



# CNseg's Insurance Sustainability

# ROADMAP



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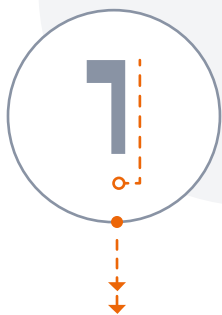
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# CNseg's Insurance Sustainability Roadmap

In line with the Brazilian regulatory framework for sustainability in the insurance sector (SUSEP Circular 666 of 2022) and best global practices in relation to sustainability promoted by the UN Sustainable Development Goals and UNEP FI Principles for Sustainable Insurance, CNseg proposes the construction of a Sustainability Roadmap for the Brazilian Insurance Sector, with the aim of guiding the confederation's actions in fostering more sustainable practices among the sector's companies and harnessing synergies between the sustainability and consumer relations agendas, with a view to building products adapted to consumers' needs.

This strategic plan is divided into three fundamental areas designed to reflect the specific needs and challenges of the insurance, pension, life insurance, health insurance and capitalization segments, with a particular emphasis on environmental, social and governance (ESG) issues, namely:





**Promote** a just transition to a sustainable, low-carbon economy;



**Stimulate** society's resilience to climate change;



**Promote** inclusion and combat inequalities.

The roadmap is a living document that over time will incorporate new initiatives and undergo revisions and changes. The approach focuses on promoting continuous progress and regular updates on the implementation of the planned initiatives. The choice and development of the actions were influenced by the relevance (materiality) of the ESG issues for each segment, the objectives stipulated in the Action Plan for the Creation of the Brazilian Sustainable Taxonomy, the initiatives defined in the Insurance Market Development Plan (PDMS), the Principles for Sustainability in Insurance (PSI) and the principles, values and aspects defined in three sector regulations: SUSEP Circular 666 of 2022, CNSP Resolution 409 of 2021 and CNSP Resolution 382 of 2020.

This flexible approach not only aligns the insurance sector with global best practices in sustainability, but also ensures the incorporation of ethical standards and social and environmental responsibility standards that meet both regulatory expectations and society's demands.





## Most relevant **sustainability** issues for each segment



**G**iven the specific conditions of each segment, area, company, region and customer profile, among other factors, different ESG issues should be considered more material and therefore prioritized in the strategy. Aware of these particularities, CNseg carried out a study to identify them.

### **2.1 General insurance (damage and liability insurance)** -----○

In general insurance operations, environmental issues are of particular relevance, due to the potential impact on claims, insurers' legal liability and the management of salvage from incidents. The following issues, among others, must be the radar of insurers in this segment:

- a) Climate change:** Climate change may have an impact on claims due to the increase in natural disasters and changes in weather and rainfall

patterns in certain regions. Considering these issues in risk management and underwriting can improve the conditions under which insurance companies develop and price their products.

- ⑥ **Waste management:** Because insurers are jointly responsible for salvage, special attention must be paid to the proper disposal of waste from claims. This legal risk also affects the value chain of companies, and it is therefore important to institute training and monitoring practices for service providers that deal directly or indirectly with salvage.

Other relevant issues detected: environmental compliance; natural disasters; crime; infrastructure; industrialization and innovation; and health and social safety.

## 2.2 Personal insurance and pensions -----○

The personal insurance and pensions segment largely deals with individuals, and this increases the relevance of social aspects in its activities. Environmental issues will potentially be more relevant when it comes to investment practices and reserve management. Here are some aspects that are particularly relevant to the activities of this segment:

- ① **Social and demographic issues:** On the one hand, the population's increasing longevity poses challenges for the management of pension products, on the other hand, financial inclusion and the rise of the lower socioeconomic classes bring significant opportunities for the sector, especially considering the challenges to be faced by the public pension system in the medium and long term.
- ② **Investment management:** Companies operating in the personal insurance and pensions segment need to pay special attention to reserve management. Around the world, the sector is increasingly focusing on the inclusion of environmental, social and corporate governance aspects in investment methodologies and processes with the aim of increasing diligence in the management of these assets.

Other relevant issues detected: increased longevity; well-being and healthy lifestyles; and relations with the public authorities

## 2.3 Private health insurance

In the private health insurance segment, access to medical services is a relevant issue, especially considering public health conditions in Brazil. In this sense, social and environmental issues are also more significant. Relevant issues include the following:

- a) **Waste management:** Medical and hospital waste are potential environmental contaminants. The monitoring of service providers' disposal procedures is of great importance for companies operating in this segment, given the potential existence of legal risks in these operations.
- b) **Climate change:** Changes in temperature and rainfall patterns may affect medical loss ratios, by facilitating the proliferation of diseases or increasing the incidence of respiratory diseases due to the increased concentration of pollutants, among other factors.

