ANNUAL INTEGRATED REPORT

2018

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$ 69.3 billion disbursed in 308,280 operations with 152,887 clients.
Note: The organization chart does not include 43 assigned and on-leave employees.
The year 2018 was characterized by the perpetuation of changes in the business environment in which BNDES started operating after 2014.

Among the main changes, we highlight the implementation of the new interest reference parameter for financing, the Long-Term Rate (TLP), replacing the Long-Term Interest Rate (TJLP) for new operations. This is a profound reform, approved by Law 13,483/2017, which reconfigures the situation of earmarked credit and BNDES performance.

Associated with this law, there was also the renegotiation of the debt with the National Treasury, which, for some years, was the main source of additional funds for the Bank's loans. This renegotiation led to a shortening of this debt and changes in its remuneration, without prejudice to any return performed as a result of the analysis of the demand for funds by BNDES’s clients.

In response to the new competitive environment, the Bank has been reshaping its business model. This reformulation aims to ensure clarity in the way we execute our development mission, guarantee the financial sustainability of the institution and strengthen the organization, increasingly invigorating our workforce and formalizing corporate projects whose implementation has already begun and will continue for the next semesters.

The Bank's mission translates into several lines of action, including the support for infrastructure (from project preparation to structuring of financial solutions in partnership with the private sector), industrial (with an emphasis on innovation), and services activities (from health to tourism, also with a strong innovation component). We believe that our social mission is fulfilled when we are present financing and transforming the sanitation sector and other services essential to the population, including education, the basis for both the country's competitiveness and for the improvement of living conditions of the current and future generations.

In financial terms, the new environment represented the construction of new products, services and distribution channels, as well as the analysis of new ways of fundraising, both in the market and with still existing sources of low-cost institutional resources, such as those belonging to the FGTS. BNDES’s technical staff has been responding to the new challenges and opportunities by using its excellence and being increasingly open to dialogue and change, in a more transversal and flexible organization in which different talents can be used to attend to the clients in the best way possible. The Bank also continues to strengthen its governance, in cooperation with its Advisory Board and external control bodies.

All the changes the Bank has been conducting have come accompanied by the ability to maintain the institution’s profitability, including, in some notable cases, capital gains. Although revenue from financial intermediation dropped in 2018, a net income of R$ 6.7 billion was recorded in the year. This is an 8.5% increase compared to 2017, mainly explained by the increase in the sale of corporate stakes, notably those held by BNDESPAR. The reduction of the credit portfolio continued, from R$ 560 billion to R$ 520 billion, due to clients’ prepayments and a more contained disbursement volume. As a result, it was possible to reduce the participation of National Treasury resources in the Bank’s financing sources, which fell from 48% to 38%.

The reduction in the loan portfolio and the valuation of the variable income portfolio resulted in our Basel index increasing from 27.5% at the end of 2017 to 29.0% in December 2018.

The transformations in BNDES continue in 2019. We will continue to be a strategic asset to support the development of the Brazilian economy, seeking to bring it to the technological and global efficiency frontier. For this purpose, innovation in companies, with new processes and products, will be increasingly important, and we want to capitalize the enormous human potential that exists in Brazil.

With no more subsidized lines, BNDES is focusing on longer-term credit, investing in retaking its historic leadership in the preparation of infrastructure projects and privatization programs. We continue to support the improvement of corporate governance management to strengthen our capital markets.
Looking ahead, we will increasingly explore ways of supporting startups, the so-called industry 4.0, the increase in agricultural productivity and climate adaptation, and transforming sectors such as aerospace, natural gas, renewable energy, as well as those of the several life sciences. In all of them, the role of small and medium-sized enterprises will be valued, and attention to social and environmental impacts will be a priority. BNDES exists to be a catalyst for the private sector, supporting investment and competition.

This is another year in which we present an integrated report on our performance, a model that we started adopting in 2012 and which became mandatory under Law 13,303/2016 (the new Law of State-owned Companies). We consider that, since the integrated report involves all of the Bank’s areas in a collective effort to think about our performance, it allows us to reflect on how and where we add value, learning from the institution’s successes and challenges, and creating opportunities for improvement.

We are grateful for the commitment and participation of all BNDES’s employees in our mission. We will strive to exceed our goals and meet the expectations of our diverse audiences with transparency and rigor.

We invite everyone to read this report. We are always open to suggestions and criticism, searching for a continuous improvement in our performance. Good reading!

Sincerely,
Joaquim Levy
SCAPE AND LIMITS

This report regards 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 1st to December 31, 2018, continuing the 2017 report. There was also inclusion of relevant events occurred between this period and the approval of the report by the Advisory Board in charge, on May 29, 2019.

Financial and nonfinancial aspects are addressed in a concise and integrated way, with the purpose of showing how we create value for our relationship audiences. To this end, since 2012 we have followed the integrated reporting model of the International Integrated Report Council (IIRC).

Our report is annually improved, aiming at full compliance with the integrated reporting paradigm, which became mandatory in 2016, with Law 13,303 (Law of State-owned Companies).

This annual report will also include the information previously disclosed in the management report, following orientation of the Federal Court of Accounts (TCU) to adopt the integrated reporting model. Thus, the two reports have been unified, rationalizing efforts and attending to our different audiences in a single work.

For more detailed information on specific topics, go to our website, 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 hotsite with its main highlights, can be found at: www.bndes.gov.br/ra2018-en

MATERIALITY

In order to determine the main themes to be addressed in this report, we conducted surveys with our audiences through various communication channels. We referred to requests, comments and statements received through our relationship channels, such as the Citizen Information Service (SIC), the Ombudsperson’s Office, and the Call Center. We searched for the news published on the media about BNDES, releases sent to the press, and the material produced for our internal channels. Finally, in November 2018, we promoted an internal workshop with representatives from different divisions of the Bank – which relate to different audiences – to discuss the material issues considered most relevant.

Below, we present our materiality matrix used for this report.

The matrix was presented to the relevant instances and to the Advisory Boards of BNDES, BNDESPAR and FINAME.

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

We also indicate throughout the report how our actions relate to the UN’s sustainable development goals (SDG).

CONTACT

For more information on this report and its content, send an e-mail to relatorioanual@bndes.gov.br.
<table>
<thead>
<tr>
<th>RELEVANT MATTERS</th>
<th>DESCRIPTION</th>
<th>RELATED CAPITALS</th>
<th>CHAPTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>INFRASTRUCTURE</td>
<td>Financing for energy, sanitation and transportation projects, privatization, infrastructure debentures, investment in infrastructure funds</td>
<td>Manufactured</td>
<td>What we do</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Natural</td>
<td>Our performance</td>
</tr>
<tr>
<td>PRODUCTIVE STRUCTURE</td>
<td>Support for productive sectors through financing and capital markets; support for exports; support for micro, small and medium-sized enterprises</td>
<td>Social and Relationship</td>
<td>What we do</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial</td>
<td>Our performance</td>
</tr>
<tr>
<td>EDUCATION, HEALTH AND SAFETY</td>
<td>Support for structured actions in the sectors, technical cooperation agreements, public calls and diagnosis</td>
<td>Social and Relationship</td>
<td>Our performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td>SUSTAINABILITY</td>
<td>Contributions to the SGDs, green economy, Amazon Fund, socioenvironmental responsibility</td>
<td>Natural</td>
<td>Our strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>What we do</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Our performance</td>
</tr>
<tr>
<td>INNOVATION AND TECHNOLOGY</td>
<td>Internal programs for innovation and digitalization, support for innovation</td>
<td>Intellectual</td>
<td>Our strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>What we do</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Our performance</td>
</tr>
<tr>
<td>BUSINESS PROMOTION, NEW PRODUCTS AND AGILITY</td>
<td>Challenges for approaching clients and financial agents, new products more in line with the reality of the market</td>
<td>Intellectual</td>
<td>What we do</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial</td>
<td>Our performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social and Relationship</td>
<td>Challenges and vision for the future</td>
</tr>
<tr>
<td>FUNDRAISING AND FINANCIAL PERFORMANCE</td>
<td>Renegotiation and return of funds to the National Treasury, divestitures, sources of funds, default, financial performance</td>
<td>Financial</td>
<td>Our strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Financial sustainability</td>
</tr>
<tr>
<td>INSTITUTIONAL RELATIONSHIP AND PERFORMANCE</td>
<td>Relationship with our stakeholders, compliance with requests by control bodies, support for public policies, debates on development and sectoral knowledge</td>
<td>Social and Relationship</td>
<td>Our performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Our relationships</td>
</tr>
<tr>
<td>GOVERNANCE, ETHICS AND TRANSPARENCY</td>
<td>Governance and management, corporate projects, ethics and integrity, effectiveness system</td>
<td>Intellectual</td>
<td>Our strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social and Relationship</td>
<td>Governance, ethics and integrity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transparency and effectiveness</td>
</tr>
<tr>
<td>PEOPLE AND ADMINISTRATIVE ISSUES MANAGEMENT</td>
<td>Personnel profile, remuneration and benefits, professional and personal development, diversity and inclusion, health and safety in the workplace, resource saving with structure</td>
<td>Human</td>
<td>The Brazilian Development Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manufactured</td>
<td>Our team</td>
</tr>
</tbody>
</table>

**MAIN STAKEHOLDERS**

- **SOCIETY**
- **GOVERNMENT**
- **CONTROL BODIES**
- **INVESTORS**
- **INTERNAL PUBLIC**
- **CLIENTS**
- **FINANCIAL AGENTS**
- **ACADEMIA**
In Brazil and in the world, the year of 2018 still reflected the international financial crisis triggered ten years before. As a more general trend, several countries have moved to withdraw monetary and financial stimuli, which had been established at the beginning of the decade, from their economies.

There were two very different moments throughout the year. By mid-September, the recovery of major economies pointed to tightening of global liquidity conditions with the end of asset-purchase programs by the respective central banks, launched after the crisis began, in addition to a rise in basic interest rates. This context has maintained the exchange rates of emerging markets under pressure.

However, towards the end of the year, the sharp deceleration in central economies’ growth pace, coupled with the escalating USA-China trade war, led to significant changes in the monetary authorities’ plan. Financial conditions were once again relaxed, particularly with the suspension of the FED (US Federal Reserve) rate increase, improving future prospects for global economic activity in the short term.

In the Brazilian case, the economy remained presenting low growth, mainly due to the political uncertainties arising both from the electoral process and from an adverse fiscal framework. However, the political renewal in the Legislative and Executive branches, starting with the October general elections, brought new expectations to the economic horizon, with improved indicators such as inflation expectations, stock market index, and future interest rates.

Soon after being confirmed, the new government indicated an economic team committed to an agenda for deepening the reforms, in order to stimulate the increase of the medium- and long-term economic growth.

There was also a great renewal in the Chamber of Deputies: of the 513 federal deputies who took office in January 2019, 243 are in their first term. In the Federal Senate, of the 54 senators who took office, only eight were re-elected and four had already been there on other occasions.

The noticeable shift in the economic agenda over the last three years, aimed at a set of market-friendly structural reforms whose objective is to raise long-term growth potential, presents its first effects. It is worth mentioning the continuation of the reduction in inflationary targets, initiated in 2017 for the subsequent three-year period (from 4.25% in 2019, 4.0% in 2020 and 3.75% in 2021), as well as the downward trend in long-term interest rates (the thirty-year NTN-Bs interest rates went from 7.1% in 2015 to 5.2% in 2018).

Such advances were possible in an environment where inflation remained under control, with financial market expectations based on the goal set by the National Monetary Council. It should be noted that this benign environment occurred in spite of several shocks faced by the Brazilian economy, such as the truck drivers’ strike in May and the rise in fuel prices.

The issue of public spending, however, remained as the vulnerable point of the local economy. The new tax regime, supported by the spending ceiling, has made it increasingly evident to Brazilian society that it is necessary to adjust the budget. However, the evolution of compulsory spending, in particular the trajectory of primary expenditure with social security benefits, makes the need for the reform of the country’s social security system urgent.

The reduction of credit subsidy concessions, together with the lower level of basic interest rates, has been an important catalyst for private issuances in the domestic capital market. Incentivized debentures, benefited by Law 12,431, are particularly noteworthy: the volume issued surpassed R$ 20 billion in 2018. In this way, long-term private financing improves the allocation of economic resources and emerges as an important vector for economic development.

Moreover, labor reform brings a perspective of greater agility and flexibility to the labor market, even if has not yet had its full impact materialized. Thus, the economy tends to raise its productivity and reduce unemployment in the long term, as its effects materialize.
The reform agenda is still long, and the effort to implement it must be continuous. Additional measures, such as greater rationalization of the tax system, regulatory simplification to improve the business environment and greater economic openness, among others, are paramount to increase long-term growth.

Although the economy expansion pace in 2018 was still below the desired level (with GDP expanding by 1.1%, at the same level as in 2017), the growth of industrial production of capital goods presented a significant increase (+ 7.3%). Foreign direct investment in the country remains very robust, being more than sufficient to finance the deficit in current transactions.

The slow activity resumption and inflation expectations below the target suggest that interest rates may continue at low levels, which tends to stimulate the economy throughout 2019. With the continuity of implementation of the reforms, the economy growth is expected to accelerate, especially with the increase in investment, which should be reflected in the demand for BNDES’s financing.

Making Brazil a poverty-free and socially just country, with a dynamic economy, sustainable generation of jobs and income, adequate infrastructure, attracting new investments and technologically advanced is a desire of the whole society and, to achieve this goal, we have an important portion of contribution, always in a relevant and effective way.

This is not an impossible dream, but a task inherent to BNDES’s vision for the future, due to its nature and vocation. We are the Brazilian development bank and will make all effort necessary for the country to walk on the path of growth with sustainability.

In recent years, we have experienced a drop in demand for our resources. To a large extent, this drop reflects the very reduction of investments in the economy, but not only that. Deep changes began to take place in the environment in which we are inserted – from changes in financial conditions, such as the convergence of rates charged by BNDES with market rates, to the reduction of public funding availability, among others.

In addition to financial issues, there are those of a more structural nature, such as population aging; the sustainability agenda, in which Brazil can be a protagonist, and disruptive technological advances, with far-reaching consequences on employment and professional qualification. Increasing the economy productivity, with particular attention to the infrastructure and education gap, remains a major challenge. The relation between increase in violence and indicators of poverty and social inequality also stands out as concerns in the country.

Risks associated with climate disasters and the worsening of trade and geopolitical tensions have gained strength in the international scenario. Dissemination of the digitalization agenda remains as another major challenge. If, on the one hand, this agenda can be a solution to increase productivity, in the long term it can imply increase of inequalities both within and between nations. According to the Trade and Development Report 2018 of the United Nations Conference on Trade and Development (UNCTAD), large investments are necessary in telecommunications infrastructure, data infrastructure organization and professional retraining for the benefits of increased productivity of new digitalization technologies to be achieved without accentuating social and regional inequalities. From the point of view of global financial sustainability, pressures for flexibilization of financial regulation rules and increase of private indebtedness are also points of attention in medium-term scenarios.

In the national economic scenario, due to threats from the international environment or for increased political and institutional instability, there are
significant risks and challenges but, at the same time, opportunities, which require our positioning in several fields.

As a development bank, an active agent of transformation that anticipates and supports promising futures and promotes best practices, our work goes far beyond merely providing financial support, serving the Brazilian society. It is up to us to understand the dynamics of transformation and its impact on our clients, as well as implementing the necessary changes in our business model, reviewing processes, product portfolio, and even internal competencies.

That is why BNDES is on the move. We are transforming ourselves internally to help the country’s transformation and to be a relevant agent of development, whatever the scenarios.

Our transformation involves assuming the business-promoting posture even more effectively. Structured development campaigns are bringing new clients and stimulating new businesses, expanding and democratizing our credit, either for companies with less access due to their size, or for offering financial solutions to clients in regions, territories and sectors not satisfactorily served by the private financial system. New products have been created to respond to the needs of different client segments, focusing on new and promising business niches. This vision for the future is already materializing: in 2018, almost half of our disbursements have already been to micro, small and medium-sized enterprises (MSME).

Making investments in infrastructure remains a priority to which we have contributed effectively. To unlock investments in segments so necessary to the country, the expansion of project structuring activities is essential. In this regard, our role is to develop and support projects that increase productivity and connection between markets, making new business possible for the country.

Brazil is facing a new cycle of asset concessions. We have the example of success in the electric power sector, with the privatization of federalized state distributors. After 20 years of huge losses to the public sector, they were sold in auctions with the private sector’s commitment to invest in the service improvement and expansion. New opportunities for sale of lots of highways, airports, and sanitation and gas companies are presented. In all these cases, private investment will boost prospects for more efficient use of these assets, creating new job opportunities.

In the sanitation sector, the challenges to unlock investments are great, and we engage our expertise to support the improvement of the business environment and promote such an important sector for the population’s health, especially in less developed regions. It will be necessary to look for solutions that contemplate higher risk assets and high externalities, elaborating appropriate financing structures (that can be made possible by us or by our market partners). This agenda is in line with what development banks from other countries have been doing, and it is essential to stimulate the country’s development.

In addition to infrastructure, we operate in productive structure, education, health and safety, with the aim of stimulating innovation, strengthening the capital market, leveraging regional development, and promoting sustainability.

The expansion of our dialogue with Brazilian society is another line of progress. In 2018, we launched the second Effectiveness Report, which has improved in relation to the first. The public hearing held jointly with the Federal Court of Accounts (TCU) was also an important step in improving the disclosure of our information in the section Transparency of our website. Our vision points to a greater effort not only towards accountability, but also to communicate the effectiveness of our actions to various audiences: society, clients, class entities, regulatory agencies, and governments, among others.

This transformation involves internal changes. We have become more agile and more digital, adjusting processes to accelerate our procedures and better contribute to the economy’s recovery and access to credit, without compromising quality or compliance in our activities. New, simpler and more efficient credit matrices have already been implemented, accelerating concessions significantly.

We are transforming ourselves to better pursue our purpose of transforming the lives of generations of Brazilians, promoting sustainable development. Working to make Brazil a developed country is our vision, our desire, what inspires us: to promote greater income growth, with reduction of inequalities and improvement of the Brazilian population’s standard of living, in a sustainable way. The construction of Brazil’s future counts on a bank that is enthusiastic in supporting the formulation of public policies, competent in structuring projects, and driven by the mission of making financial solutions feasible, both with its products and with solid partnerships. Besides, we have the deep-rooted commitment to clearly communicate such actions through a continuous dialogue with society.
THE BRAZILIAN DEVELOPMENT BANK

WHAT IS A DEVELOPMENT BANK (DB)?

The first DBs appeared in Europe in the mid-19th century. Since then, they have been playing a relevant role for 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, nonrefundable 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 offering of financial system financial support and help 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 DBs challenges, we can mention the promotion of the sustainable infrastructure agenda; promotion of innovation, project development and consulting services, and the agenda related to employment challenges and issues related to the growth of cities.

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. We have operated since 1952, and currently the institution is 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 provisions; 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, that is, the socioenvironmental and economic impact generated directly or indirectly for the country. Innovation, regional development and sustainability are priorities for us.

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

COMPARISON BETWEEN BNDES AND INTERNATIONAL DBS (DATA FROM 6.30.2018)

<table>
<thead>
<tr>
<th></th>
<th>BNDES</th>
<th>International DBs average¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (% p.a.)²</td>
<td>14.0</td>
<td>6.5</td>
</tr>
<tr>
<td>ROA (% p.a.)³</td>
<td>1.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Defaulted loans/gross loan portfolio (%)</td>
<td>0.16</td>
<td>0.47</td>
</tr>
<tr>
<td>Basel Index (%)</td>
<td>29.0</td>
<td>20.2</td>
</tr>
<tr>
<td>Total of employees</td>
<td>2,711</td>
<td>6,364</td>
</tr>
<tr>
<td>Administrative and personnel expenses/average total assets (%)</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Administrative and personnel expenses/operational result² (%)</td>
<td>15.3</td>
<td>41.1</td>
</tr>
</tbody>
</table>

¹ Inter-American Development Bank (IDB), World Bank, KfW, China Development Bank (CDB), and European Investment Bank (EIB). Data from CDB, KfW and EIB refer to the base date of 12.31.2017, the last available. Balance sheet values were converted into Brazilian reais by the exchange rate of the end of the period, and the result values by the average exchange rate. Subsidiaries not included.
² ROE (return on equity).
³ ROA (return on total assets).
⁴ Operational result, excluding administrative and personnel expenses and provision for credit risk.

Related instances, such as the National Congress, Ministry of Transparency, Supervision and Comptroller General of the Union (CGU), the Brazilian Central Bank (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 are in Rio de Janeiro (RJ), in our own building – Edserj, and in rented floors in the Ventura Corporate Towers building. We also have representation offices in São Paulo (SP) and Recife (PE). In order to be present in other locations and facilitate access to our financing lines, especially to micro, small and medium-sized enterprises (MSME), we also act indirectly, that is, through partner banks that offer our products. We have over 50 accredited agents, including private and public commercial banks, cooperative and assembler banks, DBs and development agencies.

REDUCED OFFICE EXPENSES
Continuing the expenses reduction planning, we vacated, in 2018, another floor in the Ventura building, with savings of R$ 2.3 million in the year. In order to enable the change, we concluded Edserj layout changes, increasing the number of employees allocated per floor. The ongoing actions will allow the Ventura building to be totally vacated by December 2019, with return of the five floors still in use. In São Paulo, there was return of a leased floor, with provision of R$ 2.48 million in reduced expenses per year.

BNDES LIMITED
BNDES PLC, a London subsidiary, was transformed into BNDES Limited in 2017. The company is in the process of being dissolved, to be completed in 2019.

ECO-EFFICIENT HEADQUARTERS
Edserj has been modernizing every year, seeking efficiency in the use of resources. The building was awarded the LEED EB O&M (Existing Buildings – Operation and Maintenance) Silver category certification and the Inmetro PBE Edifica Label.

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). In 2018, energy consumption remained practically stable, increasing 0.15% compared to 2017.

Drinking water consumption
The condominium’s drinking water comes from a distributor and is used for air conditioning, irrigation, sanitation and purification systems. There was a reduction of almost 13% in water consumption in Edserj throughout 2018. Continuous operating or maintenance adjustments in water supply systems may have contributed to this decrease. In addition, the more favorable climatic conditions (temperature, humidity and rainfall) of 2018 in relation to the previous year may also have impacted the reduction.

Diesel fuel consumption
The consumption of nonrenewable sources by Edserj is basically limited to diesel fuel for powering emergency generators, which occurs the most part in tests carried out throughout the year. In 2018, we consumed 19,862 liters of diesel fuel, an increase of 78.13% over the consumption of 2017 due to the replacement of all the oil stored in the tank of the building for new oil, in order to guarantee the maintenance of appropriate conditions of the properties of the material for use in generators.

<table>
<thead>
<tr>
<th>TOTAL WEIGHT OF RESIDUES (IN METRIC TONS) ASSORTED BY TYPE AND METHOD OF DISPOSAL (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landfill</td>
</tr>
<tr>
<td>Debris</td>
</tr>
<tr>
<td>Recycling</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Reuse</td>
</tr>
<tr>
<td>Others: infectious</td>
</tr>
</tbody>
</table>

* As of September 2017, organic waste has been weighed instead of having its weight estimated (default value per bag).
* As of September 2017, organic waste has been weighed instead of having its weight estimated (default value per bag).
** We begin to consider in this amount not only the debris produced in the interventions carried out directly by our condominium, but also that produced in works contracted by it. We have also changed the way of calculating the estimated weight of the material without weighing.
MULTIYEAR PLAN (PPA)
We participate in PPA management cycles in the first year of elected governments, by sending sectoral and economic, social and environmental specialists to contribute to public policy discussions, besides participating with extra-budgetary resources for certain thematic programs in which a development bank’s performance is desirable.
Throughout PPA execution, we monitor and inform the government of the use of the resources provided. We review the estimates annually, according to determinations set forth by the ministry responsible for the plan. The PPA is one of the inputs in our strategic planning, maintaining the Bank in alignment with government plans, according to what is recommended by legislation.

CORPORATE STRATEGY 2018-2023
According to Law 13,303/2016, each year we update our long-term strategy and conduct risk and opportunity analysis for at least the next five years, defining our business plan for the following year.
In March 2018, the Corporate Strategy 2018-2023 was approved by the Advisory Boards of BNDES, FiNAME and BNDESPAR.
After a broad process of reflection and planning, which begun in August 2017, we defined a new institutional identity statement, short, medium and long-term business strategic guidelines, and priority areas for action.
The strategic guidelines were directed to three business perspectives:
- Development missions, financial perspective and organization perspective, according to the map of strategic objectives to be followed.

MACROPROCESS OF STRATEGY MANAGEMENT
In 2018, we reviewed our macroprocess of strategy management, which guides the practices and responsibilities for the preparation and monitoring of strategic planning. The monitoring is performed by the indicator managers, who inform the performance. Consolidation is done by the Strategic Planning Division.
Performance information is verified by the Management Committee, Board of Directors or Strategy Management Committee (CGE) and by the Advisory Boards of the BNDES System’s companies.

