

THE BRAZILIAN DEVELOPMENT BANK

Understand how BNDES works and
the results it delivers to society.

PERFORMANCE

Some R\$ 88.3 billion was disbursed in
597,565 operations to 144,912 clients.

Learn more about the main activities in
industry, capital market, exports, and MSMEs.

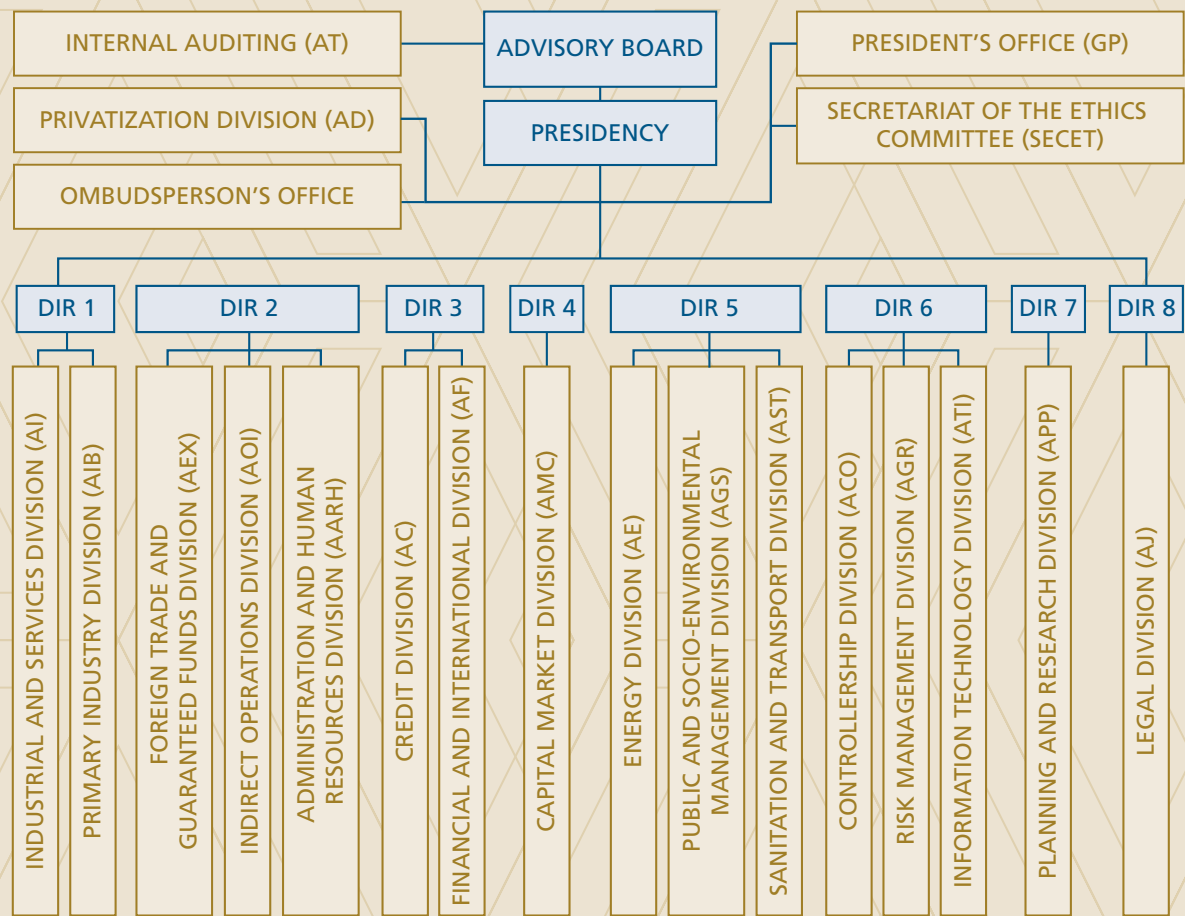
MAKING A DIFFERENCE

Know the projects supported by BNDES
that make a difference in Brazilian lives.

ANNUAL REPORT 2016



ORGANIZATION CHART



MISSION

To foster sustainable and competitive development in the Brazilian economy, generating employment while reducing social and regional inequalities.

VISION

To perform its duties as the development bank of Brazil, an institution of excellence that is innovative and proactive in light of the challenges in our society.

VALUES

Ethics
Commitment to development
Public principles
Excellence

ANNUAL REPORT
2016



MESSAGE FROM THE PRESIDENT

Recession and high unemployment turned 2016 into a challenging year for all Brazilians. With hope and trust, we sought to assure the continuity of BNDES institutional mission of promoting sustainable and competitive development of the Brazilian economy, amidst great transitions in the country.

The new directors and the whole Bank's team have worked hard for several months to address the most urgent issues, such as the revision of criteria for financing exports of engineering goods and services, and the interrupted concessions of infrastructure, without putting the medium- and long-term issues aside. We have started thinking about the future: which will be BNDES' role in a stable economy. How will its performance be?

Among the highlights of the year we can mention the operational policies revision, the Bank's performance guide. We have defined new guidelines, among them to encourage investments with greater social rather than private return, from criteria selection for financing in Long-Term Interest Rate (TJLP). Sustainability is a transversal strategy, besides being the balance between economic, social and environmental results, which is our goal.

Changes in financing conditions eliminated overlapping of programs, products and lines, simplifying and reinforcing the transparency of financial support criteria. Motivated by the increasingly tenuous borderlines between industry, trade and services, we shifted the Bank's focus from sectors to projects.

We defined priority qualifiers for them to receive the best conditions of financing, regardless of their sector of

origin – education, health, innovation, environment, exports, micro, small and medium-sized enterprises (MSME), or infrastructure – due to the high level of externalities they generate.

In a year marked by the high indebtedness of companies and families and by credit restriction in the country, we adopted important measures to help the companies. We significantly amplified the financial support for working capital, especially for MSMEs, besides launching an assets revitalization line, so that healthy companies could purchase assets from other companies in difficulties. Our objective was to contribute to cushion the impact of the economic crisis, stimulating the maintenance of productive activity and the preservation of employment.

MSMEs, the most affected by the current situation, were – and will continue to be – the Bank's major focus. We need to get even closer to this segment, knowing its problems and amplifying distribution channels, since it is the most affected by the process of bank concentration. With this goal, we seek to increase BNDES' capillarity through new distributors and automation of processes. We initiated an action plan directed to digital platforms, aiming at contacting this audience directly.

We acted on other fronts to stimulate the resumption of growth such as the structuring of investment projects with participation of the private initiative in public services. The Bank acted as agent of the Federal Government's Investment Partnership Program (PPI), besides structuring and defining the state concession program of the sanitation sector as its priority, which

had the adhesion of 17 by the end of 2016. We collaborated with the Brazilian Electricity Regulatory Agency (ANEEL) and the Ministry of Mines and Energy on the preparation of conditions of higher attractiveness in electric power transmission auctions, resulting in a record of attendance and investments and in greater discount, which will bring benefits to the final customer.

We sought to give more transparency to BNDES actions and improve practices and processes. We also worked hard to approximate and improve the relationship with control agencies and other target audiences.

The Bank's new website was launched, making internet users' access easier as well as increasing available information. At the end of 2016, we made a great set of data on the operations of variable income available and continued to incorporate relevant contents of public interest.

The Legal and Controllershship Boards were created (combining the risk management and information technology sectors), in order to have a solid and consistent structure to work and submit issues institutionally.

We advanced in good governance by defining and leading to the approval by the Board of Directors several important policies for the Bank's good functioning. With the National Treasury, we discussed the bases of a policy of dividends for BNDES regulated in 2017, which earmarks at least 40% of the institution profit for its capitalization, strengthening the institution's equity and future.

In the capital market area we worked for a better governance of invested companies, with a new policy of assignment of independent

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counselors for the Advisory Board and Fiscal Council. We worked to promote and strengthen primary and secondary debentures markets with the purpose of developing the capital market and having alternative sources of long-term financing for projects.

Aimed at promoting greater integration of teams and saving resources, we initiated the devolution of nine out of 13.5 floors rented at the Ventura Corporate Towers building in Rio de Janeiro. The change leads to layout alterations in the headquarters to receive the teams from Ventura building such as the placement of the whole Board of Directors in a single large room. The arrangement of most of the personnel in a single building resulted in savings estimated at R\$ 4 million per month. Moreover, construction works are expected in Brasília and São Paulo offices, which will allow reducing the area occupied.

Still in 2016, in line with the Federal Government's efforts to reduce public debt, we made the advance payment of R\$ 100 billion to the National Treasury. The measure was adopted after favorable opinion from the Federal Court of Accounts (TCU) and approval by the BNDES Advisory Board.

In 2017, a strategic planning cycle will be performed with internal and external discussions, bringing a long-term perspective, up to 2030. We are aware of BNDES' responsibilities and we are committed to the strengthening of the institution so that it continues to be an important agent of development, making even more difference in all Brazilian lives.

Maria Silvia Bastos Marques
President of BNDES

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ON THIS REPORT

This report presents the highlights of our performance in 2016, regarding economic, social and environmental dimensions.

The period reported ranges from January 1st to December 31st, 2016, and considers the whole BNDES System, which includes the Brazilian Development Bank and our subsidiaries BNDES Participações S.A. (BNDESPAR), which acts in the capital market and the Special Agency for Industrial Financing (FINAME), dedicated to stimulating production and commercialization of machinery and equipment.

The definition of the content of this report involved an online survey with target audiences, analysis of recurrent subjects in our relationship channels in 2016 and prioritization of themes by our executives and top senior managers.

The first survey directed to the public in general (internal and external) remained available on our website from August to December 2016. Respondents were asked to choose the ten most relevant for dissemination through BNDES' reports among the questions regarding 32 themes. There was also room for free inclusion of any additional theme. The most mentioned themes were: transparency; information on the process of granting of financing; evaluation of the Bank's actions (effectiveness); financial results; innovation; regional development; vision of the future; strategic planning, performance in various sectors of the economy; social and environmental benefits generated

by operations supported and contribution to public policies.

The second survey, published November 16, 2016 in partnership with the Brazilian Council for Monitoring Integrated Reporting, was directed to the members of the mentioned council and remained available until the end of December. The answers, also related to the form and content elements of the report, contributed to improve this edition, as part of our efforts to advance in adopting the paradigm of Integrated Reporting (IR).

This report still uses sustainable indicators from the Global Reporting Initiative (GRI) and begins reporting 54 indicators, more than double the indicators in preceding years. Aware of the transition from G4 Guidelines to GRI Standards, which will be in force from July 1st, 2018, we opted to present indicators in this format. Nevertheless, for comparison purposes, it will be possible to find the correlation between both versions in the reference table at the end of this report.

Our report, with annual periodicity, seeks to simply and directly attend all audiences interested in our performance besides being a gateway for those that wish to know how BNDES generates value for society.

As in 2015, the report has a hotsite which presents the main highlights and a link to the PDF document.

Underlined words are defined in the glossary at the end of the report. The beginning of each section presents the GRI indicators considered. They also can be

researched in the list on page 64. The index on page 63 presents references to all themes mentioned. Moreover, our value model, on page 10, can be used for more simplicity as a table of contents and subjects can be found using it.

For more information on this report and its content, send an e-mail to relatorioanual@bndes.gov.br.

As a consequence of rounding up, the sum of the numbers in the charts might not be exact; similarly, the sum of the percentages in the charts may not total 100. For the same reason, there may be a small variation among values presented in the report.

BRAZIL AND THE WORLD IN 2016

The year 2016 was marked for great political and economic challenges, both nationally and internationally. The war in Syria and the migration of refugees to Europe, the exit of the United Kingdom from the European Union and the election of Donald Trump to the presidency of the United States of America (EUA) were some of the greatest external highlights.

In Brazil, the President Dilma Rousseff impeachment, with vice president Michel Temer taking office as president, brought new directions for the economic policy. Investigations by the Federal Police and the Public Ministry affected the Brazilian political scenario and several national companies. The continuous slowdown in the economic activity and fiscal restriction delineated a new perspective for BNDES' performance.

On the other hand, the Olympics and the Paralympics Games in Brazil were successful, with the country reaching the greatest number of medals won in its history. The opening ceremony of the Olympics explored the discussion on global warming, an issue that was advanced at the 22nd Conference of the Parties of the United Nations Framework Convention on Climate Change (COP 22), in Marrakesh, Morocco, an event considered a starting point for the implementation of the Paris Agreement obligations.

In general, the domestic scenario was marked by difficulties to revert the recessive process initiated in 2015. The trust indicators, which exhibited expressive positive results in most of the year, showed signs of decrease at the end of the year. The segments of retail and services

remained fragile, reflecting both the distension process of the labor market – high unemployment rate and decreased real salaries – and the restrictive conditions of the bank credit market. Consequently, the gross domestic product (GDP) registered a new decrease in 2016, accumulating a retraction of 7.2% in the 2015-2016 period. Inflation, in turn, slowed down and the Central Bank was able to initiate a cycle of monetary relaxation, with two reductions of 0.25 percentage point in the basic interest rate at the end of the year.

Regarding the fiscal aspect, in 2016 the implementation of structure reformatations began – approval of the proposed constitutional amendment (PEC) of the public expenditure ceiling and presentation of social security and labor reforms –, and states' financial crisis worsened. From a conjuncture point of view, the drop of the tax collection, begun still in 2015, together with increased mandatory expenses, deteriorated the primary result and the indebtedness cycle, which remain unfavorable from a short- and medium-term perspective.

Finally, external accounts showed an intense process of adjustment in 2016, a reflex, mainly, of the decrease in domestic absorption as well as of the outdated effects of exchange depreciation in 2015. Much of the reversion of the deficit in current account is due to the robust commercial surplus.

BNDES IN 2016

As a federal State-owned company, we also went through changes. Maria Silvia Bastos Marques and a

new Board of Directors took over the leadership of the organization. Adjustments in the structure were made, such as the creation of the Legal and Controllershship Boards. It was a year of adaptation and new directions, with the search for operating with more focus and social impact. At the same time, as part of the effort of redirecting the economic policy to mitigate the route of public debt growth, in December, BNDES returned R\$ 100 billion to the National Treasury, installment of the loans received over the last few years. Operational policies which regulate and orientate our instruments of financial support were reviewed, focusing on projects with greater social return rather than private. We prioritized the support to micro, small and medium-sized enterprises, the most affected in periods of crisis. We elevated the budget allocation and extended the BNDES Progeren expiry date, earmarked to finance working capital. Lines and programs were simplified, aiming at greater agility and transparency.

BNDES was also assigned to conduct the concessions process and other forms of privatization of assets within the Federal Government's Investment Partnership Program (PPI), prioritizing the state concessions program of the sanitation sector, due to its potential positive impacts on the Brazilian population's quality of life. As a year of transition, 2016 brought new guidelines and structure changes, whose results will be well noticed in the long-term.

THE BRAZILIAN DEVELOPMENT BANK

WHAT IS A DEVELOPMENT BANK (DB)?

There is not a single definition of a development bank. DBs may differ in relation to: capital structure (integral or partially controlled by the government); *funding* (fiscal and parafiscal, fundraising with clients or in the market, return of assets); variety of sectors supported; clients' size (there are institutions that only work with micro and small enterprises, whereas others work with differentiated sizes); loan models (direct and/or indirect operations); credit conditions; regulation and monitoring (special regime or monetary authority); and corporate governance (independent or controlled by the State). There are also several instruments of credit support: financing offer, guarantees, insurance, re-insurance, shareholding, interest equalization, non-reimbursable funds, and support for preparation of projects, among others.

The first DBs appeared in the mid-19th Century in Europe. Since then, they have been playing a relevant role in socioeconomic development of countries and regions where they act, according to their different stages, in scenarios of both stability and crisis.

In addition to Brazil, various countries (developed and developing) have strong DBs, such as Germany, China, South Korea, Japan, Mexico, France and Russia. Each institution has its way of operating, but they all help implementing public policies,

complementing the offer of financial support from the financial system and contributing to private and public sectors to take risks and face challenges regarding strategic long-term investments. In the last few decades, one emphasizes the growing attention given by these entities to the integration of economic, social and environmental dimensions of development.

WHO ARE WE?

We are a State-owned company linked to the Ministry of Planning, Development and Management, being the main instrument of the government for long-term financing and investment in the segments of the Brazilian economy. With official headquarters in Brasília (DF) and most activities concentrated in Rio de Janeiro, we operate throughout the national territory, also with offices in São Paulo, Recife and Belém. We have been operating since 1952 and we are currently one of the greatest DBs in the world.

Our efforts are guided by the **Advisory Board**, our highest governance body, the **Audit Committee** and the **Fiscal Council**. We have to render accounts to several government instances: Ministry of Finance, Central Bank, National Congress, Ministry of Transparency, Supervision and Office of the Federal Comptroller General of the Union (CGU) and Federal Court of Accounts (TCU).

We **relate with various audiences**, from the aforementioned government

bodies to Brazilian citizens, including suppliers of goods, services and financeable items, clients, opinion formers, financial agents, institutional partnerships and the academic community, among others.

WHAT ARE OUR SOURCES OF FINANCIAL RESOURCES?

We count on various sources of resources to concede financial support for long-term investments in the Brazilian economy.

The return of our own operations along with the resources from the Workers' Assistance Fund (FAT), PIS-PASEP Fund and National Treasury represent a significative portion of our structure of financing. Other governmental funds, fundraising abroad (via multilateral institutions or issuance of bonds), public issuances of BNDSPAR debentures and Agribusiness Letters of Credit (LCA) complement this structure.

National Treasury

Between 2008 and 2014 we received expressive *funding* for performing our operations. From 2015, there was no more fundraising from this source.

On December 23, 2016, we concluded the **advance payment of debt** of R\$ 100 billion, right after the operation was considered legal by the TCU – in view of the objective of reducing the public debt – and approved by our Advisory Board. In early 2016, the payment of R\$ 28 billion, initiated in the previous year, was concluded.

Learn more in the section
Governance, control and transparency

Learn more in the section
Our relationships

Learn more in the section
Risk management and financial sustainability

Workers' Assistance Fund (FAT) and PIS-PASEP Fund

Due to the determination of the 1988 Brazilian Federal Constitution, 40% of PIS-PASEP collection is earmarked to finance economic development programs through BNDES, in order to not only protect the unemployed worker but also generate opportunities of employment. In 1990, with the extinction of PIS-PASEP and the creation of FAT it became one of our main sources of resources.

These resources are called Constitutional FAT, and BNDES is assigned to decide on their application, as long as they are used in economic development programs. They are pegged to the Long-Term Interest Rate (TJLP), in the case of financing in Brazilian *reais*, or to LIBOR plus dollar variation, in the case of financing exports.

We also raise funds from FAT via FAT Special Deposits, for being applied in specific programs and sectors, previously determined and approved by the FAT Deliberative Council Executive Secretariat.

Issuance of bonds

Since 1953, we have raised funds on the international market through operations of issuance of bonds. The bonds issued have pre-fixed rates, determined in a bookbuilding process and amortization of the principal in a single installment. In this case, the destination of

resources is not determined, allowing the Bank to amplify the operation scope.

Operations with multilateral institutions and governmental agencies

Fundraising with multilateral institutions and governmental agencies are performed with partner institutions.

Unlike bonds issuance, the funds raised with these institutions have, in general, a specific destination to entrepreneurial sectors or segments and they must thus meet the creditor's conditions.

The main advantages of these sources are stable cost and longer financing terms in relation to other market fundraising ways, besides its countercyclical character.

Other loans abroad

These are operations performed in other institutions abroad that are not multilateral institutions or governmental agencies, generally commercial banks or group of commercial banks, and/or other institutions.

Other governmental sources

The most representative values refer to the Merchant Marine Fund (FMM), whose resources are directed to financing national shipping companies and Brazilian shipbuilders, as well as to the Brazilian Navy and to FI-FGTS,

whose resources were raised in 2008 to be applied to infrastructure projects.

BNDESPAR debentures

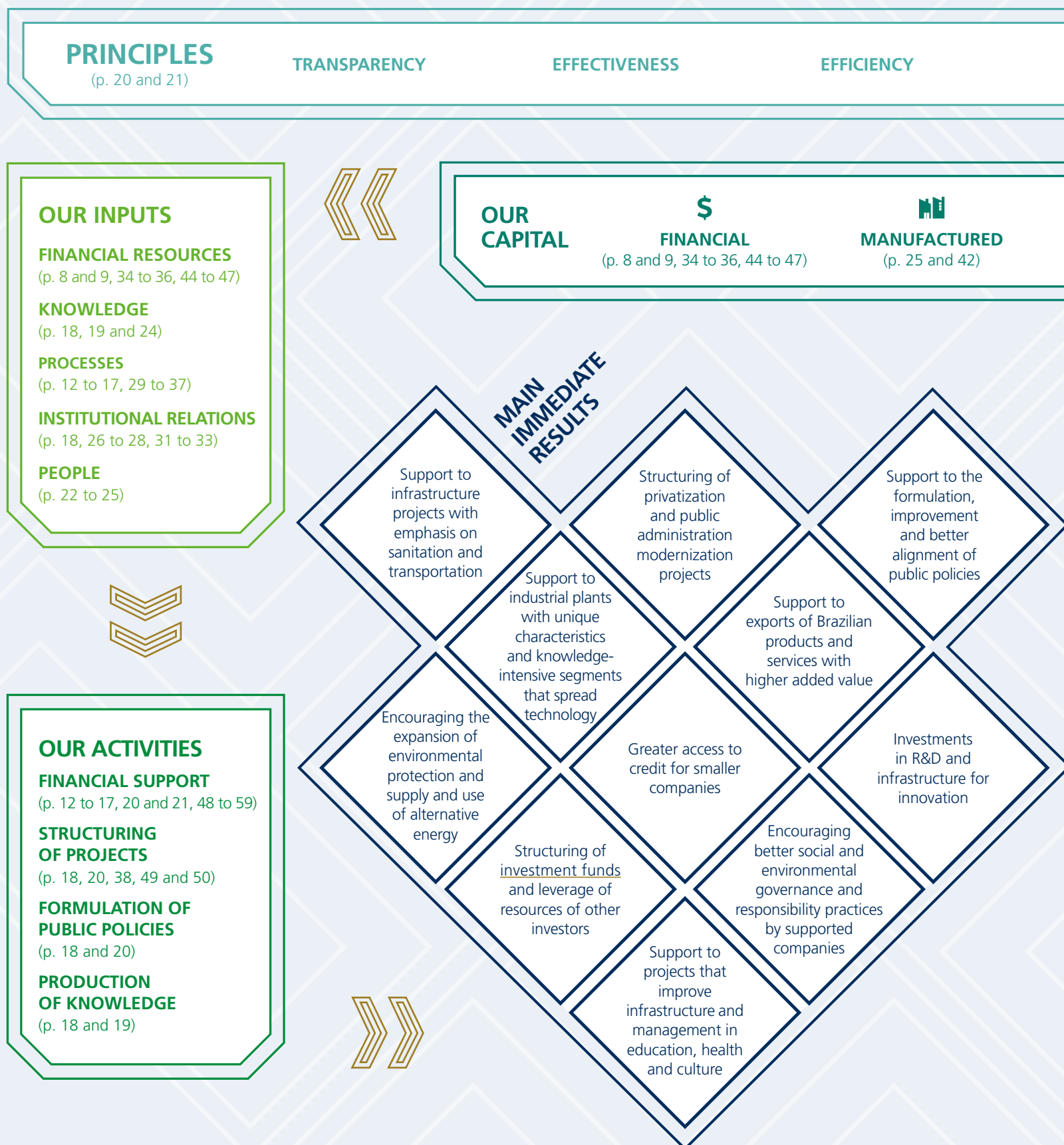
Through public issuance of BNDESPAR debentures, we contributed to develop the Brazilian market of fixed-income and sought to diversify sources of resources.

Agribusiness Letters of Credit

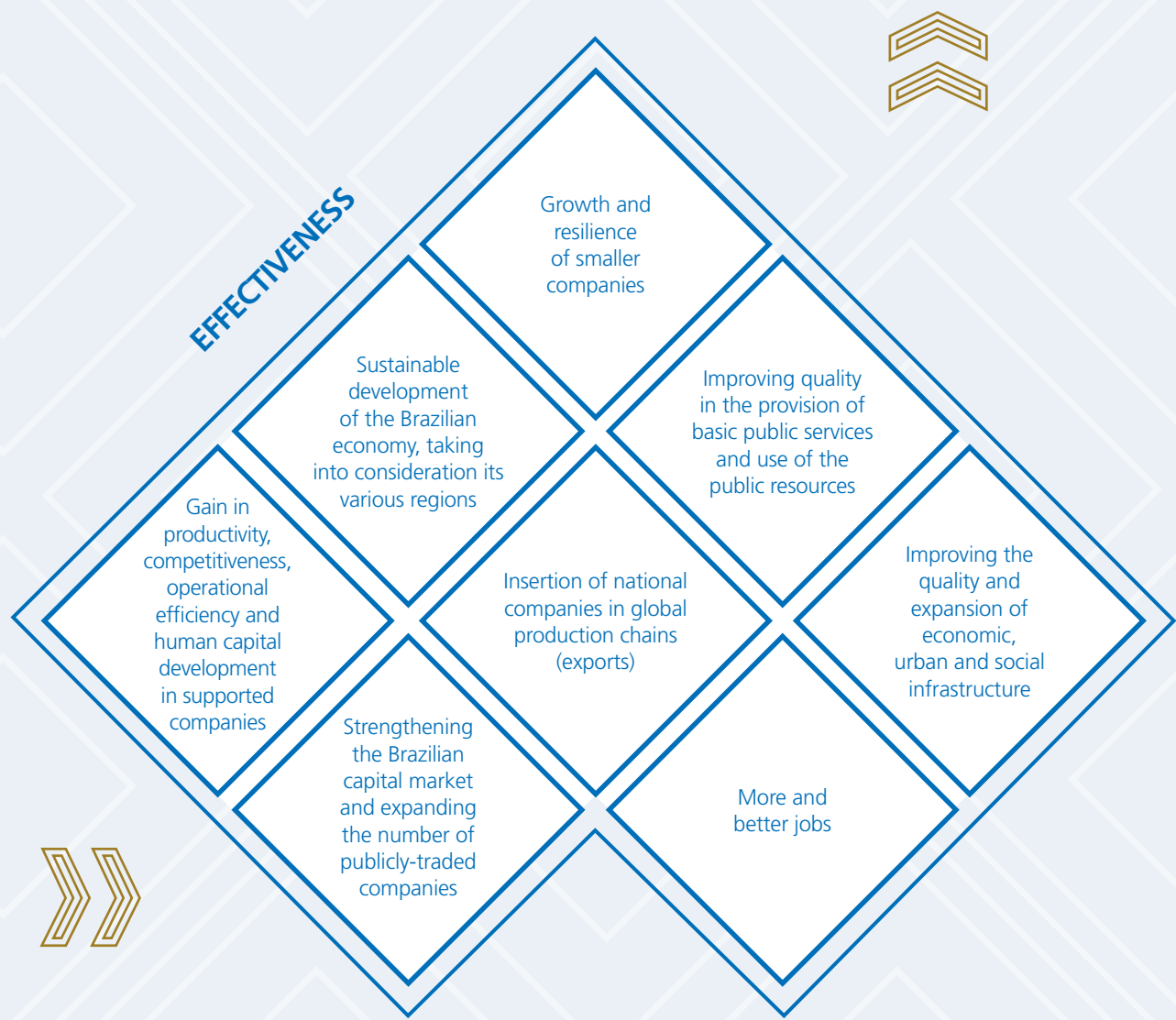
We performed auctions of Agribusiness Letters of Credit (LCA) before institutions authorized them on electronic negotiations platforms.