Other relevant issues detected: increasing longevity; well-being and healthy lifestyles; hunger, food security and nutrition; labor practices; health and safety; and relations with the public authorities

## 2.4 Capitalization

Because of their characteristics and because they cater mainly to individuals, capitalization products have little impact on the environment. Instead, social issues are more relevant to the development, marketing and management of these products and services. The sector may particularly benefit from observing issues such as the following:

- a) **Financial/insurance education:** Clarifying to society what capitalization products are, their purpose and conditions is of great importance to the segment. Sector initiatives of this kind could reduce complaints made to companies and consumer protection agencies, as could better tailoring the sale of capitalization bonds to different customer profiles.

Other relevant issues detected: relations with the public authorities; and transparency and accountability





# Objectives of the Brazilian **Sustainable Taxonomy**

**T**he Brazilian Sustainable Taxonomy Action Plan was presented at COP 28 in Dubai in 2023. Produced by the Brazilian Finance Ministry, the document presents general guidelines, governance, stages and a timeline for developing the taxonomy.

This instrument consists of a classification system that objectively and scientifically defines activities, assets and/or categories of projects that contribute to climate, environmental and/or social objectives, using specific criteria. Taxonomies provide a common terminology for companies, financial institutions, investors, regulators, governments and other stakeholders, coordinating investment decisions and the formulation of public policies.

There **are 11 environmental**, climate and social objectives that will be addressed by the Brazilian taxonomy:



### 3.1 Environmental and climate objectives

- **Climate** change mitigation
- **Adaptation** to climate change
- **Protection** and **restoration** of biodiversity and ecosystems
- **Sustainable** soil use and conservation, management and sustainable use of forests
- **Sustainable** use and protection of water and marine resources
- **Transition** to the circular economy
- **Prevention** and control of contamination

### 3.2 Economic and social objectives

- **Generating** decent work and raising incomes
- **Reducing socioeconomic** inequalities, considering racial and gender aspects
- **Reducing regional** and local inequalities in Brazil
- **Promoting** the quality of life, guaranteeing rights and expanding access to basic social services





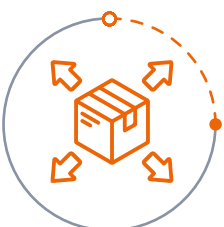
# Insurance, Pensions, Health Insurance and Capitalization Market **Development Plan** (PDMS)

On March 16, 2023, CNseg launched its Insurance, Pensions, Health Insurance and Capitalization Market Development Plan (PDMS), with the aim of expanding the proportion of Brazilians served by the various products offered by the insurance, capitalization, pensions and health insurance market.

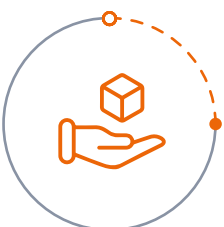
The plan is made up of **four pillars**, to which the mapped challenges have been allocated:



**The Insurance Sector's Image:** We need to tackle the fact that in general, Brazilian society at all socioeconomic levels knows little about private insurance and how to use it;



**Distribution Channels:** The increasing use of new digital technologies, especially triggered during the period of social isolation imposed by the COVID-19 pandemic, has caused a definitive change in consumer relations for products and services;



**Products:** We have identified that some types of insurance are poorly understood and consequently little used;



**Regulatory Efficiency:** We have identified the need for regulations that allow greater functional, decision-making, administrative and financial autonomy. This will require appointing regulatory officials for fixed, stable terms.

Each pillar encompasses a series of initiatives. The initiatives presented below, taken from the Insurance Market Development Plan, are linked to the activities outlined in this roadmap:

#### 4.1 Promote the ESG Agenda in the Sector – ENVIRONMENTAL FOCUS -----o

It is essential to interpret the environmental dimension with a focus on improving risk management processes and taking advantage of opportunities. In the field of risks, it is essential to train insurance company representatives in best practices related to the management and assessment of environmental and climate risks. As

a key player in Brazil's economy, a better understanding of these risks strengthens the sector's ability to respond effectively to present and future demands.

At the same time, by promoting the development of insurance products that are aligned with the country's sustainable development strategy and by fostering the sector's investments in assets that are recognized as green and having a positive impact, insurers will actively contribute to environmental conservation and the climate adaptation agenda.

## **4.2 Promote the ESG Agenda in the Sector – SOCIAL FOCUS** -----○

In the social sphere, it is imperative to expand the reach of insurance and reduce the gap in insurance protection, especially among underserved and economically vulnerable sections of the population. Insurance can become a fundamental instrument for reducing the negative impact of unforeseen events and breaking the cycle of financial uncertainty that persists in the lives of these people, helping reduce inequalities and promoting the construction of a fairer and more inclusive society.

