Itaú Unibanco Holding S.A.

2022

Report on Social, Environmental and Climate Risks and Opportunities (GRSAC Report)

December 31, 2022

Purpose

In the past few years, in different spheres of society, the growth of agendas on the social, environmental and climate challenges facing this and future generations. In the business world, this wave has heightened the alert to the relevance and urgency of integrating ESG (Environmental, Social, Governance) issues in planning and risk management to build long-lasting, resilient and sustainable business.

At Itaú Unibanco, we recognize our business influence in almost every business sector and on the life of million clients. Our journey towards a more sustainable business and supply chain began over 20 years ago.

This document presents Itaú Unibanco information required by the Central Bank of Brazil (BACEN) through: (i) Resolution No. 139 of the Central Bank of Brazil, of September 15, 2021, which provides for the disclosure of the Report on Social, Environmental and Climate Risks and Opportunities (GRSAC Report); and (ii) Regulatory Instruction No. 153 of the Central Bank of Brazil, of September 15, 2021, which sets the standard tables for purposes of disclosing the GRSAC Report.

GVR Table: Governance in the management of social risk, environmental risk and climate risk

We incorporated the management of social risk, environmental risk and climate risk (SAC risks) in an integrated and cross-cutting governance. We have the oversight of the Board of Directors and the Executive Committee that take part in committees that discuss, guide and resolve on SAC Risk issues, in addition to having specialists responsible for integrating this topic into our institutional and business areas.

We present below our governance structure and different levels of approval (strategic, tactic, operational, control and compliance) in which we take decisions on SAC risks. When it comes to the Board of Directors level, we have the Risk and Capital Management Committee (CGRC), the Social, Environmental and Climate Responsibility Committee and the Audit Committee. At the executive level, joint bodies are established including the Chief Executive Officer (CEO), which are represented by the Senior Social, Environmental and Climate Risk Committee (Superior CRSAC), the Superior ESG Council and the ESG Wholesale Committee, and Itaú BBA's CEO serves in this latter body. Additionally, we also have a member of the Executive Committee, the Chief Risk Officer (CRO), and other committees at the Board of Officers level, such as the Social, Environmental and Climate Risk Committee (CRSAC), and the Wholesale Products Committee.

The Board of Directors is responsible for establishing the guidelines, policies and levels of authority for risk and capital management, approving the risk appetite limits, and reviewing the risk appetite metrics, including the metrics of SAC Risk appetite, which monitor the concentration of high-SAC Risk industries in the bank's loan portfolio.

The Risk Management and Capital Committee (CGRC), in turn, is responsible for supporting the Board of Directors in the performance of its responsibilities with respect to the management of risks and capital. The matters discussed by the CGRC are reported to the Board of Directors by its chair, who reports the risk appetite metrics, the work, discussions, resolutions and recommendations of the Risk Committee.

The CGRC also coordinates its activities with the Social, Environmental and Climate Responsibility Committee, that is held at least three times a year, with the participation of Board members, and its mandate is to oversee any actions related to the implementation of the Social, Environmental and Climate Risk Policy (PRSAC). The guidelines of the PRSAC are based on our ESG strategy, which is made up of our positive impact commitments, and each commitment has targets related to social, environmental and climate aspects. In addition to the reports via the Social, Environmental and Climate Responsibility Committee, the Board of Directors has an annual agenda to monitor our positive impact commitments.

The Audit Committee directly reports to the Board of Directors and is responsible for overseeing internal control and risk management processes and the activities carried out by the Internal Audit department and the Conglomerate's independent auditors. It is held at least on a quarterly basis and SAC issues are discussed at least twice a year.

When it comes to the Executive Committee, we have the Senior Social, Environmental and Climate Risk Committee (Superior CRSAC), which is responsible for assessing and resolving on matters that, as understood by the CRSAC

(Board of Officers level), should be submitted to members of the Executive Committee due to the complexity and materiality of the topic, particularly those associated with reputational risk, whenever required. Also in the scope of SAC Risks we have a member of the Executive Committee, the Chief Risk Officer (CRO), who is responsible for the risk structure that operates in the integration of the SAC risks to the institution's global risk management, for the Policy on Social, Environmental and Climate Risks, and for working as a liaison with regulators.

