



PREVI REPORT 2011

In this edition: Financial Information + Sustainability



PRESENTATION

GRI 3.1 to 3.13

The PREVI 2011 Report for the first time combines the content of the Annual Report and the Sustainability Report. In this way, the publication reaffirms the corporate purpose of PREVI of incentivizing dialogue and the search for solutions through sustainable development, equally considering economic, social, environmental and cultural aspects.

For guidance in the compilation of this Report, which carries information for the period from January 1 to December 31, 2011, and in order to publish the details of its management model in a transparent manner, PREVI has adopted the international directives of the Global Reporting Initiative (GRI). The last Report published by PREVI based on these directives was in 2010, referring to the year 2009. Both last year's Report, as well as this latest one, are in alignment with application Level B of the GRI directives.

The results are presented on subjects in which PREVI's public audiences have shown interest (participants, beneficiaries, employees, board members, sponsors, government bodies and the press), demonstrating the Entity's commitment to society with respect to management, processes and investment performance.

For further clarification on this topic, readers should access the following website (www.previ.com.br). Should there be any remaining queries, please contact us through the Speak to Us link on the website. In the digital version of the Report, you can also find information that is supplementary to this printed version.

ACKNOWLEDGEMENTS

PREVI extends its thanks to all its employees, participants, beneficiaries and partners who have contributed to the compilation of this Report.

The involvement of each individual has been of great importance in ensuring that the information contained herein is of the quality and credibility necessary for clear understanding of the reader.



PREVI

**HAVING MORE THAN 193,000 PARTICIPANTS,
PREVI IS THE LARGEST PENSION FUND IN
LATIN AMERICA**





PREVI, the Employee Pension Fund of Banco do Brasil, is a closed non-profit making pension fund, the headquarters of which are based in Rio de Janeiro (RJ). It is an institution that works to guarantee its more than 190,000 participants – employees or former employees of Banco do Brasil, employees of PREVI itself and beneficiaries – pension benefits that are supplementary to Official Social Security. Thus, it contributes to maintaining the quality of life of its participants, and their respective dependents.

The history of PREVI begins in 1904, from the Caixa Montepio dos Funcionários do Banco da República do Brasil, prior to the creation of Brazil's Official Social Security. Today it has the position of being the largest pension fund in Latin America, ranking 24th in the world in terms of equity under management – according to the ranking published by the American newspaper *Pensions & Investments* of September 2011, taking the base year of 2010.

PREVI's funding comes from personal and employer contributions. These funds are invested in the shares of companies, real estate and securities, which guarantee the payments made to its beneficiaries.



MISSION

To administer the benefit plans, with efficient management of the funds invested, seeking the best solutions to secure pension benefits, contributing to the well-being of the participants and their dependents, as well as meeting the expectations of members and sponsors.

VISION OF THE FUTURE

To be the best manager of pension benefit plans in Brazil, being an international benchmark, with proven excellence in terms of the following:

- Asset and liability management practices;
- The satisfaction of its participants;
- Administrative cost (value for money);
- Socio-environmental responsibility;
- Pension products and services;
- Personnel policy.

To be a source of pride for participants, sponsors and employees.

VALUES

PREVI manages its operations, guided and motivated by the ethical principles expressed in the following values:

- Responsibility, Commitment and Socio-environmental Responsibility;
- Solidarity;
- Quality, Competence, Excellence, Creativity, Professionalism;
- Ethical Behavior, Honesty, Integrity;
- Transparency;
- Civic Duty, Democracy.



REGULATORY ENVIRONMENT

Social Security is an insurance which provides income to contributors in the event of disease, accident, pregnancy, prison sentencing, death and old age, through benefits that ensure tranquility for the future.

In Brazil, the Social Security system is divided into the General Social Security System, Private Social Security and Pension Plans and Supplementary Pension Plans.

This latter can be offered by open-ended pension schemes, which a new individual can join, and is regulated by the Superintendency for Private Insurance (SUSEP); or closed pension funds, with adhesion limited to groups of professionals that are linked to companies, unions or class entities, this being regulated by the National Superintendency for Supplementary Pensions (PREVIC).

PREVI is part of the closed supplementary pension fund system.

The Institution today is the largest closed supplementary pension fund in the Country.

New Bylaws

In June 2011, PREVI's new bylaws came into force, with changes made to the following articles:

- 22, subparagraph XI, and 38, subparagraph XIII, about the transfer of responsibility from the Deliberative Board to the Executive Board, in the choice of directors of companies wholly owned by PREVI;
- 52 and 53, introductory paragraph, with respect to the rules for the definition of forum size at meetings of the Board of Auditors and the designation of its president;
- Exclusion of the former sole-paragraph of article 88, which became article 85; and the articles 85, 86 and 87, which dealt with the transitory dispositions for the 2006 PREVI elections.

A complete version of PREVI's new Bylaws is available on its website for consultation in addition to its previous versions, as well as the current and previous regulations of the Benefit Plans: Plan 1, PREVI Futuro and Capec.

HIGHLIGHTS 2011





In a challenging year, PREVI ended the period with a number of initiatives for the benefit of its participants. Below we list the main highlights for the financial year.

WELFARE EDUCATION

In 2011, PREVI continued with its Mais PREVI welfare education program, which provides guidance on taking decisions that have a direct impact on the benefits to be received. Twenty two initiatives were implemented, of particular note being the simulation for the Preservation of Salary Participation and the Welfare Advisory Service.

ADHESIONS AND RE-ENTRY TO PREVI FUTURO

During the period, 93.34% of the 8,764 new employees of Banco do Brasil joined PREVI Futuro. Changes in regulations facilitated the re-entry of participants who had previously left the Plan, but remain with Banco do Brasil. Those need only to deposit the value of personal and employer contributions referring to the risk tranche (retirement due to invalidity or pension on death) – Part I of the Plan. After re-entry, they may make future deposits to rebuild their account balance, and obtain benefits closer to their income level. PREVI Futuro ended the year with 73,913 active participants, and equity of R\$ 2.82 billion.

PAYMENT OF BET IN PLAN 1

In February, the Institution began the payment of Special Temporary Benefit (BET) to beneficiaries and active members of Plan 1, resulting from the agreement on the surplus signed at the end of 2010. This payment represents an increase of 20% in the benefits paid out monthly to retirees, a percentage which is also credited monthly to the specific account referring to active participants of Plan 1, for redemption at the time of their retirement.

ADHESIONS TO LIFE INSURANCE/ DISABILITY FUND PORTFOLIO

The best product, in comparison with other similar products in the market, CAPEC had the adhesion of more than half the employees that joined Banco do Brasil during the year. The average joining rate was 52.03% at the time of joining the bank. These new entrants resulted in growth in CAPEC and rejuvenation of the Plan.

GRANTING OF SIMPLE LOANS

In November, participants of Plan 1 became entitled to new conditions for the taking out of Simple Loans (ES).

From the date of the new rules coming into force up to the end of the year, more than 17,000 loans were made (69,856 for the year as a whole), with loans granted of a net value of R\$ 266 million (R\$ 980 million for the year as a whole).

PREVI Futuro, also in November, was reopened for the contracting or renewal of loans. Operations had been suspended for four months (from July to October) due to the fact that the legal limit for the granting of loans and financing had been reached. After this facility had been reopened, almost 14,000 loans were made (27,791 during the year), with a net amount of R\$66 million (R\$141 million for the year).

RETURN ON REAL ESTATE DEVELOPMENTS

Real estate developments produced good results for PREVI's investment portfolio. The portfolio of Plan 1 accumulated funds of approximately R\$6.37 billion (R\$4.70 billion in 2010) while PREVI Futuro accumulated funds of R\$37.50 million (R\$30.70 million in 2010). In this segment, Plan 1 showed a return of 32% (17.95% in 2010) while at PREVI Futuro, the return amounted to 33.41% (3.46% from October 2010). Among the main operations in the real estate area, of particular note was the renting out of the entire Eco Berrini commercial building, and the sale of the building which housed the Matarazzo Hospital.

CERTIFICATIONS FOR PREVI'S DEVELOPMENTS

PREVI accompanied the certification of the properties in its real estate portfolio. The properties Milano and Torino, in the Água Branca Business Centre, in São Paulo, and the Mourisco Business Centre Condominium, in Rio de Janeiro, received ISO 14001 certification, which certifies that the buildings have implemented an Environmental Management System as part of their operation.

The Marques dos Reis building, in Rio de Janeiro, received pre-certification Leadership in Energy and Environmental Design (LEED), an environmental certificate granted by the United States Green Building Council (USGBC), for buildings that meet requirements in the rational use of environmental resources, such as energy, water, etc.

