



RAS2012

ANNUAL SUSTAINABILITY REPORT 2012

The project of the Samarco 2012 Annual Sustainability Report is totally carbon-neutral. This means that the balance of the greenhouse gas emissions of the production process is zero. To achieve this result, the total carbon emissions resulting from the development of the project, which reached 13 tons of CO₂, offset by the planting of native trees in partnership with Instituto Terra. Samarco believes that this is yet another way of contributing to the future of new generations and reinforcing its commitment to sustainability. After all, we are made of what we preserve.



Carbon offset

Assessment: WayCarbon	Planting:
Assurance: KPMG Brazil	
Stock: 96,175 tCO ₂ e	
Transferred to: Samarco Mineração S.A.	
Total: 13 tCO ₂	

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ANNUAL SUSTAINABILITY REPORT 2012

WE ARE WHAT WE BELIEVE.

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A close-up photograph of a hand holding a large quantity of fresh blueberries. The background is a dense field of more blueberries, creating a textured, repetitive pattern. A semi-transparent blue horizontal band is overlaid across the middle of the image. The word "ATTITUDE" is written in a white, hand-drawn brush script font across this band.

ATTITUDE

A close-up photograph of a hand holding a small amount of dark soil. The background is a blurred field of similar soil, creating a sense of depth. A semi-transparent blue rectangular box is overlaid on the lower right portion of the image, containing the text. The overall mood is contemplative and grounded.

***WE ARE WHAT WE
BELIEVE.***

MESSAGE FROM THE CEO

Upon taking over as CEO of Samarco in January 2012, I shared with our teams the challenge of implementing the organizational strategies based on three basic management pillars: excellence, compliance and growth. We were facing a specific scenario, marked by the volatility of the mining industry, impacted by the instability of the steel market. Thus, more than mere guidelines, these pillars became part of the Company's culture and behavior, influencing the management model and the initiatives which comprised our strategy for assuring business sustainability.

In 2012, there was a drop in the demand for iron ore, resulting in a reduction of 19.4% in the average sales price of our pellets. In this context, we had to find a way to adjust in order to assure that we could supply the market needs with speed and quality. With the actions taken, we were able to maintain our gross profit margin in 2012 above 60%, even though the gross sales revenue fell 7.1% - from BRL 7,117.3 million in 2011 to BRL 6,610.7 million.

We were able to cope with these challenges by relying on our highly qualified employees, on the experience acquired over the Company's 35 years of operation, and on the drive to maintain the trust established with our stakeholders. It is this trust that leads us to always learn more and reflect on the true evolution to be sought, an evolution where justice and the generation of value in the present and in the sustainable future prevail.

The learning acquired through growth allowed us to get through 2012 in spite of the market setbacks, with some 12 thousand new people contributing with their work to make the Fourth Pellet Plant Project (P4P) happen. This was an activity that demanded special attention on our part to a non-negotiable priority: the safety of the people working for Samarco and its contractors, whether

engaged in routine operations or new projects, and to the maintenance of the monitoring initiatives which contribute to the dissemination of the integrity culture within the Company.

The P4P, one of the largest expansion projects in progress in the mineral industry in the country, has received investments of the order of BRL 5.4 billion, and will raise our annual nominal capacity for producing iron ore pellets by 37%, starting 2014. During the execution of this project, in addition to our operations in the states of Minas Gerais and Espírito Santo, we have shared gains with 29 cities in these two states, generating skills development courses, employment, income, tax revenue and investments. There is no doubt that a project of this size poses significant environmental and social challenges. To adequately meet these challenges, we have been employing a management approach which integrates socioeconomic and environmental indicators to guide our actions, focused on careful and compliant processes.

The take-aways from innovation helped us in the ongoing quest for ecoefficiency, bringing improvements to all operations. At the end of 2012, we delivered new electrostatic precipitators, an investment of BRL 144 million which significantly reduced the emissions of particulate matter at our industrial unit in Ubu, Espírito Santo. We also increased the capacity and yield of the Second Concentrator in Germano, up to one million tons. Furthermore, among other efficiency and productivity gains, we expanded our certified iron ore reserves in the existing mines by 46.9%, compared to 2011, thus reaching 3.009 billion tons.

And our compliance actions have brought the understanding that it is necessary to strive above and beyond the laws which regulate the standards for our country – they created input allowing us to reach an organization level within the Company which contributes to the consolidation of a favorable reputation among our stakeholders. In this regard, we updated our Code of Conduct and achieved a better comprehension of optimal corporate conduct as outlined in the Policies for Prevention of Corruption and Frauds, and Antitrust



Compliance. This has given us a solid basis to assure that our commitments and initiatives are aligned with the ten principles of the UN Global Compact, to which we have been a signatory since 2002, and which are a permanent inspiration for our actions and for the achievements that we describe in this Annual Sustainability Report.

Additionally, learning through coparticipation has brought the challenge of including in our management model the breakdown by area of the objectives of the Strategy Map, which in turn generated the plans for goals to be fulfilled by each one of the General Management teams over the next five years. We have revised our Vision, Mission and Values, which were shared by the leaders with their teams, helping each collaborator to assimilate the message and understand his/her role in assuring the success of the Company's Vision.

Learning to learn has offered us guidelines which form a unique model of sustainability. In it, we adopt precepts such as: life is non-negotiable; leaders should always provide a good example; being enterprising requires responsibility; creativity in innovation is more than just technology, although technology is a must; and that working as a network is much better than working alone.

In 2013, we are going to work towards consolidating this model, establishing goals and commitments to reduce socioenvironmental impacts, cut costs, and increase productivity, so that we can achieve our 2022 Vision of doubling the Company's worth.

The market will still present challenges in 2013, requiring measures of austerity and efficiency to be able to continue growing. But this is a feasible goal, if we apply the responsibility and transparency we have always been committed to upon managing the assets granted by society – namely, mineral resources transformed into value and development for all. In this regard, we cannot forget that ethics and communication competencies are indispensable, and must be applied to relations inside and outside Samarco to establish values, create a culture of belonging, and maintain good relations with society. Our aspiration should be of getting ever closer to the society



Ricardo Vescovi de Aragão, Samarco CEO

that inspires us and assigns to us the role of fomenting development. With society we learn more each day, and with society the year of 2013 will certainly be worth the effort.

Ricardo Vescovi de Aragão
Samarco CEO

INTRODUCTION

NEW GOVERNANCE CYCLE

This is our 11th Annual Sustainability Report, which reflects our experiences and lessons learned in communicating Samarco's socioenvironmental performance last year. Based on the methodology recommended by the Global Reporting Initiative (GRI), which we have been applying since 2003, we once more offer our employees, customers, shareholders, communities and society in general a description of the highlights of Samarco's activities from 01 January to 31 December 2012.

We believe that this document represents an important opportunity to sum up the challenges and priorities related to our business, which we have been operating for 35 years. To this end, we have sought to present a more objective content focused on relevant themes as defined by the perceptions of our stakeholders and the main challenges faced by the Company.

As in the 2011 Report, we achieved GRI application level A+, which means that we responded to the full base of socioenvironmental performance and profile indicators, in addition to 11 specific indicators of the Mining and Metals Sector Supplement, which addresses industry-specific issues. The report was submitted to GRI for review and also underwent independent external analysis.

This report includes information from our industrial units as well as our Brazilian and international offices, in addition to data related to the Fourth Pellet Plant Project (P4P) which will support our expansion, with start-up scheduled for January 2014. To collect, analyze and measure the data reported, we used the G3 Version GRI guidelines.

The definition and organization of the contents of this report continue to obey the selection of relevant themes obtained from our Materiality Matrix, reviewed every two years. We also took into account the commitments to which Samarco is a signatory, thus addressing issues outlined in the Global Pact and in the Millennium Goals, among others.

In order to make this report as reader friendly as possible, we present the contents divided up into chapters which cover themes such as governance, strategy, management, operation, stakeholder relations, and economic, social and environmental performance. There are no major changes compared to previous issues of this report, in terms of the contents or scope of the data presented.

We believe that one of Samarco's main responsibilities to Brazilian society, as a leading supplier of seaborne iron ore pellets and one of the country's ten largest exporters, is to provide a highly transparent and ethical account of its activities and relations. In addition to the print version, we have also developed a summary report in newsletter format and an online version, available at www.samarco.com.

We continually strive to build solid trust relationships with all our stakeholders. Therefore, we invite our readers to ask us any questions they may have about the contents of this report, either via e-mail relacionamento@samarco.com or calling 0800 031 2303.



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Annual
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2012

		C	C+	B	B+	A	A+
Contents of Report	G3 Profile	Respond to items: 1.1; 2.1 to 2.10; 3.1 to 3.8, 3.10 to 3.12; 4.1 to 4.4, 4.14 to 4.15	With external assurance	Respond to all criteria specified for level C plus 1.2; 3.9, 3.13; 4.5 to 4.13, 4.16 to 4.17	With external assurance	The same required for level B	With external assurance
	G3 Management Form	Not required		Information about the management form for indicator category		Management form informed for each performance indicator	
	GR Performance Indicators and Sector Supplement Performance Indicators	Respond to at least 10 Performance Indicators, including at least one from each of the following performance areas: social, economic, environmental.		Respond to at least 20 performance indicators, including at least one from each of the following performance areas: economic, environmental, human rights, labor practices, society, product liability.		Respond to each essential indicator of G3 and the Sector Supplement with due consideration for the materiality principle in one of the following ways: (a) responding to the indicator, or (b) explaining reason for omission.	

The table above presents the requirements for compliance with the different levels of application of the GRI Guidelines.

PROFILE

WORKING TOWARD DEVELOPMENT

With operations in two Brazilian states and customers in 25 countries, Samarco is an industry leader focused on providing an increasing contribution to the country's growth

Samarco Mineração S.A. has been producing iron ore pellets for 35 years, having become one of the largest companies in Brazil. It is the eighth largest exporter of the country, according to data supplied by the Ministry of Development, Industry and Foreign Trade, and the second largest supplier of seaborne iron ore pellets worldwide. The company owns the technology and the facilities necessary for the end-to-end process of extraction, beneficiation, pelletizing and shipment overseas, with industrial units in two States and sales offices in Brazil and abroad. Currently it has a workforce of over 2.5 thousand direct hires and 3 thousand outsourced personnel.

Our business involves the extraction of low grade iron ore, its beneficiation and pelletizing, resulting in the generation of top quality products which are purchased by steel plants worldwide. We produce two types of iron ore pellets – for direct reduction and for blast furnace processes - as well as pellet feed and sinter feed. Currently 97% of our annual pellet production is exported to 25 countries around the globe, in the Americas, Asia, Africa, Europe and Middle East.

The Company headquarters are located in Belo Horizonte, the capital of the State of Minas Gerais, and our operations are concentrated in two industrial units, one in Minas Gerais and the other on the coast, in Espírito Santo, connected by two pipelines of almost 400 km each – using innovative technology that made Samarco a pioneering

enterprise in the country. Assuring support to its commercial relations and safety to its product deliveries, the Company also maintains two offices overseas – one in Amsterdam, and the other in Hong Kong, not to mention its own seaport terminal in Ubu, Espírito Santo.

Samarco is a closely held corporation, with its shareholding equally divided between BHP Billiton Brasil Ltda. and Vale S.A., two leading companies in the mining industry. In 2012, we had a gross sales revenue of BRL 6.6 billion, and distributed over BRL 745 million in dividends to our shareholders.

Both in our operations and in our governance practices and relations with our stakeholders (shareholders, employees, communities, governments, customers and suppliers), we seek to combine transparency with continuous optimization of our processes. This approach has allowed us to enjoy significant progress in incorporating sustainability aspects into Samarco's essence.

We also intend to put in practice our Vision of doubling the Company's value by 2022. To achieve this, we have designed a business strategy focused on the Fourth Pellet Plant Project (P4P), which will increase our current nominal capacity of 22.25 million tons per year by 37% as of January 2014. This will allow the generation of employment and income in the regions neighboring our operations.



Germano Mine, MG

OUR OPERATIONS

Germano and Alegria Mines

Location: Mariana and Ouro Preto (MG)
Activity: extraction of iron ore

Concentrators

Location: Germano, in the municipalities of Mariana and Ouro Preto (MG)
Activity: the two concentrators are responsible for the beneficiation of the mined ore

Pipelines

Location: Crossing 25 municipalities of the states of Minas Gerais and Espírito Santo, linking the Germano and Ubu units
Activity: the two existing pipelines of some 400 km each transport iron ore slurry to the pellet plants on the coast

Pellet plants

Location: Ubu, municipality of Anchieta (ES)
Activity: the three current plants transform the iron ore slurry into pellets

Seaport terminal

Location: Ubu, municipality of Anchieta (ES)
Activity: shipment of pellet feed and iron ore pellets overseas. The pier has two docking berths with depths of up to 18.7 meters

Sales offices

Location: Belo Horizonte (MG), Amsterdam (Holland) and Hong Kong (China)
Activity: commercial and administrative operations

Hydropower plants

Location: Muniz Freire (ES) and Antônio Dias / Nova Era (MG)
Activity: these two power plants (Samarco owns the first and is a consortium partner in the second one, named Guilman-Amorim) supply 20.3% of the energy consumed by the Company



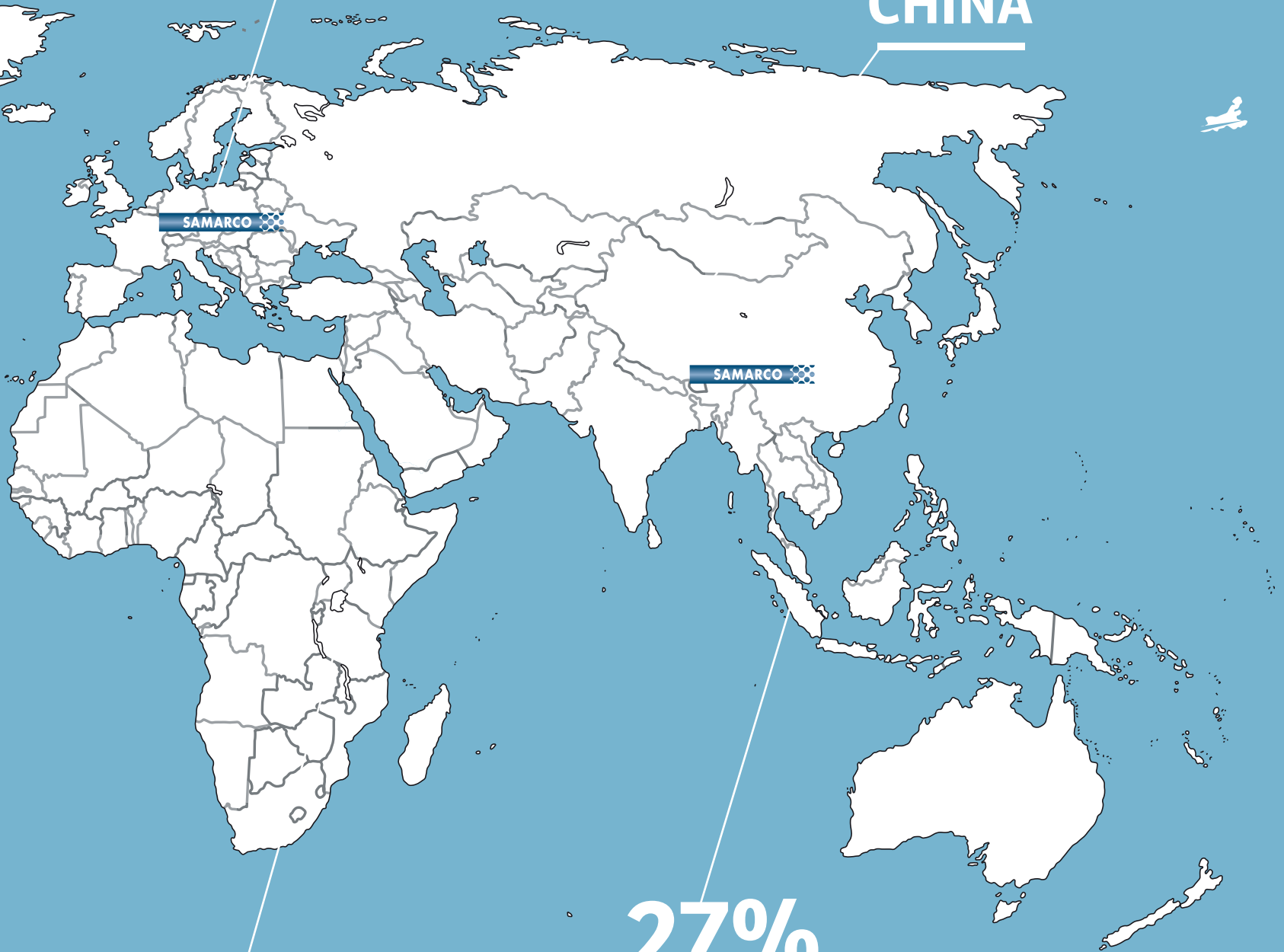
15%
AMERICAS



CUSTOMERS MAP

17%
EUROPE

17%
CHINA



24%
**AFRICA AND
MIDDLE EAST**

27%
ASIA
(EXCEPT CHINA)

*Sale of pellets per region, not including pellet feed nor sinter feed

OUR CHALLENGES AND RESPONSIBILITIES

The capability to integrate sustainability issues with strategic and business decisions is a challenge to all base industries. As mining exerts a series of effects inherent to its nature, this sector must devote attention to the relations it builds with its stakeholders, and seek to effectively reduce the impacts it has on its stakeholders and the environment.

Samarco wants to be recognized as the best in the industry by Brazilian society – a commitment outlined in its 2022 Vision. To this end, one of its priorities is to contribute to the socioenvironmental development of the regions where it operates, not only generating jobs, but also participating in the professional evolution of the community members. Measures such as hiring local labor – which accounted for 63% of the new direct hires in 2012, and the development of programs focused on building vocational skills in the regions neighboring its units, allow the Company to transform this commitment into a reality.

We seek to ally increased production with the reduction of socioenvironmental impacts, using technology as a driver of sustainability. To achieve this goal, we analyze risks and opportunities and develop internal studies to enhance operational efficiency. In 2012, one of the main

highlights in this regard was the creation of the General Management of Technology and Ecoefficiency, focused on the pursuit of long term solutions to reduce the impacts of the Company's operations.

Samarco's main expansion front, the Fourth Pellet Plant Project (P4P) puts these concepts in practice: in addition to the increase in the Company's installed capacity, we intend to generate some 1.1 thousand jobs, among direct and indirect hires, and develop concrete actions to mitigate environmental externalities, such as greenhouse gas emissions – which are being neutralized in the implementation phase of the Project. This initiative is the first among large expansion projects in Brazil.

In the social area, we have voluntarily invested in projects which have the participation of local communities from their very inception, in addition to applying resources arising from socioenvironmental requirements.

On the other hand, we recognize the negative impacts which can be created by our activities – especially those related to health and safety, environment and communities, consumption of natural resources, and generation of waste and its disposal in dams, for example. It is part of our management approach to analyze and mitigate all possible risks, inspired by the best socioenvironmental management practices on the market, through our Sustainability Model and by maintaining a transparent, ongoing dialogue with our stakeholders.



Lian Carlos Oliveira de Alpoim, Maintenance Management, Ubu

OUR ESSENCE

In addition to defining our strategy for the next decade, in 2012 we revisited our Mission, Vision and Values, which sum up Samarco's current commitments to society.

Mission

Produce and supply iron ore pellets, applying technology intensively to optimize the use of natural resources and generating economic and social development, with respect for people and the environment.

2022 Vision

Double the Company's value and be recognized by employees, customers and society as the best in the industry.

Values

Respecting people

We value life above all material results and assets. We respect the right to individuality, without discrimination of any sort, and honor, with our responsibility, the well-being of people and society, as well as a healthy environment, through the proper use of the resources

necessary for our activities. We believe in our role as a player that can influence and contribute to the social and economic development of the country, bearing in mind future generations.

Integrity

We are seriously committed to compliance with law and to respect for moral principles, focusing on dignity and ethics in our relations. We adopt an honest and transparent attitude toward all our stakeholders.

Mobilization for results

We like to exceed our established objectives and goals, and persevere in doing better every day, with creativity, cooperation and simplicity, always seeking knowledge and the generation of innovative ideas, in order to attain differentiated and long-lasting results.

AWARDS AND RECOGNITION 2012

In 2012, Samarco received awards and recognition which show the progress made in its management and development practices. The main themes correspond to fundamental aspects of our strategy, such as transparency, health and safety, and excellence in finance.

Awards and recognition 2012

Award	Category	Institution
Company of the Year	Large mining company	Magazine <i>Brasil Mineral</i>
Biggest and Best	Recognized as one of the largest and best companies in the country	Magazine <i>Exame</i>
Best companies to work for	Recognized as one of Brazil's 150 best companies	Magazines <i>Exame</i> and <i>Você S/A</i>
Tightrope Walker Award – Ricardo Vescovi	Tightrope Walker	Brazilian Institute of Finance Executives (Ibef) – Espírito Santo
Outstanding Executive Award – Ricardo Vescovi	Outstanding Executive	Federation of Industries of Espírito Santo (Findes)
Excellence in Finance Award	Excellence in Finance	Brazilian Institute of Finance Executives (Ibef) – Minas Gerais
Business Leader in Espírito Santo – Ricardo Vescovi	Sustainable Leader	Rede Vitória TV network
Best Practices in Occupational Health and Safety Award (OHS)	OHS Policy for Outsourced personnel	Brazilian Mining Institute (Ibram)
Brazil Benchmarking Seal and Excellence Award – Project Taboa Lagoa	Socioenvironmental project	United Nations Education, Scientific and Cultural Organization (Unesco)
Transparency Trophy	Closely held company	National Association of Finance, Administration and Accounting Executives (Anefac)

OUR RESULTS

67.3% work progress in the implementation of the Fourth Pellet Plant Project (P4P), scheduled for start-up in January 2014. Total investments of approximately BRL 5.4 billion.

Our socio-institutional investment in 2012 amounted to about BRL 10.2 million (not counting the P4P initiatives).

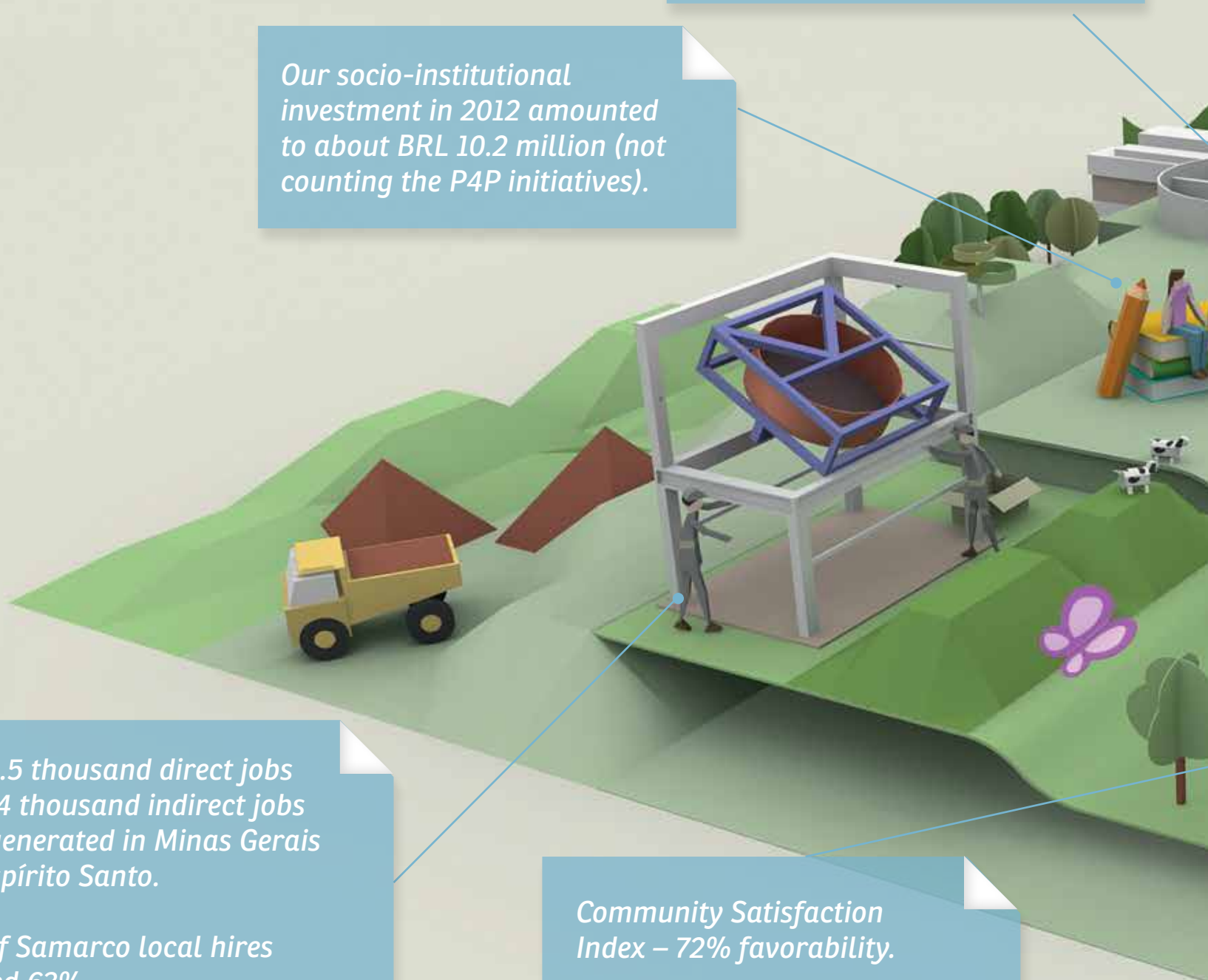
Over 2.5 thousand direct jobs and 3.4 thousand indirect jobs were generated in Minas Gerais and Espírito Santo.

