

ANNUAL REPORT 2017



ABOUT THIS REPORT

SITAWI presents its 9th Annual Report, written in accordance to the Global Reporting Initiative Standards (GRI Standards), in the Core option. The report is part of our transparency policy and reflects the aspects of greater relevance to the organization and its stakeholders. It considers SITAWI's activities from January 1st to December 31st 2017 and includes 100% of the operations of the Social Finance and Sustainable Finance programs.

In May 2018, we completed 10 years of operations and will celebrate with even more impact and innovation. This report will present the challenges and achievements of 2017 and also a reflection on the last decade of Finance for Good.

The information presented in this report was drafted by the entire team and monitored by the CEO and the Director of the Sustainable Finance program. Additionally, it was extracted from internal control documents and data provided by our partner organizations and the impact businesses we support. There were no significant changes during the period covered by the report in relation to the organization's size, structure, membership, ownership or supply chain.

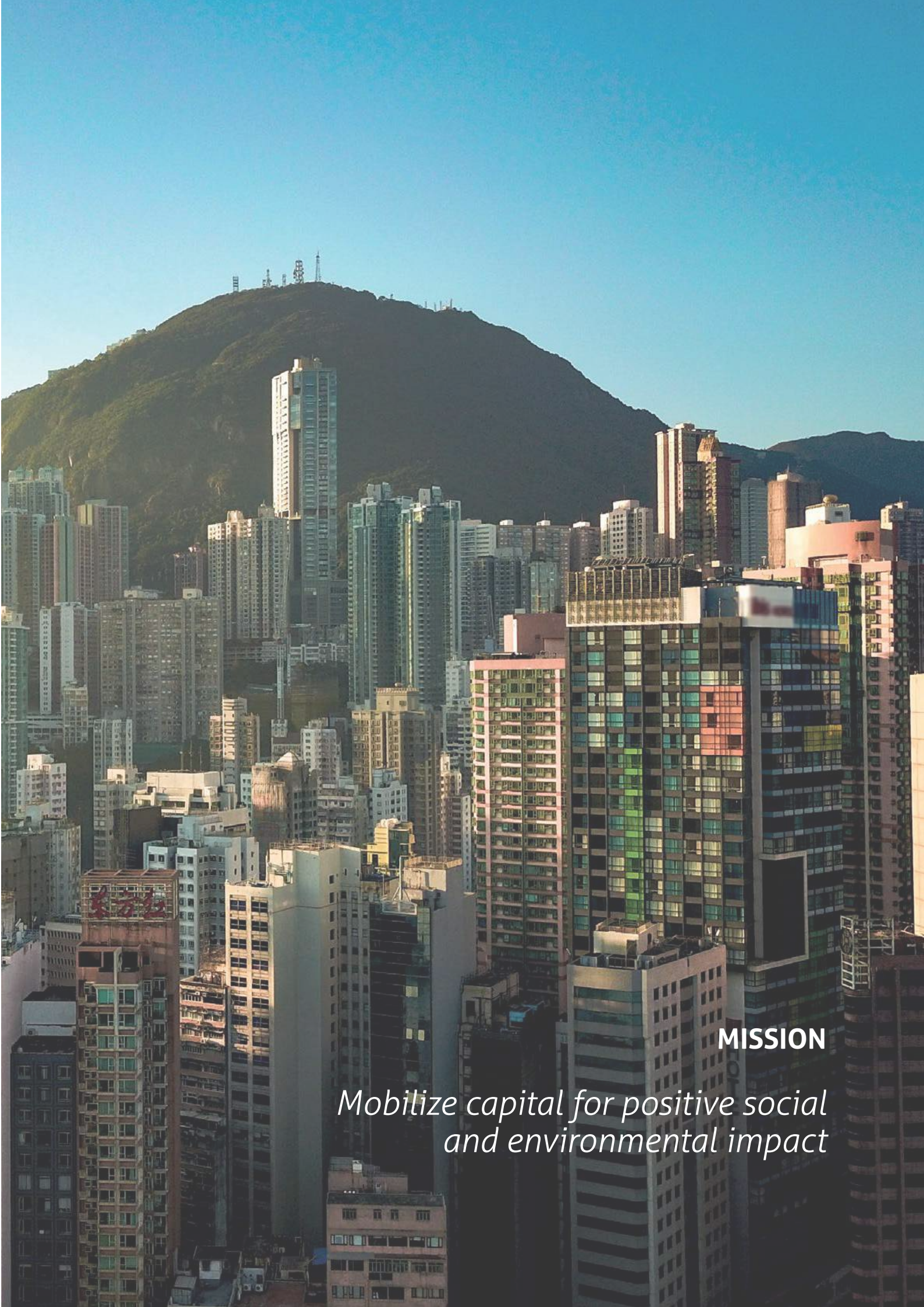
The audited financial statements are available on our website and the management statements are at the end of this report. The electronic version of this document is available on our website in PDF, and should be seen as a continuity of the information provided in the previous Annual Report. If you wish to comment on or request more information about our Annual Report, please contact us at contact@sitawi.net.

SITAWI Team



Annual Report 2017 | SITAWI Finance for Good
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GRI 102-4, 102-10, 102-31, 102-40, 102-42, 102-44, 102-49 a 102-54



MISSION

*Mobilize capital for positive social
and environmental impact*



MATERIALITY

The development of our materiality matrix came from a structured process of stakeholder consultation, in which we invited our network to participate through a newsletter and an specific email. This way we were able to prioritize six themes in our management and, at the same time, guide the preparation of this report.

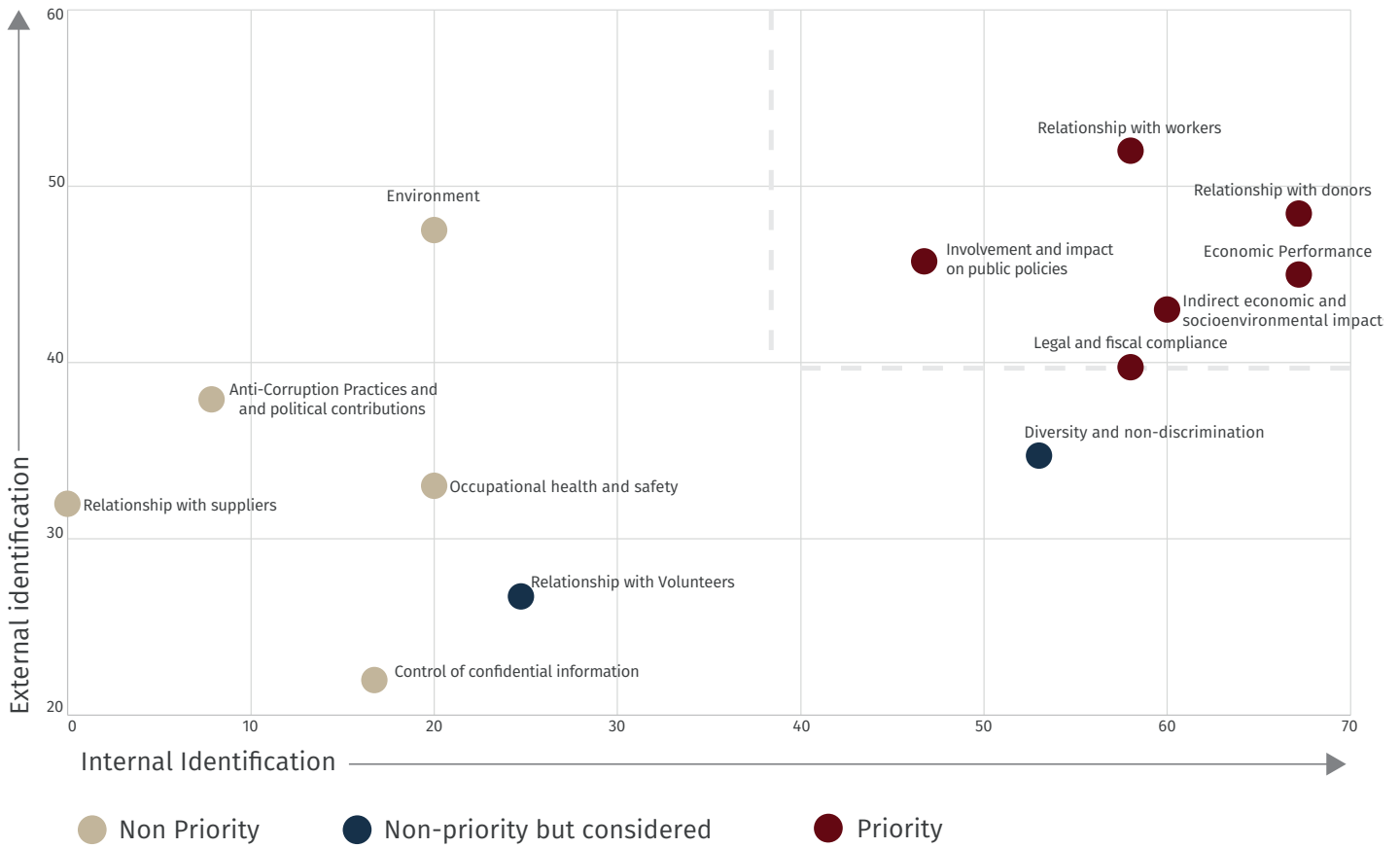
Through an online consultation, we got feedback from 58 people among collaborators, supporters, volunteers and former volunteers, organizations supported by our social and environmental loans and investments, clients from consulting projects, a company evaluated for its social and environmental performance, association or network of which SITAWI participates, partners in projects or initiatives, among others. The consultation also included engagement with the organization's leadership, represented by the executive and advisory boards.

The consultation happened between December 2017 and January 2018 and mapped the perceptions of our stakeholders regarding the relevance of each theme. From this survey, we prioritized and validated each topic in order to define the performance indicators we cover in this report. The process involved the leadership of SITAWI and aims to give more transparency to our actions, commitments and impacts.

We grouped the themes covered by GRI applicable to SITAWI in 13 topics for the online consultation. Out of these, 6 themes were prioritized for management and reporting by both our organizational leadership and stakeholders. Two other themes, "Diversity and Non-Discrimination" and "Relationship with Volunteers", were added because they were considered important to the organization and have already been reported in previous editions. Thus, all 8 material themes are covered in this report.



Materiality matrix



VISION

A world where capital is cheaper, abundant and patient for organizations and businesses creating positive social and environmental impact.

WHAT MOVES US

SITAWI Finance for Good is a pioneer organization in the development of financial solutions for social impact and in the analysis of the social and environmental performance of companies and financial institutions. Founded in 2008, SITAWI has offices in Rio de Janeiro and São Paulo.

We are guided by fundamental values co-created by the team and incorporated into our attitudes:

Striving for Excellence

Expanding the positive social and environmental impact of capital is challenging, requiring continuous development of our skills and the best of us in our everyday lives.

Encouragement of Diversity

Working in an inclusive way - respecting differences, empowering individuals and valuing their potential - allows us to take advantage of the plurality of the human essence and is fundamental to our mission.

Co-responsibility in Actions

Impacting the world is a collaborative task. We will be successful by sharing resources and working together, with individual and collective responsibility and a common vision.

Spirit of Innovation

Equating social and environmental challenges by integrating economic and financial dimensions requires an innovative look that constantly balances creativity and effectiveness.

Transparency with all

Managing and advising capital in pursuit of a common vision requires a transparent stance, accountability to all audiences and a channel for open dialogue.

Action with Empathy

Understanding the perspective and sharing the feelings of those around us implies getting out of our comfort zone and giving meaning to our actions.

SUMMARY

08.	LETTER FROM THE CEO
09.	MESSAGE FROM THE BOARD
10.	INTERVIEW WITH THE MANAGING DIRECTOR
12.	HOW WE OPERATE
15.	SOCIAL FINANCE
17.	PHILANTHROPIC FUNDS (FF)
25.	SOCIAL AND ENVIRONMENTAL REVOLVING FUNDS (FSR)
28.	HOW WE MEASURE IMPACT
34.	COORDINATION OF TERRITORIAL PROGRAMS
38.	SOCIAL IMPACT BONDS (SIB)
44.	SUSTAINABLE FINANCE
47.	CONSULTING
55.	RESEARCH AND EVALUATION
60.	PUBLICATIONS
63.	OUR TEAM
68.	FINANCIAL INFORMATION
70.	GRI STANDARD INDEX

LETTER FROM THE CEO

Ten years ago, SITAWI was born. No one was talking about "Impact Investing" or "Finance for Good," but that was - and still is - our reason for existing. We were three people, a single "product" (but not a single "Real" in the organization's account), a diversity of causes to impact, and many social organizations and impact businesses to support.

Today the term Impact Investment is part of the traditional financial market dialogue. We are now 34 people, with a spectrum of ways to operate philanthropic capital and make financial capital more responsible. We've mobilized more than R\$ 14 million with a high multiplication factor - each R\$ 1 consumed internally in our operations allowed us to allocate R\$ 5.30 in impact - through the support of more than 100 individuals and companies, most of which partners for several years.

The figures point even further. Our philanthropic and social and environmental revolving funds have supported more than 50 organizations, reaching more than 250,000 people in all regions of the country. With our support, billions of Reais have added a lens of environmental, social and governance (ESG) to more responsible and sustainable investment opportunities.

During the same period, the social and environmental challenges did not diminish; in fact, they became more complex and require greater coordination and multidisciplinary in their solutions: thus, in addition to loans, our operations started to incorporate investments, guarantees,

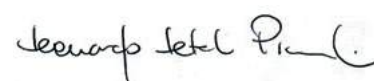
crowdfunding, philanthropic and social and environmental revolving funds, social impact bonds, ESG analysis of companies and assets, social and environmental risk assessment, green bonds... and the list continues to grow. This diversification of solutions has a single purpose: to mobilize even more capital for positive social and environmental impact, and thus fulfill our mission.

The evolution of the organization - not only in terms of external products, but also internal processes - implied a need to adapt my role as CEO. If before I felt fulfilled when talking with social and environmental entrepreneurs and helping them with their financing challenges, today - while others do that - it is up to me to take care of our culture, values and staff on one hand and, on the other hand, to build partnerships that will make us relevant within our vision for the next 10 years.

At this point I want to extend you two invitations: join us in celebrating our achievements, since you have been an integral part of them - from the beyondBanking award (IDB, 2011); the recognition as the 8th most influential social organization in Latin America (TOP500 ONGs, 2017); and as one of the Top 100 NGOs in Brazil (Época / Doar Institute, 2017); to the recognition of our Sustainable Finance program as one of the 10 best in social and environmental research for investors in the world (IRRI, 2017). And since we are nothing without a community, nor would we go very far, please come closer to our work, whether as a supporter or a partner.

I invite you to read this report under the inspiration that our joint achievements over the next 10 years will be greater and more relevant than the first 10.

Good reading!



LEONARDO LETELIER
Founder and CEO

MESSAGE FROM THE BOARD

Working for a world where capital is cheap, abundant and patient for organizations and businesses that have a positive social and environmental impact has been SITAWI's motivation in the last decade.

Looking back, we see the seed we planted in 2008 becoming stronger while the field of Finance for Good was also developing in Brazil. From a pioneering proposal with an initial product anchored in philanthropic capital, SITAWI diversified its activities, mobilizing both philanthropic and concessional capital, and advising financial capital for a positive social and environmental impact. Over time, it has grown and flourished in people, results and achievements, creating a network that stimulates innovation and creativity in the social and environmental sector.

We recognize the dedication of the employees, the engagement of the partners and the credit of the supporters as essential in this journey. We also realize the great importance of all the organizations and partners that act alongside us in the day-to-day, further developing the field. By creating roots that connect our mission, we form a more robust ecosystem together.

We believe in mobilizing capital to finance innovative solutions that address social and environmental issues. Each in their own time, we choose to be part of the Finance for Good. With different backgrounds, what uni-

tes us is the trust in the cause, in the excellence and in the transparency of SITAWI.

With this brief reflection, we would like to invite you to get to know SITAWI's work, because our experience shows that it is worth trusting and getting involved with this organization that, for a decade, has acted ethically and transparently bringing innovation to social and environmental impact in Brazil. Enjoy the next pages and allow yourself to engage.

Enio Stein

Franklin Feder

Guilherme Affonso Ferreira

Lucia Hauptman

Thomaz Conde

Tomaz Solberg

Advisory Board



INTERVIEW WITH THE MANAGING DIRECTOR

"SITAWI's work in the full spectrum of capital - Social and Sustainable Finance - generates internal and external synergies. Internally, we have a larger team with more diverse profiles and skills, which allows us to offer unique development opportunities to our talents. Externally, this "single roof" allows us to offer more complete solutions to complex problems and leverage relationships with stakeholders who work in one field and want to get involved in the other. I say that SITAWI is a "one-stop shop" for anyone who wishes to mobilize capital for positive social and environmental impact in Brazil," comments Gustavo Pimentel, Managing Director and Head of Sustainable Finance at SITAWI.

How have the concepts and practices of Sustainable Finance in Brazil evolved and how has SITAWI responded to these changes?

SITAWI not only responds to changes, but helps to promote them. We have participated in practically all the milestones of the Sustainable Finance agenda in Brazil in the last decade. The banking sector is more advanced in this agenda, with the largest banks active in social and environmental risk and green products for some time now, engaged sector associations and a regulation of the Central Bank (Resolution 4327/2014) which seeks to bring the rest of the sector to a minimum standard. We have done many social and environmental risk assessments for medium-sized and development banks and will now begin a sectoral project to implement the recommendations on disclosure of climate risk of the Financial Stability Board in Brazil. In the investment sector, we see asset managers and pension funds stagnated on the ESG agenda since the Brazilian crisis (2014), but we have worked with some players who continue to push the boundaries of responsible investment by integrating ESG criteria into their decisions. In 2017, we developed an ESG Guide to Pension Funds for Abrapp (the pension fund association) and expanded our customer base in ESG Research. We hope that the end of the crisis will allow these investors to accelerate the pace of implementation. The star of the moment, no doubt, are Green



Team meeting in the Rio de Janeiro office

Rio de Janeiro, december 2017

Bonds (or social, or sustainable bonds). SITAWI organized the first event on the matter in Brazil in 2014 and, currently, we are the leading organization in green bonds locally, having worked in 100% of domestic issuance (8) and leading or participating in all initiatives or working groups on the theme.

How do these responses to the Brazilian context help the international expansion of the Sustainable Finance practice?

Brazil's financial sector and capital markets are very relevant within the Latin American context, and Brazil had also begun talking about the subject before our neighbors. This allows us to support other countries in the region by exporting Brazilian expertise and helping them advance faster on their learning curve. We have executed increasing numbers of projects in Latin America, including Argentina, Bolivia, Colombia, Ecuador, Panama, Nicaragua, El Salvador, among others. We even had a project in Afghanistan. We are particularly excited about Colombia, where we plan to open an office in 2019, so as to get closer to our clients and positively influence the Sustainable Finance agenda in the region.

