



ANNUAL REPORT 2011

**MAIN INDICATORS** GRI 2,8 | EC1

<i>R\$ Million</i>	<i>2011</i>	<i>Variation 2011 x 2010</i>	<i>2010</i>	<i>2009</i>
Net Revenues	9,858.1	5%	9,380.6	10,871.3
Gross Margin	22.5%	17%	19.2%	19.4%
Operating Income	521.8	-24%	685.6	766.7
Operating Margin	5.3%	-27%	7.3%	7.1%
Adjusted EBITDA <sup>1</sup>	923.0	-14%	1,069.2	1,218.8
Adjusted EBITDA Margin	9.4%	-18%	11.4%	11.2%
Net Income	156.3	-73%	573.6	912.1
Net Margin	1.6%	-74%	6.1%	8.4%
Investments <sup>2</sup>	636.3	11%	573.4	824.5
Net Indebtedness	3,110.1	30%	2,390.6	3,584.0
ROE	2.7%	-75%	11.0%	18.2%
ROCE (US\$)	11.9%	-26%	16.1%	15.8%
Dividends Distributed	180.9	-10%	201.0	228.8
Total Assets	16,616.5	19%	13,981.0	15,478.5
Net Assets	5,848.4	12%	5,217.7	5,019.8
Firm Order Backlog (US\$ bi)	15.4	-1%	15.6	16.6
Number of Employees	17,265	1%	17,149	16,853
EBIT per Employee (R\$ mi)	30.2	-25%	40.0	45.5

*The numbers for 2009 to 2011 are in line with the International Financial Reporting Standards (IFRS).*

*<sup>1</sup>Net earnings, plus net financial income (expenses), taxes, depreciation and amortization, non-operating income (expenses), minority shares, and pick-up equity.*

*<sup>2</sup>Values include investments in Property, Plant & Equipment (PP&E).*

# Main Indicators

GRI 2,8 | EC1

**REVENUES PER SEGMENT**

	<i><b>2011</b></i>	<i><b>2010</b></i>	<i><b>2009</b></i>
Commercial Aviation	64%	61%	69%
Executive Aviation	19%	23%	17%
Defense and Security	15%	15%	12%
Others	2%	1%	2%

**REVENUES BY REGION**

	<i><b>2011</b></i>	<i><b>2010</b></i>	<i><b>2009</b></i>
North America	20%	13%	22%
Europe	25%	33%	33%
South and Central America	11%	15%	7%
Brazil	17%	13%	11%
Asia Pacific	9%	6%	8%
China	11%	9%	9%
Africa and Middle East	7%	11%	10%

**AIRCRAFT DELIVERIES PER SEGMENT**

	<i><b>2011</b></i>	<i><b>2010</b></i>	<i><b>2009</b></i>
Commercial Jets	105	101	125
Large Executive Jets*	16	19	21
Light Executive Jets**	83	126	98

\* Legacy and Lineage

\*\* Phenom

Jets delivered to the Defense and Security market were accounted for in the segment, according to the model delivered.



A man in a light blue striped short-sleeved shirt and dark trousers stands smiling in front of a large aircraft. The aircraft's wing, featuring several oval-shaped windows and the letter 'T' on its upper surface, dominates the upper half of the frame. To the right, the white fuselage of the plane is visible. In the background, a blue building with the 'EMBRAER' logo and a stylized arrow is partially visible. The sky is a clear, bright blue.

**OUR PEOPLE**  
*are what make us fly*



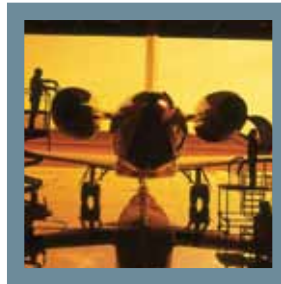
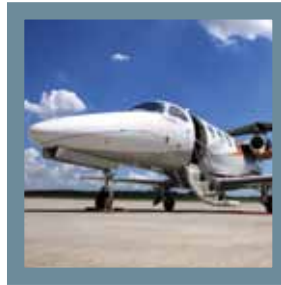


I joined Embraer 14 years ago to work in the production area. Since then, I went through several areas of Embraer, until I came to the department of Administration of Sales Contracts for Executive Aviation. Here, I have an opportunity to interact with several departments and get an overview of the Company, besides contact with customers. To them, I am Embraer. I enjoy what I do and the return I received from Projects Manager of 4AH, LLC (U.S.), Mike Simpson, shows that customers notice that: "I would like to express my appreciation for the excellent work done by Renata Ramos. She impeccably coordinated the entire delivery process for the delivery of our Phenom 300 aircraft. I was impressed by the way she handled the needs of my team. I left Brazil with an excellent airplane and confident that, with people like Renata representing Embraer, we will have a long commercial relationship." **RENATA FIORI RAMOS, ADMINISTRATOR OF SALES CONTRACTS FOR EXECUTIVE AVIATION, EMBRAER.**

Curiosity about Brazil is what called my attention to Embraer in 2000, when the Chinese office was opened with only three employees. I knew that Brazil was rich in natural resources, but I could never imagine that it had one of the largest companies in aeronautics technology in the world. Over time, I learned what contributes to Embraer's success: its people. We work as a family that is united and dedicated to achieving our common objectives. This atmosphere generates a lot of satisfaction. The company's constant support gives employees a lot of freedom to expose their ideas and put them into practice. This was how Embraer conquered over 70% of China's regional aviation market. I am proud to be part of this story. **MAGGIE WANG, RESPONSIBLE FOR THE HR, ADMINISTRATION, FINANCES AND IT AREAS AT EMBRAER CHINA.**

Pratt & Whitney Canada and Embraer have a long, solid history built on our shared commitment to advance the aviation industry and support our customers. We are proud to power Embraer aircraft from the Bandeirante turboprop, which entered service in the 1970s, to today's Phenom 100 and 300 jets. Like Pratt & Whitney Canada's team, Embraer employees are passionate about aviation and dedicated to delivering advanced aircraft and technologies to the market. Our relationship has been built on a long-standing tradition of trust and transparency, always in the spirit of continuous improvement. **MARIA DELLA POSTA, SENIOR VICE PRESIDENT, SALES & MARKETING, PRATT & WHITNEY CANADA.**

# About this Report



*Providing a clear, transparent and broad accounting of the economic, social and environmental performance of Embraer to all of its stakeholders is the main objective of this publication, which has been prepared in line with the guidelines of the Global Reporting Initiative.*

**F**or the fourth consecutive year, Embraer S.A. has adopted the international guidelines of the Global Reporting Initiative (GRI), version G3, for presenting its economic, social and environmental performance, with application level B. **GRI 2.1 | 3.2**

The information covers the period from January 1 to December 31, 2011, except when subsequent events are mentioned. Full economic-financial results are presented for operations in Brazil and the other countries in which Embraer has units. The socioenvironmental results reported here refer to the units installed in Brazil, except when coverage of other subsidiaries is mentioned. **GRI 3.1 | 3.3 | 3.6 | 3.7 | 3.8**

The objective of this Report is to give a clear, transparent and broad accounting to all of the Company's stakeholders (employees, customers, community, financial institutions, suppliers, government, NGOs, shareholders and investors, representative associations and entities, and the media). **GRI 3.5**

The criteria for selecting information gave priority to the relevance of the subjects to the Company, and they also consider its commitment to the requirements of the Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial* – ISE) of the BM&FBOVESPA and of the Dow Jones Sustainability Index (DJSI), and to the Ten Principles of the United Nations (UN) Global Compact. **GRI 3.5**

The calculations of the financial data followed the criteria established by the International Financial Reporting Standards (IFRS), and they were audited by PricewaterhouseCoopers (PwC). In 2011, the Company's relationship with this auditing firm was restricted to this verification. The areas responsible for the socioenvironmental data use internal systems and tools to gather and consolidate the indicators needed for preparing the report. **GRI 3.9 | 3.10**

Significant changes that affect comparability will be indicated throughout the Report, which also lists the GRI indicators at the end of paragraphs, charts or tables in which they are described. **GRI 3.10 | 3.11**

Enjoy your reading!

**FOR MORE INFORMATION, GO TO:**

<http://ri.embraer.com.br>

or call + 55 (12) 3927-4404 **GRI 3.4**

**SUGGESTED DOCUMENTS:**

Administrative Report, Financial Statements, Reference Form, and 20-F Report



**Frederico Fleury Curado**

*President & CEO*

**I**n a year that was replete with challenges, Embraer continued to grow and improve, firmly based on its corporate values – Customers, People, Boldness and Innovation, Excellence, Global Presence, and Sustainability.

Faced with an uncertain international economic scenario, Embraer delivered 216 aircraft: 105 commercial jets, 99 executive jets, and 12 military airplanes. The commercial aviation business represented 64% of net revenues of US\$5.8 billion, executive aviation was 19%, and the defense and security segment was 15%, complemented by 2% from other business. At the end of the fiscal year, the firm order backlog totaled US\$15.4 billion.

In commercial aviation, the sale of 124 E-Jets presented a 30% increase over 2010, and the Company surpassed the milestone of 1,000 firm orders and 800 aircraft delivered of the EMBRAER 170/175/190/195 models.

In executive aviation, the fleet of Phenom airplanes reached 300 in operation, including the first to be produced in the United States, which established a historic mile post for Embraer. The Legacy 650 obtained FAA (U.S.) and CAAC (China) certification, which is an important step toward producing the model in China, expected to begin in 2013. The first prototype of the Legacy 500 was launched in December, and the first flight is expected for the third quarter of 2012.

# Message from The President & CEO

GRI 1.1 | 1.2

*Although faced by a challenging scenario, Embraer achieved important accomplishments in all business areas. Increased sales to commercial aviation, substantial internationalization of executive aviation, and acquisitions of participation in defense and security. Also worthy of note was the effectiveness of the Embraer Entrepreneurial Excellence Program, which has guided the Company's pursuit of excellence.*



In 2011, the Embraer Defense and Security corporate unit was created, expanding its scope of involvement via stock acquisitions and the creation of joint venture companies. The KC-390 program moved ahead on schedule and within budget, while completing the selection and hiring of all of the main partners and suppliers and starting the detailed project phase. **GRI 2.9**

Before the provisioning to handle the financial guarantees associated with aircraft financed in the past, especially for American Airlines, Embraer surpassed the economic-financial results of the previous year, as well as its own forecasts made to the market, by recording operating results of US\$504 million and a margin of 8.7%. After these contingencies, the Company had operating results of US\$318 million, equivalent to a margin of 5.5%.

This is evidence of the effectiveness of the Embraer Entrepreneurial Excellence Program (P3E), which has been the moving force for the transformation and the pursuit of excellence and continuous improvement that the Company has been following for several years.

The Company has been providing full and unrestricted support to the independent investigation being conducted at the request of the Security and Exchange Commission (SEC) and the U.S. Department of Justice (DoJ).

As for initiatives focusing on the environment, a highlight is cooperation with GE in the flight test campaign of an EMBRAER 170 powered by the latest biokerosene, for the purpose of making possible the future ample use of fuels from renewable sources in the air transportation industry.

In the social area, Embraer's Juarez Wanderley High School once again gained a place of distinction when its students ranked high on the National High School Exam (*Exame Nacional do Ensino Médio* - ENEM) and in Brazil's college entrance exams. A second high school will be established in the city of Botucatu, São Paulo, in 2012, and will open in 2013.

At Embraer, the appreciation of its people is a priority. The 81% score achieved on the employee satisfaction poll is witness to its effectiveness. And the Company was awarded by three independent organizations, as one of the best companies to work for in Brazil and, for the first time, it was named one of the best companies to work for in the U.S. State of Florida.

Consistent with these results, the Company became the leader of the Aerospace and Defense segment of the Dow Jones Sustainability Index (DJSI), and, for the seventh consecutive year, the Company was listed with the Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial* - ISE) of the São Paulo Stock Exchange (BM&FBOVESPA).

Throughout its 42-year history, Embraer has been establishing itself as a force in the worldwide aeronautics market, while seeking to be an increasingly globalized, diversified and efficient organization, with customer satisfaction being the primary source for generating wealth for shareholders, collaborators, and society, in general.

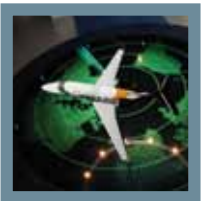
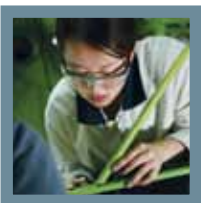
In 2012, Embraer will continue to grow, invest and pursue excellence, centered on its corporate values, and consolidating the bases for its perpetuity.

**WE BELIEVE IN A BETTER WAY TO FLY**


*We develop innovative aircraft and technologies so that people can choose the best way to fly. Our people are the prime movers for us to achieve our triumphs. With competent and engaged professionals, we are more prepared to serve our customers with our characteristic excellence. We unceasingly pursue the improvement of our products and services, in order to fly increasingly farther. We are a Brazilian multinational company, which is present on five continents with our operations and products. This global presence brings us in closer contact*



FOR THE JOURNEY



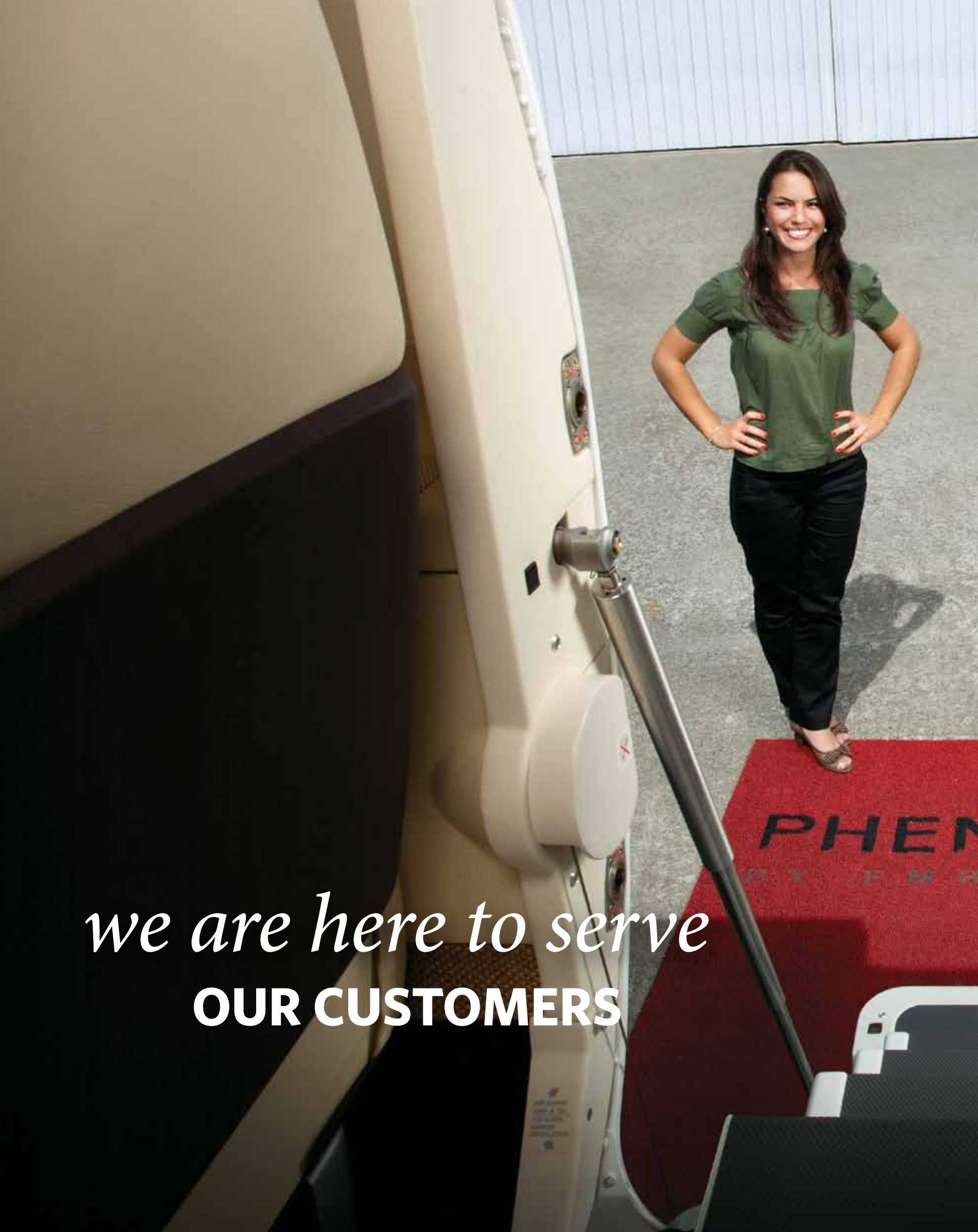
*with different points of view, parameters, and cultures, thus ensuring even greater quality and diversity for our business. We are building this success story with a calling for boldness and innovation, breaking across frontiers and opening new perspectives every day. And we share the fruit of this history with all those who have helped us achieve it: employees, customers, shareholders, suppliers, society, and governments. We believe in a promising future, which will be increasingly present, through the competence and talent of our people and the trust that is placed in us day after day. **WE ARE EMBRAER!***



<b>16</b>	<b>PROFILE</b>
17	Global Presence
21	Awards and Recognition
<b>24</b>	<b>CORPORATE GOVERNANCE</b>
25	Entrepreneurial Philosophy
27	Holding Company
29	Board of Directors
30	Fiscal Board
30	Executive Board
33	Policies
35	Risk Management
39	Code of Ethics and Conduct
40	Participation and Support for Volunteer Initiatives and Associations
<b>44</b>	<b>OPERATIONAL PERFORMANCE</b>
45	Commercial Aviation
49	Executive Aviation
52	Defense and Security
58	Agricultural Aviation
58	Services and Support
62	Technological and Operational Management

# Contents

<b>74</b>	<b>ECONOMIC-FINANCIAL AND CAPITAL MARKET PERFORMANCE</b>
74	Economic-Financial Performance
82	Capital Market
<b>88</b>	<b>SOCIOENVIRONMENTAL PERFORMANCE</b>
89	Environmental Performance
92	Strategic Partnerships
100	Social Performance
<b>120</b>	<b>ATTACHMENTS</b>
<b>130</b>	<b>CORPORATE INFORMATION</b>
<b>133</b>	<b>CREDITS</b>



*we are here to serve*  
**OUR CUSTOMERS**





Embraer is a company that values prompt customer service, anticipating, whenever possible, all problems that could arise. The Support area works on alternating shifts and has teams and centers for parts distribution in several parts of the world, which assures speedy service. We are constantly called, most of the time because of an aircraft on ground situation, literally waiting for the availability of a part so that it can continue operating. For instance, a customer contacted us on a weekend, stating that he had an urgent need to change a part. All the departments got together to assist him, including our offices in France and China. Because we are present in different parts of the world, there will always be staff on hand to meet the needs of our customers. **BRUNO LANGONI, CUSTOMER SUPPORT ANALYST.**

Embraer has always offered one of the best aeronautical customer support programs in the world. Its employees have always been very efficient and committed, working fast and promptly. Once, we had a hydraulic leak problem in an aircraft landing gear on a Friday night. We needed support, and Embraer immediately stepped up to assist us, contacting the supplier (ELEB), who took the part needed right from the production line, and provided a technician accompany the part and instruct TRIP's staff. This successful operation, and many others, resulted from the partnership between Embraer and TRIP employees who understood the urgency and set out to solve the problem, even on a weekend. On Monday, the plane was operating normally, with no effect on the flight schedules or customers.

**EVANDRO BRAGA DE OLIVEIRA, MANAGEMENT DIRECTOR OF TRIP LINHAS AÉREAS.**

While the last EMBRAER 190 jet we received is taking off on its first flight, we proudly receive the 16<sup>th</sup> EMBRAER 190 jet in our fleet. All of us feel like this is the best jet we have ever had! As head of the KLM team, I would like to thank Embraer for all the help and hospitality and full support, as well as the work done so that this delivery would take place without stress. The Company's care for its customers is very impressive. The employees who make up Embraer should be proud of their country, their company and, most importantly, of themselves. I have a sense of sadness when I think that we will soon receive our last aircraft, and I will no longer be in contact with this wonderful team. **GERTJAN LICHTENVELDT, MANAGER, EMBRAER 190 FLEET OF KLM.**

**E**mbraer is one of the largest aerospace companies in the world, and is a world leader in manufacturing commercial jets with up to 120 seats, which combine technology, versatility, comfort, and safety. It is also one of the biggest Brazilian exporters, resulting from the constant pursuit of corporate excellence and full customer satisfaction. In its 42-year history, the Company has delivered over 5,000 aircraft that operate on approximately 100 countries on five continents. **GRI 2.5 | 2.7**

# Profile

*Embraer is a 42-year old company with a global presence and a focus on developing and manufacturing civilian and military aircraft. Besides its units in Brazil, the Company's activities are carried out in administrative and industrial facilities in the United States, France, Singapore, China and Portugal. It ended 2011 with a firm order backlog of US\$15.4 billion and 17,265 direct employees.*

Embraer was founded on August 19, 1969, as a mixed capital company under State control, headquartered in São José dos Campos, São Paulo, Brazil, with a focus on developing and manufacturing civilian and military aircraft. After privatization, in 1994, the Company began a market expansion and diversification process, and is now involved in the commercial aviation, executive aviation, and defense and security segments. **GRI 2.4**

In 2010, the Company changed its name from Embraer – Empresa Brasileira de Aeronáutica to Embraer S.A., which allowed it to expand and diversify its business areas. Besides developing, producing and supporting its aircraft, the Company also began to engage in technological, industrial, commercial, and service activities for the markets in which it is involved. **GRI 2.1 | 2.6**

Embraer's stocks have been traded on the São Paulo Stock Exchange (BM&FBOVESPA) since 1989. In 2006, the Company was first listed on the New Market (*Novo Mercado*) and its capital was spread, with no controlling group or shareholder, and in line with the best global governance and sustainability practices. Since 2000, Embraer has also been listed on the New York Stock Exchange (NYSE).

As a result of innovative sustainability management, the Company has been listed with BM&FBOVESPA's Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial* – ISE) since 2005. In 2011, for the second consecutive year, it was included in the Dow Jones Sustainability Index (DJSI), and earned the leadership of the Aerospace and Defense sector, among 31 eligible companies, worldwide.

At the end of 2011, Embraer had a firm order backlog of US\$15.4 billion and 17,265 direct employees: 15,989 in Brazil and 1,276 abroad. Its partially owned subsidiaries, employed 2,001 people.

**GLOBAL PRESENCE** **GRI 2.3 | 2.5 | 2.7** Embraer invests in a global presence, in order to offer products, services and support that are adequate to the needs of its customers in all markets. To that end, it has industrial and operational units in Brazil and continues to expand its operations in a number of countries.

The Company's headquarters are located in Brazil, in the city of São José dos Campos, São Paulo, where the Eugênio de Melo and ELEB units are also established. The Company also has factories in the cities of Gavião Peixoto and Botucatu, as well as logistical centers in the cities of Taubaté and Campinas, and two offices in São Paulo.

Support for administrative, commercial and marketing activities is provided by the offices in Melbourne and Fort Lauderdale, Florida (U.S.), Villepinte (France), Farnborough (U.K.), Dubai (United Arab Emirates), Singapore, and Beijing (China).

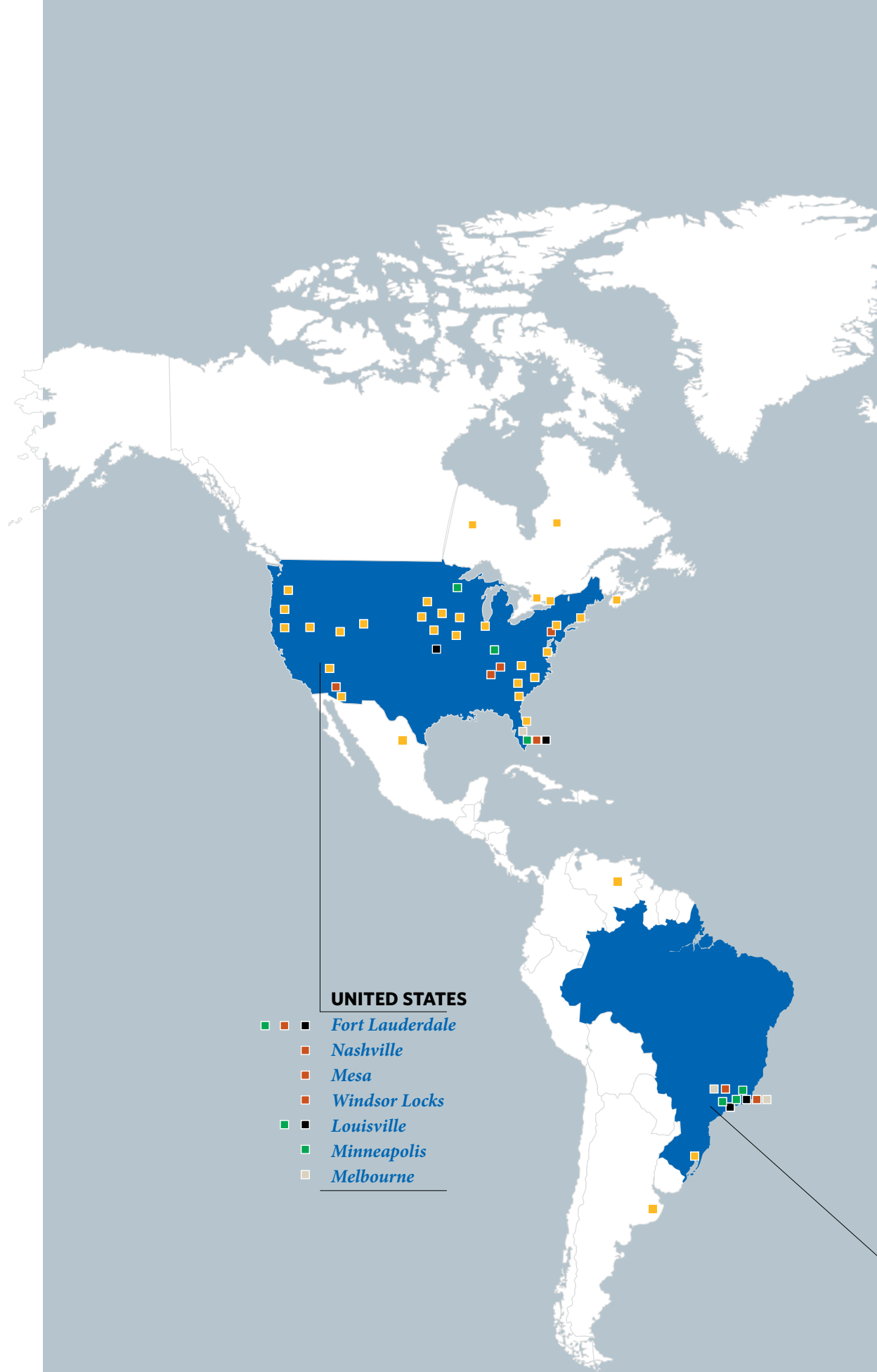
Abroad, Embraer has industrial facilities in China, the United States, and Portugal. In China, Embraer holds 51% of the capital of Harbin Embraer Aircraft Industry (HEAI), located in Harbin, in association with state-owned AVIC, which is in the process of being approved by the Chinese government to eventually manufacture the Legacy 650 executive jet.

In the United States, in February 2011, the Company inaugurated its first executive jets factory outside of Brazil, in Melbourne, Florida. In December, the facilities were complemented by the opening of the newest Global Customer Center For Executive Jets. This new unit will be initially dedicated to assembling Phenom jets and to supporting the executive aviation business in the North American market. Furthermore, Embraer announced it was establishing an Engineering and Technology Center, there, as part of the development of its aeronautical operations in the United States. The Center will do research and development on products and technology for all of Embraer's business areas, and will be the second research and development center established outside of the Company's headquarters in São José dos Campos, Brazil. The first is located in the State of Minas Gerais, and was announced in November 2011. **GRI 2.9**

In Portugal, Embraer is in the final construction phase of two new centers of excellence for producing metallic structures and composite materials, in Évora, in the Alentejo region, where an aeronautics hub is being installed. The new facilities will receive an investment on the order of €170 million, and they are expected to be inaugurated during the second half of 2012. After the assembly lines at the Harbin (China) and Melbourne (Florida, U.S.) plants, Évora will be Embraer's first full production unit outside of Brazil, as the Company's global presence develops and its business areas diversify.

At the beginning of 2012, Embraer Defense and Security increased its stock holdings in Indústria Aeronáutica de Portugal S.A. (OGMA), which is specialized in aeronautical maintenance and production. Up until that time, the control was shared with the European Aeronautic Defense and Space Company (EADS). Embraer Defense and Security now holds 65% of OGMA's shares. The remaining 35% belong to the Portuguese government, through the Portuguese Defense Company (Empresa Portuguesa de Defesa - EMPORDEF), which has also partnered with Embraer in the development of the KC-390 military cargo plane.