Rate of Samarco local hires reached 63%.

The reported accident rate (with and without lost time) was 0.65, within the stipulated goal (1.00).

Community Satisfaction Index – 72% favorability.

Customer satisfaction index of 89%, four percentage points above 2011.



BRL 6,610.7 million of gross sales revenue in 2012, with a net profit of BRL 2,646.3 million.

Investment of BRL 7.6 million in actions focused on professional development of collaborators. The average number of training hours per person was around 56.

Second largest and best mining company in Brazil, according to ranking of the Biggest and Best by business magazine Exame.

Elected by business magazines Exame and Você S/A as one of the 150 best companies to work for.

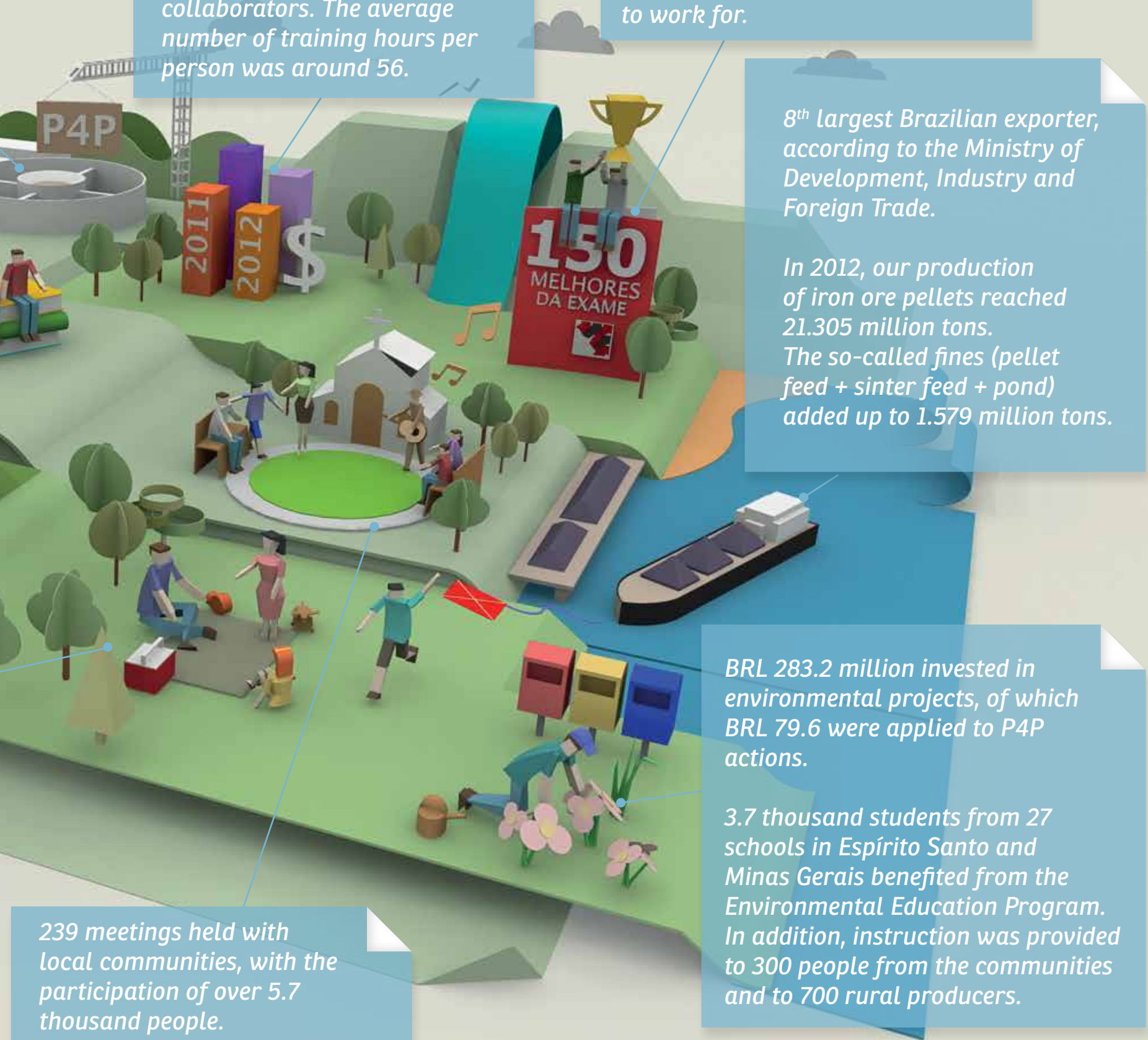
8th largest Brazilian exporter, according to the Ministry of Development, Industry and Foreign Trade.

In 2012, our production of iron ore pellets reached 21.305 million tons. The so-called fines (pellet feed + sinter feed + pond) added up to 1.579 million tons.

BRL 283.2 million invested in environmental projects, of which BRL 79.6 were applied to P4P actions.

3.7 thousand students from 27 schools in Espírito Santo and Minas Gerais benefited from the Environmental Education Program. In addition, instruction was provided to 300 people from the communities and to 700 rural producers.

239 meetings held with local communities, with the participation of over 5.7 thousand people.



GOVERNANCE

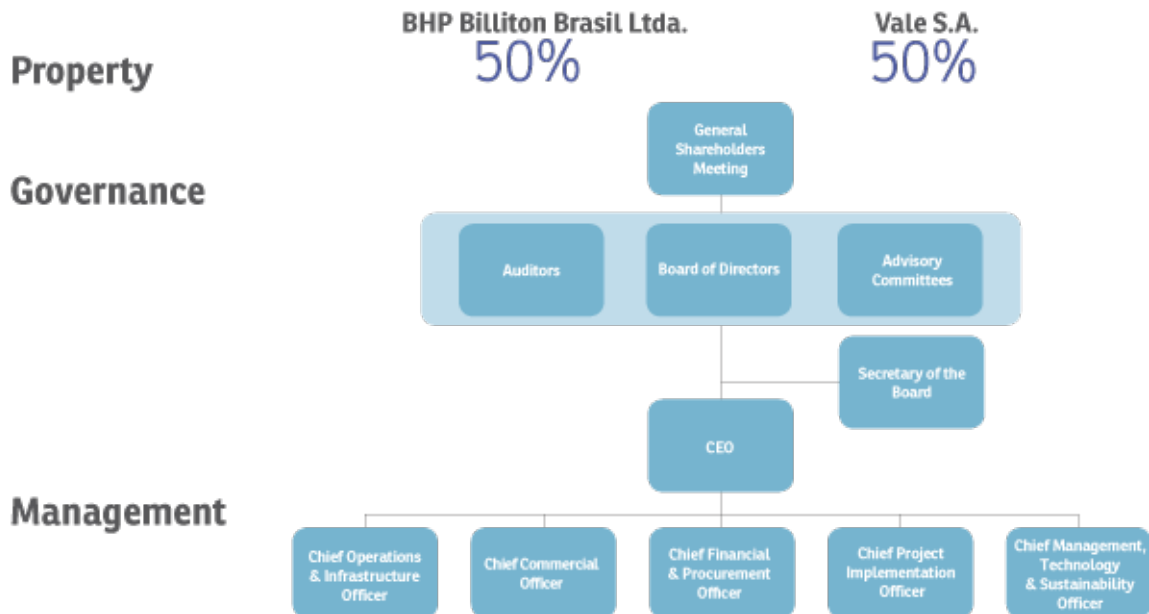
RESPONSIBLE PRACTICES

Structure which allows decision-making based on transparency and corporate responsibility assures a solid and long-lasting business

Samarco has a governance structure in place which values commitment to ethics in the decision-making processes. All of the practices are aligned with our reference documents, such as the Code of Conduct, the Company By-Laws and the Shareholders Agreement, based on four pillars: corporate responsibility, accountability, transparency and fairness.

The corporate governance of a company allows the coordination, execution and monitoring of its activities, involving shareholders, members of the board, directors and other governance bodies. Our main governance body is the Board of Directors, formed by representatives of our shareholders BHP Billiton Brasil Ltda. and Vale S/A, who are responsible for the Company's decision-making in terms of strategic goals.

Samarco Governance



Board of Directors

BHP Billiton Brasil Ltda.	Vale S.A.
Active members	Active members
Marcus Philip Randolph	José Carlos Martins
James John Wilson	Hélio Moreira Cabral
Alternate members	Alternate members
Jeffery Mark Zweig	Stephen Potter
Sérgio Consoli Fernandes	Marcelo Botelho

Executive Board	
Chief Executive Officer - CEO	Ricardo Vescovi de Aragão
Chief Financial & Procurement Officer	Eduardo Bahia Martins Costa
Chief Operations & Infrastructure Officer	Kleber Luiz de Mendonça Terra
Chief Project Implementation Officer	Maury de Souza Júnior
Chief Commercial Officer	Roberto Lúcio Nunes de Carvalho
Chief Management, Technology & Sustainability Officer	Position temporarily vacant



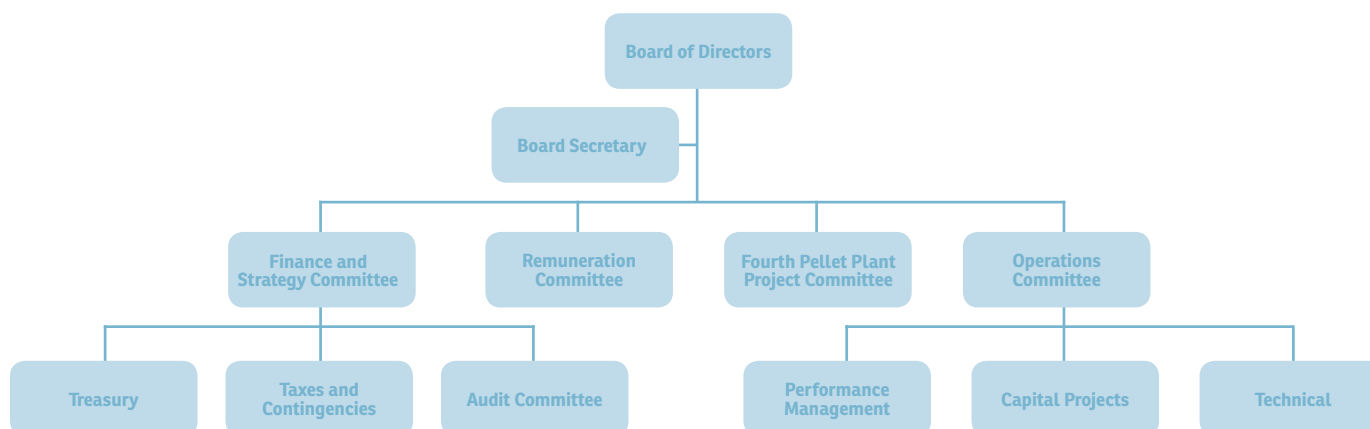
Formed by four permanent representatives and four alternates, appointed by our shareholders (BHP Billiton Brasil Ltda. and Vale S.A.), the Board of Directors has the role of integrating shareholders and management to guide and supervise the latter in its relations with stakeholders.

The Members of the Board, who do not concomitantly hold any executive function in the Company, have a term of three years, subject to reelection, and must have proven expertise in business administration, finance and governance, in addition to matters of Brazilian law. To assure the transparency and lawfulness of the processes, our shareholder representatives refrain from participating in the evaluation of certain issues in the event of a potential conflict of interest.

The Board of Directors also has four committees and six subcommittees which provide advice and assistance in the decision-making process. These committees meet in a structured manner at least three times a year, with a pre-defined agenda. In general, the subjects that are brought before the Board of Directors have already been analyzed by these groups.

The Secretary of the Board of Directors is in charge of guaranteeing the smooth operation of the overall structure, assuring transparency and fairness in the information related to the shareholders, compliance with the By-Laws and Shareholders Agreement, in proper alignment with the best corporate governance practices. To assure governance quality, regular audits are performed by the shareholders as well as by teams of outside independent auditors.

Advisory committees



Attributions of the Board of Directors

- Definition of the Company's general business and strategy guidelines;
- Recommendations/approval of the Company's business plan and budget, including investment plans;
- Approval of the distribution of dividends to shareholders and reinvestments;
- Monitoring of the Company's results;
- Assurance of the integrity of Samarco's governance;
- Selection of CEO and evaluation of the members of the Executive Board;
- Selection of independent audit firm;
- Deliberation on changes in the Company's equity structure.

Advisory committees supporting Board of Directors

- **Finance and Strategy Committee** – Advises on strategic, economic and financial issues. Has three subcommittees: Taxes and Contingencies, Treasury and Audit.
- **Operations Committee** – Advises on technical and operational matters. Also has three subcommittees: Performance Management, Capital Projects and Technical.
- **Fourth Pellet Plant Project Committee** – Constituted for the duration of the development of the P4P, with specific attributions, responsible for reporting on progress and providing recommendations to the Board of Directors.
- **Remuneration Committee** – Advises on remuneration policies for the Company's top executives as well as general human resources policies. Samarco has a process in place to analyze the performance of its executives, carried out by shareholder representatives with the CEO's office. The Members of the Board, however, do not have a formal mechanism for performance evaluation or self-evaluation.

STRATEGY

A NEW LOOK AT OUR BUSINESS

Inspired by our 2022 Vision, with sustainability as a requirement for management, we revised our strategic planning and developed actions based on Samarco's economic and socio-environmental pillars to support the future



Hélter Adélcio da Cruz, Beneficiation Management - Germano



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As the eighth largest exporter in Brazil, and second largest on the seaborne iron ore pellet market, Samarco believes it has the responsibility to develop its business to generate value for customers, shareholders and society, with planning that takes into account risks, opportunities and business impacts, over the short, medium and long terms.

In order to bring about our 2022 Vision goal of doubling the Company's value and making it recognized as the best in the industry to fruition, we conducted an in-depth review of our strategy. We examined the economic and socio-environmental areas, and improved our structure to support this transformation, based on a concrete sustainability model with committees to monitor progress in all operations and areas.

This review work, which was strengthened in 2012, challenged Samarco to grow. At the same time, we are seeking sustainable solutions and objectives to reduce our impacts, without losing sight of the need to contribute towards the development of our neighboring communities, building trust, and carefully analyzing the outlook and challenges inherent to the growth of our production capacity, today supported by the Fourth Pellet Plant Project.

Samarco's strategy review involved different areas of the Company and led to the 2012-2022 Strategy Map, aligned with the 2022 Vision, which recommends actions and goals for the coming years and is structured into six strategic blocks: Company Value; Markets and Society; Operating Challenges; Growth, Innovation and Technology; People, Health and Safety; and Compliance. The process also generated a five year plan, for each General Management area, which plans the priority actions and aspects for the business during this period.

In the Section on Company Value, we intend to maximize our value through an efficient financial management, based on the reduction of costs, expansion of revenue, and recognition as a company which generates value for society. In Markets and Society, we address our recognition and excellence in the relations with our various stakeholders – customers, employees, contractors, government agencies and society at large. The Operational Challenges are based on the efficiency of the processes, on the management of impacts and natural resources and on productivity. As for People, Health and Safety, this section speaks about the actions to increase systemic productivity and promote a healthy and safe working environment. And last but not least, there is Compliance – obedience to the laws and to the policies and guidelines of Samarco.

We developed a structure which allows dialogue with leaderships, through weekly meetings, with the participation of the Executive Board, addressing items such as strategic evaluation, risk management, internal audits and controls, capital projects, P4P and commercial matters, in addition to specific demands. One of them is the form of Health Management and Organization Performance which also counts on the participation of the Company's general managers.

Seeking to assure the alignment of the management processes with the requirements of best corporate governance practices, the deliberative processes were also revised. Based on this, requests for deliberation are forwarded to the management, which, in conformity with competencies and/or authority levels defined by the By Laws and the Shareholders Agreement, are formally sent to the proper authorities for approval – the Board of Directors and/or Shareholders Meeting.

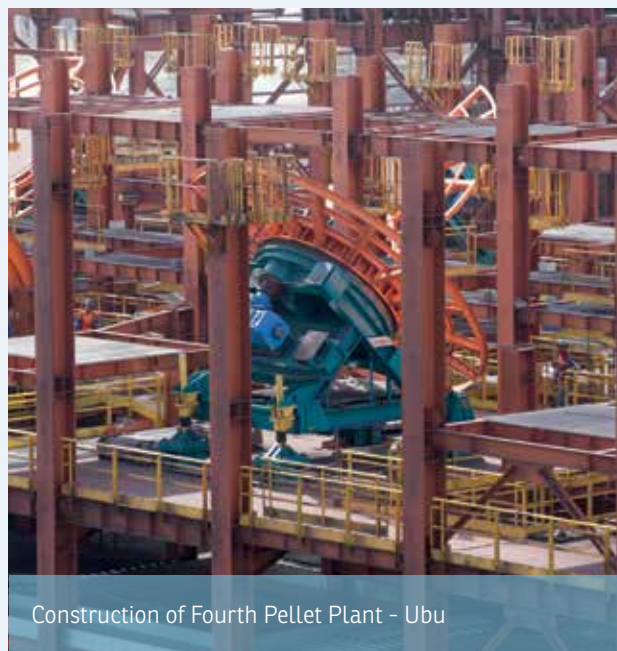
Through these management processes, we consider the analysis of political, economic, social, technological, environmental and legal aspects which could affect the operation. As a part of this process, we mapped six strategic risks which, together with operating risks, are the focus of our attention.

To achieve our Vision, it is not enough to invest in the financial health of our business, in operating efficiency, in process innovations and in employee training. We must also focus our actions on our relations with our stakeholders, on proper treatment of environmental issues, on managing our image and reputation, and as a result, on our recognition in society.

In regards to economics, we invested in increasing our production capacity by expanding the P4P. We engaged our different areas and operations in order to grow and to find sustainable solutions that reduce our impacts. We also invested in technologies and innovations to ensure that we remain at the forefront of our industry.

In relation to the socio-environmental field, we sought to build relationships that protect our reputation and our image, as well as to invest in programs focused on generating value for our main stakeholders and on reducing environmental impacts. Our main achievement in 2012 was the development of our Sustainability Model, which defines Samarco's guidelines and priorities in this area, taking into account the positive impacts that our business can create. This model puts into practice our goal for sustainability to be a management requirement for all the areas of the Company.

Outlook for growth



Construction of Fourth Pellet Plant - Ubu

Throughout the development of the Fourth Pellet Plant Project, Samarco has been attentive to a series of socio-environmental and business opportunities, risks and outlooks that can have a positive or negative impact on reaching the Project goals. Through our governance structure, we have maintained forums like the Steering Committee, which allows periodic reporting of the results and challenges faced by the P4P to our shareholders.

In order to reach a production level of 30.5 million tons of iron ore pellets annually, we believe it is also necessary to align business planning with opportunities for creating local development with a defined social strategy, and to create value while reducing environmental impacts resulting from the operations.

In this regard, in 2012 we continued with the implementation of the Project of Socioeconomic and Environmental Indicators of the P4P. These are 80 indicators which are surveyed and analyzed, contributing to the monitoring of the impacts of the Company's expansion on the areas under its direct influence.

The study, carried out both in Germano (Mariana, Ouro Preto, Santa Bárbara and Catas Altas) and in Ubu (Anchieta, Guarapari and Piúma), represents an effort of the Company to understand the effects of the expansion projects in the areas of health, education, mobility, public safety and generation of tax revenue.

Committees and strategic forums

To monitor all the initiatives that promote sustainability in the Company's actions, we created horizontal independent themed committees, which allow the discussion of topics that impact the Company's long term planning.

At the end of 2012 we had seven committees in operation: Customers and Market; Sustainability; Operations; Personnel Management; Compliance; Risks and Legal; Growth and Samarco Management System.

Over the course of the year, we also structured the Health Management and Organizational Performance forum, a meeting between management and areas focused on Company results and on the outlook for the coming years, with the input of business forecasts and trends.

Based on the work by these groups, Samarco made significant progress in integrating the topics into its long term strategy. In 2013 there will be a review of the structure of these committees, aimed at simplifying and more effectively integrating them into the Company's day-to-day activities.

COMMITMENT TO SUSTAINABILITY

In parallel with the development of the new Strategy Map, we concentrated our efforts on designing a system which would reflect our concerns and priorities in the social, environmental and economic fields. This work was carried out with the involvement of the various departments and leaderships and resulted in our Sustainability Model, built throughout 2012.

Focused on the generation of value for the Company and on the socioeconomic development of the communities neighboring our operational units. The Model is currently an essential governance tool which allows Samarco to build trust on the part of society – which grants us the right to mine and the social license to operate in its territory.

With the growing awareness of their legitimate interests, society starts demanding objective demonstrations of social and environmental responsibility on the part of the Company, thus acquiring the power to influence its strategies and operational plans. As a result, the need for social support in the process of organizational growth has become an objective directly related to the perpetuity of the business.

The Model structures our initiatives around four axes: Role modeling, Innovation & technology, Collaborative network and Responsible entrepreneurship. The last two make up what we call "Innovation in Society" while the second axis is directly related to innovation and to technological development. This design is linked to the need to work with clear indicators and metrics for questions related to sustainability, like biodiversity, community development and consumption of natural resources, integrating them into our activities.

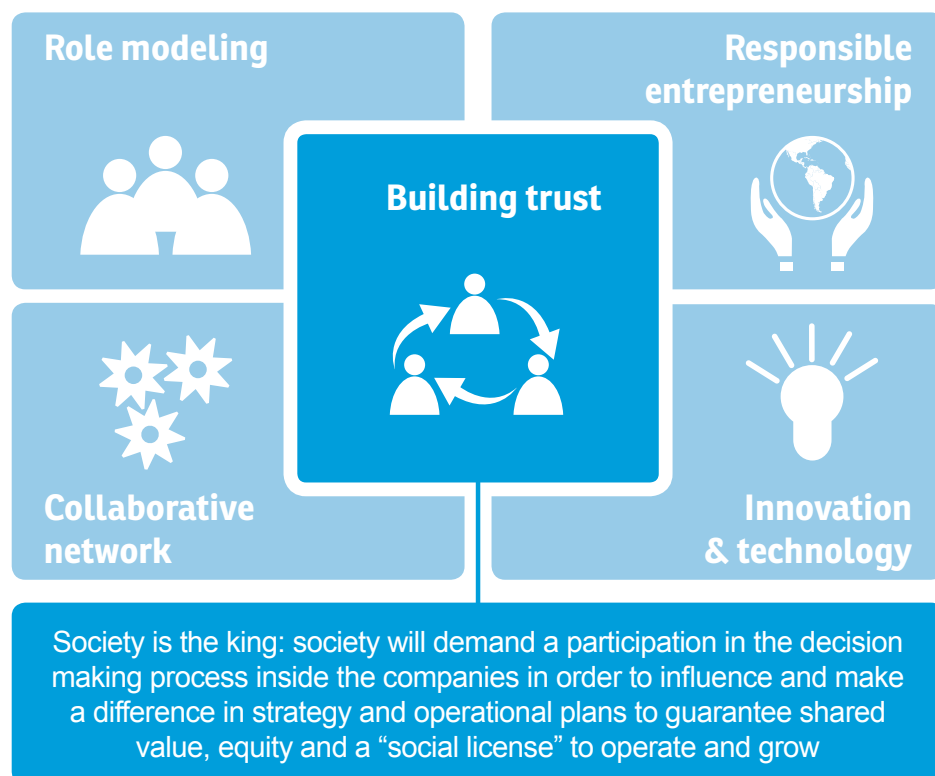
For 2013, our challenge is to establish goals, commitments and objectives and begin to measure our compliance, making them effective criteria for evaluating whether or not the Company's business model is successful.



