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Listed Company

CNPJ: 89.850.341/0001-60

NIRE: 23300021118-CE

Proposal by Management to the Extraordinary and Ordinary General Meeting

April 10, 2017

Grendene®

(A free translation of the original in Portuguese)

GRND3 NOVO MERCADO BOVESPA BRASIL

GRENDENE S.A. LISTED COMPANY

CNPJ/MF nº. 89.850.341/0001-60 - NIRE nº. 23300021118-CE

PROPOSAL BY MANAGEMENT

Grendene S.A (BM&FBOVESPA: **GRND3**) presents the Proposal by Management described below, based on the Convocation Notice for the Ordinary General Meeting of April 10, 2017, to be held at 9:00 a.m. and 10:00 a.m., at the Company's head office.

In accordance with **CVM instruction 481 of December 17, 2009,** we attach:

CONVOCATION

EXTRAORDINARY AND ORDINARY GENERAL MEETING OF STOCKHOLDERS

We invite the stockholders of this Company to meet in an Extraordinary and Ordinary General Meeting to be held on April 10, 2017 at 9:00 a.m. and 10:00 a.m., at its head office at Av. Pimentel Gomes 214, in the city of Sobral, State of Ceará, Brazil, for the purpose of deciding on the following Agenda:

I – IN EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS

a) To decide on the exemption from the requirement of legal publications in the third newspaper, proposed by the Board at the Board meeting held on October 20, 2016.

II – IN ORDINARY GENERAL MEETING OF STOCKHOLDERS

a) To receive the accounts of the managers, and to examine, discuss and vote on the accounting and/or financial statements of the business year ended December 31, 2016.

b) To decide on the allocation of the net profit for the business year 2016 and the ratification of any payments of dividends and interest on equity made in advance, and distribution of the balance of dividends, in accordance with the Proposal made by the Company's Management Bodies.

c) To set the global remuneration of the Management, in accordance with Clause 14 of the Bylaws.

The following documents are available to stockholders at the head office of Grendene S.A., and also on the Company's Investor Relations website (http://ri.grendene.com.br); and the websites of BM&FBovespa, (www.bmfbovespa.com.br), and the CVM (Brazilian Securities Commission – www.cvm.gov.br): (i) the Proposal by Management; (ii) the Report of Management; (iii) the Financial Statements; and (iv) the Opinion of the External Auditors; and (v) the other information as required by CVM Instructions 480/09 and 481/09, as amended. Of these, items (i), (ii) and (iii) were published on February 23, 2017 in the newspaper *O Povo* and in the *Official Gazette* of the State of Ceará (*Diário Oficial do Estado do Ceará*).

General Information: To take part in and vote at the General Meeting of Stockholders, stockholders must prove their status as such, presenting, at least **2 (two) days** prior to the date of the meeting, an identity document, and a proof issued by the depositary institution, in original or copy sent by fax, to telephone number +55 XX-54-2109-9991, and/or a digital copy sent by email to dri@grendene.com.br. Stockholders represented by persons holding powers of attorney must exhibit those powers of attorney by the same deadline and by the same means referred to above. The originals of the above-mentioned documents, or their copies, authentication and recognition of signature not being required, should be shown to the Company at the moment of opening of the proceedings of the General Meeting (Clause 10 of the By-laws).

In compliance with CVM Instruction 481/09, Article 5, Paragraph 2, stockholders attending the meeting in possession of the required documents may participate and vote in it, even if they have not deposited them previously.

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Appendix I

10 Comments by the Chief Officers

10.1 – General conditions of finances, assets and liabilities

a. General financial and equity conditions

In management's opinion the company is in a solid economic and financial situation.

Financial situation: The balances held in cash, cash equivalents and/or financial investments provide tranquility that the Company is in full condition to honor all of its short-term and long-term financial commitments.

Economic aspect: The Company has shown capacity to earn profit even in adverse scenarios, remunerating invested capital in a manner that we consider to be adequate and distributing dividends that exceed the obligatory dividends, in the last 10 years.

This table below shows the general equity and financial conditions of Grendene for the years 2013, 2014, and 2015. These figures are complemented by items 10.1.b, 10.1.c, 10.1.d, 10.1.e, 10.1.f, 10.1.g, 10.1.h and 10.2 of this proposal.

Year (R$ '000)	Initial Stockholders[1] equity	Net profit	Dividends	Reinvestiment	Return on Stockholders' equity	Final Stockholders[1] equity
2014	1,957,295	490,244	220,815	269,430	25.0%	2,232,649
2015	2,232,649	551,223	275,925	275,298	24.7%	2,520,866
2016	2,520,866	634,492	351,383	283,109	25.2%	2,792,976

1) Stockholders' equity adjusted by exclusion of the balance of dividends payable.

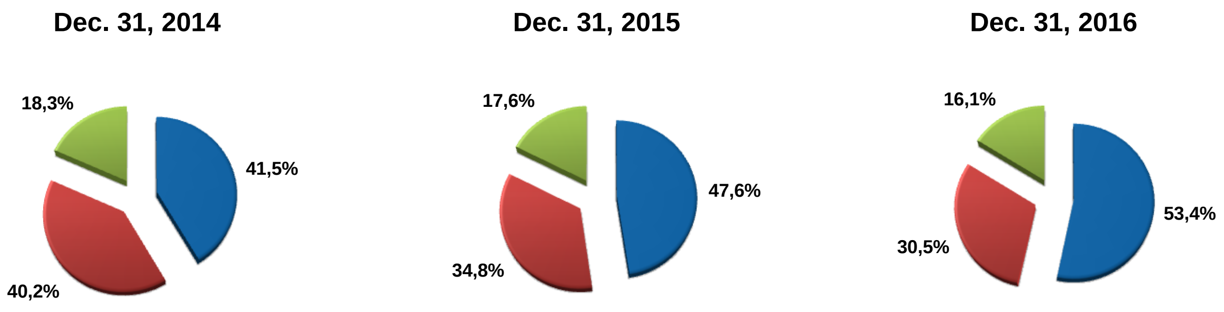
Liquidity	2014	2015	2016
General liquidity ratio	6.3	6.0	8.4
Current liquidity ratio	6.8	5.4	9.1
Quick ratio	6.0	4.6	8.1

Profitability	2014*	2015*	2016
Net margin	22.1%	27.4%	31.0%
Gross margin	45.9%	48.4%	48.7%
EBIT margin	17.9%	20.7%	19.5%

** Figures adjusted to exclude non-recurring effect in A3NP.*

R$'000	2014	2015	2016
Borrowings (short-term and long-term)	171,357	212,825	125,372
Cash and cash equivalents and financial investments (short-term and long-term)	995,978	1,281,880	1,589,378

Assets

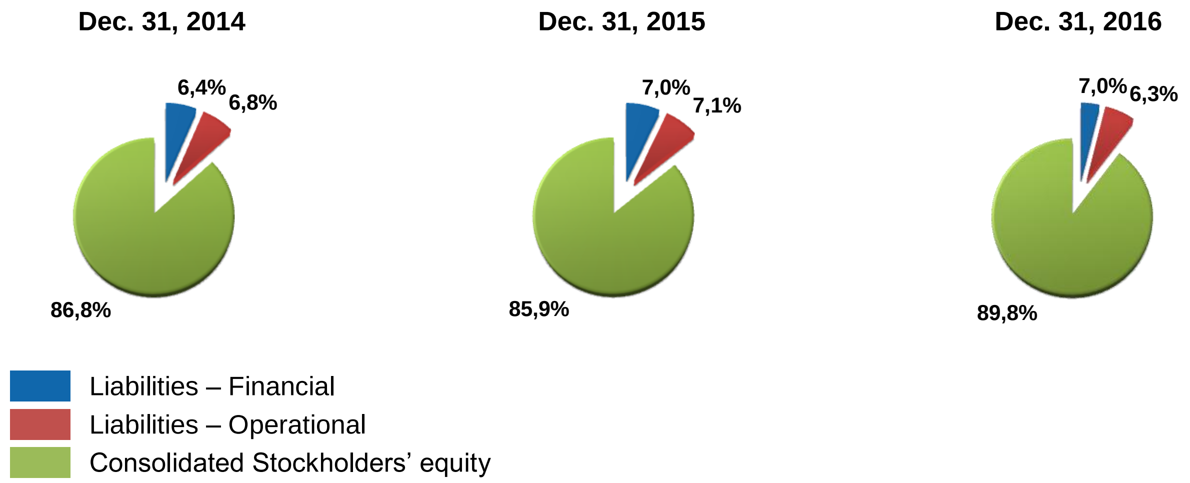


Cash and cash equivalents and financial investments (short-term and long-term)
Working capital (excluding Cash and cash equivalents and financial investments (ST and LT)
Non-current assets

b. Capital structure and possibility of redemption of shares or share units, indicating:

Grendene's capital structure does not depend on outside financing for conduct of the business. It finances its own capital expenditure and working capital from its own funds.

Liabilities: Current and non-current



All Grendene's shares are common shares. They are nominal, book-entry shares without par value and with no expected redemption.

i. Situations of redemption

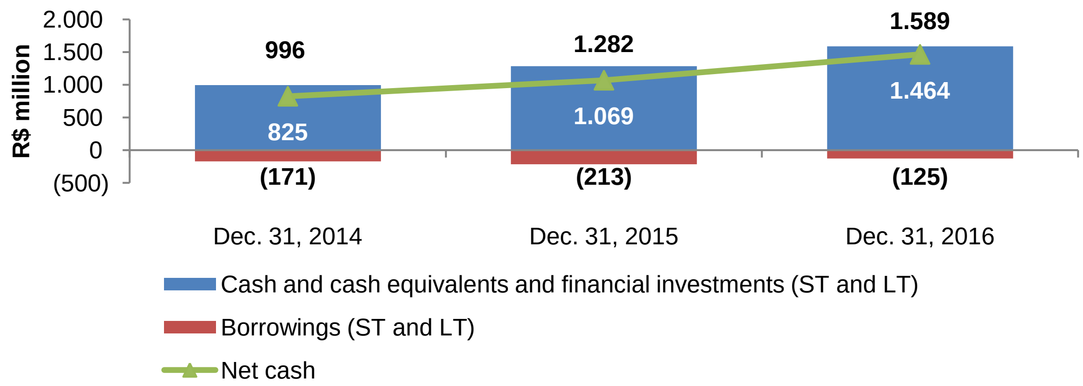
Not applicable, because Grendene does not have any redeemable shares issued.

ii. Formula for calculation of the redemption value

Not applicable, because Grendene does not have any redeemable shares issued.

c. Payment capacity in relation to financial commitments assumed

Grendene has a comfortable and solid financial situation, and thus has full conditions to honor all its commitments.



10.1 – General conditions of finances, assets and liabilities

R$'000	2014	2015	2016
Current assets	1,906,527	1,908,661	2,492,979
Non-current assets	775,486	1,136,981	760,841
Current liabilities	282,003	354,500	275,383
Non-current liabilities	72,076	74,382	56,367
Consolidated Stockholders' equity	2,327,934	2,616,760	2,922,070

As can be seen from its balance sheet, and shown in the above table, Grendene's cash position (cash, cash equivalents and financial investments) is greater than the total of its short- and long-term liabilities.

d. Sources of financing used for working capital and investment in non-current assets

Grendene has a significant net cash position (balance of cash, cash equivalents and financial investments less short and long-term loans) and **has the capacity to finance its present operations and investments with its own funds.** However, the Company may have recourse to financing sources whenever the costs of those funds are sufficiently low in the management's opinion, to generate value for its stockholders.

e. Sources of financing for working capital and for investments in non-current assets that the company intends to use to cover deficiencies in liquidity

Grendene does not have deficiencies in liquidity, has not had such deficiencies in the past and does not expect that this situation could occur. Its working capital investments are financed with its own funds.

f. Level of indebtedness, and characteristics of such debt

i. Contracts for significant borrowings

Borrowings are stated at contractual amounts, plus agreed-upon charges including interest and monetary restatement or foreign exchange variations. After initial recognition they are measured at amortized cost, using the effective interest rate method.

The table below presents the composition of our bank debt (fixed assets plus working capital) on December 31, 2014, 2015 and 2016.

Consolidated	Index	Interest rate (p.a.)	2014	2015	2016
In local currency					
Property, plant and equipment	Fixed	4.50%, 4.31% and 4.31%	50,481	61,651	53,039
Proapi – Provin	TJLP	-	25,076	24,594	14,249
			75,557	**86,245**	**67,288**
In foreign currency					
Working capital	Argentinean pesos	26.33%, 26.88% and 27.75%	45,447	35,414	7,814
Working capital	Euro +	2,00%	3,227	-	-
Working capital – ACE	US Dollar +	0.99%, 2.24% and 3.87%	47,126	91,166	50,270
			95,800	**126,580**	**58,084**
Total borrowings			**171,357**	**212,825**	**125,372**
(-) Total current liabities			(99,567)	(141,652)	(70,734)
Total non-current liabilities			71,790	71,173	54,638

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10.1 – General conditions of finances, assets and liabilities

This table shows the timetable of maturities of long-term loans and financings on December 31, 2016:

	Portions of long-term indebtedness				
Maturities	**2018**	**2019**	**2020**	**2021**	**Total**
Bank financing	10,808	10,708	10,341	10,341	**42,198**
Proapi	-	-	-	6,935	**6,935**
Provin	1,819	1,568	1,094	1,024	**5,505**
Total	**12,627**	**12,276**	**11,435**	**18,300**	**54,638**

Financing – Fixed assets

In 2014 the Company contracted a financing with Banco do Nordeste do Brasil S.A. through FNE – The Constitutional Fund of the Northeast, for acquisition of goods and services for construction of industrial plant. The disbursement of funds occurred in installments by the bank during the year 2014 and 2015 (Balance R$51.7 million in 2016, R$59.9 million in 2015 and R$ 48.2 million in 2014). Final maturity of the transaction is December 26, 2021.

The other financings for fixed assets were contracted for acquisition of industrial equipment (R$1.3 million in 2016, R$1.8 million in 2015 and R$ 2.3 million in 2014).

Financing – Working capital – Argentinean pesos

Our subsidiary Grendene Argentina S.A. has contracted loans in Argentinean pesos, for its working capital.

Financing – Working capital – ACE

The Company has contracted loans for its export operations in the ACE modality (Advances on Delivered Shipping Documents). These transactions consist of an advance of the corresponding amount in Reais of shipped exports.

Financing – Proapi e Provin

The Company enjoys tax incentive benefits in relation to its activities located in the State of Ceará, through obtaining of financing from the FDI - Industrial Development Fund of Ceará, through a financial agent as intermediary, established by that fund. These financings are based on the ICMS tax payable (Provin) and products exported (Proapi), measured monthly. The financings are to be settled within 36 to 60 months after their disbursement.

It is the Company's Management's understanding that recording of the benefit of the reduction of amounts payable takes place at the moment of obtaining of the financings, so as to be able to reflect most appropriately the accrual method of reporting, since the costs of the ICMS tax and of the exports, relating to the transactions that enjoy the incentives, are also registered at the same time as the benefits.

At December 31, 2016, portions of this financing that are not subject to tax incentives amounting to R$14,249 (R$24,594 in 2015 and R$25,076 in 2014) are recorded as current and non-current liabilities.