MAP OF STRATEGIC OBJECTIVES

<table>
<thead>
<tr>
<th>MISSIONS</th>
<th>ASSETS</th>
<th>LIABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>Portfolio</td>
<td>Fundraising and securities</td>
</tr>
<tr>
<td>Productive structure</td>
<td>Pricing, risk and requirements</td>
<td>Securitization</td>
</tr>
<tr>
<td>Education, health and safety</td>
<td>Channels and operations</td>
<td>Public funding</td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Productivity and connection between markets
- Insertion of the country into the global and knowledge economy
- Support for improving public services
- Innovation and entrepreneurship
- Market development and investment crowding in
- Support for transition to the green economy
- Regional potentialities for national development
- Products and services focused on the client
- Basic spreads differentiated per priorities
- Digitalization and channel diversification
- Fundraising in market/partnerships and issuance of securities
- Securitization and continuous portfolio valuation
- Alignment with the Federal Government
- More transversal and flexible organization, with more efficiency, productivity, cooperation and internal and external communication capacity
- Career plans and incentives aligned with the strategy and goals with a more results-oriented culture
- Capacity development and a culture that is more entrepreneurial and open to dialogue

GRI INDICATORS:
102-2 | 102-15 | 102-26 | 102-31
BUSINESS PLAN

In order to deal with these transformations and start implementing the strategy, we drew up a business plan for the year, which involved the definition of projects, indicators and strategic priorities.

Corporate projects

The strategic objectives are implemented through planned actions, formalized in a portfolio of strategic corporate projects, reviewed annually by the Advisory Boards of the BNDES System’s companies, based on identifying the most relevant initiatives to meet priorities and challenges of both the institution and the country.

Indicators

Our corporate indicators guide the behaviors and expected results, through alignment and incentive instruments.

### Indicators Table

<table>
<thead>
<tr>
<th>Corporate Indicator</th>
<th>Strategic Objective</th>
<th>2018 Goal</th>
<th>Accomplished</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursement in infrastructure (R$ billion)&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Infrastructure</td>
<td>22.7</td>
<td>30.2</td>
<td>133%</td>
</tr>
<tr>
<td>Disbursement in productive structure (R$ billion)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Productive structure</td>
<td>15.4</td>
<td>12.3</td>
<td>80%</td>
</tr>
<tr>
<td>Support for education, health and safety (R$ billion)&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Education, health and safety</td>
<td>2.2</td>
<td>2.1</td>
<td>97%</td>
</tr>
<tr>
<td>Disbursement in innovation (R$ billion)</td>
<td>Innovation</td>
<td>2.2</td>
<td>1.8</td>
<td>84%</td>
</tr>
<tr>
<td>Investment funds portfolio (R$ billion)</td>
<td>Capital market</td>
<td>1.7</td>
<td>1.73</td>
<td>102%</td>
</tr>
<tr>
<td>Disbursement in sustainability (R$ billion)</td>
<td>Sustainability</td>
<td>19.4</td>
<td>17.3</td>
<td>89%</td>
</tr>
<tr>
<td>Disbursement in regional development (R$ billion)</td>
<td>Regional development</td>
<td>13.8</td>
<td>18.3</td>
<td>133%</td>
</tr>
<tr>
<td>Number of nonautomatic operations contracted</td>
<td>Channels and operations</td>
<td>836</td>
<td>625</td>
<td>75%</td>
</tr>
<tr>
<td>Number of automatic operations contracted&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Channels and operations</td>
<td>72,274</td>
<td>47,032</td>
<td>65%</td>
</tr>
<tr>
<td>% of project development studies</td>
<td>Infrastructure</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>% of operations approved within 180 days</td>
<td>Organization structure</td>
<td>60%</td>
<td>41.05%</td>
<td>68%</td>
</tr>
<tr>
<td>Result from loans and onlendings/number of employees&lt;sup&gt;5&lt;/sup&gt;</td>
<td>Portfolio</td>
<td>Pricing, risks and requirements</td>
<td>5.87</td>
<td>6.3</td>
</tr>
<tr>
<td>Efficiency index (administrative and personnel expenses – R$ thousand/number of operations)&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Organization structure</td>
<td>14.82</td>
<td>20.54</td>
<td>61%</td>
</tr>
</tbody>
</table>

---

1 Does not include disbursement for the telecommunications and road transportation sectors.
2 Includes only disbursements for industry, not covering trade and services and agriculture and livestock.
3 Support includes approvals, in addition to disbursements.
4 BNDES Card operations and operations contracted with individuals are not included.
5 The objective of the indicator is to calculate the gross result with credit operations and onlendings generated by each employee in one year, for each R$ 1 million of average balance of the credit portfolio and onlendings.
6 Number of nonautomatic operations x 100 + number of automatic operations. Since the indicator represents (administrative and personnel) expenditure per employee, the higher its value, the worse its performance.
We monitored the performance of the priorities agreed upon by the Board of Directors.

<table>
<thead>
<tr>
<th>IN CHARGE</th>
<th>PRIORITY</th>
<th>STRATEGIC OBJECTIVE</th>
<th>2018 GOAL</th>
<th>ACCOMPLISHED</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESIDENCY</td>
<td>BNDES IMS – Influence Marketing Score(^1)</td>
<td>Organization structure</td>
<td>60</td>
<td>60.5</td>
<td>101%</td>
</tr>
<tr>
<td>Dir 1</td>
<td>Number of Post-shipment exporters</td>
<td>Productive structure</td>
<td>60</td>
<td>58</td>
<td>97%</td>
</tr>
<tr>
<td>Dir 1</td>
<td>Number of potential clients attended in development campaigns</td>
<td>Portfolio</td>
<td>100</td>
<td>138</td>
<td>138%</td>
</tr>
<tr>
<td>Dir 1</td>
<td>Creation of the Investment Credit product</td>
<td>Portfolio</td>
<td>Dec. 2018</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Dir 2</td>
<td>Reduction of administrative costs managed by the Administration and Human Resources Division</td>
<td>Management model and incentives</td>
<td>R$ 11.45 million</td>
<td>R$ 19.17 million</td>
<td>167%</td>
</tr>
<tr>
<td>Dir 2</td>
<td>Individual Performance Management – agreement and evaluation</td>
<td>Management model and incentives</td>
<td>96.5%</td>
<td>97.92%</td>
<td>101%</td>
</tr>
<tr>
<td>Dir 3</td>
<td>Quantity of new products launched</td>
<td>Portfolio</td>
<td>8</td>
<td>9</td>
<td>113%</td>
</tr>
<tr>
<td>Dir 3</td>
<td>% of indirect automatic operations on the BNDES Online System</td>
<td>Channels and operations</td>
<td>70.0%</td>
<td>72.1%</td>
<td>103%</td>
</tr>
<tr>
<td>Dir 3</td>
<td>Average issuance time of the national corporate risk classification</td>
<td>Pricing, risk and requirements</td>
<td>20 days</td>
<td>19 days</td>
<td>105%</td>
</tr>
<tr>
<td>Dir 3</td>
<td>Average processing time of the asset evaluation requisition</td>
<td>Organization structure</td>
<td>82 days</td>
<td>52 days</td>
<td>137%</td>
</tr>
<tr>
<td>Dir 3</td>
<td>Financial Letter issuance</td>
<td>Organization structure</td>
<td>Dec. 2018</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dir 3</td>
<td>Debentures for nonautomatic operations in infrastructure</td>
<td>Portfolio</td>
<td>Oct. 2018</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Dir 4</td>
<td>Approval of resolution on procedures of the Privatization and Project Development Division</td>
<td>Organization structure</td>
<td>Dec. 2018</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Dir 4</td>
<td>Proposal of a new form of BNDES performance in public safety</td>
<td>Education, health and safety</td>
<td>Dec. 2018</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dir 4</td>
<td>To approve the voting policy in the BNDES System</td>
<td>Capital market</td>
<td>Nov. 2018</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Dir 4</td>
<td>Stock divestitures approvals</td>
<td>Capital market</td>
<td>9</td>
<td>15</td>
<td>167%</td>
</tr>
<tr>
<td>Dir 4</td>
<td>Development of the Corporate Credit Fund and Infrastructure Credit Fund</td>
<td>Portfolio</td>
<td>Jun. 2018</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dir 4</td>
<td>Approval of the notice of FIDC of incentive debentures of the portfolio</td>
<td>Portfolio</td>
<td>Sep. 2018</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dir 5</td>
<td>Disbursements by the Electric Power Division in 2018</td>
<td>Infrastructure</td>
<td>R$ 15 billion</td>
<td>R$ 17 billion</td>
<td>114%</td>
</tr>
<tr>
<td>Dir 5</td>
<td>Disbursements by the Public and Social and Environmental Management Division in 2018</td>
<td>Infrastructure</td>
<td>R$ 1.90 billion</td>
<td>R$ 1.88 billion</td>
<td>99%</td>
</tr>
<tr>
<td>Dir 6</td>
<td>Disbursements by the Transportation, Logistics and Sanitation Division in 2018</td>
<td>Infrastructure</td>
<td>R$ 6.6 billion</td>
<td>R$ 5.0 billion</td>
<td>76%</td>
</tr>
<tr>
<td>Dir 6</td>
<td>Structuring of IFRS 9 in the BNDES System</td>
<td>Organization structure</td>
<td>Dec. 2018</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dir 6</td>
<td>% of service within the expected period of advisory opinions</td>
<td>Organization structure</td>
<td>90%</td>
<td>47.62%</td>
<td>53%</td>
</tr>
</tbody>
</table>

\(^1\) Index used to measure brand health in relation to the press.

The critical analysis of our performance in 2018 presents the following highlights:

**POSITIVE POINTS:**
- The total value of infrastructure disbursements exceeded by 33% the goal set for 2018.
- The reduction of administrative costs presented a result 67% above the goal set for 2018.
- The number of potential clients served in the development campaigns was 38% higher than the goal set for 2018.
- 15 divestments in shares were approved, 67% more than the goal set for 2018.
- Regional development disbursement volume was 33% higher than the goal set for 2018.

**ATTENTION POINTS:**
- The indicators of number of operations contracted were affected by the drop in aggregate investment volume and by the lower attractiveness of BNDES financial cost. The reduction of these indicators was mainly responsible for the poor performance of the efficiency index, since the number of operations is part of its denominator.
- The low result in the percentage of operations approved in up to 180 days was impacted by the existence of a significant volume of old operations that were approved in 2018.
- The goals set for the following initiatives were not reached within the agreed term: (i) creation of the Investment Credit product; (ii) debentures for nonautomatic actions in infrastructure; (iii) approval of resolution on procedures of the Privatization and Project Development Division; and (iv) approval of the voting policy in the BNDES System.
STRATEGY RISKS AND OPPORTUNITIES

In March 2018, the Advisory Board approved for the first time, in parallel with the strategic guidelines, the strategy risks and opportunities, under the terms of Law 13,303/2016. In the second half of 2018, workshops were held with about sixty of the Bank's sectoral specialists. Eighty-three threats and 112 opportunities were identified, which were prioritized based on their impact degree (ID) and probability degree (PD). See below those considered the most relevant:

OPPORTUNITY AND THREAT CHART

<table>
<thead>
<tr>
<th>INFRASTRUCTURE</th>
<th>INNOVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>Strengthening of the concessions and PPPs agenda (BNDES financing and developing projects) favoring investment in logistics and sanitation.</td>
<td>Enhancement and increase in requalification lines associated with industry 4.0 (job issue)</td>
</tr>
<tr>
<td><strong>Threat</strong></td>
<td></td>
</tr>
<tr>
<td>Maintenance or worsening of legal and regulatory instability severely hampers investments in infrastructure.</td>
<td>Increase of subsidies for innovation, without adequate planning and division of roles between institutions, leads to a scenario of competition rather than complementarity between public institutions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRODUCTIVE STRUCTURE</th>
<th>CAPITAL MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>Maintenance of investments in the oil sector (plus 10% of GFCF), with a tendency to increase exports of crude oil (pre-salt orders, for example), enabling supply chain and foreign currency and royalties for governments.</td>
<td>Improvement in the regulatory environment based on CVM Instruction 476/2009 and Law 12,431/2011, which create conditions for the development of the fixed income market.</td>
</tr>
<tr>
<td><strong>Threat</strong></td>
<td></td>
</tr>
<tr>
<td>Reduction of government purchases, depending on the fiscal scenario, reduces investments in critical sectors dependent on such instruments, such as Health.</td>
<td>International crisis or accentuation of political and institutional instability reduces the predictability of investments, affecting the development of the capital market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EDUCATION, HEALTH AND SAFETY</th>
<th>SUSTAINABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>Possible success of projects supported in technology for education can generate the scalability of the support and development of BNDES financing lines for public entities focused on quality and management.</td>
<td>Increased awareness of society (national and international), with changes in consumption behaviors and induction of more efficient production patterns, can generate demand for investments in circular economy, reverse logistics and low GHG emissions technologies, including in the agriculture sector (biogas generation and biomass energy, for instance).</td>
</tr>
<tr>
<td><strong>Threat</strong></td>
<td></td>
</tr>
<tr>
<td>Increase of disputes between powers and decisions not in line with sector policy guidelines (public health policy) may lead to the restructuring of planned policies, cost pressure and possible reduction of investment (uncertainty increase).</td>
<td>Increased frequency of impacts of climate change on productive activities, infrastructure and society (floods, droughts, landslides, extreme events).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCIAL DIMENSION</th>
<th>REGIONAL DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>Development of products and channels compatible with market fundraising.</td>
<td>Integrated agenda to promote “right to the city” (mobility/sanitation/public services/safety, etc.) focusing on medium and large cities, in regions of high vulnerability (intra and intercity agenda).</td>
</tr>
<tr>
<td><strong>Threat</strong></td>
<td></td>
</tr>
<tr>
<td>TLP volatility impacting clients’ payment capacity and/or creating resistance against taking BNDES credit in view of the risk of higher installments associated with TLP.</td>
<td>Interruption and discontinuity of projects with high regional impact.</td>
</tr>
</tbody>
</table>

Legend: PD – Probability degree, ID – Impact degree
OUR STRATEGY

In the discussion of our strategy and challenges, the workshop “Challenges to Brazil’s Development” was fundamental for the elaboration of a document with a development guidelines agenda for the main country’s economic, social, and environmental challenges. This event, held in partnership with the Brazilian Development Association (ABDE), was attended by specialists from twenty development institutions, with representatives from all regions of Brazil.

In turn, the workshop and the conference “Vision 2035: Brazil Developed” allowed discussion among our specialists and representatives from more than sixty institutions on future agendas for each of the Brazilian macro-regions and for 17 sectors in the areas of agriculture, infrastructure, industry, and services. This discussion resulted in the publication: Vision 2035: Brazil, developed country – sectoral agendas, which brings projections to the different sectors, seeking to explore three possible scenarios for each of them.

The production of content derived from these debates culminated in BNDES’s contribution to the National Strategy for Economic and Social Development, coordinated by the Ministry of Planning.

Also in 2018, we held jointly with the Brazilian Center for International Relations (Cebri) the events “Dialogues for Tomorrow,” involving the debate on ways to build the future and the role of development banks.

OPERATIONAL POLICIES

Our operational policies (OP) regulate and consolidate our instruments of financial support. In the beginning of 2018, we carried out a review that promoted important changes, with emphasis on the differentiation of basic spread, increase of maximum terms, and increase of the maximum participation in TLP in projects of priority sectors.

The use of the criteria “development impact” versus “interest rate sensitivity” established the general definition of the spreads, with the allocation of the lowest rates to projects of the following segments: solar energy generation; inclusive connectivity; social investment of companies; innovation; environment; public safety; sanitation (treatment of solid waste, sewage collection and treatment), and professional qualification.

NEW PRODUCTS

In parallel to the reorganization of our portfolio, we conducted a study to better segment and understand clients’ expectations; based on this input, we are mapping the products that best fit each profile and improving them so that they are even more appropriate to the needs of each group of clients.

In this context, in 2018, we launched the following products: BNDES Pro-Security, BNDES Pro-CDD Agro, BNDES Infrastructure Credit Fund, and BNDES Corporate Credit Fund, in addition to the pilots of BNDES Direct 10 and BNDES Finame Direct products.

PRODUCT PORTFOLIO

Throughout 2018, within the Products and Pricing corporate project, we designed a new organization for our product portfolio. The new design seeks to improve the clients’ understanding about the solutions offered, facilitating the identification of the product that is most appropriate for their needs. It also allows a more effective management, facilitating our perception of the needs not met by our portfolio.

This new organization groups products according to two dimensions: product families and clients’ needs.

Families are groups of products that have similar characteristics with regard to the instrument type and form of operation, that is, “what” we are offering to our clients. We defined five families that make up our business today: financing and credit, shareholding, services, guarantees, and support and sponsorship.

Needs reflect “for what purpose” our clients will use a certain instrument, that is, its purpose for the client’s business. Nine needs were identified: 1) entrepreneurship; 2) project; 3) machine, equipment or service; 4) business plan; 5) cash operations and reinforcement; 6) exports and access to new markets; 7) innovation; 8) social, environmental and cultural sustainability; and 9) access to the capital market.

DEVELOPMENT AGENDA

In the section Our performance, the main SDGs that relate to each strategic guideline are indicated, according to the UN’s representation.

NEW PRODUCTS

In parallel to the reorganization of our portfolio, we conducted a study to better segment and understand clients’ expectations; based on this input, we are mapping the products that best fit each profile and improving them so that they are even more appropriate to the needs of each group of clients.

In this context, in 2018, we launched the following products: BNDES Pro-Security, BNDES Pro-CDD Agro, BNDES Infrastructure Credit Fund, and BNDES Corporate Credit Fund, in addition to the pilots of BNDES Direct 10 and BNDES Finame Direct products.
VALUES

Ethics, public principles and commitment to development.

PRINCIPLES

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

MISSION

To facilitate financial solutions that contribute with investments for the sustainable development of the Brazilian nation.

VISION FOR THE FUTURE

Being recognized as Brazil’s development bank due to its relevance and effectiveness.

OUR PURPOSE

To transform the lives of generations of Brazilians, promoting sustainable development.

INPUTS

FINANCIAL

- R$ 18.0 BILLION in funds from FAT
- R$ 2.1 BILLION in fundraising abroad
- R$ 2.3 BILLION in internal fundraising
- R$ 165.3 BILLION in return on credit operations

HUMAN

- 2,688 employees
- 82% with undergraduate degree
- 63% with graduate degree

INTELLECTUAL

- 65.7 training hours per employee
- 4,415 participations in training

SOCIAL AND RELATIONSHIP

- SOME
- MORE THAN
- 5,000 potential clients attended in fairs
- 5 MILLION visits to our website in the year

HAVING AS

WE ACQUIRED

TO

HOW WE CREATE VALUE

2018

STRATEGIC GUIDELINES

- Infrastructure (page 30)
- Innovation (page 42)
- Productive structure (page 34)
- Capital market (page 44)
- Education, health and safety (page 38)
- Sustainability (page 45)
- Regional development (page 48)
**FINANCING AND CREDIT**
(page 18)

**SHAREHOLDING**
(page 21)

**SERVICES**
(page 22)

**GUARANTEES**
(page 23)

**SUPPORT AND SPONSORSHIP**
(page 23)

**OUTCOMES**

**FINANCIAL**

- R$ 6.7 BILLION in net earnings
- R$ 5.2 BILLION in taxes
- R$ 130 BILLION in advance payment to the National Treasury

**INTELLECTUAL**

- 30% more in investments in R&D by the companies supported (2005-2014)
- 1.8 MILLION of publication downloads from our digital library
- 719,100 man-hours supported in R&D
- 3,000 studies performed

**SOCIAL AND RELATIONSHIP**

- 152,887 clients supported in 2018
- 1.1 MILLION jobs generated or maintained
- 45% of participation of MSMEs in the total disbursement

**MANUFACTURED**

- 5,500 MW of electric power generation capacity delivered by supported projects
- 829,157 people to be benefited by sewage connections resulting from projects approved in 2018

**NATURAL**

- 2,450 T/DAY in capacity of treatment or adequate disposal of urban solid waste predicted
- 3,089 individuals trained to execute sustainable economic activities within the scope of the Amazon Fund

WHAT WE DO

Our actions complement each other in order to enhance our role in promoting Brazilian development. Today, financing and credit and shareholdings are our main lines of action.

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 for the fulfillment of our strategic priorities.

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 specific purpose entity, as direct investment and through investment funds.

We also provide services, developing projects and supporting public entities in privatization projects.

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

We also offer, in specific situations, nonreimbursable or noncreditable support, with own or third-party 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. They are offered to companies of all sizes, according to the purpose of the investment, such as the acquisition of machinery or a modernization and business expansion project.

Know our ways of support:

**DIRECT OPERATIONS**

Operations in amount superior to R$ 10 million, which can be performed directly with BNDES. In some specific cases, such as support for certain innovation projects, energy efficiency, reforestation, among others, it is possible to request direct support even in operations whose amount is below R$ 10 million.

**INDIRECT OPERATIONS**

These transactions are carried out through accredited financial institutions. These institutions are responsible for the financing analysis, negotiating the conditions with the clients — respecting some rules and limits defined by BNDES —, besides assuming the risk of operation nonpayment. Therefore, they can accept or not the request for credit.

**THEY CAN BE:**

- **AUTOMATIC:** financing operations with amount of up to R$ 150 million without our previous evaluation. The accredited financial institution receives and analyzes the request, approves the financing and asks us to approve and release the funds.

- **NONAUTOMATIC:** operations of at least R$ 10 million in which the accredited financial institution, responsible for conditions and risk, sends us prior consultation for analysis. In this case, the financing operations are individually evaluated and approved by us.

**ATTENTION:**

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

**MIXED OPERATIONS**

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

In order to improve the experience of our clients, we started operating in 2018 with a new process of credit granting for direct, mixed and nonautomatic indirect operations. This process was designed within the scope of the Rules and Processes corporate project and enabled the reduction of transaction costs and processing time.

Qualification

To expedite initial receipt and processing of proposals, we separate client analysis from project analysis, creating a new system: qualification. At this stage, we first evaluate whether or not the client is able to operate with us, based on the results of credit analysis, registration and compliance, regardless of the project to be financed.

Thus, our clients, once qualified, can now choose among the different products offered by the Bank, taking into account their needs and their margin of financing.

Credit workflows

Another important modification in the process was the creation of four standardized credit workflows, which determine the flow followed by an operation, once the qualification has been completed, according to its degree of complexity and characteristics. In all stages, the client can count on the support of our specialized team, including in identifying the products most appropriate to their needs.

Automatic and simplified workflows

A request for financing with a defined purpose, such as the purchase of national equipment, is processed by the automatic workflow. In this workflow, the request is evaluated based on a list of criteria previously approved by the Bank’s Board of Directors; in the case it meets all the necessary requirements, the request is submitted directly to the director responsible for approval. The main difference from the simplified workflow is that, in this case, depending on the type of object of the financing, there is a slightly more complex validation, which takes into account specific sector requirements. The simplified workflow monitoring is also more detailed than that related to the automatic line.

Corporate and project finance workflows

More complex projects, such as greenfields and infrastructure in general, are attended by the corporate or project finance workflows, which differ mainly in relation to the operation guarantees.

In these projects, multidisciplinary technical teams specialized in the sector deepen into various aspects of the proposal, such as economic and financial feasibility, social and environmental aspects, company strategy and governance, market analysis, and the guarantees offered. The requests are also analyzed in relation to their eligibility based on our credit and operational policies, and are submitted to the deliberations of the Operations and Credit Eligibility Committee (CEC).

The expected impact of these projects is verified through the application of the Impact Thesis of Investment in Projects (Tiip). This methodology, developed internally, seeks to anticipate the effects of the project in economic, social, environmental, regional, and client dimensions. It also contributes to the definition of monitoring indicators to be used during implementation.

Once the analysis is completed, the proposal for financing approval or refusal is finally submitted to the Board of Directors for deliberation.

Monitoring

All projects approved and contracted, regardless of the workflow, then go through the monitoring 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.
In the new operational flow, the monitoring is carried out by a team different from the one that analyzed the request for financing. With this segregation, we gain specialization and efficiency in our processes, also reinforcing compliance.

**BNDES CARD**

The **BNDES Card** is one of the most important instruments in our support to MSMEs (including individual microentrepreneurs). This is a revolving pre-approved credit, for the acquisition of goods, inputs and services that are totally or partially manufactured in Brazil and previously authorized by us.

The BNDES Card is issued by financial agents accredited by us and carries one of the partner credit card flags. It is a responsibility of the issuing bank (chosen by the client) to analyze and approve credit, collect benefits, apply tariffs, and request guarantees, among other activities.

This instrument contributes to the generation of jobs and, above all, to spreading our resources and it is present in 97% of Brazilian municipalities.

**PROMOTION**

As a result of the strategic reflection completed in 2018, we identified the potential to act more intensely in the promotion and origination of operations. Historically, the development actions were conducted in a dispersed manner by the operational divisions, without an institutional vision of the process.

For this purpose, we created a division dedicated to coordinating our development actions. It was structured with the help of the Origination corporate project, aimed at providing an integrated vision that aligns these dispersed initiatives and new active client prospecting agendas with our strategic priorities. Through it, we also expect to broaden the vision with regard to the clients’ demands, facilitating the anticipation of possible corrective measures in products and processes, besides increasing our **regional insertion**.

The Origination project delivered a governance process for promotion and origination activities, segmentation of clients and attributes valued by each segment, besides identification of new partners and distribution models of financial solutions.

**DIGITAL BNDES**

As part of the Digitalization corporate project, we completed a plan to implement digitalization technology initiatives with a three-year horizon focused on improving clients’ experience and facilitating access to financing solutions.

Some initiatives have already been implemented in recent years, and new ones have been launched in 2018. Some of them are mentioned below:

**MSME Channel**

Launched in 2017, the **MSME Channel** is a digital platform that allows clients to find financial solutions appropriate to their profile and needs, besides sending requests for financing directly to the financial agents that operate them.

A total of 1,893 credit operations were contracted through this channel, with more than R$ 300 million in resources from BNDES.

