

Green Bond

Annual Report 2018

 **BNDES**



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Contents

Introduction.....	4
Socioenvironmental presence	5
Green bond framework	7
Use of proceeds.....	8
Eligible green projects	10
UEE Calango 6.....	10
UEE Atlantic 2 (Morrinhos).....	11
UEE Brazil Energy (Guirapá I).....	12
UEE Contour Picos 2 (Chapada do Piauí II).....	13
UEE Rio Energy 1 (Itarema)	14
UEE Santa Vitória do Palmar	15
UEE São Clemente.....	16
UEE Servtec 2 (Bons Ventos da Serra 2)	17

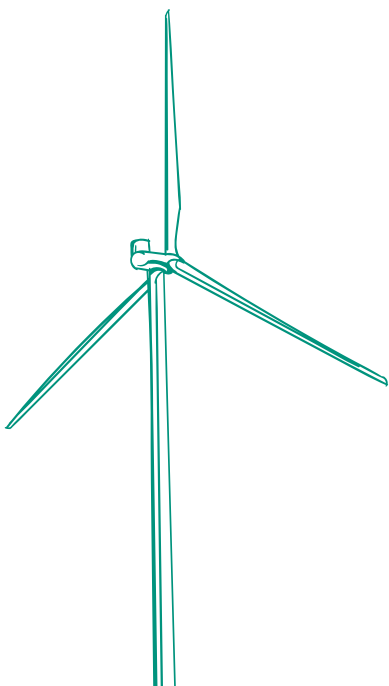
Introduction

The Banco Nacional de Desenvolvimento Econômico e Social (BNDES) was founded in 1952, and is the main instrument for long-term financing for investments in the Brazilian economy, with operations that encourage innovation as well as regional and socioenvironmental development.

Its mission is to promote sustainable and competitive development of the Brazilian economy by creating jobs and reducing social and regional inequalities. The Bank creates conditions and, through financial support instruments, meets the challenges of development.

On May 9th, 2017, BNDES was the first Brazilian bank to issue a green bond in the international market. The US\$ 1 billion bond has a 7-year maturity and was listed on the Luxembourg Green Exchange. The use of proceeds is to finance expenditures related to new and existing renewable energy projects in wind and solar energy power.

The green bond promotes BNDES' long track record in supporting renewable energy generation. It consolidates the international presence of BNDES and provides a number of benefits, such as to strengthen the priority given to social and environmental sustainability; to promote the dissemination of best practices of social and environmental management; and to encourage the access of other Brazilian issuers to the green bond market.



Socioenvironmental presence

Throughout its history, BNDES has had a legacy of significant results for the economic and social development of Brazil, having introduced innovative practices in management and socioenvironmental responsibility.

Social and environmental responsibility for BNDES means to value and ensure the integration of social and environmental dimensions into its strategies, policies, practices, and procedures. To support this goal, BNDES counts on the Corporate Social and Environmental Responsibility Policy (CSR Policy) and the Socioenvironmental Policy.

The CSR Policy sets comprehensive principles and guidelines related to all BNDES' activities and its relationship with the various stakeholders, which inspired the development of a multi annual action plan (2015-2017) to support its implementation. The Plan was updated in May 2017, being approved by the Board of Directors. A first report on the achievements of the first two years of the action plan was released soon after.

BNDES's Socioenvironmental Policy outlines the instruments and guidelines and general procedures related to the integration of the social and environmental dimensions in the operational flow.

As part of its governance structure, BNDES also has a Sustainability Committee and a Public and Socioenvironmental Management Division, demonstrating an organizational commitment to a progressive improvement of its social and environmental management system.

To promote sustainable development, BNDES has a variety of financial instruments to support investments that generate direct benefits for environmental quality, and to reduce the social and regional inequalities in Brazil.

The green bond is part of several initiatives of BNDES to play its role as inducer of sustainable development, such as granting credit lines for socioenvironmental projects, raising green loans from multilateral organizations and governmental agencies, offering

better conditions to renewable energies and green projects, creating a local green fund to purchase domestic green debentures, and managing the Amazon Fund, created in 2008 to raise donations earmarked for non-refundable investments in preventing, monitoring and combating deforestation, in addition to the conservation and sustainable use of the Amazon biome forests.



Green bond framework

On May 9th, 2017 BNDES issued a US\$ 1 billion green bond in the international market. The bond matures in 2024, and has a coupon of 4.75% per annum.

The BNDES' green bond framework was based on the Green Bond Principles, and was reviewed by an independent institution that provided a second opinion. The use of proceeds will be used to support wind or solar power generation, and will be attested to by an external auditor.

The Green Bond Principles are voluntary process guidelines for the issuance of green bonds developed by a committee of issuers, investors and other participants in the green bond market. The Green Bond Principles have four core components: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of the proceeds; and (iv) reporting.

