

Students from the Cônego Unit of Colégio Arquidiocesano
Paulo Dilascio, participant in Samarco's Social Scholarship
Program in Antônio Pereira (Ouro Preto/MG)



João Pedro Marques
and Karlos Eduardo dos Santos

ANNUAL SUSTAINABILITY REPORT 2013

SAMARCO





The development of our Annual Sustainability Report 2013 has been fully carbon-neutral. This means that the net greenhouse gas emissions produced during the course of developing this Report were zero. Emissions deriving from travel and other activities – which totaled 17 tonnes of CO₂ – were offset by planting native tree species in partnership with Instituto Terra.

Cover photo: **Blink Imagens**

*ANNUAL
SUSTAINABILITY
REPORT
2013*

SUMÁRIO

INTRODUCTION	04	DEVELOPMENT	42
ABOUT THIS REPORT	04	OPERATIONAL PERFORMANCE	44
MESSAGE FROM THE CEO	05	FINANCIAL RESULT	48
KEY RESULTS	08	HEALTH AND SAFETY	52
		FOURTH PELLET PLANT PROJECT (P4P)	56
SAMARCO	10	ENVIRONMENTAL PERFORMANCE	62
COMPANY PROFILE	12		
CORPORATE GOVERNANCE	14	ENGAGEMENT	76
ETHICS, COMPLIANCE, AND RISK MANAGEMENT	16	EMPLOYEES	78
PRODUCTION PROCESS	19	SHAREHOLDERS	85
		SOCIETY	87
VISION OF THE FUTURE	24	CUSTOMERS	93
STRATEGY MAP	26	SUPPLIERS	97
SUSTAINABILITY MODEL	29		
RESEARCH, INNOVATION, AND ECO-EFFICIENCY	33	GRI INDICATORS	99
OPERATIONAL EXCELLENCE	36	ASSURANCE REPORT	106
IMAGE AND REPUTATION	38	STAFF	108

ABOUT THIS REPORT

THIS REPORT PROVIDES AN OVERVIEW OF OUR RECENT SOCIAL AND ENVIRONMENTAL PERFORMANCE, UNDERLINING OUR COMMITMENT TO BUILDING TRUST

We are proud to present our main social and environmental results in this Sustainability Report, as we have in the past 11 years. The report was once again developed in compliance with the Global Reporting Initiative (GRI) methodology, and addresses over 100 indicators. As a result, it is able to provide employees, customers, shareholders, communities, and other stakeholders with a comprehensive overview of what Samarco achieved in 2013. GRI 3.1, 3.2, 3.3

Based on our last Materiality Matrix (*see more on pg.32*), we prioritized topics such as behavior standards, transparent accounting, corporate image and reputation, and financial results, in addition to aspects related to our expansion project, the Fourth Pellet Plant (P4P). Prepared in accordance with the G3 GRI guidelines, this report demonstrates the efforts we have made towards implementing increasingly objective and straightforward communication, focused on performance and already aligned with the new G4 version to be adopted in our next report. We maintained the GRI Application Level check A+, as a reward for our success in responding to the complete base of social and environmental indicators,

The data and indicators in our Sustainability Report 2013 are presented in accordance with the G3 generation of GRI Guidelines; we will adopt the G4 Guidelines in the following reporting period.

profile and governance items, as well as to the 11 indicators featured in the Mining and Metals Sector Supplement. In addition to the GRI analysis, the report was submitted to an independent verification process. GRI 3.5, 3.13.

The content we present, obtained through interviews with internal leaderships and a review of corporate material and policies,

provides information about our plants and offices in Brazil and abroad, in addition to data on the P4P. There were no significant changes in terms of data or scope compared to earlier editions of the Samarco Sustainability Report. However, some modifications are expected to take place in 2014, considering that the P4P operations will have been effectively initiated and incorporated into the Company's routine activities. This report further takes into account our commitments to the Global Compact and the Millennium Development Goals, highlighting throughout the text the progress we have made in complying with these guidelines. GRI 2.9, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11

We have prepared a printed version of the report as well as an online version that is available at www.samarco.com. We believe that this document is more than a channel for the Company to communicate with its stakeholders – it is part of an ongoing manner for Samarco to render accounts to Brazilian society.

Therefore, we invite and encourage our readers to voice any questions they may have about this report via e-mail (relacionamento@samarco.com) or phone (0800 031 2303).

MESSAGE FROM THE CEO

GRI 1.1, 1.2

AFTER A DECISIVE YEAR FOR OUR EXPANSION PROJECTS, WE ARE GETTING READY TO REAP THE REWARDS OF OUR INVESTMENTS IN COMPLIANCE, GROWTH AND EXCELLENCE

Managing a company, a business and a team, requires ensuring their smooth operation on a daily basis, with dedication and perseverance. In Samarco's view, this is achieved by relying on three key pillars: Excellence - to do more and better; Growth - to create value through solidity and competence, and Compliance - to always be aligned with our values as well as laws and regulations. Our commitment to these management principles is reflected in the results the Company has attained over its 36-year history. If today we are one of the leading iron ore pellet exporters in Brazil, this is because we have focused on responsible mining, based on ethical principles and respect for people and the environment.

In 2013, we reached a very special milestone, strengthening the foundation of our growth by implementing our Fourth Pellet Plant Project (P4P). The year also brought new drivers for our business management and strategy, in our goal to double the value of the Company and achieve recognition as the best in the industry - as stated in our Vision for 2022.

We ended the year with 98% progress on the P4P, a project that will enable a 37% increase in our annual iron ore pellet production. The Fourth Pellet Plant is the largest expansion in Samarco's history, and one of the most important projects under way in Brazil's private sector, with investments totaling R\$6.4 billion.

At the peak of construction, in June 2013, we had 13,000 workers involved in the activities, counting both Minas Gerais (MG) and Espírito Santo (ES).

During this same period, there were activities to engage the Brazilian population to demand improvements in infrastructure and quality of life, impacting the country's political agenda. As a result of some demonstrations that turned into strikes, organized by contractor employees in Espírito Santo, the P4P execution timetable had to be revised and completion postponed to March 2014. Today, looking back upon those events, we can say that the good reputation and the trust relationships that we have cultivated over the years with our stakeholders - one of the main pillars of our Sustainability Model - allowed us to overcome these difficulties, reinforce our commitment to transparency, and minimize their impact on our financial results.

In addition to ensuring the progress of the expansion works, 2013 was a year marked by our quest for top operational efficiency, ensuring our business competitiveness in a period still marked by economic uncertainty worldwide. We closed the year with a total production of 21,125 million tons of iron ore pellets, in line with our production capacity, and posted the best sales revenue in Samarco's history: R\$7,240.2 million, 9.5% more than in 2012.



2.5

BILLION REAIS

invested in expansion and efficiency enhancement projects to support our growth strategy.



As a result of strict cost management and assurance of good margins for products with higher added value, our net income reached R\$2,731.4 million, 3.2% more than the previous year. These were results achieved by mobilizing our employees in all areas, from production to sales offices, including all operational and strategic support areas. We made investments of around R\$2.5 billion, including R\$2.2 billion in the P4P alone. Another highlight was the initiation of our project for Access to the Basic Electrical Grid in Germano (MG), slated for completion between late 2013 and early 2014. This important project will give us more security and autonomy in obtaining energy resources to support current and future operations.

In the areas of risk and compliance, where we have concentrated efforts in recent years in order to build a positive legacy for all our stakeholders, we made progress with procedures, policies, and communication channels aimed at monitoring and enforcing our corporate conduct practices. In 2013, we computerized and enhanced the Ombudsman Office's complaint channels and provided specific training on Company standards - especially the Antitrust Compliance and Fraud and Corruption Prevention policies.

Building upon the lessons learned on this topic, we also created a Human Rights Management Committee, which meets quarterly and assesses the challenges and actions in all Samarco areas to ensure the use of best practices in our operations and in the value chain. This is another of the advances made with regard to Samarco's commitment to the ten principles of the United Nations (UN) Global Compact - which year after year inspire us to build our strategy focused on sustainable development.

When we say we practice responsible mining, it is because we recognize the impacts caused by our activities and take responsibility for the effective management of the resources that society allows us to use, rendering sustainability a non-negotiable management requirement. We made progress in this regard in 2013, with the consolidation of our sustainability goals. Aligned with the guidelines of the Strategy Map, these goals allow us to measure our social and environmental performance from various viewpoints - including the abstraction of new water, emission of greenhouse gases (GHGs), increase in productivity and implementation of social transformations in the Company's areas of direct influence. Thus, we are proud to say that professional skills development, creation of jobs and income, and improvements made in local basic education, for example, are part of our strategic horizon.

Another key issue to mention is the ongoing pursuit of technological and operational alternatives that enhance our sustainability, yielding multiple benefits for the environment, society, and the Company. Through the General Management for Technology and Eco-Efficiency, in 2013 we invested R\$5.3 million in six studies that will allow us to manage the disposal of mineral process by-products and reduce our environmental footprint, while at the same time making our business more competitive. In 2014, the resources applied to the current project portfolio will add up to around R\$22 million - a significant increase that reflects management's commitment and focus on what we consider the driver of sustainability: innovation. In routine operations, the focuses on excellence is reflected in the Lean Six Sigma (LSS) and Kaizen programs - which, together, generated about R\$196 million in financial returns to the company in 2013, the highest amount posted in recent years - and in our occupational health and safety indexes, which were within our expected limits.

Outside the Company, our commitment to the creation of value, to be shared with communities, government entities, suppliers, employees, customers and other stakeholders, has had visible results. Among them are the Terms of Environmental Commitment that Samarco signed voluntarily with the State of Espírito Santo Public Prosecutor's Office, with technical intermediation of the State Institute for Environment and Water Resources (IEMA). We completed a cycle of over R\$250 million in

investments with the installation of wind fences, which afforded a 76% reduction in particulate matter (PM) emissions from the stockyards in Ubu (ES).

With regard to the environmental requirements for the P4P, we signed the Term of Social and Environmental Commitment, an equally challenging initiative carried out within a multilateral governance model - involving Samarco, society, and the public authorities. This resulted in the completion of the solid waste management plan for three municipalities in Espírito Santo and in the structuring of the geomonitoring Center for Intelligence and Imagery in the Southern Region of the state (Condesul).

Also in Espírito Santo, we have created a pioneering regional governance project by adopting systems thinking, resulting in the joint development of a plan with the city of Anchieta, and supporting local authorities with information and suggestions for the long range progress of the municipality. It is with actions such as this, that involve multilateral dialogue, that we seek to maintain relationships based on transparency, innovation, and trust. In the socio-institutional area, we earmarked a total of R\$9 million - excluding funds invested in the specific context of the P4P - for various projects and actions focused on local development.

We reached the end of 2013 ready to meet the challenge of starting up the P4P and to witness the growth we have planned for Samarco. The year 2014 will, in this sense, be a significant opportunity to reap the rewards of our efforts, having received support from the various stakeholders involved in this great enterprise - from neighboring communities to government agencies, from employees to contractors, from suppliers to customers. I reiterate that the fulfillment of our Vision for 2022 goes far beyond growth: it also involves, above all else, the reputation we have built by creating value with responsibility. This is why I am convinced that we are moving in the right direction, guided by the building of trust, the perseverance to achieve our goals, and our willingness to learn.

Ricardo Vescovi de Aragão
Samarco CEO

KEY RESULTS

SEE THE DATA, HIGHLIGHTS, FIGURES, AND INDICATORS THAT SUMMARIZE OUR SOCIO-ENVIRONMENTAL AND BUSINESS PERFORMANCE IN 2013

1 21.7 million tons shipped, including 21.124 million tons of iron ore pellets and 610,000 tons of fines.

2 R\$7,240.2 million in sales revenue - the highest in Samarco's history

3 R\$2.5 billion invested in the operation, including R\$2.2 billion in the Fourth Pellet Plant Project (P4P - the total investment for which is R\$6.4 billion

4 R\$5.3 million invested in research, innovation, and eco-efficiency

5 R\$196 million of financial return, attained thanks to the 93 Lean Six Sigma projects and to the 514 Kaizens implemented over the year

6 0.80, the total rate of reported accidents, within the goal established for the year (under 1.00)
1.02 accident rate for the P4P since the Project was started, well below the established limit (3.85)

7 R\$9 million¹ invested voluntarily in socio-institutional development projects

8 345 engagement activities for students and teachers from four communities (Espírito Santo and Minas Gerais) under

the "Citizen of the Future" - *Cidadão do Futuro* - Project

9 Samarco has a "Strong Reputation", according to a 2013 survey

10 R\$183.2 million² in investments in environmental projects at Samarco

11 More than R\$250 million invested in the Terms of Environmental Commitment, completed in 2013 with the delivery of the Wind Fence Project in Ubu (ES) - 76% reduction in particulate matter emissions from the Ubu stockyard as a result of the Wind Fence Project

12 R\$6.5 million invested in the training program "Saber Samarco", involving over 181,000 hours of training

13 81.69% favorability among employees in the Climate Survey, with 81% participation of the workforce

14 85.21% of the 710 new employees, direct and indirect, hired locally

¹ Excludes the R\$8.6 million invested under the scope of the P4P during the expansion works.

² Includes investments in the P4P (total of R\$75.5 million invested in environmental improvements in the construction of the Project).





RECOGNITION

- Best Company and second largest mining company in Brazil (*Exame business magazine*)
- 2013 Transparência Trophy in the Closely Held Corporation category for the third consecutive year (Anefac, Fipecafi and Serasa Experian)
- Samarco among the 150 Best Companies to Work For in Brazil (*Exame and Você S/A Magazines*)
- 1st place worldwide in Excellence in the Health, Safety, Environment and Community awards (HSEC BHP Billiton), with the Farmer Training Program
- Alegria Mine among the 200 Largest Brazilian Mines and Outstanding Safety Record - winner of the John Ryan Trophy (*Minérios y Minerales Magazine*)



SAMARCO

WHAT WE'RE MADE OF: OUR ESSENCE. OUR
BUSINESS. OUR MANAGEMENT PRACTICES.

PROFILE

DRIVEN BY OUR COMMITMENT TO DOUBLE OUR VALUE AND BECOME AN INDUSTRY BENCHMARK, WE ARE ONE OF THE WORLD'S LARGEST SEABORNE IRON ORE PELLET PRODUCERS

Samarco S.A. is a closely held Brazilian company which has been operating for 36 years in the iron ore pellet and pellet feed market. We are Brazil's 11th largest exporter, according to the Ministry of Development, Industry and Foreign Trade (MDIC), and the second largest in the seaborne pellet market. The Company has 2,900 direct hire employees and some 3,500 outsourced personnel working in the states of Minas Gerais and Espírito Santo. [GRI 2.1, 2.2, 2.6, 2.8](#)

The Company, controlled in equal parts by two shareholders - BHP Billiton Brasil Ltda. and Vale S.A. - has three key management pillars: Excellence in all of our practices and relationships; Compliance with laws, regulations and policies applicable to the business; and steady Growth, creating value we share with society. [GRI 4.8](#)

Our business is focused on the export of high added value products to the global steel industry. Our offerings include pellets for direct reduction (DR) and for blast furnace (BF) processes, in addition to iron ore fines (pellet feed and sinter feed). At the end of 2013, we had 41 customers in our portfolio, evenly distributed in the Americas, Asia, Europe, Africa, and the Middle East, and had the nominal capacity to produce 22.25 million tons of iron ore pellets annually. After the Fourth Pellet Plant Project (P4P) goes into operation in March 2014, this volume will grow by 37%. [GRI 2.2, 2.5, 2.7](#)

Samarco has its headquarters in Belo Horizonte (MG) and sales offices in Vitória (ES) and abroad - in Amsterdam and Hong Kong. The Company two industrial units: Germano (MG), where we extract and process iron ore, and Ubu (ES), where our pellet plants and own sea terminal are located. These two units are connected by three ore pipelines of about 400 km each. [GRI 2.3, 2.4](#)

In 2013, we posted the best sales in Samarco's history: R\$7,240.2 million, up 9.5% from 2012. Our annual output reached 21.125 million tons of iron ore pellets, and our net income was R\$2,731.4 million. These good results are the fruit of investments in cost management, in long-term trade relations and in the organization's systemic productivity. These are key factors that will lead to the fulfillment of our Vision for 2022, which is to double Samarco's value and have it recognized by employees, customers, and society as the best in the industry.

