




# Annual Report 2011







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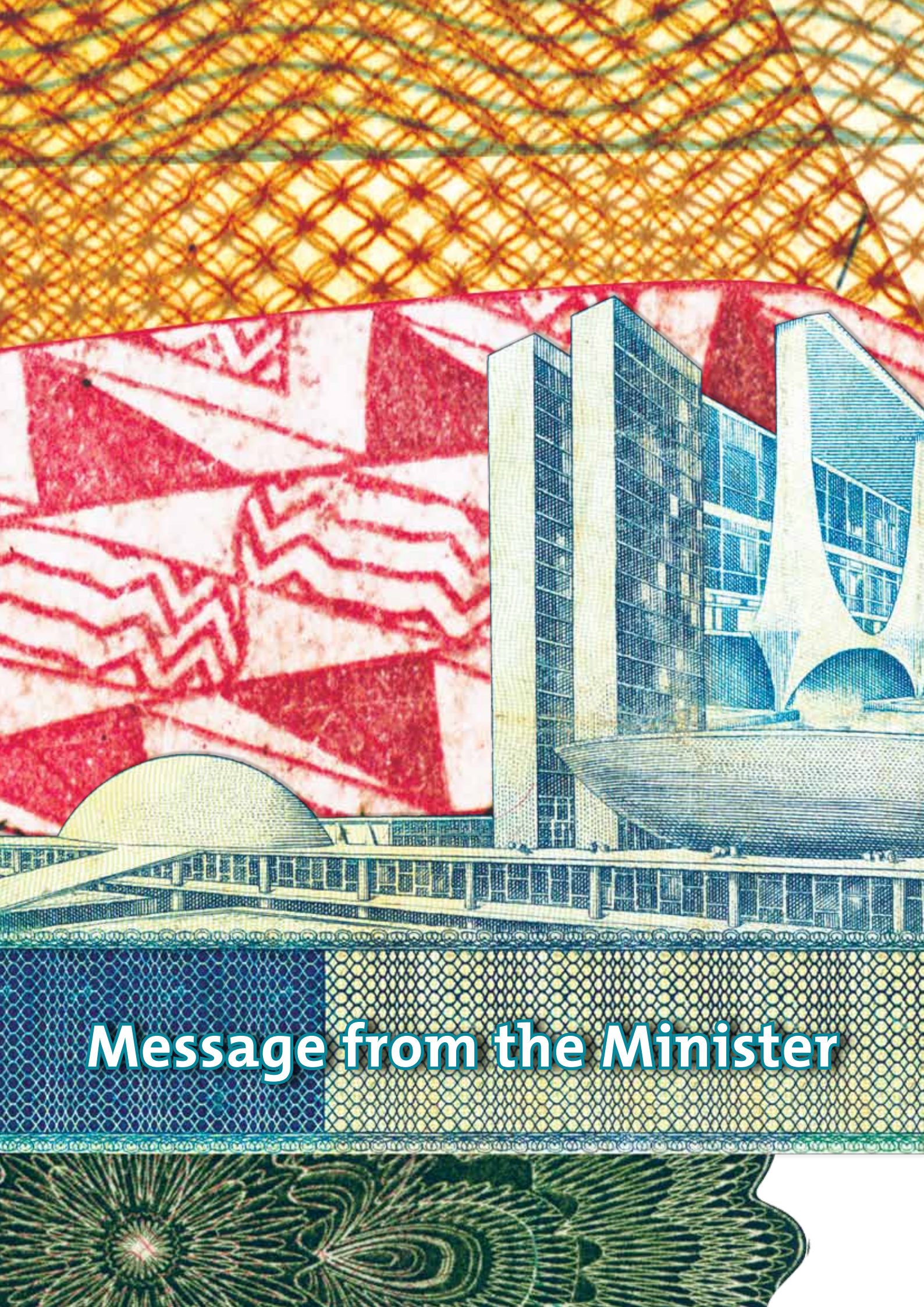


As a result of rounding-up, the total sum of the numbers in the tables may not be exact. Likewise, the percentages in the charts may not total 100% exactly.



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# Message from the Minister

The geographic decentralization of credit and the 47% increase in the number of operations carried out are the highlights of the Brazilian Development Bank's – BNDES performance in 2011. The Bank allocated a total of R\$ 139.7 billion last year, maintaining the policy of guaranteeing access to credit for companies nationwide and of all sizes. Some 896,000 loans were granted, the largest number of operations the Bank has ever recorded in its history. The Northern and Northeastern regions accounted for 22% of the available resources, a 17% increase in comparison to 2010. With the allocation of R\$ 7.6 billion by means of the BNDES Card, some 76% higher than 2010, micro, small and medium-sized companies had a special year. Record amounts of resources were allocated to this segment, which reached R\$ 49.8 billion.

The infrastructure sector received the majority of resources, 40%. The industrial segment received 32%, trade and services received 21%, while the agriculture and cattle-raising sector received 7%. All Brazilian production sectors benefited from specific financing lines, such as the BNDES Investment Maintenance Program (BNDES PSI), whose machinery and equipment loans totaled R\$ 42.5 billion.

Last year, the BNDES played a leading role in government policies, such as the Brasil Maior Plan and the Growth Acceleration Program (Programa de Aceleração do Crescimento – PAC). Besides this, it actively participated in discussing and defining programs such as Airport Concessions – Civil Aviation Department – and the National Climate Change Fund – Ministry of the Environment.

This insertion helped the country maintain the expansion of investments above the Gross Domestic Product (GDP). Once again, the Bank exceeded its goals and reached its main objective of contributing to the expansion of investments in the Brazilian economy without forgoing the challenge of sustainability.

In 2012, when it celebrates its 60<sup>th</sup> anniversary, the BNDES expects to repeat such success and overcome the challenges on the horizon, contributing to the economic, social and environmental sustainability of the Brazilian economy. In anticipation of the celebrations, I congratulate this institution's entire team, which has contributed so much to the development of Brazil.

**Fernando Pimentel**

*Minister of Development, Industry and Foreign Trade*



# Message from the President



Among the priorities in the year of 2011, President Dilma Rousseff's first year in office, was the aim to maintain economic growth and the generation of jobs, as registered during President Lula's administration, as the foundation for Brazil to sustain its development process towards the eradication of poverty. To do so, the Federal Government demonstrated its capacity to react in a creative and sophisticated manner to the distinct stimulus and restrictions imposed by the domestic and foreign economic panorama, indicating the path for the country to blend monetary stability with lower and more compatible interest rates with international standards.

For us at the BNDES, after two years of record disbursements and intense participation in the Federal Government's countercyclical efforts, the year of 2011 was marked by the stabilized level of allocated resources. The total disbursement of R\$ 139.7 billion – below the R\$ 168.4 billion (R\$ 143.4 billion, if the R\$ 25 billion for Petrobras' special capitalization operation is deducted) recorded in 2010 and a little higher than the R\$ 137.4 billion in 2009 – is compatible with the efforts to increase the investment rate of the Brazilian economy and to expand participation of the private initiative in long-term financing.

The BNDES' performance is evidently broader than the total value of its disbursements. The Bank has improved its operations to offer greater efficiency in its policies and to foster more balance in its economic, financial, social and environmental objectives.

The 2011 Annual Report seeks to follow the tendency that public entities and companies publish not only their economic-financial results, but also their performance within social and environmental aspects.

This new document is called the Integrated Report because it lists elements, such as the BNDES' governance structure – collegiate bodies, loan concession flows, evaluation methodologies, socio-environmental guidelines, financial and risk management, among other aspects –, corporate planning, international operations, transparency and people management policies. It also includes the BNDES' participation in public policies, besides financial indicators and the results of their sectorial and transversal operations in innovation, regional development and the environment.

The Integrated Report is based on the concept of "sustainability", which I believe is a re-analysis that is more appropriate for contemporary concerns, on the concept of development, associating economic growth with innovation, competitiveness, social well-being, environmental quality and preservation and the responsible use of natural resources. The BNDES, which is the development bank, is also the sustainability bank.

With this, the Bank's performance in 2011 was marked by such activities as: support for 43 wind parks, which will generate over 1,000 MW of potential energy, for which financing of R\$ 3.4 billion was approved (investments of R\$ 5.3 billion), an amount almost three times higher than in 2010; innovation projects for sustainability; operations in the surrounding areas of projects, which aim at promoting development opportunities that may be catalyzed by investments, enhancing the local appropriation of benefits from such projects; and disbursements associated to the green economy, which were of R\$ 18.5 billion, a value near those recorded in 2010 and 2009, and a significant leap regarding the average recorded during the previous three year period. There is also the BNDES' performance as the manager of the Amazon Fund, whose resources originating from national and international donations are invested in efforts to prevent, monitor and combat deforestation in the region, as well as in fostering the conservation and sustainable use of the Amazon Biome.

The BNDES has provided increasing support to the micro and small companies (MSEs) and individuals, with disbursements in 2011 reaching R\$ 35.8 billion, higher than the record amounts registered in 2010 and 2009. The BNDES Card once again presented vigorous growth, reaching disbursements of R\$ 7.6 billion last year (76% higher than 2010), with a total of more than 540,000 operations (69% up on the previous year). In 2011, some 130,845 cards were issued, making the total number 493,024 cards.

The Investment Guarantee Fund (FGI), a complementary instrument for guarantees that, much like the BNDES Card, will be decisive in expanding the Bank's scope regarding MSEs. Since its creation, in May 2010, up to the end of 2011, more than 10,000 operations were carried out, with R\$ 1.8 billion in approved investments and R\$ 1.3 billion in guaranteed values. Over 92% of the value of these operations was carried out with micro-companies and individuals, of which approximately 53% of beneficiaries obtained credit from the BNDES for the first time.

The BNDES once again played a crucial role in strengthening business and investment confidence in 2011. Investments leveraged by the Bank's financing represented approximately 21% of the country's Gross Formation of Fixed Capital (GFFC). By implementing these investments, some 4.8 million jobs were directly or indirectly created or maintained.

To do so, the BNDES' institutional partnerships also contributed, with emphasis on joint efforts together with various government bodies, especially the Ministry of Development, Industry and Foreign Trade

(MDIC). Perhaps the main example is the BNDES' participation in creating and carrying out the new Brazilian industrial policy, the Brasil Maior Plan (PBM), a broad initiative that involves articulating with various ministries and public agencies under the MDIC's leadership. Another noteworthy example is the Bank's participation in financing projects in the Growth Acceleration Program (PAC), which is coordinated by the Ministry of Planning. Besides this, continuing the Investment Maintenance Program (PSI), whose interest rates are equalized by the National Treasury, allows for lower financial costs for lines, such as the acquisition of capital goods and innovation. Together with the Civil Aviation Agency, the BNDES has helped model and finance the airport concessions.

I believe that BNDES' performance, in terms of the goals stipulated by corporate planning for 2011, was quite positive. Standing apart are the disbursements that exceeded expectations: R\$ 56.1 billion for infrastructure, R\$ 81.6 billion to expand production capacity, especially in the industrial sector; R\$ 19.8 billion for PAC works and R\$ 2.6 billion for innovation, the latter exceeding the goal by 60%. Disbursements correlated to regional development (R\$ 29.6 billion) were approximately what was expected. Disbursements for socio-environmental development (R\$ 2 billion) as well as for foreign trade and internationalization (R\$ 11.4 billion) reached approximately 70% of expectations.

The schedule for 2012 continues to look challenging. As a public bank focused on the long term, the BNDES' mission is to continually support investments that are priorities for the Brazilian economy. Certain themes have been present for several decades, such as the expansion of investments and the financing of infrastructure projects. There are new objectives that have been incorporated into the Bank's priority schedule over the last few years, such as fostering innovation, socio-environmental sustainability, providing support to modernize public administration, encouraging local development, production inclusion, and expanding access to credit.

Certain topics, which will be especially relevant in 2012, must be emphasized. One is the support for foreign sales of engineering-intensive goods and services in order to diversify exports. Another is the reinforcement of the competitiveness of part and component suppliers in the transformation industry, especially the gas and oil sector. New projects linked to industries such as pharmaceutical as well as information and communications technologies (ICTs) will also be relevant. There is also the promotion of long-term private financing, an effort that is constantly pursued by BNDES and which should receive a new and decisive boost from the adjustment of internal interest rates to the international standard.

To take on this schedule, the BNDES, over the last few years, has invested in assimilating the best practices in resource and people management, besides its efforts to implement integrated systems, the AGIR project. This year, the BNDES will once again concentrate on strengthening executive and technical competences. To do so, the Bank will continue with the efforts developed in 2011, which has been defined as the “year of management excellence”.

In 2012, the BNDES celebrates its 60<sup>th</sup> anniversary, which will also be marked by the Rio+20, an event that will reinforce global concerns for the future and focus on the long term. The BNDES will persist in its historical mission to help Brazil tackle the major challenges on the path to sustainable development.

**Luciano Coutinho**

*President of the BNDES*

Capitania de Vasco de Barros

Capitania de Francisco Barreto

Capitania de Jorge de Albuquerque

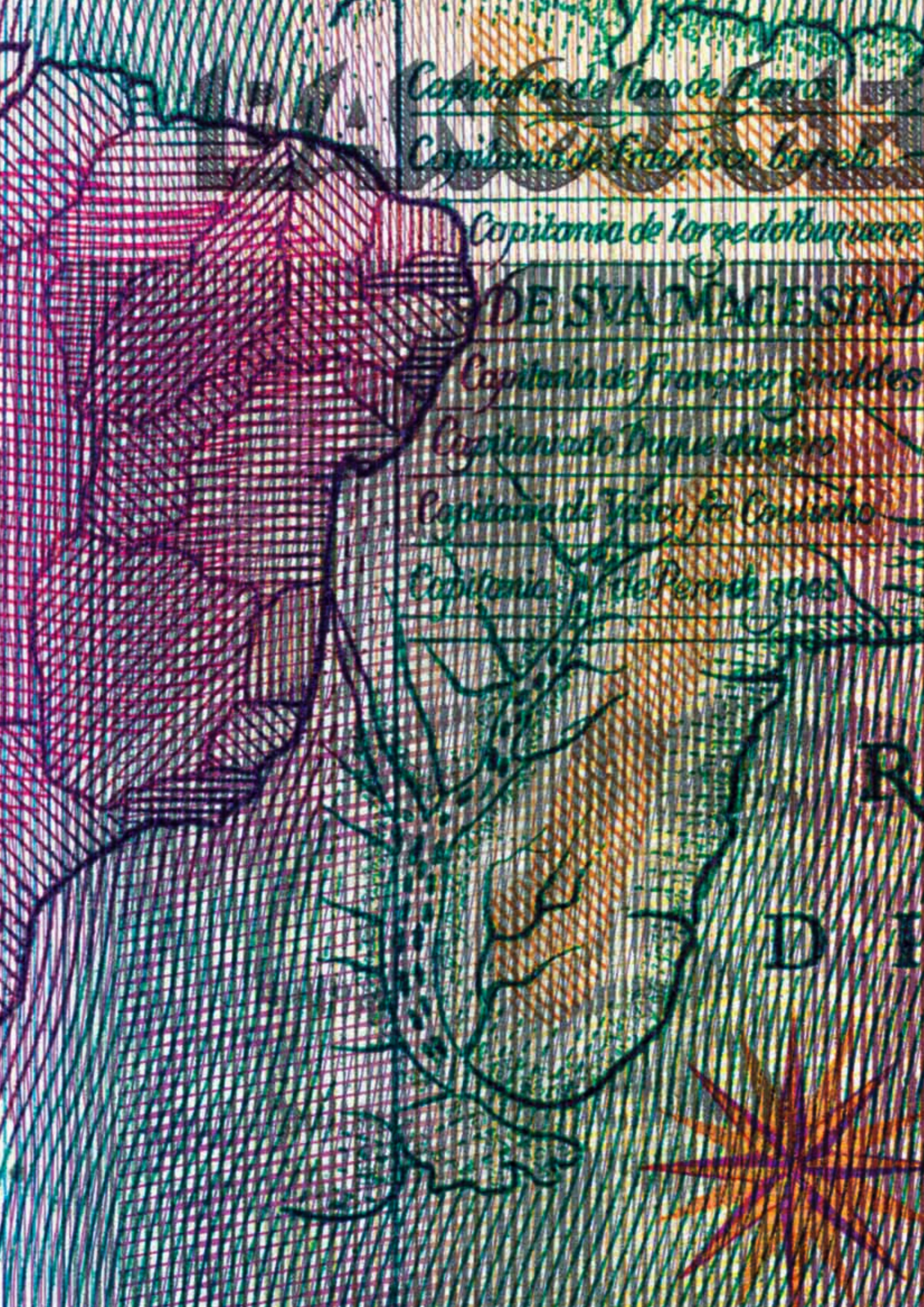
DE SUA MAJESTAD

Capitania de Francisco Saldes

Capitania do Duque de Aveiro

Capitania de Vasco fer Coucinho

Capitania de Pedro de Goes





# INTRODUCTION



## About this report

The objective of this Annual Report is to present those interested in the BNDES with the highlights of its performance in 2011, encompassing and integrating the economic, social and environmental dimensions. The reported period extends from January to December of 2011 and includes the BNDES' operations and those of its subsidiaries, BNDES Participations S.A. – BNDESPAR and the Special Financing Agency – FINAME. Operations carried out in the representation office in Uruguay and in the London subsidiary (BNDES Limited) are also part of this publication.

The BNDES understands that fostering sustainability and its social and environmental responsibility are inherent to its role as a financial institution and a public foment organization, and these concepts are expressed in its Mission, Vision, Values and Code of Ethics. The Bank has a set of policies, procedures, financing lines and instruments that guide its operations, considering development within an integrated concept, which includes the economic, social and environmental dimension. The analysis and approval of operations take these dimensions into consideration.



All chapters in this report – which include financial and operational, strategic, governance, transparency, risk management, cultural support and people management aspects – emphasize the effective benefits generated by the BNDES' performance for the country and Brazilian citizens.

In this report, the BNDES for the first time is using indicators that help gauge its level of alignment with sustainability in a systemized manner. An option was made to mix the Global Reporting Initiative (GRI) indicators with the BNDES' indicators (for example, Green Economy). Thus, the report intends to be an instrument that allows its user to verify the BNDES' commitment to sustainability, as well as to facilitate internal dissemination of the sustainable management process.

The guidelines of the Social and Environmental Responsibility Policy along with the commitments taken on in the Socio-environmental Responsibility Letter of Intent (New Green Protocol) have also guided the selection of content for this report. From an institutional and practical point of view, efforts have been made to show the progress of actions developed in 2011 for socially and environmentally responsible operations regarding: contributions to public policies; development and improvement of financial products, processes, methodologies and instruments; inducement of better practices; willingness to share responsibilities with transparency and dialog; improvement of knowledge and dissemination of a sustainability culture; development of partnerships with other organizations; adoption of employee-valuing policies; and the establishment of the most modern sustainability requirements within its facilities and administrative activities. The main efforts and specific results will be presented within the institutional initiatives in supported projects and in the indicators.

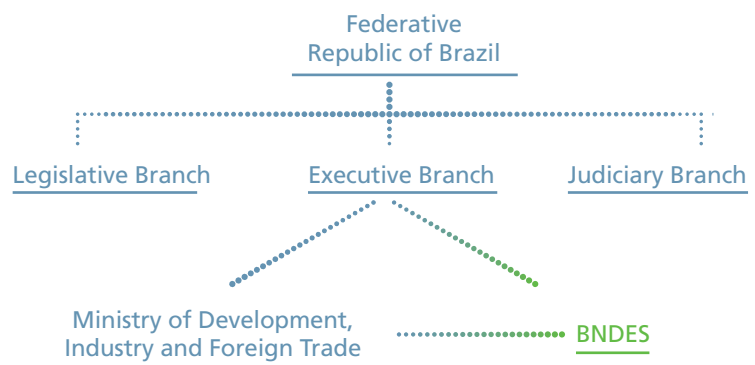
Aiming at facilitating access for interested parties, a hotsite was created for this report, which can be accessed at the BNDES website, where the Financial Statements of the BNDES and its subsidiaries, FINAME and BNDESPAR, also are available in their entirety.



# Profile

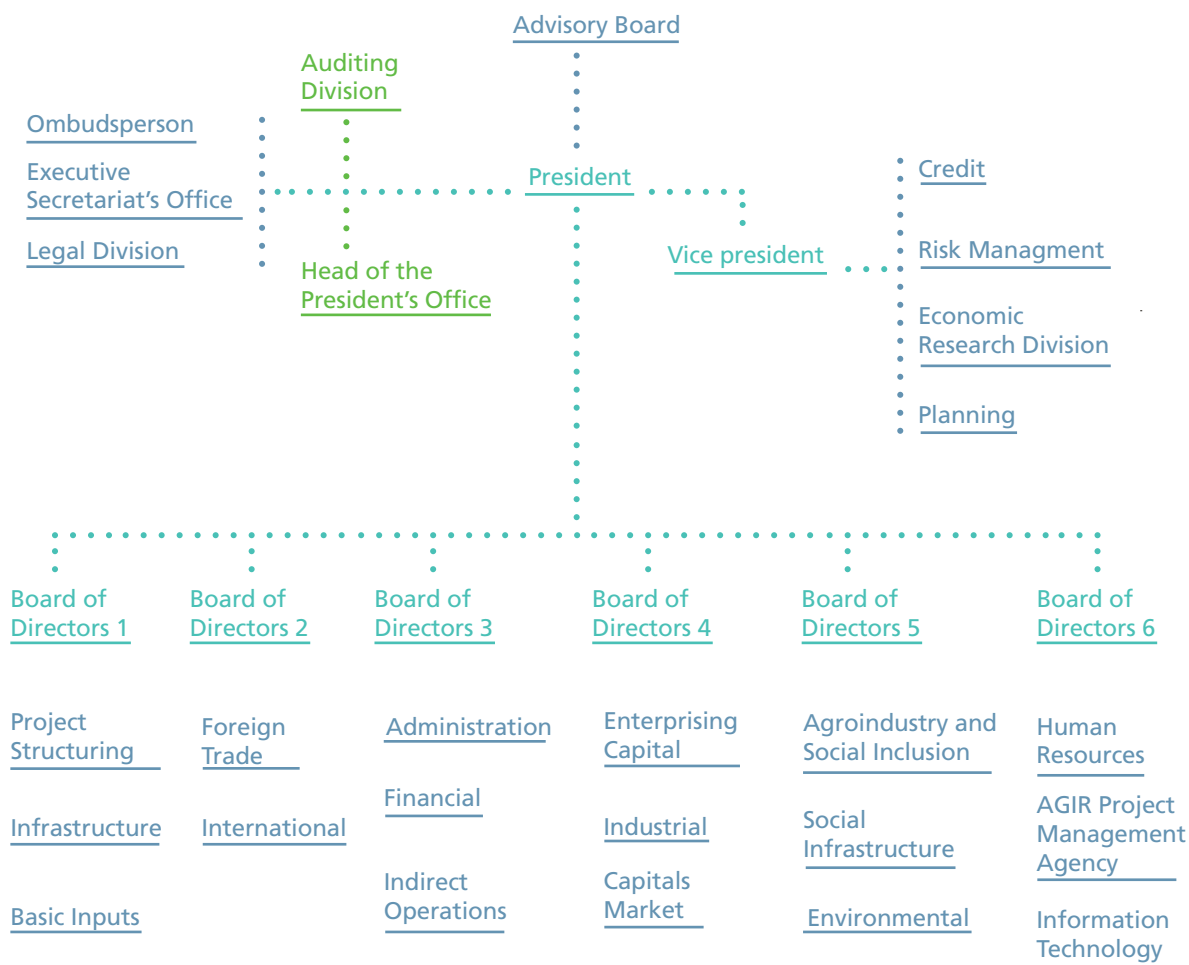
The Brazilian Development Bank – BNDES is a federally-owned company, governed by private law and with its own resources, linked to the Ministry of Development, Industry and Foreign Trade.

## The BNDES within the Federal Government structure



In accordance with the BNDES' Statute, established by Decree N°. 4,418, of October 11, 2002, the Bank is the main instrument for implementing the Federal Government's investment policy, and its main objective is to provide support to programs, projects, works and services related to the country's economic and social development.

### The BNDES' Organizational Chart



The BNDES System comprises four companies: BNDES, FINAME, BNDESPAR and BNDES Limited, a subsidiary created in November 2009 with the aim of promoting the internationalization of Brazilian companies and attracting foreign investments.

The Bank currently has four facilities in Brazil (Rio de Janeiro, São Paulo, Brasília and Recife) and two abroad, in Montevideo and London.

The BNDES' support is nationwide and its operational policy seeks to boost the demand for financing in less developed regions. The Bank grants financial support to individuals, companies and public administration. Due to its diversified operations, such clients may be subdivided according to the characteristics of the products being offered and/or the sectors involved.

The BNDES grants long-term financing, subscription of bonds/securities, non-reimbursable financial support and guarantees, operating by means of products and funds, according to the operation modality. The products define the general rules concerning financial conditions and the operational procedures for long-term financing, subscription of bonds/securities, besides providing guarantees.

Each product enables the creation of financing lines and programs to establish specific rules according to the beneficiary, sector and/or undertaking. Financing lines are linked to a single product and aim at meeting permanent demand. Programs can be linked to more than one product and meet specific demand, with an expiration date and previously established provisions.

Funds are sources of resources, statutory or legal, ruled by their own resolutions, which define specific operational conditions and procedures. Statutory funds are earmarked for non-reimbursable investments.

THE BNDES' MAIN CLIENTS			
GROUP	CLIENT	SERVICE PROVIDED	REQUIREMENTS
Companies	<ul style="list-style-type: none"> <li>» Agricultural, industrial, trade or service companies</li> <li>» Co-operatives or associations</li> <li>» NGOs, OSCIPs or foundations</li> </ul>		<ul style="list-style-type: none"> <li>» To be capable of making payments in reimbursable operations</li> <li>» To be registered according to the BNDES' requirements</li> </ul>
Individuals	<ul style="list-style-type: none"> <li>» Farmers</li> <li>» Autonomous cargo shipping companies</li> <li>» School transport</li> <li>» Micro entrepreneurs</li> </ul>	Financial support	<ul style="list-style-type: none"> <li>» To be up-to-date in terms of tax and social security obligations</li> <li>» Not to be in default with the BNDES or undergoing judicial recovery or bankruptcy</li> </ul>
Public administration	<ul style="list-style-type: none"> <li>» Municipalities</li> <li>» States</li> <li>» Federal Government</li> </ul>		<ul style="list-style-type: none"> <li>» To have the guarantees to cover the risks of the operation</li> <li>» To comply with environmental legislation</li> </ul>

The operations carried out by the Bank are divided into two main groups: direct and indirect. Direct operations are directly contracted with the Bank, while indirect operations are carried out by means of accredited financial institutions, when the BNDES transfers resources to the institution, and the latter transfers them on to the operation's end client.

PRODUCTS AND SERVICES OFFERED		
TYPE OF OPERATION	PRODUCT	DESCRIPTION
Direct	BNDES Finem	Financing for undertakings with a minimum value of R\$ 10 million
	BNDES Credit Limit	Credit for clients in good standing
	Subscription of Bonds/Securities	The purchase of minority shares or convertible debentures of a temporary nature or investments by means of closed funds
	Project Finance	Financing supported by a project's cash flow
	BNDES Sureties and Guarantees	Provides guarantees with the aim of reducing the participation level in projects. Used in large-scale projects.
	BNDES Bridge Loans	Financing for a project, granted in specific cases, to speed up investments by granting resources during the structuring period of a long-term operation.
	BNDES Exim Post Shipment	Financing for sale of domestic goods and services abroad
Indirect	BNDES Automatic	Financing for undertakings of up to R\$ 20 million for micro, small, medium-sized or medium-sized-to-large companies, or up to R\$ 10 million, if the client is a large company
	BNDES Finame	Financing for the production and sale of machinery and equipment
	BNDES Finame Agriculture	Financing for the production and sale of agricultural machinery and equipment
	BNDES Finame Leasing	Commercial lease of machinery and equipment
	BNDES Exim Pre-Shipment	Financing for domestic production of goods and services for exports
	BNDES Exim	Financing for domestic production earmarked for exports and sale of goods and services abroad
	BNDES Card	Pre-approved revolving credit for the purchase of products, inputs and services

The BNDES' employees are selected by means of civil servant recruitment exams and hired under the Consolidation Labor Law (CLT) regime. The BNDES' workforce also comprises interns and employees, which are linked to the term of the respective president, vice president and director.

## Personnel profile

In December 2011, the Bank had a total of 2,738 employees, according to the following table.

PERSONNEL	N° OF PEOPLE	OPERATIONAL AREA			EDUCATIONAL BACKGROUND		
		AREA-END	AREA-MIDDLE	COLLEGE DEGREE (UNDERGRADUATE, MASTER'S, DOCTORATE, SPECIALIZATION)	HIGH SCHOOL GRADUATE	JUNIOR HIGH	ELEMENTARY (NOT COMPLETED)
Long-term employees (recruited)	2,738	1,244	1,494	2,411	274	31	21
Interns	314	162	152		314	-	-
Temporary employees (not belonging to the BNDES career plan)	79	34	45	68	11	-	-
General total	30,131	1,440	1,691	2,479	599	31	21

Due to the favorable working conditions and atmosphere, employee turnover at the BNDES is low, with a total of 102 employees leaving in 2011. The turnover rate was 3.7%, with the majority brought about by retirement (2%). The following chart presents the turnover rate by gender, age and region, emphasizing that over 98% of the employees are allocated in Rio de Janeiro.

2011 TURNOVER											
GENDER – AGE BRACKET/REGION											
GENDER	AGE BRACKET	SP		DF		PE		RJ		GENERAL TOTAL	
		#	%	#	%	#	%	#	%	#	%
Female	Up to 30					1	0.04	4	0.15	5	0.18
	Between 31 and 40							2	0.07	2	0.07
	Between 41 and 50							1	0.04	1	0.04
	Between 51 and 60					1	0.04	26	0.95	27	0.99
	Over 60							1	0.04	1	0.04
<b>Total – Female</b>		0	0.00	0	0.00	2	0.07	34	1.24	36	1.31
Male	Up to 30							8	0.29	8	0.29
	Between 31 and 40							3	0.11	3	0.11
	Between 41 and 50							2	0.07	2	0.07
	Between 51 and 60							42	1.53	42	1.53
	Over 60							11	0.40	11	0.40
<b>Total – Male</b>		0	0.00	0	0.00	0	0.00	66	2.41	66	2.41
<b>General total</b>		0	0.00	0	0.00	2	0.07	100	3.65	102	3.73

The Bank guarantees its employees the right to associate freely and respects their right to join labor unions and collective negotiation. At the BNDES, all employees are covered by all and any collective negotiation.



## Mission, Vision and Values

### MISSION

Promote the sustainable and competitive development of the Brazilian economy, with the generation of jobs and the reduction of social and regional inequality.

### VISION

Be Brazil's development bank, an institution of excellence, innovative and proactive when facing the challenges of our society.

### VALUES

(Complete content of Resolution N°. 1,874/2009 Annex, of December 29, 2009, which approved the BNDES' Declaration of Values)

#### Ethics

Ethics is the foundation on which the BNDES has been built since its creation. Thus, the BNDES demands irreproachable ethical conduct from its professionals in the exercise of their duties. Such conduct is translated, above all, into responsibility and honesty. We preserve respect and trust in our relationships, and our actions are marked by transparency. We believe that there can only be development with ethics.

- In all circumstances, we act with responsibility, correctness, integrity, honesty and a sense of justice.
- We respect everyone's individuality, dignity and privacy, while valuing diversity and rejecting any form of discrimination.
- We have a vital commitment to the human rights of all participants in our series of relationships.
- We have created a working environment that is characterized by respect, plurality of thoughts, dialogue and the capacity to empathize with others.
- We have established and maintain our relationships with respect, trust and transparency.
- We defend discretion and secrecy in dealing with information used in the BNDES' activities.

## Commitment to development

The challenge to be Brazil's Development Bank requires all of us to be professionally and personally committed to fostering and supporting the growth of a diversified, integrated, dynamic, inclusive, sustainable and competitive production structure.

We work towards cooperation between the public and private sectors and towards strengthening undertakings, regardless of their size. Innovation is the engine behind such competitive and sustainable development. Promoting socio-environmental sustainability and reducing inequalities within Brazilian society guide our project for the future.

- We support our operations with solid knowledge of the reality and with a long-term vision.
- We cultivate a strategic vision that orients the desired results, aligns and integrates all our efforts.
- We promote economic and socio-environmental sustainability in all our activities.
- Our efforts are aimed at reducing social and regional differences while generating jobs and income, as well as improving standards of living.
- We encourage innovation and an entrepreneurial spirit.

## Public spirit

Our efforts are oriented by our public spirit, expressed in our commitment to the interests of Brazilian society, a focus on the collective, and diligence with public resources.

- We constantly bear in mind the interests of Brazilian society, maintaining our focus on the collective and aligned with the priorities democratically established by government policies.
- Our decisions and actions are grounded on impersonality, equality and transparency when managing public affairs.
- We oversee the proper use of the BNDES' resources, paying special attention to cost, efficiency, the effectiveness of processes and the absence of misuse and waste.







## Excellence

We seek excellence in everything we do, in our efforts to comply with the Bank's mission. Excellence is the result of the combination of technical competence and applied knowledge, the focus on relevance and innovative capacity, propelled by a tireless effort to excel.

- We are constantly pursuing technical training and innovation.
- We value the capacity for achievement by means of proactiveness, pragmatism and methodological discipline.
- We encourage the production of knowledge oriented by Brazilian society's challenges.
- We encourage a desire to learn and the dissemination of knowledge.
- We value teamwork, the sharing of knowledge and experiences, as well as cooperation.
- We pursue quality, consistency and effectiveness in our actions by means of collective discussions and shared decisions.
- We encourage the feeling of professional and personal achievement in teams by recognizing their contributions.



**STRATEGY**

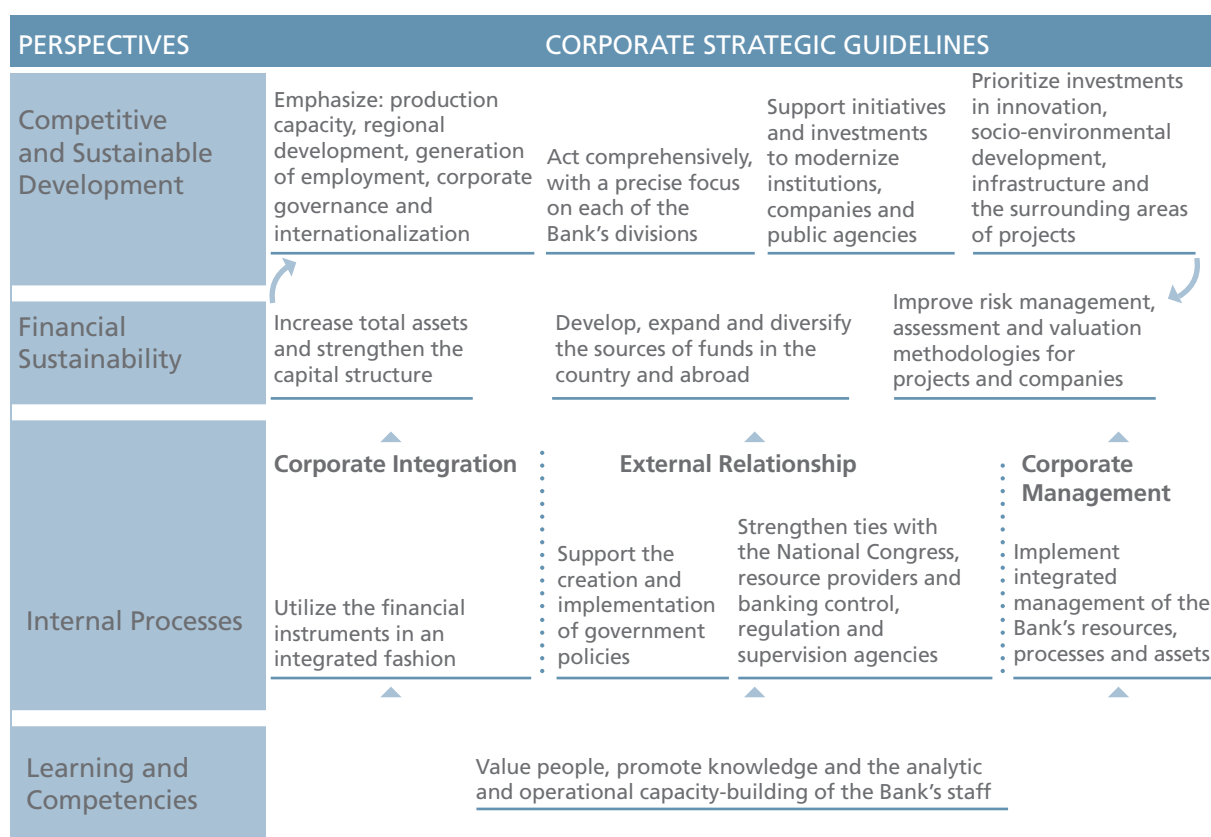


## Corporate planning

The 12 strategic guidelines in the BNDES' 2009-2014 Corporate Planning are a central reference aimed at achieving it's the Bank's mission and vision when tackling its own challenges and Brazil's sustainable development.

These guidelines are represented in the BNDES' Strategic Map, organized in four perspectives: (1) Sustainable and Competitive Development; (2) Financial Sustainability; (3) Internal Processes; and (4) Learning and Competences.

## Corporate strategic map

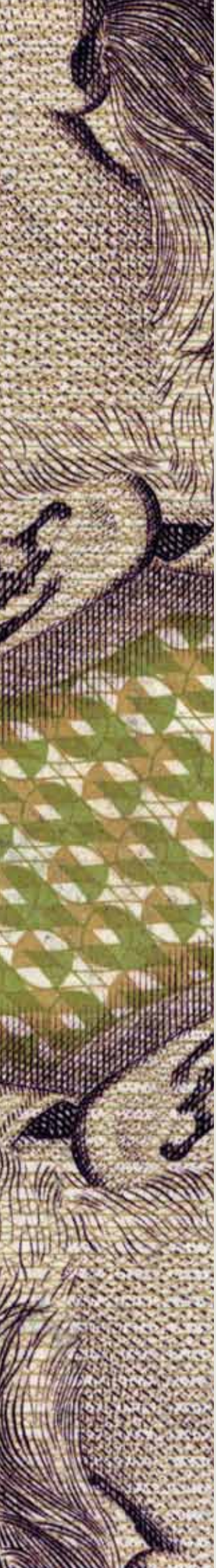


## Corporate strategic projects

In the implementation of the planning strategies, we highlight the existence of an annual portfolio of corporate strategic projects, which are periodically built and aligned with initiatives that are most relevant to the BNDES' and the country's priorities. Such initiatives are also expected to have the capacity required to mobilize and influence the performance of the Bank's varied divisions.

In 2011, seven final projects were carried out, which were oriented towards expanding the Bank's capacity to contribute to development, and nine management projects, aimed at improving the Bank's management practices, with emphasis on the Management Excellence Program and the AGIR Project.

The seven final projects covered themes such as innovation, micro, small and medium-sized companies (MSMEs), low-carbon economy, public management, eradication of poverty, equipment for urban mobility, and strengthening companies in knowledge-intensive sectors.



# Management Excellence Program

Our commitment to excellence is expressed in the BNDES' vision and values. Due to the importance of the topic and the need to promote its dissemination throughout the institution, the Management Excellence Program was launched in 2011.

The program's central proposal is to coordinate management improvement efforts by carrying out projects related to the following topics: governance, strategy, clients and citizens, sustainability, information and knowledge, people and processes.

The program also included several awareness initiatives with the purpose of mobilizing all employees and creating a favorable environment for constant improvement and innovation in the BNDES' management practices.

The first effects from these actions have already been registered in various activities and some of the institution's results, which included in this report, among them, the improvement of the approach and structure of this document itself, as well as the systematization of sustainability indicators.

## AGIR Project

Adopting an integrated management model is a strategic decision in supporting corporate decision making. Integrated management should be understood as a set of initiatives to interrelate the business processes adopted by companies in an efficient and effective manner. Launched in 2005, the AGIR Project – one of the BNDES' corporate strategy projects – has the objective of defining and implementing a solution for the integrated management of resources for the BNDES, especially materialized in documentation, regulation, control and optimization of its business processes, and by aligning information technology to provide support. This solution will aid the Bank's business processes, especially those involved in the different levels for granting financial support. With this implementation, it is expected that the Bank's business model will be perfected, expressed with greater transparency, agility and integration.

Implementation of the project was structured on programs, with emphasis on the following three.

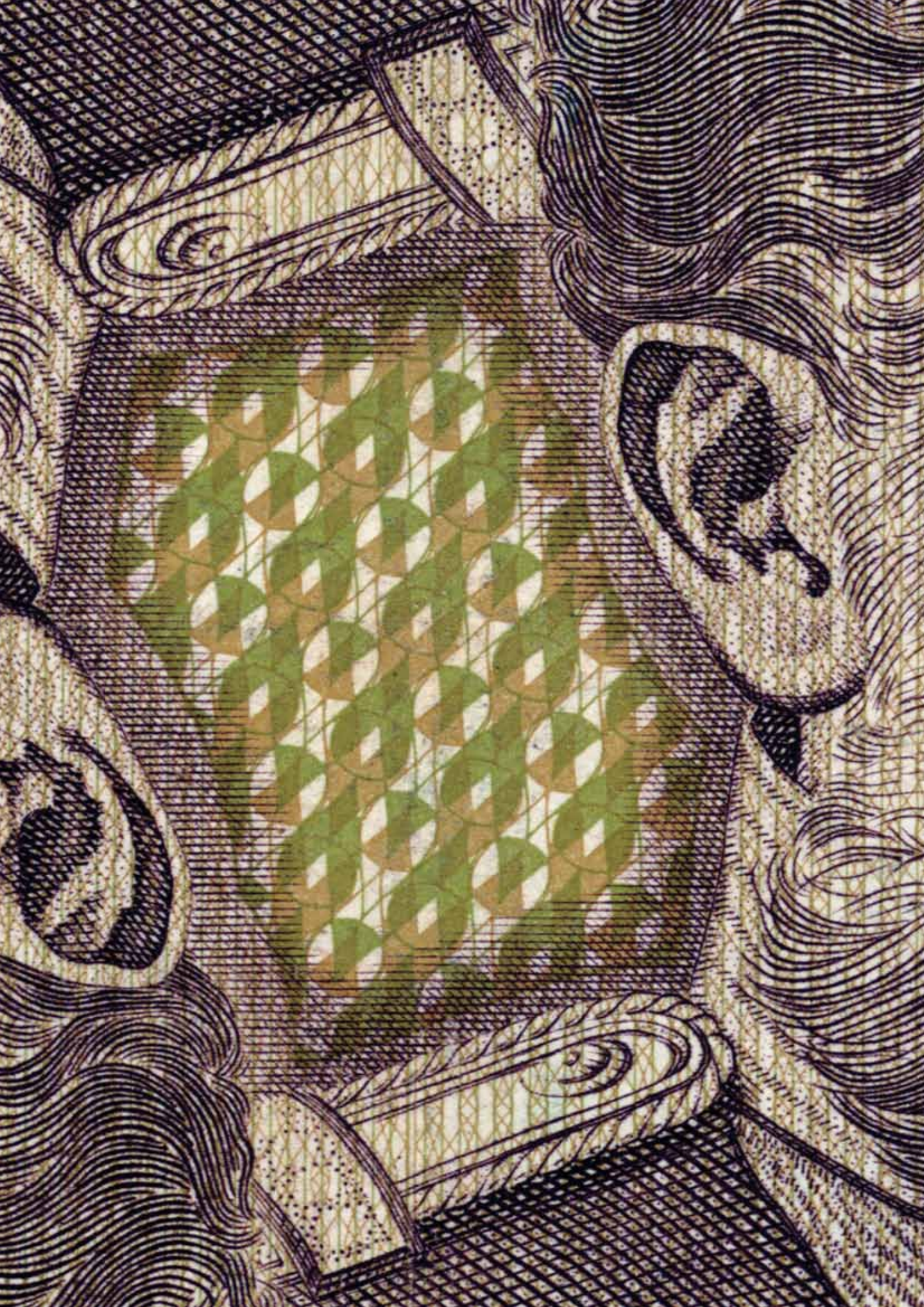
**Market Applications Program.** In 2011, the first major stage for implementation of the AGIR Project was concluded. The project launched the first Corporate Management System (ERP) modules developed by the German company, SAP; aiding the Bank's financial and accounting processes. The main gains at this stage become evident: in controls for payables and receivables, which are now integrated with accounting; and, in the integrated cash flow. The implementation mobilized approximately 600 employees, which were trained in November and December. The new system went into operation on December 5, and the following 3 months were monitored and treated in assisted operations.

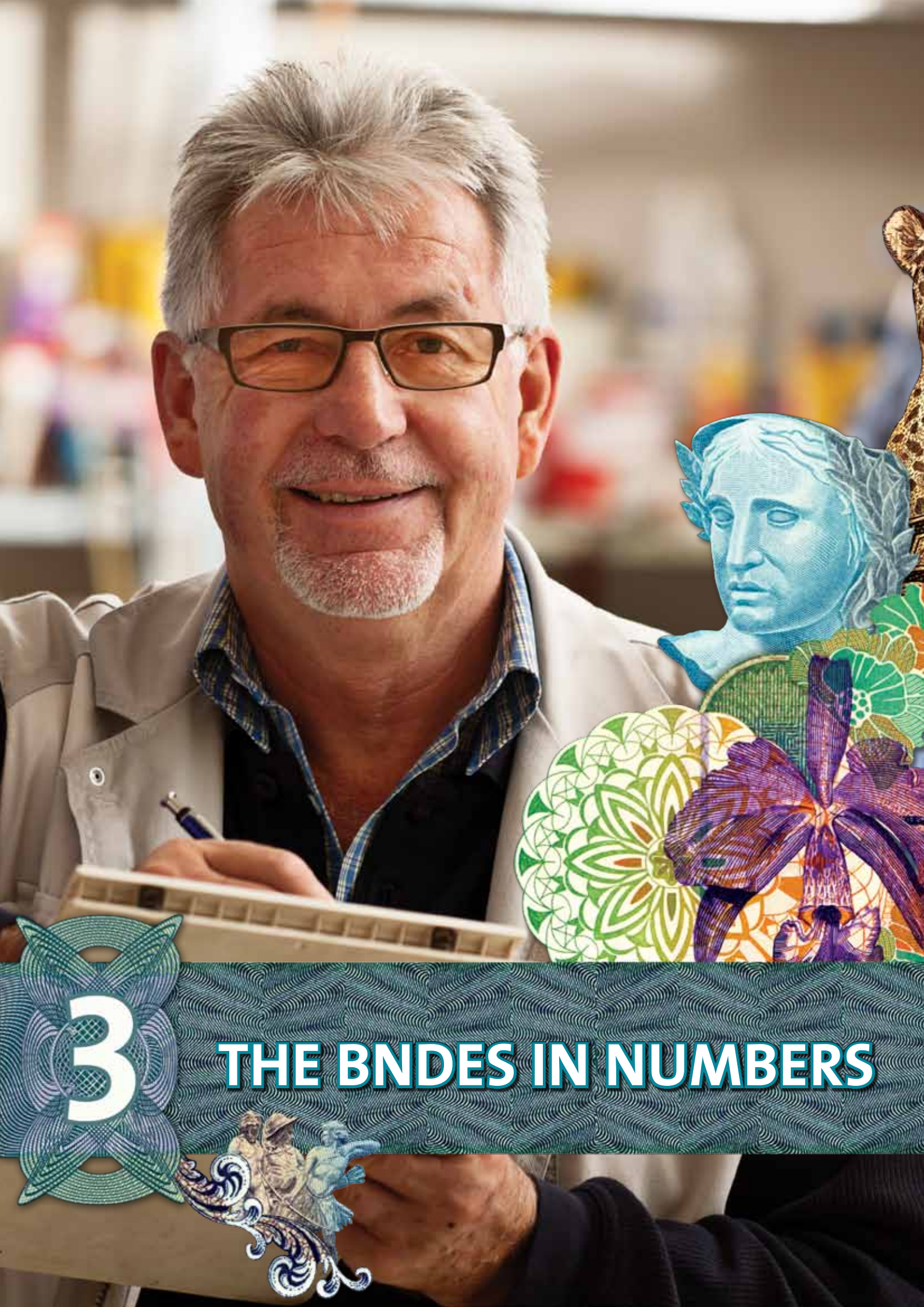
The second stage of the Market Application Program started in July and covers Administrative, Human Resources, Auditing, Internal Controls, Operational Risk Management, Legal, Budgeting, Cost, Planning, and Management Support processes. In the current phase of the project, the team in charge makes a detailed outline of the solutions to be implemented. The third and final stage will begin in 2012 and will complement the integration of the Financial Area's processes initiated in the first stage.

**Developed Applications Program.** Another AGIR Project initiative refers to the modernization and transformation of the BNDES' particular processes, which are not satisfactorily dealt with by market applications. The Developed Applications Program (PAD) is aimed at implementing business processes, supported by customized applications developed specifically for the BNDES. The public bid to contract technical services that are comprised in the program was delayed due to a series of legal issues and was concluded in late 2011, with the Power logic Consortium declared as the winner. The first three months of the contracted company's activities are dedicated to planning the Program.

**Information Technology (IT) Transformation Program.** IT transformation intends to make the BNDES adept at responding to its challenges as adequately as possible, with more strategic participation of information technology services in the company's business. This program contemplates the transformation of processes, tools and organizational structure.







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# THE BNDES IN NUMBERS





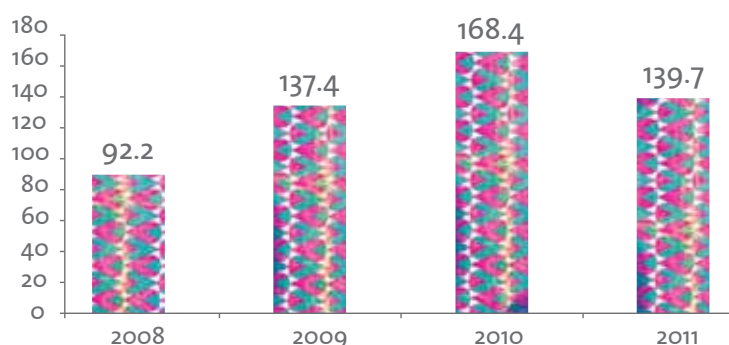
## Disbursement operational indicators

### Disbursements (2008-2011)

The BNDES' performance in 2011 was associated with two specific processes: (1) continuous efforts to provide financing for long-term investment projects, especially in industry and infrastructure, propelling the continuous expansion of the Gross Formation of Fixed Capital (FBCF) in the economy; and (2) the "democratization of credit," with a higher increase in disbursements allocated to acquiring machinery and equipment, and to MSMEs.