HOW DO WE CREATE VALUE?

An institution creates value by transforming its available inputs into benefits to society. Learn about our model for creating value, in light of the strategic alignment of 2016, which shows, in a simplified way, how we use our capital, transforming our inputs into results and great deliveries in favor of the Brazilian development.



FOCUS		SENSE OF URGENCY		CLIENT VISION	
 NATURAL (p. 37 to 39, 42 and 43)		 HUMAN (p. 22 to 25)		 INTELLECTUAL (p. 8, 18 and 19)	
				 SOCIAL AND RELATIONSHIP-BASED (p. 18, 26 to 28, 31 to 33, 37 to 43)	



WHAT DO WE DO?

1. FINANCIAL SUPPORT

Nationwide, our main activity is the financial support for projects of investment, for acquisition and export of goods and services, as well as other types of projects in several sectors, through long-term financing and capital market operations.

How does the financial support work?

After arriving at BNDES, a request for financial support goes through various stages of evaluation, from submission to release of funds. Each one of these stages involves different teams, with collective decision-making. The stages of the process of granting financial support vary according to the credit value requested and to the participation or not of an accredited financial institution in the operation. Learn more about how this process works and our types of support in the infographic on the right.

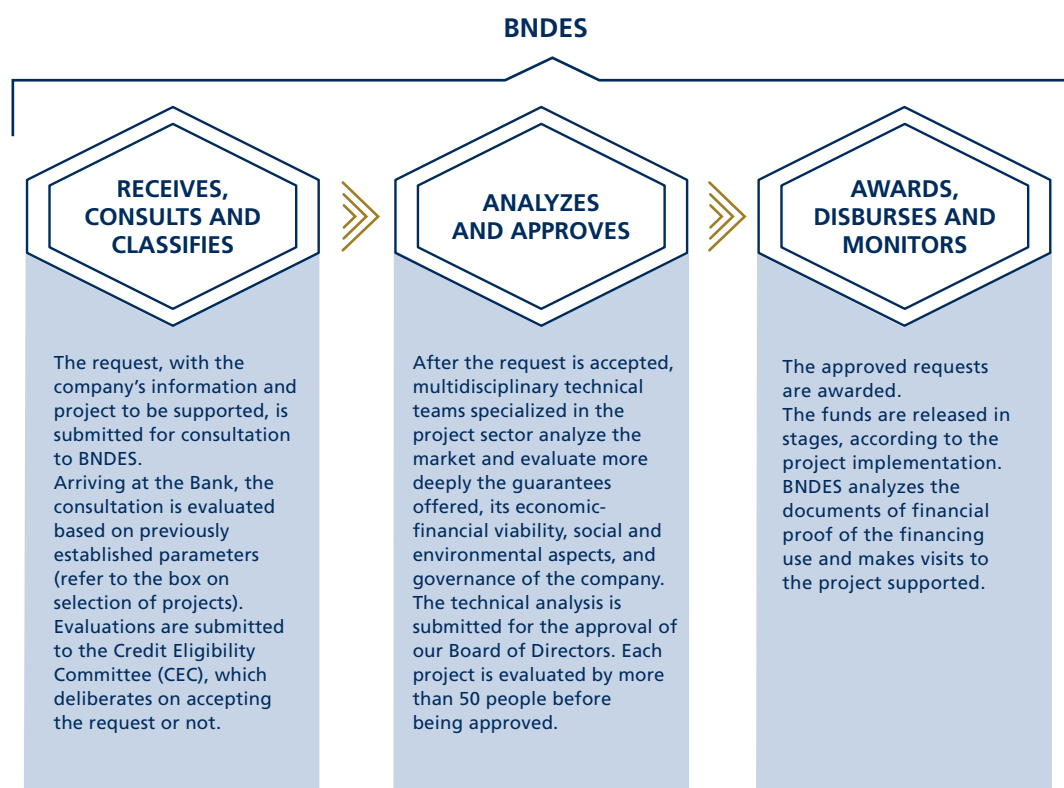
Which are the financial institutions?

To be present across the whole national territory and facilitate the access to our financing lines, we act indirectly through accredited financial institutions. The segment of micro, small and medium-sized enterprises (MSME) is the main solicitor of this kind of operation.

Nowadays, there are more than 50 accredited financial institutions operating our financing lines: commercial private banks, commercial public banks, cooperative banks, automaker banks, development banks, and development promoting agencies. The full list of financial institutions accredited with BNDES can be accessed on our website.

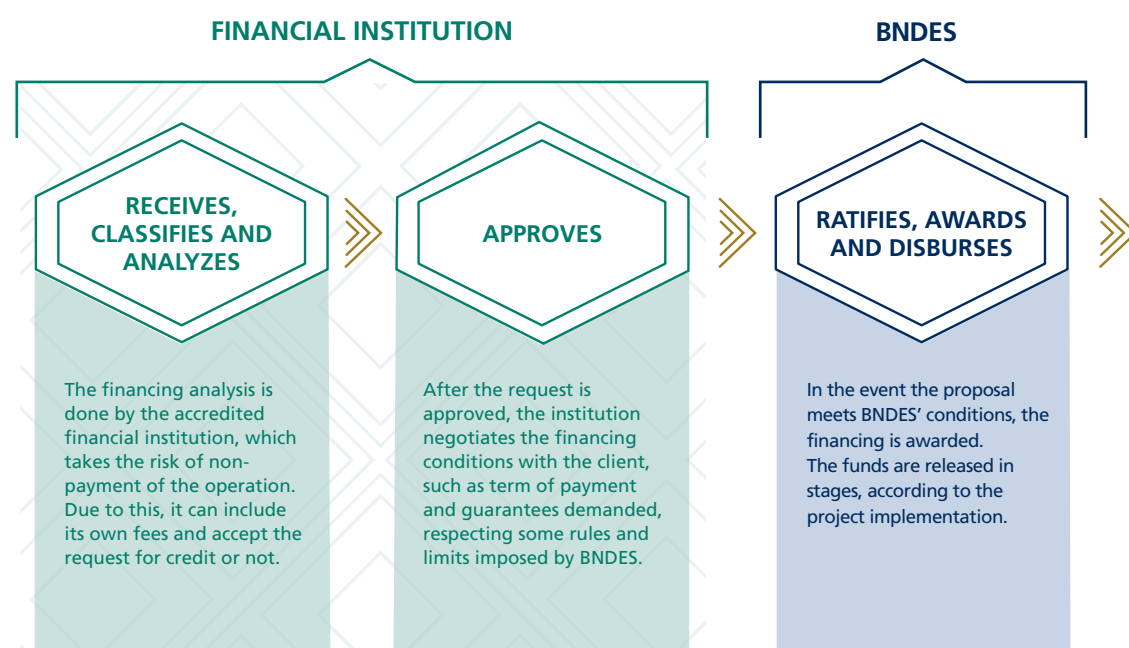
DIRECT OPERATIONS

Request for financing as of R\$ 20 million



AUTOMATIC INDIRECT OPERATIONS

Request for financing up to R\$ 20 million



EXCEPTION

NON-AUTOMATIC
INDIRECT OPERATIONS

They are operations with financing of more than R\$ 20 million in which the client prefers to request the support from the bank with which they already have an established relationship or other financial institution. In this case, the granting process follows the same flux of direct operations. As the analysis of the financing is also performed by the accredited financial institution, which takes the risk of non-payment of the operation, it can include its own fees and accept the credit request or not before submitting it to BNDES.

Learn more in the section *Our strategy*

HOW ARE SUPPORTED
PROJECTS SELECTED?

Arriving at BNDES, the request for financial support is evaluated based on some eligibility parameters, regulated by our operational policies such as whether the company presents the conditions needed to assume the financing and the expected impacts from the project regarding economic, social, environmental and regional dimensions of development. At this moment, one verifies which instruments are more appropriate to answer the request (fixed-income, variable income or combined products) and the profile of environmental risk of the operations subject to classification. All this information is then forwarded to the Credit Eligibility Committee (CEC).

With the revision of our operational policies in 2016, for eligibility purposes, the application of the evaluation methodology of benefits expected from the investment using the thesis of investments impact on projects (TIIP) starts being forecast. This methodology is aimed at measuring the positive and negative impacts of the investment on different dimensions, from a multicriteria evaluation of the operations merit

Regarding the analysis of the regional and territorial dimension in this stage, the team of eligibility evaluation may also use **preliminary territorial analysis (ATP)** documents produced internally by a specialized team, aiming at characterizing places of implementation of investment projects in their several dimensions (social, economic, environmental, demographic etc.) and, in the case of projects of relevant local impact, propose the social investments needed.

From 2016 onwards, through previous electronic consultation, our clients can submit requests for financing directly via Internet, which brought advantages, such as improvement of the communication with the client, reduction of the operational process on paper and automation of procedures of information typing. Moreover, the system gives greater external visibility to the process and allows the client to follow the terms for eligibility.

Learn more in the section *Socio-environmental responsibility*

BNDES AND ACCREDITED
FINANCIAL INSTITUTION

MONITOR

The financial institution performs the activity of detailed monitoring (analysis of documents of financial proof) and BNDES monitors the operations by sampling.

EXCEPTION

In some specific cases, as regarding the support for some innovation projects, energy efficiency, reforestation, recovery and sustainable use of forests, among others, it is possible to request direct support, that is, without intermediation from the financial institution for financing below R\$ 20 million. In this case, the granting process follows the same flow of **direct operations**.

Which are our instruments of financial support?

Financing

It can be granted directly to clients or performed via accredited financial institution such as commercial banks. It is offered to companies of all sizes according to the investment purpose, such as the purchase of machinery, a project of modernization, or business expansion.

Capital market

Through BNDESPAR, we subscribe, in public or private issuance, to stocks or other securities convertible into or exchangeable for stocks or in any case transformable, redeemable or backed by stocks. As an investor in primary public offerings of simple debentures, we act in the following modalities: market debentures and debentures of projects of infrastructure.

We also, through public calls, periodically select managers for investment funds with focus on regions, sectors or specific company's sizes that we want to stimulate. After selection, we become fund stockholders with other investors that need to be attracted by the manager.

Other funds

There are also funds for financing specific sectors, in which the origin of the resources and the regulation for the support are external. In this case, we only apply the resources through specific products, as occurs with the Merchant Marine Fund (FMM) and the Climate Fund.

Through non-reimbursable resources funds, we also financially support projects of social, cultural, environmental, scientific and technological character, complementing the reimbursable financial support

for investment projects. The resources come partially from our profit, as is the case of the Social Fund, or via external donations such as the Amazon Fund, whose manager is BNDES.

There are still guarantee funds that complement guarantees of our financing, such as the Export Guarantee Fund (FGE) and the Investment Guarantee Fund (FGI), important instruments to amplify the access to credit of micro, small and medium-sized enterprises. In this case, there is no disbursement for the operations, only payments to the financial institution that took the credit risk in cases of default.

BNDES Card

One of the most important instruments in our support for the MSMEs (including individual microentrepreneurs) is the BNDES Card. It is revolving pre-approved credit for purchasing goods and services accredited on the card operations website. Working as a credit card, it has pre-fixed interest rates (on 12.31.2016 it was of 1.19% per month), installment term for payment from three to 48 months, and credit limit up to R\$ 1 million for each client, per issuing bank (conditions in force on 12.31.2016). The limit of the BNDES Card has been reviewed for 2017.

The Card is issued by financial institutions accredited by BNDES and the issuance is through partner credit card brands. The issuing bank (chosen by the client) is assigned to analyze and, among other things, to approve the following activities: credit, installments collection, fees application, guarantees request, statements and renovations provision and issuance of a second copy of the BNDES Card.

In a simple and fast way, by permitting the financing of

goods and services required to the activities of micro, small and medium-sized enterprises, the BNDES Card contributes to generating employment and, above all, pulverizing our resources, being present in 98% of the Brazilian municipalities and responsible for some 85% of the clients we served in 2016.

EQUIPMENT ACCREDITATION

In order for us to be able to automatically finance the commercialization of machinery, equipment, systems and components, we work with the regulation of these products suppliers in the Computerized Manufacturers Accreditation system (CFI) of BNDES. To be accredited, the supplier needs to perform industrial activity in the country with its competitors in the sector and prove the nationalization index demanded. Product quality or technical-operational performance is not evaluated.

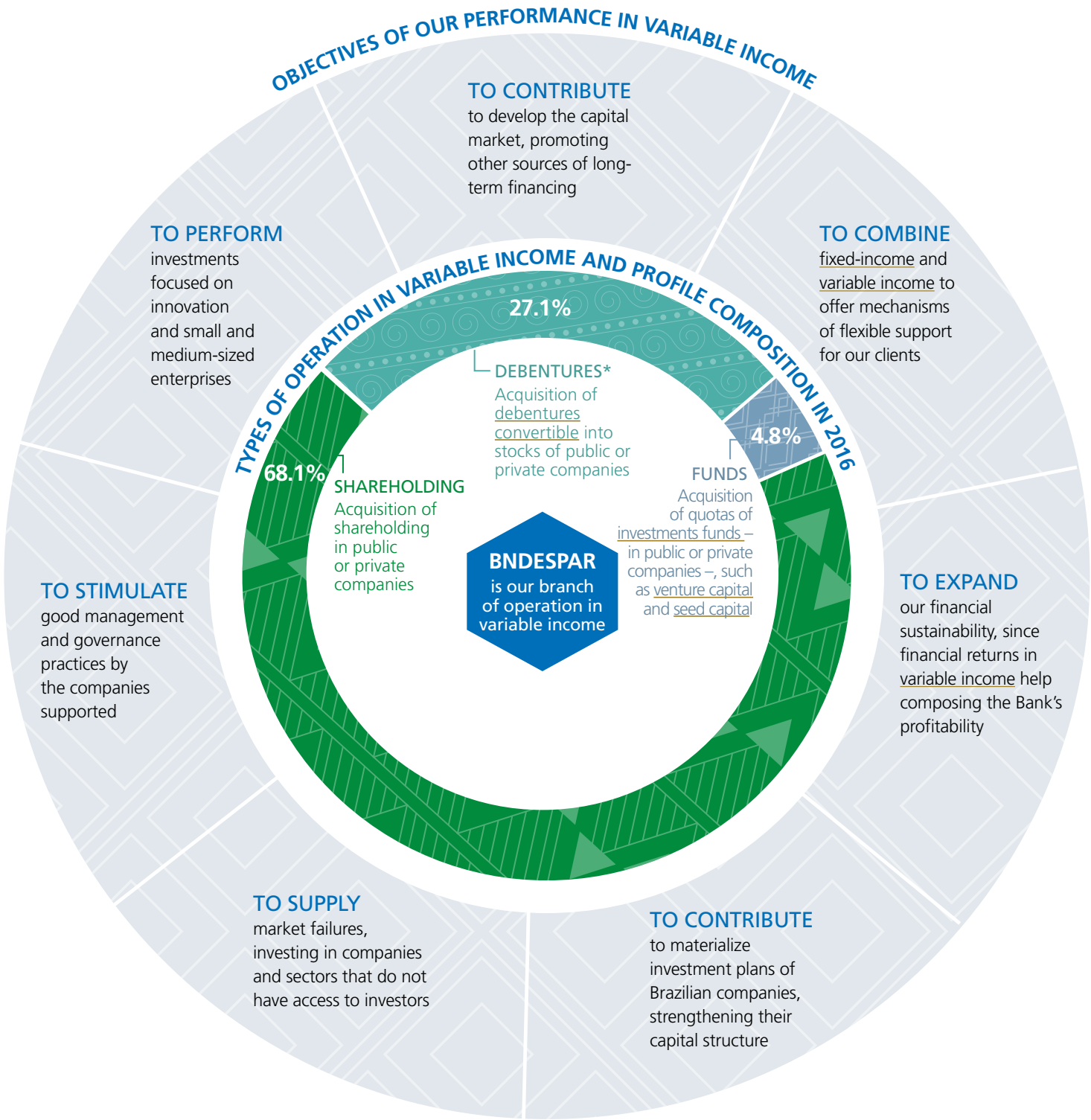
From time to time we perform the re-accreditation of suppliers and products to update databases and maintain only the manufacturers that meet the requirements of local fabrication on the CFI and effectively commercialize and finance national products with support from BNDES Finame. There were around 13,000 accreditations and re-accreditations performed up to November 2016.

In relation to the nationalization index, our criteria have been reviewed to avoid companies from remaining without eligibility regarding the financing rules due to exchange variation. Thus, we reduced the minimal index of national content in value demanded for accreditation from 60% to 50%. The alteration of conjuncture and transitory character is valid for all sectors of the Brazilian industry up to June 30, 2017. For the next year, the amplification of discussion on the theme is expected, seeking the definition of a new policy of local content.



TRANSPARENCY

In December 2016 we published all investments of our portfolio of variable income in our website, from 2007 to 2016. Learn more in the section *Our relationships*.



* Not including operations of fixed-income with non-convertible debentures.
To learn more about this, refer to the section *Capital market* in *Our performance*.

Exports

Understand our support for exports

We finance exports of goods and services, prioritizing those of greater added value.



Our resources are always:



disbursed in Brazil,
that is, there is
not remittance of
foreign currencies
abroad

in reais



for
Brazilian
exporters

We offer two types of support for exports: **pre-shipment** and **post-shipment**

PRE-SHIPMENT is the financing earmarked to the production for exports, which stages are as follow:



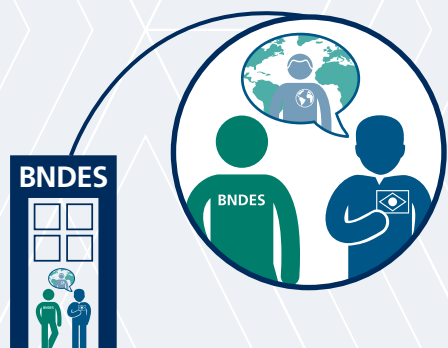
1 A Brazilian exporter requests financing from a financial institution partnered with BNDES

2 As all our indirect operations, the financial institution takes the credit risk and transfers our resources to the exporter



3 Exporter produces goods and services, fulfilling the commitment of exports taken

POST-SHIPMENT is the financing earmarked to the commercialization of goods and services, which stages are as follow:

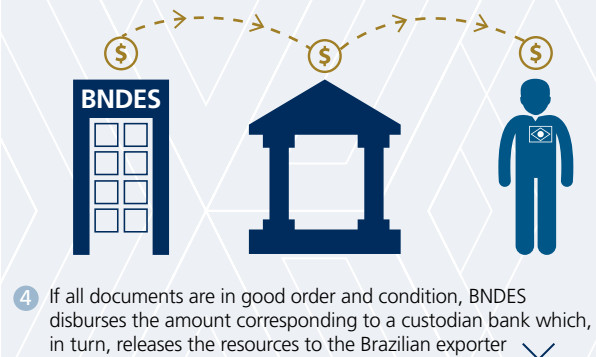


1 A Brazilian exporter negotiates sale of goods or services with a foreign importer and requests support from BNDES in this commercialization, according to the parameters of our direct operations

2 After BNDES approval, goods or services are commercialized



3 The importer issues credit securities or authorization of disbursement at the value corresponding to the export

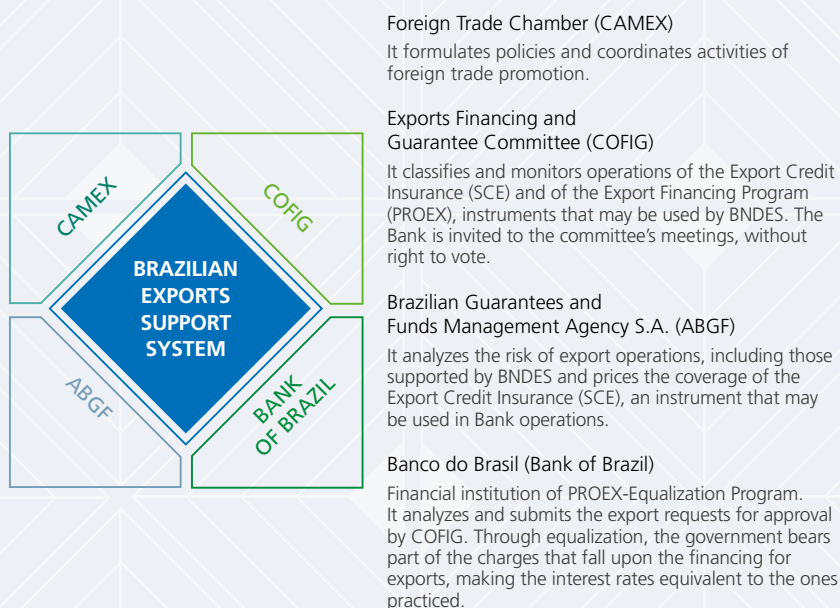


4 If all documents are in good order and condition, BNDES disburses the amount corresponding to a custodian bank which, in turn, releases the resources to the Brazilian exporter

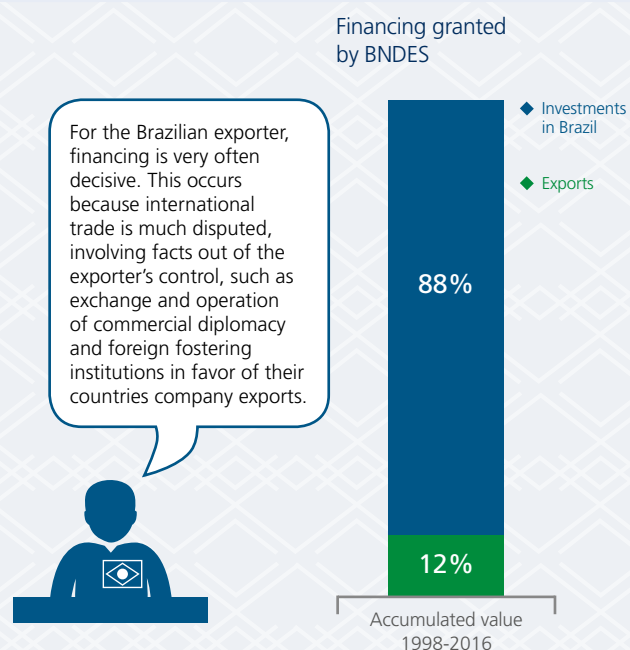


5 On the due date of installments, the importer makes the payments to the custodian bank, which transfers them to BNDES

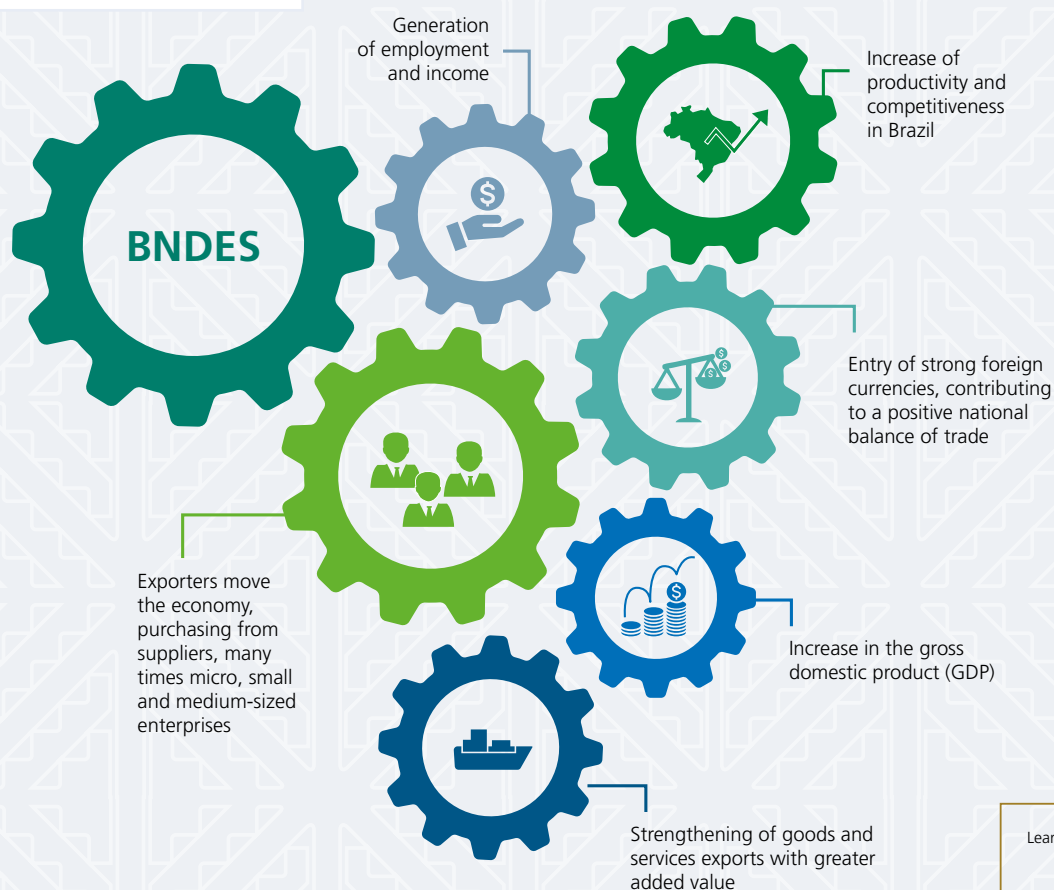
Our operations of support for exports follow all formalities of common financing, with the difference of counting on the participation of other actors, coming from the Brazilian Exports Support System.



Our financing for exports does not harm financing for investments in Brazil. Our objective is to assure to the Brazilian companies financial conditions compatible with international practice.



For the Brazilian society, the benefits are many:



Learn more about our operation in exports in 2016 in the section *Our performance*

WHAT DO WE DO?

2. STRUCTURING OF PROJECTS

We support projects of privatization under diverse forms, such as public concessions, public-private partnerships of any government sphere, participating of the various phases of the process, such as the contracting of studies and research of viability, bid notice publication and the bidding process itself and granting to the private initiative.

The Federal Government has been operating to stimulate long-term partnerships between the public and private sectors for developing projects earmarked to render public services and making infrastructure proper to the users of services available. In this context, the Investment Partnership Program (PPI) was created, to which the Bank contributes by analyzing whether it is possible to finance and structure projects qualified in the program and the availability of eventual financing lines after the bidding process.

3. FORMULATION OF PUBLIC POLICIES

As a bank of development linked to the Federal Government, we seek the constant improvement of our operational policies in order to better contribute to Brazilian public policies. Through our operation we induct the implementation of projects with relevant social benefits, offering more favorable financing conditions. We use our technical and sectoral knowledge for contributing to the formulation and improvement of public policies of the country.