Leonardo Stockler Simões, Production Management – Ubu



Sustainability Model



The pillar 'Role modeling' is linked to the active role that Samarco should play in the promotion of internal structural changes, involving upper management, to ensure that its influence on society is broad and lasting. This inspires us to constantly work to ensure alignment between words and deeds, and requires proper monitoring of our actions by our established management routines. Therefore, we are proposing a model that goes beyond our commitments to the Global Compact and sitting on the sidelines while government policies are prepared. Instead, we believe it is possible to actively participate and contribute towards improving the social structure of the country, which would benefit all our stakeholders.

The Collaboration network demonstrate the challenge of understanding our business environment and the importance of our reputation in the mining industry. Through networks, including partnerships with our competitors, we can define projects and act to maintain a positive reputation, providing quality information and clarifications, promoting mining and its potential for creating development and growth for society.

This pillar inspires us to maintain dialogue with our stakeholders and to establish pacts, not necessarily through consensus, to find appropriate solutions for the questions identified. Working together and attentive to external changes, we believe that Samarco, society, governments and competitors can develop a new perspective for the future.

Innovation and technology are also important for the success of our operations in all areas of sustainability. We pay continual attention to aspects like environmental compliance, clean technologies and eco-efficiency, and we base our long term initiatives principally on technological development capable of generating lower impacts. This management philosophy encourages companies to seek out environmental improvements that lead to parallel economic benefits, as recommended by the World Business Council for Sustainable Development (WBCSD).

Based on this philosophy, the organizations concentrate on business opportunities that present both responsible and profitable environmental processes. The WBCSD definition for eco-efficiency shows that it can be achieved through the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity. Having established the goal of producing more and better, with the responsible use of resources, the Company follows guidelines focused on the reduction of the use of consumables, mitigation of the impacts on nature, and increase of the added value to products and services.

In view of this and with the objective of improving competitiveness and the generation of shared value, in 2011 Samarco promoted significant changes in its organizational architecture, in line with its strategy and process configuration, creating the Office of Director of Management, Tec and Sustainability. The area under his responsibility integrated the processes of overseeing strategy, management and development of technologies and ecoefficiency, communication and socio-institutional development and support for the governance infrastructure (IT).

With regard to responsible entrepreneurship, Samarco has the objective of balancing the three dimensions of sustainability, which include environmental, social and economic aspects, maintaining ethical values as the basis for all processes and taking into account the importance of social justice, development, economic prosperity and ecological balance. With this, we will provide a broader vision of the sustainability foundation, adding the aspect of time and the constancy and perpetuity of any and all initiatives, which are supported by the other pillars of the Model.

Diagnosis

In order to consolidate the understanding of the main socio-environmental concepts and to improve our management and communications in this area, in 2011 we launched the Value Leveraging Sustainability Program. This initiative seeks to create value for the Company in the eyes of society by adopting the best socio-environmental practices, and their effective communication, through the rendering of accounts.

In the first cycle, conducted over the course of 2012, we made a diagnosis of what our market considers to be a priority in relation to sustainability. We consulted 30 internal (Company leaders) and external stakeholders (shareholders, customers, suppliers, financiers, socio-environmental NGOs, community leaders, government, Public Attorney's Office), we analyzed the main critical topics, like water resources, social development, emissions and compliance, their impacts and what requires a special focus, not just by our management, but also by our practices for rendering accounts.

Our next step will be to map out the main indicators in 2013, aligned with the Sustainability Model and related to each of the critical topics, in order to segment communications relative to the information and use them as a tool in rendering accounts, and consequently, generation of value for the Company.



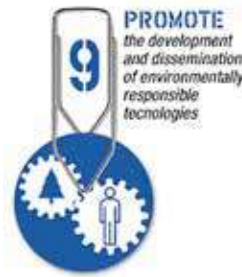
Project Família e Trabalho Fazendo Acontecer. AFAPES, Piúma-ES

OUR COMMITMENTS

Reflecting the Company's experience and growth in this matter, Samarco adhered to a variety of pacts and initiatives related to sustainable development and ethical business practices.

Global Compact

Since 2002 we have been signatories to the Global Compact, an initiative of the United Nations (UN), which encourages institutions throughout the world to adapt their operations and strategies to a set of ten principles, covering topics like human rights, the environment and the fight against corruption.



Business Contribution for the Promotion of a Green and Inclusive Economy

In 2012, as a result of its participation at the United Nations Conference on Sustainable Development, or Rio+20, Samarco signed the document "Business Contribution for the Promotion of a Green and Inclusive Economy," issued by the Global Compact Local Network in Brazil. In this document, alongside other companies and organizations, civil society and the government, we made a commitment to creating a new scenario of sustainable development for the next ten years.

Millennium Development Goals (MDG)

We developed actions and projects, and are committed to the millennium goals, proposed by the United Nations in 2000.



Open Letter to Brazil on Climate Change

This letter was proposed in 2009 during the seminar "Brazil and Climate Change: Opportunities for a Low Carbon Economy," held in São Paulo and organized by the newspaper *Valor Econômico* and by Globonews, with support from *Instituto Ethos*. It was signed by 21 companies from a variety of industries, including Samarco, which are committed to the issue of climate change.

Business Pact for Integrity and Against Corruption

We are a signatory to this Pact, which was released in 2006 during the International Conference of the Ethos Institute of Business and Social Responsibility, to ensure our commitment to the best corporate practices and to reducing corruption in Brazil.

MANAGEMENT

BUSINESS CONDUCT

We value ethics in our corporate management, in risk analysis and in the relations we build with society

To assure the quality of our business management, we rely on practices and mechanisms that prioritize the rendering of accounts to our stakeholders, and which guarantee full compliance with our rules of conduct and a careful analysis of operating and strategic risks.

All of Samarco's activities are conducted based on the Code of Conduct, which underwent its fifth revision in 2012. Periodically presented to employees and available on the Company's site, this document presents our principles in relation to a variety of topics, like corruption, the environment, health and safety and relations with governments, unions and the private sector.

Since 2011 we have also had a Corruption and Fraud Prevention Policy and an Anti-trust Compliance Policy. The first covers ethical aspects, and serves to complement our Code of Conduct; the latter specifically deals with rules regarding the behavior of Samarco towards its competitors, suppliers and clients, to ensure the principles of free trade and free initiative on the market.

In 2012, we made several advances in terms of corporate behavior. The revision of the Code of Conduct received input over the year from the internal public, which sent in suggestions regarding the content. We restructured the Conduct Committee, which analyzes reports and complaints sent to the Ombudsman and is formed by the CEO, by the General Managers of Human Resources, Health and Safety, Risks and Compliance, and Legal, by the executive assistant and by the Company's Ombudsman. We also improved the reporting process of contacts received and the processing of the reviews, which all became computerized.

Another important focus was training our employees in relation to the Anti-Corruption and Anti-Fraud Policy and the Anti-trust Compliance Policy. By the end of 2012, we reached more than 90.3% of our internal public and 100% of our leaders with classroom training (for areas that have more contact with negotiation processes) or online (for the remaining areas) of the Corruption and Fraud Prevention Policy. In February 2013 we will have trained our entire staff.

In regards to the Anti-trust Compliance Policy, we concentrated our classroom training on areas that have direct contact with this issue, like the Commercial Directors, the Supply Area and the Company's upper management. In addition, the Ombudsman's Office prepared an online training, to be taken by all new employees in these areas.

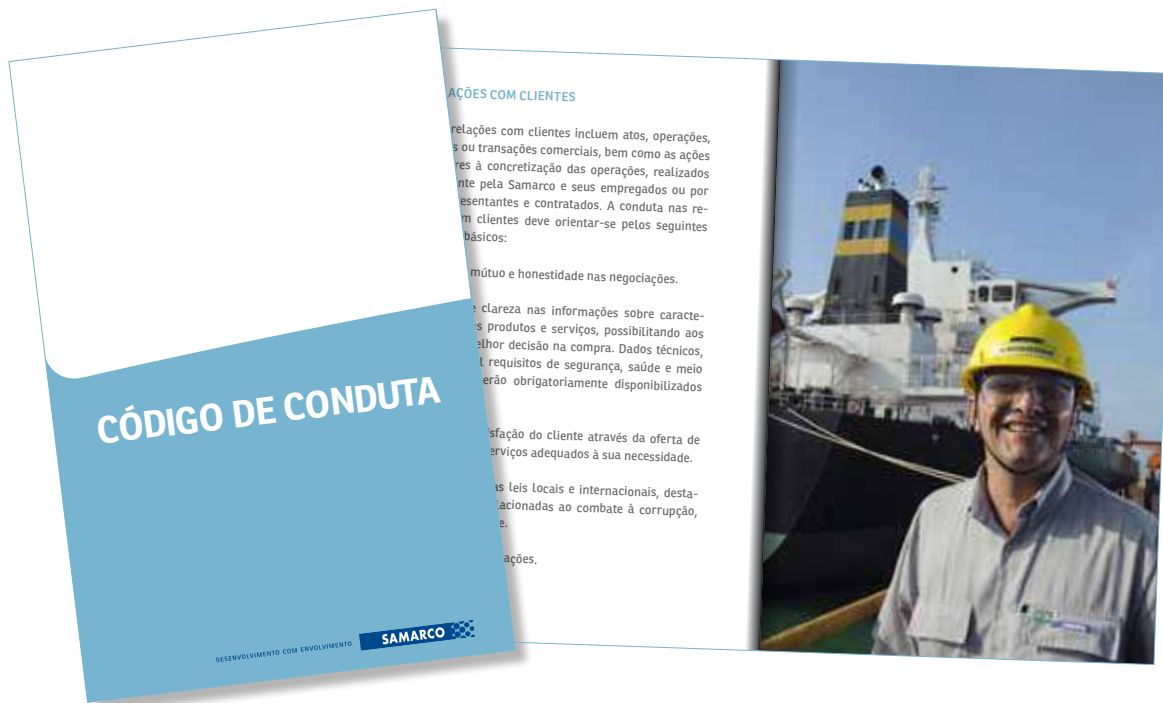
In 2013, we conducted new training sessions on the Policies and Code of Conduct. Within the scope of training referring to the Code, employees will now be trained on a new policy specifically regarding receiving and giving corporate giveaways, presents and hospitality. This policy was developed in 2012 and presented to employees in February 2013.

In order to divulge this information even farther in the chain, the training activities will be extended to employees of contractors who work at Samarco. These training activities contribute to the solidity of the Company, and also represent a way for Samarco to reinforce its contribution to civic responsibility, since they deal with relevant questions for transforming society.



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Code of Conduct provided to Samarco employees



Ombudsman

To ensure proper treatment of occurrences identified by our employees and by society in general, we have an Ombudsman's Office, which is responsible for answering questions and hear complaints, sending them to the Conduct Committee, which includes Company representatives responsible for evaluating and analyzing these cases.

In 2012, most of the questions registered in the channel referred to the question of conflicts of interests. With regards to the accusations, the principal topic was conduct involving some Samarco contractors. We registered 75 accusations and 13 consultations during the year. Of the accusations, 62 were concluded and 22 were confirmed. No cases of corruption were recorded in 2012.

best market practices and with international legislation in this regard.

We recognize and work with five risk categories: Strategic, Operational, Project, Financial and Compliance, and Health and Safety. Samarco periodically reevaluates its risks to dynamically reflect changes in the environment as felt in its business.

In 2012 we created a General Risk, Internal Control and Compliance Management Area to accelerate the process of disseminating a more effective risk management culture. We began to prepare forms for verification of compliance, which help ensure that we follow critical requirements in the Company's processes, with a focus on the FCPA (Foreign Corrupt Practices Act) and the UK Bribery Act, which cover practices like corruption abroad. Throughout the year, we prepared specific guides for the Supplies and Financial areas, and we now plan to release documents focused on the Human Resources, Health and Safety, Environmental and Commercial areas in 2013.

Continuing with work we began in 2011, we also reinforced our direct consultations with Samarco managers to improve our practices. In 2012 we conducted 20 workshops to evaluate operating and strategic risks, involving 250 professionals from different areas of the Company.

This work, which involved the debate on the description, measurement and treatment of risks identified as priority, allowed us to prepare action plans. We shared the entire process with our

Risk management

Because of the nature of Samarco's business, we believe it is relevant to develop a risk management model that is disseminated throughout the entire Company. This way all strategic and operational aspects that are related to business risks are considered at the time we plan or conduct our activities.

Our approach to this topic is based on our Risk Policy and our Corporate Risk Management Policy. Together, these documents allow Samarco to be in tune with the



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Andrea Luciana Ferra Andrade, Mining Management – Germano

shareholders to engage them more fully in the improvements, which was reflected in the planning: our Strategic Map for 2012–2022 and our Sustainability Model were prepared taking into account a variety of risks associated with the business and our operations.

Image and reputation

In harmony with our Vision and our Strategy Map, we are committed to preserving the positive reputation of Samarco. Since it is considered to be an important intangible asset that can have a decisive effect on the Company's strategies and results, we monitor society's perception of our activities.

The main tool we use today is the Samarco Reputation Study, which we applied for the first time in 2011. Based on the RepTrak™ Deep Dive methodology of the Reputation Institute, Samarco consulted more than 2.6 thousand representatives from seven stakeholder groups: employees, contractors, customers, suppliers, opinion-making institutions, government and neighboring communities, and identified several positive points, as well as opportunities for improvement of our relationships with these stakeholders.

At the end of the Study, we obtained a result of 72.9%, which classifies our reputation as Strong under the criteria used, which contains five categories ranging from Excellent to Poor. In 2013 we will again conduct the survey and our goal is to reach 80% by 2017, which would place our reputation in the Excellent category.

As part of our socio-institutional management, we also calculated the Community Satisfaction Index in our direct areas of influence in Minas Gerais and in Espírito Santo. In 2012, we obtained favorable numbers above 70% in the survey.

We also have the Institutional Favorability Index, which is focused on the Fourth Pellet Plant Project (P4P) and measures the degree of acceptance by institutional publics of Samarco's expansion. Based on some 120 interviews focused on five attributes, like accessibility and ethics, in October 2012 we found that 80% of the public viewed the Company favorably. This indicated the results of our commitment to strengthening trust and to minimizing the impacts associated with our business expansion.



DEVELOPMENT



***WE ARE WHAT WE
BUILD.***

OPERATION

THE PATHWAY TO PELLETIZING

Health and safety, reduction of impacts, operational excellence: the foundation for the future that Samarco is building for its operations



Stacking, Plant 2 - Germano

**DEVELOPMENT
SAMARCO**
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Aligned with its business vision, Samarco is committed to the development of safer and more efficient production processes, while at the same time studying ways to expand the production volume in a permanent manner, in conformity with its responsibilities towards Brazilian society.

Our operations envisage all stages for the production of iron ore pellets – from product mining and processing to pelletizing and shipping. We mine and process the iron ore at Germano unit, located in Mariana and Ouro Preto (MG). In those sites, conveyer systems are used to mine 70% of the ore and carry it from the mines to the concentrators, without the use of trucks, thus reducing the generation of noise and dust.

The ore processing system, in which we turn the material with 46% iron content into a concentrate with 67.5% of iron, is carried out in the concentrators, where the crushing, grinding, desliming and flotation processes occur.

The concentrate is carried, in the form of slurry, through two ore pipelines which are each

approximately 400 kilometers long, from Minas Gerais to Ubu, in Anchieta (ES). This system avoids the use of other transport modals, thus minimizing the emissions of particulate matter and greenhouse gases. And 90% of the water used in the pipelines is reused in the Company's operations.

The slurry received at the Ubu unit undergoes a filtration process, as well as the addition of consumables for the production of raw pellets. With our three pellet plants, we produce high quality pellets, which are stockpiled in our yards. Samarco's operational structure is capable of an annual nominal pellet production of 22.25 million tons, which are shipped from its own seaport terminal to customers worldwide.

A key point aiming at keeping the good performance of our operations is to enable a safe environment, so our employees and contractors may develop their activities. Moreover, we must constantly invest in technologies and practices that contribute to Samarco's operational efficiency and increased productivity.

HEALTH AND SAFETY

Samarco's system enables the mapping of critical risks and the development of actions to promote a safe and healthy environment

Promoting a safe work environment that values the quality of life is a priority to Samarco. This commitment, which is one of the core elements in our Value in relation to the Respect for People, is

put into practice by a system based on international standards, through which we have achieved excellent results regarding the prevention of accidents and the promotion of occupational health.

Our system, which is audited on an annual basis, is based on the requirements of the International Standard OHSAS 18001, as regards the industry best practices and the demands from our shareholders. In addition, our health and safety investments, projects and actions focus particularly on the mitigation of the key risks in the mining business.

Since 2008 we have promoted a series of changes in order to improve our health and safety system. Among the main results is the creation of a specific department for health matters, which gave the subject even more

visibility within the organization, and allowed us to measure our results, through specific indicators such as chronic diseases and absenteeism.

In terms of safety, we reached, in 2012, the index of 0.65 for reported accidents (with and without lost time). The result is still within our goal (1.00). Furthermore, the rate of most serious accidents is still low (0.14), a positive outcome of the improvements we implemented to manage more critical risks.

Workplace health and safety indicators		2010	2011	2012		
				ES	MG	Total
Number of events	Lost time injury (LTI)	3	4	2	1	3
	No lost time injury (NLTI) resulting in restricted work activity	4	4	2	1	3
	No lost time injury (NLTI) requiring medical treatment	6	1	4	4	8
	Injury requiring outpatient treatment	37	42	30	30	60
	Near miss	7,892	10,479	4,857	5,931	10,788
	Unsafe conditions	20,411	29,909	16,354	14,529	30,883
Rate	Rate of LTI Accidents	0.22	0.22	0.20	0.09	0.14
	Rate of Accidents Recorded (LTI + NLTI)	0.93	0.49	0.81	0.51	0.65

Our health and safety management system is based upon three pillars: Leadership, Behavior and Systems. We believe that engaged leaderships, a robust control structure and safe behavior are an adequate combination to promote a work environment with minimum risk.

In order to allow the monitoring of the results and the indicators by the leaderships, we have a Central Health and Safety Committee, intended for the high administration, and operational committees that gather area leaders on a monthly basis to submit improvements.

We also have the Internal Committee for Accident Prevention (Cipa), at Ubu Unit, and the Internal Committee for Mining Accident Prevention (Cipamin), at the Germano Unit. Together, they account for 100% of Samarco's employees, in addition to the permanent contractors. Supported by those Committees and with a focus on raising the teams' awareness and complying with Brazilian law, we also hold Internal Workplace Accident Prevention Weeks (Sipats), aimed at sharing the best safety practices in all operations.

We work with specific fronts for the mines, plants and port operations. In the offices, for instance, we have gradually expanded the best practices in ergonomics and prevention of minor accidents with educational campaigns and actions. In 2012, we implemented, in the administrative activities in Belo Horizonte, weekly

dialogues on the topic, inspired by the Daily Health and Safety Dialogues (DDSS) present in the operations.

We also have our own internal hotline – the *Emergência Samarco* (Samarco Emergency) – to answer questions, report events and provide first-aid assistance. That hotline assists all Samarco's employees and contractors, while they are working in the Brazilian units. The Emergency Service relies on a specialized team and about 300 trained volunteer first-aiders.

We have implemented a structure that enables access to regulatory training on health and safety to our own employees and to those from the contractors that provide services to Samarco. Moreover, we hold quarterly meetings with representatives from the companies, in order to analyze the progress and plan the continuous improvements of the processes in both parties.

In order to ensure the commitment with health and safety since the beginning of the contractors' activities, Samarco analyzes and hires them based on documentation and certifications related to those topics, submitted already in the bidding process, which comprises elimination criteria.



THE ORE PATH



ACCESS THE LINK WWW.SAMARCOQUEAGENTEFAZ.COM.BR TO SEE THE ANIMATED INFOGRAPH.

ILLUSTRATIVE IMAGE OF SAMARCO'S INTEGRATED PRODUCTION PROCESS

1. MINE
2. SCREENING AND CRUSHING
3. SURGE PILE
4. GRINDING, DESLIMING, FLOTATION
5. THICKENING AND STORAGE TANKS
6. DAM
7. PIPELINES - LINES 1 AND 2 (IN ACTIVITY) AND LINE 3 (UNDER CONSTRUCTION)
8. THICKENER AND BLENDING TANK
9. FILTRATION
10. INDUSTRIAL EFFLUENT TREATMENT PLANT
11. ROLLER PRESS
12. MIXING FACILITY
13. BALLING FACILITY
14. INDURATION FURNACE
15. ELECTROSTATIC PRECIPITATOR
16. CLASSIFIER SCREEN
17. STOCKPILE YARD
18. PORT



Critical risks

Our main progress during the year was the measurement of the risk factors, the outcome of a task that has been developed by Samarco since 2009. In partnership with several leaderships in the Company, we observed our work stations and analyzed all of our activities and their associated risks, classifying them according to five risk levels: slight, tolerable, mild, substantial and intolerable.

To do so, a Critical Risk Management project was developed, selecting 18 key operational risks for the management of the Company, thus establishing control actions together with the responsible areas.

That work, which also considered future risks, such as those provided for in the P4P scope, made us establish specific teams in the operations, in charge of controlling the risks through awareness-raising actions and improvement projects in processes and equipment.

Samarco's five-year investment planning considered costs for the implementation of safety improvements due to the critical points identified, such as the installation of guards on the ore conveyor belts, the replacement of cranes, the implementation of the Collision Avoidance System in the mine area and the purchase of more modern fall arrest equipment. In the health area, in 2012 we invested about BRL 54 million to purchase two new fans for the plants, so as to reduce the noise-related risks.

Using proprietary methodology, we started calculating the Samarco Risk Factor, a management indicator applied to all operational activities, with emphasis on the reduction of risks classified as critical and unacceptable.

We established as a goal the attainment of 10% of annual reduction in this rate. At the end of 2012, we had reached 14% reduction, a rate similar to that obtained in 2011 (15.8%). Using this Factor, we were able to plan structural improvements in the operation and identify the evolution Samarco goes through in its management of health and safety.

Safety awareness initiatives

Safe Work Observation Program (POTS) – This program was implemented during the Third Pellet Project and enables the employees to exercise mutual influence in adopting safer practices on their daily routine. As a volunteer program, it involves the training of employees, who become his/her workmates "observers", thus helping reinforce the safe behaviors.

Tutoring Program – Through this action, which was established at the end of 2012, the Company's most experienced employees began to act as volunteer tutors for newly-hired workmates.

Program to Disseminate the Value of Safety to the Contractors – With a focus on the contractors, this program supports the implementation of risk control management systems in those companies.

Safety Campaigns – We promote awareness-raising actions focused on the main topics and risks, with the participation of employees and contractors.



