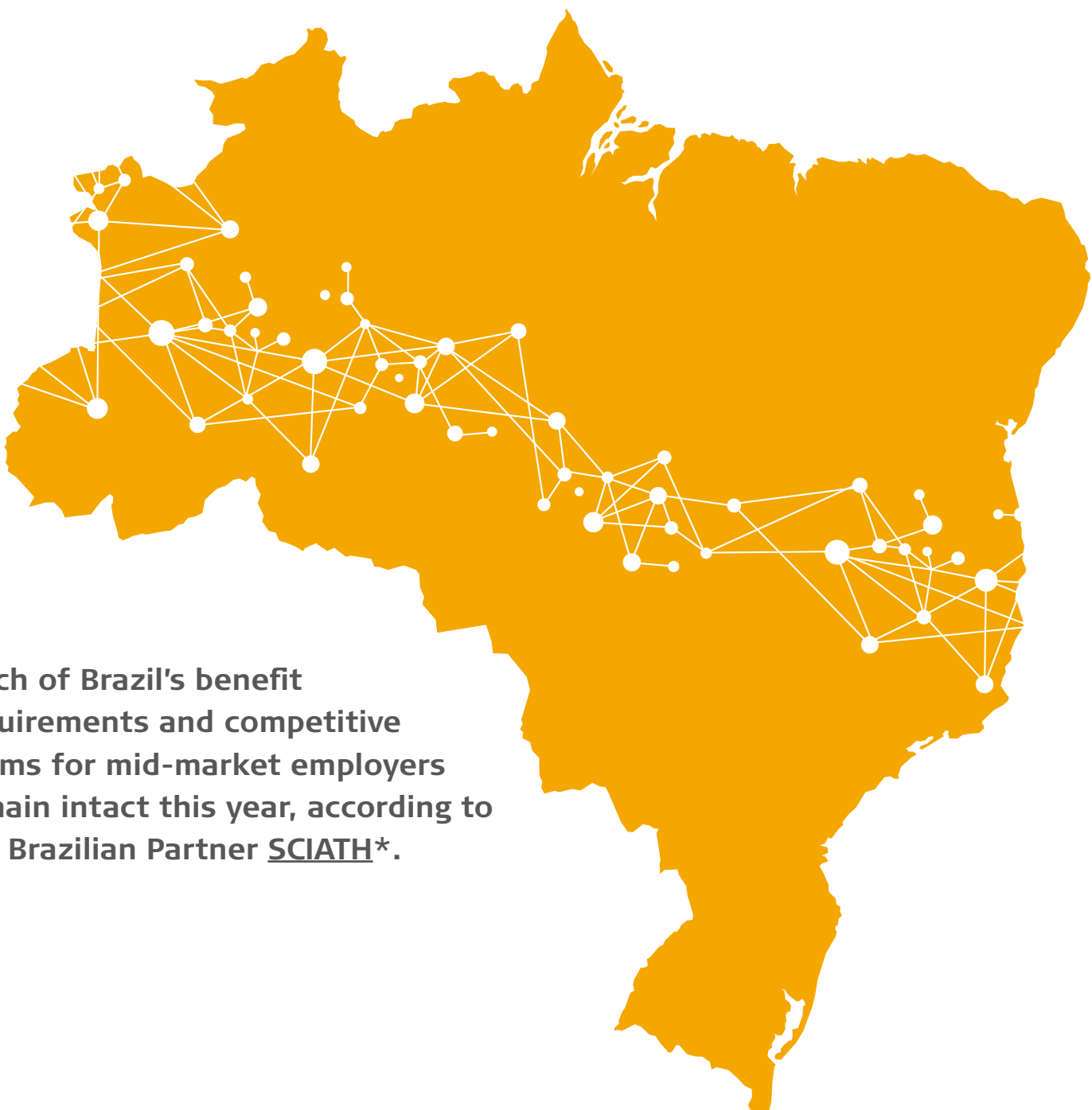


Market and Benchmark Insight Report for Brazil — 2019

Competitive employee benefit norms for mid-market employers in Brazil



Much of Brazil's benefit requirements and competitive norms for mid-market employers remain intact this year, according to our Brazilian Partner [SCIATH*](#).



