



Annual and  
Sustainability Report **2014**



# About this report

Banco Industrial e Comercial S.A. (BICBANCO) is pleased to present the ninth edition of its Annual and Sustainability Report, covering the period from January 1 to December 31, 2014, except as otherwise indicated. Following on from the eighth edition (published in 2014, with details of our operations in 2013), this publication was prepared in accordance with the “core” level guidelines of version G4 of the Global Reporting Initiative (GRI).

Stakeholders of the Bank were polled to establish the topics that this report should contain, on the basis of a Materiality Matrix drawn up according to the G4 criteria and described in the chapter on Social Performance, in the sections Main Engagement Channels and Materiality Test. This document also meets good governance criteria, presenting clear, precise, timely and reliable information in a balanced manner, to enable comparison with previous years. It covers the significant economic, environmental and social issues that have affected the organization or that may have a substantive influence on stakeholders' assessments and decisions.

The information was supplied by various departments, under the supervision of the Governance Committee, and verified by PwC. Measurement techniques, calculation bases and any adjustments to data collected are described in the text.

The report includes the Bank's guidelines, strategy, policies and performance – with details of all its units in Brazil and abroad – and of its subsidiaries Bic Leasing, Bic Cartões, Bic Informática, Bic Distribuidora de Valores, Sul Financeira and Receivables Investment Funds (FIDCs).

The report also contains the Financial Statements and the Balance Sheet in the form proposed by the Brazilian Institute of Social and Economic Analysis (Ibase), as well as the information called for by Brazilian Accounting Standard NBC T 15 – Social and Environmental Information, issued by the Federal Accounting Council. ● [GRI G4-19](#) | [G4-28](#) | [G4-29](#) | [G4-30](#) | [G4-31](#) | [G4-18](#) | [G4-20](#), [G4-21](#) | [G4-22](#) | [G4-23](#) | [G4-33](#)



# Profile

Incorporated in 1938, BICBANCO became a multiple bank with foreign capital on August 29, 2014, when it merged into China Construction Bank (CCB), as reported in the Share Structure section of the chapter on Management and Governance.

One of the major financial institutions in Brazil, BICBANCO is listed on Corporate Governance Level 1 with BM&FBOVESPA and, for the fifth year in a row, is included in the Corporate Sustainability Index (ISE) portfolio. BICBANCO is headquartered in the city of São Paulo (SP), and has a presence in every region of the country through a network of 37 service outlets. It also has a branch in Grand Cayman, to support the operations in the international market.

In addition to the companies covered in this report, the Bank has an interest in Brasilfactors, a joint venture with FIMBank. With BICBANCO and FIMBank sharing management, each party holding 50% of the shares, there

is no controlling shareholder. Therefore information on Brasilfactors is not included in this document.

Group operations are focused on granting credit to corporate clients. Key products and services include loans, bank guarantees, foreign exchange and foreign trade transactions for companies, and payroll-deductible loans and vehicle finance for individuals. Funding for these operations comes from term deposits, letters of credit and financial bills, as well as funding in the international market through bonds and on lending. During 2014, no new portfolios were acquired nor were any types of business or products discontinued.

In its operations, BICBANCO focuses on good corporate governance practices, business ethics, control of business risk and constant improvements in its internal controls, with the objective to promote the sustainability and continuity of its business.

## CCB

China Construction Bank (CCB) is the fifth largest publicly-held bank in the world. With a network of more than 14 thousand branches and some 350 thousand employees, its main business is lending for infrastructure projects, real estate financing and bank cards for its broad client base. Its shares are quoted on the Hong Kong and the Shanghai Stock Exchanges.

● GRI G4-3 | G4-4 | G4-5 | G4-6 | G4-7 | G4-8 | G4-17 | G4-22 | G4-23 | G4-33



# Institutional Mission

To develop financial activities which, at the same time and in an integrated manner, maximize shareholder return, ensure BICBANCO's consistent and sound growth while valuing the community of which it is a part.

## Vision

As a corollary to fulfilling its mission, BICBANCO's ambition is for its staff to be recognized by the clients and the market as the best team of professionals in financial products and services intended for the Middle Market

## Corporate Values

- Respect for our staff
- Acceptance of internal rules
- Performance recognition
- Encouraging teamwork
- Fostering transparency
- Emphasis on the integrity of our actions
- Incentive to active participation in the financial environment
- Social responsibility to the community

• **GRI G4-56**



# Highlights

## ISE - Corporate Sustainability Index

BICBANCO is included in the 10<sup>th</sup> Corporate Sustainability Index (ISE) portfolio, for the year 2015. This is the fifth consecutive year that the Bank has been on this list.

## Top Employers

In March 2015, for the fourth consecutive year, the Bank was certified as Top Employers Brazil. This certification recognizes companies for their excellence in human resources, leadership and strategy.

## Rise in Rating

Standard&Poor's and Fitch Ratings upgraded BICBANCO's rating to investment grade, on both their domestic and global scales. The bank's sustainability rating is AA according to the consultancy firm Management & Excellence.

### Ratings

	Rating/Index	Scope/Classification	Rating Publication Date
Moody's	Baa3 P-3 Aa1.br BR-1 Stable	<ul style="list-style-type: none"><li>• Global scale deposits in foreign and local currency</li><li>- Long term</li><li>- Short term</li><li>• Domestic scale deposits</li><li>- Long term</li><li>- Short term</li><li>• Outlook</li></ul>	12/01/2014
Standard & Poor's	BBB- A-3 brAAA Stable	<ul style="list-style-type: none"><li>• Global scale in foreign and local currency – counterparty rating</li><li>- Long term</li><li>- Short term</li><li>• Domestic Scale</li><li>• Outlook</li></ul>	10/01/2014
Fitch Ratings	AAA(bra) F1+(bra) Stable	<ul style="list-style-type: none"><li>• Domestic Scale</li><li>- Long term</li><li>- Short term</li><li>• Outlook</li></ul>	02/12/2015
Austin Rating	brAA- Positive	<ul style="list-style-type: none"><li>• Domestic scale long term</li><li>• Outlook</li></ul>	04/11/2014
LF Rating	AA- Neutral	<ul style="list-style-type: none"><li>• Local currency</li><li>• Outlook</li></ul>	12/19/2014
Management & Excellence	AA	<ul style="list-style-type: none"><li>• Sustainability Rating</li></ul>	Jul/2014

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# Message from the CEO

2014 was a particularly challenging year for financial institutions and for the Brazilian economy. The World Cup benefited tourism, but on the other hand, monetary and currency policy, falling revenues and higher government expenses affected industry and exports. We saw a worsening in economic indicators, and this has left a challenging legacy for 2015. An official rate of inflation close to the ceiling of the target set by the monetary authority, and the upward trend in the benchmark borrowing rate (Selic), together with prospects for a fall in the value of the *Real*, have brought a high degree of volatility to the markets.

For BICBANCO, 2014 was marked by the conclusion of the purchase of a controlling interest by China Construction Bank (CCB). After operating for 75 years as a 100% Brazilian company, we became an international company, part of one of the world's ten biggest financial conglomerates. Being a part of this process is a challenge that has included adapting to a new organizational and social culture, the creation of a new business profile and a change in our horizons, within a new global context. We have made every effort to make this period of transition as smooth as possible, taking into account and respecting all our stakeholders.

The continuing work of the teams in the administrative and commercial areas has been fundamental in maintaining a healthy organizational environment, and this phase is not yet over. In the midst of all this change, we remain committed to sustainability in our strategic actions and to the principles of the Global Compact. We have also continued to manage our human resources, focusing on the health and quality of life of our staff, and have once more been awarded a Top Employers certificate.

Since August 29, 2014, when it completed the purchase of a controlling stake in the Bank, CCB has been implementing a set of measures to align the new subsidiary with the group management model. In the sphere of risk management, this alignment has meant a significantly more cautious approach to risk, with a consequent rise in provisions, and this affected the results in the second half of 2014. The loan portfolio decreased slightly during the year, shrinking by 3.8% to a total of BRL12.2 billion, continuing the trend towards larger clients. Total funding fell by 6.6% to BRL11.7 billion, with liquid assets being brought into line with the Bank's risk level, cutting costs and conserving liquidity.

Our emphasis on constantly enhancing corporate governance paid off once more, with an AA sustainability rating being achieved. In addition, with the change in control, the rating agencies raised the Bank to investment grade, on both domestic and global scales.

The new controlling shareholder wants to place development before growth, with our business plan evolving in a steady and integrated manner as from 2015. We can expect to be a more competitive bank in the future. We have the capacity to be a major intermediary and service provider for foreign trade, especially between Brazil and China. We will continue to invest in order to achieve growing standards of excellence in management and service, focusing on our clients and on low-risk business.

I would like to thank our shareholders, clients and suppliers for their confidence in us. Finally, I must praise the engagement and dedication of our staff, the professionals who work in every unit and every area, who have joined in this undertaking and are making enormous efforts so that the arrival of CCB in our country shall be a success.

**Milto Bardini**  
CEO in action





# Governance and Management

## Code of Ethics

The Code of Ethics sets the principles and values that should guide the actions of every employee, both as to their expected behavior in the workplace and how they should relate with their stakeholders. It has the support of senior management.

The code's principles were structured to provide guidance to employees on how to avoid conflict of interest in their work. The channels of communication available for reporting violations of the Code of Ethics are: the Ethics Committee, the Committee Channel and Talk to HR, all of which guarantee total confidentiality. • [GRI G4-S07](#)

## Brand and corporate image

The Bank has various corporate communication channels to disseminate its brand in combination with the concept of value, and it uses them to issue information on matters of common interest, with emphasis on a transparent rendering of accounts.

All processes and initiatives involving the Bank's brand and image pass through various internal areas, to ensure integrated, clear and objective communications that will reinforce the confidence of partners, suppliers, clients and shareholders.

# PILLARS OF THE CODE OF ETHICS

## **Consideration for others**

Upright conduct, absence of discrimination, mutual respect and honorable treatment.

## **Commitment to transparency**

Clear and visible criteria for all decisions and actions.

## **Compliance with laws and regulations**

Obedience to legislation and internal rules.

## **Corporate social responsibility**

Strategies and policies aimed at strengthening the sector and creating value for stakeholders.

The Bank's Marketing and Communication Policy is intended to standardize the best communications practices, and contains guidelines for institutional notices and for information on products and services, and for relationships. This document also sets responsibilities, lists the tools available and complements the Brand Use Policy.

All marketing initiatives comply with the guidelines of the Brazilian Advertising Self-Regulation Code, issued by the National Advertising Self-Regulation Council (Conar) and the Banking Self-Regulation System. Compliance is assessed each time a marketing action is launched or revised. As mentioned in the Communication section of the chapter on Social Performance, compliance was absolute in 2014. There were no cases of non-compliance in respect of information and labeling of products and services.

BICBANCO has no specific policy governing the minimum period of advance notice to be given in the event of operational changes. In such cases, timely notice is given, in accordance with the law if appropriate, and in a transparent and fair manner. Communication also has a strategic role in relations with the internal public.

**The BICBANCO brand is well established in the domestic market, as a consequence of the Bank's commitment to sound principles and values as outlined in the Code of Ethics. The document focuses on the Bank's relationship with all its stakeholders**

## Pillars of the Sustainability Policy

The Bank has created a specific sustainability policy to document its guidelines, which is updated annually. The policy underpins all its projects, and is based on the triple bottom line concept: Business Perpetuity, Corporate Social Responsibility and Respect for the Environment. The document recommends being constantly on the lookout for risks and opportunities related to social and environmental issues, and encourages sustainable development.

The results achieved by applying this policy are described in the Sustainable Performance section of the chapter on Social and Environmental Risk.

During 2015, the Bank intends to introduce action plans to bring its operations into line with the provisions of National Monetary Council – CMN Resolution No. 4327.

## Crime Prevention Policy

Company policies apply to the entire relationship chain. Prevention procedures include an assessment of individual risk, and of the risk of every transaction and sector, to reduce the possibility of products and services being used for criminal purposes, such as corruption, money laundering, financing of terrorism, tax evasion or piracy.

On the basis of these guidelines, Anti-Money Laundering and Crime Prevention Committees in Brazil and Cayman examine all the Bank's clients and business units, to detect and minimize possible risks. These procedures are in line with the requirements of Laws No. 9.613/98 and No. 12.683/12 and with Brazilian Central Bank regulations, including Circular No. 3.654/13, which defines the rules applicable to financial institutions.

During 2014, no employees were dismissed, or employment contracts not renewed, for violations related to corruption, and all staff received training on the Bank's anti-corruption policies and procedures. In the event of suspicion of illegal transactions linked to Bank staff, the Prevention Committee (in Brazil or Grand Cayman) carries out a joint inspection with the Audit area and, depending on the circumstances, a decision is made on what legal measures to take – a warning, suspension or dismissal for cause. The Anti-Money Laundering Committee is independent and has decision making authority. ● [GRI G4-SO4](#) | [G4-S05](#)

# PILLARS OF THE SUSTAINABILITY POLICY

### Business Perpetuity

Adoption of responsible principles for understanding and monitoring value chain performance and for seeking medium and long-term business.

### Corporate social responsibility

Maintenance of the bonds of trust and mutual respect with stakeholders and business partnerships, leading to lasting relationships and an ethical and transparent attitude.

### Respect for the environment

Environmental impact management of its operations and products, internally and in the value chain, thus having a positive influence on stakeholders.

With the enactment of the Anticorruption Law (No. 12.846/13) in February 2014, specific procedures were introduced to monitor all transactions and clients. In this way, 100% of transactions subject to the risk of corruption were analyzed. Today the Bank has specific departments for analyzing clients and transactions, using reports from foreign companies and lists of international bodies, and controlling exports to restricted countries.

All financial transactions of Bank clients are monitored. For cash transactions, monitoring is online and in real time. Information monitored is sent to the Financial Activities Control Council (Coaf), which comes under the Ministry of Finance. Since July 2014, the Crime Prevention area has been represented (in-person) at meetings of the General Credit Committee (CAC-P), to report on the results of AML checks of clients/groups, and to assist in credit decisions. To supplement the new procedures, in October 2014 the Bank introduced its Know your Supplier policy.

During the year the BICBANCO Group also signed up to the Foreign Account Tax Compliance Act (FACTA), a US law governing the overseas banking transactions of U.S. persons, which came into force for personal clients on July 1, 2014, and for companies on January 1, 2015. ● [GRI G4-S03](#) | [G4-S05](#)

### **Risk flow management related to corruption, money laundering and financing of terrorism**

1. The Crime Prevention area constantly monitors potential direct or indirect relationships with persons involved in corruption.
2. The Commercial Area is required to provide details when a possible risk is identified.
3. A report is submitted to the Anti-Money Laundering and Crime Prevention Committee.
4. The occurrence and supporting documentation are recorded in the client monitoring system, and form part of clients' records.



# 72%

**Percentage of BICBANCO purchased by China Construction Bank (CCB), in a transaction undertaken on August 29, 2014**

## Human rights

The Bank does not accept any indications of child labor, or forced or compulsory labor among its staff, and strictly controls human rights-related risks. To this end, it constantly monitors the portfolio of clients and suppliers, and meetings are held between internal areas to identify and minimize potential risks, and to detect any indications of non-compliance.

The Bank does not work with companies that employ forced or compulsory labor, and includes in its agreements with clients and suppliers the requirement that they apply the same guidelines in the defense of human rights. There was one internal complaint of discrimination in 2014, which was taken to the Ethics Committee. After examining the case, the Committee implemented a plan for local redress, and monitored the results.

Other channels – the Customer Service (SAC) and the Ombudsman – received no reports of disrespect for human rights.

In its relations with external stakeholders, all the Bank's products and services are governed by agreements with specific social and environmental clauses, which include human rights. Any changes to these agreements have to be examined and resolved on by the Sustainability Committee ("Blue Committee"). As part of this process, 100% of transactions were submitted to human rights assessments. ● **GRI G4-HR1 | G4-HR9 | G4-HR3**

## Risk management flow related to human rights

1. Systems generate a specific alert in the event of suspicion of disrespect to human rights.
2. The Commercial area asks the client for an explanation, and submits it internally.
3. The occurrence and supporting documentation are recorded in the client monitoring system, and form part of the clients' records for future consultation.
4. The Sustainability area submits a report to the Blue Committee, which informs the Governance Committee.

## Shareholding structure

On October 31, 2013, the majority shareholders of the BICBANCO Group signed an agreement with China Construction Bank (CCB) for the purchase and sale of 72% of the Bank's total capital (all the shares held by the controlling shareholders). The acquisition of the controlling shares by CCB Brazil Financial Holding – Investimentos e Participações Ltda. (CCB Holding) took place on August 29, 2014.

On September 18, 2014, the Executive Board of the Brazilian Central Bank Financial System Organization approved the transfer of corporate control of BICBANCO and its subsidiaries to CCB, which is headquartered in Beijing, China. Since that date, BICBANCO has been a financial institution with foreign capital within the Brazilian financial system.

On September 29, 2014, CCB Holding submitted an application to the Brazilian Securities Commission (CVM) to register a public offering for the purchase of all the minority shares in BICBANCO, because of the transfer of control. The document requested the CVM to authorize the combination of this offering with the public offering for purchase of all the Bank's shares currently in circulation (jointly referred to as OPA), in order to cancel the Bank's registration for trading in its shares as a securities issuer, and to discontinue the specific corporate governance practices required for the special listing segment on BM&FBOVESPA, known as Corporate Governance Level 1.

Morgan Stanley Corretora de Títulos e Valores Mobiliários S.A. was engaged as broker to the OPA. All the documentation relating to the application to register the OPA sent to the CVM, with the information required for the transaction to go ahead, is now under analysis.



The Appraisal Report and the full text of Material Facts related to the transaction and the OPA are available on the CVM website ([www.cvm.gov.br](http://www.cvm.gov.br)) and on the BICBANCO investor relations website ([www.bicbanco.com.br/ri](http://www.bicbanco.com.br/ri)).

On October 29, 2014, CCB Holding gave notice to the former controllers of the Bank that, pursuant to the purchase and sale agreement for 72% of the capital stock, the purchase price paid on the closing date would be subject to an adjustment of

approximately BRL287.8 million, representing a reduction of BRL1.58 per share.

In view of the change in shareholder control, an Extraordinary General Meeting was held on September 1, 2014, to elect new members of the Board of Directors and the Executive Board. The approval of the Brazilian Central Bank is awaited, as indicated in the sections Executive Board and Board of Directors in this chapter. ● **GRI G4-13**

## Shareholding structure – August 29, 2014

	Common Shares	%	Preferred Shares	%	Total	%
Parent Company	157,394,932	98.24	24,702,582	26.65	182,097,514	72.00
CCB BRAZIL FIN HOL INVEST E PART LTDA	157,394,932	98.24	24,702,582	26.65	182,097,514	72.00
Board of Directors <sup>1</sup>	11	0.00	101,383	0.11	101,394	0.04
Managers <sup>2</sup>	-	0.00	225,593	0.24	225,593	0.09
Treasury Shares	-	0.00	6,398,518	6.90	6,398,518	2.53
Free float	2,811,890	1.76	61,268,660	66.10	64,080,550	25.34
Total	160,206,833	100.00	92,696,736	100.00	252,903,569	100.00

<sup>1</sup> Board of Directors (José Bezerra de Menezes, Daniel Joseph McQuoid and Heraldo Gilberto de Oliveira)

<sup>2</sup> Managers (Mílto Bradini, Paulo Celso Del Ciampo, Carlos José Roque and Francisco Edênio Barbosa Nobre)

## Subsidiaries

**BIC Arrendamento Mercantil S.A. (BIC Leasing)** | Focuses on leasing transactions for legal entities and deals involving chattels and properties, particularly in vehicles, machinery and equipment.

