

(Convenience translation into English from the  
original previously issued in Portuguese)  
SITAWI

Independent auditor's report

Financial statements  
As at December 31, 2017

SITAWI

Financial statements  
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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the  
Management of  
SITAWI  
Rio de Janeiro - RJ

### Opinion

We have audited the financial statements of SITAWI (the Entity), which comprise the statement of financial position as at December 31, 2017 and the respective statements of activities, comprehensive surplus (deficit), changes in net assets and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SITAWI as at December 31, 2017, its financial performance and its cash flows for the year then ended, in accordance with the Brazilian accounting practices.

### Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Entity in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## Independent Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, April 04, 2018.

# SITAWI

## Statements of financial position As at December 31, 2017 and 2016 (In Brazilian Reais)

Assets				Liabilities and net assets			
	Note	2017	2016		Note	2017	2016
<b>Current</b>				<b>Current</b>			
Cash and cash equivalents	3	5,940,913	2,833,709	Labor liabilities	11	37,990	6,324
Accounts receivable	4	47,250	84,210	Tax liabilities	12	17,264	3,193
Environmental and social loans	5	217,478	679,659	Other accounts payable	13	13,532	2,065
Prepaid expenses	6	16,835	5,989	Obligations with transfers	14	6,002,576	3,187,954
Other receivables	7	10,384	4,752			6,071,362	3,199,536
		<u>6,232,860</u>	<u>3,608,319</u>				
<b>Noncurrent</b>				<b>Net assets</b>			
Environmental and social loans	5	531,613	596,557	Social fund	15	987,144	1,090,057
Deposits and guarantees	8	41,454	29,154			<u>987,144</u>	<u>1,090,057</u>
Investments	9	167,500	-				
		<u>740,567</u>	<u>625,711</u>				
<b>Fixed assets</b>							
	10	85,079	55,563				
		<u>85,079</u>	<u>55,563</u>				
<b>Total assets</b>		<u><u>7,058,506</u></u>	<u><u>4,289,593</u></u>	<b>Total liabilities and net assets</b>		<u><u>7,058,506</u></u>	<u><u>4,289,593</u></u>

The accompanying notes are an integral part of these financial statements.

# SITAWI

## Statements of activities

As at December 31, 2017 and 2016

(In Brazilian Reais)

	Note	2017	2016
Net operating revenue			
Revenues from services	16	179,325	288,849
Private grants	17	2,026,090	1,414,111
		<u>2,205,415</u>	<u>1,702,960</u>
Operating revenues (expenses)			
Expenses on personnel	18	(816,990)	(538,686)
General and administrative expenses	19	(1,454,690)	(1,196,245)
Other operating expenses	20	(95,309)	(90)
		<u>(2,366,989)</u>	<u>(1,735,021)</u>
Financial income, net	21	58,661	86,011
		<u>58,661</u>	<u>86,011</u>
Deficit/ (surplus) for the year		<u>(102,913)</u>	<u>53,950</u>

The accompanying notes are an integral part of these financial statements.

# SITAWI

## Statements of comprehensive surplus (deficit) As at December 31, 2017 and 2016 (In Brazilian Reais)

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	2017	2016
Deficit/ (surplus) for the year	(102,913)	53,950
Other comprehensive surplus (deficit)	-	-
Total comprehensive surplus (deficit) for the year	<u>(102,913)</u>	<u>53,950</u>

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The accompanying notes are an integral part of these financial statements.

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# SITAWI

## Statements of changes in net assets (In Brazilian Reais)

	Social fund	Accumulated surplus	Total
Balance as at December 31, 2015	1,059,629	-	1,059,629
Surplus for the year	-	53,950	53,950
Appropriation to net assets	30,428	(30,428)	-
Others	-	(23,522)	(23,522)
Balance as at December 31, 2016	1,090,057	-	1,090,057
Deficit for the year		(102,913)	(102,913)
Appropriation of deficit to net assets	(102,913)	102,913	-
Balance as at December 31, 2016	987,144	-	987,144

The accompanying notes are an integral part of these financial statements.

