

# ANNUAL REPORT 2016



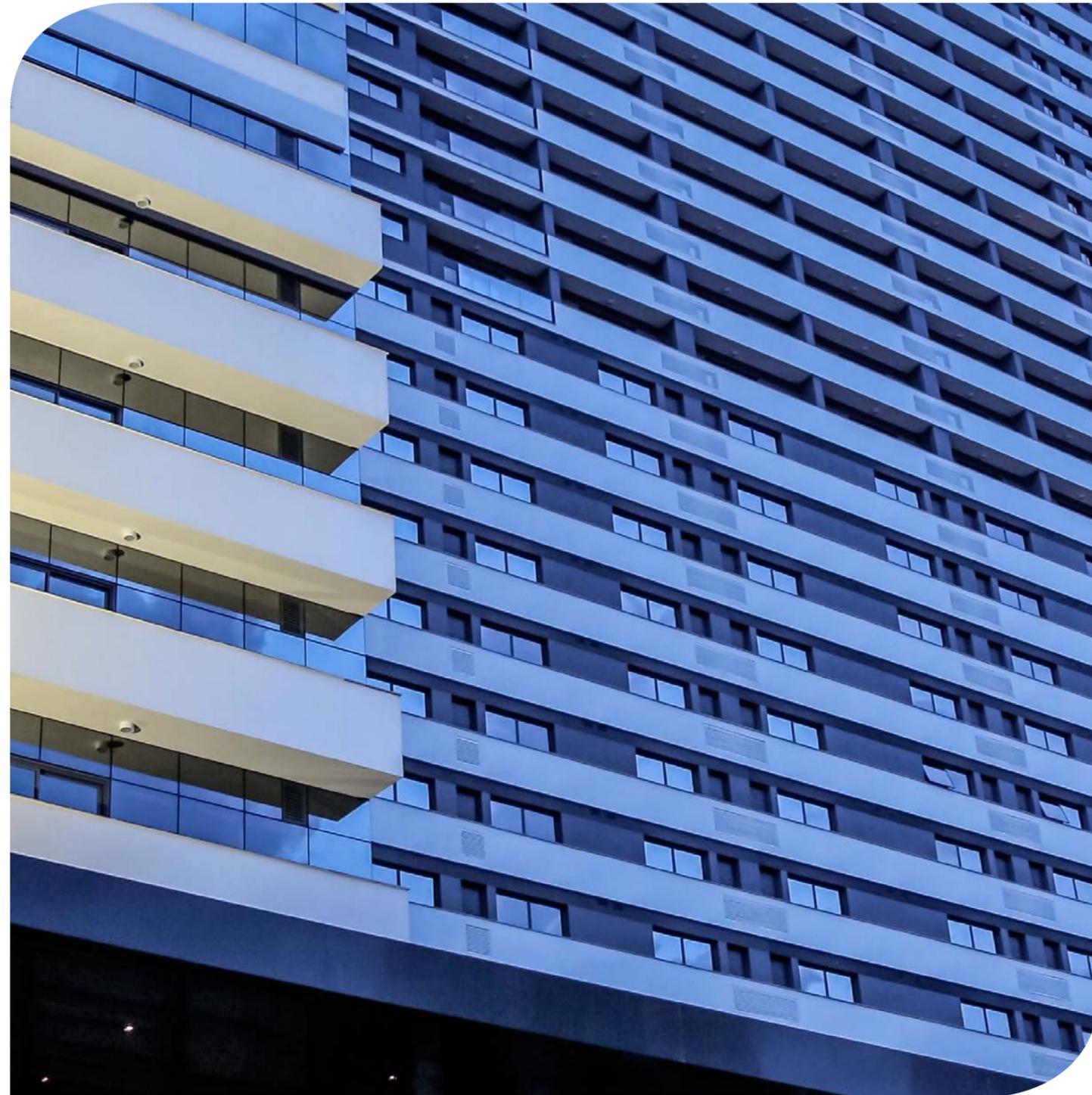
# INTRODUCTION

## IN THIS CHAPTER

EXECUTIVE SUMMARY

MESSAGE FROM THE CEO





TECNISA S.A., a publicly traded company based in São Paulo, Brazil, is pleased to report to its employees, customers, business partners, shareholders and investors on its business results in 2016.

This *Annual Report* is being released amid a process of extensive organizational transformation within Tecnisa. It reviews our economic, social and environmental indicators and performance in the year using the framework set out in the Global Reporting Initiative (GRI) G4 Reporting Guidelines. The contents and data in this Report address our most material topics and impacts as defined by our stakeholders.

In addition to the GRI reporting guidelines, TECNISA also adopts the requirements laid down by the Brazilian Association of Listed Companies (ABRASCA) and industry best practice to further deliver on our commitment to transparency, honesty and good relations with our investors and shareholders by communicating our challenges and future vision.

To submit any questions or feedback on this report, please write to [sustentabilidade@tecnisa.com.br](mailto:sustentabilidade@tecnisa.com.br). Read more about our history as a Company at [www.tecnisa.com.br](http://www.tecnisa.com.br). G4-31

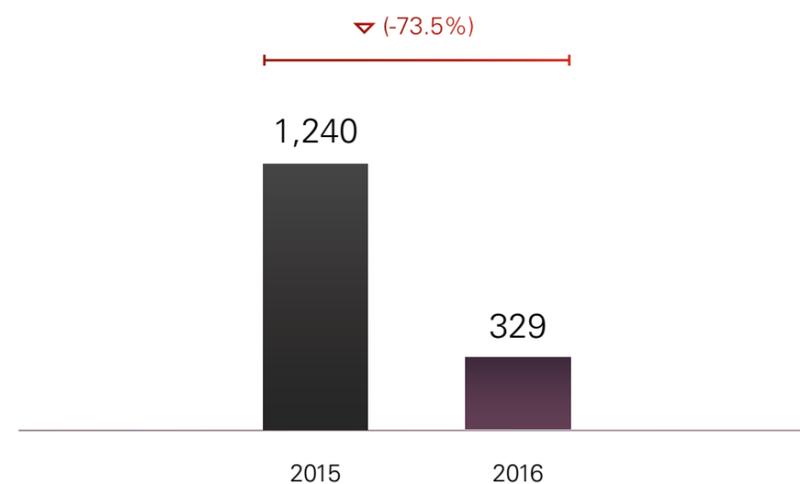
# This report is an opportunity to share with the market and our shareholders a summary of our investments and developments in 2016

# Executive summary

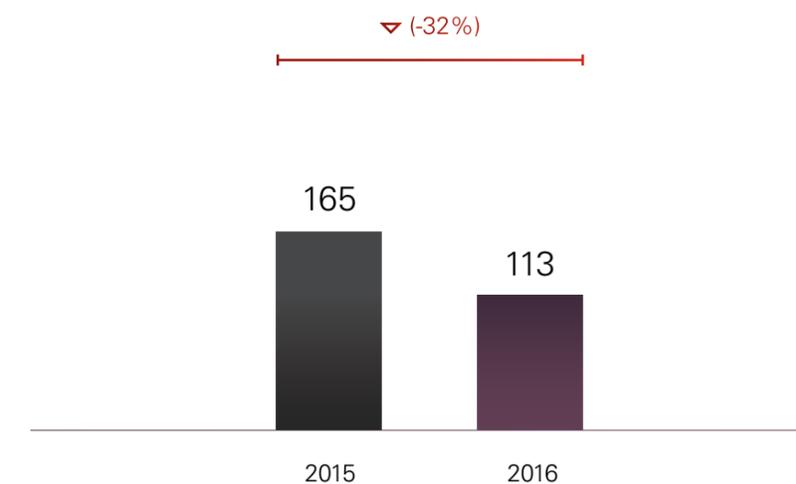
A SUMMARY OF OUR KEY INDICATORS AND DEVELOPMENTS IN 2016

## ◇ FINANCIALS

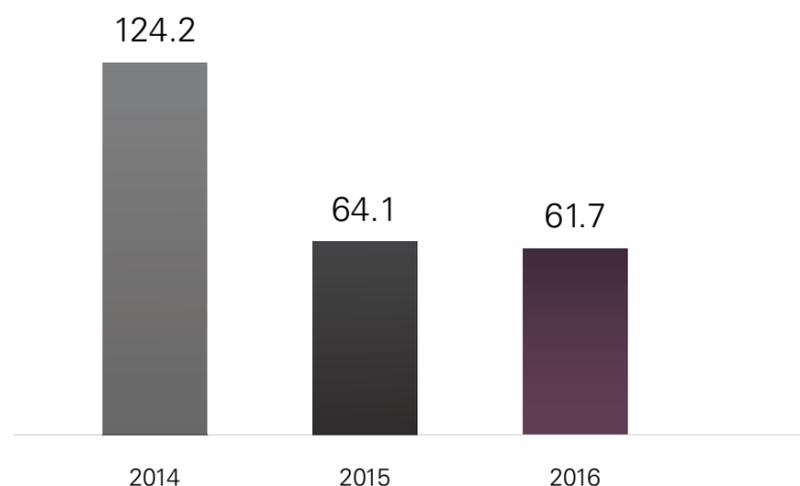
NET OPERATING REVENUE (R\$ MILLION)



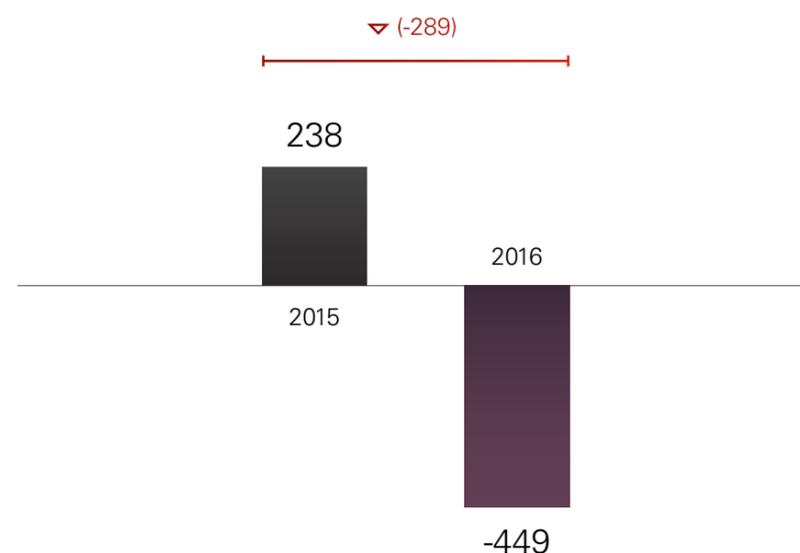
ADMINISTRATIVE EXPENSES (R\$ MILLION)



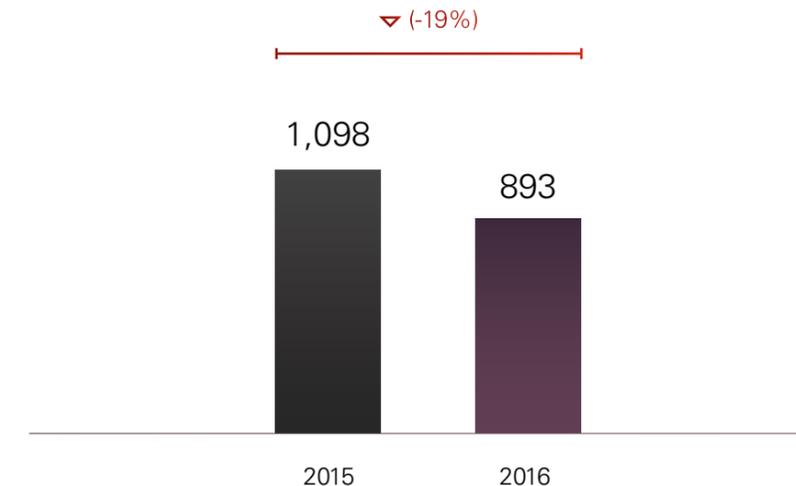
RATIO OF NET DEBT TO EQUITY (%)



NET INCOME/LOSS (R\$ MILLION)

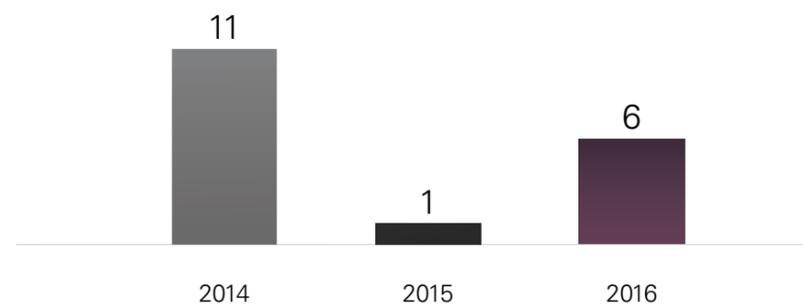


NET DEBT (R\$ MILLION)

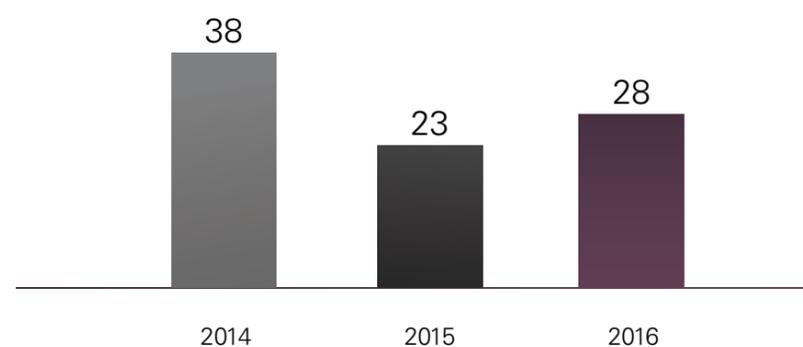


◇ OPERATIONS

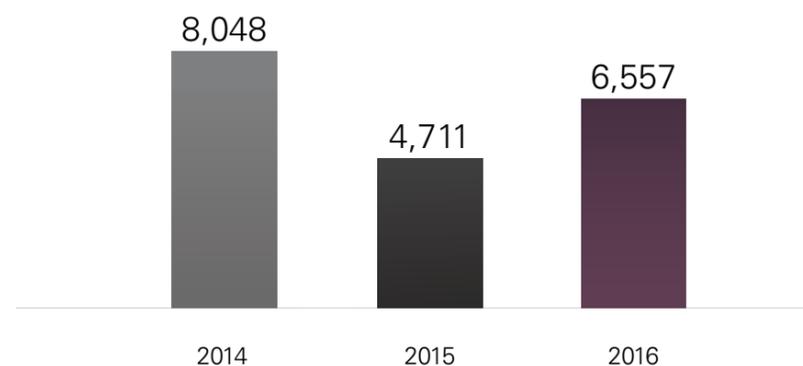
DEVELOPMENTS LAUNCHED



PROJECTS COMPLETED



UNITS DELIVERED



**R\$ 395 mn**

in new launches (PSV), all sited in São Paulo

**R\$ 372 mn**

in net contract sales, affected by cancellations

**R\$ 1,995 mn**

in inventories at market value; completed units account for

**61%**

of inventories

**R\$ 957 mn**

in gross contract sales

**21%**

below 2015

**R\$ 838 mn**

in receivables assignments

LAND BANK

**R\$ 5.8 bn**

in equity potential sales value (PSV)

**2**

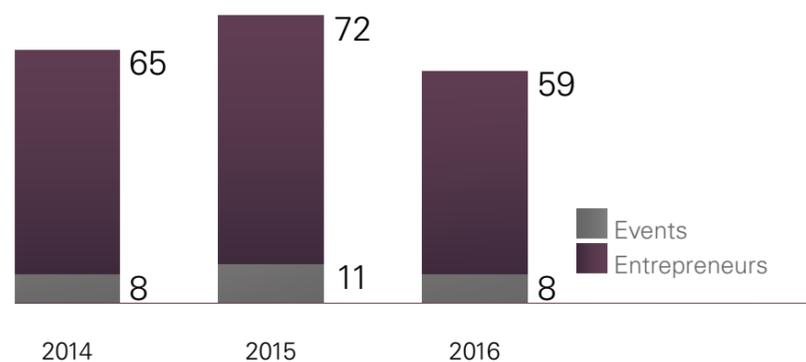
NON-STRATEGIC LAND ASSETS sold

**R\$ 2.2 bn**

in deliveries

◇ INNOVATION AND EFFICIENCY

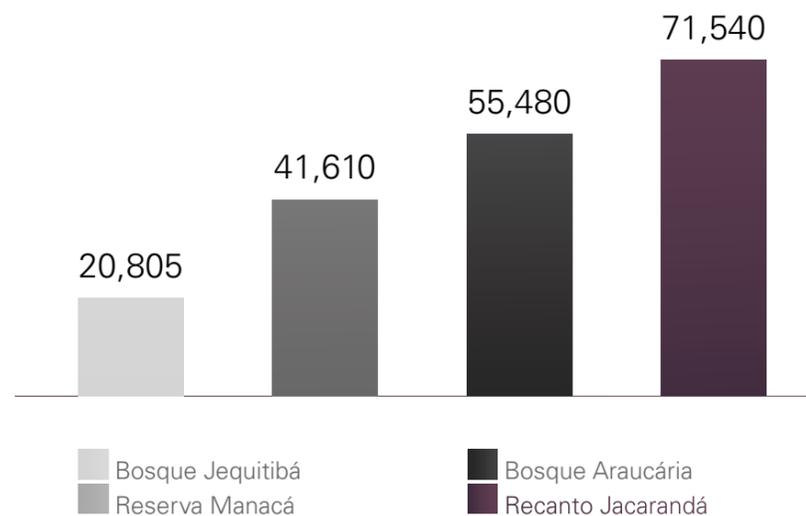
FAST DATING EVENTS



**79%**  
of developments delivered on or ahead of schedule <sup>41</sup>

▷1 All projects launched from the second half of 2012, when TECNISA resumed control of all developments, were delivered on or ahead of schedule.