As seen in the chart below, disbursements reached R\$ 139.7 billion in 2011. This is a decline of 17.1% in comparison to 2010, when allocated amounts were R\$ 168.4 billion. However, the amount in 2010 was influenced, above all, by Petrobras' R\$ 25 billion capitalization operation. Excluding this from the 2010 disbursements, the drop in allocated amounts in 2011 would only have been 3.2%.

## Disbursements – 2008-2011 (in R\$ billion)



## Disbursements per business sector

The most remarkable highlight in 2011 was the support provided to large-scale structuring projects. The infrastructure sector led disbursements with R\$ 56.1 billion or 40% of the allocated total. The most significant amounts went to highway transport, with R\$ 26 billion; and electric energy, with R\$ 15.9 billion.

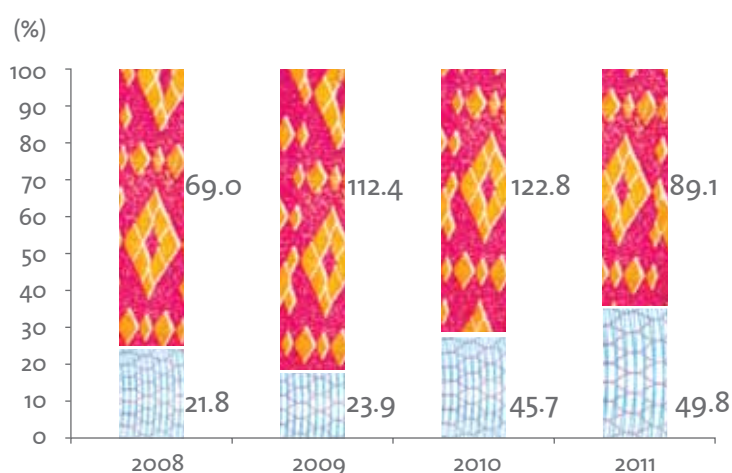
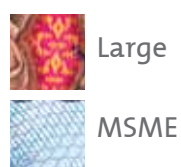
Industry received R\$ 43.8 billion (a 32% share), with emphasis on transport material (R\$ 8.2 billion), chemical and petrochemical (R\$ 7.1 billion), foodstuff and beverages (R\$ 6.8 billion) and the mechanical industry (R\$ 4.5 billion). The BNDES allocated R\$ 29.2 billion (21% of the total) to trade and services, and R\$ 9.8 billion (7%) to agriculture and cattle-raising. The fall in disbursements to industry is the result of the increase in the rates in the Investment Maintenance Program (PSI), which reduced demand for this program's resources, generally allocated to industrial companies.

DISBURSEMENTS PER BUSINESS SECTOR (IN R\$ BILLION)							
BUSINESS SECTOR	R\$ BILLION				GROWTH RATE (IN %)		
	2008	2009	2010	2011	2009-2008	2010-2009	2011-2010
Industry	39.0	63.5	54.0	43.8	62.8	(15.0)	(18.9)
Infrastructure	35.1	48.7	52.4	56.1	38.6	7.8	7.0
Trade/services	11.2	17.3	27.1	29.2	55.2	56.4	7.7
Agriculture	5.6	6.9	10.1	9.8	22.5	47.7	(3.2)
Other market operations	1.4	1.0	24.8	0.8	(23.4)	2.275.7	(96.8)
<b>Total</b>	<b>92.2</b>	<b>137.4</b>	<b>168.4</b>	<b>139.7</b>	<b>49.0</b>	<b>22.6</b>	<b>(17.1)</b>

## Disbursements per company size

Disbursements to MSMEs and individuals increased 9% in 2011, totaling R\$ 49.8 billion. This amount corresponded to 35.9% of the BNDES' total allocated amounts over the year. Of the Bank's approximately 896,000 financing operations in 2011, some 94% was allocated to MSMEs. Access to credit, however, was increased.

### Disbursements per company size – 2008-2011\* (in R\$ billion)



\*Without secondary market operations.

## Disbursements per region

Concerning the BNDES' disbursements, it must be emphasized that, although the total amount in 2011 was lower than in 2010, the number of operations carried out did in fact increase, as shown in the tables below.

DISBURSEMENTS PER REGION*							
	IN R\$ BILLION						
	2008	2009	Var. 2008-2009 (%)	2010	Var. 2009-2010 (%)	2011	Var. 2010-2011 (%)
North	5.0	11.2	126	11.7	5	10.9	(8)
Northeast	7.6	22.1	189	17.2	(22)	18.8	9
Central-west	9.9	10.7	9	11.4	6	11.3	0
Southeast	51.0	71.7	40	98.0	37	68.2	(30)
South	17.4	20.7	19	30.1	46	29.7	(2)
<b>Total</b>	<b>90.9</b>	<b>136.4</b>	<b>50</b>	<b>168.4</b>	<b>24</b>	<b>138.9</b>	<b>(18)</b>

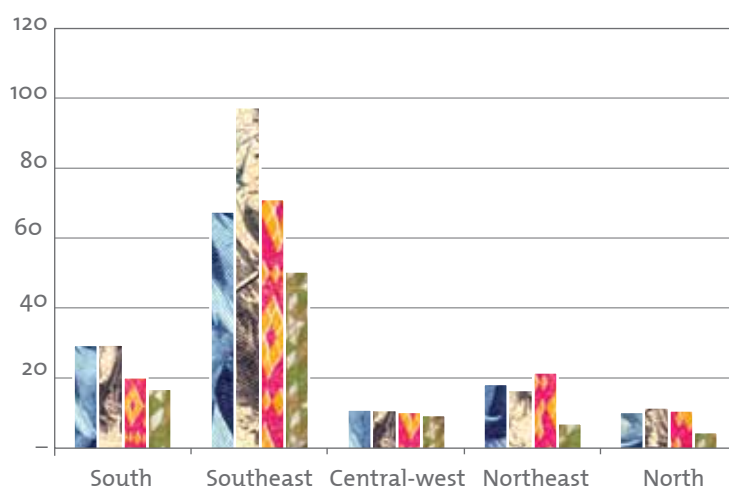
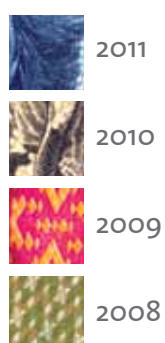
\* No secondary market operations.

DISBURSEMENTS PER REGION*							
	2008	2009	Var. 2008-2009 (%)	2010	Var. 2009-2010 (%)	2011	Var. 2010-2011 (%)
North	6,570	12,038	83	24,322	102	43,375	78
Northeast	18,602	38,372	106	74,062	93	120,793	63
Central-west	16,695	30,520	83	54,015	77	82,479	53
Southeast	86,417	167,588	94	263,404	57	393,589	49
South	75,757	142,211	88	194,091	36	256,210	32
Total	204,041	396,729	91	609,894	56	896,446	47

\* No secondary market operations.

Taking into account the regional profile and based on previous tables, the Northeastern Region presented an increase in disbursements (9%), and in the number of operations (63%), in comparison with 2010. The Northern Region, on the other hand, registered a rise of 78% in the number of operations carried out in 2011 over the previous year.

### Regional disbursement 2008-2011 (in R\$ billion)

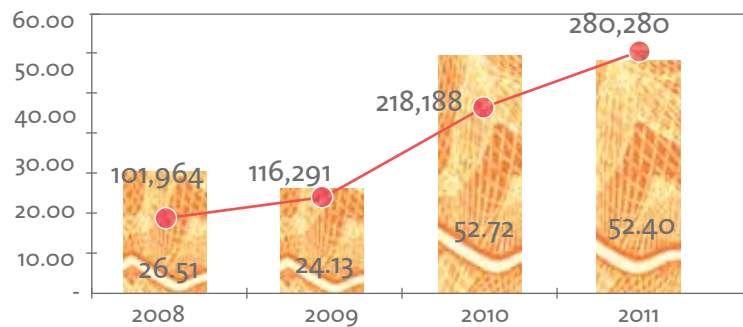
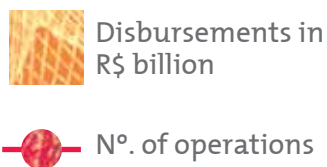


## Automatic operations

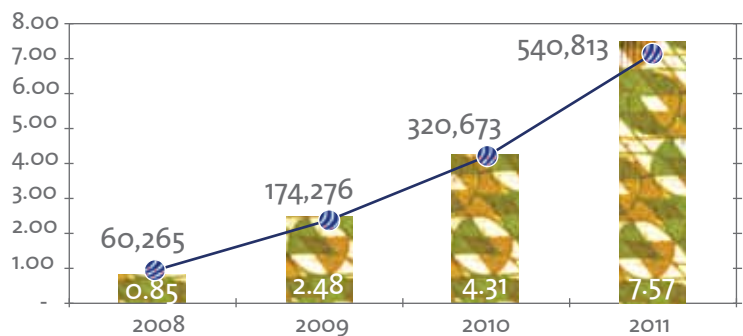
The BNDES has automatic lines that are operated with the assistance of financial agents, due to the greater capillarity of such institutions. Financing is offered by means of: (i) the BNDES Finame lines, and credit is granted for to the production and sale of machinery and equipment; (ii) the BNDES Automatic, financing for projects under R\$ 10 million; and (iii) the BNDES Card, pre-approved revolving credit for micro, small and medium-sized companies for the acquisition of goods and consumables.

The charts below show the BNDES' disbursements for these operations in 2011. With regards to the BNDES' Finame line, it is possible to detect not only the stabilization of disbursements at higher levels, i.e., a little more than R\$ 52 billion, but also the rise in the number of operations, which have surpassed 280,000. The increase in disbursements by means of the BNDES Card (75.6%), from R\$ 4.3 billion in 2010 to R\$ 7.6 billion in 2011, is striking, with the number of operations reaching over 540,000.

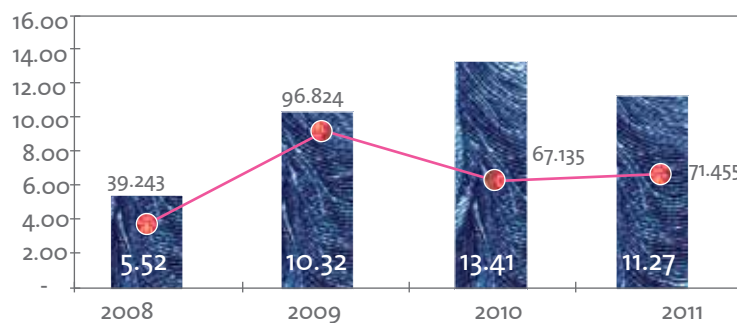
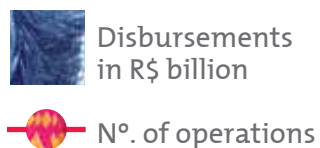
### BNDES Finame



### BNDES Card

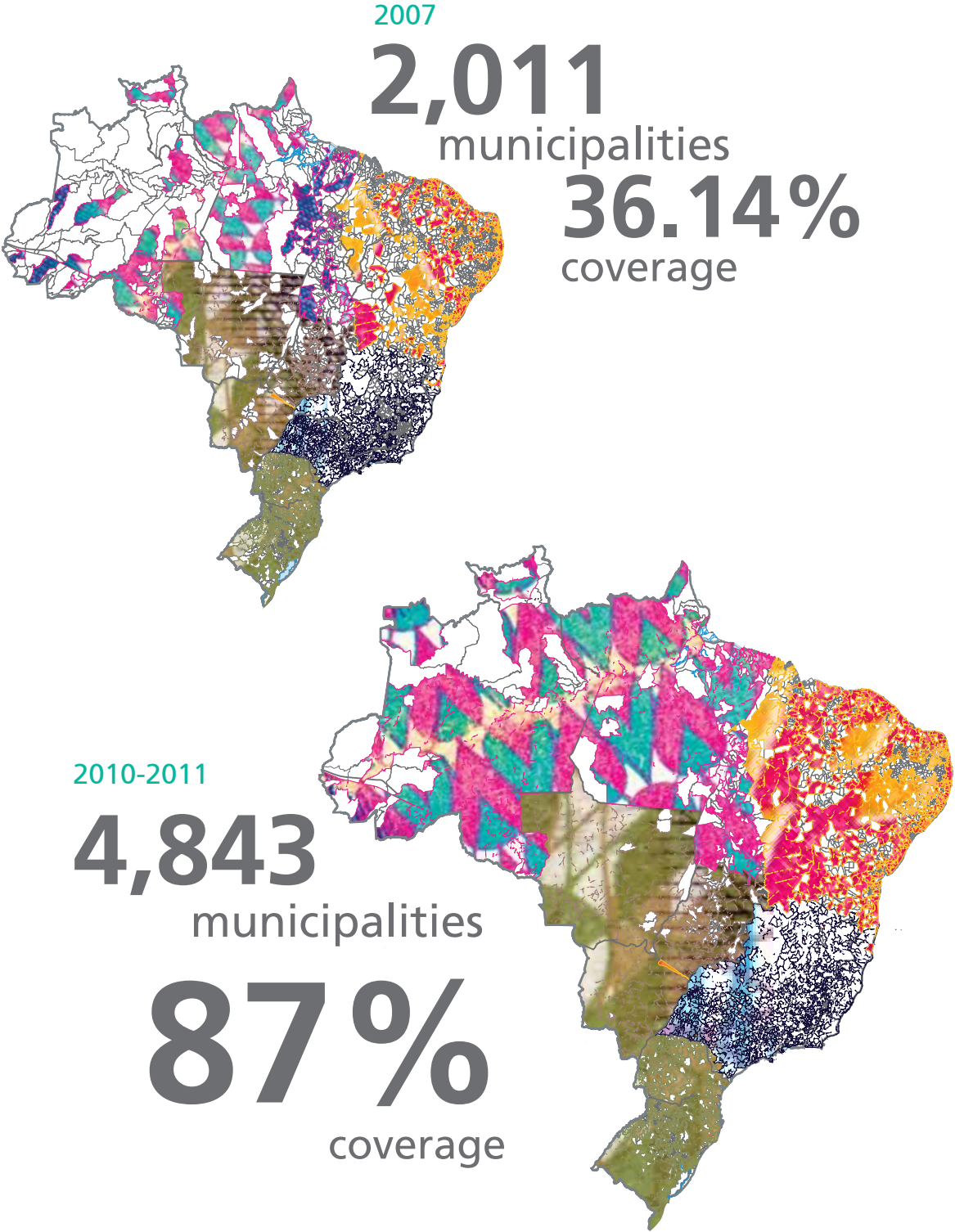


### BNDES Automatic



The BNDES Card is becoming an important instrument in the democratization of credit in all regions around the country; especially for MSMEs. The chart below shows that, between 2007 and 2011, the coverage of municipalities increased from 36.1% (or 2,011 municipalities) to 87% in 2011, reaching 4,843 municipalities, with disbursements through the BNDES Card. The expansion of access to this financial product took place with greater emphasis in the Northern, Northeastern and Central-west regions.

**BNDES Card coverage  
2007 and 2011 comparison (n°. of municipalities)**

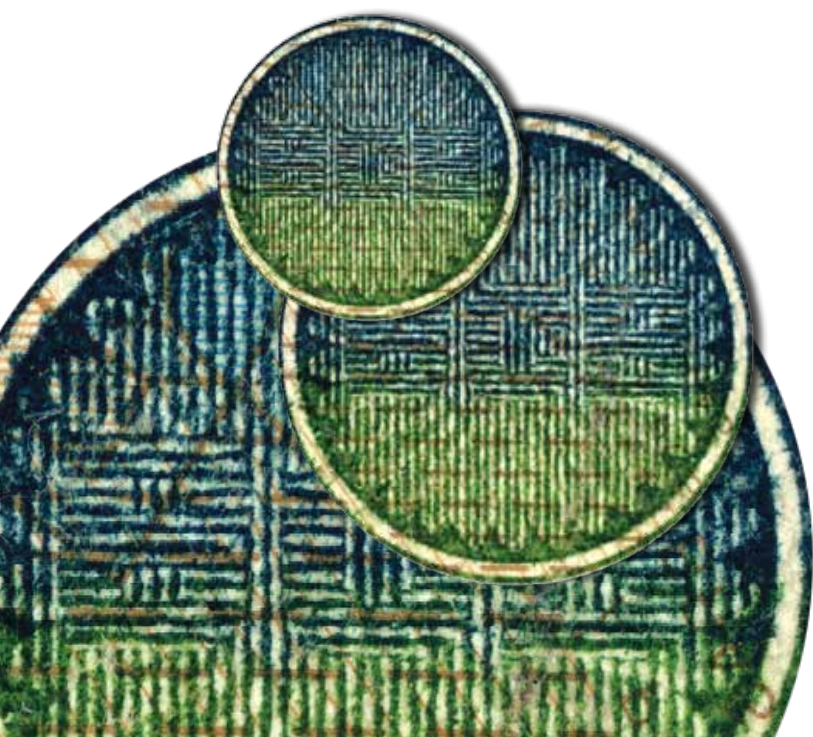


## Socio-environmental performance

In 2011, the BNDES began to systematically monitor its performance taking into consideration financing related to fostering sustainability, which includes financial support for projects that generate social and environmental benefits for Brazilian society. It is important to emphasize that these indicators were created to gauge the BNDES' efforts regarding other national and international development financial institutions, with the purpose of establishing partnerships and alignments that enhance the Bank's contributions to sustainable development.

In this sense, social development, green economy and climate change indicators are presented. We clarify that there are types of projects that are covered in both indicators as they provide both social, as well as environmental benefits, such as sanitation, urban mobility, waste-picker co-operatives, among others.

The BNDES' disbursements to the green economy and climate change reached R\$ 18.5 billion, with emphasis on renewable and hydroelectric energy.





DISBURSEMENTS – THE GREEN ECONOMY AND CLIMATE CHANGE (IN R\$ BILLION)				
	2008	2009	2010	2011
Renewable energy and energy efficiency	5.7	5.7	6.0	7.1
Hydroelectric plants (over 30 MW)	3.7	8.4	6.2	5.2
Public transport	0.6	1.4	0.7	0.9
Cargo transport	1.5	2.0	1.4	1.6
Water and sewage management	0.8	1.6	1.9	1.5
Solid waste management	0.2	0.2	0.5	0.5
Forests	0.2	0.3	0.6	0.6
Adaptation to climate change and disaster risk management	0.1	0.4	0.5	0.3
Adaptação a mudanças climáticas e gestão de riscos de desastres	-	-	0.1	0.6
Other	0.1	0.1	0.1	0.2
<b>Total</b>	<b>12.9</b>	<b>19.9</b>	<b>18.0</b>	<b>18.5</b>

DISBURSEMENTS – SOCIAL DEVELOPMENT (IN R\$ MILLION)				
	2008	2009	2010	2011
Health	652	818	2,016	1,146
Education	170	251	263	368
Production inclusion	37	26	65	76
Public management	54	55	74	92
Urban and regional development	1,781	7,291	7,181	5,180
Companies' social responsibility	32	53	64	104
Other	192	92	931	724
	<b>2,918</b>	<b>8,586</b>	<b>10,594</b>	<b>7,690</b>

## Economic-financial performance

The consolidated financial information on the BNDES System – or simply the BNDES, as we will refer to the companies within the BNDES System –, contained in this Annual Report, have been prepared in compliance with the Brazilian Accounting Standards (BRGAAP), with financial information presented in a supplementary manner, in accordance with the International Financial Reporting Standards (IFRS).

This information and the Administration's comments regarding the economic-financial performance should be read together with the Complete Consolidated Financial Statements in BRGAAP and IFRS, for the fiscal year of 2011, available in portuguese at [www.bndes.gov.br](http://www.bndes.gov.br) > Relação com Investidores > Demonstrativos Financeiros.

In 2010, BNDESPAR adopted the pronouncements made by the Accounting Pronouncement Committee (CPC), with highlights including the application of the CPC 38 Pronouncement (Financial Instruments: Recognition and Measurement), which generated a significant impact on the BNDESPAR financial statements due to the fact it introduced the concept of fair value as the evaluation metrics for specific corporate interests, and it requires recognition of financial derivative instruments in the balance sheet. These changes were also recognized in the consolidated financial statements.

BNDES' good operational performance in 2011 is reflected in solid economic-financial indicators.

## Main economic-financial indicators

R\$ MILLION					
BALANCE SHEET	2007	2008	2009	2010	2011
<b>Total Assets</b>	<b>202,652</b>	<b>277,294</b>	<b>386,633</b>	<b>549,020</b>	<b>624,827</b>
Credit and transfer portfolios <sup>(1)</sup>	164,527	215,989	283,671	361,575	425,518
Equity <sup>(2)</sup>	18,983	25,293	34,012	107,476	99,601
Debenture portfolios <sup>(1)</sup>	6,068	7,733	12,176	17,839	18,127
Other Bonds and Securities	7,685	15,164	42,035	32,183	55,812
Other Assets	5,299	13,115	14,739	29,947	25,769
<b>Total Liabilities</b>	<b>202,652</b>	<b>277,294</b>	<b>386,633</b>	<b>549,020</b>	<b>624,827</b>
FAT/PIS-PASEP	133,849	146,088	152,540	163,091	177,947
National Treasury	13,896	43,207	144,213	253,058	310,774
Other governmental sources <sup>(3)</sup>	8,356	22,381	18,541	19,857	21,896
Committed operations	-	8,447	13,741	-	7,808
Debenture issuance	2,026	2,302	3,599	6,277	6,277
Fundraising abroad	12,084	17,486	16,463	19,778	22,449
Other obligations	7,518	12,116	9,908	21,060	16,664
<b>Net Assets</b>	<b>24,923</b>	<b>25,267</b>	<b>27,628</b>	<b>65,899</b>	<b>61,012</b>
<b>INCOME STATEMENT</b>					
<b>Net Profit</b>	<b>7,314</b>	<b>5,313</b>	<b>6,735</b>	<b>9,913</b>	<b>9,048</b>
Financial Operation Results	4,782	3,867	5,821	7,039	6,488
Results from provisions for credit risk	1,383	445	(6)	2,852	717
Shareholding results	6,104	6,024	3,990	6,159	6,962
Tax expenses	(3,159)	(2,425)	(2,784)	(4,879)	(3,549)
Other revenues/(expenses)	(1,796)	(2,598)	(286)	(1,258)	(1,570)
<b>PERFORMANCE INDEXES – ANNUAL (IN %)</b>					
<b>Returns on net equity <sup>(4)</sup></b>	<b>33.2%</b>	<b>21.2%</b>	<b>25.5%</b>	<b>31.0%</b>	<b>23.1%</b>
Returns on assets	3.7%	2.2%	2.0%	2.2%	1.6%
<b>Default rate <sup>(5)</sup></b>	<b>0.11%</b>	<b>0.15%</b>	<b>0.20%</b>	<b>0.15%</b>	<b>0.14%</b>
<b>Rate of coverage <sup>(6)</sup></b>	<b>23.3</b>	<b>13.9</b>	<b>8.1</b>	<b>7.7</b>	<b>6.2</b>
<b>Basileia Index</b>	<b>26.7%</b>	<b>17.7%</b>	<b>17.6%</b>	<b>18.6%</b>	<b>20.6%</b>

<sup>(1)</sup> Net provision for credit risk.

<sup>(2)</sup> Includes investments in non-affiliated, affiliated companies and other investments.

<sup>(3)</sup> Includes resources from FGTS, FI-FGTS, FMM (Merchant Marine Fund), FND (National Development Fund) and other development financial funds.

<sup>(4)</sup> Excludes the adjustment at the market value of the investments in non-associated companies.

<sup>(5)</sup> Credits overdue for more than 30 days / total credit and transfer portfolios.

<sup>(6)</sup> Provision for credit risk/credits overdue for more than 30 days.

## Net profit

The BNDES' net profit totaled R\$ 9 billion in 2011 and corresponded to profitability of 23.1% over net equity.

Comparatively, net profit in 2010 fell R\$ 865 million (8.7%). However, it is important to emphasize that the 2010 net profit was impacted in a positive manner due to credit recoveries of R\$ 2.3 billion, which boosted the reversal of the credit provisions in that year, exceeding the 2011 reversal level by R\$ 2.1 billion.

## Financial operation results

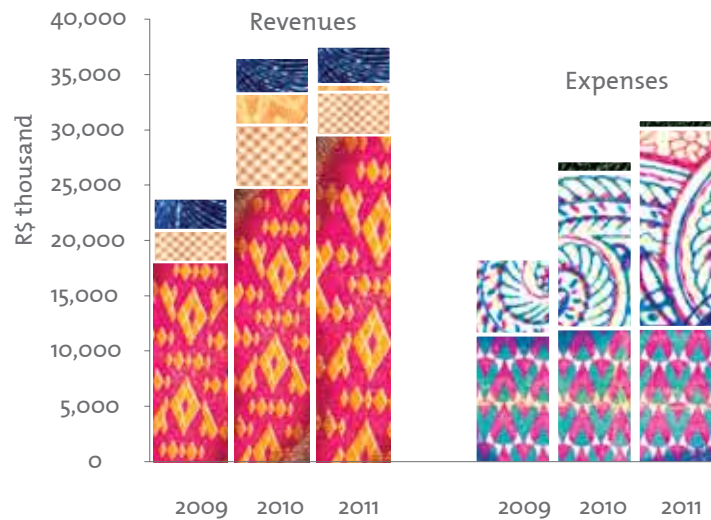
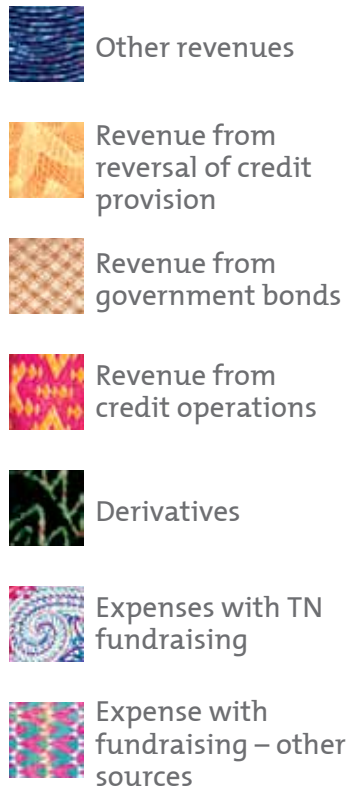
These figures notably comprise the results from credit operation portfolios and inter-financial transfers, as well as from government bond and debenture portfolios, after deducting the BNDES' funding costs.

The financial operation results, including that from the provision for credit risk, reached R\$ 7.2 billion in 2011, a reduction of R\$ 2.7 billion (27.2%) compared to 2010's results. This is mainly due to the positive effect of R\$ 2.3 billion in recovered credit in 2010.

Furthermore, the recognition of extraordinary revenue in 2010, totaling R\$ 522 million, which resulted from a premium received by BNDESPAR for a specific operation which postponed the term for the mandatory conversion of debentures, also contributed to the 2010 financial operation results. No similar situation occurred in 2011.



## Financial intermediation results



## Results from company shares (stakes)

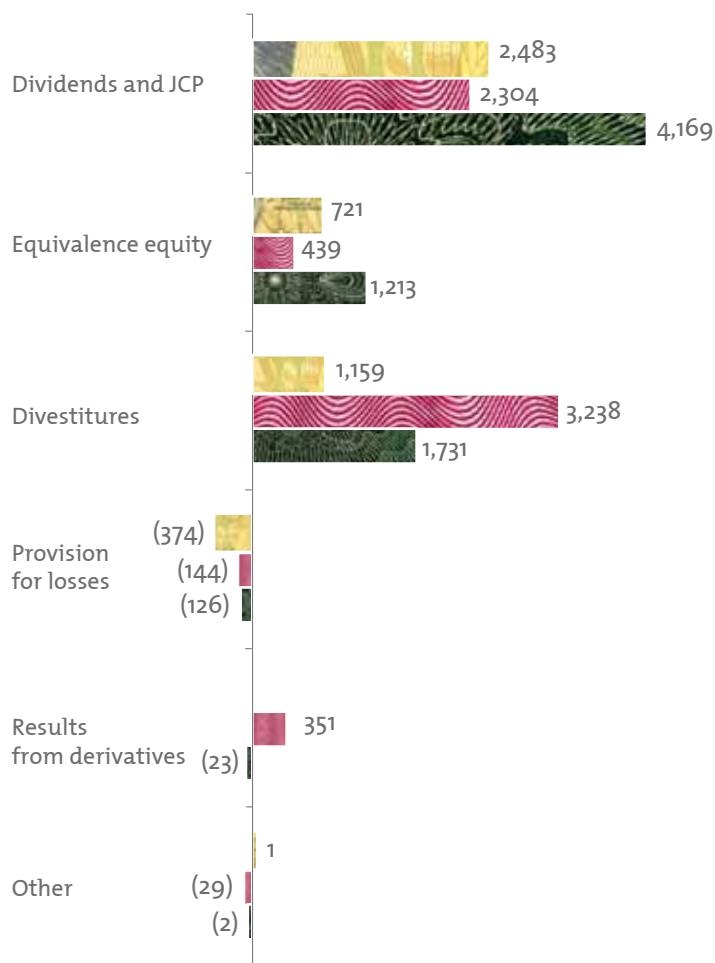
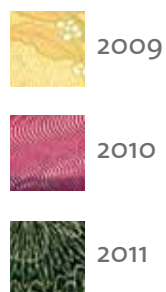
These basically comprise results from shares in companies and derivatives included in debenture operations (conversion/exchange), coming mostly from BNDESPAR.

The BNDES' results from shares in companies reached R\$ 7 billion in 2011, up R\$ 803 million (13%) in comparison to 2010, resulting from not only the R\$ 1.8 billion (80.9%) rise in revenue from dividends and interest over equity, but also from the R\$ 774 million (176.3%) in equity equivalence results. Despite these operations, the result from divestments, an important component of share results, fell R\$ 1.5 billion (46.5%) owing to the instability in global capital markets in 2011, especially during the second half.

In revenue from dividends and interest over equity in 2011, highlights include returns provided by Petrobras, Vale and Valepar, which together contributed R\$ 3.3 billion, equivalent to 78.3% of the total revenue. The equity equivalence result of R\$ 1.2 billion in 2011 encompasses gains of R\$ 761 million from the Brasiliana Energy Company (*Companhia Brasileira de Energia*) and R\$ 311 million from the Paraná Electric Power Company (COPEL – *Companhia Paranaense de Energia Elétrica*).

Variations in the results from derivatives between 2011 and 2010 reflect the behavior of the fair value of the base assets, which accompanied the instability of the financial markets in 2011 as they are referenced in stock. The BNDES began registering results from derivatives in 2010 due to the changes introduced by CPC 38, already allowed by Brazil's Central Bank (BACEN).

### Composition of shareholding results (R\$ million)



The BNDES' investment and divestment operations enable the turnover of the shareholding portfolio. The good performance of such operations reflects the quality of the BNDES' portfolio.

## Tax expenses

The BNDES' tax expenses in 2011 totaled R\$ 3.5 billion, some 37.5% lower than the R\$ 4.9 billion recorded in 2010. The amount allocated to taxes in 2011 includes, almost in its entirety, federal taxes such as PIS/COFINS, Income Tax, Social Contributions.

## Information per segments

The chart below, which presents the BNDES' results per business segment, defined in terms of its activities, includes: (a) financing for companies (credit and transfer portfolios); (b) capitals market (variable income portfolio); and (c) Treasury.

R\$ MILLION								
FISCAL YEAR 2011	FINANCING FOR COMPANIES	%	CAPITAL MARKET	%	TREASURY	%	TOTAL	%
Results from financial intermediation	7,091	98	(810)	(11)	925	13	7,206	100
Revenue from financial intermediation	37,245	84	1,279	3	5,555	13	44,079	100
Expenses with financial intermediation	(30,154)	82	(2,089)	6	(4,630)	13	(36,873)	100
Shareholding results	-	-	6,962	100	-	-	6,962	100
Other operational revenue and expenses	(263)	(68)	651	168	-	-	388	100
Results per segment	6,828	47	6,803	47	925	6	14,556	100
Net expenses not allocated							(1,959)	
Tax expenses <sup>1</sup>							(3,549)	
Net profit							9,048	

<sup>1</sup> Basically includes taxes over profit (IR/CSLL), PIS and COFINS.

After allocation of respective revenues, financial costs and expenses referring to each segment, the results of both the credit and transfer portfolio and the variable-income portfolio reached the same amount, R\$ 6.8 billion each, totaling R\$ 13.6 billion, while the Treasury portfolio results were R\$ 0.9 billion. As can be seen, the credit and transfer and variable-income portfolios contributed 94%, proportionally distributed equally among them, and the treasury portfolio, 6%.

Worthy of note, in order to obtain the total net profit, is R\$ 2 billion in general and administrative expenses and the R\$ 3.5 billion in taxes that must be deducted from the portfolios' aggregate results. It is important to mention that the different portfolios are subject to different tax rates, and that variable-income has the lowest relative rate.

In 2010, the results from the credit and transfer portfolio, the variable-income portfolio and the Treasury operations, calculated before general, administrative and tax expenses, were R\$ 8.6 billion (51.8%), R\$ 6.4 billion (38.6%) and R\$ 1.6 billion (9.6%), respectively.

## Credit and inter-financial transfer operations portfolio

Comprising financing granted by the BNDES, the credit and transfer operations portfolio, net after provisions for credit risk, ended 2011 at R\$ 425.5 billion, growth of R\$ 63.9 billion (17.7%) in comparison to 2010. It represented 68.1% of total assets on December 31, 2011, and its provision for credit risk was equivalent to 6.21 times the credits in default.

The increase in the credit and transfer operations portfolio in 2011 reflects the portfolio's increase in national currency, propelled by the allocated amounts indexed to the Long-term Interest Rate (TJLP) and by amounts allocated within the Investment Maintenance Program (PSI).

According to the structure for requesting financing from the BNDES, operations are classified as: (a) credit operations, or direct, in which the operation is performed directly with the BNDES or by means of a representative; or (b) inter-financial transfer operations, or indirect, in which the operation is performed by means of an accredited financial institution.



The table below presents the position of the credit and transfer operations portfolio per sector in 2010 and 2011.

	R\$ MILLION			
SECTOR	2010	%	2011	%
<b>Direct operations portfolio</b>	<b>184,469</b>	<b>50.4</b>	<b>220,897</b>	<b>51.5</b>
<b>Infrastructure</b>	<b>79,175</b>	<b>21.7</b>	<b>96,266</b>	<b>22.4</b>
Electric power/gas	27,727	7.6	36,121	8.4
Land transport	17,309	4.7	18,160	4.2
Air transport	10,535	2.9	12,293	2.9
Other transport	3,481	1.0	5,247	1.2
Telecommunications	11,322	3.1	11,990	2.8
Other	8,801	2.4	12,455	2.9
<b>Industry</b>	<b>67,461</b>	<b>18.4</b>	<b>79,219</b>	<b>18.5</b>
Coke, petroleum and fuel	21,384	5.8	25,736	6.0
Metallurgy	10,481	2.9	10,635	2.5
Chemical	6,105	1.7	7,092	1.7
Extrative	3,593	1.0	6,590	1.5
Pulp and paper	6,001	1.6	6,229	1.5
Other	19,897	5.4	22,937	5.3
<b>Commerce and services</b>	<b>36,971</b>	<b>10.1</b>	<b>44,303</b>	<b>10.3</b>
Public administration	18,004	4.9	22,300	5.2
Financial activity and insurance	8,130	2.2	9,431	2.2
Trade	5,077	1.4	5,472	1.3
Other	5,760	1.6	7,099	1.7
<b>Agriculture and cattle-raising</b>	<b>862</b>	<b>0.2</b>	<b>1,109</b>	<b>0.3</b>
<b>Indirect operations portfolio</b>	<b>181,321</b>	<b>49.6</b>	<b>208,273</b>	<b>48.5</b>
Bank (financial intermediation)	181,321	49.6	208,273	48.5
<b>Total</b>	<b>365,790</b>	<b>100.0</b>	<b>429,170</b>	<b>100.0</b>

The quality of credit is the result of consistency of the BNDES' operational policy, in which financing granted undergoes constant follow-up and requires guarantees that cover debts throughout the term of the contracts.

ON DECEMBER 31, 2011				
RISK CLASSIFICATION	BNDES SYSTEM (%)	SFN <sup>1/2/</sup> (%)	PRIVATE FINANCIAL INSTITUTIONS <sup>2/</sup> (%)	PUBLIC FINANCIAL INSTITUTIONS <sup>2/</sup> (%)
AA-C	98.7	92.3	90.8	94.2
D-G	1.1	4.6	5.6	3.3
H	0.2	3.1	3.6	2.5

Source: BACEN.  
<sup>1/</sup> National Financial System.  
<sup>2/</sup> Preliminary data.

The chart below presents the default rates of the BNDES and the National Financial System (SFN) over the last three years.

	IN %		
	2009	2010	2011
BNDES	0.20	0.15	0.14
SFN <sup>1</sup>	4.30	3.20	3.60

<sup>1</sup> Source: BACEN.

The BNDES' default rates between 2009 and 2011 remained at lower levels than those recorded by the SFN, despite the BNDES adopting a more conservative criterion when classifying credits as "in default"; while the SFN classifies all credit that is 90 days overdue as "in default", the BNDES adopts a lower term of 30 days.

The low default rates demonstrate the commitment when investing public resources entrusted to the BNDES.

## Variable-income portfolio

The variable-income portfolio basically includes investments in convertible debentures as well as minority and transitory shares held in companies, which seek to support the

capitalization and development processes in Brazilian companies, besides strengthening and modernizing the Brazilian capitals market.

The BNDES' portfolio of stakes in companies ended 2011 at R\$ 99.6 billion, a drop of R\$ 7.9 billion (7.3%) in comparison to the previous year. Of this total, some R\$ 82.4 billion represent investments in which the BNDES does not have any voting power in the financial and operational decisions. This amount is R\$ 13.5 billion (14.1%) down from 2010, a reflection of the reduction of the fair value in specific investments.

Among the main acquisitions in 2011, Petrobras' common stock is highlighted, at a value of R\$ 6.4 billion, received from the National Treasury for a capital increase, and the conversion of Eletrobras receivables into company stock, in the amount of R\$ 2.3 billion.

Owing to uncertainties in the international markets throughout the second half of 2011, the main divestments, represented by Telemar Participações, Laticínios Bom Gosto, Companhia de Eletricidade de São Paulo (CESP) and Inepar S.A. stock, are concentrated in the first half of 2011 and provided gains of R\$ 1.2 billion, equivalent to 68.9% of the result from such divestitures.

As of 2010, investments in companies in which BNDES has no voting power to influence the financial and operational decisions began to be evaluated at their fair value. Since a significant part of these investments have a stock market price, the share price is used to measure this investment's fair value. Thus, the stock's behavior generates direct impact on the shareholding portfolio, reducing or increasing its balance by respectively recognizing the positive or negative variation of its fair value. However, such gains or losses only cause financial impact when the investment is divested.

It is important to emphasize that the decision to divest investments takes into consideration the market conditions and the maturity of the portfolio investments. To do so, the BNDES monitors the market, seeking the best opportunities regarding price, volume as well as the best moment to sell and, due to the good management of its cash flow, there is no need to incur losses in divestments in order to compose its cash flow.

The debenture portfolio ended 2011 at R\$ 18.1 billion, up R\$ 288 million (1.6%) in comparison to 2010. The main operations carried out in 2011 were the conversion of JBS S.A. debentures, in the approximate amount of R\$ 3.5 billion, into company stock, and the acquisition of debentures from AGC Energy (R\$ 1.6 billion), ETH Bio Participations (R\$ 686 million), MPX Energy (R\$ 676 million) and Suzano Paper and Cellulose (R\$ 574 million).

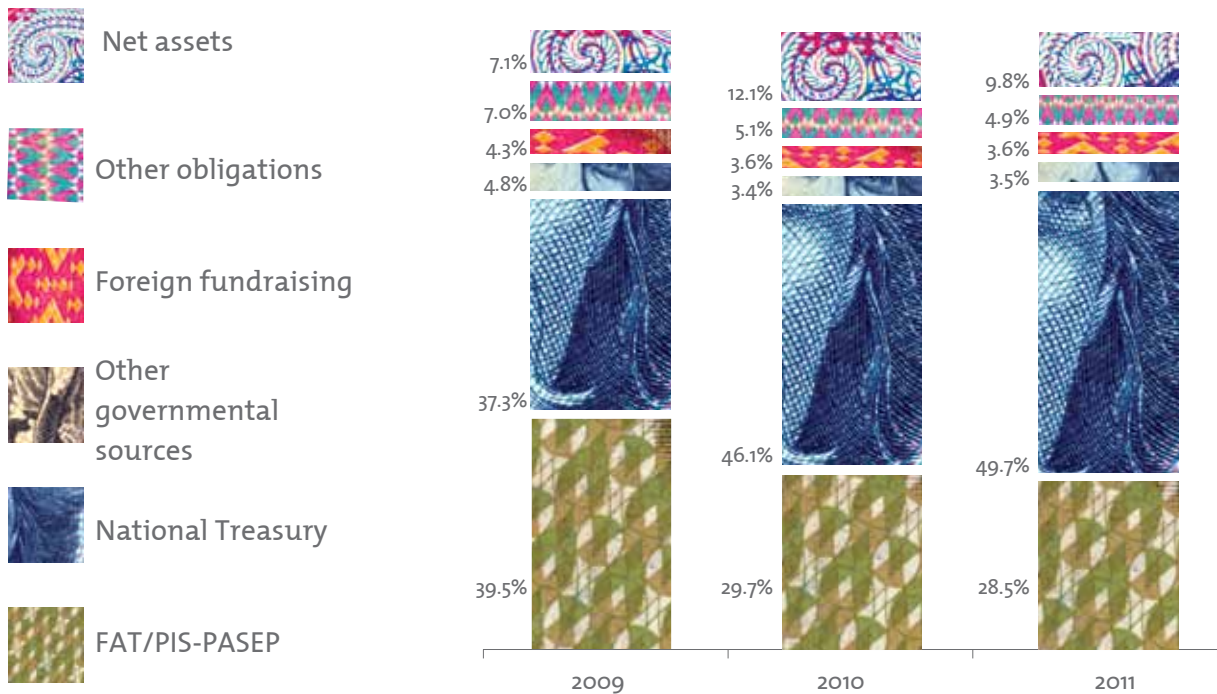
The chart below presents the BNDES' variable-income portfolio per sector in 2010 and 2011.

IN %		
SECTOR	2010	2011
Oil and Gas	39.4	38.4
Mining	21.3	18.3
Electric power	11.5	16.0
Food	8.6	8.5
Telecommunications	3.0	3.0
Pulp and paper	3.7	2.8
Metallurgy	1.7	2.1
Private Equity Fund – PIQ	1.2	1.5
Transport	1.5	1.4
Other	8.1	8.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Sources of resources

From the sources of resource BNDES' capital structure is set up. Highlights include the weight of the governmental sources, which represent the predominant portion of the Bank's financing structure. The chart below presents the BNDES' capital structure per source group of resources, in which the importance of such sources becomes evident, representing 81.7% of the total on December 31, 2011.

### Capital structure



### National Treasury

In 2011, within the scope of Laws N°. 12,397/2011 and N°. 12,453/2011, the National Treasury transferred R\$ 50.25 billion to the BNDES in the form of government bonds. Since 2010, the National Treasury has been the BNDES' main creditor, responsible for 49.7% of its total resources on December 31, 2011. The cost of these resources is linked to the TJLP.

## Workers' Assistance Fund

On December 31, 2011, the balance of resources from the Workers' Assistance Fund (FAT) at BNDES was R\$ 146.2 billion. Of this total, some R\$ 125.2 billion constituted the Constitutional FAT balance, and R\$ 21 billion was the FAT Special Deposit balance. Throughout 2011, a total of R\$ 15.4 billion in new resources from the FAT entered the BNDES; of which R\$ 13.7 billion came from the Constitutional FAT and R\$ 1.7 billion from the Special Deposits (R\$ 1.1 billion allocated to the FAT Micro and Small Company Development Program and R\$ 0.6 billion to Pronaf Investment).

## PIS-PASEP, Audiovisual Sectorial Fund and the National Climate Change Fund

On December 31, 2011, the total amount of resources at the BNDES coming from the PIS-PASEP Fund was R\$ 31.5 billion. Throughout 2011, the BNDES received R\$ 199.2 million in commissions, including risk fees and administrative commissions referring to investment of the fund's resources.

On December 31, 2011, the balance of the resources from the Audiovisual Sectorial Fund (FSA) at the BNDES was R\$ 83.6 million. Throughout 2011, some R\$ 34.3 million came from the FSA's new resources for investment in a program for articulated development of the entire audiovisual production sector.

On December 16, 2011, a fundraising contract for resources from the National Climate Change Fund (FNMC) was signed to finance projects to mitigate and adapt to climate change. Because of this contract, the BNDES received R\$ 200 million in 2011.

## Foreign fundraising

To complement its budget, the BNDES also relies on resources raised in the foreign market, by means of operations with international institutions, a traditional and stable source of resources, as well as in the financial market.

The balance of resources raised abroad totaled R\$ 22.4 billion on December 31, 2011, an increase of R\$ 2.7 billion (13.5%) in comparison to 2010, resulting not only from the effects of the depreciation of the Brazilian Real in comparison to the US Dollar, but also from the raised resources themselves.

The year of 2011 was full of important and innovative opportunities, confirming the good receptivity from international investors towards the BNDES. By following strategic guidelines for diversification and the pursuit of efficiency, the Bank returned to the Swiss Franc markets and bank loans after a decade of absence, providing lower costs and creating opportunities for future fundraising. The issuance in Swiss francs, in July 2011, totaled CHF 200 million, with maturity set for December 15, 2016, an interest coupon of 2.75% per annum, and an issuance price of 99.674%, generating real final return to the investor of 2.818% per annum.

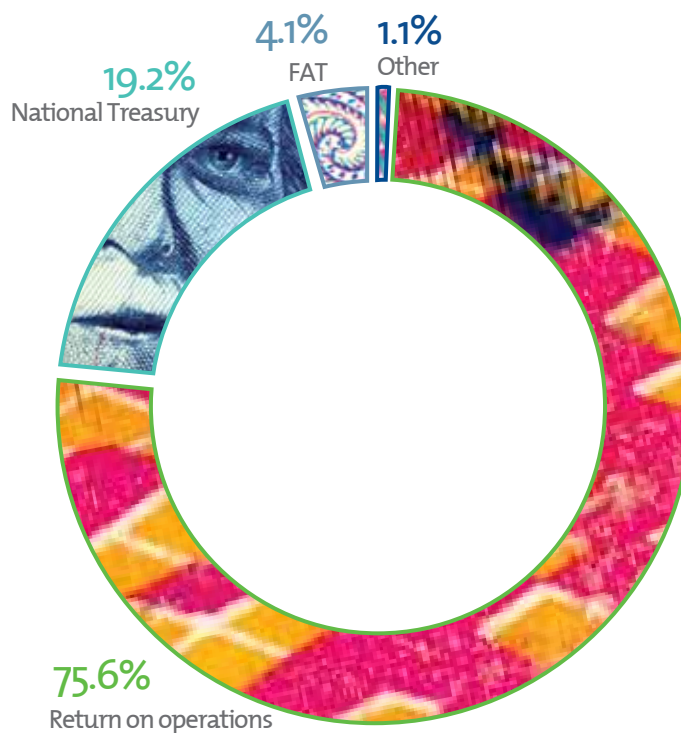
Regarding international institutions, some US\$ 970 million was contracted in 2011, of which approximately US\$ 270 million entered in the fiscal year itself, of which:

- US\$ 300 million came from the Japan Bank for International Cooperation (JBIC), within the scope of a new line of credit called Global Action for Reconciling Economic Growth and Environmental Preservation (GREEN), earmarked for projects that favor the preservation of the global environmental, the use of renewable energies and the reduction of the greenhouse effect; and
- US\$ 670 million came from the European Investment Bank (BEI), with the purpose of supporting projects that favor environmental sustainability and that mitigate the effects of global climate change.

## The flow of resources

The net resources used by the BNDES in 2011, totaling R\$ 141.9 billion, came from the following sources:

## Distribution of added value 2011



The credit operation returns is the receipt of credit service, with no specification of the source of resource. Net contributions from other sources are equal to the inflow of resources minus the cash outflow associated to each source.

Return on credit operations was highlighted as the main source of resources in 2011, contributing 75.6% to the total, demonstrating the importance of the volume and quality of the Bank's credit portfolio to finance disbursements.

The National Treasury's fundraising in 2011, once deducted from the respective debt and the payment of dividends and taxes, represented the second largest net contribution of allocated amounts (19.2%), while fundraising from the FAT, after being deducted from the respective debt, came in second place with 4.1% of the total.

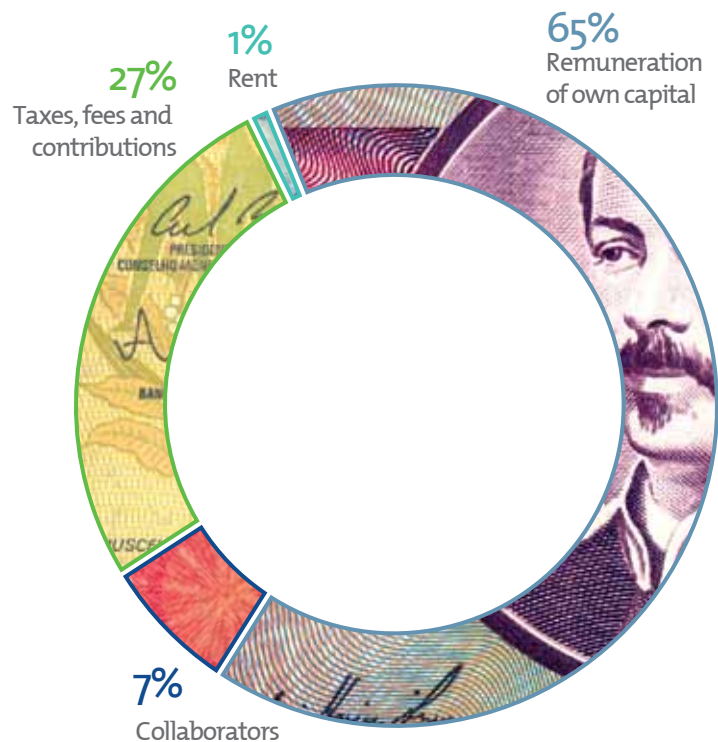


## Added Value Statement

An important evaluation indicator of a company's social role, the Added Value Statement (DVA), in a global vision of performance, presents the company's contribution to generating wealth for the economy in which it is inserted and its effective distribution among employees, the government, financing agents and their shareholders.