Under the Proapi program, financings are given in the amount of 11% of the FOB value exported, payable in 60 months, attracting interest at the TJLP (long-term interest rate). At maturity the Company pays 10% of the amount of the debtor balance of the financing, and the remaining 90% is exempted from payment, representing a net incentive of 9.9% of the FOB value exported.

Guarantees

The guarantees linked to the loans and financings are: a) chattel mortgage on machines and equipment acquired; b) land sites and buildings; and c) surety guarantee given by the managers of the Company. The existing guarantees are for the amounts financed.

ii. Other long-term relationships with financial institutions

The Company does not have long-term relationships with financial institutions other than the obligations related to the transactions reported above.

iii. Degree of subordination betweem the debts

There is no degree of subordination between the debts.

iv. Any restrictions imposed on the issuer, especially in relation to limits of indebtedness and contracting of new debt, distribution of dividends, disposal of assets, issuance of new securities and/or disposal of stockholding control

There are no restrictions imposed on the Company in relation to the limits of indebtedness and contracting of new debts, distribution of dividends, disposal of assets, issuance of new securities or disposal of stockholding control.

g. Limits of use of the financings already contracted

There are no financings that have been contracted and not been used.

h. Significant alterations in each item of the financial statements

The Consolidated financial statements for the business years ended December 31, 2014, 2015 and 2016 of the Company were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (*Comissão de Valores Mobiliários,* or CVM).

There are no significant alterations in the Company's consolidated financial statements, in the opinion of management, for the years 2014, 2015 and 2016.

Description of the principal accounts of the consolidated Balance Sheet

Remarks on the main accounts of Assets

Cash, cash equivalents and cash investments

Short and long-term cash, cash equivalents and cash investments totaled R$996.0 million on December 31, 2014, R$1,281.9 million on December 31, 2015, and R$1,589.4 million on December 31, 2016. Cash and banks are represented by non-interest-bearing bank deposits. Financial investments classified as cash equivalents refer to short-term investments redeemable no later than three months from the acquisition date.

Financial investments comprise: Bank Certificates of Deposit (CDBs), Debentures, Real-denominated Bank Debt Notes (LFINs) and Government Debt Securities (NTNs), and are classified as "Securities at fair value through profit or loss", and "Held-to-maturity investments", according to the Company's investment strategy.

This table shows the Company's cash situation on the following dates:

R$'000	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
Net cash from operations (a)	484,959	442,718	566,471
Net cash from investment activities (b)	(297,554)	(198,585)	(174,737)
Net cash generated (invested) in redemption (making) of financial investments	*(178,464)*	*(125,360)*	*(103,269)*
Funds allocated to Investments in fixed assets	*(119,090)*	*(73,225)*	*(71,468)*
Net cash used in financing activities (c)	(200,441)	(249,172)	(392,356)
Reduction / increase in cash and cash equivalents (a + b + c)	**(13,036)**	**(5,039)**	**(622)**

On December 31, 2016, Cash and cash equivalents and cash investments (short and long-term) were 48.8% of Total assets (compared to 42.1% at the end of 2015 and 37.1% at the end of 2014).

Accounts receivable from customers and Inventories

The lines Accounts receivable from clients and Inventories totaled in aggregate R$1,121.4 million on December 31, 2014, R$1,116.5 million on December 31, 2015 and R$1,021.6 million on December 31, 2016.

On December 31, 2014, 2015 and 2016 the average periods for receivables in the domestic market were – respectively – 97, 96 and 92 days, and in the export market 85, 84 and 84 days, respectively.

Stockholders' equity

Stockholders' equity totaled R$ 2.922,1 million on December 31, 2016, R$2,616.8 million on December 31, 2015 and R$2,327.9 million on December 31, 2014.

R$'000	Change in Stockholders' Equity
Balances at December 31, 2013	**2,067,960**
Net profit for the year	485,259
Exchange differences on subsidiaries outside Brazil	1,974
Increase in interests of non-controlling stockholders	10,469
Acquisition of treasury shares	(9,471)
Gains from sale of treasury shares	384
Sale of treasury shares for exercise of stock purchase option	4,115
Expenses on stock options purchase and subscription plan	3,266
Dividends distributed	(236,022)
Balances at December 31, 2014	**2,327,934**
Net profit for the year	539,311
Exchange differences on subsidiaries outside Brazil	16,479
Acquisition of treasury shares	(3,034)
Sale of treasury shares for exercise of stock purchase option	8,016
Expenses on stock options purchase and subscription plan	3,543
Dividends distributed	(260,489)
Interest on Equity (counted as parto f total dividends)	(15,000)
Balance at December 31, 2015	**2,616,760**
Net profit for the year	633,955
Exchange differences on subsidiaries outside Brazil	(11,016)
Losses in interests of non-controlling stockholders	(125)
Acquisition of treasury shares	(11,020)
Sale of treasury shares for exercise of stock purchase option	6,416
Expenses on stock options purchase and subscription plan	5,283
Dividends distributed	(183,683)
Interest on Equity distributed	(115,000)
Interest on Equity (counted as parto f total dividends)	(19,500)
Balance at December 31, 2016	**2,922,070**

10.1 – General conditions of finances, assets and liabilities

Working capital

The table below shows working capital:

R$'000	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
Working capital (Current assets – Current liabilities)	1,624,524	1,554,161	2.217.596
Working capital / Total capital	60.6%	51.0%	68,2%
Working capital / Net sales revenue	72.7%	70.6%	108,4%

Description of the principal accounts of the consolidated income Profit and loss account

See item 10.2, Sub-clause 'a'.

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10.2 – Comments by Chief Officers

a. Results of operations of the issuer, especially:

i. Description of any important components of revenue

Gross Sales revenue

The 5.7% reduction in gross revenue from 2015 to 2016 brings the CAGR down to 5.8% p.a. in 2008–16 – from 7.6% in 2008–15. This is below the lower limit of our guidance forecast rate of between 8% and 12%.

R$ mn	2014	2015	2016	Change 16/15
Consolidated gross revenue	**2,720.3**	**2,631.8**	**2,483.0**	**(5.7%)**
Domestic market	2,077.7	1,899.8	1,870.3	(1.6%)
Exports	642.6	732.0	612.7	(16.3%)
Exports, US$	*272.6*	*219.3*	*175.5*	*(20.0%)*

Million of pairs	2014	2015	2016	Change 16/15
Volumes	**204.9**	**180.4**	**163.6**	**(9.3%)**
Domestic market	152.7	134.5	123.6	(8.1%)
Exports	52.2	45.9	40.0	(13.0%)

R$	2014	2015	2016	Change 16/15
Average price	**13.27**	**14.58**	**15.18**	**4.1%**
Domestic market	13.60	14.12	15.13	7.2%
Exports	12.29	15.91	15.33	(3.6%)
Exports, US$	*5.22*	*4.78*	*4.39*	*(8.2%)*

Net sales revenue

R$ million	2014	2015	2016	Change 16/15
Gross Sales revenue	**2,720.3**	**2,631.8**	**2,483.0**	**(5.7%)**
Domestic market	2,077.7	1,899.8	1,870.3	(1.6%)
Exports	642.6	732.0	612.7	(16.3%)
Sales deductions	**(487.0)**	**(429.0)**	**(437.9)**	**2.1%**
Returns and taxes on Sales	(383.0)	(336.4)	(346.7)	3.1%
Discounts granted to customers	(104.0)	(92.6)	(91.2)	(1.6%)
Net Sales revenue	**2,233.3**	**2,202.8**	**2,045.1**	**(7.2%)**

Cost of goods sold (COGS)

In the last years, with all the FX volatility, increases in the minimum wage, and inflationary pressures, in Brazil our unit cost grew at the rate of 4.3% p.a. (CAGR 2016/14), much lower than the inflation rates in the period. An element of this was the benefit of the 'de-burdening of payroll' put in place by the federal government starting in 2011, partially reversed in December 2015. Over this period, total COGS down 6.8% p.a. and net revenue 4.3% p.a. (CAGR 2016/14).

Cost discipline has played a fundamental role in our results.

R$ million	2014	2015	2016	Change 16/15
Cost of goods sold	1,207.4	1,134.9	1,048.6	(7.6%)
R$ per pair	**2014**	**2015**	**2016**	**Change16/15**
Cost of goods sold per pair	5.89	6.29	6.41	1.9%

Gross profit

In our opinion, the major highlight of Grendene in recent years has been its industrial performance. In spite of the pressures of adverse macroeconomic situations, inflation, wage policy, higher taxes and the exchange rate, we have successively increased our gross margins and ensured good results.

R$ million	2014	2015	2016	Change 16/15
Gross profit	1,025.9	1,067.9	996.5	(6.7%)
Gross margin	45.9%	48.5%	48.7%	0.2 p.p.

Excluding the non-recurring effect – R$ million	2014	2015	2016	Change 16/15
Adjusted gross profit	1,025.6	1,066.0	996.5	(6.5%)
Adjusted gross margin	45.9%	48.4%	48.7%	0.3 p.p.

Operational expenses (SG&A)

Selling expenses

Grendene's selling expenses are predominantly variable: freight, licensings, commissions, advertising and marketing, and over the period remained at approximately 24% of net revenue.

R$ million	2014	2015	2016	Change 16/15
Selling expenses	543.7	523.7	490.6	(6.3%)
% of net sales revenue	24.3%	23.8%	24.0%	0.2 p.p.

Advertising expenses

The expense on advertising was lower than in 2015, at 6.0% of net revenue – a lower percentage than we normally invest. On the other hand, we carried out other strategic brand positioning activities and projects which, although they are not classified in the accounting as advertising expenses, are considered in our internal analysis to be marketing efforts. These activities are, principally, events held in the *Melissa Galerias* in São Paulo, New York and London, and regional events which, in 2016, accounted for total expenditure of R$9.7 mn (R$6.7mn in 2015). This type of expenditure was made in previous years, but not in significant amounts.

If we add these expenses (all classified as selling expenses in 2015 and 2016) to advertising expenses, the percentage of net revenue increases from 6.8% to 7.1% and 6.0% to 6.5% respectively, which we believe better represents our brand building efforts.

R$ million	2014	2015	2016	Change 16/15
Advertising expenses (a)	169.2	148.9	122.8	(17.5%)
% of net sales revenue	7.6%	6.8%	6.0%	(0.8 p.p.)
Strategic brand projects (b)	-	6.7	9.7	44.3%
Total (a + b)	169.2	155.6	132.5	(14.8%)
% of net sales revenue	7.6%	7.1%	6.5%	(0.6 p.p)

General and administrative expenses (G&A)

General and administrative expenses were 4.1% lower in 2016 than 2015, and as a percentage of net revenue were 4.8% – higher than the ratio we had aimed for.

However, adjustment to exclude the effects of A3NP in consolidated results – equal to R$13.1mn in 2015 – gives adjusted 2015 G&A of R$ 88.6mn, or 4.0% of 2015 net revenue, i.e. in reality these expenses were 10.1% higher in 2016 than in 2015.

R$ million	2014	2015	2016	Change 16/15
G&A expenses	91.3	101.7	97.5	(4.1%)
% of net sales revenue	4.1%	4.6%	4.8%	0.2p.p.

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Net financial revenue (expenses)

Grendene has a solid cash position, and financial revenues are an important part of its net profit. The aim of its foreign exchange transactions is hedging, mainly of receivables from exports. In these transactions Grendene is vendor of dollars, and the aim is that their net result in the long term should be very close to zero. Thus the result of Financial revenue (expenses) is basically influenced by the interest rate (Selic), and the average level of cash held by the Company.

For 2016 Grendene reports Net financial revenues, of R$ 268.5 mn, which is 47.3% more than in 2015, as follows:

R$ million	2014	2015	2016	Change 16/15
Financial revenues	**220.4**	**421.3**	**396.7**	**(5.8%)**
Interest received from clientes	1.9	2.9	2.2	(24.2%)
Revenue from FX derivatives – BM&FBOVESPA	16.6	66.3	49.1	(26.0%)
Revenue from cash investments	100.1	168.2	207.7	23.5%
Gains on FX variation	41.9	118.8	69.7	(41.3%)
Adjustments to present value (AVP)	54.7	61.0	64.7	6.1%
Other financial revenues	5.3	4.1	3.3	(20.1%)
Financial expenses	**(84.9)**	**(239.0)**	**(128.2)**	**(46.4%)**
Operational expenses on FX derivatives – BM&FBOVESPA	(24.0)	(123.6)	(11.6)	(90.6%)
Cost of financings	(21.8)	(20.5)	(18.3)	(10.3%)
Expenses of FX variation	(33.5)	(80.3)	(82.4)	2.5%
Cofins and Pis taxes on Financial revenues	-	(5.0)	(11.0)	119.6%
Other financial expenses	(5.6)	(9.6)	(4.9)	(48.8%)
Net financial revenue (expenses)	**135.5**	**182.3**	**268.5**	**47.3%**

In the consolidated financial statements discounts given to clients are classified as deductions from sales.

Net profit

In the last years net profit grew by 13.8% p.a. (CAGR 2016/14) with increases in all the Company's margins: gross margin, operational margin and net margin.

Net margin in 2016 was 6.0 p.p. better than in 2015 (unadjusted), and 3.6 p.p. better than in 2015 (adjusted).

R$ mn	2014	2015	2016	Change 16/15
Net profit for the year, formal accounting	490.2	551.2	634.5	15.1%
Net margin	22.0%	25.0%	31.0%	6.0 p.p.