Another aspect is related to promoting affirmative action and fair and appropriate treatment of consumers. Indicators and initiatives that demonstrate the commitment of the sector's companies to consumer issues and diversity, equity and inclusion (DEI) are essential for attracting talent, for innovation and for preserving the reputational image of the insurance sector in the eyes of its stakeholders.

## **4.3 Promote the ESG Agenda in the Sector – GOVERNANCE FOCUS** -----○

In order to guarantee the execution of key sustainability issues as well as the topic's inclusion in strategic business spheres, it is necessary to structure aspects related to governance. Ensuring transparency, ethics and accountability in company operations and reporting, combating corruption and fraud, and guaranteeing the rights of policyholders are all guiding commitments on this agenda.

It is necessary to raise the profile of these aspects of governance adopted by the sector, demonstrating to stakeholders, the government and society in general the values, the principles and above all the actions undertaken to maintain a high standard of ethical integrity. The aim is to pursue a transparent and assertive stance in favor of sustainability, including financial guidance and the formation of partnerships with companies that share these same values.





# Sector regulation



## 5.1 Sustainability aspects

SUSEP Circular 666 of 2022 sets out the requirements for the insurance sector in relation to the consideration of sustainability aspects in its operations and in its value chain. The circular requires the creation of a specific policy on sustainability, the structuring of a governance structure to guarantee the effectiveness of the actions outlined in the policy, the consideration of sustainability aspects for traditional risk management and underwriting processes, and an annual report documenting all the processes, results, risks and opportunities mapped. According to the circular, **“sustainability aspects”** mean the following:



- I **Respect for and protection of fundamental rights and guarantees and common interests;**
- II **Preservation of the environment and its mitigation or, where possible, restoration;**
- III **Reduction in impacts caused by frequent and severe weather events or long-term environmental changes;**
- IV **The transition to a low-carbon economy; and**
- V **Promotion of a more resilient and inclusive society.**

## 5.2 Inclusive Insurance

In 2021, National Private Insurance Council (CNSP) Resolution 409 revised the regulatory framework for microinsurance, redefining the principles and general characteristics for operating this type of insurance. The aim is to guarantee greater insurance coverage and financial protection for a section of the population that is more vulnerable to risks, as they have fewer resources to overcome adversities. Inclusive insurance can safeguard the assets of low-income people, reducing the negative impacts of unforeseen financial events and contributing to their social inclusion – one of the central missions of the insurance industry.

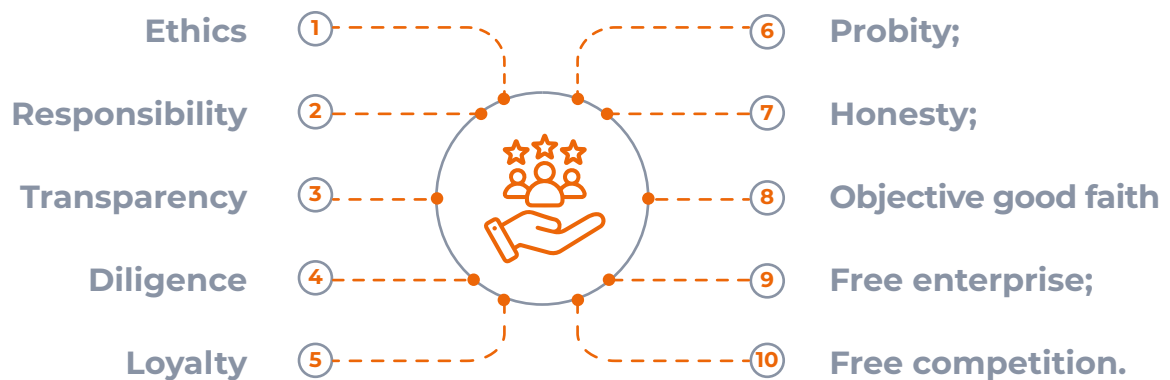
The new framework is based on **principles** and **values** such as the following:

- 1 **Inclusion;**
- 2 **Simplicity;**
- 3 **A focus on customers;**
- 4 **Accessibility;**
- 5 **Transparency;**
- 6 **Proportionality;**
- 7 **Sustainability;**
- 8 **Financial education; and**
- 9 **Innovation.**



### 5.3 Appropriate treatment of customers -----○

Customers are an important part of the insurance value chain. Accordingly, CNSP Resolution 382 of 2020 defines guidelines to be observed in insurers' conduct with regard to customer relations. The resolution mentions the need for insurers to treat customers appropriately, **observing the following principles:**





# Strategic areas

**T**hree strategic areas represent the roadmap's main objectives. Based on them, actions are broken down and organized as follows:

## **6.1 Promote a just transition to a sustainable, low-carbon economy** ----->

The transition to a sustainable, low-carbon economy presents significant obstacles, interlinked with complex structural issues. There is no single answer to support the climate transition fairly. In order to “leave no one behind” during this transition, different strategies need to be adapted to the unique context of the different regions, economic sectors and populations affected.