When it comes to the Executive Committee level, in the scope of SAC responsibility, we have the Superior ESG Council and the ESG Wholesale Committee. The Superior ESG Council is responsible for monitoring our work in view of the main ESG and climate demands from the market, regulators and civil society. Additionally, it is responsible for approving projects and resources necessary for addressing priority gaps for the effectiveness of the PRSAC. It is held every two months and can submit the matters to be decided by the Board of Directors when required. The ESG Wholesale Committee, in turn, is responsible for: (i) implementing sector decarbonization strategies and action plans; (ii) ensuring and monitoring the achievement of the target of granting R$400 billion to positive impact sectors by 2025; and (iii) monitoring and resolving on Itaú BBA's ESG and climate work fronts. It is held every two months and can submit the matters to the Superior ESG Council when required.

Finally, two other forums make up the SAC Risk governance of Itaú Unibanco: the Social, Environmental and Climate Risk Committee (CRSAC) at Board of Officers level, consisting of SAC risks departmentspecialists, and the Wholesale Products Committee.The main duty of the CRSAC is resolving on institutional and strategic matters, in addition to taking a position on reputational aspects of high SAC Risk related to clients, products, services and operations. Additionally, it is also responsible for: (i) recommending roles and responsibilities for the management of these risks; (ii) monitoring the adherence to the policies and procedures related to SAC Risk management; (iii) submitting the resolution to the Executive Committee, if required. The CRSAC is held at least twice a year, and approximately 36 committees have been held in the last 18 months. On the other hand, the Wholesale Products Committee is responsible for conceptually assessing the products under different aspects, including, when applicable, SAC aspects. The specific operations subjected to this Committee, for example, are always accompanied by a SAC Risk analysis form that indicates whether there is the need to establish additional due diligence prior to closing and disbursment.

Following this governance, the Board of Directors receives these reports as a result of the committees' responsibilities. As an example, we can mention the SAC Risk appetite metrics, which are frequently monitored, and the Board of Directors guides preventive measures to be taken to ensure that exposures are within the limits established and in line with our strategy.

Additionally, through the CGRC, the Board of Directors monitors the internal capital adequacy assessment process (ICAAP) that includes the SAC risks and, in its governance, assesses and reports the criteria and material risks to Itaú Unibanco, as well as its opinion on the stress test program, capital plan, capital and liquidity contingency plan, Corporate Business Continuity Policy.

With respect to the Compensation Policy, it is incumbent upon the Compensation Committee, which is made up of Board members, to discuss, analyze and oversee the implementation and operation of the existing compensation models for the Itaú Unibanco Conglomerate.The models include a variable compensation, which takes into account social, environmental, climate and governance issues, for professionals involved in ESG scope-related activities, business and commitments, through performance indicators, projects and initiatives set out in individual target agreements at different hierarchical levels. As examples, there are targets on environmental management of our operations and on climate change that are used as criteria for the composition of the variable compensation.

Accordingly, our strategic goals and targets are periodically monitored by the aforementioned levels of authority (strategic, tactic, operational, control, compliance), resulting in our integrated and cross-cutting governance.

EST Table: Strategies used for handling social risk, environmental risk and climate risk

We understand social, environmental and climate-related risks as the possibility of losses arising from environmental, social and climate events related to our operations, whether they arise from business with counterparties, relationships with suppliers, events linked to the transition to a low carbon economy, or physical changes in weather patterns. Such risks have the potential to materialize through traditional risk modalitie, such as credit, market and operational risks, which may lead to possible financial losses, as well as damage to our reputation.

Itaú Unibanco’s SAC Risk management strategy was built to prevent its potential materialization in Credit Risk but has been expanding and is now also used in the other traditional risk dimensions and in capital management, both through studies that integrate SAC risks with other traditional risk dimensions and stress tests. In addition to the possible materialization of the traditional risks, the internal assessment methodology for credit risk takes into account the potential impact of SAC risks on reputational risk.