**BIC Administradora de Cartões de Crédito S/C Ltda. (BIC Cartões)** | Issues and administers BICBANCO credit cards and pre-paid cards under the Visa flag. It also leases its Bank Identification Number (BIN) to private institutions.

**BIC Informática** | Provides data processing services and technical support for BICBANCO Group operations.

**BIC Distribuidora de Títulos e Valores Mobiliários** | Responsible for the Bank's securities operations.

**Sul Financeira S.A. Crédito, Financiamento e Investimentos** | Offers payroll-deductible loans, personal loans, vehicle finance and direct consumer credit (CDC) to individual clients and small companies.

**Brasifactors (joint venture)** | Provides factoring and forfaiting services for small and medium-sized companies.



**Sustainable development guides BICBANCO's governance, which was reinforced in 2014 by the change in control. One of the new guidelines is a focus on export products**

## Corporate Governance Structure

The central pivot for business continuity, the corporate governance model adopted is in line with internationally recognized standards, and its benchmark is the sustainable development of the Bank's business. Its structure is focused on business performance, in its relationship of risks to controls and in creating value for the various stakeholders, transparently, ethically and in accordance with the best practices.

The Bank has created a structure of committees, combining the technical and decision-making areas, to ensure that decisions meet the interests and the continuing integration of the groups involved. The pillar of the governance structure is the Board of Directors, which is elected by the shareholders in general meeting and supported by four Executive Committees, nine Technical Committees and the Executive Board.

The change in the Bank's shareholder control has not altered the structure or operation of the existing committees, and their activities continue as before. Only the Executive Board Committee (CDE) has temporarily suspended its activities, since the new members are still awaiting the resolution of certain bureaucratic issues and the approval of the Brazilian Central Bank.

During the transition period, strategic decisions that would be made by the CDE are being taken care of by the Governance Committee. The Audit Committee has also become more influential as part of this process. Since it is made up of independent professionals, the Board of Directors has decided to elect the Chairman of the Audit Committee as an independent member of the Board.

With the change in control, the new controlling shareholder has appointed three members to the Board of Directors. A CEO and five other officers have also been appointed, including vice presidents. The new executives will replace the current controlling block, consisting of the CEO, one vice president, one officer and three board members.

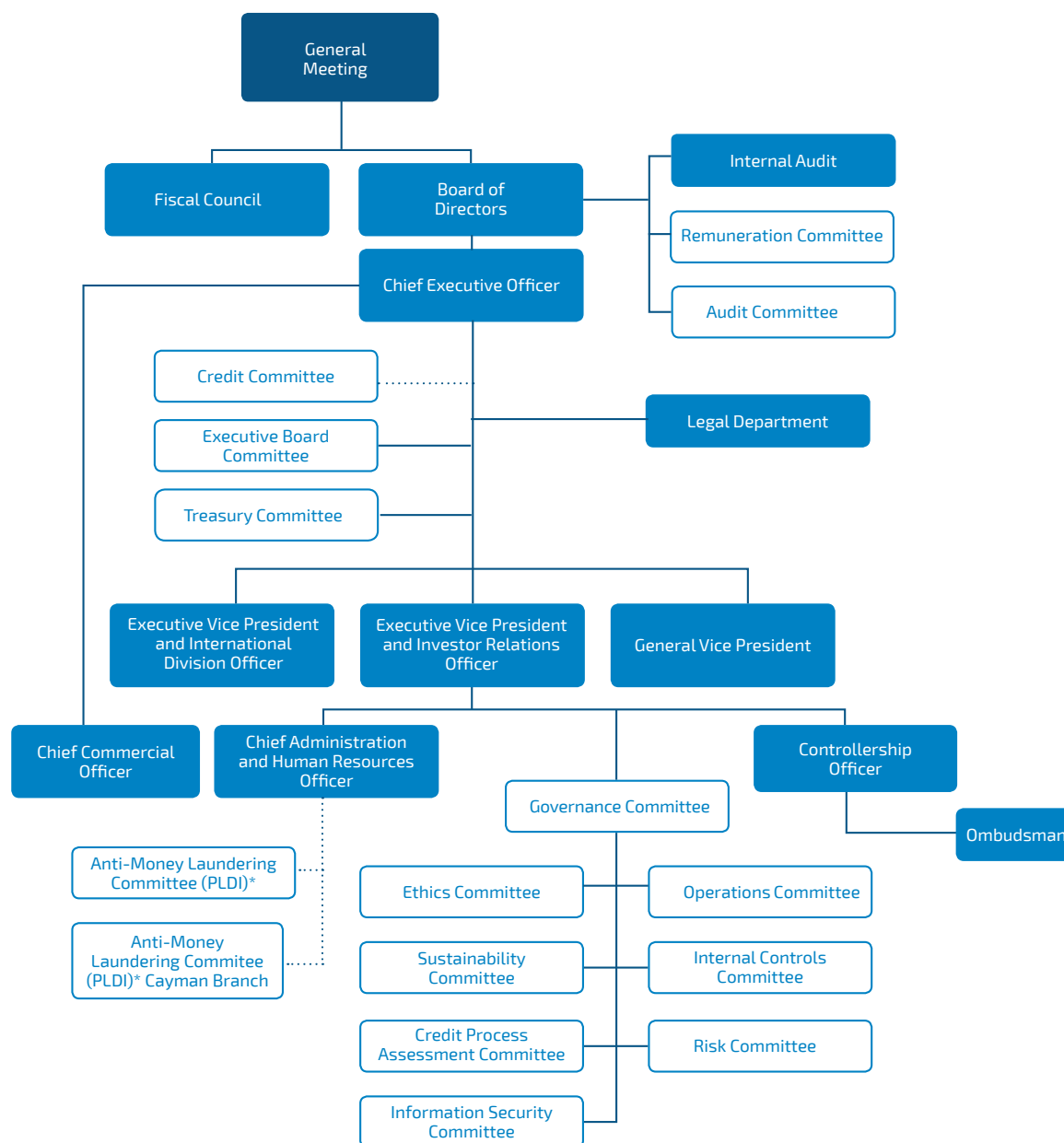
The new controlling shareholders have indicated their intention to give more emphasis to trade finance, to facilitate trade between Brazil and China, and this has increased the importance of the New Products Committee, which is one of the technical committees advising senior management. ● [GRI G4-34](#) | [G4-38](#)

## Management/Management remuneration

The maximum figure for management remuneration and profit-sharing for the year are decided by the shareholders in general meeting with the support of the Remuneration Committee. The variable portion is calculated on the basis of achieving six-monthly goals, and is limited to 10% of net income, after payment of the 25% minimum dividend to shareholders.

Based on the total variable remuneration determined by the General Meeting, the Board of Directors sets individual amounts, taking into account the responsibilities, skills, time dedicated to their functions, and the contribution of each executive to results and to social and environmental issues. ● **GRI G4-51**

## Corporate Governance Structure





## General Meetings

As required by law, a General Meeting is held annually, within four months after the end of each year, and extraordinary meetings are held whenever the company's interests require a shared decision.

Pursuant to the By-Laws, although holders of preferred shares are not entitled to vote at general meetings, all shareholders can attend and can make recommendations directly to the Board of Directors.

To ensure total transparency in decision-making, all documents to be analyzed or discussed at General Meetings (annual and/or extraordinary) are made available for consultation on the BM&FBOVESPA website ([www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)) and filed at the Bank's headquarters as from the date of publication of the first call notice.

In 2014, the Bank held one Annual General Meeting (AGM) and one Extraordinary General Meeting (EGM) at its headquarters. The other group companies also held their own General Meetings.

## Board of Directors

The Bank's highest management body, the Board of Directors, has strategic and supervisory responsibilities, and had the support of the internal audit and the Audit Committee. It is responsible for defining policies, strategies and economic and financial guidelines, and for administrative decisions and sustainability issues, as well as for ensuring that its decisions are carried out.

At an EGM held on September 1, 2014, the new controlling shareholder appointed three new members to the Board of Directors: Mr. Wensheng Yang, as Chairman, and Mr. Tiejun Chen and Ms. Hong Yang as board members. These new directors will take office upon approval by the Brazilian Central Bank. The Board will in future consist of six members, with three independent directors in addition to the three representing the control group.

The future CEO of the Bank, Mr. Chen Tiejun, will be one of the members of the Board of Directors, but not chairman of the board. There are no specific requirements or qualifications for the election of these members, according to the By-Laws.

● GRI G4-39 | G4-38

### Internal audit

The internal auditors inspect all departments and units annually, to monitor compliance with policies, rules and systems.

No critical action points were identified by the internal auditors in 2014. This area is also responsible for preventing and combating fraud. One hundred percent (100%) of the branches and 49% of the administrative areas were audited during 2014. ● **GRI FS9**

### Fiscal Council

The Council has three full members and two deputies. Their mission is to monitor the actions of management, to assess the Financial Statements and to report their conclusions to the shareholders.

### Executive Board

At a meeting of the Board of Directors (RCA) on September 1, 2014, the following new members of the BICBANCO Executive Board were elected: Sr. Tiejun Chen to hold the position of Chief Executive Officer; Ms. Xiaowei Dong and Mr. Jin Li as Vice Presidents, and Mr. Zhongzu Wang and Ms. Hong Yang as Executive Directors. These executives will only take office after approval has been given by the Brazilian Central Bank.

Accordingly, the Executive Board of the Bank will consist of the five executives mentioned above, and the four who are already in office: Mr. Milto Bardini as Executive Vice President and Chief IR Officer; Mr. Paulo Celso del Ciampo as Executive Vice President; and Messrs. Francisco Edênio B. Nobre and Carlos José Roque as Executive Directors. The Executive Board is appointed by the CEO.

### Advisory Committees of the Board of Directors

Two committees give advice directly to the Board of Directors: the Audit Committee and the Remuneration Committee.

**Audit Committee** | This committee is responsible for regular reviews of the key reports issued by management, and for maintaining constant communication with managers to obtain a comprehensive overview of the principal business risks and the corresponding controls adopted. It consists of three independent members, with a one-year term of office, renewable for up to five years.

**Remuneration Committee** | This committee defines the procedures necessary to put the Remuneration Policy into effect, and is responsible for recruitment programs and for dismissing managers. It is a permanent, statutory body which also coordinates the succession plan for the key strategic areas at the Bank. ● **GRI G4-38**

### Executive Committees

**Governance Committee** | It holds monthly meetings to outline a focused and strategic overview of risks, and analyzes matters submitted by the Technical Committees – Operations, Internal Controls, Risk, Information Security and Sustainability (Blue Committee). It also monitors the Credit Process Committee and the Ethics Committee, as well as providing the Bank with a focused and strategic overview of risk.

**Executive Board Committee (CDE)** | It holds monthly meetings to define strategies to guide the activities and structure of BICBANCO, in line with the Bank's values. The statutory officers are members of this committee.

**Treasury Committee** | It assesses the macroeconomic and political scenario weekly, weighs the effects of the situation on market variables (such as interest rates, spreads, exchange rates and market indexes) and defines appropriate levels of exposure for each of these variables.

**Credit Committee** | It meets daily to analyze transactions proposed in the commercial portfolios, rural credit, on lending and consumer credit. Among its other functions, it defines the guidelines and manages the granting of credit by the service network, sets bank spreads and charges to maximize financial margins and revenues, through an increase in business, and decides what resources are to be allocated to lending, maximizing the operating potential of the network.



**Anti-Money Laundering Committee** | It meets monthly to receive, analyze and identify suspect events and atypical activities; to rule on violations and, if appropriate, recommend the application of administrative sanctions; to issue reports to the competent supervisory and regulatory authorities, when its investigations conclude that there are strong indications of irregularities; and, among its other duties, to coordinate and propose mechanisms for the exchange of information and cooperation.

**Anti-Money Laundering Committee – Cayman Branch** | With five members, it meets quarterly to define policy guidelines and maintain anti-money laundering activities in Cayman; to analyze suspect occurrences or indications that the Bank may have been used for money laundering, guided by the Brazilian Central Bank and CIMA regulations; to decide on reporting to the Central Bank and CIMA (Cayman Islands Monetary Authority), and on maintaining or terminating a banking relationship; and to resolve on new procedures to minimize the risks to reputation, operational and legal risks, and risks of concentration, always applying the Know your Customer concept.

## Technical Committees

The Technical Committees are consultative committees which meet monthly and report their decisions and activities to the Governance Committee. The Project Portfolio Management Group (GPP) is called upon when improvements in the efficiency of process flows or reduction of operating risks are involved.

The Bank has nine Technical Committees: the Ethics Committee, Sustainability/Blue Committee, Credit Process Assessment, Information Security, Operations, Internal Controls, Risks, and two Anti-Money Laundering and Crime Prevention Committees – one in Brazil and another in Cayman. These two last are also executive committees, since that there are statutory officers among their members.

The technical committee staff are fully trained, and appointed without reference to assessment, responsibilities or remuneration. Each member is assessed periodically for effective participation and contribution to the group.

**Ethics Committee** | As the principal body for providing guidance, making decisions and promoting general awareness of the Code of Ethics, this Committee reports to the Governance Committee. Its aims are to disseminate and monitor compliance with and application of the Code of Ethics, analyzing and identifying violations; to assess and discuss aspects reported by staff that are not consistent with the Code's guidelines; and to propose improvements in the Code to management. ● **GRI G4-57 | G4-58**

**Sustainability Committee (“Blue Committee”)** | The Blue Committee's responsibility is to monitor activities related to the Sustainability Policy and ensure that they are appropriate. It is the body responsible for setting strategies for policies, standards and investments, and for assessing cases of social or environmental risk.

With ten full members, representing every area of the Bank, the Blue Committee meets monthly. Its mission is exclusively deliberative, and it reports to the Governance Committee.

To support the Blue Committee and also spread the culture of sustainability throughout all group departments and companies, there is the Sul Financeira Sustainability Group, which encourages initiatives in this company, and the Climate Change Group, which analyzes the risks and opportunities arising from changes in the climate.

It is proposed to set up an Eco-efficiency Working Group in 2015 (for more details, see the paragraph on Social and Environmental Risk in the Risk Management section of this chapter). ● **GRI G4-EC2**

## Risk management

The Risk Management Policy is applied in all the Group companies. It is aligned with Brazilian Central Bank guidelines and determines the levels of risk appetite, and the appropriate conduct and procedures to measure, monitor, control and submit internal reports on the risks inherent in the business.

With integrated credit, Social and Environmental Ratings, the risk management process is constantly being enhanced. Its key objective is to provide an overall view of risk exposure, so as to ensure more efficient controls and speedier strategic decisions.

Risk management is divided into five categories – social and environmental, market, credit, operations and liquidity – and the guidelines for capital management, and the policy and strategic decisions based on it, involve the Board of Directors, the Executive Board and the Governance Committee. To ensure that strategic decisions are consistent and effective, senior management has the support of the Technical Committees and the Corporate Governance department. The Bank's policy is to prioritize

the controls and associated risks identified by these committees. BICBANCO has specific teams to manage each type of risk, to centralize decision-making and to control the flow of operations.

In 2014, the Bank went ahead with its plan to introduce new computer tools and a new database to manage and model risks on the basis of its loss experience. This work is to be completed in 2015, and a single system will be set up incorporating Treasury processes.

There are specific teams for each type of risk, to centralize decisions and control the flow operations.

## Social and environmental risk

The purpose of social and environmental risk management is to detect the direct and indirect impact of these issues on the business with potential to cause losses. The Bank has a set of policies and procedures to identify, monitor and minimize these risks. All clients and transactions are analyzed for social and environmental risks.

A photograph of two men in business suits sitting at a desk. The man on the left is smiling and looking at a document he is holding. The man on the right is looking at the same document. There is a laptop and a telephone on the desk. The background is a blurred office setting with large windows.

# 100%

**of the branches and 49% of the administrative areas were audited in 2014 to test the effectiveness of the controls for preventing and combating fraud**

Each client is given a Social and Environmental Rating, which is reviewed every two years and can be corrected at any time if necessary for internal purposes, or if new information is obtained. If irregularities or cases of non-compliance are suspected, additional information is called for and, if necessary, a technical visit arranged. The Committee is responsible for assessing compliance in the event of exceptions, and for reclassifying clients or placing restrictions or a ban on them if they cause significant adverse social and environmental impacts

Throughout the year improvements were made in the integration of the back office and sustainability areas, so as to exercise stricter control over assets taken as collateral and establish the possible existence of social or environmental risk. This process includes analyzing documents and inventorying assets and products to meet nine specific requirements. 106 property inspection reports were submitted in 2014, six of them with an unfavorable opinion.

Portfolio mapping shows that 100% of the active clients have been submitted to social and environmental analysis. The Blue Committee issued 570 opinions in 2014, 33% more than in the previous year.

Nineteen sectors were identified with higher potential for social and environmental impact and influence on business, due to the risk of possible alterations in production and, accordingly, in their results.

There are volume restrictions and more rigorous inspections for transactions with sectors such as tobacco, fisheries, asbestos, alcoholic beverages, and arms and ammunition. A more detailed sectorial analysis helps improve the level of understanding of the risks relating to each active client, and allows the Bank to capitalize on possible business opportunities. Portfolio checks are being computerized, and this should be completed in 2015.

The analysis and monitoring of social and environmental risks during the year identified 12 clients using forced or compulsory labor or child labor, and restrictions were placed on business with these clients. After the necessary verification, nine clients who had been banned from doing business were allowed to resume a commercial relationship with the Bank.

The impact of climate change is considered when assessing the potential social and environmental risk of clients and suppliers, with reference being made to the study on potential risks and opportunities for the Bank. ● [GRI G4-S09](#) | [G4-S010](#) | [FS10](#)

## Assessment of social and environmental risk in operations and business

The assessment of social and environmental risk is structured in phases, for the identification, classification, assessment, monitoring, mitigation and control of such risk in operations and business:

**Phase 1** | Clients have to complete a Sustainability Declaration, valid for one year, depending on their business sector – there are specific declarations for the sugar and alcohol sector, agribusiness, construction and engineering, electricity generation and distribution, foodstuffs, metalworking, meat processing, healthcare, commercial services, and transport and logistics, which include a declaration that the client does not employ forced or compulsory labor or child labor.

The basic purpose of this document is to protect natural resources, as a commitment to adapting to climate change and minimizing it, preserving biodiversity, managing waste, effluents and emissions and protecting human rights and workers' rights.

**Phase 2** | Every two years the clients are reclassified on three levels according to the Bank's Social and Environmental Ranking, as high, medium or low risk. The information is consolidated according to a study that cross-references the social and environmental risk of the company's business with its compliance with the law, after consulting public information available from federal and state environmental organizations.

**Phase 3** | The social and environmental practices of clients' borrowing totaling BRL18 million or more are subject to thorough analysis, based on questionnaires about their social and environmental practices and policies, staff training and awareness campaigns, business management, relations with the public, defense of human rights, labor practices and management of suppliers. The questionnaires are updated every three years.

● [GRI FS1](#) | [FS2](#) | [FS3](#) | [FS4](#) | [FS5](#) | [FS11](#) | [G4-EN32](#) | [G4-EN33](#) | [G4-EN34](#) | [G4-HR2](#)

## Market risk



Market risk management involves several areas and two committees, the Executive Treasury Committee and the Risk Committee. This ensures an efficient structure for measurement and control.

The market risk area is also responsible for checking daily that all exposure to risk factors is within limits, and for reporting excesses to the Finance Committee. Market risk limits – the Value at Risk (VaR) limit and the stress limit – are defined by the Treasury Committee and separated by portfolio.

The methodology for managing market risk involves four measures: stale positions, sensitivities (PV01), stress tests and VaR (including adherence tests and validations). All risk measurements are monitored constantly and in an integrated manner, so as to provide a global overview of BICBANCO's risk profile. Monitoring and control of the Bank's positions involve more than just calculating their market value, since a sensitivity analysis is applied which gives the real exposure to the various risk factors.

