

2018
**SUSTAINABILITY
REPORT**



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MESSAGE FROM THE CEO

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In 2018 we were positioned among the 350 largest private companies in Brazil. Our robust overseas presence enabled us to end the year as the 39th biggest exporter in the country and the first in defence systems, consolidating the company as one of the major institutions in Brazil's Defence Industrial Base (BID).

We ended the year fulfilling 100% of our contracts and were elected the largest domestic manufacturer of machinery and equipment by the newspaper *O Estado de S. Paulo*.

We were adept at taking advantage of opportunities with the support and excellence of our team of employees, and a cohesive board of directors killed in managing the business efficiently and sustainably with firm backing from the Brazilian Ministry of Defence and Armed Forces.

Worthy of note were the advances achieved in technologies and innovations that position Brazil among the select group of nations qualified to produce and launch aerospace rockets, constituting a historical achievement for the Brazilian Space Programme (PEB).

Another remarkable achievement was the implantation of the Avibras Technology and Innovation Space (EATI in the Portuguese acronym) in *São José dos Campos* (SP), an embassy of knowledge in an environment conducive to uniting the efforts of the industry, technology centres and academia for the generation of innovative and strategic solutions for Brazil.

In parallel, we advanced greatly in corporate governance and in enhancing the company's management tools.





All the developments are underpinned by the *Avibras por Excelência* (AVPEX) quality programme, which, in just over a year has driven significant results for the company and its employees. All company work promoting continuous improvement is concentrated in this programme, which is perpetual.

No efforts are unconnected. Everything is interrelated, the AVPEX work fronts, the Avibras Culture, internal procedures and the four Avibras priorities, which are: safety and security, quality, on-time delivery and costs.

In 2018, we maintained total focus on safety, an Avibras priority. We undertook a number of measures to disseminate this concept throughout the company, convening leaders to share this learning

with their subordinates, as a means of instilling motivation and engagement in this area.

We also updated the Code of Ethics, which sets forth the company's commitment to doing business with integrity, establishing the standards of ethics and conduct expected of all employees and strategic stakeholders. We created the Customer Care area, the supplier relationship programme, and we are introducing a corporate compliance programme, which will be consolidated during the course of 2019. In parallel, risk monitoring and mitigation plans were maintained.

As a major challenge we have the question of the issue of the bank guarantees necessary for exports, our main source of revenue. In 2019 we expect to receive support and

definitive solutions for this question, given that government backing is essential to the maintenance of defence companies in the country.

This year we will maintain our close focus on the ongoing construction of Avibras' permanent goals, which are valuing people, enhancing financial performance, increasing the value of the company and ensuring its perpetuation.

João Brasil Carvalho Leite
CEO



ABOUT THE REPORT

For the third year running Avibras is publishing its Sustainability Report in accordance with the Global Reporting Initiative (GRI)

For the third year running Avibras is publishing its Sustainability Report, presenting its management practices, achievements, challenges and outlook to stakeholders. [102-52](#)

This report was prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards, and refers to 2018. The previous report was published in October 2018 and there were no reformulations of data or alterations in boundary or scope. [102-50](#) | [102-51](#) | [102-54](#)

The information provided herein refers to all the Avibras Indústria Aeroespacial S.A. units. The organisation's financial statements were submitted to external audit by BDO Brasil. The content was defined based on the Materiality Matrix elaborated at the beginning of 2018 and which was maintained in this reporting cycle. [102-45](#) | [102-48](#) | [102-49](#)

Any comments, suggestions, or doubts regarding this report may be addressed to: sustentabilidade@avibras.com.br. [102-53](#)

MATERIALITY PROCESS [102-46](#) | [103-1](#)

The definition of the content of this report used the same materiality matrix as the previous reporting cycle because there were no significant alterations in Avibras' situation and sector of activity. The process is aligned with GRI guidelines, addressing the most relevant topics for company management and ones that may influence stakeholder evaluations and decisions. As in the previous review process, it took into account internal Avibras documents, such as the company's strategic planning; sector benchmarking and external documents, such as the World Economic Forum's 2017 Global Risks Report; the Brazilian Defence Ministry's National Defence White



Book (LBDN in the Portuguese acronym); the study entitled “Value Chain and the Social and Economic Importance of the Defence and Security Industry in Brazil” published by *Fundação Instituto de Pesquisas Econômicas* (Fipe). These were complemented by an analysis of the media, and GRI and Sustainability Accounting Standards Board (SASB) documents.

Based on this analysis, a list of 20 topics was elaborated. This was divided into three pillars aligned with the company’s values. The list was prioritised based on interviews with priority stakeholder groups and online consultations. This confrontation of the axes of influence and impact enabled the identification of the topics of greatest relevance for Avibras.

The process was validated in two stages: in the first the Sustainability Committee discussed and approved the inclusion of the topic of cybersecurity. The second, in which the CEO was involved, resulted in the validation of 11 topics, which were organized within the pillars in accordance with company priorities.

The content was defined based on the Materiality Matrix elaborated in 2018

MATERIAL TOPICS 102-47



1.

CORPORATE IDENTITY

102-1 | 102-2 | 102-4 | 102-5 | 102-6 | 103-2: Indirect economic impacts | 103-3: Indirect economic impacts



Avibras Aeroespacial S.A. is a company that is recognized globally for the quality and excellence of its products and systems. This privately owned, 100% Brazilian enterprise is accredited by the Ministry of Defence as a Strategic Defence Company. It develops its own innovative technology independently in the Aeronautics, Space, Electronics, Vehicle and Defence segments, sustainably generating value for its customers, shareholders, employees and society.

Located in one of the most important aerospace hubs in Latin America, since 1961 Avibras has helped drive the development of the *Vale do Paraíba* region, by means of the implantation of its facilities in the cities of *São José dos Campos*,

Jacareí and *Lorena*, employing more than 1,800 people directly and generating over 4,000 jobs indirectly. [203-2](#)

Underpinned by a strong and engaged organisational structure, its place in the history of the aerospace industry is guaranteed as one of pioneers in the design and development of aircraft, special vehicles and defence products in Brazil.

Its facilities include a number of laboratories, testing, manufacturing and storage facilities for the conception, design, development, production and testing of new product prototypes and the manufacture, commercialisation and provision of post-sale support for its products.

With a strong presence in the domestic and overseas markets, the company is distinguished by the development and manufacture of its Artillery Saturation Rocket System for Area Saturation (ASTROS), different rocket engines and missiles for ground, air and naval applications; fixed and mobile Command, Control, Communications, Computing, Intelligence, Surveillance, Target Acquisition and Reconnaissance (C4ISTAR) systems, as well as the Falcão Remotely Piloted Aircraft (RPA).

Avibras' armoured vehicle production unit and its missile laboratories are among the most modern in Latin America.

The company's Electronics and Software division develops, integrates and maintains major systems with complex architectures in the areas of Defence and Cybersecurity. The Avibras materials division produces essential inputs for the production of solid fuels for application in Brazilian Space Programme projects, while the vehicle division is the largest armoured vehicle manufacturing facility in the country.

Avibras spins off technology developed for the defence industry by its chemical, transportation, electronics electrophoretic painting (KTL) and quality assurance areas, offering surface treatment systems for metals, steel, galvanized steel and aluminium, mainly for the automotive industry, among others.

The company constantly strives for excellence and continuous improvement in its processes and products, which are compliant with domestic and international standards, including ISO, ASTM, Military Standards, STANAG, SAE, ABNT/NBR, FED-STD and InAvEx 1005. [416-1](#)

Avibras market differentials include its Integrated Logistics Support (ILS) programme, which encompasses training, technical documentation, technical support for clients, the supply of simulators, equipment, replacement parts and special tools. The company offers Brazilian industry its high quality engineering structure and the services of its specialists.

São José dos Campos

The company's first unit, founded in 1961 by a group of engineers from the *Instituto Tecnológico de Aeronáutica* (ITA), including João Verdi Carvalho Leite.

Jacareí

The industrial complex concentrates product engineering; mechanical, electro-electronic, chemical and composite material production for all the company's rockets and missiles; as well as the largest armoured vehicle plant in Brazil. It also produces launch containers and has research laboratories for product development, quality control and validation.

Lorena

The complex is being expanded with the construction of a factory to produce hydroxyl-terminated polybutadiene (HTPB), an essential input in the production of solid fuel, a fundamental capability for the rockets in the new Brazilian Space Programme (PEB).

In addition to the defence market, HTPB has a number of civilian applications, such as insulation, adhesive seals, liquid-proofing, encapsulation, coatings and films, among others.

HTPB production reinforces the industrial chemical vocation of the plant, which already produces ammonium perchlorate (AP), another essential component in the manufacture of solid fuel.

STATE OF
SÃO PAULO

VALE DO
PARAÍBA



We strive for technological innovation, results and success in the development of projects and partnerships

DRIVERS 102-16

ESSENCE

| To pursue the best possible results, ensuring the dedication and engagement of all.

MISSION

| To develop the company's own innovative, independent technology in the fields of Aeronautics, Space, Electronics, Vehicles and Defence, generating sustainable value for customers, shareholders, employees and society.

VISION

| To be a benchmark in Brazil in technological independence, characterized by unique solutions, robustness, technical boldness, competitiveness and responsibility, always guided by the nation's broader interests.

Our priorities



Safety and Security

To rigorously ensure safety inside and outside the workplace and the security of information and assets on the broadest level possible.



Quality

All employees are expected to comply with internal procedures, demonstrating willingness, keenness and awareness.



On-time Delivery

Honouring commitments to customers is essential.



Costs

To boost competitiveness, control cash flow and leverage results.

VALUES AND CULTURE 102-16

Healthy workplace – To ensure that the company is a great place to work where employees can achieve fulfilment.

Sustainability – To obtain a fair profit while serving society, being useful to the Nation and driving economic, social and environmental sustainability.

Safety and security – To rigorously ensure Safety and Security in the Broadest Sense: occupational safety, asset security, information security and safe commuting.

Quality – To pay attention and get things right the first time. Quality depends on the individual! Drive quality in all our activities. Strive for excellence in all our responsibilities.

Respect for people – To value the human capital that identifies with the company culture remaining permanently updated, innovative and productive, constituting a living example of evolution without revolution.

Team spirit – To be capable of working alone and in teams, showing mutual respect, zeal and willingness, without stealing the limelight. To engage in open dialogue.

Innovation – To maintain a permanent state of alert, backed by sources of competitive advantage, to exploit opportunities to use and commercialise the organisation's technology in new market niches, responding rapidly and with quality to client requests.

Resilience – To organize the company for consistent growth, avoiding adventures that might put its survival at risk.

Strategic technology – To diversify markets and stabilise revenues, based on the knowledge and technologies developed.

Guidelines for success – To use Internal Procedures (PI in the Portuguese acronym) in a creative, proactive manner, as a recipe for success in the pursuit of leading edge solutions. To focus on results and collaboration, assuming ownership of the company's goals.

Valuing principles – Commitment to the company's values. Wherever we are, we will always be Avibras professionals.

Focus on results – To act in an integrated and planned way, aimed at optimising time and resources in order to achieve our goals and meet our deadlines with quality.



Harmony with the environment – Commitment to the best environmental practices and to conserving biodiversity in the company's factories. Care for and harmonious interaction with the environment.

Business conduct – Commitment to doing business with integrity, effectively applying the Code of Ethics and Conduct, in addition to observing Management, Internal Procedure (PI in the Portuguese acronym) and Work Instruction (ITR in the Portuguese acronym) Manuals. Continuous improvement in compliance and in anti-corruption preventive systems.

Constant Avibras goals:



Valuing people



Enhancing company performance



Boosting the value of the company



Ensuring the perpetuation of the company



PRODUCT PORTFOLIO

102-2: Client health and safety |

102-3: Client health and safety

Avibras is a major player in the Brazilian defence industrial base (BID) and a key exporter of products and services to the military arsenals of diverse countries in the Middle East, Asia and Africa, differentiated by quality and by excellence in post-sale service.

The company's products and services are not restricted to equipment supply, encompassing technical assistance for the execution of tests, munitions supply operational maintenance and the upgrade of systems and equipment to more recent versions, as well as training for local operators.

The quality of Avibras products and its excellence in post-sale services have strengthened the company' image, opening up business opportunities in new markets, promoting greater

value generation in the form of employment, revenues, taxes and return for shareholders, as well as driving innovation and technological capabilities in the country.

The company's products are characterized by quality and credibility, resulting in the successful penetration of new global markets, where its equipment is widely accepted by countries engaged in restructuring their armed forces.

Avibras' scientific and technological capabilities enable the development and enhancement of new technologies, new products and solutions in the fields of Aeronautics, Space, Electronics and Defence Vehicles, consolidating the company as a leader in defence products on a national and global level.

STRATEGIC PROGRAMMES IN BRAZIL

In the domestic market, Avibras participates in the main programmes undertaken by the Brazilian Ministry of Defence and Armed Forces for the National Defence Policy (PND) and the White Book. One of these is the Brazilian Space Programme (PEB in the Portuguese acronym). In 2018, verticalisation or in-company production of high technology items, one of the company's main strategic thrusts, helped to position Brazil in the select club of ten countries having the capacity to produce fuel propellants – such as ammonium perchlorate and hydroxyl-terminated polybutadiene –, to build turbines and to test engines for long-range missiles.

