



Sustainability Report 2017

WE BELIEVE IN YOU.
WHAT ABOUT YOU?

Summary

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01

INTRODUCTION

Highlights



We reached our best average in the regulatory quality indicators. This can be seen from the **IDD**, index that measures how much Higher Education has added to the student's knowledge, and the **ENADE**, which evaluates the performance of graduates of undergraduate courses, which achieved 85% and 72% of the courses with satisfactory performance, respectively.



We increased the number of course evaluations by 35%, from 338 to 457 visits. Of these evaluations, 72% had scores 4 or 5, demonstrating the significant improvement in the quality of our courses.



We carried out a **Strategic Planning** for the next five years, evidencing our focus on **Student Success** and **Digital Transformation**.



We increased by 82% the enrollment at the **Trilha do ENEM** platform (preparation platform for the Enem exam), a free program that helps students prepare for the National Secondary School Exam (ENEM).



91% of our students have at least one subject under our new academic model **KLS 2.0**, expanding the scope of our innovative teaching system.



The Institutional Assessment System (AVALIAR) achieved a high level of participation by undergraduate on-campus students (80%), demonstrating the students' commitment to contribute to the identification of strengths and opportunities for improvement in their educational institution.



We opened 200 new **Distance Learning (DL)** centers, started the operation of five **new on-campus** units and we launched nine campus, increasing the penetration of the transforming power of our education in different regions of the country.



We now offer five new courses in the **Premium DL** modality, which comprises blended distance learning programs that require a higher number of practical lessons, and the number of students enrolled in this type of course increased 71% year-over-year.



We offer the **Private Special Installment Plan (PEP)** for our tuition fees to 49 thousand students, expanding access to education in the country.



We increased by 81% the number of active students in the **Canal Conecta**, reaching 302 thousand, with 87 thousand job opportunities in this platform. The number of partner companies reached 11 thousand, a growth of 197%.



We carried out more than 2,167 **social action** projects in our units, positively impacting more than 1.5 million people.



The **specialized services** provided by our students as part of their course represented more than 2.3 million procedures, totaling more than 1.9 million people served. All these services provided financial relief of over R\$ 377 million for the public power, allowing the reinvestment of this value in society.

Dear reader

GRI G4-18 / G4-19 / G4-24 / G4-25 / G4-26 / G4-27 / G4-28 / G4-31

Welcome to Kroton's 2017 Sustainability Report, a document that shows how our operation contributes to achieving the dreams of hundreds of thousands of people, creating value for our students, employees, investors and society.

The publication gathers information about our initiatives and results between January 1st and December 31st, 2017, demonstrating how our strategy and performance have contributed to the Company's financial, social and environmental sustainability.

For the fourth consecutive year, we are following the GRI (Global Reporting Initiative) guidelines, a voluntary standard adopted by thousands of companies around the world to guide the construction of sustainability reports.

In order to bring the most important information about our operation, in 2014 we conducted a study to understand the issues that most affect our sustainability in the short, medium and long term. Internal documents such as the strategic map and performance drivers were analyzed, and we also collected our stakeholders' opinions - shareholders, employees, students, educators, suppliers, community and government - in order to find out what are the main aspects of our operation which they consider important.

This process was reviewed in 2016 and identified eight issues considered relevant to Kroton's sustainability, which served as the basis for the construction of the report:

Topics relevant to Kroton



Following GRI guidelines - in its G4 version - we manage and monitor indicators linked to each of these themes, which are reported in our publications. They can be identified throughout the document by the acronym GRI G4, or in the GRI Content Index section, located on page 79.

Enjoy your reading!



If you have any questions, suggestions or if you need any additional information, please contact us:
responsabilidadesocial@kroton.com.br





02

ABOUT KROTON



Message from the CEO

G4-1

The year 2017 was remarkable and very rich in achievement and learning for each one of us. In this period, we dedicate our efforts even more to an important challenge: the success of each student who relies on our work to support him/her in transforming his/her future.

The results we have achieved in this period reinforce the view that, together, we are following a solid journey to achieve this purpose. This year, we obtained highly relevant results in the MEC indicators: 72% of the courses achieved satisfactory performance in ENADE and our IDD, index that attests to the effective evolution in student's knowledge, from entering college to the conclusion of their training, achieved 85%, equal to that presented by public higher education institutions and better than the average of Brazilian private educational institutions.

Also, our innovative academic model focused on the employability of our students has generated significant results in the evolution of their career. Through Canal Conecta, we introduced and reallocated our students into the job market and, analyzing our results, we could see a significant increase in their income. In 2017, there were more than 11 thousand partner companies in our platform offering opportunities to our students throughout the country.

We have built a robust expansion plan throughout 2017. We opened 200 new DL Centers, started operations in five new on-campus units and launched nine campuses, helping to transform the lives of ever more people, their families and communities through quality education. We focus on the student and our ability to transform their future and the entire whole society is what moves us forward.

That is why Kroton's Learning Institutions have engaged thousands of students in social action initiatives in 2017, integrating our educational expertise to promote social, economic and environmental transformations in the localities in which we are present. To do so, we performed more than 2.3 million specialized procedures in free direct consultations to more than 1.9 million people performed on a recurring basis in our institutions throughout Brazil.

In addition, Kroton supports transformational social responsibility programs in education, supported by the scale potential of its institutions' network. Through the Brazilian Alliance for Education (ABE), we have developed programs in favor of municipal and state public education, supporting their leaderships to share experiences and good educational practices. ABE has also contributed with training for primary education and has progressively expanded its support to projects that bring quality education to the prison system.

Looking to the future, we've built a plan for Kroton's next five years, having our students' success at the heart of our decisions. We have initiated an important Digital Transformation process, a pioneering initiative in Brazil's education segment, and we managed to develop our new purpose, manifesto and values that will guide us in the next steps so that we can further support each one of our students to transform their future.

Finally, I am convinced that every activity carried out in our Company is paramount to generate the positive impacts that we have achieved throughout the country. In the following pages, you can check, in detail, the main highlights of Kroton in this period, but I take this opportunity to reinforce my pride and the certainty that, through our various initiatives, we will continue to increasingly promote the society development as a whole.

Enjoy your reading,

Rodrigo Calvo Galindo

Kroton's CEO



Manifesto

G4-56

“What do you want to be when you grow up?”

Everyone has heard this question someday.

And the answer always came in the form of some childhood dream. But why is it that, after they became adults, a lot of people stop asking themselves that question?

We do not. We never stop.

We keep asking ourselves every day:

“What do we want to be when we grow up?”

Still the answer is the same dream we had back there.

Since when we started to take our first steps:

“We want to train people who are going to transform the world.”

And to make that dream come true, there is no more powerful tool than education.

Because it develops conscientious citizens, capable of being agents of change.

And that’s why we invest so much in teachers, innovation and new technologies.

So that quality education can be increasingly accessible to all.

Because we want to be side by side with you on your journey of transformation.

So you won’t ever give up your old dreams.

And you will continue to make all your new dreams come true.

That’s why Kroton exists:

To help you shape your future.

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Watch our Manifesto video at: <https://bit.ly/2Jl8Azb>

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What do you want to be when you grow up?

GRI G4-3 / G4-4 / G4-7 / G4-8 / G4-9

Our Company was founded on April 11, 1966, in the city of Belo Horizonte (MG), through the initiative of young educators who perceived the difficulty in entering Higher Education and opened a preparatory course for the entrance exam under the Pitágoras brand.

The Company has grown over the decades and today we are proud to say that Kroton Educacional S.A. is the largest private educational organization in Brazil and one of the largest in the world. We walk with hundreds of thousands of Brazilians, helping them transform their future through education, at every phase of their academic life, from kindergarten to post-graduate degrees.

In 2017 alone, we helped over one million students develop their life projects, bringing knowledge and training to citizens who contribute to the development of their communities and the Country

And you? What is your dream?

"I want to be the first person in my family to access higher education."

"I dream of becoming a great professional in the field of architecture and devising solutions that can improve people's lives and contribute to the environment."

"I want to go to medical school, specialize in pediatric oncology and do my best to help save children's lives, especially supporting those who do not have financial conditions."

"I intend to graduate, get a good job and be able to buy a new apartment for my family. I want to provide my son with a better future."

"I will accomplish my dream! I want to study dentistry and make my family proud!"

"My goal is to work in the health area, but I do not want to be any doctor. I want to work at SAMU to be able to save lives and change people's futures. I'm going to lay my head on the pillow every night and remember every face I've saved."

"My biggest dream is to sit in a classroom and be able to say that I'm in a university. I will smile and feel like a winner!"

"I want to take the psychology course so that I can help people who suffer in drastic situations."

* real testimonies from the Trilha do ENEM platform students.

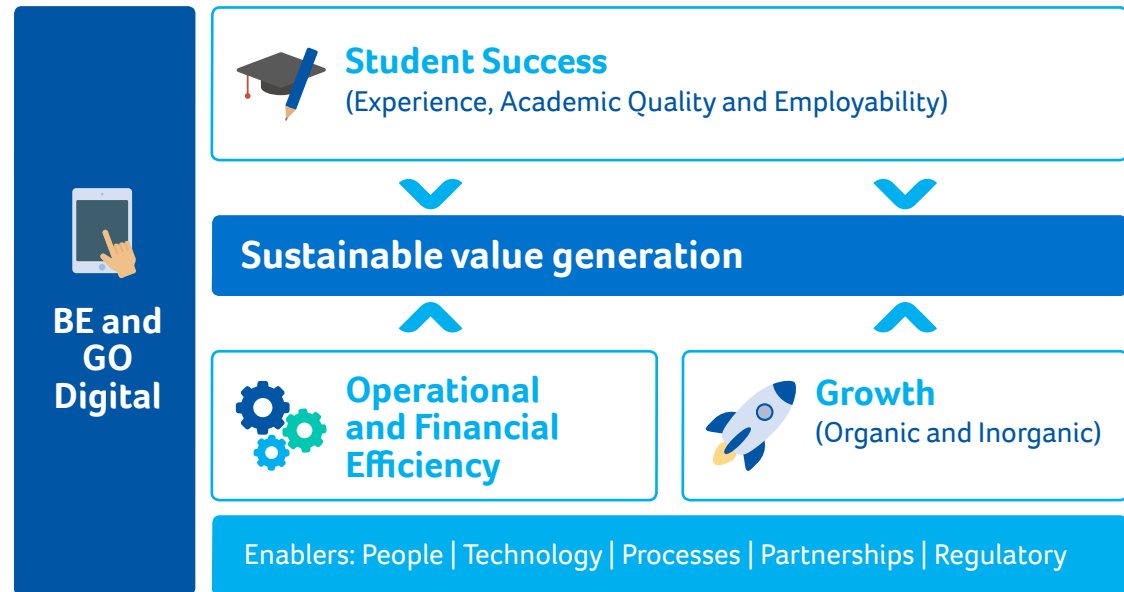


Making dreams come true: We believe in you

Our work is based on helping to fulfill the dreams of Brazilians in every corner of the country, from urban centers to the most remote locations. To do so, we seek to be close to the students, wherever they are. We have a vast network of 1,110 Centers and 119 Campuses distributed by municipalities in all Brazilian states, contributing to the education and economic development of the country as a whole. In some cities, we are the only Higher Education Institution, representing a unique possibility of regional development.

One of our main challenges to continue transforming the lives of so many people is to align the management model of our operations - the largest in the country and one of the largest in the world - to academic excellence, always following the constant evolution of the sector and the digital world.

That is why, in 2017, we carried out an intense Strategic Planning process, in which we discussed our positioning for the next five years. We gathered our leaders, consulted our main audiences and, after more than 4,500 hours of work, we drew up a strategic map that should guide our activities:



The new strategic map highlights the focus of our discussions, **Student Success**, which must guide any decision we make. This means that all our work must be geared towards improving the experience of our students, both in on-campus and distance learning programs, in order to enable the materialization of their dreams.

To achieve this, we have the important challenge of pursuing success by maintaining the high levels of **Operational and Financial Efficiency**, essential to guarantee the resources that will allow us to generate value to our students. We will do all this with the constant evolution of our education system, focused on always achieving the best regulatory standards in our courses and institutions. We have a team of people prepared to work in this new environment of change,

aligned with the objective of improving the employability of our students, so they may find their professional fulfillment, improve their lives and the lives of people around them.

Another fundamental pillar of our strategy is **Growth**, with the objective of expanding our value generation proposition to regions where we have not yet arrived. We conclude that in our sector, there is still a lot of room to grow, either by expanding our performance in the current core (Undergraduate) or expanded core (Primary and Secondary Education and Continued Education). To support this planning, we revised our organizational chart and in 2017 we developed a new Vice-Presidency of Management and Expansion and a Vice Presidency of Technology and Digital Transformation, which will assist in the implementation of our next steps in the scope of our 2022 strategic plan.

The strategic map makes it clear that all of these pillars must result in the **Generation of Sustainable Value**, allowing our business to help more and more people to make their dreams come true, and thus transform the lives of their families, communities and Brazil.

Digital Journey

The success of this strategic planning will be made possible by a digital transformation, which is based on the evolution of all the Company's management systems, as well as the systems and platforms directed to our students.

There are two ways to walk a digital journey. One of them, called **Go Digital**, presupposes the evolution and digitalization of the student's experience throughout his/her academic cycle, from the entrance exam to the after graduation relationship. Through it, we will deliver products and services which are increasingly digitalized and interactive, in line with the most modern in the world.

Another way of experiencing digital transformation is **Be Digital**, which works to build a new internal digital culture among all of Kroton employees. To this end, we are implementing the agile development model, which was created to manage Silicon Valley startups and is now embraced by the world's most digitalized companies. It assumes the assembly of agile teams, made up of employees from different areas, who combine

varied talents and are able to develop products and services more quickly, interactively, flexibly and continuously. In order to sustain this journey our employees will be trained and guided within a competency model managed by Kroton University.

In this way, we aim to ensure that our students have access to the most advanced educational technologies, promoting their learning and relationship with Kroton while providing an even simpler and more enchanting experience.



Vision

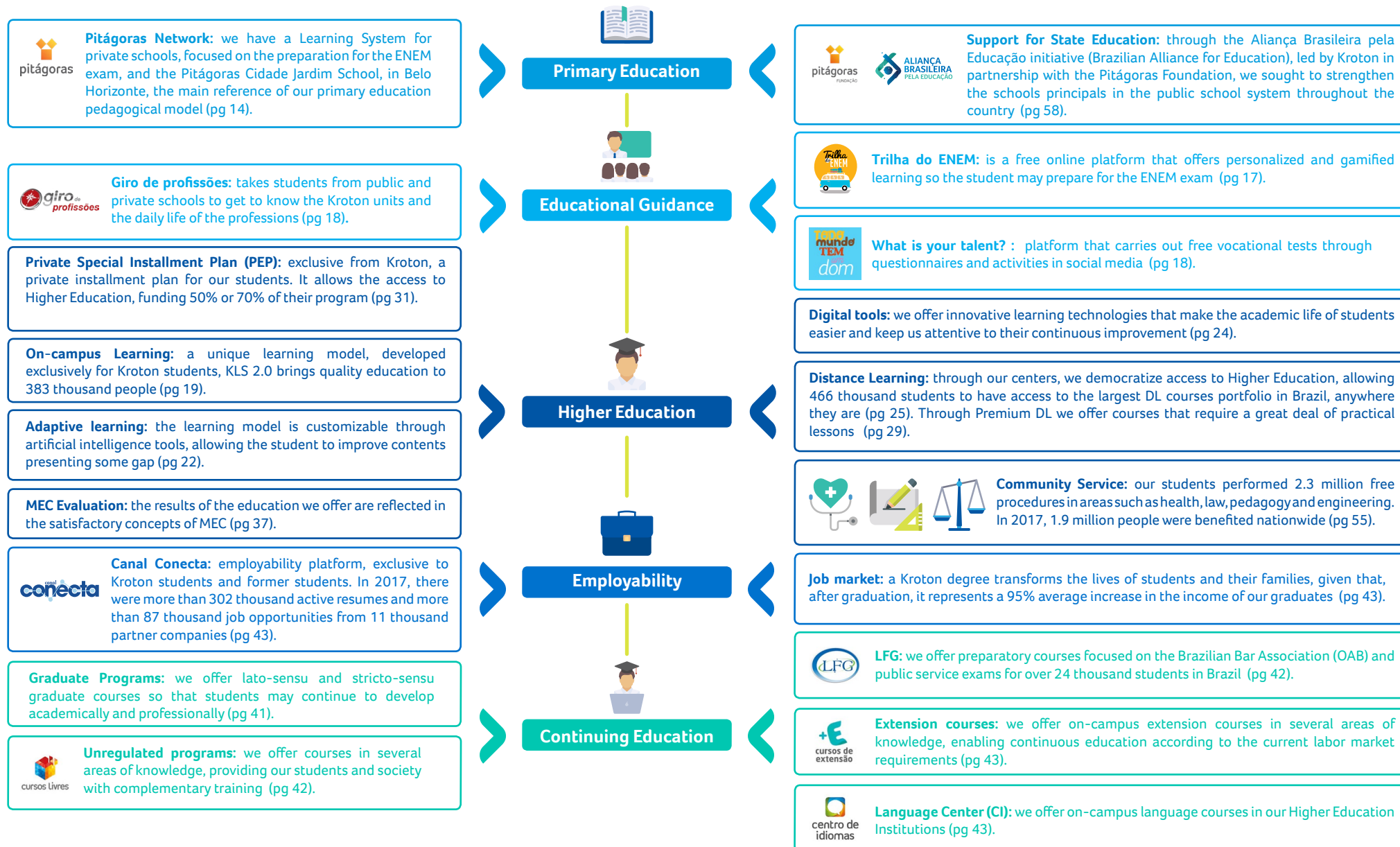
To be the most digital and innovative education company in the world.



03

SHAPE YOUR FUTURE

Transformation Journey | How Kroton transforms student life and Brazilian society



Student success

Train people and help them to turn their dreams into reality is what moves us. We believe that education is the fundamental tool to promote a new vision of the world and, therefore, we are dedicated to offering our students quality education with unique offers and products. Through them, we create value for our students at every phase of their lives, from childhood through adulthood.

In addition to the technical requirements, education must open a new world to the person, solidary with the individual needs. It was with these principles that we built our pedagogical teaching model. And through this education we believe we train conscientious citizens who will transform the world.

Primary and Secondary Education

It is in Primary and Secondary Education that our student's first contact with formal education takes place in one of the most sensitive and productive moments of his life: childhood and adolescence. A particularly fertile and special age, where the student learns the bases of behaviors and knowledge that will structure their whole life, influencing in his/her capacity to exercise his/her citizenship and put into practice their life projects.



Primary Education



Learning system



It offers educational textbooks, training and educational technology for **678 member schools and over 200,000 students** across the country.



School management



Conducts educational process management and school coordination for **three partner** companies.



Own school



Located in the city of Belo Horizonte, the **Colégio Pitágoras Cidade Jardim**, presents the educational solutions of the Pitágoras Network Education System.

Our main way of acting is through the **Pitágoras Network**, which offers a complete educational system for Pre-school, Primary and Secondary Education. Through it, we deliver exclusive educational solutions that include textbook collections, teacher training, assessments and a digital learning platform, focusing on the preparation for the ENEM – the national Higher Education access exam – contributing to the access to Higher Education. We are among the largest Educational Groups in the country in this segment, with 678 associated schools, serving approximately 200 thousand linked students.

In 2017 we began a cycle of updating the teaching material used by the Pitágoras Network, in accordance with the new guidelines of the National Curricular Common Base. In 2018, we will launch the new materials for the 9th year of Primary and Secondary Education and 3rd year of Secondary School, with the intention of launching the other years by 2020.

Throughout the year, we have partnered with Google to develop an innovative learning platform to be used by our students and teachers. With a modern and intuitive layout, it will bring a series of new interactive tools in line with our educational system.

