



KPMG Auditores Independentes  
Rua do Passeio, 38 - Setor 2 - 17º andar - Centro  
20021-290 - Rio de Janeiro/RJ - Brasil  
Caixa Postal 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brasil  
Telefone +55 (21) 2207-9400, Fax +55 (21) 2207-9000  
www.kpmg.com.br

## **Independent Reasonable Assurance Report on Disbursements made by Banco Nacional de Desenvolvimento Econômico e Social - “BNDES” to comply with Green Bonds Offering Memorandum specific requirements**

We have been engaged to report on Banco Nacional de Desenvolvimento Econômico e Social - BNDES (“Bank” or “Company” or “BNDES”) accompanying information on disbursements made direct to specific Green Bonds Project presented at Appendix 1 - BNDES Commitment by Project, whether they comply with specific requirements in the BNDES Green Bond Offering Memorandum as of May 2, 2017, such as:

- Confirmation of funding and disbursement directed for specific projects as mentioned in the Green Bond Offering reported by Bank in May 2, 2017;
- Confirmation of the contracts and bank statements according with the projects mentioned in the Green Bond Annual Report and if they are associated with the specific information aforementioned related by the offer.

We have not been engaged to provide an assurance opinion on the Green Bond Annual Report 2018. The obligation to perform due-diligence remains with investors.

### **Management’s Responsibilities**

The management of Banco Nacional de Desenvolvimento Econômico e Social - BNDES is responsible for preparing fairly stating the Green Bond Annual Report 2018 that is free from material misstatement and that accompanying the requirements defined in the Green Bond Offering funded on May 2, 2017.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Green Bond Annual Report 2018 that are free from material misstatement, whether due to fraud or error. It also includes policies and regulations under the Green Bond Offering.

### **Our Responsibilities**

Our responsibility is to examine the disbursements made direct for specific projects as shown in the Appendix 1 and included in the Green Bond Annual Report 2018 prepared by Banco Nacional de Desenvolvimento Econômico e Social - BNDES and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of



Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the disbursements directed for specific projects as mentioned in the Green Bond Annual Report 2018 had been made in accordance with the Green Bond Offering Memorandum dated May 2, 2017.

The firm applies International Standard on Quality Control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the disbursements directed for specific projects as mentioned in the Green Bond Annual Report 2018 whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the disbursements directed for specific projects as mentioned in the Green Bond Annual Report 2018 in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Banco Nacional de Desenvolvimento Econômico e Social - BNDES's internal control over the preparation and presentation of the disbursements directed for specific projects as mentioned in the Green Bond Annual Report 2018.

Our engagement also included: assessing the appropriateness of the disbursements directed for specific projects as mentioned in the Green Bond Offering, the suitability of the criteria used by Banco Nacional de Desenvolvimento Econômico e Social - BNDES in preparing the Green Bond Annual Report 2018 in the circumstances of the engagement, evaluating the appropriateness of the disbursements directed for specific projects policies and evaluating the overall presentation of the disbursements directed for specific projects as mentioned in the Green Bond Annual Report 2018. Reasonable assurance is less than absolute assurance.

As part of this engagement, we have not carried out any procedures by way of audit, review or verification of the Green Bond Annual Report 2018 nor of the underlying records or other sources from the Green Bond Annual Report 2018.

### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion:

- The disbursement directed for specific projects as mentioned in the Green Bond Annual Report 2018 are in accordance with the, in all material respects, guidelines provided in the Green Bond Offering Memorandum dated May 2, 2017;



- The contracts and bank statements presented are according with the projects mentioned in the Green Bond Annual Report based on the Green Bond Offering reported by Bank in May 2, 2017; and
- The projects allocated to the Green Bond Annual Report are existing projects with the BNDES and meet the disbursement criteria within a limit of up to 24 months before the issue date of the Notes under the Green Bond Offering Memorandum, see the “Elegible Green Projects” described in the page 24 presented in the Green Bond Offering Memorandum.

In accordance with the terms of our engagement, this independent reasonable assurance report on disbursements directed for specific projects as mentioned in the Green Bond Annual Report 2018 solely in connection with the information that prepared by BNDES's Finance and International Area and for no other purpose or in any other context.

