



UNITED NATIONS GLOBAL COMPACT

EMBRAER S.A. - COMMUNICATION ON PROGRESS (COP)

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PRINCIPLE 1

BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS

The Code of Ethics and Conduct protects human rights, via the values held by the Company. Its content is in line with the laws, regulations and cultures of the countries in which the Company is involved.

Our corporate values and the principles of the Global Compact ensure equality for all, in terms of the right to life, safety, freedom, integrity, and no discrimination.

Corporate Sustainability Policy

Embraer adopts best practices in sustainability and currently is working toward a formal corporate sustainability policy. There is a set of guidelines for environmental protection and for occupational safety and health and the quality policy was consolidated, in 2010, via the Embraer Enterprise Excellence Program – P3E.

Environmental and Occupational Safety and Health Policy

As stated in its Environmental and Occupational Safety and Health Policy, “...Embraer shall perform all industrial and commercial operations in an environmentally sustainable, entirely safe, and healthful manner.”

For this reason, it observes the following principles: respect for the environment, and occupational safety and health are the Company’s priority, as reflected in its activities, products and services; the continuous improvement of the performance in those areas, via a combination of preventive practices, corrective actions, and innovative and effective solutions; and fully meeting standards and laws regarding the environment, health, job safety, fire prevention, and emergencies.

Furthermore: continuously training, raising awareness and informing employees and stakeholders; integrating objectives and goals for the environment, occupational safety and health with Embraer’s processes and plans; preventing and combating pollution, and ensuring that work stations be in compliance with occupational health and safety and ergonomics; and preserving natural resources, so as to avoid damaging the environment.

The organization's people are the basis for success. Embraer gives incentive to maintaining harmony between professional development, personal satisfaction, social participation and family tranquility. The responsibility for the operational monitoring of the labor aspects belongs to the Human Resources area, and its practices are founded on nationally and internationally recognized standards, such as: Brazil's Consolidated Labor Laws (Consolidação das Leis do Trabalho – CLT), International Labor Organization (ILO) and its fundamental conventions, the Universal Declaration of Human Rights, and the specific labor laws of the countries in which Embraer has Company units.

During new employees integration program, everyone receives detailed information regarding salaries, benefits, vacation time, the collective bargaining agreement, rights and duties and, also a copy of the Embraer Code of Ethics and Conduct.

In 2010, Embraer hired 1,230 new workers. The return of former employees was a priority, and took into account the profile and experience needed for the opening, and represented 377 hirings, or 30% of the total. For the first time, the Company used the social media, such as Facebook, Twitter, and LinkedIn, to announce available job openings.

Therefore, Embraer closed out 2010 with 17,149 people on its list of employees, not counting the 1,735 employees of the subsidiaries that are not wholly owned by the Company: OGMA - Indústria Aeronáutica de Portugal, and HEAI - Harbin Embraer Aircraft Industry in China.

Health and Safety Committees

Embraer has an Internal Committee on Accident Prevention (Comissão Interna para Prevenção de Acidentes – CIPA) installed and operating in each of its Brazil units. At the Faria Lima plant, the CIPA has been in place since 1971. The number of members of the CIPA is established by Regulatory Norm NR-05 of Administrative Ruling 2314/78 of the Ministry of Labor, and there are currently forty full members and thirty substitutes representing employees, who are elected annually by secret ballot. The CIPA also has forty full members and thirty substitutes named by the Company. Besides holding the annual Internal Accident Prevention Week (Semana Interna de Prevenção de Acidentes – SIPAT) at all of its units, the CIPA has its own action program prepared by the participants and revised by each new group.

Initiatives to Promote Health and Quality of Life

Embraer carries out a number of corporate programs focusing on the occupational health and quality of life of its employees and their families.

Initiatives	Description
“Well Being”	Launched in 2009, the program serves as an “umbrella” for actions promoting health and quality of life for employees and their families. Along with the program, the Well Being Minute was set up, as a weekly bulletin having information for raising the consciousness of employees regarding health and quality of life. In 2010, the program was expanded to Embraer’s units abroad, respecting employee needs and the culture of each country.
“Well Being without Smoking”	The Company has a program for reducing/eliminating smoking. It offers employee smokers treatment and psychological assistance, and has worked to eliminate smoking from its premises by 2011.
“Well Being without Drugs”	The program supports employees and their families in treatment for drug dependency.
“Well Being with the Scales”	A partnership with Weight Watchers that offers employees several methods for healthy weight loss. In all, 453 employees participated in this initiative and lost a total of 1,540 kg.
“Well Being with your Heart”	Reintegrating employees with heart problems to their customary activities with physical exercise and actions focusing on improving their lifestyles.
“Well Being with Maternity”	Created the “Breastfeeding Area”, which is a pleasant place for mothers to breastfeed their children comfortably and in privacy.
“Lecture Cycle”	This promotes an ideal environment for exchanging information and also for reflecting on how to have a better quality of life by having healthy daily habits.
“Embraer Vaccination Program”	In 2010, Embraer invested R\$ 1 million in vaccinating over 29,000 employees and their families. The program seeks to prevent endemic diseases by promoting the annual vaccination of employees and their dependents and by covering almost the entire associated costs.