We have also developed the Capacitar distance learning (DL), a new continuing education product for Primary and Secondary Education managers and partner schools, in conjunction with Kroton University (learn more on page 64). By 2018, we should launch another 27 courses within this approach.

In addition to the Pitágoras Network, we work in Primary and Secondary Education through the management of schools for partner companies, aimed at the families of its employees. In 2017, we managed schools for Embraer, in São José dos Campos (SP) and Botucatu (SP), for Vale, in Carajás (PA) and Ourilândia do Norte (PA) and for Alcoa, in Juruti (PA).

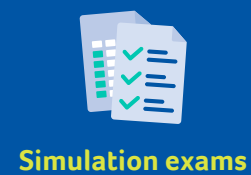
We also have our own school, with Primary and Secondary Education located in the city of Belo Horizonte (MG): the Colégio Cidade Jardim. In 2017, we reformulated the concept of counter-shift for full-time students. In partnership with Park IS, a bilingual and international school based in Portugal, we have developed a new teaching system product, anchored in 21st skills, bilingual learning and Project work, which encourages the student to face challenges, with flexibility and autonomy, aiming at a new way of learning and relating to the English language. The project will be implemented at the Colégio Cidade Jardim in 2018, and be offered to educational networks in 2019.

Within the scope of the strategic planning process carried out in 2017, Primary and Secondary Education has become one of our priority growth areas, based on the acquisition of flagship schools in the premium segment, focusing on quality and excellence in services. In order to leverage this model, we will acquire strong regional brands, and expand by implementing new units with the same brand in its zones of influence while preserving the pedagogical project and its differentials, so that more families can have access to an education of excellence. The first of these acquisitions will occur in 2018.



Trilha do ENEM: Preparatory platform for ENEM exam

The Trilha do ENEM is a free tool that we offer to students from all over the country to help them fulfill their dream of entering Higher Education by improving their performance in the National High School Exams (ENEM). It is a platform developed based on our adaptive learning methodology that offers simulation exams and content to improve their performance in the exam.



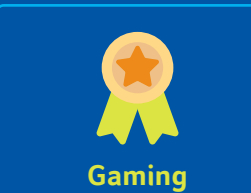
Exams with the same ENEM methodology, with unpublished questions and past exams.



Through the simulated results, the system assesses which universities and programs the student could take.

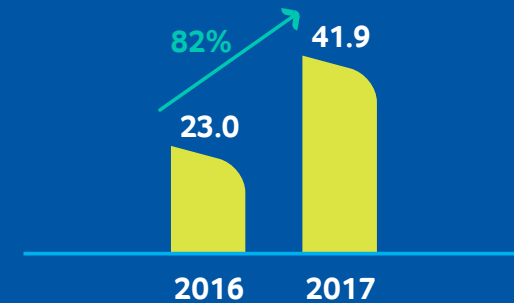


Based on the students' performance, textbooks focused on their deficiencies are provided.



Just like a game, the student can earn badges depending on their progress, which encourages the study process.

Enrolled in the system (thousands)



More than 38 thousand

Trilha do ENEM simulations carried out by students enrolled in the platform

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www.trilhadoenem.com.br
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How Trilha do ENEM helps to make dreams come true

* real testimonies from the Trilha do ENEM platform students.

"I'm enjoying Trilha do ENEM because it's helping me to chase after my dreams. The study routine is tiring but I know that in the end the whole effort will be worth it."

"Lately, I was feeling discouraged with my studies. But I found this wonderful website, which has helped me a lot in the final stretch. Soon my enthusiasm was back!"

"I'm really enjoying the site, asking questions and learning how to interpret text."

"It's a privilege to have the opportunity to use the platform. My dream is to go in the agricultural college."

"I have little time to study since I have an 11-month-old daughter. I work in the morning and at night I study in a state college. My dream is to be a nurse or a police officer to care for and protect others. I hope the program helps me!"

"It will be the first time I will take the ENEM exam. I feel I'm in a bad position, discredited and with many difficulties. But I intend to use the Trilha do ENEM to study, gradually reach my goals and, with great effort, do a good test."



The student that has been enrolled in the platform also has access to live video lessons, taught by teachers and YouTube influencers, with ENEM exams correction. In 2017, the disclosure of the unofficial answer key for the exam brought 64.5 thousand accesses to the website.

During the year, an interface was created for teachers and school directors, so that they can follow the evolution of the students and contribute to their development. In this way, we generate value for society as a whole, contributing to transform the lives of thousands of students and improve the academic performance of schools, especially the public school system.



Career walk

Promotes the visit of students from public and private schools in Kroton units in order to get to know the different courses and ask questions about the professions they can choose.



What is your talent?

Free online platform that carries out vocational tests for any student interested in researching which career to follow. To do this, users need to complete an interactive questionnaire and ask for the collaboration from friends in social networks to outline their future professional profile.

Postsecondary Education

Today, the core of our operation is concentrated in Higher Education. Currently, we focus our efforts on actions that provide the greatest transformational impact. In 2017, we had 119 campuses distributed in 17 states and 80 Brazilian cities. During the year, we started operating five new on-campus units and acquired three others, focusing on the expansion of our network in the north and northeast of the country. In that sense, we extend the reach of our operation and take Higher Education to new regions of the country.

On-Campus Learning

Location of Kroton campuses



Kroton Brands in Higher Education

Marca	Region of activity	Campuses
	MS, SP, RJ, SC, RS, GO e DF	59
	MG, BA, ES, PR, MA, CE, PB, GO e AL	34
	MT	11
	PR	7
	BA	5
	MS	2
	AP	1

Total
119 campuses

383,039
students

➤ **375,413**
undergraduate

➤ **7,626**
graduate

Due to our capillarity throughout the national territory, we contribute to boost regional development. This is even more important because we operate in regions that are not among the most developed in the country, since 66% of the municipalities in which we are present have a medium HDI (Human Development Index) and 68% of our presence is concentrated in municipalities with high social inequality, according to IBGE (Brazilian Institute of Geography).

For Higher Education students, we offer our quality education through our own teaching model: the KLS 2.0 (Kroton Learning System). It consists of an innovative teaching system, composed of teaching material, assessments, teacher training, activities and classes specially developed to meet the particularities and needs of each student, promoting the development of socio-emotional competencies and enabling the student to achieve the professional profile desired by the job market.

KLS 2.0 Pillars



Teaching based on skills



Kroton's courses not only teach technical skills but also social-emotional skills such as communication, teamwork, resilience and commitment to goals, which are increasingly valued by employers.



Training for employability



KLS 2.0 reinforces the positive impact that our degree has on students' search for a better placement in the job market. One of the main tools for this is the Canal Conecta, which, in addition to allowing the search for new openings, helps to know the professional profile demanded by the market.



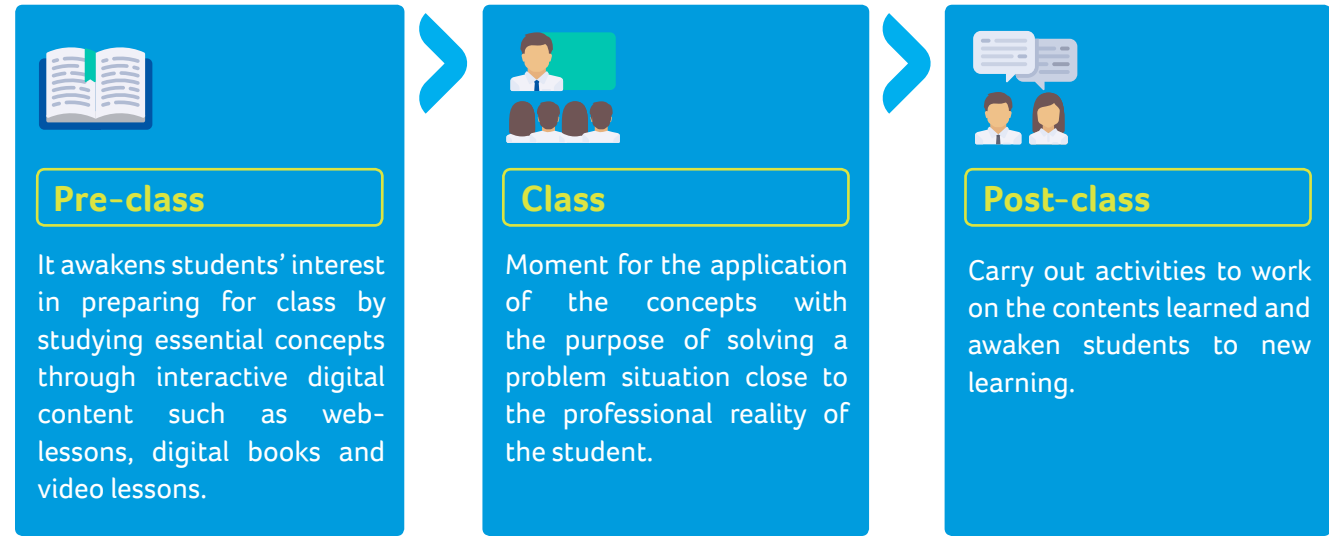
Customization to scale



All this is delivered to the student in a personalized way. Through adaptive algorithms, we can identify the needs of each one and offer specific materials to address the gaps in their learning.

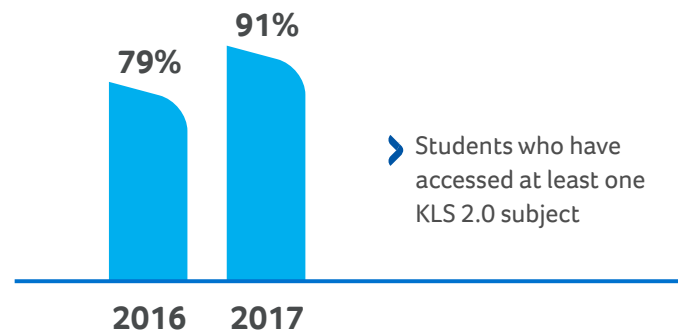
To improve the use of content offered, KLS 2.0 uses a concept called Flipped Classroom. In it, students have access to materials such as books, texts and videos before and after class so they can study. In the classroom, the teacher can advance to the main and more complex points of the subjects, proposing discussions about situations related to the professional reality, since the student has already been exposed to the subjects.

Flipped Classroom



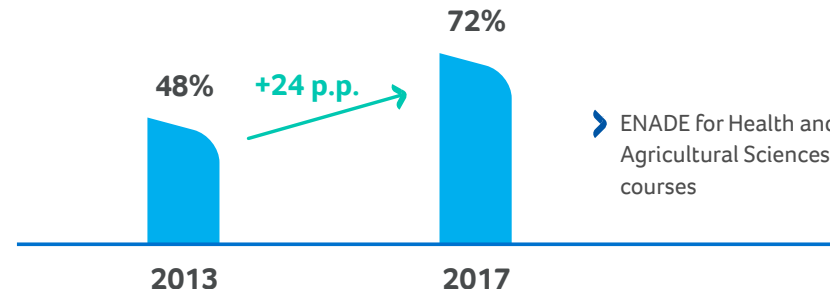
In 2017, we consolidated and expanded our students' access to KLS 2.0. At the end of the year, 91% of the on-campus students had access to at least one subject developed in this system.

KLS 2.0 penetration



The success of the KLS 2.0 implementation was consolidated in the excellent performance that the Health and Agricultural Sciences courses obtained in the National Student Performance Examination (ENADE) in 2016. As the periodicity of the exam is triennial for each area of knowledge, this is the first result released by MEC (Ministry of Education) after the teaching model implementation.

Performance in ENADE after insertion of KLS 2.0



Adaptive Learning

We have a very diverse base of students, made up of people from all over the country and bringing in very different backgrounds. Therefore, KLS 2.0 uses a number of Adaptive Learning tools to customize the content offered to each one.

Through artificial intelligence algorithms we identify the learning gaps of each student and propose activities that complement their learning. Each semester, more than 300 thousand students have contact with some adaptive learning tool in their course.

Adaptive Learning



Identifies each student's learning gap



Provides personalized content



Compare performance with the other students



On-campus student profile

- **87% of the On-campus students attended High School in a public school;**
- **Only 30% do not work and 49% are responsible for the monthly tuition payment;**
- **The personal income of 54% of the students is up to two minimum wages and the family income of 78% of them is up to four minimum wages.**



Adaptive learning is present throughout the students' academic journey. Even before attending college, they may have contact with this technique through the Trilha do ENEM (learn more on page 17). In Higher Education, our focus is the reduction of the gaps carried over from High School, such as learning deficiencies in Portuguese and Mathematics, through **Directed Leveling Studies**.

The importance of this tool becomes clear when analyzing the expressive learning gains of the students who study at our units. In an internal simulation, we analyzed the average IDD (Observed and Expected Performance Difference Indicator) of interactive versus traditional subjects, in order to verify the effectiveness of our academic model and, we observed that the average in the adaptive modality was 23.2%, against 10.4% in the traditional one.

Also, we offer the **Desafio Nota Máxima** program ("Maximum Score Challenge"), to students who are nearing graduation. This tool identifies the contents that the student did not assimilate during the course and reinforces their learning, ensuring that no one graduates with significant knowledge gaps.

With this tool it was also possible to measure real gains in learning when measuring the students' results in ENADE. Those who performed over 50% of the adaptive activities had on average 12.5% more correct answers in the exam.

We use sophisticated machine learning and deep learning algorithms, allied to a data mass containing more than 200 million answers, which acts as study recommendation for students. Ensuring that each student receives individually and in a personalized way all the stimuli that maximize their chance of success (academic, professional and in life) is the great objective of our academic model.

In this way, leveling tools ensure that freshmen mitigate their high school learning gaps and graduation review tools ensure that students are educated by absorbing the core skills of their profession.






By being online and cloud based, the platform captures, processes information and generates real-time indicators. This allows us to simultaneously track everything that each student, class or center has studied in a given week. With well-structured indicators, reflecting what is expected from academic managers, it is possible to have systematic follow-up, in line with the best pedagogical practices, creating an academic management culture oriented by results and meritocracy.



Digital learning tools

In line with our digital transformation strategy, KLS 2.0 offers our students and teachers a range of tools that support the teaching and learning process:

KLS 2.0 digital tools

 Digital Student Portal (PDA)	➤	<p>It allows the student to access his entire academic life online. In one place, the Portal gathers the educational textbooks, school information, such as grades and absences and the academic secretariat and treasury services. The platform allows the student to have full access to the college wherever and whenever they wish.</p>
 Student Virtual Environment (AVA)	➤	<p>All of our learning resources, such as web-lessons, textbooks, learning objects and supplementary instructional materials, recommended by teachers, are available on digital platforms, facilitating access to content.</p>
 Saber App	➤	<p>A digital library that allows the student to carry our collection of interactive content in the palm of their hand. The tool includes materials such as Digital Textbooks and Provocative Learning Activities and allows download for offline reading.</p>
 Teacher's Room	➤	<p>The platform was launched in 2017, enabling all network teachers to exchange information, best practices and interact through platform forums. In addition, teachers may have access to teaching materials pertaining to KLS 2.0.</p>
 Virtual Library	➤	<p>Students and teachers can consult the digital collection, which has more than 900 thousand items such as e-books, standardization of TCCs, monographs, images, videos, periodicals and publications of major publishers such as Pearson, Grupo Gen and Saraiva. The virtual library works with the concept "Information for All", which has the advantage of directing users to the data sources available in the virtual environment, providing tools for people with special needs such as: font enlargement, screen contrasts and voice synthesizer.</p>

These tools meet the growing interest that students show in the digital universe. In 2017, for example, the Saber app alone registered more than 93.8 million views to the 728 titles registered on the platform. The amount is 23 times higher than the one registered in 2016. If the users' reading time in the app in 2017 would be added up, it would total 23 years and one month accessing the application 24 hours a day.

The Teacher's Room is an exclusive platform for teachers, coordinators and directors of our educational network. With it, teachers have access to more than 9,700 activities and 15,000 teaching materials related to KLS 2.0. In addition, rich pedagogical discussions are fostered through a forum for experience and good practice exchanges. Just in this first year, we reached a total of 360,000 page views on this platform.

Distance Learning (DL)

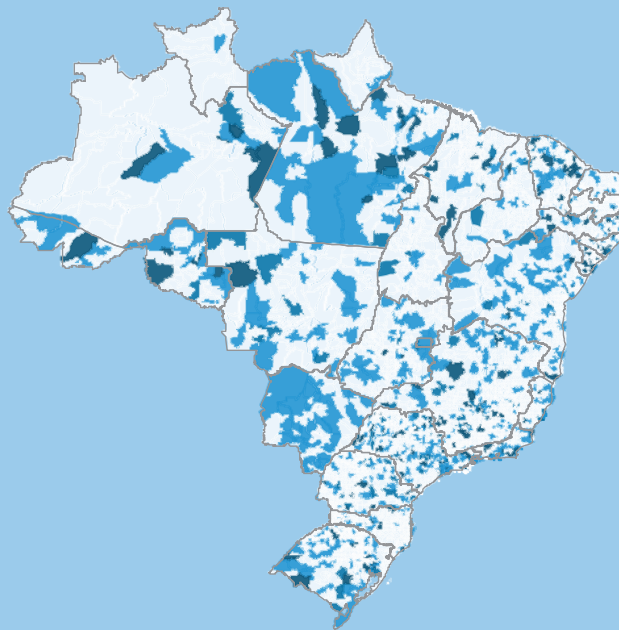
Our operation in Distance Learning (DL) allows us to contribute to democratizing access to Higher Education, since through it we have been able to be present in municipalities far away from large urban centers. In 2017, we have 1,110 centers, distributed in 821 cities of all the states of the country. Of these, 200 were opened during the year.

Through our brands, Anhanguera and Unopar, we have the largest DL operation among educational institutions in Brazil, according to data from the 2016 Census of Higher Education, conducted by INEP (National Institute of Studies and Educational Research Anísio Teixeira).

Location of Kroton centers



Present in 821 municipalities



Total
1,110
centers

461,449
students

➤ **434,199** undergraduate

➤ **27,250** graduate

The positive impact we have on student lives with our Distance Learning network becomes clear when we demonstrate that through our centers we are the only private institution in 109 municipalities in the country. That is, we represent the only opportunity to fulfill your dream of entering Higher Education. We have 78 centers located in cities with low HDI, 334 centers in cities with per capita income lower than the national minimum wage and 655 in small cities with less than 100 thousand inhabitants. The municipalities in which we operate have an urbanization degree of 65%, and the national urbanization average reaches the level of 84%. Therefore, the possibility of attending a college in these regions represents a unique opportunity in the students' lives, a chance to make dreams come true, a dream which probably their parents did not have.

Regardless of where the center is, whether it is in a large urban center such as São Paulo (SP) or in a small city on the Brazilian border, such as Santana do Livramento (RS), we offer the student tools and informational system with the same quality, serving as an instrument to bring development to the most distant cities and to combat the country's regional inequalities.

Our Distance Higher Education courses have their own methodology that offers the student the flexibility to choose the study method that he or she prefers. In this sense, we allow people with time and commuting difficulties to continue their studies.

How our distance learning works



Flexibility for study



At any time, the student can access web-lessons, video-lessons, discussion forums and textual productions in the virtual learning environment.



Online courses



All content is made available in the virtual learning environment and the student must go to the Center only to take the test.



Blended learning courses



In addition to the content available in the virtual learning environment, the student has tele-classes transmitted via satellite in the Centers.



Tele-classes



Tele-classes are broadcast live through broadcast studios equipped with state-of-the-art technology, allowing student and teacher interaction.



Monitoring Center



In the courses with practical classes in the Centers' labs, professionals trained in the area monitor and evaluate the practices through a monitoring center.