WATER SAVINGS FROM SHOWER HEAD FLOW RESTRICTORS IN DELIVERED PROJECTS (M<sup>3</sup>/YEAR)

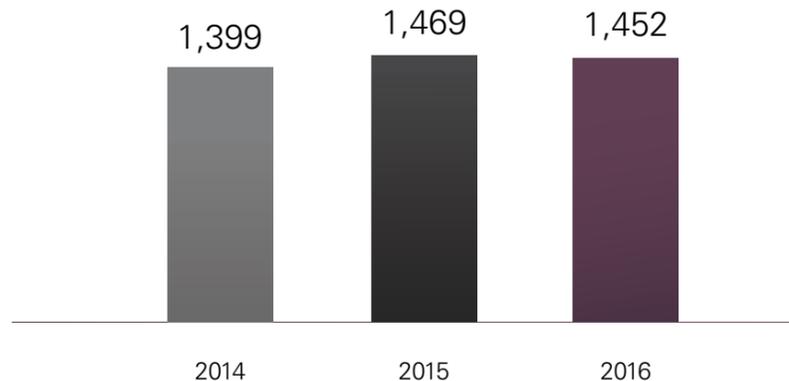


**20%**  
total reduction in development cycle time

**91%**  
of waste segregated for recycling/reuse

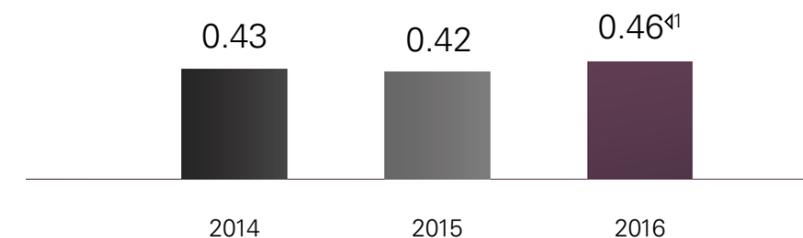
◇ RELATIONS AND IMPACTS

SOCIAL INVESTMENT (R\$ THOUSAND)



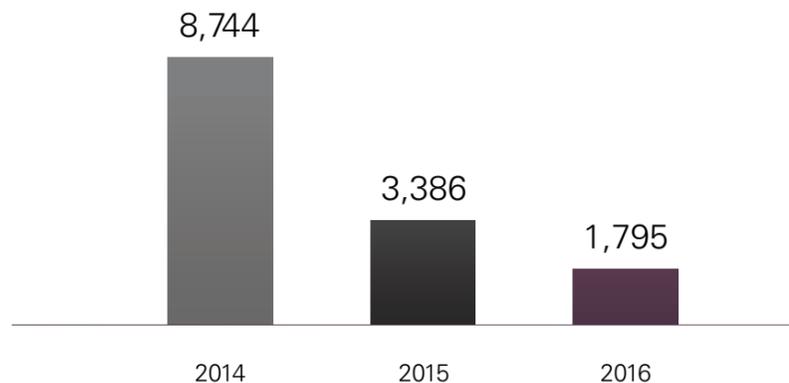
INJURY RATE

NUMBER OF INJURIES WITH 15+ LOST DAYS / TOTAL HEADCOUNT (%)



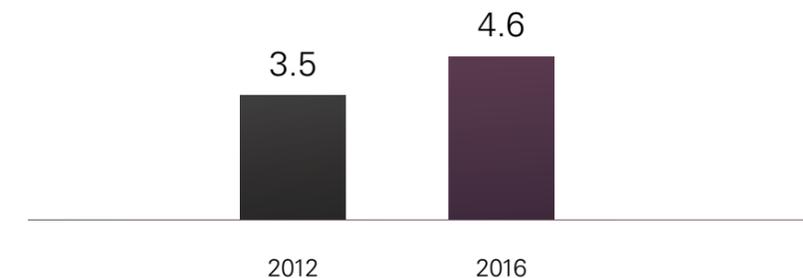
▷1 The higher injury rate in 2016 is due to a reduction of our workforce.

EMPLOYEES (INCLUDING CONTRACTORS)



CUSTOMER SATISFACTION (ON A SCALE OF 0 TO 5)

CUSTOMER RATINGS ON OUR TECHNICAL SUPPORT SERVICE



## Statement from the CEO

G4-1, G4-2

2016 tested the resilience of Brazil's real estate industry. Political and economic instability, high interest rates, shrinking demand and the continuing credit crunch in Brazil have posed a number of challenges since about two years ago. Through our employees' efforts and the decisions of our leadership, we successfully navigated the period by restructuring the business to achieve the levels of efficiency and responsible management needed to operate profitably in the coming years.

As dictated by the new business environment, we continued to pursue our strategy of monetizing assets, mitigating expenses and costs and targeting the São Paulo market – where we have built a strong reputation, a closely managed value chain and unique insights into customer patterns.

This is reflected in some of our operating indicators, including a record volume of deliveries and assignments and steady inventory at market value compared with 2015, despite the high volume of cancellations and depressed demand.

We have also been highly focused on commercial discipline, with new launches carefully considered to prioritize lower-risk developments. In 2016, we reactivated the development pipeline with six new launches, all within greater São Paulo City.

## CAPITAL STRUCTURE SOLUTIONS BEING IMPLEMENTED ARE LAYING THE FOUNDATIONS FOR A LEANER, MORE EFFICIENT AND PROFITABLE BUSINESS MODEL

To facilitate receivables assignments to financial institutions, we have a clearly articulated goal of providing the Company and capital providers with clear prospects for project profitability, improving the market's perception of our resilience.

A number of strategic moves are also helping to build a new – smaller, leaner and more efficient – TECNISA. These include further reductions to general and administrative expenses that have delivered cost savings of 32% compared to 2015. Despite the tough decisions we have had to make – such as downsizing our workforce – we believe these measures are necessary for our continuity as a business.

In 2016, our Board of Directors approved a capital increase of R\$ 200 million. This supported the acquisition of a minority stake in the Company by Cyrela Brazil Realty, strengthening our capital structure and mitigating the liquidity risks many of our peers in the industry are facing.

These reorganization efforts demonstrate that our management is fully committed to honoring the trust that our stakeholders – including our suppliers, employees, customers, partners and investors – have placed in us as we navigate through this testing period. We believe that by engaging with stakeholders we will continue to enhance our reputation for, and

market recognition of, our investment in process and customer experience innovation.

During the year, we maintained our focus on customer satisfaction and developing innovative solutions across environmental management, project eco-efficiency and amenities. These initiatives our helping to embed sustainability in the business while building a positive perception of our brand as a hub of innovation that attracts entrepreneurs, partners and customers who want to do business with real estate developers demonstrating industry best practice.

I would like to conclude by stressing that while the pressures from the current business environment will continue to test our discipline and responsibility, we are confident that there are genuine signs of a gradual recovery in the market. Our restructuring efforts are continuing in 2017, positioning TECNISA to resume growth on a sustainable footing. You are invited to peruse the following pages for an overview of our performance in 2016 and the pipeline of new projects and ventures we are preparing for the medium term. I hope you find our report useful and informative.

**Meyer Joseph Nigri**  
CEO

# WHO WE ARE

## IN THIS CHAPTER

BUSINESS MODEL  
GOVERNANCE

ETHICS AND ANTI-CORRUPTION





## A COMPANY FOCUSED ON EFFICIENCY, TECHNOLOGY AND PRODUCT AND PROCESS INNOVATION

TECNISA S.A. is a Brazilian publicly traded company founded and based in São Paulo (SP), Brazil, with 39 years of industry expertise across all stages of real estate development. Our shares are listed on B3 (the São Paulo stock exchange) under ticker TCSA3. While TECNISA has recently targeted its focus on the metropolitan area of São Paulo, a number of projects have also been delivered or are nearing completion in states such as Amazonas, Bahia, Ceará, the Federal District and Paraná. [G4-3](#), [G4-5](#), [G4-6](#), [G4-7](#)

Our business spans an extensive commercial, residential and mixed-use property development value chain, from land banking, development and construction to marketing and sales. TECNISA's slogan – "Better by the meter" – translates a philosophy focused on developing innovative and sustainable construction solutions and practices based on efficiency, transparency and quality.

Our workforce of 1,795 employees comprises administrative and support staff, construction and technical support personnel, brokering associates and third-party professionals. TECNISA's value chain also includes around 400 equipment, materials, labor and services suppliers. [G4-9](#)

With a strong legacy of construction and marketing innovation, TECNISA's residential development portfolio is structured into two product lines: TECNISA Premium, for the mid- to high-income market; and

TECNISA Flex, a more affordable product range (units priced at R\$200,000 to 400,000). Product diversity has allowed the Company to mitigate the risks inherent to our industry and better explore a number of niche markets. [G4-4](#), [G4-8](#)

TECNISA has undertaken an extensive restructuring process in recent years to adapt to the difficult trading conditions in the Brazilian construction and real estate industry and to strengthen our financial capacity. Our focus in 2016 was on three pillars: monetizing assets; targeting new launches within the State of São Paulo and segments with lower cancellation risk; and reformulating our organizational structure.

This helped to reduce general and administrative expenses by 32% in the year. Net revenue declined to R\$ 329 million due to factors that included a high volume of cancellations and portions of income being accounted for by the equity method (*read more in Business performance*).

In commercial activity, our development pipeline has been expanded with six new projects in São Paulo (SP) worth a total of R\$ 395 million. Deliveries totaled R\$ 2.2 billion in 2016, setting a new record for the Company alongside record receivables assignments of R\$ 838 million, which helped to reduce indebtedness.

◇ **MISSION** G4-56

To deliver real estate products and services that maximize profitability and customer satisfaction to ensure our business sustainability and enhance the value of the TECNISA brand.

◇ **VISION** G4-56

To be recognized as a market-leading real estate developer and grow the business through profitability, quality of delivery, innovation and positive relations with customers, employees and investors.

◇ **VALUES** G4-56

**Integrity:** We do business with transparency and integrity. Our actions are guided by the highest professional standards. We keep our promises. We do not guarantee we will not make mistakes, but we do guarantee we will always correct and learn from them.

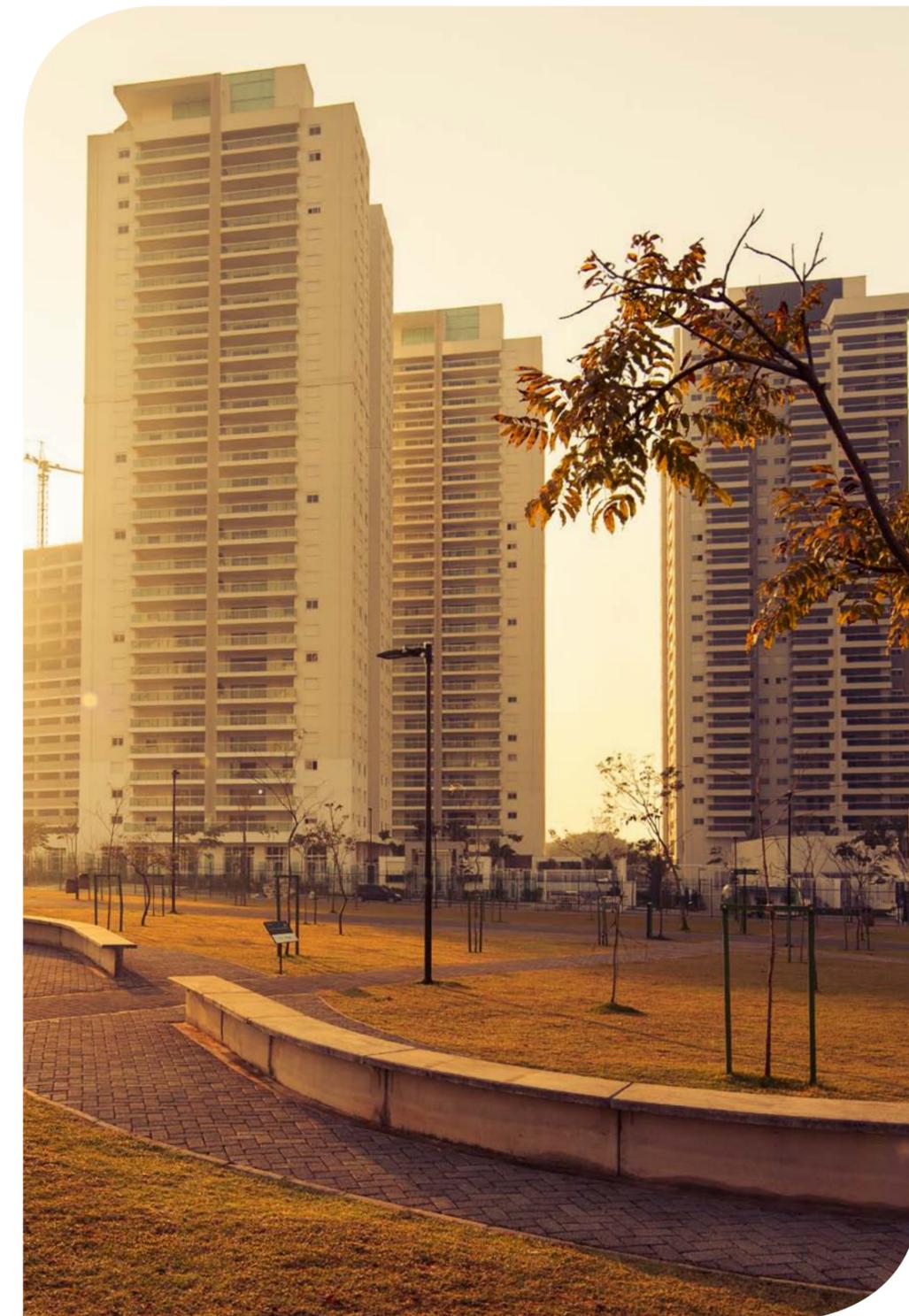
**Attitude:** We think and act as business owners, seizing every opportunity that presents itself on the market. We are committed, persistent and proactive, and take risks responsibly. We act with cordiality and respect; we have a sense of urgency and timeliness. We lead by example.

**Results:** We are tenacious in delivering the results needed to maximize returns on our investments, the satisfaction of our shareholders, and compensation for our employees. Results are the lifeblood that allows the business to grow, succeed and endure.

**Meritocracy:** We reward and provide our people with opportunities to grow based on their performance, which we evaluate clearly, objectively and comprehensively.

**People:** We recruit, retain and develop top talents who are enthusiastic, proactive and hard-working. We work as a team in an environment that is open to questions and suggestions, and supports a high level of confidence in individuals' abilities to deliver on our full creative potential.

**Excellence and Quality:** We strive to do things right and to the highest standards of quality. We set and implement standards of excellence in everything we do. It is in our DNA. We work hard to deliver superior-quality products and services on schedule.



# Timeline

1977

The company begins operations, trading as TECNISA Engenharia e Comércio Ltda.

1980

TECNISA develops an innovative, streamlined construction process and launches the *grand space* development concept offering larger and more roomy units.

1990

Created Rooftop (amenities) concept and became first real estate developer in Brazil to deliver fully equipped and decorated common areas.

2000

Launched Corporate Social Responsibility Program; obtained ISO 9001 and PBQP-h (Brazilian Housing Quality and Efficiency) Tier A certification; listed on the São Paulo Stock Exchange (now B3) on *Novo Mercado*; innovated in the use of social media to interact with customers, and launched the TECNISA Flex product line.

2011

Published Sustainability Policy and created the Fast Dating collaborative innovation program.

2012

Launched Stakeholder Engagement Policy; completed infrastructure for the Jardim das Perdizes project; and received Procel Tier A energy efficiency certification for the first towers within the development.

2013

Completed the first deliveries within the Jardim das Perdizes planned unit development and secured AQUA certification for the development.

2014

Developed sales application for Google Glass; first use of drones for construction supervision; released Anti-Corruption and Government Relations Policy.

2015

Obtained certificates of completion for the first residential towers in Jardim das Perdizes.

2016

Reactivated development pipeline with six new projects in São Paulo; cost reduction programs generate savings of more than 30%.

# Business model

G4-8, G4-9

A stage-by-stage overview of our business

## ◇ CAPITAL USED



### FINANCIAL

- ▷ Financing
- ▷ Shareholder contributions
- ▷ Cash generation



### MANUFACTURED

- ▷ Own assets and infrastructure
- ▷ Construction management technology and systems



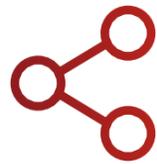
### NATURAL

- ▷ Construction materials
- ▷ Water and energy resources



### HUMAN

- ▷ Training and corporate fitness center



### SOCIAL

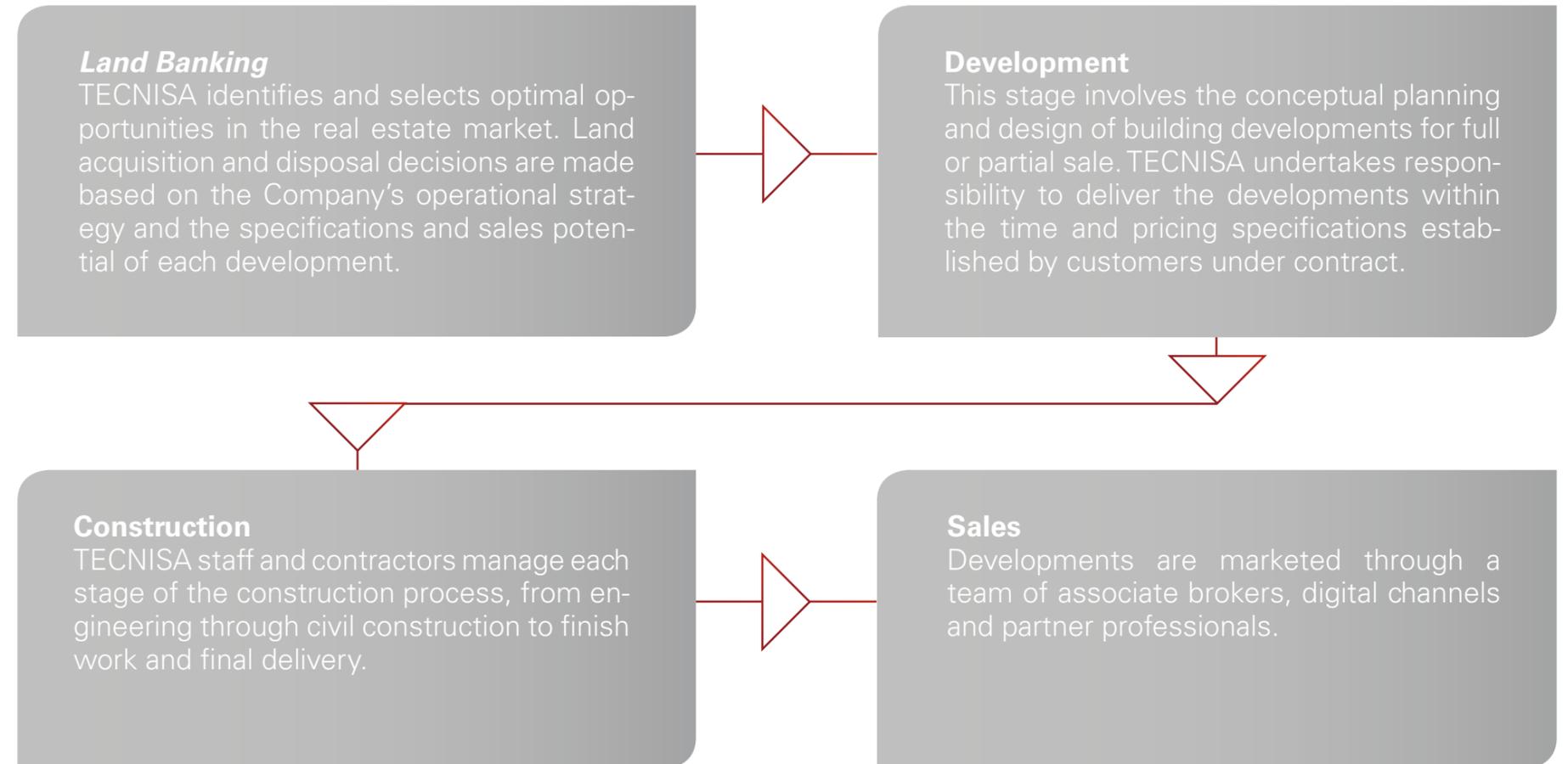
- ▷ Customer relations
- ▷ Relations with investors, shareholders and the market
- ▷ Engagement with communities/development neighbors



### INTELLECTUAL

- ▷ Construction research and development
- ▷ Marketing innovation
- ▷ Collaboration with suppliers and the value chain (*Fast Dating*)

## ◇ OUR VALUE CHAIN



◇ **VALUES AND PRACTICES**

**Excellence and quality**

- ▷ Stringent pipeline and supply chain management
- ▷ Efficient customer service
- ▷ Efficient use of natural resources and construction processes

**Business intelligence**

- ▷ A presence across different income segments through our targeted TECNISA Flex and TECNISA Premium product ranges
- ▷ A focus on strategic regions within the real estate development market
- ▷ Innovation in residential and commercial developments

**Financial discipline**

- ▷ Administrative cost control and cost savings
- ▷ Superior asset monetization
- ▷ Management of business risks (cancellations, market swings, macro economic conditions and materials costs)

◇ **WHAT WE DELIVER**

**Integrated real estate development solutions**

TECNISA is active across the entire value chain, from land banking through construction to marketing.