Suppliers

Embraer’s actions against discrimination and forced labor are extended to the entire network of national and international suppliers. The Integrated Management System for the Environment, Occupational Safety and Health, and quality (Sistema Integrado de Gestão para o Meio Ambiente, Segurança e Saúde no Trabalho e Qualidade – SIG-MASSQ) establishes a qualification process for suppliers that covers environmental, human rights, and occupational safety and health criteria. It has been in effect since 2005, and by 2009 included 359 suppliers, of which 143 are Brazilian and 216 international. In 2010, 120 suppliers were qualified (39 Brazilian and 81 international). If irregularities are found, which did not happen during 2010, the suppliers are given orientation and a deadline is set to make corrections, on the condition that the purchase or service contract will be canceled.

Social Action

The Embraer Institute for Education and Research was founded in May 2001, and its actions and projects focus on initiatives that contribute to the social inclusion process through education, in two areas: educational projects targeting students in the public school system, and projects for improving the management process of civil organizations, NGOs, and public schools.

Besides technical criteria, the Institute's initiatives also reflect three concerns: quality, innovation and cost. The quality of social investment projects is derived, in part, from the Company's policy of requiring standards that are similar to those required of its product lines. In the aeronautics industry, quality is an absolute value and it is the conviction that there is a very real possibility for improving Brazil's public education, starting by perfecting its management and without significantly increasing the cost.

Innovation is another focus of the Institute. Since it is fully funded by a high-tech company that competes on a global scale, the issues of education and management are present in Embraer's daily routines and, consequently, there is a total commitment to discussing these issues, to supporting improved educational quality, and increasing the degree of social inclusion of talented, low-income young people.

One of the highlights of this commitment to developing young people through education is Embraer Juarez Wanderley High School. It is fully funded by Embraer, and provides quality instruction for young people from the public school system. Over the last three years, the high school obtained notable results on the National High School Exam (Exame Nacional do Ensino Médio – ENEM):

ENEM Ranking (Public and private high schools) *

	2007	2008	2009
State of São Paulo	4	1	8
Brazil	20**	8	35

* Source: Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira

** Private high schools

Social Development Actions and Projects in Brazil

Project	Description
Embraer Juarez Wanderley High School	<ul style="list-style-type: none"> The main project of the Embraer Institute for Education and Research and fully funded by the Company, and begun in 2002; Serves 600 students per year in the vicinity of the cities of São José dos Campos, Taubaté, Caçapava, and Jacareí; Free quality instruction with a pedagogical focus on stimulating autonomy; Full-time high school for students from the public school system; According to the Ministry of Education, it is the 8th best high school in the State of São Paulo and 21st in the Southeast region, and 35th in the Nation (ENEM-2009).
University Preparation Program	<ul style="list-style-type: none"> Began in 2006; Prepares curriculum in association with the U.S. Center for Occupational Research and Development (CORD), Rede Pitágoras de Ensino, the Education and Research Institute of the Syria-Lebanese Hospital. Bring job market realities into the school classroom; Preparation for academic and professional challenges; 800 class/hours over four semesters: exact sciences (pre-engineering), humanities (pre-humanities and administration), and biomedical (pre-biomedical). In 2010, 400 students participated in the program.
Scholarship Fund	<ul style="list-style-type: none"> Began in 2005; Embraer is the biggest contributor to the Fund, participating with up to 25% of the monthly amount paid to each one who receives a scholarship Helps cover general expenses of alumni of Embraer Juarez Wanderley High School who study at universities outside of the São José dos Campos region; The scholarships are granted only to students with excellent academic performance, accepted at public or private universities with a study scholarship from the Government (PROUNI), and who have financial limitations that keep them from continuing their studies; Former students of Embraer Juarez Wanderley High School benefited by the program become contributors to the Fund, after they graduate from the university, thus returning the amount of the scholarship, with monetary correction; In 2010, 313 students were benefited.
Embraer Mini-glider Competition	<ul style="list-style-type: none"> After beginning in 2009, the 2nd edition of the Competition was held in 2010; The program is carried out in a partnership with the Embraer Institute and volunteer employees from Embraer; Take real challenges to 7th through 9th grade students, from the preparation of a Project Report, with drawings, sketches and explanations related to the solutions used to develop the mini-glider, until it is built and tested, in order to evaluate, in practice, the performance of the aircraft during the flight competition; In 2010, 260 students participated in the program.