Mentoring



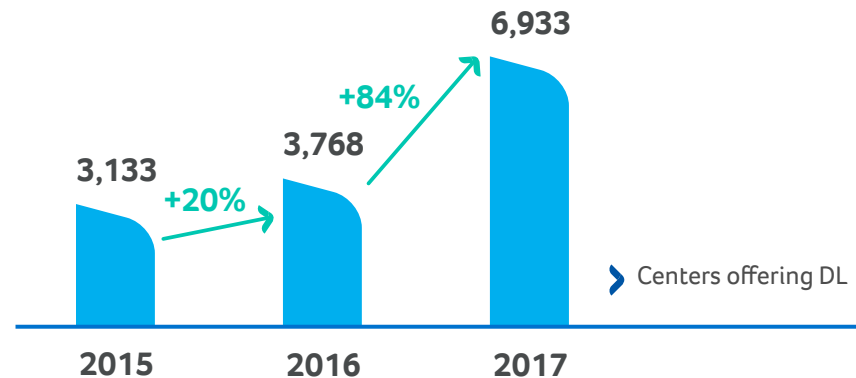
The tele-classes are guided by a tutor with training in the area, which mitigates the doubts of the students in the room. Students can also submit questions to tutors connected to the virtual learning environment when they are studying off-campus.

In the centers, in addition to face-to-face classes, we also offer pedagogical support and an academic environment suitable for studies.

The scenario for Distance Learning in Brazil changed considerably in June 2017, when MEC announced a new regulatory framework. This measure allowed the accreditation of Higher Education Institutions to offer courses only in the distance modality, which was not allowed before, and authorized the Institutions already accredited to open new Centers with greater autonomy, according to its performance in MEC evaluations.

These measures resulted in a major change in the national scenario:

Growth in DL offer in Brazil



The growth trend in DL in the country will continue in the coming years, with real potential to exceed 10,000 centers already in 2018. Even with this new competitive scenario, we have managed to maintain our levels of intakes regarding DL students and our forecast is to continue expanding our activities in the coming years, always in a sustainable way.



The Zero Failure Forum, for example, was responsible for solving 127 problems since its inception in 2015, solving thousands of incidents that would impact students. We also perform periodic audits to ensure the regularity of each of the centers in relation to physical structure, conservation and accessibility. In case irregularities are found, we initiate a flow of sanctions, which may even lead to center shutdown.

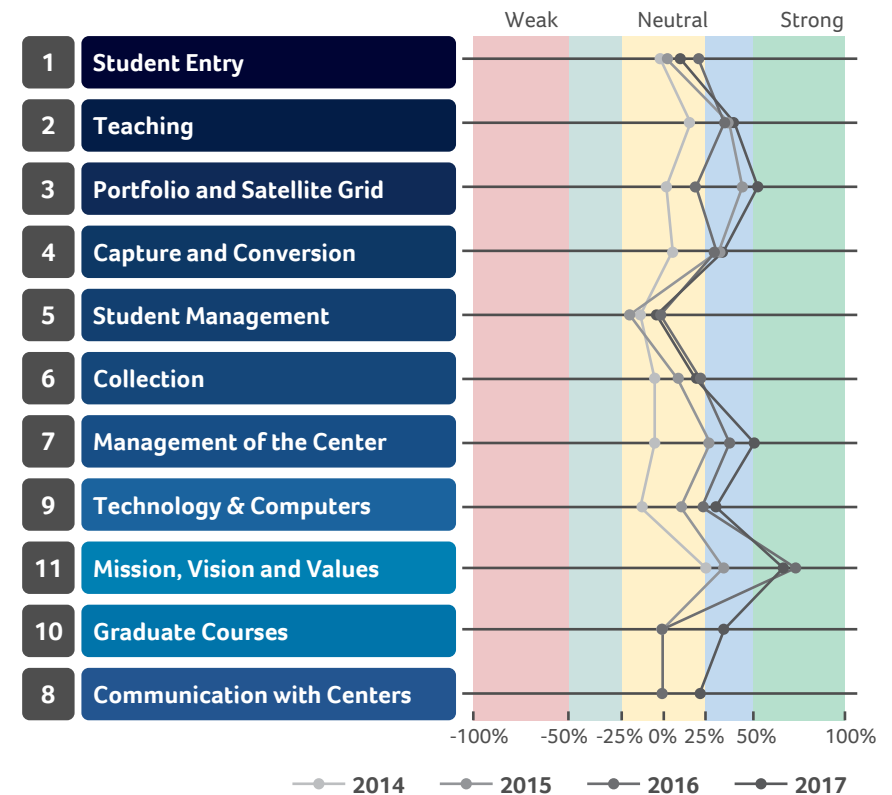


DL student profile

- 92% of the DL students attended High School in a public school;
- Only 19% do not work and 71% are responsible for the monthly tuition payment;
- The personal income of 62% of the students is up to two minimum wages and the family income of 82% of them is up to four minimum wages.

This is reflected in the quality of our offer of distance learning, in all spheres: academic, service and infrastructure. As a result, the satisfaction rating of our NPS (Net Promoter Score) grows year by year and is today the best in our history.

Satisfaction with DL Centers



*The NPS methodology evaluates how much the Center manager would indicate the Kroton Center to a friend or relative according to different criteria.

Premium DL

Premium DL is a Kroton innovation designed to offer distance learning courses that require a great deal of practical lessons. These courses include some of the most sought-after programs by Brazilian students, and valued by the labor market, but which are not usually found far from large urban centers because of the need for infrastructure for practical classes.

Not surprisingly, the Brazilian regions with the lowest offer of these courses are the most deprived of professionals trained in these areas. Therefore, we offer to students located in distant regions the possibility to study in valued courses while contributing to solve a latent need of professionals in these sectors, collaborating for the regional development of different cities across the country. Before, some of them needed to bring professionals from other regions, due to lack of the profile locally. Now, these positions can be filled by hiring people from the same region.

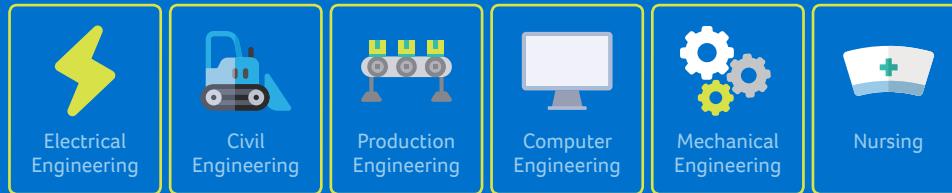
To illustrate the importance of this work, it is worth noting that in 53 cities we are the only teaching institution to offer the Nursing course, in 34 we are the only one to offer Nutrition and in 18 we are the only one with Civil Engineering courses.

In this modality, some of the content is offered on our DL platform and the practical activities are carried out in the Center's laboratories and / or in convened locations in the region. The students develop the same practical activities offered in the classroom and are accompanied by professionals trained in the area, besides being monitored in real time through the monitoring center headquartered in Londrina (PR).

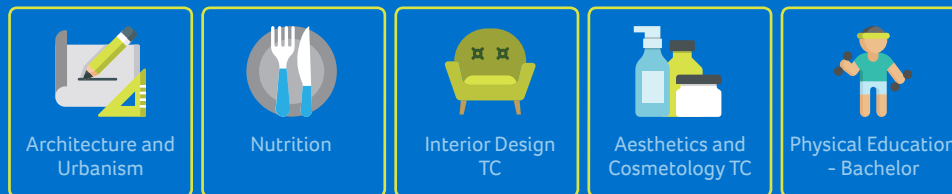


Premium DL

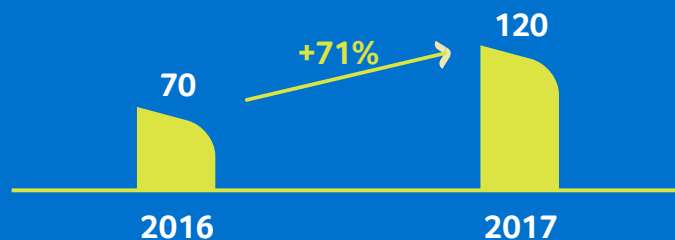
Courses available in 2016



Courses available in 2017



Students enrolled at Premium DL (thousand)



By the end of the year, 116 centers were offering the Premium DL. We went from 70 thousand students in 2016 to 120 thousand students in 2017, equivalent to 328 students enrolled per day. Our objective, understanding the importance of this modality of course, is in the coming years to continue expanding the number of centers and the number of courses offered in this model.

Premium DL benefits for students

- Students residing in regions away from large centers have the opportunity to choose new courses in their region;
- Professionals with technical education who already work in the area have the necessary flexibility to reconcile both activities; and
- Courses with the same practical academic load of the courses in the on-campus mode.

Premium DL benefits for partner centers

- Laboratory plants optimized to capture synergies;
- Courses with high repressed demand in the localities where the centers are located;
- Sequence of course launching designed to maximize the synergies in laboratories;
- Expansion of the portfolio from 5 to 16 Premium courses between 2016 and 2018;
- Strong differentiation from the competition; and
- Kroton brand positioning as the most complete in the industry.

Education: access and retention

At Kroton, we understand the potential that Higher Education has to fight social inequalities and accelerate the country's development. We believe that higher education allows us to expand opportunities so that each one may achieve their dreams and accomplish their life projects.

Therefore, we continuously seek to develop and offer tools to help the student overcome the existing difficulties when accessing higher education.

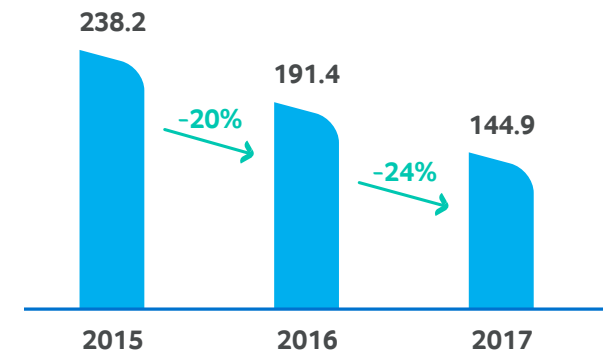
We highlight some of the main tools :

Prouni (The 'University for All' Program) of the Ministry of Education (MEC). Created in 2004, it offers scholarships in private institutions to students from lower--income families. In 2017 there were 163,099 students in this type of program.

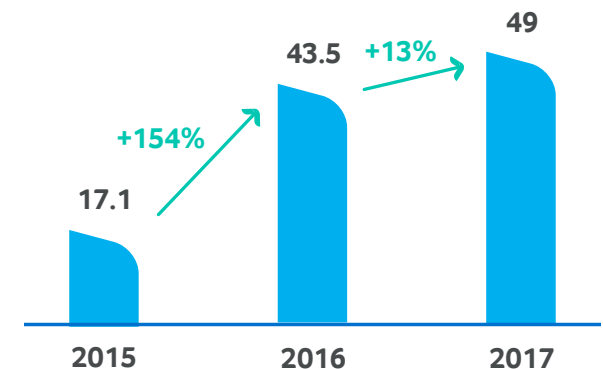
FIES (Student Financing Fund), offered by MEC to students of private higher education institutions. As of 2015, however, the Brazilian government has changed the access rules to FIES and drastically reduced the number of students who have been using the program over the years. In 2017, there were new changes to FIES. With the decrease in student's entrance using the FIES and the graduation of those who used the funding in previous years, the number of students with access to the Fund reached 144,878, representing a 39% drop since 2015. In 2017, Kroton had 323,093 students with active registrations belonging to FIES.

PEP (Private Special Installment Plan), created by Kroton to offer a new option for students who need funding as an alternative to the restrictions of the government program. We started offering this alternative in 2015, offering pre-approved and interest-free installments, with payment only after graduation. The program has two types - PEP 30 and PEP 50 - through which the student can finance 70% or 50% of their program, respectively.

Students with access to FIES (thousand)



Students with access to PEP (thousand)



In 2017, we also started to offer the PMT (Late Enrollment Installment Plan), also known as Temporary PEP, allowing students who have started attending classes after the classes have begun to pay their tuition relative to months prior to their enrollment in installments.

In addition, through a partnership with Banco Santander's Universities Program, we offer different international mobility scholarship programs and a support program for the payment of university tuition.

"Kroton's selective process and follow-up in our initiatives allows students with academic excellence and unfavorable socio-economic conditions to access international opportunities and the job market." Ronaldo Rondinelli, Director of Santander Universities.

In 2017, scholarships offered by the program included 118 students. In the Top Spain Program, three students and two teachers were awarded a scholarship to improve their knowledge in Spanish language and culture through a three-week course in the July 2017 vacations, in one of Europe's most traditional institutions - the Universidad de Salamanca.

"The exchange was certainly one of the richest things I could experience in terms of expanding my expectations and worldview. Salamanca is what we can call a little piece of the world within Spain; I met Brazilians, Spanish, Mexicans, Russians, Chinese, Japanese, Americans, English, Germans,

French, Israelis, Arabs among many others. I have met places and people who have shown the world to me from a new perspective. I definitely did not go to Spain just to learn Spanish; I learned to speak to the world. I simply can't get enough of it, it's great to be recognized for our efforts. In this sense, I'm increasingly motivated to strive and to be a good student."

Eric Koiti Gunji da Silva. Business Administration student at Unopar Boulevard (PR). Check out the award video of the Top Spain Program: <https://bit.ly/2ypGCH2>

"Living the experience of this exchange provided by Santander in partnership with Kroton was incredible. The Spanish course offered was excellent, with very attentive teachers who made every effort to explain the Spanish language grammar. Also the exchange provided the interaction between students and teachers coming not only from the most diverse regions of Brazil but also from the world, being of extreme importance for my personal development and the breaking down of prejudices, paradigms and barriers." Bianca Neves Tavanielli. Law student at Anhanguera Leme (SP).

"The exchange program in Salamanca in Spain was an incredible experience that I will keep for the rest of my life. It was a unique opportunity to improve my language skills and learn a little about Spanish culture. Three intense weeks with lots of learning and study. No words to describe how enriching it was for my professional and personal life. Definitely a life experience that will stay in my memory." Victor Paula Bartoli. Mining Engineering student at Faculdade Pitágoras Raja Gabaglia (MG).

The Fórmula Santander and Ibero-Americanas programs benefited 33 students with scholarships in the amounts of R\$ 16.7 thousand and R\$ 10 thousand, respectively, making it possible for our students to participate in international exchanges in renowned universities. Check out the award video of the Fórmula Santander Program: <https://bit.ly/2MlxHUy>

“During my graduation period, I had the privilege of participating in a student exchange program at Faculdade Pitágoras in partnership with Santander, in Buenos Aires, Argentina. No doubt, there are many benefits and advantages arising from this experience. Beyond the possibility of improving my skills and understanding of a new language, studying abroad is the guarantee of receiving numerous personal benefits at the same time as it boosts your curriculum. The main lesson I learned was to value everything I have achieved and the efforts we put into making our dreams come true. With work, dedication, patience and faith, whatever is for our training will happen. For those people who dream of doing student exchange, my message is: ‘Just go! You will not regret it!’” Jéssica Lima. Business Administration student at Pitágoras Betim (MG).

In the Programa Bolsas Nacionais (National Scholarship Program), we had the opportunity to carefully select students with excellent academic performance and low socioeconomic status to receive financial support, in the amount of R\$ 300 per month, for a year, intended for tuition payment at the educational institution.

“Initiatives like these are praiseworthy because they encourage and awaken the courage to continue walking in pursuit of our personal and collective goals. I am grateful for being benefited with this Scholarship, which will lead me towards professional and personal success.” Rogério Monteiro. Production Engineering student at Unime Salvador (BA).

“This scholarship will contribute to my academic background and especially to my professional and personal development. About three months ago, I thought about taking time out of college since I was unemployed and relying only on my husband’s salary, I was not able to keep the monthly payments. But I needed to finish college to get an improvement in my personal and professional life. Thanks to this scholarship I can continue my studies and train to be a great professional.” Luciana Batista da Silva Stacchini. Arts student at the Unopar Center - Rio de Janeiro VIII – Padre Miguel (RJ).

All these actions are promoted by the Company, in order to stand with the students, supporting their journey and achieving their goals.



Engineering students at Pitágoras School, Bolsa Fórmula Santander winners. From left to right: Rodrigo Ferreira; Joyce Assis Silva; Grasielle Custódio Superbi

Retention Program

We know that the academic road is not always easy; the student finds several challenges to be overcome. And walking down this path alone is even more difficult, so we are on your side, we walk together so our student may finish his/her studies, achieve his/her goals and make his/her dreams come true.

Therefore, we consider it essential to keep the students engaged throughout their entire academic journey, and the Retention Program was developed with this purpose. Among its priorities, the Program intends to discover and fight the main reasons that lead to drop outs, giving our students the best possible experience during their undergraduate programs. The first cycle of the Program happened between 2016 and 2017, and had 12 projects led by distinct areas of the Company.

We understand that our student's profile, who often come from public education or have not studied for a long time, may present a learning gap, which is often responsible for their demotivation. Thus, to support them and minimize the evasions for academic reasons, in some subjects we began rewarding students' commitment, by giving grades for participation in extracurricular activities.



At Kroton, we understand that the best way to get to know students' ideas, perceptions and wishes about college is to put ourselves in their shoes. Therefore, we have developed the Sintonia Project, which encourages our leaders and managers to live the experiences of students by immersing themselves in their daily lives.

In 2016 and 2017, 51 executives were chosen to participate in the Project. Anonymously, they took the entrance exam, registered, attended the classes, went through administrative processes and used the academic spaces. In doing that, they could see how their decisions directly affect the students' lives. The program contributes to the improvement of our management. In all, 975 suggestions for improvement were collected.

Our leveling courses and the Life Project, an independent study implemented in 2017 for all the first semester students, are examples of contributions we offer for our student to overcome this challenge.

With the end of the first cycle, we will launch the Retention Program 2.0 in 2018, which should expand current initiatives and expand the scope of its activities.

By 2018, we have already mapped 32 projects that will help our students in their trajectory, bringing improvements in the payment conditions, in the self-service, that will reinforce students' monitoring and reception and will increasingly strengthen the digital channels and technology use in this relationship.

Life Project

The Independent Life Project Study aims to develop the socio-emotional competences of our students, making them aware of the importance of managing their own future, during and after higher education. Content works three competences - personal, social and productive - developing self-knowledge, empathy and interpersonal relationships skills.

In general, the Life Project is based on a self-management process, through which the student establishes personal and professional goals, plans the future and defines the actions with a view to achieving these goals. Throughout the process, it reassesses the planning and established goals.

Kroton Student Support

GRI G4-57 | G4-58 | G4 PR5

Our educational institutions have different channels of assistance through which our students can contact us, ask questions, make suggestions or make complaints.

In 2017, 75.6% of our customers were satisfied with the service provided through our **online chat**. In our **Ombudsman's** Office, we received 57,600 contacts, of which 92% were complaints and we resolved 65.7% of them within a period of seven working days.

At **Reclame Aqui**, ("Complain Here"), an independent communication channel that allows consumers to solve their problems with the companies, of all complaints received, 53.9% were resolved within five working days. According to the students' evaluation, 69.4% were satisfied with the resolution of the cases.

Also, we provide the **Kroton Confidential Channel (CCK)**, available to employees, students, suppliers and the external community. In it, 100% of the complaints are resolved, related to:

- fraud of any kind;
- negotiations that disadvantage Kroton;
- improper changes in financial and academic data;
- harassment and sexual harassment;
- nepotism;
- improper use of Kroton trademarks; and
- human rights violation.

In 2017, 369 complaints were received via CCK.



Accessibility

GRI HR2

Everyone has the right to a quality education. Therefore, we strive to expand our performance, to be closer and achieve together the graduation dream.

Within this context we have an area dedicated to the specialized service of the target audience of Special Education. The NUEEI (Inclusive Special Education Center) is the sector responsible for guiding the pedagogical inclusion actions in our units and centers.