MEDICAL and DENTAL CARE

Via the Brazilian social security system, universal healthcare coverage is provided on a decentralized regional and local basis with coordination by the country's Unified Health System (SUS).

About 3/4 of the population receives their healthcare from the public system.



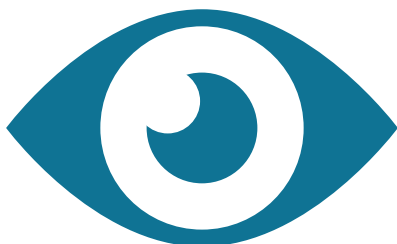
In this contributory system, public healthcare is provided through the National Institute of Social Security's (INSS) healthcare facilities or approved healthcare providers.

The quality of care is generally considered poor in rural areas. In urban areas, the quality of care is adequate in most cases. Often there are long waiting periods for some forms of medical care, such as routine examinations and non-emergency medical treatment.

The National Regulatory Agency for Private Health Insurance and Plans (ANS) regulates health and dental insurance in Brazil. ANS determines the standard, minimum coverage that applies to every health insurance carrier in Brazil. As a result, coverage provided by every carrier is almost equal. What differentiates one carrier from another is the network of hospitals, clinics, and doctors provided. The value of refunds for procedures done outside the network is also a differentiator.

VISION CARE

This benefit is provided as part of the health plan.



PAID TIME OFF (PTO) including sick days, leaves, and holidays

Employees with up to five unexcused absences receive a minimum of 30 calendar days of paid vacation every year after one year of service. Vacation days depend on the number of unexcused absences according to the following table:

Days Absent	Calendar Days of Vacation
0 – 5	30
6 – 14	24
15 – 23	18
24 – 32	12

The following absences are excused and do not qualify towards calculating vacation days: maternity leave, work injury, illness resulting in cash sickness benefits, bereavement leave, marriage leave, or any other leave authorized by the employer.

The 30 days of vacation include weekends and holidays; for instance, an employee going on vacation on 1 May should return on 31 May.

Vacation Bonus – A mandatory cash bonus equal to one-third of the employee's monthly salary is payable in addition to the full pay during vacation leave. It is mandatory that employers provide vacation pay, including bonus, at least two days prior to the beginning of the vacation period.

According to the labor law, employees have the right to convert one-third (approximately 33%) of their paid vacation (normally up to 10 days) into pay in lieu of vacation, which the employer must pay no later than 15 days before the end of the accrual period.

Any unused vacation time does not roll over, and employers must pay it out at the end of the calendar year at **double time rates**.



Sick leave – Employees in Brazil are entitled to 15 days of sick leave paid by employers at full pay. Medical certification of illness is required and employees must present signed doctor's medical certificates to their employers in order for sick leave to be granted. After 15 days, social security pays cash sickness benefits to insured employees **as long as the illness lasts** during which period employees are on unpaid leave.

Bereavement Leave – An employee is entitled to a paid bereavement leave of two consecutive working days in case of death of a spouse, child, and direct relatives, such as parents and siblings. However, bereavement leave may last up to five days, depending on collective agreements, which may also include grandparents as eligible relatives.

Marriage Leave – Employees are entitled to a paid leave for marriage of three consecutive working days.

Voluntary Blood Donation – Employees in Brazil are entitled to one day of paid leave every 12 months for voluntary blood donations. A certificate must be requested by the employee from the donor's center in order to justify the absence.

Electoral Registration – Employees are entitled to two days of paid leave, consecutive or not, if they provide service on the Election Day. Employees can choose to offer this service themselves, or the government may request their assistance.

Brazilian Military Service – All employees subject to mandatory military service are entitled to paid leave for the duration of said service.

"Vestibular" Examination – All employees are entitled to paid leave during the days they can prove to have been taking university admission examinations (Exame Vestibular).

Court Proceedings – Employees are entitled to paid leave for the duration of time they are required to participate in court proceedings.

Union Official Meetings – All employees who are union representatives are entitled to paid leave for each day that they participate in official government meetings.

MATERNITY and PATERNITY LEAVE

Maternity Leave – Maternity leave is provided for 120 days. It may be extended for medical reasons by a maximum of two weeks before the expected childbirth and two weeks after childbirth.