## Credit risk

This is the possibility that losses may arise from a borrower's or a counterparty's failure to meet agreed financial obligations; from the loss of value of a loan agreement due to the deterioration in the borrower's risk classification; from lower earnings or remuneration; from benefits granted in renegotiation; or from recovery costs, as determined by the local regulatory authority.

The definition of credit risk thus covers counterparty risk, country risk, transfer risk, the possibility of disbursements to honor guarantees, sureties, joint liabilities, loan commitments and other transactions of a similar nature, as well as the possibility of losses owing to default on agreed financial liabilities on the part of an intermediary or party to a credit operation.

Credit management is structured so as to identify, measure and control the risk that disbursements may be necessary to honor guarantees, sureties, joint liabilities, loan commitments and other transactions of a similar nature, as well as to propose ways of minimizing this risk, allowing it to be managed continuously and in an integrated manner.

In this way it is also possible to evaluate the type of risk in advance,



according to the definitions established under the Bank's lending policy. For cash purposes, the possible disbursement of existing sureties is taken into account, according to the risk they represent. The risk area does not assess portfolios other than those already defined during the credit approval process.

To define a client's individual risk profile, the Credit Risk Management area applies a rating irrespective of the lending area, calculating the probability of default for each transaction. The probability of default depends on the remaining term of each transaction, which means that a single client can be rated differently for different transactions.

## Operational risk

The operational risk team is responsible for setting guidelines and criteria for classifying the risk defined by the Risk and Internal Controls Committees, and for identifying, assessing, monitoring and controlling operational risk in all the Bank's processes. It is also charged with introducing the most advanced measurement and management models, to supply the necessary information with the maximum of accuracy, speed and security.

Its work contributes to the efficacy of the internal control system and minimizes human error and irregularities in processes, products and systems. Operational risk is measured monthly, adjusted in line with the Bank's strategy and risk appetite, and reviewed every six months.

The Business Continuity Plan (BCP) is part of operational risk management. The plan is a set of measures for prevention and recovery, intended to minimize losses and ensure operating capacity – above all in critical activities and processes – in the event of a drastic interruption of business caused by extreme events such as natural catastrophes, epidemics or acts of terrorism. The BCP is divided into three modules:

**The Crisis Management Plan (PAC)** | determines how the teams should behave before, during and after unexpected adverse situations and the procedures to be observed during the period of return to normality, in order to ensure administrative efficiency in dealing with these occurrences.

**The Operational Continuity Plan (PCO)** | sets out all the

procedures that must be followed in the case of restriction on the assets that support each stage of the business process. Its goal is to reduce downtime, thereby reducing potential direct or indirect impacts on the business.

**The Disaster Recovery Plan (PRD)** | describes the action to be taken in each business process to ensure the continuity of the Bank's operations at an alternative site, and is designed to reestablish the original conditions and environment as quickly as possible.

In 2014, two PRD tests were carried out to ensure that the system is effective and the teams properly trained, with an audited efficiency index of 100%, as well as 30 partial stoppages. In all, 66 systems were tested, 47 of them in BICBANCO and 19 in Sul Financeira, involving 25 areas and subareas, 19 in the Bank and six in Sul Financeira. ● **GRI G4-14**

## Liquidity risk

Liquidity risk arises out of a difficulty or inability to meet cash requirements – or putting it another way, from the occurrence of mismatches in financial flows between lending and borrowing transactions and the results of the Institution's lack of financial resources to meet its obligations.

To minimize its exposure to liquidity risk, the Bank uses procedures that ensure that all contractual financial obligations along with any eventual obligations that may arise during market cycles and stress periods are met, by means of the identification, assessment, monitoring and control of exposure to liquidity risk over different timeframes.

For this purpose, the Bank uses an analysis based on complementary models and methodologies, both backward-looking, to highlight the events that led to an actual occurrence in the past, and forward-looking, which looks to the future, being based on the current portfolios and on specific stress scenarios. Used in combination, these methods permit an analysis of past volumes of securities settled by clients and a projection of the portfolio.

The Bank will assess the need for broader verification criteria, to bring them into line with Resolution 4327/14 and to meet Basel requirements.





# Sustainable development

## Overview and economic performance

● GRI G4-EC1 | FS6

Under the influence of the global financial crisis, and for internal reasons, Brazil's performed poorly in economic terms in 2014. The official inflation rate, as measured by the National Consumer Price Index (IPCA), rose to 6.41%, slightly below the 6.5% target ceiling fixed by the monetary authority. This was half a percent higher than in 2013, when the rate was 5.91%.

With inflation on the rise, low growth in credit, a fall in employment levels and difficult economic conditions, the benchmark interest rate (Selic) was adjusted over the year and ended 2014 at a level of 11.75%. At the same time, the exchange rate ended 2014 at BRL2.66/US\$ – above the BRL2.34/US\$ rate at the end of the previous year – after a year of high volatility.

The trade balance suffered from a deficit in the oil and derivatives account and a contraction in prices of the major commodities exported by Brazil, due to the slow recovery in global economic activity and the consequent fall in demand for these products. The aggregate total for Brazilian exports in 2014 was US\$225.1 billion, 7% lower than in 2013. Imports also fell, by 4.4%, to US\$229 billion. Although fewer imported goods came into the country, the rate of decrease

in purchases did not compensate for the lower level of overseas sales. As a result, the trade balance showed a deficit of US\$3.9 billion, the largest since 1998.

In spite of the slowdown in the economy, total lending in the financial system was up to BRL3 trillion in December 2014, representing an increase of 11.3% in 12 months. For the same period, credit stood at 58.9% as a proportion of GDP.

# Economic performance

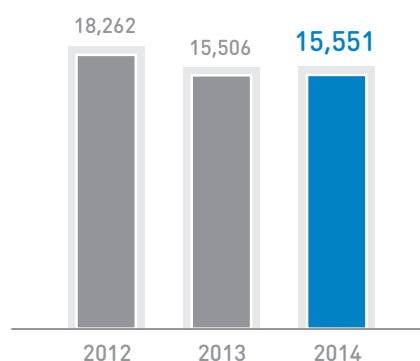
As in previous years, BICBANCO concentrated its efforts on improving the loan portfolio. From September onwards, it started to adopt a set of measures to bring its lending criteria and procedures into line with those of the new head office. This process has involved, above all, the definition of stricter criteria for assessing risk for individual and sectorial risk, and a more prudent reading of the current economic scenario, which has meant a significant increase in provisions and coverage. The next stage of implementation of the Business Plan will reflect redoubled caution in the face of the current economic climate, without missing any opportunities to construct healthy and lasting growth.

## Assets

BICBANCO's total assets closed 2014 at BRL15,551.4 million, the same level as the year before, when the total was BRL15,506.2 million.

## Changes in Assets

(BRL million)



## Liquid assets

As at December 31, 2014, the total of highly liquid assets amounted to BRL1,855.2 million, or 16.2% lower than at the end of the previous year. Management considers a cash hold-

ing in the range of BRL1.5 billion to BRL2.5 billion to be satisfactory, taking into account the maturity flow of asset and liability operations.

Liquid assets (BRL million)	2014	2013	2013/2014 (%)
Cash and cash equivalents	175.1	308.5	(43.2)
Investments in the open market (except FIDCs and repurchase transactions)	22.843	800.0	(99.0)
Interbank deposits (other than deposits to cover swap transactions)	118.5	138.6	(14.5)
Own trading portfolio (except FIDCs and private securities)	1,553.3	965.5	60.9
<b>Total</b>	<b>1,855.2</b>	<b>2,212.7</b>	<b>(16.2)</b>

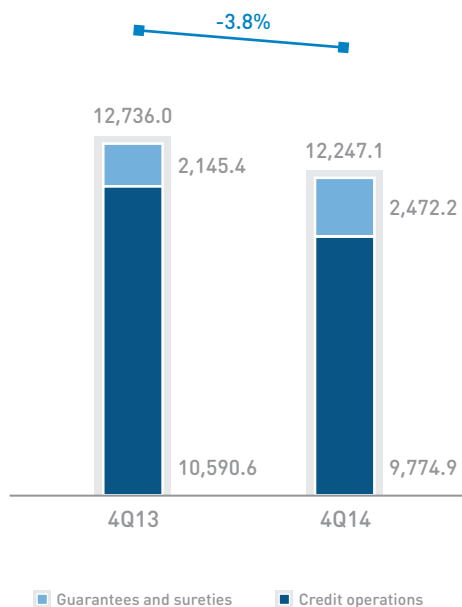
## Credit operations

The expanded credit portfolio, including credit operations under Resolution No. 2682/99 plus guarantees and sureties, showed a fall of 3.8% during the year, to BRL12,247.1 million.

This is an important sum for the Bank, and the indicators for the dispersion of risk showed satisfactory levels at the end of the year, with loans distributed across all regions of Brazil, and without undue concentration in any business activity, sector or client. The Bank did not sell or assign loans to other institutions during 2014, nor were any business lines or products discontinued.

### Expanded credit portfolio

(BRL million)

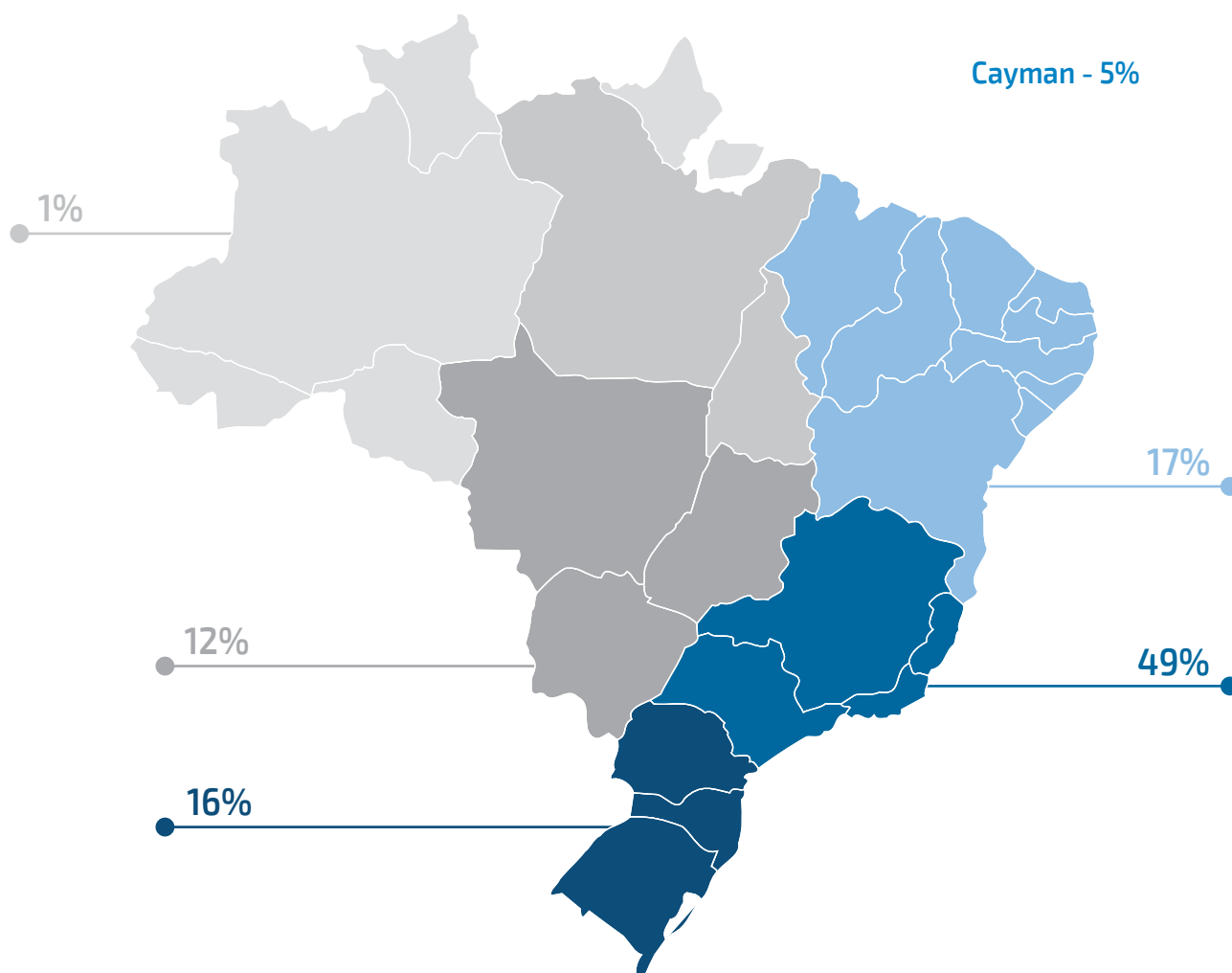


At the end of the year, corporate loans accounted for 87.9% of BICBANCO's total credit operations. The balance was split between payroll-deductible loans, accounting for 8.2% of the business, and personal loans, representing 3.9%, consisting basically of retail operations undertaken by the wholly-owned subsidiary Sul Financeira.

Categorizing credit operations by economic segment, 40.7% was allocated to industry; 26.9% to services; 14.3% to commerce; 12.8% to personal clients; 2.8% to agriculture; 0.7% to financial intermediaries; and 1.8% to the public sector. The policy of risk dispersion was applied in every segment, by granting credit to clients operating in different lines of business, as the following table shows:

By economic segment	By type of activity	%
Individuals	- Individuals	12.8
Industry	- Civil construction – contractors	7.9
Industry	- Sugar and alcohol plant	6.4
Services	- Companies – holding companies in general	5.2
Industry	- Developers	4.6
Services	- Passenger and freight transport	3.7
Commerce	- Supermarkets and wholesalers	3.5
Services	- Technical and professional services	3.0
Agriculture	- Agriculture	2.8
Industry	- Pulp and paper production	2.4
Industry	- Steel and machinery production	2.1
Industry	- Chemical and petrochemical industries	2.1
Services	- Medical and dental services	1.9
Commerce	- Motor vehicle dealers and traders	1.8
Public sector	- States	1.8
Industry	- Production of flour, pasta, cakes and biscuits	1.6
Commerce	- Electrical and electronics traders	1.6
Industry	- Production of fertilizers and insecticides	1.4
Services	- Leasing services in general	1.4
Services	- Public utility services	1.4
Industry	- Slaughterhouses and the meat industry	1.3
Industry	- Beverages industry in general	1.3
Industry	- Production of pipes and iron artifacts	1.2
Services	- Energy distribution	1.2
Commerce	- Machinery and equipment trading	1.1
Other economic segments	- Other economic segments	24.5
<b>TOTAL</b>		<b>100.0</b>

## Regional dispersion (%)





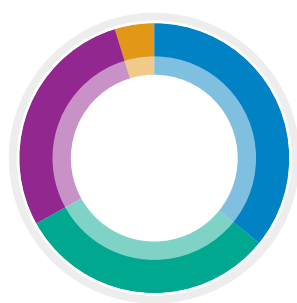
**The Bank's efforts during 2014 were concentrated on improving the loan portfolio, with stricter criteria being applied in assessing related risks. The purpose is also to bring the criteria and procedures into line with the new head office standards**

The dispersion of the portfolio is according to specific criteria so that the principal risks are kept at acceptable levels, both for individual borrowers and for larger groups. As at December 31, 2014, the largest debtor held 2.3% of total loans, and the 100 largest accounted for 39.2%.

Levels of risk concentration	2014	2013
Highest risk	2.27	1.44
10 highest risks	11.67	9.78
20 highest risks	16.73	14.60
50 highest risks	27.65	24.33
100 highest risks	39.25	35.24

Data at the close of the year show that the profile of the Bank's portfolio is short-term, with 67.2% of loans maturing within a year. Within this total, 31.1% of the portfolio (or BRL3,036.7 million) was maturing in up to 90 days. The duration of the loan portfolio rose to 450 days, from 362 days at the end of 2013.

## Breakdown by maturity (%)

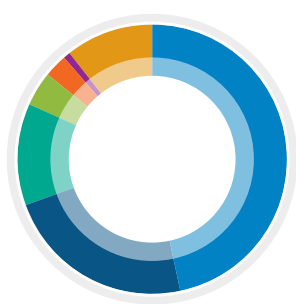


**36,1** From 3 to 12 months  
**31,1** Up to 3 months  
**28,1** More than 1 year  
**4,7** Installments overdue for more than 14 days

Expanded credit portfolio (BRL million)	2014	2013	2014/2013 (%)
Working capital	4.588.3	5.752.5	(20.2)
Trade finance	2.223.3	1.937.3	14.8
Payroll-deductible loans	803.8	713.2	12.7
Overdraft accounts	422.2	776.8	(45.6)
Personal loans	383.8	261.0	47.0
Leasing	250.1	336.9	(25.8)
Machinery and heavy vehicle financing	79.1	137.0	(42.3)
Other credits	1.024.3	675.9	51.5
<b>Total credit operations</b>	<b>9.774.9</b>	<b>10.590.6</b>	<b>(7.7)</b>
Guarantees and sureties	2.472.2	2.145.4	15.2
<b>Expanded credit portfolio</b>	<b>12.247.1</b>	<b>12.736.0</b>	<b>(3.8)</b>

## Loan portfolio breakdown by type

(%)



<b>46,9</b>	Working capital
<b>22,8</b>	Trade finance
<b>12,1</b>	Payroll-deductible/ Personal loans
<b>4,3</b>	Overdraft accounts
<b>2,6</b>	Leasing
<b>0,8</b>	Machinery and heavy vehicle financing
<b>10,5</b>	Other credits

### Working capital

Working capital consists of loans normally granted for periods of less than one year, in order to meet the companies' immediate cash needs. Therefore, working capital is the Bank's main product. At the end of 2014, the portfolio showed a balance of BRL4,588.3 million, equivalent to 46.9% of the total loan portfolio, and 20.2% less than the balance at the end of the previous year.

### Trade finance

The trade finance portfolio consists of advances on foreign exchange contracts (ACC/ACE), import and export finance, and bills receivable in foreign currency. Trade finance is of strategic importance to the Bank, since it increases the range of products offered, spreads the risk of the credit portfolio and enables the retaining of clients operating in the international market. In 2014, these transactions totaled BRL2,223.3 million and accounted for 22.8% of the total loan portfolio, an increase of 14.8% against 2013.



# 15,551.4 million

**Reais was the total of BICBANCO's  
assets at the end of 2014**

## Retail

Retail business is concentrated in Sul Financeira. The segment consists mainly of payroll-deductible loans, vehicle finance and credit cards. With a total of BRL1,187.6 million at the close of 2014, retail lending represented 12.1% of the total loan portfolio, representing a 21.9% increase in 12 months.

## Overdraft accounts

These are lines of credit made available in the bank accounts of companies that need immediate access to working capital. These transactions represented 4.3% of the total loan portfolio, with BRL422.2 million at the end of the year, a decrease of 45.6% against 2013.

## Leasing

Leasing operations decreased by 25.8% in 2014, in comparison with 2013, to a total of BRL250.1 million, distributed as follows: 42.1% for machinery and equipment, 24.1% for heavy vehicles, 18.9% for aircraft, 14.5% for property and 0.4% for other items.

## Machinery and heavy vehicle financing

Lines of credit are offered to clients to finance durable goods. The balance at the end of the year was BRL79.1 million, 42.3% down on the previous year, representing 0.8% of the total loan portfolio. The breakdown of the portfolio by type of assets shows 53.1% for machinery and equipment, 40.9% for heavy vehicles and 6% for other items.

## Other credits

These mainly consist of Corporate Check instruments, Resolution 2770 loans, "Compror" and "Vendor" credit facilities and debt for asset purchases. The total of Other Credits was BRL1,024.3 million, 10.5% of total credit operations, at the end of 2014, a 51.5% increase over the previous year.