# SITAWI

## Statements of cash flows As at December 31, 2017 and 2016 (In Brazilian Reais)

	2017	2016
Cash flows from operating activities		
Deficit/ (surplus) for the year	(102,913)	53,950
Adjustment to reconcile deficit/(surplus) of the year with cash from operating activities		
Depreciation	11,191	6,027
Others	(87,438)	(23,522)
Adjusted deficit/(surplus) for the year	<u>(179,160)</u>	<u>36,455</u>
Changes in operating current and noncurrent assets		
Recoverable taxes	-	36,272
Accounts receivable	36,960	(84,210)
Others	(28,778)	(39,906)
Environmental and social loans	614,563	(100,640)
	<u>622,745</u>	<u>(188,484)</u>
Changes in operating liabilities		
Obligations with transfers	2,814,622	1,071,186
Tax liabilities	14,071	(4,469)
Payroll and social charges	31,666	(24,027)
Other liabilities	11,467	(65,403)
	<u>2,871,826</u>	<u>977,287</u>
Net cash from operating activities	<u>3,315,411</u>	<u>825,258</u>
Cash flows from investing activities		
Addition of investments	(167,500)	
Addition of fixed assets	(40,707)	(48,450)
Net cash from investing activities	<u>(208,207)</u>	<u>(48,450)</u>
Net increase in cash and cash equivalents	<u><u>3,107,204</u></u>	<u><u>776,808</u></u>
Cash and cash equivalents at beginning of year	2,833,709	2,056,901
Cash and cash equivalents at end of year	5,940,913	2,833,709
Net increase in cash and cash equivalents	<u><u>3,107,204</u></u>	<u><u>776,808</u></u>

The accompanying notes are an integral part of these financial statements.

1. General information

SITAWI (“Entity”) is a nonprofit organization linked to no parties or religion, which has been working for 10 years in Brazil to develop financial solutions for social and environmental impact. Since 2010, the Entity has the certificate of Civil Society Organization in Public Interest (OSCIP).

The Entity’s work is developed in partnership with local organizations and groups, either profit or nonprofit, whose mission is to have great social and environmental impact.

The experience indicates that more capital, more types of capital and a greater efficiency in allocating and using capital transform more lives. Thus, SITAWI also works with families, financial institutions and companies, supporting their strategies of allocating charitable or investment funds.

The purpose of SITAWI, according to its by-laws, is to promote human rights, social innovation and fair and sustainable development, being responsible for:

- I. Supporting organizations of the civil society (associations, foundations and cooperatives), social impact business, similar ventures and institutions that implement or intend to implement projects of significant social and/or environmental impact;
- II. Promoting, conducting or sponsoring projects that contribute for its purpose, especially in the areas of human rights, environment, social assistance, culture, sports, education, scientific and technological research and/or health, among others;
- III. Developing, with not-for-profit purposes, new socio-productive models and alternative systems of production, trade, employment and credit, including mechanisms of social finances and sustainable finances;
- IV. Raising philanthropic and financial funds for positive social and/or environmental impact.

Thus, SITAWI has already raised over R\$ 14.3 million for social impact, from which 66% (R\$ 4.9 million, R\$ 2.6 million and R\$ 1.9 million in 2017, 2016 and 2015, respectively) were raised in the last three years.

## 2. Presentation of financial statements and main accounting practices

### 2.1. Presentation of the financial statements

The Entity's financial statements are being presented according to the accounting standards adopted in Brazil, which include the Resolutions of the Federal Association of Accountants (CFC) and Pronouncements of the Accounting Pronouncements Committee (CPCs).

As the Entity is a non-profit organization, the financial statements were mainly prepared in accordance with ITG 2002 - Non-profit entity, approved by Decision No. 1.409 of September 21, 2012, by Technical Notice CTG 2000, approved by Decision No. 1.159 of February 13, 2009, of the CFC, and by NBC TG 1000 - Accounting for Small and Mid-sized entities, for the aspects not addressed by ITG 2002.