In 2018, several improvements were implemented in the channel, such as the simplification of the request flow, which reduced the average navigation time; a business orientation environment in...
partnership with Sebrae; and text messages to clients’ cell phones informing them of the change in order status and requesting the evaluation of the experience with partner banks.

**Client Portal**

The Client Portal is designed to gather the various systems accessed by our clients, generating gains in the organization of information, as well as reduction of rework and of operational risks. It is aimed at becoming our main hub of relationship with our clients of all sizes, improving their experience and facilitating their access. The portal was launched in 2018, still as a pilot, focusing on the new Finame Direct product, aimed at large and medium-sized companies. In 2019, the goal will be to expand direct access to the Bank via the portal.

**BNDES Online**

The BNDES Online platform, launched in 2017, integrates our automated systems with those of the financial agents, providing gains in efficiency, speed and security in transactions. In 2018, more than 109,000 operations were registered, in an amount superior to R$ 10.5 billion.

**COMPUTERIZED SUPPLIERS ACCREDITATION SYSTEM (CFI)**

In order for machinery, equipment, systems and components to be commercially financed by BNDES, they have to be qualified in the CFI. One of the requirements for registration is the equipment nationalization index.

The current local content verification process was approved in 2017 and went into effect in December 2018. The accreditation index, besides considering the product manufacturing, labor and service costs, incorporates qualitative elements related to investments in innovation, external insertion, skilled labor, added value and technological content of the product, modern vectors of a productive consolidation policy.

This is expected to stimulate investment in productive capacity and research, promoting productivity growth, competitiveness and the insertion of national industry into global production chains and international markets for capital goods, as well as the generation of skilled jobs and income.

**EXPORTS**

BNDES’s support for Brazilian exports follows all the steps of a regular financing process. Our goal is the same as in any other of our operations: to generate jobs and income in the country. And we do this in two ways: by supporting the production of goods for exports (pre-shipment) and the sale of goods and services to foreign companies or countries (post-shipment). In both cases, all the resources are disbursed in Brazil, in reais, for the national exporters.

In Brazil, support for exports is a State policy, and BNDES is part of an official system that also includes other agencies, such as ministries and public companies.

Our role in supporting exports is to provide conditions compatible with the international market so that Brazilian companies can export high value-added goods and services without disadvantage in relation to their competitors, and thus generate qualified jobs, both directly and within their supplier network in Brazil. Such activity is similar to that of the more than ninety existing export credit agencies, strategic government institutions found in countries that are relevant to world trade.

Due to the fact that our support is directed at higher value-added goods, the lines are focused on segments that are more in need of medium- and long-term financing, such as the commercialization of aircrafts, agricultural machinery, buses, trucks and industrial equipment, goods with greater technological content. In practice, we are the largest long-term financier of Brazilian exports – with terms over four years – holding a credit portfolio of more than US$ 9 billion.

**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 direct private resources to increase investment in the country, particularly in the infrastructure sector.

Our financing conditions and credit policies are also designed to promote origination of debentures. Some highlights are: sharing of guarantees between our financing and market debentures and expectation of cross-maturity between the debenture and our financing.

**SHAREHOLDINGS**

Our operation in variable income presupposes the complementary nature of our direct investments and those made through funds, based on the understanding that the two forms of action are not exclusive and contribute to the achievement of shared and particular goals.

We support startups and early stage companies exclusively through investment funds, seeking to take advantage of the capillarity and the performance of specialized managers in this business niche. Companies in the growth or maturity stage are supported in both ways, with the objective of helping their professionalization process and preparation for access to the stock market.

In this regard, in particular, we prioritize, in direct investment, the stimulus to the
São Francisco River Integration
Instant Lottery (Lotex)
of the BNDES as one of its members, and in the secretariat of the body, which has career employees assigned by the Bank. In addition, we provide technical support regarding specific project notices and how to improve financing aspects of selected projects. We are also one of the institutions responsible for structuring projects prioritized by the PPI Board.

GUARANTEES

We operate by managing two guarantee funds: Investment Guarantee Fund (BNDES FGI) and Guarantee Fund for the Promotion of Competitiveness (FGPC). Currently, only the first is in operation. BNDES does not propose BNDES FGI operations and its result is not part of the Bank’s balance sheet. BNDES FGI increases the chances of approval of requests for credit by supplementing the guarantees offered by smaller companies and entrepreneurs that traditionally find difficulty in enabling the guarantees required by financial institutions. BNDES FGI, as it is well-evaluated by financial institutions, also allows BNDES to approve financing under better conditions, such as longer terms, less entry requirements and even lower interest rates.

Currently, BNDES FGI supports credit operations carried out in several lines and financing programs, both within the framework of FGI Free Credit (own lines of authorized financial agents or other sources) and in BNDES onlendings, always guaranteeing part of the operations’ credit risk, with the objective of increasing access to credit.

BNDES FGI IN 2018

In 2018, BNDES FGI supported, through its guarantee, financing in the amount of R$ 629 million. There was a significant increase in the FGI Free Credit modality. Financing in the amount of R$ 120.3 million was guaranteed in this modality in 2018, 156.8% more than in the previous year.

It is also worth mentioning the operations aimed at innovation, which grew 174.0% in terms of guaranteed financing.

SUPPORT AND SPONSORSHIP

We also apply nonreimbursable resources in projects of social, cultural, environmental, scientific and technological character, complementing the reimbursable financial support for investment projects. The resources come partially from our profit, as it is the case of Social Fund, or from external donations, such as the Amazon Fund, whose manager is BNDES.

We also support culture and sports through sponsorship, as well as technical sponsorship, aiming at developing sectors in which we operate.

BNDES SOCIAL FUND

The Social Fund supports investments of social character, in productive inclusion, urban services, health, education, sports, justice, and environment areas, and in other sectors linked to regional and social development.

BNDES FUNTEC

The 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, in a nonreimbursable way, preservation projects and the 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 aims to raise actions to prevent, monitor and combat deforestation and promote the conservation and sustainable use of the forests of the Legal Amazon region.

BNDES, as the fund manager, is responsible for fundraising, 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 analyses of the economy and of economic sectors, in addition to seminars and publications that contribute to the national development debate. We disseminate our studies in print and digital publications, by means of our own editions.

We also support, with nonreimbursable funds from the Fund for Structuring Projects (BNDES FEP), third-party technical studies or research on specific themes related to the economic and social development of Brazil and other territories that offer opportunities to Brazilian companies.
OPERATIONAL PERFORMANCE

In 2018, we disbursed R$ 69.3 billion, and there was a 2% decrease in disbursements in comparison with the previous year. This performance is a result of the slow resumption of economic activity.

Even in this retraction scenario, we continue operating to fulfill the financing needs of the Brazilian economy, mainly in the segments where there is greater restriction of credit access.

Support for MSMEs must be highlighted. In 2018, this segment had its largest participation in our total disbursement, reaching 45%. Medium-sized companies alone accounted for 23%.

There was a 13% increase in infrastructure disbursements. In total, 44% of the annual disbursement was allocated to the sector.

SERIES OF TOTAL DISBURSEMENTS (R$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Disbursement (R$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>187.8</td>
</tr>
<tr>
<td>2015</td>
<td>135.9</td>
</tr>
<tr>
<td>2016</td>
<td>88.3</td>
</tr>
<tr>
<td>2017</td>
<td>70.8</td>
</tr>
<tr>
<td>2018</td>
<td>69.3</td>
</tr>
</tbody>
</table>

ALLOCATION OF RESOURCES (DISBURSEMENT AND NUMBER OF OPERATIONS) PER STRATEGIC GUIDELINE

<table>
<thead>
<tr>
<th>Sector</th>
<th>Disbursement (R$ billion)</th>
<th>Number of operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure (includes purchase of equipment)</td>
<td>272.946</td>
<td>37.5</td>
</tr>
<tr>
<td>Productive structure</td>
<td>29,833</td>
<td>1.4</td>
</tr>
<tr>
<td>Education, health and safety</td>
<td>30.4</td>
<td>5,501</td>
</tr>
</tbody>
</table>

TRANSVERSAL GUIDELINES

- **INNOVATION**: Amount disbursed R$ 1.9 billion, Number of operations 1,323
- **CAPITAL MARKET**: Amount disbursed R$ 695 million, Number of operations 41
- **SUSTAINABILITY**: Amount disbursed R$ 17 billion, Number of operations 10,464
- **REGIONAL DEVELOPMENT**: Amount disbursed R$ 18 billion, Number of operations 55,944

MSMEs

- 45% of participation in total disbursements

INFRASTRUCTURE

- 13% of increase in disbursements

NEW CLIENTS

- 50,000 (approximate number of clients who did not receive funds between 2013 and 2017)
**R$ 69.3 BILLION**

**DISBURSED IN**

**308,280 OPERATIONS***

**WITH**

**152,887 CLIENTS**

(including individuals and corporate entities)

*Comprise all operations with disbursement in 2018, including those contracted in previous years.

**DISTRIBUTION PER CLIENT SIZE**

- **% DISBURSEMENT AMOUNT**
  - MICRO: 9%
  - SMALL-SIZED: 13%
  - MEDIUM-SIZED: 23%
  - LARGE: 55%

- **% NUMBER OF OPERATIONS**
  - MICRO: 44%
  - SMALL-SIZED: 35%
  - MEDIUM-SIZED: 18%
  - LARGE: 3%

**DISTRIBUTION OF DISBURSEMENTS PER REGION**

- **% DISBURSEMENT AMOUNT**
  - NORTH: 5%
  - NORTHEAST: 17%
  - CENTRAL-WEST: 14%
  - SOUTHWEST: 38%
  - SOUTH: 26%

**R$ 11.9 BILLION**

**GREEN ECONOMY**

**1,507 DIRECT OPERATIONS**

**R$ 7.2 BILLION**

**SOCIAL DEVELOPMENT**

**306,773 INDIRECT OPERATIONS**

Learn more in the section "Our performance > Sustainability" (pages 46 and 47)

**ANNUAL INTEGRATED REPORT 2018**
ECONOMIC AND FINANCIAL PERFORMANCE

RESULT

Our net profit reached R$ 6.711 billion in 2018, an increase of 8.5% in relation to the net profit of R$ 6.183 billion registered in 2017. This increase was mainly due to the higher result from corporate stakes and the reduction in expenses with provisions for credit risk, despite a decrease in results from financial intermediation.

RESULTS FROM CORPORATE STAKES

Revenue from dividends and interest on own equity, results from equity equivalence, divestiture of corporate shares, derivatives and equity investment funds, impairment and other incomes mainly from the BNDESPAR portfolio.

The result of corporate stakes in 2018 was positive in R$ 9.857 billion, revealing growth with the gain of R$ 5.130 billion in 2017, and it was mainly due to the 67.91% increase in the result of divestiture of investments and 169.97% in the result of dividends and interest on own capital.

FINANCIAL INTERMEDIATION RESULTS

Results of application of resources in credit portfolios, onlendings and securities, and from cash and cash equivalents.

The reduction of 17.6% in results from financial intermediation in 2018 is due to a reduction in the average return on the securities portfolio and decline in the average credit and onlending operations portfolio, reflecting the maintenance of a scenario of reduced demand for disbursements.

PROVISION FOR CREDIT RISK

Constitution of a provision for credit risk according to criteria established by CVM Resolution 2,682/1999. When additional risks are identified, a supplementary provision to the minimum required by the resolution is constituted.

The decrease of 12.0% in provisions for credit risk in 2018 is basically due to the reduction in the supplementary provision, with a reversal of R$ 475 million.

ASSETS

TOTAL ASSETS (R$ billion)

CREDIT PORTFOLIO AND ONLENDINGS

It comprises direct financing granted by BNDES, designated credit operations, or indirectly, through an accredited financial institution, called onlending operations, net of provision for credit risk.

The reduction of 9.3% in the net portfolio in 2018 was influenced by liquidations of operations, which exceeded disbursements by R$ 91.478 billion.

PORTFOLIO PER TYPE OF OPERATION (2018)

PORTFOLIO PER SECTOR (2018)
Our default rate reached 2.95% (90 days) on December 31, 2018, an increase compared to 2017 (2.08%) and slightly higher than the default of 2.87% registered by the SFN. Disregarding operations with full guarantee from the Union, our default rate would be 1.67%, which would be lower than the SFN index. The renegotiation index reached 4.43% of the credit portfolio and onlendings in 2018, higher than the 3.62% registered in 2017.

CORPORATE STAKES
The corporate stakes portfolio comprises investments in affiliated and nonaffiliated companies, performed through direct investment in public offering or private issuance, or through capital contribution by the National Treasury in the early 1980s and in 2009, and equity investment funds managed by market managers selected through a rigorous process.

The increase of 18.0% in 2018 reflects the appreciation of the equity portfolio in nonaffiliated companies, influenced mainly by Petrobras’s, Suzano’s and Vale’s shares.

BONDS AND SECURITIES
Comprising mainly Federal Government securities and debentures, both accounting for 94.4% of the balance sheet on 12.31.2018.

There was no relevant variation between fiscal years.

FINANCIAL AVAILABILITIES
Financial investments made to preserve the value of funds not yet disbursed. The investments in repo operations, backed by Federal Government securities, accounted for 99.0% of the balance sheet on 12.31.2018.

The reduction of 25.8% in 2018 mainly reflected the advance payments of debt with the National Treasury (R$ 130.169 billion) and with the PIS-Pasep Fund (R$ 8.785 billion).

OTHER ASSETS
They basically comprise tax credits of Eletrobras/Itaipu, accounting for 76.7% of the balance sheet on 12.31.2018, and receivables from the National Treasury.

There was no relevant variation between fiscal years.

Learn more in the section: Financial sustainability (page 53)
Liabilities and Net Equity

Own Capital Index (%)

- 2014: 3.6%
- 2015: 3.4%
- 2016: 6.7%
- 2017: 7.8%
- 2018: 11.0%

National Treasury

Includes on-lending operations and instruments eligible to core capital.

The 26.2% reduction in 2018 is due to the advance payment of R$ 130.1 billion of debts, partially offset by the appropriation of interest and monetary restatement. In 2018, there was no funding from the National Treasury.

Considering the early liquidations carried out since 2015, the returns to the National Treasury totaled R$ 308.987 billion at the end of 2018.

Net Equity

The 26.6% growth in 2018 reflects the effects of the positive equity adjustment of securities and bonds, which reached R$ 11.603 billion in the year, and the net profit of R$ 6.711 billion in the year.

In 2018, there was increase of R$ 2.350 billion in capital stock through the full incorporation of the reserve for capital increase.

Fundraising Abroad

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

In 2018, the highlight was the fundraising from multilateral institutions such as the New Development Bank (NDB) and the IDB.

FAT and PIS-Pasep

Since 1988, the PIS-Pasep Fund has received no further resources, which are now allocated to the Workers’ Assistance Fund (FAT).

The total FAT collection, 40% is secured to BNDES by the Brazilian Federal Constitution. The cost is mainly pegged to TJLP and TLP, or to the London Interbank Offered Rate (Libor), plus dollar variation.

In 2018, R$ 18.048 billion of new resources came from the FAT, a volume 10.5% higher than in 2017, all these funds being of constitutional source.

Other Liabilities

The resources from the Merchant Marine Fund (FMM), the FGTS and the FGTS Investment Fund (Fi-FGTS) accounted for 32.7% of the balance sheet of other liabilities on 12.31.2018. In addition, R$ 5 billion is made up of funding in the domestic market, such as debentures, Financial Letters and Agribusiness Letters of Credit.

The increase of 20.0% in 2018 is mainly due to the increase of R$ 2.867 billion in the balance of obligations with repo operations and R$ 5.196 billion in the provision for deferred income tax.

Remuneration to National Treasury

(dividends and interest on capital)

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.

Cash Flow, Per Source of Resources (2018)

- 2014: 69.9
- 2015: 65.0
- 2016: 73.8
- 2017: 70.8
- 2018: 85.1

Learn more in the section Financial sustainability (page 50)
OUR PERFORMANCE

INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Total Asset (ROA)</td>
<td>1.03%</td>
<td>0.67%</td>
<td>0.71%</td>
<td>0.72%</td>
<td>0.83%</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>21.18%</td>
<td>15.37%</td>
<td>14.78%</td>
<td>12.97%</td>
<td>12.80%</td>
</tr>
<tr>
<td>Coverage rate (provision/ defaulted loans)*</td>
<td>36.11</td>
<td>10.87</td>
<td>0.74</td>
<td>1.07</td>
<td>1.48</td>
</tr>
<tr>
<td>Provision/Credit portfolio and onlendings</td>
<td>0.49%</td>
<td>0.67%</td>
<td>2.08%</td>
<td>2.27%</td>
<td>4.39%</td>
</tr>
<tr>
<td>AA-C credit rate</td>
<td>99.73%</td>
<td>99.36%</td>
<td>96.40%</td>
<td>95.80%</td>
<td>94.70%</td>
</tr>
</tbody>
</table>

* Default: from 30 days late.

REGULATORY CAPITAL

R$ billion

- Regulatory capital (RC)
- Minimum capital required (RWA x 10.5%)*
- Basel Index
- Common equity capital ratio (Basel III)

INFORMATION PER SEGMENT (2018)

The methodology for the preparation of the results per business segment was revised in 2018, mainly in relation to the allocation of funding costs based on Asset Liability Management (ALM). In this context, we present the segment information for the year ended December 31, 2018, in accordance with the new methodology.

For more information, see the BNDES System’s consolidated financial statements.

AVERAGE ASSETS
R$ billion

- Fixed income
- Treasury/ALM
- Net earnings

RESULTS
R$ million

- Income allocated
- Fixed income
- Variable income
- Nonallocated
- Net earnings

AVERAGE RETURN
(%)

- Fixed income
- Variable income
- Nonallocated

GENERATED AND DISTRIBUTED WEALTH (2018)

An important indicator in assessing the social role, the Added Value Demonstration presents, 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 their shareholders.

The wealth generated and distributed by BNDES in 2018 was of R$ 14.967 billion, 19.2% higher than the amount generated in 2017, caused by the increase in the result with divestiture and due to the reduction in expenses with losses in investments and provision for credit risk.

Learn more at: www.bndes.gov.br/Financial_Information/
Next, we present our performance related to actions carried out in each of our strategic guidelines.

**INFRASTRUCTURE**

We are committed to improving Brazilians’ quality of life, therefore, investing in infrastructure is our priority. In addition to improving people’s lives by allowing, for example, energy to reach their homes or sewage systems in their cities, the sector also has a direct influence on the integration of the country’s regions and on the competitiveness and productivity of companies.

There are four priority areas for action: electricity generation, sanitation, urban mobility and railroads. They were selected for their high impact on the country’s development and for the possibility of BNDES being highly competitive.

Our support for infrastructure can be provided through financing, corporate stakes and project debenture acquisition. We also assist federal, state and municipal governments in structuring privatization projects.

In 2018, our support for infrastructure projects exceeded R$ 30.4 billion.

**ENVIRONMENTAL SANITATION**

In the environmental sanitation sector, we support the universalization of the Brazilian population’s access to potable water supply and sewage treatment services. We also act in relation to the main environmental, social and economic issues arising from the inadequate management of solid urban waste.

The importance we gave to the theme was reflected in a 51.6% increase in our disbursements to the sector in 2018, which reached the value of more than R$ 1 billion, benefiting both public service providers, at the state and municipal levels, and private ones. The total value of operations approved and contracted in the year also showed significant growth compared to 2017, of 202% and 272%, respectively.

In 2018, we supported, for example, the seventh issuance of debentures of Companhia de Saneamento do Paraná (Sanepar), in the total amount of R$ 239.6 million, with the objective of financing part of works of the network expansion, collection system and sewage connections. The investments will benefit a population of more than 411,000 inhabitants – 248,000 with access to the sewage network, and 163,000 to the water network – contemplating a set of 84 municipalities in the state of Paraná.

In addition, we approved financing for the expansion project of the sewage treatment service in the Vitória (ES) metropolitan region and in the countryside of the state, expected to benefit 720,000 people, and for the implementation of the Solid Waste Treatment Center in the Municipality of Guapó (GO), composed of a landfill and an industrial landfill, expected to serve approximately 2.1 million inhabitants of the region.

**URBAN MOBILITY**

The urban mobility sector faces a deficit of investments, which is evident in the long travel times observed in the main Brazilian cities. To minimize these issues, we finance projects aimed at improving passenger transportation by modernizing infrastructure and increasing capacity and transportation alternatives.

Our disbursements for mobility in 2018 totaled R$ 1.2 billion. The year was marked by the completion of important projects, such as the Salvador and Lauro de Freitas subway system, which had its last station (Airport) inaugurated. As a result, it now has 20 stations, covering 32 km and connection with eight bus terminals. The system currently serves about 340,000 passengers per business day.

In Rio de Janeiro, the construction of the VLT Carioca on Marechal Floriano Avenue, the stretch that makes up the third line of the system and which is due to come on stream in 2019, was also completed in 2018. The first two lines transport an average of 80,000 people per business day.

The two systems were co-financed by German development bank KfW through a contract with BNDES in the amount of R$ 1 billion. Based on a jointly developed tool, it was possible to evaluate that only in 2018 the projects avoided the emission of 39 tons of CO₂ – six tons for the use of the VLT and 33 tons for Bahia’s subway.

In collaboration with KfW and the former Ministry of Cities, in 2018 we launched the Collective Public Transport Guide (TPC Guide), which aims to guide technicians and public managers in the process of selecting technologies and implementing public transportation systems.

Another project with important deliveries in 2018 was São Paulo city’s subway. Six new stations of Line 5 were inaugurated, and only one of the 17 planned stations (Campo Belo station) is yet to be completed. The line has connection with Line 9 of CPTM and lines 1 and 2 of the subway, serving an average of 388,000 passengers per business day.
LOGISTICS AND TRANSPORTATION

In logistics, we have worked to increase the participation in the national transportation matrix of railway, waterway and duct modalities, which are more energy and environmental efficient. This transformation can be driven by a series of measures, such as the expansion of infrastructure assets in these sectors, the interconnection of railway networks, the treatment of logistics bottlenecks, and the improvement of access conditions to these modalities.

There was disbursement of R$ 11.9 billion for the sector, with R$ 10.8 billion for logistics and R$ 1.1 billion for passenger transportation, which includes interstate and international transportation and freightage, among others.

Sustainable logistics

We seek to strengthen sustainable logistics by promoting the replacement of trucks in the transportation of agricultural bulk, fuel and containers. The investments contribute to the reduction of emissions of greenhouse gases, greater energy efficiency and reduction of transportation operational costs. Two projects approved in 2018 deserve to be highlighted:

Grupo Rumo

In the railway sector, our financing for the investment plan of Grupo Rumo, which controls Malha Norte, Malha Paulista, Malha Sul and Malha Oeste railway concessionaires, aims to contribute to improving quality standards for the permanent route and for the supply expansion through construction of new railway yards, railway duplication, acquisition of new locomotives and wagons, among other initiatives.

Investments in the railway, which are already in progress, have been increasing the capacity of transportation of agricultural bulk, mainly between the Central-West region and the Port of Santos. In the comparison between 2018 and 2017, Grupo Rumo had a 15.8% increase in its North operation (Malha Norte, Malha Paulista and Port of Santos) and a 5.4% reduction in the South operation (Malha Sul and Malha Oeste).

Highways

In 2018, we approved financing of R$ 3.64 billion for the Via Paulista highway concessionaire, for execution of an investment plan that includes duplication of 275 km of highways, implementation of 47 km of roadside and 68 km of bikeways, among other services. The project includes stretches of the Rodovia dos Calçados, which crosses 35 municipalities in the state of São Paulo, home to about 2.4 million people. This highway has great regional importance, connecting the southwest with the northeast of the state, and it is used for runoff of the agricultural and industrial production of these regions.

Airports

In addition to land transport modalities, in 2018 we disbursed R$ 713.7 million for airports. We approved two new projects for the modernization and expansion of the national airport infrastructure – airports of Porto Alegre (eight million passengers/year) and Florianópolis (four million passengers/year) – with results expected in 2019.

Jericoacoara Airport (CE)

The new passenger terminal of the Jericoacoara Airport (CE) was inaugurated in 2018, which received our financing and now receives regular flights from Congonhas (SP), Viracopos (SP), Guarulhos (SP) and Confins (MG).
The presence of alternative renewable sources is increasing in our activities. Since 2016, we have focused our support on natural gas renewable and thermal energy, given the country’s commitments to reducing emissions. In the last five years, our disbursements for renewable energy and energy efficiency exceeded R$ 34 billion, contributing to the realization of wind, biomass and solar energy, besides small hydropower projects.

In 2018 alone, our disbursement for energy projects totaled more than R$ 15 billion. Throughout the year, we approved new generation projects that, when ready, will result in a potential of 2,838 MW of electric power, enough to meet the demand of more than seven million homes.

For transmission projects, we approved financing that represents an increase of approximately 5,991 km of lines to the National Integrated System (SIN).

Natural gas thermoelectric plant

The implementation of a natural gas thermoelectric plant in Port of Açu, in São João da Barra (RJ), project structured along with Euler Hermes, a German export credit agency, and the German KfW IPEX-Bank, and co-financed by the International Finance Corporation (IFC), expects to generate enough energy to supply more than 2.7 million households in a region with high electric demand. The project will also contribute to the development of the local economy, to the diversification of the energy matrix and to energy security during periods of low rainfall.

Xingu Power Transmitter

In the transmission segment, the great highlight in 2018 was our support for the implementation of the Xingu-Rio Terminal line, which represents the second bipole for transmission of the energy generated by the Belo Monte Hydroelectric Power Plant. With a total length of 2,534.6 km, the line connects the Xingu converter station, in Pará, with the Rio Terminal station in Rio de Janeiro, transmitting ultra high-voltage direct current energy.

