

**AUSTRAL**

H O L D I N G



**AUSTRAL / Re**

Sustainability Policy

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## Chapter 1 – Concepts

- **Sustainability Risk:** set of climate, environmental, and social risks, as defined in SUSEP Circular N°. 666/22;
- **Physical climatic risks:** possibility of losses caused by events associated with frequent and severe inclement weather or long-term environmental changes, which may be related to changes in weather patterns;
- **Transition climate risks:** possibility of losses caused by events associated with the transition process to a low-carbon economy, in which the emission of greenhouse gases is reduced or offset and the natural mechanisms for capturing these gases are preserved;
- **Litigation climate risks:** possibility of losses caused by claims in liability insurance or direct actions against the supervised company, both due to failures in the management of physical or transition climate risks;
- **Environmental risks:** possibility of losses caused by events associated with environmental degradation, including the excessive use of natural resources;
- **Social risks:** possibility of losses caused by events associated with the violation of fundamental rights and guarantees or acts harmful to the common interest;
- **Sustainable Development/Sustainability:** development that meets the needs of the present without compromising the ability of future generations to meet their own needs;
- **Sustainability Aspects:** respect for and protection of fundamental rights and guarantees and common interests; preservation of the environment and its repair, or, when possible, restoration; reduction of impacts caused by frequent and severe bad weather or long-term environmental changes; the transition to a low-carbon economy; and the promotion of a more resilient and inclusive society. In this document it can be considered as a synonym for "ESG", which stands for *Environmental, Social and Governance* (in Portuguese);
- **Impact:** the effect that an organization has or could have on the economy, the environment and people, including human rights impacts, which in turn may indicate its contribution (positive or negative) to sustainable development;
- **Materiality:** It is the process that helps the company to identify the material topics to focus the business strategy. It is based on the relevance of the topics to the business and to

society, based on the assessment of risks and impacts. The main result of the materiality assessment is to determine the set of material issues that are critically important to the company and its *stakeholders*, which will guide the continuous improvement of business performance aiming at the success of the business in the long term. It also determines the most relevant topics to be publicly reported;

- **Material Topics:** is the set of priority Sustainability topics for the Company, as they represent the main threats and opportunities where effective action will be taken, impacting the generation of value. They must reflect the significant economic, environmental and social impacts of the organization on its performance or that substantially influence its evaluations and decisions in the short and medium term in view of the ambitions and generation of value in the long term;
- **ESG pillars:** these are the company's pillars in the environmental, social and governance spheres systematized according to the current strategic configuration of the business and the material topics identified;
- **Stakeholders:** or "*stakeholders*" means strategic audience and describes all people or "interest groups" who are impacted by the actions of an enterprise, project, company or business or have an interest in it. According to SUSEP Circular N°. 666/22 "*They may be employees, customers, suppliers, the local community, government agencies and any other people or institutions directly or indirectly impacted by the products, services or activities of the supervised company*"; and
- **ESG Frameworks:** An ecosystem containing a variety of frameworks and *standards*, which provide guidance and facilitate the disclosure of comparable, consistent and reliable ESG information, so that it can be used by diverse stakeholders – including investors, companies, policymakers, regulators, NGOs and civil society – for decision-making.

## Chapter 2 – Introduction

The Sustainability Policy is based on the Materiality assessment, which consisted of the process of identifying and defining the Material Issues for Austral, considering its main threats and

opportunities in social, environmental and governance issues. This policy was developed in line with the provisions of SUSEP Circular N°. 666/22.

### Chapter 3 – Roles and Responsibilities

The responsibility for ensuring the effectiveness and compliance with this policy falls mainly on the Board of Directors and the Executive Board. However, Austral understands that the involvement of other agents is essential to put into practice the procedures and guidelines described herein, and may highlight the performance of the following parties: (i) **Risk and Compliance Officer**; (ii) **Chief Financial Officer**; (iii) **Underwriting Officers**; (iv) **Governance, Risk and Compliance Department**; and (v) **Business Areas**.

### Chapter 4 – Materiality Study

In view of the alignment with the guidelines of the main *ESG Frameworks*, *the Materiality Study considered the impacts, positive and negative, on the Austral Group, on society and on the environment*. After surveying the themes, they were evaluated for impact and probability. The topics were prioritized considering an adaptation of the dual materiality method – impact of the topic on the Company *versus* impact that the Company causes on society and the environment.