We have been frequently convoked to technically support the preparation of public policies in several sectors. In the infrastructure sector it is worth mentioning the technical counseling for modeling concessions in PPI scope. Other contributions occur within the most various sectors, in different ways. Thus, in 2016 we participated in the elaboration of plans, programs and governmental policies in sectors such as biofuel, chemical industry, mining, oil & gas, and advanced manufacture. In addition, in partnership with ministries, we participated in discussions for identifying priority policies for health, defense and socio-environmental initiatives, such as the development of vehicle of low environmental cost and vehicle sharing, besides structuring industrial policy for the solar energy sector.

We participated in collective bodies, councils, delegations and public consultations as well as discussing regulatory frameworks (such as the telecommunication ones) and the structuring of instruments of guarantee (such as the infrastructure and foreign trade ones).

4. PRODUCTION OF KNOWLEDGE

We regularly produce analyses on the economy, economic sectors and national development, which work as a basis for our operation and as reference for the parties interested in the theme. With non-reimbursable resources we also support technical studies or third-party researches on specific themes



The book *Preservação do patrimônio cultural brasileiro* was one of the highlights of the publications of 2016

related to the economic and social development of Brazil and other territories that offer opportunities to Brazilian companies.

Aware that our history is directly related to the development of Brazil since our creation, we continuously work for preserving the institutional memory, sharing the information and knowledge produced internally with society.

Studies, seminars and events

In 2016, we produced research earmarked for industrial and infrastructure sectors, and participated in discussion forums on many themes, such as the increased access to credit for small and medium-sized enterprises and stimulating innovation, design and generation of intellectual property. We held workshops and important events, such as the seminars "Brazilian industry: challenge of policies for increasing competitiveness", "Shared economy and impacts on the automotive sector", "Seminar on advanced manufacture" and a workshop to discuss new possibilities of the BNDES operation in the education sector.

Publications

The book *Preservação do patrimônio cultural brasileiro* (Preservation of the Brazilian cultural heritage) shows historical buildings, such as churches, theaters and museums, that received our support for restoration, revitalization and conservation, over almost 20 years.

The book was published with an exhibition at our building in Rio de Janeiro, which, during five months, exhibited pictures of some monuments illustrated in the book and a complete timeline of our operation in the sector.

In our magazines, in 2016 we can highlight articles on Rural Environmental Registration, debentures of infrastructure projects and securities, and guarantees of social impact, published in two editions of the *Revista do BNDES* (BNDES magazine); and, in the numbers 43 and 44 of the *BNDES Setorial* (BNDES Sectorial), subjects such as bio-refineries, low cost airline companies, development and innovation in mining and metals, and structuring of operations with anchor companies.

Two texts for discussion on infrastructure were published during the year: *Infrastructure in Brazil: adjusting the focus*, by Fernando Puga and Alexandre Gomes; and *The transportation infrastructure in the United States: searching for funding*, by Fernando Puga and Nelson Siffert.

Section Knowledge on the website

We created a specific section on the new BNDES' website to disseminate our production of

Access
www.bndes.gov.br/conhecimento

knowledge. Through summaries, reviews, infographics, videos, unpublished articles and recommended reading, among others, we seek to share with society studies, analyses and research produced by our technical body. Diverse themes are approached, ranging from personalized medicine to wind power generation. People interested in the **content** can subscribe to a weekly newsletter that brings the section novelties, besides publications at first hand.

Digital Library

Knowledge produced by the Bank can be found in our **Digital Library** as well, which gathers publications edited, sponsored or financed by BNDES, including works on our operation, our history and subjects related to economic and social development. In 2016, the library maintained the number of accesses of 2015, obtaining more than 480,000 items visualizations, presenting an average of 40,000 monthly accesses. There are around 400 new documents included and made available integrally in digital version for public access, besides the integration with social networks for sharing contents.

Information management

With the purpose of promoting the diffusion of practices of information and knowledge management, in 2016 we promoted the III Information and Knowledge Management Seminar of the Brazilian section of knowledge

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network of the Latin American Association of Development Financing Institutions (RIALIDE-BR), which counted with 95 participants and 43 Brazilian institutions. Themes such as information and culture center, strategic planning, documental management and personal knowledge management were approached.

Archive management

In 2016, our Corporate Archive Policy was reviewed and updated. It consists of a set of principles, efforts, procedures and responsibilities required for the management, preservation and access to the BNDES archive documents. The objective of the updating was to discipline issues of preservation and custody of digital archive records resulting from the modernization of information technology solutions. There was a review of commissions' composition for evaluating documents that the policy sets forth, aiming to provide greater agility and direct participation of the unities in the decision-making process.

Memory

In 2016, continuing the consolidation of the BNDES Memory program, the BNDES System Memory Collection Corporate Policy was approved, which defines the rules for treatment of our memory legacy, assuring the selection, guardianship, conservation and access to our historic documents. More than 5,000 items were selected and are being organized and digitalized, to enable their easy access to the whole society.

Learn more in the
section *Our relationships*

OUR STRATEGY

In 2016, due to the management change and need of organizational alignment, we performed an internal workshop involving the Board of Directors and the deputy managing directors, responsible for our different areas, aiming to jointly reflect on principles, guidelines and challenges for the 2017-2018 period.

Attributes that, together with our values, guide our activities and relationships were pointed out as the principles of the institution: transparency, effectiveness (impact and sustainability, and monitoring and results evaluation), efficiency (control of costs, agility, simplification of policies and process), focus, sense of urgency and client vision.

Our new guidelines (refer to the chart on the right) will serve as orientation for choosing the projects supported, raising and applying our funds, role to be performed and models of operation over the next two years.

SELECTIVE CRITERION OF FINANCIAL SUPPORT

Incentive to projects with greater social return rather than private return, through a judicious selection of types of financing to be performed with TJLP.

LEVERAGE IN THE USE OF RESOURCES

Besides operating in financing, we will expand our operation to other types of businesses, providing guarantees, structuring operations or coordinating privatization processes, using our expertise.

AMPLIFICATION OF ACCESS TO CREDIT

We will foster the entrepreneurship when focusing the increase of competitiveness of Brazilian micro, small and medium-sized enterprises (MSME) and the economic and social inclusion through microcredit.

INFRASTRUCTURE

We concentrate our greatest efforts in this sector, in sanitation and transportation projects, for their capacity of generating great externality and impact on the increase of competitiveness and productivity of the country.

INDUSTRY

We will prioritize initiatives earmarked to increase the productivity and competitiveness.

EXPORTS

We will seek to contribute to insert Brazilian companies in global value chains.

PRIVATIZATION

We will give proactive support to states, municipalities and to the Federal Government's Investment Partnership Program (PPI), in order to complement our operation in infrastructure, acting in the articulation and structuring of operations of concessions or privatizations of state assets.

STRENGTHENING THE CAPITAL MARKET AND THE GOVERNANCE OF THE COMPANIES

We will stimulate the development of the Brazilian capital market through instruments such as debentures and participation funds in supporting projects, besides operating to promote better practices of corporate governance.

INNOVATION

We will encourage the development and diffusion of technologies and qualification, supporting operations associated with the creation of innovative environments.

SOCIO-ENVIRONMENTAL DEVELOPMENT

We will operate with emphasis on alternative energies, environmental protection, health, education, reinforcing our commitment to projects of great effectiveness and that preferably gather the impact and economic sustainability and social and environmental dimensions.

ROLE OF FORMULATOR AND STIMULATOR OF PUBLIC POLICIES

We will reinforce our role of thinker and inductor of policies earmarked for national development.

Based on established guidelines we defined some corporate projects to which we dedicate ourselves institutionally, via interdisciplinary groups of work. They are temporary activities with clear and pre-defined products, developed with the objective of reaching a strategic guideline, facing an internal challenge, or improving the performance of a corporate indicator.

The themes that received special attention in 2016 were: improvement of access for the MSME to the Bank, transparency, economicity, territorial development and integrity. In 2017, besides continuing the projects of transparency and economicity, we intend to approach themes such as structuring of new distribution channels, structuring of the Guarantees and Collaterals product, revision of credit policies, amplification of the BNDES FGI and education.

This last theme was the main point of a work group in 2016, which counted on several employees from different divisions of the Bank. Specialists in education were consulted and the possibilities of operation in the sector were evaluated. In 2017 it is expected to move forward in this agenda, with the establishment of the corporate strategic project, which will allow a clearer definition of the possibilities of performance and existent constraints.

OPERATIONAL POLICIES

Our operational policies specify the criteria for financing approval and determine the conditions for future loans. They reflect our mission, vision and values, principles and

guidelines, reason for which they went through judicious review throughout 2016, resulting in a new set of rules put into practice from January 2017.

Through the definition of qualifiers of the projects (innovation, education and health are some examples), we migrated from an analysis by division to an analysis by type of project. This way, the more primordial the qualifiers are considered the better the conditions of the financing granted, that is, greater the percentage that can be financed in TJLP, respecting the maximum limits of participation of the Bank.

The establishment of priorities took into consideration the possibility of generation of social return of the projects and their impact on productivity, generating employment, environmental benefits, innovation and improvement in the population's quality of life. In this context, infrastructure, education, health and environment are priorities, as well as the MSMEs.

Besides the research and internal discussions, the process of restructuring the operational policies considered external discussions such as seminars, for instance, where possible Bank roles regarding stimulus to the national development were approached.

New rules also take into account the need for a resumption of economic growth and the fiscal restriction aspect, affecting the direct and indirect support from the Bank and simplifying the financing instruments, eliminating the overlapping of lines and projects.

The new operational policies still have rules to stimulate good practices of governance of companies and advances regarding evaluation and monitoring of projects.

MONITORING AND EVALUATION (M&A)

Strengthening our system of M&A and for framework purposes, the new operational policies set forth the application of evaluation methodology of benefits expected from the investment: the thesis of investments impact on projects (TIIP).

The methodology will allow a greater understanding of the social return that may be generated and a greater transparency of the benefits expected from the financing granted.

In order for this expected impact to be measured later, the gradual introduction of the tool results chart (QR) into all the direct and non-automatic indirect operations is programmed. The QR will describe, clearly and briefly, the indicators of results expected regarding the project, allowing an individual analysis of each one and being a guide for the achievement of the goals aimed at the concession.

These results will be measured through indicators of efficacy and indicators of effectiveness. The first analyzes, quantitatively or qualitatively, the capacity for providing goods and services expected, being linked to deliveries resultant from the execution of investments supported. The second seeks to measure the influence of the action on the third parties' lives, going beyond the immediate delivery to capture the effects resultant from the financing granted.

EXAMPLE

Efficiency and effectiveness in the airports sector



OBJECTIVE

To expand the traffic capacity in Brazilian airports



EFFECTIVENESS INDICATOR

Extension of built and reformed tracks, in kilometers



EFFECTIVENESS INDICATOR

Of total passenger movement (passenger/year)

Another tool used, complementary to QR, is the Logical Framework. Its objective is to describe the impacts chain expected on the support for a set of operations, allowing a portfolio vision not just restricted to a punctual operation. The Logical Framework allows connecting of the activities of the implementation of actions, their products and services and the effects expected from them.

Moreover, to measure the impacts of infrastructure projects above R\$ 1 billion and other projects above R\$ 500 million, external evaluation will be hired.

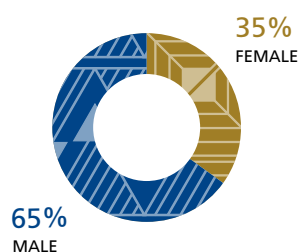
OUR STAFF AND STRUCTURE

Excellence is among our values, the result of combining technical competence, applied knowledge, focus on relevance and innovative capacity, impelled by tireless overcoming effort. For this purpose, we count on a committed staff, admitted by public sector recruitment examination, which is always searching for improvement, required for the work of promoting the sustainable development of Brazil.

PERSONNEL PROFILE

Our staff finished 2016 with the following composition: 2,798 people hired for an indefinite period, by means of public sector recruitment examination (1,805 males and 993 females) and ten hired temporarily to assume commissioned positions linked to senior management, meeting the terms of our statutes. In both cases, the labor contract is based on the

BREAKDOWN OF ALL STAFF PER GENDER



Consolidation of Labor Laws (CLT). Since 2014, in consonance with the federal Government's guidelines, there were no new public selections to register backup employees.

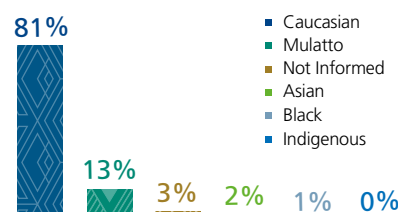
In addition to our own staff, we maintain some outsourcing contracts only for services not related to our core activities, such as cleaning, technical support, security and messaging, celebrated based on the relevant guidelines. To mitigate labor risks and social security of the outsourcing employees, we monitor the compliance with the associated legislation along with the companies hired.

REMUNERATION AND BENEFITS

In the hiring for indefinite period, there is no difference regarding the admission of men and women – all participate in public sector recruitment examinations and are selected in function of their performance. When hired, they are admitted obligatorily at the first level of the positions and salaries plan, regardless of previous experience, gender or selection score, earning the same remuneration.

The salary progression occurs by readjustments in the Collective Labor Dispute, by level-to-level evolution in the positions and salary plans (comprised of 23 levels) according to process of annual promotion or by taking office in executive

BREAKDOWN OF ALL STAFF PER RACE



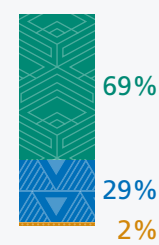
IN 2016

ADMISSIONS
Per age

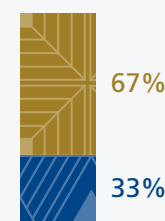


◆ Up to 30 ◆ 30 to 50 ◆ Over 50

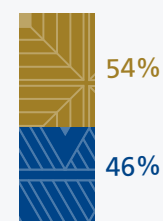
RESIGNATIONS



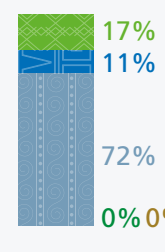
Per gender



◆ Female ◆ Male



Per operational unit



◆ São Paulo ◆ Brasília ◆ Rio de Janeiro
◆ Recife ◆ Belém

position. Employees at the same level or in same executive function, earn equal remunerations.

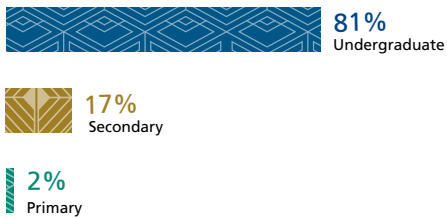
All employees fall under the Collective Bargain Agreement with right to the same salary readjustment index, as well as to benefits of health and dental care, life insurance, educational assistance program (baby sitter allowance, nursery school allowance, and

fundamental and high schools allowance), meal allowance and food allowance, in addition to profit and results sharing and remuneration compatible with the market.

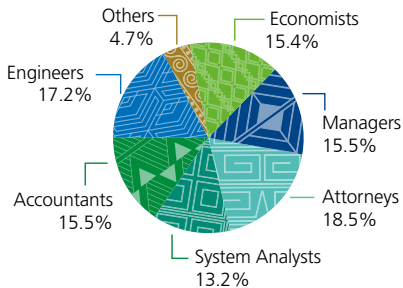
We still offer 20-day paternity leave, option for maternity leave of up to 180 days, rooms for breastfeeding and one-hour daily allowance for mothers of children up to 1 year old. In compliance with Law 13,257/2016, in 2016 we started enabling up to two days for the father to accompany medical appointments and additional examinations during his wife or partner's pregnancy; and also one day per year for father or mother to accompany their children up to six years old to medical appointments.

The collective labor agreement of 2016 added a benefit for the employees. In case of premature children who were born before 36 months and six days of pregnancy

BREAKDOWN OF ALL STAFF PER CAREER/EDUCATION

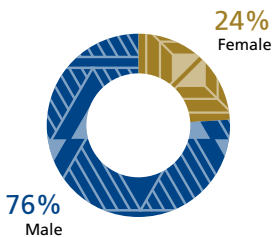


BREAKDOWN OF CAREERS AMONG UNDERGRADUATE LEVEL EMPLOYEES

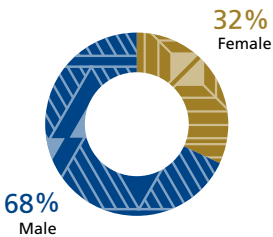


OCCUPATION PER GENDER

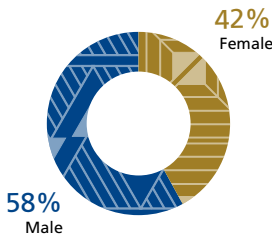
Senior management
(President, managing directors and deputy managing directors)



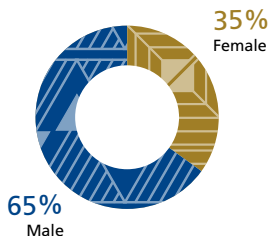
Middle management
(Heads of departments and managers)



Other functions
(Coordinator, handler, secretary and others)



No function



and need hospitalization, a special maternity leave is granted to the employee immediately after the maternity leave end, assured by the legislation in force. In the case of male employees, special paternity leave is granted immediately after the paternity leave end. The duration of the special leave corresponds to the same number of days of the baby's hospitalization, from birth to medical release, limited to the maximum of 120 days for mothers and 30 days for fathers. All these benefits are also applied in the case of adoption.

There were 55 maternity leaves with 100% of return to work; and 99 paternity leaves, with one resignation after return, totaling a 98.99% return rate. Our remuneration, benefits and staff

development policies are strong points for maintaining talents, demonstrated by the turnover rate of 2.6%.

The proportion between the total annual remuneration* of the organization's highest-paying job and the total annual average remuneration of all employees (excluding the highest-paying) is 263%. The proportion between the increase of percentage of the total annual remuneration of the organization's highest-paying job and the increase of the average percentage of the total annual remuneration of the other employees (excluding the highest-paying) is 80%.

*The total annual remuneration is comprised of base salary, monthly bonus, Christmas bonus, additional vacation pay, financial allowance, bonuses due to executive function, length of service additional, prior notice, overtime, night additional, special bonus for cashiers, subsistence allowance, transference additional, lodging allowance and benefits such as meal allowance, food allowance, travel allowance, educational assistance program (baby sitter allowance, nursery school allowance, fundamental and high schools allowance) and profit and results sharing (PLR).

PROFESSIONAL AND PERSONAL DEVELOPMENT

There were 3,810 qualification actions, resulting in the average of 49.5 hours of training per employee, in addition to the support for 56 participants in graduation courses.

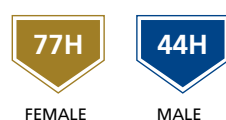
In the segment of personalized internal trainings, there were 79 groups on the most diverse themes, with great adherence between programmatic content and work demands. One registered 1,549 enrollments in courses. Throughout 2016, within this segment, some initiatives stood out: the expansion of development and offer of training with internal instruction, with a 61.2% increase in the number of classes offered and a 50.3% increase in enrollments in relation to 2015; the beginning of a project of distance learning (EAD), with homologation of a specific platform and beginning of production of the first courses; and the conclusion of the five first classes and beginning of the sixth class of the Managerial Development Program (PDG), totaling the participation of 206 managers in 2016.

DIVERSITY AND INCLUSION

We are permanently committed to the elimination of all kinds of inequity and discrimination in our work environment and within the institutions of our relationship chain.

AVERAGE TRAINING HOURS PER EMPLOYEE

UNDERGRADUATE LEVEL



HIGH SCHOOL LEVEL



As specific actions developed in 2016, we can highlight: internal lecture of sensitization for the inclusion of people with disabilities, with the athletes Maria Christina Santilli and Fernando Cowboy Rufino, from the Brazilian para-canoeing team; visit to the exhibition *Diálogos no escuro* (Dialogues in the dark), as action for sensitizing managers of people with disabilities, specially visual impairment; implementation of the panel *Questões de Gênero e Educação* (Gender and Education Issues), which promoted a room for reflection on the challenges that encompass the school environment regarding gender issues, from the decision of Colégio Pedro II (D. Pedro II School) of abolishing the distinction between boys' and girls' school uniforms; conduction of the *Qualification in Human Rights for Minorities* in partnership with the Sub-secretariat of Human Rights of the State of Rio de Janeiro, aimed at sensitizing, raising awareness and qualifying BNDES' employees that work or are involved with the themes of minorities and human rights, among others.

INTERNAL COMMUNICATION

Several communication efforts were performed directed to the internal audience, aiming to inform, disseminate the strategic guidelines and minimize noise, therefore simplifying the handling of the change occurred due to the administration replacement.

In September, we carried out an opinion survey on our internal communication, seeking to capture the employees' vision on media, subjects of interest, tools and communication processes, both institutional and interpersonal. The results were used as a basis to improve practices and procedures and to sensitize executives

regarding the importance of face-to-face communication.

Another initiative was the organization of a conversation cycle with the president, earmarked for the heads of departments, in order to open a direct communication channel to send doubts, critiques and suggestions, besides informing them on the main initiative in progress and reinforcing the importance of the manager in communication with the teams. Conversations with the president open to all employees were conducted as well.

RETIREMENT PLANNING

We offer a complementary social security plan to our employees structured in the modality of defined benefit, administered by the BNDES workers' Social Security and Assistance Fund (FAPES). Its main objective is to complement social security benefits granted by the National Social Security Institute (INSS). The cost of the plan, defined actuarially, is based on the principle of parity between sponsors and participants.

Considering that in 2015 the technical result of the plan presented a deficit above the maximum limit permitted by legislation, extraordinary contributions will be instituted to its active and assisted participants as well as to the sponsors, based on the principle of parity, from the beginning of 2017, for equation of the surplus to the permitted limit, in compliance with Resolution 26 of the Supplementary Pension Management Council, from September 29, 2008.

With the purpose of providing the employees who are in conditions to retire the opportunity of reflecting on the meaning of this phase, analyzing the various dimensions involved and elaborating a new project of life, we maintain an action for preparing for retirement – the New Times Program.

HEALTH AND SAFETY
IN THE WORKPLACE

We maintain three formal commissions directed to health and safety in the workplace (SST), which represent 100% of employees in their actions, namely: Internal Commission for the Prevention of Accidents (CIPA), the Auxiliary Escape Teams (EAE) and the paramedic teams. Moreover, the collective labor agreements have been encompassing themes of this nature, such as the performance of regular simulations of evacuation from the Bank's main building in Rio de Janeiro (where more than 95% of the employees are); the transference of information on accidents and occupational diseases to the labor union; and constitution of the Specialized Service in Safety Engineering and Occupational Medicine (SESMT) in common with FAPES.

We comply with all requests of the regulatory guidelines of the Ministry of Labor and Employment regarding SST, such as maintaining the Environmental Risk Prevention Program (PPRA) updated, and conducting the Occupational Health and Medical Control Program (PCMSO). All these initiatives are the reasons for low rates of absenteeism (refer to the chart on the right), as well as absence of activities that represent high incidence or high disease risk to the employees related to their occupation.

OUR STRUCTURE

We have representations in the following cities: Rio de Janeiro (RJ), Brasília (DF), São Paulo (SP), Recife (PE) and Belém (PA). Our official headquarters is in Brasília, but the most part of the employees are allocated in Rio de Janeiro, in our own building – Juvenal Osório Gomes Business Building – EDSERJ. From June, we conducted studies to modify and adapt the BNDES' offices, aiming to reduce the area

ABSENTEEISM | WORK SAFETY AND
HEALTH RATES (SST) – 2016¹



Injury rate (TL) ²	7.44 (Southeast region – RJ and SP) 14.70 (Central-West region – DF) zero (Northeast region – PE) zero (North region – PA)
Occupational disease rate (TDO)	zero
Lost working days rate (TDP) ³	6.30 (Southeast region – RJ and SP) 52.27 (Central-West region – DF) zero (Northeast region – PE) zero (North region – PA)
Absenteeism rate (TA) ⁴	3.79 (Southeast region – RJ and SP) 3.65 (Central-West region – DF) 2.33 (Northeast region – PE) 1.30 (North region – PA)
Deaths caused by work accident or occupational disease	zero

¹ Data refer to the period from 1.1.2016 and 12.31.2016. BNDES does not have employees in the South region.

² Frequency of accidents with injuries. One considers 2,000 hours of annual exposure per employee (NBR 14280), that is, 2,000 hours x number of employees per region, based on employees of 12.31.2016. There were 45 accidents (6 typical and 39 of route).

³ Working days, considered from the day after the injury to the day before the return. Total of lost working days due to labor accidents (typical and of route). The total number of days scheduled is 5 days/week x 44 weeks/year (considering vacations) for each employee involved. TDP = lost working days/programmed days x 100.

⁴ Medical absence, holidays, study leave, maternity/paternity leave, extension, leave in advance, bereavement, marriage/honeymoon license and monitored time-off are not included. The total number of days scheduled is 5 days/week x 44 weeks/year (considering vacations) x number of employees per region, based on employees of 12.31.2016. TA = days absent/days scheduled x 100.

occupied and, as a consequence, decrease expenses with renting, building complex fees and IPTU (Urban Building and Land Tax), in line with the new guideline given by the Union to the fiscal policy.

After all the adaptations planned for the two buildings occupied by BNDES in Rio de Janeiro, nine out of 13.5 floors rented at the Ventura Corporate Towers building will be returned, which will result in a monthly saving of R\$ 4 million. Such amount will be added to the monthly saving of some R\$ 1.3 million obtained due to the devolution of another three floors in the same building in early 2016.

The regional offices in São Paulo and Brasília will also go through adaptation works that will allow the delivery of 1,010 m² out of the total of 1,936 m² of the area rented in Brasília, and 893.34 m² out of the total of 1,966.68 m² of the area rented in São Paulo, generating a monthly saving of R\$ 196,000.00 and R\$ 134,000.00, respectively.

Still due to conditions of political and economic environments, there

was need for reevaluating the construction of the building attached to BNDES, despite the solid technical and economic-financial basis of the project. Understanding that the initiative meets the internal demands that go beyond personnel allocation – with emphasis on the resolution of issues related to its datacenter – and encompasses several positive externalities to the community, the new Board of Directors opted not to cancel the project but to suspend the actions not started up to then for six months.

Moreover, we brought our activities in the international representations of Montevideo and Johannesburg to a close, besides initiating the procedures to dissolve the BNDES PLC subsidiary in London. The action is in line with the new strategic orientation ratified by the Advisory Board of continuing to support the internationalization of companies, as well as accessing the international financial market, aiming to diversify our sources of resources from the structure existent in Brazil.

OUR RELATIONSHIPS

We work continuously to improve channels and vehicles to interact with our various audiences. Knowing and understanding the demands of society allows us to more comprehensively fulfill our mission of promoting the sustainable and competitive development of the Brazilian economy.

