


Sensitive industry sectors and other sectors subject to restrictions

governance and management

We consider social, environmental and climate risks as the possibility of losses arising from social, environmental and climate events related to our activities, whether they arise from businesses with counterparties, relationships with suppliers, events linked to the transition to a low carbon economy, or changes in weather patterns. These risks have the potential to materialize through traditional risk types, such as credit, market and operational risks, which may lead to possible financial losses, and damages to our reputation.

Therefore, the management of social, environmental and climate risks is carried out in an integrated and cross-functional manner, equivalent to the model applied to the business risks

 [learn more](#) about SEC Risk in the [2022 ESG Report](#) and the [Climate Report](#).

Environmental , Social and Climate Risks Assessment

Underpinned by the materiality and proportionality principles, we have a robust methodology for assessing social, environmental and/or climate risks of clients that operate in industry sectors with higher potential to suffer or cause impacts of these nature.

The methodology allows us to have an individualized and more diligent perspective of clients that operate in sensitive industries sectors enabling effectiveness of credit decision-making processes and pricing.

It is applied to the so-called sensitive industries, which are:

- Agribusiness – pesticides and fertilizers
- Agribusiness – meat processing
- Energy
- Real Estate
- Wood
- Mining (including Coal)
- Metal and steel industry
- Oil & Gas
- Pulp and Paper
- Farmers
- Chemical & Petrochemical
- Textile

Specific Rules

For the meat processing, in addition to the individual analysis just described, we are signatories of the Amazon Plan and, therefore, we adopt a more comprehensive due diligence process for the industry focused on fighting against illegal deforestation in the supply chain.

Furthermore, for the Tobacco, Firearms and Ammunition industries, we apply stricter approval rules for credit granting. Specifically for the Tobacco industry, in 2020, we approved a strategy that will entail the gradual reduction until 2025 to clients whose activities are related to tobacco, such as farmers dedicated exclusively to this crop and cigarette manufacturers.

Finally, in 2022, as part of our NetZero plan, we approved a coal phase out strategy to be completed by 2030 and banned oil and gas project finance in tar sands and oil exploration in the Arctic (Arctic Oil).

