

# ANNUAL INTEGRATED REPORT

# 2019



## THE BRAZILIAN DEVELOPMENT BANK

Understand how BNDES works and our main processes, products and services.

## STRATEGY

Learn more about our strategic guidelines and goals achieved in the year.

## HOW WE CREATE VALUE

Get to know our business model and the results delivered to society.

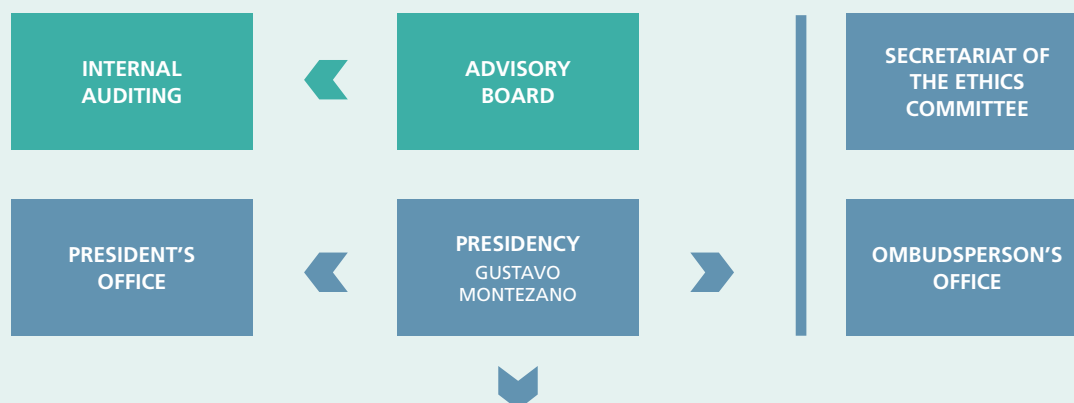
## PERFORMANCE

R\$ 55.3 billion disbursed in 270,781 operations with 141,153 clients.



# ORGANIZATION CHART

On December 31, 2019



## BACK OFFICE

## FRONT OFFICE

OPERATIONS MANAGEMENT	PEOPLE AND CULTURE MANAGEMENT	FINANCE MANAGEMENT	COMPLIANCE MANAGEMENT	LEGAL MANAGEMENT	INVESTMENT AND CONCESSIONS MANAGEMENT	COMPANY STRUCTURING AND DIVESTMENT MANAGEMENT	GUARANTEES AND CREDIT CONCESSION MANAGEMENT	INDIRECT CREDIT, CAPITAL MARKET AND PARTICIPATIONS MANAGEMENT
RICARDO BARROS	ÂNGELA LINS	BIANCA NASSER	CLAUDENIR BRITO	SAULO PUTTINI	FÁBIO ABRAHÃO	LEONARDO CABRAL	PETRÔNIO CAÑÇADO	LEONARDO CABRAL
STRATEGIC PLANNING DIVISION	ORGANIZATIONAL PEOPLE AND CULTURE MANAGEMENT DIVISION	FINANCIAL DIVISION	RISK MANAGEMENT DIVISION	LEGAL DIVISION 1	GOVERNMENT AND INSTITUTIONAL RELATIONSHIP DIVISION	COMPANY STRUCTURING AND DIVESTMENT DIVISION	ELECTRIC POWER DIVISION	COMPANY RESTRUCTURING, PARTICIPATIONS AND CAPITAL MARKET DIVISION
INFORMATION TECHNOLOGY DIVISION		CONTROLLERSHIP DIVISION	INTEGRITY AND COMPLIANCE DIVISION	LEGAL DIVISION 2	INVESTMENT PARTNERSHIP DEVELOPMENT DIVISION		PUBLIC AND SOCIAL AND ENVIRONMENTAL MANAGEMENT DIVISION	DIGITAL CHANNELS AND OPERATIONS DIVISION
BUSINESS SUPPORT DIVISION							TRANSPORTATION, LOGISTICS AND SANITATION DIVISION	
							FOREIGN TRADE, INDUSTRY AND SERVICES DIVISION	

Note: Director Leonardo Cabral was temporarily responsible for two boards, and was replaced by a new director in one of them in 2020.



See more:  
[www.bndes.gov.br/ra2019/organograma](http://www.bndes.gov.br/ra2019/organograma)

ANNUAL  
INTEGRATED REPORT

**2019**



# MESSAGE FROM THE PRESIDENT

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The year 2019 marked the beginning of a new government and a new economic agenda for Brazil, focusing on fiscal health and the modernization of the State, and on stimulating private investment. Throughout the year, the country followed on this agenda with the approval of the social security and economic freedom reforms, as well as by the progressive reduction in the basic interest rate (Selic) and the expansion of free credit. The increased participation of the capital market in the financing of companies also contributed to this movement.

In line with these changes, in 2019, BNDES updated its strategy to become more focused on the direct impacts of its performance on the population than on financial results and goals. The Bank's ability to bring together different actors and attract resources to carry out projects has gained relevance over the amounts disbursed. Its role of providing services to and supporting the State in its privatization processes was emphasized, and transparency became the principle guiding its communication and relationship with different audiences.

In order to put this strategy into action, in July 2019, we committed to five goals: (i) increasing the transparency and frequency of dialogue with the Brazilian population; (ii) expediting the sale of BNDESPAR's shares; (iii) concluding the return of funds to the National Treasury; (iv) presenting a three-year plan; and (v) improving the provision of services to the Brazilian State. All of them have already produced results, although their ramifications will extend over the next few years.

With the first goal, we seek to expand the transparency and frequency of dialogue with society, and clear the way for our new action strategy. The BNDES Aberto campaign, introduced in November, marked a turning point in our communication with society, showing that we are open to dialogue, criticism, and new ways of acting. The launch of the [aberto.bndes.gov.br](http://aberto.bndes.gov.br) microsite allowed us to make clarifications about our most controversial operations available to the public, and opened a channel of direct communication with the population.

The divestment process, aimed at meeting the second goal, was guided by the objectives of reallocating our resources to more productive activities, and reducing the degree of exposure of BNDESPAR's portfolio to the market's volatility. Respecting the governance established in our rules and risk assessment models, we divested a total of R\$ 16.5 billion in equity shares in 2019.

Committed to the fiscal health of the Brazilian State and following the guidelines of the Federal Government, in 2019, we resumed the early return of resources to the National Treasury, which is the object of our third goal. During the year, we paid R\$ 100 billion in advance, divided into three installments, in order to guarantee our financial viability. Thus, the National Treasury ceased to be our main source of funds in 2019, and we contributed to the fulfillment of the fiscal target.

The fourth goal was achieved with the launch of the 2020-2022 Triennial Plan, in which we established our main performance agendas for the coming years and defined a set of 15 transformative deliveries to society. By disclosing the plan, we signaled which sectors and themes involved in the country's development we hope to contribute to, and how our effectiveness can be measured by society.

Within this strategy, we reinforce our role of supporting the development of the Brazilian State, seeking to contribute to the improvement in public services and to the expansion of private investments in infrastructure. Using our experience and accumulated knowledge of privatization processes, we are assisting the different federative entities in the financial modeling and structuring of Public-Private Partnership (PPP), concession and privatization projects.

To this end, within the scope of our fifth goal, we have adapted the Bank's organizational structure to focus more intensively on the structuring of privatization processes, and to expand the dialogue with the three government levels. With this change, we ended 2019 with more projects in our privatization portfolio, including initiatives

in the areas of sanitation, public lighting, energy and sale of real estate assets, among others.

In addition to the five goals mentioned above, we continue to contribute to Brazilian development by making significant investments, especially in projects aligned with the strategic agendas of infrastructure, production structure, and education, health and security.

In early 2020, the spread of Covid-19 around the world, which in a short time became a pandemic, dramatically changed the global economic scenario and brought about urgent social issues to be faced by the governments of all countries. Alongside the Brazilian government, BNDES has been adopting emergency measures to expand the capacity of the Brazilian health care system, guarantee the retention of jobs, and minimize the economic effects of the pandemic.

The scenario is challenging, but we are committed to helping Brazilian society go through this moment, once again fulfilling our mission.

Below we present a complete, accurate, transparent and integrated vision of how we use our resources and inputs to create value and results for our different audiences and for Brazil.

This report, which is also our management report, follows the integrated reporting model and is in line with the rules of the Federal Court of Accounts (TCU). Its creation is the result of collective thinking, which involved not only all divisions of BNDES, but also the institution's decision-making bodies, with the support of external consulting to define the main topics addressed.

In compliance with the continuous commitment to transparency and the responsibility to ensure the integrity of this report, I present below the BNDES's integrated management report for the year 2019.

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**Gustavo Montezano**  
President of BNDES

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CHALLENGES  
AND VISION FOR  
THE FUTURE

Transparency: this is one of our principles and a goal to always be pursued at BNDES. We are open: open to dialogue, to talking about the past and the future, to change.

Thus, we publish this *Annual Integrated Report* in order to present our strategy, our way of working, and our performance in 2019 to all our audiences. We want to show how we create value in the short, medium and long term, for the entire Brazilian society.



As a consequence of rounding up, the sum of the numbers in the charts may not be accurate, and the sum of the percentages in the graphs may not add up to 100. For the same reason, there may be slight variations between values presented throughout the report.

## SCOPE AND LIMITS

Our integrated report, published on an annual basis, concerns the entire BNDES System, which comprises the Brazilian Development Bank (BNDES), BNDES Participações S.A. (BNDESPAR) and the Special Agency for Industrial Financing (FINAME).

The reporting period is from January 1 to December 31, 2019. Relevant events that occurred between this period and the approval of the report by the Advisory Board in charge, on August 12, 2020, were also included.

We have been following the integrated reporting model to prepare our activity report since 2012, seeking to annually improve the compliance with the International Integrated Report Council's (IIRC) paradigm. This model became mandatory in 2016, with Law No.13,303 (Law of State-owned Companies), and since 2018 it is also required by the Federal Court of Accounts (TCU) as the accountability model on which to base the management report. Thus, since its last edition, the *Annual Integrated Report* combines the activity and management reports into one document, rationalizing efforts and attending to our different audiences in a single work.

For more detailed information on specific topics, go to our website ([www.bndes.gov.br/publicacoes](http://www.bndes.gov.br/publicacoes)), and see also:

- » *Management Report*
- » *BNDES System's Financial Statements*
- » *Effectiveness Report*
- » *Risk Management Report*
- » *Annual Letter of Public Policies and Corporate Governance*
- » *Amazon Fund Annual Report*

Digital versions of this report in Portuguese and English, as well as a microsite with its main highlights, can be found at: [www.bndes.gov.br/ra2019](http://www.bndes.gov.br/ra2019).

## MATERIALITY

In 2019, we improved the definition of the main themes addressed in this report. The following surveys were carried out:

- 1 Interviews with all divisions, individually or by similar groups, on which subjects they considered most relevant in the year or for the future of BNDES.
- 2 Online survey with the report's subscribers, who chose the ten topics of greatest interest from a list of about 50 options, with the possibility of suggesting items and comments.
- 3 Benchmarking with other reports from the financial market and from Brazilian IIRC affiliates.
- 4 Selection of the most requested topics in our relationship channels, such as the Ombudsperson's Office, the Citizen Information Service (SIC), the Call Center, and our social networks.
- 5 Selection of the most discussed topics in our communication channels, such as releases and articles of the BNDES News Agency.

The next page presents the topics that were initially identified in the surveys and our materiality matrix, the result of this work. The matrix includes the eight themes selected, the chapters in which they can be found, and their relationship with our capitals.

We have chosen to maintain a hybrid format in this report, continuing to use the sustainability indicators of the Global Reporting Initiative (GRI). The indicators can be identified at the beginning of each chapter.

We also indicate how our actions relate to the sustainable development goals (SDG) of the United Nations (UN) throughout the report.

## CONTACT









For more information on this report and its contents, send an email to [relatorioanual@bndes.gov.br](mailto:relatorioanual@bndes.gov.br).

If you are interested in becoming a subscriber, access the Request for Publications option at: [www.bndes.gov.br/bibliotecadigital](http://www.bndes.gov.br/bibliotecadigital)

## RESULT OF THE SURVEYS:

The themes highlighted in bold are those mentioned more than once, which made up the materiality matrix.

WHAT WE BELIEVE IS IMPORTANT TO TALK ABOUT? ① ⑤	WHAT DO OUR INTERLOCUTORS WANT TO KNOW? ② ④	WHAT DO OUR PEERS SAY? ③
Service bank Economic and financial performance Divestment Return of funds to the National Treasury Digitalization Effectiveness Strategy Risk management New products Restructuring Relationship with the government Transparency	Support to MSMEs Nonreimbursable support Support to infrastructure Support to innovation Economic and financial performance Return of funds to the National Treasury Strategy Funding Amazon Fund Financing process Transparency	External environment Human capital Digitalization Risk management Corporate governance Integrity, ethics and conformity Relationship with clients Socioenvironmental responsibility Financial sustainability

MATERIAL TOPICS	HIGHLIGHTS	CAPITAL	CHAPTER
SERVICE BANK 	Privatization, project structuring, concession, Investment Partnership Program (PPI), project factory	» Manufactured » Intellectual » Social and relationship	» <i>Our strategy</i> (p. 10) » <i>What we do</i> (p. 20) » <i>Our performance</i> (p. 26)
ECONOMIC AND FINANCIAL PERFORMANCE 	Results, assets, participations	» Financial	» <i>Our performance</i> (p. 26)
DIVESTMENTS 	Capital market, sale of shares	» Financial	» <i>What we do</i> (p. 20) » <i>Our performance</i> (p. 26) » <i>Financial sustainability</i> (p. 46)
RETURN OF FUNDS TO THE NATIONAL TREASURY 	Advance payment of returns	» Financial	» <i>Our performance</i> (p. 26) » <i>Financial sustainability</i> (p. 46)
DIGITALIZATION 	Channel integration, automated assessments	» Intellectual	» <i>Our strategy</i> (p. 10) » <i>What we do</i> (p. 20)
STRATEGY 	2020-2022 Triennial Plan, targets and indicators	» Intellectual » Financial » Manufactured » Natural	» <i>Our strategy</i> (p. 10) » <i>Challenges and vision for the future</i> (p. 74)
RISK MANAGEMENT 	Revision of risk appetite	» Financial » Intellectual	» <i>Our strategy</i> (p. 10) » <i>Risk management</i> (p. 59)
TRANSPARENCY 	BNDES Aberto, effectiveness, open data plan, PRSA	» Social and relationship » Intellectual	» <i>Our strategy</i> (p. 10) » <i>Transparency and effectiveness</i> (p. 56)

### MAIN STAKEHOLDERS



SOCIETY



GOVERNMENT



CONTROL BODIES



INVESTORS



INTERNAL PUBLIC



CLIENTS



FINANCIAL AGENTS



ACADEMIA

The year 2019 was marked by a combination of factors that resulted in a challenging economic scenario for Brazil. Among them, we highlight: (i) the intensification, until the third quarter, of the trade dispute between the United States of America (USA) and China, the two main economies on the planet, and also Brazil's greatest individual trading partners; (ii) the growing possibility of the materialization of UK's leave from the European Union (Brexit); (iii) the recession in Argentina, another relevant trading partner; and (iv) the fall in international commodity prices.

Despite the beginning of the cycle of interest reduction in the USA in the second half of the year, global economic activity remained low throughout 2019. In this context, Brazil did not rely on foreign demand as one of the drivers of its economic expansion. In 2019, the trade balance showed a US\$ 46 billion surplus, decreasing by 20.5% in relation to the US\$ 58 billion registered in 2018.

In Brazil, activity indicators showed acceleration in the third quarter of 2019, with data for the fourth quarter remaining positive, although signaling a slowdown in the pace of recovery. The year ended with a 1.1% rise in the gross domestic product (GDP), in line with market expectations.

The gradual acceleration of activity in the country was due to several factors, both cyclical, such as the fall in the Selic rate and the support of the Worker's Severance Indemnity Fund (FGTS), and structural, such as the reform agenda, from the approval of the labor reform in 2017 until the social security reform, sanctioned by the National Congress in 2019. This agenda generally contributed to the fundamentals of the Brazilian economy, consolidating the fall in the structural interest rate and enabling the sustainable recovery of economic activity.

In the labor market, the increase in the number of vacancies in the formal sector since September led to a drop in the unemployment

rate to 11.0% in the quarter ended in December, improving in relation to the 11.6% observed in the same period of 2018.

In 2019, credit remained the short-term driver of Brazilian economy. When analyzing the data, we find that credit concessions continue to be robust, consisting mostly of concessions to individuals, which grew by 10.3% in real terms in the year, whereas concessions to legal entities grew by 7.7%. Credit expansion has been driven by the free credit segment, which increased by 10.4% in the year, while earmarked credit contracted for the sixth consecutive year, with a 2.8% drop in 2019.

Inflation in 2019 was slightly above the target (corresponding to an Extended National Consumer Price Index – IPCA of 4.31% vs. the annual 4.25% goal). The increase in this index in the months of November and mainly December was mostly caused by the increase in meat prices, following the increase in the world demand due to swine flu in China.

The median of the Central Bank of Brazil's (BCB) *Focus Bulletin* projections indicated, until the beginning of March, expectations of GDP growth above 2.0% in 2020. In this context, a gradual resumption of investment and of the demand for BNDES resources would be expected. However, the effects of the coronavirus pandemic caused the projections for GDP expansion in Brazil in 2020 to lose their representativeness.

The consequences of this crisis are still uncertain, both in the world and in Brazil, but they have already required us to adapt our strategy and actions throughout 2020. In this report, we do not intend to anticipate all the possible changes associated with this scenario regarding the Bank's future activities and strategy, focusing on the results of 2019 only.

We believe that these issues can be dealt with more accurately and consistently in the 2020 Annual Integrated Report, based on a clearer view of Covid-19's impacts on Brazil and the world.



Learn about the measures adopted by BNDES due to the pandemic:  
[www.bndes.gov.br/bndescontracoronavirus](http://www.bndes.gov.br/bndescontracoronavirus)

# THE BRAZILIAN DEVELOPMENT BANK



GRI Indicators:  
102-1 | 102-2 | 102-3 | 102-4  
102-5 | 102-6 | 102-7 | 301-1  
302-1 | 302-4 | 303-1 | 306-2

## WHAT IS A DEVELOPMENT BANK?

The first development banks (DB) appeared in Europe in the mid-19th century. Since then, they have been playing a relevant role in the socioeconomic development of the countries and regions where they act, according to the different phases in which they are, in scenarios of both stability and crisis.

The DBs may differ as to: capital structure; funding; variety of sectors supported; client size; financing models; credit conditions; regulation and supervision, and corporate governance. There are also several credit support instruments: financing offer, guarantees, insurance, equity participation, nonreimbursable funds, and support for the elaboration of projects, among others.

In addition to Brazil, several countries (developed and developing) maintain strong DBs, such as Germany, China, Korea, Spain, Japan, Mexico, France and Russia. Each institution has its way of operating, but all help implement public policies, complement the credit offers of the private financial system, and help the private and public sectors take risks and face challenges regarding strategic long-term investments. In general, they receive some form of government support: tax exemptions, Union guarantees, access to constitutional and parafiscal funds, or subsidies for the implementation of public policies.

Among the recent challenges faced by DBs, we can mention the promotion of the sustainable infrastructure agenda and of innovation, the provision of project development and consulting services, and the promotion of the agenda related to employment challenges and issues associated with the growth of cities, as well as countercyclical actions in times of crisis.

Despite the importance of financial performance for the maintenance of activities, DBs do not measure their results based on profit. The maximization of social well-being and economic and environmentally sustainable development are the primary objectives of these institutions.

DBs are necessary for economic development and for the stability of the financial system.

Their coexistence with the various private agents is crucial for maintaining an innovative and resilient financial system.

Operating in multiple sectors and market segments, DBs are able to serve those who traditionally do not have access to credit in the private financial sector, which makes them relevant and indispensable players in the global development agenda.

We have added a **section** to our website dedicated to spreading knowledge about the performance of development finance institutions (DFI), clarifying how they contribute to the growth and development of nations. The page gathers studies on the theme prepared by our staff and already published in our journals or collections, divided into the following sub-themes: (i) comparison of international experiences; (ii) performance in segments/sectors; and (iii) risk management and regulatory aspects. The section also presents a comparison between indicators of BNDES and other DBs.

## WHO ARE WE?

We are the Brazilian Development Bank (BNDES), a federal public company linked to the Ministry of Economy, and the main instrument of the Federal Government for long-term financing and investment in the various segments of the Brazilian economy. As a bank serving the State, we also structure privatization projects (public-private partnerships – PPP, concessions and privatizations), with the aim of attracting investors to improve infrastructure in the country. We have operated since 1952, and are currently one of the largest DBs in the world.

The **BNDES System** is made up of three companies: BNDES and its subsidiaries – BNDES Participações S.A. (BNDESPAR), which operates in the capital market, and the Special Agency for Industrial Financing (FINAME), dedicated to the promotion of the production and marketing of machinery and equipment.

We operate through financing and credit for investments; participation in companies; development of projects; guarantee provision;



See more at:  
[www.bndes.gov.br/ffds](http://www.bndes.gov.br/ffds)



Learn about our statutes  
and constitutive norms at:  
[www.bndes.gov.br/estatutos](http://www.bndes.gov.br/estatutos)

granting of nonreimbursable resources to social, cultural and technological projects; in addition to knowledge production. We provide products, programs and funds, according to the modality and the characteristics of the operations.

We evaluate the granting of each support with a focus on its potential for generating externalities, i.e., the socioenvironmental and economic impact generated directly or indirectly for the country.

Our governance is composed of strict management rules and standards, and involves the relationship between internal instances, such as the Advisory Board, the Board of Directors, the Fiscal Council, and other committees; and external instances, such as the National Congress, the Ministry of Transparency, Supervision and Comptroller General of the Union (CGU), the Central Bank of Brazil (BCB), the Federal Court of Accounts (TCU), and the Brazilian Securities Commission (CVM).

## WHERE DO WE OPERATE?

We operate throughout the national territory. Our official headquarters are in Brasilia (DF). However, more than 95% of our employees work in Rio de Janeiro (RJ), in a building owned by us – Edserj. We also have representation offices in São Paulo (SP) and Recife (PE).

## REDUCED OFFICE EXPENSES

In addition to several furniture adaptations to accommodate the structural changes, the renovations of the training center, data room, ambulatory, cafeteria and the floors that would house the employees still allocated to Ventura Corporate Towers at Edserj were completed. The transfer of these employees and the total devolution of Ventura were completed in the first quarter of 2020.

The total savings associated with the return of the last floors occupied by BNDES in Ventura amount to R\$ 33.7 million per year.

## ECO-EFFICIENT HEADQUARTERS

In 2019, Edserj's condominium (Cedserj) implemented a new lighting system in eight

standard floor plans, replacing 850 fluorescent lamps (32 W) with approximately 500 LED lamps (20 W or 18 W) on each floor. The estimated savings amount to approximately R\$ 2,900 per month, per floor.

Edserj was awarded the LEED 2009 EXISTING BUILDINGS: OPERATIONS AND MAINTENANCE certification, Silver category, in 2017.

### ENERGY CONSUMPTION

The energy consumed in the building is not acquired from the local distributor, but from the private energy market. Part of it is generated from incentivized sources, such as solar, wind, biomass and small hydroelectric plants (PCH).

### DRINKING WATER CONSUMPTION

The condominium's drinking water comes from a distributor and is used for air conditioning, irrigation, sanitation and purification systems.

### CONSUMPTION OF NONRENEWABLE SOURCES

The consumption of nonrenewable sources by Edserj is basically limited to diesel fuel for powering emergency generators, which mostly occurs in tests carried out throughout the year.

#### EDSERJ | COMPARATIVE SERIES

##### ENERGY CONSUMPTION (MWH)

2017  15,231

2018  15,254

2019  15,272

 0.11% increase compared to 2018

##### WATER CONSUMPTION (liters)

2017 62,860,000 2018 54,760,000 2019 57,200,000




 4.46% increase compared to 2018

##### CONSUMPTION OF MINERAL WATER PURCHASED IN PLASTIC CONTAINERS (liters)

2017 2018 2019



50,966 48,210 34,675

 28.07% reduction compared to 2018

##### DIESEL FUEL CONSUMPTION (liters)

2017 2018 2019



10,942 19,862 12,540

 36.76% reduction compared to 2018

#### TOTAL WEIGHT OF RESIDUES (TONNES) ASSORTED BY TYPE AND METHOD OF DISPOSAL (2019)

Landfill	Organic	126.99	Disposal performed by a contractor
	Debris	556.76*	Disposal performed by a contractor
Recycling	General	121.85	Disposal performed by cooperatives and/or specialized companies, according to the characteristics of the materials/products
	Lamps	1.48	Disposal performed by a company specialized in recovering mercury and recycling the remaining material
Reuse		1.09	Basically, electronic waste: disposal performed by a specialized company for screening and posterior reuse
Others: infectious		0.2	Basically, waste from the ambulatory clinic: disposal performed by a company specialized in decontamination and posterior dispatch to the landfill

\* Considers not only the debris produced in the interventions carried out directly by our condominium, but also that produced in works contracted by it.

# OUR STRATEGY



GRI Indicators:  
102-2 | 102-15 | 102-26 | 102-31



See more at:  
[www.planalto.gov.br/ccivil\\_03/ato2019-2022/2019/lei/L13971.htm](http://www.planalto.gov.br/ccivil_03/ato2019-2022/2019/lei/L13971.htm)

## ALIGNMENT WITH GOVERNMENT GUIDELINES

We participate in the management cycles of the **multiannual plan (PPA)**. In 2019, the first year of the elected government, we in particular contributed to the preparation of the PPA for the next quadrennium. Our sectoral and economic, social and environmental specialists contributed to public policy discussions. We also participated with extrabudgetary resources for certain thematic programs in which the performance of a development bank is desirable.

Throughout the PPA's execution, we monitor and inform the government about the use of the resources provided. We review the estimates annually, according to determinations set forth by the ministry responsible for the plan.

In addition to the PPA and the ministries' policies, we consider budget laws and sectoral and regional plans as inputs in our strategic planning, keeping us aligned with the government plans.

## CORPORATE STRATEGY

According to Law No. 13,303/2016, each year we update our long-term strategy, conduct risk and opportunity analyses for at least the next five years, and define our business plan for the following year.

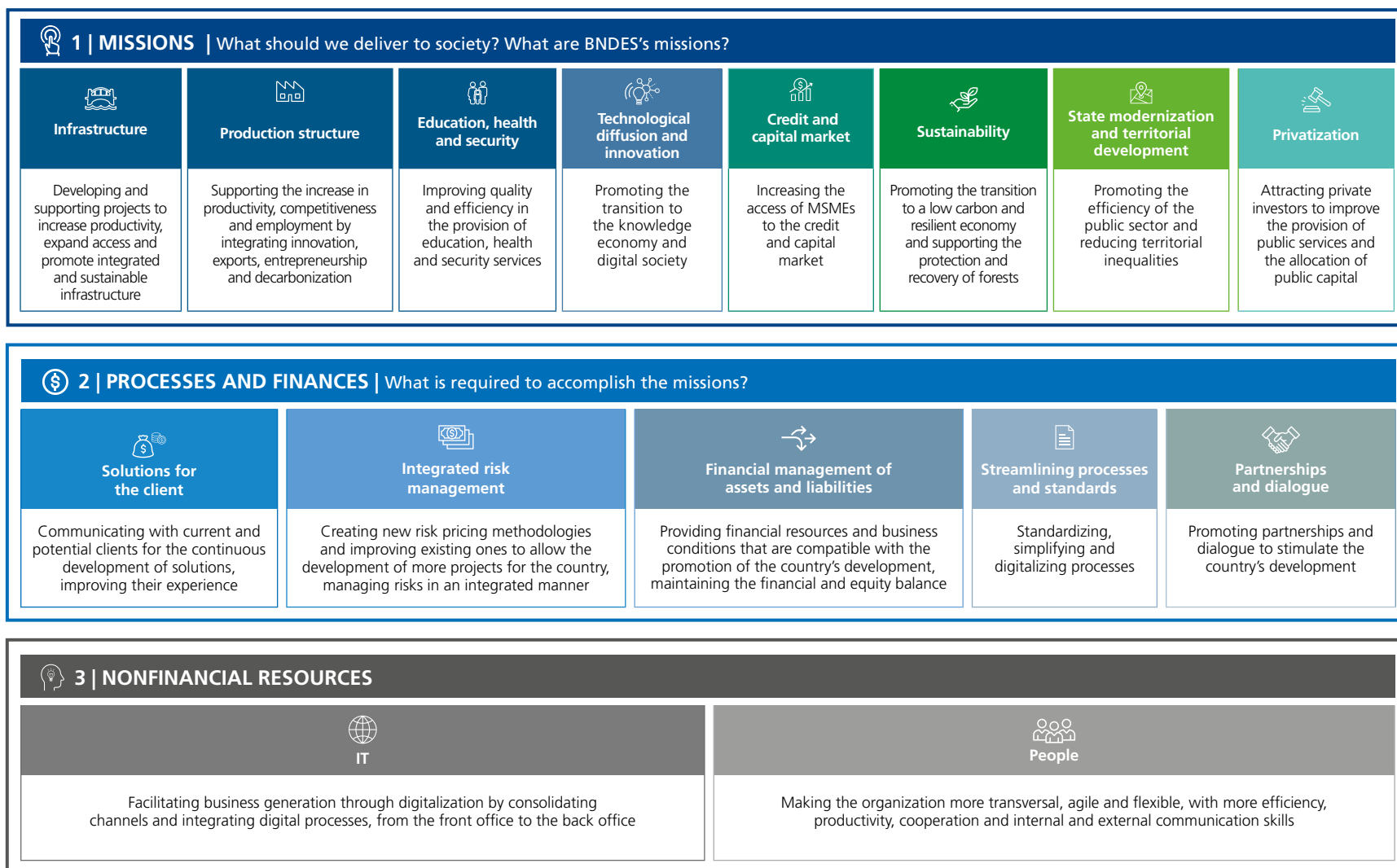
The 2018-2023 corporate strategy, approved in March 2018, defined the institutional identity of BNDES, the development missions, and their objectives and strategic guidelines.

In December 2019, we reviewed this strategy to align it with the **new management's guidelines**.



Our updated institutional identity is presented in the section *How we create value* (p. 18).

## MAP OF THE 2019 STRATEGIC OBJECTIVES



The emphasis on “**financial** solutions” was removed from the Bank’s mission to highlight our performance also in nonfinancial solutions, in line with the proposal to expand the Bank’s service-provision activities.

The vision, in turn, was changed from “Being recognized as Brazil’s development bank due to its relevance and effectiveness” to simply “Being the Brazilian sustainable development bank”.

We have also updated the three perspectives of our strategic map (missions, processes and financial and nonfinancial resources) by adding relevant themes to it, such as privatization, which was included as one of our transversal missions. The following transversal themes also underwent changes: “innovation”, now “technological diffusion and innovation”; “regional development”, now “State modernization and regional development”; and “capital market”, now “credit and capital market”.

The strategic objectives related to the previous “finances” dimension, now known as the “processes and finances” dimension, were also substantially modified. The “organization” dimension became the “nonfinancial resources” dimension, encompassing “IT” and “people”. The strategic guidelines for each of the map’s objectives were also revised.

## PRIVATIZATION

In addition to financial and credit solutions, we aim to be the development bank of the Brazilian State by supporting the structuring of decentralization projects in all modalities, including concessions, public-private partnerships (PPP) and privatizations, and by sharing knowledge with the public sector, with or without charges.

Strategic guidelines for this topic include contributing to the financial sustainability of federative entities by promoting regulatory security to leverage investments and promote the competitiveness of auctions, and helping the public sector structure long-term partnerships to facilitate private investments in projects of public interest. We intend to stimulate the opening of the Brazilian infrastructure market by attracting new national and international players, including financial investors and operators.

## STATE MODERNIZATION AND TERRITORIAL DEVELOPMENT

Guided by the purpose of contributing to the improvement in the provision of public services to citizens and to the modernization of the business environment in the public sector, we intensified our support for states and municipalities in 2019.

In an environment marked by fiscal and budgetary restrictions, we adopted as premises for our performance the selective granting of credit to public entities, always focusing on solutions related

to efficiency, intelligence and technology, and the provision of a service package that combines technical advice and financial solutions to facilitate the investments of federative entities.

In this context, we have defined three priority agendas for the modernization of the State, to be deepened in 2020:

- » **Digital transformation** by supporting the use of technology and encouraging innovation in the management and provision of public services, in line with the Ministry of Economy’s (ME) guidelines and the **Doing Business** ranking’s methodology.
- » **Private solutions to public problems** by implementing private security, public lighting, public management, and citizen support projects (typically structured in administrative PPPs).
- » **Offering financial support** to microentrepreneurs and family farmers with reduced access to the traditional financial system (Microcredit, Pronaf and Pronaf Mulher).

## CAPITAL CREDIT MARKET

In addition to employment and income, we seek to promote credit concession and the development of the capital market. Among the new agendas, the partnerships with fintechs, the creation of crowdfunding initiatives and the actions for leveraging resources in funds focused on innovation and growth stand out.

## MACROPROCESS OF STRATEGY MANAGEMENT

Our macroprocess of strategy planning and management (MPGE) guides the practices and responsibilities involved in the strategic planning’s preparation, execution and monitoring. Monitoring is carried out by indicator managers, who provide performance information, while the Strategic Planning Division is responsible for consolidation.

The performance information is **assessed** by the Management Committee, the Board of Directors or the Strategy Management Committee (CGE), and the Advisory Boards of the BNDES System’s companies, which were unified in March 2020.

In 2019, MPGE was revised due to the need of adapting to both the internal review exercises and the internal and external audits, which ensure the Bank’s constant alignment with good corporate governance practices. The formal inclusion of the multiannual plan (PPA), as well as other government guidelines, stands out among the set of factors to be analyzed for the strategic planning’s preparation.

## BUSINESS PLAN

Based on the long-term strategy defined in 2018, the 2019 Business Plan established a set of corporate



Access at: [www.doingbusiness.org/en/doingbusiness](http://www.doingbusiness.org/en/doingbusiness).



Learn more in the section *Governance, ethics and integrity* (p. 50)

### PROJECT FACTORY

Project factory is how we refer to our role in facilitating concessions, PPPs, privatizations, and sectoral structuring projects (search for business models and solutions). It involves coordinating ventures and providing advisory services to public entities by participating in the various stages of the process, from planning to signing the public entity’s contract with the private partner.

## 2019 CORPORATE PROJECTS

### 1) CREDIT POLICY REVIEW

It was aimed at reviewing the internal rules related to credit risk to establish new risk-taking parameters, promote flexibilization and reduce bureaucracy, having resulted in the development of two new credit risk classification models, with better measurement standards and more in accordance to the characteristics of different clients and sectors.

### 2) COMPETITIVE REPOSITIONING

A consequence of the “products and pricing” project of 2018, which was aimed at organizing, simplifying and strengthening the portfolio of solutions offered by BNDES, having resulted in the implementation of the structural changes developed in that year, including improvements to the website and the creation of a product dashboard to help clients better understand the solutions offered and identify the most appropriate product for them.

Within the scope of the 2020-2022 Triennial Plan, business plans were prepared for each client segment. The pricing policy and strategy were also reassessed, making the spread revision process continuous from 2020 onward.

### 3) DIGITALIZATION OF THE BNDES EXPERIENCE

It was aimed at implementing the digitalization roadmap developed in 2018 to improve the experience of clients and expand their access to credit, operational efficiency and transparency. The project covered the consolidation of digital channels, a new qualification platform, the expansion of the MSME Channel as a service hub, the implementation of the data lake, the creation of analytical artificial intelligence models, and the digital management and preservation of documents.

### 4) LEGAL PERFORMANCE MODEL

It was aimed at promoting and adapting the competencies, attitudes and skills of the institution’s legal professionals. Among its results, the following stand out: the expansion of transparency and the standardization of the way in which legal professionals work; the elimination of internal bureaucratic activities, with greater use of information technology; the adoption of new practices for the evaluation and monitoring of results, using quantitative and qualitative performance indicators; and the promotion of continuous improvement by adapting the professionals’ training to the Bank’s new challenges.

We were one of the winners of the Learning & Performance Brasil award, granted by the MicroPower Transformação Digital Institute, for the design of our new legal management model.

### 5) ORGANIZATIONAL PERFORMANCE

It was aimed at integrating strategic guidelines, financial results and the development of products to improve corporate performance and streamline decision-making processes, having resulted in the outlining of a performance mapping and monitoring process, and in the creation of a management tool that allows the fast and executive visualization of official results, deployed by multiple clients.

### 6) CREDIT FLOW

An extension of the “standards and processes” project of 2018, it was aimed at deepening the segmentation of credit operations to better meet the different client needs, having resulted in the perfecting of the qualification process and in the revision of the regulations that are capable of leading to efficiency gains.

projects, indicators and goals in order to materialize its implementation.

## CORPORATE PROJECTS

The projects seek to implement the strategic objectives, improving the services provided to clients and, mainly, leveraging the benefits to society.

They are temporary, with clear and predefined products, involving and/or impacting different units of the Bank, being annually revised by the Advisory Boards of the BNDES System’s companies as the result of a prioritization process.

Our portfolio of corporate projects in 2019 was defined based mainly on the needs identified in the implementation of the 2018 projects, and on the mapping of opportunities for operational and organizational improvements, not previously prioritized.

