

April 23<sup>rd</sup>, 2010.



# **UNITED NATIONS GLOBAL COMPACT**

## **COMMUNICATION ON PROGRESS (COP)**

**EMBRAER – EMPRESA BRASILEIRA DE AERONAUTICA S.A.**

**MAY 2008 - APRIL 2010**

April 23<sup>rd</sup>, 2010.  
DP-043/10

Mr. Ban Ki-Moon  
Secretary-General  
United Nations  
New York, NY 10017  
United States of America

By fax: [32] 2-775-81-12

Dear Mr. Secretary-General,

It is with great satisfaction that we present Embraer's first Communication on Progress (COP), describing our efforts vis-à-vis each of the ten principles of the Global Compact, which we joined on May 5th of 2008.

We are fully aware that following these principles in the operation of all facets of our business is not a job of pre-determined duration, but a constant endeavor to seek, with determination to always do more and to do it better.

Wishing you continuous success at the helm of the UN, please accept my

Sincere regards,



*Frederico Fleury Curado*  
President and Chief Executive Officer

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## PRINCIPLE 1

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

In 2005, based on respect for and protection of human beings, Embraer established its Code of Ethics and Conduct, bringing together the essential principles, rules and values that steer all of the Company's practices, guidelines and procedures. The Code was revised and updated at the end of 2009, in order to formally include the fundamental principles of the Global Compact.

Its content is fully coherent with the laws, as well as the uses and customs, of the countries in which it is located, based on our corporate values and the fundamental principles of the Global Compact, thus ensuring equality for all, without discrimination, in terms of the right to life, liberty, safety, and individual integrity.

The Company has more than 16,000 employees, 90% of whom are based in Brazil, who work in a healthy and safe environment, with an organizational climate that provides for their personal and professional growth, as detailed in the following items:

#### **Compensation – salaries and profit sharing**

Embraer remunerates its employees competitively, in comparison with the market, and its salary base corresponds to at least twice the minimum salary established by the country (in this case, Brazil).

Besides the salary, **all employees** are eligible to share the results generated by the Company, out of 12.5% of the net profits of each fiscal year.

#### **Complementary Salary**

When employees based in Brazil are placed on leave of absence due to illness or a job-related accident, they receive a complementary salary equivalent to the difference between their salary and the benefit paid by the government's temporary social protection payment. This benefit is guaranteed from the 16<sup>th</sup> to the 120<sup>th</sup> day of the leave, but Brazilian legislation guarantees only the first 15 days.

#### **Medical Assistance**

Except in countries where the official medical coverage is recognized to offer high standards of service and quality, the Company offers a medical assistance plan to its employees and their dependents, covering around 90% of the respective costs.

This medical assistance also gives specific treatment to employees with dependents who have special needs. Those dependents are covered, even after age of majority (21 years of age), and the Company takes a greater share of the costs for such treatments as speech therapy, occupational therapy, and psychotherapy.

At the end of 2009, Embraer's health care programs covered around 50,000 lives in all of the countries where the Company is located.

In addition, the Company provided specific medical attention to 80 persons with special needs.

### **Embraer's Vaccination Program**

Embraer invests in the prevention of endemic diseases by annually vaccinating employees and their dependents, and carrying nearly the full cost involved.

In 2009, Embraer invested R\$ 1.3 million (US\$ 650,000) to vaccinate more than 23,000 employees and family members. Besides those, 800 were vaccinated for yellow fever, as part of the national vaccination campaign held in Brazil.

### **Dental Assistance**

The Company provides partial dental assistance, where participation varies according to the type of plan chosen and the legislation of each country.

In 2009, approximately 38,000 people cared for their oral health via the plans offered by the Company.

### **Pharmaceutical Assistance**

To complement the medical and dental assistance, in Brazil, the Company facilitates the purchase of medicine, by making accredited pharmacy chains available to employees and their dependents and by covering almost all of the cost.

In 2009, Embraer shared R\$ 4.6 million (US\$ 2.3 million) for the purpose of purchasing medicine by employees and their families.

