

2016
*Sustainability
Report*



PRESENTATION

We join forces and multiply results

Combining forces is routine for Sicredi, and when we join together we have a single goal: pursuing what is best for everyone – for our members, employees and the communities in which we operate. From the north to the south of the country. This is what drives us and our ongoing growth.

We are a cooperative financial institution, therefore sharing challenges and multiplying positive results is part of the purpose of our business.

This was the first year of the 2016-2020 cycle of strategic planning, which is underpinned by relationship, credit, efficiency, liquidity and

capital. We established a model for managing sustainability which has ensured clarity about our priority topics and which delivers our mission as a system, the factors responsible for our constant growth, bolstered by a history that goes back 114 years.

The sustainability report demonstrates how our systemic organization has driven the development of our business and of our stakeholders, which projects we have developed to deliver service excellence for our members and how we promote the cooperative culture, the basis of our virtuous cycle. Learn about our results in 2016.

SUMMARY



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We are clear about the importance of addressing the present with our sights firmly on the future.

Message from the leaders

G4-1 and G4-2

2016 saw advances in the development of the cooperative movement, so important for generating economic, social and environmental value for our stakeholders and inherent to the Sicredi business model. Relationship and cooperativism, responsible solutions and local development are the cornerstones of our sustainability management and are fully aligned with our mission.

We maintained our strategy of having a national presence, operating regionally and promoting local development. Sicredi Regional Office - North Northeast is now formally part of Sicredi, expanding our operation from 11 to 20 states. We inaugurated the first branch of a cooperative financial institution in São Paulo at Paulista Avenue, the financial heart of Brazil.

For the sixth year running we were among the Best Companies to Work for and for the third year in a row we were recognized as the financial agent with the highest investment in Pronaf, the National Family Agriculture Reinforcement Program, for crop year 2015/2016, according to the foment bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social). We reached the mark of R\$ 36.2 billion in loans granted*, of which R\$ 16 billion was for rural and directed credit operations.

Even against the backdrop of economic crisis and retraction in Brazil, in which the country's Gross Domestic Product (GDP) fell by 3.6%, we recorded a 25.5% increase in assets, reaching R\$ 65.9 billion*, and net equity* of R\$ 11.1 billion, growing 32.7%. Financial performance combined with growth in

efficiency indicators contributed to a record result of R\$ 1.96 billion*. From this total, R\$ 452.7 million was paid out as interest on equity. We are the financial institution with the highest percentage growth in savings in Brazil, 33.8% compared with 2015. We ended the year with a savings portfolio of R\$ 6.9 billion*.

We internalized third-party fund management, with the area initiating activity as the 14th largest fund manager in Brazil with more than R\$ 28 billion under management. Sicredi manages its fixed income funds and financial centralization, while contracting external operators to manage multimarket and share funds, diversifying investment opportunities for our members.

We launched our new brand, underscoring the institution's attri-

* Amount includes the balances of the Sicredi North Northeast Regional Office



Manfred Alfonso Dasenbrock



Edson Georges Nassar

butes of being simple, close and active, reflected in our relations with members and employees, in our internal processes, products, services and in the programs we undertake to generate value for members and for the communities in which we operate.

We continue to invest in technology to drive efficiency and security throughout our operations, delivering excellence in solutions and in service channels for members. We are clear about what we have to deliver in the coming years to ensure efficiency for the Cooperatives, as well as financial robustness and service quality for members.

As community-based financial institutions, the Cooperatives focus on meeting present needs while ensuring long-term business continuity.

Our plans and targets up until 2020, when the current strategic planning cycle will end, encompass the advance of the digital platform, which is transforming core banking activities, open innovation - essential in the disruptive world we live in -, the promotion of the cooperative culture and the development of sustainability oriented solutions.

We are clear about how important it is to address the present with our sights set firmly on the future. This is why we maintain close relations with all the agents in the system, jointly building this next cycle of development, adding knowledge and strategic vision to multiply our potential to deliver value.

Our purpose is to generate even more income, development, social and financial inclusion for members and

for the regions in which we operate, promoting the cooperative culture.

We invite you to learn about the main highlights of the first year of this new cycle of strategic planning.

Enjoy reading it!

Manfred Alfonso Dasenbrock
*Chairman of the SicrediPar
Supervisory Board*

Edson Georges Nassar
CEO of Banco Cooperativo, Confederação Sicredi and Fundação Sicredi

Relationship and cooperativism, responsible solutions and local development are our sustainability macro-topics.

About the report

The information in the sustainability report portrays the business model in place and the operations undertaken between January 1 and December 31 2016. ^{G4-28}

This is a transparent gesture to communicate our financial and non-financial results to members, employees and the community on an annual basis. ^{G4-30}

The topics addressed reflect the materiality study undertaken in 2014, a process that identified critical questions from our perspective and from that of the stakeholders consulted: members of the Supervisory Board, of the Executive Board, Cooperative members, employees, representatives of the Brazilian Central Bank (BC) and partners. ^{G4-18, G4-24 and G4-27}

To enhance the reporting process, in the last two years we have provided evidence showing how we generate value for members and for society.

In 2016, we consolidated the topics into three macro-topics, the basis upon which we manage for sustainability: relationship and cooperativism, responsible solutions and local development. All the indicators in this publication are related to these topics. The reclassification of the positions in People Management led to the restatement of data from 2015 and 2014 in this edition. ^{G4-18, G4-19, G4-22 and G4-23}

For the fourth year running we are publishing the Consolidated Financial Statements, as authorized by Brazil's National Monetary Council (CMN) in 2013, verified and audited externally.

The consolidated statements include data from the Sicredi Regional Office - North Northeast

, whose cooperatives were integrated into the Sicredi operations in 2017. For this reason, the other

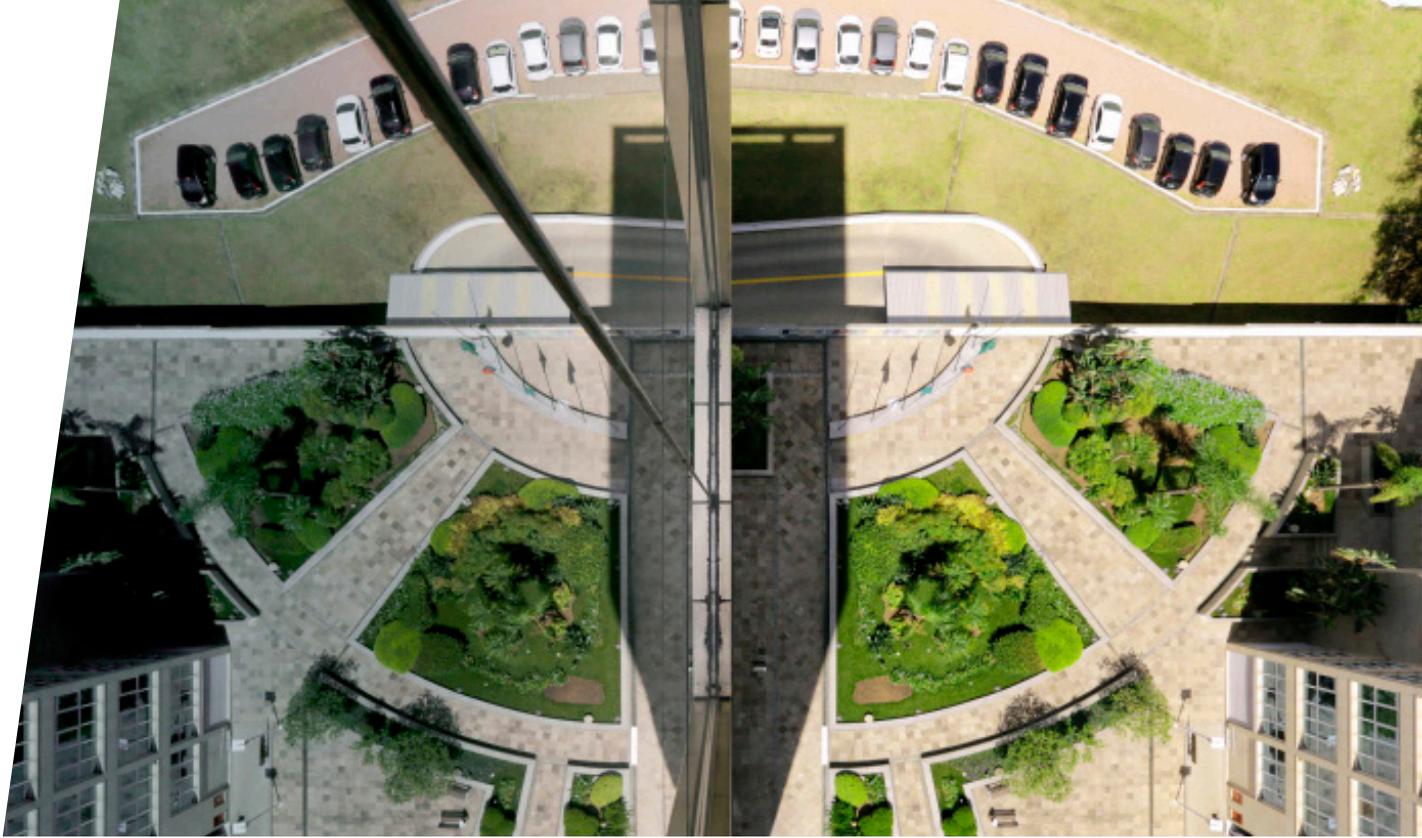
indicators are currently being integrated into the systemic data and will be reported from next year.

The development of the report and the materiality process were executed with support from external consultancies. ^{G4-18}

As in 2015 ^{G4-29}, this publication follows the core "in accordance" option of the Global Reporting Initiative (GRI) G4 guidelines. ^{G4-32}

The content was approved by the members of the executive board ^{G4-48}. The data were audited by EY and submitted to the GRI Materiality Disclosure Service, which verifies the location of the indicators G4-17 to G4-24 in the GRI Content Summary and throughout the report. ^{G4-33}

Comments, criticisms, doubts and suggestions may be addressed to comunicacao_institucional@sicredi.com.br. ^{G4-31}



Our material topics G4-19, G4-20, G4-21 and G4-27

Our sustainability macro-topics underpin the institution's strategy for creating economic, social and environmental value based on plans and guidelines approved by the Sustainability Committee. The chapters in the report address each one of the three macro-topics and their ramifications.

As a cooperative financial institution, Sicredi's direct impact on the environment is low. Consequently, eco-efficiency is not a priority in terms of materiality. Nonetheless, managing eco-efficiency is addressed in the branches, Cooperatives, Regional Offices and in the Centro Administrativo Sicredi (read more in Awards and recognition).

The environment is a fundamental element in terms of the institution's indirect impact. In 2016, we introduced new social and environmental criteria in loan concession assessments, in addition to the products and services delivering environmental value that we provide for members (read more in Responsible solutions).

The chapters in the report address each one of the three macro-topics and their ramifications.

Relationship and the cooperativism, responsible solutions and local development are the three macro-topics that underpin our management for sustainability. The consolidation of these topics facilitates management and ena-

bles monitoring of the execution of the institution's mission and the regional performance of the Cooperatives. The next step is to reinforce use of this model by the Cooperatives, the Regional Offices and the Sicredi companies.

GRI Indicators and Sicredi (SI) by material topic G4-19, G4-20, G4-21 and G4-27

Relationship and Cooperativism

<p>Member confidence and satisfaction Members' satisfaction may be measured by Sicredi's capacity to meet their needs and expectations. Confidence is represented by the degree of familiarity and security with which the members relate to Sicredi. The combination of these two values is an indication of the quality and the robustness of the relationship between Sicredi and its members.</p>	SI -Member Profile* SI-07* G4-PR5
<p>Management model Sicredi's participative governance model, through which the System formalizes and monitors its strategic and operational decisions and, at the same time, engages its members, is fundamental in reinforcing trust and a feeling of belonging, representing a competitive edge for Sicredi compared with traditional financial institutions.</p>	G4-34 to G4-41 G4-43, G4-46 to G4-53 G4-56 to G5-58 SI-31, SI-35 G4-HR3
<p>Employee engagement within a cooperative culture Fomenting the cooperative culture among all employees as a necessary condition for maintaining Sicredi's internal unity, cohesion and alignment.</p>	SI-01 G4-LA1, G4-LA2, G4-LA4, G4-LA9, G4-LA10, G4- LA11, G4-LA12, G4-LA13
<p>Sharing the cooperative message The propagation of the cooperative culture expands awareness of the underlying benefits of this type of organization for society, boosting its legitimacy and expanding its activities in the economy.</p>	SI- Promoting the cooperative movement
<p>Transparency and engagement Effective transparency occurs when the company provides its important stakeholders with appropriate and timely information, driving a better grounded decision making process. This requires bringing the main stakeholders closer together and engaging them.</p>	G4-S04 and G4-S05
<p>Technology for relating to members Expanding means of relationship with members, innovating in products, services and service channels aligned with the needs and expectations of members.</p>	SI-27, SI-28*, SI-30*, SI- Facilities for Members*
<p>Operational technology Technological development promoting the growing digitalization of the financial sector to enhance efficiency in internal processes and in managing suppliers as a means of ensuring greater quality and reducing response times for members.</p>	SI- Satisfaction* SI - Service level* SI-Service Availability* G4-FS14

Responsible solutions

<p>Social and environmental criteria in credit concession The incorporation of social and environmental criteria in Sicredi credit concession processes, aimed at broadening the institution's vision of risk and fomenting socially and environmentally responsible practices among members</p>	G4-DMA FS1, G4- DMA FS2, G4-DMA FS4 and G4-FS15
<p>Financial Literacy Financial education is the process whereby individuals and companies gain greater awareness of the financial concepts, services and products available on the market, enabling them to make choices better aligned with their well-being.</p>	G4-FS16

Local development

<p>Local and regional development Local and regional development consists of the positive impacts resulting from Sicredi's activities in the places where it operates. This is a question of the shared value generated by Sicredi's presence in these communities, manifest in some form of economic, social or environmental prosperity.</p>	SI-05*, SI-21*, SI- 22*, SI-23, SI-24*, SI-25, SI-33 and SI-38. SI - Projects* G4-EC8, G4-EC8 Fates*, G4-EC9 G4-S01, G4-HR1 G4-FS6*, G4-FS7, G4-FS8, G4-FS13, G4-FS14, G4-FS15
<p>Financial robustness Robust financial results, the capacity to generate business and risk assessment are fundamental pillars for maintaining Sicredi's credibility and the confidence of its main stakeholders.</p>	SI-18*, SI-19*, SI-20 G4-EC1*, G4-EC8

* Non-audited indicators

Sustainability macro-topics

BE A COOPERATIVE SYSTEM, VALUING RELATIONSHIP

- Member confidence and satisfaction
- Employee engagement within a cooperative culture
- Management model
- Transparency and engagement
- Sharing the cooperative message
- Technology for relating with members
- Operational technology

RELATIONSHIP AND COOPERATIVISM

REGIONAL
OPERATIONS



MISSION

OFFERING FINANCIAL SOLUTIONS

- Social and environmental criteria in credit concession
- Financial education

RESPONSIBLE SOLUTIONS

LOCAL DEVELOPMENT

TO ADD INCOME AND CONTRIBUTE TO IMPROVING QUALITY OF LIFE FOR MEM- BERS AND FOR SOCIETY

- Local and regional development
- Financial robustness



We have built a business model based on sharing challenges and multiplying results.

Our way of being

Profile G4-3, G4-5, G4-6, G4-7, G4-8, G4-9, G4-10

Sicredi's history goes back to 1902 in Nova Petrópolis (Rio Grande do Sul), Brazil, when a group of people set up a financial fund with their own money as a solution for their economic and social needs, founding the first credit union in Latin America. They built a business model based on sharing challenges and multiplying positive results for the Cooperative's members and for the local community.

Strengthened, the Credit Unions/ Cooperatives multiplied, and membership numbers grew. They were extended to other areas of Brazil

and have been driving regional development ever since.

The successful strategy and shared vision led to the growth of Sicredi's assets and results. Currently, it comprises 118 Cooperatives, with a service network of more than 1,500 branches in 20 states. The structure also consists of five regional offices - shareholders in Sicredi Participações S.A., the Confederação Sicredi, the Fundo Garantidor Sicredi, the Banco Cooperativo Sicredi and its subsidiaries (asset administration, card administration, consortium administration and insurance brokerage operations), all of which are based in Porto Alegre (RS).

These organizations constitute Sicredi. They work together in a system that drives gains in scale and increases the Cooperatives' potential to operate effectively in a market characterized by the presence of financial conglomerates (read more in Relationship and cooperativism

Made by people for people, our differential is a business model that values participation.

We are present in 1,171 municipalities; in 181 of these we are the only financial institution.

2016 highlights

Assets continued to grow in 2016, reaching

R\$ 65.9 Bi

Credit operations

- During the year loan operations totaled R\$ 33.9* billion, up 10.6% compared with 2015.
- The rural and directed products portfolio ended the year at R\$ 16 billion, an increase of 14.2% over the last year.
- The delinquency rate was below the national average, at 2.39%*, a 0.02 point variation compared with the previous year.

Savings

The savings portfolio grew 33.8% compared with 2015. The increase was R\$ 1.7 billion with a balance of R\$ 6.9 billion at the end of the year.

Our new brand

In 2016, a new brand was developed to reinforce Sicredi's positioning based on a new vision of the cooperative movement in Brazil, underscoring its essence as a cooperative financial institution.

Overseen by the consultancy Interbrand, this project was developed from the inside out, engaging employees and partners. It will support Sicredi's growth and expansion, leveraging the institution's image and highlighting the benefits offered by financial cooperatives, not only for members, but also for the communities in which they operate.

The implementation of the new brand will be initiated in 2017, offering members a new and differentiated experience.

The current brand and the new one will co-exist until the implantation process is finalized.

**Not including Sicredi Regional Office - North Northeast data.*

Mission, vision and values G4-56



Mission

Be a cooperative system, valuing relationships and offering financial solutions to add income and contribute to improving the quality of life for members and society.



Vision

To be recognized by society as a cooperative financial institution that is committed to the economic and social development of our members and the community, with the growth of our credit union cooperatives, all integrated into a solid and effective system.

Expansion ^{G4-13}

Sicredi inaugurated the first branch of a cooperative financial institution on São Paulo's Avenida Paulista. It presents an interactive environment aimed at promoting the cooperative movement, demonstrating the benefits of membership and the broad range of products and services on offer. Another landmark in the organization's expansion is the formal affiliation of the Sicredi Regional Office - North Northeast, whose cooperatives will become part of the Sicredi operation from March 2017.

Novelties in the channels ^{SI-30}

The Sicredi Mobi application provided new credit and card functionalities. The new version of the application also offers members access to account information via the Apple Watch. Users may check their statements, balance and future transactions.

The credit products Crédito Fácil and Giro Fácil are also available via the app, offering greater mobility, convenience and speed in financial transactions. Moreover, the application enables user to check limits and statements, as well as paying credit card bills.

The Sicredi Pague +Fácil has optimized the payment of bills and taxes via the internet. The organization also introduced a more modern ATM.

New solutions

In 2016, we launched the Sicredi MasterCard Black card for individual clients, further extending our product portfolio. The card offers differentials such as access to 800 VIP waiting rooms in airports worldwide, a concierge service (24-hour personal assistance) providing help for users when they are traveling, including entertainment (shows and theater plays) and restaurant reservations, as well as offering more points in the Sicredi card reward program.

