This report outlines Brasilcap’s efforts and progress in advancing Environmental, Social and Governance (ESG) issues during the period August 2016 to July 2017.

The information in this report has been compiled from our GRI-compliant Annual Report (click here for the full report). The relevant Principles for Sustainable Insurance (PSI) are shown in brackets in each heading for ease of reference.

We begin by describing our strategy for progress towards our social and environmental goals, as outlined in our Annual Report and in accordance with PSI 3 and 4.

An assessment of how the nature of Brasilcap’s business intersects with social and environmental responsibility has allowed us to better integrate ESG issues across our processes.

We use five primary sources of reference to underpin our Social Responsibility initiatives:

Our Sources of Reference on Social and Environmental Responsibility (PSI 1)

The programs we have implemented in aid of the PSI principles have also positioned us to meet potential sustainability requirements emerging in the insurance industry or established by the Brazilian insurance regulator, SUSEP.

A valuable metric for assessing our performance on ESG issues is the extent to which the results from our annual year-end Ethos Assessment have improved. Brasilcap’s overall rating – measured as the weighted average of the scores for each indicator – was 477 out of a possible 1,000, an improvement from 334 in 2015.

The Ethos Indicators (click the link below for further information (https://indicadoresethos.ethos.org.br/Login.aspx?ReturnUrl=%2f) provided inputs to adequately prioritize the social and environmental indicators addressed.
After this brief overview of our social and environmental responsibility strategy, the following pages of this report, from “Statement from the CEO” to “Materiality Matrix”, address PSI principles 1, 2, 3, and 4.

“(…) Statement from the CEO (PSI 1 / PSI 2)

A challenging year; a special year; a record-breaking year! Brasilcap posted record net income of R$ 439.2 million in 2016, up 16.0% from the previous year. Net revenue was R$ 5.6 billion and technical reserves were R$ 10.8 million – the highest levels in the premium bond segment.

Our ADAPTABILITY becomes most evident when economic conditions are at their most adverse, as in 2016. If we think of it, resilience truly goes hand in hand with the Brasilcap brand: our premium bond products are – and always will be – a way for people to plan their future and achieve their life goals whatever the economic circumstances. We are extremely proud to report a 21.7% increase in our customer base to 3.9 million customers in the year, with a total of 7.7 million active bonds. A COMMITMENT to product quality and customer satisfaction is the driving force behind our continual improvement day after day.

INNOVATION was a constant that permeated our processes in the year, true to our stated mission of developing and providing best-in-class premium bond solutions. Guided by an efficient, sustainable and ambitious business strategy, we disrupted the market with the launch of a new Ourocap product portfolio available from Banco do Brasil, and achieved further expansion through partnerships with the Brazilian postal service, Correios (PostalCap) and Grupo Votorantim (Parcela Premiável). Cap Fiador (a lease guarantee bond product) and Promocap (a sales promotion bond product) also continued to deliver particularly positive results.

Our commitment to EXCELLENCE in everything we do garnered us recognition and accolades in 2016. We were presented with a Corporate Citizenship Certificate by the Rio de Janeiro State Regional Accounting Board (CRCRJ) for the sixth year in a row. Our industry leadership in the year earned us a Prêmio Segurador Brasil 2016 award as the “Premium Bond Market Leader”.

The words ADAPTABILITY, COMMITMENT, INNOVATION and EXCELLENCE are emphasized throughout this report for a significant reason. A look back at the changes we have experienced within the company and in Brazil, the challenges we have overcome and our proud 21-year history of successful business led us to revisit and re-articulate the values that have brought us to where we are today. Brasilcap’s four new values operate as a metaphorical bonding conductor uniting the company around a modern and increasingly systematic, integrated and sustainable management approach. This will ensure that our corporate mentality is better aligned with the expectations and needs of our value chain.

This report builds on our efforts to advance our sustainability strategy and provides further insights into ESG issues to inform solutions addressing our
full range of impacts in accordance with the Principles for Sustainable Insurance (PSI).

Value Chain (PSI 1 / PSI 2 / PSI 3)

An overview of Brasilcap’s value chain, which remained unchanged in 2016, helps to identify our different process flows and interactions with stakeholders.

A value-chain-based business strategy is useful in enabling us to consider, and integrate ESG issues in each stage of every process. This provides greater efficiency and helps to identify opportunities for innovation and new products that are responsive to the market’s changing needs.