These developments by the Avibras engineering team are for the production of accessories and engines of the S50 – a 12-tonne rocket engine, the main propeller of the Micro-Satellite Launch Vehicle (VLM-1), in a project executed in partnership with the Brazilian Air Force's (FAB) *Instituto de Aeronáutica e Espaço* (IAE).

In November 2018, the IAE and Avibras successfully carried out the first pressurization, acceptance and propeller engine case rupture tests on the S50, achieving better results than expected, constituting a key moment in the history of the Brazilian Space Programme. The tests were conducted in the Avibras installations and showed that the design is optimised and fulfils performance and safety requirements, thus ensuring Brazil's technological autonomy in the aerospace industry.

Another highlight is the Strategic2020 ASTROS Programme, a benchmark in performance and operational reliability, adopted in Brazil by the Army and the Navy, as well as by diverse other countries. The programme, which has Avibras as its focal point, is one of the drivers of the transformation of the Brazilian army, with a scope that includes research and development projects, acquisitions, vehicle modernisation and the construction of physical structures. In 2018, the new products presented by Avibras included the AV-SS 40 G rocket and the AV-TCM tactical cruise missile with a range of 300 kilometres.

In partnership with the Brazilian Air Force, the company contributes to the FX-2 programme with the 5th generation air combat missile A-Darter, which should equip the air force's new Gripen fighter planes.

In 2018, Avibras initiated the qualification phase of the Anti-Ship Surface Missile (MANSUP), developed in partnership with the Navy and other companies in the defence industrial base. The company is responsible for supplying the rocket motor, for developing the safety and arming unit (SAU), the wings, the fins, and the lashings for various parts of the missile, as well as for assembling and testing the prototypes.

TRIPLE HELIX 201-4

A key characteristic of product and technology development at Avibras is the Triple Helix, based on relations between universities, companies and government, aimed at driving the production of new knowledge, technological innovation and economic development.

Using this model, Avibras developed the tactical cruise missile, from product conception to the engineering plans, test flights, prototypes and the definition of aggregate inputs, with advanced ASTROS System technology.

The work also includes the new MK6 ASTROS vehicles and the modernisation of MK3 vehicles to MK6 specifications, as well as the supply of integrated simulators which represent the state-of-the-art in training and simulation.

Avibras also works jointly with the Army Technology Centre (CTEx), the Navy Research Institute (IPqM) and the Aeronautics Aerospace Science and Technology Department (DCTA) on the development of diverse products and services for national defence.

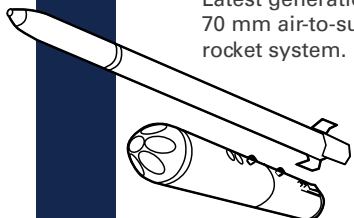
**ASTROS: a high added value
product commercialized
in the domestic and
international markets**

DEFENCE SYSTEMS

MISSILES AND ROCKETS

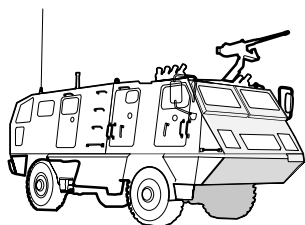
SKYFIRE Air-to-Ground

Latest generation
70 mm air-to-surface
rocket system.



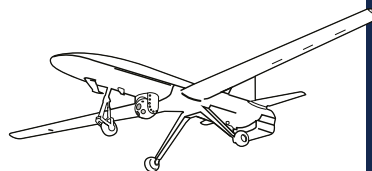
AV-VBL

Light, armoured multi-purpose
4-wheel drive vehicles.



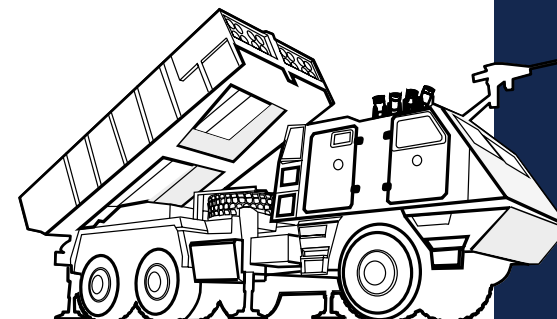
Falcão RPA

Remotely Piloted Aircraft.



ASTROS

(Artillery Saturation
Rocket System for
Area Saturation)
– Highly mobile
multiple rocket
launcher capable of
firing different calibre
rockets and missiles
with a range from 9 to
300 kilometres.



MAIN AVIBRAS PRODUCT HIGHLIGHTS

Beginning in 2012 and scheduled to end in 2023, the Strategic2020 ASTROS Programme involves research and development projects and the acquisition and modernisation of missile launch vehicles. In the illustration, the MK-6, equipped with a digitalised command and control system, as well as technologies such as GPS, encrypted radios, computers and digital navigation. Avibras, a company in the Brazilian Defence Industrial Base, is the main integrator for the Brazilian Army programme.



ARMY

The Tactical Cruise Missile (AV-TCM) which employs 100% Brazilian technology, from conception, through engineering plans, prototypes to manufacture, is part of the Brazilian Army's Strategic 2020 ASTROS Programme.



AEROSPACE

Avibras manufactures the motors and fuels for the Micro-Satellite Launch Vehicle (VLM-1) S-50 rockets, developed at the IAE, linked with the Aerospace Science and Technology Department (DCTA).



NAVY

In the Anti-Ship Surface Missile programme, Avibras is responsible for the propulsion system (engine) and for the final assembly of the missile prototypes. The MANSUP will equip future Brazilian Navy vessels.

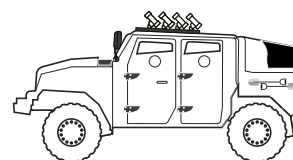


AERONAUTICS

Avibras is part of the Brazil-South Africa binational programme for the development of the fifth generation A-Darter air combat missile, which will equip the Brazilian Air Force's new Gripen fighter aircraft.

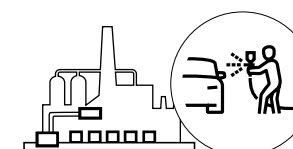
VEHICLE DIVISION

The company develops and produces innovative, efficient, special armoured or non-armoured vehicle solutions for civilian, military or public security applications.



CIVILIAN MARKET

Avibras offers a surface treatment system for steel, galvanized steel and aluminium, primarily serving the automotive industry.



*We contribute
to the country's
development
and sovereignty
through
mastery of space
technology*

MAIN FINANCIAL INDICATORS

103-2: Economic performance | 103 -3: Economic performance

SECTOR OVERVIEW

On the international scene, the Defence segment is strategic for Brazil's sovereignty and political independence. It is also one of the most dynamic segments, involving ongoing research, development and innovation on an industrial scale.

The current increase in nationalist movements leads nations to pursue greater independence and sovereignty, in addition to driving the formation of regional blocks. These isolated countries or regional blocks are seeking to reinforce their defence systems in order to ensure the stability of their borders and to act as a factor of dissuasion.

The change in the posture of the United States and the strengthening of countries such as China, Russia and India cause neighbouring countries to strive to step up their technological independence and seek alternative non-aligned suppliers not dependent on traditional suppliers.

Civilian and military dependence on space exploration continues to grow. Access to images, signals,

means of communication and global positioning systems, among others, will increase, as will the processing of information based on data collected and transmitted by satellites. The development and sovereignty of nations will depend on mastery of space technology.

An adverse effect of the expansion in the number of users and the increased capacity of communication and information systems is the increase in the number of cybernetic attacks executed by individuals and organizations, either ideological in nature or not. This results in the need to increase the protection of these communications and information systems.

The exploitation of common global domains – oceans, air space, outer space and cybernetic space – will probably be restricted to a limited number of countries. Those countries that do not have the capabilities will be unable to access and use the associated resources, and will need to resort to the purchase of services.



Regions of conflict in Africa, Asia and the Middle East continue to present political instability and its consequent conflicts, resulting in arms races in an attempt to guarantee the means for maintaining peace.

Countries that are incapable of developing technologies that increment their power of dissuasion in function of the high costs and knowledge involved will seek to form alliances in order to develop such capacity, given that armed forces will continue to depend on advanced technology.

Both emerging and developing countries are modernizing their forces, developing or enhancing their capabilities in terms of space (satellites and anti-satellite arms), air defence (radars, aircraft, air-to-air and air-to-surface missiles, anti-aircraft defence), surface-to-surface missiles (ballistic and cruise missiles), vehicles, stealth artefacts and/or remotely controlled equipment (air, land and sea), as well as submarines and rapid surface vessels. Additionally, they are modifying their computer networks, making them more secure and equipping them to execute cybernetic attacks. All of this is aimed at projecting power and ensuring defence against such projection by others.

ON A NATIONAL LEVEL

Brazil's physical geography, continental in size, with a long terrestrial frontier bordering on almost all the countries in South America and an extensive coastline and jurisdictional waters – increases the country's geostrategic complexity, making the task of planning its defence an intricate one.

The funds invested in national defence have remained aligned with the overall growth trends of the Brazilian economy and, consequently, the government budget in the period, with no significant changes in proportion.

By means of national programmes and strategic partnerships, the Brazilian government has encouraged the resumption of investments in the country's defence industry.

The expectation with these initiatives is to consolidate the excellent capabilities developed in the sector, promote the country's technological progress and reduce the Armed Forces' dependence on overseas suppliers.

In recent years the Brazilian defence sector has been undergoing an intense consolidation process which has generated positive expectations in relation to new projects in the industry.

In addition to being fundamental for guaranteeing the country's sovereignty, the defence industrial base plays an important role in the economy, given the large number of skilled jobs and the technological innovations that it generates. Significantly, many of these innovations also have non-military applications.

Currently, Brazil's defence industrial base is undergoing intense renovation, making the country increasingly competitive on the international market. The equipment and products manufactured by the Brazilian defence industry present growing technological capabilities and are present in the most diverse areas, ranging from foods, such as field rations, to armaments, munitions, armoured vehicles, parachutes, radars and large aircraft, for example.

Three technology sectors are considered to be strategic for national defence: nuclear, cybernetics and space.

These strategic sectors involve a high degree of complexity, requiring an advanced level of coordination and the integration of diverse actors and areas of knowledge.

To counter potential cybernetic attacks the entities involved in the country's national defence seek to constantly enhance

command, control, monitoring and intelligence capabilities.

Given its background and current stage of development in space activities, Brazil is still dependent on contracting foreign services. With the probable acceleration of investments and government initiatives, there is likely to be a reduction in this dependence on overseas services, which are subject to interruption by suppliers in accordance with their specific interests.

Operating performance 201-1	2018	2017*	2016
Net operating revenue (R\$ thousands)	627,939	1,672,000	1,391,000
Net revenue per employee (R\$ thousands)	334	902	766
Net margin (%)	5	15	18
EBITDA (R\$ thousands)	19,870	460,934	424,819
EBITDA margin (%)	3	28	31
Economic value retained (R\$ thousands)	365,173	946,863	698,966
Economic value distributed (R\$ thousands)	312,517	763,173	742,426

* The principle accounting practices adopted by the company were altered in 2018 with the adoption of IFRS 9/CPC 48 – Financial Instruments, IFRS 15/CPC 47 – Revenue from Contracts with Clients and IFRIC 22/ICPC 21 – Transactions in Foreign Currency, compared with those disclosed in the financial statements on December 31, 2017.

Below we indicate the changes in norms adopted from the financial year beginning on January 1, 2018.

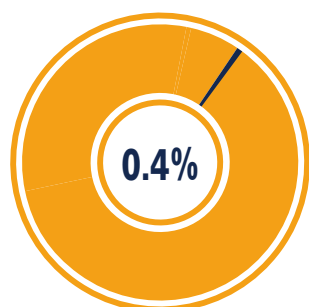
a. IFRS 9/CPC 48 – Financial Instruments

b. IFRS 15/CPC 47 – Revenue from contracts with clients

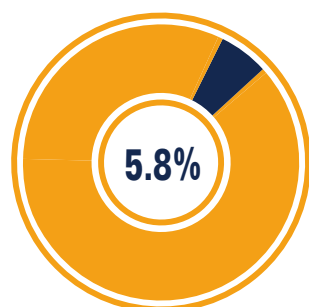
c. IFRIC 22/ICPC 21 – Transactions in foreign currency

To improve the presentation and the comparability of the 2018 and 2017 balance sheets and income statements, we adjusted the balance of the provision for business intermediation expenses in 2017.