2016 HIGHLIGHTS

Net equity increased
32.7% totaling

R\$ 11.1 Bi

2016 HIGHLIGHTS

The volume of time
deposits increased
19.6%, ending the year at

R\$ 23.9 Bi

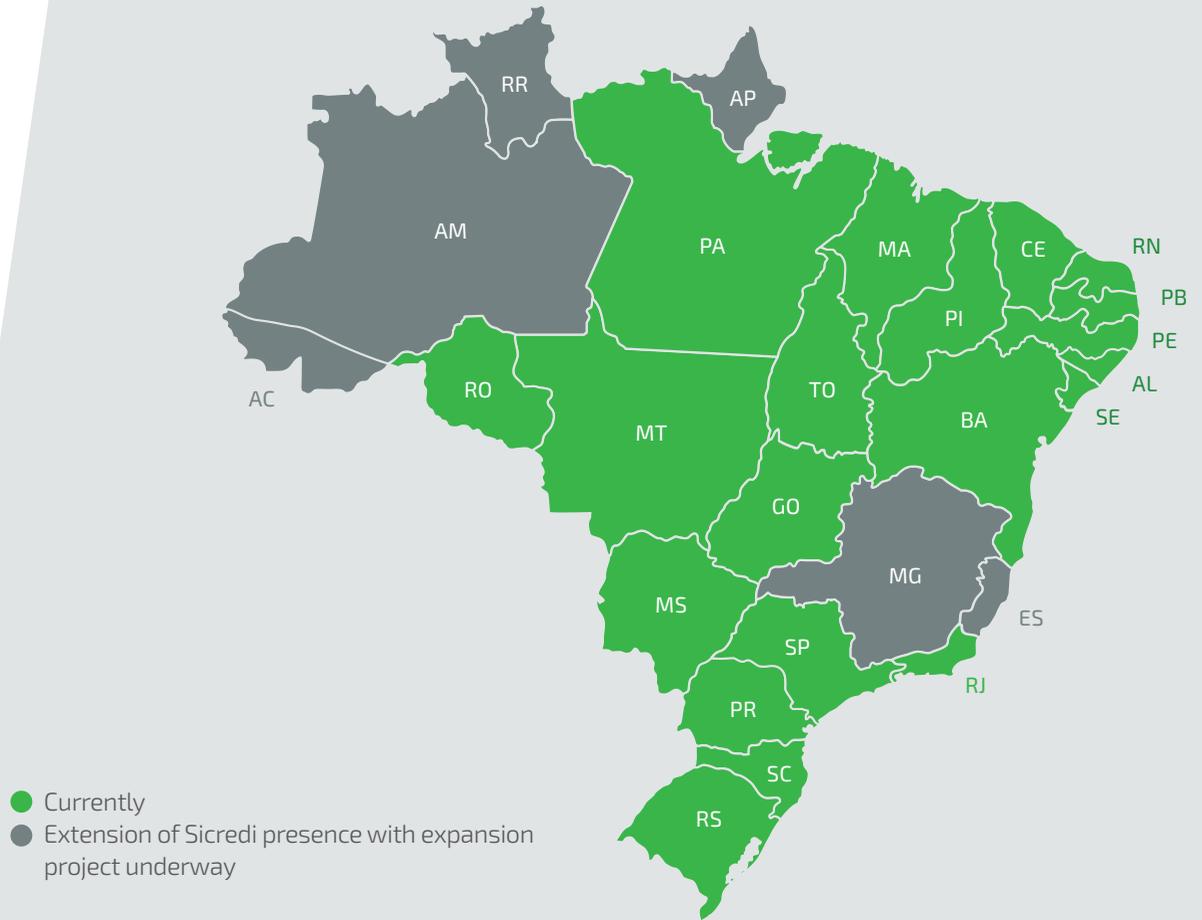


Values

- Preservation of the business' cooperative nature.
- Respect the individuality of each member.
- Valuing people and fostering their development.
- Preserving the institution as a system.
- Respecting official and internal norms.
- Management effectiveness and transparency

Sicredi presence in Brazil

G4-8, G4-9



Lucas do Rio Verde (MT).





São Paulo (SP)

20
Brazilian
states

1,171
municipalities
44 Sicredi Regional Office - North
Northeast
1,127 prior to the affiliation of
Sicredi Regional Office - North
Northeast

181
municipalities
in which Sicredi is the
only financial institution

Awards and recognition

Consistent macroeconomic projections

Central Bank Top 5

For the fourth consecutive year Sicredi is in the Top 5, an annual award from the Brazilian Central Bank (BC), and is the only cooperative financial institution in the ranking. During 2015, we were also featured in the monthly Top 5 ranking a number of times. The Brazilian Central Bank market expectations survey highlights the financial institutions that have conducted economic projections.

Broadcast Projections

For the fourth time, Sicredi is one of the ten main financial institutions and largest consultancies in the country in the Broadcast Projections Award, coming 8th in the Overall Top 10 category.

The ranking lists the institutions with the most accurate macroeconomic projections.

Governance

Época Negócios 360°

Once again Sicredi was featured in the Época Negócios 360o ranking with distinction in the categories Best Companies, coming in 118th position, and Banks, 5th position.

Distinction in the Corporate Governance dimension in the Banks category, coming 2nd in 2016. Sicredi also maintained the same positions it had the previous year in the dimensions HR practices (2nd) and Future Vision (5th), with higher scores.

Market presence

Valor Big Groups

In 2016, Sicredi came in 79th place among the 200 largest business groups, with an increase of nine points over the previous year. The institution also obtained significant positions within the sector: 14th among



Eco-efficiency

LEED Certification

Sicredi received LEED Existing Buildings Operation & Maintenance Platinum level certification (LEED EB O&M Platinum), granted by the United States Green Building Council (USGBC) for the Centro Administrativo Sicredi (CAS) in Porto Alegre (RS).

This is the first Platinum certification in Brazil and only the fourth in Latin America. It is the highest recognition granted to buildings that demonstrate excellence in the adoption of efficient and sustainable management practices.

This strengthens our organizational culture and our values, which are aimed at delivering value for our stakeholders. One of these is reducing operational costs.

Our next step is to share some of the solutions and gains in efficiency implemented in the certified building with the Cooperatives.



CAS, Porto Alegre (RS)



the 20 biggest in the Finance area; 14th in the sector among the 20 with the highest Revenue growth, 11th among the 20 biggest in Net Income, 10th among the 20 best in Return on Equity and 9th among the 20 biggest in Net Equity.

Best in service **ISO 9001:2008 Certification**

In December 2016, 100% of the shared services received ISO 9001:2008 certification by means of external audit, with the involvement of 508 qualified employees. The recognition attests to the ongoing improvement in service provision as a result of the improvement plans undertaken. The certification represents the continuation of the initiative begun in 2014.

Service Quality Award

The award is for the best performance in card operations. For the second year running we achieved global level in two categories: Chargeback Effectiveness (Fraud, Consumer Credit Issuer) and Chargeback Effectiveness, Visa Business Credit Issuer, recognizing ongoing improvements in the identification of fraud and the guarantee of security in transactions.

Our processes for contesting transactions were awarded, worthy of note being the review of the service manual and the implementation of differentiated service for handling these claims from members when an operation is not recognized by the card holder.

Once again, Sicredi was featured in the Valor Big Groups ranking, which presents an x-ray of the 200 main corporations in activity in the country. The survey is conducted by the newspaper Valor Econômico.

Rural credit **A Tribute from BNDES**

For the third time in a row, Sicredi was recognized as the financial agent with the highest investment in Brazil's National Family Agriculture Reinforcement Program (Pronaf), for crop year 2015/2016, undertaking 11,099 operations worth more than R\$ 567 million.

Lide 2016 Agribusiness Award

Sicredi received the Lide 2016 Agribusiness Award in the Credit category. The award goes to the Brazilian agribusiness companies and institutions most worthy of note for their commitment to sustainable development through the use of the most modern and innovative technology and management tools, as well as vision and social and economic efforts to drive competitiveness in markets.

Best Structured Finance Transaction

Sicredi received a distinction for the Best Structured Finance Transaction from the International Finance Corporation (IFC) for contracting a guarantee from the financial institution to substitute the public securities supplied by Banco Cooperativo Sicredi to commercial banks in raising funds for rural credit.

Biggest & Best

Sicredi was included in 12 categories in the special edition of the magazine Exame – Melhores & Maiores 2016. SicrediPar came in 63rd position, climbing five places compared with 2015. Banco Cooperativo Sicredi, among other distinctions, maintained its 3rd place in the Rural Credit category, for the fifth year running.

Best for employees **Você S/A Best Companies to Work for**

For the sixth year running, Sicredi was among the Best Companies to Work for, with 78 points in the Happiness at Work Index. Prepared by the magazine Você S/A in partnership with the Fundação Instituto de Administração (FIA), the guide assesses the work environment and best personnel management practices in companies in 24 economic sectors.

Climate Survey

The 2016 Climate Survey demonstrated employees' satisfaction with working at Sicredi, with a favorability index of 82%. The institution is part of P90, a select group of companies with a rate of 78% or over, making us one of the reference organizations in organizational climate, according to the Hay Group. The survey is conducted every two years among employees who have worked in the institution for over three months (in 2014, the Sicredi index was 78%).

Social networks **Banking Report Award**

Organized by Cantarino Brasileiro, this award selects the main contributions and practices from the sector and from its suppliers. Sicredi was recognized in the Social Networks category for the Sicredi Webseries card case. The series of videos addresses diverse subjects, such as the conscious use of credit, financial inclusion and contribution towards formalizing the economy.



*“ I think that by myself I won't be able to do anything, but we need to try to do something that impacts the people in our community”,
Maria Sônia.*

Generating value for the community is what unites us

Maria Sônia Costa, dentist, a member of Sicredi Alagoas and president of Uniodonto Maceió, took the initiative to employ her expertise to generate value for the local community, specifically for some 400 children aged from 5 to 13 years at an NGO-run school, who have been receiving dental consultations for five years and, more recently, dental treatment.

The students also receive support from psychologists, and the school was recently enlarged with infrastructure works sponsored by Sicredi Alagoas - a Cooperative affiliated to the Sicredi Regional Office - North Northeast, in partnership with Unimed and Uniodonto.

This project is funded using a percentage of the results approved by Cooperative members in meetings.

The work is coordinated by Maria Sônia Costa, by the members Luís Renan Lima and Mirna Dias, and overseen by the board of the Cooperative. They also support two waste recycling operations that employ 45 people, mostly women seeking paid activities to fund their expenses with their children. Plastic, paper and glass is collected from the Sicredi Alagoas Cooperative and forwarded to the recycling operations.

“We believe that the work we do is highly important because the state of Alagoas is very poor”, says Maria Sônia. The Northeast Cooperative participates in the System because of its cooperative values, interest in the community and the fact that it generates value beyond its members. It is committed to local development.



Our members, in addition to being the owners of the business, are at the same time employees, suppliers and members of the community.

Relationship and cooperativism

Management model

Our systemic organization was developed with the goal of building specialized areas, reducing operational costs and driving quality in deliveries for members.

We decided to work as a system organized on three levels – Individual Cooperatives (I), Regional Offices (II) and the Centro Administrativo Sicredi(CAS) (III). We attribute each body with specific roles, providing

gains in efficiency for our strategy, for decision making and for the development of internal processes. As a result, we have three very different levels of work specialization which are not duplicated.

Our decision making process provides security by ensuring that all the points presented by the Cooperatives, Regional Offices and CAS are taken into account.

Our governance is systemic and democratic

The members form the Cooperatives with the goal of saving money and fulfilling their financial needs. They are joined in cores linked with the branches and participate in management on an equal basis, with the same rights and duties. The cores elect their coordinators, who represent them and air their questions in the Cooperative general meetings.

Each cooperative is linked with one of the five Regional Offices. These control SicrediPar - the holding company that in turn controls

Banco Cooperativo Sicredi and coordinates the System's strategic decisions. The Regional Offices disseminate the Cooperative movement, coordinate and supervise the affiliated cooperatives and provide support for their development and expansion.

The Centro Administrativo Sicredi(CAS) provides services for the Cooperatives, supporting the fulfillment of members' needs and helping to drive local development. Located in Porto Alegre

Decision making flow

In 2016, a change in Brazilian legislation led to alterations in the bylaws of our Cooperatives. See how our decision making flow is systemic.

1 The **CAS technical areas** assess the changes and, together with the **Regional Offices**, draft the systemic text of the bylaws

3 The **Boards of the Cooperatives** meet to review the alterations in the text of their bylaws.



CENTRO ADMINISTRATIVO SICREDI



SICREDIPAR



BOARDS



2 The **SicrediPar Supervisory Board** submits the proposal to the **Cooperatives**, by means of the **Regional Offices**, in order to obtain systemic approval.

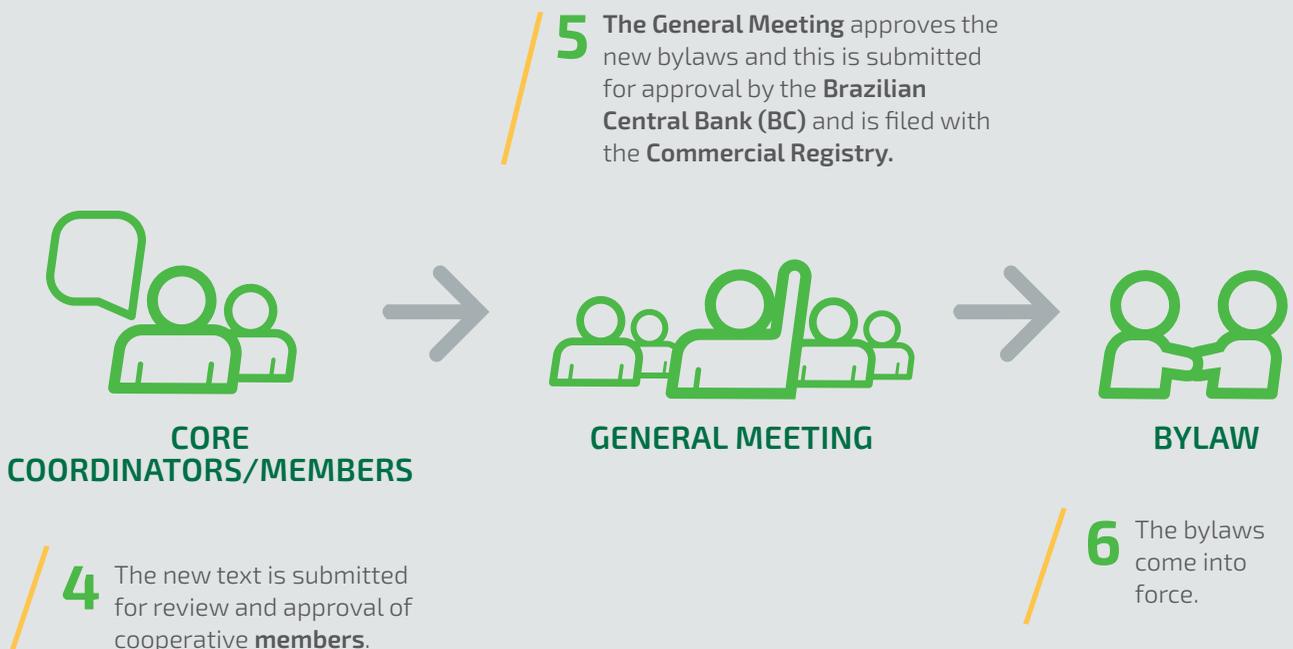
(RS), CAS is the administrative and financial headquarters of Sicredi-Par, the Banco Cooperativo and its subsidiaries, the Fundação, SFG (Sicredi Guarantee Funds) and the Confederação.

The Banco Cooperativo Sicredi is the parent company of the Corretora de Seguros (insurance brokerage), Administradora de Cartões (Card Administrator), Administradora de Consórcios (Consortium Administrator) and Administradora de Bens (Asset Administrator). Its strategic partners – in investments and consultancy – are the International Finance Corporation (IFC) and Rabo Development B.V., the development arm of the Dutch Rabobank group.

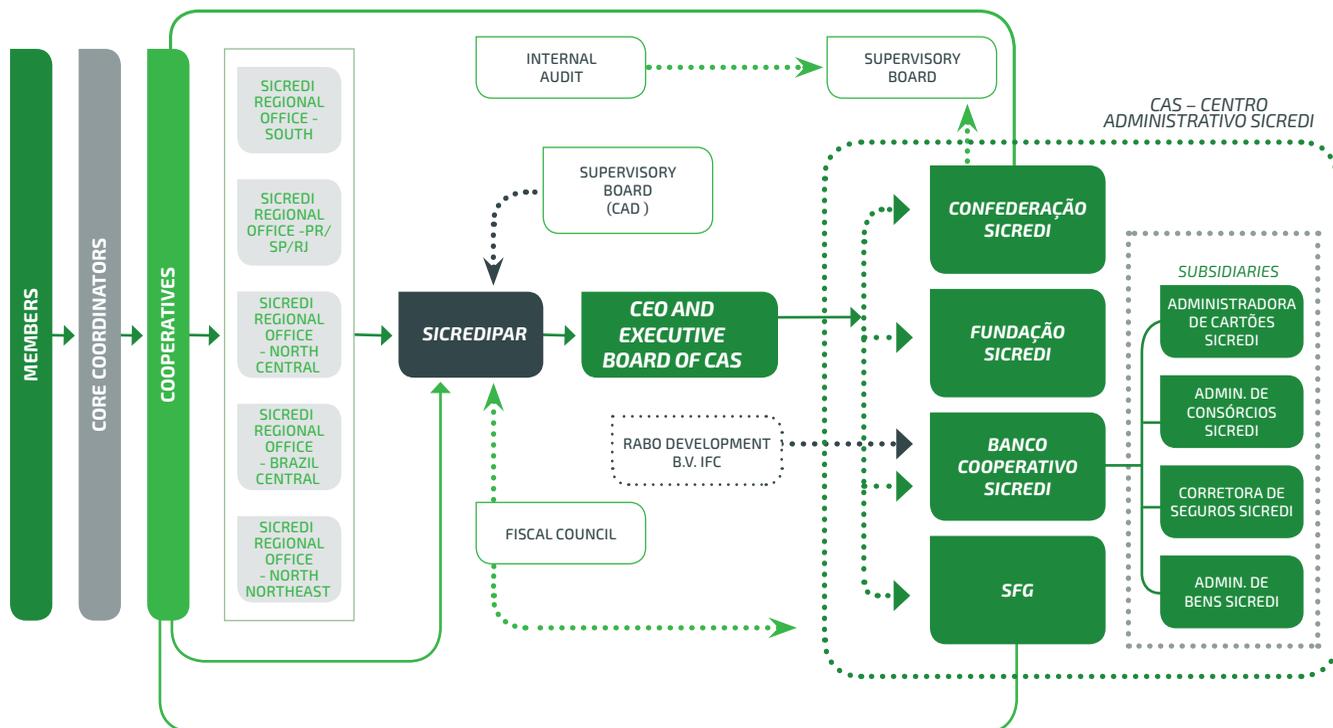
The Confederação Sicredi or Sicredi Confederation, is the shared service center for the Sicredi companies and organizations.

The foundation, Fundação Sicredi, produces content and integrates educational, cultural, cooperative and sustainable initiatives into Sicredi strategy, with a view to driving quality of life for members, for employees and for society.

Sicredi Fundos Garantidores (Sicredi Guarantee Funds - SFG) is a non-profit civil association comprising specific guarantee funds aimed at ensuring the solvency of the System and supporting development measures.



How Sicredi works



Created in 2008, Sicredi Participações S.A. is a holding company that controls the Banco Cooperativo Sicredi and coordinates Sicredi's strategic decisions.

The SicrediPar Supervisory Board meets on a monthly basis to discuss and decide on strategic and systemic matters, as well as reviewing impacts, risks and opportunities^{G4-47} and ^{G4-50}

It comprises 12 members, including the five presidents of the regional offices and five

representatives of the individual Cooperatives (one per Regional Office) and two representatives nominated by Rabo Development B.V. All are elected at the general meeting for a three-year term of office^{G4-40}.

The basic conditions for exercising the position of board member are set forth in article 21 of the bylaws and in the internal board regulations, which also establish the way in which the Board and the five permanent SicrediPar support committees work.



From left to right: Vincent Lavry, Celso Figueira, Sadi Masiero, Manfred Alfonso Dasenbrock, Wellington Ferreira, Orlando Müller, Wilson Filho, Cornelis Beijer, João Spenthof, Ricardo Cé, Eledir Techio and Francisco Sobral.

Composition of the SicrediPar Supervisory Board (term of office until 2018) G4-38, G4-34 and G4-40

Manfred Alfonso Dasenbrock G4-39

Chairman of the Supervisory Board and president of the Sicredi Regional Office - PR/SP/RJ

Orlando Borges Müller

Vice Chairman of the Supervisory Board and president of the Sicredi Regional Office - South

João Carlos Spenthof

Board member and president of the Sicredi Regional Office - North Central

Celso Ronaldo Raguzzoni Figueira

Board member and president of the Sicredi Regional Office - Brazil Central

Wellington Ferreira

Board member and president of Sicredi União PR/SP

Ricardo Cé

Board member and president of Sicredi Região dos Vales RS

Eledir Pedro Techio

Board member and president of Sicredi Ouro Verde MT

Sadi Masiero

Board member and president of Sicredi Central South MS

Wilson Ribeiro de Moraes Filho

Board member and president of the Sicredi Regional Office - North Northeast

Francisco Ary Vieira Sobral

Board Member and Administrative Director of Sicredi Regional Office - North Northeast

Cornelis Johannes Beijer

Board member and representative of Rabo Development B.V.

