

OUR STRATEGY



GRI INDICATORS:

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Learn more about our institutional identity in the section *How we create value* (page 16)

Learn more in the section *Governance, ethics and integrity* (page 54)

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:

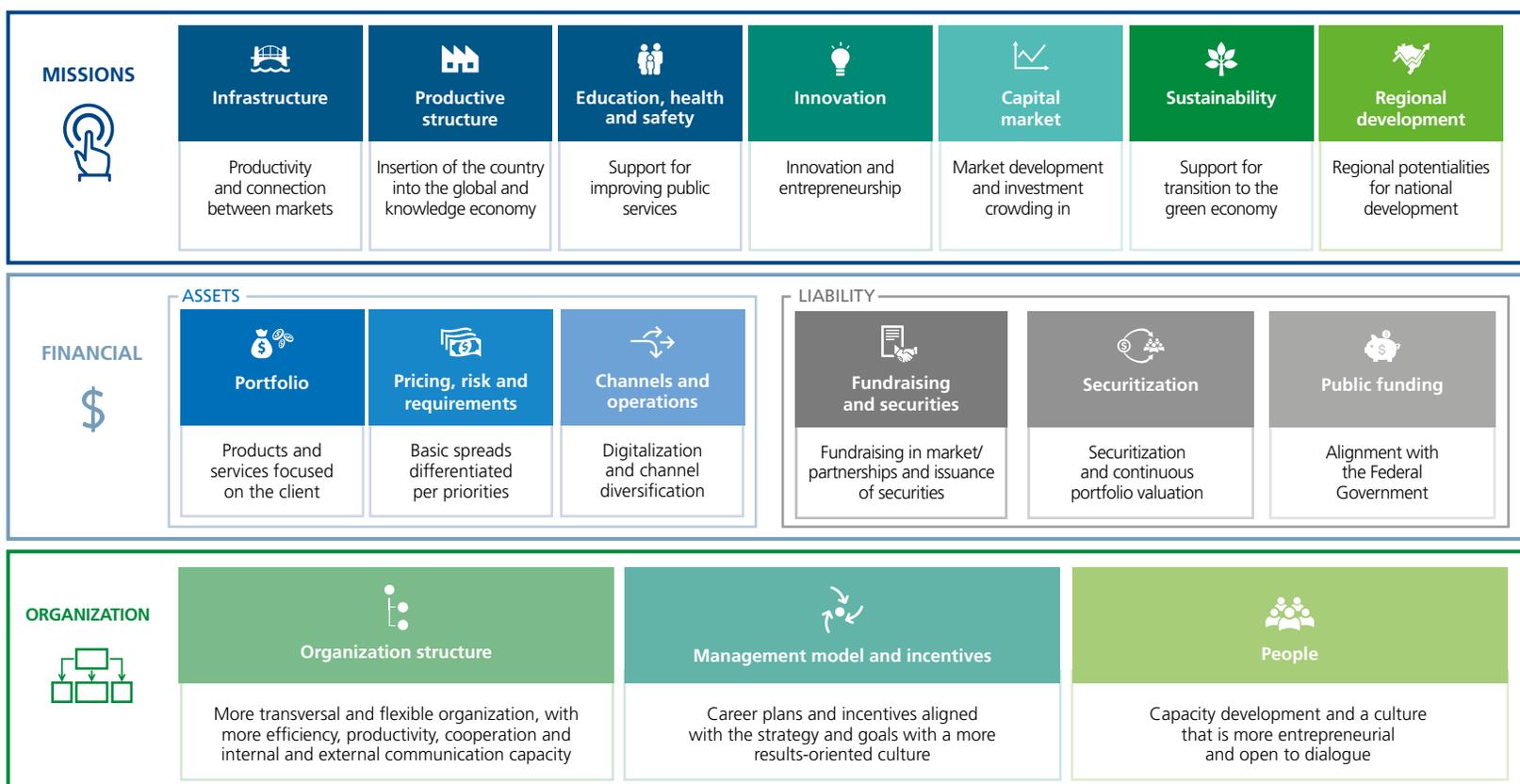
development missions, financial perspective and organization perspective, according to the map of strategic objectives to be followed.

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



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.