School Action Program (Programa Ação na Escola – PAE)	<ul style="list-style-type: none"> • Program for participative administration by the community in the school; • Since it was created in 2006, 41,848 students have been benefited. In 2010, there were more 8,768 students; • Stimulate reflection on the quality of school administration and propose improvements in the educational model of public primary and high schools; • Projects are analyzed by the Embraer Institute; • Methodology developed under the coordination of Ação Educativa, UNICEF, United Nations Development Program (UNDP), and Inep-MEC.
Social Partnership Program (Programa Parceria Social – PPS)	<ul style="list-style-type: none"> • Created in 2004, it helps NGOs be able to prepare and develop projects; • Stimulates social culture to mobilize society in identifying and solving problems; • Embraer employees actively participate, voluntarily preparing and carrying out projects developed by social organizations; • Since 2004, it has supported 75 projects, 14 only in 2010.
Digital Inclusion	<ul style="list-style-type: none"> • An eight-month course for students from the State school system; • Qualifies participants with knowledge of information technology and citizenship; • Offers professional training alternatives to be used to enter the job market; • Since it was created, in 2003, 240 students have been benefited, 40 of them in 2010; • Embraer employee volunteers participate as instructors.
Mini-company	<ul style="list-style-type: none"> • Created in 2002, in association with Municipal Departments of Education and Junior Achievement of the State of São Paulo; • Embraer employees volunteer for the program to guide the students; • The objective is to stimulate an enterprising spirit in young people; • The program lasts for 15 weeks, with weekly sessions of three-and-one-half hours. Participants create a company, choose their product, manufacture it and sell it. In this way, they learn the main processes in the daily life of a business; • Eighth grade students from public schools participate in the program; • The funds needed for creating the mini-company are raised by the students, themselves, through the sale of shares; • At the end of the program, the mini-companies are liquidated and the results are distributed among the shareholders.
Robotics Project	<ul style="list-style-type: none"> • Created in 2009, in association with GAMT – and NGO in Caçapava (São Paulo), which trained the educators of Gavião Peixoto; • Through educational robotics, offers a learning environment that can awaken new interests regarding the subjects already experienced by the students in the classroom; • Twenty students from public schools in Gavião Peixoto participated in the project, from the ages 14 to 17.

Program for Handicapped Individuals	<ul style="list-style-type: none"> • Training and enabling program for the handicapped, created in 2002; • Has benefited some 78 handicapped young people, of which 35 in 2010.
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In 2010, Embraer invested about R\$ 12 million in educational and cultural programs that benefit the local community.

Besides the programs, Embraer promoted or participated in several isolated social action and consciousness raising projects.

Program for Handicapped Individuals – In February 2010, the Embraer Institute invested R\$ 60,000 and benefited 35 students with special needs from the Elza Regina Ferreira Bevilacqua Municipal School, in São José dos Campos, which received two ergonomic stations for computer use that adjust to the student's needs, providing comfort and access to pedagogical support tools in the information technology room of the school. The pilot project in the city was backed by the Department of Education of the city of São José dos Campos.

Pink Jet – In October 2010, Embraer, Azul Linhas Aéreas Brasileiras, and the Brazilian Federation of Philanthropic Institutions Supporting Breast Health (Federação Brasileira de Instituições Filantrópicas de Apoio à Saúde da Mama – FEMAMA) united in a campaign for preventing breast cancer, for the purpose of raising awareness regarding the importance of early diagnosis, in order to give a greater chance of cure of the disease. To symbolize this initiative, an EMBRAER 195 for Azul was painted pink, which is the worldwide symbol for the fight against breast cancer. The jet is operated by a crew consisting exclusively of women who also wear pink uniforms. The campaign launch coincided with the worldwide Pink October mobilization against breast cancer.

PRINCIPLE 2

BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

Code of Ethics and Conduct

Five years after its approval, our Code of Ethics and Conduct fits perfectly into the Company's commitment to intensify its focus on actions that ensure sustainable development.

Taking into account our corporate values and the fundamental principles of the UN Global Compact, which the Company formally adopted in 2008, our Code of Ethics and Conduct is similar to the constitution of a nation, uniting principles, rules and fundamental values that should direct all corporate policies, guidelines, and procedures.

The Code also applies to Embraer's subsidiaries, in Brazil and abroad, in absolute harmony with the laws and best corporate governance practices of the countries in which we are located.

As an essential management tool, Embraer's Code of Ethics and Conduct Embraer shall be updated whenever necessary, decisively contributing guidance for the vision, action and conduct that will ensure the Company's perpetuity. This updating and content review are the responsibility of the committees that advise the Board of Directors (Human Resources and Audit Committees) and the committees that advise the top management of the Company (Ethics and Sustainability Committees).

When they are hired, or every time their status is updated, they receive a copy of the document. Furthermore, in order for everyone to know its content and to answer any questions, presentations are made to employees regarding the subject. As for suppliers, partners, and other stakeholders, Embraer seeks to communicate its internal rules of conduct through communiqués.