WHAT DRIVES US [GRI 1.2](#)

In addition to the investments made to expand the business and to achieve greater value creation for the Company, we seek to engage our stakeholders - customers, employees, suppliers, communities, shareholders, the media, and government entities - in a mutual development agenda. We believe that,

Our strategy pursues solid and responsible growth.



more than just yielding good financial results, an organization of our size can and should exert a positive effect on all our stakeholders.

We built our Strategy Map – the baseline for our investments and goals focused on fulfilling our 2022 Vision – on the foundation of a thorough analysis of scenarios, the review of corporate planning, and dialogue with our stakeholders. We also took into account our Sustainability Model underpinning our sustainable development actions. In 2013, we made progress in establishing sustainability goals; in the coming years, this work will allow us to measure our non-financial performance in parallel with the development of business based on solid trust relations formed with society, which grants us the right to mine and operate in its territory (*read more in Future Vision, pg.24*).

WHAT WE ARE MADE OF GRI 4.8

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 the environment.

VISION FOR 2022

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

VALUES

Respect for people – We value life above any results and material goods. We respect the right to individuality, without discrimination of any kind, and honor our responsibility for the well-being of people and society, and for environmental protection, through the correct use of the resources necessary to our activities. We believe in our role in influencing and contributing to the social and economic development of the country, focusing on the future of next generations.

Integrity – We are committed to compliance with laws and respect for moral principles, striving for dignity and ethics in our relationships. We adopt an honest and transparent posture with all our stakeholders.

Mobilization for results – We seek to exceed established objectives and goals and persevere in doing better every day, with creativity, cooperation and simplicity, constantly seeking knowledge and generating innovative ideas to achieve outstanding and long-lasting results.



CORPORATE GOVERNANCE

OUR MATURE CORPORATE STRUCTURE ENSURES TRANSPARENT DECISION-MAKING AND DIALOGUE BETWEEN SHAREHOLDERS AND THE COMPANY'S EXECUTIVE LEADERSHIP

Corporate responsibility, transparency, fairness and accountability are the pillars that support our corporate governance practices. To make sure the decision-making process works properly, Samarco's structure allows shareholders and the executive management to collaborate toward the satisfactory fulfillment of the strategy.

All of Samarco's governance practices are based on our reference documents, such as the Code of Conduct, the Bylaws, and the Company's Shareholders' Agreement, divided among three tiers: the Company, represented by Samarco's shareholders, BHP Billiton Brasil Ltda. and Vale S.A.; Governance, whose main body is the Board of Directors; and Management, the Company's Executive Board.

Comprising four effective members and four alternates, appointed by our shareholders, the Board of Directors guides and oversees Management's relationship with stakeholders, with the support of four advisory committees and three subcommittees, a secretary, and an audit framework (*see box*). As for the Executive Board, its five current members are responsible for conducting the Company business. [GRI 4.1, 4.2, 4.3](#)

The members of the Board of Directors are appointed by the shareholders for a term of three years, eligible for re-election, and do not hold executive positions

in the Company. To be appointed, they must have proven expertise in business administration, finance and management, as well as thorough knowledge of the legal provisions and regulations governing the business. [GRI 4.1, 4.7](#)

The election of the chief executive officer, as well as his or her evaluation, is the responsibility of the Board of Directors, based upon pre-established key performance indicators. Regular audits are organized by shareholders and independent teams to evaluate our practices (*read more on Shareholders, pg.85*). [GRI 4.5, 4.10](#)

In 2013, we complied fully with the Governance agenda, holding quarterly meetings of the Board of Directors and the advisory committees. Subcommittees, in turn, met every two months. The topics on the agenda of the Board meetings are normally discussed in advance by the advisory committees.

COMMUNICATIONS [GRI 4.4](#)

The shareholders' communication with the workforce goes through the Executive Board - which is responsible for decisions and practices that impact the operational routine. However, the Ombudsman also provides a mechanism that enables shareholder representatives to directly address employee questions, demands and complaints.

GOVERNANCE BODY RESPONSIBILITIES GRI 4.1, 4.9, 4.10

BOARD OF DIRECTORS

- Set the business and strategy guidelines;
- Direct and approve the organization's business plans and budget, including equity investments;
- Approve the distribution of dividends to shareholders and reinvestments;
- Monitor the Company's results;
- Ensure the integrity of the management;
- Elect the chief executive officer (CEO) and evaluate the members of the Executive Board;
- Define independent auditors;
- Decide on changes to Samarco's capital structure.

ADVISORY COMMITTEES

Finance and Strategy Committee – Assists the Board of Directors in strategic, economic, and financial affairs. There are three subcommittees: Taxes and Contingencies, Treasury, and Audit.

Operations Committee – Provides support to the Board of Directors on technical matters and issues related to operations, with three subcommittees: Performance Management, Capital Projects, and Technical.

Committee of the Fourth Pellet

Plant Project – Structured during the implementation of the P4P, this committee has defined deliberative rules and is accountable for results and for recommendations to the Board of Directors.

Compensation Committee – Assists the Board of Directors in defining the compensation policy for key Samarco executives and the general human resources policies, including the succession process for strategic positions.

BOARD OF DIRECTORS GRI 4.1, 4.2

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

EXECUTIVE BOARD GRI 4.1, 4.2

CEO	Ricardo Vescovi de Aragão
Financial and Procurement Director	Eduardo Bahia Martins Costa
Operations and Infrastructure Director	Kleber Luiz de Mendonça Terra
Project Implementation Director	Maury de Souza Júnior
Commercial Director	Roberto Lúcio Nunes de Carvalho

ETHICS, COMPLIANCE, AND RISK MANAGEMENT

WE INVEST IN MECHANISMS,
COMMUNICATION CHANNELS AND
POLICIES TO ENSURE THE MANAGEMENT
OF MATERIAL RISKS AND THE ADOPTION
OF BEST BUSINESS CONDUCT PRACTICES

We believe that an ethical, honest management of the business, in addition to being crucial to building trust in the Company, is a non-negotiable path in order for us to fulfill our Vision for 2022. As a key management pillar, compliance is enforced at all company levels, translating into policies, structures, and mechanisms that ensure business continuity, prevent the risks associated with our activities, and streamline communications for handling of any breach of our standards and principles.

Under the coordination of the General Risk, Internal Control, and Compliance Department, structured in 2012, these activities use Samarco's Code of Conduct as their main tool. The Code of Conduct sets guidelines on topics such as ethics, prevention of corruption and fraud, competitive practices, and relations with stakeholders - such as communities, trade unions and representatives of government agencies. The document is disseminated periodically to the workforce and is available for viewing on both the Company's intranet and on its website, in addition to being forwarded to customers and suppliers for them to become acquainted with it. [GRI 4.8](#)

Our values are also reinforced by the Fraud and Corruption Prevention Policy, which was revised in 2013, and the Antitrust Compliance Policy. The first addresses ethical aspects in a manner complementary to the Code of Conduct, while the second specifically

deals with procedures with competitors, shareholders, suppliers, and customers to ensure adherence to the principles of free competition and free enterprise on the market. [GRI 4.8](#)

In 2013, we published the Policy on Offering and Receiving Gifts, Presents and Hospitality, which set out specific guidance concerning situations that recur in relationships with the workforce and outside audiences. To monitor compliance, we have deployed specific procedures - such as approval processes for meetings - to check on employee activities in their relationships with the external public. Throughout the year, we provided training covering these topics (*see box*), as well as on evaluating critical aspects of the business. [GRI 4.8](#)

TRAINING [GRI HR3, SO3](#)

Samarco has an annual training calendar for health and safety, conducted both in the classroom and online, which includes direct employees and contractors who work in our operations. In 2013, the focus was on training on the Code of Conduct, which had been revised in the previous year: training was given to 100% of Samarco's employees and to 99.7% of the contractors providing permanent services. We also provided training on the Policies on Gifts and on Fraud and Corruption Prevention, focusing on direct hires and reaching 100% of this audience.





Training, policies and communication channels ensure compliance in our operations.



BUSINESS CONDUCT

GRI SO4, HR4

To monitor compliance with our Code of Conduct and Company policies, we have the Ombudsman's Office - the area responsible for managing the Code of Conduct and for receiving all contacts and non-compliance complaints referred by employees and the society at large. The cases are recorded in a confidential manner and forwarded to the Conduct Committee, which comprises the CEO and leadership from areas such as Human Resources, Health and Safety, and the Legal department.

In 2013, we improved reporting by providing new communication channels: a toll-free hotline and an electronic form that is available on the intranet and the Internet in both Portuguese and English, complementing the business phone number and the e-mail address originally provided. The goal was to make the process increasingly fair and confidential. With the new system, not only the Ombudsman, but all members of the Conduct Committee, have online access to complaints and can track the progress made in the investigations. The complainant may also query and check the progress made regarding his or her complaint.

In 2013, our Ombudsman received 172 contacts, of which 115 were complaints on topics such as moral harassment, favoritism, conflicts of interest, and non-compliance with

Company policies and procedures. We also recorded 41 inquiries and 16 different contacts that were redirected to the areas in charge. In 2013, no case of corruption or discrimination was detected.

As part of our efforts to promote improved business conduct, in 2013 we conducted, in partnership with a specialist consultancy firm, an assessment diagnosis of impacts on human rights, based on which we structured the Human Rights Management Committee. With the participation of the CEO, of the general managers for Human Resources, Risk and Compliance, Legal, and Socio-Institutional Communication and Development, and of the Ombudsman, the group meets quarterly to propose and monitor the initiatives and responsibilities of the various areas on the subject.



18

MATERIAL RISKS

are addressed by our management. To ensure they are properly mapped and monitored, we conduct assessment seminars attended by employees from across the Company.

RISK MANAGEMENT GRI 1.2, 3.5

Another priority activity to ensure business continuity is risk management - through it, we plan our activities to prepare the Company with respect to externalities that may affect our strategies and operations. The documents that outline this theme are the Risk Policy and Corporate Risk Management Guide, which align us with international law and best market and shareholder practices.

The steps taken to identify and evaluate risks include different issues related to Samarco's financial and environmental sustainability, such as health and safety, environmental impacts, legal and financial aspects, and market scenarios. We recognize and work with five risk categories within our production chain: Strategic, Operational, Project, Financial and Compliance, and Health and Safety. Moreover, we categorize these risks according to their level of materiality (relevance/criticality), with the involvement of teams and leaders directly connected to each subject.

Samarco periodically reassesses its risks to ensure management practices capable of addressing changes in the business environment. This includes both inside the Company - monitoring all steps related to the works of the Fourth Pellet Plant Project (P4P), for example - and outside the Company, where we monitor market risks associated with price volatility, balance in supply and demand, and macroeconomic trends.

In 2013, we worked mainly on the review and evaluation of the risks considered material - in total, we dealt with 18 items in this category, addressing items key to business continuity, such as electrical rooms, dams, ore pipelines, handling of starch silos, and port operations. To involve different areas in the mapping, 12 risk assessment seminars were held, which were attended by more than 140 employees and in which we reviewed controls and proposed improvements and

action plans. All of the work was compiled, validated by management and by the Board, and then submitted to the shareholders.

Also in 2013, we built a financial Materiality Matrix in which the current priority risks were estimated at R\$125 million - this value will be updated annually. Another step taken was the development of a crisis prevention and management system: With this tool, we developed business continuity plans for the greatest material risks and performed theoretical and practical simulations addressing each plan. The idea is to evaluate our management procedures for incidents that can cause operation disruption.

The next non-material risk review, held every two years, will take place in 2014, when we will also update the progress on material aspects work performed in 2013. We expect to be able to advance steadily, especially in our analysis and capability to respond to even more challenging risks - such as those associated with Samarco's relationships with communities and compliance, for example.

VERIFICATION GUIDES

Samarco has had compliance verification guides in place since 2012, which the different areas use to check compliance with legal and regulatory requirements in the operation, focusing on the Foreign Corrupt Practices Act (FCPA) and UK Bribery Act. In 2013, we completed specific guides for key Company areas, such as Environment, Information Technology, Human Resources and Commercial, which add to the existing ones for Procurement and Finance. In 2014, the goal is to develop guides for Health and Safety, Infrastructure and Geotechnics, plus a special guide to address relationship issues.

PRODUCTION PROCESS

SPANNING TWO STATES, OUR OPERATIONS INCLUDE THE ENTIRE IRON ORE PELLET PRODUCTION CYCLE, FROM MINING, PROCESSING AND PELLETIZING TO OVERSEAS SHIPMENT



Through seamless operations that make it possible to generate the lowest possible environmental impact with greatest operational safety and efficiency, Samarco maintains control over all its iron ore pellet production process stages - from mining to processing, pelletizing, and shipping.

At the Germano unit, located in the cities of Mariana and Ouro Preto (MG), iron ore extracted from open pit mines is placed on a conveyor system through which we mine about 70% of the mineral resource. This system transports the ore to the concentrators without using trucks, thus reducing dust and noise. [GRI EN18](#)

The ore is processed at the concentrators, where the material with 46% iron content undergoes the crushing, grinding, desliming, and flotation processes to adjust its physical and chemical specifications and to transform it into slurry to be transported through the ore pipelines. The amount of waste ore is reduced by these processes, turning the ore into a concentrate with 67% iron content. Tailings and waste rock materials generated in these processes are stored in dams and waste rock piles or

dumps, structures which are monitored and controlled in accordance with the environmental legislation.

After it takes the form of slurry, the material goes through the thickening stage, in which the percentage of slurry solids is adjusted (about 30% water and 70% solids). The resulting material is sent to our ore pipelines, which transport it from Germano to the Ubu unit on the coast, in Anchieta (ES). The two current pipelines, which are about 400 kilometers long each, run parallel to each other and can pump up to 24 million tons/year of ore.

Along their route, pumping stations and valve systems control the flow of the slurry, which travels at an average speed of 6 km/h, taking about 66 hours to reach its destination. The ore pipelines cross 25 Minas Gerais and Espírito Santo municipalities. Samarco pioneered the use of the ore pipeline technology in Brazil, thus avoiding the need for truck hauling, reducing the number of vehicles on the roads and minimizing particulate matter and greenhouse gas emissions. Moreover, through recirculating systems, about 90% of the water used in the pipelines is reused in the operations. [GRI EN10](#)

In Ubu, iron ore slurry undergoes filtration and receives additional products required for the production of finished pellets, which are fired in the pellet plant induration furnace. The end products are then sent to the stockyards and shipped from the Company's own sea terminal to customers worldwide. The port has a pier measuring 313 meters in length, with two berths that are 18.7 meters deep, and can receive vessels up to 210,000 tons.

From 2014 on, with the start-up of the Fourth Pellet Plant (P4P), we will increase our nominal production capacity by 37%, to 30.5 million tons of iron ore pellets per year. With an investment of R\$6.4 billion, the P4P is one of the major expansion projects underway in the private sector in Brazil.



37%**INCREASE**

in production capacity on completion of the Fourth Pellet Plant Project (P4P).



Samarco operates all stages of the production process, from mining to beneficiation, pelletizing and overseas shipment.

OUR OPERATIONS

CORPORATE HEADQUARTERS AND SALES OFFICES

Location: Belo Horizonte (MG), Vitória (ES), Amsterdam (Netherlands), and Hong Kong (China)

Activity: Commercial and administrative activities

● HYDROELECTRIC POWER PLANTS

Location: Muniz Freire (ES) and Antônio Dias and New Era (MG)

Activity: Power generation

● GERMANO AND ALEGRIA MINES

Location: Mariana and Ouro Preto (MG)

Activity: Iron ore extraction

● CONCENTRATORS

Location: Mariana and Ouro Preto (MG)

Activity: Beneficiation of mined ore

● DAMS AND WASTE DUMP

Location: Mariana and Ouro Preto (MG)

Activity: Tailings storage

..... ORE PIPELINES

Location: 25 municipalities of Minas Gerais and Espírito Santo

Activity: Transportation of the iron ore slurry

● PELLETIZING PLANTS

Location: Anchieta (ES)

Activity: Transformation of the iron ore slurry into pellets

● MARITIME TERMINAL

Location: Anchieta (ES)

Activity: Product shipment

OUR PRODUCTION CYCLE

LEARN ABOUT EACH STAGE OF OUR OPERATIONS FROM MINE TO PORT AND ACROSS THE SLURRY PIPELINES LINKING MINAS GERAIS TO ESPÍRITO SANTO.