AWARDS FOR SUSTAINABLE MANAGEMENT

PREVI was awarded with the Ecosofia Prize from the Brazilian Institute of Finance Executives (IBEF) in the "Management" category for the "Construction and implementation of socio-environmental responsibility policy at PREVI", at the awards held in July. The Institution was also the only Brazilian fund of six finalists in the Sustainable Finance Awards, in the category of Sustainable Asset Owner of the Year, awarded by the UK-based Financial Times.

PARTNERSHIPS IN BENEFIT CLUBS

Important partnerships extended the advantages offered by Benefit Clubs. Of particular note were the new partnership discounts for the purchase of property from the construction firm Rossi and the purchase of cars from Ford. While two additional companies also became part of this agreement: the tire manufacturer Bridgestone-Firestone, and the virtual sports and travel company Adventura. The Club has over 35 national partnerships, which offered discounts, installment payments free of interest, guarantee of stock and deliveries within a defined period. The list of partners of the Benefits



Club is available for consultation on the Participant's "Room" on PREVI's website. In 2011 PREVI generated approximately R\$19 million in discounts to participants through the Benefits Club.

COMPANIES IN WHICH PREVI HOLDS EQUITY STAKES

In 2011, various companies in which PREVI holds a stake made significant moves in their respective operational markets. Here are just some of these:

- The strategic merger of Oi with Portugal Telecom was finalized. The Oi group announced restructuring which will simplify its shareholding structure. Conclusion of this restructuring should be completed within the first four months of 2012.
- Vale made a record distribution to its shareholders in 2011, distributing dividends and interest-on-equity of a total of US\$9 billion, implementing a share buyback program of US\$3 billion.
- Tupy S.A. announced its commitment to acquire two foundries in Mexico – Cifunsa Diesel and Technocast – for an approximate amount of US\$439 million.
- Brasil Foods and Cade (the Brazilian anti-trust authority) signed a Term of Commitment to Performance, which approved the merger of Perdigão and Sadia and the conditions for the operation.
- Invepar, jointly with Odebrecht TransPort, acquired the exploitation rights to the Complexo Viário e Logístico de Suape Express Way, previously operated by the Concessionária Rota do Atlântico S.A. (CRA), located in Pernambuco, in the second half of 2011. Over the concession period, of 35 years, investments will be made of approximately R\$467 million. The project is aimed at easing the traffic flow around Suape with an integrated solution for security and accessibility.
- Neoenergia carried out investment of R\$2.1 billion in 2011.
- R\$1.5 billion was allocated to expanding and improving the quality of the electricity distribution

network and R\$600 million on expanding generation capacity – of particular note being the R\$162 million spent on the acquisition of the generation company Energyworks, R\$175 million on UHE Teles Pires, R\$98 million on UHE Belo Monte and R\$49 million on finalizing works on UHE Dardanelos, which entered into commercial operation in August 2011.

- The shareholding reorganization project was concluded Forjas Taurus, with the participation of PREVI, which involved, among other benefits, the Company joining Level 2 BM&FBOVESPA Corporate Governance.
- ALL – América Latina Logística S.A. and Standard Logística S.A. created a subsidiary called Brado Logística e Participações S.A., a company specialized in the movement of containers by railroad, controlled by ALL, which intends to invest R\$1 billion over the next five years, with R\$250 million being spent on locomotives, R\$540 million on railcars, R\$110 million on terminals and R\$100 million on construction works. The goal is for Brado to win a 12% share of Brazil's container transport market.

As these companies, in which PREVI has invested, adopt strategies and invest in projects which make them more competitive in their markets, they improve their prospects of growing their asset value and increasing the return to their partners in the form of dividends, which in turn contribute to the payment of benefits to participants of PREVI.

GREATER PROXIMITY IN COMMUNICATION

In April, PREVI magazine was given a new graphic and editorial makeover, with publication now every two months, as well as additional pages. This PREVI 2011 Report includes the information from the Report on Activities and the Report on Socio-environmental Responsibility, following the G3 directives of the Global Reporting Initiative (GRI). PREVI is working on publishing information via text messages on the cellphone system (SMS), seeking to achieve a closer relationship with its participants.



BENEFIT PLANS

GRI 2.2 and EC3





The benefit plans of PREVI offers its participants and their dependents benefits that are supplementary to those of Brazil's Official Social Security program.

Plan 1 is the plan for employees of Banco do Brasil joining the bank up to December 1997 and is therefore closed to new entrants. PREVI Futuro is the plan for employees that joined Banco do Brasil after December 24, 1997, and for employees of PREVI itself. CAPEC is available both to employees of Banco do Brasil, as well as employees and participants of PREVI, maintained through monthly contributions that are exclusive to participants of the Plan.

PLAN 1 IN 2001 BEGAN THE DISTRIBUTION OF SPECIAL TEMPORARY BENEFITS, APPROVED THE PREVIOUS YEAR BY PREVI'S DELIBERATIVE BOARD

PLAN 1

In 2011 Plan 1 produced solid results, even against a challenging background scenario. During the year, more than R\$11 billion was paid out in benefits to 87,830 retirees and pensioners.

The considerable increase in the total benefits paid, compared to 2010, was due to the payment of Special Temporary Benefits.

	(R\$)		
Benefits Paid	2009	2010	2011
PREVI ^(*)	5,884,175,156.50	6,194,828,011.66	9,045,819,173.89
INSS ^(**)	1,560,067,346.37	1,722,281,424.59	1,866,996,751.72
Banco do Brasil ^(***)	296,754,348.68	296,251,313.45	297,856,989.95
Total	7,740,996,851.55	8,213,360,749.70	11,210,672,915.56

(*)PREVI's benefits comprise PREVI supplement + Proportional Deferred Benefit + Special Benefits (Remuneration, Proportionality, from Renda Certa and Provisional (BET)) + Auxiliary Foodstuff Basket Benefits (Summary judgments and Court Rulings). Not including amounts referring to tax charges and BET of active participants.

(**)Only considers the amounts that were passed on by PREVI, through the Prisma agreement.

(***)Banco do Brasil is the Institution responsibility for the payment of benefits to the founding participants of PREVI, and obligations arising from labor-related demands, among other items.

Special Temporary Benefits (BET)

As part of the allocation of the surplus in Plan 1, approved by the Deliberative Board of PREVI, Banco do Brasil and competent government bodies, and voted on by participants, payments of Special Temporary Benefits were started in 2010. The 14 initial installments were credited to participants in the form of a lump sum, and payments will continue to be made whenever there are funds available in the specific Allocation Fund for this purpose.

In 2011, there were moments when the fluctuations on the Stock Exchange threatened to halt continuing payments of BET, seeing that the profit on investments alters the value of the assets in the Plan, which could have been reduced. According to the legislation, if there is a surplus in the Pension Fund Plan, the constitution of a Contingency Reserve is obligatory, which if below 25% of the Mathematical Reserve, must be reconstituted with funds from the Allocation Fund. Fortunately, at the close of the 2011 financial year for Plan 1, it was not necessary to use the Allocation Fund to reconstitute the Contingency Reserve, so PREVI will continue to pay out BET on a monthly basis in 2012. PREVI will be carrying out a further valuation at the end of 2012, and if the funds in the Allocation Fund are preserved, the payment of BET should continue in the following year.

Participants	2009	2010	2011
<i>Active</i>	33,815	32,449	30,659
<i>Retired</i>	64,043	64,361	65,036
<i>External Active</i> ^(*)	932	916	840
<i>External Retired</i> ^(**)	3,456	3,478	3,509
<i>Pensioners</i>	18,974	18,964	19,285
Total	121,220	120,168	119,329

(*)Includes self-sponsored, proportional deferred benefit, minimum pension and participants still without option.

(**)Includes self-sponsored, proportional deferred benefit and minimum pension.

Funds Held by the Plan

Plan 1 ended the year with total funds of approximately R\$153.78 billion. Investment assets totaled R\$152.02 billion, with a yield of 7.70% (12.37% in 2010).

For the year, the actuarial target, used for the correction of funds committed, amounted to 11.38% (INPC + 5% p.a.).

The investment strategy of Plan 1, heavily linked to investment in equities, has shown itself to be correct when looking at the long-term, which is the appropriate viewpoint for the analysis of a pension fund.