R$ mn	2014	2015	2016	Change 16/15
Adjusted Net profit for the year	493.7	603.0	634.5	5.2%
Adjusted Net margin	22.1%	27.4%	31.0%	3.6 p.p.

b. Changes in revenues attributable to changes in prices, exchange rates, inflation, changes in volumes and introduction of new products and services

Our operational revenues are affected by changes in volumes of pairs sold, average prices, and, for exports, the exchange rate. The impacts of these items are shown in these tables:

Gross revenue (R$'000)	2014	2015	Change 15/14		2016	Change 16/15	
	R$	R$	R$	%	R$	R$	%
Domestic Market (DM) R$	2,077,729	1,899,226	(178,503)	(8.6%)	1,870,373	(28,853)	(1.5%)
Exports (EXP) R$	641,706	730,761	89,055	13.9%	612,665	(118,096)	(16.2%)
Exports US$	*272,649*	*219,349*	*(53,300)*	*(19.5%)*	*175,498*	*(43,851)*	*(20.0%)*
Total	**2,719,435**	**2,629,987**	**(88,450)**	**(3.3%)**	**2,483,038**	**(146,949)**	**(5.6%)**

Sales volume (thousand of pairs)	2014	2015	Change 15/14		2016	Change 16/15	
			Pairs	%		Pairs	%
Domestic Market (DM)	152,751	134,474	(18,277)	(12.0%)	123,595	(10,879)	(8.1%)
Exports (EXP)	52,193	45,926	(6,267)	(12.0%)	39,962	(5,964)	(13.0%)
Total	**204,944**	**180,400**	**(24,544)**	**(12.0%)**	**163,557**	**(16,843)**	**(9.3%)**

Average price (in R$)	2014 R$	2015 R$	Change 15/14		2016 R$	Change 16/15	
			R$	%			
Domestic Market (DM) R$	13.60	14.12	0.52	3.8%	15.13	1.01	7.2%
Exports (EXP) R$	12.29	15.91	3.62	29.5%	15.33	(0.58)	(3.6%)
Exports US$	*5.22*	*4.78*	*(0.44)*	*(8.4%)*	*4.39*	*(0.39)*	*(8.2%)*
Total	**13.27**	**14.58**	**1.31**	**9.9%**	**15.18**	**0.60**	**4.1%**

Changes, in Reais, in total gross revenue from sales in the domestic and export markets, resulting from changes in volumes and average prices			
	2014 – 2015		**2015 – 2016**
DM volume – (18,277 x R$13.60)	(R$248,605)	DM volume – (10,879 x R$14.12)	(R$153,648)
EXP volume – (6,267 x R$12.29)	(R$77,052)	EXP volume – (5,964 x R$15.91)	(R$94,897)
Change in revenue at 2014 prices	**(R$325,657)**	**Change in revenue at 2015 prices**	**(R$248,545)**
Change aver. price – DM – (R$0.52 x 134,474)	R$70,102	Change aver. price – DM – (R$1.01 x 123,595)	R$124,795
Change aver. price – EXP – (R$3.62 x 45,926)	R$166,107	Change aver. price - EXP – (R$0.58 x 39,962)	(R$23,199)
Change in revenue at 2015 volumes	**R$236,209**	**Change in revenue at 2016 volumes**	**R$101,596**
Total	**(R$89,448)**	**Total**	**(R$146,949)**

Changes, in US$, in total gross revenue from sales in the domestic and export markets, resulting from changes in volumes and average prices			
	2014 – 2015		**2015 – 2016**
EXP volume – (6,267 x US$5.22)	(US$32.738)	EXP volume – (5,964 x US$4.78)	(US$28,485)
Change in revenue at 2014 prices	**(US$32.738)**	**Change in revenue at 2015 prices**	**(US$28,485)**
Change aver. price – EXP – (US$0.44 x 45,926)	(US$20.562)	Change aver. price – EXP – (US$0.39 x 39,962)	(US$15,366)
Change in revenue at 2015 volumes	**(US$20.562)**	**Change in revenue at 2015 volumes**	**(US$15,366)**
Total	**(US$53.300)**	**Total**	**(US$43,851)**

The business model adopted by Grendene covers operation in markets affected by fashion, where the company, as a competitive differential, regularly presents a large quantity of new models in each period. Each model offered by the company is part of a collection the average life of which is between approximately 90 and 180 days. Thus, in a typical year between 95% and 98% of revenue comes from new products. The products are essentially manufactured under request from customers.

c. Impact of inflation, of the variation in prices of principal inputs and products, of the exchange rate and of interest rates, on the issuer's operational result and financial result

Hence, each quarter, Grendene presents new collections, proposing to the market a new basis of prices (for each new collection). In this business model, any changes in costs are passed through to final prices whenever demand for these products, and consumers' purchasing power, so permits. This being so, inflation affects our result, because it affects the income that the consumer has available for consumption of our products. Our principal inputs are commodity products that are usually priced in dollars in the international market.

The exchange rate influences our costs because it affects the prices in Reais of these commodity products when their prices are translated into Reais. However this is not a linear relationship, since the price of commodity products in dollars fluctuates in accordance with supply and demand in the international market; and also when the Brazilian Real appreciates, the price of commodity products in Reais becomes cheaper – although in these cases there is usually also a change in the price of the commodity products in dollars compensating a part of this effect. At the same time, the exchange rate affects our exports, since the great majority of our costs are in Reais.

Interest rates do not affect the Company's operational result: they only affect the line Financial revenue (expenses). The Company keeps a significant balance in cash and cash equivalents and financial investments (short- and long term) – that on December 31, 2016 was R$1,589.4 million (R$1,281.9 million on December 31, 2015 and R$996.0 million in 2014). These funds, basically, are invested in the financial markets, yielding interest at rates close to the Selic rate. Any changes in interest rates in the market will affect the remuneration of these funds.

Indirectly raising the interest rate may affect the purchasing power of our customers.

The table below shows the changes for the items listed:

	2014	2015	Change 15/14	2016	Change 16/15
Average price per pair – DM – R$	R$13.60	R$14.12	3.8%	R$15.13	7.2%
Average price per pair – EXP – R$	R$12.29	R$15.91	29.5%	R$15.33	(3.6%)
Average price per pair – EXP – US$	US$5.22	US$4.78	(8.4%)	US$4.39	(8.2%)
Overall average price – R$	R$13.27	R$14.58	9.9%	R$15.18	4.1%
COGS per pair – R$	R$5.89	R$6.29	6.8%	R$6.41	1.9%
FX rate – R$ / US$, end of period	R$2.6562	R$3.9048	47.0%	R$3.2591	(16.5%)
FX rate – R$ / US$, average of period	R$2.3536	R$3.3315	41.5%	R$3.4901	4.8%
IGP-M inflation index			10.5443%		7.1907%
IPCA inflation index			10.6735%		6.2881%

10.3 – Events with material effects on the financial statements – past, or expected

a. Introduction or disposal of an operational segment

In 2014, 2015 and 2016 there was no introduction or disposal of any operational segment in our activities that caused, or is expected to cause in the future, any significant effect on the Company's financial statements or results.

b. Constitution, acquisition or disposal of a stockholding interest

In 2014 and 2015 we did not constitute, acquire or dispose of any materially significant stockholding interest that has caused a material effect on the Company's financial statements or results.

In 2016 Grendene acquired the shares in the subsidiary A3NP Indústria e Comércio de Móveis S.A. from its other partners, by immaterial value, thus becoming holder of 100% of the share capital of that company.

c. Non-usual events or operations

In 2014 and 2016, there were no non-usual events or operations in relation to the Company and/or its activities.

We provisioned as a loss the total of our investments in that company, resulting in an accounting effect of R $ 52 million in 2015 business year, since we cannot guarantee that there will be investors interested in our equity holding in that company. This loss has no effect on cash in the year, nor in the future, and is non-recurring.

(A free translation of the original in Portuguese)

10.4 – Significant changes in accounting practices – Qualifications or emphases in Auditor’s Opinion

a. Significant changes in accounting practices

Accounting policies and measurement methods adopted in the preparation of the parent company and consolidated financial statements have not changed in relation to the financial statements at December 31, 2015.

The parent company financial statements of the Company has been prepared in accordance with accounting policies adopted in Brazil and rules of the Brazilian Securities Commission (Comissão de Valores Mobiliários – CVM), obeying the accounting rules stated in the Brazilian Corporate Law legislation (Law 6404 of 1976) and also International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and reflect all the material information contained in the financial statements, and only that information, which is consistent with the information used by management in its conduct of the business .

The Company has adopted all standards, revisions of standards and interpretations issued by IASB and that are effective for the financial statements at December 31, 2016.

There are no non-current assets held for sale or discontinued operations at December 31, 2016 and 2015.

Standards and interpretations of standards not yet in effect

The standard that will be in effect for the year beginning January 1, 2018 is the following:

IFRS 9 – *Financial Instruments* – IFRS 9 Financial Instruments completes the project to replace "IAS 39 Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new approach is based on the manner in which an entity manages its financial instruments (its business model) and the contractual cash flow characteristic of financial assets. The standard also requires the adoption of only one method for determining losses on impairment of assets. The Company is evaluating this new rule, but it does not expect any impact from this rule on its financial statements.

IFRS 15 - *Revenues under contracts with clients* – IFRS 15 will replace practically all the rules for recognition of revenues. This single model aims to achieve greater consistency and comparability of practices for recognition of revenues between sectors; it introduces new estimates and judgements, and new requirements for disclosure. The Company is assessing the effects of adoption of this rule in its financial statements.

There are no other standards and interpretations issued but not yet adopted that may, in the opinion of management, have a significant impact on the Company's disclosed net income or equity.

b. Significant effects of the changes in accounting practices

In the opinion of Management, there are no other rules or interpretations issued and not yet adopted that might have a significant impact on the Company’s published net profit or equity position.

c. Qualifications or emphases in the Auditor’s Opinion

There are no qualifications in the Auditor’s Opinion.

10.5 – Critical accounting policies

The main assumptions related to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the end of the reporting period, involving a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are presented below.

Impairment of non-financial assets: An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on available information on sales of similar assets or market prices, reduced of costs incurred to carry out the sale. The value-in-use calculation is based on the discounted cash flow model. Cash flows derive from estimates of results for the following five years and do not include restructuring activities to which the Company is not yet committed or significant future investments that will improve the asset base of the cash generating unit subject to test. The recoverable amount is influenced by the discount rate used under the discounted cash flow method, as well as by the expected future cash receipts and the growth rate used for extrapolation purposes.

Taxes: Tax regulations in Brazil are complex, which raises uncertainties as to their interpretation and to the amount and timing of future taxable profits. Accordingly, any differences between actual results and assumptions adopted, or future changes in these assumptions, could require future adjustments to the tax credits and expenses already recognized. The Company did not recognize a provision in this respect based on several factors, such as experience of past tax audits, diverging interpretations of tax regulations, and systematic assessments carried out jointly by the Company's management and its tax advisors.

Fair value of financial instruments: When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method. The data for these methods is based on those practiced in the market, whenever possible. However, when this is not possible, a certain level of judgment is required to establish the fair value. Judgment includes considerations on data utilized, such as liquidity risk, credit risk and volatility. Changes in assumptions concerning these factors could affect the reported fair value of the financial instruments.

Provisions for labor, tax and civil risks: The assessment of the likelihood of loss includes the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation periods, conclusions arising from tax audits or additional exposures identified based on new issues or court decisions.

Other significant items subject to estimates include: the selection of useful lives of property, plant and equipment and intangible assets; estimated losses on doubtful receivables; punctuality discounts estimated; estimated losses for obsolete inventory; deferred income tax and social contribution tax; rates and periods used to determine the present value adjustment of certain assets and liabilities; fair value of share-based payment; and financial instrument sensitivity analyses.

In general, the losses in these items have been insignificant in relation to the Company’s scale. The property, plant and equipment assets with useful life that can vary have small individual value and even jointly do not represent a significant portion of the total assets held by the Company. Credits receivable from clients represent a significant value as a whole, but sales are extremely widely spread between a large number of clients, and no individual client represents a very great risk: Historically, the provisions for losses have been sufficient.

10.6 – Material items not evidenced in the financial statements

a. Assets and liabilities held by the Issuer, directly or indirectly, that do not appear in its balance sheet (off-balance sheet items), such as:

i) Operational leasing transactions, as lessor or lessee

Not applicable

ii) Portfolios of receivables written off on which the entity maintains risks and responsibilities, including respective liabilities

Not applicable

iii) Contracts for future purchase and sale of products or services

Not applicable

iv) Construction contracts that have not been terminated

Not applicable

v) Contracts for future receipts of financings

Not applicable

b. Other items not evidenced in the financial statements

The Company does not maintain any operations, transactions, contracts, obligations or other types of commitments with subsidiaries that are not consolidated or other transactions capable of generating a significant effect, in the present or the future, on its financial situation, and/or changes in its financial situation, revenues or expenses, operational results, liquidity, capital expenditure or capital resources that are not recorded in its Statement of financial position (Balance sheet).

10.7 - Comments on the items not evidenced in the financial statements

There are no other material items that are not evidenced in our financial statements.

a. How such items changed or could change the revenue, expenses, operational result, financial expenses or other items of the financial statements of the Issuer

Not applicable

b. The nature and purpose of the transaction

Not applicable

c. The nature and amount of the obligations assumed and of the rights generated in favor of the Issuer as a result of the transaction

Not applicable

10.8 - Business plan

a. Capital expenditure, including:

i) Quantitative and qualitative description of the investments in progress, and of the investments foreseen

In 2014 investments were in maintenance of industrial buildings and facilities, replacement of fixed assets, acquisition of new equipment for modernization of the industrial plant and better efficiency of production, and a complement of the investment in A3NP Indústria e Comércio de Móveis S.A.

On December 31, 2015 and 2016 the largest investments were in maintenance of industrial buildings, replacement of fixed assets, and acquisition of new equipment for modernization of the manufacturing plant and better efficiency of production.

This table shows the investments in the respective years:

R$ '000	2014	2015	2016	Change, %, 2015 to 2016
Investments	119.1	73.2	71.5	(2.4%)

In 2017 our forecast is investment of R$ 100 and R$ 110 million in maintenance of our production capacity.

The quantitative and qualitative descriptions of the investments in progress and of the investments planned are given in items 10.8.b and 10.8.c.

ii) Sources of financing of the investments

The Company is in a position to finance all the investments with its own funds.

iii) Significant disinvestments in progress, and disinvestments planned

At the end of 3Q15 we reaffirmed that the results of A3NP, an investment made by Grendene in a company in the furniture sector, were not satisfactory. We found that due to the substantial change in the economic scenario between the initial plan in 2012, and 2015, the speed of growth of this business would be much lower, with substantial additional needs for capital to make it viable. Thus new inputs of capital would be necessary to make the business plan viable, taking into account the substantial changes in the economic scenario and the development of the Company to a level of activity compatible with the interest of Grendene. However, there was not an agreement between the partners of A3NP for capitalization, and Grendene's management decided to invest in the business only the small amounts that would be necessary to make sale of its equity interest possible, or some other alternative for termination of the activities.

b. Provided they have been published, indicate the acquisition of plants, equipment, patents or other assets that are expected to materially influence the issuer's productive capacity

We do not have any plans for acquisition of industrial plant, equipment, patents or other assets that are likely materially to influence our productive capacity.

c. New products and services, indicating:

Grendene operates in the sector of footwear, with strong components of fashion, and its business model is similar to that which is known in the market as 'fast fashion', which consists of launch of many products in a year, comprising various collections. Thus, Grendene's portfolio of products is entirely renewed with each successive period of 90 to 180 days.

To guarantee the success and acceptance of these collections Grendene continually accompanies the market, keeping close communication with the points of sale, and carries out market research with the target consumers on its proposals for launches. Participation in many Brazilian and international fairs, where the reactions of purchasers in relation to the products can be observed and tested, is also a part of this effort.

i) Description of research in progress already published

Grendene does not disclose work in progress, due to the characteristics of its business, but shows the result in the form of products in its launches, which usually take place during participations in fairs and events.

10.8 - Business plan

ii) Total amounts spent by the issuer in research for development of new products or services

R$ mn	2014	2015	2016	Change, 2015 to 2016
Investment in research & development of new products	45.4	49.5	52.1	5.4%

iii) Projects in development already disclosed

See items 10.8.b and 10.8.c.

iv) Total amounts spent by the issuer in development of new products or services

We do not distinguish these expenses from those presented in item 10.8.c.ii.

10.9 – Other factors with material influence

The expenses on advertising are described in item 10.2.a.i. The company has a policy of investing between 8% and 10% of annual net revenue in advertising and marketing.

There are no other factors that significantly influenced the operational performance and which have not been identified or commented on in the other items of this section.

(A free translation of the original in Portuguese)

11.1 – Guidance forecasts and assumptions

Although the increase in gross revenue from 2008 to 2016 was lower than our long-term (8-year) guidance, net profit was higher than the lower limit of our guidance.