Different methodologies and tools, based on the best international and national practices, are applied to identify, measure, assess, monitor and disclose environmental, social and climate-related risks in credit management, also incorporating governance aspects, such as the existence of a Board of Directors, independent auditors, among others, when assessing our clients’ business.

They are applied both in products and deals in which we are aware of where our funds will be used, such as in infrastructure project financing, and in loan operations without the necessary link to a previously known use. These methodologies comply with the main laws and regulations in effect relating to corporate governance and environmental, social and climate risk management, as well as with the best market practices, such as:

• Bank Self-regulation System (SARB) No. 14/2014 and No. 26/2023, of the Brazilian Federation of Banks (FEBRABAN);

• Equator Principles, applied in project-related financial support;

• Performance Standards of the International Finance Corporation (IFC), which is the private arm of the World Bank Group;

• IFC’s Practical Guide on Corporate Governance;

• World Bank Group’s Environmental, Health, and Safety (EHS) Guidelines.

The climate-related risks management is based on a methodology supported by reports and documents from international reference organizations, such as the Financial Stability Board (FSB), the World Economic Forum, the International Monetary Fund, the Bank for International Settlements (BIS), and the Network for Greening the Financial System (NGFS), among others.

Client SAC analysis

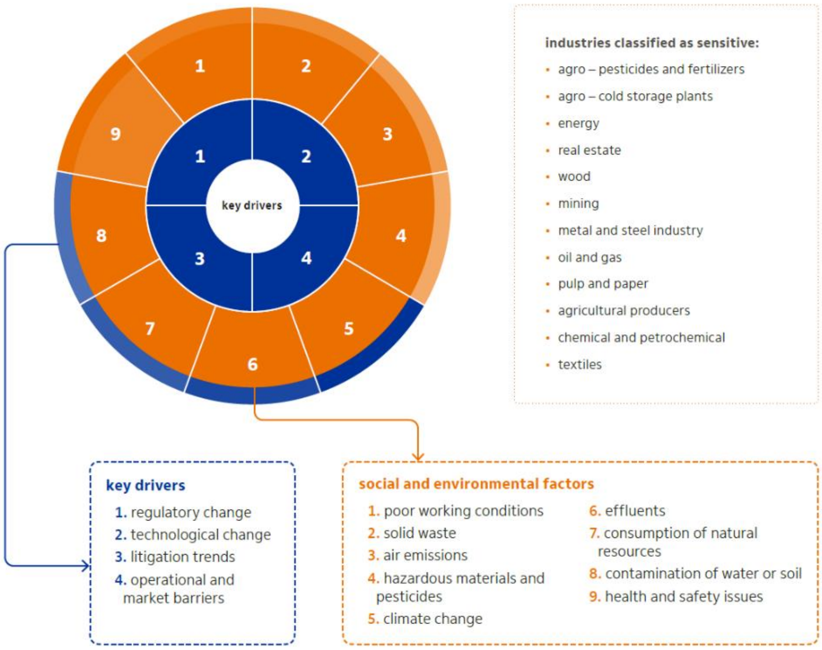
An important part of the SAC Risk management strategy involves the assessment of clients and the use of social, environmental, climate and governance information when renewing credit limits and maintaining credit relationships.

In the assessment of topics associated with the Social Risk dimension, the priority topics such as Human Rights protection are highly important. For example, we have a List of Excluded Activities consisting of activities that go against Itaú Unibanco’s principles and values, including the use of labor analogous to slavery, use of child labor and exploitation of prostitution, including child prostitution. In this regard, the inclusion or maintenance of any client in the Reference File of Employers who have kept workers under labor analogous to slavery conditions (as established by the Interministerial Ordinance MTPS/MMIRDH No. 4 of November 5, 2016) and/or who have received negative attention on the media is monitored and assessed by the SAC Risk teams. This may result in the system blocking the Individual (CPF) or Corporate (CNPJ) taxpayer’s registry number regardless of any of the segments served by Itaú Unibanco and their being prevented from accessing new credit.