Vincent Rene Henri Desire Lavry

Board member and representative of Rabo Development B.V.

FISCAL COUNCIL

Effective members

Saul João Rovadoscki
Agnaldo Esteves
Antonio Geraldo Wrobel
Jeder Luciano Maier
João Bezerra Junior

Alternate members

Aloísio Westrüp
Adolfo Rudolfo Freitag
Juares Antonio Cividini
Odivo Soares da Silva
Edvaldo Maia Lopes Ferreira Filho

Committees of the SicrediPar Supervisory Board ^{G4-40}

The Supervisory Board has internal and/or external support committees. The composition of the Board support committees is determined by the scope of the matters they deal with.

The formation of the committees is varied, but all members are also members of the SicrediPar Supervisory Board. Whenever necessary, they may request the presence of an executive or technical director at the meetings to provide clarifications or any information necessary.

Board meetings have a pre-established agenda. Extraordinary meetings may also be convened whenever the committee coordinator deems it necessary and the Chairman requests it.

The function of the committees is to analyze certain questions in greater

depth and make recommendations to the Board, which then decides on these matters.

In 2016, all the committees fulfilled their agendas, providing inputs and making recommendations to the Board.

There are two groups of committees: one required by the regulatory authorities – the Brazilian Central Bank (BC) and the securities commission, the CVM (Comissão de Valores Mobiliários) – and the other non-mandatory.

Risk committee

This provides support in formulating, monitoring and controlling the policies and methodologies applied to manage credit (legal and internal), market and liquidity, operational and environmental risks, among others.

Strategic committee

This is the former Strategic and Monitoring Committee. It provides support for long-term strategies and undertakes assessments related to the entry into new markets, strategic associations and potential acquisitions and mergers.

Guarantee funds committee

The committee provides support for decisions related to the corporate use of guarantee funds, encompassing recommendations related to technical feasibility and economic-financial recovery studies, administrative procedures and sanctions in the event of non-compliance with conditions for access to funds.

Audit and compliance committee

This body assists in decisions related to the standards and procedures applied to the entities that are part of the System to ensure compliance with official and internal standards.

People management and conduct committee

This body supports decisions on the people management policies applicable to the Supervisory Board, the Executive Board and the other bodies in the System, assisting in the definition of standards of personal and professional conduct to be followed in Sicredi.

Banco Cooperativo Sicredi ^{G4-34}

EXECUTIVE BOARD

Edson Georges Nassar
CEO

João Francisco Sanchez Tavares
Executive Administration and Finance Director

Romeo Balzan
Products and Business Director

Júlio Pereira Cardozo Júnior
Director of Third-Party Resources, Economy and Risks

Wolney Romano
Treasury Director

Daniel Frederic Van Det
Executive Credit Director

Cidmar Luis Stoffel
Director of Cards, Consortiums and Insurance

Ricardo Green Sommer
Third-Party Assets Management Director

Committees of the Executive Board of the Banco, Confederação and companies ^{G4-36}

These are non-mandatory and are regulated by Sicredi. Members are drawn exclusively from the Executive Board of the Confederação, the Banco Cooperativo Sicredi and the respective companies.

Independent

Mark-to-Market

This assesses and provides technical advice on marking assets operated by Sicredi to market. It has three permanent members, who are entitled to vote, selected from the Banco Cooperativo Sicredi.

Credit

In line with official and internal standards, this committee establishes credit limits and analyzes credit recovery proposals made by the Banco Cooperativo Sicredi. It also tracks the performance of the bank's and Cooperatives' loan portfolio on a monthly basis and assists in the development of centralized credit analysis.

When requested, it provides advice on credit limits and renegotiation proposals for the Cooperatives.

Non-independent

Executive strategic committee

It assesses, discusses and recommends systemic strategies and positioning related to Sicredi's strategic planning. It consists of permanent members.

Operations

This body assesses and recommends priorities related to product and service launches, compliance with standards, as well as monitoring related projects and actions, acting as the representative of the Cooperatives' administrative and operational teams.

It comprises permanent members from the work forces of the Banco Cooperativo Sicredi, the Confederação Sicredi and the Regional Offices.

Remuneration

This is a statutory body of the Banco Cooperativo Sicredi, which assesses and makes recommendations on all compensation-related matters.

Audit

This statutory committee of the Banco Cooperativo reports to the board, assessing and providing opinions on all questions related to internal and external audits and other matters within its remit.

Credit Standards

Consulting Committee

The committee provides technical support for the assessment and review of standards, understanding the needs and ensuring all credit policy matters and their related standards are dealt with by the correct bodies, ensuring transparency and security in the review process.

The committee comprises 13 permanent members selected from the Regional Offices and the Centro Administrativo Sicredi.

Technical Risk Committee

This committee assesses and issues opinions on technical questions related to credit, liquidity, market and operational risks, as well as integrated risk management for Sicredi.

Treasury Committee

The committee assesses and oversees Treasury activities. It delegates responsibility for executing strategies defined for managing

portfolios in accordance with the institution's investment and liquidity policies to the Treasury Operations management area.

Tax Committee

The committee assists the Executive Board by issuing joint opinions about matters pertaining to taxes, contributions and social security payments related to the operations, products and services of all Sicredi companies, as well as reciprocal use of services among these companies.

Compliance, Internal Control and Risk Committee

This body assesses, reviews, monitors and makes recommendations on the adoption of best practices in Compliance, Internal Controls and Risks related to the products, services and activities of the Sicredi organizations, both internally and externally.

Normally the committee comprises the superintendents and/or managers of Banco Cooperativo Sicredi and directors of the Regional Offices.

Relationship and Business Committee

This committee monitors the progress of the businesses, proposing solutions aimed at meeting the needs of members and Cooperatives. It suggests improvements in the implementation of projects related to these areas. It comprises seven permanent members and up to eight guest members, acting as a consulting body.

Composition of Confederação Sicredi

Supervisory Board

Manfred Alfonso Dasenbrock
Chairman

Orlando Borges Müller
Vice chairman

Members

João Carlos Spenthof
Celso Ronaldo Raguzzoni Figueira
Ricardo Cé
Wellington Ferreira
Wilson Ribeiro de Moraes Filho

Fiscal Council

Effective members

Saul João Rovadoscki
Agnaldo Esteves
Antonio Geraldo Wrobel

Alternate members

Jeder Luciano Maier
João Bezerra Junior
Juares Antonio Cividini

Executive Board

Edson Georges Nassar
CEO

Paulino Ramos Rodrigues
Executive IT and Operations Director

João Francisco Sanchez Tavares
Executive Administration
and Finance Director

Carlos Eduardo Magni
Executive People Management
Director

Ricardo Green Sommer
Third-Party Assets
Management Director

Fundação Sicredi Composition

Executive Board

Edson Georges Nassar
Chairman

João Francisco Sanchez Tavares
Vice Chairman

Consulting Board

Manfred Alfonso Dasenbrock
President of Sicredi Regional Office
-PR/SP/RJ

Orlando Borges Müller
President of Sicredi Regional Office
- South

João Carlos Spenthof
President of Sicredi Regional Office
- North

Celso Ronaldo Raguzzoni Figueira
President of Sicredi Regional Office
- Brazil Central

Fiscal Council

Effective members

Saul João Rovadoscki
Agnaldo Esteves
Antonio Geraldo Wrobel
Jeder Luciano Maier
João Bezerra Junior

Alternate members

Aloísio Westrüp
Adolfo Rudolfo Freitag
Juares Antonio Cividini
Odivo Soares da Silva
Edvaldo Maia Lopes Ferreira Filho

Sustainability is inherent to our business and to our organizational culture.

Sustainability Committee

G4-35 and G4-36

This committee monitors, makes suggestions, promotes and disseminates sustainability-related projects. It comprises the presidents and executive directors of the Regional Offices, the Cooperatives and directors of the Centro Administrativo Sicredi (CAS).

Governance for Sustainability

Approved in 2016, the new sustainability management model validates key roles and responsibilities for driving results in relationship and cooperativism, responsible solutions and local development, reflecting the organization's mission.

In 2017, the working model will be extended to the Cooperatives, ensuring the continuity of actions already undertaken and implementing new ones. The target is to ensure that by 2020

our employees are working sustainably, improving our performance and increasingly delivering value for members and for the communities in which we operate.

Our management of social and environmental risk has evolved from a directive to a mindset. The target is to evolve to a reality in which social and environmental risk is minimal and is fully incorporated into business decisions (read more in Responsible solutions).

Sustainability is inherent to our business and our organizational culture, a reality we want to extend to the daily routine of members, building this vision of generating shared value.

Our Cooperatives, Regional Offices and the Centro Administrativo Sicredi (CAS) are responsible for applying the Sustainability and Social and Environmental Responsibility Policy. The document sets forth

the principles and guidelines for best sustainability practices in Sicredi and for managing social and environmental risks.

The presidents of the boards of the Cooperatives, of the Regional Offices and of SicrediPar promote and encourage the whole of Sicredi to adhere to the guidelines and the principles set forth in the policy.

The executive directors support the institutional and business areas in implementing the policy and coordinate the areas responsible for the governance of sustainability.

The operations director and his peers, working systemically, are responsible for implementing, monitoring and assessing the effectiveness and fulfillment of the actions, as well as for verifying management of social and environmental risk and identifying any deficiencies in the implementation of the actions established under this policy.

Governance in the Cooperatives

Comprising members elected by the other members, the Cooperatives' Board is responsible for providing strategic direction and for presenting proposals to the General Meeting. The renewal of at least one third of the members is mandatory in each four-year term of office. The new bylaws provide for two composition options.

OPTION 1

- A president
- A vice president
- Board members (at least three and the maximum number to be determined in accordance with best governance practice)

OPTION 2

- A president
- Board members (at least four and the maximum number to be determined in accordance with best governance practice)
- One of the board members will also exercise the function of vice president

The election follows the following flow:

1. Cooperative members elect the Core Coordinators at a meeting.
2. Among themselves, the Core Coordinators elect the Members of the Cooperative's Board.
3. The elected board members represent the Cooperative members on the Board (Consad).

Representation on the cooperative boards (Consads) follows the same format used since the organization's origin, when each Cooperative served just one city or region. We have always made a point of representing our members and their regions in the decision making bodies.

With the increase of the number of cities covered by the Cooperatives, the result of Sicredi's expansion, this regional representation became impracticable. Some Cooperatives serve 70 cities, which would require 70 board members, making the decision making process unworkable. We have maintained representation with no loss in the quality of members' participation.

The bylaws of the Cooperatives were updated in

2016

We have always made a point of representing our members and their regions in the decision making bodies.

Participation of members

Our members take the Crescer program to learn how to participate in the decision making process in managing their cooperative.

We develop leaders who help guarantee the future of the business by participating actively in meetings by means of the Pertencer program.

Both programs promote the cooperative culture, driving the engagement of members in governance of the institution.



Crescer Program

The objective of this program is to strengthen the cooperative and credit union culture. It comprises contents aimed at developing and training employees, Cooperative members and leaders, helping to disseminate the credit union movement and its values throughout society.

The training program comprises three stages. Stages 1 and 2 are requirements for applying for a leadership role in the Cooperative.

Members who take part in the training process and in the meetings are more active and present in their Cooperative, playing a greater role in decision making and using more products and services. As such, they participate in the growth and development of the collective enterprise.

In 2016, we updated our training programs in function of changes in the legislation. We also developed a new distance learning course for the first stage of the Crescer program.

Members trained in the Crescer Program* SI-35 (STAGE 1 + STAGE 2)

2014	2015	2016
23,867	21,905	19,633

*The same employee may be counted twice, if he/she took two stages during the year.

Pertencer Program

This program establishes and provides the guidelines for the participative management model. In 2016, 366,904 members (11.62% of the total) took part in the meetings SI-31. More than 4,700 Core Coordinators represented and mobilized the members to take part in the meetings. G4-53

The meeting represents the moment when members participate, suggest and take decisions. It is the

main channel for listening to what members have to say. In addition to being the owners of the business, these members are employees or suppliers, as well as community members. In the meetings, opportunities for improvement are noted, and the Cooperative provides the members with rapid, localized feedback by means of informal channels. Member engagement is frequent, occurring also in the daily routine of the cooperative due to

their proximity with Core Coordinators and leaders. G4-24, G4-25, G4-26 and G4-27

In 2016, we implemented improvements in the system currently in use for the meetings to provide greater support for the activity in the coming year. In 2017, we will undertake improvements in the Website which provides support for the Group Coordinators and Board Members in the performance of their activities.

2016-2020 Strategic Planning

Expansion, relationship, credit, efficiency, liquidity and equity are the drivers behind our strategy up until 2020. Our values and our mission underscore the cooperative movement as the essence of our organizational culture and the cornerstone of our business.

The SicrediPar Supervisory Board supported the updating of our framework of standards and kept track of each step in the first year of our new strategic planning cycle.

We delivered quality in processes, products and services, we contracted new technologies to automate processes, driving gains in efficiency, in security and streamlining our operations.

The Centro Administrativo Sicredi (CAS) retained close links with the cooperatives, providing quality services and support for the operations in all the municipalities in which we operate, including the local roll-out of our strategic planning.

As a consequence, we produced positive results in a year of economic crisis. We delivered convenience in access to credit, enabling loans to be contracted via internet banking and via application, as well as access to pre-approved rural credit under the Plano Safra (Crop Plan).

We obtained key information about credit and managing credit risk, driving agility in local decision making, contributing to the financial sustainability and robustness of each Cooperative. We implemented a new debt negotiation process which further increased the financial robustness of our operations.

We strengthened relations with members in the service channels, improving quality and speed. In the branches, we are standardizing processes with support from local assistants.

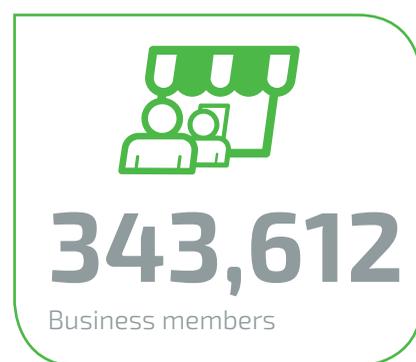
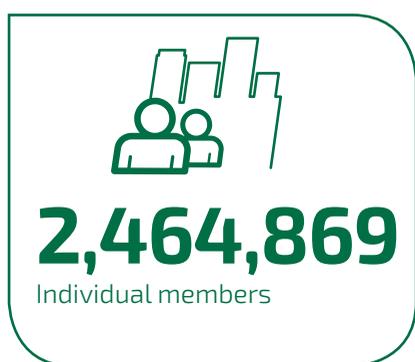
We formalized the entry of the Sicredi Regional Office - North Northeast, expanding our nationwide presence from 11 to 20 states. These new Cooperatives will be part of our operations from 2017.

Expansion, relationship, credit, efficiency, liquidity and equity are the drivers behind our strategy.

Member confidence and satisfaction

Our members have different profiles, they come from diverse regions of Brazil, each with their own needs and priorities. For this reason, communication with these stakeholders is a constant challenge.

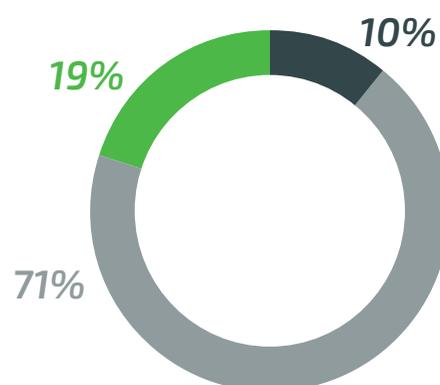
We launched our new brand, reinforcing our attributes – simple, close and active –, with a view to providing our members with higher and higher service levels. We are positioned as a benchmark for financial cooperative institutions in Brazil.



MEMBERS By segment

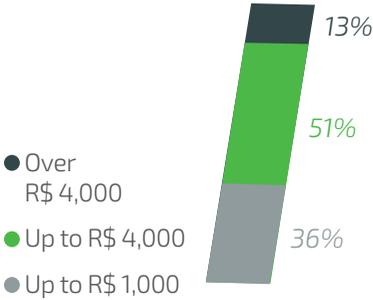
—

- Individual members
- Agribusiness members
- Business members



INDIVIDUAL MEMBERS - INCOME

Monthly income

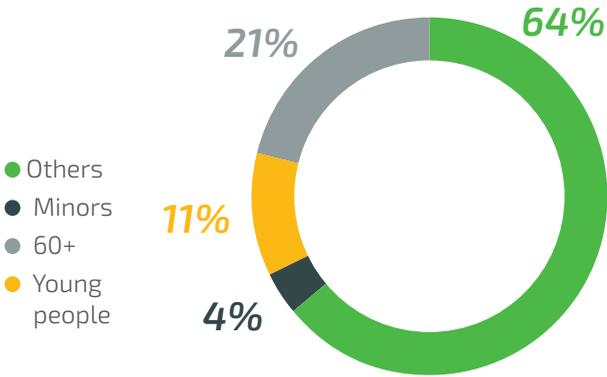


AGRIBUSINESS MEMBERS INCOME

Gross annual income



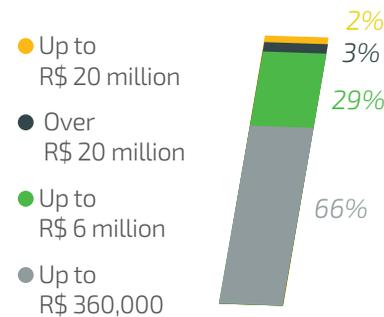
STRATEGIC AUDIENCES



Strategic audiences = Including Individual and Agricultural segments
 60+ = members aged 60 years and over
 Young people = members aged between 18 and 25 years
 Minors = members aged under 18 years
 Others = Members aged between 26 and 59 years

BUSINESS MEMBERS

Annual revenue



PF = Individual
 Agro = Individuals who are agricultural producers.
 PJ = Companies

Sicredi focuses on recommending solutions based on understanding the member's needs, offering the right product, in the right amount and at the right moment for the member. We are concerned about ensuring suitability and compatibility.

We want to be our members' main financial institution. For this reason, we invest in developing this relationship, underscoring our purpose and the cooperative culture. This relationship is built in accordance

with the profile of each member, with the provision of service channels for all tastes: digital platforms, traditional channels or personal contact.

To do this, we take into account factors such as profile, segment of activity, age and income group, as well as consumption habits. Combined with the close relationships that we develop, part of our organizational culture, we understand the stage of life our members are at and their plans for the future.

To track the satisfaction of this audience, since 2011 we have conducted a monthly Net Promoter Score (NPS) survey. Used by a number of companies, this measures growth in the number of members and in member loyalty, based on a single question: "On a scale from 0 to 10, how much would you recommend the company to a colleague or friend?". ^{SI-Satisfaction}

Over the last six years more than 556,000 members in the individual segment have taken part in the survey, approximately 116,000 in the last year.

In 2016, 69.7% of the respondents would recommend Sicredi products and services to friends and family members, resulting in an NPS of 63.5%. ^{G4-PRS}

In parallel, we undertake measures to promote members' financial literacy and train them to participate in our governance and decision making (read more in Relationship and cooperativism).

We invest in resources and technology, automating processes and using digital billing and documents to drive gains in efficiency and reductions in costs. This promotes improvements in service quality and an increase in the Solution per Member Indicator, boosting the basket of products contracted.

^{SI-Facility for Members}

Principality ^{SI-07}

A term used in the financial market in Brazil, principality defines the priority clients give to a determined financial institution when doing business.

We identify Sicredi's principality among its members by considering the use of our financial solutions by this public and the frequency of debits and/or credits in their current accounts. The results measured have shown a consistent increase in the use of our solutions, indicating a potential increase in principality.

Satisfaction survey

69.7%

of the respondents would recommend Sicredi services

Indicators monitored

- ISA (Solution Indicator per Member) – this shows how many products and services are used by members, in a selection of the 29 most regularly used ones.
- IPOB (Basic Offering Penetration Index) – this shows the percentage of members who use four basic solutions, because we believe that the concept of principality is potentially linked with the financial institution that meets people's day to day needs.