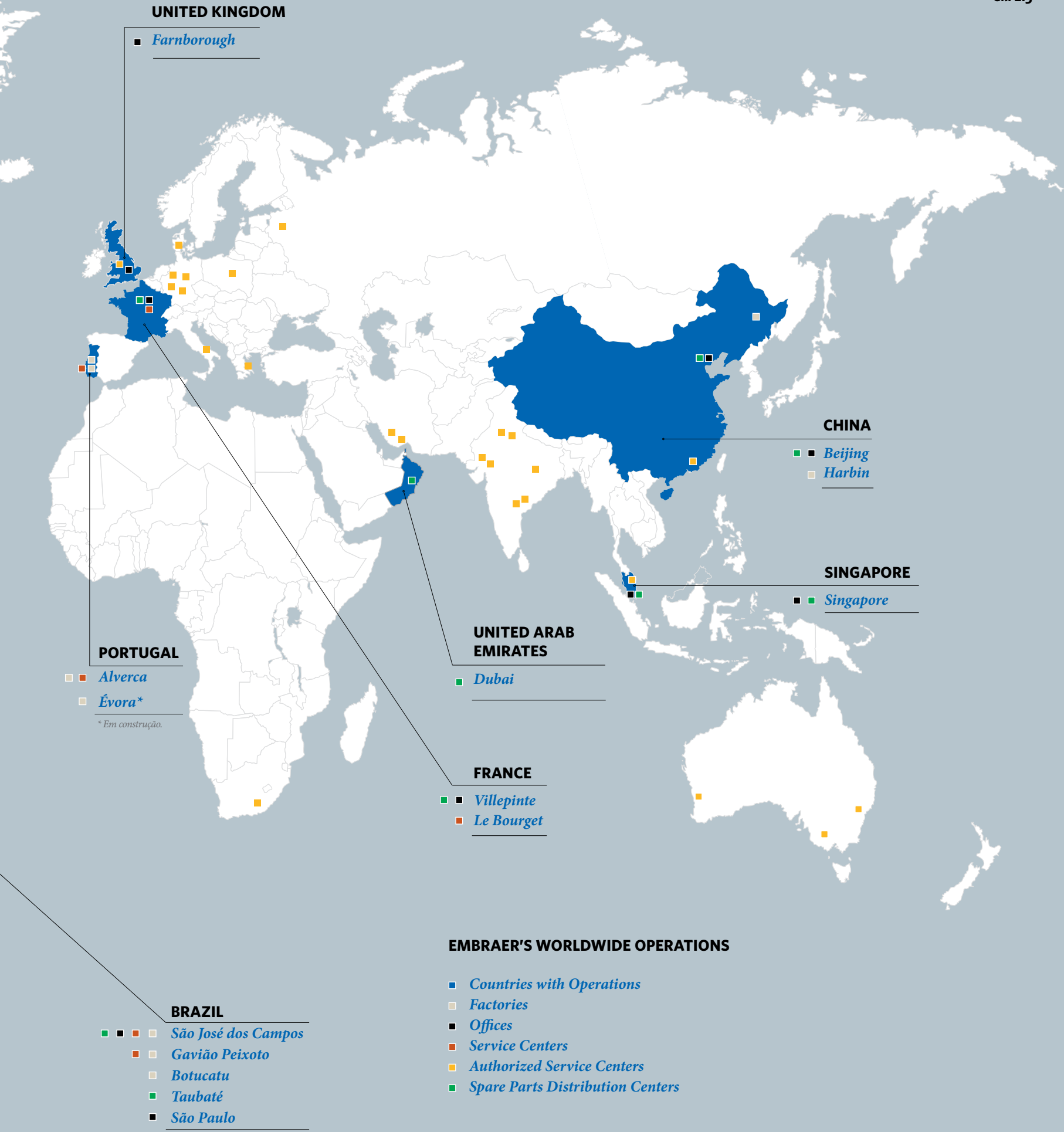
In order to provide after-sale support, Embraer has its own centers for services and the sale of replacement parts in São José dos Campos (São Paulo); Fort Lauderdale (Florida), Mesa (Arizona), Nashville (Tennessee), and Windsor Locks (Connecticut) in the U.S.; in Villepinte (near Roissy - Charles de Gaulle Airport) in France; and in Singapore; as well as a specialized network that already has some 60 Company-owned and authorized service centers, worldwide. Embraer also has distribution centers for replacement parts and specialized teams in Louisville, Kentucky (U.S.), Beijing (China), and Dubai (United Arab Emirates). **GRI 2.7**





EMBRAER'S WORLDWIDE OPERATIONS

GRI 2.5





**AWARDS AND RECOGNITION** **GRI 2.10** Embraer's high standards of governance, sustainability, management, occupational health and safety practices, and quality of products were recognized in 2011 on a number of occasions, several of which are highlighted here:

**SAM Sector Leader 2012** Embraer was evaluated as the best global company of the Aerospace and Defense sector of the Dow Jones Sustainability Index (DJSI), and was recognized in the Sustainability Yearbook 2012. The Company was listed on the DJSI for the second consecutive year, for which the 2,500 largest companies of the world are invited to take part, according to the Dow Jones. Only 15% of the companies, from 58 different sectors, are selected for listing, because they are outstanding in their economic, environmental and social performance. Embraer began to be listed with the index in 2010/2011, when it was ranked as "Gold Class", coming in second among the companies in its industry. In 2011/2012, Embraer took over the leadership of this area, that has 31 eligible companies, worldwide.

**XV Transparency Trophy 2011** Granted by Anefac-Fipecafi-Serasa Experien in recognition of the best financial statements published in Brazil. Since 1999, Embraer has always been one of the most transparent of the ten largest publically traded companies in Brazil, and in 2011, Embraer won the trophy for the third time.

**14<sup>th</sup> FINEP Innovation Award 2011** Embraer was recognized in the Large Company category for its innovative technological management and development processes (Strategic Planning, Technological Development Program, Integrated Product Development, Embraer Entrepreneurial Excellence Program (P3E), Knowledge Management, and Managed Innovation Program). President & CEO Frederico Fleury Curado received the Silver Trophy in recognition of the corporate culture responsible for the success of the Company in the global aerospace market. The ceremony took place Palácio do Planalto, in Brasília.

*Recognition given to Embraer in 2011 is evidence of the Company's high standards. Some of the highlights are awards for sustainability, transparency, innovation and people management.*

**Best Companies to Work For 2011** Great Place to Work Institute – Embraer took 18<sup>th</sup> place in this ranking, in which it appeared for the third consecutive year. The ranking was published in Editora Globo's *Época* magazine, and highlights the companies with the best management practices, as evaluated in terms of credibility, respect, fairness, pride, and harmony.

**150 Best Companies for You to Work For 2011** For the third consecutive year, Embraer was included in this ranking done by *Exame* and *Você S.A.* magazines (Editora Abril), in a partnership with the Fundação Instituto de Administração (FIA).

**30 Best in People Management 2011** Embraer took 4<sup>th</sup> place among the companies with more than 10,000 employees, in the ranking of *Valor* or *Carreira* magazine, *Valor Econômico* newspaper, and AON Hewitt Consultants.

**Florida's Best Companies to Work For 2011** Embraer was recognized as one of the best companies to work for in the State of Florida, U.S., according to a poll taken by *Florida Trend* magazine.

**2011 Impact Award by the Melbourne Regional Chamber of Commerce (Florida)** Recognition for Embraer's contribution to the local economy, by developing its final assembly plant for the Phenom executive jets, as well as its new Global Customer Center for Executive Jets.



I dreamed of becoming a teacher, studying four years at the University of Uberlândia. And I accomplished that dream. But one day I decided to try another career. I went to Embraer and worked in many areas in the company. I'm proud to say that I was the first woman to become a Production Manager at Embraer. Then, the Botucatu plant was given a very important job: increase production output while the plant kept operating at full steam. It was like changing a car's tire with the vehicle in motion. That required extensive work with the leadership. Everything had to be planned and calculated. As a result, work processes were reduced by half, and costs related to lack of quality, by 25%. Now manufacturing is leaner and more efficient with better and safer working conditions. Pursuing excellence is part of who I am. I want to something that works and will be perpetuated. Today, my team of 387 employees and I are much better than we were when we received the challenge. **SILVIA MORALES, PRODUCTION MANAGER OF EMBRAER'S PLANT IN BOTUCATU, SÃO PAULO.**

Embraer is a company very focused on business excellence. With the creation of Embraer's Business Excellence Program (P3E), part of it based on Japanese methodology, the company uses tools for the continual improvement of its processes, in the productive, as well as in the administrative environments. Within the aviation market, Embraer is one of the world's three references in business excellence and is focused on overcoming its obstacles in order to become the leader. By avoiding waste, the company will generate reductions in costs while it creates productive gains. **MASAMORI MIURA, CONSULTANT OF THE JAPANESE COMPANY SHINGIJUTSU.**

Excellence is the foundation on which we build our processes. A vision of excellence helps us identify the opportunities that make us prosper. Our objective is to become the best in everything we do. Thus, we can ensure the endurance of our services and Embraer's future. Last year, we executed an improvement project (Kaizen), which completely changed the way in which we provide customer service. The creation of the Repair Emergency Support System (R.E.S.S.) has helped us to understand exactly what is expected from us. The result is a rendering of services, focused on what really matters to our customer. This project was awarded as the best Embraer Kaizen in North America. This major achievement has made it evident how our vision of excellence has no boundaries. Our objective is not merely to achieve excellence, but to maintain it. **JASON A. GONZALEZ, SENIOR MANAGER IN REPAIR MANAGEMENT IN FT. LAUDERDALE, FL.**







*we strive for*  
**COMPANY  
EXCELLENCE**



**E**mbraer's model for corporate governance has the broad and unrestricted commitment of the Executive Board and the Board of Directors and complies with the highest level of governance in Brazil and the United States.

This model seeks to ensure corporate management with integrity, focusing on sustainable growth and the perpetuity of the business. Since 2006, Embraer S.A. has been a Brazilian company with widespread capital, without a controlling group or shareholder.

The corporate restructuring approved during that year unified the Company's classes of stocks in circulation into just one class of common stocks, extending the right to vote to all shareholders and allowing it to join the New Market (*Novo Mercado*) of the São Paulo Stock Exchange BM&FBOVESPA, which lists the companies that have the best corporate governance practices. That restructuring also preserved the rights of the Federal government, which holds special Golden Share that gives it the right to veto subjects that are considered to be strategic for the Company and for the Federal Republic of Brazil. **GRI 4-4**

# Corporate Governance

*Adhering to best practices of corporate governance, and listed with the New Market of São Paulo's BM&FBOVESPA, Embraer has widespread capital, with no controlling group or shareholder. Such issues as sustainability, ethics, conduct and risk management are handled with integrity by governance agencies, with an eye to the security and the perpetuity of the business.*

# Vision

*Embraer will continue to establish itself as one of the principal global forces of the Aeronautics and Defense and Security markets, as a leader in the segments in which it is engaged, and recognized for the levels of excellence of its corporate actions.*

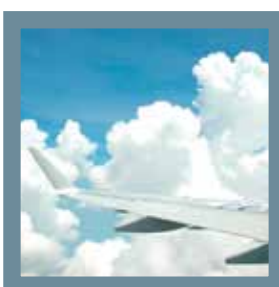
# Business

*Embraer's business is to generate value for its shareholders, via the full satisfaction of its customers. Generating value means maximizing the value of the Company and guaranteeing its perpetuity, with integrity of conduct and a social and environmental conscience. The Company concentrates on three business and market areas: Commercial Aviation, Executive Aviation, and Defense and Security.*

# Values

*The values that mold attitudes and unite actions that ensure the perpetuity of the Company are:*

- *Our people are what make us fly – People who are happy, competent, appreciated, fulfilled and committed to what they do. People who work as a team and act with integrity, coherence, respect and mutual trust.*
- *We are here to serve our customers – Winning the loyalty of customers by fully satisfying them and by building strong and long-lasting relationships. Establishing partnerships based on true commitment and flexibility.*
- *We strive for company excellence – Entrepreneurial action focusing on simplicity, agility, flexibility and security, with a constant pursuit of continuous improvement and excellence. An enterprising attitude based on integrated planning, responsible delegation, and disciplined execution.*
- *Boldness and innovation are our hallmarks – Technological forerunner, organization the continuously learns, capacity to innovate, to transform internal reality, and to influence markets in which it is engaged. Strategic vision and capacity to overcome challenges with creativity and courage.*
- *Global presence is our frontier – Global thinking and presence, with local action, to leverage competitiveness, by using the best that is available in each place. Vision of a world without borders and of giving value to diversity.*
- *We build a sustainable future – Incessant pursuit of building the bases for the perpetuity of the Company, with profitability for shareholders, as well as respect for quality of life, for the environment, and for society.*



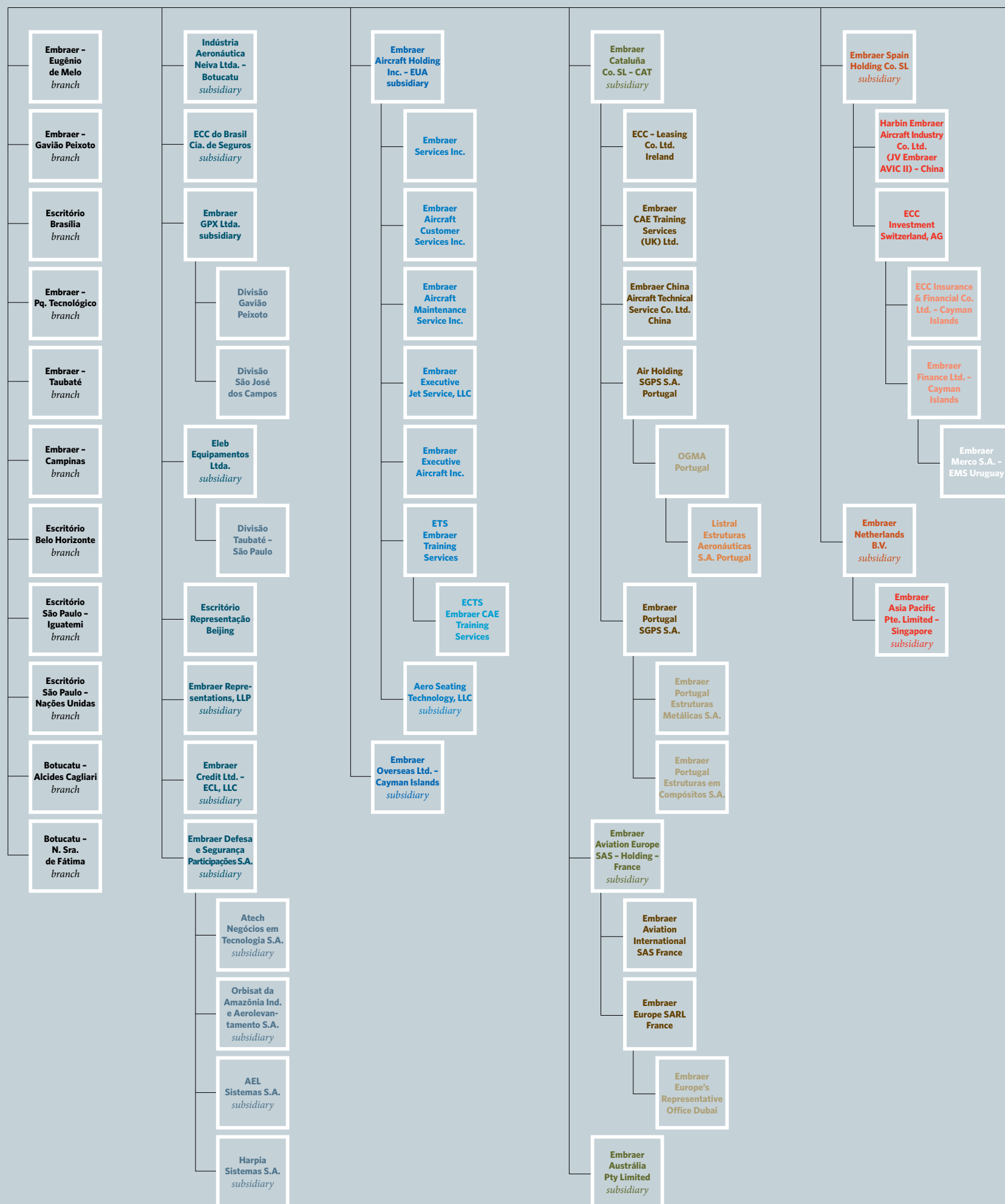
The shareholding changes and the alterations in the Company's By-Laws also ensure 100% tag along rights, which give all shareholders the same rights, if an offer is made to purchase the Company. To discourage an excessive concentration of American Depositary Shares (ADS), no shareholder, or group of shareholders, is allowed to vote in a General Assembly representing more than 5% of the number of shares into which the Company's capital is divided. **GRI 4.4 | 4.6**

The Bylaws also ensure that the decisions of the Company, which are made in a General Assembly, have a majority of their votes granted to Brazilian shareholders, as set forth during the privatization of the Company in 1994. Therefore, the total number of votes allowed in any General Assembly to foreign shareholders is limited to 40% of the votes present. Also, it is prohibited to acquire 35%, or more, of the Company's capital, except with the express authorization of the Federal government, and subject to the presentation of a Public Acquisition Offer (PAO).

It is Embraer's understanding that good practices of corporate governance are essential to the perpetuity of the Company, and it works to increasingly improve those practices. In 2011, in order to align the concepts regarding this subject, the Company, in a partnership with the Brazilian Corporate Governance Institute (*instituto brasileiro de governança corporativa* – IBGC), formed a corporate management training program, with personal presentations directed at all leadership levels. The presentations were also made available on the Intranet, via Embraer's Ethics site. **GRI 4.7**

**SHAREHOLDING STRUCTURE GRI 2.3 | 2.8** To support its operations, Embraer has a corporate structure that is focused on meeting the demands and particular needs of each country where it is involved, as well as improving, organizing and optimizing the management of the companies of the Group, providing for the integration of all operations and customer satisfaction.





## BOARD OF DIRECTORS

Elected in an Extraordinary General Assembly,  
on March 6, 2012.<sup>1</sup>

**1. Alexandre Gonçalves Silva**  
Chairman

**2. Hermann Heinemann Wever**  
Vice Chairman

**3. Aprício Eduardo de Moura Azevedo**  
Named by the Federal Government

**4. Arno Hugo Augustin Filho**

**5. Claudemir Marques de Almeida**  
Named by Employees

**6. Israel Vainboim**

**7. João Cox Neto**

**8. Josué Christiano Gomes da Silva**

**9. Samir Zraick**

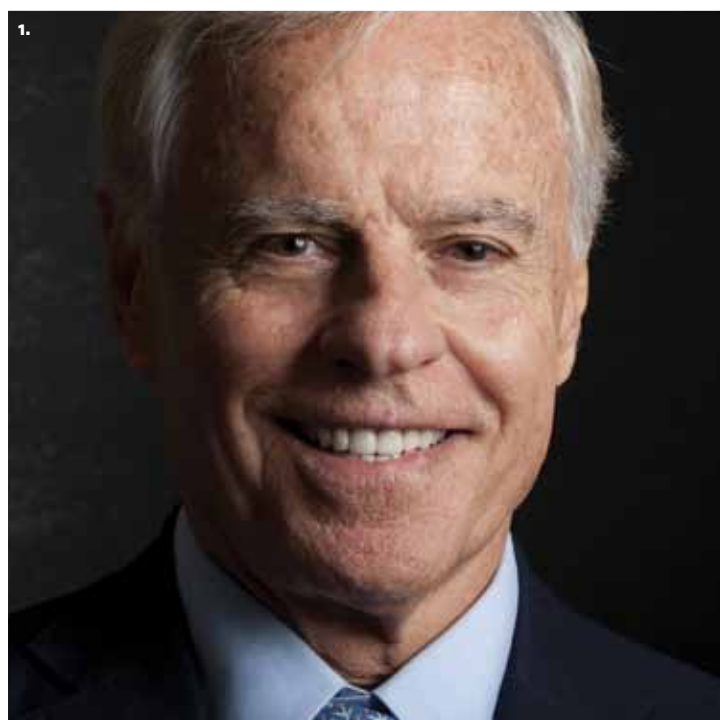
**10. Satoshi Yokota**  
Named by Employees

**11. Sergio Eraldo de Salles Pinto**

**12. Vitor Paulo Camargo Gonçalves**

**13. Wilson Carlos Duarte Delfino**

<sup>1</sup>Subsequent event.



**BOARD OF DIRECTORS GRI 4.1** It is the responsibility of the Board of Directors (BD) to establish the guidelines and overall direction of the business, plans and goals, the annual budget, and investment programs of Embraer S.A. The Board also follows up on the performance of the Company in the markets in which it is engaged, hires independent auditors, and decides on stock issues and bonuses. Electing and dismissing members of the Executive Board and overseeing management are also the Board's responsibility.

The Board is formed by 13 full members and their respective substitutes, all of whom are elected to a two-year mandate in a General Assembly.

Ten of the 13 members are independent. As the one holding the special Golden Share, the Federal government has the right to name a member. Employees can also name two representatives, one from the Embraer Employee Investment Club (Clube de Investimentos dos Empregados da Embraer – CIEMB) and one elected directly by employees who are not shareholders. **GRI 4.3 | 4.4**

In order to strengthen even more the Company's corporate governance practices and at the request of shareholders, the Board has performed a self-evaluation process of its performance, since 2010. **GRI 4.5 | 4.10**

In January 2012, then-Chairman of the Board of Directors Maurício Novis Botelho left the Company. As President & CEO of Embraer from 1995 to 2007, Maurício Botelho led the restructuring, growth and internationalization process of the Company after it was privatized, and held the position of Chairman of the Board of Directors, since 2006.

*The Board of Directors is responsible for setting guidelines and following up on the Company's performance. Formed by 13 members, ten of whom are independent, it has three auxiliary committees for Strategy, Audit and Risks, and Human Resources.*

According to the Company's Bylaws, Vice Chairman Hermann Heinemann Wever assumed the Chairmanship of the Board, until the date of the Extraordinary General Assembly (AGE), which elected the new Chairman, Alexandre Gonçalves Silva. At the same meeting, the election of Arno Hugo Augustin Filho as a full member of the board was approved. **GRI 4.2**

**AUXILIARY COMMITTEES GRI 4.1 | 4.9** Three auxiliary committees assist the Board of Directors in areas that are considered to be priorities by Embraer, and may have up to five members, each.

**STRATEGY COMMITTEE** It is the job of the Strategy Committee to assist the Board of Directors in establishing the policies and guidelines of the Company's Strategic Plan and Action Plan, with their objectives, macro projects and assessment of potential opportunities for new business, besides closely following management and results.

**AUDIT AND RISK COMMITTEE** **GRI 4.11** According to a decision of the Extraordinary General Assembly held in January 2012, the name of the Risk Committee was changed to Audit and Risk Committee, which allowed it to accumulate the work of risk management and statutory audits, as found in Instruction no. 509, November 16, 2011, of Brazil's Securities and Exchange Commission (Comissão de Valores Mobiliários) and in line with U.S. legislation, especially the Sarbanes-Oxley (SOx) Act.

Assists the Board of Directors in identifying and managing the business risks inherent to the Company's activities, in evaluating the adequacy of the models, guidelines and policies for risk management, and in checking the managerial and accounting information released to the public and to regulatory agencies.

Among the responsibilities inherent to auditing is deciding on the firm to be responsible the external audit and related values. The Committee is responsible for supervising the external audit and for adopting any necessary measures for knowing and gathering complaints regarding the financial statements, internal controls, and the independent audit. It also oversees the quality of the financial reports, compliance with legal and regulatory requirements and evaluations, and the management of the Company's qualifications.

**HUMAN RESOURCES COMMITTEE** This Committee assists the Board members with the following activities: electing and dismissing Company directors; establishing their respective functions; setting the human resources and remuneration policies, including criteria for remuneration, rights, advantages, and compensation for administrators; managing programs for granting options to buy Company stock; and authorizing the transfer of funds to employee associations and to assistance, recreational and private pension organizations.

**FISCAL BOARD** As the organ for overseeing administrative acts, the Fiscal Board is a standing committee formed by at least three and no more than five full members and an equal number of substitutes (shareholders or not) elected in a Regular General Assembly for an annual mandate. The Fiscal Board meets quarterly to analyze the financial statements, and at other times when called by its president, either on his own initiative or at the request of one of the members.

**COMPOSITION OF THE FISCAL BOARD** on March 6, 2012

Ivan Mendes do Carmo	President
Eduardo Coutinho Guerra	Vice President
Adolpho Gonçalves Nogueira	FB Members
José Mauro Laxe Vilela	
Taiki Hirashima	

**EXECUTIVE BOARD** Named by the Board of Directors for a two-year mandate, the Executive Board is charged with managing the Company, and its responsibilities are set forth in the Bylaws.

The Executive Board follows the strategic plan and is evaluated according to the achievement of economic, financial, operational, and socio-environmental goals set forth in the Action Plan. Meeting those goals serves as the basis for the remuneration of the Executive Board, which is assisted by the Finance, Ethics and Sustainability Committees.



## COMPOSITION OF THE EXECUTIVE BOARD

On June 4, 2012

**1. Frederico Pinheiro  
Fleury Curado**

President & CEO

**2. Antonio Júlio Franco**  
Executive Vice President, People

**3. Artur Aparecido  
Valério Coutinho**  
COO

**4. Ernest Edwards**  
President, Executive Jets

**5. Flávio Rímoli**  
Executive Vice  
President & General Counsel

**6. Jackson Medeiros  
de Farias Schneider**  
Senior Vice President,  
Institutional Relations

**7. Jose Antonio  
de Almeida Filippo**  
Executive Vice President & CFO

**8. Luís Carlos Affonso**  
Senior Vice President, New Programs

**9. Luiz Carlos Siqueira Aguiar**  
CEP, Embraer Defense and Security

**10. Mauro Kern Junior**  
Executive Vice President, Engineering  
and Technology

**11. Paulo Cesar de Souza e Silva**  
President, Commercial Aviation







**SUSTAINABILITY AND ETHICS ON THE EXECUTIVE BOARD** The issue of sustainability began to carry more weight in the strategic planning of Embraer S.A., in 2011, with the creation of the office of the Vice President of Sustainability and Organizational Development and of the Department of Sustainability. The objective is to align the several initiatives focusing on the environment and eco-efficiency within the same master plan, thus strengthening its strategies and promoting greater interaction among its stakeholders, as well as social development and the dissemination of sustainable practices throughout the value chain.

This vision of sustainability is founded on three pillars: excellence in governance and transparency in supporting sustainable economic growth, protection for the environment throughout the entire value chain, and expansion of relations with society through education.

In 2011, Embraer hired a consulting firm to perform a materiality study of priority subjects that integrate sustainability with corporate strategy. **GRI 3-5**

Created in 2009, the Sustainability Committee is the expression of Embraer's commitment to ethics, transparency and the perpetuity of the business. The Committee reports to the Executive Board, and its main responsibilities are to propose better sustainability practices and to monitor projects and indicators, in order to ensure that the goals are achieved during the annual planning cycle.

The Committee also provides support for the preparation of the Annual Report and for the evaluation of Embraer to take part in the sustainability indexes, sets responsibilities, follow-up and guidance for projects, and supports the development of the Company's sustainability strategy, based on the economic-financial, environmental, health and safety, people, and well-being guidelines.

*Creating the Vice Presidency for Sustainability and Organizational Development, as well as the Sustainability Department, aligned the strategic role of this subject with the best practices adopted by the market in terms of business management. Furthermore, this brings issues involving Embraer's principles and ethical values into the realm of the Executive Board through the Ethics Committee.*

The Ethics Committee is composed of five members named by the Executive Board to assist with issues involving adherence to Embraer's ethical principles and values, as set forth in its Code of Ethics and Conduct. The duty of this Committee is to receive, record, evaluate and discuss complaints entering through the Channel for Reporting Misconduct, or from any other sources. If they are deemed to be appropriate, the complaints will be shared with the executive who is responsible for the people involved and will be followed up with information and any recommendations the Committee deems appropriate. Another duty of the Ethics Committee is to clarify any doubts regarding the Company's ethical values.

The Executive Board also has the support of specialized consultants and auditing firms that contribute to improving the management process, the development of innovative solutions based on best practices and on new methodologies, processes and controls. The objective of this assistance is to raise the levels of competitiveness and excellence and to ensure the sustainability of Embraer's activities, besides prevent and reduce potential risks and prospect new opportunities for improvement. **GRI 4.11**

**RELATIONSHIP WITH INDEPENDENT AUDITORS** Embraer has a policy of presenting all services not related to the external audit performed by independent auditors to the Fiscal Board for approval. In 2011, the Company did not hire other services not related to the external audit from its independent auditors, but the external audit was performed at all of the companies of the group, worldwide.

**POLICIES** The corporate policies for Financial Management, Quality, the Environment, Occupational Health and Safety, and Flight Safety establish guidelines for the work of all employees and are constantly evaluated in terms of their adequacy, in light of Embraer's values and the best market practices integrated with the Embraer Entrepreneurial Excellence Program (P3E).

**FINANCIAL MANAGEMENT POLICY** The guidelines for managing corporate finances related to cash flow and the capital structure of the Company are set forth in the Financial Management Policy, approved by the Board of Directors. The indicators of this management are monitored and reported to the Finance Committee, Executive Board, to the Audit and Risk Committee, and to the Board of Directors, via a report on the existing opportunities and risks and comments regarding the operations and the progress of mitigating actions.

**QUALITY POLICY** Since 1996, Embraer has been certified according to the requirements of ISO 9001 and, since 2002, according to AS 9100 (standard for quality management systems for aviation, space and defense organizations). With the beginning of the Embraer Entrepreneurial Excellence Program (P3E), in 2007, these requirements were made more detailed and extended to all people at Embraer who are involved in the pursuit of the continuous improvement of administrative and operational processes.

*Corporate policies guide Embraer's involvement with issues related to financial management, quality, intellectual property, the environment, occupational health and safety, and flight safety. These guidelines are constantly evaluated, in terms of their adherence to the Company's values and to the best market practices.*

As a result of the organizational diagnosis performed in 2010, the implementation of the Criteria for Excellence of the National Quality Foundation (analogous to the European Foundation for Quality Management and The Foundation for the Malcolm Baldrige National Quality Award) was begun. At the end of the year, an independent evaluation showed a significant improvement in the degree of maturity of Embraer's management.

Embraer's Quality Policy is based on full customer satisfaction, through products and services that meet the most up-to-date standards of quality and integrity. The following general guidelines support this policy:

- Design, produce and support products with intrinsic quality and adequate safety;
- Focus on activities on preventive actions;
- Ensure that all employees know, understand and comply with the quality requirements of their work, in a responsible manner;
- Ensure best environmental and occupational health and safety practices;
- Eliminate waste and everything that does not add value;
- Ensure the continuous improvement of all business processes by involving people and teams at all levels, with a focus on customer satisfaction;
- Focus on human beings as the fundamental component of the entire evolution process of the Company.

**INTELLECTUAL PROPERTY MANAGEMENT POLICY** Embraer recognizes the need to protect the rights and results of intellectual creation arising from investments in technological research and development it carries out and that come in the form of inventions, industrial design, brands, processes, systems, software, or products. In this context, and with an eye to perpetuating its business, Embraer approved its Policy for Managing Intellectual Property, in 2007, committing itself to:

- Ensuring the generation of technological knowledge, which is aligned with its strategic and business interests;
- Giving incentive to innovation and creativity as means of promoting technological development and ensuring the competitive edge of its products and services;
- Ensuring the protection and registration of intellectual property resulting from the knowledge and innovation generated within the Company, based on applicable legislation in the pertinent areas;
- Using the economic value incorporated in the intellectual property, with a focus on increasing the competitiveness of distinctive and innovative products, processes and services, as well as exploring new business opportunities;
- Respecting the intellectual property rights of third parties and insisting that its own rights be respected.

#### **ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY POLICY GRI**

**4.11** Respect for the environment and promoting occupational health and safety are priorities for Embraer and are integrated with the Company's processes and plans. The Environment and Occupational Health and Safety Policy, which has been widely disseminated in the Company, since 2009, provides for seeking to perform all of its operations in an environmentally sustainable, safe and healthy manner.

