Concentration Risk Management Standard

1. OBJECTIVE

This standard establishes the Concentration Risk Management **Policy** presenting the principles, guidelines and governance for the management, analysis, monitoring, control and mitigation of concentration risk.

2. SCOPE

Investment funds and managed portfolios under the management of BRAM – Bradesco Asset Management S.A. DTVM.

3. DEFINITIONS

Concentration risk occurs when certain strategies, assets or financial instruments make up a relevant percentage of a fund or portfolio, representing a new source of potential loss.

Such risk is related to the following additional risks:

- Credit Concentration Risk
- Market Concentration Risk
- Liquidity Concentration Risk
- Operational Concentration Risk

Exposures: regulatory limits for issuers to be observed by mutual funds and portfolios under management.

3.1. Credit Concentration Risk

There are three basic types of Concentration Risk in Credit:

a) Significant exposure to a single counterparty or group of related counterparties ("single name concentration risk" or "major risks");

b) Significant exposures to groups of counterparties whose probability of entering into default results from underlying common factors, such as:
(i) economic sector;

(ii) geographic region;
and (iii) currency.

c) Indirect credit exposure such as exposure to a type of guarantee or credit protection provided by a counterparty

3.2. Credit Concentration Risk

A sub-segment of concentration risk is present when one or more assets or financial instruments are exposed (directly or indirectly) to the same risk factor or set of factors that are correlated.

3.3. Liquidity Concentration Risk

Liquidity concentration risk in investment funds and managed portfolios can be observed in two ways.

The first looks at the assets that make up the portfolio. These assets can be grouped according to their liquidity profile over time.

The second considers liabilities formed by investors. The distribution of participation of shareholders, as well as their dynamics, can reveal potential liquidity risks to the Fund.

3.4. Concentration Risk in Operational Risk

It is understood by concentration in operational risk an exposure or group of exposures to operational risk with the potential to produce losses for portfolios under management.

4. CONCENTRATION RISK MANAGEMENT

Participating areas and responsibilities are described below:

4.1 Risk Oversight and Quantitative Support:

Is responsible for the following areas:

- Development of methodology;
- Definition of alert levels;
- Management, analysis, monitoring and control;

4.2 Risk Committee

The Risk Committee is responsible for the following:

- To analyze and evaluate funds that exceed the concentration risk alert

5. Methodology

Concentration risk management should not be confused with the observation of the concentration limits required by regulators. Concentration risk is treated in this policy as a complementary analysis that addresses other aspects of concentration, which can become potential sources of loss for investors.

The approach will be specific to each fund, will depend on its investment policy, and shall include the following aspects:

a) Evaluation of concentration by sector;

b) Evaluation of concentration by risk factor within a given market.

Control and management of credit concentration and liquidity risk are described in their respective policies.

6. Concentration Risk Indicators

The analyses and evaluations of concentration risk will be carried out through the following indicators:

a) Concentration indexes

b) Exposures

c) Alerts

7. Alerts

Alerts will be analyzed by the Risk Committee, which shall, if necessary, respond appropriately.

8. Revision

This standard will be revised annually.