



Progress Report 2019 Brasilcap Capitalização S/A

Communication on progress in advancing Environmental, Social and Governance (ESG) issues during the period from January to December 2019.

This report reviews our performance against the Principles for Sustainable Insurance (PSI) based on disclosures taken from our GRI-compliant Annual Report 2019 ([click here](#) to read the full report) (PSI 4). The relevant Principles for Sustainable Insurance (PSI) are shown in brackets in each heading throughout the body of the report.



Foreword (PSI 4)

In 2019 Brasilcap worked across different fronts to transform the business and the way we operate. These efforts addressed changes in our product portfolio, the way we engage with customers, and our positioning on environmental, social and governance issues. This Report contains information on management and governance; financial, commercial and operational performance; stakeholder engagement; and social and environmental initiatives. It also reports on our efforts in a year marked by changes in the political and economic environment, in the regulatory framework for premium bonds, and in our own structure, processes, products, work methodologies and culture. Although intangible, these changes have had a profound impact on our day-to-day activities and operations.

About Brasilcap (PSI 1 and 4)

Founded in 1995 as a subsidiary of Banco do Brasil (BB), Brasilcap Capitalização S.A. is the leading player in Brazil's premium bonds segment, a market regulated by the Brazilian Private Insurance Authority (SUSEP). Headquartered in Rio de Janeiro (RJ), Brasilcap has a presence in all Brazilian states and the Federal District through the BB branch network, BV Financeira, the Brazilian Postal Service (Correios), Promotiva and partners.

Brasilcap's activities are guided by the following principles:

Mission

To provide premium bond solutions helping people and businesses to achieve their goals.

Vision

To help improve people's lives through premium bonds, to be a leader in our segment and to contribute to the sustainable development of our society.

Values

- Adaptability
- Commitment
- Excellence
- Innovation

Brasilcap was presented with a Corporate Citizenship Certificate by the Rio de Janeiro State Regional Accounting Board (CRCRJ) for the ninth consecutive year in 2019, and is the only premium bond company in Brazil to have subscribed to the Principles for Sustainable Insurance (PSI)—a framework of recommendations developed by the United Nations Environment Program – Finance Initiative (UNEP FI) to address risks and opportunities in managing corporate sustainability in the insurance industry.

Materiality

In addition to our Vision, Mission and Values, Brasilcap's management approach is informed by identified material topics, i.e. aspects reflecting significant impacts (economic, environmental and social) from our organization or which influence stakeholders' decisions and assessments. Material topics were identified through a survey of our leadership team as well as representatives from our most important stakeholder groups (BB, Brasilcap employees, customers, trade associations in the premium bond segment, and business partners). The priorities and needs of these different stakeholder groups were organized into a list of topics that was then reviewed by our leadership team.

The seven topics in the final materiality list are described below, and mapped to the relevant Sustainable Development Goals (SDGs) as part of the United Nations (UN) Agenda 2030. Each chapter in this Report addresses one or more of these topics, describing related initiatives in 2019. The materiality matrix has also informed the development of a new Sustainability Strategy with support from specialist consultants, identifying the most significant financial and non-financial impacts from Brasilcap's operations.

Topic	Approach	Related SDGs
Customer relations	Diversifying, simplifying and streamlining customer relationship channels; increasing engagement and communications with (current and potential) customers; enhancing transparency and credibility	16
Product portfolio	Re-signifying and diversifying our product offering to meet customer and market expectations; shifting from rigid offerings to products and solutions that are responsive to customer needs	8
Economic performance	Balancing risks and commercial and investment policies in a low-interest-rate environment; expanding operations efficiently and optimizing costs; funding innovation	8
An innovation culture and environment	Evolving Brasilcap's innovation culture; creating flexible and bureaucracy-free organizational structures; revisiting roles and responsibilities and our purpose	4, 5
Governance & Transparency	A clearly defined decision-making structure; enhancing transparency;	16

	embedding sustainability in governance	
Competitiveness and new entrants	Deepening discussion on competitiveness including critical success factors, the development of new partnerships and new business	Not applicable
Products with social and environmental features	Developing products that support social and environmental causes; assessing portfolio impacts on the value chain and social impacts on people's lives	17

Risk management (PS1)

Risk management comprises a set of coordinated activities to identify, assess, measure, address and monitor risks. Risk management requires an understanding of risk characteristics and interdependencies, risk sources, and potential impacts on the business.