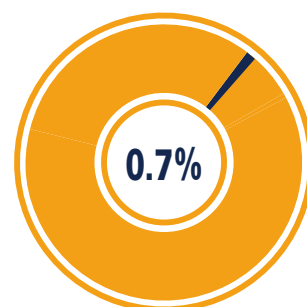
NET REVENUE BY PRODUCT LINE (%) 201-1



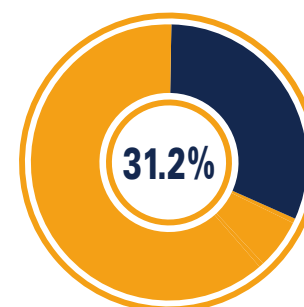
KTL PAINTING



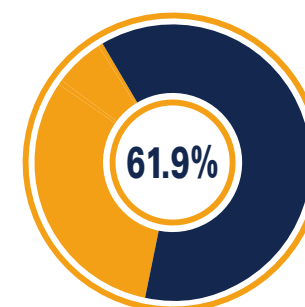
SERVICES



ENGINES



MUNITIONS

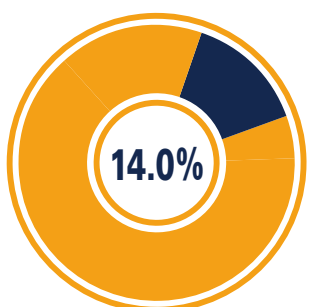


VEHICLES

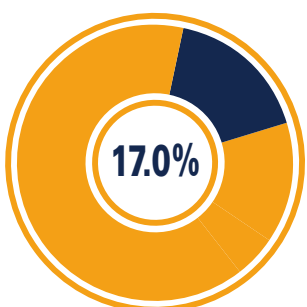
DISTRIBUTION OF ADDED VALUE (%) 201-1



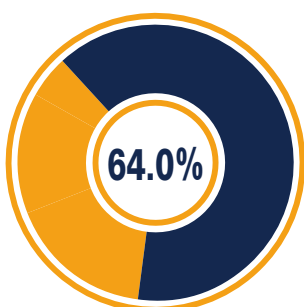
**REMUNERATION
OF OWN EQUITY**



**REMUNERATION
OF THIRD-PARTY
CAPITAL**



**REMUNERATION
OF GOVERNMENT
(TAXES, CHARGES
AND CONTRIBUTIONS)**



**REMUNERATION
OF LABOUR**

Our people are the lifeblood of the company. Their efforts, energy and zeal ensure that Avibras generates and shares value on a continuous basis



One of the 100 largest exporters in Brazil, Avibras ended fiscal 2018 with around 80% of its revenues coming from export operations, which totalled R\$524.3 million. The company's products and services are offered to all the global markets, particularly worthy of note being the Middle East and Asia and, more recently, regions such as Southern Asia, Latin America and Africa, markets where prospecting is focused on the Business to Government (B2G) market. In the domestic market, the sales force concentrates its sales efforts on the Armed Forces, the security, original equipment manufacturer (OEM) and integrator sectors, as well as the civilian market, where the company's products enjoy strong penetration in the automotive sector. [102-6](#)

The exportation process

Defence product exports are regulated by Brazil's National Military Material Exportation Policy (PNEMEM) dated 1974. Exports are subjected to a rigorous analysis in which the purchaser is required to present an End-User Certificate.

Under the policy, before speaking to the client, a company wishing to sell defence products to governments or private security organisations must send a preliminary request for negotiation to the Brazilian diplomatic corps, *Itamaraty*, in Brasília.

This body forwards the request to other areas within the Ministry of Foreign Relations for analysis of the situation of the country and region involved.

The recommendation is sent in an official message to the Director of the Department of Defence Products, a position occupied by a division general in the Ministry of Defence. This entity has the final word on the transaction.

In the event of divergences between the ministries, the President of the Republic may be involved in the process.

Challenge and Opportunity

On December 27, 2018, the Chamber of Overseas Commerce (CAMEX), instituted CAMEX Resolution No. 107, which created the *Time Brasil Defesa* or Brazil Defence Team – to arrange finance and provide export guarantees for Brazilian defence products. Its attributions include the formulation of a specific commercial policy for the sector.

In each operation involving finance and the concession of guarantees for the export of defence products the technical group is responsible for coordinating and articulating the activities of the bodies involved in ensuring official support for credit.

The Brazil Defence Team will monitor and assess the opportunity and the convenience of granting official support for the credit. It will also propose parameters for negotiation and will compile and take into account factors related to foreign policy, defence and security.

The Brazil Defence Team comprises:

- I – Executive-Secretary of the Chamber of Overseas Commerce, as Chair
- II – Ministry of Defence, which will exercise the role of Executive-Secretary of the group
- III – Ministry of Finance
- IV – Secretary of the National Treasury, under the Ministry of Finance
- V – Ministry of Industry, Overseas Trade and Services
- VI – Ministry of Foreign Relations
- VII – *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES)
- VIII – *Agência Brasileira Gestora de Fundos Garantidores e Garantias* (ABGF)

Avibras is one of the companies accredited as a strategic defence company by the Ministry of Defence, enabling it to obtain incentives such as inclusion in the Special Tax Regime for the Defence Industry (RETID), tax exemptions, including PIS/PASEP, Cofins and Industrialized Product Tax (IPI), as well as access to lines of financing from the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES) and the *Financiadora de Estudos e Projetos* (FINEP). Additionally, the company is allowed to participate in exclusive tenders, ensuring greater security in the development of new products.

ACHIEVEMENTS IN 2018

MANAGEMENT

- | The *Avibras por Excelência* (AVPEX) Programme
- | Avibras Culture
- | 100% fulfilment of contracts in 2018
- | Formulation of competitive intelligence
- | Evolution in management and mitigation of risk maps
- | Updating of Code of Ethics

PEOPLE

- | Leadership Development Programme
- | Knowledge management
- | Mentoring for job and salary plans
- | Post-career transition planning

EQUIPMENT AND INNOVATION

- | Avibras Technology and Innovation Space (EATI in the Portuguese acronym)
- | Construction of the engine that will equip the VLM
- | Construction of a wind tunnel for turbine tests
- | Development of a tactical missile (for the ASTROS System)
- | Training of the engineering areas in computing simulation
- | Refinement of the chain of qualified suppliers

INVESTMENTS IN THE INDUSTRIAL AREA

- | Start up of the construction of the HTPB plant in the *Lorena* unit
- | Revitalization of the ammonium perchlorate plant in *Lorena*

OPERATIONAL SAFETY

- | Modernization of the propellant mixing cells sector
- | Centralization of management of regulatory norms

Goals for 2019

CONTRACT COMMITMENTS

- | Fulfil 100% of contract commitments observing the four Avibras priorities.

FINANCIAL RESULTS

- | Ensure EBITDA margins that generate a sustainable income for the company.

BACKLOG

- | Maintain the backlog constant.

AVPEX

- | Develop business excellence by means of the AVPEX management model.

PEOPLE AND CULTURE

- | Disseminate the Avibras culture by putting the four priorities into practice.

INNOVATION AND TECHNOLOGY

- | Ensure technological and innovation capabilities to provide support for new product and business development.

COMPLIANCE, RISK AND GOVERNANCE

- | Implant a corporate compliance policy and ensure constant monitoring and compliance with policies and guidelines.
- | Maintain control over corporate risk monitoring and mitigation plans.

CYBERSECURITY

- | Security mapping with the review of processes, procedures, policies, risk treatment and tools, aimed at improving controls and monitoring.

2.

STRATEGY AND MANAGEMENT (AVPEX)



Launched in 2017 and enhanced in 2018, the *Avibras por Excelência* (AVPEX) programme is the Avibras management model, which encompasses a set of dimensions and work philosophies that position leaders, employees, innovation, the value chain, culture and clients at the centre of the company's actions.

The company culture embraces a focus on the innovation process to generate products and services that fulfil clients' needs and expectations. AVPEX permeates this process with an approach aimed at driving continuous improvement, management of change and the elimination of waste. Leaders from all the company areas are

engaged in this process. This is reinforced by the adoption of the *Kaizen* Programme, concentrating efforts on optimising processes and opportunities for continuous improvement, with a focus on the four priorities: safety and security, quality, on-time delivery and costs.

The constant pursuit of excellence and the continuous improvement of processes and products are fundamental Avibras characteristics



AVPEX governance

With its Strategic Planning, Avibras seeks to guarantee its future based on the establishment of five strategic macro-projects: business; innovation and technology; people and culture; management and business excellence; income and financial health.

Avibras por Excelência is incorporated into the fourth strategic macro-project and is designed to drive the evolution of the management model, using internationally recognised comparative references, such as Brazil's *Fundação Nacional da Qualidade* (FNQ) and the American Productivity & Quality Center (APQC).

AVPEX seeks to promote:

- I **People** who learn, are motivated and committed.
- I Effective and efficient **processes**.
- I **Innovation** through simple, differentiated solutions.
- I Ethical and inspired **leaders**.
- I **Guaranteed** client satisfaction.

KAIZEN

Kaizen or "change for better" is the Lean philosophy that permeates all the AVPEX dimensions and is applied to all the processes in the company's value chain. In 2018, 14 structural *Kaizen* projects were executed in diverse business processes, driving positive results in the reduction of cycles, costs and business risks and improvements in quality.

MATRIX MANAGEMENT

Matrix management is a project coordination structure that was introduced in Avibras in 2018 as a means of guaranteeing the

efficient and effective execution of development and manufacturing projects. This process helps to ensure that work is executed in line with the company's targets and managed in accordance with the organisation's established practices. Any development or manufacturing project requires the organised involvement of a number of organisational disciplines and areas such as commercial, procurement, product engineering, manufacturing engineering, quality, production, client support, finance, among others. This organised involvement is enabled by matrix management.

*Avibras
priorities:
safety and
security, quality,
on-time delivery
and costs*

AVIBRAS CULTURE

One of Avibras' major competitive differentials is its culture. In 2018, the company sought to reinforce this legacy built up over 57 years by means of the Avibras Culture Programme. Led and put into practice by the company's president and CEO, the programme is one of the dimensions of AVPEX and is aimed at ensuring that employees and suppliers appreciate the importance of the company's four priorities, which are: safety and security, quality, on-time delivery and costs.

Every company activity must be executed taking these aspects into account. After five years of studies involving 12 different company

areas, Avibras initiated the dynamics of the programme in 2018 with a focus on safety and security. By means of training sessions, courses, workshops and talks, 100% of the company's employees, ranging from the operational levels to senior management and technicians working overseas, were provided with access to information and procedures related to information security, occupational safety, workplace safety, asset security and business security, work which will be reinforced in 2020.

In 2019 the following priorities will be underscored, in this order: quality, on-time delivery and costs.



BUSINESS AND COMPETITIVE INTELLIGENCE

- Mapping of the Artillery Saturation Rocket System for Area Saturation (ASTROS) in the multiple rocket launch system market and identification of potential clients to expand the operator base.
- Establishment of the main lines of business that will sustain the 2018–2030 strategic plan.



INNOVATION AND TECHNOLOGY

- Mapping of new technologies and innovations to drive increased competitiveness for current products and development of the new products set forth in Strategic Planning.



INCOME AND FINANCIAL HEALTH

- Enhanced cash flow management to maintain significant results that will enable investments to support the company's perpetuation strategy.



BUSINESS EXCELLENCE

- Reinforcement of the culture of excellence to ensure the priorities of safety and security, quality, on-time delivery and costs.



ORGANIZATION AND MANAGEMENT MECHANISMS

- Enhancement of matrix management.



BUSINESS CULTURE

- Revitalisation and enhancement of the Avibras Culture.



LEADERSHIP AND PEOPLE

- Evolution of the Avibras leadership model.

3.

BUSINESS AND COMPETITIVE INTELLIGENCE



The Competitive Intelligence area, previously integrated into Strategic Planning, was reorganised in 2018 to advise and support the company's senior management in strategic areas, with a long-term focus on competitive environments. The application of competitive intelligence has already enabled important enhancements in the product portfolio and its evolution over the short, medium and long terms, as well as the identification of potential clients and the information necessary to cultivate relations with them.

To implement any improvement project, Avibras uses as a starting point the mitigation of the business risks associated with each project. Based on this premise, various business risks are discussed and mitigated by means of *Kaizen* or improvement projects, in a manner that drives

synergies and integrates the different organisational elements. Similarly, competitive intelligence is used to provide information on comparative and competitive references that need to be taken into account in the process improvement cycles.

Competitive intelligence assesses political, economic and technological scenarios that are seen as important drivers of change for the business and evaluates them from a competitive standpoint, determining how the company can compete with the most modern technology and most efficient processes in its segment of activity, consolidating business, manufacturing, product and service strategies underpinned by the excellence of company competencies, which are strong innovation capacity, and the generation of new technologies based on leading edge engineering.



AVIBRAS



Strategic Planning

The Strategic Planning process was optimised in 2018, in pursuit of simplification and greater integration with the company's other business processes.

At Avibras, Strategic Planning is oriented to strategic long-term macro-projects on the following organisational fronts: business, innovation and technology, people and culture, business management and excellence, income and financial health.

Once the long-term strategic macro-projects have been established, it is necessary to determine the short-term goals and targets, which constitute the action plans for Avibras leaders.

For 2019, we have 45 action plans that will be monitored on a regular basis.

4.



TECHNOLOGICAL INNOVATION TO PERPETUATE THE COMPANY

EVOLUTION IN THE INTEGRATED PRODUCT DEVELOPMENT (DIP) MACRO-PROCESS

Integrated Product Development (DIP) – a work philosophy adopted by Avibras in 2017, evolved significantly in 2018, with the conclusion of the DIP manual and training in use of this manual for all company leaders.

The decentralization of decision making through the nomination of product engineering technical managers to work together with project managers helped to streamline activities, speeding up development and driving team integration. Significantly, excellent results were achieved rapidly, with the conclusion of

project phases having challenging deadlines and the successful execution of important stages, such as the rapid authorisation of passage from one phase of projects to the next, successful tests and the launch of diverse products under development.

Conceptual studies for new products with high commercial potential were elaborated in 2018, in line with the company's strategic planning, based on market studies and client needs. These studies were initiated employing the DIP format, which should boost efficiency in execution, control and integration when development is approved. This pipeline of new products drives the ongoing evolution of the portfolio, boosting competitiveness and the perpetuation of the company.

