



ATTACHMENT TO PD.CA/BAK-37/2010

## BRASKEM INVESTMENT POLICY

Approved by Braskem S.A. Board of Directors  
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## 1 INTRODUCTION

The Braskem Investment Policy defines the methodology adopted to evaluate, select, approve, manage and follow up capital expenditures. Its objective is to create an investment management framework that enables the development of project portfolios that:

- create value for its shareholders,
- are aligned to the strategic objectives of the company
- are robust in different scenarios.

The methodology described in this Policy is complemented by guideline procedures to conduct the investment process.

The following investment classes are defined:

- **operational**, that are all the investments needed to ensure the continuity of the Company's operating activities,
- **technology & innovation and**
- **estrategic**, which considers the implantaion of new projects and adquisitions.

## 2 EVALUATION OF INVESTMENTS

The evaluation for final approval of an investment is to be done when the basic project has already been completed.

The evaluation of **operational investments** has to be conducted according to Braskem's investment evaluation system, that includes:

- Criteria for technical and economic evaluation;
- Individual registry of each investment.

The evaluation methodology for **technology & innovation investments** is defined in a specific procedure.

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**Strategic investments**, as well as all the projects that require approval from the LE (Lider Empresarial – CEO) or from the Board of Directors (BD) based on the Delegation of Authority (DOA) map, have to be presented on an individual Investment Evaluation Report (RAI).

## 2.1 INVESTMENT EVALUATION REPORT (RAI)

RAI is the document submitted by an Executive Vice-president (EVP) or a Responsible for Supporting Functions (RAE) to the LE for approval of a **strategic investment**.

RAI includes both business and qualitative analyses, that should be performed by applying assumptions, base scenarios and corporate procedures.

RAE Investments shall assist the EVP or the RAE responsible for the investment on preparing the RAI, as well as to ensure its adherence to the corporate procedures.

### 2.1.1 BUSINESS ANALYSIS

The business analysis has to consider a Technical and Economic Feasibility Study (EVTE), including: (i) Net Present Value (VPL) calculation based on the discounted cash flow methodology, (ii) Internal Rate of Return (TIR), (iii) Payback period, i.e., number of years to return the investment, and (iv) VPL / VPI ratio (Net Present Value / Investment Present Value), as detailed in the procedure.

If the investment presents high degree of uncertainty, other valuation methodologies should also be used, such as the Expected Monetary Value (VME) or the Real Options Theory.

Projects with risk of loss of the initial disbursements – an unusual situation for industrial projects – the calculation of the Expected Monetary Value (VME) can be adopted. This defines the expected value of an investment employing the probabilities associated to likely success.

The Information Value methodology can be used when the investment aim to

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generate information to reduce technical uncertainties. The net information value is calculated by the difference in its value and the costs associated to obtaining it.

In addition to the base case EVTE, sensitivity analyses and different scenarios should also be presented. The sensitivity analysis considers the impact of changes in a specific variable over the VPL and/or TIR, whereas different scenarios, considers changes in more than one variable.

Other risk analyses may also be performed, depending on the risks associated, for example, the Monte Carlo simulation (construction of probability functions associated to different values for the main variables of the investment), decisions trees, probabilities/risks associated to processes and to engineering reliability.

Finally, the business analysis should consider the impact of the investment on the overall investment portfolio of the company, as a Braskem integrated perspective.

### 2.1.2 QUALITATIVE EVALUATION

In addition to the business analysis, **strategic investments** should consider qualitative evaluations that contemplates:

- strategic aspects,
- technological aspects,
- financial aspects,
- tax aspects,
- legal aspects,
- organizational aspects and human resources aspects,
- environmental and sustentability aspects, and
- social-economic aspects.

The qualitative evaluation should also include an analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT).

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### 3 SELECTION OF INVESTMENTS

The selection process for new investments should be carried out on an annual basis.

The total capital to be allocated for new investments will be defined during the planning cycle, based on the forecast economic and financial indicators for the company.

The resource allocation among the different classes of investment (**operational, technology & innovation and strategic**) – respecting maintenance requirements of the productive assets and HES policies – will intend to maximize the value creation.

The capital allocated to **operational investments** should suffice to maintain the company's productive capacity, minimize risks, comply with legal requirements and with HES policies. For this investment class, the selection will follow the steps:

- Projects will be registered into the management system within the appropriate category and evaluated as per the standard criteria,
- Capital will be allocated among the different categories using benchmarks, whenever possible,
- In face of the defined capital budget for each category, the prioritization will be based on technical and economic criteria. For the value creation investments, the set for comparison will be the entire universe of Braskem's projects.

**Technology & innovation investments** should be prioritized, within the defined capital budget, according to the specific methodology defined in other procedure.

**Strategic investments** and projects that require approval from the LE or from the BD based on the DOA map, will be selected based on their technical, economic and financial performance, within the defined capital budget for this class of investment.

### 4 INVESTMENT APPROVAL

After the Investments have undergone the evaluation and selection processes, they should be submitted for approval, respecting the delegation of authority (DOA) defined in a specific procedure, according to the figure below.

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Aprovação de Investimento: Investment Approval

Projecto Básico Concluído: Basic Project Completed

Alçada gerente: Manager DOA

Alçada VPE/RAE: VPE/RAE DOA

Alçada LE: LE DOA

Alçada CA: BD DOA

Procedimento de Aprovação para Unidades de Negócio/Apoio: Approval Procedures for Support/Business Unit

Relatório de Avaliação do Investimento: Investment Evaluation Report

Aprovação pelo LE: Approval by the BL.

Aprovação pelo VP/RAE da Unidade de Negócio/Apoio: Approval by the VP/ERA from the Business Unit/Support.