- 1 MINE
- 2 CRUSHING AND SCREENING
- 3 SURGE PILE
- 4 GRINDING / DESLIMING / COLUMNS FLOTATION
- 5 BLENDING TANK AND PUMPING TANKS
- 6 DAM
- 7 PIPELINES
- 8 THICKENER AND BLENDING TANK
- 9 FILTRATION
- 10 INDUSTRIAL WASTEWATER TREATMENT PLANT
- 11 ROLLER PRESS
- 12 MIX PLANT
- 13 PELLET PLANT
- 14 ELECTROSTATIC PRECIPITATORS
- 15 INDURATION FURNACE
- 16 CLASSIFYING SCREEN
- 17 STOCKPILE YARD/WIND FENCE
- 18 PORT







VISION OF THE FUTURE

WHERE WE ARE HEADED: OUR INVESTMENTS,
PLANS, PROJECTS AND STRATEGIC FOCUS.

STRATEGY MAP

THE COMMITMENT TO EFFICIENCY,
COMPLIANCE AND RESPONSIBLE GROWTH
UNDERPINS OUR BUSINESS PLAN TO
FULFILL OUR 2022 VISION



Samarco is committed to doubling the value of the business in the coming years through practices that enable responsible growth, in line with the trends and prospects of the mining industry, the needs of its capital providers and other stakeholders, and the various opportunities that are arising in the field of sustainability. We are certain that this is the way we can generate value with solidity in order to secure the recognition of our employees, customers and society. Therefore, we invest in the development of strategic medium- and long-term plans that prepare us to handle future challenges.

Our experience of upwards of 36 years in the mining industry has allowed us to monitor market movements, to identify risks and challenges, and to act proactively to align strategy with the dynamic evolution of business. We also learn, day by day, that sustainability should be a management requirement and support all Company actions. In 2012, we challenged ourselves to develop new long-term planning guided by this concept, work that involved leadership in several forums and resulted in the Strategy Map - the focus of which is to provide guidelines for achieving our 2022 Vision.

Six main pillars make up the Strategy Map. In the first, Company Value, we address actions aimed at strengthening the business with financial management capable of balancing cost reductions, revenue expansion, and the creation of value. The Markets and Society pillar, meanwhile, corresponds to investments focused on attaining recognition from customers and other stakeholders, including employees, shareholders and government entities.

In Operational Challenges, we addressed the quest for excellence and productivity with the efficient use of available natural resources and strict control over efficiency in the support operations. The Growth, Innovation, and Technology pillar signals our proposal to invest in smart solutions to ensure competitiveness and the future of the business; the People, Health and Safety pillar, in turn, proposes a healthy work environment conducive to professional development. The foundation of these pillars is Compliance - an imperative that must be present in all of our actions and that leads us to responsible growth. [GRI 1.2](#)

Motivated by these principles, we have built a business model that relies on the engagement of the entire organization, all the way from top management to directors and general managers, under the coordination of the Management, Technology, and Sustainability department. We have instituted management procedures through which the organization monitors

its projects and performance indicators in weekly meetings attended by the Board and with agendas divided into four groups: strategic thinking, health management and organizational performance, integrated planning, and capital projects. Moreover, five-year business plans were built for each general department at Samarco in 2013, with tactical actions to make sure the goals will be accomplished. [GRI 4.9](#)

Three times a year, we monitor the progress attained by the projects and actions related to the Strategy Map, together with directors, general managers and other leaders. In the case of the Operations and Infrastructure department, meetings are held quarterly to discuss their specific action plans. Another important tool to assess whether the Company's plans are being followed

is represented by the independent advisory committees, which provide support to the senior leadership. [GRI 4.9](#)

As part of our growth strategy, objectives, targets and investments are periodically discussed in the management rituals - in the next five years, for example, we will invest R\$8 billion in expansion projects, increasing productivity and supporting infrastructure as a result of developments and discussions related to business planning.

All these mechanisms have a clear purpose: Effectively prepare Samarco to deal with signals coming from the market and the industry that may impact its business. We believe that our planning and management practices are prepared for the risks and opportunities that are aligned with opportunities that come up for the company. They also respond effectively to the challenges of sustainability in the economic, social, and environmental areas.

→ Our planning processes gained a new impetus with the development of guidelines that embed our sustainability vision within our business.



ORE RESERVE GRI MM10

Part of our planning includes periodically reevaluating Samarco's mineral reserves, as well as making estimates for activity closure - a critical issue in the mining segment. Ever since operations commenced, in the 70s, the Company has conducted exploratory geological research in order to expand its ore reserves and map ways to ensure business sustainability. In addition to evaluating processing technologies and best practices, we analyze ways to optimize mining and its sequence at our properties.

In December 2013, the proven ore reserves in existing mines was estimated at 2.94 billion wet metric tons (wmt) of ore that is run-of-mine (ROM), or raw. In 2002, our reserves were approximately 400 million tons. This increase is the outcome of advances made in technology and in research that allow us to use our resources more effectively, enhancing business sustainability. What in the past we considered waste rock and tailings can today be commodified through ore treatment solutions with lower iron content.



PESTEL

THE METHODOLOGY

we use to assess our external environment in terms of political, economic, social, technological, environmental and legal aspects, providing additional inputs into our strategy.

We highlight, for example, the breakdown of the Strategy Map for the commercial area. Aiming to protect ourselves against possible risks related to global economic instability and to strengthen trade relationships, we restructured our marketing plan, focusing on segmenting our approach and offering products with higher added value (*read more in Customers, pg.93*).

Another strategic front aligned with the Map is related to technology and innovation. With projects that enable us to use natural and mineral resources more efficiently, while generating new business opportunities, we strive to ensure our competitiveness with maximum efficiency and productivity (*read more on pg.33*). Similarly, valuing our leadership and professional development has led to advances in our people management, with investments and actions focused on promoting an empowering environment (*read more on pg.78*).

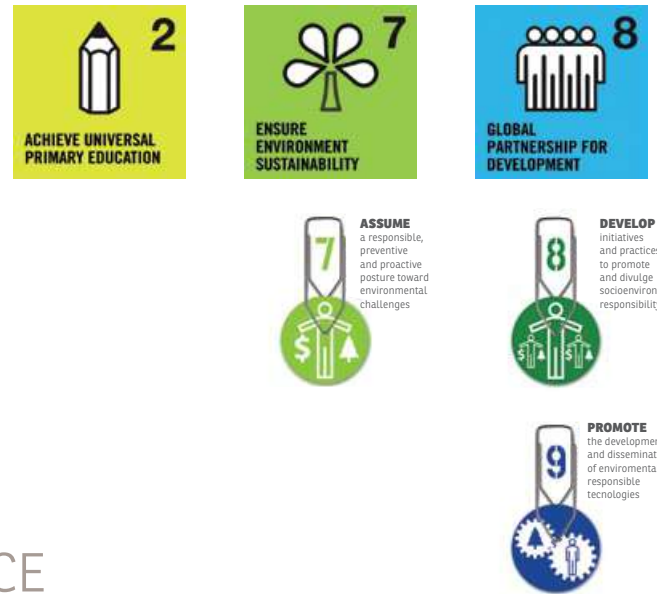
In 2014, we intend to broaden the scope of the strategic intelligence process - which, together with using market intelligence and the Pestel external environment analysis methodology (political, economic, social, technological, environmental, and legal) - proposes the more effective deployment of the information available in the management of the Company's business plan. Also during the year, we will perform an analysis of the consistency and sufficiency of all actions, projects,

initiatives, and investments planned and underway to achieve the Vision for 2022. The idea is to review, area by area, the initiatives that support planning and identify their effectiveness in meeting the Company's medium and long-term objectives.

We also consider it essential to guide our actions in our relationship with the external public, in the appropriate handling of environmental issues, in the management of our reputation and, consequently, in our recognition by society. One can see, therefore, that the Company's strategic guidelines are structured according to a vision focused on business sustainability. This translates into the Sustainability Model, another important driver to implement our vision of the future.

SUSTAINABILITY MODEL

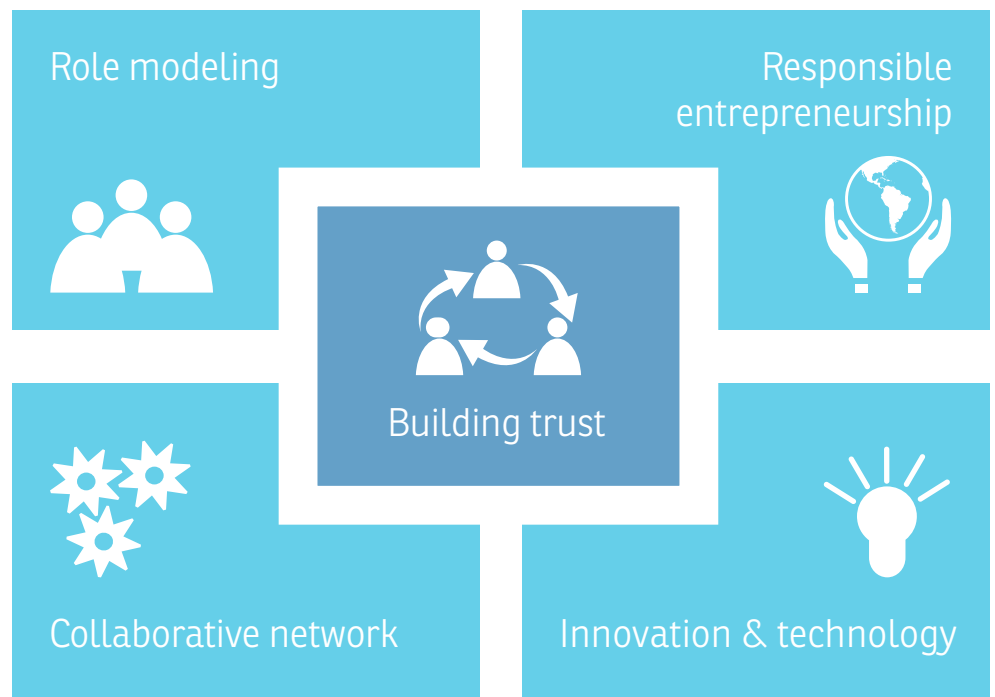
IN LINE WITH OUR BUSINESS STRATEGY, WE HAVE DEVELOPED SUSTAINABILITY GOALS THAT ALLOW US TO MEASURE THE COMPANY'S ENVIRONMENTAL PERFORMANCE



Samarco's strategic review generated new drivers that led business towards transparency, responsible impact management, and commitment to creating shared value. Since 2012, we have had a specific model to address sustainability as a management requirement for the Company. In 2013, we made progress in developing sustainability goals related to the Strategy Map and to the supporting pillars of the Model in order to measure our performance accurately.

Based on the building of trust, a key element for us to implement growth plans and maintain the social license we have been granted to operate, the Sustainability Model helps us respond to the important challenges and demands we face. These include preparing sustainability leaders, broadening social participation in decision making, and increasing investments in innovation.

Four pillars are the foundation for the model: Leadership by Example, Innovation and Technology, Collaborative Networks, and Responsible Entrepreneurship. Leadership by Example refers to actions that should be undertaken internally: with engaged leaders, we can achieve positive results for the business while acting as drivers of sustainable development within and outside the Company. The Collaborative Networks, meanwhile, are related to what we should build, in partnership with society, governments, customers, competitors, and other companies operating in the industry and in related



sectors. Seeking a new perspective for the future in order to ensure the positive reputation of the mining business and favorably impact the lives of those in the area of influence of our operations, we intend to map out and implement long-term development opportunities.

In line with our Strategy Map, the Innovation and Technology path proposes the pursuit of maximum excellence in our operations, with a focus on eco-efficiency and cleaner production. These measures help increase business value through lower material consumption and lower emissions. Finally, the Responsible Entrepreneurship pillar reiterates our commitment to the three sustainability pillars, with ethics as the basis of our conduct.

In 2013, with the involvement of all departments and the participation of several general managers and directors, we set sustainability goals that reflect the key environmental, social and economic issues related to the Company's goals and vision for the future.

Among them are challenges that are particularly complex and refer to the responsible management of

the impacts brought about by the mining business, such as reducing the uptake of new water; reducing overall energy consumption and greenhouse gas emissions; increasing global metal yield; and making more efficient use of our dams, with an emphasis on tailing and waste management. Targets have already been set for some of these goals. [GRI MM11](#)

Complementing the Company's strategy, the Sustainability Model and the Strategy map help us implement best industry practices, enhancing operational efficiency, business competitiveness, and trust in relations with society. Moreover, we are committed to social transformation, investing in developing professional skills, in fostering social participation and quality education, and in generating employment and income in our areas of direct influence (*see chart*).

SUSTAINABILITY GOALS

GRI MM11, EC2, EC9, EN26

- Support a new round of expansion without the need for new water abstraction.
- Reduce Samarco's overall power consumption by 10% until 2022, reaching a mean value of 1.09 megajoules (MJ)/ton produced.
- Reduce the specific greenhouse gas (GHG) emissions by 15%, from 82.9 to 70.3 kg CO₂ equivalent (eq)/ton produced.
- Increase the metal yield of our processes from 64% in 2012 to 70% in 2022, by developing technology on two fronts: 1st) absorb lower quality iron ore to increase the utilization of the reserve; and 2nd) optimize the beneficiation of this lower-grade ore.
- Stop using 295 million cubic meters of space available in our dams ¹. This includes: 1) employ a more efficient process with lower production of slimes and sandy material; 2) develop technologically and economically feasible processes to use these co-products, and 3) optimize the disposal of these co-products among the current structures.
- Support the achievement of IDEB 6 (the Index of Basic Education Development) by 2017 in schools in Samarco's area of direct influence benefited by the Citizen of the Future Education Program.
- Achieve high participation among employees (indicator >0.25)² in the corporate social engagement program.
- Reach 80 points in reputation indicator (*pulse*) among prioritized stakeholders.

¹ Places where two co-products of our process, slimes and sandy material, are discharged.

² Calculation rationale: Average number of hours donated/hours offered in the corporate social engagement program. Levels of engagement: Low (up to 0.15), Medium (above 0.15 to 0.25), High (above 0.25).

SUSTAINABILITY MODEL

COMPACTS AND COMMITMENTS

GRI 4.12

WE ENGAGE IN NATIONAL AND INTERNATIONAL INITIATIVES THAT ENCOURAGE SUSTAINABILITY AND BUSINESS COMPLIANCE

GLOBAL COMPACT

Since 2002, we have been signatories to the Global Compact, a United Nations (UN) initiative that encourages institutions worldwide to conform in their operations and strategies to a set of ten principles, covering topics such as human rights, environment and corruption. The contents are reported annually through this Annual Sustainability Report (*see indications throughout the report and in the GRI indicator index*).

MILLENNIUM DEVELOPMENT GOALS (MDGS)

We are committed to the eight MDGs, proposed by the United Nations in 2000, through actions and projects to contribute to the fight against hunger and poverty, to promote high-quality basic education, to reduce child mortality, and to encourage respect for the environment.

This Report also discusses further progress made in relation to the Global Compact

BUSINESS CONTRIBUTIONS TO PROMOTING A GREEN AND INCLUSIVE ECONOMY

When participating in the UN Conference on Sustainable Development (Rio +20), in 2012, Samarco became a signatory to the letter titled "Business Contributions to the Promotion of a Green and Inclusive Economy," published by the Brazilian Network of the Global Compact. Through this document, we pledge to take on ten commitments towards a new scenario of sustainable development for the next 20 years.

OPEN LETTER TO BRAZIL ON CLIMATE CHANGE

Signed in 2009, during the "Brazil and Climate Change: Opportunities for a Low-Carbon Economy" seminar, the letter marks the position of 21 companies from various sectors concerning the reduction of greenhouse gas emissions.

BUSINESS PACT FOR INTEGRITY AND AGAINST CORRUPTION

We are among the signatories to the Compact, launched in 2006, during the International Conference of the Ethos Institute for Business and Social Responsibility, whose goal is to promote the best business practices and reduce bribery and corruption in Brazil, contributing to a more principled and ethical market.

MATERIALITY

GRI 4.14, 4.15, 4.16, 4.17

To identify the topics most relevant for Samarco's business from our stakeholders' viewpoint, over 2014 we will review our Materiality Matrix. In the last consultation we conducted with our workforce and external public, in 2011, we mapped a total of 16 aspects that were material for socio-environmental management and communication (see chart). This process, aligned with the Global Reporting Initiative (GRI) reporting methodology, aims to concentrate Samarco's accountability efforts on issues that directly impact its business model.