PERSON-TO-PERSON ASSISTANCE

In 2016, we attended 785 entrepreneurs in our offices, offering guidance on the lines of financing best suited to their needs. In Rio de Janeiro, we registered assistance to 286 visitors; 38% of this assistance was spontaneously evaluated by the public, which attributed to it an average of 4.98 points on a scale of 0 to 5. In São Paulo, there was assistance to 242 visitors; in Brasília, 149; in Recife, 65; and in Belém, 43. Most of the assistance was given to micro, small and medium-sized enterprises (MSME), whose interest was focused on isolated working capital to go through the adjustment period of the Brazilian economy. Another relevant segment was the individual microentrepreneurs (MEI) and individuals interested in knowing the BNDES' credit lines to start businesses and franchises.

We also registered complaints on the reduction of the credit limit for companies regarding the BNDES

Card, stimulated by the financial institutions' concern about the great default of their portfolios.

BNDES CALL CENTER

Our call center assists the external audience by telephonic service, mail or electronic form, on subjects related to operational activities of the BNDES System. In 2016, approximately 454,200 requests were attended to, 88% being by telephone. In a customer satisfaction survey carried out by post-service, 95% of the respondents considered the service good or excellent.

RECLAME AQUI PORTAL

Throughout 2016, 55 manifestations on BNDES were registered on the Reclame Aqui (Complain Here) Portal. Our reputation at the end of 2016 reached the unedited "Great", when we adopted the practice of calling the claimant in order to hear, understand the reason of the complaint and present alternatives to mitigate the issue.

SIC

Our Citizen Information Service (SIC) works according to the determinations of the **Access to Information Act**. Requests are received by the e-SIC system, in person (in Rio de Janeiro), by correspondence or e-mail. In 2016, we received 718 information requests, all answered within the legal terms. Some of the most requested themes during the year were services exports, socio-environmental follow-up of the projects supported and BNDES governance, besides information on operations, with sectoral, regional and companies' size data.

Learn more in the section
Governance, control and
transparency

OMBUDSPERSON'S OFFICE

In 2016, we started publishing semiannual reports on our website on the most relevant activities performed by the Ombudsperson's Office, channel earmarked to receive denunciations of non-compliance with internal rules or with the legislation of the country. Over the year, we received and treated 1,376 manifestations (5.9% less than in 2015), of which 76.5% was registered by legal persons and 23.5% by individuals, distributed as follows:

 **56.4%**
COMPLAINTS

 **14.4%**
REPORTS

 **13.7%**
DOUBTS

 **9.4%**
REQUESTS

 **3.1%**
COMPLEMENTARY
MESSAGES

 **1.2%**
SUGGESTIONS

 **1.7%**
ACKNOWLEDGMENTS/
COMPLIMENTS

Learn more in the section
*Governance, control and
transparency*

ETHICS COMMITTEE

Denunciations and orientations regarding **ethical conducts** can be submitted, according to the case, either through the Federal Government's Electronic System for Prevention of Conflict of Interest or the Ethics Committee of BNDES System (via e-mail, in person, telephonic contact or correspondence).

In 2016, 82 preliminary procedures were opened, with emphasis on the following themes: conduct verifications; authorization for performing parallel activities; gifts and souvenirs; internal relationship; and transaction with securities.

FORUM FOR DIALOGUE WITH CIVIL SOCIETY

The Forum for Dialogue with Civil Society is a structured and direct communication channel, earmarked for non-governmental organizations (NGO) and relevant social movements in the Brazilian context. In 2016 we did not hold meetings due to the revision of its structure.

INSTITUTIONAL LECTURES

We gave 22 institutional lectures (five in Portuguese, 14 in English and three in Spanish) throughout the year, for an audience of 492 people. Such events were earmarked for teachers and student groups from Brazil and abroad, representatives from financial institutions, diplomats and representatives from foreign governments.

EVENTS TARGETING MSMEs

Since 2005, more than 32,000 people participated in the lectures

O BNDES Mais Perto de Você (BNDES Closest to You), whose objective is to inform and guide micro, small and medium-sized entrepreneurs on the BNDES' lines of financing. In 2016, 12 lectures were given, distributed over all regions of the country, with the participation of 1,693 people. Of this total, 57% spontaneously evaluated the lectures, attributing an average of 8.9 points (on a scale from 0 to 10).

Seminars on Credit are other initiatives directed to this public, performed in partnership with the Brazilian Micro and Small Business Support Service (SEBRAE), which also disseminate our types of support and enable the contact between entrepreneurs and financial institutions. In 2016, 154 lectures were performed in municipalities of 19 states and the Federal District, gathering an amount of more than 9,000 participants.

PARTICIPATION IN FAIRS

In 2016, we were present in 15 business fairs in Brazil. We assisted some 3,600 visitors at our stand, mainly for orientating

and clarifying on lines of financing. The micro, small and medium-sized entrepreneurs represented the vast majority of the public assisted.

POLICY OF SPOKESPEOPLE

In 2016, we approved the policy of spokespeople, which establishes guidelines and competences for senior management and employees to participate in interviews with the press and in communication with other target audiences. The aim is to ensure transparency and contribute to the correct transmission of information.

PRESS SERVICES

Over the year, we answered 712 requests from the media and counted 57,531 articles in the press that mentioned BNDES, 138% increase in relation to 2015. Part of this number is the result of proposal of topics and themes by the Bank, which produced 190 releases, notes, communications and agenda notes.

Also, several relationship gatherings with reporters were held, aiming to clarify doubts, inform on action in progress and seek approach.



BNDES' stand at the Plástico Brasil fair, in São Paulo. Photography: Luce Barbosa/BNDES Collection



New website homepage, more dynamic and simpler to navigate. Photography: BNDES Collection

NEW WEBSITE

In September 2016 we launched our new website. With an information architecture reformulated and more dynamic layout, the new website aims to facilitate the access to information of the BNDES System and aggregate more transparency to the institution, as well as approximating the Bank to its different audiences, especially those that access the tool: MSMEs, civil society, the press and scholars.

One of the improvements achieved by the new website was to amplify and simplify the content disseminated and make data on operations of variable income more accessible. It is also possible to consult historic series of disbursements through the website and compare the numbers over time. Another gain enabled by the new structure was the simplification of research for lines of credit. After informing the characteristics of the project, the user interested in financial support receives the indication of the most appropriate options of financing and can simulate installment values.

SOCIAL NETWORKS

We verified an increase of access to our channels and official profiles on social networks. Our Twitter profile exceeded the mark of 100,000

followers, registering 166,000 at the end of 2016. Our channel on YouTube, in its turn, finished the year with more than 500,000 accumulated visualizations (total of 503,548) and 2,239 subscribed. In 2016 there were 281,576 visualizations on the channel, which represents a 134% increase in relation to the previous year. We also registered 53,000 likes

on our Facebook page (123% increase in relation to 24,000 at the end of 2015). Moreover, in 2016 we started using this platform to broadcast live collective interviews, amplifying and democratizing the access to information.

ADVERTISING

Themes highlighted in advertising campaigns were the support for culture and sport, besides lines of financing. Other aspects related to our performance were also emphasized, such as the dissemination of the cultural schedule of BNDES Cultural Space and lectures *O BNDES Mais Perto de Você* (BNDES Closest to You). In total, our advertising efforts in 2016 represented an investment of R\$ 23 million.



Our support for canoeing was the theme of an advertising campaign broadcast during the Olympics. Photography: BNDES Collection

GOVERNANCE, CONTROL AND TRANSPARENCY

The nature of our work requires a careful management process involving various committees; relationship with external supervision and control agencies; and the commitment and responsibility of managers and employees regarding integrity and transparency in the conducting of their activities.

GOVERNANCE

Management replacement

On June 1st, 2016, Maria Silvia Bastos Marques took office as president of BNDES, being the first woman in the Bank's history to assume this position. Maria Silvia, who had already been a BNDES director in 1992, has master and doctorate degrees in Economy from Fundação Getulio Vargas, with a degree in Public Administration, besides having a long career as an executive in public and private sectors.

The president formed a new Board of Directors, comprised of eight directors, among career employees, market professionals and public-sector professionals.

Our organization chart

We are organized in divisions, each one responsible for different areas, and they are headed by deputy managing directors.

See our organization chart on the second cover page of this report

Due to the fusion of some areas and the creation of others, there was a reduction from 25 to 19 deputy managing directors.

See below some of the main changes in our internal organization, that occurred in the second half of 2016:

Legal Board

The search for a more independent BNDES legal service stimulated its restructuring and the creation of a specific board, to which the Legal Department is linked. Therefore, we seek to internally increment the legal safety needed for the activities and our personnel as well as, in an external perspective, aiming to improve the institutional relationship with control bodies.

Controller Board

Aiming at greater agility and independence in the generation of information, in a single unit we gathered several attributions typical of a comptroller board, up to then distributed over other internal units. Such decision allowed taking advantage of synergies, seeking improvement of quality and greater efficiency in the generation of information relevant to the decision-making by the senior management.

Monitoring and evaluation

The creation of a department to take care of monitoring and evaluation (previously a management attribution) reinforced the importance given to the subject. Among the unit's attributions we can emphasize the development of methodologies and the coordination of the implementation and management of results of the Monitoring System and

Evaluation of the effectiveness of the financial support granted by BNDES.

Compliance

In line with the best market practices, we structured a department dedicated to compliance, which, for us, encompasses the dimensions of adherence (accomplishment of any internal or external rule, and agreements that fall upon BNDES) and integrity (operation based on ethical values and principles, besides rules and procedures related to promoting good corporate practices and prevention of illegal, illegitimate or unethical practices).

Governance model

Our structure of governance has the treatment of subjects collectively as basis, privileging the transparent and collective decision-making. It is comprised of an Advisory Board, Fiscal Council, Auditing Committee, Executive Board of Directors and specific committees.

BNDES' **Advisory Board** is the highest governance level. Its members are assigned by decree of the president of the Republic. Among its attributions are: to opine on relevant issues of the country's economic and social development more directly related to BNDES' efforts; to counsel the Bank's president on the general lines that guide his/her actions; to analyze and approve, by proposal of the Bank's president, the general policies and long-term operations programs; and to approve the institution's balance sheets and financial statements.

See the composition of the Advisory Board in Credits

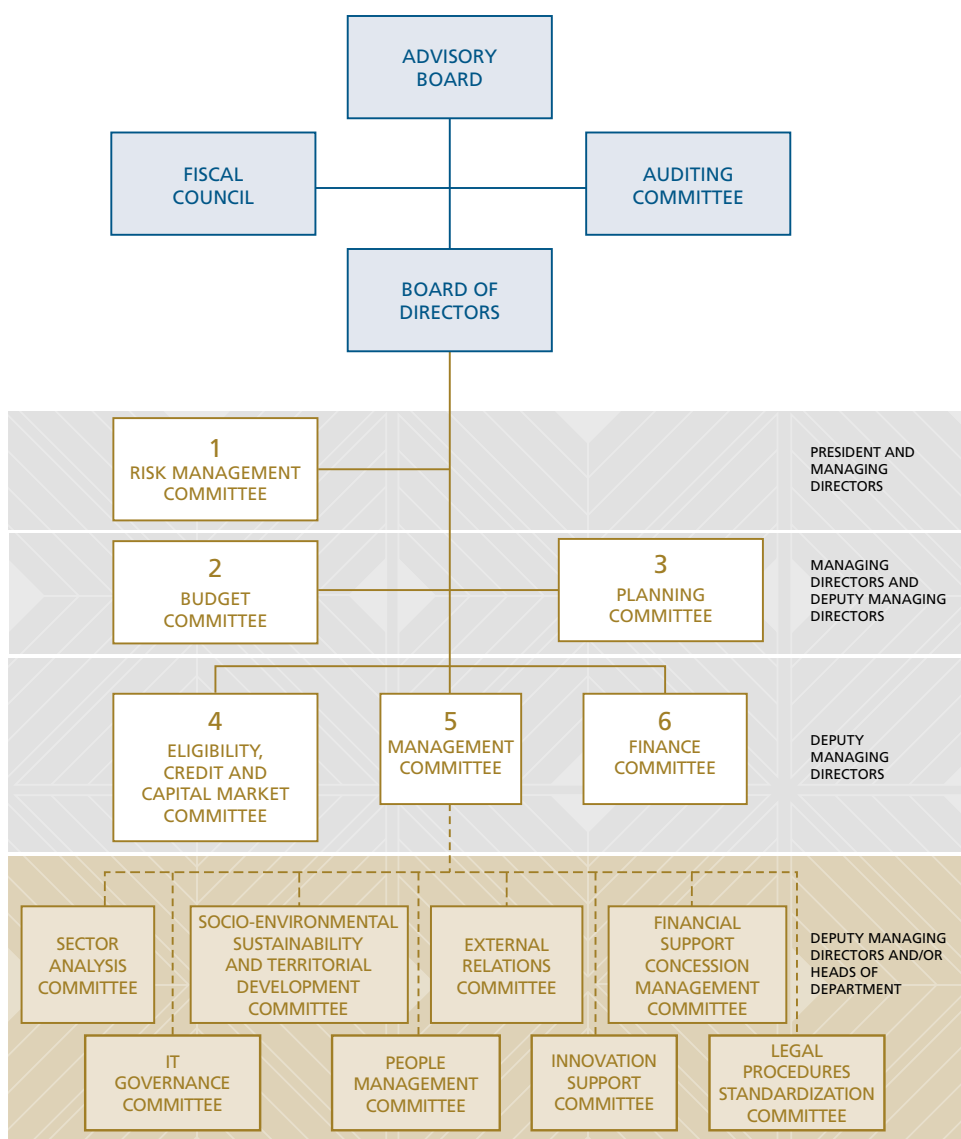
See the composition of the committees at
www.bndes.gov.br/colegiados-bndes

The Executive Board of Directors has deliberative power and counts on a wide structure of specific advisory committees that act as instrument of strategic alignment, congregating several hierarchical instances such as managing directors, deputy managing directors, and heads of departments, according to the finality.

All committees analyze the efficacy of the process pertinent to their spheres of operation and report, directly or indirectly (in some cases the matter is previously addressed by the **Management Committee**) to the Executive Board of Directors, which meets once a week. Thus, economic, social and environmental aspects are approached in all spheres of our governance.

Over 2016, some adjustments regarding the **composition of BNDES' committees** were made, in large part as a reflection of the organizational restructuring that took place in the institution in the second half of the year.

The following figure illustrates the organization and the composition of the main elements of the collective bodies' structure that were in force in 2016.



- 1** Risk Management Committee: monitors the regulatory environment related to the Bank's risks and internal controls, and counts on three subcommittees: Credit Risk, Market Risk and Operational Risk.
- 2** Budget Committee: its main responsibility is to carry out the monitoring of the execution of our disbursement budget.
- 3** Planning Committee (CP): it debates strategic subjects; oversees the compliance with rules related to the macro-process of planning and strategy management, coordinates the processes of definition, formalization, monitoring and learning of the corporate strategy and directs the process of execution of the corporate strategy. The CP counts on the Director of Projects Sub-committee to accompany the strategic corporate projects monthly.
- 4** Eligibility, Credit and Capital Market Committee (CEC): discusses and deliberates operational matters related to eligibility, credit and capital market.
- 5** Management Committee (MC): works to normalize management standards, promotes the strengthening of relations among our fundamental units, and oversees the implementation of the strategic guidelines defined by the Board of Directors and Planning Committee, provided for in our corporate plan and approved by the Advisory Board and Board of Directors. The MC has eight sub-committees for further discussions and support decision-making. It also represents the first level of debates of relevant themes for later submission to the Board of Directors and other spheres of our governance.
- 6** Finance Committee (CAF): analyzes financial, accounting and equity matters and oversees the consistency between the operational, financial and credit dimensions.

Law of State-owned Companies

Law 13,303 of June 30, 2016, also known as the Law of State-owned Companies, brought important changes for the BNDES System and for other State-owned companies, and one can highlight new rules for assignment of leaders and members of the Advisory Board; observance of minimal transparency requirements, such as the annual dissemination of integrated report, or sustainability report; obligation of dissemination of all and any remuneration of the managers; and definition that the control bodies must have unrestricted access to the information needed for their activities, including confidential information.

The Law of the State-owned Companies fixed its own regime of bidding processes and contracts for the State-owned companies, withdrawing the general regime of bidding processes set forth by Law 8,666/1993. This new regime, incorporated into the BNDES' internal rules, presents more flexible rules, assuring the competitiveness of State-owned companies that explore economic activities.

With the new law, it was necessary to review and adapt the social statutes of BNDES, BNDESPAR and FINAME, as well as the internal regulations of the Fiscal Council and Advisory Board.

In line with this change, two new policies were structured:

BNDES System assignment policy in collective bodies

In August 2016, we concluded the updating of the additional criteria, beyond legal and regulatory requisites, considered in the assignment of counselors for the Advisory Board and

Fiscal Council of companies of which we are stakeholders. Among such criteria, the professional assigned needs to have previous experience of at least, three years as counselor or member of the Executive Board of private companies and must not, among other restrictions, be framed in cases of ineligibility set forth in Supplementary Law 64/90, be in some positions in the Public Administration or have acted in decision structure of political party or in work linked to electoral campaigns.

Dividends policy

The distribution of BNDES' results has been historically done, under the terms of our Social Statute. With the new Law of State-owned Companies, we discussed the implementation of a policy of distribution of dividends with the National Treasury, complementary to the Social Statute, which destines at least 40% of our profit to our capitalization. Thus, we established conditions and limits for distributing results, allowing strengthening of our capital structure, reducing our leverage and meeting the capital need to face the prudent demands to which we are submitted. The Board of Directors, our Advisory Board and the National Treasury approved the terms of the new standard, validated in BNDES' General Meeting, and with the Union in 2017.

Induction of good practices of governance

We are signatory of the Corporate Governance Development Framework, commitment signed by 34 financial institutions of development to jointly promote actions to deal with risks and opportunities related to

the corporate governance of their clients and companies invested. We understand that the stimulus to good practices of governance not only brings consequences for the quality of the financial support granted by us, but also impacts on the strengthening of the capital market.

ETHICS AND INTEGRITY

Ethics, one of our values, is the ground on which BNDES has been built since its creation. Thus, we demand from our professionals a faultless ethical conduct in the exercise of their duties. We believe that development only exists with ethics. In 2016, we had no cases of corruption or fines for not complying with laws and standards related to our services and practices.

Ethics management

The ethics management is conducted by the BNDES' Ethics Committee (CET/BNDES) and by the Secretariat of the Ethics Committee linked to our President's Office. In 2016, CET/BNDES started 82 preliminary procedures in which the following themes can be emphasized: conduct verification; authorization for performing parallel activities, in special participation in commercial society; gifts and souvenirs; internal relationship; and transaction with securities.

Our Code of Ethics had its revision approved in April 2016, counting on the direct participation of our personnel, through suggestions submitted in internal public consultation. The revision was crucial to adequate them to new legislation marks, such as the Conflict of Interests Law (Law

12,813/2013), Clean Company Law (Law 12,846/2013) and the Access to Information Act (Law 12,527/2011). One included issues as the expressed mention of repudiation to moral harassment and other kinds of psychological violence, besides the obligation of meeting the guidelines on the combat against corruption and prevention of money laundering, combating the financing of terrorism as well as not colluding with any fraud and corruption acts.

In 2016, we can highlight the reformulation of the Ethics Committee's website, which sought to make the electronic platform more accessible to employees, facilitating the communication of eventual ethical deviations for due checking.

Compliance Corporate Policy and Integrity Program

In 2016, the Advisory Board approved the Compliance Corporate Policy and the Integrity Program, prepared in line with good practices adopted by the market and recommended by regulatory agencies, based mainly on Decree 8,420/2015, and on the Guide for Implementation of the Integrity Program in State-owned Companies, published by the Ministry of Transparency, Supervision and Office of the Federal Comptroller General of the Union (CGU).

In addition to the measures taken by the Bank, these documents enumerate the principles and guidelines to strengthen the culture of conformity, ethics and integrity in all our activities and operations.

Participations and adhesions to initiatives

In 2016, we participated in the discussion on ethics and integrity, adhering to new groups and initiatives. One of them was the Rio Compliance Group, which held the opening meeting in our headquarters, congregating professionals from public and private companies, banks, law firms, consultancy companies, universities and third sector entities, located in Rio de Janeiro. It meets monthly and has as its objective to disseminate knowledge and exchange experiences and information among its members, by means of meetings, lectures and presentations.

We also adhered to the National Strategy to Combat Corruption and Money Laundering (ENCCLA), an initiative under the coordination of the Ministry of Justice and Public Security, formed by more than 70 bodies from Legislative, Executive and Judiciary powers, in addition to civil society acting directly or indirectly in preventing and combating corruption and money laundering, formulating actions that will have to be executed every year.

In April, we adhered to the Business Pact for Integrity and Against Corruption, the main initiative of the Clean Company Project, which is coordinated by the Ethos Institute. Comprised of seven fundamental commitments, with procedures for preventing corruption and disseminating the principles to the value chain, the pact is based on the UN Brazil Convention Against Corruption, on the Charter of Principles of Social Responsibility, on the 10th principle of the Global

Pact and on the guidelines of the Organization for Economic Co-operation and Development (OECD).

Lastly, in the scope of the OECD's Recommendation on Anti-Corruption Measures in Public Credits for Exports, for the first time we participated in the mechanism to disseminate practices for preventing and combating corruption of foreign public employees by foreign export companies supported by the Bank. Along with the other countries adherent to the OECD's Recommendation on Anti-Corruption Measures in Public Credits for Exports, we also participated in the joint initiative to improve such measures based on the experience of the respective public agencies of credit for exports and on the contributions from international organizations that represent the civil society.

Auditing

Our internal auditing unit, linked directly to the Advisory Board, coordinates our interlocution with external control and supervision agencies, such as the Federal Court of Accounts (TCU), CGU and the Brazilian Central Bank.

In 2016, we received diligences and went through audits which together totaled 974 demands for information, all properly treated. Answering the indications of internal audit, there were 279 action plans presented of which 62% were totally executed up to the end of the year.

Relationship with control agencies

We performed work plans, events and agreements with the control

Learn more in the
section *Our relationships*

Access
www.bndes.gov.br/transparencia

agencies, aiming to improve the governance and transparency of our actions and reinforce our commitment and responsibility regarding the integrity and probity in the conducting of our activities.

Throughout 2016, several gatherings and specific meetings of the president and directors with representatives from control agencies were held. We also promoted activities for preventing ethical infractions, with participation of the aforementioned bodies.

One of the highlights was the event “Ethics, Integrity and transparency at BNDES”, held in March and that counted on the participation of the then Minister of CGU, Luiz Navarro. On the occasion, the agreement of technical cooperation was signed with the commitment from both parties to offer inputs for teaching activities, sharing training and qualification courses, and cooperation to improve the BNDES integrity program.

Because of this agreement, in December we held the 1st BNDES Week of Ethics and Integrity to homage the International Anti-Corruption Day, with a panel on conflict of interest, which counted on the presence of representatives from CGU and UN Global Pact. During the week, we also held an event earmarked for the Bank’s senior management, with participation of CGU.

Moreover, we prepared a work plan related to the support for exports, defining actions and their respective schedules of implementation, aiming to

meet TCU’s determinations and recommendations, as well as promoting improvements in the process of credit granting and follow-up of operations. The plan was presented to TCU in September 2016 and it will be the object of regular monitoring by the body.

TRANSPARENCY

Transparency Corporate Project

The Transparency Corporate Project concentrates initiatives developed by several divisions in order to give greater visibility, dissemination and understanding by our target audiences of various aspects related to our operation. Among the main initiatives delivered up to December 2016, was the launch of the **new website**, with a specific section dedicated to **Transparency**.

Access to information

Our **website** is the main tool of the Bank’s active transparency. For instance, on the website there is information about sources of resource, report of accountability, information on procurement and contracts, and statistics of disbursement of resources.

We also have the Citizen Information Service (SIC) for receiving information requests, supported by the **Access to Information Act**.

Learn more in the
section *Our relationships*

UNDERSTAND THE KINDS OF SECRECY SET FORTH BY LAW

All BNDES’ information that is not classified as confidential is made available to society, according to orientations of the Access to Information Act. See below the types of secrecy to which we are subject:

Bank secrecy

The bank secrecy is understood as the individual right of clients and third parties to the maintenance of secrecy of their economic and financial data. Thus, the financial institutions have as their duty not to disclose, other than the legal hypotheses, data obtained from their clients and third parties in the exercise of their bank activities. The observance of bank secrecy is a great guarantee of public interest, in favor of the credibility, stability and solidity of the financial system.

Corporate secrecy

Corporate secrecy is a guarantee of protection of data and documents produced by a company in the exercise of its economic activity. The finality of the corporate secrecy is to protect information that provides the entrepreneur or entrepreneur society, competitive advantages fundamental to the activity success, whose disclosure may cause material or moral damages, such as brands, patents, know-how and industrial secrets.

RISK MANAGEMENT AND FINANCIAL SUSTAINABILITY

To accomplish our mission we need to be a financially healthy and robust institution. For this purpose we seek to diversify products, strengthen our equity structure and manage the risks to which we are exposed.

RISK MANAGEMENT

One of the main objectives of our risk and internal control management is to contribute to our financial sustainability through the measurement and monitoring of risks to which we are exposed (see the chart on the right), and internal control evaluation.

A highlight of 2016 was the development of a global framework of risk appetite, which was the proposal for defining minimal acceptable limits for our main prudent indicators, with prevision of unfolding to market, credit and operational risks. This proposal undergoes a consolidation process and will be implemented in 2017 as a pilot project.

Another relevant event was the implementation of a new market risk management system. The main gains are: (i) possibility of customization of pricing models allowing a more precise valuation of non-standardized financial instruments (exotic); (ii) greater resolution, given the possibility of measuring the individual risk of each one of the some three million active contracts in our

	MAIN RISKS	MEASURES FOR MITIGATION
MACROECONOMIC	Changes in the macroeconomic conjuncture The financial return of our operations depends on the performance of the Brazilian economy, since the clients' capacity of payment is affected by macroeconomic factors, such as inflation, fall in gross domestic product (GDP), falling income levels, rising unemployment, fluctuations in exchange and interest rates etc.	- Periodic monitoring of the economy performance and analysis of its impact on our operations. - Establishment of risk limits, monitored periodically, to assist the decision-making by the senior management. - Diversification of the financial support portfolio. - Performance of the Financial Affairs Committee (CAF).
MARKET	Volatility of the capital market Considering the volume of our stock portfolio, comprised also of some of the main assets listed at BM&FBovespa, we are subject to high volatility of the Brazilian stock market, which is reflected in the behavior of our capital over time, offering risks to the compliance with regulatory limits as well.	- Development of a methodology to assist the senior management in the definition of the market risk appetite. - Implementation of the market risk module of a system that will integrate the activities of the management of the portfolio of <u>variable income</u> with the analysis of risk and corresponding return, from negotiations of stocks and <u>debentures</u> to verification and risk analysis.
CREDIT	Concentration of credit portfolio The portfolio reflects the characteristic of concentration observed in the Brazilian entrepreneur market. Deterioration of credit Reduction in the quality of the credit portfolio in times of unfavorable economic conjuncture.	- Establishment of indicator of concentration risk in order to assist the decision-making. - Development of a methodology for greater monitoring of exposures, aiming to anticipate possible alert states. - Adoption of additional provision for doubtful accounts, aiming to act preventively due to the uncertainties of the market.
OPERATIONAL	Operational failures Losses resulting from failures, deficiency or inadequacy of internal processes, people and systems, or from external events, inherent in any business.	- Identification and systematic analysis of the main operational risks and their internal controls, with the objective of implementing treatment actions and improving the methodologies used for managing operational risk. - Structuring of initiatives for improving the process of identification of fraud risks and for identifying and monitoring the key risk indicators. - Improvement of the contingency structure to bear the unavailability of Information Technology Systems. In the last few years, this structure has been tested by both technological and business perspectives and the results presented evolution in relevant aspects of the data recovery process.
LEGAL	Non-observance of legal order and internal standards Due to the complexity of legal and normative structures, in addition to laws or regulations alterations applicable to our performance.	Treatment in the scope of the methodologies of operational risk management, emphasizing the conformity to laws and standards applicable to our performance and special attention to decisions from the Administrative and Judicial Courts.
SOCIO-ENVIRONMENTAL	Risk of image and credit associated to operations that generate socio-environmental damages Possibility of losses resultant from socio-environmental damages associated with deterioration of the institution's image.	- Verification of legal conformity and observance of criteria established in our policies and processes of analysis and monitoring according to the specificities of each operation. - Advances regarding the execution of the Multi-Year Plan for Implementation and Monitoring of our Policy of Social and Environmental Responsibility under the management of the Social and environmental Sustainability Committee (CSS).

portfolio; and (iii) automation of routines, demanding less time of monitoring by our employees.