The evaluation considered the research to identify the topics pointed out as materials for the sector, within the *ESG Frameworks*, the specific guides for the insurance sector and comparative analyses with other *players* in the market. In addition, the process considered involvement and engagement with its stakeholders, such as employees and investors.

As a result, the Materiality process produced a matrix with nine Material Themes for Grupo Austral, translated into three ESG pillars, arranged below.

### Chapter 5 – ESG Pillars and Material Topics

Grupo Austral's strategy is based on three pillars:

- Management of social and environmental risks in products and business models;

- Responsibility in the relationship with stakeholders; and
- Innovation and data security.

These three pillars are composed of the 9 strategic material themes for the business, as illustrated in figure 1.



**Figure 1 - ESG pillars and material topics**

## Chapter 6 – Principles and Commitments

Grupo Austral presents its principles that guide the management of ESG threats and opportunities and the commitments for its material topics<sup>1</sup>:

### 6.1 – Management of social and environmental risks in products in the business model

Austral has risk management at the heart of its business. As a basic premise of action, the Company establishes procedures for evaluating its potential customers or businesses in order to

<sup>1</sup> *The sequence of material themes does not reflect the priority of the Materiality Matrix. However, all topics reported are material to the business and have priority relevance to the business, regardless of the order listed in this Policy.*

mitigate reputational, social and environmental risks. The pillars of analysis are defined according to the particularities of each of the business lines of operation.

In addition, an exclusion list and a list of businesses with high reputational risk were determined, applicable to all businesses established by the Company, regardless of the industry. This pillar also includes the observance of the low-carbon economy trend and its effects on customers and, as a consequence, the adaptation of the products that make up the business portfolio.

The material topics that make up this pillar and its principles and guidelines are:

#### **Incorporation of climate risks into underwriting**

**Grupo Austral** will continue to use and expand climate risk analysis, where applicable, in underwriting and contractual conditions to minimize damage from natural disasters and contribute to a more resilient society.

#### **Incorporation of social risks into underwriting**

**Grupo Austral** will continue to use and expand the analysis of social risks, when applicable, in the underwriting and contractual conditions to minimize social damage and contribute to a fairer and more resilient society.

#### **Energy transition**

**Grupo Austral** will assess the effects of the energy transition in the face of the low-carbon economy on risk underwriting and on its client portfolio for possible adaptation and creation of new products, generating resilience and value creation in the long term.

### **6.2 – Responsibility in the relationship with stakeholders**

Grupo Austral understands responsibility in the relationship with stakeholders as the attitude beyond compliance and integrity required by law. Our focus is on building a partnership relationship, based on trust and transparency with the internal and external public.

### **Attraction and retention**

**Grupo Austral** seeks to attract talent and trained human capital to carry out its business plan, carry out consistent actions to engage and retain these employees in order to generate development opportunities for them to be recognized as specialists in the insurance and reinsurance sector. We value a competitive compensation policy, and the promotion of health, safety and well-being of all employees.

### **Diversity and inclusion**

Respect and promote the diversity and inclusion of the workforce (including in senior management) by adopting practices that ensure a safe environment and prohibit discriminatory acts on the basis of race, color, ethnicity, gender, age, social class, sexual orientation, religion, and special needs.

### **Social responsibility**

**Grupo Austral** will continue to develop and support private social investment projects through the voluntary engagement of its employees with partner institutions.

### **Transparency, integrity and ethics in stakeholder relationships**

The operational activities of all employees of the Austral Group, as well as all interactions with *stakeholders*, must be based on the ethical and conduct standards, described in the Code of Ethics and Conduct.

## **6.3 – Innovation and Data Security**

We understand that business continuity will be possible through a set of consistent actions aimed not only at data and information security and cybersecurity risk management, but also at exploring opportunities for digitizing our processes and product innovation and, consequently, our business model.

### **Technological innovation and digitalization**



**Grupo Austral** values Innovation in its processes, stimulating the creativity and intelligence of its employees in relations with *stakeholders* and in the adaptation and development of products.

### **Information security and business continuity**

**Grupo Austral** values the governance of information and cybersecurity, data protection of the company and its employees, customers, suppliers and partners, ensuring business continuity in the long term.

## **Chapter 7 – Final Provisions**

The Board of Directors is the ultimate validator of the guidelines pointed out in this policy. Due to the principle of proportionality, this document has the character of assisting the sustainable development of the Company. This Policy may be amended upon prior approval by the Company's Board of Directors, whenever deemed necessary and/or as a result of legislative and regulatory changes or the Company's corporate governance documents.