In 2014, the development of a new Materiality Matrix will also include consultation with employees, shareholders, suppliers, customers, communities, government and opinion leaders. Besides contributing to defining the contents of this Sustainability Report, the matrix shall direct the choice and reporting of material indicators of environmental performance to be incorporated into the Company's management, based on the G4 version of the GRI Guidelines for Sustainability Reports. GRI 3.5

SAMARCO' MATERIAL TOPICS

Topic	Chapter in this Report
Conduct management	Ethics, compliance, and risk management
Transparency in account rendering	Ethics, compliance, and risk management Operational performance Shareholders Society
Management and monitoring of the Code of Conduct	Ethics, compliance, and risk management
Image and reputation maintenance	Image and reputation Society
Financial results	Financial results Operational performance
Fourth Pellet Plant Project (P4P)	Fourth Pellet Plant Project (P4P)
Health and safety at work	Health and safety
Increased mining efficiency	Research, innovation, and eco-efficiency Operational excellence
Water resource management	Research, innovation, and eco-efficiency Environmental performance
Continuous reduction in the use of natural resources	Research, innovation, and eco-efficiency Operational excellence
Biodiversity preservation	Environmental performance
Altered area rehabilitation	Environmental performance
Waste management	Environmental performance
Particulate material emission management	Research, innovation, and eco-efficiency Environmental performance

RESEARCH, INNOVATION AND ECO-EFFICIENCY

IN 2013, WE DEVELOPED SIX
TECHNOLOGICAL STUDIES TO IMPROVE
SAMARCO'S ECO-EFFICIENCY

Inspired by the Sustainability Model and supported by its strategy planning, Samarco believes that the constant pursuit of improvements in its processes, guided by cutting-edge technology and investments in research and development, is an essential way to achieve solid, lasting results. We believe that applying the concepts of innovation and sustainability is a means, not an end, to enable the Company's success. Therefore, medium- to long-term actions are defined in studies developed by the General Management Technology and Eco-Efficiency, in partnership with other general departments.

Each area has the responsibility to study and develop solutions that reduce uncertainty with regard to new technologies and make them applicable to Samarco's daily operations, with multiple gains for the company, society and the environment. Currently underway is a portfolio of 46 initiatives, grouped into seven themes: Mineral Resources; Tailings and Waste Rock; Water Resources; Renewable and/or Alternative Energy; Energy Efficiency; Atmospheric Emissions; and Cost Reduction.

The initiatives are managed through a proprietary methodology built to address these challenges. Several tools, such as inserting the initiative into a matrix that takes into account the availability of the technology and its application to Samarco's operations, are used in

successive stages of approval. The aim is to turn ideas into projects demonstrably applicable to the business in periods of two to ten years.

For this, we consider as the main input the magnitude of the main challenges that we will face in our production sector in the coming years, such as the natural tendency towards increased hardness and hydration of the iron ore, the need to find waste disposal alternatives, and the quest for reducing the consumption of new water.

Over 2013, our investments in eco-efficiency and innovation projects added up to R\$5.3 million. We are working on developing several initiatives in the seven thematic groups and have completed six of them, which are already available to the Company for use in future capital projects. For 2014, R\$21.7 million have been budgeted to be invested in continuing the studies.



ASSUME
a responsible,
preventive
and proactive
posture toward
environmental
challenges



DEVELOP
initiatives
and practices
to promote
and divulge
socioenvironmental
responsibility



PROMOTE
the development
and dissemination
of environmentally
responsible
technologies

RESEARCH, INNOVATION AND ECO-EFFICIENCY

PROJECTS DEVELOPED IN 2013

GRI EN26

SIX TECHNOLOGICAL STUDIES THAT WILL ENABLE US TO ACHIEVE EXCELLENCE IN THE USE OF NATURAL AND MINERAL RESOURCES

SEMI-AUTOGENOUS GRINDING (SAG) TECHNOLOGY

The technology can be applied in beneficiation at Germano (MG), at the milling stage. Besides being more efficient, using less energy than the technology currently employed to grind the same amount of ore, SAG milling accepts harder ores, allowing a more efficient use of resources from the same mine.

FILTER PRESS TECHNOLOGY FOR FILTRATION

Also considering the future scenario of more hydrated minerals, with loss on ignition (LOI) levels higher than today's, we have proved it is feasible to use the filter press technology in the preparation stage in Ubu (ES). With it, even in this changed scenario in terms of ore quality, we will maintain adequate productivity and moisture levels as required for this step.

SANDY TAILING DEWATERING

The treadmill filter technology was approved for Samarco's sandy tailing dewatering process. Although there are currently no opportunities for the deployment of this technology, its use in the future will increase water reuse, allow the possibility of studying alternatives to the disposal of tailings in dams, and enable the use of this material as input for other industrial processes, such as in the ceramics industry.

MUD DEWATERING

Similarly to the technology for sandy waste, it was proved that it is possible to filter the mud using the filter press technology. According to studies, the benefits, the same as in tailing filtration, are enhanced when both materials (tailings and slimes) are dewatered.

USE OF TAILINGS TO MANUFACTURE INTERLOCKING BLOCKS

We have tested manufacturing interlocking blocks using sandy tailings to replace one of their materials. The project has already yielded its first delivery: The blocks were used in a social project under the Terms of Social and Environmental Commitment (TCSA) of the Fourth Pellet Plant Project (P4P), in Porto Grande, Guarapari (ES), where an area of 2000 sqm was paved with the material.

USE OF MUD TO PRODUCE PLASTIC LUMBER

Mud (slimes) from the ore extraction process also has the potential to be used as inputs by other industries. In partnership with a mining company that produces plastic lumber from various types of waste, we have confirmed the efficacy of the mud in the pigmentation process for the material - made from recycled plastic, scrap rubber, and a mineral filler. As with the interlocking block, this technology has also been applied: Samarco purchased square benches and a new deck for an area of the administrative department at the Germano operating unit (MG), all produced with plastic timber that has our mud in its composition.

→ Innovative technologies and processes have been delivered for use in our routine operations.



The goal is to reduce costs and environmental impacts while creating new opportunities and ensuring business sustainability.



→ Projects have been developed to maximize the efficient use of materials deposited in our tailings ponds.



OPERATIONAL EXCELLENCE

TO MAKE THE MOST OF OUR AVAILABLE RESOURCES, SAMARCO HAS PROGRAMS TO ENHANCE ITS EFFICIENCY AND GENERATE FINANCIAL RETURN

Considering excellence a management cornerstone, Samarco seeks to expand its production levels through a combination of productivity, efficiency, safety, creativity, and simplicity, as well as reduction in cost, waste and process variation. Through the Lean Six Sigma (LSS) and Kaizen methodologies, in addition to the Field of Ideas program, we seek to encourage a culture of continuous improvement among our employees and contractors with the pursuit, in our daily activities, of solutions that improve the Company's results.

The Lean Six Sigma program, which we implemented six years ago, aims to develop critical and analytical capabilities among employees to solve medium- and high-complexity issues based on statistical and high-quality tools. The projects last six to nine months. Kaizen, meanwhile, promotes the operational staff's participation in the implementation of quick improvements aimed at solving low-complexity issues, with positive results in decreasing loss and waste.

In 2013 alone, 93 Lean Six Sigma and 514 Kaizen projects were deployed with the participation of 913 employees and contractors, affording Samarco savings of R\$196 million. Many intangible benefits have also been identified in the quality, health and safety, and environment areas. Since the programs were

implemented, we have reached the mark of 988 Kaizen and 239 Lean Six Sigma projects carried out.

To encourage and guide the workforce's participation in these initiatives, we offer events, training sessions and the Practical Operational Excellence Community - a virtual environment where employees can share experiences, tools, projects, and knowledge. Year after year, the results of the completed LSS projects are monitored in order to ensure the continuous improvement cycle. In late 2013, 98% of 107 projects being monitored continued to achieve the expected results. Additionally, experience with this methodology allowed us to develop the Design for Six Sigma, a line in which we go beyond troubleshooting, with new processes and products that meet the Company's expectations and demands.

→
Recognition Events encourage employees to achieve excellence in our daily operations.



ACKNOWLEDGING GOOD INITIATIVES

To reward projects that have excelled in process innovation and continuous improvement, we held the Annual Recognition Event. In a congress format, the main Kaizen and Lean Six Sigma projects and ideas are presented and evaluated by an external expert jury in categories specific to each methodology.

In 2013, we acknowledged 15 projects, five in each category. Winners get cash prizes and, according to the ranking and nature of the project, they participate in training opportunities within and outside of Brazil.

Since 1999, we have also counted on the Field of Ideas, a program that motivates employees, interns and contractors to seek solutions that innovate or refine existing Company processes. By the end of the year, we had recorded more than 8,700 ideas implemented, according to system data; in 2013 alone, there were 2,594 ideas generated and 1,454 effectively implemented. In 14 years of existence, the teams have come up with 20,000 solutions.

INTERNATIONAL HIGHLIGHTS

Three of our Lean Six Sigma projects were classified, in 2013, as finalists in the Team Excellence Awards. These awards are granted annually by the American Society for Quality (ASQ), an international organization seeking to improve processes at organizations based on quality management. Coming from different countries, the top 32 projects were selected to participate in the final awards ceremony - which was scheduled for May 2014 in Dallas, Texas. Samarco's three projects address reducing the downtime due to idler change-out or misalignment; reducing natural gas consumption at Plant II; and constructing a process to measure the performance of the Company's assets.

IMAGE AND REPUTATION

AIMING TO CREATE VALUE FOR SOCIETY, SAMARCO INVESTS IN SUSTAINABLE PERFORMANCE AND TRANSPARENT DIALOGUE WITH ITS STAKEHOLDERS



On account of the nature of its business and of the degree of intensity of the relationships established with communities, government, employees, business partners, opinion leaders, and other groups, Samarco is aware of the importance that maintaining a good reputation has on its current and future performance. This concern is evidenced in the Vision for 2022, as we demonstrate that doubling the Company's value is a measure closely related to our recognition in the mining sector.

Year after year, we are faced with the challenge of maintaining a good reputation and acting with transparency with regard to all demands involving our relations with society. For this, besides projects, investments, and management practices, we have tools that we use to periodically monitor how Samarco is perceived by its main stakeholders.

In 2013, we conducted the Samarco Reputation Survey for the second time. The goal was to monitor the progress made in the organizational image from the viewpoint of four stakeholders - government,

community, employees, and opinion formers - and taking seven dimensions into account: products and services; innovation; work environment; governance; citizenship; leadership; and financial performance.

Based on the Reputation Institute's RepTrak™ Deep Dive methodology, we consulted 1,930 people from September to October 2013 and obtained a reputation indicator of 71.6. This classifies and maintains Samarco's reputation as Strong on the methodology's scale (0 to 100 points), which includes five categories (from Excellent to Poor). Considering that the interviewee base was the same as in 2011, the result was close to the 71.9 points (or 72.9 in the overall index) attained two years earlier, in view of the challenges experienced throughout the year, with the peak of the construction work for the Fourth Pellet Plant Project (P4P) and the significant increase of impacts in the areas of direct influence. The goal for the coming years is to achieve a score of 80 points, in order for our institutional reputation to be rated as Excellent.



Our goal is for Samarco to be recognized by society as the best in the industry.

We also have other methodologies and approaches to measure the satisfaction of the stakeholders with whom we interact. Under the scope of the Fourth Pellet Plant Project (P4P), for example, we calculate the Institutional Favorability Index, which covers five attributes - accessibility, frequency, ethics, quality/value and compliance with the contract - associated with the Project. For the last review, in 2013, we made 12 measurements and consulted 120 people. We had a total positive rating of 74%. The last favorability measurement will be carried out at the completion of the P4P, in the first half of 2014.

With regard to the communities in the area of direct influence, we have the Community Satisfaction Index. In the latest survey, conducted in 2012 among more than 1,700 people in Minas Gerais and Espírito Santo, we achieved a favorable rate of 72%. The study was not conducted in 2013 due to a general review having been made of the processes and methodology; the attributes to be addressed in this index were transferred to the Reputation Survey, which gathers the various indicators on the broader perceptions the stakeholders have of Samarco.



71,6

STRONG REPUTATION

This result demonstrates a solid institutional reputation and helps us seek opportunities for improvement going forward.

IMAGE AND REPUTATION

PERMANENT DIALOGUE

GRI 4.14, 4.15, 4.16, 4.17

ACCORDING TO THE DEMANDS, EXPECTATIONS, AND SPECIFICITIES OF EACH AUDIENCE, SAMARCO DEVELOPS PRACTICES AND RELATIONSHIP CHANNELS AIMED AT BUILDING TRUST



EMPLOYEES

we invest in training and leadership development, in promotion of a healthy, safe work environment that can attract and retain talent, and in social engagement through voluntary actions.



COMMUNITIES

for those under the direct influence of Company operations, it behooves us to maintain social dialogue and accountability for our impacts, and to invest in actions that lead to development for the territory.



OPINION-LEADING INSTITUTIONS*

our focus is to strengthen the Company's contribution to the development of Brazil and to ensure the exchange of relevant knowledge and information on business.

** Among the opinion leaders with whom we interact are NGOs, media outlets, academia, trade associations, and religious institutions.*



CUSTOMERS

essential to the success of our business, they are the target of actions, investments and long-term collaborations on account of Samarco's desire be recognized as a benchmark for its practices.



SHAREHOLDERS

we offer a permanent agenda of performance communication, and we excel in ethics and transparency in monitoring risks, making decisions, and investing in the Company.



PUBLIC AUTHORITIES

based on ethics and mutual respect, we collaborate to build agendas for the development of the regions where we operate.



SUPPLIERS

we invest in the development of prosperous business environments in the areas of direct influence, and we excel in the efficiency, productivity, and compliance of the supply chain.

AWARDS AND RECOGNITIONS GRI 2.10

Awards / ranking	Evaluating organization
Best mining company and second largest mining company in Brazil - Anuário Melhores e Maiores 2013 – annual directory	<i>Exame Magazine</i>
Transparency Trophy 2013 Privately Held Category	Anefac, Fipecafi, and Serasa Experian
150 Best Companies to Work for in Brazil	<i>Exame</i> and <i>Você S.A. Magazines</i>
Leaders of Brazil Award - Mining Category	Corporate Leaders Group (Lide)
Champion in the Mining Sector	Anuário Época Negócios 360º
Corporate Performance Minas Award 2012/2013 - 1st place in the Excellence Category	<i>Mercado Comum Magazine</i>
Green Company Época Award- Special Feature	<i>Época Magazine</i> , Editora Globo
200 Largest Brazilian Mines - Focus on Safety / John T Ryan Trophy	<i>Minérios y Minerales Magazine</i>
HSEC Award - 1st Place in the World: Excellence (Training Program for the Rural Producer)	BHP Billiton
Findes Environment Award - Honorable Mention: Samarco Environmental Education Program	Federation of Industries of Espírito Santo (Findes)
Seal For Social Action - Aleijadinho Foundation Social Responsibility Award	Fundação Aleijadinho de Ouro Preto/MG (public voting)
Community Trophy / Special Tribute - Recognition of Social Responsibility Initiatives in Mariana and Ouro Preto	TV TOP Cultura
Certificate of Recognition for the Contribution to Social Fund for Children and Adolescents (FIA)	Municipal Council for the Rights of Children and Adolescents of Ouro Preto



DEVELOPMENT

WHAT WE HAVE ACHIEVED: OUR
PERFORMANCE IN 2013 AND PROGRESS
TOWARD GROWTH.

OPERATIONAL PERFORMANCE

IN A KEY YEAR FOR THE COMPANY, WE MAINTAINED OUR PRODUCTION VOLUME, IMPROVED OUR RELATIONSHIP WITH THE MARKETPLACE, AND ACHIEVED EFFICIENCY GAINS

The year 2013 was especially challenging for Samarco's operations. At the same time that we invested in maximum operating efficiency and in full compliance with the demands of our customers and other business partners, we had to deal with the peak of construction work for the Fourth Pellet Plant Project (P4P) - which required efforts to ensure the safety of more than 13,000 outsourced professionals and to maintain the pace of routine operations, in parallel with the expansion activities. In spite of these challenges, Samarco managed to post positive results, relying externally on a segmented approach to the market, and internally on several projects aimed at productivity, cost management and maintained competitiveness.