Wealth generated by the BNDES in 2011, represented by the distributed added-value, was R\$ 13.8 billion, which is R\$ 2.1 billion (13.4%) lower than in 2010. Because the BNDES' sole shareholder is the Federal Government, the latter's participation in distributing the wealth generated was 92%, considering amounts allocated to taxes, fees and federal contributions, as well as those allocated to return on own capital (payment of dividends, interest over capital and retained earnings). In 2010, the wealth distributed to the Federal Government was 94% of the total wealth generated.

### Distribution of added value 2011



## Prudential limits

### Basileia Index

The Basileia Index ended 2011 at 20.6%, a value higher than the 18.6% recorded in 2010, due to the R\$ 9 billion in profit accumulated during the 2011 fiscal year. The minimum rate, according to Brazilian rules, is 11%.

OWN RESOURCES AND BASILEIA (R\$ MILLION)	2009	2010	2011	VAR. 2011-2010 (%)
Equity reference level I	31,537	41,770	51,849	24.1
Equity reference level II <sup>1</sup>	23,977	41,770	48,044	15.0
(-) Financial institution shares <sup>2</sup>	(1,513)	(431)	(809)	87.7
<b>Equity reference</b>	<b>54,001</b>	<b>83,109</b>	<b>99,084</b>	<b>19.2</b>
Required equity reference	34,024	49,049	51,917	5.8
Assets pondered by risk	309,309	445,900	481,064	7.9
<b>Basileia Index (%)</b>	<b>17.5</b>	<b>18.6</b>	<b>20.6</b>	<b>10.5</b>

<sup>1</sup> Limited to 100% of the level I capital.

<sup>2</sup> According to CMN Resolution 3,444/07.

Level I reference equity basically includes net equity, deducted from the asset evaluation adjustment (AAP) reserve, while level II reference equity includes resources from the Constitutional FAT classified as subordinate debt (limited to 50% of level I), hybrid capital and debt instruments, and AAP, which represent the counterpart's entry of the adjustment to the fair value of the shareholding portfolio.

### Fixed-asset rate

The fixed-asset rate ended 2011 at 0.4%. This rate is calculated according to CMN Resolution N°. 3,761, of July 29, 2009, which allowed the BNDES to exclude all shares maintained as part of its main activity from the calculation of the rate.

## Ratings

The BNDES is evaluated by international rating agencies, and the assigned risk classifications reflect its recognized role in the market, its solid capital and profitability structure, as well as its adequate position of risk. They also consider the BNDES the main long-term financing instrument for investments in all sectors of the economy; its operations rely on extraordinary support from the Federal Government.

In 2011, the risk classification agencies, specifically Moody's and Standard & Poor's, announced an increase in the BNDES' credit rating on a global scale from Baa2 to Baa1, with a positive perspective, and from BBB- to BBB, with a stable perspective, respectively.

RATING AGENCIES	RATINGS ON A GLOBAL SCALE				RATINGS ON A NATIONAL SCALE	
	LONG TERM					
	FOREIGN CURRENCY		LOCAL CURRENCY		LOCAL CURRENCY	
	RATING	PERSPECTIVE	RATING	PERSPECTIVE	RATING	PERSPECTIVE
Moody's	Baa1	Positive	A3	Stable	Aaa.br	Stable
S&P	BBB	Stable	A-	Stable	brAAA	Stable

## IFRS (International Financial Reporting Standards)

The adoption of the International Financial Reporting Standards (IFRS) seeks to standardize the accounting information disclosed by the companies at a global level. The IFRS not only makes analysis easier, but also the corporate economic-financial performance comparisons between the various countries. It also meets the investors' demand for more transparent and reliable accounting information.

Unlike the Securities and Exchange Commission (CVM), the Central Bank still has not concluded the cross-reference process in accounting standards applied to financial institutions and to international accounting standards. However, it published CMN Resolution N<sup>o</sup>. 3,786, of September 24, 2009, which made it obligatory to draft and disclose consolidated annual financial statements, starting in the fiscal year that ended on December 31, 2010, in accordance with the statements from the International Accounting Standards Board (IASB).

Below is a comparison of the BRGAAP and IFRS financial information for the fiscal year that ended on December 31, 2011.

R\$ MILLION			
BALANCE SHEET	BRGAAP	ADJUSTMENTS	IFRS
<b>Total Assets</b>	<b>624,827</b>	<b>3,359</b>	<b>628,186</b>
Cash	5,372	-	5,372
Bonds and securities	156,366	(739)	155,627
Credit and transfer portfolios, net provision	425,518	1,718	427,236
Investments in associated companies and other assets	37,571	2,380	39,951
<b>Total Liabilities</b>	<b>624,827</b>	<b>3,359</b>	<b>628,186</b>
Loans and transfers	506,345	-	506,345
Deferred taxes	9,899	819	10,718
Other obligations	47,571	(836)	46,735
Net assets	61,012	3,376	64,388
<b>INCOME STATEMENT</b>			
Net profit	9,048	(517)	8,531
Results from financial operations	6,488	(700)	5,788
Results from credit risk provisions	717	(508)	209
Results from shareholdings	6,962	697	7,659
Tax expenses	(3,549)	(6)	(3,555)
Other revenue/(expenses)	(1,570)	-	(1,570)

continue

continued

	R\$ MILLION		
PERFORMANCE INDEXES – ANNUAL (IN %)			
Returns on net equity (%)	23.1	(3.2)	19.9
Return on assets (%)	1.6	(0.1)	1.5

The adjustments highlighted in the previous table result from:

### 1) Bonds and securities

Treatment of derivatives included in debentures.

In the case of the IFRS, the included derivatives must follow the main instrument's accounting classification; in this case, the debentures, while at BRGAAP, must be separated from the main instrument. In keeping with international standards, obligations resulting from losses with included derivatives recorded in 2011 were reclassified from "Other obligations" to "Bonds and securities".

### 2) Credit and transfer portfolio, net after provisions for credit risk

Provision treatment for credit risk

The BRGAAP follows CMN Resolution N°. 2,682, of December 21, 1999, whose "expected loss" concept reflects a more conservative approach, creating a "cushion" to absorb eventual future losses. The IFRS, on the other hand, adopts the "incurred loss" concept, in which a credit risk provision is only created when there is an objective evidence of loss. In the first case, according to the client's risk classification, which may vary from "AA" to "H", a provision percentage, to be constituted over the client's total debit balance, is attributed. In the IFRS, the provision is only constituted for the amount that is effectively expected to be lost. As a consequence, the credit risk provision, constituted for IFRS purposes, is lower than that for BRGAAP purposes.

### **3) Investments in associated companies and other assets**

Treatment of discounts (gains in advantageous purchases) referring to shares held in associated companies.

In the BRGAAP, the discount reduces the value of the investment, while in the IFRS, it is recognized as revenue at the moment of the investment is acquired.

### **4) Deferred taxes**

Since the IFRS recognizes the discount in the acquisition of investments in associated companies as revenue, it is necessary to record the associated taxes. Because it is a temporary difference, such taxes are deferred until the date that this investment is made, generally on its divestment date.

### **5) Other obligations**

This reflects the reclassification commented on in item 1.

### **6) Net assets**

Counterpart entry of the aforementioned effects

### **7) Financial operation results/shareholding results**

Treatment of derivatives included in debentures, commented on in item 1.

Due to this, the loss from derivatives included in debentures, recorded in 2011, was reclassified from "Shareholding results" to "Financial operation results".

### **8) Results from credit risk provisions**

Treatment of revenue from the reversal of credit risk provision in the BRGAAP is not entirely recognized by the IFRS.

As explained in item 2, adopting the "incurred loss" criteria for the records of credit risk provision under the IFRS generally reduces expenses with credit risk provisions and, as a consequence, its revenue from provision reversals to a lower result than those recorded in the BRGAAP.



# Highlights

## Wind energy

In 2011, the total amount of financing approved for the generation of wind energy was R\$ 3.4 billion, representing an increase of 173%, in comparison to 2010. Some 43 wind parks were financed, with an installed capacity of 1,160 MW and total investments of R\$ 5.3 billion. It should be emphasized that, with the success of the alternative sources and reserve energy auctions, and that of the 13<sup>th</sup> Auction for the Purchase of Electric Power Originating from New Generation Ventures (Auction A-5, in 2011), there is an even more expressive perspective for growth for 2012.

It is also important to mention that the wind parks supported by the BNDES are developed to minimize environmental impacts resulting from their construction, while enhancing the benefits from their implementation. They are developed under the BNDES' Surroundings Policy, with social investments that contribute to the territorial sustainable development. They also include participation of the local government, local society and other leadership groups that have participated in discussions on investment proposals and now participate in the implementation of the projects.

The financing contracts between the BNDES and the entrepreneurs responsible for constructing the wind parks include amounts earmarked for social investments, totaling R\$ 26 million, to be used to promote, within the local community: (a) the training of specialized labor in local communities; (b) investments for local infrastructure; (c) diversification of the local economy; (d) stimulus to attract new economic activities to the municipalities where the undertakings are located; and (e) investments in environmental programs to foster the awareness of local communities.

The majority of wind park undertakings will be built in the semi-arid area of the Northeastern Region, where the Human Development Index (HDI) is below the Northeastern average.

Visualizing the growth potential of wind energy generation in the country, new wind turbine manufacturers have signed up in the BNDES manufacturers' registration to supply equipment, in accordance with the nationalization levels required by the BNDES. They are: Acciona, Alstom, IMPSA, Gamesa, GE, Siemens, Suzlon, Vestas, Wobben and WEG.

The presence of these new manufacturers has created more competitiveness in the wind energy generation segment, which has allowed a significant reduction in the invested value per MW installed, and a path

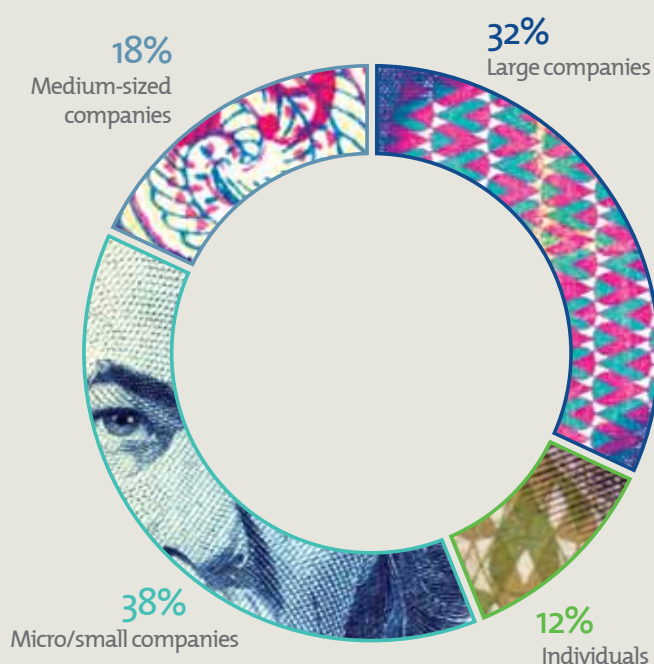
of cost reduction in the energy being commercialized, as can be seen in the results of the latest auctions of alternative sources and reserve energy. The price of commercialized energy coming from wind parks dropped from R\$ 305/MWh in 2005 to R\$ 100.9/MWh in 2011, representing a relevant contribution to reducing tariffs.

Among the operations approved in 2011, those made with Renova Energia, Serveng, IMPSA, Enerfin, DESA, Contour Global, EDP and Galvão, stand apart.

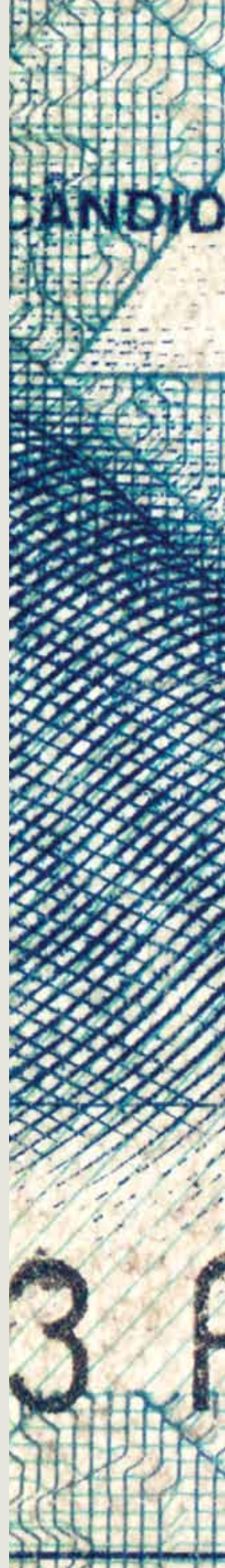
## Micro, small and medium-sized companies (MSME)

One of the BNDES' main priorities is to provide support to micro, small and medium-sized companies because of their important role in the economy, along with the role they play in creating jobs and income. Expanding access to credit is one of this segment's major challenges. The automatic operations operated with assistance from financial agents are the BNDES' and MSMEs' main form of support.

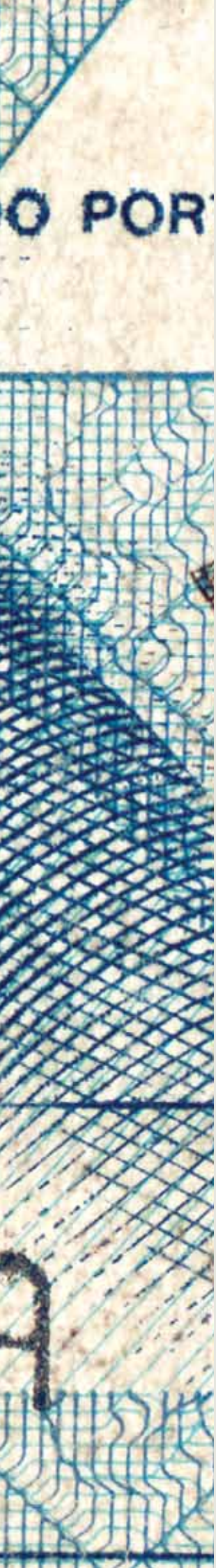
As a consequence of these efforts, the participation of operations with individuals and MSMEs in the total disbursement of the BNDES Automatic operations has increased five percentage points, going from 63% in 2010, to 68% in 2011.



Disbursement distribution per size 2011







The financial institutions' requirement concerning real guarantees is sometime the main obstacle for smaller companies seeking financing. In light of this difficulty, quality business plans cannot be carried out, delaying or even rendering growth and modernization opportunities unfeasible.

To overcome this challenge, the Investment Guarantee Fund (BNDES FGI) was created, aimed at facilitating access to credit for MSMEs, as well as individual entrepreneurs, co-operatives and independent truck drivers. The Fund can complement the guarantees offered by companies, thus increasing the chances for financing request approval. Besides this, with the BNDES FGI guarantee in hands, the operation's conditions can be improved, allowing an extension in the payment terms and an increase in the credit limit.

The BNDES FGI is an innovative initiative. It has its own governance and asset structure, efficient mechanisms to mitigate risks and to maintain economic-financial sustainability. It is an effective public-private partner, with participations from the National Treasury, from the BNDES and from several financial institutions. Up to December 31, 2011, some 17 institutions had already participated in the fund, including major retails banks, vehicle manufacture banks, development agencies and regional development banks.

The total amount of operations approved with guarantees from the BNDES FGI stretches beyond 10,000, representing approximately R\$ 1.77 billion in financing. Companies and entrepreneurs in all Brazilian states have used the BNDES FGI guarantee, with highlights in contracts through the BNDES Pro-Trucker Program, the BNDES PER (emergency reconstruction programs for states affected by natural disasters) and the line for the acquisition of capital goods referring to BNDES Finame.

Beneficiaries total over 8,000, of which, 53% contracted financing from the BNDES for the first time, especially individuals and micro-companies. The BNDES FGI encourages the inclusion of MSMEs in the credit market, providing a form of access with favorable conditions. For the financial institutions, it is an opportunity to expand their client base and enhance their portfolio, mitigating the credit risk in a responsible manner.

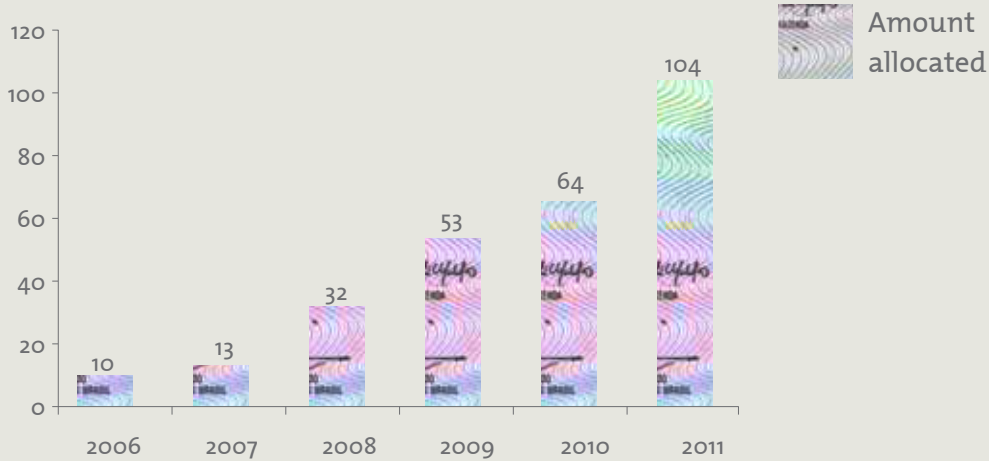
## Corporate social investment

Since 2006, the BNDES' historical support for companies' social projects of volunteer nature – focus on the community or employees, suppliers and clients –, has a specific line with differentiated financial conditions. Over the years, the BNDES has employed efforts so that the Corporate

Social Investment (Investimentos Sociais de Empresas – ISE) line can be an effective tool to induce socially responsible practices in the corporate world, in keeping with the guidelines in its Corporate Social and Environmental Responsibility Policy.

In 2011, there was an intensified effort made to promote the use of the ISE line. Amounts invested during the year changed the historical level of disbursements, reaching R\$ 104 million.

### Corporate Social Investment (in R\$ million)



Development activities with companies that presented new projects to the BNDES were mainly aimed at operations with more expressive financing amounts, usually associated to social and environmental opportunities for communities and territories where the corporate activities are inserted. Besides this, it became possible to contract the ISE line in non-automatic indirect operations, with the partnership of financial institutions accredited with the BNDES.

The Bank seeks to ensure the investment of the resources from the ISE line so that social investments can make an effective contribution to society and elevate the level of social responsibility of the companies. Operational teams are instructed to promote the adoption of better practices in social investments, such as: aligning initiatives with local needs and priorities, as well as the public policies in the three branches of government; establishing goals and indicators for monitoring and evaluation; and working with other interested parties, which permits





better governance and management of social projects. Teams are also made aware as to the importance of assessing the continuity of these projects, once company support has been concluded, taking into consideration the pertinent economic-financial, social, environmental and institutional aspects.

## CRIATEC Fund

CRIATEC is a pioneering seed-capital fund created by the Bank to invest in emerging companies focused on innovation, with annual sales lower than R\$ 6 million. CRIATEC was launched in 2007 and has committed assets of R\$ 100 million – of which, some R\$ 80 million comes from the BNDES and R\$ 20 million from the Banco do Nordeste (Northeastern Bank). From the beginning, the fund contracted investments in 36 companies, based on the analysis from regional managers inserted in innovation ecosystems in the states of Santa Catarina, São Paulo, Rio de Janeiro, Minas Gerais, Pernambuco, Ceará and Pará.

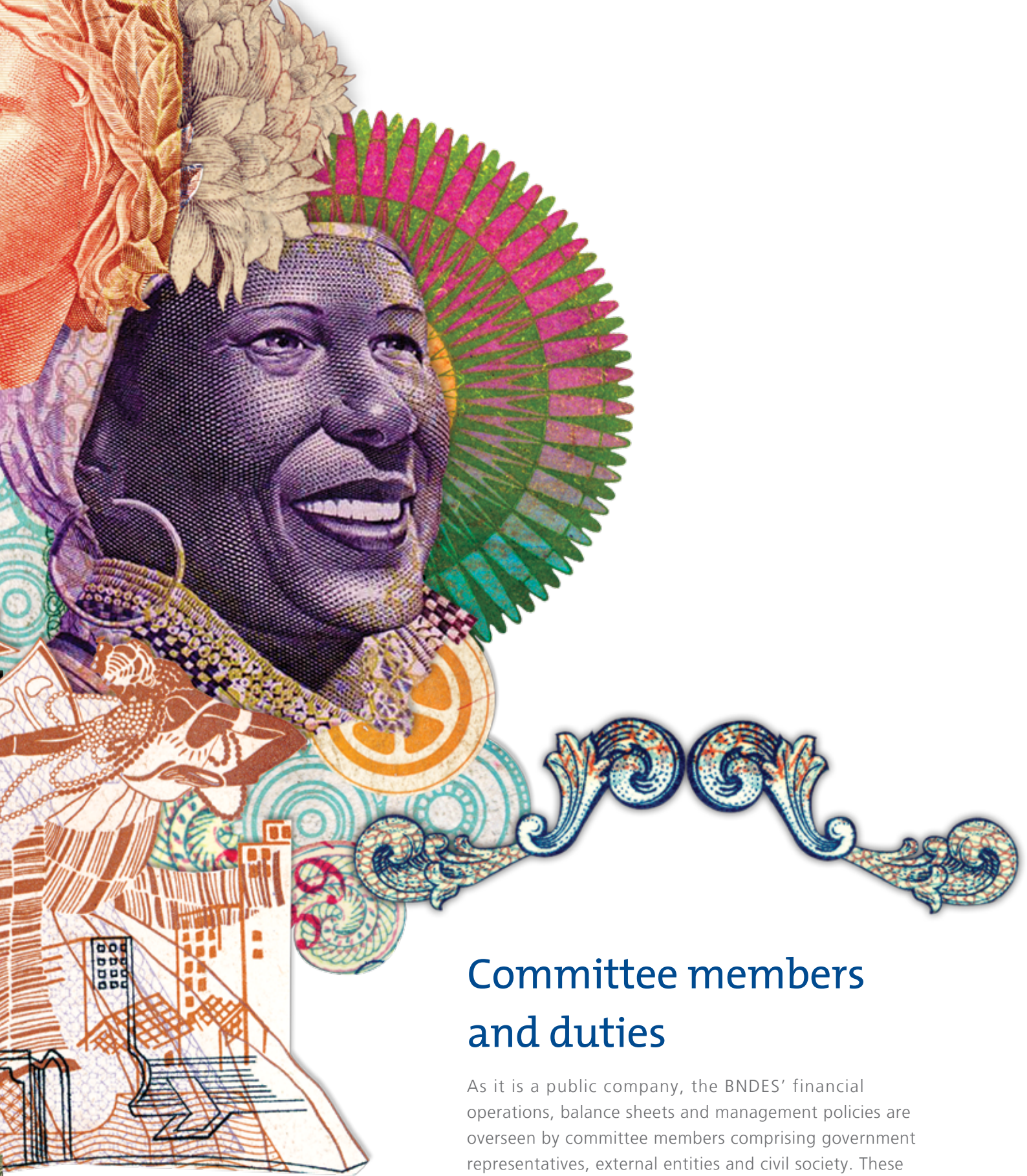
Companies supported by CRIATEC provide solutions in various sectors, such as biotechnology, software, nanotechnology, new materials, automation and microelectronics. The fund's challenge lies in developing and inserting these companies into the market. From the moment the investment is made, the companies in this portfolio receive assistance in different aspects of the business, such as financial planning, hiring qualified executives and structuring intellectual property strategies.

The investment period of the fund expired in late 2011, when the main focus changed to the acceleration of sustainable growth of the companies in the portfolio.



4

# GOVERNANCE



## Committee members and duties

As it is a public company, the BNDES' financial operations, balance sheets and management policies are overseen by committee members comprising government representatives, external entities and civil society. These committee members are the Advisory Board, the Auditing Committee and the Fiscal Council. Below are the duties of each committee member.

## Advisory Board

- At the request of the Minister for Development, Industry and Foreign Trade, provide opinions on relevant issues regarding the country's economic and social development that are more directly related to the BNDES' actions;
- advise the Bank's president on general lines of action;
- examine and approve, as proposed by the president of the Bank, the long-term general policies and operational programs;
- approve and follow up on the execution of the global resources and expenditure budget, as well as examine the annual audit reports and information on the results from the Bank's efforts;
- approve the institution's balance sheets and financial statements;
- authorize the creation of reserves;
- provide opinions on the allocation of results;
- deliberate on the capital increase; and
- designate the head of Auditing.

## Auditing Committee

- Recommend the contracting of independent auditing to the Bank's Administration;
- prior to publication, review the half-year accounting statements;
- assess the effectiveness of independent and internal audits;
- recommend the correction or improvement of policies, practices and procedures identified within the scope of its attributions to the BNDES' Board of Directors; and

- draft reports containing information on its activities and the assessment of the effectiveness of the internal control systems.

## Fiscal Council

- Examine and issue opinions on balance sheets and other financial statements, as well as the BNDES Board of Director's half-year rendering of accounts; and
- carry out other attributions foreseen in the Joint-Stock Company Laws.

## Board of Directors

The BNDES' Board of Directors comprises eight members: the president, the vice president and six managing directors, all appointed by the President of the Republic.

The activities performed by BNDES are organized in subdivided operational divisions, responsible for granting credit, follow-up and support aimed at corporate support activities.

Within the operational divisions, work is performed by multidisciplinary teams. This procedure intends to ensure broad and efficient project analysis, using each professional's technical training. This multidisciplinary nature enables employees to be knowledgeable about the entire process in which he/she is included and not only his/her part.

The BNDES' main decisions are made by the Board of Directors in keeping with the purposes and objectives established in its Bylaws, and with higher-level guidance from the BNDES' Advisory Board via proposals from divisions and their respective Managing Directors during ordinary or extraordinary weekly meetings (summoned by the president) in the form of decisions (of a specific nature) or resolutions (generic nature). However, there are other committee members with deliberative duties that involve the Deputy Managing Directors, besides the Managing Directors, as can be seen in the following table.

## The BNDES' main executive committees

COMMITTEE	COMPOSITION	DUTIES
Planning Committee	<ul style="list-style-type: none"> <li>» President;</li> <li>» vice president</li> <li>» managing directors;</li> <li>» head of the President's Office;</li> <li>» deputy managing directors</li> </ul>	<ul style="list-style-type: none"> <li>» Coordinate the set-up and follow-up of corporate strategy, besides promoting its annual update; and</li> <li>» assess the results achieved and discuss the incorporation of adjustments as well as improvements to corporate strategy.</li> </ul>
Managerial Committee	<ul style="list-style-type: none"> <li>» Deputy Managing Directors;</li> <li>» head of the President's General Office;</li> <li>» head of the Planning Division's Corporate Strategy Department</li> </ul>	<ul style="list-style-type: none"> <li>» Oversee the efficient implementation of credit, financial and corporate operational policies;</li> <li>» promote the strengthening of the relations between fundamental units; and</li> <li>» oversee the fulfillment of decisions and resolutions of a managerial nature, originating from the Board of Directors.</li> </ul>
Credit and Eligibility Committee (CEC)	<ul style="list-style-type: none"> <li>» Deputy Managing Directors for Planning, Credit, Industrial, Infrastructure, Basic Inputs, Social Infrastructure, Foreign Trade, Indirect Operations, Capitals Market, Entrepreneur Capital, the Environment, International Financing, Legal</li> </ul>	<ul style="list-style-type: none"> <li>» Analyze applications for financial support in the consultation letters; and</li> <li>» decide on eligibility in operational policies, communicating with the Board of Directors.</li> </ul>
Budget Committee	<ul style="list-style-type: none"> <li>» President;</li> <li>» vice president;</li> <li>» managing directors;</li> <li>» head of the President's Office;* </li> <li>» head of auditing;* </li> <li>» deputy managing directors*</li> </ul>	<ul style="list-style-type: none"> <li>» Establish the guidelines to draft the budget proposal;</li> <li>» follow up on the budget performance; and</li> <li>» approve measures aimed at maximizing the cash-flow situation.</li> </ul>
Risk Management Committee (CGR)	<ul style="list-style-type: none"> <li>» President;</li> <li>» vice president;</li> <li>» managing directors;</li> <li>» head of the President's Office;* </li> <li>» deputy managing director of Risk Management Division*</li> </ul>	<ul style="list-style-type: none"> <li>» Propose risk management policies for the market, liquidity, credit and operations; and</li> <li>» assess environmental risks.</li> </ul>
Committee for Financial Affairs (CAF)	<ul style="list-style-type: none"> <li>» Deputy Managing Financial Directors, for Credit, Planning, Risk Management,* Capitals Market* and International*</li> </ul>	<ul style="list-style-type: none"> <li>» Review the model that determines the basic spread;</li> <li>» suggest target scenarios for PL growth; and</li> <li>» suggest possible changes of the financial and credit policy to the Board of Directors.</li> </ul>

continue



continued

COMMITTEE	COMPOSITION	DUTIES
Committee for Production Systems, Innovation, Local, Regional and Socio-Environmental Development (CAR-IMA)	<ul style="list-style-type: none"> <li>» President;</li> <li>» head of the President's Office;</li> <li>» deputy managing industrial directors for Basic Inputs, Infrastructure, Indirect Operations, Planning, Social Infrastructure, Entrepreneur Capital, Credit, Financial, the Environment, Agriculture and Cattle-raising and Social Inclusion, Human Resources, Economic Research;</li> <li>» advisor appointed by the president</li> </ul>	<ul style="list-style-type: none"> <li>» Assess the instruments adopted by the BNDES, with a potential impact on production and innovation systems, as well as local, regional and socio-environmental innovation.</li> </ul>
FUNTEC Advisory Council (CCTEC)	<ul style="list-style-type: none"> <li>» Deputy Managing Planning Director;</li> <li>» career employees;</li> <li>» Federal Government representative;</li> <li>» external specialists</li> </ul>	<ul style="list-style-type: none"> <li>» Assess requests for financial support in the Previous Consultations submitted to the BNDES within the FUNTEC scope.</li> </ul>
Managing Committee for the Guarantee System (CGSG)	<ul style="list-style-type: none"> <li>» Credit, Industrial, Basic Inputs, Infrastructure, Social Infrastructure, Capitals Market, Environmental, Foreign Trade, Financial, Legal, Risk Management, Information Technology Division representatives</li> </ul>	<ul style="list-style-type: none"> <li>» Oversee the standardization of procedures and the quality of information recorded in the Guarantee System (GRT);</li> <li>» define rules for access control to information handled by the GRT;</li> <li>» identify and follow up on possible GRT improvement opportunities; and</li> <li>» help guide and train the users.</li> </ul>

\* No voting right.

## Flow of financial support

Granting financial support is a vital process for the BNDES. Because of the main support modalities practiced by the Bank, this process is subdivided into: (a) granting financial support in direct operations (those over R\$ 10 million, in which the credit risk is assumed by the BNDES) and indirect non-automatic operations (generally in operations over R\$ 10 million, in which the credit risk is assumed, totally or partially, by the financial agents); and (b) granting financial support in automatic indirect operations (operations under R\$ 10 million, in which the credit risk is assumed by financial agents).

The main components in the first process are: (a) analysis of operation consultations and eligibility; (b) analysis of operation projects; (c) contracting operations; and (d) monitoring and disbursing operation resources. The main components of the

second process are: (a) analysis of operation consultations; (b) receiving, analyzing and approving operations; (c) approving resources for operations; and (d) monitoring operations.

Control of the process for granting financial support, in the cases of direct and indirect non-automatic operations, entails several of the organization's members and instances. Requests for financial support are presented to the BNDES by means of formal consultations, forwarded to an organizational unit charged with analyzing and submitting them to the Credit and Eligibility Committee (CEC). This committee meets on a weekly basis to analyze the consultations received and deliberate on other credit issues. After the operation has been classified, it is sent to the department in the operational division, which is responsible for analyzing the project. The resulting report is submitted to the BNDES' Board of Directors, which also meets on a weekly basis. If the deliberation is favorable to approve the operation, it is then contracted. The department in the operational division responsible for the operation releases resources according to the established schedule and periodically monitors its use. Payment of debts (interest and amortizations) is monitored until the debt is quitted.

The monitoring process influences the mitigation of credit risks in financing operations performed by the BNDES. Monitoring represents an important role in building the Bank's relationship with its clients since it allows for greater sectorial knowledge regarding the companies and projects, enabling the identification of the need for new support mechanisms and processes. The image below summarizes the main steps in the process to grant financial support.

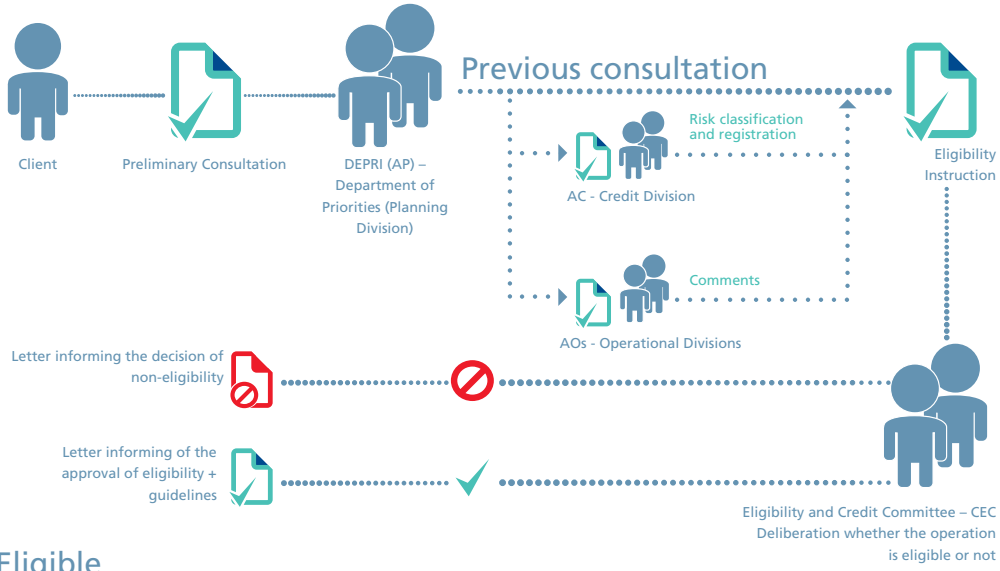
The automatic indirect operations are submitted to operational procedures that encompass fewer players and instances from the organization than non-automatic direct and indirect operations. The demand for financial support from corporate entities and individuals is presented directly to the financial on-lending agents,<sup>1</sup> who analyze and mold them under the defined terms for the chosen product.

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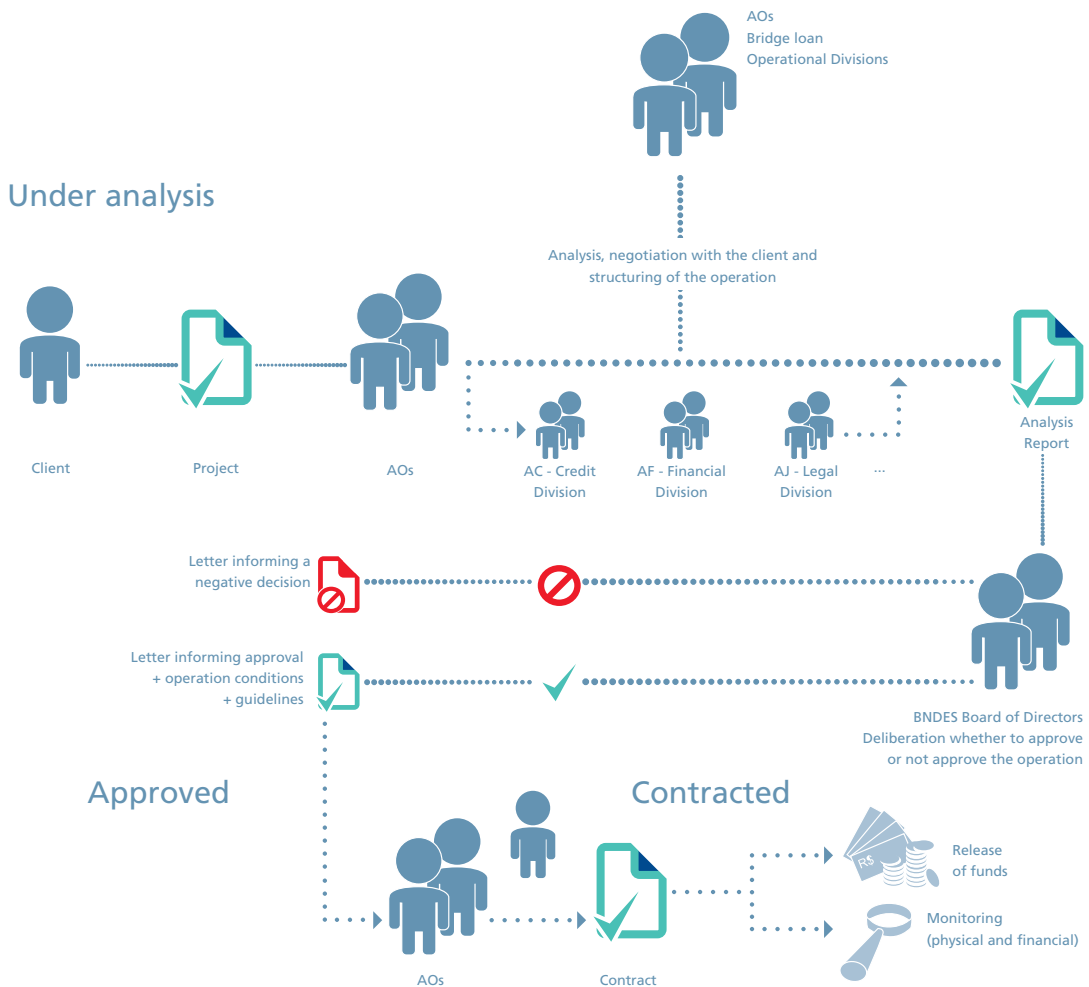
<sup>1</sup>Most Brazilian banks are part of this network of agents and, therefore, are accredited to operate with the BNDES' financing lines. In indirect operations, the Bank transfers financial resources to commercial banks, both public and private, development agencies and co-operatives accredited by the BNDES, and these agents are responsible for analyzing, approving credit and defining guarantees. The operation's risk is taken on by the financial agents who analyze the project. The clients usually go to institutions where they are already registered and/or have some type of banking relationship.

# Credit concession process flowchart

## Perspective



## Eligible





The resulting financial support proposals are forwarded by the financial agents directly to the operational departments in the Indirect Operations Division (AOI), which is responsible for the product, and which analyzes, approves or rejects the proposals. The higher instances – the Deputy Managing and Managing Directors in the division – endorse approvals or return them to the previous instance. After they are approved, financial support proposals are contracted, becoming operations and the requested resources are disbursed. Due to the volume of non-automatic indirect operations and the characteristics related to this type of operation, the operational division proceeds to monitor the portfolio samples to confirm correct and effective application of resources. Similar to what occurs in non-automatic direct and indirect operations, payment of credits (interest and amortizations) is monitored until the debt is quitted.

Besides the direct and indirect modalities, financial support granted by the BNDES System may be classified based on the instruments used: fixed or variable-income. In the latter case, the BNDES System, through its integral subsidiary BNDESPAR, uses normal Capitals Market tools to promote growth and the strengthening of companies in various sectors in the economy, to disseminate the concept, to encourage corporate governance practices in the companies, and to stimulate the Brazilian capitals market.

## Environmental and social risks in the business lines

Social and environmental impacts of projects financed by the BNDES in the non-automatic direct and indirect modalities are identified and treated throughout the different phases of granting financial support, in accordance with operational policy guidelines, especially from the BNDES Socio-environmental Policy.

While assessing a project presented to the Bank, information on the management of socio-environmental aspects linked to

the performance of the interested party's activities are considered, and its regularity regarding environmental and labor issues is verified. Meeting legal obligations is a non-negotiable requirement in the analysis of support from the BNDES, as are the financial and economic prerequisites for the Bank's clients.

Impacts resulting from the undertaking to be implemented, such as: generation and maintenance of jobs, the population's employment and income, as well as the economic and social dynamics in the surrounding areas of projects.

To ensure sustainability is fostered in the supported projects, the BNDES relies on instruments that assist the analysis teams and support decisions regarding socio-environmental issues.

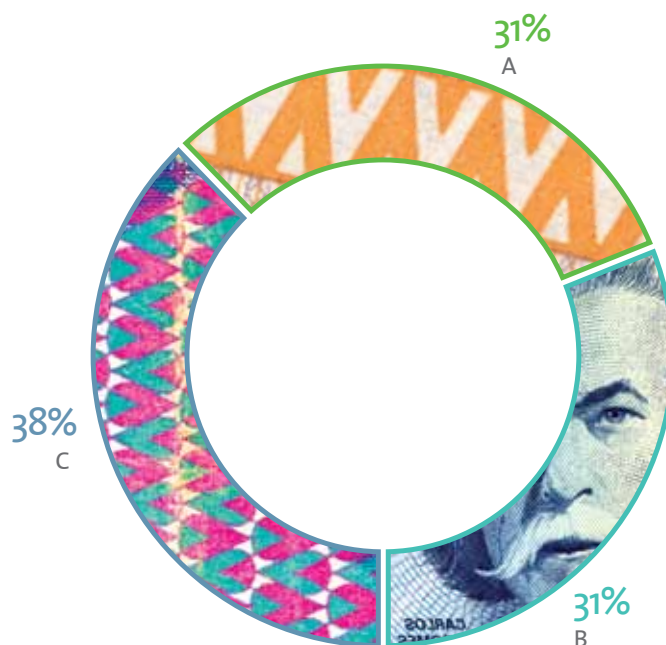
By sending the loan proposals to be analyzed by the BNDES, applicants answer for the environmental issues and social aspects related to the undertaking and the companies' practices (attached to the Information for Prior Consultation Guidelines). During the initial phase of the request for financial support, eligible projects are classified in relation to their environmental risks with adverse impact, according to the following table.

ENVIRONMENTAL CATEGORY	IMPACT RISK
A	Activity related to significant environmental impact risks, or those with regional reach. Licensing requires impact studies, preventive measures and mitigating efforts.
B	Activity associated to less aggressive or local environmental impacts. Requires specific assessment and measures.
C	Activity does not present, in principle, environmental risk.

In accordance with the BNDES Socio-environmental Policy, environmental classification takes into account the sector and type of activity, its location, magnitude and environmental impact attributes inherent to the undertaking. Based on information regarding the impacts from projects, the Credit and Eligibility Committee (CEC) discusses socio-environmental recommendations to be observed during the analysis phase.

In 2011, eligible operations, subject to environmental classification, presented the following profile:

### Impact risk profile of eligible operations



The Bank also has a set of sectorial guidelines with specific orientation for the analysis teams regarding socio-environmental issues linked to each sector. There are internal resolutions related to the cattle-raising, sugar and ethanol and thermoelectric power generation to fossil fuel sectors. In 2011, the Socio-environmental Guidelines were approved for the beef cattle-raising, sugar-energy and soybean sectors, which present the fundamental issues and the socio-environmental impacts typical to each sector, besides a summary of Brazilian legislation and the BNDES' internal norms regarding the matter.

Another instrument that supports the analysis of operations is the Company Evaluation Methodology (MAE), whose objective is to evaluate companies' intangible assets. Among the

intangible assets, the evaluation of the socio-environmental capital helps measure the level of commitment to Social and Environmental Responsibility (RSA) and its associated practices.

## Project monitoring and assessment

The assessment of efforts to foster development carried out by public managers, development agencies, NGOs and companies have grown in importance, and disclosure has expanded. Several studies have been published by BNDES technicians throughout its existence, containing assessments of the impacts of their actions. More recently, the Bank developed and implemented methods and processes to monitor and assess the effectiveness of such actions, going beyond the physical-financial follow-up on loans. The proposal is original in that it inserts the effectiveness assessment process into the analysis and follow-up routines of its operations, so the process becomes systematic, sustainable and institutionalized.

The financial support provided to investment projects produces effects or impacts on the economic, social, environmental and institutional aspects. The effectiveness assessment (or the assessment of impacts) seeks to measure the Bank's level of contribution to sustainable development, aligned with the Federal Government's development policies. It consists of applying quantitative and qualitative techniques that reveal the objective of operations carried out and that measure their scope.

The main pillar that offers support for the effectiveness analysis that is increasingly being adopted by the BNDES is the Logical Framework – also called Logical Matrix, Logical Model or Theory of Change. It is a planning instrument for projects and programs widely used by multilateral development agencies. In it, the cause and effect relationships between activities and the expected impacts are represented as are the chosen indicators to indicate the desired results.<sup>2</sup>

<sup>2</sup> Publications are available (also on the BNDES' website) with applications of this model in the BNDES Profarma program (*BNDES Setorial 33*) and in the BNDES Card (*Revista do BNDES 36*).

The BNDES has gradually improved the effectiveness assessments, which will enable: better organizational knowledge concerning operations performed; feedback on corporate planning processes; redesign of programs and operational lines; and transparency of the effects generated for the government, clients and society.

## Financial management

### Revision of the financial policy

In November of 2011, the Board of Directors approved a revision of the BNDES System's Financial Policy. This new policy is subdivided into a Margin Policy, a Capital Management Policy, a Treasury Portfolio Management Policy, an Asset Turnover Policy and a Risk Management Measures Policy. The new text establishes three main objectives, which are: sustainable growth, budget and stability.

Sustainable growth, from a financial point of view, is highlighted as a new objective, improving the concept of profitability, which is now seen as an instrument to ensure the expansion of capital and profitability compatible with the growth of the assets. Furthermore, the Financial Policy still contains the objective of establishing guidelines and orientations to provide the necessary resources for the BNDES disbursement budget and the management of the banking activity's financial risks.

### Financial protection operations in the local market

In 2011, several hedge operations were carried out using BM&FBOVESPA and local financial institution derivative instruments. It is noteworthy that some transactions with financial institutions were negotiated with bilateral credit risk mitigation mechanisms by means of the fiduciary assignment of government bonds and inter-financial deposits



to cover the margin. By the end of the year, the position held by the BNDES in derivatives reached approximately R\$ 10.9 billion.

## Risk management and internal controls

The BNDES' risk management is an ongoing and evolutionary process. Work is developed so as to provide to align risk control policies, processes, criteria and methodologies.

The BNDES' risk and internal control management structure include: the Advisory Board; Board of Directors; Risk Management Committee; Market Risk Management Subcommittees, Credit Risk, Operational Risk, and Internal Controls; and units dedicated to risk management.

### Internal controls

Internal controls are procedures present in all levels of the institution, designed to mitigate risks and provide reasonable security for the following objectives to be met:

- conformity: activities are carried out in accordance with the internal and external norms that regulate them;
- performance: efficiency and effectiveness of the processes, with no excessive costs and with the protection of assets;
- information: availability of reliable, precise and timely information for the decision-making process.

Within this context, verification activities regarding conformity to internal and external norms are carried out, as are risk assessment and internal controls of work processes. Reports containing the assessment conclusions are submitted to the Risk Management Committee and to the Senior Administration. Compliance with recommendations made to the units involved is constantly monitored.

Throughout 2011, highlights include the development of the Ongoing Monitoring Project, whose objective is to systematize and automate conformity verification, as well as the institution of a Conformity Agent, a role carried out by the employee that, in his/her respective unit, is a contact for matters related to internal controls and conformity.

The permanent activity of disseminating a culture of internal control is based on a communication process, aimed at clarifying the role of each professional in the Internal Control System and reinforcing the importance of ethics and transparency. Besides disclosure of the Corporate Internal Control Policy and the availability of information related to the issue on the Intranet, lectures are given to new employees, within the scope of regular staff renewal.

## Operational risk

Operational risks derive from the possibility of loss resulting from failure, shortcomings or improper internal processes, people and systems or due to external events. The concept includes the legal risk, associated with the incompetence of or flaws in contracts negotiated by the institution, as well as sanctions due to non-compliance with legal stipulations and indemnities to third party liability resulting from activities developed by the institution.

Risk operational management at the BNDES contemplates: (a) identification and assessment of operational risks in processes, new products and services; (b) identification of potential threats to the continuity of business and its impacts, as well as the prevention of and solution to interruptions; and (c) capturing and analysis of information regarding losses and the calculation of the portion of regulatory capital referring to the operational risk (POPR). The POPR went from R\$ 762 million in December, 2010, to R\$ 947 million in 2011. This increase reflects the growth of the gross financial intermediation results and the results from investments assessed using the equity accounting method during the period considered.

In 2011, one highlight is start of the project to develop and implement a Business Continuity Management System for



the BNDES, with support from outside consulting, created to provide the institution with greater resilience. Within this project, the BNDES' essential processes, which cannot be interrupted, even in case of incidents, and their operational requirements, will be identified so that the Business Continuity Plans, associated to such processes, can be defined.

Aiming at disseminating the culture of operational risks, the training program for new employees contains a specific module on the subject. Operational risk information is also available to the internal public on the intranet.

## Market risk

Market risk corresponds to the possibility of financial losses resulting from the alteration in market values of active and passive positions held by the institution, among which are the operational risks subject to the variation of foreign currency rates, interest rates, stock prices and the prices of commodities.

The unit responsible for market risk management monitors the portions of capital requirements related to market risk. The results obtained are compiled into managerial reports, disclosed internally, and in the documents sent to the regulating agency. The BNDES also checks the internal managerial limits, related to the mismatches due to market risk factors, originating from the Bank's operations.

Concerning the evolution of the regulatory capital portions, in 2011 the negotiation portfolio's portion of interest rates (PJUR) presented a drop from R\$ 94.6 million in 2010, to R\$ 71.7 million in 2011, due to, above all, the lower exposure to hedge derivatives. The interest rate risk of the non-negotiation portfolio (RBAN) registered an increase prior to 2010, going from R\$ 1.1 billion to R\$ 1.5 billion, due especially to the mismatches resulting from risk factors caused by the National Treasury's fundraising. Such mismatches, while beneficial to the Bank's profitability, since they are associated to the acquisition of Federal Government bonds financed by passive using the Long-Term Interest Rate (TJLP), generate market risk for the institution. The mismatches in

foreign currency remained at levels of little significance and their direct exposure to commodities was null and void, resulting in null-and-void portions of exchange (PCAM) and commodity (PCOM) risks. It is important to add that, because their central objective is not capital gains, shares held by the BNDES are not part of the negotiation portfolio, and therefore, their risk is calculated only by the portion of assets pondered by risk, with the treatment integrated to the credit risk measures (PEPR). The portion of the negotiation portfolio's shares (PACS) is therefore null and void.