How are the environmental, social, and governance practices of large companies assessed by SITAWI reflected in its own internal practices?

SITAWI has evaluated more than 200 Brazilian and Latin American companies regarding their ESG performance. If we are the "shoemaker", our children must wear nice shoes. This report is proof of this: we use GRI standards, align sections to the UN Sustainable Development Goals (SDGs) and have an advanced level of transparency for an organization of our size. But we

want to go further, implementing social and environmental governance practices compatible with our organizational moment, without losing the agility and the capacity for innovation. In 2018, we obtained the B Corporation Certification for our for-profit entity (which operates the Sustainable Finance program), committing ourselves to being a "best for the world" company.

What can we expect for the next 10 years?

In 10 years, SITAWI has established itself as an organization that mobilizes capital for positive social and environmental impact in Brazil through various business models and innovative products. But achieving our vision still requires many years of work and many other organizations working towards it. For SITAWI, the challenge of sustainability and innovation remains. Our long term existence will be ensured through the institutionalization of governance, processes and practices that reduce the dependency on the founder and the managing director. We are pleased to see the formation of a team of managers, some with us for more than 5 years, preparing to take over the reins of the organization in the future, as well as a young and very capable team that can take management positions as we continue to grow. Due to the unique combination of competencies required for the execution of our work, it is difficult to hire ready-made professionals in the market, so we invest in forming our talents at home. We welcome the emergence of SITAWI "competitors" - a proof that our model and products are viable and that we are opening new markets for good. But our DNA is in innovation: in the next 10 years we want to continue pushing the frontier of knowledge and practices of Finance for Good in Brazil. More is yet to come. Let's go together?

HOW WE OPERATE

SITAWI's activities are based on two programs: Social Finance and Sustainable Finance. These two pillars are responsible, respectively, for managing philanthropic capital efficiently and for advising financial capital, integrating social and environmental concerns in the decision-making of the actors involved.

The Social Finance program is responsible for the development of Social Impact Bonds (SIBs) in Brazil and for the management of the Philanthropic Funds (FF) and the Social and Environmental Revolving Funds (FSR), from which donations, loans and impact investments are made to organizations and businesses that are committed to impact, independent if they are nonprofit or for-profit organizations. Historically, these operations were made exclusively with SITAWI's capital, and recently we added collective formats, anchored by SITAWI (crowdlending, crowdequity). This program is hosted in the SITAWI's nonprofit entity.

The Sustainable Finance program is responsible for advancing the inclusion of social and environmental issues into investment decisions of development and commercial banks, pension and private equity funds, asset managers, insurance companies, philanthropic foundations, NGOs, associations,

think-tanks and large companies. We follow a fee-for-service business model, where the companies hire SITAWI for consulting and research projects.

This program is mostly hosted at the SITAWI for-profit entity. When the projects generate public benefit - that is, the beneficiary of the project is society at large, not the paying entity - they can be executed under the nonprofit organization.

In both programs, SITAWI is part of networks that seek to advance public policies for the development of a favorable macro-environment to Finance for Good. We can highlight our involvement in the Brazilian Social Finance Task Force - which supported the publication of Presidential Decree nº 9.244 / 17 and creates the National Strategy for Investment and Business Impact - and in the Financial Innovation Lab, led by the IDB, CVM and ABDE, with working groups on Green Bonds (coordinated by SITAWI), Green Finance, and Impact Investments. It is important to note that we are not a lobbying organization.

From the institutional point of view, the programs are supported by shared areas of Fundraising, Administration-Finance and Communication & Culture, under the supervision of the CEO.

GOVERNANCE AND MANAGEMENT

Mobilizing capital for positive social and environmental impact is challenging: it requires innovation, execution capacity and partnerships. The year of 2017 marked another step change in our planning process: we performed an internal evaluation and planning with 100% of the team (from the intern to the CEO), setting goals and targets up to 2020. Throughout the year, we had about 20 meetings that brought together working groups (Culture, Integration, Impact, and HR) or even the entire organization to implement the plan in a participatory manner. And, to better accommodate the growth of our team, we moved to a larger office in São Paulo.

SITAWI's growth led to reviewing internal processes to ensure the standardization of our performance on a larger scale, as well as alignment with best practices. Procedures related to Purchasing, Cash Management, Financial Management, Project Management, Recruitment, Performance Evaluation, Management Evaluation, Volunteer Management, Onboarding of Employees, Travel, Timesheet, Fixed Assets and our Code of Ethics were developed, updated or formalized*.

A grievances channel* has also been established. In addition to the development of these, which were supported by USAID within the scope of the management of the Médio Juruá Territory Program (see page 34), we also highlight the process of the B Corporation Certification for the for-profit entity and the development of a framework for accepting Philanthropic Funds Management in support of democracy and the policy of public positioning on key issues.



Team assembled to build institutional planning 2017-2020.

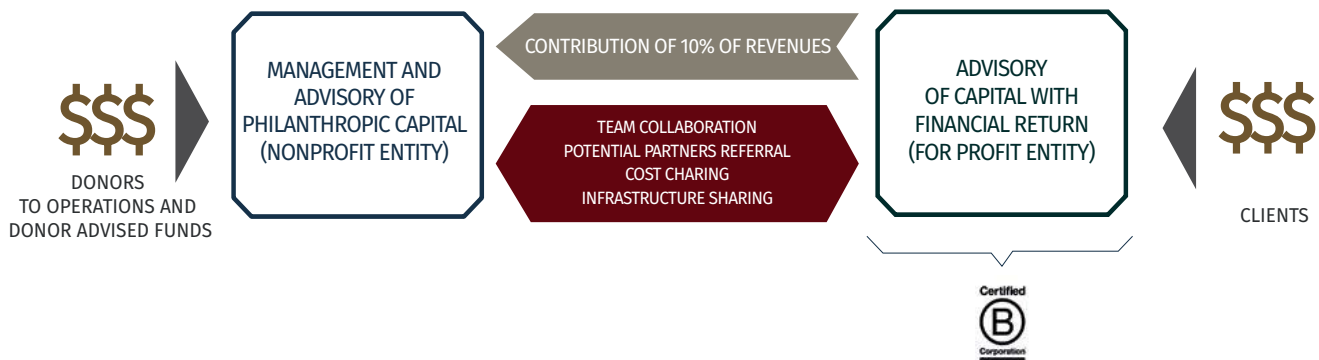
Sinal do Vale, february 2017

* available on our website: www.sitawi.net

Since 2008, SITAWI promotes the transformation of the values underlying the flow of capital. This is what we call Finance for Good, and it contemplates both individuals and their agents - banks, insurance companies,

asset managers and foundations. In order to achieve our mission, we operate at both ends of the capital - philanthropic and financial - and divide ourselves within two entities, each with its focus.

Operating model



The maximum governing body of the nonprofit entity is the General Assembly, which periodically elects the Executive Board, comprised of the president-director (with the position of CEO, responsible for the administrative and institutional areas) and two vice-presidents (responsible for operating areas within the Social Finance program). Additionally, we have an Advisory Board that meets quarterly to review our strategy and execution and can receive recommendations or communications from stakeholders (supporters, clients, employees, press, suppliers, associates or external). The Advisory Board has six members and the Fiscal Council, elected by the members, is responsible for approving the financial statements. The investment committee of the Social and Environmental Loan Fund is composed by the CEO and external guests. Funds established by third parties have their own governance.

It is important to note that since its inception, SITAWI has had the voluntary services of the entire Fiscal and Advisory Council. They are professionals with diverse skills and high professional and personal training, working in different sectors of the market and society, providing continuous services to the organization.

The for-profit entity has its own partners. In order to avoid conflicts of interest, none of these partners are active in any SITAWI governance body, and in no case funds from the non-profit flow to the for profit entity. A contract for resource sharing, brand use and associative contribution binds the two entities.

These careful steps, among others, are taken to ensure that SITAWI has no legal non-conformity.

R\$14.3 MILLION

MOBILIZED FOR SOCIAL AND ENVIRONMENTAL IMPACT

A decade ago, SITAWI developed the first Brazilian Social and Environmental Revolving Fund, supporting social organizations and impact entrepreneurs through Social and Environmental Loans.

Over time, this pioneering Social Finance initiative has grown and flourished in the country. Accompanying the evolution of the field in Brazil and in the world, where more and more actors began to take an interest in Social Finance, SITAWI diversified its activities with different proposals and partners, always seeking to broaden its reach and mobilize more capital for positive social and environmental impact.

In 2012, the first Philanthropic Fund was created, a model that allowed the co-investment of philanthropic capital of multiple actors in common strategies and the incubation and support for pioneering social initiatives in Brazil.

Since then, we have created more than 20 Philanthropic Funds, with several partners and supported causes. We were pioneers in the development and structuring of Social Impact Bonds (SIBs) in Brazil. In 2015, through a consultancy for the Inter-American Development Bank, we analyzed the technical feasibility of this mechanism in two thematic areas and, since then, we have been working on research and development of new contract opportu-

nities and structuring the first CIS in the health sector Brazil.

In 2017, the Territorial Programs Coordination area was established, which, in addition to the financial management of large projects, allows the coordination of several partners, funders and implementing organizations for an specific social and/or environmental objective. This was a major milestone in SITAWI's operations, both from the point of view of the volume of capital, and in terms of organizational development and social and environmental impact.

In the same course, the Social and Environmental Revolving Funds were restructured, offering, in addition to the Social and Environmental Loans, Social and Environmental Investments (with convertible debt) that use sophisticated structures to meet the needs of impact businesses. In 2017, two more innovations were developed that allowed: (1) the first crowdlending for impact business in Brazil, democratizing impact investment and enabling individuals and companies to co-invest with SITAWI, and (2) guarantees for Social and Environmental Loans, allowing the entry of traditional financial institutions to support these enterprises.

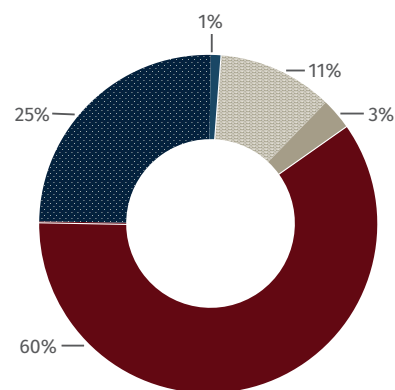
In addition to innovation in instruments and partnerships, 2017 was a year of deep understatement and qualification of the social and environmental impact generated. New processes and tools have been developed to monitor the impact of business and projects in our Philanthropic and Revolving Funds and Territorial Programs. In addition, in order to increase the direct impact of SITAWI, monitoring and support for funded entrepreneurs has been redesigned and piloted in selected organizations.

"By analyzing our 10-year results, SITAWI can look back with the feeling of having matured along with the ecosystem and also look ahead with the certainty that we are ready to increase our impact and scale by responding to demand from individuals and organizations to make a positive impact in the world."

Andrea Resende,
Social Finance Manager

Up until December 2017, SITAWI mobilized R\$14.3 million for positive social and environmental impact, of which R\$5 million were in 2017, reflecting the accelerated growth of the mobilized capital.

Mobilized capital (accumulated until 2017)



- Philanthropic Funds
- Social and Environmental Revolving Funds - direct
- Social and Environmental Revolving Funds - indirect
- Territorial Programs Coordination - direct
- Territorial Programs Coordination - indirect

SOCIAL FINANCE refers to the routing of public and private capital to impact businesses or actions that use financial mechanisms with a commitment to generate social impact as well as financial sustainability.

Source: <http://ice.org.br/financas-sociais>

PHILANTHROPIC FUNDS


Since the establishment of the first Philanthropic Fund in 2012, SITAWI has managed more than 20 funds, allowing several organizations to join forces in co-financing a common strategy. In 2017, R\$2.8 million was disbursed through 12 Philanthropic Funds. The Philanthropic Fund facilitates the articula-

tion of resources from multiple donors and disburses them quickly and efficiently, allowing the funder and its partners to focus their efforts and time on the program management while SITAWI is in charge of the financial management, thus making the allocation of human and economic resources more efficient.

Through this mechanism, it is possible to collect resources from diverse sources, institutional and individual donors, sponsorships and crowdfunding campaigns to be used in the defined strategy. The implementing partners design the program strategy and can suggest organizations to benefit from the fund's support. SITAWI receives the contributions, manages the resource and makes disbursements in the form of donations, as well as payments to external suppliers and project managers (in

some cases, SITAWI also identifies the recipient organizations). Thus, in addition to supporting civil society organizations through donations, resources can be used flexibly for areas of communication, information systems for the project and diagnostics, among others. The resources remain in an exclusive account, audited annually. While some funds have a temporary nature, others have no predetermined end date. Below are the causes and activities of the active Philanthropic Funds in 2017.

How funds flow in Philanthropic Funds:

Where do resources come from?	How are resources managed?	Where do resources go to?	Impact
Donation	Philanthropic Fund	Donation	
Partnership		Project Expenses	
Sponsorship			

GRUPO +UNIDOS



Established in 2006, the +Unidos Group is a partnership between the United States Agency for International Development (USAID) and a group of companies affiliated to the American Embassy in Brazil with the purpose of supporting Brazilian society through educational and environmental initiatives.



In 2017, +Unidos worked on several fronts, always prioritizing the training of the Brazilian youth. Among the projects supported, we highlight the inauguration of five language teaching laboratories (UFPE, UFRGS, UFC, UFPA and UFTM) as part of Brazil's Federal Government program - Languages without Frontiers. In addition, it has renewed its support to the Embraer Institute Scholarship Fund, benefiting 10 female students studying STEM (Science, Technology, Engineering and Mathematics) careers at Brazilian public universities.

A partnership was established with Cidadao Pro-Mundo, an organization that promotes teaching English through volunteering in the outskirts of Rio de Janeiro and São Paulo. The partnership is expected to benefit approximately 2,000 young people per year.

"The +Unidos Group came from the idea of grouping American companies established in Brazil so that they can jointly invest in projects of social and environmental responsibility. This collaborative effort was only made possible through the support of SITAWI, which functioned as an efficient catalyst of processes by directly managing the Philanthropic Fund inherent in the performance of the +Unidos Group, which enabled the entity to act safely and reliably as it gained maturity to establish itself as a formal organization".

Augusto Corrêa,
Executive Manager of the +Unidos Group.

BMW FOUNDATION



Since 2014, the German foundation has maintained a Philanthropic Fund with SITAWI in order to foster intersectorial dialogues for the common good and for social innovation in Brazil. This support, which goes well beyond resource management, enables the BMW Foundation Herbert Quandt to strengthen ties and support projects and actions of more than 40 local partners, as well as expand the local chapter of the Responsible Leaders

Network to almost 70 influencers. In 2017, in addition to the follow-up of Venture Philanthropy support for partner movements and organizations of its networks, the Foundation turned its attention to promoting these transformations through its Responsible Leaders Network. A series of local events, in addition to a leadership journey developed especially for this group, sought to project a common ideal across the network, strengthening collaboration among members and ties to actions with effective and scalable impact.

FORD FOUNDATION - FÓRUM JUSTIÇA



With the support of the Ford Foundation, the Justice Forum (FJ) aims to discuss the public policy of justice in Brazil, focusing on the Public Defender's Office. In 2017, the FJ organized seminars and workshops focusing on strategic human rights litigation, institutional racism, the anti-asylum struggle and the debate on the Ombudsman's Office as mechanisms of popular participation in the justice system, themes that were extended in 2018.

The events had more than 1,600 participants, involving about 200 human rights defenders from all regions of the country and more than three dozen different organiza-

tions and social movements. In its actions, it is worth mentioning the partnership built with entities such as Criola, IBCCRIM and organizations of the women's movement, with institutions such as the Public Defender Offices of Rio de Janeiro and Ceará, and with research groups such as the Human Rights Laboratory (UFRJ) and the Research Group on Gender, Democracy and Law at PUC-Rio.

In addition to activity reports with the registration of debates, completed and ongoing research, and proposals for the improvement of legal practice in the defense of human rights, the Justice Forum launched the Case Library of Strategic Litigation in Human Rights.

RIO+B



Rio+B is a project that encourages companies and business networks to evaluate and become aware of their social and environmental impact, in order to engage private initiatives in the local sustainability agenda. Funded by the BMW Foundation and the Andean Development Co-operation (CAF), the project is carried out by Sistema B (the regional B-Lab chapter) in partnership with the Ellen MacArthur Foundation, League of Entrepreneurs, and PARES, among others. Rio+B invited organizations in the metropolitan region of Rio de Janeiro

to measure their positive social and environmental impacts through the B Impact Assessment, which also incorporated eight circularity indicators specifically for this project. This tool is recognized globally and used for the B certification, made available online free of charge so that any company can measure its impact. SITAWI is responsible for the financial management of the project. In total, 119 companies in Rio measured their impact and 60 evaluated their initiatives in the circular economy. An important development of the project is its replication to other Latin American cities with the creation of Santiago+B and Mendoza+B.

MAHLE INSTITUTE



With the objective of promoting the development of the macaúba productive chain, INOCAS is developing the "Sustainable Extractivism of Organic Macaúba" project, in the mining municipalities of Patos de Minas, Arapuá, Carmo do Paranaíba, Presidente Olegário and Tiros. The financial management of the initiative is performed by SITAWI and it is financed by the Mahle Institute, an organization that promotes human development through social and economic inclusion. This fund was an offshoot of the bridge loan that SITAWI granted to INOCAS in 2016, with the objective of promoting the development of the macaúba productive chain as a source of sustainable vegetable oil. In 2017, INOCAS technical team carried out more than 80 technical visits, 20 meetings in rural communities, 5 Training Workshops and trained 76 family farmers on the good practices of collecting and storing macaúba in the fo-

rest. With the dissemination of the project, 10 farmers carried out the collection of 25 tons of native macaúba fruit. The success of these activities, developed by the most visionary and innovative producers in the region, has a demonstrative role and will encourage a larger group of producers in the 2018 harvest, in which the organic certification of native macaúba will be sought for the first time.



Sustainable macaúba harvesting allows grazing land and other crops to coexist.

DÁ PÉ



The Dá Pé Fund is a campaign led by Pindorama Filmes and SOS Mata Atlântica created in 2015 with the purpose of raising funds for reforestation of the Atlantic Forest. In the first year, the crowdfunding campaign raised R\$ 400,000 for the planting of 20,000 trees on the banks of the Una River in the Paraíba valley, in São Paulo. The success led to the second edition of the

campaign, at the end of 2016, which collected more than R\$ 250.000, transformed into 13 thousand trees planted in APP and Legal Reserve. The project is an initiative of the program "Um Pé de Quê?" and, in addition to planting, takes care of the seedlings until they are strong enough to grow on their own, ensuring that the forest is standing. The two editions of the Dá Pé campaign between 2015 and 2017 were supported by SITAWI's financial management.