Thus, six corporate projects were defined for the year, three of which were new, and the other three, the result of projects initiated in 2018 (“digitalization”, “products and pricing”, and “standards and processes”).

## INDICATORS

We monitor two sets of strategic indicators: corporate indicators and indicators that are specific to each of the divisions. The former are used to monitor the evolution of strategic objectives over time. Corporate goals define the desired performance level in a given period.

In turn, the latter, agreed upon by the directors of the divisions, give rise to the “contribution plan” of each of them to achieve the objectives of the 2018-2023 strategy.

In 2019, 16 corporate indicators were established. The first seven in the table to the right are related to BNDES’s development missions, having shown a mean performance of 72.6%. The other nine, related to the financial and organizational perspectives, showed a mean performance of 80.6%.

It is also worth noting that four of the corporate indicators (“Result of credit and on-lending operations/number of employees”, “Administrative and personnel expenses”, “Disbursements to MSMEs and individuals” and “Approval term”) influence the calculation basis of BNDES’s Participation of Profit and Results Program (PLR), while five of them (“Result of credit and on-lending operations/number of employees”, “Administrative and personnel expenses”, “Disbursement to MSMEs and individuals”, “Relative quality of the credit portfolio” and “Disbursement in regional development”) influence the calculation basis of the senior management’s Annual Variable Remuneration Program (RVA).

CORPORATE INDICATOR	STRATEGIC OBJECTIVE(S) <sup>(1)</sup>	2019 GOAL	ACCOMPLISHED	PERFORMANCE
Disbursement in infrastructure (R\$ billion)	Infrastructure	30.0	24.4	81%
Disbursement in production structure (R\$ billion)	Production structure	13.7	8.8	64%
Support for education, health and security (R\$ billion)	Education, health and security	2.5	0.6	25%
Disbursement in innovation (R\$ billion)	Innovation	2.0	1.2	61%
Investment funds portfolio (R\$ billion)	Capital market	2.1	2.5	117%
Disbursement in sustainability (R\$ billion)	Sustainability	16.0	13.3	83%
Disbursement in regional development (R\$ billion)	Regional development	20.1	15.4	77%
Number of nonautomatic operations	Channels and operations	496	252	51%
Number of automatic operations	Channels and operations	54,665	31,787	58%
Disbursements to MSMEs and individuals (direct support)	Portfolio	26,226	24,608	94%
Approval term <sup>(2)</sup>	Organizational structure	55%	40%	73%
Result of credit and on-lending operations/ number of employees <sup>(3)</sup>	Pricing, risks and requirements	7.08	6.86	97%
Efficiency index (total expenses/weighted no. of operations)	Organizational structure and portfolio	24.43	37.97	45%
Relative quality of the credit portfolio	Pricing, risks and requirements	106.69%	104.64%	98%
Administrative and personnel expenses	Organizational structure	2,339,635	2,369,441	99%
Result of credit and onlending operations <sup>(4)</sup>	Portfolio and pricing, risk and requirements	1.63%	1.81%	111%

(1) The strategic objectives informed are those in effect throughout 2019, before the update approved in December.

(2) Percentage of operations approved, considering the time between their submission and approval (up to 360 days for project finance and up to 180 days for other operations).

(3) Calculated by dividing the result of credit and onlending operations (4) by the number of employees.

(4) Calculated by dividing the annualized gross result of credit and onlending operations by the mean balance of the credit portfolio.

During the year, 45 division-specific indicators were also agreed upon by BNDES's directors. The mean performance of these indicators was 115%, showing a very satisfactory result of the joint effort of the Bank's divisions.

A detailed analysis of the performance of the corporate and division-specific indicators in 2019 is available in the **2019 Strategic Performance Analysis Report**, approved by our Advisory Board (CA) in May 2020, as stipulated in article 23 of the Law of State-owned Companies. We highlight some conclusions below:

» In general, all indicators associated with BNDES's disbursements, as well as those related to the number of operations (number of automatic operations, number of nonautomatic operations and efficiency index), performed below the expected for the year. This result was caused mainly by cyclical factors, such as the low volume of aggregate investment in the economy and the lower attractiveness of BNDES's financial cost, which became closer

to the market cost after the adoption of **TLP** and the fall in interest rates in the country.

- » Specifically, disbursements were also impacted by factors such as: (i) the interruption of energy auctions in 2016, which caused a reduction in associated investments in 2019, in the case of infrastructure; (ii) the revision of BNDES's strategic guidelines, with interruption of programs such as BNDES Giro and BNDES 10, in the case of production structure; (iii) management changes in federative entities in 2019, impacting the continuity of state projects, in the case of education, health and security; (iv) the absence of funding compatible with the risks associated with innovation projects; (v) and changes in the Amazon Fund's governance, in the case of sustainability.
- » In the case of the approval term indicator, which considers goals of up to 360 days for project finance and up to 180 days for other projects, it is worth clarifying that, of the projects approved after the deadline, 89% were submitted to the Bank in 2018 or before.



Access at:  
[www.bndes.gov.br/kpis](http://www.bndes.gov.br/kpis)



Learn more in the section  
**Financial sustainability (p. 46)**

## STRATEGIC PRIORITIES OF THE DIVISIONS



Learn more about our organizational structure in the section *Governance, ethics and integrity* (p. 50)

IN CHARGE	PRIORITY	STRATEGIC OBJECTIVE(S)	2019 GOAL	ACCOMPLISHED	PERFORMANCE
PRESIDENCY	Level of satisfaction of clients with the Call Center	Organizational structure	90%	95.5%	106%
	Influence score of the BNDES brand	Organizational structure	60	35	58%
	BNDES's knowledge level	Organizational structure	65%	74.2%	114%
DIR 1 Operations	Dirsbursement/GDP	Portfolio and Channels and operations	1.06%	0.76%	72%
	Level of satisfaction with the impact of the Strategic Planning Division's actions	Organizational structure	80%	72.99%	91%
	% of operations monitored by the new Monitoring System according to the system's implementation schedule (shared with AST, AE, AI, AGS)	Channels and operations	60%	92.8%	155%
	% of automatic indirect operations in the BNDES Online system (shared with ADIG)	Channels and operations	85%	90.2%	106%
	Availability of the main IT systems	Channels and operations	99%	99.69%	101%
	Asset evaluations completed on time	Organizational structure	70%	96%	137%
	Reduction in the time taken to make the outstanding balance of the financing contracts available to the Bank's divisions (in days)	Channels and operations	6.18	2.4	161%
	Reduction in real estate expenses (in R\$ million)	Management model and incentives	7.5	10.25	137%
	DIR 2 People and culture	Satisfaction with HR services – AARH Channel	Organizational structure	94%	95.67%
Foreign corporate risk classifications (RC) completed on time (%)		Organizational structure	80%	91%	114%
National corporate RCs completed on time (%)		Organizational structure	75%	77%	103%
DIR 3 Finance	Currency mismatch limit	Pricing, risks and requirements	100%	100%	100%
	Risk management efficiency in the Treasury's trading portfolio	Pricing, risks and requirements	95%	100%	105%
	Balance of Bank reserves below R\$ 100,000	Pricing, risks and requirements	98%	100%	102%
	% of ACO reports disclosed on time	Organizational structure	90%	96.75%	108%
	Number of accredited fintechs in the MSME Channel	Channels and operations	3	4	133%
DIR 4 Participations, capital market and indirect credit	% of automatic indirect operations in the BNDES Online system (shared with ATI)	Channels and operations	85%	90.2%	106%
	Number of AMC operations approved by the competent authority	Capital market	12	25	208%
	Number of corporate governance reports approved by the competent authority and published on BNDES's website	Capital market	2	2	100%
	Funds selected by AMC	Capital market	8	10	125%
DIR 5 Investments and concessions	Number of project structuring/privatization contracts signed	Organizational structure	21	21	100%
	Number of project structuring milestones executed (shared with AED)	Infrastructure	55	58	105%
	AIGR reports for decision making	Organizational structure	90%	95%	106%
DIR 6 Legal	% of services provided within the expected period of advisory opinions (shared with AJ2)	Organizational structure	90%	90%	100%
	Success rate of legal and administrative proceedings (shared with AJ2)	Organizational structure	82%	92.62%	113%
	Degree of contribution of the legal divisions' units (shared with AJ2)	Organizational structure	100%	127%	127%
	% of services provided within the expected period of advisory opinions (shared with AJ1)	Organizational structure	90%	90%	100%
	Success rate of legal and administrative proceedings (shared with AJ1)	Organizational structure	82%	92.62%	113%
	Degree of contribution of the legal divisions' units (shared with AJ1)	Organizational structure	100%	127%	127%
DIR 7 Company structuring and divestment	Number of project structuring milestones executed (shared with AEP)	Infrastructure	55	58	105%
	% of AE operations monitored by the new system (shared with ATI)	Management model and incentives	60%	92%	153%
	2019 AE disbursements (R\$ million)	Infrastructure	13,300	14,257	107%
DIR 8 Credit concessions and guarantees	AGS disbursements to the public sector (R\$ million)	Infrastructure and Education, health and security	1,250	1,254	100%
	Social and environmental disbursements (R\$ million)	Sustainability	603.8	429.4	71%
	% of AGS operations monitored by the new system (shared with ATI)	Management model and incentives	60%	100%	167%
	2019 AST disbursements (R\$ million)	Infrastructure	6,210	4,796	77%
	Credit leveraged by guarantee products (R\$ million)	Management model and incentives	750	673	90%
	% of AST operations monitored by the new system (shared with ATI)	Management model and incentives	60%	95%	158%
	AI approvals	Production structure	277	233	84%
	AI operations with new clients	Management model and incentives	46	73	159%
	% of AI operations monitored by the new system (shared with ATI)	Production structure	60%	95%	158%
ADVISORY BOARD	Nonmandatory audit works performed out of those included in Paint (Annual Internal Audit Activities Plan)	Organizational structure	6	6	100%

\* The strategic objectives reported are those in effect throughout 2019, before the update approved in December.

**Glossary of the divisions:** ACO – Controllership Division | ADIG – Digital Channels and Operations Division | AE – Electric Power Division | AED – Company Structuring and Divestment Division | AEP – Investment Partnership Structuring Division | AGS – Public and Social and Environmental Management Division | AI – Industry, Services and Foreign Trade Division | AIGR – Integrity and Risk Management Division | AJ1 – Legal Division 1 | AJ2 – Legal Division 2 | AMC – Capital Market, Participations and Company Restructuring Division | AST – Transportation, Logistics and Sanitation Division | ATI – Information Technology Division

## RISKS AND OPPORTUNITIES

At the time of the strategy's approval by the Board of Directors in December 2019, the risks (threats) and opportunities related to its implementation were assessed.

The prioritization of risks and opportunities was carried out based on their probability of

occurrence and the degree of their impact on the Bank's ability to achieve its strategic objectives. As per the committees' advice, the most immediate impact risks were also prioritized. This advice also served as a subsidy for the definition of the 2020 Business Plan's corporate projects, which will last for three years, in line with the **Triennial Plan**.



[Learn more in this section \(p. 16\)](#)



[The associated projects are described on the next page, in the item2020 Corporate Projects.](#)

## THREATS AND OPPORTUNITIES

### INFRASTRUCTURE

**OPPORTUNITY** | HIGH PD | VERY HIGH ID

Promoting gas as a fuel for the energy transition.

#### ASSOCIATED PROJECTS

Credit and guarantees policies, Solution offering, Credit processes

### PRODUCTION STRUCTURE

**THREAT** | HIGH PD | HIGH ID

Due to the planned convergence of TLP with the cost of the five-year government debt, there will be a loss of adequate conditions of support for dimensions of development (innovation, sustainability, regional development, etc.), even in comparison with incentivized market instruments (regional constitutional lines, LCI, LCA, debentures, etc.). Higher costs may render projects that are relevant for the country unfeasible, or reduce the ability to induce potential positive externalities expected from the Bank's operations.

#### ASSOCIATED PROJECTS

Credit and guarantees policies, Credit processes, Solution offering, Operational model 4.0, Funding opportunities

### EDUCATION

**OPPORTUNITY** | VERY HIGH PD | HIGH ID

Highlighting successful pilot projects of BNDES in education, and structuring financing lines for public agencies, focused on quality and management.

### HEALTH

**OPPORTUNITY** | HIGH PD | VERY HIGH ID

Accelerating the digital transformation agenda in the health sector to increase the efficiency of public health services.

### SECURITY

**OPPORTUNITY** | HIGH PD | VERY HIGH ID

Supporting public security intelligence projects.

#### ASSOCIATED PROJECTS

Solution offering, BNDES as an innovation hub of the public sector

### TECHNOLOGICAL DIFFUSION AND INNOVATION

**OPPORTUNITY** | VERY HIGH PD | HIGH ID

Improving and expanding lines associated with the dissemination of Economy 4.0 and the digitalization of the economy.

#### ASSOCIATED PROJECTS

Funding opportunities, BNDES as an innovation hub of the public sector

### STATE MODERNIZATION AND TERRITORIAL DEVELOPMENT

**OPPORTUNITY** | HIGH PD | HIGH ID

Structuring projects and expanding the support for the public sector.

#### ASSOCIATED PROJECTS

BNDES as an innovation hub of the public sector

### SUSTAINABILITY

**OPPORTUNITY** | HIGH PD | HIGH ID

Promoting the awareness of the national and international societies, changing their consumption behaviors and inducing production patterns with greater efficiency in the use of resources, which may increase the demand for investments in circular economy, reverse logistics and low-carbon technologies, including in the agricultural (e.g., production of biogas and energy from biomass) and transportation sectors and associated chains.

#### ASSOCIATED PROJECTS

Funding opportunities

### CREDIT AND CAPITAL MARKET

**THREAT** | HIGH PD | HIGH ID

TLP's low competitiveness for operations with terms of less than five years may make it difficult to serve BNDES's full term for the financing of MSMEs and induce the positive externalities derived from it, such as employment.

#### ASSOCIATED PROJECTS

Solution offering, Funding opportunities, Operational model 4.0

### PRIVATIZATION

**OPPORTUNITY** | VERY HIGH PD | HIGH ID

BNDES is a body with great experience in privatization processes and can support all ongoing processes in the coming years, inducing financial and, above all, reputational returns.

#### ASSOCIATED PROJECTS

Solution offering

### PROCESSES AND FINANCES

**THREAT** | HIGH PD | HIGH ID

Delays in the implementation of structured processes when providing services to governments may lead to a loss of the time required for doing business.

#### ASSOCIATED PROJECTS

Funding opportunities, Credit processes and Credit and guarantees policies

### NONFINANCIAL RESOURCES

**THREAT** | HIGH PD | HIGH ID

Delays in the digital transformation of BNDES may render business strategies unfeasible.

#### ASSOCIATED PROJECTS

Cultural transformation, Credit processes and Operational model 4.0

**Legend:** PD – Probability degree ID – Impact degree

## OPERATIONAL POLICIES

Our operational policies (OP) regulate and consolidate our instruments of financial support. Throughout 2019, they did not undergo any major changes, with maintenance of the spreads and products offered. Even so, the expansion of the use of **BNDES's fixed rate** in several indirect lines is worth noting, as this solution meets the demand of small- and medium-sized companies.

### 2020-2022 TRIENNIAL PLAN

In December 2019, we launched a new planning and communication tool for our strategic agendas and deliveries to society: the 2020-2022 Triennial Plan.

The plan outlines a path for our actions in the coming years, with the aim of transforming the lives of generations of Brazilians. To that end, it explains our strategic agendas, relating them to the sustainable development goals (SDG) of the United Nations (UN), and highlights a set of **15 deliveries to society planned for 2022**.

We know that no institution is capable of promoting development on its own, and that the effective results of this plan depend on a set of players. For this reason, we are committed to strengthening our dialogue with society and forming partnerships for the sustainable development of the country.

## 2020 CORPORATE PROJECTS



### CREDIT AND GUARANTEE POLICIES

Reviewing the requirements of the credit and guarantees policy to establish new risk-taking parameters, promote flexibilization, and reduce bureaucracy.



### OFFERING SOLUTIONS

Making credit granting solutions more responsive to client needs.



### FUNDING OPPORTUNITIES

Facilitating alternative funding sources for specific purposes.



### BNDES AS AN INNOVATION HUB OF THE PUBLIC SECTOR

Promoting innovation in the Brazilian public sector by disseminating solutions and success stories.



### CULTURAL TRANSFORMATION

Promoting the workforce's engagement with the purpose and strategy of BNDES and transforming the Bank's organizational culture by encouraging new behaviors, norms and practices.



### CREDIT PROCESSES

Improving and digitalizing stages of the operational flow, adding new features to the Clients Portal, and expanding partnerships for the capillarization of nonfinancial services.



### OPERATIONAL MODEL 4.0

Stimulating productivity, employment and innovation by promoting a new way of operating in the segment of MSMEs, based on the reconfiguration of the National Financial System (SFN).



Learn more in the section  
*Financial sustainability* (p. 46)



Access at:  
[www.bndes.gov.br/planotriennial](http://www.bndes.gov.br/planotriennial)



Learn more in the section  
*Challenges and vision for the future* (p. 74)

### PREPARATION OF THE 2020-2022 TRIENNIAL PLAN

The preparation of the Triennial Plan involved a long process of internal auditing, interviews with clients and the Bank's advisors, and compliance with government guidelines.

Two pieces of content are worth mentioning. The study "Measuring the aggregate effects of the Brazilian Development Bank on investment", published in 2019 in *The North American Journal of Economics and Finance*, was one of the subsidies of this process. According to its results, although the Bank has had positive and statistically significant effects on Brazilian investment in the past, its operations can be even more focused.

In turn, the **Text for Discussion 146**, published by BNDES, analyzes our impact on MSMEs operating in Brazil, showing that this impact is generally positive, thus pointing a way for us to improve our additionality.



Access at: <https://web.bndes.gov.br/bib/jspui/handle/1408/18702>

These conclusions were discussed internally and indicated a new direction for our strategy, according to which the Bank's performance must be complementary to the private credit market, focusing on structural actions that stimulate productivity, competitiveness, and social and environmental sustainability.

## PRODUCT PORTFOLIO

In 2019, we maintained our five product families: (i) financing and credit; (ii) participations; (iii) services; (iv) guarantees; and (v) nonreimbursable support, changing only the family name “support and sponsorships” to “nonreimbursable support”, so as to clarify the nature of the solutions contained therein.

Regarding the needs met by the products, we revised their classification into nine groups, seeking a more accurate description of what clients are looking for. Thus, our financial and nonfinancial solutions are now divided into nine needs:

- 1) entrepreneurship;
- 2) project;
- 3) acquisition of isolated items;
- 4) business plan;
- 5) cash operations and reinforcement;
- 6) exports and internationalization;
- 7) innovation;
- 8) social, environmental and cultural sustainability;
- 9) access to the capital market.

## NEW PRODUCTS

In line with our strategy and based on the client needs identified, we launched the following products in 2019: BNDES Crédito Pequenas Empresas, BNDES Crédito Direto Médias Empresas, BNDES Crédito Médias Empresas (operated via partners), BNDES Finame Materiais Industrializados, BNDES Finame Máquinas 4.0, BNDES Crédito Caminhoneiro and BNDES Debêntures Incentivadas. In addition to these, we reformulated BNDES Saúde, which now includes a modality aimed at the financial restructuring of philanthropic agencies, and launched project structuring services, which are carried out by our project factory.

## SUSTAINABLE DEVELOPMENT GOALS (SDG)



We work for the sustainable development of Brazil and base our performance on the commitment to the local reality and to the international community. In this sense, we are aligned with the UN in promoting the 2030 Agenda – an action plan to eradicate poverty and promote dignified living around the world, within the limits of the planet, by 2030, based on the SDGs.

### In 2019, we added a panel relating our disbursements to certain SDGs

(so far, SDGs 3, 4, 6, 7, 11, 12 and 15) to our website, which provides a better understanding of how the Bank's activity in the country contributes to these goals. The data are from 2015, when the SDGs were agreed upon at the UN.



Access at: [www.bndes.gov.br/ods](http://www.bndes.gov.br/ods)



Learn more in the section *Transparency and effectiveness* (p. 56)

The 2030 Agenda is also an important strategic guidance tool, which we use to establish priorities and goals, reflected in our business plan and the 2020-2022 Triennial Plan, the transforming deliveries to society of which dialogue with the 17 SDGs.

Between 2018 and 2019, we also participated in the Thematic Chamber of Partnerships and Means of Implementation (CTPMI) of the National Committee for the Sustainable Development Goals (CNODS), linked to the Presidency of the Republic. This chamber was formed by representatives of public authorities and civil society, and had the purpose of supporting the CNODS's decisions by preparing technical studies and proposals related to the improvement and development of policies and actions associated with the objectives and goals of the 2030 Agenda. The final report on the chamber's activities was released in November 2019.



Access at: [www.redeodsbrasil.org/post/2019/11/19/relatorio-de-atividades-da-ctpmi-cnods-e-lancado-durante-o-iv-encontro-nacional-da-rede](http://www.redeodsbrasil.org/post/2019/11/19/relatorio-de-atividades-da-ctpmi-cnods-e-lancado-durante-o-iv-encontro-nacional-da-rede)



## SUSTAINABILITY

Sustainability is one of our transversal missions. The theme permeates all of our activities, and its main guidelines are promoting the transition to a resilient and low-carbon economy and supporting the structuring of green projects, e.g., the protection and recovery of Brazil's native forests, water sources and hydrographic basins, and initiatives seeking greater efficiency in the use of water resources. We also act by supporting energy efficiency initiatives, low carbon agriculture, sustainable mining, green chemistry and biofuels, and the Brazilian green finance agenda.

In 2019, we reaffirmed our commitment to sustainability both in our internal practices and in the provision of financing lines and products focused on sustainability, also forming partnerships with other institutions to improve our social and environmental practices.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY (PRSA)

In 2019, we revised our Social and Environmental Responsibility Policy (PRSA), with ample participation of stakeholders. The new text, which sought to expand the alignment with the Central Bank of Brazil's (BCB) resolution on the theme and the most recent trends in the financial sector, included contributions obtained during an online public consultation, and was approved in November by BNDES's Advisory Board.



[www.bndes.gov.br/PRSA](http://www.bndes.gov.br/PRSA)

# HOW WE CREATE VALUE

## INPUTS

### FINANCIAL

**R\$ 18.3 BILLION**  
in funds from FAT Constitutional

**R\$ 3.5 BILLION**  
in internal fundraising

**R\$ 153.1 BILLION**  
in return on credit operations

**R\$ 0.4 BILLION**  
in funds from international  
bodies and official institutions

### HUMAN

**2,652**  
EMPLOYEES

**82%** with undergraduate degree  
**68%** with graduate degree

### INTELLECTUAL

**62 h**  
OF TRAINING  
per employee

**7,077**  
PARTICIPATIONS  
in training

**67 YEARS**  
of cumulative sectoral analysis  
and project structuring knowledge

### SOCIAL AND RELATIONSHIP

MORE  
THAN **6** MILLION  
visits to our  
website in the year

MONITORING OF  
**255** legislative  
proposals

**1,327**  
DEMANDS  
received and  
handled by the  
Ombudsperson's Office

**26**  
AFFILIATIONS  
WITH AGENCIES  
of the different  
economy sectors

**72** CORPORATE EVENTS  
in the year, gathering more than  
9,000 people (internal and external publics)

## HAVING AS

## PURPOSE

Transforming the lives of  
generations of Brazilians by  
promoting sustainable development.

## VALUES

Ethics, public spirit  
and commitment to  
development.

## PRINCIPLES

Transparency, effectiveness,  
dialogue, cooperation and  
the pursuit of excellence.

## MISSION

Facilitating solutions that  
contribute with investments  
for the sustainable  
development of the  
Brazilian nation.

## VISION

Being the Brazilian sustainable  
development bank.

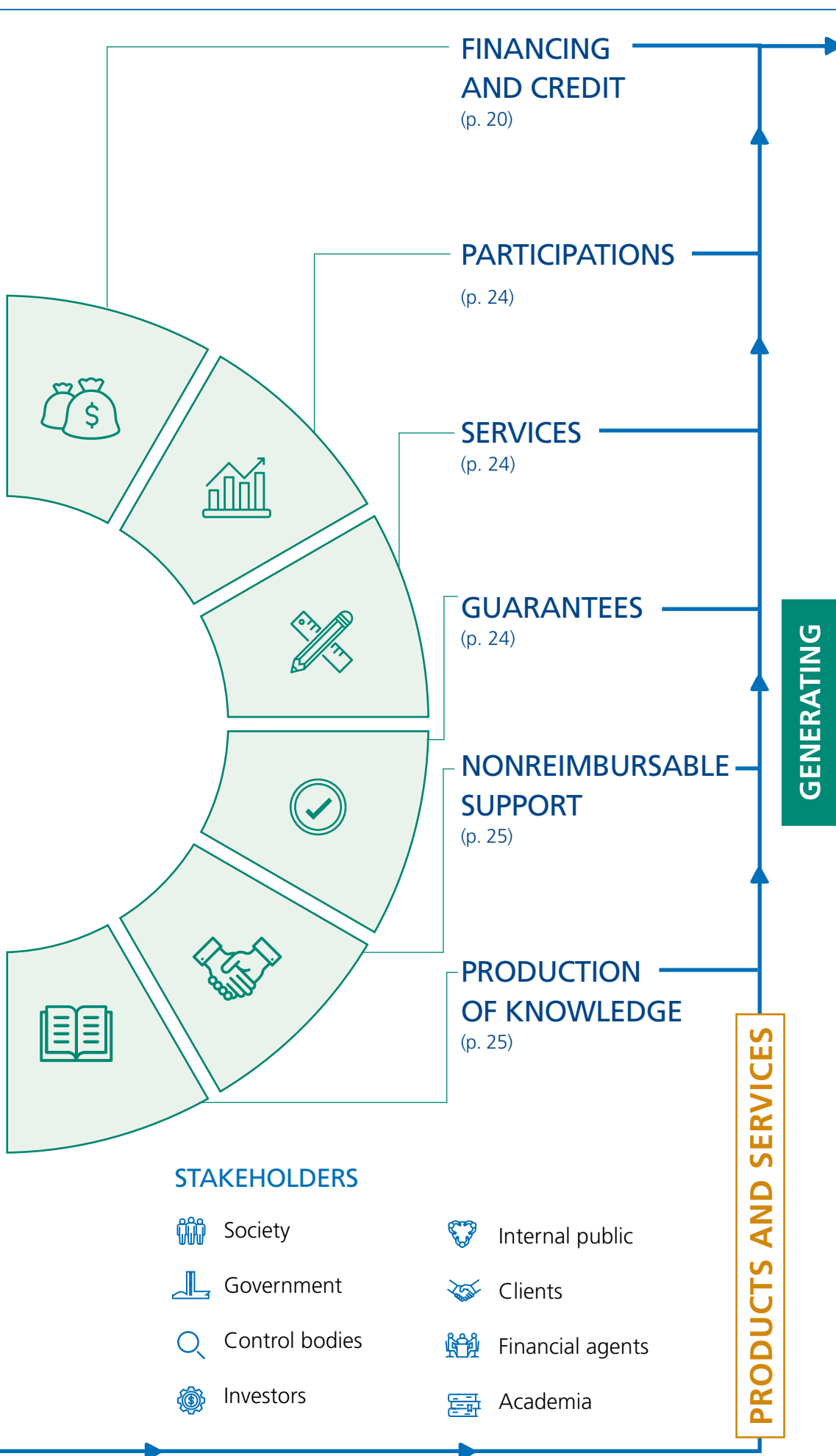
## STRATEGIC GUIDELINES

- Infrastructure (p. 32)
- Production structure (p. 36)
- Education, health and security (p. 41)
- Technological diffusion and innovation (p. 32-45)
- Credit and capital market (p. 32-45)
- Sustainability (p. 32-45)
- State modernization and territorial development (p. 32-45)
- Privatization (p. 32-45)

## WE ACQUIRED



See more at:  
[www.bndes.gov.br/efetividade](http://www.bndes.gov.br/efetividade)



**STAKEHOLDERS**

- Society
- Government
- Control bodies
- Investors
- Internal public
- Clients
- Financial agents
- Academia

**OUTCOMES**

**FINANCIAL**

**R\$ 17.7 BILLION** in net earnings

**R\$ 6.4 BILLION** in taxes

**R\$ 100 BILLION** in advance payment to the National Treasury

**R\$ 16.5 BILLION** in investments in shareholding

**2.77%** default (90 days on 31.12)

Total disbursements equivalent to **0.76%** of GDP

**INTELLECTUAL**

**18 NEW DRUGS** to be launched\*

**39 NEW STUDIES** disclosed in our institutional publications

**1.3 MILLION** of accesses to BNDES's digital library

**74 STARTUPS** with mentoring and training in the first edition of the BNDES Garagem program

**160,000** items of art and documentary collections preserved and/or digitalized\*

**SOCIAL AND RELATIONSHIP**

**141,153** CLIENTS SUPPORTED (both individuals and legal entities)

**116,000** ADDITIONAL PEOPLE with access to water supply and

**30,000** to sewage collection

**4,124 WATER CISTERNS** used for food production and animal breeding installed in the Brazilian north-eastern semiarid region

**793,000 JOBS** created or preserved during the implementation of supported investments

**16,600** PATIENTS/YEAR\* of expansion of hospitalization capacity

**OVER 60 PROJECTS** in the structuring portfolio of several sectors (sanitation, security, public lighting etc.)

**MANUFACTURED**

Access to fixed broadband with speed above 2 Mb in more than

**2,266 MW** of electric power generation capacity

**37 MUNICIPALITIES\***

**4,726 KM** of transmission lines delivered in supported projects

**NATURAL**

Expansion of waste treatment for emissions of

Adequate disposal (in landfills) of

**178,000 PEOPLE**

**300 TONS/DAY** OF WASTE GENERATED

\* The figures reflect the consolidation of the expected results of the projects approved in 2019.

# WHAT WE DO



GRI Indicators:

102-2

Our actions complement each other in order to enhance our role in promoting Brazilian development. Today, although financing and credit and service provision are our main lines of action, we also perform through shareholdings, guarantees and nonreimbursable support. Our production of knowledge underlies all of our support modalities.

In financing and credit, we offer financial solutions that imply granting resources for a predetermined period, such as financing solutions, credit limits and debentures. It is worth emphasizing our performance in long-term credit, fundamental to the fulfillment of our strategic priorities.

As a service bank, we support the Brazilian State and public entities by structuring privatization projects and forming partnerships with new investors and qualified operators, in all modalities: concessions, public-private partnerships (PPP) and privatizations.

In the case of shareholdings, we present solutions that involve the BNDES System entering directly or indirectly into the capital of a company or of a special-purpose entity (SPE), as direct investor and through investment funds.

Through the Investment Guarantee Fund (BNDES FGI), we have expanded the access to credit of smaller companies and entrepreneurs. We are also structuring ourselves to offer new solutions of collaterals and guarantees that can be used independently or alongside other BNDES products.

We also offer, in specific situations, nonreimbursable or noncreditable support, with third-party or our own resources.

In addition, we produce and share industry knowledge and macroeconomic analyses, which underpin our decisions and action in all fronts.

## FINANCING AND CREDIT

Our financing can be granted directly to clients or through accredited financial institutions. It is offered to companies of all sizes, according to the purpose of the investment, such as the purchase of machinery or business expansion and modernization projects.

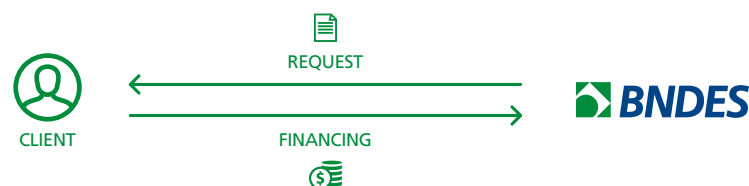


### ATTENTION:

We do not accredit consultants (individuals or legal entities) as intermediaries to facilitate, streamline or approve credit operations.

## DIRECT OPERATIONS

Operations valued over R\$ 10 million, which can be performed directly with BNDES. In some specific cases, such as support for certain innovation, energy efficiency and reforestation projects, among others, it is possible to request direct support even if the operation is valued below R\$ 10 million.

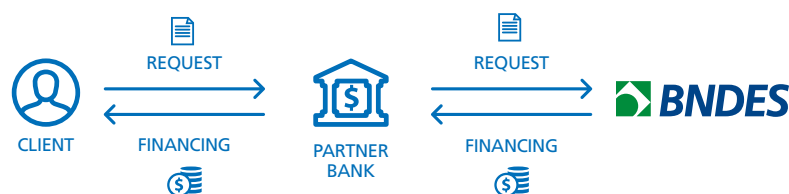


## INDIRECT OPERATIONS

These transactions are carried out through accredited financial institutions, responsible for performing the financing analysis, negotiating the conditions with the clients – respecting some rules and limits defined by BNDES –, and assuming the risk of nonpayment. Therefore, they can accept or deny the request for credit.

### THEY CAN BE:

- **AUTOMATIC:** financing operations valued below R\$ 150 million that were not previously analyzed by us. The accredited financial institution receives and analyzes the request, approves it, and asks us to confirm and release the funds.
- **NONAUTOMATIC:** operations valued over R\$ 10 million, in which the accredited financial institution, responsible for negotiating the conditions and assuming the risk, sends us an analysis request. In this case, the financing operations are individually evaluated and approved by us.



## MIXED OPERATIONS

They combine nonautomatic direct and indirect operations. In this case, BNDES and the accredited financial institution share the risk. Mixed operations generally occur at BNDES's or the financial institution's suggestion and cannot be requested by the client.



See more at:  
[www.bndes.gov.br/guia](http://www.bndes.gov.br/guia)

## WHAT DO WE NOT SUPPORT?

The basic guidelines of our operational policies (OP) prevent the support for sectors such as motels, saunas and spas; gun trade; prognostic games; and financial activities, except for microcredit and fintech projects. We also do not support real estate or mining projects that incorporate a rudimentary mining process, and social actions and projects that receive tax incentives.

It is also not allowed the support to specific items, such as the purchase and expropriation of land; expenses involving foreign currency remittances; and the purchase of animals for reselling; among others. This means that our resources cannot be used to finance these expenses, even if they are part of a project we are supporting.

## OPERATIONAL FLOW

Our credit granting process for direct, mixed and indirect nonautomatic operations is based on the use of four standardized credit workflows.

After a qualification stage, in which we evaluate whether the client is able to operate with us, based on credit, registration and compliance analyses, the projects follow the different flows according to their characteristics and degree of complexity.

A financing request with a defined object, such as the purchase of national equipment, is processed by the automatic workflow. In it, the request is analyzed based on a list of criteria previously approved by the Bank's Advisory Board, and, if it fulfills all necessary requirements, it is submitted to the Credit and Operations Committee (CCOp) or to the Advisory Board, depending on the value of the operation. In the simplified workflow, the main difference is that, depending on the object of financing, its validation process is slightly more complex, taking into account specific sectoral requirements. The monitoring process in the simplified flow is also more detailed than in the automatic flow.

More complex projects, such as greenfield and infrastructure projects in general, follow the corporate or project finance workflows, which differ mainly in relation to the operation's guarantees.

In these projects, multidisciplinary technical teams specialized in the sector delve into various aspects of the proposal during the analysis, such as economic and financial viability, social and environmental aspects, the company's strategy and governance, market analysis, and the guarantees offered.

The eligibility analysis is also based on our operating and credit policies in both workflows, after which the request is forwarded to CCOp for deliberation.

## FOLLOW-UP

All approved and contracted projects, regardless of the workflow, then go through the follow-up phase, in which the financing resources are disbursed to the client, and a BNDES team verifies the fulfillment of the contractual obligations and the physical and financial evolution of the supported investment.

This follow-up is carried out by a specialized team, different from the one that analyzed the request for financing, reinforcing our compliance practices.

In 2019, special contractual obligations were revised to simplify follow-up. Information on the type of follow-up for each clause was inserted, and a minimum amount of content considered in the Follow-up Report's (RAC) preparation was established. This allowed standardizing the criteria and eliminating procedures that increased the cost of internal and client transactions.

In automatic indirect operations, follow-up is carried out by accredited financial institutions and verified by BNDES through sampling techniques, which consider items such as materiality and risk factors. We also cross-check information with internal and external databases to verify compliance and prevent fraud.

## MONITORING AND EVALUATION

The **monitoring and evaluation of the projects' efficacy and effectiveness** are already initiated in the analysis stage, with the application of the support impact thesis (*ex ante* evaluation). In this first moment, we verify the alignment of the project with public policies, analyze the expected effects, and define the objectives and indicators of efficacy and effectiveness to be monitored. Two years after the project's conclusion, a final (*ex post*) evaluation is carried out, which compares the expectations of the *ex ante* evaluation with the results obtained, pointing out how BNDES's support contributed to the achievement of these results.



Learn more in the section *Transparency and effectiveness* (p. 56)



### Credit and Operations Committee (CCOp)

Previously called the Operations and Credit Eligibility Committee (CEC), it was revised and began to approve client qualification proposals and part of credit operations, based on segmentation criteria. The change brought efficiency gains in the credit granting process.



Learn more in the section *Governance, ethics and integrity* (p. 50)

## FOLLOW-UP OF PROJECTS BY SATELLITE IMAGES

The use of satellite images to monitor projects has been increasing since 2016. In 2019, more than forty projects, especially in the agricultural segment, were followed-up using this resource.

This tool was also used in territorial studies that subsidized the analysis of projects. In a project in the municipality of Parauapebas (Pará state), for example, the images made it possible to identify the direct areas of intervention and map land use for the future monitoring of the results achieved.