In addition to the Social dimension, we included the Environmental and Climate dimensions in the categorization process for SAC risks in our loan portfolio, taking into account risks inherent in the industry sectors in which our clients operate and that may generate negative impacts on society, environment and climate. To this end, parameters inspired by the International Finance Corporation (IFC), such as energy and water consumption, air emissions, exposure to climate-related risks, among others, are taken into account. Based on these criteria, our clients are categorized in three SAC Risk levels (high, medium and low).

With respect to time criteria, according to the Paris Agreement, the target of actions related to decarbonization is to reduce emissions by 2030, that is, more than five years as from the current year, and to reach zero emissions by 2050, so that the temperature rise does not exceed 1.5°C. Therefore, at Itaú Unibanco we understand short term as a period of up to five years, medium term as a period from five to ten years, and long term as a period of more than ten years, which is also adopted in the loan portfolio risk management tool. Particularly for large corporate clients, the SAC Risk categorization takes into account the physical and transitional climate risks through our Climate Risk Sensitivity Tool. This tool was the result of the evolution in climate risk management in 2022. The Climate Sensitivity Assessment Tool, for example, matches the relevance of the climate-related risks and the proportionality of each industry and client in our portfolio, their credit quality, their average term, and the response is how sensitive a particular industry or client is to climate-related risks, enabling us to understand the relative concentration of the portfolio in each sensitivity category.

Also in our SAC Risk management framework at client level, internal criteria for assessing and approving credit to clients from the large companies and agricultural producers segments were developed. Clients subject to credit approval of senior committee levels and which operate in industries classified as sensitive from the SAC standpoint are assessed on an individualized basis. The assessment is carried out using industry questionnaires that take into account social, environmental and climate criteria (see image beside), in addition to aspects related to good corporate governance practices.



Clients, individuals and companies, classified as Agribusiness – agricultural producers (farmers) are submitted to automated or individualized analyses, based on predefined SAC Risk parameters. These clients are at least checked for the List of Excluded Activities and embargoes for environmental violations. In some cases, a georeferenced analysis of their properties and public data that bring us information on impact on protected areas, indigenous people and other traditional communities, among others, may be included.

Particularly with respect to the Climate dimension in the assessment of these clients, we analyze, among others, the risk that our clients may experience water shortage/scarcity in the current timeframe, 2030 and 2050, in optimistic and pessimistic scenarios, in addition to how they have been adapting and carrying out investments to make a transition to a cleaner economy.

Additionally, we understand that some geographic regions are more sensitive to SAC aspects, and are, for example, more relevant to maintain the biodiversity and mitigate the climate risk, such as: the region in the Amazon biome, proximity to or intersection with traditional communities, key areas for biodiversity conservation and/or protected areas, high risk areas for climate physical hazard and others.

SAC analysis for structured operations

Structured operations, to which we apply a different approach in the SAC Risk governance, are those whose final allocation of funds is known by Itaú Unibanco. In this case, governance is defined in accordance with the product/operation structure:

(i) New products, renewals and operations structured on a customized basis to clients; and

(ii) Operations with fund allocation including project finance.

For new products and renewals, as well as for operations that are submitted to the approval of the Wholesale Product Committee, a questionnaire must be filled out, which may indicate the need for a more detailed analysis and possibly for establishing a specific diligence prior to operating and selling the product or operation.

Operations whose fund allocation includes project finance, in turn, are carried out following the SAC Risk identification, mitigation and monitoring stages. In these cases, the analysis process can include topics such as impact on traditional populations, biodiversity, compliance with legislation, and checking for the existence of mechanisms for managing risks and associated governance, among others. Additionally, for projects subjected to the Equator Principles, a voluntary commitement signed by the bank in 2004, the International Finance Corporation (IFC) Performance Standardsand the World Bank Group's Environmental, Health, and Safety (EHS) Guidelines are taken into account.

Finally, based on the level of SAC Risk identified, a monitoring plan can be established as a covenant, and compliance with it can be a condition precedent to release the funds and the effectiveness of the agreement.

SAC analysis for property pledged as guarantee

For credit granting for which a property is pledged as collateral, Itaú Unibanco has processes for assessing the property, which include, among others, the social, environmental and climate aspects, at the time the guarantee is pledged and over the term of the guarantee. With respect to climate aspects, the topographic assessment of the property takes into account data such as flooding areas, floods/inundation, risk of building collapse or slope failure.