### 2.2. Significant accounting practices adopted

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, as follows:

#### a. Functional currency

The Entity's management established that its functional currency is the Brazilian Real, according to the provisions of CPC Technical Pronouncement No. 02 (effects on changes in exchange rates and translation of financial statements).

#### b. Cash and cash equivalents

These include bank demand deposits and financial investments realizable within ninety (90) days from investment date or considered of immediate liquidity or convertible into a known cash amount, subject to an insignificant risk of change in value. They are recorded at cost plus income earned up to balance sheet date, not exceeding their market or realization value.

#### c. Recognition of revenues and expenses

Expenses are recorded on the accrual basis and revenues from donations are recorded on cash basis, except for financial revenues, which are also recorded on the accrual basis. The surplus resulting from the Entity's activities is added to net assets only at the end of each fiscal year.

d. Fixed assets

These are stated at cost, less accumulated depreciation calculated using the straight-line method at annual rates that consider the useful economic lives of the assets.

Fixed assets, other non-current assets and material current assets are reviewed annually for impairment. Management tested its assets pursuant to CPC 01, approved by CVM Resolution No. 527/2007 and found no signs of impairment. The assets are realized within satisfactory periods.

e. Other current and noncurrent assets and liabilities

They are stated at known or payable amounts, plus, when applicable, the respective charges and monetary variations.

f. Surplus for the year

It is added to net assets by the end of fiscal year.

g. Tax liabilities

As a non-profit organization, the Entity enjoys exemption from income and social contribution taxes, pursuant to article 15 of Law No. 9.532/97. It also enjoys exemption from other federal taxes, such as COFINS and PIS (taxes on sales).

h. Financial instruments

Financial assets and liabilities are recorded at fair value plus, when applicable, transaction costs directly attributed to acquisition or to the issue of financial assets or liabilities. These are measured according to the classification of financial instruments in the following categories: financial assets measured at fair value through surplus (deficit), held-to-maturity investments and financial assets available for sale; and financial liabilities measured at fair through surplus (deficit) and other financial liabilities.

Notes to the financial statements  
As at December 31, 2017 and 2016  
(Amounts in Reais)

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i. Accounting estimates

These are used to measure and recognize certain assets and liabilities of the Entity's financial statements. Experiences from past and current events, assumptions regarding future events and other objective and subjective factors were considered to determine those estimates. Transaction settlement involving those estimates may result in amounts significantly different from those recorded in the financial statements, due to the inherent inaccuracy of the estimates. The Entity reviews these estimates and assumptions once a year.

3. Cash and cash equivalents

	2017	2016
Bank accounts	47,281	1,345
Highly-liquid financial investments	5,893,632	2,832,364
	<u>5,940,913</u>	<u>2,833,709</u>

The financial investments in local currency refer to shares of investment funds which have immediate liquidity and no loss of interest upon redemption. All the investments bear interest at Interbank Deposit Rates (CDI) variation.

4. Accounts receivable

	2017	2016
Natura Cosméticos	-	84,210
Recofarma indústria do Amazonas	47,250	-
	<u>47,250</u>	<u>84,210</u>

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5. Environmental and social loans

These refer to loans of funds for profit or nonprofit organizations which have social or environmental missions, for example, healthcare, shelter, education, gender, race and ethnic equality, or conservation of the ecosystem. Breakdown of loans as at December 31, 2017, is stated as follows:

	Rate p.a.	2017		2016	
		Current	Noncurrent	Current	Noncurrent
Cooperativa Agroindustrial (i)	12.75%	58,330	-	58,330	-
Ebenezer (ii)	Variable	80,510	107,388	38,402	11,247
Feira Preta (iii)	Variable	61,766	-	60,531	-
Inocas (iv)	Variable	-	-	58,590	-
Alpha Lumen (v)	Variable	-	-	33,740	-
Cies (vi)	Variable	-	-	58,297	156,480
Egalite (vii)	Variable	-	407,520	-	407,520
Flexmedical (viii)	Variable	21,310	-	258,628	21,310
Interceleri (ix)	Variable	33,684	-	-	-
4you2 Ensino (x)	Variable	50,115	16,705	-	-
Ecoservice (xi)	11%	24,176	-	24,176	-
Solidarium	Variable	-	-	84,930	-
Inova Urbis	14.25%	-	-	29,010	-
Allowance for doubtful accounts		(112,413)	-	(24,975)	-
		<u>217,478</u>	<u>531,613</u>	<u>679,659</u>	<u>596,557</u>

