



**SUSTAINABILITY
REPORT 2016**



#ORGULHODESERESTACIO



ESTÁCIO SUSTAINABILITY REPORT 2016

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BOA VISTA
OUR UNIT IN RORAIMA, IN THE
DISTRICT OF UNIÃO

A WORD FROM THE PRESIDENT

“OUR BIGGEST CHANGES IN RECENT HISTORY”

In an interview, President Pedro Thompson discusses key developments at Estácio in 2016

In his first year as President, Pedro Thompson comments on significant achievements and challenges at Estácio in 2016. The year was marked by extensive structural change to ensure the long-term sustainability of the University. [G4-1](#)

What were some of the key developments at Estácio in 2016 and their impacts on the University?

I believe 2016 saw the most extensive changes in Estácio's recent history. The first was a renewal of 70% of the Board of Directors, including its chairman. With this came new direction and strategies. The second was the proposed merger with Kroton. While the merger was ultimately rejected by the Brazilian antitrust authority – CADE – in June 2017, we respect the decision and have continued to improve our organizational climate as well as focus-

ing on our future, confident in the new opportunities that will be created from our efforts. We also completed a full redesign of our Executive Board, with some positions abolished and others created.

What were the objectives behind these changes and their main outcomes?

Our primary objective was to provide greater transparency in business management, rule number 1 in our corporate governance guidelines. We also needed to adjust our student acquisition strategy, as while Estácio was successful in attracting students, many were subsequently withdrawing or defaulting on payments. We focused on a more targeted strategy, with lower – but more sustainable – student acquisition volumes. This change succeeded in reducing drop-out rates by 25%.

PEDRO THOMPSON

**"WE ENDED THE SECOND HALF
OF 2016 IN A BETTER POSITION"**



What were some of the main highlights in terms of financial performance?

In financial terms, we had two very different half-years. In the second half our operating margin increased by almost 4 percentage points, which is significant. EBITDA – our main financial indicator – was also reasonably higher than in the first half. This was largely driven by factors such as the recovery in average ticket, better managed marketing spend and, above all, improved cash generation.

How was Estácio affected by Brazil's political and economic turbulence in 2016?

The economic downturn and unemployment no doubt had an impact, especially as our students are largely in classes B and C – our average ticket is approximately R\$ 690.00. However, opportunities at Estácio abound. So despite the macroeconomic and political turbulence, we successfully

ended the second half of 2016 in a better position than in the first and in the same period last year. It looks as if 2017 is shaping up to be the best year ever for Estácio.

Where did Estácio perform well in the Higher Education sector in Brazil?

I would highlight our laudable performance in academic achievement. Universidade Estácio de Sá, for example, which spans the state of Rio de Janeiro and accounts for 45% of our business, scored 4 out of 5 in the Ministry of Education's General University Program Index (IGC). This places us alongside universities such as PUC-Rio and FGV-Rio, and is a testament to academic excellence despite our comparatively lower average ticket. This industry-leading score has been a major milestone for us and the result of our staff's efforts over the past six years.

With the changes that occurred in 2016, what are Estácio's management goals and strategies today, and future priorities?

We have placed an increased focus on student retention. With a very broad customer base like ours, all business processes – including loyalty-building processes – can tend to become mass-market. One of the big challenges in this context is ensuring that each student's individual needs are met. To address this, we have developed a Student Retention department and are working to ensure the program is robust in 2017. This can have a very significant financial impact: a 30% reduction in drop-out rates would generate R\$ 80 million in profits per year.

What were some of Estácio's key initiatives to engage with society?

I would highlight the four pillars of Civic Engagement, Culture, Schools and Sports within our "Educate to Transform" Program as some of the most important ways we have contributed to society. Estácio students were gold medal winners in Rio 2016 – and not by coincidence: we have supported about 300 athletes with partial and full scholarships. We believe in the power of social transformation through sports combined with education.

We have also invested heavily in research programs. Even though, as a private company, profitability is high on our investors' agenda, we also have other commitments as priorities, including giving back to society. We are also agents of public development as participants in two major programs – FIES and PROUNI – which involve tax benefits.

I would also mention the Estácio Journalism Award as an excellent initiative which encourages journalists to report on, and consequently broaden the debate about, education.

What other stakeholder engagement initiatives were noteworthy in the year?

I would point to the importance of Brazil's "More Doctors" Program. We bid successfully in four Brazilian cities to establish new medical schools to help fill a deficit of health professionals in some regions of Brazil.

As educators, we seek to positively impact society through example and, accordingly, transparency and ethics are some of the key values in our governance system. We are also strongly committed to the democratization and quality of the education system, as well as enhancing students' employability.

In the current context, what are the main challenges facing Estácio and the education industry?

With the economic difficulties facing Brazil, offering an affordable ticket and especially alternative payment facilities that can support both student loyalty and acquisition is a major challenge. We are progressing on this path. In 2017 we launched *Parcelamento Estácio*, a facility by which students can pay 30% of their monthly fees in the first year and pay the balance in installments without interest over double that time.

"We seek to positively impact society through example, with transparency and ethics as key values."



IN THE LAB
OUR CONTINUOUS INVESTMENT
IN TECHNOLOGY MADE FURTHER
HEADWAY IN 2016

PROFILE

SHOULDER TO SHOULDER WITH STUDENTS

We employ knowledge and advanced technology in fulfilling our mission of Educating to Transform

Estácio Participações S.A. was organized on March 31, 2007 and has grown to become one of the largest private higher education institutions in Brazil, with 508,000 students enrolled as of December 31, 2016 in on-campus and distance-learning undergraduate and graduate programs. [G4-3](#), [G4-7](#)

Based in Rio de Janeiro, the Estácio network comprises a university, ten university centers, 40 colleges and 228 distance learning centers accredited by the Brazilian Ministry of Education. With a recognized nationwide presence, as of June 2017 the University had 95 campuses in major urban centers across 23 Brazilian states and the Federal District. [G4-5](#), [G4-8](#), [G4-9](#)

Our units are strategically located near the homes or workplaces of our target student population, which consists primarily of middle- and lower-middle class workers who view education as a key element of professional development and, ultimately, of social mobility. This has been our approach to fulfilling our Mission of Educating to Transform. [G4-2](#)

Estácio has a highly qualified faculty, develops advanced educational methodologies and has facilities equipped with state-of-the-art technology. We offer 92, nationally integrated undergraduate programs across Exact Sciences, Life Sciences and the Humanities. Estácio also offers 135 *latu sensu* graduate programs master's and doctoral programs, as well as a variety of extension programs offering superior quality and competitive pricing, designed to advance the professional training, and enhance the employability, of our students. This concept is central to our approach to managing the business, alongside sustainability, corporate social responsibility and best-practice corporate governance. [G4-4](#)

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STATES
and the Federal
District: Estácio's
Nationwide Footprint

FACILITIES G4-6, G4-9

2
UNIVERSITY
CENTERS

13
COLLEGES

38
DISTANCE-LEARNING CENTERS

15
UNITS

NORTH

14
COLLEGES

45
DISTANCE-
LEARNING
CENTERS

23
UNITS

3
UNIVERSITY
CENTERS

NORTHEAST

MIDSOUTH

13
COLLEGES

109
DISTANCE-
-LEARNING
CENTERS

5
UNIVERSITY CENTERS

24
UNITS

RIO DE JANEIRO

1
UNIVERSITIES

36
DISTANCE-
-LEARNING
CENTERS

33
UNITS

PROGRAMS

LATO SENSU:
GRADUATE AND MBA

135

92
UNDERGRADUATE

STRICTO SENSU¹:
MASTER'S

5

3
STRICTO SENSU¹:
PHD

235

PROGRAMS
in total, with 508,000
enrolled students
in 2016

1 UNESA only.

MISSION, VISION AND VALUES G4-56

MISSION

Educate to transform.

VISION

To be the higher education institution of choice for students, employees and shareholders.

VALUES

STUDENT-ORIENTED

Students are the reason we exist.

PEOPLE AND MERIT

We value and recognize merit in our greatest asset: our people.

INNOVATION

We are creative and daring.

SIMPLICITY

We are efficient and austere through simplicity.

RESULTS

We pursue extraordinary results with passion, method and a sense of ownership.

ETHICS

We do not tolerate breaches of conduct.

EXCELLENCE

We pursue excellence inside and outside the classroom.

HOSPITALITY

We treat people as we like to be treated.

AWARDS AND RECOGNITION

ABERJE AWARD

In 2016 Estácio was presented with an ABERJE National Award in the Sports Communications and Programs, Projects and Initiatives category for a case study entitled "Estácio in Sports – Training Winners."

The award recognized our commitment to supporting sports as an important agent of social transformation, especially when combined with education. This recognition was a source of pride for the entire organization, especially in a year in which we became the first higher education institution to support the Olympic Games and worked to build a legacy from supporting Rio 2016 Games delivery.

The award program, organized by the Brazilian Association of Business Communications (ABERJE), recognizes and helps to disseminate best practices in business communications to support organizations'

development and strategic positioning.

In October, Estácio had already won the award in the Regional category for Rio de Janeiro and Espírito Santo.

ÉPOCA NEGÓCIOS 360º

ANNUAL BUSINESS RANKING

Estácio ranked as Brazil's best company in the education industry in the Época Negócios 360º Annual Business Ranking for 2016. This was Estácio's second consecutive year on the ranking, having been awarded as the best company in the Services category the previous year. Época Negócios 360º provides a snapshot of how Brazilian business have performed across Finance, Corporate Governance, Innovation, Corporate Social and Environmental Responsibility, HR Practices and Future Vision.

MATERIALITY G4-19, G4-20,
G4-21, G4-22, G4-27

In developing this Sustainability Report, Estácio completed a materiality exercise of identifying and prioritizing those aspects giving rise to our most significant economic, environmental and social impacts and affecting our stakeholders' decisions.

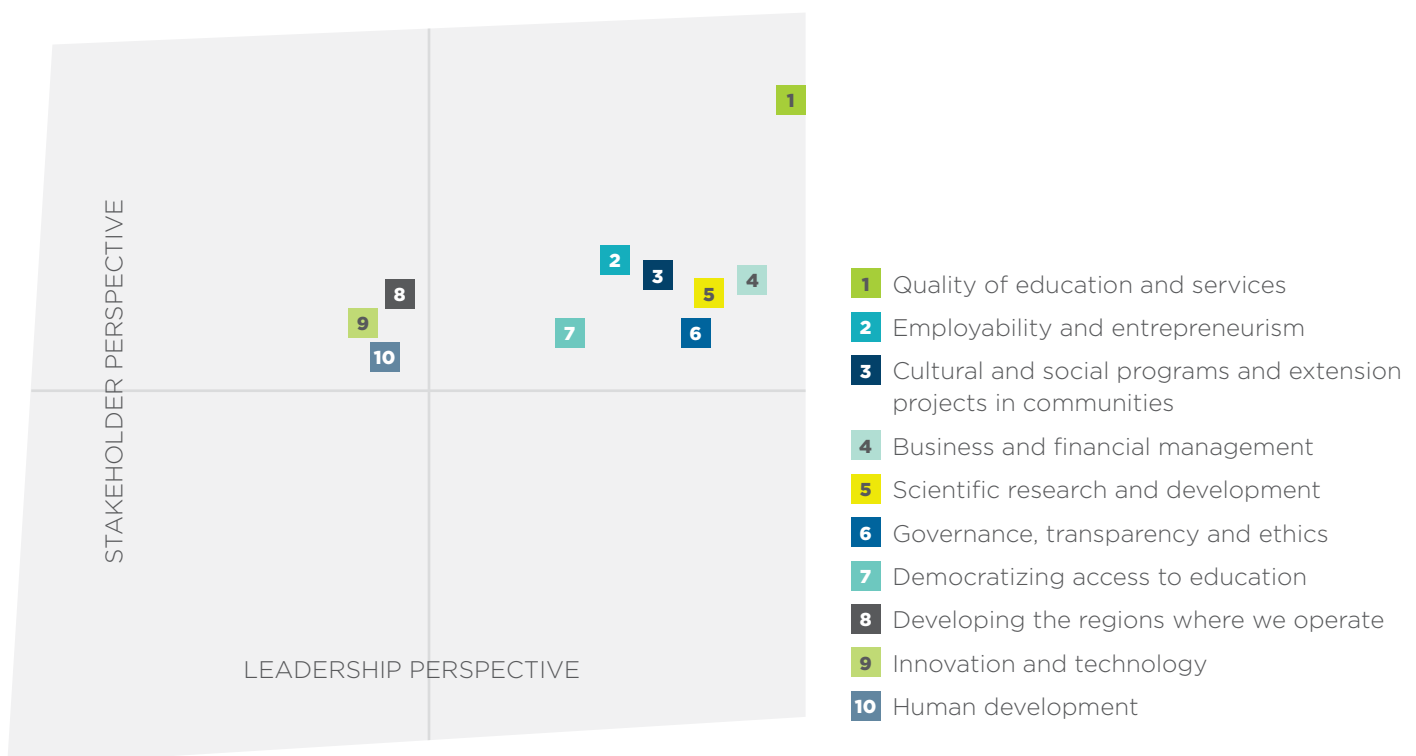
The materiality process began with the development of a shortlist of topics that are strategic to Estácio based on industry research and relevant University documentation. This stage also included benchmarking against other materiality processes described in the sustainability reports of higher education peers in Brazil and internationally. In a second stage, representatives from our different stakeholder groups were surveyed to capture their views about the shortlisted topics. As part of this stage, the suggested topics were ranked by priority for Estácio based on surveys with senior management (president, vice presidents, managers and deans) and guest respon-

dents. External respondents included investment experts, labor market analysts, sustainability researchers, education and education technology experts and representatives from higher education associations and other organizations.

Supplementing these surveys, 4,628 respondents completed an online questionnaire on the suggested topics. Respondents in this phase included shareholders (individuals), Estácio students, secondary education students, employees (staff and faculty), alumni and suppliers.

The topics put forward in these surveys were then validated by senior management taking account of each topic's risks and opportunities, priority rank and place in Estácio's strategy.

The final list of topics approved by leadership and ranked by priority (based on the views of senior management and other stakeholder groups) is shown in the graph below.



A SMARTPHONE APP FOR STUDENTS



STAKEHOLDER COMMUNICATION CHANNELS G4-24, G4-25, G4-26

Communication plays a fundamental role in advancing sustainability in corporate management strategies, and is especially crucial for an education institution. Based on these assumptions, we work to enhance our capabilities to engage and interact with our stakeholders. We use a diverse range of innovative tools to disseminate information, which are described in summary below.

STUDENTS

We offer a range of communication and relationship channels to provide academic and news information to students enrolled with Estácio. This includes the following platforms and tools:

Student Center; Estácio Website; Hiring Portal; Estácio Careers Portal; Employability Blog; Virtual Campus; Estácio App, Estácio Virtual Assistant (Tácio), Facebook, Instagram, Twitter; the Estácio brand account (YouTube); LinkedIn; e-mail marketing; SMS; offices; academic departments; call center; Corporate Social Responsibility Website.

To ensure these platforms function properly, our Student Communications Department is supported by Virtual Channel, IT Support and Student Services teams. For some specific communications requirements, an agency may also be engaged to design communications materials.

ALUMNI

The platforms described above are also used to keep our alumni informed. The following communication and relationship channels are available to this stakeholder group: Hiring Portal; Estácio Careers Portal; Alumni Program; LinkedIn; Corporate Social Responsibility Website.

STAFF

A variety of communication tools and initiatives are used to inform our corporate and operations managers and administrative and academic staff with access to Estácio's physical premises and virtual networks.

These are used to provide consistent corporate information and communicate initiatives and developments that could affect

our staff's daily routines. We also communicate initiatives implemented at a national level to generate knowledge, engagement, value creation and other collective benefits.

The following platforms and initiatives support us in these and other corporate efforts: Intranet; Internal Communication Bulletins; Service Reports; *Fique por Dentro* Newsletters; Leadership Forums; Leadership Communication Program (face-to-face communication); Internal Communications Campaigns; The President's Blog; president podcasts, e-mail; internal social network; Corporate Social Responsibility Website.

FACULTY

In addition to running a wide range of communication initiatives reaching our full spectrum of stakeholder groups, we also produce content specifically geared to faculty through platforms and initiatives that include the following: Internal Communication Bulletins; Annual Faculty Forum; Professor Dashboard Bulletins; vacancy notices; Research Bulletins; Virtual Campus; internal social network; intranet; President Podcasts; The President's Blog; internal communication campaigns; Corporate Social Responsibility Website.

Through these best communication practices, we work to bring the University closer to faculty, provide platforms for communicating initiatives of academic interest or information that could affect the routines of faculty members, and disseminate news that can contribute to generating knowledge, engagement and value creation at a national level for this stakeholder group.

SOCIETY IN GENERAL

For society in general, we provide up-to-date information on the Estácio and Estácio Participações websites and on the Corporate Social Responsibility Website. On the internet, members of the public can also visit our social media pages (Facebook, Instagram, Twitter and YouTube) and view our annual Sustainability Reports.

INVESTORS

In line with the principles of transparency and equitable treatment of shareholders, in-

formation on the Estácio Participações Website is typically available in both Portuguese and English. This ensures access to information about the University is available to both local and foreign investors and shareholders.

To ensure our investor relations website adequately fulfills its purpose, Estácio's IR department monitors the internal flow of information and interacts with the Financial and Controllershship departments as well as other functions within the organization. For this stakeholder group, alongside the Estácio Participações Website, we provide the following communication and relationship channels: Sustainability Reports; *Fale com RI*; Estácio Day; the Estácio Participações Facebook page; market/company notices and other Brazilian SEC filings; Shareholder Newsletters; road shows; conference calls; Corporate Social Responsibility Website.

MEDIA

Estácio's Corporate Communications department is responsible for media relations and seeks to build a strong brand reputation in the media and broader market, addressing national and regional interests. The team is supported by 26 press offices that are



ESTÁCIO
JOURNALISM AWARDS:
24 FINALISTS IN 2016

engaged as necessary to provide media outreach in each region where we operate. This includes issuing press releases, story suggestions and content developed on instruction by the Communications, Branding and Sponsorship Committee.

This department is also responsible for developing and disseminating Estácio's Corporate Communications Policy, with a focus on media relations and crisis management. The Corporate Communications department can be contacted by e-mail to imprensa@estacio.br.