### **Promoting good health and quality of life**

Launched in September 2009 at the Brazilian units, the Well-Being program acts as an “umbrella” for the actions promoting good health and quality of life, for employees and their families. Along with the program, the “Well-Being Minute” was instituted, which is a weekly bulletin focusing on informing and making employees aware of health and quality of life issues. In 2010, the program will be expanded to Embraer's units abroad, while respecting employee needs and the culture of each country.

In 2009, more than 1,000 people – employees and their families – participated in the programs for promoting good health and quality of life, which are sponsored by the Company.

### **Meals**

All employees have the right to use the restaurants located at the Company's factories, which cover about 95% of the respective costs. Every day, a varied and balanced menu is prepared by professional nutritionists.

During 2009, some 190,000 meals were offered every month in all of the Company's units.

## Safe Working Environment

In 2008 and 2009, the number of accidents suffered by our employees dropped by 40.5%. This result arose out of the development of awareness campaigns, a closer follow-up of the work of service providers, and the implementation of preventive and corrective measures.

The Company furnishes all of the means and safety equipment needed for working and constantly seeks to keep its employees aware of the need for continuously and correctly using those resources.

It should be noted that all of the health and job safety activities are coordinated by an Integrated System for Managing the Environment, Job Safety and Health, and Quality (Sistema Integrado de Gestão de Meio Ambiente, Segurança e Saúde no Trabalho e Qualidade – SIG-MASSQ), which has been evaluated and certified by the American Bureau of Shipping Quality Evaluations (ABS-QE).

## Supplementary Retirement

Since 1999, the Company has offered a supplementary retirement plan to its employees, and its format varies from country to country, according to local realities. It should be noted that the frequency and seriousness of accidents at Embraer are extremely low, in comparison to other companies in Brazil.

In 2009, Embraer Prev was created, which is the Company's own supplementary retirement structure that gives more autonomy and transparency in administering the assets of Embraer's employees located in Brazil, in line with the best practices on the market and rigid rules of corporate governance, as well as internal controls for protecting the assets of participants.

At the end of 2009, around 80% of the employees in Brazil and abroad were participating in the supplementary retirement plans sponsored by the Company.

## Training

Embraer makes substantial investments in training its people, as a means of contributing to their professional and personal development. With this purpose in mind, the Company maintains a specific structure (Casimiro Montenegro People Development Center), in São José dos Campos, Brazil, focusing on spreading knowledge and interaction among people, through courses, presentations, training programs, debate forums, and workshops.

Over the last five years, Embraer has invested about R\$ 60 million (US\$ 30 million) in the training and development of its employees.

## Organizational Climate

The Company annually performs a climate study among its employees, whose participation is voluntary and anonymous, for the purpose of taking a detailed check of the work environment in all areas of the Company. Based on the results, which are widely publicized, sectorial and corporate action plans are established for the continuous perfection of the positive aspects found, as well as the correction and improvement of the negative aspects.

In 2008 and 2009, over 90% of the employees participated in the study. In 2009, the favorability rate (employees who are satisfied or very satisfied) reached 70%, or a growth of 10% over the year 2008.

In 2009, Embraer was awarded as one of the best companies to work for in Brazil, by two of the most respected publications in the country, and by the Great Place to Work (GPTW) Institute.

## Education

Besides all of the actions focusing on its employees, the Company has the Embraer Education and Research Institute (Instituto Embraer de Educação e Pesquisa – IEEP), which is dedicated to the Company's social actions, specifically education.

*Engineer Juarez Wanderley High School* (CEJW - Colégio Engenheiro Juarez Wanderley) – since 2001, IEEP, through Juarez Wanderley High School, has provided high quality secondary education to 600 students from the São José dos Campos region, who receive, at no cost, an education, meals, transportation, school uniform, life insurance, and educational materials.

The greater majority of the students are from the socially less privileged layers of the population, coming from the public school system and chosen, by merit, through an admissions exam.

Besides the secondary educational level, CEJW also offers a University Preparatory Program that guides and supports the students in their career choices, as well as preparing them for university study and taking up a profession.