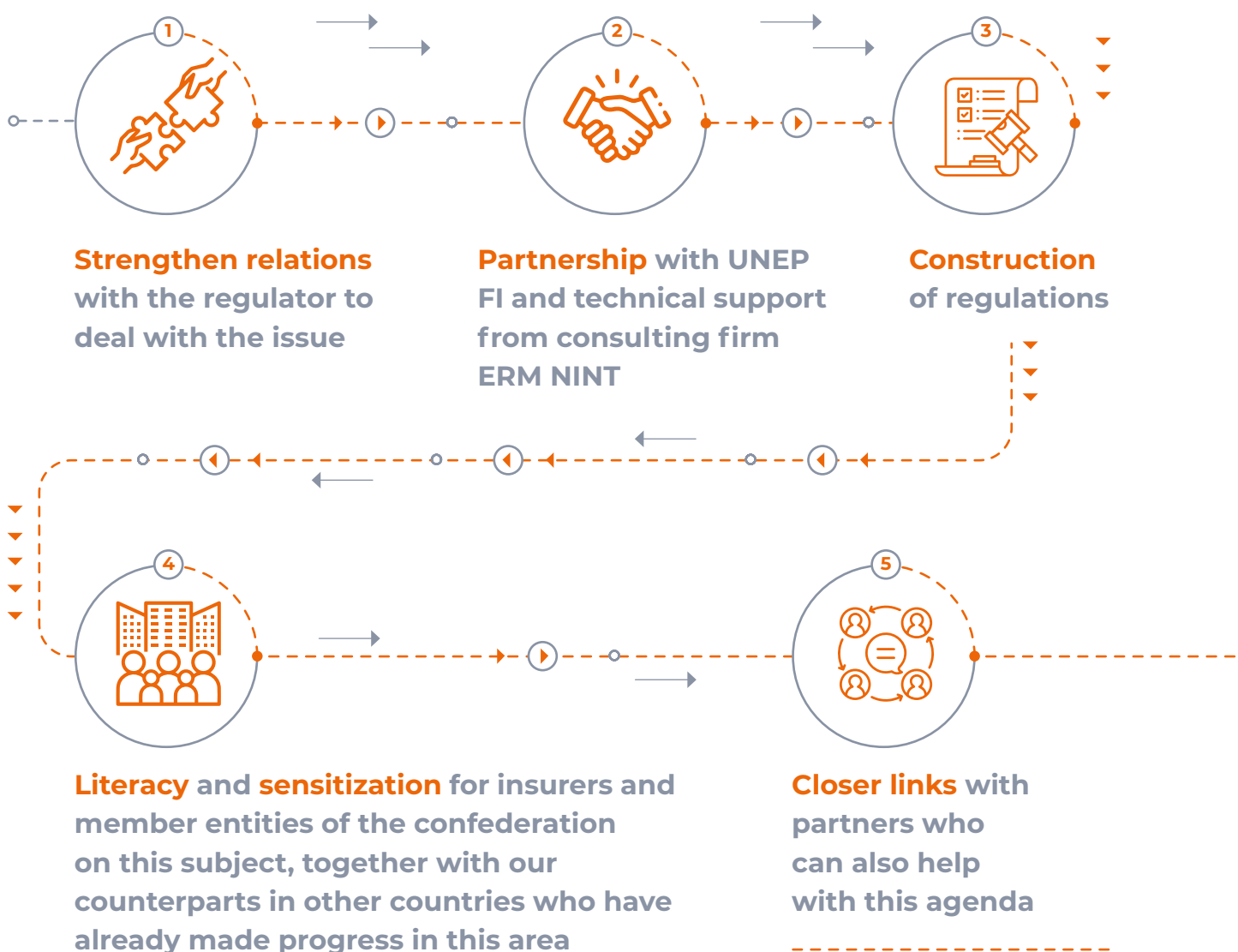
Reconciling environmentally responsible economic growth in an inclusive way means providing decent working conditions, reducing inequalities and maximizing the opportunities that the sustainable development agenda offers.



### 6.1.1 Sustainable products

Based on international and domestic experiences, the aim of this project is to build a framework that makes it possible to identify characteristics in insurance products that contribute to the country's sustainable development. The idea is for this framework to be aligned with the national taxonomy so that it becomes a reference for the market to adapt and create sustainable products and services.