In 2011, worthy of mention is the completion of the Risk System's implementation project earmarked for management of market and liquidity risks, carried out by an external consulting firm. The system will permit a significant evolution in the BNDES' management of market risk, with greater capacity to assist in the decision-making process, based on more consistent analyses, performed in a shorter period.

Also in 2011, developing processes required to address the changes in capital requirement calculations for market risks was prioritized, as defined in the Central Bank's Official Memorandum N°. 3,498/2010; and scenarios were generated for the BNDES' future cash flows and balance sheet up to 2020, based on a model developed internally.

## Credit risk

Credit risk is that associated with not only the possibility of losses resulting from the borrower or counterpart defaulting on his/her respective financial obligations under the agreed terms, but also the depreciation of the credit contract stemming from the deterioration of the borrower's risk classification, the drop in gains or remunerations, and the advantages granted in renegotiations as well as the recovery costs. Thus, credit risk management at the BNDES permeates the entire process of granting, monitoring, charging and recovering credit recovery, encompassing operations in several areas.

The BNDES calculates the portion of regulatory capital for its entire credit portfolio and for all the other assets, such as bonds and securities, swaps and repurchase agreements, and

sends the information to Central Bank on a monthly basis. In 2011, the portion of the regulatory capital referring to the credit risk (PEPR – portion of pondered exposures per pondered risk factor) increased from R\$ 48.2 billion, in December 2010, to R\$ 51.9 billion, in December 2011. On the one hand, the path reflects the growth of loans contracted and assumed credit commitments. On the other hand, it demonstrates the effect caused by rules 38, 39 and 40 of the Accounting Pronouncement Committee (APC) becoming effective.

Additionally, the BNDES drafts its own estimates for the different risk components of the credit portfolio, with the objective of assessing potential financial losses. The Bank also determines and verifies the internal and external regulatory limits, among them, exposure limits per client and to the public sector, sectorial limits, besides several indicators related to the BNDES' portfolio, such as default and credits entered as losses, the quality of the portfolio and provisioning, concentration per economic group and per activity sector, among others.

In 2011, there was an expressive increase in the BNDES System's credit portfolio, which has exceeded R\$ 437 billion. Such an increase, however, did not imply in the deterioration of the portfolio's credit profile. The participation of the credit as investment (AA and A credit risks on the BACEN scale) surpassed 87% of the total, higher than that registered in 2010. The average default rate during the year reached 0.1%, the lowest level registered over the last few years. These factors have contributed to a significant reduction in credit risk provision.

The financial volume recovered by the BNDES was over R\$ 749 million in 2011. Besides this, some 45 operations, in the amount of R\$ 1.2 billion were renegotiated. Of this value, there is the expectation to receive R\$ 870 million. The remaining balance can be dismissed, depending on the fulfillment of various obligations.

Throughout 2011, the Bank proceeded to implement a market application, purchased by means of a public bid, earmarked for the BNDES' and its subsidiaries' credit risk management. The implementation process is supported by outside consulting and completion is expected in the first half of 2012. Considerable efforts in treating and integrating

information were made with support from the Information Technology Division so the tool was able to produce managerial and regulatory information, which is fundamental to the Senior Administration's decision-making process.

In parallel, the profitability calculation of the BNDES' contracts was completed in 2011, which, throughout 2012, will serve as a basis for the study related to performance indicators adjusted to the risk of the BNDES' lines and programs.

## Ethics manager

Managing ethics in the BNDES System is carried out by the BNDES System's Ethics Committee (CET/BNDES) and by the Ethics Committee's Executive Office, which is linked to the BNDES' President's office, under the terms of the BNDES System's Code of Ethics and the applicable legislation, especially Decree N°. 6,029/2007 and Resolution N°. 010/2008, of the Public Ethics Committee (PEC).

The current BNDES System's Code of Ethics, approved in 2009, guides work developed to manage ethics by promoting educational efforts, by updating and improving norms, and by determining and applying the measures applicable in cases of ethical violations.

Annually, one third of the members of the BNDES System's Ethics Committee is renewed, and members are assigned a three-year term, which can be renewed for another three-year term.

The BNDES has been a member of the National Ethics Management Forum in State-owned Companies since it was created in 2007, and it participates actively in monthly ordinary meetings and in the organization of the Annual Seminar on Ethics Management in State-owned Companies. Currently, some 20 companies comprise said Forum, which is dedicated to studying and debating matters related to ethics, taking into account its conceptual, philosophical, doctrinal, legal and administrative aspects, while sharing experiences

and strengthening the management of ethics within the public sphere.

During the 7<sup>th</sup> Annual Seminar on Ethics Management in State-owned Companies, organized in 2011 by the Brazilian Nuclear Industries (INB), the experience of ethics management at the BNDES was one of the cases debated by participants. On this occasion, the BNDES assumed the commitment, with the support of its president, to coordinate and host the 8<sup>th</sup> Annual Seminar on Ethics Management in State-owned Companies in 2012, within the scope of the BNDES' 60<sup>th</sup> anniversary celebrations.

Emotional abuse in the workplace was discussed openly with those attending the Forum, in a specific seminar. An internal Workgroup was also created to discuss the subject, define concepts as well as implement preventive and corrective measures.

In 2011, some 46 ordinary meetings and one extraordinary meeting were held by the BNDES System's Ethics Committee. Besides its basic duties, the CET/BNDES collaborates with the workgroups on Emotional Abuse, Gender Pro-Equity and Socio-environmental Responsibility (RSA).

Some 72 new preliminary procedures (PP), resulting from 59 consultations and 13 complaints were opened. Orientation was given directly to the person who filed the consultation, or was sent to the pertinent unit. Complaints were investigated, resulting in two Ethics Investigation Processes (PAE), three Conduct Agreement signatures, three submissions to the Ombudsperson's Office, one apology, one withdrawal and one case dismissed. Besides the two aforementioned PAEs, two others from 2010 were dealt with: one was deemed invalid and the other is being processed.

The main issues covered in preliminary procedures are demonstrated in the table below:

SUBJECT	OCCURRENCES
Parallel activities/teaching/conflict of interests	30
Professional and personal disrespect/conflicts	16
Presents and gifts	11
Securities	6
Other	9
<b>Total</b>	<b>72</b>

The CET/BNDES works independently and impartially, which strengthens the institution's reputation and the internal respect from employees and their managers.

All procedures and processes being handled within the scope of the BNDES System's Ethics Committee aim to respect the constitutional principles of adversary proceedings and full right to defense, maintaining secrecy and confidentiality of the names of parties involved, guaranteeing them respect of honor and image.

On the other hand, without breaching necessary confidentiality, proceedings are carried out transparently so that values, orientations and decisions are of public knowledge, aiming at building and maintaining an ethical environment at the BNDES.

Continuing to disseminate the ethical management at the BNDES, a lecture program was developed, which reaches approximately 24% of the workforce, as described below:

- three lectures for all employees hired in 2011, within the scope of the New Employee Integration Program, with 203 participants; and
- some 12 lectures in the Evolve Project (Evoluir), aimed at consolidating the BNDES' values, of which ethics is one of the pillars, including approximately 450 employees.

The BNDES is certain it has achieved recognition and respect from Brazilian society. Ethical behavior while carrying out its activities is one of the values that have given rise to such acknowledgement. Maintaining the ethical tradition in the institution is a permanent commitment, and this factor highlights the ethical management work.



BRASILE

RIGO





*Waldomiro*  
MINISTRO DA FAZENDA

5

**TRANSPARENCY**



## Communication channels

The BNDES has several channels to meet the information needs of society and the Bank's clients concerning its performance and its forms of financial support.

"Contact Us", on the BNDES' website, is one of the main channels for the Bank's corporate support. This communications tool clarifies a variety of issues and the Bank's institutional aspects, civil service recruitment exams, calls for bid, sponsorship and, especially, doubts regarding the BNDES' loans. Progress of any request sent can be accompanied by means of protocol number generated by the system when the message is sent.

The Bank relies on trilingual professionals dedicated to providing support to foreigners interested in investing in Brazil.

In 2011, over 35,500 electronic messages were answered, an average of 170 e-mails a day. These figures solely concern institutional subjects or direct operations with the BNDES. Besides this, within the scope of indirect operations, the BNDES was contacted approximately 230,000 times electronically.

The phone service, carried out by means of the Bank's call centers, also represents an efficient interaction channel between the BNDES, its clients and potential clients. In 2011, approximately 580,000 phone calls were handled.

Allowing personalized communication, the onsite service relies on teams in Rio de Janeiro, Brasília, Recife and São Paulo, which provide information regarding the Bank's financing lines and orient clients according to their profile (individuals, micro, small, medium-sized, medium-large or large companies, the public sector and the third sector) and to investment needs.

This means of contact is an important tool for detecting opportunities to improve the BNDES' performance based on reports from clients concerning their needs.

In 2011, the BNDES teams performed 1,301 onsite support services.

## Website accessibility

In 2011, the BNDES' website ([www.bndes.gov.br](http://www.bndes.gov.br)) received over 247,000 individual visitors per month, representing an increase of approximately 25% in comparison to 2010.

The growing public visiting the BNDES' website requires an increasing commitment to the quality of published information, and also to the universality and reach of this information.

Seeking an interaction interface that is more user-friendly or its clients and society in general, in 2011, the Bank made the effort to improve accessibility standards on the institutional website. The objective is to reduce the barriers to access the BNDES' information, especially for users with special needs, or visitors who use mobile platforms and electronic devices that are constantly modernized.

The website was assessed<sup>3</sup> taking into account accessibility criteria, such as page download time at different connections; the publication of files in various formats to ensure universal access; contrast in color matching between the foreground and the background; the adaptation to screen readers for people with some type of visual impairment; among others.

Changes affected everything from elements in the information structure – menus, links, tables, forms – including multimedia content – images, animation and videos – to the programming code that builds the pages. Implementation began in 2011 and will be completed in 2012, when the consolidation of routines, required to maintain website accessibility permanent, is scheduled.

Making a website available, which is adapted and user-friendly for a wide variety of visitor profiles to browse, is to assure citizens' rights to information. Providing information with no obstacles is the first step towards more transparent and direct communication with society, bringing all Brazilian citizens closer to the BNDES' activities and services.

In 2011, the BNDES held its traditional cycle of lectures, called BNDES Closer to You, aimed at not only disclosing financing modalities that are more adequate to the profile of Brazilian micro, small and medium-sized companies, but also expanding access to information on the Bank and its products.

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<sup>3</sup> The BNDES web portal has been considered accessible since 2009 by means of the validation performed by automatic tools. However, the Bank understood that the improvement of the website's accessibility was fundamental, by means of a human analysis, and therefore, more detailed than an evaluation made by an electronic tool. Thus, a specialized consulting firm was hired to prepare a complete diagnosis of the accessibility barriers that still existed.

Traditionally, on the annual calendar of lectures, the Bank includes events in Rio de Janeiro, São Paulo, Brasília and Recife, cities that concentrate a large number of companies. On the other hand, the Bank also hosts lectures in smaller cities, such as Corumbá (in the state of Mato Grosso do Sul), Feira de Santana (in the state of Bahia) and Mossoró (in the state of Rio Grande do Norte), demonstrating that the initiative is not restricted to major urban or industrial centers.

In 2011, this initiative reached a public of approximately 3,400 people in 21 lectures that covered all of the country's regions. The interest created by the lectures in Joinville (in the state of Santa Catarina), Jaboatão dos Guararapes (in the state of Pernambuco) and São Luís (in the state of Maranhão), which had an average of 250 people, exceeding attendance expectations in each event, is worth mentioning.

Besides the BNDES' Closer to You, the Bank also held institutional lectures on more specific issues – among them: innovation, tourism and the BNDES Card. In 2011, the BNDES also held 37 training sessions for its financial agents.

The growing demand for institutional lectures for foreign audiences confirms the global interest in Brazil's economy. Governmental representatives, financial institution and development agency missions, as well as groups of entrepreneurs and college students have requested these lectures, offered in English and Spanish.

Visitors demonstrated special interest in topics such as: social and environmental responsibility policy, foreign trade, agriculture and cattle-raising, microcredit, support for small and medium-sized companies, besides the 2014 World Cup in Brazil and the 2016 Olympic Games in Rio de Janeiro.

In 2011, the Bank received delegations from several countries, such as South Africa, Germany, Canada, El Salvador, Egypt, Spain, the United States, France, Italy, Norway, the United Kingdom, Russia and Vietnam, attending approximately 1,000 people. The 17 lectures given to groups of North American college students are also worthy of note.

The BNDES understands that these lectures are the opportunity to enrich the foreign public's knowledge

concerning the role and importance of a development bank to strengthen the country's economy, besides preserving Brazil's image and reputation abroad.

Over the last few years, the BNDES has established partnerships with several business-class institutions to create information stations, aimed at promoting its financing modalities. There are 49 stations, spread across 23 states, which are responsible for providing support to local entrepreneurs (especially the MSMEs), clarifying their doubts and informing which products and programs best meet their investment needs.

In 2011, the stations were responsible for over 9,500 individual clients receiving assistance, representing a 5% increase in comparison to 2010. Besides this, the stations play a fundamental role in the vast majority of development activities, whether by identifying business opportunities, the material and logistical support, or by holding seminars, meetings and fairs.

With its own stands, the BNDES participates in fairs and expositions, which is a traditional and effective way of strengthening its institutional image. This type of activity also contributes to promoting its performance and programs, besides strengthening the relationship between the BNDES and trade associations, equipment manufacturers and the public in general. It is a way of attracting new clients and facilitating society's access to its lines of operation.

In 2011, the BNDES participated in 29 fairs and expositions in a wide array of sectors, such as agro-industrial, automotive, pharmaceutical-hospital, mechanical, furniture, naval, sanitation and environmental, textile and tourism.

Also in 2011, the Bank's new institutional stand was launched. It was created to be an extension of the BNDES and not merely a promotional exhibition space for its brand. At the stand, it is possible to obtain information about the BNDES' products through promotional leaflets, as well as personalized service, provided by technicians from various operational divisions.

## Ombudsperson's Office

The BNDES instituted the Ombudsperson's Office in 2003 to intermediate communication between the BNDES System's companies and society. In collaboration with the internal divisions, the Ethics Committee and the Bank's other service channels, its mission is to preserve ethics, transparency, strengthen management, as well as simplifying and clarifying norms by valuing social control.

Aligned with the objective of encouraging dialog between the Bank and society, the Ombudsperson's Office has sought to provide the most complete and diligent information possible to meet citizens' demands. This is done while respecting legal limits and cooperating with the entire organization, so that the available financial products and resources can reach those requesting it. All this is kept in mind while seeking to provide sustainable development and reduce social inequalities.

Charged with the task of providing service to the outside public and the Bank's employees, the Ombudsperson's Office receives complaints, requests, doubts, reports and acknowledgements or compliments through the various means of contact provided, especially those made through the BNDES' website, and by the toll-free phone number (0800).

Two tasks carried out while dealing with messages stand apart: (a) analysis and preparation of individualized answers to messages, providing information that helps the public overcome possible difficulties when accessing this public bank's financial support modalities; and (b) assessment of demands in a systemic manner – under a perspective of the organization's mission, vision, values and strategies – aimed at identifying opportunities to improve internal procedures, and, in partnership with other divisions, building options and suggestions for change and proposals to the BNDES' Senior Management.

Throughout 2011, the Ombudsperson's Office received a total of 1,921 messages, of which 10%, once analyzed, were considered to be outside the BNDES' scope of performance or were sent twice. The 1,728 messages considered valid and effectively treated presented an increase of only 1% in comparison with 2010.



Within the universe of valid messages, the main reason the public contacted the Ombudsperson's Office was complaints – representing 49% of the total. Doubts came in second with 27% of the total, of which 76% constituted requests for information and assistance with difficulties in accessing the BNDES' resources.

The remainder are distributed among: (a) requests regarding various subjects – although those regarding operational matters prevail with 14% of the total; (b) accusations concerning allegedly breaking the national law or breaching the BNDES' operational norms, with 7% of the total; (c) suggestions on several issues, especially the operationalization of financial products or how civil servants are hired (2% of the messages); and (d) 1% acknowledgement messages.

Concerning the profile of those sending messages, as in previous years, the majority of the public that contacted the Ombudsperson's Office are micro, small and medium-sized entrepreneurs, with 59% of requests, while individuals were responsible for the other 41%, an increase in this type of public. A drop in consultations sent by companies can be the result of improved services provided by the Contact Us channel.

Regarding origin, some 58% of the public that sought support from the Ombudsperson's Office is distributed across the Southeastern Region, 19% in the Southern Region, 11% in the Northeastern Region, 6% in the Central-west Region and 3% in the Northern Region. The other 3% correspond to messages sent from other countries, or to those that did not declare their origin.

With respect to strategic performance, the prevailing view is that the Ombudsperson's Office's participation in the workgroups created to develop the 2009-2014 Corporate Planning actions enables the follow-up of proposals on issues with greater occurrence, especially: support provided by the BNDES to micro, small and medium-sized companies; the relationship with financial agents; relations with clients; and the implementation of the social and environmental responsibility policy, approved by the Administration in late 2010.

Participation in these forums increases opportunities to not only disclose information concerning the support services provided, but also present the requests from this public to

the BNDES' divisions, fulfilling the role of the Ombudsperson's Office in mediating the dialog between society and the BNDES.

In its representation, the Ombudsperson's Office was called in twice to the Federal Government's General Ombudsperson's Office, to reveal its work plan for the next fiscal years and discuss the implementation of the law that regulates access to public information – Law N°. 12,527, of 11.18.2011 – and the participation of public Ombudsperson's Offices in this process.

## Public relations

The BNDES' performance is characterized by complex and comprehensive interaction with various segments of society in Brazil and abroad. The schematic format below illustrates the bank's main public relations. In the center are the BNDES' clients and Brazilian citizens, the main beneficiaries of the Bank's performance. In the first ring of this circle is the internal public, fundamental to the institution's performance of its activities and generating value for society. In the second ring, is the management sphere, comprising controllers, the government, the State, investors and investment partners. The third ring represents the sphere of major business partnerships, which participate in the Bank's operational processes. In the outer ring are the other segments with which the BNDES interacts and maintains dialog to assist in its operations.



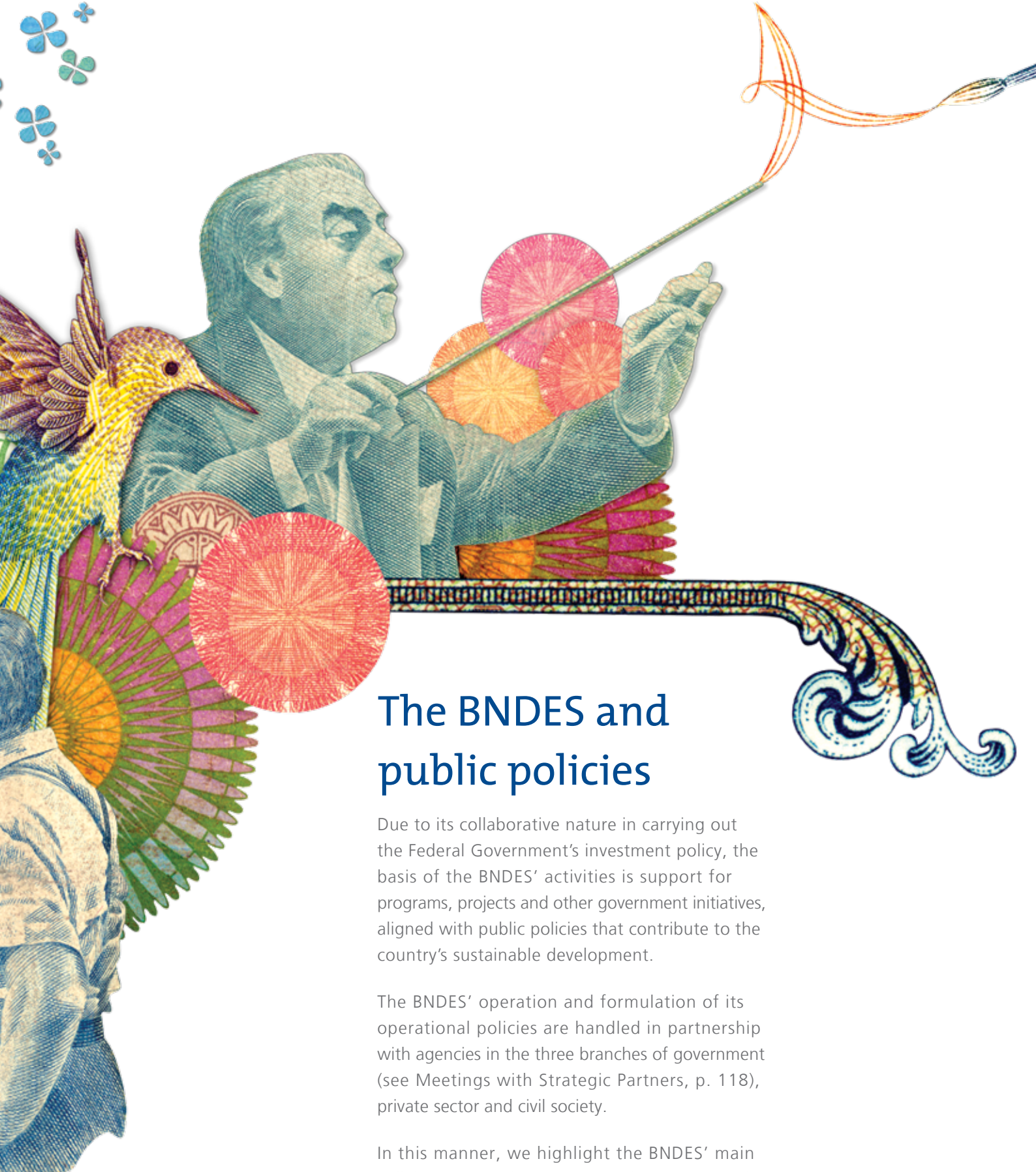


**MINISTRO**



6

**INSTITUTIONAL  
OPERATIONS**



## The BNDES and public policies

Due to its collaborative nature in carrying out the Federal Government's investment policy, the basis of the BNDES' activities is support for programs, projects and other government initiatives, aligned with public policies that contribute to the country's sustainable development.

The BNDES' operation and formulation of its operational policies are handled in partnership with agencies in the three branches of government (see Meetings with Strategic Partners, p. 118), private sector and civil society.

In this manner, we highlight the BNDES' main collaboration with governmental programs and goals for 2011 below.

## Growth Acceleration Program (PAC)

The BNDES plays a fundamental role as the financial agent of the investment projects within the scope of the Growth Acceleration Program (PAC). Launched in January 2007, the PAC is aimed at accelerating economic growth, increasing the number of jobs and improving the standards of living for the Brazilian population. The program consists of a set of measures aimed at boosting private investments, increasing public investment in infrastructure and removing bureaucratic, administrative, normative, legal and legislative obstacles to growth.

Up to 2011, the BNDES portfolio within the PAC scope included 503 projects, which accumulate investments to the value of R\$ 327 billion, of which the Bank participates with loans of R\$ 179.4 billion – in other words, 55% of the total of the project supported in this portfolio. According to the table below, investments are distributed across the following segments: (a) energy, category in which 77% of the portfolio's resources are concentrated, especially projects for power generation, transmission as well as oil and gas; (b) logistics, which includes 94 projects for highways, railways and the merchant marine segment; (c) social and urban infrastructure, with emphasis on loans for sanitation, urbanization and subway transport; and finally, (d) public administration, with efforts focusing on the implementation of the public system for digital bookkeeping (SPED).

In relation to 2010, the financing portfolio and disbursements grew 14% and 18%, respectively.

PAC – BNDES PORTFOLIO				
				POSITION ON 12.31.2011
SEGMENTS	Nº. OF PROJECTS	TOTAL INVESTMENT (R\$ MILLION)	BNDES PARTICIPATION (R\$ MILLION)	DISBURSEMENTS IN 2011 (R\$ MILLION)
Energy	310	258,811	137,240	14,763
Logistics	94	49,888	31,314	3,600
Social and urban infrastructure	85	18,462	10,667	1,447
Public administration	14	196	166	18
<b>Total</b>	<b>503</b>	<b>327,357</b>	<b>179,387</b>	<b>19,827</b>

The BNDES' disbursements to PAC projects, from its launch up to 2011, have reached R\$ 104.8 billion, with regional distribution, as shown in the table below.

DISBURSEMENTS TO PAC PROJECTS PER REGION								
(IN R\$ MILLION)								
SEGMENT	NORTH	NORTHEAST	SOUTHEAST	SOUTH	CENTRAL-WEST	INTER-REGIONAL	TOTAL	(%)
Energy	20,095	22,342	9,716	7,243	4,457	20,660	84,512	80.6
Logistics	58	2,299	7,646	807	251	2,042	13,103	12.5
Social and urban infrastructure	204	543	5,714	558	91	-	7,111	6.8
Public administration	4	24	24	14	16	-	82	0.1
<b>Total</b>	<b>20,361</b>	<b>25,208</b>	<b>23,100</b>	<b>8,622</b>	<b>4,815</b>	<b>22,702</b>	<b>104,808</b>	<b>100.0</b>

Once again, the energy sector stands out because of its concentration of 80% of the resources due to the need to expand the offer of energy to make the country's path to growth feasible. In 2011, the BNDES contracted electric power generation projects within the scope of the program, which correspond to 2,550 MW of installed capacity.

From a regional point of view, the volume of resources allocated to the Northern and Northeastern regions was expressive, but this was due to the fact that these areas are home to the program's largest energy projects.

FEATURED PROJECTS IN 2011			
			(IN R\$ MILLION)
PROJECT	OBJECTIVE	CONTRACTED VALUE	TOTAL INVESTMENT
<b>SEGMENT: ENERGY</b>			
Renova	Implementation of nine wind parks in the municipalities of Igarorã, Guanambi and Caetité in the state of Bahia, with total installed power of 175.5 MW, and the associated Transmission System, within the scope of the 2009 Reserve Energy Auction. It also includes social projects in the surrounding areas.	587	792
Alberto Pasqualini	Implementation of a new UHDT-II diesel hydrotreating unit and a new UGH-II hydrogen generating unit for the production of hydrotreated diesel with reduced sulphur content; the implementation and modification of auxiliary systems and installations in the beneficiary's industrial park, in Canoas (state of Rio Grande do Sul), and social projects within the scope of the community'.	1,109	1,637
Interligação Elétrica do Madeira S.A.	Construction of an electric power transmission line that will connect the substation in Porto Velho (state of Rondônia) to the substation in Araraquara (state of São Paulo). The project is part of the transmission complex that will connect the power plants of the Rio Madeira (river) Hydroelectric Complex (UHE Santo Antônio and UHE Jirau) to the National Interconnected System.	280	1,843
Meridiano Plant	Implementation of the sugar and ethanol plant in the municipality of Meridiano (state of São Paulo), with a milling capacity of five million tons, co-generation of 90 MW of electric power. The project also included the planting of 40,000 hectares of sugarcane and social investments in the surrounding areas.	409	944
<b>SEGMENT: LOGISTICS</b>			
Autopista Fluminense S.A.	Investments in the second stage of the Federal Highway Concession Program, through the recovery and re-adaptation of Lot 4 of BR-101 (federal highway), which includes the stretch between the Espírito Santo-Rio de Janeiro state border and the Rio-Niterói Bridge extending 320 km in length.	781	1,017
Wilson, Sons Estaleiros Ltda.	Implementation of a shipyard in Rio Grande (state of Rio Grande do Sul), for the construction of offshore support vessels, besides the social investment within the company's scope.	234	260
<b>SEGMENT: SOCIAL AND URBAN INFRASTRUCTURE</b>			
Águas de Nova Friburgo	Carrying out the investment plan referring to the period between 2010-2014, which aims at reconstructing, modernizing and expanding the water supply and sewage systems of the municipality of Nova Friburgo (state of Rio de Janeiro).	45	56
Estre Ambiental S.A.	Expansion of the Paulínia and Itapevi sanitary landfills, by implementing new cells, capturing biogas with the generation of carbon credits, and producing fuel derived from residue (CDR) in Paulínia (state of São Paulo).	34	46



## Brasil Maior Plan

The Brasil Maior Plan (PBM),<sup>4</sup> announced in August 2011, joins and articulates the Federal Government's industrial policy efforts for the 2011-2014 period, with a focus on stimulus to innovation and competitiveness of Brazilian industry. The PBM continues advances obtained through the Industrial, Technological and Foreign Trade Policy (PITCE) (2003-2007) and the Production Development Policy (PDP) (2008-2010).

This legacy includes formulating and implementing systemic and sectorial policies, especially within the context of reacting to the damaging effects of the international financial crisis, which are the cases of the Investment Maintenance Program (PSI) and tax incentives on fixed assets and durable goods.

The institutional aspects are also noteworthy, and relate to the State's mobilization capacity, its interaction with the business sector and society, and the establishment of follow-up and assessment structures for implemented policies. The PBM integrates instruments from several Federal Government ministries and agencies, whose initiatives and programs are joined in an integrated and comprehensive effort to foster national production as well as generating jobs and income in the country.

## The BNDES' institutional performance

The BNDES participates in the Executive Group,<sup>5</sup> a body responsible for consolidating the PBM programs and efforts, as well as for monitoring the results, advising the Managing Committee<sup>6</sup>; and for the National Industrial Development Committee (CNDI),<sup>7</sup> an agency linked to the Presidency of the Republic, with the participation of civil society, which establishes the general PBM strategies, as shown in the following image:

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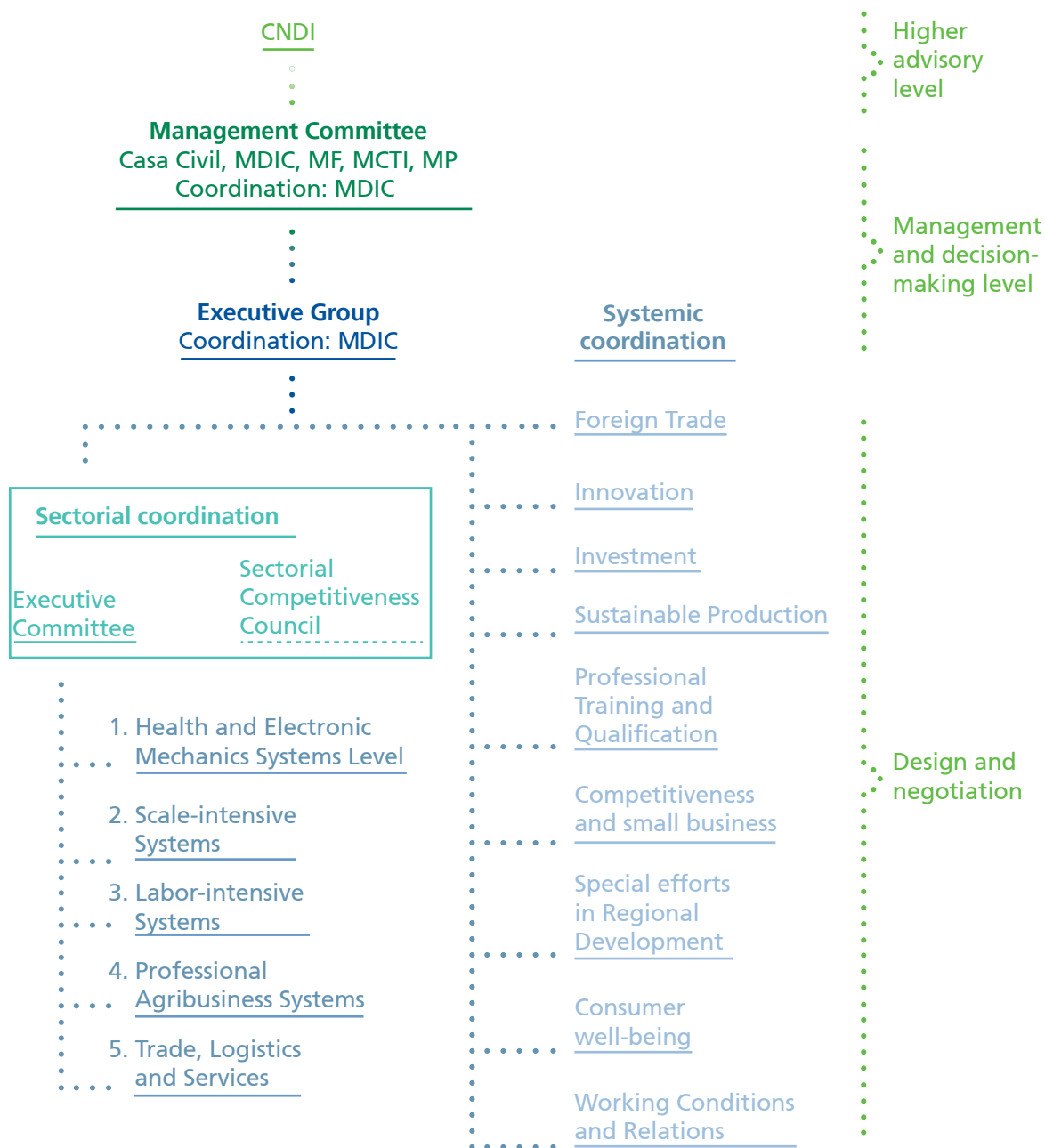
<sup>4</sup> Brasil Maior Plan: <[www.brasilmaior.mdic.gov.br](http://www.brasilmaior.mdic.gov.br)>.

<sup>5</sup> The Executive Group comprises seven agencies: MDIC (which coordinates it), the Chief of Staff's Office, Ministry of Planning (MP), Ministry of Finance (MF), Ministry of Science and Technology and Innovation (MCTI), the Brazilian Industrial Development Agency (ABDI), the BNDES and FINEP.

<sup>6</sup> The Management Committee comprises the heads of five ministries: Ministry of Industry and Foreign Trade Development (MDIC) (which coordinates it), the Chief of Staff's Office, Ministry of Finance, Ministry of Science and Technology, Brazilian Industrial Development Agency (ABDI), Ministry of Planning.

<sup>7</sup> The National Industrial Development Committee (CNDI) comprises 13 Ministers, the President of the BNDES and 14 representatives from civil society.

## Management System for Brasil Maior Plan



Source: Elaborated by the BNDES, based on data from *Brasil Maior: inovar para competir, competir para crescer - Plano 2011/2014*, p. 32.

In sectorial terms, the 19 executive committees and competitiveness councils are grouped into five blocks of production systems. The BNDES participates in all the committees, either as a coordinator, vice coordinator or a participant.

## The launch measures

The plan established an initial set of 35 measures,<sup>8</sup> especially of a systemic nature, which will be supplemented throughout the 2011-2014 period, based on dialog with the production sector. The following are highlighted:

- tax relieve for investments and exports;
- expansion and simplification of financing for investments and exports;
- increase in resources for innovation;
- improvement of the innovation regulatory framework;
- stimulus to the growth of micro and small businesses;
- strengthening of commercial defense;
- creation of special regimes to add value and technology in production sectors; and
- regulation of the governmental purchasing law to stimulate the country's production and innovation.

The BNDES has contributed a total of eight measures, all of which were implemented:

- ISP extension until December 2012;
- expansion of cash flow for MSMEs (BNDES Progeren);
- re-launch of the BNDES Revitalization Program (Revitaliza);
- creation of the BNDES Qualification Program;
- pre-approved credit for business innovation plans;
- new resources for FINEP (R\$ 2 billion);
- expansion of sectorial programs;
- creation of a program for the Climate Fund (MMA).

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<sup>8</sup> The list with 35 measures can be found at <[www.Brazilmaior.mdic.gov.br/oplano/medidas/](http://www.Brazilmaior.mdic.gov.br/oplano/medidas/)>.

These measures were developed into the following efforts:

THE BNDES' CONTRIBUTION TO THE BRASIL MAIOR PLAN	
ACTIONS	OBJECTIVE
<b>BNDES Credit Limit</b> Inclusion of support for investments in research, development or innovation	Revolving credit for the financial support of companies or economic groups, which represent low credit risk, earmarked for current investments in their respective sectors of operation, as well as investments in research, development and innovation.
<b>Creation of the BNDES P&amp;G Program</b>	Contribute to the development of the Goods and Services Supplier Chain related to the oil and natural gas sector (P&G).
<b>The BNDES Progeren Revision</b> Extension of the term in effect until December 31, 2012; Provision increase of R\$ 7 billion; Inclusion of beneficiaries; Extension of the financing term	Increase production, jobs and salaries by means of financial support for working capital.
<b>Creation of the BNDES Qualification Program</b>	Promote the implementation, expansion, modernization and, as a priority, the increase in the number of school openings that offer initial professional training and continuing education courses, high school level technical and technological education; Support infrastructure implementation and modernization projects aimed at Research, Development and Innovation, in the aforementioned institutions, which have the objective of solving technological bottlenecks in specific areas of knowledge.
<b>Re-launching of the BNDES Revitaliza</b>	Support the revitalization of Brazilian companies that operate in segments that have been affected negatively by the current international economic situation, giving priority to adding value to the domestic product, adopting more efficient production methods, strengthening company brands and expanding the insertion of Brazilian goods and services in the international market.
<b>The BNDES Procaminhoneiro (Pro-Trucker)</b> Extension of expiry date until December 31, 2012	Financing for the acquisition of trucks, chassis, tractor trucks, trailers, semi-trailer trucks and truck beds, new or used, made in Brazil.
<b>The BNDES Finame Components</b> Extension of expiry date until December 31, 2012	Acquisition of parts and components, made in Brazil, for machinery and equipment in their production phase or under development and technological services related to the production or development of machinery and equipment.

continue

continued

THE BNDES' CONTRIBUTION TO THE BRASIL MAIOR PLAN	
ACTIONS	OBJECTIVE
<b>The BNDES PSI</b> Extension of expiry date until December 31, 2012	Stimulate the production, acquisition and export of capital goods.
<b>Creation of the Climate Fund Program</b>	Support the implementation of undertakings, the acquisition of machinery and equipment and technological development related to reducing greenhouse gas emissions and adapting to climate change and its effects.
<b>Changes to the BNDES Operational Policies</b> Establish as non-eligible items: the acquisition of imported goods with no domestic manufactured equivalent (except for machinery and equipment) and the expenses incurred from internalizing imported goods with no domestic manufactured equivalent (except for machinery and equipment); Establish that the aforementioned items will be supported by means of market cost references; Establish, in the Imports of Capital Goods financing line, an annual limit of US\$100 million and establish a maximum financing value of US\$ 3 million, per beneficiary, every 12 months	Encourage local content.
<b>Resources for innovation</b> An increase of R\$ 2 billion in the BNDES' credit to expand the FINEP portfolio in 2011	Expand resources allocated to support innovation projects.

## The BNDES' disbursement to the Brasil Maior Plan (PBM)

The BNDES plays an important role in financing investments in the Brasil Maior Plan's (PBM) programs and in achieving strategic goals – fixed investment, professional qualification, innovation, diversification of exports, and expanding added-value, among others. In 2011, the BNDES' support for sectors in the PBM (agriculture and cattle-raising, industry, trade and services) accounted for 86% of the BNDES' disbursements. Of these, some 55% was allocated to Mechanical, Electro-electronic and Health Systems (Block 1 of the PBM),<sup>9</sup> which encompasses the sectors with greater capacity to transform the production structure due to their strength in disseminating innovation and in inter-sectorial linkage. In the case of strategic objectives, the support for

<sup>9</sup> This number includes the acquisition of capital goods (FINAME) by sectors from other blocks.

fixed investment was responsible for approximately 70% of releases, and other knowledge-intensive sectors (high and medium-high technology, in the OECD classification) for 62% of disbursements.<sup>10</sup>

## National Climate Change Policy

The BNDES is the financial agent for reimbursable resources for the National Climate Change Fund (Climate Fund), one of the instruments of the National Climate Change Policy (PNMC). In 2011, its operational rules were established together with the Ministry of the Environment, resulting in the creation of the Climate Fund Program and its subprograms: efficient transport, renewable energy, machinery and equipment, solid waste with energy reuse, charcoal and combating desertification.

## The eradication of extreme poverty

The Brazil without Poverty Plan establishes three operational fronts for eradicating poverty: Income Guarantee, Access to Services, and Production Inclusion, of which the latter two are aligned with the BNDES' operations.

The plan emphasizes the importance of efforts to increase income per capita and well-being. Based on the understanding that poverty is the absence of well-being in certain dimensions – Modernization of Public/Health/Sanitation Administration (water, sewage, drainage and solid waste)/Urbanization/Streets/Food Production/Housing/Jobs/Occupation and Income/Social Welfare/ Education/Safety/Urban Mobility/ Energy (electric power) –, the BNDES relies on policies, programs, products and financing lines that are strongly aligned with these dimensions, contributing with the purpose of eradicating poverty:

<sup>10</sup> This number includes the following sectors: oil & gas and shipping, health sector, automotive sector, aeronautics and defense sectors, capital goods (including FINAME as a whole), electro-electronics/TICs, chemical-petrochemical, renewable energies and HPPC.

- BNDES States;
- PMAE (Modernization of Revenue Administration and Fiscal, Financial and Equity Management of State Administration);
- PMAT (the BNDES Program for the Modernization of Tax Administration and of the Management of Automatic Basic Social Sectors);
- Educational, Health, Social Welfare and Safety services;
- PMI (Multi-sectorial Urban Integrated Projects);
- Corporate Social Investment;
- BNDES Microcredit;
- BNDES Social Fund;
- The Amazon Fund;
- BNDES Mata Atlântica Forest initiative (IBMA);
- Pro-roads (Road Intervention Program);
- Commuting to School Program;
- Prouca (One Computer per Student Program);
- Procapcred (Credit Co-operative Capitalization Program);
- Procap Production (Production Co-operative Capitalization Program);
- Procap BK (BNDES Program for the Capitalization of Manufacturers of Capital Goods, Components and Auto parts);
- Pronaf (National Program for Strengthening Family Farming);
- Propflora (Commercial Planting and Forest Recovery Program);
- Pronaf-Eco (Credit line for Investments in Renewable Energy and Environmental Sustainability);



- The ABC Program (Program for Reduction of Greenhouse Gas Emissions in Agriculture);
- Produsa (Program for Stimulus to Sustainable Agricultural and Cattle-raising Production);
- BNDES Forestry (Support for Reforestation, Recovery and Sustainable Use of the Forests);
- BNDES Forestry Compensation (BNDES Support Program for Forestry Compensation);
- Surrounding Area Policy (Policy for Operations in Surrounding Areas of Projects); and
- PDR (Regional Promotion Policy).

## Project structuring

With the consolidation of the regulatory framework for public service and public-private partnership concessions, the governmental bodies were able to increment investment efforts through partnerships with the private sector. The BNDES participates in the structuring of projects and assists the public body in the preparation of public calls-to-bid. The Bank prioritizes structuring projects in the infrastructure sector, both in its traditional way (such as highways, airports, railroads, sanitation etc.), as well as in social areas (health, education etc.), which have a high transformation potential and can be replicated by governmental bodies for concession of services in that specific field. Thus, the BNDES contributes to the development of the country and also to the training of a technical staff with a capacity to manage the long-term projects.

Demands from governmental bodies, interested in making public concession feasible (whether it is a traditional concession or a public-private partnership), arrive at the BNDES directly from governments benefiting from projects. The Bank operates together with partners, such as: the Brazilian Project Structuring (EBP) and the Development Program for Private Participation Fund (PFPP), in cooperation with the Inter-American



Development Bank (IDB) and the International Finance Corporation (IFC) of the World Bank (the PFPP is managed by the IFC).<sup>11</sup>

To structure the projects, consultants with specific technical qualification are hired. Their objective is to conduct technical, economic, environmental and legal feasibility studies. These studies are developed together with the BNDES team and the applying public agency to later serve as reference to private investors who will participate in the public bid in the future concession or public-private partnership (PPP).

The BNDES also relies on the Project Structuring Fund (PSF), created to enable, through non-reimbursable loans, technical studies or research related to Brazil and Latin America's economic and social development, which may offer guidance when making public policy.

## Efforts to structure projects in 2011

The BNDES' efforts go beyond projects of great visibility, such as the High-Speed Train or the World Cup Stadiums. Below, we highlight projects the Bank is taking part in.

### Studies concluded in 2011 (public calls-to-bid not published in 2011)

**Highway concessions:** studies conducted by the BNDES for the National Land Transport Agency (ANTT), with the purpose of structuring the 3<sup>rd</sup> Stage – Phase 1 of the Federal Highway Concession Program (highways BR-040, BR-116, located in the state of Minas Gerais).

**Interoceanic Railway:** a technical study financed by the Project Structuring Fund (BNDES FEP) to produce and systematize information that can be applied to making feasible a railway that connects ports in Southern and Southeastern Brazil to ports in Chile running through Paraguay and Bolivia.

<sup>11</sup> The EBP is a corporation formed by several banks to develop infrastructure projects that contribute to Brazil's economic and social development, creating investment opportunities for the private sector.

**Parking lots in the cities of Belo Horizonte and São**

**Paulo:** studies developed in partnership with the EBP for concession to private construction, operation and maintenance sectors, in each city, including 10 underground parking lots, with over 4,000 parking spaces.

**COPASA:** a study developed with the EBP, aimed at expanding one of the water treatment and supply systems for the metropolitan area of Belo Horizonte (the Rio Manso river System) by 45%.

**Public calls-to-bid published/held in 2011**

**High-Speed Train:** the BNDES advised the Federal Government in the procedures necessary to implement the project and continues to help structuring the new model to be implemented at the beginning of 2012.

**Highway concessions:** the BNDES also provided advisory services, in partnership with the EBP, the ANTT and the Ministry of Transport, in the study for the concession of the 476-km section of highways BR-101, starting at the border of the states of Rio de Janeiro and Espírito Santo up to the access to the municipality of Mucuri (state of Bahia). The section is part of the Federal Highway Concession Program.

**Airport concessions: the International Airport of São Gonçalo do Amarante (in the state of Rio Grande do**

**Norte) (Asga):** the BNDES coordinated the studies for the concession of the ASGA airport. The auction was held on 08.22.2011 and the winning bid exceeded the minimum bid by 228.8%.

**Airport concessions:** the Guarulhos International Airport (GRU), Viracopos (VCP) and Brasília (BSB): the BNDES and the

EPB developed technical studies for the concession of these airports, whose concession periods will be of 20, 30 and 25 years, respectively. Infraero will own 49% of the special purpose company shares (SPEs), which will operate such concessions.

**Primary Health Network in Belo Horizonte:** the project was developed with resources from the Multilateral Fund. It is a PPP, in the administrative concession modality to render support services for the operation of the network, which will comprise 168 health centers, one center for sterilized material, and one diagnosis support unit.

**Metropolitan Hospital:** in a partnership with the EBP, studies for concession of the Metropolitan Hospital of Belo Horizonte were concluded, which resulted in the auction on 2.15.2011.

**Expansion of the Belo Horizonte Educational System:** the Multilateral Fund, with the BNDES' support, is acting together with the Belo Horizonte City Council to develop a PPP for the construction and operation of non-pedagogical services in 32 municipal preschools and five municipal elementary schools. This project is part of Belo Horizonte's Strategic Plan. In September of 2011, a public hearing was held regarding the project.

**Sanitation:** studies were concluded in partnership with the EBP for the sanitation project in the Western Zone of the city of Rio de Janeiro (AP-5), which will benefit 1.8 million residents. The auction was successfully held on 11.23.2011.

**Belo Horizonte Bus Terminal:** a project developed together with the EBP aimed at the concession for building, operating and maintaining the new Bus Terminal outside the city's downtown area. The auction was successfully held on 11.9.2011.

## Financing projects derived from studies/public calls-to-bid

**New Mineirão:** a stadium ahead of time: among the BNDES' efforts in structuring projects, one of them is noteworthy. It is the Mineirão stadium, chosen as one of the stadiums for the Confederations Cup and the 2014 World Cup semifinals. Ensuring that everything would be ready on time – from the drafting of the project to the delivery of the stadium, including the concession bidding process – was one of the major challenges of this job. The project had to present flexible technical solutions that allowed its use not only during the World Cup, but during the entire concession period, offering products that met the public's expectations and could guarantee attractive remuneration for the future operator.

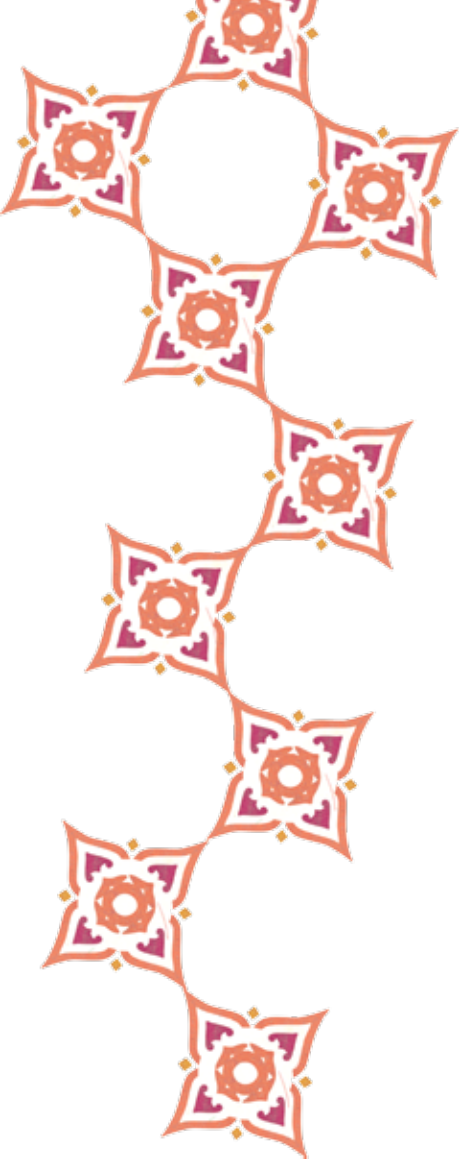
The winning consortium, Minas Arena, presented the highest discount rate (7.5%) over the value estimated in the public call-to-bid. It may operate the stadium for 27 years, two of which are for modernization works, and the forecast is that it will invest R\$ 698 million.

In this case, the BNDES also granted R\$ 400 million in financing from the BNDES ProCopa Arenas program. The stadium's construction work is ahead of schedule, and it is planned to be delivered in late 2012.

When it is inaugurated, the new Mineirão will have capacity for 62,000 people, parking for approximately 2,500 cars, a museum and new restaurants.