EVOLUTION OF THE PRE-COMPETITIVE RESEARCH AND DEVELOPMENT PROGRAMME (PDPC)

The Avibras Pre-Competitive Research and Development Programme (PDPC) was introduced in 2017, with work on its structure beginning in 2018.

The Avibras Technology and Innovation Space (EATI in the Portuguese acronym), an essential component of the programme, was inaugurated in December 2018. Government authorities, representatives of universities, the armed forces, research institutes, development bodies and businesses participated in the event, which featured a talk on the secrets of innovation given by lecturers from the *Fundação Getúlio Vargas* (FGV).

As the Avibras embassy for partnerships in the research and development area, the objective of EATI is to establish relationships with science and technology institutes, teaching institutions and companies that have interests in common with Avibras in the development of technologies in Brazil, in addition to establishing a bridge between companies, academia and research institutions.

In 2018, the first technological cooperation agreements were signed with important science and technology institutes and teaching institutions. Also, the first industrial/academic doctorate grants in technology areas of interest to Avibras were approved with the *Instituto Tecnológico de Aeronáutica* (ITA) during the year.

This is only the beginning of activities for EATI which, in total alignment with the company's PDPC projects, will contribute to the incorporation of critical, differentiated technologies and competencies into the company.

The objective of the EATI Space is to form partnerships for research and development



5.



CORPORATE GOVERNANCE

103-2: Public policies | 103-3: Public policies

Avibras adopts processes, policies, norms, regulations and guidelines that constitute the Avibras culture. All the businesses are expected to observe the principles of impartiality and transparency, ethics, competitiveness, free from conflicts of interest, taking into account the present and future needs of society in the economic, environmental and social dimensions.

In 2018, the company consolidated the creation of the Competitive Intelligence area, leadership development programmes and Dedicated HR. Additionally, it extended the communication process with stakeholders, including employees and their families, shareholders, clients, local communities (in particular

in São José dos Campos, Jacareí and Lorena), business associations, the federal government, banks and development institutions, technical partners, universities and academia, suppliers, technology parks, industrial development and innovation agencies and industry associations.

The basis for the selection of these stakeholders is the map of target stakeholder groups prepared by the Sustainability Committee, which is also scheduling a cleaner production programme for the company in 2019. This will involve equipping the company with metrics and processes for economizing water and energy and reducing waste, in alignment with the *Avibras por Excelência* (AVPEX) Programme, another major achievement in 2018. [102-40](#) | [102-42](#)

Externally, Avibras is a member of industry associations in Brazil and overseas, including the Brazilian defence and security industry association, ABIMDE, the national association of defence materials manufacturers, SIMDE, the Brazilian aerospace industries association, AIAB, and the Association of the United States Army (AUSA). In addition to participating actively in these industry associations, the company is seeking to boost its participation in associations and bodies that represent industry as a whole. In 2018, Avibras' participation in the São Paulo State Federation of Industries (FIESP) and the São Paulo State Centre of Industries (CIESP) was also intensified, and included effective participation in sector committees. With a focus on technological development and innovation, the company also initiated its effective participation in the Brazilian Society for Knowledge Management (SBGC). [102-12](#) | [102-13](#)

MANAGEMENT MECHANISMS

[103-2: Anti-corruption](#) | [103-3: Anti-corruption](#)

The company's corporate governance structure has been establishing management models to enhance the internal controls overseen by the Audit and Risk Committee and the Internal Audit area, as well as the Avibras management model. The *Avibras por Excelência* (AVPEX) programme oversees the dimensions of leadership, people, innovation, value chain, culture and client which permeate the company's continuous improvement process.

In 2018, the Code of Ethics was updated, reinforcing the ethical standards and behaviour expected of all employees at work and in external relations, regardless of hierarchical level. The document formalizes the company's commitment to conduct business with integrity and to observe the policies, procedures and practices that ensure a corruption-free business environment. With a new editorial line and layout, the document includes a message from the CEO, a specific topic on the use of electronic information systems and the need for prior approval for external work on behalf of Avibras. The code is



available in three languages (Portuguese, English and Arabic).

In 2018, 100% of the company's employees received a copy of the Code of Ethics and signed the term of agreement with the new code. [102-16](#) | [205-2](#)

The development of the company's compliance model was initiated. This integrates a broad set of disciplines and processes to ensure compliance with legal and regulatory requirements, the policies and guidelines established for the business and for Avibras' activities. It also addresses the identification and handling of any deviations or non-conformities that may arise.

Avibras also maintains a process designed to assess and mitigate risks. This is essential to maintain awareness of company values and

identify potential risks and vulnerabilities. Furthermore, it boosts knowledge of the entire value chain and extends the concern with integrity and transparency to partners, suppliers and other stakeholders. Avibras operates in strict compliance with labour laws and the guidelines of institutions that promote the principle of respect for human rights.

Since its foundation, Avibras has applied a set of standards and procedures in the workplace that constitute an indispensable base for the operation. This comprises the set of processes, customs, policies, norms, regulations and guidelines that constitute the Avibras Culture



STRUCTURE 102-18

The Avibras governance structure comprises a three-member Advisory Board, the Audit and Risk Committee, the Ethics Committee and the Sustainability Committee. The Advisory Board and the committees are linked with Avibras' CEO.

The role of the Audit and Risk Committee is to monitor and assess the internal control environment, the execution of internal and independent audits, track corporate risks and oversee the elaboration of the company's financial statements.

It is the duty of the Ethics committee to analyse all reports of corruption, bribery, fraud, illegal or anti-ethical conduct, damage

to the environment, questionable accounting practices or records, the misuse of company assets, all types of harassment and discrimination (gender, racial, social, religious etc). The Ethics Channel is managed by a third-party, ensuring full anonymity and confidentiality. Any stakeholder may make a report and monitor how it is being processed by means of a case number.

Complementing the governance structure, the Sustainability Committee has the mission of ensuring the materiality of the information and content in the Avibras sustainability report in line with the Global Reporting Initiative (GRI) guidelines. The report addresses topics that are relevant

for company management and may influence stakeholder assessments and decisions.

Avibras also has an independent Internal Audit structure, reporting to the CEO, which supports the definition, elaboration and evolution of governance instruments.

STATUTORY BOARD

João Brasil Carvalho Leite – CEO
Leandro Villar – Executive Vice President
Cynthia Benedetto – Executive Vice President

BOARD OF DIRECTORS

Almir Miguel Borges* – Chief Operating Officer (COO)
Carlos Alberto Macedo Cidade – Corporate Affairs Director
Fábio Nakagawa – Industrial Director
Fernando Ranieri – Engineering Director
Marcelo Ramon Ferroni – Project Management Director

ADVISORY BOARD

João Brasil Carvalho Leite – President
Jean Jacques Moacy Rochebois
Campello – Member
Pedro Angelo Vial – Member
Marcelo Sayon Sáfadi – Member

* In April 2019, Almir Miguel Borges assumed the position of Executive Vice President.

COMMITTEES

Audit and Risk Committee

This body identifies, evaluates and analyses risks related to the company's businesses, monitoring measures to mitigate these risks. It comprises internal and external consultants and is audited independently to ensure impartiality in the evaluation of processes.

Ethics Committee

The committee is responsible for ensuring the legitimacy, enhancement, and compliance with the Code of Conduct and the set of processes, customs, policies, norms, regulations and guidelines that make up the Avibras Culture.

Sustainability Committee

The Sustainability Committee establishes tools to track company performance in the environmental, social and economic dimensions and to ensure compliance with international guidelines. It comprises employees from all company areas.

Operational Committees – internal, reporting to the Board

I Procurement Committee

This body is responsible for establishing the real need for items included in the company budget.

I Budget Committee

This committee validates the budget planning, executing the measures necessary to ensure it is carried out.

6.

RISK MANAGEMENT



Risk management at Avibras is aligned with the standard ISO 31000:2009, Risk Management Principles and Guidelines. It is a strategic process for the company and is linked with strategic planning, supporting the pursuit of the organisation's goals and targets.

The model aims to involve all the agents in the organisational structure, standardise concepts and practices, establish an efficient and dynamic information flow and increase transparency for stakeholders.

Risk management is directly linked with senior management, ensuring effective and dynamic corporate governance for the formulation of strategy and decision making at Avibras.

In the course of 2017 and 2018, 73 risks were identified and addressed in the company. Of these, 80% were mitigated, while the remainder are being monitored closely, due to the heavy investments involved.

The risk management process is ongoing and is constantly evolving. In 2019, the process gave Avibras executives greater visibility and awareness of the strategic, financial, regulatory, operational and information security risks the company faces.

Intelligent risk mitigation is an ongoing evolutionary process, which encompasses the internal dissemination of corporate risks, the incorporation of best market practices and the enhancement of risk management processes.

Risk management ensures effective and dynamic corporate governance for the formulation of the company's strategy and decision making

The role of internal audit

103-2: Anti-corruption

The Internal Audit area is responsible for managing corporate risks and for the Avibras Ethics Channel. Corporate risks related to information security or the provision of support for investigations are handled by the Information Security area, which works in partnership with Internal Audit. In the event of a breach of the code of ethics, the audit area convenes the Ethics Committee to rule on the violation and also involves the Information Security area, should this prove necessary.

In addition to the identification of risks by those responsible for processes or by internal audit, the analyses conducted by the security information area may also detect security risks.

CYBERSECURITY

Information security is a strategic discipline for Avibras. The company recognizes and makes investments designed to ensure that cybernetic threats do not jeopardise its performance.

Information security measures are defined by means of a risk mapping process agreed on



the with office of the CEO and implemented jointly with the Information Technology area. The measures are monitored periodically. Annual planning includes measures oriented to people, processes and tools, a fundamental investment to protect the value information has for the company.

Like other organisations, Avibras is subject to a significant volume of threats, which are countered by means of strong perimeter protection, segregated data networks, USB port blocks, restrictions to the use of image recording equipment,

staff training, the updating of technologies, among other resources. The challenge is always to achieve a balance to ensure that the protection measures do not jeopardise business performance.

Measures to drive awareness of the importance of information security are part of a permanent process in the company's culture. In 2018, Avibras organised awareness actions and training, involving talks, courses and the dissemination of best practices via diverse communication channels, in addition to interactive group dynamics. The objective is to prepare staff to identify threats,

adopt preventive measures and report suspicious actions.

Due to the contracts the company has with the Armed Forces, Avibras is subject to specific legislation. In 2018, the company received security clearance for handling classified information from the Federal Executive Sphere.

Confident about its culture, attentive to the external conjuncture, and aligned with technological trends, Avibras continues to promote the preservation of knowledge to ensure the perpetuation of its business.

7.



SUPPLIER MANAGEMENT

102-9 | 102-10

During 2018, a quality assurance approach was adopted, ensuring that quality requirements are monitored from the sourcing of a raw material or service from a supplier right through to the delivery of end products to clients. To make this happen, the supplier management and qualification process was reinforced with specialists from the engineering, procurement and quality areas, as a means of checking and monitoring quality, quantities and deadlines in industrial processes. Regarding installed technical capacity, Avibras made significant investments in its test laboratories

for the approval, certification and development of products, boosting its capabilities in terms of volume and quantity, as well as improving equipment quality. [416-1](#)

The Avibras Quality Management System has the following certifications:

AS9100:D-2016

ISO 9001:2015

AQAP-2110

InAvEx 1005

THE SUPPLY CHAIN PROFILE

Avibras has some 500 Brazilian and international suppliers. Approximately, 90% are Brazilian companies located in the state of *São Paulo*, mainly in the *Vale do Paraíba* and Greater *São Paulo* regions. The international suppliers are concentrated in North America, Europe and Asia. The company's supply chain consists principally of items such as stamped, forged, wrought and machined parts, plastic injected components, boilers, cabling and wiring materials, chemicals and electronic components, as well as services. 102-9



The PDCA Cycle – plan, do, check and act 416-1

Avibras suppliers are developed in accordance with the PDCA management cycle. After a supplier has been identified, there is a qualification process involving the evaluation of the firm's installed technical capacity, process and quality indicators, as well as checking its good standing in the market.

The process includes the analysis of documents and inspections of the suppliers' premises. This is followed by an audit process involving interaction between the company's engineering, quality and procurement areas and the supplier.

Once past this stage, the provider must supply a test production part, which is evaluated to see if it is compliant with company specifications and requirements. Once a supplier has been approved, Avibras focuses on monitoring and controlling the company's deliverables to ensure compliance with quality requirements, production volumes and delivery times.

QUALIFICATION PROCESS 102-10

Avibras adopts a supplier qualification process involving the technical evaluation of providers. This is known as the Supplier Conference. It involves the presentation of the challenges the company will face over the coming years and the presentation of the overall results of suppliers' performance. It also comprises a channel for dialogue by means of which suppliers may communicate their needs, suggestions, criticisms and praise. This process is aimed at forging closer relations between Avibras and suppliers, improving communication and, by extension, driving enhanced results.

The process follows a model developed by Avibras based on global standards, enabling the adjustment and understanding of all the necessary information and requirements including:

- | Systematization of the identification and development of suppliers.
- | Continuous improvement in product quality and post-sale support.
- | Permanent technological evolution.

| Total reliability in quality performance and the control of noxious substances with constant monitoring, ensuring that Avibras receives quality assured inputs.

| Continuous improvement in productivity and the elimination of waste throughout the value chain, driving ongoing reductions in costs.

| Promotion of the use of materials, processes and products whose environmental impact is compliant with the laws in force.

| Social responsibility.