NEW SUPPLIER STRATEGY G4-12, G4-13

In 2016 Estácio implemented Regional Procurement Cells in our four operating regions (Unesa, North, Northeast, Midsouth). The goal of the initiative was to decentralize small-value purchases (up to R\$ 10,000), which were previously made directly by each unit.

The change has helped to standardize the procurement process, improve our governance and compliance systems and develop new local suppliers to meet regional requirements.

ESTÁCIO JOURNALISM AWARDS

The Estácio Journalism Award Program – one of Estácio's prime initiatives for engaging with the media – was created in 2011 to recognize and support news reporting on the higher education industry in Brazil.

With 331 news reports entered and 24 competing finalists in nine categories, the results of the 2016 edition were announced on October 6 in a ceremony at the Museum of Tomorrow in Rio de Janeiro.

Program managers have reported that the number, quality and variety of entries have improved significantly with each edition.

FIGURES IN SIX EDITIONS

+500

MEDIA ORGANIZATIONS
represented

+1,800

ENTRIES

+100

WINNERS
including individuals and teams



Significant changes were implemented in our supply chain in 2016, including new training and management processes.

Another purpose of the initiative is to develop medium- and long-term agreements and unit price lists to reduce redundant procurement effort and focus on strategic purchases. It has also helped to reduce potential sources of waste.

One of the benefits from consolidating procurement efforts is an improved interface with the Procurement department. Purchase requisitions are now made on the Procurement Portal following approval, in a better streamlined and standardized process. Services were further optimized through training provided to requisitioners and recipients. These training activities involved around 300 people.

Also in 2016, the Procurement Department received training delivered by Compliance. In addition to clarification on issues such as screening and disqualifying suppliers and transparency in procurement processes,

this training has further emphasized an important requirement at Estácio. No employees are permitted to do business with Estácio as suppliers, and former employees must await a period of at least one year before providing any service to the University.

SUPPLIER PROFILES G4-12

Our supply chain comprises three major segments: construction, educational resources and miscellaneous items, as well as minor services.

300

PEOPLE
trained in 2016 on
Procurement initiatives

CONSTRUCTION

Our 90 units across Brazil will often require works involving maintenance and expansion of facilities, lecture halls and laboratories. These services are generally sourced from regional suppliers. Construction services are retained from an estimated 100 suppliers, with annual expenditure of R\$ 64 million.

EDUCATIONAL RESOURCES

These include furniture, books and laboratory materials. Medicine laboratory materials (the most expensive and high specification materials we purchase) are typically imported by distributors and can involve lead times of as much as four months. IT purchases include hardware and software (when not immediately available in distributors' inventories) as well as consulting services, project development and system maintenance. Educational resources are sourced from an estimated 150 suppliers, with annual expenditure of R\$ 93 million.

GENERAL ITEMS AND SERVICES

These comprise a range of supplies, from food products for our Gastronomy program through office materials, consumables and cleaning products to labor-intensive janitorial services, catering, binding and other services. These items are sourced from an estimated 4,000 suppliers located near each unit, which helps to strengthen local economies. Annual expenditure in these segments is of approximately R\$ 30 million.

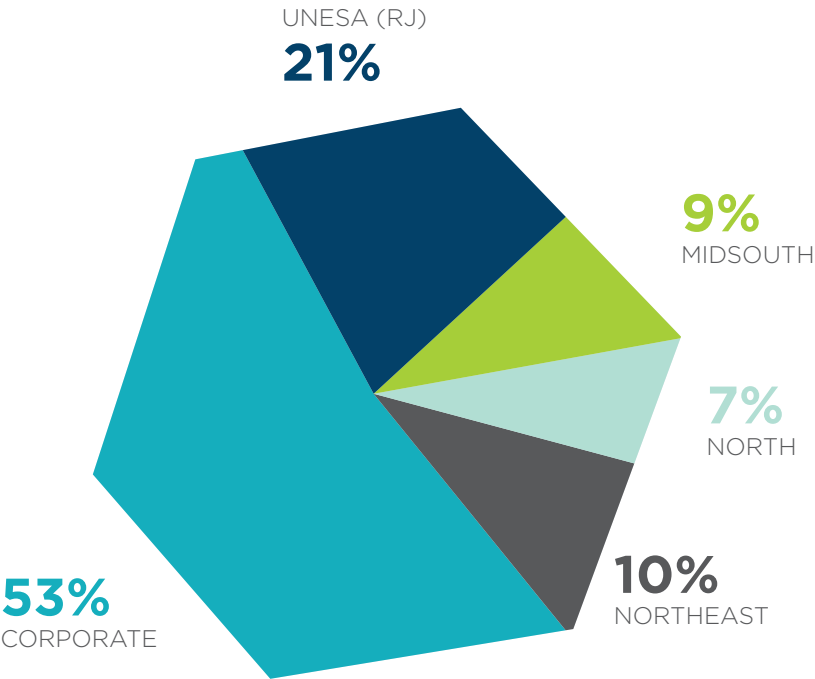
Other suppliers include benefits suppliers (meal vouchers, transportation tickets, etc), collection services, travel tickets and hospitality. These requirements are met by around 20 suppliers, with annual expenditure of R\$ 120 million.

LOCAL SOURCING G4-EC9

To further advance the development of the communities where we operate, in 2016 Estácio implemented a Procurement Policy establishing rules on procurement processes at all units. Local sourcing was further strengthened by creating Regional Procurement Cells at regional units (Unesa – Rio de Janeiro State; Midsouth; North, Northeast and at our Head Office in Rio de Janeiro).

The Regional Procurement Cells are located in Belém (North), Recife (Northeast), São Paulo (Midsouth) and Rio de Janeiro (Unesa). These cells have been implemented to develop and source from local suppliers, helping to reduce lead times and improve relations with stakeholders.

PROPORTION OF SPENDING ON LOCALLY-BASED SUPPLIERS AT SIGNIFICANT LOCATIONS OF OPERATION¹



4

REGIONAL PROCUREMENT CELLS have been implemented at each regional unit

¹ "Local" means sourced from near each regional unit or our head office.

GOVERNANCE

A YEAR OF VITAL CHANGE

Governance process reviews have further cemented a management approach based on ethics and integrity

Our business conduct is guided by values such as ethics and integrity which are disseminated to all stakeholders: including employees, customers, suppliers, shareholders and board members. We recognize the need to understand and comply with both applicable regulations and our own rules and policies in order to achieve strategic goals.

Changes in direction may accordingly be implemented as needed. In 2016 Estácio underwent structural changes that have been essential in supporting a new governance approach and innovative guidelines for business management. The process began with the appointment of a new chair and four new members to our Board of Directors.

Reviewing our strategy and policies and developing more effective internal controls proved to be critical in a year of heightened political and economic instability in Brazil.

This new context required several crucial decisions to be made, which included replacing the Executive Board and some of our key management personnel, reformulating our corporate structure to focus on our core business, and reviewing our policies and accounting principles, which resulted in restatements of our financial disclosures in the second quarter of 2016. These and other

initiatives and innovation efforts that have delivered on our commitment to transparency are described in this chapter.

CORPORATE PRACTICES

In an Extraordinary General Meeting held on June 13, 2008, Estácio Participações approved a proposal to migrate from BM&FBovespa's *Nível 2* to *Novo Mercado*, a premium listing segment denoting adherence to the highest standards of corporate governance. This required amendments to be made to the Company's bylaws.

4

NEW MEMBERS

were appointed to the Board of Directors in 2016, enhancing governance as a requirement for premium-listed companies

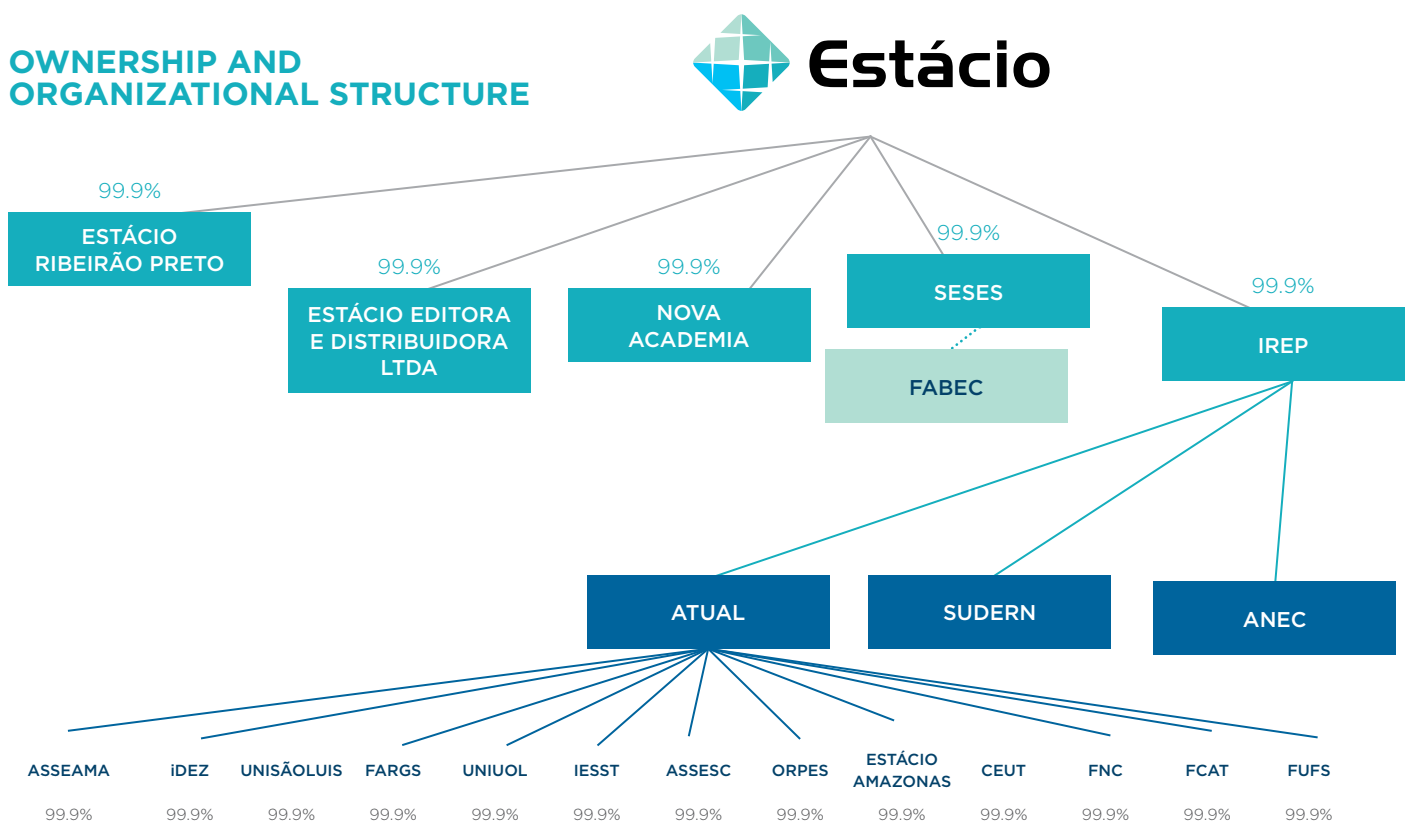


Estácio adopted to the principles set out in the *Code of Best Practice in Corporate Governance* published by the Brazilian Institute for Corporate Governance (IBGC) in 2012, upon becoming a member. We accordingly adhere to the comprehensive recommendations set out in the Code, including the requirement to:

Estácio has been a member of the Brazilian Institute for Corporate Governance since 2012.

- Engage independent auditors to review the Company's balance sheets and financial statements;
- Adopt Bylaws that clearly set out the method of convening General Meetings, the duties of the Board of Directors, voting procedures, and procedures for removing, and the terms served by, the members of governance bodies;
- Ensure transparency in annual reporting;
- Record dissenting votes in meeting minutes when requested to do so;
- Forbid insider trading and ensure a policy is in place requiring the disclosure of material information;
- Include provisions in the company's by-laws establishing arbitration as the method for resolution of shareholder disputes;
- Appoint board members who are experienced in operational and financial matters and who are members of other boards of directors;
- Include provisions in the company's by-laws precluding access to information and voting rights for board members in situations of conflicts of interest.

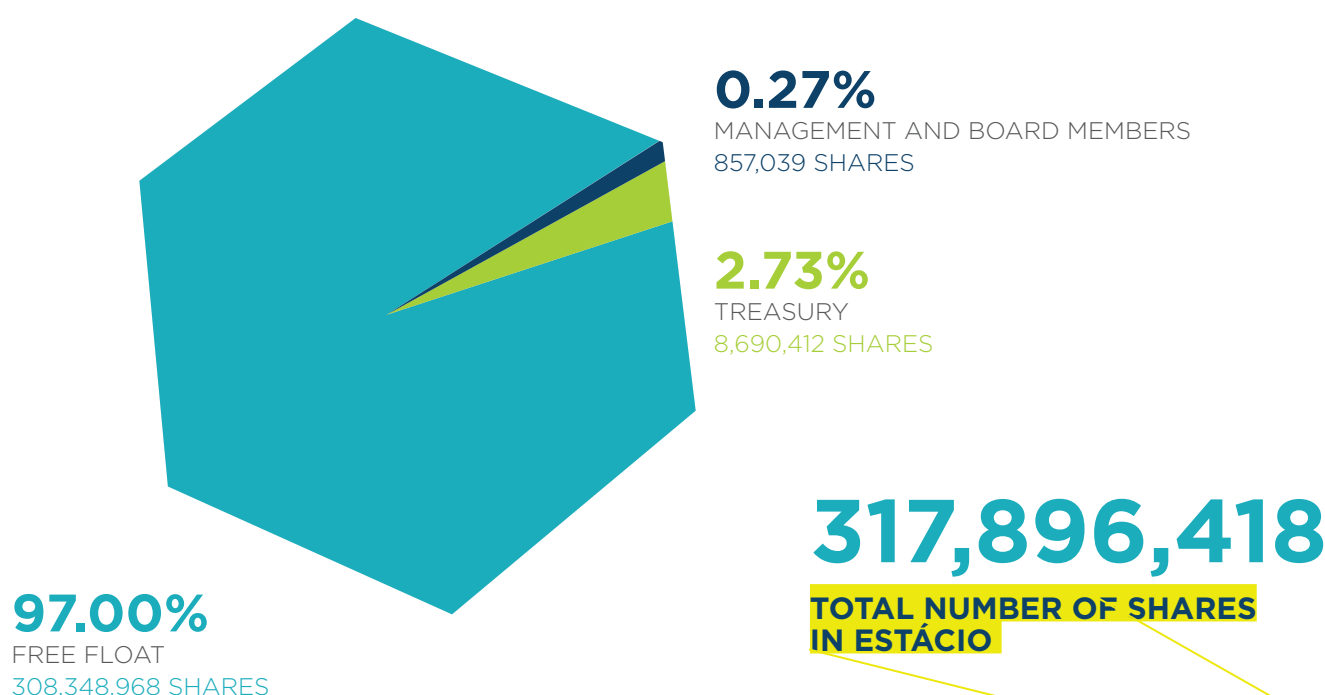
OWNERSHIP AND ORGANIZATIONAL STRUCTURE



DATE UPDATED: MAY 30, 2017

SHARE CAPITAL STRUCTURE G4-13

JUNE 2017

**BOARD OF DIRECTORS** G4-34

The Board of Directors – which was renewed in 2016 – is composed of a minimum of seven and a maximum of nine members, all of whom are shareholders elected at a General Meeting for a renewable term of two years.

MEMBERS OF THE BOARD OF DIRECTORS	TITLE	DATE APPOINTED	END OF TERM
FRANCISCO AMAURI OLSEN	INDEPENDENT MEMBER	4/27/2016	04/2018
JACKSON MEDEIROS DE FARIAS SCHNEIDER	INDEPENDENT MEMBER	4/27/2016	04/2018
JOÃO COX NETO	INDEPENDENT CHAIRMAN	4/27/2016	04/2018
JOÃO ZANGRANDI NETO	INDEPENDENT MEMBER	12/15/2016	04/2018
LIBANO MIRANDA BARROSO	INDEPENDENT MEMBER	4/27/2016	04/2018
LUIZ ROBERTO LIZA CURI	INDEPENDENT MEMBER	7/30/2016	04/2018
MAURÍCIO LUÍS LUCHETTI	INDEPENDENT VICE CHAIRMAN	4/27/2016	04/2018
OSVALDO BURGOS SCHIRMER	INDEPENDENT MEMBER	4/27/2016	04/2018

DATE UPDATED: SATURDAY, JULY 1, 2017

AUDIT COMMITTEE G4-34

Under Estácio Participações' Bylaws, a non-permanent Audit Committee may be established at the request of the University's shareholders at a General Meeting.

AUDIT COMMITTEE MEMBERS	TITLE	DATE APPOINTED	END OF TERM
PEDRO WAGNER PEREIRA COELHO	MEMBER	4/19/2017	04/2018
EMANUEL SOTELINO SCHIFFERLE	MEMBER	4/19/2017	04/2018
VANESSA CLARO LOPES	MEMBER	4/19/2017	04/2018

EXECUTIVE BOARD G4-34

Under Estácio's Bylaws, the Executive Board – which was also renewed in 2016 – must have a minimum of three and a maximum of eight members, including a Chief Executive Officer, a Chief Financial Officer, an Education Officer and other unspecified officers. Executive Officers are appointed by the Board of Directors for terms of two years and may be removed from office at any time.