NOVA DEMOCRACIA



The Nova Democracia coalition is a platform dedicated to bringing together and promoting collaboration among people, organizations and civil society movements to improve the rules, conditions and practices of the political dispute in the country and the day-to-day interface between institutions and society. In 2017, it directed efforts to defend proposals on political reform debate in the National Congress through the "Reforma que Queremos" campaign, advocating independent candidacies, internal party democracy, and democratic campaign financing. Also in 2017, a cooperative effort, to continue throughout 2018, was initiated: the Pact for Democracy. It is an agreement proposed by civil society and celebrated by

political actors committed to good electoral practices and engaged in the promotion of a broadly participatory Political Reform to be implemented in 2019.

"The partnership with SITAWI was and is decisive as part of this journey, with the Philanthropic Funds model fully reflecting the spirit of alliance and sum of efforts to achieve a public purpose from society. The project fund, managed by SITAWI, reflects in the financing framework the meaning of the general proposal of the initiative, allowing us to gather and mobilize the necessary resources to practice and reach the actions in a shared, effective and transparent manner".

José Marcelo Zacchi
Nova Democracia

FORD FOUNDATION - NUVEM



Nuvem (Cloud, in English) is a base for technology and sustainability-related experimentation, research and creativity in a rural context. SITAWI had expenditure responsibility for a grant provided by Ford Foundation in 2016-2017. In 2017, Nuvem completed two actions: "Resilience" - Artistic Residency within the Feminism and Disruptions program was an artistic residency and

exhibition in the mountainous Serrinha do Alambari with an aim to increase access to contemporary art for rural and peripheral populations. Within the Territorial Actions program, the Mesh Network Mutirão resulted in the creation of autonomous community networks and the collaboration with Coolab stood out. In addition, Nuvem produced the Resilience: Artistic Residency catalog and a publication on the Subversive Economy. With the end of the project in 2017, the Feminism and Disruptions program became an independent entity, the Silo - Arte and Rural Latitude.



"SITAWI was very important in the transition from the Nuvem project to the SILO association. Throughout the year we held meetings covering human resources management, logistics, donation management and budget readjustment. At these meetings we were able to learn about different ways to manage, organize and produce our activities. Thinking together with SITAWI was fundamental to the transition for it required transdisciplinary versatility and knowledge. The complementarity of SITAWI's team contributed greatly to the success of the management and the transition."

Cinthia Mendonça, Director and Founder
Silo - Art and Rural Latitude



Artistic performance "Connecting Machines"
by Pierre Fonseca, in the activity Resilience:
Artistic Residency

Serrinha do Alambari, Resende - RJ

AGORA!



Agora! (Now!, in English) is an independent, plural, non-profit and non-partisan political movement, created by people considered experts in their specialty areas. The movement aims to develop and implement a public policy agenda to build a more humane, simple and sustainable Brazil. Founded in 2016, Agora! holds talks around the country to discuss and consolidate proposals for the ten priorities of its agenda, including health, education, public security and the fight against inequalities. SITAWI temporarily managed resources for the initiative while it was being incorporated.

"SITAWI was instrumental in enabling us to transform our ideal into reality, offering us a way to operationalize our civic movement until the incorporation was completed, a brilliant and essential idea for the strengthening of Brazilian civil society."

Melina Risso
Co-founder of Agora!

INSTITUTO INTERCEMENT



The InterCement Institute sought SITAWI to manage a Philanthropic Fund to support the organization's community development activities. The investment executed in 2017 had the purpose of holding the "Ideias Comunitárias" ("Community Ideas", in English) contest to support projects of entrepreneurs from the cities where the entity operates. The initiative aims to encourage members of Community Development Committees (CDCs) to exercise entrepreneurship through the development and

implementation of projects that contribute to community development.

In 2017, Community Ideas selected six projects from five Brazilian states to receive a financial contribution of up to R\$20.000 each, in order to develop activities that strengthen community ties, value local assets, articulate partners and form collaborative networks, with the final goal of creating a favorable and participative environment for the sustainable development and autonomy of the communities, preferably in the municipalities in which the organization carries out its industrial activities.

ELLEN MACARTHUR FOUNDATION



The Ellen MacArthur Foundation was founded in 2010 in the UK with the goal of accelerating the transition to a circular economy. Since its inception, the organization has emerged as the global leader for this new way of thinking, establishing the circular economy in the agenda of decision makers in the public and private sectors and in academia. The organization's work focuses on five interconnected areas: Business and Government, Education, Insight and Analysis, Systemic Initiatives and Communication. Since 2015, the Ellen MacArthur Foundation has promoted a circular economy in Brazil. In 2017, the Foundation established its own institution in Brazil, becoming independent in structure and financial management, and one of the first examples of a SITAWI Philanthropic Fund

promoting conditions for independent initiatives. SITAWI wishes the foundation success on this journey towards regenerative and restorative economy.

"Mid 2015 the Foundation saw a unique opportunity to help accelerate the transition to a circular economy in Brazil and wider Latin America. SITAWI played an instrumental role in the process of establishing a presence for the Ellen MacArthur Foundation in Brazil. Over the course of just under 2 years SITAWI managed our philanthropic fund. Which gave the Foundation the flexibility, organisational and legal bandwidth to focus on setting up formal operations while at the same time creating a positive impact in the market".

Casper Jorna, CE100 Programme Lead
Ellen MacArthur Foundation

FUNDAÇÕES E INSTITUTOS DE IMPACTO - FIIMP



Fundações e Institutos de Impacto (FIIMP, Impact Foundations and Institutes, in English) was inspired by recommendation #2 of the Brazilian Social Finance Task Force (FTFS), concerning the role of Foundations in the field of Social Finance, and originated at the FTFS Innovation Lab in 2016. From one of the prototypes of the Lab, a group of 22 family, business and independent foundations and institutes coalesced with the purpose of learning, monitoring and knowing the results of investments in impact businesses, experiencing the use of different financial instruments in a collaborative in a collaborative setting.

Each partner contributed the equivalent to 10,000 USD in 2017, and three different financial instruments were chosen to be supported by the group. To execute them, in the form of loan guarantee, loan and convertible debt (through crowdequity), three partners were selected: SITAWI Finance For Good, Bem-tevi and Din4mo Ventures, respectively.

FIIMP organized its governance with all the foundations participating in different committees, playing a specific role generating learning and interaction among them. Throughout the year, six workshops covered key themes ranging from legal issues to the sharing of partners' investment processes.

As one of the main objectives of the group is the dissemination of knowledge, the performance and learning of the first year of operations was systematized and transformed in-

to a publication, to be launched in 2018. The idea is to shorten the path for foundations that want to enter the field of (for profit) impact businesses and investing.

"FIIMP has been a very rich space for exchange of the dilemmas that involve supporting impact businesses, the diversity of financial mechanisms and their peculiarities. Institutes and foundations traditionally support social and environmental initiatives with non-reimbursable resources, and this field of impact investing emerged recently as a complementary possibility to traditional grants. This social finance ecosystem is a new world for many of us, and the shared learning that FIIMP provides ends up reducing risks and speeding up the process. Vale Fund's current challenge is to stimulate this ecosystem in sustainable productive projects in the Amazon, based on our accumulated learning."

Márcia Soares
Vale Fund



Meeting of FIIMP members
São Paulo, SP - february 2017



SOCIAL AND ENVIRONMENTAL REVOLVING FUNDS

Over the last 10 years, SITAWI has made 31 Social and Environmental Loans and 2 Social and Environmental Investments (in the form of convertible debt), benefiting 27 organizations. In 2017, 3 Social and Environmental Loans were made, including the pioneering crowdlending initiative for an impact business in Brazil.

SITAWI operates Social and Environmental Revolving Funds in partnership with foundations, companies and philanthropists, providing an impact co-investment experience.

At the beginning of each fund, impact and investment thesis are jointly created, thus allowing the creation of customized programs to meet the needs of each organization with flexibility and transparency in the application of resources in (for profit and nonprofit) impact businesses in Brazil.

This type of fund leverages SITAWI's experience, expertise and scale of impact investment operation, facilitating the identification and analysis of impact businesses, as well as monitoring financial results and social and environmental impact and supporting entrepreneurs.

Like Philanthropic Funds, Social and Environmental Revolving Funds also enable the articulation between different financial institutions, whether individuals or legal basis. In addition, this structure disbursement and recovery of fast and efficient way, making it possible, for each repayment, a new investment and this is repeated in several cycles, multiplying the impact of invested capital.

+30 *investments / loans made for impact businesses and social organizations.*

We are the most active impact investor in Brazil.

How funds flow in Social and Environmental Revolving Funds:

Where do resources come from?	How are resources managed?	Where do resources go to?	Impact
Donation	Social and Environmental Revolving Funds	Loan	
Partnership		Investment (Convertible Debt)	
Sponsorship		Crowdlending	
		Guarantees	

FIND OUT MORE ABOUT OUR FINANCIAL MECHANISMS FOR IMPACT

The funds received are held in a segregated bank account and can be disbursed to support impact businesses through different instruments, ranging from loans to equity investments. Resources can still be used in innovative instruments to

leverage more capital for selected impact businesses, such as guarantees for loans provided by traditional banks, or co-investments (with companies foundations or even individuals) or as a leading investor in crowdlending campaigns.

Social and Environmental Loan

A loan specific for an impact business with below market interest rates; repayment period of 6 months to 3 years; and strategic support for business development. A pioneer Social Finance Initiative in Brazil, the Social and Environmental Loan has been offered by SITAWI since 2008.

Social and Environmental Investment

A long-term convertible debt contract of up to 5 years, at the end of which the investor has the option to become a partner in the invested business through equity purchase or receive the principal with a predetermined interest rate.

Crowdlending*

Collective financing of impact business by private investors through an online platform. SITAWI enters as leader of the operation on the Kria platform (former Broota Brazil) selecting, analyzing and monitoring the operations. Currently in pilot phase.

Guarantee*

SITAWI will be guarantor in a loan for an impact business by a traditional financial institution.

*Operations that leverage impact while attracting more resources to the impact investment field.

MONITORING OF ORGANIZATIONS

Over the last two years, SITAWI has restructured its impact business support program to increase the direct impact of its investments. Each organization has its own challenges and opportunities, out of which we identify the main points to be worked on by our internal team, network of supporters or partners. This program was structured as a pilot with two entrepreneurs and, by 2020, will be extended to the entire active portfolio of SITAWI.

"Since December 2016, Egalitê has been supported by SITAWI through a Social and Environmental Investment. SITAWI's team closely engages with our business and contributes to sustainable growth with increasing social impact. Throughout 2017, we identified specific challenges at Egalitê and besides the support of the team, other professionals within SITAWI's network provided guidance. It was very interesting to have the support and mentoring of highly qualified professionals, helping us to overcome our barriers. SITAWI has a great asset that is ability to bring together excellent professionals who are willing to give their time to contribute to impact business. Being able to access this network has undoubtedly become a great competitive differential for Egalitê."

Guilherme Braga
CEO and Founder of Egalitê



SITAWI visit to one of the schools benefited by the project *Matematicando* of Inteceleri, an impact business supported through a crowdlending.

Belém - PA, July 2017

ELIGIBILITY CRITERIA FOR IMPACT BUSINESS

- Recognizable, tangible and measurable social and environmental impact
- Repayment capacity
- Qualified management team
- Ethical Leadership



Find out how to donate to Social and Environmental Revolving Funds and support impact business: <https://www.sitawi.net/support>

Request a social and environmental loan or investment through our website: <https://www.sitawi.net/social-environmental-loans>



HOW WE MEASURE IMPACT

SITAWI gives value and has a strong commitment to monitoring and evaluating the impact of the organization's initiatives and investments. Our processes of impact analysis and assessment were built, and are constantly evolving, on the premises of flexibility, which allows for the application in different businesses and economic sectors, and robustness, that are achieved by using well established methodologies that also guarantees comparability across the supported businesses and projects. Through such processes, demonstrated by the following infographic, SITAWI reaffirms its commitment to understand, monitor and communicate the social and environmental impacts generated by the organization's activities, as well as by the businesses financed by SITAWI. Additionally, the organization uses the strategic information obtained

through evaluation processes to provide insights to partner institutions and funders, in their impact investing experiences, and to organizations and entrepreneurs, in validating and maximizing impact generation.

1

Theory of Change (ToC) aligned with the SDGs by UN

To design the initial ToC, we collect and analyze data from the organization and its impact generation processes. We then develop the map that illustrates the logical pathway that links the activities performed by the organization to the expected impact, which are always aligned with the SDGs, passing through the outputs and expected short and medium term outcomes. Throughout the mapping process, we also take note of the risks that could prevent the impact from happening and the assumptions that are made for results to be obtained.

Definition of Indicators on contract

We conduct feedback and validation meetings with business leaders, where we report insights gained throughout the processes described in the previous stages and validate and make adjustments to the final version of the ToC. These meetings are also used to define relevant indicators, tied to both the ToC and the intentionality of the organization, as well as the periodicity and means of collecting and reporting data. Defined indicators are then added to the final contract which reiterates the importance of monitoring and reporting data.



Validation of assumptions with the beneficiaries of the organization

We conduct interviews with the beneficiaries of the organization to validate our understanding of the solution, of the ToC, and of the collected data. These conversations are of great relevance because they provide better insights of the Extent and the Depth Potential of the organization's impact.

2

3

4

5

Impact Rating Calculation

After managing collected data, we calculate the Social and Environmental Impact Rating of the organization through a tool that quantifies and qualifies the information on different aspects, such as: the Extent Potential, which is the number of people reached in absolute terms, the Depth Potential, which is the intensity of expected changes in the lives of beneficiaries, and the Risks to impact, which are the factors that could prevent the intervention from achieving planned impacts.

Monitoring

Throughout the period of the contract, the indicators are regularly monitored together with the request and collection of relevant facts, news, and achievements related to the organization, its operations and the positive impacts generated.

FAMÍLIA C

Família C is a shared management fund, built from the donation of a family office, which aims to provide capital for the growth of social organizations and impact business. Through this fund, Família C was structured

in 2017, for the first time in the country, as a crowdlending operation for an impact business. Find out more about how the initiative worked and about the organization benefited by the instrument.

Crowdlending: Democratization of impact investment

"The idea of a mechanism that integrates impact business to potential investors in a fast and uncomplicated way, with a prior credit analysis and selection of projects by SITAWI, is very good. This initiative has enormous potential to attract people who want to apply relatively small but crucial capital for the development of new businesses. Another advantage of

this mechanism is, like crowdfunding platforms for projects, to allow the potential investor to research and compare different companies, stimulating the improvement of the information provided as a way to differentiate."

Thassio Ferreira, co-financier

INTECELERI



Inteceleri is a technology company from Pará focused on creating projects, solutions and tools capable of helping to change the way mathematics is taught in Brazil. The company developed a teaching methodology supported by online gaming to help teachers and educators teach essential math content in an easy and fun way. With a focus on solving the major learning deficiencies in the discipline's curriculum and in supporting the teacher, and with the goal of having the subject be taught using themes

from the students' routine, the methodology helps eliminate barriers to learning. SITAWI led a closed funding process, along with other investors, consolidating the pilot of the first crowdlending held for an impact business in Brazil. Inteceleri received support of R\$100,000 to invest in the development of Geometricando, its new virtual reality product that uses scenarios from the Amazonian cities to introduce geometry in the student's daily life. The company has already benefited about 6,000 teachers and 90,000 students from public and private schools with one of its main projects, Matematicando.

SOCIAL AND ENVIRONMENTAL LOANS FUND - FES

FES, the first fund created by SITAWI in 2008, receives resources donated by different actors such as companies, foundations and individuals. The goal is to support impact businesses, whether for profit or

not, through different impact mechanisms such as Social and Environmental Loans, Guarantees and Crowdfunding. Find out more about the two organizations supported by this fund in 2017.

ASTA NETWORK



The Asta Network is a social business that supports the role of women artisans in the creation and development of sustainable solutions from the reuse of waste. By connecting labor to the production of corporate gifts from the waste of large companies,

the organization provides a new meaning for the lives of women entrepreneurs, for materials that would go to waste and for the way organizations consume and dispose of materials. SITAWI supported the initiative through a Social and Environmental Loan, enabling the purchase of complementary materials for the making of gifts for a large client. The supply of patient capital allowed the productive cycle not to be broken.

In 7 years of operation, the Asta Network involved 74 productive groups, supporting more than 1200 artisans.



"We believe that every day networking makes more sense, especially in impact businesses. We at Asta Network have been able to deliver a request for 31,000 grants, made by more than 20 productive groups at the same time, generating more than R\$400,000 in income for the groups of artisans, positively impacting their self-esteem, income and appreciation. The partnership with SITAWI made all the difference to this specific order, solving our working capital gap."

Rachel Schettino
Business Director of Asta Network



4YOU2



4YOU2 is a school focused on providing affordable and high quality English language instruction to the lower-income population in Brazil. To do so, it addresses the challenge of the low rate of English-speaking Brazilians - it is estimated that 95% of the Brazilian population does not speak English - through an innovative model that combines foreign teachers, adaptive methodology and the lowest market price. Founded in 2011, the school has five physical units in the city of São Paulo (Campo Limpo, Capão Redondo, Heliópolis, Jardim Ingela and Santana), a unit in Pedro Leopoldo (Minas Gerais) and one recently inaugurated in João Pessoa (Paraíba). In addition, the school also has a B2B service, enabling companies and NGOs to access the innovative methodology. SITAWI supported 4YOU2 in August 2017 with the financing of R\$70,000 through a Social and Environmental Loan, which aimed to implement the development of the school's online teaching methodology. Its implementation, together with the management system, aims to provide better quality of teaching delivered to students, greater control over information and speed of customer service activities, providing a healthy growth of the business. More than 10,000 students, mostly in lower-income classes, have already been attended by the school. With the new system and greater frequency control, it will be possible to more accurately measure the length of time students spend in school.

"2017 was a very important year for the history of 4YOU2 and one of the great moments of our year involved the partnership we established with SITAWI. Because of the loan, we were able to develop pedagogical contents for different levels and thus we were able to expand our target audience of students. We have also noted the leading position that SITAWI has in the field of Social Finance and we are extremely happy to be part of that history."

Gustavo Fuga,
Founder of 4YOU2



4YOU2 works with an innovative model that combines foreign teachers, adaptive methodology and affordable prices.

Structuring of the Social and Environmental Loan Guarantee

SITAWI is the organization responsible for developing and structuring the first Social and Environmental Loan Guarantee for an impact business in Brazil, with resources donated by FIIMP (see page 24).

The operation involves both a partnership with a traditional financial institution and the selection of an impact business that meets its criteria. As an innovative mechanism,

in 2017 the work of approaching with the financing institutions and the establishment of important partnerships was carried out. In parallel, the process of analysis and selection of impact businesses was carried out, which had a profile and interest in receiving financing. The contracting of the guarantee operation and the subsequent disbursement by the financing institution are expected to occur during 2018.

