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PRESENTATION

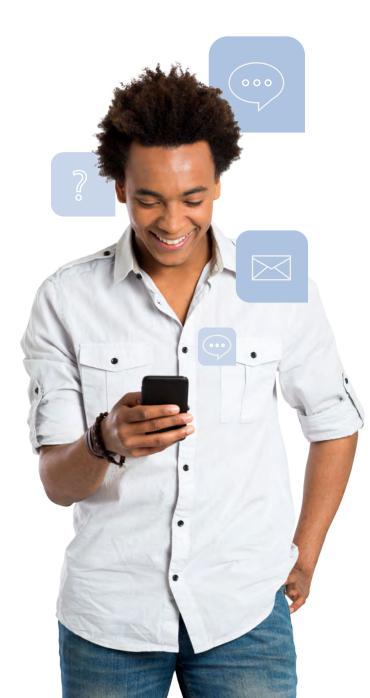
Inspired in the guidelines of the Global Reporting Initiative (GRI), version G4, the aim of this sustainability report is to share with the key stakeholders of Liberty Seguros the Company's performance between January 1 and December 31, 2016, as well as the achievements and how the Company interacts with its various customers, in addition to inform about the Company's management and strategy. Thus, this document represents yet another means by which Liberty Seguros demonstrates transparency in its actions. G4-28

This report shows several GRI indicators reported to the National Confederation of General Insurance, Private Pension and Life Insurance, Supplementary Health and Savings Bond Companies (CNseg), which publishes a balance sheet with industry data, in addition to other information important for understanding the Company's performance.

The data and information shown here were obtained through interviews with the Company's key leaders. To ensure the relevance and materiality of the information, this document was internally approved by the areas involved, the Directors and by the CEO. **G4-48**

Doubts, suggestions and inquiries about this report can be sent by e-mail to responsabilidadesocial@libertyseguros.com.br.

Enjoy your read!





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MESSAGE FROM THE PRESIDENT G4-1

We are ending a year of many challenges at Liberty and we have ended 2016 on the same level in comparison with the previous year. We outperformed the market, which experienced an estimated decline in the period of 2% (bearing in mind the same mix at Liberty). Our profitability continued to perform well: pre-tax income is in line with the plan, indicating that we have a health and sustainable business. Thus, we have aligned our three objectives: to conduct ethical business, be profitable and grow, in that order of importance.

There are many achievements we can celebrate, as well as several lesson on which to reflect. This is because we cannot talk about our results in 2016 without taking into account the difficult scenario Brazil

is facing. For the year, the country was down by 3.5%, and our business is sensitive to economic instabilities. New car sales, for example, were down by 19.8% over 2015, and by 45.3% since the record of 2012. This scenario has directly affected our Auto portfolio. In the same way, the increase in unemployment, from 8.5% to 11.5%, adversely affected sales in the Affinity and Group Life channels. Furthermore, the number of customers unable to pay their policies doubled in 2016.

Nevertheless, our results – and not just our financial results – indicate that we are on the right path. In 2016, we were featured in nine awards – most of them focused on exceptional service. And among the important projects for 2016 there are

five new products – *Transporte Fácil*, Liberty *Apartamento*, Liberty Home Office, *Auto Essencial* and Liberty *Festas* – and three niches for Commerce and Services. Diversification is a fundamental aspect of our strategy, since having a portfolio that is the most up-to-date and appropriate for the different consumer profiles affords us competitive advantages. We are well aligned with our target, which is to improve our mix, increase the share of non-Auto products and attain a ratio of 76%/24% for Auto and Other Products.

"We have aligned our three objectives: to conduct ethical business, be profitable and grow, in that order of importance"

We are always in search of continuous improvement and innovation. In December 2016, our telemetry project (*Direção em Conta*) earned the Award for Innovation in Insurance, sponsored by the National Confederation of Insurance Companies (CNseg).

We are striving to increasingly incorporate the culture of innovation, and the best way is through LMS – our management system. In 2016, we identified 7,898 improvements, of which we adopted 4,814; we carried out 8,288 *Vá Ver* (Take a Look); and we concluded 161 Problem-Solving Sessions which has helped us to boost our results, even against the challenging scenario. The best initiatives were recognized and shared in the Applause Program.

And what would become of Liberty if we didn't provide the care everyone deserves? In 2016, the climate survey produced a result that showed we are making progress on this issue. The index jumped from 75% to 82% in just 18 months. This indicates we are on the right path.

The year 2017 will be a very challenging period. Nevertheless, our strategy and our objectives will not change: we will continue investing in new systems and products, enhancing processes so as to offer our customers and channels an exceptional service, while looking after our key resource: people. I have no doubt that we will continue on this path, because we have at our disposal an elite and engaged team, two characteristics that ensure success.

Thank you for the year we had and, together, let's build an excellent 2017!



Carlos Magnarelli
Liberty Seguros' CEO



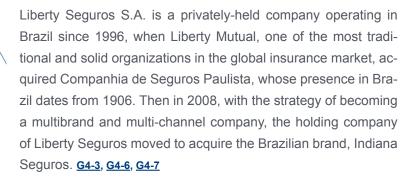


PROFILE

Supported by the performance of over 1.7 thousand employees and with branches in 23 states, Liberty offers insurance with qualified coverage







With its principal place of business in the city of São Paulo (SP) and 69 branches in 23 states, Liberty offers a diversified portfolio of high-quality products and services: for individuals, there is Auto, Home and Life Insurance; for corporate customers, the Company provides solutions in the Auto, Personnel, Civil Liability, Engineering Risks, Property Risks and Transportation segments. <u>G4-4</u>, <u>G4-5</u>, <u>G4-8</u>

To support its operations, at the close of 2016 the company had 1,758 employees. It also operates through approximately 13 thousand brokers trained to sell its products, not to mention assets of R\$3.8 billion and reserves of R\$2.2 billion. Accounting for 81% of operations, Liberty's Auto Insurance portfolio stood at 1.2 million vehicles insured at the end of the period. Total premiums written during the year were R\$2.7 billion; net income was R\$98.5 million, with an ROE of 9.4%. G4-9

MISSION, VISION AND VALUES 64-56



Mission

To help people live more secure and peaceful lives.



Vision

To be chosen for offering exceptional service and a diversified portfolio, because we develop our people and the communities in which we operate, in addition to ensuring sustainable profitability.



Principles

- ∨ Our behavior is beyond reproach: we work to do what is right, always, never betraying people's trust.
- ∠ We treat people with dignity and respect: we treat people in the best possible manner in order to create long-lasting relationships.
- We attract, develop and encourage talented people: we work with the best professionals and we believe in meritocracy.
- We deliver to our customers an exceptional experience: our employees provide a differentiated service.
- We are continuously improving and innovating: we are always recycling in order to provide the best solutions.
- We go about our work in the finest detail and we are always searching for excellence: we believe that the difference is in the details, so we pay attention to each one of them.



PRESENCE IN BRAZIL



Liberty Mutual Group

Founded in 1912, in Boston (USA), where its head office is located, Liberty Mutual is ranked 73rd in Fortune Magazine, among the 100 largest US corporations.

Specializing in insurance and financial services, it has a strong presence in the personnel segment. The Group works through a diversified global approach, with its presence consolidated in the main markets of North and South America. Europe, Asia and Oceania. At the end of 2016, it employed over 50 thousand staff and had operations in 28 countries.

Liberty Mutual ended 2016 with revenues of US\$38.3 billion and net income of US\$1 billion. Thus it was able to maintain its financial stability and its excellent ability to service the current liabilities of its policyholders, demonstrated by the ratings allocated by the main US agencies, including:

- A.M. Best Co: "A"
- Moody's: "A2"
- Standard & Poors: "A"

Alagoas

Bahia

Ceará

Maranhão

Paraíba

Pernambuco

Piauí

Rio Grande do Norte

Sergipe

V North

Amazonas

Roraima

Pará

Southeast

Minas Gerais Rio de Janeiro

São Paulo

Espírito Santo

Midwest

Goiás

Mato Grosso

Mato Grosso do Sul

Distrito Federal

South South

Santa Catarina

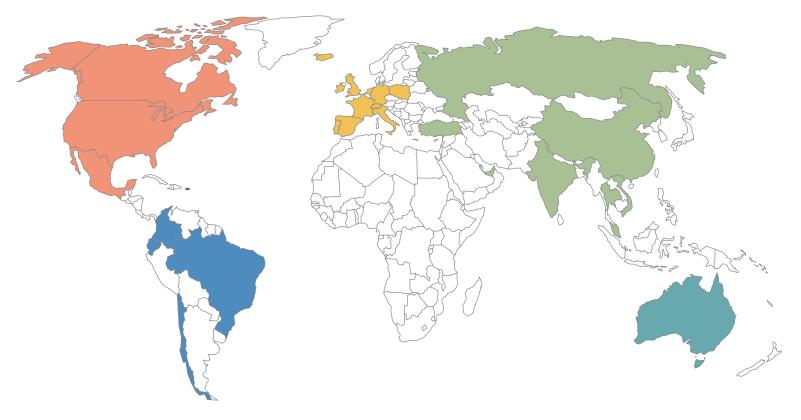
Rio Grande do Sul

Paraná





LIBERTY AROUND THE WORLD



Liberty Mutual

The Liberty Mutual Group is looking to expand in the world market, by enhancing its operations across four continents.