Indicator	Dec./2015	Dec./2016
ISA	2.30	2.48
IPOB	8.60%	9.20%

Number of members ^{SI-20}

Number of members

REGIONAL OFFICE	2014	2015	2016
Sicredi Regional Office - South	1,664,398	1,754,991	1,827,581
Sicredi Regional Office - PR/SP/RJ	774,300	875,605	965,997
Sicredi Regional Office - North Central	331,689	349,500	363,449
Sicredi Regional Office - Brazil Central	156,013	177,711	207,837
Sicredi Regional Office - North Northeast	NA	NA	113,614
Total	2,926,400	3,157,807	3,478,478

Relationship Channels ^{G4-F514}

We develop solutions that offer our members security, practicality and efficiency.

The Sicredi Fone telephone channel has a dedicated number for people with hearing or speech impairment. This group also has access via Sicredi Mobi, via ATM and Sicredi Internet. The Sicredi Internet service provides accessibility for persons with visual impairment.

In 2016, 99.04% of the institution's ATM park was certified in relation to

ABNT-NBR-15250- 2005 standard accessibility requirements. The certified terminals are distributed throughout 99.99% of the branches nationwide. All the Cooperatives have at least one certified terminal. The terminals which are not compliant with the standard will be substituted with new ATMs by the end of 2018.

Novelties in 2016

In 2016 we made a new, more modern ATM available, and made arrangements for a new accredited agent.

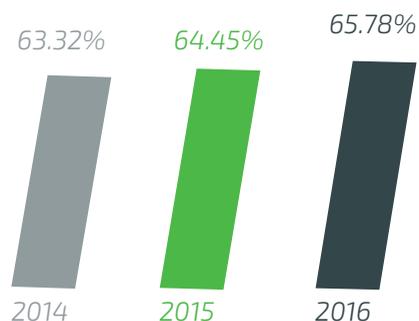
We included card functionalities in Sicredi Mobi, and now there is a new version of the application enabling access via Apple Watch. This permits the user to consult statements, balances and future transactions. The application was also adapted for the products Crédito Fácil, Giro Fácil and enables payment of credit card bills, making financial transactions more practical.

The institution also launched revolving credit via Sicredi Internet and Internet Empresa.

The Sicredi Pague+Fácil facility has optimized the payment of bills and taxes via Sicredi Internet, ensuring security with the use of the mobile token. We also support our members in tax payments, making diverse new payment agreements available via electronic channels.

In 2017, we initiated the development of a new digital platform to create new experiences and offerings to forge even closer relations with members.

Derivation rate* ^{SI-27}



*The channel derivation rate is posted monthly in the business intelligence portal. It is the ratio of total transactions via channels (ATM, Accredited Agent, Mobi, Internet) to total Sicredi transactions.

Number of members using each channel ^{SI-28}

	2013	2014	2015	2016
ATM ¹	1,590,668	1,733,202	2,763,288	3,050,526
Sicredi Internet	242,291	314,748	359,777	539,862
Mobi	20,121	81,351	160,161	397,383
Accredited Agent	Information not available	2,129	1,925	1,858
Sicredi Fone	2,636	4,470	5,105	12,959
Apple Watch ²	-	-	-	391

¹ The criterion for counting ATM transaction data is login with a card, keying in the PIN in the terminal at least once, without necessarily completing a financial transaction. The data was obtained by the support area based on systems information.

² Access via Apple Watch was launched in 2016, for this reason the data are for the second half of the year.



“

*Our money stays in the region and can leverage other people's businesses”,
Ermoge Picetti.*

Relationship and the cooperativism drive our growth

Truck beds and seed sowing machines are the main products made by the company owned by Ermoge Picetti, a Sicredi member for five years. The family business has existed for three decades in São Gabriel do Oeste, in the state of Mato Grosso do Sul. Two years ago he took a loan from the Credit Union to buy a truck to transport agricultural machinery. This generated two direct jobs in addition to the 24 people the company already employs.

“My business is growing. I have even bought another truck with the profit from the freight service. I am truly grateful for Sicredi's contribution to our city”, he comments.

The businessman stresses that the easy access to credit from the Cooperative is a result of its less bureaucratic processes and its close relations with members. It is a service that is driving local development. “Since it is

a cooperative, there is a greater return for members, for agricultural producers. Our money stays in the region and can be used to leverage other people's businesses”, he concludes.

Residing in the same town, Ermoge's daughter-in-law Gisele Luiza Brandão, 26, is a member and has been an employee of Sicredi since she was 18, when she started studying Business Administration. Her work at the Cooperative helped in her professional development because she spent three years working in the agricultural credit operation.

She was an instructor in the Crescer cooperative training program for members and is currently a credit analyst. “Sicredi is my career option because I truly believe in the system. I learned everything I know about financial operations and processes here”, she adds.



Technology for relating to members and operational technology

Our information technology planning strategy and the digital platforms are the highlights for this year.

In 2017, we will start the development of a digital platform that will substitute the systems that process our core banking products and services. We are going to build a platform that offers a personalized experience for the member's financial life, incorporating the growing demand for convenience and speed in service and transactions.

To do this we are going to inaugurate a center at Tecnopuc - the Scientific and Technological Park at the PUCRS university, which stimulates research and innovation by engaging academia, the private sector and the government. We have studied new technologies in financial services, fintechs, in depth and developed

innovations in our core banking, providing members with cutting edge solutions.

We will implement automation in credit analysis and in the validation of checks, among other processes, so that our branches will be less transaction oriented and more focused on relationship.

Additionally, our plan, which is already being executed, includes other significant evolutions for the coming years. Our goal is to have 80% of our processes based on more modern and collaborative methods by 2018, with a faster and cheaper strategy. We will also modernize our current applications platform and data sources, in addition to investing in cloud technology infrastructure, significant enhancements in IT service operations and in preparing the IT work force for the digital future.

Redesign of the set of technology processes

The processes redesigned in 2016 involved all the Regional Offices. The purpose was to understand their needs and the challenges they face in order to build collaborative solutions. During the year discussions were held and improvements made with the teams responsible.

A major example of our strategy is the development of Sicredi Mobi in 2015, an application approved by 98% of the Credit Unions. We offer pre-approved credit for individual and company clients via Sicredi Mobi and pre-approved rural credit at the branches. This project involved 100 people in redesigning operational flows.

These jointly built processes provide a reference for the Cooperatives, who are able to execute them in accordance with their specific needs.

Strategy is focused on information technology and a digital platform.

Efficiency and quality in relations

We continue to invest in security and in fraud prevention, using mechanisms to communicate transactions to members. As a result, at 60% our recovery rate was higher than the market rate of 30%.

The Cooperatives are developing a cycle of personalized relationship with each client based on automation. This process is still being tested in order to identify opportunities for improvement.

The 3C project (capital, registration and checking account) provided the Cooperatives with a platform that offers more streamlined processes for becoming a member, opening checking accounts and contracting products and services in the branches.

We received ISO 9001 certification, confirming that 100% of the services delivered to the Cooperatives and members over the last three years are at world class quality levels, driving efficiency and reduced operating costs.

Service level and systems availability *SI-Service level*

Indicator: Service Level	2016
Service and Business Center (CAN) and Employee Support (SCO)	82.44%
Systems Availability <i>SI-Service availability</i>	2016
Achieved	99.96%

Processes developed collaboratively

For the first time Sicredi offered awards for the best processes developed and executed by the Cooperatives to promote efficiency and reduce operating costs. A total of 100 cases were submitted by 29 Cooperatives, and the four finalists received innovation courses as prizes. This involved a great deal of work which will continue to produce significant outputs in 2017.

The award also helped reduce the cost of developing solutions and improvements, contributing to the satisfaction of our teams and fulfilling the demand from the cooperatives for support from the Centro Administrativo Sicredi(CAS) in driving efficiency gains and process engineering.

The work done in 2016 received an award, recognizing Sicredi as the seventh best PMO in Brazil.

We believe in the growth and the reinforcement of credit unions

Sharing the cooperative message ^{G4-16}

Promoting and disseminating the cooperative movement is important for developing understanding and ensuring the future of our business. We progressed significantly in relations with international credit union institutions, such as Woccu – the World Council of Credit Unions –, the Basel Committee, the European Central Bank and the US Federal Reserve.

The improvement of relations with the international cooperative community was due mainly to our significant growth, to compliance and to efficient controls.

On a national level there was progress in standards-related questions in Central Bank resolutions, in particular regarding auditing and the classification of the Cooperatives, the objective of significant internal discussion about how to handle these questions.

We organized and progressed in processes, consolidating the guarantee fund for our Cooperatives. This was created four years ago and is now fully operational.

The outlook for the future is one of growth and reinforcement of credit unions due to the positive results shown both by the sector and by Sicredi, with an increase in the number of members and a broader nationwide and regional presence.

We also promote the movement through the activities organized for International Cooperative Day. Sicredi organized 176 volunteer activities related to the Sustainable Development Goals (SDGs) in the 11 states in which we were operating in 2016. These included talks on financial education, the collection of donations and community service work. The activities represented a 141% increase compared with the previous year.

On International Credit Union (ICU) day we disseminated the sector and our contribution to its development to communicators and journalists by means of the ICU 2016 Press Trip. The positive results in recent years generated publicity for our business model and activities with 369 insertions in the Brazilian media.

Credit union cultural interchange

Sicredi took part in the Woccu (World Council of Credit Unions) World Conference in Belfast, Northern Ireland. This organization actively promotes the sustainable development of credit unions.

The institution attended with a 72-member delegation – who participated in discussions, sharing successful experiences in strategy and management, more

specifically related to training executive directors with a focus on high performance and the engagement of young people in credit unions.

We have organized exchanges with cooperative financial institutions from Peru, Colombia and Paraguay, participating in events in these countries with a view to promoting the cooperative culture.

Transparency and engagement

The internal regulations that govern our operations and management are developed and approved with the involvement of the Cooperatives, Regional Offices and the Centro Administrativo Sicredi (CAS).

In 2016, we implemented the Internal Regulation Policy, governing the proposition, development and dissemination of regulations based on a tool that provides technological support for the entire organization.

The platform includes all the internal regulations, facilitating the consultation of documents by employees. It will also incorporate external regulations - legislation and rulings from the Brazilian Central

Bank (BC) and the Comissão de Valores Mobiliários (CVM) which regulate the activities of the financial sector and credit unions.

We updated the cooperative bylaws, ratifying and reinforcing our internal regulations in alignment with the cooperative culture and the principles of responsibility and transparency.

We also initiated a process of reviewing and adapting the regulations to the new policy, starting with those that apply to the whole system. In 2017, this work will be undertaken on a regional (applicable to the Regional Offices and the Cooperatives) and local (specific to each Cooperative) level.

We concentrated all the organization's internal regulations on a digital platform.

Ethics and compliance

G4-56, 57 and 41

The principles of compliance are part of our organizational culture. We emphasize the importance of ethics and responsibility from the outset. When employees are hired they receive the Sicredi Code of Conduct and sign a term of acknowledgement, assuming the commitment to abide by this code both in the company and in the community.

The standards in the code of conduct are supported by internal audit processes. These standards also guide our relations with suppliers, with the intensification of diligence processes for new suppliers in 2016.

The Sicredi Code of Conduct and other internal documents address and are designed to avoid issues related to conflicts of interest. G4-41

New employees receive training upon joining the organization and are monitored regarding compliance with regulations during their first 60 days at work. In the event of a breach of regulations, managers are requested to reinforce our organizational culture.

For veteran employees, we will organize a refresher course on the code of conduct in 2017, aimed at reinforcing the values that are important for the organization.

Our relations with government occur only at municipal level in the partnerships we maintain with city halls to organize the activities in the A União Faz a Vida Program (read more in Local development). The activities are coordinated in accordance with transparent processes in line with public authority anti-corruption measures.

Compliance is managed and monitored in a specific manner in the financial sector, taking into account the risks involved in each institution's operations. We analyzed the compliance environment in 2015, defining the aspects considered important for Sicredi as an institution.

We determine improvements in our processes based on Brazilian and international benchmarks, receiving support from Rabo Development B.V. as a strategic consultant in this area.

In 2016, Sicredi implemented improvements to strengthen measures to prevent money laundering and the

financing of terrorism, in accordance with the standards and rulings of the Central Bank (BC). These measures are reflected in the management of all our products and services.

In addition to the Sicredi Sustainability Report, which presents systemic information, the Cooperatives

also publish annual reports, communicating their financial and non-financial information for the period from January 1 to December 31.

The publication addresses relations with members, employee development and value generation for stakeholders and the community in general.

Communication and training in anti-corruption policies and procedures ^{G4-504}

Total employees trained by Regional Office

	CAS	SicrediPar	Sicredi Regional Office - South	Sicredi Regional Office - BRC	Sicredi Regional Office - North Central	Sicredi Regional Office - PR/SP/RJ
	Trained	Trained	Trained	Trained	Trained	Trained
Elected	0	8	66	14	18	41
Senior management	22	NA	83	17	24	64
Middle management	223	NA	1266	171	328	987
Professionals	1244	NA	1909	451	835	1683
Technicians	184	NA	4253	723	1393	2965
Interns	21	NA	261	34	87	226
Apprentices	25	NA	138	22	27	71
Total by Regional Office	1719	8	7976	1432	2712	6037

Scope: as of November 2014, from the total Sicredi employees, 88% received training in Prevention of Money Laundering and Financing for Terrorism and were approved. We consider all employees to have been communicated via the Regional Office they belong to.

Percentage of employees trained in anti-corruption procedures by Regional Office

	CAS	SicrediPar	Sicredi Regional Office - South	Sicredi Regional Office - BRC	Sicredi Regional Office - North Central	Sicredi Regional Office - PR/SP/RJ
	Trained	Trained	Trained	Trained	Trained	Trained
Elected	0%	80%	80%	78%	67%	64%
Senior management	79%	NA	95%	94%	92%	98%
Middle management	97%	NA	99%	99%	100%	98%
Professionals	97%	NA	99%	98%	99%	98%
Technicians	99%	NA	98%	99%	99%	96%
Interns	81%	NA	88%	97%	95%	84%
Apprentices	57%	NA	56%	92%	82%	86%
Total by Regional Office	96%	80%	97%	98%	99%	96%

The total percentage of employees trained is 97%

Communication channels^{G4-57} and G4-43

Members may communicate with Sicredi via the Service and Business Center, via telephone (Sicredi Fone), the Contact Center (SAC), as well as the Ombudsman. These channels are used for telemarketing, credit recovery and monitoring suspected cases of fraud.

The Employee Support service is another channel to provide employees with information about products and services, to clarify doubts, to report incidents and to requisition services from CAS.

We stress the importance of the Ombudsman to employees not just as a channel to report breaches of the Code of Conduct, but also to make suggestions and to report other types of occurrence.^{G4-58}

All questions communicated are forwarded to the responsible areas, and the person making the report receives a response detailing the action taken.

Of all the contacts received by the Sicredi communication channels, 5% were complaints and 95% requests for information about services. There were no reports of violations of the Sicredi Code of Conduct or cases of corruption.^{G4-505}

Suggestions received related to diversity and accessibility are forwarded to the People Management area.

Both the Sicredi communication channels and the senior management of each Cooperative are open to economic, social and environmental questions, although we have not received specific requests related to these areas.

We encourage our stakeholders to use these channels to air other subjects of importance for the System, for employees and for members. These questions are shared with Sicredi senior management.^{G4-37}

The members have close relations with their Cooperatives. For this reason, many of them address their communications to their nucleus coordinator, to the manager or to the president of the board of the Cooperative to discuss their needs or complaints. For this reason, we tend to receive few complaints via the contact channels.

In addition to dialogue, which is part of our organizational culture, we maintain other channels – telephone and social networks –, in addition to monitoring complaints in specialized online platforms.

Service channels for members and non-members

- Website Sicredi www.sicredi.com.br – publishes information about the brand, products and services.
- Fan Page Facebook <https://www.facebook.com/Sicredi> – information for members and followers., news, institutional content and product and services launches from Sicredi.
- LinkedIn <https://www.linkedin.com/company/sicredi> – provision of institutional content, attraction and capture of new talent. Disseminates People Management area campaigns, relevant content for the corporate market and news about Sicredi awards.
- Gente que Coopera Cresce Blog <http://www.gentequecoo.peracresce.com.br/> – this publishes content that inspires people to engage in the cooperative movement and actions that generate value for the community.
- Canal youtube.com/sicredioficial – disseminates institutional campaigns and product and service promotional campaigns.

Employee engagement within a cooperative culture

We invested more than

R\$ 62 million
in training

In the first year of activity of the People Management area, established in 2015, we focused on our priority targets which were presented to the Cooperatives and Regional Offices in December 2016, consolidating a common vision for the area.

The strategy will drive significant deliveries in 2017, which will validate and concretize our value proposition and our governance.

Sicredi also restructured processes to ensure the quality and delivery capacity of policies, management tools, organizational climate and leadership development.

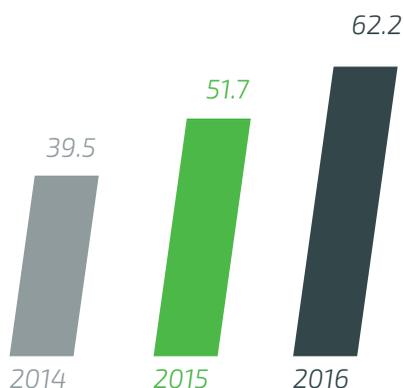
We worked on reinforcing our mission and vision with employees in the People Management area, ratifying the principles of the cooperative movement in a

collective construction process that involved the Centro Administrativo Sicredi (CAS) and the Regional Offices.

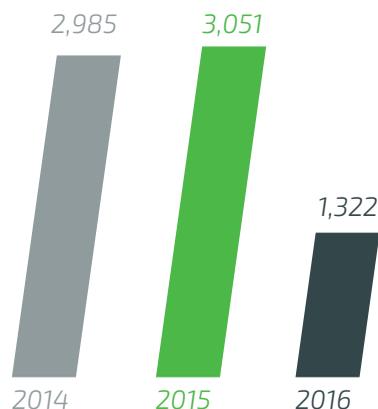
We invested more than R\$ 62 million in training and development programs. We enhanced the corporate education program to further drive the positive impacts of people development, talent retention and competencies development, allied with a robust recognition process, reinforcing the cooperative culture among employees.

The Crescer program, focused on the cooperative movement, is also taken by employees. In 2017, the program content will be adapted in accordance with the working life cycle of the Sicredi employees, taking into account the number of years of service (read more in Relationship and cooperativism).

Amount invested in training
(in R\$ million)



Employees trained in the
Crescer program



Average number of hours training per year, per employee, discriminated by gender and functional category. ^{G4-LA9}

Employees by gender	Average number of hours per employee		
	2014	2015	2016
Men	29:24:38	35:46:16	31:00:07
Women	29:30:21	35:31:52	28:00:30

Employees by functional category	Average number of hours per employee		
	2014	2015	2016
Elected	12:25:16	40:39:41	9:07:12
Senior management	21:49:38	57:53:03	40:17:18
Middle management	26:33:00	40:33:07	33:20:35
Professionals	28:44:26	33:38:44	26:26:28
Technicians	31:16:17	39:54:57	30:43:03
Interns	24:57:39	30:00:58	25:26:08
Apprentices	15:31:49	17:52:30	18:34:10
Total	29:28:05	35:37:55	29:15:29

100%

of employees undergo performance appraisal*

We undertook seven technical visits involving 102 people. This internal action provides Centro Administrativo Sicredi (CAS) employees with an immersion in the operations and organizational culture of our cooperatives.

Functional Formation was undertaken via distance learning courses and certification on Social and Environmental Responsibility in the Financial System, mandatory for diverse positions in the Cooperatives and in the Regional Offices. ^{G4-DMA FS4}

We initiated the development of a Career Transition program aimed at preparing employees for retirement. The program will provide support for those about to end their career at Sicredi, expanding their field of vision and perspectives. ^{G4-LA10}

We developed a project to include young people from disadvantaged communities in the labor market, based on the Young Cooperative Apprentice program organized at

CAS, inserting these youths in an environment in which there is the potential for development, education and guidance. As part of this program, we also support groups of young people with special needs, helping drive their professional development.

Every day we learn with our disabled employees about how to increase our capacity to transform the work place so that they may perform all company functions, driving inclusion in our operations and furthering our development.