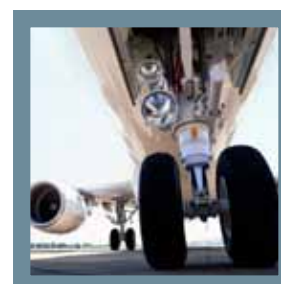
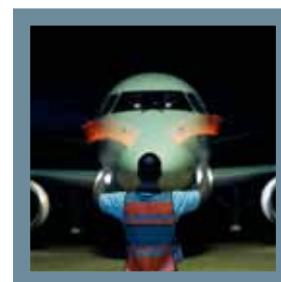
Among the guidelines of this policy, which must be observed at all management levels, are employee awareness, continuous improvement, and compliance with the legislation and requirements for the environment and occupational health and safety, including on the part of suppliers and service providers, as well as the adoption of preventive practices, corrective actions and innovative solutions.

**FLIGHT SAFETY POLICY GRI 4.11** Embraer considers the safety of its products to be a question of ethics and a fundamental pillar of its entrepreneurial excellence and sustainability. The Flight Safety Policy permeates the entire Company and gives incentive to the continuous and rigorous commitment of the employees and all leadership levels to building aircraft that are increasingly safer and that do not merely meet, but surpass, national and international certification standards.

For the Company, product safety is essential for its competitive edge. For that reason, employees are encouraged to report risk situations, ensure that the information regarding results gets to the individuals affected, and that the necessary changes be made for alignment with safety recommendations. They also are encouraged to adhere to and promote a flight safety culture that respect the guidance of the Operational Safety Management System (*Sistema de Gestão da Segurança Operacional* – SGSO) and the Operational Safety Management Manual (*Manual de Gestão da Segurança Operacional* – MGSO), as well as contribute to disseminating this policy at all levels of the Company, and with suppliers and customers.

**RISK MANAGEMENT GRI 1.2 E 4.11** Structured risk management processes are applied to Embraer's various corporate levels, with an eye to transparency, safety and the perpetuity of the operations and material and financial resources used. Together with the best corporate governance practices, these processes pay careful attention to the demands, standards and regulations of the aerospace segment at the national and international levels. Managing corporate risks is the responsibility of a dedicated Department, created in 2011 to assist the Executive Board and the Vice President of Finance and Investor Relations (CFO).

The Risk Committee, created in 2010, was renamed the Audit and Risk Committee, in 2012, by accumulating audit responsibilities. All of the member of this committee are members of the Board of Directors. Subordinate to this new committee is the newly created Internal Audit area. All of the management processes and their results are periodically discussed with the Executive Board and presented to the Audit and Risk Committee, the Fiscal Board, and the Board of Directors.





The management practices of corporate governance adopted by Embraer are now extended to the companies in which it acquired shares in 2011: Harpia Sistemas S.A. (51%), AEL Sistemas (25%), Atech Negócios em Tecnologias S.A. (50%), and the radar division of OrbiSat da Amazônia S.A. (90%).

**OPERATIONS** The processes that will be evaluated during the year to cover operational risks are proposed to the Audit and Risk Committee, annually. In 2011, the inventory processes of third parties were evaluated, as were those of indirect supplies and aeronautical materials, in order to provide greater levels of detail and effectiveness for the procedures, and vigor for the processes.

The results of the operational risk evaluations are presented and discussed with the respective managers and, later, with Embraer's Audit and Risk Committee, under the coordination of the Internal Risks and Controls area.

**MARKET** The planning and market risk management in the commercial aviation, executive aviation and defense and security segments are based on permanently monitoring the world market in which Embraer is involved, and its principal trends.

Among Embraer's main market risks are the cooling of the world-wide economy, with a prolonged recession in such developed markets as the United States and Europe, the expansion of tariff and non-tariff barriers to the Company's products, the scarcity of credit in the international financial market for aircraft financing, and increased costs in Brazil, due to inflation and over-valuation of the Real, and increased taxes.

The creation of a business unit dedicated to the Defense and Security segment, in 2011, has allowed Embraer to be less dependent on the behavior of the aerospace market, which is still feeling the effects of the international economic crisis that began in 2008. With the diversification of its operations, the Company is prepared for eventual market risks.

**FINANCIAL** Embraer has developed and implemented a number of projects for reducing risks in business processes and information systems. The general control climate was revised, by improving the corporate structure for internal controls, in compliance with the Sarbanes-Oxley Act, section 404: a control structure for relevant processes of financial statements, in line with the Public Companies Audit Oversight Board (PCAOB).

In order to provide better financial support for sales and operations, with the possibility of access to short-term financial resources at previously negotiated rates, Embraer signed a credit operation of US\$1 billion, in September 2010, with 25 international financial institutions. That amount will be available until September 2013 in two lines of credit: US\$400 million for pre-financing exports and US\$600 million for financing working capital.

To mitigate exchange risks, managing cash allocations is one of the main tools used, thus neutralizing exchange exposure by choosing assets denominated in reals (R\$) or dollars (US\$). In 2011, the Company restructured its long-term debts, in order to ensure greater security for its operations. The Company also performed hedge operations to reduce cash flow exposure.



**IMAGE** The constant, proactive and transparent relations of the Company with its stakeholders helps mitigate possible image risks. Embraer communicates, in advance, to the market and other stakeholders regarding issues that could present a risk to its operations and to its brand.

The image perceived by stakeholders is also built on good relations with investors and analysts, through meetings, participation in conferences and roadshows, regular visits to the Company, disclosure of results and news via releases and constantly updating the website.

One of the recognitions of this proactive and transparent attitude is Embraer's presence on the ISE and DJSI sustainability indexes.

The perception of the Company, internally, is also important to Embraer, which is proud of the continuous improvement of the organizational climate study indexes, which achieved 81% favorability, in 2011.

As for the public, in general, the various social initiatives of the Embraer Education and Research Institute – particularly Embraer Juarez Wanderley High School, which provides free, quality education in the São José dos Campos region – strengthen the Company's image in the community.

***Embraer's Code of Ethics and Conduct is based on the Company's values and on the principles set forth in the UN Global Compact. Launched in 2011, the Ethics website presents the content of the document and establishes a direct channel for presenting questions and doubts.***

**LEGAL** Embraer takes part in all of the steps of the process of manufacturing its aircraft, from the development project to after-sale support. Concern for legally protecting the intellectual property of the innovations generated by the Company's research and development is seen in the significant increase in patent requests. From 2003 to 2011, 87 were requested and 43 were granted, with 17 coming in 2011, alone. Embraer has over 400 registered trademarks.

In order to financially safeguard itself against eventual legal risks, the Company provisioned R\$118 million, during the year, which it considers to be sufficient for covering any losses arising from eventual labor and tax lawsuits.

**SEC** The Company has been fully cooperating with the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DoJ) in an ongoing investigation regarding the possible non-compliance with the U.S. Foreign Corrupt Practices Act (FCPA). It hired outside lawyers to conduct the investigation process regarding transactions performed in three countries. These professionals have maintained regular contact with the SEC and the DoJ, and has been furnishing documents and information to both agencies, whenever requested.

**ENVIRONMENT AND CLIMATE CHANGE GRI EC2** Embraer assesses opportunities associated with its activities, in order to mitigate the effects of global warming and to reduce greenhouse gas (GHG) emissions, such as controlling consumption, changing the energy matrix, and developing new technologies and new products.

In 2011, the Company revised the process for identifying environmental risks and climate change, as part of building the organization's Sustainability Policy.

**CODE OF ETHICS AND CONDUCT GRI 4.8 | SO3** Embraer's Code of Ethics and Conduct reflects its commitment to achieve corporate social responsibility objectives, by giving value to its relationships with shareholders, employees, customers and suppliers, preserving the environment, and contributing to the development of the communities where it is involved.

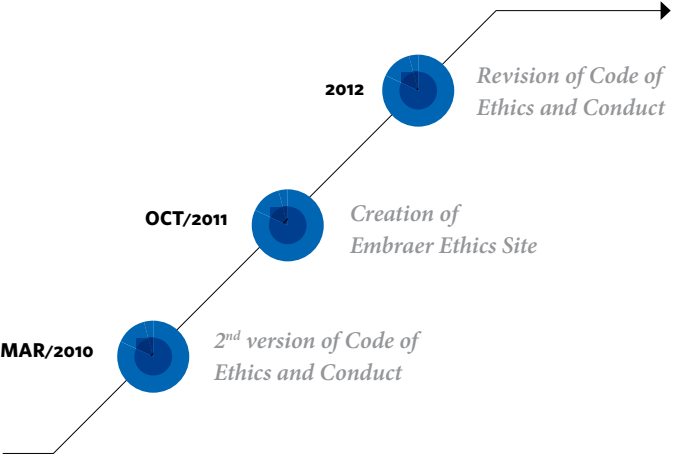
The Code is based on Embraer's values and on the principles established by the UN Global Compact, which the Company formally joined, in 2008. The Code supports the pursuit of good corporate governance and accounting practices, of transparent, objective and timely communication, and of actions and decisions that are always handled responsibly and honestly, with quality, trust, respect and loyalty.

The Code also applies to Embraer's subsidiaries, in Brazil and abroad, in absolute harmony with the legislation and with the best corporate governance practices of the countries where the Company is present. All employees receive a copy of the document, upon being hired, or every time their contracts are updated, and thus they formalize their adherence to the Code.

Currently, the Code is being revised for the third time, to be approved by the Executive Board (Ethics Committee) and the Board of Directors (Human Resources Committee and Audit and Risk Committee). Based on this, it will be presented via a specific communication plan all of the Company's stakeholders and to the public, in general, on its website.

**ETHICS WEBSITE GRI 4.4** In 2011, Embraer's Ethics website was launched, where information is made available regarding corporate ethics and conduct to employees and the other stakeholders. The site has a section for directly communicating questions with the Ethics Committee. The answers can be published on the site, to assist with clarifying the doubts of other people.

In 2011, Human Resource directors and professionals received ethics training. The other leaders attended presentations regarding person and corporate ethics, which are available to all employees of the means of internal communication.





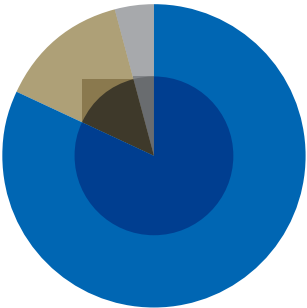
**CHANNEL FOR REPORTING MISCONDUCT** **GRI 4.4 | S02** The Channel for Reporting Misconduct complements the various communication channels between Embraer and its stakeholders. It is managed by an independent company, for the purpose of maintaining the anonymity and confidentiality of the reports, and makes it possible for any person to inform of any eventual violation of Embraer’s Code of Ethics and Conduct, best sustainable practices, and even corporate governance, such as, violation of the U.S. Foreign Practice Corruption Act (FCPA) or the rules of Brazil’s Securities and Exchange Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

The Channel for Reporting Misconduct is available in three distinct forms:

- Correspondence to P.O. Box 11.331 CEP 05422-970 – São Paulo/ SP – Brazil;
- Embraer’s website (www.embraer.com.br), on the home page, click on the Channel for Reporting Misconduct icon, or fill out the form in the Contact Us section;
- Embraer intranet, with direct access by employees.

**REPORTS RECEIVED** In 2011, the Channel for Reporting Misconduct received 316 reports, which was 23% less than the previous year. Of the total reports delivered, 7.6% were considered to be appropriate.

The Company’s Intranet was the means most used, and in 2011, represented 82% of all the reports delivered, which shows the credibility of the mechanism and of the commitment to confidentiality and anonymity in the eyes of employees for dealing with the subjects received.



**AVAILABLE MEANS**  
ACCUMULATED 2011

**82%** *Intranet*

**14%** *Internet*

**4%** *Mail*

**PARTICIPATION AND SUPPORT FOR VOLUNTEER INITIATIVES AND ASSOCIATIONS** **GRI 4.12 | 4.13** Embraer supports and adopts principles and commitments that contribute to social, environmental and economic development, and to the continuous improvement of its management.

As a signer of the U.N. Global Compact, since 2008, the Company has made a commitment to develop policies and strategies and implement actions for the purpose of promoting human rights, labor rights, respect for the environment, and fighting corruption.

**ORIGINS AND TOTAL REPORTS RECEIVED**

<i>Year</i>	<i>Intranet</i>	<i>Website</i>	<i>Mail</i>	<i>E-mail</i>	<i>Total</i>
2009	320	90	6	12	428
2010	344	50	14	1	409
2011	258	44	4	10	316

Since 2006, Embraer has actively taken part in the Latin America Companies Circle, which now has 19 companies. This group was created on the recommendation of the Latin American Corporate Governance Round Table, represented by public authorities, investors, NGOs, stock exchanges, and associations, as well as other stakeholders, for the purpose of perfecting and disseminating corporate governance practices in the region.

Embraer is also associated with the following institutions: Brazilian Institute of Corporate Governance (IBGC), Brazilian Association of Publicly Traded Companies (ABRASCA), Brazilian Institute of Investor Relations (IBRI), and National Investors Institute (INI).

Embraer has taken part in different industry initiatives that seek to make the development of biokerosene more dynamic, including: the Brazilian Alliance for Biofuels in Aviation (ABRAPA); the Sustainable Aviation Fuel Users Group (SAFUG); the European Consortium Sustainable Way for Alternative Fuels and Energy for Aviation (SWAFEA); and the American Commercial Aviation Alternative Fuels Initiative (CAAFI). In this field, the highlight goes to partnerships with General Electric, in developing sustainable biofuels for aviation, and with Boeing and the Foundation for Research Assistance of the State of São Paulo, for a future biofuels research center in Brazil.

The Company takes part in the Aerospace Vehicle Systems Institute, which discusses issues that affect the aerospace community, and also in the Brazilian Association of Intellectual Property (ABPI), and a whole series of institutions in Brazil and abroad that are dedicated to research, like the Agency for Science Technology and Research (ASTAR), from Singapore.

Embraer formally joined several volunteer initiatives for reporting GHG emissions, like the Brazilian GHG Protocol Program, as one of the founding members, and the Carbon Disclosure Project, in which it has participated since 2008.



Embraer's beginnings were based on boldness and innovation. It still has these characteristics, because boldness and innovation are necessary for competing with other aeronautical companies in the world. But there's more. Embraer has a great relationship with the consumer market and with the research community in Brazil. It has an excellent team of professionals, mainly technicians and engineers who know how to identify opportunities, and academic partners who are able to transform them into competitive advantages. **CARLOS HENRIQUE DE BRITO CRUZ, SCIENTIFIC DIRECTOR OF FAPESP.**

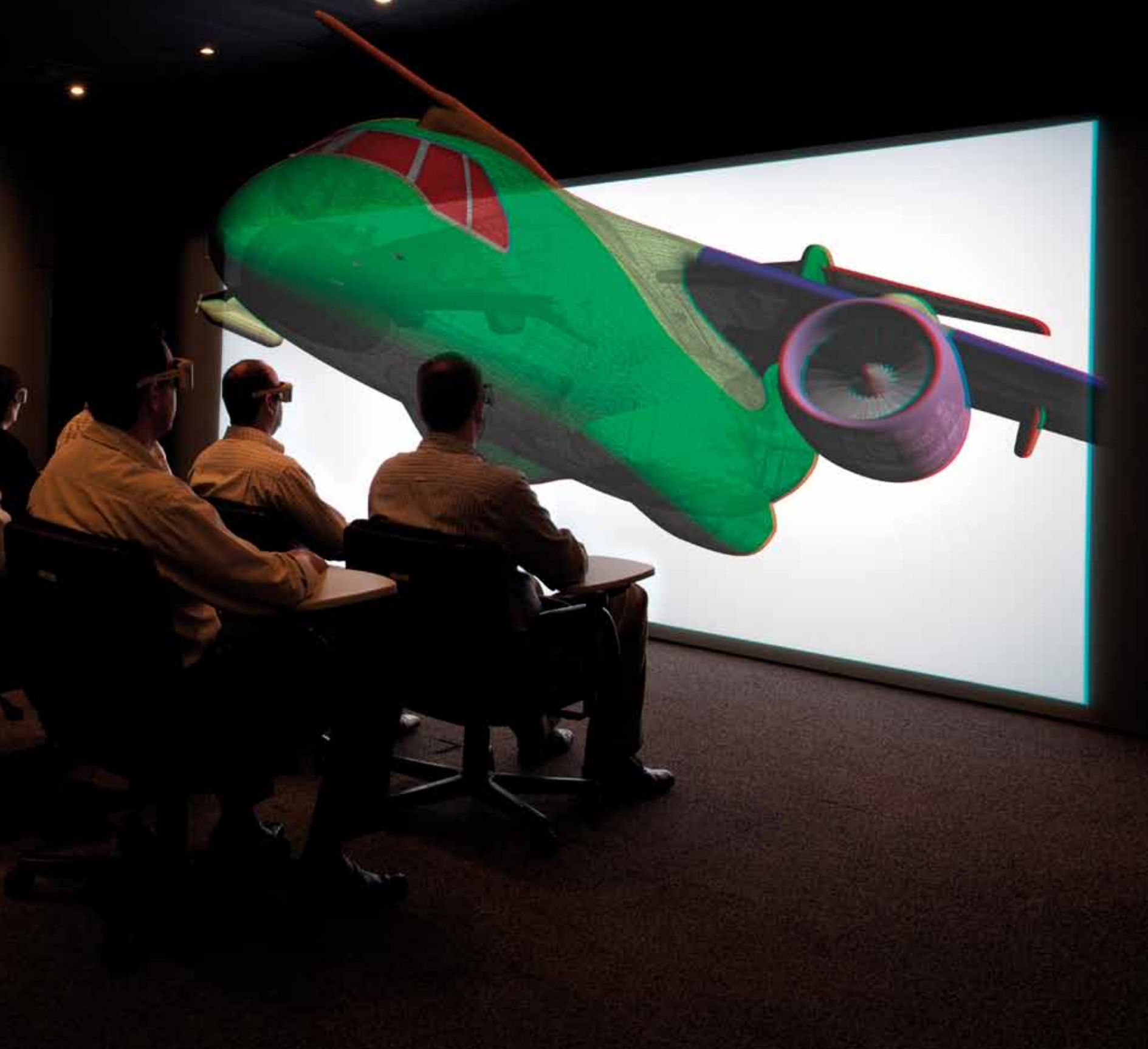
The fact that Embraer has a program focused on developing new technologies shows how innovation is important to the daily lives of its employees. Since the Company's founding, boldness and innovation have been part of its culture. Our process for establishing technological strategy opens doors to a future without barriers. We have established cooperative technological relationships with the aim of exploring ways to further enhance the competitiveness of our products and services. For instance, projects partnered with USP, UFSCar, and UFSC are responsible for developing more comfortable aircraft passenger cabins. Via a technology demonstration device, we can reproduce all of the real flight experiences of a passenger cabin, which assists in developing methodologies for modeling and simulating passenger comfort. This is only one example of how we create an even better future at Embraer. **LEONARDO BASTOS DE TOLEDO, PRODUCT DEVELOPMENT ENGINEER AND EMBRAER EMPLOYEE FOR 12 YEARS.**

I was a young man, living in the city of Bauru and dreaming of becoming an aeronautical engineer. I was frustrated to see that all the airplanes that operated in Brazil were imported from the United States. In the '40s, there were no aeronautical engineering courses in Brazil. I began with the Brazilian Air Force Academy and graduated as an Military Aviator, in 1951. In 1950, the Aeronautics Technological Institute (ITA) was founded and I was given a scholarship from the Air Force to become an aeronautical engineer, achieving my first dream. I and other engineers from ITA noticed that small and medium-sized Brazilian cities did not have air transportation service, because there wasn't a suitable aircraft on the world market. So, we designed the BANDEIRANTE aircraft, and its prototype flew for the first time on October 22, 1968. The search for production alternatives led us, on a lucky day in 1969, to meeting with the President of Brazil, Artur da Costa e Silva. The result of that meeting was the creation of EMBRAER. Yes, we have had some setbacks. But we pursued our dreams, believing that, one day, we would become the big company we now are. It was a seed that bore wonderful fruit. Today, I applaud from the front row, as I see how far we have come. Our EMBRAER is a good example of what can be accomplished with great effort and persistence. Keep it up, friends! **EMBRAER FOUNDER OZIRES SILVA.**





**BOLDNESS AND INNOVATION**  
*are our hallmarks*





**E**mbraer's management model is based on planning and carrying out short-, medium-, and long-term actions and projects. The Strategic Plan has a 15-year horizon and establishes macro-strategies and macro-projects that should bring greater value for the Company.

In order to define its short- and medium-term involvements, which will support future actions, Embraer uses a corporate management tool, called the Action Plan, with a two-year horizon, and that establishes operational, economic-financial, and sustainability results for the entire Company, fully aligned with the Strategic Plan.

**STRATEGY FOR THE COMING YEARS** Embraer's strategy for the coming years provides for the following objectives, focusing on growth, the perennial nature of the business, and on generating value for shareholders:

# Operational Performance

GRI 1.2

*With a strategic planning horizon of 15 years, Embraer pursues the perpetuity of its business, by expanding its business and the value generated for its shareholders. For the coming years, the Company intends to continue the growth path of its three businesses, study new opportunities for investment, and focus its efforts on continuous improvement, technology, innovation, and adopting best practices.*

**Commercial aviation:** solidify its leadership position in segment for commercial airplanes up to 120 seats, taking into consideration improvements in the EMBRAER 170/190 E-Jets family, diversifying and expanding the customer base, and pursuing excellence for customer support;

**Executive aviation:** become established as one of the world’s main manufacturers of executive jets, with the development of new products, growing its market share, and pursuing excellence for customer support;

**Defense and security:** be positioned as the firm anchor of Brazil’s defense and security system, with a diversified offering of products and services and an expanded international presence, besides pursuing excellence for customer support;

**People, organization and processes:** build the perpetuity of the enterprise through appreciation for its people, innovation, sustainable practices, and operational efficiency, with the Embraer Entrepreneurial Excellence Program (P3E) to leverage these developments.

By the end of the decade, Embraer will invest in new engines and the perfection of the E-Jets. The Company postponed plans to develop a new family of larger jets, given the adverse competitive scenario and the unattractive return on investment.

COMMERCIAL AVIATION

**SCENARIO** Worldwide passenger air transportation grew 5.3%, in 2011, according to estimates by the International Civil Aviation Organization (ICAO), which confirms the recovery trend after the financial crisis. Therefore, according to the International Air Transportation Association (IATA), the worldwide air transportation industry should have profits of approximately US\$7 billion, in 2011.

In light of this scenario, Embraer expects that the demand for air transportation will continue to grow an average of 5.2% per year until 2030. This growth could mean a worldwide demand of approximately 7,200 commercial jets with a capacity up to 120 seats and a potential market of more than US\$300 billion.

The market for jets with 30 to 60 seats has suffered the impact of increased fuel prices, competition, and reduced fares. Even at that, those aircraft have been essential for feeding the hub airports in the U.S. and Europe, as well as for developing regional aviation in Latin America, Africa, the Community of Independent States (CIS), and China.

In Africa, the ERJ 145 have made it possible for South African Airlink to expand its route network to smaller cities. In the CIS, the same model, used by Ukraine’s Dniproavia Airlines, allows opening new markets and adjusting seat offerings to passenger demand. The ERJ 145 continue playing an important role in developing regional aviation in China, where the largest fleet of this model is found, outside of the U.S. and Europe.

The jets in the 61- to 120-seat segment, of which Embraer is the market leader with nearly a 45% share, continued to provide greater flexibility and operating efficiency to airline companies. The E-Jets (EMBRAER 170/190 family) are recognized in this segment as a successful platform for airlines with a variety of business models, worldwide.

PORTFOLIO GRI 2.2

Family	Capacity	Range (Kilometers and Nautical Miles)
ERJ 145	37 – 50 seats	3,700 km (2,000 mn)
EMBRAER 170	70 – 80 seats	3,900 km (2,100 mn)
EMBRAER 175	78 – 88 seats	3,700 km (2,000 mn)
EMBRAER 190	98 – 114 seats	4,500 km (2,400 mn)
EMBRAER 195	108 – 122 seats	4,100 km (2,200 mn)



**Paulo César Silva**  
*Executive Vice President,  
Commercial Aviation Business*



# Commercial Aviation

## **1,000 orders and 800 deliveries**

of E-jets: landmarks  
surpassed in 2011

*Two landmarks reflected the success of the E-Jets in the world commercial aviation market in 2011. Just seven years after the first delivery of the model, in 2004, the milestones of 1,000 firm orders and 800 deliveries of the E-Jets were surpassed. Our customers increasingly focus their efforts on optimizing their fleets.*

*To support them, the 61- to 120-seat jets, which is the market segment led by Embraer, with nearly a 45% share, continued providing greater flexibility and operational efficiency to the airline companies. And the substitution of ageing fleets and the removal of excess capacity, which are typical needs of North America and Europe, have become more evident in other markets, in recent years. With an attentive eye on these trends, we adjusted our business strategy and are prepared to take advantage of the opportunities.*

**PERFORMANCE** In 2011, the success of the E-Jets in the world commercial aviation market was reflected by two important milestones: sales went over 1,000 firm orders and 800 aircraft had been delivered to the world market just seven years after the first delivery, in 2004. The 800<sup>th</sup> E-Jet, an EMBRAER 190, was delivered to China's CDB Leasing Co., Ltd., and will be operated by China Southern Airlines, the largest airline company in Asia and the fourth largest in traffic volume.

Leasing companies increasingly recognize the benefits of the E-Jets and their widespread acceptance by the market, and they were responsible for 64 orders of this aircraft, in 2011. Among the companies are Air Lease Corp., CDB Leasing Co., Ltd., CIT Aerospace, BOC Aviation, and GECAS.

The substitution of older fleets and the removal of excess capacity, which are typical phenomena in North America and Europe, have been more evident in other markets, in recent years. Airline companies in Africa, Latin America, Asia, and the Middle East have been discovering the potential for regional flights in their route networks, by introducing smaller aircraft, thus increasing the efficiency of their operations and expanding air services to communities or groups that were without them. In 2011, most of the orders were from companies located outside of Europe and North America.

The 100<sup>th</sup> E-Jet went into service in Latin America and the Caribbean, in 2011, shows the strength of aviation in this region, where Embraer is the market leader with a 79% share of the segment of up to 120 seats. Some 150 Latin American cities are served by E-Jets, which have carried more than 37 million passengers in the region.

After a decade of presence in China, Embraer delivered the 100<sup>th</sup> aircraft to that market, in 2011. The delivery of that EMBRAER 190 shows the strong development of the aviation industry in China and the Company's leadership in that country, with a 70% share of the market for aircraft up to 120 seats.

The continued recover of the air transportation industry, in 2011, was reflected by the announcement of new orders and by the conversion of E-Jets options by customers: Alitalia (Italy), Air Astana (Kazakhstan), Air Lease (United States), Airnorth (Australia), Azul (Brazil), BOC Aviation (Singapore), China Development Bank, CIT (United States), Fuji Dream Airlines (Japan), GECAS (United States), Hebei (China), Jetscape (United States), Kenya Airways (Kenya), KLM (The Netherlands), Lufthansa (Germany), and TRIP (Brazil).

Six new customers began their operations with E-Jets: Air Astana (Kazakhstan), China Southern Airlines and Hebei Airlines (China), Oman Air (Oman), People's Vienna Line (Austria), and RAK Airways (United Arab Emirates).

**AIRCRAFT DELIVERIES**

<i>Aircraft Model</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
ERJ 145	2	7	8
EMBRAER 170	1	11	22
EMBRAER 175	10	8	11
EMBRAER 190	68	58	64
EMBRAER 195	24	17	20
Total	105	101	125



# 1,941

firm orders and 1,692 aircraft  
delivered to commercial aviation

**FIRM ORDER BACKLOG** On December 31, 2011, the E-Jets family achieved 1,051 firm orders for 60 operators in 40 countries, 695 options to buy, and 802 jets delivered. The firm order backlog for commercial aviation came to US\$7.7 billion, which is the equivalent to 249 aircraft.

## ORDER BACKLOG

<i>Aircraft Model</i>	<i>Firm Orders</i>	<i>Options</i>	<i>Deliveries</i>	<i>Firm Order Backlog</i>
ERJ 145 Family				
ERJ 135	108	-	108	-
ERJ 140	74	-	74	-
ERJ 145	708	-	708	-
Total - ERJ 145 Family	890	-	890	-
E-Jets				
EMBRAER 170	188	22	182	6
EMBRAER 175	189	290	143	46
EMBRAER 190	551	355	389	162
EMBRAER 195	123	28	88	35
Total - E-Jets	1,051	695	802	249
Total	1,941	695	1,692	249

EXECUTIVE AVIATION

**SCENARIO** In 2011, the deliveries for the executive aviation industry came to approximately 700 aircraft, for a drop of 8% from 2010, when 763 executive jets were delivered.

It is expected that the demand in 2012 will remain at the same level as 2011, and a recovery of the market should begin only in 2013. With this projected slow economic upturn, Embraer estimates that over the next ten years there will be a market of US\$205 billion, and a volume of deliveries of more than 8,000 executive jets.

The economic crisis that has held on since mid-2008 has hit the executive aviation market with one of the most aggressive sales reductions in its history. Furthermore, the recovery of new executive jet sales has been jeopardized by the large offering of used jets at competitive prices. Currently, there are some 700 executive jets up to ten years old for sale, and they are being negotiated with average discounts of 30% of the fair price of the aircraft in a balanced market.

Given the difficulties that affected the worldwide executive aviation market, mainly in the entry-level and light categories, Embraer recorded a reduction of its share of the industry's volume of deliveries, from 19% in 2010 to around 14% in 2011. In terms of revenues, its market share dropped from 7% to 6%, respectively.

*The Executive Aviation market is expected to recover in 2013, and already shows signs of an increased demand in emerging markets. For the next ten years, Embraer estimates there will be a market of US\$205 billion, with a delivery volume of more than 8,000 executive jets.*

The emerging markets have reacted differently and have absorbed more and more executive jets. The demand from those markets, although growing, is still small, in comparison with the North American and European markets. In absolute numbers, the United States should continue to be the largest market for executive aviation, or about 42% of the revenues expected over the next ten years, followed by Europe, the Middle East and Africa (EMEA), which should represent about 34%. Brazil will represent 3% e and China, 8%, of this market.