Targets for 2019

One of the company's challenges is to maintain all the dimensions of quality as a priority. This encompasses product and service performance, reliability, conformance, durability, customer service, as well as technical and aesthetic characteristics, being designed to guarantee the perception of quality by Avibras clients.

Quality is a theme which the company will work on in the first six months of 2019. The work fronts to be developed are clients, continuous improvement and processes, personnel development, partnerships with suppliers and elevating the level of the quality management system.



PERFORMANCE MANAGEMENT [102-9](#) | [102-10](#)

A major enhancement implanted by the company in 2018 was the creation of the supplier performance management process. In this process, a group of suppliers receives performance indicators on a monthly basis. If they are unable to meet the stipulated targets, suppliers may contact a dedicated Avibras team.

Suppliers who do not achieve their targets are requested to formulate an action plan which is monitored by the Avibras' supply chain, quality and engineering teams. The objective is to address the root cause of any such failure and to improve results.

The actions are based on three factors: suppliers conference, performance indicator management and action plan management. They involve the application of quality, quantity and punctuality metrics, with the objective of establishing supply, evaluation and qualification contracts with the company's suppliers.

The goals established for 2019 include the implantation of a supplier risk management process, improvements to the supplier performance management process, increasing the number of companies participating in this process, as well as the implantation of a Supplier Portal to improve management and communication between the parties.

The company provides orientation for its supplier base by means of the Supplier Manual, the Avibras Code of Conduct, the supplier qualification audits, and management of the action plans applied to each supplier. Terms of commitment are included in all purchase orders and supply contracts. [205-2](#)

Avibras does not do business with partners, agents and contractors who do not adopt a zero tolerance approach to corruption. All company contracts contain anti-corruption clauses.

8.

PEOPLE MANAGEMENT



Pride in belonging: employees and family members on Family Day

VALUING HUMAN CAPITAL

FAMILY DAY

Giving family members an opportunity to see where they work is a cause of pride among Avibras employees. Avibras opened its gates to some 3,400 people on Family Day, an integration event held on December 1. The visitors embarked on a journey of technology and innovation with an excursion around the vehicle factory and the surrounding areas. The initiative also comprised several exhibitions, including vehicles, models of products and environmental exhibits. Worthy of note was the exhibition Our History, consisting of panels portraying the successes achieved by the company and its founder, the engineer João Verdi Carvalho Leite. There were games and toys to entertain the children, as well as circus artists, who interacted with the crowds throughout the event.

TRIBUTE FOR LENGTH OF SERVICE

Created by Verdi, Avibras' founder, and reactivated by the current CEO, João Brasil, in 2018 the Tribute for Length of Service recognized the dedication and contributions made by employees over the years. The initiative paid tribute to employees who had completed ten, twenty, thirty or forty years of service to the company up to December 31, 2017.

The company reviewed its recruitment and selection process, adopting structured processes to attract the best talents in the market.

One of the key measures is the organisation of the positions available in the company in accordance with market rules. The initiative is intended to standardise employee development throughout their career in the company, adding value for management policies and driving the retention of talent.



Valuing Our People: tribute to employees for length of service

Between 2019 and 2020, the objective is to provide a map of all the positions in the company, together with the information that will enable employees to visualise their possibilities and plan their career. This structure is aligned with personnel management policy.

At the centre of the process is the Career in Y, enabling employees to choose between following a career in management or becoming a specialist in a determined area. Within this model, employees will have at their disposal a mentoring process enabling more experienced specialists to progress in their career in parallel with their management counterparts, and benefit from the same prerogatives. As a result, specialists will no longer need to leave technical areas and move into management or administration in order to advance in their career.

The logic behind this mentoring is to permit technical specialists to remain

in the technical area while retaining the prospect of professional growth, the purpose being to boost the retention of highly qualified technical personnel and allow them to maintain equivalence with management and administrative personnel.

Another important Avibras initiative is the attention paid to employees who are about to transition to retirement.

Entitled Life Plan, Avibras developed a model aimed at providing support for employees in planning for this new stage in their life. The programme addresses preparations for this transition, such as helping future retirees to formulate plans for the future, preparing leaders to provide orientation and support for them, as well as ensuring that the knowledge they have accumulated during their career remains in the company. The programme will be implemented during the course of 2019.

Knowledge management

Perpetuating knowledge, making records of lessons learned and ensuring this legacy is reused. It was based on these premises that the Avibras engineering team initiated a pilot project – to be extended to the entire organisation – that brings employees together periodically to exchange knowledge with a view to resolving problems. The target is to guarantee knowledge management at Avibras, ensuring accrued knowledge may be reused and that people who are going to develop a new product do not make the same mistakes as others have made

in the past. The experience launched in 2018 has already permitted the emergence of new ideas and new solutions. It is based on two fronts: lessons learned and communities of practice.

One result of the initiative has been the assembly and dissemination of documents and videos produced by more experienced employees in specific areas and disciplines. These will help young talents to solve problems, while consolidating knowledge in the company and strengthening the Avibras Culture.

DEDICATED HR

Dedicated HR works in conjunction with each company business' strategic planning and action plans and is aimed at providing support for managers by fulfilling their strategic people-related demands.

Employing transparent communication with all employees, the programme promotes challenges with a view to boosting engagement in the company's current and future plans. On an annual basis, the Human Resources

area elaborates its action plan in line with company strategy.

In 2018, Dedicated HR contributed to the implementation of new processes that will be disseminated in the Human Resources area in 2019. During the year, the area will face the challenge of strengthening its role, assuming an active and strategic posture to ensure understanding and drive business development on the personnel management front.

Our work force is highly trained and prepared for new challenges

Induction Programme

In pursuit of best market practices, Avibras enhanced its Induction Programme with a view to reducing the time it takes for new employees to adapt, establishing a relationship based on trust with the company and driving connection with its culture. The programme offers new team members a complete engagement experience.

The programme, which is called Avibras Journey: The Path to Your Success Starts Here is aligned with the People dimension of the *Avibras por Excelência* Programme (AVPEX), which is focused on elevating Avibras to a level of world class excellence.

With a focus on learning, motivation and commitment, the new induction programme also underscores the company's four priorities: safety and security, quality, on-time delivery and costs.

Knowledge Journey

On the day of the induction, new employees receive a fully personalised welcome kit, with the programme's visual identity.

The kit comprises an intelligent notebook with sheets for taking notes, a welcome message from the CEO João Brasil, the history of the company complete with timeline, as well as other useful information on the benefits offered by the company.

The programming consists of a series of talks, the contents of which were reviewed to make the presentations more dynamic. A number of new subjects were also included: a welcome video from the CEO João Brasil, and content on AVPEX and Information Security.

At the end of the day, the participants are taken on a tour of the vehicle factory and are addressed by the vice president Almir Borges, who welcomes them and outlines the main aspects of the Avibras Culture, stressing the objective of driving positive results both for the individual and for the company.

To provide support for managers receiving new employees, there is a guide to ensure the continuity of the induction process over the first 30 days.

PROFILE

The Avibras team comprises 1,880 direct employees, of whom 85% are men and 15%, women. This labour force is complemented by 759 third-parties (84% men). There were 320 new hires and 291 terminations during the year.

Employee turnover remained stable and has been very low in the Technology area, due to the fact that the company has been successful in recruiting outstanding professionals from other companies in the aerospace sector.

With the exception of interns, 100% of the employees are covered by collective bargaining agreements. Third-parties are covered by the collective agreements of their respective unions. All employees are

represented by the Metalworkers' Union, and agreements cover the entire work force. [102-41](#)

Talent retention has been a key focus for Avibras, which in 2018 boosted the generation of direct and indirect jobs in the regions in which it operates, driving economic and social benefits for the *Vale do Paraíba* region, as shown in the table below: [102-7](#)

Description	Numbers
Number of employees on 01/01/18	1,851
(-) Reduction in work force in 2018	(291)
+ Increase in work force in 2018	320
= Number of employees on 31/12/18	1,880

ENGAGEMENT AND TRAINING

[103-2: Training and education](#) | [103-3: Training and education](#)

To engage qualified professionals in the company's needs, Avibras seeks the best talent on the market, combining technical competencies with adherence to its values.

The company provides incentives for the development of all its employees by means of policies and strategies aligned with its business objectives. At Avibras, employees on master's or doctoral programmes at recognised

institutions are permitted to attend courses during working hours.

The company also supports the continuity of employees' formal academic education by means of a postgraduate studies programme aimed at developing employees with a focus on their function in the company and/or future projects aligned with company needs.

LEADERSHIP DEVELOPMENT PROGRAMME [404-1](#) | [404-2](#)

In 2018, 115 leaders received a total of 2,032 hours of training. They also participated in the Leader Laboratory in which they had the opportunity to put the concepts and techniques studied in the programme into practice.

In continuity of the leadership development programme, Avibras formed a partnership with the *Fundação Dom Cabral* (FDC), to implant a new programme. This consists of the five following

modules: culture, people, processes, projects and finance. The programme is open to all company managers and supervisors.

The expected result is that leaders will be able to discuss their roles and responsibilities and build a vision based on people management as a means of driving the transition in behaviour necessary to promote employee engagement and leveraging overall business performance.

Training [404-1](#)

In 2018, the organisation had 66,108.70 hours of training, with 5,947 employee participations throughout the company. A total of 479 groups took programmes covering functional requirements and mandatory courses during the year. In the second half of the year, the Training Needs Diagnostic programme was implanted with the objective

of mapping the competency gaps in the organisation for 2019. Each management area identified priority measures to be developed in 2019. The Leadership Development Programme, conducted in partnership with the *Fundação Dom Cabral* (FDC) was maintained, with the objective of fostering key competencies for the business.



YOUNG TALENT AND THE DISABLED

Avibras invests in the Industry Learning Programme for Apprentices organised by the *Serviço Nacional da Indústria* (Senai), offering young people aged from 14 to 24 the opportunity to develop a career. The company provides programme participants with the same benefits granted to employees, in addition to social support. There were 54 young people on the programme in 2018. The company promotes social inclusion for the disabled and is compliant with the legal requirements and the development programmes mandated for these individuals.

INTERN PROGRAMME

To complement their education and foster relationship skills, the company invests in the development and integration of its interns into the corporate environment. The goal of the programme is to shape professionals who will be fully attuned with the company's values and objectives.

REMUNERATION AND BENEFITS

[103-2: Market presence](#) | [103-3: Market presence](#) | [103-2: Employment](#) | [103-3: Employment](#)

The new jobs and salaries policy offer differentiated benefits designed to attract and retain talent. These include life insurance, health plan, insurance coverage for incapacity/invalidity, extended maternity leave, dental plan, special medical treatment for employees' children and a nursery allowance for the children of employees aged up to six years (covering women, men who have custody of their children and widowers). [401-2](#)

Avibras also provides employees with a supplementary pension plan in partnership with Brasilprev. The company makes a contribution equivalent to 100% of the participant's contribution, limited to 5% of the basic salary. Employees may contribute up to 12% of their salary.



AVIBRAS CREDIT COOPERATIVE

In 2018, the cooperative provided services for 1,607 members, corresponding to 86% of the Avibras work force. A total of 5,067 loans were made during the year. The cooperative also distributed 1,400 school material kits, benefiting members and dependents aged from 4 to 21 years. This benefit is extensive to members engaged in secondary and higher education, including postgraduate studies. To foster the concepts of financial literacy, the cooperative distributed piggy banks to members' children, with the objective of encouraging them and their parents to save. The initiative also encompasses the distribution of material providing tips on financial education.

OCCUPATIONAL SAFETY

103-2: Occupational health and safety |
103-3: Occupational health and safety

The Occupational Safety area undertook measures aligned with the strategies and priorities of the Avibras Culture Programme, which in 2018 was focused on safety.

One of the initiatives was the launch of the Work Safety in Focus campaign, which engaged company leaders, including the CEO and key managers. They gave talks exalting safety as the primary company value, underscoring its importance in all the routine actions executed by both employees and leaders.

The safety area, comprising Occupational Safety Engineers,

Occupational Safety Technicians and members of the Fire Brigade, supported the development of studies and improvement measures for the different work posts in the company. New rules and processes were introduced and were also extended to suppliers. Moreover, the area was actively engaged in all the planning, construction work and licensing requirements for the new factory in Lorena (SP). In Avibras' strategic planning, the area was responsible for all matters related to occupational health and safety and workers' quality of life. This includes the modernisation of all the company's facilities and the organisation of the collection and correct disposal of waste.

PRECAUTIONARY PRINCIPLE

102-11

The Avibras Culture establishes safety as the primary priority, adopting as a model the precautionary principle in initiatives associated with occupational health and safety and the environment. The Safety, Health and Environment (SHE) team is always involved in decisions concerning company installations (construction, demolition), processes, equipment, raw materials and waste, either through meetings with multidisciplinary teams, audits and inspections, or requests for technical support from the most diverse company areas. In these situations, considerations include not only compliance with legal and regulatory requirements, but also the identification of opportunities to make the company safer and more sustainable.

The most critical areas from an occupational health and safety standpoint are the active areas, where raw materials and classified products, such as explosives, are handled and stored. These areas are insulated against risks and incorporate passive protection into the construction of the buildings, which are located strategically and comprise non-inflammable components and materials. 403-3

All operations involving the handling and movement of explosive raw materials or products are subject to specific safety procedures. Employees receive training on safe work procedures in active areas every two years. All these employees are subject to examinations on a six-monthly basis. Additionally employees aged over 35 years are tested for liver function, as well as glucose and

blood pressure levels. In the event that any alterations are detected, they are placed in specific healthcare programmes in which they receive guidance and accompaniment.