Our people management processes fully respect diversity. No cases of discrimination based on ethnic origin, color, gender, religion, ideology, nationality or social origin were recorded during the year. ^{G4-HR3}

100% of our employees regularly undergo performance appraisal* and career development processes. ^{G4-LA11}

*Employees admitted from October 1, 2016 were not submitted to performance appraisal during the year



Women and leadership roles

The global and Brazilian credit union movement has been actively engaged in inclusion for women. In 2016 the Brazilian Chapter of the Woccu (World Council of Credit Unions) Global Network of Women Leaders, the Sister Society Brasil, was created with support

from the SicrediPar Supervisory Board. The objective of the Sister Society Brasil is to drive female participation in our Cooperatives.

Additionally, we encourage women to participate on the cooperative boards of directors,

preparing them to occupy the function of board members, underscoring the importance of diversity in the governance bodies with the cooperative leaders.

Other actions undertaken by the Regional Offices and the Cooperatives:

- The Sicredi Regional Office - North Central organized a Women Leaders Encounter aimed at promoting dialogue around women's empowerment.
- The Sicredi Regional Office - PR/SP/RJ promoted the Women's Committee with a view to organizing discussions among women related to development and positioning.
- The Sicredi Sicredi Regional Office - Brazil Central encouraged and arranged the participation of women in leadership development

measures, such as the Leadership Training Program and the Cooperative Director and Manager Training Program (Formacoop).

- The Sicredi Regional Office - South created the "Mais Sicredi" program aimed at driving awareness about the cooperative movement among employees, reinforcing engagement in the Sicredi cause.
- The program addresses diverse subjects, including career self-management, strategic thinking, professional marketing

and body language, with a view to including women in the corporate environment.

- The Centro Administrativo Sicredi organized a talk on female empowerment, women's self-esteem; physical and emotional well being; planning and future vision; personal and professional fulfillment during the Internal Work Accident Prevention Week (Sipat in the Portuguese acronym). The graduation ceremony for the Mentoring program took place in April 2016, involving 22 mentorees.

Total number of employees, by type of employment, by work contract and Regional Office, discriminated by gender ^{G4-10}

Total employees by functional level* ^{G4-10}	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Elected	228	10	209	9	195	7
Senior management	163	19	195	25	200	24
Middle management	1,589	1,162	1,619	1,244	1,684	1,323
Professionals	2,279	2,646	2,567	3,017	2,845	3,391
Technicians	3,013	6,005	3,119	6,257	3,233	6,513
Interns	231	477	259	423	259	459
Apprentices	154	216	90	138	169	263
Total by gender	7,657	10,535	8,058	11,113	8,585	11,980
Total		18,192		19,171		20,565

* *From the total number of employees, 12 are counted twice because they hold more than one position. They are statutory employees linked with different companies, subject to the bylaws of each.

Employees by type of work contract * ^{G4-10}	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Fixed term**	154	216	90	138	169	263
Permanent	7,503	10,319	7,968	10,975	8,416	11,717

*100% of Sicredi employees work full-time

** Only apprentices have fixed term contracts.

Employees by region ^{G4-10}	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Sicredi Regional Office - South	3,120	4,633	3,140	4,692	3,289	4,962
Sicredi Regional Office - PR/SP/RJ	2,271	3,075	2,452	3,306	2,645	3,655
Sicredi Regional Office - North Central	905	1,465	979	1,646	1,019	1,731
Sicredi Regional Office - Brazil Central	483	624	565	724	629	828
Centro Administrativo Sicredi (Porto Alegre)	868	738	914	745	993	804
SicrediPar	10	0	8	0	10	0

*The regions mentioned previously in geographical terms were altered, adopting the nomenclature of the Sicredi Regional Offices, in line with the Sicredi identification standard.

Obs.: The data do not include Sicredi Regional Office - North Northeast employees who became part of the System in 2016 and will be included in our operations from 2017.

Breakdown of the groups responsible for corporate governance and breakdown of employees by functional category, by gender, age group, minority group and other diversity indicators. G4-LA12

Breakdown of Governance by gender	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Elected	95.80%	4.20%	95.87%	4.13%	96.53%	3.47%
Senior management	89.56%	10.44%	88.64%	11.36%	89.29%	10.71%

Percentage of Afro-Brazilian employees	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Elected	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Senior management	0.00%	0.00%	0.45%	0.00%	0.45%	0.00%
Middle management	0.29%	0.15%	0.35%	0.24%	0.30%	0.23%
Professionals	0.28%	0.24%	0.36%	0.36%	0.32%	0.43%
Technicians	0.31%	0.60%	0.39%	0.51%	0.36%	0.55%
Interns	0.42%	0.28%	0.73%	0.44%	0.56%	0.97%
Apprentices	0.54%	0.27%	0.88%	0.88%	0.23%	0.69%

Percentage of disabled employees	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Elected	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Senior management	1.10%	0.55%	0.45%	0.45%	0.45%	0.00%
Middle management	0.44%	0.18%	0.56%	0.24%	0.60%	0.23%
Professionals	0.47%	0.18%	0.57%	0.27%	0.67%	0.42%
Technicians	1.10%	1.06%	1.33%	1.28%	1.47%	1.50%
Interns	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Apprentices	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Age Group	Up to 20 years		From 21 to 30		From 31 to 40		From 41 to 50		Over 50	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Elected	0.00%	0.00%	0.00%	0.00%	1.49%	0.00%	13.86%	0.99%	81.19%	2.48%
Senior management	0.00%	0.00%	0.00%	0.45%	33.04%	4.46%	41.07%	3.57%	15.18%	2.23%
Middle management	0.00%	0.00%	10.08%	12.20%	29.56%	24.78%	12.47%	6.12%	3.89%	0.90%
Professionals	0.11%	0.19%	18.01%	22.59%	21.12%	25.93%	5.15%	4.87%	1.23%	0.79%
Technicians	2.22%	2.72%	22.92%	44.52%	7.05%	17.03%	0.76%	2.15%	0.23%	0.40%
Interns	19.64%	29.67%	16.16%	32.87%	0.28%	1.39%	0.00%	0.00%	0.00%	0.00%
Apprentices	36.34%	55.79%	2.78%	4.86%	0.00%	0.23%	0.00%	0.00%	0.00%	0.00%

Programs and systemic initiatives promote health among our employees.

Employee health

Health promotion measures are organized independently in each cooperative, Regional Office and at CAS. Among these initiatives, some of the more strategic ones are being tested and enhanced to be presented to the System as an action proposal to promote employee health.

At a systemic level, we run the Sempre Bem 24-hour service via toll free telephone, providing specialized guidance on social, psychological, legal and financial issues for employees and their dependents.

Health promotion*

The Centro Administrativo Sicredi (CAS)

organizes quality of life measures, functional and workplace physical exercise programs, vaccination campaigns and a provides mothers with a room where they may breast feed their babies.

Sicredi Regional Office - South and affiliated Cooperatives

organize work place physical exercises, health check ups for employees, vaccination campaigns and allowances for gyms and the practicing sports.

Sicredi Regional Office - PR/SP/RJ and affiliated Cooperatives

organize a "Health Week", dedicated to medical consultations and exams. It includes talks on health, physical activities and a massage service. The Regional Office also launched a specific program Bem com Você, a monthly electronic publication sent to employees with important information on healthcare, with contributions from specialists in the area.

Sicredi Regional Office - Brazil Central and affiliated Cooperatives

organize a vaccination campaign, work place physical exercises, physical evaluation, walking and running activities, as well as talks on matters related to quality of life.

Sicredi Regional Office - North Central and affiliated Cooperatives

Encourage participation in the Corrida de Reis, with a 60-day preparation program for the event accompanied by a physical education instructor, with transportation, accommodation and meals paid for. They also promote other incentives for sports and healthy living.

* The Sicredi Regional Office - North Northeast formalized its affiliation to the System in 2016. For this reason, information on its operations will start to be published in the 2017 sustainability report.

Organizational climate

For the sixth year running we were included among the Best Companies to Work for, with 78 points in the Happiness at Work Index. The consultation prepared by the magazine *Você S/A* in partnership with the Fundação Instituto de Administração (FIA) provided visibility for the assessment of our employees.

The organization's climate survey, carried out every two years, also demonstrated employees' satisfaction with working at Sicredi, with a favorability index of 82%, an increase of 10% compared with 2014.

The results are a consequence of our year on year growth, improving and modernizing organizational processes and building relations based on trust, respect and cooperation with our employees. This is complemented by a people management focus on providing an organizational environment that offers opportunities for growth, development, as well as a proposition for the future.

In 2016, we recorded a small reduction in the staff turnover rate, which may be considered normal in a recessive economy, where a more conservative attitude towards resignation prevails.



For the sixth time running we are among the best companies to work for ^{SI-01}

IFT (Happiness at Work Index)	78
IQAT* (What the employees say)	86.3
IQGP** (What the company offers)	58.8

* IQAT - Work Environment Quality Index
** IQGP - People Management Quality Index



Remuneration ^{G4-51, G4-52 and G4-53}

The members of the SicrediPar Supervisory Board, the Regional Offices and the Cooperatives and the presidents of these bodies are remunerated in accordance with Brazilian regulations, conditional upon approval by general meeting.

Our remuneration policy is aimed at compensating administrators for performance that ensures business sustainability in the short, medium and long term. As such, remuneration for the presidents of the Regional Offices and the cooperatives is established in accordance with the scale of the entity, taking into account total assets and obligations.

There is also a variable component geared to business performance during the period. For board members of the Regional Offices, Cooperatives and SicrediPar, payment is also determined by the scale of the entity, and they are remunerated by means of attendance slips.

In 2016, we initiated a review of our systemic remuneration model, a directive that was issued by the SicrediPar Supervisory Board, involving the Executive Board of the Centro Administrativo, a specialized consultancy and the formation of a Consulting Committee with representatives from all the bodies.

The project will cover all the components of remuneration, pursuing greater alignment between recognition and performance at all levels of the System. It is scheduled to be finalized in 2017 and implemented in 2018.

All employees are covered by collective bargaining agreements. ^{G4-11} Regarding the provision of notice of operational changes, there is no minimum period for communication because there is no contract clause related to this question in the employees' collective bargaining agreements. ^{G4-LA4}

Benefits for full-time employees ^{G4-LA2}

- Medical and dental assistance extensive to dependents
- Life insurance
- Funeral allowance
- Meal and food allowance
- Transportation allowance
- Nursery allowance
- Complementation of sick or accident leave pay for up to 24 months
- Agreements with commercial establishments and teaching institutions in the region
- Sempre Bem program
- Private pension plan
- Allowance for children with special needs
- Culture voucher – only for Banco Cooperativo employees

**Sicredi does not have part-time or temporary employees.*

Ratio of women's salary and remuneration to men's, discriminated by functional category and significant operational units. ^{G4-LA13}

Average remuneration by functional category	2014	2015	2016
Elected	96%	116%	150%
Senior management	77%	74%	83%
Middle management	69%	67%	71%
Professionals	84%	82%	83%
Technicians	101%	98%	101%
Interns	92%	101%	94%
Apprentices	102%	97%	99%

**To calculate the averages of each functional level an "averageif" command was employed using functional level and gender as criteria. Then the amount for the female sex was divided by the amount for men at each functional level.*

Total number and rates of new admissions and employee turnover, by age group, gender and regional office. ^{G4-LA1}

Number of terminations by gender	2014	2015	2016
Men	1,472	1,509	1,263
Women	2,094	1,995	1,694
Total	3,566	3,504	2,957

Number of terminations by age group	2014	2015	2016
Under 20 years	682	613	433
From 21 to 30 years	1,894	1,806	1,547
From 31 to 40 years	781	843	764
From 41 to 50 years	165	191	174
Over 50 years	44	51	39
Total	3,566	3,504	2,957

Number of terminations by Regional Office	2014	2015	2016
Sicredi Regional Office - South	1,445	1,224	828
Sicredi Regional Office - PR/SP/RJ	1,069	1,122	1,110
Sicredi Regional Office - North Central	523	591	588
Sicredi Regional Office - Brazil Central	276	317	257
Centro Administrativo (Porto Alegre)	253	250	174
SicrediPar	0	0	0
Total	3,566	3,504	2,957

Turnover rate by gender (%)	2014	2015	2016
Men	23.10%	21.72%	19.03%
Women	24.19%	20.67%	18.54%
Total	23.73%	21.11%	18.74%

Turnover rate by age group (%)*	2014	2015	2016
Under 20 years	70.49%	66.78%	60.46%
From 21 to 30 years	25.05%	21.62%	20.22%
From 31 to 40 years	14.37%	14.93%	11.72%
From 41 to 50 years	10.96%	12.24%	11.30%
Over 50 years	8.91%	10.64%	7.33%
Amounts in %	23.73%	21.11%	18.74%

Turnover rate by Regional Office (%)	2014	2015	2016
Sicredi Regional Office - South	20.24%	16.47%	13.80%
Sicredi Regional Office - PR/SP/RJ	25.47%	23.25%	22.58%
Sicredi Regional Office - North Central	28.12%	27.73%	24.71%
Sicredi Regional Office - Brazil Central	32.25%	32.47%	23.95%
Centro Administrativo Sicredi	22.60%	16.49%	14.69%
SicrediPar	0.00%	12.50%	10.00%
Total	23.73%	21.11%	18.74%

Number of admissions by gender	2014	2015	2016
Men	2,066	1,992	2,005
Women	3,003	2,599	2,747
Total	5,069	4,591	4,752

Number of admissions by age group	2014	2015	2016
Under 20 years	1,224	897	1,081
From 21 to 30 years	2,862	2,453	2,563
From 31 to 40 years	825	1,033	881
From 41 to 50 years	122	156	187
Over 50 years	36	52	40
Total	5,069	4,591	4,752

Number of admissions by Regional Office	2014	2015	2016
Sicredi Regional Office - South	1,694	1,356	1,449
Sicredi Regional Office - PR/SP/RJ	1,654	1,554	1,735
Sicredi Regional Office - North Central	810	863	771
Sicredi Regional Office - Brazil Central	438	520	441
Centro Administrativo Sicredi	473	296	354
SicrediPar	0	2	2
Total	5,069	4,591	4,752

Admission rate by gender (%)	2014	2015	2016
Men	26.98%	24.72%	23.35%
Women	28.50%	23.39%	22.93%
Total	27.86%	23.95%	23.11%

Admission rate by age group (%)*	2014	2015	2016
Under 20 years	90.53%	79.24%	86.74%
From 21 to 30 years	30.15%	24.90%	25.22%
From 31 to 40 years	14.76%	16.44%	12.56%
From 41 to 50 years	9.32%	11.00%	11.70%
Over 50 years	8.02%	10.74%	7.42%
Total	27.86%	23.95%	23.11%

*Admission rate formula: Number of admissions in age group or Regional Office /Total employees in age group or Regional Office.

Obs.: The methodology used to calculate the admission rate was modified in relation to 2014 and 2015. The current calculation is made in relation to the total in the specific category and no longer in relation to the total number of employees. The rates for 2014 and 2015 were restated according to this formula.

Admission rate by Regional Office (%)*	2014	2015	2016
Sicredi Regional Office - South	21.85%	17.31%	17.56%
Sicredi Regional Office - PR/SP/RJ	30.94%	26.99%	27.54%
Sicredi Regional Office - North Central	34.18%	32.88%	28.04%
Sicredi Regional Office - Brazil Central	39.57%	40.34%	30.27%
Centro Administrativo Sicredi	29.45%	17.84%	19.70%
SicrediPar	0.00%	25.00%	20.00%
Total	27.86%	23.95%	23.11%

*Admission rate formula: Number of admissions in age group or Regional Office /Total employees in age group or Regional Office.

Obs.: The methodology used to calculate the admission rate was modified in relation to 2014 and 2015. The current calculation is made in relation to the total in the specific category and no longer in relation to the total number of employees. The rates for 2014 and 2015 were restated according to this formula.



We develop products and services to meet the needs of our members.

Responsible solutions

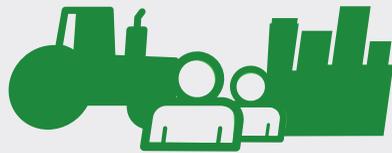
Products and services G4-4 and G4-FS15

The development and commercialization of Sicredi products and services are fully aligned with the organization's Sustainability and Social and Environmental Responsibility policy, Credit policy, the Sicredi Code of Conduct, Prevention of Money Laundering and Financing of Terrorism policy and, in the future,

with its Internal Standard for Social and Environmental Risk Related to Credit (read more in Relationship and cooperativism).

For strategic reasons, access to the documents related to the Credit Policy and the Code of Conduct is restricted to employees.

Solutions for members



For individual members (urban and agribusiness)

- Currency exchange
- Credit and debit cards
- Commercial loans
- Rural loans
- Capital accounts
- Checking accounts
- Salary accounts
- Savings accounts
- Consortiums
- Derivatives
- Financing
- Investments
- Private pensions
- Payments and collection
- Insurance



For business members

- Card receivables factoring
- Tax payments
- Credit and debit cards
- Currency exchange
- Commercial loans
- Rural loans
- Accreditation
- Collection
- Capital accounts
- Checking accounts
- Savings accounts
- Consortiums
- Derivatives
- Banking domicile
- Financing
- Investments
- Payments and collection
- Supplier payments
- Private pensions
- Insurance

The control and monitoring of existing policies is undertaken by means of computerized systems and managerial reports, as well as by internal and external audit. Additionally, and in alignment with the organization's 2016-2020 strategic planning, performance targets are established linked with:

- Taking Credit Cycle training.
- The development of corporate projects to create and improve tools related to the credit cycle (the concession, maintenance, modeling, collection and recovery of credit).
- The implementation of improvements in the credit process.
- The execution of an annual

review of credit policy and related standards jointly with the Sicredi Regional Offices and Cooperatives.

For us, responsible credit criteria ensure risk exposure within the limits established by Sicredi and the members' credit capacity.

Similarly, we pursue continuous improvement, enhancing standards of conduct, improving the quality of services and products aimed at achieving harmony between consumers' means and borrowing in financial operations and guaranteeing security and efficiency, while offering transparent commercial terms and conditions.

Quality in the service provided to members is a priority for Sicredi.

Business lines as percentage of total revenue ^{G4-F56}

	2016		2015	
	Amount (R\$ 000s)	%	Amount (R\$ 000s)	%
Credit	7,120,631	59%	6,035,956	62%
Financial revenues	3,582,381	30%	2,619,228	27%
Services	1,075,250	9%	872,827	9%
Insurance	206,332	2%	226,517	2%
Funding	11,703	0%	16,648	0%
Total	11,996,297	100%	9,771,176	100%

* Percentage of business lines by sector (Sicredi does not discriminate data by specific region or size).

** The calculation methodology for the information in the table above was modified in relation to the 2015 report

*** The data were not audited because the balance sheet was not finalized at the time of publication

Credit

Our solutions and products are designed to meet the financial needs of our members, driving improved quality of life while delivering, for example, social and environmental benefits.

It was credit that led to the emergence of credit unions and cooperatives, permitting members to carry out their plans, enabled by our mutual support network, while promoting local development. In 2016, in addition to the growth in the credit portfolio, pre-approved operations accounted for more than 40% of the loans granted, reflecting the quality of the processes and services provided to the Cooperatives.

In the market as a whole, there was a 3.5% retraction in credit, while the amount lent by Sicredi grew by 10.6%. With the affiliation of the Sicredi Regional Office - North Northeast, growth reached 18.3%.

We continued with our diverse lines in ABC (Low Carbon Agriculture in the Portuguese acronym), including financing for the regularization of permanent preservation and legal reserve areas.

We also saw growth in private and public payroll deductible credit, in particular for recipients of social benefits. We implemented portability of active and passive credit, improving services for members while reducing costs and improving efficiency.

Currently, 78% of personal loan operations are conducted via the internet, Sicredi Mobi and ATM -, as are 20% of the operations involving factoring of receivables.

Products and services delivering environmental and social benefits by business line* G4-F57 and G4-F58

	Monetary value (R\$) (released in 2015)	Proportion (%) of total credit portfolio	Monetary value (R\$) (released in 2016)	Proportion (%) of total credit portfolio
Pronaf (National Family Agriculture Reinforcement Program - social benefit)	2,597,097,903	8.48%	2,861,924,168	8.45%
Micro-credit (social benefit)	34,615,488	0.11%	27,064,288	0.08%
ABC (environmental benefit)	7,159,169	0.02%	12,755,083	0.04%
Financing for solar energy	7,877	0.00%	4,710,946	0.01%
Sustainable consortium	29,350,416,50 (1,010 quotas)	1.3% of total consortium credits (2.2% of total quotas)	115,129,301,85 (3,322 quotas)	4.6% of total consortium credits (6.8% of total quotas)

Does not include data from Sicredi Regional Office - North Northeast.