- (i) On June 01, 2015, an agreement between SITAWI and Cooperativa Agroindustrial 8 de Junho (Coperjunho) was entered into for SITAWI to finance the activities of Coperjunho. The agreement was established in the amount of R\$ 75,000 to be paid in eighteen installments, bearing annual interest of 12.75%, with the last installment maturing on January 05, 2017, which was not settled in the proposed period.
- (ii) On December 22, 2014, agreements between the Entity and Associação Beneficente Ebenezer (Ebenezer) and between the Entity and Fleximédical Indústria e Comércio de Equipamentos Médicas Ltda. (Fleximédical) were entered into for the Entity to finance both companies' activities. Until December 31, 2014, the amount of R\$ 245,945 was disbursed to Ebenezer and the amount of R\$ 194,370 was disbursed to Fleximédical. Until December 31, 2015, the amount of R\$ 570,000 was disbursed to Fleximédical. The agreement with Associação Beneficente Ebenezer was renegotiated for 42 installments and the last shall be paid on April 21, 2018.
- On July 01, 2017, Sitawi and Associação Beneficente Ebenezer (Ebenezer) entered into a new agreement, in the amount of R\$ 214,777 disbursed to be paid in 42 installments, with the last maturing on June 21, 2020.
- (iii) On September 28, 2016, agreements between the SITAWI and Feira Preta were entered into for the Entity to finance the activities of Feira Preta. The agreement was established in the amount of R\$ 60,000.00 to be paid in one single installment on January 21, 2018.
- (iv) On September 28, 2016, agreements between the SITAWI and Inocas were entered into for the Entity to finance the activities of Inocas. The agreement was established in the amount of R\$ 58,000.00 to be paid in one single installment on May 21, 2017.

## SITAWI

### Notes to the financial statements As at December 31, 2017 and 2016 (Amounts in Reais)

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- (v) On September 16, 2016, agreements between the SITAWI and Alpha Lumem were entered into for the Entity to finance the activities of Alpha Lumem. The agreement was established in the amount of R\$ 60,623.00 to be paid in installments, the last maturing on February 23, 2017.
- (vi) On September 16, 2016, agreements between the SITAWI and CIES were entered into for the Entity to finance the activities of CIES. The agreement was established in the amount of R\$ 200,000 to be paid in 42 installments.
- (vii) On December 22, 2016, the Company entered into an agreement of convertible loan with Egalitê. Initially, Egalitê will not pay interests on this loan and, on the other hand, SITAWI will have the option to transform this loan into ownership interest in Egalitê. The amount of the loan is R\$ 400,000.
- (viii) The agreement with Fleximedical ends in January 2018. Interest corresponds to 11.75% p.a. with adjustments each six months according to SELIC rate.
- (ix) On November 14, 2017, Sitawi and the company Interceleri Tecnologia entered into an agreement in the amount of R\$ 32,000.00 disbursed to be paid in 14 installments, with the last maturing on December 21, 2018.
- (x) On August 25, 2017, Sitawi entered into an agreement with 4You2 Ensino de Idiomas Ltda., with the amount of R\$ 75,172 disbursed, to be paid in 20 installments, the last maturing on April 21, 2019.
- (xi) On August 01, 2014, an agreement between the Entity and A3S-Aquecimento Solar e Soluções Sustentáveis Ltda. (Ecoservice) was entered into for the Entity to finance the activities of Ecoservice. The agreement was established in the amount of R\$ 64,440 to be paid in eighteen installments, bearing annual interest of 11%, with the last installment maturing on February 21, 2016, which was not settled in the proposed period.