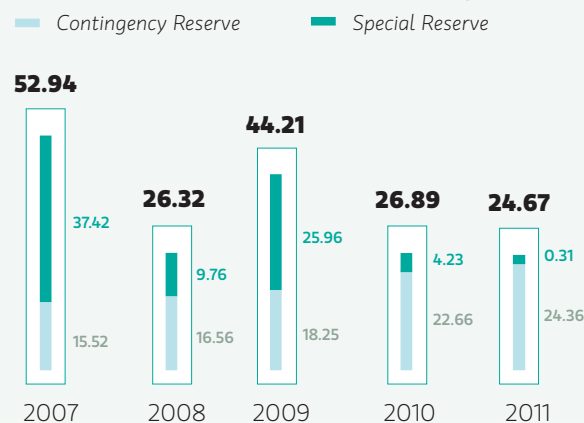
However, in 2011 this strategy was penalized due to the negative performance of the Stock Exchange, whose main index, the IBOVESPA, closed the year down 18.11%. Due to the lack of a direct market reference for valuing the assets: Litel, Neoenergia, 521 Participações, Invepar and Itapebi, which correspond to 49.84% of the equity segment of Plan 1, PREVI employs conservative valuation methods to assess the value of these investments. Adoption of these criteria is the main reason why significant stock exchange fluctuations, either up or down, do not have a direct result on the equity portfolio, of the same magnitude.

Private sector securities and structured investments were important in ensuring the increased profitability of the Plan. The return on real estate investment in 2011 was 32% in Plan 1, while the return on structured investment was 5.52% in the period.

The fixed income assets showed a return of 14.14% on the year, higher than the actuarial figure of (11.38%) and the average SELIC rate (Brazilian basic interest rate) of 11.62%. The return on fixed income investments, higher than the SELIC rate, was due to an active stance by PREVI, which managed its portfolio of public securities in an appropriate manner, replacing securities with a low return, with paper with a higher return.

PREVI is continuing with its strategy of diversifying its investment assets as a way of dealing with the scenario of declining interest rates, which is likely to prevail in Brazil over the coming years.

Evolution in the Accumulated Result (R\$ billion)



Return

	Return (%)	
Plan 1	2010	2011
Return on Investments	12.37	7.70
Public Securities	12.57	13.94
Private Sector Debt and Deposits	13.83	13.82
Equities	6.51	(1.07)
Investment Funds	16.04	10.23
Fixed Income Fund	14.42	14.31
Equity Funds	17.11	7.79
Credit Rights Fund	11.41	13.20
Emerging Companies Fund	(5.38)	(0.33)
Equity Holding Fund	6.34	6.67
Real Estate Fund	9.94	4.87
Real Estate Investment	17.95	32.00
Simple Loans	11.38	11.98
Mortgage Financing	9.63	12.32
Indicators		
TMS	9.78	11.62
IBrX-50	0.75	(14.06)
Actuarial Target (INPC + 5.0%)	12.23	11.38
IGP-DI	11.30	5.00
IBOVESPA	1.04	(18.11)



PREVI FUTURO PLAN

Every year, PREVI Futuro has an increasing number of entrants. The percentage adhering to the Plan when joining the bank has increased from 67% in 2004 to 90% in 2010, rising to 93% in 2011. The rise in the amount of participants has led to expansion in the Plan's equity under management, which is already R\$2.82 billion.

Participants	2009	2010	2011
Active	51,977	60,169	67,567
Retired	72	103	128
External Active ^(*)	4,671	5,748	6,346
External Retired ^(**)	2	6	10
Pensioners	220	268	316
Total	56,942	66,294	74,367

(*)Includes self-sponsored, proportional deferred benefit and participants still without option.

(**)Includes self sponsored and proportional deferred benefit.

			(R\$)
Benefits Paid	2009	2010	2011
PREVI	1,180,039.79	1,959,528.19	2,438,450.76
INSS	4,728,377.58	5,926,029.67	7,307,739.67
Banco do Brasil ^(*)	5,075.25	5,410.07	5,848.44
Total	5,913,492.62	7,890,967.93	9,752,038.87

(*)Banco do Brasil is responsible for obligations originating from labor-related demands.

Funds Held by the Plan

PREVI Futuro is a pension plan that is in the process of accumulating funds, and its investment strategy is based on the premise of asset diversification, with an increased appetite for equity investment, as a way of dealing with the challenge of generating future returns in a scenario of declining interest rates.

The return shown by PREVI Futuro of 4.63% reflects a year of negative results on the Stock Exchange. Revalued in September 2011, the only real estate asset of Shopping ABC showed a return of 33.41%.

Structured investments produced a return of 7.54%, with the best performance being shown by the Brazilian Company Internationalization Fund.

Return	(%)	
PREVI Futuro Plan	2010	2011
Return on Investments	9.30	4.63
Public Debt Securities	14.04	14.48
Private Sector Debt and Deposits	11.95	13.95
Equities	0.76	(14.08)
Investment Funds	14.84	15.31
Fixed Income Fund	15.14	15.58
Credit Rights Fund	11.53	13.25
Equity Shareholding Fund	(23.75)	0.51
Derivatives		(8.85) ^(*)
Real Estate Investment	3.46 ^(**)	33.41
Simple Loans	11.10	12.55
Mortgage Financing	10.94	12.49
Indicators		
TMS	9.78	11.62
IBrX-50	0.75	(14.06)
Actuarial Target (INPC + 5.5%)	12.32	11.91
IGP-DI	11.30	5.00
IBOVESPA	1.04	(18.11)

(*)The result of -8.85% from derivatives should be analyzed together with the equity portfolio. These derivatives function as a mechanism to protect the equity portfolio. If these derivatives had not been used, the Plan's performance would have been worse.

(**)From October 2010.

5,363

**PARTICIPANTS JOINED
CAPEC IN 2011, RAISING THE
AVERAGE ADHESION RATE
FROM 30% TO 52%**

(R\$ billion)

<i>Evolution in Accumulated Equity</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
	0.91	1.10	1.69	2.24	2.82

LIFE INSURANCE AND DISABILITY FUND PORTFOLIO – CAPEC

CAPEC has the purpose of providing compensation payments (benefit paid in a one-off payment to beneficiaries nominated by the participants) caused by the death of the participant or spouse, and invalid compensation (paid to participants themselves). The funding of the Plan is carried out exclusively by the participants, through the payment of monthly contributions charged in accordance with age bracket.

New adhesions to CAPEC have been growing in a consistent manner.

During the year, 5,363 participants joined the Plan. Initiatives to raise awareness and the presentation of the Plan at the time of new employees joining Banco do Brasil increased in 2011, resulting in a jump in the adhesion rate, which was below 30% in January, but ended the year with an average rate of 52% of new employees joining the bank. In 2011, CAPEC paid out R\$171.23 million in benefits.

<i>Participants</i>	<i>Plano 1</i>	<i>PREVI Futuro</i>	<i>Without Plan</i>	<i>Total</i>
	94,237	14,763	399	109,399

Administrative Management Plan

The Administrative Management Plan (PGA), which originates from the charges applied to contributions to the benefit plans (4% on Plan 1 and PREVI Futuro and 2.5% on CAPEC), is allocated exclusively to the payment of the administrative retirement expenses of the Plans.

In 2011, administrative expenses corresponded to R\$225.40 million, up 2.6% compared to 2010. If compared to market indices, the increase was considerably below the IPCA (6.5%), INPC (6.08%) and IGP-DI (5%), which demonstrates the efficiency and care with which the funds of the Plans are managed, with various improvements and benefits for participants during the period.

SOCIAL AND ENVIRONMENTAL PERFORMANCE



SOCIAL PERFORMANCE

PREVI fulfills its role as a responsible investor, and for this reason carries out initiatives among its internal public audience, as well as participating in initiatives which benefit society as a whole.

Personnel Management

GRI 4.5, LA1, LA7, LA8, LA10, HR6, HR7 and FS4

PREVI's workforce consists of employees of PREVI itself, employees assigned by Banco do Brasil, third parties, student trainees

and young apprentices. The employees assigned by Banco do Brasil undergo a selection process, which includes curriculum evaluation, a knowledge test, behavioral assessment, and interviews. For those positions that provide administrative support to PREVI's workforce, as an attendant, administrative assistant or secretary, the recruitment and selection process is carried out in the market, with publication through the Entity's website.

Workforce

	2009	2010	2011
<i>Employees – Own Workforce</i>	52	54	58
<i>Employees – Assigned by BB</i>	511	515	531
<i>Outsourced</i>	86	87	85
<i>Student Trainees</i>	8	11	10
<i>Apprentices</i>	5	4	4
Total	662	691	688

No processes or operations at PREVI have been identified that could be subject to the occurrence of forced labor in degrading conditions or child labor, in the activities of the Institution. PREVI adopts a strong stance against such practices, and outside the Company is part of various engagement initiatives against slave labor and child labor in the companies in which it invests.