Charles Agostinho Batista and Mauro Sérgio Barbosa Passos, Beneficiation Management - Germano



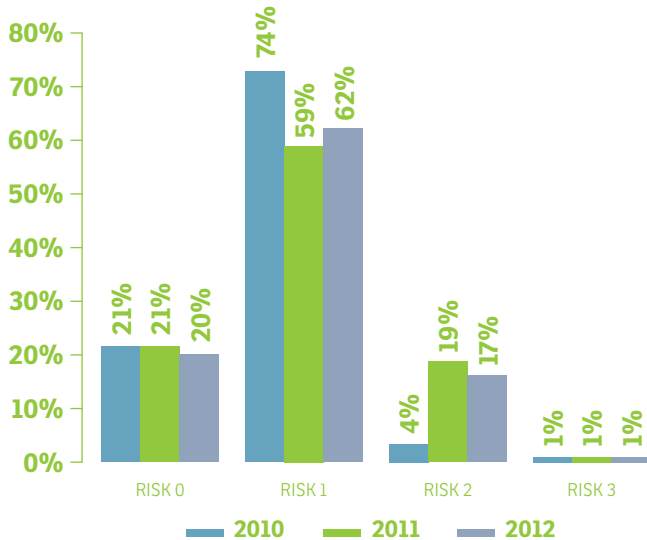
Health and well-being

Samarco also offers actions and projects intended to promote a healthier work environment for its employees and contractors. Through the Occupational Health Management, we offer social, physical and intellectual health programs.

Since its restructuring, in 2010, this management has been responsible for nine processes: Legal and Rulemaking Requirements; Occupational Hygiene; Ergonomics; Occupational Medicine; Contractors' Health Management; Occupational Psychology; Social Services; Promotion of Quality of Life at Work; and Management of Health Information.

In order to assure the monitoring of our teams, we developed the Health Profile of our employees. Based on the results of the annual health exams of the teams, we identified and organized levels or risk and we propose the change of habits through a Life Quality program, of voluntary adhesion, which consists in the development of action plans by the employee, with quarterly monitoring by the Company.

Health profile 2010-2012



The main actions developed in 2012 were: *Enduro a Pé Solidário* (Solidarity Trekking); Vaccination Campaign; Guidance on the practice of physical activities; Preventive campaigns on drug consumption; Implementation of the social help desk in the areas (better support to managers and employees in social issues); Implementation of the Financial Health program (three years long); More frequent (periodical) exams aiming at prevention/treatment; and the Samarco Soccer Cup (participation of employees and contractors), among others.

This model allows us to identify various points of attention and carry out planning to lead to improvements in indicators of absenteeism and chronic diseases over the next years.

In the last year, we managed to achieve a significant reduction in the absenteeism and leaves longer than 15 days, a consequence of a higher control of our employees' health by means of preventive programs. As for 2013, once again we intend to prioritize actions aimed at quality of life and preventive medicine.



Employees, family members and contractors participate in foot race - Ubu



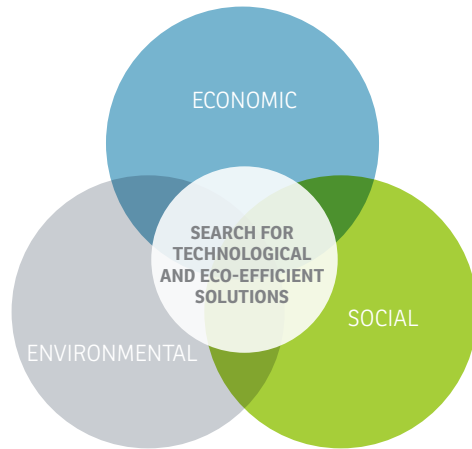
RESEARCH, INNOVATION AND CONTINUOUS IMPROVEMENT

In addition to operational excellence programs and other initiatives, we invested in the search for technological solutions capable of improving the efficiency of our production process and preparing it for future challenges

As part of the strategy review work, Samarco has been making an effort to develop projects that allow the improvement of the production capacity and the efficiency of the projects under development, with a view to reducing costs and socioenvironmental impact, as well as to adding value.

One of the main points of progress, in 2012, was the structuring of the General Management of Technology and Ecoefficiency, which studies technological solutions which are capable of simultaneously reducing the impacts of our business on the environment and assuring Samarco's competitiveness in the future.

The concept of eco-efficiency brings a guideline to be considered in the analysis of the current production process and in the implementation and proposition of projects and future technological breakthroughs. The search for doing more and better with less goes on in the economic level and, more strongly, in the environmental and social perspectives.



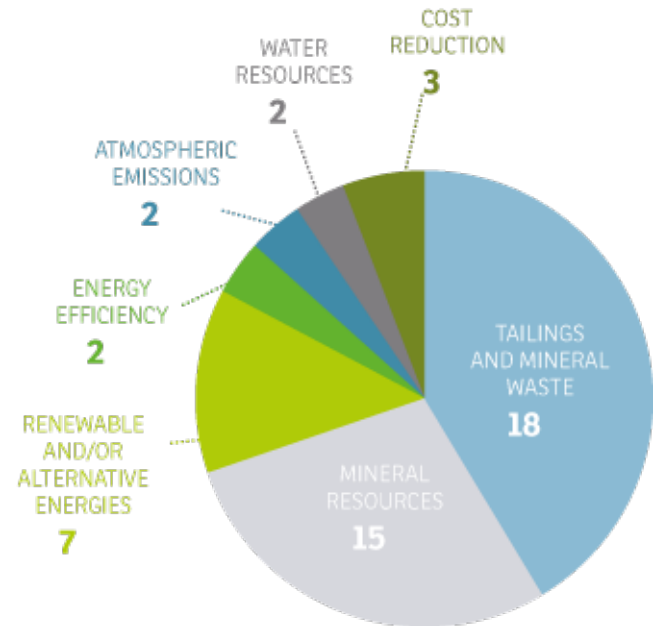
During the year, we identified 49 eco-efficiency initiatives potentially applicable to our operations, comprising from ore mining stage to the pelletizing and shipment. The analysis carried out by the area considered the main technological trends and risks connected to our current operations which, in case they are not addressed with a long-term view, the competitiveness of our business may be compromised.



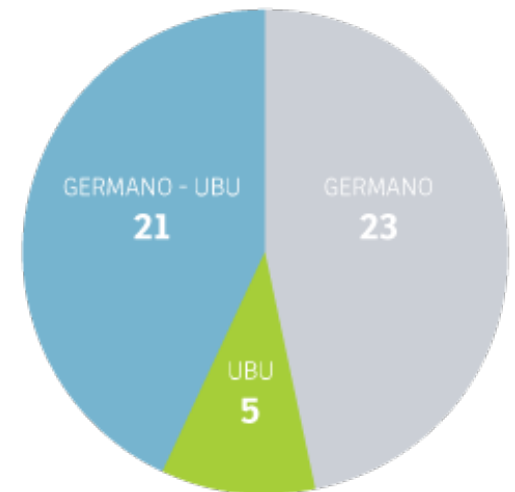
Gladston Henrique Pereira and Gustavo Leandro Galo, Pipeline Management, Germano

Our innovation focus

Distribution of initiatives by thematic axis



Distribution of initiatives by unit



TOTAL INITIATIVES = 49

We have prepared a matrix to place each one of the technological solutions to be studied according to its level of maturity and applicability to Samarco's business. Then, according to its approval by the senior management, the initiative is put into practice in a long-term schedule.

During the first year, studies were carried out to analyze the use of wind energy at Anchieta Unit (ES) and the purchase of technologies that use lower quantities of energy. In 2012, we have achieved positive results in the analysis of a new procedure, based on the Semi-Autogenous Grinding technology (SAG), as alternative to be applied in the processing as the first grinding stage at Germano. Such studies have proven that the technology is adequate for harder ores, that is, those that tend to consume more energy during the grinding process.



Operational excellence

In order to achieve a culture of excellence and the development of an environment that promotes creativity, Samarco uses the Lean Six Sigma and Kaizen methodologies, which contribute to the reduction in the process variations, and increased productivity.

The Lean Six Sigma (LSS) methodology, which was started five years ago, is a tool that appreciates the critical and analytical capacity of the Company's professionals in search for solutions for medium- to high-complexity problems.

Kaizen represents the involvement of multidisciplinary teams in the implementation of quick improvements to the processes. In the past two years, we had the participation of more than 800 Samarco employees and contractors in the *Kaizens* carried out.

A total of 22 Lean Six Sigma projects and 393 Kaizens were implemented in 2012, thus generating a financial return of BRL 101.3 million to Samarco, in addition to

several benefits in terms of safety, environment and quality. An example of that is the project that reduced the potential pellet bonding, thus improving the efficiency of our products in our customers' processes.

Since its implementation, the Lean Six Sigma has increased the financial return generated by the projects from 0.5% cost equivalent to 4.1%, which shows the long term benefits of this methodology, the results of which are constantly monitored by the Company.

We have won the Best Lean Six Sigma Program award in Latin America and the second Best Manufacturing Project award in Latin America. The ceremony took place during the 7th edition of the Annual Excellence Awards, held in 2012 by the International Quality & Productivity Center (IQPC).

Also in 2012, we launched the Operational Excellence Practice Community, a virtual environment our professionals may use to share tools, projects and knowledge. The objective is to value the exchange of experiences internally.



Belt Certification Event - Ubu

Capital projects

Samarco strives to increase its productivity and improve its quality and efficiency standards. This is why, in addition to the P4P which will expand its production capacity from 2014 on, it has invested in other projects which will support the growth of the business and reduce our impacts.

In the operations in Minas Gerais, we have two large projects under development. One of them started in 2010 and will enable, still in 2013, the supply of our electricity by means of a basic power grid at Germano Unit. To do so, we are building a 35-km long transmission line and two substations, as well as structures inside Samarco to interconnect the current and future substations, bearing the P4P in mind. The total investment accounts to approximately BRL 288 million.

With its completion forecast for 2014, the other project comprises the implementation of a mobile equipment maintenance workshop for our mine operations, in addition to the construction of a service station for heavy vehicles at the site. Samarco is to invest about BRL 91 million in this project.

In November 2012 we concluded, in Espírito Santo, the installation of dedusting systems at the entrance and discharge of the ovens of pellet plants 1 and 2, using two electrostatic precipitators as control equipment. The equipment is capable of reducing the emission of particulate matter, with a particle removal efficiency rate of up to 99%. About BRL 145 million were invested in the project. Plant 3 was built with that technology and Plant 4 will also adopt it from the beginning of its operations.



Electrostatic Precipitator at Pellet Plant 2 – Ubu

We are also implementing wind fences in Ubu, in the stockpile yards for ore pellets and fines, which will allow a reduction of 54% of dust and particulate matter emissions. For the installation of the equipment, approximately BRL 88.6 million will be invested. By the end of 2012, the cumulative percent complete of the project was 67.1%, with scheduled start-up in 2014.

As part of the environmental licensing process for the Fourth Pellet Project, in 2014 we will deliver the Industrial Waste Treatment Station (ETEI) from the North Dam, enabling a second treatment for the water we use before its disposal at Mãe-Bá Lagoon, in Anchieta – ES. That process is being

monitored by the relevant environmental entity (State Environmental Institute and Water Resources – Iema). About BRL 5.3 million will be invested.

Another relevant project at the Ubu Unit that was concluded in 2012 was the installation of the new fans in pellet plants I and II, thus bringing productivity gains and noise reduction. We also invested in the improvement of the environmental control of ship loading activity in the Port Terminal. By means of this project, which demanded an investment of BRL 4.7 million, we readjusted the processes at the pellets storage yard, in order to reduce the level of particulate matter emissions.



Installation of wind fences in the pellet and pellet feed stockpile yards - Ubu

FOURTH PELLET PLANT PROJECT (P4P)

The P4P, which is responsible for increasing our installed capacity by 37%, has socioenvironmental and economic impacts measured and mitigated along its implementation

In order to keep a relevant position in the global iron ore pellets market, meeting quality and production criteria to satisfy its customers and shareholders, Samarco current holds the Fourth Pellet Plant project as its main investment.

This project, which is responsible for expanding the Company's production capacity by 37%, reaching 30.5 million tons of iron ore pellets per year, forecasts investments of approximately BRL 5.4 billion and demands a series of actions from Samarco to ensure the correct management of the socioeconomic and environmental impacts before, during and after the works are concluded.

Our priority topics include the socioeconomic development of the neighboring communities by generating taxes, jobs and income, full environmental compliance of the operations and respect for life, with practices that ensure the safety of our employees and contractors.

The P4P comprises three large facilities that affect the entire current production chain: on the iron ore processing stage, in Germano (MG), a third concentrator is being built. A third ore pipeline parallel to the existing ones is under construction and will run through 25 municipalities in the states of Minas Gerais and Espírito Santo. In the Ubu operation, in Anchieta (ES), we are building a fourth pellet plant and adapting the Port Terminal to increase the outshipment capacity.

The P4P, with startup forecast for January 2014, involves all areas of the Company in the adjustment to its new processes and standards. In the legal scope, we have been working for the environmental licensing of the expansion since 2008, as well as the installation licenses, obtained as from 2010. 2013 will be particularly challenging: Samarco should obtain the P4P operational licensing, after proving the compliance of the facilities to the relevant entities.

The careful management of all risks and socioenvironmental aspects of the Project is a priority: along with the State Environmental Institute and Water Resources (Iema), the environmental body in the state of Espírito Santo, we assessed the impacts that the P4P would generate on the other industrial expansion projects in its area of influence.

In the social scope, we have investments that allow the addition of value shared with the neighboring communities. By means of permanent social dialogue channels, we held more than 270 meetings in the municipalities of the project's area of direct influence. In addition, more than 7,000 representatives from the communities attended the visits to the Company's operations, in order to monitor the progress of the works. As regards the supply chain, our priority was the engagement of local suppliers, with positive results as we stimulate the installation and development of companies in the regions where we operate.



Assembly of thickener for third concentrator – Germano

Safety and local development

The P4P closed out 2012 with a headcount of 12,027 employees – 4,707 at the Ubu unit (of which 63%, i.e., 2,959, are residents of neighboring communities) and 5,202 in Germano (46%, i.e., 2,405, from local communities). The others (1,961) worked on the pipeline (of which 1,126 in Espírito Santo and 835 in Minas Gerais – residents of communities along the right of way), and also on the management of the Project from the Belo Horizonte office (157). Considering the workforce of Germano and Ubu, some 5.4 thousand (45%) employees are from neighboring communities.

In order to ensure the quality of life of the teams and keep excellence standards in safety, we carried out daily inspections, as well as communication programs and campaigns that encouraged safe behavior.

In 2012, in the scope of the Safe Work Observation Program (POTS), we organized 111 educational activities and trained more than 780 individuals, with the participation and guidance of 507 observing employees. As in the other Company operations, we did not report any fatality along the year among the employees and

contractors who participated in the P4P, thus keeping our goal of ensuring, above all, the life of the workers involved.

Another important point for Samarco is to reinforce the positive socioeconomic effects that the Project brings to the communities, and to mitigate the negative ones. Among the positive aspects, we can point out the generation of employment and income, the development of labor skills, the voluntary initiative of the Company to contribute toward the improvement and use of the hotel/inn network in the municipalities which meet the demand of the projects in the areas of direct influence, in addition to the generation of municipal, state and federal tax revenue. By prioritizing the hiring of local labor for the projects, Samarco seeks to avoid the construction of temporary lodging in the localities for the workers, thus reducing the impact of the construction work.

In addition to the taxes we pay directly, our activity also generates other tax revenue – such is the case of the ISS, the tax on services, which is paid pro rata in all the municipalities where the ore pipeline works are being performed.



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Level	Ubu	Ore pipeline	Germano	Administration	Total (in real)
Total Federal Taxes	27,933,495	30,046,656	25,310,344	4,088,054	87,378,550
Total State Taxes	46,374,332	53,648,605	27,630,044	95,829	127,748,809
Total Local Taxes	17,937,150	31,291,698	15,957,161	1,057,698	66,243,708
Total taxes incurred	92,244,977	114,986,958	68,897,550	5,241,581	281,371,067

The labor qualification from the neighboring communities is enabled through Samarco's Professional Development Program, which offers several courses to the populations from the cities in the areas of direct influence of Germano and Ubu plants; the courses include assembly electricians, industrial machines maintenance mechanic, welder and industrial plumber.

In 2012, about 350 individuals graduated in Espírito Santo and 250 in Minas Gerais, and we expect to qualify more than 500 professionals in 2013. Therefore, we increased the capacity to absorb local labor, both in the Project and in the Samarco operations, as well as other companies in the region. This initiative lends continuity to Samarco's commitment to support local growth, an aspect already valued since the Third Pellet Plant Project concluded in 2008.



Students from the professional development course in Espírito Santo

Socioeconomic indicators

By means of the P4P's socioeconomic and environmental indicators project, we managed to measure the positive and negative impacts of this venture in the communities under our area of direct influence, in Germano (Mariana, Ouro Preto, Santa Bárbara and Catas Altas) and Ubu (Anchieta, Guarapari and Piúma).

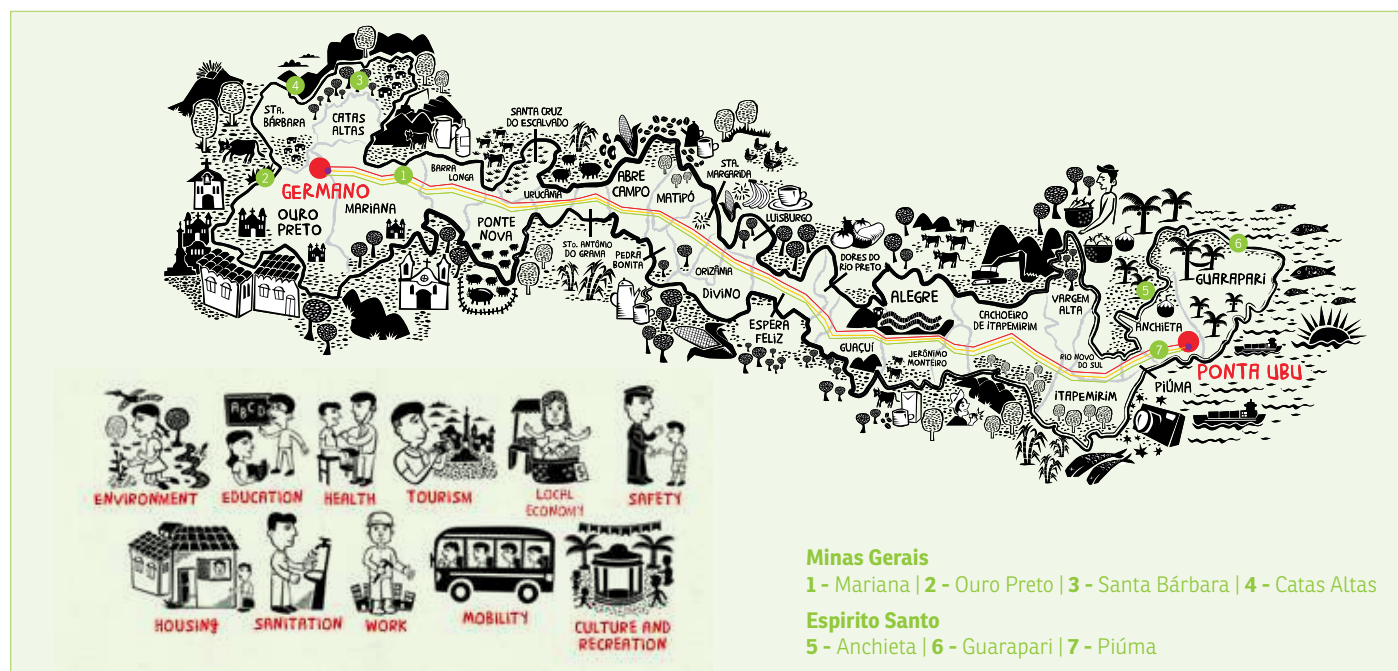
From the construction of the 80 indicators until the analysis of the monitoring results, the process is participatory and shared among the Company's leaderships and the civil society, the private initiative and the public authorities. The possible impacts in the expansion project are assessed and monitored for Health, Education, Public Safety, Mobility, Tourism, Labor, income and Generation of local, state and federal taxes.

The data obtained supply input for us to understand all of the externalities related to our expansion projects, from the Third to the Fourth Pellet Plant Project. With this, it is possible to direct investments and projects focused on the mitigation of impacts, in addition to studying opportunities to reinforce the positive legacy that the Company can generate. Upon allowing the adoption of preventive or corrective measures during the execution of the project, the analysis further expands the knowledge of Samarco and society as to the influences of mining activities.

In 2012, the P4P held meetings with the communities involved, with the presence of about 100 leaderships. At these meetings, the results of project monitoring in the areas of influence were presented and discussed, with the participation of the internal public and community representatives. There the results of the project monitoring in the areas of influence were submitted and discussed, with the participation of the internal audience and representatives from the communities.

With such data, we may guide our management policies for the social, environmental areas, as well as the establishment of opportunities associated with direct and indirect economic impacts that we generate.

Among the main aspects identified are the increase in the payment of taxes and the generation of employment. P4P, for example, accounts for 14% and 15% respectively of all formal jobs generated in the region of Germano and Ubu. Another important point is the identification, through a survey of the period from 2000 to 2010, of a sharp rise in the formalization of the labor market in the regions close to the Company's operations, showing its influence on the local economy. In Anchieta, Espírito Santo, the proportion of formal jobs rose from 12.8% to 50.1%, and in Mariana, Minas Gerais, from 35.8% to 60.7%.



Permanent assessment

We have submitted the P4P to two assessments related to its progress: Independent Project Analysis (IPA) and BHPB_IPR_Vale Assessment (IPR). The first one, carried out by this important international organization that assesses the maturity of large projects, aspects such as costs, schedule, safety and operabilities are considered. The P4P was regarded as "Best Practical", which is the top grade to be achieved. Such assessment will take place once again at the end of the Project, to verify the full compliance with what was planned.

The closeness with our shareholders during the performance and analysis of the P4P also allows us to submit it to the IPR which, based on the best practices of the mining industry, analyzes the capital projects and classifies them into three levels (Healthy, under Observation or Critical). Along the assessments, which have been carried out on a quarterly basis at different stages of the work since 2011, the P4P has met the shareholders' expectations in relation to aspects such as the fulfillment of the schedule, cost control, safety indexes and quality of the deliverables.

Favorability

Samarco has a procedure to calculate the perception of our strategic audiences as regards the Fourth Pellet Plant Project. The Institutional Favorability Index, calculated from the consultation to 120 individuals that include representatives from public authorities and the private sector, approaches five attributes – accessibility, frequency, ethics, quality/value and compliance with the contract – in relation to the project. In 2012, we identified that 80% of the audience assessed the P4P positively.

We also monitored the favorability of the P4P in spontaneous media, considering the publications on the expansion in newspapers, magazines and portals. At the end of 2012, that index reached 86%, bearing in mind the accrued measurement since the beginning of the project implementation, in 2011.

The environment and carbon neutralization

Whether it is by means of requirements or volunteer initiative, Samarco is committed to invest in programs to manage and mitigate environmental impacts associated to the P4P works. In addition, it carries out the supervision of the works at Germano, in the Ore Pipeline and at Ubu, through preliminary actions and recovery measures. By the end of the implementation, we will have invested about BRL 245 million in environmental actions related to the P4P.

We have developed a series of actions that address topics such as biodiversity, residues, water, atmospheric pollution and environmental education. As regards the mandatory practices, we developed, for example an offsetting program that applies 0.5% of the total investment of the P4P to environmental preservation units. We also hold trainings and awareness-raising campaigns in the operations. In 2012 we reached more than 21,500 individuals with those activities, with special highlight to the environmental performance assessment of the contractors that operate in the P4P.

Investment in environmental offsetting in 2012 (in reais)	Local	Amount
Paulo Cezar Vinha State Park	Guarapari (ES)	BRL 500,000
D'Ostra Sustainable Development Reserve	Guarapari (ES)	BRL 2,000,000
Papagaio Sustainable Development Reserve	Anchieta (ES)	BRL 1,000,000
Tartarugas Environmental Protection Area	Anchieta (ES)	BRL 500,000
Establishment of new Preservation Units	Anchieta (ES)	BRL 1,584,999.40

Another important tool to guide our management is the Socio-environmental Commitment Statement (TCSA), voluntarily signed in 2011 by Samarco with the Federal Prosecutor's Office, the government of the state of Espírito Santo and the municipalities of the area of direct influence at Ubu unit (Anchieta, Piúma and Guarapari), with the State Environmental Institute and Water Resources (Iema) as technical intervener.