## The 2014 World Cup

The choice of Brazil as the host for the 2014 World Cup has created a series of opportunities and challenges for the country. Success in hosting this event will contribute to consolidating Brazil's presence on the agenda of major global sporting events, besides creating important and permanent benefits for national tourism.



To make this event feasible, it is necessary to adapt urban infrastructure in host cities. This is a complex process, involving not only stadiums, which must meet the International Football Federation's (FIFA) specifications, but also other aspects, among them: access to several means of transport that can handle the intense commuting associated to the World Cup; capacity and quality of the hotel sector in host cities; information technology structure in each host city; international media centers and international broadcasting centers; and fan-park installations (urban space, sponsored by FIFA for the public exhibition of games).

Investments in hotel and service infrastructure are aimed at guaranteeing the quality of service for visitors, fostering a positive image of the country, and creating sustainable facilities that allow use of the legacy that will be created by the event. Brazil expects to receive between 500,000 and 600,000 foreign tourists for the World Cup and thousands of Brazilians will be traveling to host cities, producing a direct impact on the tourism and generating jobs. Estimates for the total value of the investments in infrastructure and services made for the World Cup exceed R\$ 30 billion.

To rise to the challenges of hosting the 2014 World Cup, the BNDES was called in to act as one of the main financing agents for states, municipalities, companies and related entities, to implement the urban infrastructure adaptations required in the host cities.

The Bank created two financing programs for investments necessary for the World Cup: the BNDES ProCopa Arenas and the BNDES ProCopa Tourism.

The objective of the BNDES ProCopa Arenas is to provide support for the construction and renovation projects for the stadiums that will host the World Cup games, as well as the urbanization of surrounding areas. Within the scope of this Program, Stadium construction/renovation projects were approved in eight states: Rio de Janeiro, Ceará, Amazonas, Bahia, Pernambuco, Rio Grande do Norte, Mato Grosso and Minas Gerais. In the specific case of the Mineirão Stadium, the BNDES participated in structuring the project by means of the FEP resources (see Project structuring, p. 112).

The BNDES ProCopa Tourism, on the other hand, is aimed at financing the construction, renovation, expansion and modernization of hotels to increase the capacity and improve the quality of hotel services.

The BNDES ProCopa Tourism Program offers differentiated financing rates for structured undertakings that take into consideration the aspects of environmental sustainability, verified via environmental certification recognized by an accredited agency with the Brazilian Conformity Evaluation System of the National Institute of Metrology, Normalization and Industrial Quality (INMETRO).

## Meetings with strategic partners

Dissemination of the sectorial, systemic and integrated vision, coupled with the incorporation of transversal issues that are priority for the BNDES operational structure, and discussion and formulation of new policies to reach these objectives are conducted in a specific BNDES forum, the Production Arrangement, Regional Development, Innovation and Environment Committee (CAR-IMA), coordinated since 2007 by the Production and Innovative Arrangements and Local Development Office (SAR), linked to the BNDES' President's Office.

Efforts throughout 2011 resulted in proposals for better synergy and higher relevance in operational policies and strategic planning put forth by the BNDES and its partners. Emphasis was placed on support and instrumentalization of the Federal Government's priority programs from other public and private strategic partners – starting with the eradication of poverty, namely the “Brazil without Poverty” Plan.

With this aim, some 21 events were held in which the BNDES' efforts were articulated and coordinated and partnerships were strengthened with Federal Governmental and private agencies, especially the Ministries of Social

Development (MDS), National Integration (MI), Agricultural Development (MDA), Planning, Budgeting and Management (MPOG), Culture (MINC), Agriculture, Cattle-Raising and Supply (Mapa) and the National Supply Company (CONAB), Fishing and Aquaculture (MPA), Environment (MMA), the Office for Women's Policy (SPM), the Applied Economic Survey Institute (IPEA), the National Metrology, Normalization and Industrial Quality (INMETRO), the National Industry Confederation (CNI), the Euvaldo Lodi Institute (IEL), the National Service for Industrial Training (SENAI), Industry Social Services (SESI) and state governments.

Special emphasis must be given to the Meeting on New Strategic Orientations for APL Policies in Sustainable Development, which included secretaries from 10 ministries, the president of the Brazilian Industrial Development Agency and SEBRAE's technical managing director, besides the president, managing directors, deputy managing directors and BNDES employees. On the occasion, two books were released with results of the Mapping and Analysis survey of the Policies for the Local Production Systems (APLs) in Brazil, held in 22 Brazilian states and financed by the BNDES – *Policies for APLs in Brazil*, volume I: South, Southeast and Central-west and volume II: North and Northeast.

To contribute to formulating, bringing together and fine-tuning the BNDES and partners' policies, the Bank also participated in forums, among them: the Permanent Work Group in APLs (GTP-APLs), coordinated by the Ministry of Development, Industry and Foreign Trade (MDIC) and with the participation of several other ministries and policy agencies to orient and coordinate efforts towards inducing the development and innovation of APLs, and the Regionalization Work Group of the Brasil Maior Plan, which aims at guaranteeing the policy has greater equality across the Brazilian territory.

To promote the exchange of information and experiences, the BNDES organized experience workshops on national, regional and international policies, in which Brazilian and international experiences on policies for development were presented and discussed, especially the challenges the Brazilian economy and the Northeastern Region face; sustainable development and the Rio+20 event; the global economy, the financial crisis, innovation and development; innovation and the role of the BRICS, the group comprising Brazil, Russia, India, China and South Africa.

In several national, regional and state forums, and in seminars, meetings and courses, the incorporation and dissemination of knowledge was encouraged at the BNDES and its development into new efforts and policy instruments, in the following topics: Policies for Development, Local Production and Innovation Systems; Regional and Territorial Development; Science, Technology and Innovation; Socio-environmental Sustainability; Financing for Financial Development and Inclusion.

## Initiatives for the development of the fixed-income market

Throughout the year, the BNDES participated in initiatives linked to the development of the fixed-income market, such as the construction of the New Fixed-Income Market, captained by the Brazilian Financial and Capital Market Entity Association (ANBIMA), and the structuring of the liquidity fund, still in progress.

Furthermore, the Bank introduced new financial costs to its operational policies and altered the conditions of a few existing ones. This process was aimed at increasing the options available to beneficiaries of financial support, besides making the transfer of market fundraising feasible. In this sense, worthy of mention are floating costs based on the TJ3 and TJ6 rates, disclosed by the BM&FBOVESPA; the availability of two loan concession alternatives tied to the SELIC (Special Liquidation and Custody System) rate; and changes in the calculation methodology of the financial cost and the rules for operationalizing the product referenced in the Amplified Consumer Price Index (IPCA).

Also, in relation to the Bank's operational policies, the BNDES' participation percentages were reduced for investment projects, attributing the Capitals Market with the task of covering the remaining portion of national companies' financing needs.



The Bank has also promoted changes in the Debenture Acquisition Program in public bids, prioritizing issuances with characteristics compatible with the development of the market (such as the presence of market instructors) and excluding securities whose remuneration is totally indexed to the inter-banking deposit rate (DI).

Finally, by means of a new policy for the turnover of portfolio securities, which aims at contributing to the development of the secondary market for corporate securities, the BNDES intensified negotiations in the debenture market, based on a careful evaluation of fair market prices. In 2011, the relative participation of the BNDES in the total volume negotiated by the market, considering only the debentures already negotiated by the Bank, was 13.4%.

## Fostering market transparency

The BNDES understands the importance of precise, timely, transparent and reliable information for an efficient, dynamic and broad market, in which investments do not need to take inadequately measured risks. For this reason, much like other development banks, the BNDES has participated actively in the global process of adopting international accounting information standards. This is possible due to its performance as a facilitating agent and by promoting discussions, dissemination of knowledge, financial support, follow-up of the effects and trends, as well as using its influence to encourage the adoption of the IFRS (International Financial Reporting Standards).

Among the various fronts in which the BNDES has been operating, the following are worthy of mention:

**ABDE** (Brazilian Development Bank Association): coordination, since 2009, of the Accounting Affairs Committee with the objective of: (a) disseminating knowledge; (b) assisting smaller branches in their individual migration to the IFRS;

(c) forwarding particularities and difficulties faced by these institutions to regulating agencies. Over the last four years, the BNDES has organized and held lectures on the subject at annual ABDE meetings.

**National Treasury/Governmental Agencies:** the BNDES is monitoring the National Treasury's implementation of international accounting standards in the public sector, with a deadline set for 2012 (federal and state governments) and 2013 (municipalities), with the goal of structuring a support plan/financing program for this process.

**CVM** (Securities Committee): a seminar held together with CVM, summoning open-capital company directors in order to alert them about how to improve the market so as to receive information from the IFRS and avoid investor speculation and insecurity.

**CReCER Group** (Accounting and Responsibility for Regional Economic Growth): a group created by the World Bank and the International Federation of Accountants (IFAC) to assist in and monitor the implementation of the IFRS in Latin America. Since its creation in 2007, the BNDES has been an active member, participating in all annual conferences. This participation has been of extreme importance inasmuch as it allows for an exchange of experiences between the countries.

**IFRS for small and medium-sized companies:** one of the areas for application of the IFRS in which the BNDES has been required more. This demand is justified by the potential impact, probably greater than the migration of public companies, publicly-traded companies and/or financial institutions to the new accounting standards. This is because the latter have always had strong regulators (CVM and the Central Bank) establishing a set minimum for transparency and formality. For small companies, however, the change will be from practically inexistent regulation to high-standard, formal regulation. In a partnership with the Federal Accounting Council (CFC), in 2010, the BNDES promoted two seminars to train professionals in this segment, which were a success in terms of attendance. They were broadcast on two TV channels via Internet, and more than 14,000 people took part online, involving more than 100 cities abroad. The CFC formally requested the BNDES' support to multiply this training throughout Brazil and also extend it to a few Portuguese-speaking countries in Africa, which had

requested it. To maximize the results in this segment, the BNDES has already begun discussions on a possible agreement, not only with the CFC, but also with the SEBRAE in Brazil, confederations, the S system, the Brazilian Institute for Cooperative Governance (IBGC) etc.

**IFAC** (International Federation of Accountants): responsible for the international auditing standards and the international accounting standards for the public sector. The BNDES is the only Brazilian representative on this advisory board.

**GLASS** (Group of Latin-America Accounting Standard Setters): an agency created during the latest CReCER meeting with the objective of strengthening Latin America's position in the Public Consultation phase of new standards or changes to existing standards. Thus, comments from Latin American countries can be sent as a block (per country) instead of individually. The BNDES is represented in the technical department and has to maintain a team to carefully examine the minutes of the new standards, conducting tests and simulations in order to send comments, in a timely fashion, so GLASS can consolidate them.

**IASB** (International Accounting Standards Board): since 2006, the BNDES has participated in all annual conferences, anticipating changes and providing opinions on possible effects of adopting the IFRS in Brazilian companies. In October 2011, in a partnership with the IASB, the BNDES promoted an international conference on teaching accounting, covering what needs to be changed in the undergraduate courses, as well as in MBAs, master's and doctorate courses in order to adapt them to the new accounting environment, including the preparation of teachers. The event was attended by more than 900 people, among them, the most renowned specialists in teaching accounting in the Brazilian academy. Besides this, the BNDES has committed to contributing annually to the IASB, participating in the Brazilian quota with the intent of collaborating to preserve the standardizer's independence.

**ISAR** (International Specialists in Accounting Reporting): a permanent workgroup of the United Nations' Conference on Trade and Development (UNCTAD) focused on accounting issues. It monitors the effects of the IFRS in countries that have migrated to the international accounting standard. Lately, monitoring the IFRS up has evolved to the concept of an Integrated Global Report, which brings together the

presentation of accounting information and with information on sustainability, including issues concerning the environment and corporate governance in the reports that will be presented by the global companies. The BNDES has participated actively in this group since 2007, as a member of the Brazilian delegation headed by the CVM.

**IIRC** (International Integrated Reporting Council): in 2011, the BNDES engaged in the Integrated Global Report initiative, in keeping with work developed by ISAR (see chapter on Transversal Policies). The BNDES' participation takes place on three fronts: (1) as a user of new regulation, participating in the pilot test that will result in the basic conceptual structure (framework) of the new regulation; (2) as a facilitator in the development of initiatives that encourage/require the companies that it supports to apply the new regulation; and (3) as a disseminator – the link between the IIRC and the International Development Financial Club (IDFC) to stimulate the engagement of development banks and club members in the regulatory process of the Integrated Global Report.

The BNDES firmly believes that the sum of the aforementioned initiatives will contribute to a more solid and transparent global capital markets, which is less susceptible to crises. Since 2010, the BNDES has been using the international standards when drafting its own financial statements. The main impacts are demonstrated in the IFRS section of The BNDES in Numbers chapter, p. 32 of this report.

## The BNDES and the Green Protocol

The Green Protocol contains intentions signed by public financial institutions and by the Ministry of the Environment in 1995 and revised in 2008.<sup>12</sup> It is aimed at defining the initial, multiplying and exemplary banking policies and practices in terms of socio-environmental responsibility and in harmony with sustainable development.

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<sup>12</sup> In 1995, the BNDES lead the federal public banks (besides the BNDES, the Caixa Econômica Federal, Bank of Brazil, Bank of the Amazon and Northeast Bank of Brazil also participated) in the signing of the Green Protocol. More recently, in August 2008, the BNDES, the Ministry of the Environment and federal public banks signed the Protocol of Intentions for Socio-environmental Responsibility, an updated revision of the 1995 Green Protocol.

The protocol signatories commit to financing development with sustainability by means of lines of credit and programs that foster the population's standards of living and environmental protection. Participating banks also recognize that they can fulfill a fundamental role in advising private investments aimed at environmental preservation and the continuous improvement of society's well-being.

The BNDES is making a constant effort to improve its performance and follow the Green Protocol by means of various instruments and practices that guide its efforts, both within the scope of its core activity to finance development, as well as in its internal administrative-organizational activities. The fulfillment of commitments defined in the five "principles" of the protocol that, consequently develop into specific guidelines, are made evident in this report.

For each principle, the following accomplishments in 2011 are noteworthy:

- I.** Finance development with sustainability, by means of lines of credit and programs that foster the population's standards of living, the sustainable use of the natural resources and environmental protection.
  - The development of financing lines and programs with attractive rates for social and environmental investments associated with financial support projects (see Corporate Social Investment, p. 65).
- II.** Consider the socio-environmental impacts and costs in the management of assets (its own or belonging to third parties) and in client and investment project risk analyses, based on the National Environmental Policy.
  - Operational policy and procedures described in this report, in the Transversal Policies and The BNDES in Numbers – Financial Indicators chapters, respectively.
- III.** Promote the sustainable consumption of natural resources and materials derived from them, in internal processes.
  - Besides the traditional initiatives (rationing the consumption of electric power, water and office supplies; the use of recycled printing and writing paper; collection and separation

of waste to be recycled), in December of 2011, the BNDES Sustainable Purchases Policy was approved. With this initiative (more detailed in the “Eco-efficiency and Sustainable Purchases” chapter), the Bank assumes an important role in inducing the dissemination of sustainable operational practices, reaching not only the chain of product and service suppliers, but also public agencies and society.

**IV.** Continually inform, create awareness and engage the interested parties in the institution’s sustainability policies and practices.

- In 2011, the BNDES developed the socio-environmental analysis course and initiation lectures for new employees (see the “People Management” chapter), making the workforce aware and engaged in the policies and practices already defined by the Bank. Throughout the year, there was also expressive mobilization of different technical teams in discussions regarding improvements and new work fronts for the BNDES and the promotion of sustainability. This gave rise to studies (see the Studies and Research chapter), internal procedure revisions, as well as the creation of indicators (see the Strategy and The BNDES in Numbers chapters).

**V.** Promote standardization of procedures, as well as cooperation and integration of efforts between signatory organizations when implementing these principles.

- The BNDES accompanied and participated in meetings with the Ministry of the Environment, the Central Bank and the Brazilian Federation of Banks (FEBRABAN), discussing and contributing to the definition and operationalization of more sustainable criteria and practices.

## Support for culture

The BNDES contributes to Brazilian culture through efforts that support the cultural industry. These actions include segments of the audiovisual production chain, National Historical Heritage, as well as collections and publications.





For further information, consult the Culture economy section, p. 191.

In this section, we present the support for culture by means of sponsorships, shows in the auditorium, and exhibitions in its gallery in Rio de Janeiro.

## Sponsorship of events and publications

In 2011, via its sponsorship actions, the BNDES made it feasible to carry out approximately 120 projects, with a contribution of over R\$ 20 million allocated to seminars, congresses, fairs, shows, exhibits, publications and festivals.

With these initiatives, the Bank sought not only to encourage the dissemination of knowledge and debate on more important issues for the development of the country, but also to promote business and stimulate contact between the various segments of public with whom it maintains relations – industry, civil society, the academic community, public administration, among others.

Sponsored events reflect the diversity of the company's operations, dealing with topics such as innovation, environment, regional development, social inclusion, among others.

The following are examples of the Bank's support in 2011:

- VIII Brazilian Energy Efficiency Congress;
- 63<sup>rd</sup> Annual Meeting of the Brazilian Society for the Progress of Science;
- 6<sup>th</sup> National Industry Meeting;
- IV CONSAD Public Management Congress; and
- XI ANPEI Technological Innovation Conference.

In the cultural area, the BNDES has also invested in countless projects, especially linked to film, music, dance, literature and historical heritage. Thus, it also encouraged the

dissemination of Brazilian culture and the development of the production chain in the entertainment sector.

Sponsorship efforts, throughout all regions in Brazil, have included several projects, such as:

- FestCine Amazon, in Porto Velho (state of Rondônia);
- International Music Exhibit of (state of Pernambuco);
- III Literary Fair of Pirenópolis – Flipiri (state of Goiás);
- Literary Congress of Passo Fundo (state of Rio Grande do Sul);
- É Tudo Verdade (It's All True) – 16<sup>th</sup> International Documentary Festival (Rio de Janeiro and São Paulo);
- Franciscan Art Memory – publication; and
- Linda Olinda – publication.

Since 2004, sponsorship of events and publications totals approximately R\$ 70 million in more than 620 projects.

## Thursdays at the BNDES

Every Thursday, the BNDES, in its auditorium in Rio de Janeiro, promotes the event Thursdays at the BNDES. This is an annual program, free of charge, with popular, instrumental and classical music shows, promoting Brazilian artists, vocalists and composers. This initiative contributes to disseminating and strengthening Brazilian culture.

As one of the main instruments of the BNDES' interaction with the local community, the 2011 season of Thursdays at the BNDES received an average of 300 people at each show, representing more than 70% of the auditorium's capacity.



## The BNDES Gallery

The BNDES Gallery is a space for the expression of Brazilian art. It features individual or collective, plastic arts or photography exhibitions, with free admittance and open to the public on business days from 10 am to 8 pm.

In 2011, the Rio Nova Arte (Rio New Art) (March-April), Black Tie (May-June) and 50 years of Ferenckiss' painting in Brazil (November) were exhibited, besides the 27<sup>th</sup> Expoarte (June-July) and the 19<sup>th</sup> Expofoto (December-January), organized by the BNDES Employees' Association.

The contest for the selection of cultural projects for the Gallery, planned for 2011, was suspended due to the need to change the public call-for-works, but is now planned for 2012.

## Memory Project

Aware of the importance of capitalizing on knowledge and experience, the BNDES has launched a comprehensive project to maintain the institutional memory.

The project aims to salvage, preserve and disseminate the Bank's course and role in economic and social development in the country. In addition to recovering and telling this story, the project aims to make it possible to put together a continuous memorial record on the institution, thus increasing the transparency of its activities towards society and ensuring good management of corporate knowledge.

A company specialized in corporate memory was hired in 2011, and it is responsible for initially researching, collecting evidence and consulting in the design of some products.

The products of this project include a commemorative video, an exhibition and a book, all for 2012.



7

**INTERNATIONAL  
PERFORMANCE**



## Social and environmental development

The BNDES significantly intensified its international activities in 2011 by participating in missions abroad, receiving foreign delegations as well as the activities of its international offices. Important steps were taken to consolidate its foreign presence, with the development of the business plans in London and Montevideo.

Important disclosure and technical cooperation efforts were carried out, aimed at placing the Bank closer to new emerging markets, namely the Asian and African markets, as well as establishing partnerships with more developed markets, with the assistance of the London office. The Montevideo office is especially important in projecting the Bank's image throughout the region and in fostering South American integration.

Also worthy of note is the enhanced international institutional relationship, made possible by negotiating cooperation instruments between the Bank and foreign entities; participating in events abroad; as well as meetings with multilateral agencies and official government missions. This is made evident in the Bank's growing participation in national and international associations and in the significant increase in the number of foreign delegations that have visited its facilities.

International interest in the BNDES reflects both the growing importance of emerging economies in the global economy, in which Brazil appears as one of the positive highlights, as well as the Bank's relevant role as a mitigating agent of the effects of the crisis in Brazil.

Among the international forums that have contributed to strengthening institutional representation and responding to the special interest in investment opportunities in Brazil, the Bank's participation was noteworthy in the World Economic Forum in Davos, and in the Latin American session in Rio de Janeiro; in the International Economic Forum in Saint Petersburg; in the United Nations' Climate Change Conference in Durban; in the World Bank's and International Monetary Fund's Annual Meeting in Washington; in the Annual Meeting of the Inter-American Development Bank in Calgary; and, in the disclosure mission of the Brazilian financial market, in the renowned road show Best Brazil, in Asia.

International fundraising to complement the Bank's budget, both in loan operations with international entities, as well as in the financial market, provided important and innovative opportunities, confirming international investors' good receptivity of the BNDES. Strategic guidelines for diversification and the search for efficiency were pursued, with the Bank once again accessing the Swiss Franc and bank loan markets, after a decade of absence, providing lower costs and creating opportunities for future fundraising.

Another remarkable change was the focus on international entities, with the transition from specific to global interests. While in the past, fundraising was steered by the foreign entity's interest in developing specific sectors in Brazil, recent fundraising has revealed a global concern for environmental issues, including sustainability and support for renewable energy in financed projects.

A total of US\$ 970 million was contracted, of which US\$ 300 million came from the Japan Bank for International Cooperation (JBIC), within the scope of a new credit line called Global Action for Reconciling Economic Growth and Environmental Preservation (GREEN), earmarked for projects that favor global environmental conservation and energy efficiency, the use of renewable sources of energy, and the reduction of the greenhouse gas emissions. And approximately US\$ 670 million (€ 500 million) came from the European Investment Bank (EIB), earmarked for the support of projects that favor environmental sustainability and mitigate the global climate change effects. This contract was signed in October with no need for a sovereign guarantee, reflecting the perception of lower risk assigned to the BNDES.

The global crisis has provided Brazilian companies with foreign investment opportunities, consolidating a process that has been developing for a few decades. Company transactions encourage the Bank's internationalization process itself, which has been preparing itself to support these companies with new financial instruments and resources raised on new foreign markets.

## Operations with national and international institutions

- Sponsorship of events on foreign policy, as well as research with the Brazilian International Relations Center (CEBRI) and companies to improve and strengthen the bilateral trade and investment structures and the governmental agenda, such as the Brazil-China Business Council (CEBC);
- Seminars associated with the socio-economic impacts of transformations in contemporary China on Latin America and Brazil, promoted by the Brazil-China Studies Institute (IBRACH);

- Participation in the annual meeting, seminars and training courses for technical and financial cooperation among members of the Latin American Financial Institutions for Development Association (ALIDE);
- Participation as a member of the Brazil Industries Coalition (BIC), a joint initiative of the Brazilian Embassy in Washington, and the Brazilian private sector, which provides an interaction platform between Brazilian companies, the North American Congress and the Executive branch;
- Participation on committees promoted by the Institute of International Finance (IIF), created in response to developing countries' foreign debt;
- Participation in the International Development Finance Club (IDFC) initiatives, led by the Kreditanstalt für Wiederaufbau (KfW), related to climate finance, financing infrastructure and innovation in companies, as well as reducing poverty, which includes the main development banks in the world;
- Participation in discussions to legally establish the Montreal Group, led by the Banque de Développement du Canada (BDC), active in financing and support policies for micro, small and medium-sized companies (MSMEs); and
- Reestablishment of the relationship with the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), comprising 127 members, in 44 countries, interested in promoting the sustainable development of Asia and the Pacific.

The BNDES has signed agreements and memoranda with the following institutions, among which the new emerging market partners are highlighted: Japan Bank for International Cooperation and Nippon Export and Investment Insurance (Japan), Mubadala Development Company (United Arab Emirates), Garanti-Instituttet for Eksportkreditt (Norway), The



Export-Import Bank of Korea, Banco de la Nación and Banco de Inversión y Comercio Exterior Sociedad Anônima (Argentina), Société Fédérale de Participations et d'Investissement (Belgium) and with the members of the BRICS development bank association, a group comprising Brazil, Russia, India, China and South Africa.

To consolidate knowledge on the BNDES' international operations and the global economy, several newsletters were produced, including follow-up on investments made by Brazilian companies abroad, which assist the analysis of their internationalization strategies and their impacts on access to new markets, better management practices, technological resources and innovation, as well as their effects on the Brazilian economy.

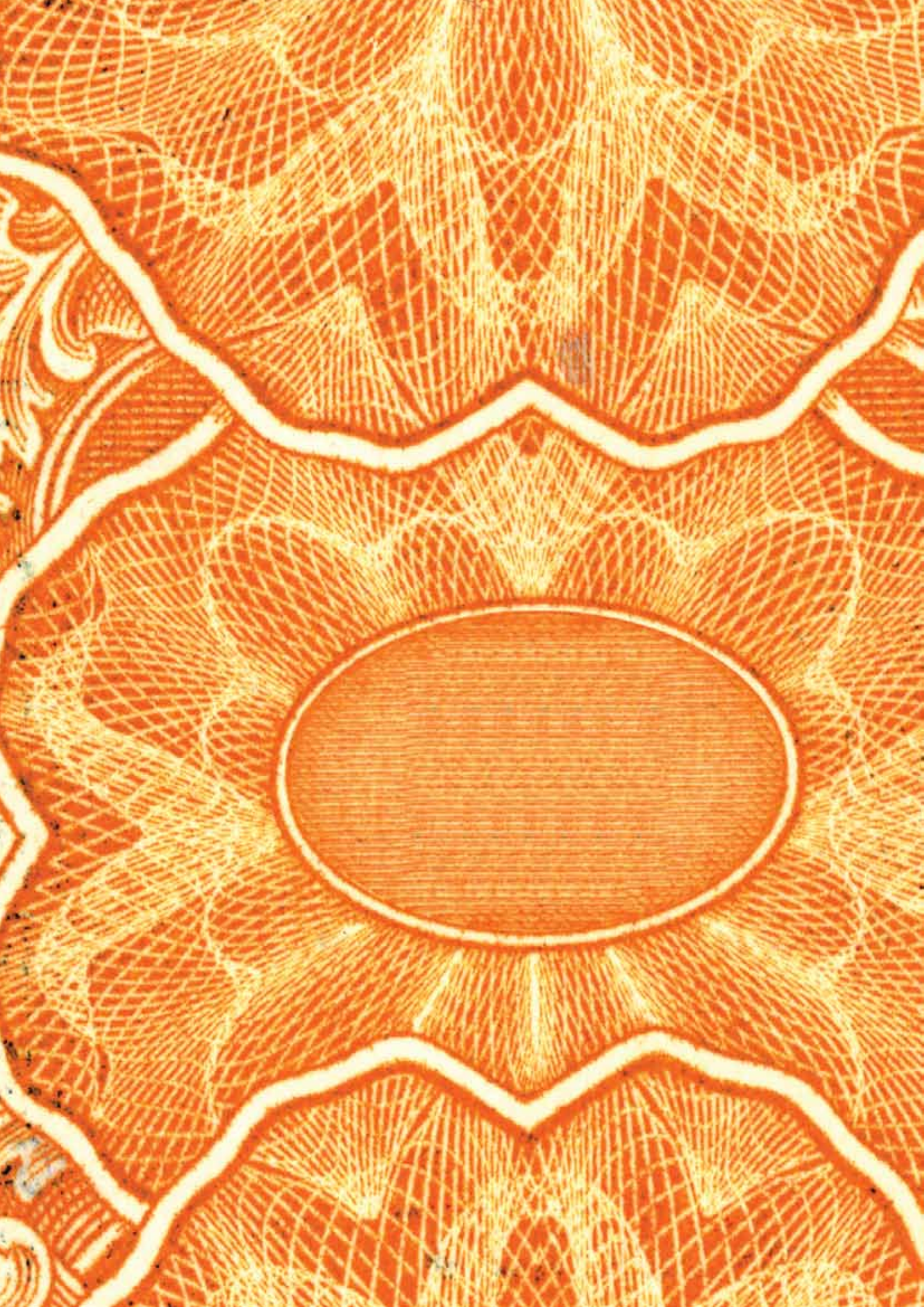
## International risk assessment of companies/countries

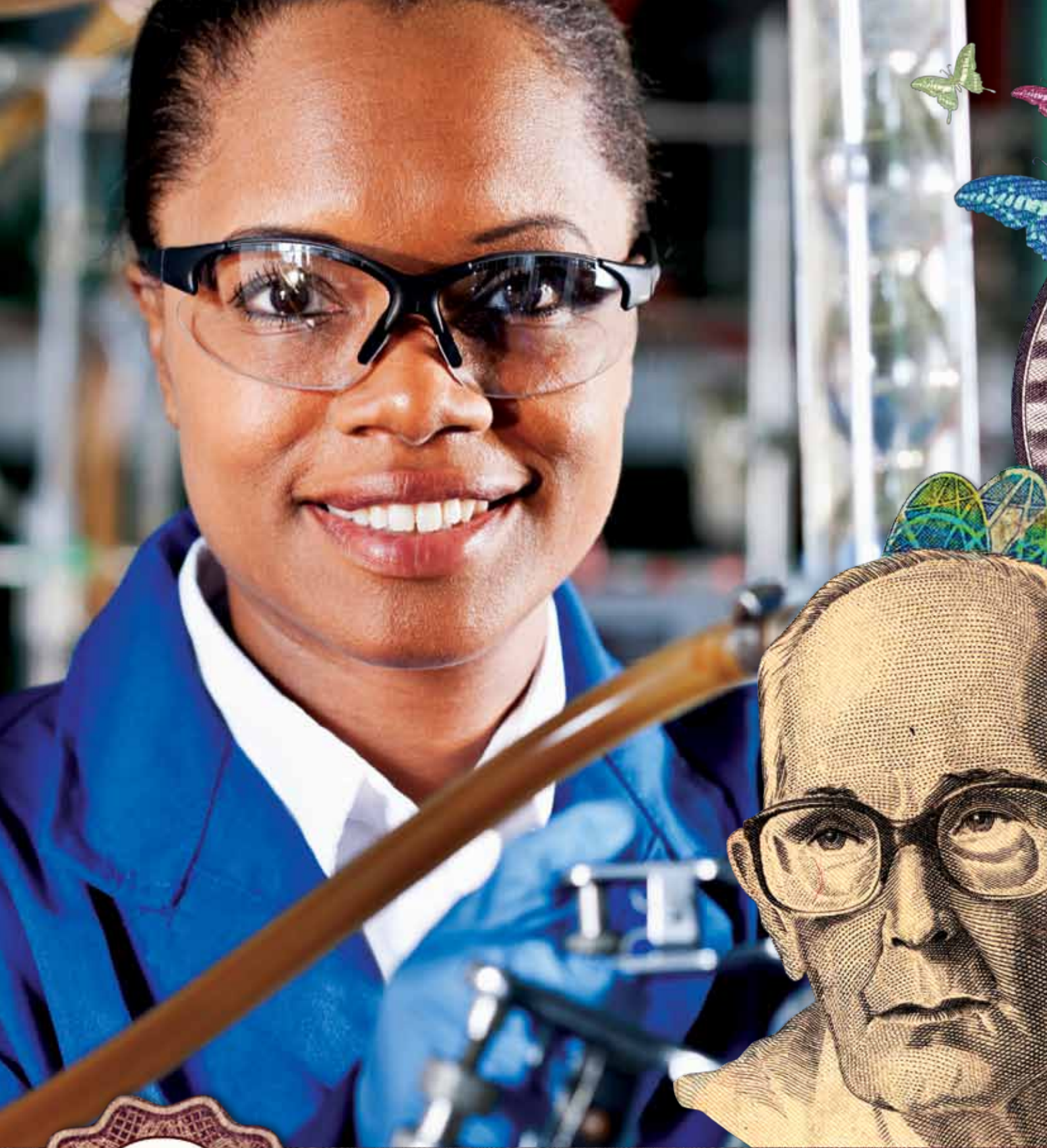
Several standards were created with the purpose of providing the BNDES with elements that permit a greater assumption of direct risk in credit operations abroad. Methodologies were also developed for credit risk analysis of non-financial institutions located abroad, and procedures for the credit risk classification of sovereign entities. Also, limits and margins were established for exposure to institutions with headquarters abroad. All these developments made it possible to properly verify the credit risk of foreign institutions, expanding the BNDES' performance in support for Brazilian export companies.

## Aircraft Sector Understanding (ASU)

Since July 2007, Brazil has taken part in the Agreement on Credits and Guarantees for Exports of Civilian Aircrafts, within the scope of the Organization for the Economic Cooperation and Development (OECD). Brazil's membership, with the BNDES' active participation in the negotiating delegation, significantly reduced room for disputes between governments concerning the public financing of civilian aircraft exports and other goods and services in the aeronautics production sector, since the agreement confers greater transparency and predictability in financial conditions provided by exporting countries in the sector. Among other innovations, the revision, completed in 2011, harmonizes the minimum public support conditions for large-scale aircraft with those applicable to planes of a smaller size. Furthermore, a series of obligatory and optional mitigation solutions were adopted, depending on the debtor's risk classification.







8

**TRANSVERSAL  
POLICIES**



## Performance in support for innovation

Innovation is a priority issue for Brazil, due to its capacity to contribute to the country's growth and the improvement of competitiveness of Brazilian companies. Systematic investment in innovation can guarantee long-term sustainability in national development and, besides the aforementioned positive impact on the increase in competitiveness, it may boost the creation of better jobs and the better use of natural resources.

The government's recognition of the importance of investing in innovation resulted in a series of public policies being incorporated, initially with the Sectorial Resources and the Innovation Laws (Law N°. 10,973, of 12.2.2004) and Asset Law (Law N°. 11,196, of 11.21.2005) and, afterwards, with the Production Development Policy (PDP), the Brasil Maior Plan, and the Science, Technology and Innovation Action Plan (PACTI).

The PACTI, in effect since 2007, and revised in 2011, has four strategic priorities: expansion and consolidation of the National Science, Technology and Innovation System; promotion of technological innovation in companies; research, development and innovation in strategic areas; and science, technology and innovation for social development. The priorities establish goals shared with the industrial policy, with the purpose of increasing business investments in Research and Development (R&D) in relation to the GDP.

The Bank, in keeping with public policy, also adopted innovation as a strategic priority and used the industrial policy, along with the objectives and programs established in the PACTI, as a reference to steer its guidelines in support for innovation. Partner in efforts outlined in the PACTI, it created specific instruments with the purpose of supporting innovation in companies of different sizes and in all sectors of the economy.

The BNDES' objective is to develop and finance investment projects associated with capacity-building and innovative environments, contributing to better competitive positioning of companies and to the increase in innovative activities in the country, so they can be achieved systematically.

The year 2011 was marked by the BNDES' revision of its Innovation Policy, which began to incorporate issues, such as the generation of economic and social value, the creation of better quality jobs, the increase in production efficiency, environmental sustainability and the country's sustained growth.

Another highlight during the year was the constitution of the Innovation Committee (COIN). Comprising representatives from nine of the Bank's divisions, the COIN was created because of the need to standardize concepts and procedures regarding innovation. With its consulting and technical nature, the Committee provides advice when analyzing financial support requests submitted to the BNDES within the scope of instruments supporting innovation.

In 2011, the deadline for the BNDES Investment Maintenance Program (BNDES PSI) was once again extended, providing lower interest rates for innovation projects until late 2012. There was also the reformulation of the Credit Limit products, making its use possible to support research, development and

innovation projects. This measure's objective was to speed up the support for innovative companies with low credit risk.

The non-reimbursable Technological Fund (BNDES FUNTEC) prioritized projects aimed at stimulating technological development and innovation, focusing on the following issues: energy (bioenergy, alternative energy, thermal power stations, nuclear energy and energy distribution); environment; health; electronics; new materials; chemistry; transport; as well as oil and gas. The BNDES also relies on the CRIATEC Fund, highlighted in The BNDES in Numbers chapter, p. 32.

Disbursements earmarked for supporting innovation lines and programs in 2011 surpassed the goals established and reached the amount of R\$ 2.6 billion, higher than the R\$ 1.4 billion in 2010. In 2011, the value earmarked for the purchase of industrial equipment for micro and small companies was approximately R\$ 1.7 billion.

A guideline of the BNDES is to support public policies that strengthen the National Innovation System. This support is materialized in strengthening partnerships and in the articulated performance with other public entities responsible for the technological and scientific development of the country. In this sense, the BNDES has granted credit of R\$ 1 billion to the Financing of Studies and Projects (FINEP), so it could expand its innovation portfolio.

Another initiative in partnership with FINEP was the launch of the Support Plan for Industrial Technological Innovation of the Sugar-based Energy and Chemical Sectors (PAISS). The initiative, which relies on R\$ 1 billion in resources from the BNDES to be used up to 2014, intends to develop entrepreneur activities for the development, production and sales of new industrial technologies for processing sugarcane biomass.

Besides this, the BNDES established another partnership with FINEP, which began to operate as a financial transfer agent, indirectly operating the Technological Innovation Line and the Innovating Capital Line.

Seeking to improve its knowledge on innovation characteristics and the dynamics of Brazilian companies, in 2011 the BNDES, with resources from the Project Structuring Fund (FEP) and in

conjunction with the University of São Paulo Support Foundation, began the process to select and contract a study to be conducted based on data from the latest Technological Innovation Research (PINTEC). The study will provide a systematic diagnosis of the activities and the innovative capacity of the Brazilian industry, as well as the use of the instruments available to support innovation. The BNDES expects the study to contribute not only to the improvement of its operational policy for supporting innovation, but also to public policy that is more appropriate for developing innovation in Brazilian companies.

## Business mobilization through innovation

In June 2009, the National Industry Confederation (CNI) created Business Mobilization through Innovation (MEI), a movement that, among other objectives, intends to make innovation a strategic priority for companies regardless of the sector or activity. With MEI, companies assume the leadership in the country's innovation agenda, a central fact for developing and increasing the dynamism and competitiveness of Brazilian businesses in the global economy.

The movement assigns most responsibilities to companies, but not exclusively, in this innovative effort; therefore, it seeks to establish partnerships between the government and the private sector.

The BNDES has been a MEI partner since its creation, actively participating in meetings with business leaders, encouraging and developing the movement in Brazil.

## Socio-environmental efforts and policy

The socio-environmental policy guides the BNDES System's operations to promote sustainable development in all supported undertakings, considering the integrated conception of the economic, social, environmental and regional dimensions, as well as the commitment to present and future generations.



The socio-environmental policy reinforces both the application of socio-environmental guidelines in the creation of BNDES products, lines, programs and resources, as well as practice that is more aligned with incorporating social and environmental issues into the BNDES' main operational macro process: the sequence for granting financial support, as presented in chapter on Governance.

In a dynamic manner, it consolidates the institution's existing practices and incorporates new instruments while they are being developed. The socio-environmental policy considers the commitments assumed by the Bank in the Social and Environmental Responsibility's Protocol of Intent – the New Green Protocol – and in the Social and Environmental Responsibility (SER) Policy of the BNDES System.

## Regional operation

Reducing social and regional differences is one of the BNDES' commitments, as expressed in its mission statement. Thus, the Bank makes concerted efforts to expand access to its financial resources, respecting and valuing the different realities and vocations nationwide and, in the same manner, uses different financial instruments, considers different territorial profiles, and is aligned with public policies in the three branches of government, always in partnership with public and private agents.

The portfolio composition of products, programs and available financing lines stretches well beyond the more traditional sectors of the economy and reaches individual micro entrepreneurs, including Local Production Systems and other forms of organization, besides support for states and municipalities.

The BNDES' Regional Advancement Policy is aligned with the National Regional Development Policy and establishes differentiated participation levels in loans, both for the Northern and Northeastern regions (macro regional profile), as well as for municipalities all across Brazil, in accordance with category classification criteria established within it.

To operate in the various profiles, to maximize the alignment with existing public policies, and to complement resources from governmental branches, the bank held workshops with strategic partners, as detailed in the chapter on Institutional Performance.

With emphasis on the financing portfolio, relations with state and municipal administrations were strengthened, respecting the federation pact, contributing to discussions, to encouragement to strengthen respective management, and to support for infrastructure investments for regional development, under the responsibility of public entities. In the same vein as the relationship with states, the Bank fostered the Local Production System, with non-reimbursable resources, matching contributions made by state treasuries, highlighting the Northeastern Region in the support portfolio, as presented below.

## Policy for operations in surrounding areas of projects

Also in its regional operation, and worthy of note, is the implementation of the Policy for Surrounding Areas, which seeks to integrate financial support for economic projects with the operation aimed at sustainable territorial development. The goal is to promote development opportunities that can be heightened by implementing projects financed by the BNDES in respective areas of influence, especially in those that are more economically, institutionally and socially fragile. The aim is to mobilize and support the integrated operations of entrepreneurs, public authority and other agents interested in building and implementing, in the areas where they are present, opportunities for more inclusive development, with greater social participation and the perspective of consolidation over time. The Policy for Surrounding Areas guides the analysis of financial operations and negotiation with investors, seeking the most adequate insertion of undertakings for sustainable development of the areas.

During 2011, the procedural structure, the business rules and internal governance for the policy were defined and validated, aiming at effective articulation of the BNDES support instruments for development of the areas, and a greater commitment from other private and public agents



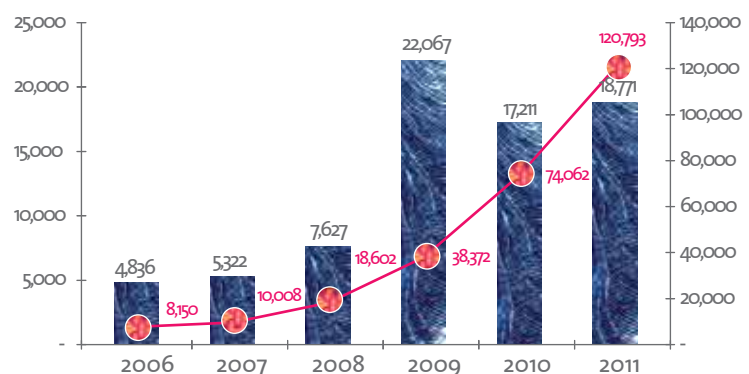
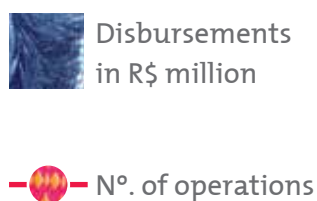
to the proposal. The methodology is being applied to five practical cases: the Suape Industrial Port Complex, in the state of Pernambuco; hydroelectric development of Belo Monte, in the state of Pará; the Açú Industrial Super Port Complex, in the state of Rio de Janeiro; the Rio Grande Historic Heritage, in the state of Rio Grande do Sul and the Alto Paraopebas Consortium (CODAP), in the mining-metallurgy region in the state of Minas Gerais. Further details regarding these projects can be found in the chapter on Operational Performance.

## Northeastern Region

In 2011, the BNDES' disbursements in the Northeastern Region reached R\$ 18.7 billion, providing a growth of 9% in comparison with the previous year. With this performance, the Northeastern Region's participation in the total Bank disbursements reached 13.5%, in comparison to 10.2% in 2010. This is the second best performance concerning disbursement values in the region in the history of the BNDES, only lower than those made in 2009, when a record disbursement was made to the Abreu e Lima Refinery in Suape, in the state of Pernambuco (see chart below).

These disbursements were the result of 120,793 operations in the regions, an increase of 63% in comparison to 2010. This result has established a new record and has maintained the expansion trend in the number of beneficiaries of the BNDES' financial support in all states in the region. We also emphasize that, of the operations performed in the Northeastern Region, some 96.1% were earmarked for micro, small and medium-sized companies.

### Northeastern Region: evolution of the BNDES' disbursements (2006-2011)



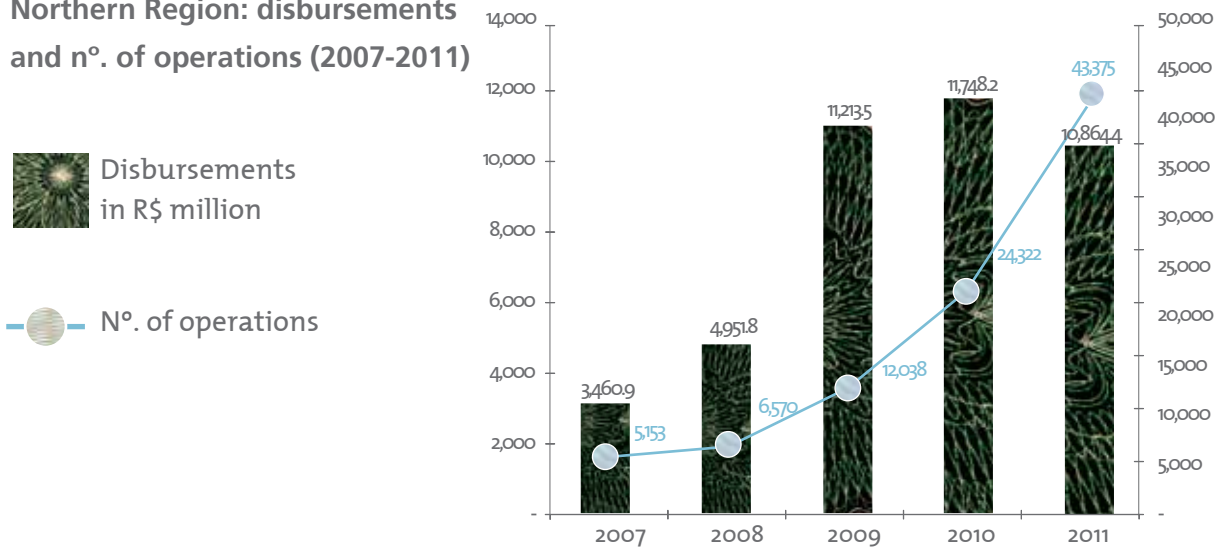
The amount released last year corresponded to an estimated contribution of 23% to the Gross Formation of Fixed Capital in the region; in other words, of the investments made in the Northeastern Region in 2011. For the third consecutive year, releases to the Northeastern Region remained at levels three times greater than the annual average reached over the last decade. This performance was the result, in most part, of support for the large infrastructure projects and the transformation industry, located in the four states with the largest state economies in the Northeastern regions: the states of Bahia, Pernambuco, Ceará and Maranhão.

## Northern and Central-west regions

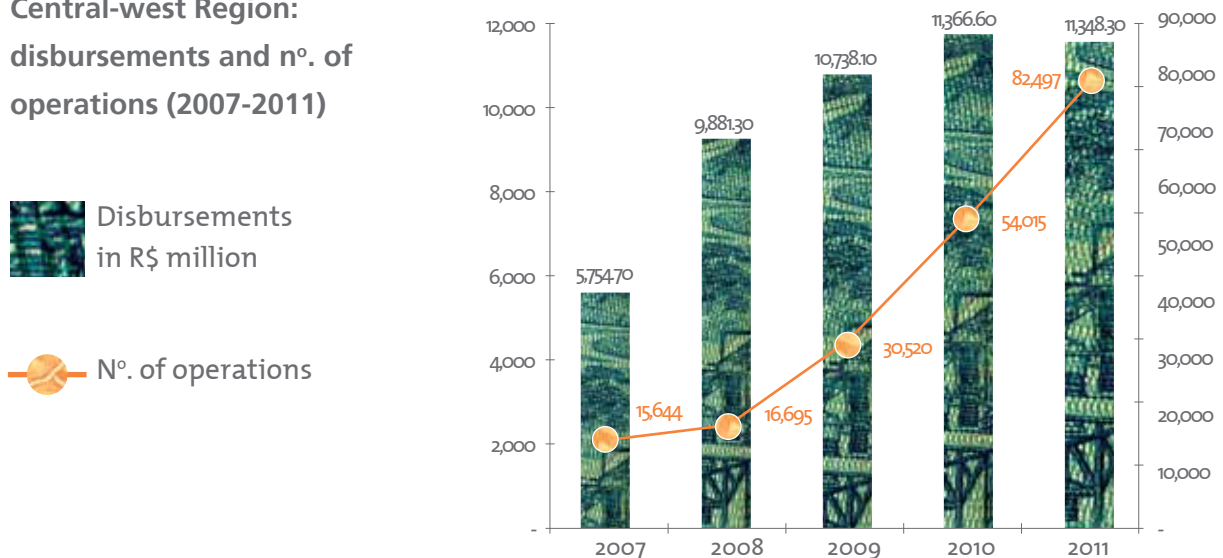
Although there was a drop in disbursement values for the Northern and Central-west regions in 2011, it is important to emphasize that the participation of these regions in the BNDES' total disbursements increased from 13.7% to 16% in 2011. The Northern Region went from a relative participation of 6.9% of the BNDES' total disbursements in 2010 to 7.8% in 2011, and the Central-west Region, from 6.7% to 8.2%. In 2011, the Northern region received disbursements in the value of R\$ 10.9 billion and the Central-west Region was R\$ 11.3 billion.

The increase in the relative participation of the Northern and Central-west regions is the result of the BNDES' policy for regional diversification associated with the large-scale infrastructure projects underway in the regions. Projects in the electric sector stand out, with the construction of the Belo Monte, Santo Antonio and Jirau, Estreito and Teles Pires hydroelectric plants, as well as the implementation of electric power transmission lines in the states of Rondônia, Pará and Amazonas. Disbursements earmarked for mineral extraction were also relevant, with expressive investments in processing plants and the logistical infrastructure involved (North-South railway).

### Northern Region: disbursements and n°. of operations (2007-2011)



### Central-west Region: disbursements and n°. of operations (2007-2011)



The increase in the number of operations performed in these regions in 2011 was quite significant. The Northern Region recorded an increase of 78.3%, and the Central-west Region's increase was of 52.7% in comparison to an increase of 47% in Brazil. This growth is especially due to the large number of operations performed in each micro and small company segment as well as with individuals. In the Northern Region, some 87% of the total number of operations performed in this segment. Of a total of 82,479 operations carried out in the Central-west Region, some 72,917 were performed in micro and small companies and with individuals (88.4%). Disbursements allocated to micro and small companies and individuals totaled R\$ 1.6 billion in the Northern Region and R\$ 4.2 billion in the Central-west Region.