Business units

- Commercial Insurance operations in the USA
- Global Specialty
 - ☐ Liberty International Underwriters (LIU)
 - ☐ Liberty Mutual Surety (LMS)
- ☐ Liberty Specialty (LSM)
- Global Consumer Markets

∨ North America

- United States
- Canada
- Mexico

[₹] Central America

Puerto Rico

♡ South Africa

- Brazil
- Chile
- Colombia
- Ecuador

Europa

Germany

Portugal

Turkey

Switzerland

United Kingdom

- Spain
- France
- () Ireland
- Italy

√ Asia

- China
- Singapore
- C United Arab Emirates
- India

Malaysia

- Thailand
- ♥ Vietnam

⊘ Oceania

Australia







1,700 employees



69 branches distributed throughout Brazil























> 13,000 brokers

> 1.5 million

active customers



R\$2.7 billion premiums written



R\$3.8 billion assets



R\$2.2 billion reserves



R\$98.5 million net income



PORTFOLIOS

- ∠ 11th place in the overall ranking of the largest insurance companies (excluding pensions and healthcare)
- 1.2 million vehicles insured



GROWTH PER SEGMENT

∨ Small business property insurance: 2.7%

№ Auto portfolio: 1.5%

✓ Life insurance: 19.4%







BEST SERVICES

In a joint survey carried out by the O Estado de S. Paulo newspaper and consulting company Blend New Research (HSR), the Company was recognized for its excellence and ranked second in the Auto and Home Insurance categories. The consumers ranked organizations from 26 sectors, based on rational and emotional perceptions, in addition to problem-solving capabilities.



THE ABEMD AWARD

Liberty Seguros was recognized at the 22nd edition of the ABEMD Award. granted by the Associação Brasileira de Marketing Direto (Brazilian Association of Direct Marketing), for the welcome videos intended for customers who take out or renew auto insurance. The Company won the Silver category - Digital/Mobile.



COVERAGE AWARD

Liberty Seguros was the highlight at the awards granted by the Cobertura Magazine at the 19th edition of the Prêmio Cobertura Performance (Coverage Performance Awards). The Company was voted best insurance company of the year, in addition to taking the Auto and RCF (Optional Civil Liability) insurance categories.



COMPANIES THAT MOST RESPECT CONSUMERS

According to a joint survey carried out by Consumidor Moderno magazine and Shopper Experience, Liberty Seguros figures among the companies that most respect consumers. The study evaluates actual customer experiences, based on interviews carried out in eight regions of Brazil. Liberty was the highlight in the Home/Auto Insurance category.



ÉPOCA MAGAZINE **RECLAMEAOUI AWARD**

Liberty Seguros was elected the best company for Brazilian consumers in the General Insurance category at the Prêmio Época ReclameAQUI 2016 (2016 Época ReclameAQUI Awards). Recognition was the result of a popular participation with over 4.5 million votes, and the Company ran out winner with 24,000 of the 47,662 votes in its category.



INNOVATION IN INSURANCE AWARD

The Direção em Conta (Careful Driving) Program (find out more on page 26), which determines the use of telemetry for pricing auto insurance, was the winner in the products and services category at the Innovation in Insurance Awards promoted by the CNseg.



2016 CUSTOMER PERSONALITIES - CIC BRAZIL

The Marketing and Strategy director of Liberty Seguros was one of the winners at the Personalidades Clientes (Customer Personalities Award) presented at the Congresso Internacional de Gestão de Clientes (International Congress of Customer Management). She was nominated by other market professionals, and voting was open to the public present at the event.



2016 COMPUTER WORLD IT LEADERS AWARD

The CIO of Liberty Seguros, Ana Lucia D'Amaral, was the winner at the first edition of Women in Tech, at the 2016 Computer World IT Leaders Awards. After canvassing more than 1,400 professionals at companies in different segments, the awards go to the 100 most innovative CIOs in Brazil.



MANAGEMENT AND STRATEGY

Liberty Seguros upholds ethical principles and ensures transparency for its operations and business





Corporate governance G4-34

Liberty Seguros follows the Liberty Mutual Group's "do the right thing" precept for managing its business and relationships. This principle is supported by the Compliance area, which pursues strict compliance and transparency policies for all processes. The area also has the following responsibilities:



Together with other areas, monitoring and ensuring the internal controls system's implementation, adequacy, strengthening and operation in order to mitigate risks in proportion to the complexity of the business.



Spreading the controls culture to ensure compliance with the laws and current regulations, and alignment with best practices internationally.



Ensuring adherence to abovementioned aspects through procedures designed to reduce or eliminate potential conflicts of interest. **G4-41**



Determining principles and elements related to internal policies that ensure transparent disclosure while protecting the interests of shareholders, customers, employees and other stakeholders.

The management staff in the Company is also supported by the Internal Audit area, which is tasked with reviewing:

Internal control environment. including the level of adherence to internal policies and local regulations.

The controls systems' efficacy in terms of minimizing business risk, including reviews of general controls, software, technology infrastructure and integrated business processes.

The accuracy of data produced and applicable levels of confidence for decision-making purposes.

The Company also has an Audit Committee, consisting of three independent members based on the criteria for independence determined by its internal regulations, which meet all applicable legal requirements – and the Ethics Committee, which has members from Compliance, Legal and Humans Resources.

Participation G4-16

Liberty Seguros participates in working groups, discussion forums, seminars and congresses held by the National Confederation of General Insurance, Private Pension and Life, Supplementary Healthcare and Special Savings Companies. In 2016, the Company's representatives were on CNseg's Internal Controls and Risk Management committees.

Risk management G4-2

Liberty Seguros is exposed to certain key risks that may affect its strategic and financial objectives to a greater or lesser extent, as follows:

- Insurance risk: the Company has specific acceptance and pricing criteria for each line of business, thus minimizing anti-selection risk and ensuring appropriate levels of competitiveness and profitability for the risks carried. Appropriate pricing for the main lines of business is ensured by the Actuarial Department and underwriting units, which also develop pricing models and policies.
- Market and liquidity risks: in order to mitigate financial risks associated with its investment portfolio, the Company actively manages assets and liabilities with a conservative asset allocation strategy favoring mostly government bonds and high liquidity private securities.

- Credit risk: Liberty's strict credit risk policy for acquisitions of financial assets is based on the criterion of investing in sound institutions in the "AA" - "B +" risk rating range.
- Operational risk: the risk management structure takes an integrated view of operational risks in order to identify, assess, treat and monitor them. The effectiveness is objectively assessed by the Company's Internal Audit.

Liberty manages risks both qualitatively and quantitatively by fulfilling the capital requirement criteria issued by the National Council for Private Insurance (CNSP in Portuguese) and the Private Insurance Superintendence (SUSEP in Portuguese, an entity attached to the Ministry of Finance). Liberty's strategy consists of maximizing the Company's capital by diversifying operations across different branches of insurance and sales channels and by continuously improving pricing processes.



Compliance

Liberty Seguros' structured Compliance Program includes training and communication material to educate staff and foster compliance principles for all employees. The program follows Liberty Mutual's Compliance guidelines and is constantly updated to align with business requirements and Brazilian legislation such as the Anti-Corruption Law or the Clean Company Law of 2013.



The Company also has anti-corruption and due-diligence procedures in place for service providers. The process includes an assessment of third party risks and adoption of procedures depending on their risk ratings.



In 2016, in line with its commitment to aiming for continuous improvement and providing guidance for employees, the Company issued rules on the receipt of gifts, presents and invitations

CODE OF ETHICS AND ANTI-CORRUPTION POLICY G4-56

As the Company's key compliance document, Liberty Seguros' Code of Ethics and Corporate Conduct establishes honesty, integrity and "doing the right thing" as the Company's guiding principles. In this respect, employees are required to fill out a questionnaire every year to ensure their awareness of the document's guidelines. The questionnaire also provides an opportunity to report any conflict of interest. The findings that emerge from this process are analyzed by the Ethics Committee, which then issues recommendations. Reports of this nature and other ethical complaints related to situations involving violation of the code of ethics may also be reported by telephone or e-mail through the Company's confidential Compliance Helpline channel, which is managed by Liberty Mutual in the United States, but is also equipped to provide responses in Portuguese.

There are also mandatory training events to underline Liberty Mutual's anti-corruption policy guidelines and ensure that employees are aware of them. Additionally, in the course of 2016, the Company ran global communication campaigns for compliance that focused on the Code of Ethics, customer data privacy, and the receipt of presents or gifts.

Enterprise management

Since 2013, Liberty Mutual Group companies have adopted the Liberty Management System (LMS) for continuous improvement and efficiency. This system applies business management concepts, methodologies and tools related to changing ways of thinking and behaving. Developed from the latest management methodologies (such as Lean Manufacturing, Six Sigma, Customer Experience and Design Thinking) and adapted to local particularities, LMS poses robust and comprehensive methods of diagnosing and troubleshooting to ensure Liberty Seguros has the capability and speed required to achieve its strategic objectives.

For this purpose, leaders may rely on support from internal consultants who will move into a business unit for a certain period of time and work together with the entire team through immersion in the unit's strategy, processes and management to devise the transformation process. The business unit plays the leading role in this process and participates by running diagnostics and designing solutions to improve customer experience, process efficiency, team engagement and business results.

On concluding the deployment phase, to ensure that solutions are organized and sustained through a comprehensive improvement mechanism, Liberty's Plan Do Check Act or Adjust (PDCA) cycle is one of the tools use. In the new context, leaders are better prepared to manage people planning, processes, and development.

