

ANNUAL REPORT 2012



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CORPORATE PHILOSOPHY GRI 4.8

Vision

Embraer will continue to consolidate its position as one of the primary powers in the global aeronautics and defense and security industries, with market-leading positions in the segments in which it operates, and a reputation for excellence.

Business

Embraer's business is creating value for its shareholders by fully satisfying its customers. "Creating value" means maximizing the Company's value and ensuring its longevity, while practicing high ethical standards with a social and environmental conscience. The Company concentrates on three business areas: Commercial Aviation, Executive Aviation and Defense & Security.

Values

The values that shape the attitudes and actions that will ensure the Company's long-term prosperity are as follows:

Our people are what make us fly – happy, competent, valued, and fulfilled people who are committed to what they do. People who work as teams and who base their actions on integrity, coherence, respect, and mutual trust.

We are here to serve our customers – customer loyalty is earned by delivering full satisfaction and by building strong and enduring relationships. Partnerships are based on real commitment and flexibility.

We strive for company excellence – the Company's actions are oriented towards simplicity, agility, flexibility, and safety, with ongoing pursuit of continuous improvement and excellence. An entrepreneurial outlook based on integrated planning, responsible delegation, and disciplined execution.

Boldness and innovation are our hallmarks – state-of-the-art technology, an innovative and learning organization capable of transforming from within and being influential in the markets in which it operates. Strategic vision and ability to overcome challenges creatively and courageously.

Global presence is our frontier – the Company's competitiveness is founded on a combination of global presence and local actions, leveraging the best of each of the locations in which it operates. Embraer envisions a world without borders, one that values diversity.

We build a sustainable future – Embraer strives ceaselessly to build the foundation for the Company's longevity, delivering profitability to shareholders and respecting quality of life, the environment and society in general.

MAIN INDICATORS GRI 2.8 | EC1

Sums in R\$ millions*	2012	Variation 2012 vs 2011	2011	2010
Net Revenues	12,201.7	24%	9,858.1	9,380.6
Gross Margin	24.2%	1.7 p.p.	22.5%	19.2%
Earnings Before Interest and Tax (EBIT)	1,217.4	133%	521.8	685.6
EBIT Margin	10.0%	4.7 p.p.	5.3%	7.3%
Adjusted ¹ EBITDA	1,766.1	91%	923.0	1,069.2
Adjusted EBITDA Margin	14.5%	5.1 p.p.	9.4%	11.4%
Net Profit	697.8	346%	156.3	573.6
Net Margin	5.7%	4.1 p.p.	1.6%	6.1%
Investments ²	1,038.7	70%	636.3	573.4
Indebtedness	4,222.8	36%	3,110.1	2,390.6
Net Cash	639.5	-23%	836.2	1,152.8
Total Assets	19,393.7	17%	16,616.4	13,981.0
Net Assets	6,846.5	17%	5,848.4	5,217.7
Indebtedness / Net Assets*	0.6	20%	0.5	0.5
ROA	3.6%	2.7 p.p.	0.9%	4.1%
ROE	10.2%	7.5 p.p.	2.7%	11.0%
ROCE (US\$)	13.3%	5.4 p.p.	7.9%	16.1%
Inventory	4,404.4	3%	4,291.0	3,662.8
Inventory Turnover*	2.1	17%	1.8	2.1
Asset Turnover*	0.6	-	0.6	0.7
Firm Order Backlog (US\$ bi)	12.5	-19%	15.4	15.6
Aircraft Deliveries (units)	221	-	212	281
Number of Employees	18,032	4%	17,265	17,149
EBIT per Employee (R\$ thousand)	67.5	124%	30.2	40.0
Dividends Paid	182.4	1%	180.9	201.0
Earnings per Share* (R\$)	0.96	336%	0.22	0.79
Number of Shares* ³	725,023	-	723,667	723,665

The figures compiled here are in accordance with International Financial Reporting Standards (IFRS),

*Except Indebtedness / Net Assets, Inventory Turnover, Asset Turnover, Earnings per Share, and Number of Shares.

¹ Represents net profits, plus net financial income (expenses), exchange rate fluctuations, income tax and social contribution tax, depreciation and amortization, and minority holdings.

² Amounts include investments in Research, Development, and CAPEX.

³ Does not include 14.1 million shares held in treasury in 2012, 16.8 million in 2011, and 16.8 million in 2010.

INTRODUCTION

Our values are the truths that unite us and guide Embraer's 2012 Annual Report

Embraer's six values express the Company's essence and guide its attitudes. These values were formulated collectively and shape Embraer's day-to-day routines, strategic decisions, rules and guidelines, operational activities, and employee attitudes. Embraer's 2012 Annual Report, which follows Global Reporting Initiative (GRI) guidelines for the fifth consecutive year, testifies to the Company's practice of its values and is structured around them.

The report falls into the following chapters:

- "Global presence is our frontier" discusses the Company's activities in Brazil and in other countries where it operates;
- "We are here to serve our customers" and "We strive for company excellence" cover operational and financial performance, strategy, and governance as well as supply-chain practices;
- The constant research and innovation that keep Embraer at the technological forefront are set out in "Boldness and innovation are our hallmarks";
- The chapters "Our people are what make us fly" and "We build a sustainable future" highlight the Company's social and environmental initiatives, which are rooted in its consideration for internal stakeholders, society in general, and the environment.

An evolving sustainability GRI 1.2

In keeping with its corporate values, Embraer's sustainability management is continuously evolving. In December 2012, approval was given for a reformulation of the Sustainability Committee, which is linked to the Board of Executive Officers and presided over by the Executive Vice President, People, Institutional Relations and Sustainability. The committee's revised composition and objectives are aimed at ensuring that socio-environmental, governance, and transparency issues are incorporated ever more deeply into Embraer's strategic decision making at the highest levels.



MESSAGE FROM THE PRESIDENT & CEO

Consistent results, improved corporate governance practices, advances in our Embraer Entrepreneurial Excellence Program (P3E), expansion of our international operations, and commitment to socio-environmental initiatives show Embraer to be on the right path, notwithstanding a challenging international environment



Frederico Fleury Curado
President & CEO

Diversified growth GRI 1.1 | 1.2

Amid an ever more competitive environment and a global economy that is still only slowly recovering, Embraer has skillfully innovated, grown, and diversified, overcoming challenges, fulfilling its strategic plan and adhering to its corporate values. In 2012, the Company once again met or surpassed all guidance figures communicated to the market at the beginning of the year. The results achieved on all fronts give us confidence in the future and in the Company's long-term prosperity.

In Commercial Aviation, the Company expanded its customer base, taking new orders to supply airlines in various regions of the world. Important headway was also made in the development of the product strategy for the second generation of E-Jets, with the selection of some of the main suppliers, in particular Pratt & Whitney and its advanced engines. In 2012, we continued to invest in perfecting our customer support services, instituting a Customer Care Center that provides service 24 hours a day, 7 days a week, 365 days a year. This will ensure that Embraer's customer service continues to set the standard.

Executive Aviation achieved two important milestones in its product portfolio: the Legacy 500 made its maiden flight, and manufacturing began on the prototype of the Legacy 450. Another highlight was the maiden flight of the first Phenom 300 manufactured in the United States, as part of the consolidation of activities at Embraer's facility in Melbourne, Florida. In its tireless quest to deliver customer satisfaction, the Company continued investing in perfecting its support infrastructure by opening a new design showroom at the Customer Center in Melbourne, as well as beginning construction of the new Service Center in Sorocaba (in the Brazilian state of São Paulo).

The diversification strategy gained momentum with the expansion of the Defense & Security business, including the launch of Visiona Tecnologia Espacial S.A., a company formed by Embraer and Telebras, which will coordinate the contracting for Brazil's first geostationary satellite system. In addition, the Tepro consortium, comprised of Savis (an Embraer subsidiary) and OrbiSat (controlled by Embraer),

was selected by the Brazilian Army to implement the first phase of its Integrated Border Monitoring System (Sistema Integrado de Monitoramento de Fronteiras - Sisfron). At the same time, the KC-390 program advanced on schedule, with the preliminary project review successfully concluded in August 2012.

Operating performance

Embraer's net revenues was R\$ 12.2 billion in 2012, representing growth of 24% over the previous year. In total, 221 aircraft were delivered: 106 commercial jets, 99 executive jets, 14 Super Tucanos, and two EMB 145 AEW&C jets.

Commercial Aviation consolidated its leading position in the market for commercial jets seating up to 120 passengers, and Executive Aviation's market share grew from 14.1% of all units delivered worldwide in 2011 to 14.9% in 2012. Revenues for Embraer Defense & Security were 44% higher than the previous year. The Company's operating result totaled R\$ 1.2 billion, representing an operating margin of 10.0%.

Global presence

The Company continued to expand its operations both in Brazil and worldwide, with the opening of an Engineering and Technology Center in the city of Belo Horizonte and the announcement of the construction of another center in Melbourne, Florida, creating 200 engineering jobs. In the city of Évora in Portugal, two Centers of Excellence went into operation. Another significant development was the creation of a formal partnership with the Chinese company AVIC to locally produce the Legacy 600 and Legacy 650 models at Harbin Embraer Aircraft Industry (HEAI).

Management excellence

The Company's corporate governance practices were honed via an update of its risk map, a rethinking of the Sustainability Committee, and the creation of Compliance and Internal Auditing departments. In addition, the Embraer Business System (Sistema Empresarial Embraer - SEE) was put into place, defining new models of management and organizational structure for the Company. In 2012, Embraer continued to be listed on the Dow Jones Sustainability Index (DJSI) and the Corporate Sustainability Index of the BM&FBovespa (ISE).

One of the developments in the well-known Embraer Entrepreneurial Excellence Program (P3E) entailed a restructuring of Innova, a program focused on the Company's innovation initiatives. In December, Embraer received the FINEP Innovation Award for being the most innovative company in Brazil in 2012.

Socio-environmental performance GRI 1.2

In the social sphere, the year was marked by the conclusion of construction work on the new Embraer Casimiro Montenegro Filho High School, in the city of Botucatu, São Paulo. The new high school builds on the effectiveness of the educational model that was first put into practice in São José dos Campos. More than 1,800 students have graduated from the high school in São José dos Campos, which has sustained high pass rates in entrance exams for public and private universities throughout the country, as well as an excellent position in the rankings of the National High School Exam (ENEM). Work also continued on Embraer Environmental Education Center Jequitibá, which is expected to open in 2013.

Once again, the Company's solicitude for its people resulted in Embraer being recognized with various external awards. Thanks to its efforts to ensure professional growth, job satisfaction, and quality of life for all employees, Embraer was elected Brazil's Leading Company for People Management in the 2012 AON Hewitt/*Valor Econômico* survey. The Company also ranked as one of the best places to work in *Época* magazine's Great Place to Work, The Guide to the Best Places to Work (produced by *Você S.A.* and *Exame* magazines), and Florida Trend magazine's Best Companies to Work For. Such recognition brings even greater responsibility to follow through on initiatives focusing on the Company's biggest asset: its people.

When it comes to the environment, the focus is on continuously improving the monitoring and mitigation of environmental impacts. Embraer's pioneering commitment to making renewable fuels viable for the air transportation industry was also demonstrated during Rio+20, the United Nations Conference on Sustainable Development, during which an EMBRAER 195 aircraft operated by Azul Linhas Aéreas Brasileiras flew from Campinas to Rio de Janeiro fueled by sugarcane-based biokerosene. The Company's investment in research to develop biofuels won it the Eco Prize, awarded by the American Chamber of Commerce (AMCHAM).

Outlook

From 2013, market experts project a gradual improvement of the international economic environment and moderate growth in the aerospace sector. Against this backdrop, Embraer's challenge is to push ahead with growth, global expansion, and increased competitiveness through a tireless pursuit of excellence.

Our six values — Customers, People, Innovation, Excellence, Global Presence, and Sustainability — are the foundations for Embraer today and the guiding principles for building its future and long-term prosperity.

On behalf of the Board of Executive Officers and the Board of Directors, and each of the 18,032 people Embraer employs, I would like to express our sincere gratitude to everyone who supported us in delivering the Company's results and achievements in 2012.







GLOBAL PRESENCE IS OUR FRONTIER



AT THE TECHNOLOGICAL FOREFRONT GRI 2.1 | 2.6 | 2.8

Embraer invests in diversifying its portfolio and expanding its global presence. Today, it is one of the world's biggest aerospace companies, with customers on all continents and more than 5,000 aircraft sold

Embraer is one of Brazil's largest exporters, working through three business units: Commercial Aviation, Executive Aviation, and Defense & Security. Its activities include designing, developing, manufacturing and selling aircraft and systems, as well as providing after-sales support and services.

The nature of Embraer's business, with its continuous investment in research and development of new products, solutions and processes, places it at the world's technological forefront.

The Company is the world's leading manufacturer of commercial jets of up to 120 seats, and revenues from its Executive Aviation and Defense & Security businesses are also growing. Increasing sales by these divisions forms part of the Company's growth and diversification strategy.

With its structured governance practices, Embraer's shares have been listed on the New Market (Novo Mercado) of the São Paulo Stock Exchange (BM&FBovespa) and on the New York Stock Exchange (NYSE). In addition, in 2012 the Company was also listed on the Dow Jones Sustainability Index (DJSI) and the Corporate Sustainability Index of the São Paulo Stock Exchange (Índice de Sustentabilidade Empresarial da BM&FBovespa - ISE); these indexes are made up of companies with market-leading sustainability practices.

Embraer's net income was R\$ 12,201.7 million in 2012, with 61% from Commercial Aviation, 21% from Executive Aviation, 17% from Defense & Security, and 1% from other business. At the end of the year, the firm order backlog stood at US\$ 12.5 billion.

Embraer's History

Embraer was founded on August 19th, 1969, as a state-controlled, mixed-capital company. The Company was structured with the objective of transforming science and technology into engineering and industrial capability. It was a state-controlled company until 1994, when it was privatized. Since then, it has been pursuing a path of global expansion and market diversification.

Embraer's Businesses GRI 2.7

Commercial Aviation

ERJ 145 (37 to 50 seats) and E-Jets (70 to 122 seats) families. Customer base is comprised of more than 80 airline companies, in over 50 countries. In 2012, the business unit delivered aircraft to new operators in Estonia, Bulgaria, Ukraine, Belarus, Venezuela, and Myanmar.

Executive Aviation

Phenom (6 to 11 occupants), Legacy (7 to 14 passengers) and Lineage (up to 19 passengers) families. More than 600 aircraft delivered, in over 40 countries.

Embraer Defense & Security

Aircraft for light attack and training, tactical military transport, and transport of authorities; aircraft modernization; unmanned aerial systems (UAS), and intelligence, surveillance and reconnaissance systems. Serving more than 50 armed forces in 48 countries. During the year, it delivered 14 Super Tucanos (light attack and training) to Brazil (8), Mauritania (2), and Indonesia (4), along with two EMB 145 AEW&C to India.

WORLDWIDE PRESENCE GRI 2.5

Where Embraer operates

GRI 2.3 | 2.4 | 2.5 | 2.7

Embraer is headquartered in Brazil's São José dos Campos (in São Paulo state), where the Eugênio de Melo industrial facility and ELEB Equipamentos, a subsidiary, are also located. Elsewhere in the State of São Paulo, the Company also has two offices in the state capital, factories in Botucatu and Gavião Peixoto, and logistics centers in Taubaté and Campinas. Recently, construction began on a new Service Center in the city of Sorocaba. In 2012, the Company opened an Engineering and Technology Center in the city of Belo Horizonte (Minas Gerais state), and began building another in Melbourne, Florida, in the US. Melbourne is also home to an industrial facility that manufactures the Phenom 100 and Phenom 300 executive jets, as well as a Global Customer Center for Executive Aviation.

In China, besides having an office in Beijing, Embraer owns 51% of Harbin Embraer Aircraft Industry (HEAI), in association with China's State-owned AVIC. In 2012, the Chinese government approved plans to manufacture the Legacy 600 and Legacy 650 jets in the country. Both aircraft are certified to operate in China. The Company's other industrial center is in the city of Évora, Portugal, where production began in 2012. **GRI 2.9**





Embraer also has offices in Fort Lauderdale, Florida (United States), Villepinte (France), Farnborough (United Kingdom), Dubai (United Arab Emirates), Singapore, Dublin (Ireland), and Beijing (China). The Company's service and replacement parts centers are located in São José dos Campos and Gavião Peixoto (Brazil); Nashville, Fort Lauderdale, Mesa, and Windsor Locks (United States); Le Bourget (France); and Alverca (Portugal). There are also distribution centers for replacement parts in Louisville and Minneapolis (United States), Singapore, Beijing (China), and Dubai (United Arab Emirates).

At the end of 2012, the directly employed workforce consisted of 18,032 employees, 16,325 of which were in Brazil and 1,707 abroad. Partially owned subsidiaries had 2,118 employees. **GRI 2.8**

Partnerships consolidated GRI 2.3 | 2.9

Partnerships and acquisitions are also contributing to the Company's global expansion and diversification. In addition to a partnership with Telebras, which resulted in Visiona Tecnologia Espacial S.A. (read more in the chapter "We are here to serve our customers") in 2012, Embraer Defense & Security also acquired control of 65% of Indústria Aeronáutica de Portugal (OGMA); the remaining 35% belongs to the Portuguese government, through Empresa Portuguesa de Defesa (EMPORDEF). OGMA makes aeronautical structures and supplies aircraft maintenance services.

In 2012, two companies controlled by Embraer Defense & Security — OrbiSat Indústria e Aerolevantamento S.A. and Savis Tecnologia e Sistemas S.A. — were selected by the Brazilian Army to implement the first phase of the Integrated Border Monitoring System (Sistema Integrado de Monitoramento de Fronteiras - Sisfron). Embraer and Atech Negócios em Tecnologia, which it controls, were also selected to supply the control system for the Nucleo-Electric Generation Laboratory, linked to the development of the reactor for the planned Brazilian nuclear submarine.

Another testament to Embraer's efforts to strengthen the globalization of its industrial operations was a partnership signed with Zodiac Aerospace to manufacture components for the cabins of the EMBRAER 170/EMBRAER 190 family of jets. The factory will be installed in Mexico, and operations are expected to begin in 2013. Along the same lines, in October Embraer acquired an interest in the US firm AST, specializing in seats for executive aviation.





Évora factories begin production GRI 2.9

The two factories at the Évora facility in Portugal went into operation in 2012 and have already delivered their first aircraft parts, for use in the structure of the Legacy 500 jet. These plants, which manufacture metallic and composite materials structures, were conceived as centers of excellence for developing new technologies and for automated production. The Company invested € 100 million in the metallic materials area and € 77 million in the composite materials area. In 2013, Embraer expects to stabilize the unit's production, with the arrival of new equipment.



New Technology Center in Melbourne, Florida GRI 2.9

In November 2012, construction began on an Engineering and Technology Center in Melbourne, Florida. It will be part of the existing Embraer complex, which already has an industrial facility and a customer center. It is expected to open in 2014.

With investments of about US\$ 26 million, the center will focus on research and development of new products and technologies for all of Embraer's businesses. Its initial activities will focus primarily on executive jet interiors. It is estimated that around 200 engineers will be hired over the course of the next few years.

MADE IN USA

With the consolidation of production of the Phenom 100 at the Embraer industrial facility in Melbourne, Florida, production of the other model of the same family, the Phenom 300, began in 2012. The North American factory is geared towards serving the global market (with expected production of eight units per month), while production of the two jets in São José dos Campos becomes focused on fulfilling Brazilian orders.

Brazil gains new Embraer centers GRI 2.9

In August, Embraer began building a new Service Center in the city of Sorocaba to service the growing fleet of executive jets in the country. Administrative offices, hangars, VIP lounges, and meeting rooms for customers and rest areas for crews will be installed in a 20,000-square-meter area. The space will also provide maintenance, repair and overhaul services, as well as boarding and arrival terminals.

With estimated investments of US\$ 25 million, the new center is expected to begin operations in the second half of 2013, generating up to 250 direct jobs.

In October, Embraer's Engineering and Technology Center opened in the city of Belo Horizonte, Minas Gerais. The center operates in the areas of aerodynamics and cargo engineering, aerospace structures, and simulation systems and software.

By the end of the year, 70 engineers — hired locally — were already employed, and that number should climb to 100 during 2013.





WE ARE
HERE TO
SERVE OUR
CUSTOMERS



CUSTOMER CARE CENTER

THE CENTER OF ALL THE ACTION

The good results achieved by Commercial Aviation, Executive Aviation, and Defense & Security are a reflection of the Company's constant striving to meet customer demands and to deliver products and services that stand out for their quality, efficiency and safety





As set out in its corporate values, customers are at the center of all of Embraer's Activities. In 2012, the pursuit of corporate excellence continued through initiatives for optimizing processes and increasing product efficiency, quality and safety. In order to meet customer needs, the Company opened new service centers, expanded design centers, and developed technologies that facilitate the day-to-day activities of aircraft operators. The attention paid to these customers, and the efforts to keep them satisfied, position Embraer as a benchmark company in terms of customer support.

Embraer also invests in research for developing more efficient and sustainable products (read more in the chapter "Boldness and innovation are our hallmarks"). In this regard, the effort invested in developing biokerosene and making it viable reached a milestone with the flight of an EMBRAER 195 powered by biofuel made from sugarcane during the Rio+20 Conference (read more in the chapter "We build a sustainable future").

In the following sections the Company presents the main results and highlights of each of its business units in 2012.

COMMERCIAL AVIATION





Market environment

The demand for commercial air transportation continued the upward trend of previous years and rose 5.3% in 2012, according to the International Air Transport Association (IATA), with the highlight being the growth recorded in emerging markets. However, profitability of airline companies fell from US\$ 8.8 billion in 2011 to about US\$ 6.7 billion in 2012. This drop, which occurred despite companies' efforts to reduce costs and increase operational efficiency, is attributed to low international economic growth and to the high price of fuel.

Projections for 2013 indicate a moderately better performance, resulting from steady growth of demand for air transportation, stable fuel prices, and improved management of seat supply, which will provide for better fares. According to IATA, airline companies are expected to generate profits of about US\$ 8.4 billion in 2013.

When analyzing the outlook for the market, Embraer estimates that demand for commercial air transportation will continue growing at a rate of 5% per year through 2031. Worldwide, this increase could translate into demand for approximately 6,795 commercial jets with up to 120 seats; this represents a potential market of US\$ 315 billion.

A stable outlook is anticipated for the market for commercial jets with up to 60 seats. In the North American market, which accounts for 70% of the world's fleet, these airplanes should continue being fundamental to the commercial aviation system, since these aircraft connect many low- and medium-density markets to the large hub airports. In emerging markets, jets with up to 60 seats have contributed to promoting the development of regional aviation.

Projections for jets with 61 to 120 seats, a segment that Embraer leads, are promising. Contributing to this are a need to substitute older aircraft, to complement or substitute larger airplanes, and an expansion of seat supply in markets that have historically been operated by smaller airplanes. The development of new markets is also seen as favoring this segment. Specifically in the United States, the need for replenishing older fleets, and negotiations between airlines and unions to replace part of the fleet of 50-seat regional jets with aircraft containing up to 76 seats, are positive indicators for Embraer's business.



Performance

In 2012, E-Jets maintained their leadership position in the market for commercial jets with 61 to 120 seats, with a 43% market share. By fulfilling its delivery plan, Embraer extended its penetration of the commercial aviation sector to 63 operators in 43 countries. In October, Embraer reached a milestone by delivering its 900th E-Jet, an EMBRAER 190, to Kenya Airways, one of Africa's major airlines. This was a mere eight years after the first E-Jet went into operation, and demonstrates the effectiveness of the E-Jets models, which have contributed to spurring regional transportation around the world, while providing airlines with gains in operational efficiency.

A tepid international economic environment resulted in a drop in sales for the period. Nevertheless, the broad acceptance of E-Jets by the world's air transportation industry was reflected in the announcement of new purchase orders by existing customers: Azul Linhas Aéreas Brasileiras (Brazil), British Airways (United Kingdom), JAL (Japan), Hebei Airlines (China), Conviasa (Venezuela), and Azerbaijan Airlines.