### 6.1.2 Etapas



### 6.1.3 Carbon credit insurance

Following the enactment of carbon market regulations in Brazil (Bill 2,148 of 2015) and the creation of the Brazilian Greenhouse Gas Emissions Trading System (SBCE), there has been a significant increase in financial volumes in this market. This expansion opens up valuable opportunities for the development of insurance products aimed at the carbon emissions cycle. In this context, CNseg intends to encourage the creation and adaptation of insurance products and services to meet the needs of the flow of carbon credits in Brazil.

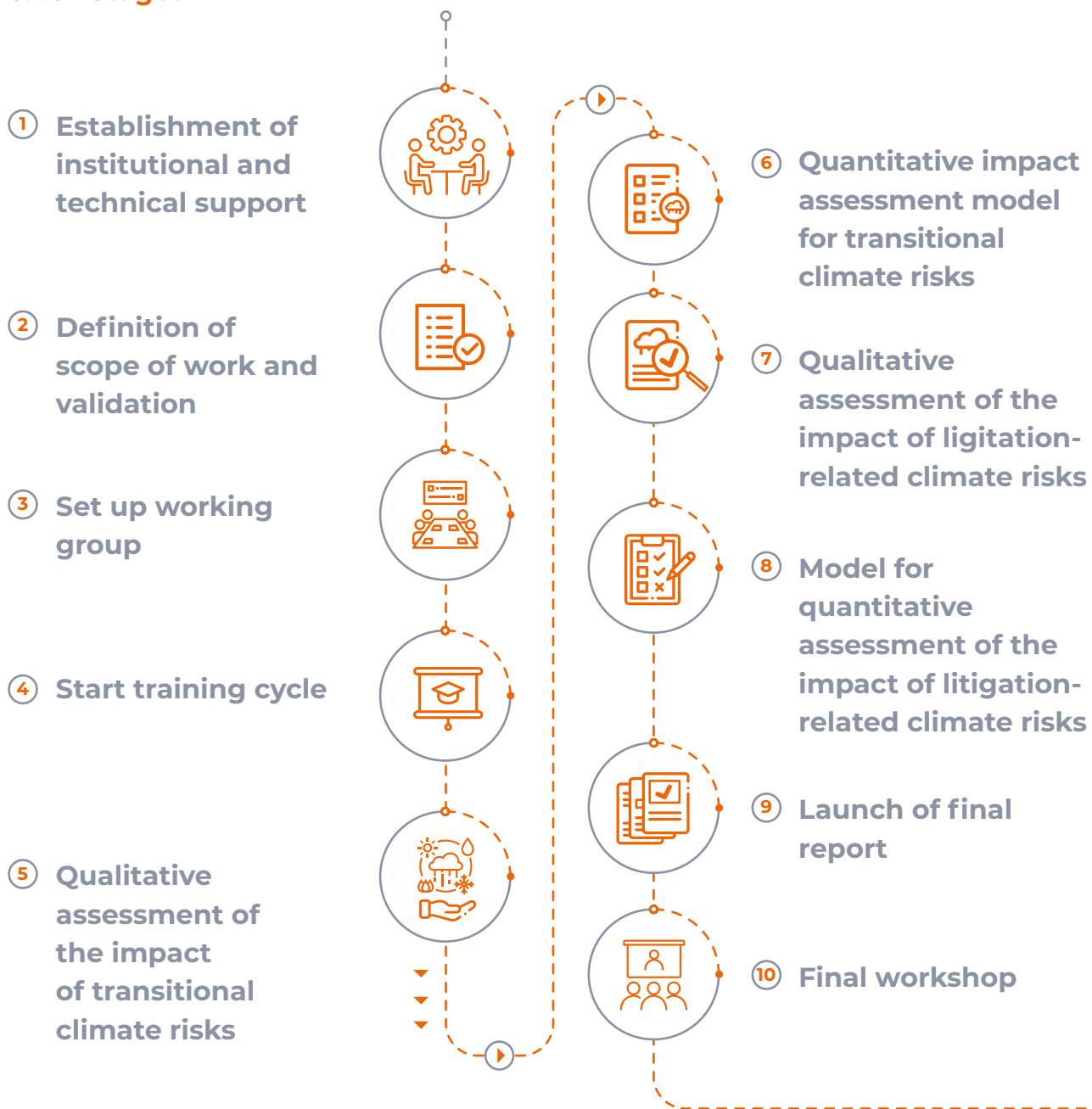
### 6.1.4 Stages



### 6.1.5 Construindo Seguros para a Transição Climática – Phase II

The “Construindo Seguros para a Transição Climática” project, prepared by CNseg in partnership with the United Nations Environment Program Finance Initiative (UNEP FI) and with technical support from consulting firm ERM NINT, is an adaptation of a global project called “Insuring the Climate Transition.” The aim is to provide CNseg member companies with a better understanding of how to assess climate risks from the perspective of the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD). The project’s first phase focused on a qualitative and quantitative assessment of the main physical climate risks in Brazil. Its second phase aims to evaluate the main impacts of transitional and litigation-related climate risks.