Learn more in the section  
Our performance (p. 26)

## CREDIT FOR MICRO-, SMALL- AND MEDIUM-SIZED ENTERPRISES (MSME)

### Expanding the access to credit of MSMEs

is one of our main areas of activity, and one of the strategic agendas of the 2020-2022 Triennial Plan. To achieve this goal, we offer a set of financial products to facilitate investments and positively impact productivity, innovation, job creation, the environment, and the population's quality of life.

In our indirect operations, we work alongside more than 50 accredited financial institutions, such as development agencies, vehicle manufacturers banks, credit unions and cooperative, private and public banks. In this way, we meet the resource needs of individuals and companies of various sizes, also helping reduce the concentration of credit in the Brazilian banking sector.

In June 2019, the five largest banks in the National Financial System (SFN) concentrated 72% of the country's credit portfolio, while in our indirect credit portfolio, the five largest banks were responsible for less than 60% of the total onlendings.

### BNDES FINAME

One of our most traditional products, BNDES Finame finances the production or purchase of nationally manufactured machines and equipment, accredited by the Bank. It includes different lines, which offer specific conditions according to the type of investment and the size of the company. In 2019, two new ones were created: (i) BNDES Finame Materiais Industrializados, covering finished products for resale, construction materials and furniture; and (ii) BNDES Finame Máquinas 4.0, covering machines and equipment with Industry 4.0 technology and characteristics of advanced manufacturing services and the Internet of Things (IoT).

### COMPUTERIZED SUPPLIERS ACCREDITATION SYSTEM (CFI)

For BNDES to be able to finance the purchase and manufacture of machines, equipment, systems and industrial components, as well as technological services associated with manufacturing technologies of Industry 4.0, previous qualification in CFI is required (Cadastro Finame), which, in addition to attesting to the existence of a local supply and, consequently, contributing to the creation of jobs and the Brazilian industry's development, allows the Bank to grant credit in an automated and secure way through a wide network of transfer agents.

## NEW INDIRECT PRODUCTS

In 2019, three new indirect lines were created. BNDES Crédito Pequenas Empresas, which aims to preserve and/or create jobs, was initially launched with a limit of up to R\$ 500,000 per year, focusing on micro- and small-sized companies. In the beginning of 2020, the value was increased to up to R\$ 10 million per year for MSMEs with revenues of up to R\$ 90 million. BNDES Crédito Médias Empresas provides financing of up to R\$ 20 million per year for the purchase of assets associated with investments, being destined to medium-sized companies with revenues between R\$ 4.8 million and R\$ 300 million. Finally, BNDES Crédito Caminhoneiro covers the expenses of autonomous cargo transporters or road cargo transportation cooperatives with the maintenance and conservation of trucks.

### AGRICULTURAL PROGRAMS OF THE FEDERAL GOVERNMENT (PAGF)

We are the largest financer of the Brazilian agricultural sector, offering several financing options through PAGF and BNDES's specific lines. Thus, we meet the needs of farmers of all sizes, including small family farmers, cooperatives of rural producers, and the great entrepreneurs of agribusiness. The resources can be used to finance projects, machinery and equipment, as well as for storage, sustainability, innovation, and modernization purposes, among others.

### MICROCREDIT

Since 1996, we have been financing working capital and productive investments in small-scale activities, such as civil works and the purchase of machinery, equipment, supplies and materials. Aimed at microenterprises or individual microentrepreneurs with revenues of up to R\$ 360,000, the instrument contributes to foster inclusion and to provide financial support to small businesses. The funds are transferred to microentrepreneurs through operating agents qualified as institutions of oriented productive microcredit (Impo).

### BNDES CARD

With the **BNDES Card**, we offer pre-approved revolving credit for the purchase of goods, supplies and services that have been fully or partially manufactured in Brazil. The card is issued by accredited financial agents with one of the partner credit card flags. The issuing bank, chosen by the client, is responsible for analyzing and approving the credit (which can reach up to R\$ 2 million),



See more at:  
<http://conhecer.cartaoendes.gov.br>

collecting benefits, applying tariffs, and requesting guarantees, among other activities.

The BNDES Card contributes to spreading our resources, being present in 97% of Brazilian municipalities.

Currently, the BNDES Card portal gathers 11 issuing banks, four card flags, four acquirers (responsible for the affiliation of suppliers to register sales), more than 540,000 registered beneficiaries (92% of them micro or small), and 70,000 suppliers, with approximately 250,000 accredited products.

## DIGITAL BNDES

### MSME CHANNEL

The digital platform aims to shorten the distance between BNDES and MSMEs. With it, clients can find financial solutions suited to their profile and needs; additionally, the **MSME Channel** allows us to offer them alternative services as a complement to our traditional credit lines.

In 2019, filters and algorithms were implemented, making it easier for clients to find the institutions that are most aligned with their profile and business segment.

Throughout the year, the MSME Channel consolidated its provision of business and financial management services through fintechs, in addition to the services already offered by the Brazilian Micro and Small Business Support Service (Sebrae). By December, management services offered by Omie Experience, Conta Azul, Market Up and VHSYS were already available.

In November, we started the process of accreditation of credit fintechs in the channel, which, together with the accredited financial agents, will expand the credit offer to companies using the tool.

In just over two years of operation, the MSME Channel registered almost R\$ 1 billion in credit, contracted through more than 3,000 operations. Approximately 2,000 were carried out with lines of the accredited financial agents themselves, and the rest with BNDES's lines.

### BNDES ONLINE

By integrating our automated systems with those of financial agents, the BNDES Online platform brings efficiency, speed and safety gains in transactions. In 2019, all operations of the Federal Government's agricultural programs started to be carried out through the platform, as well as new lines created by the Bank. By December 2019, more than 90% of our

automatic indirect operations were already being processed by the platform.

### CLIENTS PORTAL

The Clients Portal is designed to gather the various systems accessed by our clients, bringing gains in the organization of information and reducing rework and operational risks.

At the end of 2019, we included a query to the Federal Revenue Office's data in the Clients Portal's registration forms, expanding the **integration of our systems to external databases** and improving the analysis of credit and tax regularity of operations. Through an internal system, which is updated daily, we obtain information from different inspection bodies – CGU, TCU, CNJ, Ibama, among others – and replicate direct or indirect freezing and alerts in our operating systems.

### DATA SCIENCE

We have improved our use of artificial intelligence and data science to offer better business solutions, creating analytical matching and screening models in the MSME Channel, and also a pricing model for the rural credit guarantee fund.

### EXPORTS

Since 1991, we have financed the export of Brazilian goods and services, including aircraft, buses, trucks, industrial machinery, electrical and electronic equipment, agricultural machinery, furniture, footwear and pharmaceuticals, among others.

Our support to exports seeks to provide conditions that are compatible with those of the international market, so that Brazilian companies are able to export goods and services with high added value while not being at a disadvantage in relation to their competitors, thus creating qualified jobs, both direct and in their supplier network in Brazil.

### FIXED INCOME

We have operated as an investor in public offerings in the fixed-income corporate bond market since 2006, with the mission of developing products and investing in the development of the fixed-income capital market. Our objective is to complement financing options for Brazilian companies and channel private resources to increase investment in the country, particularly in the sectors of logistics and transportation, urban mobility, energy and basic sanitation.

Our financing conditions and credit policies are also designed to promote the issuance of



Access at:  
[www.bndes.gov.br/canalmpme](http://www.bndes.gov.br/canalmpme)



Learn more in the section *Transparency and effectiveness* (p. 56)



debentures. Some highlights include the sharing of guarantees between our financing and market debentures, and the expectation of cross-maturity between the debenture and our financing.

## SERVICES

Acting as a **project factory**, we play a strategic role in the coordination of efforts and resources (both public and private) to facilitate projects in different segments, allowing the reduction in bottlenecks and creation of investment opportunities.

We follow the one stop shop concept to serve our Brazilian State's clients, supporting the projects from their origination to the post-auction, and occasionally, even granting them credit. This type of support includes, in the first phase, the analysis of the fiscal capacity of governments, the structuring of guarantee mechanisms, and the prioritization of projects, carried out alongside the technical teams of the various government spheres. In the second phase, we hire specialized technical consultants to assist in the preparation of the studies needed to model the projects and to indicate the best alternatives for the assets and public services to be privatized. We also help clients go to the market, auction projects, and in the post-auction phase, by offering support in the event of judicialization.

Finally, primarily in partnership with the private sector and other development banks, we may take part in the financial solution that is necessary for the projects' implementation.

This complete cycle consists of the integrated solution we offer to projects of the public sector.

## CONCESSIONS AND PPPS

In the structuring of **concession and PPP** projects, we highlight four sectors for establishing and pursuing transformative goals: sanitation, public lighting, logistics and environmental assets (parks, botanical gardens and forests).

## RESUMPTION OF FEDERAL PRIVATIZATIONS

In order to increase the level of investments in the country and also release public funds, the Federal Government resumed the privatization agenda in 2019 by expanding the list of State-owned companies to be privatized.

We are the main executor of this agenda, with installed technical capacity and a successful history of carrying out privatizations since the 1990s.

## START OF STATE PRIVATIZATIONS

Like the Union, the states are also going through a serious financial crisis and registering deficits in public accounts. Despite these difficulties, they resumed the privatization agenda in 2019. The states of Amapá, Rio Grande do Sul and Mato Grosso do Sul, in addition to the Federal District, already have projects in BNDES's portfolio.

## SHAREHOLDINGS

Our performance in variable income is complementary to the market and our traditional financing products, contributing not only to business plans and the strengthening of the capital structure of Brazilian companies, but also to the development of the capital market in general, through incentives to the best corporate governance practices and social and environmental initiatives.

To this end, we invest in shares and/or debentures that may be converted into shares of public or private companies, constituted as publicly-traded companies, in public or private offers.

Our investments occur in a transient, minority and nonexecutive manner, always with a long-term horizon, and in compliance with market conditions; i.e., in equitable terms in relation to other investors, not including subsidies for investees, which are subject to deadlines, structures and dynamics common to all members of the capital market.

We also operate through investment funds (which, for the most part, acquire equity shares or debentures), periodically selecting managers for those focused on developing markets and sectors with greater shortage of resources, with the aim of supporting innovative companies and production chains that we consider to be priorities, stimulating entrepreneurship and investment in infrastructure, and spreading the venture capital culture across the country.

Two focuses were established for operating in the capital market in the period from 2020 to 2022: (i) recycling mature investments to expedite the sale of BNDESPAR's shares and reposition its asset portfolio; and (ii) increasing the supply of credit funds for MSMEs, innovation and infrastructure.

## CAPITAL MARKET POLICY

We have improved our Capital Market Policy to expand the governance of the **divestment** process and improve the transparency and flexibility of the methods used to price our assets. We have also approved a **restructuring plan for our equity portfolio**, reducing its risk limit by 90%, which should occur by December 31, 2022.



Learn more in the section  
*Our strategy* (p. 10)



Learn more in the section  
*Our performance* (p. 26)



Learn more in the sections *Economic-financial performance* (p. 30) and *Financial sustainability* (p. 46)



Learn more in the section *Transparency and effectiveness* (p. 56)



See more at: [www.bndes.gov.br/fgi](http://www.bndes.gov.br/fgi)

## GUARANTEES

We operate by managing two guarantee funds: the Investment Guarantee Fund (BNDES FGI) and the Guarantee Fund for the Promotion of Competitiveness (FGPC). Currently, only the first is in operation. BNDES does not propose BNDES FGI's operations, and its result is not part of the Bank's balance sheet.

**BNDES FGI** aims to expand the access of micro-, small- and medium-sized companies to credit. Its shareholders are the Federal Government (majority), BNDES itself, and 27 other financial agents.

The fund increases the chances of approval of credit applications by complementing the guarantees offered by smaller companies and entrepreneurs. As BNDES FGI is well evaluated by financial institutions, it also allows them to approve financing in better conditions, e.g., with longer terms, less approval requirements, and lower interest rates.

Currently, BNDES FGI supports credit operations carried out in several financing programs and lines, both within the scope of FGI Crédito Livre (lines owned by qualified financial agents or other sources) and of BNDES onlendings.

Regarding the latter, it is worth noting that, since the fund was created, more than 60% of these operations' clients had never accessed BNDES credit previously, showing the fund's potential for expanding this access.

## NONREIMBURSABLE SUPPORT

We invest nonreimbursable resources in social, cultural, environmental, scientific and technological projects, complementing the reimbursable financial support for investment projects. The funds may originate in part from our profit, as in the case of the Social Fund, or from external donations, such as the Amazon Fund.

## SOCIAL FUND

The Social Fund supports investments of social character in the areas of productive inclusion, urban services, health, education, sports, justice and the environment, and in other sectors linked to regional and social development, aiming to promote sustainability through large-scale projects with high impact potential.

## BNDES FUNTEC

BNDES Funtec financially supports research and development projects in technology institutes in partnership with companies, in order to bring the academia's knowledge to the market, stimulating technological development and innovation of strategic interest to the country.

## CULTURAL FUND

The Cultural Fund supports projects for the preservation and revitalization of Brazilian cultural heritage (material and immaterial heritage, memorial collections and cultural institutions recognized as bearers of the Brazilian cultural identity).

## AMAZON FUND

Created in 2008, the Amazon Fund supports projects aimed at preventing, monitoring and combating deforestation and promoting the conservation and sustainable use of the forests of the Brazilian Amazon. As its manager, we are responsible for raising funds and contracting and monitoring the projects and actions supported. The government of Norway, the German development bank KfW and Petrobras are the main donors.

## PRODUCTION OF KNOWLEDGE

We regularly produce economic analyses, seminars and publications aimed at disseminating **knowledge** about development and informing society about the results of our activities.

To this end, two editions of *Revista do BNDES* and *BNDES Setorial* are published every year, the former for disseminating knowledge about development, and the latter bringing together articles on various aspects of the Brazilian economy's production structure, with the aim of disclosing part of the Bank's technical knowledge, applied to project analysis. We also publish separate studies on various topics related to our performance and Brazilian development produced by our employees, within the scope of the Texts for Discussion series, and support, with nonreimbursable resources from the Project Structuring Fund (**BNDES FEP**), technical studies or research providing knowledge and public information on structural issues for the economic and social development of Brazil, carried out by third parties.

### BNDES FGI IN 2019

In 2019, BNDES FGI supported R\$ 661 million in financing. There was significant growth in the FGI Crédito Livre modality, which guaranteed R\$ 326.4 million in financing, an amount that is 171.3% higher compared to the previous year.



Access at: [www.bndes.gov.br/conhecimento](http://www.bndes.gov.br/conhecimento)



Access at: [www.bndes.gov.br/fep](http://www.bndes.gov.br/fep)

# OUR PERFORMANCE



GRI Indicators:  
102-2 | 201-1

## OPERATIONAL PERFORMANCE

In 2019, we disbursed R\$ 55.3 billion. Compared to 2018, disbursements declined by 20%. This performance reflects the slow recovery in economic activity and the approximation of the Bank's financial cost to market rates.

Despite this scenario, we continue to work to meet the financing needs of the Brazilian economy, especially in segments where there is greater restriction of access to credit.

Our support for MSMEs must be highlighted. In 2019, this segment had its largest participation in our total disbursement, reaching 48%, of which 22% was destined for medium-sized companies.

Other aspects worth mentioning are the relevance of infrastructure disbursements, amounting to R\$ 24.4 billion, the equivalent to 44% of the total disbursed in the year, and the 8% growth in agriculture disbursements, which accounted for 29% of the total.

## 2019 HIGHLIGHTS

 **R\$ 55.3 billion**

DISBURSED IN

 **270,781**  
OPERATIONS WITH

**1,137** direct operations

**269,644** indirect operations

 **141,153**  
CLIENTS

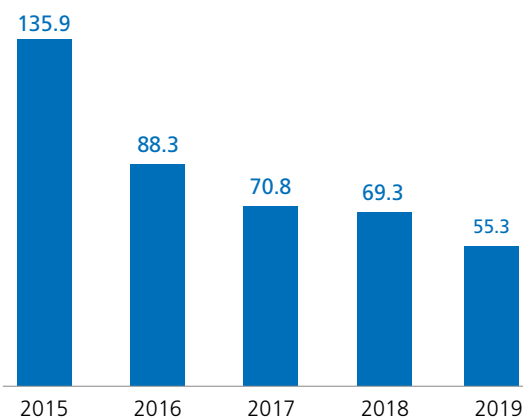
(including individuals and legal entities)

**50,003**

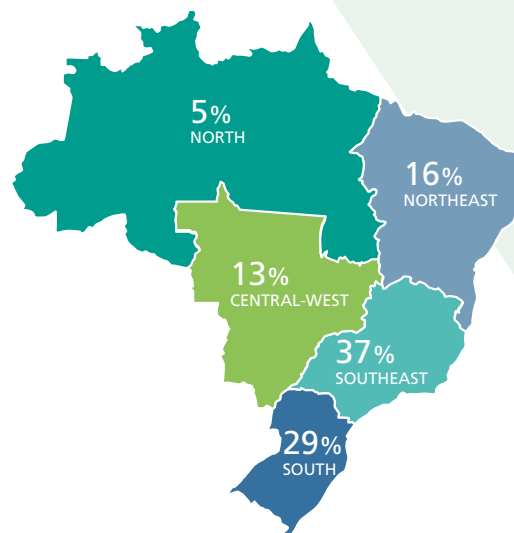
NEW CLIENTS

(who did not receive funds between 2014 and 2018)

SERIES OF TOTAL DISBURSEMENTS  
(R\$ BILLION)

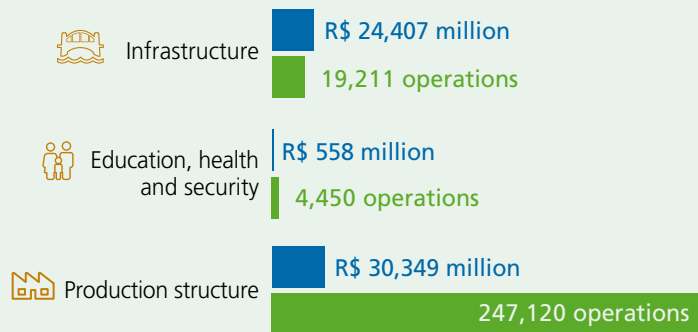


DISTRIBUTION OF DISBURSEMENTS PER REGION  
(% DISBURSED VALUE)



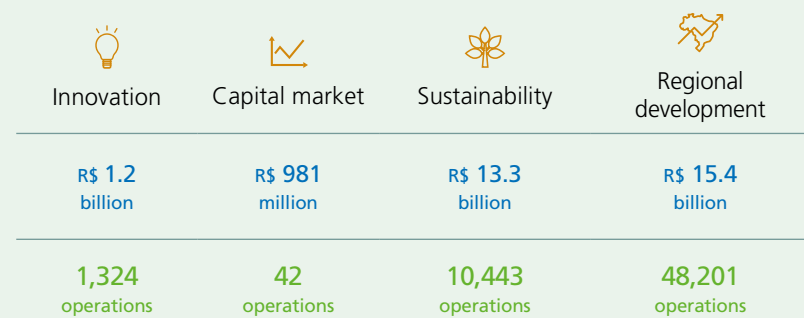
## STRATEGIC AND TRANSVERSAL GUIDELINES\*

DISBURSEMENTS AND NUMBER OF OPERATIONS PER STRATEGIC GUIDELINE

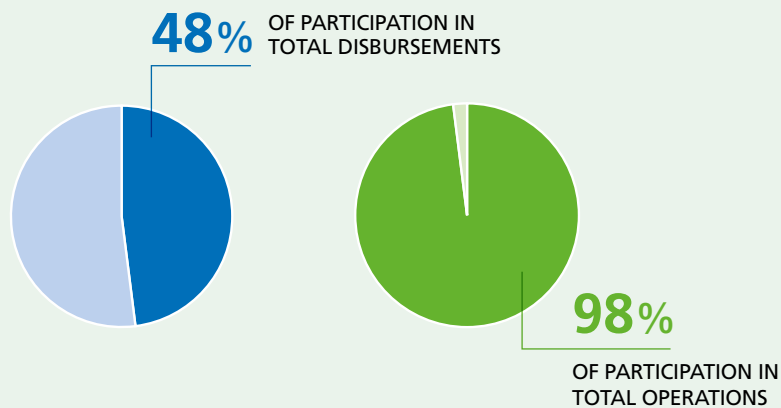


\* The strategic and transversal guidelines are those in force throughout 2019, before the update.

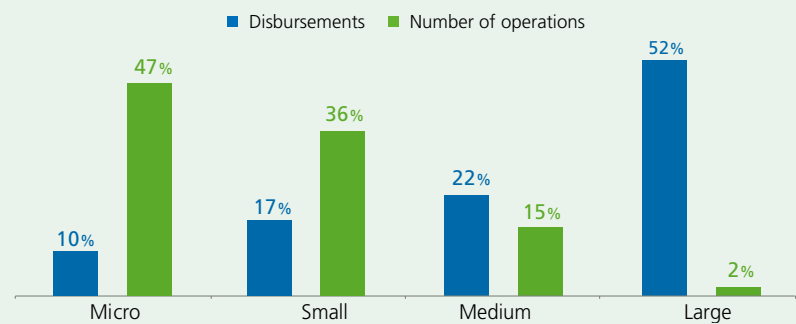
DISBURSEMENTS AND NUMBER OF OPERATIONS PER TRANSVERSAL GUIDELINE



## MSMEs



PARTICIPATION IN DISBURSEMENTS AND NUMBER OF OPERATIONS PER COMPANY SIZE



**MICRO:** annual operational gross revenue smaller than or equal to R\$ 360,000.

**SMALL:** annual operational gross revenue between R\$ 360,000 and R\$ 4.8 million.

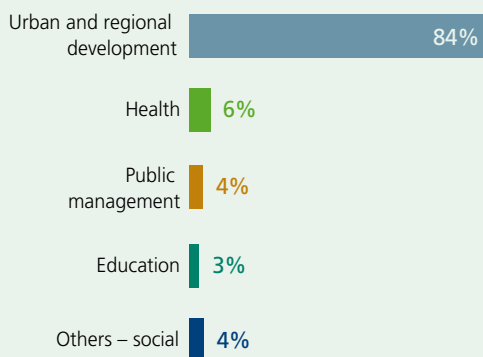
**MEDIUM:** annual operational gross revenue between R\$ 4.8 million and R\$ 300 million.

**LARGE:** annual operational gross revenue above R\$ 300 million.

## SOCIAL DEVELOPMENT



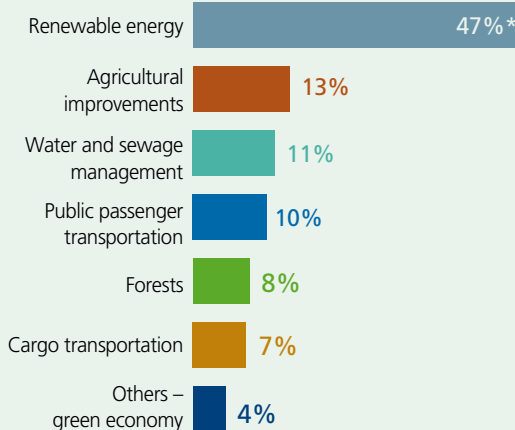
COMPOSITION OF DISBURSEMENTS



## GREEN ECONOMY



COMPOSITION OF DISBURSEMENTS



\* The 47% of renewable energies includes: wind (26%), biofuels (7%), solar (7%), hydroelectric plants above 30 MW (3%), sugarcane cogeneration (2%), small hydroelectric plants – SHP (1%) and other alternative sources (1%).


## ACTIVE FUNDS PORTFOLIO – BNDESPAR

**43** active funds  
(as of December 31, 2019)

R\$ **3.4 billion** of committed equity

R\$ **16.2 billion** of aggregate committed equity

for each R\$ 1.00 of BNDES, R\$ 3.76 are applied by other investors

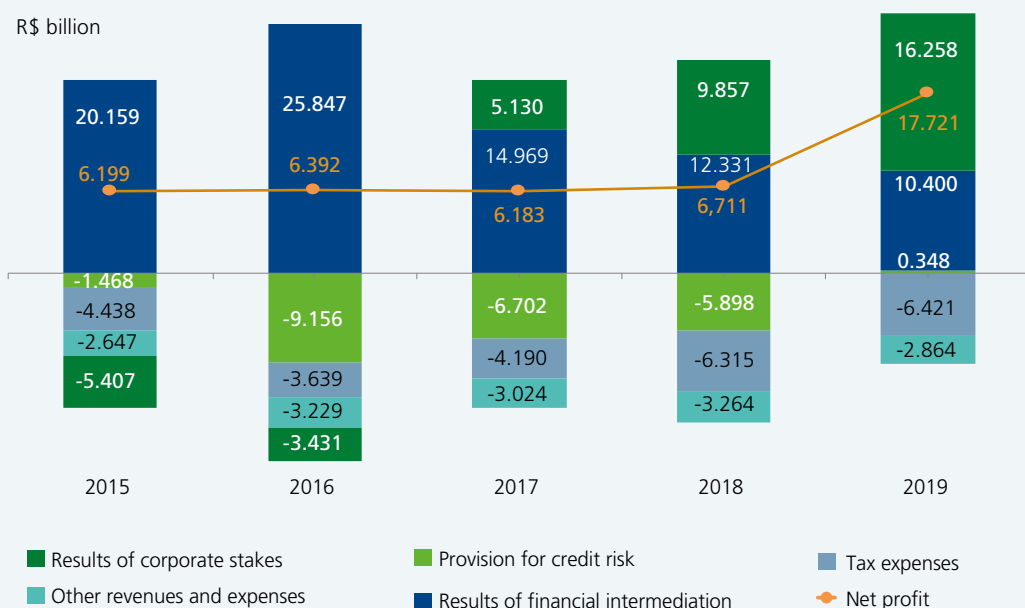
**15** funds dedicated to investments in innovation 

R\$ **14 billion** in infrastructure investments 



## RESULT

Our net profit reached R\$ 17.721 billion in 2019, an increase of 164.1% in relation to the net profit of R\$ 6.711 billion registered in 2018. This increase was mainly due to the higher result of corporate stakes (64.9% increase in relation to the previous year) and the reduction in expenses with provisions for credit risk (105.9% decrease in relation to the previous year).



## RESULTS OF CORPORATE STAKES

It is composed of the revenue obtained from dividends and interest on own equity, equity equivalence, divestiture of corporate shares, derivatives and equity investment funds, impairment and others, mainly derived from BNDESPAR's portfolio.

In 2019, the revenue from corporate stakes amounted to R\$ 16.258 billion, showing expressive growth in relation to the R\$ 9.857 billion obtained in 2018, and was mainly due to the 84.0% increase in the result of divestitures. Of the **divestitures** made, the one that occurred after the corporate reorganization of Fibria in the first quarter of 2019 stands out, having accounted for 50% of the result of corporate stakes – R\$ 8.1 billion (gross of taxes), in addition to the receipt of 74,307,441 Suzano shares.

The partial divestiture of Petrobras and Vale shares and the full divestiture of Marfrig shares are also highlighted, reinforcing the tendency for the divestiture of shares set out in the **2020-2022 Triennial Plan**.

## FINANCIAL INTERMEDIATION RESULTS

Consists in the results of the application of resources in cash receivables and in the credit and onlending and security portfolios.

The 15.7% reduction in the financial intermediation results in 2019 was mainly due to the impairment of debentures, amounting to R\$ 2.876 billion, being offset by the higher revenues obtained from treasury operations, related to the divestment of Federal Government securities.

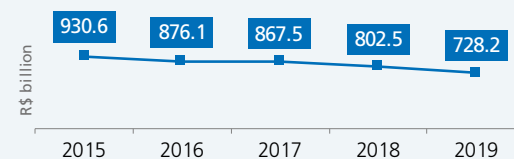
## PROVISION FOR CREDIT RISK

The provision for credit risk is recognized in accordance with criteria established by CMN Resolution 2,682/1999.

The net reversal of the provision for credit risk of R\$ 348 million observed in 2019 was basically caused by the recovery of credits that had been 100% provisioned in previous periods, totaling R\$ 2.842 billion, of which R\$ 1.626 billion were received from the Exports Guarantee Fund (FGE).

## ASSETS

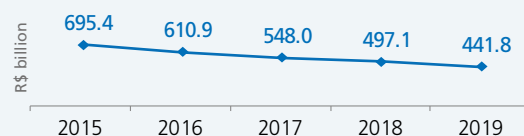
### TOTAL ASSETS



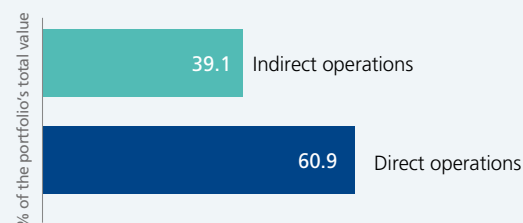
## CREDIT AND ONLENDING PORTFOLIO

Comprises financing granted by BNDES directly, called credit operations, or indirectly, through an accredited financial institution, called onlending operations, net of provision for credit risk.

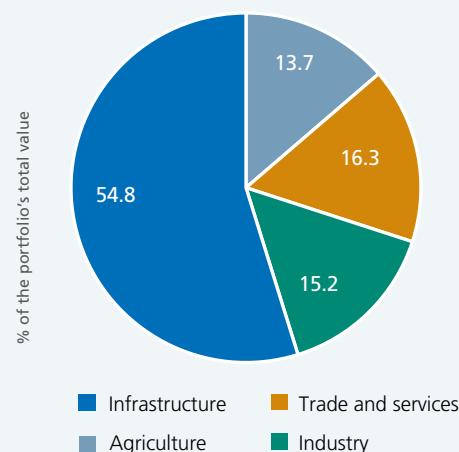
Reflecting the scenario of decrease in the demand for disbursements, the R\$ 55.248 billion (11.1%) reduction in the net portfolio in 2019 was influenced by the liquidation of operations, which exceeded disbursements in the year by R\$ 90.293 billion, and partially offset by the appropriation of interest and monetary correction in the period.



### PORTFOLIO PER TYPE OF OPERATION (2019)



### PORTFOLIO PER SECTOR (2019)



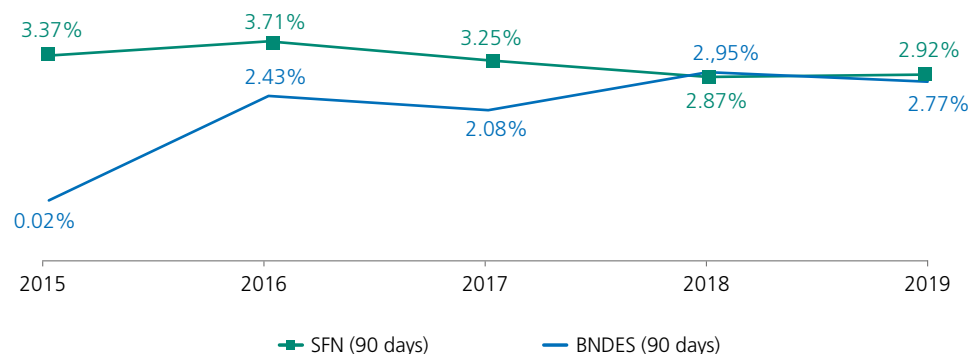
Learn more in the section **Financial sustainability** (p. 46)



Learn more in the section **Our strategy** (p. 10)

### BNDES DEFAULT VS. THE NATIONAL FINANCIAL SYSTEM (SFN)

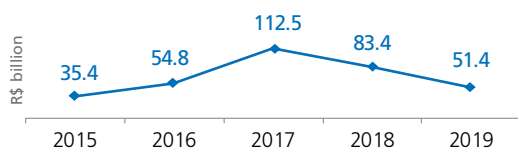
Our default rate reached 2.77% (90 days) on December 31, 2019, a reduction compared to 2018 (2.95%) and less than the 2.92% default registered by SFN. Disregarding operations fully guaranteed by the Union, our default rate would be 0.84% (1.67% in 2018), remaining below the SFN index. The renegotiation index reached 4.95% of the credit and onlending portfolio in 2019, higher than the 4.43% registered in 2018 due to the reduction in the credit portfolio.



### CASH AND CASH EQUIVALENTS

Financial investments were made to preserve the value of funds not yet disbursed. The investments in repo operations, backed by Federal Government securities, accounted for 99.9% of the balance sheet on December 31, 2019.

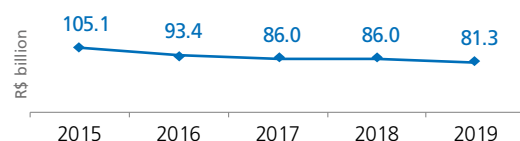
The 38.4% reduction in 2019, in spite of the return of the credit portfolio, mainly reflected the advance payment of the debt with the National Treasury (R\$ 100 billion).



### BONDS AND SECURITIES

Comprised mainly of Federal Government securities and debentures, both accounting for 91.7% of the balance sheet on December 31, 2019.

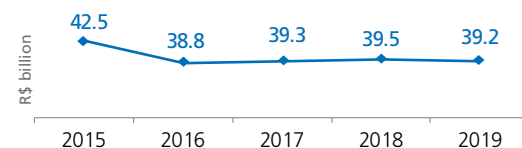
The 5.4% reduction in 2019, like the reduction in cash and cash equivalents, was influenced by the advance payment of the debt with the National Treasury (R\$ 100 billion).



### OTHER ASSETS

Basically comprise accounts receivables and tax credits, accounting for 84.5% of the balance sheet, as of December 31, 2019, in addition to receivables to be paid by the National Treasury.

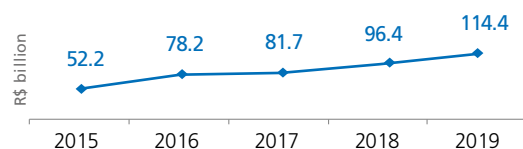
There was no relevant variation between fiscal years.



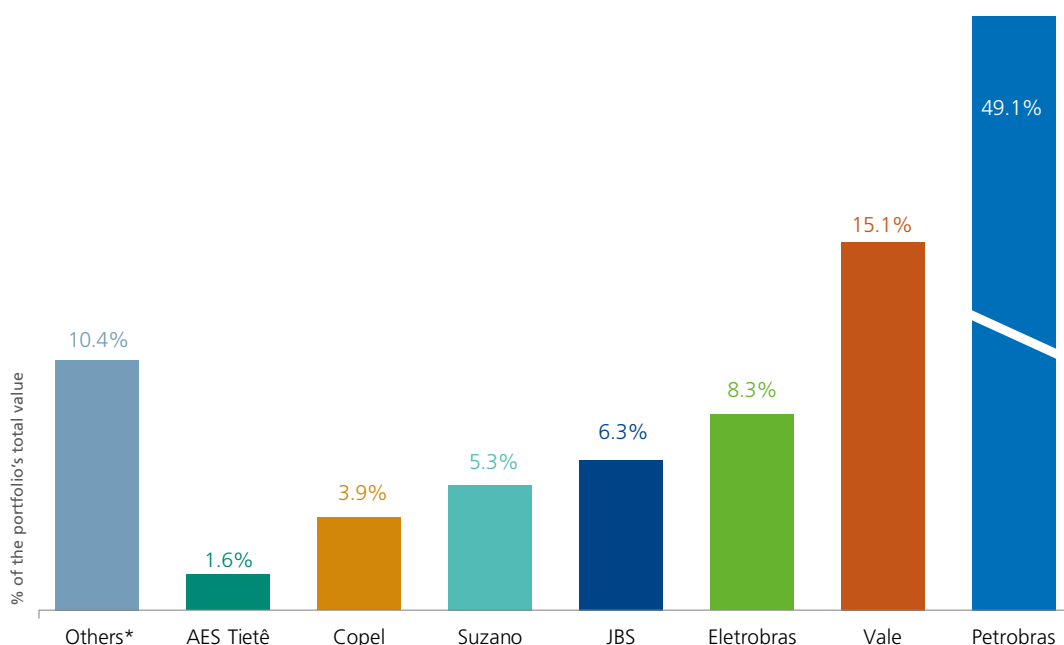
### CORPORATE STAKES

The corporate stakes portfolio comprises investments in affiliated and nonaffiliated companies, performed directly in the context of public offerings or private issuances, or with the capital paid in by the National Treasury in the early 1980s and in 2009, in addition to the equity investment funds administered by market managers chosen through a rigorous selection process.

Notwithstanding the divestitures made in 2019, the 18.6% increase, in relation to December 31, 2019, reflects the appreciation of the portfolio of investments in nonaffiliated companies, influenced mainly by the shares of Petrobras and Eletrobras.



#### CORPORATE STAKES ON 12.31.2019 (Participation in affiliated + nonaffiliated companies)



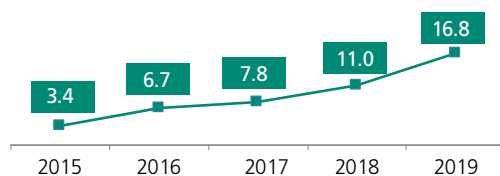
\* Companies with less than 1.5% participation.



Learn more about the history of the corporate stakes portfolio at: [www.bndes.gov.br/composicao-carteira-renda-variavel](http://www.bndes.gov.br/composicao-carteira-renda-variavel)

## LIABILITIES AND NET EQUITY

OWN CAPITAL INDEX (%)

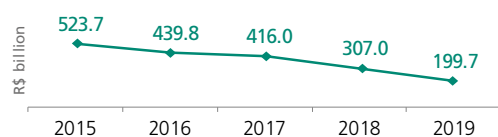


## NATIONAL TREASURY

Includes onlending operations and instruments that are eligible for core capital.