Report of Misconduct Channel

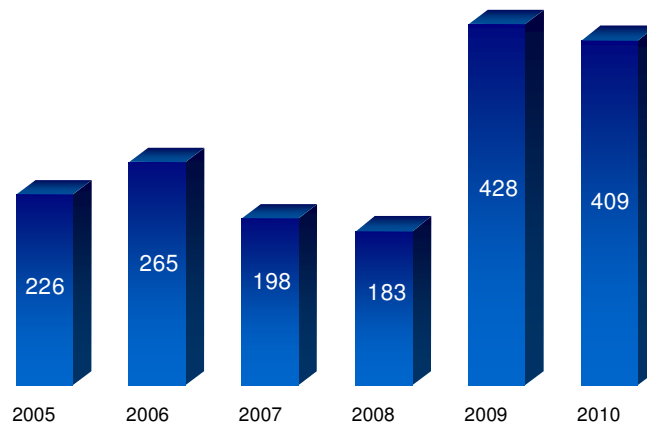
Embraer has provided several communications channels between employees and employer. The Report of Misconduct Channel – managed by an independent company – is based on anonymity and confidentiality in dealing with issues, and makes it possible for anyone to inform of eventual violations of the Code of Ethics and Conduct, or of actions that are improper for good sustainable practices. The Report of Misconduct Channel is available in three distinct forms:

- Correspondence to Mail Box no. 11.331 – CEP 05422-970 – São Paulo/SP – Brazil;
- Embraer's website (www.embraer.com.br), on the home page, icon "Report of Misconduct

Channel”, or fill out the form under the section “Contact Us”;

- Embraer’s Intranet system.

Number of reports received since the Report of Misconduct channel was created



The Report of Misconduct Channel, which has been in operation since 2005, received an average of 218 reports per year, from 2005 to 2008, and in 2009 and 2010 an average of 419 reports were posted. The increase in 2009 is a result of the internal publicity campaign carried out during the second half of that year.

In the first half of 2010, the number of reports remained above average. In July, we improved the Report of Misconduct Channel, in order to make its purpose clear, and we included questions that helped improve the quality of the content of the reports. After these changes, we saw a 45% reduction in the number of reports posted during the second half of the year, compared to the first half of 2010 but an improvement in the quality of the reports.

The Company’s Intranet is still the means most used, of the three forms made available, and in 2010, it accounted for 84% of all of the reports posted on the Report of Misconduct Channel. The internet represented 12% and mail 4%. This demonstrates the credibility of the mechanism, in regard to the aspects already mentioned, such as confidentiality and anonymity in dealing with and receiving the reports that are posted.

Principle 3

BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING.

Embraer respects and understands the importance of the role played by the unions with which it relates and maintains a relationship with them in compliance with the laws currently in effect. At the Brazilian units, 8.5% of the employees are union members, but everyone, union member or not, is benefited by salary adjustments and by the social clauses negotiated in the collective agreements between the union representing employees and the Company's union representative. We negotiated with regional unions, in which 100% of our employees are benefited by the agreements made during the collective bargaining. The individual freedom and condition of employees to freely associate is communicated at Embraer.

The Company, through its representative union, has recognized and signed, at the Metalworkers Union of São José dos Campos, the collective bargaining labor agreement that has specific topics about safety and which the Company has been following to the letter. It has also recognized and signed, at the Labor Unions of Araraquara and Américo Brasiliense, and, at the Metalworkers Union in Botucatu, the collective bargaining agreement for improving working conditions around presses and similar equipment, plastic injectors, and surface galvanization in the metalworking industries of the State of São Paulo, and the Company has followed the agreement in every detail.

Principle 4

BUSINESSES SHOULD UPHOLD THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOR

Through its Code of Ethics and Conduct, Embraer prohibits any type of forced or compulsory labor in its factories and offices. This commitment is also required of its commercial partners and suppliers. The Company performs audits, annually, in order to guarantee compliance with this decision.

In 2010, as in the past years, there was no case of lack of compliance with this principle.

Principle 5

BUSINESSES SHOULD UPHOLD THE EFFECTIVE ABOLITION OF CHILD LABOR

Embraer's Code of Ethics and Conduct prohibits any type of child labor in its facilities. Just as regarding forced or compulsory labor, Embraer demands that its commercial partners and suppliers comply with this commitment.

The Company also promotes education for children and adolescents through the programs developed by the Embraer Education and Research Institute.

In 2010, as in the past years, there was no case of lack of compliance with this principle.

Principle 6

BUSINESSES SHOULD UPHOLD THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

Embraer's Code of Ethics and Conduct formalizes the corporate commitment to maintaining a working environment that is free of any type of discrimination, harassment, and forced labor, whether child or slave. It is absolutely prohibited, at all units, that there be relationships with any stakeholders, publicity, advertising, or any other type of published release, any mention, illustration or manifestation of discrimination by race, ethnicity, gender, belief, religion, age, handicap, or sexual preference.

Embraer also prohibits and punishes, within the measures established by the law, any type of harassment, which includes any act or attitude, oral or physical that implies humiliation, embarrassment, or threat to employees or administrators. The hiring process gives priority to the knowledge and skills the professional would bring to the job opening.