Risks relating to premium bonds generally fall under four major groups: underwriting, credit, operational and market risks.

We monitor these risk groups against risk indicators, and have a technical risk committee that advises the Board of Directors. The Risk Committee includes Brasilcap's CEO, Risk Officer, and shareholder representatives.

Our Risk Management Framework comprises risk metrics, a Risk Management Policy and a set of related internal and external standards. These inform the definition of our Risk Profile, which covers aspects including business continuity, corruption, strategy, reputation, market, credit, liquidity, underwriting, fraud, social and environmental liability, and money laundering risks.

At Brasilcap, each department conducts a self-assessment of the social and environmental risks and impacts of its processes. In addition, a whistleblowing channel is available through which any person can report related concerns (read more in *Ethics Hotline*).

In 2019, 48.22% of our operations (high-level processes) underwent assessments for corruption risk, including bribery, fraud and other risks. The number and nature of identified issues are confidential for strategic reasons.

Action was taken in 2019 to increase alignment between the risk management structure and the internal controls system, such as consolidating risks and controls in a single matrix. The approach used in self-assessments of risks and controls was also improved, and the 2020 cycle of self-assessments will use the new and improved model. In 2019 the Board of Directors also approved Corporate Risks, Internal Controls and Compliance policies, and an Integrity Program and its related Anti-Money Laundering, Anti-Fraud and Anti-corruption policies.

Integrity and Compliance (PS1)

Brasilcap's Integrity Program, which was approved by the Board of Directors in 2019, provides guidance in line with our Code of Ethics & Conduct and our standards on Anti-bribery, Internal Controls & Compliance, Offering & Receiving Gifts, Fraud Prevention, and Money Laundering Prevention.

Developed in compliance with the Brazilian Anti-corruption Act (Law no. 12 846/13) and

Decree no. 8 420/15, the Integrity Program comprises a set of internal processes and procedures on integrity, audits, reporting misconduct, and effectively applying our Code of Ethics & Business Conduct, policies and guidelines in order to detect and remediate misconduct, fraud and other domestic or foreign corrupt practices. The Integrity Program guidelines are available for reference on the Brasilcap website or at: <https://tinyurl.com/ProgIntegridade>.

All Brasilcap employees (including direct employees, interns, young apprentices and statutory directors) attend mandatory anti-corruption training, including sessions on corruption, approaches to mitigation and other relevant topics. In 2019, 100% of our workforce attended anti-corruption training. Although anti-corruption training is not provided specifically to business partners, all contracts include a requirement to observe the Brasilcap Code of Ethics & Business Conduct.

Code of Ethics & Business Conduct

The Brasilcap Code of Ethics & Business Conduct (<https://tinyurl.com/EticaConduta>) outlines employees' commitment to Brasilcap's Values and supporting a fair and ethical work environment, as well as addressing topics such as money laundering, conflicts of interest and fraud. The Code applies to all employees as well as to services and materials suppliers, all of which are required to sign a Code of Conduct affirmation form. In 2019 the Code was revised for consistency with our Integrity & Compliance Program and our new standard on Internal Controls.

The Code also supplements our Customer Relations Policy in addressing customer privacy. Brasilcap has controls in place for data provided by our customers. The sale or disclosure of any customer data is forbidden, and prior permission is required for using customer testimonials.

In 2019 a project was launched to adjust our internal processes and data management practices to the Brazilian General Data Protection Regulation (BR GDPR), due to enter into effect in the second half of 2020. A multidisciplinary group has been established to plan the effort. Our Customer Relations Policy will be updated to reflect BR GDPR requirements, and metrics and processes will be developed in 2020 to monitor data privacy.

Ethics Hotline

Brasilcap's Ethics Hotline receives reports about conduct in violation of our ethical principles of conduct and/or applicable law. Any person can submit a report either on the Hotline website (<https://canaldeetica.com.br/brasilcap/#home>) or via a toll-free number (0800-377-8003). Reports are handled in strict confidence and whistleblowers are kept anonymous. Internal committees investigate cases considered material in a process that is documented at each stage.

Internal Controls

A Policy and Standard on Internal Controls & Compliance were issued in 2019, laying out guidance and foundations for effective internal controls systems. To increase employee awareness about internal controls initiatives, content has been developed and published on the following topics: "Preventing and Combating Money Laundering" and "The Fraud Landscape and Notable Cases".