For urban properties pledged as guarantee, an environmental and social analysis of the property is carried out based on a Survey of Contamination Indicators (LIC, in Portuguese), a standard document adopted by financial institutions signatory to the FEBRABAN's Bank Self-regulation System, under SARB Regulation No. 14/2014. The document contains information on past and current activities performed on the property and data on activities performed in the surrounding areas and, when applicable, shows indications of contamination. When indications of contamination or other use restriction are identified, an in-depth analysis is carried out by a technical team of the institution, and a Preliminary Environmental Assessment, a Confirmation Investigation or any other related study may be requested.In addition to the environmental and social assessment conducted at the time the property is pledged as guarantee, Itaú Unibanco also carries out a monitoring process of the property in accordance with the internal procedure for collaterals.

For rural properties pledged as guarantee, in-person and/or remote reports are used to check the existence of environmental liabilities and/or impacton sensitive areas, such as protected areas, indigenous people and other traditional communities. In case impacts are identified, an in-depth analysis is carried out by a technical team of Itaú Unibanco.

Based on a set of analyses presented in this table, that is, the SAC assessments of clients, of structured operations and of guarantees, in 2022, based on our internal processes, approximately 47% of the clients (45% of the exposure in $) of the loan portfolio of large companies and agricultural producers underwent an individualized SAC Risk assessment when renewing a loan, an increase of 12 percentage points compared to 2021.

Additionally, we assess the tolerance to climate risk that we are willing to assume in our credit portfolio, which reflects in limits established and monitored on a monthly basis in an integrated manner by the Executive Committee and the Board of Directors. Against this backdrop, in December 2022, 12% of our loan portfolio was concentrated in industries in the "High" exposure to climate risk category. Finally, we adopt an internal process to identify credit losses incurred by the institution driven by SAC events in our clients, such as: embargoes imposed by the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), labor analogous to slavery, child labor and prostitution, extreme environmental events/disasters, non-compliance with environmental and social covenants, as well as the result of individualized SAC risk assessments. As a conclusion of this process, in 2022, no credit losses related to SAC events were identified.

Stress testing

In general, the balance sheet stress tests are tools widely recognized to assess and measure potential risks to the financial system and its institutions, extensively used by the industry, the market and regulators. The expansion in the scope of the exercises of stress tests and their application to climate-related risk are a new strategy, both for regulators and for financial institutions. The first results and applications started to be reported in recent publications of the European Central Bank[1]. In Brazil, Resolution No. 4,943/21 regulated the requirements for the exercise of climate stress test, which was implemented in 2022.

Taking into account the global context of building and maturing the exercise, in line with benchmarks performed and the main practices reported by different oversight bodies, we use the scenarios disclosed by the NGFS (Network for Greening the Financial System) mentioned below:

- Orderly Transition (Net Zero 2050): scenario of an orderly transition to a low-carbon economy, where policies are gradually implemented by 2050 (zero CO_2 emissions). Some jurisdictions, such as the United States, EU and Japan reach zero emission for all Greenhouse Gases (GHG) and the global temperature rise is limited to 1.5°C (lower physical risks).
  Impacts: Increase in the carbon price and decrease in emissions affect the relative prices and the GDP (higher companies' investment demand, higher production costs). Increase in interest rates to control inflation.

- Delayed Transition: scenario of a delayed transition to a low-carbon economy, where there is a "race" to implement policies starting in 2030. Stricter policies are required to limit the global temperature rise to 2°C.
  Impacts: (i) by 2030: GDP falls driven by losses from physical risk events. Inflation increases, without the need to increase interest rates (drop in the economic activity); (ii) as from 2030, shocks of the disorderly transition are added: ↑ Inflation, ↑ Interest rates, ↓ additional GDP, ↑ Unemployment).

- No Transition (Current Policies): scenario where the transition to a low-carbon is not carried out, leading to increased physical risks. The global temperature rise is kept around 3.2°C.
  Impacts: no significant change is brought about in the carbon price and emission (without transition risk).All impact on the GDP arises from physical risk events.Inflation slightly increases without the need of increasing the interest rate (drop in demand would be enough to contain the price increases).With no significant change in the economic structure and composition of trade, unemployment is kept at the levels of the Basic scenario.