In late 2013, our production volume reached 21,125,000 tons of iron ore pellets and 612,000 of fines (*pellet feed + sinter feed*), in line with the previous year. These figures are close to the annual nominal installed capacity, which is 22.25 million tons of pellets.

This result was affected by the fact that P4P did not go into operation as originally planned for late 2013. With the start-up rescheduled for March 2014, we had to direct our efforts to increasing process efficiency, reducing losses, and generating gains in productivity.

The scenario on the seaborne iron ore pellet market was favorable for exporters such as Samarco, particularly

insofar as prices and demand are concerned. This was reflected in a good volume of sales for the Company: We shipped 21.7 million tons of products from the port of Ubu (ES), comprising 21,124,000 tons of pellets and 610,000 tons of fines.

On account of iron ore price volatility and of Samarco's new marketing planning (*read more in Customers, pg.93*), we continued the strategy of geographical diversification, reducing risks associated with instability in certain markets. In gross tonnage, 29% of our sales were to Africa and the Middle East. This was followed by Asia, except for China (22%), and Europe (20%). China alone accounted for 15% of our total sales, while the Americas accounted for 14%.

Through analyses conducted by our business intelligence area, we noted that Samarco is increasingly valued as a supplier of choice because of the premium features of its products. Because we operate in a market where the basis for competition is low costs, our strategy is to remain competitive to protect the Company from price fluctuations and to ensure a stable net margin.

In addition to supplying neighboring countries, Samarco is focusing attention on the US market - where industrial activity is on the rise again, particularly in the steel industry, driven by the exploitation of shale gas.



→ Productivity, efficiency and expansion are key to achieving our Vision 2022.



SAMARCO'S OUTPUT
(1,000 tons)

2011	1.477	21.452	22.929
2012	982	21.305	22.287
2013	612	21.125	21.737

- PELLETS
- FINES

21.7

MILLION
tonnes of products shipped out of Ubu (ES), in line with our annual production.

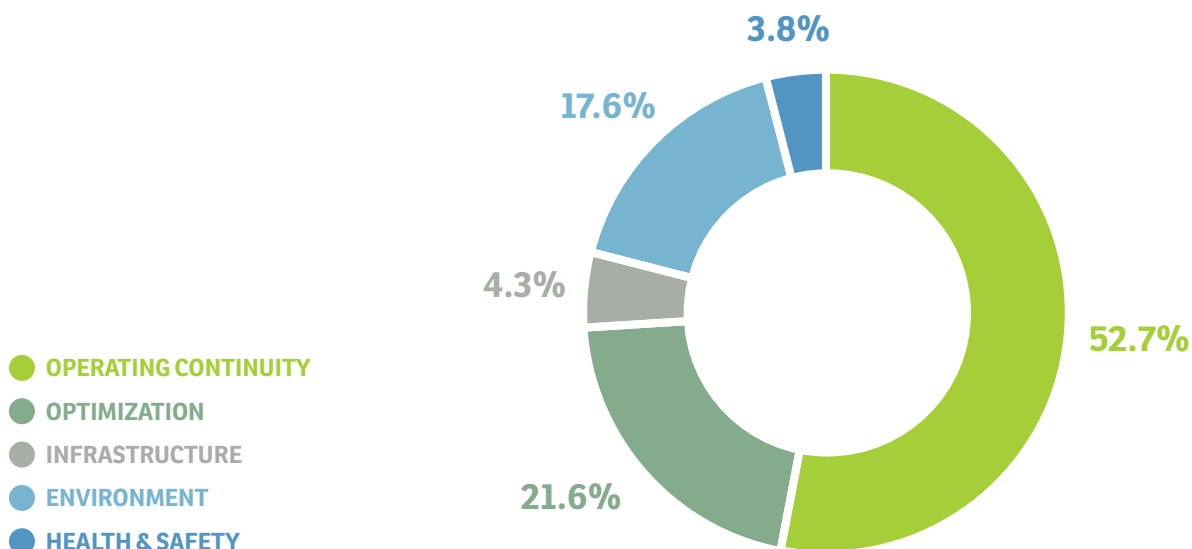
In 2013, Samarco signed a contract to provide direct reduction pellets to the Louisiana unit of Nucor LLC, which belongs to the group of the same name that is already our trading partner in Trinidad and Tobago. The partnership signals our belief in the American market, where we may hold a prominent position in the future.

From the point of view of our production, we have invested in systemic productivity and new technologies to ensure the maximum efficiency of our business, despite the downward trend in the ore's iron content. In this regard, Samarco bet on the productivity and excellence programs (*read more in Operational Excellence, pg.36*); professional qualifications (*Employees, pg.78*); and a portfolio of eco-efficiency and innovation projects that allow us to develop customized solutions for the Company (*Research, Innovation and Eco-Efficiency, p.33*).

From 2014, the 37% increase in nominal production capacity afforded by the Fourth Pellet Plant Project (P4P) will allow us to pursue business expansion opportunities. Our main challenges are to make deliveries according to Samarco's production capacity and to maintain long-term relationships built with our customer base. As a result of these efforts, since early 2014 we have already sold the Company's entire production volume with the P4P, estimated at 30.5 million tons of pellets/year. To avoid potential risks, production will be traded evenly among the different markets in which we operate, and distributed proportionally between direct reduction and furnace pellets.

CAPITAL INVESTMENT BY PROJECT TYPE

(%)





Projects such as the construction of wind fences are viable solutions for controlling and mitigating the natural impact of our business.

CAPITAL PROJECTS

In addition to capital input for the P4P, in 2013 Samarco maintained a series of investments in projects to ensure operation continuity, optimize existing activities, and support the business. A total of R\$520.9 million were invested, spread among areas such as the environment, health and safety, and infrastructure (see chart).

In 2013, one of the highlights was the deployment of the wind fence system at the pellet and iron ore fines stockyards in Ubu (ES). The total investment earmarked for the project added up to R\$93 million, of which R\$36.3 million were invested in 2013. This delivery is part of the Terms of Environmental Commitment Samarco signed voluntarily in 2009 with the State of Espírito Santo Public Prosecutor's Office, with technical intermediation of the State Institute for the Environment and Water Resources (IEMA) (*read more in Environment, pg.62*). GRI EN18, S05

Aiming to reduce transport costs and increase power supply reliability, in late 2013 and early 2014 we delivered the last phases of the Access to the Basic Grid project, in Germano (MG), which will supply the unit's concentrators.

Also in Germano, another project to be completed in 2014 is the implementation of a new mobile equipment workshop, to replace the existing one, in order to adapt the infrastructure to the increase in the mid-sized to heavy vehicle fleet and ensure full equipment availability. In all, R\$24.2 million, of a total of R\$92.5 million, were invested in this project in 2013. In the industrial area, an important item was the construction of an Industrial Wastewater Treatment Plant at the North Dam with investments worth R\$5.3 million.



FINANCIAL RESULTS

IN 2013 SAMARCO FOCUSED ON COST CONTROL, INVESTMENT MANAGEMENT AND MARKET DIVERSIFICATION – AND ATTAINED THE HIGHEST SALES REVENUE IN ITS HISTORY

The year 2013 was marked by positive economic and financial results for Samarco. Under the influence of a more stable economic environment, but which was still challenging from the iron ore price volatility viewpoint, we focused on austerity in production cost management, on deliveries in accordance with the demands of the markets we serve, on monitoring of all risks associated with the business, and on protection of profit margins. As a result, we posted a 3.2% increase in profit and secured the highest sales revenue in our history.

As the year developed, we saw a gradual recovery among the European economies and also in the US and Japan. On the other hand, developing economies that had shown a strong performance in recent years, such as China, underwent a slowdown. In this environment, the iron ore segment experienced a positive period, with price increases nearing historical peaks in the first quarter of 2013, followed by a slight drop in the second quarter, fluctuating between R\$130 and R\$140 per ton until the end of the year. In 2012, prices had fallen below R\$90 per ton, as they had during the 2009 economic crisis.

To ensure the best financial results for Samarco, we invested mainly in two fronts: internally, the focus was on combining cost and productivity management,

maintaining a strict control over business margins and profitability, and keeping a watchful eye on our level of indebtedness. Externally, we endeavored to offer our products in a larger variety of marketplaces in order to avoid possible risks associated with local conditions.

In 2013, gross sales totaled R\$7,240.2 million, the best in the Company's history. This result is mainly due to gains from the depreciation of the domestic currency (2013 - 2.3420 x 2012 - 2.0429) and from the slight increase in the average pellet selling price on the international market. This revenue is 9.5% higher than 2012. Net income, in turn, was R\$2,731.4 million, up 3.2% over the previous year.

Seeking to diversify markets to reduce our exposure to risk, our sales strategy in 2013 was directed towards more attractive markets, such as the Middle East and Africa. Income came mainly from the sale of iron ore pellets (97.2%), with a small share of fines (1.9%) and other services (0.9%).

EBITDA

In line with the positive sales revenue results, the adjusted EBITDA – operating profit plus net income, depreciation and amortization – was 8.9% higher in 2013, closing at R\$3,869.9 million. The EBITDA margin slipped 0.6% compared to the previous period (2013 - 53.7% versus 2012 - 54.3%).

COSTS, EXPENSES AND INVESTMENTS

In 2013, the cost of goods sold (COGS) – an important indicator to measure our competitiveness – reached R\$2,679.9 million, up from R\$2,536.3 million in 2012. Among the influencing factors are the increase in personnel expenses, higher disbursements with inputs, and the strong pressure on contracted services. However, we have reduced our energy costs, our ore procurement from third parties and other types of disbursements, which allowed us, even in the face of rising costs, to achieve more significant net sales and to expand our gross margin by 1.5% (2013 - 62.8% versus 2012 - 61.3%).

Our operating expenses totaled R\$871.4 million in 2013, equivalent to 12.1% of the net revenue, up from the R\$656.2 million of the previous year (which represented 10.0% of the net revenue). The increase in expenses is related, mainly, to issues such as state taxes negotiated with the state of Minas Gerais, financial expenses, disbursements with mining rights and expenses with profit sharing.

Insofar as investments are concerned, in 2013 we invested a total of R\$2.5 billion, of which R\$2.2 billion refer to the P4P, R\$112.5 million to other optimization projects, and R\$408.4 million to sustaining of capital. The value is lower than the previous year's, mainly on account of the expansion project, which was already well advanced from the financial point of view, and the completion of some optimization projects, such as the installation of the wind fence in Ubu (ES).

FINANCIAL INDICATORS

R\$ million

	2013	2012	2011
Gross revenue	7,240	6,611	7,117
Net earnings	7,204	6,550	7,059
Gross margin (%)	62.8	61.3	63.9
Net earnings	2,731	2,646	2,914
Ebit	3,653	3,357	3,922
Ebitda	3,870	3,554	4,113
EBITDA margin (%)	53.7	54.3	58.3
Investments	521	643	420
Investments (P4P)	2,160	2,709	935
Total assets	15,032	11,001	7,095
Equity	3,758	3,274	1,807
Gross debt	9,030	5,987	4,388
Net debt	8,475	5,215	3,888
Net debt / EBITDA	2.3x	1.7x	1.1x
Roce	22.5	29.3	55.2



Positive business performance has been the result of financial management with a focus on balancing investment, production costs and profit margins.



ACKNOWLEDGED SOLIDITY

In 2013, our risk rating was maintained at BBB investment grade by two rating agencies: Fitch Ratings, which has evaluated Samarco since 2006, and Standard & Poor's, which has evaluated us since 2012. The result reflects the market's good perception regarding the Company's strength and financial management capability.

INDEBTEDNESS

Reflecting the investments planned in our expansions and works, in particular under the Fourth Pellet Plant Project (P4P), our gross debt totaled R\$9.018 billion in 2013, 62.4% (R\$3.465 million) more than the R\$5.553 million in 2012. The debt to equity ratio (Total Gross Debt/EBITDA), meanwhile, closed the year at 2.3x, above the 2012 figure (1.7x) but within the limits we have set for the business. Of the total, 10.4% (R\$939.1 million) corresponded to short-

term debt - current installments of the long-term debt. The other 89.6% (R\$8,091 million) are installments of the long-term debt.

To ensure the necessary resources and our ability to generate value, we performed some relevant financial transactions during the year. These included raising R\$1,639.4 million in funds through the issue of bonds (debt securities) on the capital market - an action already undertaken in 2012 - and the raising of R\$854.8 million through loans, in the form of export prepayments (EPP). These forms of financial resource mobilization are in line with our proposal to extend our debt profile - which grew from 5.6 years in 2012 to 6.2 years in 2013.

GENERATION OF VALUE GRI EC1

In 2013, the wealth generated by Samarco added up to R\$10,266.6 million, a 2.5% growth compared to 2012. The net value added produced, in turn, reached R\$3,678.7 million in 2013. The total value added to distribute, meanwhile, reached R\$4,214.0 million, a 10.6% increase over the previous year (R\$3,812.5 million).

RESOURCE DISTRIBUTION WAS AS FOLLOWS:

R\$419 million in 2013 (R\$ 343.0 million in 2012) were used for the compensation of 2,899 employees, generating 710 jobs, direct and indirect, and investments of 181,465.22 hours of training, generating, on average, 341 man/hour;

R\$279.5 million were distributed for tax and payroll charge purposes (R\$548.4 million in 2012);

R\$785 million were earmarked for the remuneration of third-party capital (R\$274.9 million in 2012);

R\$2,731.4 million were used to remunerate equity capital (R\$2,646.3 million in 2012).

VALUE ADDED STATEMENT (VAS)

(in R\$ million)

	2012	2013
Revenue (wealth created)	10,020.60	10,266.60
Inputs purchased from third parties	(6,272.40)	(6,371.20)
Gross added value	3,748.20	3,895.50
Depreciation	(196.80)	(216.80)
Net added value produced by the entity	3,551.40	3,678.70
Financial revenue	261.10	536.20
Total added value to be distributed	3,812.50	4,214.90
Personne	343.00	419.00
Taxes and contributions	548.40	279.50
Interest expense	274.90	785.00
Interest on shareholders' equity	2,646.30	2,731.40
Distribution of added value	3,812.50	4,214.90

READ MORE

To learn more about our financial performance, go to Samarco's Management Report: www.samarco.com

HEALTH AND SAFETY

LIFE IS A NON-NEGOTIABLE PRIORITY TO THE COMPANY, AS DEMONSTRATED BY ITS PROJECTS AND INITIATIVES TO PROMOTE A HEALTHIER AND SAFER WORK ENVIRONMENT

Valuing life above all else is a non-negotiable matter for the activities at Samarco. All of our actions in the occupational health and safety area are guided by our Respect for people value, both within and outside of the Company's operations. Based on requirements set forth under the international OHSAS 18001 standard, on good industry practices and on our shareholders' guidelines, our Health and Safety Management System is the path through which we have achieved positive results in promoting safe behavior, in ensuring risk control, and in maintaining low accident rates.

In 2013, our accident rates remained within the established goal threshold (below 1.00), with a slight increase over the previous year, due to the impact of fewer hours worked.

Three pillars are at the heart of our performance with regard to health and safety: Leadership, Behavior and Systems. To us, having engaged leaders, an organized control and monitoring structure, and a workforce aware of the importance of the safe behavior culture is the way to achieve the results we desire. We make sure the topic is addressed by senior management through the Central Health and Safety Committee, which includes the

participation of the Executive Board, the Health and Safety area, and other general departments. In parallel, we have operational committees that meet monthly, commissions, events on accident prevention and various projects - such as the Sponsor and Safe Work Observation Program (Pots) (see box on pg.54). GRI LA6

In the behavioral area, we highlight the increase, in recent years, of reports of critical incidents and near-misses - reflecting our awareness campaigns. In systems, we made progress in the implementation of controls to reduce the risk factor in specific work groups and in programs for analyzing and improving the workers' health profile.

Under the P4P, whose rates are monitored monthly and include accidents without lost time but with restricted activity or medical care, the index closed 2013 at 1.02. Considering the workforce of upwards of 13,000 people, spread over approximately 400 kilometers from Minas Gerais to Espírito Santo, with a total of more than 60 million man-hours worked, we consider this result excellent. Additionally, no severe accident was recorded among employees at the works, and about 2% of the Project's work hours were focused on safety training.