#### 6. Prepaid expenses

	2017	2016
Transportation pass	832	625
Meal voucher	2,818	737
Software licenses	2,529	-
Contribution	10,656	4,627
	<u>16,835</u>	<u>5,989</u>

#### 7. Other receivables

	2017	2016
Advance to legal entity	7,905	4,752
Advances for travel	2,479	-
	<u>10,384</u>	<u>4,752</u>

#### 8. Deposit and guarantees

	2017	2016
Collateral deposit	41,454	29,154
	<u>41,454</u>	<u>29,154</u>

It refers to an early deposit of three months of rent of the properties in Voluntários da Pátria - RJ and Teodoro Sampaio - SP, which will be returned upon the termination of contract.

## SITAWI

### Notes to the financial statements As at December 31, 2017 and 2016 (Amounts in Reais)

#### 9. Investments

In July 2017, with resources from Fiimp Fund, SITAWI made an investment of R\$ 167,500 in the company BEMTEVI INVESTIMENTO SOCIAL LTDA, aiming to promote the area of donations and investments for the social sector, in compliance with the guidelines of Fiimp Fund. In the instrument of compliance No. 20/2016, it acquired from the silent partnership "Bemtevi SCP 2016", 167,500 shares in the amount of R\$ 1.00 each.

#### 10. Fixed assets

	Depreciation rate %	2016	Addition	Depreciation	2017
IT equipment	20	16,352	29,233	(6,134)	39,451
Machinery and equipment	10	13,826	9,286	(2,116)	20,996
Furniture and fixtures	10	25,385	1,000	(2,734)	23,651
Software usage rights	10	-	1,188	(207)	981
		<u>55,563</u>	<u>40,707</u>	<u>(11,191)</u>	<u>85,079</u>

	Depreciation rate %	2015	Addition	Depreciation	2016
IT equipment	20	276	19,161	(3,085)	16,352
Machinery and equipment	10	12,351	2,966	(1,491)	13,826
Furniture and fixtures	10	503	26,333	(1,451)	25,385
		<u>13,130</u>	<u>48,450</u>	<u>(6,027)</u>	<u>55,563</u>

Fixed asset items are not object of guarantee.

#### 11. Labor liabilities

	2017	2016
Provision for vacation pay	12,935	4,634
Vacation pay charges	4,333	1,552
Management fees	5,247	-
Social security tax (INSS) payable	15,348	138
Contribution to the Social Integration Program (PIS) on payroll	126	-
	<u>37,990</u>	<u>6,324</u>

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## 12. Tax liabilities

	2017	2016
Withholding income tax (IRRF) - Legal entity	651	164
IRRF - payroll	9,779	-
IRRF - loans	592	8
PIS, COFINS and Social Contribution Tax (PCC)	2,069	610
Tax on Services (ISS)	2,363	1,800
Withheld ISS	1,810	611
	<u>17,264</u>	<u>3,193</u>

## 13. Other accounts payable

	2017	2016
Accounts payable	<u>13,532</u>	<u>2,065</u>
	<u>13,532</u>	<u>2,065</u>

In general, Sitawi operates with its suppliers without a specific average deadline, usually following the deadlines of business negotiations for each operation.

We point out the amounts due to the suppliers Tam Linhas Aéreas corresponding to R\$ 8,398 and Uniar Comercio de Eletroeletrônicos corresponding to R\$ 2,863.

## 14. Obligations with transfers

These refer to obligations to transfer funds to partners as agreed upon in the partnership agreements entered into between parties. The breakdown of these transfers is stated below:

	2017	2016
Familia C (i)	1,534,256	1,515,207
Dá Pé	-	37,709
Projeto Fundo Mais Unidos (ii)	417,364	838,924
Fundação BMW (iii)	13,252	229
Ford Foundation - Fórum Justiça (iv)	403,086	317,713
Fundo Ellen Macarthur (v)	-	262,631
Caf Rio + B (vi)	-	5,998
Ford Foundation - Nuvem (vii)	-	108,794
Fundo Intercement (viii)	324,450	-
Agora! (ix)	1,863,298	-
FNE-Filantropicos (x)	188,011	-
Fundo FIIMP (xi)	489,757	100,749
Projeto TMJ (xii)	769,102	-
	<u>6,002,576</u>	<u>3,187,954</u>