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Informação ao Comitê de Finanças e Investimentos: Information to the Finance and Investment Committee.

Aprovação pelo CA: Approval by the BD.

New **operational investments** may only be approved by the EVPs and RAEs, within their DOA, if:

- there is no change to the total value of the investments approved for the Business Unit for the particular year and the set of changes does not exceed ten percent (10%) to this total value.

New **strategic investments** must be evaluated as defined on item 2 and submitted for approval of the appropriate administration body.

When evaluating an investment, the recommendations below shall be followed:

- VPL must be positive, i.e., TIR must be higher than WACC (Weighed Average Cost of Capital), in the company's base scenario,
- In case of investment encompassing special technology, the full knowledge of such technology must be assured by Braskem's own technology or through association with partners that have it,
- without prejudice to the financial ratios, all investment should pursue a capital structure that maximizes the shareholder return and increases the value creation potential.

#### 4.1 ASSIGNMENTS

The approval process is aligned to the governance process at Braskem, that sets the authorities of different administrative bodies of the company, namely:

The Board of Directors (BD) approves:

- Action Plan (PA)
- Investment projects, as defined in the Shareholders' Agreement and Articles of Association.

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Finance and Investment Committee is aware of:

- Procedures resulting from this Policy,
- Investment Evaluation Reports submitted to the BD
- Investment Follow-up Reports described on item 6.

LE – CEO approves:

- Selection and prioritization criteria for the investments, management targets and indicators,
- Capital and investment allocation within its scope of competence
- Actions to optimize the investments in assets and projects.

RAE Investments:

- Analyzes, prioritizes and follows up all the investment and disinvestments, ensuring adoption of best practices, financial health and optimum implementation,
- Prepares economic studies and competitive environment analysis,
- Participates in the development of the Action Plan,
- Analyzes the capital budget performance and execution,
- Conducts the investment process to be proposed to the LE and supports the interface with the BD, representing, when feasible in the external governance;
- Seeks and conducts new businesses opportunities, aligned to the LE or to the empowered leader;
- Proposes and manages, aligned to the LE, the investment policy and the procedures of analysis and approval of projects;
- Manages engineering, physical and financial follow up of major projects, and contracts equipment and services, engaging directly in the project implementation (except when the Business Unit Leader is responsible for the investment – in such case, the implementation shall be responsibility of the Business Unit Leader, aligned to RAE Investments);
- Interacts, aligned to RAE Finance, with state and federal authorities to negotiate, maintain and optimize tax incentives for investment to be made and those already implemented;
- Interacts, aligned to RAE Finance, with financial market in Brazil and abroad, to support to the financial structuring of large projects;

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- Interacts, aligned to RAE Finance, with BNDES to approve financing lines for investment in Brazil and abroad;
- Interacts, aligned to RAE Finance, with international development agencies to approve financing lines for investment.

RAE Finance is responsible for proposing the financial indicators and ratios.

EVPs and RAEs are responsible for proposing the investment portfolio in their areas and approving the investment consistent to the Action Plan, within the respective DOA.

## 5 INVESTMENT MANAGEMENT

In addition to the project selection process, a full evaluation of Braskem's assets and strategic investment is to be carried out annually, with the support of RAEs and EVPs.

The objective of the full evaluation, including business analysis and quantitative evaluation, is to test the impact of alternative scenarios (besides the base) over existing assets and the approved investment portfolio by the LE or BD.

The business analysis will be conducted based on a probabilistic approach. The performance of the existing assets and investment portfolio will be studied in different scenarios thus allowing calculation of its Expected Value, its Value at Risk and its potential upside.

The qualitative evaluation will attempt to identify characteristics, whether strategic advantages or risks, hardly quantifiable in economic evaluations. It will also include evaluation of potential of growth, impact on other assets and SWOT of the investments.

Based on such analysis, the investment or asset more susceptible to scenario changes are identified. Assets that fail to reach the minimum threshold performance or reveal higher upside potential, should be subject to more detailed evaluation.

Probabilistic analysis enables the optimization of the investment selection process, supports strategic planning and improves the selection of target investment portfolio and company assets for the long-term.

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## 6 FOLLOW UP OF INVESTMENTS

The implementation and performance of investments should be permanently followed up.

During the implementation phase, investments should be timely followed up to enable that any required correction be taken adequately.

Completed investments should have the actual performance compared to that anticipated at the time of their approval (Post-EVTE), what generates subsidies to improve the methodology of investment approval and implementation at Braskem.

### 6.1 FOLLOW UP INVESTMENTS IMPLEMENTATION

EVPs, supported by RAE Investments, should follow up the investment implementation, ensuring that it:

- is continuous, during the implementation phase of the investment,
- identifies any deviation and causes, impacts and tendencies,
- proposes preventive and/or corrective measures to be adopted.

In case of investments that continue to receive resources after their start-up, the monitoring process must be kept until the final disbursement; only then they will terminate.

Those responsible for investments must send on a quarterly basis a report to the RAE Investments that will prepare a Report on Investments Implementation, thus consolidating all the company's investments under implementation. The objective of this report is to monitor the efficacy of investments under implementation, providing subsidies for decision making to the LE and other administrative bodies.

### 6.2 FOLLOW UP INVESTMENTS PERFORMANCE

Follow up performance evaluation of completed investments, that compares their actual performance with that anticipated at the time of their approval (Post-EVTE) are to be carried out according to a specific procedure.

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Such follow up enable organizational learning, insofar deviations, preventive and corrective actions are identified.

A Report of Investments Performance, containing Post-EVTE analysis conducted in the period, must be prepared, twice a year, under the responsibility of RAE Investments, to be submitted to the LE and other relevant bodies of governance.

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