PORTFOLIO GRI 2.2

Aircraft Model	Capacity	Range (Kilometers and Nautical Miles)	Category
Phenom 100	6 – 8 occupants	2,182 km (1,178 nm)	Entry-level
Phenom 300	8 – 10 occupants	3,650 km (1,971 nm)	Light
Legacy 450	7 – 9 seats	4,260 km (2,300 nm)	Midlight
Legacy 500	8 – 12 seats	5,556 km (3,000 nm)	Midsized
Legacy 600	10 – 14 occupants	6,297 km (3,400 nm)	Super Midsized
Legacy 650	10 – 14 seats	7,223 km (3,900 nm)	Large
Lineage 1000	13 – 19 seats	8,334 km (4,500 nm)	Ultra-large



**Ernie Edwards**  
*Executive Vice President,  
Executive Aviation Business*

## Executive Aviation

**10 years** of presence in  
executive aviation, with more than  
**500 executive jets** in  
operation in about 40 countries

*The expansion of our international presence marked the year for executive aviation. In February 2011, we inaugurated a factory in Melbourne (Florida, U.S.) and, in December, we performed the maiden flight of the first Phenom 100 produced in the United States. We also reinforced our brand in China with new contracts – like the sale of 13 Legacy 650 jets during the biggest executive aviation industry trade show in the world – and naming actor Jackie Chan as ambassador for the Embraer Executive Jets brand. We continued on the path of great achievements of the past ten years in the executive aviation market, with more than 500 business jets in operation in some 40 countries, despite the impact of the economic crisis that has hung on since mid-2008. Although jeopardized by the large offering of used models at competitive prices, the recovery of executive jet sales has progressed in emerging markets.*

**PERFORMANCE** In 2011, Embraer celebrated the 10<sup>th</sup> anniversary of entering the executive aviation market with outstanding achievements. In February, the factory was opened in Melbourne (Florida, U.S.), and in December the first Phenom 100 produced in the United States took its maiden flight and the Executive Aviation Customer Center opened at the same industrial site. Furthermore, the 200<sup>th</sup> Phenom 100 produced was delivered to Swift Aviation, in Phoenix (Arizona, U.S.). At the end of the year, more than 220 Phenom 100 aircraft were operating in 26 countries.

The first unit of the Phenom 300 was delivered to Brazil's shared-ownership customer, Prime Fraction Club. The aircraft was certified in Australia and Mexico, and the version for eight passengers was also approved, increasing its versatility and competitiveness. At the end of 2011, there were over 50 Phenom 300 operating in 11 countries.

In 2011, the large Legacy 650 jet obtained American and Chinese certification and flew 6,743 km (3,641 nautical miles), from São Paulo to Miami, in a record (for this aircraft) 8 hours and 48 minutes. Also, in May, an important deal was closed with the Comlux Group, of Kazakhstan, for the sale of three of these aircraft, and four more options.

In October, China's Minsheng Financial Leasing Co. signed a contract for the purchase of 13 Legacy 650 jets, during NBAA, the biggest executive aviation trade show in the world. During the same month, Embraer announced the hiring of Hollywood star, Jackie Chan, as the brand ambassador for Embraer Executive Jets.

The super midsize Legacy 600 jet is going into its tenth year of production with broad market acceptance. In December 2011, there were over 185 Legacy 600 jets operating in 36 countries.

The new midlight Legacy 450 and midsize Legacy 500 jets were the highlight in July 2011, with the joining of the first fuselage. The aircraft will be positioned between the Phenom 300 and the Legacy 600, thus consolidating the range of Embraer products for executive aviation as one of the most complete, currently being offered. It is estimated that US\$750 million will be invested in developing the two programs. The Legacy 500 should be certified in 2013, followed Legacy 450.

The ultra-large Lineage 1000 was certified in China and India, which was an important milestone for it to be sold in those promising Asian markets.

At the end of 2011, Embraer had accumulated a firm order backlog of US\$4.4 billion for executive jets.

**AIRCRAFT DELIVERIES**

<i>Aircraft Model</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Phenom 100	41	100	97
Phenom 300	42	26	1
Legacy 600/650	13	11	18
Lineage 1000	3	5	3
Embraer 170 Shuttle	-	3	-
Total	99	145	119



## DEFENSE AND SECURITY

**SCENARIO** In 2011, the operations of the defense and security area began to be managed by a new business unit: Embraer Defense and Security.

With its major customer being the Brazilian Air Force (FAB), Embraer Defense and Security plays a strategic role in Brazil's defense system – it has supplied over 70% of the FAB's fleet – and is beginning to expand its involvement to other regions, beyond the 48 countries it serves with its aircraft, services and defense systems.

The Embraer Defense and Security business unit has integrated solutions that combine high technological content with operating efficiency at competitive acquisition and operating costs. In partnership with its subsidiary and affiliate companies, it offers a broad range of products, services and solutions in the defense, security and space segments with a focus on protecting people, territory and assets, but developing customized solutions for its customers. Its product portfolio includes aircraft and systems for different purposes: command, control, communication, computation, intelligence, surveillance and reconnaissance (C4ISR); training and combat; and transportation of military and civilian authorities.

In addition, it provides aircraft modernization services and customer support. Through partnerships and acquisitions performed in 2011, it began to be involved in such segments as Remotely Piloted Aircraft (RPA), also known as Unmanned Aerial Vehicles (UAV), radar, and public security systems.

Embraer Defense and Security will be strengthened in the coming years, not only in meeting the needs of Brazil, but also in the area of exports. This new corporate configuration opens a new range of capacities to the Company. Besides products and systems for the aerospace segment, the unit will also serve the promising security area and will consolidate Embraer's central position in the process of strengthening Brazil's defense and security industry.

Also contributing this positive scenario are the recent measures adopted by the government, such as instituting rules for purchasing and hiring defense products and systems by the Brazilian government, while exonerating national companies that are considered to be strategic for the defense sector.

**KC-390** Currently under development, according to the program's chronogram, is the KC-390 military cargo and aerial refueling aircraft, which will open the way for Embraer into a new market segment. The first flight of the prototype is expected for 2014 and the aircraft should be certified by the end of the following year.

The aircraft has 60 promises of intent to purchase, with 28 to the FAB, 12 to Colombia, six each to Chile, Portugal and Argentina, and two to the Czech Republic. In 2011, national and international companies were selected and hired to supply the main systems and segments of this new cargo plane.



**Luiz C. Aguiar**  
CEO, Embraer  
Defences and Security

## Defense and Security

**US\$ 3.3 BILLION**

in firm order  
backlog

*Embraer Defense and Security has integrated solutions that combine high technological content and operational efficiency at competitive acquisition and operating costs. Our product portfolio includes aircraft and systems for different purposes, as well as modernization services and customer support. New acquisitions and partnerships expanded the range of our products, services and solutions for the defense, security and space segments. These include acquiring the control of Indústria Aeronáutica de Portugal (OGMA) and an agreement with Telebras to form a company for developing Brazil's satellite system.*

*In the portfolio of Embraer Defense and Security, the highlight is the Super Tucano, which closed the year with 182 aircraft contracted and 156 delivered. To support the customers of this model, the Company developed support systems for training and operations.*

**PORTFOLIO GRI 2.2**

- Embraer Defense and Security
- Super Tucano: basic and advanced training, transition to fighters and light attack.
- AMX: air-to-ground attack.
- EMB 145 AEW&C: airborne early warning and control.
- EMB 145 Multi Intel: remote sensing, air-ground surveillance, and electronic intelligence.
- EMB 145 MP: maritime patrol.
- KC-390: tactical military transport and aerial refueling.
- Transportation of Authorities:
- ERJ 145 family, E-Jets, Phenom, Legacy, and Lineage
- Unmanned Aerial Vehicles (UAV)
- Simulators
- Ground Radar
- Systems and Solutions:
- Command and Control Integrated System (C4I)
- Training and Operation Support System (TOSS)
- Mission Systems
- Air traffic control
- Police Intelligence System
- Services:
- Modernization of Avionics Systems
- Aircraft Modernization
- Aircraft Maintenance and Repair Services
- Remote Sensing
- Logistical Services
- Training and Enabling

**ACQUISITIONS AND PARTNERSHIPS GRI 2.9**

*In line with this strategy of building capacities, Embraer Defense and Security acquired 90% of the capital of the radar division of OrbiSat da Amazônia S.A., for an important step to increase the Company's participation in the Brazilian Security System.*

*Furthermore, Embraer signed an agreement with AEL Sistemas, a subsidiary of Israel's Elbit Systems Ltd., for the purpose of jointly assessing and exploring the Unmanned Aerial Vehicle (UAV) market. As a result of this agreement, Harpia Sistemas S.A. was formed, with Embraer Defense and Security holding 51% of the capital of Harpia and AEL holding 49%.*

*Also a part of this partnership, and with the objective of taking part in the process of transferring technology to Brazil, 25% of the capital of AEL were acquired by Embraer Defense and Security. In the mini-UAV segment, a commercial agreement was signed with Brazil's Santos Lab.*

*Continuing with the expansion of its portfolio, the Company acquired 50% of the capital of Atech Negócios em Tecnologias S.A. This partnership will increase the capacity of the companies for developing products and services in the area of command, control, computation, communication and intelligence (C4I) systems.*

# 5 agreements expanded business capacity

**OGMA** *In January 2012, in order to reinforce the strategic partnership between Brazil and the European Union, Embraer Defense and Security signed an agreement with the European Aeronautic Defense and Space Company (EADS) to acquire full control of Airholding, SGPS S.A.*

*Airholding is a consortium formed in 2005 by Embraer and EADS for the specific purpose of hold 65% of the shares in Indústria Aeronáutica de Portugal (OGMA). The other 35% are under the control of the Portuguese government, via the Empresa Portuguesa de Defesa (EMPORDEF).*

*OGMA provides maintenance and repair services for military and civilian aircraft, engines and components, besides manufacturing and assembling air frames. In 2011, OGMA earned US\$196 million and closed out the year with 1,486 employees*

**TELEBRAS** *Also in 2011, and for the purpose of meeting the needs of the Federal government regarding satellite development in Brazil (including the National Broadband Program and strategic defense and government communications), Embraer and Telecomunicações Brasileiras S.A. (Telebras) signed a memorandum of intent with an eye to forming a company in which Embraer will hold a 51% share and Telebrás with 49%.*





**PERFORMANCE** 2011 was very significant for the entire line of defense and security products, with net revenues of US\$852 million. The advanced training and light attack Super Tucano continued to be one of the highlights. During the year, eight aircraft were delivered: two to Brazil, three to Ecuador, and three to an undisclosed customer. Furthermore, a contract went into effect for supplying eight airplanes to Indonesia, which will be the Company's entry to the Asia-Pacific region. Also in 2011, a contract was signed to supply a new customer with two Super Tucanos, in 2012. With these new contracts, the Super Tucano closed out the year with 182 aircraft ordered and 156 delivered.

At the end of the year, the United States Air Force (USAF) announced that it had selected the Super Tucano for its Light Air Support (LAS) program, because it was the best product available, with proven performance in action and capable of meeting its demands with the greatest efficiency. After being temporarily suspended by a court injunction filed by a competitor that was disqualified from the bidding contest by the USAF, the contract ended up being canceled. Embraer remains firm in its purpose of providing the best solution for the market and will continue its unceasing pursuit of diversifying its customer base.

In order to support the Super Tucano customers, Training and Operation Support Systems (TOSS) were developed, which can include flight simulators, Computer Based Training (CBT), Mission Planning Stations (MPS), and Mission Debriefing Stations (MDS). In 2011, The Ecuadorean Air Force received its flight simulator.

As for intelligence, surveillance and reconnaissance (ISR) systems, the highlight goes to the ongoing progress of the AEW India program, through the contract with the Defence Research and Development Organization of India, to supply three EMB 145 AEW&C aircraft. The maiden flight of the first aircraft took place in 2011 and concluded an important phase of this program, and initiated the flight test campaign. The first delivery is expected for the first half of 2012.

In the modernization area, three programs are currently underway for the Brazilian Armed Forces. In the A-1M program, Embraer is responsible for refurbishing and modernizing 43 subsonic AMX fighters, and deliveries will begin in 2013.

The second program, with the FAB's F-5M jet, covers 46 F-5 fighters. In 2011, four modernized units were delivered, with three left for the beginning of 2012. At the beginning of 2011, a new contract was signed for modernizing an additional 11 F-5 fighters, besides furnishing one more flight simulator for this aircraft. First deliveries of this second group of modernized fighters is expected for 2013.

The third program refers to the modernization of 12 AF-1 aircraft for the Brazilian Navy, two of which are already at Embraer and beginning to detail the modification and modernization work to be done.

**FIRM ORDERS** At the end of 2011, Embraer Defense and Security had accumulated US\$3.3 billion in its firm order backlog.





**45%** growth in aircraft  
deliveries for Agricultural  
Aviation in 2011



**AGRICULTURAL AVIATION**

**SCENARIO** Embraer leads the agricultural aviation market in Brazil with its Ipanema aircraft that holds a 75% share. The model has been produced for 40 years at the Embraer plant in Botucatu, São Paulo, and is used to spray agricultural pesticides, fight fires, seed rivers, and combat pests and larvae, among other applications. The airplane can be equipped with a series of optional features, such as a solids spreader and a differential global positioning system (DGPS).

The Ipanema is the first aircraft produced in series in the world. Ethanol is a more sustainable option, because of the lower environmental impact, lower operating and maintenance costs, and better overall performance of the aircraft. The ethanol version began to be produced in 2005 and represents 20% of the fleet in operation. **GRI 2.2**

**SALES AND DELIVERIES** In 2011, there were 58 Ipanema aircraft sold in Brazil and the Mercosur, which represented a 45% increase over the previous year and reflects an upturn in agribusiness. In January 2012, the model achieved the milestone of 1,200 planes delivered.

**SERVICES AND SUPPORT**

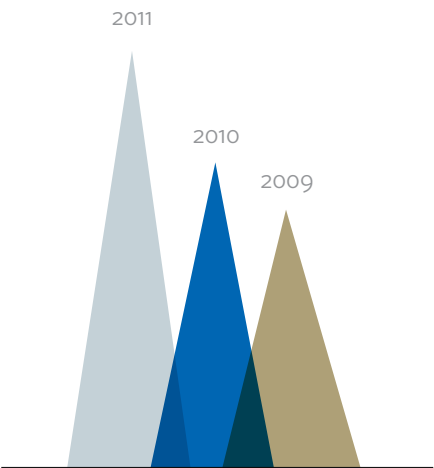
**AERONAUTICAL SERVICES** **GRI 2.2** The number of Embraer aircraft in operation is constantly growing, throughout the world, and the Company maintains a worldwide service network to support its customers. Each of the three business segments – commercial aviation, executive aviation, and defense and security – offers services that include after-sale support, training, replacement parts sales, and aircraft and component maintenance services. In 2011, revenues from aeronautical services came to R\$1,101 million and represented 11% of Embraer’s total revenues.

Besides such specialized companies as Embraer Aircraft Maintenance Services (EAMS, in the U.S.) and OGMA – Indústria Aeronáutica de Portugal, Embraer has its own shops and parts inventories in the U.S., France, China, Singapore, and Brazil.

**EMBRAER SERVICE CENTERS** Embraer’s worldwide network currently includes some 60 company-owned and authorized service centers. The network is complemented by a 24-hour Contact Center at the Company’s headquarters, in São José dos Campos, to assist customers anywhere in the world.

**FIELD SUPPORT** Embraer has a structure of teams with proven efficiency in providing customers with solutions for technical and operational problems, such as flight operations, maintenance and replacement parts. These teams each have an account manager, a replacement parts representative, and specialized technicians. Embraer offers 24-hour field support, 365 days a year, to its customers and provides them with after-sale services.

**TECHNICAL SUPPORT** A service team formed by qualified technicians and engineers offers expert 24-hour attention at the headquarters in São José dos Campos, answering customer questions and handling problems, besides providing customized reports analyzing reliability.



**AIRCRAFT DELIVERIES**

- 55** *Ipanema's delivered in 2011*
- 40** *Ipanema's delivered in 2010*
- 34** *Ipanema's delivered in 2009*

This includes measures for real-time preventive monitoring of the fleet. Remote support can be expanded by the assistance of engineering at the customer's location.

**MAINTENANCE ENGINEERING** Customized maintenance plans help customers gain better performance at reduced costs and with greater reliability. Embraer's professionals are also prepared to modify the aircraft according to customer needs. These modifications, which are performed within the highest standards of quality, range from esthetics to cabin configuration and the substitution of basic systems.

**OPERATIONAL SUPPORT** Embraer offers a complete set of technical documents especially prepared for the use of pilots, flight attendants, forwarders, and flight engineers that are aligned with the customer's needs. Among a number of other conveniences, airline companies also have special courses for pilots, a "pilot allocation" option, and contracts for continuous consulting regarding flight engineering.

**MATERIAL SUPPORT** The Company offers effective systems for supplying materials and special replacement parts and programs needed for the operations of its customers, according to flight and maintenance chronograms.

**TRAINING** In order to provide support and qualify pilots, mechanics, technicians and flight attendants for operating its aircraft, Embraer makes several training programs available to its customers at a number of sites around the world.



**E-SOLUTIONS** Via solutions made available on the Internet, Embraer offers its customers the convenience and savings of 24-hour access to support resources that include: technical publications, performance software, replacement parts, daily real-time information regarding fleet conditions, and an online manual for identifying defects, among other services.

**SALES FINANCING** With the effects of the economic crisis on the availability and cost of financing aircraft, which worsened in the second half of 2011, the export credit agencies maintain support for their national manufacturers. Embraer's customers, with the Company's support, were able to structure all of their acquisitions, by both the market (63%) and the Brazilian export financing system (37%).



The diversification of the customer base of the E-Jets and its versatile application to different business models have contributed to a positive perception of the asset as a guarantee and, consequently, the residual values have performed excellently. The successful restructuring of financing for Embraer customers is proof of the excellent evaluation of the E-Jets by the financial community.

The EMBRAER 170/190 family has been predominantly financed by European financial institutions and leasing companies. The European commercial banks face severe liquidity restrictions and should reduce the allocation of funds to finance aircraft over the coming years. On the other hand, the leasing companies and the capital market should increase their participation in financing.

In 2011, Embraer signed sale contracts directly with leasing companies in the United States and Asia. Those agreements will contribute strong support to the Company's customers, worldwide, thus expanding the offer of operational leasing solutions. It is expected that the leasing structures will have a larger share in the coming years, compensating the reduction in the amounts to be allocated to the sector by the commercial banks.

Financing via the capital market will also gain a new thrust, as the new regulations on capital and the banking system, as well as the global adoption of the Cape Town treaty, tend to increase their efficiency, compared to the other structures.

The export credit agencies will continue their important involvement, in 2012, in meeting total financing needs, which are estimated to be US\$95 billion for commercial aviation. Official support of the Brazilian export financing system has increased over the past few years, due to the financial crisis, and represented about 37% of all deliveries in 2011, and this should continue at similar levels during 2012. We would point out that this source of funding represents only 18% of all accumulated E-Jet deliveries since 2004.

**ASSET MANAGEMENT GRI 2.2** In order to give better support to sales and to reduce some of the financial risks related to aircraft sales, Embraer created the ECC Leasing Co. Ltd. subsidiary, based in Dublin, Ireland, in 2002.

The mission of ECC Leasing is to manage and sell the aircraft portfolio that, due to contractual obligations, could be acquired by Embraer in trade-in or by-back transactions. The company also provides resale services to third parties connected with sales campaigns.



ECC Leasing has managed 93 aircraft made by Embraer, so far, 43 of which were resold, 29 are under operational leases, 14 are available for relocation in the market, and seven are being used by Embraer to conclude tests and certifications, mainly for E-Jets and the Legacy 650.

The fleet of 25 Citation Ultra aircraft, acquired by ECC Leasing from NetJets, Inc., by trade-in, at the end of 2010, was sold during the second half of 2011.

The fundamental condition for trade-in operations is the acquisition of new aircraft by customers. Using the trade-in option is linked to the customers fulfilling the contractual clauses. Those clauses state that the price of the good that is offered as payment may be applied to the purchase price of a new, more up-to-date model produced by the Company. The trade-in price is based on a percentage of the original purchase price of the aircraft, and Embraer monitors all of the trade-in commitments, in order to prepare for adverse situations.

## TECHNOLOGICAL AND OPERATIONAL MANAGEMENT

**TECHNOLOGY AND KNOWLEDGE** In 2011, Embraer held the 100<sup>th</sup> Comunidade de Prática (Community of Practice), consolidating the concept and the importance of knowledge management practices in the various areas of the Company. It also held the 2<sup>nd</sup> edition of the Embraer Seminar on Technology and Innovation (ESTI), where several presentations were made with high technological content, produced by employees and focusing on the sustainability of products and processes. Furthermore, and even was held, which focused on gathering and disseminating the experiences of experts with a broad spectrum of technologies

**TECHNOLOGY DEVELOPMENT** **GRI PR1** The capacity to generate technologically innovative solutions is an indispensable competence for staying competitive in the aeronautics industry. Keeping in mind the importance of new technologies for its future, Embraer, through its technological development program, investigates and develops solutions that create internal competencies that are crucial for its business.

The strategy of the technological development program is based on analyzing and monitoring the worldwide technological scenario. Embraer has been continuing its efforts and investments in the capacity to apply advanced technologies in the development of increasingly modern, safe and efficient aircraft.

In 2011, several advances were made in this direction, with the conclusion of the Silent Aircraft initiatives, with a focus on solutions for reducing noise levels in the aircraft, and Assembly Automation, where a flexible and low-cost automation system for assembling the aircraft's structure was developed and tested.

Furthermore, Embraer was a member of two consortia: Portugal's Lighter, Integrated, Friendly and Eco-efficient (L.I.F.E.) Aircraft Cabin, with its objective of creating competencies for conceiving, developing, and industrializing technical and functional solutions that are more eco-efficient, lighter, integrated, comfortable, and have an innovative design; and Europe's Sustainable Way for Alternative Fuels and Energy for Aviation (SWAFEA), in order to study the best technical and sustainable alternatives for the use of renewable fuels in aviation.

Another important landmark of the program is associated with the evaluation of new solutions for aviation's energy matrix, specifically a test flight with aviation biokerosene developed by UOP Honeywell. Produced basically from camelina (bioQAV), this is the first renewable kerosene in the world to be certified for commercial aviation.

# PARTNERSHIP

## in R&D favors innovation and the development of technologies

**KNOWLEDGE NETWORK GRI PR1** Embraer's technological development strategy is structured as a program that is able to manage and carry out multidisciplinary projects and integrate a number of institutions, such as universities, research institutes, fomenting institutions and other companies that operate as a network of development partners. Currently, more than 50 research and development (R&D) institutes work together, involving more than 250 researchers from the scientific community.

In 2011, important steps were taken in the plan for expanding and integrating national and international research networks. The first Brazilian laboratory for researching lightweight structures – in the Technological Park of São José dos Campos, São Paulo – began operating in a contact made possible by a partnership that involves the Research Assistance Foundation of the State of São Paulo (Fundação de Amparo à Pesquisa do Estado de São Paulo – FAPESP), the Institute of Technological Research (Instituto de Pesquisas Tecnológicas – IPT), the Department of Development of the State of São Paulo (Secretaria do Desenvolvimento do Estado de São Paulo), the National Economic and Social Development Bank (Banco Nacional de Desenvolvimento Econômico e Social – BNDES), and Embraer.

FAPESP, Boeing, and Embraer also signed a letter of intent to collaborate in the research and development of biofuels for commercial aviation. Embraer began taking part in the Aerospace Vehicle Systems Institute (AVSI), which deals with issues that affect the aerospace community, via cooperative research and international collaboration on the part of industry, governments and universities. In addition, Embraer's participation was approved in Framework Programme 7 of the European Community.

Keeping in mind the importance of R&D activities for national development, and the strategic role of the aeronautics industry for technological innovation, Embraer is actively involved in discussions with the main corporate leaders and the government, in order to strengthen public fomenting policies for the National Innovation System. In this way, the Company seeks to contribute to building an environment that favors technological innovation in companies and intensifies research into the Nation's emerging technologies.

With this objective in mind, in August 2011, the Federal government launched the Greater Brazil Program (Programa Brasil Maior). This program sees the aeronautics and space industry as one of the dimensions for expanding the Nation's technological competencies. Therefore, the program strengthens the continuity of Embraer's efforts toward technological innovation, for the purpose of being more competitive.

**INTELLECTUAL PROPERTY** A Embraer's intellectual property management policy recognizes the need to protect the rights and results of intellectual creation arising from investments in research and development, in the form of inventions, industrial design, brands, processes, systems, software, or products.

An assessment of the importance and convenience of obtaining protection for intellectual property of innovations in products, technologies or processes developed by Embraer is made by an Intellectual Property Management Committee composed of permanent representatives of the Technology, Engineering, and Legal vice presidencies.



In order to evolve with the best practices for managing intellectual property, the Company joined the Brazilian Association of Intellectual Property (Associação Brasileira da Propriedade Intelectual – ABPI), in 2011, which brings together companies, offices of industrial property agents, law firms, and experts from Brazil and other countries.

Embraer also joined the Intellectual Property Program of the National Confederation of Industries (*Programa de Propriedade Intelectual da Confederação Nacional das Indústrias* – CNI), in which all national entities of the Industrial System (CNI, Sesi, SENAI, and IEL) are involved. The program is the largest enterprise for disseminating and training for the strategic use of intellectual property in Latin America.

Since the implementation of its policy for managing intellectual property, in 2007, Embraer has had a substantial increase in the number of patents requested. In 2011, 23 requests for patents were filed and 17 were granted for industrial drawings and inventions.

**INDUSTRIAL OPERATIONS** Industrial operations contributed significantly to Embraer's results, with a number of products focused on increasing productivity and improving manufacturing quality. These gains were achieved by disseminating the lean manufacturing concepts promoted by the Embraer Entrepreneurial Excellence Program (P3E), mainly by carrying out Kaizen and 3P (Production Preparation Process) projects.

Another P3E highlight in industrial operations was the evolution of several continuous improvement cells to the silver certification level, while others achieved the cell group stage, thus strengthening the integration between the different departments and perfecting the value flow processes.

In line with the strategy of the P3E Program, Embraer advanced with its industrial automation project, in 2011. Other robots were added to the already existing ones, to manufacture fuselage segments and wings and to paint the aircraft – the painting robot is the first to be used for this purpose in the aeronautics industry. Several robots were also acquired and will begin operating next year to paint parts, join fuselage sections, and manufacture parts from composite materials in Brazil. For the new factories in Portugal, robots were acquired to manufacture wings and stabilizers.

***Founded on four pillars, the Embraer Entrepreneurial Excellence Program buttresses the Company's competitiveness and expands its capacity to respond to the challenges and opportunities of the market. The initiative pursues continuous and gradual improvement, the elimination waste, and automation.***

**EMBRAER ENTREPRENEURIAL EXCELLENCE PROGRAM (P3E)** The results obtained by the Embraer Entrepreneurial Excellence Program (P3E) over the past four years have sustained the Company's competitiveness and expanded its capacity for responding to the challenges of the aerospace market, such as the reduction in demand, higher costs, and keen competition.

The program was launched in 2007 and has shown an evolution in the satisfaction of people, the preparation of leaders, operational efficiency, and corporate culture. Based on a Japanese model, the P3E is a system that seeks to raise Embraer's management, processes and products to the level of excellence, by improving the capacity of all employees and leaders. The program is founded upon four pillars:

- The development of Embraer's organizational culture;
- The development of people;
- The constant formation of leaders and their management skills;
- The pursuit of excellence and efficiency in all of the Company's processes.

The program uses the Kaizen concept of continuous and gradual pursuit of improvement of the Company and personal life, and the Lean philosophy, inspired by the Lean Toyota management system of eliminating waste, just-in-time delivery, and automation. Therefore, the P3E gives incentive to a culture where employees express themselves regarding solutions and innovations for the product, operating process, and management.

As a fundamental part of the program, the Company's leadership goes through a training process, which is divided into three stages:

- Program for new leaders;
- Perfecting command skills;
- Formation of new entrepreneurs, with the objective of ensuring the perpetuity of the business. Leaders should always be aligned with the P3E values, in order to inspire their staff and, thus, reduce waste and increase Embraer's competitiveness.

**CONTINUOUS IMPROVEMENT CELL GROUPS** P3E was developed by forming continuous improvement cells, based on the value flow of the Company. The cells advance through the steps of the program via a certification process based on definite criteria, which begins with basic qualifications and, successively, goes through the bronze, silver and gold levels, according to performance. The fundamentals of excellence of the National Foundation for Quality (Fundação Nacional da Qualidade) were included in the criteria for evolving the P3E cell groups.

By 2011, of the 437 existing cell groups, 416 were qualified according to the expectations of internal and external customers, the routine for applying improvement tools, and the definition of goals of excellence. Of these cell groups, 373 (85%) achieved the bronze level, because they obtained significant improvements in their processes, and 71 cell groups (16%) received silver certification, for meeting high performance goals.

In 2011, the cell groups were aligned and, consequently, their processes were joined with value flows and clearly defined products, indicators and targets that ensure excellent results.

The cycle for practicing values, which was based on individual actions for collective movements, recognized 54 cell groups as outstanding in practicing Embraer's Values, in 2011.





**OCCUPATIONAL HEALTH AND SAFETY** **GRI LA7** “Our people are what make us fly” is the first of the six values that guide Embraer’s policies and engagement. Consequently, health, well-being and occupational safety are the basic assumptions of all of the activities carried out by the Company.

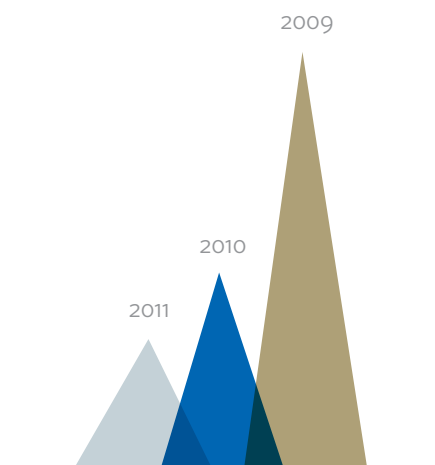
Embraer holds OHSAS 18001 (Occupational Health and Safety Assessment Services) certification, managed by the Integrated Management System for the Environment, Occupational Health and Safety, and Quality (SIG-MASSQ), which monitors the health and safety actions at all of the Company’s units. This system, which integrates the Company, employees, third-parties, and customers, is evaluated, annually, and certified by ABS Quality Evaluations.

The strategy of SIG-MASSQ is based on prior recognition of risks and on establishing objectives and goals that are strengthened by actions such as those set forth in the Occupational Health and Safety Excellence Plan. The main goal of this Plan is to reduce job-related accidents by 70% and the rate of severity by 50%, by December 2012, based on the figures for 2009. The Plan works on four fronts: preventive action, process changes, educational actions, and corrective actions.

In 2011, compared to 2009, there was a reduction of 52% in the number of job-related accidents requiring a leave of absence and 70% not requiring a leave, at the Faria Lima unit, alone, which has 57% of all employees. These results reflect preventive, corrective and educational actions, as well as a few changes in processes.