Members of the Executive Board are nominated by the Deliberative Board, in accordance with the criteria defined in PREVI's bylaws.

The professional staff who occupy the posts of president, director of Investment and director of Equity Shareholdings are nominated by the Deliberative Board and recommended by the sponsor. For the posts of Administration director, director of Planning and director of Insurance, the Deliberative Board nominates the person that was chosen as a result of the direct vote by participants and beneficiaries of PREVI.

To monitor the climate of its working environment, the Institution carries out periodic polls and evaluations among its internal public audience, the most important of which is Organizational Climate Research. Based on the evaluation results, the Institution carries out acts such as integrating areas, the preparation of managers and the generation of processes, and the

prioritization of human capital. In 2011, there were no cases of discrimination identified at the Entity.

PREVI offers its employees salary and career plans, in addition to assessment of functional performance, with the implementation of the Career and Leadership Training Policy scheduled for implementation in 2012.

The well-being of employees is incentivized by the Program for Quality of Life in the Workplace (PREVInir), which involves gymnastics in the workplace three times a week, shiatsu massage sessions and activities such as Pilates and ballroom dancing, in a room exclusively used for this purpose.

Employees participate in training offered by the Banco do Brasil Corporate University, as part of the agreement for the assigning of employees. In addition to this, PREVI acquires training in the market, and offers grants for graduate, postgraduate and language courses. The training covers management themes, such as a focus on leadership, negotiation, decision making and strategic management and technical themes inherent in the business areas (security, investments, planning, information technology, auditing, internal controls, among others). The hours of training have been extended to all employee categories, in accordance with the table below:

Hours of Training per Professional Category

	2009	2010	2011
<i>Directors</i>	76	164	354
<i>Management</i>	5,214	2,922	5,459
<i>Technical</i>	29,370	15,544	30,585
<i>Administrative</i>	617	974	5,520
Total	35,277	19,604	41,918



Adjacent photos: Library at PREVI (left), and shiatsu massage session (right)

In 2012, PREVI plans improvements in the training of its employees. The training matrix will be compiled in partnership with the various areas, with its contents linked to the specific skills of each work center. A management career path will be developed, focusing on innovation, sense of urgency, and value for money, and will include a register of knowledge. Educators will be selected and trained for the validation of the training activities carried out internally. There will also be an intensification of professional development initiatives focusing on technical careers and leadership training for existing managers and professional staff with the potential to assume management positions.

PREVI and Society

GRI SO1, SO4 and SO6

PREVI bases its operations on a Code of Ethics, and its standards for Conduct, Sanctions and Occurrences. It has been included under the specific theme of Standards for a Politically Exposed Body (PPE), a public agent which carries out or has carried out, in the last five years, in Brazil or in a foreign country, territory or dependency, a significant role, job or function, together with its representatives, families and other persons closely related.

In seeking to improve the Brazilian closed pension fund system, PREVI operates within the sector’s standardization and regulatory environment in various ways. The Entity has a presence on the Technical Commissions of ABRAPP, both national and regional, systematically monitors the public hearings of the CVM, BACEN and PREVIC and also accompanies the main bills being passed through Congress, on themes in some way related to PREVI.

The Entity does not make donations to politicians, political parties or related institutions, and has received no

denouncements for cases of corruption involving the Organization or any of its employees.

Social and Voluntary Initiatives

With respect to external social initiatives, PREVI’s equity transactions on the BMF&BOVESPA on September 12 were carried out through the stockbroking firm BGC Liquidez, which hosted the second edition of Charity Day in Brazil, an event held in memory of the families of victims of the Twin Towers on September 11, 2001. BGC occupied two floors of one of the towers, losing 658 employees on that day.

The event has the objective of transforming the tragic memory of that date into a reason for hope, based on the donation of the revenues collected from the operations of brokers’ offices around the world, to social institutions.

PREVI’s operations on the stock exchange exceeded R\$9 million on the day of the event, which resulted in brokerage of R\$4,500 being contributed to the event, benefiting three organizations: the Centre for Child Companionship, which provides assistance and shelter to HIV-infected children or in socially vulnerable situations; the Gol de Letra Foundation, which offers prospects of a better life to young people in socially vulnerable communities; and the Old Friend Project, that promotes a better quality of life for Senior Citizens through assistance and social development.

Partnerships with the Carj and Elos Committees

PREVI supports and encourages the participation of its employees in various campaigns promoted by the Carj and Elos Committees of employees of Banco do Brasil:

- A monthly campaign for the collection of powdered milk – promoted by employees of PREVI. The campaign benefits children, adolescents and senior citizens;

- Commemoration of Children’s Day – PREVI invited 30 children between the ages of 8 and 12 to participate in the entire commemoratives program of the Cultural Centre for Children (CCria) in the Morro dos Macacos community, a project supported by the Carj Committee. As the number of children served by CCria is higher than this, the 30 with the best school performance were selected;
- Exchange of invitations for the end of year fraternization at PREVI – 1.4 tons of foodstuffs were collected, and donated to the “holiday colony” of the Morro dos Macacos community. This benefits children and adolescents that live in the community;
- Campaign for the “godfathering” of children – 117 children were sponsored for the 2011 Christmas. The presents – clothes, shoes and toys – were delivered to the Elos Committee to be passed onto children of the Vila Cabuçu and Árvore Seca communities, and the Carj Committee, for children of the Patinho Feliz creche;
- Participation at the PREVI Father Christmas event – 30 children from the Patinho Feliz creche, supported by the Carj Committee, participated in the arrival of Father Christmas at PREVI, with games, snacks and the delivery of presents.

ENVIRONMENTAL PERFORMANCE

GRI EN1, EN3, EN8 and EN18

PREVI encourages a reduction in the use of materials and natural resources, such as paper and electricity, in the printing process. In this way,

participants can at any time, when using the self-service facilities on the PREVI website, select the option to suspend the sending out of institutional publications, statements and printed promotion bulletins. The option not to receive these printed publications is valid for the PREVI magazine, Annual Report, Income Tax Statement, Payment Report, and other institutional information.

A digital version of existing communication vehicles are available on the website, in other words, the participant has at least the same information available as that carried in the printed versions. As an incentive to read these, and opt not to receive the printed version, extra information is added in the digital versions, particularly of audiovisual content.

Since the start of the campaign to prevent the sending out of tax statements, from the period from the beginning of November 2010, up to December 31, 2011, more than 38,696 opted not to receive the printed version. The circulation of the Annual Report has also been coming down every year, resulting in a reduction in expenses and contributing to the preservation of the environment. In 2008, 170,000 examples were printed. In 2009, 43 participants opted not to receive the document, and 120,000 examples were printed. In 2010, 111,300 participants receive printed versions of the Report, while in 2011, 104,904 were delivered. These initiatives result in direct financial benefits, with a reduction in printing and posting costs, as well as the obvious environmental benefits.

<i>Option Not to Receive Printed Versions</i>	<i>2011</i>	<i>Total</i>
<i>Annual Report</i>	<i>46,437</i>	<i>82,099</i>
<i>PREVI magazine</i>	<i>6,706</i>	<i>28,270</i>
<i>Income Tax Statements</i>	<i>19,895</i>	<i>40,934</i>

In 2011, PREVI no fines or sanctions of environmental nature were recorded at the Mourisco Business Centre (CEM), in Rio de Janeiro. The Entity is also part of the initiatives of the CEM Condominium, which carries ISO 14001 environmental certification.

Consumption of Raw Materials, Non-Renewable Materials and Materials Used for Packaging	2009	2010	2011
Paper (Kg)	15,700	13,024	11,708
Plastic Cups (units)	543,500	560,050	577,500
Lamps (units)	1,258	1,725	1,025
Batteries (units)	303	202	224
Toner Cartridges (units)	590	576	532

Water and Electricity

In 2011, the Mourisco Business Centre installed individual water meters. Through this initiative, PREVI started to monitor water consumption on a monthly basis. Since 2000, the Entity has used a system of presence sensors in the location, to reduce electricity consumption, as well as taps with automatic switching devices.

Water and Electricity Consumption	2009	2010	2011
Electricity (KWh)	1,447,760	1,506,690	1,590,840
Water (m ³)	No figures	No figures	4,594 ^(*)

(*)April to November 2011.