IN 2018, WE STRUCTURED 12 CORPORATE PROJECTS:

SO – STRATEGIC OBJECTIVES



CORPORATE INDICATOR	STRATEGIC OBJECTIVE	2018 GOAL	ACCOMPLISHED	PERFORMANCE
Disbursement in infrastructure (R\$ billion) ¹	Infrastructure	22.7	30.2	133%
Disbursement in productive structure (R\$ billion) ²	Productive structure	15.4	12.3	80%
Support for education, health and safety (R\$ billion) ³	Education, health and safety	2.2	2.1	97%
Disbursement in innovation (R\$ billion)	Innovation	2.2	1.8	84%
Investment funds portfolio (R\$ billion)	Capital market	1.7	1.73	102%
Disbursement in sustainability (R\$ billion)	Sustainability	19.4	17.3	89%
Disbursement in regional development (R\$ billion)	Regional development	13.8	18.3	133%
Number of nonautomatic operations contracted	Channels and operations	836	625	75%
Number of automatic operations contracted ⁴	Channels and operations	72,274	47,032	65%
% of project development studies	Infrastructure	100%	100%	100%
% of operations approved within 180 days	Organization structure	60%	41.05%	68%
Result from loans and onlendings/number of employees ⁵	Portfolio Pricing, risks and requirements	5.87	6.3	107%
Efficiency index (administrative and personnel expenses – R\$ thousand/number of operations) ⁶	Organization structure Portfolio	14.82	20.54	61%

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.

Strategic priorities

We monitored the performance of the priorities agreed upon by the Board of Directors.

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

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

INFRASTRUCTURE 	
Opportunity	
Strengthening of the concessions and PPPs agenda (BNDES financing and developing projects) favoring investment in logistics and sanitation.	PD HIGH ID VERY HIGH
Threat	
Maintenance or worsening of legal and regulatory instability severely hampers investments in infrastructure.	PD MEDIUM ID VERY HIGH
PRODUCTIVE STRUCTURE 	
Opportunity	
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.	PD HIGH ID VERY HIGH
Threat	
Reduction of government purchases, depending on the fiscal scenario, reduces investments in critical sectors dependent on such instruments, such as Health.	PD VERY HIGH ID HIGH
EDUCATION, HEALTH AND SAFETY 	
Opportunity	
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.	PD VERY HIGH ID HIGH
Threat	
Increase of disputes between powers and decisions not in line with sector policy guidelines (public health policy) may lead to the destructuring of planned policies, cost pressure and possible reduction of investment (uncertainty increase).	PD HIGH ID HIGH
FINANCIAL DIMENSION \$	
Opportunity	
Development of products and channels compatible with market fundraising.	PD HIGH ID HIGH
Threat	
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.	PD HIGH ID HIGH
Legend: PD – Probability degree ID – Impact degree	
INNOVATION 	
Opportunity	
Enhancement and increase in requalification lines associated with industry 4.0 (job issue)	PD VERY HIGH ID HIGH
Threat	
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.	PD MEDIUM ID HIGH
CAPITAL MARKET 	
Opportunity	
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.	PD HIGH ID HIGH
Threat	
International crisis or accentuation of political and institutional instability reduces the predictability of investments, affecting the development of the capital market.	PD MEDIUM ID HIGH
SUSTAINABILITY 	
Opportunity	
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).	PD HIGH ID HIGH
Threat	
Increased frequency of impacts of climate change on productive activities, infrastructure and society (floods, droughts, landslides, extreme events).	PD MEDIUM ID VERY HIGH
REGIONAL DEVELOPMENT 	
Opportunity	
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).	PD MEDIUM ID VERY HIGH
Threat	
Interruption and discontinuity of projects with high regional impact.	PD HIGH ID VERY HIGH

DEVELOPMENT AGENDA

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.

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.

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.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

In 2018, we began an internal effort to identify the **SDGs** to which we can contribute, and our potential contribution to each of them. Based on this result, the expectation is to establish a methodological bridge between our strategic planning, our OPs, and our effectiveness analysis.

At the end of 2018, we joined the Thematic Chamber on Partnerships and Means of Implementation (CTPMI) of the National Commission for the SDGs, created for the study and preparation of proposals related to the implementation of the 2030 Agenda in Brazil. A pioneer among the thematic chambers, CTPMI follows SDG 17 (partnerships and means of implementation) and aims to promote the formation of new partnerships between public and private sectors and civil society to identify and consolidate means of implementing the agenda.

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