The company conducts risk analyses for new projects. It adopts collective and personal protection, as well as administrative measures to promote safety in all the activities developed.

Avibras organises courses and examinations for activities requiring respiratory protection, work at height and work in confined spaces.

The Occupational Health area organises healthcare programmes for employees engaged in specific activities and for those aged over 40 years who require monitoring of excess weight, altered blood pressure or who present alterations detected in specific physical and complementary examinations (laboratory tests, X-rays, electroencephalograms, pulmonary function tests, prostate). These employees receive orientation, examinations and other healthcare measures when necessary.

The service also provides assistance in cases of chemical dependence, family conflicts, relationship problems, financial difficulties, and bereavement. In addition to personal attendance, the social service provides employees with a corporate cellular phone number and a specific extension number for emergencies.

In 2018, employees participated actively in health programmes, including healthy diets, and activities to promote family life and leisure. Believing in the importance of access to information, the Avibras Occupational Health area underscored the importance of diverse initiatives by organising itinerant talks on men's and women's health. Other measures included an anti-influenza vaccination campaign, the provision of advice and an exhibition on the importance of diet in preventing and combating cancer. As part of the You in Action Programme, scheduled for 2019, projects are under preparation based on matters such as weight control, prevention and control of hypertension and prevention and control of diabetes.

Targets and goals for 2019

Among the targets established for the continuous improvement process in Occupational Safety at Avibras are:



The launch of the You in Action! programme. The individual's mindset is the key to excellence, which will underscore the importance of preventive behaviour in healthcare, safety and the environment, at both individual and group level, and the individual's contribution to the well-being of the people in the company and to the sustainability of its business.



Restructuring of the third-party management process.



The organisation of talks and training for leaders and employees.



Development of a comparative reference for the formulation of targets and actions for 2020

SOCIAL SERVICE AND QUALITY OF LIFE

Focused on the well being and quality of life of employees, the Avibras social service provides support for employees on sick leave. This includes financial advice, hospital and outpatient treatment, as well as support in resolving problems related to health plans.

9.



CLIENT RELATIONS

103-2: Client health and safety | 103-3: Client health and safety

Creation of the Client Care area with a team of specialists dedicated to providing support for customers

There were two highlights in the client area in 2018. One was the realignment of strategic planning which, in addition to a long-term vision of up to 15 years, gained a set of metrics and measures focused on the short-term, with an horizon of 12 months. The benefit of this initiative is the establishment of a series of goals to be achieved by diverse company areas, with a special focus on client relations. The methodology applied in the initiative enables employees to know what the company's goals are and the results it expects for the period. The results are measured using indicators that enable senior management to assess and improve efficiency regarding the client experience in diverse company areas and divisions.

The evident benefits will be improved corporate governance and the pursuit of results to generate the value the company desires in the short and long term, ensuring transparency and clarity around the actions required of the different company areas.

Another important step was the creation of the Customer Care area with a team of specialists dedicated to providing support for clients. The company's calling card, the Customer Care area is aimed at translating the clients' real needs inside the company, assessing all the implications of these needs, measuring the costs involved, designing customized solutions, obtaining internal consensus and presenting the possible solutions to the client.

Integrated Logistics Support (ILS) is another tool the company uses to leverage customer relations, provide support and commercialise post-sale services. This encompasses solutions for replacement parts, training, technical documentation, and other services.

10.

COMMUNITY RELATIONS

103-2: Local communities | 103 -3: Local communities



Avibras was the star of the Saturday Air Fair – community integration

With the objective of supporting local development, the company forged even closer relations with the communities of *São José dos Campos*, *Jacareí* and *Lorena*, with local governments and with business associations such as the regional *São Paulo* Centres of Industry (CIESPs) and the *São Paulo* State Federation of Industries (FIESP).

In 2018, an initiative worthy of note was the company's support for the programme to map the production chain conducted by the local government of *Jacareí* (SP), the purpose of which was to identify the city's entrepreneurial profile and vocation. The work led to the organisation of a seminar on entrepreneurship in the city, of which Avibras was a sponsor. This was attended by over 3,000 people, representing small, medium and large companies. The initiative also enabled the exchange of experiences with organisations involved in preparing and training labour, such as the regional branches of Senai and Fatec.

One of the high points of this interaction was the exchange of knowledge between Avibras and the micro, small and medium-sized companies, aimed at enabling them to offer products and services to the company.

Business relations in the community will tend to be strengthened even further in 2019 in view of the closer relationship between Avibras and the local Economic Development, Environmental and Innovation departments, as a result of the high level of interest shown by the local business community in activities associated with the Avibras Technology and Innovation Space (EATI) inaugurated in *São José dos Campos* (SP).

The Avibras Sustainability Committee is projecting a series of proactive expansion actions in partnership with these local stakeholders aimed at promoting the sustainable development of the local community.

ACHIEVEMENTS – PROJECTS AND ACTIONS IN SOCIETY 413-1

Charity Gymkhana – The company supported this event organised by TV *Vanguarda*, which engages students in raising food for charities, with the donation of one tonne of rice for the *Santa Edwiges* municipal school, located in *Lorena* (SP).

Independence Day – The prototype of the *Guará* 4WS patrol vehicle was one of the attractions at the *Jacareí* civic parade, held on *Avenida Nove de Julho*, in the city centre. Around 10,000 people attended the Independence Day Parade on

September 7, the theme of which was *Jacareí*, a City of Readers.

Artillery Day – Avibras participated in *DemonstrArt 2018*, organized by the *Agulhas Negras* Military Academy (AMAN), in *Resende* (Rio de Janeiro), with a demonstration of the Artillery Saturation Rocket System for Area Saturation (ASTROS), considered to be leading ground force fire support system in the country.

Tree Day – To commemorate the day and reinforce the company's environmental preservation measures, 15 employees with more than 35 years of service to the company planted seedlings of 16 species of fruit trees at the *Jacareí* plant. In addition to the environmental focus, the action was a means of recognizing the dedication and engagement of these employees over so many years, underscoring the indispensable role played by employees in Avibras' growth.

Industry Games – Organised by the *Sesi* Industry Social Service in *São José dos Campos*, Avibras employees participated in the 2018 event, coming second overall. This was the fourth consecutive year in which the company took part in the games.



Employees plant fruit tree seedlings at Installation 2



Guará patrol vehicle in the September 7 parade in *Jacareí* (SP)

Abandon a Book, Adopt Reading

– Avibras supports this permanent project coordinated by two employees. It provides a space for culture and leisure, as well as encouraging employees to read. In place in the *Jacareí* and *Lorena* units, the Abandon a Book, Adopt Reading programme makes donated books and magazines available for loan in special areas at each unit, called Cultural Points.

At the *Lorena* unit, the space operates in the former bank agency at the plant. In *Jacareí*, the reading material is to be found at three cultural points – the restaurant, the vehicle plant and the tool shop –, where books and magazines may be left (abandoned) or picked up (adopted).

In addition to the cultural points in the Avibras plants, the project is in place in four states – *São Paulo*, *Minas Gerais*, *Bahia* and *Mato Grosso* –, involving a total of 35 partners.

Learning in Industry

– In partnership with Senai, Avibras invests in the Learning in Industry programme, an initiative that offers young people aged from 14 and 24 years the opportunity to enter the labour market. During their internship, the students apply the knowledge acquired in the classroom at work and receive an allowance equivalent to one minimum salary.

Sports Sponsorship

– The 2018 Great Wall of China Marathon had a Brazilian athlete among its more than 2,500 participants, the Avibras employee Julio César de Oliveira, who works at Installation 3 in *Lorena*. Held in the province of Tianjin – one of the largest and most important in China – the marathon includes a stretch of over 8.5 kilometres through villages and farms, and climbing 3,700 steps on the Great Wall of China, one of the seven wonders of the ancient world. Julio César de Oliveira, who has taken part in street races in Brazil for more than 11 years, came in first place in his age group and sixth place overall, adding yet another international medal to his collection. Another athlete and company employee, Ademair



Support for sport: the employee and athlete Julio Oliveira, who came first in his category in the Great Wall of China Marathon

Dias de Oliveira, from Installation 2 in *Jacareí*, also took part in a major challenge: the 226-kilometre *Extremosul Ultra Marathon*, in *Rio Grande do Sul*. The race involved crossing the stretch of sands between the bars of *Chui* and *Rio Grande* within the stipulated time limit of 54 hours. The two athletes and employees received financial support from the Avibras Sports Association (ADC).

Integrated Emergency Network

– Avibras is one of the 45 private companies that participate in the Integrated Emergency Network (Rinem) that serves the *Vale do Paraíba* region and the north coast of *São Paulo*. The network comprises private companies, hospitals and various government agencies in an effort dedicated to saving lives. The goal is to develop and implement integrated projects, programmes and activities aimed at preventing,

controlling and combating any kind of emergency that might put human lives, the environment and public or private assets in the region at risk.

Grupo de Assistência à Criança com Câncer (GACC)

– Avibras sponsored the third Goodwill Dinner, an initiative organised by the GACC, an organisation that has been providing medical treatment for children and adolescents who have cancer for over 20 years.

2018 Winter Clothing

– The company donated blankets and clothing collected by employees in the *Nossa Gente Aquecendo Vidas* campaign to the *Fundo Social de Solidariedade* charities in *São José dos Campos*, *Jacareí* and *Lorena*.

SUPPORT FOR ACADEMIA/EDUCATION/TECHNOLOGY/INNOVATION

Saturday Air Fair – Organised by the Army Aviation Command (CAVEx) in Taubaté (São Paulo), the 2018 edition enabled the public to have a close look at aircraft, motorcycles, vintage cars and military material, as well as to see exhibitions by dogs of war (military working dogs) and a jump by army paratroopers, among other attractions. Also on display was the 70 mm Air-to-Surface and Surface-to-Surface SKYFIRE rocket system, a product in the extensive high added value product portfolio developed by Avibras. The admission charged for the event was one kilogramme of non-perishable food, which was donated to charitable institutions in cities in the region.

Symposium on Operational Applications in Defence Areas (SIGE), at the Instituto Tecnológico de Aeronáutica (ITA) – Avibras was one of the companies that sponsored this initiative which integrates teaching and research in operational applications at the *Instituto Tecnológico de Aeronáutica* (ITA), worthy of note being the postgraduate programme in Operational Applications (PPGAO), the extension course on Analysis of Electromagnetic Environments (CEAAE), the ITA Command, Control and Cybernetic Defence Laboratory (LAB-C2-DC) and the ITA Electronic War Laboratory (LAB-GE).

8th Symposium on Remote Sensing Defence Applications – SERFA

2018 – In 2018, the remote sensing subdivision of the Institute of Advanced Studies (IEAv in the Portuguese acronym), focused on discussions about the Strategic Space Systems Programme (PESE), related to new space technologies and applications for micro, nano and pico satellites. Aligned with Brazilian defence strategy (END) and the guidelines and strategic conceptions set forth by the Aeronautics Command (COMAer), the event was supported by Avibras.

2018 SAE Brazil Formula Drone – Avibras provided support for the SAE BRASIL Formula Drone Competition, a new educational initiative organised by SAE BRASIL, focused on secondary level technical education students and teachers.

First Brazilian Aerospace Congress (I CAB)

– The company supported and participated in the first Brazilian Aerospace Congress (I CAB), a meeting organised by the UniAmérica – University Centre in Foz do Iguaçu (PR). The focus was on unifying Aeronautics and Space research in the academic, political and industrial fields. With the participation of 13 university centres from Brazil and abroad, the congress sought to expand dialogue between the main actors on the Brazilian aerospace scene and to provide professionals in the area with a space to exhibit and debate innovative work and proposals.



Support for the local community

First Jacareí Economic Development Forum – In partnership with more than 50 representatives of the business community, organised civil society, leaders of diverse economic segments and universities, company representatives provided support for discussions on economic prospects and their importance for an economically active city. The forum comprised talks, workshops, presentations and activities aimed at promoting local entrepreneurship. A Guar4 4WS Light Armoured Wheeled Vehicle was showcased for visitors to the event.

Mapping of the Jacareí industrial production chains

– Together with 60 other companies in the municipality, Avibras supported this initiative organised by the local Economic Development Department and coordinated by the regional branch of CIESP. Focused on small, medium and large companies, the goal was to map the structure of the city's production chain and diagnose the industrial potential and the possibilities for fostering new businesses in the municipality. This mapping exercise enabled in-depth knowledge of the local production chain in order to create indicators for the Economic Development plan which will guide public authority measures to drive improvements in the city's economy.

11.

ENVIRONMENT

103-2: Water; Energy; Waste; Biodiversity |
103-3: Water; Energy; Waste; Biodiversity

The Environmental Management System (EMS) supports action plans and the prevention and control of impacts



In 2018, the company's environmental practices and procedures were adjusted in line with the basic principles of the Environmental Management System, which supports the consistent planning of actions and the prevention and control of environment impacts, risk management, the continuous improvement of the company's environmental performance, as well as sustainable productivity by means of the plan, do, check and act cycle.