The Company also hires and maintains people who have special needs, while seeking to meet the quota set forth in Brazilian law.

The remuneration policy is based on exclusively technical criteria and no form of discrimination is allowed toward the person holding the position. The lowest salary at Embraer corresponds to two times the National Minimum Wage (R\$ 510 in December 2010).

In 2010, Embraer registered no cases of discrimination of any type and there was found not forced or compulsory labor in the Brazilian or foreign units. The charges of moral harassment received totaled five, during the period; they were checked through internal processes and the disciplinary measures were taken in each case, from dismissal to guidance with a formal reprimand.

Principle 7

BUSINESSES ARE ASKED TO SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

Embraer recognizes that managing environmental performance is an important activity for the Company. All of this is based on promoting the awareness of all employees, on conducting continuous improvement of its actions, and monitoring the processes and activities provided for in the Integrated Management System for the Environment, Occupational Safety and Health, and quality (SIG-MASSQ), which monitors actions and results. Reflecting its environmental initiatives, the Company has had ISO 14001 certification, since 2002, which is evaluated annually by the international certification agency, ABS-QE.

Unrestricted compliance with all legal requirements and environmental standards in all countries where Embraer has business units or sells its products, and the continuous enabling of employees, so that they adopt practices and stances that are appropriate to preserving the environment and natural resources also is a part of Embraer's commitment to the environment.

SIG-MASSQ brings together the data regarding the environmental impact of all of the units in Brazil, with the aggregate indicators of: liquid effluents, solid wastes, atmospheric emissions, water, electrical power, and greenhouse gases (GHG).

In 2010, based on the Embraer Enterprise Excellence Program (P3E) and the Conduct Program, new requirements were included for those connected to Environmental, Health and Safety subjects, in a process of continuous improvement. Furthermore, the Company's different areas have been setting goals for reducing job-related accidents and the use of natural resources.

With regard to eco-efficiency, Embraer began a study, in 2010, of possible projects for making energy and water consumption more efficient in its different production and administrative processes. During the current year, Embraer will evaluate long-term reduction goals for the environmental aspects of all of its operations and processes.

Environmental Management System

Embraer reinforced its environmental concern by adopting eligibility criteria that involve this subject for the certification (bronze, silver, and gold) of each P3E cell.

Embraer develops its activities with a focus on the efficiency of its processes and the high quality of its products. In line with these guidelines, it takes into account the issues of health and

safety, and quality of life of its employees, as well as the socioeconomic development and well being of the communities with which it is in contact.

The Integrated Management System for the Environment, Occupational Safety and Health, and quality (SIG-MASSQ) provides the management and monitoring for the environmental processes, as well as those for occupational health and safety, based on the pursuit of continuous improvement. The efforts put forth result in the Company receiving OSHAS 18001 certification.

Climate Change

The subject of climate change has altered the discussion agenda of organizations, due to the countless alerts made regarding environmental problems arising from global warming and, especially, about its affects.

As it accompanies the evolution of this subject, Embraer evaluates the existing opportunities associated with its activities, such as controlling consumption, changing the energy matrix, new technologies, developing new products, and others. Thus, the issues related to climate change are worked out in the organization's different action programs.

During this year, the process of identifying environmental risks and climate change will be reviewed, as part of building the sustainability policy of the organization.

Eco-efficiency

Besides all these actions, Embraer also has an Internal Committee on Electrical Power and Water (Comissão Interna de Energia Elétrica e Água – CICEA) that communicates ideas, information and technologies for the purpose of raising the awareness of employees regarding the need to economize on electrical and water consumption.

Electrical Power Consumption

In Brazil, Embraer's units purchase electrical power from the energy concessionaires of the regions in which they are located. In 2010, overall, 421.4 million joules (J) were acquired.

Regarding the projects for reducing energy consumption, we began substituting the light fixtures at the Faria Lima unit, in 2010, which will be completed in 2011. Last year, 80% of the fixtures were changed, for a gain of 16,200 GJ/year. In 2011, about 3,000 fixtures will be changed.

Another investment we will make, this year, will be to change 750 air conditioning units, reducing consumption by 6,120 GJ. We will also evaluate other improvement projects, within the plan to establish Embraer's long-term eco-efficiency goals.

Water consumption

Embraer intensified the identification of actions that involve reduced water consumption in the production and administrative processes, by evaluating its various industrial processes.

In 2010, water consumption was reduced by a 40,450 m³ at the Brazil units. These gains came from investments in the production processes, the installation of timed faucets in the restrooms, causing 60% reduction in water consumption and implementing water reuse projects. For 2011, the plan is to continue these projects, and to intensify improvement studies, besides modernizing the paint shops.