Six new clients began operating E-Jets in 2012: Estonian Air, Bulgaria Air, the Ukrainian Aviation Group Alliance, Belavia (Belarus), Conviasa (Venezuela), and Myanma Airways. The year was also marked by the selection of E-Jets by TUI Travel (United Kingdom), one of the biggest leisure travel companies in the world, and by Flynonstop (Norway); both companies have deliveries scheduled for 2013.

By the end of 2012, Commercial Aviation had achieved 1,093 firm orders and 580 options to buy, had delivered 908 jets, and had a firm order backlog amounting to US\$ 5.8 billion (185 aircraft).

COMMERCIAL AIRCRAFT DELIVERIES

Aircraft	2010	2011	2012
ERJ 145	7	2	0
EMBRAER 170	11	1	1
EMBRAER 175	8	10	20
EMBRAER 190	58	68	62
EMBRAER 195	17	24	23
Total	101	105	106

ORDER BACKLOG

Aircraft	Firm orders	Options	Deliveries	Firm order backlog
EMBRAER 170	193	29	183	10
EMBRAER 175	198	266	163	35
EMBRAER 190	560	265	451	109
EMBRAER 195	142	20	111	31
Total	1,093	580	908	185

Leasing

During the year, Embraer maintained its partnerships with leasing companies, which expand access and provide flexible fleet management for E-Jets operators. Today, leasing companies account for 38% of the worldwide fleet and 25% of Embraer's firm orders. They support around 250 E-Jets, for 35 airline companies.

US\$ 5.8 billion

was the total amount of the firm order backlog and a total of 908 E-Jets had been delivered, at the end of 2012

Continuous improvement of E-Jets

Embraer continuously strives to increase the efficiency and productivity of its aircraft, as well as to develop products that reduce environmental impacts and operating costs. In this regard, an improvement program for E-Jets to be implemented in 2013-2014 is under way, and focuses on reducing fuel consumption, noise levels, and maintenance costs.

In addition, Embraer is developing the second generation of E-Jets, and has begun selecting the suppliers who will be a part of the program. At the beginning of 2013, the selection of the PurePower® Turbofan™ engines, manufactured by Pratt & Whitney, was announced. This will provide a significant reduction in fuel consumption. Additionally, Embraer announced the selection of the Honeywell Primus Epic™ 2 integrated avionics system. Embraer's customers actively participate in the Company's improvement and development projects by contributing to the product concept and to solutions that meet market needs. It is expected that the second-generation E-Jets will go into service in 2018.





Satisfaction GRI PR5

The Company is in constant pursuit of customer satisfaction. Embraer invests not just in delivering products that use the most advanced technology, but also in perfecting its customer support services. In order to serve the nearly 2,000 aircraft from the E-Jets and ERJ 145 families, Embraer has 29 service centers worldwide, 18 of which are independent and 11 of which are part of the Embraer Authorized Service Center (EASC) network. All of them are certified by the relevant local aeronautics authorities. More than 65% of Commercial Aviation customers already use at least one of the service and support programs that the Company provides.

Commercial Aviation measures customer satisfaction at three different moments. The first evaluation is carried out in tandem with the delivery of each aircraft, through the Scorecard Embraer Customer (SEC). During the after-sale period, quarterly Customer Satisfaction Assessments (CSA) enable customers to rate Embraer's technical support, parts support, training, flight performance, manuals, technical solutions and their implementation, among other things. The third opportunity occurs through targeted customer interaction events, during which customers are encouraged to complete feedback surveys. One such event is the Operators' Meeting, which discusses issues relating to aircraft operations, and brings together customers, suppliers, and partners.

All the data are compiled and distributed internally, so that the relevant areas can review any processes that are deemed inadequate or improve those that can still be adjusted. Each of the follow-up actions arising from the satisfaction surveys is monitored by the relevant area.

At our clients' service

In 2012, an exchange of information between Embraer and airline operators resulted in the installation of a new customer service center in São José dos Campos. The Customer Care Center (CCC) provides much more agile and efficient customer service by integrating technical support with materials logistics. As part of the Excellence in Customer Experience program, the new center is open 24/7, all year long.

An eSolutions web-based tool is also provided to customers and includes performance software, daily real-time information on the state of the fleet, and a manual for identifying faults, among other services. One of its programs is the Aircraft Health Analysis and Diagnosis (AHEAD-PRO) system that analyzes the condition of the aircraft and monitors, in real time, the performance of E-Jets.

In 2012, the Customer Services and Support area introduced inventory management software that speeds up the replacement of spare parts for Embraer's commercial aircraft worldwide. Via this system, the Company was able to improve the quality of customer service and reduce planning time and inventory volume, while generating savings for the Company.

EXECUTIVE AVIATION





Market Environment

Since the second half of 2010, the world's executive jet market has been recovering from the repercussions of the international economic crisis that began in mid-2008. Two factors that contributed to a gradual return to pre-2008 growth rates have been the record profits of North American corporations and the growing number of millionaires around the world. The sector also benefited from trends in emerging countries such as Brazil and China, which saw increased interest in large executive jets, such as the Lineage 1000.

In 2012, the global executive jet industry delivered a total of 663 aircraft worldwide, 6% down from the figure for 2011, when the sector delivered 703 aircraft.

Against this backdrop, the outlook for 2013 is for stable demand and a possible pick-up by the end of the year. Despite the stagnation of the North American economy, projections indicate that the United States will continue to be the biggest market for executive jets, accounting for around 43% of the segment's projected revenues over the next ten years. By the end of that period, the worldwide value of the executive jet market should reach US\$ 246 billion, with more than 9,300 new executive jets being sold.

Performance

Embraer's Executive Aviation business expanded its market share from 14.1% of total units delivered worldwide in 2011 to 14.9% in 2012. Measured in terms of revenue, its share of the market increased from 5.9% in 2011 to 7.3% in 2012. During the year, 99 jets were delivered and, at the end of 2012, Embraer had accumulated a firm order backlog of US\$ 3.2 billion for executive jets.

In the entry-level and light categories, in 2012 Embraer delivered the 300th airplane of the Phenom family and its 100th executive jet in Brazil (a Phenom 300). Embraer began to produce the Phenom 300 at its Melbourne facility (see more in the chapter "Global presence is our frontier"), making this a hybrid factory equipped to produce both models of the family (Phenom 100 and Phenom 300). In the Best of the Best 2012, published in the US by the Robb Report, the two Phenom models were named the best aircraft in their categories for the second consecutive year.

US\$ 3.2 billion

was the total amount of the firm order backlog
of Executive Aviation at the end of 2012

There were also significant advances in the development programs of the Legacy 500 and Legacy 450, with the first deliveries envisaged for the beginning of 2014 and 2015 respectively. During the year, Embraer performed the maiden flight of the Legacy 500 and began producing the first prototype of the Legacy 450. In China, the Legacy 650 went into production (read more in the chapter "Global presence is our frontier"). Also in China, actor Jackie Chan became a brand ambassador for Embraer Executive Aviation, and the Company signed a major contract with ICBC Financial Leasing Co. for the delivery of ten Legacy 650.

The Legacy 600 has now celebrated ten years in production and enjoys broad market acceptance. In December 2012, there were more than 180 units in regular operation in 35 countries, with a major accumulation in Europe and the Middle East, which together account for 49% of the fleet (89 aircraft).

In the ultra-large category, Embraer and Minsheng Financial Leasing Co. signed a contract for the sale of three Lineage 1000 airplanes. The first delivery was made in August 2012. In December, the jet was approved by the Interstate Aviation Committee to operate in Russia.

Advances in the Legacy 500 and Legacy 450 programs

Executive Aviation's year was marked by advances in the Legacy 500 and Legacy 450 programs. The Legacy 500 made its maiden flight in November, and in May Embraer began to build the first prototype of the Legacy 450, with its first metal cut.

Both airplanes have fly-by-wire technology, which guarantees greater safety, precision, efficiency, and comfort. The engines on these models also feature low fuel consumption and low noise levels. It is expected that the first deliveries will take place in 2014 (Legacy 500) and 2015 (Legacy 450). In 2013, the certification processes for both aircraft will begin.



Satisfaction **GRI PR5**

The efforts that Executive Aviation has been putting into customer support services gained international recognition in 2012. Embraer was elected the second best company in Aviation International News's (AIN) Product Support survey. The Company's good ranking reflects, among other things, the expansion of its service centers throughout the world, the quality of its aircraft technical manuals, a strengthening of its support teams, and improvements in its parts inventory system. In Professional Pilot magazine, the Company won third place.

Embraer Executive Aviation itself carries out an annual survey, called Embraer Experience, which evaluates customer loyalty to its products, as well as the quality of the support provided in the areas of technical publications, repair shops, replacement parts, training, etc.

After publishing the results, which are broken out by product and region, action plans are prepared and feedback is sent to participating customers.

Information in the palm of your hand

In 2012, eTechPubs, a new iPad app developed by Embraer, became available to customers of the Phenom 100, Phenom 300, Legacy 600, and Legacy 650 jets. The tool provides information for successful operation, as well as how to carry out maintenance, which previously had been available only in printed form.





At our clients' service

In July, the Executive Aviation Global Customer Center in Melbourne, Florida, acquired design showrooms for the Legacy and Lineage lines, joining those already in place for the Phenom family of jets. A modern, high tech atmosphere enables customers to enter into a unique experience.

Guided by experts, they can personalize the interior of their aircraft by selecting from over 3,000 options of materials and systems. Thanks to state-of-the-art technology, customers can quickly visualize high-resolution digital illustrations of the interior of their jet. The showrooms will soon have life-size models of the cabins of some of the executive jets.

EMBRAER DEFENSE & SECURITY





Market environment

Outside the United States and Europe, economic growth has contributed to increased investments by governments in defense and security, as is the case with Brazil, which launched its National Defense Strategy in 2008.

This favorable environment continued in 2012, with highlights including ongoing programs in the markets for transportation of authorities, training and counter-insurgency, and intelligence, surveillance and reconnaissance systems, along with aircraft modernization, military transport, and integrated security systems and services.

Created at the end of 2010 to manage the Company's defense and security operations, Embraer Defense & Security plays a key role in the strengthening of Brazil's defense, security and space programs.

The Company's diversification strategy was reinforced by partnerships and acquisitions that have allowed Embraer Defense & Security to offer a broad range of products and integrated solutions, including military airplanes, state-of-the-art radars, unmanned aerial systems (UAS), and advanced information and communication systems, as well as customer support services and aircraft modernization.

In keeping with the corporate value "Global presence is our frontier," the business unit has been expanding its customer base and currently serves 48 countries. In 2012, its revenues posted a historic high of R\$ 2,080.8 million, and its order backlog reached a record US\$ 3.5 billion. Income was 44% higher than in 2011 and growth is expected to be on the order of 20% for 2013.

Performance

Embraer Defense & Security met all its delivery goals and increased its order backlog. The Super Tucano training and light attack aircraft ended 2012 with 14 deliveries: Brazil (8), Mauritania (2) and Indonesia (4). In addition to these three countries, Chile, Colombia, Ecuador, Burkina Fasso, and the Dominican Republic operate this aircraft. During the year, contracts were also signed to supply eight more Super Tucanos (for a total of 16 units sold) and a flight simulator to Indonesia. Thus far, 190 airplanes have been ordered and 172 have been delivered. At the beginning of 2013, the United States Government announced the selection of the Super Tucano for the Light Air Support (LAS) program of the US Air Force. Embraer Defense & Security also delivered two Airborne Early Warning and Control aircraft (EMB 145 AEW&C), out of the three that were ordered by the Indian government.

The development of the KC-390 military tactical transport and aerial refueling jet advanced on schedule, with the conclusion of the preliminary review of the project. Worthy of mention are the partnership signed with Boeing and the 60 letters of intent to purchase.

With regard to systems that support training and operations, including flight simulators, computational training systems, planning stations and mission reports, the business unit began basic and advanced pilot training for Indonesia, Mauritania and Burkina Faso. The Company also signed a contract to provide logistical support and services for the fleet of 24 airplanes of the ERJ 145 family that are operated by the Brazilian Air Force (FAB).

Border monitoring

In 2012, the Brazilian Army selected the Tepro consortium, made up of two companies controlled by Embraer Defense & Security (Savis Tecnologia e Sistemas and OrbiSat), to implement the first stage of the Integrated Border Monitoring System (Sistema de Monitoramento Integrado de Fronteiras - Sisfron).

The Sisfron system is set to monitor Brazil's entire 16,886-kilometer land border. In this first stage, estimated to cost R\$ 839 million, 650 km of Brazil's borders with Paraguay and Bolivia will be covered. Embraer's goal is to also participate in the other Sisfron stages and, later, to export the monitoring model. **GRI 1.2**



US\$ 3.5 billion

is the value of the Embraer Defense & Security order backlog, which is a record amount

Geostationary satellite

During the first half of 2012, an agreement between Embraer and Telebras created Visiona Tecnologia Espacial S.A., with 51% of its capital belonging to Embraer and 49% to Telebras. Its initial objective is to supply the Brazilian government with the Strategic Defense and Communications Geostationary Satellite (Satélite Geoestacionário de Defesa e Comunicações Estratégicas - SGDC). The SGDC is designed to meet the country's satellite communications needs, including the National Broadband Program and a broad spectrum of strategic defense transmissions. Visiona will be the main contractor and systems integrator of the SGDC, which, once it is delivered, will be operated by Telebras and the Ministry of Defense.

Embraer's skill at developing, managing, and integrating complex systems, combined with Visiona's specific expertise in satellite systems, make the company uniquely qualified to serve as the systems integrator and main supplier to future Brazilian satellite programs. The latter are outlined in the National Space Activities Program (Programa Nacional de Atividades Espaciais - PNAE) of the Ministry of Science, Technology, and Innovation, and in the Strategic Space Systems Program (Programa Estratégico de Sistemas Espaciais - PESE) of the Ministry of Defense.

Aircraft modernization

At present, Embraer Defense & Security is working on four aircraft modernization projects, three for Brazil and one for Colombia. In Brazil, the Company is charged with revitalizing and modernizing 43 subsonic AMX fighter jets and 11 F-5 fighters belonging to the Brazilian Air Force (FAB), along with 12 aircraft belonging to the Navy. A new flight simulator for the F-5 fighter jet is also expected to be delivered. For the Colombian Air Force, 13 EMB 312 Tucano airplanes are being modernized.

Satisfaction PR5

Embraer Defense & Security measures customer satisfaction every quarter, via Market Feedback Analyses. On a scale of 1 to 7, customers assess the Company's performance in different areas, such as technical support, operational support, parts support, and technical publications. All the information is compiled, analyzed, and disseminated internally. In 2013, the Company expects to achieve a satisfaction rating of 6.5 or higher.

Some of the initiatives implemented by Embraer Defense & Security already have had an impact on the results of the 2012 survey, raising satisfaction levels. Among these are the Mission Readiness Center (MRC), which handles all customer inquiries and technical support and quickly forwards queries to the appropriate departments, and the Special Programs for Logistics Services, which meet the specific needs of customers in this segment.



KC-390 cargo jet project advances

Embraer Defense & Security signed a contract with Boeing to cooperate in the building of the KC-390, a medium-sized military cargo and aerial refueling jet. The agreement provides for the sharing of technical knowledge and the completion of joint market analyses to develop a viable sales strategy.

The preliminary review of the KC-390 project, ordered by the Brazilian Air Force (FAB), was successfully concluded in August 2012. By the end of the year, there were 60 letters of intent to purchase from the FAB and armed forces in countries such as Argentina, Colombia, Chile, Portugal, and the Czech Republic. In 2013, the Company is focusing investments on preparing the Gavião Peixoto plant to produce the aircraft.



Super Tucano in the US Air Force

After a rigorous bidding process, at the start of 2013, the Super Tucano was chosen for the Light Air Support (LAS) program of the US Air Force.

In partnership with Sierra Nevada Corporation, which develops technological solutions in the electronics and aerospace segments, Embraer Defense & Security will supply 20 Super Tucanos for advanced flight training missions, and tactical air support.

The US\$ 427 million contract also entails the delivery of equipment for on-the-ground pilot training, replacement parts, and logistical support.

PORTFOLIO GRI 2.2

Commercial Aviation

Aircraft	Capacity	Range*
ERJ 145	37 to 50 seats	3,700 km (2,000 nm)
EMBRAER 170	70 to 80 seats	3,900 km (2,100 nm)
EMBRAER 175	78 to 88 seats	3,700 km (2,000 nm)
EMBRAER 190	98 to 114 seats	4,500 km (2,400 nm)
EMBRAER 195	108 to 122 seats	4,100 km (2,200 nm)

Executive Aviation

Aircraft	Capacity	Range*	Category
Phenom 100	6 to 8 occupants	2,182 km (1,178 nm)	Entry-level
Phenom 300	8 to 11 occupants	3,650 km (1,971 nm)	Light
Legacy 450	7 to 9 passengers	4,260 km (2,300 nm)	Midlight
Legacy 500	8 to 12 passengers	5,556 km (3,000 nm)	Midsized
Legacy 600	13 to 14 passengers	6,297 km (3,400 nm)	Super midsized
Legacy 650	13 to 14 passengers	7,223 km (3,900 nm)	Large
Lineage 1000	13 to 19 passengers	8,149 km (4,400 nm)	Ultra-large

* Kilometers and nautical miles.

Defense & Security

Super Tucano

Basic and advanced training, transition to fighters, and light attack

EMB 145 AEW&C

Aerial early warning and control

EMB 145 Multi Intel

Remote sensing, air/ground surveillance, and electronic intelligence

EMB 145 MP

Maritime patrol

KC-390

Tactical military transport and aerial refueling

Transportation of authorities

ERJ 145 family, E-Jets, Phenom, Legacy, and Lineage

Unmanned aerial systems (UAS)

Simulators

Ground radars

Systems and solutions

Integrated Command and Control System (C4I)

Training and Operational Support System (TOSS)

Mission systems

Air traffic control

Police intelligence system

Services

Modernization of avionics systems

Aircraft modernization

Aircraft repair and maintenance services

Remote sensing

Logistics services

Training and capacity building

OTHER HIGHLIGHTS



Agricultural Aviation

Embraer leads Brazil's agricultural aviation market with its Ipanema airplane, which commands a 65% market share. The model, which has been produced for more than 40 years at the Botucatu plant, is primarily used for crop spraying. The Ipanema can be equipped with a number of options, such as a solids spreader and a Differential Global Positioning System (DGPS). The model is the world's first and only ethanol-powered aircraft to be built on an assembly line, resulting in a reduced environmental impact, lower operating and maintenance costs, and a better overall aircraft performance. The ethanol-powered version entered production in 2005 and now accounts for 40% of the fleet in operation.

In 2012, 66 Ipanema aircraft were sold in Brazil and Mercosur, representing growth of 15% over the previous year. The increased sales in recent years testify to the importance of the aircraft for Brazil's agribusiness sector.

Sales finance

In 2012, airline companies managed to secure financing for their deliveries despite the effects of the economic crisis on the availability and cost of bank credit. Embraer's customers successfully raised financing for aircraft, with leasing companies being the principal financiers of E-Jets.

The diversification of the E-Jets customer base and the aircrafts' versatility in serving a variety of business models have contributed to the aircraft being seen as an investment. The success Embraer customers have seen in raising financing attests to the financial community's favorable evaluation of E-Jets.

In recent years, the EMBRAER 170/190 family has been financed mainly by leasing companies and by Brazil's export credit agency, BNDES-Exim. European commercial banks, until recently the most active in the market, continue to face liquidity constraints and as a result have been reducing funding allocations to this sector. On the other hand, a

AGRICULTURAL AVIATION DELIVERIES

Aircraft	2010	2011	2012
Ipanema	40	55	56

diversification of financing sources is in evidence, with the involvement of new players, such as Japanese banks and local financial institutions in the Middle East, Australia and China.

Export credit agencies have fully supported aircraft manufacturers in their respective countries and should play an important role in meeting the total financing needs of the sector in 2013, which are estimated at US\$ 104 billion.

The role of leasing is expected to grow in the coming years, compensating for the reduction in funds offered by commercial banks. Projections indicate that more than half of the world's fleet of passenger jets will be under leasing contracts by the end of the decade, as compared to the current 40%. Financing via the capital market will also gain momentum, as new regulatory measures for capital and the banking system, along with the worldwide adoption of the Cape Town treaty, tend to make it more efficient in relation to other structures, especially in the North American market. Leasing companies are expected to continue accessing the capital market to finance their operations.

Asset management

In order to provide better sales support and reduce some of the financial risks entailed in the sale of aircraft, the ECC Leasing Co. Ltd. subsidiary was created in 2002. It is headquartered in Dublin, Ireland.

ECC Leasing manages and sells aircraft that, under contractual obligations, may be acquired by Embraer via trade-ins and buy-backs. It also provides resale services to third parties involved in sales campaigns.

Since 2002, ECC Leasing has administered 164 aircraft, manufactured by Embraer and other manufacturers (acquired via trade-in). Of this total, 79 were resold, 42 are under operational leases, and 39 are either available for release onto the market, being negotiated or in the process of being delivered to customers, and four continue to be used by Embraer for tests and certifications, especially for E-Jets and the Legacy 650.

In order to facilitate the sale of new aircraft to the Commercial Aviation segment, the Company implemented mechanisms that enable it to offer financial guarantees associated with the structuring of sales financing, thus managing exposures that could put Embraer's corporate security at risk.



WE STRIVE FOR
COMPANY
EXCELLENCE



BUSINESS STRATEGY GRI 1.2

Embraer's business administration and corporate governance models are geared towards securing the business's longevity and generating value for its stakeholders





Embraer's management model provides for planning and implementing long-term initiatives set out in the Company's Strategic Plan, as well as short- and medium-range projects established in the Action Plan. While the first deals with macro strategies and macro projects for the next 15 years, the second addresses objectives to be realized within two years and establishes operational, economic-financial, and sustainability goals for the period.

The Strategic Plan and the Action Plan are mutually aligned and geared towards securing the longevity of the business and generating value for shareholders. They also fulfill Embraer's objectives: to sustain the Company's growth trajectory; to increase competitiveness; to hone its model of corporate excellence; to continuously improve processes, quality, and productivity; and to press ahead with business diversification and global expansion projects.

The Strategic Plan has five main focuses:

Commercial Aviation

Solidify its leadership position in its segment, expanding the customer base, working on perfecting E-Jets, and pursuing excellence in the customer support model;

Executive Aviation

Consolidate itself as one of the world's leading manufacturers of executive jets, increasing market share, investing in the development of new products and maintaining high levels of customer satisfaction with services and support;

Defense & Security

Be a key player in Brazil's defense and security system, diversifying its portfolio of products and services and expanding its international presence, as well as pursuing excellence in customer support;

Diversification

Direct efforts towards diversifying Embraer's business, maintaining synergy with the Company's core competencies;

People, organization, and processes

Remain a global organization committed to growing sustainably and serving as a benchmark in innovation and corporate excellence, all the while delivering customer satisfaction and valuing its people.

Management development

Launched in 2007, the Embraer Entrepreneurial Excellence Program (P3E) seeks to promote excellence in the Company's management, processes, and products. The program comprises four pillars: organizational culture; people development; leadership development; and corporate efficiency.

The program organizes the Company into continuous improvement cells, based on the Company's value flow. The performance of the cells is evaluated according to clearly defined criteria, and with each level of progress they can achieve basic, bronze, silver, and gold qualifications. In 2012, about 40% of the 434 cells in the Company had achieved silver and about 50% had attained bronze.

The P3E is based on Lean philosophy; and to raise productivity gains, eliminate waste, and optimize processes, it uses the Kaizen concept. In 2012, more than 3,500 kaizen projects were concluded and another 4,000 are due to be carried out in 2013.

Also in 2012, Embraer created the Embraer Business System (Sistema Empresarial Embraer - SEE) to perfect the Company's management practices. This is based on the Management Excellence Model (Modelo de Excelência da Gestão - MEG) of the National Quality Foundation (Fundação Nacional da Qualidade - FNQ). During the year, Embraer's practices achieved level 7, which runs from 651 to 750 out of a possible 1,000 on the FNQ scale, testifying to the progressive evolution of the quality of its management.

