

BNDES Intangible Capital - Agenda May, 2008 IC4 – The New Club of Paris

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**CONFERENCIA DE OMPI - ARGENTINA
DISPONIBILIDAD DEL CAPITAL INTELECTUAL**

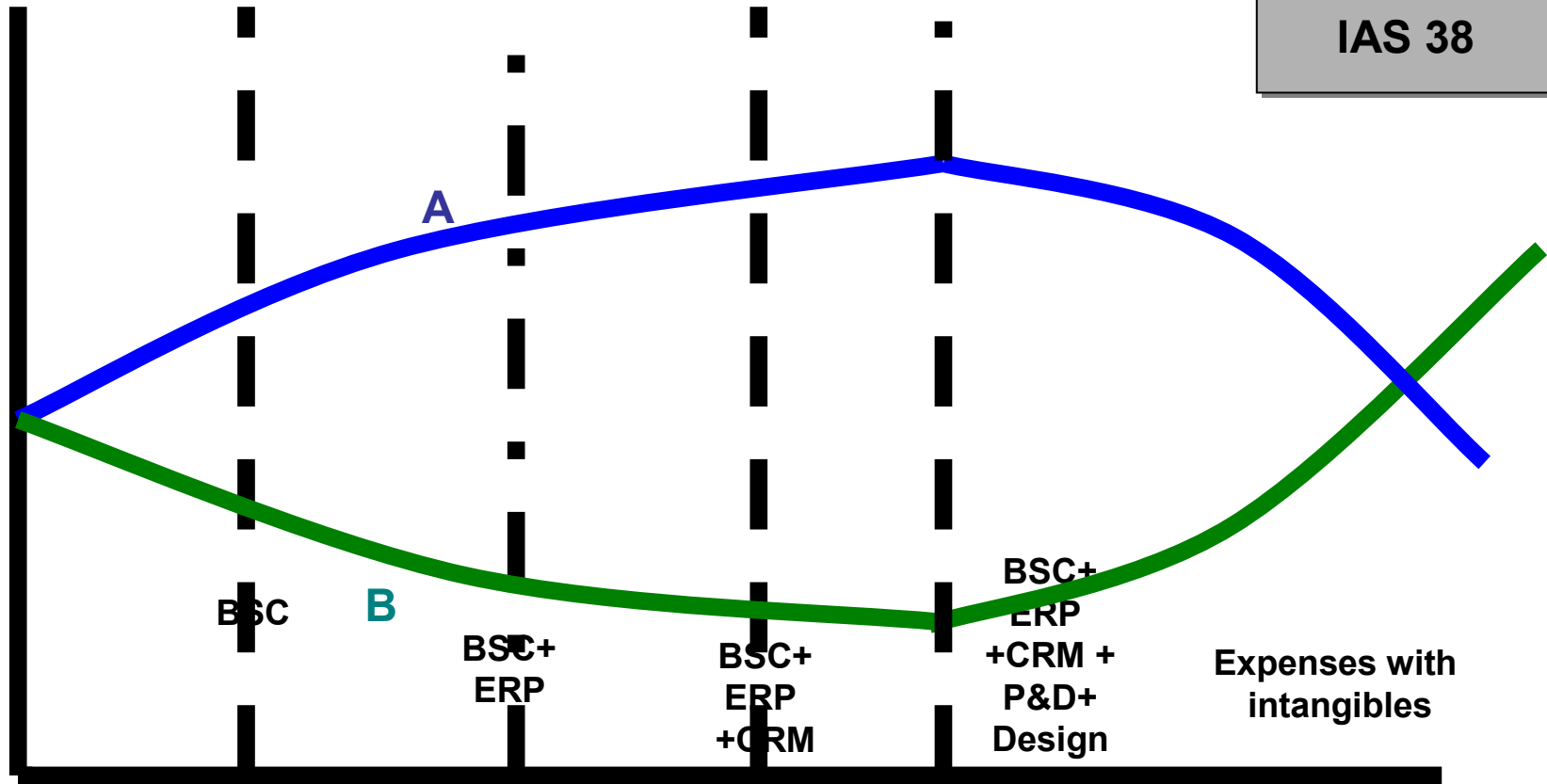
**EL ROL DE LOS INTANGIBLES COMO HERRAMIENTA PARA
OBTENER FINANCIAMIENTO**

Adquiriendo su Capital Intelectual: la relevancia de una auditoría en Propiedad Intelectual en su estrategia de negocios y de la valoración de sus activos intangibles