## 6.1.6 Stages



## 6.1.7 Assessment of the impacts of ESG risks on life and health insurance

This entails producing a guide to assess the impact of major ESG risks on the underwriting of life and private health insurance products. As well as providing a heat map indicating the potential impact of each ESG issue according to the four underwriting risks (mortality, longevity, hospitalization and morbidity), the material will provide general guidelines on how companies can act to mitigate them.

### 6.1.8 Stages



## 6.2 Encourage society's resilience to climate change

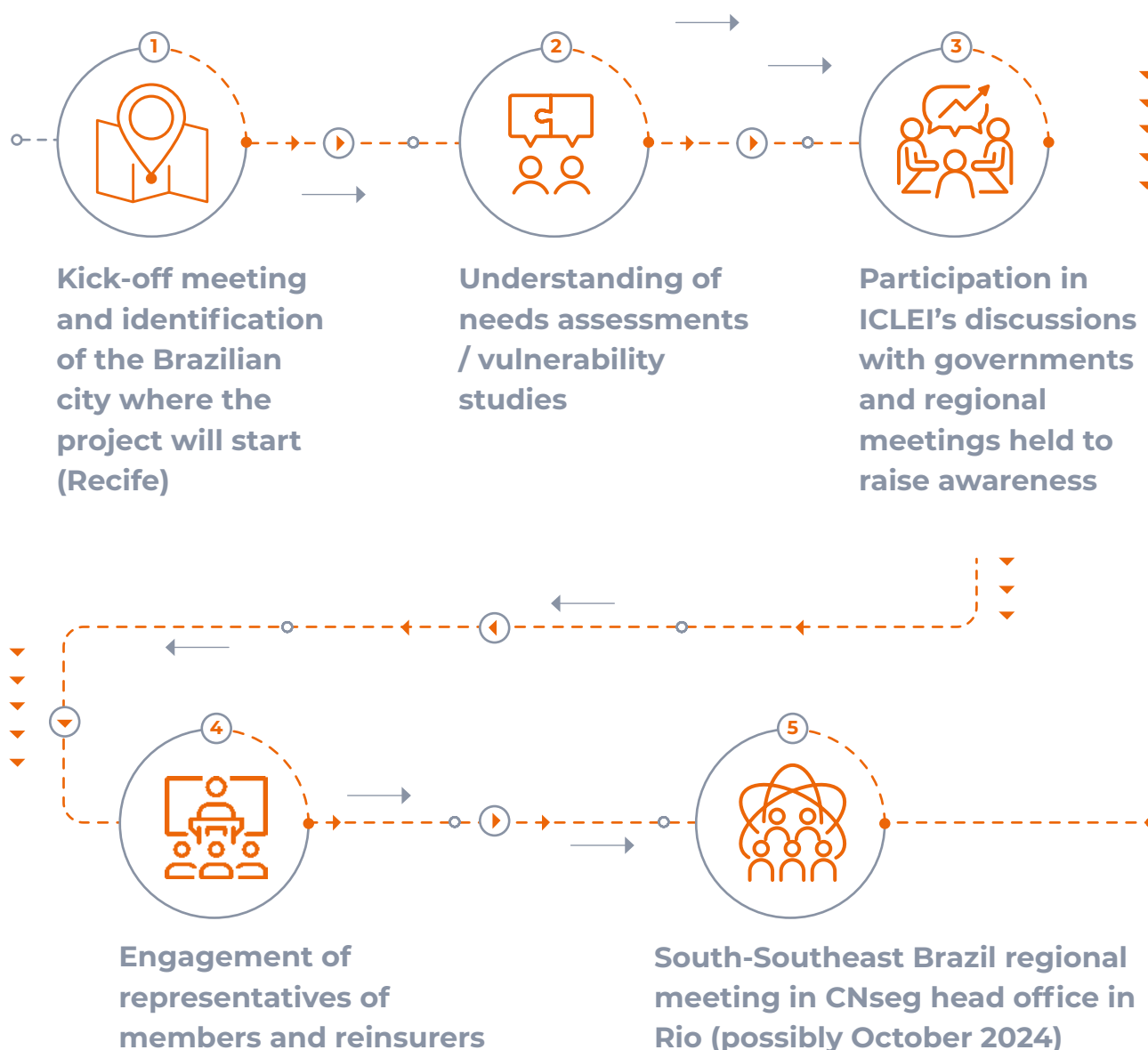
Insurance is fundamental to the climate adaptation agenda, providing immediate support to those affected by extreme weather events and insurance coverage for structural reforms in strategic segments such as infrastructure, agriculture and energy. As well as an emergency response to disasters, it is a key part of a comprehensive approach to climate adaptation and building resilience in the long term, assuming great relevance in national planning for sustainable development.