CORPORATE GOVERNANCE

Embraer's corporate governance model is based on transparency, independence, and accountability as means of preserving and optimizing the Company's value, facilitating its access to capital, and contributing to its longevity.

In 2006, Embraer became a company with a pulverized structure of share ownership. This capital restructuring consolidated stocks in circulation into a single class of common stocks, giving voting rights to all shareholders. The change allowed Embraer to join the New Market (Novo Mercado) of the São Paulo Stock Exchange (Bolsa de Valores de São Paulo - BM&FBovespa), alongside other companies that adhere to the highest standards of corporate governance. **GRI 4.4**

The alteration to the shareholding structure fully preserved tag along rights, which guarantee all shareholders the same rights in the event of an offer to buy the Company. At the same time, the Federal Government's rights were safeguarded; it holds a special class of share, the golden share, which confers to the Federal Government veto powers over certain issues of strategic importance to the Company or to the Federative Republic of Brazil. **GRI 4.4**

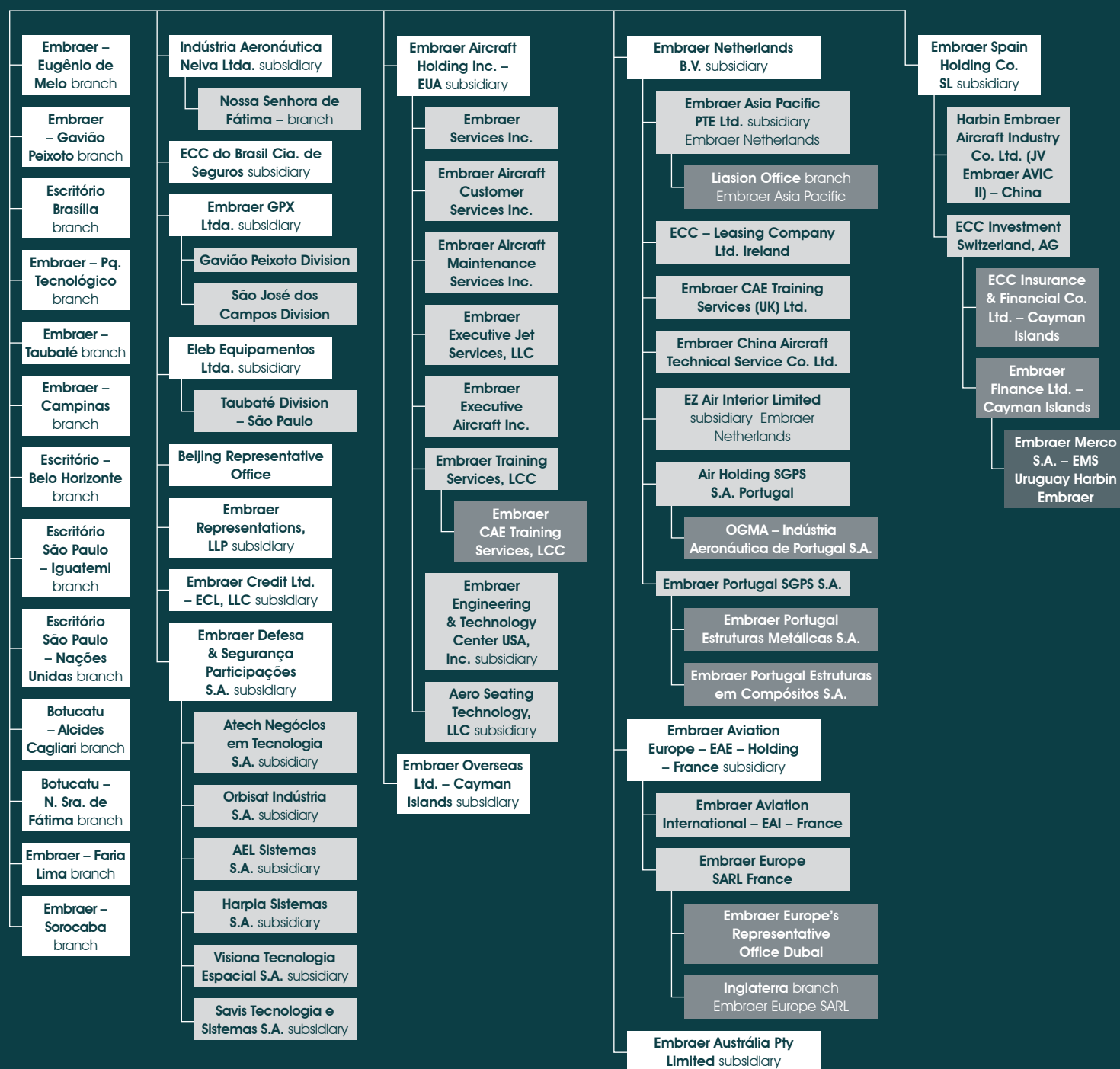
To discourage excessive concentration of shareholdings or American Depositary Receipts (ADR), at the Shareholders' General Meeting no single stockholder or group of stockholders may exercise the vote on behalf of more than 5% of total shares. According to company statutes, and in compliance with norms established during the Company's privatization in 1994, Company decisions made during the General Meeting must be passed by a majority of Brazilian shareholders, with foreigners restricted to 40% of the votes present. No shareholder is allowed to own 35% or more of the Company's capital, except with the express authorization of the Federal Government, and subject to holding a public share offering. **GRI 4.6**

Corporate structure **GRI 4.1**

Embraer's corporate structure is geared towards optimizing management of the business, with a view to integrating all its different operations and ensuring continuous customer satisfaction. It also seeks to meet the specific requirements and needs of the countries in which the Company operates. The governance structure comprises the Board of Directors and its advisory committees (Strategy Committee, Audit and Risk Committee, and Human Resources Committee), the Fiscal Board, and the Board of Executive Officers.

Corporate Structure GRI 2.3

EMBRAER HOLDING



Board of Directors **GRI 4.3 | 4.4 | 4.7**

The Board of Directors is responsible for approving the Company's Strategic and Action Plans, and setting guidelines, goals, budgets, and investment plans. The Board also closely follows the Company's performance in the markets where it operates, retains independent auditors, decides on stock issues and bonuses, elects and dismisses members of the Board of Executive Officers, and keeps checks on management.

In 2012, Embraer's Board of Directors, which has a two-year mandate, was composed of 13 full members and their respective alternates. Nine members were independent. In a General Meeting held in March 2013, shareholders voted to reduce the number of Board positions; the Board will have 11 members as of May 2013. Seven of these will be independent. The Brazilian government, which holds the special class golden share, names one member, and employees name two others: a representative of the Embraer Employee Investment Club (Clube de Investimentos dos Empregados Embraer - CIEMB) and another elected directly by non-shareholding employees. Since 2010, Embraer has been implementing procedures to evaluate the Board's and its members' performance; the evaluation reviews and analyzes individual and group contributions to achieving established objectives and ensuring excellent corporate governance.

Auxiliary committees **GRI 4.1 | 4.7 | 4.9 | 4.11**

Strategy Committee: advises the Board of Directors on formulation of the Strategic Plan and the Action Plan, with a focus on objectives, macro projects, and evaluation of potential new business opportunities. It also monitors Company administration and results.

Audit and Risk Committee: assists in identifying and managing business risks inherent to the Company's activities, adapting risk management models, guidelines, and policies, and verifying managerial and accounting information released to the public and to regulatory agencies. With regard to auditing in particular, the committee recommends which company should be responsible for the external audit, supervises its activities, and is responsible for adopting any measures needed to field and address complaints about financial statements, internal controls, and the independent audit. The Committee is also responsible for ensuring the quality of financial reporting and compliance with legal, regulatory and evaluation requirements, and to manage the Company's qualifications, as well as monitor the performance and independence of the internal audit, financial risks, and internal controls.

Composition of the Board of Directors GRI 4.2

Elected in a General Assembly, on April 25, 2013



01 Alexandre Gonçalves Silva
Chairman

02 Sergio Eraldo de Salles Pinto
Vice Chairman

03 Antonio Franciscangelis Neto

04 Arno Hugo Augustin Filho

05 Ernani de Almeida Ribeiro Júnior

06 Israel Vainboim

07 João Cox Neto

08 Josué Christiano Gomes da Silva

09 Paulo Roberto de Oliveira

10 Samir Zraick

11 Vitor Paulo Camargo Gonçalves



Human Resources Committee: provides support to the Board of Directors in electing and dismissing Company directors, establishing their respective functions, setting remuneration and human resource policies, administering the Company’s share option programs and recommending the allocation of funds to employee associations and charities, recreational and private retirement organizations.

Fiscal Board

This committee is composed of up to five full members and an equal number of alternates (shareholders or otherwise), who are elected in an Ordinary General Meeting to one-year mandates. It reports directly to the General Meeting, and is charged with overseeing administrative management, meeting every quarter to evaluate the financial statements. Under extraordinary circumstances, meetings may be called at the initiative of its president or at the request of any one of the members.

COMPOSITION OF THE FISCAL BOARD ON APRIL 26, 2012	
Ivan Mendes do Carmo	President
Eduardo Coutinho Guerra	Vice President
Adolpho Gonçalves Nogueira	FB Members
José Mauro Laxe Vilela	
Taiki Hirashima	

Board of Executive Officers

Named by the Board of Directors for a two-year mandate, the Board of Executive Officers is responsible for managing the Company in accordance with the Strategic Plan and the Action Plan. It is evaluated by the Board of Directors and remunerated according to the fulfillment of the economic-financial, operational, and socio-environmental goals in the Action Plan. The Board of Executive Officers is supported by several managerial committees such as Financial Management, Ethics, and Sustainability. It can also call on specialized consultancies and audit firms; these advise on opportunities to implement improvements, to prevent and reduce potential risks, and to ensure sustainable administration. **GRI 4.10**

Composition of the Board of Executive Officers

as of April 25, 2013



01 Frederico Pinheiro Fleury Curado
President & CEO

02 Artur Aparecido Valério Coutinho
Executive Vice President, Operations (COO)

03 Ernest Joseph Edwards
Executive Vice President, Executive Aviation

04 Jackson Medeiros de Farias Schneider
Executive Vice President, People,
Institutional Relations, and Sustainability

05 José Antonio de Almeida Filippo
Executive Vice President, Finance
and Investor Relations (CFO)

06 Luiz Carlos Siqueira Aguiar
Executive Vice President, Defense & Security

07 Mauro Kern Junior
Executive Vice President,
Engineering and Technology

08 Paulo Cesar de Souza e Silva
Executive Vice President, Commercial Aviation

09 Terena Penteado Rodrigues
Executive Vice President, General Counsel



Evolution in the governance model

With a view to consistently improve its corporate governance and risk management processes, Embraer created, in 2012, the Compliance Department and the Internal Auditing Department.

Reporting directly to the Audit and Risk Committee, the Compliance Department was created to unify and strengthen the Company's existing rules and procedures. Embraer's Enhanced Compliance Program (EECP) has a global scope and consolidates and reinforces the Company's compliance practices, with a special focus on anti-corruption and export controls. In 2013, the Company will consolidate the program's activities and implement specific goals for different areas of the Company.

Reporting directly to the Audit and Risk Committee, the Internal Auditing Department acts independently and is responsible for centralizing the Company's internal audit activities. With a set of internal rules in effect, the Internal Audit Manual is expected to be completed in 2013.

Risk management GRI 4.11

Represented in the top spheres of governance and geared towards transparency, safety, and securing the Company's operations and resources for the long term, Embraer's risk management practices evolved throughout 2012. In January, the Risk Committee of the Board of Directors expanded its scope to incorporate audit responsibilities and was renamed the Audit and Risk Committee. The change comes in response to the requirements of the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) and to US laws, specifically the Sarbanes-Oxley Act. Internal audit procedures were also reinforced.

Corporate risk management falls under the Department of Risk Management, reporting to the Executive Vice President, Finance and Investor Relations (CFO).

Another significant advance was the conclusion of the review of the main risks inherent to Embraer's business, conducted by an external consultancy. Following a series of interviews with senior management, the Company's risk map was updated, as well as the respective mitigation procedures.

The management and corporate governance practices adopted by Embraer are applicable to all the Group's companies in Brazil and abroad, including joint ventures. Risks are categorized into strategic, operational, regulatory, and financial.

Strategic

At Embraer, strategic risks are associated with senior management decisions that have the potential to cause a substantial decline in the Company's economic value. They may be related, for example, to the worldwide cooling of the economy, prolonged recession in developed markets (United States and Europe); increased trade barriers in foreign markets; the scarcity of aircraft finance credit in the international financial markets; and rising costs in Brazil due to inflation, an overvalued currency (Brazilian Real), and a heavy tax burden.

Accordingly, planning and market risk management for Commercial Aviation, Executive Aviation, and Defense & Security are based on constant monitoring of the main trends in the market in which Embraer operates.

Embraer provides the market and other stakeholders with advance notice of any issues that could present a risk to its operations and brand. Our image, in the eyes of critical stakeholders, is also dependent on sound relations with investors and analysts, which are developed through meetings, participation in conferences and road shows, regular visits to the Company, the circulation of press releases and the latest financial results, and constant updating of the website.

Operational

Embraer's operating risks involve possible losses (of production, assets, customers, income) resulting from faults, shortcomings or inadequacies of internal processes, people and systems, as well as external events such as natural disasters.

Operational risk assessments are presented to top leadership and discussed with respective managers and, later, with Embraer's Audit and Risk Committee, under the coordination of the Department of Risk Management.

Financial

Embraer's financial risks are those associated with exposures entailed in financial operations. The Company has a duty to ensure cash flows are administered effectively, in order to maximize operational cash flow, manage risks and returns specific to financial transactions, and raise and apply financial resources according to established policies.

In order to provide better financial support for sales and operations, by accessing short-term financial resources at previously negotiated interest rates, Embraer raised funding that supports future growth and investments, bolstering its cash flow position for the next few years.

The administration of cash allocations is one of the main tools used to mitigate currency risks, neutralizing currency exposure through the choice of assets denominated in Reals (R\$) or Dollars (US\$). The Company's Finance Committee vets the most important operations and issues its formal approval, based on the Financial Management Policy approved by the Board of Directors.

Regulatory/legal

Embraer operates in all stages of the aircraft manufacturing process, from project development to after-sales support, adhering systematically to the relevant industry regulations. **GRI PR1**

In the environmental sphere, Embraer evaluates opportunities in its activities for mitigating the effects of global warming and of greenhouse gas (GHG) emissions, such as controlling consumption, adjusting its energy mix, new technologies, and the development of new products. **GRI EC2**

The Company has also been fully cooperating with the US Securities and Exchange Commission (SEC) and the US Department of Justice (DoJ) in the ongoing investigation into possible noncompliance with the US Foreign Corrupt Practices Act (FCPA). Outside attorneys were hired to conduct the process independently. They are in regular contact with both agencies, and provide them with documents and information as requested.

Furthermore, Embraer has developed and implemented several projects for reducing risks in its business processes and information systems. In 2012, the Company completed a global risk assessment, involving around 24 executives, as well as members of the Board of Directors. This contributed to Embraer's current risk mapping. The general control environment was also revised, through improvements to the corporate structure for internal controls, in compliance with the Sarbanes-Oxley Act, section 404: control structure of relevant procedures for financial statements, in accordance with the Public Companies Audit Oversight Board (PCAOB).





Independent auditors

KPMG Independent Auditors are responsible for the external audit of Embraer's financial statements. In 2012, the company was retained to carry out functions unrelated to the external audit (tax reviews and due diligence for acquisition transactions). In less than a year, its fees totaled R\$ 554,900, equivalent to about 11% of the total honorariums incurred for the external audits of Embraer and its controlled companies. The scope and nature of the work performed meant it did not affect the external auditors' independence and objectivity.

Policies

Embraer's corporate policies provide norms that guide the work of all employees and are aligned with the Company's values and leading market practices incorporated into Embraer Entrepreneurial Excellence Program (P3E). Some of these policies are described below:

Risk Management Policy

Embraer's risk management directives are based on the best market practices and guidelines from the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa - IBGC), the Committee of Sponsoring Organizations of the Treadway Commission (COSO II), and ISO 31000, among others. These directives are described in Embraer's Risk Management Policy. This was drafted in 2012 and is in the process of being approved by the Audit and Risk Committee and the Board of Directors. It should guide the work of the Department of Risk Management.

Financial Management Policy

Approved by the Board of Directors, this contains the guidelines for administering corporate finances related to the Company's cash flow and capital structure. Key indicators are monitored and reported to the Finance Committee, the Board of Executive Officers, the Audit and Risk Committee of the Board of Directors, and the Board of Directors via a report on existing opportunities and risks, and commentary on operations and the progress of mitigation actions.

Human Resources Policy **GRI 4.8**

This seeks to communicate the Company's thinking and position on the treatment of its greatest asset: its employees. As a policy, it must apply to all business-related actions taken by anyone who has responsibility for managing people, across all the various countries where the Company operates.

Quality Policy

Embraer has held ISO 9001 certification since 1996, and since 2002 has been certified under AS 9100 (standards for Quality Management Systems for aviation, space, and defense organizations). In 2007, following the launch of the Embraer Entrepreneurial Excellence Program (P3E), these requirements were extended to everyone in Embraer who is involved in driving the continuous improvement of administrative and operational processes.

Other general directives are aligned with the Quality Policy. They are:

- Plan, produce, and support products with intrinsic quality and adequate safety;
- Focus activities on prevention;
- Ensure that all employees know, understand, and adhere to the quality standards in their work in a responsible manner;
- Ensure the best environmental and occupational health and safety practices;
- Eliminate waste and everything that does not add value;
- Ensure the continuous improvement of all business processes through the involvement of people and teams at all levels, with a focus on customer satisfaction;
- Focus on human beings as being fundamental to the Company's entire development process.

Intellectual Property Management Policy

Embraer recognizes the need to protect the rights and results of its intellectual creations, represented by inventions, industrial drawings, brands, processes, software, or products. In this regard, in 2007 the Intellectual Property Management Policy was approved, committing the Company to:

- Ensuring the generation of technological knowledge aligned with its strategic interests and business units;
- Incentivizing innovation and creativity to promote technological development and ensure the competitive edge of the Company's products and services;

-
- Ensuring the protection and registration of intellectual property resulting from knowledge and innovation generated in the Company, in accordance with laws applicable to the pertinent areas;
 - Extracting the economic value embodied in intellectual property, with a focus on increasing the competitiveness of distinctively different and innovative products, processes, and services, as well as taking advantage of new business opportunities;
 - Respecting the intellectual property rights of third parties and ensuring its own rights are respected.

Environmental and Occupational Health and Safety Policy GRI 4.8 | 4.11

Embraer's Environmental and Occupational Health and Safety Policy has been in force since 2001, and seeks to ensure all Company operations are environmentally sustainable, safe and healthy.

Some of the guidelines of the Environmental and Occupational Health and Safety Policy are as follows:

- Employee awareness;
- Continuous improvement;
- Compliance with the law and environmental and occupational health and safety requirements, including for suppliers and service providers;
- Adoption of preventive practices, corrective actions, and innovative solutions.

Flight Safety Policy GRI 4.11

This policy permeates the entire Company and incentivizes a continuous and rigorous commitment on the part of employees and leaders to building ever-safer aircraft that exceed national and international certification standards. Employees are incentivized to report risk situations, to ensure that results data get to the relevant people and that necessary changes are made to ensure alignment with safety recommendations. They are also incentivized to adhere to and promote a flight safety culture, in accordance with the Operating Safety Management System and the Operating Safety Management Manual, besides contributing to disseminating this policy through all levels of the Company and among suppliers and customers.

Product safety **GRI PR1**

Embraer adheres to the highest production standards and strives for continuous improvement of both people and processes. It also offers a set of technical training courses to customers and operators, and holds various project, manufacturing and air navigability certifications in Brazil and in other countries, demonstrating its fulfillment of all the safety requirements stipulated by the relevant authorities. The Company's flight safety policy takes a proactive approach to the entire product life cycle, to ensure safety norms are met and exceed the statutory minimum requirements.

New products and updates of already-certified projects are released to operators only after formal demonstration of the safety requirements and the resulting approval by the authorities. In addition to being evaluated by the civil aviation authorities, Embraer monitors aircraft already in operation and makes available the jets' technical operation and maintenance manuals, thus contributing to their safe and efficient use.

All aircraft developed for civilian use are certified by the National Civil Aviation Agency (Agência Nacional de Aviação Civil - ANAC) in Brazil, by the Federal Aviation Administration (FAA) in the United States, and by the European Aviation Safety Agency (EASA) in the European Union, as well as by other organizations, according to the country in which the aircraft will be registered and operated.

Embraer aircraft are delivered with a set of manuals, which are evaluated and approved by aviation certification authorities (ANAC, FAA, EASA, etc.) on the basis of rigorous safety regulations. The manuals are for use in study courses, normal operations, and emergencies. There are also technical manuals that describe the products and their systems, and some parts also show maintenance procedures.

GRI PR3

These rigorous safety and efficiency measures also extend to the supply chain, which meets the same standards that apply to Embraer, including regulation procedures for handling and discarding substances that are potentially hazardous to the environment and to society. **GRI PR3**

Product Safety Committee **GRI PR1**

With constant monitoring, any possible risks identified are immediately evaluated and addressed by the Embraer Product Safety Committee, which oversees a holistic risk management process that adheres to the industry's highest standards to minimize exposure.

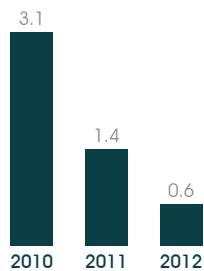
On average, the Committee is monitoring 2.1 issues, per year, per type of aircraft, taking into consideration the launch of new models and the continued growth of the fleet in operation over the last five years.

In the event of accidents or serious incidents involving one of its products, Embraer's Flight Safety unit participates in the investigations and supports the authorities in charge, in accordance with the norms set by the International Civil Aviation Organization (ICAO).

In 2012, the Company recorded four cases of noncompliance with voluntary health and safety codes. During the year, there were three accidents without fatalities involving Embraer aircraft. In February, an EMBRAER 170 landed in the United States with the nose landing gear still stowed. In August, an EMBRAER 190 left the runway, while landing in Taiwan and, in November, in the Comoros Islands, an EMB 120 Brasilia turboprop was forced to land in the ocean. Additionally, in July, an EMB 121 Xingu aircraft crashed into the ocean off Rio de Janeiro, causing three fatalities. **GRI PR2**

In all four cases, Company representatives were sent to join the investigation into the causes of the accidents. Although the investigations are yet to be concluded, no faults with the planes have been identified as contributing factors. **GRI PR2**

**ISSUES MONITORED BY THE
PRODUCT SAFETY COMMITTEE**
Average per Type of Aircraft Monitored



Participation in initiatives and associations **GRI 4.12 | 4.13 | SO5**

Embraer adopts principles and takes on commitments that improve the Company's administration and contribute to its economic and socio-environmental development. Among those initiatives, the highlights include:

Global Compact (UN): as a signatory since 2008, Embraer is committed to developing policies and strategies and implementing actions that promote human and labor rights, as well as respect for the environment and for combating corruption.

Latin American Companies Circle: Embraer has been a member of this group of 19 companies since 2006, which grew out of a recommendation by the Latin American Corporate Governance Roundtable to improve and spread best corporate governance practices in the region.

Brazilian GHG Protocol Program: Embraer is a founding member of this voluntary initiative for reporting greenhouse gas (GHG) emissions.

Carbon Disclosure Project: since 2008, Embraer has participated in this voluntary initiative for reporting GHG emissions.

Embraer is also associated with the following institutions: the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa - IBGC), the Brazilian Association of Public Companies (Associação Brasileira das Companhias Abertas - ABRASCA), the Brazilian Investor Relations Institute (Instituto Brasileiro de Relações com Investidores - IBRI), and the National Investors' Institute (Instituto Nacional de Investidores - INI).

In the International Civil Aviation Organization (ICAO), the Company takes part in work groups of the Environmental Protection Committee, where technicians representing Embraer, in conjunction with governments, NGOs, and other industry representatives, evaluate aeronautical environmental regulations so that they balance technical and environmental considerations and are economically viable. With the specific purpose of developing biokerosene, Embraer takes part in the Brazilian Alliance for Aviation Biofuels (Aliança Brasileira para Biocombustíveis de Aviação - ABRABA), the international Sustainable Aviation Fuel Users Group (SAFUG), and the US Commercial Aviation Alternative Fuels Initiative (CAAFI). For issues related to the environment and sustainability, Embraer takes part in the Air Transport Action Group (ATAG).