For each public target student in special education, the Center develops a Specialized Educational Assistance Plan (AEE). This plan is built collaboratively with Institutions of Higher Education, based on information provided by the student himself, his family and friends. The plan is developed individually, considering the particular characteristics of the student, and indicating the services and pedagogical resources appropriate to their learning process.

In 2017, 110 Specialized Educational Assistance Plans were developed. In addition, about 990 DL students demanded guidance from NUEEI regarding the use of specialized resources such as material suitability, proofs with an extended source, availability of materials in formats accessible for screen readers and insertion of a Libras (Brazilian Sign Language) window in video lessons and tele classes.

NUEEI also provides technical support to other areas of the Company, developing support materials, advising on the elaboration of pedagogical tools, technical resources for accessibility in the portals and academic platforms. In 2017, 45 interactions were carried out in this sense. Over the same period, more than 2,200 direct and indirect visits were made to the Campuses and Centers regarding services aimed at the target audience in Special Education.



Qualifying for inclusion

We seek to strengthen the inclusive culture within the Company through nine courses aimed at accessibility offered to all employees at Kroton University:

- Audio description;
- Diversity in Organizations;
- Inclusive Education Training;
- Professional Inclusion of Persons with Disabilities;
- Libras - Brazilian Sign Language;
- Audio description workshop;
- Accessibility programs for the visually impaired: NVDA and MEC DAISY; and
- Autistic Spectrum Disorder.

In 2017, 39,226 training hours were provided within this theme, reaching 50% of our employees.



Quality of education

Ministry of Education (MEC) indicators

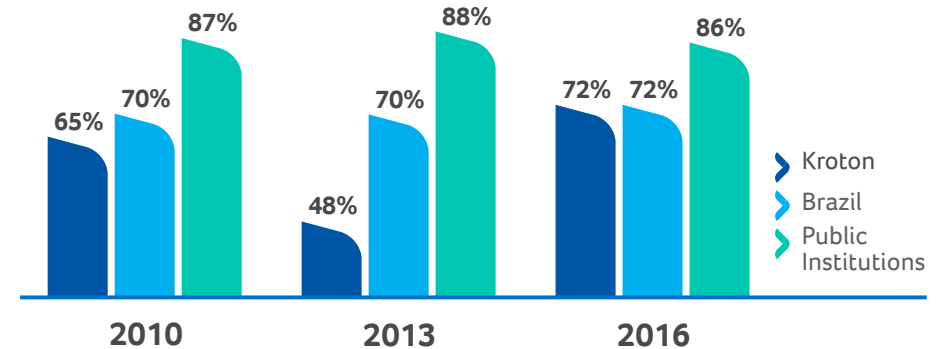
The Ministry of Education (MEC), through the National System of Evaluation to the Higher Education (Sinaes), analyzes the institutions, courses and students' performance. The evaluation process takes into account aspects such as teaching, research, extension, social responsibility, management of the institution and faculty. The results of this process are of paramount importance for society, especially students, as they are a reference regarding the quality and conditions of courses and institutions.

Aware of our commitment to Brazilian society, our students, academic and administrative staff, we maintain an exclusively dedicated agenda to follow-up MEC's evaluation processes, so as to ensure that our expansion is duly accompanied by the necessary regulatory requirements.

In the year 2017, for example, we had a 35% increase in the number of course evaluations, from 338 to 457 visits, reflecting the Company's efforts both in expanding the portfolio of courses offered and in the installation of new on-campus teaching units. As for visits in 2017, 72% of our courses received grades 4 or 5.

The ENADE (National Student Performance Examination), for example, evaluates the undergraduate students' performance when they graduate in relation to the course's curriculum, skills and competences acquired in their training. In 2016, the date of the last published result, 72% of our courses scored three or more on a scale of one to five.*

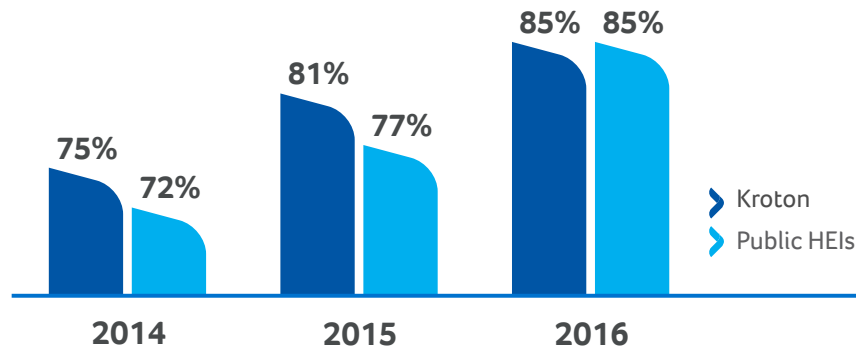
Evolution at ENADE (% of courses with satisfactory level)



This exam measures the general knowledge of the students, disregarding the individual leap of each one in his/her academic path. Therefore, the Ministry of Education created the IDD (Observed and Expected Performance Difference Indicator), an index that shows the difference between the ENEM and ENADE grades. Therefore, it is possible to measure how much Higher Education has added to each student's knowledge.

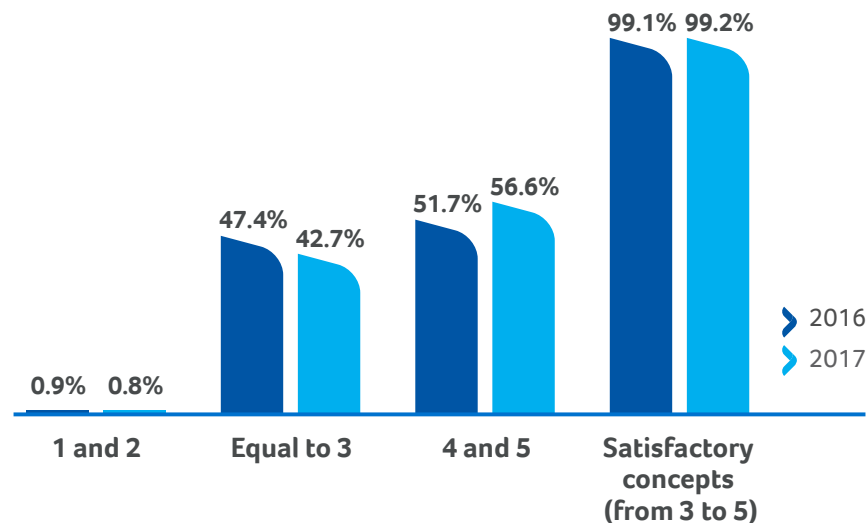
Considering the students' profile in each educational institution, we believe that this indicator is the most accurate to indicate how much our performance has created value to the student, helping to measure the transformation that we caused in his/her life. In 2016, the date of the latest MEC result, Kroton achieved its historic record at IDD, with 85% of courses performing satisfactorily. The value is equal to that presented by public higher education institutions (HEIs).

Comparison between Kroton IDD and Public HEIs



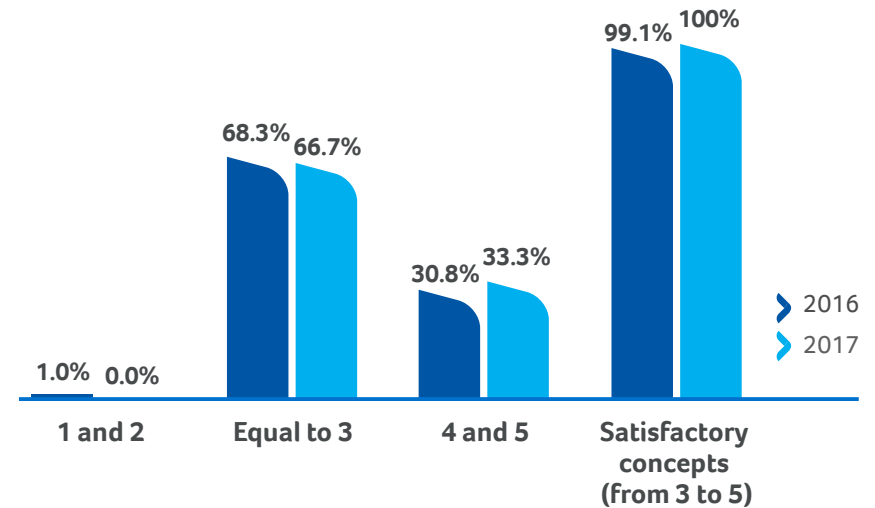
MEC's Course Concept (CC) assesses the programs in terms of their teaching plan, faculty and infrastructure, on a scale of 1 to 5. In 2017, Kroton had 99.2% of programs considered satisfactory, with a score of 3 to 5.

CC of Kroton programs



The Institutional Concept (CI) from MEC assesses educational institutions based on their institutional planning and development, academic and management policies. In 2017, all Kroton's institutions attained satisfactory grades.

Kroton's institutions CI



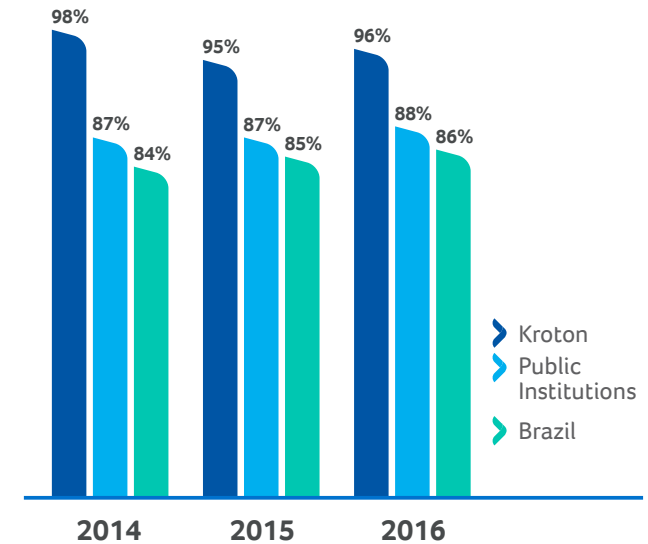
Until 2017, the CPC (Preliminary Course Concept), was the main indicator used by MEC to monitor programs. Its calculation is based on ENADE, IDD and on inputs related to offer conditions, such as faculty, infrastructure and students' perceptions. In 2016, when the last result was announced, we obtained 91% of courses with a satisfactory CPC.

Evolution in CPC



Finally the General Course Index (IGC) gives a grade to the Teaching Institution as a whole, considering the quality of its undergraduate and postgraduate programs. In 2016, when the last result was published, 96% of the Institutions in the group had a satisfactory grade.

Evolution in IGC



AVALIAR

GRI G4-PR5

MEC also establishes self-assessment as one of the components of its National Higher Education Assessment System. At Kroton, we have an institutional evaluation that goes beyond the legal requirements of the Ministry, and we have a system of indicators called AVALIAR, which reflects the perception of students, educators, course coordinators and technical-administrative staff about the quality of our work in several aspects, from the service to the infrastructure of our units.

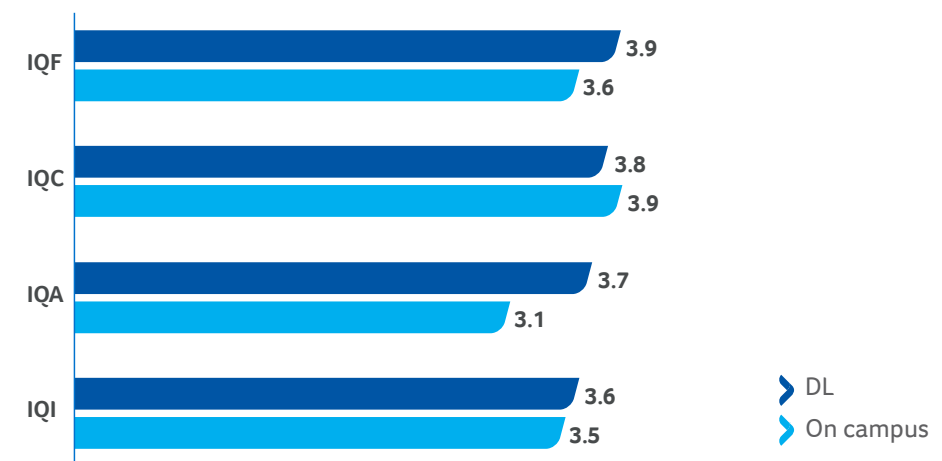
The indicators are calculated annually through the application of online questionnaires to the academic community and the subsequent statistical analysis of the data collected. The AVALIAR methodology is sound and its measuring instruments are well-founded, created by evaluation specialists. Since it is a census and voluntary research, the minimum percentage of participation required per campus or distance learning center is 70% of the students of that unit, in order to ensure that the results are reliable. Also, 100% of the course coordinators participate and at least 90% of the other groups of respondents. In 2017, the questionnaires were answered by 80% of the on-campus learning students, with all HEIs reaching at least 70% participation. Among the centers that participated in AVALIAR in 2017, 509 reached the minimum percentage of participation. In 2016 this number was 332, demonstrating an increase of 53%.

Thus, AVALIAR is a tool to support managers in their decision-making, since it provides an assessment of higher education institutions, their infrastructure and the courses offered, and provides students' and employees' opinions.

AVALIAR indicators are calculated on a scale of 0 to 5, with four indices being monitored:

- **Infrastructure Quality Index (IQF):** assesses the virtual environment, library, computer lab, classroom and common areas;
- **Program Quality Index (IQC):** assesses the teaching-learning organization, the performance of the on-campus teacher/tutor and the performance of the program coordinators;
- **Quality of Service Index (IQA):** assesses the self-service in the Student Portal, the services to the students in the Online Chat and the on-campus services to the students. We began measuring this indicator in 2017;
- **Institution Quality Index (IQI):** assesses the student services and the indexes of program and of infrastructure quality.

Kroton average on AVALIAR 2017



One of the indicators of AVALIAR is called **Values of the Institution**, which aims to evaluate the perception of the internal community about the mission and values of the HEI. The attributes evaluated are the offer of a quality education that improves people's life, the contribution to the life project development, the training of professionals prepared for the labor market, the passion of the educators in training and developing people and the ethics in their actions.

The scores for this indicator are calculated on a scale of 0 to 5. In 2017, this indicator demonstrated levels of quality and excellence in relation to the positive impact we have on people's lives.



Kroton Average in the AVALIAR, by public

On-campus Learning:

Students: 3.6

Teachers: 4.5

Course Coordinators: 4.8

Technical - Administrative staff: 4.4

Distance Learning:

Students (Blended learning): 3.9

Course Coordinators: 4.7

Distance Tutors: 4.6



Continuing Education Graduate Programs

After our undergraduate students' graduation, we continue to transform their lives through our lato and stricto sensu graduate courses, which support their specialization and professional and academic appreciation.

In **stricto sensu** graduate courses, we offer 16 Master's degree and seven PhD programs, distributed in the different regions of Brazil, who have trained more than 1,500 masters and doctors.

Among these programs, five had a high concept in the CAPES / MEC four-year evaluation:

- Rehabilitation Sciences: Concept 5
- Physical Exercise in Health Promotion: Concept 4
- Methodologies for the Teaching of Languages and their Technologies: Concept 4
- Animal Bioscience: Concept 4
- Integrated Dental Sciences: Concept 4

The graduates of the masters and doctorate courses work in different segments, whether in public and private universities or in companies, promoting improvements and innovations in their products and processes.

As for research activities, the teachers developed in 2017 about 660 research projects involving 1,138 on-campus and DL undergraduates through the Scientific Initiation Program. In recent years more than 2,800 national and international scientific papers, 1,500 theses and dissertations, 330 books and chapters and 24 patents have been produced. These productions have contributed significantly to the country's Science, Technology and Innovation.

Additionally, Kroton publishes eight scientific journals, through the Platform for Kroton Scientific Journals with free and open access. More than 4,000 scientific papers have already been published from researchers from different HEIs in the country. All journals are rated in Qualis / Capes and are indexed in international and national Databases. Check the contents available at: <http://www.pgsskroton.com.br/seer/>

Another important contribution is the Gathering of Scientific Activities – EAC, an annual open and free event for all educational and research institutions in the country. The Meeting is 100% online, allowing students and teachers to disseminate the results of their work and participate in lectures and mini-courses. Participation is certified and all approved papers are published in the Event Annals. In 2017, during our 20th event, about 19 thousand papers were presented in total.

The Teacher Training Program offers openings and subsidy so that the teachers of our undergraduate courses take the Company's Master's degree and PhD programs. The objective is to improve their training and, consequently, to raise the quality of the classes offered to the students.

With our Graduate **lato sensu** we currently offer 222 on-campus courses, blended learning and distance learning that allow us to bring updated content, according to the skills most demanded by the job market for students from all over Brazil. In 2017, 34,513 people began their graduate studies in one of our educational institutions. In the same period, 27,114 students graduated, and today they are better prepared to face the challenges of the labor market.

In 2017, our specialization courses demonstrated an improvement in the satisfaction rates of our partner centers. In an NPS indicator, which evaluates the possibility of indicating the course to friends and relatives, we have evolved from -1% in 2016 to + 30% in 2017. This improvement in quality perception is a result of the Company's investment in meeting the needs of our students, improve our systems and offer courses with a high level of pedagogical quality.

The satisfactory results of the graduate studies were considered in the Company's Strategic Planning, which showed the growth potential that we still have within the sector. Currently, this market has a turnover of around R\$ 3.5 billion, but we have a market share of only 2%, that is, we still have a lot to contribute with this sector in our country.

To increase our performance in the graduate programs, we will continue to expand our offer of courses, mainly lato sensu graduate programs. We are also developing an exclusive digital system for graduate programs, which will offer greater functionality and interactivity to our students.

Unregulated programs and Preparatory courses

Constant learning is a trend and necessity in modern world. The job market requires that, even after graduating from the undergraduate level, the professional continues to update himself/herself, improving his/her skills to continue growing in his/her career. Therefore, we offer preparatory courses for exams and unregulated programs, preparing our students, former students and the community at large for the different challenges they will face in their academic and professional lives.

After all, one of the best consequences of achieving a dream is to be able to dream again and pursue new achievements, made possible through specialization and professional improvement. Kroton continues alongside students regardless of their stage of life.



Through LFG, we offer preparatory courses focused on the Brazilian Bar Association examination (OAB) and public service exams. Always positioned as a reference in preparatory courses in the country, in 2017 we registered 24,708 students enrolled. More information at: www.lfg.com.br/



In 2016, we pioneered the implementation of DL Unregulated Programs, providing an open platform for students and the community, where they can choose the course most appropriate to their academic or professional life. The platform covers different areas such as Management, Education and Languages. In addition, we made it possible for students in our HEIs to use the hours spent in these courses as Complementary Activity in their graduation. By the end of 2017 we had 94,923 students enrolled in 1,500 courses. More information at: <https://www.cursoslivresead.com.br/>

In the platform, it is also possible to find several free courses, offered in partnership with companies recognized in the market, such as Microsoft and Humus.

Featured Partners:



In addition to the courses offered in the Unregulated Programs platform, our students have the opportunity to deepen their knowledge in the on-campus extension courses offered by our units. We offer 230 courses available in various areas of knowledge, such as Branding and Corporate Identity, Environmental Management and ISO 14000 Certification, CPA 10 – ANBID Certification Prep, Inclusive Special Education, Interactive Technologies Applied to Education, Sports Nutrition, Biosafety, Neural Mobilization, Grass Silage Management and Extension in Agriculture.