In different production processes at the Faria Lima and Gavião Peixoto units, approximately 1,000 m³/month. Examples of our initiatives:

Unit	Initiative	Reuse
Gavião Peixoto	Watering trees and gardens with reused water	281 m ³ /month (during the dry season)
São José dos Campos	Reuse in the towers, gas washers, and paint shop	550 m ³ /month
São José dos Campos	Installation of 576 timed faucets	1,232 m ³ /year

In 2010, water consumption at Brazilian plants was 564.0 m³ x 1000.

During 2011, we will continue to evaluate alternatives for reducing water consumption, as part of the corporate project for setting Embraer's eco-efficiency goals.

Greenhouse Gas (GHG) Emissions

The emission of greenhouse gases (GHG) also concerns Embraer. Based on a process carried out in 2007, we do an annual GHG inventory, according to WRI/WBCSD standards. In 2010, for the second consecutive year, Embraer audited its GHG emissions inventory for the main purpose of validating the data and improving the data-gathering processes. This audit complies with ISO 14064 – Greenhouse Gases: Part 1 – Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. It was performed by Lloyd's Register Quality Assurance.

Year after year, we seek to reduce our emissions through different projects for improving efficiency, such as reducing electrical consumption, internal logistics for products being manufactured, and consumption of kerosene on technical and corporate flights.

In 2010, Embraer's units in Brazil recorded the following GHG emissions (in tons of equivalent CO₂).

Scope 1 – Direct emissions	41,728
Scope 2 – Indirect emissions	6,360
Scope 3 – Other indirect emissions	22,390

Volunteer GHG inventory report initiatives

As a participant in the various volunteer initiatives for reporting GHG emissions, Embraer has been a part of the Brazilian program of the GHG Protocol and the Carbon Disclosure Project since 2007 and 2008, respectively. In the case of the Brazilian Program of the GHG Protocol, Embraer is one of the founding members of the initiative, and we received the silver seal in 2010.

Besides being able to understand Embraer's position regarding the subject, joining these initiatives give the Company a better relationship with interest groups, increases the capacity for participating in public policies, and the carbon market, among other competitive advantages.

MP, SO_x, No_x, and VOC emissions

Embraer's objective is to reduce VOC emissions by 20% in tons/year by 2012, compared to emissions in 2008. During 2010, the chemical milling facilities of the Faria Lima plant were transferred to the Botucatu plant, with the installation of new technology for controlling exhaust at an expected reduction of VOC emissions by seven tons/year.

For the coming years, a plan has been established to invest in different processes, among which we would highlight:

- Automation of the painting process, with the installation of robots in the largest paint shop of the Faria Lima plant;
- Installation of a system for recovering solvent in the area for painting primary pieces, by using the solvent in the cleaning processes of parts at the Faria Lima plant.

The total discharge of particulate materials, volatile organic compounds, sulfur and nitrogen oxides during the operations of all of the units in Brazil is shown in the following table:

Brazil units - Atmospheric emissions 2010

Particulate Matter – PM	18.45
Sulfur Oxides – SOx	3.98
Nitrogen Oxides – NOx	60.97
Volatile Organic Compounds - VOC	24.73

Effluents and Waste

The effluents and waste generated during the different production processes at Embraer are treated with the most stringent standards in effect. Regarding wastes, the main processes that generate them are: production of composite materials, surface treatments, aircraft painting, and milling of parts.

Hazardous materials are given special attention during disposal. Approximately 99.3% of the hazardous wastes of the Brazil units go to companies that co-process or recycle these materials. The following are examples of the disposal of these wastes:

- Used fluorescent lamps are recycled. The mercury in them is used to produce thermometers, the aluminum is reused to make cans, and the chemical powder goes into making ceramics;
- Cans, filters, cleaning cloths, and left-over paint are used in furnaces for making cement for the construction industry;
- Chemical sludge, left-over materials from surface treatments and chemical milling are transformed into metal oxides used in the finishing process of floors and tiles.

Total weight of waste, by type and method of disposal

Disposal Method	2008	2009	2010	Type of waste
Recycling	4,445,899	1,422,931	1,187,967	Hazardous
	11,996,495	8,134,672	8,115,998	Nonhazardous
Decontamination	23,305	12,651	21,984	Hazardous
Recovery	14,319	14,505	11,323	Hazardous
	247,000	331,000	324,000	Nonhazardous
Sterilization (autoclave)	300	1,598	1,588	Hazardous
Sanitary landfill	2,900,797	2,416,923	1,627,735	Nonhazardous
Compost	-	-	134,240	Nonhazardous
Co-processing	1,477,041	1,366,860	1,449,824	Hazardous
TOTAL	21,105,156	13,701,140	12,874,659	

In 2010, Brazilian units generated approximately 12.8 thousand tons of waste, a decrease of 6.0% over 2009.

In terms of non hazardous materials, Embraer generated 10.2 thousand tons, of which 79.5% are sent for recycling, 3.2% for recovery, 16.0% are sent to sanitary landfill and 1.3% for composting.