It also forms part of the Aerospace Vehicle Systems Institute, the Brazilian Intellectual Property Association (Associação Brasileira da Propriedade Intelectual - ABPI), and other institutions in Brazil and abroad that are dedicated to research, such as the Agency for Science, Technology and Research (A*STAR), in Singapore.

Ethics and transparency **GRI 4.8**

Based on the Company's values and on the principles established by the UN Global Compact, Embraer's Code of Ethics and Conduct reflects the Company's commitment to adhering to best practices in accounting and corporate governance by means of transparent, objective and timely communication, together with actions taken with responsibility, integrity, quality, trust, respect and loyalty. The document is available in Portuguese, English, French, and Mandarin, and is distributed to all employees of the Company and its subsidiaries in Brazil and abroad. Individuals must formally adhere to the code when they are hired and every time the document is updated. In 2012, the Department of Risk Management completed the third revision of the code, which was evaluated by the Audit and Risk Committee, and approved by the Board of Directors. The code was submitted for signature by all members of the Board of Directors and is available in printed and online versions.

Embraer also has an Ethics Committee consisting of five members who are appointed by the Board of Executive Officers. The main duties of the Committee are to receive, record, evaluate, and discuss complaints received through the Channel for Harmful Practices reporting mechanism or any other sources. The Committee is also responsible for handling inquiries submitted via Embraer's Ethics Portal. Launched in 2011, the Portal provides relevant information on business ethics and conduct to all employees and other Company stakeholders. **GRI 4.4**

The anonymity and confidentiality of the complaints made through the Channel for Harmful Practices are guaranteed by its operation by an independent company. The channel enables any person to report potential violations of the Code of Ethics and Conduct, of good corporate governance, and of laws to which the Company is subject, such as the U.S. Foreign Corrupt Practices Act (FCPA), the rules of the Brazilian securities and exchange commission (Comissão de Valores Mobiliários - CVM) and of the U.S. Securities and Exchange Commission (SEC). **GRI 4.4**

The Internal Auditing Department is responsible for assessing complaints received through the Channel for Harmful Practices regarding financial and accounting matters, and issues involving the Company's executives and directors. In 2012, no reports assessed by the area generated any significant impact on Embraer's financial statements.

The Ethics Committee is responsible for assessing and analyzing the relevance of the complaints regarding possible violations of the Code of Ethics and Conduct. Relevant complaints are shared with the manager of the employee whose conduct was reported, and such manager implements the committee's recommendation. In 2012, 325 reports were evaluated, and 9.7% were deemed relevant.

In regards to complaints of discrimination, the Company received one complaint in 2012, which was reviewed and deemed unfounded. One of Embraer's goals for 2013 is to train its leaders about moral harassment. Additional live and web-based compliance-related training courses are also planned. **GRI HR4**



Contact points – Channel for Harmful Practices **GRI 4.4**

Embraer Intranet: direct access for all employees.

Embraer website (www.embraer.com): Report of Misconduct icon or Contact Us section.

P.O. Box 11.331 – CEP 05422-970 – São Paulo/SP – Brazil.

Anti-corruption and export control practices **GRI 502 | 503**

The Company's anti-corruption and export control practices are handled by the senior leadership of the Company through a variety of initiatives – such as the Compliance Department – that reinforce the Company's commitment to ethics and transparency.

In 2012, four operations accounting for 17% of Embraer's revenues underwent corruption-focused risk assessments: the Embraer Defense & Security business unit, the Atech and OrbiSat subsidiaries (controlled by *Embraer Defesa & Segurança Participações*), and OGMA (in which Embraer is a shareholder, along with the Portuguese Government). For 2013, the review of anti-corruption practices adopted by all Embraer-controlled companies is planned.

As a signatory of the UN Global Compact, Embraer is committed to disclosing, informing and training its employees continuously. In 2012, priority was given to critical areas such as the Defense & Security business unit, where 40% of the employees underwent anti-corruption training. With respect to export control efforts, more than two thousand employees have been trained since the formal establishment of the export control policy in 2006.

A highlight of the Company's anti-corruption policies is the revision of its Code of Ethics and Conduct. The revision strengthens guidelines in common areas such as giving and receiving gifts and hospitality, dealings with public entities, transparency in relation to conflicts of interest and communication channels for raising doubts and questions concerning the ethical conduct of the Company's employees. The procedure for engaging sales representatives has also been strengthened and is fully consistent with specific requirements set forth in the corporate policy on the matter and relevant rules contained in the Code of Ethics and Conduct. The adequacy of the potential intermediary is investigated through a robust due diligence process that includes documentary and background analyses to ensure the potential representative's anti-corruption practices are in line with anti-corruption criteria and practices adopted by Embraer. Furthermore, sales representatives' contracts contain specific anti-corruption clauses, and the approval in an anti-corruption training is mandatory.

In 2013, Embraer intends to provide anti-corruption training to 100% of the “exposed” employees, such as those who interact with government authorities, suppliers, clients, applicable subsidiaries and affiliates, among others. The goal is to train more than 1,800 employees. Embraer continues to strengthen its compliance program with policies, procedures and the adoption of best anti-corruption practices recognized by global companies.

Supply chain **GRI 4.14 / HR1 / HR2**

Embraer’s supply chain is divided into two blocks: domestic and international. The first, which number about 70 suppliers, work as subcontractors to process raw materials provided by the Company. The international suppliers — most of which come from the United States, Canada, and the European Union — supply Embraer with raw materials and components of systems used in the airplanes. To select them, evaluations are performed that, in addition to costs, take their quality, reliability, technical and productive capacity, socio-environmental responsibility, financial health, logistics, risks, certifications, and experience into consideration.

All of them also sign a socio-environmental responsibility agreement. Furthermore, those suppliers that are considered to be critical (providers of environmental and occupational services) are subject to specific evaluations and, when necessary, to in loco audits. During the year, 26% of the suppliers that were analyzed became the target of Embraer action plans, or stopped supplying the Company. There was a 9% reduction compared to 2011 in the number of critical suppliers that are considered to be high risk. The reduction is due both to the completion of action plans for improvement and to the substitution of partners.

Supplier contract models signed by Embraer include clauses that establish the supplier’s obligation to adhere to legislation governing its activities, including socio-environmental standards, as well as those that prohibit the use of child and forced labor. The contract models for service providers and indirect suppliers (those not directly related to Embraer’s core activities) also contain an appendix aimed at guarding against bodily/emotional/physical punishment and harassment — sexual or otherwise — and which establishes freedom of association with union and other professional associations, among other items.

In order to spur the development of the aeronautics industry supply chain in Brazil, the Company extended the Embraer Entrepreneurial Excellence Program (P3E) to its local suppliers. Support is channeled through the National Supplier Development Plan (Plano de Desenvolvimento de Fornecedores Nacionais - PDF), and Embraer’s kaizen projects. The PDF is a training and capacity building program that operates in a variety of disciplines, such as planning, inventory management, and management

tools. The kaizens are process improvements achieved with the help of tools made available by P3E. The initiatives are closely followed by those responsible for supplies.

There are also programs aimed at increasing the use of Brazilian content in the Company's purchasing processes, to encourage the selection of domestic suppliers. When domestic suppliers cannot be found for certain types of equipment, Embraer's supply department sets up initiatives for developing potential partners.

Intangible assets

Embraer's main intangible assets are its brand, its employees, the knowledge it has generated, and the intellectual property of its innovations. The value of Embraer's brand is evident in the Company penetration of and participation in an array of markets and regions; it is increasingly seen as a global company. To strengthen the Company, all its actions are founded on its six core values, which include two of Embraer's other intangible assets: people (Our people are what make us fly) and intellectual property (Boldness and innovation are our hallmarks).

INTANGIBLE ASSETS		
Assets	Components	Means of Measurement
Embraer Brand	<ul style="list-style-type: none">• Third largest manufacturer of commercial jets in the world• Fifth largest manufacturer of executive jets in the world• Largest Brazilian defense and security company• Fourth largest Brazilian exporter• 43 years in operation	<ul style="list-style-type: none">• Listed on the Dow Jones Sustainability Index (DJSI)• Listed on the Corporate Sustainability Index of the BM&FBovespa (ISE)• Coverage of positive and negative articles about the Embraer brand• Approval index of organizational climate survey
Knowledge	<ul style="list-style-type: none">• Promotion, retention, protection, and spread of knowledge	<ul style="list-style-type: none">• Monitoring of activities in Community of Practice• Maturity of Community of Practice
Intellectual Property	<ul style="list-style-type: none">• Legal protection of intellectual property innovations	<ul style="list-style-type: none">• Portfolio of invention patents• Portfolio of industrial design patents
People	<ul style="list-style-type: none">• Knowledge and skills related to strategic competencies• Continuous investment in training and development• High levels of productivity, motivation, and commitment	<ul style="list-style-type: none">• Employee survey• Ranking of best companies to work for in Brazil and in the State of Florida (United States)

FINANCIAL PERFORMANCE GRI EC1

In 2012, Embraer achieved, and even surpassed, its guidance figures for total revenues, operating margin (EBIT) and EBITDA, communicated to the market earlier in the year.

NET REVENUES BY SEGMENT



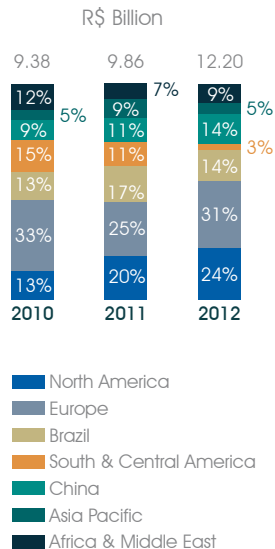
Net revenues and gross margin

Net revenues for the year came to R\$ 12,201.7 million (US\$ 6,117.9 million), which was 24% higher than the R\$ 9,858.1 million recorded in 2011. Although Embraer delivered more aircraft (221, up from 212 in 2011), the revenue income was mainly due to:

- Currency movements, which boosted income in Reals;
- Product and service mix, with a bigger share coming from the larger executive jets – Legacy and Lineage – with higher prices than the light Phenom jets;
- Embraer Defense & Security's income growth of about 44% – also partly due to favorable exchange rate movements – thus increasing its share from 15% to 17% of Embraer's total revenues.

As a result, the gross margin ended the year at 24.2%, or 1.7 percentage points higher than in 2011. Besides the reasons mentioned above, other contributing factors to highlight are productivity and efficiency gains derived from the Embraer Entrepreneurial Excellence Program (P3E); and a government stimulus package, Brasil Maior ('Greater Brazil').

NET REVENUES BY REGION



Revenue by business segment and geographical region

In 2012, net revenues for the Commercial Aviation segment reached R\$ 7,371.3 million, which is 16% higher than in 2011, mainly owing to an appreciation of the US Dollar. The Executive Aviation segment posted income of R\$ 2,601.9 million, 34% higher than the previous year, having been influenced by more deliveries of large executive jets, especially the Legacy 600 and Legacy 650. The net revenues of the Defense & Security segment was R\$ 2,080.8 million, representing growth of 44% for the period and contributing a larger share of the Company's total revenues, thanks mainly to advances in the development of the KC-390. Other business generated R\$ 147.7 million in revenues in 2012.

Embraer's total exports reached US\$ 4.951,7 million, making it Brazil's fourth largest exporter and accounting for 2% of the country's trade balance.

Embraer's earnings in Brazil grew in absolute terms but in relative terms decreased to 14% of the total. Despite the economic crisis affecting Europe, the region registered the biggest rise in total revenue contribution in 2012, with sales rising to 31% of total

R\$ 12.2 billion

was Embraer's net revenues for the year, which is 24% higher than what was obtained in 2011

revenues. This reflected fulfilment of a backlog of orders from previous years. North America's share of total revenues also rose, to 24%, sustaining a trend that started in 2011. In its case, the strongest growth was in Executive Aviation.

China's share in overall sales continued to rise and reached 14% of the total, further evidence of the widespread market acceptance enjoyed by Embraer's products there. Sales in Africa and the Middle East rose to 9% of the total while those in Asia Pacific and South and Central America (excluding Brazil) fell to 5% and 3% of the total respectively.

Operating results and operating margin (EBIT)

In 2012, the operating income and margin stood at R\$ 1,217.4 million (US\$ 612.1 million) and 10.0%, respectively, both surpassing Embraer's guidance. The 133% rise in the operating result over the previous year is explained by increased net revenues; a rise in the value of the Dollar relative to the Real; improved operating efficiency resulting from the P3E; the mix of income and products delivered during the period; and the contribution coming from the Brazil Maior stimulus package. It is worth underscoring that during the previous year, operating results were impaired by the impact of provisions relating to financial guarantees in connection with the American Airlines (AMR) bankruptcy proceedings.

Research expenditure totaled R\$ 152.3 million and was below the Company's outlook. Commercial expenses came to R\$ 946.8 million, 35% higher than in 2011. These increases occurred mainly as a result of increased activity, reflected in the 24% increase in the Company's net revenues, as well as because of the continued investment in developing the customer support network, particularly in Executive Aviation. Furthermore, annual salary adjustment concluded at the end of 2011 increased payroll disbursements by about 10%. This item also contributed to pushing up total Administrative Expenses, which came to R\$ 547.9 million, staying at 4.5% of annual income.

Other Operating Expenses totaled R\$ 88.3 million in 2012, which was 78% lower than in 2011, when this item suffered the impact of the provisions Embraer made for financial guarantees arising from AMR's bankruptcy proceedings.

EBITDA came in at R\$ 1,767.5 million (US\$ 890.9 million) in 2012, or 91% greater than in 2011, and the EBITDA margin reached 14.4%. Both these results surpassed the Company's guidance figures, also due to the reasons mentioned earlier.

During the year, Embraer recorded net financial expenses of R\$ 11.4 million, a reduction of 93% compared to the previous year, when this figure was negatively affected by provisions in relation to AMR's bankruptcy proceedings.

Net income and earnings per share

Embraer's net profits were R\$ 697.8 million, 346% higher than during the previous year. Profits per share came to R\$ 0.9624.

Financial indicators

At the end of fiscal 2012, Embraer's net cash position reached R\$ 639.5 million, which was 23% less than the previous year, mainly due to increased investments in fixed assets, product development, and payment of part of the financial guarantees linked to AMR's restructuring, under provisions made in 2011.

Embraer closed the year with total indebtedness of R\$ 4,222.8 million, 36% higher than the previous year thanks to increased long-term debt. In June 2012, the Company issued a debt security (corporate bond) of US\$ 500 million, with a 5.15% coupon, paying interest every six months, and maturity in ten years. The effects of this issue include increasing the average maturity of Embraer's medium-term indebtedness to around six years. The Company's total cash position increased by R\$ 916.0 million and totaled R\$ 4,862.3 million at the end of 2012.

Embraer's cash allocation strategy continues to be one of its main tools for mitigating exchange rate risk. By achieving a balance of assets denominated in Reals or Dollars, the Company seeks to neutralize currency exchange exposure on its balance sheet. At the end of 2012, cash held in assets denominated predominately in Dollars stood at 49%.

Complementing its exchange rate hedging strategy, the Company undertook financial operations as a way to reduce cash flow exposure in 2013, since approximately 10% of its revenues and 25% of its costs are denominated in Reals. Approximately 50% of the exposure in Reals is hedged, through zero cost collar operations, in the event the price of the Dollar falls below R\$ 1.90. Above this level, the Company will benefit from average rates that are up to R\$ 2.70 per Dollar.

The inventory position ended 2012 at R\$ 4,404.4 million, practically stable compared to the previous year. The small increase of 3% occurred mainly because of the

appreciation of the Dollar, without which the real change in inventories would have been a decline of 6%. Inventory turnover rose to 2.1, higher than the previous year and in line with efforts to improve operational efficiency and shorten the production cycle.

The 36% increase in gross indebtedness was not totally offset by the increase in net assets, and the ratio of indebtedness to net assets increased from 0.5 to 0.6. Total assets grew by 17% and asset turnover remained stable at 0.6. The significant increase in Return on Assets (ROA) and in Return on Equity (ROE) can be explained by the impact on these indicators in 2011 of the provisions made for AMR's bankruptcy proceedings and exposures related to financial guarantees and residual value (RVG) associated with some sales contracts.

Value-added Statement (VAS) GRI EC1

The purpose of the VAS is to show the wealth Embraer generates and how it is distributed to stakeholder groups represented by shareholders, employees, financial institutions, and the municipal, state and federal government. The added value to be distributed totaled R\$ 4,055.5 million and represented 33% of net revenue in 2012.

VALUE-ADDED STATEMENT GRI EC1

Consolidated – R\$ Million	2011	2012
Revenues	10,425.9	13,118.4
Materials Acquired from Third Parties	(7,710.4)	(8,788.4)
Gross Added Value	2,715.5	4,330.0
Depreciation and Amortization	(401.2)	(548.6)
Net Added Value Produced by the Organization	2,314.3	3,781.4
Added Value Received by Transfer	267.4	274.1
Total Added Value to Distribute	2,581.7	4,055.5
Distribution of Added Value	2,581.7	4,055.5
People	1,358.3	2,090.4
Government (taxes, fees, and contributions)	614.9	981.3
Interest and Rent	437.2	284.8
Interest on Own Capital and Dividends	226.2	182.5
Retained Profits/Losses for the Period	(69.9)	515.3
Participation of Non-controllers	15.0	1.2

Taxes and social contributions

The taxes, social contributions, and municipal, state and federal fees that make up part of Embraer's contribution to Brazilian society totaled R\$ 981.3 million in 2012.

Capital market

Embraer's shares have been listed on the New Market (Novo Mercado) of the São Paulo Stock Exchange (Bolsa de Valores de São Paulo - BM&FBovespa) since 1989 and on the New York Stock Exchange (NYSE) via American Depositary Receipts (ADR), level III, since 2000.

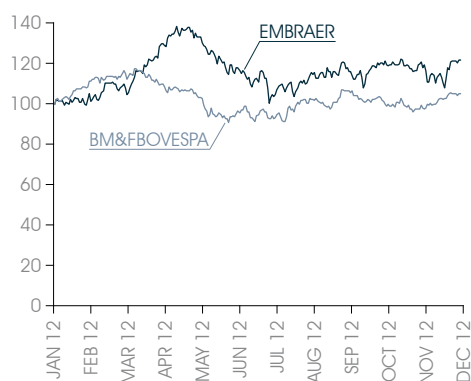
In 2012, Embraer continued to be listed in the theoretical portfolios of the IBrX (Brazil Index), as well as in the IGC (Special Corporate Governance Stock Index), the ISE (Corporate Sustainability Index), the ITAG (Special Tag Along Stock Index), the INDX (Industrial Sector Index), the IVBX-2 (Bovespa Value Index 2nd Line), and for the third consecutive year was selected for inclusion in the 2012/2013 Dow Jones Sustainability Index (DJSI).



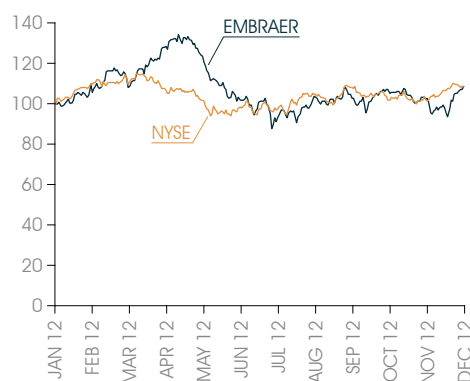
Embraer's shares (EMBR3) traded on the BM&FBovespa at R\$ 14.45 at the end of 2012, 23% higher than at the close of the previous year, far outperforming the index, which rose 7% in value for the same period. The American Depositary Shares (ADS) of the Company (ERJ) listed on the NYSE, rose to US\$ 28.51 per share at the end of the year, an increase of 13%, well ahead of the 8% increase in the Dow Jones index.

Embraer's market capitalization reached US\$ 5.3 billion at the end of 2012, up from US\$ 4.7 billion the previous year.

EMBR3 PERFORMANCE - BM&FBovespa
01/01/2012 = 100



ERJ PERFORMANCE - NYSE
01/01/2012 = 100

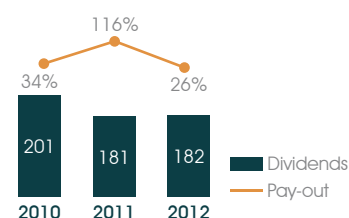


Destination of controlling company results and shareholder remuneration

In 2012, Embraer distributed R\$ 182.4 million to its shareholders, comprising R\$ 152.4 million of interest on own capital and R\$ 30.0 million in dividends, representing a payout of 26% of consolidated net profits of R\$ 697.8 million. Profits per share were R\$ 0.96.

DIVIDENDS DISTRIBUTED

R\$ Million



Awards and recognition GRI 2.10

AWARDS 2012

Award/ Institution	Description
Crystal Cabin Award 2012	Project Life — Lighter, Integrated, Friendly, and Eco-efficient Aircraft Cabin — a joint effort between Embraer and a consortium of Portuguese companies coordinated by AlmaDesign won the Crystal Cabin Award in the Visionary Concept category. The cabin concept entailed “invisible” equipment that is accessible when needed by the aircraft passenger, intuitive lighting, and fittings and furnishings made of organic and sustainable materials, eliminating materials such as metal and plastic. The Crystal Cabin Award is the only international award for excellence in innovation in airplane interiors.
Center for Company-School Integration*	An award granted in recognition of Embraer’s program for people with disabilities.
Citizen Company	The Regional Accounting Board of the State of Rio de Janeiro (CRC-RJ), the Federation of Industries of Rio de Janeiro (FIRJAN), and the Trade Federation of Rio de Janeiro State (Fecomércio-RJ) certified Embraer as a Citizen Company, on account of the social, environmental and accounting information presented in its 2011 annual report.
100 Best Companies for IDHO – Organizational Human Development Index	Included on the list of the 100 Best IDHO — Organizational Human Development Index — companies following a nationwide survey carried out by Gestão RH Editora, and among the 1,000 Largest and Best Brazilian Companies (according to <i>Exame</i> magazine).
Transparency Trophy 2012	Won the XVI ANECAFI - FIPECAFI - SERASA EXPERIAN Award for being among the most transparent companies in Brazil, thanks to the quality of its financial statements for fiscal 2011, according to a technical analysis by the Institute for Accounting, Actuarial and Financial Research Foundation (Fundação Instituto de Pesquisas Contábeis, Atuariais and Financeiras – FIPECAFI).
France-Brazil Foreign Trade Award	Villegaignon Award. This project seeks to recognize initiatives that contribute to bilateral trade development, generating foreign exchange, jobs, and growth for both countries.
FINEP Innovation Award 2012	<i>Read more in “Boldness and innovation are our hallmarks”.</i>
Best Companies to Work For 2012	Great Place to Work (GPTW) 2012. Embraer won 17 th place in the ranking, in which it appeared for the fourth consecutive year. Published in <i>Época</i> magazine, the ranking highlights the companies with the best management practices, evaluated on criteria of credibility, respect, impartiality, and pride.
150 Best Companies to Work for 2012	For the fourth consecutive year, Embraer was elected one of the 150 best companies to work for, by <i>Exame</i> and <i>Você S.A.</i> magazines.
Leading company in Brazil in people management in 2012	Chosen through a survey by AON Hewitt/ <i>Valor Econômico</i> newspaper as the leading company in Brazil in people management.
ECO Award 2012	Winner in the Products using Sustainable Practices category, in recognition of support given to research into developing biofuels.
Best Companies to Work For 2012	Elected by <i>Florida Trend</i> magazine as the 12 th best company, in the large company category, to work for in the State of Florida.

* Centro de Integração Empresa-Escola – CIEE.



BOLDNESS AND
INNOVATION
ARE OUR
HALLMARKS



IN SEARCH OF NEW IDEAS

At the technological forefront, Embraer continues reinventing itself in pursuit of transformational opportunities in its businesses, products, services, and markets





INNOVATION IN NUMBERS

28%

of Embraer's net income
came from innovations
developed between 2008
and 2012.