The BNDES' green bond framework

USE OF PROCEEDS

To finance wind or solar energy power projects (Eligible Green Projects), with disbursement made during the 24 months preceding the issue date of the bond or to be made following the issue date and before the maturity of the bond.

PROCESS OF EVALUATION AND SELECTION

BNDES guidelines require that all granting of financial support be subject to evaluation of environmental and social impacts as well as of financial aspects:

- compliance with Brazilian legislation and environmental licensing (pre-licensing, implementation licensing and operational licensing);
- list of eligible green projects approved by BNDES' Board of Executive Officers;

- if there is a need to replace a project, it must be approved by the superintendents of Energy; Public and Socioenvironmental Management; and Financial and International divisions.

MANAGEMENT OF PROCEEDS

Prior to allocation to eligible green projects, the net proceeds will be held in cash, cash equivalents or Brazilian government securities.

Payment of principal and interest on the notes will be made from general resources and not linked to the performance of the eligible green projects.

REPORTING

Information on the allocation of the net proceeds will be disclosed on BNDES website and updated annually until full allocation.

The information will include assurance by independent auditors as to the allocation of the net proceeds.

Use of proceeds

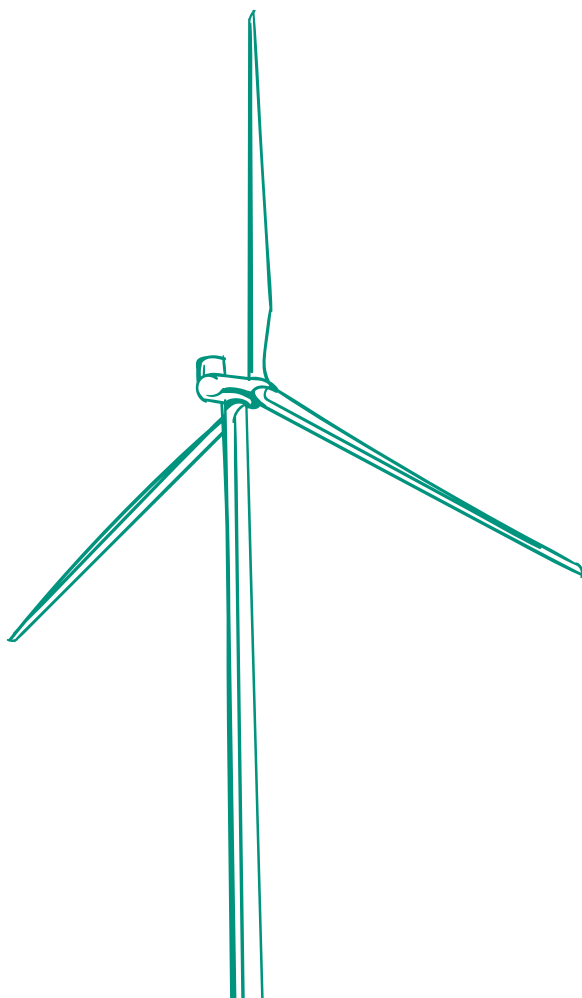
The net proceeds from the issue and sale of the green bonds amounted to US\$ 993,901,395, after deducting the offering expenses, which represents R\$ 3,166,271,674.¹

The proceeds were totally allocated to eight wind power generation projects which total 1,323 MW of new installed capacity, which represents a projection of 421,608 tons of CO₂ equivalent avoided per year.

The following table presents a brief description of each project and its results, and more detailed information can be found in the next pages.

¹ Exchange rate of US\$-R\$ 3.1857 as of 9th May, 2017 (source: Brazilian Central Bank).

Project	Installed capacity (MW)	Commitment value (R\$)
UEE Calango 6	84	274,867,500.00
UEE Atlantic 2 (Morrinhos)	180	494,212,000.00
UEE Brazil Energy (Guirapá I)	170.2	390,958,852.00
UEE Contour Picos 2 (Chapada do Piauí II)	172.4	575,079,500.00
UEE Rio Energy 1 (Itarema)	207	652,522,000.00
UEE Santa Vitória do Palmar	207	679,380,000.00
UEE São Clemente	216.1	658,330,000.00
UEE Servtec 2 (Bons Ventos da Serra 2)	86.1	225,540,000.00
Total commitment		3,950,889,852.00
Total disbursement up to December/ 2017		3,528,504,012.80





UEE Calango 6

Calango 6 is an 84 MW wind generation facility located in the rural areas of the municipalities of Bodó and Lagoa Nova, Rio Grande do Norte state. It is composed of three wind farms with 42 wind turbines in total and produces enough electricity to power up approximately 220,000 households.

Calango 6 construction work is finished. The wind farms have been operational since December 2016.

Commitment value

R\$ 274,867,500.00

Performance indicators

Installed capacity: 84 MW
Reduction of 31,884 tons of CO₂Eq per year



UEE Atlantic 2 (Morrinhos)

Morrinhos is a 180 MW wind generation facility located at Campo Formoso, Bahia State. It is composed of six wind farms with 90 wind turbines in total and produces enough electricity to power up approximately 423,000 households.

