

CAIXA

seguridade

*RISK MANAGEMENT POLICY OF CAIXA SEGURIDADE
PARTICIPAÇÕES S.A.*

RESPONSIBLE UNIT

National Superintendence of Risks, Internal Controls and Compliance

TO WHOM THIS POLICY APPLIES

This Policy applies to the Directors and Officers, members of committees, Employees and Contractors of Caixa Seguridade Participações S.A.

This Policy applies to all Appointees by Caixa Seguridade Participações S.A. for Investees.

REGULATION

Minutes 72 of the Board of Directors of Caixa Seguridade Participações S.A. of November 9, 2018.

Decree 8.945 of December 27, 2016.

Enterprise Risk Management – Integrating with Strategy and Performance, Executive Summary issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO 2017).

Law 13.303 of June 30, 2016.

CGPAR Resolution 18 of May 10, 2016.

RISK MANAGEMENT POLICY OF CAIXA SEGURIDADE PARTICIPAÇÕES S.A.

1 PURPOSE

- 1.1 To manage the risks Caixa Seguridade Participações S.A. (“Caixa Seguridade” or the “Company”) is exposed to, including those which could threaten its business model, future performance, solvency, liquidity and sustainability, in order to keep them at levels considered acceptable by Senior Management.

2 DEFINITIONS

- **Directors and Officers** – members of the Senior Management.
- **Senior Management** – means the Board of Directors and the Executive Board of the Company.
- **Critical Activities** – a set of processes or tasks which have to be performed in order to deliver the key products and/or services which enable the Company to meet its most important and time-sensitive objectives.
- **Contractors** – service providers, suppliers, business partners, interns and apprentices of Caixa Seguridade.
- **Compliance** – means conforming to, abiding by, following, obeying an order or rule. It is the Company’s duty to comply with and enforce internal and external regulations and rules.
- **Conflict of Interest** – a situation in which an Employee, Contractor, Director or Officer has private interests that conflict with the interests of Caixa Seguridade and that could harm the Company’s interests or improperly influence the performance of their duties and responsibilities. A conflict of interest occurs whenever an Employee’s, Contractor’s, Director’s or Officer’s private/personal interests influence or might influence directly or indirectly their analyses and decisions at Caixa Seguridade. Personal/private interest is characterized by the Employee’s, Contractor’s, Director’s or Officer’s desire to obtain any advantage, whether immediate or not, monetary or not, for themselves or for their relatives, friends or other persons with whom the Employee, Contractor, Director or Officer has or had personal, business or political relations, to the detriment of the Company.
- **Internal Control(s)** – a process effected by the Company’s Boards, Executive Board or other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial and non-financial reporting, and compliance.
- **Risk Appetite Statement** – a formal document that ensures alignment of the Company’s Strategy with Risk Management and defines the

maximum levels of risk that the Company deems acceptable (risk appetite for bancassurance and open sea) and the risk types and limits the Company is willing to take.

- **Appointees** – are persons appointed by Caixa Seguridade to the Executive Board, Board of Directors, Supervisory Board, Audit Committee and other committees that may exist in Investees.
- **Executive Officer(s)** – the CEO and Executive Officers of Caixa Seguridade.
- **Employee** – an individual who has a contract of employment with Caixa Econômica Federal (“CAIXA”) and works for Caixa Seguridade.
- **Manager** – all Employees occupying a managerial position and all Executive Officers.
- **Monitoring** – evaluations and analyses used to support the production of periodic reports to Managers of processes that need to be improved.
- **Governing Bodies** – include the Board of Directors, the Executive Board, the Supervisory Board and committees existing in the Company, including the Audit Committee.
- **Investees** – companies in which Caixa Seguridade has made a direct or indirect investment.
- **Stakeholder** – any individual or group that can affect or be affected by the Company’s opinions or actions. For example: Senior Management, employees, suppliers, consumers, community, government, stockholders, among others.
- **Capital Risk** – the risk that the Company has insufficient capital resources to support business activity.
- **Compliance Risk** – the risk of losses due to the failure to abide by compliance obligations; the risk of legal or regulatory penalties, financial or reputational loss (reputational risk) arising from the failure to comply with laws and regulations (legal risk), rules and codes of conduct and ethics.
- **Contagion Risk** – the risk that adverse events at Investees result in losses for the Company.
- **Credit Risk** – the risk of financial loss resulting from the uncertainty as to the collection of amounts owed from borrowers, counterparties to contracts or associated with securities issue as per the agreed terms.
- **Strategy Risk** – the risk of loss to the Company which results from adverse changes in the business environment or from the use of inappropriate assumptions in decision making.
- **Liquidity Risk** – the risk that the Company will be unable to meet its obligations because of cash difficulties; and the risk that the Company will be unable to conduct transactions at quoted market prices due to

the size of the required trade relative to normal trading lots or market disruption.