BNDES' Motivation

Book Profits

IAS 38



BSC

B

A

1

2

3

4

BSC+
ERP

BSC+
ERP
+CRM

BSC+
ERP
+CRM +
P&D+
Design

Expenses with
intangibles

Eduardo Rath Fingerl

Request for
support

BNDES in the Knowledge Era

Challenges for BNDES's operations:

Knowledge Economy vs Industrial Society



Credit Risk: higher emphasis on the future

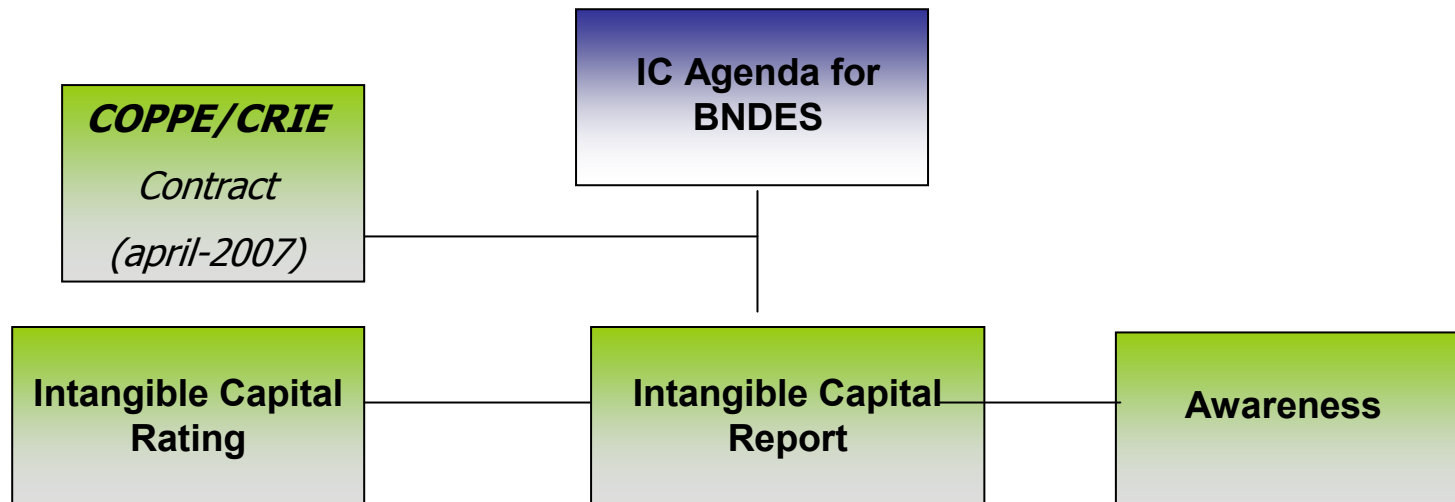


New Approach for Evaluating and Monitoring of Projects /
Enterprises / Economic Groups



New factors to be observed: intangible assets

BNDES' Intangible Capital Agenda



- Develop metrics and scorecards for quick IC assessment by BNDES
- Improve valuation, avoiding inefficient allocation of resources by the capital markets and/or BNDES

- Encourage companies to build Intangible Capital
- Encourage companies to show Intangible Capital

- Introduce the topic into the business and policy agendas

The Intangible Capital Agenda

- April 2007 – BNDES hired / CRIE / COPPE / UFRJ
- April – September – Methodology development and validation
 - pilot project with 3 listed companies and 1 small company to build an Intangible Capital Rating and an Intangible Capital Report
- October – Intangible Capital Workshop
- March 2008 - Validation II – 37 companies were interviewed
- March - April 2008 – Methodology revision and customization
- July 2008 – Implementation start up