10.5%

of Embraer's market
value was attributed to
its innovation potential.

Source: Holt® – Credit Suisse

121

patents applied for between
2010 and 2012.

45

patents granted between
2010 and 2012.

Its focus on innovation keeps Embraer competitive and is a cornerstone of its long-term prosperity. To bolster the Company's innovation efforts, a dedicated department was created to focus on innovation and knowledge management. It is charged with fomenting and facilitating innovations aimed at developing new business lines, products, services, technologies, and processes. The Innovation Policy and the Innovation Manual set out the foundations and requirements of Embraer's innovation processes.

The Innova program is the Company's main tool for instilling a fertile internal atmosphere and stimulating innovation-oriented activities. The program provides physical spaces that favor the development and implementation of innovations. They include the prototyping laboratory in São José dos Campos and the Innova Cafés, in São José dos Campos and Fort Lauderdale, Florida.

Innova works through both spontaneous and stimulated innovation. For spontaneous innovation, the Green Light program evaluates innovative proposals submitted voluntarily by employees. Proponents of an approved proposal are given time and resources to develop their ideas. In 2012, two proposals were selected and another ten are to be evaluated during 2013. With stimulated innovation, using the Innova Challenge program, managers set a challenge for their staff, which then works collaboratively on possible solutions. In 2012, five challenges were launched and generated 491 ideas. Based on those ideas, 13 prototypes went into the final implementation phase. Another 16 new challenges should be launched in 2013.

Another area of activity is Innova On Demand, whereby the Innovation area provides consultancy to a given business unit of the Company in order to increase the potential of innovation efforts and improve their results. In eight innovation-on-demand processes, 1,244 ideas were generated; these became 20 new innovation projects.





Fomenting Technology and Innovation

The projects for aircraft structures were two among more than a hundred initiatives presented at the third Technology and Innovation Seminar (Seminário de Tecnologia and Inovação - SETI) hosted by Embraer in October 2012.

The event is an opportunity for professionals working in the field to present their projects, besides being an effective mechanism for spreading understanding of the importance of patents. Since 2009, Embraer has won nearly a hundred patents in Brazil, the United States, and in countries in Europe and Asia. In 2012, 50 new patents were applied for and 17 were granted.

FINEP Innovation Award

Embraer won the FINEP Innovation Award, which recognizes Brazil's most innovative companies and is one of the government's principal tools for stimulating innovation in Brazil. The award, which since 1998 has recognized more than 500 companies, institutions and individuals in various categories, registered 588 projects among applications in 2012, up by 56% from the previous year.

Evaluated on new business lines, efficiency and productivity gains, technological development, innovation and knowledge management, internationalization and partnerships and social innovations, this year the Company was the national winner in the Big Company category. In 2012 Embraer invested US\$ 328.7 million in R&D.

Technological development

Embraer has a team dedicated exclusively to technological development. It is active in studying and facilitating the use of new technologies and new processes capable of adding value to the Company. Every year, based on an assessment of market needs and global technological trends, the Company determines the lines of research that will receive investment and form part of the action plan for the year.

The internationalization of the technological development area advanced throughout 2012. The Évora unit, for example, is already working on a design project that studies eco-efficiency issues in the development of aircraft cabins.

On average, 40 to 50 projects are developed annually. The highlights of 2012 were two projects focusing on the structural assembly of aircraft. The first developed structures for airplane fuselages made of composite materials (combinations of different materials), making them lighter and more comfortable, and reducing fuel consumption, greenhouse gas (GHG) emissions, and aircraft operating costs.

Parallel to this, Embraer invested in metallic structures with distinctively different designs, equally lighter and with reduced fuel consumption. In coming years, the Company will be working on developing lighter metallic wings and wings made of composite materials.

Laboratory partnership

In 2012, Embraer, in partnership with the Aeronautics Technological Institute (ITA), concluded the development of the Automation Laboratory for the Structural Assembly of Aircraft. Installed at ITA, the laboratory is a pioneer in the global aeronautics industry. It will allow Embraer to develop high-precision industrial automation solutions that are not yet commercially available, thus boosting its competitiveness.

The laboratory provides development opportunities for the workforce involved and will contribute to reducing the future use of raw materials via improvements to the production processes.

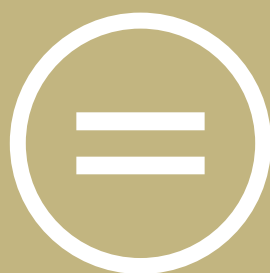
Collaborative environment

Encouraging employee participation is a longstanding and well-known practice at Embraer, as exemplified by the Good Idea program, which completed its 24th year in existence in 2012. As an improvement-suggestion scheme, the program deals with proposals for simplifying processes, reducing costs, and generating new business. In 2012, 11,800 ideas were submitted, of which 7,211 were implemented (averaging 27 ideas per day) and they generated savings of approximately US\$ 26.3 million.

In 2012, the Good Idea program achieved a milestone with 40,000 ideas implemented since its launch, and 50 awards events held, with the participation of more than 5,000 employees. Each year, Embraer awards cash prizes and cultural outings to those who come up with the best ideas.

GOOD IDEA 2012

7,211 ideas put into practice



savings of about us\$ 26.3 million

A photograph of a person in a green uniform cleaning the nose of a blue and white airplane. The person is using a spray bottle and a cloth. The background is a clear blue sky.

OUR PEOPLE
ARE WHAT
MAKE US FLY



MADE BY VALUABLE PEOPLE GRI LA1

Through constant review of its processes and guidelines, Embraer continuously improves its people management in order to ensure “pride in belonging”



Embraer recognizes that its people are its prime intangible asset. The Company invests more and more to ensure that employees have appropriate working conditions, professional development plans, quality of life and wellness. The Company ended 2012 with 18,032 employees, 16,325 of which were based in Brazil and 1,707 abroad. In Brazil, practically all the employees are hired into permanent full-time positions. Embraer's partially owned subsidiaries had 2,118 employees at the end of 2012.

Specifically with regard to diversity, of the 16,325 employees working in Brazil, 14% were women. Abroad, 19% of the workforce was made up of women. Some 60% of Brazilian employees were in the 30 to 50-year age group; this figure was 62% in other countries. Among other diverse groups in Brazil were: 0.01% indigenous, 2% Asian, 1% Black and 3% mixed races. There were also 5% with disabilities. **GRI LA13**

Albeit not a formal policy, the preference is to hire professionals who live near the Company's facilities. In 2012, 96% of the Company's

employees came from local communities, located within 50 km of Embraer's Brazilian units. In top management, consisting of Vice Presidents, Directors, and Managers, the figure is 84%. **GRI EC7**

In 2013, the Company intends to strengthen partnerships with educational institutions located near its facilities, in order to maintain local hiring percentages. It is also Embraer's goal to begin to measure local-hire proportions in its foreign operations. **GRI 1.2**

NUMBER OF EMPLOYEES, BY TYPE OF JOB AND WORK CONTRACT, BROKEN DOWN BY GENDER* GRI LA1

Functional Level	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Director	59	6	65	5	60	6
Manager	200	19	212	29	212	33
Supervisor	563	48	575	58	592	56
Pilot	90	0	89	0	85	0
Engineer	2,735	340	2,871	368	3,083	416
Professional	994	706	1,022	744	1,024	774
Technician	2,068	166	2,031	166	2,074	179
Administrative	389	243	437	256	461	282
Operational	6,751	505	6,459	464	6,320	444
Trainee	126	16	40	2	45	51
Apprentice	64	45	64	32	86	42
Total by gender	14,039	2,094	13,865	2,124	14,042	2,283
Total	16,133		15,989		16,325	

* Brazil facilities.

Category	Total	Brazil	Abroad
Operational, trainees and apprentices	7,137	6,988	149
Administrative	893	743	150
Technicians (mid-level)	2,932	2,253	679
Engineers	3,595	3,499	96
Professionals and Pilots	2,305	1,883	422
Leadership – directors, managers, and supervisors	1,170	959	211
Total	18,032	16,325	1,707

NUMBER OF EMPLOYEES – PARTIALLY OWNED SUBSIDIARIES GRI LA1

China (joint venture)	231
OGMA (Portugal)	1,517
ECTS (USA 22 and United Kingdom 5)	27
Atech (Brazil)	124
OrbiSat (Brazil)	206
Harpia (Brazil)	3
Visiona (Brazil)	6
Savis (Brazil)	4
Total	2,118

Number of employees by gender and age group GRI LA13

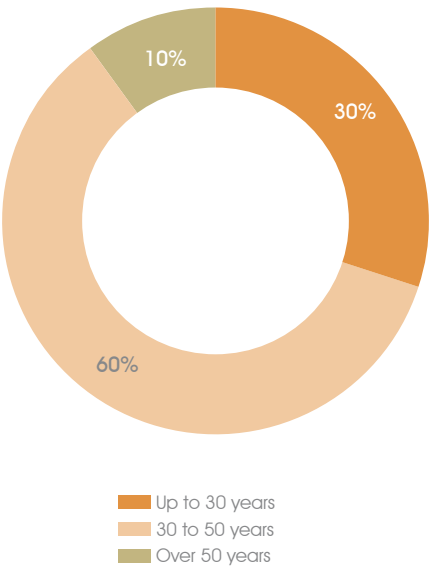
60%

of the Company's employees of the Brazilian units are in the age range of 30 to 50 years. Abroad, the figure is 62%

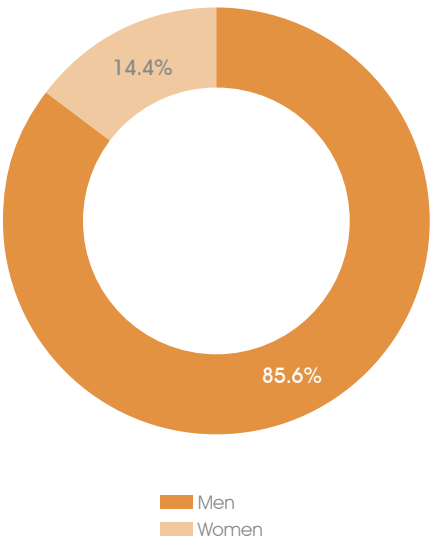
86%

of Embraer's employees are men, especially in the operational, technical, and engineering categories

PERCENTAGE OF EMPLOYEES BY AGE RANGE IN BRAZIL AND ABROAD (2012)



PERCENTAGE OF EMPLOYEES BY GENDER IN BRAZIL AND ABROAD (2012)



Functional category ^{1,2} GRI LA13	2011		2012	
	Men	Women	Men	Women
Indigenous, by functional category and gender³ (%)				
Operational	0.01	0.00	0.01	0.00
Blacks, by functional category and gender³ (%)				
Managers	0.01	0.00	0.01	0.00
Supervisors	0.02	0.00	0.02	0.00
Engineers	0.09	0.01	0.12	0.01
Professionals	0.04	0.01	0.06	0.01
Administrative	0.05	0.01	0.03	0.06
Technicians	0.13	0.00	0.13	0.00
Operational	0.96	0.06	0.92	0.04
Asians, by functional category and gender³ (%)				
Directors	0.01	0.00	0.01	0.00
Managers	0.03	0.01	0.03	0.01
Supervisors	0.13	0.01	0.12	0.01
Engineers	1.21	0.08	1.19	0.09
Pilots	0.02	0.00	0.02	0.00
Sales people	0.01	0.00	0.01	0.00
Professionals	0.19	0.15	0.17	0.15
Administrative	0.01	0.01	0.00	0.00
Technicians	0.35	0.03	0.31	0.02
Operational	0.13	0.01	0.15	0.01
Mixed races, by functional category and gender³ (%)				
Managers	0.01	0.00	0.01	0.00
Supervisors	0.11	0.01	0.10	0.01
Engineers	0.27	0.04	0.25	0.05
Professionals	0.11	0.05	0.13	0.06
Administrative	0.09	0.06	0.09	0.07
Technicians	0.51	0.05	0.51	0.05
Operational	2.07	0.16	1.92	0.14
Whites, by functional category and gender³ (%)				
Directors	0.39	0.03	0.36	0.04
Managers	1.28	0.17	1.25	0.19
Supervisors	3.35	0.34	3.38	0.32
Engineers	16.39	2.17	17.33	2.40
Pilots	0.54	0.00	0.50	0.00
Sales people	0.06	0.00	0.05	0.00
Professionals	5.99	4.45	5.86	4.52
Administrative	2.58	1.53	2.98	1.92
Technicians	11.71	0.96	11.75	1.02
Operational	37.88	2.88	36.25	2.79

Employees with disabilities, by functional category ³ (%)	2011			2012		
	Men	Women	Total	Men	Women	Total
Directors	0.01	0.00	0.01	0.01	0.00	0.01
Managers	0.06	0.00	0.06	0.06	0.00	0.06
Supervisors	0.23	0.00	0.23	0.23	0.00	0.23
Engineers	0.60	0.01	0.61	0.57	0.01	0.58
Pilots	0.04	0.00	0.04	0.04	0.00	0.04
Sales people	0.01	0.00	0.01	0.01	0.00	0.01
Professionals	0.24	0.05	0.29	0.23	0.05	0.28
Administrative	0.19	0.05	0.24	0.47	0.35	0.82
Technicians	0.83	0.02	0.85	0.77	0.02	0.79
Operational	2.21	0.03	2.24	2.02	0.06	2.08
Total	4.34		4.61			4.92

Age Range and gender		2010		2011		2012	
		Men	Women	Men	Women	Men	Women
Brazil	Up to 30	84.54	15.46	83.77	16.23	82.22	17.78
	30 to 50	87.77	12.23	87.38	12.62	86.77	13.23
	Over 50	94.25	5.75	94.07	5.93	94.31	5.69
Abroad	Up to 30	77.78	22.22	23.87	76.13	80.97	19.03
	30 to 50	78.37	21.63	21.13	78.87	79.26	20.74
	Over 50	87.68	12.32	11.20	88.80	88.62	11.38

¹ The governance is performed by Directors and Managers.

² The reports refer only to functional categories having indigenous, black, and mixed race workers.

³ Percentage of total Embraer employees – Brazil operations.

84%

was the global favorability index of the last climate survey. Embraer's target was 75%

On the Path to Diversity

In 2012, Embraer's Path to Diversity program was created with the objective of increasing the number of people with disabilities on the Company's payroll. In partnership with the Company-School Integration Center (Centro de Integração Empresa-Escola — CIEE) and the National Industrial Apprenticeship Service (Serviço Nacional de Aprendizagem Industrial — SENAI), a hundred people with disabilities are undergoing theoretical and practical training to become trainees in administrative and auxiliary production positions.

Besides fulfilling the Quota Law, the program constitutes another of Embraer's initiatives for promoting social inclusion. In December, the State of São Paulo awarded the Company the Paulista Diversity Seal, endorsing its work in this area.

Currently, 93 program participants are working for the Company.

Excellent place to work

Embraer's commitment to maintaining an excellent internal work environment illustrates the importance it attaches to human capital, made explicit as one of its core values and evident in the Company's strategic vision. Its last organizational climate survey, held at the beginning of 2013, showed an overall favorability index of 84%, higher than the stipulated goal of 75%. The new challenge is to keep this overall index stable, while achieving the goal of 75% in all of Embraer's business units and departments. The results also encourage action plans aimed at improving the work environment. **GRI 1.2**

Other key indicators that testify to Embraer's assertive efforts in the realm of people management are the significantly favorable ratings in workplace surveys carried out by specialized firms and well-respected publications. The highlight in 2012 was the Leading Company for People Management in Brazil Award, given by AON Hewitt and Valor Econômico newspaper (*see box on next page*).

New tool for people management

A result of the 2012 efforts to improve Embraer's people management was the December launch of My Embraer, a new integrated management tool that will be rolled out during the course of 2013. With a single global database, the tool integrates all the processes for managing people and results, from attracting an employee to when they leave the Company. Through this system, both managers and employees have easy access to data such as their profile, training, status of professional development and performance evaluation.



Embraer and organizational climate indexes

AON Hewitt/Valor Econômico 2012 survey: elected **the best company for people management in the general** index and in the category of companies with more than 10,000 employees.

Great Place to Work (GPTW) survey/Época magazine 2012: elected as the **17th best company to work for**.

Guide to the Best Places to Work (Guia As Melhores Empresas para Você Trabalhar)/Você S.A. and Exame magazines: chosen as **one of the 150 best companies to work for**.

Best Companies to Work For/Florida Trend magazine: included in the ranking for the second year in a row, Embraer (at its Florida facilities) was chosen as the **12th best company to work for, in the large company category, in the State of Florida**.

Life planning

In 2012, Embraer launched the Life Planning program, which seeks to increase employees' awareness about the need to think about their futures. In four sessions, the program covers subjects such as life planning, financial planning, preventive healthcare, career management, and building a life project. In the initiative's first year, 730 employees from the São José dos Campos, Botucatu, and Gavião Peixoto facilities took part.

Professional development GRI LA10 | LA11

In 2012, Embraer reviewed its professional development systems, focusing on the "career paths" specific to each level of seniority, function and business area. The objective is to enable each employee to develop in three different dimensions: work experience, training courses, and experience outside the Company.

The investments in employee development are reflected in the incidence of internal mobility, whether via promotions (vertical growth) or lateral movement (horizontal growth). In 2012, about 50% of job openings were filled internally.

For those at leadership levels, the priority is to promote natural succession within the Company. If that is not possible, preference is given to candidates who live in the country in which the job opening occurs.

Leadership development is another area that receives Embraer's constant attention. The goal is to ensure outstanding leadership, made up of professionals able to generate extraordinary and sustainable value for the Company's stakeholders: shareholders, customers, staff, partners, and society in general. **GRI 1.2**

In 2012, Embraer increased both the total number of training hours and the number of employees who participated in training courses. A total of 116,619 employees participated in some 687,302 hours of training, for a total investment of R\$ 9,033,577.

Another highlight is the Study Scholarship program, through which Embraer awards grants to partially cover the cost of courses relevant to the business (technical or university training). In 2012, the benefit was extended to 328 employees, for a total investment of R\$ 241,229.

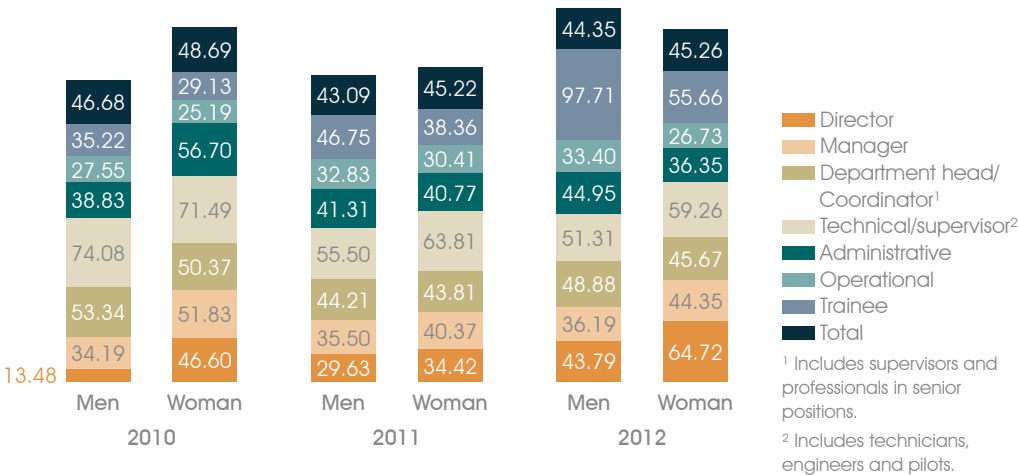
Embraer offers employees who are about to retire the Post-Career Program, which includes a series of initiatives, such as: the Life Development Project; Financial Planning; Entrepreneurialism and Having One's Own Business; Being a Volunteer; Social Media and Networks; etc.

Youth Apprenticeship

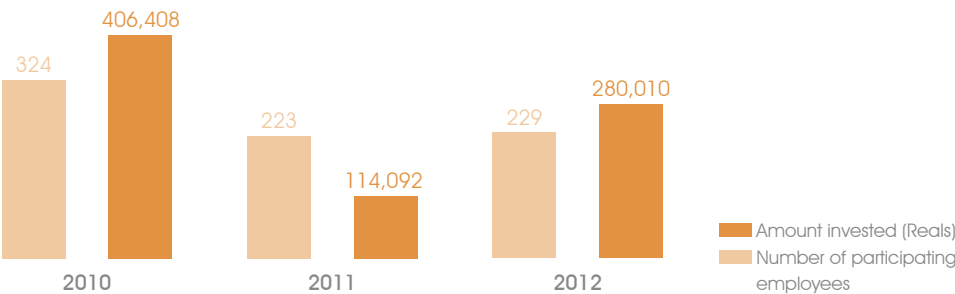
To contribute to the professional, intellectual, and social development of socio-economically vulnerable young people, Embraer participates in the Youth Apprenticeship program of the H lio Augusto de Souza Foundation (FUNDHAS), in S o Jos  dos Campos.

Embraer is the biggest partner in FUNDHAS, accounting for 30% of the young people taking part in the project. The two-year program now has 195 youth apprentices working at the Company in S o Jos  dos Campos. In 2012, investment in the program totaled R\$ 1.9 million.

AVERAGE NUMBER OF TRAINING HOURS PER YEAR,
BY JOB CATEGORY AND GENDER GRI LA10



POST-CAREER PROGRAM – IN-HOUSE COURSES
AND PRE-RETIREMENT PLANNING GRI LA11



Competencies evaluation GRI LA12

All Embraer employees undergo an annual competencies evaluation. This seeks, among other things, to align all staff with the Company's business strategy and organizational philosophy, to establish individual and corporate development plans, and to flag achieved and desired development areas for employees and their managers. The rollout of My Embraer, the new people management tool, resulted in the 2012 evaluation being postponed to 2013.

Leaders (Vice Presidents, Directors, and Managers) are also subject to 360° evaluations and evaluation committees, providing a check on competencies and identifying opportunities for improvement. The evaluations result in Individual Development Plans (IDP). These provide support to leaders in achieving their goals and help them become truly entrepreneurial leaders aligned with the Embraer Values. In 2013, these evaluation initiatives are to be extended to employees in supervisory capacities.

Attracting and retaining talent GRI LA2

During the year, Embraer increased its number of employees. The Company hired 1,053 employees and terminated the employment of 750. Conscious of the high degree of professional qualification that the business demands, specialization programs, which are fully subsidized by the Company, are one of the ways in which it attracts talent.

In a partnership with the Aeronautics Technological Institute (ITA), Embraer has developed the Engineering Specialization Program (ESP) for recent graduates from a number of engineering areas. ESP is a Masters-level professional program in aeronautical engineering that takes 15 months to complete. Since the program was launched in 2001, 18 classes have graduated and 1,250 engineers have been trained. In 2012, ESP attracted the participation of 155 engineers for an investment of approximately R\$ 7 million.

Along the same lines, the Embraer Designers Program (EDP) trains technicians to work as aeronautical designers. During 2012, 40 participants finished the course, which was held in a partnership with the Centro Paula Souza, through the Fatec School of Technology in São José dos Campos.

Spreading knowledge

Organized within the Company's engineering areas, the Community of Practice (Comunidade de Prática)—whose premise is that all knowledge generated should be recorded, disseminated and at the same time protected—were extended to commercial and supplies departments in 2012. Within the Community of Practice, employees may participate in specific groups, sharing knowledge and contributing to improvements and solutions for various processes.

Sharing the wealth created

In all, 18,078 employees benefitted from the Profit and/or Results Sharing Policy for 2012, for a total of R\$ 87.2 million, 16.6% higher than the profit-share payout from 2011.

Embraer also shares profit through the Good Idea Program, which encourages employees to suggest improvements to the Company's various processes.