## Guarantees and sureties

In line with Resolution No. 2682, guarantees and sureties are not included in credit operations, although they are taken into account when calculating the Basel Index. With the continuing growth in the expanded credit portfolio, which includes guarantees and securities, details are now included in the Bank's reports. Liabilities for guarantees and sureties issued in 2014 amounted to BRL2,472.2 million, which represents a 15.2% increase in comparison with the previous year.

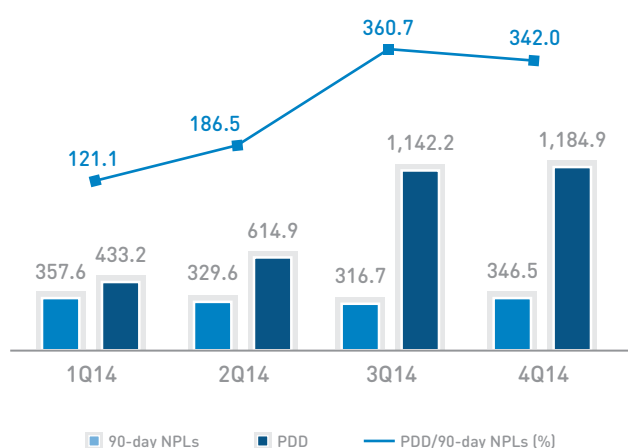
## Loan default and provision for loan losses

The Bank significantly increased its provisions for loans maturing since September, after the introduction of criteria and assessment and rating measurements compatible with the policy of the

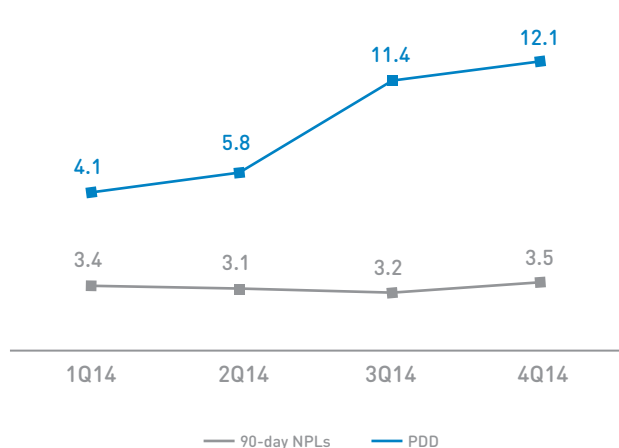
China Construction Bank Group. This change is evident when compared to the 90-day NPLs and the PDDs, the NPLs as a percentage of the total loan portfolio, and the coverage ratios of NPLs over the year, as the following charts show:

### NPLs and PDD

(BRL million)



### % of Loan Portfolio



The results underline the option for a cautious reading of the risks. This strategy, together with more demanding criteria for selecting and analyzing new risks, will lead to a steady improvement in the quality of the loan portfolio.

Credit quality indicators (BRL million)	2014	2013
Total portfolio	9,774.9	10,590.6
PDD	1,184.9	419.0
Portfolio D-H (2682)	2,231.2	944.0
Portfolio E-H (2682)	1,685.2	582.1
Debtors with installments overdue more than 60 days	430.3	245.6
Debtors with installments overdue more than 90 days	346.5	217.4
Installments overdue for more than 14 days	455.7	166.8
PDD (%)	12.1	4.0
Portfolio D-H (%)	22.8	8.9
Portfolio E-H (%)	17.2	5.5
Debtors with installments overdue more than 60 days (%)	4.4	2.3
Debtors with installments overdue more than 90 days (%)	3.5	2.1
Installments overdue for more than 14 days (%)	4.7	1.6
Portfolio D-H (%)	53.1	44.4
Portfolio E-H (%)	70.3	72.0
Debtors with installments overdue more than 60 days (%)	275.4	170.6
Debtors with installments overdue more than 90 days (%)	342.0	192.8
Installments overdue for more than 14 days (%)	260.0	251.2



626

days was the duration of total funding at the close of the year, exceeding the 450-day duration of credit operations

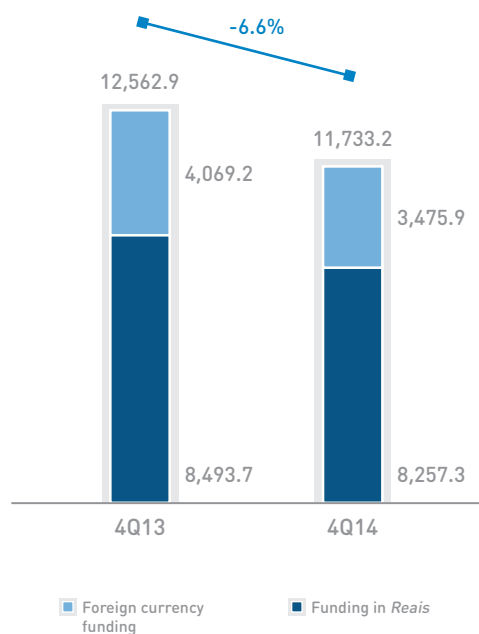
## Funding

Funding stood at a total of BRL11,733.2 million at the end of the year, a 6.6% fall in 12 months. Domestic funding totaled BRL8,257.3 million, with most of it in time deposits. Foreign funding accounted for 29.6% of the total, at BRL3,475.9 million.

The strategy of seeking longer term funding for the Bank was maintained. As a result, funding maturing within three months represented 20.7% of the total; periods in excess of one year accounted for 33% of funding. The duration of total funding at the close of the year was 626 days, exceeding the 450-day duration of credit operations. This favorable structure in comparing maturities of assets and liabilities ensures that the Bank is comfortably placed and in a stable position, especially in times of higher volatility.

## Funding sources

(BRL million)





## Domestic funding – time deposits

Time deposits totaled BRL6.038,2 million in 2014, down by 3.6% in comparison with 2013, with a duration of 467 days. Of this amount, BRL3,057.4 million related to deposits with a special guarantee from the Credit Guarantee Fund (DPGE). The maturity profile of time deposits was as follows:

**The year ended with BRL11,733.2 million in funding, of which BRL8,257.3 million was domestic. Foreign funding amounted to BRL3,475.9 million**

## Time deposits by maturity

(%)

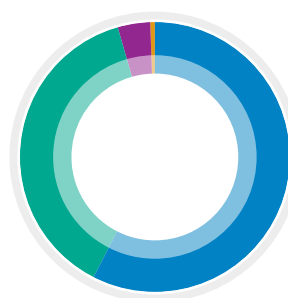


**24,0** Up to 3 months  
**40,1** From 3 to 12 months  
**35,9** From 1 to 3 years

Of the time deposits with a maturity of more than one year, BRL613.8 million have a liquidity clause of some sort, generally on the anniversary of the investment date. The commitments entered into by the Bank and its clients are registered with the Custody and Settlement Chamber (CETIP).

## Time deposits by type of depositor

(%)



**57,6** Corporations  
**38,2** Institutional investors  
**3,7** Individuals  
**0,5** Financial institutions

The following table shows that BICBANCO has an adequate spread of depositors, ensuring that the risk is diluted.

% of fixed deposits	2014	2013
Largest depositor	4.2	3.8
10 largest depositors	19.0	15.2
20 largest depositors	25.2	22.2
50 largest depositors	35.5	32.2
100 largest depositors	49.3	44.9

## Other deposits

Other deposits, which include cash deposits, savings and inter-bank deposits, totaled BRL634.4 million at the end of the year. This was 19.1% less than in the previous year.

## LCAs, LCIs and LFs

To offer its clients more investment options, BICBANCO has a mix of financial products in the form of bills issued, such as Agribusiness Credit Bills (LCAs), Financial Bills (LFs) and Real Estate Credit Bills (LCIs). Together these resources totaled BRL746.3 million as at December 31, 2014, a 13.4% decrease in comparison with the previous year.

## FIDCs

Funding through the subscription of senior units in Receivables Securitization Funds (FIDCs) totaled BRL74.6 million, which is a 62.6% drop from the previous year, as a result of the amortization of units from the closed funds and the fact that there were no significant investments during the year.

## Subordinated debt

The total of subordinated debt issued by the Bank, for foreign and domestic funding, amounted to BRL1,078.9 million during the year, representing 9.2% of total funding. 80% of the amount of subordinated debt was taken into account in the calculation of Tier 2 Capital for the Basel Index. There are three issues with subordinated debt characteristics: (i) subordinated bank deposit certificates (BDCs) for BRL200 million, issued in 2009 and maturing in 2019; (ii) subordinated Eurobonds for US\$300 million, issued in 2010 and maturing in 2020; and (iii) a subordinated loan for US\$32 million, issued in 2010 and maturing in 2017.

## Foreign funding

The Bank ended 2014 with foreign funding amounting to BRL3,475.9 million. This amount, down 14.6% against 2013, accounted for 29.6% of the Bank's total funding.

Foreign funding includes: (i) funding for trade finance, which provides funds for foreign trade asset operations, and is raised from international banks; and (ii) funds raised by means of syndicated loans from multilateral bodies (the Inter-American Development Bank (IDB), the IFC, Inter-American Investment Corporation, the Investment and Promotions Company for Economic Cooperation (Proparco) and DEG), issues of securities, on-lending and subordinated debt, which provide funding for credit operations with longer maturity terms.

Fluctuations in the value of the US Dollar do not imply additional risk for the bank. Funding of trade finance transactions is naturally hedged by the asset operations. For funding of the types listed in item (ii), the Bank creates hedges to minimize the risk of currency mismatches.

The following table shows the maturity schedule for foreign issues (item ii) which, as at December 31, 2014, totaled US\$ 894.1 million and €3.6 million.

Due Date	Amount (million)		
2015	\$ 390.4	and	€ 1.2
2016	\$ 20.7	and	€ 1.2
2017	\$ 45.2	and	€ 0.6
2018	\$ 5.7		
2019	\$ 5.7		
2020	\$ 276.6		
2021	\$ 5.7		
<b>Total</b>	<b>\$ 894.1</b>		<b>€ 3.6</b>

The following tables show the total funding by currency and product, and by term and type:

<b>Total funding by currency and product (BRL million)</b>	<b>2014</b>	<b>2013</b>	<b>2012/2013 (%)</b>
<b>Funding in Reais</b>	<b>8,257.3</b>	<b>8,493.7</b>	<b>(2.8)</b>
Deposits	6,672.6	7,048.5	(5.3)
Time deposits	6,038.2	6,264.7	(3.6)
Other deposits in Reais	634.4	783.8	(19.1)
Bills Issued	746.3	861.9	(13.4)
Agribusiness Credit Bills (LCA)	295.2	401.0	(26.4)
Financial Bills (LF)	169.1	271.2	(37.6)
Real Estate Credit Bills (LCI)	282.0	189.7	48.6
Subordinated debt	674.2	291.7	131.2
Credit Rights Investment Funds (FIDCs)	74.6	199.7	(62.6)
Onlending – official institutions	89.4	89.3	0.2
Debentures	-	2.1	n.a.
Currency acceptances	0.2	0.5	(55.9)
<b>Foreign currency funding</b>	<b>3,475.9</b>	<b>4,069.2</b>	<b>(14.6)</b>
Foreign loan liabilities	1,774.3	1,689.6	5.0
Foreign securities liabilities	1,030.1	984.3	4.7
Onlending abroad	263.6	741.1	(64.4)
Subordinated debt	404.7	654.2	(38.1)
Deposits in foreign currency	3.2	-	n.a.
<b>Total Funding</b>	<b>11,733.2</b>	<b>12,562.9</b>	<b>(6.6)</b>
Share of foreign funding in total funding	29.6%	32.4%	(2.8) p.p.

<b>Total funding by term and type (BRL million)</b>	<b>Deposits</b>		<b>Securities issued abroad</b>		<b>Loans and on lending abroad</b>		<b>Domestic on lending – official institutions</b>	
Without fixed maturity date*	232.4	3.5%	-	-	-	-	-	-
Up to 3 months	1,520.4	22.8%	14.1	1.4%	417.9	20.5%	-	-
From 3 to 12 months	2,585.8	38.7%	939.6	91.2%	1,464.8	71.9%	86.3	96.5%
From 1 to 3 years	2,196.7	32.9%	76.4	7.4%	94.6	4.6%	3.1	3.5%
From 3 to 5 years	2.3	0.0%	-	-	30.3	1.5%	-	-
More than 5 years	138.1	2.1%	-	-	30.4	1.5%	-	-
<b>Total Funding</b>	<b>6,675.7</b>	<b>100.0%</b>	<b>1,030.1</b>	<b>100.0%</b>	<b>2,038.0</b>	<b>100.0%</b>	<b>89.4</b>	<b>100.0%</b>

\* Represented by cash deposits and savings.

Total funding by term and type (BRL million)	Funds from Bills Issued (LCA, LF, LCI etc.)		FIDCs		Subordinated debt		Total funding	
Without fixed maturity date*	-	-	-	-	-	-	232.4	2.0%
Up to 3 months	239.6	32.1%	-	-	-	-	2,192.0	18.7%
From 3 to 12 months	350.3	46.9%	64.0	85.7%	11.9	1.1%	5,502.7	46.9%
From 1 to 3 years	156.6	21.0%	10.6	14.3%	-	-	2,538.0	21.6%
From 3 to 5 years	-	-	-	-	-	-	32.6	0.3%
More than 5 years	-	-	-	-	1,067.0	98.9%	1,235.5	10.5%
<b>Total Funding</b>	<b>746.5</b>	<b>100.0%</b>	<b>74.6</b>	<b>100.0%</b>	<b>1,078.9</b>	<b>100.0%</b>	<b>11,733.2</b>	<b>100.0%</b>

\* Represented by cash deposits and savings.

## Result from financial intermediation

With a total of BRL467.8 million, revenues from financial intermediation fell just 0.6% in comparison with the previous year. PDD expenses amounted to BRL345.5 million at the end of 2013, against BRL58.6 million in the previous year. This change is directly associated with the provisions adopted by the new controlling shareholder as from September 2014, to bring the internal policy for client classification and the attribution of ratings into line with the practices adopted by

head office. The greater part of the income came from companies in the large corporate segment, which accounted for 50.8% at the end of the year, higher than the 40.1% share seen in 2013.

Credits written off amounting to BRL16.4 million were recovered during the year, lower than the BRL94.5 million recovered a year earlier.

Result from financial intermediation (Currency variation) (BRL million)	2014	2013	2014/2013 (%)
<b>Revenues from financial intermediation</b>	<b>1,881.4</b>	<b>1,913.0</b>	<b>(1.7)</b>
Credit operations	1,486.4	1,625.7	(8.6)
Leasing operations	29.5	57.8	(49.0)
Income from securities	277.3	142.2	95.0
Income from foreign exchange	73.3	88.1	(16.8)
Currency variation	13.5	(2.9)	n.a.
Income from compulsory deposits	0.3	0.1	148.1
Sale or transfer of financial assets	1.1	2.0	(42.1)
<b>Costs of financial operations</b>	<b>(1,188.7)</b>	<b>(993.5)</b>	<b>19.6</b>
Market funding	(1,046.1)	(879.7)	18.9
Borrowings and on lending	(62.5)	(91.1)	(31.5)
Adjusted income from derivative financial instruments	(79.4)	(8.6)	n.a.
Sale or transfer of financial assets	(0.7)	(14.1)	(95.4)
<b>Result from financial intermediation PDD</b>	<b>692.7</b>	<b>919.5</b>	<b>(24.7)</b>
Provision for loans losses	(1,274.7)	(259.7)	n.a.
<b>Result from financial intermediation</b>	<b>(582.0)</b>	<b>659.8</b>	<b>n.a.</b>

## Net interest margin (NIM)

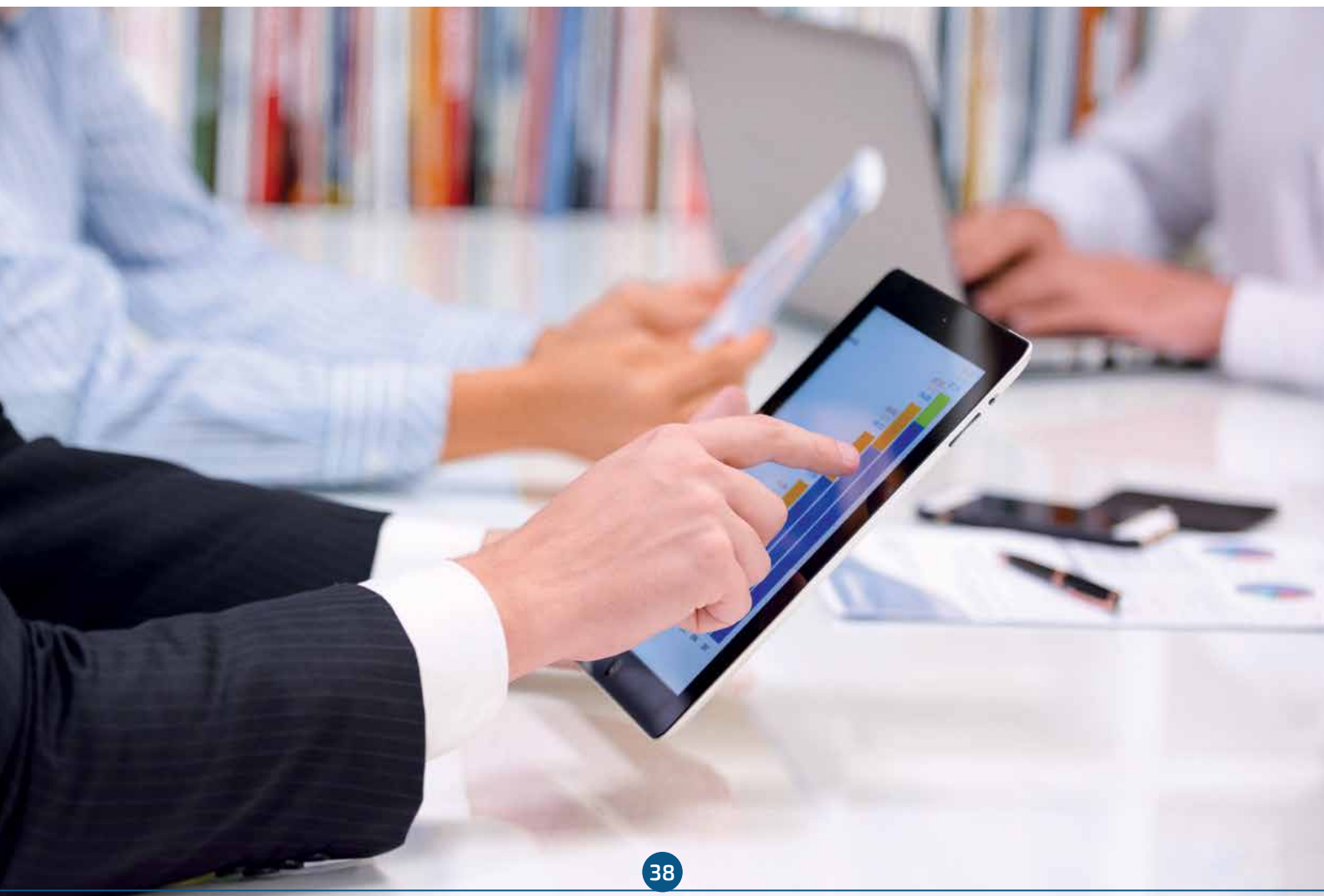
The net interest margin (NIM) was 5.2% for the year, 1.1 percentage points down on 2013. This performance was the result of a drop in the financial operations result, even before taking into account the cost of provisions for loan losses.

There was a larger proportion of highly liquid assets, which produce a lower yield, in the mix of earning assets, with an equivalent decrease in credit operations.

Net interest margin (BRL million)	2014	2013	2014/2013 (%)
Result from financial intermediation before PDD	692.7	919.5	(24.7)
Average earning assets	13,417.1	14,574.5	(7.9)
Credit operations	10,188.6	11,504.3	(11.4)
Securities and derivatives	2,093.2	2,110.3	(0.8)
Interbank deposits	1,135.3	959.9	18.3
Net interest margin	5.2%	6.3%	-1.1 p.p.