The 35.0% reduction in 2019 is mainly due to the advance payment of debts (R\$ 100 billion), being partially offset by the appropriation of contractual charges. Since 2015, no new funds have been raised from the National Treasury.

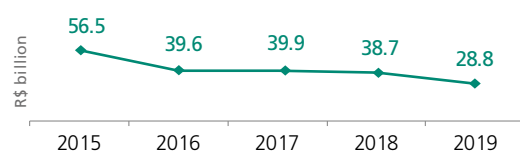
Considering the early liquidations carried out since 2015, the returns to the National Treasury totaled R\$ 409 billion at the end of 2019.



## FUNDRAISING ABROAD

Includes the issuance of bonds, green bonds, loans from multilateral institutions and other loans.

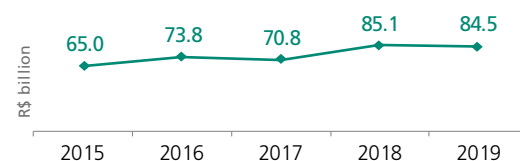
In 2019, the reduction in indebtedness using the funds raised abroad was due to the liquidation of operations, notably bonds.



## OTHER LIABILITIES

The resources from the Merchant Marine Fund (FMM), the Workers' Severance Indemnity Fund (FGTS) and the FGTS Investment Fund (FI-FGTS) accounted for 32.3% of the balance sheet of other liabilities on December 31, 2019. In addition, R\$ 3.564 billion comprise funding in the domestic market, such as Financial Letters and FGE onlendings.

There was no relevant variation in 2019.



## FAT AND PIS-PASEP

According to the Federal Constitution, of the total funds raised from contributions to PIS and PASEP, 28% are used to finance economic development programs through BNDES. Since 1988, the PIS-PASEP Fund has not received any more resources, which have been allocated to the Worker's Assistance Fund (FAT) instead.

The resources' cost is mainly pegged to TJLP and TLP, or to the London Interbank Offered Rate (Libor), plus dollar variations.

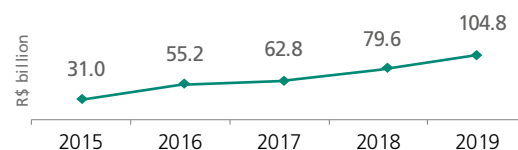
In 2019, R\$ 18.296 billion of new resources came from FAT, all with a constitutional source. During the year, BNDES returned R\$ 1.657 billion to PIS-PASEP to support withdrawals by shareholders authorized by the Federal Government.



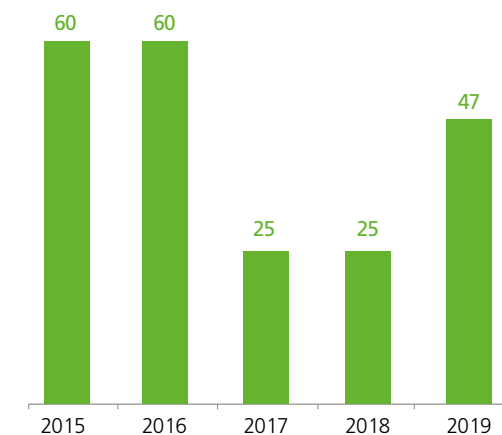
## NET EQUITY

The 31.7% growth in 2019 reflects the effects of the net income of R\$ 17.721 billion and the positive equity adjustment of securities and bonds, which reached R\$ 8.814 billion in the year, being offset by the advance payment of dividends (R\$ 7.953 billion), calculated based on the profit obtained in the first half of 2019.

In 2019, there was a R\$ 2.550 billion increase in capital due to the full incorporation of the capital reserve.



PAYMENTS TO THE NATIONAL TREASURY (dividends and interest on capital)



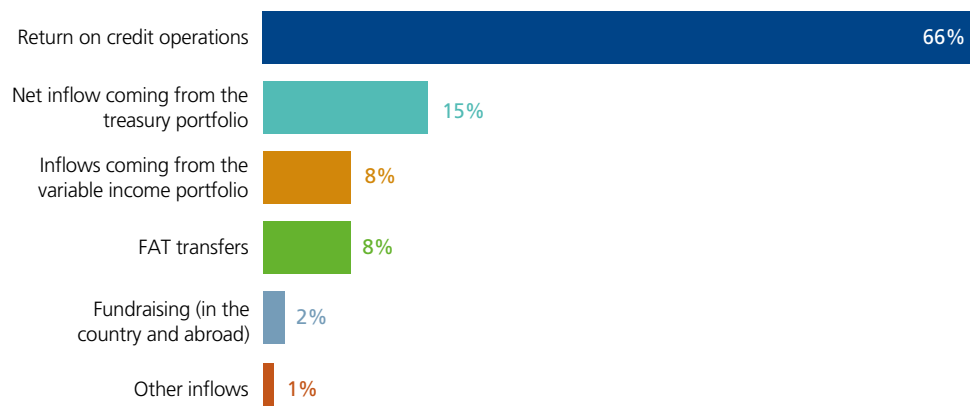
■ % distributed

(percentage related to distributable profit, which is equivalent to 95% of the net profit)

In accordance with the Dividend Policy approved in 2017, the payment of dividends and interest on capital to the National Treasury is limited to 60% of the distributable net profit.

In 2019, a change to the BNDES Statute excluded the limitation of the early allocation of the income obtained in the year based on a semiannual balance sheet only in the form of interest on own capital, allowing its distribution also in the form of dividends, including with periodicity of less than half a year, provided that it is based on the profit determined in the annual or half-yearly balance sheet. This decision made it possible to anticipate dividends corresponding to 60% of the R\$ 13.807 million profit calculated in the first half of 2019, net of legal reserves, representing 47% of the distributable profit calculated in 2019. The remaining R\$ 2.1 billion (13% of the available result) were allocated to the Dividend Equalization Fund.

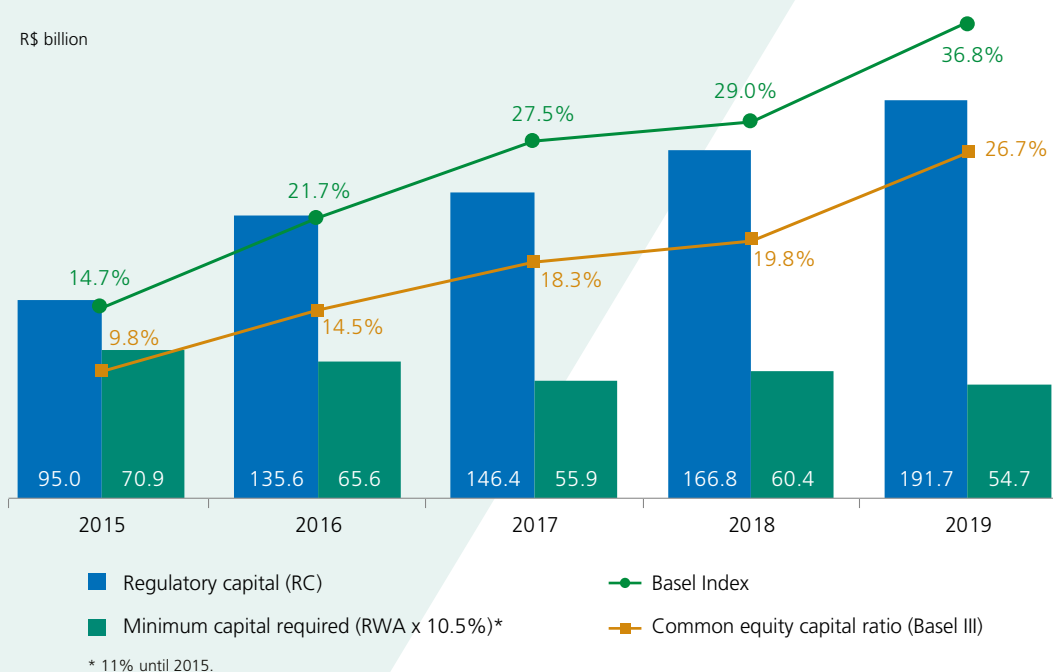
CASH FLOW PER SOURCE OF FUNDS (2019)



INDICATORS	2015	2016	2017	2018	2019
Return on total assets (ROA)	0.67%	0.71%	0.72%	0.83%	2.47%
Return on equity (ROE)	15.37%	14.78%	12.97%	12.80%	28.64%
Coverage rate (provision/ defaulted credit)*	10.87	0.74	1.07	1.48	1.10
Provision/credit and onlending portfolio	0.67%	2.08%	2.27%	4.39%	3.15%
AA-C credit rate	99.36%	96.40%	95.80%	94.70%	95.35%

\* Default: at least 30 days overdue.

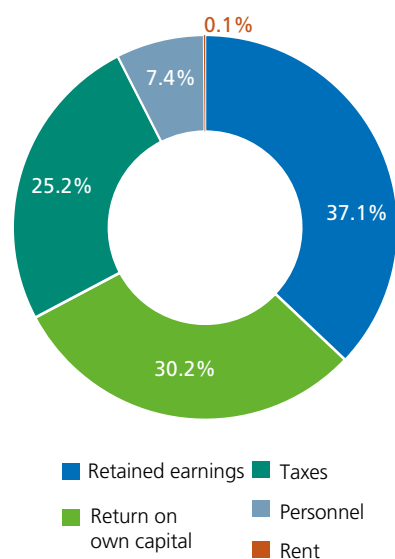
## REGULATORY CAPITAL



## WEALTH GENERATED AND DISTRIBUTED (2019)

An important indicator of social role, the Added Value Demonstration (DVA) shows, according to a global vision of performance, the company's contributions to generating wealth for the economy in which it operates, and its effective distribution to employees, the government, financial agents and shareholders.

The wealth generated and distributed by BNDES in 2019 was of R\$ 26.353 billion, 76.1% higher than the amount generated in 2018, due to the increase in the result with divestitures and to the reduction in expenses with provision for credit risk.

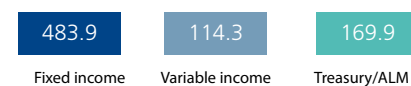


## INFORMATION PER SEGMENT (2019)

BNDES defines its segments based on the nature of the forms of support in reports on which the Advisory Board bases its performance analysis and decision-making processes. The methodology for the preparation of the results per business segment also portrays the allocation of funding costs through the integrated management of resources (Asset Liability Management ALM).

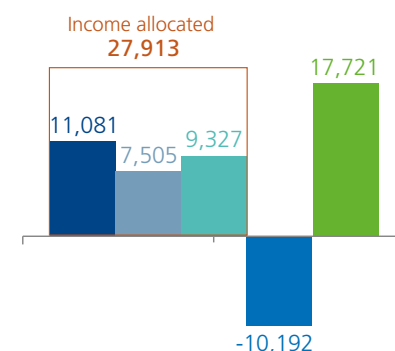
### AVERAGE ASSETS

R\$ billion



### RESULT

R\$ million



■ Fixed income ■ Treasury/ALM ■ Net profit  
 ■ Variable income ■ Nonallocated\*

\* Basically composed of tax and administrative expenses.

### AVERAGE RETURN (%)



### FIXED INCOME

Mainly credit and onlending portfolios, net of provision.

### VARIABLE INCOME

Corporate stakes and convertible debentures.

### TREASURY/ALM

Mainly public securities and investments in DI, in addition to asset liability management (ALM), which includes fundraising activities and allocation of funding between segments.

### NONALLOCATED

Basically includes administrative and tax expenses.

## TRANSVERSAL MISSIONS



Technological diffusion and innovation



Credit and capital market



Sustainability



State modernization and territorial development



Privatization



Next, we present our performance in 2019. Throughout the text, whenever pertinent, we signal the transversal mission(s) related to the deliveries, identified by the icons on the side.

## INFRASTRUCTURE

Our performance in infrastructure has a direct impact on the quality of life of Brazilians, expanding the population's access to fundamental services.

In order to increase investments in infrastructure, which greatly influence economic growth and the creation of jobs and income, we operate by both financing projects and supporting the different government levels – federal, state and municipal – through the development of infrastructure, concession and privatization projects and formation of public-private partnerships (PPP).

## SANITATION

Our performance in the area of environmental sanitation seeks to expand the investments deemed necessary for the universalization of water and sewage services in the country.

### FINANCING

In order to stimulate investments in the area, our environmental sanitation line has special financing conditions – 95% participation, term of up to 34 years, and basic spreads of 0.9% p.a., for sewage and municipal solid waste (MSW), and 1.3% p.a., for water and other investments.

In 2019, we disbursed R\$ 1.021 billion on the sanitation sector through direct and indirect operations, and contracted new operations valued at R\$ 208 million, among which the projects of the sanitation concessionaires of two municipalities of Santa Catarina stand out: Águas de Camboriú and Águas de São

Francisco do Sul. The former, valued at R\$ 55.4 million, foresees the inclusion of more than 10,000 people in the water network and the reduction in water losses from 41% to 37%, whereas the latter, valued at R\$ 67 million, is expected to include 4,700 people in the water network, and 23,500 in the sewage system.

Essencis' project, valued at R\$ 85.7 million, is also worth noting, as it is aimed at increasing the capacity of the landfills in Caieiras (SP) by 9,962 thousand m<sup>3</sup>, and of the landfills in Curitiba (PR) by 235,000 m<sup>3</sup>.

### CONCESSIONS

We also operate by structuring water and sewage projects, based on five principles: (i) seeking the universalization of water distribution and sewage collection services; (ii) adopting models that are inclusive, covering both very small municipalities and low-income areas with precarious urbanization; (iii) observing the payment capacity of the population to be served; (iv) promoting the opening of the sanitation market; and (v) designing products that consider the projects' stability and financial attractiveness.

To this end, we seek to expand the participation of the private sector and attract actors who are qualified from an institutional, technical and economic-financial point of view to effectively contribute to the universalization of services.

We are guided by a regionalized vision, combining more and less profitable municipalities in the same concession block; we prioritize investments over grants; we take tariff realism into account; and we seek gains in economic and financial quality and sustainability through the improvement in the management and efficiency of services.

The projects we are currently structuring are shown on the map to the right.



## SANITATION DELIVERIES

In 2019, all works to improve the **water supply system** and part of the investments in the **sewage system of Cuiabá (MT)** were completed. We disbursed R\$ 327.5 million on the project through a contract signed with the Águas de Cuiabá S.A. concessionaire.

With the initiative, over 116,000 people were included in the city's water network, the coverage of which reached 100% of the population, with 99.8% regularity. The project also helped improve the quality of the water distributed and reduce losses in the treatment and distribution process.

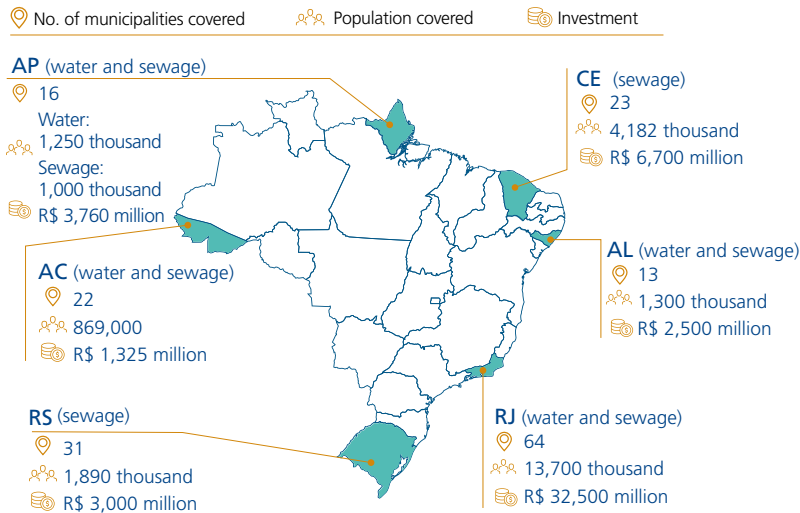
Regarding sewage collection, 30,000 people were included in the network, increasing the coverage rate to 57.3% (the target was 56%). The city's sewage treatment has also been expanded to include more than 178,000 people.

In the **municipality of Victor Graeff (RS)**, the implementation of a new landfill by Companhia Riograndense de Valorização de Resíduos (CRVR) was completed. It provides an appropriate destination for the waste generated, and is already receiving 300 tons/day, with prospects for expansion to 700 tons/day.



Photo: Iguá Saneamento

SUMMARY TABLE OF SANITATION PROJECTS BEING STRUCTURED BY BNDES (AS OF 5.31.2020)



Note: Sewage PPP projects in Cariacica (ES) and water and sewage concession projects in Porto Alegre (RS) are also being structured.



## ENERGY

In 2019, we continued with our strategy of promoting the transition to a low carbon economy without compromising the country's energy security.

We maintained our commitment to expanding the generation of energy from renewable sources. Wind, solar and hydropower projects, as well as thermoelectric generation from natural gas, accounted for around 25% of our disbursements on the electricity sector, which totaled R\$ 13.2 billion in the year.

Projects that we supported and that went into commercial operation in 2019 contributed to the 2,266 MW increase in the capacity of power generation from various sources (wind, solar, thermal, hydroelectric and small hydroelectric plants), and to the implementation of 4,726 km of transmission lines.

A survey conducted by BloombergNEF (BNEF) showed that we were the largest financier of clean energy in the world from 2004 to 2018, with a total investment of US\$ 30 billion in projects in the Brazilian renewable energy sector.

In 2019, we also approved new generation projects that signal a resumption of investments in the sector, valued at R\$ 17.2 billion.

The support to the installation of **four wind farms** (Morro do Chapéu, Umburanas, Monte Verde and Chafariz) is worth mentioning, as it will help generate enough energy for 2.8 million households after the beginning of their commercial operation, adding 1,164 GW of installed capacity to the national electrical system.

## BELO MONTE HYDROELECTRIC POWER PLANT

In November 2019, the Belo Monte Hydroelectric Plant, located on the Xingu River, state of Pará, went into full commercial operation. The fourth largest plant in the world and the largest 100% Brazilian plant, Belo Monte has 11,233 MW of installed capacity and can meet the consumption needs of around 18 million households or 60 million Brazilians.

With more than 50% of its investments financed by the Bank, the project was conceived as a run-of-the-river plant, i.e., with a relatively small reservoir, in order to reduce environmental impacts. This made it possible for the enterprise to avoid flooding indigenous lands.

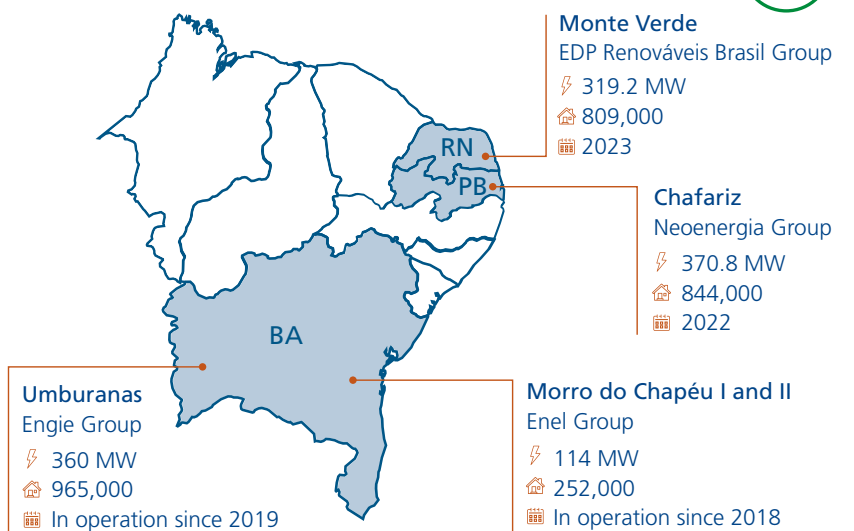
Under the responsibility of the Norte Energia S.A. concessionaire, the initiative generated more than 20,000 jobs during its implementation, not counting those indirectly generated in the production of equipment, materials and services for the plant, almost all of them national. A significant part of the investments was also allocated to the execution of actions to minimize and compensate for socioenvironmental impacts in the municipalities in its area of influence. Among social investments, the following stand out:

- resettlement of more than 20,000 people who used to live in precarious conditions, such as in stilt houses, in masonry houses located in neighborhoods with urban infrastructure;
- health infrastructure improvements in the plant's area of influence, including environmental sanitation works, construction of hospitals, and development of a malaria control program;
- construction of schools in the project's region, benefitting more than 20,000 students;
- investments aimed at improving the quality of life of indigenous communities, such as the implementation of sustainable economic activities in the villages; a plan for the territorial protection of indigenous lands; a school education program; actions focused on indigenous health; actions and programs for the protection and strengthening of the cultural heritage of indigenous peoples; and the adaptation of the National Indian Foundation's (Funai) structure in the region.



Photo: Norte Energia S.A.

⚡ Generation capacity   🗓 Start of the operation   🏠 Households served



## UMBURANAS WIND COMPLEX

Located in the municipalities of Sento Sé and Umburanas, in northern Bahia, the Engie Group's Umburanas Wind Complex received R\$ 1.26 billion in financing from the Bank for a total investment of R\$ 1.6 billion. With 18 wind farms and 144 wind turbines, the complex has a generation capacity of 360 MW, which is enough to meet the consumption needs of more than 965,000 households.

During its implementation, the project created 800 direct and 1,600 indirect jobs. After the start of operations in April 2019, the number of direct and indirect workers employed by the enterprise was 120. The initiative allows avoiding 3,305,264 tCO<sub>2</sub>.eq of greenhouse gas emissions.



Photo: Engie Brasil

## FREE MARKET OF ENERGY

In 2019, we improved our methodology for financing projects from the Free Contracting Environment (ACL), and defined new reference values – between R\$ 130/MWh and R\$ 110/MWh. In this way, we contributed to the projects' financing, promoting the participation of the free market in the electric matrix's expansion.

## SECTORAL DISCUSSIONS

The "Privatizations in the Electric Energy Sector: Federalized Distributors, the Role of BNDES and Institutional Partners" seminar, carried out in February 2019, marked the conclusion of the participation of BNDES in the structuring of the privatization projects of the Eletrobras System's distributors.

## OIL AND GAS

During the year, we actively participated in the discussions on the new gas market, collaborating with various ministries to carry out the Federal Government's initiative. Given this context of transformation in the sector, we created an internal working group to develop a thorough diagnosis of the value chain of natural gas in Brazil.

Based on this analysis, we started to act to expand the use of gas produced in the pre-salt fields, generating more wealth for the country. To this end, we seek to make the transmission infrastructure required viable, with the participation of an independent operator and new investors.

The *Gas for Development report*, produced by the working group and launched in 2020, consolidates the sectoral mapping performed.

One of the projects approved in 2019 was the investment plan of Companhia de Gás de São Paulo (Comgás), which will account for R\$ 2 billion in financing. The project foresees the addition of about 1,000 km to the state's

network, connecting approximately 100,000 new customers per year. The investment plan, which covers the period from 2019 to 2024, contributes to the safe and continuous supply of gas to the population, replacing more polluting fuel sources.

## ENERGY WITH PRE-SALT GAS

In 2019, we approved financing for the first thermoelectric plant using natural gas from the pre-salt fields, UTE Marlim-Azul, located in Macaé (RJ). With a capacity of 565.5 MW, the plant will generate enough energy to meet the needs of more than two million households.

The project, which is the result of a joint venture between Grupo Pátria, Shell Gas and Mitsubishi Hitachi Power Systems America, opens the way to spreading the use of natural gas as a transitional energy source, expanding its economic value.

## PRIVATIZATION OF DISTRIBUTORS

In terms of project structuring, we developed a performance model for the privatization of state gas distributors. Based on it, we have already identified 14 companies with the potential for privatization, and incorporated two of them into our portfolio: Companhia de Gás do Mato Grosso do Sul (MSGás) and Companhia de Gás do Estado do Rio Grande do Sul (Sulgás).



## LOGISTICS AND TRANSPORTATION

The Brazilian logistics sector has the important role of connecting the country's different markets. Its main challenge concerns the implementation of a more balanced, integrated and sustainable transportation matrix to improve the safety of users and the quality of the services provided, effectively increasing the competitiveness of firms. Investments in the sector involve a large volume of capital, long maturity periods, and high initial risks.

With this in mind, we operate by structuring highly complex projects, offering long-term financing or providing guarantees, especially in more risky projects or stages (pre-completion), or as a lever



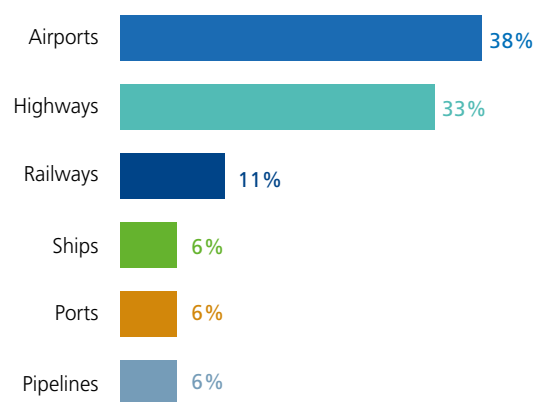
Access at:  
[www.bndes.gov.br/relatoriogasparaodesenvolvimento](http://www.bndes.gov.br/relatoriogasparaodesenvolvimento)



for the insertion of the private sector and stimulation of the capital market.

Our disbursements on logistics and transportation projects totaled R\$ 3.55 billion in 2019, most of the funds having been destined to airport (38%) and highway (33%) projects.

INVESTMENT IN LOGISTICS PER SECTOR – 2019



During the year, we also approved new operations in the highway sector, valued at R\$ 2.64 billion.

Under the responsibility of the ECO135 concessionaire, the second highway lot granted by the state of Minas Gerais, which includes stretches of the BR-135, MG-231 and LMG-754 highways, will receive R\$ 996 million in financing from the Bank. The project includes the duplication of approximately 136 km of lanes and the construction of an additional 110 km, with expectation of creation of 1,110 jobs during their implementation, and 476 at the start of operations. The stretch is one of the main channels connecting the northern region of Minas Gerais and Belo Horizonte and the southern region of the country.

The Rodovias Integradas do Sul project (BR-101/290/386/448/RS) of CCR Via Sul will receive R\$ 1.3 billion in financing. The funds will be used to duplicate 225 km of highway and build almost 80 km of additional lanes. The project promotes greater integration of cargo transit between the northwest of the state of Rio Grande do Sul and the metropolitan region of Porto Alegre, in addition to having the potential for reducing the accident rate in the highway lot by 38%.



## URBAN MOBILITY

Our performance in urban mobility projects is focused on medium and high-capacity transportation systems that contribute to

improving circulation in Brazilian cities and the population's quality of life.

Line 3 of VLT Carioca (RJ), which had our support, started operating in 2019, connecting the Central do Brasil station to the Santos Dumont Airport. The inauguration of this new section increased the number of passengers using the service by about 20,000/business day. In December, three new operations of Line 15 (Silver) of the São Paulo Metro (monorail) were also inaugurated at the Sapopemba, Fazenda da Juta and S. Mateus stations.

In 2019, we disbursed R\$ 275 million to the government of Ceará for it to resume the construction of the Fortaleza Metro's East Line. The initiative includes five stations, with the purchase of systems, equipment and rolling stock, in addition to the contracting of supervision, management and technical support services.

The new section, with 7.3 km in length and a travel time of up to 15 minutes, will connect the center of Fortaleza to the neighborhood of Papicu. The work is expected to be completed by the end of 2023, meeting an approximate demand of 38,000 passengers per working day.

In the year, we contracted financing for the implementation of BRT (Bus Rapid Transit) in Sorocaba (SP), valued at R\$ 200 million. The system will consist of three BRT corridors, totaling 17 km (two-lane), 32 stations and three transfer terminals, in addition to 46 km of exclusive public transportation lanes. It will be integrated into feeder bus lines and cycle paths, with a single ticket and biometric recognition, and should serve 100,000 passengers already in 2020.

## CONTRIBUTION TO PUBLIC POLICIES

During the United Nations Conference on Climate Change (COP 25), held in Madrid in December 2019, we signed a memorandum of understanding with KfW, the German development bank, with the aim of supporting the structuring of sustainable urban mobility projects in Brazil. The agreement ensures € 450,000 in nonreimbursable resources to fund pre-feasibility studies for these projects.

## RESTAURATION OF THE HERCÍLIO LUZ BRIDGE



A symbol of the state of Santa Catarina and closed since 1991, the bridge was reopened to the public at the turn of the year. We financed 46% of civil works, the total value of which was R\$ 411 million.

The reopening of the bridge will improve the traffic flow in the access to the island of Santa Catarina, currently concentrated in the Colombo Salles and Pedro Ivo Campos bridges. The initial estimate is a minimum redirecting of 20% of the current traffic, positively impacting the entire urban mobility system of Greater Florianópolis, which has 1.1 million inhabitants. Although it will initially be open only to pedestrians and cyclists, bus lines and other vehicles will be redirected to the bridge throughout 2020.





## FUNDS AND DEBENTURES IN INFRASTRUCTURE

In 2019, we also subscribed R\$ 247 million in debentures for infrastructure projects, issued by companies in the wind and road sectors.

Still in the last year, an investment of up to R\$ 400 million from BNDESPAR in the Pátria Infraestrutura IV Fund was approved, aiming to finance assets of the sector, preferably in the energy, highway, airport and telecommunication segments. It is estimated that fundraising, which has a target equity of R\$ 10 billion, will be finished by the first half of 2020.

Another highlight was the investment of R\$ 300 million by FIDC Vinci Energia Sustentável, a fund that has resources from BNDESPAR, in about ten projects in its segment.

In relation to FIDC BNP Paribas CAFAM Infraestrutura I, its manager BNP Paribas announced, in August 2019, the revocation of public offering CVM No. 476, whereby BNDESPAR would subscribe quotas, as the minimum amount of the offer was not reached within the distribution term.

## PRODUCTION STRUCTURE

Our strategic performance in production structure is guided by digital transformation; the reduction in greenhouse gas emissions; the increase in the productivity of small- and medium-sized Brazilian enterprises; and the use of new renewable sources and materials.



Technological diffusion and innovation are present in projects of different sectors supported by us, aiming to promote the transition to the knowledge economy and digital society.

In 2019, we disbursed R\$ 1.216 billion on projects related to the theme, such as pilot initiatives for the dissemination of the Internet of Things (IoT) in the country.

## TELECOMMUNICATIONS

The telecommunication infrastructure is fundamental to promote the expansion of broadband internet access, and, thus, enable the adoption of new technologies and digital transformation. Given this fact, we support the sector directly and indirectly, financing both investment plans of companies and the purchase of equipment and optical fiber.

An example of the former was the disbursement of R\$ 10 million to Starweb Telecomunicações, which acts as an internet provider in the south of Minas Gerais state. The project includes the completion of the company's data transportation network, known as backbone, and the implementation of optical fiber networks in about 25 municipalities. After the investment is completed, it is estimated that the company's client base will reach around 10,000 people.

Our indirect financing for the sector in 2019 totaled R\$ 93.6 million in disbursements to 700 enterprises.

### FUNTEL

We are one of the financial agents of the Fund for the Technological Development of Telecommunications (Funttel), for which we raised R\$ 150 million in 2019. The resources will be used to finance research, development and innovation projects of system and equipment manufacturers and telecommunication operators.

## INTERNET OF THINGS (IOT)

In 2019, we resumed the BNDES IoT Pilot Initiatives, through which we selected and analyzed pilot projects based on the adoption of this type of technology. The initiative seeks to demonstrate the gains provided by the IoT – in terms of productivity, quality of life or cost reduction, for example –, in addition to testing new business models and identifying bottlenecks and challenges. The selection included projects in urban, rural and health environments, considered a priority.

### IOT – URBAN

In the “urban” environment, we contracted a project to test IoT solutions applied to safety and public lighting in the city of Campinas (SP). The expectation is that the technologies will have positive impacts, reducing energy costs and increasing safety and the supply of services provided, with possibility of replication in other cities with similar characteristics.

Selected in a public call launched in 2018, the initiative will be carried out by the Research and Development Center in Telecommunications (CpQD), in partnership with the city of Campinas. The total investment is R\$ 9.89 million, of which R\$ 2.98 million will be provided by BNDES in nonreimbursable resources.

### IOT – RURAL

During the year, we approved the first pilot IoT projects for the agroindustrial sector, developed by

the Foundation for Technological Innovations (Fitec) and the CPqD. The projects seek to assess the technical and economic feasibility of artificial intelligence solutions aimed at the digitalization and automation of production. The expected IoT applications include the optimization of the use of machines, climate and soil monitoring and precision farming techniques, which may bring cost reduction and productivity gains.

We also participated in the creation of Câmara do Agro 4.0, an initiative led by the Ministry of Agriculture, Livestock and Supply (Mapa) and the Ministry of Science, Technology, Innovations and Communication (MCTIC). With three representatives appointed by the Bank, the collegiate body aims to study mechanisms to overcome the main barriers related to the digitalization of agriculture and the introduction of new technologies.

### IOT – HEALTH

For the health environment, the BNDES IoT Pilot Initiatives defined three focuses of action: (i) follow-up of patients, both remotely and in health units; (ii) point-of-care testing; and (iii) monitoring of assets, inputs and resources in health units.

In 2019, two pilot projects were approved. The first will be conducted by the Recife Center for Advanced Studies and Systems (Cesar), alongside Salvus and WND Brasil, with the aim of testing an IoT-based solution for monitoring oxygen therapy procedures used in the treatment of chronic obstructive pulmonary disease. The disease is responsible for 118,000 hospitalizations and 8,600 deaths per year, according to data from the Brazilian Unified Health System (SUS). The project will receive approximately R\$ 1 million in funding to test the IoT solution in home care services and hospitals, with prospects of contributing to the improvement in the patients' living conditions.

The second plan is focused on the use of IoT technology in remote patient follow-up initiatives. Developed by the Laboratory of Integrated Systems (LSI-TEC) – University of São Paulo (USP), in partnership with Smart Modular Technologies do Brasil and Self ID, it covers the follow-up of children undergoing cancer treatment, aiming at the control of the risk of sepsis, and sleep monitoring for the diagnosis of patients with obstructive sleep apnea syndrome. The estimated support is of R\$ 1 million, and may contribute, respectively, to the reduction in complications resulting from chronic noncommunicable diseases (NCD)

and to the expansion and reduction in the cost of sleep disorder diagnoses.

### PARTICIPATION INVESTMENT FUND

At the end of 2019, in partnership with Qualcomm Ventures, we launched a R\$ 160 million fund for investment in startups that develop IoT products and services. The aim of the initiative is to promote this type of technology in Brazil by supporting companies at an early stage.

The Bank and Qualcomm will be responsible for providing half of the fund's resources, the rest being complemented by other investors. The fund's manager will be selected in 2020 through a public call.

### AGRIBUSINESS

Almost 39% of our disbursements in 2019 went to agribusiness. Of the more than R\$ 21.3 billion disbursed on the sector, approximately two thirds went to agriculture and cattle-raising, and the rest, mainly to the processed food and paper and pulp industries.

Individuals received around 66% of the disbursements to the sector, while large companies received around 24%, and MSMEs, 10%. The South region, followed by the Southeast and Center-West, the country's main agroindustrial regions, were the main recipients of the resources.

### AGRICULTURAL PROGRAMS OF THE FEDERAL GOVERNMENT (PAGF)

In the 2018-2019 agricultural year, we allocated all resources – around R\$ 15.6 billion – made available by the government under the PAGFs. In relation to the 2019-2020 agricultural year, which started in July 2019, we allocated R\$ 11.7 billion of the R\$ 16.4 billion total until December 2019.

### SUPPORT FOR COOPERATIVES

In 2019, we disbursed a total of R\$ 1.57 billion to agricultural and agroindustrial cooperatives. Formed mainly by micro and small farmers, these cooperatives are responsible for about 70% of the food produced in the country (IBGE), adding another 1,600 institutions and almost 200,000 employees.

One of the projects approved during the year, for Cooperativa Agroindustrial Consolata (Copacol), was the construction of a center of distribution of chilled/frozen products in Corbélia (PR). The R\$ 100 million financing, in addition to contributing to the cooperative's logistic efficiency, will create around 200 jobs.

## INSTITUTIONAL PARTICIPATION

We participated in the main agricultural fairs in the country in 2019, such as Show Rural Coopavel, Expodireto Cotrijal, Expointer and Agrishow. In them, we encouraged the execution of government programs and presented the Bank's lines to potential clients, financial agents, agricultural equipment manufacturers and business representatives.



## BIOFUELS

The main highlight of our performance in the biofuels sector in 2019 was the approval of financing for Usina Cocal, to be used in the production of biogas from agroindustrial waste. Valued at R\$ 140 million, of which R\$ 97 million were financed by BNDES, the project involves the construction of an industrial unit to produce almost 9 million m<sup>3</sup>/year of biomethane, and of a biogas power plant with 5 MW capacity. The raw materials are residues from the production of sugar cane, such as straw, vinasse and filter cake.

## PRODUCTION INCLUSION

### INOVASOCIAL

In 2019, four projects were initiated within the scope of the InovaSocial Program, out of a total of six planned, which will be carried out from 2020 to 2022. The result of a partnership with the Brazilian Agricultural Research Corporation (Embrapa), the program is aimed at supporting territorial projects to generate and disseminate knowledge and technologies and strengthen family farmer networks in the chains of goats and sheep and agroecological seeds, in the Northeastern semiarid region, Goiás and Rio Grande do Sul.