Employment is protected for one month after childbirth. Employers must provide 120 days of paid maternity leave to women covered by social security in case of pregnancy; for adoptive mothers, the leave period is 120 days if the adopted child is less than one-year-old, 60 days if the adopted child is between one and four-years-old, and 30 days if the child is between four and eight-years-old.

The employer is responsible for the payment of the benefit, which is then deducted by the employer from social security contributions.

Maternity Protection – Protection from dismissal due to pregnancy is given from the date that the pregnancy has been reported to the employer until one month after confinement. If the employee is dismissed, she must be reinstated and paid for the time missed since termination.

Brazilian labor law requires employers with 30 or more female employees to provide daycare or payment in lieu thereof to employees with children less than six months of age. Collective agreements may require additional childcare credits, typically for children up to three years old.



Paternity Benefit and Family Allowances

— Employers are required to provide at least five days of paternity leave to employees who become fathers. Employers are required to pay for paternity benefits and family allowances. They are however later reimbursed by social security.

RETIREMENT

The employer should provide supplementary retirement plans immediately if they are promised as part of the hiring package. If not, the employer can wait and provide them at a later date.

Most employer-sponsored retirement plans integrate retirement benefits with social security benefits. A defined contribution plan is integrated with social security by means of a step-rated formula, and often provides a matching contribution. Typically, employees may contribute from 4% to 5%, and companies match 100% of employee contributions up to 5%.



Employee contributions are tax deductible up to 12% of salary. Employer contributions are tax deductible up to 20% of salary. Benefits are generally taxed. Employers who established a plan after 2004 can elect an alternate tax regime.

Private pensions utilizing defined contributions are typically paid as a combination of a fixed monthly lifetime annuity and a percentage of the account balance.

PENSION

Retirement, Survivors, and Disability Pension – These programs are administered by the National Institute for Social Security (INSS). Social security benefits are based on the employee's benefit salary, which is equal to the average of 80% of the two greatest contributive salaries from 1994 onwards. This applies to employees registered with the INSS before 28 November 1999.

It also calculates the average of all years' contributive salaries for those registered after that date. The maximum benefit is equal to the amount of R\$ 5.189,82 per month, depending on the analysis of contributions made by the body.



Old Age Pension – To be eligible for old age pension benefits, the insured must be at least 65 years of age if male or 60 years of age if female. Starting in 2011, a minimum of 180 months of contributions is also required.

The old age pension is equal to 70% of the benefit salary plus 1% of the benefit salary for every 12 months of contributions, up to a maximum of 100%.

Special Pension – A special pension is payable to employees who work in excessively fatiguing, unhealthy, or dangerous occupations if contributions have been paid for 15, 20, or 25 years. The benefit equals 100% of the benefit salary.

The accumulated funds in the employee's Fundo de Garantia do Tempo de Serviço (FGTS) account are payable upon retirement.

DISABILITY

A typical private life insurance policy's disability rider provides a lump sum benefit of 24x monthly base salary in the event of permanent and total



disability or an indemnity in the same amount to the insured's beneficiaries in case of their death.

Employers should provide the following benefit level calculated by the employee's Monthly Base Salary (MBS):

- Death: 24x MBS
- Accidental Death: 48x MBS;
- Total or partial accidental Disability: up to 24x MBS;
- Total or Partial Illness Disability: up to 24x MBS;

Note that disability income insurance applies in the event of both occupational and non-occupational incapacity.

After 15 days of paid sick leave, companies typically supplement the social security benefits to a total of 100% of an employee's salary for the first three months of the event then reducing to a total of 75% for the next three months. Further payments may be made at the company's discretion.