Embraer generated 2.7 thousand tons of hazardous wastes, which was a reduction of 5.2%, compared to the amount generated in 2009. The Company's main guidelines to not send wastes to industrial landfills. Therefore, 54.3% of the hazardous wastes go for co-processing in cement ovens; 44.4% are reused as raw materials for other production processes outside of Embraer; 1.3% goes through decontamination, recovery and sterilization processes.

As for sanitary and industrial effluents, the Faria Lima, Eugênio de Melo, and Botucatu units dispose of them in the public sewer system, after treating them. The volumes disposed in 2010 was 71,520 m³

Gavião Peixoto provides a physical-chemical treatment of sanitary and industrial effluents, to later be dumped in a body of water. In 2010 it was disposed 2,376 m³

Principle 8

BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

Protecting Biodiversity

Since 2001, at the Gavião Peixoto plant, Embraer has been restoring an area of around 350 hectares, by planting 91 species native to the region. This environmental recovery process is aided by the Forest Restoration Project approved by the State Department for the Protection of Natural Resources of the Department of the Environment of the State of São Paulo (DEPRN).

The recovered area has 32 hectares of permanent preservation and 329 hectares of “legal preserve”. In 2010, 23 hectares were planted with 35,200 trees, for a total of 594,200 trees, and 100% of the area set aside for the project (350 hectares). The reforestation of the area allows the local ecosystem to rebuild and return of the region’s wild life.

Another preservation area is located near the Botucatu plant, where Embraer acquired three hectares of brush area, in order to provide the environmental compensation asked for by the DEPRN, due to the impact caused on the existing vegetation by the building expansion that occurred there. Therefore, in 2009, Embraer began a project for creating a Private Natural Preserve Area (Reserva Particular do Patrimônio Natural – RPPN) at that site. The RPPN is a conservation unit legally established by public authorities. It is a voluntary act of the owner, who transfers the property to the State, but retains possession of the area, which is then exempted from property taxes.

At the RPPN, scientific research can be done, as well as touristic, recreational and educational visits, also with the support of universities, organizations, and public agencies. In order for the organization to use and preserve the natural area, Embraer has carried out a plan, since 2009, with a study of the flora and fauna, and as soon as the process is concluded, it will publicize the existence of the area around the entire community.

Besides the direct involvement of Embraer in the biodiversity projects listed above, and complying with environmental laws at the places where it is located, the Company will continue evaluating ways to become involved in other projects connected to this subject.

Environmental improvements, by unit

Embraer modernized galvanization by substituting wooden crates with returnable materials at the ELEB plant, as well as substituting Bright Shot and Shot Peening equipment, thus reducing the generation of glass micro spheres, noise and exposure of employees.

At the Faria Lima plant, the internal route for transporting materials and aircraft was optimized, by reducing the mileage covered and consequently reducing CO₂ emissions.

Some of the main improvements made at the Botucatu plant were: changing the energy matrix from OC4 gas, to LPG, thus reducing electrical consumption, substituting the exhaust of the paint shop by removing axial fans, installing centrifugal speed-controlled fans; greater performance in the air conditioning distribution ducts by interconnecting the central air units, thus reducing water consumption, reusing the effluent treatment plant so as to reuse treated effluents from the industrial wastewater treatment station to supply gas washers, and changing water vapor to dry heat in the food serving islands of the dining hall.

Principle 9

BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Product Development

Embraer consistently invests in technological development, in order to meet the challenge of reducing GHG emissions. Its Technological Development Plan gives priority to initiatives that seek to improve the performance of the products and mitigate their environmental impacts.

Among these innovative initiatives we would highlight the following projects that seek to make our aircraft more efficient:

- improved aerodynamics of the airplanes;
- heavy use of lighter materials, thus reducing the structural weight of the aircraft;
- development of aircraft with more electrical systems, but less dependent on energy generated by the engine;
- research alternative fuels, including biofuel;
- work on developing new generations of engines, in cooperation with the manufacturers of propulsion systems;
- research new technologies for reducing internal and external noise levels, in order to increase passenger comfort and have less impact on the vicinities of airports.

In the second half of 2010, a project began to introduce different environmental requirements and evaluations for Embraer's products, throughout their entire life cycle, that is:

- Conception;
- Certification;
- Production process;
- Operation by the customer;
- Disposal.

Biokerosene development

Companies and institutions connected to the aviation, agricultural and energy sectors have been working on projects that contribute to developing sustainable alternative fuels for aviation.

The industry's objective is to develop effective solutions for reducing environmental impact and ensuring sustainable growth for this important means of transportation, by using sustainable

biofuel produced from biomass that does not compete with food production, and does not contribute to deforestation, among other possible harm to the environment.

Embraer's objective is to support the development and introduction of long-term sustainable alternative fuels for aviation use, with a focus on sustainable biokerosene. As an integrating element, it is up to EMBRAER to evaluate the impact of the new fuels on its aviation platforms.