### ECOFORTE

During the year, 27 projects were contracted within the scope of the Ecoforte Program through two

public selection processes launched by the Banco do Brasil Foundation (FBB), in partnership with BNDES. These projects, totaling R\$ 19.8 million, aim to strengthen agroecology, extraction and organic production networks by intensifying the sustainable management of sociobiodiversity products and products of organic and agroecological production systems.

### FUNSAF

Another novelty of 2019 was the second public call of the Family Farming Support Fund (Funsaf), launched in partnership with the state of Espírito Santo, which selected ten projects aimed at the production, agroindustrialization, processing and commercialization of associations and cooperatives of family farmers, with a total financing of R\$ 2.1 million.

### CISTERNS

As part of our support for the installation of cisterns in the Brazilian semiarid region, 4,124 cisterns used for food production and animal breeding were delivered in 2019. The initiative benefited families from 68 municipalities in the region, spread across nine states.

### SEMIÁRIDO PRODUTIVO

The Semiárido Produtivo Project benefited 104 families with the delivery of production kits, which have a unit value of approximately R\$ 5,000. The kits provide the necessary conditions for production, handling and processing in family units. Initiated in late 2017 by the Regional Institute for Appropriate Small Farming and Animal Husbandry (IRPAA), the project is being developed in 63 communities of 27 municipalities distributed across five states of the Brazilian semiarid region: Sergipe, Alagoas, Pernambuco, Piauí and Bahia, benefiting 400 family farmers.

### TRADITIONAL AGRICULTURAL SYSTEMS

We also launched the second edition of the BNDES Good Agricultural Practices for Traditional Agricultural Systems Award (BNDES SAT Award), with disbursements of up to R\$ 610,000 planned for 2020. Resulting from a partnership between the Brazilian Agricultural Research Corporation (Embrapa), the National Historic and Artistic Heritage Institute (Iphan), the Food and Agriculture Organization of the United Nations (FAO) and the Ministry of Agriculture, Livestock and Food Supply (Mapa), the award maps the traditional agricultural systems in Brazil and gives visibility to the good practices associated with these systems, focusing on environmental sustainability and the social and economic survival of the groups using them.

## AMAZON FUND

In 2019, the Amazon Fund completed 11 years of activity for the sustainable development of the Amazon, with 103 supported projects and a total of R\$ 1.9 billion in investments. Twenty-seven projects have already been concluded, six in 2019: a project for the monitoring, preventing and combating of deforestation due to forest and unauthorized fires (state of Tocantins); a project for the strengthening of municipal environmental management (municipality of Jacundá, state of Pará); an environmental inspection project (Ibama/Federal Government), and three third-sector projects for the structuring of production chains (Socioenvironmental Institute, Cooperativa dos Agricultores do Vale do Amanhecer, and Comissão Pró Índio do Acre).

With the extinction of the collegiate bodies responsible for the Amazon Fund's governance through Decree No. 9,759/2019, the Brazilian government and the governments of Norway and Germany started negotiating its redefinition.



See more at:  
[www.fundoamazonia.gov.br](http://www.fundoamazonia.gov.br)

## ReDeS

Through a partnership with the Votorantim Institute, in 2019 the Networks for Sustainable Development (ReDes) program was implemented in 17 municipalities, resulting in 18 family farming, recycling and handicraft projects, R\$ 5.3 million in investments, and more than 550 beneficiaries. The first stage of the program's evaluation in the period identified 1,256 direct beneficiaries of a total of 50 projects, distributed across 24 municipalities.

## CONSUMER GOODS, TRADE AND SERVICES

By financing consumer goods, trade and services, we seek to create jobs, improve competitiveness and productivity, and promote regional development.

In 2019, the support for Ruah Indústria e Comércio de Móveis (R\$ 17.8 million) made it possible to strengthen the economy of the Acaraú region, in the state of Ceará, contributing to the Brazilian regional development. Financing was also granted to the Pague Menos Group (R\$ 100 million), Beto Carrero World (R\$ 50.4 million) and Capital Realty Infraestrutura Logística (R\$ 36.5 million) for their expansion and/or modernization. Additionally, we allocated R\$ 58.5 million in working capital to Cordeiro Cabos Elétricos, R\$ 10.5 million to Gutierre Central de Compras Odontológicas, and R\$ 10 million to Bella Janela Cortinas, Jotanunes Construtora and Corsul Comércio e Representações.

“Steel Hub of Northern Rio de Janeiro and the New Natural Gas Market”, in which the basic concept of a hub for the production of steel inputs and products was presented and discussed, based on the use of natural gas as a reducing agent and fuel.

Two highlights of the sector in the year were the approval of financing for Klabin and AMG Mineração.

In the former, our support will go to the Puma II project, which is co-financed by the Inter-American Development Bank (IDB), the International Finance Corporation (IFC) and other private banks, covering structural investments (totaling R\$ 9.1 billion) in the production of pulp and paper, in the municipality of Ortigueira (PR). The Bank's financing for the first stage of the project will amount to R\$ 3 billion, and should create around 11,000 jobs, both direct and indirect, during its execution. After completion, scheduled for 2021, another 1,500 direct and indirect jobs are expected to be created. Klabin's expansion project also covers R\$ 15 million in social investments in education and in the modernization and public qualification of the municipalities surrounding the new plant.

In the case of AMG Mineração, the financing will be used for the construction of a plant for processing mining waste in Nazareno (MG), with the objective of promoting the activity's sustainability. The plant will reuse waste from two former dams built upstream – a method that was banned after the accidents in Brumadinho and Mariana (MG) –, in addition to waste generated in the production of tantalum. With R\$ 40 million in financing from the Bank, the project will have positive environmental impacts, repurposing the dams and optimizing the use of the mined material, in addition to creating about 320 direct jobs after its completion.

## EXPORTS

### EXPORT OF GOODS WITH HIGH ADDED VALUE

In 2019, we continued to support the export of Brazilian goods with high added value, increasing the competitiveness of the national industry in the global market. Examples include the financing for the export of 11 Embraer aircraft, E175 model, to the USA (American Airlines); 258 Marcopolo and Mercedes buses to Chile; and Scania buses and trucks to Peru. With a total value of approximately US\$ 370 million, these financings were carried out through the BNDES Exim Post-Shipment program.



## PRIMARY INDUSTRY

Our operations in the segment are focused on large-scale structuring projects, mainly in the pulp and paper, mining, steel, and chemical industries. We also seek to support scalable companies, above all those with an innovative profile and high growth potential, such as the ones in the plastics sector.

Our financing also covers sustainable projects, such as initiatives of reuse of mining waste, innovation, and pioneering plants using advanced materials inserted in the generation of renewable energy.

Considering that the primary industry sector is the main consumer of natural gas, being essential to facilitate projects for the exploration of pre-salt gas, we mapped the opportunities and potential for additional consumption in the industry throughout the year (estimated at 50 million to 70 million m<sup>3</sup> per day).

As part of the support for the development of the new gas market, we held the workshop

## PARTNERSHIPS WITH OTHER BODIES

Throughout the year, we participated, together with other Brazilian agencies and ministries, in several international meetings and working groups on exports, such as: the International Working Group on Export Credits (International Working Group – IWG), which aims to negotiate new global guidelines for public export financing; and OECD meetings related to the Arrangement on Officially Supported Export Credits (Arrangement).

We also followed the meetings of the group of countries adhering to the convention and recommendations on corruption and export credits, and of the group of export credit agencies (Practitioners), which discusses policies, practices and experiences related to socioenvironmental issues.



### ADVANCE LIQUIDATIONS

With the convergence between the final cost of BNDES and the market cost, some larger companies with access to other sources of credit have chosen to liquidate their contracts in advance and use the private market to obtain new resources. In 2019, for example, clients that liquidated their contracts with the Bank in advance included WEG (liquidation of approximately R\$ 200 million) and Embraer (approximately R\$ 464 million), the latter as a step of its process of fusion with Boeing.

These exports contribute to the generation of income and foreign currency and improving the Brazilian payment balance, in addition to helping preserve jobs in the country. Together, the four supported companies employ around 38,000 workers.

### FINANCING FOR THE EXPORT OF SERVICES FOR WORKS ABROAD

All of our operations in this segment that are still in the amortization phase are covered by the Exports Guarantee Fund (FGE), linked to the Ministry of Economy.

In December 2019, the Angolan government settled its debt with the Bank in advance by paying US\$ 580 million (R\$ 2.5 billion), which was the remaining balance of operations contracted since 2006, out of a total of US\$ 3.3 billion, expected to expire in 2024 only.

### CAPITAL GOODS, MOBILITY, AERONAUTICS AND DEFENSE

Our support for the capital goods, defense and mobility segments aims to stimulate innovation, expand the support for small- and medium-sized companies in the metal-mechanic complex, and strengthen the national engineering of large companies.

In 2019, two operations carried out with MAN, a manufacturer of heavy vehicles (trucks and buses), stood out. The first, valued at R\$ 110 million, out of which R\$ 88.6 million were financed by the Bank, was aimed at the development and manufacture of electric trucks with lower environmental impacts, emitting less pollutants and noise. The second project, valued at R\$ 554 million, out of which R\$ 443 million were financed by the Bank, was aimed at the development of more efficient vehicles, bringing climate and public health benefits by contributing to the reduction in the emission of various pollutants from motor vehicles. In addition to the environmental aspect, both contribute to the qualification of engineering activities in the country, creating and preserving qualified jobs.

Finally, it is worth noting that, in 2019, we made the first disbursement of nonreimbursable resources to the National Industrial Apprenticeship Service (Senai), of R\$ 1.5 million, for the development of innovation plans containing pilot projects with IoT technologies for the industry, to

be carried out by the Senai-Cimatec Institute of Innovation (BA) and the Senai Institute of Innovation in Integrated Metal-Mechanics Solutions (RS), in partnership with companies.



### MSME

MSMEs received 48% of our total disbursements in 2019, the equivalent to approximately R\$ 26.8 billion. Products such as BNDES Finame, which finances machinery and equipment, and BNDES Automático, aimed at financing investment projects, had relevant participation in this result, as well as the agricultural and the trade and services sectors.

In 2019, we participated in the National Credit Week, promoted by the Ministry of Economy (ME), which consisted of six different events attended by 1,600 entrepreneurs, including the Entrepreneur Fair. We also held a webinar about our products for the MSME sector, which we later uploaded to our YouTube channel.

### MACHINERY AND EQUIPMENT

BNDES Finame disbursed R\$ 16.6 billion in 2019, 89% destined to MSMEs in more than 60,000 operations. PAGFs accounted for 54% of the performance, with approximately R\$ 9 billion of resources allocated, especially to the Moderfrota program. The participation of sustainable investments made through subprograms such

### BNDES GARAGEM



Focused on the development and promotion of entrepreneurship in Brazil, the **BNDES Garagem** program concluded its first edition in September 2019. It received a total of 5,056 registrations, from all states of the country, and selected 74 startups, prioritizing those of the health, education, creative economy, blockchain, IoT, sustainability and financial solution environments. The chosen startups were divided into two modules:

- **Creation module:** aimed at startups that were still at an early stage, seeking to validate their ideas and develop the MVP (minimum viable product). It had the participation of 44 startups, over a period of four months.
- **Acceleration module:** aimed at startups in the growth phase, with a product already on the market. It had the participation of 30 startups, over a period of six months.

The first edition of the event was concluded with a demo day in October, in which 20 selected startups were able to present their business to potential investors. The PickCells startup from Recife (PE), focused on the laboratory automation of clinical analyses, was awarded for the best pitch of the event.

During the year, the BNDES Garagem Network was also created, with the objective of maintaining an active dialogue channel with the innovation and entrepreneurship ecosystem. More than 850 entrepreneurs are already part of this network, and receive useful content about the ecosystem on a monthly basis.



Learn more at: [www.bndes.gov.br/bndes-garagem](http://www.bndes.gov.br/bndes-garagem)

## SMALL BUSINESSES CREATE JOBS WITH BNDES CREDIT

Entrepreneur Rosane Falcão received R\$ 30,000 from BNDES Crédito Pequenas Empresas, contracted through Bradesco, to open her first store for selling sweets and cakes for parties, in Rio de Janeiro (RJ). The idea for the business arose in 2011 in Rosane's own kitchen, later evolving into a rented space, which allowed her to increase production and start selling to banquet halls.

The financing allowed the entrepreneur to take the next step and open a store to serve the retail public and have a showcase for the products of her party line. The investment also expanded Rosane's team, which now has five new employees, in addition to the 14 already hired.

In Niterói (RJ), entrepreneur Rodrigo Bittencourt also used our financing to open his second candy store, Amor a Cakes. The operation, valued at R\$ 100,000, was contracted through Bradesco and made it possible to purchase equipment and construction material for the store. Created three years ago, Amor a Cakes was also able to hire eight new employees and expanded its team to 21 people.



Rosane Falcão | Photo: Andre Telles



Amor a Cakes | Photo: Andre Telles

as Fundo Clima Equipamentos Eficientes and BNDES Finame Energias Renováveis was also relevant, disbursing R\$ 136 million in more than 900 operations.

### BNDES CARD

The BNDES Card was responsible for R\$ 1.6 billion of disbursements in 2019, in more than 110,000 transactions, thus accounting for 41% of the total operations approved by the Bank in the year.

A large part of the BNDES Card's operations are aimed at micro and small-sized enterprises, confirming the product's effectiveness in spreading our resources. In 2019, companies in these segments were responsible for 78% of the operations approved.

### MICROCREDIT

Among our actions that seek to promote social-production inclusion and bring resources to the base of Brazilian entrepreneurship, BNDES Microcredit stands out.

In 2019, these resources reached more than 106,000 entrepreneurs, totaling R\$ 718 million released by the product's operating agents. These operations have an average value of R\$ 7,000, what reveals their importance for reducing the credit restriction faced by several

entrepreneurs. Our disbursements to the lines' transfer institutions totaled approximately R\$ 65 million in the year.

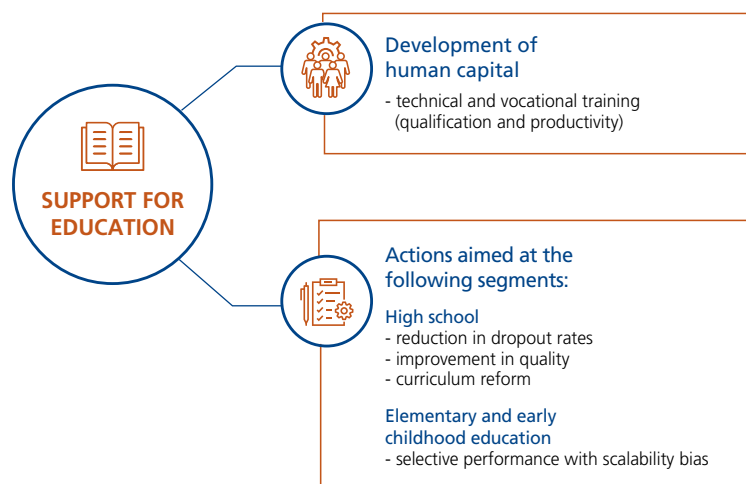
### CREDIT FOR SMALL-SIZED ENTERPRISES

Created in April 2019, the line BNDES Crédito Pequenas Empresas registered R\$ 1.2 billion in disbursements and more than 9,800 operations in the year, which originated mainly in the trade and services sector (82% of the total) and in the South and Southeast regions (75% of the total). Cooperative banks had relevant participation (23%) in the distribution of resources, helping expand the capillarity of our credit.

### EDUCATION, HEALTH AND SECURITY

The social agenda is fundamental to the country's development. Thus, ensuring the population's access to better education, health and security services is one of our priorities. To this end, we work to increase the qualification and standards of work productivity, improve efficiency and quality in the provision of public services, promote the innovation of products, and disseminate best practices.

## SUPPORT FOR EDUCATION



In addition to financing private institutions and public entities, we also act by inducing qualified and potentially more effective investments, mediating partnerships between strategic players, and promoting the consolidation of knowledge, which makes it possible to better plan, invest in, monitor and evaluate the results of education in the country.

### BNDES EDUCAÇÃO CONECTADA INITIATIVE

The initiative, in line with the Educação Conectada Program of the Ministry of Education (MEC), aims to support, with nonreimbursable resources from the Social Fund, projects for incorporating digital technologies in elementary and high schools of both state and municipal networks. In addition, it aims to test more effective models for their implementation, thus accelerating and expanding the effectiveness of the governmental program.

**BNDES Educação Conectada Initiative** also has the support and resources of the Lemann Foundation and the Itaú Social Foundation, as well as technical partnerships with the Center for Innovation of Brazilian Education (Cieb) and the Center for Excellence and Innovation in Educational Policies of the Getulio Vargas Foundation (Ceipe-FGV).

The projects, selected through a public call launched in 2018, are implemented by states, in partnership with one or two municipalities. In 2019, the execution of the projects for the states of Rio Grande do Sul, Tocantins, Sergipe and Paraíba began. The projects for the states of Bahia and Paraná, planned for 2020, are still under analysis. The six projects are expected to

benefit 162,000 students, 396 schools and 12,000 teachers.

The actions carried out in the four contracted states included the production of the guide for implementing technology in the daily life of schools, the (qualitative and quantitative) mapping of infrastructure and digital educational resources in schools, and the start of the process of purchase of equipment and training of teachers and managers, in the structural dimensions covered by the projects.

Three national meetings were also held at the Bank's headquarters, bringing together representatives of the Ministry of Education and of the territories and partners involved to discuss and define actions within the scope of the initiative.

Additionally, in November 2019, a public notice was launched to form the Network of Institutions of Observatório Tecnologia na Escola (OTec), structured by Ceipe-FGV, with the objective of acting as a source for the production and dissemination of information and knowledge about the actions performed.

### UNICEF SEAL

Through the Social Investments Line for Companies (ISE Line), we helped Neoenergia/Celpe and CPFL Atlântica form a partnership with the United Nations Children's Fund (Unicef) to disseminate the Unicef Seal, which has the general objective of strengthening the capacity of municipal public managers to guarantee the rights to education, health and protection of children and adolescents, in the Brazilian semiarid region. The support took place in municipalities in the states of Rio Grande do Norte, Ceará and Pernambuco, contributing to train approximately 4,500 professionals, among other actions.

### NATIONAL INDUSTRIAL APPRENTICESHIP SERVICE (SENAI)

In 2019, four projects of our contract with Senai to invest in the qualification of labor and in the promotion of productivity and technological innovation in the national industry were concluded: the Senai Institute for Innovation in Biomass (Três Lagoas, Mato Grosso do Sul) and three professional training centers (Taguatinga and Gama, in the Federal District, and Sinop, in Mato Grosso). During the year, R\$ 48 million were disbursed under the financing agreement, which has a total value of R\$ 1.5 billion and was signed in 2012.



Access at: [www.bndes.gov.br/educacaoconectada](http://www.bndes.gov.br/educacaoconectada)



Access at:  
[www.bndes.gov.br/bndesmais](http://www.bndes.gov.br/bndesmais)

## MATCHFUNDING BNDES+ PROGRAM

**Matchfunding BNDES+** is an innovative program for financing cultural projects, which combines direct contribution from BNDES and crowdfunding. For every R\$ 1 donated, we contribute R\$ 2, observing the maximum amount defined for each project.

To receive the funds, the initiatives must first reach their crowdfunding goals. In addition, only actions with a minimum rate of resource diversity are supported. Thus, they are expected to have broad public engagement.

In 2019, we launched the BNDES Matchfunding+ Cultural Heritage public call to finance projects with the potential for preserving cultural, material or immaterial heritage. **Twenty initiatives were selected** to be supported through the program, distributed across all regions of Brazil, of which 18 met the fundraising goal. A total of R\$ 2.5 million were raised, mobilizing 4,000 donors. In 2020, a new public notice for the program was launched.



The integrated plan for the restoration of the Selarón staircase, in the historic district of Lapa (RJ), was one of the projects selected. | Photo: Depositphotos



See the supported projects at:  
<http://benfeitoria.com/canal/bndesmais>

## SUPPORT FOR TOURISM AND CULTURE

Our support for tourism aims to stimulate the development of municipalities with the potential for tourism by both implementing public policies in partnership with the Ministry of Tourism and by revitalizing these cities' cultural heritage.

Additionally, the support for cultural heritage allows even cities that are not tourist-driven to stimulate the emergence of small businesses linked to trade and services in the surrounding areas of the monument, thus boosting the local economy.

To this end, we operate through reimbursable and nonreimbursable lines, in addition to new financing mechanisms, such as endowments.

### NATIONAL MUSEUM

In July 2019, an addendum to the existing contract for the renovation and requalification of the National Museum was signed to allow the restoration of the dependencies and collections that could be rescued after the fire that hit the institution in September 2018. At the same time, the purposes of restoring its central library and structuring an endowment linked to its sustainability were maintained.

Among the activities carried out throughout 2019, the following stand out: the rescuing of items from the rubble, the carrying out of emergency works to shore up the building, and the preparation of an executive project for the central library's renovation.

### SECURITY OF COLLECTIONS

As part of the measures taken by the Federal Government after the fire of the National

Museum, in September 2018, we launched a **public call** to select security projects aimed at the protection of memorial collections in public cultural institutions. In total, 47 proposals were received, of which nine were selected and approved, for a total value of R\$ 24.3 million.

The proposals presented include the preparation and implementation of executive projects for the modernization of electrical installations and the implementation of systems of protection against fires and lightning strikes.

The projects should be contracted in the course of 2020 and have their implementations effectively started.

## HEALTH

Health is a strategic sector in our performance due to its great influence on the quality of life of Brazilians and its ability to mobilize a wide chain of goods and services with high added and social value.



Access at:  
[www.bndes.gov.br/seguranca-de-acervos](http://www.bndes.gov.br/seguranca-de-acervos)



### INTEGRATED MULTI-SECTORAL PROGRAM

Through our line of financing for the integrated development of municipalities, we support urban redevelopment in core cities and in areas lacking infrastructure and with a low Human Development Index (HDI), thus helping balance the country's regional development.

## OSWALDO CRUZ FOUNDATION (FIOCRUZ)



In 2019, we released the first installment of the nonreimbursable support agreement signed with Fiocruz, which has a total value of R\$ 10.4 million and is aimed at requalifying the Manguinhos Historical Architectural Nucleus and expanding the Museum of Life, both located at the institution's headquarters, in Rio de Janeiro. The project also involves the implementation of an endowment aimed at Fiocruz's long-term financial sustainability.

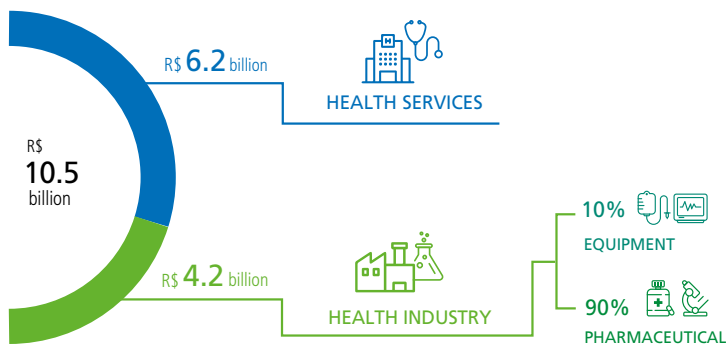
The interventions and new uses proposed for urban areas and historic buildings will allow the integration of Fiocruz's research, education, heritage and environmental preservation, and scientific dissemination activities, as well as sociocultural actions for the broad public, in a "campus park". Better leisure facilities will be available to the local community.

We base our support on our vision of the sector as an industrial and service hub, covering all levels of care, in the public and private sectors, and also the health industry, including the development and production of vaccines and biological medicines, always in alignment with the needs of SUS.

In this sense, we seek to promote greater integration and coordination of networks, strengthening primary health care services, improving management practices and the efficiency of service providers, and expanding the population's access to medicines and vaccines.

In 2019, we disbursed R\$ 377.9 million to the health sector. Our portfolio of health projects totals R\$ 10.5 billion, serving different segments of the sector, as shown in the graph below.

PORTFOLIO OF HEALTH PROJECTS (R\$ BILLION)



### PHARMACEUTICAL INDUSTRY

In 2019, we approved R\$ 47.8 million in financing for the implementation of a production unit for injectable oncology medications by EMS. The investment will allow the company to complete the development of drugs used in the treatment of cancer, increasing their offer in the country and allowing them to be distributed by the public health system. Another project approved in the year, valued at R\$ 354.7 million, was the construction of a new medicines factory by Biolab Sanus Farmacêutica, in Pouso Alegre (MG).

### BNDES HEALTH PROGRAM

Since 2010, the Bank has supported philanthropic health institutions providing services that complement those offered by SUS. Popularly known as **"santas casas"**, they are

### ABELARDO SANTOS HOSPITAL



With urgent and emergency care units in obstetrics and pediatrics and surgical and medical clinics, the Abelardo Santos Hospital, opened in 2019, expands and improves the offer of medium and high-complexity services to the population of the metropolitan region of Belém, state of Pará. It has 269 beds, 150 of which are inpatient and 119 complementary, including 60 beds in intensive care units and 30 beds in an intermediate care unit. Our financing for the construction of the hospital, which is the largest public service unit in Pará, totaled R\$ 232.8 million.

fundamental to the public health system, totaling 1,704 institutions of various sizes.

These institutions, which represent 41.4% of total hospitalizations and 40% of outpatient care provided by SUS, suffer from chronic debt problems, related, in part, to management and governance deficits.

In 2019, based on the results of an effectiveness assessment, we approved the reformulation of the BNDES Health Program. The assessment showed, among other aspects, the importance of designing incentives for agencies to promote improvements in the management, governance and quality of care. The objective is that the financing for financial restructuring, previously foreseen by the program, is more than a short-term relief, generating structural changes in these agencies' organization and performance.

As a result, BNDES Health now has two types of support: investment (expansion and modernization of units) and management. The latter is aimed at financing improvements in management, governance and operational efficiency, admitting support for the associated financial restructuring. A total of R\$ 1 billion has been allocated to the new program, which will remain in effect until 2023, and the first operations are expected to occur throughout 2020.

### SUPPORT FOR PUBLIC SECURITY

To help overcome one of the structural challenges for the country's development, we prioritize support for investments in public security, focusing on the strategic use of credit granted to public agencies in solutions focused on efficiency gains, intelligence and technology. Our goal is to support investments in public security covering 20 of the 120 most violent municipalities in the country (those that concentrate about 50% of the homicides that occurred in Brazil in 2017, according to the Institute for Applied Economic Research – Ipea).



See more at: [www.cmb.org.br](http://www.cmb.org.br)



See more at: [www.ipea.gov.br/atlasviolencia/download/19/atlas-da-violencia-2019](http://www.ipea.gov.br/atlasviolencia/download/19/atlas-da-violencia-2019)

By supporting the coordinated mobilization of efforts and resources of various agents to facilitate investments that are in line with public policies and aimed at strengthening governance and management in the sector, we intend to contribute to the reduction in the high levels of crime and violence, with positive results in terms of quality and competitiveness, improving the business environment and the conditions for retaining and attracting capital to the country.

### MUNICÍPIO SEGURO PROGRAM

By combining, through a technical partnership, BNDES's operational expertise with IDB's sectoral knowledge, including in monitoring and evaluation, the intention is to accelerate the development of a qualified project portfolio that is able to contribute to the concrete improvement in the country's crime and violence indicators.

In March 2019, a workshop was held at the Bank's Study Center, which was attended by representatives of eight Brazilian prefectures, pre-selected by the program: Canoas and Porto Alegre (RS); Curitiba (PR); Jundiaí, São Paulo and São Bernardo do Campo (SP); Salvador (BA); and Teresina (PI). The objective was to improve the preliminary projects presented under the program and start sharing experiences and information on public security.



### PARTNERSHIP FOR FINANCING STRATEGIC PROJECTS

Since February 2019, we have been working in partnership with teams from IDB and the Ministry of Justice and Public Security (MJSP) to design alternatives for the operationalization of a portfolio of six priority projects:

- » development of a national program against violent crimes;
- » increasing capacity of prison units;
- » fusion centers;
- » strengthening of the integrated network of genetic profile banks;
- » national public security information system (Sinesp);
- » integration of the National Penitentiary Department's (Sisdepen) information system in a service package that combines technical advice and financial solutions for investments made by states and municipalities.

## PUBLIC LIGHTING PUBLIC-PRIVATE PARTNERSHIPS



In addition to sensitive impacts on public security, public lighting also affects economic activity, such as commerce, and the population's quality of life (nighttime leisure activities, for example). In many municipalities, however, these services are still poorly provided.

Through PPPs, it is possible to provide public lighting for a period that is compatible with the return on the investments to be made and make payment subject to compliance with quality parameters.

In 2019, PPPs for the public lighting of Porto Alegre (RS) and Teresina (PI) were auctioned. With an estimated investment of R\$ 250 million for each city over a period of 20 years, the projects will help promote the service's modernization, with the adoption of LED lamps, remote monitoring of the main roads, and implementation of a basic infrastructure for the development of smart cities.

For 2020, seven other public lighting PPP projects in our portfolio are already expected to go up for auction.

The investment in public lighting has great potential to reduce costs and improve public services, due to the current availability of LED lamps with long lives and low energy consumption. It also positively impacts security indices in areas benefited from an increase in the quality of lighting.

Municipalities have been developing more and more integrated projects, which combine investments in public lighting and security with infrastructure and smart city services, enabling the installation of devices that facilitate the collection and treatment of data on which to base public policies.

In October 2019, we signed a memorandum of understanding with IDB and MJSP, which formalized our commitment to searching for alternatives for the mobilization of private resources and to supporting investments in public security of states and municipalities, especially high-impact ones (intelligence, efficiency and technology), in alignment with the Federal Government.

In this context, we have been structuring prison PPPs, in conjunction with the Investment Partnership Program (PPI) and MJSP/Depen, in the states of Paraná, Rio Grande do Sul and Santa Catarina.

## LOTEX



In 2019, we completed the concession process for Lotex, an exclusive public instant lottery service. The Estrela Instantânea consortium was the winner of the auction, with a R\$ 96.9 million offer, being expected to pay an additional R\$ 103 million per year in grants, over seven years. It is also estimated that, during the concession, approximately R\$ 23 billion will be transferred to the Union as social onlendings and taxes, of which about 13% will be allocated to the National Public Security Fund, 0.4% to social security, 0.9% to the Ministry of Sports, 0.9% to the National Culture Fund, and 1.5% to soccer clubs that allow their image to be used to publicize and execute Lotex.



See more at: [www.bndes.gov.br/fonte-de-recursos/](http://www.bndes.gov.br/fonte-de-recursos/)



Learn more in the section [Our performance](#) (p. 26)

## FUNDING SOURCES

We have several **funding sources** making our operations viable. The return on our own operations plus the resources from FAT, PIS-Pasep and the National Treasury represent the main **portion of our financing structure**. Other government funds, funding abroad, public issuances of BNDESPAR debentures and banking instruments complement this structure.

With the Long Term Rate (TLP) in force, its convergence with the market from 2023 onward, and the advance payment of our debt to the National Treasury, we have structured ourselves to seek new funding options and discussed this issue in our strategic planning, through corporate projects.

In addition to structuring fundraising through financial letters, which reinforce the ability to diversify sources, guidelines for a new asset securitization policy were defined and adjustments to financing contracts were proposed in order to allow securitization in the future.

Below, see more details about our funding sources.

## GOVERNMENT SOURCES

### NATIONAL TREASURY

At the request of the Federal Government's economic team, in 2019, we paid R\$ 100 billion of our debt to it in advance, in addition to the regular payment, as a result of the renegotiation that occurred in 2018. The advance payments were made in May (R\$ 30 billion), September (R\$ 40 billion) and December (R\$ 30 billion), according to their viability, based on the determinant conditions of the cash flow that materialized throughout the year. Thus, in 2019, the **National Treasury** ceased to be our main source of funds.

These payments are related to contributions we received between 2008 and 2014 to **carry out our operations**. Since 2015, funds are no longer obtained from this source, and the early return of resources, which already totals

R\$ 409 billion, is being carried out, in line with the 2020-2022 Triennial Plan.

As of December 31, 2019, our debt to the National Treasury totaled R\$ 199.7 billion, the equivalent to 27.4% of our total liabilities, of which R\$ 36.8 billion corresponds to instruments that are eligible for core capital, and R\$ 162.9 billion, to onlending operations.

### FAT AND PIS-PASEP FUND

The 1988 Federal Constitution allocated 40% of the PIS-Pasep fund to the financing of economic development programs through BNDES, to create job opportunities and protect unemployed workers. In 1990, with the PIS-Pasep Fund's extinction and the creation of FAT, it became one of our main funding sources.

These resources are called Constitutional FAT, and it is up to us to decide in which economic development programs to apply them. We also raise funds from FAT in the form of FAT Special Deposits, destined to specific programs and sectors, previously determined and approved by the Executive Secretariat of the Deliberative Council of the Workers' Assistance Fund (Codefat).

In 2019, FAT resumed its role as the Bank's main source of institutional resources, as a result of our advance payments to the National Treasury. The balance of FAT funds totaled R\$ 290.3 billion on December 31, 2019 (R\$ 282.5 billion from Constitutional FAT and R\$ 7.8 billion from FAT Special Deposits). Throughout the year, R\$ 18.3 billion was raised from FAT, entirely in the Constitutional modality. On the other hand, the balance of PIS-Pasep funds, which have not been raised since its extinction in 1990, totaled R\$ 20.1 billion at the end of the year.

The social security reform, approved in 2019, determined changes in FAT that implied a reduction in the percentage of PIS-Pasep funds destined to BNDES, from 40% to 28% (according to article 239 of the Federal Constitution). However, this reduction did not represent a loss of resources for the Bank, since the new text put an end to the 30% incidence of the Divestment of Union Revenue (DRU) on PIS-Pasep funds.



Learn more about the funds raised from and returned to the National Treasury at: [www.bndes.gov.br/recursos-do-tesouro-nacional](http://www.bndes.gov.br/recursos-do-tesouro-nacional)



Find out more at: [www.bndes.gov.br/operacoes-recursos-tesouro](http://www.bndes.gov.br/operacoes-recursos-tesouro)

Also in 2019, the withdrawal of funds from the individual accounts of PIS-Pasep to all shareholders was released by the Federal Government, with the edition of Provisional Measure 889, of July 24, 2019, later converted into Law No. 13,932, of December 11, 2019. To support the withdrawals, we returned R\$ 1.6 billion to the PIS-Pasep Fund, mitigated by the receipt of around R\$ 1.2 billion in commissions and charges. As a result, we registered a R\$ 418 million reduction in the fund's balance during the year.

We currently monitor and follow the discussions regarding the Emergency PEC (PEC No. 186/2019), the Federative Pact PEC (PEC No. 188/2019) and the Funds PEC (PEC No. 187/2019), which may impact our funding in the future.

#### OTHER GOVERNMENT SOURCES

In 2019, the Merchant Marine Fund (FMM) – responsible for the R\$ 1.2 billion inflow – represented the largest volume of funding from other government sources. These funds are used to finance national shipping companies and Brazilian shipbuilders.

We also raised R\$ 150 million as a financial agent for the Fund for the Technological Development of Telecommunications (Funttel), with the objective of supporting projects aimed at the development and diffusion of technology in the telecommunications sector.

### FUNDRAISING ABROAD

#### BONDS ISSUANCE

Our balance with bond issuance obligations totaled R\$ 9.2 billion on December 31, 2019. During the year, we settled R \$ 7.7 billion related to bond obligations issued in 2009 and 2014, and did not carry out any new issuances in the period.

We have been issuing bonds for more than thirty years, accessing different types of markets, such as US dollars, euros, Swiss francs and yen. The objective is to increase and diversify our funding sources and our investor base; encourage the access of other Brazilian issuers to the bond market; and build new benchmarks in our term structure of international interest rates.

Bonds issued by BNDES have fixed interest rates, determined in the process of book building, and amortization of core capital in a single installment. Their main advantage is that they do not determine the allocation of resources, allowing the expansion of our scope of operations.

Green bonds, issued in 2017, also provided a series of benefits, such as reinforcing the priority of socioenvironmental sustainability; disseminating best socioenvironmental management practices; and encouraging the access of other Brazilian issuers to the green bond market.

#### FUNDRAISING FROM MULTILATERAL INSTITUTIONS

The balance of our debts to multilateral institutions and government agencies totaled R\$ 19.6 billion at the end of 2019. Unlike bond issues, these funds are generally earmarked for specific sectors or business segments, and must meet the creditor's conditions. The main advantages of these sources are stable costs and a longer financing term in relation to market funding, in addition to their countercyclical nature.

In a scenario of less availability of resources from domestic institutional sources, there is potential for expanding cooperation with traditional partners, as well as for establishing new partnerships with international organizations.

#### PAYMENT OF DIVIDENDS TO THE GOVERNMENT

In 2019, we paid R\$ 9.5 billion to our shareholder to be distributed as dividends. Of this total, R\$ 1.6 billion comes from the result of 2018, and R\$ 7.9 billion corresponds to the amount to be paid in advance, calculated according to the profit accumulated in the first half of 2019. The payments were supported by the amendment to our Statute, approved at the General Assembly in September 2019, which included the possibility of distributing interim dividends based on semiannual financial statements, without limiting their payment to interest on own equity.