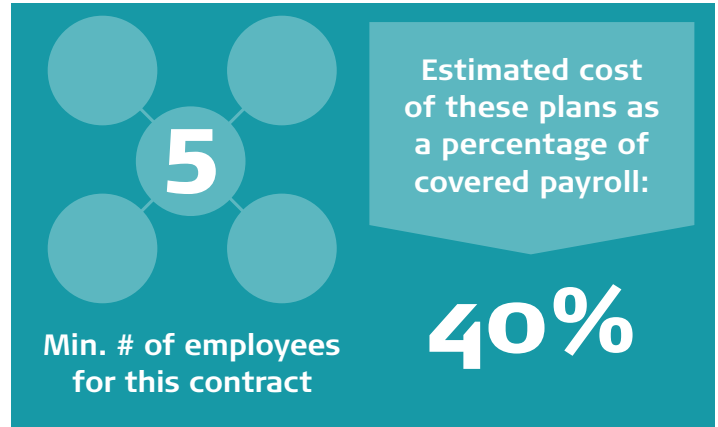
Private retirement plans also offer disability benefits. For defined contribution plans, the total and permanent disability benefit is calculated based on the total account balance and paid as either a monthly lifetime annuity, or a percentage of the account balance.

LIFE, AD&D, and WORKER'S COMPENSATION

It is common to offer this type of insurance to all employees, and for it to be fully employer-sponsored.

A company's life insurance coverage typically includes death of any cause, accidental death and total disability benefits of 24x the insured's monthly base salary. This is for any type of accident and illness, including those that are work-related.

The minimum number of employees eligible for this kind of group insurance contract is now five.



In Brazil, benefits for occupational injury and illness are provided by the Brazilian social security system (INSS). Employees are covered for injuries incurred while working or commuting to and from work, and for illnesses contracted due to working conditions. Medical expenses are covered by INSS as well.

Workers' compensation pensions are paid 13x per year. Medical care is provided in the case of short-term and long-term disability.

In the initial phase of the accident or illness that renders the insured unable to work for more than 15 consecutive days, he/she is covered under the "Auxilio Doença" (short-term disability). If the insured becomes partially or permanently disabled, he/she receives an indemnity called "Auxilio."

For salary continuation, employers are required to pay for the first 15 days of leave due to a work-related accident or illness.

UNEMPLOYMENT

Employment contracts may be terminated for dismissal with or without just cause:

- By the employee
- By the employer
- By mutual agreement between the employer and the employee
- Due to an event constituting unforeseeable circumstances that prevent an employee from fulfilling their employment contract



A dismissal without just cause entitles the terminated employee to indemnity or severance pay.

The Brazilian government mandates that all employers fund a severance pay plan according to the Fundo de Garantia do Tempo de Serviço (Guarantee Fund Service or FGTS) at a contribution rate of 8% of their employees' monthly salaries. Contributions are paid into the Caixa Economica Federal (the central savings bank). The money is paid into accounts in the name of each employee. These accounts are credited with 3% annual interest plus a monthly adjustment for inflation. The system is administered by the FGTS, which reports to a high-level executive council.

The accumulated amount in the employee's account is paid to the employee upon the end of their employment relationship for any reason including death, disability, discharge, unemployment and upon retirement.

ELIGIBILITY and COST SHARING

Employees listed on payroll and direct dependents should be considered eligible for insured benefits plans.

Due to legislation (law 9656/98), SCIATH always recommends the employer fully sponsor the medical and dental plans given future liability incurred by allowing employee contribution.

Under 9656/98 if employees are required to pay a portion of the monthly medical/dental premium or premium for the dependents, the employer must allow qualifying laid-off and retired employees to continue participating in the plan. Employers must pay for one-third of their contribution for a minimum of six months and maximum of two years.

BENEFIT PLAN IMPLEMENTATION

Employers should expect a minimum of 15 business days for underwriting approval. Additional medical testing may be required to issue insurance above guaranteed issue amounts. Then, employers should allow at least 30 days from the time the quotes are accepted before coverage goes into effect.



TAXATION

Employer contributions to company sponsored insurance and retirement programs generally are tax deductible up to maximum limits.

TERMINATION INDEMNITIES

If an employee in Brazil is dismissed without just cause (including non-voluntary retirement), the employer must minimally pay:

- A penalty of 40% of the balance in the employee's FGTS account
- An additional 10% to cover the employee's tax obligation to the government
- A minimum of one month of salary if no notice was provided to the employee
- Pro-rata payment of the annual bonus plus a cash payment for any unused vacation time and bonuses.

The employee may terminate employment contracts for dismissal with or without just cause, or by mutual agreement between the employer and the employee, or due to an event constituting force majeure.

A dismissal without just cause entitles the terminated employee to indemnity or severance pay.

SCIATH

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