The project includes investments of R$ 8.5 billion, and R$ 5.2 billion of this amount will be financed by us. The first bipole, which connects the substations of Xingu (PA) and Estreito (MG), with 2,092 km of extension, also had BNDES financing and started commercial operation in December 2017.

Support for energy efficiency and renewable energy

Contributing to the National Policy on Climate Change and to the Brazilian goal related to the Paris Agreement, we launched two new subprograms. The first of them, under the Climate Fund scope, focuses on the acquisition of machines and equipment with higher levels of energy efficiency or which contribute to the reduction of greenhouse gas emissions. The second, under the BNDES Finame scope, finances solar and wind energy generation systems, as well as solar collectors and heaters. Both are open to individuals and micro and small-sized businesses (such as condominiums, for example).
Free market of energy
As of April 2018, we started providing financing for electricity projects from the Free Contracting Environment (ACL). This new model provides for the application of a long-term price for noncontracted amounts of energy. Since the financing of projects in this environment is still scarce and predominantly short-term, we decided, in a pioneering way, to estimate and disseminate to the market a long-term reference price threshold, called PLD Support, which was defined in 2018 as R$ 90/MWh.

This amount is now applied to any amount of noncontracted energy during the whole operational horizon of the generators (up to 30 years of grant), allowing the evaluation of cash flow in the long term and the credit sizing with compatible payment term.

Energy generation from urban solid waste
Since 2017, we have been in dialogue with the Ministry of Mines and Energy (MME), the former Ministry of Cities (current Ministry of Regional Development), the Energy Research Office (EPE) and other institutions in order to evaluate institutional and financial alternatives to promote projects from urban solid waste (USW).

A first step was the issuance of an MME ordinance in 2018, with reference values for the contracting of several alternative energy sources. Among them, the energy from USW was referenced with the highest value.

In addition, we promoted in July the workshop Generation of Electric Energy from Urban Solid Waste, gathering landfill managers, government representatives, energy companies and technology developers to discuss hindrances, benefits, technologies and opportunities for Brazil. The main conclusion of the event was the need for an institutional mechanism to contract waste energy in order to ensure the investors a long-term contracting of the generated energy.

TELECOMMUNICATIONS
During the year, we sought to get even closer to the small providers of telecommunication services, such as Brisanet, which offers broadband service in the state of Ceará. In addition to the approval of new financing for the company, we began the process of granting credit to several others in the segment.

We have also raised funds from the Fund for the Technological Development of Telecommunications (Funttel) to finance research, development and innovation projects of systems and equipment manufacturers and telecommunications
operators. The resources can also be used to acquire equipment developed in the country and innovative solution for internet of things (IoT).

INVESTMENTS IN INFRASTRUCTURE

Debentures of infrastructure

We operate as an investor in public offerings in the fixed-income corporate bond market – with emphasis on project incentive debentures.

In 2018, we can highlight the José Maria de Macedo Power Transmitter (JMM) issuance, in the amount of R$ 395 million, of which we subscribed to 32% of the issued debentures (R$ 126.4 million), which have a maturity of 18 years from the date of issuance. The project provides for the implementation of five transmission lines between the central region of Bahia and the southwest of Piauí, in addition to the sectioning of a transmission line and the expansion of two substations.

Credit Funds in infrastructure

Also in 2018, we approved the possibility of supporting a credit fund in infrastructure, aimed at developing this market, expanding its access to other forms of financing, and attracting other investors.

We supported the acquisition of infrastructure debentures in 2018 through subscription to investment funds focused on sustainable energy projects. This was the case of the subscription of R$ 217 million in quotas of FIDC Vinci Energia Sustentável, which has the renewable energy sector as its priority, and the approval of the investment of R$ 50 million in FIDC BNP Paribas CAFAM Infraestrutura I, which is still in the phase of fundraising and will have operations in the infrastructure sector.

Investment Fund in Receivables

We carried out a process to select a manager to structure an Investment Fund in Receivables (FIDC), directed to securitizing part of our project debenture portfolio to market investors. The process was attended by eight managers, and JGP Asset Management ranked first.

FIDC will give qualified investors the opportunity to invest in assets with tax benefits, professional management, diversified portfolio of high credit quality, and liquidity in the negotiation of quotas. For us, this initiative will bring as benefits the release of assets for investment in projects at more challenging stages.

The future FIDC Infrastructure Debentures will have equity of approximately R$ 500 million and should have at least 85% of its assets acquired from our portfolio.

PRODUCTIVE STRUCTURE

Our objective in supporting the Brazilian productive structure is to transform traditional business models, inserting the country into the global and knowledge economy. Our priority areas of action in this guideline are agribusiness, pharmaceutical industry and health industry, information and technology, creative economy and defense and aeronautics.

INDUSTRIAL PLAN

This plan, elaborated in 2017 by our industry analysts, maps visions for the future regarding the main Brazilian industrial sectors, and points out ways both for our performance and for other public institutions’ performance. The results of this diagnosis were consolidated in a study that received honorable mention in the ABDE-BID 2018 Award.

INNOVATION AND TECHNOLOGY

Financing contracted directly in the year for the creative economy and information technology (IT) areas totaled more than R$ 930 million, distributed among 23 projects. Of this total, 18 were initiatives of small and medium-sized enterprises.

Creative economy

In 2018, nine projects were directly contracted, including initiatives to develop nine seasons of animation series, two seasons of fiction series and five feature films, as well as the construction of 25 new movie theaters in Brazil’s countryside.

IT

In 2018, we approved 14 projects in this area. As a market leader in retail software in Brazil, Linx was one of the listed companies and received our support for investments in research and development, training, marketing and trading, as well as social investments.

AGRIBUSINESS AND BIOFUELS

Agribusiness

Historically, agribusiness is one of the sectors that receives most of our support. In 2018, our disbursements for the activity totaled more than R$ 20 billion, accounting for almost 30% of the total disbursed in the year. Most disbursements were targeted at small and micro-sized entrepreneurs (about 51%).

Seeking to stimulate exports of products such as milk and tilapia meat, which, despite having relevant production in the country, still have timid participation abroad, we conducted studies in partnership with Embrapa. These studies also involved the main players in the productive sector and government representatives.
Our support for UP! Licensing is part of the consolidation strategy of the Brazilian audiovisual industry, which aims to make companies more competitive, including in the foreign market.

The company is part of a group that sells products in more than 2,000 points of sale throughout Brazil and that owns the property rights of the personages of “Bubu and the Owls.” Based on an inverse logic, the company decided to develop an animation series after the success of the characters in the retail market, which is currently broadcast by Disney Channel and TV Cultura in Brazil, and Disney Junior and Playkids in Latin American countries.

The project had our financial support for the business plan, contributing to maintain qualified professionals in the region of the state of Santa Catarina.

### Productive inclusion

- **Rural credit**
  
  We operate in rural credit with funds from several of the Government’s agricultural programs, including Pronaf. In 2018, under these programs, credit operations in the amount of approximately R$ 16.2 billion were contracted, directly or through accredited financial institutions.

- **InovaSocial Program**
  
  As a result of a partnership with Embrapa, the program is aimed at supporting territorial projects for the generation and diffusion of knowledge and technologies and strengthening networks of family farmers in goat and sheep breeding chains and agroecological seeds, in the semi-arid region of the Northeast and in the states of Goiás and in Rio Grande do Sul. In 2018, five projects were approved, which will be implemented over the next three years.

- **Ecoforte Program**
  
  In 2018, two public selection processes launched by the Banco do Brasil Foundation (FBB) were finalized, in partnership with BNDES, under the scope of the Ecoforte Program. Twenty-eight nonprofit entities were authorized to invest in projects of networks of agroecology, extractive activities and organic production in the five regions of the country, with funds from the BNDES Social Fund, Amazon Fund and FBB.

### Cooperatives of family farmers

In August 2018, we launched, together with the state of Espírito Santo, a public call to support projects aimed at production, agro-industrialization, processing and marketing of projects of associations and cooperatives of family farmers, in order to qualify their productive structure. We also launched a public call in partnership with the National Union of Cooperatives for Family Farming and Solidarity Economy (Unicafes) to select projects with the objective of promoting the reduction of social inequalities, socio-productive inclusion and territorial development.

### Cisterns in the northeastern semi-arid region

In 2018, 5,356 water cisterns used for food production and animal breeding were installed in the Brazilian northeastern semi-arid region. The project provides for the implementation of 6,821 social technologies in 68 municipalities in the region, distributed through nine states, and includes training of families for water management for agroecological food production and the diagnosis of their agroecosystems.

### Biofuels

In 2018, our agenda for the biofuel sector was approved by two unpublished projects in Brazil for the exploitation of biogas from agro-industrial waste, both with Climate Fund resources. The first is the construction of the world’s largest agro-industrial biogas plant in the municipality of Guariba (SP), and the second is the industrial scale validation of biogas purification technology in biomethane, to be used in the replacement of diesel in the truck fleet and tractors.

One of the main advantages of biogas is its negative carbon footprint. This is because not only is it low-emission but it also mitigates the pollution that would be caused by the very waste used as its raw material. Thus, the methane that would go into nature, polluting the soil and the atmosphere, becomes a source of energy.

### PRIMARY AND EXTRACTION INDUSTRY

We have worked to coordinate initiatives and support projects on new materials in the chemical, mining and metals, and paper and pulp industries, which are the main suppliers of industrial inputs with a high potential for economic dynamism.

In this context, we continue to support RD&I activities through Inova Mineral and
the Chemical Industry Development and Innovation Plan (Padiq). In 2018, we contracted, for example, a project to develop the process of obtaining rare-earth permanent magnets (didymium-iron-boron), used in wind power generation and in motors for electric vehicles, and a project to develop a new route to obtain carbon fibers based on renewable sources.

**Primary industry under discussion**

In 2018, two articles published in the journal BNDES Setorial brought discussions about the basic industry sector, addressing topics such as the Brazilian bioeconomy and the potential for diversification of the national chemical industry. In addition, at the end of October, we held the seminar “Mining Rights in Financing Guarantees,” with the objective of approaching strategic partners and presenting experiences and challenges from different perspectives.

**CONSUMER GOODS**

Based on the experience with anchor companies, we have consolidated a standardization that will allow us to carry out new operations aimed at the densification of productive chains drawn by retailers and franchisers.

---

**CAPITAL GOODS (BK)**

Support for the companies’ working capital in the segment was important to ensure the continuity of capital goods production, especially made-to-order products, and totaled R$ 73.8 million in 2018, even in an adverse environment.

**Finame Direct**

Approved in mid-2018, the product is in pilot phase. It is a line for the acquisition, commercialization or production of BKs, with reduced terms and more competitive spreads, without transfer bank intermediation.

---

**ELECTRIC VEHICLES**

In 2018, we contracted two operations to support electric vehicle recharge network projects, in a total amount of R$ 6.7 million. The initiatives, selected through a public call launched in 2016, will receive nonreimbursable funds from BNDES Funtec. They will also have financial support from Embrapii, under a cooperation agreement signed with BNDES in 2017.

The two projects are aimed at developing models of slow (eight to 16 hours), semi-fast (two to four hours) and fast (up to one hour) recharge station models that can be installed in residences, shopping malls, parking lots, petrol stations and highways.

---

With our financing, the Lunelli Group, which operates in the textile sector, was able to invest in fashion research, development and prototyping of products and actions to strengthen its brands. The investments were strategic for the group to increase its participation in the market in a moment of low performance of the textile sector in general.

In addition, the resources allowed expansion of the production facility located in the city of Maracanaú (CE), guaranteeing the opening of 178 new jobs in the factory and allowing the reengineering of the unit’s processes and the expansion of the built area in 5,000 m², destined to logistic activities.

---

Lunelli has expanded its production unit with our support | Photo: BNDES Collection/André Telles Fotografia

In 2018, we contracted two operations to support electric vehicle recharge stations | Photo: Shutterstock
EXPOSTS

For Brazilian companies, exports represent a source of demand and income alternatives to domestic activity, also providing gains in productivity and competitiveness. This is because competition in the international market is fiercer and requires the exporter to meet the importers’ specificities and requirements, through more efficient processes and competitive prices. In addition to generating quality jobs, income and foreign currency, the economy also benefits from these gains in productivity and from the supply of higher quality goods and services in the country.

In 2018, we disbursed R$ 4.2 billion for exports, with R$ 3.9 billion in the modality of post-shipment financing for the marketing of products and services, and R$ 267 million in pre-shipment operations to finance production of goods and services. The United States was the main recipient of these exports, and the main sector financed was aircraft manufacturing.

Strategy

The International Insertion corporate project discussed ways to expand incentives to export goods and services and increase Brazil’s relevance in the international agenda.

For this purpose, we reviewed BNDES Exim Automatic pre-shipment and post-shipment modalities, the latter with more than 50% participation of MSMEs, and started their respective digitalization processes, in order to make the approval of their operations more agile and widespread among Brazilian exporters.

Exports of Brazilian goods

In 2018, we approved 146 operations in the amount of US$ 95.1 million and released US$ 60.6 million for the sale of Brazilian goods abroad through foreign banks, within the scope of the BNDES Exim Automatic line.

At the end of 2018, our portfolio consisted of operations of 74 Brazilian capital good exporters from various industrial sectors. More than half of the new operations included companies that had not yet operated with BNDES Exim Automatic and almost 60% of the total exporters supported were MSMEs.

We adjusted the standard of the line to act in a direct way, seeking to enable operations of lower value, besides giving more agility to the process.

Changes in BNDES Exim Pre-shipment in 2018

We changed the financial conditions of BNDES Exim Pre-shipment to make it more competitive. Among these changes, we highlight the extension of the financing term to up to four years and the possibility of dollar-based cost financing. With the change, we approved 18 operations, with a total value of US$ 169 million to support Brazilian exports in 2018.

Commercial aircraft exports

In 2018, 46 out of the 90 commercial aircrafts delivered by Embraer were financed by BNDES, totaling US$ 966 million, which leveraged US$ 1.5 billion in exports of the aeronautics sector. The funding was allocated to four airlines in three countries: USA, Norway and the Republic of Belarus.

Aerospace and defense

In 2018, we published two articles on the aeronautics and defense industry sector. The first addressed the implications for Brazil of Airbus/Bombardier versus Boeing/Embraer partnerships. The second evaluated the different sources of financing for commercial aircrafts and the important role played by the various export credit agencies, especially in times of credit restriction.

MSMES

Our financing for MSMEs continued to grow, reaching R$ 31 billion in the year, representing 45% of total disbursements, a new record in relation to the segment’s participation in our operations.

Digitalization strategy

The Digitalization corporate project aimed at two main objectives: to improve the client experience and to facilitate access to financing solutions. Some of the initiatives followed by the project are the development of digital channels for clients’ relations, the digitalization of internal processes to ensure more agile response to clients, and the implementation of intelligence in the monitoring of the development activity, among others.

BNDES Card

In 2018, 129,341 transactions were performed with 40,810 BNDES Card clients. Product innovations in the year include:

• introduction of a new modality of accreditation aimed at the regulation of large wholesalers and retailers, which exempts the previous accreditation of the items, transferring to the shopkeepers the responsibility for ensuring compliance with the national manufacturing rules;

• financing of software development services, which includes the development of corporate websites, virtual stores, and made-to-order systems and applications; and

• permission to finance the construction or renovation of turnkey projects – completion of all stages of the project by a single contractor – exclusively for the franchise segment.
BNDES Giro

In 2018, we approved working capital operations in all Brazilian states, through more than 30 accredited financial agents. Approximately 13,000 credit operations were contracted in this modality in the year.

Microcredit

In 2018, we adjusted BNDES Microcredit line to the rules of the National Program of Oriented Productive Microcredit (PNMPO), which allows us to be even more integrated with a public policy that, in addition to providing resources to lower-income microentrepreneurs, offers technical support for carrying out the activities of the projects.

Our disbursements for financial agents in 2018 totaled more than R$ 114 million, and the active operations in our microcredit portfolio benefited more than 122,000 microentrepreneurs, with more than R$ 958 million in resources.

Fintechs

In January 2018, we launched a public consultation to test fintech solutions that could be integrated into the MSME Channel and help in the challenge of credit democratization. A total of 20 fintechs carried out concept tests in the areas of financial education, credit analysis, matching of financial solutions and reverse auctions of credit for financing, which generated inputs for the elaboration of the regulation for the accreditation of fintechs of education and financial management, published in November on our website.

In July, we launched another initiative with the intention of stimulating this market: the BNDES Fintech Challenge, which sought solutions to improve small business access to the credit market. A total of 34 companies participated in the challenge and the top three received cash prizes.

Increase in the limit of BNDES Automatic

In order to increase the credit available through transfer banks, in response to a larger number of clients, we approved a change in the financing of investment projects – BNDES Automatic – to change its limit from R$ 20 million to R$ 150 million per beneficiary for each period of 12 months.

EDUCATION, HEALTH AND SAFETY

The social agenda is extremely relevant for the country’s development. Therefore, education, health and safety are strategic guidelines in our planning. We aim to increase the level of qualification and standards of work productivity, as well as improving health conditions and public safety for the Brazilian population.

Connected education

In 2018, we launched the public call “BNDES Connected Education – Implementation and Use of Digital Technologies in Education” as the first structuring action after incorporating the theme of education into our strategic priorities.

This public call is part of a technical cooperation agreement signed in 2018 with the Ministry of Education to enable, implement, monitor and evaluate basic and vocational education programs and projects, seeking better results in learning, governance, planning and management of public education networks and innovations for education in the third millennium.

The purpose of the public call is to select projects for the incorporation of technology into public education, in order to support – with nonreimbursable resources from the Social Fund – its adoption in primary and secondary schools of state and municipal networks, testing more effective models for its implementation.

After technical analysis and draw, ten projects were selected out of the 26 presented, totaling a support of R$ 40.4 million. Six projects have already been approved (RS, TO, SE, PB, MG and GO), of which the first four are already contracted and predict impact in 269 schools, 105,000 students and 8,100 teachers. Another four (AP, BA, RR and PR) are waiting for budget availability from the Social Fund in 2019.
Qualification and productivity

National Industrial Apprenticeship Service (Senai)

Since 2012, under an R$ 1.5 billion contract, we have financed Senai for investment in labor qualification and productivity and technological innovation in the domestic industry. In 2018, the disbursement totaled R$ 101 million.

The investments comprise three fronts: technical and vocational education; technical and technological services for industry; and research, development and innovation for industry. These fronts are reflected in projects for the implantation, modernization and/ or expansion of 19 Senai Institutes of Innovation, 35 Senai Institutes of Technology and 152 vocational training centers, in addition to the acquisition of 85 mobile units of technical education.

Companies’ social investments

Through the Social Investments Line for Companies (ISE Line) we finance investments to improve education in partnership with the United Nations Children’s Fund (Unicef) and the Ayrton Senna Institute (IAS).

We supported the Unicef Seal – 2017-2020 Edition, through social sub-credits for Neoenergia and CPFL Energia groups. The project will benefit 55,000 students and more than 5,000 teachers, school administrators and technicians in 26 municipalities of Pernambuco, Ceará and Rio Grande do Norte, by strengthening the capacity of municipal public managers to guarantee education, health and protection rights to children and adolescents.

With the IAS, we supported the implementation of educational projects aimed at reducing the age-grade distortion in four Brazilian cities: Recife, Salvador, Feira de Santana and Natal. The financing is linked to projects of distributors belonging to Neoenergia Group: Celpe, Coelba and Cosern.

Education sponsorship

Reinforcing our belief in education as one of our country’s main development vectors, we included the educational segment in the last review of our Sponsorship Policy. In 2018, with an investment of R$ 2.5 million, we reinforced our support for actions carried out within the framework of the Biennial of Mathematics, gathering national and international events, mobilizing thousands of students and inserting Brazil in the world stage of mathematics, science and of technology.

Cultural heritage

We bet on the rich Brazilian cultural diversity to boost the country’s development. Among the projects approved in 2018, the following stand out:

Mariana (MG)

We have approved a project to implement the Museum of the City of Mariana, through the restoration of the architectural complex of the Igreja de São Francisco de Assis and the Casa do Conde de Assumar, and the project of the Escola de Ofícios de Mariana for vocational training of about 600 young people in specific offices, who can meet the demand of the construction and restoration sectors in the municipality and in its surroundings.

The projects are a step towards the requalification of Mariana with the strengthening of economic activities complementary to mining, such as the tourism-cultural sector, which allows for reducing the dependence of the municipality on the volatility of commodities.

National Museum

In June 2018, we signed a financing agreement in the amount of R$ 21.7 million, with resources from the Rouanet Law, to support the restoration and requalification of the National Museum. Our support was intended for the third phase of the investment plan for the revitalization of the museum, which totals R$ 28.5 million and adds to the R$ 24 million invested in the two previous phases.

The resources would be applied for different purposes, among them: elaboration of an executive project of fire fighting and, by our demand, its effective implantation; removal of the entire collection stored in flammable solution to a building adjacent to the historic building; restructuring of the electric system; physical recovery of the historic building; collection recovery, and strengthening of the management institution, with the creation of an endowment to guarantee the long-term financial sustainability of the museum.

Tragically, in September 2018, the National Museum, Brazil’s oldest scientific institution and one of the most important science museums in the world, was hit by a major fire that destroyed much of the building and the collection. The building housed twenty
In view of this, we sought to contribute to the effort implemented by various government bodies for the reconstruction of the museum. Two measures are worth highlighting, carried out in December 2018:

- release of approximately R$ 3.3 million to assist in the better organization of the sectors that have been relocated from Palácio São Cristovão to the library area, and in the proper storage and packaging of part of the collection rescued from the fire and with possible recovery.
- authorization of an addendum to the contract signed in June of that year, altering the structure and activities of the initially presented project, which began to have as scope the accomplishment of actions in the scope of the National Museum’s recovery.

Public call for collection security

We launched in 2018, after the tragedy at the National Museum, a public call for selection of projects focusing on security in public cultural institutions guarding memorials. The objective is to select projects for detection, prevention and fire and panic control, electrical installations and protection against lightning in historical buildings such as museums, archives and libraries.

**Endowment funds**

In 2018, we contributed to the elaboration of the text of the law that regulates the operation of endowments in Brazil. We also participated in the formulation of an operation model for this instrument, which included the design of minimum management and governance requirements.

Throughout the year, the discussion about endowment funds in Brazil evolved in different fronts of action, with emphasis on the debate with cultural organizations supported on the proposals and models of constitutions of endowment funds; meetings with various government and civil society agents on the model of legislation for the regulation of funds in Brazil and the organization of the second edition of the “Cultural Endowment Forum,” held in two events, one in Brasília (June) and another in Rio de Janeiro (November).

**HEALTH**

Health is a central theme for our work, for its great influence on Brazilians’ quality of life and its ability to mobilize a broad chain of goods and services with high social and added value. We contribute to changing the health care model, focusing on primary care, integral care and prevention. In addition, we seek to improve the quality of the Unified Health System (SUS), from the point of view both of networks and of the management of service providers. Finally, we have a continuous effort to support innovation related to the Brazilian population’s health needs. In 2018 alone, we disbursed R$ 1.2 billion for the various segments of the health system, with emphasis on service providers and pharmaceutical industry.

**Focuses of action**

With an ample effort of diagnosis of the main health challenges in the country, three focuses of action were identified:

**Management efficiency**

We restructured the BNDES Health program in order to promote the improvement of management and governance of philanthropic entities of the sector, with regard to their financial sustainability and the improvement of the provision of health services.

In order to continue the renewal of the program, we are waiting for the regulations related to Law 13,778 of 2018, which will allow more resources to be destined to this end. The law, created in the context of a worsening financial crisis...
in the segment, approved the possibility of applying FGTS funds in credit operations directed at philanthropic hospitals.

Meanwhile, we are looking for technical partnerships to enable the achievement of our objectives. One example is the cooperation agreement signed with the Sírio-Libanês Hospital (HSL) aiming at jointing efforts to disseminate best management practices in hospitals of the philanthropic segment that seek financial support for debt restructuring.

**Changing the health care model**

In health services, we approved funding of R$ 20.4 million for the Oswaldo Cruz German Hospital (HAOC). The main highlight of this operation is the new business model being implemented in HAOC Vergueiro Referral Center. Traditionally, hospitals have adopted the “open account” model, where each material, drug or item of service used by the patient is added to their account and only at the end of treatment the total cost is known. The Vergueiro Referral Center will be the first to have its packages of services remunerated by type of procedure or illness. This allows greater predictability of costs, in addition to increasing hospital efficiency. If the experience is successful, it can be replicated in other health centers, constituting a relevant initiative to change the model of health care in Brazil.

**Innovation in line with the country’s health needs**

*Dengue vaccine*

The Butantan Foundation is in the last stage of the development of a vaccine against Dengue, which has our nonrefundable support of R$ 120 million, through two operations (in 2008 and 2016). In December 2018, the institute licensed the technology to be marketed overseas, receiving an initial payment of US$ 26 million. As a result, for the first time there will be a return of funds applied by BNDES Funtec, since 5% of the revenue obtained in case of vaccine marketing or licensing abroad will be used. However, the exclusivity of exploitation in Brazil by the Butantan Foundation, which will provide the vaccine free of charge to the Brazilian population through SUS, is guaranteed.

**Innovation in medicines**

We supported the action plan of Nortec Química S.A. for the triennium 2018-2020, which covers the development of new products, including antidepressants, antiretroviral drugs and treatments for Parkinson’s disease. In addition to investments in physical infrastructure and research and development laboratories, support for the company totaled R$ 26.3 million. Located in the city of Duque de Caxias (RJ), Nortec is the largest national manufacturer of active pharmaceutical inputs and an important Ministry of Health’s partner, providing active principles for the production of drugs for the treatment of AIDS, hepatitis C and some neglected diseases, such as Chagas disease and filariasis.