In order to foster and deepen this transformation trend and build it out Company-wide, a number of employees are carefully selected as champions to run activities that include engaging, training and supporting leaders and their teams with initiatives for adopting the culture of effective meetings, identifying and deploying improvements and eliminating waste. By the end of 2016, Liberty Seguros' business units had 45 LMS champions actively engaged.



By using these continuous improvement procedures, Liberty Seguros ensures the adoption and sharing of opportunities to energize evolution in the model by working from four perspectives: Customer Value, People Engagement, Quality and Productivity, and Financial Return.

Over three years, LMS identified 17,443 improvements, of which 10,256 have already been put in place.

Another important milestone was the *gemba* experience – *gemba* is the Japanese word for the place where things happen – or as the Company say, where "you'll see it happen". Liberty's employees move away from their own positions to learn about or deepen their knowledge of a new process. They may examine new problems, listen to customer needs or learn more about best practices in the Organization and elsewhere. In 2016, there were 8,288 of these *gemba* experiences.

LMS highlights



Hours worked for accounting close were cut from 18 to 8 hours per professional, thus directly impacting their quality of life.



Production was up by R\$2.2 million using WhatsApp to communicate with brokers in accordance with the Company's Sales Methodology.



The Company improved its complaints handling process. Brazil's top consumer complaints website (Reclame Aqui) posts showed that the proportion of its customers who complained but then said they "would do business with us again" rose from 44.4% to 52.6%.



Efficiency rose 15 p.p., from 56% to 71%, for Liberty's collection process, by rating customers by claims and probability of cancelling.



APPLAUSE PROGRAM

To stimulate continuous-improvement based management, the Company has a recognition program known as Aplauso (Applause). Each leader, together with their team, chooses an improvement that will affect their results. On a quarterly basis, each team selects up to three improvements to submit to the Applause committee, which consists of leaders from different departments with a wide range of competencies. They pick out the three best projects across the Company on the basis of their financial results, productivity and engagement, customer experience impact and the innovative character of the improvement in question.

At the end of each year, after these three levels of recognition which have different rewards and take place quarterly, Liberty's CEO and executive officers select the period's three most significant improvements. Those chosen will then take part in an award-giving event to win a weekend of cultural activities to be enjoyed with a companion.

Strategy

Liberty Seguro's strategy is based on three pillars - diversified portfolio, exceptional customer and broker experience, and exceptional employee experience - operating on the basis of priorities: business ethics, profitability and growth. The goal is to constantly grow as a leading brand associated with differentiated services for all customers and partners. The Company's ambition is to continue to be among the three bestknown independent insurers. To do so, Liberty is developing initiatives to ensure that insureds are aware of the full potential of their policies and make good use of them, including additional services and benefits such as collecting vehicles for servicing or fitness and nutrition advice and assistance. In this context, the Company's main strengths are Exceptional Customer Service and People, so Liberty is investing heavily and continuously on these lines.

Liberty Seguros' insurance portfolio is mostly Auto, which accounted for over 80% at the end of 2016. The Company has also invested in other lines to enhance portfolio composition, mainly Life (individual and group), Home, and Small and Medium Businesses (SME). The Company offers specific coverage to meet the needs and demands of various niches, with the aim of reaching a 76%/24% ratio between Auto and other products.

In addition, the Company has consolidated operations, such as telemarketing sales of insurance, increased its share of Affinity accounts and cooperatives, while taking steps to expand business in key markets such as Brazil's Southern region.

The Company's main strengths are Exceptional Customer Service and People







Liberty Seguros

Expansion

Liberty Seguros' expansion strategies include achieving broader presence in Brazil's Southern region, where its revenues were over R\$1 billion in 2016. The Company's 20 subsidiaries make Liberty one of the largest insurers in terms of capillarity in this region, which accounts for almost 40% of overall production.

The Company is a leader in Auto Insurance in Santa Catarina, fourth in Paraná and fifth in Rio Grande do Sul. All this business has been consolidated through partnerships with insurance brokers, building close and strong relationships that contributed decisively to Liberty's success in the South.

The Company will be further expanding to reach more key regions around the country by the end of 2017. Liberty is opening two new branches: one in Ipatinga (State of Minas Gerais) and another in Feira de Santana (State of Bahia). Nine managers will be allocated to these regions and remote directors will be prospecting customers.



PRINCIPLES FOR SUSTAINABILITY IN INSURANCE (PSI) 64-15

Based on the belief that environmental, social and governance issues are the cornerstones of every business and that sustainability is the only road to development, Liberty signed the Principles for Sustainability in Insurance (PSI) in 2015 and renewed its commitment in 2016. This voluntary initiative was developed by the United Nations Environment Program's Financial Initiative (UNEP FI). The aim is to provide tools that can reduce risk, create innovative solutions and improve business performance in the global insurance industry, thus contributing to environmental, social and economic sustainability.



〈 20 **〉**

DIVERSIFIED PORTFOLIO 64-4

Liberty Seguros maintains a portfolio with more than 100 insurance options and, just in 2016, launched eight new products





In order to provide exceptional services and products, Liberty Seguros offers more than 100 insurance options, between Auto, Home, Life and Corporate lines, a total of 27 differentiated segments and with personalized coverage that meets the most varied needs of individual and corporate customers. As an insurance company that specializes in small and medium risks, the Company has very clear choices in terms of operation and offers insurance up to the sum of R\$10 million.

Therefore, the customers' demands and the brokers' perceptions support the definition of products and services in the Company. In this sense, more than 60 NPS surveys are carried out a year, together with the "moments of truth", monthly diagnostic surveys of customers' experiences.

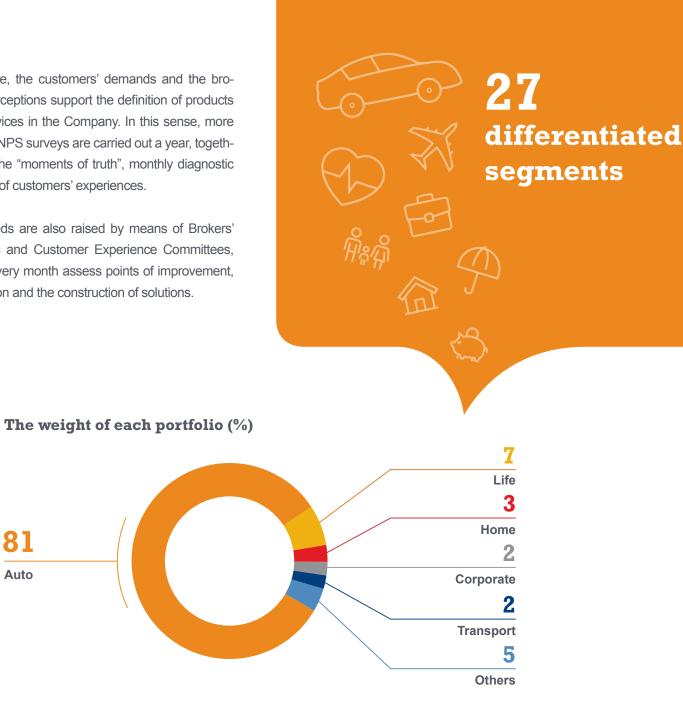
The needs are also raised by means of Brokers' Councils and Customer Experience Committees, which every month assess points of improvement, innovation and the construction of solutions.

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Auto

Operation

In order to define and improve its products and services, Liberty Seguros has Relationship Management initiatives based on a Customer Relationship Management (CRM) tool, and which are consolidated and cross-referenced with solutions such as the Net Promoter Score (NPS), which is the main customer and broker satisfaction tool for an exceptional service (find out more on page 34).



All of these inputs are added to the work and knowledge of Liberty's Technical and Products area in order to launch products and services that meet customers' real needs and provide the brokers with business opportunities. In 2016, Liberty Seguros launched eight products in different areas: *Transporte Fácil* (Easy Transport), Liberty *Apartamento* (Liberty Apartment), Liberty Home Office, Liberty Auto Essencial and Liberty Festas (Liberty Parties), as well as three types of insurance for niches in the retail and services sectors.

Liberty Auto

Products:

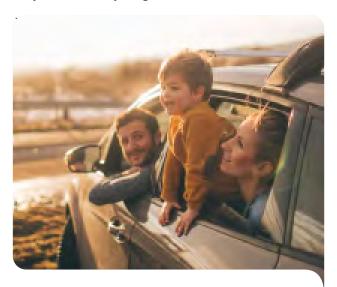
- Conscientious Auto
- Essential Auto
- Exclusive Auto
- Profile Auto
- Truck



Liberty Conscientious Auto

With excellent cost/benefit, this product offers exclusive coverage for material damages and personal injury, which protects the insured in case of collision with third parties. In terms of differentials it offers more affordable prices, the possibility of insuring second-hand vehicles up to 25 years old and contracting that removes the requirement for prior inspection, as well as services such as 24-hour assistance, tow-truck, locksmith and the possibility of contracting optional coverage, in accordance with each profile.

The insured also builds up bonuses that can be used in the future when contracting Liberty Auto Profile, which makes this product very attractive to young audiences.



CONSCIENTIOUS AUTO CAMPAIGN

In 2016, Liberty Seguros rewarded 172 brokers who took part in the Liberty Conscientious Auto sales campaign. This action was part of the Connected for Encouraging pillar of the Connection Program (find out more on page 36). In accordance with the number of policies sold, the brokers were able to opt for fuel credit or vouchers. They could also redeem other awards, such as a tablet, an office chair, a coffee maker, an air conditioner or a mini-projector.