TURNOVER RATE GRI LA2

Hiring: total number and hiring rates¹, by region, age group, and gender – 2012

Region	Age group	Men		Women		Total	
São José dos Campos	Up to 30	467	3.6%	206	1.6%	673	5.2%
	30 to 50	126	1.0%	59	0.5%	185	1.4%
	Over 50	7	0.1%	0	0.0%	7	0.1%
	Total	600	4.7%	265	2.1%	865	6.7%
Botucatu	Up to 30	50	3.0%	3	0.2%	53	3.2%
	30 to 50	16	1.0%	5	0.3%	21	1.3%
	Over 50	0	0.0%	0	0.0%	0	0.0%
	Total	66	4.0%	8	0.5%	74	4.5%
Gavião Peixoto	Up to 30	85	4.9%	10	0.6%	95	5.5%
	30 to 50	18	1.0%	0	0.0%	18	1.0%
	Over 50	0	0.0%	1	0.1%	1	0.1%
	Total	103	6.0%	11	0.6%	114	6.6%
Total	Up to 30	602	3.7%	219	1.3%	821	5.0%
	30 to 50	160	1.0%	64	0.4%	224	1.4%
	Over 50	7	0.0%	1	0.0%	8	0.0%
	Total	769	4.7%	284	1.7%	1,053	6.5%

Employment termination: total number and rates of employment termination¹, by region, age group, and gender – 2012

São José dos Campos	Up to 30	113	0.9%	57	0.4%	170	1.3%
	30 to 50	243	1.9%	61	0.5%	304	2.4%
	Over 50	76	0.6%	9	0.1%	85	0.7%
	Total	432	3.4%	127	1.0%	559	4.4%
Botucatu	Up to 30	57	3.4%	11	0.7%	68	4.1%
	30 to 50	29	1.8%	5	0.3%	34	2.1%
	Over 50	3	0.2%	0	0.0%	3	0.2%
	Total	89	5.4%	16	1.0%	105	6.4%
Gavião Peixoto	Up to 30	44	2.5%	3	0.2%	47	2.7%
	30 to 50	32	1.9%	2	0.1%	34	2.0%
	Over 50	5	0.3%	0	0.0%	5	0.3%
	Total	81	4.7%	5	0.3%	86	5.0%
Total	Up to 30	214	1.3%	71	0.4%	285	1.7%
	30 to 50	304	1.9%	68	0.4%	372	2.3%
	Over 50	84	0.5%	9	0.1%	93	0.6%
	Total	602	3.7%	148	0.9%	750	4.6%

¹ The rates of hiring and termination of employment were calculated in relation to the average number of Embraer employees during 2012.

RATIO BETWEEN THE LOWEST SALARY PAID BY THE COMPANY AND THE OFFICIAL MINIMUM WAGE GRI EC5

	Lowest salary paid by the Company	Minimum wage set by law and used as a reference	Degree by which Company's lowest wage exceeds minimum wage (%)
Men	R\$ 1,085.85	R\$ 690.00	57.37%
Women	R\$ 1,085.85	R\$ 690.00	57.37%

PERFORMANCE EVALUATIONS GRI LA12

Percentage of employees who underwent performance and career-development evaluation (%)	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Competency evaluation	98.1	96.5	98.8	97.7	N/A*	N/A*

* With the rollout of My Embraer, the next evaluation is to be carried out in 2013.

Remuneration and benefits GRI LA3

Embraer recognizes that well-qualified and motivated professionals are critical to business performance in the aeronautics sector. For this reason, employee remuneration follows specific directives and takes into consideration job complexity and performance. Remuneration policies are also in line with the realities of the job market in all countries in which the Company operates, as demonstrated by market benchmarking of salaries periodically carried out by the Company.

Based on the concept of global remuneration, Embraer offers both fixed (salaries and benefits) and variable compensation to all its employees, as set out in the Company's Human Resources Policy. In 2012, Embraer's lowest salary for both men and women was 57.4% higher than the minimum salary stipulated by the State of São Paulo. **GRI EC5**

The portfolio of benefits is extended to full-time and part-time employees and their direct dependents. The benefits package is a competitive advantage when it comes to attracting and retaining talent. During the year, the Company invested R\$ 309 million in employee benefits, with R\$ 139 million spent on medical benefits, R\$ 27.2 million on meals, R\$ 32.3 million on employee transportation, and R\$ 77.9 million on its complementary retirement pension, among other benefits.

Benefits offered – Brazil operations GRI LA3

- Medical and dental assistance plans;
- Assistance for children with disabilities;
- Pharmacy benefit;
- Life insurance;
- Vaccination program;
- Complementary pension plan;
- Meals;
- Transportation and parking;
- Day care assistance;
- Maternity leave (180 days);
- Leave for accompanying hospitalization;
- Income support, if off the job for more than 15 days;
- Relocation assistance;
- Loans;
- 24/7 support for employees contending with health or family problems;
- Fitness center membership;
- Christmas hamper and school supplies.

Main benefits **GRI LA3**

- Medical assistance plan*: coverage for consultations, therapies, exams and unlimited hospitalizations, as set out by law. Coverage is nationwide, and can be extended internationally, according to the individual plan or in emergency situations. There is also the possibility of extending the plan after the employee leaves employment with the Company. Currently, more than 40,000 people are covered by the plan.
- Dental assistance plan*: Embraer offers a free option and plans with additional coverage, at reasonable costs. It is also possible to stay on the plan after retirement or in the event of leaving the Company. In 2012, 14,300 employees took advantage of this plan.
- Pharmacy benefit: besides offering the option of purchasing medications at a discount through payroll withholding, Embraer finances 70% of the cost of medications purchased with a doctor's prescription and whose cost exceeds an amount equivalent to 16% of the national minimum wage. During the year, expenditure on the pharmacy benefit program totaled R\$ 4.5 million.
- Life insurance*: offered to employees and their direct dependents, as well as to trainees. Offers death, incapacity and disability benefits. In 2012, 48 compensation payments totaling R\$ 5.2 million were made.
- Complementary pension plan**: offered to employees at Embraer's Brazil operations, as well as employees of partially owned subsidiaries. Embraer Prev is a complementary pension plan with a defined contribution and voluntary participation, in keeping with Brazilian legislation. The rules are the same for participants regardless of business unit, salary, position, location and length of service with the Company (which is taken into consideration only in the event of withdrawals). In 2012, assets held in coverage of the plan totaled R\$1,149,745,332.53. **GRI EC3**

*These benefits are also offered to employees and their direct dependents in facilities in the United States, France, Portugal, China, and Singapore, in accordance with relevant local market conditions. The plans comply with requirements under local laws.

** This benefit is also offered to employees in facilities in the United States and France, in accordance with relevant local market conditions.

Complementary pension plan **GRI EC3**

Participant contributions

It is up to participants to determine their individual contribution, in accordance with the following criteria:

- for salaries equal to or less than R\$ 2,277.70, contribution should be between 1% and 3% of the participant's nominal salary;
- for salaries over R\$ 2,277.70, contribution should be 3% of salary up to R\$ 2,277.70 plus up to 8% of the salary portion above R\$ 2,277.70.

Monthly contribution percentages may be changed annually.

Sponsor contributions

- 100% matching of employee contributions up to the ceiling of 6% of the employee's total nominal salary established in the Human Resources Policy.

Health and safety GRI LA7

In the health and safety sphere, external recognition has once again attested to the Company's commitment to its employees. Listed on the Dow Jones Sustainability Index (DJSI) for the third consecutive year, Embraer was the leader under this item, among the companies in the aerospace and defense sector.

For ten years, the Company has also maintained its OHSAS 18001 international occupational health and safety certification, which is administered by the Integrated Management System for the Environment, Occupational Health and Safety, and Quality (SIG-MASSQ). The system, which is evaluated every year and certified by ABS Quality Evaluations, monitors ongoing actions and the health and safety results at all Embraer units in Brazil, covering employees, third parties, and customers. The health and safety indicators are monitored by senior management and discussed in meetings convened for critical analysis of management systems.

In strengthening preventive actions and constantly investing in improving facilities and procedures, Embraer's challenge is to ensure equal engagement of both administrative and operational teams regarding the importance of safety practices.

The issue figures in one of the evaluation criteria of the Embraer Entrepreneurial Excellence Program (P3E). Consequently, it proved possible to reduce job-related accidents by 66% at the main manufacturing units in Brazil, which account for more than 75% of employees. There are also specific improvement goals for outsourced professionals and action plans for mitigating health and safety risks.

Embraer has a number of initiatives in place for preventing and reducing the occurrence of accidents:

- Educational Action Plan: efforts are mobilized to change employee conduct with regard to health and safety. Based on feedback from employees and mid-level management, the Five Golden Rules for Health and Safety were formulated. They have received the explicit support of the Company's management; and both leaders and employees are directly involved in putting health and safety rules into practice on a daily basis.
- Behavioral Program: characterized by teamwork, this program is completed by appropriate employees who are trained to monitor risk behaviors on a daily basis. The program's objectives are to reduce the number of incidents (job-related accidents and illnesses), establish a team safety culture, and provide incentives for reporting near-accidents and risk situations, via a specific checklist.

At first, the focus was on employees from the production areas, but the initiative now covers professionals from the areas of Quality, Production Planning and Controls, Maintenance, and others. Employees in the Administrative, Engineering, and Out-Sourced areas are expected to be included soon.

- Embraer Occupational Therapy Program (PERTO): with professionals specialized in physical therapy, the program's purpose is to prevent possible injuries, working on muscular conditioning and improvements in executing work tasks.
- Managing Ergonomic Risk Factors: in partnership with the Federal University of São Carlos (UFSCar), the project seeks to identify, study and develop solutions to ergonomic risk factors on jobs in the operational areas.

Health and safety committee GRI LA6

Embraer also has an Internal Accident Prevention Committee (CIPA), as required by Regulatory Norm NR-05 of Administrative Ruling no. 3.214/78 of Brazil's Labor Ministry. Currently, the CIPA comprises 12 full members and 9 substitutes who represent the employees, and an equal number of members named by the Company.

The committee meets once a month to address matters relating to health and safety, and organizes the annual Internal Accident Prevention Week (SIPAT) at all Embraer facilities in Brazil, with the participation of a large proportion of employees. CIPA also develops annual action plans. In 2013, some of the focus will be on updating the risk map, creating working groups to address priorities identified in the mapping process, and defining the projects of the respective groups.

**INJURY RATES, OCCUPATIONAL ILLNESSES, LOST DAYS OF WORK,
ABSENTEEISM, AND JOB-RELATED DEATHS* ** GRI LA7**

EVALUATION CRITERIA	2010	2011	2012
Number of accidents requiring absence ^{1,2}	79.00	84.00	73.00
Number of accidents without absence	394.00	148.00	148.00
Number of employees at facilities ³	15,250.00	15,095.00	15,297.00
Number of accidents per employee ⁴	0.03	0.02	0.01
Hours actually worked (HAW) ⁵	28,965,236.16	28,968,055.98	28,503,764.80
Number of days missed due to accidents	1,277.00	7,448.00	787.00
Rate of days missed ⁶	44.09	257.11	27.61
Frequency of accidents requiring absence ⁷	2.73	2.90	2.56
Index of frequency of accidents with and without absence ⁸	16.33	8.01	7.75
Investment in accident and illness prevention, per employee (R\$)	602.28	745.21	1,162.60
Frequency of occupational illnesses ⁹	0.28	0.28	0.25
Number of occupational illnesses ¹⁰	8.00	8.00	7.00
Number of days missed for illness	975.00	239.00	231.00
Absenteeism rate ^{11, 12}	3.38	4.32	4.70
Accidents resulting in death	0.00	1.00	0.00
EVALUATION CRITERIA – THIRD-PARTIES	2010	2011	2012
Index of frequency of accidents with or without absence ¹³	5.16	13.65	8.85
Accidents resulting in death ¹⁴	0	0	0

* Travel accidents, whether or not they involve absences, are not included in the database.

** Investments in accident and illness prevention, in addition to uniforms and protective clothing, include expenses and investments made to ensure and/or improve occupational safety conditions. These include training courses, education programs, ergonomics, industrial hygiene, and improvements to machinery, equipment and supporting tools.

¹ Accidents requiring absence from work include a fatal accident that occurred in 2011 and was computed at 6,000 days lost, according to NBR 14.280 (Brazilian regulation).

² Accidents requiring absence from work are those where the employee does not return to work the day after the incident.

³ The number of employees was based on December of each year at the Faria Lima, Eugênio de Melo, Taubaté, Gavião Peixoto, and Botucatu units.

⁴ The number of accidents per employee was calculated by dividing the number of employees by the total number of accidents.

⁵ HAW (hours actually worked) including overtime and employee workday of 8 hours and 36 minutes.

⁶ The rate corresponds to the total of days missed, divided by the HAW and multiplied by a million.

⁷ The frequency rate is the total number of job-related

accidents requiring absence from work divided by the HAW and multiplied by a million.

⁸ The frequency rate is the total number of job-related accidents with and without days off from work divided by the HAW and multiplied by a million.

⁹ The frequency rate is the total number of job-related illnesses with and without days off from work divided by the HAW and multiplied by a million.

¹⁰ The total number of job-related illnesses with and without days off from work measures new cases.

¹¹ The absenteeism rate is an average proportionate to the number of employees in each unit.

¹² The absenteeism rate takes into consideration all absences, including legal absences (such as maternity leave and blood donation), health, and unauthorized late arrivals and absences.

¹³ Index related to permanent third parties at the Faria Lima, Eugênio de Melo, and Taubaté facilities. Calculated on the assumption of 220 hours per month per employee.

¹⁴ One fatality recorded of a service provider from an outsourced company at the Gavião Peixoto unit.



Health and safety goals – 2013* GRI LA7 | 1.2

- Reduce the overall frequency of accidents by 10% relative to 2012.
- Reduce the frequency rate of accidents requiring absence from work by 10% relative to 2012.
- Reduce the overall frequency rate of accidents involving service providers by 5% relative to 2012.
- Reduce the frequency rate of accidents involving service providers and requiring absence from work by 5% relative to 2012.
- Eliminate 5% of moderate risks that are classified as more significant, in relation to 2012, or reduce substantial risks identified in NR-12 (a Brazilian regulation) review (for areas with recognized risks).
- Reduce orthopedic job-related complaints by 5%, relative to the data recorded for 2012.
- Reduce the Body Mass Index (BMI) of employees by 5%, to improve quality of life.

HEALTH AND SAFETY COMMITTEE –
PERCENTAGE OF EMPLOYEES
REPRESENTED ON FORMAL HEALTH
AND SAFETY COMMITTEES GRI LA6

	2010	2011	2012
Internal Accident Prevention Committee (CIPA)	0.863%	0.903%	0.879%
Total CIPA representatives	134	140	140

* Brazil Units.

Well-Being Program GRI LA8

Embraer has a number of programs focusing on the occupational health and quality of life of its employees and their families. The risk of occupational illnesses associated with the Company's activities can be considered high, but incidence is low, thanks to the preventive measures adopted. Clinical and laboratory exams designed to evaluate the effectiveness of these procedures are carried out frequently.

The Well-Being Program was launched in 2009, and brings together initiatives that stimulate healthy habits in different areas of health and quality of life. Focusing on employees and their direct dependents, as well as on Embraer's trainees, the program envisages:

Well-being Without Cigarettes: offers employees and their direct dependents specialized treatment to help smokers quit, by combining medications and group therapy. In 2012, 106 people voluntarily sought treatment. During the year, the Company also concluded the process for making the work environment smoke-free, and received the seal of the same name from the State of São Paulo.

Well-being Without Drugs: supports employees and their families in treating chemical dependence, via specialized treatment and support for the family and the manager. In all, 508 people have participated in the program, including employees and direct dependents, and currently 33 participants are in follow-up.

Well-being with the Scales: offers techniques for losing weight in a healthy manner, based on the Weight Watchers program, at below market price. During the year, 222 employees took part in the initiative.

Well-being and Maternity: supports mothers by extending maternity leave from 120 to 180 days; providing areas for breast feeding; providing daycare assistance; allowing absence of one day per month for mothers with children up to 12 years of age with disabilities; arranging consultation with a Company doctor for guidance and support for a healthy pregnancy; providing a pre-natal course for expectant mothers with the participation of the father, a pediatrician, a nurse, a nutritionist, a physical therapist, and a psychologist; and giving psychological support upon returning from maternity leave. During the year, 200 mothers took advantage of these benefits.

Well-being with Your Heart: offers guidance and individual monitoring to employees with cardiovascular diseases. Sixteen employees with heart problems received support in 2012.

Well-being with Physical Activity: incentivizes and offers physical and sports activities via a variety of initiatives, such as support for street runners and walkers, bicycle excursions, and maintenance of the 30-Minute Gym, as well as a sports infrastructure at the Embraer Sports



Association, in São José dos Campos. In 2012, the Embraer running team, comprised of 981 athletes, won five prizes.

Well-being without Stress: encourages a review of habits and reflection on how to manage daily stress, via weekly meetings with a multidisciplinary team consisting of a psychologist, doctor and nutritionist, who together develop a practical guide to managing stress. In 2012, there were 82 employees in this program.

Other initiatives **GRI LA8**

The Company also supports a Vaccination Program for all employees at its Brazilian facilities and their direct dependents. Embraer covers 80% of the cost of vaccines recommended by the Regional Medical Council (CRM) but not provided by the government. In collective vaccination campaigns, such as that for the flu vaccine, the Company covers 100% of the cost for employees and 80% for direct dependents.

Among the various actions for promoting good health, well-being and quality of life, a pilot project created in 2012 organized a group of employees diagnosed with chronic illnesses, such as hypertension and diabetes. Through periodic meetings, they receive follow-up from nutritionists, cardiologists, and physical therapists.

In the Occupational Health Medical Control Program, the focus is on performing periodic preventive health examinations. The Respiratory Protection Program seeks to ensure that all employees who use personal respiratory protection equipment get a physical and psychological check-up, as well as to assure that the equipment is adequate for the risks and the individual workers. Finally, the Hearing Conservation Program seeks to ensure the physical, mental and auditory health of all employees exposed to noise and who use hearing protection equipment.

VACCINATION PROGRAM 2012

2012	Quantity	Value
Flu Campaign	21,381	R\$ 385,269.53
Benefit + travelers	2,117	R\$ 701,736.40
Total	23,498	R\$ 1,087,005.93

Collective bargaining and unionization GRI LA4 | HR5

Embraer's relations with labor unions are characterized by respect and integrity and are based on the legislation in force and on signed agreements. Employees' freedom to join unions is fully respected. In Brazil, 8.2% of Embraer's employees belong to unions, but the salary adjustments and other clauses negotiated in the agreements are extended to all workers.

Embraer fully applies all of the clauses regarding job safety, such as those reported above.

Union agreements GRI LA9 | HR5

Embraer recognizes and fully applies all clauses of collective bargaining agreements signed by its union representatives. These contain specific items regarding occupational safety as well as the terms of the collective bargaining agreement aimed at improving working conditions around presses and similar equipment, plastics injectors, and surface galvanization in the metallurgical industries of the State of São Paulo.

Some of the topics covered by the agreements are: individual protective equipment; joint health and safety committees formed by management and workers; worker participation in health and safety inspections and audits and accident investigations; training and education; a complaint system; the right to refuse unsafe work; periodic inspections; compliance with the International Labor Organization (ILO); measures or systems for problem-solving; commitments to desired performance standards or practice levels; questions regarding CIPA (members of CIPA under investigation, activities and specific courses with annual refreshers, demands by SIG-MASSQ and the Channel for Harmful Practices/Ethics Committee, reviews of spreadsheets of hazards, risks, and the CIPA map); Global Compact and P3E – criteria for accident eligibility.



Embraer Values

The fourth year of spreading Embraer's Values was marked by a number of activities: presentations by renowned professionals to Company managers, group activities in the employee lounges and the presentation of the six Embraer Values to employees' families at the end-of-year party, with around 20,000 people in attendance. At the end of 2012, a qualitative study confirmed that employees have extensive knowledge of the corporate values and a willingness to put them into practice.

The focus of the communications plan for 2013 is on creating spaces and moments for reflecting upon and practicing the values. The initiative is global in scope, but comes with local adaptations, respecting each cultural context.

Internal Communications

Embraer's internal communications structure shares information among employees via a variety of means. In August 2012, the Company's Corporate TV system was inaugurated. With its more attractive and dynamic style of communication, Embraer TV's 100 transmission points have increased the speed and quality of information-sharing, as well as promoted greater interactivity, by broadcasting activities carried out by the employees themselves. With the elimination of printed materials, there has also been a reduction in cost and environmental impact.



WE BUILD A
SUSTAINABLE
FUTURE



RESPONSIBLE GROWTH

Part of Embraer's strategy, sustainable management brings society and the environment close to the Company and is fundamental for the business to perform well





Embraer believes that a sustainable model for the development and longevity of its business depends directly on the stance it adopts towards society and the environment. It is no coincidence that this belief is made explicit in one of its corporate values. This reflects the Company's commitment to carry out its business while aligning economic objectives with socio-environmental aspects. Accordingly, Embraer plans to increasingly position itself as a sustainable company that contributes to the development of society and keeps an attentive eye on the environment. All while keeping a keen focus on customer satisfaction and on generating value for shareholders, employees, and other stakeholders, with a view to the long-term prosperity of the business.

SOCIAL RESPONSIBILITY GRI EC8 | SO1

Specifically in the area of corporate social responsibility, the Embraer Education and Research Institute (Instituto Embraer de Educação e Pesquisa - IEEP) was created in 2001, establishing a structure for the Company's private social investments. The Embraer Institute's actions are focused first and foremost on promoting education. This is Embraer's main area of social action because the Company understands the essential importance of education for achieving the full development of society. Embraer's own business, which demands high levels of education and specialization, is another important factor in its stance. In 2012, the Company's investment in educational programs and projects was on the order of R\$ 23 million.

Embraer works in partnership with public authorities, civil entities, and other companies, as well as encourages employee participation in volunteer projects. These stakeholders are the interface between the Company and the community. Embraer's international operations also organize periodic initiatives, always respecting specific local and regional cultures.

The highlight of the Company's commitments in the social sphere is Embraer Juarez Wanderley High School, in the city of São José dos Campos. Created in 2002 and fully financed by Embraer, the high school is recognized as an educational point of reference in Brazil, and provides three years of high school to 600 students from the public school system. In 2012, the total number of graduates reached 1,800.

During the year, fully 100% of the students who concluded their studies at Embraer Juarez Wanderley High School passed the entrance exams for at least one university, 87% of them for public universities. In the 2011 National High School Exam (Exame Nacional do Ensino Médio - ENEM), the results of which were announced in 2012, the high school was ranked in ninth place in the State of São Paulo and in 39th place nationwide. In 2012, a total of 3,900 young people competed for the 200 first year places for the 2013 school year.



An extension of good results **GRI EC8 | SO1**

The success of the educational model implemented at Embraer Juarez Wanderley High School prompted the establishment of a second educational unit, for 360 students, in the city of Botucatu, São Paulo. Classes began at the new Embraer Casimiro Montenegro Filho High School in February 2013, when the 120 students who passed the entrance exam formed the first class of the first high school year. Approximately R\$ 5 million was invested in building the high school, and the participation of state and municipal governments helped bring the new unit to fruition.

The pedagogical system is the same as at Juarez Wanderley unit, providing ten hours of class per day for the 600 students. The methodology focuses on academic excellence, preparation for university, professional guidance, and environmental, social, and cultural education. Besides a full study scholarship, the students of the Embraer High Schools are provided with uniforms, study materials, meals, and transportation.

Stimulating regional development GRI EC9

Leaving aside the initiatives aimed at promoting education, Embraer's own operations have positive impacts on the communities where they operate. A case in point is the industrial facility in the city of Gavião Peixoto, in the interior of São Paulo state. The Company's presence has significantly boosted the industrial development and economy of the entire region, through the arrival of new factories and service-providing firms, generating direct and indirect jobs.

Technological development has also gained momentum with the region being home to the São Carlos School of Engineering (EESC) of the University of São Paulo (USP), located in the city of São Carlos, near Gavião Peixoto, along with the Federal University of São Carlos (UFSCar). Both institutions offer courses in Engineering and other disciplines connected with exact and technological sciences. They have been investing more and more in building and expanding laboratories and research centers, as well as granting study scholarships and developing research projects—including studies in the aerospace field.