SEMINÁRIO

Avaliando os Capitais no Brasil



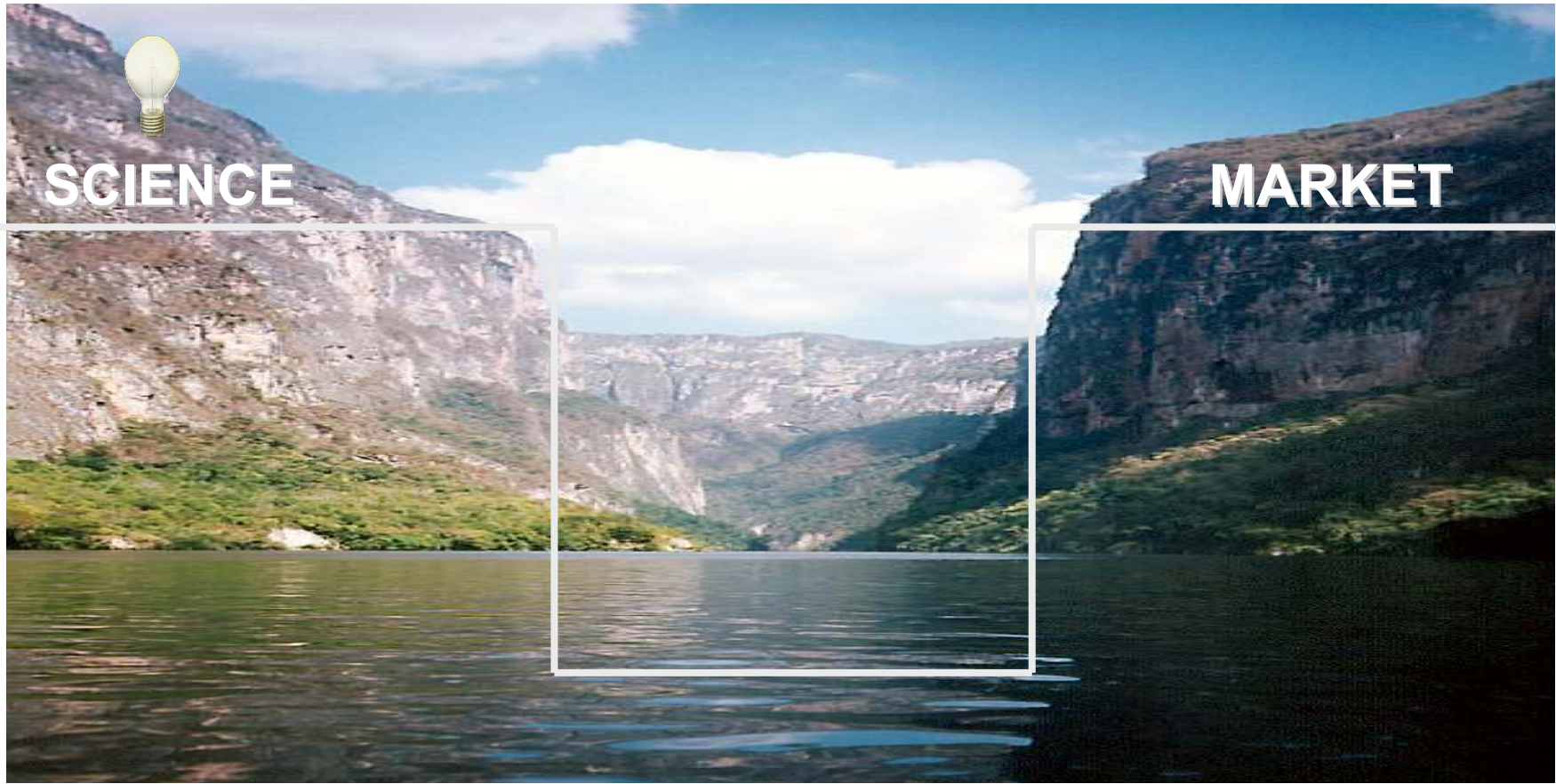
O Banco Nacional de Desenvolvimento Econômico e Social – BNDES convida para o seminário **Avaliando os Capitais Intangíveis no Brasil**, a ser realizado nos dias 29 e 30 de outubro de 2007, no BNDES – Auditório Reginaldo Treiger – Av. Chile, 100 – 1º subsolo – Centro – Rio de Janeiro.