Active investments in 2017

Impact Business	Mechanism	Fund	Amount	SDG	Period
CIES*	Loan	Família C	R\$1,130 thousand	3 - Good Health and Well-Being	2015-2018
CIES**	Loan	Família C	R\$214 thousand	3 - Good Health and Well-Being	2017-2020
Egalitê	Convertible Debt	Família C	R\$400 thousand	8 - Decent Work and Economic Growth	2016-2021
Inteceleri	Loan	Família C	R\$100 thousand	4 - Quality Education	2017-2018
4YOU2	Loan	FES	R\$70 thousand	4 - Quality Education	2017-2019
Coperjunho	Loan	FES	R\$75 thousand	12 - Responsible Consumption and Production	2015-2018
Ecoservice	Loan	FES	R\$65 thousand	13 - Climate Action	2015-2018
Feira Preta	Loan	FES	R\$62 thousand	10 - Reduced Inequality	2016-2018

* Flexmedical and Ebenezer

**Internationalization of the Preventive Medical Program in Atlanta

Investments ended during 2017

Impact Business	Mechanism	Fund	Amount	SDG	Period
Olist	Convertible Debt	Família C	R\$254 thousand	8 - Decent Work and Economic Growth	2013-2017
Instituto Alpha Lumen	Loan	Família C	R\$60 thousand	4 - Quality Education	2016-2017
Rede Asta	Loan	FES	R\$70 thousand	5 - Gender Equality and 12 - Responsible Consumption and Production	2017
Inocas	Loan	FES	R\$60 thousand	15 - Life on Land	2016-2017

COORDINATION OF TERRITORIAL PROGRAMS

Territorial Programs are initiatives that comprise a wide range of partners and organizations coordinating their activities towards specific social and environmental goals. In order to balance the demands of various, complex priorities, SITAWI provides neutrality and management expertise to ensure a strategic vision during project development.

We manage these complex initiatives in their program, technical, financial and impact objectives, as well as harmonizing goals shared by all the ac-

tors involved (the private sector, development and development agencies, local nonprofits and government), seeking to apply the necessary interventions to achieve the best results.

This approach follows the essential aspects of the Theory of Change, where expected results in the short and medium term, as well as the long-term impacts, form the program’s legacy in a territory or area of influence, with an aim to leaving communities stronger and more autonomous.

How funds flow in Territorial Programs:

Where do resources come from?	How are resources managed?	Where do resources go to?	Impact
<ul style="list-style-type: none"> Contributions (Donations, Grants and other Support) International cooperation Partnership Sponsorship 	Programs	Program Expenses	 <p>SDGs</p>

MÉDIO JURUÁ TERRITORY PROGRAM

"Things are going to move forward now. The women are joining together with their strong desire to realize their dreams. This is an opportunity for the women to build ways to make their own incomes. We want to see ASMAMJ grow, just like ASPROC has grown."

Jucicleide Coelho Figueiredo
Member of the Fiscal Council of the
Association of Agroextractive Women
of Médio Juruá - ASMAMJ

In 2017, SITAWI initiated the Médio Juruá Territory Program (TMJ), an international cooperation program funded by the United States Agency for International Development (USAID) and in partnership with Coca-Cola Brazil and Natura.

With its support from USAID, the Program relies on close collaboration with the members of the Médio Juruá Territory Forum. This group includes corporations (Natura and Coca-Cola), nonprofits and local companies (Association of Rural Producers of Carauari-ASPROC, Association of Agroextractivists Residents of the Sustainable Development Reserve Uacari-AMARU, Association of Extractive Residents of the Community of São Raimundo-AMECSARA, Association of Agroextractive Women of the Médio Juruá-ASMAMJ, Amazonas Sustainable Foundation (FAS), Mixed Cooperative for the Sustainable Development of the Médio Juruá Reserve (CODAEMJ, Açaí Tupã, among others) and government environmental protection agencies (Chico Mendes Institute for Biodiversity Conservation-ICMBio and the Department for Climate Change and Management of Conservation Units, Amazonas State-DEMUC), as well as SITAWI itself, which

The Médio Juruá Territory Forum is an initiative that aims to integrate the organizations and institutions working in the Middle Juruá to promote the region's social and economic development. The Forum is active in the municipality of Carauari, in the State of Amazonas. The Territory is made up of 64 riverside communities along the Juruá River located in and around two Conservation Units (CUs): the Médio Juruá Extractive Reserve and the Uacari Sustainable Development Reserve.



Médio Juruá Territory Forum Sector Meeting
Carauari - AM, march 2018

coordinates the project and fulfills the role of the Forum's Executive Secretariat.

The objective of the three-year program is to conserve biodiversity by implementing a Territorial Development Plan for the region, involving a broad stakeholder base to increase the scale and impact of conservation and development initiatives focusing on social, environmental and economic aspects.

Since its first inception, the Program has been pioneering and participatory. The program's priorities and the region's needs were identified with evidence-based measurement through the Social Progress Index - Communities (SPI), carried out in the region since 2015 as a joint initiative of Natura and Coca-Cola. This index is based on the methodology developed by American professor and economist Michael Porter to measure social progress without considering economic factors. Its application in Carauari is a worldwide first, using primary data for evaluating of social and environmental development at the local level. With the diagnosis prepared with technical support from Ipsos, companies, government agencies, NGOs and social movements were able to align the investment efforts in the region.

After analyzing the areas with the greatest gaps between the Brazilian average and the local results, the priorities were outlined



SPI Communities was developed collaboratively, with the active participation of grassroots organizations from more than 50 riverside communities located on the Juruá River, in the municipality of Carauari (AM).

in a series of participatory workshops that brought together government, the private sector, civil society and representatives from riverside communities. Based on these local demands, SITAWI prepared the technical and financial content, following the same process of co-creation involving all actors.

"We developed the whole project based on the demands of the populations. The project has the potential to be transformative for the region to empower communities and serve as an example of how sustainable value chains can conserve biodiversity and drive a region's social development, and should be a model for other regions in Amazonia. "

Rob Packer

Manager of Territorial Programs at SITAWI.

USAID's U\$2.3 million investment - plus cost share for the same value - will be allocated for education, sanitation, energy and information, access to potable water, and studies on the region's sustainable production chains such as açai, andiroba and murumuru. Activities also include sustainable management of fish stocks, turtle conservation, supporting a family-run school, environmental education, agroforestry systems and piloting waste management, energy and communication systems in the region.

As part of program implementation, SITAWI has a team in Carauari which, together with the Rio de Janeiro office, is responsible for coordinating the project activities and reporting, evaluating results and supporting local organizations. The goal is to leave a legacy in the Médio Juruá that strengthens and empowers all who are from

the region or work in it.

"The process of territorial development in the Médio Juruá has been a journey rich in working collectively, but especially in learning for the various institutions committed to the social impact of the riverside communities. The arrival of SITAWI allowed a deeper look at the territory's materiality matrix, facilitating the collective management of infrastructure, education, access to water and value chains in our partnership with USAID."

Luiz André Soares
Coca-Cola Brasil

"The Médio Juruá is an important hub for socio-biodiversity and Natura has worked in the region since 2000 to supply its socio-biodiverse ingredients. We want to articulate increasingly with actors as a network - local leaders, civil society, businesses - with each bringing their best to the collaboration and the joint creation of sustainable business alternatives to the forest. The arrival of SITAWI and USAID and the beginning of the Médio Juruá Territory Program strengthens this process of collective empowerment."

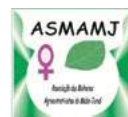
Luciana Villa Nova
Natura

"For USAID, it is a great pleasure and an honor to collaborate with SITAWI, Coca-Cola, Natura, the Brazilian government and local communities in the process of territorial development of the Médio Juruá. This partnership reinforces USAID's environmental vision of building a better future for people and biodiversity, including economic prosperity, social equity, and environmental protection. It also reinforces the commitment of the people of the United States and Brazil to the management of Protected Areas, conservation and monitoring of Amazonian biodiversity. "

Anna Tonnes
USAID



Sector meeting of the Médio Juruá Territory Forum.
Carauari - AM, March 2018





SOCIAL IMPACT BONDS (SIB)

Low rates of economic growth and reduced public budgets have been pressing social spending and raising public sector challenges to implementing more effective solutions to securing social rights. The absence of clear indicators of effectiveness also make it difficult to monitor the success of such programs, leaving the state heavily exposed to the risk of failure of its policies and programs.

Added to this, cities and states are faced with complex social problems that could be prevented through adequate investment in preliminary stages. Social Impact Bonds (SIB) are an innovative mechanism for public procurement of privately funded social solutions.

Focusing on outcomes, the SIB programs are based on evidence of social impact, linking the payment to the measurement of indica-

tors: the state commits to paying investors with a rate of return only if the established targets for a defined target population are achieved. Therefore, the financial risk of failure of the program is assumed by the investor, removing from the public sector and from the operators the financial burden of ineffective solutions.

Like other countries, Brazil faces challenges in many areas - especially education, health and security - and would benefit from more effective social interventions.

Since 2015, SITAWI has been working on the development of the SIB ecosystem in Brazil, working in the design, financing and implementation phases of the SIB, advising interested parties, including governments, investors and/ or operators.

In 2017, we focused our efforts on two main fronts: research and development of new contract opportunities and strengthening of our work with the Government of the State of Ceará, structuring the first SIB in the health area of Brazil. In order to consolidate

our practice as a center for SIB knowledge in Brazil, we conducted our first webinar on innovation in the financing of public services. Aimed at public sector professionals from different areas, from central government to social, financial and control, we presented

the mechanism, the ideal types of contracting services, the associated benefits, success stories and the current stage of the SIB ecosystem in Brazil. The webinar was watched by more than 120 participants from different

sectors, such as actors from the public sector, companies, academia, banks and social organizations.

Find out more here:

http://info.sitawi.net/material_webinarcis

SIBABILITY ASSESSMENT

Throughout the year, we consolidated our assessment methodology to analyze the potential of addressing a specific social problem through a structured solution such as a SIB. Consisting of seven dimensions, in

each one we evaluated a set of key questions. After analyzing the available information, we assign a score to each question, determining its degree of matching to the SIB mechanism.

Dimensions for the evaluation of adherence of a social impact bond

Problem and Success Metrics	Accurate definition of the problem to be addressed and of one or more success metrics.
Target population	Prioritization criteria of the vulnerable population that will be benefited, including measurement of population factors.
Gaps and Solutions	Identification of gaps in the flow of services and solutions to the problem, considering robustness of the effectiveness of the solution.
Service providers	Identification and qualification of operators, with analysis of performance history and evidence of success.
Social and economic benefits	Estimates of benefits to both government and society, including positive externalities and cost savings to the state, as well as scalability of the solution.
Legal Conditions	Identification and analysis of the legal environment in force for structuring a contract
Political Conditions	Identification of possible forms of political support and alignment between government priorities and the social problem addressed

KNOWLEDGE GENERATION AND DISSEMINATION

+50 *publications and
articles on the
ecosystem*

Seeking to strengthen the concept and expand access to information and discussion on the subject in Brazil, we redesigned the SIBHub portal to cover articles, publications, news and videos. With the best distributed content, concise and dynamic content, we have closed the year with more than 50 publications and published articles on the ecosystem of impact bonds around the world.

The portal is an initiative of SITAWI which has the support of the Sabin Institute and the collaboration of Social Finance UK. The objective of SIBHub is to be a reference center on SIBs in Brazil, promoting intersectoral information exchanges, producing and disseminating knowledge and experiences that inform and guide the various actors of the ecosystem in the development of new SIB opportunities in Brazil.



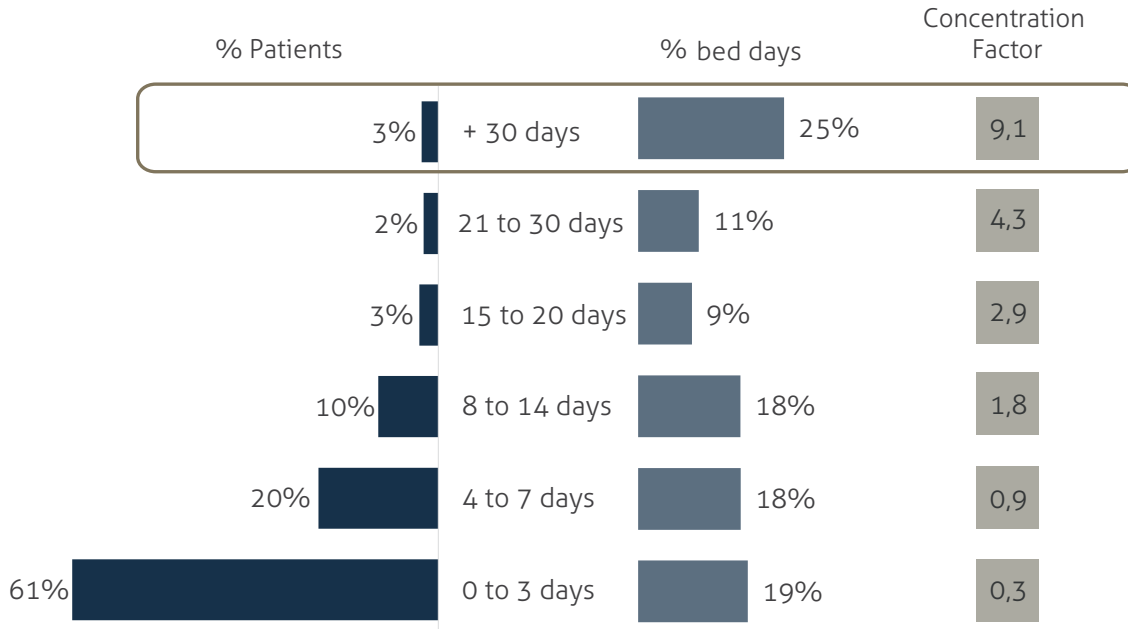
Another highlight of the year was the signing of a consultancy project with the Institute of Man and the Environment of the Amazon, Imazon, the third project that expanded the scope of impact bonds. The objective of the project is to identify and evaluate a possible solution to accelerate land regularization processes in Pará, with potential impacts on the resolution of land-related conflicts and deforestation. This analysis, which began in 2018, counted with the adaptation of the sibility methodology to the Environmental Impact Bond model.

FIRST SOCIAL IMPACT BOND IN THE HEALTH SECTOR IN BRAZIL

Continuing our work in partnership with the Government of the State of Ceará, during 2017 we held several meetings about the definition of the implementation model of the SIB with different government agencies, such as the Secretariat of Health (SESA), Planning Secretariat (SEPLAG) and the Vice Governorship. We expanded our work by fostering and coordinating an intersectoral working group composed of the technical staff of the Secretariats of Health and Planning, the Vice Governorship and the State Attorney General's Office, thus aligning ourselves with supporting the Government of Ceará in our joint objective of launching the first SIB in 2018.

Our expectation is that the contract will be signed and that the de-hospitalization program for long-stay patients will be implemented still in 2018, bringing social and economic benefits to the state and improving the well-being of the patients.

Population hospitalized for more than 30 days uses 25% of the beds



"The year 2017 marks the consolidation of the State Health Secretariat partnership with SITAWI. (...) Public-private partnerships in the health sector in Ceará are already greatly benefited by the development of the SIB project in de-hospitalization, mobilizing a lot of information and culminating in rich retrospective and prospective analysis, which makes us believe that the model proposed by SITAWI undoubtedly has all the requirements for us to be confident in the prosperity and success with the seeds planted here in Ceará."

Testimony Henrique Javi, Secretary of Health of the State of Ceará

THE DEVELOPMENT OF SOCIAL IMPACT BONDS IN BRAZIL

SITAWI is a specialist in the development and structuring of Social Impact Bonds in Brazil. We became the pioneer organization on the subject with the execution of a consultancy project for the Inter-American Development Bank in 2015, in which we conducted the first technical feasibility analysis of the Social Impact Bonds in Brazil in two thematic areas: education and security. Based on the Peterborough experience, the public

safety study sought to analyze the social reintegration of ex-prisoners State of Minas Gerais. We held meetings with officers of prison administration, social reintegration and public-private partnerships in the city of Belo Horizonte, as well as technical visits to prisons in the public system, PPPs and APACs. Association for the Protection of Convicts: Civil Society Organizations that serve as an alternative prison model).

¹ Association for the protection of convicts: civil society organizations that serve as an alternative prison model

"We have had the privilege of working with such a committed and resilient partner, who has been persevering to build an ecosystem responsive to adaptive management and uniquely focused on improving the lives of the most vulnerable populations. Creativity, capacity, local knowledge and the perseverance of the SITAWI team have intensified our efforts to promote better forms of funding for social impact in Latin America."

Marta Garcia

Director of Social Finance UK



Leonardo Letelier talks about Social Impact Bonds at the 72nd Meeting of the National Front of Mayors

Recife, november 2017

The second study focused on the challenges and opportunities for the development of a SIB ecosystem in Education. Two activities were conducted by SITAWI: (i) institutional and financial analysis of the public educational system; and (ii) analysis

of educational flow indicators (dropouts and age-grade gap) and proficiency in elementary and secondary education in Brazilian states and municipalities. One of the project's developments was the conclusion of a cooperation agreement with the Government of the State of Ceará to coordinate the prioritization, feasibility and structuring of a SIB in the State. After analyzing three social problems, prioritized from a workshop held with the state secretariats, the topic of hospitalization of long-stay patients was selected for the development of a feasibility analysis of a program that will promote the de-hospitalization of up to 1.2 thousand patients long stay in 3 years of operation, seeking to increase the number of patients seen in existing hospitals in 10,800.