Once the scenarios and assumptions have been defined, the next step was to build models to capture the different outcomes of the macroeconomic variables of each scenario in order to distinguish the impact on the portfolio, particularly the potential impact on loan losses in line with the NGFS 2050 scenarios.The results of the climate stress test are part of the exercise of the internal capital adequacy and sufficiency (ICAAP) and, in this first version, material impacts were not identified on Itaú Unibanco's capital planning and adaptive capacity in addition to those already in place with the proper management of the SAC Risks.

[1] https: //www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708~2e3cc0999f.en.pdf

GER Table: Social risk, environmental risk and climate risk management processes

Taking and managing risks is the essence of our activity and a responsibility of all our employees. Our risk appetite defines the nature and the level of the risks that are acceptable, and our risk culture guides the strategic management initiatives and tools to mitigate risk and generate opportunities. Our organizational risk management structure complies with Brazilian and international regulation and is aligned with best market practices. Our risk management model consists of three lines of governance: the business areas bear primary responsibility for risk management (identification, assessment, control and reporting), tracked by the risks area, which assesses risks according to policies, procedures and the established risk appetite. And finally, the third line of governance, the internal audit, which promotes an independent assessment and reports to the Board of Directors.

The SAC Risk management is part of this risk management framework of the bank and is carried out in a manner equivalent to the model applied to business risks, in an integrated, cross-cutting manner, based on the three lines of defense strategy, on executive responsibility and on a thorough management process.

The business units manage the SAC risks in their daily activities, based on the guidelines of the internal SAC Risk policy, with specialized support of the risk and legal offices, providing the best management practices in different dimensions in which SAC risks may materialize as a result of the Conglomerate’s activities and businesses.

Additionally, SAC risks are subject to assessment and monitoring actions as part of the internal processes, risks and controls mapping, as well as monitoring of new regulations and events registrying in internal systems. As a consequence of the risk identification process, the following stages are prioritization, response to risk, monitoring and reporting, which supplement the risk management at Itaú Unibanco.

Finally, acting in an independent way, the internal audit team assesses the risk, control and governance management environments.

With respect to the timely identification of policy, legal or regulatory changes that may impact the climate transition risk, based on the relevance principle, we have a process structured to identify on a timely basis the changes that impact the Financial System. Nevertheless, we seek to contribute to the discussions on bills in the federal, state and municipal levels and to participate in public consultations on the climate agenda. More specifically, the legislative proposals are monitored, analyzed and, based on the probability of approval and on the analysis of financial and reputacional risks, course of actions is developed in the scope of the legislative process. With respect to changes in policies, we identify, capture, analyze, indicate the matter (for example, SAC risks) and report them to target departments to act on regulatory compliance, as well as on monitoring action plans to implementation.

Credit Risk

In the Credit Risk dimension, the identification, assessment and management of environmental, social and climate risks follow guidelines defined in the internal procedures of the risk department, which are checked by the business areas and credit departments during the client assessment stages for credit granting and renewal, providing and monitoring guarantees, and in assessment and monitoring of project finance and structured operations.

The diligence process for assessing SAC events in the processes mentioned above includes, for example, the analysis of discrediting information about the client/project from a social point of view, for example, through checking the presence of the counterparty in the Reference File of Employers who have kept workers under labor analogous to slavery conditions (as established by the Interministerial Ordinance MTPS/MMIRDH No. 4 of November 5, 2016) or through monitoring the discrediting information in the media, and it is incorporated in the processes for assessing and quantifying the client’s/project’s risk.

The social, environmental and climate (SAC) risk events are identified during the analysis of clients and operations using both public information available and information requested from the client according to their business sector, the allocation of funds and/or the type of operation to be contracted.