The TCSA provides for the shared participation of the public sector, organizations of the civil society and the private initiative establishing the obligations, attributions and responsibilities of the stakeholders.

As we believe that our role goes beyond compliance with Brazilian law, we have been striving to develop volunteer initiatives that enable the control of external factors since the beginning of the operations at the new plants. The main initiative is carbon neutralization – that is, the P4P will have a greenhouse gas balance equal to or lower than zero, by means of several offsetting actions that we have adopted since the planning stage.

This practice, which is unprecedented in Brazil, extends over three years and requires investments of about BRL 1.7 million, with a view to offsetting approximately 170,000 tons of CO₂ equivalent (CO₂eq). We have entered into partnerships with consulting companies and specialized institutes for the development of that work; moreover, we have been planting rubber trees and indigenous species from the Atlantic Forest, as well as carrying out rehabilitation of protected areas, among other actions.

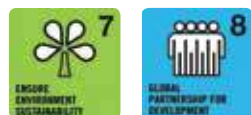
We have been preparing the inventories of GHG emissions from the P4P implementation activities, along with the construction work. At the end of the project, we will hire an external audit firm to check the quality of the data report and the efficiency of the compensation practices.

Social and institutional investment

In addition to the investments made by the Social-institutional Development area, we work with specific practices and initiatives for the areas that are not influenced by the P4P activities. Those are volunteer investments and they are divided into institutional and social investments, totaling BRL



DEVELOPMENT SAMARCO
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8 million. The first ones, which started before the end of 2012 and will continue during 2013, consist of donation by Samarco of equipment, such as ambulances and tractors, among other investments, to the governments of municipalities impacted by the third ore pipeline works. To do so, we have consulted with the public authorities of the cities about their needs and priorities and considered the rules defined by Samarco.

The P4P Social Investment Program, in turn, is developed based on the consultation and dialogue with approximately 60 communities from 25 municipalities in the area of influence of the expansion. 72 initiatives were developed by the communities to receive Company support, totaling an investment of approximately BRL 4 million.

The participation of the residents themselves in the preparation and selection of actions supported took place by means of training sessions on project preparation, held by Samarco along the year, comprising representatives of all communities

involved. In October and November, the projects were selected by the community itself. The actions will be performed in 2013.

One of the most significant programs we keep in the areas of direct influence is called Living Consciously, implemented in 2011 to mitigate social impacts in the communities neighboring the works of both the P4P and the Germano power grid.

The initiative, which addresses topics, by means of campaigns and events, such as sexuality and teenage pregnancy, use of alcohol and other drugs, and child sexual exploration, had its first stage concluded in October 2012 and reached out to more than 12,000 individuals.

The purpose of the activities is to raise awareness among the employees in the worksites, including the contractors and subcontractors, as well as the communities with regard to these issues, thus enabling the reduction of incidents and their correct treatment.



P4P Social Investment Program	
Number of meetings with the community	159
Participants in meetings	3,971
Total projects prepared by the communities	115
Projects selected by the communities to receive support from Samarco	72
Projects in the income generation area	40
Projects in the education area	32

Living Consciously Program Results – 2012 Edition	
Actions carried out by the end of 2012	130
Professionals reached	1,049
P4P employees who attended	9,202
Students involved	2,013



Action of the Living Consciously Program in Santa Cruz do Escalvado, MG



ENGAGEMENT



***WE ARE WHAT WE
TRANSFORM.***

ECONOMIC PERFORMANCE

A YEAR OF CHALLENGES

Price instability in the iron ore market affected Samarco's performance, but effective management kept a positive margin and ensured the continuity of the expansion project



Reclaimer – Stockpile yard – Ubu



ENGAGEMENT SAMARCO

Annual
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In 2012, our pellet production reached 21.305 million tons. This number is close to our goal for the year, of 21.5 million tons, established on the basis of the quality of the ore available. Our nominal capacity is 22.250 million tons per year.

The challenges which the mining industry faced in the international market impacted our financial results. The main factor was the volatility of the iron ore pellet prices. The average sales price was reduced by 19% in

relation to 2011. Consequently, our gross sales in 2012 were BRL 6,610.7 million, an amount 7.1% lower than the previous year. The net profit was also 9.2% lower than in 2011, reaching BRL 2,646.3 million, while the EBITDA margin dropped 4% in the same year.

Simultaneously, we reached a EBITDA margin of 54.3% and an Adjusted EBITDA of BRL 3,553.9 million—these figures were 4% and 13.4% lower than 2011, respectively.

2012 Financial earnings

In millions of reais	2012	2011	2010
Gross Revenue	6,611	7,117	6,324
Net Revenue	6,550	7,059	6,240
Gross Margin (%)	61.3	63.9	64.8
Net Profit	2,646	2,914	2,247
EBIT	3,357	3,922	3,493
EBITDA	3,554	4,113	3,671
EBITDA Margin (%)	54.3	58.3	58.8
Investments	643	420	294
Investments (P4P)	2,709	935	24
Total Assets	11,001	7,095	5,542
Net Equity	3,274	1,807	1,377
Gross Indebtedness	2,931	2,340	2,023
Net Indebtedness	2,553	2,073	1,758
Gross Indebtedness / EBITDA	1.7x	1.1x	0.9x
ROCE	29.3	55.2	67.2

Adjusted EBITDA (million reais)	Consolidated	
	2012	2011
Operational Profit	3,387,281	3,717,748
(+) Depreciation and amortization	196,798	190,319
(+) Net Exchange Variance	(127,536)	122,063
(+) Net Financial Expense/Revenue	97,370	82,487
Adjusted EBITDA	3,553,913	4,112,617

(1) The EBITDA is a measure that does not represent the cash flow for the years presented and, therefore, it must not be considered as an alternative measurement of the net profit (loss) or as an alternative for the cash flow as a source of liquidity.

(2) Our definition of EBITDA may not be comparable to other companies' definition of EBITDA.

(3) Samarco Mineração uses the Adjusted EBITDA as a tool to measure the operational performance and is used by financial analysts in the assessment of our business.

The global economic scenario is once again facing uncertainties, particularly due to the performance of the developed countries. According to data from the International Monetary Fund (IMF), the global growth rate was 3.2%. However, mature economies from Europe and countries such as the United States and Japan had low or negative growth in 2012. Similarly, Brazil had a growth of only 0.9% during the year, the worst result since 2009.

The iron ore sector was significantly influenced by this context, showing an irregular pattern, short term, in the pricing processes. In the first half of the year, there was a gradual reduction in the prices. In the third quarter, there was a sharper drop, influenced by the reduction in the demand for iron ore by the steel industry in markets such as Europe and the US.

In September, the price of iron ore fell below USD 90 per ton on the global market, similar levels to those recorded during the 2009 economic crisis. At the end of the year, the results started showing signs of stabilizing. Even so, 2012 closed out with an average price of USD 128/t, below the USD 167/t of 2011.

The unfavorable context in the global market of pellets led to a reduction in the demand for our products. Due to that, our sales strategy was addressed to markets such as the Middle East and Southeast Asia, in order to recover yields with a favorable sales mix of the products with higher added value. Therefore, the participation of iron ore pellets for the direct reduction (DR) processes was 54% and, for the blast furnace (BF) processes, 46%.

Operational costs and expenditures

In 2012, the cost of products sold retreated, to a total of BRL 2,536.3 million, in relation to BRL 2,550.8 million in the previous year. That was due to a higher efficiency in the management of costs, with lower average price in the acquisition of inputs such as natural gas and ore from third parties.

On the other hand, expenditures with personnel, increased BRL 42.3 million in relation to 2011, and the outsourced services, BRL 20.1 million, due to collective bargaining agreements above inflation and other aspects, such as the adjustment in the energy rates in Minas Gerais and Espírito Santo, also represented a negative impact.

Combining these costs with the reduction of our net sales income, we reached a gross margin 2.5% lower in domestic currency (reais) – in 2012, it was 61.3% compared to 63.9% in the previous year.

Investments and indebtedness

The P4P, which currently is the focus of most of our investments, is scheduled for start-up in January 2014. According to our planning, the Project closed out 2012 with 67.3% of progress, which includes the areas of engineering, construction and procurement. By the end of the year, we had invested a total of BRL 5.3 billion, i.e., 99.1% of the budget.

The other capital investments of Samarco, excluding the P4P, were of BRL 642.8 million in 2012. In all, 65.1% of this amount was directed to projects focused on the improvement and continuity of operations. The rest was allocated to projects which promote the increase of production capacity or allow reduction of environmental impacts.

Due to the nature of our large-scale projects, we registered indebtedness margins which conform to our growth strategy. In 2012, Samarco's gross indebtedness was BRL 5,987 million, an amount 36.4% higher to the indebtedness in the previous year, of BRL 4,388 million. The gross indebtedness index (Total Gross Debt/EBITDA) closed the year at 1,7x, a higher percentage as compared to 2011 (0,9x).

Samarco was rated investment grade BBB (good credit quality) by two credit rating agencies. Since 2006, Fitch Ratings has rated Samarco at investment grade BBB, and the last review, which took place in August 2012, was with

stable bias. With a view to consolidating our reliability vis-à-vis the market, in July 2012 we hired the agency Standard & Poor's for a second credit rating, whose ranking was also grade BBB.

One of the major financial operations in 2012 was the input of BRL 2,010.2 million in the second semester, through the issue of bonds in the capital market, in addition to BRL 506.4 million with the Nippon Export and Investment Insurance.

The indebtedness profile by the end of the year suggested 14% in short term, comprising Cash Advance operations on Exchange Contract of approximately BRL 404.9 million and the current portion of long term debt, used to fund

our working capital and our optimizing and maintenance projects (BRL 409.5 million).

The other 86% (BRL 5,143.9 million), classified as long-term financing, are basically for capital investments, such as the Fourth Pellet Plant Project, through the arrangements of export prepayment, loans covered by the Nippon Export and Investment Insurance and Bond issuance operations overseas, with a view to obtaining competitive conditions and comply with Samarco's strategy. Those funding operations contributed to the extension of the debt profile, since 37% (BRL 1,636.7 million) of the debt was allocated in short term (BRL 2,751.7 million) in 2011.

Further data

In order to obtain more information on Samarco's financial performance in 2012, access the Management Report on www.samarco.com.



Assembly of screening facility, P4P - Germano

Ore reserves

Since its foundation, Samarco has been carrying out exploratory geological studies to expand its mineral reserves, so as to assure the perpetuity of the business. In addition to studies on technologies for beneficiating ores, we analyzed our properties so as to identify opportunities and assure the planning of activities of mining optimization and mine plan sequencing.

Our ore reserve, certified in December 2012, is 3.009 billion wet metric tons of ROM (run of mine). In 2011, this number was 2.048 billion tons of ROM. The increase, of 46.9%, was made possible by the advance in research and technologies which allowed the more effective use of the resources contained within our properties.

The business plan for the next five years already takes into account studies focused on improving infrastructure, obtaining environmental licenses, and developing projects for the disposal of tailings and overburden.

Dividends

Samarco is committed to add value in a solid and consistent manner to its shareholders. BRL 745.4 million in dividends were paid in 2012, equivalent to the remaining balance of the profit allocation of the year ended on 31/12/2011.

In relation to 2011, the payment of dividends was lower (BRL 2,768.8 million). That occurred due to Samarco's

decision to suspend the payment of intermediary dividends during 2012, in view of the analysis of the instability scenario in the iron ore pellets market for 2013, as well as the investment perspectives forecast in our expansion plan.

In order to mitigate possible risks and cope with possible difficulties in the market, we have built a safety cash reserve amounting to BRL 772 million, about BRL 270 million above the figures in 2011.

Distribution of Added Value (thousand reais)

REVENUES	2011	2012
Sales of goods, products and services	7,117,316	6,610,740
Other revenues	4,331	9,075
Revenue associated to construction of own assets	1,379,059	3,403,443
Bad debt reserve	(21)	(2,653)
	8,500,685	10,020,605
INPUTS ACQUIRED FROM THIRD PARTIES		
Costs of products, goods and services sold	(3,787,109)	(5,899,274)
Third-party services, material, energy and other	(445,301)	(368,526)
Loss/recovery of asset values	1,084	(4,605)
	(4,231,326)	(6,272,405)
Gross Added Value	4,269,359	3,748,200
Depreciation, amortization	(190,319)	(196,798)
Net Added Value Produced By The Entity	4,079,040	3,551,402
Added Value Received In Transfer		
Equity in the earnings of subsidiary and associated companies	-	-
Financial revenue	65,427	261,127
	65,427	261,127
TOTAL ADDED VALUE TO DISTRIBUTE	4,144,467	3,812,529
DISTRIBUTION OF ADDED VALUE	4,144,467	3,812,529
Personnel		
Direct compensation	218,935	257,700
Benefits	56,773	71,173
F.G.T.S.	12,168	14,098
Taxes, fees and contributions		
Federal	633,220	479,918
State	(11)	51,293
Municipal	15,681	17,181
Third-party capital compensation	-	-
Interest (loans, financing and other)	293,369	274,855
Return on own capital		
Minimum dividends required	-	661,578
Intermediary dividends	2,168,966	-
Additional dividends proposed	745,366	1,984,733



THE ENVIRONMENT

FOCUS ON ENVIRONMENTAL MANAGEMENT

Rational use of natural resources, research on innovation, operational excellence and compensation actions are among the initiatives to reduce the environmental footprint



Samarco employees receive saplings to celebrate Tree Day

Samarco's environmental management practices strive to keep the impacts related to the mining business under control. In our segment – ore pellets with low iron content – several fronts are developed to mitigate the effects of the operation on the natural resources, the climate and the biodiversity of the sites where the Company's units are installed.

The need to increasingly improve our production process with technologies that allow a better operational performance has become imperative. When Samarco

began its operations 35 years ago, the ore we mined had an iron content of 55%. Today it is about 45% and, with the P4P activities, we expect a drop to 43%.

In order to face this scenario and align our strategy to the best efficiency practices, in 2012 we established our Sustainability Model, which proposes investments and practices in different initiatives to reach a business model that ensures the Company's continuity, thus generating wealth capable of mitigating environmental impacts and offering significant gains to the society.



According to our expansion plans, the Model is being broken down into commitments and indicators that focus on our main social, economic and environmental topics.

Our team in charge of environmental issues is distributed between the Germano (MG) and Ubu (ES) units. During the year, we finalized and continued important initiatives to reduce our environmental impact, especially in critical areas such as water resources and atmospheric emissions. One of the main deliverables in 2012 was the beginning of operation of the electrostatic precipitators from pellet plants 1 and 2, which allow the reduction of particulate matter emissions.

As a consequence of the Environmental Commitment Statement (TCA) – entered into between Samarco and the Public Attorney's Office of Espírito Santo and with the lema as technical intervener – we installed, in 2012, new air quality monitoring systems in Anchieta and Guarapari.

We also changed the process fans, in order to reduce the noise in the pellet plants. As refers to waste, the works for a new Industrial Liquid Effluent Treatment Station are still in progress, scheduled for completion in 2013, in order to improve even more the quality of the final waste in the operations at Ubu.



Investments

In 2012, Samarco's total investments in environmental projects were 123% higher as compared to 2011. We invested over BRL 283.2 million in areas such as waste disposal, treatment of emissions and efficiency in the use of natural resources, among others. BRL 79.6 million out of that amount were applied in actions connected to the P4P.

Raising awareness

In addition to the investments in technologies and more efficient operations, Samarco relies on the involvement of its employees and contractors to search for solutions that contribute in minimizing the socioenvironmental impacts.

We hold training sessions on environmental education for the internal audience, with focus on the reasonable use of the natural resources. The activities began in October 2012 and will continue along 2013; until the end of December, more than 3,000 individuals were trained in Germano, Matipó, Muniz Freire, Ubu, as well as in the Belo Horizonte and Vitória offices.

Moreover, by means of campaigns and awareness-raising actions, we stimulate a lower use of natural resources.

In 2012, we organized campaigns to reduce paper consumption and, therefore, the disposal of material, in addition to actions focusing on the rational use of water. In 2012, by means of the campaign *Atitude Ambiental, Dê o Exemplo!* (Environmental Attitude, set the example!), we addressed two topics with the employees and the contractors. Simultaneously, we carried out external communications in the cities where we operate, with billboards, radio spots and advertisement focusing on the World Water Day, for example.

We also concluded the implementation of selective waste collection in the Belo Horizonte offices, in order to improve waste management. Nowadays, all operational units and offices have a proper structure to separate and optimize waste disposal.



Character from campaign to increase environmental awareness

Water

The consumption of water represents one of the main outstanding topics for Samarco. In order to reduce the impacts that we cause as we abstract the resource from nature, we, at the same time, seek the reuse – reaching rates of about 90% for five years – in the different stages of the production process and the correct disposal, with quality indexes within the legal requirements.

With a view to managing the different risks and aspects associated to the topic, we use, as a reference, the Water Resources Master Plan, a document implemented in 2011 establishing principles and guidelines so the Company may strive for continuous improvement in the management of water resources. We carry out periodical studies to abstract the water resource according to the local flowrates, water availability conditions and seasonality in its supply.

We also have the Water Use Plan (WUP), which enables the environmental entities from Minas Gerais and Espírito Santo to assess our performance and our future applications to grant the right to use the water resources; we also participate in the committees for the Doce, Piracicaba and Piranga river watersheds, which are directly or indirectly impacted by our operations. Our current water sources are the Piracicaba, Matipó and Gualaxo rivers, in addition to wells in the Alegria mine.

Total water abstraction by source (m ³)			
	2010	2011	2012
Piracicaba River	4,293,092	4,394,607	4,109,626
Matipó River	644,235	721,184	620,452
Gualaxo River	9,257,000	9,158,516	9,591,563
Total	14,194,327	14,274,307	14,321,641

Total water abstraction by source (m ³)			
	2010	2011	2012
Alegria Wells	2,155,671	2,083,664	2,558,519
Ubu* Wells	--	--	193,081
TOTAL	2,155,671	2,083,664	2,751,600

*Such data began to be reported as from 2012. The consumption in Ubu is low due to water reuse. The deep wells with underground waters in Ubu are used for household supply and not for industrial use.

In 2012, the consumption of water was 17,073,241 m³, 4,3% more than the previous year. The values were higher due to the increase in production and the greater abstraction volume from the Gualaxo do Norte river and the wells for lowering the Alegria mine. In Ubu, the underground water abstraction reached 193,081 m³.

Recycled and reused water			
	2010	2011	2012
Total recycled/reused water (thousands of m ³)	158,456	153,968	158,882
(%) of recycled/reused water in relation to total water consumption	90.49	90.40	90.41

Effluent

Samarco's effluent disposal is carried out in the vicinity of its operational units, monitored by the relevant environmental entities. At Germano Unit (MG), we carry out the disposal in the Santarém, João Manoel, Macacos and Matipó streams; at the Ubu Unit (ES), the treated water is disposed of in the Mãe-Bá Lagoon. In Germano, those streams are monitored, with the assessment of the physical and chemical parameters. In Ubu, the Mãe-Bá Lagoon is monitored in terms of physical/chemical and biological aspects.

In addition, we carry out half-yearly or annual monitoring of the fish, in order to contribute to the survey of the local fish diversity and ecology, as well as the assessment of the conditions of the species in the water streams that cross the Company's areas.

In 2012, a limnology study and monitoring work were concluded, including the fish from Mãe-Bá and Ubu lagoons. This task was carried out by the Norte Fluminense State University (RJ), and showed that there is no contamination by heavy metals in the Mãe-Bá Lagoon fish. During the year, we also started the implementation of the Programs from the Master Plan for Coastal Lagoons in the municipality of Anchieta.

We are going to continue the fish stock enhancement program at Mãe-Bá Lagoon, with the introduction and monitoring of indigenous fish species – a work in partnership with neighboring communities and federal education institutions – in addition to reinforcing the environmental education programs with residents near the lagoon in 2013. In Germano, we are going to expand the areas to monitor the quality of the water, in accordance with the actions provided for in the Environmental Impact Assessments (EIA) and Environmental Control Programs (ECP) to be carried out in the same year.

Effluent generation (m ³)			
	2010	2011	2012
Germano (MG)	16,411,422.00	21,798,631.00	Not measured
Ubu (ES)	2,938,441.10	2,876,197.64	3,669,896.44
Samarco Total	19,349,863.10	24,674,828.64	3,669,896.44



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Mãe-Bá Lagoon - Anchieta, ES



As regards the volume of waste disposed of, in 2012 we identified a problem in the measurement equipment in Germano, which compromised the indicator's response. We are going to install a new piece of equipment in 2013, to measure the flows in our dam. During the year, there were no cases of significant unplanned discharges of effluents at our units.

In Ubu, the volume of effluent disposed of in 2012 was larger than in the previous years, due to the need to lower the water depth from the North Dam to dredge the sedimentary material in the dam area, in compliance with item 2.9 of the Water-environmental Commitment Statement. We also point out that the increase in the volume of rain contributed to the total of effluents. In 2012, the rainfall was of 1,157 mm, 12.8% more than the 1,026 mm in 2011.

Energy

The consumption of energy is a critical aspect for Samarco, as it is directly connected to the level of production and the infrastructure conditions to access the sources in each of the regions where it operates. With a view to obtaining more independence in this field, we own the Muniz Freire Hydroelectric Plant, in Espírito Santo, and we have interest in the consortium that owns the Guilman-Amorim Hydroelectric Plant, in Minas Gerais – together, they account for approximately 20.3% of our total annual consumption.

The remainder of the power we consume is purchased by means of contracts with electric utilities of the Brazilian hydropower system. In 2012, we continued a project that will enable our access to the power grid of the *Sistema Interligado Nacional* (National Interconnected System) at the Germano unit (MG), so as to improve our power abstraction and offer safety to the power supply necessary for Samarco operations.

Consumption and self-production of electricity ¹	2010 (MWh)	2011 (MWh)	2012 (MWh)	2012 (GJ) ²
Annual consumption	1,957,295	1,946,590	1,994,842	7,181,431
Purchased from third parties	1,649,226	1,573,410	1,747,889	6,292,400
Generated by the company (hydropower)	392,482	423,546	395,198	1,422,713
Energy sold	45,145	3,348	142,868	514,325

1. Total number of direct power generated considers only electricity (hydropower), and does not include fuel oil, natural gas or mineral oil.

2. As of 2012, the measurement unit for the EN3 indicator is GJ and no longer MWh.

In 2012, our total power consumption was 1,994,842 MWh, an amount similar to that of 2011. All generation surplus was commercialized in the free market, with a view to maximizing the earnings in the Company's energy balance. Starting 2012, we began to report the data in gigajoules (GJ), a unit which allows us to compare performance with other organizations and international references.

There was an overall increase in the consumption of energy at the Samarco operations, as shown in the table above. This was due to the use of lower grade iron ore, which requires greater use of grinding equipment. Seeking alternatives for a more efficient use of energy, the Company invested in specific projects which made it possible to reduce consumption by 5080 MWh. One of the projects used Lean Six Sigma technology and contributed toward the reduction of energy consumption at the Second Concentrator in Germano.

Dams, tailings and waste



Pile downstream of the Germano Dam – Germano, MG



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We have a system, at the Germano unit (MG), comprising three dams, where the tailings generated at the processing stage are stored. The water derived from that process is reused internally and also treated in the Industrial Waste Treatment Stations.

In order to ensure risk identification and control, as well as the impacts related to tailings management, we use the FMEA (Failure Modes and Effects Analysis) methodology. That analysis technique may be used to assess the potential for the occurrence of failures in structures, equipment and processes, as well as the possible consequences for the environment, and health and safety of people.

We are studying economically feasible ways to reuse our tailings, as well as disposal technologies with lower impact than those used nowadays. Samarco's Tailings Disposal Plan (TDP) is a document with the information used to support the operations until the depletion of the ore reserves.

In 2012, the two iron ore concentration plants generated 16.69 million tons of tailings, separated into slime and sand. Those materials were conveyed and disposed of in Germano and Fundão dams and in the Germano pit stacking. The increase in generation, compared to 2011, occurred due to the high production of the concentration plants and also of beneficiated iron ore, which had a lower content of iron than in the previous year, and thus contributed to the increased volume of tailings in the dam.