→
Each year we have
invested in initiatives
and process
improvements to further
reduce our injury rates.



SAFETY INDICATORS

GRI LA7

Operations (Samarco and Contractors)

	CORPORATE			GERMANO			UBU		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Number of events									
LT accident (with lost time)	4	3	5	1	1	3	3	2	2
WLT accident (without lost time) with restricted activity	4	3	4	1	1	1	3	2	3
WLT accident (without lost time) with medical treatment	1	8	5	1	4	1	0	4	4
Accident with outpatient clinic care	42	60	61	20	30	44	22	30	17
Near-accident	10,479	10,788	8,887	5,957	5,931	5,535	4,522	4,857	3,352
Unsafe conditions	29,961	30,883	36,305	14,516	14,529	19,202	15,445	16,354	17,103
Rate									
LT accident rate	0.22	0.14	0.29	0.10	0.09	0.31	0.34	0.20	0.25
Recordable injury rate (LT + WLT)	0.49	0.65	0.80	0.31	0.51	0.52	0.68	0.81	1.15

MANAGEMENT GROUPS

Through the Health and Safety Operational Committees (OHS), the Internal Accident Prevention Commission (CIPA), in Ubu (ES), and the Internal Commission for Accident Prevention in Mining (Cipamin), in Germano (MG), 100% of our employees and permanent contractors are represented in groups that deal with safety. Each year, these groups organize the Internal Accident Prevention Week (Sipat) at each of the units, during which we schedule a series of activities aimed at heightening awareness and at sharing good practices. [GRI LA6](#)

SAMARCO EMERGENCY

In case of incidents at our facilities, employees, contractors and visitors can mobilize Samarco Emergency. This is a channel available at all company units in Brazil, which answers questions, logs cases, and sets emergency response into action. Its structure has a team specialized in emergency care and about 200 trained volunteer firefighters.

CRITICAL RISKS

In a project deployed five years ago, Samarco analyzed the positions and activities of the various areas and mapped the potential security risks its employees and contractors are exposed to, rating them on five levels: trivial, tolerable, moderate, substantial and intolerable. Thus, it was possible to map 18 priority operational risks, in response to which we planned a management program that includes projects, campaigns, investments, and process changes.

We also built our own methodology to calculate Samarco's Risk Factor. This indicator is applied to all operational activities, with emphasis on reducing critical and intolerable risks, and involves more than R\$10 million in annual investments to ensure worker health and safety. We have the goal of achieving a 10% annual risk reduction rate; in 2013, the decrease reached 11.5%.

In 2013, one of our main measures to control operational risks was to start implementing actions

SAFE BEHAVIOR PROGRAMS

Safe Work Observation Program (Pots): Pots encourages employees to voluntarily and mutually monitor the implementation of their routine tasks, aiming to reinforce behaviors that prevent accidents. In 2013, 72 events were organized, training 700 observer employees who performed 62,849 behavioral approaches.

Sponsor Program: Also involving voluntary participation, this program was implemented in 2012 and allows more experienced professionals to act as mentors for newly hired employees, disseminating concepts and best practices. The program was revitalized in 2013 to include training for the entire leadership. As a result, we had 483 new employees involved and no incidents with new hires.

Programs Disseminating the Value of Safety to Contractors and Systematizing Management in Occupational Health and Safety: Both are directed towards contractors, assisting them in the preparation, implementation and improvement of health and safety management and control systems. What sets them apart is that the latter, although also open to contractors, is focused on companies that are interested in qualifying to work for Samarco.



R\$ 10

MILLION

invested each year to control critical and intolerable risks. In 2013 we reduced our Risk Factor by 11.5%.

to mitigate the risk of accidents resulting from man/machine interaction, identified during an audit of our shareholders at the Ubu (ES) and Germano (MG) units. Improvements such as traffic control at the mine, isolation of industrial areas with fences and gates, traffic pattern changes, new signs and access controls to certain areas have already started being implemented. The goal is to achieve a 56% reduction in the risk factor associated with these activities by 2014.

Other important actions were deploying the anti-collision system at the Germano mine (MG), which signals the approach of vehicles and equipment, and strengthening the protection of conveyor belt moving parts and rollers. In the health area, we strengthened critical risk mapping and management starting in 2013 by means of actions such as reducing sound pressure levels, which included replacing the process fans and installing sound booths in the buildings of plants 1 and 2, in addition to making improvements in the Ubu laboratory.

HEALTH AND WELL-BEING GRI LA8

Through the Occupational Health Department (GSO), Samarco develops guidelines and practices that contribute to improving its employees' health and quality of life inside and outside of the work environment. Activities involve physical, mental and dental assessments, the provision of social services to employees, the monitoring of ergonomics, occupational hygiene, and sports activities.

Among the targets set for 2013, we were able to minimize health risks and psychosocial changes, besides having promoted greater employee awareness regarding vaccine control and changes in lifestyle through multidisciplinary actions. In this aspect, we carried out further activities and initiatives with respect to quality of life at work and the workers' health in preventive programs.

As for the leadership pillar, the occupational health management activities included committees and meetings with the Company's operational departments, in partnership with the Human Resources area. The contractor health management process was also consolidated in 2013, allowing Samarco to improve the monitoring of suppliers. The focus was on compliance with the current legislation and on the accurate transfer of information to area managers dealing with the contractors.

With respect to behavior, we achieved improvements in meeting deadlines for employees' periodic examinations - an indicator that signals awareness of self-care and the meeting of legal requirements. As for the systems pillar, adjustments were made to the service infrastructure and in the process of identifying, assessing and controlling environmental hazards (noise, dust, vibration, etc.) and ergonomic aspects of the work process.

The focus on prevention is present in the construction of the employees' Health Profiles. Based on the results of the periodic examinations, we identified areas for improvement and critical aspects related to metabolic rates, hypertension, diabetes, obesity, sedentary lifestyle and fatigue, among others. For 2014, Samarco hopes to achieve the goal of including an additional 0.5% (180 employees) in the group with the best results in the Health Profile. In 2013, with a multidisciplinary team, we created a global health assessment, which enabled us to instruct and act on the causes of health issues and reduce employee exposure to inappropriate environments and behavior. There were also direct gains in the teams' productivity. Monitoring applies indicators developed in public health studies and World Health Organization (WHO) benchmarks.

FOURTH PELLET PLANT PROJECT

WITH ITS START-UP IN MARCH 2014, OUR EXPANSION BOOSTS OUR PRODUCTION CAPACITY BY 37% AND ENABLES US TO ADVANCE TOWARDS OUR VISION FOR 2022

Samarco's main capital project and one of the largest in the industry in Brazil, the Fourth Pellet Plant Project (P4P) faced a pivotal period in 2013, when we were at the peak of construction and closed the year with a total progress of 98%, including the engineering, construction and procurement areas. 35 months after it got underway, we moved towards start-up in March 2014, ensuring our shareholders and Brazilian society the success of one of the most important expansion projects in the history of the Company, which will increase our nominal production capacity by 37%, to 30.5 million tons of iron ore pellets per year.

The P4P includes the installation of a third concentrator at Germano (MG) - within the scope of this structure, we have built a pipeline to abstract new water in Santa Bárbara (MG) - as well as a third ore pipeline running parallel to the existing two, with capacity to transport 20 million tons/year of iron ore, and the Fourth Pellet Plant in Ubu (ES). We also made adjustments at the port terminal in order to expand the current shipment capacity from 23 million tons/year to 33.5 million tons/year.

In the execution of the works, we excelled in the management of all of our social, environmental and economic impacts. We rendered accounts, generated local development, and pursued mutual gains for the Company and for those living in the Project's area of influence. These commitments are in line with the indicators of the Strategy Map built specifically for the P4P.

Originally slated for delivery in January 2014, the P4P underwent schedule changes related to natural adjustments made to the scope of a project of this size and to shutdowns that occurred throughout 2013 at the Ubu (ES) construction site, where contractor employees remained on strike for 66 days. In Minas Gerais, meanwhile, activities at the new water pipeline, in Santa Bárbara (MG), were stopped for 95 days due to a construction embargo.

These occurrences caused a 1.93% delay as compared to the original schedule. The investments in the project, initially estimated at R\$5.9 billion, were revised to R\$6.4 billion, a 9% increase in Brazilian Reais, but null in US Dollars. Throughout the process, Samarco conducted the expansion re-planning process with its shareholders through structures such as the Fourth Pellet Plant Project Committee. Moreover, it maintained dialogue channels open with trade unions, contractor representatives, public authorities, and the local population.

In the case of the water main, the work was stopped due to the negative impacts that could be caused to the Historic Center of Brumal, a district of Santa Bárbara (MG) where the venture is located. After meetings with city and community representatives, we signed two terms of commitment - one with the Public Prosecutor's Office and the State Institute of Historical and Artistic Heritage of Minas Gerais (IEPHA), which foresees investments for the preservation of the municipality's historical and cultural heritage.



The other, signed with the city of Santa Bárbara and with the intermediation of the Municipal Council for the Conservation and Protection of the Environment (Codema), foresees investments in projects in the areas of health, education, culture, and urban mobility. Although suspended for about three months, the water pipeline project reached 99% completion in December 2013 and was finished in early 2014 (*read more in Environmental Performance, pg.62*).

HEALTH AND SAFETY

Contractor employees at the end of 2013 were spread throughout Minas Gerais and Espírito Santo, working on the P4P at Germano (4,626), the ore pipeline (496), Ubu (3,801), and Belo Horizonte (87). The total does not reflect the peak of construction, which took place in the middle of the year, when we had 13,000 active outsourced workers.

As in routine operations, Samarco acted to ensure the security and integrity of all professionals involved in the project. The system that was implemented was based on OHSAS 18001 and our shareholders' best practices, taking into account the current legislation, the preliminary risk assessments, and lessons learned from the Third Pellet Plant Project (P3P).

Based on the identified risks, control measures were established in order to mitigate them and ensure the employees' physical integrity. Additionally, we invested in safe behavior initiatives, with campaigns and daily inspections, and we monitored the contractors' safety indicators. A review of this entire system was made every two months, through meetings attended by Samarco directors and contractors. On these occasions, critical incidents and the overall



Our capacity expansion has been accompanied by actions to manage the social and environmental impacts of the Project.





1.02

ACCIDENT RATE

reported incidents was the accumulated total for the P4P construction works, much lower than the established limit.

performance were evaluated using reactive (rates) and proactive (management tools) indicators.

By December 2013, 59.9 million man-hours had been worked, with a cumulative rate of 1.02 accidents, compared to a limit of 3.85 set by Samarco for the Project (*read more in Health and Safety, pg.52*). **GRI LA7**

QUALIFICATION AND LOCAL DEVELOPMENT **GRI EC9**

We believe that our business expansion with P4P is an important local development opportunity for communities neighboring our operations. Benefits include creating jobs and income, training manpower, and encouraging the development of local suppliers, the generation of tax revenue and support for the development of the lodging facilities in the area of direct influence. By prioritizing the hiring of local labor for the projects, Samarco avoids building housing for employees, which, in turn reduces, the impact of the works.

The Company invests in training workers through the Professional Development Program, which offers training for people in communities neighboring the units. The goal was to offer professional development at the local level, involving and qualifying the workforce for opportunities in the P4P and other developments in the region. The training was directed towards courses in the civil construction and electromechanics areas. Samarco invested, up to December 2013, R\$4.9 million in training 1358 people (552 in Minas Gerais and 806 in Espírito Santo).

SOCIOECONOMIC INDICATORS **GRI EC9**

To collect and organize information relevant to the impacts generated by the P4P in the areas of direct influence, we have the Socioeconomic Indicators project. Through it, we measure and act to strengthen the positive effects and to minimize the negative impacts project implementation may have in areas such as the local economy, education, public safety, work, mobility, and health. In all, about 80 indicators are analyzed in a process that involves representatives of the Company, civil society, the private sector, and local government in Germano (Mariana, Ouro Preto, Santa Bárbara, and Catas Altas) and Ubu (Anchieta, Guarapari and Piúma). Eight meetings were held in the region of Ubu in 2013, which were attended by about 100 leaders from the community, environmental agencies, municipal government, and the Public Prosecutor's Office. In Germano, the meetings are scheduled for 2014.

The indicators showed that between January 2011 and July 2013, Samarco invested R\$1.7 billion in purchases for the Project in Espírito Santo, 55% of the amount being invested in the state itself, 20% in Minas Gerais, and 25% elsewhere. Insofar as the works in Germano are concerned, there were \$2 billion in disbursements in the same period, 72% of the total coming from Minas Gerais, 5% from Espírito Santo, and 23% from the other states. **GRI EC6**

One of the highlights was the generation of tax revenue. Up to December 2013, for example, the P4P generated, through local, state and federal taxes, about R\$552

P4P CLIMATE SURVEY **GRI PR5**

As of December 2013, Samarco had held seven editions of the Climate Survey for managerial staff and 31 for operational employees of the P4P, including the construction sites at Germano, Ubu, and at the ore pipeline. The goal was to identify and understand the aspects that impacted the work environment in the infrastructure, safety, training, relationship, quality of life, motivation, leadership, and communication

areas. Throughout the operational staff survey period, there was a monthly average of 11,346 participations - an average of 642 employees were interviewed per month. In total, we applied 17,632 questionnaires. In the survey conducted with the managerial group, there were 2,748 respondents. For most topics, the results of both surveys showed levels above the established goal of 80% favorability.



P4P has provided an opportunity to create jobs, develop local professional skills and establish new business partnerships.



million. Approximately R\$173 million of this was on account of the construction of the ore pipeline. With regard to the P4P works in Ubu (ES), the overall generation of taxes reached R\$190 million by December 2013, and in Minas Gerais, at the third concentrator, the total was R\$180 million. [GRI EC1](#)

Regarding the increase in the supply of local employment, we noted a surge of 16% in formal employment in the cities of Mariana, Ouro Preto, Catas Altas, and Santa Bárbara (MG), and in Anchieta, Guarapari, and Piúma (ES). In Ubu, the P4P generated an increase of 17.7% in total formal employment; in Germano, this index was 13.6%. The level of local employment stood at 60% in Ubu, and at 45% in Germano, surpassing the initial target that had been set at 35%. This led to positive impacts on the growth in formal employment, income, and the qualifications of the local workforce. The growth in income also contributed to the opening of new businesses in these municipalities. [GRI EC7](#)

Impact monitoring also sought to evaluate a possible burden on public services the Project may have caused. Because of the high rate of local hiring and control measures taken during the works, the project did not generate a significant burden on services such as health, education, and security. Regarding the impact on traffic, we found that, despite the high flow in circulation, the vehicle fleet set into motion for the P4P represented, at the peak of construction, about 0.6% of the vehicles operating in seven counties.



R\$ 552

MILLION

in municipal, state and federal tax revenue generated by the Project in Minas Gerais and Espírito Santo.

SOCIAL AND ENVIRONMENTAL COMMITMENT GRI EC8

Collaboration with the government and civil society has enabled us to support responsible settlement, environmental management and development projects in Espírito Santo



ENVIRONMENT

Samarco's commitment to proper environmental management throughout the implementation of the P4P resulted, in 2013, in several important deliveries - mandatory or voluntary - for the area of direct influence. Environmental investments added up to approximately R\$245 million until completion of the works, including, in addition to the environmental management of the activities, resources for environmental control equipment for the plant - such as electrostatic precipitators, the wind fence technology in the coal receiving area, the industrial wastewater treatment station, and industrial paving and drainage, among others. GRI EN30

Another commitment Samarco meets is in regard to the federal law related to Environmental Compensation, which requires major undertakings to support the deployment and maintenance of a conservation unit using resources equivalent to at least 0.5% of the total costs foreseen to execute the project. In 2013, new investments were made, such as the Iracema Waterfall Municipal Natural Park conservation unit, in Alfredo Chaves (ES), to which

the Company has earmarked approximately R\$2 million; and the State Forest Institute (IEF), in Minas Gerais, in which we invested R\$419,000.

Always seeking the employees' engagement in our actions, we promote environmental training and awareness campaigns. These reached more than 35,000 people during the construction phase in Germano, Ubu, and the ore pipeline.