**STUDIES  
AND RESEARCH**





In 2011, the BNDES developed several relevant initiatives to foster economic and social development in Brazil, among which is the definition of issues to be developed in scientific research or technical studies with non-reimbursable financial support from the Project Structuring Fund (FEP BNDES).

Besides this, throughout the year, partnerships were established and consolidated with different institutions and government agencies aimed at optimizing the use of public resources and promoting greater integration between institutions interested in research. Topics such as sustainability and innovation stood out in the calls for submissions of open studies and research, resulting in various projects that are at different stages of progress.

Among the initiatives related to sustainability, research on the “Analysis of the varied treatment and final disposal of solid urban waste in Brazil, Europe, Japan and the United States”, was approved and contracted in 2011, and is being conducted by the Federal University of the State of Pernambuco. It was selected from the pool of 14 Previous Consultations received by the BNDES in the Call for Submissions for the BNDES/FEP Scientific Research Selection in 02/2010. The objective of this research is to conduct the survey and the analysis of varied treatment and final disposal of urban solid waste technologies existing in Brazil, Europe, Japan and the United States, so that the economic, technological, environmental, legal, social and market dimensions can be approached in each possible destination, thus fostering assessment of the adaptation and the possibility of applying the existing solutions in the five Brazilian regions.

Also on this topic, during the second half of 2011, a concession contract for non-reimbursable financial support was also approved and signed to develop scientific research to investigate the potential effects from developed countries adopting low carbon technologies on the economic structure of Brazilian industry. The study is being developed by the University of São Paulo – Ribeirão Preto (FEARP/USP) School of Economy, Administration and Accounting, with support from the Foundation for Research and Development of Administration, Accounting and Economy (FUNDADE).

The project intends to identify the technological trends in sectors with more intensive emissions, such as steelworks, cement, chemistry and petroleum, transport etc., seeking to demonstrate how far Brazil is from the international technological frontier in these sectors. In low-carbon sectors, in which Brazil already has a comparative advantage, such as biofuels, the project will identify the main threats to Brazil’s technological leadership.

The research expects to generate knowledge not only on Brazilian sectors that are more efficient in relation to investments in science and technology, but also on institutional innovation models adopted in countries that are leaders in low-carbon technologies so as to propose the best possible institutional project for Brazil. As a result, the research will include

approximately 12 products, including seminars, as well as partial and final reports.

Innovation is another topic among the BNDES priorities and financing has been provided for studies and research on it. Also in 2011, the Technological Policy and Management Center (PGT), of the University of the State of São Paulo (USP), was selected to develop two pieces of research: "Assessment of information in the game industry" and the "Diagnosis of Brazil's industrial activities and innovative capacity, as well as the use of public policy instruments for innovation".

Concerning the second study, considering the importance of the subject and its impact on Brazil's economic activity, the BNDES invited several institutions to assist it in assessing the proposals and to participate in the research follow-up. The selection included the participation of representatives from the Science and Technology Ministry (MCT), Financier of Studies and Projects (FINEP), the Brazilian Institute of Geography and Statistics (IBGE), and the Brazilian Agency for Industrial Development (ABDI), besides representatives from several of the BNDES' divisions, which evaluated eight pre-consultations submitted by different Brazilian teaching and research institutions.

Besides these partnerships, worthy of note is the close interaction established with the Social Security and Foreign Affairs Ministries, in proposing and selecting the studies "Analysis of unregistered workers registering as individual entrepreneurs in the first year the Complementary Law N<sup>o</sup>. 128/08 went into effect" and the "Feasibility study on the production of biofuels in member countries of the Economic Community of West African States (UEMOA)", respectively.

Aimed at articulating interests and promoting the broad dissemination of knowledge which will be generated in studies and research, the BNDES also developed a partnership with the National Oil Industry Organization (ONIP), which launched the Call for Submissions for Oil Prospecting (01/2011) focused on the assessment of the real impact of current tax norms on the local industry and on the oil & gas extraction and production. Another partnership was set up with the Anísio Teixeira National Institute for Educational Studies and Research (INEP) to finance scientific research that assesses the impact of educational public policies selected on the performance of public school students (Public Call for Submissions 04/2010).

At the end of 2011, the BNDES launched the public call for submissions on the “Diversification opportunities in the Brazilian chemical industry” and “Diagnosis and alternatives within the reach of the government of the state of Sergipe for proper basic sanitation services in its territory”, which should be selected, approved and contracted throughout 2012.

The positive results are not only in the production of knowledge in different areas, but also in the regional and analytical diversity of the researchers involved. A significant example is the Program for Fostering Economic Development Research (PDE), conducted in partnership with the National Association of Graduate Schools of Economics (ANPEC), which is currently in its fourth year. This program has relevant numbers, such as 165 projects submitted, from all regions in the country; senior and junior researchers receiving support; and 17 teaching and research institutions in the running.

In short, the BNDES has a research project portfolio that encompasses, besides the PDE, five approved loans, which total approximately R\$ 15 million, besides another ten in perspective, undergoing selection and analysis, totaling over R\$ 30 million in disbursements. Beneficiaries of the support include small research groups, with up to five researchers, to large teams, with over fifty collaborators.

All research projects are aimed at helping create public policies, besides, of course, strengthening the BNDES’ strategic orientations, priorities and policies. The main differential of the BNDES’ financial support is that all knowledge generated in financed research is of public domain, and results are widely divulged in the BNDES’ publications and on its websites, and on those of its partners.

## 2011 publications

The BNDES annually publishes a series of periodical and non-periodical publications.

Among the periodical publications are the *Revista do BNDES* magazine and the *BNDES Sectorial*, both of which are





semiannual. The magazine publishes views of the technical body concerning national development, in articles and communications. It also includes summaries of the works that won the *Prêmio BNDES de Economia*. The *BNDES Setorial*, on the other hand, is based on the BNDES' technical knowledge applied in the analysis of projects from sectors the Bank supported or could support, publishing objective articles on various aspects of the production structure in the Brazilian economy. In 2011, issues 35 and 36 of the *Revista do BNDES* and issues 33 and 34 of the *BNDES Setorial* were published.

Besides these periodicals, in 2011 the following were also launched: *Visão do Desenvolvimento 2010* – a compilation of studies produced over the previous year on subjects of interest to the Bank, related to development; *Relatório de Investimento* (first edition) – published quarterly with the objective of making the rendering of the BNDES' operational accounts permanent for society and serving as an analytical instrument for the follow-up of the Gross Formation of Fixed Capital in the economy; *Perspectivas do Investimento 2010-2013* – a map of projects in 14 sectors of the economy, seven of which are in industry, six, in infrastructure, and one, in civil construction.



10

**OPERATIONAL  
PERFORMANCE**



This chapter presents the BNDES' performance based on a sectorial focus. In a summarized form, the Bank's performance is reported in the following segments of the economy: foreign trade, social infrastructure; agriculture and social inclusion; infrastructure; basic inputs; industry, trade and services; environment; besides its performance in variable-income and indirect operations.

## Foreign trade

In 2011, the BNDES' total disbursements, through the financing lines for export, was R\$ 11.4 billion, 63% of which is related to the capital goods segment.

The BNDES' performance in support for Brazilian exports in 2011 reaffirmed important guidelines established in 2010, especially that which states that the financing goods and service sales abroad must be conducted in an agile and competitive manner. In this sense, the partner bank network abroad was expanded by means of the BNDES Automatic Exim product, which consists of opening up lines of credit to banks abroad to grant financing to importers of Brazilian goods and services. Currently, some 11 banks abroad are licensed to transfer the BNDES' resources in a total amount of US\$ 625 million. They have already received support in over 30 capital goods export operations to six Latin American countries.

Brazilian companies participating in infrastructure projects in Latin America and Africa continued to rely on the BNDES' support, which has been a determining in several situations, as it provides a competitive edge when assessing trade proposals in international bids.

The BNDES' export financing lines have favored market diversification and the scale expansion of production, making support for exports more effective.

In 2011, a new line of credit was approved for the government of Angola, in the amount of US\$ 1 billion, to finance Brazilian exports of goods and services earmarked for the implementation of highway and urban infrastructure projects, sanitation, water supply, generation and distribution of electric power, professional training centers, equipment for the fire department and defense departments as well as the construction of airports.

Also worthy of mention are the financing operations for exports of 14 Embraer aircraft, models 170, 175, 190 or 195 (E-Jets) to the Aldus Aviation Limited aircraft lease company, located in Ireland. This is the BNDES' first operation to a leasing company that is not backed by the lessor's credit risk, but rather by the risk of the aircraft lessor's airlines. The flexibility provided by

this operation, both by allowing a wide range of lessor airlines and by including any E-Jet family aircraft, is considered strategic by the Brazilian exporter. Currently, approximately 33% of the aircraft in the world belong to leasing companies, a proportion that has been growing rapidly over the last few years.

Another relevant operation in 2011 was financing for the commercialization of Scania buses to make up the Bogota Integrated Public Transport System, called the Trans-millennium System. This system is one of the most important examples of Bus Rapid Transit (BRT) in the world, built and managed by the City Council of Bogota, in Colombia, since December of 2000. This implementation means that users' travel time was reduced by 32%, and emissions of pollutants were reduced by 40%. In 2010, the City Council began expanding the system to benefit the entire city of Bogota. In this second phase, Brazil will provide 159 bus chassis and 295 complete buses, enabling Brazilian chassis and body manufacturers to consolidate their position in the South American market.

## Social infrastructure

### States and municipalities

In its contribution to reducing regional and social differences, the Bank has improved its financing mechanisms for state and municipal governments. This means that making investments feasible is a necessary element for social and economic development, including improvements to public management.

The objective is to maximize social and economic potentialities in each territory, with financing lines and programs that interact with public management priorities, with operations increasingly focused on investment programs linked to multiannual plans (PPAs) in each federative entity. Loans within the scope of the Growth Acceleration Program (PAC), with projects in sanitation, urbanization, subway transport and public administration, were made in sync with this objective.

Support for public administration is consolidated by means of a network of integrated products, specifically:

Lines and programs linked to the integrated development (of states)	BNDES States
Lines and programs linked to improvements to public management	<ul style="list-style-type: none"> <li>» BNDES PMAT (Modernization of Tax Administration and Management of Basic Social Sectors)</li> <li>» BNDES PMAE (Modernization of Revenue Administration and the Fiscal, Financial and Asset Management of the State Administrations)</li> </ul>
Lines and programs linked to sectorial investments	<ul style="list-style-type: none"> <li>» Support Program for Environmental Sanitation and Hydric Resource Projects</li> <li>» Support Program for Public Transport Structuring Projects</li> <li>» Support Program for Educational, Health Social Assistance and Safety Services</li> </ul>

Total disbursements by means of direct and indirect non-automatic operations for states in the Federation reached R\$ 2.9 billion in 2011 and covered 25 states. The 10 federative units that received the most disbursements were Ceará, Bahia, Rio Grande do Sul, Sergipe, Pernambuco, Rio de Janeiro, Espírito Santo, São Paulo, Paraíba and Amazonas. This profile demonstrates the regional diversity of the BNDES' releases. Of the total disbursed in 2011, some R\$ 76.9 million was earmarked to finance projects within the scope of the PAC.

The main projects that received support in 2011 were:

**The state of Acre:** phase 5 of the Sustained Integration and Development Program (PIDS V) was contracted. The project is aimed at supporting infrastructure of social interest, pave the main secondary roads and streets in the state, urbanize structuring roads, strengthen support to the regional economy and modernize the management system. The BNDES' financing is R\$ 641 million, with releases slated between 2011 and 2014.

**The state of Sergipe:** support should make the implementation of the Sergipe infrastructure investment program feasible, which comprises programs aimed at integrating the state's development. The investment being supported should: improve and expand the state's highway

system and the intra and inter-territory connections (reducing travel time) while providing infrastructure for production activities, including tourism. Investments in the health and basic sanitation segments are planned. The BNDES' financing totals R\$ 383 million, with releases slated between 2012 and 2015.

**The municipality of Belo Horizonte:** support within the scope of the Financing Line for Modernization of Tax Administration and Management of Basic Sectors (BNDES PMAT) for municipal modernization investments within the scope of tax, financial and asset management, as well as in the management of health and social and urban policy programs. Among the projects that have the participation of the Bank's resources is the implementation of the integrated system for supply management, the modernization of property control, the implementation of corporate geo-processing, the modernization and computerization of the inspection process and the health information system, among others. The financed value was R\$ 90 million, with the total investment reaching R\$ 100 million.

This network – as well as the other operations – is complemented by the operations via automatic indirect financing programs and lines, especially the BNDES Finame products (focused on isolated acquisition of machinery and equipment); Provias (focused on the acquisition of machinery and equipment for interventions on public highways and roads); Prouca (focused on the digital inclusion of state, district or municipal public schools systems, by purchasing portable computers); Commuting to School (focused on renovating and expanding the fleet of school vehicles to transport public elementary school students, with a priority in rural areas); and PMAT Automatic (created to provide faster service for municipalities with a population of less than 150,000).

## Urban sanitation

With an active portfolio of approximately R\$ 10 billion in loans to the sector, the sustainable investment projects and those that meet the legal requirements of services and good practices in management are a highlight. In support for the sanitation sector, both public as well as private operators are financed – the latter, as local or regional concessions. The BNDES' operations in the sector over the last 15 years have benefited approximately 15 million people in access and improvements to the water supply, sanitary sewage and solid waste management services.

The main projects that received support in 2011 were:

### **“Águas de Nova Friburgo” (Waters of Nova Friburgo):**

support for the investment plan from the “Águas de Nova Friburgo” concession for the 2010-2014 period, aimed at reconstructing the systems affected by rainfall in January 2011 in the mountainous region of the state of Rio de Janeiro, besides modernizing and expanding the municipality's water supply and sanitary sewage systems. Financing, in the amount of R\$ 44.8 million, should leverage investments of R\$ 56 million, including water supply systems (R\$ 20.7 million), sanitary sewage (R\$ 31.8 million), besides support systems, urban plans and executive projects (R\$ 3.5 million).

### **“Águas de Joinville” (Waters of Joinville):**

support via simple debenture subscription issued by the concession, in the amount of R\$ 30.7 million, to support investments in the water supply (R\$ 19 million) and sanitary sewage (R\$ 10.5 million), as well as support systems for the company's corporate and commercial management (R\$ 8.8 million). The total investment will be R\$ 38.4 million.

### **Estre Ambiental S.A. (Estre Environmental):**

support to expand the Itapevi and Paulínia sanitary landfills in the state of São Paulo, involving the implementation of new cells, capturing biogas from landfills, generating carbon credits and producing waste byproduct fuel (CDR), in Paulínia (SP). Financing, in the amount of R\$ 34 million, will support investments of R\$ 45.8 million in these objectives.





## Urban mobility

Investments aim at improving public transport for citizens, especially projects that prioritize the means of transport with greater capacity and lower operational cost, permitting the integration of fares and the physical structure, as well as reducing users' traveling time. The Bank also seeks to improve accessibility to roads, including for users with special needs, and enhance the technologies used, pursuing better comfort and safety conditions, while reducing the levels of pollution and energy consumption.

The main projects that received support in 2011 were:

**Metropolitan Train Company of the State of São Paulo (CPTM – Companhia Paulista de Trens Metropolitanos):** support to expand the transport capacity of Line 8 – Diamond, by rendering the fleet's maintenance services and supplying 36 new trains. Made under a public-private partnership (PPP) modality, investments totaled R\$ 1.5 billion, of which R\$ 946.9 million was financed by the BNDES. This project has also contributed to the inauguration in Brazil of the Spanish company Construcciones y Auxiliar de Ferrocarriles S.A., which supplied the 36 new trains, enhancing the competitiveness of the internal market, as well as contributing to the generation of jobs and the introduction of new technologies in the country.

**BRT of Vitória (in the state of Espírito Santo):** In 2011, a new operation was approved aimed at implementing the first stage of the Vitória Metropolitan area's BRT System. Based on transport technology known as Bus Rapid Transit (BRT), the project proposes rethinking the existing model in the region, establishing an effective priority for public transport by structuring an integrated transport system. Designed to meet an initial demand of up to 18,000 passengers per hour per itinerary, the project, in this first stage, establishes the implementation of the BRT system in the most congested streets, interconnecting the terminals of Carapina, São Torquato, Jardim América, IBES and Vila Velha, approximately 31 km in length. The set of interventions that the project proposes reach a total value of R\$ 742.3 million, of which R\$ 530.4 million is to be financed.

## Education, health and safety

The BNDES has improved its specific products to meet the needs of these segments, which can also be covered in the BNDES States Line, when interventions are carried out by a public authority.

In the educational segment, the BNDES has made important changes to its operational policies.

The approval of the BNDES Support Program for Workers' Professional Training (BNDES Qualification), divided into two subprograms: Investment; and Research, Development and Innovation. The former is earmarked for implementation, expansion and modernization of teaching institutions and, as a priority, expanding the number of openings that offer initial and continued professional training, high school (technical) as well as technological educational courses. The Research, Development and Innovation subprogram, on the other hand, must always be associated with the former, dedicated to projects aimed at solving technological bottlenecks in specific areas of knowledge. The program's total provisions amount to R\$ 3 billion, of which, up to R\$ 1 billion can be applied within the Research, Development and Innovation subprogram. The program expires on April 30, 2013.

Changes to the Teaching Improvement Program for Higher Education Institutions (BNDES IES) were also approved. Modifications included easing the prerequisites for applicant eligibility and simplifying the processing of operations. Establishing quality standards for higher education institutions for eligibility classification in each request was maintained. It should be emphasized that this program is aimed at supporting the improvement of teaching at higher education institutions, provisions total R\$ 1 billion. Applications for financing can be registered at the BNDES up to August 6, 2014.

Based on existing programs, the BNDES Support Program for Health Institutions (BNDES Health) went into effect in 2011, aimed at strengthening the Unified Health System's (SUS) capacity to provide medical care and expanding projects that support its institutional development. The program has established a budget of R\$ 2 billion, which is valid for the next five years.

The BNDES Health is divided into two subprograms:

- Institutional Development Subprogram: is aimed at supporting the improvement of infrastructure in health institutions renowned for excellence.<sup>13</sup> For access to loans, these institutions, of an additional nature to projects already agreed upon with the Health Ministry, are required to commit to investing their own resources in new projects that are relevant to the Health Ministry, in the minimum amount of 5% of the value the BNDES has financed. To make this subprogram operational, the BNDES signed a Joint Operation Protocol with the Ministry in 2010.
- The SUS Medical Care Subprogram: is aimed at strengthening the SUS' capacity to provide medical care by modernizing and improving the management of health institutions integrated to it. There are approximately 2,000 philanthropic, privately-owned hospitals that provide medical care within the scope of the SUS. These institutions will have to arrange a financial agent accredited by the BNDES, through which support project will be sent. In August 2011, in response to the Health Ministry's request, the BNDES' Board of Directors approved changes to the program's conditions, including additional requirements in the definition of the SUS Medical Care Subprogram beneficiaries.

The main projects that received support in 2011 in the health segment were the following:

**Alemão Oswaldo Cruz Hospital (SP):** support to expand and modernize the Alemão Oswaldo Cruz Hospital's facilities, by implementing the Prostate Institute, re-adapting the hospital's internal signage, implementing integrated services, and constructing and equipping the new inpatient and service building. The value of the loan is R\$ 119.5 million, generating R\$ 221.7 million in investments.

<sup>13</sup> The excellence institutions currently licensed by the Health Ministry are the: Sírio-Libanês, Albert Einstein, Samaritano, Alemão Oswaldo Cruz and HCor Hospitals in São Paulo, and the Moinhos de Vento Hospital in Porto Alegre.

**Soc. Beneficente de Senhoras Hospital Sírio e Libanês**

**(SP):** support to modernize and expand the current structure of the “Sírio e Libanês Hospital”, increasing the number of surgery rooms, beds for inpatients, ICU beds, critical and semi-intensive care units. The value of the loan is R\$ 430.7 million, generating R\$ 619.3 million in investments.

## Stadiums

With the aim of supporting construction and renovation projects in the stadiums that will host the 2014 World Cup games, the BNDES created the ProCopa Arenas Program. Approval has been given for financing operations to adapt the arenas in the host cities of Salvador (state of Bahia), Rio de Janeiro (state of Rio de Janeiro), Manaus (state of Amazonas), Cuiabá (state of Mato Grosso), Fortaleza (state of Ceará), Recife (state of Pernambuco), Belo Horizonte (state of Minas Gerais) and Natal (state of Rio Grande do Norte). Contracts signed up to December 2011 totaled R\$ 3.3 billion, and disbursements totaled R\$ 783 million. The BNDES' loans were earmarked to create studies and projects, carry out of the works themselves, and in certain cases, carry out works necessary in the surrounding areas of the projects.

Besides the direct support for the renovation of the arenas, the BNDES is also acting promptly to improve urban mobility, especially in the city of Rio de Janeiro, by financing the Transcarioca BRT, which already received an initial disbursement of R\$ 69 million allocated to Stage I of the project.

The stadiums that have received support from the BNDES are:

INFORMATION ON THE OPERATION			LOAN		
UNDERTAKING	CLIENT	CONTRACTING	TOTAL FINANCED (R\$ MILLION)	DISBURSEMENT (R\$ MILLION)	DISBURSEMENT (%)
Pantanal Arena (MT)	State of Mato Grosso	nov. 2010	393.0	78.5	20
Castelão Stadium (CE)	State of Ceará	dec. 2010	351.5	175.3	50

continue

continued

INFORMATION ON THE OPERATION			LOAN		
UNDERTAKING	CLIENT	CONTRACTING	TOTAL FINANCED (R\$ MILLION)	DISBURSEMENT (R\$ MILLION)	DISBURSEMENT (%)
Amazônia Arena (AM)	State of Amazonas	dec. 2010	400.0	89.4	22
Fonte Nova Arena (BA)	State of Bahia	dec. 2010	323.6	116.7	36
Maracanã Stadium (RJ)	State of Rio de Janeiro	jul. 2011	400.0	80.0	20
Pernambuco Arena* (PE)	State of Pernambuco	feb. 2011	400.0		
	SPC Arena of Pernambuco and investments S.A.	ago. 2011	280.0	84.0	30
Mineirão Stadium (MG)	Minas Arena – Sports Facilities Management	oct. 2011	400.0	80.0	20
Dunas Arena (RN)	Dunes Arena Concession and Events S.A.	oct. 2011	396.6	79.3	20
<b>Total contracted</b>			<b>3,064.7</b>	<b>783.2</b>	<b>26</b>

\* In the case of the Pernambuco Stadium, two contracts were signed: one with the SPC and the other with the state government. The total value of the BNDES' financial support for the project is limited to R\$ 400 million, with no simultaneous risk in both contracts, considering that the operation with the SPC will be liquidated once the public entity has accepted the Arena, which is when the BNDES will have risk solely with the state of Pernambuco. Thus, the value of the SPC Pernambuco Arena is not included in the total contracted.

## Agriculture and social inclusion

The BNDES' operations are aligned with the Federal Government's guidelines in the support of the low-income population, through production inclusion and the generation of income. To do so, it plays a fundamental role in creating and carrying out the Federal Government's agricultural programs, besides articulating and supporting the solidarity economy and guided production microcredit.



## Agribusiness and social inclusion

The BNDES participates in the National Program for Strengthening Family Farming (Pronaf)<sup>14</sup> operating incisively so that there is a greater supply of food, especially that which is part of the basic food basket, besides helping farmers remain in rural areas with more dignity and better standards of living. In 2011, the portfolio with approximately 30,000 contracts disbursed R\$ 1.4 billion.

Aligned with the Federal Government's target to eradicate extreme poverty, the Bank has conducted sectorial studies that serve as a basis for diagnosing and defining operational strategies to develop production inclusion projects in the combat against extreme poverty in socially vulnerable rural areas with resources from the Pronaf and the BNDES Social Fund. Support for agriculture and cattle-raising was identified as an excellent opportunity to collaborate with the Brazil Without Poverty Plan by focusing efforts on production inclusion and the generation of opportunities, in conjunction with the Citizenry Territories.

Besides support for family farming, the BNDES also operates with the Federal Government programs aimed at business agriculture and co-operatives. In 2011, the BNDES implemented approximately 45,000 loan contracts totaling an amount of R\$ 9.8 billion.

The BNDES operates the Federal Government's agricultural and cattle-raising programs by means of accredited financial agents. Management of this contract portfolio is particularly complex. The sector's characteristics allow for frequent renegotiations defined by Congress. This requires a special effort in portfolio conciliation between the BNDES and its financial agents. In 2011, a new operational modality to bill and appropriate values of the contracts that have already been renegotiated was implemented. For new renegotiations, the BNDES developed the Refin Agriculture and Cattle-Raising portal, through which financial agents submit requests for renegotiation, in accordance with the new pre-approved renegotiation modality instituted by the Central Bank.

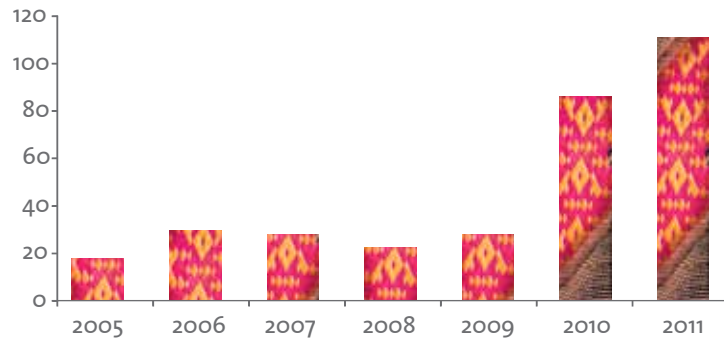
<sup>14</sup> Pronaf is a public policy of the Federal Government to support family farmers and is coordinated by the Ministry of Agricultural Development (MDA). Its objective is to strengthen production activities that generate income for the producing family units, with rural financing lines adapted to their reality.

## Microcredit

The BNDES has operated in the microcredit segment since 1996 by transferring resources to Oriented Microcredit Institutions (IMPO). Over the last few years, the BNDES has consolidated its position as the main transferor of resources to Civil Society Organizations of Public Interest (OSCIPs), Micro Entrepreneur Credit Partnerships (SCMs), credit co-operatives, co-operative banks and development agencies, contributing to the generation of jobs and income nationwide.

In 2011, record values were negotiated, indicating an even higher growth in disbursements over the next few years.

**Evolution of the contracting volume (in R\$ million)**



### Northeastern Bank (Banco do Nordeste)

In December 2011, an operation within the scope of the BNDES Microcredit Program was contracted to the tune of R\$ 50 million for the Northeastern Bank (BNB). The resources will be used to expand the credit portfolio of Crediamigo Program's, run by the BNB since 1999 and which is currently the largest production-driven microcredit program in Brazil, with over 1 million active clients.

## Stimulus to create community banks

To provide services to those at the base of the socio-economic pyramid and to democratize access to microcredit, the National Social Economy Department of the Ministry of Labor and Employment (SENAES/MTE) promoted an approximation between the BNDES and community banks. Because this is pulverized support, with dozens of small projects in several states, the Palmas Institute, considering its history in this segment, was identified as the most appropriate strategic partner to bridge the gap between the BNDES' resources and community banks.

The partnership, signed in 2010, establishes investments of R\$ 5.7 million, of which R\$ 3.5 million (R\$ 3 million from the BNDES, R\$ 0.5 million from the Palmas Institute) is for microcredit operations in the communities covered by community banks, or to assist new community banks that will be created with support from the SENAES/TEM, and R\$ 2.2 million in non-reimbursable resources within the scope of the Social Fund for the structuring of new community banks. In 2011, the Palmas Institute issued 5,582 credits, at a total value of approximately R\$ 4 million, to 67 community banks nationwide.

## Structuring collective production undertakings linked to agricultural reform settlements

The BNDES supports investments to structure collective production undertakings linked to agricultural reform settlements with non-reimbursable resources from the Social Fund. Its participation is limited to 50% of the project's value, while the remainder comes from the state or from other partners. Projects are presented by the states or by the National Institute of Colonization and Agricultural Reform (INCRA), but the end beneficiaries of the resources are collective production undertakings linked to the agricultural reform settlements, formalized as cooperatives and selected by means of public call-to-bid.



In 2011, the BNDES signed a contract with the Norte Pioneiro (North Pioneer) Agricultural Reform and Commercialization Cooperative (COANOP), fostering the inclusion of settler families in the coffee production chain by financing inputs, machinery and equipment, vehicles, as well as the construction of a coffee processing unit and a testing room. The project encompasses approximately 300 families in the municipality of São Jerônimo da Serra, in the state of Paraná, and disbursed R\$ 728,000 in 2011.

The support in the amount of R\$ 8 million, contracted in 2010 for the União Camponesa Agricultural Reform and Commercialization Cooperative (COPRAN), is aimed at: implementing a dairy product agro-industrial unit; structuring milk production with the purchase of milk refrigeration tanks for collective use, trucks and isothermal tanks for collecting milk; supporting the commercialization with the purchase of refrigerated box trucks; and providing technical support to settler families. The project has a direct impact on the 712 co-op families. In 2011, disbursements totaled R\$ 4.6 million.

## Complementing state support for low-income production undertakings

Since 2009, the BNDES has been operating in partnership with Brazilian states offering support to production projects that generate jobs and income, by means of a public selection of projects. In 2011, approximately R\$ 4 million was disbursed: that is, R\$ 2 million to the state of Ceará, R\$ 1.5 million to the state of Paraíba, and R\$ 0.5 million to the state of Sergipe. A partnership with the state of Maranhão in the amount of R\$ 24 million was also approved, of which 50% from the BNDES and 50% from the state.

## Self-Management

The BNDES has financing self-managed companies since 1994, as a response to demands made by trade unions, and more recently, from the Federal Government. Up to 2011, some 17 companies were offered support in a total amount of R\$ 170 million.

In 2011, two self-management companies were highlighted in the BNDES' support for this segment:

### **The Mococa Metallurgical Product Cooperative (COPROMEM)**

The BNDES, in partnership with the Bank of Brazil and the Social Fund, has approved support of approximately R\$ 30 million for the construction of the new production plant and the purchase of machinery. COPROMEM is one of the largest job generators in the region, with important participation in generating revenue and taxes for the municipality of Mococa (state of São Paulo), where it operates. With the project, some 481 direct jobs will be maintained, and there is a forecast for another 120 new jobs by 2014.

### **Workers Industrial Production and Metal Shaping Cooperative (METALCOOP)**

In 2011, the METALCOOP cooperative project was contracted, at R\$ 7.1 million, to purchase the industrial unit located in Salto (state of São Paulo), in which the cooperative carries out its operations. The project presents a significant social impact on the maintenance of jobs in a cooperative that managed to preserve the predecessor company's economic activity. The first installment of the BNDES' resources was released in November, in the amount of R\$ 3.75 million.

## **Partnerships with public and private institutions**

In 2011, the BNDES proceeded with its support for low-income production projects in partnership with foundations and private institutes. This joint effort has extended more reach and had a multiplying effect with resources from the BNDES' Social Fund by using expertise and the resources from strategic partners to support low-income production undertakings nationwide.



Included on the list of the main partners are:

### **Ministry of Culture (PROMOART)**

Since 2009, the BNDES has supported the Fostering of Cultural Tradition Handcrafts (PROMOART) program,<sup>15</sup> with the goal to strengthen cultural tradition handcrafts in the support of art centers located in different regions around the country. Efforts in the production, commercialization and advertising spheres of the products, foster the cultural and economic dynamics of this segment, reaching over 4,000 artisans and five Native-Brazilian tribes. The total value of the program is R\$ 6.4 million, of which 80% comes from the Ministry of Culture and 20% from the BNDES (R\$ 1.3 million). The BNDES' resources have already been totally released, and the program is nearing completion with an assessment of its efforts and proposals for new directions.

### **Bank of Brazil – Sustainable Regional Development (BB-DRS)**

The Bank of Brazil, through its National Strategy for Sustainable Regional Development (BB-DRS), became a partner of the BNDES in 2008 in the support for structuring production chains nationwide with the objective of generating jobs and income for the low-income population. Within the scope of the partnership, some 22 projects were negotiated, which together total approximately R\$ 19 million, of which 27% (about R\$ 5 million) had already been released by late 2011.

### **Bank of Brazil Foundation**

In September 2009, the BNDES and the Bank of Brazil Foundation (FBB) signed the Technical and Financial Cooperation Agreement N°. 09.2.0708.1, valid for five years, for structuring production chains, reapplying social technologies and fostering territorial development.

The FBB currently has three negotiated operations referring to the Joint Tactical Operation Plans (PTAC) for 2009, 2010 and 2011, with a planned investment of R\$ 40 million for each PTAC. The BNDES is responsible for half the resources.

<sup>15</sup> Executed by the Friends of the Edison Carneiro Folklore Museum Cultural Association (ACAMUFEC), by means of the agreement signed with the Ministry of Culture, the program's objective is to operate in 65 art centers, present in 71 Brazilian municipalities.



In December 2011, the FBB sent a further 30 projects, in a total amount of R\$ 17 million, of which R\$ 13.8 million is from the BNDES, and R\$ 3.2 million from the FBB, benefiting approximately 4,000 people.

### **The Camargo Corrêa Institute**

In February 2011, the BNDES signed an agreement with the Camargo Corrêa Institute (ICC) in which an investment of R\$ 50 million is planned (R\$ 25 million from each party) in nationwide social projects for a period of five years. The BNDES released approximately R\$ 850,000 for four projects. An investment of approximately R\$ 8 million is planned for all projects in the 2011 Investment Plan, of which R\$ 4.3 million is from the BNDES and R\$ 3.7 million is from the ICC.

### **Vale Foundation**

In May 2011, the BNDES and the Vale Foundation (FV) signed a Technical Cooperation Agreement and a Contract for the Concession of Non-Reimbursable Financial Collaboration in the amount of R\$ 43.9 million, earmarked for the first BNDES-FV Joint Operation Plan to implement six human and economic development centers in the state of Pará, and to develop not only modernization projects for municipal public management, but also projects to reduce urban infrastructure shortcomings.

### **Votorantim Institute (IVOT)**

The first phase of the BNDES-IVOT technical-financial cooperation agreement, signed in 2010, was completed, with the finalization of studies in 27 municipalities for structuring production activities, offering professional qualification, and fostering territorial development. This agreement benefits municipalities with critical social indicators in the five regions in the country and collaborates with the "Citizenship Territories" program, valid until 2015, making it possible to provide support to low income populations in remote areas, with a focus on socio-production inclusion.

## Social inclusion with selective waste collection

The BNDES recognizes the generation of social and environmental benefits resulting from efforts with waste-pickers within the scope of social inclusion of selective waste collection. In 2011, this segment received disbursement of R\$ 14.5 million, of which R\$ 7 million was for the Joint Logistics project;<sup>16</sup> R\$ 6 million for 46 projects with waste-picker cooperatives in several Brazilian municipalities, and R\$ 1.5 million for the 2014 World Cup Host Cities<sup>17</sup> initiative for Rio de Janeiro.

## Infrastructure

### Hydroelectric power generation

The Brazilian electric power grid is unlike any other in the world due to the expressive participation of renewable energy, with over 90% of its generation originating from hydroelectric plants.

The BNDES contributes to this with financing for hydroelectric plants (among other renewable sources). In 2011, the Bank provided R\$ 5.2 billion in financing for hydroelectric plants at the implementation phase. The main highlights of the hydro generation segments were:

- Approval of the bridge loan for the Tele Pires Hydroelectric Plant, in the state of Mato Grosso – in the Tapajós River basin –, in the amount of R\$ 450 million. The plant was sold through a public bid in 2010 and will have an installed capacity of 1,820 MW.

<sup>16</sup> A partnership between the BNDES, FBB, Petrobras and MTE for the purchase of trucks for selective waste collection and commercialization in recyclable chains.

<sup>17</sup> The 2014 World Cup Host Cities initiative was promoted by the BNDES and developed in the 2014 World Cup host cities with the objective of promoting the social inclusion of waste pickers by structuring selective waste collection.

- Contracting and disbursement of the bridge loan for the Belo Monte Hydroelectric Plant, in the state of Pará – in the Xingu River basin –, in the amount of R\$ 1.1 billion. The Hydroelectric Plant will have an installed capacity of 11,233 MW and commercialized power of 4,571 MW. Its long-term financing contract is being analyzed by the BNDES.

## Nuclear-based power generation

In 2011, the financing operation for the Angra III Nuclear Plant was contracted, in the amount of R\$ 6.1 billion (an investment of R\$ 10.5 billion), which will add 1,405 MW to the national generation park. The installation of Angra III will contribute to the security in the electric power supply, because it will be a regular and stable source.

## Power transmission

In Brazil, hydroelectric plants are usually located far away from the main urban centers, but in hydrographic basins with complementary hydrological regimes. Because of this, it is fundamental that the transmission system be robust to make the most of this complementary feature – distributing power from one region where there is occasionally an excessive supply, to another region where there is a large demand.

Within this context, in 2011 some 11 long-term financing operations were approved in the amount of R\$ 1.7 billion in the power transmission sector, which will add 3,290 km of lines to the National Interconnected System (SIN).

Connection projects (seven concessions) from the Rio Madeira plants to the National Interconnected System stand apart. Among them, in 2011, lot C obtained approval for the long-term financing (R\$ 505 million, with an associated investment of R\$ 1.4 billion), for the implementation of two converting substations in the states of São Paulo and Rondônia.

Another highlight was the approval of long-term financing for the Tucuruí-Macapá-Manaus transmission line, in the





amount of R\$ 401 million from the BNDES and an investment of R\$ 1.5 billion. This line will be responsible for interconnecting currently isolated areas in the states of Pará, Amapá and Amazonas, to the National Interconnected System (SIN). The resulting benefits will be increased reliability in the power supply to the Northern Region, and reduced usage of fossil fuels in the Amazonian Region (the main source of energy used in isolated systems) for the generation of electric power.

To implement transmission lines, the BNDES disbursed R\$ 1.8 billion in 2011.

## Energy distribution

If distribution is an activity that makes it feasible for consumers to access electric power, then its strategic goal must be the universalization of access to electric power for Brazilians residing in each concessionaire's operation area, with increasingly higher levels of quality.

In keeping with this focus, the BNDES' support to this sector has been based on financing projects that aim at expanding the distribution grid, improving the quality of services provided to the consumers, and pursuing efficiency by reducing energy losses.

In 2011, the grant of a loan in the total amount of R\$ 3 billion was approved for the biannual investment programs of nine power distributors, which provide services to over 25 million consumer units. Besides improving the quality of services and more efficiency energy consumption by reducing losses, these investments, in the amount of R\$ 5.3 billion, will enable the connection of more than one million new consumers, resulting from the expansion of these companies' energy grids and the regularization of connections.

## Energy efficiency

Increased competitiveness in the country and the rational use of its natural resources most certainly entail the pursuit of higher levels of efficiency in energy consumption.

The result of the majority of projects support by the BNDES is the more efficient use of energy, whether by modernizing industrial plants, by acquiring more efficient equipment, or by reducing losses in power distribution grids. Thus, the BNDES' Support for Energy Efficient Projects (PROESCO) is an instrument specifically focused on energy efficiency projects.

In 2011, three projects were approved within the scope of this financing line, which are expected to enable the reduction of power consumption by approximately 2,500 MWh per year.

## Social aspects

In 2011, in keeping with the BNDES' corporate strategy, the Bank's operations were intensified to foster socio-economic development in the surrounding areas of large-scale infrastructure projects, so that the positive effects resulting from these undertakings can be extended beyond the generation of jobs during the implementation phase.

It is important to note that generating jobs in these segments is extremely relevant, estimating 18,700 and 7,100 direct jobs, respectively, during works in the Belo Monte and Teles Pires undertakings. For the transmission sector, on the other hand, it is expected that projects that will receive financing approved in 2011 will require 21,800 direct jobs during its implementation. The investment programs for power distributors and energy efficiency projects, whose financing was also approved in 2011, will directly and indirectly employ approximately 12,000 and 30,000 people.

To promote the improvement of the population's standard of living in the areas affected by "anchor-projects", the BNDES has operated with entrepreneurs, public authorities and other interested agents so as to enhance the capacity of these projects to boost socio-economic development in the territory in which they are inserted.

In this sense, certain instruments, such as social sub-credit (transfer of the BNDES' regular resources with no spread charged), have been used in association with the "anchor-project" loan as a way to encourage companies to identify



opportunities and implement projects aligned with public policies. The objectives of such projects should be productive inclusion and the population's well-being in the surrounding areas of the main undertaking.

In 2011, linked to power generation, transmission and distribution projects, some R\$ 4.2 million in financing for social actions, additional to those required by the undertaking's environmental licenses, was approved.

One highlight is the disbursement of R\$ 37.1 million in 2011, for social investments as part of the Estreito Hydroelectric Plant undertaking, which includes already-contracted social sub-credit of R\$ 76.7 million, corresponding to 2.3% of the plant's total investment (approximately R\$ 5 billion). The social sub-credit will be invested in 134 social projects, distributed across five main sectors: education, health, employment and income, sanitation and social infrastructure.

Also noteworthy is the RBTE (Porto Velho to Rio Branco Transmission Line) social investment, which consists of the Production of Biofuel (vegetable diesel) in the community of Nova Cintra, in the region of the Rio Juruá valley, in the western part of the state of Acre. The objective is social inclusion by providing access to bioenergy, through the implementation of an oil and grease catalytic cracking unit, using byproducts from the primary extraction of murmuru oil. This form of energy generation is especially adapted for areas located in isolated systems in the Amazon.

Also in the generation segment, structuring a series of measures to develop the surrounding area is also part of the financing analysis process in the implementation of the Belo Monte power plant. The expected result is an improved urban infrastructure in the area affected by the plant; stronger local public institutions; and clear identification of opportunities for sustainable development of economic activities in the region.

## Alternative energy sources

The BNDES has contributed to the diversification of Brazil's electric power grid by granting loans for the construction of small hydroelectric centrals (PCHs), wind farms and thermoelectric power plants.

Throughout 2011, some 59 projects were approved in the alternative source segment, which will represent total investments of R\$ 8.5 billion and BNDES financing of R\$ 4.8 billion. Disbursements in the period



totaled R\$ 4.5 billion, which represents a growth of 55% in comparison to the previous year. For further information, consult Wind Energy, highlighted in The BNDES in Numbers chapter, p. 32.

## Logistics and transport

Improving supply chains, belonging to either suppliers of finished product manufacturers, is currently one of the factors for the increase in the Brazilian economy's competitiveness. Besides this, optimization of the logistical process became the element that made distant areas viable, making them economically attractive for agriculture, thus promoting regional development.

The country's continental magnitude, the regional differences, from a socio-economic and environmental point of view, and the predominance of land transport in Brazil, increase the challenge in improving Brazilian logistics.

Thus, fundamental efforts include those that promote, on the one hand, the expansion of the transport infrastructure, integrating varying means of transport and strengthening the systems with lower unit costs (R\$/ton, km), and, on the other hand, the improvement of logistical process management, in an integrated perspective from producer to end consumer. To this end, developing integration assets (distribution centers, multimodal integration terminals, transshipment and storage terminals, as well as port terminals), offering constant training to operators, and improving the regulatory legal framework of the sectors are essential objectives.

In 2011, disbursements in this segment accounted for an increase of 42% in comparison to 2010 (R\$ 4.7 billion, in 2011, and R\$ 3.3 billion, in 2010), boosted by the country's logistical infrastructure expansion and recovery.

Highways was the segment with the largest relative participation, with 38% of disbursements from a total of R\$ 1.7 billion, which includes investments related to federal highway concessions, as established in the PAC, and state highways (São Paulo and Bahia), which took place in 2008 and 2009, besides support for states, in the form of the counterpart of direct public investment.

Next are loans for the port sector, which have registered a strong increase in demand. Disbursements of R\$ 1.2 billion, some 28% of the total, went to projects to expand the capacity of ports for the various types of cargo: agricultural products in bulk, containers and iron ore. Support to implement the Southeastern Port, an LLX project, in Itaguaí, is highlighted, besides the construction and modernization of other terminals in the ports of Santos, Pecém, Aratu, Paranaguá and Rio Grande.

The railway sector received 24% of disbursements (R\$ 1 billion) and the additional participation of variable-income (R\$ 350 million), referring to the acquisition of debentures from the North-South Railway. Investments for the construction of the New Trans-Northeastern Railway and the expansion of the Ferronorte Railway to Rondonópolis (in the state of Mato Grosso) are highlighted, both established in the PAC. They will permit more significant socio-economic development in the Northeastern and Center-western regions, besides the acquisition of wagons to increase the capacity of the Carajás Railway. Besides this, there were significant investments in the concessionaires' railway system and rolling stock in the system granted to the private sector (the loan to acquire locomotives is mentioned, representing the return to manufacturing of these goods in national industry). The BNDES also supported investments related to the expansion of capacity in the railway system in the state of São Paulo to transport sugar, including the acquisition of wagons and locomotives, with planned social investments in the surrounding areas of the project.

Finally, the shipping segment,<sup>18</sup> which received R\$ 400 million of released credits, 10% of the total, reflected investments in the construction of grain ships, containers and tugboats.

Regarding approvals, there were 21 new operations throughout 2011 (15 have already been negotiated), which will represent loans totaling R\$ 6.9 billion, which will be disbursed over the next few years, to support total investments of R\$ 16.4 billion.

Among the approved projects, we mention investments in highway concessions referring to the second stage of the federal program, which will correspond to disbursements of

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<sup>18</sup> This does not include the oil and gas sector, whose operations are described in the "Basic Inputs" section.

approximately R\$ 3 billion in projects planned in the PAC (Fernão Dias, BR-393, BR-101: Rio de Janeiro-Espírito Santo, BR-116: Curitiba-Florianópolis bordering on the state of Rio Grande do Sul) and investments related to the Highway Concession Program in the state of São Paulo, in which over R\$ 500 million will be disbursed for highways managed by state concessionaires.

In the highway segment, it is also worth mentioning that the BNDES and the market, together, have been making concerted efforts, in joint loan operations and the issuance of long-term debentures, with the sharing of guarantees.

In the pipeline segment, the bridge loan for the implementation of a 1,330 km, multiple-use pipeline to transport ethanol, in the amount of R\$ 1.7 billion, stands apart. This plan represents the consolidation of three proposals in one single plan, in which the BNDES has relevant influence to reduce implementation costs and market risks. The project will reach the ethanol producing regions in the states of Minas Gerais, Goiás, southeastern Mato Grosso and São Paulo. From Paulínia (in the state of São Paulo), volumes will follow to the metropolitan area of São Paulo, or to ports (São Sebastião and Ilha D'Água) through pipelines to be exported or shipped locally. The project also foresees the interconnection with the Paraná-Tietê Waterway.

In the railway sector, the approval of over 44 locomotives produced in Brazil is a highlight.

In the port sector, on the other hand, support for the Itajaí, Paranaguá, Santos, Itacoatiara terminals and implementation of the Port of Açu, in the state of Rio de Janeiro, are planned.

In the projects approved in 2011, the plan for sub-credits related to social investments in the amount of R\$ 12.7 million, is also established.

Prospective efforts were also made for new and important projects, especially: (a) follow-up on the Port Study, which aims at analyzing and assessing the institutional organization and the management efficiency of the Brazilian port sector, besides proposing solutions to overcome obstacles in the sector's development; (b) structuring the form of support for the special cargo lifter to be used especially in the Northern

Region, due to the environmental advantages; and (c) structuring the investment in logistics for the next four years (2012-2015). The calls-to-bid for public concession were also assessed: for the new São Gonçalo do Amarante airport (in the state of Rio Grande do Norte) and the federal highway BR-101, in the state of Espírito Santo, aimed at disclosing the BNDES' support conditions before bidders delivered their proposals.

## Basic Inputs

### Primary industry

Brazil's primary industry supplies raw materials to practically all production sectors, principally mining, iron and steel works, metallurgy and cement industries.

Regarding the steel works industry, Brazil's production of raw steel in 2011 reached 35.3 million tons, recording an increase of approximately 7.2% in comparison with 2010, presenting a variation similar to the global average, which posted an increase of approximately 7.4% in the same comparison.

Concerning consumption, according to estimates from the Brazil Steel Institute (IABr), Brazil's estimated apparent consumption in 2011 was 25 million tons, approximately 4% lower than in 2010. Related to the trade balance, Brazilian imports of raw steel presented a drop of approximately 37% in comparison to 2010, while exports increased approximately 26%.

Operations approved by the BNDES for the primary industry in 2011 encompassed the following projects: expansion of production capacity of long and flat steel; current investments and those for modernization in steel mills; implementation of cement production units; current investments and those for modernization in copper and zinc production units; and technological innovation via FUNTEC.

Total disbursements for the primary industry in 2011 reached R\$ 5.52 billion, some 55.5% higher than in 2010. In sectorial distribution, there was a significant change in comparison to

2010, with mining going from 31.7% to 54.1%; steel works from 52.9% to 32.6%; and cement from 15.4% to 13.4%, in absolute values. While the steel and cement sectors remained at similar levels to 2010, mining practically represented the entire increase in disbursements for the segment.

It is worth highlighting the Anglo Ferrous Minas-Rio project, which required R\$ 1.54 billion in resources from the BNDES in 2011 for the construction of a mining system in the state of Minas Gerais, with an annual production capacity of 26.6 million tons of iron ore, including a mineral pipeline to the Port of Açú, in Rio de Janeiro.

Social disbursements associated with the project portfolio – Company Social Investment line (ISE) – totaled R\$ 17.8 million, and the main investments were in educational, citizenship, cultural, health and sanitation projects, mostly in the states of Goiás, Minas Gerais and Rio de Janeiro.

Within the environmental context, we can highlight support provided to Usiminas in the amount of R\$ 74 million referring to the project for environmental recovery of an area in Itaguaí (state of Rio de Janeiro), where a new port terminal, owned by the Usiminas Group, will be installed.

In the mining segment, the global demand for iron ore in 2011 maintained its growth trend registered over the last few years. Brazil accounted for 325 million tons, representing approximately 29% of the global total.

## Chemical industry

In 2011, the chemical industry 's participation in Brazil's GDP was 2.5%, representing the fourth largest sector in the processing industry. On a global scale, Brazil's chemical industry reached the seventh position in sales.

In the BNDES' support for the sector, besides investments in modernization, implementation and the increase in the production capacity, we can emphasize the support for social and environmental investments made, which presented a total disbursement of R\$ 44 million in 2011, with emphasis on social projects in the surrounding areas of the Suape Petrochemical plant, in the state of Pernambuco.