Seed Money Fund
R\$ 100 M
50 new ventures (science based start ups)

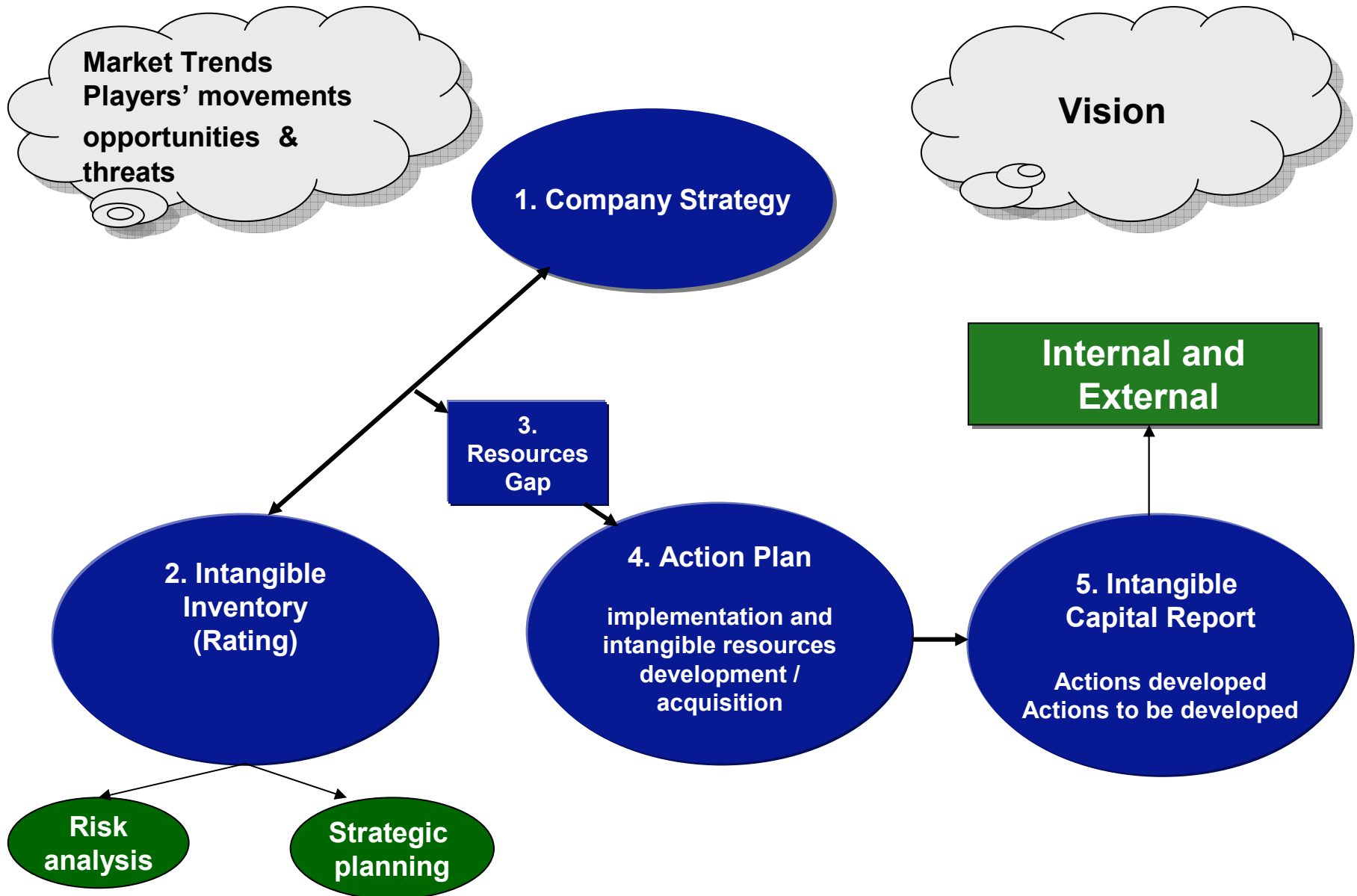


CRIATEC`S SHARED VISION



There is a “valley of death” in between science and the market

Intangibles Mindset



Intangible Capital Rating

Capitals	Assets / Competencies	Indicators	Questions
6	19	53	53

Capitals (6)	Assets / Competencies (19)
1. Strategic	1.1 Apparatus / Competence in monitoring the market
	1.2 Apparatus / Competence in Formulating, Implementing and Following-up the strategy.
2. Environmental	2.1 Financing System
	2.2 Regulatory Environment (Institutional Aspects)
	2.3 Innovation Environment
	2.4 Infra-structure and logistics
3. Relationship	3.1 Clients / Contract Portfolio
	3.2 Suppliers
	3.3 Trademarks - Reputation
	3.4 Network – Interaction with the stakeholders
	3.5 Insertion in the Market
4. Structural	4.1 Corporate Governance
	4.2 Processes
	4.3 Innovation Capacity
5. Human	5.1 Administrators
	5.2 Operators
6. Financial	6.1 Trustworthiness of the Administrator
	6.2 Strategic Risk Administration
	6.3 Financial Intelligence

<p>Capitals (6)</p>	<p>Assets (19)</p>	<p>Indicators (53)</p>
<p>2. Environmental</p>	<p>2.3 Innovation Environment</p>	<p>2.3.1 Local Innovation System (Universities, Research Centers, Clients, Suppliers, VCs, Incubators, Entrepreneurs Mindset,...)</p>
		<p>2.3.2 Intellectual Property System</p>

<p>Capitals (6)</p>	<p>Assets / Competencies (19)</p>	<p>Indicators (53)</p>	<p>Questions / Auditing (53)</p>
<p>2. Environmental</p>	<p>2.3 Innovation Environment</p>	<p>2.3.2 Intellectual Property System</p>	<p>How efficient is the innovation protection system - Patents?</p> <p>Do the research centers have clear rules for technology transfer?</p> <p>Is there investor protection to invest in a Research Center / University spin offs?</p>