Liberty Essential Auto

One of the Company's leading products in 2016, Liberty Essential Auto introduced a major innovation to the segment: with a lower cost than a traditional insurance policy, it is the Company's first insurance aimed exclusively at protection in cases of total loss, theft or robbery.

Therefore, it is ideal for those who cannot afford the costs of a more comprehensive insurance policy and who want to ensure the asset. It also reinforces Liberty's commitment to offer increasingly customized products.

Liberty Home

Products:

- Apartment
- Home Office
- Residence

Liberty Home

Providing insurance coverage for the most common damage in houses and apartments is the main purpose of Liberty Home, which offers coverage that goes beyond the fire insurance provided in the tenancy law. Customers can take out civil liability insurance; insurance against theft with subtraction of property with traces; broken glass, mirrors, marble and granite; electrical damage; gale; electronic equipment; vehicle impact; and, in the case of rented real estate, loss or payment of rent. They can also count on 24-hour home assistance services such as plumbers, electricians and repairs of household appliances, as well as assistance for pets.

Liberty Apartment

With customized coverage and assistance, Liberty Apartment can be taken out by owners or tenants who are looking for convenience and exclusive assistance, such as payment of condominium charges in case of loss of income, damage caused by burst pipes, theft of goods in storage or from bicycle rack, fumigation, cleaning and air-conditioning repairs and even the placement of screens on windows.

Liberty Life

Products:

- Special Life
- More Peaceful Life
- Personal Accident
- Parties
- Profile Life

Liberty Parties

This product was designed in order to guarantee peace of mind when contracting parties of different sizes. In order to do this, it ensures the amount paid to the company organizing the event (rental of the space and catering service in a single contract) in the case of non-fulfillment on account of bankruptcy, fire or natural events occurring on the premises. One of the differentials in the basic coverage is the reimbursement of the amount paid by the party contracting the event (grooms, graduates, debutantes, people celebrating their birthdays and family members) in the case of bankruptcy of the main company contracted.





The customer can also take out a series of additional insurance coverage that guarantees the payment of expenses, such as the use of a power generator, the rental or purchase of formal clothing in case of bankruptcy of the supplier originally chosen, the theft of the insured's assets during the event and expenses with an events planner or advisor for the planning and organization of a new event.

Liberty Profile Life

One differential is the optional coverage for those who are concerned about health and well-being: Nutritionist and Personal Fitness Assistance. By means of a specific questionnaire to determine pathological and cultural nutritional history, in addition to the Body Mass Index (BMI), a nutritionist traces the profile of the insured and assists them with the preparation of special menus for weight control and preventive nutrition. Personal Fitness, in turn, is an advisory service regarding physical activity programs, with the service provided over the phone, by physical education professionals.

Liberty Companies

Products:

- Auto (Car Fleets)
- Personal (School; Educational Protection; Financial Protection; Global Life; Small Company Life; Liberty Collective Personal Accident; Liberty Group Life)
- Civil Liability (Educators; Events; Trade Fairs and Exhibitions; Provision of Services)
- Engineering Risks (Engineering; Construction Engineering; Installation and Assembly Engineering; Renovations Engineering)
- Asset Risks (Commerce and Services; Industries; Real Estate Brokers)
- Transport (RC Transporter; Easy Transport; International Transport; Domestic Transport)





Easy Transport

Liberty Easy Transport is an affordable insurance, which is aimed at very small and small sized businesses, which does not require communication of loading (registration). It protects goods transported throughout Brazil by land or air, with a guarantee of replacement in cases of losses and damage to the goods due to accidents with the transporting vehicle, such as collision, rolling over, tipping over, fire or explosion; damage to loads caused by nature; various damages to new goods; theft of the cargo together with the transporting vehicle; and armed robbery.

Liberty Renovations Engineering

Liberty Renovations Engineering is an insurance for small renovations that protects against damage that occurs during construction work. Exclusive coverage is offered such as civil liability (damage to third parties resulting from construction work) and surrounding properties (damage to preexisting areas owned by the insured or under the insured's responsibility, but which are not part of the renovation). Starting from the basic plan, the insured has coverage available for fire, robberies, theft and explosions.

Agricultural equipment

To support farming operations, Liberty provides insurance for tractors, harvesters, cutting decks, sprayers, irrigation and storage equipment and agricultural tools of every sort. The Company's reguirement is that the items should be new, or not more than five years old, only for agricultural use and valued at not more than R\$1.5 million. As well as providing more security in agribusiness, the Company can offer a product to suit customers using Federal Government funds to finance their assets, and who must have adequate insurance during the period of the loan.

The basic coverage indemnifies loss or damage caused to the assets insured as the result of an accident caused by an external agent, including robbery or theft, and additional coverage for electrical or water damage, loss or payment of rental and third party liability.

Liberty Affinity

- Affinity Employees (Personal Accident; Apartment; Conscientious Auto; Profile Auto; Home Office; Home; Life)
- Affinity Financial Institutions
- Cooperatives and Associations

LIU

Liberty offers a line of special risk insurance for large companies by means of Liberty International Underwriters (LIU), which is the Liberty Mutual Group's special risks division. Among the products are:

- Managerial Liability (D&O)
- ∠ Professional Liability (E&O)
- Civil Liability
- **Environmental Risks**
- Kidnapping
- Sabotage and Terrorism
- **Property**
- Energy
- **Engineering Risks**
- Marine

Affinity Employees

It encompasses a structured program of insurance, with advantages for the employees, in addition to benefits and easy contracting. The objective is to offer companies the maximum in terms of peace of mind, from planning to the adoption of the benefits program and the adhesion of the participants. To this end, Liberty Seguros has a team that specializes in assisting the Human Resources department.

Innovation

Liberty Seguros is the first company to implement a telematics pilot project in the Brazilian insurance market. The technology, which is already widespread in the United States and Europe, allows the customer to have the price of the insurance adjusted based on his/her driving habits. Among the information collected by the system are figures regarding speed, distances traveled, braking level, curves and accelerations, as well as the times of use in the traffic.

The pilot project, called Direção em Conta (Careful Driving), was adopted in 2016 in the cities of São Paulo, Rio de Janeiro, Curitiba and Belo Horizonte. This action is aimed at increasing trust and transparency in the relationship between the customer and the insurance company and is also in line with a global trend to value drivers who drive carefully.

The appropriateness and customization of products, which are part of the Liberty Seguros' good practices, are one of the differentials that have enabled the Company to register a higher rate of growth than the average seen on the Brazilian market.

Distribution channels



Retail

Liberty's participation in the retail sector is carried out in partnership with more than 13 thousand brokers, who provide the customers with a broad portfolio of products.



Dealerships

In partnership with its brokers, Liberty Seguros operates in dealerships all over the country with products of the Liberty and Indiana Seguros brands.



Affinity

Affinity insurance products are offered in partnership with brokers and companies who wish to offer their employees an exclusive insurance and benefits program.



Cooperatives

Sale of insurance to cooperative members and their dependents by means of an exclusive assistance channel and the supply of products and services.



Financial institutions

Liberty invests in the partnership with domestic and international banks, which ensures quality, safety and transparency.

NEW PARTNERSHIPS

In 2016, Liberty Seguros strengthened its business and expanded its customer base through valuable partnerships with, for example, LojaCor, an association that manages 100 brokerages in Brazil's southern region; and with the Sicred and Sicoob cooperatives, with Auto and Home products being offered at more than 4 thousand points of sale.



Operating, economic and financial results

At the end of 2016, Liberty registered total premiums issued of R\$2.7 billion, net income of R\$98.5 million and an ROE of 9.4%. In order to sustain this operation, the Company had assets of R\$3.8 billion and reserves of R\$2.2 billion.

The Auto insurance portfolio, which represents 81% of the operations, reached the mark of 1.2 million vehicles insured in the year. This result means that the Company ranks 7th in relation to the total automobile market - and if the Company only takes into account independent insurers, Liberty ranks 6th. While in the general ranking of the largest insurers (without pensions and health insurance), the Company ranks 11th.



In 2016, the Life segment was the one that posted the greatest growth among the Company's operations, with an increase of 19.4% in relation to 2015.

The increase was also significant in relation to the market, which grew 0.8%. Sales of home insurance were up by 1.0% in relation to the previous period, while in the segment of insurance for small and medium sized companies, the increase was 2.2%.