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- (i) The social fund Familia C started its operations in December 6, 2012. In Brazil, the concept of philanthropy is less developed than in other countries, such as the United States, where philanthropic support to the social sector is 30 times higher than in Brazil. There are some tendencies and pioneer philanthropists that are changing this perspective for the Brazilian philanthropy to increasingly grow. Familia C wanted to support the socio-environmental development of Brazil in a sustainable manner and has identified in the concept of social business venture a powerful tool to make long-term changes.
- (ii) Created in 2016, Grupo +Unidos is a partnership between the United States Agency for International Development (USAID) with a group of 18 American companies, composed by 3M, Burson Marsteller, Caterpillar, CitiBank, Coca-Cola, Cummins, Dow, ExxonMobil, GE, Intel, Internacional Paper, Johnson & Johnson, KPMG, Microsoft, Monsanto, Motorola Solutions, PayPal and Qualcomm. Its proposal is to benefit the Brazilian society through educational and environmental initiatives.
- (iii) The BMW Fund started its operations in November 2014. To boost the start of its activities in Brazil, BMW Foundation decided to open a social fund with SITAWI. The German institution aims to promote fruitful discussions for the common good, and social innovation.
- (iv) Started in October 2016 with the support of Ford Foundation, the Fund Fórum Justiça aims to discuss legal justice with a public purpose. The Fund also aims to stimulate debates about a democratic and republican model of justice, observing the Latin American context. The project was granted an amount of 200 thousand US dollars for the performance of its activities during two years. SITAWI is responsible for the administrative and financial management of these resources.
- (v) Ellen MacArthur Foundation (EMF) is an English foundation with the purpose of inspiring a generation to rethink, redesign and build a positive future through the transition to a circular economy that is regenerative and restorative. In order to achieve that, it established the Circular Economy 100 (CE100), a pre-competitive innovation program established to enable organizations to develop new opportunities and realize their circular economy ambitions faster. In one single platform, it brings together corporations, governments and cities, academic institutions, emerging innovators and affiliates. In 2015, EMF launched in Brazil the first local network for the program, CE100 Brasil, creating a fund with SITAWI in February 2016 for the financial management of the Brazilian program. The Fund ended its activities in May 2017.
- (vi) Rio+B, supported by the Development Bank of Latin America (CAF), is a project to incentive companies and business networks to evaluate and become aware of their social and environmental impact, aiming to engage the private sector in the sustainability agenda of the city of Rio de Janeiro. The mentioned fund started its activities in August 2016 and ended in December 2017.
- (vii) Nuvem is a rural station for experimentation, research and creation related to technology - architecture, communication, sustainable energy generation - and to sustainability - body, ecology, nutrition, plantations. Operating with collaborative and open methodologies for the development of projects, one of the main purposes of Nuvem is to enable access to information since the creation and development processes, mainly prizing action and thoughts produced from the rural context. The fund started in March 2016 and ended its activities in February 2017.
- (viii) Instituto InterCement is the face of Corporate Social Responsibility of InterCement. It develops priority projects in the area of early childhood, youth, basic education and voluntary work and, most recently, promotes environmental education, preservation and protection of local biodiversity, focusing on the innovation and construction of sustainable partnerships. The mentioned fund started its activities in January 2017, aiming to make a pilot experience of operation of resources through third parties to finance "collective ideas" of up to R\$ 25 thousand.