## 6.2.1 Partnership with ICLEI: “Insurance Mechanism for Urban Infrastructure”

During COP 28, in November 2023, CNseg established a partnership with the International Council for Local Environmental Initiatives (ICLEI) to build insurance programs aimed at supporting people affected by climate disasters and building or rebuilding resilient urban infrastructure. CNseg will thus make it possible to increase the insurance industry’s participation in urban planning, so that insurance contributes to the climate resilience of cities in the pilot project.

## 6.2.2 Stages



### 6.2.3 Climate Data Hub

CNseg is building a repository containing information related to weather events and their impact on the operations of CNseg member companies and federations. This information will be cross-referenced with statistical data from SUSEP and possibly other stakeholders. The hub will generate reports featuring quantitative and qualitative data on weather events and risks in Brazil, in line with sector regulations. The aim is to make CNseg a national point of reference for providing data, statistics and other information related to climate in Brazil.

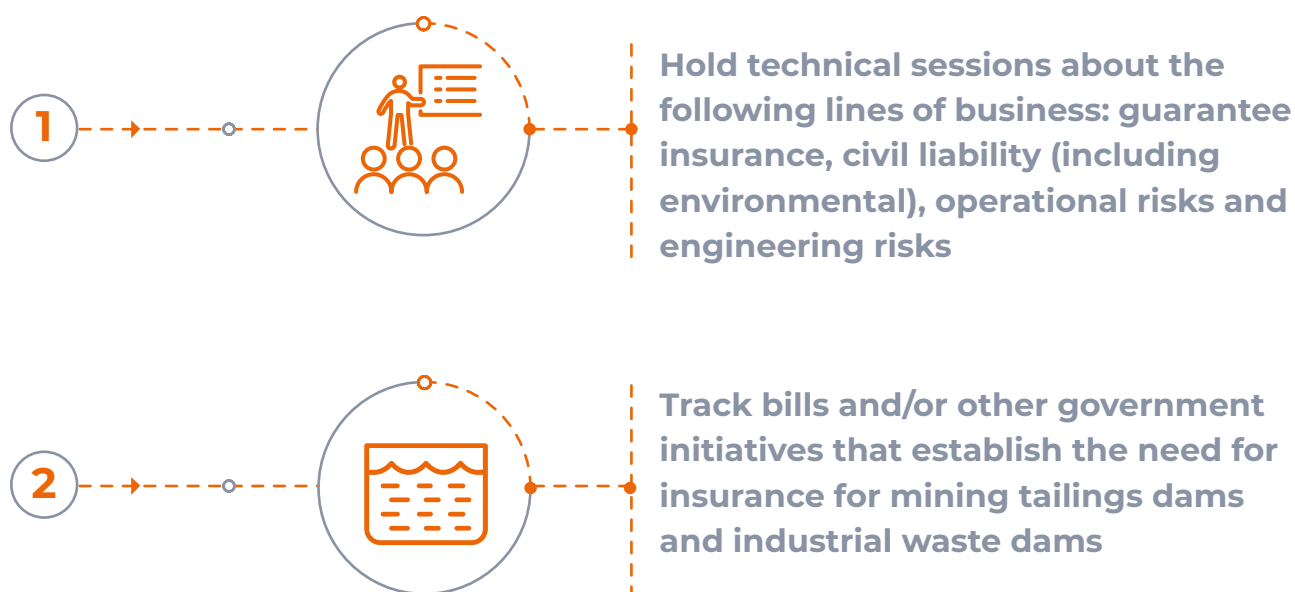
### 6.2.4 Stages



## 6.2.5 Dams and decommissioning insurance

Taking into account the economic importance of activities such as mining and oil and natural gas production, and the impact of these businesses, CNseg proposes the offer of insurance for dams, and especially their decommissioning, related to the definitive ending of operations, encompassing the removal of structures, proper disposal of waste, tailings and other materials, and environmental restoration of sites. This initiative is the result of talks with the Brazilian Mining and Energy Ministry, and it aims to offer a tool for preserving the environment throughout the life cycle of a project, from the environmental licensing phase to closure.