Morrinhos construction work is finished. The wind farms have been operational since April 2016.

Commitment value

R\$ 494,212,000.00

Performance indicators

Installed capacity: 180 MW

Reduction of 58,690 tons of CO₂Eq per year



UEE Brazil Energy (Guirapá I)

BW Guirapá I is a 170.2 MW wind generation facility located at Pindaí and Caetité, Bahia state. It is composed of seven wind farms with 92 wind turbines in total and produces enough electricity to power up approximately 366,000 households.

BW Guirapá I construction work is finished. The wind farms have been operational since February 2016.

Commitment value

R\$ 390,958,852.00

Performance indicators

Installed capacity: 170.2 MW

Reduction of 45,761 tons of CO₂Eq per year



UEE Contour Picos 2 (Chapada do Piauí II)

Chapada do Piauí II is a 172.4 MW wind generation facility located in the rural areas of the municipalities of Simões and Caldeirão Grande do Piauí, Piauí State. It is composed of six wind farms with 100 wind turbines in total and produces enough electricity to power up approximately 399,000 households.

The wind farms have been completed and the commercial operation started in March 2016.

Commitment value

R\$ 575,079,500.00

Performance indicators

Installed capacity: 172.4 MW
Reduction of 55,831 tons of CO₂Eq per year



UEE Rio Energy 1 (Itarema)

Itarema is a 207 MW wind generation facility located in the municipality of Itarema, in Ceará state. It is composed of nine wind farms with 69 wind turbines in total.

Itarema construction work is finished. The wind farms have been operating since July 2016.

Commitment value

R\$ 652,522,000.00

Performance indicators

Installed capacity: 207MW
Reduction of 66,248 tons of CO₂Eq per year



UEE Santa Vitória do Palmar

Santa Vitória do Palmar is a 207 MW wind generation facility located in the rural areas of the municipality of Santa Vitória do Palmar, Rio Grande do Sul state. It is composed of twelve wind farms with 69 wind turbines in total and produces enough electricity to power up approximately 479,000 households.

Santa Vitória do Palmar construction work is finished. The wind farms have been operational since September 2017.

Commitment value

R\$ 679,380,000.00

Performance indicators

Installed capacity: 207 MW
Reduction of 67,264 tons of CO₂Eq per year



UEE São Clemente

São Clemente is a 216.1 MW wind generation facility located in the municipalities of Caetés, Capoeiras, Pedra and Venturosa, in Pernambuco state. It is composed of eight wind farms with 126 wind turbines in total.

São Clemente construction work is finished. The wind farms have been operating since June 2016.

Commitment value

R\$ 658,330,000.00

Performance indicators

Installed capacity: 216.1 MW

Reduction of 72,638 tons of CO₂Eq per year



UEE Servtec 2 (Bons Ventos da Serra 2)

Bons Ventos da Serra 2 is an 86.1 MW wind generation facility located in the municipalities of Ubajara and Ibiapina, in Ceará state. It is composed of five wind farms with 41 wind turbines in total.

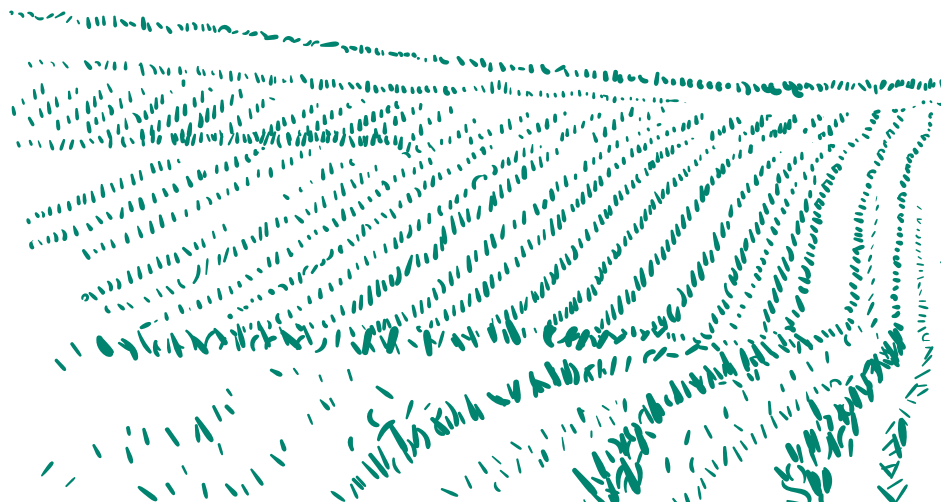
Bons Ventos da Serra 2 construction work is in the final stage. The forecast is to start operating those wind farms in 2018.

Commitment value

R\$ 225,540,000.00

Performance indicators

Installed capacity: 86.1 MW
Reduction of 23,292 tons of CO₂Eq per year





Edited by the Communication and Institutional Relations Division of the BNDES

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