Balance sheets as at 12/31/2016 and 12/31/2015 (R\$)

Assets	12/31/16	12/31/15
Current assets	1,665,010	1,625,819
Bank checking accounts	37,888	61,069
- Cash and banks	37,888	61,069
Cash equivalents	10,553	9,254
Investments	323,513	249,026
Credits from insurance and reinsurance operations	834,412	859,132
- Premiums receivable	793,018	807,409
- Operations with insurance companies	7,908	21,816
- Operations with reinsurance companies	33,486	29,907
Other operating credits	54,672	70,824
Reinsurance and retrocession assets	66,787	70,905
Securities and credits receivable	17,601	16,233
- Securities and credits receivable	12,189	6,738
- Tax and social security credits	1,122	2,044
- Other credits	4,290	7,451
Other values and assets	33,263	25,611
- Assets for sale	33,184	25,380
- Other values	79	231
Pre-paid expenses	5,074	4,404
Deferred acquisition costs	281,247	259,361
- Insurance	281,247	259,361

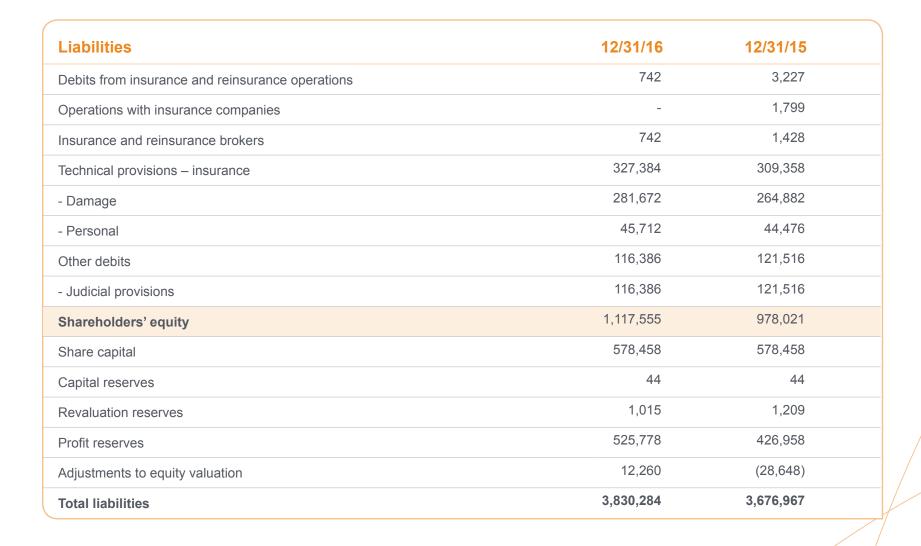


Assets	12/31/16	12/31/15	
Non-Current assets	2,165,274	2,051,148	
Long-Term receivables	2,099,973	1,994,786	
- Investments	1,604,942	1,461,714	
- Credits from insurance and reinsurance operations	9,959	12,069	
- Premiums receivable	9,959	11,692	
- Operations with insurance companies	-	377	
- Reinsurance and retrocession assets	65,058	56,473	
Securities and credits receivable	368,960	415,378	
- Securities and credits receivable	85,584	91,892	
- Tax and social security credits	174,526	217,467	
- Judicial and tax deposits	108,844	106,013	
- Other operating credits	6	6	
Deferred acquisition costs	51,054	49,152	
- Insurance	51,054	49,152	
Investments	254	273	
Property for income	254	273	
- Property and equipment	31,864	27,766	
- Real estate for own use	7,775	8,600	
- Movable assets	23,848	18,961	
- Other property, plant and equipment	241	205	
Intangible assets	33,183	28,323	
- Other intangible assets	33,183	28,323	
Total assets	3,830,284	3,676,967	





Liabilities	12/31/16	12/31/15	
Current liabilities	2,258,614	2,254,672	
Accounts payable	168,720	156,335	
- Liabilities payable	40,196	46,830	
- Taxes and social charges payable	59,546	61,320	
- Labor related charges	21,738	19,342	
- Taxes and contributions	17,220	9,513	
- Other accounts payable	30,020	19,330	
Debits from insurance and reinsurance operations	203,898	224,069	
- Premiums repayable	344	14,102	
- Operations with insurance companies	5,690	15,288	
- Operations with reinsurance companies	51,294	47,720	
- Insurance and reinsurance brokers	135,348	134,216	
- Other operating debits	11,222	12,743	
Third-Party deposits	10,766	23,999	
Technical provisions – insurance	1,875,230	1,850,274	
- Damage	1,750,792	1,737,464	
- Personal	124,438	112,810	
Non-Current liabilities	454,115	444,269	
Accounts payable	9,603	10,168	
Deferred taxes	1,412	1,569	
Other accounts payable	8,191	8,599	







Income statements for the fiscal Years ended 12/31/2016 and 12/31/2015 (R\$)

Income statement for the fiscal year	12/31/16	12/31/15
Premiums written	2,742,987	2,740,222
(-) Variations in the technical provisions of premiums	(45,754)	(99,373)
(=) Premiums earned	2,697,233	2,640,849
(-) Losses occurred	(1,604,521)	(1,545,227)
(-) Acquisition costs	(587,519)	(574,144)
(-) Other revenues and operating expenses	(37,520)	(54,016)
(-) Income from reinsurance	(28,325)	(15,334)
(+) Reinsurance revenue	36,847	45,906
(-) Reinsurance expenses	(65,101)	(61,240)
(-) Other income from reinsurance	(71)	-
(-) Administrative expenses	(444,067)	(399,042)
(-) Tax expenses	(71,692)	(81,303)
(+) Financial income	262,296	226,098
(+) Equity pick-up	576	302
(=) Operating income	186,461	198,183
(-) Gains or losses from non-current assets	(197)	(69)
(=) Income before taxes and profit sharing	186,264	198,114
(-) Income tax	(37,937)	(4,348)
(+/-) Social contribution	(28,987)	9,096
(-) Profit sharing	(20,828)	(26,850)
(=) Net income for the fiscal year	98,512	176,012





The offer of exceptional service for customers and brokers is in Liberty Seguros' DNA and is one of the main differentials of the Company, which maintains structured processes and tools to listen to and speak assertively with these audiences. To the customers, the Company seeks to offer products and services that meet their main requirements and protect the things that are really of value. To the brokers, Liberty Seguros invests in training to provide them with the support and knowledge they need in order carry out, maintain and expand the business, in addition to recognizing and rewarding performance achievement.

Customers

In order to monitor and guarantee efficiency throughout the customers' relationship process with the Company, Liberty Seguros attempts to get close to this audience. In this context, it carries out about 48 thousand NPS (Net Promoter Score) surveys a year, which enables assessing the level of satisfaction in relation to a number of points, including products, services and customer service, which generates subsidies for continuous improvement. Between 2012 and 2016, the NPS rose by 22%. In addition, the Company measures performance on 14 specific occasions that may generate satisfaction or frustration, such as during inspections, in the case of claims and when renewing insurance, for example. These are the "moments of truth", which are surveyed on a monthly basis as a way of qualifying and accompanying the insured's journey.

The Company also maintains customer-focused programs, such as the Clube Liberty (Liberty Club); customer service channels and actions to facilitate the insured's day-to-day life and ensure safety. One highlight is the Relationship Scale, through which the client receives a number of communications during the relationship with the Company, ranging from descriptions of what was contracted and explanations regarding how to use their insurance and even tips on car maintenance.

Relationship differentials

Created with the aim of strengthening the relationship with customers and brokers, Liberty Club is a benefits platform by means of which the insureds have access to offers and discounts on products and services throughout Brazil. These benefits can be checked out on the Company's website, in the Espaço Cliente (Customer Space), which was improved in 2016 with new features such as an interface for mobile devices and filters by geolocation.

In addition to different products and coverages to meet specific demands, Liberty's customers also benefit from constant innovations. One of the highlights in 2016 was the automobile damage inspection at home program, an initiative that reinforces the commitment to exceptional service for those who are insured. This action first started off as a pilot program in the municipality of Soro-

caba, in the State of São Paulo, and will be extended to other cities before the end of 2017. In addition to the convenience of not having to go to a repair shop or service station, the program provides safety, speed and quality in terms of the inspection carried out by Liberty Seguros' specialized employees. During the course of the visit, the customer also receives the price quote and guidelines regarding the claims process, as well as the customer service channels. Authorization for the repair is given on the spot and the expert electronically presents the recommended repair shops to which the customer can go with the pre-approved quote. Another new feature in the year included the possibility for customers of the products Residence, Life and Personal Accidents to report accidents online.













Communication channels

The insureds have various means at their disposal for communicating with Liberty Seguros, which maintains a 24-hour customer service and assistance call center, an online chat and contacts by SMS, Skype and e-mail, among others. Communication and information is also available via social media. In 2016, in order to stress its willingness to ensure the customer's peace of mind in a variety of situations, the Company launched the series #DeuRuim (It Went Wrong), made up of videos that deal with the coverage and assistance offered under Auto, Life and Residence Insurance in a good-humored way. From sanitization of automobiles in the case of flooding to responsible disposal of furniture, an including personal fitness assistance, the videos end up reminding insureds that with Liberty Seguros #estatudobem (Everything Is Ok).

The Company also improved its website during the year, offering greater usability and enabling a better experience in terms of accessing products, services, guidelines and customer service channels, including videos and images for understanding the services.

Ombudsman <u>G4-57</u>, <u>G4-58</u>

The Operations and Claims area manages 100% of the complaints received by Liberty Seguros from all of the communication channels, such as telephone, chat and social media. For this task, the company counts on the collaboration and engagement of all the departments for quick identification and solution of problems, guaranteeing excellence in terms of customer service, which is something that can be translated by the award that was given by the website Reclame Agui.

In addition to managing these communications, the Operations and Claims area invests in monitoring the call center in order to ensure the standard and quality of the interactions with both customers and brokers.

Brokers

At the end of 2016, Liberty Seguros had more than 13,000 active brokers. The company continuously invests in training such professionals, in addition to providing them with means to access information and data about the Company, its products and services.

For this purpose, the Company maintains an Operational Services Directory (DSO), which is a tool that complements the chat and telephone channels, with a view to meeting operational demands previously requested by e-mail, such as reanalysis of proposals, advance booking of inspections, collection services and commissions.

The year was also marked by the unprecedented launch in the insurance market of an application with the complete portfolio of products and services, which can also be accessed by the general public. Available at Apple Store and Google Play, the app makes it possible to send a whole range of communication materials such as "Did You Know" and "Questions and Answers" about all the product lines including Auto, Life and Home Insurance along with insurance for small and medium-sized enterprises, directly or via WhatsApp.