- **Market Risk** – the risk of loss to the Company resulting from changes in the value of assets or liabilities due to fluctuations in interest rates, foreign exchange rates, equity prices and commodity prices.
- **Reputational Risk** – the risk of loss arising from negative perception on the part of stakeholders such as customers, counterparties, stockholders, investors or regulators.
- **Underwriting Risk** – the risk of the insurance company suffering losses because actual claims exceed the forecast made at the time premiums, contributions, quotas and technical reserves were set.
- **Strategic Risk** – a risk category that includes Contagion Risk, Strategy Risk, Reputational Risk and Social and Environmental Risk.
- **Financial Risk** – the risk of loss associated with financial instability and liquidity of the Company. Included in this risk category are Capital Risk, Credit Risk, Liquidity Risk and Market Risk.
- **Legal Risk** – the risk of loss arising from inadequate or deficient contracts signed by the Company, penalties due to failure to comply with laws and regulations, and compensation for third-party damages arising from activities carried out by the Company.
- **Operational Risk** – the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- **Regulatory Risk** – financial loss exposure arising from non-compliance with the regulatory requirements for its industry which the Company must comply with. Included in this risk category are Compliance Risk and Legal Risk.
- **Social and Environmental Risk** – the risk of financial losses and damage to reputation resulting from potential social and environmental damage the Company’s business may cause.
- **Market Risk Segment** – a group of instruments that follow similar rules for price setting: interest rate, foreign exchange rate, equity price and commodity price.

3 RULES

3.1 PRINCIPLES

3.1.1 PRUDENCE

- 3.1.1.1 Careful attitude towards exposures, investments, products, services and other transactions exposed to risk.

3.1.2 TRANSPARENCY

3.1.2.1 Disclosure of information in a timely, accurate, adequate and clear manner that stakeholders understand and make decisions based on the provided information.

3.1.3 GOOD PRACTICES

3.1.3.1 The practices, processes, procedures, models and systems used by the Company are based on good practices of the domestic and/or international market.

3.1.4 EFFECTIVENESS

3.1.4.1 The actions and activities are performed in a way to achieve the best results, with high standards of quality, taking into account cost/benefit and usefulness, according to the nature, complexity and amount of the risk exposure of Caixa Seguridade.

3.1.5 SEGREGATION OF DUTIES

3.1.5.1 The duties of the Risk and Internal Control Officer are separated from the duties of Managers of processes and internal audit.

3.1.6 PREVIOUS VALIDATION

3.1.6.1 Verification of the adequacy and conformity of models and processes, including the acquired ones, for their intended purposes before implementation or change.

3.1.7 COST-BENEFIT

3.1.7.1 Evaluation of costs (risk) and benefits (return) of Company decisions.

3.1.8 LEGITIMACY

3.1.8.1 All decisions, routines and procedures promote the common good and the public interest.

3.1.9 LINES OF DEFENSE

3.1.9.1 The Company adopts the three lines of defense model for risk management and internal controls.

3.2 GUIDELINES

3.2.1 GENERAL

3.2.1.1 Caixa Seguridade recognizes that taking and managing risks is an integral and essential part of its activities and that rigorous and comprehensive risk management brings stability to financial results and contributes to creating value and consolidating its reputation of sound, integrated, profitable, socially responsible and efficient company.