## GREEN CLIMATE FUND

In July 2019, we were accredited to carry out the highest type of operations of the Green Climate Fund (GCF) – socioenvironmental risk category A. GCF was created in 2010, with the aim of facilitating projects with potential for responding to the challenges brought about by climate change in developing countries. With accreditation, we will be able to access the fund – which currently has US\$ 20 billion in resources donated by more than forty countries – to finance or support investments of the most diverse sizes, in addition to developing studies and projects with the aim of adapting to climate change and mitigating its effects.

## NATIONAL FUNDING

### BNDES FINANCIAL LETTERS

Our balance in financial letters totaled R\$ 2.5 billion at the end of 2019, due to two issuances we carried out in May and December 2018, with maturity of two years.

Financial letters are a registered, transferable and freely negotiable security, issued exclusively by financial institutions and others that have been authorized to operate by the Central Bank of Brazil (BCB).

These operations are part of our strategy of developing new market funding instruments to complement the traditional sources and meet the budgetary needs of future investments and disbursements.

## INTEREST RATE

### LONG-TERM INTEREST RATE (TLP)

TLP came into force in 2018, serving as a reference for BNDES loans. It consists of one fixed and one variable installment, as shown in the table to the right. The granting of credit under financial conditions referred to by TLP can take place without or with capitalization of inflation, i.e., incorporation of the monthly variation of IPCA into the debt principal.

Throughout 2019, TLP's fixed installment reached the lowest level since the beginning of its term, following the trend of reduction in the rates of federal public securities negotiated by the market. During the year, we sought to

## DIVESTMENTS

In 2019, we divested around R\$ 16.5 billion in shareholding. The main highlights include the divestment of our shares in Fibria (R\$ 8.1 billion), Petrobras (R\$ 3.7 billion), Marfrig (R\$ 2.3 billion) and Vale (R\$ 900 million).

Additionally, we have hired financial advisors to help us detail the possible structures and characteristics related to the process of divestment of our shares in JBS and Petrobras.

improve communication with our clients, in order to spread knowledge about the functioning and benefits of TLP.

### BNDES FIXED RATE (TFB)

The creation of TFB, in 2018, had the aim of reducing the uncertainty caused by the variation in the cost of financing, mainly for small and medium-sized companies, which could face difficulties in managing inflation-indexed liabilities. TFB aims to provide a financial cost at a fixed rate, by offering the option of determining it on the date of approval of the operation or signing of the contract.

In 2019, we reviewed TFB's formation methodology, incorporating an ex-post evaluation of the product's first year of operation and simplifying the types of credits using the rate.

This type of financial cost has been gaining relevance in our indirect operations portfolio. Throughout 2019, we disbursed R\$ 1.2 billion in operations with TFB.

TLP		
FIXED INSTALLMENT	+	INFLATION
Defined at the time of contracting		Varies with IPCA (published monthly by IBGE)
Does not change until the end of financing		Inflation is the only risk component of TLP
Announced by BCB every month		When contracting financing with TLP, the risk of cost increase is related only to the portion that varies with IPCA, since the fixed part of the rate is known for the entire payment flow
Calculated based on the average of the last three months of a five-year NTN-B, multiplied by a decreasing reducer until 2022		

## PERFORMANCE AS A BCB DEALER

In 2019, we remain accredited to act as a BCB dealer, which allows us access to direct contracting for go-around operations (informal auction held every morning by BCB to provide adequate liquidity to the financial market), and post-Copom bank liquidity leveling.

The financial volume we operate is quite high, which makes the operations we perform as a dealer important cash management instruments. The prerogative to operate directly with BCB, without depending on another financial institution, provides flexibility in the face of contingencies in cash flow, reducing application risks and ensuring the maximum profitability of resources.

Operating as a BCB dealer also allows expanding our relationship with the market, increasing the flow of information for decision-making, and assisting in the pursuit of efficiency in the management of BNDES's financial availabilities.

## CREDIT RISK

### DEFAULT

The default of our credit and onlending portfolio (ninety days) reached 2.77% on December 31, 2019, below the rate of the National Financial System (SFN), which registered 2.92% on the same date. The value is also lower than that observed in our portfolio at the end of 2018 – 2.95%. Disregarding the operations with full guarantee of the Union, our default rate would be 0.84% (and 1.67% in 2018, by the same criterion), remaining below the SFN index.

We continually monitor our borrowers' **credit risk**. As required by BCB, we have constituted provisions in accordance with the operations' risk classification and the default period of payment of financial obligations. In this way, we keep sufficient capital to absorb occasional losses.

The balances of Odebrecht and the governments of Venezuela and Cuba were written off from the active credit portfolio after 180 days, and classified as level "H" (100% provisioned), reflecting the drop in the provisioned amount from R\$ 22.8 billion in 2018 to R\$ 14.4 billion in 2019.

### CREDIT RECOVERY

Although we carry out thorough analyses for the approval of our financing, we are subject to the risk of debtors facing difficulties in honoring their debts and other obligations. In 2019, the renegotiation index reached 4.95% of the credit and onlending portfolio, higher than the 4.43% registered in 2018.

In April 2019, a new renegotiation methodology for problematic ongoing operations with balances below R\$ 20 million was approved. In order to speed up the renegotiation of these operations, which represent more than 60% of the number of problematic ongoing operations, but only 2% of the outstanding balance, some simplifications in the renegotiation process were established.

### GUARANTEES

We require credit guarantees in our operations for regulatory and risk pricing purposes.

#### EXPORTS GUARANTEE FUND (FGE)

FGE has been granting indemnities for the operations of the three countries with payment defaults – Mozambique, Venezuela and Cuba, strictly on schedule, since 2016, 2017 and 2018, respectively.

**FGE** is an accounting fund through which the Union provides guarantees to Brazilian exports to several countries, financed by public and private financial institutions.

The fund produces a large surplus, having raised the equivalent of US\$ 1.4 billion and paid US\$ 600 million since its creation. It generates profits of over R\$ 1 billion per year, and its assets total R\$ 30 billion.



Learn more in the section  
*Risk management* (p. 59)



See more at:  
[www.bndes.gov.br/FGE](http://www.bndes.gov.br/FGE)

# GOVERNANCE, ETHICS AND INTEGRITY

## GOVERNANCE

### MANAGEMENT

After the general elections in 2018, a new government starts in 2019, reorganizing structures and promoting management changes in the Federal Government's direct and indirect administration bodies.

In this context, Joaquim Levy assumed the Presidency of BNDES on January 7, 2019. Holder of a PhD in Economics from the University of Chicago, a master's degree in Economics from FGV, and a degree in Naval Engineering from UFRJ, he had previously held several positions in public administration, including that of Minister of Finance and chief financial officer at the World Bank.

On June 16, 2019, Levy requested his resignation from BNDES, and Financial Officer José Flávio Ferreira Ramos was elected by the Bank's Board of Directors to temporarily assume the Presidency until the new president took office.

Gustavo Montezano was nominated to assume the position and took office on July 16, 2019, in Brasília. Montezano has a master's degree in Economics from Ibmec RJ, and a degree in Mechanical and Automotive Engineering from IME-RJ. He served as the chief operating officer (COO)

of ECTP (BTG Commodities), based in London, and was previously the managing partner of BTG Pactual in charge of the corporate and structured credit division, in São Paulo. Before assuming the Presidency of BNDES, he held the position of Deputy Special Secretary for Privatization, Divestment and Markets of the Ministry of Economy.

### GOVERNANCE MODEL

Our **governance structure** is based on addressing issues with transparent and collective decision-making. It is composed of the following collective bodies: Advisory Board (CA), Fiscal Council, Auditing Committee, Risk Committee, Eligibility Committee, Remuneration Committee, Executive Board of Directors and specific committees. The [minutes of the councils and committees](#) can be accessed on our website.

As established in the statute, the Board of Directors evaluates all matters forwarded to the CA, with each director participating in the meetings when there are matters related to his/her division. Each company of the BNDES System had its own CA and Fiscal Council in 2019, which were unified in March 2020. The Board of Directors is also common to the three companies.



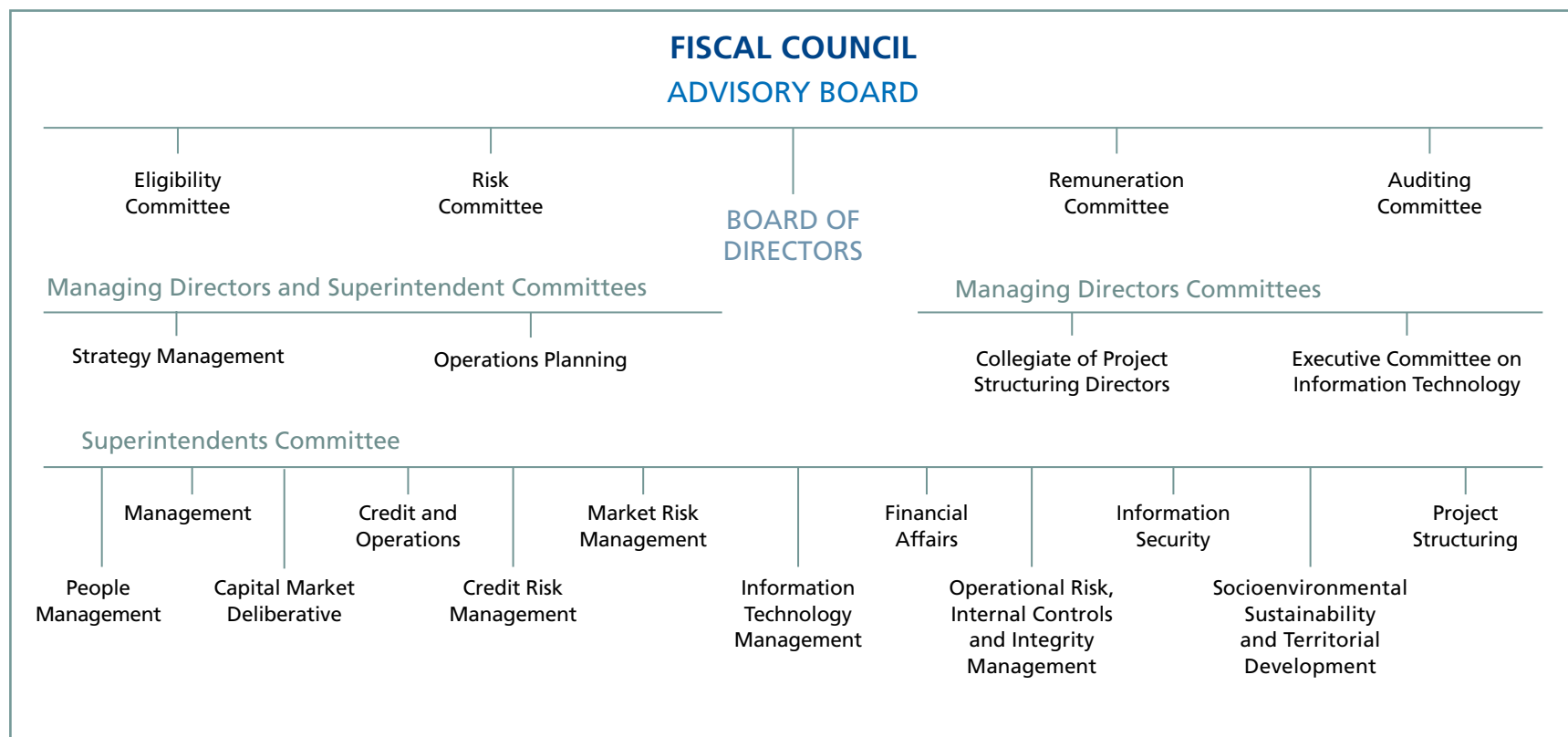
GRI Indicators:  
102-16 | 102-17 | 102-18  
102-19 | 102-20 | 102-22 | 102-23  
102-24 | 102-26 | 102-27  
102-28 | 102-30 | 102-31 | 102-33  
202-2 | 205-2 | 205-3 | 308-1



This structure supports our performance, contributing to the achievement of the goals and results presented in the section *Our strategy* (p. 10) of this report.



Access at:  
[www.bndes.gov.br/colégiadosbndes](http://www.bndes.gov.br/colégiadosbndes)



Economic, social and environmental aspects are dealt with in all spheres of our governance, being assigned to managing directors and heads of department, as defined by BNDES's Basic Internal Organization.

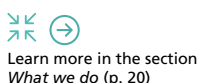
The main changes in governance in relation to 2018 were: the creation of the Information Security Committee; the change to the regulations of the Evaluation Committee, adapting them to the Bank's new structure; and the creation of the Project Structuring Committee.

Additionally, in 2019, the Credit and Operations Committee (CCOp) was created to replace the now extinct Credit Eligibility Committee (CEC). CCOp became responsible for the deliberation of the client qualification proposal, eligibility assessment, and part of the nonautomatic direct, mixed, and indirect credit operations.

## HOW ARE ADVISORY BOARD MEMBERS SELECTED?

The Advisory Board (CA) is composed of 11 members, all elected by the General Assembly, as follows: four appointed by the Ministry of Economy, one appointed by the Ministry of Foreign Affairs, five appointed by the State Ministry supervising BNDES, and a representative of the Bank's employees, directly elected by his/her peers. At least three of the members appointed by the ministries must be independent.

The nominees must meet specific requirements, such as having knowledge and academic training that are compatible with the position. The Secretariat of Coordination and Governance of State-owned Enterprises (Sest) conducts a preliminary analysis of the nominee's supporting documents and consults the Chief of Staff Office of the Presidency of the Republic to confirm the nomination. If there is no objection, the Ministry of Planning sends the documentation to be analyzed by BNDES's Eligibility Committee. After the Committee, by absolute majority, has verified the fulfillment of all requirements and the absence of impediments, the ministry responsible for the nomination should forward its final decision to the Attorney General of the National Treasury (PGFN). The nomination is then submitted to BNDES's General Assembly, which is responsible for deciding on the election and dismissal of CA members. The assembly's work is led by our president or, in his absence, by a director appointed by him. At least one member of the Fiscal Council and a PGFN prosecutor representing the Union, which is the sole shareholder of BNDES, must be present.



Learn more in the section  
What we do (p. 20)

**Fiscal Council:** oversees the actions of managers and verifies compliance with their legal and statutory duties; analyzes BNDES's quarterly financial statements; and evaluates and opines on the institution's half-yearly financial statements.

**Advisory Board:** our highest governance level. Its attributions include opining on issues that are relevant to the country's economic and social development related to our actions; advising the Bank's president on the general guidelines on which to base his/her actions; approving general policies and long-term programs; and opining on the institution's financial statements. The president of BNDES's CA does not perform any other executive function at the Bank.

**Board of Directors:** has deliberative power and access to a broad structure of specific advisory committees that act as strategic alignment instruments, congregating several hierarchical instances, such as directors, superintendents and heads of department, according to the intended purpose. As established in the statute, the Board of Directors must opine on all matters submitted to the CA.

**Eligibility Committee:** helps the controlling shareholder appoint members of the Board of Directors, CA and Fiscal Council, and verifies the conformity of their evaluation process.

**Risk Committee:** makes recommendations to the CA regarding policies, strategies and limits for the management of risk and capital, stress testing programs, business continuity management policies, liquidity and capital contingency plans, and capital plans; assesses the risk appetite levels; and analyzes the BNDES System's risk environment.

**Remuneration Committee:** prepares and oversees the implementation and operation of the remuneration policy for BNDES's managers and its subsidiaries.

**Auditing Committee:** opines on the hiring and dismissal of independent auditors; reviews the half-yearly financial statements; evaluates the effectiveness and supervises the activities of independent and internal auditors; monitors the quality and integrity of internal control mechanisms, the financial statements, and the information released by BNDES; evaluates and monitors BNDES's risk exposures.

**Strategy Management Committee:** directs the corporate strategy and monitors the performance of key strategic management indicators.

**Operations Planning Committee:** monitors operational matters, the performance of internal management indicators, and the main variables of the external environment that directly or indirectly affect the Bank's management.

**Collegiate of Project Structuring Directors:** permanent forum with a deliberative nature, composed of members of the Board of Directors. Its main duties are: acting as the final instance of evaluation of the models designed for privatization projects, concessions and PPPs; approving the performance management model of the portfolio of projects under structuring; and monitoring the progress of this portfolio.

**Executive Committee on Information Technology:** deliberates on priorities and on the allocation of IT resources, and ensures the adoption of the IT governance practices established.

**People Management Committee:** supports and directs the Human Resources Division's activities, ensuring the adequacy and optimization of people management policies, and of the processes of internal movement of personnel, employee training, and organizational adequacy.

**Management Committee:** works to normalize management standards, promotes the strengthening of the relations between our fundamental units, and oversees the implementation of the strategic guidelines defined by the Board of Directors and the Strategy Management Committee, provided for in our corporate plan and approved by the CA and the Board of Directors. It also represents the first level of debates on relevant themes for later submission to the Board of Directors and other spheres of our governance.

**Capital Market Deliberative Committee:** discusses instruments of variable income securities and participation in investment funds.

**Credit and Operations Committee:** discusses and deliberates on operational matters of eligibility and credit related to financial collaboration requests.

**Credit Risk Management Committee:** evaluates and approves methodologies for the global management of credit risks, counterparties and concentration credit; evaluates the strategies for the global management of these risks, submitting them to the Board of Directors; assesses and proposes the revision of the limits of exposure to these risks; among others.

**Market Risk Management Committee:** evaluates and approves methodologies for the management of market and liquidity risks; evaluates the strategies for managing these risks, submitting them to the Board of Directors; and assesses and proposes the revision of the limits of exposure to these risks.

**Information Technology Management Committee:** monitors the portfolio of information technology projects and deliberates on changes to it; establishes priority IT issues; and monitors the levels of IT services, proposing improvements whenever necessary.

**Financial Affairs Committee:** assesses financial, accounting and equity matters, and ensures consistency between the operational, financial and credit dimensions.

**Operational Risk, Internal Controls and Integrity Management Committee:** evaluates and approves the methodologies for the management of operational risks, compliance, internal control, business continuity, and information security; evaluates the strategies for managing these risks, submitting them to the Board of Directors; and assesses and proposes the revision of the limits of exposure to these risks.

**Information Security Committee:** evaluates and monitors matters related to the management of information security, providing relevant information about them to BNDES's CA.

**Socioenvironmental Sustainability and Territorial Development Committee:** leads the processes of revision, monitoring, evaluation and dissemination of the PRSA and of regional development policies; ensures that the social, environmental and territorial dimensions are incorporated into the Bank's corporate strategy; coordinates the preparation of the Multi-Year Plan for PRSA's implementation; and promotes and disseminates information on these two themes internally.

**Project Structuring Committee:** discusses, recommends and decides on operational and financial sustainability issues, within the scope of the Government and Institutional Relations, Structuring of Investment Partnerships, and Structuring of Companies and Divestments divisions.

**BNDES's General Assembly:** is called by the CA or, in cases provided for by law, by the Board of Directors, the Fiscal Council or the Union, being carried out ordinarily once a year or extraordinarily at the request of BNDES. Its competencies are as follows: approval of the Annual Report of BNDES's CA; alteration of the capital stock and the Social Statute; election and removal of the members of the CA and the Fiscal Council; and establishment of the remuneration of the Bank's administrators and the members of the Fiscal Council and the Auditing Committee.



View our organizational chart in 2019 on the back cover of this report.

## OUR ORGANIZATIONAL

Our Board of Directors is **organized** in specific areas of expertise, each of them composed of different divisions. Each division is the responsibility of a superintendent.

Between January and June 2019, during the presidency of Joaquim Levy, new directors were appointed to the six areas that existed in 2018.

In July 2019, upon taking office, President Gustavo Montezano announced a new board of directors for the Bank, in addition to other changes in the institution's structure.

The new organizational design aimed at creating the bases for us to reposition our performance as a service bank for the Brazilian State. The nine areas of the board were grouped in order to differentiate the divisions related to financial activities and control and support to business (back office) from those dedicated exclusively to the structuring of projects and partnerships and granting of financial support (front office).

The main change in the front office was the creation of specific service areas dedicated to the structuring of projects and partnerships, destined to provide solutions for public clients, and segregated from those dedicated to investment and credit granting. In the back office, areas dedicated exclusively to the topics of **compliance** and people and culture management were created.

In December 2019, the Board of Directors was composed of eight professionals with knowledge and experience in the market and/or in the public sector in their respective areas of activity.

The structural changes in the divisions followed the same principles. To implement these changes, adjustments that resulted in the fusion and/or extinction of some divisions were necessary, with reallocation of duties, teams

and processes, in addition to the extinction of paid and commissioned functions, reducing the financial impact.

## INTERNAL AUDITING

Our internal auditing unit is directly linked to the CA, and its mission is to strengthen corporate governance, risk management and the internal control system through objective assessments and consultancies, as well as centralize the demands of external control and supervision bodies (OEC), such as TCU, CGU, and BCB.

In 2019, these bodies made 1,152 demands, between proceedings and audits, to which we gave due treatment. Additionally, throughout the year, we received 40 notes from the supervision bodies, between recommendations and determinations, of which 23 were answered, and the rest are being answered. We also monitored 241 ongoing processes or audits at TCU. As for CGU, seven audits were carried out, and 56 recommendations from 2019 and previous years were monitored. In the same period, BCB conducted eight on-site audits, including the revision of BNDES's rating.

As a result of the internal audits carried out in 2019, 228 new recommendations were issued, which resulted in the implementation of risk mitigating actions. During the year, 208 recommendations from 2019 and previous years were followed.

The implementation of risk mitigating actions by the audited units is monitored by the Internal Auditing unit, which reports the situation to the Auditing Committee and the BNDES System's CA and Fiscal Councils on a quarterly basis.

The main control activities carried out by the unit are disclosed annually in the Internal Auditing Unit's Annual Activity Report. The result of the **inspections and audits** carried out by TCU is updated every six months and made available on our website, alongside the reports referring to **annual accounts audits** prepared by CGU.

## LEGISLATION AND REGULATIONS

### CONFORMITY

We are inserted in one of the most regulated sectors of the economy. For this reason, we maintain mechanisms to mitigate the risk of noncompliance with the plurality of rules to which we are exposed, and which may damage the reputation of the institution or result in sanctions.



Learn more in the section *Transparency and effectiveness* (p. 56)

### SERVICE BANK

Three new divisions started to operate, focusing on the privatization agenda:



**Government and Institutional Relationship Division (AGOV)** dedicated to the search for and managing of public sector clients, and to the relationship with public authorities (government, the Legislative branch, strategic partners).



**Company Structuring and Divestment Division (AED)** focused on the sale of public assets (privatizations).



**Structuring of Investment Partnerships Division (AEP)** focused on the structuring of concessions and PPPs.



Access at:  
[www.bndes.gov.br/auditoriainterna](http://www.bndes.gov.br/auditoriainterna)



Access at:  
[www.bndes.gov.br/contasanuais](http://www.bndes.gov.br/contasanuais)



See more at:  
[www.bndes.gov.br/conformidade](http://www.bndes.gov.br/conformidade)

The main external standards that govern our operations are:

- **Law No. 1,628/1952** – Law of creation of BNDES.
- **Constitution of the Federative Republic of Brazil.**
- **Law No. 4,595/1964** – Regulates the National Financial System.
- **Law No. 5,662/1971** – Places BNDES in the category of public company.
- **Law No. 6,404/1976** – Law of Publicly-Traded Companies.
- **Law No. 6,938/1981** – Provides for the National Environment Policy, its purposes and formulation and application mechanisms.
- **Complementary Law No. 101/2000** – Fiscal Responsibility Law.
- **Law No. 12,527/2011** – Law of Access to Information.
- **Law No. 12,813/2013** – Provides for conflict of interests in the exercise of a position in the Federal Executive Branch.
- **Law No. 13,303/2016** – New law of State-owned companies.
- **Decree No. 8,945/2016** – Regulates, in the scope of the Union, Law No. 13,303/2016.
- **Law No. 13,483/2017** – Institutes TLP and provides for the remuneration of resources from PIS-Pasep, FAT, FMM and financing granted by the National Treasury to BNDES.
- **Law No. 13,707/2018** – Budget Guidelines Law of 2019.

These mechanisms are included in our **Compliance Program**, which encompasses the practices for complying with the obligations present in the internal and external standards and in the agreements signed by the Bank.

Some of our current compliance management practices are:

- » daily assessment of the proposals for normative acts (laws, decrees, provisional measures, etc.) presented at the National Congress, monitoring those considered to be of high priority due to their impact on the Bank;
- » monitoring of the issuance of, and BNDES's compliance with, external standards;
- » maintenance of the base of agreements signed by the BNDES System; and
- » compliance assessments to measure the degree of compliance with the internal and external standards.

Any nonconformities and control deficiencies identified in the work carried out by the compliance and operational risk management units are discussed with the units involved, which propose action plans for correcting and improving on them. The results of these works are presented to the competent BNDES committees.

### LEGISLATIVE CHANGES

Regarding the relevant legislative changes in 2019, Law No. 13,805/2019 (amendment to art. 1st of Law No. 9,012/1995 and item "b" of art. 27 of Law No. 8,036/1990) stands out, prohibiting credit institutions from carrying out financing operations with, or granting exemption from, interest, fine or monetary correction, or any other benefit, to legal entities that are in debt to the FGTS, using public resources or resources from said fund.

According to our legal understanding, the prohibition would apply to operations using: (i) BNDES's own funds, raised from public sources; and (ii) resources granted by public third parties. Thus, we have updated our internal regulations to restrict the requirement of the certificate proving the absence of debt to FGTS only to operations of this type.

### REVISION AND UPDATE OF CONTRACTUAL CLAUSES

We constantly update the clauses of our contracts to adapt them to regulatory changes and to the revision of processes and **Operational Policies**.

Among the events that occurred in 2019, for example, are the change to the briefs of guarantee letters to clarify the hypotheses that require the guarantor's prior consent and include the confidentiality transfer clause; and the substitution, in the contractual briefs, of the client's obligation to carry out corporate reorganizations upon BNDES's prior approval for an obligation to inform this fact to the Bank.

### PUBLIC BIDDINGS AND CONTRACTS

To carry out our activities, we use inputs and services acquired through public biddings that follow the judgment criteria stipulated by art. 54 of Law No. 13,303/2016 (Law of State-owned Enterprises), or the trading modality, pursuant to Law No. 10,520/2002.

Our **contracts** are public and can be accessed on our website. See below the public biddings performed with sustainability criteria, and the contracts signed in the period.

PUBLIC BIDDINGS*	TOTAL	WITH SUSTAINABILITY CRITERIA
Divestitures (through private initiative and auctions)	11	-
Contest	1	-
Electronic trading	52	7

\* There were no biddings in the "Lowest price (Law No. 13,303/16)" modality, which was present in the 2018 report. Divestitures carried out through private initiatives started being promoted with the approval of the BNDES System's Divestiture Regulations.

ADMINISTRATIVE CONTRACTING	TOTAL
Contracting through bidding	125
Contracting due to waiver and nonrequirement of bidding (except for low-value contracts)	38
Low-value contracts	217

### COST MANAGEMENT

We perform the cost calculations of the BNDES System's companies by department. The main objectives of our cost system are, among others: (i) determining the administrative expenses of each department and division; (ii) comparing costs between similar departments to identify points that can be improved on; (iii) estimating incremental costs in the creation of new organizational structures; (iv) calculating the results (revenues, costs and profits) of the departments and operational divisions; and (v) estimating the costs of the lines and programs operated.



Learn more in the section  
*Our strategy* (p. 10)



Access at: [www.bndes.gov.br/licitacoes-contratos](http://www.bndes.gov.br/licitacoes-contratos)

### MAXIMUM SCORE IN IG-SEST

In 2019, we obtained the maximum score (10) in the 4th Certification of the Governance Indicator (IG-Sest), which measures the adoption of better governance practices in State-owned companies. The indicator is monitored by the Secretariat of Coordination and Governance of State-owned Enterprises (Sest), linked to the Ministry of Economy, and evaluates dimensions such as: management, control and auditing; transparency of information; and councils, committees and directors. In previous editions, we had received a score of 9.5.

Cost reports are made available to interlocutors of the divisions, heads of department, superintendents and directors. The greater involvement of managers allows them to better allocate and manage their units' administrative expenses. The Federal Government's Cost Information System (SIC) is not adopted as the main costing system because it is aimed at direct public administration bodies, autarchies, and foundations.

## GOOD PRACTICES

In 2019, we joined the **GIRC** – Governance, Integrity, Risks and Controls Network, an initiative led by the Ministry of Economy, in partnership with CGU, which is open to the public sector and society, disseminating good practices and promoting debates on the themes of governance, integrity, risk management and internal controls in the public sector.

## ETHICS AND INTEGRITY

Ethics is a duty of our employees, managers and service providers. Commitment to ethics is expressed in our statement of values and our code of ethics, which is also applicable to those who interact with us, including clients and financial institutions accredited to transfer resources.

In 2019, there were no records of losses due to fraud and no cases of corruption or fines for noncompliance with laws and regulations, except for the payment of fines due to the reprocessing of taxes. In the latter case, only one of them is considered relevant when comparing its value to the reference values of the operational risk appetite's framework. Nevertheless, when this value is compared to the history of losses of this nature, it is considered typical.

## ETHICS MANAGEMENT

BNDES's **Ethics Committee** and its executive secretary – both linked to our presidency – are responsible for the management of ethics at the Bank. In 2019, 175 preliminary procedures were carried out, such as consultations on ethical conduct, and internal preventive actions were performed to disseminate ethical values, such as communication campaigns, courses, and events. We also actively participated in the coordination of the National Forum on Ethics Management in State-owned Enterprises.

## WEEK OF ETHICS AND INTEGRITY

In 2019, we held the 4<sup>th</sup> Week of Ethics and Integrity to celebrate the International

Anticorruption Day (December 9). The actions for promoting a culture of integrity carried out in this edition were:

- » Corporate game: raising employees' awareness of ethics and integrity through a virtual reality word search.
- » Online training, mandatory for all employees, on the conducts and practices provided for in BNDES's *Conduct and Integrity Guide*, focusing on the prevention of money laundering and the financing of terrorism.
- » On-site training on ethics and compliance for service providers, with presentation and distribution of the *Conduct and Integrity Guide for Service Providers*, which synthesizes the conducts that must be considered when providing services to BNDES.
- » Internal assessment of the revision of the BNDES System's Corporate Anticorruption Policy.
- » Disclosure of the results of the research on the culture of integrity at BNDES.

## CORRECTIVE SYSTEM

In 2019, the CA approved the regulations of the internal correction system, which focuses on the detection and correction of irregularities related to the activities of the BNDES System's companies that may constitute disciplinary infractions, acts of administrative dishonesty, criminal offenses, and/or that may adversely affect them.

In this context, **BNDES's Internal Affairs Division** was created, with internal selection of the internal affairs officer, whose indication was ratified by CGU and approved by BNDES's CA in February 2020.

In 2019, five disciplinary administrative proceedings, three investigations and one special auditing were initiated.

Disciplinary administrative proceedings are performed in accordance with the internal regulations, being the responsibility of inquiry or investigation committees, composed of employees from our various divisions, indicated by the internal affairs division and designated by the compliance manager in response to a specific motivating fact (complaint, direct noncompliance with regulations, etc.)

## INTERNAL ENFORCEMENT COMMITTEES

We set up internal enforcement committees to verify the possible occurrence of irregularities in certain financings and shareholdings. Of the committees established in the last four years, six have already been completed, and one is in progress. The committees completed did not



Access at: <https://gestgov.discourse.group/c/rede-girc>



Learn more in the section *Transparency and effectiveness* (p. 56)



See more at: [www.bndes.gov.br/etica](http://www.bndes.gov.br/etica)

find irregularities, but indicated opportunities for improvement in processes and controls.

## INDEPENDENT INVESTIGATION

We contracted Cleary Gottlieb Steen & Hamilton LLP and Levy & Salomão Advogados to conduct an **investigation into the internal processes** related to eight transactions between BNDES and JBS S.A., Bertin S.A. and Eldorado Brasil Celulose S.A., carried out between 2005 and 2018.

In December 2019, the independent investigation was completed and, as stated in the **Summary of the Investigation Report**, there was no evidence of corruption or of the exercise of undue influence on the negotiation, approval and execution of the operations analyzed within the scope of BNDES, leading to the conclusion that the Bank's decisions took into account business factors, risks and potential benefits.

## CPI 2019

In March 2019, a Parliamentary Inquiry Commission (CPI) was established to investigate the alleged practice of illegal and irregular acts within BNDES, between 2003 and 2015, related to the internationalization of Brazilian companies.

Basing ourselves on the experience obtained from previous CPIs, of 2015 and 2017, we initiated an internal organization process to meet the demands for information and requirements. A multidisciplinary team, with representatives from our different divisions, was specially assigned to carry out the work. In this way, we were able to promptly respond to requests for information and support the deponents who provided clarifications to the commission.

After two extensions, the commission ended in October 2019. Its final report presented proposals for legislative changes and institutional reforms, including the revision of the Bank's internal regulations and measures to improve corporate governance and compliance, in addition to specific export financing actions, such as contracting independent auditing services to evaluate this credit line and measuring the impact of export operations on job creation and preservation in Brazil and abroad.

The **report** also presented referrals to the Ministry of Economy, indictment recommendations to the Public Prosecutor's Office (MPF), requests for inspection by TCU, and requests for investigation by the Attorney General's Office (AGU) and CGU.

## VERIFICATION OF INTEGRITY FOR POSITIONS

Prior to election, appointment or hiring of external advisors and members of statutory bodies, we consult different databases containing information on negative media, administrative and judicial proceedings, shareholdings, previous relationship with the Bank, among others. Based on the information collected, we verify the existence of legal impediments to the institutional relationship with the professional. This evaluation, which is renewed annually or whenever there is notice of material facts, may result in measures such as the nonelection, hiring or permanence of the individual, the establishment of verification procedures, and/or the submission of information to the Public Prosecutor's Office, control bodies or regulators.

## HUMAN RIGHTS

Since 2010, we have had a **socioenvironmental responsibility policy**, in which respect for human rights is a principle of action. We have adopted a set of practices related to this theme, such as verification, during the analysis of the registration of companies requesting direct financing, of the existence of acts performed by the applicants that are deemed relevant in terms of race or gender discrimination, child or slave labor, environmental crime, or constituting moral or sexual harassment – all impediments to contracting.

## COMBATING CORRUPTION AND MONEY LAUNDERING

In 2019, we participated in three actions of the **National Strategy to Combat Corruption and Money Laundering (Enccla)**:

- » Proposition of normative changes and/or improvement in controls to avoid the use of shell companies for money laundering and other illegal activities (Action No. 13/2019).
- » Creation of a communication flow pertaining to transnational bribery cases (Action No. 2/2019).
- » Mapping of workflows, investigative administrative processes and procedures and others, with the following objectives or possible results: (i) investigating the occurrence of acts of corruption; (ii) holding those responsible extra-legally liable or allowing them to be held legally liable, and effectively recovering assets (Action No. 9/2019).



See more at: <https://aberto.bnades.gov.br/aberto/caso/investigacao/>



Access at: [www.bnades.gov.br/arquivos/investigacao-independente/relatorio-auditoria-cleary-gottlieb-resumo.pdf](http://www.bnades.gov.br/arquivos/investigacao-independente/relatorio-auditoria-cleary-gottlieb-resumo.pdf)



Learn more in the section [Our strategy \(p. 17\)](#)



See more at: <http://enccla.camara.leg.br/acoes/acoes-de-2019>



The complete document is available at: [www2.camara.leg.br/atividade-legislativa/comissoes/comissoes-temporarias/parlamentar-de-inquerito/56a-legislatura/cpi-praticas-ilicitas-no-ambito-do-bnades/documentos/outros-documentos/relatorio-final-da-cpi-bnades](http://www2.camara.leg.br/atividade-legislativa/comissoes/comissoes-temporarias/parlamentar-de-inquerito/56a-legislatura/cpi-praticas-ilicitas-no-ambito-do-bnades/documentos/outros-documentos/relatorio-final-da-cpi-bnades)

# TRANSPARENCY AND EFFECTIVENESS



GRI Indicators:  
102-15

Transparency and effectiveness are two of our principles. As a public company, aware of our responsibility, we seek to make our information accessible to all audiences. We also monitor and evaluate the effectiveness of our actions in relation to our mission and purpose.

## ACCESS TO INFORMATION

Within the scope of the Access to Information Law, our **Citizen Information Service (SIC)** offers assistance: in person, in our office in Rio de Janeiro, by telephone (0800-887-6000), by correspondence, by e-mail ([sic@bndes.gov.br](mailto:sic@bndes.gov.br)) or by the **e-SIC** System of the CGU.

## CONFIDENTIALITY

All of our information not legally defined as confidential is made available to society, in accordance with the Access to Information Law (Law No. 12,527/11). The main types of confidentiality we are required to maintain are:

### BANK SECRECY

Bank secrecy should be understood as the individual right of clients and third parties to the maintenance of secrecy of their economic and financial data. Thus, financial institutions have the duty not to disclose, except as permitted by applicable law, the data obtained from their clients and third parties in the exercise of their bank activities. Observance of bank secrecy is a guarantee of public interest, in favor of the credibility, stability and soundness of the financial system.

### CORPORATE SECRECY

Corporate secrecy is a guarantee of protection of the data and documents produced by a company in the exercise of its economic activity. The purpose of corporate secrecy is to protect information that provides competitive advantages to the entrepreneur or company that are essential to the business' success, such as brands, patents, expertise, and industrial secrets, the disclosure of which could lead to material or moral damages.