*Outputs:*

- Efficiency and convenience
- Accelerated sales and execution

**Innovative design**

Our developments are designed to deliver superior, segment- and purpose-appropriate levels of efficiency, innovation, comfort quality and accessibility.

*Outputs:*

- Construction innovation (improving energy efficiency, waste management, etc.)
- Project safety and comfort

**Financial strength and stability**

Recently implemented strategic moves (capital increase, asset monetization, increased focus on the metropolitan area of São Paulo and a reduction of administrative expenses) are positioning the Company for the next cycle of growth in Brazil's real estate development industry, ensuring the sustainability of the business in the medium and long-term

- Creating value
- Business sustainability



# Governance

TECNISA's ever maturing governance model is designed to balance the interests of management, shareholders and investors based on our corporate values, mission and vision and our By Laws and Code of Ethics. As a Company listed in the *Novo Mercado* segment of B3 (the São Paulo stock exchange), which brings together corporations with superior corporate governance practices, TECNISA has benchmarked and adopted best practices developed in the real estate industry and capital market, including fiscal controls, anti-corruption mechanisms and channels for stakeholder communications.

A capital increase in 2016 accommodated the entry of new shareholders into our ownership structure (*read more in Capital Market*).

## ◇ GOVERNANCE FRAMEWORK G4-34

The Annual General Meeting (AGM) is our highest governance body and is responsible for appointing members of the Board of Directors, deciding on the remuneration of board members and executives, approving our accounts for each fiscal period and ensuring compliance with the Company's By-laws. AGMs are held annually and Extraordinary General Meetings are held as necessary.

### Board of Directors

Board of Directors members serve a term of two years and are responsible for setting out the com-

pany's strategy, appointing members to the Executive Board and for continuous oversight of management. Our current Board of Directors was appointed in April 2017 and includes six independent members, exceeding the minimum requirement of 20% independent members under *Novo Mercado* rules. Our current members include a representative from Cyrela, which recently acquired a 13.6% stake in the company. Two members represent minority shareholders.

Chief Executive Meyer Joseph Nigri remains as vice chairman of the Board, and an independent, non-executive member serves as chair (*see the table opposite*).

Board members work closely – and meet at least four times a year – with company management to assess business performance. Board members currently do not undergo performance assessment.

### Statutory Executive Board

Currently consisting of nine members, the Executive Board is responsible for implementing Company strategy. Executive Board members are appointed by the Board of Directors for renewable terms of two years.

In accordance with the Brazilian Corporations Act, officers must be resident in Brazil and may be shareholders or otherwise. The performance of Executive Board members is monitored against specific operating and financial indicators.

#### BOARD OF DIRECTORS

NAME	POSITION
Ricardo Barbosa Leonardos	Chairman and Independent member
Meyer Joseph Nigri	Vice Chairman and chief executive
Andriei José Beber	Independent member, minority shareholder representative
Eduardo Luiz Wurzmann	Independent member, minority shareholder representative
Efraim Schmucl Horn	Member representing Cyrela
Fernando Tadeu Perez	Independent member

#### EXECUTIVE BOARD

NAME	POSITION
Meyer Joseph Nigri	Chief executive
Joseph Meyer Nigri	Vice President
Douglas Duarte	Commercial
Enzo Biagio Riccetti	Development
Fabio Villas Bôas	Technical
Flávio Vidigal de Capua	CFO & Investor Relations
Ivam Marcelo Torres	Controllershship & Human Resources
José Carlos Lazaretti Júnior	Legal
Romeo Deon Busarello	Marketing



**Audit Committee**

Organized in 2007, the Audit Committee exercises oversight over management activities and reviews the Company’s financial results as an independent body convening annually. Its three members and three substitutes, including representatives of minority interests, serve a term of one year. The Company also engages independent auditors.

**Advisory Committees** G4-43

Our governance structure is supplemented by four statutory, subject-matter committees advising the Executive Board on significant matters:

- ▶ Ethics Committee: composed of members of the Executive Board, the Ethics Committee receives, investigates and takes action to address reports on ethics and compliance concerns;
- ▶ Occupational Safety Committee: Engineering and Human Resources managers and officers meet on the Occupational Safety Committee to further develop safety practices and indicators for our value chain;
- ▶ Internal Audit Committee: with directors and officers among its members, the Internal Audit Committee reviews issues identified by the independent audit in key areas, and recommends improvements;
- ▶ Land Banking Committee: composed of members of senior management and supported by the Financial, Administration, Engineering, Business and Legal departments, the Land Banking Committee is responsible for assessing proposed real estate asset acquisitions.

AUDIT COMMITTEE	
NAME	POSITION
Luciano Douglas Colauto	Chair
Ricardo Scalzo	Member
Mario Lins Estevam de Barros	Member (minority shareholders)
Marcio Álvaro Moreira Caruso	Substitute
Nelmir Rosas	Substitute
Flavio Uchôa Teles de Menezes	Substitute (minority shareholders)

Four committees advise senior management on key business matters and decisions

# Capital market

TECNISA is listed on *Novo Mercado* and is a constituent of a number of indexes including IBRA (Brazil Broad-based), IMOB (Real Estate), INDX (Industrial), SMLL (Small Cap), ITAG (Special Tag Along), IGCT (Trade Corporate Governance) and IGCX (Special Corporate Governance).

TECNISA undertook a capital increase in 2016. With approval from the Brazilian antitrust authority (Cade), the transaction incorporated real estate developers Cyrela into our ownership structure. An additional capital increase was completed in March 2017 to support business development by reducing net indebtedness and further securing the Company against market risk.

As of December 30, 2016 TECNISA shares (ticker TCSA3) were traded in all B3 (formerly BM&FBovespa) sessions, depreciating by a total of 1.1% compared with 42.9% appreciation of the Ibovespa index and 36.0% appreciation of the real estate (IMOB) industry index.

Total trading volume in 2016 was R\$ 541 million, a 16% decrease compared with 2015 at 358,768 trades. TECNISA stock was priced at R\$ 2.16 per share at year-end, giving the Company a market value of R\$ 591 million.

In November 2016, Standard & Poor's downgraded the Brazil National Scale corporate credit rating assigned to TECNISA's secured debt from BBB+ to BBB- due to the adverse impacts on the Company's operational and financial results from macroeconomic instability in the real estate industry. Successful implementation of TECNISA's asset monetization strategy and lower levels of cancellations are needed, according to the agency, to improve liquidity and cash flow generation and ultimately the Company's ratings.

## ◇ INVESTOR RELATIONS

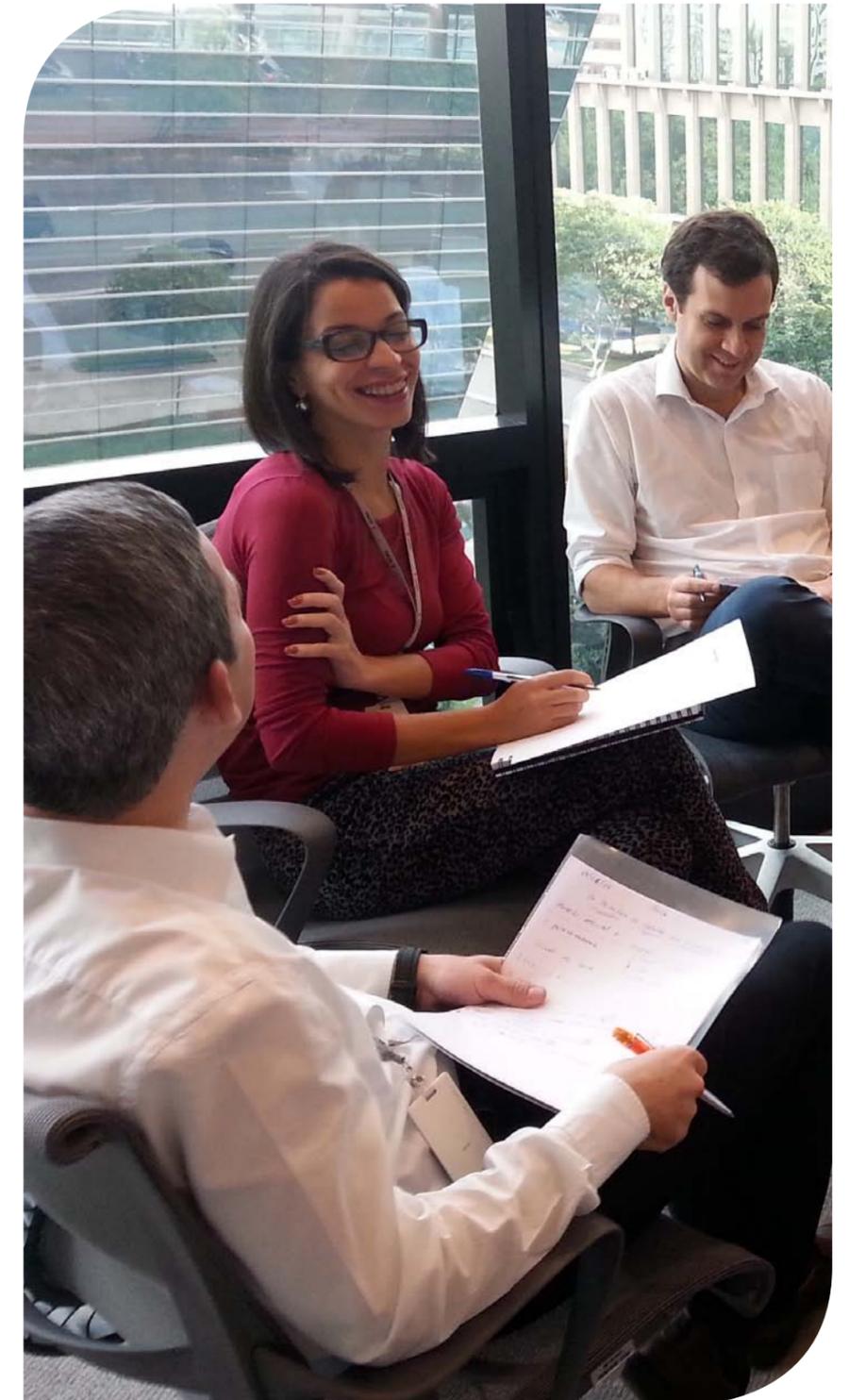
TECNISA has a well structured investor relations function underpinned by three key policies, our: Disclosure Policy; Dividend Policy; and Trading Policy. The investor relations function works to continually enhance our shareholder base, stock performance and relations with capital providers. Learn more at our Investor Relations website: [www.tecnisa.com.br/ri](http://www.tecnisa.com.br/ri).

SHARE OWNERSHIP	COMMON SHARES	TOTAL CAPITAL (%)
Controlling Group	134,292,222	49.1%
Cyrela S.A.	37,252,984	13.6%
Board of Directors and Executive Board <sup>2</sup>	374,286	0.1%
Other shareholders	101,580,508	37.2%
<b>Total</b>	<b>273,500,000</b>	<b>100.0%</b>

▶<sup>1</sup> Base date: 12/31/2016.

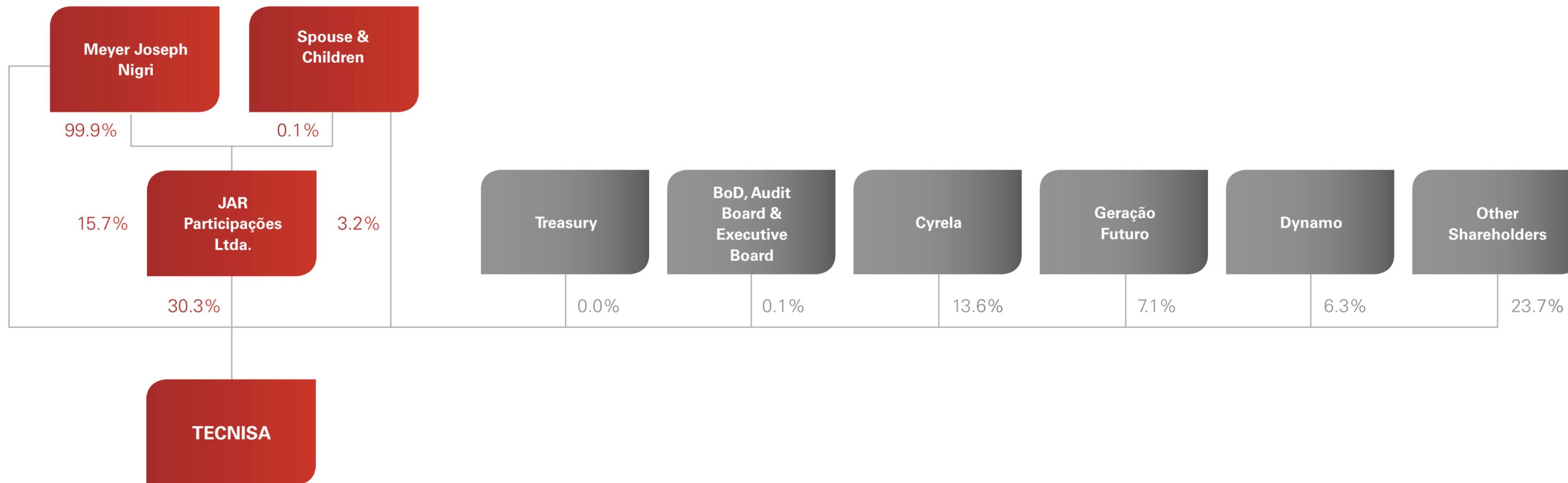
▶<sup>2</sup> Excluding directors and officers who are controlling shareholders.

◆ GROUP STRUCTURE



◆ **OWNERSHIP STRUCTURE**

(AS OF 12/31/2016)



# Ethics and anti-corruption

TECNISA adheres to the highest standards of ethics and integrity in doing business and in our interaction with stakeholders. Living our values and complying with applicable laws and regulations is a requirement for all employees and an essential part of mitigating reputational risks and ensuring our continuity as a business.

Our commitment is set out in our Code of Business Conduct and Ethics. The code establishes guidelines on ethics and integrity and the standards of behavior expected of all employees. These include guidelines on antitrust compliance, information security, conflicts of interest, anti-corruption and money laundering. The code is delivered to newly hired employees and can also be downloaded from the TECNISA Investor Relations website. G4-56

TECNISA also has a Government Relations and Anti-corruption Policy aligned with the Brazilian Anti-corruption Act (Act 12846) and the US Foreign Corrupt Practices Act (FCPA), establishing guiding principles for employees' relations with government officials.

TECNISA's senior leadership is actively engaged in compliance management along with our Compliance department. Our Code of Business Conduct and Eth-

ics will be reviewed in the second half of 2017 to determine any required updates from the previous revision released in 2014.

## ◇ **AWARENESS** G4-SO4

TECNISA ran a communication campaign in 2016 to raise awareness among employees about anti-corruption and compliance issues. The initiative included banners posted at our head offices in São Paulo and at all construction sites, as well as corporate intranet and TV content.

Compliance was also addressed in training sessions delivered by our Human Resources and Compliance departments to employees appointed as compliance champions to disseminate information and strengthen practices among colleagues.

All new hires are required to undergo training on our Code of Business Conduct and Ethics upon joining TECNISA.

## ◇ **WHISTLEBLOWING HOTLINE** G4-58

A toll-free whistle blowing number (0800 648 6305) is available for any reports on concerns or misconduct within the work environment. All reported concerns are addressed by the Ethics Committee. For confirmed reports, the relevant departments are involved and applicable penalties can include warnings, temporary suspension, termination and civil or penal proceedings. A total of nine reports were received in 2016, all of which were addressed and closed out by year-end.

## ◇ **AUDITS**

Annual internal audits are conducted on key departments such as Sales, Procurement, Real Estate Development, Engineering and Business Development to identify and mitigate potential risks. Audit findings inform action plans for continual improvement. One action plan implemented in 2016 improved the workflow for procurement of directly purchased items by requiring pre-qualification to complete the process.

# STRATEGY AND INVESTMENT

**IN THIS CHAPTER**  
COMPETITIVE STRENGTHS  
RISK AND OPPORTUNITY



## WITH A LEANER ORGANIZATIONAL STRUCTURE, WE ARE PREPARING FOR A GRADUAL REAL ESTATE REBOUND

TECNISA operates in an industry that is critical to Brazil's urban development and economic performance, with a presence in strategic regions and across a wide spectrum of customer profiles. In 2014 we undertook a review of our strategy and organizational structure to reduce exposure to risk and protect our capital structure.

These efforts have provided a rapid response to the challenges currently facing the real estate industry, including a surplus of supply in some regions, which has been further exacerbated in comparison with previous years by adverse economic conditions and credit restrictions.

Some of the key components of this response include: asset monetization to reduce our inventory of delivered units and dispose of nonstrategic real estate and project stakes; a more conservative approach to new launches; operational excellence and especially cost efficiency; and a targeted focus on the São Paulo market.

These efforts all converge to support our core business and are designed to ensure our sustainability, reputation and our shareholders' and investors' confidence in our capacity to resume growth.

Senior management took a number of important decisions in 2016 (*read more in* TECNISA's Response). While our operational and financial performance remains substantially negative, these efforts have al-

ready begun to take effect in the Company's business model and have laid the groundwork for improved results in the coming years.

### ◇ MARKET OVERVIEW: A CONTINUING CHALLENGE

Brazil again faced political and economic instability in 2016, significantly affecting our industry. High interest rates have led to a shrinking supply of real estate financing, a primary driver of property demand.

Gross Domestic Product (GDP) fell by 3.6% in the year, while unemployment rose by three percentage points to 12% at year-end, according to data from the Brazilian Institute for Geography and Statistics (IBGE). Inflation, as measured by the Broad Consumer Price Index (IPCA), ended 2016 at 6.3%, with the result that interest rates (Selic) remained high during the year, reaching 13.75% p.a. at year-end (compared with 14,25% at December 2015).

The effects on our industry included limited availability of financing and upward pressures on property loan interest rates as a result of massive withdrawals from savings accounts (the primary source of funding for the real estate industry) due to depressed economic conditions and lower savings interest rates compared with other investments available in the market.