Among the voluntary environmental initiatives related to the P4P, there is the carbon neutralization project - by which we ensured a balance of greenhouse gas emissions (originally estimated at about 150,000 tons of CO₂ equivalent) equal to or less than zero during the construction. This is the first major expansion project in Brazil that is totally carbon neutral. To achieve this, we adopted various compensation measures, such as the planting of rubber trees and native Atlantic Forest species and the rehabilitation of protected areas, among other actions, with a final investment of R\$1.9 million. GRI EC2, EN18



We use state-of-the-art technology and equipment in our projects to mitigate social and environmental impacts.

SOCIO-INSTITUTIONAL INVESTMENT

GRI S01, S05, EC8

Within the scope of the Fourth Pellet Plant Project, we reinforced our calendar of meetings with communities and the planning for socio-institutional investments, including approximately R\$8.6 million planned for the period of the works. Regarding the constraints that had been foreseen, the highlight is the Terms of Socio-environmental Commitment, signed in 2011 with the State of Espírito Santo Public Prosecutor's Office and the municipalities in the area of direct influence of Ubu (Anchieta, Piúma, and Guarapari), with the technical intermediation of the State Institute for the Environment and Water Resources (IEMA).

In partnership with the government, local leaders and communities, Samarco supported the structuring of the Center for Intelligence and Imagery in the Southern Region of Espírito Santo (Condesul), which allows for the real-time monitoring of the territory's occupation and use, with equipment and software to read images.

Furthermore, we took part in the development of the hotel network occupation plan and of the integrated plan for solid waste management in the municipalities of Anchieta, Guarapari, and Piúma in order to meet the National Solid Waste Policy (PNRS). With the concurrence of the three Espírito Santo municipalities, the document was completed and handed over to the prosecutor's office in 2013. GRI EC8, S05

In parallel, Samarco has institutional investment fronts that include municipal health, education and infrastructure, based on prior consultation on each region's needs. In 2013, all deliveries in Minas Gerais were completed, which included the donation of mobile equipment (tractor, garbage truck, dump truck, backhoe, vans, etc.), hospital and IT equipment, screening for recycling, access road rehabilitation and paving, among others. In Espírito Santo, the process will be completed in 2014, totaling about R\$4.3 million in investments in the two states.



R\$ 245

MILLION

allocated to environmental control equipment and environmental management within P4P, reducing Project impacts.

ENVIRONMENTAL PERFORMANCE

IN 2013, WE INVESTED OVER R\$183 MILLION IN INITIATIVES TO FURTHER IMPROVE OUR ENVIRONMENTAL MANAGEMENT, FOCUSING ON TOPICS SUCH AS EMISSIONS, ENERGY, WATER AND BIODIVERSITY

Samarco is constantly in pursuit of improving its processes in order to prevent and mitigate environmental impacts inherent in the mining business. In addition to the adjustments to the Brazilian legislation, we invest in projects that allow us to increase our competitiveness, reduce risks, and achieve greater efficiency generating minimal externalities on the environment. Therefore, topics and guidelines related to environmental management are part of the Company's Strategy Map and Sustainability Model and are incorporated into our daily activities in the form of indicators and targets monitored by the senior leadership (*read more in Vision for the Future, pg.24*).

In 2013, we continued actions focused on critical issues related to our segment, such as the management of water and wastewater, waste and tailing generation, gas and particulate matter emissions, and impacts on biodiversity. In total, we invested approximately R\$183.2 million in environmental improvements, of which R\$75.5 million were related to investments in the P4P and R\$107.7 million were associated with improvements in environmental control operations. **GRI EN30**

Our team in charge of environmental management acts in operations and projects in Minas Gerais and in Espírito Santo, addressing each stage in the Company's process. At the Germano unit, attention is focused on extraction and on more efficient iron ore use, on efficient tailing and waste disposal management, on optimized use of new water, and on wastewater management. Along the ore pipelines, our concern is to control erosion on the easement and to prevent leaks. In Ubu (ES), meanwhile, the main issues are atmospheric and gas emissions and wastewater management, in addition to biodiversity, energy efficiency and waste generation.

Among the 2013 highlights are the delivery of the wind fence and the consolidation, expansion and modernization of the Automatic Air Quality Monitoring Network, one of the most modern in Brazil, which is able to continuously measure the concentrations of particulate matter and gases in the communities. These projects are under the Terms of Environmental Commitment voluntarily entered into in 2009 with the State of Espírito Santo Public Prosecutor's Office and



7 ASSUME
a responsible, preventive and proactive posture toward environmental challenges



8 DEVELOP
initiatives and practices to promote and divulge socioenvironmental responsibility



9 PROMOTE
the development and dissemination of environmentally responsible technologies



← Training and awareness programs within the Company have helped us maximize best practices.



R\$ 183.2

MILLION

in environmental investments across our operations in 2013 and notably within the P4P Project and routine operations.

with technical intermediation of the State Institute for the Environment and Water Resources (*read more in Air Emissions, pg.72*). We also made important progress with improvements in the management of our water footprint at the Germano (MG) and pipeline operations, in the revision of the Master Plan for Water Resources (PDRHid), and in studies to reduce our impact resulting from the generation of waste and waste rock.

Regarding the management of biodiversity, in 2013 we completed the energy efficiency project for stockyard and port area lighting, aiming to reconcile the reduction in power consumption with the conservation of sea turtle breeding areas near Samarco, in addition to making it feasible to adhere to a pilot project that foresees fish farming in cages in the sea. Both actions took place in Espírito Santo.

AWARENESS

Samarco seeks to encourage the participation of employees, contractors, and suppliers in engagement and environmental awareness initiatives. Under the Environmental Education Program (PEA), we conducted training sessions and other educational activities; in 2013, 2898 people and 60 certified environmental facilitators who act as multipliers attended. We also conducted an internal awareness campaign for proper solid waste disposal. Another initiative we support is the Used Cooking Oil Collection Project, which collects the oil used at public schools and establishments and sends it on for recycling, in partnership with accredited associations in Minas Gerais and Espírito Santo.



90%

REUTILIZATION

achieved at our concentration plants, which account for a major part of our production process.

WATER

Water use is a subject of paramount importance to Samarco, as it is present in various stages of the production process, such as in the concentrator, in ore cleaning and in transportation through the ore pipelines. Several actions are undertaken in pursuit of good and innovative water management practices in the Company's operations. This work is guided by three goals: reducing the need for new water abstraction, increasing reuse, and ensuring the quality of water that is discarded.

In our production process, our industrial plants undertake full sewage and industrial wastewater treatment and invest in water reuse, aiming to control our water footprint. In recent years, Samarco has maintained a reuse index of upwards of 90% of the water in the concentration plants; the remainder is treated before being released, in accordance with the standards and legal requirements, at Mãe-Bá Lagoon (Anchieta-ES) or streams near the Germano unit (MG). Water quality control, watershed preservation, and reservoir maintenance are also part of the work. [GRI EN26](#)

In 2013, we revised the Water Resource Master Plan (PDRHid), a document that guides water management at the Company. The review was done in accordance with the guidelines set forth under the Strategy Map, encompassing new water reduction targets and more efficient water use in the production process. The scope of the PDRHid also includes the Water Use Plan (PUA), which allows Minas Gerais and Espírito Santo's environmental agencies to evaluate our performance through descriptive reporting on water use at industrial units, also serving as a benchmark for our future applications for water use licenses.

In 2013, we started structuring Samarco's dynamic water balance, which will assess matters such as flow systems and monitoring equipment status, aiming to make water consumption management more effective. At Ubu, the new water recirculation point came into operation at the South ditch, a process previously only done through the North ditch. The water sources Samarco currently uses are the Piracicaba, Matipó and Gualaxo Rivers (MG), and wells in the Alegria mine and in Ubu (ES). From 2014, we will also use the Santa Bárbara River (MG), from which

RECYCLED AND REUSED WATER [GRI EN10](#)

2011	153,968	(90.40%)
2012	158,882	(90.41%)
2013	154,256	(90.10%)

● TOTAL RECYCLED/REUSED WATER (THOUSANDS OF M³)

● (% OF RECYCLED/REUSED WATER IN RELATION TO TOTAL CONSUMPTION)

WATER CONSUMPTION PER SOURCE [GRI EN8](#)

m³

	2011	2012	2013
Piracicaba River	4,394,607	4,109,626	3,653,784
Matipó River	721,184	620,452	592,737
Gualaxo River	9,158,516	9,591,563	6,907,633
Alegria Wells	2,083,664	2,558,519	5,814,007
Total	16,357,971	16,880,160	16,968,161
m ³ /TMSc ²	0.72	0.75	0.76
Ubu Wells ¹ (m ³)	-	193	245

¹ Information that went on to be reported in 2012. Consumption in Ubu is low due to water reuse.

² Dry metric ton of concentrate.

we will be able to abstract 2,050 m³ of water per hour, according to our license. [GRI EN9](#)

Seeking to expand the discussion on water use, Samarco also heightened its participation in the watershed committees for the Doce, Piracicaba, and Piranga Rivers, in Minas Gerais, and the Benavente and Itapemirim Rivers, in Espírito Santo, directly or indirectly impacted by our operations. By participating more actively in water resource management forums, the Company expects to contribute to formulating a public policy, in progress in Brazil, to regulate practices for industrial water abstraction and use. In 2013, our water consumption stood the same as in the previous year, with a slight variation due to the use in the mine's drawdown wells.

ENERGY

Energy consumption at Samarco is directly linked to its operations' production and infrastructure. The issue also gets more attention because of the Fourth Pellet Plant Project (P4P). The complexity of the infrastructure needed to gain access to sources of energy requires Samarco make efforts to reach greater efficiency in the processes interconnected to the power system.

Samarco uses electricity and natural gas (for the pelletizing plant furnaces) as inputs for its activities. Seeking greater independence in the energy area, the Company manages the Muniz Freire Power Plant, in Espírito Santo, and participates in the Guilman-Amorim Hydropower Plant consortium, in Minas Gerais. In 2013, the two developments generated 18.85% of the Company's annual consumption. The rest of the energy consumed is purchased from hydropower-generating companies. We closed the year with a total power consumption of 7.147.529 GJ, close to the figures recorded in the past few years. All of the surplus power generated by the hydropower plants was traded on the free market to maximize the Company's power balance results.

MANAGEMENT COMMITMENT

Work done to install the new water supply system - which will draw water from the Santa Bárbara River, in the Brumal community, municipality of Santa Bárbara (MG), to supply Concentrator 3 water tanks in Germano - took into account the feasibility of using the watershed, the abstraction flow permitted by law, and the preservation of the historic center of Brumal. Water abstraction will take place downstream of the city's collection point and will not affect the community's supply. To ensure compliance with regulations for water pump operations, acoustic treatments will be carried out in order to minimize equipment noise levels. Also in progress is a noise monitoring program, initiated in the period prior to the works and which will extend to the pipeline activity period.

As consideration for the operations in the region and aimed at building long-term relationships, we have drafted a plan for investments to be made in Santa Bárbara in the coming years worth approximately R\$13 million. The funds will be earmarked for projects in the areas of health, education, culture and urban mobility, to be defined and implemented together with the city, local communities, and representative bodies. Further investments will be made in preserving the city's historical and cultural heritage. In all, the Company expects to invest approximately R\$15 million in the region by 2020, and will remain committed to the development of socio-institutional programs focused on improving public education, environmental awareness, and the appreciation of local culture.

POWER CONSUMPTION AND SELF-PRODUCTION¹ GRI EN3, EN4

	2011 (MWh)	2012 (MWh)	2012 (GJ) ²	2013 (GJ)
Annual consumption	1,946,590	1,994,842	7,181,431	7,147,529
Acquired from third parties	1,573,410	1,747,889	6,292,400	6,471,002
Generated by the Company	423,546	395,198	1,422,713	1,347,144
Power sold	3,348	142,868	514,325	657,275

1 The total figure for direct energy generated only includes electricity, not fuel oil, natural gas, and mineral oil.

2 Since 2012, the unit of measurement for indicator EN3 has been GJ, no longer MWh.



R\$313

MILLION

invested in a project to establish direct transmission connections from the National Grid to our operations.

In search of more efficient energy alternatives, in 2013 Samarco performed tests by burning wooden pallets from construction work - turned into a biofuel for the pelletizing furnaces. If the applicability and efficiency of this option are proven to be good, biomass can be used to complement fossil fuel. Besides reducing the volume of material sent to landfills, this product can generate up to 13,200 GJ of renewable energy for the 1,500 tons of stockpiled lumber.

Another alternative Samarco is analyzing is using wind energy. In 2013, we started studies on the technology's feasibility for the Company's business in Ubu. Wind and infrastructure conditions available to the project are under assessment, using a 100-meter high anemometer tower. Two small wind turbines will also be installed in the region of the port of Ubu as part of the studies in progress. The results will be presented in 2014. [GRI EN5, EN7](#)

EFFLUENTS AND WASTE

Monitored by the environmental agencies, we dispose of wastewater at sites located near the Company's industrial units. At Germano (MG), the water is discharged into the Santarém, João Manoel, Macacos, and Matipó streams – whereas in Ubu (ES), it overflows from the North Dam into the Mãe-Bá Lagoon.

In order to monitor wastewater quality, we evaluate physical, chemical and microbiological traces, phyto and zooplankton parameters, and zoobenthonic organisms in the Minas Gerais creeks and in the Piracicaba River; every six months we also monitor fish populations. At Ubu, the Mãe-Bá Lagoon is submitted to physical and biological analyses, taking 40 parameters into account. In parallel, we monitor the fish diversity and ecology at the site, assessing the species' living conditions in rivers that cross the Company's premises. With this structure, we have a total of eight monitoring points and carry out 3,000 analyses annually to ensure control and conservation. In 2013, we started deploying the Coastal Lagoon Master Plan programs in the municipalities of Anchieta and Guarapari. [GRI EN25](#)

Over the year, we continued our program designed to reinforce the fish stock in the Mãe-Bá Lagoon, which already adds up to 250,000 fingerlings from the onset of the project. In 2013, we worked in partnership with the Federal University of Espírito Santo (Ufes) to reintroduce three native fish species at different levels of the lagoon. Since 2009, when the project got underway, 250,000 fish have been released. We also undertook environmental education actions with the community surrounding the lagoon. In 2014, we intend to continue monitoring

TO CONTINUE GROWING

In 2013, we completed the Access to the Basic Grid project, at Germano (MG), which will allow direct power transmission from the National Interconnected System (SIN) to the Company's facilities. With the connection of the first production unit in Germano, which was

completed in January 2014, the new system will ensure more security for our energy supply and substantially reduce the costs involved in transporting power. The project involves investments worth R\$313 million and is essential for the P4P's operation.

water quality and the fish population, and expanding the evaluated area, as provided for under the environmental impact assessments (EIAs) and environmental control programs (PCAs) foreseen for the year.

the Company. Initiatives were also carried out based on the use of the Lean Six Sigma tool aimed at reducing the waste generation costs. GRI EN26

The wastewater generated in Ubu increased by 21%, to 4,437,541 m³. This is mainly a result of the additional overflow volume from the North Dam into the Mãe-Bá Lagoon, in compliance with a request from the competent environmental agency. In Germano, the equipment is not measuring the flow rate correctly; therefore the figures were not reported in 2012 and in 2013. A new technological solution will be installed and start operating in 2014, measuring the flow rate from the Santarém Dam.

In 2014, we will deliver the Industrial Wastewater Treatment Station for the North Dam, which will allow for a second treatment of the water before it flows into the Mãe-Bá Lagoon. As part of the environmental licensing for the Fourth Pellet Plant Project (P4P), investments in the initiative have added up to about R\$5.3 million, and it is monitored by the State Institute for the Environment and Water Resources (IEMA).

Regarding waste management, in 2013 we recorded the highest industrial and domestic waste recycling rate in the last five years compared with the annual generation. The non-recyclable household waste disposal rate has increased significantly due to the number of major projects being deployed. In 2013, the Corporate Plan for Solid Waste Management was restructured, allowing for better waste generation and disposal management at

WASTEWATER GENERATED GRI EN21

m³

2011	21,798,631	2,876,198	24,674,829
2012	3,669,896	3,669,896	
2013	4,437,541	4,437,541	

- GERMANO (No measurements available for 2012 and 2013)
- UBU

WASTE GENERATED GRI EN22

(t)*	2011	2012	2013
Industrial class I	2,062	671	754
Industrial class II	33,542	14,059	15,221
Domestic	2,672	3,411	2,080
Total	38,276	18,141	18,055

WASTE PER DESTINATION

(t)**	2011	2012	2013
Non-hazardous waste			
Recycling/reuse	14,286	9,961	15,361
Industrial landfill	14,855	12,301	4,404
Landfill	1,860	1,330	1,765
Recycling	312	128	302
Composting	754	875	379
Hazardous waste			
Re-refining	608	357	506
Co-processing	876	268	345
Decontamination	6	4	3
Incineration	1	1	0
Other hazardous waste (Class I landfill/incineration/recovery)	120	46	38
Total	33,678	25,271	23,103

* The figures for previous years have been adjusted to include all Samarco operations.