#### **Restriction of Use of Our Report**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Banco Nacional de Desenvolvimento Econômico e Social - BNDES for any purpose or in any context. Any party other than Banco Nacional de Desenvolvimento Econômico e Social - BNDES who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we not accept or assume responsibility and deny any liability to any party other than Banco Nacional de Desenvolvimento Econômico e Social - BNDES for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Rio de Janeiro, April 26, 2018

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-RJ

  
Lino Martins da Silva Junior  
Accountant CRC RJ-083314/O-7



## Appendix 1: BNDES Commitment by Project

<b>Project</b>	<b>BNDES Commitment (BRL)</b>
UEE Calango 6	274,867,500.00
UEE Atlantic 2 (Morrinhos)	494,212,000.00
UEE Brazil Energy (Guirapá I)	390,958,852.00
UEE Contour Picos 2 (Chapada do Piauí II)	575,079,500.00
UEE Rio Energy 1 (Itarema)	652,522,000.00
UEE Santa Vitória do Palmar	679,380,000.00
UEE São Clemente	658,330,000.00
UEE Servtec 2 (Bons Ventos da Serra 2)	225,540,000.00
<b>Total BNDES Commitment</b>	<b>3,950,889,852.00</b>
<b>Total BNDES Disbursement until December 2017</b>	<b>3,528,504,012.80</b>

Note: For further reference, the information above is extracted from page 9 in the Green Bond Annual Report 2018 - See Appendix 2.



## **Appendix 2: Green Bond Annual Report 2018**

# Green Bond

Annual Report 2018

 **BNDES**



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Publishing coordination

**BNDES' Publishing and Memory Management**

Coordination and texts

**Energy Division**

**Financial and International Division**

**Public and Socioenvironmental Management Division**

Design and drawings

**Refinaria Design**

Editorial production

**Expressão Editorial**

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# Introduction

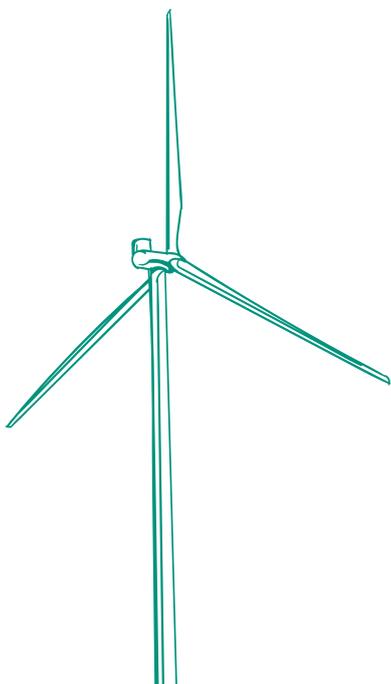
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The Banco Nacional de Desenvolvimento Econômico e Social (BNDES) was founded in 1952, and is the main instrument for long-term financing for investments in the Brazilian economy, with operations that encourage innovation as well as regional and socioenvironmental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

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

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

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



# Socioenvironmental presence

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

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

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

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

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

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

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

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



# Green bond framework

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

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

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

## The BNDES' green bond framework

### **USE OF PROCEEDS**

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

### **PROCESS OF EVALUATION AND SELECTION**

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

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

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

### **MANAGEMENT OF PROCEEDS**

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

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

### **REPORTING**

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

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

## **Use of proceeds**

The net proceeds from the issue and sale of the green bonds amounted to US\$ 993,901,395, after deducting the offering expenses, which represents R\$ 3,166,271,674.<sup>1</sup>

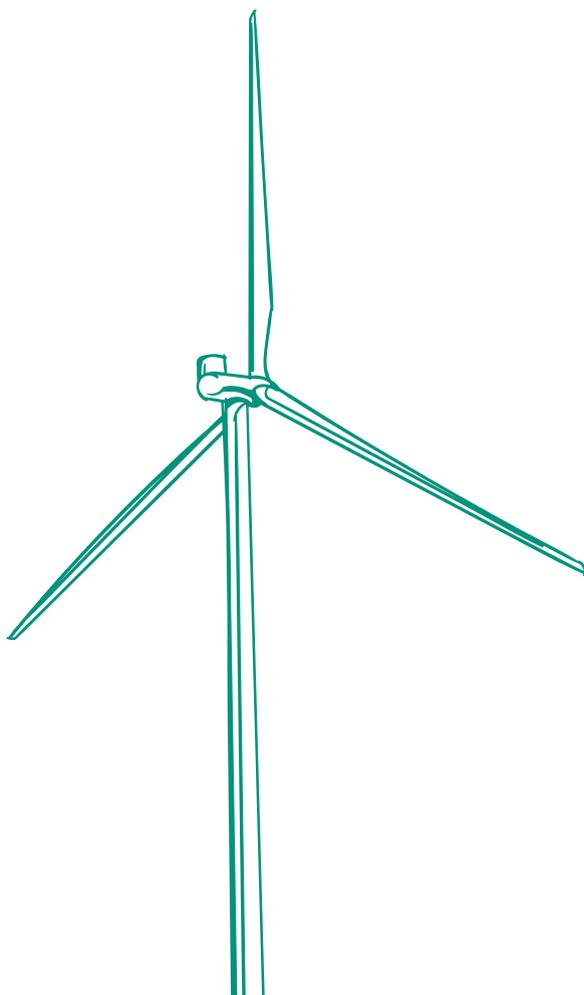
The proceeds were totally allocated to eight wind power generation projects which total 1,323 MW of new installed capacity, which represents a projection of 421,608 tons of CO<sub>2</sub> equivalent avoided per year.