3.2.1.2 Caixa Seguridade's activities and operations are exposed to risks which can be classified in four groups:

- a) Strategic Risks
- b) Financial Risks
- c) Operational Risks

d) Regulatory Risks

- 3.2.1.2.1 The Strategic Risks group includes Contagion Risk, Strategy Risk, Social and Environmental Risk and Reputational Risk.
- 3.2.1.2.2 The Financial Risks group includes Capital Risk, Credit Risk, Liquidity Risk and Market Risk.
- 3.2.1.2.3 The Operational Risks group includes Operational Risk only, and its levels are established by a rule.
- 3.2.1.2.4 The Regulatory Risks group includes Compliance Risk and Legal Risk.
- 3.2.1.3 The risk groups set forth in this Policy are detailed in a rule and available for the entire Company.
- 3.2.1.4 Caixa Seguridade adopts a specific methodology for each type of risk set out in this Policy.
- 3.2.1.5 Caixa Seguridade's risk management policies and strategies are reviewed at least once a year to ensure they are appropriate to the nature, complexity and levels of risk exposures and aligned with the Company's strategic objectives.
- 3.2.1.6 Caixa Seguridade maintains a risk management framework that is adequate to the nature and complexity of its investments, operations and the level of exposure to each risk.
- 3.2.1.7 Risk management framework offers a set of tools that can be used to identify, assess, mitigate, monitor and report the risks facing Caixa Seguridade.
- 3.2.1.8 New strategies, products, services, processes, channels and activities have their risks and controls previously evaluated and are assessed as to whether they are consistent with the level of risk accepted by the Company.
- 3.2.1.9 The Manager concerned plays an active role in the identification, evaluation and decision making on mitigating, transferring or assuming risk, and in the case of significant exposure, decision shall be made by the relevant level of governance based on the risk limits and guidelines set out in the Risk Appetite Statement.
- 3.2.1.10 The criteria for defining exposures are approved by the appropriate body(ies) of Senior Management and are reviewed when considered necessary.
- 3.2.1.11 Caixa Seguridade carries out actions with the aim of mitigating the risks it is exposed to and thus minimizing the impact of unexpected and undesired events on its capacity to produce results and achieve its strategic objectives.
- 3.2.1.12 A risk culture is disseminated and maintained by the members of the Board of Directors, members of Committees, Executive Officers, Employees and Contractors, all of them committed to an adequate risk management in their individual area of responsibility.

- 3.2.1.13 Caixa Seguridade directs Appointees to behave, vote and make decisions in accordance with the Company's policies and guidelines and to immediately report any approval or action of an Investee that represents a conflict of interest with the Company.
- 3.2.1.14 Caixa Seguridade is committed to the continuous technical improvement of its personnel from different hierarchical levels by offering training, academic courses and workshops in order to promote the adequate mitigation of the risks it is exposed to.
- 3.2.1.15 The duties of Risk and Internal Control Manager are independent and separated from the duties of Managers of processes in order to preserve impartiality in the work performed and avoid conflicts of interest.
- 3.2.1.16 Risk management information is generated periodically and provided to Managers, Senior Management, members of the Supervisory Board and the Audit Committee, regulatory body and the market.
- 3.2.1.17 A description of the risk management framework is published in the financial statements of the Company.
- 3.2.1.18 The reports produced by the financial and risk departments contain information on the results obtained in order to assist the decision-makers in conducting the Company's business.
- 3.2.1.19 The Company applies the three lines of defense model to risk management.
- 3.2.1.19.1 The first line of defense identifies, assesses and controls risks and consists of operational and internal controls. The Managers who own risks are responsible for managing risks and for implementing corrective actions to address process and control deficiencies.
- 3.2.1.19.2 The second line of defense consists of the risk management and internal control function, whose role is to monitor and contribute to implementing effective risk management practices. The second line of defense is also responsible for monitoring compliance risk.
- 3.2.1.19.3 The third line of defense is internal audit, which provides an objective and independent evaluation on the effectiveness of internal control, risk management and governance to the Company's governing bodies.

3.2.2 CAPITAL RISK

- 3.2.2.1 The risks that impact capital management, including those arising from Investees, are reported to the Executive Board, the Board of Directors, the Supervisory Board and the Audit Committee.

3.2.3 COMPLIANCE RISK

- 3.2.3.1 Caixa Seguridade has rules and processes in place to ensure compliance with laws, regulations, codes, policies, rules and procedures governing its business.
- 3.2.3.2 The Company has a Compliance and Integrity Program aligned with the best practices and Codes of Ethics and Conduct, which are disclosed to Board members, Executive Officers, Employees, Contractors and Appointees.