With the absolute commitment and support of Avibras' senior management and leaders the company is dedicated to ensuring compliance with all municipal, state and federal regulations applicable to its facilities, in addition to applying practices set forth in the ISO 14001:2015 standard. The company has an Environmental Engineering area

which acts as a consultant to other company areas, providing guidance on environmental requirements, as well as auditing the diverse aspects of company processes with a view to reducing and, when possible, eliminating impacts and promoting improvements in these processes.

These initiatives include environmental inspections, guidance on the technical requirements for environmental licensing, the monitoring of new legislation and its application, as well as assessing the major impacts in each area of the company in order to adopt measures to reduce them.

Among the measures to drive employee engagement, the company organises communication and promotes events on biodiversity and environment-related questions on commemorative dates such as: Atlantic Rainforest Day, Environment Week, World Water Day, among others.

REDUCTION IN ENERGY CONSUMPTION
Electrical energy consumption (GJ) – SJC + Jacareí + Lorena

2016	47,310
2017	40,368
2018	36,200

Since 2016, the *Jacareí* unit has reduced energy consumption by 23% through the modernisation and replacement of equipment

WATER

Avibras withdraws surface and ground water for consumption at its facilities, because it is not supplied by public utilities. The company generates diverse types of industrial and sanitary effluent, which is treated using physical, chemical and biological processes – the latter in the case of domestic effluent. Since 2017, the company has had a water recirculation system in place in one of the buildings of the *Jacareí* plant, as well as a rainwater harvesting system to supply the restrooms at the vehicle plant. Other projects are in place or are being studied to recirculate water in production processes. In 2018 water consumption increased by 1.68%, due to the intensification of tests for new projects.

The water recirculation projects are being implanted in the building housing the rocket leaching process in *Jacareí*, and studies are underway to adopt the same system in the electrophoretic painting (KTL) area.

ENERGY

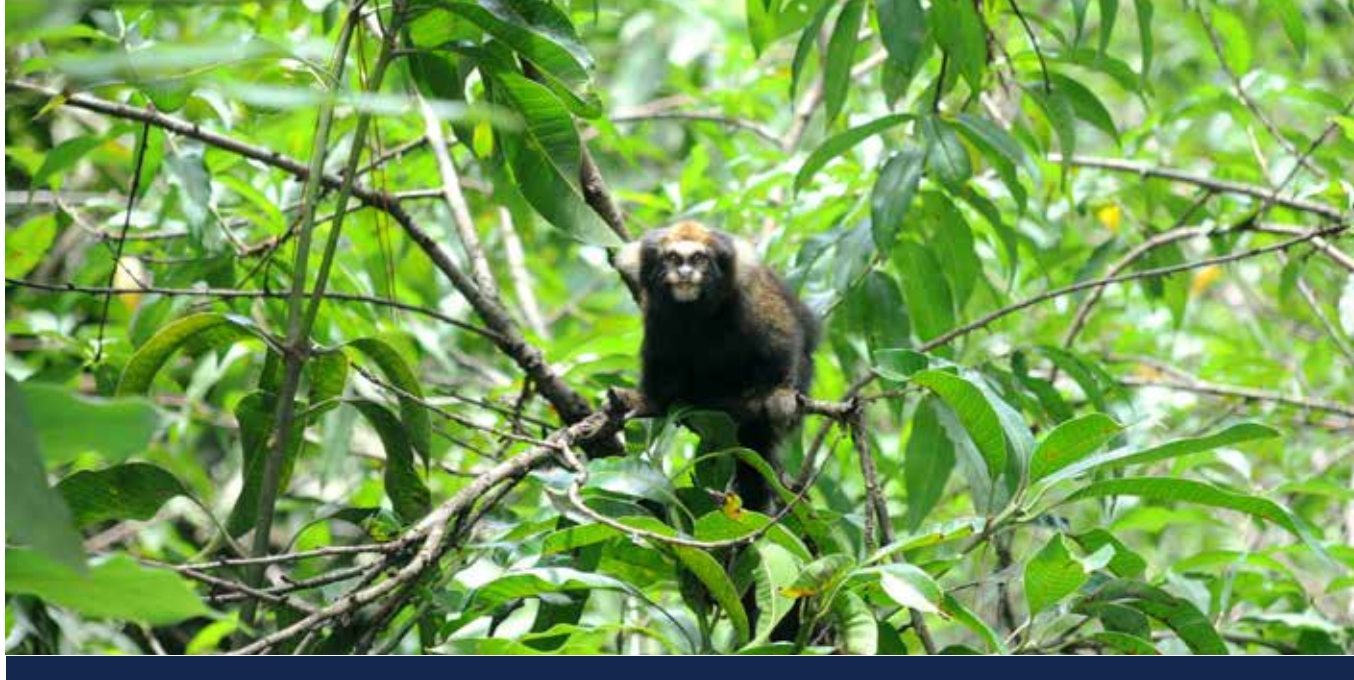
In accordance with legislation, modernisation and equipment replacement measures were undertaken at the *Jacareí* manufacturing unit, driving a 1,631 GJ reduction in consumption (avoiding 33 tonnes of CO₂e atmospheric emissions). Similarly, fluorescent lamps are gradually being replaced by LED models. This measure also helps to reduce the disposal of fluorescent lamps which are harmful to the environment. Measures were implanted to reduce consumption, such as turning off some administrative and production equipment during lunch hour at the *Jacareí* unit. With these and other measures, the company ended the year with an energy consumption of 36,200 GJ at all its installations, a 10% reduction compared with the previous year. [302-1](#) | [302-4](#)

One of the major problems Avibras faces currently is energy blackouts at the *Jacareí* plant, the result of the fragility of the transmission lines serving the plant. To counter this, the company is conducting a study of its energy matrix, seeking alternative means of generation to meet its requirements and to eliminate power outages.

In principle, the most attractive alternative is solar or photovoltaic energy, one of the main sources of renewable energy, use of which is on the increase in Brazil.



Environmental awareness: selective collection, a waste management alternative



WASTE

Under the Total Waste Management project, implanted with support from a third-party company, Avibras ensured the correct disposal of 1,073 tonnes of waste in 2018. This corresponds to a total reduction of 27% compared with 2017. The company generated 11.3% less non-hazardous waste, in compliance with the standards established by the environmental authority *Companhia Ambiental do Estado de São Paulo* (CETESB). This reflects a significant improvement both in the organisation and the maintenance of storage areas for hazardous material. Waste disposal information is reported to the competent authorities, such as CETESB and the national environmental agency *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis* (Ibama). The collection and transportation of all waste material to recycling centres and hazardous waste disposal units is undertaken by a third-party. [306-2](#)

BIODIVERSITY

With two facilities located in the Atlantic Rainforest biome, which is home to a large variety of vegetable and animal species, as well as springs and rivers, Avibras protects, reclaims and conserves the areas surrounding its plants. The protection of legal reserve (ARL) and permanent preservation areas (APP) involves investments in effective processes and procedures that benefit the environment.

The *Jacareí* plant has an area of 2,700 square kilometres bordering the *Santa Branca* Reservoir. The *Lorena* facility occupies an area of 9,722 square

kilometres, with lakes that contain a wealth of fish species. Avibras also has an area of 17,922 square kilometres of land in *Ubatuba* on the north coast of *São Paulo* state, of which 17,610 square kilometres is listed as a permanent preservation area. [304-1](#)

Any animals found in the manufacturing areas of the plants are collected by the company's fire brigade and returned to their proper habitat. In 2019, in negotiation with the *Jacareí* local government, the company is studying a plan to collect, shelter and donate domestic animals.

Located in rural zones, the *Jacareí* and *Lorena* plants are registered in Brazil's Rural Environmental Register (CAR). Their respective legal reserve areas have ecological corridors which ensure greater security for the resident species, enabling them to survive, move around and reproduce in safety. Whenever possible, Avibras promotes the planting of trees at its manufacturing units.

12.



ECONOMIC AND FINANCIAL PERFORMANCE

103-3: Economic performance

Avibras is predominantly an export-oriented company, with exports accounting for 80% of revenue compared with 20% for domestic sales. It should be noted that clients in the defence industry are exclusively governments, represented by their ministries of defence and armed forces.

The company operates under contract. This means that its production operations are geared to contracts signed with client governments, typically involving production and delivery on a long-term basis.

Avibras has a backlog of firm contracts that ensures the resumption of a level of activities compatible with the company's capacity and capabilities. This enables the company to project results for 2019 that will guarantee revenues and the resumption of the margins achieved during recent years.

NET REVENUE BY MARKET 201-1

	2018	2017	2016
Exports (R\$ thousands)	524,299	1,539,799	1,257,531
Domestic (R\$ thousands)	119,201	154,297	154,497
Total (R\$ thousands)	643,500	1,694,096	1,412,028

NET REVENUE BY PRODUCT LINE 201-1

	2018	2017	2016
Vehicles (R\$ thousands)	23,628	727,107	811,388
Munitions (R\$ thousands)	2,908	584,847	240,560
Services (R\$ thousands)	36,729	56,448	96,537
Electrophoretic painting (R\$ thousands)	2,381	4,777	3,440
Revenues by area – vehicles/munitions/engines (R\$ thousands)	562,293	298,881	238,998
Total (R\$ thousands)	627,939	1,672,060	1,390,923

DISTRIBUTION OF ADDED VALUE (DAV) 201-1

	2018		2017*		2016	
	%	R\$ thousands	%	R\$ thousands	%	R\$ thousands
Remuneration of labour	64	200,011	29	221,320	31	230,152
Remuneration of government (taxes, charges and contributions)	17	53,128	23	175,530	22	163,334
Remuneration of third-party capital	14	43,752	9	68,686	13	96,515
Remuneration of own equity	5	15,626	39	297,637	34	252,425
Total added value for distribution (R\$ thousands)	100	312,517	100	763,173	100	742,426

* The principle accounting practices adopted by the company were altered in 2018 with the adoption of IFRS 9/CPC 48 – Financial Instruments, IFRS 15/CPC 47 – Revenue from Contracts with Clients and IFRIC 22/ICPC 21 – Transactions in Foreign Currency, compared with those disclosed in the financial statements on December 31, 2017.





TECHNOLOGICAL INNOVATION PLAN

In 2018, *Financiadora de Estudos e Projetos* (FINEP) released funds totalling R\$18.2 million for the Technological Innovation Plan for the 2020 Artillery Saturation Rocket System for Area Saturation (ASTROS). The development bank *Banco Nacional de Desenvolvimento*

Econômico e Social (BNDES) granted R\$18.7 million in financing for the construction of the new Hydroxyl-Terminated Polybutadiene plant (HTPB) in *Lorena* (SP), to be inaugurated in the beginning of 2020. The project will generate approximately 60 new direct and indirect jobs. [201-4](#)

GENERATION OF ADDED VALUE [201-1](#)

	2018	2017	2016
Gross added value¹ (R\$ thousands)	368,822	777,067	744,357
Revenue (R\$ thousands)	677,690	1,710,036	1,441,392
Inputs acquired from third-parties (R\$ thousands)	308,868	932,969	697,035
Net added value produced by the company² (R\$ thousands)	368,822	777,067	744,357
Depreciation and amortisation (R\$ thousands)	17,576	16,663	17,915
Total added value for distribution ³ (R\$ thousands)	382,749	779,836	760,341
Added value received in transfer (R\$ thousands)	13,927	2,769	15,984

1. Revenues less input costs.

2. Gross added value less depreciation and amortisation.

3. Net added value + value received in transfer.

FINEP FUNDS (R\$ MILLION)



GRI ATTACHMENT

ABOUT THIS REPORT/MATERIALITY PROCESS MATERIALITY MATRIX

MATERIALITY MATRIX 102-46 | 103-1

					Location of impact	
	Pillar	Topic	GRI Topic	Indicators	Inside	Outside
Resilience	Strategy and perpetuation of the business	GRI 201: Economic performance	201-1: Direct economic value generated and distributed	X	X	
			201-4: Financial assistance received from the government	X		
		GRI 203: Indirect economic impacts	203-2: Significant indirect economic impacts	X	X	
	Client relations	-	-	X	X	
	Innovation and leading edge technology	-	-	X	X	
	New product and service development	-	-	X		
	Product and service quality and safety	GRI 416: Client health and safety	416-1: Assessment of the health and safety impacts of product and service categories	X	X	
			416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	X	X	
	Cybersecurity	-	-	X	X	

					Location of impact	
	Pillar	Topic	GRI Topic	Indicators	Inside	Outside
Business conduct	Ethical business conduct and integrity	GRI 415: Public policies	415-1: Contributions to political parties	X	X	
		GRI 205: Anti-corruption	205-2: Communication and training in anticorruption policies and procedures	X	X	
			205-3: Confirmed cases of corruption and measures taken	X	X	
	Supply chain management	-	-	X	X	
	Institutional relations	-	-	X	X	
Respect for people	Occupational health and safety	GRI 403: Operational health and safety	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	X		
			403-3: Workers with high incidence or high risk of diseases related to their occupation	X		
	Development of human capital	GRI 202: Market presence	202-1: Ratio of lowest salary to the local minimum salary, discriminated by gender	X		
		GRI 401: Employment	401-1: New employee hires and turnover	X		
			401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	X		
		GRI 404: Training and education	404-1: Average hours of training per year per employee	X		
			404-2: Programmes for upgrading employee skills and transition assistance programmes	X		

STAKEHOLDER MANAGEMENT – EMPLOYEES – PROFILE

EMPLOYEES BY FUNCTIONAL LEVEL 102-8

	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Director level	7	1	6	1	5	1
Management	39	0	40	0	30	0
Coordination	35	4	42	5	42	5
Supervision	35	9	30	7	23	5
Engineering/Technical	480	79	468	71	494	68
Operational	766	43	847	25	815	27
Administrative	192	120	158	120	145	114
Apprentices	40	14	15	7	20	6
Interns	15	1	5	4	10	5
Total	1,609	271	1,611	240	1,584	231

EMPLOYEES BY TYPE OF WORK CONTRACT 102-8

	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Fixed term*	112	26	24	17	636	65
Permanent	1,497	245	1,587	223	948	166
Total	1,609	271	1,611	240	1,584	231

* If a project has a determined duration, the employee is hired for that specific period. They may be hired permanently should a vacancy arise at the end of this specific period.