**Support for public health**

Our investments in public health are applied in several states of the Federation, distributed as follows: 65.94% to support the improvement of hospital infrastructure (expansion and renovation of new hospitals); 12.53% to support the consolidation of the primary and secondary health care network; 9.84% in hospital equipment; and 11.70% in other investments.
SAFETY

In order to contribute to the improvement of safety indicators in the country, we have structured guidelines to support investments in public safety in an integrated dimension. We consider not only the articulation of initiatives aimed at police monitoring and intelligence actions, but also the financing of investments to improve the quality of life in cities and improvement of public services, directly correlated with the reduction of critical factors for the growth of violence in the country. Investments in public safety are applied in 19 states of the Federation, distributed as follows:

- **64.96%** Tertiary prevention (through support for the expansion of places in the prison system)
- **14.11%** Actions to support the improvement of security forces
- **13.76%** Equipment for security forces
- **7.17%** In other investments

**BNDES Pro-Security**

We launched the BNDES Pro-Security program in May 2018, with an allocation of up to R$ 4 billion. Its objective is to provide equipment to the security forces of the states, Federal District and municipalities, in order to improve the service to the population and increase operational efficiency.

**PRISON SYSTEM OF THE STATE OF SÃO PAULO**

As part of the plan to adapt the infrastructure of the prison system in the state of São Paulo, we supported the construction of 12 prison units, including five women’s penitentiaries, three temporary detention centers, three men’s penitentiaries and a penitentiary progression center. All units are ready, with the exception of one, still under construction. The Guariba Women’s Penitentiary was inaugurated in March 2018, with a built area of 17,000 m², with capacity of 744 inmates in closed regime, as well as a ward of penitentiary progression, with capacity of 108 women.

**RESOCIALIZATION IN PERNAMBUCO**

The project contemplated the completion of the first stage of the Itaquitinga Integrated Resocialization Center. In addition to the construction, we supported the acquisition of more than 2,000 items for the unit’s operation, such as kitchen, computer, medical and general furniture equipment. The work was completed in December 2017 and the unit’s occupation began in June 2018.

**Pacto Brasil Seguro**

In December 2018, we held the seminar “Investment Priorities in the Prison System in Brazil,” along with the IDB. Its objective was to advance in the design of a portfolio of projects and of public and private financing modalities for investments in the prison system.

The seminar is part of a strategic cooperation agenda with the IDB called “Pacto Brasil Seguro” (Safe Brazil Agreement), which aims to strengthen and qualify public security forces and improve the capacity of Brazilian municipalities to implement programs in this area, besides preventing violence.

**INTERNET OF THINGS (IOT)**

The digital era transformations, based on an unprecedented scale of availability and capacity for data analysis, allow the creation of new forms of social interaction and new productive processes, as well as the improvement of existing ones, with profound impacts on the economy. The content generated and shared by people, sensors and machines makes the boundaries between innovation, production, distribution and consumption increasingly less distinct.

Considering that IoT technology will be the basis of this process, we have conducted over the last years an extensive
study on the theme “Internet of things: an action plan for Brazil,” carried out in partnership with the Ministry of Science, Technology, Innovation and Communication (MCTIC). The year 2018 was marked by the conclusion of this work, defining the basis for a national plan and a strategy for implementing IoT in the country.

**Main results of the study**

In Brazil, the economic impact of the massification of IoT technologies, according to the study’s estimates, could be of US$ 200 billion by 2025.

In order to take advantage of this potential, the work listed about sixty initiatives that, together, can boost the adoption of technology and which are references to the National IoT Plan, such as the elaboration of a plan to support exports of IoT solutions; stimulus to the adoption of IoTs in small and medium-sized enterprises; increase of technical courses in IoT and programming; and support for pilot projects in four sectors: rural, health, smart cities and industry.

In addition to a series of intermediate and final reports, the study had as a byproduct the launch of the “IoT in Cities Guide,” aimed at mayors, public managers and citizens, and which presents the main benefits of the technology and the steps for its efficient adoption.

**Implementation**

As a first action aimed at implementation, in June 2018 we launched the BNDES IoT Pilots, a public call for the experimentation of IoT solutions for cities, health and rural environments. Aimed at projects that bring together users, technology providers, startups and Science and Technology Institutions (ICT), this public call seeks to demonstrate, through pilot projects, the gains of adopting the technology, proving the potential for increased productivity and quality of life or cost reduction, as well as testing new business models and identifying bottlenecks and challenges. Fifteen out of fifty projects received were selected from all regions of the country for the internal analysis phase.

For the industry, the fourth environment prioritized in the study, a partnership with Senai and Embrapii was established for nonreimbursable support directed at the innovation plans of Senai network’s institutes and technology centers for development of pilot projects.

**BNDES GARAGEM**

In order to stimulate innovation and entrepreneurship as leverage for development, we launched in 2018 the BNDES Garagem project, which complements our traditional ways of support based on two initiatives.

The **Startup Development Program** aims to support the development and growth of this type of business and the strengthening of the entrepreneurial ecosystem. Divided into two modules, one aimed at creating startups and another at accelerating them, the program offers training and qualification to entrepreneurs and emergent companies, with priority for those working in the areas of education, health, safety, financial solutions, creative economy, environment, blockchain and IoT technology (applied to cities, rural and industry environments).

In 2018, we selected the Wayra/ Liga Ventures consortium to perform the program in partnership with us and launched a public call to select entrepreneurial groups that will be part of the first phase of the program.

The second initiative is aimed at creating an innovation center that works as an innovative business development environment and a hub to connect the various agents of the ecosystem – startups, medium and large-sized companies, investors, universities and research centers.
FINANCIAL INNOVATIONS

Campus Party

During hackathons, we promoted two hackathons: one focused on developing proposals to leverage BNDES businesses through social networks, and another, with the challenge of finding solutions for combating fake news. Fifty people participated in the events.

Hacking.Rio

In July, we participated in the hackathon, which lasted 42 hours and was attended by over 600 people, including 200 technical mentors and business experts.

During the event, the Developers@BNDES Portal was launched, which provides open APIs for community use and business partners. We sponsored the financial cluster and launched the following challenges: “How to authenticate and identify legal entities online?” and “How to improve the user experience in applying for loans to micro and small businesses?” in order to stimulate innovative solutions for issues that are identified during clients’ operations.

The winning solution, evaluated by a team of expert jurors, was Check-in, an individual and legal authentication platform based on biometrics, document verification, digital certificates and a recommendation system among platform participants.

CAPITAL MARKET

In the scope of the Capital Market corporate project, we concluded the master plan, identifying the main shortcomings in the Brazilian capital market, potential opportunities and externalities, reorienting our performance in variable income and fixed income.

We will support entrepreneurship and innovation with the creation of the BNDES Garagem program. We defined the direct investment strategy, in which we will act focused on scalable medium-sized enterprises or as an enabling agent (through anchoring of offers). We drew up a fund public call plan until 2023, in line with our strategic missions. Additionally, we have redefined our policy of incentives to debentures to be developed aimed at boosting this market.

ACTIVE FUND PORTFOLIO

On December 31, 2018, BNDESPAR’s fund portfolio was composed of 42 active funds, with a committed equity of approximately R$ 3.5 billion. The aggregate committed equity of these funds is R$ 17.9 billion, which means that for every R$ 1.00 invested by BNDES, R$ 4.11 are invested by other investors.

The largest number of funds in the portfolio is focused on innovation (14), and the largest volume of investments focuses on infrastructure (R$ 1.4 billion).

In 2018, we approved the possibility of supporting corporate credit funds with the objective of expanding our operations in the financial disintermediation process in the country by investing in funds primarily focused on long-term corporate credit operations.

Angel co-investment fund

In 2018, we selected, through a public call, Domo Invest to manage an angel co-investment fund with the objective of supporting innovative companies – with annual revenues of up to R$ 16 million and great potential for growth – and to develop the ecosystem of national innovation. The initial investments in startups will be up to R$ 500,000 with the same proportion of participation of the investor-angel and/or accelerator.

Venture debt fund

We approved the first national venture debt fund in the year. The fund, which will be managed by SP Ventures, will provide credit to innovative small and medium-sized companies with revenue of a maximum of R$ 90 million. We can invest up to R$ 80 million. The remaining funds shall be raised with other investors, and the total equity expected for the fund is up to R$ 160 million.

Corporate credit fund

We approve the investment in the Pâtria Crédito Estruturado FIDC fund in the amount of up to R$ 250 million, limited to 20% of participation in the total equity of the fund. In addition to BNDESPAR, other investors are also supporting the initiative, such as IFC and IDB, as well as several Brazilian and global institutional investors. The fund seeks to serve as a medium and long-term credit alternative for companies that have difficulties in raising funds in the capital market, in the Brazilian debentures market and also in the international securities market.

Equity investment funds

In December, we launched a multi-sectoral public call for up to eight equity investment funds (FIP), and up to four in each category: venture capital and private equity. The assets committed by BNDESPAR in the eight funds might reach R$ 2.2 billion.

Through these investments, we seek to prioritize solutions in education, health, public safety and infrastructure, in line with our strategic planning.

Also in 2018, we invested in funds directed at sustainable energy projects.

DIVESTITURES

Divestitures of the BNDESPAR’s stock portfolio aim to promote the national capital market, always following parameters of profitability and asset maturity. In addition, they guarantee the recycling of the portfolio, generating relevant results and enabling new investments.
Throughout the last decade, we have divested several company shares in initial and subsequent public offerings, seeking to give more liquidity to the assets and democratize the access of small investors to the capital market. These offers totaled more than R$ 20 billion, and BNDESPar’s share portion was R$ 7 billion.

In 2018, divestiture of shares totaled R$ 9.98 billion. The highlights are Petrobras and Vale (R$ 4.5 billion and R$ 3.4 billion, respectively) divestitures, through electronic trading, and Eletropaulo. Due to the appreciation of the assets and the good market moment, even with such divestitures, the balance of our portfolio grew 22.2% in relation to 2017, closing the year at R$ 104.9 billion (market value).

GOVERNANCE

Throughout 2018, we have developed a series of initiatives aimed at improving the corporate governance practices of invested companies, such as the approval of the Corporate Shareholding Policy, the approval of the BNDES System’s Capital Market Socioenvironmental Policy, and the development, along with other institutional investors, of the “Socioenvironmental questionnaire of institutional investors for capital market.”

At the internal level, measures were taken to improve governance processes and practices, such as the creation of the Capital Market Advisory Committee (CCMC) and the Capital Market Deliberative Committee (CDMC).

CONTRIBUTION TO PUBLIC POLICIES

We participated in the Working Group on Capital Markets and Long-Term Savings (GTMK), a strategic action of the Federal Government.

Among the results obtained by the GTMK in 2018, we highlight the proposal to amend Law 12,431/2011, to encourage the participation of institutional investors in financing to infrastructure; the proposed decree for exemption from income tax on the issuance of bonds (infrastructure debentures) abroad; and the proposed bill that seeks to stimulate greater participation of the capital market in covering the risks of the insurance, reinsurance and complementary pension market.

In February 2018, Suzano expressed interest in carrying out an operation that would combine its business with those of Fibria. BNDESPar, with 29% of the capital of Fibria, was co-operator of the company, together with Votorantim. We actively participated in the negotiation of an operation that adhered to BNDESPar’s strategy, with a significant generation of value resulting from the synergies between the companies and fairness of treatment among Fibria shareholders.

Through the operation, BNDESPar received almost R$ 9 billion, in addition to Suzano’s shares, representing 5.5% of its capital. This operation generated profit of approximately R$ 5.5 billion, the highest profit in our history in an individual operation.

The company resulting from the business combination between Fibria and Suzano is listed in the Novo Mercado, B3’s top corporate governance segment. During the negotiations, we contributed to Suzano raising its corporate governance standards even further by adopting a policy of nominating independent directors, with stricter criteria than Novo Mercado. We also negotiated Suzano’s commitment to maintain Fibria’s social and environmental practices, a company that has always been a benchmark in the industry, listed in the Dow Jones Sustainability Index several times.

SUSTAINABILITY

We support the migration of the country to the green economy, seeking to make Brazil prominent in this theme. In 2018, we reinforced our commitment to sustainability through strategic direction and operational action.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY (PRSA)

The guidelines for a sustainable performance are defined in PRSA, which guides the integration of the social and environmental dimensions into our strategy, our policies and activities, and the relationship with our various audiences.

In May 2018, the BNDES Board of Directors approved the PRSA implementation plan for the triennium 2018-2020. Incorporation of challenges and opportunities related to climate change and the promotion of SDGs are among the innovations.

This plan seeks to give centrality to the theme of sustainability in the Bank’s strategy and business and in evaluating the effectiveness of our actions. It also intends to improve our
We participated in the initiative Adapting Public Investment to Climate Change in Latin America (Ipacc), the result of cooperation between Brazil, Colombia and Peru, funded by the Ministry for Environment, Nature Conservation and Nuclear Safety of Germany (BMUB). The main objective is to stimulate that the risks associated with climate change and the adaptation options to mitigate them are considered in the planning and decision-making processes for public investments, especially in the infrastructure sector. Among the actions carried out in 2018, there was training of employees on the theme and presentation of BNDES on their participation in the initiative in the forum Understanding Risk 2018, in Mexico City.

In December, we participated in the 24th Conference of the Parties (COP), held in Katowice, Poland, during which the “Financing climate futures” study was presented, discussing the role of development banks in financing sustainable infrastructure. The study was carried out by the Organization for Economic Co-operation and Development (OECD), with our collaboration.

We also participated in several national and international initiatives related to green finance, including Unep-Fi, Climate Action in Financial Institutions, International Development Finance Club (IDFC), CEBDS, LAB ABDE-BID, and The Global Lab for Climate Finance.

**Climate Action in Financial Institutions**

Opportunities and challenges related to climate change have generated articulation in the financial sector for mutual learning and development of innovative solutions related to the transition to a resilient and low carbon economy. In this context, we joined the Climate Action in Financial Institutions in early 2018, along with financial institutions around the world to exchange experiences on the subject. In March, we held the workshop “Climate Dimension in the Financial System,” in partnership with IDFC. The event, in addition to publicizing the initiative for the national financial system, made it possible to share experiences among the institutions present regarding the incorporation of the climate dimension in business.
Our disbursements for social development were in the amount of R$ 7 billion in 2018, representing about 10% of total disbursements. These figures were slightly higher than those observed in the previous year, with a concentration in urban and regional development.

Social technologies

We launched, in partnership with the Banco do Brasil Foundation (FBB), a call for public selection of projects for reapplication of social technologies. The objective is to select projects that aim to promote the generation of work and income in any part of the country, based on new applications for existing social technologies.

We have received 427 proposals, and 148 were approved in the first stage. The financial resources available should allow hiring the 11 best classified proposals. The other qualified proposals will compose reserve records, obeying the classification order obtained, for a period of 12 months from the publication of the final classification.

Impact business

In 2018, we actively participated in the National Impact Investment and Business Strategy (Enimpacto), an articulation of agencies and entities of the federal public administration, private sector and civil society, aimed at promoting a favorable environment for the development of investments and impact business. Expanding the supply of capital for impact businesses; increasing the number of impact businesses with the dissemination of the socioenvironmental impact assessment culture; and promoting an institutional and regulatory environment conducive to investment are among the strategy objectives.

We also participated in the Financial Innovation Laboratory (LAB), a multi-sector forum that promotes the debate and sharing of experiences among the various agents of the economy, with participation of the public sector, private sector and third sector in structuring financial innovations that support Brazil’s sustainable development.

AMAZON FUND

In 2018, the Amazon Fund completed ten years of existence, consolidating itself as the main worldwide initiative of the payments system for results achieved in reducing deforestation. Donations received amounted to R$ 3.4 billion (94% from Norway, 5.6% from Germany, and 0.4% from Petrobras). In 2018 alone, Norway donated approximately R$ 272 million.

In early 2018, we launched a new and more modern website, with new features that provide the user with easier access to all available information about the fund and projects supported, including an interactive map that allows each project to be found.

Note: The indicator calculation formula has been altered in 2018 to reflect OPs changes and incorporate other improvements. See the updated series at: www.bndes.gov.br/economia-verde-desenvolvimento-social
In 2018, 11 new projects were approved in the fund scope, among them the support for activities of environmental inspection and control of deforestation in the Brazilian Amazon by Ibama, and the support for the consolidation of the Brazil nut production chain, and the strengthening of productive activities related to açai, cassava flour and natural rubber in two indigenous lands and three extractive reserves in Rondônia.

**Regional Development**

Based on potential client identification methodologies and regional information collected through the GeoBNDES platform, we started acting in a structured way to capture investment opportunities that activate the economic potential of the regions.

A new business promotion department gathered existing regional departments (in Brasília, São Paulo and Recife), mobilizing their teams to identify and meet the investment demands of the productive bases of the various regions of the country. At the same time, it took charge of regional planning, working to systematize knowledge and perform analyses on local economic and social dynamics, so that they are continuously incorporated into the formulation and implementation of corporate strategy.

The following map compares our disbursements per region and the participation of each region in the country's total GDP in 2018. Based on this, we can observe the relative decentralization of our presence, evidenced by proportionally larger disbursements in less developed regions. This is the case of the Central-West and Northeast regions, which received a portion of our disbursements higher than their participation in the national GDP.

**Contribution to Public Policies**

Throughout the year, we actively participated in the elaboration of strategic agendas for the development of the North, Northeast and Central-West regions, under the coordination of the Ministry of National Integration (current Ministry of Regional Development), aimed at inserting the regional agenda in the process of preparing the PPA 2020-2023, following the objectives and sectoral axes of the National Policy for Regional Development (PNDR).

In November 2018, we held the event “Circular Economy: Pathways for Brazil,” in partnership with Exchange4Change Brazil and the Nucleus of Circular Economy (NEC). The objective was to discuss the advances in Brazil and in the world, as well as evaluating the opportunities of internalization of the knowledge on the subject. The event was attended by members from the Federal Government, NGOs, sectorial representatives and private companies.
The map on the side shows our contribution to dynamizing regions with lower economic density, in line with the Regional Policy and Strengthening of Cities Network (PDRC), which defines as priority territories those with per capita household income inferior to 75% of the national average.

**DEVELOPMENT OF STATES AND MUNICIPALITIES**

We have specific financing lines for states and municipalities, with the purpose of supporting projects that contribute to territorial development.

In relation to the states and the Federal District, the focus is on supporting the formulation and implementation of territorial development programs of a multi-sectoral, sustainable and integrated character.

In relation to the municipalities, one of the focuses is the support for solutions of structural problems of the urban agglomerates, territories that usually present greater social fragility and lower human development index (HDI).

Investment in urban infrastructure (sanitation, drainage, mobility and public lighting, among others, including risk and sub-housing areas), public facilities (health, education, social assistance, leisure, etc.) and other interventions that can improve the quality of life in a given territorial location.

Support for states and municipalities totaled around R$ 3.6 billion in 2018. Disbursements in operations aimed at public administration modernization totaled R$ 154 million.

**Public management**

Another financial support focused on territorial development is support for the municipalities’ public management through BNDES Pmat. Its objective is to enable a qualitative increase in management, generating an increase in tax revenue and/or a reduction in the cost of services to the community.

Among the impacts observed by the implementation of the program, we can highlight the increase of municipalities’ tax revenue, reduction in the processing time of processes and provision of information for the citizen, including, in some cases, solutions of problems via web or applications for mobile devices.

Currently, we have 56 BNDES Pmat operations in our portfolio. Together, such operations amount to approximately R$ 1.5 billion, among projects contracted, approved and those under analysis.

**Developing Cities campaign**

The Developing Cities campaign, a funding action for municipalities held in 2018, resulted in the attraction of several public sector projects to the Bank.

We observed that of the more than 5,000 Brazilian municipalities, we operated directly with only 67. An internal survey was carried out to identify municipalities with the capacity to operate directly with BNDES. Given the limited operational capacity to address all the municipalities surveyed, a population criterion was used to refine the base: municipalities in the South and Southeast regions housing above 100,000 inhabitants and municipalities in the Northeast, North and Central-West regions with over 50,000 inhabitants. The differentiated selection by region reflected the strategy to provide a more balanced distribution between regions.

After six months of campaigns with the 179 target municipalities, which managed to reach 93% of the public defined, previous consultations were filed regarding 13 new operations, equivalent to about R$ 1 billion. After this period, other operations entered into preparation for prior consultation and there was a multiplier effect on demand, with municipalities that were not the target of the campaign seeking the development agents.
We count on several sources of resources for our performance. The return of our own operations along with the resources from the Workers’ Assistance Fund (FAT), PIS-Pasep Fund and National Treasury represent a significant portion of our structure of financing. Other government funds, fundraising abroad, public issuances of BNDESpar debentures and banking instruments complement this structure.

With the TLP, in a scenario of convergence with the market until 2023, and the advance payment to National Treasury, we have been structured to seek new funding options. Facing this challenge is a concern present in our strategic planning, discussed in the Funding corporate project. In addition to structuring funding through financial letters, which reinforce the capacity for source diversification, guidelines for a new asset securitization policy were defined and adjustments in financing contracts were proposed, in order to allow securitization in the future. Next, get to know our sources of resources.

**NEW POLICY OF SECURITIZATION OF ASSETS**

Approved in October 2018, this policy regulates the objectives, conditions and operational flow of asset securitization, in order to prepare BNDES to carry out these operations backed by its asset portfolio, in view of the TLP convergence scenario with the market rates and the need for seeking greater diversification of fundraising sources.

**GOVERNMENT SOURCES**

**National Treasury**

Between 2008 and 2014, we received expressive funds from the National Treasury to perform our operations. From 2015, there was no more fundraising from this source and the return of these funds started.

In 2018, we completed the payment of the remaining R$ 130 billion (R$ 30 billion in March, R$ 30 billion in June and R$ 70 billion in August) to make a total of R$ 180 billion officially requested from our Board of Directors by the National Treasury Secretariat in August 2017. In order to base the payment, several analyses were conducted, considering also the possibility of demands for new returns, such as extraordinary amortizations to the FAT and PIS-Pasep Fund.

Between December 2015 and December 2018, we returned to the Federal Government a total of R$ 309 billion, and the balance of liabilities, at the end of 2018, was approximately R$ 270 billion in financing agreements and R$ 35.5 billion in instruments eligible for capital core.

In October, the renegotiation of contracts with the Union in the amount of R$ 264 billion was concluded. The contractual conditions for TLP were updated and the amortization, interest and contract maturity dates were considerably anticipated, as authorized by Law 13,483 of September 21, 2017.

**FAT and PIS-Pasep Fund**

The 1988 Federal Constitution allocated 40% of the PIS-Pasep collection to the financing of economic development programs through BNDES, to generate job opportunities, as well as protecting the unemployed worker. In 1990, with the extinction of PIS-Pasep and creation of FAT, it became one of our main sources of resources.

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

**THIRTY YEARS OF FAT**

In November, in commemoration of the thirty years of the allocation of 40% of PIS-Pasep collection and, later, of FAT collection to BNDES for the financing of economic development, BNDES held the seminar “FAT and the Future of Work,” organized jointly with the then Ministry of Work. Topics addressed were: the history of the creation of FAT; results obtained with the applications of its resources by the worker support system; transformation of the industry and some possible impacts on the new work, and impact of economic transformations on education and workforce qualification.
Law 13,677/2018 authorized any holder of a PIS or Pasep individual account to withdraw the amount available until September 28, 2018. As a result, there was return of R$ 8.8 billion to the payment agents.

Other governmental sources

The most representative values refer to the Merchant Marine Fund (FMM), whose resources are directed to financing national shipping companies, Brazilian shipbuilders and the Brazilian Navy; and the Fi-FGTS, whose funds were raised in 2008 to be applied in infrastructure projects.

In 2018, as Funttel’s financial agent, we raised R$ 94 million to be used in projects aimed at the development and diffusion of technology in the telecommunications sector.

FUNDRAISING ABROAD

Bonds issuance

We have been issuing bonds for more than 30 years, having accessed different types of markets, such as US dollars, euros, Swiss francs and yen. Issuance of bonds aims to increase and diversify our sources of funds and our investor base; encourage the access of other Brazilian issuers to the bonds market; and build new benchmarks in our international interest rate term structure.

Green bonds, issued in 2017, also provided a number of benefits, such as strengthening the priority of socioenvironmental sustainability; dissemination of best socioenvironmental management practices; and stimulus to other Brazilian issuers’ access to the green bond market.

Public offering for repurchase of foreign securities

In 2018, we held a public offering of voluntary repurchase of securities issued in the international market with maturities in 2019 and 2024. We repurchased US$ 143.48 million in face value (without discount) of the security maturing in 2019, and US$ 503.20 million in face value (with a 4.30% discount) of the security maturing in 2024. In total, securities with face value of US$ 646.68 million were repurchased.

Thus, within a week, it was possible to repurchase about 40% of the securities in the market whose total (original) offering was US$ 1.64 billion. After the transaction, the market value of the two securities (2019 and 2024) was around US$ 500 million, which is considered a suitable benchmark in the international market due to its high liquidity.

The completion of this repurchase transaction will produce a very positive financial result of US$ 178 million – both in capital gains, given the repurchase prices with a discount of US$ 21 million, and in financial terms, given the cancellation of the bonds and the consequent extinction of future charges on external debts that are no longer generated (savings of US$ 157 million up to 2024).