3.2.4 CONTAGION RISK

- 3.2.4.1 Contagion risk management encompasses actions taken in Investees in order to mitigate and prevent adverse events occurring in Investees from impacting the business or results of Caixa Seguridade.
- 3.2.4.2 Caixa Seguridade continuously monitors and assesses risk exposures of its Investees.
- 3.2.4.3 For contagion risk management, Caixa Seguridade takes into account the underwriting risk because of its corporate purpose.
- 3.2.4.4 In order to mitigate contagion risk arising from underwriting risk, Caixa Seguridade requests, upon new product and service development, its Investees to provide technical studies that include actuarial analyses on the scope and perspectives of products and services.
- 3.2.4.5 Caixa Seguridade advises Appointees to request at least once a year the presentation to the Board of Directors of the Investee for which they work of actuarial feasibility studies of products sold and to reject products that are inviable or pose evident risks to Investees and to the image of Caixa Seguridade, unless it is in the strategic and/or reputational interests of Caixa Seguridade to maintain and/or sell the product.
- 3.2.4.6 Caixa Seguridade meets periodically with the risk management units of Investees to understand the relevant risks in Investees.
- 3.2.4.7 The relevant risks identified for Investees are reported to the Executive Board, the Board of Directors, the Supervisory Board, and the Audit Committee in the frequency set by these governing bodies.

3.2.5 CREDIT RISK

- 3.2.5.1 Credit risk evaluation is based on data obtainable through the market, credit bureau, risk rating agencies, official federal banks, Central Bank and the counterparty itself.
- 3.2.5.2 Credit risk is reassessed periodically, taking into consideration the nature, term, situation of the contract and the value of the transaction.
- 3.2.5.3 Maximum investment limits are set by the Financial Investment Policy approved by the Board of Directors.
- 3.2.5.4 The Company has a Financial Investment Committee with responsibility for the selection of new assets to add to the investment portfolio.

3.2.6 STRATEGY RISK

- 3.2.6.1 Decisions are based on technical studies, in line with the Company's core business purpose and strategic planning.

3.2.7 LIQUIDITY RISK

- 3.2.7.1 The amount of high-quality unrestricted liquid assets must be sufficient to cover net cash outflows over the short term.

3.2.7.2 Liquidity risk acceptance decisions are supported by an analysis of reports which give an accurate view of returns on financial instruments.

3.2.8 MARKET RISK

3.2.8.1 Caixa Seguridade applies, whenever possible, objective criteria for assessing and monitoring market risk on its investments.

3.2.8.2 Caixa Seguridade sets allocation limits by Market Risk Segment.

3.2.9 REPUTATIONAL RISK

3.2.9.1 The news and events involving the Company are treated on a timely basis according to the internal and external policies and rules.

3.2.9.2 Potential negative perception of the Company by Stakeholders is taken into account in decision making.

3.2.10 LEGAL RISK

3.2.10.1 Caixa Seguridade complies with laws, rules and regulations and performs a systematic research of the case law applicable to the issues in its cases.

3.2.10.2 Before every contract is signed by Caixa Seguridade, it is analyzed by in-house attorneys or an outside law firm.

3.2.11 OPERATIONAL RISK

3.2.11.1 Operational risk management is preventive and considers both internal (people, processes and systems) and external factors that may adversely affect the achievement of Caixa Seguridade's objectives.

3.2.11.2 Operational risk management is integrated into the crisis management, business continuity and information security framework, with the aim of mitigating Caixa Seguridade's risk exposures, reducing financial losses and ensuring the uninterrupted availability of critical activities.

3.2.11.3 Caixa Seguridade is committed to identifying, assessing and mitigating operational risk on processes that could potentially cause losses to the Company, taking into account qualitative and/or quantitative criteria.

3.2.11.4 Caixa Seguridade has efficient controls in place to mitigate the probability of fraud occurring.

3.2.11.5 Caixa Seguridade keeps operational loss data that include the main features of the loss events, based on objective and transparent criteria.

3.2.11.6 Caixa Seguridade sets the loss limits and monitors loss events.

3.2.12 SOCIAL AND ENVIRONMENT RISK

3.2.12.1 Caixa Seguridade conducts its business with the best social and environmental practices in order to mitigate the social and environmental risk.