Greenhouse Gas Emissions

Among the initiatives to reduce Greenhouse Gas Emissions by PREVI in 2011 is the mitigation of emissions for the meeting of board members. The mapping exercise involved the Oksigeno Institute and included analysis of the event's structure, covering variables such as travel, electric power, water and the generation of residues. The most significant variable was travel, which included the travel of participants and seminar speakers from their point of origin. The total emissions estimated at 36.09 tons of CO₂ were offset by the planting of 252 trees, under the responsibility of the Oksigeno Institute.

FINANCIAL STATEMENTS

Asset Balance Sheet

(R\$ '000)

Asset	Current financial year	Previous financial year
Cash and Equivalents	82	185
Realizable	156,813,194	152,964,597
Social Security Management (Note 5)	1,079,413	140,370
Administrative Management	98,184	17,481
Investments (Note 6)	155,635,597	152,806,746
Government Securities (Note 7)	10,934,907	12,324,194
Private Sector Debt and Deposits (Note 7)	4,324,857	3,499,468
Equities (Note 8)	45,529,930	50,803,346
Investment Funds (Note 9)	83,162,107	76,680,101
Real Estate Investment (Note 10)	6,406,753	4,822,734
Loans (Note 11)	3,693,600	3,112,956
Mortgage Financing (Note 11)	1,581,658	1,563,947
Court/Judicial Appeal Deposits	1,785	0
Permanent	16,905	15,354
Fixed	10,597	8,622
Intangible	6,308	4,400
Deferred	0	2,332
Total assets	156,830,181	152,980,136

Liabilities	Current financial year	Previous financial year
Operational liabilities (Note 12)	19,181,324	14,950,107
Social Security Management	18,911,638	14,862,187
Administrative Management	6,790	4,038
Investments	262,896	83,882
Contingent liabilities (Note 13)	1,885,501	1,786,788
Social Security Management	1,778,033	1,757,512
Administrative Management	75,289	2,149
Investments	32,179	27,127
Equity	135,763,356	136,243,241
Plan Coverage Equity	124,641,087	119,529,974
Mathematical Provisions (Note 15)	99,975,841	92,641,891
Benefits Granted	85,127,884	80,336,998
Benefits to Grant	28,022,478	25,452,500
(-) Mathematical Provisions to Book	(13,174,521)	(13,147,607)
Technical Balance (Note 16)	24,665,246	26,888,083
Results Achieved	24,665,246	26,888,083
Technical Surplus Accumulated	24,665,246	26,888,083
Funds (Note 17)	11,122,269	16,713,267
Social Security Funds	9,843,633	15,513,003
Administrative Funds	765,450	734,197
Investment Funds	513,186	466,067
Total liabilities	156,830,181	152,980,136

The explanatory notes are an integral part of the accounting statements.

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President
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Director of Administration
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Cleide Barbosa da Rocha
Actuary MIBA 732
CPF: 878.098.777-04

Statement of Net Assets for Benefit Plan 1

(R\$ '000)

Description	Current financial year	Previous financial year	Variation (%)
1. Assets	153,782,971	150,581,108	2.1
Cash and Equivalents	53	168	(68.5)
Receivables	1,760,865	801,894	119.6
Investment	152,022,053	149,779,046	1.5
Government Securities	10,513,502	11,910,469	(11.7)
Private Sector Debt and Deposits	3,876,570	3,153,757	22.9
Equities	44,372,253	49,921,885	(11.1)
Investment Funds	81,966,478	75,611,080	8.4
Real Estate Investments	6,369,394	4,792,009	32.9
Loans	3,356,888	2,836,828	18.3
Mortgage Financing	1,565,183	1,553,018	0.8
Court/Judicial Appeal Deposits	1,785	0	0.0
2. Obligations	20,935,909	16,701,439	25.4
Operating	19,126,750	14,916,953	28.2
Contingency	1,809,159	1,784,486	1.4
3. Non-Social Security Funds	1,190,803	1,125,455	5.8
Administrative Funds	684,540	663,464	3.2
Investment Funds	506,263	461,991	9.6
4. Results to Be Realized	0	0	0.0
5. Total Net Assets (1-2-3-4)	131,656,259	132,754,214	(0.8)
Mathematical Provisions	97,420,089	90,629,774	7.5
Technical Surplus	24,663,593	26,888,083	(8.3)
Social Security Funds	9,572,577	15,236,357	(37.2)

Statement of Net Assets of PREVI Futuro Benefit Plan

(R\$ '000)

Description	Current financial year	Previous financial year	Variation (%)
1. Assets	2,821,665	2,239,421	26.0
Cash and Equivalents	2	4	(50.0)
Receivables	61,553	50,044	23.0
Investment	2,760,110	2,189,373	26.1
Government Securities	420,395	399,733	5.2
Private Sector Debt and Deposits	269,824	216,808	24.5
Equities	1,015,530	752,114	35.0
Investment Funds	663,815	502,936	32.0
Real Estate Investments	37,359	30,725	21.6
Loans	336,712	276,128	21.9
Mortgage Financing	16,475	10,929	50.7
2. Obligations	21,726	3,246	569.3
Operating	21,340	3,145	578.5
Contingency	386	101	282.2
3. Non-Social Security Funds	66,000	52,182	26.5
Administrative Funds	59,077	48,106	22.8
Investment Funds	6,923	4,076	69.8
4. Results to Be Realized	0	0	0.0
5. Total Net Assets (1-2-3-4)	2,733,939	2,183,993	25.2
Mathematical Provisions	2,555,752	2,012,117	27.0
Technical Surplus	1,653	0	0.0
Social Security Funds	176,534	171,876	2.7

Statement of Net Assets of CAPEC Benefit Plan

(R\$ '000)

Description	Current financial year	Previous financial year	Variation (%)
1. Assets	143,466	153,417	(6.5)
Cash and Equivalents	17	1	1,600.0
Receivables	22,445	22,629	(0.8)
Investments	121,004	130,787	(7.5)
Government Securities	1,010	13,992	(92.8)
Private Sector Debt and Deposits	31,323	9,583	226.9
Investment Funds	88,671	107,212	(17.3)
2. Obligations	27,111	26,020	4.2
Operating	26,444	25,968	1.8
Contingency	667	52	1,182.7
3. Non-Social Security Funds	21,833	22,627	(3.5)
Administrative Funds	21,833	22,627	(3.5)
4. Results to Be Realized	0	0	0.0
5. Total net assets (1-2-3-4)	94,522	104,770	(9.8)
Social Security Funds	94,522	104,770	(9.8)
Capec Fund	68,627	95,352	(28.0)
Reserve Fund for the Covering of Fluctuations	25,895	9,418	175.0

Statement of Changes to Net Assets in Benefit Plan 1

(R\$ '000)

Description	Current financial year	Previous financial year	Variation (%)
A) Net assets – Beginning of the Period	132,754,214	123,831,201	7.2
1. Additions	14,429,500	18,398,649	(21.6)
(+) Contributions	2,373,472	2,202,524	7.8
Current	2,367,542	2,198,127	7.7
Sponsor	463,983	404,443	14.7
Participants	464,356	403,749	15.0
Self-Sponsored	7,443	4,136	80.0
Other Current Funds	1,431,760	1,385,799	3.3
(+) Remuneration of Contributions in Arrears	15	16	(6.3)
(+) Other Additions	5,915	4,381	35.0
(+) Positive Result from Investments – Social Security Management	11,317,844	16,196,125	(30.1)
(+) Reversion of Contingencies – Social Security Management	738,184	0	0.0
2. Destinations	(15,527,455)	(9,475,636)	63.9
(-) Benefits	(15,488,585)	(8,729,798)	77.4
(-) Booking of Contingencies – Social Security Management	0	(706,566)	(100.0)
(-) Administrative Funding	(38,870)	(39,272)	(1.0)
3. Increase/Decrease in net assets (1+2)	(1,097,955)	8,923,013	(112.3)
(+/-) Mathematical Provisions	6,790,315	17,640,718	(61.5)
(+/-) Social Security Funds	(5,663,780)	8,597,108	(165.9)
(+/-) Technical surplus (Deficit) for the Year	(2,224,490)	(17,314,813)	(87.2)
B) Net assets – End of the Period (A+3)	131,656,259	132,754,214	(0.8)
C) Non-Social Security Funds	1,190,803	1,125,455	5.8

Statement of Changes in Net Assets to PREVI Futuro Benefit Plan

(R\$ '000)