We also improved the operational risks management, developing a specific methodology for evaluating risks associated with fraud.

We finished configuring all methodologies of credit risk classification on the Financial Analysis and Credit Tools (FACT) platform, continuing the automation of the preparation process of risk classifications and integration of our other systems, initiated in 2015. Among these systems we can highlight one more phase of the credit risk system, delivered in early 2016, which allows computerized and decentralized control of our clients' credit limits.

It is also worth mentioning the new system of guarantees which started working in 2016 and is integrated with the credit risk system, enabling alterations to the operation structure of guarantees to be promptly reflected on our clients' operation exposure and margin.

The methodologies of credit risk monitoring advanced on two important fronts: great exposures and self-evaluation of capital. The first will identify external factors that may contribute to the deterioration of the credit quality of the main exposures and with that propose mitigation measures with in advance. The second will more realistically allow evaluating the risk to which our credit portfolio is exposed, also attending to the increased regulatory agencies' demands to estimate and inform such measures in regular reports.

Our adhesion to the Brazilian Payment System (SPB) is another important theme. Since our integration in June 2014, the financial return significantly surpassed the initial investment to adhere to the system.

The entry to the SPB allows maintaining our own Bank Reserve account at the Central Bank of Brazil and communicating directly with other participants via the National Financial System Network (RSFN). Currently the change allows settling our financial transactions directly without intermediation from other institutions to make payments and receive credit notifications, among other activities.

Thus, we have more agility to process payments and receipts, greater autonomy to manage the financial availabilities of

the BNDES System, besides the possibility of directly managing our portfolio of exchange hedge.

It is worth mentioning that through the **Risk Management Report** we quarterly disclose, qualitative and quantitative information on the structure and processes of credit risks management and the institution's operational market.

Among the indicators used in our risk management, we can highlight the monitoring of the capital indexes demanded by the Central Bank. According to the standards issued by the regulatory agency, we must maintain capital – called reference equity – sufficient to cover the total of our assets pondered by operational, credit and market risks.

According to the table below, the portion of the assets pondered by



OWN RESOURCES AND RISK-WEIGHTED ASSETS (R\$ MILLION)	DEC. 2014	DEC. 2015	DEC. 2016
Reference equity (RE)	97,851	94,997	135,620
(+) Tier I capital	65,234	63,331	90,413
Capital core (CC)	65,234	63,331	90,413
Supplementary capital (SC)	-	-	-
(+) Tier II Capital	32,617	31,665	45,207
(-) Deductions from the RE	-	-	-
Risk-weighted assets (RWA)	615,706	644,331	624,850
(+) Credit risk	575,861	601,621	534,199
(+) Market risk	28,055	16,981	58,312
(+) Operational risk	11,790	25,729	32,339
Basel Index + ACP (RE/RWA) (regulatory minimum = 10.5%)	15.89%	14.74%	21.70%
Tier I Capital Index + ACP (NI/RWA) (regulatory minimum = 6.625%)	10.59%	9.83%	14.47%
Core Capital Index + ACP (CP/RWA) (regulatory minimum = 5.125%)	10.59%	9.83%	14.47%

the credit risk is the most expressive in our institution and that our capital indexes are comfortably above the minimal values demanded by the regulatory agency.

FINANCIAL SUSTAINABILITY

From a financial point of view, one of the main occurrences of the year was the advance payment of R\$ 100 billion in debts with the Union. The objective was to align our performance with the Federal Government's economic policy, without prejudicing our operational capacity during the next years.

To solve legal doubts on a possible violation of Article 37, item II, of the Fiscal Responsibility Law (LRF), the TCU adjudged the subject in November 2016, concluding the legality of the advanced payment to the National Treasury besides considering it meritorious, as long as resources are used exclusively for the reduction of the public debt.

According to cash flows projected up to 2019, the advance devolution of this amount will not compromise the capacity of liquidity and of meeting the expected demand for disbursement. The expectation is that the flows of disbursements return to their historic patterns before the global crisis, initiated in the second half of the past decade.

Still with respect to our **funding**, it is necessary to register that we maintained institutional partnerships with multilateral organisms and official credit agencies to enable investments in sustainable development.

We emphasize the most recent loan operation approved with the Inter-American Development Bank, our main external creditor,

in the amount of US\$ 750 million, aiming to support renewable energy projects such as wind and solar energy and biomass, and projects of energy efficiency.

The operation was approved by the competent bodies of both institutions, which await the authorization of the provision of guarantee by the Brazilian Federal Senate in order to continue the contract signing.

In 2016, we altered the methodology of definition of the basic **spread** of our credit operations, excluding the profitability of **variable income** and treasury portfolios from the model.

As a result, the mark of profitability on our total assets to be sought by the global mark of basic **spread** became incident only for the total of assets of the credit portfolio.

Thus, the global mark of basic **spread** started being defined as the margin needed to cover operational expenses and assure a profitability mark on the assets of the BNDES System' consolidated income, regardless of the shareholders' equity and the number of dividends distributed to the Union.

Aiming for more efficiency, another change in 2016 was the improvement of our budget model that will allow greater knowledge of the profitability of lines and programs we operate and, consequently, obtain better quality to manage costs and make decisions.

Besides planning the administrative expenses per unit, with monthly follow-up of deviations, as we have already done up to 2016, from 2017 we will make projections for every result with detailing per **area**

and department. Then, the units will have profit planning for the whole year, with analysis of this result per accounting item.

DEFAULT, CAUSES AND HOW WE MITIGATE IT

The default regarding the credits we granted reached 2.81% on 12.31.2016. Although this rate is superior to that observed at the end of 2015, it is still 0.9 percent below the rate of the National Financial System, which reached 3.71% during the period.

Such increase is mainly due to the extension of the recessive cycle and to specific cases of great exposures.

It is important to emphasize that we are continuously improving our credit policy, seeking to minimize the expected loss in relation to default through the adoption of consecrated mechanisms, such as the obligation of constitution of guarantees regarding the credits granted.

Moreover, following the demand of the Central Bank of Brazil, we constituted provisions in accordance with the classification of operations risk and with the default period of payment of financial obligations. We periodically analyze the need to constitute additional provision in function of other factors, such as the sectoral risk, for instance. Thus, we maintain sufficient capital to absorb eventual losses. The unfavorable economic scenario and the increased credit risk in 2016 implied constitution of regulatory provisions amounting to R\$ 9.49 billion, with recovery of credits of R\$ 0.33 billion, resulting in an expense of R\$ 9.16 billion at the end of the year.

Learn more in the section *The Brazilian development bank*

Know our organization chart on the second cover page of this report

SOCIO-ENVIRONMENTAL RESPONSIBILITY

Social and environmental issues have always been present in our performance, whether in financing projects with mainly social and/or environmental objectives or in incorporating these dimensions into the set of products and instruments of support, including more attractive financial conditions as a function of the sustainability criterion. The theme is also considered in the activities and procedures of analysis inherent in the concession process of financial support, as well as in the treatment of our administrative activities.

The Social and Environmental Responsibility Policy (PRSA), approved by the **Advisory Board**, our highest governance body, designs guidelines and principles to orientate our socially and environmentally responsible performance. The Advisory Board is also assigned to approve the Multi-Year Plan, with actions to promote an effective implementation of the PRSA. Moreover, we have a director formally assigned as responsible for the PRSA management.

Also, we have a Social and Environmental Sustainability and Territorial Development Committee

(CSS), whose objective is to promote the integration of social, environmental and territorial dimensions in our policies, processes, practices and procedures. The committee is formed by deputy managing directors that meet monthly, and, among their duties, we emphasize the monitoring of the PRSA Multi-Year Plan execution.

The PRSA management has been enabling relevant discussions for the areas alignment regarding the theme and for the progress of the sustainability agenda at BNDES. A process of plan updating started at the end of 2016 – which undergoes approval by our decision bodies – mainly to reflect our new organizational structure.

In their turn, the practice orientations for the socio-environmental treatment in the operations of financial support are described in our Socio-environmental Policy. The environment transversal guideline also gives emphasis to alternative energies and environmental protection earmarked to support projects of high effectiveness, which ideally integrate the dimension of impact and social, environmental and economic sustainability. Moreover, in new operational policies, environment became a qualifier for better conditions of support. In relation to conventional energy sources (hydroelectric and thermal plants), we limited our participation to 50% of financeable items with cost in TJLP. Projects of thermal plants powered by coal and fuel oil will not be supported anymore.

Due to the relevance of the socio-environmental issues for our performance and for the sustainable development of the country, we are

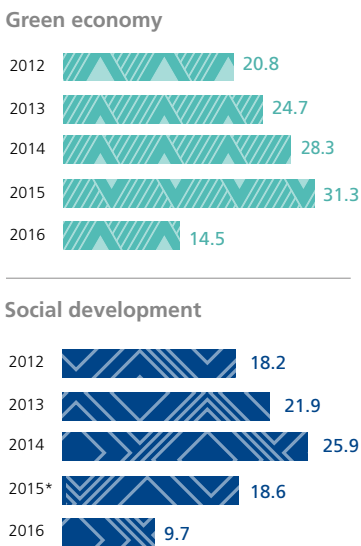
promoting an improvement of our contractual conditions and clauses adopted by standard. The conclusion of this proposal is expected for 2017.

GREEN ECONOMY AND SOCIAL DEVELOPMENT

With the definition of indicators of support for social development and green economy, we focused our efforts and improved our socio-environmental performance.

In 2016, even with fall of the investments in absolute values (see charts below), the percentage of disbursement in green economy (16.5%) was above the average for the last five years. Besides this, the percentage participation of the disbursements in social development (11%) returned to a pre-2014 level, strongly impacted by disbursements on transportation infrastructure.

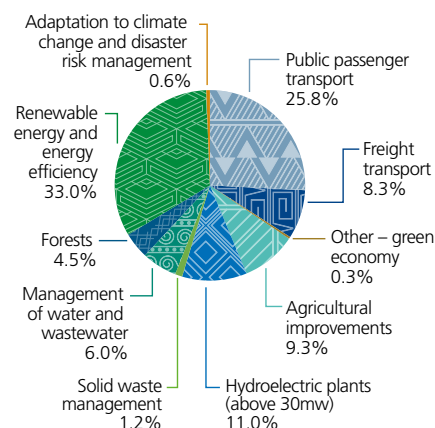
SERIES OF DISBURSEMENTS TO THE GREEN ECONOMY AND SOCIAL DEVELOPMENT (R\$ billion)



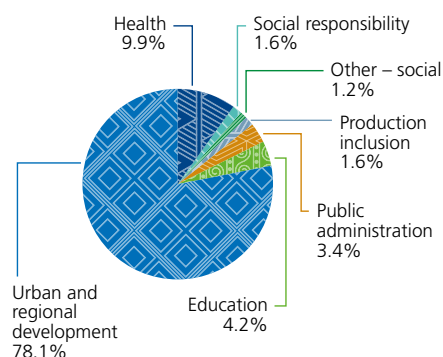
* The value of 2015 is divergent in relation to that divulged in the 2015 Annual Report due to indicator improvement, with retroactive impact.

Learn more in the section
Governance, control and
transparency

BREAKDOWN OF DISBURSEMENTS TO THE GREEN ECONOMY IN 2016



BREAKDOWN OF DISBURSEMENTS TO SOCIAL DEVELOPMENT IN 2016



UN SUSTAINABLE DEVELOPMENT GOALS

In order to promote sustainable and competitive development, we have several funding mechanisms that directly or indirectly help achieve some of the United Nations (UN) Sustainable Development Goals (SDGs). We can highlight the support for investments in health (SDG 3), education and culture (SDG 4), sanitation (SDG 6), renewable energy and energetic efficiency (SDG 7), urban mobility (SDG 11) and forests (SDG 15).

PARTICIPATION IN THE COP 22

We participated in the 22nd Conference of the Parties of the United Nations Framework Convention on Climate Change (COP 22), the Climate Summit, in Marrakesh, when

we reinforced our championing in the articulation for developing biofuel production technologies with the launch of the Biofuture Platform, an international alliance of 20 countries, including the United States and China. This alliance, among other goals, seeks to accelerate the technological development for production of second-generation ethanol (E2G) from any biomass, by means of an international cooperation. We took part in the conception, development and detailing of the platform in partnership with the Ministry of Foreign Affairs.

EFFICIENT PUBLIC LIGHTING: LED LIGHT FIXTURES

Continuing the proposals and agreements celebrated in previous years, we maintained alignment with goals agreed by Brazil at COP 21. In this sense, we structured our strategy of incentive to the sector of public lighting. The main focus is the greater energy efficiency provided by new technologies, notably the light emitting diode (LED), which reduces consumption and protects the environment.

Lamps produced with LED technology save between 50% and 80% energy, and are more durable if compared with traditional technologies. Also the light emitting diodes do not contain toxic substances, such as mercury and lead and do not emanate ultraviolet radiation.

Potentially the replacement of technologies nowadays employed in public lightning in the country by LED offers other benefits, such as significant improvement in the security level provided to the population, with direct effects on areas such as public security and quality of life.

In 2016, we started developing our methodology for the accreditation of high power LED light fixtures for several segments, with requirement of progressive nationalization for accredited manufacturers. This task represents an opportunity of concretion of public policy directed to local innovation, with focus on the development of products and high-tech components in the country.

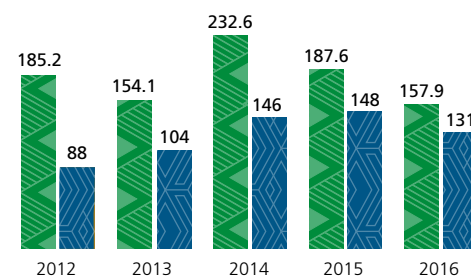
Still in 2016 we supported the modeling of the first **public-private partnership (PPP)** celebrated in the sector of public lighting by a country's capital, Belo Horizonte; then we initiated the structuring of a program that will take this support to the development of PPPs in the sector of public lighting for other cities in the country. This action will be an important tool so that the Brazilian municipalities can conjugate, through the PPPs, a more efficient management model with greater capacity of investment in the expansion and modernization of their public lighting park.

COMPANIES' SOCIAL INVESTMENTS

The Support for the Corporate Social Investments (ISE) Line finances projects and social programs performed by companies, associations and foundations of all sizes.

The resources of the ISE Line can be applied in the scope of the company

EVOLUTION OF THE ISE LINE



◆ Disbursements (R\$ million)

◆ Number of operations

Learn more in the section
The Brazilian development bank –
structuring of projects

itself or of the community. This last aspect answers for around 90% of investments made since the line's creation in 2006 and aims to support activities such as providing specialized training opportunities for the workforce in the communities, investments in local infrastructure and stimulus to new economic activities. We disbursed R\$ 157.9 million for the ISE Line and R\$ 56 million earmarked for 21 actions in the energy projects scope.

SUPPORT FOR SUSTAINABILITY IN THE MINING SECTOR

We have a socio-environmental policy for the mining sector, which formalizes the guidelines and criteria for granting financial support for projects in the sector.

In 2016, we launched a specific line of support for technologies directed to the reduction and mitigation of risks and environmental impacts, through the Development, Sustainability and Innovation Plan for the Mining and Mineral Transformation Sector – Inova Mineral.

The plan was structured in partnership with Finep and counted on the participation of the Secretariat of Geology, Mining and Mineral Transformation, of the Ministry of Mines and Energy (MME); of the Ministry of Science, Technology, Innovation and Communication (MCTIC); and of the Brazilian Industrial Development Agency (ABDI), among other public and private agents of research, development and innovation in the sector.

Through Inova Mineral, we selected and supported innovative business plans for developing high-performance materials and agricultural fertilizer rejects, among other investments that promote sustainability and productivity in the mining and mineral transformation industries.

Inova Mineral already promoted investments of some R\$ 1 billion in innovation projects, inserted into 41 business plans received for the first round of selection in 2016. The second round is expected for April 2017.

PRODUCTIVE INCLUSION INTO FAMILY FARMING

In 2016, we structured a partnership with the Brazilian Agricultural Research Corporation (EMBRAPA) through the Program of Support for Social Innovation and Sustainable Territorial Development – Inova Social. The program provides for R\$ 30 million in non-reimbursable support for the productive inclusion into family farming, with transference of EMBRAPA's knowledge on vegetal and animal production to the producers. A total of 5,530 families will be benefited in 203 municipalities covering eight states from the Northeast, Central-West and South regions, which in their vast majority have in common, a low or medium Municipal Human Development Index (MHDI).

SPORTS AND CULTURE

Considering culture and sports as educative actions, which promote personal, community or country development, we give sponsorship to activities in these segments annually.

Under the perspective of sustained economic and social development, the projects we support contribute to strengthen the productive chain of several economic sectors, for valuation and dissemination of the Brazilian culture and for developing sports in the country.

Support for sports

The year 2016 brought great results for our strategy of supporting

REGIONAL AND TERRITORIAL DIMENSION IN OUR PERFORMANCE

We look for understanding the territory where we operate and the local impacts that the projects we support may generate through a methodology of preliminary territorial evaluation (ATP), developed internally in 2015. The ATP started operating effectively in 2016, providing analyses on geodemographic, socioeconomic and institutional characteristics. With these studies, when performing the classification of projects we can identify possible impacts on the local dynamic and propose social investments more appropriate for the reality of a given territory. The document generated also gathers information on the other BNDES' projects existent in the region and on new opportunities of operation in the place.

To deepen the knowledge about determined regions, we still congregate technical nucleus, groups formed by professionals from different areas, which operate structurally in selected territories (projects surround), planning, proposing, promoting, coordinating and monitoring our actions and operations in the location.

In 2016, we performed the first monitoring of projects through satellite images. The tool is based on the communication between photographic records obtained during the phases of awarding, monitoring and conclusion of the project. The analysis of images allows dimensioning the project's total area and the alterations occurred in a determined period.

canoeing, initiated in 2011. For the first time, Brazil was awarded with medals in this sport.

There were four medals in total, considering the Olympics and Paralympics: silver and bronze medals, in the 1,000 meters event and in the 200 meters event (C1), respectively, won by Isaquias Queiroz, and silver in the 2,000 meters event (C2), won by Isaquias Queiroz and Erlon de Souza. In the Paralympics canoeing, Caio Ribeiro won bronze medal in the KL3

category. Brazil still participated for the first time in the Olympic final of the slalom modality (K1), with the canoeist Pedro Gonçalves, Pepê, who finished the competition in sixth place.

Last year, we invested around R\$ 27 million in supporting sports in Brazil, amount distributed into six great projects, all relative to canoeing: Canoeing Circuit 2016; permanent team of slalom modality; Brazil Canoeing Cups Circuit 2016; purchase of boats for the Brazilian Canoe Confederation; canoeing international competitions and speed canoeing training center.

Support for culture

We invested in structuring cultural projects via **financial support** (to the cinematographic industry, publishing industry, among others) or non-reimbursable funds (for instance actions of restoration of historical patrimony and maintenance of collections). In 2016, we included in our Cinema Notice a new category: animation short movies, which aims to promote innovation in the segment.

Learn more in the section
Our performance – Industry



Isaquias Queiroz won two silver medals and one bronze medal in the Rio Olympics | Photography: Iran Schleder

Through this support we want to stimulate characters experimentation, new techniques, narratives and languages, aiming to develop own intellectual property and investments in research in a developing industry.

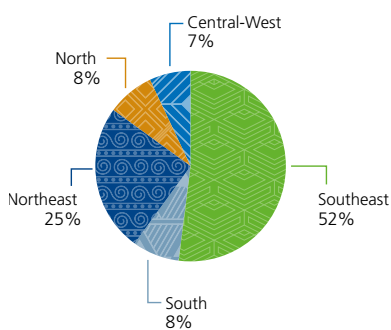
A highlight in maintenance of collections was the project *Rede de Arquivos do Iphan* (Iphan Archives Network), with the launch, in 2016, of the Papaya Platform, for access and integration of digital information of the collection of the National Historic and Artistic Heritage Institute (IPHAN). At first implemented in a pilot network, it may be extended to other units in the 27 Brazilian states. One estimates that the public directly and indirectly benefited is of around 100,000 users/year, which will not interrupt the physical access to documents.

We also gave cultural sponsorship looking for privileging initiatives that promote the expansion of the access to the various forms of artistic manifestation and to the qualification of audiences and professionals from different sectors. In this sense, in 2016 we had actions such as free broadcast of lectures of the FLIP Literary Encounter in Paraty, on big screens and on the internet;

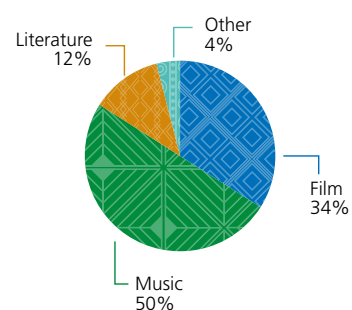


11th CineOP – one of the film festivals sponsored by BNDES in 2016 | Photography: Leo Lara/CineOP Collection

CULTURAL PROJECTS SPONSORED, PER REGION



CULTURAL PROJECTS SPONSORED, PER CATEGORY



Agricultura da imagem (Image farming) exhibition, by Rodrigo Braga, considered one of the ten best exhibitions in Rio de Janeiro in 2016, according to reviewers of O Globo | Photography: Yan Telles/ BNDES Collection

workshops at the 11th CineOP – Ouro Preto Film Festival and at the Tiradentes Film Festival, as well as the performance of master classes with renowned musicians, in the Mimo Festival and Piano Brazil project.

In 2016, we gave sponsorship to 50 projects, totaling R\$ 28.3 million.

By means of sponsored projects, we promoted the cultural sector in the five regions of the country and made products and cultural manifestations available in areas such as cinema, music and literature, among others.

In 2016 we started the review of our policy of sponsorship, aiming to reorient our actions in this field, aligning even more sponsored project profiles with our mission and strategic plan. Another effect will be a greater targeting of actions to privilege socio-educative projects.

Technical-scientific projects

Ninety-three percent of the projects supported last year dealt with themes

directly related to our principles and strategic guidelines. Most sponsored projects are related to the guidelines “industry” (emphasis on productivity, competitiveness, innovation and technology diffusion) and “recovery of the role of formulator and influencer of public policies”. We sponsored 49 technical-scientific projects in 2016, amounting to R\$ 8.2 million.

BNDES Cultural Space

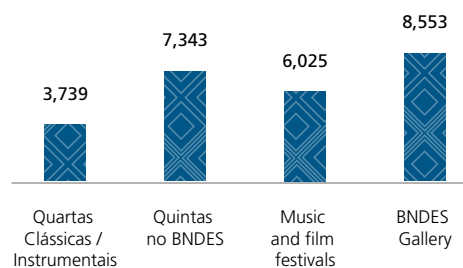
Throughout 2016 we continued to contribute to democratize the access to culture through receipt of projects and cultural events at the BNDES Cultural Space, which always has its doors open for the public in general, with free attractions.

In 2016 The BNDES Cultural Space offered more than eighty attractions – 78 musical shows and five exhibitions – all selected by means of public notices. In addition to these attractions we received musical and movie festivals supported by us

in our theater, with a program of concerts, shows and special movie sessions. During the year we also offered our facilities for events such as lectures and chats, with emphasis on the presence of the poet Ferreira Goulart, the moviemaker Zelito Viana, the curator of the 32nd Biennial of São Paulo, Jochen Volz and representatives from the LGBTI movement, during the Rio Festival of Gender and Sexuality in Cinema.

The Cultural Space had more than 25,000 visits over 2016.

BNDES SPACE: FREQUENCY OF AUDIENCES PER PROJECTS OR ATTRACTIONS



ECO-EFFICIENT HEADQUARTERS:
SUSTAINABLE CONDOMINIUM

The Juvenal Osório Gomes Business Building (EDSERJ), in Rio de Janeiro, building in which BNDES has the greatest part of its activities, has been modernized every year, with a positive impact on the management and efficiency in the use of resources. In 2016, we emphasized the improvement of the building’s lighting and air-conditioning systems, representing a new reduction in the annual consumption of energy (see chart on the right). We are gradually replacing the fluorescent lighting for LED-based lighting and installing presence sensors in several areas of the building as well as modernizing the automation system. We are also implementing a lighting pilot project on the 20th floor of the building, congregating LED technology and task lighting. After the evaluation of the results, the project may be amplified to other floors. Nowadays, the EDSERJ condominium has the following seals and certifications: PBE Build label (Commercial, Services

and Public Buildings) – Inmetro; ENCE General Level B – Procel; and BREEAM In-Use certification. We are in process of LEED EBO&M certification.

ENERGY CONSUMPTION – comparative series



The total electric energy consumption of EDSERJ between January and December 2016 was 15,632 MWh, representing a reduction of 1.26% in relation to the same period of 2015, when it consumed 15,831 MWh, despite the **increase in the building fixed population** since August. The consumption of diesel oil to supply generators and service vehicles was 13,908 liters, 5.36% more than the 13,200 liters consumed in the same period of the previous year.

Learn more in the section
Our staff and structure

Consumption of water in liters

EDSERJ’s total consumption of potable water coming from the distributor (CEDAE) for air-conditioning, irrigation, hydro sanitary installations and purifying systems, between January and December 2016 was 64,180,000 liters, 0.38% more than the 63,940,000 liters consumed in the same period in the previous year. The consumption of mineral water acquired in plastic recipients between January and December 2016 was 60,286 liters, 6.46% less than the 64,448 liters consumed in the same period in the previous year. EDSERJ does not yet have any kind of water treatment for reuse or rainwater harvesting.

