

December 23, 2011
017/2011-DP

EXTERNAL COMMUNICATION

To: BM&FBOVESPA (BVMF) Market Participants – BOVESPA Segment and Listed Companies

Re: **Proposal to adopt “Report or Explain” sustainability reporting model for listed companies**

In accordance with its mission of developing and enhancing the Brazilian capital markets, BM&FBOVESPA seeks to encourage best practice in transparency and management by means of various strategies. Examples of this drive include the creation of listing segments with differentiated levels of corporate governance – Novo Mercado, Level 1 & Level 2, and Bovespa Mais – and the Corporate Sustainability Index (ISE), Corporate Governance Index (IGC) and Carbon Efficient Index (ICO2).

In yet another initiative of this kind, BM&FBOVESPA is recommending that **as of 2012** listed companies state in item 7.8 of the Reference Form (“Description of the company’s relevant long-term relationships not elsewhere described”) whether they publish a regular sustainability report and where it is available, or explain why not.

BM&FBOVESPA believes this initiative will encourage adoption of sustainability reporting by steadily growing numbers of listed companies. To assist companies not familiar with sustainability reporting, the Exchange will hold training workshops in partnership with Global Reporting Initiative (GRI) in early 2012.

In line with this initiative and reinforcing it, in December 2011 Brazil’s Securities Commission (CVM) included in the Periodic & Occasional Information (IPE) system a new category called “Sustainability Reporting”, where companies can file reports. If they do so, they should indicate the fact in item 7.8 of the Reference Form.

The publication of sustainability or similar reports by listed, privately held and state-owned companies is a growing international trend. It was made a listing requirement by the Johannesburg Stock Exchange in 2010. It is mandatory for listed companies in France and Denmark, and for state-owned enterprises in Sweden. The European Union is studying the possible introduction of mandatory sustainability reporting for all member states in 2012.

Brazilian companies have advanced significantly in their sustainability actions, which are increasingly perceived as variables with a business impact. BM&FBOVESPA is aware of its responsibility as a synergy point between companies, intermediaries, analysts and investors, and of its capacity to help implement and expand this agenda. Hence the decision to make this recommendation, after consulting the main institutions in the market.

Edemir Pinto
Chief Executive Officer