In 2009, 100% of the 200 graduates from CEJW were approved by at least one university and they took first place, in the State of São Paulo, in the National High School Exam (Exame Nacional do Ensino Médio – ENEM).

*Social Partnership Program* (PPS – Programa de Parceria Social): through the PPS, IEEP supports social programs conducted in partnerships with private nonprofit institutions and Embraer employees, mainly those focusing on young people and children.

*Mini-company Program* (Programa Miniempresa) – through partnerships with city governments and Junior Achievement of São Paulo, its objective is to stimulate an entrepreneurial spirit in eighth graders and high school students in public schools.

In 2009, 162 students participated in the Mini-company Program and 37 Embraer employees served as volunteers.

*Digital and Citizenship Inclusion Course* – this is offered to high school students from public schools in needy neighborhoods of the city of São José dos Campos, for the purpose of qualifying them with knowledge and techniques of information technology and citizenship, which offers them alternative professional preparation so that they can enter the job market.

36 students concluded the course and 12 Embraer employees served as instructors in 2009.

### **Freedom of Expression – Climate Study**

Via the climate survey mentioned above, employees are free to anonymously express their dissatisfaction, criticism, and so forth. Furthermore, they may manifest their desires, concerns, and other feelings at any time, through their leaders.



## **PRINCIPLE 2**

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

Embraer is totally committed, in all of its activities and business units in Brazil and abroad, to respecting human rights, and rejects any type of abuse of those rights.

#### **Report of Misconduct Channel**

Created in 2005, this channel enables employees, shareholders, service providers, suppliers, customers, and the community in general to anonymously inform of eventual practices that are contrary to good accounting, legal, and commercial principles and that violate the Code of Ethics and Conduct, the Internal Rules, or the policies and principles adopted by the Company.

The Report of Misconduct Channel is accessible via the Intranet, Internet, and E-mail, and is an important component of Embraer's corporate governance. It seeks to protect corporate values in the internal and external relationships of all of its employees and administrators, whatever their duties and responsibilities.

The independence of the reporting channel is ensured by its working structure, where reports are analyzed by an outside legal firm that assessed and selects them, and determines the proper steps to be taken.

In 2009, there was an average of 35 reports per month, of which 10.3% were deemed worthy of attention and resulted in the necessary corrective and preventive measures.

As a good practice of corporate governance, the activities of the Report of Misconduct Channel are reported annually. In 2009, the report was made through the internal means of communication available at Embraer – bulletin boards, daily news, and messages to leaders.

#### **Ethics and Conduct Committee**

The Company has an Ethics and Conduct Committee, whose main duties are to evaluate, discuss and recommend appropriate action, in the case of inappropriate conduct, in light of the Embraer Values and of the principles of ethical conduct, advising the Company regarding these issues. The Ethics Committee meets monthly.

### **PRINCIPLE 3**

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

Embraer facilitates the free association of its employees, and does it with a maximum of transparency and objectivity. Within this focus, the unions conduct membership and unionization campaigns every semester. Furthermore, the unions are allowed to distribute their informative materials to employees, with no restrictions or censorship.

The guidelines described in the Company's Human Resources Policy explicitly respect union representation, a preventive stance, and clear communication:

"Item 12 – Within our reality, what should prevail is a partner relationship, with objectives identified, among shareholders, administrators, and employees, and their total integration with the Company; far, therefore, from the mere "capital x labor" relationship, naturally respecting union representation. The Company's stance regarding labor and union issues must be absolutely preventive, acting proactively towards employees, via direct, objective and true communications by the members of the Company's management chain of command."

100% of our employees, in Brazil, are represented by unions from their respective professional categories.
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## **PRINCIPLE 4**

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

At Embraer, any type of forced or compulsory labor is absolutely prohibited. The same conduct is required of its commercial partners and suppliers.

Overtime work, when necessary, requires the agreement of the employee and must, of necessity, comply with the laws in force.

Embraer annually audits its partners and suppliers, seeking to ensure that they use no forced or compulsory labor. If any irregularity is detected, the supplier loses their accreditation.