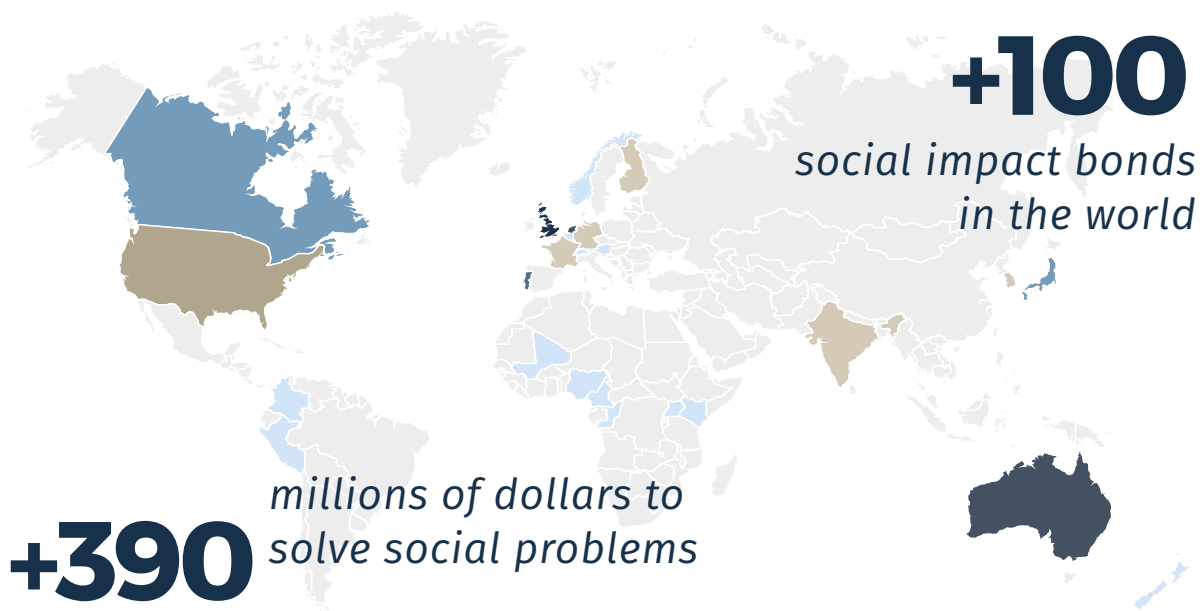
With a population hospitalized for more than 30 days that represents 25% of the use of beds in public hospitals in the State, the hospitalization of long-term "chronic" patients in nursing homes or home care can significantly reduce the overcrowding of public hospitals in the State. The expected savings with the reduction of the occupation can reach more than 60% in the costs of hospitalization. The whole process of analysis involved the articulation with several departments of the Government of Ceará, such as the Health, Finance, Planning Secretariat, the Vice Governorship, the Controller General and the State Attorney General's Office (PGE). We also have the support of key partners in the process, such as the Sabin Institute and Maraé.

"Building and strengthening ecosystems in the business field of social impact and social finance requires time, persistence and partnerships. Over the last 10 years SITAWI has been following this path and demonstrating that it is possible to build important advances in this field in Brazil. Innovation in financial mechanisms to generate social impact is also one of these fronts. (...) SITAWI has been advancing in the pioneering implementation of Social Impact Bonds in Brazil. "

Fábio Deboni

Executive Manager of Sabin Institute

OVERVIEW OF THE SIB IN THE WORLD



More than 100 social impact bonds have already been launched worldwide, mobilizing more than US\$ 390 million to solve social problems.

New classes of impact bonds have been created: development impact bonds, where the payer is a foundation or institute rather than the government; environmental impact bonds, with bonds designed to solve environmental problems; and humanitarian impact bonds, a model of development impact bond focused on humanitarian issues such as armed conflict.

Contracts are being designed in developing countries such as Colombia and Ecuador, in Latin America, and in Kenya, Uganda and Cameroon in Africa.

Over the next ten years, we expect to become a national benchmark in all stages of structuring, financing and governance of the Social Impact Bonds, expanding our performance to all existing models of impact bonds, and continue to foster the market and disseminate knowledge about SIBs in Brazil.

SUSTAINABLE FINANCE

17 COUNTRIES WHERE WE WORKED SO FAR

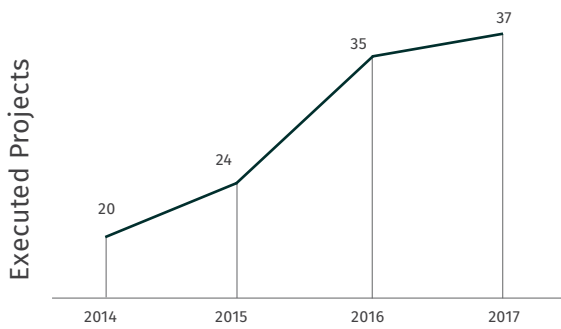
In order to reinforce the concept of Finance for Good and increase commitment to the mobilization of capital for a positive social and environmental impact, SITAWI started the Sustainable Finance Program in 2013, through the association with the projects and consultants led by Gustavo Pimentel. Since then, the program has been diversifying its portfolio and consolidating itself as the largest sustainable finance practice in Brazil and Latin America.

By incorporating environmental, social and governance (ESG) issues into the decision-making process of investors, the financial sector and large companies, we believe it is possible to change the cost of capital in the productive sector: money becomes cheaper, abundant and patient to those with a positive impact; and more expensive, scarce and impatient for those with negative impact.

The program works with development banks, commercial banks, pension funds, private equity, asset managers, insurance companies, philanthropic foundations, NGOs, associations, think tanks and large companies to push forward the integration of social and environmental issues into investment decisions. The business model is primarily commercial, with direct payments by clients for consulting and research services. In some cases, we are compensated by technical cooperation resources (eg IDB) or philanthropic foundations (eg Mott Foundation), where the beneficiaries of the projects are not the paying agencies.

Evolution of the Sustainable Finance Program

In 2017, the program carried out a total of 37 projects, a growth of 147% compared to 2013, its first year. Considering net revenue, the growth was even more expressive, reaching 222% above 2013. The team tripled, closing 2017 with 14 professionals, the largest in Brazil and Latin America dedicated to the theme.



"SITAWI has been an excellent supporter and disseminator of the Principles for Responsible Investment both as a signatory and as a partner. Its staff is always involved in working groups and forums on the subject, contributing in an exemplary way to the development of a sustainable agenda, not only in Brazil, but in the whole world. May the next 10 years be of even more success and achievements!"

Tatiana Assali, Head of Latin America
PRI - Principles for Responsible Investment

Customers and Beneficiaries of projects in 2017

Commercial Banks

Banvivenda, Banco do Brasil, Banco Hipotecário, CAIXA, Itaú BBA, Itaú Unibanco and Lafise Bancentro.

Development Banks

Bancoldex, Bandes, IDB, IDB Invest, BNDES, BRDE, DEG, Findeter, GoiásFomento and Proparco.

Assets Managers and Insurers

Axxon, Darby, Finance in Motion, Itaú Asset Management and Stewart Investors.

Non-Financial Companies

ContourGlobal, Omega Energia, PEC Energia, Petrobras, RHMed and Rio Energy.

NGOs and Associations

Climate Bonds Initiative, Mott Foundation, Idec, Inesc, Instituto Clima e Sociedade, TNC and WWF.

Government Institutions

FAO and European Union.

In this last year the area reached important milestones:

- 1) Deepened the expertise in sustainable financing of agribusiness, completing emblematic projects with WWF, TNC and FAO.
- 2) Reached the mark of 123 Brazilian companies evaluated with proprietary methodology for ESG Valuation, entering the top 10 of the best ESG research houses in the world according to Independent Research in Responsible Investment (IRRI).
- 3) Completed 50 projects related to Environmental and Social Risk Management

(ESMS) in financial institutions, with significant expansion in Latin America. Furthermore, it produced 8 second opinions on Green Bonds in Brazil, 6 of which were already issued, reaching 100% market share in the local market.

Indicators	2014	2015	2016	2017
Net Revenue (R\$ thousand)	913	1.310	2.055	2.327
Team size	6	8	12	14
Speaking Engagements	18	25	18	11
Countries Served (to date)	7	11	12	17

CLIENT SATISFACTION

SITAWI seeks to measure the perception of Sustainable Finance clients regarding the quality of project execution through a Satisfaction Survey. Applied since 2015, it consists of an online form in which 6 key elements of project are evaluated: meeting the scope, deadlines of deliverables, quality of the deliverables, relationship between SITAWI's team and the client, and possibility of recontracting SITAWI for a new project and recommendation of SITAWI's services to other organizations.

Between 2016 and 2017, 35 customer satisfaction forms were sent. In line with its Strive for Excellen-

ce value, the maximum score (100%) means that SITAWI has exceeded customer expectations in all assessment issues. The satisfaction index since 2016 is 93%, indicating that SITAWI fully meets customer expectations in all cases and exceeds expectations in some of them. The goal of the area is to keep the accumulated index above 90%.

Among the answers obtained, we highlight the relationship with the team that "fully met expectations" or "exceeded expectations" in all responses, as well as the possibility of hiring SITAWI for a new project, which had a positive response in 100% of cases.

Criteria and Scale of Customer Satisfaction

	Compliance with the agreed scope	Compliance with deadlines	Quality of deliverables	Relationship with SITAWI's team	Would consider again for future projects	Final Grade
Exceeded expectations	●	●	●	●	Definitely yes	100%
Met expectations	●	●	●	●	Probably yes	90%
Partially met expectations	●	●	●	●	Probably not	50%
Did not meet expectations	●	●	●	●	Definitely not	10%

CONSULTING

SITAWI has become the largest consulting practice in Sustainable Finance in Latin America

Consulting projects support the development of policies, processes, methods and capabilities for financial institutions, investors and companies in order for them to incorporate ESG issues into their business strategy, products, risk analysis and investments. Despite having a research content, these projects require a greater inter-

face with the client - or beneficiary - and seek to promote change in the way they do business or make decisions. The consulting projects may also provide intelligence and institutional articulation to advance the Sustainable Finance agenda in the region. Get to know our main approaches and emblematic projects of our portfolio.

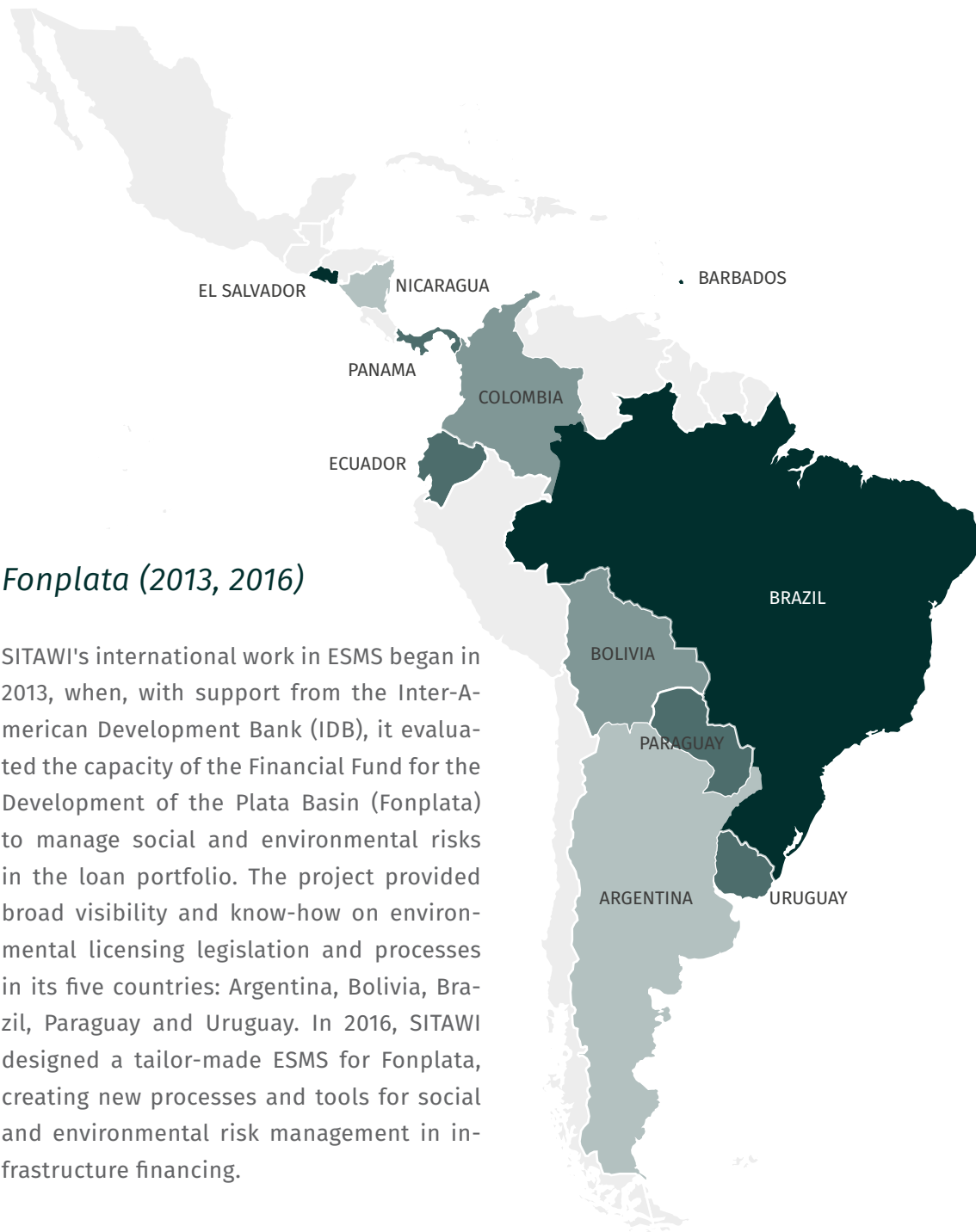
ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

The Environmental and Social Management System (ESMS) is a set of policies, processes, routines and tools that financial institutions use to identify, evaluate, mitigate and monitor social and environmental risks in their credit, investment and insurance portfolios. SITAWI has its own methodology for evaluating, developing and implementing these tailor-made systems for banks, private equity and debt funds, fund managers and pension funds.

In 2017, SITAWI expanded its operations in Latin America, in partnership with IDB and Finance in Motion, serving banks in Colombia, El Salvador, Nicaragua and Panama, as well as in several states in Brazil, surpassing 50 projects are evaluated. Find out more about some emblematic projects.

+50 ESMS
PROJECTS

SITAWI's ESMS experience



Fonplata (2013, 2016)

SITAWI's international work in ESMS began in 2013, when, with support from the Inter-American Development Bank (IDB), it evaluated the capacity of the Financial Fund for the Development of the Plata Basin (Fonplata) to manage social and environmental risks in the loan portfolio. The project provided broad visibility and know-how on environmental licensing legislation and processes in its five countries: Argentina, Bolivia, Brazil, Paraguay and Uruguay. In 2016, SITAWI designed a tailor-made ESMS for Fonplata, creating new processes and tools for social and environmental risk management in infrastructure financing.

ABDE (2014-2015)

In 2014, SITAWI expanded its partnership with the IDB in developing the Social and Environmental Responsibility Guide for Development Finance Institutions (DFIs), by training and

guiding DFIs affiliated to the Brazilian Development Association (ABDE) to comply with CMN Resolution 4327/2014. The project consolidated SITAWI as the leading national expert in ESMS. The directives in the Guide also apply to commercial and private financial institutions.

AFEAM (2014-2016)

Based on the Guide's approach, SITAWI developed an ESMS for the Amazonas State Development Agency (AFEAM) between 2014 and 2016. Initially focused on meeting IDB's requirements for the agricultural and livestock portfolio, the ESMS was incorporated into agency portfolio.

Itaú Asset Management (2012-2015)

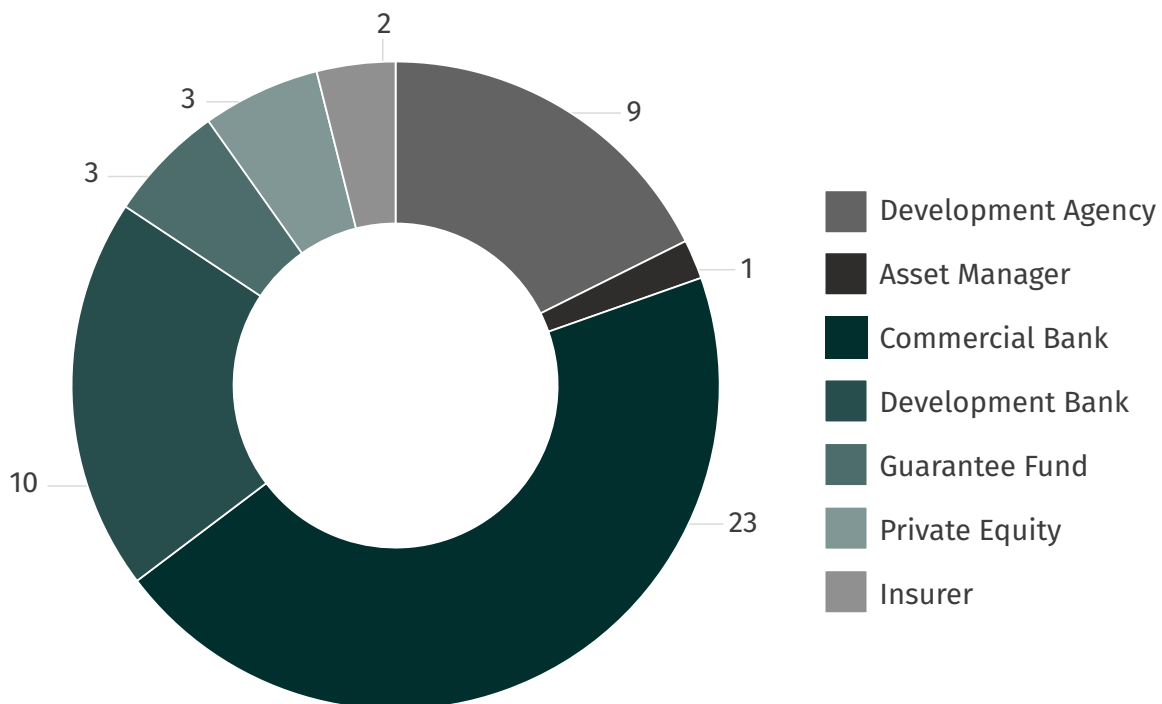
SITAWI supported Itaú Asset Management (IAM) in the development and implementation of its proprietary ESG integration model in listed equity and fixed income research, focusing on fundamental analysis and valuation. More than 30 investment

professionals have been engaged and trained in the subject, positioning IAM as the leader in responsible investment in Latin America. White papers describing the methodologies were published by IAM. SITAWI continues to provide ESG research to IAM since the end of the project.

Itaú BBA (2016-2017)

With an ESMS in operation since 2001, Itaú BBA sought SITAWI's advice to develop a model to integrate environmental and social risks in sectorial credit ratings. First of a kind in Latin America, the model was integrated into the 30 most important sectors in the credit portfolio of the wholesale business unit. The model includes variables increasingly demanded by investors, such as climate risk.

ESMS projects by type of institution:



Lafise Bancentro (2017)

In partnership with the ecoBusiness Fund, SITAWI supported Nicaragua's second largest bank in all phases of its ESMS: diagnosis, development, implementation and training. After the pilot in domestic operations, Lafise Bancentro is now preparing to expand the scope of its ESMS to other Central American countries where it has operations.



Technical visit to evaluate social and environmental practices for ESMS of Lafise Bancentro
Nicaragua, November, 2017

Bancóldex (2015)

In partnership with the IDB in 2015, SITAWI structured an ESMS module for the renewable energy portfolio of the Colombian Development Bank (BANCOLDEX). The robustness of the ESMS contributed to the funding of Bancóldex by multilateral banks and the issuance of its first Green Bond (2017).