With regard to the movement of overburden, carried out to get rid of the ore as mining progresses, essential to the

performance of our activities, we reported an increase in generation of this material from 2011 to 2012, with a total of 13,222,453 wet metric tons. The mass moved has grown over the past years due to the increase in the production of concentrate by Samarco.

The waste is disposed of in a controlled manner, according to the safety procedures and environmental laws along the João Manoel Waste Pile and the Alegria Sul Waste Pile. In the future, the material will be disposed of in a new area, the Natividade Waste Pile, which is in final study stage. Samarco also analyzes alternatives to reuse the waste.

Generation of waste

Unit	2010	2011	2012
wmt (wet metric tons)	9,574,323	11,034,698	13,222,453

Generation of tailings

Description (in dmt – dry metric tons)	2010	2011	2012
Samarco Tailing – Sandy	12,411,142	11,133,575	12,195,013
Samarco Tailing – Slime	3,947,447	4,522,911	4,499,651
Total	16,358,589	15,656,486	16,694,664

Natural resources

In 2012, Samarco kept stable consumption indexes for critical inputs for its production process. The only significant change occurred in relation to mineral coal – which had a significant reduction due to a higher consumption of petroleum coke, used for the same purpose as coal in the production process.

Main raw materials and inputs of the Company			
	2010	2011	2012
Coal (t)	217,836	248,316	207,003
Fuel oil (t)	169,380	3,475	2,483
Diesel oil (x 1,000 l)	14,343	15,728	16,733
Limestone (t)	473,126	463,070	439,155
Petroleum coke* (t)	-	-	111,581
Binding agents* (t)	-	-	55,703
Grinding media* (t)	-	-	18,556
Starch (t)	31,498	33,272	35,481
Amine (t)	2,742	2,727	2,833
Natural gas (m ³ /tms)	105,956,000	274,699,000	265,119,692

*Data reported as from 2012.

In the production we use coal, limestone, petroleum coke, binding agents, grinding media, starch and amine. Natural gas and fuel oil are used in the pellet firing process in the pelletizing ovens. In turn, diesel oil is used to fuel off-road trucks in Germano. Only the starch (corn and cassava) is renewable. All the others are non-renewable.

In our production process, we also invest in the use of materials derived from recycling process – which achieved the level of 599 tons in 2012. The main one was the pallet car grates, in which the recycling rate reached 92% of the total.

Recycled materials (t)				
	2010 (t)	2011 (t)	2012 (t)	2012 (%) ¹
Lubricating oil	23.28	56.56	46.54	19
Grinding media ²	462.43	378.82	0	0
Grate bar	416.13	95.98	301.4	92
Mill liner	-	130	0	0

¹Percentage of recycled material on the total material used

² For grinding media, there was generation, but the option was made to group together in larger quantities, for recycling in 2013

Atmospheric emissions

In our production process, we do not release substances that contribute to the destruction of the ozone layer. Samarco only purchases products that comply with Conama resolution 267/00.

In 2012, our emissions of SO_x, NO_x and particulate matter were kept on a stable level in relation to the previous year. In order to reduce the impact represented by the particulate emissions, Samarco started the operation of additional electrostatic precipitators in the pellet plants 1 and 2 in Ubu (ES), and redesigned the chemical dust suppressant system. The project, which involved approximately 500 indirect employees and an investment of BRL 144.2 million, will have its results measured in 2013.

Another important initiative that was continued in 2012 was the project to implement wind fences in the stockpile yards for iron ore pellets and fines. With over BRL 50.5 million in investments in the previous year, the project had 67.1% of accumulated progress, and, when concluded, will contribute to reduce the emission of particulate matter in the stockyards. The total investment forecast is of BRL 88.6 million.

NO _x , SO _x and other major emissions, by type and weight (tons)*			
	2010	2011	2012
NO _x	5,158.60	13,680.40	13,503.00
SO _x	2,673.80	3,081.90	2,986.70
Particulate matter (PM)	1,194.90	1,815.40	1,798.10

*Samarco does not have significant emission of persistent organic pollutants (POP), volatile organic compounds (VOC), stack and fugitive emissions of hazardous air pollutants (HAP).

Biodiversity management

Samarco's operations are situated in regions of important contribution for the country's natural heritage. Therefore, we carry out biodiversity monitoring in all of our activities – except for our administrative and commercial offices – taking into account the main external factors we may generate, such as loss of biodiversity of flora species and disturbance and loss of habitats for the fauna.

As major impacts we have identified, at the Germano Unit in Minas Gerais, the suppression of vegetation, resulting in loss of flora species of the Atlantic Forest and habitats for some fauna species. In order to mitigate those effects, we studied and monitored the local biodiversity and we promoted fauna and flora rescue in our areas of influence. In Espírito Santo, we carried out environmental studies and monitoring activities to classify our current and future impacts, as well as the ecological and economic zoning, so as to support and plan our growth protecting the local biodiversity.



In 2012 we concluded the zoning activity and carried out a similarity study among the Germano legal reserves and the areas we purchased near the Itacolomi Park in Ouro Preto (MG), to check the common aspects and advantages in relation to our currently recorded legal reserves (see chart). That action is part of the legal requirements for the P4P. In 2013 we will conclude the surveys for the zoning of our other properties in Espírito Santo, identifying more fragile areas with preservation potential. Another action initiated in 2012 was the Environmental and Social Diagnosis of the area of Monte Urubu, seeking the implementation of a conservation unit in 2013.

In Minas Gerais, we will begin studies to check for potential areas to release fauna specimens, in the surroundings of the Itacolomi Park, and areas that will be recovered. The purpose is to reallocate our legal reserve areas to the surroundings of the Park, where an area

which is the double of the area currently used in Germano will be established.

As regards the protected area, pursuant to the applicable law, Samarco keeps its legal reserve area standards, regardless of its reallocation. In 2012 we carried out the georeferencing (map record of the position and location) of Samarco properties, with a view to refitting our legal reserve areas after approval of the proceedings by the Brazilian National Institute for Colonization and Agrarian Reform (Incra).

Preserved Sites		
State	Category	Size (ha)
Minas Gerais	Legal reserve	1,133.83
Espírito Santo	Legal reserve	1,095.07



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Mechanitis polymnia butterfly at the Anchieta unit – Ubu

Biodiversity management projects (in progress)

Initiative	State	Action
Monitoring of sea turtles in the Ponta de Ubu Maritime Terminal	ES	Preservation of sea turtles and institutional strengthening – in partnership with the Pró-Tamar Foundation.
Ship ballast water management program	ES	Collection and analysis of ship and sea water, due to high and medium risk of introducing exotic species.
Mãe-Bá Lagoon fish stock enhancement program	ES	Fish reproduction and stock enhancement of indigenous species (adults) of Mãe-Bá Lagoon. (tiger fish - <i>Hoplias malabaricus</i> , angelfish - <i>Geophagus brasiliensis</i> and catfish - <i>Rhamdia sp.</i>). In addition, the monitoring and tagging of specimens was carried out. A program in partnership with SADTEC/UFES and IFES from Alegre (ES). In addition to the fishing communities, the Municipal Fishing Secretariat and the Federal Technological Institute/Alegre.
Enrichment of forested areas and restoration of riparian woods – Muniz Freire	ES	Recovery of a 59.78-ha area owned by Samarco, which lies along the banks of the dam (29.54 ha) and the respective industrial area (30.24 ha) of the Muniz Freire Hydroelectric Power Plant, located in the municipality of Muniz Freire/ES. A program in partnership with rural producers.
Wildlife Rescue Program at Ubu Unit	ES	Wildlife rescue activity in areas before and during the intervention, according to the requirements for the Fourth Pellet Plant Project (P4P).
Fauna Rescue and Monitoring Program at Ubu Unit	ES	Fauna monitoring and rescuing activities, as provided for in the P4P environmental programs.
Wildlife Rescue Program at Germano Unit	MG	Wildlife rescue in areas before the intervention, reallocation of epiphytes, donations and maintenance of seedlings at Germano nursery and wildlife rescue training.
Fauna Rescue and Monitoring Program at Germano Unit	MG	Monitoring and rescuing activities of birds, mammals, fish, reptiles and bees, as well as fauna rescue training.
Similarity survey in acquisition areas in the Itacolomi Park surroundings	MG	Survey on the fauna (birds, mammals, fish, reptiles) that occurs in the region, analysis of the environmental quality in these areas and classification of the existing vegetation.

By means of Environmental Impact Assessments (EIAs), we managed to map the wildlife biodiversity in the Company's areas of influence and operation. By monitoring the species, we managed to observe the impacts in the populations residing in those areas

and developed actions – such as releasing species in preserved areas – in order to mitigate the negative impacts. All environmental impact assessments by Samarco indicate endangered species with their relevant categories.

LIST OF RECORDED SPECIES

Category	Category	Site		
		Germano	Pipeline	Ubu
Fauna	Avifauna	252	148	123
	Mastofauna	39	35	56
	Herpetofauna	64	136	458
	Ichthyofauna	6	18	105
	Meloponids	73	-	-
Flora		590	408	188
	Total	1,024	745	930

During the years 2011 and 2012, wildlife monitoring programs were carried out in Espírito Santo as a P4P requirement, including invertebrates and vertebrates: mammals, birds, reptiles and fish, as well as the georeferenced identification of the occurrence of the species in our sites, mainly in permanent preservation areas, legal reserves and sites near industrial areas.

In 2013, we intend to start a new, three-year wildlife monitoring activity in the Germano (MG) operation, through which annual results of the diversity monitored will be disclosed. We will adopt the same action to rescue the wildlife in seasonal semideciduous forest areas (a biome that belongs to the Atlantic Forest, in areas with two distinct seasons) and vegetation on rocky outcroppings.



Four mammals out of the species recorded in the Samarco region in Espírito Santo are on Ibama's 2003 national list of endangered species, and five mammals appear on the state list. One is an endemic species from the Atlantic Forest, the bristle-spined porcupine (*Chaetomys subspinosus*), which is also present on the list from the International Union for the Conservation of Nature and Natural Resources (IUCN). The other species are regarded as vulnerable: *Leopardus tigrinus* (little spotted cat); *Leopardus wiedii* (margay); *Leopardus pardalis* (ocelot); and *Dasyprocta aguti* (common agouti).

Other endangered species recorded in 2012 in Germano include:

Fauna: *Myrmecophaga tridactyla* (giant anteater), *Leopardus pardalis* (ocelot), *Chrysocyon brachyurus* (maned wolf), *Leucopternis polionota* (mantled hawk). The habitats that harbor endangered species are generally indigenous forests.

Flora: *Dalbergia nigra*, *Melanoxylon brauna* and *Ocotea odorifera* – according to regulatory instruction MMA 06/2008; and *Oncidium gracile* (Critically Endangered), *Paliavana sericiflora* (Vulnerable), *Dyckia rariflora* (Critically Endangered) e *Neomarica rupestris* (Vulnerable) – according to the unofficial list of endangered species from the Biodiversitas Foundation in Minas Gerais.



Bird species at the Ubu Unit – Anchieta, ES

Protected or restored habitats

In 2012 we continued the project to reclaim the Germano pit (the first mined by the Company and currently depleted). We planted graminaceous plants in the recently formed slopes with the disposal of sandy tailing. We also began the acquisition of properties that will be intended for offsetting in the Atlantic Forest, object of plantation and reclamation. Some have already been purchased in the surroundings of the Itacolomi Park.

The plan for 2012 was the rehabilitation of 33 ha of altered areas. 20.85 ha of which were performed. The remainder of the areas depends on clearance by the Brazilian National Highway Department (DER), as the plantations will occur in areas near the MG-129 highway.

Also in Minas Gerais, offsetting plantations were carried out with indigenous species from the Atlantic Forest in the João Monlevade region (MG), and the altered areas were recovered, just like the areas where surveys were performed in the João Manoel Waste Pile and the Fundão Dam.

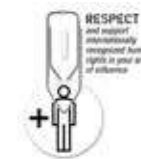
Greenhouse gas emissions

Since 2007, we have been making an inventory of our emissions, based on the methodology of GHG Protocol and ISO 14064-1. In 2012, we recorded a significant reduction in our absolute emissions of GHG of scope 1 (those directly related to production activities) with a total of 1,741,472 tons of CO₂ equivalent (tCO₂eq), compared to 1,837,072 tCO₂eq in 2011. This means that the specific emissions dropped from 82.7 in 2011 to 81.5 in 2012.

The scope 2 emissions (indirect, generated by energy consumption), in turn, increased significantly, from 45,629 tCO₂eq in 2011 to 106,211 tCO₂eq in 2012. This increase is mainly due to the higher emission relative to the consumption of electric energy obtained through the National Interconnected System (SIN), since the use of this resource by the Company remained stable over the year.

According to the commitment we assumed in our last report, of making an account of the pellet carbon footprint, in scope 3, which considers indirect emissions from other sources which are not controlled by Samarco, we changed the method of calculation for 2012. Starting with the inventory for that year, we analyzed all of the emissions of scope 3 involved in the pellet production process, from the extraction of the iron ore to the delivery of the product at the ports of all of Samarco's customers.

After this in-depth study, it was found that the point that required greatest attention in the chain was the steel making phase, accounting for over of a ton of CO₂ equivalent for each ton of processed pellets. Another point requiring attention is the overseas shipping of the pellets to the yards of Samarco's customers, which, in 2012, accounted for just under 1,500,000 tCO₂eq. Due to the broader approach involved in this indicator, the emissions of scope 3 increased from 4,091 tCO₂eq, in 2011, to 28,880,033 tCO₂eq, in 2012.



Category	Type of activity	Total t CO ₂ eq	Total t CO ₂ eq	Total t CO ₂ eq
Direct emissions (Scope 1)	Fuels	1,653,235	1,550,267	1,510,189
	Heat degradation	195,007	188,815	177,858
	Reagents	5,538	6,410	7,284
	Explosives	474	1,398	2,843
	Sanitary effluents	227	434	410
	Solid waste	390	574	1,021
	Vegetation suppression	3,415	91,924	40,400
	Enteric fermentation	1,459	1,342	1,467
Total direct emissions		1,859,744	1,841,164	1,741,472
Indirect emissions (Scope 2)	electricity	78,788	45,629	106,211
Indirect emissions (Scope 3)	Other sources not controlled by Samarco			28,880,033

Waste

In 2012 there was a reduction in the generation of class I and class II industrial waste. However, there was a slight increase in the generation of household waste. Most of the waste generated by Samarco goes to industrial landfill, but there is reuse and recycling of a lot of class II industrial waste.

The increase in the generation of household waste was due to the larger Samarco and contractor workforce, related mainly to the period with highest demand for labor for the implementation of the Fourth Pellet Plant Project.

Waste Production (t)	Total (t)			% of total waste		
	2010	2011	2012	2010	2011	2012
Class I industrial waste	506.01	1,031.19	670.88	5.18	5.39	3.70
Class II industrial waste	8,381.89	16,771.12	14,058.98	85.76	87.63	77.50
Household waste	885.49	1,335.81	3,410.92	9.06	6.98	18.80
Total household and industrial waste production	9,773.39	19,138.12	18,140.77	100.00	100.00	100.00



Waste Disposal (t)	Total generated (t)			% of total waste			Type of disposal
	2010	2011	2012	2010	2011	2012	
Class II reusable industrial waste - (metal, belt, wood, etc.).	5,412.71	7,143.03	9,960.56	55.38	37.32	54.91	Recycling/ reuse
Class II non-reusable industrial waste (stone wool, glass wool, refractories, etc.).	1,841.34	7,427.55	4,295.16	18.84	38.81	67.81	Landfill
Non-reusable household waste	588.61	930.12	1,330.25	6.02	4.86	7.33	Sanitary landfill
Recyclable household waste (cup, paper, etc.).	122.76	156.02	128.36	1.26	0.82	0.71	Recycling
Organic waste	192.25	377.05	874.80	1.97	1.97	4.82	Composting
Used oil	284.55	303.91	357.23	2.91	1.59	1.97	Re-refining
Waste contaminated with oil and grease	231.24	437.78	268.21	2.37	2.29	1.48	Co-processing
Fluorescent lamps	0.97	3.20	3.99	0.01	0.02	0.02	De-contamination
Medical waste	0.20	0.27	0.67	0.00	0.00	0.00	Incineration
Other hazardous wastes (chemicals, batteries, etc.).	45.33	60.02	45.77	0.46	0.31	0.25	Class 1 Landfill / incineration / recovery
Total disposed waste	8,719.97	16,838.95	17,264.99	89.22	87.99	139.31	-

Waste	Total generated (t)			% of total waste		
	2010	2011	2012	2010	2011	2012
Reusable industrial and household wastes	6,012.27	8,417.79	11,589.15	61.52	43.98	63.89
Waste disposed of to landfills (household and industrial waste)	2,473.88	8,417.69	13,671.53	25.31	43.98	75.39

OUR STAKEHOLDERS

RELATIONSHIP PRACTICES

By means of permanent dialogue with its stakeholders, Samarco strives to establish reliable relationships and add value in a responsible manner

One of Samarco's main management challenges is to establish and keep reliable bonds with the stakeholders. We have developed initiatives for each public with which we interact, as well as specific communication channels to have access to their demands. We are also working on an internal system to record the relationship history of the Company with its stakeholders. In this regard, we have recorded progresses made in the methodology to identify these publics and their interactions with the Company.

For 2013, our commitment is to organize a Stakeholder Matrix, in order to consolidate it as a strategic tool. This project, which will enable Samarco to obtain

an increasingly more accurate knowledge about the expectations and demands of its stakeholders, will rely on a team comprising professionals from several areas of the Company.

By consolidating our Sustainability Model, which will be part of our long-term planning, we intend to connect social dialogue and the way we conduct business that promote the responsible development, adding value to all audiences and to Samarco in a consistent and responsible manner.

Our practices in the value chain



- Towards our employees, we have the responsibility of developing practices which allow the construction of solid careers and the promotion of a healthy, safe working environment which is propitious for development.



- As regards our shareholders, we strive to work based on transparency and on periodical rendering of accounts. We are committed to adding value without losing track of the risks, opportunities and challenges connected to our business.



- A core aspect of our operations, our neighboring communities and those where our ore pipelines pass are the object of an organized policy based on social dialogue, focused on socioeconomic development and the reduction of the impacts we generate.



- Our approach in relation to public authorities and the environmental entities is that of mutual respect: we promote the constant construction and search for sustainable development solutions for the country, adding value to society.



- We consider that the dialogue with opinion¹ forming institutions is also essential to build trust – through an open dialog and the pursuit of joint solutions, we wish to reinforce the positive legacy that Samarco can generate for the stakeholders.



- Our customers are essential for the success of our business, and must also be supported by Samarco as we conduct activities with lower socioenvironmental impact, so as to add value to the stakeholders.



- The supplier chain must constantly seek socioenvironmental efficiency and local development solutions, with a view to areas of direct influence. Moreover, Samarco maintains initiatives with focus on the development and appreciation of these stakeholders.



¹ Among the opinion formers with whom we relate are NGOs, press vehicles, academia, trade entities and religious institutions, among others

EMPLOYEES

Valuing people

Samarco's people management performance in 2012 was marked by its alignment with the Company's strategy



Nayara Tavares Carvalho and Alexandre Cezário Amorim, P4P employees – Germano.



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With more than 2,500 employees in the states of Minas Gerais and Espírito Santo, as well as in offices overseas, Samarco is responsible for keeping management practices that enable professional development, the retention of key professionals, the promotion of a healthy and safe work environment, as well as the socioeconomic development of the regions where it operates.

We currently face two challenges with regard to the Brazilian reality – the need to further the attraction of labor, mainly due to the increase of our production capacity with the P4P, and also the scarcity of qualified professionals on the market, which makes retention a total necessity. In order to achieve a balance between these factors, Samarco is striving to establish benefits, a high quality internal climate, good performance management, and also increase in the system productivity within the Company.

In view of this scenario, in 2012 we started a project for repositioning of the area of human resources, focused on integration among its practices, reinforcing its closeness to the areas of the organization, and working in alignment with the Company's strategy. We also strengthened our model of corporate education, with training and instruction actions which seek to promote the construction of careers.

Corporate education and training leaderships

Samarco has had, since 2011, a corporate education model with focus on the development of its employees, called *Saber Samarco*. Bearing in mind solutions that contribute to the successful strategies of the Company and teams' careers, five schools are offered and concentrate our educational programs: Leadership, Samarco's Identity, Excellence, Technology, and Sustainability.



Samarco Saber event for employees

In 2012 we observed a significant increase in the general average of training hours by employee – from 45h to approximately 56h. We keep emphasizing activities in the Leadership School, which appreciates our focus on retention and training of potential successors. Through that school we apply the programs *Exercendo a Liderança de Si Mesmo* (Exercising Self-Leadership) and *Conectando Pessoas e Resultados* (Connecting Persons and Results), thus training more than 300 employees, in addition to a coaching program we developed for the board and training on leadership and occupational health. We also continued six open programs on leadership training, in partnership with organizations such as the Dom Cabral Foundation, which are offered on an annual basis.

The other schools offered development actions aligned with the strategy, such as the training on Fraud and Corruption Prevention Policy and on Health and Safety, as well as the *Valor do Negócio* (Business Value) Program, an opportunity to expand the systemic view of Technical Career professionals. We also organized specific activities for the improvement of the Company's leadership skills, as well as dialogues involving several leaders and administrators.

We also kept our financial sponsorship of 80% for technical, undergraduate and graduate courses, and 100% for master's and PhD programs. Our investments were mainly distributed between the Germano and Ubu operations.

Investments 2012 – Saber Samarco in reais	
Leadership School	BRL 3,202,653
Excellence School	BRL 2,129,551
Identity School	BRL 172,559
Technology School	BRL 844,660
Sustainability School	BRL 15,648
Total	BRL 6,365,071

Investments 2012 – Qualification in the operations in reais	
Germano	BRL 81,746
Ubu	BRL 1,126,816.86
Total	BRL 1,208,562.86

Average hours of training per year, by employee, broken down by category			
Audience	2010	2011	2012
Management	13,272.4	5,789.79	9,685.33
Technical Career (High School + College-Level Training)	22,538.2	44,894.75	69,643.73
Operational	66,539	51,735.46	68,617.04
Other (interns and trainees)	1,530	3,864.99	4,865.82
Total	103,879.6	106,284.99	152,811.92
Average Man/Hour	50.4	45.05	55.99



Scholarships offered to employees in 2012				
System	BH	GER	UBU	TOTAL
Graduate	4	13	31	48
Graduate	2	78	69	149
Technician	0	31	22	53
Total per Site	6	122	122	250

Performance assessment

The performance evaluation process takes place in annual cycles and contemplates a joint assessment, involving the manager and the employee, of the performance of the previous year, defining new challenges for the subsequent period. In 2012, we consolidated the fifth performance evaluation cycle, which had 94.5% participation. The most recent evaluation, relative to 2012, will be concluded in the first semester of 2013.

In 2012, we revised the model and the tools for people assessment, in order to simplify and integrate the career processes and take into account all of the dimensions relevant in decision making with regard to people management. The implementation of the changes will take place in 2013, and should be included in the next cycle.

With regard to the performance management of teams, another new approach was to provide training, in the form of e-learning, on this matter, which allowed the employees a more flexible update, adjusted to their working hours and availability.

Expansion of internal audience

In order to support business growth, we recorded an increase in 6.7% in our staff – a trend to be intensified along the next year, with the progress and conclusion of the Fourth Pellet Plant Project works. By the end of 2013, our workforce will have grown by 20%. This represents a challenge to Samarco, bearing in mind the need to integrate the teams into the Company's culture.

In 2012, 132 persons were hired to work on the P4P commissioning and operations. An important ally for these hirings was the trainee program at technical and university levels, which recorded more than 6,300 enrollments in the 2012 edition. Through them, we allocated 67 professionals that have been working since the construction stage for the new plant, integrating them into the Company's practices and strategies. Furthermore, we carried out internal use of our employees, directing them to the P4P operations, so as to add their experiences, mainly for positions of technical level.