Satisfaction and points of improvement with this audience are possible thanks to regular interactions such as breakfasts held with the Company's CEO, the NPS (Net Promoter Score) surveys and the Brokers Council (find out more on page 36). At such times, the brokers are encouraged to contribute to the improvement of both products and services as well as of the Company's processes.

Training and recognition

The main recognition program for brokers is Conexão (Connection), whose initiatives are implemented through five pillars:



Conectados para Comunicar (Connected for Communicating): concentrates the communication actions and tools that facilitate the day to day work. The broker has access to the online platform Meu Espaço Corretor (My

Space Broker) and applications for mobile use, which enable access to products, services and new features, as well as, starting in 2017, the Conexão (Connection) Program's exclusive fan page on Facebook, with information about products, sales tips and a series of special content.



Conectados para Treinar (Connected for Training): this focuses on promoting training and knowledge of the products. On the online platform Sabe Tudo (Know Everything), which was launched in December 2016, brokers can ac-

cess videos, web lessons and webinars to help with the business. The pillar also counts on the Succession Meeting, which is an event dedicated to family brokerage firms in order to promote the succession process with peace of mind and success. It is also possible to receive guidance and tips regarding social media, techniques, strategies and the tools required for the broker to grow in the digital environment.



Conectados para Encantar (Connected for Enchanting): in order to value the brokers' commitment and dedication, every year the Company organizes a number of events: Tour de Corretores (Brokers' Tour), Conexão Vai Até

Você (Connection Comes to You), Conexão Esportiva (Sports Connection) and Café com o Presidente (Breakfast with the CEO). Among the new features in 2017 will be the Regional Meetings and the Cultural Connection, with film sessions, theater plays and shows.



Conectados para Incentivar (Connected for Encouraging): aLiberty Seguros organizes incentive campaigns for brokers who stand out over the course of the year, with awards such as domestic and international trips.



Conectados para Inovar (Connected for Innovating): a pillar created in 2016 which is designed to bring the Brokers and Liberty closer together for discussions of issues that are important to business and the future of the

insurance market. This action is supported by the Brokers Councils.

BROKERS COUNCIL

Launched in 2016, the Brokers Council is a Liberty Seguros' initiative aimed at creating a space for debates on important issues in the sector, in addition to constructing a new view on the market.

There are regional meetings as well as a national one, and the meetings include participation by the Company's CEO and its leadership. Over the course of the year, six regional meetings and one national meeting were held, and the major issues to be addressed by the Company were defined at these events in conjunction with the council members.





Liberty Seguros' employees are its greatest assets and the Company is continuously investing in them to disseminate knowledge and encourage learning



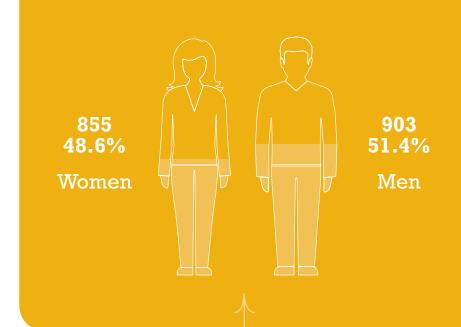


Liberty's Human Resources (HR) department acts as a strategic partner working for better execution, business perpetuity and profitability. Since people are the Company's biggest asset, HR's role is to foster an environment in which leadership is strengthened and people are continuously developed to ensure Liberty attracts and retains talents. For this purpose, the Company has programs in place to allocate the best professionals to the positions required, based on technical and behavioral competencies rather any discriminatory distinctions – at the end of 2016, its staff had 64 employees with disabilities.

Also as a means of ensuring the Company's sustainability and perpetuity, its Career & Development Path maps positions and prepares well qualified and trained successors to take on leadership positions. Management gets a macro-vision of all Liberty's positions and possible career paths, thus helping us guide employees and show whether they have the right profile to aspire to certain positions.

Training programs develop personal and professional life at all levels and across all jobs to make sure that Liberty Seguros will always have the best people.

At the end of 2016, the Company had 1,758 employees, of whom 9 were interns, 2 trainees and 30 apprentices. There were 186 new admissions and 164 terminations, showing a 9.38% turnover, and a high level of internal promotions. G4-10, G4-LA1



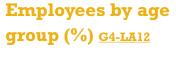
Total headcount G4-10

	Total	Women	Men	
Own employees	1,758	855	903	
Outsourcers	137	-	-	

Total headcount

	Customer services employees	Ombudsman
Own employees	10	2
Outsourcers	54	1



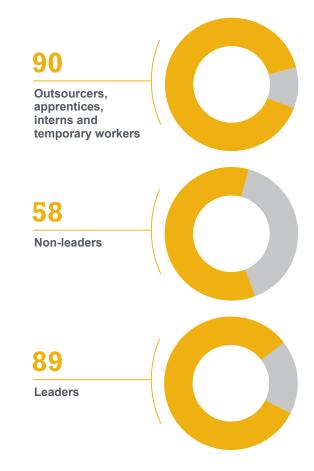








Internal promotions to eligible positions 2016 (%)



Minority groups by ethnic origin G4-LA12

Black	Asian	Brown	Indigenous	White
96	35	338	3	1,286

HIRING THE — RIGHT PEOPLE

In 2016, as part of its strategy for attracting and retaining talents, Liberty Seguros launched a program to encourage employee referrals. While those recommended got a chance of a job, for each new hire who made it through the trial period, Liberty's employees got cash incentives transferred to a personalized card.

There were 60 referrals for 12 positions, of which 5 were filled through the program. Of this total, four stayed with the Company after the trial period.







The Liberty Culture

Having the right people is the key to getting results, so Liberty Seguros periodically reviews the pillars of its organizational culture. An extensive study conducted in 2014 and 2015 mapped three pillars to show strategic objectives for the business: Customer Focus, Go Beyond and Inspirational Leadership. Based on these three pillars, 49 initiatives were suggested in 2016, of which 6 had been introduced by the end of the year.

Liberty Culture Pillars



Customer Focus

Helping people enjoy safer and more secure lives by listening, welcoming, understanding their needs, anticipating solutions and delivering exceptional experiences.



Inspirational Leadership

Strengthening an inspirational leadership attitude that enhances the Company's purpose by engaging people to pursue the organization's strategic objectives and by positively influencing them to develop and apply their full potential.



Go Beyond

Creating a stimulating and supportive environment so that everyone (Customers, Channels and Employees) can experiment, extrapolate borders and continuously improve, positively modifying the experience of everybody involved and making Liberty their company of choice.



Liberty is continuously investing to train employees, encourage internal promotions and develop careers. The Company has a Knowledge Map – intuitive graphical content given to each employee – to help detect technical and behavioral skills that they need to develop, as well as the best time to enroll for training programs.

In 2016, the Company invested R\$1.9 million in staff training. A total of 46,323 training hours were clocked by 53 face-to-face and 40 online courses. Liberty also has partnerships with educational institutions and language schools who offer its employees discounts off tuition fees. G4-LA9

Liberty Schools

Liberty Schools help employees, including interns and apprentices, to assertively manage their skills and boost their potential for professional growth. Depending on their competencies and Individual Development Programs (PDI in Portuguese), the Company aims for employees themselves to enroll for training programs that meet predetermined criteria. The purpose of the Schools is to put together a team of high-performers capable of providing exceptional customer experiences and generating effective and synergistic results for Liberty's strategy.

Training data G4-LA9

	Hours	Headcount	Average
Leaders	12,053	228	52.86
Non-Leaders	34,270	1,508	22.73
Total	46,323	1,736	26.68



In 2016, the Company redesigned formats of its four schools and launched a fifth learning path:



Leaders School: professionals are trained for Leadership and Management jobs, which translates the Liberty Way of Doing Things. Skills are thus developed to attract, retain and engage talents.



Technical School: provides employees with the tools and knowledge needed to develop the ability to execute and find simple but efficient processes that lead to agile solutions.



People School: by upgrading behavioral and self-development skills, professionals themselves become the drivers for their careers.



School of Excellence in Service: the mission is to provide the tools and knowledge that will ensure exceptional service for Liberty Seguros' customers and partners.



Strategy & Business School: employees develop commercial and strategic business initiatives that create value for Liberty, its customers and partners.

Liberty also runs insurance education initiatives involving technical certification; customer service; insurance regulation; internal controls; general insurance theory; and LOMA certification. FS16





Coaching

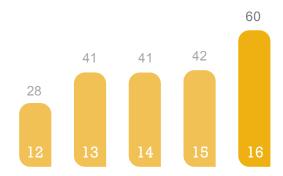
Liberty's Coaching Program supports professional development by heightening awareness of learning, developing and reaching goals based on the ability to observe, questioning and change. Liberty Seguros believes that this partnership enables people to reveal their potential, substantially improves their results, and reflects in leadership attitudes and relations in the Organization and elsewhere.

This initiative is supported by outside consultants, who have worked with more than 100 of the Company leaders over the last eight years, thus contributing to their personal and professional development and improving activities developed at Liberty.

Mentoring

Mentoring involves a supportive relationship for professional development of an individual assisted by another person who has a certain expertise in the context in which both are working. Mentoring is an important way of using Liberty's internal intellectual resources to develop people. At the end of 2016, Liberty had 28 mentors – all of whom were directors, superintendents and managers.