EMPLOYEES BY TYPE OF EMPLOYMENT 102-8

	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Full-time	1,594	270	1,605	233	1,576	219
Part-time*	15	1	6	7	8	12
Total	1,609	271	1,611	240	1,584	231

* Considering interns, telephonists, and labour medicine doctors.

NUMBER OF THIRD-PARTIES BY GENDER 102-8

	2018	2017	2016
Men	634	389	406
Women	125	94	93
Total	759	483	499

NUMBER OF HIRES BY GENDER 401-1

	2018	2017	2016
Men	248	133	338
Women	72	27	42
Total	320	160	380

NUMBER OF TERMINATIONS BY GENDER 401-1

	2018	2017	2016
Men	245	106	230
Women	46	15	33
Total	291	121	263

NUMBER OF HIRES BY AGE GROUP 401-1

	2018	2017	2016
Under 30 years	159	60	207
Between 31 and 50 years	147	84	160
Over 50 years	14	16	13
Total	320	160	380

NUMBER OF TERMINATIONS BY AGE GROUP 401-1

	2018	2017	2016
Under 30 years	89	59	103
Between 31 and 50 years	152	45	101
Over 50 years	50	17	59
Total	291	121	263

NEW HIRES RATE BY GENDER (%) 401-1

	2018	2017	2016
Men	13	7	19
Women	4	1	2

TURNOVER RATE BY GENDER (%) 401-1

	2018	2017	2016
Men	13	6	13
Women	2	1	2

NEW HIRES RATE BY AGE GROUP (%) 401-1

	2018	2017	2016
Under 30 years	8	3	11
Between 31 and 50 years	8	5	9
Over 50 years	1	1	1

TURNOVER RATE BY AGE GROUP (%) 401-1

	2018	2017	2016
Under 30 years	5	3	6
Between 31 and 50 years	8	2	6
Over 50 years	3	1	3

STAKEHOLDER MANAGEMENT/EMPLOYEE/ REMUNERATION AND BENEFITS

VARIATION BETWEEN LOWEST SALARY AND MINIMUM SALARY (R\$ THOUSANDS) 202-1

	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Jacaré unit						
Lowest salary	2,307.80	2,307.80	2,226.88	2,355.35	2,081.20	2,382.60
Employment category floor ¹	2,307.80	2,307.80	2,226.88	2,226.88	2,081.00	2,081.00
Variation (%)	100	106	100	106	100	114
Lorena unit²						
Lowest salary	1,907.40	N.A.	1,971.20	N.A.	1,841.40	N.A.
Category floor ¹	1,814.26	N.A.	1,750.54	1,750.54	1,636.02	1,636.02
Variation (%)	113	N.A.	113	N.A.	113	N.A.

1. Determined by federal/state legislation or unions.

2. There are no female employees at the Lorena unit.

STAKEHOLDER MANAGEMENT/EMPLOYEES/TRAINING AND EDUCATION

AVERAGE HOURS TRAINING PER EMPLOYEE 404-1

Professional category	2018	2017	2016
Director level	11.08	15.43	0.29
Management	43.34	9.10	4.65
Coordination	35.52	8.74	6.41
Supervision	43.69	9.92	63.23
Engineering/Technical	22.04	5.97	11.24
Operational	12.40	16.01	2.37
Administrative	19.15	16.53	10.97
Apprentices*	600	720	666.67
Interns	18.46	26.89	22.5
Total	805.67	830.59	788.56

* Counting hours of training related to the partnership with Serviço Nacional de Aprendizagem Industrial – SENAI (3hrs/day x 5 days a week x 4 weeks x 10 months = 600hrs/year).

AVERAGE HOURS TRAINING PER EMPLOYEE 404-1

Gender	2018	2017	2016
Men	32.01	21.66	12.76
Women	54.31	21.73	19.83

PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS 404-2

Programmes offered	Description	Target public
Internal training courses	Languages; Post-graduation; Fairs and/or Congresses; Leadership Development Programme; Excel; MS Project; Solid Edge; Indicator Systems; Strain Metrics; Lead Auditors; Process Development and Improvement; Cost Analyst; Tax Analyst; Aeronautic Foundations; Liquid Chromatography Foundations; Strategic Control Management	All employees
Financial support for external training or education courses	Languages; Post-graduation; Fairs and/or Congresses; Leadership Development Programme; Excel; MS Project; Solid Edge; Indicator Systems; Strain Metrics; Lead Auditors; Process Development and Improvement; Cost Analyst; Tax Analyst; Aeronautic Foundations; Liquid Chromatography Foundations; Strategic Control Management	All employees
Refresher courses for employees	Crane Operation; Forklift Operation; SEP; NR 10; Fire Brigade; Respiratory Protection Programme; Personal Protective Equipment (PPE); Hearing Conservation Programme; Work at Height; Work in Confined Space	Employees mapped

STAKEHOLDER MANAGEMENT/EMPLOYEES/HEALTH, SAFETY AND QUALITY OF LIFE

HEALTH AND SAFETY RATES 403-2

By employee and gender	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Injury rate (%) ¹	10.72	3.61	13.87	3.16	17.30	0.40
Occupational disease rate (%)	0	0	0	0	0	0
Total days lost²	938	0	966	3	1,112	15
Absenteeism rate (%)	1.58	1.80	1.55	1.70	2.00	2.20
Total fatalities	0	0	0	0	0	0

1. The injury rate does not include first aid treatment. The calculation of the injury rate is aligned with the ILT formula, that is number of accidents by man hours worked x 1,000,000.

2. The days lost calculation is based on the calendar days, starting from the day after the accident.

HEALTH AND SAFETY RATES 403-2

Employees and third-party workers (by unit)	2018			2017			2016		
	São José dos Campos	Jacareí	Lorena	São José dos Campos	Jacareí	Lorena	São José dos Campos	Jacareí	Lorena
Injury rate (%) ¹	0	8.81	12.68	0	14.30	16.80	40.80	18.30	4.50
Occupational disease rate (%)	0	0	0	0	0	0	0	0	0
Total days lost²	0	923	15	0	966	9	2	1,120	0
Absenteeism rate (%)	0.65	1.70	1.70	0	1.90	0.40	0.90	2.70	0.0
Total fatalities	0	0	0	0	0	0	0	0	0

1. The injury rate does not include first aid treatment. The calculation of the injury rate is aligned with the ILT formula, that is number of accidents by man hours worked x 1,000,000.

2. The days lost calculation is based on the calendar days, starting from the day after the accident.

STAKEHOLDER MANAGEMENT/SOCIETY/COMMUNITY PROJECTS AND ACTIONS

EVOLUTION OF COMMUNITY ENGAGEMENT PROGRAMMES ⁴¹³⁻¹

By operation	2018	2017	2016
Total company operations	3	3	3
Number of company operations that implemented community engagement programmes	2	2	2
Percentage of company operations that implemented community engagement programmes	66.67	66.67	66.67

STAKEHOLDER MANAGEMENT/ENVIRONMENT/WATER, ENERGY AND WASTE

WATER AND ELECTRICITY CONSUMPTION AND WASTE GENERATION ^{302-1 | 302-4 | 303-1 | 306-2}

	2018			2017			2016		
	São José dos Campos	Jacareí	Lorena	São José dos Campos	Jacareí	Lorena	São José dos Campos	Jacareí	Lorena
Water consumption (m³)	4,430	64,627	16,762	5,700	53,597	25,100	16,700	62,477	23,900
Electricity consumption (GJ)	825	33,046	2,329	732	34,677	4,957	810	40,874	5,625
Hazardous waste generation (t)*	245			537			458		
Non-hazardous waste generation (t)*	828			934			1,331		

* Refers to all units.

GRI CONTENT INDEX

102-55

GRI 101: FOUNDATION 2016

GRI 102: General disclosures 2016	Standard	Page	Omission	UNGC	SDG
Organisational profile					
	102-1: Name of the organization	7			
	102-2: Activities, brands, products, and services	7			
	102-3: Location of headquarters	São José dos Campos (SP).			
	102-4: Location of operations	7, 8			
	102-5: Ownership and legal form	7			
	102-6: Markets served	7, 17			
	102-7: Scale of the organization	36			
	102-8: Information on employees and other workers	53		6	8
	102-9: Supply chain	31, 32, 33			
	102-10: Significant changes to the organization and its supply chain	31, 32, 33			
	102-11: Precautionary principle or approach	38			
	102-12: External initiatives	27			
	102-13: Membership of associations	27			
Strategy					
	102-14: Statement from senior decision-maker	3			
Ethics and integrity					
	102-16: Values, principles, standards, and norms of behaviour	9, 10, 27		10	16
Governance structure					
	102-18: Governance structure	28			

GRI 102: General disclosures 2016	Standard	Page	Omission	UNGC	SDG
Stakeholder engagement					
	102-40: List of stakeholder groups	26			
	102-41: Collective bargaining agreements	36		3	8
	102-42: Identifying and selecting stakeholders	26			
	102-43: Approach to stakeholder engagement	25			
	102-44: Key topics and concerns raised	25			
Reporting practices					
	102-45: Entities included in the consolidated financial statements	5			
	102-46: Defining report content and topic boundaries	5, 52			
	102-47: List of material topics	6			
	102-48: Restatements of information	5			
	102-49: Changes in reporting	5			
	102-50: Reporting period	5			
	102-51: Date of most recent report	5			
	102-52: Reporting cycle	5			
	102-53: Contact point for questions regarding the report	5			
	102-54: Claims of reporting in accordance with GRI standards	5			
	102-55: GRI content index	57			
	102-56: External assurance	Avibras does not have its social and environmental information audited.			

Material topics	Standard	Page	Omission	UNGC	SDG
GRI 201: Economic performance 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	14		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	14, 48			
	201-1: Direct economic value generated and distributed	15, 16, 49, 50			2, 5, 7, 8, 9
	201-4: Financial assistance received from government	12, 50			
GRI 202: Market presence 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	37		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	37			
	202-1: Ratios of standard entry level wage by gender compared to local minimum wage	54		6	1, 5, 8
GRI 203: Indirect economic impacts 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	7		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	7			
	203-2: Significant indirect economic impacts	7, 25			1, 2, 3, 8, 10, 17

Material topics	Standard	Page	Omission	UNGC	SDG
GRI 205: Anti-corruption 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	27, 30		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	27			
	205-2: Communication and training about anti-corruption policies and procedures	27, 33		10	16
	205-3: Confirmed incidents of corruption and actions taken	Neither Avibras nor its employees were subject to any corruption-related public lawsuits in the period covered by the report.		10	16
GRI 302: Energy 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	Non-priority topic.			
	103-2: The management approach and its components	45		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	45			
	302-1: Energy consumption within the organization	46, 56		7, 8	7, 8, 12, 13
	302-4: Reduction of energy consumption	46, 56		8, 9	7, 8, 12, 13
GRI 303: Water 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	Non-priority topic.			
	103-2: The management approach and its components	45		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	45			
	303-1: Water withdrawal by source	56		7, 8	6

Material topics	Standard	Page	Omission	UNGC	SDG
GRI 304: Biodiversity 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	Non-priority topic.			
	103-2: The management approach and its components	45		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	45			
	304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	47		8	6, 14, 15
GRI 306: Effluents and waste 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	Non-priority topic.			
	103-2: The management approach and its components	45		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	45			
	306-2: Waste by type and disposal method	47, 56		8	3, 6, 12
GRI 401: Employment 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	37		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	37			

Material topics	Standard	Page	Omission	UNGC	SDG
GRI 401: Employment 2016					
	401-1: New employee hires and employee turnover	53, 54		6	5, 8
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	37			8
GRI 403: Occupational health and safety 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	38		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	38			
	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	55			3, 8
	403-3: Workers with high incidence or high risk of diseases related to their occupation	38			3, 8
GRI 404: Training and education 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	36		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	36			
	404-1: Average hours of training per year per employee	37, 54, 55	6	4, 5, 8	
	404-2: Programs for upgrading employee skills and transition assistance programs	37, 55			8

Material topics	Standard	Page	Omission	UNGC	SDG
GRI 413: Local communities 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	41		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	41			
	413-1: Operations with local community engagement, impact assessments, and development programs	42, 56		1	
GRI 415: Public policies 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	26		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	26			
	415-1: Political contributions	Avibras did not make financial contributions to politicians or political parties.		10	16

Material topics	Standard	Page	Omission	UNGC	SDG
GRI 416: Client health and safety 2016					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	5, 52			
	103-2: The management approach and its components	11, 40		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	11, 40			
	416-1: Assessment of the health and safety impacts of product and service categories	8, 31, 32			
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	There were no cases of non-compliance concerning the health and safety impacts of products and services.			16

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