For example, environmental risk events are assessed based on aspects such as: compliance with applicable environmental legislation in force, existence of embargoes and fines imposed due to environmental non-compliance events, water consumption and management practices, use of hazardous material, risk of structures (dams), impact and/or proximity to conservation areas and/or sensitive areas. The identification and assessment are carried out based on public data sources made available by governmental bodies and/or institutions, such as the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama), *Adapta Brasil* platform of the Ministry of Science, Technology and Innovation (MCTI), Chico Mendes Institute for Biodiversity Conservation (ICMBio) among others, in addition to reports and websites of clients, as well as on data directly provided by clients or independent third party experts.With respect to the assessment of structured project finance deals , the “Experience in Mitigating Environmental and Social Risks in Project Finance” report brings examples of the environmental and social due diligence carried out by Itaú Unibanco.

Additionally, it is known that some geographical regions are more sensitive and vulnerable to SAC Risks due to their higher relevance in the conservation of biodiversity and mitigation of climate-related risk. The region in the Amazon biome, for example, is extremely important for the planet’s climate and biodiversity and, for this reason, in addition to a stricter analyses process, Itaú Unibanco assumed the commitment to support the transformation/preservation of the region. In the specific example, the Amazon Plan, a voluntary commitment launched by Itaú and other banks, has ten measures aimed at preserving this Biome, including the fight against illegal deforestation through the direct and indirect monitoring of clients in the cold storage plant industry. Other criteria applied to address the analyses of clients in a differentiated manner in accordance with the geographical regions are: proximity or intersection of the clients’s plants with emerging critical locations, key areas for biodiversity conservation and/or protected areas, areas with high physical climate risk, etc.

Risk mitigation is part of the management process and may be carried out in different ways, according to the type of analysis, guided by the relevance and proportionality principles. Such is the case of project financing deals that, because of their higher risk level, a monitoring plan can be established as an integral part of the financing agreement. The implementation of this plan is monitored, at least once a year, over the term of the operation, and its compliance is a condition precedent to the release of the funds and the effectiveness of the loan agreement. Also, for some products target at clients operating in the agribusiness industries, we monitor possible illegal deforestation areas and other risk situations in the financed properties on a daily basis through a georeferencing tool.

The industry of the clients/projects is also an important factor in the definition of the scope and comprehensiveness of our SAC Risk assessment, since some industry sectors are more likely to generate SAC Risks. The volume of emissions, the investment capacity of the client and of the industry in view of regulatory, technological and market changes, as well as the timeframe, are combined to estimate the climate-related sensitivity and incorporated in the assessment of clients in sensitive industries, according to the Itaú Unibanco’s internal classification, and mentioned in the EST Table: Strategies used for handling social risk, environmental risk and climate risk.

Itaú Unibanco has a sound Risk Appetite framework that assesses, for example, industry and segment concentrations, among other metrics. In particular, for measuring and monitoring SAC Risks, the risk appetite framework has two specific metrics to monitor the concentration of our portfolio in industries highly sensitive to environmental and social issues and highly exposed to climate risks, whether physical or transitional. Both metrics are monitored and monthly reported to the bank’s senior management as part of the Risk Appetite framework.

Market, liquidity and operational risk

For other traditional risk dimensions (market, liquidity and operational), management is carried out through identifying and segregating SAC assets, and the respective impacts/sensitivities in the limit, sensitivity and appetite framework in force.

With respect to market risk, a study was conducted adopting the assumption of non-compliance with SAC covenants. We have identified operations sensitive to events that could pose a market risk. No significant impacts were identified when compared to the bank’s portfolio.

With respect to liquidity risk, the materialization of the SAC Risk event and the respective impact on funding from the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) standpoint would not bring significant impacts on the bank's liquidity management and are addressed within the existing framework for monitoring and mitigating the risk appetite indicators.

Similarly, with respect to the operational risk, based on the historic non-financial loss events, studies within the scope of the capital adequacy assessment process indicate the low materiality of losses related to SAC Risks, in a one-year timeframe.

The integrated SAC Risk management with the other traditional risk dimensions is presented in the exercise of the internal capital adequacy and sufficiency (ICAAP), annually reported and approved by the Board of Directors. And in a broad way, the SAC Risk management permeates the other frameworks of the bank's integrated risk management, such as the risk appetite, and is part of the continuous evolving process of identification, assessment, monitoring, control and reporting, aligned with the good market practices and regulations.