3

MEMBERS

The minimum composition of our Executive Board, which is appointed by the Board of Directors

MEMBERS OF THE EXECUTIVE BOARD	TITLE	DATE APPOINTED	END OF TERM
PEDRO THOMPSON LANDEIRA DE OLIVEIRA	CEO AND INVESTOR RELATIONS OFFICER	8/30/2016	UP TO THE 1 ST BOARD MEETING SUBSEQUENT TO THE 2018 OGM**
LEONARDO MORETZSOHN DE ANDRADE	VP*, FINANCE	10/26/2016	UP TO THE 1 ST BOARD MEETING SUBSEQUENT TO THE 2018 OGM**
HUDSON RUBEM DE OLIVEIRA MELLO JUNIOR	VP*, EDUCATION	10/7/2016	UP TO THE 1 ST BOARD MEETING SUBSEQUENT TO THE 2018 OGM**
SERGIO SANTOS LEITE PINTO	VP*, OPERATIONS	7/19/2016	UP TO THE 1 ST BOARD MEETING SUBSEQUENT TO THE 2018 OGM**
ANTONIO HIGINO VIEGAS	VP*, MARKET	10/7/2016	UP TO THE 1 ST BOARD MEETING SUBSEQUENT TO THE 2018 OGM**
ALBERTO DE SENNA SANTOS	VP*, LEGAL AND COMPLIANCE	1/26/2017	UP TO THE 1 ST BOARD MEETING SUBSEQUENT TO THE 2018 OGM**
CLÁUDIA ROMANO	VP*, CORPORATE RELATIONS AND SUSTAINABILITY	-	-
JOSÉ AROLDI ALVES JUNIOR	VP*, DISTANCE-LEARNING	-	-
ANDREA SIMÕES	VP*, PEOPLE AND MANAGEMENT	-	-

RISK MANAGEMENT AND INTERNAL CONTROLS G4-SO3

Created in 2016, the Risk Management and Internal Controls function is of central importance in disseminating a risk mitigation culture in the management of our business.

Reporting to the VP of Finance, this new function was structured in 2017 and is responsible for identifying, categorizing and prioritizing significant risks, which are reviewed by a Risk Committee to inform decisions in each case.

Because the new function was created and risk management has been addressed as a strategic issue since year-end 2016, results for previous periods cannot be reviewed.

Other key Risk Management and Internal Controls objectives at a strategic level within the organization include:

- Mapping the risks that are most material to the Company and stakeholders in terms of probability of impact to inform preventive and corrective action plans.

- Reviewing and evaluating risks that could affect our ability to achieve business goals.
- Recommending metrics and performance indicators and advising managers in identifying, mitigating, monitoring and managing risks and reporting on risk management results.
- Advising on and monitoring the implementation of improvements and internal controls, and assessing impacts from changes in controls.
- Ensuring the function's roles and responsibilities are aligned with our Code of Ethics and Business Conduct and established values, competencies, levels of authority and responsibilities within Estácio.
- Implementing and updating policies and procedures related to internal controls.

LEADERSHIP

PRESIDENT PEDRO THOMPSON (WHO IS ADDITIONALLY INVESTOR RELATIONS OFFICER) AND FLÁVIA OLIVEIRA (INVESTOR RELATIONS MANAGER)



COMPLIANCE INITIATIVES G4-SO4

As part of the changes implemented in our corporate governance framework, Estácio's new compliance function conducted a range of activities in 2016 to further develop a preventive culture in ensuring compliance with applicable laws, codes, policies and regulations.

Communication has been enhanced with a requirement that any deviations be reported through the appropriate channels to ensure they are appropriately addressed and, when necessary, that corrective action is taken by the Ethics Committee. Through these mechanisms, our mission of Educating to Transform and our principles of integrity and sustainability have been strengthened.

With the support of independent consultants with recognized compliance expertise, Estácio conducted a workshop

with senior management and training for leadership on standards related to our corporate integrity program. The workshop and training sessions were based on the content of our recently-revised Code of Ethics and Conduct and recently implemented Anti-corruption Code, using the approaches described in this chapter.

An extensive University-wide campaign was also organized in 2016 to provide clarification on ethics dilemmas that can potentially arise in the course of employees' activities. Information was disseminated primarily through Internet banners, e-mail marketing and posters.

In 2017, the newly created function worked with *Educare* to develop mandatory online Compliance and Code of Ethics training to enhance employee adherence to Estácio's compliance and integrity program.

All eight Board members, 18 executive officers and 246 managers received training. All training was delivered in the Southeast.

TOTAL MEMBERS OF GOVERNANCE BODIES INFORMED AND/OR TRAINED ON ANTI-CORRUPTION PROCEDURES

	INFORMED	TRAINED
BOARD	8	8

TOTAL EMPLOYEES INFORMED AND/OR TRAINED ON ANTI-CORRUPTION PROCEDURES

	INFORMED	TRAINED
SENIOR MANAGEMENT	22	18
MIDDLE MANAGEMENT	301	246
TOTAL BY REGION	323	264

Organizational changes in 2016 led to the development of a new edition of our Code of Ethics and Business Conduct.



Concurrently, further training is being provided to approximately 1,500 employees in high compliance-risk positions.

CODE OF ETHICS AND BUSINESS CONDUCT AND ANTI-CORRUPTION CODE

In 2016 our Code of Ethics and Business Conduct was revised to reflect the changes implemented in our corporate governance system during the year. The Code provides guidance on the conduct expected of managers, Audit Committee members and employees in dealings with stakeholders, including students, suppliers, service providers, government officials, shareholders and communities.

Estácio's Code of Ethics and Business Conduct was developed based on the culture and values which we embrace and which

we rely upon to build one of the leading organizations in the education industry. A range of annual activities ensure employees are familiar with the requirements of our Code of Ethics and are able to apply them effectively in their work, including induction training for new hires and regular compliance awareness campaigns and training.

In 2016, Estácio formalized an Anti-corruption Code that has been disseminated to all employees through internal communication channels to ensure compliance with the Brazilian Anti-corruption Act, as part of our commitment to advancing best practice in corporate governance.

Both codes are available at www.estacioparticipacoes.com under Corporate Governance, Codes and Policies.

COMPLIANCE INSTRUMENTS

In addition to our Code of Ethics and Anti-corruption Code, which provide guidance on dealings with stakeholders, the following compliance mechanisms are also in place at Estácio:

- **Confidential Hotline:** A confidential hotline is available to report cases of noncompliance with our Code of Ethics and Business Conduct, Anti-corruption Code and other rules or regulations, including: violations of procedures, guidelines, policies, laws or systems; document and accounting fraud; harassment; corruption; theft; and other conduct that is otherwise inconsistent with our values and principles. Employees and other stakeholders can report concerns by phone (0800 770 0782) or at www.canalconfidencial.com.br/estacio. The confidential hotline is operated by specialized, independent consultants to provide assurance of confidentiality.
- **Ethics Committee:** Our Ethics Committee is responsible for taking corrective action to address concerns reported through our Confidential Hotline and therefore plays an essential role in our compliance practices. The Committee is formed by members of senior management but matters can be escalated to higher levels in the event that a report concerns a Committee member performing strategic compliance functions, including: evaluating and deciding on how to address situations not covered by the Codes; requesting investigations of Hotline-reported concerns; reviewing investigation results; reviewing and updating compliance codes as needed; and referring reports to the appropriate authorities.

INSTITUTIONAL RELATIONS

Estácio is a member of the Brazilian Association of Private Higher Education Organizations (ABMES), the Brazilian Association for Higher Education Development (ABRAES) and the Brazilian Association of Private Universities (ANUP), to which we pay a basic membership fee. Our membership of these organizations is strategic in providing a networking platform through which to keep abreast of policy developments within the education industry.

In addition to engaging in important policy discussions, these associations also lobby and advocate on behalf of the education industry in Brazil's Congress. They also organize conferences and meetings at which Estácio Group employees can attend.

An Anti-corruption Code was also formalized in 2016.



GOVERNANCE

ESTÁCIO VPS, FROM LEFT TO RIGHT: ANDRÉA SIMÕES (VP, PEOPLE & MANAGEMENT), ALBERTO SENNA (VP, LEGAL AND COMPLIANCE), HIGINO VIEGAS (VP, MARKET) AND CLAUDIA ROMANO (VP, CORPORATE RELATIONS & SUSTAINABILITY). AT THE CENTER: PRESIDENT THOMPSON. TO HIS RIGHT: LEONARDO MORETZSOHN (VP, FINANCE), SÉRGIO LEITE (VP, OPERATIONS), HUDSON RUBEM (VP, EDUCATION) AND AROLDO ALVES (VP, DISTANCE-LEARNING)

OUR MEMBERSHIPS G4-16

- ABRAES: Estácio is represented in this organization – of which we are a founding member – by President Pedro Thompson and VP of Corporate Relations and Sustainability Cláudia Romano.
- ANUP: Estácio is represented by Ane Oliveira as a member of the Board.
- ABMES: Estácio is represented at organization events by Ane Oliveira, Robson Melo, Ronaldo Mota and members of the Academic department.
- CRUB (Brazilian Council of University Deans): Estácio is represented by Dean Ronaldo Mota.
- INEP (Anísio Teixeira National Institute for Educational Research): Dean Ronaldo Mota also represents Estácio on INEP's Higher Education Quality Indicators Committee.
- ABRASCA (Brazilian Association of Listed Companies): Estácio has a seat on the Governance Council.

Estácio is a signatory of the Pact for Sports, which seeks to advocate change in the way sports are sponsored in Brazil. It also promotes good governance, professional management and transparency in sports organizations. [G4-15](#)



TRAINING
SPANS THREE DIFFERENT
ORGANIZATIONAL LEVELS:
MANAGEMENT AND LEADERSHIP,
FACULTY AND STAFF

SOCIAL DIMENSION

LEADERSHIP, EDUCATION AND TRAINING

Estácio has a reputation for continuing investment in the professional development of staff

Working across three organizational levels – Management and Leadership, Faculty and Staff – Estácio's *Educare* (Corporate University) program is responsible for the professional development of our employees. The program addresses continual training and developing talents and competencies.

13

TRAINING,
capacity building,
and education programs
were delivered in 2016

MANAGEMENT AND LEADERSHIP G4-LA10

PROGRAM	TARGET AUDIENCE
EXECUTIVE EDUCATION PROGRAM	Senior management
MANAGEMENT DEVELOPMENT PROGRAM (PDG)	Corporate officers and managers, regional and unit officers, regional managers and unit managers. Function managers, sales managers, administrative and financial managers and academic center managers; relationship coordinators, corporate coordinators and pedagogical coordinators
BACHELOR IN BUSINESS MANAGEMENT DEGREE PROGRAM	Through referral and selection processes
COORDINATOR MANAGEMENT PROGRAM	Program coordinators
MANAGEMENT INITIATION PROGRAM	Employees undertaking team management roles for the first time

FACULTY

PROGRAM	TARGET AUDIENCE
PIQ*-CONTINUAL DEVELOPMENT	Faculty
PIQ -MERIT	
PIQ -FORUM	
PIQ -VARIABLE COMPENSATION	

*Faculty Development Incentive Program

STAFF

PROGRAM	TARGET AUDIENCE
DISTANCE-LEARNING QUALIFICATION	Customer service (Office of Registration and Records, Enrollment Room and Negotiation Room)
ANALYST RETRAINING PROGRAM	All analysts
SALESFORCE	Sales agents and consultants
TRAINEE PROGRAM	Trainees

In 2016, all previously established professional development and training programs were maintained, including our Trainee, Pipeline, Faculty Development Incentive, Coordinator Management Skills, Occupational Safety and Management Initiation programs. Two new programs were also launched within Educare:

- **New Customer Service Program:** This program is focused on training employees to achieve excellence in customer service and helping employees to develop the self-awareness needed to deal with the complexity involved in interpersonal relations.
- **Corporate Analyst Training:** This program is designed to improve employee performance by developing competencies and skills that are closer aligned with our culture. Training practices: 66% of our employees (staff and faculty) attended at least one training program within Educare in 2016. A total of 44,036 training courses were delivered throughout the year.

FACULTY DEVELOPMENT INCENTIVE PROGRAM

We continually invest in training and other initiatives for the development of our faculty. Supporting successful delivery on these goals is our Faculty Development Incentive Program (PIQ), which includes four different components.

- **Continuing Development:** In 2016, online academic development training was delivered to 4,794 faculty members across all regions of Brazil.
- **Merit:** This component primarily aims to provide recognition for faculty research and development. Initiatives within this component include the National Research Contest, Extension and Testing Programs, and the Faculty Member of the Year Awards. In 2016, 50 professors were presented with awards. Over the past nine years, a total of 450 professors have received accolades through the program.
- **Rewards & Compensation:** The Rewards & Compensation component applies our culture of merit to faculty by identifying and recognizing professors who have

5,200

PARTICIPANTS

registered for the 2016 edition of the Annual Faculty Forum

shown outstanding performance in their activities. Variable Compensation is paid to the top-performing 25% of professors.

- **Annual Faculty Forum:** Recognized as the largest of its kind in Brazil, the Annual Faculty Forum could not be held in 2016 but a new edition was organized in 2017 on June 2 and 3 under the theme “The Role of Faculty in the Quality of Education”, with 5,200 participants. This year’s edition was divided for the first time into a regional and a national event, with the collective program content broadcast live. Hosted in 36 locations, the new format accommodated a larger number of professors and working groups than in any of the previous eight editions.

In 2016, a total of 120 external grants and 17 internal grants were offered within the Master’s and Doctorate Grants Program. In addition, 145 faculty members received grant money to attend scientific events, including 91 international and 54 local events.

CONTINUOUS DEVELOPMENT

Educare is continually focused on offering programs exposing faculty and staff to key developments in the job market so they are kept up to date. Examples of this include training provided to our IT department staff to support continuous software enhancements.

Another example is the training provided to laboratory teams to ensure they have the skills needed to operate sophisticated equipment. This includes the Integrated Laboratory Introduction and Digital Inclusion programs, which are geared to faculty looking to develop the skills to apply technology in education.

All staff are offered the opportunity to enroll in training programs to develop job-specific skills and competencies at third-party institutions if unable to develop those skills within the University, or in order to keep up to date on market trends. Applications for training within the *Educare* program are made following a specific procedure.

The program goals set for 2017 include implementing a new Course Portfolio by August; achieving 82% participation and 98.7% satisfaction with the first phase of the Management Development Program and 25% participation and 90% satisfaction with the Program Coordinator Training Program (ENADE); implementing the Faculty School course calendar; achieving 85% participation and 80% satisfaction with the Salesforce Training Program; and reformulating the *Educare* course menu.

Our Educare Corporate University structures Estácio’s internal training programs.



EXCELLENCE IN MANAGEMENT PROGRAM (PEG)

2016 saw the fourth cycle of assessments within our Excellence in Management Program, which presented awards to the top-performing units in self-assessments against established standards for Financial Management, Sales Management, Customer Service, Academic Performance and People Management.

In 2016, a Management Compliance Index was created to assess implementation of the Estácio Management System across different levels of management. In the first assessment cycle the University achieved an average score of 75.7.

Estácio also has an online Standardization System providing a single source of reference on all University Standards. The transparency of, and ease of access to, our corporate procedures, policies and guidelines supports task execution, fosters learning and improves quality assurance.

AVERAGE HOURS OF TRAINING* G4-LA9

YEAR*	EMPLOYEES	HOURS	HOURS PER EMPLOYEE
2014	10,792	144,193	13.4
2015	14,278	362,813	25.4
2016	15,713	368,865	23.5

*Estácio's management system did not include specific metrics for training hours by gender and employee category. These indicators are therefore reported as overall data.

In 2016 we invested more than R\$ 2.5 million in training for staff and faculty.

NEW LEADERS
MANAGEMENT DEVELOPMENT
PROGRAM (PDG) PARTICIPANTS
IN 2016



PEOPLE MANAGEMENT

Estácio ended 2016 with a workforce of 15,713 employees – up from 14,278 employees in 2015 – working at units in 23 States across Brazil.

Our workforce is uniquely gender-equal, with 46% women and 54% men.

15,713
EMPLOYEES
formed our workforce at
year-end 2016

NUMBER OF DIRECT EMPLOYEES BY ORGANIZATIONAL LEVEL G4-10

	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Board	13	1	13	3	8	0
Senior Management	10	0	21	3	22	3
Middle Management	187	112	184	110	179	122
Leader/coordinator	82	125	78	181	73	185
Technical/supervisor	63	77	76	86	67	91
Administrative	1354	2089	1517	2328	1499	2397
Operational	735	158	767	178	826	208
<i>Trainees</i>	7	4	7	5	7	4
Third-party	5240		8206		9511	
Apprentices	47	161	50	135	52	138
Interns	94	233	93	237	90	231
Total by gender	2592	2960	2806	3266	2823	3379
TOTAL	10792		14278		15713	

NUMBER OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Employees covered by collective bargaining agreements	2485	2726	2700	3026	2725	3148
Percent covered by collective bargaining agreements	96%	92%	96%	93%	97%	93%

Our total workforce increased by roughly 10% compared with 2015.