Description	Current financial year	Previous financial year	Variation (%)
A) Net assets – Beginning of the Year	2,183,993	1,687,006	29.5
1. Additions	591,710	530,381	11.6
(+) Contributions	490,955	373,771	31.4
Current	488,548	373,612	30.8
Sponsor	240,786	184,133	30.8
Participants	243,518	186,421	30.6
Self-Sponsored	4,244	3,058	38.8
(+) Other Editions	2,407	159	1,413.8
(+) Positive Results from Investments – Social Security Management	100,755	156,610	(35.7)
2. Destinations	(41,764)	(33,394)	25.1
(-) Benefits	(21,928)	(15,941)	37.6
(-) Booking of Contingencies – Social Security Management	(282)	(12)	2,250.0
(-) Administrative Funding	(19,554)	(17,441)	12.1
3. Increase/Decrease in net assets (1+2)	549,946	496,987	10.7
(+/-) Mathematical Provisions	543,635	481,388	12.9
(+/-) Social Security Funds	4,658	15,599	(70.1)
(+/-) Technical surplus (Deficit) for the Period	1,653	0	0.0
B) Net assets – End of the Period (A+3)	2,733,939	2,183,993	25.2
C) Non-Social Security Funds	66,000	52,182	26.5

Statement of Changes in Net Assets to CAPEC Benefit Plan

(R\$ '000)

Description	Current financial year	Previous financial year	Variation (%)
A) Net assets – Beginning of the Period	104,770	119,901	(12.6)
1. Additions	164,719	139,013	18.5
(+) Contributions	149,641	125,344	19.4
Current	145,847	121,867	19.7
Participants	145,847	121,867	19.7
(+) Other Editions	3,794	3,477	9.1
(+) Positive Results from Investments – Social Security Management	15,069	13,669	10.2
(+) Reversion of Contingencies – Social Security Management	9	0	0.0
2. Destinations	(174,967)	(154,144)	13.5
(-) Benefits	(171,229)	(150,987)	13.4
(-) Administrative Funding	(3,738)	(3,125)	19.6
3. Increase/Decrease in net assets (1+2)	(10,248)	(15,131)	(32.3)
(+/-) Social Security funds	(10,248)	(15,131)	(32.3)
B) Net assets – End of the Year (A+3)	94,522	104,770	(9.8)
C) Non-Social Security Funds	21,833	22,627	(3.5)

STRATEGY AND MANAGEMENT

REVISED ANNUALLY, PREVI'S STRATEGY IS TO ADOPT RESPONSIBLE PRACTICES AND SUSTAINABILITY IN THE MANAGEMENT OF INVESTMENTS AND RISKS

To act as a guide for PREVI's objectives and business model, the Institution has a Strategic Plan, which prioritizes subjects and projects in alignment with its mission, vision and values. The Plan is revised annually, based on a participative process with the objective of meeting the expectations of the various parties that make up the Institution's structure.

PREVI has analyzed subjects such as the social security and macroeconomic scenarios, trends, threats and opportunities for the Institution and its interested public audiences. During the process, member associations were consulted, as well as unions, regulatory bodies, management departments, and the Deliberative and Consultative and Supervisory boards of PREVI Futuro Plan 1.

PREVI'S COMMITMENT

GRI F55

The Institution has the commitment to fulfill its fiduciary duty, which implies taking care of its funds and managing them in consideration of the investment risks and opportunities, so that it will be possible to pay benefits to its thousands of participants.

As an important institutional investor in Brazil, the Entity has also assumed national and international commitments to consolidate and disseminate values and initiatives related to socio-environmental responsibility.

Thus, in 2003, it adhered to the Principles of Socio-Environmental Responsibility of the Brazilian Association of Closed Supplementary Pension Entities (ABRAPP), drawn up in partnership with the Ethos Institute of Companies and Social Responsibility.

In 2005, it affiliated itself to the Ethos Institute to contribute to the drawing up of proposals of public interest and social nature to be one of the partnership companies in the construction of a sustainable society. In addition to this, the Entity became a signatory of the global and national editions of the Carbon Disclosure Project (CDP) report, with the objective of acting as a driving force for sustainability policies.



CDP is the largest global investor initiative for the combat of climate change, demanding responses from companies with respect to their exposure, risks and practices for the reduction of Greenhouse Gas Emissions. For more information on this agreement, the reader should refer to the following website: www.cdproject.net.

In 2005, PREVI was the only Latin American institution invited to be part of a group of representatives of the world's largest institutional investors, to develop the Principles for Responsible Investment (PRI). The agreement was signed in 2006. The principles, signatories and main initiatives of PRI can be found on the website www.unpri.org.

Also, since 2006, the Entity has been part of the Global Compact, an initiative developed by the United Nations Organization, with the objective of mobilizing the international business community for the adoption of ten principles of human rights, labor relations, the environment and the combating of corruption.

STRATEGY AND SUSTAINABILITY

GRI 2.10, 4.12, 4.13, FS1 and FS2

Strategic Plan

The 2011/2013 Strategic Plan was revised at the end of 2010, and includes themes such as the treatment applied as a sponsor, and to participants, with respect to the destination of the special reserve, improvement in investment practices, and the interaction of PREVI with the various related parties.

After the revision of the 2011 Plan, in the 2012/2015 Strategic Plan was included, among other themes, actions related to the management of assets, a more in-depth approach in the implementation of Environmental, Social and Governance (ESG) issues in the pension segment, and in the companies in which PREVI holds a stake, and improving the confidence, respect and satisfaction of participants with regard to PREVI.

Responsible Investment Practices

PREVI actively participates in discussions and initiatives linked to sustainability in the investment and pension industry. The Entity was the first signatory to, and is the Latin American representative of, the Principles for Responsible Investment Council (PRI), an initiative by institutional investors to include socio-environmental and corporate governance questions in the investment process, having the support of the United Nations.

Through members on the boards of the companies in which it invests, PREVI encourages the dissemination of social, environmental and corporate governance issues. Among the companies invested in, 15 are part of the BM&FBOVESPA Corporate Sustainability Index (ISE) and 30 are part of the Share Index for Differentiated Corporate Governance (IGC).

In addition to LEED certification for the Eco Berrini building and the retrofit for the Marques dos Reis building, PREVI also received ISO 14001 certification in 2011 for the Milano and Torino buildings, which are part of the Água Branca Business Center in São Paulo, and the Condominium of the Mourisco Business Center in Rio de Janeiro, the headquarters building of PREVI. The ISO 14001 certification attests to the fact that the buildings have implemented an Environmental Management System in their operation.

In the private equity segment, PREVI invests in the Participações Brasil Sustentabilidade investment fund, focused exclusively on projects complying with the Clean Development Mechanism (MDL), envisaged under the Kyoto Protocol. The Fund has the objective of developing projects which reduce Greenhouse Gas Emissions and which are qualified to sell carbon credits in the international market.

In this way, PREVI believes that it contributes to the dissemination of the best environmental practices in capital markets. PREVI's holding in the fund is R\$ 80 million, which corresponds to 19.46% of its total equity, and is distributed as follows: 87.5% in Plan 1 and 12.5% in PREVI Futuro.

Awards

PREVI was the only Brazilian supplementary pension fund among five finalists in the 2011 FT/ IFC Sustainable Finance Awards, sponsored by the Financial Times of London, and the International Finance Corporation, in the category of Sustainable Asset Owner of the Year. The award is the most recognized in the category of sustainable finance for leaders of the industry, and business and financial managers throughout the world.

In August 2011, PREVI received the Ecosofia Trophy, in the Management category, for the case Construction and Implementation of Socio-environmental Responsibility (RSA) in the Management of the Entity. The award is part of the IBEF Sustainability Standard project, promoted by the Brazilian Institute of Finance Executives (IBEF). PREVI competed against 52 projects from other institutions.

Socio-environmental Responsibility Policy

In 2009 PREVI formalized its Policy for Socio-environmental Responsibility (RSA), which began in 2007 with the formation of a work group composed of employees from the various departments, with the assistance of a specialist consultancy firm.

The development of socio-environmental responsibility policy involves the Company's own processes, and studies by other national and foreign pension funds, in addition to references such as the guidelines of the Principles for Responsible Investment (PRI), the Corporate Sustainability Index (ISE), the Global Reporting Initiative (GRI) and the Ethos Institute, among others.

PREVI's socio-environmental responsibility policy establishes that the Institution has: a long-term view; a proactive stance to contribute to an environment for the creation of products and solutions, that are appropriate to the needs of its beneficiaries; a preoccupation with achieving the best social results and least environmental impact, in the activities carried out; and a financial return, with the best corporate governance practices.

PREVI's Socio-environmental Responsibility Policy is available for consultation on the Entity's website.

MANAGEMENT OF INVESTMENTS

GRI EC8 and EC9

The management of PREVI's investments has a focus on the long-term, with the aim of guaranteeing the payment of benefits to its thousands of associates. In this regard, the insertion of Environmental, Social and Governance (ESG) variables in the investment decision-making process has the purpose of placing emphasis on the mitigation of risks in the companies, and therefore which could have an impact on the return of the funds under management.