## **PRINCIPLE 5**

### **BUSINESSES SHOULD UPHOLD THE EFFECTIVE ABOLITION OF CHILD LABOR**

Embraer uses no form of child labor, neither does it maintain commercial relationships with or hire the services of organizations that use child labor in their businesses. Furthermore, it creates programs that give incentive to children's education.

The minimum age for hiring people to work for the Company is 18 years. Since Brazilian law gives incentive to hiring minors (14 to 16 years of age) as apprentices, Embraer supports that social initiative and does so through an organization that is duly accredited for this purpose.

## **PRINCIPLE 6**

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

Embraer stimulates diversity as a tool for the growth of the Company and of its people, and it bases its selection, evaluation and career path processes on personal competence and skills. More than that, it prohibits any type of discrimination.

Embraer also shows, in its Code of Ethics and Conduct, that it is against discrimination and in favor of equal opportunity:

Art. 1.1 – Item a) “No form of discrimination is tolerable, whether of religion, philosophical or political beliefs, nationality, family economic situation, origin, gender, color, ethnicity, disability, age, sexual preference, marital status, or other criteria protected by law.”

The rules that guide the relationships between people who work at Embraer include an emphasis on equality, as found in the section copied, here, from its Human Resources Policy:

Item 1. Hiring People – “The hiring and continuance of people in the Company is free of any prejudice linked to color, gender, race, nationality, social class, religion, marital state, and physical characteristics, in line with exceptions found in the laws in force or, naturally, the specific requirements of the jobs.”

The practices of Embraer’s daily existence strictly prove there is no discrimination, such as the use of our facilities by all hierarchical levels of the Company, such as the dining hall, restrooms, and hired collective transportations, among others.

#### **Hiring Persons with Special Needs**

In Brazil, Embraer is one of the few companies that have been able to maintain PSNs as 5% of its workforce, as recommended by law. In its hiring processes, the Company explains its preference for PSNs while, of course, complying with the technical and physical conditions for holding the position.

## **PRINCIPLE 7**

### **BUSINESS ARE ASKED TO SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES**

Embraer holds environmental sustainability as an integral part of its daily practices and processes. It has a global vision and a preventive approach to this issue, focused on continuous improvement of the environmental performance of the business units, via corrective action and adopting preventive practices to overcome existing challenges.

#### **Environmental Management System**

Embraer has an Integrated System for Managing the Environment, Job Safety and Health, and Quality (Sistema Integrado de Gestão de Meio Ambiente, Segurança e Saúde no Trabalho e Qualidade – SIG-MASSQ) to facilitate following up and analyzing the actions in these areas in a global manner, integrating the Company, employees, third parties, and partners. All of the Brazil units have already received ISO 14001 certification.

In 2009, 89% of the objectives and goals established by SIG-MASSQ for Embraer Brazil were achieved. Specific strategies are being established, for 2010, for the aspects that were not achieved.

Of the environmental aspects that were classified as higher risk, 50% were eliminated through action plans laid out in conjunction with the production areas.

#### **Program for Monitoring Industrial and Domestic Effluents**

The treatment plants for the industrial effluents of Embraer's production units receive all of the effluents from paint shops, chemical milling, and surface treatment, dealing with them and neutralizing them to then be put into the public sewer system, while carefully complying with the parameters of federal, state and municipal laws in effect.

Domestic effluents are pretreated, internally, by removing solids. These organic wastes are loaded into metal dumpsters and taken to a licensed industrial landfill.

The effluents are monitored, daily, every two weeks, or monthly, according to the parameter being analyzed.

In 2009, Embraer treated 38,520 m<sup>3</sup> of industrial effluents and 386,036 m<sup>3</sup> domestic effluents. 100% of the established legal parameters were complied with for dumping the treated industrial and domestic effluents into the public sewer system.

Washing aircraft, industrial carts and small and medium equipment is done in specific areas that have drainage gutters and containment basins with level controls and a retention valve, to avoid wasting water. Controls are in place to ensure that rain water is not mixed with these effluents. The operation is monitored by the Embraer Fire Battalion and standard procedures are established for all of the Company's units that have patio activities. All effluents are removed by a special truck and sent to treatment plants.