TOTAL WORKFORCE BY EMPLOYMENT CONTRACT

	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Definite term	185	424	181	422	173	396
Indefinite term	2407	2536	2625	2844	2650	2983
Total by gender	2592	2960	2806	3266	2823	3379
TOTAL	5552		6,072		6202	

TOTAL WORKFORCE BY EMPLOYMENT TYPE

	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Full time	2592	2960	2,806	3,266	2823	3379
Part time	0	0	0	0	0	0
Total by gender	2592	2960	2806	3266	2823	3379
TOTAL	5552		6,072		6202	

TOTAL WORKFORCE BY REGION

	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
South	49	89	51	89	58	83
Southeast	1,903	2,014	1,990	2,186	1,918	2,122
Midwest	90	116	80	126	93	141
Northeast	423	589	465	618	496	736
North	127	152	220	247	258	297
Total by gender	2,592	2,960	2,806	3,266	2,823	3,379
Total	5,552		6,072		6,202	

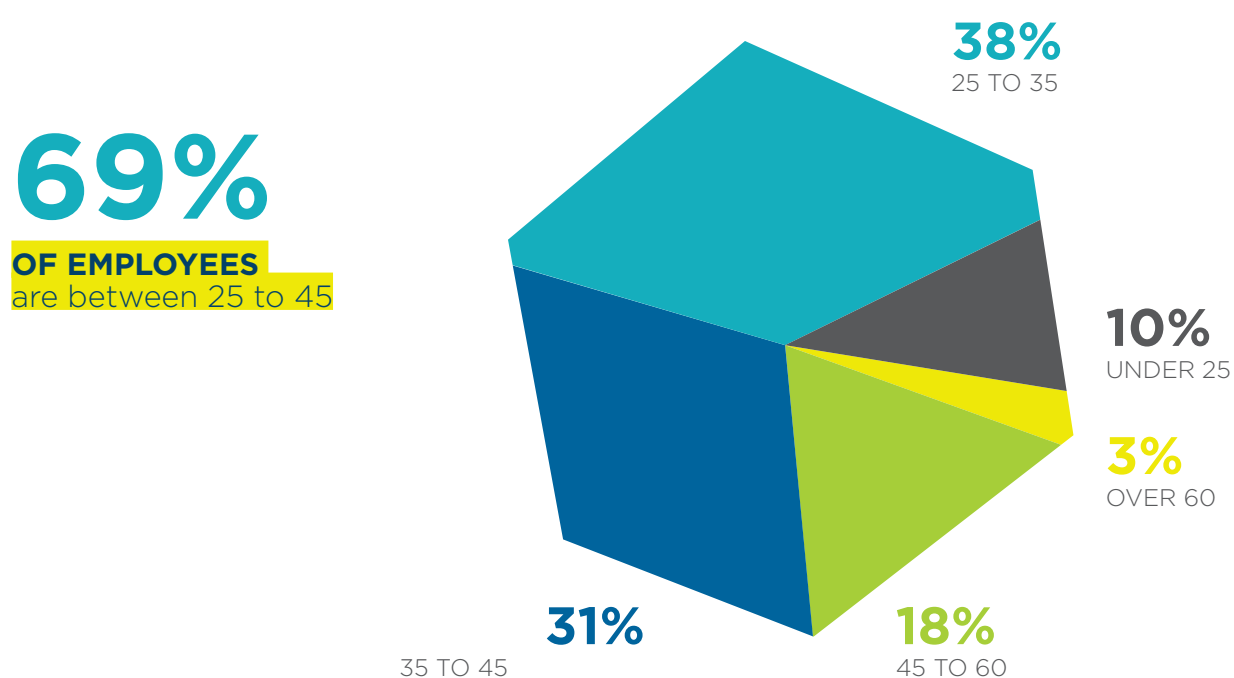
THIRD-PARTY EMPLOYEES BY REGION

	2014	2015	2016
South	127	272	319
Southeast	3,156	4,616	4,859
Midwest	120	170	253
Northeast	1,659	2,591	3,452
North	178	557	628
Total	5,240	8,206	9,511

WORKFORCE/TOTAL EMPLOYEES

	2014		2015		2016	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Total employees	2,592	2,960	2,806	3,266	2,823	3,379
Third-party employees	5,240		8,206		9,511	
Total workforce	10,792		14,278		15,713	

Estácio's workforce age averages 41 across staff and faculty, and is distributed as follows:



VARIABLE COMPENSATION

More than 580 managers at Estácio work toward specific financial and non-financial targets. Currently, 100% of staff (except interns, apprentices and third-party employees) are eligible to join variable compensation programs and earn bonuses on

the basis of department and University-wide performance.

Specific variable compensation programs are also available for program coordinators and professors. Currently 80 executives are included in Estácio's Stock Option Plan.

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW G4-LA11

			2014
EMPLOYEE CATEGORY/GENDER	TOTAL EMPLOYEES (G4-10)	TOTAL EMPLOYEES RECEIVING PERFORMANCE REVIEWS	%
BOARD	14		
MEN	13	13	100%
WOMEN	1	1	100%
SENIOR MANAGEMENT	10		
MEN	10	10	100%
WOMEN	0	0	0%
MIDDLE MANAGEMENT	299		
MEN	187	187	100%
WOMEN	112	112	100%
LEADER/COORDINATOR	207		
MEN	82	82	100%
WOMEN	125	125	100%
TECHNICAL/SUPERVISOR	140		
MEN	63	63	100%
WOMEN	77	77	100%
ADMINISTRATIVE	3443		
MEN	1354	354	26%
WOMEN	2089	554	27%
OPERATIONAL	893		
MEN	735	735	100%
WOMEN	158	158	100%
TRAINEES	11		
MEN	7	7	100%
WOMEN	4	4	100%

2015			2016		
TOTAL EMPLOYEES (G4-10)	TOTAL EMPLOYEES RECEIVING PERFORMANCE REVIEWS	%	TOTAL EMPLOYEES (G4-10)	TOTAL EMPLOYEES RECEIVING PERFORMANCE REVIEWS	%
16			8		
13	13	100%	8	0	0%
3	3	100%	0	0	0%
24			25		
21	21	100%	22	22	100%
3	3	100%	3	3	100%
294			301		
184	184	100%	179	3	2%
110	11	10%	122	7	6%
259			258		
78	78	100%	73	0	0%
181	181	100%	185	0	0%
162			158		
76	76	100%	67	0	0%
86	86	100%	91	0	0%
3845			3896		
517	200	39%	1499	0	0%
2328	628	27%	2397	0	0%
945			1034		
767	767	100%	826	0	0%
178	178	100%	208	0	0%
12			11		
7	7	100%	7	0	0%
5	5	100%	4	0	0%

PERCENTAGE OF EMPLOYEES THAT REGULARLY UNDERGO PERFORMANCE AND CAREER DEVELOPMENT ANALYSES G4-LA11

2014			
EMPLOYEE CATEGORY/GENDER	TOTAL EMPLOYEES (G4-10)	TOTAL EMPLOYEES RECEIVING PERFORMANCE REVIEWS	%
APPRENTICES	208		
MEN	47	47	100%
WOMEN	161	161	100%
INTERNS	327		
MEN	94	94	100%
WOMEN	233	233	100%
TOTAL	10,792		
MEN	7832	1592	20%
WOMEN	2960	1425	48%

PERFORMANCE ASSESSMENT G4-LA11

In 2016 a performance assessment process was conducted using the Nine Box Grids approach, a widely used tool that applies simple criteria and metrics to measure leadership performance and potential.

The aspects addressed by the Nine Box assessment covered how well assessees demonstrated values, mindsets and managerial skills consistent with Estácio's culture.

The Competencies-Based Approach described opposite illustrates some of the metrics used in this type of assessment.

NINE BOX MATRIX



2015			2016		
TOTAL EMPLOYEES (G4-10)	TOTAL EMPLOYEES RECEIVING PERFORMANCE REVIEWS	%	TOTAL EMPLOYEES (G4-10)	TOTAL EMPLOYEES RECEIVING PERFORMANCE REVIEWS	%
185			190	0	0%
50	50	100%	52	0	0%
135	135	100%	138	0	0%
330		0%	321	0	0%
93	93	100%	90	0	0%
237	237	100%	231	0	0%
14,278			15,713		
11012	1489	14%	12334	0	0%
3266	1467	45%	3379	0	0%

TURNOVER MANAGEMENT G4-LA1

We achieved a reduction in turnover in 2016 compared with the previous year through enhanced management effort, with monthly tracking of turnover metrics.

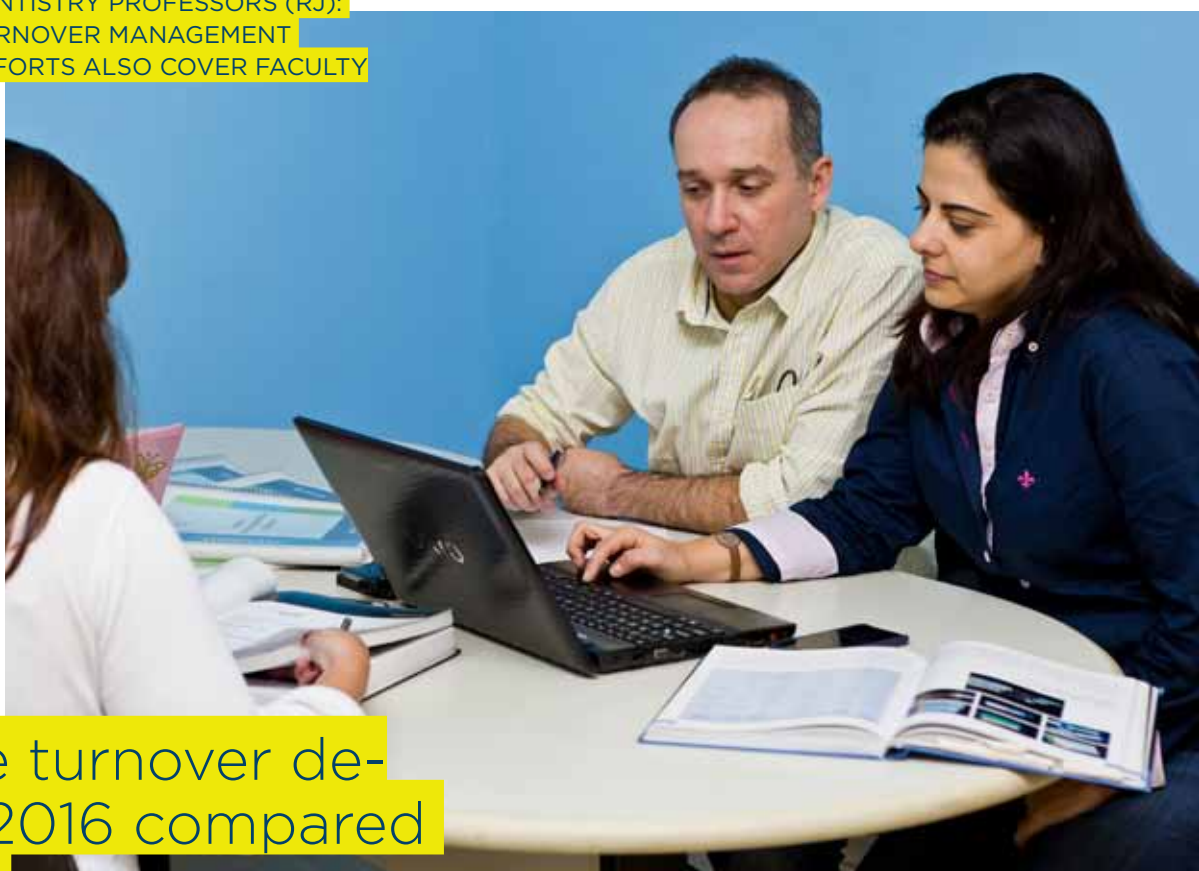
	2014	2015	2016
TERMINATIONS BY GENDER			
MEN	1,395	1,549	1,710
WOMEN	1,659	1,709	1,966
TERMINATIONS BY AGE GROUP			
UNDER 30	974	1,035	1,163
31 TO 50	1,611	1,706	1,860
OVER 50	469	517	653
TERMINATIONS BY REGION			
SOUTH	114	146	113
SOUTHEAST	1,799	1,952	2,381
MIDWEST	148	150	92
NORTHEAST	656	657	734
NORTH	337	353	356

	2014	2015	2016
TURNOVER BY GENDER (%)			
MEN	13.17%	8.62%	7.42%
WOMEN	15.17%	10.04%	9.17%
TURNOVER BY AGE GROUP (%)			
UNDER 30	9.43%	6.87%	6.61%
30 TO 50	14.44%	9.45%	7.89%
OVER 50	4.47%	2.35%	2.08%
TURNOVER BY REGION (%)			
SOUTH	11.83%	13.15%	14.15%
SOUTHEAST	7.81%	8.90%	8.97%
MIDWEST	19.95%	18.71%	15.88%
NORTHEAST	14.69%	11.60%	10.96%
NORTH	13.38%	11.49%	14.15%
NEW EMPLOYEE HIRES BY GENDER			
MEN	2,574	1,391	1,012
WOMEN	2,910	1,716	1,398
NEW EMPLOYEE HIRES BY AGE GROUP			
UNDER 30	1,866	1,309	1,264
31 TO 50	2,740	1,515	1,036
OVER 50	878	283	110
NEW EMPLOYEE HIRES BY REGION			
SOUTH	125	119	99
SOUTHEAST	3,619	1,663	1,277
MIDWEST	191	158	154
NORTHEAST	1,119	758	631
NORTH	430	409	249

	2014	2015	2016
RATE OF NEW EMPLOYEE HIRES BY GENDER (%)			
MEN	17.09%	8.16%	5.52%
WOMEN	19.32%	10.06%	7.62%
RATE OF NEW EMPLOYEE HIRES BY AGE GROUP (%)			
UNDER 30	12.39%	7.68%	6.89%
30 TO 50	18.19%	8.89%	5.65%
OVER 50	5.83%	1.66%	0.60%
RATE OF NEW EMPLOYEE HIRES BY REGION (%)			
SOUTH	0.83%	0.70%	0.54%
SOUTHEAST	24.03%	9.75%	6.96%
MIDWEST	1.27%	0.93%	0.84%
NORTHEAST	7.43%	4.45%	3.44%
NORTH	2.85%	2.40%	1.36%

RETENTION

DENTISTRY PROFESSORS (RJ):
TURNOVER MANAGEMENT
EFFORTS ALSO COVER FACULTY



Employee turnover declined in 2016 compared with 2015.

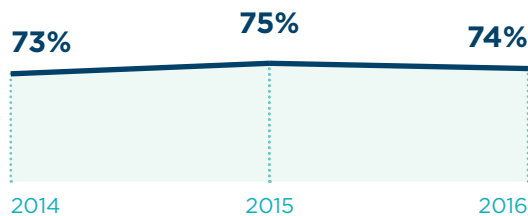
CLIMATE SURVEY

In 2016 Estácio underwent major changes over a relatively short space time. One of Senior Management's primary concerns in this context was maintaining an organizational climate that supports employee productivity and inter-employee communication.

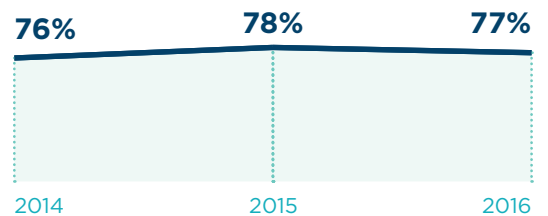
To address this, we undertook a climate survey in 2017 that builds on ongoing management of organizational climate data. Survey results have been encouraging and indicate that our people management strategies have been well directed. With over 10,000 respondents (73% of employees), the survey revealed a significant overall satisfaction rate of 74%. The survey was conducted by independent human resources consultants HayGroup.

ORGANIZATIONAL CLIMATE SURVEY 2016 - RESULTS

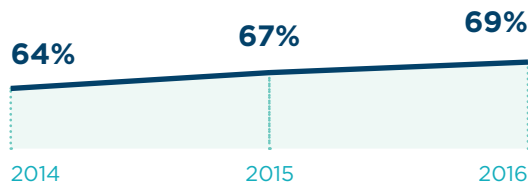
OVERALL AVERAGE



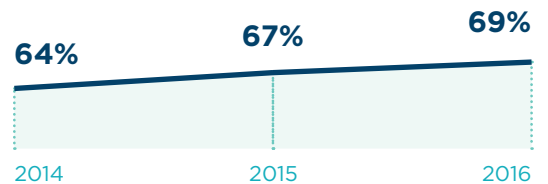
TRAINING & DEVELOPMENT



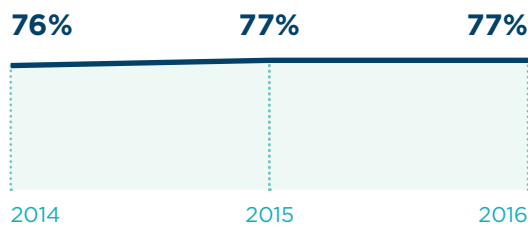
ORGANIZATIONAL SUPPORT



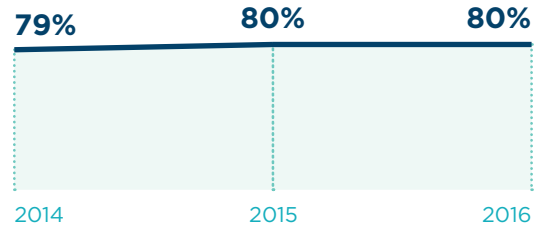
RECOGNITION AND INCENTIVES



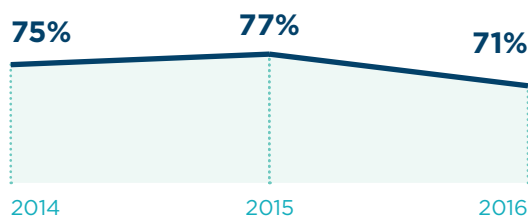
LEADERSHIP



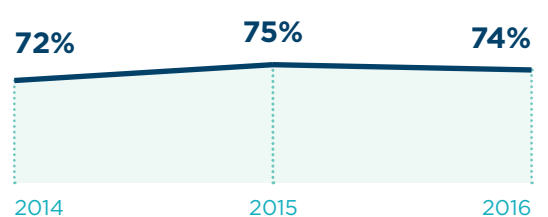
ENGAGEMENT



CULTURE AND VALUES



COMMUNICATION

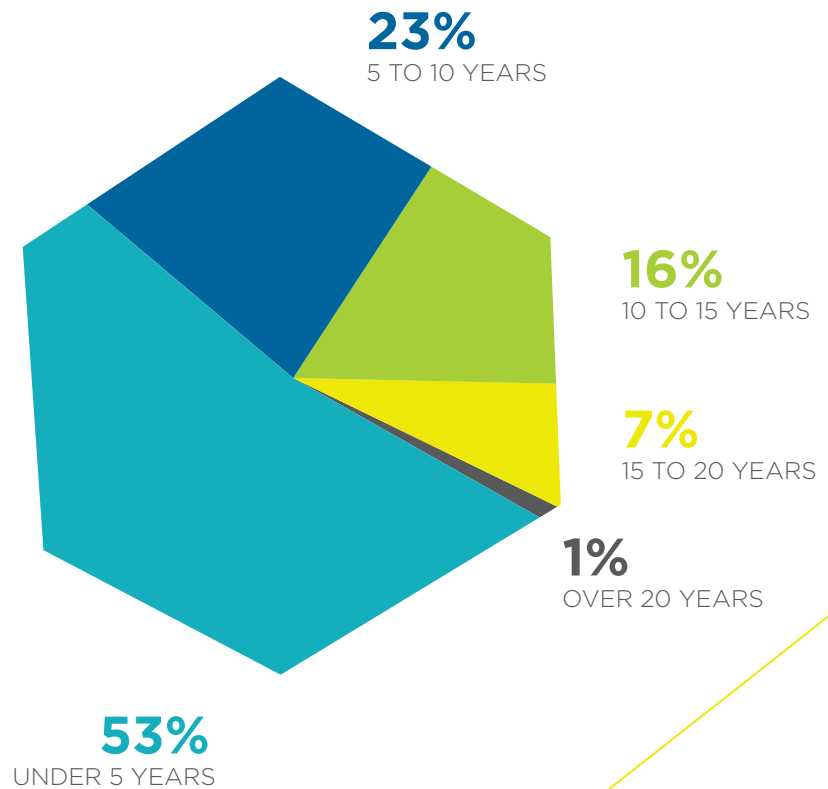


The increasingly positive organizational climate is also reflected in employee retention, which reached an overall average (including faculty) of six years in 2016.