WATER CONSUMPTION IN 2016

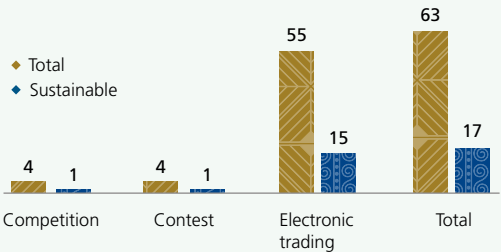


Total weight of residues per type and disposal method (2016)



Landfill (ton)	Organic	167.11	Disposal performed by hired companies
	Debris	70.42	Disposal performed by hired companies
Recycling (ton)	General	169.39	Disposal through cooperatives and/or specialized companies, according to the characteristics of the materials/products
	Lamps	0.42	Disposal through specialized company for recovering the mercury and recycling the remaining material
Reuse (ton)		1.05	Basically, electronic waste: disposal through specialized company for screening and posterior reuse
Others: infecting (ton)		0.17	Basically, waste from the walk-in clinic: disposal through specialized company that does the auto-wash (decontamination) and posterior dispatch to the landfill

New suppliers selected considering environmental criteria*



* Bidding processes that adopt some type of sustainable criteria in their invitations for bid, such as certifications, practices and orientations related to socio-environmental issues.

AMAZON FUND

Created in 2008, the Amazon Fund purpose is to raise donations for non-reimbursable investments in actions of preventing, monitoring and combating deforestation, besides promoting conservation and sustainable forest and biodiversity use in the Legal Amazon.

Considered a pioneer activity for Reducing Emissions from Deforestation and Forest Degradation (REDD+), the Fund is managed by BNDES, which raises funds and awards and monitors the projects supported. Its governance structure involves a guiding committee, which counts on the participation of entities that represent the civil society, several ministries and agencies of the Federal Government from all states of the Amazon region.

From 2008 up to the end of 2016, BNDES raised R\$ 2.8 billion from the Norwegian Government (greatest donator), from the German development bank (KfW Entwicklungsbank), and Petrobras. In the same period, 86 projects were approved, amounting to some R\$ 1.4 billion in investments.

In October, we held the seminar “Amazon Fund: challenges and perspectives,” which gathered representatives from BNDES, the

Federal Government, the ambassadors from Norway and Germany and private sector and civil society, aiming to hear and understand how the fund’s actions may be more efficient and have even more impact regarding its mission of conciliating the reduction of deforestation with the sustainable development of the region.

In the same month, at the fund’s annual meeting in Oslo, we received approval from Norway and Germany to extend the application of the resources up to 2030, with new donations expected, amounting to US\$ 500 million from Norway and € 100 million from Germany, through KfW.

Among the main actions of the Amazon Fund in 2016, we emphasize the strengthening of the support for indigenous peoples that live in the region. We approved three more projects in the scope of the Public Call-for-Submission for Projects aimed at Providing Support for Territorial and Environmental Management Plan on Indigenous Land, totaling six initiatives with the total amount of R\$ 63.3 million of support from the Fund.

Considering the support for activities that are part of other projects, the total

of resources earmarked for indigenous peoples from the Amazon region reaches R\$ 154.6 million in 22 projects. Regarding territorial dimension we have already reached more than 50% of indigenous lands of the region, which represents 23% of the Legal Amazon.

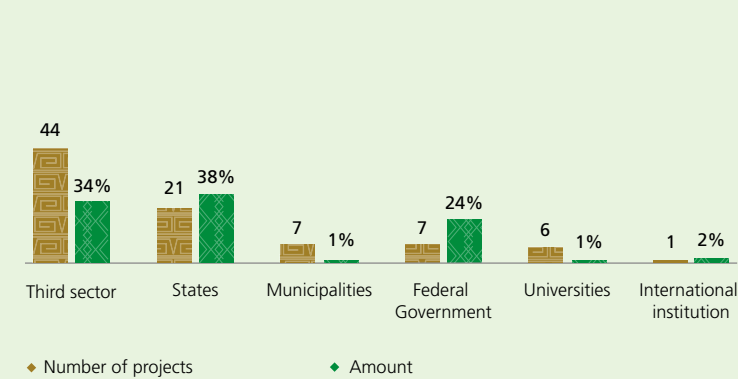
In Marrakesh, at the COP 22, we presented the results of the fund regarding the combat against deforestation and sustainable development, with emphasis on the event that we organized at the room earmarked for Brazil, called “The Amazon Fund as a financial instrument for REDD+: fostering sustainable development in tropical forests. The Amazon Fund was also theme of an exhibition at the Global Landscape Forum.

Another 2016 highlight was the Amazon Integrated Project. We directed R\$ 33.7 million to the initiative, aiming to invest in technologies and knowledge directed to recovering, conserving and the sustainable use of the biome.

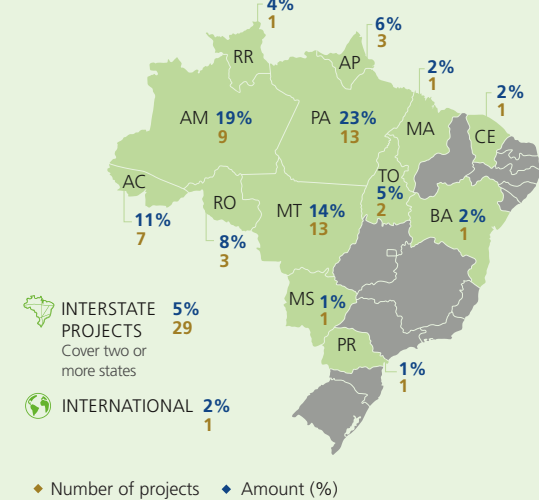
The support is earmarked to perform projects of research and transference of technology from the various EMBRAPA’s units, which act as regional offices.

SOME NUMBERS OF THE AMAZON FUND

SUPPORTED PROJECTS’ DISTRIBUTION, PER LEGAL NATURE OF THE INSTITUTION – 2008 TO 2016



SUPPORTED PROJECTS’ DISTRIBUTION, PER LOCATION 2008 TO 2016



OUR PERFORMANCE

BNDES IN NUMBERS

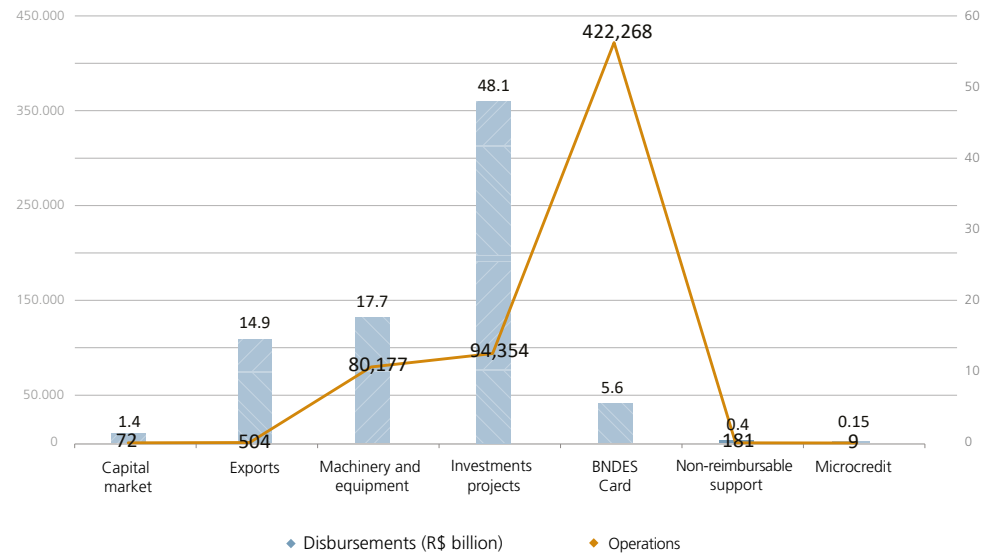
Operational performance

In 2016, we disbursed R\$ 88.3 billion. In comparison with the previous year there was a 35% decrease in disbursements. This performance followed the slowdown of the demand for new investments.

It is also worth mentioning that a relevant part of the disbursements reflects approval of operation of previous years, since the cycle of the process of credit granting takes around ten months. We highlight that our processes have been reviewed so that 50% approvals occur within up to 180 days.

Even in the face of this retraction scenario, we continued operating to supply the Brazilian economy needs of financing, mainly in the segments where there is greater restriction of credit access. The emphasis is on the BNDES PROGEREN disbursements, earmarked to finance companies' working capital, in the amount of R\$ 2.7 billion, and expansion of the participation of micro, small and medium-sized enterprises in our total disbursement. Moreover, it is important to cite the increase in disbursements for exports, transportation material (manufacturing and assembly of vehicles, vessels, railway equipment and aircrafts) and the farming sector.

DISBURSEMENTS AND TOTAL NUMBER OF OPERATIONS, PER PURPOSE



CAPITAL MARKET

Subscription of bonds, corporate securities in public offerings and investment funds (via BNDESPAR)

EXPORTS

Financing of production or commercialization of Brazilian machinery, equipment and services for exportation

MACHINERY AND EQUIPMENT

Support to the acquisition, production or commercialization of national machinery, equipment, and computer and automation products, including for leasing operations and agricultural machinery, equipment, and implements

INVESTMENTS PROJECTS

Financing of undertakings of companies of all sizes, in various economic sectors

BNDES CARD

Pre-approved revolving credit to acquire products, inputs and registered services

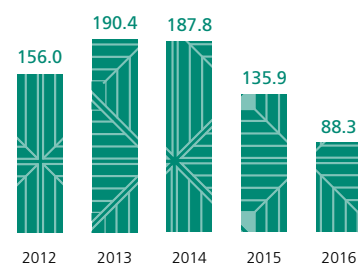
NON-REIMBURSABLE SUPPORT

Support for unclaimed funds for initiatives of social, cultural, environmental, scientific or technological character

MICROCREDIT

On-lending for microcredit operators so that they can make small-value loans to formal and informal microentrepreneurs, normally without access to the traditional financial system

SERIES OF TOTAL DISBURSEMENTS (R\$ billion)



INCREASE IN THE DISBURSEMENTS

	2015	2016
 EXPORTS	R\$ 6.8 billion	R\$ 14.9 billion
 TRANSPORTATION MATERIAL	R\$ 10.9 billion	R\$ 12.6 billion
 FARMING SECTOR	R\$ 13.7 billion	R\$ 13.9 billion



R\$ **88.3** BILLION

DISBURSED IN



597,565

OPERATIONS WITH



144,912

CLIENTS (not including individuals)



R\$ 14.5 BILLION
GREEN ECONOMY

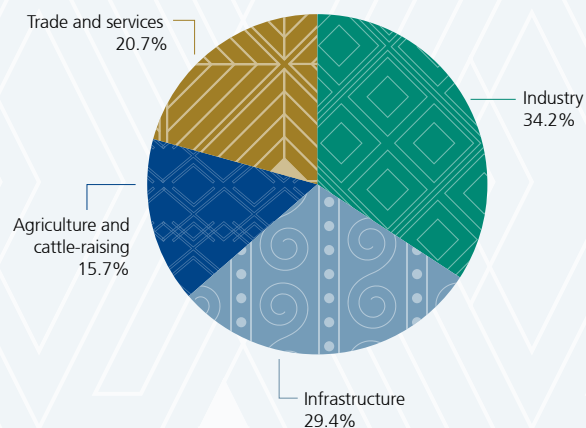


R\$ 3.6 BILLION
INNOVATION

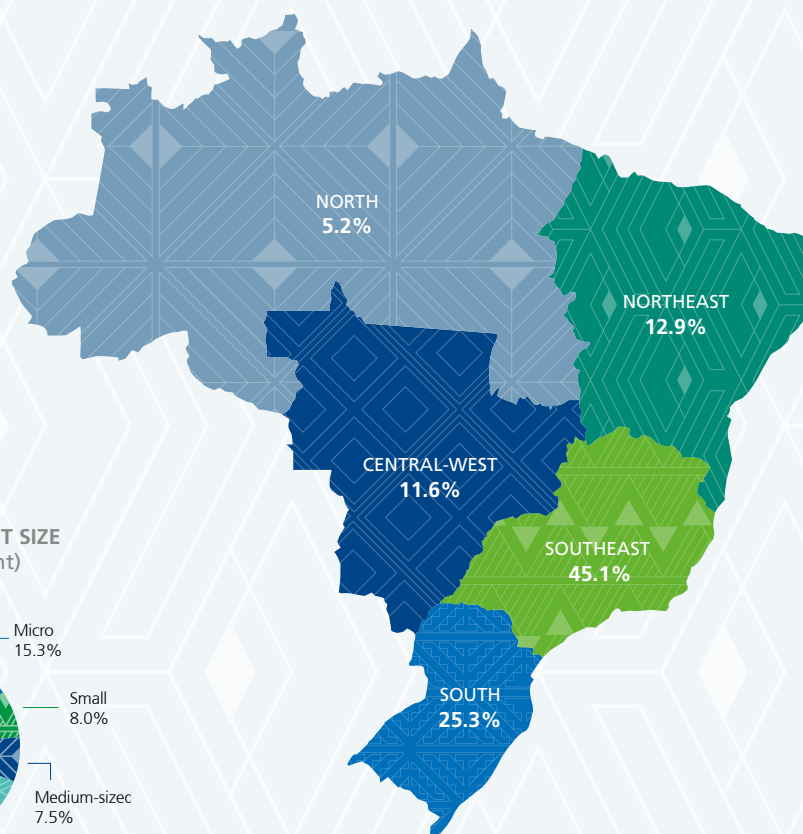


R\$ 9.7 BILLION
SOCIAL DEVELOPMENT

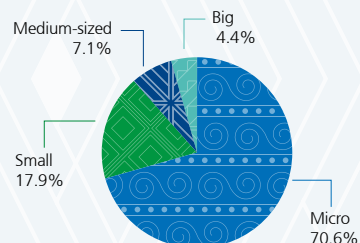
DISTRIBUTION PER SECTOR



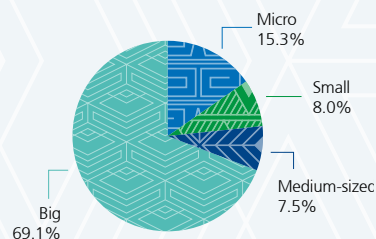
DISTRIBUTION PER REGION
(% disbursements amount)



DISTRIBUTION PER CLIENT SIZE
(% number of operations)



DISTRIBUTION PER CLIENT SIZE
(% disbursements amount)



Micro: companies with annual operational gross revenue smaller than or equal to R\$ 2.4 million.

Small: companies with annual operational gross revenue between R\$ 2.4 million and R\$ 16 million.

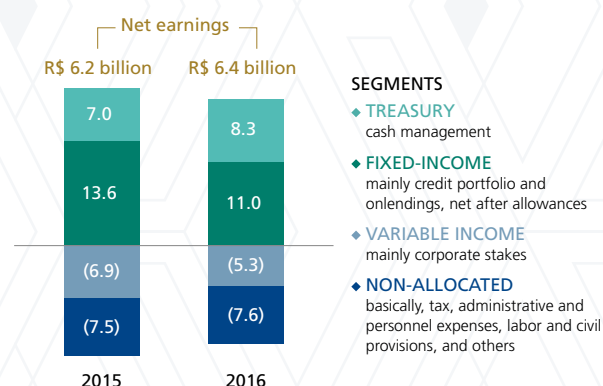
Medium-sized: companies with annual operational gross revenue between R\$ 16 million and R\$ 90 million.

Big: companies with annual operational gross revenue above R\$ 90 million.

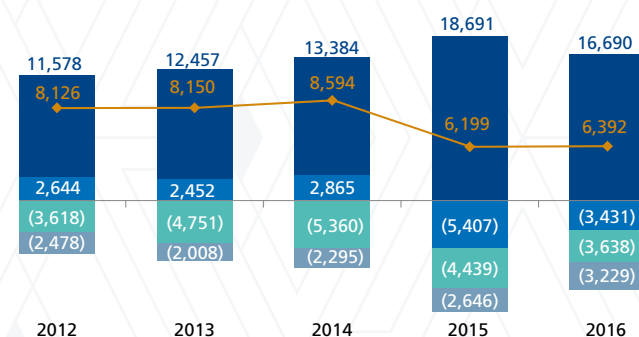
FINANCIAL PERFORMANCE

Our net earnings reached R\$ 6.4 billion in 2016, registering an increase of 3.1% in relation to the net earnings of R\$ 6.2 billion in the previous year. This variation was due to the provisions reduction for losses in investments (impairment), to the recognition of tax credits and to the result of financial intermediation.

INFORMATION PER SEGMENT (R\$ billion)



RESULTS (R\$ million)



- ◆ Financial intermediation results
- ◆ Results from corporate stakes
- ◆ Tax expenses
- ◆ Other revenues and (expenses)
- ◆ Net earnings

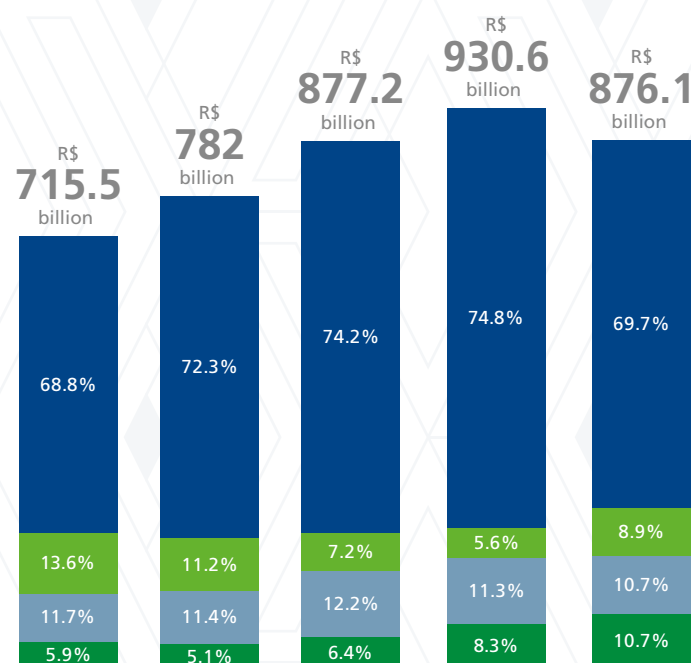
FINANCIAL INTERMEDIATION RESULTS

Results of the application of resources in credit portfolios, onlendings and bonds and securities, net after allowances, for credit risk deducted from the fundraising costs of financial liability. The reduction of 10.7% in the result of financial intermediation in 2016 mainly comes from the provision growth for credit risk, since the product of financial intermediation, before this provision is deducted, presented an increase of 28.2% in comparison with 2015.

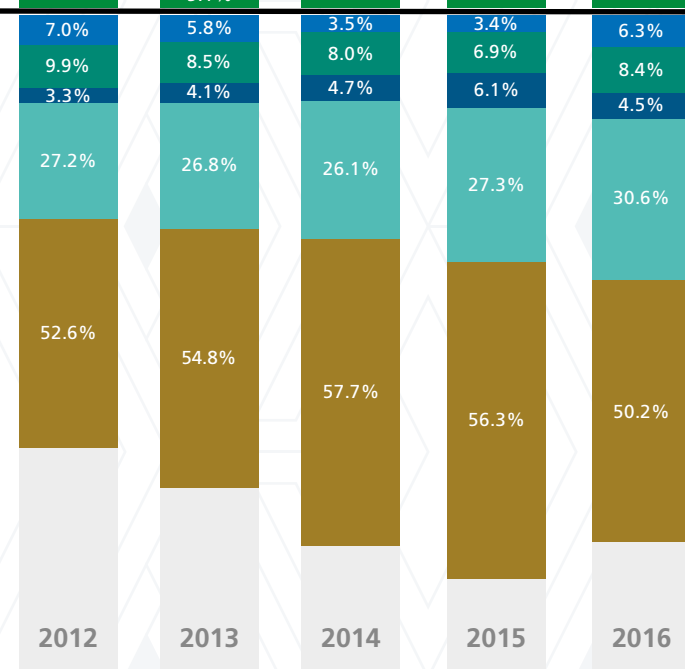
RESULTS FROM CORPORATE STAKES

Results of equity equivalence, revenue from dividends and interests on own equity; divestiture of corporate shares, derivatives from variable income, expenses with impairment and variation in the value of quotas of investments funds in participations. The result with corporate stakes in 2016 was a loss of R\$ 3.4 billion, revealing recovery in comparison to the loss of R\$ 5.4 billion in 2015. The reduction for losses due to impairment explains this improvement, since the other items presented better performance in 2015.

TOTAL ASSETS



TOTAL LIABILITY



CREDIT PORTFOLIO AND ONLENDINGS

Our main asset includes financing conducted directly by BNDES or through partner financial institutions. The 12.1% fall in relation to 2015 was influenced by both the decrease of credit and onlending operation portfolio, whose liquidation surpassed the liberations by R\$ 103 billion and by the growth of R\$ 8.3 million of the provision for credit risk. In 2016, credits classified between AA and C levels – considered low risk – accounted for 96.4% of the total portfolio, higher than the average of 90.4% in the National Financial System (SFN).

CORPORATE STAKES

Shares that the Federal Government held in BNDES as capital and minority and transitory investments that represent an instrument of support for the process of capitalization and development of national companies as well as strengthening the Brazilian capital market. The 49.8% increase in 2016 reflects the valuation, in the amount of R\$ 28.2 million, of the corporate stake portfolio in non-affiliated companies, influenced by Petrobras, Eletrobras and Vale do Rio Doce shares.

BONDS AND SECURITIES

Comprising mainly public bonds and debentures, which accounted for 98.7% of the balance sheet on 12.31.2016.

OTHER ASSETS

Comprising tax credits and receivables from the National Treasury and Eletrobras/Itaipu, accounting for 99.1% of the balance sheet on 12.31.2016.

NET EQUITY

The 78.0% growth in the net equity reflects the effects of the adjustment of positive equity evaluation, net after taxes, of the corporate stake portfolio in non-affiliated companies, and of the bonds and securities, which reached R\$ 19.5 million in 2016, and the net profit of R\$ 6.4 million in the year.

OTHER ASSETS

The Merchant Marine Fund (FMM), issuance of debentures and Agribusiness Letters of Credit (LCA) accounted for 40.4% of the balance of other assets on 12.31.2016.

FUNDRAISING ABROAD

Issuance of bonds, loans from multilateral institutions and other loans. In 2016, we emphasize the investments of R\$ 471 million from KfW, referent to a contract signed in 2015 and R\$ 180 million from the Agence Française de Développement (AFD), related to the contract signed in 2014.

PIS-PASEP AND FAT

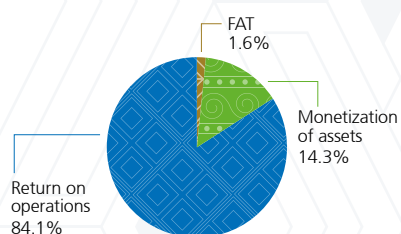
Since 1988, the PIS-PASEP Fund has not received further resources, which are now allocated to the Workers' Assistance Fund (FAT). Of the total of this revenue, 40% is secured to BNDES by the Brazilian Federal Constitution. The cost is mainly pegged to TJLP, or LIBOR plus dollar variation. In 2016, R\$ 16.2 million was raised, coming from FAT, a volume 16.1% inferior to the volume of 2015, being 94.8% from constitutional source.

NATIONAL TREASURY

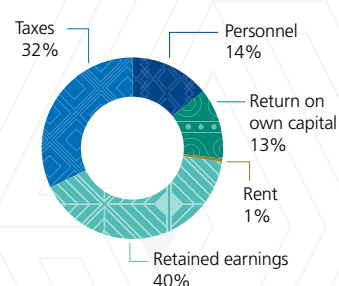
Since 2008, with the increase of onlending resources, the National Treasury has become the main BNDES' source of resources, responsible for 50.2% of the total assets on 12.31.2016, a participation inferior to the 56.3% observed on 12.31.2015 due to the advance payment of R\$ 113.2 billion of debts in 2016.

For comparison purposes, the instruments eligible as core capital are classified as liability with the National Treasury in all fiscal years.

CASH FLOW PER SOURCE OF RESOURCES 2016



ADDED VALUE DISTRIBUTED 2016



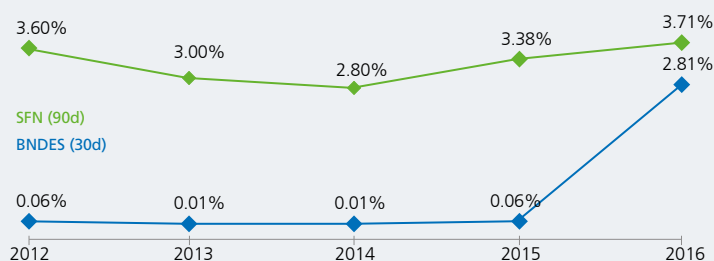
GENERATED AND DISTRIBUTED WEALTH

An important indicator in assessing the social role, the Added Value Statement (DVA), according to a global vision of performance, presents the company's contributions to generate wealth for the economy in which it operates and its effective distribution to employees, the government, financial agents and their shareholders. Wealth generated and distributed by BNDES in 2016 was R\$ 12 billion, a performance 4.6% inferior compared to 2015, caused by a 34.5% reduction of the result of equity equivalence.

Indicators	2015	2016
Basil Index	14.7%	21.7%
Principal Capital Index	9.8%	14.5%
Tier 1 Capital Index	9.8%	14.5%
Return on Total Assets (ROA)	0.7%	0.7%
Return on Equity (ROE)	15.4%	14.8%

BNDES DEFAULT X SFN

Our default rate reached 2.81% on 12.31.2016, an increase in relation to 2015 (0.06%), but still below that registered by the National Financial System (SFN). It reflects the management and quality of our portfolio, the consistence of operational policies and our role as a development bank. The low volume of renegotiations, equivalent to 6.34% of the credit portfolio and onlendings in 2016, is another indicator of our judicious process of credit granting.

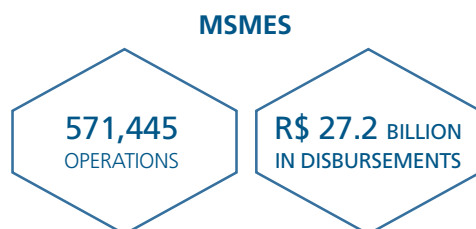


In December 2016, there was an advance payment of R\$ 100 billion in debts pegged to the TJLP. Although the initial prevision was to pay this amount from 2106, in three annual installments of R\$ 40 billion, R\$ 30 billion and R\$ 30 billion, respectively, one opted for the integral payment of R\$ 100 billion in 2016, considering the flow estimate of BNDES' net disbursements for the next three years and the fact that such anticipation would not affect BNDES' equity structure and the full compliance with the prudent bank rules.