4 RESPONSIBILITIES

4.1.1 BOARD OF DIRECTORS

- 4.1.1.1 Determine and approve the Risk Appetite Statement.
- 4.1.1.2 Set risk appetite levels aligned with the Company' strategy and objectives and review them with the assistance of the Risk, Integrity and Compliance Officer and the full Executive Board.
- 4.1.1.3 Evaluate and authorize exceptions to this policy and the set limits and risk appetite levels.
- 4.1.1.4 Ensure that the remuneration structure adopted by the Company does not encourage behaviors incompatible with set risk appetite levels.
- 4.1.1.5 Ensure that the Risk Appetite Statement is being adhered to by the Executive Board.
- 4.1.1.6 Monitor, on a periodic basis, the Company's compliance with the Risk Appetite Statement through an analysis of reports from the Risk Unit.
- 4.1.2 FULL EXECUTIVE BOARD**
- 4.1.2.1 Manage Caixa Seguridade in line with the Risk Appetite Statement.
- 4.1.2.2 Ensure that the priorities and guidelines set by the Board of Directors are implemented and followed, in line with the Risk Appetite Statement.
- 4.1.2.3 Decide whether requests for exceptions to this Policy, set risk appetite limits and levels will be submitted to the Board of Directors.
- 4.1.2.3.1 A favorable vote of the Risk Officer is required for the Executive Board to submit exception requests to the Board of Directors.
- 4.1.3 RISK, INTEGRITY AND COMPLIANCE OFFICER**
- 4.1.3.1 Lead risk management activities, ensuring that the conditions set out in the Risk Appetite Statement are met.
- 4.1.3.2 Oversee the development, implementation and performance of the risk management framework.
- 4.1.3.3 Propose the Risk Appetite Statement for the Company.
- 4.1.3.4 Drive alignment of policies, processes, reports, systems and models used in risk management with the Risk Appetite Statement.
- 4.1.3.5 Support and take part in strategic decisions regarding risk management and, when applicable to capital management, provide assistance to the Board of Directors.
- 4.1.3.6 Monitor and report to the Board of Director the Company's compliance with the Risk Appetite Statement.
- 4.1.3.7 Carry out its duties and responsibilities in an independent manner and report directly and without the presence of the members of the Executive Board to the CEO and the Board of Directors, when necessary.
- 4.1.4 RISK, INTERNAL CONTROL AND COMPLIANCE MANAGER**
- 4.1.4.1 Review at least once a year the Risk Management Policy and submit it to the Board of Directors for approval.

- 4.1.4.2 Join with the Manager to identify, assess, control and monitor risks.
- 4.1.4.3 Assist Managers of processes in monitoring the set risk exposure limit.
- 4.1.4.4 Communicate risk information throughout the organization.
- 4.1.4.5 Coordinate the processes of identification, classification and evaluation of the risks the Company is exposed to.
- 4.1.4.6 Monitor deficiencies in risk assessment and monitoring.
- 4.1.4.7 Monitor the appropriateness and effectiveness of internal control and compliance with laws and regulations.
- 4.1.4.8 Recommend improvements to remediate control deficiencies identified.
- 4.1.4.9 Coordinate the preparation of and monitor action plans to mitigate identified risks, continuously assessing the effectiveness and efficiency of risk management.
- 4.1.4.10 Support Senior Management in improving policies and procedures.
- 4.1.4.11 Prepare the risk matrix of Caixa Seguridade.
- 4.1.4.12 Identify changes in the Company's risk appetite.
- 4.1.4.13 Ensure that the Principle of Segregation of Duties is being properly applied so as to prevent conflicts of interest and fraud.
- 4.1.4.14 Establish contingency plans for the main work processes of the organization.
- 4.1.4.15 Prepare periodic reports on its activities and submit them to the Governing Bodies.
- 4.1.4.16 Disseminate the Risk Management Policy and emphasize the importance of each area within the Company to risk management.
- 4.1.4.17 Assess and monitor the universe of risks of Investees and report it to the Governing Bodies.
- 4.1.4.18 Deliver, at least annually, periodic training in this Policy to Directors and Officers.
- 4.1.5 INTERNAL AUDIT**
- 4.1.5.1 Evaluate the effectiveness of and compliance with the Risk Management Policy.
- 4.1.5.2 Provide the Governing Bodies with an objective and independent evaluation of the effectiveness of internal control, risk management and governance.
- 4.1.5.3 Attest to the adequacy of the budget and the risk management framework.
- 4.1.6 PROCESS MANAGERS OF CAIXA SEGURIDADE**
- 4.1.6.1 Follow the Risk Management Policy in order to ensure solvency, liquidity and sustainability of the Company.
- 4.1.6.2 Know the risks inherent in the processes and activities in their own areas of responsibility and respective controls.

- 4.1.6.3 Identify risks and implement controls in processes under their responsibility so as to mitigate risks and ensure compliance.
- 4.1.6.4 Monitor results and implement, or propose to implement, necessary improvements in processes and controls.
- 4.1.6.5 Take responsive actions if the risks occur, in order to mitigate losses to the Company and report to the risk management area.
- 4.1.6.6 Prepare contingency plans for Critical Activities under their responsibility.

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