The transaction, in the form of any-and-all tender offer was aimed at demonstrating that we did not agree with the price level in which these securities have been traded in the international market and that we have attractive alternatives of financing in the local market.

Fundraising from multilateral institutions and government agencies

This type of fundraising is performed with partner institutions. Unlike bond issuances, the funds raised with these institutions have, in general, specific destination to entrepreneurial sectors or segments and must meet the creditor’s conditions. The main advantages of these sources are stable cost and a longer financing term in relation to market fundraising, besides its countercyclical character.

In 2018, a new operation was contracted with the Japan Bank for International Cooperation (Jbic) in the amount of US$ 100 million to support renewable energy projects.

Funding disbursements for the year totaled US$ 550 million, of which the amount of US$ 250 million was from the Sustainable Energy Program contracted with the IDB in 2017 and US$ 300 million from the contract

Access at: https://web.bndes.gov.br/bib/jspui/bitstream/1408/14763/1/BNDES_Relatorio_Green_Bond_ingles_P_BD.pdf
made with the NDB, also in 2017, to support renewable energy projects.

In a scenario of lesser availability of resources from domestic institutional sources, there is potential to expand cooperation with traditional partners, as well as to establish new partnerships with international organizations.

**NATIONAL FUNDING**

**BNDES Financial Letters (LF)**

Financial Letter is a registered, transferable and freely negotiable credit instrument issued exclusively by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

In 2018, BNDES issued LFs for the first time. These operations are part of the strategy to develop new market raising instruments in addition to traditional funding sources, in order to meet the needs of our investment budget and future disbursements.

BNDES issued R$ 2.3 billion in LFs, with demand superior to R$ 21 billion, a two-year term and a rate of 101.9% of CDI. The first operation was in May, in the amount of R$ 1.7 billion, and the second, in December, of R$ 587.4 million.

We do not receive emergency financial aid from the government, since BNDES is a nondependent state company with direct control of the Union, according to current legislation.

**INTEREST RATES**

**TLP**

In 2018, TLP entered into force, replacing the TJLP as the basis for the remuneration of FAT, PIS-Pasep, FMM and National Treasury contributions to the BNDES.

The TLP is composed of a fixed portion and a variable portion, as shown in the table on the right.

The full transition will take place within five years. During this period, the difference in relation to the market rate will be progressively reduced.

**Capitalization of monthly variation of IPCA for TLP financing**

In 2018, we enabled the option of granting credit in financial conditions referenced by TLP, with capitalization, that is, incorporation of the debt of monthly variation of IPCA, which corresponds to the variable part of the rate, in the principal.

This new possibility, in relation to the collection of the full TLP (without capitalization of any component), allows greater leverage of financing in the project finance modality.

Financing in this modality is dimensioned by the ability to pay each project, which is the ratio of cash generation to the debt service. With the capitalization of the monthly variation of IPCA, there is a payment schedule curve smoothing, so that there is less need to generate cash from the project to pay the debt service.

This methodology is in line with the pattern observed in the Brazilian public debt securities market, which also facilitates the securitization of our loans.

**BNDES FIXED RATE (TFB)**

In order to reduce the uncertainty regarding the variation in the cost of financing, especially for small and medium-sized companies that would have difficulties in managing inflation-linked liabilities, we created TFB, which aims to provide a fixed-rate financial cost and offer the option of determining it on the contracting date, and not on the date of release of resources.

As TLP has a methodology based on market parameters, it is possible to use efficient market instruments to minimize the risk arising from such conversion. In this context, we developed a methodology for transforming TLP into a nominal interest rate determined on the contracting date, which now represents another financial cost alternative for indirect operations with MSMEs.

---

**TLP**

**FIXED INSTALLMENT**

It is defined at contracting
It does not change up to the end of financing
Announced by the BCB every month
It is calculated based on the average of the last three months of a five-year NTN-B, multiplied by a decreasing reducer until 2022

**INFLATION**

It varies with IPCA (published monthly by IBGE)
Inflation is the only risk component of TLP
When contracting a 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.
PERFORMANCE AS CENTRAL BANK OF BRAZIL (BCB) DEALER

In 2018, we consolidated our operation as accredited to act as a BCB dealer, which gives us access to direct contracting with the bank for go-around operations (informal auction held every morning to provide adequate liquidity to the financial market), and post-Copom bank liquidity leveling.

The financial volume that we operated is quite high, and the operations performed as dealer are important instruments for cash management. The prerogative to operate directly with the BCB without dependence on another financial institution provides flexibility in the face of contingencies in cash flow, reduction of application risks and maximum profitability of resources.

Operating as dealer of the BCB’s Open Market Operations Department (Demab) also promoted the expansion of our relationship with the market, continuing the relationship deepening that resulted from our adherence to the Brazilian Payment System (SPB). We maintained a relatively constant position in the BCB’s overall performance rating throughout the year, which allowed us to remain as a dealer.

CREDIT RISK

DEFAULT

The default in the BNDES’s loan portfolio reached 2.95% (90 days) on December 31, 2018, slightly above the rate of the National Financial System, which reached 2.87% (90 days) in December 2018. It is higher than that observed at the end of 2017 (2.08% – 90 days) and is above historical levels, due to the slow recovery of economic activity and the increase of risk in specific sectors. Disregarding the operations with full guarantee of the Union, our default rate would be 1.67%, lower than the SFN index.

We continually monitor our borrowers’ credit risk. As required by BCB, we have constituted provisions in accordance with the classification of operations risk and the default period of payment of financial obligations. We also periodically analyze the need for constituting additional provisions due to other factors, such as sectoral risk, for instance. Thus, we maintain sufficient capital to absorb eventual losses.

Although the unfavorable economic scenario and the increase in credit risk in 2018 implied the provisioning of R$ 22.8 billion, we had credit recovery of R$ 6.010 billion resulting in an expense of R$ 5.898 billion at the end of the year.

CREDIT RECOVERY

Although operations financed by BNDES are subject to careful analyses, we are still subject to the risk of debtors facing difficulties in honoring their debts and other obligations.

Throughout 2018, we developed studies aimed at increasing the success rate of renegotiations, reducing process times and segmenting jobs according to different debt profiles in order to obtain more efficiency and maximize the recovery of problematic credits.

The renegotiation index reached 4.43% of the credit portfolio and onlendings in 2018, higher than the 3.62% registered in 2017.

Asset research

The use of the asset search service is another tool to assist BNDES in the recovery of credits, either through administrative or judicial proceedings. In 2018, we performed an equity research on 59 people, of which 17 were legal entities and 42 were individuals. We extended the equity research contract for another year, until June 2019.

GUARANTEES

We have as practice the requirement of credit guarantees in our operations for regulatory purposes and for transaction risk pricing. At the beginning of 2018, the consolidation of the standards for the constitution of guarantees of the BNDES System’s operations was approved, with improvement of the rules for automatic and nonautomatic indirect operations, microcredit and credit rights, as well as for structured operations in the project finance modality. In the second half, we made adjustments to the standard to fit the products inserted in the newly created automatic and simplified workflows.

Exports Guarantee Fund (FGE)

In addition to guaranteeing operations of municipalities and states, the Union also provides guarantees for Brazilian exports to several countries financed by public and private financial institutions. In the latter case, through FGE, a Union’s accounting fund. FGE has a low level of losses and has collected a significant amount of insurance premiums (about US$ 1.3 billion) since its creation. In December 2018, BNDES recorded US$ 441 million in delinquent installments related to the exports of both goods and services of Brazilian companies to Venezuela, Cuba and Mozambique. The amount of US$ 208 million has already been indemnified by the FGE and the rest are in indemnity process.
GOVERNANCE

CHANGE OF MANAGEMENT

On April 9, 2018, economist Dyogo Oliveira took office as BNDES’s President, replacing economist Paulo Rabello de Castro. He holds a degree in Economics from UnB, has a specialist title in Public Policy and Government Management from Enap, and in Foreign Trade, International Negotiations and Foreign Exchange from Brasilia FGV, besides holding a master’s degree in Economics from UnB. He has been a public servant since 1998 and was Minister of Planning, Development and Management before becoming BNDES’s President.

With the change of government, after the October 2018 elections, Joaquim Levy was chosen to assume the position, taking office on January 7, 2019. Levy has a degree in Naval Engineering from UFRJ, a PhD in Economics from the University of Chicago, and a master’s degree in Economics from FGV. He occupied various positions in public administration, including Finance Minister. He was also World Bank Group Chief Finance Officer before taking office as BNDES’s President.

GOVERNANCE MODEL

Our structure of governance has as a principle addressing issues with transparent and collective decision-making. It is composed of six collective bodies: Advisory Board, Fiscal Council, Auditing Committee, Eligibility Committee, Remuneration Committee and Executive Board of Directors. In addition, there are specific committees created by the Advisory Board and the Board of Directors to support their decisions.

All committees analyze the efficacy of the process pertinent to their operation spheres and report, directly or indirectly – in some cases the matter is previously addressed in the Management Committee, composed of all our managing directors –, to the Executive Board of Directors, which meets once a week.

Each BNDES System company has its own Advisory Board, Fiscal Council and Board of Directors.

Learn more at: www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/The_BNDES/boards_bndes.html
Advisory Board: our highest governance level. Among its attributions are to opine on relevant issues regarding the country's economic and social development more directly related to BNDES’s actions; advise the Bank's president on the general guidelines for his/her actions; approves the Bank's general policies, including corporate governance; and to opine on the financial statements of the institution. The president of the BNDES's Advisory Board does not perform any other executive function at the Bank.

Fiscal Council: composed of three members, two appointed by the Ministry of Planning and one by the Ministry of Finance. It oversees the acts of the managers and verifies compliance with their legal and statutory duties; analyzes the Bank's quarterly financial statements; and evaluates and opines on BNDES's half-yearly financial statements.

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

Eligibility Committee: composed of the same members of the Auditing Committee, it assists the controlling shareholder in the appointment of members of the Board of Directors, Advisory Board and Fiscal Council and verifies the conformity of their evaluation process.

Risk Committee: it proposes recommendations to the Advisory Board on policies, strategies and limits for risk and capital management, stress testing program, business continuity management policy, liquidity and capital contingency plan, and capital plan; assesses levels of risk appetite; analyzes the risk environment of the BNDES System; among others.

Remuneration Committee: composed of three members appointed by the Advisory Board, it prepares and oversees the implementation and operation of the remuneration policy for the managers of BNDES and its subsidiaries.

Auditing Committee: composed of three members, appointed by the Advisory Board, it opines on the hiring and dismissal of independent auditors; reviews the half-yearly financial statements, including explanatory notes, management report and independent auditor's report; evaluates the effectiveness of independent and internal audits; among other duties.

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

Operations Planning Committee: it accompanies 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.

Executive Committee on Information Technology: it deliberates on priorities and allocation of IT resources; ensures the adoption of established IT governance practices; among other responsibilities.

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

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

Information Technology Management Committee: it accompanies the portfolio of information technology (IT) projects and deliberates on its changes; establishes IT priority issues; monitors IT service levels and proposes improvements whenever necessary; among other responsibilities.

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

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

People Management Committee: it 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.

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

Credit Risk Management Committee: it 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 approval of the Board of Directors; assesses and proposes the revision of limits of exposure to those risks; among others.

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

Operational Risk, Internal Controls and Integrity Management Committee: it evaluates and approves the methodologies for operational risk management, compliance, internal control, business continuity management, and information security; evaluates the strategies for managing these risks, submitting them to the approval of the Board of Directors; assesses and proposes a revision of exposure limits to those risks; among others.
The economic, social and environmental aspects are treated in all spheres of our governance, and they are assigned to managing directors and heads of department, as defined by the BNDES Basic Internal Organization.

The main changes in relation to 2017 were: transformation of the Risk Management Committee, before a committee of managing directors, into the Risk Committee, directly linked to the Advisory Board; creation of the Capital Market Deliberative Committee; and the merger of the Operational Risk Management and the Internal Controls Committees, forming the Operational Risk, Internal Controls and Integrity Management Committee.

**OUR ORGANIZATION STRUCTURE**

We are organized into specific managements, composed of divisions. Each division is the responsibility of a superintendent.

In March, faced with novel needs, we created two new areas: the Communication and Institutional Relations Division, with the objective of acting in a proactive and planned way in communication activities and in the relationship with strategic audiences; and the Business Promotion and Origination Division, aimed at organizing our promotion actions.

Seeking to optimize resources and processes, we merged the Primary Industry Division with the Industry and Services Division, and the Integrity and Risk Management Division with the Controllership Division.

**Organization and Management**

The diagnosis made in our strategic planning pointed to some needs related to our structure, such as the rebalancing of the quantitative of employees and functions between divisions, considering our priorities; the revision of the control scope, that is, the number of employees per manager; and the better allocation of the work force, considering the nature of the activities of the positions (secondary education and higher level education).

These and other issues were addressed by the Organization and Management
COMPLIANCE WITH THE LAW OF STATE-OWNED COMPANIES

In 2018, the second and third cycles of the IG-Sest were carried out. The IG-Sest is an evaluation performed by Sest, since 2019 linked to the newly created Ministry of Economy, to measure compliance of federal companies with Law 13,303/16 (Law of State-owned Companies). We were among the 25 federal companies – considering public companies and mixed-capital companies – that obtained level 1 in corporate management, among the 54 evaluated. This result presents the best score among the four existing classification levels.

The statutes of FINAME and BNDESPAR were updated to comply with the new law. It was also necessary to edit, through public bidding, the Divestiture Regulation of the assets owned by the companies that are members of the BNDES System.

Annual Letter of Public Policies and Corporate Governance

One of the obligations created by the Law of State-owned Companies was the need for preparing the Annual Letter of Public Policies and Corporate Governance. The document highlights the commitments to achieve public policy objectives, including the definition of resources to be used and the economic and financial impacts of the implementation of these objectives. It also provides a timely and up-to-date transparency of different information on corporate governance, such as developed activities, control structure, risk factors, and economic-financial data, among others.

COMPLIANCE WITH IFRS 9

We completed the plan of compliance with the requirements of the technical pronouncement of the Accounting Pronouncements Committee (CPC) 48, which deals with financial instruments correlated to International Financial Reporting Standards (IFRS 9).

Since then, financial assets have been classified according to the business models established in the standard, and the characteristics of their cash flows, their management and how these assets will be realized are observed. Depending on the business model, financial assets may be measured at cost or at fair value, with the latter reflecting either the result or the net equity.

No significant changes were identified from differences in classification between the current standard and the previous standard. However, senior management decided to irrevocably designate investments in nonaffiliated equity interests in the business model “Fair value through other comprehensive income.” The main consequence is that the mark to market of these investments will have the net equity as counterpart, which already occurred under the previous rule.

The standard is applicable from January 1st, 2018, specifically for BNDESPAR's balance sheet, as well as for BNDES's consolidated balance sheet in IFRS. It is not yet applicable to BNDES's individual balance sheet in accordance with corporate rules, as the BCB is expected to adopt IFRS 9/CPC 48 only from 2020.

FX GLOBAL CODE

BNDES adhered to the FX Global Code, a set of principles of good practices developed to provide common guidelines for the integrity and effective functioning of the foreign exchange market, which moves about US$ 5 trillion daily.

The code contains 55 principles, organized around six key pillars: ethics, governance, enforcement, information sharing, risk and compliance management, and settlement processes. We adhere to the principles that apply to us, considering the nature and scope of our participation in this market.

REVIEW AND UPDATE OF CONTRACTUAL CLAUSES

We constantly update the clauses of our contracts to adapt them to regulatory changes and to reviews of processes and OPs. Among 2018 occurrences are, for example, a clause amendment to mitigate the risk of default in case of serious deterioration of the company’s financial health, and changes in the clause of the client’s declarations, to be in line with normative changes related to the qualification phase.

MANAGEMENT RESULT

The main objective of the Management Result corporate project was to revise the conceptual model for calculating and monitoring financial results of our institution. The model, broken down by business segment and products, has been revisited and validated with regard to result dimensions, business indicators and expenditure allocation rules.

The validation and improvement of the current managerial model allow us to monitor our consolidated performance, besides a more informed and agile decision making.

DATA FOR DECISION MAKING

We internally promoted an initiative aimed at generating digital solutions and stimulating the culture of data use for decision making. Datalab was conducted in a marathon format and mobilized 58 employees from Human Resources, Planning and IT areas. The teams sought to provide solutions to some of our everyday challenges, using 36 internal and external databases. Several solutions are already being implemented, such as an approach to support the development of indirect operations and the construction of a portal to monitor support to SDGs.
PUBLIC BIDDINGS AND CONTRACTS

We use in our public biddings the criteria of judgment stipulated by art. 54 of the Law of State-owned Companies, or the trading modality, pursuant to Law 10,520/2002.

The contracts signed in 2018 are public and can be accessed on our website. See below the contracting total in the period and the public biddings made with sustainability criteria.

<table>
<thead>
<tr>
<th>SUSTAINABLE PUBLIC BIDDINGS AND TOTAL</th>
<th>TOTAL</th>
<th>WITH SUSTAINABILITY CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower price</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(Law 13,303/2016)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contest</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Electronic trading</td>
<td>51</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>12</td>
</tr>
</tbody>
</table>

COST MANAGEMENT

We performed the cost calculations of BNDES System’s companies by department. The main objectives of our cost system are, among others (i) determination of the administrative expenses of each department and division; (ii) comparison of costs between similar departments, allowing the identification of improvement points in the processes; (iii) estimation of incremental costs in the creation of new organizational structures; (iv) calculation of results (revenues, costs and profits) of departments and operational divisions; and (v) estimation of the costs of the lines and programs operated.

Cost reports are presented to the Operations Planning Committee and are available to division interlocutors, heads of department, superintendents and directors.

The greater involvement of the managers in the management of the administrative expenses of their units aims at a better expense allocation and management.

The Federal Government’s Costs Information System (SIC) is not adopted as the main costing system because it is a tool for direct public administration bodies, independent bodies and foundations.

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 2018, there were no losses due to fraud and no cases of corruption or fines were identified for noncompliance with laws and regulations. Fines were recorded for late payment of taxes, but the total amount is not considered relevant, based on the limits of the operational risk appetite framework.

ETHICS MANAGEMENT

BNDES Ethics Committee and its executive secretary – both linked to our presidency – are responsible for ethics management at the Bank. In 2018, 111 preliminary procedures, such as consultations on ethical conduct, were carried out and internal preventive actions were performed to disseminate ethical values, such as communication campaigns, courses and events. We also had an active participation in the coordination of the National Forum on Ethics Management in State-owned Enterprises.

WEEK OF ETHICS AND INTEGRITY

We promote the 3rd BNDES Week of Ethics and Integrity to celebrate the International Anti-Corruption Day – December 9. Aiming to stimulate the culture of integrity, the week covered the following initiatives:

- Customized corporate game for BNDES in ethics and integrity.
- Online training related to the “Conduct and Integrity Guide,” mandatory for all employees.
- Mandatory online training for our senior management and our tax advisors on the Anti-Corruption Law and on operational risk and internal control, in accordance with the Law of State-owned Companies.
- Launching of the “Conduct Guide for BNDES Service Providers” with presentation of their content to third parties (cleaning teams, reception, service center and maintenance of the condominium).
- Publication on our website of the document “Ethics and Integrity – 10 BNDES Relationship Guidelines,” which synthesizes the conduct to be observed by third parties – especially clients and suppliers – in the relationship with the Bank.
- Publication of a document on our website with basic and conceptual content on anticorruption and integrity programs aimed at empowering the general public on preventing and combating corruption.

CORRECTIVE SYSTEM

The conduct of disciplinary administrative processes follows internal regulations and is the responsibility of inquiry or investigation committees, composed of employees from our various divisions designated by the Administration and Human Resources Management in response to a specific motivating fact (complaint, direct noncompliance with regulations, etc.).

In August 2018, the new Disciplinary Determination of the BNDES System was scheduled for appreciation by the Board of Directors, whose purpose is to adjust the current rules to the provisions of the CGU (Final Report 36/2014 – CGU – Guidelines and Recommendations) and detail the procedure and the disciplinary administrative process (PAD). The matter was not appreciated since unification of the process and the disciplinary rules into
one unit is planned. This new unit will also be responsible for internal audits and for the coordination of independent investigations and special auditing.

During the 2018 fiscal year, 12 PADs, four reports and one special account were established.

INTERNAL ENFORCEMENT COMMITTEES

We set up internal enforcement committees to verify the possible occurrence of irregularities in the processes of certain financings and shareholdings. Of the committees established in the last three years, five have already been completed and one is in progress. The committees completed did not find irregularities but indicated opportunities for improvements in processes and controls.

INDEPENDENT INVESTIGATION

As a result of the Operation Bullish of the Federal Police and the Federal Public Prosecutor’s Office, BNDES’s Board of Directors and the Advisory Board approved an independent investigation procedure for certain operations with the J&F Group, conducted by a law firm, to carry out inspection of specific operations, with the purpose of ascertaining any act performed in violation of anticorruption laws applicable to BNDES System’s transactions. External enforcement work, which runs under secrecy, is still in progress.

PROCESS OF INTEGRITY FOR CLIENTS

In 2018, we improved our continuous enhanced monitoring procedures for clients characterized as deserving of “special attention” due to, for example, the result of the integrity questionnaire applied during the registration analysis. The questionnaire allows for the obtaining of information about their level of interaction with the public power and their anticorruption measures, among others.

RESPECT TO HUMAN RIGHTS

Since 2010, we have a PRSA, in which the respect for human rights is a principle of action. We adopted a set of practices related to this subject, such as verification, during the registration analysis of companies requesting direct financing, of the existence of acts by the applicants that matter in terms of race or gender discrimination, child or slave labor, environmental crime or that which characterize moral or sexual harassment – all of them hindering contracting.

In 2018, we participated in discussions on human rights promoted by government bodies, academia and civil society organizations. In the context of promoting gender equity, the Amazon Fund promoted the Women and Sustainable Development panel in Acre, showing the contribution of women in the value chains of five supported projects. Managers and beneficiaries of the initiatives reported the challenges and advances made in promoting gender equity.

Throughout the year, we continued our activities under the scope of a cooperation agreement signed in 2017 with the IFC, in order to evaluate possible improvements to our practices on human rights issues.

RULE FOR VERIFICATION OF INTEGRITY FOR POSITIONS

Prior to election, appointment or hiring of external advisors and members of statutory bodies, we consult different databases containing negative information on the media, administrative and judicial proceedings, shareholdings, previous relationship with the Bank, among others. Based on the information collected, we verify the existence of compliance or image risks or of legal impediments to the institutional relationship with the professional. Such evaluation 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. Such verification is renewed annually or whenever there is notice of material fact.

RESULTS OF 2017 CPI

As reported in the last edition of the Annual Report, a Parliamentary Inquiry Commission (CPI) was set up in August 2017 in the Senate with the objective of investigating the financing granted under the internationalization program of national companies, as well as operations aimed at supporting public administration.

The CPI was completed in March 2018 without finding any evidence of fraud or wrongful act related to the Bank. Its final report presents five recommendations. Among the measures taken to meet them are the approval of resolution that regulates the guidelines for use transfer fund tranches as collateral in operations with public entities and for forecasting the guarantee of the Union in favor of BNDES; and the publication of an AGU opinion, approved by the Presidency of the Republic, which deals with the possibility of linking revenues from transfers of funds from participation in credit operations to public entities and federal financial institutions.

Learn more in the section
Our performance > Sustainability (page 45)

Learn more at:
http://legis.senado.leg.br/comissoes/comissao?4&codcol=2109
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

We have the Citizen Information Service (SIC) to receive requests under the Access to Information Law. In addition, our website is structured as an instrument of active transparency, counting on a section specifically dedicated to the theme. On the portal, it is possible to consult data on sources of resources, financing contracts and public biddings, as well as reports of accountability and disbursement statistics.

In order to increase our transparency, we implemented improvements on the website and conducted a consultation with the company, in partnership with TCU, to receive suggestions regarding the disclosure of data related to our financing and contributions in companies. We verified the possibility of implementing 74% of the 100 items suggested in the 57 contributions received. Throughout the year, the main portal advances were:

- unification of the operational statistics in the same interactive panel, offering more search filters;
- publication of the amount disbursed, client size, source of financing resources, contract status, degree of innovation and financial instrument, for fixed income financing; and
- disclosure of divestments in companies, remuneration and market value of the portfolio, for variable income operations.

In 2018, we also published the answers to the most frequently asked questions about our export support in order to clarify doubts about our actions.

In 2019, the transparency effort we have made will be strengthened by the elaboration of an open data plan, built with CGU support, representing a further step in the public accountability. The availability of our data in an open format will favor the participation of society in the management and generation of innovative business and services, which create value from data intelligence. Organizations, citizens, scholars, companies and even public institutions will be able to use public data for the production and sharing of new knowledge.

CONFIDENCIALITY

All BNDES information not legally defined as confidential is made available to society, as provided by the Access to Information Law. The main types of confidentiality we are required to maintain are:

BANK SECRECY

The 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, the financial institutions have the duty to not disclose, outside legal hypotheses, 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 the entrepreneur or company with competitive advantages essential to the business’ success, such as brands, patents, expertise, and industrial secrets, whose disclosure could lead to material or moral damages.

BLOCKCHAIN

We have two ongoing projects using blockchain technology: BNDES Token, in a pilot phase with the Brazilian Film Agency (Ancine), and TruBudget, in partnership with the German development bank KfW to test Amazon Fund operations. These are solutions designed to track the application of public resources, allowing monitoring how resources are being applied.