Workforce by length of service:

10,000

RESPONDENTS
participated in our
climate survey in 2017



Average length of service increased to six years in 2016.

OCCUPATIONAL INJURIES*

A total of 20 injuries occurred in 2016, resulting in 2,345 days of lost time as shown by region in the table below.

REGION	NUMBER OF ACCIDENTS	DAYS LOST
MIDSOUTH	3	130
NORTHEAST	8	1,283
NORTH	4	443
UNESA	5	489

*Occupational injuries, commuting accidents and work-related deaths and diseases cannot be measured.

CORPORATE SOCIAL RESPONSIBILITY

PILLARS TO CHANGE THE WORLD

Progress in 2016 on Estácio's education, sports, culture and civic engagement programs

Estácio's Corporate Social Responsibility initiatives within our Educate to Transform Program are structured around four pillars: Sports, Schools, Civic Engagement and Culture. These are the four cornerstones of Estácio's contribution to social development in Brazil.

The Vice President for Corporate Relations & Sustainability is responsible for managing the Educate to Transform Program. Program implementation has demonstrated how its four pillars interface with each other and has inspired us to continue to engage students, faculty, staff and other stakeholders in civil society.

This chapter summarizes some of our successful initiatives within the Educate to Transform Program to illustrate how related best practices have been implemented within the University. In addition to creating positive impact in the locations where we operate, these initiatives have also proven the value of collaboration in a network. We believe this is the key to progressing steadily towards a mature operational sustainability model while also influencing the stakeholders we interact with.

LOCAL ENGAGEMENT AND DEVELOPMENT G4-SO1

Community engagement, impact assessment and local development programs have been implemented in all regions where we operate (as shown in the table on page 46). Our Regional Offices, Centers and Units throughout Brazil are responsible for identifying opportunities and developing and managing corporate social responsibility initiatives and programs that are aligned with our Educate to Transform Program and brand positioning.

Each unit also has latitude to develop and implement local initiatives, or to adapt corporate *Sustainability Partnership* initiatives, that are appropriate for local needs. This chapter describes a number of initiatives in this vein, including our Welcome (Helpful Hazing) Program, National E-Day and Sustainability and Social Responsibility Week.

100%

OF REGIONAL UNITS
ran social engagement programs
in 2016



Each unit also develops a range of local social initiatives and extension and outreach projects of its own depending on its program offerings. Many programs include a number of mandatory practical community service activities supervised by professors. Examples of these services include unpaid legal services provided by law students at the Law Practice Center; unpaid psychology consultations and

internships within the Psychology and Licentiate programs; and financial education and tax return assistance provided by Accounting program students.

Our units are also approached directly by a range of charities seeking assistance from programs such as Nutrition, Nursing, Physical Education, Physiotherapy and Medicine.

OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENT, AND DEVELOPMENT PROGRAMS G4-SO1

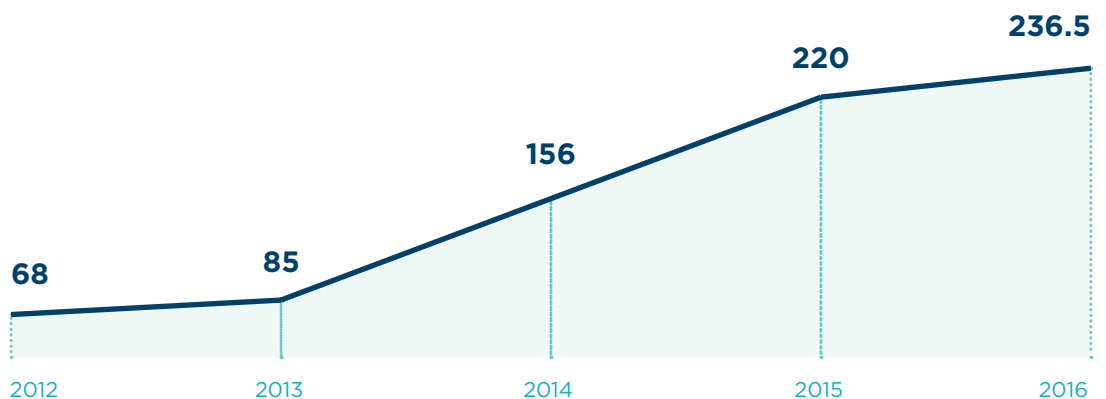
	2014	2015	2016
TOTAL OPERATIONS	4	4	4
OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENT, AND DEVELOPMENT PROGRAMS	4	4	4
PERCENTAGE OF OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENT, AND DEVELOPMENT PROGRAMS	100%	100%	100%

IMPACTS FROM SOCIAL PROGRAMS 2016

236,514 **340,449**

EMPLOYEES AND STUDENTS INVOLVED **PEOPLE BENEFITED**

STUDENTS AND EMPLOYEES DIRECTLY INVOLVED IN SOCIAL PROGRAMS YEAR-OVER-YEAR (THOUSANDS)



Estácio also has a positive, if indirect, impact on the communities surrounding our more than 90 units, where 500,000 students provide an economic stimulus and income opportunities to local service providers and suppliers (especially in the hospitality industry). In addition, the University generates more than 15,000 direct jobs country-wide. [G4-EC8](#)

SPORTS

This pillar of our Corporate Social Responsibility practices broadly expresses our vision on the importance of sports as an ally to education and civic engagement. We consistently invest in social initiatives and programs that integrate sports and education to promote lasting individual and collective transformation.

As part of a broader range of activities under this pillar in 2016, Estácio supported the Rio 2016 Olympic Games in what proved to be a successful experience that left as its legacy a heightened sense of the value of the triad *sports, education* and *civic engagement*.

RIO 2016 [G4-EC8](#)

Estácio was the first private higher education institution to support the Games in an innovative initiative as a provider of selection and training support in recruiting the 140,000 volunteers and 6,000 employees involved in Games delivery. Our support for student athletes on the Estácio Team in such a high-profile event also provided valuable media coverage showing how our social responsibility platform and sports have coherently combined to form a powerful tool for social integration.



RAFAELA SILVA
WON HER FIRST OLYMPIC GOLD
MEDAL AT RIO 2016

ESTÁCIO TEAM

The Estácio Team – a selection of athletes from different sports supported by, and studying at, Estácio – was launched in March 2016 at an event that brought together 300 guests, including high profile Brazilian sports personalities. Our ambassador, world-famous tennis player Gustavo Kuerten, spoke about the importance of Estácio's support for a broad spectrum of athletes and their education.

A tribute was paid to renowned Brazilian athletes such as former beach volleyball player Sandra Pires and tennis player Marcelo Demoliner, both of whom earned their degrees at Estácio, in respectively Physical Education and Business Management.

STUDENT ATHLETES

More than 300 athletes have been supported with on-campus and distance learning scholarships. These include gymnast Daniele Hypólito; current Women's Longboard Tour rankings leader Chloe Calmon; and judoka Barbara Timo.

140,000

VOLUNTEERS
trained to work at
Rio 2016

PARTNERSHIP

We have partnered with several organizations linked to sports, including the Brazilian Olympic Committee (COB), the Brazilian Olympic Institute (IOB) and the Brazilian Paralympic Committee (CPB), as well as the Brazilian Volleyball, Tennis, Table Tennis, Basketball and Water Sports Confederations. We also support NGOs with social programs that combine sports with education, such as the Kinder, Fernanda Keller, Futuro Bom, Guga Kuerten and Reação institutes. In addition, Estácio sponsors the Flamengo basketball team, a four-time NBB (New Basketball Brazil) champion.

TAX-DEDUCTIBLE PROJECT SPONSORSHIP

Estácio also engages in tax-deductible sponsorship of projects under the Federal Sports Incentive Act as part of this important pillar. Examples of projects include the Rio Tennis Open, Rio BikeFest and the Minas Clube Athlete Training and Development Program. In events such as the Rio Marathon, we also seek to engage students and teachers in activities. Another sponsored project, the Unified High-Performance Athlete Scouting and Development Center (CUIDAR), is now better equipped to evaluate, train and improve the performance of athletes. Linked to Clube de Regatas Flamengo, CUIDAR was further expanded in 2016 with the creation of a sports science center.

Estácio supports more than 300 athletes with scholarships.

SCHOOLS

We continuously invest in educational initiatives that not only provide valuable experience for students and faculty, but also contribute to the development of education in the communities where we operate. As part of these investments, we have engaged secondary and primary students and teachers, largely from public schools, in a range of joint initiatives. These education-based engagement and social transformation efforts require continuous dialog with government representatives, school staff and other stakeholders with whom we share our values and ideas. This chapter provides an overview of these efforts.

EDUCATION TERRITORIES AWARDS

The Education Territories Awards recognize and support educational experiences that explore learning opportunities within a school's surrounding territory by integrating scholastic and community-derived knowledge. We support this exemplary Instituto Tomie Ohtake initiative with tax-deductible funding under the Federal Culture Incentive Act, in collaboration with the São Paulo Department of Education. Following the success of the first edition in 2016, we launched a second edition of the awards in May 2017.

TEACHING DEGREE EXHIBITION

Estácio organizes Teaching Degree Exhibitions in Rio de Janeiro in partnership with the State Department of Education to provide an opportunity for faculty to share their experience with public secondary education students and inspire these future university students to enroll in teaching degree programs. In its fourth edition in 2016, the Exhibition was extended to Vitória (ES); São Luís (MA); Niterói (RJ) and Belo Horizonte (MG) with activities such as Profession Fairs for secondary students.

SOLAR MENINOS DE LUZ

In May 2016 we opened a new Estácio Reading Space at a library run by Solar Meninos de Luz, an NGO we have supported since 2014 with scholarships for students and staff. Solar offers full-time education from daycare to secondary education and has achieved recognition for the services it provides to approximately 400 children and adolescents in socially vulnerable communities in Rio de Janeiro's South-Side districts of Pavão-Pavãozinho and Cantagalo.

SUSTAINABLE SCHOOLS IDEA CONTEST

In July 2016 we launched the Dom Cipriano Chagas Sustainable Schools Idea

Contest, a cultural and academic initiative that engaged Architecture & Urban Planning, Environmental Management and Engineering program students in Rio de Janeiro's Botafogo district in developing sustainable practices that can be applied in a school environment.

ONCE UPON A TIME...FAR FROM BRAZIL

As a sponsor of this cultural program, which draws inspiration from a book by journalist and history writer Laurentino Gomes, Estácio hosted a ceremony to announce the 100 public school students from six cities who won a 10-day trip to Portugal, where they enjoyed a rich out-of-classroom learning experience. Students traveled the same route taken by the Portuguese court in its flight to Brazil.

In 2016, the third edition of the initiative was organized under the theme "The transfer of the royal family and the Portuguese court to Brazil". The selection process involved nine months of activity-packed teacher preparation, school projects and other educational activities. The project was sponsored by Estácio under the Federal Culture Incentive Act.



EDUCATIONAL TERRITORIES AWARDS

LAUNCHED IN 2016, THE INITIATIVE HAS CONTINUED INTO 2017

Volunteerism and entrepreneurship are two themes addressed under our Civic Engagement pillar.

CIVIC ENGAGEMENT

We believe that strengthening civic engagement is central in fulfilling our mission of Educating to Transform. We achieve this through a range of initiatives with social responsibility partners, students, teachers, staff and many other actors in a collaboration network that we have built during the course of our journey. In this chapter, we summarize some of our Key initiatives under this pillar and progress achieved in this continuous learning process.

ESTÁCIO VOLUNTEER PORTAL

We encourage our employees to engage in our mission of transforming society through education in a number of ways. An important way we do this is through the Estácio Volunteer Portal (<https://estaciovoluntario.v2v.net/>). This virtual platform, launched in 2015, helps to involve faculty and staff in a variety of volunteer activities and bring them closer to our network of corporate social responsibility partners.

50,000

PEOPLE
benefited from National
E-Day in 2016

NATIONAL E-DAY

National E-Day is another successful initiative designed to disseminate a volunteerism culture and provide an opportunity for networking among corporate and unit staff. In 2016 we engaged 7,000 employees and benefited more than 50,000 people across Brazil in the fifth edition of the event on September 14, concurrently with our 4th Sustainability and Corporate Social Responsibility Week.

Estácio employees were invited to volunteer at Escola Dom Cipriano Chagas, in Rio, where they cleaned and restored all the toys in the toy library. At the Estácio de Sá Monument in Rio, secondary students participated in a workshop organized in partnership with Instituto Rio de História and supported under the Cultural Incentive Act.

ENTREPRENEURSHIP MARATHON G4-EC8

This initiative, organized in partnership between Facebook, Central Única de Favelas (CUFA) and Estácio, has provided capacity building support to small and medium businesses in low-income communities in Rio de Janeiro. The goal of the joint initiative was to help businesses use the Internet to explore business opportunities created by the Rio 2016 Olympic Games.

In addition to an innovation lab with lessons developed in partnership with Estácio to teach how to boost business with Facebook, the Entrepreneurship Marathon featured a Volkswagen Transporter Kombi van, christened "Facekombi", that toured ten communities in Rio de Janeiro, training local entrepreneurs on how to use Facebook to develop business.

STORYTELLING

Estácio sponsored six workshops organized by Associação Viva e Deixe Viver in 2016. This organization trains volunteers to become storytellers for children and adolescents in hospitals and schools in eight Brazilian cities. Registrations for the program – which is geared to Estácio employees and teachers from partner charities – were processed through the Estácio Volunteer Portal. Workshop activities were held at the *Educare* (Estácio Corporate University) venue.

SCHOLARSHIPS G4-EC8

Estácio provides partial or full scholarships to support young people in socially vulnerable situations who are receiving assistance from NGOs and charities. Instituto Criar de TV, Cinema e Novas Mídias, Instituto da Criança, NGO Recode, NGO Alfa, Instituto GPA and Fundação Gol de Letra are all part of a network identified by our Corporate Social Responsibility team for support. Through this initiative, students have access to Estácio's complete undergraduate program offering.

Scholarships are renewed each semester following an assessment of academic achievement and tuition payments (for partial scholarships). Monitoring student performance with supported organizations is essential in helping ensure students successfully complete their studies.

CULTURE

We believe culture plays a central role in strengthening civic engagement. It is no coincidence, then, that culture is among the core pillars of our Educate to Transform Program. This chapter describes some of our successful initiatives in support of cultural projects throughout Brazil to illustrate how our approach has addressed this important dimension.

Estácio has a Tax Incentive Committee in place that since 2015 has worked to improve the selection process for projects supported under tax incentive laws. The results from these efforts are reflected in progress made in broadening society's access to cultural goods and enhancing our social contribution on this front.

SABERES QUILOMBOLAS

A project called "*Saberes Quilombolas: Improving living quality for the Africa and Laranjituba Quilombo Communities*" was implemented in 2015 as a partnership between Estácio Belém and *Projeto Filhos do Quilombo*. The program will benefit more than 80 families in the Africa and Laranjituba Quilombo Communities through initiatives such as building water filters with natural residues, home gardens and georeferencing and social and economic profile surveys.

Other partnership initiatives include the creation of a computer center providing Internet access for both personal communication and user education activities

at these locations. The computer labs also provide the opportunity to learn about computer maintenance and electrical systems.

These regular activities within the program are supervised by professors and students from different undergraduate programs at Estácio Belém, including Business Administration and Production, Control Systems and Telecommunications Engineering.



15,000

PEOPLE

participated in *Rolé Carioca* program activities in 2016.

ARTRIO

Estácio supports the organization of ArtRio, an annual art fair that has established itself as an important part of Rio de Janeiro's cultural calendar and is recognized for uniquely bringing together the works of great masters and new talent side by side. Already a tremendous success with the public, the event has also helped to strengthen the local value chain for art more broadly, filling what up until very recently had been a major gap in this niche market.

RIO EU AMO EU CUIDO

In September 2016, a highly impactful littering campaign in Rio drew attention to the impacts of littering with cigarette butts, straws and plastic cups by placing giant sculptures in various neighborhoods throughout the city. This was another initiative within *Rio Eu Amo Eu Cuido*, a program supported by Estácio under the Municipal Culture Incentive Act.

ROLÉ CARIOCA

Boasting three highly successful editions, the *Rolé Carioca* project – led by Estácio history professors William Martins and Rodrigo Rainha – has gained wide recognition on Rio's cultural scene, bringing together over 15,000 people in 2016. Participants are taken on guided tours of the streets of Rio de Janeiro in what is truly a journey back in time to explore important aspects of the city's history and culture.

ROLÉ BRASIL

Building on the success of *Rolé Carioca*, in 2016 this cultural initiative was extended to five other Brazilian state capitals: Fortaleza (CE), Belo Horizonte (MG), Salvador (BA), São Paulo (SP) and Florianópolis (SC). As in the precursor Rio editions, program activities in other cities have been designed to provide information on urban and architectural aspects, historical characters, cultural characteristics and other curious facts.

SCHURMANN FAMILY - ORIENT EXPEDITION

In December 2016 the Schurmann Family completed their Orient Expedition, which has been sponsored by Estácio since September 2014. The expedition's *Kat* sailboat crossed four oceans and called on 50 ports in 29 countries, on five continents. The boat has set an example for sustainability by incorporating water- and energy-efficient systems.

MÚSICA NA ESTRADA

Recognized as one of the most important cultural programs in the North of Brazil, the *Música na Estrada* Festival has provided an opportunity for close interaction between artists and ordinary citizens in the Amazon region. In the sixth edition in 2016, the festival was extended to Brazil's Midwest region to include not only Belém and Santarém

(PA), Boa Vista (RR), Macapá (AP), Manaus (AM) and Porto Velho (RO), but also Brazil's capital, Brasília (DF).

MONUMENT TO ESTÁCIO DE SÁ

In partnership with the City Hall of Rio de Janeiro, Estácio curates the Visitor Center of the Estácio de Sá Monument, which regularly hosts exhibitions and other cultural events. The monument, a 17-meter pyramid, was designed by architect Lúcio Costa and erected in 1973 in honor of the city's founder.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY WEEK G4-EC8

A centerpiece of our Corporate Social Responsibility practices, the fourth edition of Sustainability and Corporate Social Responsibility Week was successfully held from September 12 to 17, 2016. Estácio offered 543 free activities for communities in 22 states and in the Federal District.