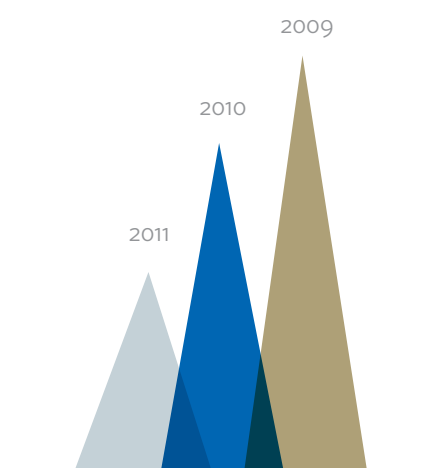
Despite all of the initiatives and improved indicators, the Company recorded a fatal accident in 2011, at the Faria Lima plant, in São José dos Campos. By the time this report was concluded, the cause of the accident was still being investigated by the Regional Office of the Ministry of Labor. After the occurrence, the Company took preventive measures at all of its units, to eliminate the possibility of a repeated occurrence.

**SUPPORT PROGRAMS** Based on the Embraer Entrepreneurial Excellence Program (P3E), all of the areas of the Company have goals for the continuous improvement of the production processes and criteria for eligibility connected with the subject of occupational health and safety.



**JOB-RELATED ACCIDENTS WITHOUT LEAVE OF ABSENCE**

**31** Occurrences in 2011  
**47** Occurrences in 2010  
**100** Occurrences in 2009



**JOB-RELATED ACCIDENTS WITH LEAVE OF ABSENCE**

**48** Occurrences in 2011  
**79** Occurrences in 2010  
**100** Occurrences in 2009

Other programs also contribute to the goal of reducing job-related accidents, such as the Behavioral Program, which encourages the involvement of employees in the subject of safe behavior.

Embraer's Industrial Ergonomics Program works to improve the relationship between employees and their jobs, in order to prevent, minimize or eliminate health hazards, providing comfort and safety by adapting the work situation to the characteristics of the workers, while considering their needs, skills and limitations.

**SUPPLY CHAIN MANAGEMENT** Aeronautical materials are the main cost of an aircraft and, consequently, have a heavy impact on the Company's cash flow. In 2011, Embraer continued its projects for protecting its cash, generating margins, supplier relations and communications, optimizing work processes, training people to manage supplies, and reducing inventories of purchased materials.

The project for reducing inventory levels includes changing the policies for planning the purchase of materials (lot and security inventory), eliminating excess inventories, reducing obsolete materials, and actions for improving the predictability of cash disbursements. This project integrates the rules and procedures practiced by all of the areas involved in the supply chain, like freight, contracts, currency conversion, reception of materials, products, and payment conditions.

The selection of Embraer's suppliers is influenced by such technical factors as reliability, cost, capacity, availability and delivery deadlines, quality, purchase convenience, assistance, and production capacity. About 5% of the budgets for the purchasing processes of the operational units are handled with local suppliers. **GRI EC6**

Quarterly executive meetings are held to follow up on action plans with the main suppliers of aeronautical materials. Indicators of industrial performance, customer satisfaction, and competitiveness of suppliers are followed on a monthly basis. **GRI PR5**



*Embraer’s responsibility is taken broadly and covers not only the products that are sold, but also training customers to operate the aircraft. Furthermore, the Company is rigorously involved in the certification and approval of new products and modifications.*

For the purpose of improving relationships and communication, an Embraer Suppliers Conference (ESC) and Supply Chain Alignment (SCA) are held annually to advise suppliers of Embraer’s expectations and to present the current and future scenarios of the commercial aviation, executive jets, and defense and security markets. Production plans, action plans, and projects for improving the supply chain and product quality are also presented.

Embraer regularly evaluates key and/or crucial suppliers, in order to identify and mitigate potential risks to the supply chain, such as finances, the supplier’s business, product quality, engineering, manufacturing, after-sales, and the environment.

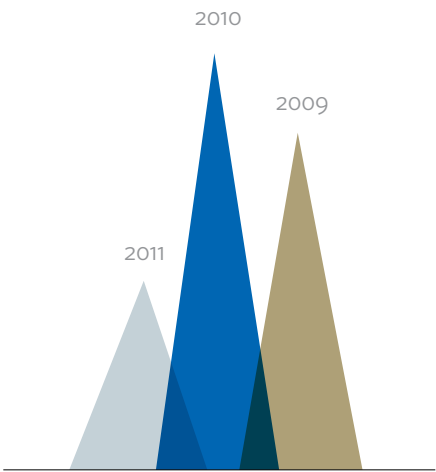
In 2011, the Brazilian Air Force (FAB) and Embraer held a KC-390 Workshop, in order to stimulate the participation and preparation of Brazilian companies as suppliers of parts, components, systems, and services for this military transport aircraft that is being developed by Embraer. The nationalization index of the aircraft is estimated at between 60% and 80%, if the engines are not taken into consideration, which represent about one-third of the total cost of the aircraft and for which there is no national product.

Besides stimulating the capacity of the national supply chain, the workshop also sought to give incentive to companies to pursue partnerships with foreign suppliers, which have already been hired by Embraer Defense and Security for the program of the new airplane.

**PRODUCT RESPONSIBILITY AND SAFETY GRI PR1 | PR2 | PR3** In its commitment to entrepreneurial excellence, as expressed in the P3E program, the Company adopts the highest production standards and seeks to continuously perfect its people and processes, which is one of the pillars of responsibility for a product that involves high technology and security measures, like an airplane.

Besides training its employees, the Company and its training partners offer all customers who operate aircraft a broad range of technical training courses.

The Company’s responsibility is also reflected in design, manufacturing and air navigability certifications obtained by its aircraft in Brazil and abroad. Certification is a legal and mandatory process for civil aviation, by which Embraer shows that the product complies with the safety requirements set by the certifying agency.



**SUBJECTS INCLUDED IN THE MONITORING OF THE PRODUCT SAFETY COMMITTEE**

- 1,4** Average per airplane type monitored in 2011
- 3,1** Average per airplane type monitored in 2010
- 2,5** Average per airplane type monitored in 2009



1-12 x PAN COMPARTMENT  
COOLING SCOOP ACCESS

# 3<sup>RD</sup> LARGEST

manufacturer of commercial  
jets in the world and fifth largest  
Brazilian exporter

Embraer's flight safety policy provides a proactive approach to the entire life cycle of the product, so as to ensure that safety norms and standards meet, as well as exceed, the minimum requirements of aviation certification agencies.

New products and modifications made in designs that have already been certified are only released to operators after the formal process of demonstrating the safety requirements, and after approval has been issued by the civil aviation agency.

The process for ensuring the integrity of Embraer's products continues to be the same, after the aircraft goes into service or after the modifications have been implemented, with the fleet duly followed-up on by both Embraer and the responsible authorities.

The Company also makes available technical operating and maintenance manuals for the aircraft, with detailed information regarding the safe and efficient use of all of its products and services, in compliance with applicable regulatory demands, so as to minimize the environmental and social impacts arising from their use.

**CERTIFICATIONS GRI PR1** All of the aircraft developed by Embraer for civilian use are certified by Brazil's National Civil Aviation Agency (Agência Nacional de Aviação Civil do Brasil – ANAC), by the U.S. Federal Aviation Administration (FAA), and by the European Aviation Safety Agency (EASA) of the European Union, as well as other agencies, depending on where the aircraft will be registered and operated.

The safety performance of the products is continuously monitored for the customers. Any eventual risks identified are immediately assessed by Embraer's Product Safety Committee, and a complete risk management process is established, in order to minimize exposure, according to the highest industry standards.

On the average, 2.4 issues per type of aircraft per year are included in the monitoring of this committee, even with the launch of new models and the continuous growth of the number of airplanes in operation over the past five years (see graphic on page 68).

In the case of an accident or serious incident involving one of its products, Embraer Flight Safety takes part in the investigations and gives support to the authorities in charge, always in line with the standards of the International Civil Aviation Organization (ICAO).

**OCCURRENCES** In 2011, there were three non-injury accidents with Embraer aircraft. In May, a Phenom 100 ran off the runway during landing, in the U.S. In September, an EMBRAER 190 went off the runway when landing in Ecuador. In Gabon, in October, an EMB-120 Brasília turboprop also went off the end of the runway while landing, under unfavorable weather conditions.

In all three cases, Embraer sent representatives to accompany the investigations of the causes of accidents. Although the investigations have not been concluded, no contributing factor has been found, related to the product.

**INTANGIBLE ASSETS** The Company considers its main intangible assets to be the Embraer brand, its people, the intellectual property of its innovations, and its infrastructure. Its penetration of and significant participation in different markets and regions show the global acceptance of the brand, associated with highly reliable, innovative and sustainable products, linked to cutting-edge technology.

**INTANGIBLE ASSETS**

<i>Assets</i>	<i>Components</i>	<i>Means of Evaluation</i>
Embraer Brand	Third largest manufacturer of commercial jets in the world Fifth largest Brazilian exporter 42 years in operation	Total sales Global customer base Portfolio of important and world-renowned partners Investment grade by Moody's and Standard & Poor's
People	Knowledge and skills related to strategic competencies High productivity, motivation and commitment rates	Performance of the Company Performance and Process Management System (P3E) Awards and recognition for people management
Intellectual Property	Knowledge management process Legal protection for intellection property of innovations	Number or value of patents



Having a global operation has become a necessary strategy for a company that wants to achieve sustainable development. Global operations also help promote political, economic and cultural exchange between countries. Since Embraer entered the Chinese market in 2000, as of December 31, 2011, it has delivered over 100 commercial jets, accounting for over 76% of China's regional aviation market. These aircraft are helping airlines build networks, explore new markets, optimize fleet management, and train pilots to address the crew shortage problem. This not only facilitates the strategic market development of the airlines, but also provides convenient air service for the public and stimulates the development of regional economies and the aviation industry as well. The establishment of HEAI has provided job opportunities for around 230 people. As a direct result of the production and delivery of over 100 Embraer jets, there have also been jobs created by the airlines, along with employment by the suppliers, derivative industries and local tourism industries due to the more convenient air transportation services. **GUO DIANMAN, PRESIDENT OF AVIC HARBIN AIRCRAFT INDUSTRY GROUP CO., LTD. (AVIC HAIG), CHINA.**

The global nature of Embraer's business brings with it many advantages. The company is internationally recognized for its excellence, and our global exposure allows us the opportunity to tap into growth markets while mitigating risks arising from potential down-cycles in other markets. Furthermore, with operations all around the world, Embraer is a multicultural company with a rich and diverse professional environment. Thanks to this international presence, I had the chance to be transferred from our Paris office to our Singapore office where I am now part of a team of 70 people, representing over ten different nationalities. **MARINE BENOIT, REGIONAL SALES DIRECTOR, COMMERCIAL AVIATION, EMBRAER ASIA-PACIFIC.**

Diversity, stability and opportunity; these are the advantages of working at a company with global participation. Diversity in the sense that many countries, cultures and experiences are better represented in a global company. We all have a lot to learn from each other, and when we work together, we become stronger. Stability because being present in different markets facilitates the sales process and provides our customers with convenience. Last, but not least, working in a global company provides us with opportunities of personal and professional growth. Embraer, in parallel to Brazil's good performance, has managed to position itself globally in a positive manner. All these attributes, added to many others, contribute to increase our market share, our sales numbers and consequently, help in building a sustainable future for Embraer employees worldwide. **MARK A. MILLER, OPERATIONS MANAGER OF EMBRAER EXECUTIVE JETS IN MELBOURNE, FLORIDA (USA).**





**GLOBAL PRESENCE**  
*is our frontier*

*A 5% growth in net revenues and strong operational performance highlighted Embraer's economic-financial results in 2011.*

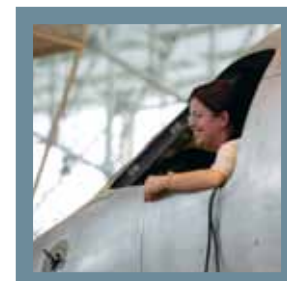
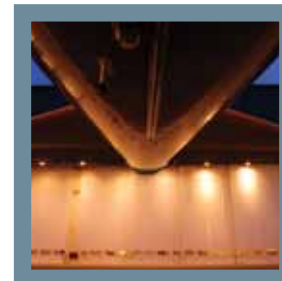
# Economic-Financial Performance and Capital Market

**I**n 2011, Embraer achieved, and even surpassed, the annual revenue estimates and operating and EBITDA margins released to the market, in its recurring operations.

## **ECONOMIC-FINANCIAL PERFORMANCE**

**NET REVENUES AND GROSS MARGIN** **GRI EC1** Net income for the year was R\$9,858.1 million, or 5% more than the previous year.

Embraer believes that the current gross margin level is sustainable for the coming years, presuming a similar product mix and revenues.



## SUMMARY OF FINANCIAL PERFORMANCE

<i>R\$ million*</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
NET REVENUES	9,858.1	9,380.6	10,871.3
COST OF PRODUCTS SOLD	(7,638.8)	(7,582.6)	(8,759.5)
GROSS INCOME	2,219.3	1,798.0	2,111.8
GROSS MARGIN	22.5%	19.2%	19.4%
OPERATING EXPENSES	(1,697.5)	(1,112.4)	(1,345.1)
OPERATING INCOME AFTER INTEREST AND TAXES	521.8	685.6	766.7
OPERATING MARGIN	5.3%	7.3%	7.1%
DEPRECIATION AND AMORTIZATION	401.2	383.6	452.1
ADJUSTED EBITDA <sup>(1)</sup>	923.0	1,069.2	1,218.8
ADJUSTED EBITDA MARGIN	9.4%	11.4%	11.2%
NET INCOME ATTRIBUTED TO EMBRAER	156.3	573.6	912.1
NET MARGIN	1.6%	6.1%	8.4%
PROFIT PER SHARE	0.22	0.79	1.26
NUMBER OF SHARES <sup>(2)</sup>	723,667	723,665	723,665

\* Except Profit per Share and Number of Shares.

<sup>(1)</sup> Adjusted EBITDA, according to CVM Bulletin No. 1/2005, is net income plus net financial revenues (expenses), income tax and social contribution, depreciation and amortization, non-operating revenues (expenses), minority shares, and pick-up equity.

<sup>(2)</sup> Does not include 16.8 million shares kept in the treasury.



During the year, Embraer's exports totaled US\$4,209.2 million, making the Company Brazil's fifth largest exporter, contributing 1.64% to the Brazilian balance of trade.

In 2011, there were 105 aircraft delivered to the commercial aviation market, 103 of which were E-Jets and two were ERJ 145; 99 jets were delivered to the executive aviation market, including 13 Legacy 600/650, three Lineage 1000, 42 Phenom 300, and 41 Phenom 100.

Besides these, there were delivered to the defense and security market four F-5 fighter jets modernized by the F-5M program of the Brazilian Air Force (FAB), and eight Super Tucanos, two of which to Brazil, three to Ecuador, and three to an undisclosed customer.

***Commercial aviation achieved revenues of R\$6.2 billion, and was responsible for 64% of Embraer's total sales for the year. Among main consumer markets are Europe, Asia-Pacific, and North America.***

#### AIRCRAFT DELIVERIES BY SEGMENT

	2011	2010	2009
Commercial Aviation	105	100	122
ERJ 145	2	6	7
EMBRAER 170	1	9 (2)	22
EMBRAER 175	10	8	11
EMBRAER 190	68	58	62
EMBRAER 195	24	17	20
Executive Aviation	99	144	115
Phenom 100	41	100	93
Phenom 300	42	26	1
Legacy 600/650	13	10	18
Lineage 1000	3	5	3
Embraer 170 Shuttle	-	3	-
Defense and Security*	-	2	7
ERJ 135	-	1	1
Phenom 100	-	-	4
Legacy 600	-	1	-
EMBRAER 190	-	-	2
TOTAL JETS	204	246	244

*Deliveries shown in parentheses were accounted for as operational leasing.*

*\*Includes only the deliveries of executive jets configured for transporting officials and for State-owned airlines.*

**REVENUES PER SEGMENT** Net revenues for the commercial aviation market grew 10% over the R\$5,707.3 million of 2010, coming to R\$6,273.6 million, due to the improved product mix and greater number of deliveries, despite the increased value of the Real during the period. The executive aviation market generated revenues of R\$1,930.4 million in 2011, or 8% less than the R\$2,095.6 million of 2010.

Net revenues of the defense and security market were R\$1,444.7 million in 2011, and remained stable, compared to the R\$1,445.2 million of 2010. Other business was responsible for R\$209.3 million in revenues in 2011.

Brazil's share of the Company's net revenues continued to expand, from 4% in 2008 to 17% in 2011. The main contributing factors were continued deliveries to Azul Linhas Aéreas Brasileiras, as well as a substantial increase in revenues from the defense and security business.

In a reversal of the direction of last year, North America's share began to grow, again, and came to 20% of net revenues, mainly due to a boost in commercial aviation deliveries in that region.

#### REVENUES BY SEGMENT

	2011	2010	2009
Commercial Aviation	64%	61%	69%
Executive Aviation	19%	23%	17%
Defense and Security	15%	15%	12%
Others	2%	1%	2%

#### REVENUES BY REGION

	2011	2010	2009
North America	20%	13%	22%
Europe	25%	33%	33%
Latin America	11%	15%	7%
Brazil	17%	13%	11%
Asia Pacific	23%	22%	21%
Others	4%	4%	6%

**OPERATING EXPENSES** In 2011, operating expenses totaled R\$1,697.5 million, showing a growth of 53% over the R\$1,112.3 million of 2010, due particularly to the other (expenses) operating income account, which went from revenues of R\$16.9 million in 2010 to an expense of R\$410.4 million in 2011.

This increase was caused by provisioning R\$465.3 million, mainly due to the Company's current estimate for covering eventual losses related to its obligations for financial and residual value guarantees (RVG) offered to financial agencies and customers of aircraft from the ERJ 145 family.

American Airlines (AMR), which filed for Chapter 11 bankruptcy protection at the end of 2011, currently operates 216 ERJ 145 family jets, via its wholly owned subsidiary American Eagle, and its final decision on how it will manage this fleet is still being weighed. In order to handle this scenario, Embraer provisioned R\$583.2 million, based on its best estimate at that moment.

Considering that this decision could impact the secondary market for regional jets, due to the increased availability of aircraft coming out of this restructuring process, a Embraer also accounted for R\$79.4 million from adjustments in residual value and financial guarantees, in order to cover potential future expenses associated with the ERJ 145 family.

This amount also took into consideration a complementary provision for certain financial guarantees of 36 ERJ 145 aircraft that were op-

erated by Mesa AirGroup and that still had not been resold. In this manner, Embraer completed the total provision expected to cover all of the guarantees.

R\$197.3 million of the total provisioning were accounted for as financial expenses and had no impact on operating results. The rest was

classified as other operating expenses and, despite having impacted the Company's operating results in 2011, the cash disbursement related to these guarantees is expected to occur over the coming years.

With the payroll increase of approximately 10%, in November 2010, the operating expenses were impacted negatively in 2011.

**Commercial and administrative expenses** During 2011, commercial expenses rose 7% over the previous year, and totaled R\$702.9 million, representing 7% of net sales revenues.

Furthermore, the Company continued investing in the development of its customer support network, especially in executive aviation, and it intensified its actions for establishing the product strategy for commercial aviation.

Administrative expenses totaled R\$440 million in 2011, showing a growth of 27% compared to the R\$346.1 million of the previous year, which is explained by increased labor costs, as well as the organizational changes that occurred in Embraer and the incorporation of new companies acquired during the year.

***Operating expenses grew in 2011, mainly due to provisioning and increased labor costs, as well as organizational changes and the incorporation of new companies.***





# R\$ 923 MILLION

## EBITDA achieved by Embraer at the end of 2011

**OPERATING RESULTS** After the contingencies mentioned here, the Company's operating results (EBIT) totaled R\$521.8 million in 2011, or 24% less than the R\$685.6 million calculated the previous year, generating an operating margin of 5.3%, which is less than the 7.3% for 2010.

If we remove from this calculation the negative effect of provisioning on the results and the reception of fines arising from the cancellation of aircraft, which had a positive impact, the operating margin would have been 8.9%, above the guidance of 8.3%. This result can be explained mainly by the improved operating efficiency originating with the P3E program.

**EBITDA** EBITDA achieved R\$923 million in 2011, which is 14% less than the R\$1,069.2 million of the previous year. The EBITDA margin was equally impacted and came to 9.4%. The EBITDA margin before the provisioning would have been 13%.

**NET PROFIT AND NET MARGIN** During 2011, Embraer recorded net financial expenses of R\$139.7 million, when 2010 had generated net financial revenues of R\$29.5 million, mainly due to the provisioning mentioned above.

Therefore, in 2011, Embraer before-tax profits of R\$382.1 million, while in 2010 they were R\$715.1 million. This negative difference of 47% was also impacted by more taxes levied during the period, because of the appreciation of the Real.

For that reason, the net profits of R\$156.3 million attributed to Embraer were 73% less than the R\$573.6 million calculated in 2010, and the net margin reached 1.6%, which is under the 6.1% calculated for the previous year.

If the effects of the provisioning and the deferred income tax for the period are removed from these results, net profits would be R\$852.3 million in 2011, compared to the R\$628.7 million of 2010, with net margins of 8.6% and 6.7%, respectively.

**ASSET INDICATORS** The following are Embraer's main asset indicators for the past two years:

**HIGHLIGHTED CONSOLIDATED AMOUNTS** R\$ million

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Available*	3,946.3	3,543.4	4,433.4
Accounts Receivable	949.2	581.9	709.3
Financing for Customers	191.9	117.5	91.9
Inventory	4,291.0	3,662.8	4,257.3
Permanent Assets**	4,236.9	3,194.6	3,180.8
Suppliers	1,556.7	1,250.0	1,038.3
Indebtedness – Short-Term	472.2	120.9	1,031.5
Indebtedness – Long-Term	2,637.9	2,269.7	2,552.5
Net Assets	5,848.6	5,217.7	5,019.7

\* Includes cash and cash equivalents and asset and liability financial instruments.

\*\* Includes fixed assets and intangibles.

At the end of fiscal 2011, net cash was 27% less than the previous year, coming to R\$836.2 million, mainly due to acquisitions made by the defense and security segment, as well as to the greater volume of investments during the period.

Embraer closed out the year with a total indebtedness of R\$3,110.1 million, 30% more than the R\$2,390.6 million of the previous year. Eighty-five percent of the total indebtedness was in long-term credit lines, and consists of R\$1,945.5 million (63%) in credit lines, the majority of which were stated in Dollars, and the remaining R\$1,164.7 million (37%) are stated in Reals, with the average indebtedness of five years.

The inventory position at the end of the year was R\$4,291.0 million, or 17% more than the corresponding amount in December 2010. This increase came mainly from the strengthening of the Dollar, at the end of the year, which was approximately 12.6%. Therefore, this real inventory variation was less than 5%. In 2012, it is expected that despite the increased number of deliveries, there will be an inventory reduction.

The 30% increase in indebtedness, which was compensated by a 12% rise in net assets, maintained a stable ratio between debt and net assets. Furthermore, asset and inventory turnover remained practically stable, due to the continuity of the management of the supply chain.

The reduced return on assets (ROA) and return on equity (ROE) can be explained by the impact of the exchange rate on the asset accounts balance and also by the provisioning that was made, as already mentioned.

**CONSOLIDATED INDICATORS** R\$ million IFRS

	2011	2010	2009
Debt/Net Assets	0.5	0.5	0.7
Inventory Turnover	1.8	2.1	2.1
Asset Turnover	0.6	0.7	0.7
ROA	0.9%	4.1%	5.9%
ROE	2.7%	11.0%	18.2%
ROCE*	11.9%	16.1%	15.8%

\* In IFRS US\$.  
ROCE: Return on Capital Employed.



**DESTINATION OF THE RESULTS OF THE CONTROLLING COMPANY** In 2011, Embraer distributed R\$180.9 million to its shareholders, in the form of interest on own capital, which represented 116% of consolidated net profits of R\$156.3 million. Therefore, the Company will make no additional distribution of interest on own capital and dividends, and there will be no retention of net profits for the fiscal year.

**VALUE-ADDED DISTRIBUTION (VAD) GRI EC1** VAD indicates the value generated by Embraer and its distribution to the segments of society represented by shareholders, employees, financial institutions, and government (municipal, state and federal). The value-added to be distributed totaled R\$2,581.7 million and represented 26% of net revenues in 2011.

Taxes, social contributions and municipal, state and federal fees that measure part of the level of contribution that Embraer provides for Brazilian society, were R\$614.9 million during fiscal 2011.

**CAPITAL MARKET** Embraer’s relationship with the financial community and its investors is based on the transparent and equitable release of information, characterized by a profound respect for legal and ethical principles, while seeking to consolidate and maintain its leadership and innovative image with the capital market, and following the rules of the New Market (*Novo Mercado*) of the São Paulo Stock Exchange (BM&FBOVESPA), which is the highest level of corporate government in the Nation.

**VALUE-ADDED DISTRIBUTION** R\$ million

	2011	2010	2009
Total	2,581.7	2,707.0	2,966.6
People	1,358.3	1,359.2	1,467.6
Government (taxes, fees and contributions)	614.9	503.7	119.3
Interest and Rent	437.2	244.0	442.4
Interest on Own Capital and Dividends	226.2	155.7	228.9
Retained Earnings/Losses for the Period	-69.9	417.8	683.2
Participation of non-Controllers	15.0	26.6	25.2

The Company's stocks have been listed on the São Paulo Stock Exchange (BM&FBOVESPA), since 1989, and on the New York Stock Exchange (NYSE), through level III American Depositary Receipts (ADR), since 2000.



In 2011, Embraer maintained its listing on the theoretical IBrX (Brazil Index), IGC (Corporate Governance Stock Index), Corporate Sustainability Index (Índice de Sustentabilidade Empresarial - ISE), Special Tag Along Stock Index (Índice de Ações com Tag Along Diferenciado - ITAG), Industrial Sector Index (Índice do Setor Industrial - INDX), and IVBX-2 Index (Índice Valor Bovespa 2ª Linha).



Embraer was, once again, chosen to be listed on the Dow Jones Sustainability Index (DJSI), leading the Aerospace and Defense sector. Due to the lower liquidity of the Company's stocks, it dropped off from the IBrX-50 and ICO2 (Carbon Efficiency) indexes.

**STOCK PERFORMANCE** Embraer's (EMBR3) stocks traded on the BM&FBOVESPA closed out 2011 quoted at R\$11.76, which was practically stable, compared to the close of the previous year, while the BM&FBOVESPA index devaluated by 19% for the same period.

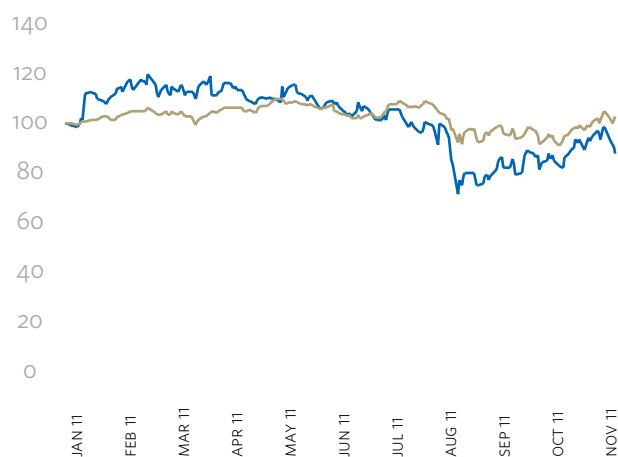
The Company's (ERJ) American Depositary Shares (ADS), listed on the NYSE, achieved a price of US\$25.22 at the end of the year, devaluating by 15%, while the Dow Jones rose 5%.





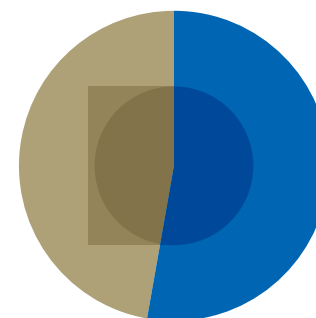
**EMBR3 PERFORMANCE - BM&FBOVESPA**  
01/01/2011 = 100

■ Embraer ■ BM&FBOVESPA



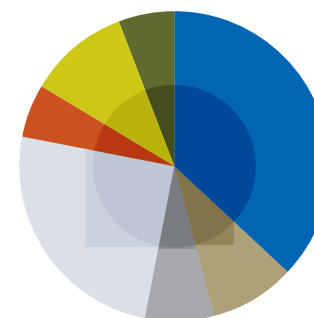
**ERJ PERFORMANCE - NYSE**  
01/01/2011 = 100

■ Embraer ■ NYSE



**CAPITAL ON DECEMBER 31, 2011**  
723,666,644 ORDINARY SHARES\*

**53%** NYSE  
**47%** BM&FBOVESPA



**CAPITAL ON DECEMBER 31, 2011**

**37%** NYSE Others  
**9%** Oppenheimer Funds  
**7.2%** Thornburg Investment  
**25.1%** BM&FBOVESPA Others  
**5.5%** BNDESPAR  
**10.6%** Previ  
**5.6%** Grupo Bozano

\* Does not include 16,798,400 shares deposited in the treasury, with no political or economic value.

# **SECTOR LEADER** *on the* *Dow Jones Sustainability Index (DJSI)*

During the period, the North American market traded an average of 1,204,000 ADS per day, which is the equivalent of an average daily financial flow of US\$34.7 million. On the Brazilian stock exchange, daily trading volume averaged 1,623,000 shares, for an average financial volume of R\$19.5 million.

Embraer's market value, at the end of 2011, was US\$4.7 billion, compared to US\$5.4 billion for the previous year.

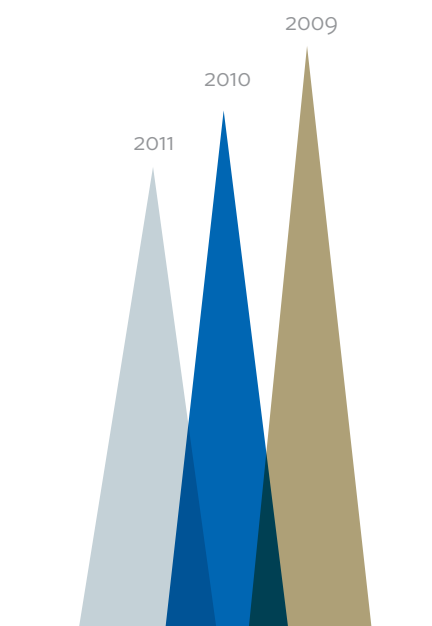
**SHAREHOLDER REMUNERATION** With reference to fiscal 2011, Embraer distributed R\$180.9 million to its shareholders, in the form of interest on own capital (Joint Cost Position – JCP), or the equivalent of R\$0.25 per share, which represented a payout of 116% of net profits for the period.

The JCP distribution to shareholders was approved by the Board of Directors in meetings held during the fiscal year.