As a function of the volume of investment involved, moves by PREVI in the market have an impact on the price of some assets.

Through the observance of risks and diversification of the portfolio, the Entity seeks to ensure the solidity of its assets. Even in scenarios of economic turbulence, when the financial performance of some classes of assets may be influenced, PREVI acts in a cautious manner, seeking to avoid putting pressure on the market that has an adverse impact on the results for its participants.

**RSA AND
INVESTMENT
POLICIES ARE
AVAILABLE ON THE
PREVI WEBSITE**

Investment Policies

Investment Policy involves a combination of directors and measures which guide the long-term management of the assets in the benefit plans. It combines aspects of investment philosophy and planning. It seeks to achieve the equilibrium and longevity of the benefit plans, and aims to minimize the risk of imbalance, through establishing a mix of assets which optimizes the return on the portfolio in accordance with the Entity's mission.

The principal components of an ideal investment policy combine: the mission of the Entity, the definition of tolerance to risk, the investment objectives, the asset mix policy, the investment management structure and the evaluation of performance. These items should together form a consistent combination of directives, to permit the management of funds with a strategic and long-term view.

Each of the plans has its own investment policy:

- Plano 1: seeks to ensure the security and longevity of the Plan, honoring actuarial commitments and providing opportunities to improve retirement benefits, to meet the expectations of its participants.
- Plano PREVI Futuro: has the strategic directive of meeting the satisfaction principles of the participant, based on studies and simulations which take into account the time, levels of contribution to the Plan, and the expected return on investment.
- CAPEC: has the directive strategy of providing a return and liquidity for the funds in the Plan, so as to meet the commitments assumed and ensure improvements in the conditions of this benefit.
- PGA: funds originating from the management charges applied to the contributions of the other plans, destined for the payment of pension

fund administration expenses. The surplus of these funds goes to make up the Administrative Fund of the plans. This Plan aims to maximize the return on the assets allocated in the Administrative Fund, contributing to its longevity.

The document which provides directives for the investment policies of the plans is revised annually, over an horizon of six years. In 2011, PREVI sought to diversify assets in sectors which historically have offered better returns, so as to reduce the impact of any reduction in the performance of some of them, as a result of an unfavorable economic scenario. Analyses include the evaluation of the scenario of international instability, and the trend of declining interest rates in the domestic market, and have the objective of maintaining the actuarial targets of the plans.

For the period 2012 to 2018, the Investment Policies have maintained the profit targets for the plans. For this reason, one of the strategies is to diversify assets.

The prospect of declining basic interest rates over the long term also determines that there must be a change in strategy for fixed income investments, which will require a more active role on the part of managers in the fixed income area, and looking for more options in private sector securities. The macro-allocation percentages were maintained in the policies of CAPEC and PGA.

Macro-allocation – Plan 1 (%)

Segments	2011		2012	
	Minimum Allocation	Maximum Allocation	Minimum Allocation	Maximum Allocation
Equities	60.0	66.0	55.2	63.2
Fixed Income	28.0	34.0	28.2	36.2
Real Estate	2.0	5.0	2.5	6.0
Operations with Participants	1.5	4.0	1.0	5.0
Structured Investment	0.0	1.0	0.0	2.0

A mature benefit plan, and therefore in a phase of growing benefit payments, Plan 1 requires greater asset liquidity to cover its commitments, which in 2011 exceeded R\$11 billion. In this way, the natural trend is to reduce equity participations and other investments with variable income, while on the other hand increasing investment in real estate, structured investment and fixed income, contributing to greater diversification and liquidity of the portfolio. Consequently a payment flow is obtained and it is necessary for the monthly payment of benefits, in accordance with the stage at which the Plan finds itself.

Macro-allocation – PREVI Futuro Plan (%)

Segments	2011		2012	
	Minimum Allocation	Maximum Allocation	Minimum Allocation	Maximum Allocation
Equities	00.0	50.0	00.0	50.0
Fixed Income	25.0	95.0	0.0	95.0
Real Estate	0.0	5.0	0.0	8.0
Operations with Participants	5.0	15.0	5.0	15.0
Structured Investment	0.0	5.0	0.0	5.0

One of the younger benefit plans of the Entity, PREVI Futuro is in a phase of accumulating funds which enables it to allocate greater investment to the equity market, due to the long-term horizon for the start of benefit payments. In this regard, the Plan's investment policy envisages a progressive increase in equity investment, seeking to maximize returns over the long-term, an horizon over which equity investment shows itself to be more profitable than fixed income investment, the segment which today accounts for most of PREVI Futuro's funds.

Investment Profiles Offered to Participants of PREVI Futuro (%)

Profile	Minimum Allocation	Maximum Allocation
PREVI	30	50
Conservative	0	10
Moderate	20	30
Aggressive	40	50

In seeking greater returns over the long-term, the investment policy of the PREVI Futuro Plan for the period 2012-2018 underwent a revision to the allocation ceiling for the PREVI profile for equity investments – which covers 90% of the Plan’s participants –, which was increased from 40% to 50%, providing more flexibility for managers to seek out good buying opportunities in the securities market, particularly during periods of economic crisis, while at the same time maintaining an intermediary floor of 30% for equity investment allocation.

Assets

PREVI’s investment assets ended 2011 at R\$155.6 billion, an increase of 1.85% compared to the end of 2010, corresponding to an increase of approximately R\$2.8 billion. Of the total, Plano 1 is responsible for R\$152 billion, and PREVI Futuro for R\$2.8 billion. The rest refers to CAPEC and PGA.

The Accumulated Technical Surplus in Plan 1 was R\$24.6 billion, with a contingency reserve of R\$24.3 billion and a special reserve of R\$309 million. At PREVI Futuro, the accumulated surplus was R\$1.65 million, registered as a contingency reserve, due to the values calculated in Part 1 of Plan I, that has a defined benefit structure, whereby the benefits of risk are calculated.

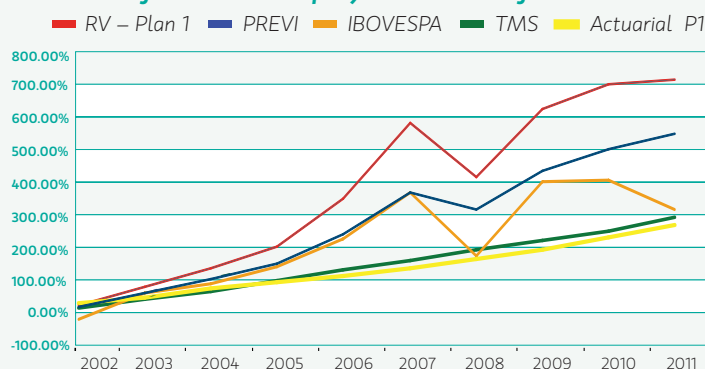
Equity Market

Equity markets in 2011 were characterized by risk of version, intense volatility, stress on the part of market agents, sharp changes in behavior, and imbalances between markets. The IBOVESPA, IBrX and IBrX-50 indices experienced depreciation of -18.11%, -11.39% and -14.06%, respectively.

Plan 1 obtained a return of 1.87% in 2011 in its equity investments, while PREVI Futuro’s return was a negative -13.88%. PREVI’s return on equity investment was 1.69% in the period. In contrast to what occurred with PREVI Futuro, in Plan 1, the equity stakes in the assets Litel, Neoenergia, 521 Participações, Invepar and Itapebi are evaluated economically and avoided the major stock exchange fluctuations having a direct impact on the Plan’s equity investments. In addition to this, these investments need to be analyzed from a long-term perspective, to provide the return desired.

At PREVI Futuro, all the investments in equities are evaluated in accordance with the share prices traded on BOVESPA.

Return of PREVI and Equity Investment of Plan 1 vs. Indices





The Eco Berrini building has adopted green construction techniques, and carries environmental certification

Fixed Income

In 2011, PREVI focused on diversifying and lengthening the profile of its fixed income portfolio, a strategy which has proved to be correct.

This segment showed the second best performance for the year among the various investments, with an accumulated return of 14.14% for Plan 1 and 14.43% for PREVI Futuro, being significantly above the actuarial targets for both plans, of 11.38% for Plan 1 and 11.91% for PREVI Futuro. During the period, the average SELIC rate (Brazilian basic interest rate), the benchmark for PREVI's fixed income segment, was 11.62%.