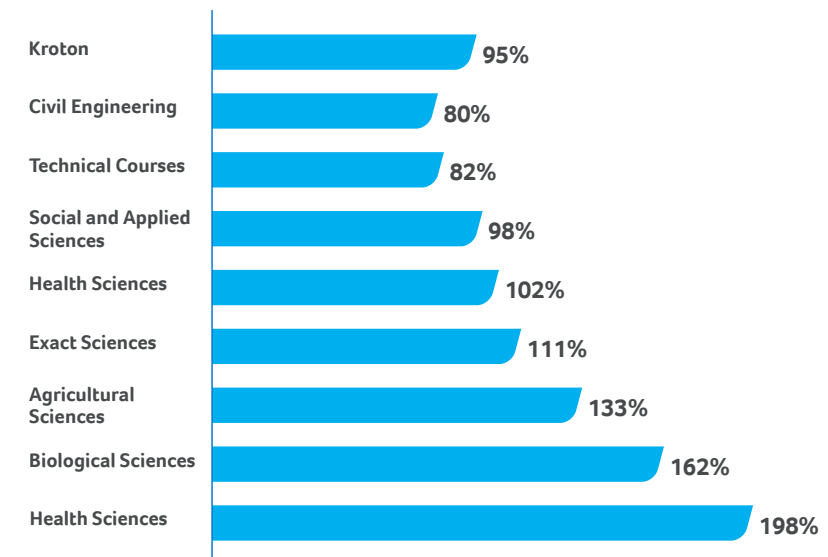
We also offer our students the possibility to expand their horizons by learning a foreign language. At the Language Center of our on-site units, we offer English, Italian, Spanish, German, Mandarin, French and Portuguese courses for public examinations. In 2017, we had a total of 1,666 students in our Language Center.

Through preparatory courses, our students are able to prepare for international certification exams in English and Spanish, such as TOEFL, IELTS, Cambridge and DELE. Our team of teachers is constantly looking for professional training and modernization in foreign language teaching methods and techniques, so that the student is prepared for the labor market demands, being able to dream higher, and not limiting himself/herself to the borders of our country. After all, in dreams there are no limits.

Employability GRI G4-EC8

The evolution of our students in the labor market is one of the main indicators that demonstrates the transformation that we perform in our students' lives. In 2017, graduating students achieve an average income increase of 95%.

Increase in income by area of knowledge



At Kroton, we are committed to ensuring our students will achieve their dreams fully. More than just finishing their higher education and specialization, we aim to help our students enter and evolve in the labor market. That is because we are aware of the impact that a new job may have on the lives of our students, their families and communities.

Canal Conecta: histories of success

"I registered at Conecta and in three days I received three different proposals."



Paullyne Yamanaka
Gastronomic pastry chef

She decided to study Forest Engineering, but did not identify herself with the course and changed to Gastronomy. Looking for a job, she accessed Canal Conecta and came across three opportunities, deciding for a pastry chef opening. Today, she wishes to have an international experience and to do graduate studies.

"I was unemployed for a year, so I decided to study and met Canal Conecta."



Pedro Amaral
Microcredit Agent

After finishing high school, he worked with motorcycle accessories until he was unemployed for a year. That's when he decided to go to college. He met Canal Conecta through a career consultant, learned about the opportunity to work in a bank, applied to the job and was hired. A year after receiving the proposal, he was hired as a permanent employees.

"I always dreamed of working for this company."



Noemi Martins
Chemical Analyst

Noemi is married and has a 2 year old daughter. She has a technical course in chemistry and currently studies Engineering Production. In 2016, she met Canal Conecta, and, in the same day, she applied for an opening; in three days she underwent the selection process and was hired.

"It was a professional wish come true."



Anderson da Rocha
Commercial Representative

He always attended public schools and dreamed of a career in finance. In 2015 he learned about Canal Conecta and applied for an opportunity in a large bank. He was called to the selection process and got approved. After three months as an intern, he was hired permanently and had a 160% increase in his income.

Therefore, we have registered our commitment to employability in an Employability and Former Student Monitoring Policy. Among its objectives is to facilitate the access of students and former students to the labor market, monitor their professional evolution and meet the professional qualification requirements demanded by the market.

As the main tool for the implementation of this Policy, we have developed **Canal Conecta**, a totally free employability platform, which brings together students looking for opportunities in the labor market and companies with open positions. It works through an artificial intelligence mechanism that tells registered students which are the opportunities that best fit their profile and, for companies, which candidates are the most adherent to their needs.

The tool is also used to ensure the continuity of our employability actions after the students' graduation, since they remain active or can register on the platform after the course is completed, if they have not already done so. Check out the Canal Conecta portal at: <http://www.canalconecta.com.br/>

Among the partnerships we have developed in the Canal Conecta, we have local and national companies from different sectors. Some of them are sought to participate in the project because they are listed as "dream companies" by the students, while others seek us to meet their qualification needs.

"Innovation is a constant search that promotes the development of individuals, business and society. Thinking about this innovation and the qualification of those who are entering the labor market, Canal Conecta and Natura have partnered to make the student a digital entrepreneur and enter the job market on the right foot. Thanks to Canal Conecta, we are able to promote people's closeness to transformative ideas and to maintain the quality of these relationships." Rede Natura team.

In 2017, although Brazil had high unemployment rates, Canal Conecta experienced strong growth, breaking records in the number of registered students, partner companies and openings offered.



Results from

- Over **302 thousand** active students

- Job openings in over **500 cities**

- **11 thousand** partner companies, including:

























- More than **87 thousand** openings announced

- **One student** hired every **three interviews**



- **New features** of the Canal Conecta in 2017



App with geolocation

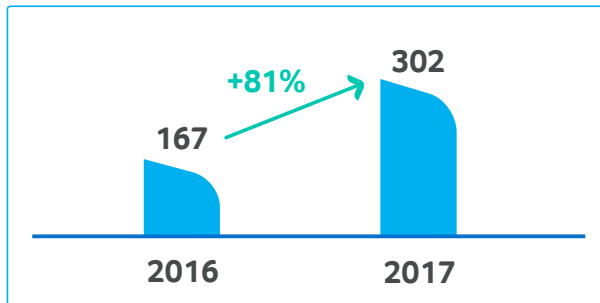


Virtual interview on the platform

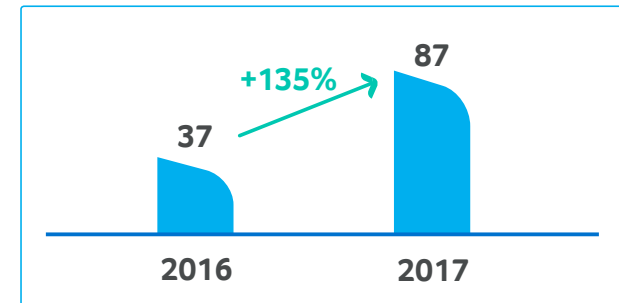


Sharing openings with colleagues

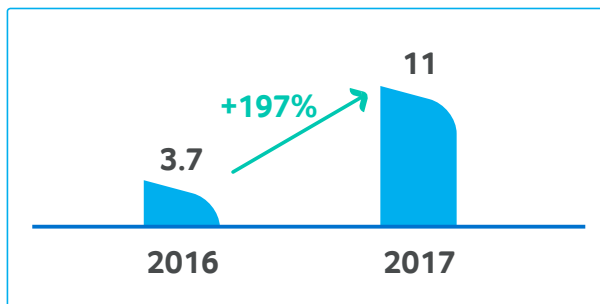
Active resumes (thousand)



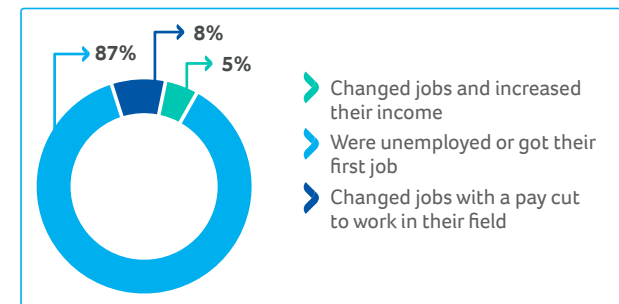
Job openings (thousand)



Companies (thousand)



Profile of new hires:



Canal Conecta benefits for students

- Openings compatible with student interest;
- Access to companies of interest;
- Self-knowledge through behavioral testing;
- Youtube channel with tips and interviews;
- Data-base on public tenders;
- Mobile App available on the Play Store with geolocation;
- Knowledge and understanding of the skills valued by the market;
- Content and Career Management Tips; and
- Free.

Canal Conecta benefits for companies

- Candidate database with updated curricula;
- Infographics, videos and news for People Management and Career Management;
- Comparison between the candidate's competences and the competences required for each job opening;
- Ranking of the candidates most suited to the job profile, taking into account the analysis of the behavioral competencies, the curriculum, the geolocation and defined preferences; and
- Free.

In addition to the Canal Conecta, we also develop job fairs in our units at the beginning of each year. The aim of the fair is to help the liaison between the students and local companies, promoting lectures and workshops of curricula while stimulating the use of the Canal Conecta. Because it is open to the public, the event also engages and supports the employability in the local community. Every year the local community attends the fair in search of employment opportunities, employability activities and to better understand the possibilities of professional qualification that are offered for free in our HEIs.

Responsibility to society

GRI G4-15

Kroton works in the area of social responsibility on a national scale, contributing to the regional development of the communities in which it is inserted.

Our operations allow us to carry out quality education, supporting the dreams of hundreds of thousands of people throughout Brazil, improving their employability, increasing their possibilities of income creation, therefore promoting the sustainable development of society. We are aware of our immense responsibility and for such reason we count on the engagement of a great employee network who embrace each challenge together to contribute to the students' success.

Kroton's Teaching Institutions carry out countless social initiatives - with the voluntary participation of thousands of students and employees - that progressively extend the reach of our impact on society, integrating our expertise in education to promote social, economic and environmental transformations in localities in which we are present.

In this context, we are signatories of the University Pact for the Promotion of Respect for Diversity, Culture of Peace and Human

Rights, a joint initiative of the Ministry of Education and the Ministry of Justice and Citizenship for the promotion of human rights education in higher education, in order to stimulate dialogue and better coexistence with the diversity in the experiences of our students. We are also signatories of the Global Compact, a United Nations initiative to mobilize companies to embrace corporate social responsibility and sustainability policies through the adoption of ten principles related to human rights, labor, environment and corruption.

The social projects developed by our institutions allow our students to put into practice the knowledge acquired in their course to produce changes in their surroundings, helping them to understand the reality of their region, perceive their needs and become protagonists in the transformation process.

In 2017, more than 2,167 social action projects were carried out in our On-campus Higher Education Units and Distance Learning Centers, positively impacting more than 1.5 million people in their communities.

These figures include institutional programs such as Solidarity Hazing, a non-violent initiative to mobilize and welcome freshmen, which reinforces our support

for the University Pact on Human Rights and encourages students to engage in socially responsible actions since the beginning of their college life, developing projects aligned with the 17 UN Sustainable Development Goals. In 2017, the program had more than 237 thousand students engaged in activities that benefited more than 258 thousand people.

Another action worth mentioning is the Social Responsibility Campaign, an initiative that involves the most diverse courses offering a sample of free social activities to 356,986 people from the communities around the higher education institutions. During the year, we also held the Vestibular Solidário, which encourages the solidarity participation of the candidates by exchanging the registration fee for food donation. In its last cycle, more than eight tons of food were collected and donated to selected institutions.

We consider that any donation is a gesture of solidarity and since there is continuity in the relationship with the beneficiaries, this action is not characterized as mere assistance. The spirit of generosity is encouraged from the first contact with the student and motivates him/her to act positively for the community.

In addition, we consider it essential to build an educational perspective throughout people's lives. For this reason, approximately 74% of our units offer services dedicated to the elderly, and

28% have courses aimed at this audience, including Dance Therapy, Flute, Computer Science, Positive Psychology, Yoga, Theater and Memory Workshops. The Anhanguera college in the cities of Osasco, Itapequerica da Serra, Valinhos, Santo André and Jundiaí, for example, present courses exclusively aimed at senior citizens, through the Open College for Elderly (FATI). In doing so, we value, care and respect this public, who socially lacks attention.

“One of our Community Extension Courses is SingTherapy and in the first semester, when we went to deliver the food collected (to a long-term institution for the elderly) through a campaign held at FATI, the students of this course made a beautiful presentation. It was very exciting. These events are, in fact, an exchange of knowledge in which everyone learns and teaches.” Iara Marta Fernandes da Silva, Educational coordinator at FATI in Valinhos (SP).

“In addition to our students putting into practice the theories learned in the classroom, such as strategic planning, logistics, commercial management, business communication and business diagnostic research, being a multi-subject project, we also develop social-emotional skills - more important than ever before - so they are proactive, empathic, ethical and supportive. [...] We see the transformation in the behavior of our students: they are calmer, more focused on studies and even more affectionate with our teachers and employees. I believe that the feeling of respect and belonging to the institution is improving, especially after this project.” Fernanda Fernandes, Academic Coordinator at Faculdade Pitágoras in Contagem (MG).

The engagement of our On-campus Higher Education Units and Distance Learning Centers in social actions has already benefited more than 500 social organizations, hospitals, public schools, among other institutions throughout the country, through education and awareness

raising about the most diverse themes, including social awareness and donations, cultural production, entrepreneurship and innovation, as well as initiatives aimed at people in vulnerable position.

Examples of good project practices in 2017



Criminal Practice Center

In partnership with the Minas Gerais Judiciary Branch and OAB / MG, the Criminal Practice Center of Pitágoras Cidade Acadêmica College, in Belo Horizonte, re-examines the cases of convicted inmates in closed, semi-open and open detentions, in order to request the benefits provided by law. The project was conceived by the Pitágoras Foundation (see more on page 58) and carried out as a pilot in 2017. The project is currently under study for implementation in other units offering Law course.



Adult Literacy

The Literacy of the Work Front Agents project involves students of the Pedagogy course of the Anhanguera Faculty in Itapequerica da Serra (SP) with the main objective of promoting citizenship.

“This project adds on several fronts. A member of the Work Front, usually a poor black citizen with little or no access to basic education, has the opportunity for a first contact with teachers focused on changing their lives. The student has the opportunity to observe the role of human rights in changing the life of the community, dealing with diversity and learning in practice about youth and adult education.” Paulo Bertelli, Principal at Anhanguera College in Itapequerica da Serra



Public Hostel renovation

Students of the Engineering and Social Service courses of UNIC Barão, in Cuiabá (MT), participated in the renovation activities in the building of the Manoel Miraglia Hostel, housing street dwellers, chemical dependents and people in transit in the city. Due to the success of the project, the hostel was sponsored by our educational institution.

“Participating in this project was of great relevance, since we perceive the role of Civil Engineering in the context of poor communities, contributing to the improvement in the life of the less favored people. Thus, we begin to reflect on the human aspect, the family abandonment and how this situation is ignored by the society. Thanks to this project we were able to become professionals who are not only practical but also human.” Angélica Pinheiro, Mikael de Andrade, Fátima da Silva, Liliane da Costa and Alinne Santos, Civil Engineering students.



Fighting violence against women

The “New Woman” project involved several courses from Anhanguera Santana (SP) in the creation of a project about domestic violence theme. Law students brought legal clarification to these women by presenting the public agents that may help them. Social Services students welcome them and those of Psychology, Dentistry and Nursing provide free treatment. The students of Pedagogy invest in their literacy and professional appreciation, while the Fashion students seek to teach a new craft.



Cavallo Carroceiro Project

Veterinary Medicine course students at the Anhanguera College in Dourados (MS) carry out the clinical care of horses pulling carts of the urban, rural and indigenous population in the region. The goal is to serve the needy population that own horses for work and transportation, helping to maintain them healthy, while avoiding death by exhaustion of the animal.

“Through the participation in the project we could see a different reality about the care, welfare and importance of the animal to the community. Often they do not seek guidance and appropriate treatment for fear of losing animals, which are mostly used as a means of transportation and work.” Maikely dos Santos and Karen Lobtchenko, Veterinary Medicine course students.



Reading Club

The Reading Club project for Sentence Reduction involves Pedagogy students at the Anhanguera College in Itapeverica da Serra (SP) in the evaluation of reviews written by participants of Reading Clubs of the prison system. The education of inmates is essential to in their rehabilitation process.

“Our objective is to promote a reflexive reading within the prison units in the state of São Paulo, broadening the world view and the social role of male and female inmates, as well as favor a more reflexive stance upon the serving of their sentence, allowing sentence reduction and also reducing criminal recurrence.” Cristina de Moraes, Project Academic Coordinator.



Empowering Refugees

Students and teachers of the Aesthetic and Cosmetic Technical Course of Unic Beira Rio, in Cuiabá (MT), were responsible for providing an Eyebrow Design Course for Haitian refugee women living in the city, offering an alternative form of income generation.

“Teaching, supporting and creating links with suffering women allowed me to strengthen the choice for my area of expertise.” Erica Nogueira, Technical Course student who participated in the project.

“It was very gratifying to help people and share some of what I learned to do. They are suffering and intelligent women, who learn with ease and have a good perception about the human face. Those with a slightly better understanding of Portuguese took better advantage of it and helped colleagues who did not understand the language of our country. I hope our teachings can help them to have new opportunities and return to their families.” Fátima Gonçalves, classroom teacher and class supervisor.



Lives Stories Project

The Psychology course of Unopar Piza, in Londrina (PR), has an intervention program at the POP Center - Reference Center for Street Population. It aims to promote the autonomy and empowerment of marginalized populations and in vulnerable positions, as well as guarantee their rights, in pursuit of a dignified life and a just and equal society.

The program causes the general population to reflect on current ways of social exclusion, as well as fostering social participation and the development of active citizenship.

“The biggest impact in my life was a clash of reality. The culture in which we live creates the stereotype that homeless people are people who do not like to work, who are in this situation because they like it. But when you come into direct contact with these people and are open to hearing what they have to say, the vision changes completely.” Mayara Ferreira Silva, student of the psychology course who was an intern at the POP Center.

“When I started on the project, I still saw street people from a common sense perspective, but when contacting them, I noticed them as subjects with a story. I realized how important an active public policy is, giving these people the possibility to change their story.” Vagner Medeiros, student who participated in the Lives Stories Project.



Recognition of indigenous culture

Students from the Social Services course of the Pitágoras College in Imperatriz (MA) conducted a technical visit to the São José Indigenous Village, located about 80 km from Imperatriz (MA). The aim was to get to know the culture and tradition of the Krikati People and map their social assistance needs.

“The project had a great relevance for my learning, because it enriched my cultural knowledge. One of the most important points was to be able to observe the lack of programs and services in the area of public policies with social scope.” Marcílio Cortez, student of the Social Services course that participated in the project.

“From the exchange of knowledge between the indigenous community and the academic community, we were able to deconstruct historically rooted stereotypes, recognizing the indigenous matrix as part of the national identity, as well as its relevance to Brazilian history and culture.” Marysa Lopes Silva, College professor and project coordinator.



Literary Production for Public Schools

Every six months, the Pedagogy course of the Pitágoras College in Governador Valadares (MG) develops a book as part of the Pedagogical Practice classes. The themes are always about human rights, since the objective is to educate, raise awareness and engage students in the theme. After the books are written, they are donated to nearby public schools, during storytelling and playful activities with children developed by pedagogy students. Titles of books already developed are: Hortolândia, which deals with environmental issues; Bia goes to school, which promotes a reflection on inclusion and diversity; and Makena and the mystery of Abayomi, which deals with the empowerment of black women.

“The book Makena and the mystery of Abayomi was produced with great affection by our class. After researching African culture and prejudice, we learned about the importance of our work for social transformation. It is through children that we can have a better world in the future.” Edilene Amorim, Pedagogy student who participated in the project.



Students on a technical visit to the São José Indigenous Village



Model: Gabriela Gonçalves Amaral
 Photographer: Douglas Fernandes, Coordinator of the Journalism Course and the Publicity and Advertising Course at the Pitágoras School in Divinópolis



Trans Visibility

The “Who Are They?” project was developed by the Psychology course of the Pitágoras College in Divinópolis (MG) to elucidate the topic of transsexuality, through the debate on gender issues. It also presupposes psychological support of the population and proposes to eliminate stereotypes in society.