On March 16, the distribution of R\$43.4 million was approved, at R\$0.06 per share, for the 1<sup>st</sup> quarter of 2011, with payment beginning on April 19, 2011.

On June 9, the distribution of R\$72.4 million was approved, at R\$0.10 per share, for the 2<sup>nd</sup> quarter of 2011, with payment beginning on July 22, 2011.

And on September 14, the distribution of R\$65.1 million was approved, at R\$0.09 per share, for the 3<sup>rd</sup> quarter of 2011, with payment beginning on October 17, 2011.



**DIVIDENDS DISTRIBUTED** R\$ MILLION

**181** million distributed in 2011

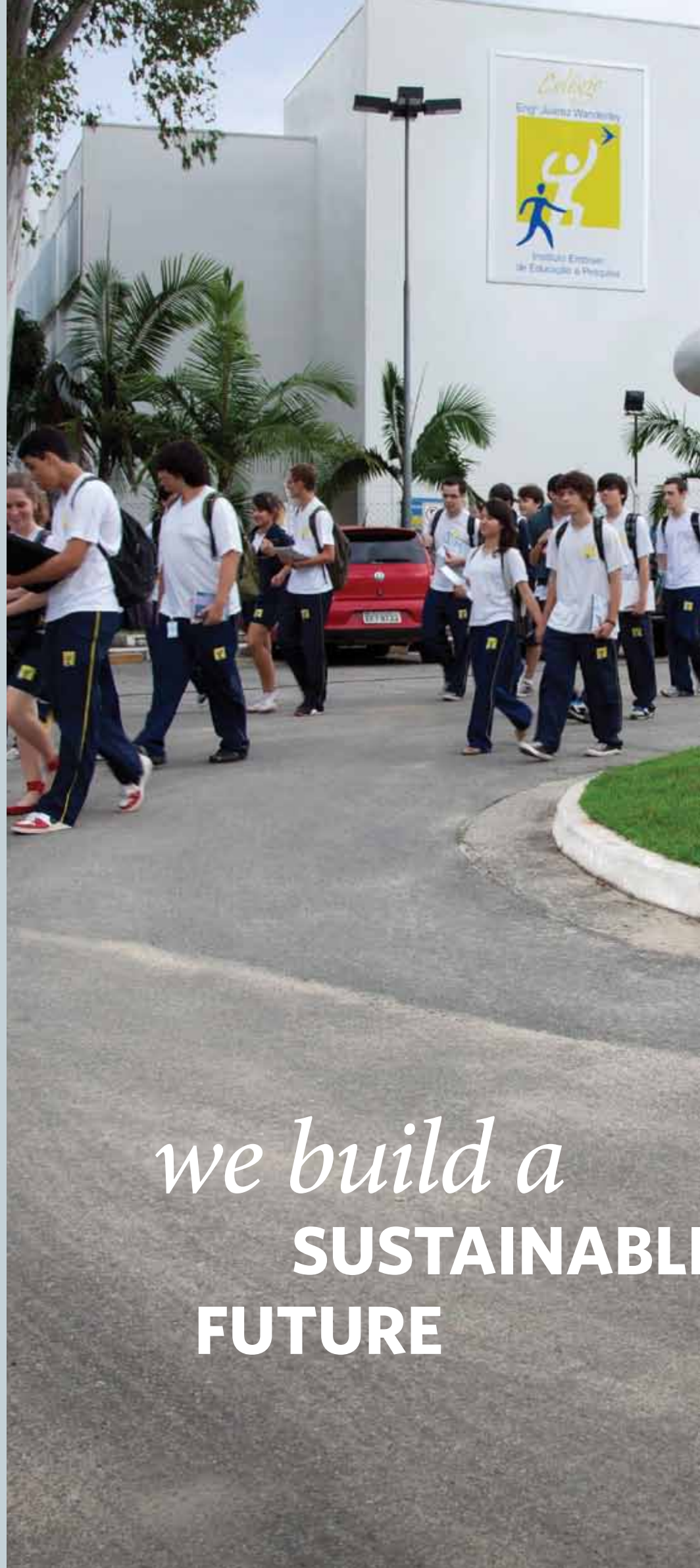
**201** million distributed in 2010

**229** million distributed in 2009

Since my college days, I have admired Embraer for its ecological stand, and for its concerns about impacting the environment with its production processes. This concern was evident, in the middle of the last decade, when Embraer certified the first ethanol-powered aircraft. So, in 2009, when we started to develop biofuels, Embraer was the ideal partner. Besides Embraer, the project has the support of GE, which develops aircraft engines, and Amyris, which develops and manufactures the renewable fuel that will be used. The first test with this type of fuel will be performed in 2012 on one of our Embraer E-jets, with a 50% biofuel mix. **ADALBERTO FEBELIANO, DIRECTOR OF INSTITUTIONAL RELATIONS FOR AZUL LINHAS AÉREAS.**

Since childhood, I have loved math and physics. My teacher suggested that I should study at a private school, but my family couldn't afford it. That was when I heard of Embraer Juarez Wanderley High School. I passed the exam, and got in. It was a great opportunity, because besides a scholarship to a top-of-the-line school, I received a uniform, course materials, meals and transportation. I finished high school and was accepted at six universities. I chose Electrical Engineering at Unicamp. After three years, I was granted a scholarship to study in France at the École Polytechnique, where I graduated with Bachelor's and Master's Degrees. Shortly thereafter, I was accepted for Embraer's Engineering Specialization Program. Today, my dream is to join Embraer and help my country. I was the first one in my family to travel abroad, and the first one to fly on a plane. If it weren't for Embraer's school, nothing like this would have happened to me. **DOUGLAS FELIX FERREIRA, FORMER STUDENT OF EMBRAER JUAREZ WANDERLEY HIGH SCHOOL.**

The Embraer Institute focuses on education, because without education there is neither economic improvement nor social justice. Embraer's Juarez Wanderley High School is its largest project and offers free quality education to 600 young people coming from the public school systems in the São José dos Campos region. The purpose is to provide students with a well-rounded education, an appreciation of ethics and citizenship, and access to the best universities in the country. However, our work goes beyond the classrooms of Embraer's school. With the involvement of the company's employee volunteers in the neighboring communities, we prepare young people for the job market, collaborate in improving the quality of education for children and adolescents, and promote social and ecological awareness. We also emphasize sustainability. In 2011, we launched the Embraer Center for Environmental Education – Jequitibá, in São Jose dos Campos, which will address such topics as renewable energy, sustainable buildings and industrial processes, recycling and, of course, the study of local biodiversity. With this investment, the seed is being sown for the future of our young people, and offers them an opportunity to take a big leap in their lives. **PEDRO FERRAZ, DIRETOR DO INSTITUTO EMBRAER DE EDUCAÇÃO E PESQUISA.**



*we build a*  
**SUSTAINABLE  
FUTURE**





E





“**W**e build a sustainable future.” This is one of the values that Embraer proudly defends as a guideline for its corporate actions, focusing on the perpetuity of its business.

Embraer continuously seeks to establish itself as a sustainable company, which means contributing to a healthier environment and to social development in the same proportion, as it takes into consideration the satisfaction of its customers, shareholders, employees, and other stakeholders.

Among other initiatives, the Company is attentive to environmental risks, the socioenvironmental qualification of suppliers, the optimization of its production process, and investments in educational projects that focus on human development, the well-being of the communities with which it is involved, and meeting the requirements of the qualification, health, safety, and quality of life of its employees.

In order to minimize its environmental impact, Embraer deals with the life cycle of its product and focuses on the efficiency of its processes, besides supporting initiatives from the aerospace sector for mitigating greenhouse gas (GHG) emissions, such as participating in aviation biofuels projects.

# Socioenvironmental Performance

*For the purpose of minimizing the environmental impacts throughout the life cycle of the product, Embraer takes action to improve products and processes, engages the supply chain, and optimizes the logistics for raw materials, parts, and components.*

**ENVIRONMENTAL PERFORMANCE** **GRI PR3** Environmental performance is fully embraced by the Company management, which deals with an approach based on the life cycle of the product, examining the environmental impacts of each of its phases. This approach implies going beyond the traditional focus on the manufacturing process, restricted to the production site, analyzing environmental, social and economic impacts throughout the entire life cycle of the product.

This model is based on improvements related to the:

- Product, from its conception phase, through development and testing, by applying Design for Environment (DfE) practices, which seek to anticipate and minimize environmental impacts without compromising essential aircraft requirements, like quality, safety and cost;
- Processes, by using the best eco-efficient practices that seek to optimize the use of natural resources--water, energy, materials--and minimize the generation of solid wastes, liquid effluents and gas emissions, thus providing environmental and economic benefits;

**GRI EN6 | EN7**

- Engagement of the supply chain, aligned with Embraer's environmental vision and its demands;
- Optimization of logistics for raw materials, parts and components.

In 2011, Embraer began a series of actions linked to Life Cycle Management that integrate several areas of the Company. These actions are added to the efforts to make employees aware and capable, the continuous improvement of environmental actions, and monitoring of processes, activities and results provided for in the Integrated Management System for the Environment, Occupational Health and Safety, and Quality (SIG-MASSQ).

Therefore, Embraer joins its commitment to preserving the environment and natural resources – as reflected in the unrestricted compliance with all of the legal requirements and environmental standards of the countries in which it is active – to the proactivity that is indispensable for companies that truly commit to collaborating with a more sustainable world.

The Company continues to be aligned with the challenges of the air transportation industry, as a whole, in order to reduce environmental impact, especially GHG emissions in the life cycle of the aircraft and the use of hazardous materials.

**ENVIRONMENTAL MANAGEMENT SYSTEM AND OPERATING INDICATORS**

The environmental principles and guidelines that lead Embraer are detailed in its Environmental Policy, which focuses on the proactive attitudes needed for sustainable development, handled by the Integrated Management System for the Environment, Occupational Health and Safety, and Quality (SIG-MASSQ), which will be ten years old in 2012.

Embraer's programs that are related to environmental certification are based on the pursuit of continuous improvement by:

- Preserving natural resources (consumption goals);
- Establishing corporate environmental indicators;
- Achieving environmental objectives and goals;
- Meeting the demand of interested parties.

In 2002, Embraer became the first company of the aerospace industry in the world to receive ISO 14001 certification, which sets the guidelines for an effective environmental management system. With an annual evaluation by the firm ABS Quality, the efforts put forth by the Company, over the years, have resulted in annually receiving the international ISO 14001 and OHSAS 18001 certifications (the latter for occupational health and safety). All of the Company's units in Brazil have objectives and goals aligned with the management of atmospheric emissions, wastes, and natural resources.

Through the Embraer Entrepreneurial Excellence Program (P3E), the environmental management system was strengthened by adopting criteria related to the environment, health, and safety for certification (bronze, silver and gold) of each cell group of the Company, with goals for reducing the use of natural resources and of reducing job-related accidents.



These criteria include: not having pending conformities or being without an action plan; fully complying with environmental legislation in the countries where the Company has units or sells its products; updating and monitoring the environmental spreadsheets and performing a self-evaluation of SIG-MASSQ.

The cell groups responsible for projects or results directly connected with the Environmental Master Plan have indicators for following up on the evolution of the actions put in place. In 2012, an Environment site will go online, by which the units will report the data regarding operational indicators, thus facilitating their consolidation and strategic management.

Since 2010, Embraer has evaluated and identified energy efficiency projects, while rationalizing natural resources and reducing the generation of wastes in the various production and administrative processes, besides finalizing the establishment of long-term goals for the environment.

**ENVIRONMENTALLY SUSTAINABLE PRODUCT** **GRI EC2 | EN26** The global air transportation industry is responsible for about 2% of the greenhouse gas emissions generated by human actions. The increased efficiency of this industry over past decades has avoided making the current scenario of environmental impacts more widespread, in light of the constant growth of air traffic, which should continue over the coming years.

In response, civil aviation as a whole—airline companies, aircraft and engine manufacturers, airports and air traffic controllers—has been working in a coordinated fashion on a series of goals for minimizing those impacts. Therefore, Embraer supports and takes part in the industry commitment to reduce greenhouse gas (GHG) emissions by 50% from air transportation by 2050, based on the figures for 2005.

As an integral part of the aerospace chain and for the purpose of meeting the environmental challenges involved with its activities, Embraer launched the Integrated Development Program for Environmentally Sustainable Products (*Desenvolvimento Integrado do Produto Ambientalmente Sustentável* – DIPAS). The main objective of the program is to incorporate environmental issues with Integrated Product Development, taking into consideration everything from obtaining raw materials to recycling or finally disposing of the product, or the so-called “product life cycle”.

DIPAS is involved in the concept, development and test phases and its goals should be achieved by applying Design for Environment (DfE) practices. Those practices anticipate and minimize the environmental impacts caused during the subsequent phases (production, operation and disposal) and even before that (extraction and processing of materials), without compromising other requirements that are essential to the aircraft, like quality, safety, and cost.

The scope of the DIPAS program also includes regulatory follow-up of the environment, in terms of the product and its resulting effects at Embraer. Restrictions on the use of hazardous materials in the airplane and studies for substituting them are some of the actions exemplifying this.

Embraer’s technological development plan gives priority to other initiatives for innovation and increasing efficiency, with the highlight being the following lines of research:

- Aerodynamic perfection of the airplanes;
- Intensive use of lighter materials, to reduce the structural weight of the aircraft;
- Aircraft development with more electrical systems, that depend less on energy generated by the engine;
- Development of new generations of engines, in cooperation with manufacturers of propulsion systems;
- Research of new technologies for reducing internal and external noise levels, with the objective of increasing the comfort of passengers and causing less sound impact around airports;
- Research of alternative fuels, including biofuels.

Embraer takes part in developing public policies regarding future product regulations, in conjunction with governments and representatives of society, in general. The effort occurs via the participation of Embraer technicians on the Environmental Protection Committee of the International Civil Aviation Organization (ICAO). The objective of this committee is to improve aviation performance, in terms of generating noise, emitting greenhouse gases, and air quality. **GRI 505**



*Embraer's support for initiatives related to biofuels for aviation is evident in the partnerships it forms. Among its main actions are a broad discussion of the subject in the industry and partnerships with other companies to develop and test alternative renewable fuels.*

#### **STRATEGIC PARTNERSHIPS** GRI EN26 | S05

**DEVELOPMENT OF BIOKEROSENE** Support for developing sustainable fuels for aviation is one of the initiatives adopted by the industry. The objective is to obtain sustainable biofuels, with levels of quality, safe use, cost and adequate production capacity, compared to petroleum derivatives.

Embraer supports and participates in initiatives focusing on developing biofuels as a sustainable long-term solution for aviation. It is the Company's job, as an integrator, to assess the impact of the new fuels on its platforms.

The highlights of these initiatives are The Brazilian Alliance for Biofuels in Aviation (*Aliança Brasileira para Biocombustíveis na Aviação* – ABRABA), the international Sustainable Aviation Fuel Users Group (SAFUG), the European consortium Sustainable Way for Alternative Fuels and Energy for Aviation (SWAFEA), and the U.S. Commercial Aviation Alternative Fuels Initiative (CAAFI).

ABRABA especially presents itself as a forum for discussing a variety of aspects of developing sustainable aviation biofuels, which positions Brazil as one of the world's leading players in this technology.

At the end of 2009, Embraer, General Electric, and Amyris signed a memorandum of understanding to assess the technical and sustainability aspects of the renewable fuel produced by Amyris. The project provides for a flight in 2012, using sugarcane as a biomass in an airplane belonging to Azul Linhas Aéreas.

At the same time, Embraer supports the sustainability studies for this fuel, through a project to be developed in a partnership with ICONE (a Brazilian agribusiness think-tank that has become a reference in agricultural studies, involved in projects and research on biofuels) and Boeing, and with the backing of the World Wildlife Fund (WWF).

Embraer also has partnerships with other aerospace companies, for the development of renewable fuels. In October 2011, Embraer, Boeing, and the Research Assistance Foundation of the State of São Paulo (Fundação de Amparo à Pesquisa do Estado de São Paulo – FAPESP) announced an agreement to develop a biofuel research and development program for aviation in Brazil. Azul, GOL, TAM, and TRIP airline companies will be strategic consultants for the program.

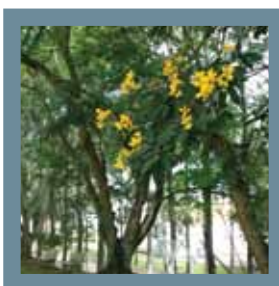
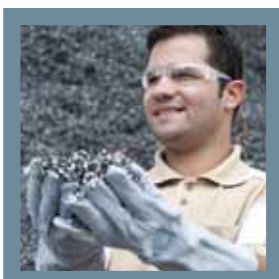
The agreement provides for a detailed study of the opportunities and challenges for creating an industry in Brazil to produce and distribute sustainable and economically efficient aviation fuel derived from biomass. The study should be concluded by the end of 2012, with an eye to creating a future research center.

Therefore, Embraer sees the production of aviation biofuels in Brazil as making it possible for farmers, technicians and industries to create a consistent technological base, besides generating economic and social benefits for the Nation.

**EXPERIMENTAL FLIGHT** *In 2011, an experimental flight was performed with an EMBRAER 170 jet that took off three times from the runway at the Gavião Peixoto plant, equipped with engines built by GE, and fueled by Hydroprocessed Esters and Fatty Acids (HEFA), made from camelina.*

*On August 25, and September 1 and 2, 2011, successful test flights were taken that included simulated risks, to evaluate the performance of the airplane. The GE engine ran on a mixture of Jet-A (petroleum derivative) and HEFA, at the maximum proportion permitted by the American Society for Testing and Materials (ASTM), which is 50% of each.*





## USING RESOURCES

**WATER CONSUMPTION GRI EN8** Embraer follows a continuous process of surveying opportunities and implementing projects for optimizing the use of water in its productive processes and in its administrative area. The water used at the Faria Lima, Eugenio de Melo, Gavião Peixoto, and ELEB units is taken from the water table, and the other Brazil units (Taubaté and Botucatu) are served by the public water system.

In 2011, water consumption came to 614,840 m<sup>3</sup>, which was 10% more than what was consumed the previous year. The increased use was boosted by construction work on a new building at the Gavião Peixoto plant, for the KC-390 program.

Other projects are being assessed and prioritized according to Embraer's long-term plan of eco-efficiency goals.

**ELECTRICAL POWER CONSUMPTION GRI EN4** In Brazil, Embraer's units purchase electricity from the concessionaires in the regions where they are located. There were 112,900 MWh (or 406,440 GJ) acquired, in 2011, which was a reduction of 3% from 2010.

**ENVIRONMENTAL EVOLUTION OF PROCESSES GRI EN26** Embraer continues to perfect its processes, with an eye to optimizing the use of natural resources and minimizing waste at its production plants. In 2011, aligned with the P3E program, Cleaner Production concepts were put in practice in the cell groups of the Faria Lima unit, resulting from a survey of opportunities for improvement.

The portfolio that is being created, and that will be extended, during a future phase, to the other Brazil units, will give a basis for establishing project priorities, in 2012, in line with the long-term operating goals that are being adopted by the Company to improve its environmental indicators.

Actions for improvement were conceived of and followed up by the Internal Electricity and Water Committee (Comissão Interna de Energia Elétrica e Água - CICEA), which is responsible for spreading ideas, information and technologies for eco-efficiency. Since 2008, these projects have been under the watchful eye of the School of Electrical Engineering of the São Paulo State University (Universidade Estadual Paulista "Júlio de Mesquita Filho" - UNESP) in the city of Guaratinguetá.

Some of the main projects carried out in 2011 were cited:

# **MAIN PROJECTS CARRIED OUT IN 2011 GRI EN5**

<i>Improvement</i>	<i>Action</i>	<i>Unit</i>
Estimated 30% reduction in VOC emissions in the F-120 paint shop	Installation of robot for optimizing painting process, with precise quantities of paint used	Faria Lima
Estimated reduction of 600 m³ of water consumption in the restrooms	Installation of 120 timed faucets, for the 2 <sup>nd</sup> phase of the project (conclusion expected for 2012)	Faria Lima
Estimated 517 MWh reduction in electrical consumption to light administrative areas	Concluded installation of 1,400 more efficient light fixtures	Faria Lima
50% reduction in volume of wastes formerly sent to the landfill	Disposal for compost of food scraps and tree and bush trimmings	Faria Lima Eugênio de Melo
Reduction of greenhouse gas (GHG) emissions, in tests with engine runs	Engine run during ground tests shortened by 8 hours	Faria Lima
6% reduction in electricity consumption (KW/man hours worked/month)	Improvement projects in production areas, including fixing compressed-air leaks, placing transparent tiles in a few areas, and beginning to change to low-consumption light bulbs	ELEB
9% reduction in water consumption (m³/employee/day)	Working with employee awareness	ELEB
Increase of about 20% in water treatment capacity	Updating ion exchange equipment in treatment plant	ELEB
8.7% reduction in energy consumption over 2010	Conservation and efficiency improvements	Botucatu
Lower volume of wastes sent to landfill	Initial composting of organic waste (restaurant and gardening)	Botucatu
Reduced water consumption	Reuse of 25% of the water volume in treatment plant processes GRI EN10	Gavião Peixoto



## WASTES, EFFLUENTS AND EMISSIONS

GREENHOUSE GAS (GHG) EMISSIONS **GRI EN16** | **EN17** | **EN18** | **EN19**

Embraer continuously seeks to reduce its greenhouse gas (GHG) emissions via projects for improving efficiency, reducing electrical consumption, internal logistics for products being manufactured, and consumption of kerosene during technical and corporate flights. Embraer takes an annual inventory of its GHG emissions, according to the standards of the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD).

For the third consecutive year, Embraer has checked its GHG inventory, based on ISO 14.064 - Part I, Specifications for Quantifying, Monitoring and Reporting Emissions and Removing Entities, in an audit by Lloyd's Register Quality Assurance, which is a certification obtained by few Brazilian companies.

This triumph, which attests to the reliability of the GHG inventory, is due to the actions put forth by to quantify and monitor the GHG emissions at its units. In 2012, long-term goals will be set to reduce GHGs.

**Voluntary initiatives for reporting the GHG inventory** Embraer supports voluntary initiatives for reporting GHGs. Since 2007, the Company has participated in the Brazilian GHG Protocol Program, as one of its founding members, and in 2011 it received the Gold Seal, once again.

Embraer also reports its GHG emissions to the Carbon Disclosure Project (CDP). The CDP is an organization that brings investors together in search of information for decision making, taking into account the corporate risk of future government legislation, possible court suits, and consumer perceptions regarding large GHG emitters.

Besides providing a better understanding and positioning regarding the subject, joining these initiatives leads the Company to a better relationship with stakeholders and to an increased capacity for taking part in setting public carbon market policies, among other competitive advantages.

**GHG EMISSIONS IN 2011 (tCO<sub>2</sub>eq)**

<i>Brazil Units</i>	<i>Scope I</i>	<i>Scope II</i>	<i>Scope III</i>
Faria Lima	26,924.5	1,738.8	4,484.1
Eugênio de Melo	1,807.7	365.8	1,230.4
Taubaté	0.048	63.2	23.1
Botucatu	2,825.9	445.1	1,428.4
Gavião Peixoto	1,545.9	364.4	2,074.3
ELEB	272.3	298.2	229.1
Corporate air travel	-	-	14,347.2

**EFFLUENTS AND WASTES GRI EN22** The main processes that generate waste are: milling parts, producing composite materials, performing surface treatments, and painting an aircraft. The total amount of hazardous and non-hazardous wastes generated by the Company, in 2011, was 16,136 tons.

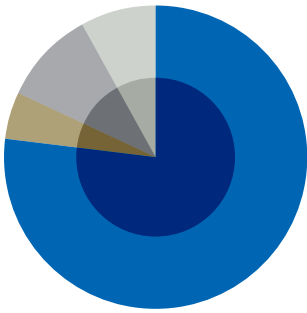
**Methods of disposing of wastes by weight (%)** Approximately 50% of all organic waste did not go to landfills. This refers to food scraps and tree and bush trimmings, which began to be sent to make compost.

**Hazardous wastes GRI EN24** Hazardous materials are given special care in their disposal. Of the 3,437 tons generated in 2011, only a small part (39 tons, generated at the ELEB unit) is sent to landfills. This means that 98.8% is sent to a safe and tracked destination, that is, for recycling, decontamination, recovery, and co-processing. The Company's goal is to achieve 100%, already in 2012.

Used fluorescent bulbs are recycled; the mercury is used to produce thermometers, the aluminum is reused to make cans, and the powdered chemical is used to make ceramics. Cans, filters, cleaning cloths and left-over paint are used in the ovens of cement plants. The chemical sludge generated by surface treatments and chemical milling processes is transformed into metal oxides used to finish floors and wall tiles.

**Disposal of all water, according to quality and destination GRI EN21 | EN25** The liquid effluents generated at Embraer in operational and administrative areas are treated according to current norms.

The Faria Lima, Eugênio de Melo, ELEB, and Botucatu units dispose of them in the local sewer company (SABESP) lines, after performing their own treatment process, in line with Decree no. 8,468 (September 8, 1976), Article 19A. At the Gavião Peixoto unit physical-chemical treatment is given to the industrial effluents, in order to dispose of them, later, in the Mulada stream. The Botucatu unit also disposes of its industrial effluents – after duly treating them – into a body of water.



**METHODS OF DISPOSING OF WASTES**

**77%** *Recycling*

**5%** *Recovery*

**10%** *Sanitary Landfill*

**8%** *Composting*

The volumes disposed of in 2011 at these units are shown in the following table:

#### DOMESTIC EFFLUENTS

<i>Units</i>	<i>Destination</i>	<i>(m<sup>3</sup>/year)</i>
Faria Lima	PUBLIC SEWAGE SYSTEM	220,667
Eugênio de Melo	PUBLIC SEWAGE SYSTEM	46,853
Taubaté	BODY OF WATER	3,452
Botucatu	PUBLIC SEWAGE SYSTEM	46,486
Gavião Peixoto	BODY OF WATER	28,565
ELEB	PUBLIC SEWAGE SYSTEM	N/D
Total		346,023

#### INDUSTRIAL EFFLUENTS

<i>Units</i>	<i>Destination</i>	<i>(m<sup>3</sup>/year)</i>
Faria Lima	PUBLIC SEWAGE SYSTEM	27,662
Eugênio de Melo	PUBLIC SEWAGE SYSTEM	3,820
Taubaté	BODY OF WATER	N/A
Botucatu	PUBLIC SEWAGE SYSTEM	34,979
Gavião Peixoto	BODY OF WATER	1,798
ELEB	PUBLIC SEWAGE SYSTEM	6,048
Total		74,307

**OTHER ATMOSPHERIC EMISSIONS: VOC, SO<sub>x</sub>, NO<sub>x</sub>, AND PARTICULATE MATERIALS GRI EN20** The total disposal of volatile organic compounds (VOC), sulfur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>), and particulate material, in the operations of all the Brazil units, during 2011, are shown in the following table:

**ATMOSPHERIC EMISSIONS**

	<i>VOC emissions (t)</i>	<i>MP emissions (t)</i>	<i>SO<sub>x</sub> emissions (t)</i>	<i>NO<sub>x</sub> emissions (t)</i>
Faria Lima	5.73	7.378	0.0728	13.02
Eugênio de Melo	0.094	0.155	0.140	1.389
Taubaté	-	-	-	-
Botucatu*	15.25	21.874	0.214	49.73
Gavião Peixoto	0.95	0.47	0	0
ELEB	3.18	3.95	1.31	23.33
<b>Total</b>	<b>25.20</b>	<b>33.827</b>	<b>1.7368</b>	<b>87.469</b>

\* The Botucatu unit did not finish collecting the data, because on the day the monitoring took place, two paint shops were going through maintenance.

Embraer's objective, by 2012, is to reduce VOCs by 20%, compared to 2008. Among the main initiatives adopted, the highlight was the transfer of the chemical milling facilities of the Faria Lima unit to Botucatu, which took place in 2010, with the implementation of a new control and exhaust technology that allows reducing VOC emissions by about 7 tons/year.

In 2011, the Company invested in automating the painting process, by installing robots in the largest paint shop of the Faria Lima unit. Besides helping improve the efficiency of the process, this measure also will reduce VOC emissions. Also planned for the coming years is the installation of a system for recovering solvent in the area for painting primary parts, and reusing the solvent in processes for cleaning parts at the Faria Lima unit.

**PROTECTING BIODIVERSITY GRI EN11 | EN12 | EN13 | EN14** The Gavião Peixoto (GPX) unit finalized the establishment of a Permanent Preservation Area of 200 hectares, for a total area of 1,693.39 hectares, in 2010 (in line with Advance License 000373, of December 8, 2000).

Since 2001, GPX has restored an area of 356.71 hectares, by planting seedlings of 91 species native to the region. This environmental recovery process is backed by the Forest Restoration Project approved by the State Department for the Protection of Natural Resources (Departamento Estadual de Proteção de Recursos Naturais – DEPRN) – of the Department of the Environment of the State of São Paulo.

Out of the restored area, 32.38 hectares are a permanent preservation area, and 328.74 hectares are a legal reserve area. In 2010, there were 35,200 trees planted on 23 hectares, for a total of 594,200 trees, which is 100% of the project's total area (356.71 hectares). The reforestation of the area allows restoring the local eco system and the return of wildlife to the region.



*Human capital is one of Embraer's main intangible assets. Respect for people, promoting good health, safety and quality of life, and investing in training and development are recognized by the major rankings of people management.*

Another preservation area is located near the Botucatu unit, where Embraer acquired three hectares of bush land, in order to provide the environmental compensation ordered by DEPRN, due to the impact caused on the existing vegetation by the building expansions that took place there.

In 2009, Embraer began a project for creating a Private Reserve of Natural Heritage (PRNH) in that place. A PRNH is a private conservation unit legally instituted by public authorities. It is a voluntary act of the owner, who transfers the ownership of the land to the State, but continues to hold possession of the area, which then is exempt from paying the property tax.

On the PRNH, scientific research can be performed, as well as visits for touristic, recreational and educational purposes, including with the support of universities, and public organizations and agencies. In behalf of the organization of the use and preservation of the nature area, since 2009, Embraer has been carrying out a management plan, including a flora and fauna survey. As soon as the process is completed, it will announce the existence of the area to the local community.

**SOCIAL PERFORMANCE** Embraer takes as indicators of its corporate excellence the health, safety and quality of life of its employees, and the socioeconomic development and well-being of the communities with which it is in contact. From this standpoint, the Company has communications channels and promotes a number of actions for the purpose of maintaining a transparent, objective and responsible relationship with its numerous stakeholders (investors and shareholders, customers, employees, public officials, community and suppliers, among others).

The nature of its operations requires periodic contact with national, state and municipal government officials, with whom it talks, dialogues, negotiates, and forms legal relationships.