Our Guiding Principles (PSI 1 / PSI 3)

Mission
“Provide superior premium bond solutions supporting the aspirations of CUSTOMERS, PARTNERS, SHAREHOLDERS and EMPLOYEES”.

Vision
“To be the leading, most innovative and most profitable company in the premium-bond segment through best-practice management and social and environmental responsibility”.

Our Values

Materiality (PSI 2 / PSI 3 / PSI 4)

In 2016 we used the same approach for identifying and selecting stakeholders, and the same Materiality Matrix generated from the materiality exercise in 2015. An initial shortlist of 29 material issues included issues compiled from our strategic plan, issues suggested by stakeholders and issues included by our Social and Environmental Responsibility (SER) department in consultation with employee representatives. Of these, 13 issues were selected as being most material and significant.

Material topics:

1 - Economic performance
2 - Market presence and regulatory risks
3 - Improving corporate governance
4 - Cross-functional integration
5 - Workplace engagement and productivity
6 - Financial and Bond Education
7 - Indirect economic impacts
8 - Government relations
9 - Working conditions, including health & safety
10 - Anti-corruption
11 - Transparency and accountability
12 - Labor practices
13 - Protecting human rights

Following this overview of our performance on the four PSI principles, the following pages provide further excerpts from our GRI-compliant Annual Report and other information compiled to effectively and transparently convey our efforts related to the PSI principles.
Delivering on PSI 3, we are signatories to a number of global commitments and initiatives and have continued to work with governments, regulators and the premium-bond industry through our membership of committees within SUSEP, CNSeg and FENACAP.

Our membership of the Sustainability and Innovation Committee within the Brazilian Insurance Confederation is especially strategic as it allows us to share experience and collaborate in designing industry initiatives to implement the Principles for Sustainable Insurance (PSI).

The challenge of integrating Sustainable Development Goals (SDGs) into our management practices (PSI 1 / PSI 2 / PSI 3)

Our implementation of the Sustainable Development Goals and especially SDGs 1, 2, 3 and 10 was largely through initiatives funded with tax-deductible contributions. Another way we support the SDGs is through social media posts about global SDG efforts, raising public awareness about the importance of the initiatives and of supporting social and environmental programs. Some social media posts describe the programs we support.

One example is the Recicle Bragança program.

Cooperativa Recicle Bragança, a recycling cooperative, received a donation of equipment worth R$ 199,000 from Brasilcap and Fundação Banco do Brasil for an environment and social inclusion program in 2016. The initiative supported municipal waste segregation while providing a source of income and better living conditions for members of the cooperative, which has collected recyclable waste from a local Banco do Brasil branch since 2005. By expanding waste segregation and integrating more waste pickers into the recycling value chain, the program has helped to reduce the amount of municipal solid waste going to landfill. Learn more: https://nacoesunidas.org/pos2015/ods12/

Brasilcap has worked with Fundação Banco do Brasil to develop a wide range of rural sustainable development programs. These programs focus on developing agribusiness and the logistics capabilities of farmer cooperatives, in line with SDG 9. Learn more: http://bit.ly/2dJ5DjC

Ethics (PSI 1 / PSI 3)

None of our contracts with business partners were terminated or not renewed in 2016 over anti-corruption violations. Brasilcap incurred no fines or non-monetary sanctions for non-compliance with laws and regulations in 2016.

We published a new version of our Code of Business Conduct and Ethics following a review process in which employees were encouraged to provide suggestions, critiques and ideas for Code amendments.

Another significant milestone was our implementation of a new Ethics Hotline in July 2017. The new channel provides a platform for reporting violations of
ethics principles, standards of business conduct or applicable regulations within the company. Concerns can be reported securely, confidentially and, if requested, anonymously.

The Ethics Channel can be reached in the following ways:
Website - canaldeetica.com.br/brasilcap.
Email - brasilcap@canaldeetica.com.br.
Phone - 0800 377 8003 (24h).

Online Anti-corruption Training (PSI 1 / PSI 3)

Brasilcap launched an Online Anticorruption Training program in November 2016 to provide employees with guidance on Brazil’s Anti-corruption Act and pointers on how to ensure we adhere to the highest standards of integrity, compliance and transparency in our business conduct, mitigating the risk of being implicated in corruption violations.

As of July 2017, 97% of our employees had attended anti-corruption training.

Risk Management (PSI 1 / PSI 3)

In 2016 Brasilcap’s Executive Board approved the creation of a new Risk function and appointed a Risk Manager in accordance with SUSEP Circular 521/15.
The risk categories and subcategories that are managed are the same as described in our Annual Report for 2015.