“The project is in line with the debate on gender and sexuality issues and the consolidation of public policies aimed at the LGBT population. It brings us closer to a population that has a number of vulnerabilities and forces us to develop new perspectives and tools to understand and meet the demands of the population of transsexuals, transvestites and prostitutes.” Leonel Cardoso, professor of Psychology course and project supervisor.



Rebuilding the Dream

The Rebuilding the Dream project involves students and professors of the Civil Engineering course at Uniderp in Campo Grande (MS) who use the force of civil construction to put into practice ideas stimulating social changes while transforming the lives of people in vulnerable positions, guaranteeing free renovation for their residences.

“From the beginning, the project idea was to help needy, vulnerable families, while bringing expertise and experience to our future area of operation. Its objective is to bridge the gap between professionals in the civil construction sector and the families through the renovation of their homes, with projects adapting to their needs and the reality in which they are inserted.” Thiago da Silva de Ávila, Civil Engineering student and project participant.



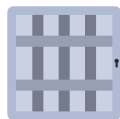
Family Room Project

The Unopar Architecture course in Ponta Grossa (PR) developed the architectural design of a living room in the Hildebrando de Souza Public Prison for the reception of inmate's children visiting their parents. This friendly environment aims to enable a healthy and dignified visitation.

"This project excites me everytime we talk about it. Nowadays, when almost everything is seen with normality, the students of Architecture thought about a way to give to the detainees' children the possibility of a coexistence with dignity." Seisa Santana Zuccala, Principal at UNOPAR Ponta Grossa.



3D design of the Family Room



Health in the Deprivation of Liberty

The program developed by the Nursing course at UNIC Rondonópolis (MT) provides monthly services to inmates at the city's female penitentiary, with initiatives targeting women's health, supplying the gaps in services offered by the local public power.

"Any voluntary health initiative for women living in deprivation of liberty is welcome. Unfortunately, there are no well-structured and strengthened policies that guarantee full health care for these women, and actions like this, at UNIC-Rondonópolis, contribute to meeting the demands of the inmate population which is so vulnerable and needy." Vinicius de Melo Bergamo, nurse of the Prison System of Mato Grosso and Nursing teacher at UNIC Rondonópolis.

Specialized services to communities

GRI G4-EC7 / G4-SO1

In addition to the social actions carried out in our institutions, thousands of continuous specialized consultations are carried out, aimed at improving the quality of life, the opportunity of access and the development of the communities in which the HEIs are located.

Students from all courses conduct specialized procedures aligned to their future professional practices to benefit the local community. In 2017, Kroton initiated a study to measure the direct impact that these specialized services represent in the Brazilian society.

The pilot project considered all Kroton Higher Education Institutions and selected 22 courses, which were chosen because they have clear and measurable procedures for this first phase of the project.



Anhanguera College at Jacareí - Pedagogical Assistance to children of the Phoenix NGO



Unopar College at Cascavel - Physics Ed's lessons in public square



Pitagoras College at Contagem - Assistance to elderly

Courses considered in the project

Health Sciences



Biomedicine
Biological Sciences
Physical Education - Bachelor
Nursing
Aesthetics and Cosmetology
Pharmacy
Physiotherapy
Speech Therapy
Medicine
Veterinary Medicine
Nutrition
Dentistry

Human Sciences



Management
Architecture and Urbanism
Accounting
Law
Journalism
Pedagogy
Psychology
Advertising and marketing
Social Services

Engineering



Product Development Engineering
Facilities Engineering
Maintenance Engineering
Process Engineering
Project Engineering
Quality Engineering
Occupational Safety Engineering
Sales Engineering
Electronic Engineering

As a result there were more than 2.3 million specialized procedures performed, totaling more than 1.9 million people served with services offered in our institutions throughout the country.

If we convert the services according to the rates of charges for services and procedures of each professional category, that would amount to **R\$ 377,981,248** that was unencumbered from the government and therefore delivered free of charge to society.

This is a significant value, representing Kroton's investment in favor of the quality of life of the population in the surroundings of our Higher Education Institutions.

Kroton's Community Specialized Attendance



2,344,083 services provided with 1,992,183 people benefited



Representing **R\$ 377,981,248 million** in financial relief to the public authority



Involving **7,294 teachers** and **132,642 students** of **111 units**



Midwest Region

24 units
515,289 services provided
1,044,584 people benefited
1,564 teachers and 20,922 students involved
R\$ 142.6 million in financial relief to the public authority

Brand	People served	Amount invested (R\$ thousand)
 Anhanguera	447,059	121,592
 pitágoras	435,545	61,297
 unic	126,836	77,169
 unopar	60,498	29,083
 unime	52,819	23,097
 uniderp	847,314	39,491
 fama	22,112	26,251



Southeast Region

57 units
1,307,152 services provided
746,740 people benefited
3,772 teachers and 79,494 students involved
R\$ 137.8 million in financial relief to the public authority



Northeast Region

13 units
116,243 services provided
81,512 people benefited
944 teachers and 16,156 students involved
R\$ 26.6 million in financial relief to the public authority



North Region

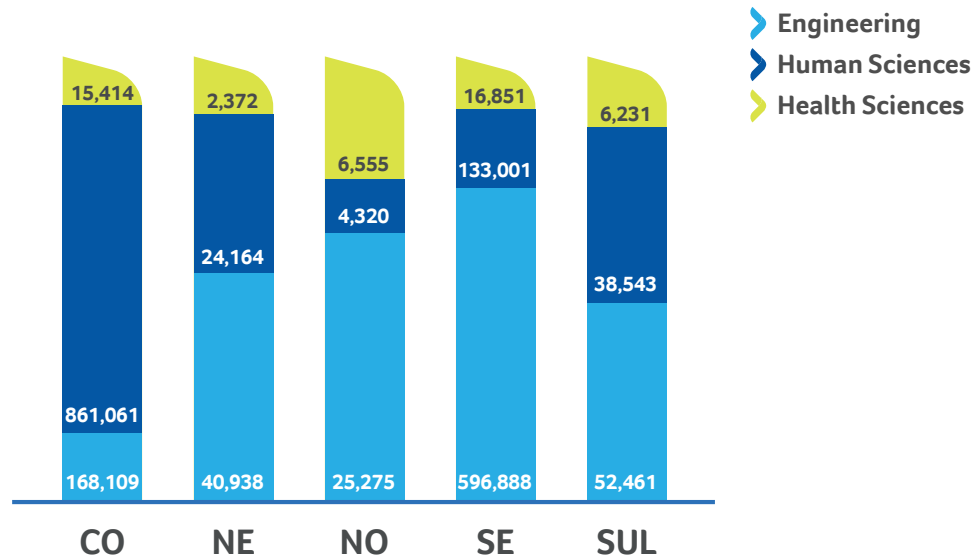
1 unit
176,026 services provided
22,112 people benefited
163 teachers and 1,932 students involved
R\$ 26.3 million in financial relief to the public authority



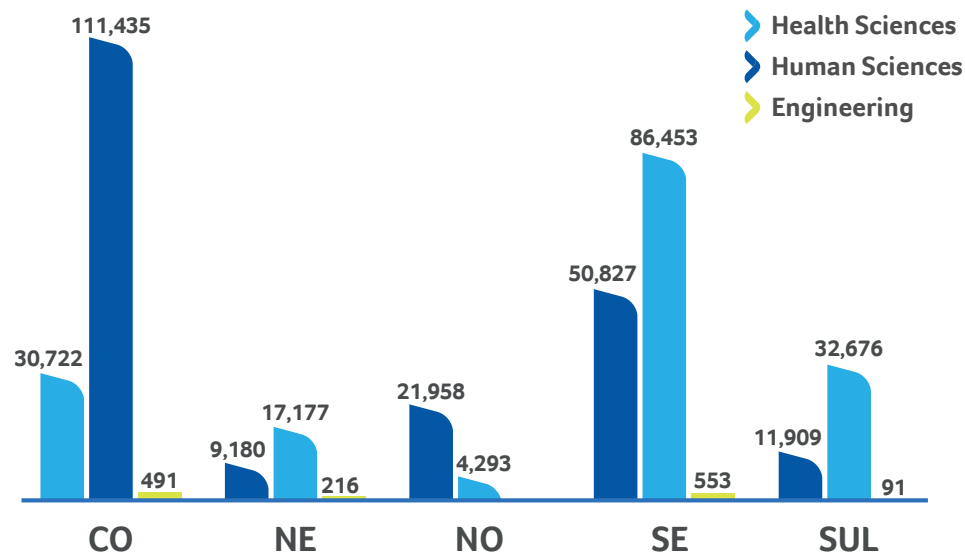
South Region

16 units
229,373 services provided
97,235 people benefited
851 teachers and 14,138 students involved
R\$ 44,676.3 million in financial relief to the public authority

People served by knowledge area



Investment by area of knowledge (R\$ thousand)



Support for State Education

In addition to the projects, social initiatives and pro bono procedures carried out by our educational institutions, we have a solid social performance through the Pitágoras Foundation, which has been working, since Kroton creation, as our social arm.

The Foundation developed an advanced management methodology, called the Integrated Management System (SGI). The SGI is implemented in the public primary and secondary education network, supporting its leadership from a technical standpoint and transferring its methodology. The most flagrant results of this implementation are significant advances in student learning and the improvement and innovation in management processes and practices.

About 29 thousand teachers and 1 million students benefited from the implementation of SGI in more than 12 states across Brazil. The worst results in the IDEB and the lowest HDI indices are the primary criteria for the implantation of the pro bono SGI, with no costs for the Municipal Schools and Departments of Education.



Replicating the extremely successful format of the Conspiração Mineira pela Educação, in August 2016, Kroton launched the Aliança Brasileira pela Educação (Brazilian Alliance for Education), which began in the city of São Paulo serving about 300 state schools and totaling approximately 350 thousand students benefited.

In 2017, it expanded to all state schools through the use of distance technology, transmitting the Forums of Principals in real-time to all school boards in the state countryside. At the end of the year, the Special Forums of Principals was held in Belo Horizonte, which was broadcast live for the entire country. Kroton's HEIs were invited to participate, as hosts of regional public schools, creating a bridge between our institutions and the public primary and secondary education network.



Conspiração Mineira pela Educação

For more than 11 years, the Pitágoras Foundation has been in the state of Minas Gerais, leading the Conspiração Mineira pela Educação Movement, whose main strategy is to strengthen the leadership of public schools through systematic meetings - Forums of Principals - to exchange experiences and best practices within the five themes chosen by the principals themselves as the key issues for a quality school: Pacification, Student and Teacher Motivation, Family / School Integration, and Improvement of Official Learning Indicators. 1,741 municipal and state public school schools and 1.3 million students were benefited.



Two other major projects were implemented by the Pitágoras Foundation in partnership with HEIs/Kroton. The first one refers to the "Prison Projects", which are based on initiatives in the prison area as a way to contribute to reverse the perverse cycle of violence and social exclusion that the current prison system of our country faces. The objective is to bring quality education to the prison system, promoting legitimate re-socialization initiatives, such as: a) Pro bono legal assistance provided by students, teachers and the coordination of Pitágoras Cidade Acadêmica/BH, providing support to inmates' families with no access to justice (learn more on page 49). b) Distribution of informational booklets for families on social rules of visitation and security in prisons. c) Implementation of the systematic reading program in prisons units to achieve at the same time the improvement in inmate training and sentence reduction.

These actions were implemented in a pilot stage in the State of Minas Gerais and, given the results achieved, will be gradually expanding in 2018 for the other regions of the country.

The second major project refers to "Early Childhood", which was also implemented as a pilot in the State of Minas Gerais and should be expanded in 2018 to other regions of Brazil. The project ensures the continuity of the Programa Criança Feliz (Happy Child Program) of the Ministry of Social Development, which has been tested and validated for more than a decade in Rio Grande do Sul.

Scientific studies around the world prove that investing in early childhood is the most intelligent and effective a country can do. In the first thousand days of life, from conception to three years of age, there is a window of cognitive and emotional development that, if used, that is, if children receive the appropriate stimulus and affection, it fosters the development of adults who are prepared to deal with the adversities and challenges of life.

In 2017, in partnership with the Ministry of Social Development and Kroton Learning Institutions, we provided several trainings for professionals who will be working with children and their families in loco in the most vulnerable areas.

In addition to the purpose of providing quality teaching to its students, Kroton contributes to the evolution of society as a whole, assisting in the continuity of projects that have the capacity to also transform lives in different areas, because we believe that education is the public policy with the greatest social impact, which most promotes economic development and the most effective platform for all other public policies.

Sponsorship and promotion of culture

In 2017, projects of different Brazilian institutions, approved in Fiscal Incentive Laws, received the support of the Company

in carrying out its activities. These projects underwent a careful internal selection process and were chosen considering their potential for social transformation through education, responsibility and alignment with the Company's mission, vision and values, valuing our brands.

Through fiscal incentives aimed at the Elderly Fund, we helped maintain the Cancer Hospital in Barretos (SP) (national reference in this sector) and the CeMais 3i Network project, which trains professionals and strengthens the management network of 28 institutions in Minas Gerais state, assisting more than 1.1 thousand elderly people.

With the Sports Incentive Law, the Orcampi Competitive Team project continued to work with young citizens with promising futures in the athletics field, offering technical knowledge and cutting edge structure in the city of Campinas; and the Instituto Superar in Rio de Janeiro had the support to continue

to encourage human development through paralympic sport, aimed at people with disabilities and reduced mobility.

Through the Rouanet Law, the MuBe - Brazilian Museum of Sculpture, in São Paulo received our sponsorship. In São Sebastião (SP), the Gerando Futuro project of the Verdescola Institute received incentive from Kroton through the Municipal Fund for the Rights of Children and Teens (Fumcad), in order to reinforce the quality of knowledge acquired by young people from public schools. And the Audiovisual Law favored our support to film productions by producer Gullane.

"Kroton goes beyond its borders. It supports, invests, donates, sponsors organizations that, in their own way, also transform the future, stimulate diversity, bring communities closer and are aligned with the Company's purpose."
Denise Miyabara, Kroton's Social Responsibility Senior Manager.

Care for the environment

The very nature of our business as an educational company ensures that we are not direct generators of major environmental impacts. More than that, we promote knowledge and awareness on the themes of sustainability and environmental preservation through education.

As a consequence, in our units, we have a series of projects addressing environmental sustainability, on different fronts, such as solid waste collection, community vegetable gardens, planting and donation of seedlings, revitalization and afforestation of public squares, cleaning and conservation of beaches.

Examples of good project practices in 2017



Arboretto

The Arboretto program involves students from several courses at the Pitágoras College in Teixeira de Freitas (BA) to support an initiative of Fibria and Suzano in partnership with the Bahia Public Prosecutor's Office, in order to create income for indigenous and quilombola communities through improvement in the bio-jewelry production process. In addition, health care consultations, lectures, visits, environmental education and sustainable forest management practices are carried out.



Arboretto program



Good sport

An articulation between the Anhanguera College in Pindamonhangaba (SP) and the town hall of the city instituted the Good sport project. The project seeks to promote awareness for recycling through two fronts: funds generation through the sale of aluminum cans collected by university students and the transformation of recyclable materials into social technology for use during sports activities carried out with children in the public school system. The project was winner of the Natura Acolher Award.

"The initiative was supported by the education, sports and environment tripod. It arose from the perception that many city halls want to do social projects but face budget constraints. Hence the need to engage institutions in the formatting of actions to do good." Leonardo Danelon, Principal at Anhanguera College in Pindamonhangaba.



Vegetable Garden at school

Students from the Anhanguera College in Anápolis (GO) developed a vegetable garden project, planting and managing vegetables in a state city college. The vegetable garden materialized the activities of environmental and food education for the students of the place.

In the Pitágoras College in Divinópolis (MG), the Environmental Engineering course developed a sustainable vegetable garden next to a school in the region, which reuses the wasted water from the drinking fountains for irrigation.

"The great importance of this project is to teach, mobilize and encourage our student body for to improve their vision of the world; where their skills can be employed in managing better quality of life for themselves and for others." Jean José Lima de Bastos, teacher advisor of the project in Anápolis.

"The project has shown that it's very simple to plant vegetables and plants in general. The resources made available by nature are easy to employ and have to be consciously used. We have shown to state high school students that it is possible to accomplish this type of project by spending little, that they can carry out various plantations and the products from it can be used for consumption inside the school." Anna Clara Steval, engineering student at Anhanguera College at Anápolis.

Energy

GRI G4-EN3

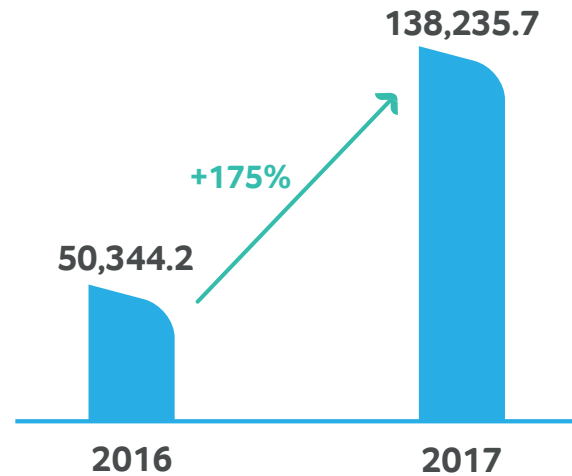
In 2017, we had a number of initiatives to reduce energy consumption in our educational institutions and corporate offices. In doing so, we intend to reduce CO2 emissions from our activities in the atmosphere, which have a direct impact on the planet's climate change.

Among the main actions in 2017 to reduce our energy consumption are:

- Installation of LED lamps in on-campus units;
- Electrical renovation of the units, increasing the efficiency of their facilities while reducing waste due to electrical failure;
- Raise awareness in the units regarding practices that reduce energy consumption;
- Electric distribution board automation at the units, providing better lighting and comfort management.

Still, due to improvements in our infrastructure, including the installation of air conditioning in all units and their classrooms, led to an increase of 175% in energy consumption in 2017.

Energy consumption (thousand of KWh)



We also had a number of initiatives to reduce CO₂ emissions in our activities, such as the purchase of incentivized energy in some units, which is generated from renewable sources such as biomass and wind. We also installed in our corporate office, in São Paulo, 930 square meters of Cool Carpet, which generates less environmental impact and brings a credit of 11 tons of greenhouse gases (GHG) to the Company. Thus, from our energy consumption in 2017, we emitted approximately 224,771.25 tons CO₂.

Water

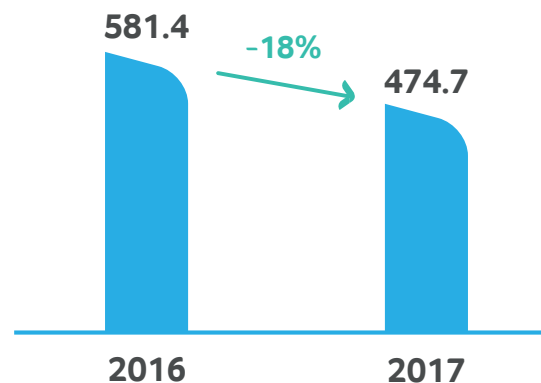
GRI G4-EN8

In order to reduce our water consumption in 2017, we have undertaken a number of initiatives in our units:

- Installation of aerators to spray water on faucets of Colleges;
- Reduction in the volume of water used in faucets;
- Active engineering team working to identify leaks;
- Drilling of artesian wells to use groundwater.

As a result, we were able to reduce our water consumption by 18%.

Water consumption (thousand of m³)



Waste

In 2017, we focused our attention on the control of waste generation and disposal. Waste considered to be dangerous, derived especially from the agrarian, biological and health sciences courses, from our hospitals, veterinary hospitals, farms and clinics were monitored with special care. These hazardous waste can be divided into two types: chemical and infectious.

Regarding non-hazardous waste, most of our units carry out recycling programs in partnerships with selective collection cooperatives and/or their respective city halls.