As an alternative to savings-derived real estate financing, other sources of funding linked to the Severance Indemnity Fund (FGTS), securities such as Real Estate Receivable Certificates (CRI), Real Estate Credit Bills (LCI), pooled financing, direct financing by real estate developers with securitized receivables and Secured Mortgage Bills (still to be regulated) have become increasingly weighted in the funding mix.

These sources of funding, however, typically come at a higher cost (an exception being the FGTS Pró-Cotista program) and require TECNISA and finance providers to be more selective in screening customers' credit risk. As a result, the number of cancellations (when units purchased before or during construction – and the payments made by the customer – are returned, directly affecting the financial position of real estate developers) increased substantially during the year.

In terms of demand, inventory levels in some income classes in Brazil's major cities have continued to constrain the pipeline of new launches. Sales out of our inventory are expected to remain highly weighted in the sales mix in 2017.



## GDP

Depressed economic conditions have directly affected our value chain

◇ **OUR STRATEGY**

To restore the business to the solid financial position for which we are recognized in the market, TECNISA has implemented a range of initiatives aimed at improving efficiency, monetizing assets and redesigning our corporate strategy. Some of our key initiatives are described below:

◇ **ASSET MONETIZATION**

In 2016 we continued to dispose of equity interests as part of our monetization strategy. This included disposal of Special Purpose Entity (SPE) Mariara Investimentos Imobiliários Ltda., which owns the rights to Corporate Time, an office building development within the Jardim das Perdizes project.

This and other monetization measures – including disposal of land assets, assignment of receivables and reduction of construction obligations – totalled R\$ 221 million.

◇ **RESOLVA**

During the second half of 2016, TECNISA implemented a program to help address issues in unit delivery, payment and receivable assignment processes, minimizing the outstanding balances of projects in progress and nearing completion.

The program, called “*Resolva*”, has set out to address issues involving around 1,350 units throughout 2017, with monthly targets that are continuously monitored. The program is being implemented by a cross-functional team involving the Legal, Business, Commercial, Marketing and Technical Service departments and the functions involved in collection and receivables assignment. The goal of the program is to better monetize our project portfolio either by negotiating directly with customers or by ensuring returned units are quickly made available for sale.

◇ **CAPITAL INCREASE**

In 2016 TECNISA completed a capital increase of R\$ 200 million. The increase was approved by our Board of Directors to improve indebtedness conditions and the availability of capital, strengthening the confidence of financial market actors including banks, investors, shareholders and credit rating agencies.

The R\$ 200 million increase was completed through a private subscription of up to 100 million new, book-entered, no-par-value common shares at an issue price of R\$ 2.00 (two reais) per share. As part of the transaction, the controlling shareholders undertook, subject to certain conditions, to subscribe and pay in up to 35,000,000 (thirty-five million) new shares, with the buyers, Cyrela, proposing to pay in fifty million (50,000,000) new shares.

The deal was submitted to and approved by the Brazilian antitrust agency (CADE) without restrictions. As a result, Cyrela has ac-

quired a 13.6% equity interest in TECNISA. The capital increase does not constitute the sale of TECNISA to, or a merger of TECNISA into, Cyrela, but an investment that further demonstrates the market’s confidence in the Company and the strength of our capital structure. With its newly acquired ownership interest, Cyrela is now represented on our Board of Directors (*read more in Governance*).

In the first quarter of 2017, management approved an additional capital increase of R\$ 150 million, which has been fully subscribed. Read more about the decision on TECNISA’s investor relations website.

### ◇ NEW LAUNCHES AND AN INCREASED FOCUS ON SÃO PAULO

Building on a process initiated in 2015, TECNISA has further focused the business on the São Paulo market, in which our expertise and value chain are most developed. A more targeted focus on São Paulo will improve our ability to manage the business by making our operations more streamlined and efficient compared with a nationwide footprint.

As part of this process, our land bank was revisited in 2016, and two properties not considered to be strategic in the current business environment – one in Manaus (AM) and the other in Águas Claras, in greater Brasília (DF) – were sold. In 2017, we will continue to pursue our strategy of monetizing nonstrategic land assets.

Following two years largely dedicated to completing and delivering ongoing projects, in 2016 TECNISA launched six new developments (with a total equity value of R\$ 395 million), all sited in São Paulo.

The Company's project pipeline has also been adjusted to reflect the new strategy. Our goal is to achieve an optimal balance of Flex and Premium developments covering income segments and residential property models delivering faster sales, lower risk and high innovation potential.

### ◇ MITIGATING CANCELLATION RISK G4-2, G4-14

Brazil's current real estate legislation has a significant impact on our industry. Many customers electing to return units they have purchased prior to or during construction have challenged the cancellation rules in court and have been awarded substantial reimbursements – adversely affecting cash flows in the real estate industry as a whole.

According to the Brazilian Association of Property Developers (Abrainc), around 40,000 units were returned in Brazil from January to November 2016, reflecting credit restrictions and adverse macroeconomic conditions including high interest rates and unemployment.

Through the industry associations of which we are members, we have advocated the need for new regulations governing cancella-

tions to decrease legal uncertainty and the resulting operational and financial risks. In 2016 TECNISA recorded cancellations of R\$ 585 million, a decrease of 15% compared with the previous year.

To further reduce cancellation risk in our operations, TECNISA has prioritized (a) developments with units priced at up to R\$ 400,000 within the Pró-Cotista program, which are eligible for receivables assignment pre-construction and can obtain funding from the Severance Indemnity Fund (FGTS); and (b) projects in which customers pay the full price of purchased units during construction.

### ◇ COST REDUCTION

TECNISA has continued to pursue cost reductions by: downsizing our workforce; returning an additional floor of our head office building in São Paulo, the third of a total of four floors previously on lease; closing regional offices as part of our strategy of focusing on the São Paulo market; and reevaluating IT service agreements. As a result, general and administrative expenses were 32% lower in 2016 than in the previous year (*read more in Business*).

### ◇ ACCELERATED DELIVERY AND RECEIVABLES ASSIGNMENT

In 2016 TECNISA completed record project deliveries of R\$ 2,230 million across 28 developments. A total of 6,557 units were delivered, nearly 40% more than in the previous year.

Receivables assignments also set a new record at R\$ 838 million, which contributed to lowering indebtedness and monetizing assets and developments.

# Competitive differentiators

Our proven industry expertise, the relations of trust we have built with the market and customers and our innovation capabilities are some of the strengths that TECNISA has leveraged to tackle the challenging conditions in recent years. These strengths and how they translate into numbers are described below:

## ◇ SUPERIOR EXECUTION

TECNISA is approaching its 40<sup>th</sup> anniversary as a property development business that is responsive to the needs of consumers in different profiles and able to deliver projects with superior quality and schedule performance. In addition, our business model (*read more on page 11*) provides us with full control of the entire value chain, from engineering to unit sales.

### This has translated to:

**6,500+**

units delivered in the year

**Since the second half of 2012, all projects have been delivered either on schedule or ahead of schedule**

## ◇ BRAND AND REPUTATION

We are recognized for quality of customer service and innovative prowess. As cases in point, we created novel development concepts such as fully equipped common areas and the “grand space” development concept, and were the first real estate developers to complete a property sale via Twitter. In 2016 we were presented with a number of accolades denoting customer satisfaction with delivered projects.

### Significant awards include:

- ▷ *Valor Inovação Brasil 2016* (presented by *Valor Econômico / Strategy& – PwC*)  
This award recognizes companies in different industries demonstrating superior results and practices through innovation
- ▷ 11<sup>th</sup> Masterinstal Awards (*read more in Environment*)
- ▷ 14<sup>th</sup> Consumer Respect Awards 2016 (presented by Shopper Experience and *Consumidor Moderno*).  
TECNISA ranked highest in the “respect for consumers” category of the 2016 edition of the Consumer Respect Awards





◇ PRESENT IN A STRATEGIC REGION

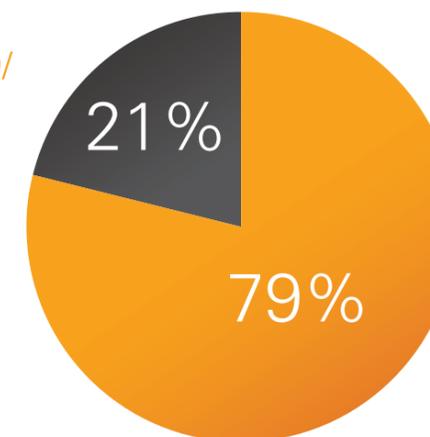
After recent years of investment in regions experiencing high rates of real estate growth – including Amazonas, Bahia, the Federal District and Paraná – TECNISA has again turned its sights to the state of São Paulo. Not only is this state Brazil’s biggest real estate market, but it is also the region in which we have long built our reputation and expertise as real estate developers.

◇ INCOME SEGMENT DIVERSIFICATION

Our TECNISA Premium (for medium- to high-income homebuyers) and TECNISA Flex (more affordably priced standardized blueprints) branded projects are responsive to the changing real estate landscape and designed to meet the needs of a broad range of consumers, from first-time homebuyers to investors and high-worth families. Portfolio diversity provides faster sales turnover as well as more attractive margins, for a financially healthy, secure and profitable project portfolio.

DEVELOPMENTS (NEWLY LAUNCHED/ IN PROGRESS) BY SEGMENT

■ Premium  
■ Flex



This has translated to:

100%

of newly launched developments in 2016 are in greater São Paulo



◇ FINANCIAL DISCIPLINE WITH A FOCUS ON COSTS

As part of our response to the adverse economic conditions since 2014, we have revisited our practices and management approach to ensure it is suited to the current business environment – from protecting our reputation to building a sound capital structure with appropriate levels of indebtedness and cash generation. Significant measures in the last two years have included a leaner workforce, a reduced office footprint, a conservative project pipeline approach, disposal of equity interests and land assets, and contract revision.

This has translated to:

32%

decrease in administrative expenses in 2016

38%

in the last two years (2016-2014)

## ◇ INTANGIBLE ASSETS

As part of our response to the adverse economic conditions since 2014, we have revisited our practices and management approach to ensure it is suited to the current business environment – from protecting our reputation to building a sound capital structure with appropriate levels of indebtedness and cash generation. Significant measures in the last two years have included a leaner workforce, a reduced office footprint, a conservative project pipeline approach, disposal of equity interests and land assets, and contract revision.

The outcomes from these measures have ranged from a culture of innovation in our processes and practices to better engagement with strategic stakeholders to further enhance our reputation and business performance.

▷ **Intellectual capital** – TECNISA pursues continuous innovation in our construction methods and in our engagement with the value chain, from construction site suppliers to service providers and other industry players. Significant initiatives include our Fast Dating program (which drives open innovation through collaboration with entrepreneurs and

▷ **Read more**  
about TECNISA's  
initiatives for each  
stakeholder group  
in Performance and  
Relations & Impacts.

startups); Research & Development of innovative construction, process and materials solutions; and the TECNISA Education program, which has modules geared to skills development and knowledge management. Our employees' superior training, our innovative culture and high-quality workplace conditions provide direct benefits to the business.

▷ **Sustainability** – the social, environmental and economic dimensions of sustainability are reflected in TECNISA's values, in developments engineered for improved efficiency and in initiatives to reduce and improve the disposal of construction waste.

▷ **Customer relationship** – efficiency, reliability, transparency and resilience are values that permeate our relations with buyers from sales to technical service. Offering a range of customer service channels – both off-line and online – is one of the ways we exceed the expectations of customers – a stakeholder group that is critical to our reputation as a business.



# Risk and opportunity

Our approach to risk management is based on industry best practice. A centerpiece of strategic planning across the different levels of governance, our current risk management model has been designed to successfully navigate the economic and market challenges facing the Company in recent years and position the business for a new growth cycle in the coming years.

Our risk management procedures are implemented and revisited by the Board of Directors and Executive Board. TECNISA monitors both financial and non-financial risks with the potential to affect the future performance and sustainability of the business, including changes in consumer and market patterns, policy, regulatory and social issues, events with the potential to affect our reputation, and macro economic developments.

Aspects related to the business, the regulatory environment, macroeconomic conditions and the real estate industry are among our key priorities in risk management.

A practical example of how risk management activities support governance was our decision to undertake a capital increase in 2016. Following discussion and approval by the Board of Directors and other government bodies, including the Audit Committee, the capital increase addressed identified liquidity and indebtedness risks by bolstering the Company's capital structure with external investment.

TECNISA's approach to risk management is described opposite:

## ◇ MACRO ECONOMIC RISKS

**What the risk entails:** potential impacts from government decisions and measures on our operations (such as interest rates, credit policies for the real estate industry, inflation, foreign exchange variance, etc.)

**How we address it:**

- ▶ Monitor market trends and policy developments
- ▶ Use equivalent indexes for financing and receivables balances
- ▶ Exercise stringent management of new launches and cash availability

## ◇ REGULATORY AND MARKET RISKS

**What the risk entails:** regulatory developments could affect the cost of our projects, limit buyers' access to funding, establish unfavorable regulations for cancellations, adversely affect our sales processes or modify the funding models in the industry

**How we address it:**

- ▶ Monitor proposed bills and regulatory developments (such as current discussions on cancellation regulations)
- ▶ Invest in innovation in customer service and construction processes
- ▶ Actively engage in real estate development industry associations

## ◇ OPERATIONAL RISKS

**What the risk entails:** issues, nonconformities or worsening quality, safety and efficiency performance involving TECNISA's employees, materials, equipment and assets

**How we address it:**

- ▶ Employee recognition and retention initiatives, including training and rewards
- ▶ Closely monitor the service provider and partner contracting and documentation process
- ▶ Optimally manage materials and equipment costs and project budgets and execution
- ▶ Purchase engineering risk coverage for unexpected incidents (e.g. construction liability policies covering third-party material damages, bodily injury and moral damages)
- ▶ Monitor social and environmental risks with an emphasis on waste management and water and energy consumption based on our Sustainability Policy

## ◇ FINANCIAL RISKS

**What the risk entails:** events or situations that could cause the company to lose its capacity to generate the working capital needed to purchase land and progress on developments. Due to the highly leveraged nature of our industry, we could be compelled to raise additional funding by issuing shares, obtaining loans or issuing debt securities

**How we address it:**

- ▶ Maintain liquidity management policies (with minimum cash requirements) and long-term debt instruments
- ▶ Use economic and financial forecasting tools to assist in simulating business and economic scenarios
- ▶ Use credit screening tools to minimize default risk
- ▶ Use chattel mortgages as guarantees against default
- ▶ Invest in projects targeting income segments posing a lower default risk (such as *Pró-Cotista FGTS*) and focus on promptly assigning receivables to financial institutions

# RELATIONS AND IMPACTS

## IN THIS CHAPTER

CUSTOMER EXPERIENCE

SUPPLY CHAIN

HUMAN CAPITAL

GOVERNMENT AND COMMUNITIES





Our achievements throughout our 39 years of operations reflect the strength of the relations we have built with Brazilian society and especially our employees, customers, investors, suppliers and communities.

Recognizing that our business can have both positive and negative impacts on people's lives across an extensive value chain, TECNISA conducts periodic surveys to gauge stakeholder perceptions of the business. As part of this, we periodically conduct materiality processes using the framework developed by the Global Reporting Initiative (GRI) to help management identify what our internal and external stakeholders see as our primary social, economic and environmental issues.

Our materiality matrix was revisited by senior leadership in 2017 based on the findings from an online survey conducted between 2015 and 2016, involving more than 100 respondents, critical assessments and interviews with company leadership.

The results, which are shown in the table below, informed the content of this report and our organizational approach to sustainability. In accordance with the Core option of the GRI G4 Guidelines, we report at least on our performance on each GRI aspect connected to identified material topics. [G4-24](#), [G4-25](#), [G4-26](#)

## A list of topics identified by our stakeholders as most material to our business informed the content of this report

MATERIAL TOPICS G4-19	APPROACH G4-27	AFFECTED STAKEHOLDERS* G4-20, G4-21	RELATED GRI ASPECTS
Strategy for embedding sustainability in the business	Incorporate social and environmental responsibility into our management approach through training, action plans and programs and by encouraging the exchange of ideas within the company and throughout the value chain	Senior management, customers, government agencies, the media, partner construction companies, investors, employees, competitors	LA-Training & Education LA-Diversity HR-Investment HR-Nondiscrimination PR-Product and Service Labeling PR-Compliance
Encouraging innovation	Innovate to improve operational and environmental efficiency in ways that enhance the value of our units and improve financial returns	Raw material suppliers, neighboring communities, financial institutions, construction contractors	EN-General
Construction waste management	Manage construction site resources to reduce waste; segregate and properly dispose of hazardous and nonhazardous waste; and re-utilize construction waste	Construction contractors, financial institutions, neighboring communities, suppliers, senior management	EN-Effluents and waste EN-General
Eco-efficient developments	Water and energy efficiency	Customers, employees, neighboring communities, suppliers, construction contractors, the media	EN-Energy
Market-oriented financial management	Risks associated with market conditions, cancellations, supply and demand; and exposure to changing market conditions in the development business	Senior management	EC-Economic performance
Transparent communications, reporting and anti-corruption mechanisms	Ensure all disclosures on results of operations, political donations and other aspects are transparent; implement training, policies and processes to prevent and apply disciplinary measures in the event of any anti-corruption violations or conflicts of interest in approval, contracting, inspection and certification processes.	Investors, government agencies, competitors, financial institutions	EC-Economic performance HR-Investment HR-Nondiscrimination SO-Anti-corruption SO-Government policy



▷ \*The extent of impact denotes the primary stakeholders within and outside the organization in relation to which the material topics are most critical or were most mentioned in the survey.

# Customer experience

From our sales booths to the technical service we provide for our developments, TECNISA delivers an efficient, high-quality customer experience based on ethics and mutual trust. This has proven to be a particularly challenging task in recent years, in which significant sales and new launch volumes have required added effort to deliver quality products on schedule and provide comprehensive after-sales service to an expanded customer base across multiple markets in Brazil.

TECNISA's customer service function is currently staffed by 17 employees, who are supported by 141 post-delivery/technical service employees. Customer-facing employees receive technical and behavioral training and handle an average of 8,800 service requests per month, of which 75% are related to project delivery and receivables assignment matters.

Our customer service channels include:

- ▷ Customer Portal: A customer service website through which customers can view their outstanding balance, request and schedule services and track project progress;
- ▷ Corporate website: apps developed for smartphones, tablets, smart TVs and other devices (such as Google Glass) are available for browsing and comparing properties;
- ▷ Telephone: after initial screening, an Interactive Voice Response (IVR) system helps direct customers to the appropriate departments. After each call, users complete a satisfaction survey;

- ▷ Facebook and mobile apps: TECNISA was the world's first real estate developer to sell properties on social media; we have also developed our own sales apps and also accept bitcoins (digital currency) in payment.

Our customer service and marketing functions have undertaken a joint effort to better target our commercial approach and build relations of trust with customers. After recording poor customer satisfaction ratings due to product quality and late delivery issues over a number of years, in 2012 the Company took control of construction site operations in a strategy that has ensured most projects are delivered on schedule or ahead of schedule.