The event again demonstrated the importance we attach to sustainability as a brand attribute in our continuous efforts to engage internal and external stakeholders in fulfilling our Mission.

A primary focus of the event's communication campaign in 2016 was raising awareness about waste management and the important role each person plays in achieving progress on this highly important issue. Posters and banners were distributed at Estácio's units and educational messages were disseminated through

social media posts that reached more than one million followers.

With 77 participating units (10% more than in 2015), the event was truly a success and included round tables and workshops with sustainability experts, cultural attractions and social outreach in local communities involving students and professors.

The event program was organized concurrently with the Social Responsibility campaign of the Brazilian Association of Higher Education Organizations (ABMES), with each participating unit earning a Socially Responsible Institution mark.



FINANCIAL INDICATORS
ON THE RISE: EBITDA AND
NET REVENUE

ECONOMIC DIMENSION

RESILIENCE TO CHALLENGES

Student loyalty – a prerequisite for our economic sustainability – was a priority in 2016

The global business environment in 2016 posed a number of challenges, including an economic slowdown in the US and China that had negative repercussions globally. In Brazil the situation was yet more complex, with the political crisis combining with economic headwinds to create the perfect storm.

Estácio felt the effects from the adverse economic conditions, which included high unemployment in Brazil and a number of other negative indicators significantly affecting the private higher education sector. But we have also shown resilience to the crisis and have taken firm action to introduce structuring changes needed to achieve growth in the present and future.

The economic challenges faced at a national and global level required us to review our strategies and policies and ensure more effective controls were in place in the University.

In pursuing economic sustainability, Estácio believes that a healthy and engaged student base with an optimal ratio of ticket to demand is key to maintaining a higher education company as a going concern over the long term. This has led to a focus on student loyalty in order to reduce drop-out rates within our student base.

Tackling student withdrawals also provides a great opportunity to improve profitability by enabling the University's overall cost structure to be used efficiently and ensuring an optimal return on student acquisition efforts and operating leverage.

+3.8%

INCREASE
in student retention
rates in 2016

Despite the economic crisis, we remain firm in our belief that Brazil is a country of business opportunity with a vast consumer market and strong institutions. It is our view that Brazil's recovery from the recession and return to economic growth in the coming years will hinge on domestic political tensions subsiding and interest and inflation rates diminishing.

SIGNIFICANT RESULTS

In spite of the many challenges we faced in the year, net revenue in 2016 was approximately R\$ 3.2 billion, up 8.6% from 2015. EBITDA also rose by 3.1% to R\$ 652.4 million in 2016, with an EBITDA margin of 20.5%.

Our undergraduate student base numbered 329,400 students, 3.4% more than in 2015. Retention rates also increased by 3.8 percentage points in the period, reflecting initiatives focused on education quality.

Our distance-learning undergraduate student base totaled 106,900 students, declining by 2.2% compared with 2015. Distance-learning undergraduate retention rates, however, increased by 3.7 percentage points compared with the previous year.

Estácio's graduate programs had 71,600 enrolled students in 2016, an increase of 2.4% over 2015. Notably, the distance-learning graduate student base grew by a substantial 27.2% thanks to partnerships in the student acquisition process.

HEADLINES 2016

R\$ **3,184.5**

MILLION

in net operating revenue. Up 8.6% from 2015

R\$ **339.7**

IN OPERATING CASH FLOWS

in 2016, compared with negative operating cash flows of R\$ 91.4 million in the previous year

R\$ **1,375.5**

MILLION

in gross income. Estácio's margin on net operating revenue was 43.2%, level with 2015

EBITDA

INCREASED BY 3.1%

to R\$ 652.4 million in 2016, with an EBITDA margin of 20.5%

R\$ **535.1**

MILLION

in dividends paid to shareholders, with Estácio retaining one of the highest stock yields among BM&FBovespa-listed companies in 2016

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED G4-EC1

	2014	2015	2016
DIRECT ECONOMIC VALUE GENERATED - REVENUE (R\$)	R\$ 2,401,862	R\$ 2,888,613	R\$ 3,156,299
ECONOMIC VALUE DISTRIBUTED (R\$)			
OPERATING COSTS	R\$ 419,880	R\$ 528,737	R\$ 698,423
EMPLOYEE SALARIES AND BENEFITS	R\$ 997,503	R\$ 1,103,539	R\$ 1,203,420
PAYMENTS TO PROVIDERS OF CAPITAL	R\$ 264,790	R\$ 452,901	R\$ 486,384
PAYMENTS TO GOVERNMENT	R\$ 294,044	R\$ 363,157	R\$ 399,970
COMMUNITY INVESTMENT	R\$ 0	R\$ 0	R\$ 0
TOTAL	R\$ 1,976,217	R\$ 2,448,334	R\$ 2,788,197
ECONOMIC VALUE DISTRIBUTED (%)			
OPERATING COSTS	17%	18%	22%
EMPLOYEE SALARIES AND BENEFITS	42%	38%	38%
PAYMENTS TO PROVIDERS OF CAPITAL	11%	16%	15%
PAYMENTS TO GOVERNMENT	12%	13%	13%
COMMUNITY INVESTMENT	0%	0%	0%
TOTAL	82%	85%	88%
ECONOMIC VALUE RETAINED (R\$) ("DIRECT ECONOMIC VALUE GENERATED" LESS "ECONOMIC VALUE DISTRIBUTED")	R\$ 425,645	R\$ 440,279	R\$ 368,102

KEY STRATEGY ADJUSTMENTS

Some of the most significant changes that occurred in 2016 were in our governance structure and included the election of the Board of Directors and a new chairman to this important corporate decision-making body, as well as the replacement of members of the Executive Board. The reorganization of our corporate structure was needed to shed non-priority projects and focus our business plan on Estácio's core business interests.

A Compliance function was also created to work alongside the Governance, Risk Management and Internal Controls functions in periodically reviewing our policies and rules and identifying best practice. As part of our commitment to ensuring full disclosure to investors, Estácio re-presented accounting figures and comparative managerial information for the quarters of 2014, 2015 and the first quarter of 2016, and made a number of *ad hoc* restatements of information for the second quarter of 2016.

Our student acquisition process underwent a redesign in the first half of 2017 that included changes across pricing strategy, marketing campaign organization, salesforce staffing levels, and the sales target and compensation system. The redesign also focused on turning around operational and financial performance with a focus on cash generation (collection process redesign and launch of the Estácio Installment Payment Program).

CAPITAL EXPENDITURE

Estácio invested R\$ 186.8 million in 2016 as part of a commitment to continually strengthening our integrated academic model. Out of total investments, R\$ 118.8 million was allocated to upgrading systems, equipment, libraries and laboratories at our units. These funds represent approximately 5.9% of net revenue for the period.

Investment in strengthening our academic framework and in our new IT architecture project increased by 25.1% and 59.1%, respectively, in 2016 compared with 2015.

ESTÁCIO INSTALLMENT PAYMENT PROGRAM, AN INNOVATIVE SOLUTION

Estácio's Installment Payment Program (*Parcelamento Estácio - PAR*) is available to students enrolled from the beginning of 2017. The program allows students to pay half of total program tuition while still studying and the remainder only after graduating.

The installment amounts are progressive, beginning with 30% of monthly tuition during the first two semesters, 40% during the third, 50% during the fourth and 60% during the fifth.

Through the Estácio Installment Payment Program, students can pay tuition in progressive installments.

STOCK PERFORMANCE

Average daily trading volume for Estácio stock was R\$ 35.7 million in 2016, declining by 23.9% year-over-year. Estácio stock has nevertheless remained one of the most liquid securities on BM&FBovespa and was priced at R\$ 15.80 at year-end, up 13.3% from the closing price at year-end 2015.

TAX EXEMPTIONS G4-EC4

The Federal Government has no equity holdings in Estácio. Through the Government's "University for All" (*Programa Universidade para Todos - PROUNI*) program, higher education institutions such as Estácio are eligible to certain federal tax exemptions, including exemption from Corporate Income Tax (IRPJ), Social Integration Program (PIS) Tax, Social Security Tax (COFINS) and Social Contribution on Net Income (CSLL) on revenue from technology-related undergraduate and graduate programs. This has provided Estácio with exemption from PIS/COFINS payments on revenue of R\$ 106.95 million, R\$ 101.95 million and R\$ 82.55 million in the years ended December 31, 2016, 2015 and 2014, respectively.

Our eligibility to the program also entitled our subsidiaries to reduced IRPJ and CSLL tax rates of approximately 5.58%, 8.26% and 5.54% in the years ended December 31, 2016, 2015 and 2014, respectively.

INCENTIVES RECEIVED IN R\$ MILLION

INCENTIVES	2014	2015	2016
PIS AND COFINS	82,550,000.00	101,950,000.00	106,950,000.00
IRPJ AND CSLL	145,800,000.00	174,400,000.00	164,500,000.00
ISS	6,610,973.58	7,700,326.62	8,951,685.48
ROUANET ACT	100,000.00	1,601,200.00	2,947,672.37
YOUTH FUND (FIA)	—	200,000.00	511,865.34
AUDIOVISUAL	1,077,333.34	100,000.00	120,000.00
FEDERAL SPORTS INCENTIVE ACT	287,802.80	337,000.00	737,168.09
TOTAL	236,426,109.72	286,288,526.62	284,718,391.28

Tax benefits therefore amounted to a total of R\$ 164.5 million, R\$ 172.5 million and R\$ 145.8 million in the years ended December 31, 2016, 2015 and 2014, respectively.

We are additionally eligible to Service Tax (ISS) incentives in certain cities in Brazil. These incentives amounted to R\$ 8.9 million, R\$ 7.7 million and R\$ 6.6 million in 2016, 2015 and 2014, respectively.

Other tax incentives, such as under the Rouanet Act, the Federal Sports Incentive Act, the Youth Fund and the Elderly Fund, are detailed in the table above.



BENEFITS
INVESTMENTS HAVE
IMPROVED THE
INFRASTRUCTURE OFFERED
TO OUR STUDENTS

HIGHER EDUCATION

A WINNING EDUCATION MODEL

Estácio's score on the National Student Performance Exam confirms recent progress

Estácio has developed and continually evolved a nationally integrated Education Model that seeks to meet the individual academic and learning needs of students and professors while accommodating the wide diversity of our degree programs.

Nationally integrated curricula and standardized, proprietary education resources are differentiators in our Education Model that also ensure academic quality while accommodating the wide-ranging regional requirements and particularities of our country-wide business footprint.

To further strengthen our Education Model based on a multidisciplinary approach, we have developed a proprietary methodology for collective knowledge-building in a process involving faculty from all units across Brazil.

New technologies have supported the development of innovative education practices employing unique education resources, improved integrated student examination systems, and management tools designed to monitor service quality.

Combined with a University-wide commitment to encouraging civic engagement, entrepreneurship, respect for human rights and sustainability, this set of educational practices helps to develop professionals who are better equipped for the job market. These efforts to evolve Estácio's education model have proven successful, with the University achieving official recognition of program quality through superior performance on the National Student Performance Exam (ENADE 2015) as well as other successes described in this chapter.

2011

THE YEAR

we implemented our
proprietary Education Model



ENADE 2015 CONFIRMS PROGRESS

Our performance on the National Student Performance Exam (ENADE) 2015 demonstrates that Estácio's integrated education model – which was implemented in 2010 with the participation of more than 7,000 faculty – has been successful. Eight Estácio Group entities – including Universidade Estácio de Sá, our largest subsidiary – scored 4 out of 5, with 98% of our 364 programs achieving positive assessment results.

Importantly, institutions and programs scoring 4 or 5 in the exam have preferred access to government funding programs as well as first priority in processing applications with the Ministry of Education, such as applications to create new programs, distance learning centers and student openings.



**BACHELOR OF TECHNOLOGY
IN FASHION DESIGN:
A TOP-SCORING PROGRAM**

IMPROVING PERFORMANCE

Universidade Estácio de Sá scored 4 to become the second best private university in Rio de Janeiro (the first-ranked university being PUC-Rio).

The Master's and PhD in Law Programs each scored 5, with especially strong performance in the state of Rio de Janeiro.

Our Master's and PhD programs in Education and Dentistry scored 4.

Also scoring 4 were our Professional Master's Degree Programs in Business Administration and Development and Family Health.

In the on-site assessments, 115 programs and 51 education centers and institutions all received scores of 3, 4 or 5.

The programs that underwent assessment accounted for approximately 55% of our total student base, denoting significant improvement in overall performance.

SEVEN PROGRAMS EARNED THE MAXIMUM SCORE (5) IN THE MINISTRY OF EDUCATION EVALUATION

TOURISM
Vitória

**ACCOUNTING
SCIENCES**
Recife

**BACHELOR OF
TECHNOLOGY IN
INTERIOR DESIGN**
Rio de Janeiro

**BACHELOR OF
TECHNOLOGY IN
FOREIGN TRADE**
Rio de Janeiro

**BACHELOR OF
TECHNOLOGY IN
FASHION DESIGN**
Petrópolis

TOURISM
Niterói

**ACCOUNTING
SCIENCE**
Nova Iguaçu

DEGREE COMPLETION FIGURES

PROGRAM	2013	2014	2015	2016	GRAND TOTAL
BUSINESS MANAGEMENT	3,777	4,281	4,886	6,628	19,572
ARCHITECTURE & URBAN PLANNING	35	114	104	144	397
LAW	4,456	4,469	4,991	5,729	19,645
ENGINEERING	1,529	1,482	1,856	2,539	7,406
MEDICINE	241	735	588	731	2,295
DENTISTRY	84	93	144	189	510
PROFESSORS TRAINED	1,339	1,476	1,830	2,772	7,417

BROADENED ACCESS TO EDUCATION

With a student base of more than 500,000 students in 2016, including 329,400 on-campus undergraduate students, 106,900 distance learning undergraduate students and 71,600 graduate program students, Estácio has established itself as a leading provider of private higher education in Brazil. Delivering on our mission of Educating to Transform, the University has invested continuously in innovation, faculty and staff development and management tools to provide value-added services at our units across the country, all of which employ standardized, best-practice education models and operating systems focused on teaching quality and expanding access to education.

The number of students successfully completing degrees in the past three years (116,757) demonstrates that our efforts to broaden access to high-quality education at our units have been successful.

Further progress has also been made in training 7,417 faculty over the past four years (2,772 in 2016) across a diverse range of subject matter.

FURTHER ACCREDITATIONS

In 2016, five institutions were newly accredited by the Ministry of Education: Faculdade SEB de Negócios (São José do Rio Preto, SP); Faculdade Estácio de Goiânia (GO); Faculdade Estácio de São Mateus and Faculdade Estácio de Cachoeiro de Itapemirim (Espírito Santo); and Faculdade Estácio de Manaus (AM). These accreditations have supported an extended offering of 3,000 student openings across different programs.

In addition, in April 2017 the Ministry of Education published the accredited status of Centro Universitário Estácio de Recife (PE), with a site-visit score of 4. This will support the creation of further student openings and new programs within the University.

In relation to programs without autonomy prerogatives, including Law degree programs, the Ministry of Education accepted 17 applications to increase student openings by an aggregate 1,412 in 2016.

In May 2017 the Ministry of Education approved the incorporation of 51 student openings in the Medicine Program as part of an Assisted Transfer Process (PTA). With this approval, Universidade Estácio de Sá's Medicine Program at the João Uchôa Campus in Rio de Janeiro will now have 170 student openings annually.

The additional student openings are a testament to Estácio's commitment to seeking academic excellence in this and our other Medicine programs in the municipalities of Ribeirão Preto (SP) and Juazeiro do Norte (CE).

Further medicine programs are also being implemented in 2017 in Angra dos Reis (RJ); Jaraguá do Sul (PR); and Juazeiro and Alagoinhas (in Bahia) following our successful bids in response to a call for proposals within the Federal Government's "More Doctors" Program.

A FOCUS ON STUDENT RELATIONS

Estácio annually organizes welcome events for new undergraduate and graduate, on-campus and distance-learning students. In the event program for 2016, our Helpful Hazing initiative was combined with Amazônia Live, an environmental initiative developed by the organizers of Rock in Rio that will plant more than 1 million tree saplings in the Amazon region. As a sponsor of the initiative, Estácio has planted 100,000 saplings and has encouraged students to participate in the initiative.

We also organized our traditional National Lecture, which was broadcast country-wide in September 2016 with Brazilian men's volleyball coach Bernardo Rezende as guest speaker. A national volleyball icon, Bernardinho spoke about overcoming adversity in his inspirational keynote speech.

Unit coordinators play an important role in welcoming freshmen and introducing them to the learning environment and its unique features including digital educational materials, student services channels and programs such as Estacio Careers and Virtual Campus. [G4-26](#)

ALUMNI PROGRAM

Estácio dedicates special focus to continued relations with alumni. Our Alumni Program was created as part of this commitment to engage with former students through a range of strategic initiatives.

As part of recent initiatives to enhance Estácio's Alumni Program, the Estácio Diamond Alumni Award was created to recognize alumni for outstanding social, cultural and entrepreneurial achievements. Significant personal achievements – such as surmounting adversity or other inspirational experiences – are also recognized.

Commencement ceremonies – in which the Dean of Academic Affairs customarily invites former students to be paid tribute – also offer an opportunity to strengthen relations between Estácio and alumni. In all, 68 people were invited to the Estácio Diamond Alumni Awards in 2016.



68

ALUMNI
were paid tribute through the
Alumni Program in 2016

VACANCIES AND OPPORTUNITIES

OPPORTUNITIES	RESULTS 2016
INTERNSHIP VACANCIES OFFERED	56,768
JOB VACANCIES OFFERED	46,764
STUDENTS ENROLLED IN MANDATORY INTERNSHIPS	79,762
STUDENTS ENROLLED IN NON-MANDATORY INTERNSHIPS	37,650
ESTÁCIO CAREERS CONSULTATIONS	51,787
HIRING PORTAL VISITS	3,206,963

In 2016 we recorded 3.2 million visits to our Hiring Portal.