Social Partnership GRI EC8 | SO1

Through its Social Partnership Program (SPP) Embraer provides financial support to a variety of educational projects developed by non-governmental organizations (NGO) in the communities where the Company is present. With mandatory involvement of Embraer employees, who work with the NGOs to plan and implement activities, the SPP is also another effective way to encourage volunteering at Embraer.

Every year the Company also offers courses to participants on how to plan and follow up on projects and manage the budget, among other subjects. Between 2004 and 2012, 105 projects received support, involving 780 employees and benefiting around 46,000 children and adolescents. Total investment during the period amounts to more than R\$ 3 million.

Scholarship Fund

Embraer maintains a Scholarship Fund to help Embraer High School graduates who passed entrance exams at institutions of higher education located far from São José dos Campos and who lack the financial means to cover living and meal expenses. The Company is the biggest contributor to the fund, accounting for 25% of its resources; the rest comes from partner companies, voluntary contributions from about 800 employees, and former scholarship holders who, after joining the job market, begin to pay back the sums received during their university studies. In 2013, it is estimated that 40% of the program's budget will come from former beneficiaries.

In 2012, the monthly stipend of R\$ 569.04 was sent to 292 university students, and 212 former scholarship winners paid back part of what they had received.



Environmental education GRI EC8 | SO1

In harmony with the Company's Environmental Master Plan, IEEP is spearheading construction of an environmental education center in São José dos Campos that is expected to go into operation in 2013. In partnership with the Municipal Education and Environment departments, universities, and social organizations, Embraer Environmental Education Center Jequitibá aims to promote environmental awareness among children and young people from public elementary and high schools and universities, among teachers, and in the community. The Center's work will focus on issues such as flora and fauna, sustainable buildings, renewable energy sources, and recycling.

Covering an area of 250,000 m², the Environmental Education Center's facilities will be built in accordance with sustainable technology principles. Also under way is a biodiversity audit, carried out in a partnership with the University of Taubaté (Unitau), to identify and record local flora and fauna.

The activities envisaged for the Environmental Education Center are:

- Monitored visits and trails;
- Regional historical, economic, cultural, and environmental restoration and appreciation;
- Installment of a Native Flora Museum, entailing planting of nurseries for native species and gardens;
- Workshops to train teachers from the public school system;
- Professional training workshops for the community.



Other initiatives

Mini-company **GRI EC8 | SO1**

This program encourages entrepreneurship among 9th grade students in public schools. Developed with Junior Achievement, a São Paulo NGO, the Mini-company program works in partnership with the Municipal Departments of Education in the cities of São José dos Campos, Gavião Peixoto, and Botucatu, and involves Embraer employees as volunteers.

Results: the program lasts for 15 weeks, with three hours a week of classes, and covers financial, production, human resources, marketing, and leadership topics. The participants are encouraged to form mini-companies that, at the end of the program, are liquidated and any profits donated to social institutions. Over a period of ten years, about 800 students and 350 Embraer volunteers have taken part.

Investment in 2012: R\$ 70,000.

Mini-gliders **GRI EC8 | SO1**

The main objective of this program is to encourage and educate 7th to 9th grade students in basic knowledge about planning and building aircraft, from preparing the drawings of a mini-glider to the development and flight-testing phases. The initiative entails a flight test competition among the aircraft built during the program.

Results: in 2012, its fourth year in existence, six workshops were held and taught by employee volunteers to 23 teams (including more than 220 students). The program encourages students to develop skills in drawing, basic geometry and physics calculations.

Investment in 2012: R\$ 70,000.

ENVIRONMENTAL RESPONSIBILITY

Throughout the year, Embraer's environmental management and oversight were strengthened, both by revising the environmental guidelines that direct the Company's actions and through initiatives for mitigating risks and reducing environmental impacts that either began or were continued in 2012.

The Environmental Master Plan, which summarizes Embraer's main commitments for the next five years, was revised in the following areas: environmental management system, eco-efficiency, supply chain engagement, product development (Design for Environment – DfE practices), and participation in a project developing aircraft biofuels.

Another development in 2012 was the launch of the environmental portal on the Company's intranet. The portal provides employees with a systematic means – aligned with GRI guidelines – to report the environmental indicators of their respective sectors and operational units.

Product life cycle GRI EN26

Upon adopting product life cycle management in 2011, Embraer created a new program, the Integrated Development of an Environmentally Sustainable Product (DIPAS), that ensures adoption of Design for Environment (DfE) practices during the development of aircraft. The objectives are to minimize environmental impacts at the materials extraction and processing stages, and to improve environmental performance at the later phases of the product life cycle: operation and disposal.

The Company created a specific methodology for incorporating environmental requirements into new product development, ensuring issues related to pollution emissions, noise, and the use of materials, among others, are taken into account. A multidisciplinary team of engineers is responsible for implementing the Design for Environment practices.

The next phase of the program envisages carrying out an analysis of the life cycle of Embraer's products and implementing the Environmental Product Declaration (EPD). The latter will improve the quality of information available to customers and other relevant stakeholders regarding the Company's environmental indicators.

Greenhouse gases GRI SO5 | EN6 | EN18 | EN26

The consumption of fuels and the resulting emissions of greenhouse gases (GHG) are the main environmental impacts caused by the global air transportation sector, which currently accounts for approximately 2% of all emissions. In 2012, Embraer was a signatory to an aeronautics industry sustainability pact, an initiative of the Air Transport Action Group (ATAG) and an extension of a commitment signed in 2008, which described the actions to be taken by the industry to mitigate climate change.

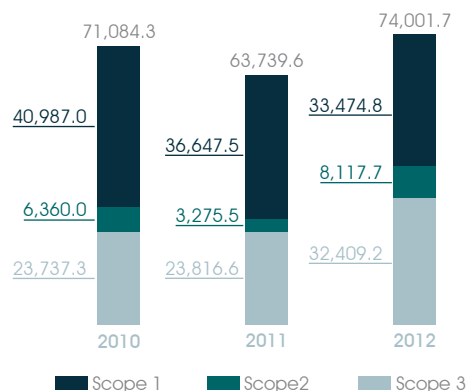
A partnership with General Electric (GE), which manufactured the engines; Amyris, a chemicals company responsible for developing the biokerosene; and Azul Linhas Aéreas Brasileiras, resulted in a flight between Campinas and Rio Janeiro that was powered by biofuel produced from sugarcane. The flight took place during the United Nations Conference on the Environment (Rio+20), in June 2012.

A series of public workshops convened by Embraer, Boeing, and the São Paulo Research Foundation (FAPESP) also took place. The workshops seek to create a comprehensive document outlining the opportunities and challenges in producing and distributing biofuels in the aviation market. The results of the study should be released in 2013.

Other initiatives for reducing energy consumption and emissions are also being implemented. The highlight is a project that aims to prioritize the use of composite rather than metallic materials in airplane structures, thus reducing aircraft weight and, consequently, fuel consumption (read more in the chapter "*Boldness and innovation are our hallmarks*"). Also, an aircraft operating manual — *General Publication — Fuel Conservation* — was developed, providing information for operators on how to reduce fuel consumption and emissions. A project for reducing aerodynamic drag focused on reducing fuel consumption by increasing the aircrafts' aerodynamic efficiency.

In 2012, the Company also began using a heat exchanger, linked to the compressor, to heat the water of the paint shop at the Faria Lima plant, in São José dos Campos. As a result, Embraer has stopped emitting 1,217 tons of de CO₂eq, signifying an annual reduction of 589,704 m³ in consumption of natural gas.

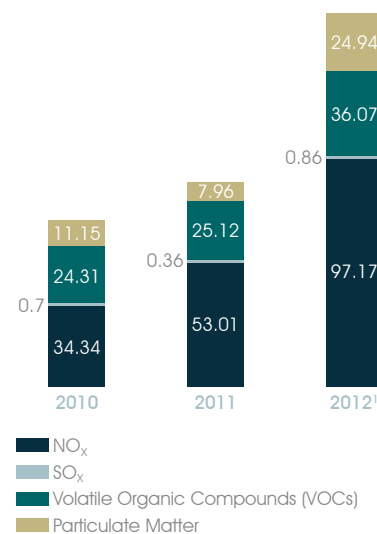
DIRECT AND INDIRECT GHG EMISSIONS (tons CO₂ equivalent) GRI EN16 | EN17



DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (tons CO₂ equivalent) GRI EN16 | EN17

	Location	2010	2011	2012
Scope 1	São José dos Campos	28,804.7	30,123.9	20,767.8
	Eugênio de Melo	2,069.0	1,807.7	2,166.6
	ELEB	418.4	272.3	133.5
	Taubaté	0.1	0.0	137.7
	Gavião Peixoto	6,889.6	1,545.9	7,046.5
	Botucatu	2,805.2	2,897.7	3,222.7
	Total	40,987.0	36,647.5	33,474.8
Scope 2	São José dos Campos	3,205.8	1,738.8	4,266.6
	Eugênio de Melo	984.6	365.8	1,028.9
	ELEB	542.0	298.2	703.4
	Taubaté	76.1	63.2	206.4
	Gavião Peixoto	694.0	364.4	915.9
	Botucatu	857.5	445.1	996.5
	Total	6,360.0	3,275.5	8,117.7
Scope 3	São José dos Campos	5,058.5	4,484.1	4,731.5
	Eugênio de Melo	1,211.4	1,230.4	1,311.3
	ELEB	28.9	229.1	255.4
	Taubaté	-	23.1	17.9
	Gavião Peixoto	2,199.3	2,074.3	2,272.1
	Botucatu	1,521.4	1,428.4	1,476.3
	Corporate air travel	13,717.8	14,347.2	22,344.7
	Total	23,737.3	23,816.6	32,409.2

OTHER SIGNIFICANT EMISSIONS GRI EN20 Atmospheric emissions (tons)



¹ Volumes emitted by the São José dos Campos, Eugênio de Melo, Taubaté, Botucatu and Gavião Peixoto facilities. The ELEB facility did not monitor emissions of these substances in 2012.

Emissions inventory GRI EN16 | EN17 | EN18

A GHG emissions inventory of Embraer's industrial operations is carried out every year, in line with the standards set by the Intergovernmental Panel on Climate Change (IPCC) and the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD). The estimates are based on measurements of fuel and energy consumption. For the fourth consecutive year, inventory was checked according to ISO 14064 - part I, through a process performed by Lloyd's Register Quality Assurance (LRQA). This certification has been obtained by very few Brazilian companies.

In 2012, Scope 1 emissions fell 9% in relation to the previous year. The decline is due to lower consumption of aviation kerosene. Scope 2 and Scope 3 emissions rose 148% and 36% respectively.

The high number of flights by Company executives along with the outsourcing of transportation services (workers, materials, etc) accounted for the lion's share of the Scope 3 emissions.

Other emissions GRI EN19 | EN20

Embraer's environmental management system provides for atmospheric measurement of fixed emission sources. In all, 95 fixed emission sources at the Company's units are monitored twice a year. The monitoring is carried out wherever there are emissions of one or more pollutants: particulate material, sulfur oxide, nitrogen oxide, volatile organic compounds, halogen compounds, and metallic compounds that contain chromium and sodium.

Monitoring of particulate material, sulfur oxide, nitrogen oxide, and volatile organic compounds is carried out in accordance with limits and specifications established by the International Finance Corporation (IFC).

Measurement of halogen and metallic compounds, such as chromium and sodium, are taken every six months, as internal needs arise. The industrial processes that emit these pollutants are the paint and primer shops, the exhaust system for treating metallic surfaces and the exhaust system for chemical milling.

When concentrations over the maximum limit are detected, the Company draws up non-compliance reports, and corrective measures are identified and implemented, with the support of those responsible and the employees of the relevant areas. The reports also are sent to the other units to guard against repetition of the failure.

Every year, the results of the fixed monitoring are submitted to the State of São Paulo's environmental agency for inclusion in the state inventory of atmospheric emissions.

OZONE EMISSIONS – DEPLETING SUBSTANCES BY WEIGHT – IN 2012 GRI EN19

São José dos Campos	Types of Gas	Consumption (t)	ODP (Ozone Depleting Potential)	Equivalent Tons of CFC11 (m3)
São José dos Campos	R-22	0.667	0.034	0.023
	HCFC-141b	0.150	0.100	0.015
Botucatu	R-22	0.001	0.034	0.000
	HCFC-141b	0.000	0.100	0.000
Eugênio de Melo	R-22	0.180	0.034	0.006
	HCFC-141b	0.046	0.100	0.005
Gavião Peixoto	R-22	0.292	0.034	0.010
	HCFC-141b	0.300	0.100	0.030
Taubaté	R-22	0.095	0.034	0.003
	HCFC-141b	0.000	0.100	0.000
ELEB	R-22	0.058	0.034	0.002
	HCFC-141b	0.000	0.100	0.000
Total	R-22	1.293	0.034	0.044
	HCFC-141b	0.496	0.100	0.050



Environmental improvements in the painting of aircraft GRI EN26

With the deployment of robots to paint the aircraft, Embraer has reduced environmental impacts and improved safety conditions for employees:

- 28% reduction of paint consumption and in the emission of volatile organic compounds (5.7 tons/year);
- 25% reduction of paint sludge sent to the industrial landfill;
- 87.5% reduction in the consumption of cleaning solvents used during the painting process;
- 100% reduction of painter exposure to primer and paint fumes;
- Reduction of disposal of paint-contaminated individual protective equipment;
- 10 kg reduction in the weight of commercial aircraft, resulting in fuel savings.

Energy efficiency **GRI EN4 | EN5 | EN7**

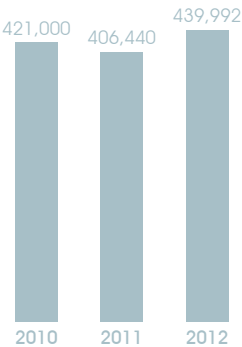
The Embraer ECOperation program concentrates all the various eco-efficiency projects, from the corporate ones that apply to the entire Company, down to periodic initiatives in specific sectors. Thanks to this program, the Company has been perfecting the follow-up of all these projects and the measurement of their results.

In 2012, several initiatives contributed to Embraer improving its energy efficiency. Despite a 7.5% increase in total energy consumption over the previous year, the relative consumption (per billing) remained practically stable (increasing less than 2%). At the Faria Lima plant, in São José dos Campos, the substitution of 69 metallic vapor bulbs for LED bulbs generated a savings of 179 GJ/year, while the repair of a compressed air leak resulted in savings of 1,679 GJ/year. There was also a change of 425 air conditioning units in the offices, bringing a reduction of 1,585 MWh per year.

The Eugênio de Melo unit, also in São José dos Campos, reduced energy consumption by 4,018 GJ/year, following the installation of more efficient light fixtures. At the Taubaté unit, the automation of bulbs in a hangar via the installation of sensors will save 2,520 GJ every year.

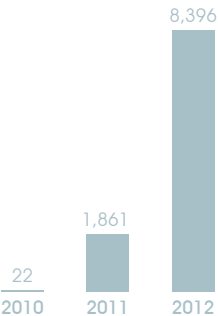
With a view toward reducing energy expenditure while transporting employees, Embraer hired a specialized company to prepare a route-planning project, which should be put in place at the Faria Lima unit (São José dos Campos) by September 2013 and will subsequently be extended to other facilities in Brazil. Benchmarking studies were also carried out, confirming the possibility of reducing the number of kilometers covered per day by buses by 10% to 20%, reducing greenhouse gas (GHG) emissions.

INDIRECT ENERGY CONSUMPTION* (GJ)
GRI EN4



*It is not possible to determine the primary energy consumption for producing indirect energy, since utilities are not legally obliged to disclose the production source of energy in Brazil. Embraer acquires energy from the EDP Bandeirantes and CPFL Paulista utilities to supply its facilities in São José dos Campos, Taubaté, Gavião Peixoto, and Botucatu.

ENERGY SAVINGS GRI EN5
Improvements in conservation and energy efficiency – Reductions achieved (GJ)





Flight During Rio+20 GRI EN6 | EN18 | EN26 | SO5

On June 19, 2012, during Rio+20, an EMBRAER 195 jet manufactured by Embraer and operated by Azul Linhas Aéreas Brasileiras, carried out an experimental flight between Viracopos Airport (Campinas) and Santos Dumont Airport (Rio de Janeiro) using renewable fuel. The flight was the result of a project that began in 2009. Besides Embraer and Azul, the project involves Amyris, which makes the biofuel, and GE, which makes the engines. The flight should pave the way for the certification of biofuel by ASTM International (formerly known as the American Society for Testing and Materials) within the next few years, allowing its future sale.

As part of the Rio+20 program, a panel presented a study by the Institute for International Trade Negotiations (ICONE) into the life cycle of the biokerosene produced by Amyris. According to the study, the sugarcane-based fuel can reduce CO₂ emissions by up to 82%, compared to fossil-based kerosene.

Embraer was also one of the The Friends of Rio+20, a grouping comprised of 26 representatives of international businesses, convened and supported by the World Economic Forum (WEF). The group set itself the task of discussing practical actions to overcome the challenges of sustainable development. Among the proposals it presented to government leaders, the highlights were: the establishment of post-2015 global development goals, the formulation of national and regional policies to accelerate progress towards a sustainable economy, and the creation of multi-country and multi-stakeholder groups to facilitate current and future actions in this regard.

Water management **GRI EN8 | EN10**

In 2012, Embraer's water consumption reached 649.86 m³, up 5.7% from the previous year. The increase is due, in part, to the cleaning of eight reservoirs in São José dos Campos and a small leak in Botucatu. At the facilities in São José dos Campos and Gavião Peixoto, water is drawn from the water table, while in Botucatu and Taubaté, the Company is supplied by public utilities. At all of the facilities, water consumption is measured on a monthly basis and monitoring takes place to ensure parameters set by the government agencies are met.

During the year, 11% of the volume of water drawn at the Gavião Peixoto facility (8.53 m³) was reused to irrigate the yards and gardens. For the Brazilian facilities as a whole, the rate of reuse was 1.3%.

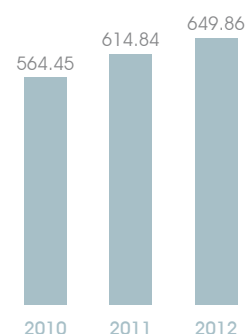
At the Faria Lima facility, a system for recycling rain-water was installed, enabling savings of 80,000 liters per month. The idea came from employees in the paint shop for executive jets, who identified the wastage of the natural resource during the daily washing down of their area. Other areas in the Company also plan on adopting the system for reusing rain-water. **GRI EN26**

At the Taubaté unit, new machines for cutting raw materials caused an increase in the volume of water used, triggering the development of a project for water reuse. Once the project is completed, it is expected that 70% of the water will be able to be reused.

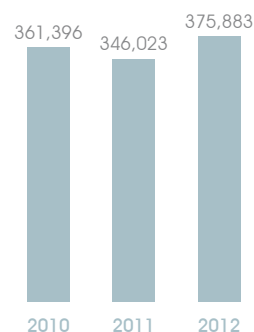
In 2012, the volumes of domestic and industrial effluents grew 8% and 5% respectively, compared to the previous year. Embraer applies a physical-chemical or biological treatment to its effluents, before finally disposing of them in the public sewer system or into a body of water. **GRI EN21**

The disposal of water from Embraer's operations does not significantly change any body of water. Only at the Gavião Peixoto and Taubaté units are the effluents disposed of in the Mulada stream and the Paraíba do Sul River respectively, after going through sewage treatment plants. Even so, the volumes disposed of are below the capacity to handle them. **GRI EN25**

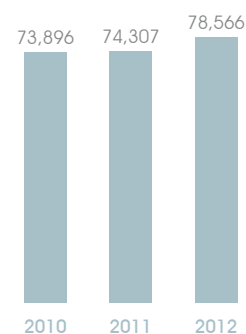
**TOTAL WATER CONSUMPTION
(THOUSANDS OF M³) **GRI EN8****



**TOTAL DOMESTIC EFFLUENTS
(M³/YEAR) **GRI EN21****



**TOTAL INDUSTRIAL EFFLUENTS
(M³/YEAR) **GRI EN21****



DOMESTIC EFFLUENTS GRI EN21

Unit	Year	m³/year	Treatment	Destination
Faria Lima	2010	233,178	Physical-chemical treatment	Public sewer system
	2011	220,667	Physical-chemical treatment	Public sewer system
	2012	255,094	Sabesp*	Public sewer system
Eugênio de Melo	2010	55,152	Physical-chemical treatment	Public sewer system
	2011	46,853	Physical-chemical treatment	Public sewer system
	2012	52,200	Sabesp	Public sewer system
Taubaté	2010	-----	----	----
	2011	3,452	Biological treatment	Body of water
	2012	8,672	Biological treatment	Body of water
ELEB	2010	-----	----	----
	2011	-----	-----	----
	2012	-----	-----	----
Gavião Peixoto	2010	34,547	Biological treatment	Body of water – Mulada River
	2011	28,565	Biological treatment	Body of water – Mulada River
	2012	24,853	Biological treatment	Body of water – Mulada River
Botucatu	2010	38,519	Sabesp	Public sewer system
	2011	46,486	Sabesp	Public sewer system
	2012	35,064	Sabesp	Public sewer system
Total	2010	361,396		
	2011	346,023		
	2012	375,883		

* Cia de Saneamento Básico do Estado de São Paulo (Sabesp, São Paulo State Sewer and Water Company).

WATER CONSUMPTION, BY SOURCE (THOUSANDS OF M³) GRI EN8

		2010	2011	2012
Underground water	São José dos Campos	300.24	321.6	336.47
	Eugênio de Melo	86.84	73.34	107.17
	ELEB	31.8	30.23	32.18
	Gavião Peixoto	65.89	99.22	77.11
	Total	484.77	524.39	552.93
Utilities	Taubaté	3.7	9.05	14.38
	Botucatu	75.98	81.4	82.55
	Total	79.68	90.45	96.93
Total		564.45	614.84	649.86

INDUSTRIAL EFFLUENTS GRI EN21

Unit	Year	m³/year	Treatment	Destination
Faria Lima	2010	27,667	Physical-chemical treatment	Public sewer system
	2011	27,662	Physical-chemical treatment	Public sewer system
	2012	27,915	Physical-chemical treatment	Public sewer system
Eugênio de Melo	2010	6,660	Physical-chemical treatment	Public sewer system
	2011	3,820	Physical-chemical treatment	Public sewer system
	2012	5,110	Physical-chemical treatment	Public sewer system
Taubaté	2010	—	—	—
	2011	—	—	—
	2012	—	—	—
ELEB	2010	6,048	Physical-chemical treatment	Public sewer system
	2011	6,048	Physical-chemical treatment	Public sewer system
	2012	6,048	Physical-chemical treatment	Public sewer system
Gavião Peixoto	2010	2,376	Physical-chemical treatment	Body of water – Mulada River
	2011	1,798	Physical-chemical treatment	Body of water – Mulada River
	2012	1,161	Physical-chemical treatment	Body of water – Mulada River
Botucatu	2010	31,145	Physical-chemical treatment	Public sewer system
	2011	34,979	Physical-chemical treatment	Public sewer system
	2012	38,332	Physical-chemical treatment	Public sewer system
Total	2010	73,896		
	2011	74,307		
	2012	78,566		

**TOTAL WEIGHT OF WASTE
(TONS) GRI EN22**



Waste management GRI EN22

At Embraer, waste management is carried out at different stages. The Company's facilities have designated collectors, which are transported to so-called intermediate areas and then sent to specific places for separation. There are two separation areas — DETRI (hazardous wastes) and Bolsão (non-hazardous wastes). A specific procedure is followed for internally transporting wastes emitted by the production process. There are also working instructions for correct handling of wastes at the moment they are separated.

An outsourced company externally transports the wastes to partners that perform co-processing, decontamination, reuse, recycling, and disposal. These companies are duly accredited and undergo periodic audits. The treatment and disposal certificates issued by the company that treats the wastes are verified against Embraer's records of the removal of the wastes.

Currently, ELEB Equipamentos, a subsidiary located in São José dos Campos, is the only Embraer division that still sends hazardous wastes to the sanitary landfill. However, the practice is already being phased out in favor of co-processing, and the goal is to eliminate disposal in landfills in 2013. No volume of hazardous waste is imported or exported by the Company.