In order to promote the blockchain ecosystem in Brazil and seek solutions that can be used in our projects, we launched a public consultation in...
which 19 respondents were able to demonstrate their solutions and performed the ecosystem mapping, recording more than 350 ongoing initiatives in the country. In 2019, PUC-Rio is transforming this “photograph” of that moment into a continuous process, with the development of a tool with which people can update their own data.

In addition, in 2018 we became part of the Febraban Blockchain Working Group, in which representatives of financial institutions study ways of adopting this technology in the National Financial System. We have also interacted with companies, research centers and financial institutions that are dedicated to the development of this technology, with the objective of knowing the general panorama of the market, pursuing business opportunities and entering into partnerships.

In conjunction with the Institute for Technology & Society (ITS), we promoted the BlockchainGov Forum, which gathered actors from the Brazilian public sector to present and discuss blockchain initiatives in government services. One of the themes addressed at the event was the relationship between blockchain and public transparency.

**FACTS OR RUMORS**

Part of the BNDES News Agency, launched in December 2018, the Fato ou Boato (Fact or Rumor) section is dedicated to checking facts, providing readers with verified official content and thus reducing the impact of the circulation of fake news on the internet. The section seeks to contribute to the work already done by existing fact checking agencies, focusing exclusively on the information reproduced on social networks about our work.

**FAIR FINANCE GUIDE**

For the first time, we participated in the *Guia dos Bancos Responsáveis* (Fair Finance Guide), a project of the Brazilian Institute for Consumer Protection (Idec), which annually evaluates the social and environmental policies and guidelines of the largest Brazilian banks. We obtained the best result among the nine banks analyzed and the best result ever presented by any participant since the beginning of the initiative, which is in its 7th edition. The main highlight was our score in Financial Inclusion, where we reached 8.8, due to our actions in microcredit and actions against extreme poverty. We have also been highlighted in the Corruption theme by addressing issues related to the subject in our OPs and maintaining a consistent integrity program. In the Transparency and Accountability theme, we reached the score of 6.8, while the average of the other banks was 2.5.

See below the themes in which we achieved the first position:

<table>
<thead>
<tr>
<th>THEME</th>
<th>BNDES</th>
<th>*MEAN OF OTHER BANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>43%</td>
<td>29%</td>
</tr>
<tr>
<td>Financial inclusion</td>
<td>88%</td>
<td>54%</td>
</tr>
<tr>
<td>Corruption</td>
<td>78%</td>
<td>49%</td>
</tr>
<tr>
<td>Environment</td>
<td>71%</td>
<td>57%</td>
</tr>
<tr>
<td>Transparency and Accountability</td>
<td>68%</td>
<td>25%</td>
</tr>
<tr>
<td>Human rights</td>
<td>55%</td>
<td>36%</td>
</tr>
<tr>
<td>Mining</td>
<td>52%</td>
<td>24%</td>
</tr>
<tr>
<td>Energy generation</td>
<td>47%</td>
<td>21%</td>
</tr>
<tr>
<td>Food</td>
<td>45%</td>
<td>27%</td>
</tr>
<tr>
<td>Gender equality</td>
<td>24%</td>
<td>13%</td>
</tr>
</tbody>
</table>

* Banco do Brasil, Banco Safra, Banco Votorantim, Bradesco, BTG Pactual, Caixa Econômica Federal, Itaú and Santander.
PROMOTION OF EFFECTIVENESS

In 2018, we also approved the macroprocess that formalizes the Effectiveness Promotion System (SPE) and represents the coordination of all our efforts in this field. Inspired by international best practices, the SPE operates in three layers. As part of the Effectiveness corporate project, we deploy our vision and our strategic missions in indicators and effectiveness goals, connecting the Bank’s objectives to the country’s main development challenges.

EFFECTIVENESS REPORT

The 2017 Effectiveness Report presented, in its section on monitoring, a set of projects supported in 2015 and 2016, with their respective products and services delivered or planned, seeking to place the size of our support in relation to the national economy.

In the section on evaluation, we address impact assessments conducted internally, in partnership or by institutions or external researchers, published on the internet by September 2017. Among the 35 mapped studies, 21 were carried out externally, reflecting, on the one hand, our efforts to increase transparency, and on the other hand the challenge of giving a larger scale to the production of impact assessments through our SPE.

IMPACT EVALUATIONS

In 2018, we conducted five studies on the effectiveness of our performance:

- Evaluation of the BNDES Exim Post-shipment line revealed positive impacts on the revenue and jobs of companies that supply products to the exporters of civil construction services.
- Evaluation of the impact of the construction of wind power plants provided evidence that the effect on municipalities’ per capita GDP is, on average, positive, even though there is a high heterogeneity between impacts on each municipality.
- Evaluation of the BNDES Card, carried out jointly with external researchers, found positive effects on local economies – in particular, on the opening or formalization of establishments, average number of jobs per establishment and total number of jobs.
- Evaluation of our support for innovation has identified a positive and expressive impact on the research and development expenditures of the companies financed, which indicates that our performance in these cases complements and enhances Brazilian companies’ innovative efforts.

Learn more in the section What we do (pages 20 and 21)
### Risk Management

We measure and monitor the risks to which we are exposed and periodically evaluate our internal controls.

#### Risk Matrix

Throughout 2018, we improved the monitoring of action plans to mitigate the most relevant operational risks and intensified the monitoring of the 15 largest risks (by value at risk) with a quarterly status report to the Auditing Committee and to the Advisory Board.

We observed, during the year, the gradual reduction of the concentration of our credit portfolio. However, more rigorous regulatory concentration limits came into effect on January, 2019 (CMN resolutions 4,677/2018 and 4,678/2018), which will require a new effort to reduce concentration in the coming years. In 2018, the credit portfolio balance kept on being reduced, with a rise in default, which was reflected in the increase in provision for credit risk.

In relation to legal risk, we can mention as mitigation actions the acquisition of pieces of software with the objectives of assisting in capturing national legislation and improving the process of formulation and dissemination of internal regulations. Implementation of the processes and tools will take place in stages throughout 2019.

### Risk Matrix

<table>
<thead>
<tr>
<th>MAIN RISKS</th>
<th>MEASURES FOR MITIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MACROECONOMIC</strong></td>
<td></td>
</tr>
<tr>
<td>Changes in the macroeconomic conjuncture</td>
<td>• Periodic monitoring of the economic performance analysis of its impact on our operations.</td>
</tr>
<tr>
<td>Changes in the macroeconomic conjuncture</td>
<td>• Establishment of risk limits, monitored periodically, to assist the decision-making process by the senior management.</td>
</tr>
<tr>
<td>Changes in the macroeconomic conjuncture</td>
<td>• Diversification of the financial support portfolio.</td>
</tr>
<tr>
<td>Changes in the macroeconomic conjuncture</td>
<td>• Performance of the Finance Committee.</td>
</tr>
<tr>
<td>Volatility of the capital market</td>
<td></td>
</tr>
<tr>
<td>Volatility of the capital market</td>
<td>• Risk monitoring and control through periodic limits and reports.</td>
</tr>
<tr>
<td>Volatility of the capital market</td>
<td>• Performance of the Market Risk Management Committee, with recommendations for improving the management of the variable income portfolio.</td>
</tr>
<tr>
<td>Concentration of credit portfolio</td>
<td></td>
</tr>
<tr>
<td>Concentration of credit portfolio</td>
<td>• Utilization of a methodology of quantification of the individual concentration risk and development of the methodology of quantification of the sectorial concentration risk.</td>
</tr>
<tr>
<td>Concentration of credit portfolio</td>
<td>• Utilization of a methodology for monitoring high risk exposures, aiming to anticipate possible alert states.</td>
</tr>
<tr>
<td>Concentration of credit portfolio</td>
<td>• Adoption of additional provision for doubtful accounts, aiming to act preventively, due to the uncertainties of the market.</td>
</tr>
<tr>
<td>Concentration of credit portfolio</td>
<td>• Revision of risk spread.</td>
</tr>
<tr>
<td>Concentration of credit portfolio</td>
<td>• Development of the risk adjusted return methodology (Raroc).</td>
</tr>
<tr>
<td>Deterioration of credit</td>
<td></td>
</tr>
<tr>
<td>Deterioration of credit</td>
<td>• Identification and systematic analysis of the main operational risks and their internal controls, aiming to implement treatment actions and improve the methodologies used to manage operational risk.</td>
</tr>
<tr>
<td>Deterioration of credit</td>
<td></td>
</tr>
<tr>
<td>Losses resulting from external events or from failure, deficiency or inadequacy of internal processes, people or systems, inherent to any business.</td>
<td>• Utilization of methodologies of operational risk management, emphasizing the conformity to laws and standards applicable to our operation and special attention to the determinations from the Administrative and Judicial Courts.</td>
</tr>
<tr>
<td><strong>LEGAL</strong></td>
<td></td>
</tr>
<tr>
<td>Non-observance of legal order and internal standards due to the complexity of the legal and normative structures, in addition to alterations in laws or regulations applicable to our operation.</td>
<td>• Verification of legal conformity and observance of criteria established in our policies and processes of analysis and monitoring according to the specifics of each operation.</td>
</tr>
<tr>
<td>Non-observance of legal order and internal standards due to the complexity of the legal and normative structures, in addition to alterations in laws or regulations applicable to our operation.</td>
<td>• Advances regarding the execution of the Multi-Year Plan for Implementation and Monitoring of our Policy of Social and Environmental Responsibility under the management of the Socioenvironmental Sustainability and Territorial Development Committee.</td>
</tr>
<tr>
<td>All strategic objectives</td>
<td></td>
</tr>
<tr>
<td>All strategic objectives</td>
<td></td>
</tr>
<tr>
<td>Possibility of losses resultant from socioenvironmental damages associated to deterioration of the institution’s image.</td>
<td>• Monitoring and management of the institution’s image.</td>
</tr>
<tr>
<td>Possibility of losses resultant from socioenvironmental damages associated to deterioration of the institution’s image.</td>
<td>• Clients’ registration analysis with identification of points of attention related to integrity.</td>
</tr>
<tr>
<td>Possibility of losses resultant from socioenvironmental damages associated to deterioration of the institution’s image.</td>
<td>• Clients’ negative media monitoring.</td>
</tr>
<tr>
<td>Possibility of losses resultant from socioenvironmental damages associated to deterioration of the institution’s image.</td>
<td>• Evaluation and treatment of complaints received by the Ombudsman’s Office.</td>
</tr>
<tr>
<td><strong>SOCIOENVIRONMENTAL</strong></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATIONAL</strong></td>
<td></td>
</tr>
<tr>
<td>All strategic objectives</td>
<td></td>
</tr>
<tr>
<td>All strategic objectives</td>
<td></td>
</tr>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
</tr>
<tr>
<td><strong>REPUTATION</strong></td>
<td></td>
</tr>
<tr>
<td>Negative perception about the institution by relevant stakeholders, which could affect the ability to maintain or expand business relationships.</td>
<td>• Monitoring and management of the institution’s image.</td>
</tr>
<tr>
<td>Negative perception about the institution by relevant stakeholders, which could affect the ability to maintain or expand business relationships.</td>
<td>• Clients’ registration analysis with identification of points of attention related to integrity.</td>
</tr>
<tr>
<td>Negative perception about the institution by relevant stakeholders, which could affect the ability to maintain or expand business relationships.</td>
<td>• Clients’ negative media monitoring.</td>
</tr>
<tr>
<td>Negative perception about the institution by relevant stakeholders, which could affect the ability to maintain or expand business relationships.</td>
<td>• Evaluation and treatment of complaints received by the Ombudsman’s Office.</td>
</tr>
</tbody>
</table>

Legend: **SO** – main strategic objectives impacted
The risk of sectoral concentration comes from significant exposure to a single business sector or groups of economically connected sectors. In a financial institution, quantifying the impact of this type of concentration is important so that it can be aware of the value of capital that can be compromised in case of setbacks and take mitigating actions in advance.

A methodology was developed internally for the sectoral concentration risk quantification, which is currently being tested and validated.

**Reduction of Risk Spread**

In May, the risk pricing models applied in the definition of the credit risk and financial intermediation curves were improved, promoting a reduction of the interest charged on our financing, in addition to the cuts to the basic compensation occurred in March 2018. The credit risk rates charged are now differentiated by additional risk aspects specific to the operation, such as term and structure of guarantees.

**Integrated Risk Management**

The Advisory Board is responsible for approving corporate risk management and internal control policies, besides determining the implementation and overseeing the risk management and internal control systems for preventing and mitigating the main risks to which the Bank is exposed. The Advisory Board also defines the overall level of risk appetite and approves the stress-testing program.

The board is continuously informed about BNDES’s practices of risk management 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 by the Advisory Board.

In 2017, we incorporated into our risk management important concepts brought by Resolution CMN 4,557/2017, issued by the BCB, which signals the need for financial institutions to manage capital and relevant risks in an integrated and continuous manner.

Integrated risk management initiatives have been improved over the years. In 2018, the following stand out:

- Definition of integrated risk limits – based on regulatory capital indicators – formalized in the Integrated Risk Monitoring Policy (PMRI), approved in February 2018 by the BNDES’s Advisory Board; and
- Stress tests integrated by means of an internally developed optimization model, called ALM@Risk. The individual and integrated tests are consolidated into a stress testing program, whose results are periodically reported to the Bank’s senior management.

In 2018, the risk management policies, which determine guidelines and orientations for the management of the themes, have been reviewed and updated. The following documents have also been updated:

- BNDES Business Continuity Management Program: defines the components of our Continuity Management System and the governance structure for contingency management.
- Incident Management Plan: determines the procedures for triggering the contingency in the institution and the roles and responsibilities of all involved.

**Integrated Stress Tests**

We run three integrated stress tests per year. The first is carried out at the beginning of the year in the context of the internal capital adequacy assessment process (Icaap), an annual regulatory exercise that includes identifying and measuring risks and assessing the adequacy of capital to support such risks. The second is the Bottom-Up Stress Test (Tebu), which is similar to the Icaap, but with macroeconomic scenarios reported by the BCB. The third is the Integrated Management Stress Test (Tegi), which is performed in the middle of the year.

Broadly speaking, the integrated stress tests consist of simulating BNDES’s balance sheet, result, capital and credit, market, liquidity and operational risks based on the ALM@Risk simulation model, in order to analyze in a dynamic and prospective way our ability to capitalize on a series of business, market and regulatory constraints.

**Risk Appetite**

In 2018, we effectively implemented the risk appetite framework after the appreciation of our collegiate bodies. Besides being a good risk management practice, the framework meets BCB’s requirement (Resolution CMN 4,557/2017) on financial institutions to define risk appetite.

The declaration of risk appetite contemplates quantitative and qualitative aspects, as well as the interaction of risk with our strategic planning. The statement is intended for our internal public, in order to guide the actions of all employees, and addresses the different risks of the institution, especially those related to credit, market and operational activities.
CAPITAL INDICATORS

Prudential indicators remained at comfortable levels throughout 2018, with the Basel index reaching values above 30%. The schedule for reframing the exposure limit per client, established by Resolution CMN 4,430/2015, was fulfilled in advance in June 2018. However, new and more stringent regulatory limits came into force in January 2019.

LIMIT OF EXPOSURE TO COMPANIES OF THE SAME GROUP

In June 2018, all our exposures per client were below 25% of the reference equity, therefore, fully framed, according to active resolutions.

For the calculation of the exposure per client, the sum of the debit balances, the balances to be released from contracted operations, the value of the guarantees provided by BNDES and the book value of BNDES shareholdings are taken into account. The interbank onlending operations are excluded from the sum. The companies of Petrobras and Eletrobras groups are considered separately.

However, resolutions CMN 2,844/2001, CMN 3,963/2011 and CMN 4,430/2015 were replaced on January 1, 2019 by resolutions CMN 4,677/2018 and CMN 4,678/2018, which may represent another scenario of noncompliance.

Among other changes, the new resolutions set the exposure limit at 25% of Tier I capital and extinguished the exceptional differential treatment for Petrobras and Eletrobras groups.

EXCLUSION OF FAT FROM REFERENCE EQUITY

As established by CMN Resolution 4,679/2018, FAT’s resources will no longer form Tier II capital (N2), up to 2029, which over time tends to reduce our main prudential indicators.

The limit on the amount of resources recognized in N2 will be reduced by 10% per year – 90% on January 1, 2020 to 0% on January 1, 2029 – considering June 2018 figures.

INFORMATION SECURITY

In 2018, the National Monetary Council (CMN) issued Resolution 4,658, which provides for cybersecurity policy and the requirements for hiring data processing and storage and cloud computing services to be observed by financial institutions authorized by the BCB to operate.

This resolution brought new guidelines to the integration process between cyber risk management and business continuity, which was already underway at our institution.

Based on these guidelines, we were able to improve our methodology for integrated risk management, aligned with our regulator’s guidelines and with the objectives of standardizing our management procedures and increasing the institution’s resilience.

In relation to the strategic information security plan (2017-2018), the following are highlights, among others: the evolution of the access revision system to contemplate the periodic review; awareness raising actions and information security training for senior management; implementation of the system for the detection and prevention of cyber threats in the network (IPS); and the conformity assessment and planning of actions to meet the requirements of CMN Resolution 4,658/2018.
OUR RELATIONSHIPS

Based on dialogue and cooperation, we continuously work to improve communication with our relationship audiences.

In March 2018, we created the Communication and Institutional Relations Division in response to a demand from our functional body, which elected its creation as a priority in the ideaLab, an institutional program carried out in 2017 to stimulate innovation in processes, products and services.

The division aims to broaden external dialogue; contribute to improving our image and reputation; and assist in generating business.

Communication was also one of the corporate projects of the year, and one of its results was the construction of the key themes radar for anticipating image risks. The implementation of the tool is planned for 2019.

See our actions and channels of relationship with our main audiences:

CLIENTS

PERSON-TO-PERSON ASSISTANCE

We attend to clients and the general public in our offices in Brasília, Recife, Rio de Janeiro and São Paulo, providing business orientation. In 2018, 985 assistance events were registered, most of them for MSMEs.

Our information points, in partnership with 21 institutions of corporate representation, maintained the support for entrepreneurs throughout Brazil, totaling 2,926 calls on lines of financing. We also seek to meet the investment demands of potential clients, carrying out an active prospecting and business origination agenda.

CALL CENTER

Our call center offers service to the external public regarding our products, services and activities. In 2018, about 245,000 assistances were made, 87% by telephone, 12% by web form and 1% by other channels. In a post-service satisfaction survey, 96% of the respondents considered the service excellent or good. The center also carried out around 2,800 active contacts, supporting processes of accreditation, product activation and BNDES Card applications.

Client Relationship Management (CRM)

In September, the CRM suite tool to manage the demands handled by the Call Center came into production. In addition to time and resolution controls, the implementation of a knowledge base allows the standardization of responses and the identification of needs for the creation of new service models.

RECLAME AQUI PORTAL

In 2018, 28 complaints on BNDES were recorded on the Reclame Aqui portal, all of which were answered. Throughout the year, the evaluation ranged from regular to poor, mainly due to the difficulty of accessing our credit through financial agents. We have maintained the practice of calling the claimant and presenting ways to mitigate the issue.

PARTICIPATIONS IN FAIRS AND EVENTS

Business fairs

We were present in 18 business fairs and business forums in 2018. About 5,000 people visited our stand, mainly representatives from MSMEs. A highlight was the Entrepreneur Fair, in São Paulo, which attracted 3,836 visitors to the lectures held by the Bank’s technical staff.

Events targeting MSMEs

Through a lecture cycle called “O BNDES Mais Perto de Você” (BNDES Closer to You), the Bank’s teams travel across Brazil to hold free lectures focused on the financing lines most appropriate to the needs of MSMEs. In 2018, 2,086 people attended the lectures. Of the attending public, 92% rated them with grades between 8 and 10, reaching an average of 9.20 points.

We also participated in 140 events, in partnership with Sebrae and other entities, reaching an audience of more than 5,000 entrepreneurs in face-to-face or distance actions. We can highlight the Credit Seminars, which publicize our ways of support and enable the contact between entrepreneurs and financial agents. In 2018, 128 lectures were held in cities of 18 states and the Federal District, bringing together almost 4,000 participants.
ADVERTISING

The first advertising campaign of the year focused on BNDES Giro, a working capital credit line then in effect. With simple and relaxed language, it presented the main advantages of the product and sought to approach micro, small and medium-sized entrepreneurs, demystifying the idea that our financing lines only attend to large companies. The campaign, initially launched in March, was broadcast again in September, and remained until December.

With the concept “There is BNDES,” the largest campaign of the year was to increase knowledge of BNDES and legitimize our role as a development bank. The creative line adopted in the campaign sought to highlight a more human, present and attractive brand, making our presence in the most diverse segments tangible. Broadcast nationally on open TV, closed TV and internet, and with regional reinforcement on the radio and outdoor media, the campaign started in November.

In total, our advertising activities represented an investment of approximately R$ 40 million in 2018. This represents 0.26% of our gross operating revenue (ROB) in 2017.

SOCIETY

CITIZEN INFORMATION SERVICE (SIC)

Responsible for handling applications received under the Access to Information Law (Law 12,527/2011), SIC offers face-to-face service (Rio de Janeiro), telephone, correspondence, via e-mail or by the e-SIC System.

In 2018, we received 559 requests for information, all responded within legal deadlines. Only 5.5% of these requests were represented as appeals at the first instance. The main topics demanded were privatization; export operations; operations with states and municipalities; statistical data on our performance; variable income; copies of operating contracts; public biddings and human resources.

OMBUDSPERSON’S OFFICE

Ombudsperson’s Office is our main channel for reports, communication and intermediation with society, as well as with our internal public, including for the mediation of conflicts. Over the year, we received and treated 1,786 demands (24.0% more than in 2017), and 56.6% of them were registered by companies and 43.4% by individuals, according to the adjacent table.
WEBSITE

We continue seeking increasing transparency, by providing more pieces of information and organizing them in a way that facilitates access. In 2018, the website maintained its audience level: it received 5,078,499 visits, a slight increase of 0.6% over the previous year. The average length of stay increased by 12.57%, from 4min9s to 4min40s. In turn, the rejection rate (visitors entering and leaving the website from a single page) fell 35.36%, from 31.9% to 20.62%.

SOCIAL NETWORKS

The presence of BNDES on social networks was marked by an increase in exposure, due to the intense political debate in an electoral year, and the publicity campaigns carried out throughout 2018, whose practical effect was the expansion of its main channels’ base of followers.

ESPACO CULTURAL BNDES

In 2018, we performed 87 musical shows at BNDES Theater and three exhibitions in our gallery, with a total of 31,380 visitors. There were presentations from great names of Brazilian music genres, such as Fernanda Abreu, João Bosco and Geraldo Azevedo. In the classical music program, the Anima Group and the Quaternaglia guitar quartet were on stage.

In the gallery, two exhibitions stood out with success of public and critic. Luz com Trevas (Light with Darkness), by the artist Cabelo, was chosen by O Globo newspaper one of the ten best exhibitions of the year in Rio de Janeiro. In turn, Bossa 60: Passo a Compasso, pleased with its homage to the musical genre recognized all over the world.

MEMORIA BNDES

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

In 2018, we launched the website Memória BNDES, with the purpose of gathering and disseminating the main milestones of our trajectory. On the website, it is possible to access the timeline, watch excerpts from testimonials, and access images and memory products. Those interested can also subscribe to receive updates on our history.

PLATFORM FOR DIALOGUE AND ENGAGEMENT

With the objective of rebuilding connections with our main stakeholders and strengthening our relationship with governments, control bodies and entities and actors representing civil society, we have created a dialogue platform called “Dialogues for Development.” We began to work in 2018 in its conception and in some pilot initiatives with civil society, encompassing entities from the financial, productive, social, academic, opinion leaders, among others.

PRESS

PRESS OFFICE

Over the year, we answered 1,259 requests from the media and counted 90,572 articles in the press with mention to BNDES, an increase of 4.6% in relation to 2017. We disclosed to the press 316
We sponsor sports, culture and education by recognizing the potential of these segments to generate social and economic benefits for the country. We also sponsor technical-scientific events related to our performance.

**Cultural sponsorship**

Our sponsorships cover music, audiovisual and literature sectors, and literature was our main focus in 2018. We are looking for literary projects with a strong transformative impact that promote public interest in reading and social inclusion. We sponsor projects in all regions of Brazil, prioritizing communities far from the large urban centers and strengthening our role as an agent of democratization of access to culture. We can mention as highlights in the year the sponsorship to the International Periphery’s Literary Festival (Flup), a Brazilian literary festival specifically for the public in the outskirts of Rio de Janeiro, and the Amazonia of Words project, which takes literary activities to communities in the Amazon that are difficult to reach. We sponsored 13 projects in total, an investment of R$ 4,420,800, with about 1.5 million people directly impacted.

**Sports Sponsorship**

We are the official sponsor of Brazilian canoeing since 2011. In 2018, we disbursed R$ 2,082,441 to the project to support the participation of speed, slalom and parachute canoeing teams in international competitions of the sport’s official calendar. One of the highlights was the “Mano a Mano Challenge,” in Rio de Janeiro. The main attraction was a duel between the Brazilian Isaquias Queiroz and the German Sebastian Brendel, the greatest athletes of the sport. The event had live broadcast on open and closed TV channels, with a total impact of eight million people reached.

Brazilian athletes have remained among the best in the world in the modality with great results, showing the importance of the work that we carried out throughout these years.

**Technical-scientific events**

With the main objectives of disseminating knowledge, generating business and promoting our business segments, we sponsored 47 technical projects in 2018, such as congresses, conferences and fairs. In 2018, we selected thematic projects aligned to our new strategic orientations, highlighting the innovation segments and MSMEs. The investment totaled R$ 5,880,901.25.
Other highlights are the section Fact or Rumor, dedicated to checking incorrect information about our activities – which circulate, above all, in social networks – and the Development Blog which brings studies, articles and contents about our knowledge production.