Among students nearing completion of their degrees and soon to become alumni themselves, Estácio offers those with the highest grade-point averages scholarships for *lato sensu* graduate/MBA programs.

EMPLOYABILITY G4-EC8

The successful achievement of our education quality targets for 2016 owes much to the training given to our student services staff. These and other initiatives have helped to strengthen our support for student employability, which has been extensively enhanced through Estácio's management efforts.

In addition to working to deliver high-quality student services, this function is also committed to providing valuable support to students in choosing their careers.

It also offers comprehensive support in finding job or internship opportunities and has worked to develop employment and internship partnerships with industry through unit-specific programs.

OTHER SERVICES

Our Hiring Portal offers an Online Advisory chat-or e-mail-based service that students and alumni can use to request information about employability.

The platform also features a blog with news about the job market, careers and other employability topics using youthful and plain language.

We also offer Professional Coaching Courses with free online activities. The content comprises three modules that can be taken separately. (a fourth module is planned for the second semester of 2017).

May and October are marked as Resume and Career Months at Estácio, during which students receive career and employability advice through lectures, workshops and other events at our units and online.

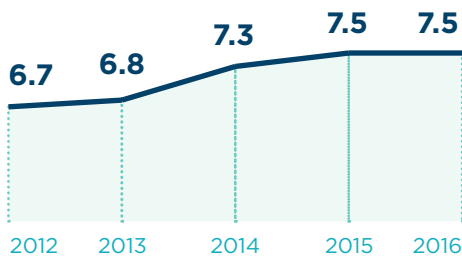
ESTÁCIO CAREERS PORTAL

With a focus on student employability, the Estácio Careers Portal (www.estaciocarreiras.com.br) is the primary platform for advertising internship and job opportunities and providing general information about the job market. Students also have access to professional advice, information about university programs and entrepreneurial strategies, and other valuable insights.

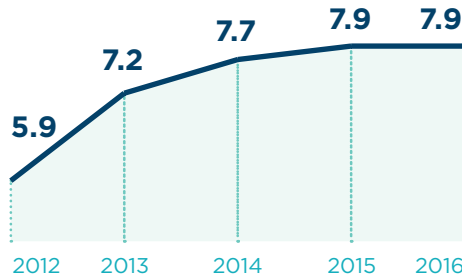
Hosted on the same virtual platform is our exclusive hiring portal (www.vagasestacio.com.br), which offers companies a database of more than 500,000 candidates-in-training and alumni. For students, the platform offers the opportunity to interact with over 30,000 thousand registered businesses and receive e-mail alerts about opportunities matching their profile.

PESA RESULTS 2016 OVERALL SATISFACTION

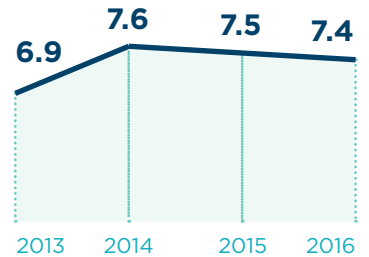
ON-CAMPUS UNDERGRADUATE PROGRAMS



DISTANCE-LEARNING UNDERGRADUATE PROGRAMS



GRADUATE PROGRAMS



2016 HEADLINES

125.1

FIES-ENROLLED students

5,663,865

INVOICES GENERATED

171,915

ESSAYS CORRECTED

R\$ 950

MILION
in purchases
(including rent and media)

66

SHARED SERVICES CENTER (SSC)

Estácio's Shared Services Center (SCC) is responsible for the integration and management of new acquisitions. It also provides services such as managing our database of FIES-enrolled students, issuing invoices, correcting student examinations and coordinating procurement and supplier management.

MONITORING STUDENT SATISFACTION G4-PR5

Student Satisfaction Surveys and Institutional Assessments have been conducted each year to elicit the views of students – our most valuable customer – on our performance.

The Student Satisfaction Survey is conducted by an independent firm, with separate surveys for on-campus, distance-learning and graduate students. The purpose of the survey is to measure students' overall satisfaction with attributes across four dimensions: Student Services, Financial Processes, Infrastructure and Education Policies.

Following several years of significant improvement, in 2016 we succeeded in maintaining undergraduate student satisfaction levels high in an especially complex year. The 0.1% decrease in the average score for graduate programs can be considered normal given the expansion of our student base in the year.

SELF-SERVICE
STUDENTS USING THE SELF-SERVICE SYSTEM AT THE TOM JOBIM CAMPUS (RJ)



The Executive Board has decided to discontinue the Student Satisfaction Survey in 2017 due to its covering only a sample of students and having less coverage than the Institutional Assessment. This survey, in turn, is available to all students and is answered by approximately 70% of our student base.

The results of the Institutional Assessment are used to calculate a Student Satisfaction Index (SSI). The SSI is the average of faculty scores and unit scores given by students, and therefore reflects our performance at both the academic and operational level.

The Institutional Assessment (or self-assessment) is one of the supplementary assessment methods used by the National Higher Education Assessment System (SINAES) to evaluate higher education institutions, undergraduate programs and student academic performance.

STUDENT SATISFACTION INDEX

SUB-MODALITY	2014.2	2015.1	2015.2	2016.1	2016.2
DISTANCE LEARNING 100%	3.79	3.71	3.79	3.93	4.03
FLEX	3.62	3.53	3.63	3.81	3.82
CAMPUS-BASED	3.67	3.67	3.72	3.84	3.87

Student Satisfaction Rates increased across all sub-modalities in 2016.

400,000

QUESTIONS

in our national examination database

FINES FOR NONCOMPLIANCE G4-PR9

In 2016 our legal department did not have formal indicators to report on fines for noncompliance with laws and regulations concerning the provision and use of products and services.

A formal indicator was created in 2017. Significant cases involving high-value fines have been appealed against and therefore no fines have been paid to date.

Estácio's Legal department determines the significance of legal or administrative proceedings based primarily on their potential financial impact on the University or in the legal sphere.

LEARNING MANAGEMENT TOOLS

The quality of our education resources and levels of student satisfaction can be tracked continuously by both faculty and staff. This allows both weaknesses and opportunities in our practices to be identified.

In 2016 a total of 140,000 examination questions were developed by approximately 6,000 professors, adding to our database of more than 400,000 examination questions. These are used in our nationally integrated examinations, which are applied to 90% of our student base. Examination results are carefully reviewed and performance rankings, averages and percentages are generated at all levels (by student, class, unit, program and region).

ACADEMIC SUPPORT PROGRAM

Designed to enhance learning management and student retention, the Academic Sup-



**SATISFIED STUDENTS
IN A YEAR OF MAJOR
CHANGES, OUR STUDENT
SATISFACTION INDEX
REMAINED HIGH**

port Program implemented the following programs in 2016.

- Learning Assessment: more than 60% of our on-campus students took preview examinations in preparation for final examinations.
- Second Attempt: Over 35,000 students subscribed for our Second Attempt program, which provides the opportunity to recover from negative academic performance.
- Prepare: We recorded more than 60,000 views of live review podcasts ahead of key examinations.
- Probation: Students who have failed examinations are offered the opportunity to retake the failed course concurrently with the subsequent semester, avoiding impacts on academic progression provided they are successful on their second attempt.

INNOVATION IN EDUCATION PRACTICES

Estácio is supported by an Education Technology Department (a strategic department within the Office of the Vice President for Education) with a multidisciplinary team working on four fronts: Development and Production, New Technologies, Curation and Studios.

A team of revisers, writers, designers, web designers, editors, programmers, analysts, cameramen, project managers and other professionals helps to create a wide range of innovative educational tools. These include applications, books, interactive online content, games, software, virtual environments and many other deliverables.

- **Virtual Learning Room:** One of Estácio's key differentiators is our Virtual Learning Room, a digital platform that offers access to state-of-the-art educational materials to both on-campus and distance-learning students, as well as allowing students to interact with professors. The media convergence concept incorporated in the Virtual Learning Room Platform combines in a single virtual environment the full suite of educational resources available to students, including a virtual library, video lectures, study guides, PowerPoint lecture presentations and much more.
- **Lecture Hall of the Future:** Designed to better leverage mobile device technology in the education process, Estácio's Lecture Hall of the Future concept is

Professionals in a range of academic fields contribute to the development of innovative educational materials.

replacing computers and projectors with interactive Telion screens. The system provides an added benefit of reducing environmental impacts from our activities by eliminating the need to replace old projector lamps.

- **Game Center:** another example of Estácio's technological innovation, this digital platform uses educational games as tools for learning and simulating situations students will encounter in a professional context.
- **Paperless:** in 2010 Estácio implemented an Educational Materials Project that has helped to reduce printing volumes by 40 million pages per year since 2014 (the calculation is based on the projected number of enrollments by discipline). All educational materials have since been accessible on digital platforms.
- **Digital textbooks:** in 2016 we reached a milestone of 700 Estácio-produced textbooks available in a virtual environment for professors and students. Other milestones in 2016 include more than 1300 online disciplines and more than 40 interactive smartbooks, evolving from e-books.

700

DIGITAL TEXTBOOKS
available online in 2016

LESSONS IN ENTREPRENEURISM: STARTUP NAVE G4-EC8

The results from our Startup NAVE initiatives have been the most positive imaginable. Two years into the initiative, which peaked at four groups, we are pleased to report the following results:

- More than 600 registrations, with more than 89 selected participants. Of these, 60 made the finals.
- Selected startups captured more than R\$ 2 million in investment (angel, development and accelerator investment).
- Partnerships established with such names as Microsoft, WeDoLogos, Nibo, Iugu and Moip.
- A partnership established with GáveaAngels (an angel investor group).
- Ten entrepreneurship videos with the participation of guest speakers were made available for free to students as part of Estácio Acredita.
- Roadshows toured ten units to introduce the program to students and employees.

Estácio ended 2016 with a distance-learning student base of 106,900 students.

DISTANCE LEARNING

Our distance-learning undergraduate student base totaled 106,900 students in 2016, declining by 2.2% compared with 2015. Distance-learning undergraduate retention rates, however, increased by 3.7 percentage points compared with the previous year.

The Distance Learning Department worked to better monitor and assess student performance in 2016 through a range of indicators, such as frequency of access to the distance-learning platform. The results will better inform our planning and improvements to distance-learning processes.

Another achievement in 2016 was the accreditation by the Ministry of Education of an additional 35 Universidade Estácio de Sá (UNESA) student support centers to provide distance learning graduate programs. This will allow us to expand our distance-learning footprint to additional locations and increase our student base.



EPHEMERAL ARCHITECTURE

Architecture and Urban Planning students at our Niterói II Oscar Niemeyer Unit remodeled a number of spaces on the campus using concepts learned from their Ephemeral Architecture course.

The project involved remodeling rooms, laboratories and living areas under the supervision of Professor Mariana Vaz, providing a unique look and feel to the School of Architecture and Urban Planning on the Campus.

The goal of the project was to expand student interaction with the campus spaces where they study, allowing them to use the University facilities as both a source of learning and an opportunity to apply what they have learned in practice.

PROGRESS IN RESEARCH AND EXTENSION

Estácio has consistently developed a range of initiatives to foster research, and has measured faculty's research output since 2010. These efforts have been successful in delivering positive outcomes. In 2016 we achieved the highest Three-Year Undergraduate Research Output Index (IPPGR3) to date, an important indicator for measuring progress in research. In 2017 this indicator is expected to rise by an additional 4%.

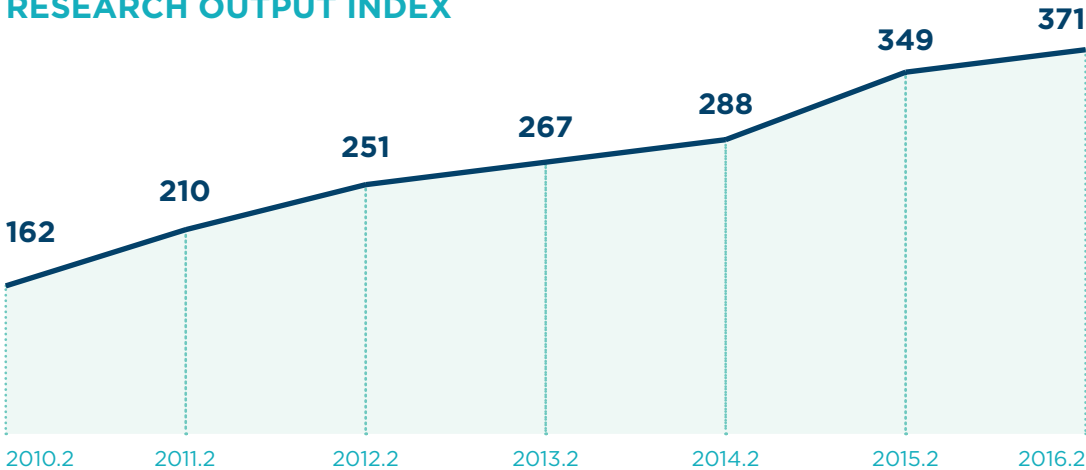
SCIENTIFIC INITIATION AND RESEARCH PRODUCTIVITY

In 2016 we expanded the scope of our Scientific Initiation and Research Productivity Programs. These institutional initiatives encourage students and faculty to deepen their knowledge by undertaking research to help improve quality of life within their communities.

The Scientific Initiation Program is a unique learning opportunity for students involved. In 2016, 730 research projects involving 1,676 students were approved at 39 units. Estácio expects the Program to cover all units in 2017.

The Research Productivity Program, in turn, is designed to support faculty in developing research programs and enhancing scientific output. In 2016, 125 research programs were approved at three institutions. Studies toward expanding this initiative will be undertaken in 2017.

THREE-YEAR UNDERGRADUATE RESEARCH OUTPUT INDEX





**A WORD-CLASS LABORATORY
AT THE JOÃO UCHOA UNIT (RJ)**

RESEARCH CONFERENCE

Estácio's efforts to stimulate academic research are also reflected in the gradually increasing attendance of researchers at the Estácio Research Conference. At the eighth edition of the event in 2016, delegates submitted 2,458 scientific papers from 137 institutions. These include undergraduate theses; graduate or MBA monographs; master's dissertations, PhD theses, scientific initiation projects and other papers.

One of the benefits from this initiative is the opportunity for Estácio researchers to network with peers from other higher education institutions to share knowledge acquired from their research.

DEBATE IN JUIZ DE FORA

Centro Universitário Juiz de Fora (MG) organized the third edition of its Academic and Scientific Conference in 2016, with a record-breaking attendance of more than 3,000 students. The event organizers received 240 abstracts, of which 200 were approved (160 for oral presentation and 40 for presentation as banners). All papers were published in conference proceedings.

Participants also donated 1.5 metric tons of food and 70 toys for the following charities: Fundação Ricardo Moysés Júnior, ASCOMC-ER, Condomínio de Idosos Luíza de Marillac and Fundação Maria Mãe, all in the municipality of Juiz de Fora.

MEDICINE UNDER THE SPOTLIGHT IN RIO

Held under the theme: "Challenges Facing 21st-Century Medical Schools", the Arcos da Lapa campus in Rio de Janeiro (RJ) organized an event combining the 6th Universidade Estácio de Sá Conference on Medicine, the 9th Scientific Initiation Conference, the 9th Academic Symposium and the 3rd Faculty Development Forum. The event took place from May 16-18, 2016

During the three activity-packed days of the event, 500 people visited the campus and participated in activities that included 11 round tables, six lectures, five workshops, 25 mini-courses, three group sessions and four interactive sessions. At the Scientific Initiation Conference, 40 papers were presented and subsequently published in conference proceedings.

INNOVATION IN FILARIASIS TREATMENT

A study led by Professor Fernando Leonel with his students at the Recife unit (PE) developed a new method of treating filariasis (also known as elephantiasis, a disease caused by filarial parasites). The methodology was validated by the World Health Organization (WHO) and led to a change in the official protocol adopted by the institution to treat the disease.

The professor, who has been to several countries to present the results of this work, was visited by a WHO team in Recife to discuss real-world cases from his research.

MASTER'S AND DOCTORAL SCHOLARSHIPS

A Policy on Master's and Doctoral Degree Program Scholarships was developed in September 2016 to further improve the level of academic research at Estácio. The policy sets out rules on granting tuition discounts for *Stricto Sensu* Graduate Program courses to faculty, staff and former students. 132 scholarships are currently offered.

INTERNATIONAL PARTNERSHIPS

Internationalization of higher education is a global trend. Estácio has long been a part of, and advanced, this fast-growing movement and student mobility.

GRADUATE PROGRAMS 2016

71,600

STUDENTS ENROLLED

+2.4%

GROWTH
compared with 2015

+27.2%

GROWTH IN
DISTANCE LEARNING

Implemented in 2016, our Master's and Doctorate Scholarship Policy extends to faculty, staff and alumni.



COMMUNICATION
STUDENT AND FACULTY
RESEARCH IS ENCOURAGED
AND DISSEMINATED

Through our Applied Research Department (ARD), Estácio encourages and disseminates the research and scientific output of our faculty, students and staff. The ARD has established an International Cooperation Office as part of these efforts in response to the increasing internationalization of higher education.

The ACI works on three major fronts: partnerships with foreign institutions, student and faculty exchange programs, and international collaboration in research.

In 2016 Estácio engaged in joint activities on these fronts with the following institutions: Mercer University (US), Northumbria University (UK), Universidad de los Andes (Chile), Universidade do Porto (Portugal), and University of Reims Champagne-Ardenne (France).

EXTRACURRICULAR ACTIVITIES

Estácio seeks to help students develop skills and attributes that extend beyond the training requirements of their chosen field of study. Within this objective, we have made further progress in standardizing our offering of Supplementary Academic Activities (SAC) at all units in Brazil.

SACs currently account for 7% of total graduate credit hours, averaging 180 hours per program. Currently planned activities are related to the Teaching, Research and Extension dimensions. A unique feature of this initiative is Estácio's approach to organizing SACs across four cross-cutting dimensions: Civic Engagement; Scientific & Academic; Employability, Entrepreneurship and Innovation; and Sustainability.

The Brazilian Ministry of Education describes SACs as curriculum components that acknowledge and evaluate skills, knowledge and competencies acquired outside the school environment.