In 2016, 8% of members had never borrowed from Sicredi and started to do so via these service channels.

Furthermore, sharing best credit management practices and the improvement in the quality of the portfolio contributed to the excellent results for the year.

A total of R\$ 10.7 billion was granted in rural and directed credit in 2016, with more than 80% of these operations benefiting small and medium agricultural producers, fomenting family agriculture and financial inclusion.

Credit Balance and Concession (R\$ billion) ^{SI-21}

2015 Balance	R\$ 30.6
2016 Balance	R\$ 36.2
2016 Balance - without Sicredi Regional Office - North Northeast	R\$ 33.9
2016 Balance - Sicredi Regional Office - North Northeast	R\$ 2.3
2015 Concession	R\$ 30.7
2016 Concession	R\$ 33.2

**Does not include data from Sicredi North Northeast Regional Office.*

Breakdown of Credit Portfolio by product (R\$ billion)* ^{SI-22}

Product	2014	2015	2016
Commercial credit - Individuals	6.95	7.52	8.70
Commercial credit - Companies	6.30	6.91	7.64
Vehicles	0.44	0.64	0.20
Foreign currency loans	0.02	0.04	0.07
Mortgages + credit with real estate guarantee	12.91	14.04	16.04
Rural + directed credit	1.73	1.46	1.25
Total	28.36	30.62	33.88

**Does not include data from Sicredi Regional Office - North Northeast.*

Average ticket per member* ^{SI-25}

Year	Total
2014	R\$ 26,457
2015	R\$ 27,554
2016	R\$28,704

**Does not include data from Sicredi Regional Office - North Northeast.*

Rural credit

In 2016, Sicredi saw 17% growth in the concession of rural and targeted credit compared with the previous year. In a conjuncture of economic retraction, a total of R\$ 10.7 billion was granted, R\$ 1.6 billion more than in 2015. These numbers demonstrate the consolidation of the role Sicredi plays in Brazilian agriculture.

For the 3rd year running, Sicredi was recognized by BNDES as the financial agent investing the most funds under the Pronaf (National Family Agriculture Reinforcement) program and, for the fifth consecutive year we were the third largest financial institution in the concession of rural credit in the country, according to the Exame magazine Biggest and Best ranking.

In the 2016-2017 crop year (July 2016 to June 2017) we expect to fully meet the demand from our

more than 100,000 agribusiness members, with funding of R\$ 10.7 billion.

Services for agricultural producers go beyond the provision of loans. They include a personalized service aimed at contributing to the growth of their businesses. We will continue to invest in relations with members and in managing risk in order to avoid indebtedness.

We expect a positive scenario in 2017 as well. Sicredi has managed to increase its credit portfolio year on year and intends to continue to support Brazilian agribusiness.

Meeting the demand from our members is the result of an ongoing effort to build close links with the market and with partnering banks, maintaining positive credit ratings in a recessive market.

PRONAF PROGRAM (2015/2016)

166,000
operations undertaken
in the year

+ than
100,000
agricultural producers served

Rural and directed credit concession * SI-05

Program	Amount conceded (R\$ million)	Nº of Operations	Program	Amount conceded (R\$ million)	Nº of Operations
Rural	8,971.33	150,321	MODERINFRA	26.09	71
Others	4,891.35	29,892	PSI	25.76	148
PRONAF	2,255.88	99,254	Others	15.05	42
PRONAMP	1,824.10	21,175	PROCAPAGRO	14.30	4
Targeted	1,588.55	18,988	BRDE	13.16	98
PRONAF	606.04	11,568	ABC	12.76	27
PRONAMP	298.32	1,845	BNDES AUTOMÁTICO	12.30	23
MODERFROTA	188.70	782	FCO	12.20	60
MODERAGRO	186.57	523	PCA	10.97	10
Others	86.44	405	PROCAMINHONEIRO	1.08	8
INOVAGRO	51.76	114	Total	10,559.88	169,309
MICROCRÉDITO	27.06	3,260			

*Does not include data from Sicredi Regional Office - North Northeast.

Obs.: Incorporating data from Cooperatives' portfolio.

Delinquency below the market ^{SI-23}

While the market delinquency rate reached 3.7%, we closed the year at 2.4%. We implemented a set of actions aimed at maintaining the quality of the credit portfolio, guaranteeing the stability of this indicator in spite of the challenging economic conjuncture.

We established close links with members by means of financial education measures, including specific actions, and our day to day relations, as part of our organizational culture.

We improved credit management by increasing qualification for the concession of loans, keeping closer track of members' financial situation and improving credit collection and recovery.

Maintaining frequent close relations with members was key, without sacrificing the humanized treatment

we consider so important. Negotiations involved Preventive SMS messages and receptive WhatsApp messages, among other channels.

In 2016, we visited Regional Offices and Cooperatives to organize meetings on credit development and the functional formation of the credit cycle, training 229 employees. We made new tools and management reports available, streamlining and driving transparency in decision making.

Sicredi improved its credit model, increasing security in assessment and pre-approval processes, resulting in a higher share of pre-approved loans in credit concession.

In provisioning, we reinforced classification processes and methodologies, adopting appropriate levels for the current economic cycle.

47%

of the portfolio dedicated to agribusiness, more resilient and lower risk

265%

coverage in provisioning for delinquency

Delinquency rate * ^{SI-23}

Year	Rate
2014	2.00%
2015	2.41%
2016	2.39%

Level of provision * ^{SI-24}

Year	Percentage (%)
2014	4.96%
2015	6.09%
2016	6.34%

* Does not include data from Sicredi Regional Office - North Northeast.

Driving loyalty among members

The Credit Union is the main financial institution for members who take rural loans. On average, they use seven products and services. This demonstrates that Sicredi meets the financial needs of this member segment.

In addition to finance, these members receive support in the form of consultancy and the provision of other services designed to optimize their production by automating processing and promoting gains in efficiency and risk management, preventing or mitigating impacts.

Worthy of note is the agro-industrial sector which has been growing and promoting changes in customs in rural areas for young people – who tend to migrate temporarily to urban centers to complete their education and invest their knowledge in the family's agricultural business.

We finance rural credit because of its impact on income generation, driving local development. Members are experiencing the growth of the Cooperatives.





Investments

Raising money is essential for our Cooperatives, because it stimulates the development of the local economy through the concession of loans to members. The investment of these funds in the region contributes to the generation of income, which in turn may be reinvested in the Cooperative, fomenting this virtuous financial circle in the community.

Savings constitute the main source of funding for rural credit, reinforcing Sicredi's commitment to the development of agribusiness in the locations in which it operates. Whereas fixed income products, represented by Sicredinvest, together with cash deposits and capital, foment the commercial credit portfolio.

Investment results in 2016 were significant. In the market, savings withdrawals exceeded deposits by R\$ 9.4 billion, while Sicredi showed surprising growth of R\$ 1.7 billion, a 34% increase in the balance of the savings portfolio compared with December 2015.

With the Selic basic interest rate at its highest level in recent years, it was difficult to raise funds through this product, giving us every reason to commemorate this excellent result.

Although the current economic situation tends to favor other investment options, the simplicity of the savings account and its popularity among diverse audiences mean that the product continues to be highly attractive.

In fixed income, essential for maintaining the Cooperatives' liquidity, we had a significant R\$ 3.9 billion increase in the portfolio in the year. This robust result is 20% up on the same period of the previous year.

The investment fund portfolio, used strategically to diversify members' investments, broke the barrier of R\$ 1 billion under management. More than anything, this means that Sicredi has fully fulfilled members' desire for investments in diverse classes of assets.

SAVINGS

Growth of

34%

in the year

FIXED INCOME PORTFOLIO

R\$ 24 billion

FUNDS

Portfolio of

R\$ 1 billion

MORE THAN

R\$ 1 billion

in revenues

MORE THAN

2.7

million active policies

MORE THAN

R\$ 445

million in claims paid

MORE THAN

R\$ 265

million generated for the cooperatives

Insurance

Insurance contributes to the generation of social value, providing security for communities jeopardized by climatic phenomena and other damages. We focus on efficiency by automating processes. We implement enhancements in the system to streamline and drive quality in the services provided.

We monitor claims to ensure speedy settlement in the event of damage caused by catastrophes. In these cases, a task force is organized, comprising the insurance broker, the Cooperatives and the insurance company to make sure claims inspectors are sent to the area affected. The team works around the clock when necessary, using our branches as a base. In some cases, claims are paid out on the same day.

We ended the year with 13.6% growth in production, against market growth of 2.2%. Our higher than market growth positioned us among the largest insurance brokers in Brazil. Today, the Sicredi Insurance Brokerage is recognized by partnering insurance companies for the quality and efficiency of its services and processes, ensuring the maintenance of excellent relations in the insurance market.

We provide clients with an online life insurance welcome kit, reducing the need to print and mail documents. Since its implantation in June 2016, the printing of more than 24,000 kits has been avoided.

General insurance

We opened our portfolio of residential and business products to another five insurance companies, providing the Cooperatives and members with the terms and prices of each insurance company, as well as expanding the offer of products for businesses in the diverse regions in which Sicredi operates.

Rural insurance

We progressed in agricultural insurance operations with the inclusion of new insurance companies, which generated growth in operations involving grain crops, closing the year with growth of 11%.

Life insurance

Life insurance grew by 15%, against market growth of 4.4%, consolidating the formation of a robust portfolio that will be important for the operation in 2017.

Automobile insurance

Our growth in automobile insurance operations was 6%, while growth in the market was negative. Sales of automobile insurance decreased, but again at below the market rate.

Pension plans G4-FS16

According to market data, in Brazil only 6% of the population plan for their retirement. Our volume of reserves increased by 32% in 2016, a year in which we expanded our financial education measure Oficina do Futuro (Workshop for the Future) which has stressed the importance of forming a financial reserve for 9,733 employees and members since the beginning of the project.

32%

increase in the volume of reserves in the pension fund

Consortium

This is a product which encourages planning and discipline in forming a reserve and savings, bringing people together to achieve common objectives. It reinforces the cooperative culture by presenting an inclusive policy for responsible and balanced consumption.

Our position in the Central Bank (BC) ranking increased from 8th to 7th in number of active quotas. We also progressed in portfolio volume, with higher average spending, growing 22%. The portfolio totals R\$ 9.4 billion in credits under internal management and 165,000 active quotas.

We recorded percentages of cancellation and delinquency below the market average. As a result, the excellent financial health of the groups under management guarantees the return of the reserve fund, which is converted into income for members and presents new business opportunities for the Cooperative.

A total of R\$ 13.1 million was returned to the consortium members.

This was proportional to their investments and demonstrates the efficiency of our operation.

We extended the terms of the consortium groups, reducing the price of the installments and enabling the participation and inclusion of more than 850,000 members. We extended the terms of consortiums for real estate and housing to 200 monthly installments, while automobile consortiums were increased to 100 months.

In terms of number of quotas, we are the largest administrator of service consortiums, a new sector in the market yet to be regulated by the Central Bank (BC). We manage approximately 50% of the market in service quotas. We thus enable members to use these funds to pay for trips, university courses, medical treatment, conferring purchasing power on a member profile that would otherwise be unable to assume such expenses. This constitutes yet another resource for financial inclusion, due to the discipline and the saving involved in maintaining a consortium.

Sustainable consortium

Since it was launched in July 2015, the sustainable consortium has accumulated 4,407 active quotas and more than R\$ 157 million in credits. ^{G4-F5B} We continue to provide products that deliver environmental value for the acquisition of:

- Wind energy generators;
- Photovoltaic panels;
- Water and sewage treatment equipment;
- Solar water heaters;
- LED lighting equipment;
- Eco-efficient equipment

Electronic payment orders

Implemented in 2014, the electronic payment order provides consortium members with easy, rapid and secure access to the monthly statements/payment orders, substituting the printed document with an identical copy in digital format.

The sustainable consortium accumulated more than R\$ 157 million in credits in its first year of activity.

The Sicredi Consortium Administrator used to print and send out more than 90,000 payment orders by post. 96% of the consortium members used to pay their monthly installment by direct debit in their account.

Upon advice from the legal area, the sending of the printed payment order was maintained for the consortium members who did not use the direct debit facility, while the digital order was made available for the rest

In 2016, we saved more than R\$ 2.2 million in postal expenses and avoided printing 1,569,487 sheets of A4 paper.

Currency exchange

We provide support for individual and business members, in particular businesses generating environmental value with a more guaranteed future and lower associated risk. We improved currency exchange control processes, with rigorous policies and standards. We implemented improvements in systems with new software, increasing security and control over operations

Derivatives

Sicredi also provides derivatives for members who are exposed to risk from variations in currency exchange rates or commodity prices and who require protection against these risks, whether they are agricultural producers, importers or exporters.



Cards

During 2016, improvements were implemented in the organization's card operations by means of a review of processes and the development of new products and services, resulting in a 43.8% increase in revenue.

We have a complete portfolio designed to meet the needs of our individual and business members. In 2016, we launched the Sicredi MasterCard Black card aimed at a select audience that appreciates exclusive experiences.

Other products that are part of our portfolio.

Products for individuals:

- Sicredi MasterCard Black
- Sicredi MasterCard Platinum and Sicredi Visa Platinum
- Sicredi MasterCard Gold and Sicredi Visa Gold
- Sicredi MasterCard International e Sicredi Visa International
- Sicredi Touch Visa
- Sicredi Debit MasterCard e Sicredi Debit Visa

Products for companies:

- Sicredi Visa Corporate (multiple and credit)
- Sicredi Visa Electron Corporate
- Sicredi BNDES Card
- Accreditation– Rede and Getnet (pilot) and Alelo (pilot)
- Banking Domicile – Rede, Cielo,

37.6%

increase in issuance

Vero, Elavon, Bin/Sipag, Getnet (pilot) and Alelo (pilot)

- Factoring of Visa and MasterCard Receivables (for sales via the brands Rede, Cielo, Vero, Elavon, Bin/Sipag and Getnet)

In addition to providing members with Rede accreditation, we initiated partnerships with Getnet and Alelo, which we will offer in 2017. In 2016 Sicredi had a 34.8% increase in banking domiciles, which enables business members to centralize all receipts from sales via Sicredi cards. Members may also benefit from the factoring service for credit card receivables at more accessible rates.

In 2017, improvements are scheduled to offer members even greater convenience with the setting and alteration of card passwords or PINs, automatic factoring for receivables, and an increase in internet banking and Sicredi Mobi functionalities.

Issuance, Merchant Acquisition and Domicile

40.6%

growth in issuance and acquisition

Net revenue

45.9%

increase in card issuance

43.8%

increase in net revenue

27.6%

increase in acquisition

Number of cards issued and banking domiciles ^{SI-33}

ISSUE	2015 Consolidated	2016 Consolidated	Gain
Base	2,058,078	2,224,574	8.1%
MULTI-DOMICILE	2015 Consolidated	2016 Consolidated	Gain
Domiciles	83,546	112,593	34.8%

Obs.: Cumulative amount over the years.



“

*Sicredi is a more
'family oriented'
financial institution,
it's much easier to
talk to them”*
Sandro Scarabelot.

We generate economic and environmental value

Sandro Scarabelot is a partner and manager in the company Alternativa Reciclagem, in Lucas do Rio Verde (MT), an environmental management company that manufactures products such as manhole covers, flooring, rubberized mats, vases for ornamental plants, and other products made from foam board and plastic waste.

For five years he has been a business member of Sicredi. He entered a consortium to purchase vehicles at a time when the Credit Union had not yet launched its sustainable consortium for the acquisition of eco-efficient products.

“I suggested to our manager that we switch the consortium and get solar panels because we consume a lot of energy”, Sandro explains. The investment will generate savings of R\$ 1,600 per month, paying for the consortium and also generating a small amount of revenue. “The project will pay for itself in six years, and then we will still be able to use the equipment for another 20 years”, he adds.

He goes on to say that the Sicredi working capital solutions are the best in the market and access to funding is better. Sandro's family are also members. “Sicredi is a more 'family oriented' financial institution, it's much easier to talk to them”, he concludes.

Risk Management G4-2 and G4-14

Our risk management is enhanced and disseminated continuously, directly involving a number of areas, including specialized teams. We monitor indicators and report risks at diverse opportunities, including assessments in internal committees and periodic presentations to the SicrediPar Supervisory Board, guaranteeing independent and secure risk governance. G4-46 and G4-49

We continue to pay close attention to managing credit, liquidity, market and operational risks.

We have evolved in key questions of internal control and governance, with greater integration of the risks assessed, more simplicity in tracking and focusing on information and on improving processes aimed at maintaining the quality and sustainability of the System.

We monitor credit, liquidity, market and operational risks.



We made effective progress in 2016, worthy of note being the introduction of new mechanisms for pricing risk-based credit operations, the adoption of broader social and environmental criteria in granting loans and the formation of a risk panel comprehending all the Sicredi bodies.

In 2017, we will maintain our enhancement initiatives, focused on security and integrated risk management.

Risk map

Important progress was made in systemic risk monitoring, with the introduction of components such as strategic planning, alterations

in the economic conjuncture and regulatory modifications.

Taking these aspects into account we set up a risk panel which is reported in diverse System forums. Worthy of note among these is the Sicredi-Par Risk Committee, which receives information on a monthly basis.

The panel contains indicators on liquidity risk, market risk, capital allocation risk; operational risk and credit risk. Non-financial risk indicators are also reported, encompassing social and environmental questions, compliance, turnover, among others, permitting a broad vision of the situation of each institution and of the System as a whole. ^{G4-47, G4-49 and G4-50}

We focus on integrated risk management and business security.

The monitoring process illustrates the spectrum of risk the institutions in the System are exposed to, triggering actions to mitigate them. It is our understanding that the future and continuity of the business depends on our working with adequate risk levels.

With the internalization of third-party asset management, for example, we incorporated an additional risk management and compliance process, undertaken via Confederação Sicredi, more focused

on the market risk associated with the portfolios and executing strategy within the limits of the Financial Centralization Standard. These measures complement the risk management and compliance mechanisms already in place in Banco Cooperativo, increasing and reinforcing control over the operation.

Our target for 2017 is to prepare a risk appetite declaration, communicating the risks associated with our operations and the limits to be observed internally and externally.

The declaration will provide transparency and will help disseminate the organization's risk culture.

We are also updating the liquidity requirement model for the Cooperatives, in line with the advances in Basel III. This modification is intended to maintain existing security levels while making the results more sensitive to the actions of each Cooperative. It is our understanding that this will provide a greater incentive for adopting liquidity risk management measures.

Risks and management measures

Credit Risk

Potential losses arising from the nonperformance of obligations by creditors, devaluation of gains, earnings or advantages granted, or even losses arising from the cost of negotiation or recovery of credit.

Measures to manage and mitigate the risk

- Policies – internal standards guiding and shaping the requirements necessary in granting loans and controlling credit risk.
- Monitoring – studies, creation and analysis of indicators to support credit risk management by the Cooperatives.
- Modeling – studies and the application of statistical models that estimate the level of losses in the credit portfolios. These are applied in the attribution of internal ratings and the rules governing provisioning for covering loan losses, as well as classification of members in risk categories in accordance with the likelihood of delinquency.

Liquidity Risk

This stems from the institution's incapacity to honor its commitments or only being able to honor them with considerable losses, due to an imbalance between negotiable assets and current liabilities.

Measures to manage and mitigate the risk

- Maintenance of adequate levels of liquidity for the System.
- Establishment of operational limits and procedures to maintain liquidity risk exposure at the levels determined by the institution's management.
- Definition of processes to identify, evaluate, monitor and control exposure to liquidity risk using different time horizons.
- Definition of fund raising guidelines and strategies that enable adequate diversification of funding resources and maturity dates.
- Execution of a liquidity contingency plan, updated regularly, that establishes responsibilities and procedures for addressing situations of stress in liquidity.
- Execution of periodic stress tests with short and long-term scenarios.

Market Risk

This type of risk arises from fluctuations in the financial market, in price indices, oscillations in the prices of shares and goods, variations in exchange rates and interest rates.

Measures to manage and mitigate the risk

- Procedures are performed to measure, monitor and maintain market risk at levels considered acceptable by the institution, such as VaR, market sensitivity stress tests, GAPS by risk factor, duration and backtesting.
- Definition of operational limits that define the market risk appetite of the components of the System in relation to their capital.
- Definition of methodologies aligned with the minimum criteria established by the regulations in force and alignment with best market practice.

Operational Risk

This refers to the possibility of losses arising from failures, deficiencies or the inadequacy of internal or external processes, people or systems, as well as external events.