Performance: CAGR (compound average growth rate), 2008 – 2016

R$ mn	2008	2009	2010	2011	2012	2013	2014*	2015*	2016	CAGR
Gross revenue	1,576.0	1,819.4	1,998.6	1,831.6	2,324.5	2,711.4	2,719.4	2,630.0	2,483.0	5.8%
Y-o-Y change		15.4%	9.9%	(8.4%)	26.9%	16.6%	0.3%	(3.3%)	(5.6%)	
Net profit	239.4	272.2	312.4	305.4	429.0	433.5	493.7	603.0	634.5	13.0%
Y-o-Y change		13.7%	14.8%	(2.2%)	40.5%	1.1%	13.9%	22.1%	5.2%	

***** *Figures adjusted to exclude non-recurring effect in A3NP.*

R$ mn	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR
Advertising exp.	107.6	116.1	127.1	138.7	147.0	163.7	169.2	148.9	122.8	1.7%
% of Net revenue	8.6%	8.0%	7.9%	9.4%	7.8%	7.5%	7.6%	6.8%	6.0%	

With these results, and for the reasons that we set out below, we maintain our projected targets for the long term, as previously published, for 2008–2018, and we now repeat them here:

Targets for the period 2008 – 2018 are maintained:

- Compound average growth rate (CAGR) of gross revenue between 8% and 12%.
- CAGR of net profit between 12 % and 15%.
- Objective of maintaining advertising expenses at an average of 8% to 10% of net revenue over this period.

Reasons for maintaining the targets announced – and why the risk of not achieving them has increased:

From February 2016, when we published 2015 results and reaffirmed our long-term guidance, to the present moment, there have been no significant macro changes that were different from our expectations. On the other hand, we have been successful in maintaining the growth of our results in spite of all the risks that we warned of, and the real difficulties that we faced.

There has been progress on political issues; and as expected – and necessary – economic policy was contractionary, with high interest rates and a strong fiscal adjustment. The consequences have been: high unemployment, fall in personal income, and low growth. The positive side was inversion of expectations for inflation, which now point to a figure close to the center of the Central Bank's target range for the end of 2017, and a balance in the external accounts. With this achieved, there was a start to reduction of interest rates, bringing relief to companies and indebted individuals.

With these major issues resolved, we can begin to have expectations of a resumption of growth, more probably in the second half of 2017, even if only modest. Clearly, we are talking about conjectures; these macroeconomic variables are difficult to predict precisely; and as a result any expectations for the future have higher risks at this moment than when the economy is following a normal course.

However, we can be sure that when the recovery comes – and we are sure it will come – Grendene will be prepared with its financial and operational capacities intact, in spite of the recent period of greater stress.

We continue to position ourselves in accordance with the economic environment; but we know that it is difficult to establish an expectation for the bottom line for 2017. In this past year we have faced this same difficulty, and come out of it well. We will continue to pursue our objectives of increasing margins, and improving profit, each year.

Gaining market share continues to be a challenge, and the results of exports will depend on how the exchange rate develops, and conditions in the international market – which unfortunately have been deteriorating.

The central tenet of our policy will continue to be to preserve margins, and whenever possible obtain results that are higher in absolute terms.

Appendix II

Allocation of net profit

DEMONSTRATION OF THE PROPOSAL FOR ALLOCATION OF NET PROFIT – APPENDIX 9-1 II CVM INSTRUCTION 481/2009			
	2014	2015	2016
Net profit for the year (a)	**490,243,531.09**	**551,223,335.75**	**634,491,601.48**
Reserve for rax incentives	(257,989,369.78)	(271,634,996.27)	(264,614,866.54)
Basis for calculationof the legal reserve (b)	**232,254,161.31**	**279,588,339.48**	**369,876,734.94**
Legal reserve – 5% (c)	(11,612,708.07)	(13,979,416.99)	(18,493,836.74)
Basis for calculation of the obligatory dividend (b – c) = d	**220,641,453.24**	**265,608,922.49**	**351,382,898.20**
Obligatory dividend – 25%	**55,160,363.31**	**66,402,230.62**	**87,845,724.55**
Reserve for acquisition of shares (Stock Options)	(17,000,000.00)	0.00	0.00
Sum (e)	**(17,000,000.00)**	**0.00**	**0.00**
Dividends relating to the profit of the business year (d – e) = (f)	**203,641,453.24**	**265,608,922.49**	**351,382,898.20**
Reversal of the balance of retained earnings reserve to additional dividends	17,172,928.23	0.00	0.00
Reversal of reserve (Reflecting na equal reserve made in subsidiary)	0.00	10,316,725.47	0.00
Sum (g)	**17,172,928.23**	**10,316,725.47**	**0.00**
Amount of the dividends proposed by management (f – g) = (h)	**220,814,381.47**	**275,925,647.96**	**351,382,898.20**
Obligatory dividend – 25%	55,160,363.31	66,402,230.62	87,845,724.55
Dividend in excess of the obligatory minimum for the business year	148,481,089.93	199,206,691.87	263,537,173.65
Dividend relating to retained earnings	17,172,928.23	0.00	0.00
Dividend originating from reversal of a reserve	0.00	10,316,725.47	0.00
Total of dividends proposed by management	**220,814,381.47**	**275,925,647.96**	**351,382,898.20**
Dividends distributed in advance	125,356,924.60	165,031,505.86	172,789,040.29
Interest on Equity distributed in advance (Net value: R$25,500,000.00)	0.00	0.00	30,000,000.00
Additional dividend proposed	95,457,456.87	10,894,142.10	18,593,857.91
Interest on Equity proposed (Net of tax: R$85,000,000.00 in 2015 and R$110,500,000.00 in 2016)	0.00	100,000,000.00	130,000,000.00
Total of dividends distributed	**220,814,381.47**	**275,925,647.96**	**351,382,898.20**
Value of the dividend distributed, per share	**0.735063673**	**0.585133484**	**0.636430054**
Gross value of the Interest on Equity, per share (Net per share: R$0.282654961 in 2015 and R$0.452333858 in 2016)	**0.000000000**	**0.332535249**	**0.532157481**
Sum of dividend and Interest on Equity, per share (Net per share: R$0.867788445 in 2015 and R$1.088763912 in 2016)	**0.735063673**	**0.917668733**	**1.168587535**
% of the dividend and interest on equity distributed in relation to:			
- Net profit for the business year	**45.0%**	**50.1%**	**55.4%**
- Net profit for the business year after constitution of the legal reserve (h ÷ (a – c))	**46.1%**	**51.4%**	**57.0%**

(A free translation of the original in Portuguese)

1. State the net profit for the business year

In 2016 the net profit for the business year was R$ 634,491,601.48 (six hundred and thirty-four million, four hundred and ninety-one thousand, six hundred and one reais and forty-eight cents).

2. Inform the global amount and the amount per share of the dividends, including interim dividends and Interest on Equity already declared

In 2016 the global amount of the dividend: **Gross amount R$351,382,898.20, corresponding R$1.168587535 per share (**Net value R$327,382,898.20, corresponding R$1.088763912 per share) for the 2016 business year, distributed as follows:

a) Dividends and interest on Equity paid previously (see table below), in the amount of R$202,789,040.29.

b) In the form of Interest on Equity – calculated as part of the total value of dividends, subject to the limits in Article 9, §7, of Law 9249/95: The gross amount of R$ 130,000,000.00, corresponding to gross value per share of R$0.432396906 (excluding treasury shares); resulting in net payment, after deduction of 15% withholding income tax at source, of R$110,500,000.00, this net amount represents net value per share of R$0.367537370.

The Company requests that shareholders, companies and/or entities not subject to withholding income tax submit the documentation to the Company located at Av. Pedro Grendene, 131 – Bairro Volta Grande – Farroupilha – RS -, CEP 95180-000, care the Investor Relations Department, by April 27, 2017, and;

c) In the form of dividends – Complementary dividend of R$18,593,857.91, or R$0.061845589 per share. Under current legislation the calculation excludes shares in treasury: hence this amount may change depending on the number of shares in treasury on the cut-off date. This amount will not be subject to any remuneration or monetary updating, nor any withholding tax.

The amounts mentioned above (2016) and corresponding to 2014 and 2015 are shown in the table - Appendix II – Allocation of Net Profit.

The Company did not declare Interest on Equity during the 2014 business year. The Company declare Interest on Equity during the 2015 and 2016 business years.

The table below shows the dividend and Interest on Equity, per share, approved by the Board of Directors:

Proceeds in cash for results from fiscal year ending on December 31, 2016 (Dividends were approved "ad referendum" the OGM the considers the balance sheet and income statement for the business year)								
Proceeds	**Date of Board of Directors' resolution**	**Ex- date**	**Beginning of payment**	**Payment form**	**Gross amount (R$)**	**Gross value R$ / per share ON**	**Net amount (R$)**	**Net value R$ / per share ON**
Dividend	04/28/16	05/04/16	05/18/16	Credit in the current account of the shareholder	51,190,824.65	0.170227536	51,190,824.65	0.170227536
Interest on Equity	04/28/16	05/04/16	05/18/16	Credit in the current account of the shareholder	30,000,000.00	0.099760575	25,500,000.00	0.084796488
Dividend	07/28/16	08/03/16	08/17/16	Credit in the current account of the shareholder	45,505,162.63	0.151320706	45,505,162.63	0.151320706
Dividend	10/20/16	10/28/16	11/16/16	Credit in the current account of the shareholder	76,093,053.01	0.253036223	76,093,053.01	0.253036223
Dividend	02/16/17	04/13/17	04/26/17	Credit in the current account of the shareholder	18,593,857.91	0.061845589	18,593,857.91	0.061845589
Interest on Equity	02/16/17	04/13/17	04/26/17	Credit in the current account of the shareholder	130,000,000.00	0.432396906	110,500,000.00	0.367537370
Total R$					**351,382,898.20**	**1.168587535**	**327,382,898.20**	**1.088763912**

3. State the percentage of net profit for the year distributed

In 2016 the percentage of dividends and Interest on Equity (Gross) distributed by the holding company in relation to the net profit for the business year was 55.4%, and 57.0%, of the net profit for the year, after constitution of the legal reserve. In 2015, these figures were 50.1% and 51.4%; and in 2014, they were 45.0% and 46.1%, respectively.

4. State the global amount and value per share of dividends distributed based on profit of prior years

Not applicable

5. State, after deduction of the interim dividends and Interest on Equity already declared:

a) The gross amount of dividend and Interest on Equity, stated separately, by share of each type and class

Proposed only ratification of dividends approved in advance by the Company's Board of Directors (see item 2 above).

b) Form and timing of payment of dividends and Interest on Equity

In the 2016 business year see item 2 above.

c) Any instance of updating and interest on dividends or Interest on Equity

Not applicable

d) Date of declaration of payment of dividends and Interest on Equity used for identification of the stockholders that will have a right to receive it

In the 2016 business year see item 2 above.

6. If there has been a declaration of dividends or Interest on Equity based on profits ascertained in balance sheets drawn up six-monthly or more frequently

a) State the amount of the dividends or Interest on Equity already declared

b) State the date of the respective payments

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount (R$)	Gross value R$ / per share ON	Net amount (R$)	Net value R$ / per share ON
Dividend	04/24/14	04/30/14	05/14/14	Credit in the current account of the shareholder	42,063,777.28	0.140063190	42,063,777.28	0.140063190
Dividend	07/24/14	08/01/14	08/13/14	Credit in the current account of the shareholder	29,865,909.18	0.099446954	29,865,909.18	0.099446954
Dividend	10/23/14	10/31/14	11/12/14	Credit in the current account of the shareholder	53,427,238.14	0.178055183	53,427,238.14	0.178055183
Dividend	02/12/15	04/10/15	04/23/15	Credit in the current account of the shareholder	95,457,456.87	0.318127897	95,457,456.87	0.318127897
Total R$					220,814,381.47	0.735693224	220,814,381.47	0.735693224

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount (R$)	Gross value R$ / per share ON	Net amount (R$)	Net value R$ / per share ON
Dividend	04/23/15	04/28/15	05/13//15	Credit in the current account of the shareholder	67,384,476.90	0.140063190	67,384,476.90	0.224125602
Dividend	07/23/15	07/30/15	08/12//15	Credit in the current account of the shareholder	43,889,275.91	0.099446954	43,889,275.91	0.145978878
Dividend	10/22/15	10/29/15	11/11/15	Credit in the current account of the shareholder	53,757,753.05	0.178055183	53,757,753.05	0.178802141
Dividend	02/25/16	04/19/16	04/27//16	Credit in the current account of the shareholder	10,894,142.10	0.318127897	10,894,142.10	0.036226863
Interest on Equity	02/25/16	04/19/16	04/27//16	Credit in the current account of the shareholder	100,000,000.00	0.332535249	85,000,000.00	0.282654961
2015 - Total R$					275,925,647.96	0.917668733	260,925,647.96	0.867788445

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount (R$)	Gross value R$ / per share ON	Net amount (R$)	Net value R$ / per share ON
Dividend	04/28/16	05/04/16	05/18/16	Credit in the current account of the shareholder	51,190,824.65	0.170227536	51,190,824.65	0.170227536
Interest on Equity	04/28/16	05/04/16	05/18/16	Credit in the current account of the shareholder	30,000,000.00	0.099760575	25,500,000.00	0.084796488
Dividend	07/28/16	08/03/16	08/17/16	Credit in the current account of the shareholder	45,505,162.63	0.151320706	45,505,162.63	0.151320706
Dividend	10/20/16	10/28/16	11/16/16	Credit in the current account of the shareholder	76,093,053.01	0.253036223	76,093,053.01	0.253036223
Dividend	02/16/17	04/13/17	04/26/17	Credit in the current account of the shareholder	18,593,857.91	0.061845589	18,593,857.91	0.061845589
Interest on Equity	02/16/17	04/13/17	04/26/17	Credit in the current account of the shareholder	130,000,000.00	0.432396906	110,500,000.00	0.367537370
2016 - Total R$					351,382,898.20	1.168587535	327,382,898.20	1.088763912

7. Provide a comparative table showing the following amounts per share for each share type and class:

a) Net profit for the business year and of the 3 (three) prior years

b) Dividend and Interest on Equity distributed in the 3 (three) previous years

	2014	2015	2016
Share type and class	ON	ON	ON
Net profit for the business year R$	490,243,531.09	551,223,335.75	634,491,601.48
Net profit per share R$	1.6328	1.8342	2.1101
Dividends R$	220,814,381.47	175,925,647.96	191,382,898.20
Dividends per share R$	0.735693224	0.585133484	0.636430054
Gross Interest on Equity R$	-	100,000,000.00	160,000,000.00
Net Interest on Equity R$	-	85,000,000.00	136,000,000.00
Gross Interest on Equity per share R$	-	0.332535249	0.532157481
Net Interest on Equity per share R$	-	0.282654961	0.452333858

8. In the event that profits were allocated to the Legal reserve

a) State the amount allocated to the Legal reserve

R$	2014	2015	2016
Legal reserve	11,612,708.07	13,979,416.99	18,493,836.74

b) State the manner of calculation of the legal reserve, in detail

The amount allocated to the Legal reserve is constituted as 5% of: {Net profit for the business year, less the amount of tax incentives}, subject to its total at any time being limited to 20% of the share capital.