In 2009, 2,590 patio operations occurred, involving fuel handling. No emergency situation or accident was recorded, showing the effectiveness of the controls and procedures followed by Embraer to ensure the prevention of pollution.

### **Waste Management Program**

All of Embraer's manufacturing units have an area, in compliance with the specific laws of each country, for receiving and storing hazardous wastes, which are stored separately, according to their risk level and degree of danger – in line with their chemical compatibility.

The recipients for holding hazardous wastes are identified and periodically inspected, in order to maintain an adequate state of conservation. The wastes that are not considered to be hazardous, such as paper, cardboard, plastic, rubber, Styrofoam, and foam, are collected, stored separately from the others, and kept for recycling. Wastes from construction projects and building renovation are also given specific treatment.

In 2009, the Embraer units generated more than 13,000 tons of industrial wastes, of which approximately 3,000 tons were classified as hazardous wastes. These were 100% recuperated or recycled.

It should be pointed out that the paper and cardboard wastes sent to be recycled are used to make promotional materials, such as notebooks and note pads, for Embraer's own use.

### **Program for Managing Atmospheric Emissions**

The main stationary sources of Embraer's atmospheric emissions are evaluated quantitatively and qualitatively by a specialized company, according to the established analysis parameters: particle material, volatile organic composites, nitrous oxides, and sulfur oxides.

The mobile sources, that is, industrial vehicles (forklifts and small industrial vehicles) running on fossil fuels, are being substituted by others, running on natural gas. In the case of the tow trucks for aircraft, and the buses carrying employees, a color density analysis is performed of exhaust gases, as required by the applicable laws.

Embraer has 85 stationary sources, with 70 of them monitored throughout 2009, and they showed concentrations of emissions of volatile organic composites below the established international limit (\*). This result is the consequence of work focusing on the development of paints with low solvent emissions, as well as the installation of efficient systems for controlling and catching atmospheric pollutants. (\*) Brazil has no prescribed limit on emissions in its national laws. For that reason Embraer has adopted the most restrictive international emissions limit, specified by the World Bank.

### **Program for Taking Inventory of Greenhouse Gas Emissions (GHG)**

In order to maximize opportunities and to reduce the risks associated with managing greenhouse gases, Embraer has taken inventory of its GHG emissions since 2006.

An audit of the process of taking inventory of the GHG emissions is held annually, according to the guidelines of NBR 14064:2004, by Lloyd's Register Quality Assurance.

Embraer implemented improvements in the aircraft manufacturing process, reducing the number of test flights and tests, thus avoiding fuel burn and favoring reduced emissions.



## **PRINCIPLE 8**

### **BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY**

Sustainability is built into the Embraer culture and, therefore, is considered to be a question of an attitude committed to promoting awareness and environmental education initiatives, with employees, as well as suppliers and the community, in general.

#### **Embraer Values**

One of the six corporate values is "**We build a sustainable future**", which deals with quality of life, the environment, and society. Regarding the environment, environmental awareness and initiatives that reduce damage to the planet are taken into consideration.

#### **Awareness and Education**

##### ***Environmental Workshop***

To exchange experiences and promote internal discussion regarding environmental responsibility, an annual workshop is held with the participation of representatives of all of Embraer's units in Brazil and abroad.

The fourth edition of the meeting permitted an alignment of relevant aspects for directing future actions in the pursuit of the continuous perfection of environmental performance, such as:

- take an inventory of greenhouse gas (GHG) emissions of Embraer's units abroad;
- reinforce the use of corporate programs (Embraer Entrepreneurial Excellence – P3E, and Good Idea) to raise issues regarding the preservation of natural resources;
- establish that all of the units and companies of the group must set at least one challenging goal connected with the environment, as well as corporate objectives and goals;
- reduce the consumption of natural resources by implementing energy efficient projects;
- standardize the socio-environmental projects at the Company's various units.

#### **Supplier Qualifications**

Embraer presents and practices socio-environmental responsibility not only to its employees, but also to its supply chain. In all purchase and sale contracts, it includes compliance with environmental and labor requirements, as well as commitment to the ideals set forth in the universal declaration of human rights.