Cristian Francis Carlesso de Moura, Maintenance Management – Ubu

Number of employees by job category in 2012	Men	Women
Executive Board/General Management/Management	154	9
Coordination, supervisory, technical and administrative positions	941	234
Operations	1,027	71
Trainees	73	8
Total per gender	2,195	322
Total	2,517	

Number of employees by region in 2012	Men	Women
Espírito Santo	993	144
Minas Gerais	1,202	178
Interns	86	59



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Turnover rate by gender (%)			
	2010	2011	2012
Men	0.34	0.27	0.31
Women	0.07	0.06	0.07
Total	0.41	0.33	0.38

Total employee discharges and hires, by gender	Discharges		Hires	
	2011	2012	2011	2012
Men	73	91	335	219
Women	16	19	45	35
Total	89	110	380	254

2012	Turnover rate by age group (%)	Total dismissals and admissions by age group	
		Discharges	Hires
Under 30	0.06	18	155
Between 30 and 50	0.27	79	98
Over 50	0.05	13	1
Total	0.38	110	254

2012	Turnover rate by region (%)	Total dismissals and admission by region	
		Discharges	Hires
Espírito Santo	0.17	49	128
Minas Gerais	0.21	61	126
Total	0.38	110	254



Nowadays Samarco, in addition to its more than 2,500 direct employees, also relies on approximately 3,000 outsourced personnel operating in its facilities. And in 2012, over 12 thousand contractor employees worked in the implementation of the P4P. For those professionals we offered required training on health and safety, in addition to training on our way of doing business, in particular as described in our Code of Conduct.

In order to improve our talent attraction and qualification mechanisms, we are going to revise our intern and apprentice programs in 2013. The focus is to establish our own qualification models for those professionals and, therefore, expand the development of solid careers in the Company.

Local development

In order to contribute to the socioeconomic development of the regions where we operate, our priority is to hire residents from neighboring communities: in 2012, the local hire rate was 63%, lower than the previous year, but still within our expectations, considering the P4P stages.

We hired a total of 571 individuals during the year, between fixed positions and internships. Those professionals, who live in neighboring cities to our units, are mainly distributed in the operational level and in the internship (course syllabus and vacations) and apprenticeship programs. Two of these professionals were hired to our administration level.



Sebastião Carlos Machado, Port Management – Ubu

The inclusion challenge

Samarco still faces challenges to integrate diversity policies into its management. On the bright side, the Company complies with the minimum rate of 5% of professionals with special needs in its staff as required by the law.

87.2% of the employees are male, and 80% of those holding executive board positions are aged 31- 50 years. 53.2% of the total male employees are afro-descendants, while 40.4% of the women are afro-descendants. There are no women or afro-descendants holding executive board positions.

Our guideline is to hire persons and to define our compensation practices bearing in mind the applicant's qualifications, without special attention to aspects such as gender, ethnics or age group. The wages are defined according to the position, not to person holding it. Therefore, there is no difference, for example, between the wages paid to men and women.

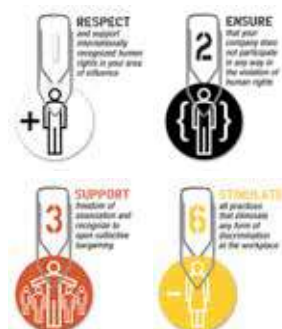
Composition of the employees by age group and gender	Under 30		Between 31 and 50		Over 50	
	2011	2012	2011	2012	2011	2012
Men (total)	547	566	1,298	1,406	208	223
Women (total)	92	93	207	220	7	9
Men holding executive board positions	0	0	2	4	2	1
Women holding executive board positions	0	0	0	0	0	0

Composition of the employees by race/ethnics and gender	Black Men		Black Women	
	2011	2012	2011	2012
Total	53.4%	53.2%	40.5%	40.4%
Men holding executive board positions	0	0	0	0
Women holding executive board positions	0	0	0	0



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Compensation practices

Samarco's compensation policy is commensurate with its size, its location and market context. The Company's minimum pay is BRL 1,250.00 (considering a daily workload of eight hours) and was negotiated and agreed upon with the main unions that represent the employees in Minas Gerais and Espírito Santo. This is equivalent to 2.01 times the Brazilian minimum wage and is applicable to only 1% of its staff – the other employees receive wages above the minimum.

As regards the Profit Sharing Program (PSRP), Samarco paid an average of 4.7 wages to its employees in 2012.

Benefits and labor relations

As part of its strategy to attract and retain the best professionals, Samarco offers a benefits package that comprises all employees. We offer private pension plan, group and personal life insurance, credit and housing cooperative, educational benefits (book allowance, school kit and scholarship), holiday loan, Christmas gift basket, meal voucher, Profit Sharing Program and funeral allowance.

Meals, medical assistance and transportation allowance are benefits required by law. For interns and trainees, who work under temporary contracts, there are some benefits that depend on minimum time to be enjoyed – such as private pension plan, credit cooperative, scholarship and health insurance for retired employees – and, therefore, they are not available.

Samarco also offers the Pre-retirement Plan (PRP). In 2012 we held lectures for about 30 individuals and promoted 42 consultancy appointments. There was also the PRP Seminar, attended by 17 employees and 14 spouses. On this occasion, five employees who were reaching 60 and were about to leave the company were honored.

Samarco's practices as regards topics such as compensation, benefits and collective bargains are based on the relationship with its employees in Brazil: the Metallurgical, Mechanical, Electrical and Electronic Industry Workers' Union and the Waterway Transportation Workers' Union, both in Espírito Santo, as well as the Iron and Base Metals Mining Industry Workers' Union in Mariana, Santa Bárbara, Barão de Cocais, São Gonçalo do Rio Abaixo and Rio Piracicaba, and the Iron and Base

Metals Mining Industry Workers' Union in Belo Horizonte, Nova Lima, Itabirito, Sabará and Santa Luzia, in Minas Gerais.

Manual provided to Samarco employees

Nowadays, 100% of our employees are covered by collective bargain agreements. Samarco ensures the right to free association in all its operations, as set forth in its Code of Conduct, and allows the unions to use its facilities for activities, provided they comply with the sites' safety and risk control standards.

We also communicate, on a permanent basis, operational changes and topics such as vacation shutdown, pursuant to the labor law, and we have rules to address the transfer of employees between units. In such cases, we offer prior notice and allowances, such as temporary housing paid by the Company.



Recognition

In order to recognize the achievements of the employees who have been with the Company for 10, 20, or 30 years, we have established an annual event. In 2012, 135 people from the operations in Minas Gerais and Espírito Santo were honored at this ceremony, which has the participation of family members and Samarco leaders.

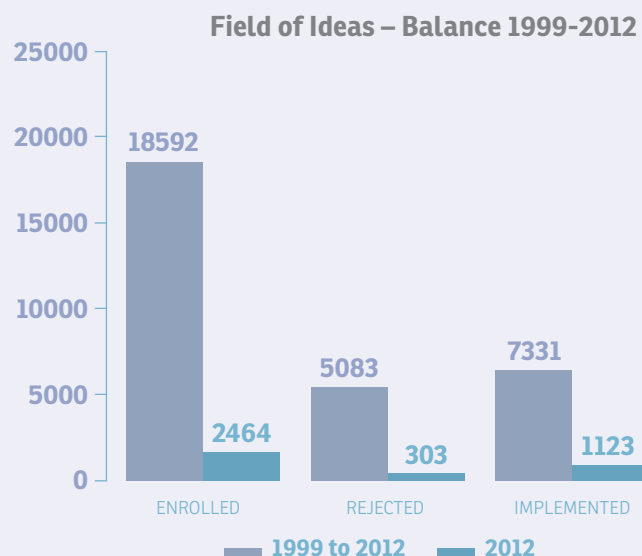
It is also a priority for the Company to reward good practices developed by our professionals in the ongoing quest for improved operational efficiency, using methodologies such as Field of Ideas, in place since 2009 and Lean Six Sigma (LSS) and Kaizen – which, together, reported over 400 projects implemented in 2012, with a financial return of BRL 101.3 million. Another methodology which we use is Capital Project – applied to projects which involve investments of more than BRL 1 million – which requires more detailed planning based on the best practices of IPA (Independent Project Analysis) and PMI (Project Management Institute).

In order to recognize the best initiatives, we organized, five years ago, the Annual Recognition Event. In 2012, it underwent changes, with formal presentations of the projects and evaluations carried out by an outside panel. The selection of initiatives contemplates the methodologies of LSS, Kaizen, Capital Project and Field of Ideas (Campo de Ideias). In 2012, ten projects received recognition, of which three via Field of Ideas, two via LSS, three via Kaizen, and two capital projects.

Field of Ideas

In place since 1999, this Samarco program encourages employees, trainees and contractors to contribute with ideas and solutions which innovate or improve the Company's various processes.

One of the benefits observed in this program is its financial return. The calculations show that the ideas recognized in the annual events in 2010 and 2011 will generate a return of some BRL 4.1 million per year, over the next five years, compensating the investments made in generation and implementation of the ideas.



Commitment

For the year 2013, we reinforce Samarco's purpose to progress towards the preparation of leaderships to face the challenges posed by the personnel and business management, in the repositioning of the human resources area, closer and closer to the internal audience, and in the effective integration of more than 500 persons to be hired due for the P4P.

CUSTOMERS

Focus on segmentation

Volatile iron ore prices taught us more about our customers and the markets they work in, leading to products with higher added value and teams focused on relationships

The scenario of instability in the iron ore mining industry required Samarco to adopt new measures in order to adapt to the new market dynamics. Our main focus in 2012 was to strengthen relationships and adapt the value added to the products to meet the needs of the steelmaking industry.

The Samarco customer chain is essentially located outside Brazil: 97% of our production is exported. We ended the year with 34 customers in 20 countries, located in Europe, Africa, Asia, the Americas and the Middle East.

Our sales team is structured to serve our customers in Brazil and abroad. The sales, business intelligence and marketing functions at our Hong Kong and Amsterdam offices enable us to obtain in-depth knowledge of the markets we work in and the agility to respond to our customers' demands. In the area of management, the strategic committee on Customers and Markets held meetings during the year, and we conducted bi-monthly conferences with the sales teams to adjust our plans and strategies to the current scenario.

The year 2012 was marked by volatility in prices and by a reduction in the visibility of long term demand. In response, we reinforced our strategy of maintaining a balance among the regions in terms of the Company's results. We redirected our sales strategy towards a focus on our higher value added product and sought to enlarge our client base.

After implementing this new commercial format, we began to adopt proposals of differentiated value for each customer, according to their needs and the challenges posed by the steelmaking chain. In 2013 we will develop a new segmentation tactical plan, defining pricing practices,

level of technical assistance and customized solutions according to the profile of each segment, while still meeting the standards of excellence of our business.

Satisfaction with service

In order for the Company to grow, we must maintain stable, transparent and ethical long-term relationships. We use the Customers Satisfaction Index (CSI) to evaluate the quality of our services and our attention to our customers. This internal model has made monthly measurements since 2005, based on a methodology guided by the National Quality Program (PNQ) and by ISO 9001.

The system collects information and evaluations regarding a variety of topics like loading efficiency, quality standards of the products loaded, quality and terms of delivery and complaints. The final index presents an average of these items, and their weight is defined by taking into account the value perceived by the market and its importance in the chain, and allows us to plan improvements in accordance with customer demand and observations.

In 2012, our level of satisfaction was higher than in the previous year, and reached a level of 89%. We improved our indicators in terms of the quality of deliveries and efficiency in the use of our port operations, with shorter wait times for the ships. We also made advances in meeting quality specifications for products shipped.

Customer Satisfaction Index - CSI (%)

2010	2011	2012
83	85	89



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Loading, Ubu Port – Anchieta, ES

OUR PELLETS IN DETAIL



ACCESS THE LINK WWW.SAMARCOQUEAGENTEFAZ.COM.BR TO SEE THE ANIMATED INFOGRAPH.

SOME COMMON USES

1. AIRPLANES
2. TRANSMISSION TOWERS
3. CUTLERY
4. RAZOR BLADES
5. HOME APPLIANCES
6. ELEVATORS
7. BUILDINGS
8. CARS
9. RAPID-TRANSIT SYSTEMS
10. CRANES
11. PIPES



SUPPLIERS

In support of local development

Our contract management focuses on encouraging the development of suppliers in neighboring communities and establishing relations based on joint improvement

The practices adopted by Samarco in the supply chain are in harmony with the objective of contributing to the socio-economic development of all the regions influenced by the business. Today, we have some 4.9 thousand active suppliers, responsible for providing us with essential inputs for our operations, like natural gas, limestone, anthracite coal, green petroleum coke and bentonite, as well as services, equipment and materials.

Our supply chain is based on the Strategic Purchase Matrix, which covers three aspects to evaluate the internal relevance of our suppliers: disbursement, complexity of the market and impact on Samarco's business. By crossing these criteria, we are able to define the negotiation strategy and the level of relations with the companies. To ensure honesty in contracting procedures, we base our actions on our Code of Conduct, the Corruption and Fraud Prevention Policy, and the Anti-trust Compliance Policy. We also offer training activities focused on Contract Management for analysts, managers, contact monitors and employees with upper level positions. In 2012, we trained 118 people.

All the contracts we sign include specific clauses on safety and human rights, in addition to covering the prohibition against the use of slave labor or child labor.

In relation to the practice of sub-contracting, we have a procedure established to bring these companies in line with Samarco's values. In the case of service providers, we also conduct annual audits to evaluate their compliance in regards to these topics, covering aspects of the indicators created by the Ethos Institute for Business

Social Responsibility. If any non-conformity is identified, the contractor must prepare an action plan to improve that process. In the evaluations made by the end of 2012, we did not find any evidence of slave or child labor.

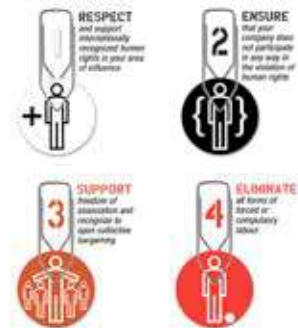
Another topic valued in contract management is the commitment to sustainability: our main input suppliers must commit to conduct their activities in conformity with environmental improvement and safety standards when they sign the documents, in accordance with current law and with the internal policies of Samarco. We carry out environmental management audits in the main service suppliers. For 2013, we plan to extend these analyses to also cover the companies from which we purchase inputs.

Based on our Headquarters, we selected the essential suppliers for Samarco's business and conduct an annual report, focused on aspects of delivery, analyses and management of risks and business and socio-environmental management. In 2012, 21 raw materials suppliers, 60 materials suppliers and 66 services providers participated. The audits based on the Ethos indicators covered 40 companies.

We work to periodically improve our contract management services, reviewing controls and evaluation and chain development procedures. For 2013, we plan to modernize our system, focusing on reducing costs, increasing productivity and structuring governance on this topic, as well as on making improvements to the evaluation model, considering the different categories of suppliers.



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Meeting with local suppliers



Recognition of performance

For the past 12 years, Samarco has given out the Samarco Excellence Award to encourage and value the performance of our suppliers in relation to good business management practices and sustainability. The most recent Award ceremony was held on August 28, 2012, in Espírito Santo, during the month in which Samarco commemorated its 35th anniversary. At that time, twelve companies that achieved excellent results in 2011 and 2012 received awards. One company was recognized for its performance in the security area.



2012 Samarco Excellence Award – Vitória, ES

Local chains

Samarco is committed to valuing local suppliers; that is, suppliers located in the communities neighboring our operations, from Germano (MG) to the Ubu unit, in Anchieta (ES). In addition, the municipalities of the greater Vitória metropolitan area in Espírito Santo are also now considered neighboring communities, a result of the social dialogue between Samarco and the local populations.

We seek to prioritize contracting with companies in the region whenever possible. We believe this helps to create job opportunities, raise tax revenue and make the local economy more dynamic. In all, our expenditures with local suppliers were BRL 332.5 million in 2012. This amount represented 40.1% of all the purchases made throughout the year by Samarco. In addition to this contracting, we have some mechanisms to encourage the development of companies in our area of influence,

like the participation in business rounds and events, inclusion of contractual clauses that require the opening of branches in the locations where we operate and the purchase of some materials exclusively in neighboring cities.

Within the scope of the P4P we follow the same premise. By the end of 2012, 68% of all acquisitions for the Project were done through companies located in Minas Gerais and Espírito Santo. To also encourage contractors to purchase from local suppliers, we developed the Local Supplier Catalogue, with specific editions for Ubu and for Germano. Use of the catalogue is voluntary and free, and merchants can publicize a variety of products and services, whether or not they are directly related to P4P works. The Catalogue was distributed during 2012 to our contractors, to other companies in the region, and to partner institutions and establishments.

SOCIETY

Building together

We began the work of re-defining the Company's socio-institutional strategy to better focus on the social and economic development of the communities where we operate

Through these operations we have a presence in 81 communities in 29 municipalities in the states of Minas Gerais and Espírito Santo, covering more than 840 thousand people. The size of this impact exposes Samarco to the responsibility to establish transparent communications with society and with the different spheres of government, a commitment we reinforced in 2012 with the creation of the Communications and Socio-institutional Development Management Area.

This area reflects our maturation in relation to this topic, and puts into practice our objective of building trust with society and promoting mutual development, which is described in the Sustainability Model and in our Strategic Map.

It is the responsibility of the Socio-institutional Development Management Area, which is part of this

new Management Area, to manage relations between the Company, the communities and the government, and to define social and institutional investment policies.

The year 2012 was relevant for the structuring of a more consistent development model based on our practices. As part of the review of our socio-environmental and business plans, with an emphasis on the Sustainability Model, we developed the Social Transformation Strategy, which defines investment and management priorities in accordance with local needs and the Company's essence. The idea is to act on the axes of education, professional training, civic engagement and social participation and to make these more dynamic in the regions where we work, in addition to strengthening dialogue between the government, Samarco and the community. This strategy will be effectively implemented in 2013.



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Priorities for socio-institutional investment

- Contribute to improving Basic Education (Elementary and Secondary) with a focus on students between the ages of 11 and 17.
- Contribute to training local workers and for their entry onto the labor market.
- Encourage income generation in this region in a sustainable manner, through entrepreneurship.
- Strengthen production capacity of the Samarco ecosystem in the region, by strengthening institutional capital.
- Strengthen management of the region, through training of public and community leaders and establishment of collaborative networks.
- Promote civic engagement and social participation and encourage development in the region, by encouraging volunteering by employees and contractors.

Currently, the actions by Samarco in this axis are based on the Institutional and Social Investment Policy (PIIS), which establishes support for projects and initiatives in two ways: direct or indirect. Internally, we also separate the contributions into two categories: institutional (sponsoring of events, for example) or social. Our guideline is to invest 0.1% of the Company's sales (which was equivalent to BRL 7.44 million in 2012) in each of these pillars.

Our socio-institutional investment in 2012 was around BRL 10.2 million. In addition to this were the investments within the scope of the Fourth Pellet Project (P4P), which will be concentrated in 2013 and will total more than BRL 8.6 million.

Since the beginning of our first bidding procedure in 2007, we supported 376 projects and social sponsorships. Of these, 200 were finalized, 132 continue under monitoring and 44 are under support of the 2011/2012 invitation to bid. As a result of the search for enhanced focus on the projects aligned with the Social Transformation Strategy, we opted to not issue invitations to bid for the 2012/2013 period.

Industry and government relations

In order to map out solutions that allow sustainable growth of the country, Samarco engages in dialogue with other companies in the industry, as well as the different levels of government.

In 2012, we continued our participation in forums with communities and the government related to our direct areas of influence: Anchieta, Guarapari and Piúma in Espírito Santo. In this region, in an agreement referring to the P4P, we signed a Socio-Environmental Commitment Statement (TCSA), which has supported Samarco's actions and investments since 2011 in an ongoing dialogue with the State Government, the State Environmental and Water Resources Institute (Iema), the Public Attorney's Office and the governments of the municipalities mentioned.

Among our achievements are the structuring and equipping of the Intelligence and Image Center for the Southern Region of Espírito Santo (Condesul), in order to identify irregular occupation, care for the infrastructure of the cities and provide improved safety and quality of life for the population.

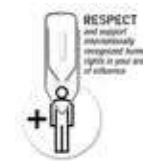
We also continued to participate in the Business Movement of Espírito Santo (Espírito Santo in Action). At the federal level, one of entities we are a member of is the Brazilian Mining Institute (Ibram).

Management of relations and impacts

Measuring and managing all the advances and opportunities for improvement in community relations is a priority for Samarco. For this purpose, we have methodologies structured to accompany social, economic and environmental impacts of our activities, as well as an exclusive channel to strengthen our ties with the communities surrounding our operations and to respond to their needs.

This is the Samarco Relationship Center, available through the "Contact Us" page at www.samarco.com, and at the toll-free number 0800 031 23 03. The purpose of this center is to assure that we receive questions, complaints, suggestions and demands from our stakeholders.

More than 5.3 thousand comments were recorded at the Center in 2012. Of these, 5,094 were concluded. We received an expressive volume of contacts as a result of the P4P: 995.



Samarco Call Center (2012)			
Topic	Contacts made	Contacts resolved	% of Comments resolved ¹
Total comments	5,334	5,094	96%
Complaints	875	752	86%
Accusations	34	31	91%
Comments on the P4P	995	859	86%

¹The failure to conclude processing of some reports refers to the time of response, the nature of the matter, or the date of contact logging.

We use the Community Satisfaction Index to evaluate the perception that the communities have regarding our activities. To obtain this index, we conduct a survey of more than 1.7 thousand people who live close to Samarco's mining operations, plant, pipeline and port. In 2012, we achieved a 72% rating, which evaluates aspects like the attention paid by the Company to communities and the benefits generated by the operation.

Our impact management also takes into account our own indicators, which we structured to measure our contribution to improving standards of life and for promoting growth in the regions under our influence. In regards to the P4P, for example, we have a project that evaluates socio-economic and environmental data related to their implementation.

We apply the Local Development Contribution Index to all our operations. This tool enables us to analyze 44 economic and environmental indicators in the regions where we work, in order to evaluate the opportunities we create: jobs, taxes, income, and the effect we must manage and mitigate. This index will undergo a revision in 2013 to integrate it into our socio-institutional strategy in a more effective manner.

Social dialogue

We have several channels for social dialogue to hear the demands from neighboring communities. Within the scope of the P4P, we have an annual calendar of meetings with the communities in Espírito Santo and Minas Gerais, and we also conduct this practice in regards to other capital projects. Over the course of the year, we held 239 meetings with the participation of 5,795 people.

Another important tool is the operations visitation program. In 2012, we conducted 55 visits and tool almost 1.3 thousand residents, students and other interested persons to our operations at Germano (MG) and Ubu (ES), as well as to the Muniz Freire Hydroelectric Plant.

In 2012, we also maintained channels like the Samarco Environmental Licensing Accompaniment Forum (Falas), coordinated by the State Environmental and Water Resources Institute (Iema) at the Company, and which is composed of representatives from the municipal governments of Anchieta, Guarapari and Piúma, from the communities, and from entities that make up the Benevente River Basin. In 2012, we met with more than 110 people in four meetings.

Eight issues of the bulletin “Side by Side” were distributed to the communities neighboring our operations and along the pipelines; four issues were distributed in Minas Gerais and four in Espírito Santo, with total annual circulation of 48 thousand copies. The objective of the publication is to present Samarco’s main initiatives that impact these communities.

Side by Side (Lado a Lado)
newsletter, Espírito Santo edition



Principal projects

Environmental Education Program – This program has been conducted since 1997 and serves schools, communities and rural producers close to our operations with activities that promote environmental awareness. In 2012, we served 3.7 thousand students from 27 schools in the two states. In the communities, we reached more than 300 people with training activities focused on topics like correct management of water and waste. We also trained some 700 farmers on how to increase production, reduce the need for agricultural inputs, provided technical assistance and development of specific reports on their activities.

An example of an action in the communities is the social project Water of Life, which encourages the construction of green septic tanks in six communities in the region surrounding Mariana and Ouro Preto (MG), training residents and disseminating this simple, low-cost technology. Some residents also receive equipment for the capture and storage of rainwater and solar heating

systems made from recyclable materials, developed in workshops with the residents.

In Meaípe (ES), Samarco supported the construction of a daycare center designed for sustainability, which uses a system for catchment of rain water and solar heating. Also near Ubu, more than 50 families benefitted from the Energy of the Future project, which installed home solar heaters made from PET bottles.