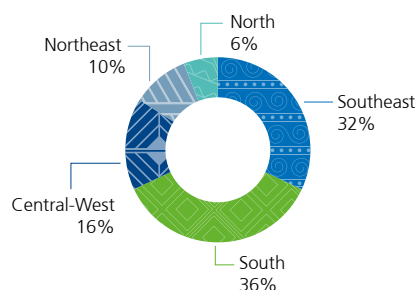
Learn more in the section
Risk management and
financial sustainability

MSME

We designed an action plan to simplify, expedite and amplify credit access to micro, small and medium-sized enterprises (MSME), aiming to help the resumption of economic growth, maintenance and generation of employment and income.



**REGION DISTRIBUTION
PER DISBURSEMENT**



We launched BNDES Agro for the farming sector, the Bank's first application developed for smartphones and tablets. The system publishes information on financing conditions, simulates credit operations more appropriate to the rural producer's needs, allows one to calculate financing installments and to send emails, besides having a calendar with the main businesses fairs of the segment. The next plan for the application is to amplify its scope, enabling the consultation of operations already registered with BNDES.

The operations with cooperatives from the agro-industrial complex deserve to be highlighted. Around 70% of these cooperatives' members are micro and small rural producers, who find greater power in this form

of organization in negotiating prices when acquiring inputs and selling products, besides an easier access to credit and technical assistance. Thus, we indirectly contribute to generate jobs in the field, producing food (including with higher added value), increasing exports and generating foreign currencies, strengthening family farming and improving the life conditions of rural producers.

Another highlight of the year was the financing of working capital through BNDES PROGEREN, which had its budget increased to R\$ 10 billion and term extended to December 31st, 2017. Focused on the MSMEs, the line of credit registered 87% of its approval for this group of companies.

In an attempt to increase the automation of credit granting processes of automatic indirect operations and thus reduce the approval terms, contracting and releasing resources, we performed better rationalization and **simplification of lines and programs**, mainly for MSMEs.

Moreover, we advanced regarding actions for launching a relationship environment on our website, exclusive for micro, small and medium-sized entrepreneurs. Through this tool, entrepreneurs will be able to identify the credit lines available for the purpose desired, simulate financing, obtain the result of previous consultations of certificates required by federal legislation, indicate the financial agents of their preference and quickly submit their requests for financing.

We still are developing a new integrated technology platform, searching for automating most part of contracting, reducing costs of transaction and attributing greater reliability to processes.

By the end of 2018 the goal is to reduce the average terms of internal processes from thirty to up to two working days.

In order to gain a better client view and to add more transparency to the market, we amplified the forums with **financial agents**, in which we divulged the performance of the credit lines and the actions in progress, as well as collecting suggestions for improvement and market perceptions in relation to the processes.

In 2016, we approved the extension of the limit for a company's classification as MSMEs from R\$ 90 million to R\$ 300 million, based on the gross operational revenue. This change reflects a new BNDES' concept of classification of companies according to size, in line with standards used by financial agents and the General Law of Micro and Small Companies (Law 155/2016). Thus, in 2017, approximately 1,500 companies will have better financing options.

In addition, to serve this public, we have worked on the structuring of financing operations with the participation of anchor companies, which, by establishing networks or strategic alliances with MSMEs can help mitigate one of the typical constraints for smaller companies' growth: the access to long-term credit.

BNDES Card

At the end of 2016 the **BNDES Card** totaled a disbursement of R\$ 5.6 billion in 422,268 operations. In order to expand the automation and give more agility to the card operation, in 2016 we concluded an important action of integrating with the database of the Internal Revenue Service. This solution allows obtaining reliable register data for CNPJs (Corporate Taxpayer Identification Number) and CPFs (Individual Taxpayer Identification Numbers); register updating of users with Federal Revenue's data from the CPF; automatic periodic updating of companies' data with

Learn more in the section
Our strategy

Learn more in the section
The Brazilian development bank

Learn more in the section
The Brazilian development bank

Federal Revenue's data from CNPJ and direct presentation of the Federal Revenue's information on consultation screens and analysis of manufacturers' accreditation.

BNDES FGI

In 2016, we reached the mark of 30,000 operations guaranteed by the Investment Guarantee Fund (BNDES FGI), which has been consolidating itself as an important financial inclusion instrument for MSMEs, totaling more than R\$ 5.7 billion in guaranteed financing.

From the second semester, BNDES FGI started offering greater percentage of coverage in financing operations performed in the scope of the lines of accredited financial institutions, besides introducing an option of guarantee for operations directed exclusively to working capital, in addition to the guarantee for operations of investment, which was already subject to contracting.

We also highlight the continuity of BNDES FGI's onlending operations focused on innovation. In 2016, the program BNDES Innovative MSME had 61% of its contracting made available with support from guarantee.

MICROCREDIT

In order to expand distribution channels and expedite financial support granting, at the end of 2016 we began reviewing our instrument of support for formal and informal microentrepreneurs, generally without access to credit in the traditional financial system. Support is given indirectly through agents that transfer resources to the microentrepreneur.

Since 2005, we disbursed more than R\$ 1 billion for the segment, with a multiplier effect amounting to R\$ 4.5 billion. The resources allowed performing 1.3 million operations. In 2016 alone we

Learn more in the section
*The Brazilian development
bank – Structuring of projects*

supported some 250,000 individuals and micro and small companies through the BNDES Microcredit.

INFRASTRUCTURE

In 2016, we disbursed R\$ 25.9 billion for infrastructure projects. Advances in this sector promote the improvement of the quality of life of the population, integrate regions and increase the competitiveness and productivity of companies in all economic activities.

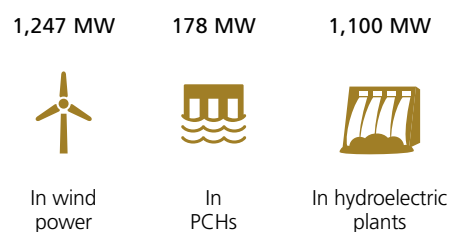
In addition to operating in the sector through financial support, we also conducted the process of concessions and other forms of privatization of assets in the sector, in the scope of the **Investment Partnership Program (PPI)** structuring projects aimed at attracting private partnership, offering technical support, identifying opportunities and conducting all the activities involved.

Energy

Last year, we approved 22 projects to support the generation, transmission and distribution of energy, with emphasis on the **Sinop hydroelectric plant (MT) and Santa Mônica wind power complex (CE)**.

The investments in renewable electricity generation in 2016 totaled 2,525 MW. Moreover, we approved credits for new transmission projects, representing 3,000 km of lines added to the system.

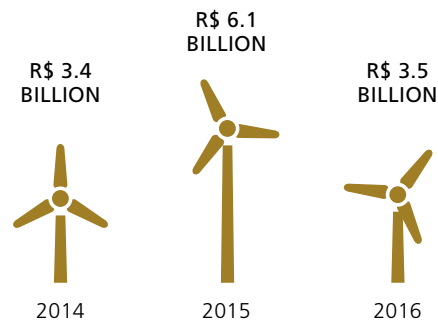
INVESTMENT IN GENERATION OF RENEWABLE ELECTRIC ENERGY (2016)



This capacity will serve
6.3 MILLION HOUSEHOLDS

Learn more in the section
Making a difference

SERIES OF DISBURSEMENTS TO WIND POWER



Since 2005, we have supported a number of wind power projects with capacity of 10,240 MW, serving 21.3 million households. In ten years the wind power source has reached the mark of 9,800 MW in expansion of capacity installed, surpassing the small hydroelectric plants (PCH) and approaching the capacity of generation by biomass.

In the second semester, we reformulated our **operational policies**, including specific orientations for the electricity sector. The best financing conditions were allocated to energy efficiency and solar projects, with up to 80% participation in the eligible items with costs in TJLP, and projects for alternative sources of energy, with up to 70% participation in TJLP. Since 2014, when we started promoting the solar energy sector, we have collaborated to the success of contracting 2,652 MW of power in auctions, by divulging specific conditions of support for the sector, which can be requested later by the winners.

The changes applied to our operational policies contribute to Brazil's compliance with the voluntary marks for reducing greenhouse gas emissions and expanding alternative renewable sources announced at the 21st Conference of the Parties (COP 21) in Paris, and ratified by the country last year in **Marrakesh**.

Learn more in the section
Socio-environmental responsibility

Besides, in 2016 we incentivized greater use of debentures in the financing for energy projects. Of the projects approved last year, 16 provide for the issuance of debentures, with guarantees shared between the debenture holders and us. The issue enables an additional leverage of 10% on average, thus creating a complementarity between our long-term financing and the funding of the capital market, through debentures of infrastructure.

Concessions in the sector

CELG

In November 2016, the privatization auction of Celg Distribuição, an electric power company operating in the state of Goiás, was conducted. The shareholder control of the distributor was sold to Italy's Enel Brasil S.A. for R\$ 2.2 billion, 28% of premium over the stipulated minimum price of R\$ 1.70 billion.

BID NOTICE FOR CONTRACTING OF STUDIES

Also in November we published the bid notice for contracting economic and financial valuation services needed for sale of the controlling interest of Eletrobras' six electric power distributors. In addition to the evaluation itself, the bid notice includes sales modeling, legal, accounting, technical-operational, and other specialized professional services.

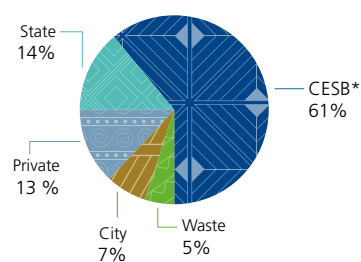
SECOND PHASE OF THE TRANSMISSION AUCTION 13/2015

We collaborated directly with the Brazilian Electricity Regulatory Agency (ANEEL) for the success of the new electric power transmission concessions. We have made an evaluation of the impact of the financing conditions offered by us in determining prices and reference revenues for the auctions. Because of this initiative, ANEEL determined new reference revenues to provide

greater viability and attractiveness for investors. Thus, in the second stage of the Transmission Auction 13/2015, 21 out of the 24 auctions of concession of transmission lines succeeded. In total, 6,126 km were tendered with an average discount of 12.07% and associated investments of R\$ 11.6 billion. This result indicates the resumption of confidence in the energy transmission segment, with the return of former investors and the emergence of new ones.

Sanitation

In 2016, regarding the area of sanitation, we disbursed R\$ 700 million in different projects, focusing on interventions that directly influence the quality of life of the Brazilian population. These resources were distributed as follows:



*CESB: basic sanitation state companies.

It is worth mentioning the approval of R\$ 158.5 million in financing, as form acquisition of debentures, supporting the investment plan that will allow the expansion of networks and implementation of land connections in water supply and sewage systems in the municipalities of the metropolitan region of Belo Horizonte and the countryside of the state of Minas Gerais, with an expected impact on more than 1 million of users.

Public-private partnership for sanitation projects

We sought to develop projects of partnerships with the private initiative for granting investments in water supply and sanitary sewage, which will bring the country closer

to the objective of universalizing these services at a faster pace.

The program of state concessions of the sanitation sector is a priority agenda, with potential positive impacts on health, quality of life, school and work productivity, recovery of water bodies, tourism, economic activity, and generation of employment.

We will act as project office of the state governments, contracting advisory firms to diagnose the sanitation situation in the Federation's units, conduct technical studies and propose appropriate modeling for each case. Up to the end of the year, 17 states had shown interest.

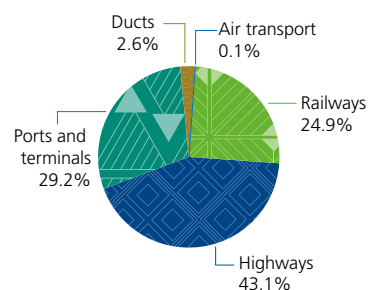
In November we published the notice of technical and legal pre-qualification for the qualification of specialized consultants interested in elaborating technical studies of structuring sanitation projects. Qualified companies will be able to compete in the bidding processes for contracting technical studies in each state adhering to the program.

Urban mobility and logistics

The need for investments in new alternatives of high capacity collective transportation has been reflected on more favorable financial conditions offered to the segment. In 2016, our **support for urban mobility projects** had Rio de Janeiro as highlight, due to the Olympics; Salvador, with support for Bahia's subway and São Paulo, especially with the continuity of support for the subway works.

Equally relevant is the equation of the Brazilian transport matrix and the increase of efficiency, the main objectives for the country's long-term logistics. We promoted actions that stimulate a more intensive use of modalities of lower unit cost (rail and waterway), as well as the development of logistics service providers for greater efficiency of operations.

Our disbursements in logistics and transportation in 2016 were R\$ 3.25 billion, distributed according to the chart:



The largest portion was in the road sector, segment in which there was great launch of projects under the Federal Government's Logistics Investment Program (PIL). In total, we approved the financing for construction of 5,177 km of roads.

Throughout the year we continued to support projects for road concessions integrating the national territory, located in the countryside, outside the traditional South-Southeast and coast axis. They are works for improving, recovering, conserving and duplicating roads, aimed at offering greater safety and fluidity to drivers, passengers, and pedestrians.

The second in participation was the sector of ports and terminals, with support for 20 projects of implementation and/or capacity expansion. This sector encompasses support for waterway transport as well as logistics operators. The highlight was the start of operations of the **Hidrovias do Brasil S.A.** project in Pará. The railroad sector, which receives our support in more than 21,000 km of extension, had a participation of 24.9% in the disbursements of the year.

INDUSTRY

The political and economic uncertainties continued to affect the performance of the Brazilian

industry in 2016. In spite of the unfavorable scenario, we had relevant initiatives to promote the sector.

Within this context, at the end of the year we made the refinancing of installments due from operations that counted on resources equalization by the National Treasury available, with emphasis on those contracted under the Investment Maintenance Program (BNDES PSI). The expansion of the scope of the program is in discussion in order to cover overdue installments as well.

In 2016, we signed an important cooperation agreement with the National Confederation of Industry (CNI), seeking to increase the access of companies (especially micro, small and medium-sized enterprises) to our financing lines and promote investments that increase productivity, sustainability and competitiveness of the Brazilian industry.

Technology

Recognizing that the growth of the Internet of Things (IoT) will bring challenges to the Brazilian productive chain, we approved the preparation of an independent technical study to make a diagnosis and propose public policies related to the theme. The objective is to allow Brazilian companies to enjoy the opportunities offered by this new trend, while remaining competitive. The study will be used as input for the National IoT Plan, an initiative that will be launched by the Ministry of Science, Technology, Innovation and Communications (MCTIC). On December 12, 2016, president Maria Silvia and minister Gilberto Kassab signed a Technical Cooperation Agreement between BNDES and MCTIC to build a strategic agenda for the country on IoT.

We also supported two important investments in digital infrastructure in the country: the construction of 400 new mobile towers in several regions

of Brazil to improve the coverage and quality of telecommunications services (Project of T4U Brasil Ltda.), and the implementation of more than 10,000 km of fiber optic in the semi-arid Northeastern region, giving access to broadband Internet to more than 30,000 households (project of Brisanet).

Economy of culture and tourism

The strengthening of productive chains intensive in knowledge is considered strategic due to the benefits related to the training of a skilled workforce and generation of intellectual property (IP); thus, companies of the cultural economy are part of our scope of operation. In this line, in 2016 the first financing earmarked for a company in the electronic gaming segment was approved, an industry that has high growth potential, intense Brazilian IP generation and strong insertion capacity into the international market. The project consists of a plan for developing multi-platform digital games, as well as corporate and marketing investments, of Aquiris Games Studio S.A., a small company installed at the Tecnopuc technological park, in Porto Alegre (RS).

Still regarding **support of the economy of culture**, in order to seek new funding and increase the governance of productive chains, we encouraged the formation of endowments, as it is already done in other countries. Endowments are based on own resources and managed as the investments funds available in the financial market, within the legal rules, which require good management and governance practices. Their return is used by the institution for its maintenance and development of projects with objectives in line with the strategies

of each institution. Considering the potential of such instrument, in 2016 we sponsored the Endowments Forum, a technical event that gathered representatives from the financial market, governments, public equipment managers and scholars to discuss how Brazil can explore the use of long-term equity funds for the cultural area.

Finally, it is worth mentioning our support for the hotel sector of Rio de Janeiro aiming to expand the offer of rooms for the Olympics 2016.

The projects represented investments of R\$ 2.2 billion, of which R\$ 754 million were financed by us, resulting in an increase of 1,836 new housing units in the city.

Farming

In 2016, we consolidated ourselves as the main financier for investing in rural credit in Brazil, with emphasis on the sectors of agricultural machinery and implements, sustainable agriculture, rural production cooperatives and support for family agriculture.

Still in 2016, we approved the support for a project in partnership with EMBRAPA, aimed at the technological development needed for the sustained growth of the aquaculture sector, whose use is restricted due to the lack of a well-structured productive chain, despite all the natural potentialities of the country.

Primary industry

In partnership with Finep and the National Institute of Industrial Property (INPI), we launched two stimulating plans for the primary industries segment: the Chemical Industry Innovation and Development Plan (PADIQ), which aims to promote innovation projects in this segment, in

Learn more in the section
Socio-environmental responsibility

which Brazil presents clear competitive advantages and the Development, Sustainability and Innovation Plan for the Mining and Mineral Transformation Sector – **Inova Mineral**.

In the oil and gas sector, we promoted the production of submarine equipment, stimulating the absorption of new technologies for the country, and contributed to improve policies to stimulate the local suppliers' chain in the scope of the Program to Encourage Productive Chain Competitiveness, Development and Improvement of Suppliers of the Oil and Natural Gas Sector (PEDEFOR). We can also highlight the support for the naval sector, through the transfer of funds from the Merchant Marine Fund (FMM) to projects of development and construction of vessels.

Biofuels

In the biofuels segment, our support allowed Brazil to assume the world leadership in the technology of **second-generation ethanol (E2G)**. Through the Program for Supporting Industrial Technological Innovation in the Sugar-based Energy and Chemical Sectors (PAISS), launched in 2011, we supported the implementation of plants of E2G production from bagasse and sugar cane straw. In 2016, after overcoming several obstacles inherent in a technological innovation, two of the plants supported started producing ethanol continuously for the first time.

EXPORTS

The disbursements of our lines of **support for exports** in 2016 more than doubled in relation to the previous year, reaching US\$ 4.1 billion. The financing

operations for exports of capital goods were the main highlight, corresponding to 80% release. Our support accounted for 11% of total exports of capital goods in Brazil.

During the year, we disbursed US\$ 2.6 billion in pre-shipment operations and US\$ 1.5 billion in post-shipment operations. Every year, amortizations and interest of financing in post-shipment represent a stable source of foreign exchange currencies for Brazil. In 2016 alone, US\$ 2.1 billion in payments were received for this type of operation.

In line with the strategic guidelines for amplifying access to credit and qualified insertion of domestic companies in foreign trade, in 2016, the BNDES Exim Automatic line supported a larger number of Brazilian exporters, expanded its network of partner banks abroad (11 new institutions started operating it) and simplified its operational process. The average amount of financing in the period was US\$ 600,000, half of the historical average, which indicates its increasing capillarity. The main sectors supported were agricultural machinery and implements, buses, trucks, industrial and construction machinery.

Among highlighted projects is the support for exports of Alstom's hydromechanical equipment with operations contracted amounting to US\$ 111.4 million. This equipment will be manufactured in Brazil and used for the construction of the Ituango Hydroelectric Plant, located in the Colombian department of Antioquia.

We also continued our support for Embraer's exports to SkyWest by contracting two new financing operations in the amount of up to US\$ 1.5 billion, corresponding to up to sixty E175 aircraft, for

Learn more in the section
Socio-environmental responsibility

Learn more in the section
The Brazilian development bank

deliveries between March 2016 and December 2017. This number of aircraft represents approximately 35% of Embraer's expected production for the period.

It is also worth mentioning the Innovative Trading Award we were given as recognition for the first operation of financing for exports of aircraft in on-lending modality, performed with The Export-Import Bank of China.

Support for engineering services

The involvement of client companies in the Operation Car Wash culminated in a Parliamentary Inquiry Commission in 2015-2016 and in a number of audit and investigation procedures regarding our exports support operations by control agencies, such as the Ministry of Transparency, Supervision and Office of the Federal Comptroller General of the Union (CGU), the Federal Court of Accounts (TCU), in addition to the Public Ministry and Federal Courts.

Despite the absence of any involvement of the Bank in illicit transactions in the scope of these investigations, we reevaluated the active portfolio of post-shipment operations of exports of engineering goods and services, comprised of 47 projects in several processing stages, of which 25 contracted parties had disbursements temporarily suspended in May 2016.

We also improved the process of granting of financing, defining new criteria, taking into account consultations with the Office of the General Counsel for the Federal Government (AGU) and other bodies of the official export support system, as well as the recommendations made by the TCU in the scope of its audits. One of the advances was to make the formal

ratification of exporters and debtors mandatory by means of signing a compliance term, of fulfilling the purpose of the application of the resources financed by the Bank.

Finally, in December we held a seminar with partnership between the Brazilian Trade and Investment Promotion Agency (APEX-Brasil) and the Brazilian Association of Engineering Consultants (ABCE) to discuss a medium-term plan to finance the exports of engineering consultancy services by Brazilian companies.

CAPITAL MARKET

One of our strategic priorities has been to contribute to improve the corporate governance of Brazilian companies. In this sense, last year we renewed the technical cooperation agreement with the Brazilian Institute of Corporate Governance (IBGC), besides, in partnership with BM&FBovespa, performing the Novo Mercado (New Market) reform.

Another measure to stimulate advances in corporate governance was the creation of a BNDES nominations **policy** regarding advisory and fiscal councils of companies in which BNDESPAR holds equity interest. Among the most relevant changes is the nomination of independent directors to be BNDES' representatives.

Conciliating two other strategic priorities – the emphasis on alternative energies and the fostering of capital market – we approved the creation of the Sustainable Energy Fund, aiming to invest in encouraged debentures for infrastructure projects, assets primarily related to the low-carbon economy.

This fund will be stimulated, assuring exemption for individual investors and will count on a

Learn more about our operation in variable income in the section *The Brazilian development bank*

maximum BNDESPAR participation of 50% as shareholder. It is the first partner of the Climate Bonds Initiative in Brazil, a non-profit initiative that seeks to promote the creation of financial instruments to support solutions for the climate change issue. Thus, we hope to contribute to form a green securities market in Brazil, increasing the investor basis and increasing the liquidity of the infrastructure securities.

Internally, we developed a methodology for monitoring and evaluating the efficacy and effectiveness of the results of **variable income**, which will be used in further investments.

We also approved an internal resolution to establish new rules to monitor participations, in accordance with the TCU's and CGU's recommendations, in order to assure greater transparency and operational efficiency and demonstrate operation effectiveness and efficacy. This standard is also in compliance with **Law 13,303/2016**, internalizing the standards set forth by it and allowing the registration of monitoring already carried out by our teams.

Lastly, another important fact was the publication of broad information about our investments in variable income – encompassing the 2007-2016 period on our **website** Transparency page.

We made interactive charts and tables showing invested companies, investment year, asset type, sector, objective of the operation, description and amount disbursed available. We also published the list of assets that integrated the portfolio at the end of each year, with percentages of participation in companies and funds invested and the amounts of debentures in portfolio.

Learn more in the section *Governance, control and transparency*

Learn more in the section *Governance, control and transparency*

Learn more in the section *Our relationships*

MAKING A DIFFERENCE

Our performance is guided by **public principles**, one of our values, expressed by the unshakable commitment to the interests of Brazilian society, the focus on collectivity and care regarding public resources. We always seek to work on projects that make a difference to the lives of Brazilian citizens, bringing expressive benefits to society. Know some of the projects that were highlights in 2016.

LOGISTICS

Two thousand and sixteen was a year marked by the starting of operations of the Hidrovias do Brasil S.A. project, in Pará state, supported by us with the objective of implementing a logistic system integrated in Tapajós and Amazon Rivers, earmarked for the fluvial runoff of solid bulks, such as soy and corn. The system is a private use terminal in Vila do Conde (Pará state), of a cargo transshipment station in Miritituba (Pará state), and a fleet of barge convoys. In 2016, around 800,000 tons of grains were transported. The total configuration of the system will allow its operation with up to 5.5 million tons of grains per year in 2018. The project helps reduce the pressure on ports in the country's



Hidrovias do Brasil S.A project's cargo transshipment station
Photography: Rafael Dantas/Hidrovias do Brasil S.A. Collection

Southeastern region, replacing rail and road modalities with the waterway system, which is not only cleaner, cheaper and safer but also brings gains regarding logistics costs, since the terminal is closer to producing regions and to the regions that import Brazilian grains.



SANITATION

Water supply and sewage treatment and collection are one of the priority segments of our operations. As an example, in one of the operations of the Paraná Sanitation Company (SANEPAR), which supports 39 projects in several municipalities in the state, 5,200 water connections and 1,684 sewage connections were added

Improving the conditions of sanitation in Brazil is one of our priorities. Photography: Shutterstock



to the sanitation system with the completion of 13 works in 2016.

Another operation deserving highlight is the implementation of the Water Supply System of Rio das Velhas, in Sete Lagoas, state of Minas Gerais. Because of this operation, 100,000 inhabitants out of a total of 250,000 began being supplied with treated water of this system, reducing dependence on the operation of existing wells, which had been manifesting low flow and lowering of water table levels. The project will serve the local demand for the next twenty years.

We also emphasize the importance of supporting the Onda Limpa Program (Clean Wave Program) – the

Environmental Recovery Program of the Baixada Santista Metropolitan Region, with two credit operations with the São Paulo State Sanitation Company (SABESP). The project is aimed at improving the sanitary and environmental conditions of the municipalities from Baixada Santista, through increased rates of collection and treatment of sewage, benefiting a population of some 3 million, 1.6 million being fixed and 1.4 million floating. The interventions supported were completed in the municipalities of Cubatão, Mongaguá, Peruíbe, Bertioga, Santos, São Vicente and Guarujá, and processes are in conclusion in the municipalities of Praia Grande and Itanhaém.



The VLT (light rail vehicle), in Rio de Janeiro, had its first section opened in June 2016. Photo: André Telles/BNDES Collection

URBAN MOBILITY

In 2016, our support for urban mobility projects highlighted Rio de Janeiro due to the Olympics; Salvador, with support for Bahia's subway; and São Paulo, mainly continuing the support for the subway works.

Rio de Janeiro subway line 4, which connects the already existing network to Barra da Tijuca, was inaugurated in July 2016, with approximately 13 km of tracks and five stations already operating (Nossa Senhora da Paz, Jardim de Alah, Antero de Quental, São Conrado and Jardim Oceânico). According to the concessionaire, some 110,000 passengers are transported each working day.

The fast tram (VLT), also in Rio de Janeiro, had its first section inaugurated in June 2016, operating between Novo Rio Bus Station and Santos Dumont Airport, passing through Mauá Square, Rio Branco Avenue, Carioca

and Cinelândia stations, transporting an average of 25,000 to 30,000 passengers per day, according to the concessionaire. An important unfolding is the fact that Alstom, supplier of Rio's VLT, is producing components in Brazil that up to then were made only in France, with the intention of exporting them to the whole of Latin America.