While in our previous report we described plans to revisit our risk matrix in 2016 to include and broaden its coverage of social and environmental issues, the review has been postponed to 2017.

Brasilcap does not currently assess corruption, environmental and social risks in our businesses (PSI 2).
Our Internal Audit evaluates and periodically issues opinions on our risk management processes. Issues identified by auditors are documented as audit recommendations, which inform administrative and managerial action to address the causes and effects of each observed weakness.

SUSEP Circular 492/14 (as amended by Circular 517/15) establishes requirements for the development of Operational Loss Databases by insurance companies, open pension entities, premium-bond companies and local reinsurance companies to provide inputs into research toward improving the venture capital framework based on operational risks.

Our Operational Loss Database stores information on operational losses using the database structure specified in the Circular, including fines and other losses related to the areas covered by the program (Legal, After Sales, Financial, Investment and Products). Reports can be queried from the database to provide relevant risk insights. The project is currently in Phase II and is planned to be completed in the second half of 2017.
Investment in material topics (PSI 1/ PSI 2/ PSI 3)

Brasilcap’s investment team performed a review of our 29 material issues and how they interact within our materiality matrix. They identified synergies between two material issues, one of which – Transparency and accountability – was assessed as posing a significant impact.

As an outcome from the assessment, Brasilcap has committed to input information about our investment into a Business Intelligence (BI) platform to enhance transparency and accountability around our management of investments.

PROCUREMENT AND ASSETS (PSI 1 / PSI 2 / PSI 3)

A review of our Procurement Standard in 2016 developed a new framework under which procurement and contracting for goods and services have been unified under a single standard to improve operational efficiencies while maintaining the same levels of risk management and compliance.

The new standard enhances compliance with the principles of conduct outlined in our Code of Ethics, Anti-corruption Policy, related standards, ESG requirements, and applicable laws and regulations. In addition to reducing procurement lead times, the new standard establishes new thresholds from which requests for quotes are required, new contract drafting guidance and a requirement to consult our Green Book, a set of legal and best-practice guidelines applying to the products and services we use.

Brasilcap’s Green Book provides guidance based on standards, regulations and best practice to support, inspire and encourage employees to be proactive and investigative in their procurement activities. It is also designed to minimize potential business disruption from environmental, social and economic impacts and to protect the Brasilcap brand and reputation. The Green Book is aligned with our Social Responsibility Policy and the Principles of Sustainable Insurance (PSI).

In addition to Green Book compliance, all suppliers are still required to sign an acceptance form in which they commit to upholding legal compliance, freedom of association and collective bargaining and good practices against child, forced or slave labor, environmental pollution and occupational injuries and diseases.

Delivering further on our commitment to advancing ESG issues, Brasilcap is working to implement the following Ethos indicators by December 2017:

- 4.4.2. The organization extends its code of conduct to the supply chain and incorporates it into procurement agreements;
- 6.4.4. The organization formally encourages its supply chain to undertake voluntary commitments as part of its strategy;
- 21.4.3 The organization works to raise awareness about child labor issues among its suppliers;
- 22.4.3. The organization works to raise awareness about forced labor issues among its suppliers.

**Carbon Neutralization (PSI 1 / PSI 3)**

While in 2015 we reported a commitment to plant 399 trees for carbon neutralization, the number of planted trees has since increased to 1,443 following adjustments to the underlying emissions calculations. Brasilcap’s “Forests of the Future” program unites civil society, landowners, businesses and governments in restoring Atlantic Forest ecosystems, supporting both water resource and biodiversity conservation. The program also helps to reduce carbon emissions into the atmosphere. Each hectare of developing forest land can absorb as much as 150 to 200 metric tons of CO₂. The following calculation is used to determine the number of trees to be planted in 2017: 251,370.2 (Kg) in emissions / 163 (kg) of CO2 per tree = 1,542 trees. Carbon neutralization activities are planned to commence in the second half of 2017.

**Training management (PSI 1)**

In 2016 we provided a total of 12,900 hours of training to 224 employees, including corporate, individual, education grant (graduate, postgraduate and language programs) and leadership development programs.

The programs we offer are designed to advance continuing development and are tailored to the audience.

Some of the issues they address are in line with Ethos Indicator ‘19.4.4. Develop and implement training on SER/Sustainability issues to foster continual development within the organization”.