## TRANSPARENCY ON OUR WEBSITE

BNDES's website is structured to be an instrument of active transparency, with a specific section on the topic. It contains data on funding sources, financing contracts and biddings, as well as accountability reports and disbursement statistics.

In 2019, the following improvements were implemented in the **website's transparency** section:

- » 50 largest clients – in January, we released the list of the Bank's 50 largest borrowers since 2004, offering an accumulated view of the period, as well as by triennium.
- » BNDESPAR portfolio – we improved the access to comprehensive information about our investments in equity shares (in privately and publicly-traded companies), funds, and variable income debentures.
- » Treasury resources – we created an analytical page about the Bank's financing using National Treasury resources, informing the main borrowers, between public entities, companies and federal financial agents, and offering data such as the total contracted and the outstanding balance.
- » Engineering service exports – we added more information about the financing of engineering service exports and associated goods to the website's operations section. The outstanding balance and the open amount (sum of the indemnities paid by the FGE and the outstanding installments) were included per country.
- » Contribution to the **sustainable development goals (SDG)** – we launched an **interactive panel** that allows us to monitor how the Bank's performance contributes to the SDGs, correlating our disbursements to seven of these objectives.
- » Triennial Plan – we created a page about the **2020-2022 Triennial Plan**, detailing our performance agendas and deliveries to society in the coming years.
- » Public Consultation on the Open Data Plan (PDA) – we opened a public consultation on our website for citizens to express their interest in accessing 56 inventoried databases of BNDES, influencing their prioritization within the scope of our first PDA.



Access at: [www.bndes.gov.br/sic](http://www.bndes.gov.br/sic)  
Learn more in the section *Our relationships* (p. 62)



Access at: <https://esic.cgu.gov.br/sistema/site/index.aspx>



Access at:  
[www.bndes.gov.br/transparencia](http://www.bndes.gov.br/transparencia)



Learn more in the sections *Our strategy* (p. 10) and *Our performance* (p. 26)



Access at: [www.bndes.gov.br/ods](http://www.bndes.gov.br/ods)



See more at:  
[www.bndes.gov.br/planotriennial](http://www.bndes.gov.br/planotriennial)



Learn more in the section  
*Our relationships* (p. 62)

## BNDES ABERTO

In 2019, we launched the institutional campaign BNDES Aberto, with the objective of directly answering the main questions related to our performance and starting a new chapter in relation to transparency.

One of the highlights of the campaign was the creation of the [aberto.bndes.gov.br](http://aberto.bndes.gov.br) microsite, which gathers explanations about controversial cases, such as those of JBS and Odebrecht, in addition to information about new actions being taken by the institution. The microsite also provides a channel for clarifying doubts.

## OPEN DATA PLAN

In March 2019, in partnership with CGU, we held an internal workshop to reinforce the importance of public organizations implementing a policy of transparency, highlighting the fundamental role of opening data for the effectiveness of the results of this policy.

Decree No. 8,777/2016, which institutes the Open Data Policy of the Federal Executive Branch, and Resolution No. 3/2017 of the Steering Committee of the National Open Data Infrastructure (Cginda), which regulates it, establish rules on the preparation, content and publication of Open Data Plans, which apply to the bodies of the direct, autarchic and foundational federal public administration.

As part of the indirect public administration, BNDES was the first public company to voluntarily adhere to these regulations, and it is preparing its Open Data Plan, based on a public consultation launched in November 2019 and closed on January 31, 2020. The implementation of the plan will begin in 2020, and the goal is to make all data available by the end of 2022.

The initiative is part of a strategy of structured dissemination of information to facilitate the use of data by other interested parties, making our performance even more transparent.

## BLOCKCHAIN

During the year, we were part of OECD's Blockchain Expert Policy Advisory Board (Bepab), the objective of which is to create a structure of policy principles to guide innovation and the adoption of blockchain and other distributed accounting technologies. As participants of the board, we contributed to the definition of

## SEE BELOW THE TEN ACTIONS LAUNCHED IN THE CAMPAIGN:

1. Technical Cooperation Agreement with the MPF.
2. Integration of the cadastral analysis with external bases.
3. Compliance management.
4. Internal affairs unit.
5. Contracting of external forensic audits: independence and deepening.
6. Microsite ([aberto.bndes.gov.br](http://aberto.bndes.gov.br)) and improved operations search tool.
7. Online platform for monitoring BNDES's contribution to the SDGs: alignment with relevant topics of the public agenda.
8. Open Data Plan: BNDES will be the first State-owned company to adhere.
9. Sharing of employees with other government institutions (e.g., CVM and IBGE).
10. Repositioning of the capital market portfolio.

principles and guidelines for the adoption of the technology in our country and the world, also establishing bases for financing its advancement according to export-friendly standards.

In 2019, through a partnership with the German development bank KfW, we applied blockchain technology to pilot projects carried out with the Brazilian Film Agency (Ancine) and the Amazon Fund, bringing more transparency to these operations.

## STEWARDSHIP

In our variable income operations, we always seek to encourage investees to raise their corporate governance standards, whether through the exercise of voting rights in their collegiate bodies, or through rights contracted in the shareholders' agreements. Good corporate governance increases the confidence of investors, mitigating conflicts of interest and, historically, has been shown to generate value for the companies.

In this context, in 2019, we published the *2018 BNDESPAR Stewardship Report*, which summarizes the actions we have taken, as shareholders, to put stewardship principles into practice in our portfolio management processes.



Access at:  
[www.bndes.gov.br/stewardship](http://www.bndes.gov.br/stewardship)



Access at:  
[www.bndes.gov.br/conselheiros](http://www.bndes.gov.br/conselheiros)

As a way of increasing our transparency, we also started to publish the ***Report on the Indications of the BNDES System in Collegiate Bodies*** on our website, which offers an overview of BNDESPAR's performance in relation to the appointment of members to the committees of investee companies.

## PROMOTION OF EFFECTIVENESS

Our Effectiveness Promotion System (SPE) is composed of three layers. The first consists in the monitoring of the efficacy and effectiveness indicators for each operation or financial instrument, and periodic evaluations. These activities are carried out throughout the funding cycle, and serve to strengthen organizational learning and explain the objectives that led us to support each project.

The second layer covers the planning and preparation of impact assessments, i.e., in-depth studies on certain types of support granted by the Bank. The evaluations contained in a plan prioritized by management can be carried out voluntarily by the operational teams or by the Bank's monitoring and evaluation department (M&A), which can execute, contract or carry out these studies in partnership with external evaluators.

Finally, the system's third layer contemplates the targeted use of the information produced in the previous layers. In this stage, the set of available data and evidence is consolidated so BNDES's effectiveness can be disclosed and improved on. It is in this layer that the institution's Effectiveness Report is inserted.

In May 2019, SPE was updated with adjustments to the M&A activities recommended by the control bodies to improve the system. The main changes proposed were related to the first layer, which now includes automatic support with the Theory of Change Framework (QTM), an instrument for monitoring specific programs. Additionally, active advertising for the *Effectiveness Recommendations Report* is now foreseen.

## EFFECTIVENESS REPORT

In 2019, we launched a new edition of our ***Effectiveness Report***, providing data on the main deliveries of the projects approved in 2017 and 2018. The publication showed some positive results of our performance, such as: (i) expansion of the access to credit of MSMEs; (ii) increase in

the electricity generation capacity, mainly from renewable sources, and in the country's energy transmission network; (iii) expansion of the population's access to water and sewage services; and (iv) modernization of road, rail and air transportation systems.

The report also included the mapping of 50 impact evaluations of our performance, produced by 17 different agencies, such as the Getulio Vargas Foundation (FGV) and Ipea. Some conclusions of these studies are: (i) BNDES Exim's financing positively affects the export performance of companies; (ii) the Bank's financing to MSMEs has a positive impact on the level of employment, exports and investments; and (iii) in general, the Bank's support is more effective in relation to the growth of firms (increase in jobs created, investments and revenue) compared to productivity.

## IMPACT EVALUATIONS

During the year, two specific effectiveness evaluation reports (RAE) were also launched. In the assessment of the ***local effects of the construction of wind farms***, positive impacts on the GDP per capita of the Brazilian municipalities that received the investments were found, whereas in the analysis of the ***impact of BNDES's Local Content Policy on the Brazilian capital goods sector***, it was possible to note a positive effect on the revenue of accredited manufacturers, but there was no evidence of statistically significant impacts on the proportion of national inputs used.

## EFFECTIVENESS OF THE AMAZON FUND

Another highlight of the year was the publication of the ***Mid-Term Evaluation of the Amazon Fund's Effectiveness***, for the period from 2008 to 2018, carried out by a team of independent consultants, with the technical coordination of the Economic Commission for Latin America and the Caribbean (Eclac).

The study identified that the Amazon Fund's support to the Rural Environmental Registration's (CAR) projects helped prevent 8,571 km<sup>2</sup> of deforestation in the Amazon and Cerrado biomes, from 2014 to 2018. This territorial extension is superior to the deforestation observed in the entire Brazilian Amazon in 2018.



Access at:  
<https://web.bndes.gov.br/bib/jspui/handle/1408/18902>



Access at:  
<https://web.bndes.gov.br/bib/jspui/handle/1408/19160>



Access at: [www.fundoamazonia.gov.br/pt/noticia/Relatorio-de-avaliacao-de-meio-termo-da-efetividade-do-Fundo-Amazonia/](http://www.fundoamazonia.gov.br/pt/noticia/Relatorio-de-avaliacao-de-meio-termo-da-efetividade-do-Fundo-Amazonia/)



Access at:  
[www.bndes.gov.br/efetividade](http://www.bndes.gov.br/efetividade)

# RISK MANAGEMENT



GRI Indicators:  
102-15 | 102-30



See more at:  
[www.bndes.gov.br/gestaoderiscos](http://www.bndes.gov.br/gestaoderiscos)

In 2019, we improved our **integrated risk management instruments and processes**, modernized our compliance management practices, and approved new market risk limits for our management portfolios. We also updated our operational risk matrix and implemented contingency plans for current critical processes.

## RISK MATRIX

In 2019, we initiated a new cycle of identification and assessment of operational risks, an initiative that is periodically conducted with the purpose of updating our matrix of operational risks and internal controls.

The main specific risks that may affect our ability to act include the market risk associated with the volume and concentration of the stock portfolio, and the risks related to the concentration of the credit portfolio, as well as its deterioration at certain moments of the economic conjuncture. These risks are monitored and controlled by setting limits and issuing periodic reports.

Regarding market risks, BNDES's Advisory Board (CA) decided to reduce the limits for variable income operations in force and initiate a plan to adjust the portfolio to the new level established.

At the end of 2019, considering the variable income portfolio, it was estimated that losses of R\$ 2.2 billion, in a single day, had a probability of 1%.

As for legal risks, we can mention the implementation of two pieces of software as a mitigation measure: one to help research external standards and national legislation; and another to improve the process of formulating and disseminating internal standards.

	MAIN RISKS	MITIGATION MEASURES
MACROECONOMIC	<b>Changes in the macroeconomic conjuncture</b> The financial return of our operations depends on the performance of the Brazilian economy, since the clients' payment capacity is affected by macroeconomic factors, such as inflation, fall in GDP and income levels, rise in unemployment levels, fluctuations in the exchange and interest rates, etc.	<ul style="list-style-type: none"> <li>» Periodic monitoring of the economic performance and analysis of its impact on our operations.</li> <li>» Establishment of risk limits, monitored periodically, to subsidize the senior management's decision-making process.</li> <li>» Diversification of the financial support portfolio.</li> <li>» Performance of the Finance Committee.</li> </ul>
	SO: Integrated risk management; Financial management of assets and liabilities; and all objectives related to deliveries to society	
MARKET	<b>Volatility of the stock market</b> Considering the volume of our stock portfolio, comprised of some of the main assets listed at B3, we are subject to the high volatility of the Brazilian stock market, which affects the behavior of our capital over time, representing a risk also to the compliance with regulatory limits.	<ul style="list-style-type: none"> <li>» Risk monitoring and control through periodic limits and reports.</li> <li>» Performance of the Market Risk Management Committee, with recommendations for improving the management of the variable income portfolio.</li> <li>» Revision of BNDES's risk appetite in relation to the exposure to variable income operations.</li> </ul>
	SO: Integrated risk management; Financial management of assets and liabilities	
CREDIT	<b>Concentration of credit portfolio</b> The portfolio reflects the characteristic of concentration observed in the Brazilian entrepreneur market.	<ul style="list-style-type: none"> <li>» Quantification of the individual concentration risk.</li> <li>» Monitoring of high risk exposures to anticipate possible adverse situations.</li> <li>» Adoption of additional provision for doubtful accounts due to the uncertainties of the market.</li> </ul>
	<b>Deterioration of credit</b> Reduction in the quality of the credit portfolio in times of unfavorable economic conjuncture.	
SO: Solutions for clients; Integrated risk management; Financial management of assets and liabilities		
OPERATIONAL	Losses resulting from external events or from failure, deficiency or inadequacy of internal processes, people or systems, inherent to any business.	Identification and systematic analysis of the main operational risks and their internal controls to implement corrective actions and improve the methodologies used to manage operational risk.
	SO: All strategic objectives	
LEGAL	Nonobservance of legal orders and internal standards due to the complexity of the legal and normative structures, in addition to alterations in laws or regulations that are applicable to our performance.	Adoption of operational risk management methodologies, emphasizing the conformity to laws and standards that are applicable to our performance, with special attention to the determinations from the Administrative and Judicial Courts.
	SO: All strategic objectives	
SOCIOENVIRONMENTAL	Possibility of losses due to the association of socioenvironmental damages with the deterioration of the institution's image.	<ul style="list-style-type: none"> <li>» Verification of legal conformity and observance of the criteria established in our analysis and monitoring processes and policies, according to the specificities of each operation.</li> <li>» Advances in the execution of the Multi-Year Plan for Implementation and Monitoring of our Policy of Social and Environmental Responsibility, under the management of the Socioenvironmental Sustainability Committee (CSS).</li> </ul>
	SO: Sustentabilidade; Gestão integrada de riscos; Gestão financeira de ativos e passivos	
REPUTATION	Negative perception about the institution by relevant stakeholders, which could affect our ability to maintain or expand business relationships.	<ul style="list-style-type: none"> <li>» Monitoring and management of the institution's image.</li> <li>» Analysis of the clients' registration, with identification of aspects of integrity that require attention.</li> <li>» Monitoring of the clients' negative media.</li> <li>» Evaluation and treatment of complaints received by the Ombudsperson's Office.</li> </ul>
	SO: All strategic objectives	

Note: SO – Main strategic objectives impacted

## INTEGRATED RISK MANAGEMENT

The CA is responsible for approving corporate risk management and internal control policies, and for determining the implementation of management practices and overseeing those already established, mitigating the main risks to which the Bank is exposed. Additionally, it also defines the overall risk appetite level and approves the stress-testing program.

The board is continuously informed about BNDES's risk management practices through periodic bulletins and presentations of specific topics. The main activities and highlights of the year related to operational risk, internal control and compliance are presented in the annual risk management report, which is approved by the Board of Directors and the CA.

Any nonconformities and control deficiencies identified in the work carried out by the compliance and operational risk management units are discussed with the responsible units, which propose action plans for the improvement and/or correction of the procedures. The results of these works are presented to the Operational Risk Management, Internal Controls and Integrity Committee (CGROCI), and when relevant, to the Risk Committee.

Among the initiatives carried out in 2019, we highlight the revision of individual and integrated stress tests and integrated risk limits. Additionally, as a way to improve BNDES's integrated risk management based on economic capital, aligning the risk-return relationship with the Bank's strategic priorities, the development of the integrated risk model by segment is expected to be completed by 2020. It will initially contemplate the treasury, asset and liability management (ALM), capital and loan markets segments, and credit, market and operational risks. Upon completion, it should also cover two main actions, to be validated and approved from 2021 onwards: (i) establishment of a return target for operations/segments that is consistent with the incremental risk of operations in the Bank's portfolio, considering all other exposures; and (ii) establishment of integrated risk limits considering the economic capital measure.

In December, BNDES's Board of Directors and the CA also approved the annual revision of the risk management policies listed below:

- » Operational Risk and Internal Control Policy (Proci) and Business Continuity Policy (PGCN): adaptation to the Corporate Policy for Integrated Risk Management (PGIR), approved in 2019, and simplification of its application by employees to strengthen the culture of operational risk and internal control.
- » Corporate Policy for Credit Risk Management (PCGRC): change in the internal structures and adaptation of the references to internal regulations dealing with credit risk management.
- » Corporate Policy for Market Risk Management and Corporate Policy for Liquidity Risk Management: minor changes in specific processes for monitoring market and liquidity risks.

## RISK APPETITE

Since 2013, we have adopted market risk monitoring policies for our equity and treasury portfolios. These policies establish governance regarding the monitoring of risk limits. The practice is common in both private and public banks, in addition to being a requirement of local regulations. The greatest benefit of setting limits is providing clear guidelines for risk takers as to what is the maximum tolerable loss for BNDES's managers.

BNDES's Risk Appetite Statement (RAS) defines the institution's risk tolerance in qualitative and quantitative terms and allows the Bank's areas to manage their risks and establish priorities according to their operating strategy. The approval of the limits is the responsibility of the CA and BNDES's Board of Directors, depending on the case.

In October 2019, we approved RAS's revision. In addition to the revision of the risk appetite in variable income, the other market risk limits for BNDES's treasury and ALM portfolios were also revised, with minor changes.

## CAPITAL INDICATORS

Prudential indicators remained at comfortable levels throughout 2019, with the Basel index reaching values above 30%. Regarding the exposure limit per client, we adopted a plan to reduce excess exposure for the next years, which is compatible with the schedule established by CMN Resolution No. 4,678/2018.

OWN RESOURCES AND RISK-WEIGHTED ASSETS (R\$ MILLION)	DEC. 2015	DEC. 2016	DEC. 2017	DEC. 2018	DEC. 2019
Reference equity (RE)	94,997	135,620	146,368	166,805	191,684
(+) Tier I Capital	63,331	90,413	97,579	114,126	139,005
Core Capital (CP)	63,331	90,413	97,579	114,126	139,005
(+) Tier II Capital	31,666	45,207	48,789	52,679	52,679
Risk-weighted assets (RWA)	644,332	624,850	532,011	574,956	521,228
(+) Credit risk	601,621	534,199	478,161	468,555	450,484
(+) Market risk	16,981	58,312	18,465	70,110	26,847
(+) Operational risk	25,730	32,339	35,385	36,291	43,896
Basil Index + ACP (RE/RWA) (regulatory minimum – 10.5%)	14.74%	21.70%	27.51%	29.01%	36.78%
Tier I Capital Index + ACP (NI/RWA) (regulatory minimum – 8.5%)	14.74%	21.70%	27.51%	29.01%	36.78%
Core Capital Index + ACP (CC/RWA) (regulatory minimum – 7.0%)	9.83%	14.47%	18.34%	19.85%	26.67%

## LIMIT OF EXPOSURE TO COMPANIES OF THE SAME GROUP

On January 1, 2019, CMN Resolution No. 4,677/2018 came into force, limiting the exposure per client to 25% of Tier 1 Capital, which is a bank's core capital, intended to measure the institution's financial health and used when it is necessary to absorb losses without ceasing operations. On this same date, our exposure to two economic groups was higher than the limit determined by the resolution. We are making efforts to meet the qualification schedule, determined by CMN Resolution No. 4,678/2018.

## EXCLUSION OF FAT FROM REFERENCE EQUITY

As established by CMN Resolution No. 4,679/2018, FAT resources will no longer form Tier II capital (supplementary capital of a bank) in a progressive manner. The amount of resources recognized in Tier II Capital will be reduced by ten percentage points per year until 2029, when it will be zeroed. In 2020, the value of Tier II Capital will be 90% of the balance of 2019.

## INFORMATION SECURITY

In 2019, we can highlight the following actions:

- » implementation of a new identity and access management system;

- » improvement in the platform for monitoring information security events, handling incidents and keeping audit trails;
- » contracting of information security services to perform intrusion tests, manage vulnerabilities, respond to incidents and monitor events.
- » installation of an internal infrastructure for the Brazilian Payment System (SPB); and
- » adaptation of our financial transactions to the security recommendations of the Society for Worldwide Interbank Financial Telecommunication (SWIFT CSP).

The adoption of an in-house technological infrastructure – servers, database and system – for SPB was based on the assessment that the risks associated with this type of solution were substantially lower than those associated with the use of an outsourced solution. Until then, the Bank had mainly used the infrastructure provided by an information technology service provider (PSTI) approved by the Central Bank of Brazil to carry out these operations.

It is worth noting that the costs associated with the initiative were compatible with the reduction in the expected loss (value of the loss in case of occurrence of the risk event multiplied by the probability of its occurrence).

# OUR RELATIONSHIPS



Learn more in the section  
Governance, ethics and  
integrity (p. 50)

In line with our strategy and the role of mediator we must play to promote development, we maintain relationships with different audiences. We seek transparency and effectiveness in all our communications.

Through our interactions with these audiences, we collect information so that we can improve our services and adjust our strategy, whenever necessary.

In 2019, within the scope of our **organizational restructuring**, the Communication and Institutional Relationship Division was extinguished, and its duties and team were assumed by the President's Office (communication) and the Government and Institutional Relationship Division.

Find out more about how we relate and communicate with each audience below.

## CLIENTS

### PERSON-TO-PERSON ASSISTANCE

Person-to-person assistance is a channel of direct communication with clients and the general public. In 2019, 906 person-to-person consultations were carried out, 67% with companies, mainly from the MSME segment.

Previously offered in the offices of Brasília, Recife, Rio de Janeiro and São Paulo, this type of service was restricted, as of October 2019, to Rio de Janeiro only.

### CALL CENTER

Our **call center** offers information to the external public regarding our products, services and activities. In 2019, about 175,000 consultations were performed, 79% by telephone, 16% by web forms, and 5% by other channels. In a post-consultation satisfaction survey, 96% of the respondents considered the service excellent or good.

The center also carried out around 7,500 active contacts during the year, supporting accreditation and product activation processes and BNDES Card applications. Additionally, this type of contact was used to support research, confirm participation in promotion events, and monitor the client's journey in the MSME Channel.

## REGIONAL PROMOTION

In 2019, we sought to identify investment opportunities and intensify the active search for potential clients in all regions of the country.

To reinforce the structure of our relationship with clients and the strategic management of promotion actions, we reorganized our teams according to the client's nature: public sector or private companies.

The creation of the Government and Institutional Relationship Division (AGOV) expanded our dialogue with the states of the Federation to meet their investment and project structuring demands, focusing on the public-private partnerships and concessions (PPP) agenda. At the end of 2019, 40% of the projects in our structuring portfolio belonged to the North, Northeast and Center-West regions.

In order to implement joint actions to facilitate projects in the Regional Plan for the Development of the Northeast (PRDNE), we also signed a Collective Bargain Agreement (ACT) with the Superintendency for the Development of the Northeast (Sudene). The initiative promotes actions aimed at boosting production, connectivity, logistics infrastructure and urban development in the region.

Through promotion actions performed in partnership with the private sector, we added, throughout the year, 51 new direct operations to our portfolio, totaling R\$ 1.3 billion. Of these operations, 71% originated in the North, Northeast and Center-West regions, accounting for 62% of the total resources.

## RECLAME AQUI PORTAL

In 2019, 23 complaints on BNDES were recorded on the Reclame Aqui portal. The complaints were mainly related to the difficulty in accessing BNDES credit through financial agents. Despite being answered, most of them are closed without a score, which is why the Bank has a "no index" reputation.

In addition to responding through the portal, in some cases, we call the claimant to help resolve the issue.

## PARTICIPATIONS IN FAIRS AND EVENTS

During the year, we participated as exhibitors in 12 fairs and congresses, in which we performed 2,249 consultations.

With a new exhibition stand design, we have improved our interaction with the public at events, using video resources to disseminate information about the Bank and its financing lines and providing automated teller machines for accessing our website and the **BNDES Card's** operations portal.

At the São Paulo Entrepreneur Fair and the Pará Business Fair, we adopted a stand format with an auditorium, offering hourly lectures with BNDES staff. The initiative attracted great interest from micro and small entrepreneurs.

In 2019, we also promoted the Dia BNDES da Média Empresa initiative, which involved the mobilization of teams to stimulate operations



Access at:  
[www.bndes.gov.br/fale-conosco](http://www.bndes.gov.br/fale-conosco)



Learn more in the section  
What we do (p. 20)

with medium-sized enterprises in different cities and regions, with prior identification of potential clients and visits to some of the companies.

## “O BNDES MAIS PERTO DE VOCÊ” LECTURES

In 2019, due to a change in the institution's strategic planning, it was decided to temporarily interrupt the lectures of the “O BNDES Mais Perto de Você” cycle.

## SOCIETY

### CITIZEN INFORMATION SERVICE (SIC)

In 2019, SIC received 659 requests for information, all answered within the legal deadlines. Of these, only 3.3% (22) were resubmitted as appeals at the first instance; 0.4% (3) at the second instance; and 0.3% (2) before the Comptroller General of the Union (CGU).

### OMBUDSPERSON'S OFFICE

The Ombudsman's office is our channel for reports, communication and intermediation with society, as well as with the internal public, including for the mediation of conflicts. Over the year, we received and treated 1,327 demands (25.7% less than in 2018), 53.2% of which were registered by companies and 46.8% by individuals, according to the [adjacent table](#).

In 2019, the most recurring manifestations were complaints related to the adherence of financial agents to the Bank's indirect

products, considered unsatisfactory by the public that appealed to the Ombudsman's office.

In order to improve the processes and routines related to the receipt and handling of complaints, we have joined the e-Ouv system, part of the Fala BR platform, developed and managed by CGU. When sending a message to the Ombudsman's office through the web form available on the BNDES Portal, the citizen is now redirected to the [Fala BR platform](#).



Access at:  
<https://sistema.ouvidorias.gov.br>

## WEBSITE

The main novelties of the BNDES website in the year were the [improvements implemented in the transparency section](#). On January 18, when the page with the list of the 50 largest clients was launched, the website had a historical record of visits, with 729,457 hits. During the BNDES Aberto campaign, there was also an increase in the number of visits, with 80,734 hits on the day with highest traffic. Thus, the site had a total of 6,539,981 visits in 2019, a 29% increase compared to 2018.



Learn more in the section  
*Transparency and effectiveness* (p. 56)

## SOCIAL NETWORKS

Increasing the visibility of the BNDES brand is one of the main objectives of the production of content for dissemination on our social networks. In 2019, we maintained the focus of previous years, disseminating content on various aspects of our operations, from their approval to the results of effectiveness of our support.

The highlights of the year included the creation of an [Instagram profile](#) and the increase in our [YouTube channel's](#) follower base, with 27,900



Access at:  
[www.instagram.com/bndesgovbr](http://www.instagram.com/bndesgovbr)

Access at: [www.youtube.com/bndes](http://www.youtube.com/bndes)

**53.4%**  
COMPLAINTS

**19.8%**  
REPORTS

**12.1%**  
DOUBTS

**7.0%**  
REQUESTS

**6.0%**  
COMPLEMENTARY  
MESSAGES

**0.9%**  
ACKNOWLEDGMENTS/  
COMPLIMENTS

**0.8%**  
SUGGESTIONS



Access at:  
<https://aberto.bndes.gov.br>



Learn more in the section  
*Transparency and effectiveness* (p. 56)

## ADVERTISING – BNDES ABERTO

Our main advertising highlight in 2019 was the institutional campaign BNDES Aberto, which aired from November 14 to 29. The campaign sought to mark a turning point in the Bank's communication, promoting its image as an institution that is open to dialogue with society, as well as to changes and criticism.

The creation of a [microsite](#) with explanations about controversial cases, information on new measures taken by the institution and a channel for clarifying doubts was one of the campaign's central elements. The media strategy favored the internet, including social networks, which have the capacity to amplify the message and bring the institution closer to the public. Newspapers were used in a timely manner to mark the beginning of the campaign, and a sticker with an invitation to the microsite was placed on the facade of the BNDES building in Rio de Janeiro to give visibility to the concept.

During the campaign, the microsite received more than 330,000 visits, and the advertising videos were viewed more than 334 million times, impacting around 44 million Brazilians.

Regarding our social media presence in 2019, we gave continuity to the always-on strategy, initiated in 2018. Advertising space on Facebook, LinkedIn and Twitter was purchased to promote the content produced for the Bank's channels. The strategy sought to broaden the scope of our messages and expand our social networks' follower base to increase the public's degree of knowledge about the Bank and its ways of operating. In total, 27 posts were promoted on the three networks, from April to July 2019.

The total investment in advertising actions in the year was of around R\$ 5 million.



subscribers at the end of the year, 3.5 times more than what we had in 2018. This advance can be credited to the advertising campaign BNDES Aberto, which had an important presence in this network.

## EVENTS

We held several events of national relevance in 2019, hosted in our building in Rio de Janeiro, in order to promote items of the development agenda such as the privatization of the electricity sector (February), the modernization of the civil construction sector (April), the future of mobility and energy for transportation (May), the new natural gas market (October), and the universalization of environmental sanitation in the country (December).

Additionally, we also hosted events such as the launch of Matchfunding BNDES+, in partnership with Benfeitoria (March); the demo day of the BNDES Garagem program, promoted by the Wayra-Liga consortium (October); and the meeting of bank representatives from the Brics countries, in partnership with the Brazilian Center for International Relations (Cebri) (November).

At the end of the year, we hosted pre-launch events for the BNDES Aberto campaign, open to the Bank's employees (October), followed by the presentation of the 2020-2022 Triennial Plan to employees, the press and external guests (December). Thus, 72 corporate events were held in the year, gathering more than 9,000 people, including internal and external audiences.

## ESPAÇO CULTURAL BNDES

At the beginning of 2019, we opened a new contest to select up to 160 musical shows for

## BRICS MEETING

In 2019, we hosted the meeting of the Brics Interbank Cooperation Mechanism (Brics ICM), which featured different sub-events and working groups, contributing to the discussion of issues of operational interest and to the exchange of experiences and knowledge.

At the Brics summit, a new Memorandum of Understanding (MoU) on the topic "Mobilization of Private Investment in Infrastructure" was signed by representatives of BNDES, the Russian development bank VEB.RF, the Exim Bank of India, the China Development Bank (CDB), the Development Bank of Southern Africa (DBSA), and the New Development Bank (NDB). The representatives of these institutions presented the priorities of their banks and countries to an audience of economic experts, Federal Government executives, representatives of regional development banks, economics journalists and other stakeholders, during the Brics ICM 2019 Financial Forum.



Representatives of the Brics banks during the event.  
Photo: BNDES Collection/André Telles Fotografia

the 2019-2020 season of Espaço Cultural BNDES, in the Quartas Instrumentais and Quintas no BNDES series. Throughout the year, we hosted 86 classical and popular music performances, both instrumental and sung, including presentations by big names in Brazilian popular music, such as Lô Borges, Zélia Duncan, Kleyton and Kledir; in classical music, such as Eliane Coelho, Miguel Proença and Camerata Fukuda; and new talents, such as Ana Frango Elétrico and the band El Efecto.

As for our gallery, we hosted four expositions: "Cartografia Poética", by artist Luiz Alphonsus; "Fronteiras da Arte – Criadores Populares", with the collection of the Casa do Pontal Museum; "Da Linha, O Fio", by 23 modern and contemporary artists; and "Brígida Baltar: Filmes", an unprecedented exhibition of the artist's filmography.



The exposition "Fronteiras da Arte – Criadores Populares" gathered pieces by 27 popular Brazilian artists, which are part of the collection of the Casa do Pontal Museum, attracting more than 3,500 visitors to the gallery of Espaço Cultural BNDES. As part of the activities, the event "Bumba Meu Boi, Arte e Festa" was held, with a presentation by the group Boi Brilho de Lucas. Photos: BNDES Collection/André Telles Fotografia



## SPONSORSHIP

In 2019, we sponsored six technical-scientific events, with a total contribution of almost R\$ 400,000, one of which was selected by direct choice and the others through a public call focused on projects linked to our operations, more specifically in the areas of infrastructure, MSMEs, innovation and sustainability.

Our sponsorship of the 2nd Annual Cebri-BNDES Conference: *Cooperação Internacional para um Futuro Inovador* was one of the highlights of the year. Directly in line with our strategy, the event combined two activities: the annual meeting of the chief executive officers (CEO) of the Brics development banks and the 2019 Financial Forum of the Brics Interbank Cooperation Mechanism (Brics ICM), held respectively on November 11 and 12, in Rio de Janeiro.

## MEMORY

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

## PRESS

### PRESS OFFICE AND BNDES NEWS AGENCY

Our relationship with the press seeks to contribute to the Bank's transparency. In line with the 2020-2022 Triennial Plan, we have sought to emphasize the impact of our operations on the lives of Brazilians rather than the operations' financial data, changing the focus of our communication with the press.

In 2019, we answered 1,314 requests from the media and were cited in a total of 96,120 articles published by the press, a 6.1% increase compared to 2018. Throughout the year, we also produced and disclosed 317 press releases, notes, communiqués and agenda notes, 191 of which were transmitted through the **BNDES News Agency**. The agency was accessed by more than 126,000 users during the year, with more than 181,000 sessions (active interactions).

We also held four press conferences to disclose the Bank's quarterly financial results.

## INVESTORS

We had meetings with over a hundred investors over the year, in events in Brazil and abroad, publicizing the Bank's results and its new operating strategy and seeking to attract investments to Brazil.

As we already used to do for BNDES, we now disclose the **historical series of economic and financial data** of FINAME and BNDESPAR on our website to facilitate searches and analyses.

## PUBLIC ADMINISTRATION

### FEDERAL EXECUTIVE BRANCH

During the year, we held meetings with all ministries, reinforcing existing partnerships and creating new opportunities for joint action, in line with the government's strategy and focused on combining efforts in public actions and policies. We thus contributed, in partnership with the Ministry of Economy and other sectoral portfolios, to the formulation of public policies and the structuring and operationalization of priority projects of the Federal Government, mainly related to infrastructure and the improvement in the country's business environment. An example of this, in the social area, was the event "BNDES com 'S' de Saneamento e de Social", in partnership with the PPI, the Ministry of Economy and the Ministry of Regional Development. In terms of innovation, we launched, in partnership with the Ministry of Science, Technology, Innovations and Communications (MCTIC), the **first investment fund for the Internet of Things (IoT)**.

### FEDERAL LEGISLATIVE BRANCH

We followed 255 legislative proposals in 2019, some of which are: the new sanitation framework, the General Concessions Law, the Gas Law, the proposed amendments to the Constitution of the Mais Brasil Plan, and the provisional measures of the FGTS and of rural credit. We also participated in 19 public hearings and responded to eight requests for information and two requests for positioning of the Ministry of Economy.

### JUDICIAL POWER AND CONTROL BODIES

We interact with **control and supervision bodies**, such as the Federal Court of Accounts (TCU), CGU, the Central Bank of Brazil (BCB) and the Brazilian Securities Commission (CVM), by routinely providing information and clarifications and developing partnerships and cooperation agreements, with the objective of improving our performance in aspects related to risk management and controls, compliance with internal and external regulations, and transparency.

In addition, especially with regard to innovative processes and initiatives related to the Bank's operations, we seek to establish a permanent agenda of interactions with the control bodies to allow the understanding, monitoring and



Access at: <https://agenciadenoticias.bndes.gov.br>



Learn more in the section *Our performance* (p. 26)



Learn more in the sections *Governance, ethics and integrity* (p. 50) and *Transparency and effectiveness* (p. 56)



Access at: [www.bndes.gov.br/relacoes-com-investidores](http://www.bndes.gov.br/relacoes-com-investidores)



Learn more in the section  
*Transparency and effectiveness* (p. 56)

implementation of contributions throughout implementation processes, instead of simply providing information at a later time, at their request.

We maintain an interface with the Public Prosecutor's Office, the Federal Police and the Judicial Power in the monitoring of processes and fulfilment of requests for information, documents and compliance with judicial orders.

In 2019, we signed a **technical cooperation agreement** with the Public Prosecutor's Office (MPF) to share information and documents pertaining to people and companies that are or intend to form a relationship with BNDES, ensuring greater effectiveness in the inspection and control of our activities with clients and suppliers.

We are one of the active members of the National Strategy to Combat Corruption and Money Laundering (**Enccla**), an initiative led by the Ministry of Justice and Public Security that brings together several actors, mainly from the federal sector. The initiative brings to light discussions, actions and goals to be considered in the preparation of public policies against these crimes.

## PARTNERS

### FINANCIAL AGENTS

We improved our relationship with financial agents in 2019 by taking several measures to publicize our new lines and stimulate operations carried out through financial institutions. As examples, we can mention the following: (i) launch events for the BNDES Crédito Pequenas Empresas and BNDES Crédito Caminhoneiro lines, in partnership with Cresol; (ii) a webinar for more than 500 participants of singular cooperatives of the Cooperative Credit System (Sicredi); and (iii) the BNDES Day at Bradesco, in which several financing initiatives and solutions of the Bank were presented to the institution's units.

In addition to promoting our indirect products in the financial agents' front office, we also intensified our relationship with the agents' product and operational teams and their representative associations. More than 35 actions were carried out throughout 2019, mainly aimed at defining joint action strategies and training programs covering BNDES's products and platforms.

Other highlights include our participation in the BNDES Committee of the Brazilian Federation of Banks (Febraban), which meets monthly to discuss topics associated with our operations, and the organization of two forums for financial

agents, which were attended by around one hundred representatives from more than forty institutions in each edition.