Calculation of the allocation to the Legal reserve	2014	2015	2016
Net profit for the business year	490,243,531.09	551,223,335.75	634,491,601.48
Tax incentives reserve	(257,989,369.78)	(271,634,996.27)	(264,614,866.54)
Basis for calculation	**232,254,161.31**	**279,588,339.48**	**369,876,734.94**
Legal reserve – 5%	**11,612,708.07**	**13,979,416.99**	**18,493,836.74**

9. If the company has preferred shares with the right to fixed or minimum dividends
The Company does not have preferred shares.

a) Describe the form of calculation of the fixed or minimum dividends
b) State whether the profit for the business year is sufficient for full payment of the fixed or minimum dividends
c) Identify if any portion not paid is cumulative
d) Identify the global amount of the fixed or minimum dividend to be paid to each class of preferred shares
e) Identify the fixed or minimum dividends to be paid per preferred share of each class

10. In relation to the obligatory dividend

a. Describe the form of calculation specified in the Bylaws

The Company's bylaws, approved on April 7, 2014, in the clauses reproduced below, define the form of calculation of the obligatory dividend:

Clause 32. The shareholders are entitled to an annual obligatory dividend equivalent to, at least, 25% (twenty five per cent) of the net profit for the year, less or augmented by the following amounts:

a. 5% (five per cent) to constitute the legal reserve, until this reserve reaches the limits set by law; and

b. an amount allocated for formation of reserves for contingencies, and reversal of such of those reserves as may have been formed in previous business years, As specified in article 195 of the corporate Law.

§1 The payment of the dividend referred to by this Clause is limited to the amount of the net profit for the business year that has been realized, and the difference is recorded in the Future Earnings Reserve. The profits recorded in the Future Earnings Reserve, when realized, if they have not been absorbed by losses in subsequent business years, shall be added to the first dividend declared after their realization.

§2 The General Meeting of Stockholders may, upon proposal from the Management Bodies, allocate a portion of the net profit for constitution and/or maintenance of a profits reserve arising under the By-laws, named the “Share Acquisition Reserve”, the purpose of which shall be redemption, repurchase or acquisition of shares issued by the Company, for purposes that may include compliance with its obligations to deliver shares to participants exercising their options under the Company’s Stock Options Plan, as approved by the Company. The Share Acquisition Reserve may be formed from up to 100% of the net profit that remains after the deductions made by obligation of law and the By-laws, and its balance shall be equal to a maximum of 20% of the Company’s registered share capital. At the end of the business year, any remaining balance not used in this reserve may be used, for the same purpose, for the following business year if management decides this to be necessary, upon approval by the General Meeting of Stockholders and, if not used wholly or in part, such balance shall revert for payment of dividends. In the form specified in Article 198 of the Brazilian Corporate Law, allocation of profits for constitution of the Reserve for Acquisition of Shares may not be approved insurance such a way as to prejudice distribution of the obligatory dividend.

§3 The remaining profit shall be allocated in such manner as is approved by the General Meeting of Stockholders, in accordance with the proposal formulated by the Executive Board, subject to the applicable precepts of law, in particular Paragraph 6 of Article 202 of Law 6404/76.

Clause 33. By decision of the Executive Board, the Company may pay to its stockholders Interest on Equity, which shall be imputed against the obligatory dividend referred to in Clause 32, becoming, for all purposes, part of the amount of the dividends distributed by the Company.
§1 By decision of the Board of Directors, the Company may pay its stockholders dividends on account of retained earnings from previous years.

Clause 34. The Company may raise balance sheets at six-monthly, or quarterly, intervals, or more frequently, and may declare, by decision of the Board of Directors, dividends based on the profit ascertained in these financial statements, on account of the total to be distributed at the end of the respective business year, subject to the limitations specified by law. Dividends thus declared constitute advances against the obligatory dividend referred to in Clause 32.

§1 Dividends do not attract interest and if not claimed by any stockholder within a period of three years from the date of the decision for their distribution will revert in favor of the Company.

Clause 35. The General Meeting of Stockholders may, upon proposal by the Management Bodies, allocate to the Tax Incentive Reserve, in accordance with Article 195-A of Law 6404/76, as amended by Law 11638/2007, the portion of net profit arising from government donations or subsidies for investments, which may be excluded from the base of calculation of the obligatory dividend.

b. State whether it is being paid in full

Yes, the dividend has always been paid above the limit of 25% established by the Company’s Bylaws (Clause 32), approved on April 7, 2014.

c. State any amount retained

There was no retention of the obligatory dividend in 2014, 2015 and 2016, as shown below:

R$	2014	2015	2016
Obligatory dividend – 25%	55,160,363.31	66,402,230.62	87,845,724.55
Additional dividend	148,481,089.93	209,523,417.34	263,537,173.65
Total	**203,641,453.24**	**265,608,922.49**	**351,382,898.20**
Dividends referring earnings from prior years	17,172,928.23	10,316,725.47	0.00
Total dividends	**220,814,381.47**	**275,925,647.96**	**351,382,898.20**

11. If there has been retention of the obligatory dividend due to the company's financial situation

a. State the amount of the retention

b. Describe, in detail, the financial situation of the company, dealing also with aspects relating to analysis of liquidity, working capital and positive cash flows

c. Justify the retention of the dividends

There was no retention of the obligatory dividend. The Company paid dividends above the minimum obligatory.

12. If there has been allocation to contingency reserve

a. Identify the amount allocated to the reserve

b. Identify the loss considered probable and its cause

c. Explain why the loss was considered probable

d. Justify the constitution of the reserve

There was no allocation of income to contingency reserve.

13. If there has been allocation of profit to the future income reserve

a. State the amount allocated to the future income reserve

b. State the nature of the non-realized profits that gave rise to the reserve

There was no allocation of profit to the future income reserve.

14. If profits were allocated to the Reserve under the by-laws

a. Describe the clauses in the by-laws that establish the reserve

Under Clause 32 §2 of the by-laws the general meeting of stockholders may, upon proposal by the management bodies, allocate part of the net profit to the constitution and/or maintenance of a profit reserve established under the by-laws named 'Reserve for acquisition of shares', the purpose of which is redemption, repurchase or acquisition of shares issued by the Company, including for compliance with its obligation to deliver shares to those participants in the Company's Stock Purchase Options Plan, approved by the Company, who exercise their shares. The Reserve for acquisition of shares may be formed from up to 100% of the net profit that remains after the deductions of the allocations to the legal reserve and any allocations under the by-laws, and its balance shall have a maximum limit of 20% of the share capital. At the end of the business year, any remaining balance of this reserve not utilized may be used, for the same purpose, for the next business year if the management deems this to be necessary, upon approval by the General Meeting of Stockholders and, if it is not used in whole or in part, the said balance shall be reverted to payment of dividends. As specified in Article 198 of the Corporate Law, allocation of profits to constitution of the Reserve for acquisition of shares may not be approved to the detriment of distribution of the obligatory dividend.

b. Identification of the amount allocated to the reserve

R$	2014	2015	2016
Balance of Reserve for acquisition of shares	17,000,000.00	0.00	0.00

c. Describe how the amount was calculated

In the business year 2017, a total of 618,141 options for purchase or subscription of shares will be available for exercise. In 2018, a total of 739,572 options for purchase or subscription of shares will be available for exercise by the executives that are beneficiaries of the plans.

It is the opinion of the Board of Directors that acquisition of common shares of the Company in the market is the best means of satisfying this demand. For this reason, the Company maintained a balance of the Reserve for acquisition of shares already approved in the business year 2014 in the amount of R$15,695,167.14 for the acquisition of shares to meet this goal.

15. If there was retention of profits specified in a capital budget:

a. Identify the amount of the retention

In 2014, 2015 and 2016 there was no retention of profits specified in a capital budget. We reversed the surplus values in Capital reserve not used for Retained earnings while simultaneously paying dividends.

b. Supply a copy of the capital budget

In 2016 there was no retention of profit specified in a capital budget.

16. If profit was allocated to the tax incentive reserve:

a. Specify the amount allocated to the reserve

R$	2014	2015	2016
Tax incentive reserve	257,989,369.78	271,634,996.27	264,614,866.54

b. Explain the nature of the allocation

R$	2014	2015	2016
ICMS tax (Provin and Proapi)	194,711,436.12	195,588,653.22	188,830,352.77
Income tax	63,277,933.66	76,046,343.05	75,784,513.77
Total	**257,989,369.78**	**271,634,996.27**	**264,614,866.54**

Appendix III

Manager's Remuneration

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

a. Objectives of the remuneration policy or practice

The objective of each element of the managers' remuneration is to encourage alignment of the interests of the managers with the targets of the Company, so as to stimulate their commitment and also to attract and maintain highly qualified professionals.

The Company has no statutory committee. On 12 February 2015 the Board of Directors in its minute of meeting nº 59, established a committee composed of three members, all belonging to the Board of Directors to meet the provisions of items 2.1 and 2.2 of the Regulation of the Stock Option Plan Purchase or the Company's Share Subscription which provides that the plan administration can be delegated to a committee specially created for both.

The members of this committee do not receive any remuneration due to this activity. The only compensation received is as Board member as is shown in items 13.1.b.ii, 13.2 and 11.13 of this form.

b. Composition of the remuneration, indicating:

i. Description of the elements of the remuneration and the objectives of each one of them

The members of the **Board of Directors** receive only a fixed monthly remuneration for performance of their functions, thus, other than the fixed monthly remuneration referred to, there are no other elements in the remuneration of the members of the Board of Directors.

The members of the **Audit Board** receive only a fixed monthly remuneration for performance of their functions, thus, other than the fixed monthly remuneration referred to, there are no other elements in the remuneration of the members of the Audit Board.

As to the remuneration of the **statutory and non statutory officers**, the elements of their remuneration are: the fixed monthly salary; and remuneration based on shares in the Company.

There is no other direct and indirect benefits to the members of the Board of Directors, Audit Board and Executive Board.

The fixed remuneration seeks to remunerate the executives on attractive terms in comparison to the market with a view to attracting and retaining good professionals.

The share-based remuneration seeks an alignment with the stockholders, including the performance of the shares in the market among the factors that affect the executive's income. This remuneration takes the form of grant of options to purchase shares in the Company, with a period of acquisition of right (vesting) divided into three years (1/3 may be exercised in one year, 2/3 in two years and 3/3 in three years) so as to discourage excessive focus on the short term.

ii. What is the proportion of each element to the total remuneration

	2016			
	Board of Directors	**committee**	**Audit Board**	**Executive Board**
Fixed compensation	100%	-	100%	70%
Share-based compensation	-	-	-	30%

	2015			
	Board of Directors	**committee**	**Audit Board**	**Executive Board**
Fixed compensation	100%	-	100%	75%
Share-based compensation	-	-	-	25%

	2014			
	Board of Directors	**Committee**	**Audit Board**	**Executive Board**
Fixed compensation	100%	-	100%	82%
Share-based compensation	-	-	-	18%

iii. Methodology for calculation and adjustment of each one of the elements of the remuneration

The amount of the fixed remuneration of the members of the Board of Directors is set annually by the Annual General Meeting of Stockholders and based on market values and the company's economic and financial situation. The fixed remuneration of the Audit Board is approved by the Annual General Meeting and obeys the limits specified in Law 6404, Article 162, §3. The members of the Board of Directors and the Audit Board do not receive any other type of remuneration.

The fixed remuneration of the **members of the Executive Board and certain other directors** takes into account experience for working in the position in question, using as a reference amounts from the market, obtained through research, information in business-specialized publications on remuneration of executives, and the Company's economic-financial situation. The remuneration of the members of the Executive Board is set annually by the Board of Directors.

The number of options granted, referring to the share-based remuneration of the members of the Executive Board and certain other directors, is decided annually by the Board of Directors and/or the Committee specified in Item 2.2 of the Regulations of the Grendene Stock Options Plan, taking as a basis the performance of the Company in the prior year and in accordance with the said Regulations of the Grendene Stock Options Plan, which was approved by the Annual General Meeting of April 14, 2008, and amendments thereto approved by the Board of Directors on March 1, 2012 and February 12, 2015.

iv. Reasons that justify the composition of the remuneration

The main reasons that justify the composition of the remuneration are:

- To help attract and retain professionals.
- To ensure remuneration appropriate to the market.
- The Company's economic and financial situation.
- Long-term incentive; and
- Alignment of interests with those of the stockholders.

c. Principal indicators of performance that are taken into consideration in the determination of each element of the remuneration

The principal indicators are the change in the Company's Ebit in comparison with the evolution of the market as a whole; Grendene's share of the total of Brazilian footwear exports; Grendene's share in Brazilian apparent footwear consumption; and a qualitative evaluation of the products launched and the satisfaction of the 'trade'. The fixed remuneration takes market parameters into account comparing the Company's practices with those of companies of an equal size for functions of the same complexity and responsibility, and also inflation in the previous year.

The share-based remuneration is in accordance with the Regulations of the Stock Options Purchase and Subscription Plan approved by the Annual General Meeting held on April 14, 2008, and amendments approved by the meeting of the Board of Directors of March 1, 2012 and February 12, 2015. The quantity of options granted is decided in a Meeting of the Board of Directors, which takes into account basically the profit obtained by the Company in the previous business year, and the indicators described above. The options are granted with an exercise price based on the price of the share in the market, and this remuneration only becomes effective if during the period of the Plan the market value of the shares grows faster than monetary adjustment by the IPCA inflation index, which is applied to the exercise price of the grant up to the date of exercise of the option.

According to the plan, annually, during the period of the Plan, the Company's Board of Directors, taking into account the premises for grant, will decide the Beneficiaries, in the form specified in Clause I of the Plan, and also the number of shares that may be acquired with the exercise of each option, the price of exercise of each option and the conditions of its payment, the periods and conditions of exercise of each option and any other conditions relating to them.

The Options, as specified in the said Plan, shall have a total vesting period of 3 years, being able to be exercised as follows: (i) Up to 1/3 after one (1) year from the date of grant; (ii) a further 1/3 after 2 years from the date of the grant, making a total limit of 2/3; and (iii) the remaining 1/3 after 3 years from the date of the grant. The options shall have a period of validity of six (6) years, from the date of grant. The grant of options for purchase of shares under the said Regulations is made through signing of Subscription Contracts between the Company and the Beneficiaries. These contracts must specify, without prejudice to other conditions determined by the Board of Directors or Committee (as the case may be): (a) the quantity of shares subject of the grant; (b) the conditions for acquisition of the right to exercise of the option; (c) the final period for exercise of the share purchase option; and (d) the period of exercise and conditions of payment. The Board of Directors or Committee (as the case may be) may impose terms and/or prior conditions for the exercise of the option and impose restrictions on the transfer of the shares acquired with the exercise of the Option, and may also reserve to the Company options of repurchase or rights of preference in the case of sale by the Beneficiary of the same shares, up to the termination of the period and/or compliance with the conditions set. The

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

Subscription Contracts shall be prepared individually for each Beneficiary, and the Board of Directors or the Committee (as the case may be) may establish differentiated terms and conditions for each Subscription Contract, without the need for application of any rule of equality of rights or of analogy between the Beneficiaries, even if they are in similar or identical situations. The purchase options granted under the said Regulations, and also their exercise by the Beneficiaries, have no relationship with, nor are they linked to, their fixed remuneration, or any shares in the profits. Without prejudice to any provision to the contrary specified in the said Regulations or in the Subscription Contract, the options granted shall be extinguished automatically, all their effects ceasing for all purposes of law, in the following events: (a) their full exercise; (b) expiry of the period of validity of the option; (c) agreement to dissolve the Subscription Contract; or (d) if the Company is dissolved, liquidated or declared bankrupt. Signing of the Subscription Contract will mean acceptance, by the Beneficiary, of all the conditions established in the Plan and the said Regulations.

d. How the remuneration is structured to reflect changes in the performance indicators

The fixed remuneration is compared with the amounts practiced in other companies of equal scale. The share-based remuneration reflects the value of the Company, which is the result of the valuation by the market of the Company's performance; and an evaluation by the Committee, submitted to the Board of Directors, of the change in the indicators.

e. How the remuneration policy or practice aligns with the short-, medium- and long-term interests of the Issuer

See Share-based remuneration, in items 13.4 – sub-items 'c', 'd' and 'e'.

f. Existence of remuneration paid by subsidiaries or controlling stockholders, whether direct or indirect

There is no form of remuneration of Chief Officers or members of the Board of Directors paid by any direct or indirect subsidiary, jointly-controlled subsidiary or parent company.

g. Existence of any remuneration or benefit linked to the occurrence of any corporate event, such as disposal of stockholding control of the Issuer

There is no remuneration or benefit linked to the occurrence of corporate events, however, in the event of dissolution, merger, absorption, split or liquidation of the Company, the Beneficiaries of the Stock Options Purchase and Subscription Plan may exercise such options as they have that may already be exercised (that is to say, for which the vesting period has been completed) in the period between the date of convocation of the General Meeting of Stockholders whose object is to decide on the dissolution, merger, absorption, split or liquidation of the Company and the date of its being held. To the contrary, the Options will be extinguished, as will also the Regulations of the Plan of Grant and the respective Subscription Contracts.