Private Equity

ESMS also applies to illiquid asset classes, such as venture capital, private equity and private debt/mezzanine. SITAWI has already supported venture capital manager Inseed Investimentos in designing its social and environmental criteria, enabling funding for the Environmental Innovation Fund from the BNDES and pension funds. Since 2014, we advise the Axxon Group in developing responsible investment policies and practices in addition to tools, staff training and social and environmental due diligence in potential investees.

"SITAWI supported Darby in the ESMS update that integrates social and environmental risk and opportunity analysis into the private debt fund's investment process. It also performed several due diligence mandates in investment opportunities in Brazil and abroad with a focus on issues related to ESMS. In addition to deep knowledge of potential social and environmental impacts, its professionals stand out for their proactive posture, proposing solutions with a broad vision and generating value for all stakeholders involved."

Daniel Eskinazi
Principal, Darby Private Equity

Find out more about our ESMS methodology in:
<http://info.sitawi.net/saras>

Realized projects in Brazil

Scope	Financial Institution	Sponsor	Scope	Financial Institution	Sponsor
	AFEAM (2014-16)	IDB		Caixa Econômica Federal (2014-2016)	Oxfam
	Age-Rio (2014-15)	ABDE		Citi Brasil* (2011)	-
	AGEFEPE (2015)	IDB		Darby (2016-2017)	DEG
	AGN (2014-15)	ABDE		Desenbahia (2014-2015)	ABDE
	Allianz Brasil* (2012-13)	-		Desenvolve Alagoas (2014-2015)	ABDE
	Axxon Group (2014-2017)	-		DesenvolveSP (2014-2015)	ABDE
	Banco Bradesco (2014-2016)	Oxfam		Fomento Paraná (2014-2015)	ABDE
	Banco de Brasília (2014-2015)	ABDE		GoiásFomento (2014-2015)	ABDE
	Banco do Brasil (2014-2016)	Oxfam		HSBC Brasil (2014-2015)	Oxfam
	Banco Pine (2017)	Proparco		Indusval (2015)	BIC
	Banco Safra (2014-2016)	Oxfam		Inseed Investments* (2011)	-
	Banco Votorantim (2016)	-		Itaú Asset (2012-2017)	-
	Banco Votorantim (2014-2016)	Oxfam		Itaú BBA (2016-2017)	-
	Banpará (2016)	-		Itaú Unibanco (2016)	-
	BDMG (2015)	AFD		Itaú Unibanco (2014-2016)	Oxfam
	BNDES (2016)	IDB		Itaú Unibanco* (2010-2011)	-
	BNDES (2015-2017)	Mott Foundation		Santander Brasil (2014-2016)	Oxfam
	BRDE (2014-2015)	ABDE		Sofisa (2017)	Proparco
	BTG Pactual (2014-2016)	Oxfam		SulAmérica (2015)	-
	Caixa Econômica Federal (2017)	IDB			

Evaluation
 Development
 Implementation
 Capacity-building

* Executed by team members before the Sustainable Finance Program integrated SITAWI

ESMS international projects

Scope	Financial Institution	Sponsor	Country
	Central Bank of Barbados (2015)	IDB	Barbados
	Banco de Bogotá (2018)	IDB Invest	Colombia
	Banco Hipotecário (2016-2017)	ecoBusiness Fund	El Salvador
	Banco Pichincha (2015)	GCPF	Ecuador
	Bancoldex (2015)	IDB	Colombia
	Banvivienda (2017-2018)	ecoBusiness Fund	Panama
	Credit Guarantee Fund Afghanistan (2014-2015)	DEG	Afghanistan
	Credit Support Tajikistan (2015)	DEG	Tajnikistan
	Fonplata (2013)	IDB	Bolivia
	Fonplata (2016)	-	Bolivia
	Lafise Bancentro (2017)	ecoBusiness Fund	Nicaragua
	Procredit Ecuador (2015)	GCPF	Ecuador

■ Evaluation
 ■ Development
 ■ Implementation
 ■ Capacity-building



Fred Seifert, Manager of Sustainable Finance, training executives in ESMS designed by SITAWI for Banco Hipotecario, El Salvador.

San Salvador, April 2017

INTELLIGENCE AND INSTITUTIONAL ARTICULATION

SITAWI carries out customized projects on themes that lie at the interface between finance and sustainability, including business intelligence projects, product development, public policy, event curation and institutional coordination. The network and thematic expertise enable SITAWI to be at the forefront of relevant initiatives in Brazil and Latin America.

FAO - Rural Finance

"SITAWI has supported the World Bank and FAO in the diagnosis of the rural finance situation in Brazil with the objective of recommending reforms of public policies and programs for the development of the agricultural credit market and insurance. The project stands out because of the depth and effectiveness of the collection of information about each of the public rural finance programs, and the different ways of supporting farmers and agribusiness in Brazil. This knowledge was key to the discussion of public policy options that could lead to a less distorted and more competitive agricultural finance market in Brazil."

Diego Arias

Lead Specialist in Agricultural Economics
World Bank

WWF - Financial flows for deforestation in the Amazon and Cerrado

SITAWI was contracted by WWF to identify the volume of funding and the main financing institutions of the soy and meat value chains in the Cerrado and Amazon biomes, respectively. From this analysis, possibilities of redirection or improvement of financial flows to reduce deforestation in the regions of interest were verified, as well as recommendations for action with stakeholders. The project also involved the technical coordination of consultants in Argentina and Paraguay who investigated the funding flows in the Chaco region.

TNC - Pará 2030

"SITAWI was an important contributor to The Nature Conservancy in 2017, helping us to demonstrate that it is financially feasible to practice sustainable agriculture, including all costs of the Forest Code and adopting Zero Deforestation as a development model in the State of Pará. These results are consolidated in the publication 'Green Development Paths in the Agenda of Pará 2030 - Development of Land Use Scenarios and Implantation Costs', with SITAWI's publication as one of its bases.

Karen Oliveira, Conservation and Development Coordinator, TNC Brasil

European Union EU-Brazil Green Business Forum

SITAWI supported the European Union in the design and implementation of the EU-Brazil Green Business Forum, which took place in São Paulo in November 2017. The event allowed 75 companies to dialogue with 18 financial institutions on concrete opportunities for financing sustainable businesses, such as distributed energy generation, energy efficiency in buildings and industries, and low carbon agriculture.



Gustavo Pimentel, Head of Sustainable Finance, lecturing at the Green Business Forum Brazil - European Union

São Paulo, June 2017

Financial Innovation Lab (Lab)

Launched on August 3, 2017, through a partnership between ABDE, CVM and IDB, the Lab seeks to foster the creation of investment instruments and financial structures that maximize the leverage of the private sector and optimize the use of donor funds in Brazil. In this context, the Lab is composed of four working groups, one of them dedicated to Green Bonds. The focus of this group, in which SITAWI is the facilitator, is to foster the growth of this market in Brazil and for this purpose, thematic meetings are held with participants to discuss issues such as regulation and incentive instruments.

Banco do Brasil Water Efficiency

With support from WWF Brazil, SITAWI developed a tool to analyze the economic viability of ten water efficiency technologies for companies. The tool allows the systematization and input of data, such as the conditions of financial solutions, water balance cost and technologies cost, and presents the simulations of the best opportunities for adopting the solutions. Banco do Brasil will use the tool to diagnose and offer financial support to clients with water efficiency opportunities.

**Learn more about our work in sustainable finance advisory:
<https://www.sitawi.net/sustainable-finance-advisory>**

RESEARCH AND ASSESSMENT

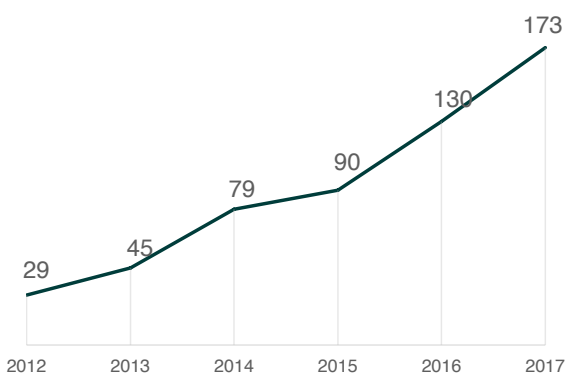
SITAWI's Research and Assessment projects model ESG impacts on business, contributing to the decision-making of institutional investors, banks, insurance companies and non-financial

corporations in specific transactions. SITAWI works with both off-the-shelf analysis (ESG Rating and Valuation) as well as on-demand (ESG Due Diligence and Green Bond Assessment).

ESG RATING AND VALUATION

Since 2012, SITAWI has been playing a pioneering role in integrating environmental, social and governance (ESG) issues in investment and credit analysis, developing and continually improving its own methods of evaluating the exposure of companies and economic sectors to risks and opportunities in its financial valuation.

Number of companies assessed (ESG valuation)



Starting in 2015, it expanded its coverage internationally, accumulating expertise on ESG issues in other Latin American countries. In addition to the expansion in companies covered, it has adapted its method to other asset classes in 2016, such as private debt securities and corporate loans.

At the end of 2017, it reached a coverage of 173 companies from 27 sectors evaluated in relation to their ESG performance, of which 123 are Brazilian, 37 Chilean and 13 Argentinian. As a result, 100% of the Ibovespa companies were covered, 100% of IPSA (Chile) and 85% of Merval (Argentina), according to their compositions in January 2017.

In addition SITAWI conducts weekly monitoring of news about ESG risks and opportunities with the potential to impact the value of companies under coverage.

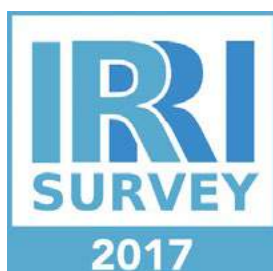
Based on this monitoring effort, the ESG Controversies report is produced every year, being currently in its fifth published edition. SITAWI also acted as co-author of several white papers on integrating ESG issues in investment analysis, such as: Integration of ESG issues into fixed income research and equities and Climate Change and its impacts.

Throughout this trajectory, SITAWI has anticipated ESG risks and opportunities that eventually materialized and impacted companies' performance, such as:

In 2013, it quantified the losses associated with the risk of breaking tailings dams in the mining sector. This projection materialized with the collapse of the Samarco dam, in Mariana (MG), in November 2015.

In 2012, it modeled the impacts of a halt on sales of new telephone lines by telecom operators, due to the large number of customer complaints. At the beginning of 2013, the temporary suspension in the sales of new lines was applied several times by Anatel, the telecom regulator.

Greater severity in penalties for water rights not used by state power companies in Chile due to greater water scarcity and water risk.



Between 2015 and 2017, Independent Research in Responsible Investment (IRRI) ranked SITAWI as one of the top 10 organizations in social and environmental research for investors worldwide. Some of SITAWI's analysts also reached top rankings in first individual categories.

International Partnerships

SITAWI has a history of collaboration with major national and international players in the development of ESG research. In 2012, it started a partnership with MSCI, one of the major global information providers for investors. Under this partnership, it monitored, for over 3 years, relevant ESG issues in the performance of Brazilian companies, including controversies and regulatory changes.

In 2015, SITAWI partnered with another relevant player in the market, the European ESG research agency Vigeo Eiris (still Eiris at the time). In this collaborative process, it analyzed and generated ESG ratings for about 150 listed companies from 8 countries, based on the methodology developed by Eiris itself.

With the merger of Eiris with French ESG agency Vigeo in 2016, new opportunities emerged for SITAWI: (i) it became a local representative of one of the largest ESG research agencies in the world, Vigeo Eiris; (ii) it fostered the ESG research agenda in Brazil, bringing local investors to the Vigeo Eiris' platform; and (iii) it strengthened its presence in the local green bond market, as Vigeo Eiris is also one of the accredited verifiers of the Climate Bonds Initiative.

At the end of 2017, Vigeo Eiris led a manifesto that should bring about profound changes in the ESG research ecosystem. The proposal is that, as in the traditional credit rating market, the cost of ESG assessment of companies is borne by themselves, instead of by investors, as is done today. The main consequences of this change should be:

- Development of the market as a whole, since there will be more resources allocated to ESG research by a greater number of stakeholders;
- Greater access to information by ESG research providers, as a result of a better level of interaction with the assessed companies;
- Greater comparability between ESG assessments of small and large companies, removing the "size bias" of the current ESG ratings;
- Better quality of the analysis, in the light of the 3 reasons mentioned above.

These changes tend to further strengthen SITAWI's position, due to its expertise in the ESG assessment of companies, and for being a reference in Brazil and Latin America in this area. Meanwhile, we continue to offer exclusively in Brazil the ESG rating products from Vigeo Eiris, which cover more than 4,000 companies globally.

ESG DUE DILIGENCE

Through its Due Diligence service, SITAWI supports Banks and Private Equity Managers in social and environmental risk analysis, controversies, compliance with legislation and with specific standards of companies to be invested or financed. This process includes the analysis of documents, site visits and interviews with managers and stakeholders.

The following table shows all the sectors already covered by SITAWI, highlighting which were analyzed in 2017.

In 2017, SITAWI carried out, for the first time, ESG due diligence of companies outside Brazil, including Uruguay, Colombia and Paraguay, reinforcing its knowledge in the Latin American context.

Agriculture*	Chemical*
Banking*	Health
Capital Goods	Engineering Services
Footwear	Telecommunications
Construction*	Maritime Transport
Oil & Gas	

*Sectors analyzed in 2017

GREEN BONDS

Green Bonds are debt instruments such as debentures, financial bills, Agribusiness Receivables Certificates (CRA), Agribusiness Letter of Credit (LCA), Credit Right Investment Fund (FIDC), among others, which are committed to financing green assets or aiming to mitigate climate change. In addition to the usual participants in the debt securities market, participants in the green bond market include external assessment agents, who, by means of an independent opinion, attest to the positive environmental attributes of the projects to which the funds are earmarked.

Second opinion and support to certification

SITAWI is the only Brazilian organization with experience in providing second opinion on green bonds. This opinion constitutes an evaluation of the green credentials of the bonds, guaranteeing that the proceeds will be destined for green projects, besides analyzing the social and environmental perfor-

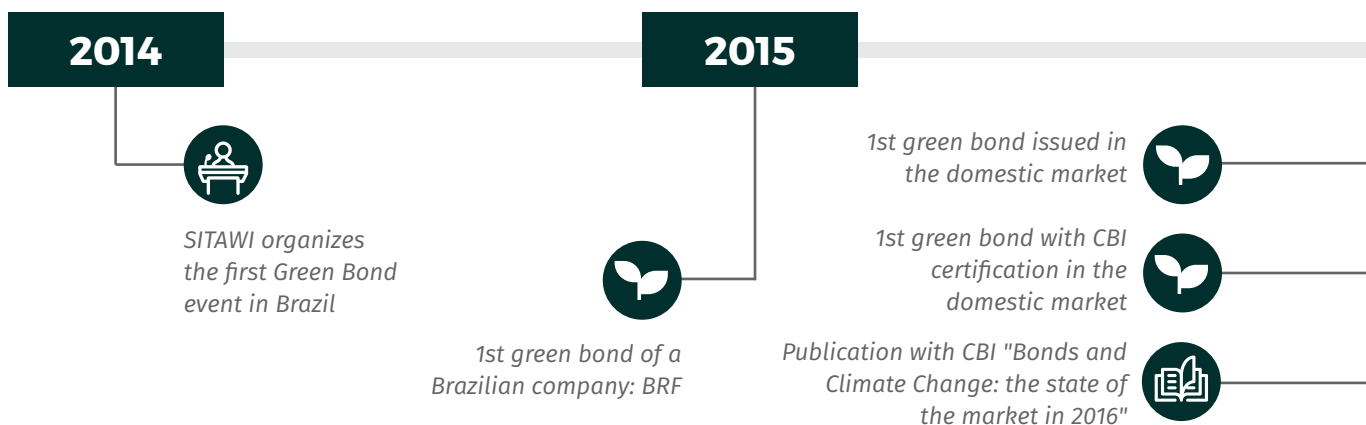
mance of the issuer and the projects. It also advises its clients to obtain certification of their bonds by the Climate Bonds Initiative (CBI), a service carried out jointly with Vigeo Eiris.

In 2017, SITAWI provided five favorable opinions for the issuance of green bonds, totaling R\$ 444 million in issuance. In total, since 2016, it has assessed the issuance of seven green bonds in Brazil that raised R\$ 1.6 billion for alternative renewable energy and sustainable forest management projects.

Green Bonds Framework Design

In 2017, SITAWI advised Bancóldex, Colombia's development bank, in the design of its Green Bond Framework, which sets out the four Green Bond Principles (GBP) the bank must follow in using the proceeds obtained

Evolution of Green Bonds in Brazil



through the Green Bond issuance, and which demonstrates: (i) which projects may be financed by the debt security, (ii) the project selection and evaluation process, (iii) the management of the proceeds, and (iv) a standardized reporting on the environmental performance of the debt security. The USD 68 million issuance of Bancóldex, held in August 2017 in the Colombian Stock Exchange was the first of its kind in the country.