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

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

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





# UEE Calango 6

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

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

## Commitment value

R\$ 274,867,500.00

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## Performance indicators

Installed capacity: 84 MW  
Reduction of 31,884 tons of CO<sub>2</sub>Eq per year



## UEE Atlantic 2 (Morrinhos)

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

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

### Commitment value

R\$ 494,212,000.00

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### Performance indicators

Installed capacity: 180 MW

Reduction of 58,690 tons of CO<sub>2</sub>Eq per year



# UEE Brazil Energy (Guirapá I)

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

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

## Commitment value

R\$ 390,958,852.00

## Performance indicators

Installed capacity: 170.2 MW

Reduction of 45,761 tons of CO<sub>2</sub>Eq per year



## UEE Contour Picos 2 (Chapada do Piauí II)

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

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

### Commitment value

R\$ 575,079,500.00

### Performance indicators

Installed capacity: 172.4 MW

Reduction of 55,831 tons of CO<sub>2</sub>Eq per year



# UEE Rio Energy 1 (Itarema)

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

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

## Commitment value

R\$ 652,522,000.00

## Performance indicators

Installed capacity: 207MW  
Reduction of 66,248 tons of CO<sub>2</sub>Eq per year



# UEE Santa Vitória do Palmar

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

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

## Commitment value

R\$ 679,380,000.00

## Performance indicators

Installed capacity: 207 MW  
Reduction of 67,264 tons of CO<sub>2</sub>Eq per year



# UEE São Clemente

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

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

## Commitment value

R\$ 658,330,000.00

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## Performance indicators

Installed capacity: 216.1 MW

Reduction of 72,638 tons of CO<sub>2</sub>Eq per year



# UEE Servtec 2 (Bons Ventos da Serra 2)

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

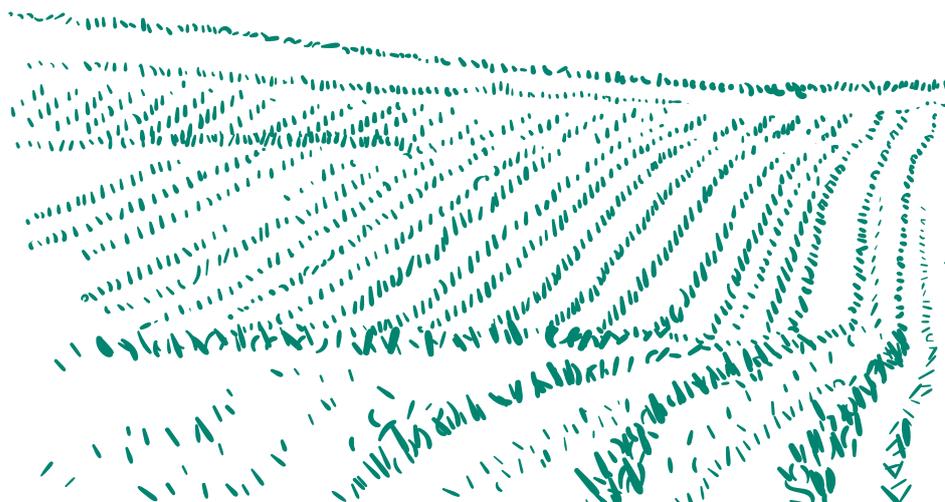
Bons Ventos da Serra 2 construction work is in the final stage. The forecast is to start operating those wind farms in 2018.

## Commitment value

R\$ 225,540,000.00

## Performance indicators

Installed capacity: 86.1 MW  
Reduction of 23,292 tons of CO<sub>2</sub>Eq per year





Edited by the Communication and Institutional Relations Division of the BNDES

April 2018