## Net income

The Bank's adjusted net income was minus BRL735.2 million in 2014. This performance is principally the reflection of the establishment of PDDs.





## Basel Index

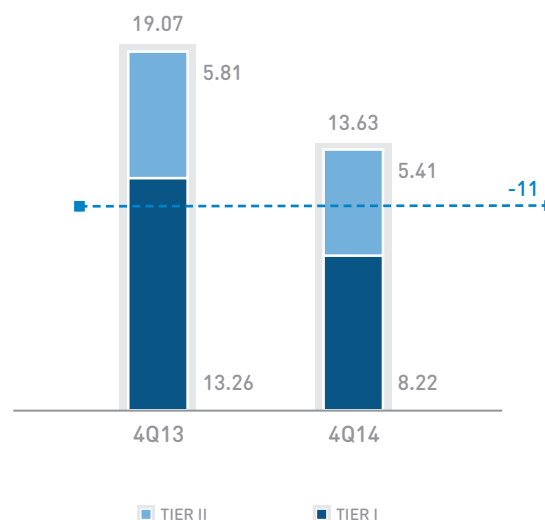
BICBANCO's Basel Index stood at 13.63% at the close of 2014, 5.44 percentage points lower than in the previous year, due to the negative result for the period and the consequent decrease of 37.5% in shareholders' funds for the year, to BRL1,219.4 million. It is important to point out that the changes in criteria occurred in 2013 and 2014 do not provide for a fair comparison between the indices. In compliance with Bacen Resolution No. 4192, in 2014 the Bank started using a multiplier of 80% for subordinated debt, instead of the 90% that had been used in 2013.

It is also relevant that, as from October 1, 2013, a set of rules came into force in Brazil implementing the recommendations of the Basel Bank Supervision Committee, relating to the capital structure of financial institutions, known as Basel

III. The new rules introduced procedures for calculating the minimum requirements for Tier 1 Core Capital and Regulatory Capital (PR), and there are now three independent requirements for each of these concepts of capital, and additional variable amounts. The minimum PR requirement remained at 11% in October, but this will change as from January 2016.

## Basel Index

(%)



**The reduction of 5.44 percentage points in the Basel Index between 2013 and 2014 is also due to changes in the calculation criteria in these years, which makes it difficult to make a useful comparison between the results**



# Social performance

BICBANCO has identified 13 groups of its main stakeholders based on interviews and meetings with its managers and executives of all areas mapped. They are: shareholders, investors, market analysts, regulatory authorities, clients, local communities, suppliers, government and society, the environment, the market, the media/press, employees and unions.

The Bank seeks to contact the prioritized stakeholders at least once a year, so as to increase engagement and generate value for all concerned. These engagement events serve to validate and update the Materiality Matrix that identifies the most important topics to be reported on and managed by the Institution. As one of its initiatives in this context, BICBANCO started using version G4 of the GRI in 2014. This version requires different consultation of different sources in order to establish priorities and important topics for the Bank and its stakeholders.

In parallel, the Bank's Engagement Policy was introduced. It is intended to construct lasting relationships, respecting the specific needs of each group, identifying opportunities for new products and services, reinforcing sustainable development, and obtaining feedback to help improve the way the Bank manages the social and environmental impact of its operations. ● [GRI G4-25](#) | [G4-24](#) | [G4-26](#)

## Main engagement channels

- Disclosure of results and information on sustainability performance, including the Annual and Sustainability Report, notices and alerts
- Institutional and investor relations websites
- Intranet
- Visits and meetings
- Participation in discussion forums and professional associations
- Distribution of leaflets and bulletins
- Meetings with specific groups

## Materiality test

In 2014, BICBANCO adopted version G4 of the GRI, which recommends for a materiality test to determine the topics of major impacts for stakeholders and for the organization.

The criteria for this test are the importance for the business, financial implications, influence on long-term performance, risk to reputation and potential for competitive advantage, as well as measurement of the importance for stakeholders, such as probability, severity, transparency and public communication.

The survey covered a number of topics, grouped as follows:

#### **Economic Aspects**

- Generation of revenues and profit
- Tax payments
- Compliance issues
- Client satisfaction
- Corruption and ethics management

#### **Social aspects**

- Staff and employment
- Health and safety
- Payment of salaries
- Human rights

#### **Environmental aspects**

- Environment
- Neutralization and potential
- Climate change

Sources consulted included the group database for 2014, Capital Market Analysts and Professionals Associations (Apimecs) and investor communication channels, sector benchmarking studies, GRI studies, information on suppliers, meetings, interviews and press enquiries.

### **Clients**

BICBANCO gives priority to speed, transparency and efficiency in its dealing with clients. There are certified and trained teams to attend to the specific requirements of companies, sectors and regions.

To add value, attract and retain clients, create loyalty, and reinforce relationships, the Bank uses the most efficient management mechanisms to ensure that it can offer information security, accessibility of outlets, effective communication channels and high quality service.

**Responsible lending** | BICBANCO has a commitment to financial education. As a signatory to Bank Self-Regulation, it practices responsible lending and encourages the conscientious use of credit. Sul Financeira contracts contain clauses explaining product criteria and characteristics. On the Sul Financeira website, the "frequently-asked questions" page give details of products and an objective, clear, precise and full account of the whole process.

● **GRI FS14 | FS16**

### **Products and services with social and environmental aspects**

Specialist teams check the results of operations daily, and monitor the performance and profitability of shelf products. This control provides input for new solutions, identifying needs and market trends, and keeping the product line up to date with the market.

All product development projects involve a number of areas and require a detailed feasibility study. The feasibility study is carried out by the New Products Group (GNP) and covers issues such as the need for technological, human or structural investment, the expected return, pricing, economic, social and environmental risk, market opportunities and prospects for demand.

The target for 2015 is to increase the number of products with specific procedures for assessing social and environmental risk. ● **GRI FS7 | FS8 | FS18**

## Information security and privacy

Information security is vital to the financial sector, ensuring the right to privacy, technological investment and constant improvement of processes. When hired, employees are given instructions on existing policies, rules and procedures, and told how to protect the Bank against possible attacks seeking to obtain confidential information. The matter is also covered in the corporate Code of Ethics.

All employees renew a Functional Responsibility Deed once a year and attend awareness lectures. Contractors sign a Non-Disclosure Agreement prior to having access to any restricted information.

Periodic tests are carried out on internal and external systems, such as simulated local and internet-based invasions, wireless network security and remote access blocking, to ensure the security and efficiency of tools, platforms and controls.

The management structure of information security involves monitoring mechanisms to optimize controls. All alterations carried out by sector staff are registered and identified by the system, and reports are sent to Internal Audit department for monitoring. There are also tools to allow possible failures in the system to be speedily detected and immediately corrected, and to monitor the content published on the internet. The Bank did not receive any complaints regarding privacy violation or loss of client data during 2014.

● GRI G4-HR12 | G4-PR8 | G4-PR9



**37** outlets

**BICBANCO makes 37 service outlets available to customers in the major capital cities and cities located along strategic areas throughout Brazil**

## Service outlets

With a total of 37 service outlets located along strategic commercial areas, BICBANCO maintained its regional presence and the regional distribution of the franchise in Brazil's major capitals and other cities during 2014, thus assuring a physical presence in every region of the country. The Bank also has an agency in Grand Cayman to support its international operations, in addition to a collections network distributed throughout Brazil, dedicated to delivering and receiving bills to and from drawees and protest offices.

The Institution believes that its operations and activities, from the opening to the closure of branches, has only an indirect impact on the community, bearing in mind the dimension of the credit market. Nevertheless, it engages in practices and programs that assess and deal with any effects, offering proper service from all members of employees by means of initiatives such as staff training, planning and accessibility to the service outlets. ● GRI FS14

State	City	Service outlets
Alagoas	Maceió	Maceió
Bahia	Salvador	Salvador
Ceará	Fortaleza	Aldeota – Bezerra – Centro
	Juazeiro do Norte	Juazeiro do Norte
Federal District	Brasília	Brasília
Goiás	Goiânia	Goiânia
Maranhão	São Luís	São Luís
Minas Gerais	Belo Horizonte	Belo Horizonte
	Uberlândia	Uberlândia
Mato Grosso	Cuiabá	Cuiabá
Pará	Belém	Belém
Paraíba	João Pessoa	João Pessoa
Pernambuco	Recife	Recife
Piauí	Teresina	Teresina
Paraná	Curitiba	Curitiba
	Londrina	Londrina
Rio de Janeiro	Rio de Janeiro	Rio de Janeiro
Rio Grande do Norte	Natal	Natal
Rio Grande do Sul	Porto Alegre	Porto Alegre
	Caxias do Sul	Caxias do Sul
Santa Catarina	Blumenau	Blumenau
	Chapecó	Chapecó
	Florianópolis	Florianópolis
Sergipe	Aracaju	Aracaju
São Paulo	Barueri	Alphaville
	Bauru	Bauru
	Campinas	Campinas
	Guarulhos	Guarulhos
	Santo André	ABC
	Santos	Santos
	São José do	São José do
	Rio Preto	Rio Preto
	São Paulo	São Paulo
	Ribeirão Preto	Ribeirão Preto







## Customer Service

The Bank recently revised its Customer Service Policy and enhanced its communication channels with these stakeholders. New manuals have also been developed for Customer Service and Customer Relations Procedures and were published during the first quarter of 2015.

The Conglomerate makes available important customer service channels, in addition to its branches and commercial department. Trained telephone professionals operate out of the Customer Relations Desk and the Customer Service Channels (SACs): BICBANCO Customer Service (the BICBANCO Institutional and Business Customer Service), CDC Customer Service (the Customer Service for the Payroll-Deductible Loan Customers of the Conglomerate) and SAC Sul Financeira (Sul Financeira Customer Service). Customers can also recourse to the websites and direct lines of communication, such as the *Fale Conosco* Help Desk and e-mail addresses [sac@bicbanco.com.br](mailto:sac@bicbanco.com.br) and [sac.cdc@bicbanco.com.br](mailto:sac.cdc@bicbanco.com.br), as well as the Ombudsman, another important service channel.

During 2014 a Customer Relationship Telephone Desk was set up in pursuit of excellence in customer service, so as to

deal with issues involving inquiries, information and transactional services, especially for consumers and retail product customers. The staff teams dealing with customers through the Customer Relationship Desk have been trained and drilled in the concept of excellence in customer service, so as to increase the degree of satisfaction of the customers of BICBANCO and Sul Financeira.

Submitted to constant recycling and professional enhancement, the employees of these departments took part in specialized training sessions during 2014, with emphasis on the Foreign Account Tax Compliance Act (FATCA), Customer Service Channels (SACs) and Customer Service. ● [GRI G4-PR5](#) | [FS4](#) | [G4-27](#)

**SAC in Figures** | The trained teams of BICBANCO Customer Service clarify doubts, receive suggestions and log complaints or criticisms. During the year, Customer Service fielded 2,425 requests – 99.8% of which were resolved within five days. In the case of the CDC and Sul Financeira Customer Service units, both dedicated to products for individual customers, the specialist telephone attendants received 88,615 requests that led to demands on the internal departments. Of this total, 95.4% were closed within five days.



## Ombudsman

With the mission of sorting out issues that were not solved through other service channels, the BICBANCO Ombudsman is accessible through the electronic channels, by letter or in person. The department, which has a direct channel to the senior management, responded to 478 cases in 2014: 233 actual demands, 105 demands attended to within five business days and only 19 demands dealt outside the regulatory cut-off period of 15 days in accordance with Brazilian Central Bank Resolution 3.849, section 2, sub-section III. An additional 3,080 cases considered by the Ombudsman to be irrelevant were handled by the Brazilian Central Bank.

## Communication and Marketing

The Communication and Marketing Policy is an instrument that presents the practices on communication involving institutional, relationship and product and service affairs, in order to align the different areas involved and provide guidance to ensure a coherent approach in every interaction with stakeholders.

All events, campaigns and sponsorships abide by the Brazilian Advertising Self-Regulation Code of the National Advertising Self-Regulation Council (Conar), as well as legal and market requisites. At each release or review, communication actions are submitted to an evaluation, so as to ensure that they fully comply with the rules and regulations pertaining to the sector.

In communication instruments such as agreements, attention is given to the recommendations and rules established by the Brazilian Central Bank, the Brazilian Bank Federation (Febraban), the Consumer Guidance and Defense Program (Procon) and other regulatory bodies for the sector. The effectiveness of this model can be verified by the absence, in 2014, of cases of non-compliance with the regulations and codes for communication, marketing and labeling of products.

In the sector in which it operates, BICBANCO does not market products or services that are subject to public debate or prohibited in specific markets. The Institution repudiates any form of discriminatory communication or that which incites violence, plays on fears or superstitions, takes advantage of children's inexperience and lack of discernment, disrespects environmental values or induces consumers to behave in a manner likely to jeopardize or harm their health and safety. ● **GRI G4-PR6 | G4-PR7 | G4-SO11 | G4-PR1 | G4-PR2 | G4-PR3 | G4-PR4**

## Investors

BICBANCO's relationship with its investors are coordinated by a specific area and guided by responsible management, equal treatment in terms of availability of information and assistance to investors, and ethical and transparent principles in the rendering of account. The Bank's engagement initiatives include the preparation of specific publications, organization of meetings, meetings for the presentation of results (some being held jointly with the APIMEC, the Brazilian Capital Market Analysts and Professionals Association) and conference calls, as well as the availability of access to the Bank's IR website ([www.bicbanco.com.br/ri](http://www.bicbanco.com.br/ri)) with updated information on corporate governance, results releases, sustainability and technical reports. At the end of 2014, the Bank had 1,772 shareholders.

The Institution has no formal dividend policy. Its practice of remunerating shareholders is based on Brazilian Corporate Law and on its bylaws. The Board of Directors may approve the distribution of dividends and/or interest on equity (JCP) based on annual or six-monthly financial statements. The amount of any distributions will depend on factors, such as operating income, financial condition, funding requirements, outlook and other factors that the Board of Directors and the shareholders deem to be relevant.

The minimum mandatory dividend is fixed in the bylaws for an amount of 25% or more of the annual adjusted net income, pursuant to Brazilian Corporate Law. In fiscal year 2014 no income was paid.

## Market indicators

**Corporate Sustainability Index (ISE):** Combines 40 companies from 19 sectors with differentiated corporate governance and sustainability practices that serve as a market reference for socially responsible investments. The Bank has been listed on this portfolio for five years.

**Corporate Governance Index (IGC):** Measures the performance of a theoretical portfolio of securities of companies with good levels of corporate governance.

**Special Tag Along Stock Index (ITAG):** Measures the performance of a theoretical portfolio of shares of companies that offer minority shareholders better conditions in situations where there is a change in shareholder control.

## Employees

The Corporate Human Resources Policy was structured to enhance talent management and to contribute to the Institution's sustainable development based on a team that is both engaged and committed. Its purposes are:

- To provide compensation compatible with best market practices
- To provide a healthy, balanced and sustainable working environment
- To ensure the possibility of career progression
- To encourage professional growth
- To recognize competence and effort
- To ensure ethical and equal treatment for all staff members
- To respect diversity, labor legislation and collective bargaining agreements

To ensure a closer relationship with its employees the Bank provides a secret and confidential communication channel known as "RH com VOCÊ!" (HR with YOU), allowing them to send suggestions, compliments, complaints and doubts.



## HR with You channel in figures

72 messages were received in 2014, all of them replied to.

- 17% involved suggestions, totaling 12 messages classified as follows: 6 accepted, 1 considered not viable for legal reasons or other reasons outside the Institution's control, 5 developed into projects or action plans, while none were filed for future consideration.
- 49% (35 messages) contained doubts about benefits, working hours, electronic time keeping, payrolls, training and education, among other matters.
- 28% involved complaints (19 messages) of which 14 were resolved, 5 are currently being dealt with and none were not forwarded for lack of information.
- 10% (5 messages) were compliments, reflecting the employees' satisfaction with HR management.

Doubts: Benefits	8
Doubts: Payroll	5
Doubts: General	19
Doubts: Electronic time keeping	2
Doubts: Training	1
Compliments	5
Complaints	20
Suggestions	12
<b>Total</b>	<b>72</b>

Human Resources Department also runs a "RHoje" (HR Today) program involving six management initiatives distributed by topic:

- IntegraRHoje (Integration)
- CuidaRHoje (Caring)
- EducaRHoje (Education)
- AvaliaRHoje (Assessment)
- ReconheceRHoje (Recognition)
- CelebraRHoje (Celebration)

## International certification

As a result of its constant investment in people management, BICBANCO has been awarded for the fourth consecutive time the Top Employers Brazil certification by the Top Employers Institute, an international body headquartered in Amsterdam (Holland). This institute certifies companies with practices in excellence in human resources through an appraisal process that takes into account criteria such as policies adopted, benefits, working conditions provided, training, career opportunities and organizational culture. In Brazil the Institution was one of 26 companies recognized for the excellence of its practices of continuous development in human resources management.

## Diversity map

At the close of 2014, BICBANCO had 893 employees on open-ended employment contracts (under the Brazilian Consolidated Labor Laws – CLT) and 45 interns. Out of this total, 59% are men and 41% women.

**Maintaining teams that are engaged and committed assures BICBANCO of the continuous enhancement of its talent management and the gradual and sustainable growth of the Institution**

The diverse profile of its internal stakeholders mirrors the commitment to providing job opportunities free of any form of discrimination, in accordance with the Code of Ethics that stipulates the fostering of diversity. Initiatives such as extending labor law benefits to same-sex relationships, and the partnership with the Zumbi dos Palmares, a teaching institution that offers internships to young Afro-Brazilians while encouraging them to enter the labor market, reinforce the institution's commitment to diversity. This attitude has also led the Institution to participate in the Febraban Program for Professional Training and Inclusion of Persons with Disabilities.

## Employment contract

## Employees

Current Brazilian Consolidated Labor Laws (CLT) staff members	893
Interns	45
Young Apprentices	16
<b>Total employees</b>	<b>954</b>

## Governance members

Statutory	4
Board	9
<b>Total</b>	<b>13</b>

## All employees (except young apprentices)

By gender	Total employees:	Hired	Rate (%)	Terminated	Rate (%)
Male	527	74	14	56	11
Female	366	45	12	49	13
<b>By age group</b>					
16 to 24 years	62	22	35	12	19
25 to 35 years	301	49	16	36	12
36 to 45 years	244	24	10	31	13
46 to 55 years	229	19	8	17	7
56 or older	57	5	9	9	16
<b>Region</b>					
North	8	1	13	1	13
Northeast	128	3	2	16	13
Midwest	38	3	8	4	11
Southeast	659	112	17	81	12
South	60	0	0	3	5
<b>Total</b>	<b>893</b>	<b>119</b>	<b>13</b>	<b>105</b>	<b>12</b>

## Diversity in governance bodies

Schooling	Members
Elementary school	0
Secondary school	0
Incomplete higher education	0
Higher education	11
Master's/Graduate Degree	2

### Diversity breakdown of the governance members

Amerindians	0
White Caucasian	11
Brown-skinned	0
Afro-Brazilian	1
Asian	1

### By age group

16 to 24 years	0
25 to 35 years	0
36 to 45 years	0
46 to 55 years	4
56 or older	9

## Diversity of the organization (except governance members)

Schooling	Total employees
Elementary school	3
Secondary school	74
Incomplete higher education	178
Higher education	414
Master's/Graduate Degree	224

### Diversity breakdown (except governance members)

Amerindians	0
White Caucasian	718
Brown-skinned	117
Afro-Brazilian	35
Asian	23

### By age group

16 to 24 years	62
25 to 35 years	301
36 to 45 years	244
46 to 55 years	229
56 or older	57

● GRI G4-10 | G4-LA12 | G4-LA13 | G4-EC5 | G4-LA4 | G4-LA11 | G4-LA3 | G4-LA2 | G4-LA16

## Internships and Teen Apprentices

The Internship Program provides young university students with professional placement opportunities, so that they can engage with the day-to-day business of their chosen area and increase their knowledge. In 2014 45 interns were selected.