Non-hazardous wastes (tons)	2010	2011	2012 ¹
Compost	0.00	0.00	1,108.79
Recycling	6,661.43	9,187.00	10,322.81
Recovery (including recovery of energy)	100.95	176.54	239.93
Sanitary landfill	476.77	955.97	1,712.90
Others (co-processing)	3.29	41.94	15.06
Total	7,242.43	10,361.45	13,399.49
Hazardous wastes (tons)	2010	2011	2012
Recycling	----	9.00	25.94
Recovery (including recovery of energy)	1,029.61	1,902.18	2,316.37
Incineration (burning of mass)	17.22	11.54	38.16
Sanitary landfill	62.72	30.67	23.86
Others (co-processing)	690.00	799.00	972.50
Total	1,799.55	2,752.39	3,376.83
Total non-hazardous + hazardous	9,041.98	13,113.84 ²	16,776.32

¹ The growth in the volume of hazardous and non-hazardous wastes in 2012 is explained by the fact that, in 2010, the data for the Botucatu and Gavião Peixoto facilities were not taken into account; and in 2011, the volume generated in Gavião Peixoto was again excluded.

² The amount differs from what was reported in the 2011 annual report due to a revision of the methodology for collecting the data.

Attention to biodiversity GRI EN11 | EN12 | EN13 | EN14

In 2010, the planting of a preservation area at Embraer's Gavião Peixoto facility was completed. The project is sponsored by the Forest Restoration Project approved by the State Department for the Protection of Natural Resources (DEPRN) of São Paulo State's Department of the Environment. Since 2001 the preservation area has been regenerating 356.71 hectares by planting 91 seedlings of species native to the region. Of the restored area, 32.38 hectares are classified as a permanent preservation area and 328.74 hectares as a legal reserve. Twenty-three hectares were planted with 35,200 trees in 2010, for a total of 594,200 trees, equivalent to 100% of the total area set apart for the project (356.71 hectares). Furthermore, Embraer undertook a landscaping project using native species in the Company's recreation areas, with a view to maintaining the location's environmental quality. These environmental compensation initiatives promote regeneration of the ecosystem and encourage the return of wildlife to the region.

During the installation phase of the Aeronautics Industrial Hub in Gavião Peixoto, a preliminary environmental report was prepared as the basis for the plant's environmental license. The site's 1,783 hectares had formerly been sugarcane fields and orange orchards, which were cleared according to recommendations and using phytosanitary precautions to forestall potential pest infestations associated with these plantations. The site still had some trees from the Cerrado habitat, which were also removed, for safety reasons.

The Gavião Peixoto mayorality declared the area (comprising the industrial hub and an external surrounding area of 5 km) an industrial expansion zone, in line with the parameters of the Aeronautics Ministry. Located 16 km from the city of Gavião Peixoto, the hub's activities do not affect the urban population. Also, there are no relevant impacts on the environment, since the land did not undergo major shifts, due to its large size and low topographical diversity.

The noise generated by takeoff and landing operations can be heard up to 8 km away. This does not affect the communities but it does affect the region's fauna. During Embraer's test flights, which take place on open-air test runways, small mammals can be seen, as well as birds of prey. The atmospheric emissions are considered to be insignificant due to the small number of flights per day.

In general, the Gavião Peixoto hub's industrial processes are considered to be of a high technological level and low environmental impact, positioning Embraer as an industry with a light to moderate environmental risk. The Company's control, gathering and treatment processes, besides meeting the requirements of the relevant laws, ensure a proactive stance towards protecting the environment.

Sustainable buildings

The facility in Évora, Portugal, adheres to sustainable construction and green design precepts. In Brazil, an executive aviation service center located in the city of Sorocaba is also being built using sustainable technologies.

ABOUT THE REPORT

Understanding the document

Embraer S.A. presents its Annual Report 2012, which sets out the Company's economic-financial and socio-environmental performance during the year. For the fifth consecutive year, the annual report follows Global Reporting Initiative (GRI) guidelines (version G3.1) and continues to conform to application level B. In all, 53 indicators are disclosed. **GRI 3.2 | 3.3**

Developed to give a clear and transparent account to all of the Company's stakeholders, the report's contents cover the Company's activities from January 1 to December 31, 2012. The economic-financial data presented represent operations in Brazil and other countries where Embraer has facilities. The socio-environmental results refer to the facilities located in Brazil. **GRI 3.1 | 3.6 | 3.8**

In defining the report contents and GRI indicators included, the Company took the 2011 Annual Report as a starting point. It also took into consideration the requirements of the Dow Jones Sustainability Index (DJSI) and the ten principles of the United Nations Global Compact, of which the Company has been a signatory since 2008. In this edition, the structure is aligned with the Company's six values — Customers, People, Boldness and Innovation, Corporate Excellence, Global Presence, and Sustainability. **GRI 3.5**

The organization of financial data adheres to the criteria established by the International Financial Reporting Standards (IFRS), and the figures were audited by KPMG. The socio-environmental information was gathered and consolidated using internal tools and was not verified externally. Significant changes that affect data comparability are noted throughout the report, as are any developments subsequent to the period covered by the publication, along with socio-environmental data related to the Company's international units. **GRI 3.7 | 3.9 | 3.10 | 3.11 | 3.13**

Any questions, comments, or suggestions regarding the 2012 Annual Report may be emailed to investor.relations@embraer.com.br. The report is also available on the web www.embraer.com.br/RelatorioAnual2012, as are the Company's Financial Statements. Other information can be obtained on Embraer's investor relations site at <http://ri.embraer.com.br> or by telephone at + 55 12 3927-4404. **GRI 3.4**



Statement GRI Application Level Check

GRI hereby states that **Embraer SA** has presented its report "2012 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 April 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint, stylized "G" watermark that serves as a background for the entire page.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 5 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI INDEX

GRI 3.12

Indicator	Description	Reported	Response	Global Compact
1.1	Message from the President & CEO	Complete	Pages 8, 9 and 10	Statement of continued support on the Message from the President & CEO.
1.2	Description of key impacts, risks, and opportunities	Partial	Pages 6, 8, 10, 40, 50, 91, 94, 96 and 105. Embraer announced targets in AR2012. However, the projected goals and performance levels will be prepared for the coming years.	—
2 Organizational profile				
2.1	Name of the organization	Complete	Page 14	—
2.2	Primary brands, products and/or services	Complete	Page 44	—
2.3	Operational structure of the organization	Complete	Pages 16, 18 and 55	—
2.4	Location of the organization's headquarters	Complete	Page 16	—
2.5	Countries where the organization operates and where its principal operations are located	Complete	Page 16. Countries where the main operation units presented in this report are located: Brazil, U.S.A., Portugal, and China.	—
2.6	Nature of and type of ownership	Complete	Page 14	—
2.7	Markets served	Complete	Pages 15 and 16	—
2.8	Size of reporting organization	Complete	Pages 5, 14, 16, 17 and 18	—
2.9	Significant changes during the period covered by the report	Complete	Pages 16 and 18	—
2.10	Awards received during the period covered by the report	Complete	Page 79	—
3. Report parameters				
3.1	Reporting period for information provided	Complete	Page 130	—
3.2	Date of most recent previous report	Complete	Page 130	—
3.3	Reporting cycle	Complete	Page 130	—
3.4	Contact point for questions regarding the report or its content	Complete	Page 130	—
3.5	Process for defining report content	Complete	Page 130. Last Annual Report (AR2011) can be viewed at: http://www.embraer.com.br/RelatorioAnual2011/eng/download/Embraer-RA11.pdf	—
3.6	Boundary of the report	Complete	Page 130	—
3.7	Declaration of any specific restrictions on the scope or boundary of the report	Complete	Page 130	—
3.8	Basis for reporting	Complete	Page 130	—
3.9	Data measurement techniques and bases of calculations	Complete	Page 130	—
3.10	Reformulation of information provided in earlier reports	Complete	Page 130	—
3.11	Significant changes of scope, boundary, or measurement methods applied in the report	Complete	Page 130	—
3.12	Table identifying the location of information in the report	Complete	Page 132	—

Indicator	Description	Reported	Response	Global Compact
3.13	Policy and current practice with regard to seeking external verification for the report	Complete	Page 130	—
4. Governance, commitments, and engagement				
4.1	Governance structure of the organization, including committees of the highest governance body	Partial	Pages 54, 56, 57 and 58. Embraer will provide for the coming years discrimination by gender, age, minority groups and other diversity indicators related to the highest governance body.	—
4.2	Leadership of highest governance body	Complete	Page 57	—
4.3	Independent or non-executive members of the highest governance body	Complete	Page 56	—
4.4	Mechanisms for shareholders and employees to submit recommendations	Complete	Pages 54, 56 and 70	—
4.5	Linkage between compensation and the organization's performance (including social and environmental performance)	Complete	There is no relationship between compensation and sustainability performance.	—
4.6	Procedures to ensure conflicts of interest are avoided	Complete	Page 54	—
4.7	Qualifications of the members of the highest governance body	Complete	Page 56	—
4.8	Mission and values statements, codes of conduct, and relevant internal principles	Complete	Pages 4, 64, 66 and 70	Statements of commitment and disclosure to employees.
4.9	Responsibilities for implementing the organization's economic, environmental, and social policies	Complete	Pages 56 and 58	—
4.10	Procedures for the highest governance body's self-assessment	Complete	Page 58	—
4.11	Explanation of whether and how the organization applies the precautionary principle	Complete	Pages 60, 61 and 66	7
4.12	Externally-developed charters, principles, or other initiatives	Complete	Page 69	Statements of commitment and disclosure to employees.
4.13	Memberships in national and/or international associations	Complete	Page 69	Statements of commitment and disclosure to employees.
4.14	List of stakeholder groups engaged by the organization	Not reported	Embraer began the materiality process, which will be complete in 2013.	—
4.15	Basis for identification and selection of stakeholders to be engaged	Not reported	See answer to part 4.14	—
4.16	Approaches to stakeholder engagement	Not reported	See answer to part 4.14	Sharing the COP with Company stakeholders.
4.17	Key topics and concerns raised through stakeholder engagement	Not reported	See answer to part 4.14	—

Aspects		Reported	Response	Global Compact
EC	Economic performance	Partial	Pages 74, 75, 76, 77 and 78	7 and 8
	Market presence	Partial	Pages 91 and 99	6
	Indirect economic impacts	Partial	Pages 113, 114, 115, 116 and 117	—
EN	Energy	Complete	Pages 119, 123 and 124	8 and 9
	Water	Complete	Pages 125 and 126	8 and 9
	Biodiversity	Partial	Page 129	8
	Emissions, effluents, and waste	Complete	Pages 120, 121, 122, 123, 124, 125, 126 and 128	8 and 9
	Products and services	Complete	Pages 118, 119, 122 and 124	8 and 9

LA	Employment	Partial	Pages 90, 91, 98, 99 and 100	6
	Labor/management relations	Partial	Page 108	1 and 3
	Occupational health and safety	Partial	Pages 102, 104, 105, 106, 107 and 108	—
	Training and education	Complete	Pages 96, 97 and 98	—
	Diversity and equality of opportunity	Complete	Pages 90, 92 and 93	1 and 6
HR	Procurement practices	Partial	Pages 72 and 73	1, 4, 5 and 6
	Non-discrimination	Complete	Pages 70 and 71	1 and 6
	Freedom of association	Complete	Page 108	1 and 3
	Child labor	Complete	Pages 72, 73 and 136	1 and 5
	Forced and slave labor	Complete	Pages 72, 73 and 136	1,2 and 4
SO	Community	Partial	Pages 113, 114, 115, 116 and 117	1
	Corruption	Partial	Pages 71 and 72	10
	Public policy	Partial	Pages 69, 119 and 124	10
PR	Customer health and safety	Complete	Pages 62, 67 and 68	—
	Product and service labeling	Partial	Pages 31, 36, 41 and 67	8

Indicator		Description	Reported	Response	Global Compact
Economic performance					
EC1	Essential	Direct economic value generated and distributed	Partial	Pages 74 and 77	—
EC2	Essential	Financial implications and other risks and opportunities stemming from climate change	Partial	Page 62	7 and 8
EC3	Essential	Coverage of the organization's pension plan obligations	Complete	Page 101	—
Market presence					
EC5	Additional	Change in ratios of entry-level wages to local minimum wage, by gender	Complete	Page 99	6
EC7	Essential	Local hiring	Complete	Page 91	6
Indirect economic impacts					
EC8	Essential	Impact of infrastructure investments provided for public benefit	Complete	Pages 113, 114, 115, 116 and 117. Investments and services made by Embraer are engaged in cash.	—
EC9	Additional	Description of significant indirect economic impacts	Partial	Page 115	—
Environmental performance indicators					
Energy					
EN4	Essential	Indirect energy consumption by primary source	Complete	Page 123	8
EN5	Additional	Energy saved due to conservation and efficiency improvements	Complete	Page 123	8 and 9
EN6	Additional	Initiatives to provide energy-efficient products and services	Complete	Pages 119 and 124	8 and 9
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	Partial	Page 123	8 and 9
Water					
EN8	Essential	Total water withdrawal by source	Complete	Pages 125 and 126	8
EN10	Additional	Percentage and total volume of water recycled and reused	Complete	Page 125	8 and 9
Biodiversity					
EN11	Essential	Location and extent of land owned	Partial	Page 129	8
EN12	Essential	Significant impacts on biodiversity of activities, products, and services	Complete	Page 129	8
EN13	Additional	Habitats protected or restored	Complete	Page 129	8
EN14	Additional	Strategies for managing impacts on biodiversity	Partial	Page 129	8

Indicator		Description	Reported	Response	Global Compact
Emissions, effluents, and waste					
EN16	Essential	Total direct and indirect greenhouse gas emissions	Complete	Pages 120 and 121	—
EN17	Essential	Other relevant indirect greenhouse gas emissions	Complete	Pages 120 and 121	—
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	Complete	Pages 119, 121 and 124	8 and 9
EN19	Essential	Emissions of ozone-depleting substances	Complete	Pages 121 and 122	8
EN20	Essential	NOx, SOx, and other significant atmospheric emissions	Complete	Pages 120 and 121	8
EN21	Essential	Total water discharge by quality and destination	Complete	Pages 125 and 126. The effluents generated by Embraer are not reused by other organizations.	8
EN22	Essential	Total weight of waste by type and disposal method	Complete	Page 128	8
EN24	Additional	Weight of transported hazardous waste	Complete	Page 128	—
EN25	Additional	Description of protection and biodiversity value of bodies of water and habitats	Complete	Page 125	8
Products and services					
EN26	Essential	Initiatives to mitigate environmental impacts	Complete	Pages 118, 119, 122 and 124	8 and 9
Indicators of labor practices, performance and decent work					
Employment					
LA1	Essential	Total workforce by employment type, work contract and region, broken down by gender	Complete	Pages 90 and 91. There is no difference in the number of employees, because all of them are in the Southeast region.	—
LA2	Essential	Total number and rate of new hires and employee turnover by age group, gender, and region	Complete	Pages 98 and 99	6
LA3	Additional	Comparison of benefits provided to full-time and temporary employees by major operational location	Complete	Pages 100 and 101	—
Labor/management relations					
LA4	Essential	Percentage of employees covered by collective bargaining agreements	Complete	Page 108	1 and 3
Occupational health and safety					
LA6	Additional	Percentage of workforce represented on formal health and safety committees	Complete	Pages 103 and 105	—
LA7	Essential	Rates of injury, occupational illness, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	Partial	Pages 102, 104 and 105. In 2012, it was not possible to specify the rates by region and gender.	—
LA8	Essential	Education, prevention, and risk-control programs	Complete	Pages 106, 107 and 108	—
LA9	Essential	Health and safety topics covered in formal agreements with trade unions	Complete	Page 108	—
Training and education					
LA10	Essential	Average hours of training per year per employee, by gender and functional category	Complete	Pages 96 and 97	—
LA11	Additional	Programs for skills management, lifelong learning and retirement	Complete	Pages 96 and 97	—
LA12	Additional	Percentage of employees receiving regular performance reviews, by gender	Complete	Pages 98, 99 and 100	—
Diversity and equality of opportunity					
LA13	Essential	Composition of leadership bodies and committees and breakdown by group and gender	Complete	Pages 90, 92 and 93	1 and 6

Indicator		Description	Reported	Response	Global Compact
Human rights					
Procurement process					
HR1	Essential	Description of policies and directives addressing human rights issues	Partial	Pages 72 and 73	1, 4, 5 and 6
HR2	Essential	Supplier companies subject to human rights screening	Complete	Pages 72 and 73	1, 4, 5 and 6
Non-discrimination					
HR4	Essential	Total number of incidents of discrimination and corrective actions taken	Complete	Pages 70 and 71	1 and 6
Freedom of association					
HR5	Essential	Freedom of association policy and degree of application	Complete	Page 108	1 and 3
Child labor					
HR6	Essential	Measures taken to promote effective abolition of child labor	Complete	There is no use of child labor in Embraer's facilities. The Company seeks to ensure that such practices do not occur in its supply chain at the time of selection of suppliers and in subsequent audits, as well as through contract clauses, which require compliance with labor legislation.	1 and 5
Forced/slave labor					
HR7	Essential	Measures to promote the eradication of forced labor	Complete	There is no forced or compulsory labor in Embraer's facilities. See response to HR6.	1, 2 and 4
Society					
Community					
SO1	Essential	Programs and practices to assess and manage impact of operations on local community	Partial	Pages 113, 114, 115, 116 and 117. Social projects are developed in the regions of São José dos Campos, Botucatu and Gavião Peixoto, involving three units where Embraer concentrates most of its operations in Brazil.	1
Corruption					
SO2	Essential	Facilities assessed for corruption-related risks	Complete	Pages 71 and 72	10
SO3	Essential	Percentage of employees trained in anti-corruption policies and procedures	Partial	Pages 71 and 72. There are no separate training sessions between managers and non-managers. The division shall occur in the next report.	10
Public policy					
SO5	Essential	Stance on public policies	Complete	Pages 69, 119 and 124	10
Product responsibility					
Customer health and safety					
PR1	Essential	Policies to ensure health and safety of customer during use of product	Complete	Pages 62, 67 and 68. No information about the final disposal, because the product life cycle and duration are extensive.	—
PR2	Additional	Incidents of non-compliance concerning health and safety impacts of products and services	Complete	Page 68	—
Product and service labeling					
PR3	Essential	Type of product and service information required by labeling procedures	Complete	Page 67	8
PR5	Additional	Practices related to customer satisfaction, including results of surveys	Partial	Pages 31, 36 and 41	—

SOCIAL PERFORMANCE INDICATORS

ANNUAL SOCIAL STATEMENT – CONTROLLING COMPANY

1 – Basis of calculation	2012 (R\$ thousand)			2011 (R\$ thousand)		
Net revenue (NR)	10,230,261			8,466,553		
Operating result (OR)	697,792			156,297		
Gross payroll (GP)	1,843,551			1,800,163		
2 – Internal social indicators	Value (thousand)	% over GP	% over NR	Value (thousand)	% over GP	% over NR
Meals	25,939	1.58%	0.25%	23,412	1.30%	0.28%
Mandatory social charges	393,063	23.86%	3.84%	480,410	26.69%	5.68%
Supplementary retirement	51,669	3.14%	0.51%	45,223	2.51%	0.53%
Health	105,841	6.43%	1.03%	73,554	4.09%	0.87%
Occupational health and safety	30,619	1.86%	0.30%	19,310	1.07%	0.23%
Education	265	0.02%	0.00%	280	0.02%	0.00%
Culture	102	0.01%	0.00%	219	0.01%	0.00%
Training and professional development	24,956	1.52%	0.24%	19,471	1.08%	0.23%
Childcare or childcare assistance	883	0.05%	0.01%	383	0.02%	0.00%
Profit and/or results sharing	68,221	4.14%	0.67%	75,503	4.19%	0.89%
Other	41,146	2.50%	0.40%	36,994	2.06%	0.44%
Total – Internal social indicators	742,704	45.11%	7.25%	774,759	43.04%	9.15%
3 – External social indicators	Value (thousand)	% over OR	% over NR	Value (thousand)	% over OR	% over NR
Education	21,585	3.09%	0.21%	14,130	9.04%	0.17%
Culture	0	0.00%	0.00%	750	0.48%	0.01%
Fighting hunger and food safety	46	0.01%	0.00%	0	0.00%	0.00%
Other	1,075	0.15%	0.01%	355	0.23%	0.00%
Total contribution to society	22,706	3.25%	0.22%	15,235	9.75%	0.18%
Taxes (excluding social security contributions)	490,132	70.24%	4.79%	156,822	100.33%	1.85%
Total – External social indicators	512,838	73.49%	5.01%	172,057	110.08%	2.03%
4 – Environmental indicators	Value (thousand)	% over OR	% over NR	Value (thousand)	% over OR	% over NR
Investments related to production/operation of company	7,698	1.10%	0.08%	9,735	6.23%	0.11%
Investments in external programs and/or projects	59	0.01%	0.00%	29	0.02%	0.01%
Total investments in environment	7,757	1.11%	0.08%	9,764	6.25%	0.12%
Regarding the establishment of “annual goals” to minimize waste and consumption in general in production / operation and increase the efficient use of natural resources, the company	() does not have goals () achieves 51 to 75% () achieves 0 - 50% (X) achieves 76 - 100%			() does not have goals () achieves 51 - 75% () achieves 0 - 50% (X) achieves 76 to 100%		
5 – Personnel Indicators	2012			2011		
Number of employees at the end of the period	16,325			15,989		
Number of hires during the period	1,129			914		
Number of outsourced personnel	2,835			2,594		
Number of trainees	253			241		
Number of employees above 45 years of age	2,765			2,609		
Number of women working in the company	2,283			2,124		
% of management positions held by women	9.91%			9.75%		
Number of people with disabilities or special needs	798			733		

6 – Relevant information relating to corporate citizenship	2012	Goals 2013				
Ratio between the highest and lowest remuneration in the company	59	There are no goals				
Total number of work accidents	273	246				
The social and environmental projects developed by the company were defined by:	() directors (X) directors and managers () all employees	() directors (X) directors and managers () all employees	() directors (X) directors and managers () all employees	() directors (X) directors and managers () all employees	() directors (X) directors and managers () all employees	() all employees
The occupational health and safety standards were set by:	() directors and managers () all employees	() all employees (X) all + CIPA	() directors and managers () all employees	() all employees (X) all + CIPA	() all employees (X) all + CIPA	(X) all + CIPA
Concerning freedom of union association, the right to collective bargaining and internal representation of employees, the company:	() not involved () follows ILO rules (X) encourages and follows ILO	() will not be involved () will follow OIT rules (X) will encourage and follow ILO	() will not be involved () will follow OIT rules (X) will encourage and follow ILO	() will not be involved () will follow OIT rules (X) will encourage and follow ILO	() will not be involved () will follow OIT rules (X) will encourage and follow ILO	(X) will encourage and follow ILO
Supplementary pension benefits contemplate:	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	(X) all employees
Profit and/or results sharing considers:	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	() directors () directors and managers (X) all employees	(X) all employees
In selecting suppliers, the same ethical and social responsibility and environmental standards adopted by the company:	() are not considered (X) are suggested () are required	() are not considered (X) are suggested () are required	() are not considered (X) are suggested () are required	() are not considered (X) are suggested () are required	() are not considered (X) are suggested () are required	() will be required
Regarding the participation of employees in voluntary work programs, the company:	() is not involved () supports (X) organizes and encourages	() will not be involved () will support (X) will organize and encourage	() will not be involved () will support (X) will organize and encourage	() will not be involved () will support (X) will organize and encourage	() will not be involved () will support (X) will organize and encourage	(X) will organize and encourage
Total value added for distribution (R\$ thousand)	In 2012: 3,508		In 2011: 2,157			
Distribution of value added (DVA)	23.16% government 49.72% employees 5.20% shareholders 7.23% third parties 14.69% retained		21.82% government 52.15% employees 10.48% share-holders 18.79% third-parties (3.24%) retained			

General coordinator

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Lúcio Cunha

Embraer Picture Collection

Printing and binding

Editora Gráficos Burti

SELO FSC
AQUI



Av. Brigadeiro Faria Lima 2170
São José dos Campos - SP
12227 901 Brasil
www.embraer.com.br