During the year, the Company holds periodic meetings with customers, besides Internet forums for exchanging experiences, including: a variety of workshops on best practices in several areas; conferences, meetings and events with customers, investors and shareholders, the community and the press regarding a broad range of subjects and purposes; regular visits by groups, including Heads of State, Ministers and institutional representatives, to the Company's facilities (open doors); meetings with suppliers; and others. **GRI 4.16**

These stakeholders also have access to the Company's information via the institutional website ([www.embraer.com.br](http://www.embraer.com.br)) and the Investor Relations website ([ri.embraer.com.br](http://ri.embraer.com.br)).

**PEOPLE** Human capital is one of Embraer's main intangible assets. Embraer's people management is clearly based on the Company's first value: "Our people are what make us fly." Respect for this value is seen in the development and training of employees and leaders, in the benefits offered to all employees, in the absolute respect for labor norms, and in the numerous programs focusing on the well-being and quality of life of the professionals.

Important recognition of this strategic vision of people management can be found in the rates of satisfaction obtained in organizational climate surveys done by specialized consultants and well-known publications. For the third consecutive year, Embraer was ranked by the Great Place to Work 2011 survey in 18<sup>th</sup> place among the companies evaluated. For over a decade, Great Place to Work has been dedicated to assisting organizations in understanding the characteristics, practices and attitudes that lead to the creation of a great place to work.

The consulting firm, which is located in 46 countries, performs the survey based on a voluntary and anonymous evaluation of employees and on the evaluation done with the Company to detail best practices and benefits. The survey analyzes five dimensions of the organizational environment: credibility, respect, impartiality, pride, and comradeship. The methodology allows evaluating the level of confidence of employees regarding the Company and the quality of the relationships between employees and leaders.

The Guia 150 Melhores Empresas (150 Best Places to Work), prepared by the magazines *Exame* and *Você S.A.* and FIA (Fundação Instituto de Administração), also confirms the engagement of employees, based on such subjects as identity, satisfaction and motivation, leadership, learning, and development.

Employee satisfaction was also detected in the Survey AON Hewitt/*Valor Carreira* magazine, of *Valor Econômico* 2011 newspaper, where Embraer was ranked fourth among the best companies for people management. That recognition was also given outside of Brazil: Embraer was named by Florida Trend as one of the best companies to work for in the State of Florida. **GRI LA1**

In all of the surveys, the results are around 84% for satisfaction, favorability and engagement, showing improvement and balance.



**PROFILE GRI LA1** Embraer closed out 2011 with 17,265 employees, distributed as follows:

**EMPLOYEES** (by function – includes subsidiaries)

<b>Category</b>	<b>2011</b>			<b>2010</b>			<b>2009</b>		
	<b>Brazil</b>	<b>Abroad</b>	<b>Total</b>	<b>Brazil</b>	<b>Abroad</b>	<b>Total</b>	<b>Brazil</b>	<b>Abroad</b>	<b>Total</b>
Operational	7,017	12	7,029	7,479	7	7,486	7,640	43	7,683
Administrative	683	130	813	619	221	840	615	155	770
Technicians (mid-level)	2,113	460	2,573	2,130	385	2,515	2,160	280	2,440
Engineers	3,652	113	3,765	3,579	73	3,652	3,367	79	3,446
Other professionals (top-level)	1,580	379	1,959	1,431	213	1,644	1,315	221	1,536
Leaders	944	182	1,126	895	117	1,012	855	123	978
<b>Total</b>	<b>15,989</b>	<b>1,276</b>	<b>17,265</b>	<b>16,133</b>	<b>1,016</b>	<b>17,149</b>	<b>15,952</b>	<b>901</b>	<b>16,853</b>

1. In 2009, 510 engineers were considered who hold leadership positions: total engineers – 3,956.

2. In 2010, 513 engineers were considered who hold leadership positions: total engineers – 4,165.

3. In 2011, 568 engineers were considered who hold leadership positions: total engineers – 4,333.

**EMPLOYEES AT PARTIALLY OWNED SUBSIDIARIES**

<b>Category</b>	<b>Total</b>
OGMA (Portugal)	1,486
China (Joint Venture)	198
ECTS (USA 19 and UK 6)	25
ORBISAT (Brazil)	177
ATECH (Brazil)	114
HARPIA (Brazil)	1
<b>Total</b>	<b>2,001</b>

**DISTRIBUTION OF EMPLOYEES BY GENDER AND AGE RANGE** Brazil and abroad **GRI LA13**

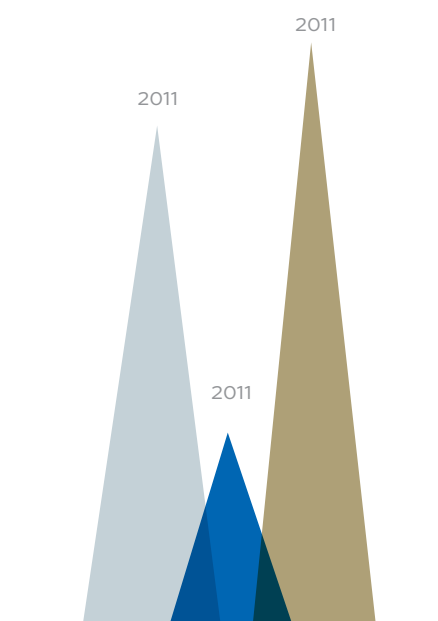
<i>Age range</i>	<i>2011</i>			<i>2010</i>			<i>2009</i>		
	<i>Male</i>	<i>Fem.</i>	<i>Total</i>	<i>Male</i>	<i>Fem.</i>	<i>Total</i>	<i>Male</i>	<i>Fem.</i>	<i>Total</i>
Up to 30	4,559	1,042	5,601	5,277	977	6,254	5,911	1,031	6,942
31 to 50	8,289	1,800	10,089	8,294	1,225	9,519	7,619	1,089	8,708
Over 50	1,267	308	1,575	1,283	93	1,376	1,116	87	1,203
Total	14,115	3,150	17,265	14,854	2,295	17,149	14,646	2,207	16,853

Women represent 18.2% of all Embraer employees, and that number has grown in recent years.

The Company also has 733 handicapped or special needs employees, fulfilling its social role and complying with Brazilian legislation.

**ORGANIZATIONAL CLIMATE** The organizational climate survey that is taken every year at Embraer has been reporting growing levels of satisfaction. In 2011, the survey was answered by 91% of the people and the overall favorability index achieved 81%. In 2010, that index was 78%, and in 2009, it was 70%.

The survey evaluates 17 factors, including satisfaction, motivation and commitment, safety and working conditions, leadership, strategic management, innovation and productivity, reliability of the research, external relations, corporate image and citizenship, performance management, communication, pressure, stress and quality of life, development and career, teamwork, risk, priorities and propensity for change, work planning, decentralization, organization and roles, remuneration and benefits.


**TURNOVER**

**5.88%** *Company Initiative*

**1.27%** *Employee Initiative*

**7.15%** *Overall Turnover*



**TURNOVER GRI LA2** In 2011, the number of Embraer employees grew by 116 people. There were 1,268 new employees hired and 1,152 left the Company. The return of former employees was the priority, taking into account their professional profile and experience, and 239 were hired, or 19% of the total. The Company's overall turnover rate was 7.15%.

**REMUNERATION AND BENEFITS** For Embraer, the qualification and motivation of its professionals is essential to the effective performance and well-being of people at its several business units.

*The portfolio of benefits offered by Embraer is a distinctive difference for attracting and retaining talent. Among them are a healthcare and dental plan and a complementary pension. In 2011, about R\$220 million were invested in benefits.*

**DISTRIBUTION OF EMPLOYEES BY SALARY RANGE (BRAZIL) GRI EC5**

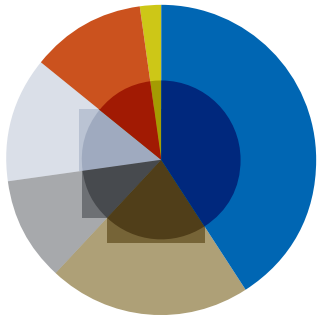
Minimum Regional Wage SP (R\$560.00)						Minimum Regional Wage SP (R\$600.00)							
2010						2011							
Male		Female		Overall		Male		Female		Overall		Salary Level	
Total	Rel. %	Total	Rel. %	Total	Rel. %	Total	Rel. %	Total	Rel. %	Total	Rel. %	From	To
129	0.92	48	2.29	177	3.21	100	0.72	37	1.74	137	2.46	-	2
2,841	20.24	375	17.91	3,216	25.70	2,699	19.47	377	17.75	3,076	24.41	2	5
6,190	44.09	889	42.45	7,079	56.58	5,952	42.93	866	40.77	6,818	54.10	5	10
4,879	34.75	782	37.34	5,661	45.24	5,114	36.88	844	39.74	5,958	47.27	Over 10	
14,039		2,094		16,133		13,865		2,124		15,989		Total	

The Company invests in developing competencies, gives incentive to professional improvement, and promotes a remuneration policy that is compatible with the job market and that takes into consideration the complexity of job functions and employee performance.

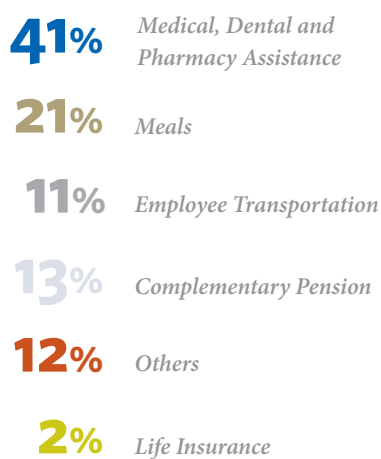
The remuneration policy is aligned with exclusively technical criteria and no form of discrimination is permitted toward the one taking the position. The individual salary is based on qualifications, competencies and skills needed for doing the work.

The lowest salary at Embraer is 1.7 times the Regional Minimum Wage of São Paulo, which was R\$600.00 in December 2011.

The benefits offered to all employees and their direct dependents in Brazil is an important differential in attracting and retaining talents, which is confirmed by the 2011 organizational climate survey. According to the survey, 86% of the employees were satisfied with the benefits offered, which follow and, in some cases, even surpass the best practices of the market.



#### DISTRIBUTION OF BENEFIT INVESTMENTS IN 2011



In 2011, the benefits received investments of around R\$220 million, distributed as show above.

For the purpose of clarifying doubts regarding the benefits offered by the Company and therefore improve their use, the area responsible for them held a number of presentations, in 2011, that were attended by 1,287 employees. Furthermore, at all of the units, a service team is made available to assist employees in their use of the benefits.

Employees also have available to them an emergency 24/7 service for subjects related to health and/or family problems. In 2011, there were 161 emergencies answered, for a total of 108 hours focusing on employees outside of the regular work day.

#### MAIN BENEFITS OFFERED TO EMBRAER EMPLOYEES

**Healthcare Plan** employees and direct dependents have two health-care company options: Sul América and Unimed. In them, Embraer's share varies between 100% and 90% of the total value of the plan. In 2011, the plans served 38,889 lives.

**Assistance to parents with handicapped children** healthcare plan for direct dependents who are disabled, handicapped, has coverage for after 21 years of age and different shared proportions for such treatments as speech therapy, occupational therapy, and psychotherapy. In 2011, Embraer provided assistance to 72 handicapped people.

**Dental Health Plan** employees and their direct dependents have a right to the dental plan. They are offered a free option and plans with additional coverage and at a significantly accessible cost. In 2011, a total of 34,463 people benefited from the dental assistance. Employees who retire or leave the Company have the option of continuing with these benefits (healthcare and dental plans), by taking over 100% of the monthly payment.

**Pharmacy benefit** for purchases with a Doctor's prescription, Embraer covers 70% of the amount that goes over 16% of the national minimum wage (R\$622.00 in January 2012). In 2011, Embraer's share for the purchase of medications came to R\$13.4 million.

**Group life insurance** Embraer offers its employees group life insurance (extended to direct dependents) and trainees. The insurance covers funeral assistance, besides accident reimbursements. In 2011, ninety-eight reimbursements were made, totaling R\$4.7 million, and 32 funeral assistances were provided.

**Maternity leave** In 2010, Embraer joined the program extending maternity leave from 120 to 180 days, which is a socially important benefit for mothers, newborn babies and their families.

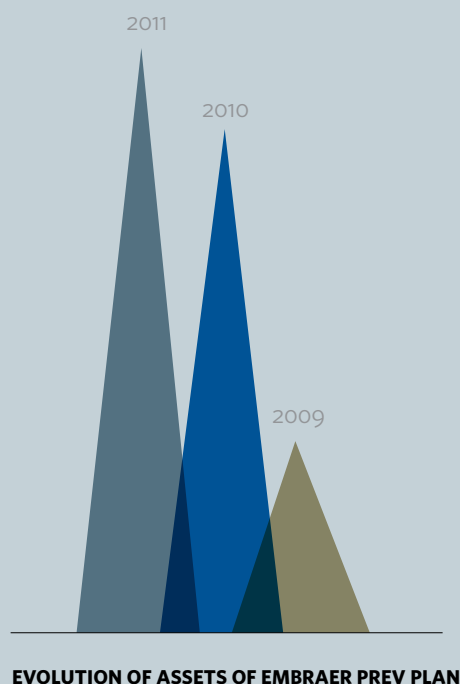
**Complementary Pension** Embraer Prev (see side panel on next page).



**EMBRAER PREV** GRI EC3 *At the end of 2008, Embraer created Embraer Prev, which is a complementary retirement plan that began to manage the benefit plans sponsored by the Company and its subsidiaries, and that were formerly administrated by BB Previdência.*

*Some of the results achieved throughout 2011 show the evolution of Embraer Prev and the increased confidence of participants and those assisted by the organization:*

- *The assets of the Embraer Prev plan grew nearly 14% and passed the R\$1 billion mark, positioning Embraer Prev on the level of a large closed complementary retirement fund in Brazil;*
- *Acceptance of the plan practically tripled, compared to the previous year, thus generating nearly 1,200 new participants;*
- *The total number of participants and those receiving assistance increased by 5%, going to 13,873 people;*
- *The percentage of employees joining the plan increased from 70% to 77%;*
- *The extra contributions of participants, without a corresponding share from the sponsor company, grew more than 150%, compared to the same period of 2010, and rose to R\$1 million;*
- *The overall satisfaction of the participants, as well as of those receiving assistance from Embraer Prev and its services, was 84%, and it surpassed the results of the previous study.*



**R\$1,011.2** Million

**R\$888.5** Million

**R\$748.9** Million

*In 2011, Embraer Prev was closer to its participants and those receiving assistance, with more than 130,000 people handled via the available communications channels. Furthermore, more than 80 presentations were made to an accumulated audience of nearly 3,000 participants.*

*The Company's contributions to the plan during 2010 and 2011 were R\$40 million and de R\$47 million, respectively.*

*For more information, go to <https://www.embraerprev.com.br>.*

**Sharing generated value with employees** During fiscal 2011, there 16,908 employees remunerated via Profit and/or Results Sharing (PRS) at Embraer, totaling R\$74.8 million, which was 4.3% higher than the previous year.

Another modality for sharing the value generated is the Good Idea Program that focuses on giving recognition and incentive to people who propose improvements in processes, routines, working tools, reduced costs, occupational safety, ergonomics, and the environment. The program had more than 13,300 ideas presented in 2011. From this total, 6,665 ideas were rewarded and implemented, generating a savings of US\$26.3 million for the Company.

**HEALTH AND SAFETY AND QUALITY OF LIFE GRI LA6** All of Embraer's units in Brazil have an Internal Accident Prevention Committee (Comissão Interna de Prevenção de Acidentes - CIPA) set up according to NR-05 Regulation of Administrative Ruling (Portaria) 2314/78 of the Ministry of Labor. Employees are represented by 53 full members and 40 substitutes, who are elected annually. In the same way, the Company is also represented by 52 full members and 39 substitutes.

Besides its action plan that is revised every year, CIPA holds an annual Internal Accident Prevention Week (Semana Interna de Prevenção de Acidentes - SIPAT) at all of Embraer's units. The health and safety indicators are described in the Operational Performance chapter.

**Health and quality of life programs GRI LA8** Embraer works with a number of corporate programs that focus on the occupational health and quality of life of its employees and their families. Highlighted among these programs are:

**Well-being** Launched in 2009, Embraer's Well-Being program consists of the integrated management of occupational health and safety actions, benefits, sports, and leisure, by offering the tools and resources needed for employees to invest more in their health and well-being, in physical, emotional and social aspects. In 2010, the program was extended to Embraer units abroad.





The objective is to have healthy people who are at ease with life, working in a more pleasant and safe environment and, thus, contributing to productivity, product quality, and corporate excellence.

Besides the initiatives offered by the program, employees receive information about health and quality of life via the weekly *Minuto Estar de Bem* (Minute of Well-being) bulletin, sent by e-mail and on the Intranet. In 2011, *Minuto Estar de Bem* came out with 46 issues covering such subjects as physical, mental and emotional health, as well as culture and leisure tips.

The following programs, focusing on employee health, are a part of the Well-being Program:

**Well-being without cigarettes** The program has two main goals: make Embraer a smoke-free environment, and this action has already been implemented at some of the units and will continue throughout 2012; and offer expert treatment to help people stop smoking, by combining medication and group therapy. The treatment and medication are covered 100% by the Company. In 2011, 127 people took part in this action.

**Well-being without drugs** The program supports employees and their families in treating chemical dependence. It includes specialized treatment for employees, support for their families, and also a manager. There were 495 employees in this program, and 17 participants are now being accompanied.

**Well-being with the scales** This program offers employees several methods for healthy weight loss, based on the Weight Watchers plan, for a cost that is much lower than the market price. In 2011, the program had 338 employees participating.

**Well-being with maternity** Embraer provides an area for breast feeding, with all the comfort and privacy, so mothers can feed their babies. The space is equipped with chairs, a refrigerator and a changing table, and talks are given to pregnant women regarding pregnancy and how to care for the baby.

*Several initiatives promote the health, safety and quality of life of employees. A highlight is the Well-being Program that includes campaigns against smoking and the use of drugs, and support for healthy weight loss, maternity, and heart disease.*

**Well-being With Your Heart** A medical professional offers individualized guidance to employees who have heart disease. The program has assisted 30 employees. In 2011, there were 15 employees with cardiopathies who were treated, so they could resume their habitual activities.

**Vaccination Program** With its focus on prevention, so as to maintain health and well-being, Embraer's Vaccination Program is extended to all employees and their direct family dependents, whatever their chosen health coverage. The Company covers 80% of the costs for vaccines that are not furnished by the government, and are indicated by the Federal Medicine Board. In 2011, Embraer invested R\$652,000 in vaccinating over 24,000 employees and family members, and even supplied the conjugate vaccine against the seasonal H1N1 flu.



# R\$5.9 MILLION

## were invested, during the year in qualification and training

**Health Week** With information and interaction for employees and their families to stay up-to-date with their health, Health Week is held annually on the premises of Embraer. In 2011, the schedule of activities included actions focusing healthy meals and physical activity:

- Bicycle riding;
- Workshops on healthy cooking, inside and outside of Embraer;
- Nutritional activities in the production and restaurant areas;
- Distribution of kits with healthy foods;
- Presentations of dances and physical activities in the public gathering area;
- Tea tasting and exhibit of garden products and grains in the public gathering area;
- Massages;
- Use of "30-minute Gym" in Embraer;
- Step test.

**Occupational Health Medical Control Program** Focuses on promoting and preserving the health of the workforce, via preventive and periodic health exams.

**Respiratory Protection Program** The objective is to ensure that all of the workers who use breathing equipment have physical and psychological evaluations, as well as check if the equipment is adequate for the risks and the workers.

**Hearing Protection Program** The objective is to ensure the physical, mental and, especially, the aural integrity of all workers habitually exposed to noise and, therefore, users of aural protection devices.

**Plan for Excellence in Occupational Health and Safety** The objective is to reduce job-related accidents by 70% and the degree of severity by 50%, by December 2012, in relation to 2009.

Embraer promotes other actions in behalf of the health and better quality of life of its professionals:

**Embraer in Motion** The Company gives incentive to playing sports on the part of employees and their families, through a number of initiatives, such as support for athletes, bicycle riding, races, and keeping up a 30-minute Gym. In 2011, Embraer's team of 607 runners won 5 awards.

**Facilities** All of Embraer's units have ample and comfortable facilities, with tree-lined areas and leisure space, with game room, luncheonette, several shops (optical store, video rental, cosmetics, itinerant shop) and services (pharmacy, insurance company, forwarder, cooperative, etc.), in order to facilitate the employee's life. The restaurants also offer a "light" menu. In 2011, a special restaurant was opened to offer another option to employees. At the Café com Leitura (Reading Cafe), employees can also enjoy reading.

**Cultural front** On cultural Fridays, musicians perform in the tree-lined areas of the Company.

**QUALIFICATIONS AND TRAINING GRI LA10** Throughout the entire 2011, investments in professional qualification programs and programs that are specific to the business, corporate, industrial, and engineering areas came to R\$5.9 million, with 93,000 participations by people and about 650,000 hours of training.

In 2011, the Engineering Specialization Program (ESP) graduated 155 engineers specialized in aeronautics. Since the first class, in 2001, ESP has trained 1,250 engineers.

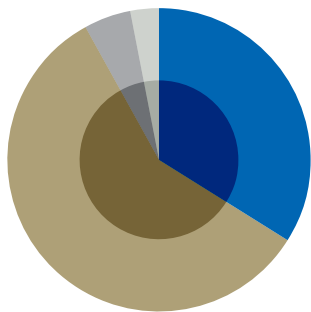
As a means of strengthening competencies and knowledge, the Internal Instructors Program has the participation of 832 employees trained to teach internal classes. In 2011, there were 10,061 hours of instruction in 1,543 courses.

The process of evaluating employees according to competencies continued in 2011. Some 10,500 evaluations were performed, generating over 10,000 Individual Development Programs (IDP).

Spreading and strengthening the proper practice of the corporate values continued in 2011 with the 2<sup>nd</sup> Embraer Values cycle. The practice of values also had the Culture Space that, in 2011, received approximately 1,800 insertions, with more than 350 cell groups of the work teams named for practicing the values in their daily routines.

In 2011, the Study Scholarship program benefited 319 employees for an investment of R\$275,000 in partially covering the cost of technical and university courses connected with essential functions of the Company's business.

**Educational Level | Embraer and Subsidiaries** Embraer employs highly qualified labor. Of all of the employees in Brazil, 42% have at least a university degree. The minimum schooling required of employees is a high school diploma.



**EDUCATIONAL LEVEL - EMBRAER AND SUBSIDIARIES**

**34%** *University*

**58%** *High School Diploma*

**5%** *Postgraduate*

**3%** *Masters or Ph.D.*





**CAREER MANAGEMENT GRI LA11 | LA12 | EC7** Embraer's actions for leadership development seek to ensure the accomplishment of the Company's strategic corporate objectives and to contribute to the perpetuity of the business.

One of these objectives is to create "Leadership Capital", which focuses on forming business leaders at all levels, who are capable of generating distinctive value for shareholders, customers, people, partners, and society, in general.

All of the hierarchical leadership levels are subjected to evaluation. The strong points and the points needing improvement are put into individual and effective action plans to assist these leaders in achieving the results of their business, aligning them, as business leaders, with Embraer's values.

From the date of hiring to retirement, Embraer's Career - Flight Plan program gives employees an integrated vision of their career path in the Company. The program also trains leaders for discussing the career-building process with their staff. Since 2010, Embraer has also maintained the Career Path program, which offers all employees information regarding the fundamental requirements of their professional development.

Embraer also encourages professional growth by promoting internal selection processes before going to the market to fill vacant positions. In 2011, there were 769 vacancies, 47% of which were filled internally. The priority for leadership vacancies is to hire from within the particular area and, if that is not possible, the external recruiting will benefit candidates from the country in which the vacancy occurred.

Another highlight is the Post-Career program that supports the employee's planning for retirement, including the preparation of a new life project and knowledge transfer. In 2011, five groups, totaling 177 employees, participated in the program.

*Embraer maintains a relationship with the unions that is based on respect, integrity, and compliance with the laws in effect and industry agreements. There is no child or forced labor, or that which is analogous to slavery at the Company's units.*

**LABOR RIGHTS** Embraer seeks to apply the best labor practices, based on following national and international norms, such as the Consolidated Labor Laws (*Consolidação das Leis do Trabalho* – CLT), the fundamental conventions of the International Labor Organization (ILO), the Universal Declaration of Human Rights, and specific labor legislation of the countries in which the Company has business and manufacturing units, and the principles of the UN Global Compact.

New employees receive detailed information regarding salaries, benefits, vacation time, collective bargaining agreement, rights and duties, as well as a copy of Embraer's Code of Ethics and Conduct, during the integration program.

Collective bargaining and unionization **GRI LA4 | LA9 | HR5** Embraer maintains relations with employee unions based on respect, integrity, and compliance with current legislation and signed agreements.

The collective bargaining agreements guarantee the right of the unions to hold unionization campaigns in Company property. The condition and individual freedom of employees to join unions is respected by Embraer. In the Company's Brazil units, 8.5% of the employees are union members, but all employees are included in the wage increases and social clauses negotiated in the collective bargaining agreements signed by the union and the Company.

Embraer fully applies all of the clauses of the collective bargaining agreements signed by its union representative with regard to job safety, such as improved working conditions around stamping machines and similar equipment, plastic injectors, and surface galvanization treatment.

**Child and Forced Labor, or Work that is Analogous to Slavery GRI HR6 | HR7**

There is no child labor, or work that is forced or analogous to slavery in Embraer's units. Through various means, the Company seeks to be sure that these abusive practices do not occur in its entire value chain, that represents everyone, from suppliers to customers.

The Company complies with the minimum hiring age of 18 years, except in the case of minor apprentices, which is regulated by specific legislation.

The Code of Ethics and joining the UN Global Compact reinforce Embraer's public commitment against all of these practices that exploit human beings.

**SOCIETY GRI EC9 | SO1** The pursuit of excellence in all that it does is a part of Embraer's DNA. As a knowledge-intensive Company, it works with cutting-edge technology and believes that only well-trained professionals can fulfill its mission and generate new business. Therefore, Embraer chose to work with education as the master guideline of its social investments, as a natural consequence of its beliefs and practices.

In 2011, Embraer's private social investment was on the order of R\$13 million in educational programs and projects in the communities where the Company carries out its industrial activities in Brazil.

**THE EMBRAER EDUCATION AND RESEARCH INSTITUTE (IEEP) GRI EC8** Founded in May 2001 and fully maintained by the Company, the Institute is the main instrument used to develop Embraer's social actions.

IEEP invests in education as the fundamental subject for promoting culture of inclusion and social transformation. The social projects backed by the Institute reflect Embraer's conviction regarding the possibility of improving public education, based on an efficient management model, focused on innovation and without a significant increase in cost.

Throughout its ten-year history, the Embraer Institute has established its involvement on five pillars: model of excellent instruction, support for community projects, backing for public instruction, socioenvironmental projects, and volunteer work.

**EXCELLENT INSTRUCTION** The highlight of the commitment to excellence is Embraer Juarez Wanderley High School, which is fully maintained by the Company in São José dos Campos. The high school offers quality instruction to 600 young people from the public school system in three high school classes. The students receive, at no cost, quality education, on-site meals, transportation, uniform, and instructional materials.

The high school is recognized as a model for educational excellence and has graduated 1,600 students since it opened in 2002. For four consecutive years, the school's students passed the college entrance exams of at least one university, and in 2011, 85% of them were public universities, which was the best result achieved since it was founded. Its ranking on the National High School Exam (Exame Nacional do Ensino Médio – ENEM) is also a highlight. In 2010, with the last result that was released, the high school rose to fourth place in the ranking of public and private schools of the State of São Paulo, and to 30<sup>th</sup> place in Brazil.

This model will be expanded, as of 2013, with beginning of the activities of the future Embraer Casimiro Montenegro Filho High School, which will have a capacity for 360 students, and will be located next to Embraer's Botucatu unit, in outstate São Paulo, on land granted by the local city government. The investment that is expected for this project will be around R\$5 million.

**SUPPORT FOR PUBLIC EDUCATION** Since 2003, the Embraer Institute supports improved instructional quality for public schools in the regions where Embraer is involved. In 2006, the Action in School Program was created, with the objective of stimulating the active participation of the community in school management, using the "Educational Quality Indicators".

Since then, the Program has supported 75 projects, involving the participation of 230 Embraer employee volunteers. In 2011, the nine schools selected by the 2010 edition of the program received professional consulting assistance for implementing their projects.

**COMMUNITY PROJECTS** Via the Social Partnership Program (SPP), the Embraer Institute recognizes and supports the best projects of non-profit organizations that, in a partnership with Embraer employee volunteers, develop activities focused on education. Since its creation in 2004, the SPP has benefited more than 40,000 people by investing R\$3.1 million in 88 social projects, involving around 700 volunteers.

**Socioenvironmental Projects** In May 2011, on the occasion of the 10<sup>th</sup> anniversary of the Embraer Institute, the creation of the Embraer Center for Environmental Education, Jequitibá was announced, which will open in 2012.

The Center will be established in a 250,000 m<sup>2</sup> area, in São José dos Campos, and its objective is to promote environmental education for students from elementary school through university, as well as the formation of teachers and the community's professional qualifications.

The Jequitibá Center will be opened in a partnership with the Municipal Departments of Education and the Environment of São José dos Campos, local universities and nongovernmental organizations.







**Incentives for Volunteers** The Embraer Institute supports a culture of volunteerism through opportunities to be involved with its own programs and projects, like the Social Partner Program (PPS), Action in School Program (PAE), Digital Inclusion Course, Mini-Company Program, and Mini-Glider Championship.

The interest shown by Embraer employees for periodic activities – such as cleaning bees, construction, painting, gardening, language instruction and catch-up classes, and support for events in public schools and social organizations – caused the creation of the Wings of Goodwill Project, in Embraer's Volunteer Program. In 2011, more than 200 Embraer employees were engaged in projects supported by the Embraer Institute.

#### MAIN SOCIAL PROJECTS DEVELOPED BY EMBRAER

**Embraer Juarez Wanderley High School (CEJW)** The main project of the Embraer Education and Research Institute (IEEP), which has been fully funded by the Company, since 2002.

- Serves 600 students per year in the region of São José dos Campos, Taubaté, Caçapava, and Jacareí.
- Free, quality instruction, with a pedagogical focus on incentives and autonomy.
- Full-time high school for students from the public school system.
- According to the Ministry of Education, it is the 4<sup>th</sup> best high school in the State of São Paulo and the 30<sup>th</sup> in the Nation (ENEM 2010).
- For five consecutive years, the CEJW students passed the entrance exams of at least one university.