INVESTORS

We held meetings in 2018 with investors in the US and Europe. We have had contact with more than 150 international investors, with participation in individual meetings, small groups and congresses.

PUBLIC ADMINISTRATION

FEDERAL EXECUTIVE BRANCH

We work in partnership with the Federal Executive branch in formulating and executing policies and actions, through meetings, participation in working groups and councils. The World Water Forum, the support for the structuring of SDGs events and the organization of the Brazil Investment Forum are among the issues addressed in 2018. We also held the event Dialogues with the Esplanade, in partnership with the National School of Public Administration (Enap), to address issues such as our new strategy, project development, infrastructure, and socioenvironmental performance with Federal Government’s executives.

FEDERAL LEGISLATIVE BRANCH

The number of legislative proposals monitored in 2018 reached 236, with the following main themes: tax reform; the creation of the mechanism of operation of the equity funds; the use of TLP also for constitutional funds; the new Sanitation Framework; and the possibility of using FGTS’s resources in operations with philanthropic hospitals. In addition, 12 information and hearing requests were submitted.

JUDICIAL POWER AND CONTROL BODIES

We interact with control and supervisory bodies, such as TCU, CGU, BCB and CVM, routinely providing information and clarification, developing partnerships and cooperation agreements with the objective of improving our performance in aspects related to risk management and controls, internal and external regulatory compliance and transparency.

We maintain an interface with the Public Prosecutor’s Office, Federal Police and Judicial Power in the monitoring of processes and fulfilment of requests for information, documents and compliance with judicial orders.

TCU

In 2018, we promoted several actions together with the TCU, such as the seminar on capital markets, held in June, at the Court’s headquarters in Brasilia. Authorities and experts in the industry have discussed topics such as the importance of the capital market for Brazilian economic development, the role of development banks in the capital market, institutional controls of public management, as well as corporate governance and compliance in this market scope.

Reinforcing our commitment to transparency, in August, we promoted, in partnership with the TCU, a public consultation aimed at collecting subsidies from society for the improvement of the information disclosed in the section Transparency of our website. In November, we signed a technical cooperation agreement with the Court for the exchange of technologies, knowledge, information and databases.

Learn more in the section Transparency and effectiveness (page 60)

CGU

In March, the 2016 technical cooperation agreement signed between BNDES and CGU was extended for a further 24 months to promote the exchange of information and knowledge, which includes the adoption of measures such as the sharing of training and support for the improvement of the BNDES Integrity Program.

PARTNERS

FINANCIAL AGENTS

Improving our relationship with financial agents was one of our priorities for 2018. Eleven training classes were held for this audience, totaling 392 participants in a model that seeks to meet the specific demands of each agent, allowing personalized content and technical meetings to be promoted for topics such as BNDES Online, monitoring, MSME Channel and agricultural programs.

In addition, in December, the online training tool was reactivated, which allows employees of financial agents, as well as entrepreneurs, students and suppliers, to access courses and information about the lines and products we offer.

In 2018, webinars on TLP, Climate Fund and the new monitoring system were held for this public.

There were also forums with the financial agents, with the participation of about 330 representatives from more than fifty institutions, including financial agents and associations such as the Brazilian Federation of Banks (Febraban) and ABDE.
BUSINESS ASSOCIATIONS AND SYSTEMS

In 2018, two new technical cooperation agreements were signed. The plan of action of the agreement with Sebrae establishes joint actions to support the public of micro and small-sized enterprises (MSEs), aiming at, for example, the integration of the business orientation of Sebrae to the BNDES MSME Channel; exchange of information between institutions’ credit guarantee systems, and studies for the use of fintechs in improving access to credit by small businesses.

The cooperation agreement with Fecomércio-SP has the objective of promoting the dissemination of BNDES policies and forms of action for São Paulo MSEs in the sectors of trade in goods, services and tourism and the exchange of information between institutions.

ACADEMIA AND OPINION LEADERS

PUBLICATIONS

We edit and publish periodicals and special books with the aim of sharing with society the knowledge produced by our technical staff. All of them can be accessed in our digital library and in the section Knowledge of our website. Printed versions or a subscription can be requested for free.

In 2018, in addition to our traditional periodicals, such as BNDES Magazine and BNDES Sectorial, we launched the “Sectorial agendas for reaching the goal,” which is part of “Vision 2035: Brazil, developed country,” which combines an analysis on 17 sectors of the Brazilian economy with strategic planning techniques through scenarios, to build a development agenda for the country in the 2018-2035 horizon.

DIGITAL LIBRARY

In 2018, the digital library had almost 600,000 accesses, with about 1.8 million downloads. There was inclusion of 362 new documents, and the platform DSpace was updated, which now has the Spanish language, in addition to a more user-friendly interface. We joined the Southeast Repository Network and the Brazilian Portal for Open Access to Scientific Information (OasisBR).

PRODUCTION OF CONTENT

In 2018, content such as articles, infographics and videos, published in the section Knowledge of the website, migrated to the new Development Blog, which is part of the BNDES News Agency. Launched in 2018, the blog brings the main discussions about development and the most varied sectors in which we operate, such as exclusive articles of our employees and interviews with internal and external experts.

Those interested in our content can subscribe to our newsletter, which, in addition to bringing information about publication releases, also warns about new publications in the Development Blog. In December 2018, after little more than two years of operation, the newsletter had a base of approximately 2,500 subscribers, with growth of over 100% in relation to the previous year.

BNDES ECONOMICS PRIZE

Since 1977, we have been promoting the Prêmio BNDES de Economia (BNDES Economics Prize) in order to stimulate research on national, regional and sectoral economic issues in the fields of pure and applied economic science. The first places in the masters and doctorate categories, besides receiving the money prize, have their works published by the Bank. In 2018, in the doctoral category, the thesis Capital and work in Brazil in the 21st century: the impact of transfer and taxation policies on inequality, consumption and production structure, by Débora Freire Cardoso, from UFMG, was ranked first in the 37th edition. The first place in the master’s category was for the dissertation State and development: the semiconductor industry in Brazil, by Flavia Filippin, from Unicamp.

INSTITUTIONAL LECTURES

We received delegations and groups of students from national and foreign educational institutions to hold lectures on the Brazilian economy and our work. In 2018, we held 21 institutional presentations for a public of 563 visitors. Among the groups received, we can highlight Columbia Business School, Alide 2018 Internship, Cornell University, Wharton School of Business/Lauder Institute and ABSA/Barclays Bank.
OUR TEAM

We count on a committed staff, selected by public recruit examination, always in search of excellence, one of our principles, and the qualification necessary to fulfill our mission.

PERSONNEL PROFILE

Our team ended 2018 with 2,688 employees, of which 2,675 were hired for an indefinite period, through a public recruitment examination (1,732 males and 943 females), 12 temporarily contracted to hold positions in a committee linked to senior management, and one coming from a state body with the same purpose (in total, seven males and six females).

In both cases, the employment contract is based on the Consolidation of Labor Laws (CLT). The last public selection took place in 2012 and its reserve record expired in June 2015. Since then, in line with Federal Government guidelines, there have been no new public selections for staff reserve records.

In addition to our own personnel, we have contracted outsourcing only for services not related to our final activities, such as cleaning, technical support, security and messaging, based on pertinent regulations. In order to mitigate the labor and social security risks of outsourced workers, we monitor contracted companies’ compliance with the associated legislation.

In the last three years, in order to reduce costs, we have reduced the number of outsourced workers by 21.42%.

* President and four external directors not included
BNDES COLLECTIVE BODIES

PER GENDER

<table>
<thead>
<tr>
<th>BNDES Advisory Board</th>
<th>88.9%</th>
<th>11.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNDES Fiscal Council</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Auditing Committee</td>
<td>66.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Risk Committee</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

PER AGE GROUP

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Female</th>
<th>Male</th>
<th>Up to 29 years old</th>
<th>30 to 50 years old</th>
<th>More than 50 years old</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNDES Advisory Board</td>
<td></td>
<td></td>
<td>66.7%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td>BNDES Fiscal Council</td>
<td></td>
<td></td>
<td>60%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Auditing Committee</td>
<td></td>
<td></td>
<td>33.3%</td>
<td>66.7%</td>
<td></td>
</tr>
<tr>
<td>Risk Committee</td>
<td></td>
<td></td>
<td>33.3%</td>
<td>66.7%</td>
<td></td>
</tr>
</tbody>
</table>

EMPLOYEES

BY OPERATIONAL UNITY

BY RACE

<table>
<thead>
<tr>
<th>Race</th>
<th>2,177</th>
<th>27</th>
<th>353</th>
<th>6</th>
<th>44</th>
<th>81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td></td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mulatto</td>
<td></td>
<td></td>
<td>353</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous</td>
<td></td>
<td></td>
<td></td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caucasian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>81</td>
</tr>
<tr>
<td>Not informed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EDUCATION

<table>
<thead>
<tr>
<th>Degree Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>82.1%</td>
</tr>
<tr>
<td>Basic education</td>
<td>16.3%</td>
</tr>
<tr>
<td>Graduate program</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

WITH UNDERGRADUATE DEGREE

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorney</td>
<td>16.9%</td>
</tr>
<tr>
<td>Engineer</td>
<td>15.9%</td>
</tr>
<tr>
<td>Manager</td>
<td>15.4%</td>
</tr>
<tr>
<td>Accountant</td>
<td>15.1%</td>
</tr>
<tr>
<td>Economist</td>
<td>13.4%</td>
</tr>
<tr>
<td>Systems Analyst</td>
<td>4.8%</td>
</tr>
<tr>
<td>Others*</td>
<td></td>
</tr>
</tbody>
</table>

*Architect, archivist, librarian, geologist, psychologist, communications professional and commissioned position

ADMISSIONS

(external advisors)

12

RESIGNATIONS

82

1.7%

TURNOVER RATE

834 with bachelor's degree
774 with master's degree
96 with doctorate degree
EMPLOYEE ALLOCATION

According to our strategy, in 2018, we established a reference quantitative (QR) for each of our divisions, which serves as a parameter to define employee minimum and maximum limits that each unit can have.

The sizing study can take into account information on the history of people allocation, workload assessment, strategic priorities, minimum standards of control scope (number of employees subordinated to a manager) and benchmarking of other institutions, among other indicators.

The Organization and Management corporate project was responsible for resizing our divisions as part of its scope. The type of activity performed by each division – transactional (more standardized and supportive activities) or analytical (more complex activities, which require further analysis) – was also considered an objective criterion of the methodology.

The new control scope reference used considered the level of transactional effort of each organizational unit, defining greater control range for those with greater transactional effort.

<table>
<thead>
<tr>
<th>PLATFORM</th>
<th>QUANTITY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Management</td>
<td>484</td>
<td>18.01</td>
</tr>
<tr>
<td>Finalistic macroprocess (business)</td>
<td>1,437</td>
<td>53.46</td>
</tr>
<tr>
<td>Support</td>
<td>767</td>
<td>28.53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,688</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

SELECTION OF EXECUTIVES

All trust positions up to deputy managing director level are occupied by permanent staff employees. The Presidency’s chief of staff and advisory functions may be occupied by temporarily contracted employees, as long as they account for a maximum of 2% of the staff.

In the second half of 2018, all trust positions (with the exception of secretaries and advisors) were defined by selection process. Seventy-two selections were performed, all with wide dissemination of vacancies and previously established criteria. There were 2,033 registrations, with an average of 28.2 registered per vacancy. The first phase of the selection processes was composed of curricular punctuation (higher education) or theoretical test (secondary education) and then, in a previously disclosed number, the best ranked were invited to the interview phase. Of the selected candidates, 36 were transferred from other units and 42 did not exercise executive function.

REMUERATIONS AND BENEFITS

In the hiring for an indefinite period, there is no differentiation in the admission of men and women – all participate in public sector recruitment examination and are selected based on their performance. When hired, they are admitted obligatorily 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 by readjustments in the Collective Labor Dispute, by level-to-level evolution in the positions and salary plans according to process of annual promotion or by taking office in executive positions. Employees at the same level or in same executive function earn equal remunerations 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).

PLR payment is only made in case of net profit and payment of relevant dividends, and depends on the achievement of targets in indicators of strategic priorities, financial sustainability and priorities of the areas. The PLR agreement is approved by BNDES’s Board of Directors and Sest and is negotiated with the unions.

In 2018, employees started to pay the transportation allowance – previously covered by BNDES – up to 4% of the base salary, as approved in the ACT.

In compliance with Resolution CGPAR 23/2018, we instituted the health care benefit in the reimbursement modality for employees admitted as of March 19, 2018. For these cases, we reimburse up to 50% of the amount contracted with private health insurance companies. Our participation may not exceed the employee’s participation.

We also offer, in accordance with the Programa Empresa Cidadã (Citizen-Company Program), paternity leave of twenty days and option to extend the maternity leave up to 180 days. In 2018, there were 95 maternity leaves, 104 paternity leaves, with 100% of return of those whose leave 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 2018, total expenditure on active employees – from the permanent staff, assigned, commissioned position transitory post employees, members of the Board of Directors and from statutory boards and committees – was R$ 1,928 million.
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 and Council Members**

Pursuant to Law 9,292/1996 and the BNDES Statute, the remuneration ceiling of members of the Advisory Board 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 the BNDES’s Auditing Committee cannot be less than 10% of the average monthly remuneration of the directors, nor inferior to the remuneration of the BNDES's Fiscal Council. The members of the Risk Committee, constituted in 2018, have remuneration of equal value to the fiscal council members, being also bound to the effective participation in committee meetings.

The members of the Advisory Board and of the Fiscal and Auditing committees are not allowed to participate in the profit-sharing program.

**CAREER PLAN**

Throughout 2017 and 2018, we carried out studies, technical analyses and proposals to improve our career conditions. After the organizational diagnosis and the mapping of the executive and technical positions, the Career Map was elaborated – a set of career trajectories applicable to the BNDES, which will serve as a basis for human resource actions and provide employees with better planning of the development and evolution of their careers.

**INDIVIDUAL PERFORMANCE MANAGEMENT (GDI)**

Through this tool, managers and subordinates align their expectations regarding activities and behaviors expected in the year, for subsequent monitoring, evaluation and feedback. The GDI has three stages: agreement, monitoring and evaluation.

**PROFESSIONAL AND PERSONAL DEVELOPMENT**

In 2018, we invested approximately R$ 12.2 million in training, certification and language programs, as well as graduate programs (with 60 new participations), totaling 175,759 hours, in an average of 65.7 hours of training per employee.

We expanded training with internal instructors and offered new courses, with emphasis on data science, with blockchain courses and their applications, storytelling with data and microstrategy.

We also expanded the internal distance education program, which now has 15 courses and 22 video tutorials (all with internal instructors), in addition to 57 recorded events, all hosted on an open source learning platform.

---

**DISTRIBUTION OF EXPENSES**

<table>
<thead>
<tr>
<th>Type of Expense</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and fixed benefits</td>
<td>40%</td>
</tr>
<tr>
<td>Social and labor charges</td>
<td>23%</td>
</tr>
<tr>
<td>Variable compensation</td>
<td>15%</td>
</tr>
<tr>
<td>Assistance and social security benefits</td>
<td>10%</td>
</tr>
<tr>
<td>Gratuities and additional benefits</td>
<td>6%</td>
</tr>
<tr>
<td>Benefits</td>
<td>5%</td>
</tr>
<tr>
<td>Indemnity expenses</td>
<td>1%</td>
</tr>
</tbody>
</table>

**REMUNERATION OF SENIOR MANAGEMENT, ADVISORY BOARD AND COUNCIL MEMBERS**

The global remuneration policy for senior managers and Advisory Board members – composed of fixed remuneration, variable compensation, benefits, rights and obligations – is prepared and analyzed annually by the BNDES Remuneration Committee with support from the Human Resources and Planning divisions and the President's Office, according to Sest guidelines. Subsequently, it is submitted to deliberation by the Advisory Board and by BNDES’s General Meeting. The remuneration and benefits granted to our directors are available at our website.

**Senior Management**

The members of our statutory Board of Directors are entitled to **fixed monthly fees**, as well as rights and benefits such as thirty-day leave, housing allowance, food allowance and meal allowance, health plan, and compensatory remuneration during the period of quarantine. The variable compensation of senior managers, agreed with Sest, does not include bonuses, gratuities and stock-based gains.

Long-term benefits are not granted to executives temporarily hired, including lending (a practice prohibited to all financial institutions under BCB regulation).

---

**NUMBER OF HOURS AND TOTAL NUMBER OF PARTICIPATIONS IN TRAINING**

<table>
<thead>
<tr>
<th>Type of Training</th>
<th>Number of Hours</th>
<th>Number of Participations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term and certification</td>
<td>82,017</td>
<td>1,545</td>
</tr>
<tr>
<td>Contracted</td>
<td>2,304</td>
<td>96</td>
</tr>
<tr>
<td>Internal instructor</td>
<td>30,041</td>
<td>2,121</td>
</tr>
<tr>
<td>Abroad</td>
<td>1,791</td>
<td>54</td>
</tr>
<tr>
<td>Languages</td>
<td>26,338</td>
<td>539</td>
</tr>
<tr>
<td>Graduate program</td>
<td>33,268</td>
<td>60</td>
</tr>
<tr>
<td>Grand total</td>
<td>175,759</td>
<td>4,415</td>
</tr>
</tbody>
</table>

**eSOCIAL**

In 2018, the Federal Government officially opened eSocial to begin data transmission.
After fulfilling our obligations for phases I and II (initial and scheduled events, and nonrecurrent events), we started phase III. This phase, related to the payroll events, brought a greater complexity, since it involved crossing and integration with the other already triggered events, demanding improvements in processes and systems.

We also began preparation for phase IV implementation, whose deadline for completion is July 2019, with adjustments in processes related to health, safety and occupational medicine.

**DIVERSITY AND INCLUSION**

We have an institutionalized policy of gender equity and valuing diversity 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, able to understand and meet the needs of society as well as inducing clients’ practices to promote a discrimination-free environment are some of the guidelines of this policy. Currently, 1.6% of our employees are disabled.

As specific actions developed during 2018, we highlight the extension of the pilot project of partial teleworking for employees returning from maternity and paternity leaves; dissemination in social networks of programs such as Pronaf Mulher, aimed at projects of interest to rural women producers; support and conversations on topics related to management, delivery, postpartum and adoption for employees, outsourced employees or partners of employees/outsourced employees, as well as their companions; the analysis that pointed out that the dimensions of gender and race do not significantly interfere with the professional ascension of our functional body; among many others.

**INTERNAL COMMUNICATION**

**NEW INTRANET**

In order to improve the internal public’s experience, contribute to the corporate strategy and expand the reach of content on projects, operations and institutional initiatives, we redesigned our main internal communication channel, the intranet. Among the main changes, we highlight: usability improvement, information restructuring, layout redesign and creation of new sections and functionalities.

**BNDES EM MOVIMENTO CAMPAIGN (BNDES ON THE MOVE)**

To promote engagement of the functional body in the strategic planning and corporate projects of 2018, a continuous internal communication campaign titled BNDES em Movimento was carried out.

**COMPLEMENTARY PENSION PLAN**

In December 2018, Sest approved the technical deficit plan recorded by the Basic Benefit Plan (PBB) of the BNDES Workers’ Social Security and Assistance Fund (Fapes), which combined an extraordinary contribution and reduction of benefits to be granted.

Lump-sum death benefits and pensions were identified as the most appropriate options to compose the equation plan. These rights shall be reduced to all those who are not yet receiving the pension benefit, and shall take effect as follows:

- Pensions: reduction of the benefit amount to 50% of the family quotas, plus 10% per dependent, with limitation to five dependents, and the calculation must be made on the amount of the retirement benefit.
- Lump-sum death benefits: will correspond to twice the value of the reference unit.

The maximum term for the adjustment of the deficit is 25 years, equivalent to one and a half times the duration of PBB liabilities.

Also in December, the National Superintendence of Pension Funds (Previc) approved all the proposed changes to the PBB regulation, which include, in addition to the measures to address the plan deficit, the closure of PBB to new participants, among others.

---

**HEALTH AND SAFETY IN THE WORKPLACE**

We maintain three formal commissions on health and safety at work (SST), which represent 100% of employees in their actions, namely: Internal Commission for the Prevention of Accidents (Cipa), the Auxiliary Escape Teams (EAE), and the paramedic teams.

Additionally, the collective labor agreements have been encompassing themes of this nature, such as performing regular 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 Specialized Service in Safety Engineering and Occupational Medicine (SESMT) together with Fapes.

We maintain the Environmental Risk Prevention Program (PPRA) updated and conduct the Medical Control Program (PCMSO) and other health preventive programs, following legal requirements. All these initiatives help us to achieve reduced rates of absenteeism, as well as absence of activities that represent to the employees a high incidence or a high risk of diseases related to their occupation.

---

**SST RATES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injury rate (TL)</td>
<td>5.00</td>
</tr>
<tr>
<td>Occupational disease rate (TDO)</td>
<td>zero</td>
</tr>
<tr>
<td>Lost working days rate (TDP)</td>
<td>5.59</td>
</tr>
<tr>
<td>Absenteeism rate (TA)</td>
<td>2.94</td>
</tr>
<tr>
<td>Deaths caused by work accident or occupational disease</td>
<td>zero</td>
</tr>
</tbody>
</table>

(1) Data refer to the period from 1.1.2018 to 12.31.2018.
(2) Frequency of accidents with injuries. Considering 2,000 hours of annual exposure per employee (NBR 14,280), that is, 2,000 hours x number of employees per region, based on employees of 12.31.2018. There were 27 accidents (6 typical and 21 en route).
(3) Working days, considered from the day after the injury to the day before the return. Total of lost working days due to labor accidents (typical and en route). The total number of days scheduled is 5 days/week x 44 weeks/year (considering vacations) for each employee involved. TDP = lost working days/programmed days x 100.
(4) Medical absence. Weekends and holidays, study leave, maternity/paternity leave, leave extension and advance, bereavement, marriage/honeymoon license and monitored time-off are not included. The total number of days scheduled is 5 days/week x 44 weeks/year (considering vacations) x number of employees per region, based on employees of 12.31.2018. TA = days absent/days scheduled x 100.
President of the Republic
Michel Temer

Minister of Planning, Development and Management
Esteves Colnaghi

BNDES
Advisory Board
Daniel Sigelmann
Natália Marcassa de Souza
Mansueto Facundo de Almeida Junior
George Alberto de Aguiar Soares
Walter Baere de Araújo Filho
William George Lopes Saab
Antônio José Barreto de Araújo Júnior
Juan Pedro Jensen Perdomo
Carlos Antônio Rocca

Fiscal Council
Christianne Dias Ferreira
Cláudio de Azevedo Costa
Vinicius Mendonça Neiva
André Proitê – deputy

Auditing Committee
Luciana Pires Dias
Otho Cezar Miranda de Carvalho
Paulo Marcelo de Miranda Serrano

Board of Directors
President
Dyogo Henrique de Oliveira

Managing Directors
Claudia Pimentel Trindade Prates
Ricardo Luiz de Souza Ramos
Carlos Thadeu de Freitas Gomes
Eliane Aleixo Lustosa de Andrade
Marcos Adolfo Ribeiro Ferrari
Marcelo de Siqueira Freitas

FINAME
Advisory Board
Ilana Trombka
Antônio Paulo Vogel de Medeiros
Júlio Alexandre Menezes da Silva
Mário Leão Coelho
Gleisson Cardoso Rubin
Carlos Buch Pastoriza

Fiscal Council
Bruno Monteiro Portela
Luiz Eduardo Mastalir Machado
Paula Bicudo de Castro Magalhães
Aline Ribeiro Dantas de Teixeira Soares
deputy
Joelma Medeiros Henriques

deputy
Roberta Moreira da Costa Bernardi Pereira
deputy

Executive Board of Directors
President
Dyogo Henrique de Oliveira

Managing Directors
Claudia Pimentel Trindade Prates
Ricardo Luiz de Souza Ramos
Carlos Thadeu de Freitas Gomes
Eliane Aleixo Lustosa de Andrade
Marcos Adolfo Ribeiro Ferrari
Marcelo de Siqueira Freitas

Ombudsperson’s Office
0800 702 6307
Post office box 15054
20031-120 | Rio de Janeiro | RJ
www.bndes.gov.br/ouvidoria

Offices
Brasília
Centro Empresarial Parque Cidade
Setor Comercial Sul – SCS
Quadra 9 | Torre C | 12º andar
70308-200 | Brasília | DF
Tel.: 61 3204 5600

São Paulo
Av. Presidente Juscelino Kubitschek, 510
5º andar | Vila Nova Conceição
04543-906 | São Paulo | SP
Tel.: 11 3512 5100

Recife
Rua Padre Carapuço, 858 | 18º e 19º andares
Centro Empresarial Queiroz Galvão
Torre Cícero Dias | Boa Viagem
51020-280 | Recife | PE
Tel.: 81 2127 5800

Coordination
Communication and Institutional Relations Division
Integrity, Risk Management and Controllership Division

Editing
Communication and Institutional Relations Division
Department of Communication
Publishing and Memory Management

Editorial Coordination
Fernanda Costa e Silva
Luísa de Carvalho e Silva

Writing
Flávia Castellan Braga
Gabriel Canedo
Luísa de Carvalho e Silva
Renata Memere Riski

Graphic design and layout
Refinaria Design
Translation review and proofreading
Expressão Editorial
English translation
Tikinet

Credits
Positions occupied on December 31, 2018