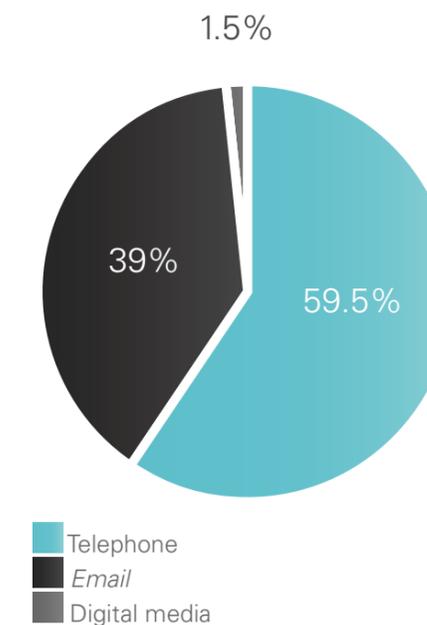
Record-setting deliveries and receivables assignment levels in successive years – such as in 2016 – have challenged our teams to maintain high levels of schedule performance in complex services, such as customer support in receivables assignment processes. Cancellations, another challenge facing the Company, again rose in 2016 due to the adverse macroeconomic environment and tighter credit conditions.

In 2016, a cross-function working group created a program – called *Resolva* – to address identified units with issues ranging from missing documentation and default to restricted access to financing. The program will be implemented in 2017 to address issues involving 1,300 units and has established metrics linking directly to the quality of the sales and customer support experience (*read more in Strategy and Investment*).

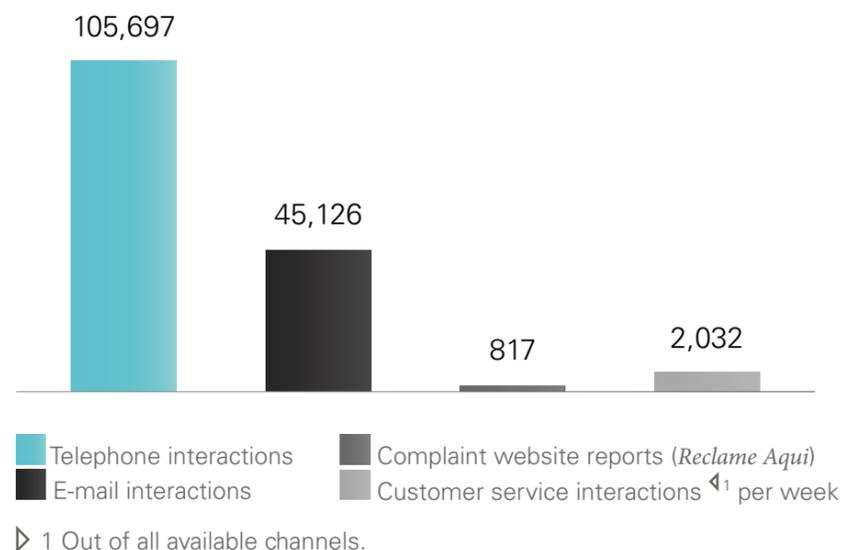
## ◇ SALES INNOVATION

In a challenging real estate industry environment, we have relied on our innovation capabilities to improve our relations with customers. In an innovative collaboration with Itaú Unibanco, for example, TECNISA developed a pilot project to streamline credit analyses for potential customers online. Loans can now be approved in less than an hour and units can be purchased directly online on our website. In its first year, the initiative has proven to be an important tool in improving credit analysis efficiency and enhancing revenue streams for the Company.

CUSTOMER INTERACTION BY CHANNEL IN 2016



### CUSTOMER SERVICE INDICATORS 2016



### ◇ MARKETING & COMMUNICATION

A pioneer in the use of digital channels as a platform to generate business leads, TECNISA was the first real estate company to have a corporate blog and to complete sales online via Twitter. Having recently achieved world-leading performance in generating Google and Facebook leads, we are also among the first real estate companies to accept bitcoins in property purchases.

These initiatives have helped not only to build our reputation as a modern company that is responsive to consumer trends, but also to drive additional sales volume. Today, virtually every customer engages in some form of digital interaction during the sales process and more than 50% complete purchases via the Internet.

In recent months TECNISA has worked to implement innovative automation, big data and artificial intelligence programs to make a step-change improvement in performance and profitability through enhanced customer acquisition and loyalty.

### ◇ CUSTOMER SATISFACTION SURVEYS G4-PR5

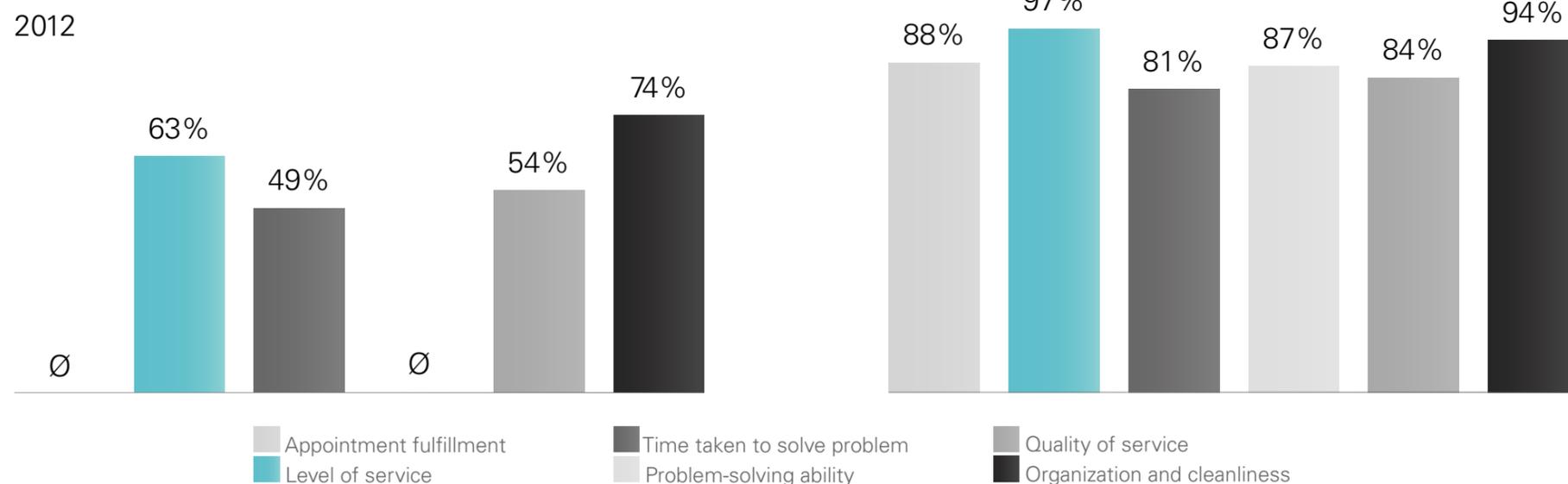
TECNISA monitors customer satisfaction and identifies areas for improvement through regular customer surveys. The most recent survey measured the level of customer satisfaction with TECNISA's Technical Service department – which handles post-delivery and typically problem-solving interactions – across 10 developments between December 2016 and March 2017.

A total of 436 respondents rated their level of satisfaction (fully satisfied, satisfied, neutral, unsatisfied and unresponsive) in six aspects: appointment fulfillment; level of Technical Service; time taken to solve the problem; problem-solving ability; quality of service; and organization and cleanliness.

The customer service aspect was the highest rated, with 97% of respondents either fully satisfied or satisfied. In comparison, during the previous survey in 2012 only 63% of respondents were fully satisfied or satisfied.

All aspects showed improvement from the previous survey, with more than 80% of respondents either fully satisfied or satisfied. On a scale of 0 to 5, the overall rating given to our Technical Service Department was 4.6, compared with 3.5 in 2012.

### SATISFACTION RATING G4-PR5



# Suppliers and business partners

Our business success relies directly on our relations with the value chain – which includes suppliers of construction materials and equipment, outsourced labor, consultants, designers and specialist services. Affected by a reduction in the number of developments in progress, the number of suppliers that were active at our construction sites peaked at 419 in 2016, a decrease from 1,318 partners in 2015. [G4-12](#)

TECNISA selects suppliers on the basis of criteria such as technical expertise, costs competitiveness, alignment with our practices and values, compliance and delivery capabilities.

Suppliers are also required to implement our construction site safety rules – including programs such as Accident Prevention Week – to protect the integrity of both outsourced workers and TECNISA employees, and to enhance compliance. Since 2014, our Code of Business Conduct and Ethics and Government Relations and Anti-corruption Policy have been delivered to all companies doing business with TECNISA.

In a significant initiative in the year, our contracts with IT service providers were amended to reflect current business conditions while seeking to maintain prospects for long-term relations of trust.

Recognizing the risks that exist in our industry, TECNISA communicates widely about the need to combat child, slave and forced labor throughout the value chain. These issues are covered in our corporate and procurement contracts and periodically addressed among our employees.

Audits to measure working conditions are also conducted at our construction sites and delivered developments. These audits assess the facilities available for technical service teams and the temporary living quarters offered to construction contractor employees, with a focus on comfort and hygiene.

As part of our risk management initiatives and our strategy of targeting the São Paulo market, TECNISA ended 2016 with virtually all partner relationships nearing termination. We expect in the future to work more closely with the value chain in order to achieve improved quality and schedule performance, cost efficiency synergies and improved relations.

## ◇ PROCUREMENT IMPROVEMENTS

In 2014 TECNISA implemented a Procurement Portal and initiated a series of procurement process reviews aiming to enhance adherence to Company policies and guidelines, cost efficiency and value chain risk management.

As an important outcome from the initiative, our supplier contracts now include standard labor and human rights provisions, which in 2016 were extended to our construction contracts.

The standardization efforts have also helped to unify our purchasing requirements, streamline procurement processes, set standard prices for consumables and identify best-priced suppliers. They have also helped to shorten supplier payment periods and prevent fines for late payment of taxes on service provider invoices.

## ◇ FAST DATING

In 2011 TECNISA implemented Fast Dating, an initiative supporting engagement with entrepreneurs and startups developing innovative solutions with the potential to create added value in our developments. In 2016 eight Fast Dating events were held with 59 startups and involved several Company departments.



## Human capital

TECNISA seeks out and rewards employees who demonstrate a commitment to ethics, quality and organizational efficiency. Our people management model fosters inclusion, diversity, people development, an innovative culture and merit-based opportunity.

Reflecting TECNISA's ongoing reorganization efforts to optimize fixed costs and improve our financial sustainability in the medium and long term, our workforce was again reduced in 2016.

At year-end, TECNISA's workforce numbered 1,795 people including 669 outsourced workers and 212 brokers, significantly less than our workforce of 5,068 people (2,873 outsourced workers and 305 brokers) in 2015. Workforce turnover stood at 4.49% in the year among construction site workers, and 2.52% in administrative functions. Further reductions should be implemented throughout 2017 to align our workforce to the Company's newly designed organizational structure. [G4-10, G4-LA1](#)

As part of our new business strategy, we are exploring ways to enhance engagement and talent retention, including by adopting practices that are gaining traction in the market, such as the ability to work from home.

# A Company reorganization has resulted in a leaner workforce compared with previous years

## EMPLOYEES UNDER 50 ARE A SIGNIFICANT MAJORITY AT ALL ORGANIZATIONAL LEVELS

DIRECT EMPLOYEES BY ORGANIZATIONAL LEVEL [G4-10]	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Senior Management	17	1	13	0	9	0
Middle Management	36	26	31	18	28	14
Supervisors	32	33	40	34	28	23
Interns	75	64	36	32	6	9
Other positions	2,112	424	1,395	291	591	206
<b>TOTAL BY GENDER</b>	<b>2,272</b>	<b>548</b>	<b>1,515</b>	<b>375</b>	<b>662</b>	<b>252</b>
<b>TOTAL</b>	<b>2,820</b>		<b>1,890</b>		<b>914</b>	

DIRECT EMPLOYEES BY EMPLOYMENT CONTRACT [G4-10]	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Full time	2,197	484	1,479	343	656	243
Part time	75	64	36	32	6	9
<b>Total by gender</b>	<b>2,272</b>	<b>548</b>	<b>1,515</b>	<b>375</b>	<b>662</b>	<b>252</b>
<b>TOTAL</b>	<b>2,820</b>		<b>1,890</b>		<b>914</b>	

DIVERSITY <sup>41</sup> – AGE RANGE (%) G4-LA12	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
<b>SENIOR MANAGEMENT</b>						
Under 30	0%	0%	0%	0%	0%	0%
31 to 50	59%	100%	77%	0%	71%	0%
Over 50	41%	0%	23%	0%	29%	0%
<b>MIDDLE MANAGEMENT</b>						
Under 30	5%	0%	8%	6%	4%	0%
31 to 50	87%	88%	84%	88%	88%	93%
Over 50	8%	12%	8%	6%	8%	7%
<b>SUPERVISORS</b>						
Under 30	13%	20%	22%	40%	25%	14%
31 to 50	63%	75%	64%	54%	70%	83%
Over 50	24%	5%	14%	6%	5%	3%
<b>INTERNS</b>						
Under 30	84%	97%	94%	97%	100%	100%
31 to 50	16%	3%	6%	3%	0%	0%
Over 50	0%	0%	0%	0%	0%	0%
<b>OTHER POSITIONS</b>						
Under 30	25%	50%	58%	50%	26%	45%
31 to 50	55%	50%	19%	49%	58%	54%
Over 50	20%	0%	24%	1%	16%	1%
<b>TOTAL</b>						
<b>Under 30</b>	<b>30%</b>	<b>46%</b>	<b>31%</b>	<b>27%</b>	<b>25%</b>	<b>41%</b>
<b>31 to 50</b>	<b>54%</b>	<b>52%</b>	<b>56%</b>	<b>25%</b>	<b>59%</b>	<b>57%</b>
<b>Over 50</b>	<b>17%</b>	<b>2%</b>	<b>13%</b>	<b>48%</b>	<b>15%</b>	<b>2%</b>

▶ 1 \* The classification is based on data recorded in the organization's HR system.



DIVERSITY <sup>41</sup> – GENDER (%) G4-LA12	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Senior Management	94%	6%	100%	0%	100%	0%
Middle Management	59%	41%	60%	40%	67%	33%
Supervisors	73%	27%	77%	23%	55%	45%
Interns	54%	46%	53%	47%	40%	60%
Other positions	83%	17%	82%	18%	74%	26%
<b>TOTAL</b>	<b>81%</b>	<b>19%</b>	<b>80%</b>	<b>20%</b>	<b>72%</b>	<b>28%</b>

▷1 \* The classification is based on data recorded in the organization's HR system.

DIVERSITY <sup>41</sup> – PEOPLE OF COLOR (%) G4-LA12	2014		2015		2016	
	Men	Women	Men	Women	Men	Women
Senior Management	100%	0%	100%	0%	100%	0%
Middle Management	0%	0%	0%	0%	50%	50%
Supervisors	93%	7%	90%	10%	89%	11%
Interns	78%	22%	75%	25%	25%	75%
Other positions	94%	6%	93%	7%	87%	13%
<b>TOTAL</b>	<b>93%</b>	<b>7%</b>	<b>92%</b>	<b>8%</b>	<b>86%</b>	<b>14%</b>

▷1 \* The classification is based on data recorded in the organization's HR system.

◇ **COMPENSATION AND BENEFITS** G4-EC5, G4-LA2

In addition to fair pay that is consistent with market practices, all employees receive benefits packages including health (except construction site workers) and dental insurance, meal vouchers (meals are served on-site for construction site workers), life insurance and transportation tickets. TECNISA's entry-level wage in 2016 was 37.97% (for men) and 31.71% (for women) higher than the national minimum wage of R\$ 987.

AVERAGE WAGES (WOMEN/MEN) G4-LA13	2014	2015	2016
Senior Management	75.63%	0%	0%
Middle Management	85.26%	81.77%	82.36%
Supervisors	87.97%	98.80%	104.29%
Interns	99.44%	99.61%	96.95%
Other positions	182.55%	185.07%	159.50%

◇ **EDUCATION AT TECNISA** G4-LA9, G4-LA10

The TECNISA Education platform provides capacity building training to enhance innovation, sustainability, efficiency and profitability. The platform offers a comprehensive menu of online training programs that can be taken at employees' convenience. In 2016 we continued our mentorship program in which employees share insights with colleagues under the guidance of Human Resources. Ten mentors worked with 27 employees in the year as part of the program. A total of 372 hours of training were delivered in the year, largely addressing occupational safety, processes, research and development, compliance, social entrepreneurship and competencies.

◇ **CAREER DEVELOPMENT** G4-LA10, G4-LA11

TECNISA uses the Nine Box Grids approach to measure employee performance against individual goals and plan career development based on employees' identified talents. This approach is also used to update the Company's succession plan. Senior managers, middle managers, coordinators, engineers and analysts also undergo 360° performance assessments, which include self-assessment and feedback from subordinates, peers and immediate superiors. Performance assessment outcomes inform an individual action plan that includes periodic feedback and inputs for succession planning. Performance assessments were not conducted in 2016 due to the reorganization process. 360° assessments will be resumed in 2017.



TRAINING G4-LA9	2014		2015		2016	
	Administrative	Construction Sites	Administrative	Construction Sites	Administrative	Construction Sites
Employees	637	2,183	426	1,117	346	568
Hours	11,288	18,494	4,861	17,245	2,722	3,924
Hours per employee	17.7	8.5	11.4	15.4	8.0	6.9

◇ **COMMITTED TO HEALTH & SAFETY** G4-14

The nature of our business makes occupational health and safety a continuing journey in which we monitor our key indicators and initiatives to mitigate risks and enhance safe behavior among employees and contractors. All incidents are investigated within an integrated management system. Information about the root causes and context of each incident is then disseminated and action is taken involving all employees. Our injury statistics inform the development of risk maps showing the frequency and severity of injuries, the most common types of injuries and the activities with the most non-conformities.

Initiatives in the year to improve employee health and safety included:

- ▷ Occupational Health & Safety Policy: as announced in our previous Annual Report, in 2016 TECNISA approved a policy that formalizes our commitment to ensuring the health and safety of our employees, suppliers, partners and communities. The policy reiterates the importance of creating a health and safety culture, complying with applicable regulations, mitigating risks and encouraging innovation in safety management and shared responsibility among leadership, employees and other individuals.
- ▷ Training Center: a venue for induction, periodic and statutory training for employees and contractors. From June 2016 to April 2017, 1,663 contractors from 157 companies completed a total of 9,978 hours of induction training. Each month an average of 151 individuals attended training at the center.