Intangibles Rating Methodology

Capitals	Weights	
	Large Corporations	SME
1. Strategic	20%	25%
2. Environmental	10%	15%
3. Relationship	15%	15%
4. Structural	25%	15%
5. Human	20%	25%
6. Financial	10%	5%
	100%	100%

Intangibles Rating Methodology
Rating of Company X - questions

Capitals	MARK	MARK (maximum)	Rating
Strategic	1.12	1.40	80%
Environmental	0.50	0.70	71%
Relationship	0.76	1.05	73%
Structural	1.33	1.75	76%
Human	1.04	1.40	74%
Financial	0.56	0.70	80%
RATING	5.31	7.00	76%

**Intangibles Rating Methodology
Environmental Capital**

Assets	Indicators	Mark	MARK (maximum)	Rating
2.1 Financing System	2.1.1 System's Completeness Degree	0.12	0.14	82%
2.2 Regulatory Environment (Institutional Aspects)	2.2.1 Regulatory Level of the Sector	0.13	0.19	68%
2.3 Innovation Environment (P&D) and Entrepreneurial Spirit	2.3.1 Innovation system	0.05	0.08	68%
	2.3.2 Intellectual property	0.06	0.10	61%
2.4 Infra-structure and logistics	2.4.1 Physical	0.09	0.13	71%
	2.4.2 TICs (IT + Communication)	0.05	0.07	79%
RATING		0.50	0.70	71%

Intangibles Report Methodology
Internal Report

Chapters	Description
1. Market	<ul style="list-style-type: none">▪ New market trends▪ Players` movements▪ Opportunities and Threats
2. Strategic positioning	<ul style="list-style-type: none">▪ Strategy to deal with:<ul style="list-style-type: none">▪ opportunity(ies) or threat(s)▪ Resources Inventory (do we have?)▪ Gap▪ Action Plan
3. Intangible Capitals Report	<ul style="list-style-type: none">▪ Actions developed in the period and disbursements,▪ Actions to be developed in the next period and disbursements.