In its program for qualifying national and international suppliers and service providers, Embraer performs audits to check on the environmental controls adopted to prevent pollution and to comply with the legal and labor requirements of the country where they are installed. In the case of noncompliance, an action plan is prepared, involving a new evaluation at a later date.

In Brazil, 116 suppliers were audited and qualified in 2009, among which 106 showed the need to adapt, via action plans, which was monitored by Embraer's Environmental area.

### **Socio-Environmental Project**

Embraer develops socio-environmental projects in partnership with public schools, thus promoting the presentation of environmental knowledge, the awareness of young students, and a closer relationship with the community.

### **Selective Waste Collection and Recycling**

Selective waste collection and recycling are an integral part of Embraer's daily existence. In each area, there are appropriate recipients, and awareness campaigns involving employees and third parties are held, when necessary. Newspapers, magazines, cardboard, Tetrapak cartons, plastic cups, construction debris, glass in general, sweepings from factory floors, metal waste, and aluminum cans are picked up and recycled.

About 7,500 tons of waste were recycled in 2009.

The ratio of recycling organic wastes, per employee, grew 7% over 2008.

The quantity of foods prepared, but not consumed, and donated to philanthropic institutions was intensified, thus avoiding waste.

### **Recycling Cooking Oil**

In a partnership with the Instituto Eco-Solidário, and its Oil of Solidarity ("Óleo da Solidariedade") project, in 2009, Embraer implemented points (Ecopoints) for collecting used cooking oil, at all of its units in Brazil.

The oil that is collected is donated to the Institute, which then sends the product to recycling companies. The oil is reused for several purposes, such as manufacturing animal feed, biodiesel, paints, and varnishes. The money received is put into social and environmental projects, which generates income for financing assistance programs for society, in general, and the environment.

Since the implementation of Ecopoints, 303 liters of cooking oil have been collected.

### **Private Preserve for Natural Assets (Reserva Particular do Patrimônio Natural – RPPN)**

RPPN is a private conservation organization legally constituted by public authorities in Brazil. Through it, scientific research activities can be implemented or developed, as well as visits for touristic, recreational and educational purposes, including with the support of universities, similar organizations, or public agencies.

In 2009, Embraer began creating its first RPPN, in Botucatu, by acquiring an area of three hectares. The Company will catalog the flora and fauna, via a management plan and will develop an environmental education project.

## Forest Recovery

At the Gavião Peixoto and Botucatu units project for the recovery of vegetation are being carried out.

In Gavião Peixoto, 26 hectares were planted with 43,000 trees, last year. Reforesting the area will permit recomposing the local ecosystem and the return of wildlife to the region – consisting of several species, such as the guará wolf, capuchin monkey, field deer, capybara, toucan, and a variety of birds. This action is part of the project for replanting approximately 594,000 native trees within 10 years, which began in 2001 and is expected to finish in January 2010. In 2009, more than 90% of the total number had been planted.

The project for replanting trees in Botucatu has recovered native trees inside the unit. There were 2,500 tree seedlings planted around the buildings of the parking and production areas.

## Preserving Natural and Acquired Resources

For the purpose of a rational use of natural resources, the Internal Electricity and Water Conservation Committee (Comissão Interna de Conservação de Energia Elétrica e Água) was formed. It is composed by representatives from several Company areas that monitor water and electricity control indicators, and proposes action, collects and spreads ideas, information and technologies, thus contributing to employee awareness and to establishing corporate goals in this area.

Several simple, but efficient, initiatives generated a significant reduction in the consumption of water and electricity in 2009:

- change the hot water heated distribution tables in the restaurants = reduction of 217 MWH/year;
- control leaks in the lines of the compressed air system = savings of 361 MWH/year;
- turn off lights not needed = reduction of 415 MWH/year.

**A total savings of 993 MWH/year in electricity. In 2009, Embraer had an electrical consumption of 21% less than the previous year.**

- change 560 faucets with timers and automatic turn-off, generating a savings of 60% in water consumption in the restrooms.