Measures to manage and mitigate the risk

- Preventive – these are undertaken mainly by means of the elaboration and assessment of risk matrices and process control. Although this process is coordinated in a centralized manner, the construction of risk matrices involves the effective participation of the Sicredi Regional Offices and their affiliated Cooperatives, providing latitude to mitigate systemic and local risks.
- Detective – these include the identification and classification of operational losses, that is, risks that have materialized. Based on the investigation of what caused these losses, measures are addressed at mitigating the risk and avoiding the recurrence of such losses.
- Preventive and detective measures are also connected.
- Based on a broad review of the losses occurred, preventive measures are implemented, such as prioritizing the matrices.

Social and environmental risk G4-35 and G4-36

We reinforced the attribution of responsibility for social and environmental risk in 2016, maintaining director level positions in the Banco Cooperativo Sicredi, the Regional Offices and the Cooperatives. We continued to strengthen the

new policy, which included the determination of objective criteria for the importance and proportionality of exposures and enabled enhancement of the social and environmental risk triage and monitoring process in our credit portfolios.

The positions responsible for managing social and environmental risk

Banco Cooperativo — director of Third Party Assets, Economy and Risks

Regional Offices – Supervisory director

Cooperatives – Operations director

Responsibilities:

- Monitoring social and environmental risk in the credit portfolio;
- Improvement of rules, guidelines, processes and procedures for managing and controlling social and environmental risk;
- Adaptation of these in accordance with Sicredi internal needs or legal requirements.

Internal Standard for Social and Environmental Risk Related to Credit

G4-DMA FS1, G4-DMA FS2 and G4-46

The concession of loans in accordance with the Internal Standard for Social and Environmental Risk Related to Credit was conducted as a pilot project. We applied the new social and environmental questionnaire for the first year, achieving very satisfactory partial results, extending the reach of our processes and reaching a new level in risk mitigation.

After broad-based discussions and joint construction with the Regional Offices and Cooperatives, including meetings in different regions of the country, we approved a new process based on triggers and differentiated criteria for the application of questionnaires and the verification of legal compliance, comprehending the sectors more exposed to social and environmental risk and more representative of our credit portfolios.

The main challenge was to develop a more simplified process which, at the same time, would be effective, secure and aligned with the diverse member profiles by region. In the initial implementation period, we

conducted a total of 2,438 social and environmental assessments for the concession of loans. A significant part of these assessments were undertaken voluntarily, reinforcing our risk culture.

In 2016, the Central Bank (BC) organized a consultation among financial institutions to determine how each one was implementing the social and environmental risk standard and supervising its execution. We also received supervision and support from the International Finance Corporation (IFC) in developing indicators and analyses oriented to the assessment of social and environmental risk.

Our next step is to expand the monitoring process, including new technology solutions aimed at driving efficiency, security and practicality in services for members.

The main initiatives include the introduction of new measures based on geo-referencing, enabling the assessment of areas at greater environmental risk.

44%

of total number of mandatory social and environmental assessments concluded

Sicredi Compliance Program

Preventing and combating economic-financial crimes

- Preventing involvement in illegal activities under the terms set forth in the specific legislation with a view to protecting the organization's reputation and maintaining the trust of Cooperative members and society as a whole.
- Definition of a set of actions in accordance with the profile of each member and business partner, which should be adopted to

ensure the validation of their respective identities and activities, as well as the origin and constitution of their assets and funds.

- This consolidates a set of procedures aimed at preventing the establishment or maintenance of any business relationship that benefits people, organizations or countries that have been barred.
- It proposes minimum standards of behavior for employees and partners in situations that may

involve or be characterized as involving bribery and corruption, aimed at reducing exposure to image and reputational risk, in addition to reinforcing Sicredi's commitment to proactively cooperate with Brazilian and inter-

national initiatives to prevent and combat all forms of corruption.

- It establishes a set of standards and procedures aimed at identifying and reporting funds managed by foreign citizens in any Sicredi entity.

The implementation of our standards is a process that involves all the Cooperatives.

Official and internal standards

- These comprise instructions on compliance related to the updating of existing products or new products, services, businesses and processes, ensuring constant adherence to official and internal standards with a view to detecting, preventing and mitigating risks related to compliance and image. It complements rather than substitutes legal instructions.
- They ensure the existence of a single repository for the construction, formalization, storage, consultation, dissemination and revision of internal standards, guaranteeing standardization of the process and providing guidance on the correct documentation under the terms of the related policy.
- They promote the updating and accompaniment of external standards issued by regulatory authorities and self-regulatory bodies, in addition to official legislation.

Governance of compliance

- This involves the establishment, maintenance and management of the Compliance program, in function of the need to enhance this discipline at Sicredi.
- Proactive development of standards, policies and their ramifications in the associated disciplines, such as: compliance, anti-corruption, sanctions and prevention of money laundering and financing of terrorism, as well as others that may be established.
- Permanent pursuit of a culture of compliance in the organization, promoting orientation, training and education, as well as serving as a point of support for all areas of the company in relation to compliance.



Financial literacy G4-FS16

We participated in the Enef (Estratégia Nacional de Educação Financeira) National Financial Education Strategy Week, together with the Central Bank (BC), other financial institutions and more than 15 organizations that promote financial education.

We organized 605 activities, including talks and training sessions on managing personal finances for our employees, members and communities, reaching 18,554 people, 56% of the total agenda.

We promoted this subject in the Financial Education Week, addressing questions such as attitude to

money, budgeting, planning and indebtedness. We encouraged employees and members to take the free distance learning course offered by the Central Bank (BC) on the importance of financial planning.

Through the Regional Offices and the cooperatives, we organized a series of financial education initiatives, including methods, consulting and tools, as well as dissemination of the content, engaging and training employees to multiply this process among members.

On a local level, the actual Credit Unions assume this function in their daily activities.

Stimulating financial planning

In 2017 we are going to organize another edition of the Oficina do Futuro jointly with one of our partnering insurance companies, this time aimed at enhancing our employees' capabilities, enabling them to increasingly deliver solutions that meet members' needs, informing them of the importance of having insurance for present protection and private pensions to ensure a secure future.

The Oficina do Futuro increases members' awareness of the

importance of financial planning and of constituting financial reserves.

In consortiums, we reached some 10,000 members via itinerant meetings that stressed the importance of planning, of programming purchases and of developing the habit of saving on a monthly basis – part of our financial education initiative and also an opportunity to explain how the consortium operation functions.





In our virtuous cycle, members who save help finance their fellow-members who borrow.

Local development

Our virtuous cycle

The members were responsible for driving our ongoing growth in 2016, due to the relationship they have with the Cooperative. The members' quotas and the products and services they contract ensure the sustainability and the future of our business, consolidating our financial robustness. They finance the activities of other members in their region, because their investments constitute a local fund.

Part of the earnings remain in the Cooperative, enabling them to expand their operations and constitute other funds for the concession of credit, benefiting a greater number of people.

Another part of the earnings returns to the members and, by

extension, to their communities, given that this money will be spent on consumption, driving local trade and the regional economy.

This virtuous cycle is one of the factors that explains our ongoing growth, even during the last two years of recession in the Brazilian economy, which led to a significant decrease in the concession of credit.

We were the financial institution with the highest percentage growth in savings in 2016. This is the result of our close relationship with members, which includes financial education and promoting the cooperative movement, helping them to understand the win-win

relationship which is key to our business model.

Our concern goes beyond granting loans and contributing to the development of members' businesses and the fulfillment of their personal plans. We are concerned about understanding the culture of each municipality, identifying which are the most important economic activities and appropriate targets for our investments.

Our goal is to demonstrate our social rather than just our financial results. This involves generating employment, income and development for the region and engaging the local community in this movement.



Together, members who save and who borrow promote the development of the Credit Union

"Local development here is a fact, driven by the agricultural producers and the cooperative that has demonstrated that it is prepared for this," says Volnei Alacir Dallagno, from Viadutos, near Erechim in Rio Grande do Sul, an agricultural producer who has used Sicredi credit facilities for 20 years. This member has invested in agricultural machinery and in land purchased via consortium, where he breeds poultry for slaughter, grows crops and produces milk.

Sicredi supports Volnei with financial operations for his poultry business, involving significant amounts of money. "Sicredi meets our needs and all the money it raises is invested here [in the region]. For us, the benefits are considerable", he states. Renan Kanha, a resident of Erechim (RS), is a member of the same Cooperative as Volnei. Encouraged by

his parents, who are also Sicredi members, nine years ago he opened a savings accounts, which enabled him to buy a car.

"It is important to know that we are contributing, with a return for the saver and also for the agricultural producer. It is a cycle in which each one helps the other in the Cooperative", he says. Renan also has a business account for the financial operations of his sporting events promotion company in the Erechim region.

The main reason for having chosen Sicredi is the differentiated service. "When you need something they are always there. You have the branch and the solutions - deposits, checks, withdrawals. You never have to do without", he adds.



4%

of operational volume goes to individual micro-entrepreneurs (double the market rate)

R\$ 7.8 mi

in micro-credit

14%

growth in micro-credit for micro and small companies

65,701

SMEs served

R\$ 7.4

billion, 3% growth

Financial inclusion

We generate an important virtuous cycle for the 1,127 municipalities where we operate (before the inclusion of the Sicredi Regional Office - North Northeast), of which 44% are small (with up to 15,000 inhabitants). Additionally, 42% of our branches are located in rural or less developed municipalities, where 35% of the members are concentrated.

In 181 cities we are the only financial institution (16% of our operations), offering our products and services to 273,000 members out of a population of 772,000 people. In 2016, we inaugurated five branches in these locations, providing access to our products and services to a population of 22,000 people.^{G4-F513}

We also established working relationships with institutions such as Sebrae to prepare and support individual micro-entrepreneurs (MEIs - Microempresários Individuais) in accessing the financial market.

We pay the same degree of attention to young people aged between 18 and 25 years, offering them tailor-made solutions such as credit cards and financial service packages within the Sicredi Touch program.

Currently in Brazil there are 12 Credit Guarantee Organizations that complement the guarantees their members require for credit operations in the financial system. We are associated with seven of these organizations and undertook 327 operations amounting to more than R\$ 11 million in loans granted to members who otherwise would not have had access to them because they lacked the guarantees necessary. We accounted for 15% of all the operations undertaken and 11% of the total credit granted in this segment.^{G4-F514}

The scope of the loans granted depends on the type of solution the member requires and may meet diverse short, medium or long term needs, from paying off unexpected expenses to the purchase of vehicles, real estate or less expensive items.

We have been paying greater attention to micro-entrepreneurs aged between 18 and 25 years and to individuals with a monthly income of less than R\$ 1,000, significant segments for the cooperatives. We are seeking alternatives to provide access to credit for these segments, as shown in the table below.

Audience	Members	Credit volume in use	% of total portfolio
Young people	279,972	R\$ 35,833,028	0.36%
Individuals (income up to R\$ 1,000)	669,820	R\$ 145,580,650	1.46%
Individual micro-entrepreneurs	12,201	R\$ 36,819,750	0.46%

*Data for November 2016

Local suppliers are a priority for Sicredi.

Supplier relations

We prioritize local suppliers in the regions in which we operate, in particular in municipalities with fewer than 100,000 inhabitants, helping to drive the local economy. Supplier relations are oriented by our Internal Corporate Procurement Policy, which stipulates that Sicredi suppliers must also be Cooperative members.

In 2016, of the R\$ 1,825,574,651 paid

out to suppliers, R\$ 656,684,695 went to companies in municipalities with fewer than 200,000 inhabitants, corresponding to 26% of the total outlay. ^{G4-EC9 and G4-12}

Of the 2,598 active contracts managed by the Confederação Sicredi Procurement area, 215 contain human rights and sustainability clauses, representing 8.27% of all active contracts. ^{G4-HR1}

Proportion of spending with local suppliers in significant operational units ^{G4-EC9}

Regional Office	2016
Sicredi Regional Office - South	37%
Sicredi Regional Office - PR/SP/RJ	31%
Sicredi Regional Office - Brazil Central	15%
Sicredi Regional Office - North Central	40%
Sicredi Regional Office - North Northeast	10%
CAS companies	5%

* A local supplier is defined as one located in cities with fewer than 200,000 inhabitants, based on geographical information for 2015, provided by the Banco Cooperativo Sicredi Business Planning area.

Social responsibility SI-Projects

Community interest, a principle of the cooperative movement, underpins our strategy, projects and actions. We have 88 professionals in 67 of the 92 Cooperatives involved exclusively in executing social programs for members and the community. These are activities that cover 72.8% of our operations. ^{G4-501}

To support these initiatives conducted by the Cooperatives,

we have the Fundação Sicredi, the guardian of the cooperative movement, key in ratifying and disseminating this culture to all our stakeholder groups. The foundation is aligned with Sicredi strategic planning, with measures based on the macro-topics of sustainability: relationship and the cooperative movement, responsible solutions and local development (read more in Our Way of Being).

We apply the best social and environmental program practices in the country. The regional development we promote impacts both our business model and Sicredi members. Our goal is to raise the level of these initiatives beyond good practices and scale up value creation.

A União Faz a Vida Program

SI-Promoting the cooperative movement

In place for 21 years, the A União Faz a Vida (PUFV) program is aimed at promoting cooperation and values through cooperative education, contributing to the integral education of children and adolescents.

The program methodology invites children and adolescents to value community-based knowledge and spaces, collective ventures, cooperation and the exercise of citizenship as forms of teaching and learning wherever they are and whoever they are with.

To put the principles of cooperation and our values into practice, the methodology is developed based on investigative expedition practices, projects and exchanges with the learning community. This is all linked with the school curriculum, incorporating dialogue and the students' desire to learn.

The projects developed in the program also generate value for the community because they address important questions such as the environment, health, culture and sport, contributing to improved quality of life for the community in which the program is organized.

In 2016, we maintained the program activities and actions with school communities in 274 municipalities. This represents a growth rate of 10% compared with 2015, with the involvement of 219,866 students, 18,743 teachers and 1,428 schools.

As part of our strategy to build a network, we developed new educational consultants to train the instructors in the A União Faz A Vida program in the municipalities. We also provided ongoing training for instructors involved in the program in previous years.

Total investments in the program are estimated at R\$ 6,141,978.49 provided by funding from the Educational and Social Technical Assistance Fund (Fates in the Portuguese acronym), partners, companies and individuals, in addition to donations from companies in the System. ^{G4-ECB Fates}

We are intent on developing a relevant role for education in the communities in which we operate. The projects may be viewed on the website: <http://www.auniaofazavida.com.br/>

A União Faz a Vida Program ^{G4-S01}

2016- STATUS BY REGIONAL OFFICE	Sicredi Regional Office - South	Sicredi Regional Office - PR/SP/RJ	Sicredi Regional Office - North Central	Sicredi Regional Office - Brazil Central	TOTAL 2016
MUNICIPALITIES	142	108	22	2	274
SCHOOLS	788	417	221	2	1,428
EDUCATORS	9,687	5,265	3,743	48	18,743
CHILDREN AND ADOLESCENTS	88,412	62,441	68,042	971	219,866
NUMBER OF PROJECTS	3,045	1,340	2,196	20	6,601

Source: 2016 data provided by Regional Offices

REGIONAL OFFICES	Nº of COOPERATIVES
Sicredi Regional Office - South	26
Sicredi Regional Office - PR/SP/RJ	24
Sicredi Regional Office - North Central	8
Sicredi Regional Office - Brazil Central	2
TOTAL	60

Fomenting knowledge

G4-EC8 and SI-38

To promote employee and member awareness of the Sicredi Library, we publicize it, encouraging people to consult and borrow from the collection of more than 12,772 items, ranging from Brazilian and international literature, to books on management, governance and the cooperative movement. In 2016, 24,481 items were consulted or borrowed, with a satisfaction rate of 93.84%.^{SI38}

The weekly Cultural Wednesdays were also organized during the year. These are open to the public and include literary and musical attractions, as well as monthly visual arts

exhibitions. There were 48 new presentations during the year. The amount invested in the project in 2016 was R\$ 494,960, using Rouanet Cultural Incentive law funds.

Promoting culture ^{G4-EC8}

The show Qual Vai Ser? was continued in 2016, attracting more than 13,000 young people in 44 municipalities. This is a theater play which addresses subjects such as financial education and careers. The play is organized in partnership with the Ministry of Culture. Using Rouanet law incentives for the second year running, the approved investment totals R\$ 1,574,650. The presentations are scheduled to end on June 30, 2017.



We are the only financial institution in 181 Brazilian cities

Before Sicredi inaugurated its branch in Iguatu (Paraná), a city with 2,252 inhabitants - 1,027 in the rural and 1,225 in the urban area -, in 2016, 65 year-old Ari Tirone used to travel 36 km to have access to banking services.

"People would go to the bank and were sometimes unable to receive their salary because no money was available. It was a wasted trip, and the expense was considerable. A waste of time and money", he recalls.

He opened a checking account in the Credit Union in which he receives the salary paid by his employer, the local government. Sicredi

also provides support for the business run by his wife, Terezinha Tirone, 57, who makes babies' clothes and bedclothes. They frequently use checks to buy textiles.

The city's residents have already felt the improvement in terms of accessibility to financial services in a region where the population normally has to deal with a lot of bureaucracy in order to contract products and services. "I myself invite people to join Sicredi. The service is excellent! They pay attention to us. My daughter, my nephew and my mother-in-law are all going to migrate to Sicredi", he adds.

We work on delivering value for members

Blend It, an information technology and service consultancy, with 300 employees in São Paulo, Rio de Janeiro, Curitiba and Orlando (USA), is a business member of Sicredi, working with its branch on Avenida Paulista, the first agency of a cooperative financial institute located in the financial center of Brazil.

The company contracted working capital, an essential resource for the operation in function of its cash flow, which requires credit in order to pay the employees. "For us to grow, we need people because our work is labor intensive. The more we grow the bigger the payroll and we have to pay our staff before

we are paid by our clients", explains Roberto Abreu, one of the partners.

Sicredi's support ensured the financial health of the company, which grew in 2016 without feeling the negative effects of the economic crisis in the country. In fact, the team was expanded with the admission of new employees.

"With the crisis in 2016, credit was harder to come by and interest rates increased. Sicredi works quickly and is very competitive. The effective rate we pay is much lower than the competition's. This really facilitated our access to credit", he concludes.



Financial solidity

The institution's efficiency, key for the future of the business, provides a return for members and demonstrates management quality. In parallel, financial performance, with a total of R\$ 65.9 billion in assets and earnings of R\$ 1.96 billion in 2016, has ensured greater operational capability.

The equity in the Sicredi Guarantee Funds is supplied by contributions from the Cooperatives in the System, exceeding R\$ 200 million at the end of December 2016.

In 2016, 17 projects costing a total of R\$ 58.5 million were approved to promote the development of the Cooperatives.

FATES* contributions (R\$ million)

2016	R\$ 82,291
2015	R\$ 64,571
2014	R\$ 56,495

* The Educational and Social Technical Assistance Fund (Fates) provides assistance to members, their families, and when permitted by the bylaws, Cooperative employees. It is constituted from a minimum of 5% of the net surplus.

Direct economic value generated - revenues (000s of R\$) ^{G4-EC1}

	2016	2015	2014
	R\$ 10,724,444	R\$ 8,571,574	R\$ 6,734,192

Economic value distributed (000s of R\$)	2016	2015	2014
Operational costs	R\$ 6,421,579	R\$ 5,204,436	R\$ 3,806,808
Employee salaries and benefits	R\$ 1,800,402	R\$ 1,431,967	R\$ 1,239,718
Payments to financiers	R\$ 452,726	R\$ 272,853	R\$ 198,836
Payments to government	R\$ 480,002	R\$ 442,990	R\$ 372,117
Community investments	R\$ 2,808	R\$ 3,087	R\$ 2,921
Total	R\$ 9,157,517	R\$ 7,355,333	R\$ 5,620,400

Economic value retained (000s of R\$) <i>("economic value generated" less "economic value distributed")</i>	2016	2015	2014
	R\$ 1,566,927	R\$ 1,216,241	R\$ 1,113,792

The indicator was not audited because the balance sheet was not finalized at the time of publication.

Governance, the guarantee fund, the institution's own fund and the shared results reinforce Sicredi's financial solidity.

Providing funding for members

Sicredi maintained its upward trajectory of the last seven years. Faced with a challenging economic conjuncture and a 7% decrease in GDP, the institution managed to avoid the pitfalls of delinquency and difficulties in fund raising, increasing deposit and rural credit volumes.