Participants of the Mentoring Program



PERFORMANCE ASSESSMENT PROGRAM (PAP) 64-LA11

At the beginning of each year, Liberty's Performance Assessment Program (PAD) is a dynamic and flexible process in which those assessing and those being assessed get a chance to align expectations and define a focus for action. The program reached 100% of the Company own employees in 2016. Liberty's PAD covers the following aspects:

Assessment of objectives: employees evaluates their overall performance (in the year) depending on the results they achieved on each of the objectives defined at the beginning of the year. Objectives should follow the Smart Methodology (specific, measurable, achievable, relevant, in time).

Assessment of competencies: each employee rates their present performance against competence and behaviors expected by Liberty Seguros. In addition to rating actual results, a key aspect of performance is how activities are being carried out.

Individual Development Plans (PDI in Portuguese): employees may use the Company's system data to assess the extent to which they have fulfilled plans made for the period and inform managers as to whether their initiatives were carried out and how effective they were. In addition to taking courses, PDI may include other development activities.

Organizational climate

Since 2005, Liberty has been conducting an Organizational Climate Study (ECO in Portuguese) every two years to measure employee satisfaction with Liberty. Based on the results and opportunities identified, action plans are structured for each department. All items in the survey scored higher than the previous one, showing a 7 percentage point improvement in the overall level of satisfaction – up from 75% to 82%.

Organizational Climate Study (ECO) Results (%)

	2014	2016
People	80	85
Work processes	77	83
Leadership	78	84
Institutional aspects and communication	84	89
Decision-making power	69	77
Rewards	61	73
Climate	75	82
Commitment	88	93
Contexts	48	49

The study also evaluates at occupational values, which helps to properly allocate resources and efforts.

In 2016, Liberty also conducted an Employee Net Promoter Score (E-NPS) survey, a system for measuring employee satisfaction in order to spot opportunities for continuous improvement of internal processes and products.

Compensation and benefits

To engage and retain talents, Liberty's structured compensation and benefits program offers meal and food vouchers, funeral assistance (including dependents and parents); child care and day care; payroll deduction loan; drugstore discounts; chartered buses; health and dental plans; affinity insurance (extended to family members - spouse, children and parents); group life insurance (for employees and their families) and transportation vouchers. In addition, employees may join a private pension plan (with option to add children), whose benefits include pension and retirement supplement. G4-EC3, G4-LA2

There is also a Discount Club, which can be extended to family members; hundreds of companies in Brazil and Latin America offer exclusive advantages in different categories and products.

The Company's compensation policy is based on internal equity and external competitiveness of the positions and salaries structure; operation as an instrument for the management of people so as to provide transparency for actions; recognition and rewarding of exceptional performance in relation to established standards and to the offering of career development opportunities.

Occupational values 2016

- Career development
- Compensation
- Personal life

2016 SUSTAINABILITY REPORT

- Recognition
- Challenge
- Continued learning
- Immediate superior



Differentials continue to include a competitive bonus program for all employees and variable compensation for telemarketing teams



Health and well-being

Liberty invests in the health and physical and emotional well-being of its teams. One example of this is its Personal Support Program (PAP in Portuguese) for professionals and their families, which offers confidential assistance in financial, psychological, social and legal aspects. Specialists advise and assist in cases of emotional problems, difficulties in personal and professional relationships, alcohol and drug involvement, financial problems and other issues.

There is also Liberty Health Space, which focuses on occupational health and assistance for employees and others. The Company also offers employees:

- Ergonomics, Posture and Workstation Analysis.
- Vocal and hearing health.
- Physiotherapy and nutrition clinic.
- Systematic health care monitoring for employees and their dependents through a program for fostering health and managing chronic diseases.
- Social services (employees and family members).
- Monitoring and support for complex and highrisk/high-cost cases such as chronic diseases.

- Pregnancy Support Program The Mother Project (for employees and their wives) arranges meetings with specialists for talks, advice, discussions and postnatal home visits.
- Vaccination campaigns, which benefited 95.31% of Liberty's employees and 423 of their dependents.
- Christmas Open House, for employees' children to visit their parents' workplace.
- Workplace gymnastics and massage for Liberty's telemarketing team.
- Meetings for parents with kids aged under 5 to help them with their children's education.
- Meetings to talk about health issues, such as Pink October and Blue November, when the Company mobilizes to encourage employees and their families to take preventive measures.
- Bicycle space.
- Seven Aspects of Health program employees may examine their physical, emotional, financial, social, professional, spiritual and intellectual health and set targets for improvements if necessary.

HOME OFFICE PROGRAM

One of the initiatives that has contributed to Liberty's organizational climate and results is its Home Office Program, which started at the end of 2013 with a few positions; by the end of 2016, it covered about 70 telemarketing positions and 155 administrative positions.

Liberty works with two types of home office: full-week (working remotely all week) and part-week (dividing the week between office and home work, depending on the job). Fully home-based employees are supplied with a keyboard, mouse, camera, and Thin Customer a device to access the Company's network. Its assessment ensures they have an ergonomically appropriate work space with internet access. Liberty's home-office staff also have managers monitoring their performance in real time and they attend monthly feedback meetings.

Liberty also arranges interactive initiatives such as its "90-day challenge", which recorded 126 participants in 2016. They were challenged to enhance four physical aspects of quality of life – body mass index (BMI), flexibility, upper-body and core strength – by taking functional gymnastics and running classes. Advice on healthy eating and individual meal plans are also available. Another highlight is its Happy Friday, which gives employees the option of finishing work at 2:00 pm and making up the remaining hours during the week. A survey showed that 71% rated the Happy Friday program as "very satisfactory" (51%) or "satisfactory" (19%).

Life Week

This annual event spreads awareness of the need to balance seven aspects of individual health (physical, social, financial, intellectual, spiritual, emotional and professional). In 2016, the event involved dance class, talks, employee health surveys and a blood-donor campaign.

Another highlight was Life Junior for the Company's employees' children – encouraging good eating, physical exercise and financial habits, as well as exercising creativity and providing socially interactive spaces for children. In total, there were 3,341 participations.

Recognition

Showing its appreciation for years of work with the Company is another Liberty Seguros' commitment. Every quarter Liberty awards and recognizes employees for 5, 10, 15, 20, 25, 30, 35, 40, 45 or 50 years spent working for the Company. Special tributes are made for 25 and 50-year anniversaries – 267 employees were honored in 2016.



Employees	Length of service awards
139	5 years
88	10 years
21	15 years
9	20 years
3	25 years
2	30 years
2	35 years
3	40 years
267	





THIS HAS VALUE

In 2016, Liberty Seguros redefined its strategic positioning in social responsibility by implementing the *Isso tem Valor* (This has Value) program



Structuring social responsibility actions, sharing knowledge for the benefit of an increasing number of people and making a positive contribution to achieving, preserving and protecting what is most precious. During 2016, Liberty Seguros, with the support of a consulting company, carried out an extensive redefinition of its strategic positioning, its investments and its communication actions with the emphasis on social responsibility. The process involved internal and external analyses for preparing a diagnosis of which causes and purposes the Company would support, so as to create value in the relationship with the main stakeholders and contribute to a better quality of life for the community and its people.

This work was essential for defining the Isso tem Valor program in which, in addition to structuring its social responsibility actions, the Company began sharing knowledge to benefit an increasing number of people, which has made a positive contribution to achieving, preserving and protecting everything that is most valuable. The program runs on three strategic pillars:

Education and entrepreneurship, where the drivers are the education and training of young people from vulnerable communities to work in market in general and in the insurance market; support for women entrepreneurs; and the sponsorship of projects via incentive laws.

Good practices and preservation, that comprise the Company's corporate volunteer work platform; responsible disposal actions; and a culture of conscientious consumption within the Company.

Awareness of insurance, through the Isso tem Valor portal, which will be rolled out in the second half of 2017 and will have educational content on insurance, while publishing important research into this issue, in addition to issues that are relevant to the population in general, such as information on how to maintain their cars, their homes and care for their lives.



EDUCATION AND ENTREPRENEURSHIP

Mulheres Seguras

Since 2015, Liberty Seguros has been behind the Mulheres Seguras (Safe Women)

program, through which it supports the female population looking to start or leverage their own business. To inspire and empower these women, the Company runs the Mulheres Seguras online platform (www.mulheresseguras.com.br) containing testimonials, tips and information about the world of entrepreneurship. The portal also serves for sharing achievements, lessons and difficulties, as well as enabling them to exchange best practices. Since it was launched towards the end of 2016, there have been 300,000 visits and 230 registrations for the portal newsletter.

In addition to its digital presence, Liberty is also physically present. In 2016, to celebrate the first anniversary of the Mulheres Seguras platform, and the Entrepreneur Day, a negotiation workshop was held with an outside consulting company, in addition to promoting networking among the project members. The Mulheres Seguras project remains one of the main points of the Education and Entrepreneurship pillar, and will be the subject of differentiated actions in 2017.