Supplier and third-party management (PS2)

Our suppliers are responsible for the management of their employees. Where individuals are engaged as suppliers, their service agreements include provisions on conduct, obligations and timekeeping that are consistent with Brasilcap's internal policies. Our

Procurement and Contracting Standard requires all procurement to be conducted in accordance with the principles and standards of conduct outlined in our Code of Ethics and Anti-Bribery Policy, the environmental, social and governance (ESG) requirements to which Brasilcap is subject, and legal and regulatory requirements.

All contracts with suppliers have provisions requiring tax, social security and labor compliance. To ensure our suppliers are compliant with corporate and regulatory requirements, an individual is appointed at each supplier to be responsible for monitoring activities under the contract.

Suppliers are not permitted to employ people under the age of 18 in nighttime work or work that poses a safety or health hazard, and may not employ children under the age of 16 for any work other than as apprentices from the age of 14. In relation to forced labor, contractors are required to comply with labor standards and collective bargaining and union agreements applying to their employee categories, and to ensure their employees and contractors are provided with a work environment that meets minimum regulatory requirements.

Brasilcap has recently introduced a policy of screening suppliers against a blacklist available on the Ministry of Economy website (a list of employers who have been implicated in investigations of slave or forced labor – <http://trabalho.gov.br/fiscalizacao-combate-trabalho-escravo>). Supplier due diligence procedures include searches on the Brazilian Child Labor Hotspot Database (SITI), which lists any suppliers that have committed irregularities or human rights violations.

The number of new supplier contracts was reduced in 2019, with more orders being placed with already listed suppliers. Out of the total number of new contracts concluded in 2019, 5% were rated as significant (exceeding the R\$ 500,000 threshold) and underwent social and environmental due diligence in accordance with our Green Guide on Sustainable Procurement. No suppliers were identified as having significant actual or potential negative social impacts in 2019.

Action on sustainability (PS1)

As part of our ongoing business transformation, we are also revisiting our approach to managing corporate sustainability. This includes embedding social and environmental aspects in our products, and implementing financial education and other social and environmental responsibility initiatives for both internal and external stakeholders.

In 2019, Brasilcap developed a long-term Sustainability Strategy that deals with the challenges and opportunities ahead from both a financial (market, products and economy) and a non-financial (behavior, people, new technologies, environmental, social and governance issues) standpoint. The assessment to inform the new Strategy involved our employees and leadership team as well as shareholders, partners, customers and suppliers. Brasilcap's sustainability topics and the new Sustainability Strategy will serve as a guide in future strategic planning.

The Sustainability Strategy is also aligned with the Brasilcap Social and Environmental Responsibility Policy, which in turn is based on the UN Sustainable Development Goals, Ethos Institute disclosures, and the environmental, social and governance (ESG) practices recommended by the National Confederation of General Insurance, Private Pension and Life Insurance, Health Insurance and Premium Bond Companies (CNseg)

Stakeholder engagement on social and environmental issues (PS1, PS2, PS3, PS4)

Our main initiatives addressing social and environmental risks and opportunities in 2019, across our different stakeholder groups, are described in the table below:

Engagement with customers/ investors/ business partners around social and environmental risks and opportunities					
Department / function responsible for engagement	Target audience	Engagement methods used	Topics	Targets/ commitments	Outcomes
Communications [media]	Shareholders, customers and communities	Digital press releases, or in-person or remote interviews	Brasilcap's solidifying reputation as a company that helps customers, businesses, shareholders, partners and supported charities to achieve their aspirations through premium bonds. Initiatives such as: our support for the Association for Assistance to Disabled Children (AACD) through contributions of redemption proceeds from <i>Parcela Premiável</i> products; ENEF Week; and prizes	Our goal for 2020 is to further increase media coverage compared to 2019 (a 32% improvement in positive media visibility)	A total of 80 articles were published (2,633 points), including 10% coverage by prestigious media outlets. The three articles with the highest visibility score covered: <ul style="list-style-type: none"> - Premium bonds as a tool for financial discipline (as part of "Brazil Week") - Brasilcap as a corporate citizen - The customer experience (new Guarantees and Charity products)
Communications [public relations]	Customers	Social media posts (organic and sponsored)	The concept of financial discipline, with a focus on achieving goals. Content themes: tips on saving money; planning for the future and products that can provide financial solutions to achieve goals	Expand the number of users interested in the product and engaging with social media content; build and maintain a high-quality and healthy followership	In December, the first month following implementation of our brandformance plan, Brasilcap's Facebook page saw a 1,481% increase in reach, with 190,839 users impacted. Engagement also improved by 7,746% compared to the previous month. On Instagram, engagement increased by 43%
Sustainability	Business partners	Annual in-person meetings	8 th edition of the Brasilcap Solidarity Awards 2019	Influence business partners, customers, suppliers and other stakeholders to engage in sustainable practices	Positive perceptions among business partners of Brasilcap as a company committed to solidarity and social development. Integration between the sustainability and commercial departments, improving the business environment and helping to influence business partners to engage in socially responsible practices
Sustainability	Business partners and other stakeholders	In-person workshops	A workshop under the theme, "Financial Education and Changing Behaviors", as part of the EDUCAP program	Raise awareness among participants about behaviors that negatively	A total of 1,154 people attended the workshop between May and December 2019. Of these, approximately 99% rated the workshop content highly, and 68%