Among the priority efforts developed in 2011, we also highlight support for the molded-plastic product sector, a segment that is labor-intensive, by means of the Proplástico program. Created in 2010 with the aim of strengthening companies that produce parts, packaging, equipment and molds for the plastic segment, with ecologically-correct solutions, this program had six direct operations approved in 2011 and a growing portfolio of interested companies.

Another relevant focus of the BNDES efforts in 2011 in this sector was the promotion of chemical projects from biomass, replacing traditional raw fossil materials. Disseminating materials and products from renewable sources of raw materials reduces the global environmental impact, and has become a growing demand in the global market. Within this context, Brazil has a relative comparative advantage, due to its biodiversity, as well as its position in the professionalized agribusiness sector. As an initiative, we highlight the Support Plan for Industrial Technological Innovation of the Sugar-based Energy and Sugar-based Chemical Sectors (PAISS), launched by the BNDES in conjunction with the Financier of Studies and Projects (FINEP) in 2011. One of the focuses of the plan is the development of products from sugarcane biomass, including 57 interested companies, and 25 business plans have been selected for the joint support. The projects total approximately R\$ 3.5 billion in financial support, of which R\$ 2.2 billion is earmarked for the development of products.

## Pulp, paper and forestry products

After a year of strong expansion in 2010, production and exports of pulp in Brazil remained practically stable in 2011, despite the weakening market. Prices ended 2011 approximately 25% below the peak recorded in the middle of the year, and 22% below the closing price in 2010.

Despite this scenario, construction of the new Eldorado and Suzano pulp plants in Três Lagoas (state of Mato Grosso do Sul), and in Imperatriz (state of Maranhão) remained on schedule. Both plants will have a production capacity of 1.5 million tons/year, with an approximated cost of R\$ 5 billion each. The former is planned to be operational by late 2012, while



the latter should begin operations by late 2013. Both projects have received BNDES loans in the amount of R\$ 2.7 billion each.

In support for social and environmental investments, beyond those established in the licensing of the projects, disbursements of R\$ 13 million for Suzano (of a total of R\$ 71 million negotiated), and R\$ 25 million for Eldorado stand apart.

In the paper sector, as in the pulp sector, after a year of strong growth, production in 2011 remained at a similar level to the previous year. Antidumping measures and stronger control over tax-free paper reduced imports (-2%), which had increased 38% in 2010. The main investment was in a new kraftliner machine made by Rigesa, in Três Barras (state of Santa Catarina), with a production capacity of 300,000 tons/year. The BNDES' financing for the project totals R\$ 472 million, with operations planned to start in 2012 and with social investments negotiated in the amount of R\$ 2.5 million.

Investments made by Melhoramentos Papéis to expand its tissue paper capacity by 55,000 tons/year and paper conversion by 45,000 tons/year warrants mention. The project's total value is R\$ 214 million and has R\$ 99 million in support from the BNDES, including social investments of R\$ 1 million.

In the wood paneling segment, on the other hand, new investments were announced, as has occurred over the last few years. Duratex began constructing a new MDF plant with a production capacity of 520,000 m<sup>3</sup>/year, and the startup of operations planned for 2013. Investments total R\$ 613 million and has support from the BNDES in the amount of R\$ 305 million, with social investments of R\$ 1.6 million.

Still within this segment, Berneck's plant in Curitiba (state of Santa Catarina) should become operational in March 2012. The new plant received financing from the BNDES, negotiated in 2010, of R\$ 178 million, including R\$ 3.6 million for social investments.



## Oil, gas, O&G production chain and made-to-order capital goods

In the oil and gas sector, the Bank is present in the entire oil segment, from E&P (exploration and production) to distribution. In 2011, the long-term financing operation for Petrobras was approved, aimed at constructing and implementing a platform for natural and compressed gas in the Mexilhão Field, in the Santos Basin. In the refinery segment, the BNDES provided support for the new Alberto Pasqualini – Refap S.A. project, with R\$ 1.1 billion in financing. This is aimed at adapting its production to the new environmental legislation, making it feasible to supply the domestic market with low sulphur content diesel, besides a social project in the amount of R\$ 5 million. The Liquigás Distribuidora S.A. distribution company was hired for distribution operations, to expand and modernize its GLP bottling centers, in the amount of R\$ 130 million.

Boosted by Petrobras' robust 2011-2015 Business Plan, which totaled US\$ 224.7 billion for the period, and by the requirements from the National Oil Agency (ANP) concerning the minimum for local content in exploration and production undertakings, the domestic oil and natural gas (P&G) industry has shown that it is strongly focused on developing its local goods and service supplier sector.

Among the various efforts made to structure a chain of local yet internationally-competitive suppliers, we emphasize the creation of the BNDES P&G Program, which seek solutions to some of the sector's obstacles, such as the cost of capital and the difficulty in accessing state-of-the-art technology. With a provision of R\$ 4 billion and valid until December 31, 2015, the program has already received 16 project proposals in less than six months, eight of which have already been classified as eligible by the BNDES.

The program was conceived with local market needs in mind, especially regarding micro, small and medium-sized companies (MSMEs), which comprise approximately 85% of the companies in the O&G supplier sector in the country. Furthermore, it is aligned with the Federal Government's Brasil Maior Plan, which defines policies for the industrial development of the country.



Orders made to the naval industry have required investments for the expansion and modernization of existing shipyards, as well as the implementation of new units.

Industrial policy instruments adopted by the Brazilian government for the development of the ship building industry have also boosted the sector's activities over the last few years. In 2011, several orders were submitted to shipyards, especially for oil tankers and support vessels, negotiated within the scope of the Transpetro Fleet Expansion and Modernization Program (PROMEF), the Brazilian Navigation Company (EBN) and the Program for the Renewal of the Maritime Support Fleet (PROREFAM). Besides these vessels, Petrobras also negotiated drilling rigs and production platforms to be built in Brazil.

In 2011, the Merchant Marine Fund (FMM) defined its financing priority for 276 ship building projects and the construction and expansion of shipyards, investments that will take place over the next few years.

The BNDES approved financing for the new Wilson Sons Estaleiros Ltda. shipyard, in the municipality of Rio Grande (state of Rio Grande do Sul), in the amount of R\$ 234 million, including social investments of R\$ 800,000, besides authorizing a bridge loan in the amount of R\$ 400 million to OSX Naval Construction for the implementation of a shipyard in São João da Barra (Rio de Janeiro). Loans to acquire vessels were also negotiated, highlighting the maritime support vessels produced by Deep Sea Supply Navegação Marítima Ltda shipbuilder, in the amount of R\$ 120.8 million, and for the production of maritime support vessels manufactured by STX OSV Niterói S.A. shipyard, in the amount of R\$ 380.5 million.

## Industry, trade and services

In this segment, the BNDES' operational focus was on support to expand supply and foster a diversified, sustainable and competitive production structure. It is worth noting the significant growth in support for innovation and the initiatives

of a socio-environmental nature, whose disbursements in 2011 were, respectively, R\$ 2,462 million (100% higher in comparison to 2010) and R\$ 86 million (up 77% in comparison to 2010). Also in 2011, disbursements to the business and service segment reached R\$ 15.1 billion, of which R\$ 13.5 billion was in fixed-income and R\$ 1.6 billion in variable-income.

## Agribusiness

Within the scope of the Cooperative Development Program for Adding Value to Agribusiness Production (PRODECOOP), cooperative support projects to improve the standard of living of small farm owners and to reduce social inequalities were made available. Approved loans totaled R\$ 148 million.

In 2011, the Brazil Foods S.A. (BRF) project in Carambeí (state of Paraná), in the amount of R\$ 82.6 million, of which R\$ 66 million was financed by the BNDES is a highlight. In the re-adaptation of its industrial plant in this region, the company fostered the transformation of poultry farms belonging to 343 farmers by maintaining a minimum level of income during the period in which activities were interrupted. This operation was negotiated within the scope of the Companies Social Investment (BNDES ISE) line and is an important example of the BNDES' operations, in partnership with companies, to modernize the surrounding areas of small municipalities.

## Heavy industry

Several research, development and innovation projects for the automobile, aeronautics as well as the machinery and equipment sectors were supported, contributing to the development of new products and processes, and thus, strengthening national engineering. Projects approved in the innovation lines totaled R\$ 1.4 million in financing, especially for the BNDES Pro-engineering Program.

Modernization and capacity expansion projects for company production were also supported, especially in the automobile, metallurgy and foundry sectors, attesting to the promising growth perspectives in these sectors of Brazilian industry

over the coming years. Social investment projects of these companies, within the scope of the Company Social Investment line (ISE), were also financed, with an increase of approximately 824% in the approved value in this line in comparison to the previous year in this segment.

In 2011, the Embraer Legacy 500 aircraft stands apart. The Bank is providing R\$ 384.1 million in financing for the project's engineering and technology by means of its innovation lines. The project was conceived to manufacture a medium-sized executive aircraft and to fill a gap in Embraer's portfolio, consolidating its participation in this segment. The Legacy 500 is in development phase and should be completed in 2012.

## The sugar-based energy sector

The search for alternate renewable fuels and the correlated reduced dependency on fossil energy sources has caused the global increase in investments in technological research for the production of ethanol from pulp, also known as second generation ethanol. This is a strategic technology that is still embryonic in Brazil, but after 2011, it now has support from the BNDES-FINEP Support Plan for Innovation in the Sugar-based Energy and Sugar-based Chemical Sectors (PAISS).

With a budget of R\$ 1 billion, the objective of PAISS is to select business plans and promote projects aimed at developing, producing and commercializing new products and technologies earmarked to process biomass resulting from sugarcane, such as pulp ethanol and biodegradable plastics.

The initiative has shown good results. During the final stage of the process, the BNDES and FINEP selected 35 business plans from 25 companies, which will result in investments of approximately R\$ 2 billion in innovation over the next few years. With this, it is expected that Brazilian companies will develop these new technologies, which will contribute to sustaining Brazil's position as a global leader in the production of ethanol.

## Consumer goods, trade and services

Financial support for consumer goods, trade and services totaled R\$ 3.4 billion in disbursements, 15.1% above the R\$ 3 billion in 2010. Contracting amounts also recorded significant growth in 2011, reaching R\$ 5.5 billion, almost twice the R\$ 3 billion registered in 2010. Highlights also include contracted support for Ambev's investment plan for the 2011-2013 period, in the amount of R\$ 1.9 billion.

Highlighted segments in the consumer goods sector were beverages, textiles and cosmetics. On the other hand, the main segments in trade and services were shopping malls, supermarkets, retail (notably clothing) and logistical condominiums.

Besides the modernization and expansion of production capacity, projects supported by the BNDES entailed environmental sustainability and private investments in social projects, especially the disbursement of R\$ 1 million for a digital inclusion program promoted by B2W – a global retail company.

Keeping the BNDES' main concerns in mind, especially regarding the promotion of differentiation and innovation, the Revitalize (Revitaliza) Program now includes the possibility of supporting investments in design and marketing, aimed at adding value to products and strengthening brands, thus increasing the competitiveness of Brazil's industry.

## Industrial Health Sector

Within the scope of the Industrial Health Sector (CIS), the BNDES' strategic guideline aims at supporting efforts that seek to increase competitiveness in the sector and reduce the vulnerability of the Unified Health System (SUS), contributing to the population's expanding access to health products and services.

Over the last few years, the BNDES Profarma program has provided support to adapt and increase the production

capacity of national companies, as well as innovation projects in areas deemed a priority for the SUS.<sup>19</sup> The program has contributed to strengthening the CIS and increasing the quality of its R,D&I (research, development and development).

In 2011, structured support for the R&D plan of companies in the pharmaceutical sector is worthy of note, among them, Eurofarma, Cristália, Hypermarcas and Libbs, totaling loans of approximately R\$ 280 million. Incorporating competences to develop and produce biotechnological drugs has become the main focus of the BNDES' operations for the CIS, which is focusing its efforts on structuring national pharmaceutical company projects that have this objective.

## Information and Communications Technologies (ICTs)

Several ICTs segments have been financed by the BNDES with special emphasis on innovation. With this purpose, support through the BNDES' Technological Fund (FUNTEC) for R&D activities in microelectronics and display industries stands apart. These are critical components to the competitiveness of electronic-based industries, representing over 45% of the total deficit in the electronic sector.

Over R\$ 80 million has been contracted within the scope of this non-reimbursable fund for ICTs since 2007, aimed not only at developing solutions of high technological complexity, but also training and retention of draftsmen in the country, besides dialogue between technology institutes and private companies.

Among the 21 active FUNTEC operations for ICTs in 2011, we highlight loans for the development of a low-cost chips for hearing devices (R\$ 6.4 million) and low power consumption lighting devices using OLED technology (R\$ 15.2 million).

In 2011, the first batch of bovine tracking chips designed by Ceitec S.A., which used the BNDES' resources, was commercialized. This solution will allow tracking of the origin

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<sup>19</sup> Priority areas were defined in the Administrative Order N°. 1,284/2010 of the Health Ministry.

of the beef produced in the country, fostering exports with greater added value, in keeping with international requirements and assisting in protecting biomes facing deforestation due to cattle-raising.

## Culture economy

Since 1995, the BNDES has systematically supported efforts in the cultural segment, notably in historic heritage, collections, film, and in the audiovisual and publishing production sectors.

### Structuring the audiovisual production chain

The BNDES is experienced in participating in the entire audiovisual production chain, including the production, distribution, infrastructure and expansion and decentralization of movie theaters around the country. For this, it has specific financial instruments, such as the BNDES Procult Program loans, investments in Cinematographic Industry's Investment Fund (FUNCINE) and Public Calls-for-Bids for Movies.

Within this scope, the operational highlight of 2011 was the Redecine Irajá project, which entailed the implementation of a complex with six digital movie theaters, located in the borough of Irajá, a suburb in Rio de Janeiro. The project was supported within the scope of the "Movies Near You" project, in a coordinated effort between the National Cinema Agency (ANCINE), which allocated resources from the Audiovisual Sectorial Fund, and the BNDES, which used resources from the BNDES Procult program. This initiative intends to increase and decentralize the Brazilian exhibition sector, expanding the offer of cultural services to a larger portion of the population.

### Support to the preservation of the national historic heritage

Using deductible non-reimbursable investments as tax incentives (Rouanet Law) and resources from the Cultural Fund allows the BNDES to implement cultural heritage preservation projects. Since 1997, approximately R\$ 142 million has been earmarked for projects to preserve and restore buildings, which has consolidated the BNDES' position as

the largest promoter of Brazilian cultural heritage preservation. Since 2010, a change in the approach means that heritage projects are now analyzed from a development point of view. The objective, besides to recover heritage, is to stimulate and facilitate the use of the restored asset, promote its better use by society and foster more local dynamism, turning the historic heritage into an anchor for local institutional, economic, tourist and urban development.

From this new point of view, we highlight the integrated project carried out in the city of Tiradentes (state of Minas Gerais), undergoing structuring since 2009. In 2011, an important operation was contracted, which involved the restoration of the three main churches in the municipality (Capela de São Francisco de Paula, Igreja de Nossa Senhora do Pilar do Padre Gaspar and Igreja de Nossa Senhora das Mercês), with the purpose of improving their physical installations, enhance their use for the local community and promote the development of their surrounding areas.

## Calls-for-Bid for Public Heritage Collections

Also using non-reimbursable resources from the Cultural Fund, since 2004, the BNDES has been developing the Collection Preservation Program, aimed at preservation efforts for archives, bibliographies and museum collections with cultural and historic relevance. The program is operationalized by means of public calls-to-bid and selection is biannual.

In 2011, the results of yet another public call-to-bid were announced, disclosing a list of projects to be contracted up to 2013. The main news was the creation of the Anchor modality, which seeks to replicate support in various points of a network or by joining collections that have a common element (theme; geography; preservation).

## Tourism

Through the Pro-World Cup Tourism program, the BNDES finances the construction, renovation, expansion and modernization of hotels, so as to increase the capacity and quality of hotel services for the 2014 World Cup. This initiative is part of a joint effort with the Federal Government to prepare Brazil for this event. The program stimulates sustainability,



offering special conditions should undertakings present sustainable construction or energy-efficiency certificates. In 2011, three operations totaling R\$ 58 million were contracted.

## The environment

### The Amazon Fund

The BNDES is the manager of the Amazon Fund, an innovative Brazilian initiative to raise funds which are allocated to support the reduction of greenhouse gas emissions from deforestation and the degradation of forests.

The Norwegian government is the main donor of resources to the Amazon Fund, which has also received donations from the German government and from Brazil's State-owned oil company Petrobras.

The BNDES is responsible for investing and raising funds, as well as monitoring, communicating and rendering accounts of all efforts carried out within its scope. Projects that address the following issues related to fostering sustainable development as well as preventing, monitoring and combating deforestation of the Amazon rainforest, can be supported with non-reimbursable resources from donations:

- management of public forests and protected areas;
- environmental control, monitoring and inspection;
- sustainable forest management;
- economic activities developed from the sustainable use of the rainforest;
- ecological and economic zoning, territorial planning and land-title regularization;
- conservation and the sustainable use of biodiversity; and
- recovery of deforested areas.

The BNDES is responsible for fostering projects and analyzing those that are proposed. Approved projects are contracted and their physical-financial execution is monitored by the Bank. The BNDES is also responsible for carrying out the activities of the executive office of the Amazon Fund's Guidance Committee's (COFA), an inclusive governance structure whose duty it is to establish the guidelines and criteria for allocating resources, in keeping with the public policies in effect.

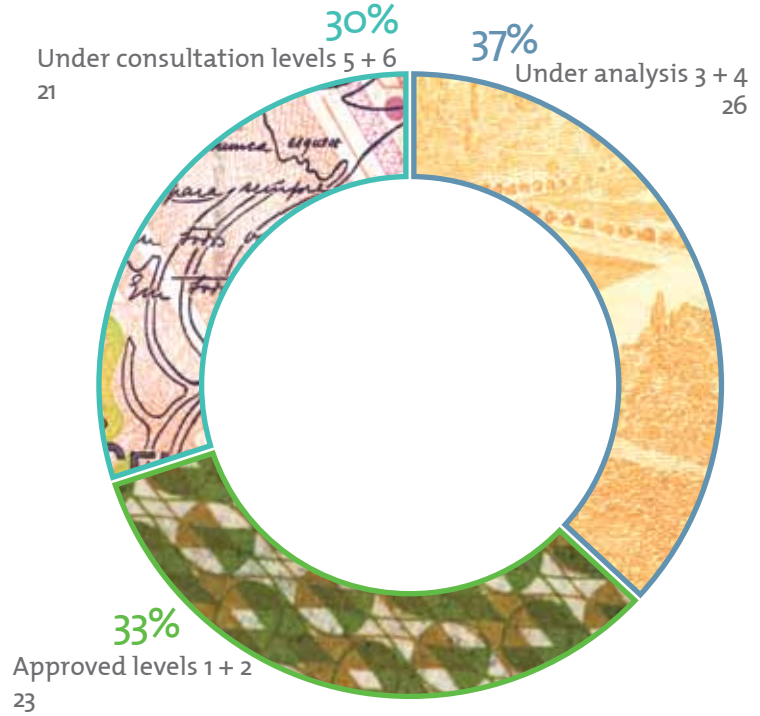
Structured as a tripartite committee and currently presided over by the Environmental Ministry (MMA), the COFA comprises representatives from the Federal Government, the governments of the nine states within the Brazilian Legal Amazon involved in combating deforestation, civil society (non-governmental organizations, social movements, native-Brazilian tribes and the business sector) and the scientific community.

Considered an important instrument for financing the reduction of emissions caused by deforestation and degradation, its exemplary nature emphasizes the aspects related to transparency and communication of its main information even more, as well as the permanent dialogue with its varied public. To ensure such aspects, the Amazon Fund has a specific website, periodical bulletins with news and project portfolios, besides the annual activity report that contains the annual balance, the rendering of accounts and opinions from external and independent auditors. For further information on the Amazon Fund and details on approved projects, visit the website at <[www.fundoamazonia.gov.br](http://www.fundoamazonia.gov.br)>.

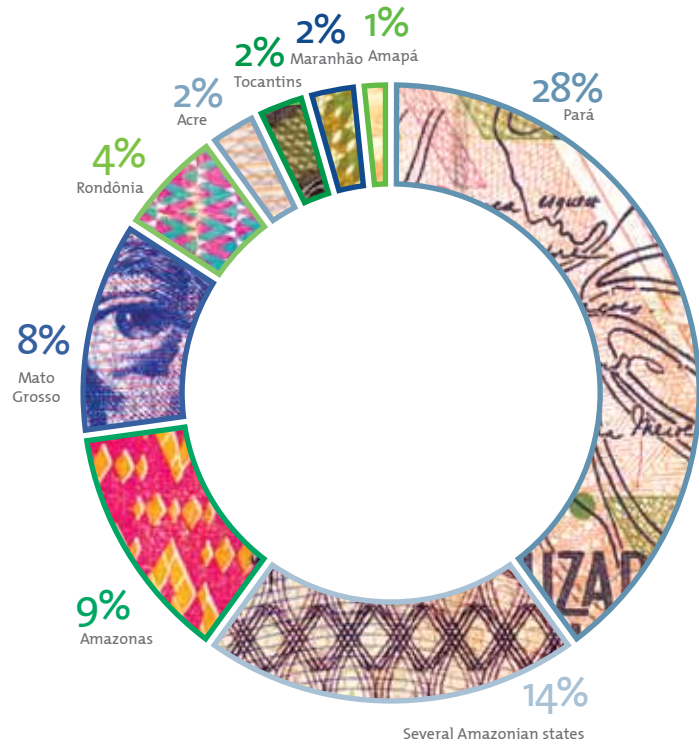


## Project portfolio

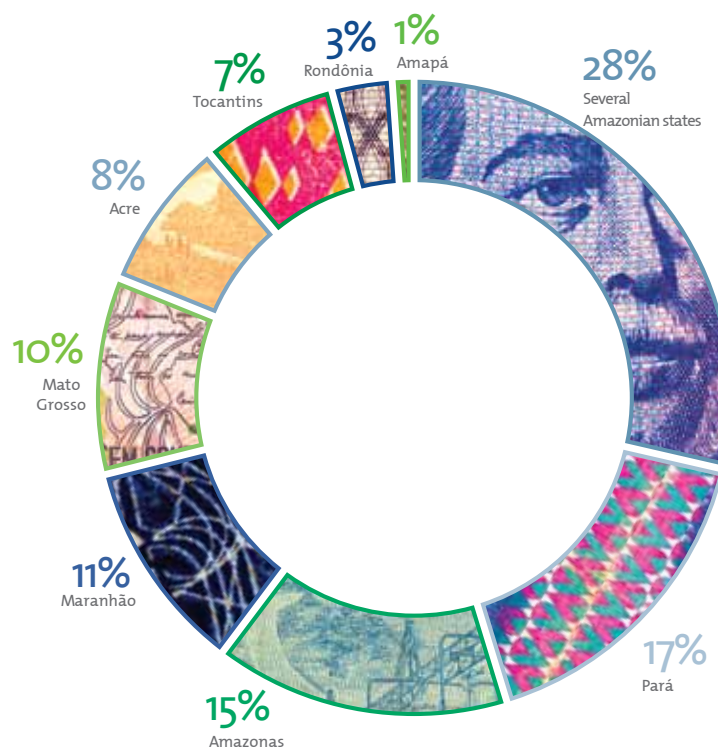
Number of projects per operational level



Territorial range of the projects (number of projects)



Distribution of the value requested per state



In its conception, approved projects have distinct, but coherent approaches with efforts that contribute, directly or indirectly, to reducing CO<sub>2</sub> emissions, resulting from degradation and deforestation, always aligned with public policies for environmental management.



## The Amazon Fund in numbers (2009-2011):

- 23 approved projects with support in the amount of R\$ 260.7 million in sustainable production activities, institutional development of environmental agencies, environmental and land-title regularization, and science, technology and innovation (ST&I).

NUMBER OF APPROVED PROJECTS		
YEAR	PROJECTS APPROVED	SUPPORT AMOUNT (R\$ MILLION)
2009	5	70.3
2010	8	119.1
2011	10	71.3
<b>Total</b>	<b>23</b>	<b>260.7</b>

- R\$ 15.8 million earmarked for S,T&I projects.
- 131 municipalities benefited in the Amazon Biome (25% of the municipalities).
- Reforested and recovered area: 4,031 km<sup>2</sup>, equivalent to 62% of the deforested area in the Amazon in 2010).
- Consolidation of 82 federal and state conservation units (UCs), totaling 420,000 km<sup>2</sup> (33% of the federal and state UC area in the Legal Amazon).
- The creation of new UCs, totaling 135,000 km<sup>2</sup> (an 11% increase in the federal and state UC's current area in the Legal Amazon).
- Physical and operational structuring of 60 environmental agencies.
- Training of 13,361 small farm owners and residents in traditional communities, including native-Brazilian tribes, through 294 training and awareness workshops in agro-forestry, forest and pasture management, collection and processing of seeds, the drafting of socio-environmental projects, among others.
- 8,470 technical support calls provided to farmers.
- 166,000 km<sup>2</sup> of rural properties eligible for the Rural Environmental Registration (practically four times the area of the state of Rio de Janeiro).
- 12,219 families benefiting from environmental service payments (Forest Stipend).
- 7,000 kayapó native-Brazilians benefiting from socio-environmental projects and 106,000 km<sup>2</sup> of native-Brazilian land being monitored (10% of native-Brazilian land in the Legal Amazon).

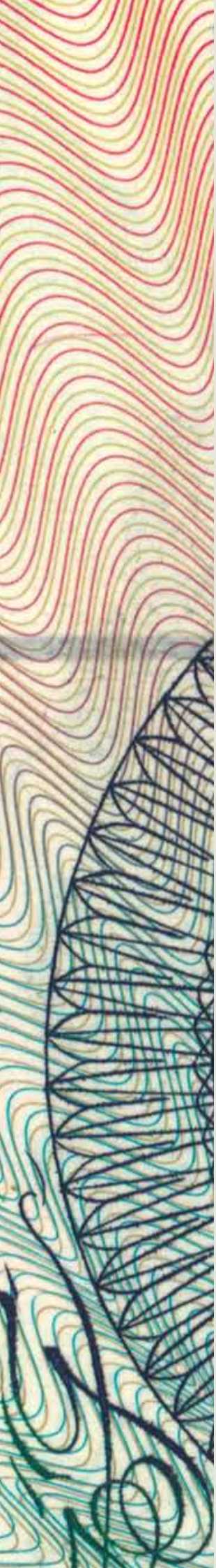
## Environmental innovation

Aimed at stimulating the development of innovative solutions for the treatment of relevant environmental problems, the BNDES supports applied research projects that present effective mechanisms to introduce innovations in the market.

Thus, priority is given to projects related to the search for innovative solutions to treat solid waste, liquid effluents and atmospheric emissions in industrial plants, in civil construction and in urban areas. Focus is also on those projects that aim at producing technological solutions for the recovery of soil and water resources contaminated by hydrocarbons, organochlorides or heavy metals.

The BNDES understands that disseminating such technologies may have positive effects, not only on the environment, but especially on the population's standard of living, to the extent that there is the potential to significantly improve the quality of air and water resources.

In 2011, the portfolio of environmental innovation operations totaled 11 projects, in different processing stages, in a total amount of R\$ 78.2 million. Such projects are related to the forestry sector and the treatment of effluents and toxic industrial waste, solid urban waste as well as construction and demolition debris. Introducing these technologies into the market will enable the reduction of environmental impacts in several industrial sectors – by reusing materials, substituting consumable resources, reusing water and reusing energy from waste – and the amount of waste sent to sanitary landfills.



## The BNDES Atlantic Forest

The BNDES Atlantic Forest is a voluntary effort in social and environmental responsibility, through which the Bank, with non-reimbursable resources, finances projects for the restoration of the Atlantic Forest Biome in public domain conservation units and in permanent preservation areas along riverbanks.

The first two financed projects are being developed by the Terra Institute and the Ecological Research Institute (IPÊ). The former includes two sites with a total area of 155 hectares: the Fazenda Bulcão, em Aimorés (farm in the state of Minas Gerais), and the Itapina Ecological Reservation, in Colatina (state of Espírito Santo). In both cases, planting has been carried out and maintenance procedures are currently being executed.

The IPÊ project encompasses 200 hectares at the Pontal do Paranapanema (in the state of São Paulo) and is under development at the Fazenda Rosanela (farm) and at the Nova Esperança Settlement, of the National Institute of Colonization and Agricultural Reform (INCRA). By late 2011, approximately half of the total area planned by the project had been planted. In the forest, an ecological corridor will be extended between the Mico-Leão-Preto Ecological Station and the State Park.

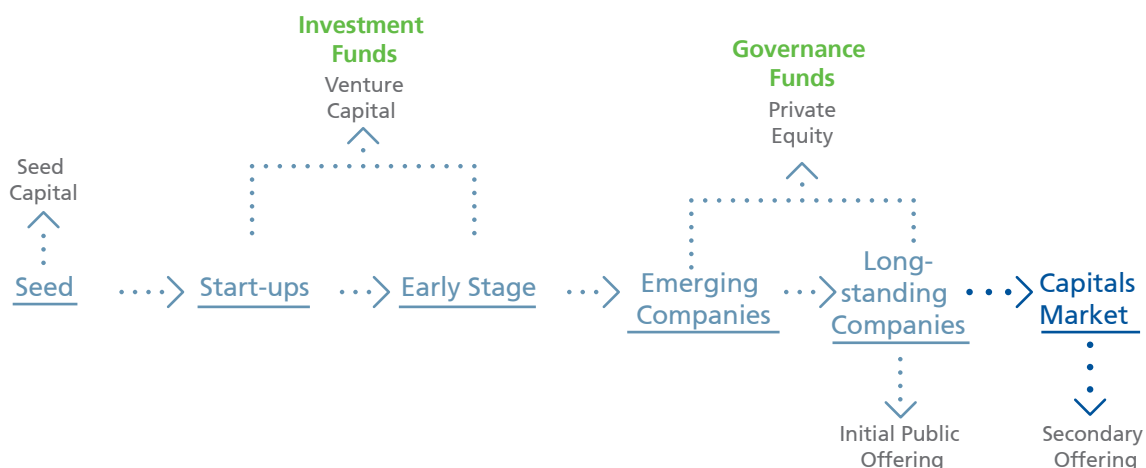
Both projects contribute to the recovery of the biodiversity, the conservation of water resources, the generation of income in rural areas and the mitigation of global warming, as a consequence of the carbon sequestration provided by growing forests.

# Variable-income securities

The BNDES operates with variable-income securities, complementing its financing products, through its BNDES Participações S.A. – BNDESPAR integral subsidiary.

BNDESPAR supports Brazilian publicly-listed and private companies that can enter the Capitals Market by means of subscription of shares, convertible or permutable debentures, mutual fund shares and other securities.

BNDESPAR’s support is present in all growth stages of companies. For seed companies, there is the Seed Capital Fund, CRIATEC. In the case of new and startup companies, BNDESPAR supports capital venture funds. On the other hand, investments in emerging companies are made by means of equity private funds. In late 2011, BNDESPAR participated as a shareholder in 31 investment funds, through which it supported 133 companies. The image below illustrates the growth chain of the companies and the respective modalities of support.





The publicly-listed companies can obtain support by means of private structured operations, which have product flexibility, or the participation of BNDESPAR in public offers.

BNDESPAR's operations follow the strategic guidelines of the BNDES System and are aimed at supporting capitalization, development, consolidation and internationalization processes of Brazilian companies, besides reinforcing their capital structures, inducing the adoption of better sustainability practices, strengthening innovative capacity and business governance. The corporate shares are always of a minority nature, with special attention to forming asset liquidity, aimed at recycling resources.

Another important aspect refers to strengthening and modernizing the Brazilian Capitals Market by increasing the offer of securities, developing new products for investors and democratizing company capital ownership. BNDESPAR has contributed to increasing the volume traded on the stock market; with R\$ 16 billion monetized via the stock market over the last five years.

To receive support by means of variable income instruments, applicant companies must present adequate investment return perspectives, under conditions and due dates compatible with the risk and the nature of their activity. The management strategy of the variable income portfolio is based on the creation of long-term value and on optimizing the portfolio's risk/return ratio.

Flexibility to operate with variable-income products expands the availability of instruments and mechanisms to support national companies, especially during moments of greater aversion to risk, by means of an anti-cyclical strategy in keeping with a development bank's role. On many occasions, the most adequate means to providing support to these companies is through holdings, which may be combined with financing (joint operations).

BNDESPAR's investment operations are made at market costs, and resources mainly originate from the return on its asset portfolio (dividends and interest on shareholding capital, interest received from debentures, as well as divestments), besides fundraising through issuing simple debentures in the domestic market.

BNDESPAR's main asset is its securities portfolio, comprising assets issued by large companies, small and medium-sized companies, and by investment fund shares. Over the last five years, this portfolio's market value represented between 20% and 25% of the BNDES System's total assets, with BNDESPAR's profit representing on average 50% of the BNDES' consolidated profit.

## Corporate governance, socio-environmental responsibility

Encouraging good governance practices is one of the BNDES System's strategic guidelines. BNDESPAR's effect on governance issues is decisive, especially for small and medium-sized companies that received investments, because normally, prior to the support, they do not present, consolidated governance structures that are required for the challenges in market growth and competition.

Whenever necessary, BNDESPAR negotiates and signs a shareholder agreement with its partners, so as to regulate the corporate relationship and an agenda for the creation of value. Within the scope of the BNDESPAR portfolio, in late 2011, the BNDES System was the signatory of shareholder agreements in 67 of the 154 companies in which it had shares and had advisers nominated by the Bank in 27 advisory boards, 11 fiscal councils and 38 investment fund committees, contributing to the improvement of transparency and governance of supported companies.

BNDESPAR's investment decisions take into consideration the companies' commitment to socio-environmental responsibility. The nomination of board advisers, in a few companies that have received investments, is many times translated into the incentive of practices and projects of a socio-environmental nature, aligned with the BNDES System's priorities and strategic guidelines.

As a rule, companies applying for financial support by means of variable-income instruments undergo detailed analysis of its performance regarding environmental issues.

## Support for innovation

BNDESPAR's operations in supporting innovation encompass companies of various sizes, with a focus on small and medium-sized innovative companies, through direct or indirect investments via funds.

In 2011, the direct investment of R\$ 126 million in Tecsis S.A. and the indirect allocation of R\$ 400,000 (of an approved total of R\$ 1.2 million) in Radiopharmacus Ltda., through the CRIATEC Fund, are noteworthy.

Born from a BNDES initiative, through BNDESPAR, which holds 80% of its shares, the CRIATEC is a seed capital investment fund earmarked for investment in innovative emerging companies (for further details on the CRIATEC, consult The BNDES in Numbers chapter, p. 32).

Tecsis, the second largest independent manufacturer of wind turbine blades in the world, received support from BNDESPAR in 2011, through the subscription of shares, with the objective of reinforcing its capital structure. This made it feasible to expand in face of the global wind energy market, consolidating the company as one of the main players in the sector. The company develops national state-of-the-art technology and has registered patents in several countries. The allocation to the company, considering its role in the clean energy sector, is aligned with the BNDES System's guidelines regarding its support for innovation, exports and the strengthening of the production sectors in economic activities with socio-environmental impact.

Founded in 2002, in the city of Porto Alegre, Radiopharmacus Ltda. is a technology-based company that develops, manufactures and commercializes products and services applied to nuclear medicine. Its main products are pharmaceuticals, which are sold to nuclear medicine centers in the form of kits. In these centers, the pharmaceuticals are combined with a radioactive compound (radioisotope) forming the radio-pharmaceutical through a process called marking. The radio-pharmaceuticals are then injected into the patient (as a "contrast") and, due to their special properties, are attracted to specific parts of the patient's body, allowing the diagnosis via images (scintigraphy exam) and the treatment of diseases.

## Numbers of the BNDES Systems' variable-income investment portfolio

The indicators of the BNDES System's variable-income investment portfolio, besides the securities portfolio from BNDESPAR, include shareholdings belonging to BNDES<sup>20</sup> itself and to FINAME.

The portfolio's market value closed the year at R\$ 113.5 billion, according to the chart below:

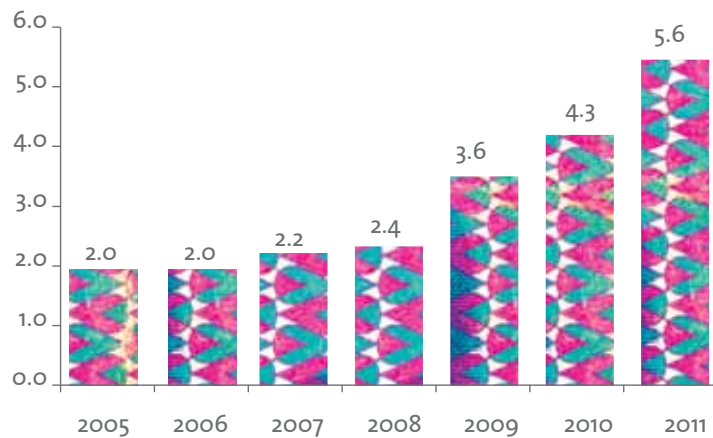
**The portfolio's market value  
(in R\$ billion)**



The portfolio's turnover (the sum of investments with divestments) in 2011 was R\$ 9.2 billion, returning to pre-2008 economic crisis levels. The portfolio's total remuneration received throughout 2011, which includes dividends, interest on own capital and debenture interest, reached R\$ 5.6 billion, a new series record, contributing to the generation of resources for the BNDES System. Its evolution is illustrated in the following chart:

<sup>20</sup> Due to Decree Nº. 7,439, of February 16, 2011, some of these participations no longer integrated the National Privatization Fund (FND). The BNDES still operates as the FND manager, responsible for selling the property participations of the Union and various public companies, mixed economy corporations, government agencies and foundations.

**Portfolio's total remuneration  
(in R\$ billion)**



BNDESPAR subscribed R\$ 574 million in mandatory convertible debentures issued by Suzano Paper and Pulp S.A. The resources will be allocated to the construction of a new eucalyptus pulp mill in the state of Maranhão, besides providing better capital structure for the company. The operation also involved a loan in the amount of R\$ 2.7 billion from the BNDES to the company. The importance of the new unit's location is worth mentioning, generating up to 3,500 jobs in this regions that presents one of the lowest human development indexes (HDI) in the country. The operation demonstrates the potential for combining fixed-income and variable-income instruments in support for Brazilian companies.

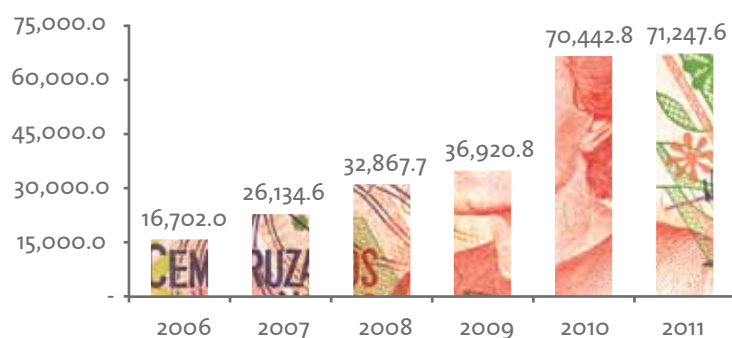
BNDESPAR subscribed convertible debentures issued by Lojas Americanas S.A., in a total amount of R\$ 149 million. The operation was aimed at reinforcing the company's capital structure, as well as supporting its commercial expansion by implementing 250 new stores by the end of 2012. The investment operation was combined with loans in the amount of R\$ 442 million granted to Lojas Americanas, and R\$ 439 million to B2W, its controlled company. Most of this expansion should take place in the Northeastern Region of Brazil, contributing to the generation of jobs and income and to the consequential reduction of regional differences in the country.

## Automatic indirect operations

The BNDES, in its automatic indirect operations, carries out analysis, approval, disbursement, follow-up and also accreditation of machinery and equipment as well as their respective manufacturers.

Total disbursements in the automatic indirect operations reached R\$ 71.2 billion in 2011, with a 51% share of the total disbursed by the BNDES, presenting a growth of 1% in comparison to 2010. Compared to 2009, disbursements were 93% higher.

### Disbursements (in R\$ million)



Disbursements are distributed per region, company size and sector, according to the beneficiary's profile. Emphasis is given to micro, small and medium-sized companies in the various product modalities: BNDES Finame (focused on financing the production and commercialization of new machinery and equipment, made in Brazil, accredited by the BNDES and associated working capital); BNDES Finame Leasing (commercial leasing operations); BNDES Finame Agriculture (machinery and equipment for the agribusiness sector); BNDES Automatic (investment projects and working capital programs); and BNDES Card (revolving credit directed to micro, small and medium-sized companies), besides the Federal Government's agricultural programs.

## Products

In 2011, the BNDES Card stood out in terms of growth, compared to the previous year, with growth rates of 75.6% during the period, followed by the BNDES Automatic, with a growth of 4.8%, and the Finame Agriculture, with 1%. Disbursements from the BNDES Finame presented a slight drop of 0.5%, with 65% participation in the total. The BNDES Finame Leasing and BNDES Agricultural Programs, on the other hand, showed significant drops in their disbursements, down 23.7% and 33%, respectively.

AOI DISBURSEMENTS PER PRODUCT					
R\$ MILLION					
PRODUCT	2010	%	2011	%	Δ %
BNDES Finame	46,759	66.4	46,552	65.3	(0.5)
BNDES Finame Agriculture	5,361	7.6	5,420	7.6	1.1
BNDES Finame Leasing	601	0.9	459	0.6	(23.7)
BNDES Automatic	6,117	8.7	6,408	9.0	4.8
BNDES Agricultural Programs	7,290	10.3	4,865	6.8	(33.3)
BNDES Card	4,314	6.1	7,574	10.6	75.6
<b>Total</b>	<b>70,443</b>	<b>100.0</b>	<b>71,248</b>	<b>100.0</b>	<b>1.1</b>

## Equipment

Disbursements to machinery and equipment by means of the BNDES Finame products, BNDES Finame Leasing and BNDES Finame Agriculture, represented 73.6% of total disbursements in automatic indirect operations in 2011 (R\$ 52.4 billion, in a total of R\$ 71.2 billion). In 2011, these disbursements, in the general calculation, presented a small reduction of 0.6% in comparison to the previous year.

DISBURSEMENTS PER EQUIPMENT					
R\$ MILLION					
EQUIPMENT	2010	%	2011	%	Δ %
<b>Transport</b>	<b>29,945</b>	<b>56.8</b>	<b>30,401</b>	<b>58.0</b>	<b>1.5</b>
Trucks	24,212	45.9	23,537	44.9	(2.8)
Buses	4,310	8.2	5,428	10.4	25.9
Train wagons	574	1.1	738	1.4	28.4
Others	849	1.6	698	1.3	(17.8)
<b>Non-transport</b>	<b>15,593</b>	<b>29.6</b>	<b>15,070</b>	<b>28.8</b>	<b>(3.4)</b>
Highway machinery	3,730	7.1	3,442	6.6	(7.7)
Machines for cargo movement	1,067	2.0	1,061	2.0	(0.6)
Boiler shop	1,135	2.2	1,002	1.9	(11.7)
Machinery tools	1,102	2.1	897	1.7	(18.5)
Others	8,559	16.2	8,667	16.5	1.3
<b>Agricultural equipment</b>	<b>7,184</b>	<b>13.6</b>	<b>6,930</b>	<b>13.2</b>	<b>(3.5)</b>
Tractors	2,452	4.7	2,316	4.4	(5.6)
Agricultural machinery	2,151	4.1	1,918	3.7	(10.8)
Harvesters	1,523	2.9	1,638	3.1	7.6
Others	1,059	2.0	1,057	2.0	(0.1)
<b>Total</b>	<b>52,722</b>	<b>100.0</b>	<b>52,400</b>	<b>100.0</b>	<b>(0.6)</b>

These transactions can also be partially explained by the new conditions established by the BNDES PSI Program after April 2011. For the capital goods sector, the program offers fixed rates of 10% per year on loans for passenger and cargo land transport equipment, by means of the PSI Bus and Trucks; 8.7% per year for large companies; and 6.5% for MSMEs, in loans for other assets (new machinery and equipment, including agricultural), through the PSI Other Capital Goods.



There was also an increase in the rates of the BNDES Procaminhoneiro (Pro-trucker), which went from 4.5% per year to 7% per year, with a reduction of the Bank's participation in loans: for contracting within the BNDES Finame scope, the BNDES' maximum participation was reduced from 100% to 90% and, within the Finame Leasing scope, the participation was reduced from up to 80% to 70%.<sup>21</sup>

## **BNDES Automatic**

Within the BNDES Automatic scope, the total value of approved operations reached R\$ 12.8 million, maintaining the same level as the last few years. Isolated support for working capital had sustained this level since 2009. However, in 2011, an expressive increase in the financing of investment projects was observed, which reached the total approved value of R\$ 4.8 million, growing 28% in comparison to 2010 and reaching its historic peak.

The increase of approximately 20% in the number of proposals protocolled was also significant, which went from 65,379 in 2010, to 78,250 proposals in 2011.

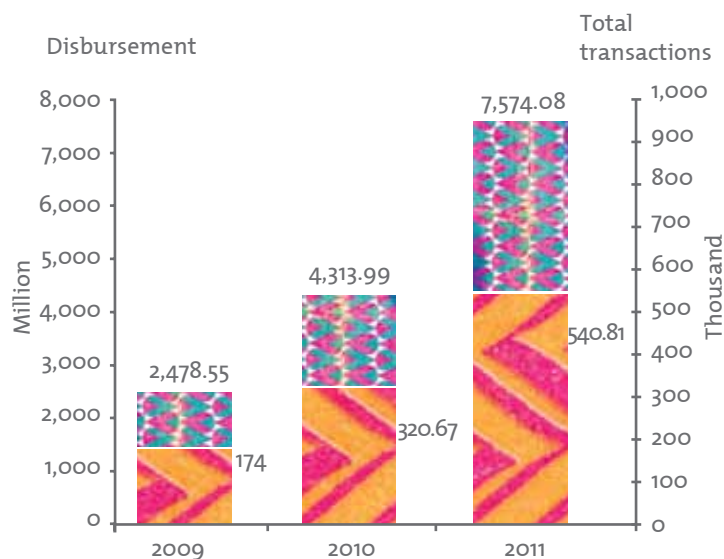
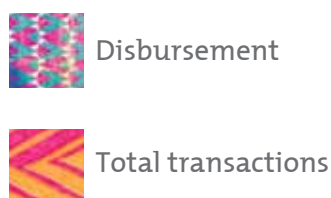
## **BNDES Card**

On October 5, 2011, the BNDES Card reached the 1 million mark in contracted operations since 2003, when it was launched on the market. Focusing on nationally-controlled micro, small and medium-sized companies, the BNDES Card is pre-approved credit of up to R\$ 1 million, for the acquisition of accredited items on the BNDES Card's operations portal.

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<sup>21</sup> Financial conditions valid up to December 31, 2011.

### Total transactions vs. disbursement (financed value) (in R\$ million)



#### RELEASES DURING THE PERIOD AND RESULTS FROM PREVIOUS YEARS

YEAR	Nº. TRANSACTIONS	TOTAL	RELEASED (R\$ MILLION)				
			BANCO DO BRASIL	BRADERSCO	CAIXA	BANRISUL	ITAÚ
2011	540,813	7,574.08	4,894.08	2,406.81	207.07	38.51	27.61
2010	320,673	4,313.99	2,675.09	1,426.13	174.14	7.61	-
2009	174,276	2,478.55	1,471.33	914.17	88.68	-	-
<b>Acumulado</b>	<b>1,158,761</b>	<b>16,031.75</b>	<b>9,688.70</b>	<b>5,675.02</b>	<b>558.90</b>	<b>46.13</b>	<b>27.61</b>

## Card issuance

The following financial agents currently issue the BNDES Card: Bank of Brazil, Banrisul, Bradesco, Caixa Econômica Federal and Itaú. In 2011, the BNDES Card presented a 68.6% increase in the number of operations and a rise of 75.6% in the release of resources, related to 2010. The highlight is the Bank of Brazil, which accounted for 65% of this amount in 2011.

During 2011, banks issuing the BNDES Card continued their focus on expanding the number of cards issued. Thus, some 130,845 new cards were issued, representing a growth of

21.36% in comparison to 2010, reflecting the rising competition between the banks that reinforced their participation in the product and the entry of new issuing banks – Banrisul and Itaú.

## Supplier and product accreditation

The year of 2011 ended with a total of 17,341 manufacturers eligible to make sales on the BNDES Card's operations portal, which represents an increment of 30% in comparison to 2010.

	ACCREDITED MANUFACTURERS DURING THE PERIOD	MANUFACTURERS ELIGIBLE TO SELL AT THE END OF THE PERIOD
2010	3,438	13,556
2011	4,418	17,341

In late 2010, the new distributor nomination flowchart was implemented, which allows manufacturers to recommend distributors faster. This doubled the number of nominated distributors in comparison to the previous year, going from 6,422 to 13,935.

In 2011, a total of 66,546 products were analyzed and 47,930 were accredited. The total number of products available for purchase at the end of the year reached 179,400.

## Foment

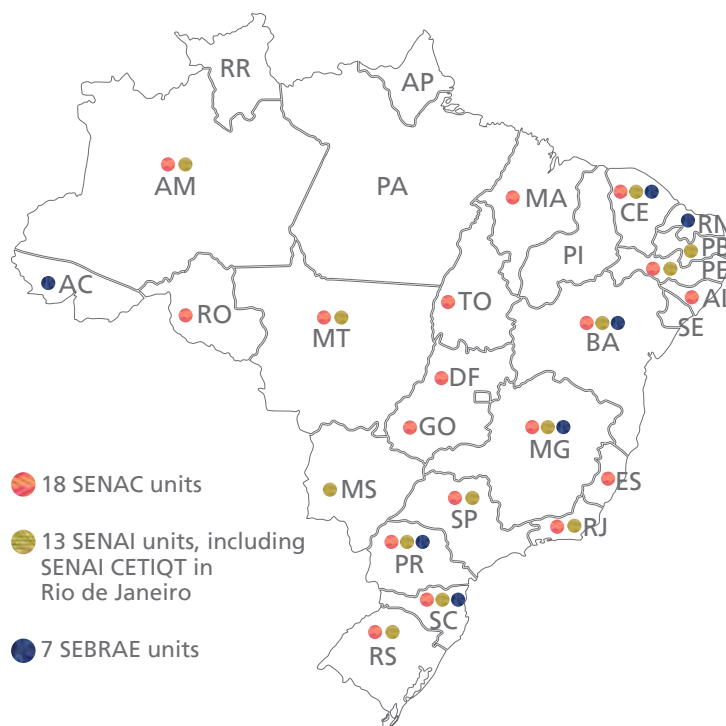
The foment efforts in 2011 were aimed at reinforcing the BNDES Card's image as an agile and accessible product, as well as increase the number of eligible items in the operations portal's catalog. This is to turn it into a credit instrument that is increasingly present in the day-to-day business operations of micro, small and medium-sized companies.