(A free translation of the original in Portuguese)

13.2 – Total compensation of the board of directors, statutory executive officers and Audit Board

Total remuneration for the current business year to December 31, 2017 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,200,000.00	5,000,000.00	500,000.00	6,700,000.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,500,000.00	0.00	1,500,000.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,200,000.00	6,500,000.00	500,000.00	8,200,000.00

13.2 – Total compensation of the board of directors, statutory executive officers and Audit Board

Total remuneration for the current business year to December 31, 2016 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,056,000.00	3,914,640.00	401,400.00	5,372,040.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,675,974.00	0.00	1,675,974.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,056,000.00	5,590,614.00	401,400.00	7,048,014.00

13.2 – Total compensation of the board of directors, statutory executive officers and Audit Board

Total remuneration for the current business year to December 31, 2015 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	984,000.00	3,576,000.00	356,400.00	4,916,400.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,185,070.38	0.00	1,185,070.38
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	984,000.00	4,761,070.38	356,400.00	6,101,470.38

13.2 – Total compensation of the board of directors, statutory executive officers and Audit Board

Total remuneration for the current business year to December 31, 2014 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	912,000.00	3,296,000.00	329,400.00	4,537,400.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	709,299.60	0.00	709,299.60
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	912,000.00	4,005,299.60	329,400.00	5,246,699.60

13.3 - Variable remuneration of the Board of Directors, Executive Board and the Audit Board

The remuneration policy of Grendene S.A. does not include programs of remuneration in the form of cash payments during or in respect of the business year for the members of the Board of Directors, Audit Board and Executive Board.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

a. General terms and conditions

The Regulations of the Program establish the rules relating to the Program of Options for Purchase or Subscription of Shares of Grendene S.A. and its subsidiaries ('the Company'), instituted under the Stock Options Purchase and Subscription Plan ('the Plan'), submitted to decision of the Extraordinary General Meeting of stockholders of the Company on April 14, 2008. The Plan and Regulations currently in force were recommended by the Board of Directors in a meeting held on March 13, 2008, and alterations were approved in the meeting of the Board of Directors of March 1, 2012 and February 12, 2015.

Definitions established in the Plan:

For the purposes of the Regulations governing Grant of Options for Purchase or Subscription of Shares currently in effect, the terms employed below have the following definitions:

i) Stockholder: Individual or legal entity owning a share in the Company.
ii) Shares: Nominal common shares that will be or have been issued by the Company.
iii) Beneficiary: The Eligible Employee to whom the Option is in fact granted.
iv) Eligible Employees: Executives at the levels of Members of the Board of Directors, Executive Board and Management, except those who are part of the Controlling Stockholding Group, who are able to take part in the Stock Options Purchase and Subscription Plan, in the form of the indications specified in the said Regulations.
v) Company: The company Grendene S.A. and its subsidiary companies.
vi) Subscription Contract: The Private Instrument of Grant of Option to Purchase or Subscribe Shares, entered into between the Company and the Eligible Employee, through which the latter becomes a participant in the Stock Options Purchase and Subscription Plan.
vii) Date of Grant: The date of signature of the Subscription Contract, which will formalize the grant of the Options to the Beneficiaries.
viii) Separation: This means any act or event which, whether or not with just cause, puts an end to the legal relationship between the Beneficiary and the Company, except in cases of retirement, permanent invalidity or death. Separation also covers the cases of dismissal, replacement or non-reelection of a Beneficiary from a position as member of the Board of Directors or of the Executive Board, and rescission of the employment contract.
ix) Exercise of the Options: Actual purchase or subscription, by the Beneficiary, of shares relating to the Options granted to him by the Subscription Contract.
x) Option or Options: Possession by a Beneficiary of the right to acquire or subscribe shares in the Company for a previously fixed price, during a specified period of time, when the conditions established in the Regulations have been met.
xi) Exercisable Option(s): Such option(s) as have met the conditions specified for the exercise of the right of purchase or subscription of the Shares (vesting), and hence are able to be exercised.
xii) Non-exercisable Option(s): Such option(s) as has (have) not met the conditions specified for the exercise of the right of purchase or subscription of the Shares.
xiii) Option Exercise Period: Period between the date on which it is possible to buy or subscribe the shares and the limit date for the purchase or subscription.
xiv) Regulations: The Regulations of the Plan duly approved by the Board of Directors and the General Meeting of Stockholders of the Company.
xv) Option Exercise Price: Amount determined to be paid by the Beneficiary for the purchase or subscription of the shares that are subject of the option granted to him.
xvi) Vesting Period: The period established by the Company before the period for exercise of the option for purchase or subscription of shares by the Beneficiary.

b. Principal objectives of the plan

The objective of the Stock Options Purchase and Subscription Plan, governed by the Regulations, is to establish rules for certain executives of the Company to be able to acquire shares issued by the company, aiming to strengthen the levels of attraction, retention and motivation of talents, and also to align the interests of executives with those of stockholders in the generation of profits and sustainable creation of value. The aim is to create a long-term incentive, based on the concept of stock options, which consists of concession of a right – and not an obligation – to buy shares in the Company for predetermined prices and in predetermined periods. The Beneficiary’s potential gain will be the result of the Purchase and Sale of the shares, that is to say, any increase in the value of the share over the exercise price.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

c. How the plan contributes to these objectives

As a result of the plan, part of the remuneration of the executives (the part that is based on shares) depends on the value of the shares in the market, which in turn reflects the value of the stockholders' investment. The fact that the options have a period for vesting (1/3 of the total, each year, as from the date of grant) and a period of 6 years for exercise, creates an incentive for pursuing the long-term targets and penalizes the taking of actions whose aim is only short-term benefit.

d. How the plan fits into the Issuer's remuneration policy

The Share-based remuneration is the Company's only form of variable remuneration, and is the element that links the remuneration of the executives to the remuneration of the stockholders in the form of increase in value of their shares.

e. How the plan aligns the interests of the managers and of the Company in the short, medium and long term

When the vesting period specified in the regulations has ended, the Beneficiary may exercise his or her option to purchase shares. The exercise of the option consists of purchase of the shares for the exercise price established, after the vesting period has expired. For this purpose, the Beneficiary must formally state the exercise of the option to the company, through an Exercise Notice, within fifteen (15) days following the meeting of the Board of Directors which approved the financial statements of the previous business year, subject to the limits specified by the vesting period. Further, at its exclusive option the Board of Directors may authorize the exercise of any options to which right has been acquired, within up to fifteen (15) days following the publication of the quarterly results, subject to the limits specified by the vesting period. The options may be exercised in their totality or in part, subject to the periods and conditions established by the Board of Directors, by the Committee (as the case may be), by these regulations (especially, but not limited to the limits specified by the vesting period), and/or by the Adhesion Contracts. The portion of the Option that has not been exercised by the date specified in the regulation shall be considered automatically to have been extinguished, without any right to indemnity. The exercise of the Option may only take place provided there has been continuity of the Beneficiary's employment relationship with the Company or with its subsidiaries, up to the actual date of exercise of the option. The Exercise Notice may only be issued by the Beneficiary, after publication of the annual and/or quarterly results as per decision of the Board of Directors. In the Exercise Notice, the Beneficiary must indicate the quantity of shares that he/she wishes to acquire, in the form of notice to be published by the Board of Directors or by the Committee, as the case may be.
With the continuity of the plan and if the executive remains in the company he/she will be the holder of options which may be exercised in the short, medium or long term, and the value of which depends on the difference between the exercise price of the options and the price of the shares traded in the market – the greater the difference, the greater the value. Thus, it is in the interest of the executives that the price of the shares of the Company should increase in a continuous and sustainable manner, and this is also in the interests of the Company's stockholders.

f. Maximum number of shares covered

The share purchase options granted under the Stock Options Purchase and Subscription Plan and the Regulations in effect shall be limited to a total of 5% (five per cent) of the Company's registered capital. The shares resulting from the exercise of the option will be issued as a result of a decision by the Board of Directors to increase the capital, within the authorized limit of the Company's capital, or with use of shares in treasury, within the legal limits. The present shareholders will not have preference in the grant or in the exercise of the share purchase options specified in the said Regulations, as per the provisions of Article 171, § 3 of Law 6404/76.
In the event that the number, type and/or class of the shares issued by the Company is changed as a result of share splits, bonuses, reverse splits or conversions, the Board of Directors shall make the corresponding adjustment in the number, type and/or class of the shares that are the subject of each Option in effect and their respective price of acquisition or subscription, as the case may be, informing the Beneficiaries in writing.

g. Maximum number of options to be granted

The criteria are the same as for the previous item. The company expects always to make any grant of an option to purchase a share in accordance with criteria defined in the Plan.

h. Conditions for acquisition of shares

When the vesting period specified in the regulations has ended, the Beneficiary may exercise his or her option to purchase shares. The exercise of the option consists of purchase of the shares for the exercise price established, after the vesting period has expired. For this purpose, the Beneficiary must formally state the exercise of the option to the Company, through an Exercise Notice, within fifteen (15) days following the meeting of the Board of Directors which approved the

financial statements of the previous business year, subject to the limits specified by the vesting period. Further, at its exclusive option the Board of Directors may authorize the exercise of any options to which right has been acquired, within up to fifteen (15) days following the publication of the quarterly results, subject to the limits specified by the vesting period. The options may be exercised in their totality or in part, subject to the periods and conditions established by the Board of Directors, by the Committee (as the case may be), by these regulations (especially, but not limited to the limits specified by the vesting period), and/or by the Adhesion Contracts. The portion of the Option that has not been exercised by the date specified in the regulation shall be considered automatically to have been extinguished, without any right to indemnity. The exercise of the Option may only take place provided there has been continuity of the Beneficiary's employment relationship with the Company or with its subsidiaries, up to the actual date of exercise of the option. The Exercise Notice may only be issued by the Beneficiary, after publication of the annual and/or quarterly results as per decision of the Board of Directors. In the Exercise Notice, the Beneficiary must indicate the quantity of shares that he/she wishes to acquire, in the form of notice to be published by the Board of Directors or by the Committee, as the case may be.
When the issuance of the shares or transfer of the shares in treasury has been approved, according to the case and the decision of the Board of Directors, the shares resulting from the Exercises of Option will be transferred to or posted in the name of the respective Beneficiary, who must pay the Issue Price to the Company within five (5) days after the registry or transfer.

i. Criteria for setting the price of acquisition or exercise

The Exercise Price of the option will be based on the volume-weighted average of the market price of the share in the month prior to the grant and adjusted by inflation (IPCA) up to the Exercise of Option, thus establishing Article 170, § 1, III, of Law 6404/76 as the criterion for setting the issue price. The Board of Directors, at its exclusive option, but without disobeying the legal limits referred to above, may apply a discount of up to 50% on the result of the average referred to in this item. Application of the said discount will not create an acquired right, in favor of the same or of other Beneficiaries, to similar discounts in other issues of shares.

j. Criteria for setting of the exercise price

As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant. The options shall have a period of validity of six (6) years, from the date of grant.
The periods have been established to generate long-term incentives.

k. Form of settlement

The exercise price of the option shall be paid on the date determined by the Company, in Brazilian currency, by: (i) nominal check to the Company; (ii) bank transfer to an account indicated by the Company; or (iii) any other form of payment expressly permitted by the Company and previously advised to the Beneficiary in writing.

l. Restrictions on transfer of shares

The shares acquired by the Beneficiaries under this plan do not have any restrictions on transfer, however, as is specified in the Regulations, the Board of Directors or the Committee (as the case may be), may impose terms and/or prior conditions for the exercise of the option, and impose restrictions on the transfer of shares acquired with the exercise of the Option, and may also reserve for the Company options to repurchase, or rights of first refusal, in the event of sale by the Beneficiary of those shares, up to the termination of the period and/or compliance with the conditions set. The Subscription Contracts will be prepared individually for each Beneficiary, and the Board of Directors or the Committee (as the case may be) may establish differentiated terms and conditions for each Subscription Contract, without the need for application of any rule of equality of rights or of analogy between the Beneficiaries, even if they are in similar or identical situations.

m. Criteria and events which, when present, will result in suspension, alteration or extinction of the plan

The 'Plan' and the Regulations come into effect on the date of their approval by the General Meeting of Stockholders of the Company and may be extinguished at any time by decision of the General Meeting of Stockholders. The termination of the period of validity shall not affect acquired rights - thus not affecting the efficacy of the Options that are still in effect, and granted under it.
Without prejudice to any provision to the contrary specified in the Regulations or in the Subscription Contract, the options granted shall be automatically extinguished, all their effects ceasing for all purposes of law, in the following events: (a) their full exercise; (b) expiry of the period of validity of the option; (c) agreement to dissolve the Subscription Contract; or (d) if

the Company is dissolved, liquidated or declared bankrupt. However, in the event of dissolution, merger, absorption, split or liquidation of the Company, the Beneficiaries of the Stock Options Purchase and Subscription Plan may exercise such of their Options as are already able to be exercised (that is to say, for which the vesting period has elapsed) in the period between the date of convocation of the general meeting of stockholders for the purpose of deciding on the dissolution, merger, incorporation, split or liquidation of the Company and the date of it being held. To the contrary, the Options will be extinguished, as will also the Regulations of the Plan of Grant and the respective Subscription Contracts.
The Regulations will not prevent the realization of any operations of stockholding reorganization, such as transformation, absorption, merger or split. The Board of Directors of the Company and the Companies involved in such transactions may, at their option, decide, without prejudice to other measures which they decide for the purposes of being equitable: (a) to substitute for the shares that are subject of the Options shares in the company that is successor to the Company; (b) to bring forward the acquisition of the right to exercise the option for acquisition of shares, so as to ensure inclusion of the corresponding shares in the transaction in question; and/or (c) to pay in money the amount to which the Beneficiary would be entitled under the Plan.

n. Effects on a Manager's rights under the share-based remuneration plan caused by his leaving the corporate bodies of the Company