## SITAWI

### Notes to the financial statements As at December 31, 2017 and 2016 (Amounts in Reals)

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- (ix) The Fund AGORA represents a network of leaderships which is starting a non-partisan political movement for a fairer development of the country. Its activities started in February 2017.
- (x) FNE (Non-exclusive Funds) is a fund from SITAWI where the projects and funds that do not have a specific intercompany account are allocated, in 2017, we had two funds included to FNE:
- (xi) Fund FIIMP started in December 2016 and it is composed by 22 foundations and institutions aiming to learn, follow and know the result of investments in businesses of socio-environmental impact, experimenting the use of different finance mechanisms.
- (xii) The Program Território Médio Juruá (TMJ) is a project financed by USAID in partnership with Coca-Cola Brasil and Natura, on behalf of the Forum of Territorial Development of Médio Juruá, to preserve the biodiversity of the municipality of Carauari-AM, by means of chains of sustainable value and a plan of territorial development.

#### 15. Equity

Net assets are made up of the funds totally paid in from the initial donation and the surpluses resulting from the Entity's activities, calculated at the end of each fiscal year.

#### 16. Revenue from services rendered

It basically records revenues from consulting services rendered in 2017 in the net amount of R\$ 179,325. In 2016, the amount recorded on this caption was R\$ 288,849.

#### 17. Private grants

These record donation funds received by SITAWI to realize its core expenses (donations) and supplemental expenses:

	<u>2017</u>	<u>2016</u>
Donations	1,531,507	1,160,781
Net revenues from loans	17,391	61,778
Reversal of funds	477,192	191,552
	<u>2,026,090</u>	<u>1,414,111</u>

The fund reversals refer to amounts that the Entity reverses to use in its finances arising from amounts received from the social funds. Taking into consideration the agreement entered into with each fund, these funds are used to maintain the Entity's operating activities.

Notes to the financial statements  
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## 18. Personnel expenses

	2017	2016
Management fees	421,338	245,775
Salaries	90,592	39,828
Vacation pay	11,925	7,601
Year-end bonus	10,014	3,475
Interns	83,472	127,350
Selection and trainings	8,438	4,646
Bonuses	8,705	12,566
Life insurance	120	179
Transportation pass	8,444	6,366
Workers' Meal Program	24,063	7,571
Health insurance	13,961	14,080
Expenses on Instruction	1,237	-
Social Security Tax (INSS)	29,898	10,222
Severance Pay Fund (FGTS)	9,380	3,186
Vacation pay charges	4,732	2,546
Year-end bonus charges	3,355	1,164
PIS on payroll	1,311	463
INSS on management fees	86,008	51,668
	<u>816,990</u>	<u>538,686</u>

## 19. Administrative expenses

## SITAWI

Notes to the financial statements  
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	2017	2016
Rent - sundry	1,616	751
Rent and HOA fees	168,191	143,948
Subscriptions and publications	519	3,184
Commuting	24,956	22,779
Maintenance, conservation and repairs	2,756	24,032
Depreciation and amortization	10,984	6,027
Expenses on permanent assets	5,483	6,440
Communication expenses	12,667	9,415
Expenses on vehicles	1,158	154
Sundry expenses	500	3,413
Legal expenses	1,126	4,100
Freight	480	3,199
Taxes, fees and contributions	25,658	6,905
Electricity	21,373	13,387
Office supply/materials	9,646	6,526
Representation	204	-
Insurance	540	1,875
Services rendered - Natural person	16,388	8,669
Services rendered - Legal entity	56,750	710,676
Amortization	207	-
Travel and lodging	217,397	163,141
Meals and snacks	30,306	31,700
Mail services	8,381	1,074
Services rendered by legal entity - Accounting	56,044	-
Services rendered by legal entity - Legal counseling	23,867	-
Services rendered by legal entity - IT	18,708	-
Graphic services	26	2,776
Gifts	-	500
Union Dues	240	10,048
BDO RCS Auditores Independentes	5,195	-
Usage license	5,514	-
INSS self-employed workers	3,278	1,677
Services rendered	711,719	-
Property Tax (IPTU)	12,815	9,849
	<u>1,454,690</u>	<u>1,196,245</u>

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## 20. Other expenses

	2017	2016
Loss on uncollectible receivables (i)	87,438	90
Others	7,871	-
	<u>95,309</u>	<u>90</u>

(i) It refers to uncollectible losses related to three clients of loans that are in default in the payment of these: Ecoservice, Coperjunho and Feira Preta. Ecoservice and Coperjunho are being collected through a legal proceeding, while Feira Preta had its debt renegotiated with SITAWI.