EXTENSION, OUTREACH AND CIVIC ENGAGEMENT

OFICINA SABER DO SABOR

Professors and students from the Nutrition and Gastronomy program are running a successful extension program involving young people with Down Syndrome. At the R-9 campus in Taquara, on the West Side of Rio de Janeiro (RJ), the “*Oficina Saber do Sabor*” program teaches concepts such as nutrition, diet, gastronomy and health in three-hour workshops held once a week.

The workshop group is composed of 12 young people with Down Syndrome from the Reunir Program, which was implemented at this unit in 2014. The activities are focused on developing cooking skills to help participants achieve greater independence in their dietary choices.

HEALTH AS A PRIORITY

Another initiative at the R-9 Taquara campus (RJ) – “Improving housing conditions for Solar Meninos de Luz students

in the Pavão-Pavãozinho community” – is developing practices to prevent and fight diseases associated with poor living conditions. The initiative is led by students and professors from the Architecture program.

URBAN LAND REGULARIZATION

“State, Territory and Land Regularization Policies in Complexo do Alemão” is an extension and outreach initiative run by, and to enhance the training of, Law students at the Nova América Campus in Rio de Janeiro. The initiative aims to map the land management and regularization policies adopted by government agencies at the federal, state and municipal levels in this community, which is located in the vicinity of the campus. The resulting data will support deeper academic discussion on the scale and social impact of urban and territorial planning policies in the area.

PREVENTION CULTURE

Nursing undergraduate students at the Sulacap Unit, on the West Side of Rio de Janeiro, are spearheading a project called

OUR DEANS

ORGANIZATION	DEAN
ESTÁCIO UNIVERSITY CENTER - CEARÁ	ANA FLÁVIA ALCÂNTARA CHAVES
ESTÁCIO UNIVERSITY CENTER - SÃO PAULO	ALEXANDRE ANTUNES PARREIRAS BASTOS
ESTÁCIO UNIVERSITY CENTER - RECIFE	KESI SODRE DA MOTTA GOMES
ESTÁCIO UNIVERSITY CENTER - JUIZ DE FORA	MARCIA MEDEIROS MOTA
ESTÁCIO UNIVERSITY CENTER - AMAZÔNIA	BRENA LAGE VASQUES LINHARES
ESTÁCIO UNIVERSITY CENTER - BAHIA	JUAREZ MORAES RAMOS JUNIOR
ESTÁCIO UNIVERSITY CENTER - BELO HORIZONTE	JUCIE ABREU DA SILVA
ESTÁCIO UNIVERSITY CENTER - RIBEIRÃO PRETO	KARINA PRADO FRANCHINI BIZERRA
ESTÁCIO UNIVERSITY CENTER - SANTA CATARINA	RAFAEL ANDRES VILLARI
ESTÁCIO UNIVERSITY CENTER - BRASÍLIA	ADRIANO LUIS FONSECA
UNIVERSIDADE ESTÁCIO DE SÁ	HUDSON RUBEM DE OLIVEIRA MELLO JUNIOR

Working alongside our deans is Ronaldo Mota, our group Chancellor. As academic ambassador for the group, his mission is to strengthen our reputation for academic excellence. In particular, his role includes driving academic motivation among faculty, students and staff and building Estácio Group's reputation for quality, working with the President and the Vice President for Corporate Relations and Sustainability.

"Prevention of viral STDs at schools". The initiative involves educational activities with adolescent and pre-adolescent students from public schools in Rio de Janeiro. Program activities address the risks associated with sexually transmitted diseases (STDs) and how to prevent them.

COMMUNITY EDUCATION

Developed by faculty at the Jaraguá Unit (AL), the "Community Health Education Dialogue" project aims to promote changes in habits in a fishing village where approximately 500 families live. The educational activities provide advice on preventing diabetes, hypertension, sexually transmitted diseases and other health problems. The project also includes environmental education activities with local residents.

CORPORATE SOLUTIONS: RIO 2016, EXPERTISE AS A LEGACY

Since 2014 our Corporate Solutions Department has offered to private and government-owned companies customized professional development services de-

signed to develop talent and competencies. A highlight in this segment in 2016 was our partnership with the International Olympic Committee (IOC) to prepare more than 140,000 volunteers for the Rio 2016 Olympic Games. Estácio produced educational materials, prepared volunteers to work on different Games delivery fronts during the event, as well as developing thought leadership and expertise from this experience.

The initiative provided a unique opportunity to rethink our role as an education institution: no other event could be more fitting to discuss the importance of education and people management than the Rio 2016 Olympic Games.

To learn more about this unprecedented partnership, members of the IOC and the Japanese Olympic Committee visited Brazil to learn from our experience ahead of the 2020 Summer Olympics in Japan. The visiting delegates said that they were impressed and inspired by the level of engagement seen in Estácio students, pro-

The Corporate Solutions Department coordinated the training of volunteers for Rio 2016.



fessors and staff involved in the volunteer preparation process.

Another successful partnership was concluded in 2016 with Natura to offer undergraduate and graduate scholarships for sales representatives and their family members. The joint initiative has generated hundreds of enrollments throughout Brazil, and has continued into 2017.

FREE COURSES

Among Estácio's business diversification strategies, free online education is believed to hold significant potential and we are looking to develop this field of activity.

An important step in this direction was our partnership with US-based group Udemy, one of the largest free education providers worldwide. Through the alliance we now offer 680 online courses, of which 190 were developed by Estácio and the remained by the partner organization.

In 2016 we provided training to 43,487 students through a combination of courses available on the Estácio Portal and on the Udemy platform.

	2015	2016
TOTAL DISTANCE LEARNING	28,302	34,143
CAMPUS-BASED	10,499	9,344
TOTAL	38,801	43,487

NEW OPPORTUNITIES

Estácio has identified growth opportunities in a number of market segments that have led to the creation of 1,100 courses at 62 units to offer training to Young Apprentices (ages 14 to 24). Under Brazilian labor regulations, companies can hire youth for their first job experience if they are able to combine on-the-job learning with regular school activities.

To make further headway in this segment, in 2017 we have negotiated partnerships with organizations representing industry to further enhance our training offering, in particular for young people on supervised parole.

43,400

STUDENTS

took free online courses in 2016

BAR EXAM ACADEMY

Another area with significant potential for growth in demand is preparing Law students to take the Brazilian Bar Association Exam, a prerequisite to practice law. In 2016, we prepared 17,000 students for bar exams.

MBA IN COMPLIANCE AND RISK MANAGEMENT

Estácio has developed a *latu sensu* graduate Executive MBA in Compliance and Risk Management program to meet the growing demand in Brazilian organizations for managers with training in corporate risk management.

These innovative academic qualifications are designed to provide an integrated understanding of risk management based on multidisciplinary content. The program addresses topics such as corporate governance, tax planning, compliance, ethics, IT management, auditing and accounting.



INTEGRATION
TOM JOBIM CAMPUS
(RJ): INTEGRATED INTO
OUR ENVIRONMENTAL
MANAGEMENT SYSTEM

ENVIRONMENTAL DIMENSION

INCREASINGLY SUSTAINABLE

2016 saw further development of Estácio's environmental management system

Eco-efficiency has consistently driven our engagement and management activities toward reducing natural resource usage and other environmental impacts from our operations. In 2016 we continued to develop corporate strategies designed to continually strengthen our environmental management system, which is being disseminated using a standardized, University-wide approach. The results from these efforts, which we describe in this chapter, indicate that we are on the right path.

Following a mapping exercise, we developed a new Environmental Management Plan that will help to ensure our units implement industry best-practice in eco-efficiency. To assist in this process, we have developed an environmental requirements checklist and a set of indicators against which conditions at each unit will be monitored on a quarterly basis.

These requirements include, for example, updating environmental licenses and groundwater withdrawal permits where applicable, and ensuring Solid Waste Management Plans (PGRS) and Wastewater Treatment Plant Maintenance Plans are in place at units where these facilities are used.

Environmental requirements are mandatory items in our Management Excellence Program and each year a score is assigned based on outcomes.

POSITIVE RESULTS

Some of the important results from our environmental management practices include 41% implementation of Solid Waste Management Plans in 2016 (our target implementation rate for 2017 is 70%) and 75% of our units achieving a score of 50%-98% (40% above 70%) in Environmental Requirements Assessments.

70%

OF UNITS

to have Waste Management Plans
in Place by 2017

PROGRESS ON IMPLEMENTING ENVIRONMENTAL REQUIREMENTS

8%

**BELOW
BUDGET (YTD)¹**
Financial Results

Energy

**DEVELOPED THE
ESTÁCIO ENERGY MASTER
PLAN**

4%

**ENERGY
SAVINGS (YTD)¹**

Awareness

CAMPAIGN
on energy and water consump-
tion at Estácio with a new mas-
cot

5%

**AVERAGE COST
REDUCTION**
Following project
implementation

* YTD: year to date.

THE “EDUCATING TO TRANSFORM 2016” OLYMPICS PROGRAM

Our “Educating to Transform 2016” Olympics Program has again accentuated the successful results from our initiatives to engage internal stakeholders around eco-efficiency, positively affecting our energy usage rates and, ultimately, our financial performance.

In addition to awareness initiatives, Estácio’s environmental management practices were also further developed in 2016. A case in point was a lighting retrofit project at 25 operations accounting for 55% of our energy consumption. These and other initiatives have helped us to achieve superior environmental performance, as described in this edition.

The Estácio Mascot, created in 2016, welcomes new entrants and advises on the important role each person plays in raising awareness about eco-efficiency through the Educating to Transform Program.



LED LAMP RETROFIT

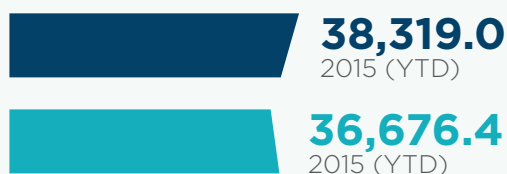
25

UNITS
in 2016

50%

OF ELECTRICITY SOURCED
from Free Market

CHANGES IN ENERGY CONSUMPTION MHW

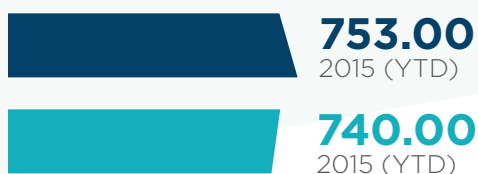


FREE MARKET PROJECT

18

UNITS
in 2016

37%

OF ELECTRICITY SOURCED
from Free MarketCHANGES IN ELECTRICITY RATES (TOTAL ELECTRICITY EXPENSES
PER YEAR/TOTAL CONSUMPTION PER YEAR) R\$ (REALS)

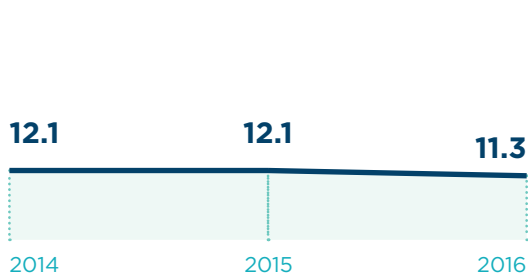
ENERGY SAVINGS

Energy consumption *per capita* declined by 7%. Absolute energy consumption declined by 4%, or by a total of 1,777 MWh. In financial terms, this generated savings of R\$ 1.35 million.

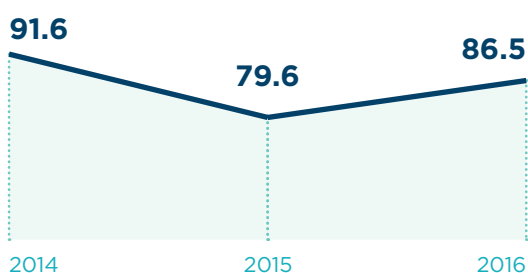
WATER CONSUMPTION

Despite our efforts, water consumption *per capita* increased by approximately 8% in 2016 compared with 2015. This was due to increased consumption in five cities, including cities that previously used artesian wells and began to purchase water in tank trucks.

CONSUMPTION KWH/STUDENT



CONSUMPTION LITERS/STUDENT



WINNING UNITS

WATER AND SEWAGE

UNIT	SERIES	PTS YTD
1 ST DORIVAL CAYMMI (RJ)	A	130
2 ND UNISEB RIBEIRÃO PRETO (SP)	C	76
3 RD CURITIBA (PR)	A	66

ELECTRICITY

UNIT	SERIES	PTS YTD
1 ST FAL - NORTH SIDE (NATAL-RN)	B	112
2 ST FAL - ROMUALDO GALVÃO (NATAL-RN)	C	76
3 ST FACITEC (DF)	A	50

PRIZE FOR THE THREE TOP-SCORING CAMPUSES

R\$ 100 thousand

1ST PLACE

R\$ 75,000

2ND PLACE

R\$ 50,000

3RD PLACE

SAFETY MANAGEMENT

Some of the positive results from Estácio's safety management efforts in 2016 included 20 Fire Department Inspection Certificates, 12 procedures developed, 34 site visits (Safety Coaching), and a total of 93% of units achieving a score higher than 70%. Training was also delivered to voluntary fire team members.

SUSTAINABLE CONSTRUCTION IN SANTA CRUZ

Estácio's new unit in Santa Cruz, on the West Side of Rio de Janeiro(RJ), was developed with sustainability features that will reduce its natural resource footprint over the long term. Examples of these features include a water recycling system, lighting systems with LED lamps for enclosed areas and natural lighting in living areas. The building has also been adapted to provide better accessibility to the public.

With more than 5,500 students, the unit is equipped with state-of-the-art life sciences laboratories and now offers four new courses: Nutrition, Physical Education, Logistics and HR Management.

WATER SAVINGS IN NITERÓI

The Niterói II unit, in Rio de Janeiro State, implemented a simple yet innovative,

In 2017, prize funds will be allocated to building automation or water harvesting projects at winning units.

UNIT**SANTA CRUZ: SETTING THE
STANDARD FOR ENVIRONMENTAL
MANAGEMENT**

practical and effective method of improving water savings in 2016. PET soft drink bottles filled with water and placed within toilet tanks have delivered water savings at each flush.

Reducing the volume of water in toilet tanks using pet bottles is more effective than simply adjusting the operation of the float. It is also a simpler procedure that requires no technical skills to implement. The new system has the added advantage of keeping the water level high, improving flushing performance.

The toilet bowls at the unit also use symphonic flush systems that require less water than regular washout toilets, as waste is drawn out both by the flow of water and by a vacuum effect.

RECYCLING PROGRAM

At the Boa Vista (RR) unit a program called “Estácio Recycling” has addressed environmental management using a multi-disciplinary approach that taps into other fields

of expertise, such as management, human resources, advertising and design.

In connection with this initiative, a number of practical activities involving students and faculty were organized in June to mark World Environment Day. These included implementation of a waste segregation depot in a community in Serra do Tepequem, and initiatives to raise awareness among residents and tourists about protecting natural habitats in the region.

Practical activities were designed to emphasize the importance of the social and environmental dimensions in developing management skills. They also showed how, in addition to compliance with applicable law, the ability to contribute to the development of the communities where projects are implemented is also an essential skill for management professionals.

GRI INDEX

ABOUT THIS REPORT

This Report provides key information about our financial, corporate governance and social and environmental performance. Covering information for the period January 1 to December 31, 2016, it is addressed to each of our stakeholders including students and alumni, faculty, staff, investors, broader society and government. The contents of this Report have been developed in accordance with the “core” option of the Global Reporting Initiative’s (GRI) G4 Guidelines, without independent assurance. The Report has been published in

both digital (PDF) and print versions. There have been no significant changes in scope or disclosures from previous editions. [G4-18](#), [G4-28](#), [G4-32](#), [G4-33](#)

Any questions, critiques and suggestions about the content of this report can be submitted by e-mail to sustentabilidade@estacio.br. [G4-31](#)

GRI SUMMARY

GENERAL DISCLOSURES			
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	G4-2 Description of key impacts, risks, and opportunities	9	
ORGANIZATIONAL PROFILE	G4-3 Name of organization	9	
	G4-4 Primary brands, products, and/or services	9	
	G4-5 Location of organization’s headquarters	9	
	G4-6 Countries where the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	10	
	G4-7 Nature of ownership and legal form	9	
	G4-8 Markets served	9	
	G4-9 Scale of organization	9, 10	
	G4-10 Employee profile	33-35	
	G4-11 Percentage of employees covered by collective bargaining agreements	All direct employees other than interns	
	G4-12 Description of organization’s supply chain	15-17	
	G4-13 Significant changes regarding size, structure, ownership, or supply chain	15, 21	
	G4-14 Whether and how the precautionary approach or principle is addressed by the organization	The precautionary approach is not addressed at Estácio	
	G4-15 Externally developed charters, principles or other initiatives	27	

GENERAL DISCLOSURES

ASPECT	DESCRIPTION	PAGE/WHERE ADDRESSED	OMISSION
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IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	G4-17 Entities included in consolidated financial statements and entities not covered by the report	Estácio Participações' Reference Form, available at http://www.estacioparticipacoes.com/ under "Informações financeiras/ Documentos CVM", provides a list of all entities included in the financial statements.	
	G4-18 Process for defining the report content	84	
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	G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries	None were made	
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	G4-25 Basis for identification and selection of stakeholders with whom to engage	13-17	
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	G4-EC5 Ratio of standard entry level wage by gender compared to local minimum wage	The lowest entry-level wage is standard for all Estácio units and is equivalent to the applicable national minimum wage.	
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	G4-LA1 Total number and rates of new employee hires and employee turnover	39	
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	G4-LA9 Average hours of training per year	32	
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SPECIFIC DISCLOSURES

ASPECT	DESCRIPTION	PAGE/WHERE ADDRESSED	OMISSION
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ACKNOWLEDGMENTS

GENERAL COORDINATION

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GRI CONSULTING, CONTENT & DESIGN

Report Sustentabilidade
www.reportsustentabilidade.com.br

PHOTOGRAPHS

All photos by Anna Fischer except:
Estácio archives (pages 4, 25, 28, 32, 83 and 89); João Andrade (page 6); Estácio Journalism Awards ads (pages 14 and 15); Rogério Ducasble (page 28); *Era uma Vez...* Brasil Project Archives (page 45); Marcio Rodrigues - MPIX/CBJ (page 47); Education Territories Award archives (page 49); Rolê Carioca archives (page 52); Rio 2016 Training Center archives (page 76).

REVISION

Alicia Toffani

We would like to thank all Estácio employees who contributed to the development of this Report.





Estácio