Waste generation (m ³)	
Non-hazardous	127,837.34
Dangerous Infectious (Anhanguera only)	39,910.97
Dangerous Chemical (Anhanguera only)	14,137.80

Together we can do more

At Kroton, we are aware that we can only make dreams of hundreds of thousands of students come true through the engagement and efficient work of our employees. They are the ones who teach the classes, assist the students, develop digital systems and put into practice all the actions that we have described throughout this Report.

Therefore, we work to create a strong organizational culture and a favorable environment for the personal and professional development of our employees. In doing so, we can also operate in their personal transformation and - why not - in the fulfillment of their professional and personal dreams.

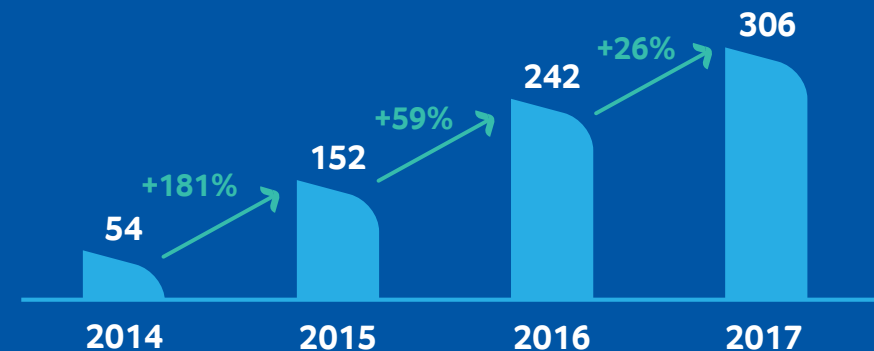
Training and development

GRI LA9 / LA11

We believe that companies with strong cultures are best suited to meet the challenges of changing environments. That is why we have several programs and initiatives that stimulate the personal and professional development of our employees and enhance their transformation capacity.

Kroton University, our corporate university, plays a key role in this regard: helping employees to develop competencies aligned with the Company's purpose. To do so, it offers a range of trainings to update and develop our talents continuously, promoting the skills needed for their functions, both in the present and the future of the business.

Courses available at Kroton University



Trainings are offered in two manners: online, through the Kroton University platform, or in our robust on-campus structure located in the city of Valinhos (SP).



606 thousand hours of training offered to employees



384.5 thousand certifications on different topics



Participation of **23.8 thousand employees**

Training sessions are divided into **4 schools**:



School of Culture



Reinforces Kroton's Values, Principles and Culture.



Leadership School



Develops the leadership skills of our managers.



School of Efficiency



Focused on courses that improve productivity, reduce costs and develop operations.



Business School



Aimed at the knowledge related to our products, business and academic model.

The courses offered to each employee are based on their career development plan, proposed by their area of operation and the result of performance analyzes that identify the competencies that they need to develop. In 2017, 100% of teachers, administrative staff and leaders received this type of analysis.

During the year, the main trainings offered were academic content aimed at preparing and developing teachers and coordinators for the performance of their duties. These courses have been organized into training platforms developed for each stage of your career, such as Getting to Know Kroton Platform, Teacher Platform, Course Coordinator Platform and Academic Coordinator Platform.

Concerned with the adoption of practices that are coherent and aligned with our purpose, in 2017, 39,226 hours of training were carried out for approximately 50% of our staff, focused on human rights policies and practices (more on page 36). We also provided 16 thousand hours of training on our Code of Conduct and the Anti-Corruption Manual (learn more on page 73).

In addition to the University Kroton courses, we offer trainees' and leaders' development programs as well as training for Principals, which focuses on improving participants' knowledge and developing their careers.

Evolution of the New Principals Training Program

	Program 2014-2015	Program 2016-2017	Program 2017-2018
Enrolled	442	508	469
Selected	39	34	65
Completed	33	30	35
Approved	28	30	35

58 Employees approved | **37** became Unit Principals

In 2017, following the growth planned for the number of Kroton units (learn more on page 11), we developed a robust methodology for the New Principals Training Program, including new topics such as Social Responsibility. It is based on an eight-week immersion in which the professional is trained full time. The New Principals Training Program makes it possible for our future Unit Principals to be prepared to assume the management of a higher education institution.



Quality of Life Project

During the year 2017, we launched the Quality of Life Project, which aims to make our employees aware of healthy habits. The first initiative was the publication of a monthly newsletter to sensitize, guide and raise awareness about issues related to Quality of Life. At the same time, we began a research on health and eating habits among employees, with the aim of structuring other actions adhering to their needs. These projects should begin to be implemented during 2018.



Profile of our employees

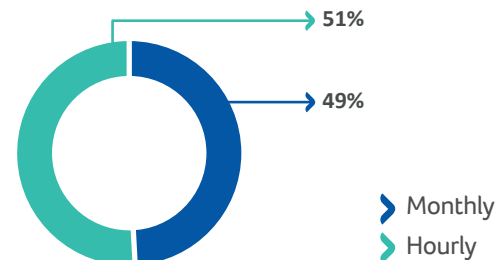
GRI G4-10 / GRI LA1 / LA12

By the end of 2017, we had 22,049 employees, both in administrative and academic departments. We had 130 members at the School Board, 60 in the Company's Senior Leadership (N1 and N2) and 12 in the Board of Directors. Because of the nature of our business, most of our employees are teachers and tutors.

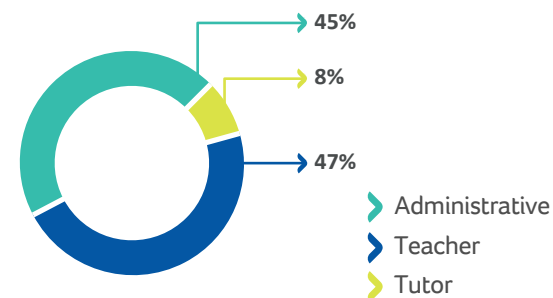
We value the individuality of each employee, recognizing differences as a factor that generates value for the Company. Therefore, in our contracting and promotion processes, we value meritocracy, never discriminating against gender, age, race or any other feature, leading to a diverse staff, representative of the different regions in which we operate.



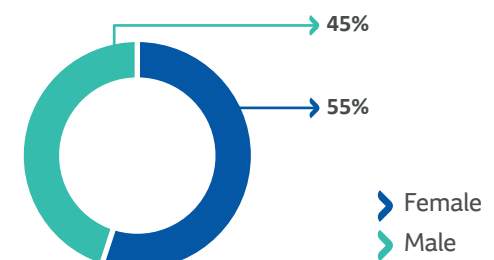
Employees by employment contract



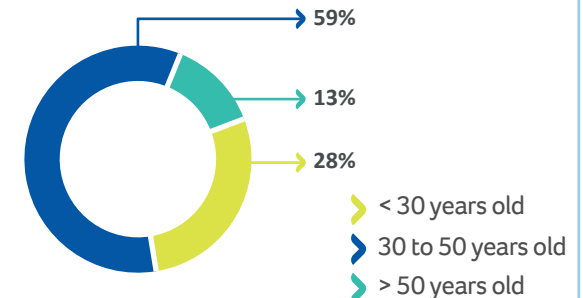
Employees by type of employment



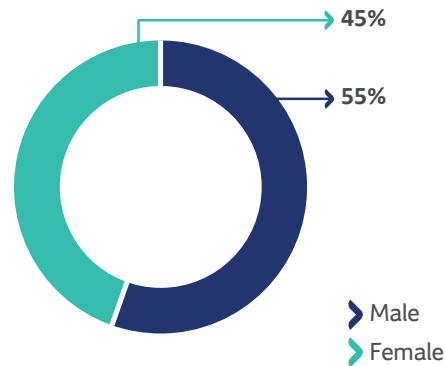
Employees by gender



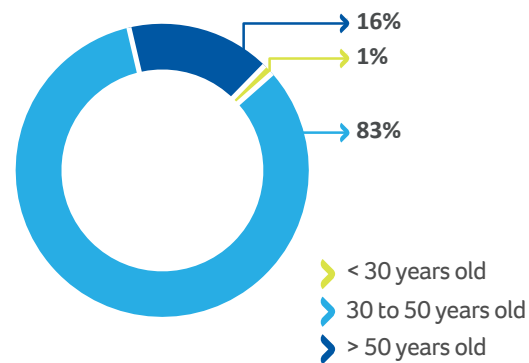
Employees by age group



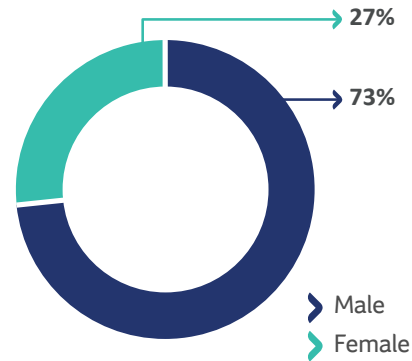
Composition of School Management by gender



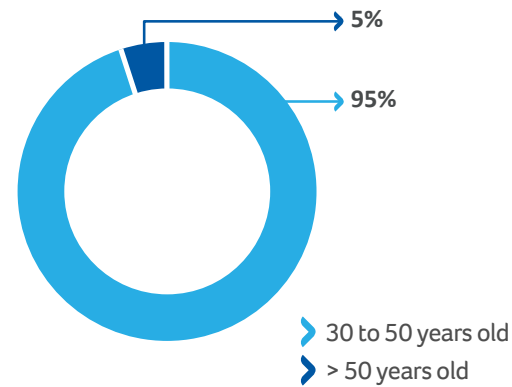
Composition of School Management by age group



Composition of Senior Leadership* by gender

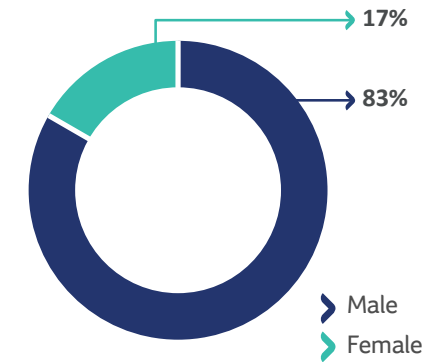


Composition of Senior Leadership* by age group

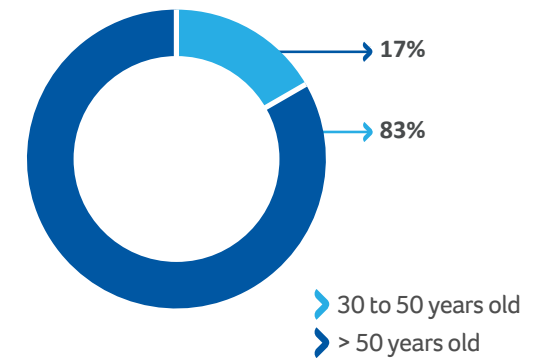


*N1 and N2: Vice-Presidents, Officers and Senior Managers reporting to the second level of presidency

Board composition by gender



Board composition by age group



Distribution of employees



Southeast Region

10,684 employees
3,368 new hires
3,820 terminations
 Hiring rate **26.2%**
 Turnover **27.9%**



South Region

4,020 employees
1,273 new hires
2,197 terminations
 Hiring rate **26.5%**
 Turnover **35.7%**



North Region

510 employees
124 new hires
192 terminations
 Hiring rate **19.1%**
 Turnover **25.0%**



Northeast Region

2,343 employees
790 new hires
698 terminations
 Hiring rate **32.0%**
 Turnover **29.6%**



Midwest Region

4,492 employees
973 new hires
1,804 terminations
 Hiring rate **18.2%**
 Turnover **25.8%**

Employees	New hires	Hiring rate	Terminations	Turnover
Male	2,862	25.5%	4,899	29.8%
Female	3,666	24.3%	3,813	28.3%
< 30 years old	2,835	41.3%	2,334	37.7%
30 to 50 years old	3,262	20.7%	5,305	27.1%
> 50 years old	431	12.5%	1,072	21.6%
Total	6,528	24.9%	8,711	29.1%

04

SUSTAINABLE MANAGEMENT AND OPERATIONS



0001	0.45	▲	+0.45%
0002	-0.23	▼	-2.34%
0003	-1.01	▼	-1.89%
0004	0.02	▲	+0.21%
0005	+2.58	▲	+3.05%
0006	-0.14	▼	-1.42%
0007	-0.73	▼	-0.90%
0008	+1.08	▲	+5.12%
0009	-0.87	▼	-3.88%
0010	-0.65	▼	-1.37%



How we conduct our business

Corporate governance GRI G4-34

To ensure that our Company continues to make our students' dreams come true and transform lives throughout the country, we have robust mechanisms of corporate governance and risk management.

These mechanisms ensure that we are aligned with the best practices in the market, focusing on bringing reliability to internal controls, transparency in management, attention to the interests of our stakeholders and ability to generate value and return to society. That is how we guarantee our sustainability in the long term, at the same time as we become a reference due to the high efficiency of our management.

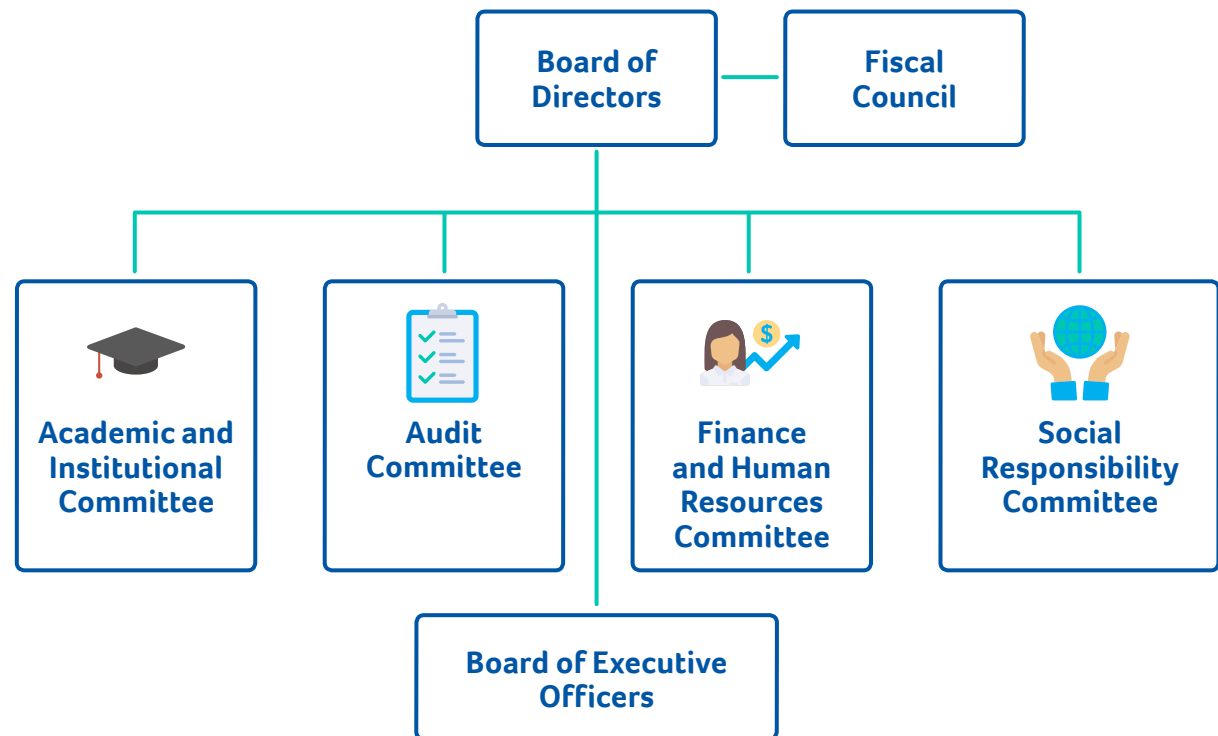
Since 2012 we have been part of the Novo Mercado, a segment of B3 that brings together companies with the best governance practices, and we follow the recommendations of the Brazilian Institute of Corporate Governance (IBGC).



Transparency

We have an Investor Relations website where we disclose our quarterly financial results, hold webcasts and offer all the information that may influence our market value and shareholder decision-making. Get to know our website at: www.kroton.com.br/ir

Governance Structure



Board of Directors

The Board of Directors is the highest governance body in our administration. It is responsible for formulating and implementing our policies and general guidelines and long-term strategy, as well as defining the independent auditors and supervising the management of the Board of Directors.

At the end of 2017, the Board of Directors was composed of 8 effective members - 2 of whom are independent - elected at the General Shareholders' Meeting.

Advisory Committees

The Advisory Committees support the Board of Directors in their decision making process by providing expertise in matters relevant to the business.



To see all functions and members of each governance body, visit our Reference Form at <http://ri.kroton.com.br/>

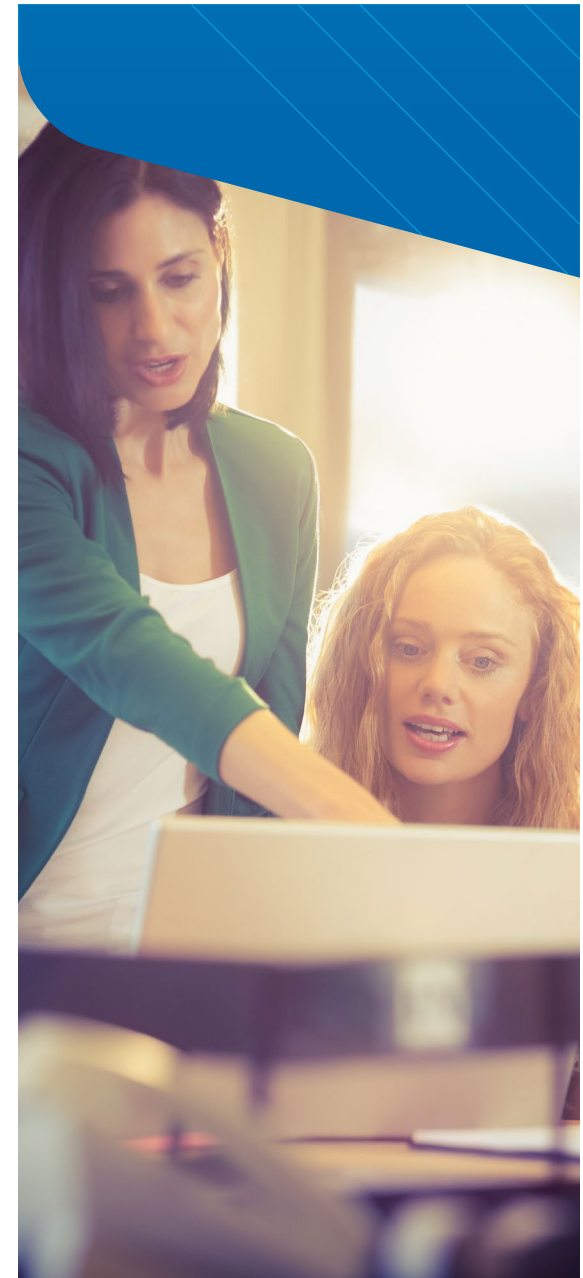
Board of Executive Officers

Kroton's Executive Board is responsible for the day-to-day management of the Company and for the implementation of the general policies and guidelines established by the Board of Directors.

Statutory Officers are the Company's legal representatives, elected by the Board of Directors for a term of one year. They may be reelected and, at any time, dismissed by the board. By the end of 2017, Kroton had six Statutory Officers and six Executive Officers.

Fiscal Council

The Fiscal Council is an independent body of the Company whose goal is to supervise the actions carried out by management and to give an opinion on our accounts and financial transactions. The Council had four members and their alternates at the end of 2017.



We are responsible

GRI G4-56 / G4-57 / G4-58 / SO4

Our strategic map makes it clear that our entire operation and management should aim at generating sustainable value by supporting society's development and transformation through quality education. To achieve this goal, we maintain a clear commitment to the ethics, integrity and transparency of our management.