For young people between the ages of 14 and 24 the Bank has a Teen Apprentice Program, an entry door to the labor market. With 6 hours a week in the classroom and 24 hours on-the-job training, the program involved 16 young people in 2014.

## Turnover

During the year 119 staff members were hired to make up the headcount (74 men and 45 women), while 105 were made redundant. It is the Bank's practice to assist in expanding its former employees' chances of finding a new position. Thus, besides complying with all obligations provided for in the Brazilian Consolidated Labor Laws (CLT) and keeping a record of these staff members for occasional future hiring, it helps those made redundant with the costs of re-training courses, while also paying additional compensation according to the time served, except in the case of dismissals for cause.



When recruiting and selecting personnel, equal opportunities are provided to everyone, regardless of gender, color, marital status, nationality, sexual orientation, disability, etc. This policy applies to candidates that best meet the capabilities, skills and personal profiles, primarily in ethical attitude and financial honesty required for performing their function to the full and who better adapt to the profile established by the Institution. The total workforce (except interns and young apprentices) at the end of 2014 showed a slight increase on 1.6% over the previous year. The rate of staff members made redundant during the year stood at 12%, less than the percentage of hires, which was 13%. 25 employees, of whom 18 were women and 7 men, went on maternity or paternity leave in 2013. Of the 30 employees who enjoyed this benefit in 2013, 23 (17 women and 6 men) were still with the Bank 12 months later. ● [GRI G4-LA3](#) | [G4-LA1](#)

## Compensation

Among the Bank's employees, the lowest compensation at the end of 2014 was BRL1,648.12 for a six-hour working day, equivalent to 2.3 times the national minimum wage of BRL720,00. For an eight-hour working day, the lowest salary in the same period was BRL2,694.68, or 3.8 times the minimum wage.

The compensation policy seeks to reflect the amounts paid in the market, and includes the fixed salary, benefits and variable compensation granted to all employees regardless of gender among those hold the same position.

In order to remain up to date, the Human Resources area continually monitors the market, taking part in the monthly surveys of Febraban and those within the industry. Salary ranges and promotion criteria abide by technical and behavioral criteria as a way of strengthening meritocracy.

In 2014, 42% of internal stakeholders (327 employees) were considered for horizontal or vertical promotions, over and above merit increases, while 9% (71 people) engaged as interns, apprentices or service providers were given contracts of employment. ● [GRI G4-LA13](#) | [G4-EC5](#)



**BRL 1,648.12**

**This was the lowest salary paid by the Bank in 2014, representing 2.3 times the current minimum wage in Brazil**



## Performance assessment

The Human Resources department runs a variable frequency performance assessment program that meets the needs of each department while taking into account targets achieved and skills developed, including socioenvironmental aspects (except for the commercial area).

In 2014 some 364 employees were assessed under this system, representing 41% of the 893 members of staff. The semi-annual assessment for management positions involved 276 staff members (193 men and 83 women); on the commercial team, 192 employees were assessed (139 men and 53 women); while in the credit area 30 staff members were assessed under this system (17 men and 13 women). New hires are also assessed, irrespective of function or seniority. During the year 113 new employees were assessed, 67 men and 46 women.

Another practice is the assessment of staff in temporary positions, which looks at aspects such as personal characteristics, discipline, potential and productivity. Of the five employees in temporary positions assessed in 2014 (4 men and 1 woman), two were promoted and the others are still being assessed. ● GRI G4-LA11

## Training and development

Providing opportunities for professional and personal enhancement is strategic for the Bank, which has drawn up training programs focused on two pillars: training for technical activities and training dedicated to issues involving the Institution's objectives and values, with topics such as sustainability, information security and prevention of money laundering, corruption and illegal acts. All such actions are based on HR policy.

Programs with a technical slant are based on four approaches: training, so as to meet the need for specific knowledge within the area where the employee works, and involves in-house and/or external courses of short and/or medium duration; integration, intended for new hires, with the aim of providing an over-

**To contribute to its employees' professional and personal development, BICBANCO assesses their performance, provides training and also offers subsidies for higher education and specialist study courses**

view of the business, benefits and rights of debtors; technical and refresher courses to enhance skills and develop new skills; and educational incentives where the Bank subsidizes from 50% to 80% for employees interested in undergraduate, graduate or MBA courses, specialist studies or language courses.

In the case of training with a much wider focus, the highlight is the Education for Sustainability Program aimed at developing knowledge and skills that encourage sustainable development.

**Awareness campaigns and actions** | Intended for employees and, whenever possible, extended to other stakeholders, these deal with issues such as health and healthy habits, conscientious consumption and disposal of resources, socioenvironmental risk and opportunities, climate change, financial education and career management, among other issues.

**Training on the concepts of sustainability and the principles for managing it** | Also offered to all employees The content covers issues like sustainability as a business strategy, the role of financial institutions in society, socioenvironmental risk management, responsible credit, and public and international commitments to stakeholders.



**Specific training for strategic in-house areas** | The purpose is to expand specific skills, such as legal aspects involving sustainability for legal department employees, and sustainability in business within the financial sector, in the case of employees engaged in Credit.

In 2014, 104 employees took part in training sessions dedicated to socioenvironmental risk, totaling 81 hours of training and qualification. In the case of human rights, the Bank logged 1,914 hours of training involving 66.7% of the employees. When added to the technical programs, the Bank provided a total of 2,559 hours of in-house training involving 973 participants during the year. The average training time by gender stood at 3.1 hours for men and 2.4 hours for women. There were 1,890 external training hours at recognized institutions within the financial industry, totaling 105 training programs in which 110 employees from different areas participated.

● **GRI G4-LA9 | G4-LA10 | G4-LA13 | G4-LA14 | G4-LA15**

**Principal projects in 2014** | Besides the already on-going initiatives in the field of training and development, the proposals worthy of note during the year involved technology, foreign exchange and strategy.

In the case of technology a survey was carried out of the professional profile of the employees, in line with the IT Strategic Planning (PETI), a project that involved all departmental staff members and identified skills, offered opportunities and led to a review of functions in order to enhance departmental efficiency.

The foreign exchange team was restructured based on a SWOT analysis that strengthened the processes while adapting to the new challenges introduced by the new controlling shareholders. There is an on-going program aimed at internally multiplying knowledge.

In 2015 HR department is planning to dedicate its efforts to short and intense training courses involving strategy, create feedback tools and hold leadership preparation courses.

## Benefits

The Bank provides an extensive program of benefits. All full-time employees are entitled to:

- Optional healthcare and dental plans, also covering dependents, including those in stable same-sex relationships
- Meal vouchers
- Grocery vouchers (and an extra voucher with the 13<sup>th</sup> salary)
- Assistance for mentally or physically disabled children
- Funeral allowance and funeral assistance plan
- Supplementary sick pay in addition to social security, and sick pay
- Housing benefits
- Special conditions for property and car loans and insurance, and for credit card and overdraft facilities
- Group life and disability insurance for above-average amounts and executive life insurance
- Education insurance; bonuses to employees in charge of checks clearance
- Day off for assiduity
- Agreements with drugstore chains (for payroll-deductions)
- Partnerships with language schools, restaurants and health clubs, among others

In 2014, the Bank began offering Culture Vouchers to enable employees earning less than five times the minimum wage to purchase tickets for the theater, cinema, museums, events, shows, circuses, CDs, DVDs, books, magazines and newspapers, among others. This benefit can also be used to pay fees for audiovisual courses, as well as courses in dancing, the circus, photography, music, literature and the theater, among other cultural activities.

**Bank staff members enjoy an extensive range of benefits that exceed legal requirements, and in 2014 Culture Vouchers were added to enable the purchase of tickets for a range of artistic and cultural events**

Additional benefits are also provided, such as travel allowances intended for staff members working at night, six-month maternity leave for women, breastfeeding intervals until the baby reaches the age of six months (two half-hour periods or one one-hour periods) and daycare center or babysitter allowance.

The education incentive program provides assistance of 80% for undergraduate courses and 60% for graduate, master's and specialist studies. Available to all employees, the benefit takes into account the feasibility and the employee's track record. With the entry of the new controlling shareholder, the Bank concluded a partnership with language schools to give courses in Mandarin Chinese.

Yet another initiative saw the renewal of the partnership with several institutions for graduate courses.

## Relations with unions

BICBANCO assures its employees the right to free association and fully abides by the collective bargaining agreements valid for all staff members.

Union leaders enjoy access to the Institution's premises in order to communicate matters of interest to staff. Rooms are also provided for carrying out unionization campaigns and space is provided on in-house communication channels. The Bank also offers specific labor agreements that transcend the union agreements, such as the Agreement on Prevention of Conflict and the Agreement on Extension of Maternity Leave.

In 2014 there were no actions that jeopardized the entitlement to free union association or cases that adversely affected the collective bargaining. ● **GRI G4-11 | G4-HR4**

## Health and quality of life at work

Fostering health and a better quality of life were at the center of attention of the Human Resources area. The new ideas included the implementation of the Health Living Project on nutritional guidance, which began with outpatient appointments at the head office of the Bank and at Sul Financeira. The purpose of the program is to take preventive steps, accompanied by a doctor and a dietician, and 93 employees were seen by the project dietician during the year.

Staff also participated in the Health Promotion Program that takes a preventive approach through campaigns and actions for vaccination, breast and prostate cancer prevention, problems with stress and smoking, healthy eating habits, exercise and postural checks, as well as assessments.

Employees working at the Bank's head office enjoy the Con-viveRH space, a common area offering the opportunity for integration, contributing to maintaining a balanced and healthy professional environment.

**Occupational health and safety** | The Environmental Hazard Prevention Program (PPRA) and the Occupational Health Medical Control Program (PCMSO) were maintained. Reflecting the

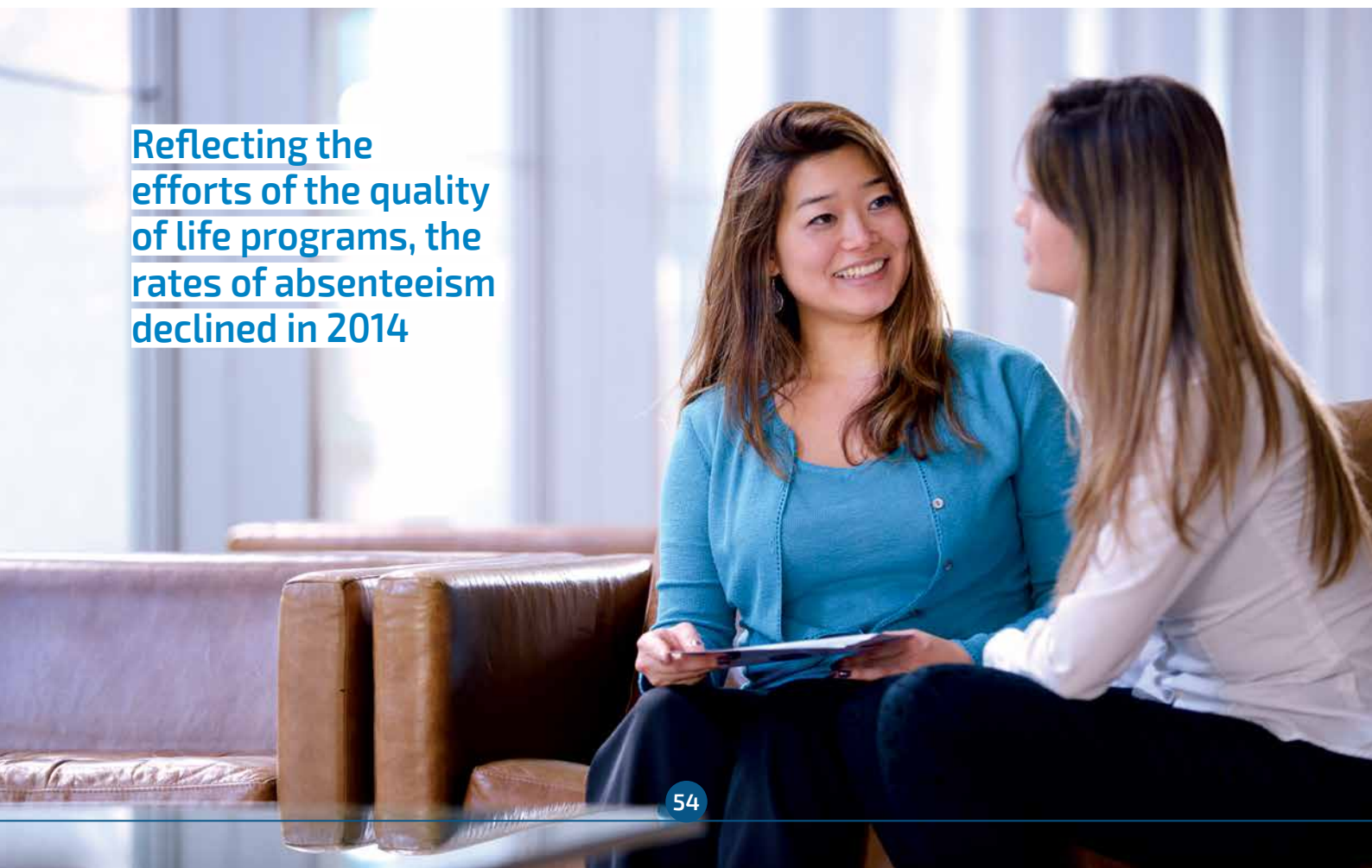
efforts of the quality of life programs, the rates of absenteeism declined in 2014.

In line with the arrangement agreed under the collective bargaining agreement for financial institution staff members, quality standards have been adopted in the case of issues involving occupational health and safety, both with regard to the rules defined by the Internal Accident Prevention Commission (Cipa) and on the question of extending medical assistance plans to employees made redundant, professional retraining programs and joint commissions dealing with banking safety and equal opportunities.

The Cipa, which formally represents all employees, held the Internal Occupational Accident Prevention Week (Sipat) and coordinated a series of campaigns for disclosing and encouraging the adoption of health and better quality of life practices.

In 2014 the Bank reported no cases of occupational injuries and/or illnesses. All leaves of absence involved non-occupational illnesses representing 1.2% of the entire workforce. Added together the cases amount to 2,003 days. ● **GRI G4-LA7** | **G4-LA5** | **G4-LA8** | **G4-LA6**

**Reflecting the efforts of the quality of life programs, the rates of absenteeism declined in 2014**





## Suppliers

To ensure that socioenvironmental aspects are complied with throughout the business chain, suppliers of products and services are subjected to a socioenvironmental assessment in the same manner adopted for the Bank's customers, as described in the section on socioenvironmental risk in the chapter on Corporate Governance. The Institution's supply chain consists essentially of service providers in the fields of consultancy, audit, maintenance and IT and transport of valuables.

In accordance with the Procurement and Contracts Manual, to qualify for the selection process suppliers have to be registered and fulfill requirements that also involve good sustainability practices.

The Institution usually gives priority to suppliers located in the region where the service is to be provided. The supplier selection process also assesses criteria such as legal, fiscal and tax reputation recognized in the market; principles of ethics and sustainability adopted, compliance with labor obligations in partnership with their suppliers, the Brazilian Federal Revenue Service, Social Security and other tax obligations, as well as compliance with the legal quota of apprentices and the quota of the Program for the Inclusion of Persons with Disabilities.

Suppliers should preferably have a business relationship with BICBANCO, be locally based and present differentials such as OHSAS 18000 or ISO certifications (ISO 9000, ISO 14000, ISO 26000 and ISO 27000). Clauses on criteria involving environmental and labor practices (concerning human rights) and the (social) impacts on society are part and parcel of all supplier and services agreements. ● **GRI G4-LA15 | G4-HR11 | G4-12 | G4-EC9 | G4-LA15 | G4-HR5 | G4-HR6 | G4-HR10 | G4-S09 | G4-S010**

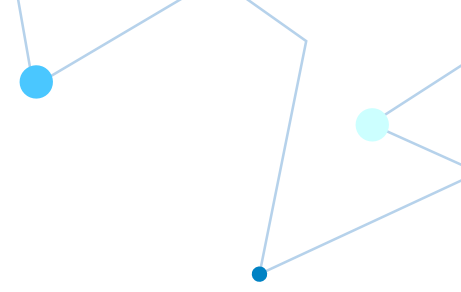
## Society

The Institution participates actively in entities representing the industry and society, and is a signatory to wider-reaching proposals that defend issues that reflect its values and whose purposes comply with the guidelines on constantly improving the relationship with society. This enable the Bank to share experiences, exchange knowledge and influence the adoption of industry policies and standards, in addition to jointly seeking solutions for problem that have a negative impact on its stakeholders and on society. Its staff members are also encouraged to get involved, and in recognition, this participation is considered a positive factor in periodic performance assessments.

BICBANCO is currently active in councils, commissions and sub-commissions of Febraban ([www.febraban.org.br/](http://www.febraban.org.br/)) and the Brazilian Banks Association (ABBC – [www.abbc.org.br/](http://www.abbc.org.br/)) and is constantly present at the periodic meetings held by the Brazilian Corporate Governance Institute (IBGC – [www.ibgc.org.br/](http://www.ibgc.org.br/)) and the Brazilian Institute of Financial Executives (IBEF – [www.ibef.org.br/](http://www.ibef.org.br/)). It is also engaged in consumer protection committees, in line with the principles of the Febraban Financial Institutions Self-Regulation Code.

In 2014 BICBANCO took part in forums, commissions and sub-commissions of Febraban and the Brazilian Banks Association (ABBC). Issues involving small and mid-size banks, sustainability, compliance, rural credit, audits, human resources and credit businesses were among the matters discussed at the Febraban events.

In the case of the Brazilian Banks Association (ABBC), the subjects dealt with included the tax and accounting fields, risk management, corporate governance and compliance, human resources, technology and shared services and matters involving treasury and funding, foreign exchange and payroll-deductible loans. The forums dealing with sustainability and human resources covered issues such as the eradication of slave labor and its impact on the industry. ● **GRI 4.13 (G4-16 and EC4)**



The Institution is signatory to the Global Compact, the National Pact for the Eradication of Forced or Compulsory Labor in Brazil, the United Nations Environment Program (UNEP-FI) and the Febraban Code of Banking Self-Regulation because it believes in the importance of engaging in these proposals which, among others points, reiterate its commitment to good sustainability practices. ● **GRI G4-15**

#### **United Nations Environment Programme/ Finance Initiative – UNEP-FI**

#### **Global Compact**

(<http://www.pactoglobal.org.br/>)

#### **Code of Banking Self-Regulation**

(<http://www.autorregulacaobancaria.com.br/>)

#### **National Pact for the Eradication of Forced or Compulsory Labor in Brazil**

(<http://www.pactonacional.com.br>)

In 2014 the Bank did not use incentivized resources under the Rouanet Law. Also, the Institution did not receive financial assistance from the government or make donations to political parties. ● **GRI G4-EC4 | G4-S06**

## **Government**

### **Resolution No. 4327**

On April 25, 2014 the Central Bank published Resolution No. 4327 dealing with the guidelines for the implementation of social and environmental responsibility policies by financial institutions in order to manage social and environmental risk. The points under management must include, among others, systems, routines and procedures that enable the detection, classification, assessment, monitoring, mitigation and control of this risk in the institution's activities and operations.

So as to comply with this resolution, BICBANCO carried out an internal audit to diagnose and identify gaps, drawing up an action plan for that purpose. The Institution's current policy and procedures abide by the principles of Resolution 4327 and it is preparing to extend the socioenvironmental risk analysis process to individual customers.