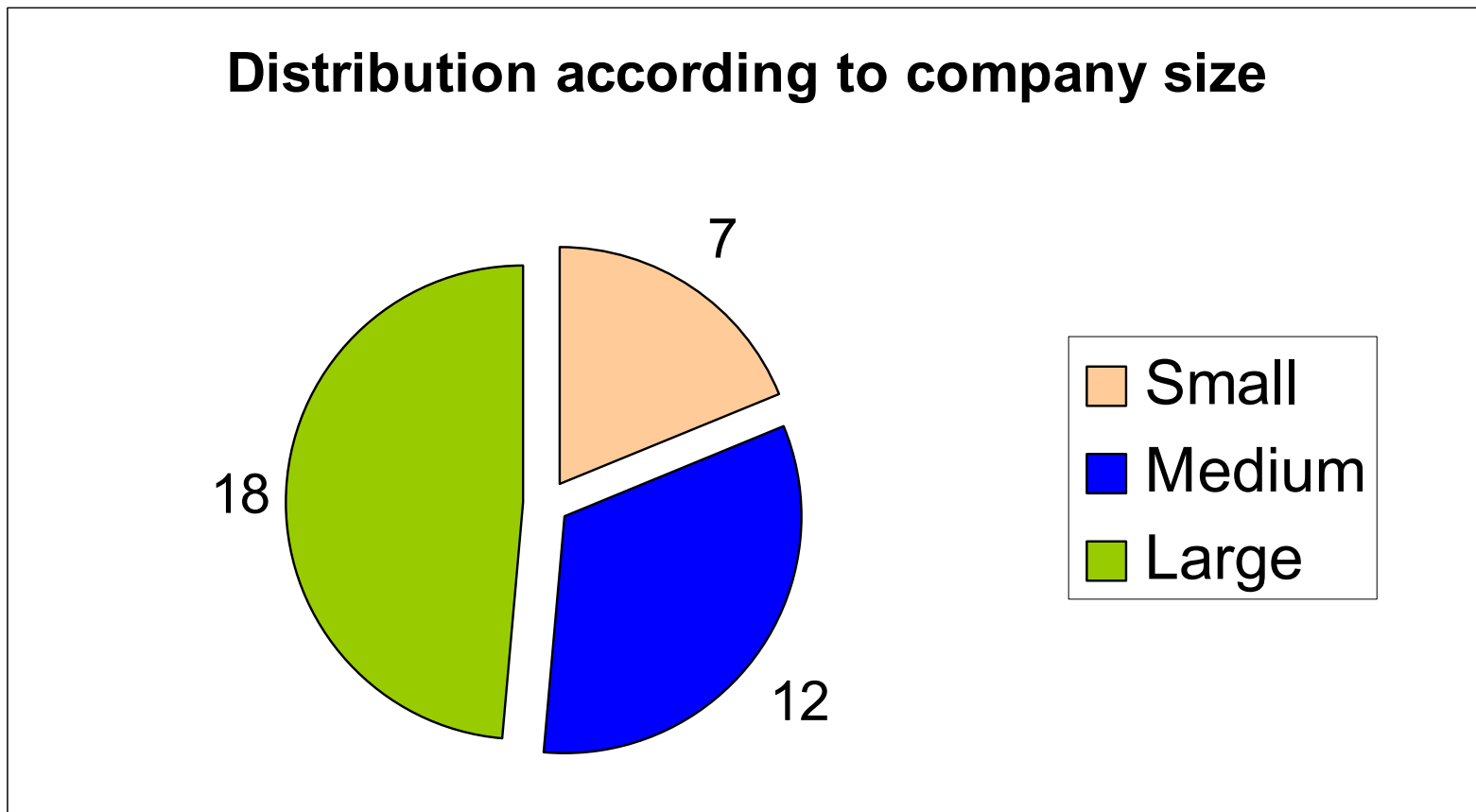
Validation 1

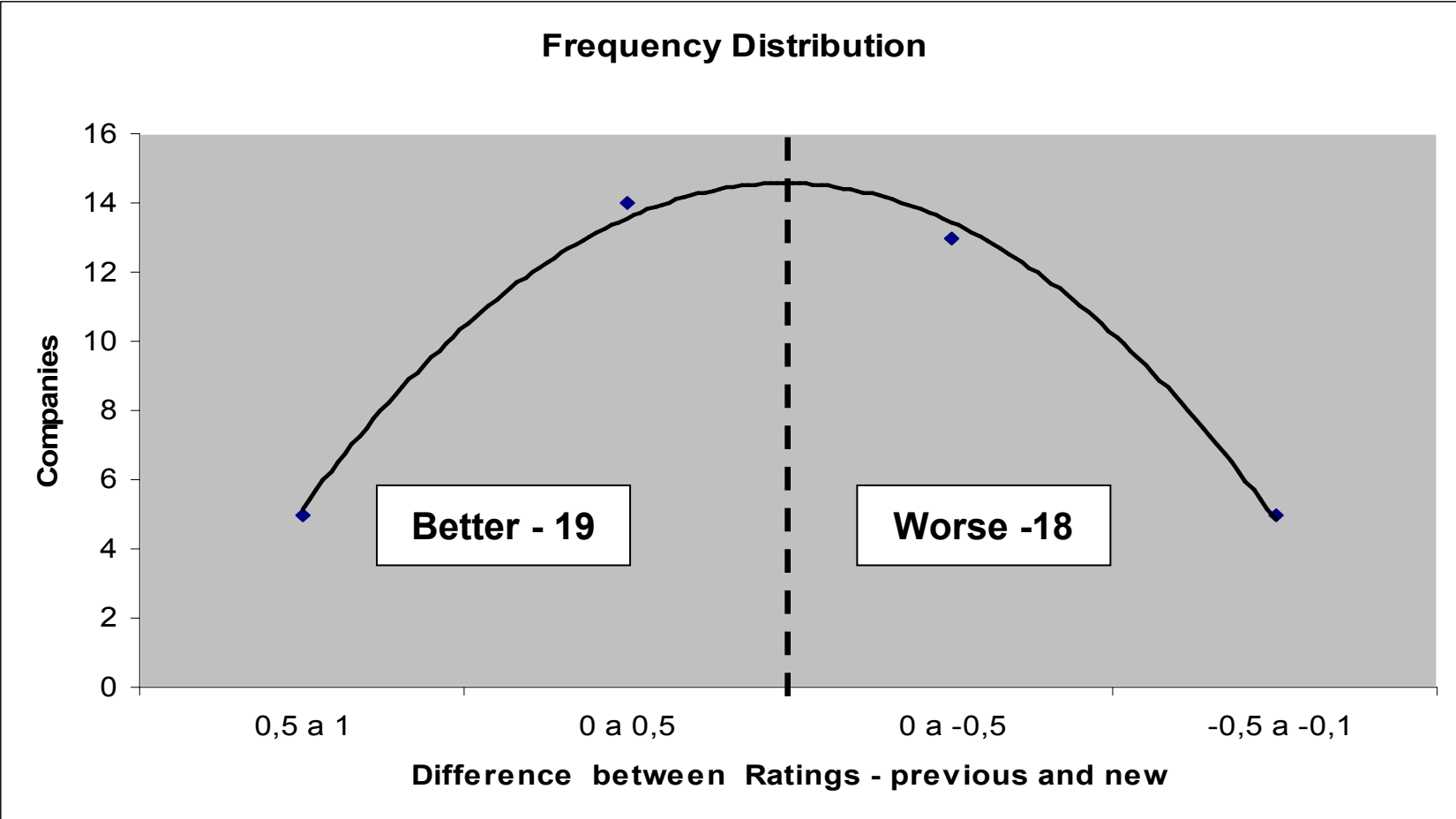
- Four companies of the BNDES' portfolio interviewed by CRIE's and BNDES' teams
- Paper and Cellulose - Suzano
- IT service – ERP - TOTVS
- Biotech start up - Genoa
- Aerospace - EMBRAER



Validation 2

- Interviews with 37 companies from the BNDES' portfolio





The Intangible Capital Agenda

Next Steps

- July 2008 – Implementation
 - BNDES Rating intertwines intangible and classic financial indicators