**A total of 13,700 m<sup>3</sup>/year in water savings. Consumption was 17% less than the previous year.**

## Recovery of Water Sources in Public Urban Areas

Joining forces with several segments of society – schools, neighborhoods, companies, and institutions – Embraer works to preserve the water sources and guarantee the sustainable use of water.

There were 800 tree seedlings planted on an area of 7,000 m<sup>2</sup>, around one of the main water sources of the Ribeirão Vidoca stream, which flows into the Paraíba do Sul River, cutting through the city of São José dos Campos. This action had the participation of the students of Engineer Juarez Wanderley High School, as a means of spreading environmental education. Every month, Embraer invests about R\$ 5,000 (US\$ 2,500) in caring for the seedlings.

## **PRINCIPLE 9**

### **BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES**

One of Embraer's corporate values is the innovation that seeks to transform reality and overcome challenges, and that serves as a basis for strategic guidelines. The development and diffusion of environmentally sustainable technologies come into this context and are given incentive through corporate initiatives and the initiatives of the business units.

#### **Good Idea Program**

The program stimulates employees to give ideas that contribute to innovation, improved processes, and operational efficiency. Environmental preservation is one of the focuses of the Good Idea program.

In 2009, of the 4,500 ideas implemented, 20 had to do with the environment and 460 dealt with job safety and ergonomics.

#### **Reusing Water**

The pursuit of technological alternatives for reusing water in the industrial activities guides Embraer's investments in minimizing the consumption of this natural resource. The Company has a system for reusing water that comes from the treatment of aircraft surfaces in irrigating green areas, in the domestic area (flushing stools in restrooms), and in industrial processes.

40% of the treated water was reused in the cooling towers, which is equivalent to 15,410 m<sup>3</sup> less that was consumed in 2009.

#### **Treating Atmospheric Emissions in Paint Shops**

Embraer has adopted the dry filtration system, which is done by installing cartoned filters with activated charcoal, to treat the atmospheric emissions of the paint shops. It substitutes the water curtain system. These cartoned filters, with activated charcoal particles, favor greater and better retention of volatile organic composites and it does not compromise the ventilation of the air out of the shops, contrary to the filters constituted only of activated charcoal.

Eight new paint shops that use the filtration system were install in the Gavião Peixoto unit. Another five were remodeled to eliminate the water curtain and to install dry filters, thus improving the retention of particulate materials and volatile organic composites. Besides eliminating the consumption of water in the painting process, the new process reduces the emission of particulate materials and volatile organic composites into the atmosphere.

#### **Alternative Fuels**

Considering the environmental impact caused by petroleum extraction and in producing and using the fuel, Embraer has been developing a project for alternative fuels for its aircraft, since 2007.

The studies take the following emissions into consideration: less CO<sub>2</sub> emissions than that of aviation fuel (kerosene), economically viable; not compete with food production (not even with water); not cause deforestation; not contribute to reducing biodiversity. In 2004, the Company manufactured the Ipanema, the first agricultural aircraft to run on ethanol.

241 ethanol-powered agricultural aircraft had been delivered up through 2009. Furthermore, 177 fuel conversion kits were manufactured and installed in aircraft manufactured prior to 2004, changing them from kerosene to ethanol.

## **PRINCIPLE 10**

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

Embraer does not tolerate any members of the Company, whether employees or administrators, being involved in bribery, offering or receiving graft, or attempts to induce favors for the Company, of any nature and/or in any situation.

#### **Code of Ethics and Conduct**

Embraer established its Code of Ethics and Conduct based on its corporate values, which were made into guidelines and policies for avoiding circumstances that could merely appear to be improper for its corporate actions.

Since it was implemented, in 2004, all of the Company's personnel have signed the declaration for complying with the Code of Ethics and Conduct, stating that they received it and committing themselves to make their actions always comply with the established terms and conditions.

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

Art. 1.7 – Item d) - “Company personnel must not hold economic and/or financial interest in a competitor, customer, distributor, or supplier, since that interest could influence or seem to influence, his/her actions performed in the name of Embraer.”

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