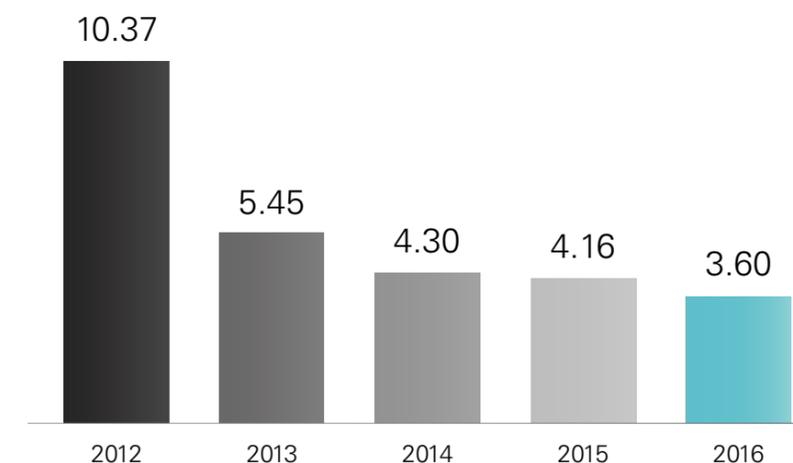
- ▷ Serious diseases: a total of 465 hours were used in programs designed to prevent and mitigate the risk of serious diseases, covering 63% of employees.
- ▷ Audits: TECNISA conducts monthly preventive audits to evaluate health and safety, comfort and hygiene conditions at construction sites. A total of 101 inspections were conducted in 2016.

These have positively affected our injury rates, which have consistently declined in recent years. In 2016 our injury frequency rate – covering employees and contractors at directly managed construction sites – was 3.60, down from 4.16 in the previous year. There were no fatal injuries at our construction sites in 2016.

CONSTRUCTION SITE HEALTH AND SAFETY G4-CRE6	2015	2016
% of personnel (employees and contractors) operating in verified compliance with the health and safety management system	100% <sup>1</sup>	100%
% of personnel (employees and contractors) operating in verified compliance with the health and safety management system	100%	100%

▷ 1 In our previous report, the reported percentage of 69% was misstated.

TOTAL RECORDABLE CASE FREQUENCY (TRCF)<sup>1</sup>



▷ 1 For Company-managed construction sites only.

## DECLINING INJURY FREQUENCY RATES DEMONSTRATE THE BENEFITS OF COMPREHENSIVE PROCESS MANAGEMENT AT OUR CONSTRUCTION SITES

INJURIES <sup>41</sup> G4-LA6	2013	2014	2015	2016
Total man-hours of work per year	5,079,800	12,216,380	8,894,380	2,774,860
Average number of workers in the year/ month	2,309	3,078	3,369	869
Number of no-lost-time injuries	2	11	6	6
Number of injuries involving up to 15 days of lost time	28	29	24	6
Number of injuries involving more than 15 days of lost time	16	12	10	4
<b>Total lost days where lost time is less than 15 days</b>	<b>221</b>	<b>558</b>	<b>550</b>	<b>24</b>
<b>Total lost days where lost time is greater than 15 days</b>	<b>1,356</b>	<b>816</b>	<b>229</b>	<b>70</b>
<b>Total lost days</b>	<b>900</b>	<b>3,025</b>	-	-
<b>Total number of fatal injuries</b>	-	-	-	-

▷ 1 For Company-managed construction sites only.

### ◇ TECHNOLOGY SUPPORTING SAFER OPERATIONS

Since the second half of 2016 TECNISA has used drones (unmanned aerial vehicles) for inspections at the Jardim das Perdizes planned unit development in São Paulo. This has allowed real-time safety monitoring to be implemented at the construction site without exposing workers to unnecessary risks. A total of 211 TECNISA employees and 590 contractors are currently working at the site.

### ◇ RECOGNITION FOR SAFETY PRACTICES

TECNISA was named the top real estate developer in the Construction Site Hazard and Risk Management category of the fourth edition of the São Paulo Civil Construction Union (Sinduscon-SP) awards, which recognize best practice in occupational health and safety management at construction sites in São Paulo State.

We were also presented with a Top Occupational Health and Safety Award by the Brazilian Safety Association (ABS) in recognition of consistent action to prevent occupational injuries and illnesses.



## Government and communities

The guiding principles governing our dealings with government officials are set out in our Code of Business Conduct and Ethics and Government Relations and Anti-corruption Policy. These are designed to ensure all individuals representing the Company demonstrate compliance, integrity and transparency (*read more in Ethics and Anti-corruption*).

Through our membership of industry associations such as the São Paulo Housing Union (Secovi-SP) and the São Paulo Civil Construction Union (Sinduscon-SP), we have supported the advancement of important agendas in Brazil's civil construction and real estate development industry. [G4-16](#)

Discussions on a new regulatory framework for returning units under construction (cancellations) remain crucial for our industry and our Company. TECNISA is advocating an amended framework similar to the regulations in place in many countries, which minimizes the negative impacts of cancellations on other buyers and developers.

We are also actively engaged in other important discussions within our industry, such as the characterization of brokerage activities; zoning regulations, especially in São Paulo (SP); contaminated site remediation; construction site safety; and combating slave or forced labor in construction .

### ◇ BUILDING PERFORMANCE STANDARDS

Having actively participated in the latest revision of ABNT 15.575 (Building Performance), TECNISA is prepared to implement the new requirements at our construction sites. ABNT 15.575 sets out more stringent standards on major construction elements (structure, facades, and electrical and plumbing installations) for residential buildings.

◇ **INDUSTRY-LEADING BEST PRACTICE** G4-15, G4-16

A recognized industry leader in areas such as construction productivity and planning, environmental management and innovation, TECNISA regularly shares best-practice information with peers in the industry. Our technical director, Fábio Villas Bôas, currently holds a position as coordinator for the Environment at the São Paulo Civil Construction Union (Sinduscon-SP). In 2016, the German and South African consulates organized a series of visits by business delegations to our construction sites. TECNISA was also involved in the development of the Acoustics Best Practice Handbook launched in the 2017 edition of the International Construction and Architecture Fair. We also contribute technical content to trade journals and have hosted lectures for students and representatives from industry peers.

◇ **VALUE FOR SOCIETY**

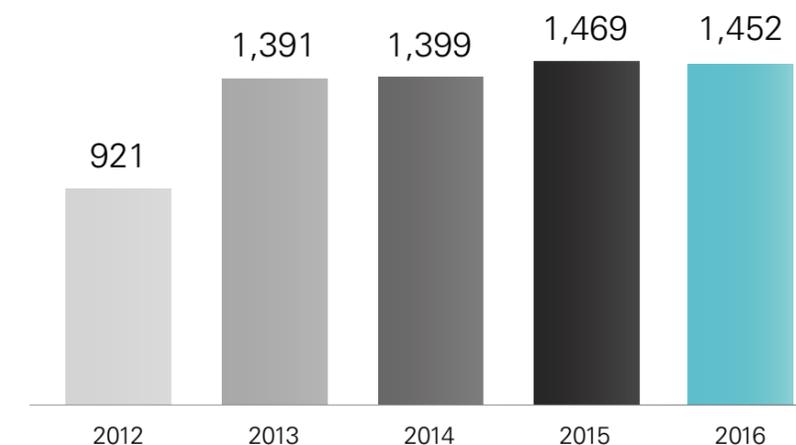
TECNISA recognizes the role that businesses can play in building a fairer society. Central to our business approach is a social responsibility strategy that supports the social and economic development of civil construction professionals and communities surrounding our construction sites, with a focus on professional training and development to improve employability and income opportunities. We also have a range of volunteer programs in place at the Company. The economic crisis in Brazil, which took an especially heavy toll on the real estate industry, has required us to adjust our business strategy. As a result, while our corporate social responsibility initiatives were maintained, their reach was reduced in 2016.

Financial support for organizations selected by our Social Responsibility Committee (composed of representatives from different departments) was also reduced from R\$ 1,469 thousand in 2015 to R\$ 1,452 thousand in 2016.

Read below about some of our key social responsibility initiatives throughout the year.

- ▷ *Ler e Construir*: this initiative provides literacy and basic education (Primary Education I and II) programs for adults. In partnership with education organizations, classes are held at construction sites four times a week at the end of the workday over a period of eight months. In 2016 the program ran at the Jardim das Perdizes planned unit development, providing a total of 280 hours of training to 43 students throughout 140 class days.
- ▷ *Mestres da Obra*: at the Jardim das Perdizes planned unit development, an art studio provides professionals with the opportunity to develop crafts from construction waste. In all, 110 professionals participated in the initiative in 2016.
- ▷ Volunteer Program: 68 employees participated in our Volunteer Program in 2016. Volunteer activities included the Letters & Books initiative for children from the Brazil-Israel Union for Social Well-Being (Unibes), a lively bingo event for senior citizens at the Santo Agostinho Association (ASA) and the revitalization of a garden at Associação Nosso Sonho in São Paulo, an organization providing physical rehabilitation services for children, teenagers and adults with cerebral palsy.

CHARITABLE DONATIONS (R\$ THOUSAND)



◇ **RESPECTING OUR NEW NEIGHBORS**

The first residential towers in the Jardim das Perdizes development, on the west side São Paulo, were delivered early in 2016. As in all of our projects, other works still in progress in this planned unit development are being carried out in accordance with established standards to ensure the comfort of homeowners who have moved in or live near the development. This includes monitoring noise emissions from the construction site, removing and disposing of construction site enclosures appropriately and controlling dust emissions from circulating trucks.

# PERFORMANCE

**IN THIS CHAPTER**  
ENVIRONMENT  
BUSINESS



2016 was a testing year for the real estate industry. In addition to contending with the challenges and spill-over from the economic and political crisis, property development companies such as our own have had to cope with a higher volume of cancellations – directly affecting financial and operational performance – and a sharp downturn in the real estate development market.

TECNISA has navigated this period by implementing a range of measures designed to improve efficiency and profitability and build a stronger and leaner organization. The financial and nonfinancial disclosures in the following pages demonstrate TECNISA's resilience and ability to poise the company for future cycles.

**Measures to improve efficiency and profitability during the year have provided financial, social as well as environmental benefits**

## Environment

Innovation is central to our environmental management approach at TECNISA. In pursuing continual improvement, our focus is on improving efficiency in the use of materials at construction sites, proper disposal of construction waste and water and energy efficiency; this provides environmental benefits as well as cost savings for both TECNISA and our customers and greater comfort for future homeowners.

Our Research & Development department works to achieve an optimal balance of financial, environmental and social research investment. R&D initiatives cover four major fronts:

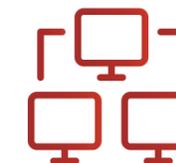
- ▷ technical support, which ensures our developments are compliant with applicable standards;
- ▷ processes, with a focus on building efficiency; our developments are assessed against Procel energy efficiency labeling requirements, and better product sourcing procedures are implemented to improve project quality and customer satisfaction;
- ▷ corporate support, which includes developing our Product Differentiators Catalog as a source of reference for future projects, with information about new technologies being researched and their cost-benefit performance across efficiency, well-being, safety and environmental aspects;

- ▷ execution, which involves innovation to reduce project duration and costs.

As an example of how we have developed intelligent solutions providing both financial and nonfinancial (environmental) benefits, the Research and Development department recently conducted an extensive benchmarking study on reducing the length of the project cycle. Initiated in 2012, the program included visits to three Tishman construction sites in New York followed by economic and technical feasibility assessments to determine whether takeaways could be adopted in local projects.

The study covered materials, people and equipment logistics as well as technical, policy and planning aspects. Identified practices were implemented on a pilot basis within the Jardim das Perdizes development in São Paulo. With the study nearing completion, TECNISA expects to be able to implement a system combining these improvements that can be replicated in other developments.

As another important part of our approach to environmental management, independent environmental engineers survey the conditions and potential environmental risks of potential additions to our land bank.



## Research & Development

Our Research & Development department is focused on research into ways to improve eco-efficiency in our developments and projects

## Construction Cycle

A four-year study benchmarked construction practices in Brazil and the US

◇ **CUSTOMER ORIENTED INNOVATION**

TECNISA uses the design thinking approach to develop customer-oriented solutions. This methodology consists of the following steps:

- ▶ **User experience:** The user experience is mapped from first contact with the Company to the use of our products or services;
- ▶ **Value proposition:** products/services are analyzed based on customers' value perceptions.;
- ▶ **Ideation:** the process in which new ideas are created;
- ▶ **Prototyping:** propositions are analyzed in terms of customers' value perceptions, alignment with corporate values, technical and financial feasibility, and execution time frames.

◇ **RECOGNIZED ELECTRICAL INSTALLATION TECHNOLOGY**

The São Paulo Electrical Installation Industry Union (SINDIS-TALAÇÃO) and the Brazilian Association for Electrical System Efficiency and Compliance (Abrinstal) presented TECNISA with awards in the Quality and Installation Methods and Processes categories. The Company developed an innovative technology in collaboration with WAGO to improve electrical installation productivity and quality in our developments.

◇ **A SHORTER DEVELOPMENT CYCLE IN DIADEMA**

A floor screed solution has improved productivity in one of our projects in Diadema, in the metropolitan area of São Paulo. As a result, the project was delivered almost 3 months ahead of schedule and achieved cost savings of R\$ 300,000, even after accounting for the investment in equipment, training and monitoring by the Research & Development team. The technology has now been validated for use in future projects within the Company.



◇ **MATERIAL EFFICIENCY AND WASTE MANAGEMENT**

As part of our efforts to improve our management of construction materials, TECNISA has continued to pre-weigh construction materials on entry into the Jardim das Perdizes planned unit development construction sites to calculate losses and the actual material volumes delivered by suppliers. Weighing procedures were first applied to concrete and have since been extended to other materials (sand, reinforcing steel, ceramic blocks and tiles), helping to reduce losses by approximately 20%, while also expediting the material receipt process. TECNISA has also sought to purchase wood materials that are certified by organizations such as the Forest Stewardship Council (FSC). Waste management initiatives have helped to improve materials efficiency, construction waste re-

cycling rates and waste segregation and disposal. Waste segregation systems are in place at all TECNISA construction sites and conform to Brazilian Counsel for the Environment (CONAMA) resolutions 307/2002 and 431/2011. Waste segregation rates reached 91% in 2016. Segregation rates in the Jardim das Perdizes developments were as high as 100% during several months of the year. In addition, 1.1 metric tons of hazardous waste were properly disposed of and treated off-site. Waste treatment and disposal expenses exceeded R\$ 581,000 in the year. Waste volumes fell considerably due to the reduction in project volumes compared with previous years. [G4-EN23](#), [G4-EN25](#), [G4-EN31](#)

◇ **ENERGY EFFICIENCY**

TECNISA subscribes to the Federal Government’s building energy efficiency program (Procel Edifica) and has a dedicated team tasked with exploring alternative energy technologies with the potential to improve energy efficiency throughout the product lifecycle. The recently launched Arruda 168 development in the Alto de Pinheiros district of São Paulo will be our first project to use electricity generated by a natural gas genset. Other practices have also been implemented in the Jardim das Perdizes planned unit development (*read more below*). TECNISA’s construction sites used 1.649,868 GJ of energy in 2016. Our energy intensity, or the ratio of kWh/m<sup>2</sup>/year, was 169.39 GJ. Our developments in the year measured a total of 9,740 m<sup>2</sup> in built-up area. [G4-CRE1](#)

A reduced development pipeline in the year directly affected waste volumes in 2016

NONHAZARDOUS WASTE (T) <a href="#">G4-EN23</a>	2014	2015	2016 <sup>1</sup>
Masonry	21,408.75	26,789	6,371
Plaster	2,196	2,051	205
Wood	4,953	4,657	1,358
Metal	379	440	175
Miscellaneous recyclables	1,748	2,515	538
Non-segregated waste	3,023	757	845
<b>TOTAL</b>	<b>33,709</b>	<b>37,209</b>	<b>9,492</b>
% sent segregated to sorting center	91	98	91
% sent mixed to sorting center	9	2	9

▷ 1 The reduced volumes of waste were due to a reduction in project volumes.

◇ **WATER FOOTPRINT**

TECNISA has increasingly invested in technologies to reduce our post-delivery water footprint, such as dual flush toilets and flow restriction devices in showerheads. The resulting water savings have been respectively 30% and 15%. Our units have also been delivered with

individual water meters. Water consumption at our residential developments (measuring 9,740 m<sup>2</sup> in built-up area) was 30,010 m<sup>3</sup>. Water intensity, measured as the ratio of total consumption to built-up area, was 3.08. [G4-CRE1](#)

### ◇ JARDIM DAS PERDIZES PROJECT DIFFERENTIATORS

Our largest development to date, the Jardim das Perdizes planned unit development, on the west side of São Paulo City, is a prime example of how we have combined innovation with environmental management to deliver resource efficiency as well as cost savings and comfort to users.

The first units in the project were delivered in early 2016, and 1,248 unit deliveries had been completed as of December. The project includes 25 residential towers and two commercial towers, a hotel and a variety of retail stores.

Jardim das Perdizes was the first planned unit development in Brazil to complete a greenhouse gas emissions inventory for the infrastructure development phase using the methodology outlined by the Brazilian GHG Protocol. In another initiative, drainage systems have been installed beneath the sidewalks to prevent surface runoff from flooding storm water systems in the region.

A number of other unique features that are already benefiting users are described below.

▶ Spanning a total area of 250 thousand square meters, 20% of the development has been reserved for green areas, including a 44 thousand square meter central public park and three plazas. During construction, an agronomy engineer from Escola Superior de Agricultura Luiz de Queiroz (ESALQ-USP) performed an assessment of the most suitable tree species for the development based on criteria such as shade density and pest control.

▶ To improve energy efficiency some of the residential and office towers have been equipped with solar energy systems. Corporate Time, a multipurpose tower still under construction, will supply surplus electricity to the HVAC system, generating energy savings of 25% over an estimated period of 10 years. Some residential towers have also been equipped with Japanese water heating technology that requires no external power source. The new residential developments have also been fitted with LED lighting systems. In the first phase of the project, LED fixtures will be installed in strategic areas only, such as terraces.

▶ To improve water efficiency, units are also delivered with dual flush toilets, shower heads with flow restriction devices and individual water meters. The 396-unit Recanto Jacarandá tower, for example, will deliver potential water savings of 71,540 m<sup>3</sup> from using flow restriction devices alone.

▶ As suggested by customers, the development will also feature recharge stations for hybrid vehicles, zoned lighting systems to improve energy performance, as well as quick parking spaces for unloading and loading parcels.

▶ Bicycle parking arrangements have also been provided at the request of customers. Around 300 users have already subscribed for the amenities, which include injury and theft insurance.

▶ Noise monitoring programs and other technologies provide added thermal and acoustic comfort.

### ◇ JARDIM DAS PERDIZES CERTIFICATIONS G4-CRE8

TECNISA has increasingly invested in technologies to reduce our post-delivery water footprint, such as dual flush toilets and flow restriction devices in showerheads. The resulting water savings have been respectively 30% and 15%. Our units have also been delivered with individual water meters.

▶ **Procel Edifica:** a program linked to the federal government energy conservation (Procel) and energy efficiency labeling (Inmetro) programs, Procel Edifica recognizes excellence in building energy efficiency in aspects such as water heating, ventilation, natural lighting and water usage efficiency. A total of 1,524 units have been labeled within the Jardim das Perdizes development;

▶ **LEED:** The corporate office building within the development successfully obtained Leadership in Energy and Environmental Design (LEED) certification for its use of state-of-the-art technology and eco-efficiency initiatives (such as environmentally friendly construction materials, water and energy efficiency and waste and emissions management);

▶ **AQUA:** In recognition of sound social and environmental practices, in 2013 Jardim das Perdizes became the first planned unit development in Latin America to obtain AQUA certification in the District category from Fundação Vanzolini.