Within the Sicredi expansion strategy, assets increased by 25.5% in 2016, incremented by the entry of the Sicredi Regional Office - North Northeast and driven by members' confidence in the System.

The organization achieved all its targets, maintaining ratings at excellent levels, structuring fund raising and access to new sources of funding. The credit portfolio grew by 10.6%. Sicredi enjoys credibility and solid relations with the market and the banks, institutions that it works with to generate the funding the Cooperatives are unable to access locally.

The institution consolidated a 40% share in rural Interbank Certificates of Deposit (CDI), increased its limit with the foment bank BNDES (Banco Nacional do Desenvolvimento) and expanded the number of partners, meeting 100% of the funding requirements from its Cooperatives. Sicredi is seeking complementary sources of financing, encompassing all types of public finance bills, Agribusiness Letters of Credit (LCA), lines in US

dollars, as well as Pronamp and Pronaf facilities, with planning for the crop year fully provisioned until June 2017.

The organization ended the year with funding of US\$ 50 million from the Inter-American Development Bank (IADB). It provides funding for members at lower rates.

Sicredi maintained its positive risk perception, with ratings of AA+ and Aa2 from two of the major risk rating agencies, Fitch and Moody's, respectively.

There is absolute clarity about the System's financial data, enabling Sicredi to maintain an excellent relationship with the market in a positive business environment. Consolidated equity totals R\$ 11.1 billion.

Sicredi expanded its partnership with the International Finance Corporation (IFC), an important consultant and investor in the organization, which accompanied the optimization and efficiency gains in its processes.

The IFC also participated in the structuring of operations with other banks, acting as guarantor. The structure was recognized and awarded by the IFC as the best structured operation in the world in 2016.

Fund manager

After five years using an outsourced model, in 2016 Sicredi internalized fund and portfolio management.

The structure was the result of a painstaking analysis involving the Regional Offices, the Cooperatives as well as regulatory agencies - Associação Brasileira das Entidades dos Mercados Financeiro e de Capital (Anbima) and the Comissão de Valores Mobiliários (CVM), as well as the Central Bank (BC).

The asset management operation started life as the 14th biggest in Brazil, with more than R\$ 28 billion under management, divided among more than 50 funds and portfolios. Internal management, overseen by the Confederação Asset Manage-

ment area, provides the System with important benefits: ^{G4-13}

- Greater value for the Sicredi brand;
- Lower management costs for the Cooperatives, resulting in greater potential return;
- Gains in scale/synergies in the use of systems and services;
- Greater autonomy and flexibility in negotiations with institutional clients and business partners.

The multimarket and share funds will be managed by strategic partners, boosting flexibility by structuring and expanding the product portfolio based on partnerships with managers who have proven results in the product classes in which they operate.

Sicredi - Consolidated Balance Sheet (R\$ -000s) ^{SI-18}

	2016*	2015	2014
Total Assets	65,884,485	52,506,970	46,068,393
Cash and cash equivalents	622,658	538,690	479,859
Short-term interbank investments	14,074,652	11,453,086	10,929,448
Securities	13,981,481	9,263,717	5,625,129
Interbank and interbranch relations	869,253	652,703	685,928
Assets			
General credit	17,948,147	14,997,893	14,495,355
Rural credit	15,073,791	13,045,809	11,897,714
Other credits	1,586,962	1,268,100	993,943
Other amounts and goods	288,036	156,461	76,604
Permanent	1,439,505	1,130,511	884,413
Deposits	42,873,130	32,616,605	29,075,251
Open market funds	1,259,019	2,137,942	2,218,927
Liabilities			
Loans and onlending	6,959,801	6,602,145	5,661,459
Other liabilities	3,676,177	2,774,382	2,184,726
Net equity	11,116,358	8,375,896	6,928,030

Result	Income from financial intermediation	10,702,551	8,655,183	6,579,113
	Other operating income	1,869,699	1,427,200	1,150,419
	Financial intermediation expenses	5,364,133	4,591,172	3,101,836
	Other operating expenses	5,188,464	4,002,117	3,315,068
	Surplus	2,019,653	1,489,094	1,312,628
	Interest on own equity	452,726	272,853	198,836
SI-19 Evolution in surplus (000s R\$)		1,566,927	1,216,241	1,113,792

Sicredi Banco Cooperativo Balance Sheet (R\$000s)

		2016	2015	2014
Total Assets		40,223,543	31,499,153	28,929,334
Assets	Cash and cash equivalents	68,945	33,385	54,312
	Short-term interbank investments	14,083,559	11,467,876	10,936,306
	Securities	7,970,570	3,923,368	3,246,318
	Interbank and interbranch relations	827,337	587,366	586,748
	General credit	1,277,499	1,632,375	1,506,911
	Rural credit	14,697,002	12,770,660	11,748,461
	Other credits	1,128,001	935,288	724,530
	Other amounts and goods	2,763	3,535	441
	Permanent	167,867	145,300	125,307
Liabilities	Deposits	12,846,748	10,658,470	11,731,452
	Open market funds	17,139,593	11,446,527	9,378,219
	Loans and onlending	6,959,801	6,601,995	5,659,916
	Other liabilities	2,072,080	1,619,455	1,097,624
	Net equity	1,205,321	1,172,706	1,062,123
Result	Income from financial intermediation	3,943,140	3,243,536	2,187,869
	Other operating income	196,889	132,528	62,037
	Financial intermediation expenses	3,360,941	2,702,652	1,755,258
	Other operating expenses	672,784	556,596	405,800
	Net income	106,304	116,816	88,848

*The audit of the 2016 financial statements was not concluded and assured before the conclusion of the sustainability report

GRI Summary



<i>Standard disclosures</i>	Page/Response	Omissions	External verification
Aspect: Strategy and analysis			
G4-1 Declaration from key decision maker in the organization (e.g.: CEO, chairman of board of directors or equivalent) about relevance of sustainability for the organization and its sustainability strategy	4		Yes, page 107
G4-2 Description of main impacts, risks and opportunities; focus on the organization's main impacts on sustainability and their effects for stakeholders.	4 and 74		Yes, page 107
Aspect: Organizational Profile			
G4-3 Name of organization	11		Yes, page 107
G4-4 Primary brands, products and/or services	59		Yes, page 107
G4-5 Location of the organization's headquarters	11		Yes, page 107
G4-6 Number of countries where the organization operates, and names of countries where either the organization has significant operations or ones that are specifically relevant to the sustainability topics covered in the report.	11		Yes, page 107
G4-7 Nature of ownership and legal form	11		Yes, page 107
G4-8 Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	11 and 14		Yes, page 107
G4-9 Scale of organization	11, 14 and 34		Yes, page 107
G4-10 Total number of employees UNGC	11 and 49		Yes, page 107
G4-11 Percentage of employees covered by collective bargaining agreements UNGC	54		Yes, page 107
G4-12 Description of organization's supplier chain	87		Yes, page 107
G4-13 Significant changes in the organization's size, structure, ownership, and supplier chain	13 and 94		Yes, page 107
G4-14 Whether and how the precautionary approach or principle is addressed by the organization	74		Yes, page 107

G4-15 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Sicredi does not sign charters or principles and does not develop external environmental and social initiatives	Yes, page 107
G4-16 Participation in associations (such as industry federations) and/or domestic/international advocacy organizations.	42	Yes, page 107
Aspect: Material aspects identified and boundaries		
G4-17 List of entities included in the organization's consolidated financial statements, and entities not included in the report	6	Yes, page 107
G4-18 Explanation of process for defining the report content and boundaries of the aspects	6	Yes, page 107
G4-19 List of all the material aspects identified in the process of defining report content.	6, 7 and 8	Yes, page 107
G4-20 Boundary within the organization for each material aspect	7 and 8	Yes, page 107
G4-21 Boundary outside the organization for each material aspect	7 and 8	Yes, page 107
G4-22 Explanation of consequence of any restatements of information provided in previous reports and the reasons for such restatements	6	Yes, page 107
G4-23 Significant changes in scope and boundaries of material aspects in relation to previous reports	Page 6. The combined statements include data from Sicredi Regional Office - North Northeast, whose cooperatives will be part of Sicredi operations in 2017. Indicators which include Sicredi Regional Office - North Northeast data are: FS6, SI-21, EC1, SI-19 and EC8 Fates	Yes, page 107
Aspect: Stakeholder engagement		
G4-24 List of stakeholder groups engaged by the organization	6 and 32	Yes, page 107
G4-25 Basis for identification and selection of stakeholders with whom to engage	32	Yes, page 107
G4-26 Approach to stakeholder engagement, including frequency of engagement discriminated by type and group, indicating whether any engagement was promoted specifically as part of preparing this report	32	Yes, page 107

G4-27 Key topics and concerns raised through stakeholder engagement and the measures adopted by the organization to address these topics and concerns, including the process of reporting them. List which stakeholder group raised each topic and concern	6, 7, 8 and 32	Yes, page 107
Aspect: Report profile		
G4-28 Reporting period (e.g. fiscal or civil year) to which the information refers	6	Yes, page 107
G4-29 Date of most recent previous report	6	Yes, page 107
G4-30 Reporting cycle	6	Yes, page 107
G4-31 Contact point for questions regarding the report or its contents	6	Yes, page 107
G4-32 In accordance option chosen by organization	6	Yes, page 107
G4-33 Current policy and practice with regard to seeking external assurance for the report	6	Yes, page 107
Aspect: Governance		
G4-34 Organization's governance structure, including committees of the highest governance body. Identify any committees responsible for advising the highest governance body on economic, environmental and social topics	25 and 27	Yes, page 107
G4-35 Process for delegating authority for economic, environmental and social topics from the highest governance body	30 and 77	Yes, page 107
G4-36 Executive level positions and functions with responsibility for economic, environmental and social topics	27, 30 and 77	Yes, page 107
G4-37 Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	45	Yes, page 107
G4-38 Composition of the highest governance body and its committees	25	Yes, page 107
G4-39 If the chair of the highest governance body is also an executive (if this is so, the function exercised in the organization and the reason for the accumulation of responsibilities)	25	Yes, page 107
G4-40 Selection and nomination processes used for the highest governance body and its committees, as well as the criteria for selecting and nominating the members of the highest governance body	24, 25 and 26	Yes, page 107
G4-41 Processes used by the highest governance body for preventing and managing conflicts of interest. Report if conflicts of interest are revealed to stakeholders	43	Yes, page 107
G4-43 Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	45	Yes, page 107
G4-46 Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	74 and 78	Yes, page 107
G4-47 Frequency of the highest governance body's review of impacts, risks and opportunities	24 and 75	Yes, page 107

G4-48 Highest body or position that formally reviews and approves the organization's sustainability report and ensures all aspects are covered	6	Yes, page 107
G4-49 Process for communicating critical concerns to the highest governance body	74 and 75	Yes, page 107
G4-50 Nature and total number of critical concerns communicated to the highest governance body and mechanisms used to address and resolve them	24 and 75	Yes, page 107
G4-51 Remuneration policies applied to highest governance body and senior executives	54	Yes, page 107
G4-52 Process adopted for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and if they are independent from the management. Report any other relations between remuneration consultants and the organization	54	Yes, page 107
G4-53 Consultation of stakeholders on remuneration and application to organization's policies	32 and 54	Yes, page 107
Aspect: Ethics and Integrity		
G4-56 Values, principles, standards and norms of behavior in the organization	12 and 43	Yes, page 107
G4-57 Internal and external mechanisms for seeking guidance on ethical behavior and compliance with legislation, such as relationship channels (e.g. Ombudsman)	45	Yes, page 107
G4-58 Internal and external mechanisms for reporting concerns about non-ethical behavior or conduct incompatible with legislation and questions related to organizational integrity, such as escalating concerns via hierarchies, mechanisms and channels for reporting irregularities	45	Yes, page 107

SPECIFIC DISCLOSURES

Economic category

Material aspects	DMA's and indicators	Page/Response	Omissions	External verification
Material aspects: Economic performance	G4-DMA Management approach	92		No
	G4-EC1 Direct economic value generated and distributed	92		No
Aspect: Indirect economic impacts	G4-DMA Management approach	88 and 89		Yes, page 107
	G4-EC8 Significant indirect economic impacts, including the extension of such impacts	88 and 89		Yes, page 107

Aspect: Procurement practices	G4-DMA Management approach	87		Yes, page 107
	G4-EC9 Policies, practices and proportion of spending on local suppliers	87		Yes, page 107
Social category – labor practices and decent work				
Indicator	Chapter	Page/Response	Omissions	External verification
Aspect: Employment	G4-DMA Management approach	54 and 55		Yes, page 107
	G4-LA1 Total number and rates of employee admissions and employee turnover, by age group, gender and region	55		Yes, page 107
	G4-LA2 Benefits for full-time employees that are not given to temporary or part-time workers, discriminated by important operating units	54		Yes, page 107
Aspect: Labor relations UNGC	G4-DMA Management approach	54		Yes, page 107
	G4-LA4 Minimum notice period regarding operational changes and whether they are specified in collective bargaining agreements	54		Yes, page 107
Aspect: Training and education	G4-DMA Management approach	47		Yes, page 107
	G4-LA9 Average number of hours training per year per employee, discriminated by gender and functional category	47		Yes, page 107
	G4-LA10 Programs for skills management and lifelong learning that contribute to the continuation of employability for employees preparing for retirement	47		Yes, page 107

	G4-LA11 Percentage of employees receiving regular performance appraisals and career development analyses, discriminated by gender and functional category	47		Yes, page 107
Aspect: Diversity and equality of opportunity	G4-DMA Management approach	50		Yes, page 107
	G4-LA12 Composition of the groups responsible for governance and discrimination of employees by functional category, gender, age group, minority group and other diversity indicators	50		Yes, page 107
Aspect: Equal remuneration between men and women	G4-DMA Management approach	54		Yes, page 107
	G4-LA13 Ratio of women's salary and remuneration to men's, discriminated by functional category and relevant operating units	54		Yes, page 107

Social category - human rights UNGC

Indicator	Chapter	Page/Response	Omissions	External verification
Aspect: Investments	G4-DMA Management approach	87		Yes, page 107
	G4-HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that were submitted to human rights assessment	87		Yes, page 107
Aspect: Non-discrimination UNGC	G4-DMA Management approach	47		Yes, page 107
	G4-HR3 Total number of cases of discrimination and corrective measures taken	47		

Social category - society

Indicator	Chapter	Page/Response	Omissions	External verification
Aspect: Local communities UNGC	G4-DMA Management approach	88 and 89		Yes, page 107
	G4-S01 Percentage of operations with local community engagement, impact assessment and development programs implemented	88 and 89		Yes, page 107
Aspect: Anti-corruption	G4-DMA Management approach	44 and 45		Yes, page 107

	G4-S04 Communication and training in anti-corruption policies and procedures	44		Yes, page 107
	G4-S05 Confirmed cases of corruption and measures taken	45		Yes, page 107

Social category – product responsibility

Indicator	Chapter	Page/Response	Omissions	External verification
Aspect: Product and service labeling	G4-DMA Management approach	36		Yes, page 107
	G4-PR5 Results of surveys measuring client satisfaction	36		Yes, page 107

Financial sector supplement

Indicator	Chapter	Page/Response	Omissions	External verification
Aspect: Product portfolio	G4-DMA FS1 Policies with specific social and environmental components applied to business lines	78		Yes, page 107
	G4-DMA FS2 Procedures for assessing and identifying social and environmental risks in business lines	78		Yes, page 107
	G4-DMA FS4 Processes for improving staff competency to implement the environmental and social policies and procedures applied to business lines	47		Yes, page 107
	G4-FS6 Percentage of the portfolio for business lines by specific regions, size and sector	61		No
	G4-FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	62		Yes, page 107

	G4-FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	62 and 69	Yes, page 107
Aspect: Local communities	G4-DMA Management approach	37 and 86	Yes, page 107
	G4-FS13 Access points in lowly-populated or economically disadvantaged areas, by type	86	Yes, page 107
	G4-FS14 Initiatives to improve access to financial services for disadvantaged people	37 and 86	Yes, page 107
Aspect: Product and service labeling	G4-DMA Management approach	59, 68 and 80	Yes, page 107
	G4-FS15 Policies for the fair design and sale of financial products and services	59	Yes, page 107
	G4-FS16 Initiatives to enhance financial literacy by type of beneficiary	68 and 80	Yes, page 107

Auditoria

Independent Auditors' Limited Assurance Report on Sistema de Crédito Cooperativo - Sicredi's Annual Sustainability Report based on Global Reporting Initiative – G4 ("In accordance – Core").



To the Directors and Shareholder of
**Sistema de Crédito
Cooperativo - Sicredi**
Porto Alegre – RS

Introduction

We were engaged by Sistema de Crédito Cooperativo - Sicredi ("Sicredi") management to present our limited assurance report on the information contained in the Annual Sustainability Report based on Global Reporting Initiative – G4, for the twelve-month period ended December 31, 2016 ("Report").

Sicredi's management responsibilities

Sicredi's management is responsible for preparing and presenting appropriately the information contained in Report in accordance with criteria, assumptions and requirements of the GRI guidelines ("In accordance – Core") and for the internal controls as management determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion on Sicredi's Report information, based on the limited assurance work conducted in accordance with Technical Notice of Ibracon 07/2012, approved by the Brazil's National Association of State Boards of Accountancy (CFC) in light of NBC TO 3000 (Assurance Work Other Than Audit or Review), issued by the CFC, which is equivalent to international standard

ISAE 3000, issued by the International Federation of Accountants, applicable to non-historical information. These standards call for compliance with ethic requirements, including independence and work carried out to obtain limited assurance that the Report is free of material misstatement.

A limited assurance work conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of inquiries of management and other professionals from Sicredi who were involved in the preparation of the Report, as well as of the application of additional procedures deemed necessary to obtain evidence which enables us to conclude on the limited assurance on the Report. A limited assurance work also requires additional procedures, as the independent auditor becomes aware of matters that lead him to believe that the Report information may contain material misstatement.

The selected procedures relied on our understanding of the aspects concerning the compilation and presentation of the Report information in accordance with criteria, assumptions and own methodologies from Sicredi. The procedures comprised:

- (a) the planning of the work, considering the materiality, the volume of quantitative and qualitative information and the operating and internal control systems which supported the preparation of the Report;

- (b) the understanding of the calculation methodology and the procedures for preparation and compilation of the Report through interviews with management in charge of preparing the information;
- (c) the application of analytical procedures on quantitative information and sample verification of certain evidence supporting the data used for the preparation of the Report;
- (d) comparison of the financial indicators with the financial statements and/or accounting records.

The procedures applied in this limited assurance work also comprised compliance with the guidelines of the structure for development of the GRI applicable in the preparation of the information contained in the Report.

We believe that the evidence obtained in our work was sufficient and appropriate to provide a basis for our limited conclusion.

Scope and limitations

The procedures applied in a limited assurance work are substantially less in scope than those applied in an assurance work aimed at issuing an opinion on the Report information. Consequently, we are not in a position to obtain assurance that we are aware of all matters that would be identified in an assurance work aimed at issuing an opinion. Had we carried

out a work to issue an opinion, we could have identified other matters or misstatements in the Report information. Accordingly, we did not express an opinion on this information. In addition, Sicredi's internal controls were not part of our limited assurance scope.

The non-financial data is subject to further inherent limitations than financial data, given the nature and diversity of methods used to determine, calculate or estimate such data. Qualitative interpretations of materiality, significance and accuracy of data are subject to the individual assumptions and judgments. Also, we did not carry out any work on data reported for prior periods nor in relation to future projections and goals.

We have considered as part of the scope of our limited assurance work the GRI KPIs (with the exception of G4-EC1 and G4-FS6) and some of Sicredi's own KPIs (SI-01, SI-20, SI-23, SI-25, SI-27, SI-31, SI-33, SI-35 and SI-38), so we perform audit procedures exclusively on them.

Conclusion

Based on the procedures performed and herein described, nothing came to our attention that makes us believe that the GRI KPIs presented on the Report, for the twelve-month period ended December 31, 2016, was not prepared, in all material respects, in accordance with criteria, assumptions and methodologies for the preparation

of the KPIs based on requirements of the Global Reporting Initiative – G4 (“In accordance – Core”).

Porto Alegre (RS),
20 de março de 2017

ERNST & YOUNG
Auditores Independentes S.S
CRC 2SP015199/F-0

Dario Ramos da Cunha
Contador - CRC – 1SP 214.144/O-1

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