## BUSINESS ASSOCIATIONS AND SYSTEMS

During the year, we also carried out several actions to strengthen our relationship with business agencies and partners. Participation in events, training, exchange of experiences and renewal of agreements are examples of this type of initiative, contributing to the dissemination and promotion of our products and to the diagnosis of the agencies' needs and expectations. Some highlights of 2019 were the training and exchange of experiences with those responsible for the offices of the Center of Industries of the State of São Paulo (Ciesp), our participation in the Annual Meeting of the Federations of the Industry, and the renewal of our cooperation agreement with Sebrae.

These and other actions for strengthening our relationship with partners provide qualified and updated information about our products and lines on which to base new operations.

## SOCIOENVIRONMENTAL COOPERATION AND PARTNERSHIPS

In 2019, we signed a new memorandum of understanding with the International Finance Corporation (IFC), giving continuity to the improvements in our socioenvironmental risk management, initiated in 2017.

We also participated in meetings with financial institutions representing the green sector during the Green Finance Summit, held in July, in London, at the invitation of the Prosperity Fund Green Finance Programme, within the scope of the memorandum of understanding signed with the United Kingdom's Foreign and Commonwealth Office in 2018. The meetings allowed us to exchange experiences and deepen our knowledge about green finance, investment and fundraising models in Brazil and abroad.

Additionally, we participated in the LAB – Financial Innovation Laboratory initiative, which is coordinated by the Brazilian Development Association (ABDE), the Inter-American Development Bank (IDB), and CVM, and in a working group on environmental, social and governance risks (ESG) – including climate risks – and transparency, to exchange experiences with other financial institutions and companies.

We were also present at the 6th Forum on Green Finance and Investment, promoted by the OECD, in which we participated in the panel



Learn more in the section  
*Governance, ethics and integrity* (p. 50)

“Public Financial Institutions and Climate-Compatible Infrastructure: Building Markets and Mobilising Commercial Capital”.

## IMPACT BUSINESS

In 2019, we actively participated in the National Impact Investment and Business Strategy (Enimacto), which brought together bodies and agencies of the federal public administration, the private sector and civil society to promote a favorable environment for the development of impact businesses and investments through the expansion of the capital offer, the dissemination of a culture of assessment of socioenvironmental impacts, and the promotion of a favorable institutional and regulatory environment.

## ACADEMIA AND OPINION LEADERS

### PUBLICATIONS

The knowledge we produce is shared with society through the different publications that we edit and make available for free, in their digital and/or printed versions. All of them can be accessed in our digital library and in the **Knowledge section** of BNDES's website, where you can also register to receive printed copies.

In 2019, we published the two annual editions of our journals *Revista do BNDES* and *BNDES Setorial*, in addition to 17 separate articles from the Texts for Discussion series, covering topics such as BNDES's experience with transparency (No. 147, Oct. 2019), the support for MSMEs (No. 146, Sept. 2019), the literature on the determinants of productivity (No. 135, Mar. 2019) and the public spending cap (No. 144, Sept. 2019), among others.

### DIGITAL LIBRARY

Our **digital library** had almost 1.3 million accesses in 2019, doubling the result of 2018. During the year, 397 new documents were added to the platform, which is now also available in a mobile version. We also modified the management of alerts (subscription and cancellation) and included descriptions in English and Spanish for the communities and collections. The digital library started to share material with the Knowledge Portal of the Brazilian Institute of Corporate Governance (IBGC).

### BLOG OF DEVELOPMENT

We continue to disseminate, through the **Blog of Development**, content related to the knowledge

produced by BNDES, in the form of articles, infographics, lists and videos. In 2019, we made 71 blog posts about different aspects of development, dealing with sectoral issues, themes that are transversal to our operations, and aspects of the Brazilian and global economic scenario.

The contents are released periodically to a base of more than 3,300 subscribers to the blog's newsletter. In 2019, we sent a total of 32 newsletters, and amassed 810 new subscribers.

### BNDES DIALOGUES

In order to reach new audiences, we launched the **BNDES Dialogues** podcast in 2019, diversifying the formats of dissemination of the knowledge produced by the Bank. In the podcast, a representative from the Bank and an external guest discuss the main themes of Brazilian development. The episodes, which last about 30 minutes, are released every two weeks on the Blog of Development and on the main podcast platforms (Spotify, Apple Podcasts, Google Podcasts).

Launched in November, the podcast has already addressed topics such as sanitation, transparency, knowledge, health and SDGs, with the participation of employees from different divisions of BNDES and representatives of bodies and agencies such as the Trata Brasil Institute, TCU, the World Bank, the Oswaldo Cruz Foundation (Fiocruz), and the Brazilian Business Council for Sustainable Development (CEBDS), among others.

### BNDES ECONOMICS PRIZE

Awarded since 1977, the BNDES Economics Prize (Prêmio BNDES de Economia) has as its goal stimulating research on national, regional and sectoral economic issues, in the fields of pure and applied economic science. The winners receive a money prize and have their works published by the Bank.

The 38th edition accepted entries from September 9 to November 11, 2019, and its results have not yet been announced.

### INSTITUTIONAL LECTURES

We received delegations and groups of students from national and foreign educational institutions, for whom we held lectures on the Brazilian economy and our work. In 2019, we held 12 institutional presentations to a total audience of 247 visitors, coming from Brazil and countries such as Austria, Canada, France, the Netherlands, England, Portugal and USA.



Access at:  
[www.bndes.gov.br/conhecimento](http://www.bndes.gov.br/conhecimento)



Access at:  
<https://web.bndes.gov.br/bib/jsui/>



Access at:  
<https://agenciadenoticias.bndes.gov.br/lista/blogs>



Access at: <https://anchor.fm/bndes>



# OUR TEAM

We count on a committed staff, selected through open competitive examinations, always in search of excellence, one of our principles, and the necessary qualifications to fulfill our mission.

## PERSONNEL PROFILE

At the end of 2019, our team had 2,652 employees, of which 2,631 were hired for an indefinite period, through a public recruitment examination (1,701 males and 930 females), 11 were temporarily hired to hold positions in a committee linked to senior management, and one was assigned to us by a state body with the same purpose (in total, ten males and two females). All employment contracts are based on the Consolidation of Labor Laws (CLT).

The last public recruitment took place in 2012, and its reserve records expired in June 2015. Since then, in line with Federal Government guidelines, there have been no new recruitments for staff reserve records.

In addition to our own personnel, we have outsourcing contracts only for services not related to our core activities, such as cleaning, technical support, security and messaging, based on the pertinent regulations. In order to mitigate the labor and social security risks of outsourced workers, we monitor the compliance of the contracted companies with the associated legislation.

### IN 2019

**36**

ADMISSIONS

**78**

RESIGNATIONS

**2.10%**

TURNOVER RATE

Note: Admissions include external advisors and those assigned to BNDES by other public administration institutions. In addition to these cases, resignations also include those due to retirement or requested.



GRI Indicators:

102-8 | 102-35 | 102-36 | 102-37 | 102-41  
201-3 | 401-1 | 401-2 | 401-3 | 403-1403-2  
403-3 | 403-4 | 404-1 | 405-1 | 405-2

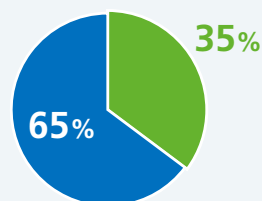
## PERSONNEL PROFILE

**2,652**  
EMPLOYEES

**22** employees assigned to public institutions  
**69** on unpaid leave

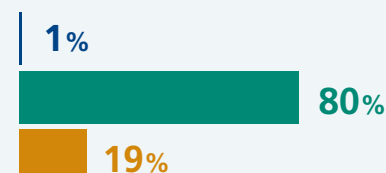
### GENDER

■ Male ■ Female

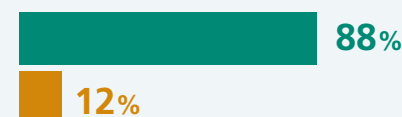
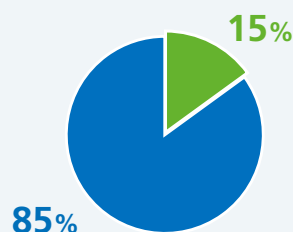


### AGE GROUP

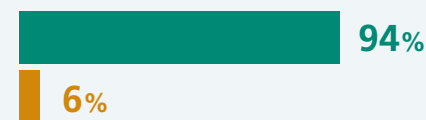
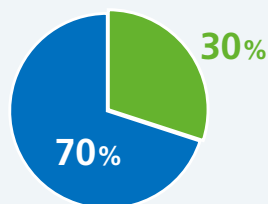
■ Up to 29 years old ■ 30 to 50 years old  
■ More than 50 years old



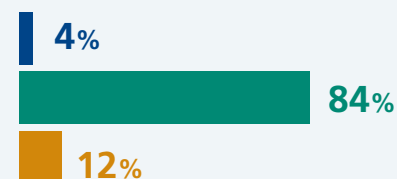
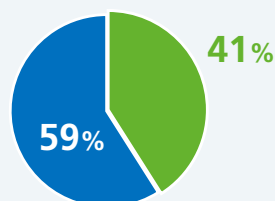
### SENIOR MANAGEMENT (president, managing directors and superintendents)



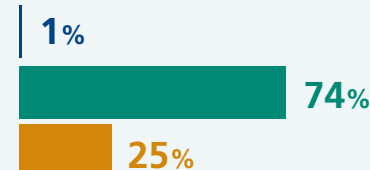
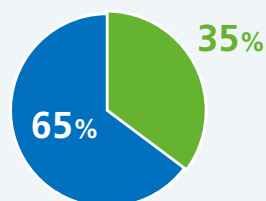
### MIDDLE MANAGEMENT (heads of department and managers)



### OTHER FUNCTIONS (coordinators, handlers, secretaries and others)

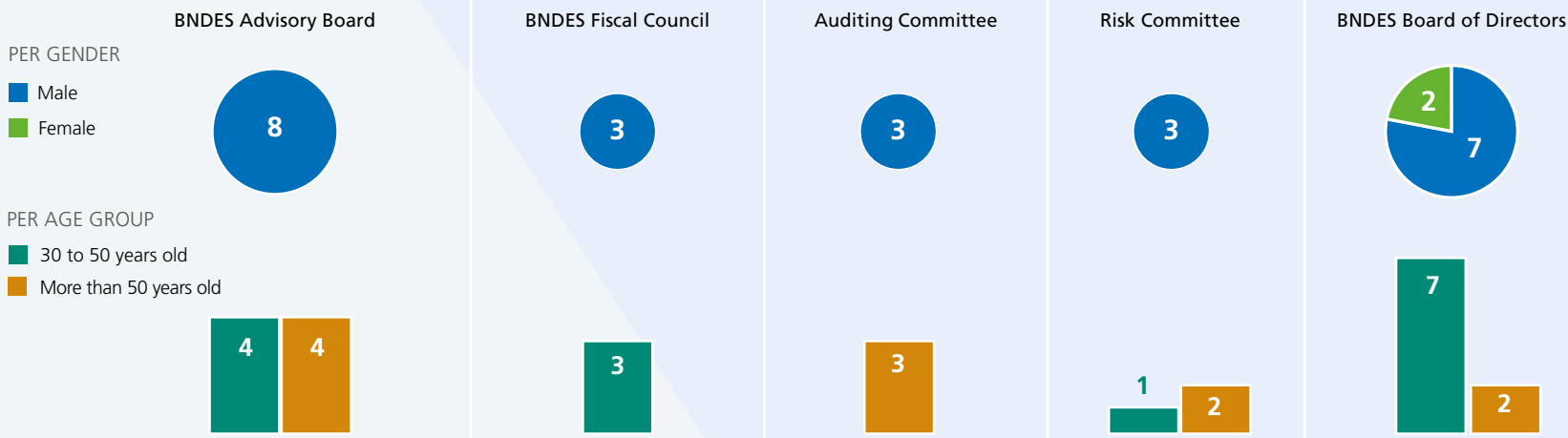


### NO FUNCTION



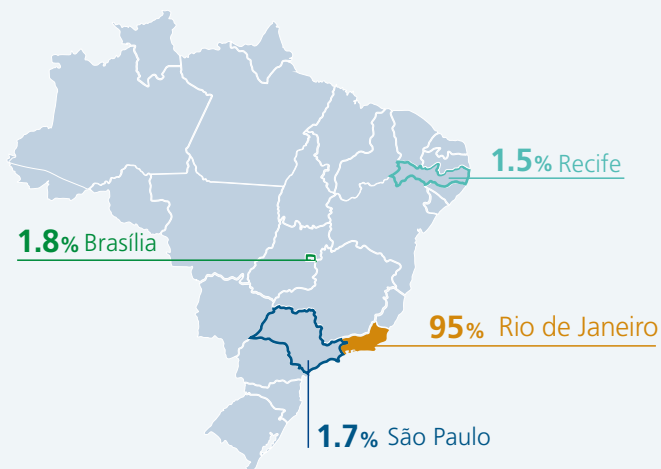
## BNDES COLLECTIVE BODIES

(NUMBER OF MEMBERS)

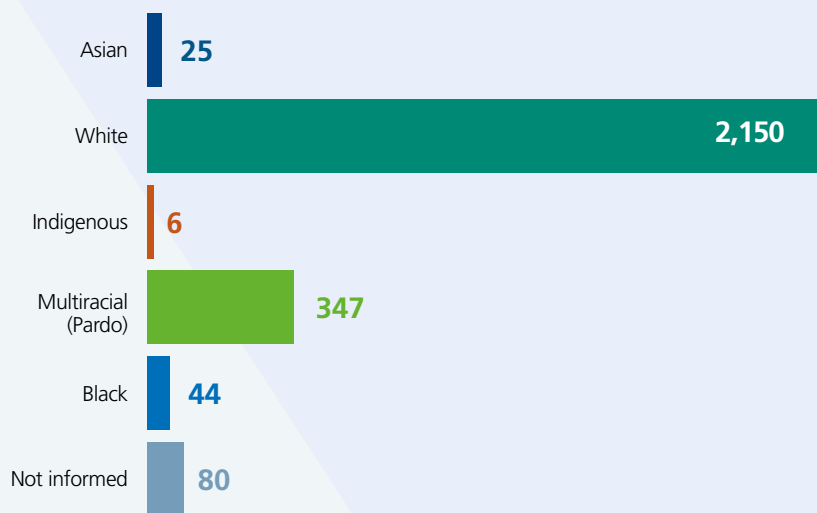


## DISTRIBUTION OF EMPLOYEES

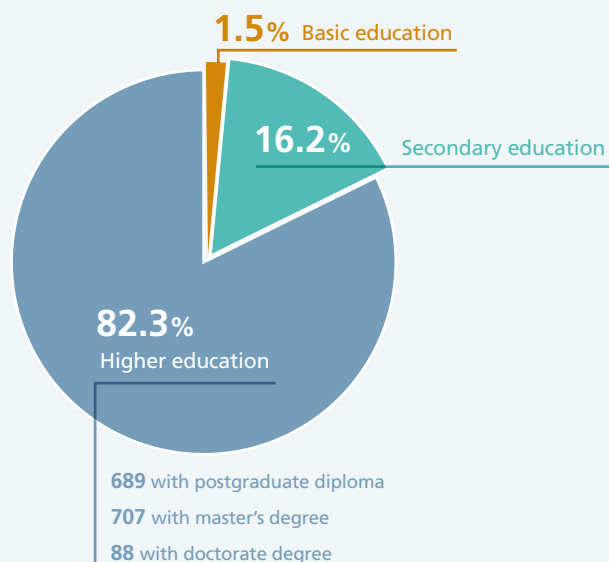
BY OPERATIONAL UNIT



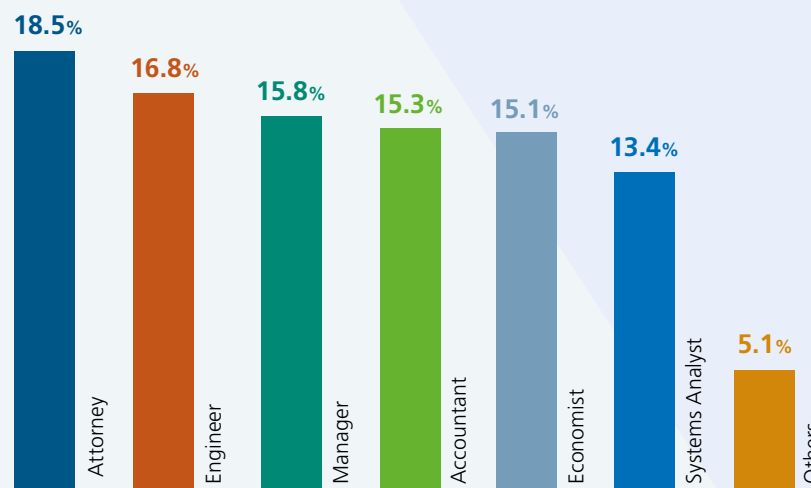
BY RACE



BY EDUCATION LEVEL



BY UNDERGRADUATE DEGREE



Note: The "Others" category includes architects, archivists, librarians, geologists, psychologists, communications technicians and commissioners.



Learn more in the section  
*Transparency and  
effectiveness* (p. 56)



## EMPLOYEE ALLOCATION

In 2019, cooperation agreements for **temporary allocations** were signed, this being a new form of external allocation of BNDES employees to other federal agencies, in line with MPDG Ordinance No. 193/2018 – Workforce Allocation. In addition to increasing the staff of the institutions of destination, these allocations enable knowledge exchanges and closer collaboration between the agencies involved. Thus, we hope that our employees can also bring new knowledge to the Bank.

We signed agreements of this type with three bodies in 2019: the Brazilian Securities Commission (CVM), the Superintendence of Private Insurance (Susep), and the Brazilian Institute of Geography and Statistics (IBGE). The agreement with CVM included a selection process to fill 50 job vacancies and resulted in the transfer, in 2019, of 26 employees to the agency. The processes of allocation of employees to Susep and IBGE will be completed throughout 2020.

## EMPLOYEE ALLOCATION

In 2019, after the **organizational restructuring** of BNDES, we established a new reference quantitative (QR) for each of our divisions, which defines the minimum and maximum limits of employees in each unit.

In this context, at the end of 2019, employees were allocated as shown in the table below.

## SELECTION OF EXECUTIVES

In 2019, internal selections for the positions of internal affairs officer and superintendent and heads of department of the People Management and Organizational Culture Division were held.

## REMUNERATION AND BENEFITS

When hiring a professional for an indefinite period, there is no differentiation in the admission of men and women – all participate in open competitive examinations and are selected based on their performance. When hired, they are obligatorily admitted at the first level of the position and salary plan, regardless of previous experience, gender or selection score, earning the same remuneration.

The salary progression occurs through readjustments in the Collective Labor Dispute, level-to-level evolution in the positions and salary plans according to a process of annual promotion, or by taking office in executive positions. Employees at the same level or in the same executive function earn equal remuneration regardless of gender.

Our demands related to supplementary social security, personnel policy, salaries and benefits are analyzed and approved by the Secretariat of Coordination and Governance of State-owned Enterprises (Sest). All employees fall under the Collective Bargain Agreement (ACT), with the right to the same salary readjustment index, as well as to health and dental care benefits, life insurance, educational assistance programs

BOARD OF DIRECTORS	DIVISIONS	QUANTITY	%
Operations	Strategic Planning	578	21.8
	Support to Business		
	Information Technology		
People and Culture	People and Culture	105	4.0
Financial	Controllership	216	8.1
	Financial		
Compliance	Risk Management	166	6.3
	Integrity and Compliance		
Legal	Legal 1	381	14.4
	Legal 2		
Investment and Concessions	Structuring of Investment Partnerships	119	4.5
	Government and Institutional Relationship		
Company Structuring and Divestment	Company Structuring and Divestment	62	2.3
Credit Concession and Guarantees	Energy	516	19.5
	Public and Social and Environmental Management		
	Industry, Services and Foreign Trade		
Participations, Capital Market and Indirect Credit	Sanitation, Transportation and Logistics	258	9.7
	Capital Market, Participations and Company Restructuring		
Presidency	Digital Channels and Operations	148	5.6
	President's Office		

In December 2019, 7 employees were on leave due to illness, 54 were allocated to the Internal Auditing Committee, and 42 were assigned to other institutions.



Learn more in the section  
*Governance, ethics and  
integrity* (p. 50)

(babysitter, nursery school, and basic and high school modalities), and meal and food assistance, in addition to profit and results sharing (PLR) and remuneration that is compatible with the market.

PLR is only paid in case of net profit and payment of relevant dividends, and depends on the achievement of target indicators of financial sustainability and strategic and division-specific priorities. The PLR agreement is approved by BNDES's Board of Directors and Sest, and negotiated with the unions.

Since 2018, employees receive commuting assistance, covering up to 4% of the base salary, as approved in an ACT. In compliance with Resolution CGPAR No. 23/2018, we instituted the healthcare benefit in the reimbursement modality – up to 50% of the value contracted in a private plan – for employees admitted after March, 2018.

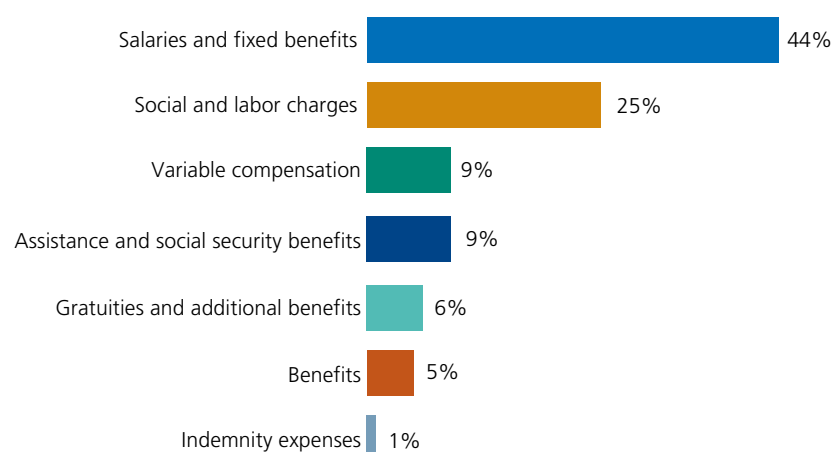
We also offer, in accordance with the Citizen-Company Program (Programa Empresa Cidadã), paternity leave of 20 days and the option to extend the maternity leave to up to 180 days. In 2019, 86 maternity leaves and 95 paternity leaves were granted, with 100% of return of those that ended by December 31, 2018.

We also provide breastfeeding support rooms and a daily allowance of one hour for the mother until the child is one year old, and special leave is granted to mothers or fathers of preterm infants in need of hospitalization.

## PERSONNEL EXPENSES

In 2019, the total expenditure on active employees – permanent staff, employees assigned to other institutions, professionals in commissioned transitory positions, members of the Board of Directors and of statutory boards and committees – was R\$ 1,834 million.

DISTRIBUTION OF EXPENSES WITH ACTIVE EMPLOYEES



## REMUNERATION OF SENIOR MANAGERS AND ADVISORY BOARD MEMBERS

The global remuneration policy for senior managers and Advisory Board (CA) members – composed of fixed remuneration, variable compensation, benefits, rights and obligations – is prepared and analyzed annually by BNDES's Remuneration Committee, with support from the People Management and Organizational Culture and Strategic Planning divisions and the President's Office, according to Sest guidelines. Subsequently, it is submitted to BNDES's CA and to the General Assembly. The remuneration and benefits granted to our directors are available on our website.

### SENIOR MANAGERS

The members of our statutory Board of Directors are entitled to fixed monthly fees, as well as rights and benefits such as 30-day leave, housing assistance, food and meal assistance, health plan, and compensatory remuneration during the quarantine. The variable compensation of senior managers, negotiated with Sest, does not include bonuses, gratuities and stock-based gains.

Long-term benefits are not granted to temporarily hired executives, including lending (a practice prohibited to all financial institutions under the regulation of the Central Bank of Brazil – BCB).

The Annual Variable Remuneration (RVA) policy includes the members of the Board of Directors, as a form of participation in the results. The remuneration has its own program and is conditioned to the existence of accounting profit. The maximum amount to be paid per manager in the form of variable compensation is limited to 4.5 times the base value of the remuneration in force on the effective payment date, respecting the same rule applied to other employees.

### ADVISORY BOARD MEMBERS

Pursuant to Law No. 9,292/1996 and the BNDES Statute, the remuneration ceiling of members of the CA and the Fiscal Council is limited to 10% of the average monthly remuneration of the Bank's directors.

In addition, the remuneration of the members of our Auditing Committee cannot be less than 10% of the directors' average monthly remuneration, nor inferior to the remuneration of our Fiscal Council.

The remuneration of the members of the Risk Committee, constituted in 2018, is equal to that of fiscal council members.

The members of the CA and of the Fiscal and Auditing committees are not allowed to participate in the profit-sharing program.

## CAREER PLAN

At the beginning of 2019, the Careers Project, aimed at conducting studies and technical analyses on which to base proposals for the improvement in BNDES's career conditions, was concluded with the submission of an executive report by consultants from Mercer.

## INDIVIDUAL PERFORMANCE MANAGEMENT (GDI)

This tool allows managers and subordinates to align their expectations regarding activities and behaviors planned for the year, for subsequent monitoring, evaluation, and feedback. It has three stages: agreement, monitoring and evaluation.

## PROFESSIONAL AND PERSONAL DEVELOPMENT

In 2019, we invested approximately R\$ 12.6 million in training, certification and language programs, as well as graduate programs (with 92 new participations), totaling 163,541 hours, with an average of 62 hours of training per employee.

The highlight of the year was the realization of new graduate courses in digital transformation and in PPPs and concessions, as well as customized banking, digital law and design thinking courses, in addition to the participation of three groups in the Managerial Development Program.

NUMBER OF HOURS AND TOTAL NUMBER OF PARTICIPATIONS IN TRAINING

TYPE OF TRAINING	NUMBER OF HOURS	NUMBER OF PARTICIPATIONS
Short term	49,000	1,510
and certification	24,243	605
Customized (contracted)	18,151	1,101
Customized (internal instructor)	1,754	39
Abroad	21,849	604
Languages	46,981	92
Graduate program	1,563	3,126
<b>Grand total*</b>	<b>163,541</b>	<b>7,077</b>

\* Considers only training in the distance education format (EAD), produced internally and hosted on its own platform. External EAD courses were counted in the other categories.

## ESOCIAL

We have fully complied with our obligations related to phases I, II and III of the eSocial project for the transmission of data (referring to initial and scheduled events, non-recurring events, and payroll events, respectively) to the Federal Government. Thus, throughout 2019, we concentrated our work on improvements in the operations of the three phases already implemented and on the preparation of processes and of a technological environment for the initiation of phase IV, with health, safety and occupational medicine events.

Although it was scheduled for July 2019, phase IV was postponed by the eSocial Management Committee to September 2020, with a new implementation schedule released in 2020.

## DIVERSITY AND INCLUSION

We have an institutionalized policy of promotion of diversity and gender equity that reaffirms our continuous commitment to eliminating all forms of inequality and discrimination in our work environment and in the institutions of our relationship chain.

Being recognized as an inclusive company that can understand and meet the needs of society as well as induce clients to promote a discrimination-free environment are some of the guidelines of this policy. Currently, 1.5% of our employees are disabled.

Throughout 2019, 13 people with disabilities were hired for internships in six divisions of BNDES. As a result, at the end of the year, 17 people with disabilities were interns at the Bank, 7% of the total number of interns. In order to promote their inclusion, all of them were monitored by the teams of the Psychosocial Care Service and the Specialized Service of Safety Engineering and Occupational Medicine (SESMT), from the initial interview until the end of the internship's first semester, and also by their supervisors.

In June 2019, the interactive lecture "Insertion of People with Disabilities into the World of Work" was held at BNDES's Study Center, in partnership with the School-Business Integration Center (CIEE). The event sought to strengthen the culture of inclusion at the Bank through the development of inclusive

management. Its target audience were managers of employees and/or interns with disabilities and people working in employee and costumer services.

## INTERNAL COMMUNICATION

In 2019, we produced a commemorative campaign to celebrate BNDES's 67th anniversary, inspired by the institution's purpose. The concept used was: "Our strength is our purpose: transforming people's lives". Ten employees were selected, among those decorated for their time at the Bank (10, 15, 20, 25, 30 and 35 years), to record video testimonials with stories that marked their careers and that illustrate the transforming role of BNDES for society.

The complete videos and photos of the Bank's anniversary ceremony were made available on an internal microsite.

We also produced an internal campaign with the theme of compliance for BNDES's Ethics and Integrity Week. A complete mix of communication pieces, aired on internal channels, sought to give visibility to the subject and encourage the engagement of employees in activities such as a virtual reality game, online training, and an internal consultation on the anti-corruption policy.

Other important initiatives were the internal disclosure of corporate projects planned for 2020 and the communication actions aimed at publicizing the goals of the 2020-2022 Triennial Plan and encouraging the staff's compliance with them.

## COMPLEMENTARY PENSION PLAN

Following the Technical Deficit Plan registered on December 31, 2017 by the Basic Benefit Plan (PBB) of BNDES's Social Security and Assistance Fund (Fapes), there was a reduction in lump-sum death benefits and pensions due to the changes to the regulation and cash payments carried out in 2018, and new extraordinary contributions started to be charged as of March 2019.

The maximum term for the adjustment of the deficit is 25 years, and these extraordinary contributions must be paid by February 2044.

## HEALTH AND SAFETY IN THE WORKPLACE

We maintain three formal commissions on health and safety at work (SST), which act on behalf of all employees, namely: the Internal Commission for the Prevention of Accidents (Cipa), the Auxiliary Escape Teams (EAE), and the paramedic teams.

Collective labor agreements have been encompassing themes of this nature, such as the regular performance of simulations of evacuation from the Bank's main building in Rio de Janeiro; the provision of information on accidents and occupational diseases to the labor union; and the establishment of the SESMT, in partnership with Fapes.

We maintain our Environmental Risk Prevention Program (PPRA) updated and carry out the Medical Control Program (PCMSO) and other preventive care programs in accordance with the legal requirements. All these initiatives help us to reduce the rates of absenteeism and avoid activities that represent a high risk of onset of occupational diseases.

SST RATES <sup>(1)</sup>	2019
Injury rate (TL) <sup>(2)</sup>	7.30
Occupational disease rate (TDO) <sup>(3)</sup>	zero
Rate of working days lost (TDP) <sup>(4)</sup>	3.80
Absenteeism rate (TA) <sup>(5)</sup>	2.70
Deaths caused by work accidents or occupational diseases	zero

(1) The data refer to the period from 1.1.2019 to 12.31.2019.

(2) Frequency of accidents with injuries, considering 2,000 hours of annual exposure per employee (NBR 14,280), i.e., 2,000 hours x No. of employees per region, based on the staff's composition on 12.31.2019. There were 39 accidents (10 typical and 29 en route).

(3) Number of occupational disease occurrences divided by the number of employees.

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

(5) Medical absence. Weekends and holidays, study leave, maternity/paternity leave, leave extension and 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 the staff's composition on 12.31.2019. TA = days absent/days scheduled x 100.

Based on a broad diagnosis of Brazil's challenges prepared in 2019, we have identified three sectoral agendas that we consider to be priorities for the country's development in the coming years, and established ways to contribute to their achievement.

## INFRASTRUCTURE

Brazil currently invests about 2% of its GDP in infrastructure. The sector's capital stock, as a percentage of GDP, significantly fell in the last thirty years, and was 36% in 2016 (most recent estimate). For the country to reach a capital stock of 60% of GDP in twenty years (2039), closer to the average of the main world economies (70%), the rate of investment in infrastructure would have to immediately increase to 4.2% of GDP.

The infrastructure sector is of fundamental importance for the sustained recovery of growth. However, in the Brazilian case, the need to expand investments in the area involves more than just mobilizing funding resources. It is necessary to structure high-quality projects, improve the regulatory frameworks, and develop alternative financial instruments that allow leveraging public and private resources through risk sharing.

## PRODUCTION STRUCTURE

In 2018, Brazil ranked 161<sup>st</sup> out of 184 countries in the world ranking of GDP growth in this decade. In order to give greater dynamism to economic activity, it is necessary to recover the investment rate, which still suffers from the effects of the 2014-2016 crisis, from which the economy has not yet fully recovered. The labor market, despite the growth of the employed population for the third consecutive year, still registered a high unemployment rate. In December 2019, this rate reached 11.0%, a reduction of 0.6 percentage points (p.p.) in relation to 2018. Due to the crisis generated by the pandemic, this rate tends to increase.

Within sectors of the production structure, the great challenge of "productive transformation" stands out. For it to occur, it is necessary to stimulate innovation and the use of new technologies; the transformation of business models; and the greater insertion of Brazil in the world economy. Special

attention should also be given to the development of industry 4.0 in the world.

Advances in IoT generate innovations in business models for different sectors of the global economy, opening opportunities for MSMEs and for the international insertion of Brazilian companies. In the field of new materials, the advance of nanotechnology, fine mechanics and biotechnology stands out, as well as the need to support sustainable mining.

## SOCIAL INFRASTRUCTURE: EDUCATION, HEALTH AND SECURITY

In education, when comparing Brazil to other countries, the problem of teaching quality becomes evident. In 2015, although the Brazilian government applied 6.2% of GDP to education, a percentage higher than the average for OECD countries (5.2%) and other economies in Latin America, the scores of Brazilian students in reading, science and mathematics in the Programme for International Student Assessment (Pisa) were below the average in the same comparison. At the same time, new technologies pose a great challenge to the workforce's requalification and make the concept of continuing education for workers necessary.

In the field of health, we have, on the one hand, the challenge of expanding and improving the population's access to medical and hospital services, which is evident in the current Covid-19 pandemic. This challenge is accentuated by the context of increased spending due to the population's aging, the higher incidence of chronic diseases, the resurgence of infectious diseases, and the incorporation of new technologies. On the other hand, new forms of management and payment models, digitalization and a focus on prevention generate opportunities to reduce costs and increase the population's access to the health sector, with significant improvements in quality of life.

Finding security solutions, in turn, is also among the country's main challenges. According to the 2019 Atlas of Violence (Ipea), there were more than 65,000 homicides in Brazil in 2017. The study also shows that the negative impact of violence is equivalent to 5.9% of GDP, each year. Some of the problems that stand out are the

high incidence of violent deaths, the low degree of elucidation of crimes, and the overcrowding of prisons, with high recidivism. Acting on these issues involves, for example, the integration of different law enforcement databases, and their integration with the Justice system; policies for the reintegration of former prisoners into society; and actions focused on high-risk areas.

In addition to this sectoral diagnosis, it is necessary to consider some transversal themes that will have a widespread impact on the economy and society, and which are also among our priorities for the coming years, namely:

- » sustainability, covering issues such as the promotion of a low carbon economy and climate resilience;
- » technological diffusion and innovation as vectors of the transition to economy 4.0 and digital society;
- » the expansion of the access of MSMEs to the credit and capital markets;
- » the modernization of the State, focusing on the promotion of efficiency in the
















public sector, and territorial development, in order to reduce inequalities; and

- » the privatization agenda, aimed at attracting private investors and improving public services and the allocation of public resources.

In view of the aforementioned challenges, we have established how we intend to contribute to each theme (both sectoral and transversal) to actually transform the lives of Brazilians in our 2020-2022 Triennial Plan. Based on a set of 15 deliveries, to be completed by 2022, we are committed to helping the country overcome the challenges and achieve its vision for the future.

Due to the pandemic's strong influence on the productive capacity of Brazil and its main trading partners (as in the rest of the world), BNDES will need to take more intense measures to help cushion negative impacts, providing credit and liquidity to companies, among other initiatives. Based on the economic indicators currently available, the emergency measures adopted by international development banks and the Federal Government's guidelines, our strategy was updated in 2020 to reinforce our countercyclical performance.

## DELIVERIES FOR THE DEVELOPMENT OF BRAZIL PLANNED FOR 2020-2022

CREDIT		
	ENERGY	2.0 GW increase in the installed capacity of renewable energies, and 1,600 km expansion of the natural gas distribution network.
	LOGISTICS	Implementation, duplication or modernization of 2,500 km of railways and 5,000 km of highways.
	URBAN MOBILITY	New medium- and high-capacity urban mobility systems with capacity of up to 1 million users/business day.
	SANITATION	Expansion of the access of 5.5 million inhabitants to sewage systems, and of 900,000 inhabitants to water networks.
	COMMUNICATION AND INFORMATION TECHNOLOGIES (CIT)	Expansion of the access of 2.5 million households, equivalent to 8 million people, to fixed broadband services.
	EDUCATION	Support, through financial instruments, for the basic and/or vocational education of 1 million students.
	HEALTH	Construction or modernization of 150 SUS healthcare units.
	SECURITY	20 projects aimed at improving the efficiency of public security intelligence services in the country's most violent municipalities.
	EMPLOYMENT	Creation or preservation of 1.2 million direct and indirect jobs, on average, per year.
	MSME	Support for 450,000 MSMEs and individuals.
SERVICES AND PROJECT FACTORY		
	SANITATION	Structuring of projects that increase the number of people with access to sanitation by 20 million.
	PUBLIC LIGHTING	Structuring of projects that bring efficient public lighting services to 14 million people.
	LOGISTICS	Structuring of projects that promote private management in public ports, which represent 30% of national trade, and concession of 20,000 km of highways (additional 16,000 km).
	SALE OF COMPANIES	Sale of 15 state-owned companies and 15 federal-owned companies.
	REAL ESTATE FUNDS	Structuring of five real estate funds.

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