In 2011, the BNDES Card directly benefited 176,775 card-holding companies that made at least one purchase, which represented a growth of 50.7% in comparison to the 117,323 companies benefited in 2010. On the other hand, the number of suppliers that made at least one sale in 2011, showed a variation of 43%, going from 16,359 in 2010, to 23,400 last year.

Efforts were also focused on fostering the use of the card as a tool to induce investments in innovation and into improving the quality of products and processes within the business environment, including professional qualification in the tourism sector.






With this objective, efforts were carried out with various agencies and business entities to hold events, especially the accreditation of the S System's state networks SENAI, SEBRAE and SENAC as providers of technological services (innovation) and professional qualification for the hospitality and leisure sector.

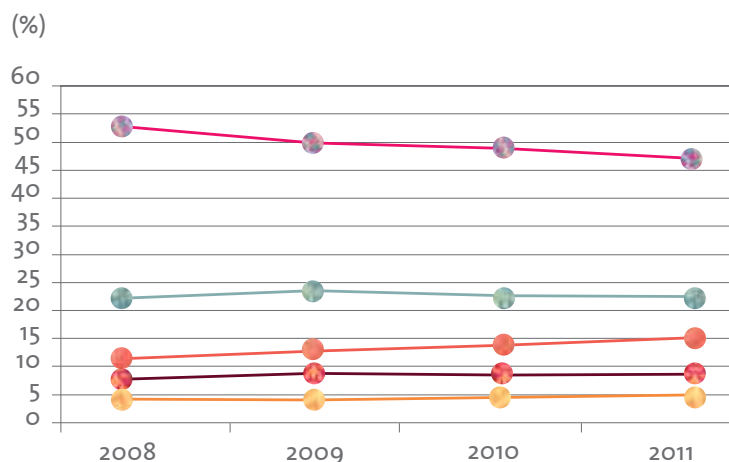
### S System – Accredited state networks



Efforts aimed at regional development were also a focus in 2011. The chart below illustrates the advances historically reached in reducing regional differences in the country, in which the use of the BNDES Card is a reference.

**Participation in purchases made with the BNDES Card per region (in %)**

-  Southeast
-  South
-  Northeast
-  Central-west
-  North



As a learning process of regional efforts developed, we list the importance of the presence of local suppliers to increase the number of transactions in states. Such rationale results from the observation of the representative portion of sales made between suppliers and buyers located in the same state, a format that is more commonly adopted in the Northern, Northeastern and Center-western regions.

SALES BETWEEN SUPPLIERS AND BUYERS FROM THE SAME STATE (IN %)				
REGION	2008	2009	2010	2011
Northeast	40.53	60.53	66.80	70.61
North	50.37	57.89	67.08	71.22
South	28.49	34.86	37.29	39.45
Southeast	51.61	48.87	51.09	50.48
Central-west	68.20	70.70	71.16	72.44
<b>Brazil</b>	<b>44.15</b>	<b>46.45</b>	<b>49.50</b>	<b>50.57</b>

Foment efforts made by the BNDES Card obtained excellent results in 2011. There was an increase of 38% in BNDES Card requests, which went from 261,625 in 2010, to 360,956 in 2011. There was also a rise of over 20.6% in the accreditation requests from manufacturers, and over 18.9% in distributor recommendation in comparison to the previous year.

## Communications

In 2011, a new advertising campaign was launched, from July to December, focused on issuing and activating cards and which included nationwide TV ads with the following slogan: “The numbers of the BNDES Card work in favor of your company”.

Besides conventional media, including specialized magazines in the civil construction and service sectors (health and well-being, IT and tourism), the campaign made intensively use of the Internet, including, for the first time, ads on search (Yahoo) and price comparison (Buscapé and QueBarato) websites.

## Client services in automatic indirect operations

Clients can not only follow the progress of their operations by means of the phone support service or electronic contact, but also clarify doubts on the norms of the various operationalized products and programs, as well as obtain information on procedures required to carry out operations and for the accreditation of products and manufacturers in the BNDES Finame and in the BNDES Card.

As can be observed in detail in the following table, the number of support services during 2011 surpassed the 770,000 mark.

SUBJECT	Nº. OF SUPPORT SERVICES
BNDES Card	340,221
Release situation	362,837
Accreditation	11,104
Others	63,334
<b>Total</b>	<b>777,496</b>

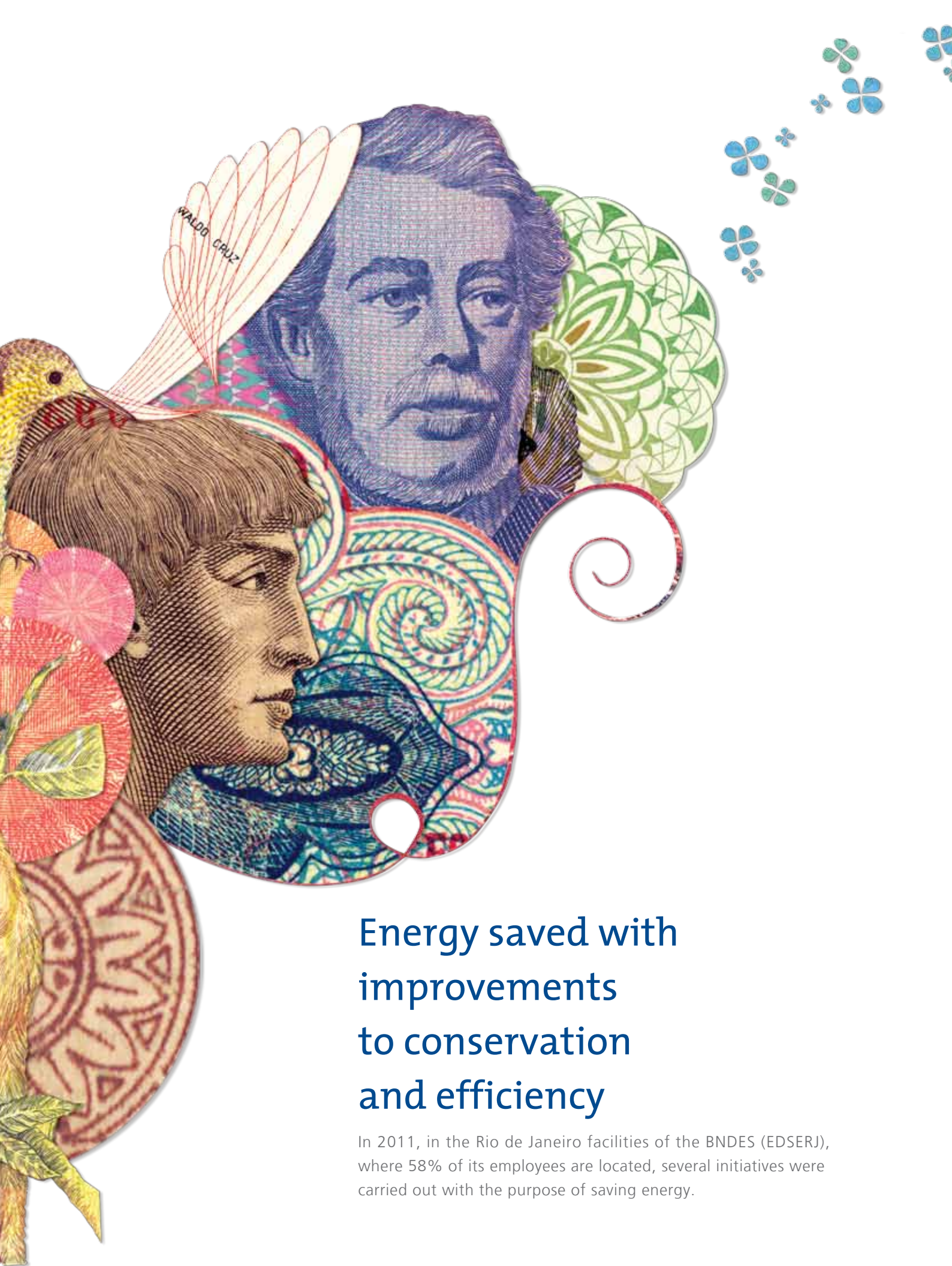
With the contracting of a new company for support service, the number of workstations increased and a computerized system began to be used, which permits the follow-up of service performance in real time. These changes reduced waiting time from 4 min 21 seconds, to only five seconds.





**ECO-EFFICIENCY  
AND SUSTAINABLE  
PURCHASES**





## Energy saved with improvements to conservation and efficiency

In 2011, in the Rio de Janeiro facilities of the BNDES (EDSERJ), where 58% of its employees are located, several initiatives were carried out with the purpose of saving energy.

Among these measures, highlights include:

**a. Modernization of the elevators**

The work is underway and is planned to be completed in July 2013, with the aim of reducing the energy consumption in the elevator's motors by 20%. This is possible, especially due to the replacement of the old overhauled motors for soft starters, used during the startup of the motors that move the elevator cars.

**b. Modernization of the substation**

Prior to the modernization process, which started in November 2010, the EDSERJ substation operated with 12 transformers with 1-MVA (megavolt-ampere) volts each. Currently, with the deactivation of the 3 transformers, we were able to eliminate the consumption of 3-MVA<sub>r</sub> (reactive megavolt-ampere), with no loss of demand capacity; the project is slated for completion in the first quarter of 2012.

A total of 180 partial switches were also replaced, eliminating bad contact failures that existed. After a comparative thermal imaging test of these devices, it was concluded that the replacement also provided more favorable operational conditions to the system, eliminating exceeding energy consumption.

**c. Modernization of the cold-water central**

By replacing old centrifuges with others with better performance, it was possible to obtain a considerable saving in energy in the operation of this equipment.

**d. Modernization on office floors**

Besides improvements to the environmental, ergonomic and aesthetic comfort, the modernization of the office floors also generated energy savings with the following measures:

- replacement of electric wiring;
- replacement of the old transformers with new and more efficient ones;
- replacement of the fan coils in the floor's air

conditioning system with the replacement of the frequency converters with new ones with better performance; and

- improvements to the earthing system.

**e. Installation of new cooling towers**

New cooling towers for the EDSERJ air-conditioning system has greater outflow and centrifuges with better performance, which represents a gain in the production of cold water with no considerable increase in power consumption.

**f. Migration to the Free Electric Power Market**

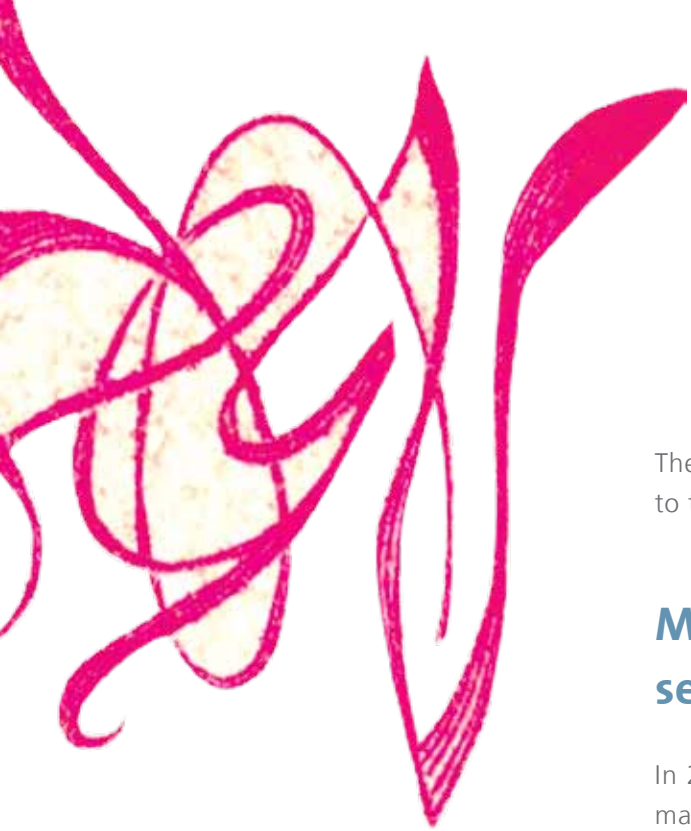
The BNDES falls under the free power consumer category and in 2011 migrated to the Free Market. This change allowed for the purchase of energy originating entirely from renewable sources and also represented a reduction in electric power costs of approximately 12% per month.

**g. Lighting project with LED technology**

In 2011, a feasibility study was conducted to exchange fluorescent light bulbs with electronic ballasts, currently installed at the EDSERJ facilities, for LED bulbs, which do not use mercury and produce lower thermal charge with the consequential reduction in air-conditioning consumption. This will provide a reduction of approximately 50% in electric power consumption with lighting, among other benefits.

## Percentage of the used material originating from recycling

The only recycled material purchased by the BNDES was recycled paper. Two contracts were signed: one in April 2010 and another in August 2011. Both of them were the result of public bid procedure, as follows:



- recycled A4 paper in 2010: 28,800 reams
- recycled A4 paper in 2011: 15,360 reams

The reduction is due to the remaining balance from one year to the next.

## Material collected and sent to for recycling

In 2011, EDSERJ collected waste in the correct and verified manner and sent it to waste-picker cooperatives registered on the City Ministry and National Waste-Picker Movement websites, with the legal documentation required by Decree N°. 5.940/06, and which have been visited and inspected.

The materials allocated for recycling were:

- fluorescent light bulbs = 11,039 units
- batteries = 2,650 kg
- organic waste = 69,859 kg
- kitchen oil (household) = 60 liters

## Water consumption

Water consumption in 2011 was 63,600 m<sup>3</sup>, with a monthly average of 5,300 m<sup>3</sup>, representing a 7% drop in consumption in comparison to 2010 (which was 68,400 m<sup>3</sup>, with a monthly average of 5,700 m<sup>3</sup>). Besides this, concerning the use of bathroom faucets, a 20% drop in consumption was obtained, due to the replacement of conventional faucets with a new electronically-activated model, which also provides better hygiene.

# Sustainable purchasing policy

In December 2011, the BNDES Sustainable Purchasing Policy was approved, which places the Bank as one of the pioneers in this area. The policy is aligned with fulfilling the commitments assumed by the Bank in the Socio-Environmental Responsibility Protocol of Intentions (Green Protocol) and in its Social and Environmental Responsibility Policy (SER) guidelines.

This concept refers to the inclusion of social and environmental sustainable criteria in the contracts carried out by the public sector. Besides reducing the environmental impact and social differences, sustainable public purchases can guarantee better quality products and services, as the result of adopting a logic that values the long-term performance of the product or service.

The idea of sustainability in public purchasing has gradually been incorporated into Brazilian legislation. In 2010, Law N°. 8,666/93 was changed to expressly include the promotion of national sustainable development as one of the public bidding objectives.

It is worth emphasizing that the BNDES Sustainable Purchasing Policy is aligned with the Action Plan for Sustainable Production and Consumption (PPCS), of the Environment Ministry, and also with two themes that will be highlighted in the Rio+20 conference:

- the Green Economy within the context of sustainable development and in the eradication of poverty; and
- the institutional legal framework for sustainable development.

With the implementation of this policy, the BNDES assumes an important role in inducing the dissemination of sustainable operational practices, reaching not only the product and service Provider chain, but also public agencies and society.



**12**

**PEOPLE  
MANAGEMENT**



## The Strategic Management of People (GEP)

The BNDES has been structuring the Strategic People Management (GEP) project based on four pillars: (1) mapping and assessing competences; (2) career management; (3) performance evaluation; and (4) corporate training, with its central link focused on developing competences necessary to achieve the BNDES' strategic objectives.

Proceeding with the mapping of the technical competences in the Bank's divisions, performed in 2010, refining the conceptual model for career management and implementing the first cycle of the Employee's Agenda, a tool that allows each employee and his/her manager to make a pact regarding his/her professional development commitment. The design of the corporate training and performance assessment models is planned for 2012.

There is currently a variety of support policies and programs for training and developing the workforce, among which we emphasize support programs for graduate and language courses as well as courses and seminars in Brazil and abroad.

This wide-reaching and intensive form of support for the development of its employees demonstrates the value placed on intellectual and human capital, which the BNDES deems an intangible asset of the highest relevance.

## Novos Tempos Program

Aligned with employee turnover, the BNDES continues to provide the Novos Tempos Program to employees that will be leaving up to 2012. The initiative, which has already been attended by approximately 209 employees, aims at ensuring the transmission of knowledge among new and old employees, as well as providing new options in lifestyle besides working at the BNDES.

## Employee health

The occurrence of work-related accidents and occupational illnesses with the BNDES employees, recorded in the BNDES Social Service Foundation for Social Security (Fapes), are informed to the Social Security Ministry and immediately informed to the Bank's Human Resources division. On the other hand, events with service providers generate emergency care and the service provider's employee is advised to inform the Social Security Ministry.

Due to its economic activity, the BNDES has a Risk Level I and, according to Regulation Norm N°. 9 (NR-9) of the Ministry of Labor and Employment, keeps the Environmental Risk Prevention Program (PPRA) updated in the totality of its physical facilities. All identified risks, including those of an ergonomic nature, are controlled, taking into account the 113 Work-related Ergonomic Assessments (AETs) in 2011.





The BNDES carries out the Medical Control and Occupational Health Program (OHMSP), in an integrated form with the PPRA and in compliance with the NR-7 of the MTE, by means of the Fapes Medical Department. In 2011, some 3,528 periodical exams were performed.

The BNDES' physical facilities in Rio de Janeiro, where over 95% of the Bank's employees are allocated, are covered by the Fapes Outpatient Clinic for emergency medical care. The table below contains information regarding employee health and safety indexes in 2011.

WORKERS' HEALTH AND SAFETY RATES <sup>1</sup> 2011	
Injury Rate (TL) <sup>2</sup>	9.47 (Southeastern Region)
Occupational Illness Rate (TDO)	zero
Days Missed Rate (TDP) <sup>3</sup>	1.61 (Southeastern Region)
Absenteeism Rate (TA) <sup>4</sup>	3.10 (Southeastern Region – RJ and SP)
	0.78 (Central-west Region – DF)
	0.67 (Northeastern Region – PE)
Deaths resulting from work-related accidents or occupational illness	zero

<sup>1</sup> Information referring to the period between 01.01.2011 and 12.20.2011.

<sup>2</sup> Frequency of accidents with injuries. Considering 2,000 hours of annual exposure per employee (NBR 14.280), in other words, 5,594,000 men-hours of exposure, with the employee base on 12.06.2012. There were 53 accidents (39 typical and 14 commuting accidents). Only in Rio de Janeiro (Southeastern Region).

<sup>3</sup> Calendar days, considered on the day after the injury until the day prior to the return. A total of 205 lost days as a result of work-related accidents (typical and commuting). The total number of scheduled days is five days/week x 48 weeks/year (considering vacation time) for each employee involved. TDP = days lost/days scheduled x 100.

<sup>4</sup> Medical absences. Excluding holidays, leave of absence for studying, maternity/paternity leave, advance or delayed leave, mourning, wedding and accompaniment leave. The total number of scheduled days is five days/week x 48 weeks/year (considering vacation time) x N<sup>o</sup>. of employees per region, with an employee base on 12.06.2011. TA = absent days/scheduled days x 100.

Incidents that did not generate injuries are also controlled to minimize the risk of future accidents. Once a potential risk is identified in the building's physical installation, the Bank's administration, and/or the building management, is informed to take the proper measures.

## Gender equity and placing value on human diversity

The Bank's commitment to placing value on diversity and the struggle against discrimination in all forms is expressed in the BNDES System's Code of Ethics.

Since 2007, the Gender and Diversity Workgroup has based its initiatives on two strategic operational fronts:

- placing value on human diversity (issues involving gender, ethnicity, sexual orientation and special needs); and
- eliminating all forms of discrimination in terms of access, remuneration, ascension and permanence on the job.

### Gender and Ethnicity Pro-Equity

The BNDES adheres to the Gender and Ethnicity Pro-Equity program, an initiative from the President of the Republic's Office on Women's Policies.

Assuming this public commitment, the Bank has delegated the workgroup to draft and follow up on an action plan aimed at establishing a working environment that values human diversity.

For its efforts aimed at gender equity in the workplace, the BNDES received the Gender Pro-Equity Seal in both editions in which it participated in the program. In proceeding with this commitment, the BNDES has adhered to the fourth edition (2011-2012), now expanded to the Gender and Ethnicity Pro-Equity Program, including efforts within the racial scope.

## Gender statistics

Over the last few years, the BNDES workforce has grown and undergone a renewal process resulting from the Voluntary Dismissal Program.

Recalling that the BNDES employees are hired by means of civil service recruitment exam, this renewal process shed light on the relevance of women's participation in the Bank's workforce and reinforced the importance of commitment and institutional performance aimed at gender equity.

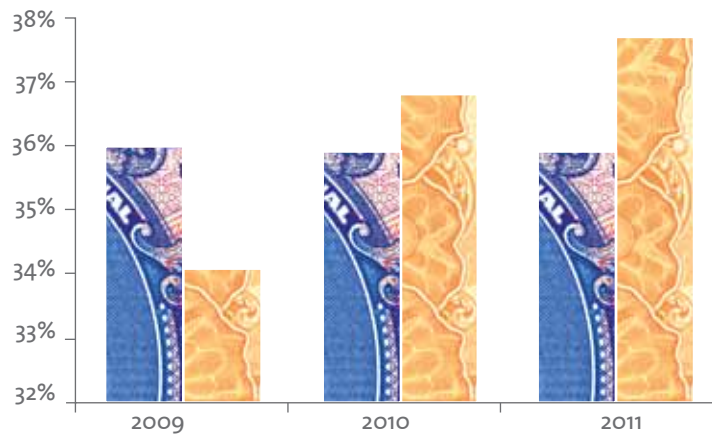
### Distribution of employees and operational positions at the BNDES per gender



Women



Women in operational positions



It is possible to realize that, even with the renewal process of the Bank's workforce, the participation of women has remained stable at 36% over the last three years.

The data, however, indicate a real growth in women's participation in operational positions over the same period. At the end of 2011, women occupied 38% of these positions in comparison to the 34% recorded at the end of 2009.

Although, in a quantitative analysis, it is possible to underscore the coherence between female participation in the Bank and their occupancy of positions of trust, the Gender and Diversity Workgroup has the challenge of enriching this understanding by identifying gender distribution in each of the hierarchical levels of power and decision-making positions in the company.

## Highlight: awareness campaigns

The awareness of the workforce is an important step in placing value on diversity as well as in eradicating prejudice and violence against human groups that have historically been discriminated against in the workplace.

During 2011, a series of campaigns aimed at raising the workforce's awareness were created: the celebration of "Women's Week", the debate on "Sexual Diversity in Brazilian Society" and the "16 Days of Activism for the End of Violence against Women" campaign, besides lectures on the importance of breastfeeding organized by Fapes.

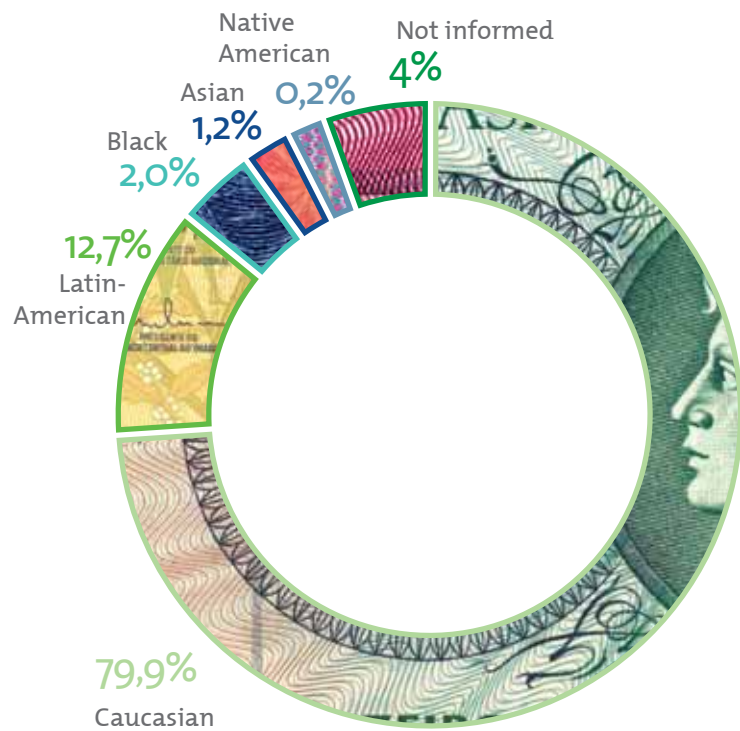
In each event, lectures were given, Brazilian movies were shown, and material was distributed related to placing value on diversity as well as combating prejudice and discrimination in all of its forms. Issues covered include gender, ethnicity, women's health, breastfeeding, sexual orientation, the feminization of Aids, and violence against women.

## Ethnic statistics

Since 2007, the BNDES has promoted ethnic mapping of its workforce based on orientations from the Ministry of Labor and Employment (MTE).

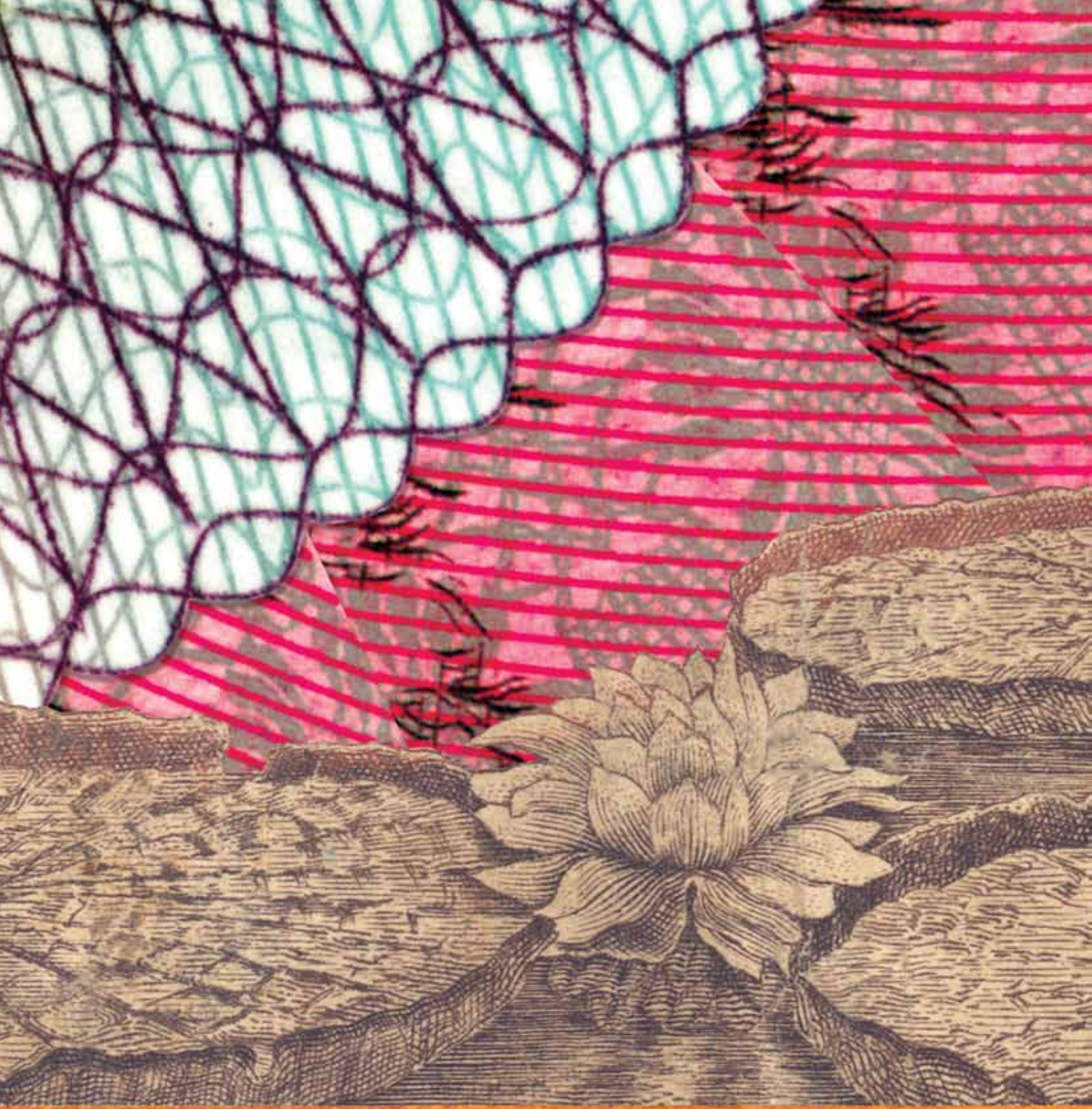
Through lectures and awareness campaigns, the updated of personal data is encouraged in a self-declaratory manner. As a result, there is an expressive volunteer participation of 96% of the workforce.

**Distribution of employees in the BNDES – per race/color**



Date base: December 31, 2011.

With similar distribution to that of gender, the renewal of the workforce did not significantly alter the distribution of ethnicity indicators. This mapping reinforces the importance of efforts aimed at placing value on racial diversity in the workplace.



# Indicator Reference Matrix



A few indicators from the Global Reporting Initiative (GRI) were selected to measure the level of the BNDES' alignment with the concepts of sustainability, which includes and integrates economic, social and environmental dimensions. In this matrix, it is possible to identify the selected indicators, their descriptions and the sections in which they are inserted.

The indicator matrix used the GRI indicator grid as a model and reference. It must be emphasized, however, that the GRI methodology was not used to draft this report.

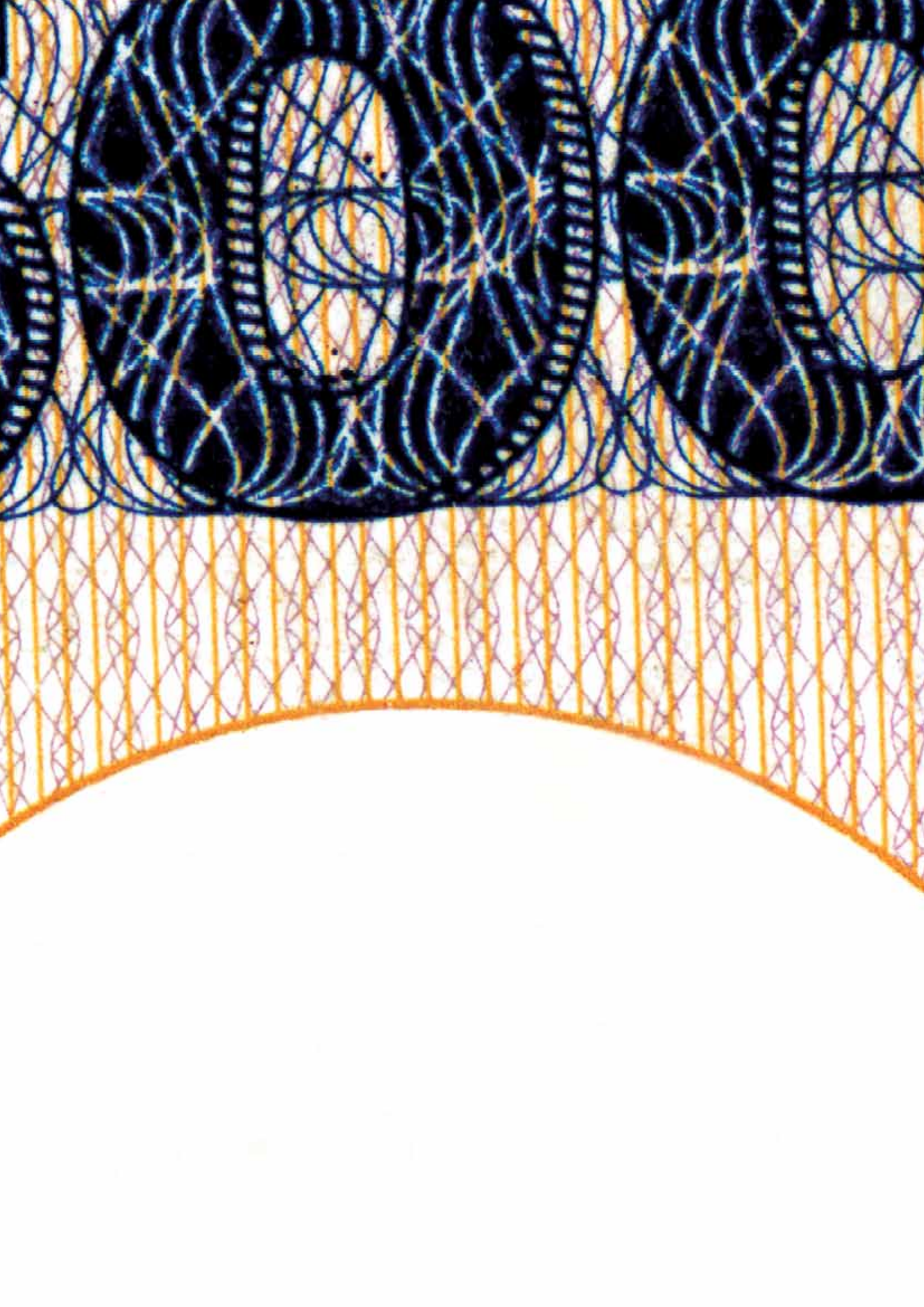
GRI INDICATORS	GRI INDICATOR DESCRIPTION	2011 ANNUAL REPORT CHAPTER	PAGE
FS06	Percentage of the portfolio of business lines per specific region, per size (i.e. micro/small and medium-sized/large), and per sector (GRI - FS06)	The BNDES in Numbers Chapter – Disbursement operational indicators – Disbursement per company size	35
		The BNDES in Numbers Chapter – Disbursement operational indicators – Disbursement per region	35 and 36
		The BNDES in Numbers Chapter – Disbursement operational indicators – Automatic operations	37 and 38
FS07	Monetary value of the products and services created to provide a specific social benefit for each business line, divided per purpose (GRI - FS07)	The BNDES in Numbers Chapter – Disbursement operational indicators – Social Development	41
FS08	Monetary value of the products and services created to provide a specific environmental benefit for each business line, divided per purpose (GRI - FS08)	The BNDES in Numbers Chapter – Disbursement operational indicators – The Green Economy and Climate Change	41
ECO01	Generated and distributed direct economic value, including revenues, operational costs, employee remuneration, donations and other investments in the community, accumulated profits and payments to capital providers and governments (GRI -	The BNDES in Numbers Chapter – Economic-Financial performance – Added Value Statement	57

continue

continued

GRI INDICATORS	GRI INDICATOR DESCRIPTION	2011 ANNUAL REPORT CHAPTER	PAGE
FS02	Procedures for the assessment and classification of environmental and social risks in the business lines. (GRI - FS02)	Governance Chapter – Environmental and social risks in the business lines	76-79
FS01	Policies with specific environmental and social components applied to the business lines (GRI-FS01)	Transversal Policies Chapter – Socio-environmental efforts and policy	142
EN05	Energy saved due to improvements made for conservation and efficiency (GRI-EN05)	Eco-efficiency and Sustainable Purchases Chapter – Energy saved with improvements to conservation and efficiency	217-219
EN02	Percentage of the used material originating from recycling (GRI-EN02)	Eco-efficiency and Sustainable Purchases Chapter – Percentage of the used material originating from recycling	219
EN22	Total weight of the waste, per type and disposal method (GRI - EN22)	Eco-efficiency and Sustainable Purchases Chapter – Percentage of the used material originating from recycling – Material collected and sent to be recycled	220
EN08	Water withdrawn per source. (GRI- EN08)	Eco-efficiency and Sustainable Purchases Chapter – Water consumption	220
LA04	Percentage of employees covered by collective negotiation agreements. (GRI – LA04)	Introduction – Profile – Personnel profile	22
LA07	Rate of injuries, occupational illnesses, days lost, absenteeism and work-related deaths, per region. (GRI- LA07)	People Management Chapter – Employee health	224
LA11	Programs for the management of competences and continual learning, which support the continuity of the employee's employability and to manage the end of their career (GRI-LA11)	People Management Chapter – Novos Tempos program	224
LA13	Composition of the groups responsible for corporate governance and employee discrimination per category, in accordance with gender, age, minorities and other diversity indicators. (GRI-LA13)	People Management Chapter – Gender equity and placing value on human diversity	226-229





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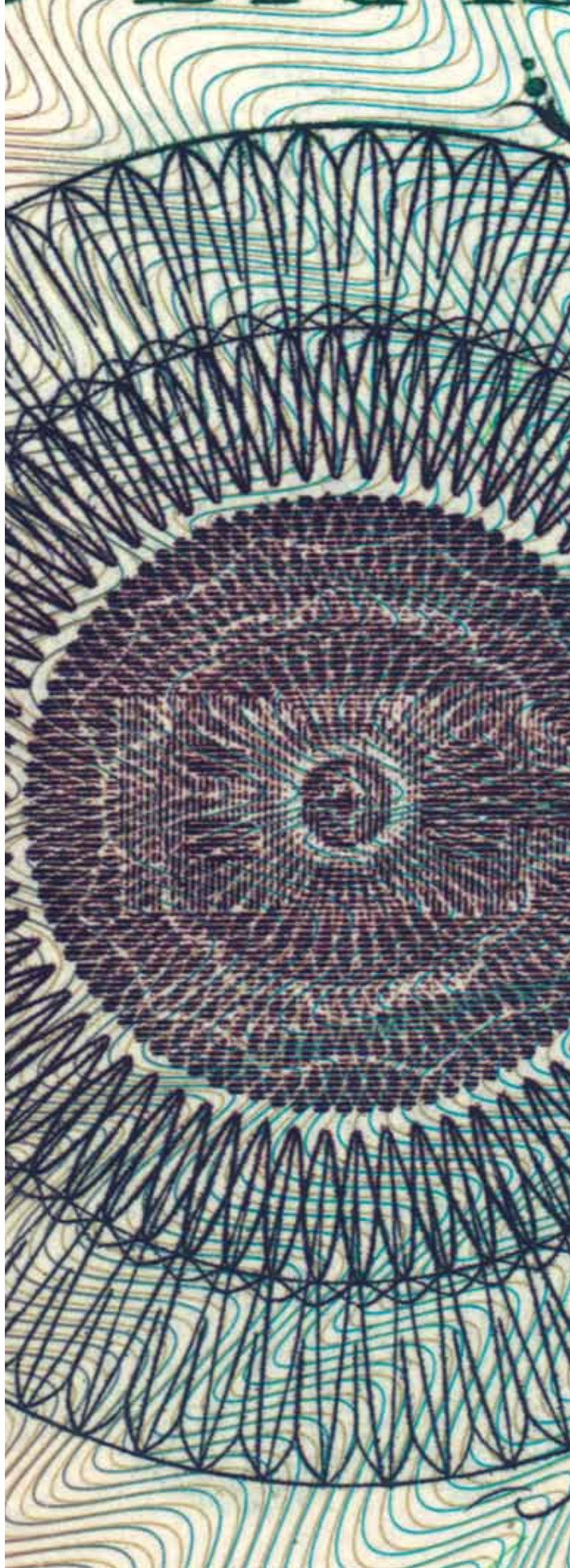
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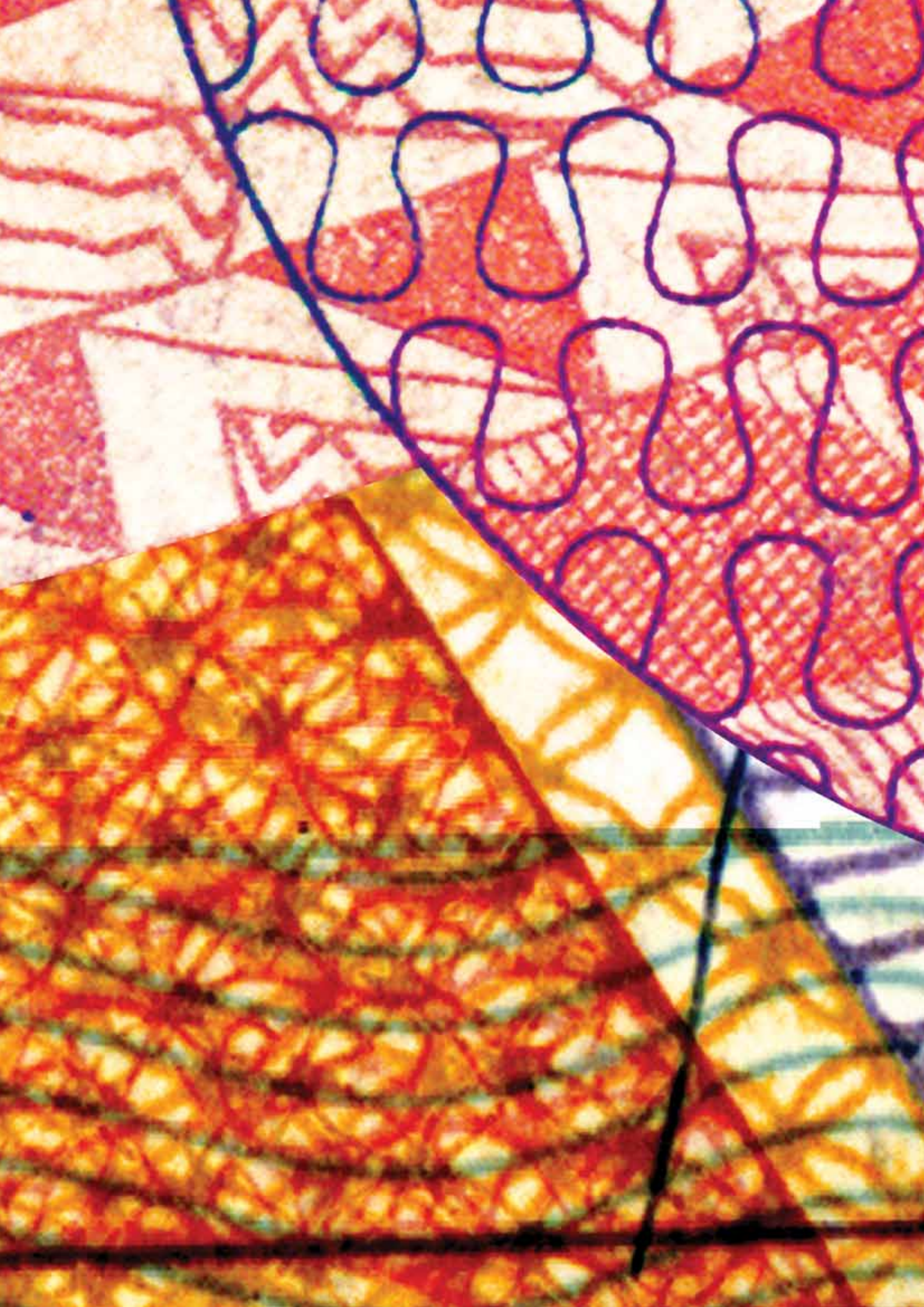
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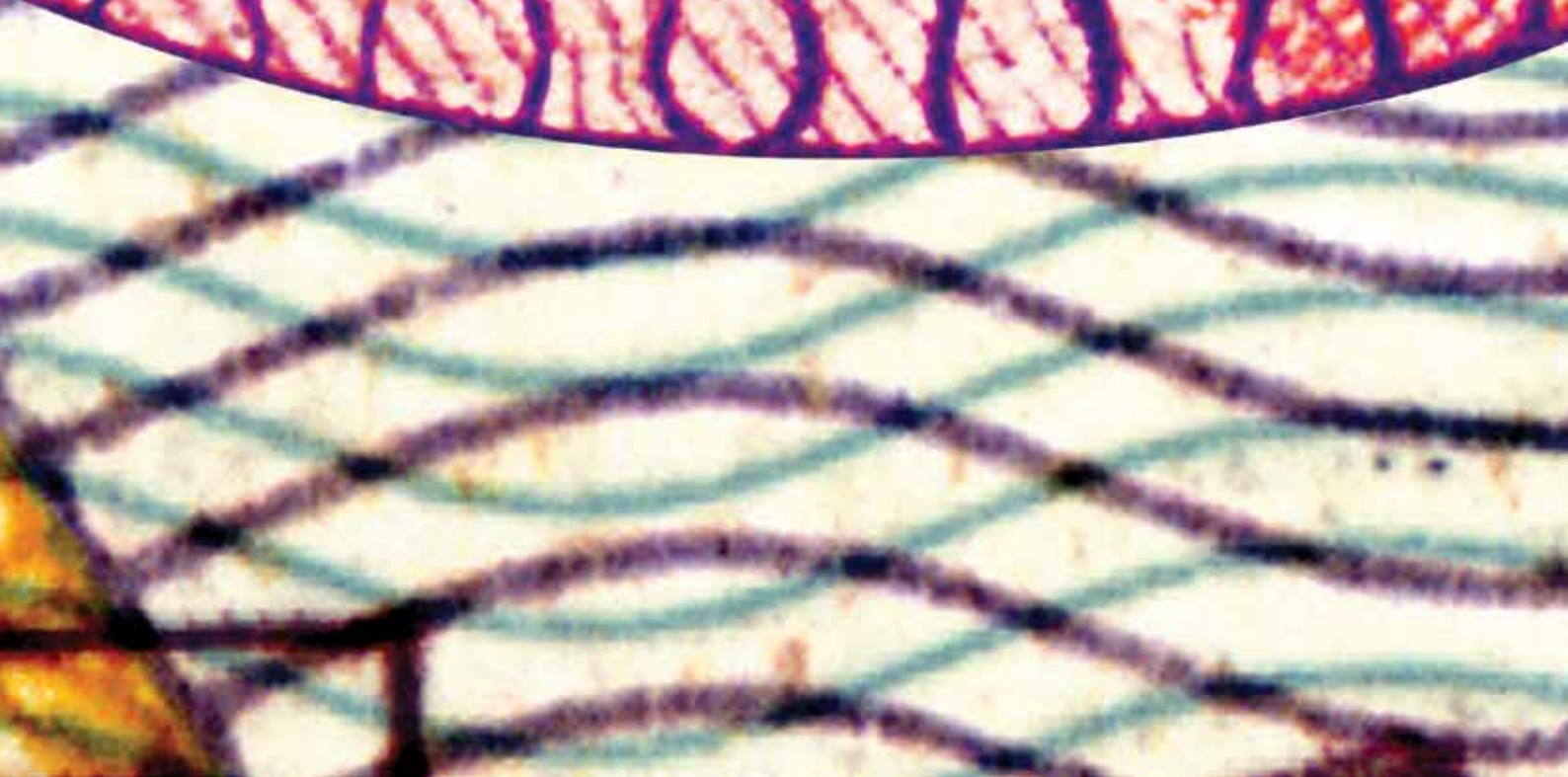
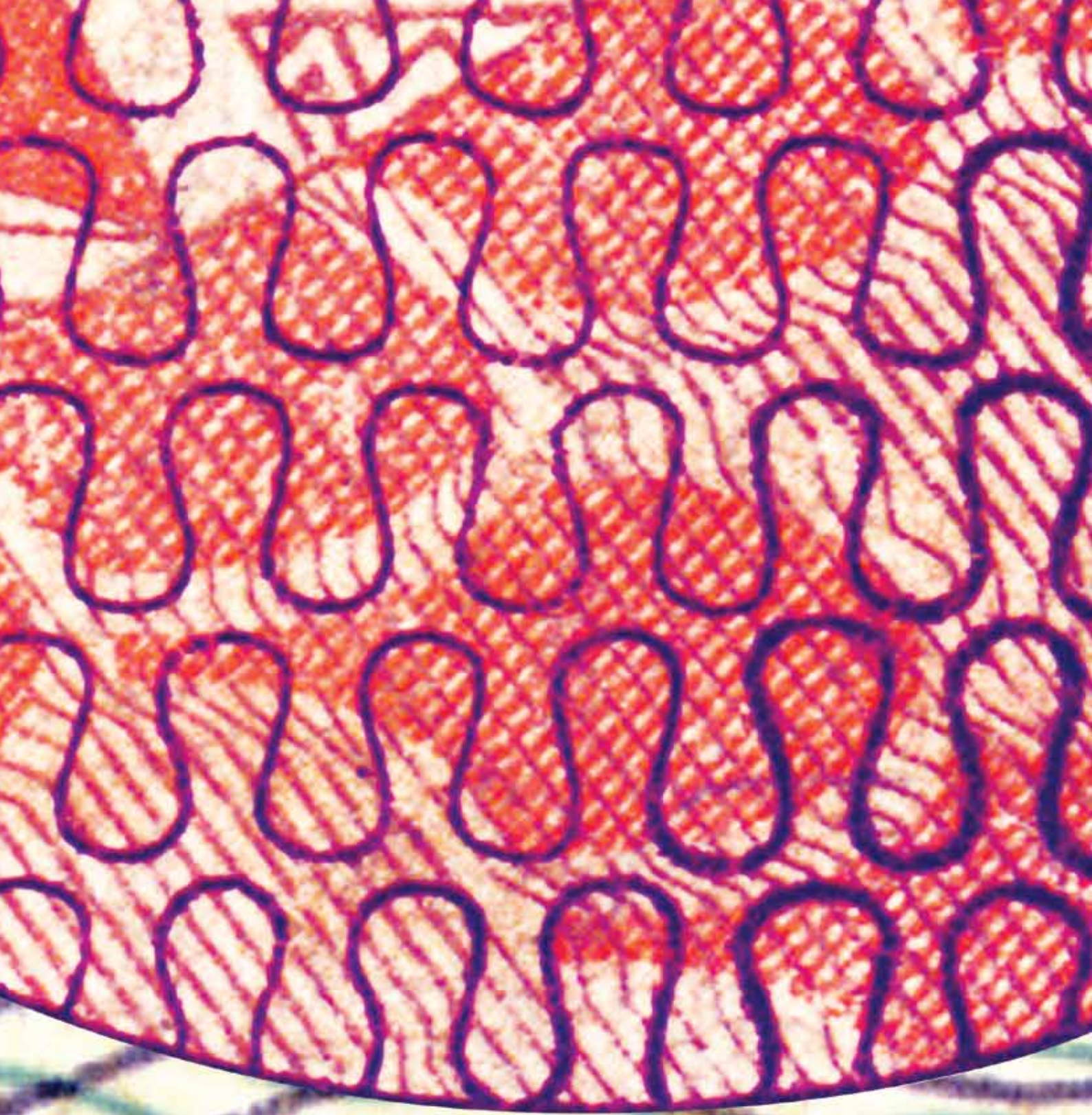
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