The principles and ethical guidelines that govern our Company are registered in the Code of Conduct - available on our institutional website, Investor Relations website and internal communication channels. It describes what are the expected behaviors and those that should be avoided by all our employees, suppliers and other business partners.

We also publish in these channels our Anti-Corruption Manual, which provides guidance on the most rigorous compliance criteria and the concepts and responsibilities established in Anti-Corruption Law 12.846 / 2013.

Upon entering the Company, all our employees conduct mandatory training on the Code of Conduct and the Anti-Corruption Manual at Kroton University.

Every six months, we send announcements to employees about the importance of attending these courses. In 2017, we totaled 16 thousand hours of training on the subject.

During the year, we made progress in improving our Compliance structure through the expansion of the Control, Audit and Compliance Department, responsible for monitoring our actions to avoid ethical deviations and non-compliance with the Anti-Corruption Law. The area has independent reporting to the Company's Audit Committee.



Kroton Confidential Channel (CCK)

It allows our employees, suppliers and business partners to contact our compliance team to report situations in which our ethical values and principles are being violated or put at risk.

All complaints are treated in a confidential and impartial manner, and are vetted and answered. Through the quarterly report of the Control, Audit and Compliance Committee to the Audit Committee, all complaints are shared and the appropriate disciplinary measures are deliberated together with the areas involved.

In 2017, in line with our commitment to the University Pact for the Promotion of Respect for Diversity, for the Culture of Peace and Human Rights, complaints about human rights violations were also incorporated into the directives and analysis filters available on the Channel.

Throughout the year, we received 369 complaints from the Channel, and we analyzed 100% of those that were within the scope of action.

The Channel can be accessed at: <http://cck.kroton.com.br/cck>



Risk management

GRI G4-45

To ensure that we continue to help our students transform their lives, we need to constantly monitor risk factors that can impact our long-term sustainability. Therefore, our Internal Control, Audit and Compliance Department, which reports to Senior Management and the Audit Committee, is responsible for identifying and mitigating risks, improving controls and conducting independent internal audits.

At the end of 2017, the area was responsible for developing our Risk Management Policy, which formalizes how we conducted the process at Kroton, defining the roles and responsibilities of those involved. The document, which will take effect from 2018, assigns the following roles to the Board of Directors:

- Validation of the Company's strategy and short-, medium- and long-term objectives;
- Approval of the Company's Risk Management Policy;
- Validation of the risk appetite level; and
- Evaluation, at least annually, of the adequacy of governance structure, methodology and other aspects related to risk management.

Another governance body that plays a key role in our risk management process is the Independent Audit Committee, to which the policy has formalized the following responsibilities:

- Continuous supervision of the risk management process, reporting material facts to the Board as needed;
- Approval of the methodology and corporate approach to risk management proposed by the Internal Controls, Audit and Compliance Department; and
- Presentation to the Board of Directors, at least annually, of the assessment of the risk management process as a whole.

In 2017, some of the key risks identified, monitored and mitigated by our risk management were as follows:



Our risk management follows the best market practices, such as the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and ISO31000.

To find out about all the risks in the Company's operations, visit our Reference Form at <http://ri.kroton.com.br/>



Risks identified in 2017



Technological Changes in the Educational Sector



Amendment of Laws and Regulations in the Sector



Payment default and Drop out



Unfavorable court decisions



Risks related to company acquisitions and corporate reorganizations



Increase in the price of inputs



Loss of Quality in Teaching



Relationship problems with associated schools

Economic Performance

Maintaining solid and constant financial performance is key to generating the resources that will enable us to continue investing in quality education that can transform the lives of our students for many years.

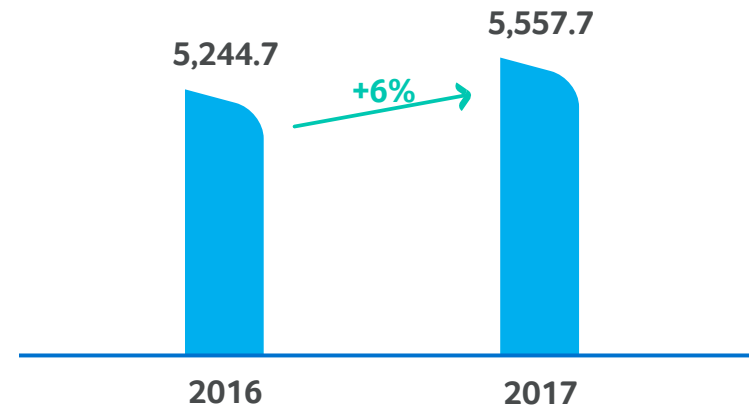
In 2017, we still faced an adverse scenario in the country, with slow economic growth, and still high unemployment levels. However, due to our efficient management, good performance of our employees and the recognition of our academic quality, we guaranteed a solid result at the end of the year. Therefore, we created value for our shareholders, employees and suppliers, and we guaranteed that the dreams of hundreds of thousands of students spread all over the country became real.

Financial performance Gross and Net Revenue

We ended the fiscal year of 2017 with a gross revenue of R\$ 7,151.6 million, an increase of 6.2% over the previous year, driven by the positive results of the enrollment and re-enrollment processes, both in On-Campus Higher Education and in Distance Learning Higher Education, in addition to the initial impacts of the new campuses and new centers launched in 2017.

Also contributing to this result was the increase in the on-campus average ticket, supported by the enrichment of our program mix and annual tuition readjustments. These effects more than offset the revenue loss from the sale of assets (FAIR, FAC / FAMAT) in August. As a result, net revenue totaled R\$ 5,557.7 million, 6.0% higher than in 2016, and in line with the behavior observed in gross revenue.

Net Revenue (R\$ million)



Cost of Goods Sold and Services Rendered

In 2017, Kroton's total costs reached R\$ 1,423.2 million, or 28.8% of net revenue, representing a drop of 5.9% over last year, benefiting from continued efficiency gains, as well as cost and expense austerity.

The costs of services represented 98.6% of total costs, due to the greater share of Higher Education operations.

Gross Profit and Gross Margin

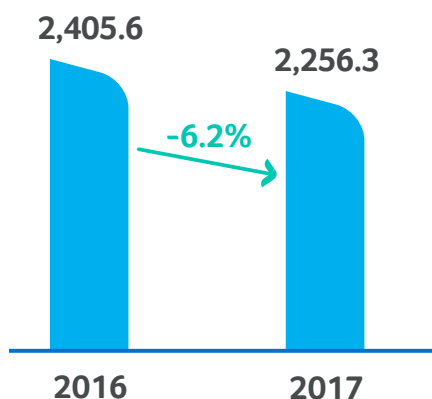
Gross profit reached R\$ 4,125.5 million in fiscal year 2017, a 10.8% increase over the previous year, with a margin of 74.2%, an increase of 3.2 pp, reflecting higher revenue and efficiency in our operations.

EBITDA

In the year, we recorded an adjusted EBITDA of R\$ 2,450.7 million, an increase of 6.5% compared to 2016, with a margin of 44.1%, an increase of 0.2 pp over the previous year. This is the result of the revenue increase, the efficiency levers and cost control.

If we include non-recurring expenses and events in the calculation, EBITDA reached R\$ 2,256.3 million, with a margin of 40.6%, a reduction of 5.3 pp in the annual comparison, as a consequence of the impact of the capital gain from the sale of Uniassselvi in 2016.

Ebitda (R\$ million)



Debt

We closed 2017 with a net cash position of R\$ 1,258.2 million, an increase of 107.6% compared to net cash recorded in 2016, benefiting from the strong cash generation and the normalization of the FIES payment flow, including the receipt of 25% of the FIES installments not paid during 2015.

Financial Result

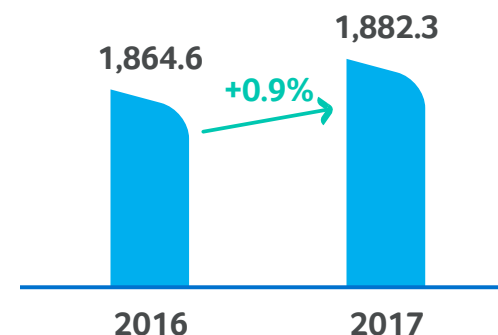
The financial result reached positive R\$ 81.0 million, compared to the negative R\$ 18.1 million recorded in 2016, reflecting the higher cash position and the resulting positive impact on interest income.

Net Income

Net income was R\$ 1,882.3 million in 2017, 0.9% higher than in the previous year, with a margin of 33.9%, a deterioration of 1.7 p.p. compared to 2016.

When excluding the amortization of intangible assets, non-recurring expenses and the gains from the FAIR, FAC/FAMAT divestment, already net of income tax and social contribution, the adjusted net income reached R\$ 2,240.3 million in 2017, indicating an annual increase of 11.6%, with a margin of 40.3%.

Net Income (R\$ million)



Investments

Total investments reached R\$ 506.5 million, equivalent to 9.1% of net revenue, an increase of 2.2 p.p. in an annual comparison, due to a greater need for resources related to the development of content, besides investments in expansions and improvements in our current units, necessary to guarantee the Company's sustainability and growth in the long term.

Also considering special projects, which include the acquisition (or sale) of property, the opening of new units (Greenfields) and the construction of buildings to support stronger growth rates, total investments amounted to R\$ 595.3 million, corresponding to 10.7% of net revenue, level slightly above the expectation of investment for the end of the year (8.9%), but consistent with the strategy of accelerating expansion projects.

Statement of Value Added

GRI G4-EC1

Consolidated DVA (R\$ thousands)		
	12/31/2017	12/31/2016
Revenue	5,025,459	5,828,374
Sales of Goods, Products and Services	5,557,748	5,244,718
Other Revenue	5,935	53,835
Gain on the sale of subsidiaries	44,956	877,380
Provision/Reversal for doubtful accounts	(583,180)	(347,559)
Inputs Purchased from Third Parties	(768,009)	(1,404,213)
Costs of products, goods and services	(14,843)	(33,319)
Materials, electricity, third-party services and other	(743,893)	(845,207)
Write-off of goodwill	(9,273)	(525,687)
Gross Value Added	4,257,450	4,424,161
Depreciation, Amortization and Exhaustion	(416,714)	(401,606)
Net Value Added	3,840,736	4,022,555
Financial Revenues	321,026	302,537
Total Value Added to Distribute	4,161,762	4,325,092
Distribution of value added	4,161,762	4,325,092
Personnel	1,697,409	1,781,462
Direct Remuneration	1,189,793	1,276,833
Benefits	98,073	86,289
Social Charges	409,543	418,340
Taxes, fees and contributions	79,288	85,450
Federal	46,917	59,072
State	480	895
Municipal	31,891	25,483
Remuneration of third-party capital	502,749	593,545
Interest	94,938	188,385
Rentals	400,600	393,706
Copyright	7,211	11,454
Remuneration of own capital	1,882,316	1,864,635
Retained Earnings / Loss for the Period	1,882,316	1,864,635

Capital Markets

We are a publicly-traded company with 1.6 billion shares traded on B3's Novo Mercado and over-the-counter (OTCQX) in New York. At the end of 2017, the Company's market capitalization was R\$ 30.2 billion.

2017 share profiles:

- Ticker symbol in B3: KROT3.
- Over-the-counter Ticker symbol in New York: KROTY.
- 1,640,526,448 shares, of which 1,640,357,183 shares in free float and 169,265 shares held treasury at the end of 2017.
- Trading in 100% of B3 trading sessions.
- Average daily volume of R\$ 143.3 million.
- Component in the Ibovespa Index (Ibovespa), the Special Corporate Governance Stock Index (IGC), the Special Tag-Along Index (ITAG), the Consumption Sector Index (ICON) and the Morgan Stanley Capital International Index (MSCI Brazil), among others.

Awards

Our responsible management, academic quality and value creation for society are recognized by a series of awards throughout 2017:

Valuable Executive	Valor Econômico newspaper awarded CEO Rodrigo Galindo as the executive of the year in the Education Sector.
Valor Innovation Brasil	We won the first place in the services sector at the Valor Econômico newspaper awards that recognizes companies that continuously invest in innovation.
Valor 1000	We were elected the best performing company in the Education sector in the ranking of Valor Econômico newspaper.
Valor Large Groups	The Valor Econômico newspaper yearbook lists the 200 largest economic groups in activity in the country, according to consolidated gross revenue. We are ranked in number 100.
100 + innovative	The award highlights the companies that innovated the most by using technology applied to business. Kroton and executive Ailton Brandão were featured in the Education category.
Empresas Mais	The ranking points to the 1,500 largest companies in Brazil, classified according to size and financial performance. Kroton was the winner in the education sector.
Top Companies LinkedIn	We ranked 5th place in the "The Most Attractive Companies" award, created by LinkedIn to map the companies that have the greatest power of attraction in the network.
TOP Education Award	Awards from the Education and Higher Education magazines celebrate the most remembered brands by the public in the educational area. Unopar was the champion in the Distance Learning Institution for teachers and Pitágoras Network won the prize in the Private Network Teaching System category.
Global 100	Frederico Abreu was awarded the prize of best CFO in Brazil.
CFO Awards	We were recognized in the categories Best CFO of the Year - Brazil and Best Private Education Company of the Year - Global



GRI Content Index

GRI Indicator		Answer	Relation to the Sustainable Development Goals
Profile Indicators			
1. Strategy and Analysis			
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization	Page 06	
2. Organizational Profile			
G4-3	Name of Organization	Page 09	
G4-4	Main brands, products and/or services	Page 09	4 – Quality Education
G4-5	Location of headquarters	Our head office is located in the city of Belo Horizonte (MG) and the central administrative unit is located in the city of São Paulo (SP).	
G4-6	Number of countries in which the organization operates	We have no operations outside Brazil. However, one of the schools to which we sell our primary and secondary education learning system (Pitágoras) is located in Japan.	
G4-7	The nature of ownership and legal form	Page 09	
G4-8	Markets served	Page 09	
G4-9	Scale of the organization	Page 09	
G4-10	Profile of the workforce	Page 67	
G4-11	Percentage of total employees covered by collective bargaining agreements	100%	
G4-12	Description of the Company's supply chain	Kroton has a total of 6,784 suppliers, with whom R\$1.8 billion was spent in 2017. The main expenses were Rent (R\$391 million), Media and Advertising (R\$177 million) and Construction Works (R\$139 million).	
G4-13	Significant changes during the reporting period	On August 31, 2017, Kroton concluded the sale of all of the equity interests held by Kroton subsidiaries in the companies operating the following institutions: Faculdades Integradas de Rondonópolis, Instituto de Ensino Superior de Cuiabá and Faculty of Mato Grosso ("FAIR, FAC/ FAMAT")	
Commitments regarding external initiatives			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	There is no formal adherence to the precautionary approach, but we promote preventive management of socio-environmental risks, as presented in the Environmental Responsibility section, on page 61.	

GRI Indicator		Answer	Relation to the Sustainable Development Goals
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Page 48	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: Holds a position on the governance body; Participates in projects or committees; Provides substantive funding beyond routine membership dues	We seek to be part of the main voluntary initiatives recognized in Brazil and abroad to promote sustainability and, therefore, we participate in ABRAES (Brazilian Association for the Development of Higher Education), FUNADESP (National Foundation for the Development of Private Higher Education) and ANUP (National Association of Private Universities).	
3. Identified Material Aspects and Boundaries			
G4-17	List of entities included in the Company's financial statements	The full list is available in the financial statements, at: http://ri.kroton.com.br/ .	
G4-18	The process for defining the report content and the Aspect Boundaries	Page 04	
G4-19	List of all the material Aspects identified in the process for defining report content	Page 04	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	The Materiality Matrix of 2014 underwent a revalidation process in 2016, involving only the internal public. All themes were considered material for the entire Company.	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	There was no external consultation to identify materiality in the 2014 study, which was revalidated for this publication.	
G4-22	Report the effect of any restatements of information provided in previous reports	There were no restatements of information provided in previous reports.	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	There were no significant changes in the scope and limit of the aspects covered.	
4. Stakeholder Engagement			
G4-24	List of Stakeholder groups engaged by the organization	Page 04	
G4-25	Basis for identification and selection of Stakeholders with whom to engage	Page 04	
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement	Page 04	
G4-27	Key topics and concerns that have been raised through Stakeholder engagement and how the organization has responded to them	Page 04	
5. Report Profile			
G4-28	Reporting period	January 1st to December 31st 2017.	

GRI Indicator		Answer	Relation to the Sustainable Development Goals
G4-29	Date of most recent previous report	January 1st to December 31st 2016.	
G4-30	Reporting cycle	Annually.	
G4-31	Contact point for questions regarding the report or its contents	Page 04	
G4-32	Report the 'in accordance' option the organization has chosen (Core or Comprehensive), GRI index and use of external assurance	Core.	
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	There will be no external assurance for this report.	
6. Governance			
Governance structure and its composition			
G4-34	The governance structure of the organization, including committees	Page 71	
Role of the highest governance body in risk management			
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	Page 74	
Highest governance body's role in sustainability reporting			
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Presidency	
7. Ethics and Integrity			
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Pages 08 and 73	
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines (e.g. ombudsman)	Pages 35 and 73	16 – Peace and Justice Strong Institutions
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Page 35	16 – Peace and Justice Strong Institutions

GRI Indicator		Answer	Relation to the Sustainable Development Goals
Performance indicators			
Economic			
Aspect	Economic Performance		
EC1	Direct economic value generated and distributed	Page 77	8 – Decent Work and Economic Growth
EC4	Financial assistance received from government	ProUni establishes, through Law no. 11,096, dated January 13, 2005, the exemption of certain federal taxes to higher education institutions granting full and partial scholarships to low-income students enrolled in traditional and technological undergraduate courses. The Company's higher education entities are included in this program. The amount of unrecognized tax assets by virtue of ProUni in the period ended December 31, 2017, including PIS and COFINS, is R\$ 588,740.	16 – Peace and Justice and Strong Institutions
Aspect	Indirect Economic Impacts		
EC7	Development and impact of infrastructure investments and services provided	Page 55	3 – Good Health and Well-being / 4 – Quality Education / 5 – Gender Equality / 11 – Sustainable Cities and Communities
EC8	Significant indirect economic impacts, including the extent of impacts	Page 43	8 – Decent Work and Economic Growth
Environmental			
Aspect	Energy		
EN3	Consumption of energy within the organization	Page 62	7 – Affordable and Clean Energy / 13 – Climate Action
Aspect	Water		
EN8	Total water withdrawal by source	Page 63	6 – Clean Water and Sanitation
Social: Labor Practices and Decent Work			
Aspect	Employment		
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Page 67. The hire and turnover rates were calculated based on the sum of the rates for the 12 months of 2017.	
Aspect	Training and Education		
LA9	Average hours of training per year per employee by gender and by employee category	Page 64	

GRI Indicator		Answer	Relation to the Sustainable Development Goals
LA11	Percentage of employees receiving regular performance and career development reviews, separated by gender and employee category	Page 64	
Aspect	Diversity and Equal Opportunity		
LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Page 67	5 – Gender Equality
Social: Human Rights			
Aspect	Investment		
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	Page 36	
Social: Society			
Aspect	Local Communities		
SO1	Percentage of initiatives with programs implemented to engage the local community, assess local impacts and development	Page 55	3 – Good Health and Well-being / 4 – Quality Education / 5 – Gender Equality / 11- Sustainable Cities and Communities
Aspect	Anti-corruption		
SO4	Communication and training on anti-corruption policies and procedures	Page 73	16 – Peace and Justice Strong Institutions
Social: Product Responsibility			
Aspect	Product and Service Labeling		
PR4	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	In 2017, we had 10 new lawsuits opened because of inadequate communication of products and services. Taking into account the three lawsuits opened in 2016, we had 13 active lawsuits throughout the year. All were being analyzed until the completion of this report.	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Pages 35 and 40	4 – Quality Education

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