				affect financial planning	said it was their first workshop on Financial Education. In a workshop assessment survey, respondents described the importance of Brasilcap's Financial Education Program, and the value of premium bonds as a tool for developing a habit of financial planning
Sustainability ¹	Stakeholders	Interviews, online surveys	Prioritization of material topics, Materiality exercise	Sustainability Report 2019	Ten stakeholders were interviewed and 2,554 responded to the online survey. Sustainability assessment

1 Read more in the section on Materiality.

Key initiatives in 2019 (PSI 1)

DIGICAP

Brasilcap's DIGICAP Program was launched as part of a strategy to create innovative products using digital channels. As the first deliverable from the program, a fully digital premium bond product in the Charity category was developed and tested in 2019.

The new product, which allows customers to support charities by donating redemption rights, will be distributed through business partners. Eligible charities will be selected by Brasilcap using criteria established by SUSEP.

EDUCAP

Launched in 2018, the Brasilcap Financial Education Program (EDUCAP) provides training and supports social projects promoting financial education in Brazil. The program aims to achieve five objectives aligned with the business:

- Delivering on our responsibility for sustainable development by encouraging discussion on financial education;
- Improving our performance on social indicators;
- Strengthening our role as a socially responsible Company;
- Contributing to people's financial health so they can lead a happier life with greater peace of mind;
- Addressing material topics for Brasilcap and the insurance industry.

The EDUCAP Program is also helping to generate positive environmental (by encouraging conscientious consumption), social (by promoting financial discipline) and governance (by strengthening engagement with stakeholders involved) impacts.

In 2019, the Program's initial priority target audience was young apprentices, followed by customer-facing employees at Brasilcap and BB branches in Rio de Janeiro.

Through the EDUCAP Program, Brasilcap again marked National Financial Education Strategy Week (ENEF), in its sixth edition in May 2019, with a financial education workshop for young apprentices in Rio de Janeiro.

Another EDUCAP Program highlight in 2019 was a TED-style workshop on "Financial Education and Changing Behaviors". Using an innovative format and content, the workshop taught participants about behaviors that negatively affect financial planning, how to change

mindsets about premium bonds, and how to identify potential customers and buyers. Initially presented to an audience of young apprentices, the workshop was attended by a total of 1,154 people between May and December, including customer-facing employees at Brasilcap and BB. In a post-workshop survey, participants gave 99% positive ratings on workshop content.

Alongside its external initiatives, in 2019 the EDUCAP Program organized a training course on personal financial planning for Brasilcap employees (through our corporate training platform), including both theoretical and practical content. A workshop and course on financial discipline for socially vulnerable audiences was also delivered to a total of 13 classes of participants.

Judging from the favorable responses received in the survey on program content and on the social benefits of financial education for socially vulnerable families, and especially youth who are preparing to enter the job market, the next cycle of the EDUCAP Program is expected to attract an even larger number of participants.

EDUCAP Figures in 2019

- 1,154 participants
- 6 workshops and 4 lectures for young apprentices
- 3 workshops for customer-facing employees at Brasilcap
- 2 workshops for employees at BB
- 2 workshops for partner NGOs
- 1 distance training program for employees
- 13 classes in *Espaço Cidadão* training courses

Brasilcap Solidarity Program (PSI 1 and 2)

The Brasilcap Solidarity Program aims to reduce social vulnerabilities, develop closer engagement with third-sector organizations, and disseminate sustainability practices among customers and business partners. Some of the key initiatives within the Program in 2019 included the Brasilcap Solidarity Awards; our first internal survey on volunteering; and donation campaigns.