In the first half of 2017, Sustainability was included in our Bem-Vindo induction training program. Sustainability training will also be available online for our employees.

**Diversity**

As part of our commitment to diversity, our job advertisements contain no specifications of age or gender as requirements for candidates, and this has helped to attract talent that is better suited to our business and current circumstances. All employees in a given position are placed in the same wage bracket regardless of gender, race and age and all undergo performance assessments throughout their time in a position.

**Engagement Surveys (PSI 3 / PSI 4)**

Brasilcap conducts routine surveys to gauge employee engagement, with the most recent survey covering 184 respondents who gave the Company an average rating of 82%.
We also conduct customer satisfaction surveys for Ourocap customers, with satisfaction ratings increasing from 65% in 2015 to 67% in 2016. While bond repurchase rates have declined significantly, respondents said this was not due to the quality of the Ourocap product itself but because most customers are low on funds. Recommendation rates remained substantially unchanged. (PSI 1 / PSI 2)

Customer Base (PSI 1 / PSI 2 / PSI 3)
Brasilcap had 3.9 million customers countrywide at year-end, an increase of 21.7% compared with 2015. The weight of products marketed other than by Banco do Brasil in our customer base increased significantly by 165%, with particularly significant growth of Correios/Postalcap products, at 233%.

Partners
Although the weight of our conventional product range declined by approximately 14.7% compared with 2015, a total of 987,400 customers purchased new bonds in 2016, with 358,700 customers purchasing their first Ourocap bonds. Because Ourocap bonds are primarily a savings product, redemptions can be significant during a crisis as customers draw on their financial reserves in times of need. A total of 858,000 customers made redemptions in 2016, with 412,000 customers redeeming their bonds at maturity and 446,000 customers making early withdrawals.

Out of our total Ourocap customer base of 2.2 million customers in 2016, 308,000 were businesses and 1.9 million were individuals, of which more than 65% were in income classes C, D and E.

Understanding Customers’ Perceptions and Needs (PSI 1 / PSI 2 / PSI 3 / PSI 4)
Sales of our flagship product, Ourocap Torcida Brasil, were discontinued in August 2016. A special draw of R$ 10 million, the largest in our segment, took place on August 20, the day before the closing ceremony of the Rio 2016 Olympic Games. The discontinued product led to the development of a new range of Ourocap products.

Brasilcap set a new record in prize payouts at R$ 277 million on more than 33,000 bonds between January and December 2016. The states with the highest prize payouts were: São Paulo (R$ 57.5 million on 6,800 bonds), Minas Gerais (R$ 55.1 million on 3,400 bonds), Rio de Janeiro (R$ 36.3 million on 5,300 bonds), Ceará (R$ 17.2 million on 968 bonds) and Santa Catarina (R$ 14.5 million on 1,900 bonds).

A qualitative market research study in 2016 captured the perceptions and needs of Banco do Brasil clients and our sales force in relation to our premium-bond products to inform the development of a new Brasilcap product portfolio.
The primary finding from the study – that customers want and need financial discipline to support their aspirations and life goals, and a buffer they can draw on to ride out difficult times – has been embedded as a key characteristic of our new product range, with prize draws helping to encourage customers to continue saving.

**Customer Relationship Channels (PSI 3 / PSI 4)**
A number of digital platforms are available for sharing customer content. These include our: Website, blog, social media and Internet.

The content we publish is designed to showcase our products and initiatives, provide financial education and encourage healthy financial habits. This includes Turma da Sorte financial education articles, company-supported social and environmental initiatives and programs, customer testimonial videos, event videos and posts about our sponsorships.

In addition to customer-oriented content, another focus of Brasilcap’s customer relationship management approach is on monitoring interaction on social media.

The Internet, with the sense of impunity created by online anonymity, has increasingly become a haven for explicitly criminal hate speech that is racist, homophobic, xenophobic, tribal and intolerant of certain religions, lifestyles, customs and even physical and mental disabilities.

This challenging issue, which connects directly with human rights, has been espoused by Brasilcap and is increasingly high on our agenda.

A highlight of last year was the launch of our “Zero Perrengue” (“Zero Stress”) blog. The new blog shares some of the expertise we have gained from 22 years of serving and promoting a savings culture among approximately 4 million customers. With 3 separate sections – My Money, My Savings Bonds and My World – the new channel aims to help people to live a more relaxed lifestyle. By providing high-quality content for healthy finances, a healthy lifestyle and a healthy environment, Brasilcap aims to encourage people to change their habits for a better-planned financial future.