In November 2009, Embraer, General Electric, and Amyris signed an MOU (Memorandum of Understanding) for evaluating the technical and sustainability aspects of renewable fuel produced by Amyris from sugarcane. The initiative should result in a demonstration flight with an Embraer E-JET belonging to Azul Linhas Aéreas and using GE engines, in the first half of 2012.

Embraer has participated in a number of initiatives of the industry that seek to boost the development and production of biokerosene, among which are ABRABA (Aliança Brasileira para Biocombustíveis na Aviação), SAFUG (Sustainable Aviation Fuel Users Group), Europe's SWAFEA (Sustainable Way for Alternative Fuels and Energy for Aviation), and the U.S.'s CAAFI (Commercial Aviation Alternative Fuels Initiative).

Brazilian Alliance for Aviation Biofuel (Aliança Brasileira para Biocombustíveis na Aviação – ABRABA) (www.abraba.com.br)

Moved by the growing demand to comply with requirements for reducing greenhouse gases in aviation, as well as providing ways for safe energy in Brazil, the Brazilian Alliance for Biofuel in Aviation (Aliança Brasileira para Biocombustíveis na Aviação – ABRABA) is a forum for discussing the several aspects of developing sustainable aviation biofuel that position Brazil as one of the main players in this technology, like what has already happened with ground transportation.

In different regions of the world, airlines and airplane manufacturers have made flights with alternative fuels, especially with biokerosene mixed with conventional aviation kerosene, for the purpose of demonstrating the technical feasibility of these renewable fuels. From 2008 to 2010, eight demonstration flights were performed with biofuel produced from a variety of raw materials, one of which, in Brazil, using jatropha oil produced in the country.

ABRABA believes that using sustainable biofuel produced from biomass is essential for maintaining the growth of the aviation industry in an economy focused on low carbon emissions.

The objective is to stimulate and promote public and private initiatives that seek to develop, certify and produce sustainable commercial biofuel for aviation.

The initiatives will be facilitated through partnerships with those who shape public policies and the participants involved with aviation biofuel. The goal is to obtain biofuel with equivalent levels of quality, safety, and cost, with an adequate production capacity, compared to petroleum derivative fuels.

National technological capacity

Brazil's involvement in projects for developing alternative fuels will make it possible for agricultural personnel, technicians and industries to create a consistent technological base. Among the benefits to the Nation of establishing a specific policy, with an eye to the future of aviation, are:

- Technological development among schools, regulatory agencies and private organizations;
- Placement the Nation's industry in the alternative fuels market;
- Involvement of the agricultural sector and research institutions in the pursuit of highly productive genetic material, and productive development of agro-energetic cultures that are adequate for the edaphoclimatic conditions of Brazil;
- Value given to biomass produced in the country;
- Assessment of the impact of using sustainable biofuel in aviation;
- Energetic safety and independence for defense aviation.

Principle 10

BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

Embraer is inflexible regarding any case of corruption (including all forms of extortion and bribery) involving the Company, its employees, its suppliers, or the assets under its management. Guidance is constantly given, and punitive measures are immediately taken whenever any case of corruption comes to light.

Since August 2005, Embraer has maintained an open communication channel for all of its stakeholders or interested parties to denounce harmful practices. This channel is used to voice concern regarding any situation that could possibly result in damages to Embraer, its shareholders, employees, or suppliers. The Company received 428 denunciations through this channel in 2009 and 409 in 2010.

In 2009, we perfected our evaluation procedures, which enabled the swift distinction between valid and invalid denunciations. During this period, there was an increase of nearly 10% in the valid denunciations. In 2010, we improved the Report of Misconduct Channel, in order to make its purpose clear and to improve the quality of the content of the reports.

The Ethics Committee analyzes the notifications having to do with the aspects of ethics and conduct. Eventual denunciations related to financial aspects are forwarded to the Audit Committee, which is composed of members outside of the Company, in order to ensure impartiality and transparency.

As a result of the Company's commitment to transparent and ethical labor relations, all investigations are performed after the sector's leadership has been notified. Therefore, in its pursuit of a transparent relationship with external stakeholders, Embraer discloses its internal conduct rules by means of notifications to suppliers.

In order to ensure compliance with its Code of Ethics and Conduct, Embraer communicates the most relevant aspects regarding limits on relationships and the projected punishments involved. Every purchase order issued by the Company includes a disclaimer referring to the Code and provides guidelines about how suppliers may use the channel for communicating harmful practices.

We would highlight two articles that clearly show Embraer's position in defending its ethics and conduct:

Art. 1.7 – Item d) - "Company personnel must not hold economic and/or financial interest

in a competitor, customer, distributor, or supplier, since that interest could influence or seem to influence, his/her actions performed in the name of Embraer.”

Art. 1.7 – Item i) – “Company personnel are allowed to accept low-value gifts (up to US\$ 100). However, it is prohibited to accept any presents, gifts, or favors that could compromise their judgment, or have any expressed or implied understanding that the person receiving them is in any way obligated to do something in return.”