Brasilcap annually organizes the Brasilcap Solidarity Awards to recognize outstanding social and environmental programs and initiatives in the year. Two awards were presented in 2019. The Brasilcap Solidarity Trophy was created to recognize *Cap Feador* partners participating in our 2019 Winter Clothing Campaign (which collected donations of winter clothes and blankets for charities). The trophy was awarded to the business partner that collected the largest number of articles for donation. The winner had the opportunity to deliver a R\$ 10,000 prize to a charity named and approved by Brasilcap's Sustainability department. The second-placed *Cap Feador* partner selected a charity to win a prize of R\$ 5,000.

Another prize of R\$ 10,000 was awarded with the BB Foundation Social Technology Award, which recognizes and disseminates social technologies that solve problems in areas such as education, energy, the environment and healthcare. Three initiatives competed for the award. The winner, a project at the Federal University of Paraná to recycle vitreous materials from landfills, was selected by a panel of BB employees. The award program is also used to certify social technologies for BB's Social Technology Database (*Banco de Tecnologias Sociais – BTS*). Entries are accepted from both public and private nonprofit organizations.

In 2019, Brasilcap employees were asked to answer a survey about volunteering. The survey found that 99.3% of respondents believe our volunteering program is highly

important for Brasilcap. In addition, 99% of respondents believe volunteering supports professional development by providing new skills; improves the organization's reputation with external stakeholders; and fosters employee integration within the corporate environment. Survey data was used to develop a tactical plan on Sustainability in 2020.

Two internal volunteering campaigns were also organized as part of the Brasilcap Solidarity Program in 2019. A Winter Clothing Campaign in June and July invited employees to donate socks they no longer wear to the *Meias do Bem* project. Donations were collected by a textiles company and transformed into blankets and sweaters that were then donated to at-risk families. In a Christmas Campaign in December, employees donated toys for children and adolescents served by the *Craque do Amanhã* project.

Donations to AACD (PSI 3)

In 2019, the Association for Assistance to Disabled Children (AACD) received R\$ 16.9 million in donations of redemption proceeds from *Parcela Premiável* products, which are fully reverted to the Association. Brasilcap has supported AACD since 2015, with customer donations benefiting 250,000 people across Brazil with hospital care, prostheses and rehabilitation.

This year Brasilcap was again featured on Teleton, a live fundraiser program aired nationally to collect donations from viewers for AACD. During the program, a Company representative presented a symbolic check for R\$ 4.5 million, part of the annual amount donated by Brasilcap customers.

Brasilcap Environment Program (PSI 1)

Three initiatives were organized in 2019 as part of the Brasilcap Environment Program.

Cleanup Day

Each employee received an eco-bag and garbage bags to clean up their workstations. They were encouraged to keep only the bare essentials for their day-to-day tasks. Around 100 employees participated in the initiative, collecting a total of 389.5 kilograms (kg) of disposable materials in a single day. These were then delivered to a recycling cooperative. Paper, cardboard and plastic materials were recycled and repurposed, contributing to a social and environmental transformation that is happening in the Company and in wider society.

Rodando com Tampinhas project

Containers for discarding plastic bottle caps (from water, soft drink, juice and other beverage bottles) were installed at Brasilcap's head offices. The *Rodando com Tampinhas* project collects the caps and sends them for recycling. For every 400 kg of recycled caps, a wheelchair is donated to beneficiaries of the Brazilian Rehabilitation Association (ABBR). Employees collected and donated approximately 100 kg of bottle caps in 2019.

Conscientious Printing

Launched in the last quarter of 2019, this campaign aims to ensure our office printers are used conscientiously. In November, total print volumes were reduced by 50% (down from 40,000 pages per month). In addition, a reformulation of our *Cap Fidor* and service-of-process workflows helped to save approximately 5,500 pages per month.

Commitment to Sustainability

As we pursue further improvement in social and environmental performance, in 2020 we will continue to promote concepts, material topics and practices supporting progress on sustainability.

Thank you for reading our report.

For any questions, suggestions, critiques or feedback on this report, please write to: sustentabilidade@brasilcap.com.br

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Coordination

Communication & Sustainability