Volunteering – With the support and participation of our employees and contractors, we carried out actions on Volunteer Day (V-Day) in 23 municipalities in Minas Gerais and in Espírito Santo, benefitting approximately 47 thousand people. We also encouraged our employees to allocate up to 6% of their Income Tax Due to the Municipal Councils on the Rights of Children and Adolescents, through the Solidary Income Tax Program. In 2012, 330 volunteers allocated a total amount of BRL 204.058,07, 20.5% more than in 2011. Another important activity is Junior Achievement, an NGO we help sponsor that develops actions focused on entrepreneurship and academic success. We have established partnerships with ten schools, and through the involvement of 62 volunteers from the Company, we serve 925 students in the two states.



Members of the Committee Amigos em Ação refurbish the Mariana Child Education Center on 2012 Volunteering Day



ENGAGEMENT
SAMARCO
Annual
Sustainability Report
2012





Students from the State School Antonio Pereira participate in circus activities promoted by the Project Citizen of the Future.

Citizen of the Future – Designed by Samarco in partnership with the Public Attorney's Office of Espírito Santo, the municipal government of Anchieta and residents' associations, this program sponsors art, dance sporting and music activities for public school students to complement their academic work. In line with our Social Transformation Strategy, we extended the initiative to Minas Gerais, reformulating the old Inclusive Local Development Program (PDLI). In this state, the program provides circus-related activities to develop cognition,

balance and concentration. In both Minas and Espírito Santo, the Project serves students between the ages of 8 and 16. In 2012, some 300 students were served.

Samarco Supports the Community – This initiative focuses on valuing and preserving local culture. Last year it sponsored 15 initiatives in Minas Gerais and in Espírito Santo, investing more than BRL 54 thousand in events, festivals and artistic concerts.

From trash to income generation

One of our relevant socio-environmental initiatives, conducted with the socio-economic development of the communities, is the Cooking Oil Reutilization Project, developed in the cities of Mariana and Ouro Preto (MG), since 2011, and implemented in Anchieta and Guarapari (ES) in 2012.

Unique in the region, the purpose of this initiative was to reduce environmental pollution through the proper disposal of waste, together with income generation for associations of trash pickers registered with the project. In Minas Gerais, 15,410 liters were collected by four trash picker associations, generating extra income of BRL 6.4 thousand. In Espírito Santo, 60 volunteer delivery points were installed, and many of the collection points were made available in public schools in the two municipalities, to develop the practice of environmental education in the day-to-day activities of the students. In all, 30 thousand students and 3 thousand professors of the public education network of these municipalities were involved.

We received an important recognition in 2012: the project was among the ten finalists in the Green Project Brazil Award. This initiative has been in existence since 2008 and recognizes sustainable development projects. In its first year in Brazil, more than 200 actions were registered as candidates for the award.



REPORT



**WE ARE WHAT WE
ACCOMPLISH.**

ABOUT THE REPORT

MATERIALITY MATRIX

In addition to providing a framework for this report, the definition of the most relevant themes for Samarco allows us to make progress in socioenvironmental management



Project Renda de Bilro. Meaípe, Guarapari - ES

**REPORT
SAMARCO**
Annual
Sustainability Report
2012

In order to improve the management of the relations between Samarco and its stakeholders, in 2011 we developed, for the fifth time, our Materiality Matrix. The process was conducted by the company BSD Consulting and involved a survey among internal and external stakeholders (the latter through an online questionnaire), in addition to a specific workshop with 24 participants, focused on the themes of the GRI indicators and materiality.

The development of the matrix had the contribution of employees, shareholders, suppliers, customers and representatives of the communities, government agencies and the press, among other areas. The results led us to identify 16 themes considered to be of high relevance, which will be our reference until 2013, when the matrix will be reviewed.

In addition to serving as a basis for this report the Materiality Matrix allows us to achieve consistent progress in the field of socioenvironmental management. With the development of the Strategy Map, which defines Samarco's business guidelines for the next ten years, we chose to perform a critical analysis of the matrix in 2012, matching the strategy topics to the themes prioritized in the matrix.

Throughout the year, we had some difficulty in systemizing the methodologies for stakeholder-specific dialogue and relations. However, the evolution of our activity framework will allow us to advance in a more consistent manner in the incorporation of the perceptions of our stakeholders. For 2013, our commitment is to structure the Stakeholder Matrix, a tool which will assist us in this process.

Our material themes	Their location in the report
Conduct management	Management
Transparency in rendering of accounts	Management
Management and monitoring of Code of Conduct	Management
Maintenance of image and reputation	Management
Financial results	Economic performance
Fourth Pellet Plant Project (P4P)	Operation
Occupational health and safety	Operation
Greater mining efficiency	Environment / Operation
Water resources management	Environment
Continuous reduction in consumption of natural resources	Environment / Operation
Preservation of biodiversity	Environment
Reclamation of altered areas	Environment
Waste management	Environment
Management of particulate matter emission	Environment
Management of greenhouse gas emissions	Environment
Contribution to local and regional development	Our stakeholders

GRI APPLICATION



Statement GRI Application Level Check

GRI hereby states that **Samarco Mineração S.A** has presented its report "Annual Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

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

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

Amsterdam, 15 May 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Samarco Mineração S.A has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

To the Board of Directors and Shareholders of
Samarco Mineração S.A.
Belo Horizonte – MG

Introduction

We have been contracted with the purpose of applying limited assurance procedures on the sustainability information disclosed in the Annual Sustainability Report of Samarco Mineração S.A. ("Company"), related to the year ended December 31 2012.

Responsibilities of Company Management

The management of the Company is responsible for the preparation and adequate presentation of the sustainability information disclosed in the Annual Sustainability Report according to the Guidelines for Sustainability Reports of the Global Reporting Initiative – GRI (GRI-G3.1), the Sector Supplement "Mining and Metals Sector Supplement – RG Version 3.0/MMSS Final Version" and using the internal controls that it determined as necessary to enable preparation of such information free of any relevant distortion, even though it was resulted by fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in Annual Sustainability Report based on the limited assurance engagement conducted in accordance with Technical Notice (CT) 07/2012 approved by the Federal Accounting Council and prepared in accordance with NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), issued by the Federal Accounting Council - CFC, which is the equivalent to international standard ISAE 3000 issued by the International Federation of Accountants applicable to Non-Historical Information. These standards require compliance with ethical requirements, including independence ones and also that the engagement is conducted in order to provide a limited assurance that the information disclosed in the Annual Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) primarily consists of questioning to the management of Company and other Company's professional involved in preparing the information in the Annual Sustainability Report and also applying analytical procedures to obtain evidence that allows us to make a limited assurance conclusion about the information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor learns of issues which lead them to believe that the information in the Annual Sustainability Report, taken as a whole, could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation and presentation of the information in the Annual Sustainability Report and other engagement circumstances and considerations about areas where material misstatement could exist.

The procedures consisted of:

(a) the planning of the work, considering the relevance, amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Annual Sustainability Report of the Company;



(b) the understanding of the calculation methodology and the consolidation procedures used to of the indicators through interviews with the personnel in charge of the preparation of the information;

(c) the application of analytical procedures to the quantitative information and enquiries about the qualitative information and its relation to the indicators disclosed in the information presented in the Annual Sustainability Report; and

(d) the comparison of the financial indicators with the financial statements and/or accounting records;

(e) verification if the organizational and operational limits defined by the Company for preparation of the Annual Sustainability Report are aligned with the criteria established by the Global Reporting Initiative – GRI; and

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited conclusion.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less extensive than those applied in an assurance engagement aiming to express an opinion about the information in the Annual Sustainability Report. Due to this, it does not ensure us that we are aware of all the issues that would be identified during an assurance engagement which aim to express an opinion. If we had conducted an engagement in order to express an opinion, we may have identified other issues and possible misstatements which can be in the information presented in the Annual Sustainability Report. Therefore, we are not expressing an opinion about this information.

The nonfinancial data is subject to more inherent limitations than the financial data, due to the nature and diversity of the methods used to determine, calculate or estimate this data. Qualitative interpretations of the data's materiality and accuracy are subjected to individual presumptions and judgments. Additionally, we did not examine data informed for prior periods or future projections and targets either.

Conclusion

Based on the applied procedures, described in this report, we have not identified any relevant information that leads us to believe that the information in the Annual Sustainability Report of Samarco Mineração S.A., related to the year ended December 31 2012, was not compiled, in all relevant aspects, in accordance with the Guidelines for Sustainability Reports of the Global Reporting Initiative – GRI (GRI-G3.1), the Sector Supplement "Mining and Metals Sector Supplement – RG Version 3.0/MMSS Final Version", and with the records and files that served as bases for their preparation.

Belo Horizonte, May 14th of 2013.



KPMG Auditores Independentes
CRC 2SP-014428/O-6- F-MG

Ulysses M. Duarte Magalhães
Contador CRC 1RJ092095/O-8

GRI INDEX

Our report responds to the indicators related to profile, performance and mining/metals sector of the GRI, considering the G3 version of the guidelines for the development of sustainability reports.

General Indicators	Page	Global Pact	ODMs	Status	Observations
PROFILE					
1.1. Statement from the CEO	8, 9	-	-	Full	
1.2. Impacts, risks and opportunities	14, 27, 43	-	-	Full	
2.1. Name of the organization	11	-	-	Full	
2.2. Brands, products and/or services	11	-	-	Full	
2.3. Operational structure	11, 12	-	-	Full	
2.4. Location of organization's headquarters	11	-	-	Full	
2.5. Geographic scope of activities	11, 12	-	-	Full	
2.6. Nature of ownership and legal form	11	-	-	Full	
2.7. Markets served	12, 13	-	-	Full	
2.8. Scale of the organization	11, 12	-	-	Full	
2.9. Significant changes in year	86	-	-	Full	No significant change occurred in the organizational structure.
2.10. Awards and certifications	15	-	-	Full	
3.1. Period covered by report	10	-	-	Full	
3.2. Previous report	10	-	-	Full	2011
3.3. Reporting cycle	10	-	-	Full	Annual
3.4. Data for contact	10	-	-	Full	Report staff: relacionamento@samarco.com
3.5. Definition of content	10, 82	-	-	Full	
3.6. Boundary of report	10	-	-	Full	
3.7. Scope of report	10	-	-	Full	
3.8. Basis for development of report	10	-	-	Full	
3.9. Data measurement techniques and bases of calculation	10, 55	-	-	Full	
3.10. Restatement of information	10	-	-	Full	
3.11. Significant changes	10	-	-	Full	There were none.
3.12. GRI content index	86 to 92	-	-	Full	

General Indicators	Page	Global Pact	ODMs	Status	Observations
3.13. External assurance	10, 84 and 85	-	-	Full	
GOVERNANCE, COMMITMENT AND ENGAGEMENT					
4.1. Governance	18, 19	-	-	Full	
4.2. If Chair of the highest governance body is also an executive officer	18, 19	-	-	Full	
4.3. Independent members of the Board	18, 19	-	-	Full	
4.4. Communication channels with Board	18	-	-	Full	
4.5. Compensation for sustainability	18	-	-	Full	
4.6. Conflicts of interest	19	-	-	Full	
4.7. Qualifications of Board members	19	-	-	Full	
4.8. Internal values, codes and principles	15	-	-	Full	
4.9. Board activities	19	-	-	Full	
4.10. Board self-assessment	18, 19	-	-	Full	
4.11. Precautionary principle	27	-	7	Full	
4.12. Charters, principles and initiatives	25	-	-	Full	
4.13. Membership in associations	87	-	-	Full	
4.14. List of stakeholders	63, 82	-	-	Full	The list of membership in associations is available in the online version of this report (www.samarcoqueagentefaz.com.br)
4.15. Identification of stakeholders	63, 82	-	-	Partially	The Corporate Stakeholder Matrix is being built, to guide Samarco's relations with its stakeholders.
4.16. Engagement of stakeholders	63, 82	-	-	Full	
4.17. Demands of stakeholders	63, 82	-	-	Full	
ECONOMIC PERFORMANCE					
EC1. Direct economic value	42, 48, 51	-	1 to 8	Partially	Will be reported in the 2013 Report.
EC2. Climate changes	44	-	7	Partially	Will be reported in the 2013 Report.
EC3. Pension plan	87	-	-	Full	The complementary private pension plan is offered in the modality of defined contribution for current employees. At the end of 2012, 97% of the employees were enrolled in the plan. Those that earn up to 10 URs (BRL 3,053.17) contribute with 1% of their salary, and Samarco contributes with an equal amount. For salaries above this level, the employee can contribute at any percentage desired, and the company will match this value up to a limit of 9%. In addition to this complementary pension plan, Valiaprev offers loans, both simple and for real estate purchases. The plan is covered by its own funds, with self-management. However, the administrative and risk charges are paid by Samarco. The Valiaprev plan has 47 sponsors. Samarco has 2623 active participants and 85 assisted participants. The total assets of the Income Plan for the active members in the sponsor are BRL 101,651,157.25.

General Indicators	Page	Global Pact	ODMs	Status	Observations
EC4. Financial assistance from government	87	-	-	Full	Samarco does not receive any financial assistance from the government.
EC5. Ratio entry level wage/local minimum wage	68	1	-	Full	
EC6. Spending on locally based suppliers	75	-	-	Partially	Will be reported in the 2013 Report.
EC7. Local hiring	42, 67	6	-	Full	
EC8. Investments in infrastructure	44, 45, 78	-	8	Partially	Will be reported in the 2013 Report.
EC9. Indirect economic impacts	43	-	-	Partially	Will be reported in the 2013 Report.
ENVIRONMENTAL PERFORMANCE					
EN1. Materials used	57	8	-	Full	
EN2. Percentage of recycled materials	57	8, 9	-	Full	
EN3. Direct energy consumption	55	8	7	Partially	The total consumption of direct energy takes into account only the hydropower generated, not including fuel oil, natural gas and mineral oil.
EN4. Indirect energy consumption	55	8 and 9	7	Full	
EN5. Energy saved	55	8	7	Full	
EN6. Energy efficient products and services	88	-	-	Full	No action was concluded in 2012. New initiatives will be reported in 2013.
EN7. Reduction in energy consumption	88	-	7	Full	No significant changes were achieved in the travel process for 2012. New initiatives will be reported in 2013.
EN8. Water withdrawal by source	54, 88	8 and 9	7	Full	
EN9. Water sources affected	54, 88	8	7	Full	All water withdrawal in Germano is in Permanent Preservation Areas (APP).
EN10. Recycled and reused water	54	8	7	Full	
EN11. Protected areas	57, 58	8	7	Full	
EN12. Impacts on biodiversity	57, 58	8	7	Full	
EN13. Habitats protected or restored	58	-	7	Full	
EN14. Management of impacts on biodiversity	57, 58, 59	-	7	Full	
EN15. IUCN Red List	59	-	7	Full	
EN16. Direct emissions of greenhouse gases	61	8	7	Full	
EN17. Indirect emissions of greenhouse gases	61	8	7	Full	
EN18. Reduction of greenhouse gas emissions	44	7, 8 and 9	7	Full	
EN19. Ozone layer	57	8	7	Full	
EN20. NOx, SOx and other emissions	57	8	7	Full	

General Indicators	Page	Global Pact	ODMs	Status	Observations
EN21. Water discharge	54	8	7	Full	
EN22. Total weight of waste	56	8	7	Full	
EN23. Significant spills	55	8	7	Full	
EN24. Hazardous waste transported	88	-	7	Full	Samarco neither imports nor exports waste. All waste is properly disposed of and treated within the country.
EN25. Affected water bodies and habitats	88	-	7	Partially	Will be reported in the 2013 Report.
EN26. Mitigation of impacts of products/services	23, 57	7, 8 and 9	7	Full	
EN27. Products and packaging materials reclaimed	88	8 and 9	7	Full	Samarco products do not generate materials which could be reused in the Company's process.
EN28. Environmental non compliance	88		7	Full	In 2012, at the Ubu unit, there were five significant penalties, in the amount of BRL 3.194,000.00. There was no deficiency notice or penalty at the Germano unit.
EN29. Impacts of transport	89	-	7	Full	In order to evaluate the impacts of transport, Samarco performs quarterly monitoring of smoke emitted by diesel powered vehicles and equipment. This process includes a test which grants authorization for the equipment to circulate in the areas and directs non compliance cases to maintenance. Every six months, there is also a monitoring of 20% of the fleet using opacity testing, to compare the results among the areas.
EN30. Investments and expenditures with environmental protection	44, 53	7, 8 and 9	7	Full	
SOCIAL PERFORMANCE – LABOR PRACTICES					
LA1. Workforce by employment type	66	-	-	Partially	Will be reported in the 2013 Report.
LA2. Employee turnover	67	6	1, 2, 3	Full	
LA3. Employee benefits	68	-	1 to 8	Full	
LA4. Collective bargaining agreements	69	1, 2 and 3	1 to 6	Full	
LA5. Minimum notice periods for operational changes	69	-	-	Full	
LA6. Health and safety committees	33	1, 2 and 3	5, 6	Full	
LA7. Occupational diseases, lost days and fatalities	33	1	5, 6	Partially	The stratified data will be reported in the next report.
LA8. Programs for prevention of serious diseases	37	1	2 to 7	Full	There are no workers involved in occupational activities with a high rate or high risk of specific diseases.
LA9. Health and safety agreements with unions	89	1	1 to 8	Full	Health and safety topics covered by collective agreements are: training and awareness of employees as to accident prevention, regular use of personal and collective protective equipment and mandatory compliance with safety procedures during execution of activities.
LA10. Average hours of training per year	65	6	2 to 8	Full	
LA11. Continuous learning	64, 65, 66, 68	-	8	Full	

General Indicators	Page	Global Pact	ODMs	Status	Observations
LA12. Career development	66	-	8	Full	
LA13. Diversity	68	1, 3, 6	3	Full	
LA14. Ratio of remuneration men/women	68	1, 2, 3	-	Full	
HUMAN RIGHTS					
HR1. Clauses on human rights in investment agreements	74	-	1 to 8	Full	
HR2. Suppliers screened in human rights	74	1 to 4	1 to 8	Full	
HR3. Training in human rights	89	-	-	Full	In 2012, no training was provided on human rights.
HR4. Incidents of discrimination within the Company	89	1, 2 and 3	-	Full	In 2012, the Ombudsmanship received two reports of alleged discrimination, but the investigation showed that there was no discrimination in either case.
HR5. Freedom of association	69	1, 2, 3	-	Full	
HR6. Child labor	74	1, 2, 3	2, 4, 8	Full	
HR7. Forced or compulsory labor	74	1, 2, 3	1, 2	Full	
HR8. Training in human rights aspects for security personnel	90	-	-	Full	The standard security procedures were reviewed and included issues related to human rights. In 2012, there were no training sessions, however. In 2012, the Ombudsmanship received reports of two cases of alleged discrimination, but the investigation revealed that neither case involved discrimination.
HR9. Violation of indigenous people rights	90	-	-		There were no incidents involving indigenous people in 2012.
SOCIETY					
SO1. Impact management	45, 76, 77	10	7, 8	Full	
SO2. Corruption risk assessment	90	10	8	Full	In 2012, some areas were selected for training on the Policy for Prevention of Corruption and Fraud. However, these areas and units were not submitted to an evaluation of risk related to corruption.
SO3. Anti-corruption training	26	10	8	Full	
SO4. Corruption incidents	27	10	-	Full	
SO5. Public policies and lobbies	76, 77	10	8	Full	
SO6. Contributions to political parties	90	-	-	Full	In compliance with the Samarco Code of Conduct, the Company does not make any financial contributions to political parties, related institutions, or candidates for public office in any country.
SO7. Anti-competitive behavior	90	-	-	Full	No action of this kind took place in 2012.

General Indicators	Page	Global Pact	ODMs	Status	Observations
SO8. Non-compliance with laws and regulations (tax, labor, fraud)	90	-	-	Partially	In December 2012 Samarco was engaged in a total of 909 proceedings, of which 672 judicial, 236 administrative, and one in arbitration, mainly as a consequence of the discrepancy in the interpretation or application of the law. These proceedings are closely followed by our legal and financial departments, individually audited and reflected in the financial statements which are periodically published.
PRODUCT RESPONSIBILITY					
PR1. Evaluation of impacts	90	-	7, 8	Partially	There is no risk identified for customer safety in handling Samarco's pellets. The emission of dust (particulate matter) is not significant and the customer receives instructions for the proper handling of our product. We continually strive to mitigate any potential negative impacts which can occur related to our products, both for the customers and the environment. We also make an effort to assure that the products do not cause physical harm to other parties who are in contact with them. To this end, we rely on studies performed at our labs and in research centers.
PR2. Non compliance – product health and safety	90	1	7, 8	Full	There were no incidents of non compliance in 2012.
PR3. Product labeling	91	-	-	Full	The iron ore pellets are transported duly packaged, and do not have any labels, as they are shipped in bulk vessels. The technical information related to the physical, chemical, and metallurgical properties of the end products are described in contract. Each shipment involves the issue of a certificate with the results of the tests performed.
PR4. Non compliance - labeling	91	-	-	Full	There were no incidents of non compliance in 2012.
PR5. Customer satisfaction	70	-	8	Full	
PR6. Adherence to standards – communication and marketing	91	-	-	Full	Samarco is not a member of regulatory bodies for competition on the international market, nor has it adhered to voluntary codes and regulations related to communication and marketing. In Brazil, Samarco complies with the rules of the Conselho Administrativo de Defesa Econômica (Cade).
PR7. Non compliance – marketing communications	91	-	8	Full	There were no cases of non compliance in 2012.
PR8. Breach of privacy	91	-	-	Full	There were no cases of breach of customer privacy or loss of customer data in 2012.
PR9. Non compliance – supply and use of products	91	-	-	Full	In 2012 Samarco did not receive any fine or external penalty due to problems related to the supply and use of products and services.
SECTOR SUPPLEMENT – MINES AND METALS					
MM1. Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	91	-	-	Partially	In Espírito Santo, there were some 0.785 ha of altered areas and 59.78 ha of rehabilitated areas during 2012.
MM2. The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	57, 58	-	-	Full	
MM3. Total amounts of overburden, rock, tailings, and sludges and their associated risks	56	8	7	Full	

General Indicators	Page	Global Pact	ODMs	Status	Observations
MM4. Number of strikes and lock-outs exceeding one week's duration, by country	91	-	-	Full	No strikes were reported in 2012.
MM5. Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities	91	-	-	Full	Samarco does not have any operations located in indigenous territories and within traditional communities, nor adjacent to such, and has not entered into any formal agreements with any.
MM6. Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples	91	-	-	Full	There are no disputes involving indigenous peoples or traditional communities. Samarco maintains an ongoing dialogue with the landowners along the pipelines' right of way. Any potential disputes are accompanied by the Company's legal and financial departments, individually audited, and reflected in its financial statements, published periodically.
MM7. The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes	91	-	-	Full	There were no disputes or conflicts related to land use, customary rights of local communities or indigenous peoples.
MM8. Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks	92	-	-	Full	Samarco has no risks associated with small scale or artisanal mining in its operations or next to them.
MM9. Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	92	-	-	Full	No resettlements took place in 2012.
MM10. Number and percentage of operations with closure plans	92	-	-	Full	Samarco has an internal procedure which provides for the updating of the closure plan every three years. In anticipation of this requirement, Samarco updated its closure plan in 2011, this time already considering the P4P structures as installed. Therefore, in 2012 no new update was made of the closure plan, as the next one is scheduled for 2014. All of Samarco's operations are considered in the closure plans, which have the main goal of preparing the Company and the communities surrounding its units for the termination of its activities, in terms of economic, social and environmental issues. It is important to point out that the law is silent to a large extent on this matter, which is why Samarco guides its plans by international volunteer protocols, and by its own methodology in other minor issues. The financial forecast established in 2012 for operation closure is BRL 121,786,000.00.
MM11. Programs and progress relating to materials stewardship	37	-	-	Full	

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Juliana Machado Cardoso

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Management of Corporate Communication
Fabiola Boghi – Corporate Communications Analyst
Fernanda Maciel – Corporate Communications Analyst (in memoriam)
Flávia Bueno – Corporate Communications Analyst
Flávia Jacques – Corporate Communications Analyst

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KPMG Auditores Independentes

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The full version of the 2012 Samarco Annual Sustainability Report can also be accessed at (www.samarcoqueagentefaz.com.br/relatorio2012)

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