# Business

TECNISA's response to the adverse business environment in 2016 included a continued focus on asset monetization as in the previous year. Our priorities have been cost reduction, controlling indebtedness levels, cost discipline and careful business planning, including a more selective approach to our project pipeline.

## ◇ OPERATING RESULTS

Our efforts to monetize our inventory and accelerated project execution helped to achieve financial balance in 2016.

TECNISA reactivated the development pipeline with six new project launches, all in greater São Paulo (in line with our new business strategy), with a total equity Potential Sales Value (PSV) of R\$ 395 million, a significant increase from the single project launch in 2015.

The new projects are targeted at segments less exposed to cancellation risks – including residential projects with units priced at up to R\$ 400,000 within the Pró-Cotista program, which are eligible for receivables assignment pre-construction and can obtain funding from the Severance Indemnity Fund (FGTS); high-end developments in Alto de Pinheiros, an upscale district on the west side of São Paulo; and projects targeting

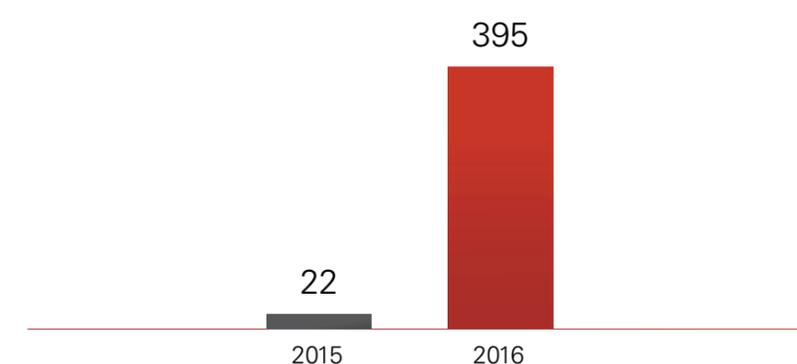
investors, such as a corporate office tower within the Jardim das Perdizes planned unit development.

Equity gross contracted sales were R\$ 957 million, down 21% compared with 2015. The consolidated rate of sales or Gross Sales to Offering ratio, measured as “sales / (initial inventory + project launches in the period)”, was 52% in the year. Net contracted sales were R\$ 372 million, a decrease of 28% from 2015.

Cancellation volumes were substantial in 2016 at R\$ 585 million. It is important to note, however, that while canceled units affect our operations in the short term, they are ultimately returned to inventory and made available for sale.

Equity Land Bank PSV at year-end 2016 was R\$ 5.8 billion. No land assets were purchased in 2016. As of December 31, 2016, the Jardim das Perdizes planned unit development accounted for R\$ 2,106 million out of our total equity land bank portfolio. The Premium segment remained highest weighted among our land assets (*see charts*). At year-end, 79% of our portfolio had been purchased in cash, 14% through land exchanges and the remainder through hybrid cash and land-exchange structures.

## EQUITY PROJECT LAUNCHES – IN R\$ MILLION



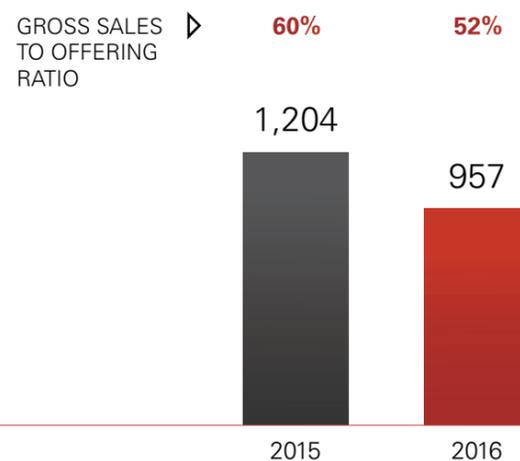
QUARTER	2014	2015	2016
<b>PROJECT LAUNCHES</b>			
Developments launched	11	1	6
Units launched	1,621	118	538
Net internal area launched (m <sup>2</sup> )	101,887	5,709	155,648
Total PSV launched (R\$ thousand)	813,840	27,343	404,235
Equity PSV launched (R\$ thousand)	653,419	21,874	395,039

## 6 NEW PROJECT LAUNCHES GENERATED TOTAL EQUITY POTENTIAL SALES VALUE (PSV) OF R\$ 395 MILLION IN 2016

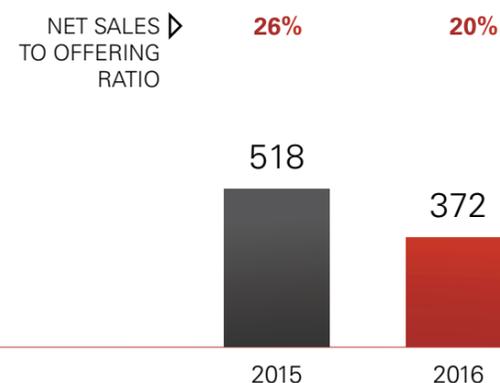
### EQUITY CONTRACTED SALES BREAKDOWN 2016 (R\$ MILLION)

2016 (R\$ MILLION)	GROSS SALES	CANCELLATIONS	NET SALES
Not Completed	473	-181	292
Completed	484	-404	80
<b>TOTAL</b>	<b>957</b>	<b>-585</b>	<b>372</b>

### EQUITY GROSS CONTRACTED SALES (R\$ MILLION)



### EQUITY NET CONTRACTED SALES (R\$ MILLION)

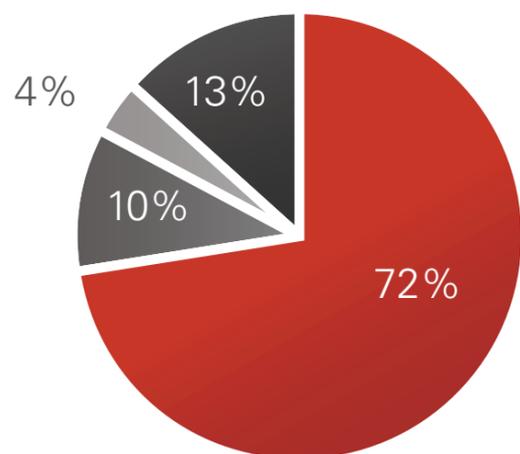


CONTRACTED SALES SUMMARY	2014	2015	2016
<b>CONTRACTED SALES</b>			
Units sold	1,675	1,413	518
Net internal area sold (m <sup>2</sup> )	104,359	98,083	56,812
Total gross sales (R\$ thousand)	1,437,393	1,437,231	1,193,532
Equity gross sales (R\$ thousand)	1,164,007	1,203,794	956,972
Total net sales (R\$ thousand)	829,490	607,876	385,070
Equity net sales (R\$ thousand)	651,213	518,083	371,647

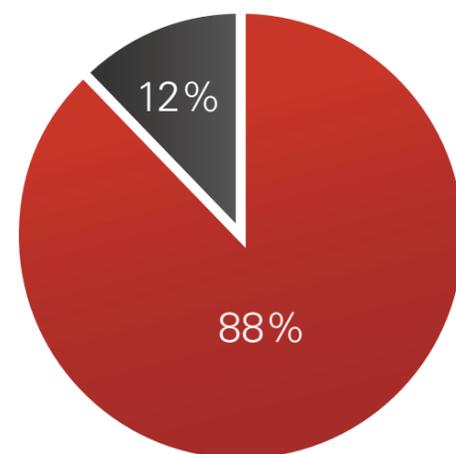
CONTRACTED SALES	2014	2015	2016
Units sold – Premium	986	772	291
Net internal area sold (m <sup>2</sup> ) - Premium	64,864	65,694	42,437
Total net sales (R\$ mil) - Premium	623,910	429,503	322,129
Equity net sales (R\$ mil) - Premium	480,362	354,395	327,663
Units sold – Flex	689	641	227
Net internal area sold (m <sup>2</sup> ) - Flex	39,495	32,388	14,375
Total net sales (R\$ mil) - Flex	205,580	178,373	62,941
Equity net sales (R\$ mil) - Flex	170,850	163,688	53,984

LAND BANK

GEOGRAPHIC DISTRIBUTION (4Q16)



DISTRIBUTION BY SEGMENT (4Q16)

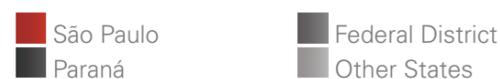
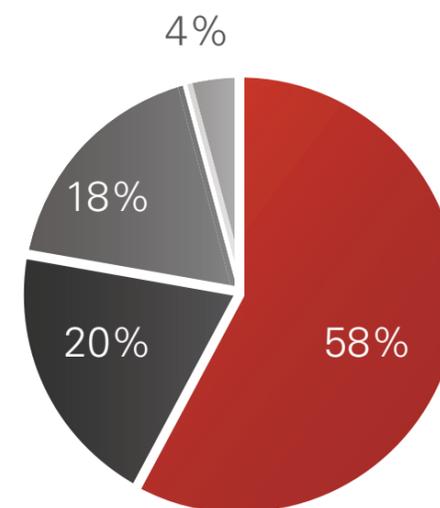


LAND BANK	2014	2015	2016
Total landbank (R\$ million)	8,970	8,791	8,046
Equity landbank (R\$ million)	7,232	6,508	5,803

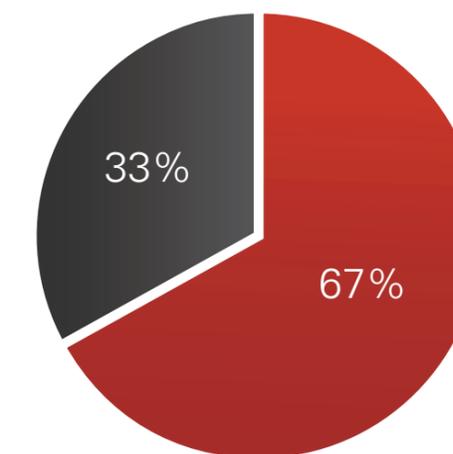
◇ INVENTORY AT MARKET VALUE

At year-end 2016, TECNISA had approximately R\$ 1,995 million in Inventory at Market Value, including R\$ 1,446 million in equity inventory. Completed units account for 61% of total inventory.

GEOGRAPHIC DISTRIBUTION (4Q16)



DISTRIBUTION BY SEGMENT (4Q16)



## TECNISA REACTIVATED THE DEVELOPMENT PIPELINE IN 2016 WITH SIX NEW PROJECTS FOCUSED ON THE SÃO PAULO MARKET, IN LINE WITH OUR STRATEGY

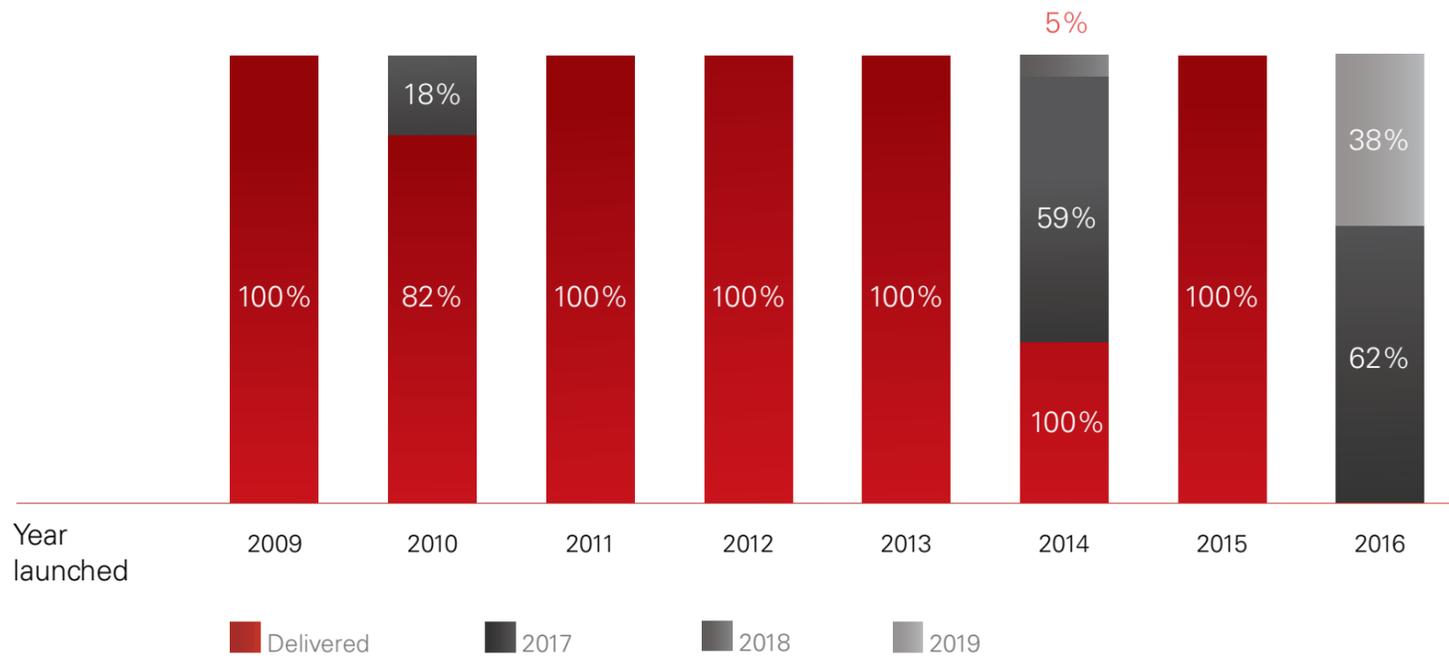
2016	R\$ MM 100%	A.V. (%)	R\$ MM % TECNISA	A.V. (%)	NET INTER- NAL AREA (M <sup>2</sup> )	A.V. (%)	UNITS	A.V. (%)
<b>Units in stock</b>	1,995.3	100.0%	1,445.7	100.0%	301,279	100.0%	3,999	100.0%
2017 Launches	-	0.0%	-	0.0%	-	0.0%	-	0.0%
2016 Launches	107.0	5.4%	107.0	7.4%	12,370	4.1%	202	5.1%
2015 Launches	12.3	0.6%	9.8	0.7%	2,932	1.0%	62	1.6%
2014 Launches	217.3	10.9%	123.1	8.5%	25,250	8.4%	343	8.6%
2013 Launches	755.0	37.8%	485.1	33.6%	90,221	29.9%	814	20.4%
2012 Launches	276.1	13.8%	250.9	17.4%	40,718	13.5%	684	17.1%
2011 Launches	400.2	20.1%	270.3	18.7%	75,405	25.0%	985	24.6%
2010 Launches	201.7	10.1%	179.5	12.4%	49,570	16.5%	865	21.6%
2009 Launches	2.6	0.1%	1.3	0.1%	449	0.1%	4	0.1%
2008 Launches	7.5	0.4%	6.8	0.5%	1,493	0.5%	14	0.4%
Prior to 2008	15.7	0.8%	12.0	0.8%	2,869.9	1.0%	26.0	0.7%
Completed	1,330.1	66.7%	878.3	60.8%	208,576.5	69.2%	2,332	58.3%
Under construction	558.2	28.0%	460.4	31.8%	80,332.1	26.7%	1,465	36.6%
Construction not initiated	107.0	5.4%	107.0	7.4%	12,370	4.1%	202	5.1%

### ◇ DELIVERIES AND RECEIVABLES ASSIGNMENT

TECNISA completed record project deliveries of R\$ 2.2 billion in 2016. Receivables assignments to banking institutions also set a new record at R\$ 838 million, improving 11% from 2015 and helping to reduce indebtedness levels. These receivables assignments were for a total of 3,289 units.

PROJECT DELIVERY	2014	2015	2016
Projects completed	38	23	32
Units delivered	8,048	4,711	6,557
Equity PSV delivered (R\$ thousand)	1,988,917	1,849,763	2,230,340
Units transferred	3,351	3,184	3,289
Equity PSV assigned (R\$ thousand)	819,584	758,821	838,463

BREAKDOWN OF DELIVERIES BY YEAR LAUNCHED



ASSIGNMENTS	2016	2015	2016 X 2015	2014	2016 X 2014
Units transferred	3,289	3,184	3.3%	3,351	-1.9%
Outstanding balance assigned (R\$ thousand)	838,463	758,821	10.5%	819,584	2.3%



# Business and financial performance

Consolidated net revenue in 2016 was R\$ 329 million, 72% less than in 2015. Gross operating revenue was R\$ 341 million in the year, a decrease of 73%.

Part of the decline in revenue was due to the deconsolidation, from November 2015, of SPEs Windsor Investimentos Imobiliários Ltda. and JDP E1 Empreendimentos Imobiliários Ltda., the companies developing Jardim das Perdizes, which have since been accounted for using the equity method.

The decrease is also explained by the decreased payment revenues from units under construction during the period as a result of the smaller number of launches in recent years and the high volume of deliveries, which reduced the number of active construction sites.

Cost of units sold and services provided in 2016 was R\$ 406 million, 55% less than R\$ 913 million in 2015. The decreases is explained by the reduction in contracted sales volume. The decline in new launches in the last two years combined with the high volume of deliveries reduced the requirement for construction expenditure.

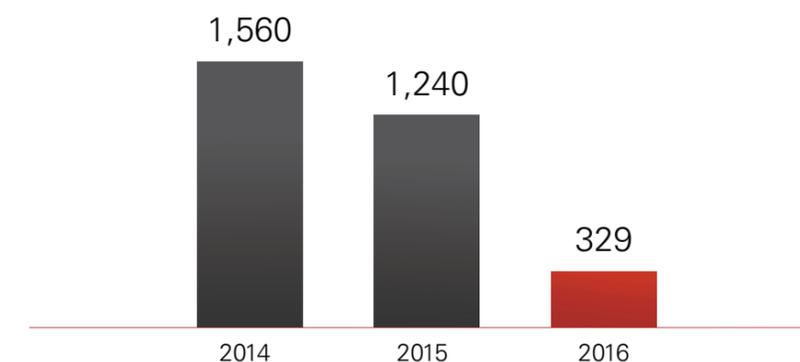
Financial charges appropriated to Costs of Units Sold (relating to project finance) totaled R\$ 76 million, 52% down from R\$ 157 million in the previous year.

Gross income for the year was a loss of R\$ 78 million and gross margin was -24%, compared with gross income of R\$ 326 million in 2015. Excluding the effects of financial charges appropriated to costs of units sold, adjusted gross margin was 0.5%.