## 21. Financial income (loss), net

	2017	2016
Financial revenues		
Interest gains	-	18
Discounts obtained	-	253
Return on financial investments	78,618	104,467
	<u>78,618</u>	<u>104,738</u>
Financial expenses		
Interest losses	(439)	(199)
Discounts granted	-	(2)
Bank expenses	(2,499)	(1,502)
Income tax on financial investment	(16,003)	(16,237)
Selling expenses	(431)	(193)
IOF (Tax on Financial Transactions)	(585)	(594)
	<u>(19,957)</u>	<u>(18,727)</u>
	<u>58,661</u>	<u>86,011</u>

## 22. IRPJ exemption

The Entity, given its purpose and goals and to meet the requirements of the legislation in effect, enjoys exemption from Income Tax (IRPJ) and Social Contribution Tax (CSLL), on the possible surplus of the year and from the Contribution for the Social Security (COFINS) on revenues arising from its activities. The Entity annually presents the Corporate Income Tax Return - Tax and Accounting Bookkeeping (ECF).

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## 23. Expenses on volunteers

	<u>2017</u>	<u>2016</u>
Voluntary work	3,480	2,850
Granted software license	9,000	9,000
	<u>12,480</u>	<u>11,850</u>

As established by ITG 2002, for the purpose of compliance with the applicable resolution, the Entity has identified and measured the volunteer work received during 2017.

None of the amounts above resulted in corresponding cash disbursements, they were recognized in 2017 as operating revenue and expense in the statement of activities in equal amounts, with no effect in surplus for the year.

## 24. Donated services

As at December 31, 2017, as verified by the Entity's Management, there were no donated services, therefore, there are no amounts of this nature to be informed in the notes.

## 25. Financial instruments

The existing financial transactions involve usual assets and liabilities related to the Entity's business activity, especially short-term investments, accounts receivable and payable. These transactions are presented in the statements of financial position at cost plus related revenues and expenses which, in view of the nature of the transactions and maturities, approximate market values. During 2017 and 2016, the Entity did not conduct transactions with derivatives.

The Entity is exposed to the following risks resulting from the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

25.1. Risk management structure

The Entity evaluates the risks of its financial instruments and defines which limits are appropriate and acceptable considering their operations and goals.

25.2. Credit risk

Credit risk is the risk of financial deficit of the Entity, if a counterparty, in any of the agreements, fails to fulfill its contractual obligations, which arise mainly from its receivables. Historically, the Entity has not incurred significant losses resulting from customers not meeting their financial obligations with their financing agents.

25.3. Liquidity risk

It results from the possibility of the Entity finding difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or through other financial assets. The Entity's approach in the management of this risk is to guarantee enough liquidity to meet its obligations at maturity, under regular or unusual conditions, with no unacceptable losses or risking the Entity's recovery.

25.4. Market risk

Market risk is the risk that market price changes, such as financial investment interest rates, affect the Entity's gains due to its portfolio or the amount of its interest in financial instruments. The Entity manages the market risks through financial investments in low risk market funds and with low financial leverage, always with top-tier financial institutions.

26. Social activities performed

As at December 31, 2017, as verified by the Entity's Management, there were no social activities developed, therefore, there are no amounts of this nature to be informed in the notes.

## 27. Contingencies

In the ordinary course of conducting its business, the Entity is subject to labor, civil and tax actions. Management, relying on its legal counsel's opinion or that of other technical specialists, when applicable, evaluates the possible outcome of ongoing lawsuits, and the need for setting up provisions for contingencies arising from them.

As at December 31, 2017, based on the opinion of its legal counselors, there are no ongoing lawsuits; therefore, no provision for amounts of such nature was made.

## 28. Approval of the financial statements

The financial statements were approved by the Entity's Management on April 04, 2018.

## 29. Subsequent Events

Until the present date, there were no events that may significantly affect the financial statements or the Entity's operations.