## 6.2.6 Stages



## 6.3 Promote inclusion and combat inequalities -----○

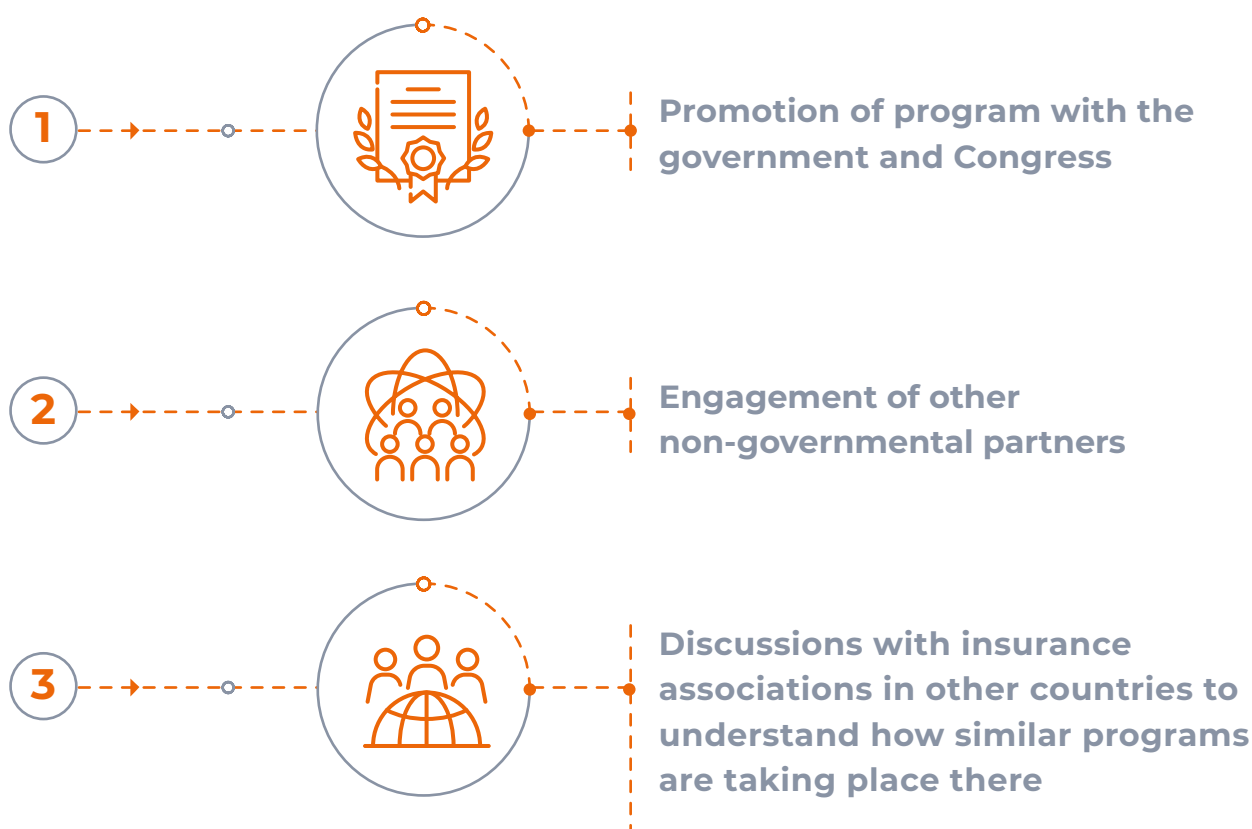
Insurance plays a crucial role in safeguarding the hard-earned assets of low-income people, acting as a vital tool in mitigating the negative impact of unforeseen financial events. This not only protects against unexpected losses, but also contributes significantly to the upward trajectory and social integration of the most vulnerable people, in line with one of Brazil's core missions.

Promoting inclusion and combating inequalities requires the insurance industry to engage in creating an inclusive professional environment, where discrimination of any kind – whether related to ethnicity, gender, age, disability or belief – has no place. Diversity and multiplicity are catalysts for innovation in products and services, and they are essential in both personal and corporate dynamics. These practices are part of a series of global transformations that demand greater social and ethical awareness.

### 6.3.1 Social insurance scheme for natural disasters

CNseg presented a proposal to create a “social insurance scheme for natural disasters,” against floods and landslides caused by heavy rainfall, paying out emergency compensation and funeral assistance to the victims of disasters formally declared by the authorities. This insurance scheme would cover residential properties located in urban and rural areas of municipalities and their inhabitants.

### 6.3.2 Etapas





### 6.3.3 Programa de Saúde Popular (Low-Cost Health Insurance Program)

CNseg advocates the construction of a proposal for a Low-Cost Health Insurance Program, based on a study aimed at establishing a legal and economic overview of the Brazilian health sector, countering criticisms and evaluating international experience, as well as developing general lines of regulation and funding. The aim is to propose a health model that is accessible to lower-income people and to present society with a model that guarantees primary health care, combating the inequality that exists in the Brazilian health system.