Focusing on the "rollout of projects via incentive laws", Liberty Seguros increased its sponsorships in 2016, when it evaluated more than 100 proposals from different institutions. The Company opted to support six social projects under the Rouanet Law, the Sports Incentive Law, the National Senior Citizens Fund, the Municipal Fund for the Rights of Children and Adolescents (FUMCAD) and the State Council for the Rights of Children and Adolescents (Condeca). Over R\$1.1 million were invested in these actions, involving themes such as education, job market inclusion and entrepreneurship. The projects are:

- Unibes Lab: based in São Paulo (SP), the Unibes Lab is an initiative of Unibes Cultural (the House of Culture of Israel), a non-profit organization that has been collaborating with human development for over 100 years. The project offers 240 activities a year for young entrepreneurs on free courses in animation movies, photography and music, as well as classes for creative and cultural entrepreneurs, coaching, co-working and mentoring for incubated companies. The action is supported under the Rouanet Law.
- Instituto Criar de TV, Cinema e Novas Mídias (The TV Creation, Cinema and New Media Institute): also under the Rouanet Law, Liberty Seguros will invest in the Institute, founded in 2003 in São Paulo (SP), with the mission of promoting the professional, social, cultural and personal development of young people using the audiovisual media. Every year, 150 people between the ages of 17 and 20, in situations of social and economic vulnerability, receive technical audiovisual and sociocultural training for entering the labor market.
- CEAP: Through Condeca, the Company will continue supporting the Center for Assisted Vocational Education (CEAP), an NGO located on the south side of the city of São Paulo (SP), which since 1985 has offered full-time training to young people aged between 10 and 18 on technical and vocational courses. Around 700 people are attended to annually. CEAP is already a partner of Liberty Seguros in the Futuro de Valor (Future of Value) action under which, in December 2016, the Company in an alliance with Senac, made an impact on the lives of over 440 people in the Cidade Ademar community of São Paulo by putting on a series of educational workshops to promote their entry into the job market.



- Vocação Sustentável (Sustainable Vocation): since 1967, the NGO Vocação has dedicated its efforts to developing personal skills through work in the communities, investment in socio-educational projects for total development, running vocational courses and providing services to businesses. Through the FUMCAD, Liberty Seguros will invest in the NGO's project for encouraging social and educational practices aimed at the total development of children, adolescents and their families, according to the basic principles of sustainability and conscientious consumption.
- Hospital Angelina Caron (The Angelina Caron Hospital): founded in 1983 and located in Curitiba (PR), the mission of this healthcare institution is to provide quality care to over 370,000 patients, of whom 95% depend on the public healthcare system. The project supported by Liberty Seguros is: Modern Ra-

- diotherapy for the Elderly, whose objective is to increase the amount and quality of the radiotherapy service available at the hospital. To that end, the objective of the action is to purchase a linear accelerator (radiotherapy equipment), which will enable an increase of 62% in the number of daily medical appointments. The sponsorship will take place through the National Fund for the Elderly.
- Fundação Tênis (Tennis Foundation): under the Sports Incentive Law, the Company will invest in the Tennis Foundation, created in 2001, and which runs activities in six cities in the states of São Paulo and Rio Grande do Sul. The focus of the social, educational and sports program is to foster the values of friendship, respect and excellence through the sport. The initiative attends to over a thousand children and adolescents.



Total invested under incentive laws*

Laws	Investment (R\$)
The Rouanet Law	650,000
Sports Incentive Law	170,000
National Fund for the Elderly	170,000
FUMCAD/Condeca	170,000
Total	1,160,000

^{*} By the companies: Liberty Seguros and Indiana Seguros.







Good practices and preservation

Within this strategic pillar, the year's highlights were the volunteer work initiatives promoted under **Serve with Liberty** and **Natal Solidário** (**Solidarity Christmas**), with a record participation by the employees: an engagement level of 80% was achieved, thanks to the collaboration of **more than 1,400 volunteers** throughout Brazil.

In addition, the aim of the initiatives under this pillar is to contribute to sustainable growth, guide the employees about the conscientious consumption of resources, like water and energy, to reduce the numbers of copies and print-outs, unless absolutely essential.

Serve with Liberty

Every year, Liberty Mutual holds Serve with Liberty, a global campaign for encouraging volunteer work and solidarity, involving every unit in the Group. In 2016, at Liberty Seguros, the initiative took place between April and May, with record participation by the Company's employees throughout Brazil.

The actions included donations of clothing, footwear, food and books, with over 10,400 items collected. There was also a mass awareness campaign about the zika virus and a campaign to donate blood, jointly organized with the Sírio Libanês Hospital in São Paulo (SP), and local hospitals where the Company branches are, involving 255 volunteers.



The 2016 Serve with Liberty also included field work in the library of the NGO UNA (Associations of Residents of Heliópolis and Region) in São Paulo (SP), affected by heavy rainfall. In support of the location, 33 employees mobilized a painting task force and organized the donation of over 720 books, which benefited around 3,000 library users. In addition, a reading section was organized for children from the community. The employees were also able to contribute with their communities by São Paulo tax receipts and cash; Liberty doubled the amount donated by its teams. A total of R\$38,000 was raised, donated to 36 NGOs based in the cities where the Company operates.

Solidarity Christmas

The Liberty Seguros Solidarity Christmas consisted of four actions between November and December, reinforcing the Education and Entrepreneurship pillar of the *Isso tem Valor* program:



Vá Ver Solidário (Solidary Go and See)

Under this program, sixty employees introduced the Company's work environment and what Liberty does to 37 young people interested in joining the professional market. In their role as mentors, its staff members also helped participants with improving their resumes, in addition to running simulated job interviews.



Social Fair

Held at the Company's head office in São Paulo (SP), the aim was to support NGOs in a range of causes by raising funds from selling of social products. The fair lasted for 4 hours, with six institutions participating, raising over R\$2,600 to invest in their projects.



Food Donations

Under a partnership with the Family Social Assistance Service, a Unibes program, more than 900 kilos of non-perishable foodstuffs and R\$1,700 were raised, intended for socially vulnerable families in the São Paulo neighborhoods of Bom Retiro and Santa Cecília.



Sacolinhas de Natal (Christmas Stockings)

The employees got together to prepare personalized Christmas stockings containing an item of clothing, footwear, toys and candy. The 125 Christmas stockings were presented to the children at the Betty Lafer Children's Education Center run by Unibes.



urban mobility program, Sinal Livre, came to an end in 2016 after the Company defined its new positioning in social responsibility. Over the years, the project worked to educate, engage and make the population aware about the need for security and tranquility in coming and going. Studies were also carried out into urban mobility, so as to map the situation in the main Brazilian capital cities in terms of public transportation, locomotion modals, conscientious consumption and sustainability, among other aspects.



Awareness about insurance

In 2016, Liberty Seguros began developing of the Isso tem Valor portal, to be launched in 2017 with a series of items with informative and educational content about insurance and important issues for protecting and preserving what people have achieved. This in one of the Company's commitments aimed at educating the population about the importance of keeping their important items insured, in addition to protecting and preserving what they have achieved.



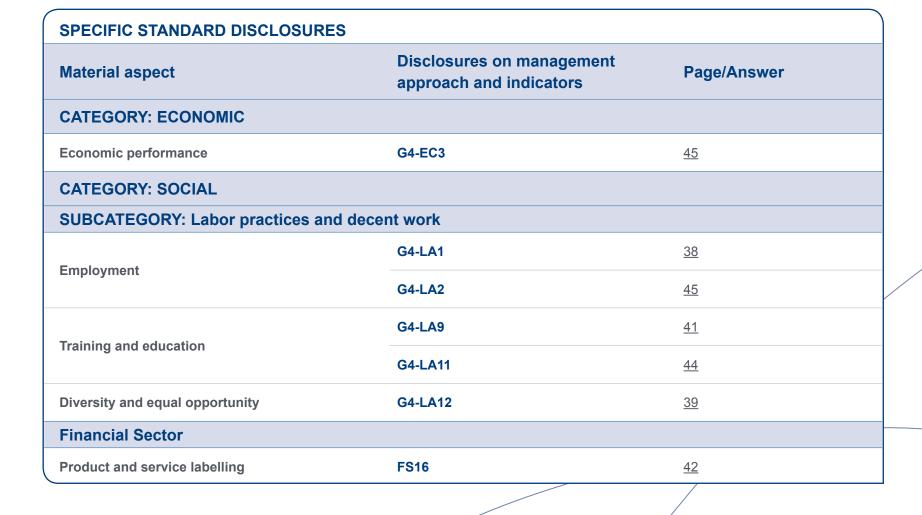
GRI CONTENT SUMMARY

This report presents general disclosures for the GRI Guidelines on sustainability reporting.

GENERAL STANDARD DISCLOSURES	PAGE/ANSWER
STRATEGY AND ANALYSIS	
G4-1	<u>4 to 5</u>
G4-2	<u>14 to 15</u>
ORGANIZATIONAL PROFILE	
G4-3	7_
G4-4	7 and 20 to 32
G4-5	7_
G4-6	7_
G4-7	7_
G4-8	7_
G4-9	<u>7</u> and <u>10</u>
G4-10	<u>38</u>
G4-11	The Company engages in formal dialog with unions and organizations representing the employees, even during periods when there are no union negotiations.
G4-15	<u>19</u>
G4-16	<u>14</u>



GENERAL STANDARD DISCLOSURES	PAGE/ANSWER
REPORT PROFILE	
G4-28	<u>3</u>
G4-31	<u>3</u>
GOVERNANCE	
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G4-41	<u>13</u>
G4-48	<u>3</u>
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G4-56	<u>7</u> and <u>15</u>
G4-57	<u>35</u>
G4-58	<u>35</u>









Coordination

Patrícia Chacon – Director for Marketing and Strategy Luiza Maia – Marketing Specialist

Graphic project, GRI consultancy, revision and drafting

TheMediaGroup

Content

KMZ Conteúdo

(coordination: TheMediaGroup)

Photos

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