundtable on Responsible Soy (the RTRS), or must apply a similar standard such as Proterra, International Sustainability & Carbon Certification or Cefetra-Certified Responsible Soya, and not be subject to any unresolved public criticism from these standards. When a company is not certified, it must credibly commit to the RTRS or a similar standard, providing a robust time-bound plan or demonstrate a credible commitment toward an equivalent standard, to be independently verified.
- **Forestry:** Producing company must seek to achieve full certification of its production according to the Forest Stewardship Council (FSC) or a national scheme endorsed against the Programme for the Endorsement of Forest Certification (PEFC) within a robust time-bound plan. Producing company must also have fire prevention, monitoring and suppression measures in place.
- **Fish and seafood:** Companies producing, processing or trading fish and seafood must provide credible evidence of no illegal, unreported and unregulated fishing in their own production and supply chain.

Power Generation

- **Coal-fired power plants (CFPP):** We do not provide project-level finance for new coal-fired power plants globally and only support financing transactions of existing coal-fired operators (>20% coal reliance) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
- **Large Dams:** Transactions directly related to large dams include an assessment against the recommendations made by the International Hydropower Sustainability Assessment Protocol
- **Nuclear Power:** Transactions directly related to the construction of new, or the upgrading of existing nuclear power plants include an assessment on whether the country of domicile of the client / operation has ratified the Treaty on the Non-Proliferation of Nuclear Weapon.

Extractives

- **Arctic oil and oil sands :** We do not provide financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield¹ oil sands projects, and only provide financing to companies with significant reserves or production in arctic oil and/or oil sands (>20% of reserves or production) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
- **Coal mining and mountain top removal (MTR)** We do not provide financing where the stated use of proceeds is for greenfield¹ thermal coal mines and do not provide financing to coal-mining companies engaged in MTR operations. We only provide financing to existing thermal coal-mining companies (>20% of revenues) if they have a transition strategy that aligns with the goals of the Paris Agreement, or if the transaction is related to renewable energy or clean technology.
- **Liquefied natural gas (LNG):** Transactions directly related to LNG infrastructure assets are subject to enhanced sustainability and climate risk due diligence considering relevant factors such as management of methane leaks and the company’s past and present environmental and social performance.
- **Ultra-deepwater drilling:** Transactions directly related to ultra-deepwater drilling assets are subject to enhanced sustainability and climate risk due diligence considering relevant factors such as environmental impact analysis, spill prevention and response plans, and the company’s past and present environmental and social performance
- **Hydraulic fracturing:** Transactions with companies that practice hydraulic fracturing in environmentally and socially sensitive areas are assessed against their commitment to and certification of voluntary standards, such as the American Petroleum Institute’s documents and standards for hydraulic fracturing.
- **Precious metals and minerals:** Transactions directly related to precious metals or minerals assets that have a controversial environmental and social risk track record are assessed against commitment to and certification of voluntary standards, such as the International Council on Mining & Metals (ICMM), International Cyanide Management Code (ICMC), the Conflict-Free Smelter Program and the Conflict Free Gold Standard of the World Gold Council, the Responsible Gold Guidance of the London Bullion Marketing Association (LBMA), the LBMA or London Platinum and Palladium Market (LPPM) Good Delivery Lists, the Chain-of-Custody and Code of Practices of the Responsible Jewellery Council, the Fairmined Standard for Gold from Artisanal and Small-Scale Mining of the Alliance of Responsible Mining, the Voluntary Principles on Security and Human Rights, and the International Code of Conduct for Private Security Providers. Transactions directly related to precious metals sourcing, custody, distribution and trading are assessed against precious metals’ production by refineries that are listed on the London Good Delivery List (LGD), or the Former London

¹ Greenfield means a new mine / well or an expansion of an existing mine / well that results in a material increase in existing production capacity.
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Good Deliver List (FLGD) for precious metals produced up to refineries' removal from the LGD, as maintained by the LBMA and LPPM.

- **Diamonds** : Transactions with companies that mine and trade rough diamonds are assessed on the client's commitment to and certification of voluntary standards, such as the ICMM, and rough diamonds must be certified under the Kimberley Process.

3. Our process and Governance

UBS BB applies the SCR standard to all transactions, products, services and activities, in line with the UBS Group's guidelines, such as credit, capital raising, advisory or investment services that involve a party associated with environmentally or socially sensitive activities. The SCR standard aims to identify and manage potential adverse impacts on the environment and human rights, as well as the financial and reputational risks associated with them.

3.1 Integration into risk, compliance and operation

The procedures and tools for identifying, assessing and monitoring environmental, social and climate risks are applied and integrated into the standard processes of risk, compliance and operations.

- Client Onboarding: Potential clients are assessed against the environmental, social and climate risks associated with their business activities as part of UBS BB's "Know Your Customer" compliance processes.
- Transaction Due Diligence: Environmental, social and climate risks are identified and assessed as part of transaction due diligence and decision-making processes across all divisions and relevant product lines.
- Product development: New financial products and services are reviewed prior to launch to assess compatibility and consistency with UBS BB's environmental, social and climate standards.
- Own operations: Our operational activities and our employees or contractors working on UBS BB's premises are assessed for compliance with relevant environmental, health and safety and labour rights regulations.
- Supply chain management: Environmental, social and climate risks are assessed when selecting and negotiating with suppliers. UBS BB also assesses products and services that present potential environmental, labor and human rights risks throughout their useful life (production, use and disposal) as part of its purchasing processes.

Portfolio analysis: At the portfolio level, UBS often looks at sensitive sectors and activities likely to present environmental and social risks. UBS assesses client exposure and revenue in these sectors and tries to benchmark portfolio quality based on the region or industry average. Feedback from this portfolio provides an accurate aggregate exposure profile and enhanced insight into customers' transaction and onboarding processes. Based on the outcome of these comments, it is possible to explore other ways to improve the profile of upcoming portfolios along with a range of risk parameters.

Clients, transactions or suppliers that possibly violate UBS BB's position or are otherwise subject to significant environmental or human rights controversies are identified as part of UBS BB's standard risk and compliance processes. Advanced data analytics in the companies associated with these risks are integrated into the web-based compliance tool used by our team prior to establishing the relationship or transaction with a customer or supplier. The systematic nature of this tool significantly develops our ability to identify potential risks.

3.2 Governance and Supervision

In view of one of the many environmental challenges and at the global level, these topics will be increasingly relevant to banks. These developments therefore require a regular and critical evaluation of UBS policies and practices, based on accurate monitoring and analysis of social topics of possible relevance to UBS.

This process constitutes a responsibility at the level of the UBS Group's Board of Directors, which defines the overall risk appetite for the company and resolves policy issues regarding environmental and social risks, as well as the associated reputational risks.

The head of UBS BB's risk area is responsible for the development and implementation of the principles and independent control structures appropriate for SCR at UBS BB.

All corporate responsibility and sustainability developments at UBS are monitored and reviewed by UBS's corporate culture department and accountability committee, a board of directors of UBS Group AG. The committee supports the Board of Directors in its tasks to safeguard and promote UBS's reputation for responsible corporate conduct. In this task, he reviews and monitors the implementation of the UBS SCR framework.

4. Responsibility for policy and review

This structure is subject to UBS BB Board of Directors' approval, after the UBS BB Risk and Capital Committee the review. This structure shall be reviewed annually or at any time when necessary.

This structure was approved by the Board of Directors on June 29th of 2023.

This structure was approved by the Executive Committee of UBS BB regulated legal entities, based on the recommendation of UBS BB Board of Directors.