The VLT was considered eligible by the KfW, the German development bank, to receive part of the resources of the contract signed with BNDES in 2015, amounting to € 265 million. The expansion project for Bahia's subway, in Salvador and Lauro de Freitas, was selected for the same contract, and counted on the commitment to develop local supply by the rolling material manufacturer, Hyundai-Rotem. Therefore, for the first time in Brazil there will be passenger trains with driverless technology, which allows trains remote operation without the

conductor. The manufacturer is also transferring technology so that there is a supplier of an electric traction system for passenger trains (WEG) in the country. In 2016, all the new Line 1's stations were inaugurated, totaling 12 km in length and three Line 2's stations. In December, an average of 70,000 passengers were transported per day on both lines. When finished, Line 2 will count on 20 km length, distributed into 12 stations that will connect important points such as the connection between airport and bus station to downtown Salvador.

Regarding the implementation of Line 5 – Lilac, of Companhia do Metropolitano de São Paulo (Metrô SP), which will cover approximately 11 km distributed between Alto da Boa Vista and Chácara Klabin stations, the tunnel excavation was finalized. The estimate is that after concluding the works, expected by 2018, the line will serve 781,300 passengers.

Projects of this nature, that is, urban mobility, have direct impact on people's quality of life, due to increased speed, security and comfort in the transportation of a large volume of passengers. They also contribute to reduce pollutant emissions, offering a clean alternative to the highly pollutant individual motorized transportation.



CONSTRUCTION OF CISTERNS IN THE SEMI-ARID REGION

In 2016, we supported the construction of approximately 3,000 cisterns in the semi-arid region for food production. These units enable the families to store water for drought periods and produce food for consumption and trade.

With the rains of 2015, in some regions visited in 2016, the results can already be observed, such as increased plantations and animal culture, allowing improvements in the feeding of beneficiaries and trade of surplus production.



Cistern in the municipality of Pedro Avelino (RN) allows families to store water for drought periods. Photography: Luciana Chaves/BNDES Collection



PUBLIC HEALTH

In 2016, two emblematic operations were supported with potential effect on combating epidemics that have devastated the country in the last few years. The first is the support for the Oswaldo Cruz Foundation's (FIOCRUZ) plan to combat the zika epidemic, with positive impacts on dengue and chikungunya as well. R\$ 23 million will be allocated for developing diagnostic kits and actions to combat the virus transmission vector. Our participation enables the anticipation of results for public health, avoiding greater losses for the population, especially to those in situations of greater social vulnerability.

The second operation is the support of R\$ 97 million for the Butantan Foundation for developing a tetravalent vaccine against dengue.

It is expected that the vaccine will benefit around 180 million people throughout Brazil. Our resources are equivalent to 31% total investment and will be earmarked for the costing of clinical trials and the construction of a schedules plant for delivering vaccines. It is an extremely important initiative for not only Brazilian public health but also other countries where the disease is endemic. The project will also contribute to the evolution of technical skills needed for developing vaccines in the country and formatting qualified teams to perform clinical studies.

Two thousand and sixteen also registered the inauguration of the country's first biological medicine production plant, the largest in Latin America, of the company Libbs



Research for combating zika, dengue and chikungunya received our support in 2016. Photography: Shutterstock

Farmacêutica, located in Embu das Artes (São Paulo state). Conceived to meet the most demanding regulatory requirements, the monoclonal antibody factory is projected to be a platform for developing, producing and exporting biomedicines. The initial portfolio considers five biosimilars, all of them with focus on the Partnership for Productive Development (PDP), a program of the Ministry of Health to stimulate the national production of drugs and medicines, the transference of knowledge to public laboratories being expected.

MINING AND STEEL INDUSTRY

The Ferro Carajás – S11D project, of Vale do Rio Doce, which started operating in 2016, involves a total investment of R\$ 37.6 billion (with R\$ 6.2 billion supported by BNDES) in the Carajás mining complex (Pará state) and in the Northern region logistics system.

The project aggregates cutting-edge sustainable, low-cost and high-productivity processes and technologies and avoids the use of reject dams. It is the largest mining complex in Vale's history. With an approximate generation of 40,000 direct and indirect jobs in the peak period of works and social investments of around R\$ 30 million in

surrounding communities, the project will allow the expansion of iron ore production by 90 million tons per year and the expansion of the Carajás Railroad transportation capacity to 230 million tons per year. The estimate is that this production will imply a significant increase in Brazilian exports, with a positive impact on Brazilian balance of trade, promoting greater economic dynamism to the country.

Also in 2016, the Pecém Industrial Complex (CSP) started operating. It is expected to produce 3 million tons of steel plates per year, earmarked for exports. With an investment of

R\$ 12.7 billion (with R\$ 2.3 billion granted by BNDES), the CSP generated more than 17,000 direct and indirect jobs during its execution, with a significant increase in the gross domestic product (GDP) of the state of Ceará. Of the amount invested, approximately R\$ 1 billion will be allocated to environmental control equipment and processes in which waste management, monitoring of atmospheric emissions and effluent releases are included.

The CSP and Ferro Carajás implementations generated additional 334 km of railways, besides port infrastructure. The investments encompass the financing of approximately R\$ 45 million in social projects with impact on the surrounding communities, including the construction of three elementary schools, a covered fair area for more than 150 rural producers and support for important projects of income generation for local producers.

The Vale's SD11 project will allow expanding the Carajás Railroad transportation capacity. Photography: Salviano Machado/Vale Agency



ENERGY



Our support for energy contributed to diversify the Brazilian energy matrix with sources of clean energy. In 2016, the Itarema Complex started operating, comprised of nine wind farms in the municipality of Itarema (Ceará state), with a total installed capacity of 207 MW, and associated transmission lines. Social investments were also made in actions for the community located in the surroundings. The project sold energy in auction and provides 426,000 households with electricity.

We also approved two important operations in 2016. The Santa Mônica Wind Farm, comprised of four wind farms with financing of R\$ 353.5 million, will have an installed capacity of 97.2 MW and it is located in Trairi, in Ceará's Northwestern region. The project will attend the demand of 214,000 households.

In its turn, the Sinop Hydroelectric Power Plant, with financing of R\$ 1 billion, located in the municipalities of Itaúba and Cláudia, in the state of Mato Grosso, has installed capacity of 400 MW and energy guarantee of 239.8 MW, which is equivalent to the energy demand of 1,083,907 households.



Itarema Complex, in the state of Ceará, comprised of nine wind farms. Photography: Paulo Del Vale/Rio Energy Collection



KLABIN S.A. PULP MILL



Inaugurated in 2016, the construction of Klabin S.A.'s new pulp mill in the municipality of Ortigueira, in Paraná, was supported by us. The Puma unit, as it is called, represents the largest investment in Klabin's history and had BNDES support amounting to R\$ 3.37 billion out of R\$ 7.7 billion invested. In addition to the financed amount we also contributed an additional portion of R\$ 800 million for the project, through the subscription of simple debentures issued by

the company. The municipality has one of the lowest human development indexes (HDI) of the state of Paraná and the new factory provides economic and socioeconomic improvements to the micro-regions of Telêmaco Borba, Ortigueira, Reserva, Imbaú, Tibagi and Ventania. Approximately 11,000 direct and indirect jobs were generated during the construction phase. In operation, the new plant, which has a production capacity of 1.5 million tons per year of pulp, employs 1,400 direct employees.

Klabin S.A.'s new pulp mill brings development to the Ortigueira municipality, in Paraná. Photography: Marcio Bruno de Oliveira/Klabin S.A. Collection



SOCIAL RESPONSIBILITY IN SUPPORTED COMPANIES

Carvalho Hosken Hotel Industry School

In June 2016, the graduation ceremony of the Carvalho Hosken Hotel Industry School's students was held at the Hilton Hotel in Barra da Tijuca, Rio de Janeiro. We supported the social project, an investment of R\$ 210,000, which had the objective of transmitting basic concepts in the hotel industry for low-income youths aged 18 to 24 years. For six months, the youths had the opportunity to practice their knowledge directly in the hotel's operations through a



Igor Gomes, Barbara Silva and Ana Carla Silva, graduated by the Carvalho Hosken Hotel Industry School. Photography: Miguel Sá/Carvalho Hosken Collection

program consisting of courses with practical and theoretical classes given in workshops. Seventy-six

students completed the course, of which 35 were hired by the Hilton Barra Hotel itself.

Lojas Americanas with Galpão Aplauso

It is worth mentioning the project carried out by Lojas Americanas in partnership with the award-winning Galpão Aplauso, an institution with focus on the qualification of socially vulnerable youths. The project includes the training of young people in several operational functions at the logistics area, and involved the adaptation of a shed, turning it into a small distribution center (DC), simulating the reality of a true DC for training. The institution's purpose is to ensure

young participants develop not only technical knowledge but also values and social skills, such as dynamism, attention, responsibility and teamwork, making them professionals more qualified for the job market. Since the beginning of our support for the initiative up to December 2016, 295 youths have already been qualified, of which 35% are already employed. Evaluations of the contracting companies have shown that the productivity of these youths is higher than the average of other employees performing the same activities.



Students and the logistic course monitor during training. Photography: André Telles/BNDES Collection

Operação Sorriso

The support for Operação Sorriso (Operation Smile) integrated the social sub-credit of the financing project for the implementation of the São Miguel do Gostoso Wind Farm, four wind farms in Rio Grande do Norte (RN) state with total installed capacity of 108 MW.

The project consists of support for restorative plastic surgeries for children and adolescents with facial deformities and cleft lip and cleft palate in Mossoró (RN) over four years. The expectation is to perform 214 surgeries and 440 consultations in a locality where, for 20 years, there have been no surgeries to treat patients with cleft lip.



Maria Isis, four months old, on her father's lap, and Dr. Diogo Franco (wearing glasses), the volunteer who performed restorative plastic surgery. Photography: Carla Formanek/Operação Sorriso Collection

STORIES THAT MAKE A DIFFERENCE

Machinery & equipment

Carnevalli & Cia., manufacturer of machinery and equipment for extrusion, co-extrusion and printing of plastic films, was one of the beneficiaries of BNDES Finame, which, for more than 50 years, has been one of the main financiers of machinery and equipment of the Brazilian economy. According to the company, founded in 1962, 90% of the volume of its sales within the domestic market is due to BNDES Finame.

At the other end of the chain, the final loan beneficiaries are able to impel their production and improve the quality of life of their families and employees due to the ease of access to financial resources obtained by means of the product. It is the case, for instance, of Mr. Hélio Hiroshi Toyoshima, who produces coffee on his farm in Cristais Paulista (São Paulo state), in an area of 79 hectares. With increased productivity via acquisition of a Yanmar Agritech 1175 tractor through BNDES Finame, Mr. Toyoshima now reaches the amount of 60 bags per hectare planted.



BNDES Finame benefits machinery and equipment manufacturers such as Carnevalli. Photography: Carnevalli Collection



Rosa Oliveira de Queiroz, partner of Brasport publishing house, doubled the production capacity with BNDES Card financing
Photography: BNDES Collection

BNDES Card

A small-sized publishing house, Brasport Livros e Multimedia has more than 600 titles produced and commercializes almost 2 million copies. Through the BNDES Card financing the company doubled its production capacity. The first Brasport's card was issued by Caixa Econômica Federal in 2005, but nowadays it counts on four issuing banks and is being analyzed by a fifth bank. One of its partners, Rosa Oliveira de Queiroz, affirms that without the BNDES Card it would not be possible to make the production and printing of publications, since it finances the material used to produce the books and to provide the graphic services. In 2016, the company had 27 operations financed, amounting to R\$ 123,456.21 in disbursements. Brasport affirms that the installment payment with fixed rates offered by the BNDES Card facilitates the financial planning of the publishing house, which is able to manage its cards and the limit of each card, in order to always make securities available in the market, which is essential to become known and respected in its environment.

Microcredit

Founder of the Resgate Total Collectors Association, which develops social activities with the families of members in Itaim Paulista, and the Fênix Ágape Cooperative, which currently collects around 100 tons of waste per month, generating income for the families of more than 40 members, Francisca Cosma Gomes Rabelo contracted her first BNDES Microcredit in 2012, at the Banco do Povo Crédito Solidário, to expand the association to her hometown.

Nowadays, the entrepreneur has her ideas and history recognized and rewarded, dedicating herself to develop the Eco Banco Fênix Ágape, which allows exchanging recycling materials for services such as health insurance and computer and English courses, among others. She also plans to take the projects of the cooperative and Eco Bank to the Northeast region.



Francisca Cosma Gomes Rabelo, from Cooperativa Fênix Ágape, contracted BNDES Microcredit in 2012 for the first time.
Photography: André Telles/BNDES Collection

CHALLENGES

The year 2016 was marked by many challenges, mainly due to the continuity of the economic crisis combined with political and fiscal crises; change in economic policy orientation; reduction in investment levels; and the increase of the credit risk.

One of the strategic objectives drawn internally for 2016 was the expansion of access to credit, especially for smaller companies. With the economic-financial deterioration of Brazilian companies and the growing banking concentration, it was necessary to seek new solutions to pursue this objective without affecting the quality of our credit portfolio.

The decline in economic activity and increased risk aversion by financial agents led to a decline in the performance of some of our main programs and automated lines directed to smaller companies.

In this context, we started looking for new models that will bring us closer to our final clients, especially MSMEs. For this purpose we structured a digital action plan with deliveries up to 2018, such as the use of alternative distribution channels, which can expand our capillarity; an environment on the website earmarked for micro, small and medium-sized entrepreneurs and automatic approval of indirect operations. Besides this, we worked to simplify, standardize and improve the treatment of this segment, seeking to strengthen it, understanding its importance for the resumption of economic growth and the maintenance and generation of employment and income. We are also studying ways to reduce deadlines for direct operations, with a goal of 50% of approvals occurring up to 180 days.

In mid-2016, we launched an incentive instrument for the

revitalization of productive assets intended to support the transfer of productive assets, held by companies in economic-financial crisis, to healthy companies. In response to financial difficulties faced by national companies the initiative seeks to stimulate economic activity and companies' social function, preserving jobs and generating income.

Seeking to stimulate the participation of other sources of financing in infrastructure projects, since September 2016, we have not granted bridge-loans anymore. For the energy, railroad and airport sectors we launched new support conditions, incorporating important governance criteria. The sanitation and urban mobility areas were also affected due to the scenario of fiscal restriction of municipalities, states and Union. Seeking to contribute to this agenda, we became responsible for conducting the concession process and other forms of privatization of PPI assets. Seventeen states showed an interest in participating in the area of sanitation. This action is being extended to gas and public lighting concessionaires.

Our mission of assuring Brazilian exporters support compatible with that existing in the international market also faced challenges in 2016.

The involvement of clients in the Operation Car Wash culminated in the installation of a Parliamentary Inquiry Commission (CPI), completed in 2016, and in several auditing and investigation procedures by the supervisory body. Even without any evidence of illegal involvement we reevaluated our active portfolio of post-shipment operations related to the exports of engineering goods and services, based on determinations

and recommendations from the investigations and audits.

In this sense, we highlight the improvement of the analysis of the financing process granting, encompassing aspects of the project beyond the national content exported and financed, such as the impact on the national supply chain, especially on micro, small and medium-sized enterprises and the structure of their budget, involving assessment of the adequacy of the cost, equation of other sources of resources and socio-environmental aspects.

In addition, our support for exports also started being subject to new compliance measures directed to exporters and importers, such as the requirement to sign a specific commitment term for each operation, which provides additional mechanisms for control and punishment.

Here it is worth mentioning the emphasis on improving our processes and policies. Our efforts to adapt the conditions of financing contracting to the current country context and the fulfillment of our institutional mission were not restricted to our support for export operations. Thus, contractual clauses were reviewed to include both compliance and socio-environmental aspects. Regarding another aspect, we also sought greater approximation and dialogue with control bodies and sectoral entities.

Finally, we made efforts to improve the process of monitoring results coming from our financial support and dissemination of these techniques to our personnel, which will allow us to improve the evaluation of our performance and our rendering of accounts to society and other interested parties.

VISION FOR THE FUTURE

In the face of current challenging economic, political, social and environmental contexts, we reaffirm our **commitment to development**, seeking to stimulate and support the growth of a diversified, integrated, dynamic, inclusive, sustainable and competitive production structure.

Moreover, in the first half of 2017, we will hold a seminar in partnership with the World Bank, with the presence of several development banks to discuss the role of institutions such as ours, in stable economies. This event will be the starting point of a participatory process for constructing a 2018-2023 Business Plan and a broad strategic reflection regarding the 2030 horizon.

In a more immediate vision, in 2016 we established some priority areas for our work in the 2017-2018 biannual period.

As already explained in the change made in our operational policies, our TJLP resources will be allocated to projects with greater social rather than private returns, privileging the project themselves rather than the industry in our analysis.

Socio-environmental development will be our cross-cutting guideline, reflecting our commitment to highly effective projects that combine economic, social and environmental impact and sustainability. We will focus more directly on alternative energies, environmental protection, health and education.

We will assume other roles besides that of long-term financier, providing guarantees, structuring operations in the capital market and coordinating processes of privatization. In this sense, the expansion of the scope of the Investment Guarantee Fund

(BNDES FGI) is under analysis, with more potential beneficiaries and alteration of the limits of exemption from requirement of real counter-guarantees.

We will continue our work to expand access to credit focusing on increasing the competitiveness of micro, small and medium-sized enterprises, and on economic and social inclusion through microcredit. For this purpose, in 2016 we began studies and articulations for structuring new distribution channels. We also started developing and implementing changes in the internal concession processes in order to expedite and facilitate the dialogue with our clients, seeking a drastic reduction in the deadline for the Bank's projects and automating processes. An exclusive environment is also under development on our website for micro, small and medium-sized enterprises that will facilitate the access and the processing of this audience's requests. These actions are part of a digital agenda, with deliveries expected through 2018. Other important steps are the expansion of the BNDES Card for individuals and the revision of BNDES Finame accreditation rules.

Another focus that remains a priority due to its characteristics of great externality and impact on increasing the country's competitiveness and productivity is our support for infrastructure, especially sanitation and transportation projects. In addition to the financial support, we will assist the states and municipalities in articulating and structuring projects and we will conduct the process of concessions and other forms of privatization of

assets of the Federal Government's Investment Partnership Program (PPI).

As far as industry and services are concerned, we will focus on initiatives aimed at increasing productivity and competitiveness, helping to integrate Brazilian companies into global value chains. Operations such as the Inova Mineral plan, associated with the formation of innovative environments will be encouraged by us, and we will strengthen our support for developing and disseminating technologies and capabilities. An example is the hiring of a study on the Internet of Things (IoT), which will be used as input for the National IoT Plan.

We will continue to seek to develop and strengthen the market as a source of capital access as well as the promotion of good practices of corporate governance, compliance and socio-environmental responsibility. For this purpose, we developed new products for financing infrastructure, such as the Sustainable Energy Fund and the use of green bonds, which contribute to mitigate market failures, such as low liquidity and high concentration in individual investors. We also structured the first Brazilian venture debt fund to support innovative small and medium-sized companies with high growth potential. Finally, acting in the induction of national sustainable development, we will seek to recover the strength of our role as thinkers, formulators and influencers of development policies.

After a year of transition, with changes of direction in the economy and revision of internal processes, we will be able to perceive the results achieved from 2017 onwards with greater intensity.

GLOSSARY

AGRIBUSINESS LETTERS OF CREDIT (LCA)

It is a nominative (promise of payment) credit of free negotiation, issued exclusively by financial institutions, backed by rights and credits related to the production, commercialization, processing or industrialization of agricultural products or inputs or machines and implements used in agricultural activity. It is currently exempt from the Income Tax (IR) and the Tax on Financial Operations (IOF).

BONDS

Government-issued debt instrument.

BOOKBUILDING

Systematic process of generating, capturing, and recording investor demand for shares during an initial public offering (IPO), or other securities during their issuance process, in order to support efficient price discovery. The process allows the final price of the transaction to be adjusted to the actual registered search conditions.

COMPLIANCE

Adherence to standards, policies, guidelines and regulations.

CONVERTIBLE DEBENTURES

Medium and long-term debt securities issued by companies, where the holder (debenture holder) becomes a creditor of the company and may, under certain conditions, convert the debenture into equity interest in the company.

DEBENTURES

Medium and long-term debt securities issued by companies, in which the holder, the debenture holder, becomes the company's creditor. They can be simple when the redemption or amortization occurs exclusively in currency or convertible when the redemption value can be exchanged for shares. They are also known as market debentures.

DEBENTURES OF INFRASTRUCTURE

Also known as incentive debentures, debt securities are issued by companies in order to finance their infrastructure or other projects. This is a fixed income investment that is exempt from income tax, which makes it more attractive to the investor.

EXCHANGE HEDGE

Derivative transactions aimed at preventing the risks of exchange rate fluctuations.

FIXED INCOME

Financial operations in which the remuneration is paid according to pre-agreed conditions, such as government securities, savings, financing and simple debentures.

FUNDING

Corresponds to the mobilization of third-party resources via capital market or banking market, with an amortization period compatible with the maturity period of the investment that is intended to be implemented.

GREEN BONDS

Debt securities used to finance projects that meet certain socio-environmental criteria, contributing to sustainable development.

IMPAIRMENT

Loss resulting from reduction in the recoverable amount of an asset.

INVESTMENT FUNDS

They are corporate structures that bring together the applications of several individuals and use them for investment in securities, usually shareholdings in companies.

LIBOR

Acronym for the London Interbank Offered Rate, it is the interest rate for loans between international banks operating in the London market, being a benchmark in international transactions.

PUBLIC OFFERING

They are offers, before the investing public, of a certain number of securities for sale. When it involves the issuance and sale of new securities, the offers are called primaries.

SECURITIES

Any security or investment contracts issued by companies that generate the right to participate, partnership or remuneration, including resulting from the provision of services, whose income comes from the efforts of the entrepreneur or third parties. For the issuer, securities are a form of fundraising alternative to traditional financing, while for the buyer they represent an investment with potential for profitability higher than a fixed income security. Examples: shares, debentures or quotas of investment funds.

SEED CAPITAL

Model of investment aimed at supporting companies and projects in the initial stage of operation, seeking to make their business model feasible.

SPREAD

Difference between the interest rate that a financial institution pays on raising funds and the interest rate it charges when granting a loan to individuals or legal entities. This financial margin varies from bank to bank and adds to the usual interest rate charged by the loan, since in the amount of the bank spread are embedded the taxes and the profit to be obtained by the institution in the operation.

TJLP

The Long-Term Interest Rate (TJLP) is fixed quarterly by the National Monetary Council and is a benchmark for calculating interest on long-term financing by BNDES. The TJLP was established in 1994 to be the most attractive rate for long-term investments compared to other rates in the Brazilian economy.

VARIABLE INCOME

Financial transactions that use securities in which the remuneration is not known at the time of application.

VENTURE CAPITAL

Investment in small and medium-sized companies already established and with high growth potential.

VENTURE DEBT

Credits to support innovative and high-growth potential small and medium-sized enterprises aimed at complementing investment rounds to accelerate the implementation of their business plan. Such credits are usually structured with derivatives as call options and subscription bonuses for better remuneration, given the high risk of the investment.

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	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviors, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Our relationships Governance, control and transparency	26 and 27, 31 and 32
102-18	G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Governance, control and transparency	29 and 30
102-19	G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Governance, control and transparency Socio-environmental responsibility	29, 30 and 37
102-20	G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	Governance, control and transparency Socio-environmental responsibility	29, 30 and 37
102-22	G4-38	Report the composition of the highest governance body and its committees	Governance, control and transparency Credits	29, 30 and 66
102-23	G4-39	Report whether the chairman of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	Governance, control and transparency Credits	29 and 66
102-26	G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Governance, control and transparency	29
102-30	G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	Governance, control and transparency Risk management and financial sustainability	29 and 34
102-31	G4-47	Report the frequency of the highest governance body's reviews of economic, environmental and social topics	Governance, control and transparency Risk management and financial sustainability	30 and 34
102-33	G4-49	Report for communicating critical concerns to the highest governance body	Governance, control and transparency	30
102-38	G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the medium annual total compensation for all employees (excluding the highest-paid individual) in the same country	Our staff and structure	23
102-39	G4-55	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Our staff and structure	23 and 24

GRI STANDARDS	GRI4	DESCRIPTION	SECTION	PAGE
102-41	G4-11	Report the percentage of total employees covered by collective bargaining agreements	Our staff and structure	22 and 23
102-45	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents covered or not by the report	On this report	6
102-46	G4-18	Explain the process for defining the report content and the aspect boundaries	On this report	6
102-47	G4-19	List all the material aspects identified in the process for defining report content	On this report	6
102-50	G4-28	Reporting period (such as fiscal or calendar year) for information provided	On this report	6
102-51	G4-29	Date of most recent previous report (if any)	On this report	6
102-52	G4-30	Reporting cycle (such as annual, biennial)	On this report	6
102-53	G4-31	Provide the contact point for questions regarding the report or its contents	On this report	6
201-1	G4-EC01	Direct economic value generated and distributed	On this report	47
201-3	G4-EC03	Coverage of the organization's defined benefit plan obligations	Our staff and structure	24
205-1	G4-SO03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Risk management and financial sustainability	34 and 35
205-2	G4-SO04	Communication and training on anti-corruption policies and procedures	Governance, control and transparency	33
205-3	G4-SO05	Confirmed incidents of corruption and actions taken	Governance, control and transparency	31
301-1	G4-EN01	Materials used by weight or volume	Socio-environmental responsibility	42
302-4	G4-EN06	Reduction of energy consumption	Socio-environmental responsibility	42
303-1	G4-EN08	Total water withdrawal by source	Socio-environmental responsibility	42
303-3	G4-EN10	Percentage and total volume of water recycled and reused	Socio-environmental responsibility	42
306-2	G4-EN23	Total weight of waste by type and disposal method	Socio-environmental responsibility	42
307-1	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	The BNDES complies with social and environmental regulations – without the incidence of fines or penalties	
308-1	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Socio-environmental responsibility	42
401-1	G4-LA01	Total number and rates of new employee hires and employee turnover by age group, gender and region	Our staff and structure	22
401-3	G4-LA03	Return to work and retention rates after parental leave, by gender	Our staff and structure	23
403-1	G4-LA05	Percentage of total workforce represented in formal joint management - worker health and safety committees that help monitor and advise on occupational health and safety programs	Our staff and structure	25
403-2	G4-LA06	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Our staff and structure	25
403-3	G4-LA07	Workers with high incidence or high risk of diseases related to their occupation	Our staff and structure	25
403-4	G4-LA08	Health and safety topics covered in formal agreements with trade unions	Our staff and structure	25
404-1	G4-LA09	Average hours of training per year per employee by gender, and by employee category	Our staff and structure	25
404-2	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Our staff and structure	24 and 25
405-1	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our staff and structure	22, 23 and 24
405-2	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Our staff and structure	22 and 23
415-1	G4-SO06	Total value of political contributions by country and recipient/beneficiary	The BNDES does not contribute financially to politicians or political	
419-1	G4-PR09	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Governance, control and transparency	31
	G4-SO08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Governance, control and transparency	31

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