Our digital presence has been enhanced by our newly launched Zero Perrengue Blog, regular social media and website content updates and digital customer service as part of an integrated digital strategy supporting our current business model.

From September to December, 2,725 users visited our new blog in the space of just four months.

On Instagram, our following increased dramatically in just one year, from 708 followers in 2015 to 7,478 in 2016.

**Economic and Financial Performance (PSI 1)**
Gross revenue in 2016 was approximately R$ 5.6 billion. Strong performance in the year drove record net income of R$ 439.2 million, an increase of
16.0% from 2015. Technical reserves were approximately R$ 10.8 billion in 2016. Total asset value was R$ 12.3 billion.

**Challenges and Commitments for 2017 (PSI 1 / PSI 2 / PSI 3)**

As we reflect on our performance, we have an opportunity to celebrate with pride what we have achieved, but also to think about what new frontiers might need to be pushed going forward to continue on our journey of success, growth and credibility. It is also an opportunity to set out what our commitments are for the future. Accordingly, several of our departments have undertaken commitments they believe can be feasibly achieved in the coming year:

<table>
<thead>
<tr>
<th>Area</th>
<th>Commitments</th>
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<tbody>
<tr>
<td>Customers</td>
<td>Expand overall customer base; Improve customer satisfaction rates as per the Brasilcap Management Agreement 2017; Meet 80.0% target in the Customer Satisfaction Survey for the Ourocap product range; Improve Ourocap customer retention.</td>
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<tr>
<td>Procurement</td>
<td>Provide guidance and training to requesting departments to improve decision-making in service procurement and ensure Procurement Standard and Green Book compliance.</td>
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<tr>
<td>Internal controls</td>
<td>Develop a roadmap for subscribing to and successfully obtaining Pro-Ética program certification.</td>
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<tr>
<td>Infrastructure</td>
<td>Consider the possibility of monitoring fuel consumption and emissions from our vehicle fleet. Organize awareness meetings to help transportation companies monitor their fleet emissions.</td>
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<tr>
<td>Investment</td>
<td>Consider advancing ESG issues, implementing the principles of responsible investment and identifying investment impacts in the BB DTVM business.</td>
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<tr>
<td>Corporate Business</td>
<td>Develop new <em>Lançamento Promotiva</em> partnerships.</td>
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<tr>
<td>Retail Business</td>
<td>Launch BB Portfolio for the business segment; launch e-learning training course on the Cap Fiador product; Reactivate sales to the agribusiness segment; Introduce lump-sum paid products for the High Income segment; Launch Ourocap Garantia.</td>
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<tr>
<td>Ombudsperson’s Office</td>
<td>Enhance Compliance by submitting filings conforming to Brazilian Private Insurance Board (CNSP) Resolution 279.</td>
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<tr>
<td>HR</td>
<td>Reformulate the <em>Bem Vindo</em> induction training program to include sustainability.</td>
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<tr>
<td>SER</td>
<td>Improve managerial SER reports for ISPR; Automate SER project pipeline controls.</td>
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<tr>
<td>Risks</td>
<td>Implement operational loss database processes as defined by SUSEP.</td>
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To support our disclosure of social and environmental indicators within the Ethos framework, in 2017 we have continued to monitor and assess our knowledge of concepts and issues that are essential to advancing sustainability, and have developed action plans to achieve progress on the following priority indicators:

45.3.1. The organization has an environmental awareness and education program in place to enhance employee engagement;

35.3.1. The organization has a formal private social investment procedure or policy that sets out the relevant areas of investment and decision-making workflows;

35.3.5. The organization has a committee or group of employees dedicated to social investment decision making and oversight;

6.3.1. The organization has policies on Voluntary Commitments;

9.3.4. The organization reviews its sustainability reports to capture opportunities for improvement in the following reporting period;

4.3.1. The organization has developed a program to train employees and contractors on its code of conduct;

27.4.2. The organization provides training for the professional development of employees;

30.2.1. The organization has initiatives in place to reduce employee stress;

33.4.3. The organization runs regular financial education campaigns geared to employees.

Our Ethos disclosures are reported and indexed to the PSI principles in the GRI-G4 Content Summary available at http://104.131.50.157/2016/170726/pt/sumario-de-conteudo-gri.html. For any questions, suggestions, criticisms or feedback on this report, please write to: rsa@brasilcap.com.br.