In the event of the Beneficiary separating from the Company by dismissal or rescission of the respective contract, if any, with or without just cause, or by resignation or by destitution from the position, or by retirement, or due to permanent disablement, or death, the rights conferred on him under these Regulations may be extinguished or modified, as specified in item 6.2 of the Regulations, transcribed below.
6.2. If, at any time during the period of the Plan being in effect, the Beneficiary: a) separates from the Company of his/her own volition, resigning from the employment, rescinding the respective contract, if any, or resigns his/her position as member of the Board of Directors or Executive Board. (i) the Non-exercisable options on the date of his/her separation will be automatically extinguished, for the full purposes of law, independently of prior notice or indemnity; and (ii) the Exercisable Options may be exercised within up to thirty (30) days, after which they will be automatically extinguished, independent of advice or service of notice; b) is separated from the company at the initiative of the Company, by dismissal or rescission of the respective contract, if any, for just cause, or by destitution from his/her position due to violating the rights and attributions of a member of the Board of Directors or Executive Board, all the rights already exercisable or not yet exercisable in accordance with the respective Subscription Contract, on the date of his/her separation from the Company, will automatically be extinguished, for full purposes of law, independently of prior notice or indemnity; c) is separated from the Company at the Company's initiative, through dismissal or rescission of the respective contract, if any, without just cause, or by destitution from his/her position without violation of the duties and attributions of members of the Board of Directors or Executive Board: (i) the Non-exercisable Options under the respective Subscription Contract, on the date of separation, will be automatically cancelled, independently of prior advice, notice or indemnity; (ii) the Exercisable Options will be extended by up to thirty (30) calendar days from the announcement of the separation – no further extension being possible – after which they will automatically be cancelled, independently of prior advice, notice or indemnity; d) separates himself from the Company by retirement or permanent disablement: (i) the Non-exercisable Options under the Subscription Contract, on the date of his separation, will become automatically exercisable, the ending of the vesting period being brought forward; and (ii) the Exercisable Options under the Subscription Contract on the date of his separation will remain unchanged, being able to be exercised normally under the Contract; e) is separated from the Company by death: (i) the Non-exercisable Options in accordance with the Subscription Contract, on the date of his death, will automatically be exercisable, the ending of the vesting period being brought forward, and the Beneficiary's heirs and legal successors may exercise the respective option within up to twelve (12) months from the date of death, after which such rights shall be automatically extinguished, for full purposes of law, independently of prior advice or indemnity; and (ii) the Exercisable Options under the respective Subscription Contract, on the day of his death may be exercised by the heirs and legal successors of the Beneficiary, provided that they do so within up to twelve (12) months from the date of death, after which the rights shall be automatically extinguished, for full purposes of law, independently of prior advice, notice or indemnity.
Items 6.3 and 6.4 of the Regulations state:
6.3. In the case of dismissals without just cause that take place in the period of 12 months after a change of control, in accordance with the law, all the options become exercisable.
6.4. The Board of Directors shall have freedom and autonomy to decide on exceptional cases and/or change the rules specified above, without prejudice to rights already exercised and/or acquired prior to their decision.

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Up to February 16, 2017 the Company has made several grants of shares: in 2008 (Plan I), 2009 (Plan II), 2010 (Plan III), 2011 (Plan IV), 2012 (Plan V), 2013 (Plan VI), 2014 (Plan VII), 2015 (Plan VIII), 2016 (Plan IX) and 2017 (Plan X).The Beneficiaries of the plans are Chief Officers and Managers of the Company (excluding any that are also Controlling Stockholders), as specified by the Board of Directors. **The members of the Board of Directors and Audit Board are not part of the program.**

Share-based remuneration – Forecast for the business year ended on December 31, 2017	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	8.83
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	8.92
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.16%**

Share-based remuneration – Forecast for the business year ended on December 31, 2016	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	9.00
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	9.23
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.15%**

Share-based remuneration – Business year ended on December 31, 2015	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	9.61
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	9.57
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.12%**

Share-based remuneration – Business year ended on December 31, 2014	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	9.33
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	8.95
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.15%**

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Grants recognized in the business year ended on December 31, 2017	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 7	Plan 8	Plan 9	Plan 10
Date of grant	-	02/13/14	02/12/15	02/25/16	02/16/17
Quantity of options granted	-	119,010	195,234	278,802	217,905
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/12/20	02/11/21	02/24/22	02/15/23
Period ot restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$5.96	R$6.07	R$7.73	R$9.49

Grants recognized in the business year ended on December 31, 2016	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 6	Plan 7	Plan 8	Plan 9
Date of grant	-	02/28/13	02/13/14	02/12/15	02/25/16
Quantity of options granted	-	261,870	119,010	195,234	278,802
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/27/19	02/12/20	02/11/21	02/24/22
Period ot restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$8.38	R$5.96	R$6.07	R$7.73

Grants recognized in the business year ended on December 31, 2015	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 5	Plan 6	Plan 7	Plan 8
Date of grant	-	03/01/12	02/28/13	02/13/14	02/12/15
Quantity of options granted	-	90,708	261,870	119,010	195,234
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/28/18	02/27/19	02/12/20	02/11/21
Period ot restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$4.21	R$8.38	R$5.96	R$6.07

Grants recognized in the business year ended on December 31, 2014	Board of Directors	Executive Board (Statutory)			
Grant of stock options	No	Plan 4	Plan 5	Plan 6	Plan 7
Date of grant	-	02/24/11	03/01/12	02/28/13	02/13/14
Quantity of options granted	-	502,248	90,708	261,870	119,010
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/23/17	02/28/18	02/27/19	02/12/20
Period ot restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$1.20	R$4.21	R$8.38	R$5.96

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

The information below refers only to the Statutory Board, the members of the Board of Directors and Audit Board are not part of the program.

Share-based remuneration forecast for the current business year (2017)

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)
i. Date of grant	02/13/14	02/12/15	02/25/16	02/16/17
ii. Quantity of options granted	119,010	195,234	278,802	217,905
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/12/20	02/11/21	02/24/22	02/15/23
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$9.84	R$8.42	R$8.88	R$9.81
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$9.84	R$8.42	R$8.88	R$9.81
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$5.96	R$6.07	R$7.73	R$9.49
f) Potential dilution in the event of exercise of all options granted	0.04%	0.06%	0.09%	0.07%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2016

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)
i. Date of grant	02/28/13	02/13/14	02/12/15	02/25/16
ii. Quantity of options granted	261,870	119,010	195,234	278,802
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/27/19	02/12/20	02/11/21	02/24/22
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$9.55	R$9.84	R$8.42	R$8.88
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$9.55	R$9.84	R$8.42	R$8.88
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$8.38	R$5.96	R$6.07	R$7.73
f) Potential dilution in the event of exercise of all options granted	0.09%	0.04%	0.06%	0.09%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2015

a) Body	Executive Board (Statutory)			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015
i. Date of grant	03/01/12	02/28/13	02/13/14	02/12/15
ii. Quantity of options granted	90,708	261,870	119,010	195,234
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able t exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two year the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the the grant.			
iv. Maximum period for exercise of the options	02/28/18	02/27/19	02/12/20	02/11/21
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$4.33	R$9.55	R$9.84	R$8.42
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$4.33	R$9.55	R$9.84	R$8.42
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$4.21	R$8.38	R$5.96	R$6.07
f) Potential dilution in the event of exercise of all options granted	0.03%	0.09%	0.04%	0.06%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2014

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 4 (2011)	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014
i. Date of grant	02/24/11	03/01/12	02/28/13	02/13/14
ii. Quantity of options granted	502,248	90,708	261,870	119,010
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able t exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two year the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the the grant.			
iv. Maximum period for exercise of the options	02/23/17	02/28/18	02/27/19	02/12/20
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$10.80	R$4.33	R$9.55	R$9.84
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$10.80	R$4.33	R$9.55	R$9.84
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$1.20	R$4.21	R$8.38	R$5.96
f) Potential dilution in the event of exercise of all options granted	0.17%	0.03%	0.09%	0.04%

13.6 – Information on the open options held by the Board of Directors and the statutory directors

Amounts relating to the 2016 business year

Body	Executive Board (Statutory)		
Number of members	3 (three)		
Number of remunerated members	3 (three)		
In relation to options not yet exercised	**Plan 7 (2014)**	**Plan 8 (2015)**	**Plan 9 (2016)**
I. Quantity	448,628		
II. Date when they will become exercisable	02/12/17 – 39,670	02/11/17 – 65,078 02/11/18 – 65,078	02/24/17 – 92,934 02/24/18 – 92,934 02/24/19 – 92,934
III. Maximum period for exercise of the options	02/12/20	02/11/21	02/24/22
IV. Period of restriction on transfer of the shares	There is no restriction		
V. Weighted average price of exercise	R$8.83		
VI. Fair value of the options on the last day of the business year	R$7.47		
In relation to the exercisable options	**There is no exercisable options on December 31, 2016**		
I. Quantity	-		
II. Date when they will become exercisable	-		
III. Maximum period for exercise of the options	-		
IV. Period of restriction on transfer of the shares	-		
V. Weighted average price of exercise	-		
VI. Fair value of the options on the last day of the business year	-		

The members of the Board of Directors and the Audit Board are not part of the program.

(A free translation of the original in Portuguese)

13.7 - Options exercised and shares delivered in relation to the share-based remuneration of the Board of Directors and the statutory directors

a. Body	Executive Board								
b. Number of members	3 (three)								
c. Number of remunerated members	3 (three)								
d. In relation to options not yet exercised	Plan 1 (2008)	Plan 2 (2009)	Plan 3 (2010)	Plan 4 (2011)	Plan 5 (20112)	Plan 6 (2013)	Plan 7 (2014)	Plano 8 (2015)	Plano 9 (2016)
i. Number of shares	2009 –107,100 2010 –107,166 2011 – 222,543 2013 – 107,151	2010 – 54,984 2011 – 96,495 2012 – 75,491 2013 – 247	2013 – 179,308	2013 – 334,832 2014 – 46,907 2015 – 120,509	2013 – 30,236 2014 – 30,236 2015 – 30,236	2014 – 87,290 2015 – 87,290 2016 – 87,290	2015 – 39,670 2016 – 39,670	2016 – 65,078	-
ii. Weighted average price in the business year	2009 – R$7.05 2010 – R$7.29 2011 – R$6.64 2013 – R$10.15	2010 – R$4.12 2011 – R$6.64 2012 – R$3.92 2013 – R$10.15	2013 – R$10.15	2013 – R$10.15 2014 – R$8.87 2015 – R$10.34	2013 – R$10.15 2014 – R$8.87 2015 – R$10.34	2014 – R$8,87 2015 – R$10.34 2016 – R$10.76	2015 – R$10.34 2016 – R$10.76	2016 – R$10.76	-
iii. Total value of the difference between the exercise value and the market value of the shares for the options exercised	R$1,443,261,36	R$185,012.35	R$1,956,250.28	R$4,806,829.93	R$797,020.96	R$1,924,744.50	R$504,205.70	R$590,908.24	-
e. In relation to the shares delivered, state:									
i. Number of shares	543,960	227,217	179,308	502,248	90,708	261,870	119,010	195,234	-
ii. Weighted average acquisition price	2009 – R$8.26 2010 – R$7.29 2011 – R$7.29 2013 –R$21.06	2010 – R$6.31 2011 – R$6.64 2012 – R$4.74 2013 – R$21.06	2013 – R$21.06	2013 – R$21.06 2014 – R$18.49 2015 – R$16.17	2013 – R$21.06 2014 – R$18.49 2015 – R$16.17	2014 – R$18.49 2015 – R$16.17 2016 – R$17.36	2015 – R$16.17 2016 – R$17.36	2016 – R$17.36	-
iii. Total value of the difference between the acquisition value and the market value of the shares acquired	R$1,443,261.36	R$185,012.35	R$1,956,250.28	R$4,806,829.93	R$797,020.96	R$1,924,744.50	R$504,205.70	R$590,908.24	-

(A free translation of the original in Portuguese)

13.8 – Information needed to understand the data disclosed in items 13.5 to 13.7 - Method for pricing the value of shares and options

a. Pricing model

	Plan 4 (2011)	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plano 8 (2015)	Plano 9 (2016)	Plano 10 (2017)
Pricing model	Black and Scholles						

b. Data and assumptions used in the pricing model, including the weighted average price of the shares, exercise price, expected volatility, life of the option, expected dividends and the risk-free interest rate

	Plan 4 (2011)	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plano 8 (2015)	Plano 9 (2016)	Plano 10 (2017)
Grant on	02/24/11	03/01/12	02/28/13	02/13/14	02/12/15	02/25/16	02/16/17
Total purchase options granted	502,248	90,708	261,870	119,010	195,234	278,802	217,905
Exercise price	10.80	4.33	9.55	9.84	8.42	8.88	9.81
Expected volatility	27.60%	14.07%	25.51%	26.35%	26.51%	29.89%	20.16%
* Continuous dividend expected on the shares	4%	7%	5%	6%	5%	6%	6%
** Weighted average risk-free interest rate	12.50%	9.50%	7.25%	11.25%	12.75%	14.25%	9.50%
Maximum maturity	6 years	6 years	6 years	6 years	6 years	6 years	6 years
Average maturity	2,5 years	2,5 years	2,5 years	2,5 years	2,5 years	2,5 years	2,5 years
Option premium	1.20	4.21	8.38	5.96	6.07	7.73	9.49

* The expected dividends were obtained based on the average of payments of dividends per share in relation to market price in the last 12 months.

** For the risk-free interest rate, the Company uses the average forecast for the Selic rate, available from the Brazilian Central Bank.

c. Method used and assumptions assumed for incorporating the expected effects of anticipated exercise

	Plan 4 (2011)	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plano 8 (2015)	Plano 9 (2016)	Plano 10 (2017)
Method and assumptions	We use for the calculation of the fair value of the options the expected life of the options. We do not take into consideration the turnover at the level of the Executive Board of Grendene S.A. because it is considered insignificant. The average maturity up to the exercise of each option was estimated at 2.5 years, according to the company´s history.						

d. Form of determination of the expected volatility

	Plan 4 (2011)	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plano 8 (2015)	Plano 9 (2016)	Plano 10 (2017)
Expected volatility	The volatility was calculated based on the variation of the average closing price of the share on the BM&FBOVESPA of the last 18 months prior to the date of grant.						

e. Whether some other characteristic of the option was incorporated in the measurement of its fair value

	Plan 4 (2011)	Plan 5 (2012)	Plan 6 (2013)	Plan 7 (2014)	Plano 8 (2015)	Plano 9 (2016)	Plano 10 (2017)
Other characteristic	No						

13.9 - Holdings in shares, unit shares and other securities that are convertible, held by managers and members of the Audit Board – by body

Number of shares or share units issued by the Company or its direct or indirect controlling stockholders, or its subsidiaries or jointly-controlled subsidiaries, and any other securities convertible into such shares or share units, that were directly or indirectly held, in Brazil or outside Brazil, by members of the Board of Directors, by the statutory directors, or by members of the Audit Board, grouped by body, on the closing date of the last business year.

Notes:
(*) This includes shares owned by the controlling stockholders Alexandre Grendene Bartelle and Pedro Grendene Bartelle and by the other stockholders bound by the Company's stockholders' agreement.

Stockholders	Dec. 31, 2016	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	217,464,784	72.314705%
Members of the Executive Board	728,058	0.242105%
Members of the Audit Board	-	-
Total number of shares	**218,192,842**	**72.556810%**

Stockholders	Dec. 31, 2015	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	217,479,784	72.319694%
Members of the Executive Board	659,268	0.219230%
Members of the Audit Board	-	-
Total number of shares	**218,139,052**	**72.538924%**

Stockholders	Dec. 31, 2014	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	220,769,984	73.413801%
Members of the Executive Board	577,450	0.192022%
Members of the Audit Board	-	-
Total number of shares	**221,347,434**	**73.605823%**

13.10 – Information on pension plans granted to the members of the board of directors and statutory executive officers

The Company does not maintain Private Pension Plan for its officers.