#### University Preparation Program (PPU)

- Program began in 2006.
- Prepares the student's curriculum in a partnership with the Occupational Research and Development Center (U.S.), the Rede Pitágoras de Ensino, and the Instruction and Research Institute of Sítio-Libanês Hospital.
- Preparation for academic and professional challenges, bringing the reality of the job market into the school.
- 800 classroom/hours in four semesters: exact sciences (pre-engineering), humanities (pre-humanities and administration), and biomedical (pre-biomedical).
- 400 students are benefited per year.

#### Scholarship Fund for Alumni of Embraer Juarez Wanderley High School

- Program began in 2005.
- Embraer is the biggest contributor to the Fund, covering up to 25% of the monthly amount paid to each scholarship holder.
- The scholarship assists with the overall expenses of graduates of Embraer Juarez Wanderley High School who study at universities outside of the São José dos Campos area.
- They are granted only to students with excellent academic records, who are accepted at public or private universities with a Government scholarship (PROUNI) and who have financial limitations that keep them from finishing their studies.
- Graduates of Embraer Juarez Wanderley High School who are benefited by the program become contributors to the Fund, after graduating from the university, returning the amount of the scholarship, with monetary correction.
- 308 students were benefited in 2011.

#### Embraer Mini-glider Championship

- Program began in 2009, in a partnership with the Embraer Institute and Embraer employee volunteers.
- Its objective is to bring to seventh to ninth grade students the real challenges from the preparation of a project report, with drawings, diagrams and explanations related to solutions used to develop the mini-glider, to the construction and test phases, in order to evaluate its performance, in practice, during flight competition.
- 230 students participated in the program in 2011.

#### Action in School Program (PAE)

- Community Participative Management Program for schools, created in 2006.
- Stimulates reflection on the quality of school management and proposes improvements in the educational model of public primary and high schools.
- The projects are analyzed by the Embraer Institute.
- Methodology developed under the coordination of UNICEF's Educative Action, of the United Nations Development Program (PNUD) and Brazil's INEP - MEC.
- In 2011, the nine schools chosen for the 2010 edition of the program received professional assistance for implementing the projects.
- Since 2006, more than 50,000 students have been benefited by 75 projects supported by and having the involvement of 230 volunteers.

#### Social Partnership Program (PPS)

- Program created in 2004, to foment a social culture for mobilizing companies to identify and solve problems and to assist NGOs in preparing and developing projects.
- Active participation of Embraer employees who voluntarily prepare and carry out the projects developed by social organizations.
- From 2004 to 2011, supported 88 projects that involved more than 1,200 volunteers and benefited around 40,000 people.

#### Digital Inclusion

- Eight-month course for students from the State school system.
- Qualifies participants with knowledge and techniques from information technology and the job market.
- Since its creation, in 2003, some 300 students have benefited, with the participation of 150 Embraer employee volunteers as instructors.

#### ***Embraer Juarez Wanderley High***

#### ***School is the main project of the***

#### ***Embraer Education and Research***

#### ***Institute. Other initiatives are also***

#### ***outstanding for the citizenship and***

#### ***technical preparation of young***

#### ***people in Company's areas of***

#### ***influence.***

#### Mini-company

- Project created in 2002, in a partnership with Municipal Departments of Education and Junior Achievement of the State of São Paulo.
- Embraer employees participated in the program as volunteers to guide the students.
- Its objective is to stimulate an enterprising spirit in young people.
- The program runs for 15 weeks, with three and one-half hours per week. Participants create a company, choose their product, manufacture it and sell it. In this way, they experience the main day-to-day processes of a business.
- Eighth grade students from the public school system participate in the program.
- The funds needed for creating the mini-company are raised by the students, themselves, by selling shares.
- At the end of the program, the mini-companies are liquidated and the results are divided among its shareholders.
- About 1,200 young people from São José dos Campos, Botucatu, and Araraquara have participated in the program, and more than 240 Embraer employees have acted as volunteer consultants.

For more information regarding Embraer's social projects and initiatives, go to: [www.institutoembraer.com.br](http://www.institutoembraer.com.br).



**SUPPLIERS** GRI EC6 | HR1 | HR2 Embraer establishes strategic long-term partnerships with its suppliers, in order to ensure the supply of raw materials and the main components of its products, and to optimize its production processes. Those partnerships also ensure the security needed for meeting deadlines and standards of quality of the aircraft delivered and the services provided to customers.

The process for qualifying suppliers, as set forth in the Integrated Management System for the Environment, Occupational Health and Safety, and Quality (SIG-MASSQ), include criteria related to the environment, human rights, and occupational health and safety.

If irregularities are found, the suppliers are informed and have a given amount of time to make corrections, under the condition of canceling the purchase or the service contract.

Since 2005, this qualification process has involved the entire supply chain; all suppliers who are considered to be crucial or who present the greatest environmental risks are audited by Embraer.

In 2011, 80% of these crucial suppliers were considered apt for supplying materials to Embraer, while the others needed to establish action plans for adapting to the requirements, or be blocked.

**HUMAN RIGHTS** Embraer's Code of Ethics reinforces its commitment to promote a work environment free of any type of discrimination, harassment, and forced labor, whether child or analogous to slavery.

It is absolutely prohibited, at all units, to relate to any stakeholders, publicity, advertising, or any other public material that contains any mention, illustration or manifestation of discrimination of race, ethnicity, gender, belief, religion, age, handicap or gender orientation.

The Code also prohibits and punishes any type of harassment, which includes any act or verbal or physical attitude that implies humiliation, embarrassment or threat to employees. Embraer's actions against discrimination and forced labor extend to the entire network of national and foreign suppliers.

# 220 EVENTS provided direct contact between Embraer and analysts and investors

Complaints of moral harassment were received through the Channel for Reporting Misconduct and checked by internal processes that involve the participation of the Ethics and Conduct Committee. Two occurrences were evaluated and considered to have a basis, which resulted in applying disciplinary measures and a formal warning, as well as dismissal for cause.

**SHAREHOLDERS** Executives and employees who have access to relevant information are bound by a Trading Policy for Embraer's stocks, for the purpose of ensuring the transparency of their management and trading in benefit of shareholders and investors. This policy provides rules and procedures, and establishes periods in which executives and employees must abstain from doing any trading, in order to avoid questioning of the undue use of privileged information.

The Disclosure Policy followed by Embraer establishes the criteria and the procedures for releasing information of interest to investors, thus ensuring a widespread and transparent distribution of information that is relevant to the market. The Company also releases manuals at General Assemblies that provide all the information needed by shareholders.

Embraer's Code of Ethics and Conduct reinforces the fact that the relationship between shareholders and investors must be based on precise, transparent and timely communication of information that allows them to keep track of the Company's activities and assess its performance and potential.

Besides releasing quarterly results to investors, analysts and the trade press, the Investor Relations area provides institutional presentations and takes part in national and international meetings, conferences and roadshows. In 2011, the Company held and participated in some 220 events with direct contact with analysts and investors, mainly in Brazil, the United States, and countries in Europe and Asia.

Embraer's institutional website and the Investor Relations site, which was totally remodeled in December 2011, provide a wide variety of information and news regarding the performance, products, governance and other subjects of interest, as well as quarterly results, press releases and annual reports of Embraer.



Attachments



# Social Performance

<b>1 - CALCULATION BASE</b>	<b>2011 Value (R\$ thousand)</b>			<b>2010 Value (R\$ thousand)</b>		
Net revenue (NR)	8,466,553			8,231,283		
Operational result (OR)	156,297			573,592		
Gross payroll (GPR)	1,800,163			1,649,730		
<b>2 - INTERNAL SOCIAL INDICATORS</b>	<b>Value (R\$ thousand)</b>	<b>% over GPR</b>	<b>% over NR</b>	<b>Value (R\$ thousand)</b>	<b>% over GPR</b>	<b>% over NR</b>
Meals	23,412	1.30%	0.28%	20,475	1.24%	0.25%
Mandatory social charges	480,410	26.69%	5.67%	444,839	26.96%	5.40%
Supplementary retirement	45,223	2.51%	0.53%	38,324	2.32%	0.47%
Health	73,554	4.09%	0.87%	84,895	5.15%	1.03%
Labor health and safety	19,310	1.07%	0.23%	9,346	0.57%	0.11%
Education	280	0.02%	0.00%	246	0.01%	0.00%
Culture	219	0.01%	0.00%	143	0.01%	0.00%
Professional training and development	19,471	1.08%	0.23%	15,784	0.96%	0.19%
Childcare or childcare stipend	383	0.02%	0.00%	342	0.02%	0.00%
Profit-sharing	75,503	4.19%	0.89%	79,162	4.80%	0.96%
Others	36,994	2.06%	0.44%	29,891	1.81%	0.36%
Total - Internal social indicators	774,759	43.04%	9.15%	723,447	43.85%	8.79%
<b>3 - EXTERNAL SOCIAL INDICATORS</b>	<b>Value (R\$ thousand)</b>	<b>% over OR</b>	<b>% over NR</b>	<b>Value (R\$ thousand)</b>	<b>% over OR</b>	<b>% over NR</b>
Education	14,130	9.04%	0.17%	11,272	1.97%	0.14%
Culture	750	0.48%	0.01%	806	0.14%	0.01%
Fight against hunger and food security	0	0.00%	0.00%	0	0.00%	0.00%
Others	355	0.23%	0.00%	260	0.05%	0.00%
Total contribution to society	15,235	9.75%	0.18%	12,338	2.15%	0.15%
Taxes (excluding social charges)	156,822	100.34%	1.85%	112,822	19.67%	1.37%
Total - External social indicators	172,057	110.08%	2.03%	125,160	21.82%	1.52%
<b>4 - ENVIRONMENTAL INDICATORS GRI EN30</b>	<b>Value (R\$ thousand)</b>	<b>% over OR</b>	<b>% over NR</b>	<b>Value (R\$ thousand)</b>	<b>% over OR</b>	<b>% over NR</b>
Investment related to company production/operation	9,735	6.23%	0.11%	8,956	1.56%	0.11%
Investment in external programs and/or projects	29	0.02%	0.00%	92	0.02%	0.00%
Total environmental investment	9,764	6.25%	0.12%	9,048	1.58%	0.11%
Regarding the definition of “annual goals” to reduce waste, the general consumption for production/operation and increase efficiency in utilization of natural resources, the company:           ( ) does not have goals    ( ) meets from 51% to 75%    ( ) does not have goals    ( ) meets from 51% to 75% ( ) meets from 0% to 50%    (x) meets from 76% to 100%    (x) meets from 0% to 50%    ( ) meets from 76% to 100%						

# Indicators

5 - STAFF INDICATORS		2011	2010
No. of employees at the end of the period		15,989	16,133
No. of new hires in the period		914	1,028
No. of outsourced employees		2,594	2,430
No. of interns		241	169
No. of employees over 45 years old		2,609	2,441
No. of women working at the company		2,124	2,094
% of management positions held by women		9.75%	8.16%
No. of handicapped or special-needs employees		733	740
6 - RELEVANT CORPORATE CITIZENSHIP INFORMATION		2011	GOALS 2012
Ratio of highest to lowest salary at the company		65	DOES NOT HAVE GOAL
Total on-the-job accidents		312	156
The social and environmental projects implemented by the company were decided upon by:	( ) directors (x) directors and management ( ) all staff	( ) directors (x) directors and management ( ) all staff	
The risk and security standards in the workplace were decided upon by:	( ) directors and management ( ) all staff (x) all staff + CIPA	( ) directors and management ( ) all staff (x) all staff + CIPA	
With regard to labor unions, right for collective bargaining and internal representation of workers, the company:	( ) does not get involved ( ) follows ILO rules (x) encourages and follows ILO	( ) does not get involved ( ) follows ILO rules (x) encourages and follows ILO	
Supplementary pension benefits contemplate:	( ) directors ( ) directors and management (x) all staff	( ) directors ( ) directors and management (x) all staff	
Profit-sharing contemplates:	( ) directors ( ) directors and management (x) all staff	( ) directors ( ) directors and management (x) all staff	
Regarding the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	( ) are not considered (x) are suggested ( ) are required	( ) are not considered (x) are suggested ( ) are required	
Regarding the participation of employees in volunteer activities, the company:	( ) does not get involved ( ) supports (x) organizes and encourages	( ) does not get involved ( ) supports (x) organizes and encourages	
TOTAL VALUE ADDED FOR DISTRIBUTION (R\$ THOUSAND)		In 2011: 2,157	In 2010: 2,398
Distribution of Value Added (DVA):	21.83% government 10.48% shareholders -3.24% retained	52.14% employees 18.79% third parties	19.23% government 6.49% shareholders 17.43% retained 48.26% employees 8.59% third parties



# GRI Index

GRI 3:12

PROFILE		
1. STRATEGY AND ANALYSIS		AR Pages Global Compact
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy.	8 DECLARATION OF CONTINUOUS SUPPORT IN THE MESSAGE OF THE PRESIDENT & CEO
1.2	Description of key impacts, risks, and opportunities.	8, 35 AND 44 -
2. ORGANIZATIONAL PROFILE		AR Pages Global Compact
2.1	Name of the organization.	7 AND 16 -
2.2	Primary brands, products, and/or services.	45, 49, 54, 58 AND 60 -
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	17 AND 26 -
2.4	Location of organization's headquarters.	16 -
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	16, 17 AND 19 -
2.6	Nature of ownership and legal form.	16 -
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	16, 17 AND 18 -
2.8	Scale of the reporting organization.	1 AND 26 -
2.9	Significant changes during the reporting period regarding size, structure, or ownership including.	9, 17 AND 54 -
2.10	Awards received in the reporting period.	21 -
3. REPORT PARAMETERS		AR Pages Global Compact
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	7 -
3.2	Date of most recent previous report (if any).	7 -
3.3	Reporting cycle (annual, biennial, etc.)	7 -
3.4	Contact point for questions regarding the report or its contents.	7 -
3.5	Process for defining report content, including: a) determining materiality; b) prioritizing topics within the report; and c) identifying stakeholders the organization expects to use the report.	7 AND 32 -
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	7 -
3.7	State any specific limitations on the scope or boundary of the report.	7 -
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	7 -
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	7 -
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	7 -
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	7 -
3.12	Table identifying the location of the standard disclosures in the report.	124 -
3.13	Policy and current practice with regard to seeking external assurance for the report.	EMBRAER IS ADAPTING TO CONDUCTING AUDITS OF ITS SOCIOENVIRONMENTAL INFORMATION. -

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT		AR Pages	Global Compact
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	29	-
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	29	-
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	29	-
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	24, 26, 29, 39 AND 40	-
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the Organization's performance (including social and environmental performance).	29	-
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	26	-
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the Organization's strategy on economic, environmental and social topics.	26	-
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	25 AND 39	DECLARATION OF COMMITMENT AND DISCLOSURE TO EMPLOYEES
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	29	-
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	29	-
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	30, 33, 34 AND 35	7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	40	DECLARATION OF COMMITMENT AND DISCLOSURE TO EMPLOYEES
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) has positions in governance bodies; b) participates in projects or committees; c) provides substantive funding beyond routine membership dues; and d) views membership as strategic.	40	DECLARATION OF COMMITMENT AND DISCLOSURE TO EMPLOYEES
4.14	List of stakeholder groups engaged by the organization.	EMBRAER BEGAN A STRUCTURED PROCESS OF ENGAGING STAKEHOLDERS IN 2011. AMONG THE GROUPS CONSULTED ARE EMPLOYEES, MANAGERS, SUPPLIERS, EXPERTS FROM THE AVIATION SECTOR, SHAREHOLDERS, INVESTORS, AND CUSTOMERS.	-
4.15	Basis for identification and selection of stakeholders with whom to engage.	EMBRAER BEGAN A STRUCTURED PROCESS OF ENGAGING STAKEHOLDERS IN 2011. AMONG THE GROUPS CONSULTED ARE EMPLOYEES, MANAGERS, SUPPLIERS, EXPERTS FROM THE AVIATION SECTOR, SHAREHOLDERS, INVESTORS, AND CUSTOMERS.	-
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	THIS INITIAL PROCESS WAS CONDUCTED IN MEETINGS WITH STAKEHOLDERS, RESULTING IN A TOTAL OF 40 INTERVIEWS. THE SUBJECTS BROUGHT UP ARE CONSIDERED TO BE RELEVANT FOR CONDUCTING EMBRAER'S BUSINESS.	SHARING THE COP WITH THE COMPANY'S STAKEHOLDERS
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	THE MAIN TOPICS ARISING FROM THIS PROCESS WERE: CLIMATE CHANGE; ATTRACTING, DEVELOPING AND RETAINING LABOR; MANAGING THE LIFE CYCLE OF PRODUCTS; LOCAL ECONOMIC DEVELOPMENT; MANAGING THE VALUE CHAIN; HUMAN AND LABOR RIGHTS; ENGAGING PUBLIC AUTHORITIES; NEW SOLUTIONS FOR THE CHALLENGES OF SUSTAINABILITY; COMMUNICATION AND TRANSPARENCY; REFERENCE IN INNOVATION AND NEW TECHNOLOGIES; PRODUCT EMISSIONS; LOCAL CONTENT; PRODUCT SAFETY; NOISE, HEALTH AND SAFETY; MANAGING NATURAL RESOURCES AND WASTES; ETHICS AND CORPORATE GOVERNANCE; PRIVACY AND INFORMATION SECURITY; PREPARING FOR DISASTER SITUATIONS.	-

<b>ECONOMIC PERFORMANCE INDICATORS</b>				
DISCLOSURE OF MANAGEMENT APPROACH			44 AND 45	-
Aspect: Economic Performance			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	1, 74 AND 82	-
CORE	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	39 AND 91	7 AND 8
CORE	EC3	Coverage of the organization's defined benefit plan obligations.	106	-
Aspect: Market Presence			<i>AR Pages</i>	<i>Global Compact</i>
ADD	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	104	6
CORE	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	67 AND 118	-
CORE	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	112	6
Aspect: Indirect Economic Impacts			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement.	114	-
ADD	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	113	-
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>				
DISCLOSURE OF MANAGEMENT APPROACH			88, 89 AND 91	-
Aspect: Energy			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EN4	Indirect energy consumption by primary source.	94	8
ADD	EN5	Energy saved due to conservation and efficiency improvements.	95	8 AND 9
ADD	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	89	8 AND 9
ADD	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	89	8 AND 9
Aspect: Water			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EN8	Total water withdrawal, by source.	94	8
ADD	EN10	Percentage and total volume of water recycled and reused.	95	8 AND 9

Aspect: Biodiversity			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	99	8
CORE	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	99	8
ADD	EN13	Habitats protected or restored.	99	8
ADD	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	99	8
Aspect: Emissions, Effluents, and Waste			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EN16	Total direct and indirect greenhouse gas emissions, by weight.	96	-
CORE	EN17	Other relevant indirect greenhouse gas emissions, by weight.	96	-
ADD	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	96	8 AND 9
CORE	EN19	Emissions of ozone-depleting substances, by weight.	96	8
CORE	EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions, by type and weight.	99	8
CORE	EN21	Total water discharge by quality and destination.	97	8
CORE	EN22	Total weight of waste by type and disposal method.	97	8
ADD	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	97	-
ADD	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	97	8
Aspect: Products and Services			<i>AR Pages</i>	<i>Global Compact</i>
CORE	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	91, 92 AND 94	8 AND 9
Aspect : Overall			<i>AR Pages</i>	<i>Global Compact</i>
ADD	EN30	Total environmental protection expenditures and investments, by type.	122	8



LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS				
DISCLOSURE OF MANAGEMENT APPROACH			100 AND 101	-
Aspect: Employment			<i>AR Pages</i>	<i>Global Compact</i>
CORE	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	101 AND 102	-
CORE	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	104	6
Aspect: Labor/Management Relations			<i>AR Pages</i>	<i>Global Compact</i>
CORE	LA4	Percentage of employees covered by collective bargaining agreements.	113	1 AND 3
Aspect: Occupational Health and Safety			<i>AR Pages</i>	<i>Global Compact</i>
CORE	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	107	-
CORE	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	63	-
CORE	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	107	-
ADD	LA9	Health and safety topics covered in formal agreements with trade unions.	113	-
Aspect: Training and Education			<i>AR Pages</i>	<i>Global Compact</i>
CORE	LA10	Average hours of training per year per employee by gender, and by employee category.	111	-
ADD	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	112	-
ADD	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	112	-
Aspect: Diversity and Equal Opportunity			<i>AR Pages</i>	<i>Global Compact</i>
CORE	LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	103	1 AND 6
HUMAN RIGHTS PERFORMANCE INDICATORS				
DISCLOSURE OF MANAGEMENT APPROACH			113 AND 118	-
Aspect: Investment and Procurement Practices			<i>AR Pages</i>	<i>Global Compact</i>
CORE	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	118	1, 4, 5 AND 6
CORE	HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	118	1, 4, 5 AND 6
Aspect: Non-discrimination			<i>AR Pages</i>	<i>Global Compact</i>
CORE	HR4	Total number of incidents of discrimination and corrective actions taken.	IN 2011, EMBRAER RECORDED NO CASES OF DISCRIMINATION OF ANY TYPE, AND THERE WAS NO RECORD OF FORCED LABOR AT THE UNITS IN BRAZIL OR ABROAD.	

Aspect: Freedom of Association and Collective Bargaining			<i>AR Pages</i>	<i>Global Compact</i>
CORE	HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	113	1 AND 3
Aspect: Child Labor			<i>AR Pages</i>	<i>Global Compact</i>
CORE	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	113	1 AND 5
Aspect: Forced and Compulsory Labor			<i>AR Pages</i>	<i>Global Compact</i>
CORE	HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.	113	1, 2 AND 4
<b>SOCIETY PERFORMANCE INDICATORS</b>				
DISCLOSURE OF MANAGEMENT APPROACH			113 AND 114	-
Aspect: Local Communities			<i>AR Pages</i>	<i>Global Compact</i>
CORE	SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	113	1
Aspect: Corruption			<i>AR Pages</i>	<i>Global Compact</i>
CORE	SO2	Percentage and total number of business units analyzed for risks related to corruption.	39 AND 40	10
CORE	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	39	10
Aspect : Public Policy			<i>AR Pages</i>	<i>Global Compact</i>
CORE	SO5	Public policy positions and participation in public policy development and lobbying.	91 AND 92	10
<b>PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS</b>				
DISCLOSURE OF MANAGEMENT APPROACH			38, 39, 42 AND 43	-
Aspect: Customer Health and Safety			<i>AR Pages</i>	<i>Global Compact</i>
CORE	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	62, 63 AND 70	-
ADD	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	68	-
Aspect : Product and Service Labeling			<i>AR Pages</i>	<i>Global Compact</i>
CORE	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	68 AND 89	8
ADD	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	67	-

# Corporate Information

## **EMBRAER UNITS**

### **BRAZIL**

#### **EMBRAER S.A. – SÃO JOSÉ DOS CAMPOS (HEADQUARTERS)**

Av. Brigadeiro Faria Lima, 2.170

Postal code: 12227-901 – São José dos Campos, SP – Brazil

Phone: +55 (12) 3927-1000

#### **EMBRAER – GAVIÃO PEIXOTO**

Estrada Municipal Euclides Martins, 2.170

Postal code: 14813-000 – Gavião Peixoto, SP – Brazil

Phone: +55 (16) 3338-9000

#### **EMBRAER – SÃO PAULO**

Rua Iguatemi, 151 – 21st floor – cj. 211 – Itaim Bibi

Postal code: 01451-011 – São Paulo, SP – Brazil

Phone: +55 (11) 3040-6850

#### **EMBRAER – BOTUCATU**

Av. Alcides Cagliari, 2.281

Postal code: 18606-855 – Botucatu, SP – Brazil

Phone: +55 (14) 3811-2000

#### **EMBRAER DEFESA E SEGURANÇA – SÃO PAULO**

Av. das Nações Unidas, 12.995 – 24th floor – Brooklin

Postal code: 04578-000 – São Paulo, SP – Brazil

Phone: +55 (11) 3469-4100

#### **EMBRAER – TAUBATÉ**

Rodovia Floriano Rodrigues Pinheiro, 333

Postal code: 12042-000 – Taubaté, SP – Brazil

#### **EMBRAER – EUGÊNIO DE MELO**

Rodovia Presidente Dutra, km 134

Postal code: 12247-820 – Distrito Eugênio de Melo, SP – Brazil

Phone: +55 (12) 3927-1000

#### **ELEB EQUIPAMENTOS LTDA. – SÃO JOSÉ DOS CAMPOS**

Rua Itabaiana, 40

Postal code: 12237-540 – São José dos Campos, SP – Brazil

Phone: +55 (12) 3935-5211

**UNITED STATES OF AMERICA****EMBRAER – FORT LAUDERDALE****Embraer Aircraft Holding****Embraer Services****Embraer Aircraft Customer Services****Embraer Executive Jets****276 SW 34th Street**

Fort Lauderdale, FL 33315 – U.S.

Phone: +1 954-359-3700

**EMBRAER – NASHVILLE****Embraer Aircraft Maintenance Services**

10 Airways Blvd.

Nashville, TN 37217 – U.S.

Phone: +1 615-367-2100

**EMBRAER – MELBOURNE****Embraer Executive Aircraft****Embraer Engineering Technology Center USA**

1205 General Aviation Drive

Melbourne, FL 32935 – U.S.

Phone: +1 321-426-2621

**EMBRAER – WINDSOR LOCKS****Embraer Executive Jets**

41 Perimeter Road

Windsor Locks, CT 06096 – U.S.

Phone: +1 860-804-4300

**EMBRAER – MESA****Embraer Executive Jets**

5643 S. Avery Circle

Mesa, AZ 85212 – U.S.

Phone: +1 480-735-0200

**EMBRAER – DALLAS****Embraer Customer Training Services**

2929 W. Airfield Dr.

Dallas Fort Worth Airport, TX 75261 – U.S.

Phone: +1 972-456-8000

**FRANCE****EMBRAER – VILLEPINTE****Embraer Aviation Europe**

Bat. Eddington Paris Nord II – 33, Rue des Vanesses

BP 58294 Villepinte – 95958 Roissy CDG Cedex – France

Phone: +33 1 49 38 44 00

**EMBRAER – LE BOURGET****Embraer Aviation International**

Le Bourget Airport

Zone Aviation d’Affaires

93350 Le Bourget Cedex – France

Phone: +33 (1) 49 38 44 00

**UNITED KINGDOM****EMBRAER – FARNBOROUGH****Embraer Executive Jets**

Farnborough Airport

Farnborough, Hampshire

United Kingdom – GU146XA

Phone: + 44 (0) 1252 379270

**PORTUGAL****OGMA – INDÚSTRIA AERONÁUTICA DE PORTUGAL S.A. – ALVERCA**

2615 – 173 – Alverca – Portugal

Phone: +351 (21) 957-1000/957-9000

**EMBRAER PORTUGAL ESTRUTURAS METÁLICAS S.A. – ÉVORA**

Praça de Sertorio, s/nr

Gabinete de Apoio da Presidência

Évora, Lisboa – 7004-506 – Portugal



## **CHINA**

### **EMBRAER – BEIJING**

Suite 1806, Tower 2, China Central Place  
Office Building, 79, Jianguo Road  
Chaoyang District – Beijing 100025  
People’s Republic of China  
Phone: +86 10 6598-9988

### **HARBIN EMBRAER AIRCRAFT INDUSTRY – HARBIN**

15 Youxie St.  
Pingfang, Harbin – 150066  
People’s Republic of China  
Phone: +86 451 5390-8988

## **SINGAPORE**

### **EMBRAER – SINGAPORE**

391B Orchard Road # 24-02  
Ngee Ann City – Tower B – 38874 – Singapore  
Phone: +65 6734-4321

## **SUBSIDIARIES AND AFFILIATES**

### **ORBISAT DA AMAZÔNIA S.A. – SÃO JOSÉ DOS CAMPOS**

Av. Shishima Hifumi, 2911 – 1st floor – Room 104 – Urbanova – Parque Tecnológico  
Postal code: 12244-000 – São José dos Campos, SP – Brazil  
Phone: +55 (12) 3202-2700

### **ATECH - SÃO PAULO**

Rua do Rocio, 313 – 2nd floor – Vila Olímpia  
Postal code: 04552-000 – São Paulo, SP – Brazil  
Phone: +55 (11) 3040-7320

### **HARPIA - BRASÍLIA**

SHS quadra 06, cj. A, bloco C, 13º pavimento  
Edifício Brasil 21 Business Center – Asa Sul  
Postal code: 70316-109 – Brasília, DF – Brazil

## **SHAREHOLDER INFORMATION**

### **DEPOSITARY BANKS**

#### **BRAZIL – BANCO ITAÚ S.A.**

Rua Boa Vista, 176 – 1º subsolo  
Postal code: 01014-001 – São Paulo, SP – Brazil  
Phone: +55 (11) 3247-3138/3247-3139

#### **UNITED STATES OF AMERICA – JP MORGAN**

60 Wall Street, 36th floor  
10260-006 – New York, NY – U.S.  
Phone: +1 212-623-0875

### **INDEPENDENT AUDITORS**

#### **PRICEWATERHOUSECOOPERS (UNTIL 3/31/2012)**

Rua Euclides Miragaia, 433 – cjs. 301 e 304  
Postal code: 12245-550 – São José dos Campos, SP – Brazil  
Phone: +55 (12) 3913-4505  
[www.pwc.com/br](http://www.pwc.com/br)

### **INVESTOR RELATIONS DEPARTMENT**

Av. Brigadeiro Faria Lima, 2.170  
Postal code: 12227-901 – São José dos Campos, SP – Brazil  
BRAZIL – André Gaia, Caio Pinez, Cláudio Massuda, Juliana Villari-  
nho and Paulo Ferreira: (12) 3927-4404  
U.S. – Luciano Froes: +1 954-359-3492  
[investor.relations@embraer.com.br](mailto:investor.relations@embraer.com.br)  
Follow Embraer’s IR on Twitter: @RIEmbraer

### **PUBLICATIONS AND INFORMATION**

Quarterly results, press releases and annual reports are available from the Department of Investor Relations and on the website [ri.embraer.com](http://ri.embraer.com)

# Credits

## **COORDINATION**

Executive Vice Presidency, Finance and Investor Relations  
Vice Presidency, Institutional Relations

## **CONTENT CONSULTING, WRITING, DESIGN AND GRAPHICS LAYOUT**

TheMediaGroup  
[www.mediagroup.com.br](http://www.mediagroup.com.br)

## **PHOTOS**

Embraer Picture Collection  
Paulo Fridman





FOR THE JOURNEY

Av. Brigadeiro Faria Lima, 2,170  
São José dos Campos, São Paulo  
12227-901 - Brazil

**[WWW.EMBRAER.COM](http://WWW.EMBRAER.COM)**