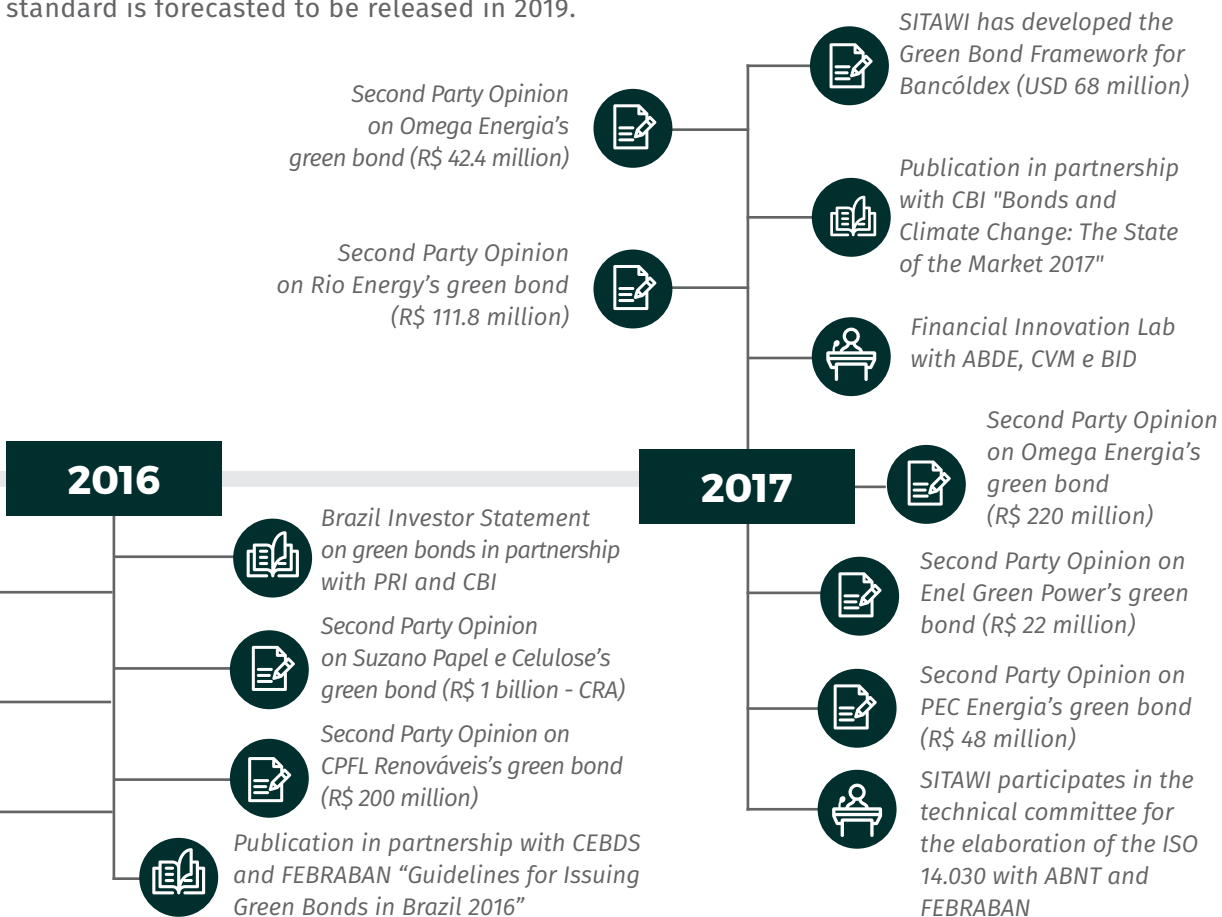
ISO 14030

SITAWI, together with FEBRABAN and Sust4in, were nominated by ISO and ABNT as Brazilian experts in the working group to elaborate ISO 14030, which seeks to create a standard for debt securities to be considered as "green". The first meeting of the WG took place in Paris. SITAWI was appointed coordinator of the Brazilian group of experts and will attend the international meetings of the theme. The standard is forecasted to be released in 2019.

Developing the market

SITAWI is the leading national reference in Green Bonds, participating in several working groups on the theme, such as the Brazilian Green Finance Initiative (CBI / CEBDS) and coordinating the LAB's Green Bonds WG (IDB / CVM).

In 2018, it will also develop an innovative project with the Climate and Society Institute (iCS) to promote pioneering issuance of green bonds with high. Throughout the year a publication will be launched with issuance models and we will pilot a Development Facility to support pioneering issuance that meet the criteria of high contribution to climate change mitigation.



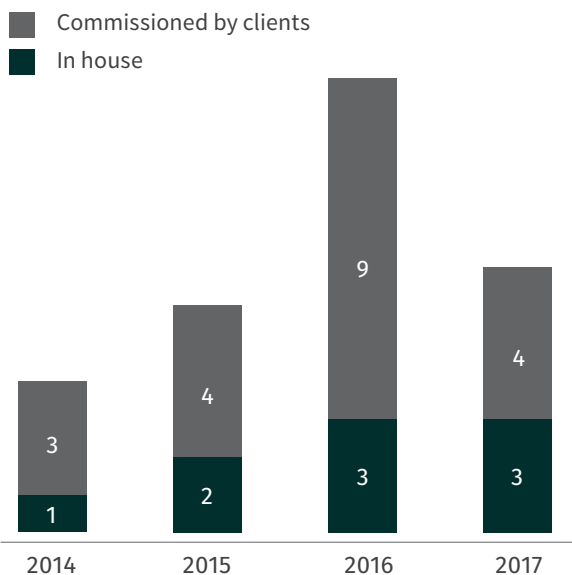
PUBLICATIONS

SITAWI believes that sharing knowledge with different stakeholder groups and decision makers plays a key role in advancing its mission. Through

our own publications or those developed for third parties, the public may access analyses that connect ESG themes to financial issues.

In 2017, SITAWI reached at least 2,500 readers, considering only downloads from our website and distributed prints.

Sustainable Finance Publications



SITAWI's activities lie in areas of knowledge frontiers, which enabled our publications to become benchmarks in the market. Our experience as a local actor makes it possible to materialize international trends in insights focused on the national context.

Besides the leverage in internal process management, 2017 was also a year of growth. After we hired 16 employees in 2016, in 2017 we increased our team by 42%. We finished the year with a team of 34 "sitawanos", as we call ourselves, of which 59% are women. Talking about the positions with management responsibility, 38% are women, growing from 33% in 2016.

The coverage on the topic Climate Change represents this trajectory well. As early as 2013, SITAWI was the first organization to discuss in Brazil how international climate agreements could generate "stranded assets" in the national Oil and Gas sector ("Unburnable Carbon", in partnership with CarbonTracker). SITAWI's content production has been updated to the international climate agenda, anticipating local risks and opportunities. SITAWI participated in the elaboration of the first studies on green bonds in Brazil, in 2016: Guidelines for Issuing Green Bonds in Brazil (launched by the Brazilian Federation of Banks and the Brazilian Business Council for Sustainable Development) and Bonds and Climate Change: The state of the market in 2016 (launched by the Climate Bonds Initiative).

The results of our analysis on the theme were showcased at the United Nations conferences on climate change: "Removing barriers to financing energy efficiency in Brazil", published by CEBDS in 2014 and taken to the Conference of the Parties in Lima (COP 20) and "Para 2030: Implementation Costs and financing of a zero deforestation development agenda", commissioned by The Nature Conservancy in 2017, with results presented at COP 23 in Bonn.

This last study, which evaluated zero deforestation scenarios for the economy of Pará, illustrates the spectrum of our coverage with a thematic approach, aiming at both Climate Change and Agriculture and Forests. In addition to these, SITAWI has also published studies on Water, Energy, Transparency and Regional Development over the years.

In addition to thematic content, SITAWI has produced analysis focused on how the financial sector incorporates or can incorporate social and environmental issues into investment decisions. In this perspective, it has already covered different categories of financial institutions: commercial banks, development banks and pension funds.

In 2017, in addition to updating companies, investors and other stakeholders on the Brazilian green bond market (Bonds and Climate Change: The State of the Market 2017), SITAWI supported Itaú Unibanco in white papers on integrating social and environmental issues into credit analysis and the economic-financial effects of climate change. The year was also marked by the continuity of our coverage on institutional investors.

Pathways to Social and Environmental Responsibility of BNDES: Analysis and proposals for the evolution of the bank's social and environmental performance and Technical Note - Thesis of Impact of Investment on BNDES Projects

Continuing with the series "**Pathways of Social and Environmental Responsibility of BNDES**", SITAWI followed the changes associated with the social and environmental management of the bank announced in the second semester of 2016 and in 2017 and analyzed its potential unfolding.

The study, sponsored by the Mott Foundation, was made available online and printed for free.



"C.S. Mott Foundation has been partnering with SITAWI over several years to monitor and analyze social and environmental management practices in development banks such as BNDES. SITAWI has in-depth knowledge of international social and environmental best practices in development finance. SITAWI's knowledge, experience and commitment contribute to ensuring the social and environmental sustainability of public investments in energy and infrastructure."

Traci Romine, Program Officer, Mott Foundation

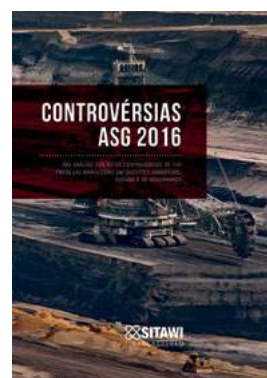
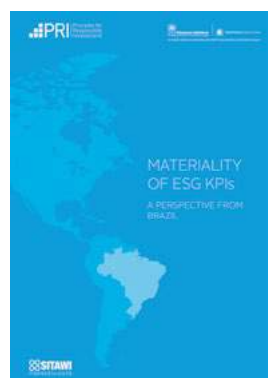
Responsible Pension Fund Guide: Selection and Monitoring of Outsourced Manager with ESG Criteria



SITAWI was technical partner of the Brazilian National Association of Pension Funds (Abrapp), the Principles for Responsible Investment (PRI) and the Carbon Disclosure Project (CDP) in the preparation of the guide, which indicates guidelines and tools for responsible investment in pension funds, with special emphasis on outsourced managers. Pension funds had already been the subject of the publication Responsible Investment in Brazil in 2016.

Both BNDES and pension funds remain on the agenda in 2018 because of the relevance of their capital to the national economy. SITAWI's goal is to foster the adoption of best practices in social and environmental management, contributing to a financial system in which these issues are increasingly incorporated into investment decisions. Making the importance of social and environmental issues tangible for

investors was also the subject of other studies that mark our trajectory: "Materiality of ESG Indicators" (commissioned by the PRI in 2014) and the series of ESG Controversy reports developed since 2014. In 2018, we continue analyzing the main social and environmental controversies of the largest Brazilian companies and bringing the perspective of how these facts should enter the investor radar.



Access these and other publications at:
www.sitawi.net/publicacoes

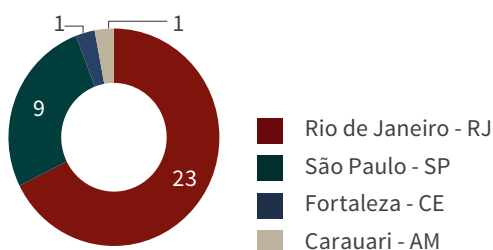
OUR TEAM

Working in an inclusive way - respecting differences, empowering individuals and valuing their potential - allows us to take advantage of the plurality of human essence and is fundamental to SITAWI's mission.

In February 2017, we conducted a participatory planning in which various policies were revised and collective goals established. Encouraging diversity has been incorporated into the values of the organization. Since then we have developed a closer look at issues of plurality through empathy and transparency.

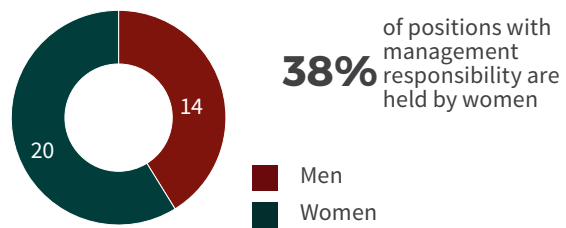
With the collaboration of all members, we made our internal processes more effective and we were able to advance in several important issues for the team. At the beginning of the year, Working Groups were collectively established to co-create solutions to internal issues, such as integrating new members and retaining talent, reaffirming culture and values, and managing volunteers. These groups had voluntary leadership and participation and resulted in shared solutions and pilot projects. From the renewal of our values, in order to be in harmony with the current structure and positioning of SITAWI, actions like the letter of personal commitments of each member of the team were deployed to the organization and reflected in internal processes.

Division of team by office



DIVERSITY AND EQUITY

Besides the leverage in internal process management, 2017 was also a year of growth. After we hired 16 employees in 2016, in 2017 we increased our team by 42%. We finished the year with a team of 34 "sitawanos", as we call ourselves, of which 59% are women. Talking about the positions with management responsibility, 38% are women, growing from 33% in 2016.



To better accommodate this growth, we moved to a larger office in São Paulo and established bases in Ceará and Amazonas. Today, SITAWI implements its programs and projects with teams distributed in four bases: Rio de Janeiro-RJ, São Paulo-SP, Fortaleza-CE and Carauari-AM. In order to guarantee a strong and cohesive culture even with the growth of the team and work in different locations, we adopted some internal practices, such as kickoff meetings of projects for the whole team. We also institutionalized a new integrated communication platform, which increased the level of interaction of the team and streamlined the progress of projects, giving visibility to all and contributing to internal alignment.

Since 2015, we have implemented a clear career plan, shared with all the staff and that seeks to guarantee functional and gender equity. When analyzing the wage gap between men and women, we perceive that the variations are present

on both sides and are a result of the range in seniority due to the time account in the function.

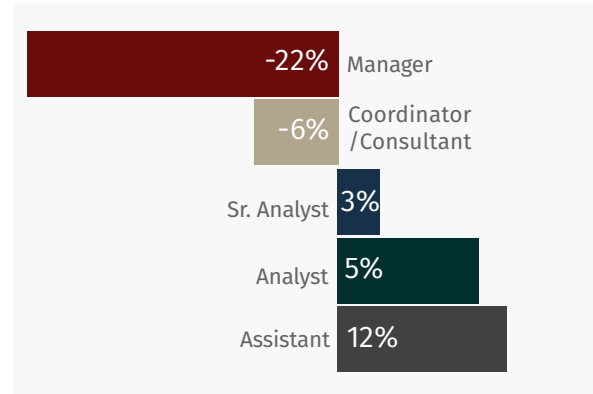
With the movement initiated in 2017, we are gradually migrating employees who are on temporary or part-time contracts to permanent contracts with benefits.

PERFORMANCE AND CAREER MANAGEMENT

Providing an environment of high personal and professional development is part of SITAWI's value proposition for its employees. Since 2014, we have a structured performance evaluation based on the competencies of each function and of the organization as a whole. In the period covered by the Report, 100% of employees received this type of evaluation. Following the performance evaluation, the Personal Development Plan (PDP) is carried out, at which point the employee agrees with his manager on how to develop it for that period. This initiative is an acknowledgment of the internal team's performance and an investment in vocational training for future work needs. In 2017, 100% of the employees received training, enabling the increase of skills and abilities of our team.

At the beginning of the year, one of the initiatives directed to human resources and prioritized by the team was the development of the evaluation of the managers. A voluntary wor-

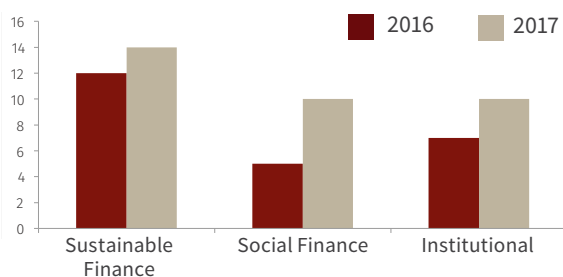
Salary difference by position and gender (women/men)



king group with members from different areas outlined the elements that should be part of the evaluation. The same occurred at the end of the year and was conducted with the support of an external consultancy. Together, the quarterly presentation of results, performance evaluation, personal development plan and manager evaluation, make up the spectrum of tools for team development and promotion.

In contrast to 2016, in which we had an increase in employee turnover, in 2017 the rates were cut in half and we had a general turnover of around 12%. Our recruitment has become more rigorous and effective, incorporating interviews to evaluate the cultural fit of the candidate with the organization and also the adoption of an online platform for all positions, allowing the creation of a history and a method in the conduction of the selective processes. Even with the high number of hirings in 2017,

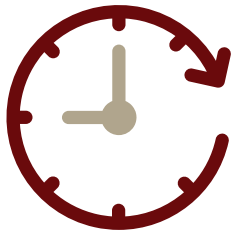
Number of employees per area



Turnover

		2016	2017
by gender	women	41,7%	15,0%
	men	8,3%	7,1%
by age group	< 30 years	14,3%	10,5%
	> 30 years	40,0%	13,3%
Total		25,0%	11,8%

the average working time of active employees at the end of the year increased from 24 to 26 months, with 62% of the team working for more than a year in the organization, contributing to the retention of knowledge and organizational stability.



62% of the team has been in the organization for over 1 year
average length of service for active employees
25,9 months

In the direction of a more plural team, we also establish in the code of ethics the encouragement and appreciation of candidacies of people with diverse life experiences, as well as the commitment that there will be no discrimination of any gender, race, origin, disability, sexual orientation and/or gender identity in the process. The valuation of people is fundamental to the success of our institutional mission and we understand that, for this, it takes a close and continuous look.

TEAM

Founder and CEO

Leonardo Letelier

Sustainable Finance

Gustavo Pimentel, Director

Frederico Seifert, Project Manager

Cristóvão Alves, Chief Analyst

Guilherme Teixeira, Consultant

Débora Masullo³, Senior Consultant

Amanda Gomes¹, Consultant

Carla Schuchmann³, Senior Consultant

Juan Vega, Analyst

Beatriz Ferrari, Analyst

Omar Ávila³, Analyst

Rachel Besso, Analyst

Letícia Farias, Researcher

Clinton Mallet¹, Researcher

Jacqueline Ramos³, Researcher

Beatriz Maciel³, Researcher

Fabiana Goulart³, Researcher

Social Finance

Rob Packer, Manager

Andrea Resende, Manager

Silvana Macedo³, Local Coordinator - Carauari (AM)

Itali Collini, Senior Analyst

Marcela Miranda³, Social Finance Analyst

Vinicius Ahmar³, Senior Social Impact Analyst

Paula Bonazzi³, Senior Partner Analyst

Rafael Ribeiro, Coordinator of Social Impact Bonds

Bruno Pantojo, Senior Analyst of Social Impact Bonds

Isabel Rodrigues, Researcher of Social Impact Bonds

Rony Raposo, Social Funds Assistant

Institutional

Renata Linhares, Relationship Coordinator

Ana Flávia Gomes², Relationship Coordinator

Marianna Abreu¹, Relationship Assistant

Sarah Siqueira, Relationship Assistant

Luiza Coimbra, Communication Analyst

Karen Garcia, Communication Assistant

Stefano Giarelli, Consultant

Rosilene Fonseca, Financial Administrative Assistant

Mariana Godinho³, Trainee

Wendell Bornéo³, Purchasing Analyst

¹ collaborators left SITAWI throughout the year

² collaborators joined and left SITAWI throughout the year

³ collaborators joined SITAWI throughout the year

DONORS

"Just as an auction without bids does not happen, good ideas without support are not developed. SITAWI only exists because people believed in our mission even when most people still didn't talk about Finance for Good. Thank you to all who trust in our work. It's 10 years of much history and pride. Special thanks to our donors who understand the importance of having financial health to follow our journey of good."

Renata Linhares, Relationship Manager



Visit of SITAWI supporters and staff to Creche Mundo Infantil, in the Santa Marta favela, benefited installation of solar panels by Insolar - impact business supported by SITAWI in 2015

Rio de Janeiro, april 2017

"I believe that philanthropic activities should be carried out with the same degree of seriousness and professionalism as the other activities we are engaged in. Therefore, I have chosen to support SITAWI with the assuredness and tranquility that the resources donated will always have their utility maximized when directed by the ethical and competent team of this exemplary organization."

Cláudio Skilnik, donor since 2013

"It's not only about the donation. It is about the welcoming relationship that is established. It is about the positive and proper return that you get. It is about the change of concept and the transformation of society. It is about, in short, the fraternity multiplied and translated into quality of life."

Renato Sant'Anna, donor since 2013

"SITAWI's action inspires and unites causes and capital, promoting less inequality, care for the environment and well-being."