13.11 – Maximum, minimum and average compensation of the board of directors, statutory executive officers and fiscal council:

Annual amounts

Body	Executive Board			Board of Directors			Audit Board		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Number of members	3.00	3.00	3.00	6.00	6.00	6.00	3.00	3.00	3.00
Maximum compensation (Reais)	2,475,008.30	2,051,021.46	1,673,329.44	176,000.00	164,000.00	152,000.00	133,800.00	118,800.00	109,800.00
Minimum compensation (Reais)	1,308,828.31	1,164,538.19	1,027,305.14	176,000.00	164,000.00	152,000.00	133,800.00	118,800.00	109,800.00
Average compensation (Reais)	1,863,538.10	1,587,023.46	1,335,099.87	176,000.00	164,000.00	152,000.00	133,800.00	118,800.00	109,800.00

Comments

Executive Board

Board of Directors

Audit Board

13.12 - Mechanisms for compensation or indemnity for officers in case of removal or retirement

There are no contractual arrangements, insurance policies or other instruments that structure mechanisms for compensation or indemnity for Officers in case of removal or retirement.

13.13 – Remuneration of managers and members of the Audit Board who are related parties of the controlling stockholders, as a percentage of total remuneration of all managers and members of the Audit Board

Grendene does not make payments to members of the Board of Directors, the Statutory Directors or the Audit Board who are related parties of the Controlling stockholders, whether direct or indirect. The only payment made is to the controlling stockholders themselves (Mr. Alexandre Grendene Bartelle, who serves as Chairman of the Board of Directors, and Mr. Pedro Grendene Bartelle, who serves as Vice-Chairman of the Board of Directors).

Business year ended on	Board of Directors	Audit Board	Executive Board (Statutory Board)
December 31, 2016	33%	0%	0%
December 31, 2015	33%	0%	0%
December 31, 2014	33%	0%	0%

(A free translation of the original in Portuguese)

13.14 – Remuneration of managers and members of the Audit Board, grouped by body, received for any reason other than the function they hold

Amounts recognized for any reason other than the post they hold.

R$	2014	2015	2016
Board of Directors	R$72,000.00	R$72,000.00	R$72,000.00

The other members of the Board of Directors, Executive Board and Audit Board did not receive any remuneration other than by reason of the post they hold in the Company.

(A free translation of the original in Portuguese)

13.15 - Remuneration of management or the Audit Board recognized in the Profit and loss account of companies that are direct or indirect controlling stockholders, or companies under common control, or subsidiaries, the Issuer

The Company has no amounts recognized in the Profit and loss of any company that is a direct or indirect controlling stockholder, nor any company under common control or subsidiary of the Issuer, as remuneration of members of the Board of Directors or the statutory directors.

13.16 – Other material information

The full text of the Regulations of the Company's Stock Options Plan, approved by the Extraordinary General Meeting of Stockholders on April 14, 2008, and the alterations approved at the meetings of the Board of Directors of March 1, 2012 and February 12, 2015, is available for consultation on the websites of the CVM, BM&FBovespa and on the Company's Investor Relations site.

CVM – http://www.cvm.gov.br

BM&FBovespa S.A. – http://www.bmfbovespa.com.br

Grendene – Investor Relations – http://ri.grendene.com.br/PT/Governanca-Corporativa/Stock-Options

Stock options plan

The information in the items above refers only to the Directors. However it is necessary to make clear that the stock options plan, administered by the Board of Directors, allows for beneficiaries who are executives at Management levels, as well as the Directors referred to above, also including the principal managers. For greater transparency we transcribe below **Explanatory Note 21** to the financial statements.

21. Stock option or subscription plan

At the Extraordinary General Meeting held on April 14, 2008, the Company's stockholders approved the "Stock Option or Share Subscription Plan", to be effective as from April 14, 2008, for the Company's directors and managers, except for directors nominated by the controlling stockholders. The plan is administered by the Company's Board of Directors, which may delegate this function, within the restrictions established by law to the committee created on February 12, 2015, by the 59th meeting of the Board of Directors.

The share purchase options granted under the Stock Option Plan are limited to 5% of the Company's capital. The shares to be delivered as a result from the exercise of options will be issued through a resolution to increase capital, by the Board of Directors, within the Company's authorized capital, or using treasury shares, within legal limits.

The Stock Option or Share Subscription Plan beneficiaries may exercise their options within 6 years from the grant date. The vesting period will be of up to 3 years, with releases of 33% after one year, 66% after two years and 100% after three years.

On December 31, 2016 the company recognized an expense of R$5,283 (R$3,543 in 2015) in Personnel expenses, for stock options, based on the fair value of the transactions on the date of their being granted.

a) Summary of grants of share purchase options or subscriptions

The options granted and the related changes were as follows:

				2016					
Grant date	Option exercise price	Vesting period as from grant date	Maximum number of shares	Opening balance	Granted	Exercised	Canceled	Anticipation of the Grace period	Closing balance
2/24/2011	10.80	2/24/2012	580,544	5,956	-	(5,956)	-	-	-
2/24/2011	10.80	2/24/2013	1,161,088	5,956	-	(5,956)	-	-	-
2/24/2011	10.80	2/24/2014	1,741,632	53,114	-	(45,065)	-	-	8,049
2/28/2013	9.55	2/28/2016	795,549	240,561	-	(240,561)	-	-	-
2/13/2014	9.84	2/13/2016	246,772	117,371	-	(119,080)	-	1,709	-
2/13/2014	9.84	2/13/2017	370,158	117,371	-	-	(2,758)	(1,709)	112,904
2/12/2015	8.42	2/12/2016	215,518	210,298	-	(215,948)	-	5,650	-
2/12/2015	8.42	2/12/2017	431,036	210,298	-	-	(4,645)	(2,825)	202,828
2/12/2015	8.42	2/12/2018	646,554	210,298	-	-	(4,645)	(2,825)	202,828
2/25/2016	7.80	2/25/2017	297,282	-	297,282	-	(2,922)	-	294,360
2/25/2016	7.80	2/25/2018	594,564	-	297,282	-	(2,922)	-	294,360
2/25/2016	7.80	2/25/2019	891,846	-	297,282	-	(2,922)	-	294,360
				1,171,223	**891,846**	**(632,566)**	**(20,814)**	**-**	**1,409,689**

13.16 – Other material information

2015 Grant date	Option exercise price	Vesting period as from grant date	Maximum number of shares	Opening balance	Granted	Exercised	Canceled	Anticipation of the Grace period
2/24/2011	10.80	2/24/2012	580,544	5,956	-	-	-	5,956
2/24/2011	10.80	2/24/2013	1,161,088	5,956	-	-	-	5,956
2/24/2011	10.80	2/24/2014	1,741,632	357,020	-	(303,906)	-	53,114
3/01/2012	4.33	03/01/2013	108,949	-	-	-	-	-
3/01/2012	4.33	03/01/2014	217,898	4,654	-	(4,654)	-	-
3/01/2012	4.33	03/01/2015	326,847	96,452	-	(96,452)	-	-
2/28/2013	9.55	2/28/2014	265,183	26,414	-	(26,414)	-	-
2/28/2013	9.55	2/28/2015	530,366	243,074	-	(243,074)	-	-
2/28/2013	9.55	2/28/2016	795,549	243,074	-	-	(2,513)	240,561
2/13/2014	9.84	2/13/2015	123,386	118,570	-	(118,570)	-	-
2/13/2014	9.84	2/13/2016	246,772	118,570	-	-	(1,199)	117,371
2/13/2014	9.84	2/13/2017	370,158	118,570	-	-	(1,199)	117,371
2/12/2015	8.42	2/12/2016	215,518	-	215,518	-	(5,220)	210,298
2/12/2015	8.42	2/12/2017	431,036	-	215,518	-	(5,220)	210,298
2/12/2015	8.42	2/12/2018	646,554	-	215,518	-	(5,220)	210,298
				1,338,310	**646,554**	**(793,070)**	**(20,571)**	**1,171,223**

2014 Grant date	Option exercise price	Vesting period as from grant date	Maximum number of shares	Opening balance	Granted	Exercised	Canceled	Anticipation of the Grace period
02/24/2011	10.80	02/24/2012	580,544	5,956	-	-	-	5,956
02/24/2011	10.80	02/24/2013	1,161,088	5,956	-	-	-	5,956
02/24/2011	10.80	02/24/2014	1,741,632	498,983	-	(141,963)	-	357,020
03/01/2012	4.33	03/01/2013	108,949	-	-	-	-	-
03/01/2012	4.33	03/01/2014	217,898	99,620	-	(94,966)	-	4,654
03/01/2012	4.33	03/01/2015	326,847	99,620	-	-	(3,168)	96,452
02/28/2013	9.55	02/28/2014	265,183	253,267	-	(226,853)	-	26,414
02/28/2013	9.55	02/28/2015	530,366	253,267	-	-	(10,193)	243,074
02/28/2013	9.55	02/28/2016	795,549	253,267	-	-	(10,193)	243,074
02/13/2014	9.84	02/13/2015	123,386	-	123,386	-	(4,816)	118,570
02/13/2014	9.84	02/13/2016	246,772	-	123,386	-	(4,816)	118,570
02/13/2014	9.84	02/13/2017	370,158	-	123,386	-	(4,816)	118,570
				1,469,936	**370,158**	**(463,782)**	**(38,002)**	**1,338,310**

The fair value of options is calculated at the grant date of the plans, and is not subsequently remeasured since the settlement of the plan is made through equity instruments, as described in technical pronouncement CPC10 – R1 (IFRS 2) – Share-based Payment. Therefore, the Company is subject to variation of the share price in the market when the option is exercised by the beneficiaries of the plans.

In 2016, the Company acquired, for the fulfillment of the plans for exercise of options of share purchase, 637,840 shares, at an average cost of R$17.28, totaling R$11,020. In 2016, 632,566 shares were exercised at an average cost of R$10.14, totaling R$6,416.

In 2016, the Company recognized the difference between the average exercise price of the options and the average cost the shares acquired for the fulfillment of these exercises, in the amount of R$423, directly in equity, since the settlement of options plans occurs through equity instruments, as described in technical pronouncement CPC 10 – R1 (IFRS 2) – Share-based payment.

b) Changes of the operations with stock option

Changes involving issuance, exercise and cancellation of share purchase options in the year were as follows:

Plan	Changes	Grace period – from Grant	Number of shares	Movement in shares	Premium	Expense of exercise or cancellation
Fourth	**Balance at the beginning of the year**	-	**65,026**	-	-	-
	(-) Exercise of share purchase option	2/24/2012	-	(5,956)	0.63	(4)
	(-) Exercise of share purchase option	2/24/2013	-	(5,956)	1.24	(7)
	(-) Exercise of share purchase option	2/24/2014	-	(35,945)	1.74	(63)
	(-) Exercise of share purchase option	2/24/2014		(9,120)	1.74	(16)
	Balance at the end of the year	-	**8,049**	-	-	-
Sixth	**Balance at the beginning of the year**	-	**240,561**	-	-	-
	(-) Exercise of share purchase option	2/28/2016	-	(236,962)	8.19	(1,941)
	(-) Exercise of share purchase option	2/28/2016		(3,599)	8.19	(29)
	Balance at the end of the year	-	**-**	-	-	-
Seventh	**Balance at the beginning of the year**	-	**234,742**	-	-	-
	(-) Exercise of share purchase option	2/13/2016	-	(115,662)	5.98	(692)
	(-) Canceled	2/13/2017	-	(2,758)	6.07	(12)
	(-) Exercise of share purchase option	2/13/2016		(1,709)	5.98	(10)
	(-) Exercise of share purchase option	2/13/2017		(1,709)	6.07	(9)
	Balance at the end of the year	-	**112,904**	-	-	-

13.16 – Other material information

Plan	Changes	Grace period – from Grant	Number of shares	Movement in shares	Premium	Expense of exercise or cancellation
Eighth	**Balance at the beginning of the year**	-	**630,894**	-	-	-
	(-) Exercise of share purchase option	2/12/2016	-	(207,473)	5.82	(1,207)
	(-) Canceled	2/12/2017	-	(4,645)	6.10	(17)
	(-) Canceled	2/12/2018	-	(4,645)	6.29	(11)
	(-) Exercise of share purchase option	2/12/2016		(2,825)	5.82	(16)
	(-) Exercise of share purchase option	2/12/2017		(2,825)	6.10	(14)
	(-) Exercise of share purchase option	2/12/2018		(2,825)	6.29	(9)
	Balance at the end of the year	-	**405,656**	-	-	-
Nine	**Balance at the beginning of the year**	-	**-**	-	-	-
	Share purchase options issued		891,846	-	-	-
	(-) Canceled	2/25/2017	-	(2,922)	7.59	(4)
	(-) Canceled	2/25/2018		(2,922)	7.76	(2)
	(-) Canceled	2/25/2019	-	(2,922)	7.83	(1)
	Balance at the end of the year	-	**883,080**	-	-	-
				Movement in Stockholder's equity		**(4,064)**

c) Economic assumptions adopted for recognition of employee remuneration expenses

The Company recognizes expenses for the variable remuneration of employees based on the fair value of the options granted, which was estimated using the Black-Scholes option pricing model. The Company utilized the following economic assumptions to determine this weighted average fair value:

	4th Plan	5th Plan	6th Plan	7th Plan	8th Plan	9th Plan
Grant date	02/24/2011	03/01/2012	02/28/2013	02/13/2014	02/12/2015	02/25/2016
Total purchase options granted	1,741,632	326,847	795,549	370,158	646,554	891,846
Exercise price	10.80	4.33	9.55	9.84	8.42	8.88
Estimated volatility	27.60%	14.07%	25.51%	26.35%	26.51%	29.89%
Expected dividends	4%	7%	5%	6%	5%	6%
Weighted average risk-free interest rate	12.50%	9.50%	7.25%	11.25%	12.75%	14.25%
Maximum maturity	6 years	6 years	6 years	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years
Option premium	1.20	4.21	8.38	5.96	6.07	7.73

Volatility was determined based on the average historical fluctuation of the share price over the 18 months prior to the grant date.

The expected dividends were based on the average dividend payment per share in relation to the market value of the share over the last 12 months.

The Company utilizes as the risk-free interest rate the average projected Special System for Settlement and Custody (SELIC) rate published by the Central Bank of Brazil (BACEN).

The fair value of options is calculated at the grant date and recorded as an expense, on a straight-line basis, during the vesting period.

The Company is not committed to repurchase shares that were purchased by the beneficiaries.

Appendix IV

Exemption from the legal requirement to publish notices in a third newspaper

Since CVM Instruction 480/09 repealed the requirement for mandatory publication by listed companies in a third newspaper, Management now proposes, as decided in the 66th Meeting of the Board of Directors, held on October, 20, 2016, that the General Meeting of Stockholders should approve dispensation of the requirement to make the Company's legal publications in a third newspaper (*Valor Econômico*) – which had been decided by the Extraordinary General Meeting of October 6, 2004; and that the two official publication media, as required by Article 289 of Law 6404/76 would now be the *Official Gazette* of the State of Ceará (*Diário Oficial do Estado do Ceará*) and the newspaper *O Povo*.