The Bank is also a signatory to the Febraban Social and Environmental Risk Self-Regulation, whose requirements exceed those of the Brazilian Central Bank's Resolution.

## **Community**

The Private Social Investment Policy, revised in 2014, sets out the criteria, procedures and resources to be used by the companies of the Conglomerate in community-related activities. The document ranges from the criteria for selecting and prioritizing projects (using a collegiate body), to the monitoring of the results achieved.

During 2014, investments of BRL408 thousand were confined to two social projects, supported by own funds, which benefited the community surrounding the Bank's units:

**Magic Wheels |** For the 11<sup>th</sup> year, BICBANCO sponsored the training and preparation of the Magic Wheels juvenile wheelchair basketball team, contributing to the athletes' educational progress and professional inclusion. Managed by the Sporting Association for Persons with Disabilities (ADD), the project currently consists of 24 athletes and provides technical coaching and dietary and physical guidance, in addition to psychological support for the families. In 2014 the team held on to its position in the first division of the championship, while three athletes were called up for the City of São Paulo Wheelchair Basketball Team – one of them making the Brazilian national team.

**Casa do Idoso |** Since 2013 BICBANCO has supported the unit of the Associação Assistencial José Bezerra de Menezes, an institution for the elderly located in the interior of the State of Ceará, in Juazeiro do Norte. During 2014 the institution received the titles of municipal, state and national public utility, employed 18 staff and cared for around 65 elderly people (maximum capacity during the year). The senior citizens receive basic care that includes meals, hygiene and leisure, as well as participating in events for social integration and inclusion that are also open to their family members. The entity also offers internships to health-care students in partnership with local colleges.





# Environmental performance

In the environmental field the year was notable for the efforts at reducing energy consumptions. To that end, the controls and procedures aimed at conserving natural resources, conscientious energy consumption and preventing pollution were intensified. Current eco-efficiency practices and policies include the efficient use of resources and management of waste and greenhouse gas (GHG) emissions.

## Consumption of materials and waste disposal

Within the combined actions intended for conscientious material consumption, one of the highlights of the year was the ratification of a new printing company, kicking off the Consolidated Payment Slip process that enables the printing of up to four collection slips in a single A3-format envelope. The change led to a reduction of around 43% in printing paper, as well as enabling savings in postage. The new process means that customers now receive four payment slips in a single envelope. ● [GRI G4-EN1](#)

In accordance with the guidelines on the proper disposal of solid waste and conscientious disposal, selective waste collection processes were increased at certain branches. At the Bank's head office, paper collection totaled 5,450 kg for the year. During the year consumption stood at 40,772 kg of ordinary bond and printing paper (all certified by the Forest Stewardship Council – FSC). ● [GRI G4-EN23](#)

Structural actions involving accessibility, selective collection programs and battery disposal bins at the central administration building continued apace. The Bank also pushed ahead with the campaign Movimento Azul: Nossa atitude reverbera no mundo (Blue Movement: Our attitude reverberates around the world), which encourages conscientious consumption and sought to take better advantage of the conditions available at the institutions head office, which is LEED-certified.

Ergonomic products manufactured from recycled materials were also procured. With this acquisition the Bank contributed to removing 41 kg of material disposed of in the environment – equivalent to 960 2-liter PET bottles (reference values). ● [GRI G4-EN2](#)

## Water

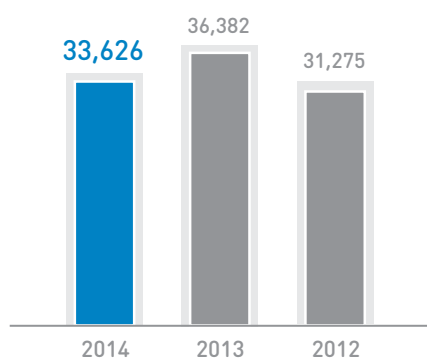
The water used at the Bank's units and its disposal are provided by the basic sanitary utilities, which makes it impossible to determine the water catchment source and the destination of disposal. So as to reduce consumption, the central administration building has a system for rainwater collection and reuse, and pressed ahead with the project for changing the taps at the Institution's head office. In 2014 total water consumption from the municipal supplies was 33,626 liters, less than the 36,382 liters consumed in the previous year. ● [GRI G4-EN22](#) | [G4-EN8](#)

## Energy and emissions

The investments in infrastructure improvements and additional measures taken in recent years have led to a significant reduction in energy consumption. Even with the level of efficiency obtained, the Institution is planning to hire an external contractor to manage and implement individualized meters in order to further reduce current average energy expenditures. In 2014 electricity consumption amounted to 3,409,263 kW while cooling gas totaled 183.59 cubic meters. ● [GRI G4-EN7](#) | [G4-EN6](#) | [G4-EN3](#) | [G4-EN15](#) | [G4-EN16](#) | [G4-EN17](#) | [G4-EN19](#) | [G4-EN30](#)

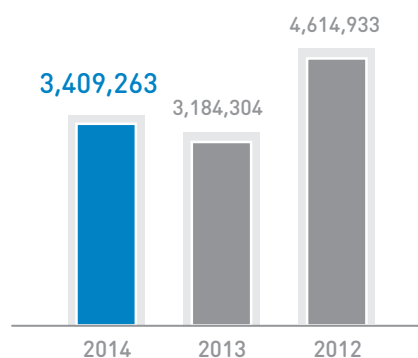
### Water

(l)



### Energy

(kw/h)



In 2014 total water consumption from the municipal supplies was 33,626 liters, less than the 36,382 liters consumed the previous year

**When Scopes 1 and 2 are added together, there was a reduction of 5.75% when compared to the previous year**

The Bank also measures its greenhouse gas (GHG) emissions using the methodology of the Brazilian GHG Protocol, and meets the requirements of ISO 14064 – Part 1 – Specification and guidance for organizations when quantifying and preparing reports on greenhouse gas emissions and removal. This inventory has been calculated since 2010 and audited since its second edition. Measurements are divided into three scopes:

**Scope 1** | Considers mobile combustion from own vehicles and aircraft and fugitive hydrofluorocarbons (HFCs) from refrigeration equipment.

**Scope 2** | Covers indirect emissions from the purchase of electricity.

**Scope 3** | Other indirect emissions Scope 3 emissions are the result of the company's activities, but involve sources that do not belong to the company and are not controlled by it. It covers mobile combustion emissions associated with employee air and

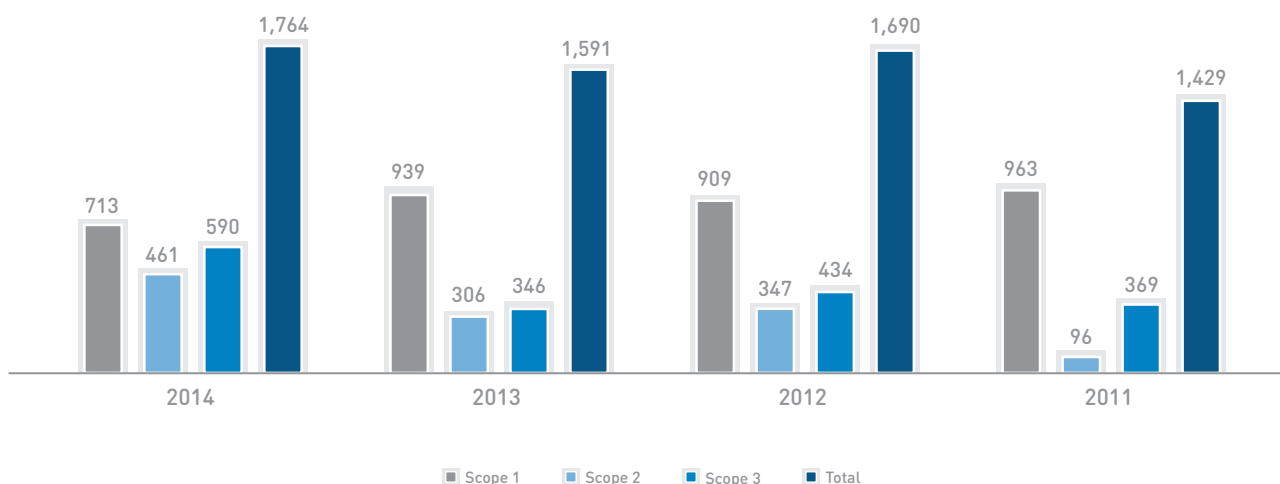
surface travel and (air and road) transportations of documents and cargoes, taxi and courier services, as well as fugitive emissions associated with the treatment of effluents.

Total emissions rose by 10% to 1,764 tCO<sub>2</sub>. When Scopes 1 and 2 are added together, there was a reduction of 5.75% when compared to the previous year. This decline can be attributed to the reduction in energy consumption and lower use of the Bank's own means of transport.

## Environmental conservation

BICBANCO owns properties in the city of Campos do Jordão and on Boraceia beach where it has regular control in conserving the native vegetation, and it has no properties in protected areas. In 2014 there were no fines or sanctions for non-compliance with environmental laws and regulations. ● GRI G4-EN29

## Emission History per Scope



## Added Value Statements

Years ended as of December 31 de 2014 e 2013 and for the second semester

(in thousands of Reais)

	BICBANCO MÚLTIPLO		BICBANCO CONSOLIDATED	
	2014	2013	2014	2013
<b>1. Revenues</b>	<b>941,006</b>	<b>1,985,523</b>	<b>917,116</b>	<b>2,033,047</b>
1.1 Financial intermediation	2,139,740	2,227,287	2,172,970	2,276,920
1.2 Provision of services	82,275	86,999	95,750	97,048
1.3 Provision for doubtful debts – Reversal/(Establishment)	(1,223,871)	(247,684)	(1,274,653)	(259,691)
1.4 Others	(57,138)	(81,079)	(76,951)	(81,230)
<b>2. Financial intermediation expenses</b>	<b>1,603,725</b>	<b>1,603,406</b>	<b>1,506,831</b>	<b>1,500,289</b>
<b>3. Inputs acquired from third parties</b>	<b>238,230</b>	<b>61,240</b>	<b>272,114</b>	<b>106,239</b>
3.1 Materials, energy and others	27,721	30,171	38,948	39,382
3.2 Third-party services	73,381	57,421	86,853	88,826
3.3 Losses on (Recovery) of asset values	137,128	(26,352)	146,313	(21,969)
<b>4. Gross Value Added (1-2-3)</b>	<b>(900,949)</b>	<b>320,877</b>	<b>(861,829)</b>	<b>426,519</b>
<b>5. Depreciation, Amortization and Depletion</b>	<b>28,454</b>	<b>35,586</b>	<b>29,283</b>	<b>36,401</b>
<b>6. Net Added Value Produced / Used by the Entity (4-5)</b>	<b>(929,403)</b>	<b>285,291</b>	<b>(891,112)</b>	<b>390,118</b>
<b>7. Added value received in transfer</b>	<b>4,357</b>	<b>45,218</b>	<b>436</b>	<b>439</b>
7.1 Equity pick-up result	3,921	44,779	-	-
7.2 Others	436	439	436	439
<b>8. Added value for distribution (6+7)</b>	<b>(925,046)</b>	<b>330,509</b>	<b>(890,676)</b>	<b>390,557</b>
<b>9. Distribution of added value</b>	<b>(925,046)</b>	<b>330,509</b>	<b>(890,676)</b>	<b>390,557</b>
<b>9.1 Personnel</b>	<b>183,788</b>	<b>170,414</b>	<b>198,549</b>	<b>183,417</b>
9.1.1 Direct remuneration	151,961	139,678	162,709	149,413
9.1.2 Benefits	19,490	17,759	22,556	20,190
9.1.3 Employee Retirement Fund (F.G.T.S.)	12,337	12,977	13,284	13,814
<b>9.2 Taxes, fees and contributions</b>	<b>(405,838)</b>	<b>68,267</b>	<b>(388,223)</b>	<b>113,629</b>
9.2.1 Federal	(420,150)	53,905	(405,263)	96,810
9.2.2 State	644	615	1,200	1,217
9.2.3 Municipal	13,668	13,747	15,840	15,602
<b>9.3 Remuneration of third-party capital</b>	<b>31,789</b>	<b>30,809</b>	<b>34,156</b>	<b>32,255</b>
9.3.1 Rents	31,789	30,809	34,156	32,255
<b>9.4 Remuneration of own capital</b>	<b>(734,785)</b>	<b>61,019</b>	<b>(735,158)</b>	<b>61,256</b>
9.4.1 Interest on shareholders' equity	-	52,000	-	52,000
9.2.2 Retained earnings/(losses)	(734,785)	9,019	(735,158)	9,256

## Added Value Statements

Years ended as of December 31 de 2014 e 2013 and for the second semester

(in thousands of reais)

	BICBANCO MÚLTIPLO			BICBANCO CONSOLIDATED		
	2º Semestre 2014	2014	2013	2º Semestre 2014	2014	2013
<b>1. Revenues</b>	<b>519,399</b>	<b>941,006</b>	<b>1,985,523</b>	<b>498,037</b>	<b>917,116</b>	<b>2,033,047</b>
1.1 Financial intermediation	1,438,159	2,139,740	2,227,287	1,450,682	2,172,970	2,276,920
1.2 Provision of services	38,557	82,275	86,999	45,963	95,750	97,048
1.3 Provision for doubtful debts – Reversal/(Establishment)	(935,965)	(1,223,871)	(247,684)	(966,627)	(1,274,653)	(259,691)
1.4 Others	(21,352)	(57,138)	(81,079)	(31,981)	(76,951)	(81,230)
<b>2. Financial intermediation expenses</b>	<b>1,209,182</b>	<b>1,603,725</b>	<b>1,603,406</b>	<b>1,160,570</b>	<b>1,506,831</b>	<b>1,500,289</b>
<b>3. Inputs acquired from third parties</b>	<b>149,611</b>	<b>238,230</b>	<b>61,240</b>	<b>168,954</b>	<b>272,114</b>	<b>106,239</b>
3.1 Materials, energy and others	13,786	27,721	30,171	20,058	38,948	39,382
3.2 Third-party services	40,310	73,381	57,421	46,861	86,853	88,826
3.3 Losses on (Recovery) of asset values	95,515	137,128	(26,352)	102,035	146,313	(21,969)
<b>4. Gross Value Added (1-2-3)</b>	<b>(839,394)</b>	<b>(900,949)</b>	<b>320,877</b>	<b>(831,487)</b>	<b>(861,829)</b>	<b>426,519</b>
<b>5. Depreciation, Amortization and Depletion</b>	<b>12,173</b>	<b>28,454</b>	<b>35,586</b>	<b>12,593</b>	<b>29,283</b>	<b>36,401</b>
<b>6. Net Added Value Produced / Used by the Entity (4-5)</b>	<b>(851,567)</b>	<b>(929,403)</b>	<b>285,291</b>	<b>(844,080)</b>	<b>(891,112)</b>	<b>390,118</b>
<b>7. Added value received in transfer</b>	<b>(6,461)</b>	<b>4,357</b>	<b>45,218</b>	<b>201</b>	<b>436</b>	<b>439</b>
7.1 Equity pick-up result	(6,662)	3,921	44,779	-	-	-
7.2 Others	201	436	439	201	436	439
<b>8. Added value for distribution (6+7)</b>	<b>(858,028)</b>	<b>(925,046)</b>	<b>330,509</b>	<b>(843,879)</b>	<b>(890,676)</b>	<b>390,557</b>
<b>9. Distribution of added value</b>	<b>(858,028)</b>	<b>(925,046)</b>	<b>330,509</b>	<b>(843,879)</b>	<b>(890,676)</b>	<b>390,557</b>
<b>9.1 Personnel</b>	<b>89,116</b>	<b>183,788</b>	<b>170,414</b>	<b>96,749</b>	<b>198,549</b>	<b>183,417</b>
9.1.1 Direct remuneration	71,720	151,961	139,678	77,315	162,709	149,413
9.1.2 Benefits	9,915	19,490	17,759	11,537	22,556	20,190
9.1.3 Employee Retirement Fund (F.G.T.S.)	7,481	12,337	12,977	7,897	13,284	13,814
<b>9.2 Taxes, fees and contributions</b>	<b>(371,967)</b>	<b>(405,838)</b>	<b>68,267</b>	<b>(366,090)</b>	<b>(388,223)</b>	<b>113,629</b>
9.2.1 Federal	(380,193)	(420,150)	53,905	(375,717)	(405,263)	96,810
9.2.2 State	354	644	615	667	1,200	1,217
9.2.3 Municipal	7,872	13,668	13,747	8,960	15,840	15,602
<b>9.3 Remuneration of third-party capital</b>	<b>16,271</b>	<b>31,789</b>	<b>30,809</b>	<b>17,225</b>	<b>34,156</b>	<b>32,255</b>
9.3.1 Rents	16,271	31,789	30,809	17,225	34,156	32,255
<b>9.4 Remuneration of own capital</b>	<b>(591,448)</b>	<b>(734,785)</b>	<b>61,019</b>	<b>(591,763)</b>	<b>(735,158)</b>	<b>61,256</b>
9.4.1 Interest on shareholders' equity	-	-	52,000	-	-	52,000
9.2.2 Retained earnings/(losses)	(591,440)	(734,785)	9,019	(591,763)	(735,158)	9,256

# Independent auditor's limited assurance report on the information related to sustainability included in the Annual and Sustainability Report for 2014

To the Board of Directors  
Banco Industrial e Comercial S.A.  
São Paulo – SP

## Introduction

We have been engaged by Banco Industrial e Comercial S.A. ("Bicbanco") to present our limited assurance report on the compilation and fair presentation of the information related to sustainability included in the Annual and Sustainability Report for 2014 of Banco Industrial e Comercial S.A. for the year ended December 31, 2014 ("Bicbanco Report for 2014").

## Management's responsibility for the Annual and Sustainability Report for 2014

The management of Bicbanco is responsible for the compilation and fair presentation of the information related to sustainability included in the Bicbanco Report for 2014, in accordance with the guidelines of the Global Reporting Initiative (GRI-G4) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the compilation and fair presentation of the information related to sustainability included in the Bicbanco Report for 2014, based on our limited assurance engagement carried out in accordance with the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", issued by the Brazilian Federal Accounting Council (CFC), which is equivalent to the international standard ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that

we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the information related to sustainability included in the Bicbanco Report for 2014, taken as a whole, is free from material misstatements.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information related to sustainability, as well as applying analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead him to believe that the information related to sustainability taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information related to sustainability included in the Bicbanco Report for 2014, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

- (a) Planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information related to sustainability included in the Bicbanco Report for 2014.
- (b) Understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers in charge of the preparation of the information.



- (c) Applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the information related to sustainability included in the Bicbanco Report for 2014.
- (d) Obtaining evidence for the most significant GRI - G4 indicators included in the Bicbanco Report for 2014 and presented in the "GRI Summary".

The limited assurance engagement also included tests to assess compliance with the guidelines of the Global Reporting Initiative (GRI-G4) applied in the preparation of the information related to sustainability included in the Bicbanco Report for 2014.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

## Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the compilation and fair presentation of the information related to sustainability included in the Bicbanco Report for 2014. Consequently, we were not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the issuance of an opinion. If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the information related to sustainability included in the Bicbanco Report for 2014. Therefore, we do not express an opinion on this information.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior years, nor future projections and goals.

## Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that the information related to sustainability included in the Bicbanco Report for 2014 has not been compiled and is not fairly presented, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-G4).

## Other matters

### Audit of the financial statements as at December 31, 2014

The financial statements of Bicbanco for the year ended December 31, 2014 were audited by other independent auditors, who issued their unqualified audit opinion on March 12, 2015. The social and environmental performance indicators based on accounting information and presented in the Bicbanco Report for 2014 were extracted from those financial statements, which were not subject to assurance procedures for the purposes of this report.