The performance of PREVI's fixed income portfolio is explained by the combination of internal and external factors which, combined, resulted in returns above the actuarial target, such as participation at auctions for the swapping of government securities from the National Treasury, with the exchange of short-term paper, for that with a medium and long-term, with better rates for PREVI, and the allocation of fixed interest paper in 2010, when these securities already had heavy premiums built into them due to the expectation of high interest rates at that time.

Finally, the diversification of the fixed income portfolio is also expressed in the increase in funds invested in private debt, notably a higher participation in debentures, letters of credit (letras financeiras?) and CDBs, which have already exceeded R\$4 billion – taking Plan 1 and PREVI Futuro together – offering a substantial premium compared to government securities.

Real Estate

PREVI ended 2011 with a shareholding in 14 shopping centres, 32 commercial buildings, and nine real estate developments (warehouses, logistics condominiums, garage buildings, hypermarkets, hotels, hospitals and shops) in Brazil's main cities. The real estate segment has shown the best returns in PREVI's investment portfolio, as a result of the substantial appreciation in this sector over the last few years, due to the increased buoyancy in the domestic economy.

The return on real estate investment in 2011 amounted to 32% in Plan 1.

The portfolio of Rental Property, which represents 58.4% of the segment in the Plan, obtained a return of 23.6% for the year. While, the Shopping Center portfolio (35.7% of the segment) showed a return of 49.99% in 2011. For PREVI Futuro, the performance of the only asset in the segment, Shopping ABC, was a return of 33.41% in 2011. A jump in profitability took place in September, as a result of the revaluation of the asset (25.10%), capturing the appreciation of the property following an extensive refurbishment program begun in March.

It is worth pointing out that the return seen in the real estate segment derives not only from the appreciation of the assets as a result of revaluations, but also the revenues generated from the rental of premises and stores in shopping centers and commercial buildings.

Eco Berrini Building

A major highlight for PREVI in 2011 was the Eco Berrini building, in São Paulo, with an area of 47,000 m², and 39 stories. This building was rented from PREVI by one single company under a ten-year contract, a term which guarantees greater security for the portfolio, and cash flow stability for the payment of benefits. Eco Berrini is the building with the highest value in PREVI's real estate portfolio, valued at R\$560 million. It uses differentiated construction and operational technology, and was designed in accordance with LEED environmental pre-certification.

Marques dos Reis Building

In the portfolio of commercial buildings, also worth mentioning is the investment in the refurbishment or modernization of buildings, also known as retrofit. Through the incorporation of new technologies and concepts, the idea is to increase the value of the buildings, achieve alteration in use, increase working life and/or improve operational and energy efficiency. In 2011, the retrofit was concluded for the Marques dos Reis building, that was built in 1940 in the center of Rio de Janeiro. The building underwent a complete refurbishment of 12 floors of commercial premises which PREVI makes available for rent. The refurbishment of almost 10,000 m² of installations, resulted in LEED pre-certification.

Cajamar Industrial Park and Jordanésia Park

PREVI acquired in 90% stake in the development that consists of two logistics condominiums: Cajamar Industrial Park and Jordanésia Park. The purchase of this Class A standard property, has contributed to the diversification strategy of PREVI's real estate portfolio, in line with its Investment Policy and Directives. The logistics park is located in Cajamar, close to the Rodovia Anhanguera Ring Road (SP), with completion planned for the beginning of 2013.

Umberto Primo Building

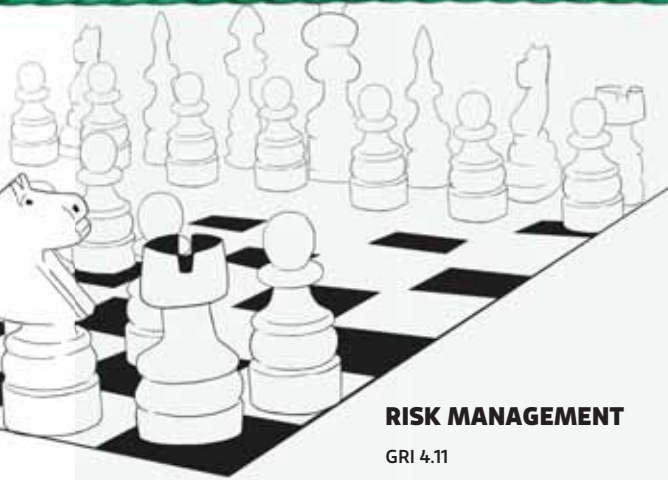
In 2011, PREVI sold the building which housed the former Umberto Primo Hospital, also known as the Matarazzo Hospital, in the region of Avenida Paulista, in São Paulo, to a special-purpose company, consisting of the WWI and Allard groups. Market conditions permitted the sale of this building, which involved intricate negotiations due to the complexity of the assets involved, with a sale price agreed of R\$117 million.

Structured Investments

The performance of this segment amounted to 5.52% for the year in Plan 1, impacted by the private equity portfolio equity (5.84%), which represents 83.9% of the segment. While at PREVI Futuro, the performance of this segment amounted to 7.54% in 2011, of particular note being the Brazil Company Internationalization Fund, which with a participation of 13.34% in the portfolio, had a performance of 66% in December alone, due to the appreciation in the asset TF Têxtil Participações, which makes up 79% of this fund.

Structured investments are basically composed of private equity and venture capital funds, which invest in emerging companies with large potential for growth and appreciation. Due to their characteristics, these funds have a particular investment return cycle, which requires the allocation of funds in the initial years, only later seeing significant returns – this also being known as the “J” curve.

The large majority of the funds in the two plans are in the investment phase, and the future returns should be very substantial.



RISK MANAGEMENT

GRI 4.11

At PREVI, risk management has been an integral part of the management process for a long time: in 1998, the reforms to the Company's bylaws introduced changes to its governance model, with the creation of the departments for Shareholdings, Security and Planning, with the aim of segregating the functions of planning, execution and monitoring – a basic principle in good risk management. Linked to the Planning Division, the Risk Strategy Management Department was created, which was a pioneering move in the pension fund segment. Since then, the concept of risk management has been increasingly applied to Investment Policies.

The internal processes of PREVI are continually perfected with the objective of identifying, treating, measuring and controlling the main risks of a pension fund:

- Market risk (the risk of assets not appreciating as expected);
- Credit risk (the risk of deterioration in the credit quality of a counterparty);
- Operational risk (the risk of failure/error during the execution of a process or system);
- Liquidity and solvency risk (the risk of not having sufficient funds to honor commitments assumed);
- Actuarial risk (the risk of mismatch between actuarial hypotheses and reality).

For each of the risks mentioned above, PREVI has a management process in place, which allows the integration of all the segments involved. This type of management is known as Management Based on Risk (GBR), and is based on the principle that guaranteeing the perpetuity of the Institution depends on the ability to foresee adverse events, prepare for their occurrence, and react in a timely manner.

PREVI's
dealing desks



**QUANTITATIVE
(ANALYSIS),
PROCESSES AND
COMMUNICATION
ARE THE THREE
KEY ELEMENTS
OF PREVI'S RISK
MANAGEMENT**

PREVI's risk management is based on three key elements: Quantitative Analysis, Processes and Communication. The Quantitative Analysis element deals with the formulation of metrics and methodologies such as Value-at-Risk (VaR), non-planned divergences, Tracking Error, Asset Liability Management, Risk Limits, Liquidity Cushion, etc. It is important that all the areas understand and evaluate the various existing risk metrics in the same manner, with precise tools that are appropriate for the process.

The Process element is fundamental for the integration of the areas, and consequently allows a vision of the whole – the so-called Global Risk of PREVI. This Global Risk is in alignment with the Institution's "appetite for risk" (which is how much risk it needs to take to achieve its objectives), as well as its "risk tolerance" (which is the amount of risk that it is ready to accept to optimize its results).

As part of this key element, it is also important to guarantee the existence of well-defined processes for the identification, monitoring and treatment of risks, based on jurisdictions and responsibilities established, as well as action plans for the solution of problems which may occur.

The Communication element, in turn, concerns the transparency of the process, and how risks are reported – whether they are within the various areas of PREVI, or with the sponsor, participants, entities and other public audiences.

These three key elements follow the best management practices considered in "Solvency II", which is a combination of prudence principles and criteria that is being disseminated among European insurance companies and pension funds. Its main characteristic is to place a risk as a regulatory priority, leading to changes in behavior, marking a radical alteration in direction to the culture of corporate risk management, requiring integration of risks and a holistic vision of all aspects of the decision-making process.

The main objective of PREVI's Risk Management is to honor its commitments to retirement and pension obligations in a prudent manner, with consistency and transparency, to meet the expectations of its participants.



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