Lucia Hauptman, Board member since 2016



The 1st SITAWI Wine Auction brought together around 100 people among friends and supporters of the Rede do Bem.

São Paulo, september 2017

"Supporting social impact projects for me is more than a choice, it's a duty. I'm proud to be a supporter of SITAWI and to be able to invest in those who need it most!"

Teresa Rossi, donor since 2016

"The donations to SITAWI increase the capital of the activity and this capital is being recycled, as the money is borrowed, it produces results and returns to the funds, it can be borrowed again, which has a very important multiplied effect."

Arminio Fraga, donor since 2011

DONORS

Ambassador

A. Fraga, L. Hauptman

Senior

F. Scodro, G. Ferreira, G. Hsu/Finance for Good, J. Bitencourt, M. Spilberg, T. Bracher

Leader

Axxon Group, Clifford Chance, F. Gutterres, J. Oliveira, J. Junior, J. Michaels, M. Soares, O. Armani, R. Ellison, R. Patriarca, Souza Cescon, S. Wachsner, T. Rossi, W. Dominice

Member

A. Alvares, Apex Capital, B. Moraes, C. Junqueira, C. Barberi, C. Resende, C. Teixeira, C. Skilnik, C. Lemos, C. Oliveira, D. Celano, E. Stein, F. Kaufmann, F. Sotto, F. Feder, F. Seifert, F. Rizzo, G. Pimentel, H. Drummond, H. Sztutman, IBM, I. Dalri, J. Clifford, J. Moulin, L. Letelier, L. Teixeira, M. Desterro, M. Mesquita, M. Pedreira, M. Finatti, M. Tornovsky, P. Mordehachvili, P. Brandi, R. Alvarenga, R. Glass, R. Packer, R. Valverde, S. Weguelin, S. Miagostovich, T. Solberg, V. Otsubo, R. Sant'Anna

We also thank the following donors:

A. Gomes, A. Resende, C. Schuchmann, C. Amaral, D. Souto, E. Maia, F. Tran, F. Mariz, F. Farah, G. Teixeira, I. Collini, M. Sergeant, N. Rjeili, P. Mussi, R. Linhares, R. Chaves, R. Fortini, S. Siqueira, S. Marcon, T. Ferreira



In 2017, we were recognized among the 100 Best NGOs in Brazil (Época Magazine and Doar Institute), Top 10 in ESG Research for Investors in the world (Independent Research in Responsible Investment) and were finalists of the Finance for the Future Awards (ICAEW, Accounting for Sustainability).

ADVISORY BOARD

(entry year)

Enio Stein

CFO Log-in Logistics Intermodal Logistics (2009)

Franklin Feder

Independent advisor and former CEO of Alcoa Latin America & Caribbean (2015)

Guilherme Affonso Ferreira

President of Bahema S/A (2012)

Lucia Hauptman

Founder and president of PRADA Consultancy (2016)

Thomaz Conde

Social Investor (2014)

Tomaz Solberg

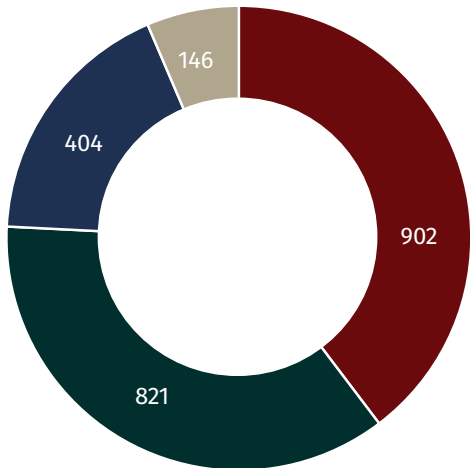
Conflict Mediator (2009)

VOLUNTEERS

Over the years, more than 50 volunteers have collaborated with SITAWI. In 2017, there were 19 people who devoted part of their time to projects in the programmatic areas and also to support the organization. We are grateful to each one for the dedication and contribution to the team. Administrative: Karen Quiroga, Emilia Borges, Bridget Alldridge, Jaqueline Ramos. Communication: Guilherme Simão, Gustavo Reginato, Katharina Davies, Saulo Jacques. Relationship: Danilo Cerqueira, Jessica Blanco, Sarah Siqueira. Funds and Loans: Camila Mazzer de Aquino, Cesar Seabra Diniz, Igor Ferreira Guia Barros, Luciana Jácome Basto Cordeiro, Nathália de Bem e Canto Cantanhede, Vinícius de Carvalho. Social Impact Bonds: Bruno Sanches, Hamna Nazir.

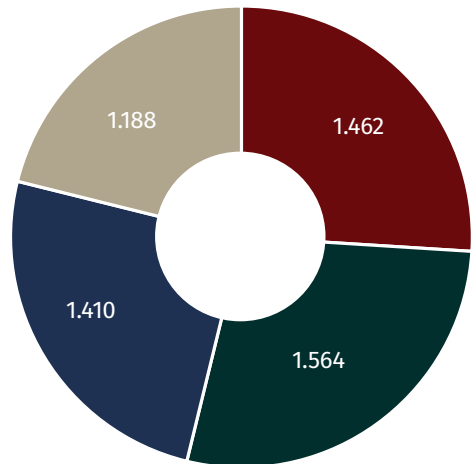
FINANCIAL INFORMATION

Resources for operations
(R\$ thousand for source, entries / inflows)



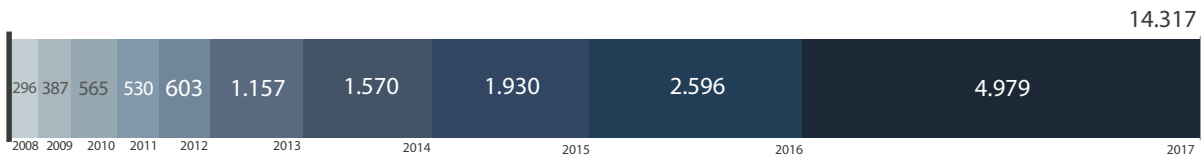
Organizations Individuals

Resources for impact
(R\$ thousand for source, mobilized)



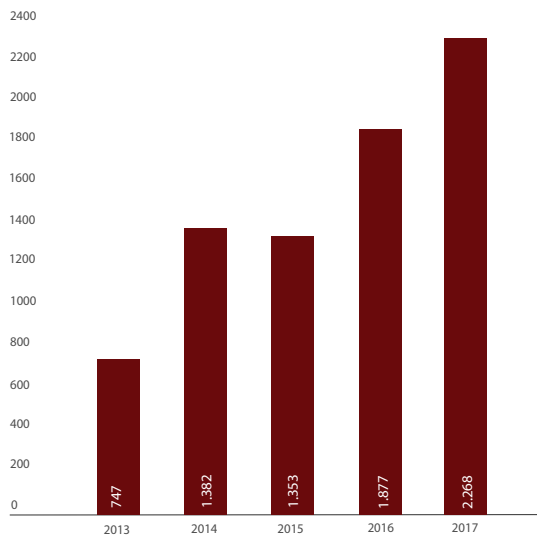
Foundations Development Agencies

Disbursements for Social Impact (R\$ thousand)



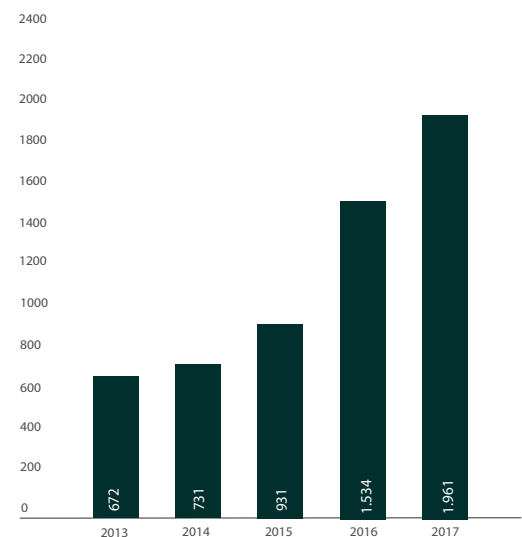
Net Revenue

R\$ thousand, nonprofit entity



Net Revenue

R\$ thousand, for-profit entity



FINANCIAL STATEMENTS FROM NONPROFIT ENTITY

Our financial statements are audited by BFO RCS Auditoria and are available on our website.

(R\$) thousand	2017	2016	2015	2014	2013
Operating Income	2.273	1.816	1.285	1.329	716
Social Finance ¹	815	609	223	173	267
Sustainable Finance ²	656	570	358	230	-
Businesses and Impact	61	126	344	394	90
Donations to Operations	741	511	360	532	359
Fees and taxes	5	16	8	8	22
Net Revenue	2.268	1.800	1.277	1.321	694
Financial Result	55	70	68	53	21
Expenses	2.323	1.885	1.203	1.171	704
Institutional Development	366	226	168	128	59
Marketing and Business	140	62	43	44	20
Transportation and Travel	226	164	125	84	39
Human Resources	1.344	1.070	742	599	490
Management, admin and operations	613	589	293	444	155
Office and capital expenditures	432	384	121	128	79
Third party services	181	205	172	316	76
Operational Result	0	-15	142	203	11
Operational Indicators					
Disbursement for Social Impact ³ (R\$ thousand)	4.979	2.597	1.930	1.570	1.157
Resources mobilized for Social Impact (cumulative) ⁴	14.318	9.339	6.742	4.812	3.242
Internal Capital Consumption ⁴ (R\$ thousand)	741	526	218	330	349
Internal Capital Consumption (cumulative)	2.761	2.020	1.494	1.276	946
Generated income ⁵ / Total income	67%	72%	72%	60%	50%
Impact Multiplier ⁶	6,72	4,94	8,85	4,76	3,32
Impact Multiplier (cumulative) ⁶	5,19	4,62	4,51	3,77	3,43

(1) In 2016 there were R\$10 thousand of Philanthropic Culture that are incorporated into Social Finance revenue; It also includes receipts from the Brazilian Social Finance Task Force | (2) Includes R\$157 thousand referring to 2016 revenues recognized in 2017 | (3) Resources disbursed directly by SITAWI + resources whose operations are coordinated by SITAWI (most relevant since 2017) | (4) Operating expenses not covered by generated revenues | (5) Revenues from consultancies, fund management and initiatives with dedicated funding | (6) Amount in R\$ of resources mobilized for social impact for each R\$1 of donations consumed by SITAWI operations.

GRI INDEX

ORGANIZATIONAL PROFILE

102-1 Name of Organization - SITAWI

102-2 Primary brands, products and/or services - p. 15 and 44

102-3 Location of Headquarters: For Profit Organization – Rio de Janeiro/RJ; Nonprofit Organization – São Paulo/SP

102-4 Location of operations - p. 12

102-5 Ownership and legal form - p. 12

102-6 Markets served - p. 15 and 44

102-7 Scale of the organization - Small

102-8 Information on employees and other workers - p. Volunteers are not associated with directly generated revenue. p. 63 and 65

102-9 Supply chain - SITAWI develops activities related to the management of professional programs and services, having only suppliers of supplies (IT, office supplies, etc.) and other professional services (accounting, advertising, etc.).

102-10 Significant changes to the organization and its supply chain - p. 02

102-11 Precautionary Principle or approach - SITAWI's activities have very low environmental impact, so the application of the precautionary principle is not considered a material issue.

102-12 External initiatives - p. 14

102-13 Membership of associations - Principles for Responsible Investment (PRI), Aspen Network of Development Entrepreneurs (ANDE), Group of Institutes, Foundations and Companies (GIFE), Transform Finance and CDP.

STRATEGY AND ANALYSIS

102-14 Statement from senior decision-maker - p. 08 and 10

102-15 Key impacts, risks, and opportunities - Key impacts are positive, coming from programmatic areas. The key risks are related

to workers and economic performance. The main opportunities are in the relationship with supporters and in the involvement with public policies and economic and social and environmental impacts. All of these topics are considered priorities and are managed by the CEO together with those in charge of the programmatic and institutional areas. SITAWI has a strategic plan with clear goals (available on the website), which are monitored quarterly in team meetings. - p.04

ETHICS AND INTEGRITY

102-16 Values, principles, standards, and norms of behavior - p. 12

102-17 Mechanisms for advice and concerns about ethics - p. 12

GOVERNANCE

102-18 Governance structure - p. 12

102-19 Delegating authority - p. 12

102-20 Executive-level responsibility for economic, environmental, and social topics - p. 12

102-21 Consulting stakeholders on economic, environmental, and social topics - p. 02

102-22 Composition of the highest governance body and its committees - p. 12

102-23 Chair of the highest governance body - p. 12

102-24 Nominating and selecting the highest governance body - p. 12

102-25 Conflicts of interest - No member of the board participates in decisions in which it can benefit directly or indirectly.

102-26 Role of highest governance body in setting purpose, values, and strategy - p. 12

102-27 Collective knowledge of highest governance body - There was no board training in 2017.

102-28 Evaluating the highest governance body's performance - p. 12

102-29 Identifying and managing economic, environmental, and social impacts - At quarterly board meetings, the board is evaluated and receives the key mitigation risks and strategies identified by top management.

102-30 Effectiveness of risk management processes - At quarterly board meetings, the board is evaluated and receives the key mitigation risks and strategies identified by top management.

102-31 Review of economic, environmental, and social topics - p. 02

102-32 Highest governance body's role in sustainability reporting - p. 02

102-33 Communicating critical concerns - Senior management direct communication channel (e-mail) with the board for urgent matters. Relevant but less urgent issues are discussed on a quarterly basis.

102-34 Nature and total number of critical concerns - Labor relations and support for funds indirectly related to political issues. The two issues were discussed internally and the actions defined by top governance and the council.

102-35 Remuneration policies - p. 63

102-36 Process for determining remuneration - p. 63

102-37 Stakeholders' involvement in remuneration - p.63

102-38 Annual total compensation ratio - Relationship between the highest compensation of the organization and the median of the remuneration of all employees: 384% (non-profit organization); 336% (for profit organization).

102-39 Percentage increase in annual total compensation ratio - Relationship between percentage of increase in compensation of the best remuneration and the median percentage of increase of all employees -18% (non-profit organization); + 5% (for profit organization)

STAKEHOLDER ENGAGEMENT

102-40 List of stakeholder groups - p. 02

102-41 Collective bargaining agreements - 38%

of the team is covered by collective bargaining agreements.

102-42 Identifying and selecting stakeholders - p. 02

102-43 Approach to stakeholder engagement - p. 02 and 66

102-44 Key topics and concerns raised - p. 02

REPORT PROFILE

102-45 Entities included in the consolidated financial statements* - The financial statements cover all nonprofit financial information and part of the for-profit entity's financial information. For competitive reasons, we opted to limit the disclosure of the financial information of the for profit organization. Only net revenue is disclosed.

102-46 Defining report content and topic Boundaries - Limitations were considered for the material topics: **Legal compliance:** nonprofit and for-profit entities. **Economic performance:** nonprofit entity in its entirety and for-profit partially, according to indicator 102-45. **Involvement and impacts on public policies:** nonprofit and for-profit entities. **Indirect economic and social and environmental impacts:** Organizations and Impact Business, for or nonprofit, supported by Social and Environmental Revolving Funds (FSR). **Relationship with supporters:** Supporters (individuals or companies) of the nonprofit organizations. **Relationship with employees:** All SITAWI employees

102-47 List of material topics - p. 02

102-48 Restatements of information - No revisions have been made.

102-49 Changes in reporting - p. 02

102-50 Reporting period - p. 02

102-51 Date of most recent report - p.02

102-52 Reporting cycle - p. 02

102-53 Contact point for questions regarding the report - p. 02

102-54 Claims of reporting in accordance with the GRI Standards - p. 02

102-55 GRI content index - p. 05 and 70

102-56 - External assurance - SITAWI did not seek External Verification for this Report.

SPECIFIC STANDARD DISCLOSURES

103-1 Explanation of the material topic and its Boundary - Limits are reported in the indicator 102-46 and the following justifications. **Legal Compliance:** Important for the credibility of the organization and essential for ethical action. **Economic performance:** Financial sustainability ensures the operationalization of our activities and the fulfillment of our institutional mission. **Involvement and impacts on public policies:** By positioning itself consistently with external audiences, SITAWI's activities gain scale and continuity. **Indirect economic and social and environmental impacts:** Taking into account that SITAWI is a medium-sized organization and that the positive social and environmental impact is part of our mission, impact measurement is fundamental. **Relationship with supporters:** Donations of individuals and companies are essential for the viability of the organization. SITAWI's innovative approach requires a high level of transparency and commitment to supporters. **Relationship with employees:** Our work is highly dependent on intellectual capital, ie, the people who work in SITAWI.

103-2 The Management Approach and its Components

Legal Compliance: Chief Financial Officer and CEO identify potential risks and act preventively. When necessary, lawyers and external accountants are called. **Economic Performance:** Financial Manager and CEO define budget with participation of the leaders of each area and control is executed monthly. **Involvement and impacts on public policy:** opportunities are evaluated by the CEO and Program leaders. **Indirect economic and social and environmental impacts:** Leader of the Social Finance program reports quarterly related indicators. **Relationship with supporters: Relationship leader and CEO review relevant indicators on a monthly basis. (pledges) Worker Relationships:** Hiring is always done with the participation of the direct staff, at least one member of the non-correlative area, and the CEO or leader of the Sustainable Finance Program.

103-3 Evaluation of the management approach - p. 12 and 63

401-1 New employee hiring and employee turnover - p.63

404-3 Percentage of employees who regularly receive performance reviews and career development - Performance appraisal process.

NG08 Funding sources by category and five largest contributors * - For reasons of confidentiality of the identity of our supporters, we have chosen not to report the top five donors and their values. It is a decision based on the protection of our supporters and the trust that exists between them and SITAWI.

NG010 Number of cases of non-compliance with regulations and voluntary codes related to marketing communications, including advertising, promotion and sponsorship, broken down by type of results - No cases of non-compliance relating to communication and marketing were recorded.

201-1 Direct economic value generated and distributed* - See 102-45.

415 Management Approach to Participation in Public Policy - SITAWI's positioning is 100% in accordance with internal policy. Included in the scope of SITAWI's institutional positioning are programmatic themes - which include issues related to the work of the Social Finance and Sustainable Finance areas, such as Regulation of equity funds, joint liability of banks, Disclosure ESG of companies and Incentives for impact businesses - and institutional issues - related to the functioning of SITAWI as an organization, such as the Legal framework of social organizations and Taxation of social organizations.

203-1 Infrastructure investments and services supported - p. 25

203-2 Significant indirect economic impacts - p. 25

419-1 Non-compliance with laws and regulations in the social and economic area - p. 12

405-1 Diversity of governance bodies and employees - p. 63

405-2 Ratio of basic salary and remuneration of women to men - p. 63



Annual Report 2017

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