São Paulo, April 1, 2015

**PricewaterhouseCoopers**

**Auditores Independentes**

CRC 2SP000160/O-5

**Evandro Carreras**

Accountant – Regional Accounting Council

Contador CRC 1SP176139/O-0

# Ibase 2014

1. Basis of Calculation			2014
Net Revenues (NR)			2,172,970
Operating Income (OI)			-1,171,321
Gross Payroll (GP)			108,693,102.05
2. Internal Social Indicators	(Amount) BRL thousands	% over GP	% over NR
Meals	11,659,434		
Compulsory social charges	34,799,043		
Private Pension	0		
Health	8,064,610		
Occupational health and safety	298,264		
Education	335,525		
Culture	115,711		
Professional training and development	182,148		
Daycare or daycare allowances	547,326		
Sports	14,641		
Profit sharing	25,672,491		
Transport	664,593		
Others	439,028		
<b>Total Internal Social Indicators</b>	<b>82,792,812</b>		
3. External Social Indicators	(Amount) BRL thousands	% over GP	% over NR
Education			
Culture			
Health and sanitation			
Sports	72		
Food security and fighting hunger			
Others	336		
Total contributions to society	408		
Taxes (except social charges)			
<b>Total External Social Indicators</b>	<b>408</b>		

4. Environmental Indicators	(Amount) BRL thousands	% over GP	% over NR
Investments related to production/operations of the Company	x	x	x
Investments in external programs and/or projects	x	x	x
Total investments in the environment	x	x	x
With regard to the fixing of annual targets for minimizing	x	x	x
waste and consumption in general in production/operations and increasing	x	x	x
efficiency in the use of natural resources the Company:	x	x	x
<b>5. Workforce indicators</b>			<b>Total</b>
Number of employees at the end of the year			893
Number of new hires during the year			119
Number of terminations during the year			105
Number of outsourced employees			152
Number of interns			45
Number of employees over 45			286
<b>Number of employees by age bracket:</b>			
under 18			0
From 18 to 35			363
From 36 to 45			244
From 46 to 60			271
60 or older			15
<b>Number of employees by educational level:</b>			
illiterate			-
Primary school			3
Secondary/technical school			74
Higher education			592
Graduate degree			224
Number of women working in the company			366
Percentage of supervisory positions held by women			27%
Number of men working in the company			527
Percentages of supervisory positions held by men			73%
Number of Afro-Brazilians working in the company			35
Percentage of supervisory positions held by Afro-Brazilians			8%
Numbers of disabled people or people with special needs			35

## 6. 6. Relevant information regarding the exercise of Corporate Citizenship

Ratio between the highest and the lowest wages in the company	14.02					
Total number of work-related accidents	0					
The social and environmental projects developed by the company were defined by:	Directors		Directors and Managers	x	All the employees	
The standards of health and safety in the workplace were defined by:	Directors		Directors and Managers		all employees + Cipa	x
With regard to free union association, collective bargaining rights and internal staff representation, the company:	does not get involved		follows ILO standards		encourages and follows ILO	x
The pension plan includes:	Directors		Directors and Managers		All the employees	
Profit sharing covers:	Directors		Directors and Managers		All the employees	x
In selecting suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	are not considered		are considered		are required	x
In respect of participation of employees in volunteer work programs, the company:	does not get involved		supports	x	organizes and encourages	
Total number of consumer complaints and criticisms:	to the Company	233	to the Consumer Association	2,178	to the Courts	1,342
Percentage of complaints and criticisms answered or resolved	by the Company (%)	100	by the Consumer Association (%)	100	by the Courts	100
Total added value for distribution (in BRL thousands)	-890,676					
Distribution of Added Value (DVA):	Government (Total)	-388,223	Employee (Total)	198,549		
	Shareholders (Total)	-735,158	Third parties (Total)	34,156	Retained (Total)	29,283
Distribution of Added Value (DVA):	Government (%)	43.59%	Employees (%)	-22.29%		
	Shareholders (%)	82.54%	Third parties (%)	-3.83%	Retained (%)	-3.29%

# GRI Index

GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Strategy and Analysis</b>				
G4-1	Statement from the most senior decision-maker of organization (such as CEO, Chairman of the Board of Directors or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Non-compliant	Message from the CEO	7
<b>Organizational Profile</b>				
G4-3	Name of the organization	Compliant	Profile	8
G4-4	Primary brands, products and/or services	Compliant	Profile	8
G4-5	Location of the organization's headquarters	Compliant	Profile	8
G4-6	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered by the report.	Compliant	Profile	8
G4-7	Nature of ownership and legal form	Compliant	Profile	8
G4-8	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	Compliant	Profile	8
G4-9	Scale of the reporting organization, including: number of employees, net sales (for private sector organizations) or net revenues (for public sector organizations), total capitalization broken down into debt and shareholders' equity (for private sector organizations) and number of products or services offered.	Compliant	Economic Performance	25
G4-10	Total staff by type of employment, work contract and region.	Compliant	Diversity map	49
G4-11	Percentage of employees covered by collective bargaining agreements	Compliant	Relations with trade unions	53
G4-12	Description of the organization's supply chain	Compliant	Suppliers	55
G4-13	Significant changes during the reporting period regarding size, structure and ownership.	Compliant	Shareholding structure	14
G4-14	Explanation of whether and how the organization applies the precautionary principle.	Compliant	Operational Risk	23
G4-15	Charters, principles or other initiatives of an economic, environmental or social nature developed externally, which the organization subscribes to or endorses.	Compliant	Society	56
G4-16	Participation in associations (such as industry associations) and/or national/international defense organizations in which the organization: a) has a seat in groups responsible for corporate governance; b) integrates projects and committees; c) contributes with substantial resources beyond the base rate as associated organization; d) considers its role strategic as an associate	Compliant	Society	55



GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Material Aspects Identified and Limits</b>				
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. State whether any entity included in the organization's consolidated financial statements or equivalent documents was not covered by the report.	Non-compliant	Profile	3
G4-18	a. Explain the process adopted for defining the report content and boundaries on the aspects. b. Explain how the organization implemented the Principles for Defining the Report Content.	Compliant	About this report	2
G4-19	List all material aspects identified when defining the report content.	Compliant	Materiality Test	2
G4-20	a. For each material aspect describe the boundary of the aspect within the organization in the following manner: - State whether the aspect is relevant within the organization. - If the aspect is not relevant to all entities within the organization (as described in point G4-17), choose one of the following approaches and present: - The list of entities or groups of entities included in point G4-17 for whom the aspect is not relevant or - The list of entities or groups of entities included in point G4-17 for whom the aspect is relevant - State any specific limitations on the boundary of the aspect within the organization.	Non-compliant	About this report	2
G4-21	a. For each material aspect describe the boundary of the aspect outside the organization in the following manner: - State whether the aspect is relevant outside the organization. - If the aspect is relevant outside the organization, identify the entities, groups of entities or elements for which the aspect is relevant. Also describe the geographical location in where the aspect is relevant for the entities identified. - State any specific limitations on the boundary of the aspect outside the organization.	Non-compliant	About this report	2
G4-22	Explanation of the effect of any restatements of information provided in previous reports and the reasons for these.	Compliant	About this report Profile	2
G4-23	State any significant changes regarding periods covered in previous reports in terms of scope and boundaries of the aspect.	Compliant	About this report Profile	2
<b>Stakeholder Engagement</b>				
G4-24	Provide a list of stakeholder groups engaged by the organization.	Compliant	Social Performance	40
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Compliant	Social Performance	40
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, indicating whether any specific engagement took place as part of the report preparation process.	Compliant	Social Performance	40
G4-27	Report key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the topics and concerns mentioned.	Partial	Materiality Test	44

GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Report Profile</b>				
G4-28	Reporting period (fiscal/calendar year) for information provided.	Compliant	About this report	2
G4-29	Data of most recent previous report (if any).	Compliant	About this report	2
G4-30	Reporting cycle (annual, biennial etc.).	Compliant	About this report	2
G4-31	Contact point for questions regarding the report or its contents	Non-compliant	About this report	2
G4-32	a. Report the "in accordance" option the organization has chosen b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured.	Compliant	GRI Index	69
G4-33	Current policy and practice for seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided as well as the relationship between the organization and the assurance providers.	Compliant	About this report	2
<b>Governance</b>				
G4-34	List of stakeholder groups engaged by the organization.	Compliant	Social Performance	15
<b>Ethics and Integrity</b>				
G4-56	Describe the organization's values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics.	Compliant	Governance and management – Mission, Vision and Values	4
<b>Category: Economic</b>				
<b>Economic Performance</b>				
G4-EC1	Report the direct economic value generated and distributed	Compliant	Economic Performance	24
G4-EC2	Financial implications and other risks and opportunities for the organization's operations due to climate change.	Partial	Sustainability Committee Movimiento Azul ("Blue Committee")	19
G4-EC3	Coverage of the organization's defined benefit plan obligations	Not applicable		
G4-EC4	Financial assistance received from government	Compliant	Society	55
<b>Market Presence</b>				
G4-EC5	Ratio of standard entry level wage by gender to local minimum wage at significant locations of operation	Compliant	Compensation	49
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Partial	Turnover	50
<b>Indirect Economic Impacts</b>				
G4-EC7	Development and impact of infrastructure investments and services supported	Not relevant		
G4-EC8	Significant indirect economic impacts, including the extent of the impacts	Not Applicable		
<b>Procurement Practices</b>				
G4-EC9	Proportion of spending on local suppliers at significant locations of operations	Partial	Suppliers	55

GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Category: Environmental</b>				
<b>Materials</b>				
G4-EN1	Materials used, by weight or volume	Partial	Consumption of materials and waste disposal	57
G4-EN2	Percentage of materials used that are recycled input materials	Partial	Consumption of materials and waste disposal	57
<b>Energy</b>				
G4-EN3	Energy consumption within the organization	Compliant	Energy and emissions	58
G4-EN4	Energy consumption outside the organization	Not Applicable		
G4-EN5	Energy intensity	Not Applicable		
G4-EN6	Reduction of energy consumption	Compliant	Energy and emissions	58
G4-EN7	Reductions in energy requirements of products and services	Compliant	Energy and emissions	58
<b>Water</b>				
G4-EN8	Total water withdrawal by source	Compliant	Water	58
G4-EN9	Water sources significantly affected by withdrawal of water	Not Applicable		
G4-EN10	Percentage and total volume of water recycled and reused	Not Applicable		
<b>Biodiversity</b>				
G4-EN11	Location and size of land owned, leased or managed within or adjacent to protected areas and areas of high biodiversity value outside protected areas	Not Applicable		
G4-EN12	Description of significant impact of activities, products or services on biodiversity in protected areas and high-value biodiversity areas outside protected areas	Not Applicable		
G4-EN13	Habitats protected or restored	Not Applicable		
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not Applicable		
<b>Emissions</b>				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Compliant	Energy and emissions	58
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Compliant	Energy and emissions	58
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Compliant	Energy and emissions	58
G4-EN18	Greenhouse gas (GHG) emissions intensity	Not reported		
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Compliant	Energy and emissions	58
G4-EN20	Emissions of ozone-depleting substances (ODS)	Not reported		
G4-EN21	Emissions of NOx, SOx and other significant air emissions	Not reported		

GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Effluents and Waste</b>				
G4-EN22	Total water discharge by quality and destination	Compliant	Consumption of materials and waste disposal	58
G4-EN23	Total weight of waste, by type and disposal method	Partial	Consumption of materials and waste disposal	57
G4-EN24	Total number and volume of significant spills	Not Applicable		
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under terms of the Basel Convention, Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Not Applicable		
G4-EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Not Applicable		
<b>Products and Services</b>				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Not Applicable		
G4-EN28	Percentage of products sold and their packages that are reclaimed, by category.	Not Applicable		
<b>Compliance</b>				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions from non-compliance with environmental laws and regulations.	Compliant	Environmental conservation	71
<b>Transport</b>				
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Compliant	Energy and emissions	58
<b>General</b>				
G4-EN31	Total environmental protection expenditures and investments, by type.	Not Applicable		
<b>Supplier Environmental Assessment</b>				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Compliant	Social and environmental risk Suppliers	21
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Partial	Social and environmental risk Suppliers	21
<b>Environmental Grievance Mechanisms</b>				
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	Partial	Social and environmental risk Suppliers	21

GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Category: Social</b>				
<b>Labor Practices and Decent Work</b>				
<b>Employment</b>				
G4-LA1	Total number and rates of new employee hires and employees turnover by age group, gender and region	Compliant	Diversity map	50
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Compliant	Benefits	49
G4-LA3	Return to work and retention rates after parental leave, by gender	Compliant	Turnover	49;50
<b>Labor relations</b>				
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Non-compliant	Diversity map	49
<b>Occupational Health and Safety</b>				
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Compliant	Occupational health and safety	54
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Compliant	Occupational health and safety	54
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Compliant	Occupational health and safety	54
G4-LA8	Health and safety matters covered in formal agreements with trade unions.	Compliant	Occupational health and safety	54
<b>Training and Education</b>				
G4-LA9	Average hours of training per year per employee by gender and by employee category	Compliant	Training and development	52
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Compliant	Training and development	49
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Compliant	Performance assessment	49
<b>Diversity and Equal Opportunity</b>				
G4-LA12	Composition of governance bodies and breakdown of employees by category, according to gender, age group, minority group membership and other indicators of diversity.	Compliant	Diversity map	49
<b>Equal Remuneration for Women and Men</b>				
G4-LA13	Ratio of basic salary and remuneration of women to men by employees category, by significant locations of operation	Non-compliant	Diversity map	49
<b>Supplier Assessment for Labor Practices</b>				
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Compliant	Social and environmental risk Suppliers	52
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Compliant	Suppliers	55



GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Labor Practices Grievance Mechanisms</b>				
G4-LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms	Compliant	Internal stakeholders	49
<b>Human Rights</b>				
<b>Investment</b>				
G4-HR1	Total number and percentage significant investment agreements and contract that include human rights clauses or that underwent human rights screening.	Compliant	Human Rights	55
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Compliant	Socioenvironmental risk	21
<b>Non-discrimination</b>				
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	Compliant	Human Rights	13
<b>Freedom of Association and Collective Bargaining</b>				
G4-HR4	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	Non-compliant	Relationship with unions	53
<b>Child Labor</b>				
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Compliant	Socioenvironmental risk Suppliers	55
<b>Forced or Compulsory Labor</b>				
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.	Compliant	Socioenvironmental risk Suppliers	55
<b>Security practices</b>				
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Not reported	Suppliers	
<b>Indigenous Rights</b>				
G4-HR8	Total number of incidents of violation involving rights of indigenous peoples and actions taken.	Not Applicable		
<b>Assessment</b>				
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Compliant	Human Rights	13
<b>Supplier Human Rights Assessment</b>				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Compliant	Socioenvironmental risk Suppliers	55
G4-HR11	Significant actual and potential human rights impacts in the supply chain and actions taken	Compliant	Suppliers	55

GRI Index	Indicator summary	2014 Status	Chapter	Page
Human Rights Grievance Mechanisms				
G4-HR12	Number of grievances about human rights impacts, filed, addressed and resolved through formal grievance mechanisms	Compliant	Information privacy and security	42
Society				
Local Communities				
G4-S01	Percentage of operations with implemented local community engagement, impact assessments and development programs	Not Applicable		
G4-S02	Operations with significant actual and potential negative impacts on local communities	Not Applicable		
Anti-Corruption				
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Compliant	Crime prevention policy	12
G4-S04	Communication and training on anti-corruption policies and procedures	Compliant	Crime prevention policy	11
G4-S05	Confirmed incidents of corruption and actions taken	Compliant	Crime prevention policy	11
Public Policy				
G4-S06	Total monetary value of political contributions by country and recipient/beneficiary	Compliant	Society	56
Anti-competitive behavior				
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	Non-compliant	Code of Ethics	9
Compliance				
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Compliant	GRI Index	74
		The Institution received no significant fines as a result of non-compliance with laws and regulations on the provision and use of products and services in 2014		
Supplier Assessment for Impacts on Society				
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	Partial	Socioenvironmental risk Suppliers	55
G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken	Partial	Socioenvironmental risk Suppliers	55
Grievance Mechanisms for Impacts on Society				
G4-S011	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	Compliant	Ombudsman	45
Product Responsibility				
Customer Health and Safety				
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Not Applicable		
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life-cycle, by type of outcomes.	Compliant	Communication and marketing	45

GRI Index	Indicator summary	2014 Status	Chapter	Page
<b>Product and Service Labeling</b>				
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Compliant	Communication and marketing	45
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Compliant	Communication and marketing	45
G4-PR5	Results of surveys measuring customer satisfaction	Partial	Communication and marketing	44
<b>Marketing Communications</b>				
G4-PR6	Sale of banned or disputed products	Compliant	Communication and marketing	45
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	Compliant	Communication and marketing	45
<b>Customer Privacy</b>				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Compliant	Information privacy and security	42
<b>Compliance</b>				
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Compliant	Information privacy and security	42
<b>Product Portfolio</b>				
FS1	Description of policies with specific environmental and social components applied to business lines	Partial	Socioenvironmental risk	21
FS2	Description of the procedures for accessing and analyzing environmental and social risks in business lines for each policy.	Compliant	Socioenvironmental risk	21
FS3	Description of the customer monitoring processes for implementation and compliance with environmental and social requirements included in the agreements or transactions	Compliant	Socioenvironmental risk	21
FS4	Description of process(es) for improving staff competence for implementing environmental and social policies and procedures applied to business lines.	Compliant	Socioenvironmental risk Training and development	21
FS5	Description of interactions with customers and other stakeholders with respect to environmental and social risks and opportunities	Compliant	Socioenvironmental risk	21
FS6	Percentage of portfolio for business lines by specific region, size (e.g. micro, medium, large) and by sector.	Compliant	Economic Performance	24
FS7	Monetary value of products and services designed to bring a specific social benefit to each business line, broken down by purpose.	Partial	Products and services with additional social and environmental features	41
FS8	Monetary value of products and services designed to bring a specific social benefit to each business line, broken down by purpose.	Partial	Products and services with additional social and environmental features	41

GRI Index	Indicator summary	2014 Status	Chapter	Page
FS9	Extent and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Partial	Internal Audit	18
FS10	Percentage and number of companies in the institution's portfolio with which the reporting organization interacted on social or environmental issues.	Compliant	Socioenvironmental risk	21
FS11	Percentage of assets subject to positive or negative environmental or social screening.	Compliant	Socioenvironmental risk	21
		Compliant	GRI Index	76
FS12	Voting policy(s) applied to environmental or social issues for actions where the reporting organization is entitled to voting shares or to advise on voting.	As a result of the activities it develops, BICBANCO has no voting policies applied to social and environmental issues, for actions where the organization is entitled to voting shares or to advise on voting.		
FS13	Access to financial services in sparsely populated or economically disadvantaged areas by access type.	Not Applicable		
FS14	Initiatives to improve access to financial services for disadvantaged persons.	Compliant	Customers Service outlets	43
FS15	Policies for the correct development and sale of financial products and services	Compliant	Products and services with additional social and environmental features	41
FS16	Financial education initiatives	Compliant	Responsible lending	41

# Credits

## Coordination and editing

BICBANCO Marketing and Communications

## Research and Content Coordination

BICBANCO Corporate Governance - Sustainability

## Collaboration – BICBANCO Departments

Controllership

Credit

Infrastructure

Operations

Ombudsman

Products and Services

Human Resources

Investors Relations

IT

## Design and Production

TheMediaGroup

## Drafting

TheMediaGroup

## Consultancy

Focus Training and Consulting

## Revision

TheMediaGroup

## Photography

Fernando Favoretto

## Auditors

PricewaterhouseCoopers

[www.bicbanco.com.br](http://www.bicbanco.com.br)