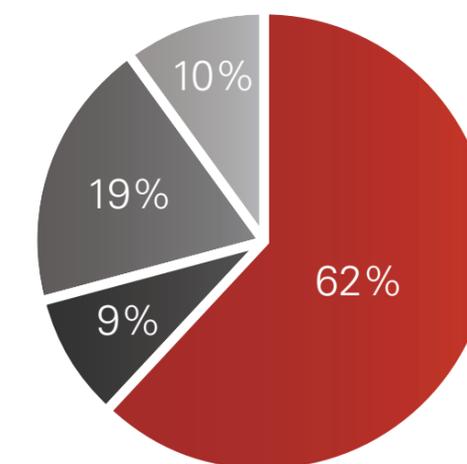
Sales expenses in 2016 (including advertising and sales booth maintenance and depreciation expense) were R\$ 35 million, accounting for 4% of gross sales. EBITDA (net income before income tax and social contribution, net financial income and expenses not affecting cash – depreciation, amortization and goodwill) was a loss of R\$ 455 million, with an EBITDA margin of -138%. EBITDA was negatively affected by the recognition of provisions for cancellations, as well as re-measurements of the cost of land and units in stock. Including financial charges appropriated to Cost of Units Sold and expenses on stock options, which do not affect cash, adjusted EBITDA was a loss of R\$ 379 million and adjusted EBITDA margin was -115% in 2016.

Our revenue streams at year-end were adversely affected by higher levels of cancellations and lower volumes of new launches in recent years, which reduced the extent to which fixed costs were diluted.

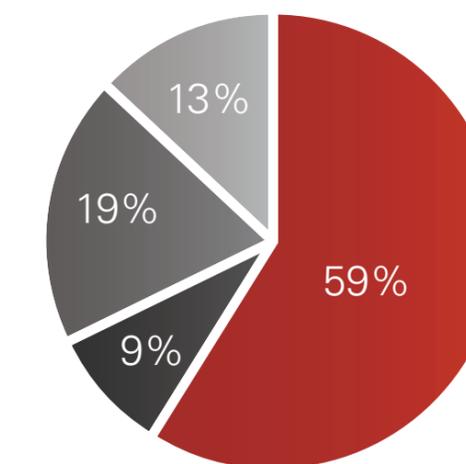
NET OPERATING REVENUE (R\$ MILLION)



COST OF UNITS SOLD AND SERVICES RENDERED (4Q16)



COST OF UNITS SOLD AND SERVICES RENDERED (2016)



■ Construction ■ Land ■ Financial cost ■ Development and other

## ADJUSTED GROSS INCOME/LOSS AND GROSS MARGIN

FINANCIAL INDICATORS	2014	2015	2016
Net operating revenue	1,560,366	1,239,579	328,675
Adjusted gross income	614,006	483,981	(1,582)
Adjusted gross margin (%)	39.4%	39.0%	-0.5%
Adjusted EBITDA	382,839	425,922	(379,067)
Adjusted EBITDA margin (%)	24.5%	34.4%	-115.3%
Net income for the period	155,351	237,551	(448,981)
Net margin (%)	10.0%	19.2%	-136.6%
Net income per share (ex-treasury)	0.8657	1.3692	(1.6416)

EBITDA	2014	2015	2016
Net revenue	1,560,366	1,239,579	328,675
Net income before income tax and social contribution	244,312	322,148	(450,402)
(-) Financial income/expense	(61,139)	(72,225)	(14,675)
(+) Depreciation/amortization/depletion	24,109	13,943	9,866
EBITDA	207,282	263,866	(455,211)
EBITDA Margin (%)	13.3%	21.3%	-138.5%
(+) Financial charges appropriated to CUS	166,813	157,003	76,129
(+) Stock options	8,744	5,053	15
Adjusted EBITDA	382,839	425,922	(379,067)
Adjusted EBITDA margin (%)	24.5%	34.4%	-115.3%

◇ **GENERAL AND ADMINISTRATIVE EXPENSES**

One of our management priorities in recent years, general and administrative expenses declined in 2016 reflecting TECNISA's shift to a leaner operation focused on the São Paulo market and with improved average project profitability.

As a result of a range of cost-cutting measures – such as downsizing our workforce, reducing our office footprint, shutting

down regional offices and renegotiating our service provider agreements – general and administrative expenses at year-end were R\$ 113 million, down 32% from R\$ 165 million in 2015 and 38% from 2014.

ADMINISTRATIVE EXPENSES AND MANAGEMENT FEES	2014	2015	2016
Personnel	(58,252)	(55,018)	(36,848)
Occupation	(20,107)	(17,393)	(6,586)
Utilities and Services	(15,107)	(13,813)	(9,922)
Outsourced Services	(23,222)	(24,783)	(18,912)
Institutional Marketing	(1,052)	(936)	(52)
Depreciation and amortization	(11,272)	(13,918)	(5,310)
General expenses	(29,098)	(13,554)	(24,978)
Management fees	(23,569)	(25,711)	(10,202)
Administrative expense	(181,679)	(165,126)	(112,810)
Administrative exp. / Gross sales	-15.6%	-13.7%	-11.8%
Administrative exp. / Net sales	-11.6%	-13.3%	-34.3%

# R\$ 113 million

in general and administrative expenses, 32% less than in 2015

◇ **DEBT**

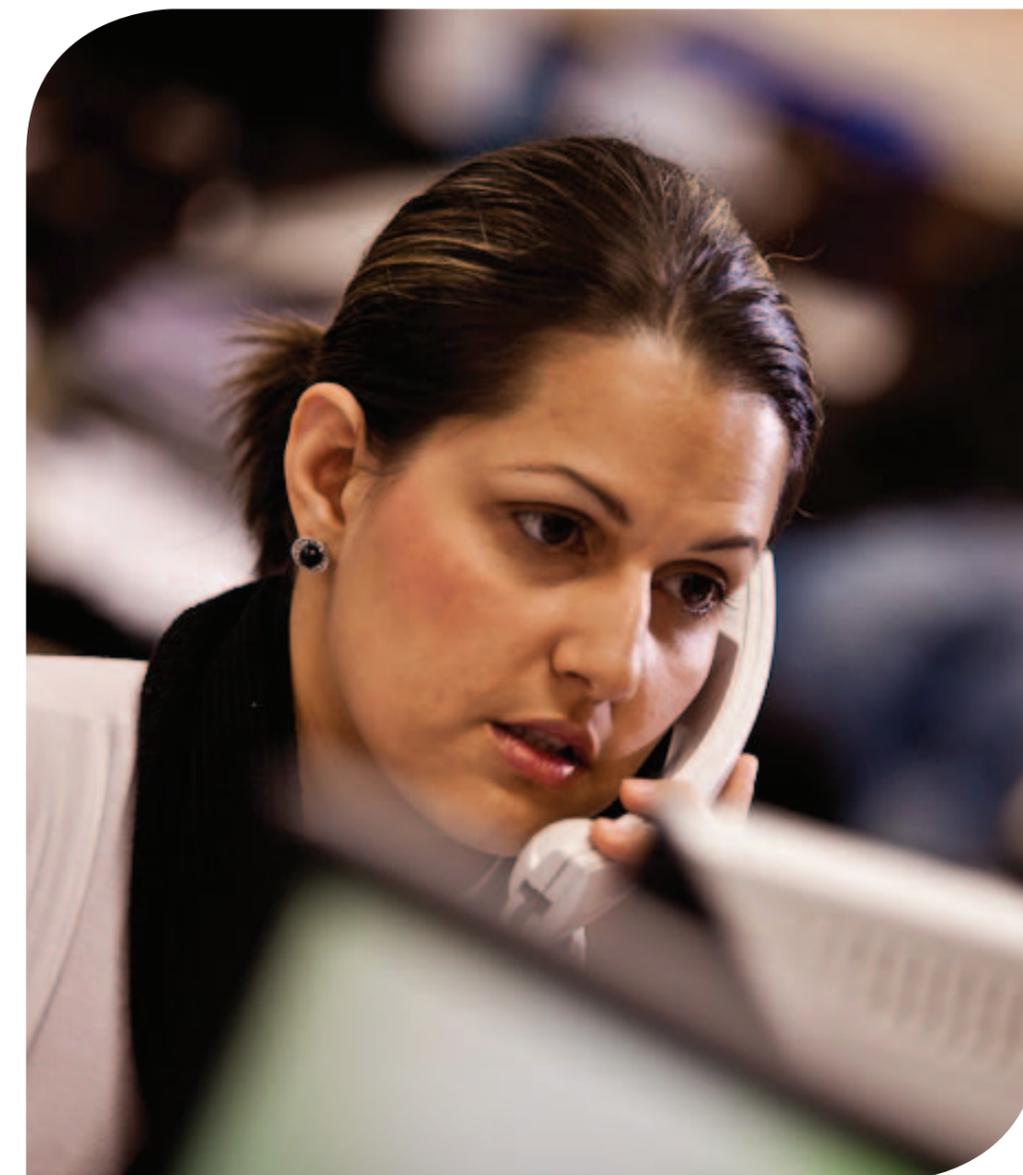
Indebtedness reductions were achieved throughout 2016 through measures that included a capital increase (*read more in Strategy & Investment*). Consolidated net debt in 2016 was R\$ 893 million, a decrease partly explained by the disposal of SPE Mariara Investimentos Imobiliários Ltda. ("Mariara"), which owns the rights to Corporate Time, an office building development within the Jardim das Perdizes project, which improved our results by absorbing R\$ 166 million in debt (as of November 2016) as well as construction obligations.

Out of total debt, R\$ 428 million is corporate debt (including R\$ 143 million maturing in 2017) and R\$ 639 million is project finance debt, which is amortized through receivables assignments. Total debt in the year was 20.6% less than in 2015, with a decrease in both short-term and long-term debt.

DEBT	2014	2015	2016
Equity <sup>41</sup>	1,700,318	1,712,013	1,448,085
Cash and Cash Equivalents	251,831	99,026	12,117
Securities - LP	79,430	133,279	161,901
Total cash and banks	257,182	246,584	174,018
(-) Debentures	(296,139)	(151,537)	(23,828)
(-) Other corporate debt	(378,145)	(295,859)	(404,170)
Net debt (ex-SFH)	(417,102)	(200,812)	(253,980)
Net debt (ex-SFH) / Equity	-24.5%	-11.7%	-17.5%
(-) Production financing	(1,694,648)	(897,013)	(639,031)
Net debt	(2,111,750)	(1,097,825)	(893,011)
Net debt / Equity	-124.2%	-64.1%	-61.7%
Adjusted cash generated (used) during the period <sup>42</sup>	(83,092)	1,060,624	37,932
Adjusted cash generated (used) during the period, non-IFRS <sup>42</sup>	(32,315)	684,082	285,530

▷1 Equity includes minority interests.

▷2 Cash generation, measured as the change in net debt, was adjusted by R\$ 33 million, R\$ 47 million and R\$ 99 million in respectively 2016, 2015 and 2014 due to payment of dividends and share buyback. In addition, R\$ 200 million was discounted in 2016 in relation to the capital increase.



# ABOUT THIS REPORT

**IN THIS CHAPTER**  
GRI CONTENT INDEX



This *Annual Report* reviews our performance indicators, developments in the year and other data and content to provide the market and society with an overview of our business performance in 2016.

The report has been prepared in accordance with the core option of the Global Reporting Initiative (GRI) G4 guidelines and the recommendations of the Brazilian Association of Listed Companies (Abrasca). It provides quantitative information for the period from January 1 to December 31, including information about our strategy, business model and details about the challenges faced and progress made during the period.

G4-28, G4-32

Report contents are based on our most recent materiality process (*read more in Relations and Impacts*), which identified what our internal and exter-

nal stakeholders see as the most material financial and nonfinancial issues for the business. An overall review of our material issues was performed in 2017. G4-18

The scope of the report covers all operations within the Company as covered by the Financial Statements. Social and environmental performance disclosures have not been audited. Financial disclosures have been audited by Deloitte Touche Tohmatsu Auditores Independentes. The Report, however, has not been independently assured.

G4-17, G4-33

Covering a particularly complex and difficult reporting period for the Company, this Report reflects our continued commitment to full accountability to society, including customers, employees, communities, suppliers, government and other institutions.



◆ GRI CONTENT SUMMARY

GENERAL DISCLOSURES					ASPECT	DESCRIPTION	PAGE/WHERE ADDRESSED	EXTERNAL AS-SURANCE	OMISSION
ASPECT	DESCRIPTION	PAGE/WHERE ADDRESSED	EXTERNAL AS-SURANCE	OMISSION					
Strategy and analysis	<b>G4-1</b> Message from the CEO				Identified material aspects and boundaries	<b>G4-21</b> Aspect boundary outside the organization			
	<b>G4-2</b> Description of key impacts, risks, and opportunities					<b>G4-22</b> Restatements of information provided in previous reports, and the reasons for such restatements	Restatements are described and presented in footnotes.		
	<b>G4-3</b> Name of organization					<b>G4-23</b> Significant changes from previous reporting periods in the scope and aspect boundaries	Environmental and operational indicators were affected by the reduced project pipeline in 2016. Details on these impacts are described throughout the report.		
	<b>G4-4</b> Primary brands, products, and/or services					<b>G4-24</b> List of stakeholder groups engaged by the organization			
	<b>G4-5</b> Location of organization's headquarters					<b>G4-25</b> Basis for identification and selection of stakeholders with whom to engage			
	<b>G4-6</b> Countries where the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report					<b>G4-26</b> Approach to stakeholder engagement			
	<b>G4-7</b> Nature of ownership and legal form					<b>G4-27</b> Key topics and concerns that have been raised through stakeholder engagement			
	<b>G4-8</b> Markets served					<b>G4-28</b> Reporting period			
	<b>G4-9</b> Scale of organization					<b>G4-29</b> Date of most recent previous report	Our Annual Report for 2015 was released in April 2016.		
Organizational profile	<b>G4-10</b> Employee profile				Report profile	<b>G4-30</b> Reporting cycle	Annual.		
	<b>G4-11</b> Percentage of employees covered by collective bargaining agreements	All employees are covered by collective bargaining agreements (except statutory directors).				<b>G4-31</b> Contact point for questions regarding the report or its content			
	<b>G4-12</b> Description of organization's supply chain					<b>G4-32</b> "In accordance" option the organization has chosen and location in GRI Content Index			
	<b>G4-13</b> Significant changes regarding size, structure, ownership, or supply chain					<b>G4-33</b> Policy and current practice with regard to seeking external assurance for the report			
	<b>G4-14</b> Whether and how the precautionary approach or principle is addressed by the organization					<b>G4-34</b> Governance structure of the organization			
	<b>G4-15</b> Externally developed charters, principles or other initiatives					<b>G4-43</b> Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics			
	<b>G4-16</b> Memberships of associations and organizations					<b>G4-56</b> Values, principles, standards and norms of behavior			
Identified material aspects and boundaries	<b>G4-17</b> Entities included in consolidated financial statements and entities not covered by the report				Ethics and integrity	<b>G4-58</b> Internal and external mechanisms for reporting concerns about unethical or unlawful behavior			
	<b>G4-18</b> Process for defining the report content								
	<b>G4-19</b> List of material aspects								
	<b>G4-20</b> Aspect boundary within the organization								

SPECIFIC DISCLOSURES				
ASPECT	DESCRIPTION	PAGE/WHERE AD-DRESSED	EXTERNAL AS-SURANCE	OMISSION
ECONOMIC				
	<b>G4-DMA</b> Management approach			
Economic performance	<b>G4- EC1</b> Direct economic value generated and distributed			
	<b>G4-EC4</b> Financial assistance received from government			
	<b>G4-DMA</b> Management approach			
Market presence	<b>G4-EC5</b> Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation			
ENVIRONMENTAL				
	<b>G4-DMA</b> Management approach			
				TECNISA has not reported this information for 2016 due to changes in the calculation method and the absence of supporting surveys in the São Paulo area. Energy savings will be measured over a period of one year for future disclosure.
Energy	<b>G4-EN7</b> Reductions in energy requirements of products and services			
	<b>G4-CRE1</b> Building lifecycle energy intensity			
	<b>G4-CRE1</b> Building water intensity			
	<b>G4-DMA</b> Management approach			
Effluents and waste	<b>G4-EN23</b> Total weight of waste by type and disposal method			
	<b>G4-EN25</b> Weight of hazardous waste transported			

ASPECT	DESCRIPTION	PAGE/WHERE AD-DRESSED	EXTERNAL AS-SURANCE	OMISSION
Products and services	<b>G4-DMA</b> Management approach			
	<b>G4-EN28</b> Percentage of products sold and their packaging materials that are reclaimed by category		No packaging was reclaimed during the year.	
	<b>G4-DMA</b> Management approach			
General	<b>G4-EN31</b> Total environmental protection expenditures and investments by type			
SOCIAL – LABOR PRACTICES AND DECENT WORK				
Employment	<b>G4-DMA</b> Management approach			
	<b>G4-LA1</b> Total number and rates of new employee hires and employee turnover by age group, gender and region			
	<b>G4-LA2</b> Benefits provided to full-time employees			
Occupational Health & Safety	<b>G4-DMA</b> Management approach			
	<b>G4-LA5</b> Percentage of total workforce represented in formal joint management–worker health and safety committees		All employees are represented in health and safety committees.	
	<b>G4-LA6</b> Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender			
	<b>G4-DMA</b> Management approach			
	<b>G4-LA9</b> Average hours of training per year			
Training and education	<b>G4-LA10</b> Programs for skills management and lifelong learning			
	<b>G4-LA11</b> Percentage of employees that regularly undergo performance and career development analyses			
Diversity and equal opportunities	<b>G4-DMA</b> Management approach			
	<b>G4-LA12</b> Composition of governance bodies and breakdown of employees per employee category			
	<b>G4-DMA</b> Management approach			
Equal remuneration for women and men	<b>G4-LA13</b> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation			
CATEGORY: SOCIAL – HUMAN RIGHTS				

ASPECT	DESCRIPTION	PAGE/WHERE AD-DRESSED	EXTERNAL AS-SURANCE	OMISSION
Investment	<b>G4-DMA</b> Management approach			
	<b>G4-HR2</b> Total hours of employee training on human rights policies, including the percentage of employees trained			
Non-discrimination	<b>G4-DMA</b> Management approach			
	<b>G4-HR3</b> Total number of incidents of discrimination and corrective actions taken	There were no cases in 2016.		
Child labor	<b>G4-HR5</b> Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken	Periodic audits did not identify any child labor risks at our construction sites or our partners.		
CATEGORY: SOCIAL – SOCIETY				
Anti-corruption	<b>G4-DMA</b> Management approach			
	<b>G4-SO4</b> Communication and training on anti-corruption policies and procedures			
	<b>G4-SO5</b> Confirmed incidents of corruption and actions taken	There were no incidents of corruption in 2016.		
Public policy	<b>G4-DMA</b> Management approach			
	<b>G4-SO6</b> Total value of political contributions	No contributions were made in 2016.		

ASPECT	DESCRIPTION	PAGE/WHERE AD-DRESSED	EXTERNAL AS-SURANCE	OMISSION
SOCIAL – PRODUCT RESPONSIBILITY				
Product and service labeling	<b>G4-DMA</b> Management approach			
	<b>G4-PR5</b> Results of surveys measuring customer satisfaction			
	<b>G4-CRE8</b> Type and number of sustainability certification, rating and labeling schemes – voluntary or mandatory – for new construction, management, occupation and redevelopment			
Compliance	<b>G4-DMA</b> Management approach			
	<b>G4-PR9</b> Fines for noncompliance in the provision and use of products and services	No fines were imposed during the period.		

## CORPORATE INFORMATION

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