** The generation of waste stock in the previous year accounts for the difference in the total figures of waste generated and disposed of.

RAW MATERIAL AND INPUT CONSUMPTION GRI EN1

by type

	2011	2012	2013
Coal (t)	248,316	207,003	217,361
Fuel oil (t)	3,475	2,483	23,128
Diesel fuel (thousand l)	15,728	16,733	16,669
Limestone (t)	463,070	439,155	440,644
Starch (t)	33,272	35,481	33,997
Amine (t)	2,727	2,514	2,837
Natural gas (m ³)	274,699	265,119	226,484

RECYCLED MATERIAL CONSUMPTION GRI EN2

by type

	2012 (t)	%	2013 (t)	%
Lubricating oil	46.54	19%	16	1%
Ball mill	0	0%	1211	4%
Grate bar	301.4	92%	127	61%
Mill lining	211	54%	0	0%



Biodiversity monitoring in Minas Gerais and Espírito Santo has been a management priority at Samarco.



BIODIVERSITY

Samarco's industrial plants and ore pipelines are installed in areas of great relevance to the Brazilian biome - considered hot spots, places of great diversity and very vulnerable - the preservation of which receives our constant attention. We monitor the biodiversity impacted by all operations, except administrative and sales offices, aiming to conserve the flora and fauna through actions and projects carried out to encourage and restore natural habitats. The follow-up also allows us to see opportunities where Samarco can contribute to native species monitoring and biodiversity, in line with its operations. [GRI MM2](#)

On account of the mine, stockpile, and dam operations at Germano (MG), the focus is on care in the suppression of the Atlantic Forest vegetation, with a decrease in the habitat loss or disturbance for species of flora and wildlife. We undertake environmental control plans that include rescuing flora and fauna, along with monitoring birds, mammals, fish, amphibians and reptiles, and bees. In Espírito Santo, meanwhile, the main theme is marine and coastal pond water quality near our

operations, in addition to in the Pardo River, in Muniz Freire (ES). In Ubu (ES), we monitor plant bioindicators and undertake actions aimed at spring and riparian area restoration, fish stock reinforcement, sea turtle monitoring and conservation, ship ballast water management, and marine fishery monitoring; in Muniz Freire, we enrich forested areas and restore riparian vegetation. [GRI EN12, EN14, MM2](#)

To map fauna and flora biodiversity in our areas of influence and action, we conduct environmental impact assessments (EIAs), which also indicate endangered species and their respective categories. By observing the impacts on the populations of species existing at these locations, we take measures to mitigate negative impacts, such as investments in flora preservation and rehabilitation. When necessary, we monitor, capture and rescue endangered species. [GRI EN15](#)



15.361

TONS

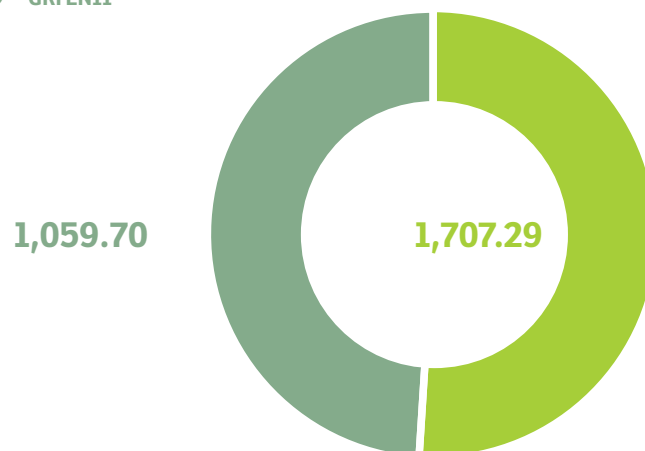
of waste sent for recycling and salvage in 2013, delivering on our commitment to reducing the environmental footprint of our operations.

A new fauna monitoring program got underway in Germano in 2013. It will continue for two more years and results will be presented annually. This assessment will help recover the flora in semideciduous seasonal forest (belonging to the Atlantic Forest biome, in areas that have two distinct seasons) and rocky grassland (normally found on the top of the mountain) areas. For 2014, we expect to prepare the Biodiversity Master Plan, which will outline corporate conservation and management goals on the issue. GRI EN26

As part of the legal constraints affecting the Fourth Pellet Plant Project (P4P), Samarco earmarked 0.5% of the amount invested in the project for conservation units, such as environmental protection areas and natural parks. The state environmental agency is in charge of using the appropriation, and defines how and what units will benefit from the funds. Throughout the project, Samarco allocated a total of some R\$8 million, distributed between years 2012 and 2013, covering the conservation of parks and reserves in Minas Gerais and Espírito Santo.

Also due to the P4P, we undertook zoning work and a similarity study between the statutory reserves in Germano and areas acquired near the Itacolomi Park, in Ouro Preto (MG). We are also completing zoning in Espírito Santo, pinpointing more fragile areas with potential for conservation, and the Environmental and Social Diagnosis of the Monte Urubu area (Anchieta/ES) for the deployment of a conservation unit.

PRESERVED AREAS GRI EN11
in hectares



- MINAS GERAIS
- ESPÍRITO SANTO

TOTAL: 2,763.99

PRESERVED AREAS GRI EN15

In accordance with current laws and regulations, Samarco separates 20% of its land as legal reserve areas in Minas Gerais and Espírito Santo. Considering the amendments made to the forest code, in 2013 we completed the georeferencing project for the properties and reviewed the mapping of the legal

reserves, a process that is under analysis by the competent body. The completion of the legal reserve relocation process in Minas Gerais and the legal ratification in Espírito Santo are foreseen for 2014. With this process, there was a 26% increase in Samarco's legal reserve areas.

BIODIVERSITY

MANAGEMENT PROJECTS

GRI EN12, EN14

WHAT WE HAVE DONE TO ENSURE THE PRESERVATION AND CONSERVATION OF FAUNA AND FLORA IN THE AREA OF INFLUENCE

SEA TURTLE MONITORING AT THE UBU - ANCHIETA MARITIME TERMINAL (ES)

Sea turtle conservation in partnership with the Pró-Tamar/ICMBio Foundation. In 2013, we completed the adaptation process for the stockyard and maritime terminal area lighting system aiming at the conservation of the species' breeding areas. With an investment of about R\$1 million, the initiative has adapted the stockyard and port system in such a manner as to not interfere in areas where these species breed. As a result, in the 2013/2014 season 130 spawning events were recorded, with approximately 1100 successful offspring. Indicators point to an increase in spawning, showing that it may be possible to reconcile port activities and environmental protection. The Pro-TAMAR Foundation undertakes the monitoring.

BALLAST WATER MANAGEMENT - ANCHIETA (ES)

Collection and analysis of vessel and sea water due to the high/medium risk of exotic species being introduced.

FISH REINFORCEMENT AND STOCK AT THE MÃE-BÁ LAGOON - ANCHIETA (ES)

We continued the initiatives aimed at reinforcing the fish stock in the Mãe-Bá Lagoon, which

We undertake our own initiatives or work in collaboration with organizations specializing in the biomes surrounding our operations

already adds up to 250,000 fingerlings from the onset of the project. In 2013, we worked in partnership with the Federal University of Espírito Santo (Ufes) to reintroduce three native fish species at different levels of the lagoon. We also undertook environmental education with the communities.

CULTIVATION OF MARINE FISH SPECIES - PROJECT "TOOTHLESS DOGFISH"

In 2013, we started participating in this unique project, which foresees the experimental

breeding of two common species of fish in Espírito Santo waters, the Beijupirá and the grouper, using cages. With the participation of government agencies and organizations such as the Peroá Institute, the Espírito Santo Federal Institute of Piúma, and the Science and Technology Development Support Foundation (Facto), the initiative will assess the feasibility of this technology in order to further disseminate it among the fishing community in the region.

WILDLIFE RESCUE AND MONITORING - ANCHIETA (ES) AND GERMANO (MG)

Fauna monitoring and rescue activity, taking impacts, species and local characteristics into account.

FLORA RESCUE - GERMANO (MG)

Flora rescue in areas before the onset of the intervention, relocation of epiphytes, donations and maintenance of seedlings at the Germano nursery, and training in rescuing flora as part of environmental impact studies.

ATMOSPHERIC EMISSIONS

We understand that the impacts Samarco's operations have on air quality are associated with particulate matter emissions, especially in the pellet stockpiling and transportation processes - which take place at the Ubu unit. Therefore, many of the measures adopted in this area focus on air emission control and reduction in the region, as well as on the pursuit of technologies that perform the processes we need with maximum efficiency.

In 2013, sulfur oxide (SOx) emissions were higher compared to previous years. Nitrogen oxide (NOx) and particulate matter (PM) emissions, on the other hand, were lower than in the previous year due to the implementation of the wind fence system and to the deployment, in 2012, of additional electrostatic precipitators for pellet plants 1 and 2.

In 2013, the highlight was the completion of the actions foreseen under the Terms of Environmental Commitment, signed voluntarily in 2009 by Samarco and the State of Espírito Santo Public Prosecutor's Office (MPES), with the technical intermediation of the State

Institute for the Environment and Water Resources (IEMA) and with the participation of representatives of civil society organizations in the region of Anchieta (ES). Under the agreement, Samarco committed to adopt initiatives to enhance the control of emissions from its operations in the state.

The major project inaugurated in 2013 was the wind fence technology, which uses metal structures enclosed by screens measuring 22 to 28 meters in height surrounding the stockyards where iron ore fines and pellets are stored. With disbursements of R\$93 million, the initiative has enabled reductions in PM emissions from the pellet stockyard of as much as 76%, up from the 54% originally expected. Also delivered under the environmental commitment was the expansion and modernization of the Automatic Air Quality Monitoring Network, formed by six monitoring stations forming an assembly that measures the amount of pollutants in the Anchieta region in real time. The Network is one of the most advanced in Brazil and can be connected to the Vitória Metropolitan Region Air Quality Supervisory Center, managed by IEMA. GRI EN26



← Investments in monitoring and controlling emissions have enabled us to reduce our environmental footprint.

NOX, SOX, AND OTHER AIR EMISSIONS BY TYPE AND WEIGHT GRI EN20

(tons)

Year	NOx	SOx	PM
2011	13,680	3,081	1,815
2012	13,503	2,986	1,798
2013	6,998	3,314	1,433

- NOx
- SOx
- PM

The total investment under the TCA was over R\$250 million, comprising seven actions that improved the control and reduction of particulate matter emissions in Ubu. Other projects completed in previous years were: installation of new electrostatic precipitators at pellet plants 1 and 2; enclosure of the pellet transfer points; deployment of the chemical dust suppressant system at the stockyards; road paving to reduce the emissions generated by vehicle traffic; and support for the Center for Research, Innovation and Development (CPID) implementation project - structured with IEMA in partnership with the Federal University of Espírito Santo (Ufes). All actions were monitored by a commission formed by representatives of the Public Prosecutor's Office, IEMA and civil society in the Anchieta region.

GREENHOUSE GASES GRI EN16, EN17, EN18

We have inventoried our greenhouse gas (GHG) emissions, based on the GHG Protocol methodology, since 2007. In 2013, we attained a 2.1% reduction in emissions compared with the previous year. Scope 1 and 3 emissions decreased 5.7% and 2.1%, respectively. For scope 2, meanwhile, which is associated with the domestic power generation grid, there was a significant increase of 45.7%.



R\$ 93

MILLION

invested in the Wind Fence project, which reduced particulate emissions from the stockpile yards at Ubu by 76%.

LESS IMPACT FROM TRANSPORTATION

GRI EN18, EN29

Samarco also evaluates the impacts of its emissions by means of the periodic monitoring of the smoke emitted by vehicles and equipment in its fleet, which can only travel in Company areas if they meet the required parameters; otherwise, they need to be serviced. Diesel fuel-fired buses or vans that meet the legislation regarding the amount of B5 sulfur are used. Fuel consumption is monitored monthly.

Greenhouse gas emissions from vehicles belonging to contractors hired to transport employees are monitored and reported on annually in reports drafted in accordance with the standard of the GHG Protocol Brazil, of which the Company is a member.



5,7%

REDUCTION

in direct greenhouse gas emissions. Under scope 2, however, emissions increased 45.7%.

In 2012, Samarco's inventory went on to include scope 3 - Indirect emissions - as per the new GHG Protocol methodology, which includes emission estimates for pellet transported and processed by the customer. Despite the reduction that was achieved, this scope remains the most significant in accounting for GHG emissions. Scopes 1 and 2 relate to emissions Samarco is responsible for on account of its own energy generation and due to the purchase of electricity.

WASTE ROCK AND TAILINGS

At Samarco, all tailings (sandy materials and slimes) generated in the iron ore beneficiation stage are stored in a system composed of three dams - Germano, Fundão and the Germano pit - located in Germano (MG). Water from this process is treated in the industrial wastewater treatment stations and stored in the Santarém Dam, from where part of the water is pumped for reuse in the process. The waste rock, meanwhile, is disposed of in a controlled manner, in accordance with safety procedures and environmental laws, in the João Manuel and Alegria Sul waste dumps. We will also soon use the Natividade waste rock pile, currently in its final study stages.

We analyze and control operational risks, as well as impacts related to tailings management, based on the Failure Modes and Effects Analysis (FMEA) methodology, which evaluates the potential of failures in structures, equipment and processes at the dams, as well as possible impacts on the environment and personal health and safety. In 2013, the generation of tailings resulting from the two iron ore concentration plants added up to 16.54

GREENHOUSE GAS EMISSIONS

GRI EN16, EN17, EN18
tCO₂e

	2011	2012	2013
Scope 1	1,841,164	1,741,472	1,641,568
Scope 2	45,629	106,211	154,731
Scope 3	-	28,880,033	28,294,807
Total	1,886,793	30,727,716	30,091,106

GENERATION OF WASTE ROCK

Wet metric tons (wmt)

2011 **11,034,698**

2012 **13,222,453**

2013 **9,826,587**

GENERATION OF WASTE

GRI MM3

(in dry metric tons (dmt))

2011 **11,133,575** **4,522,911** **15.656.486**

2012 **12,195,013** **4,499,651** **16.694.664**

2013 **12,627,852** **3,914,960** **16.542.812**

● SAMARCO WASTE - SANDY

● SAMARCO WASTE - SLIMES



Our tailings pond system is monitored to prevent incidents and ensure minimal environmental impact from our operations.



million tons, between sandy materials and slimes. The mass of waste rock handled, an operation done to release ore as the mining face advances, reached 9,826,587 wet metric tons in 2013.

Our Tailings Disposal Plan (RDP) provides the main guidelines to support us through the ore reserve depletion process. The latest review, conducted in 2013, shows that we have made significant progress in controlling the volumes of waste generated and disposed of, resulting in the equalization of the reservoirs of Fundão Dam's dikes 2 and 1.

From the viewpoint of the safety of our operations, we have the Emergency Action Plan (EAP) for the dams, which addresses the operation of the tailings disposal structures and possible anomalies or emergencies. Based on this

document, which meets the legal requirements on dam management, in 2013 we held 1356 hours of training with employees directly or indirectly involved in the activities. We also carried out a drill to check actions, behaviors, procedures, and resources in emergency situations. In addition, we made progress throughout the year in studies that will allow the reuse of discarded materials and waste and/or waste rock filtration.





ENGAGEMENT

WHAT WE HAVE BUILT TOGETHER:
OUR CHANNELS, PRACTICES AND STRATEGIES
FOR ENGAGING WITH SOCIETY.

EMPLOYEES

IN LINE WITH OUR STRATEGY, WE PREPARE LEADERSHIP, TRAIN PERSONNEL AND PROMOTE AN ENVIRONMENT PROPITIOUS FOR DEVELOPMENT



81.69%

FAVORABLE

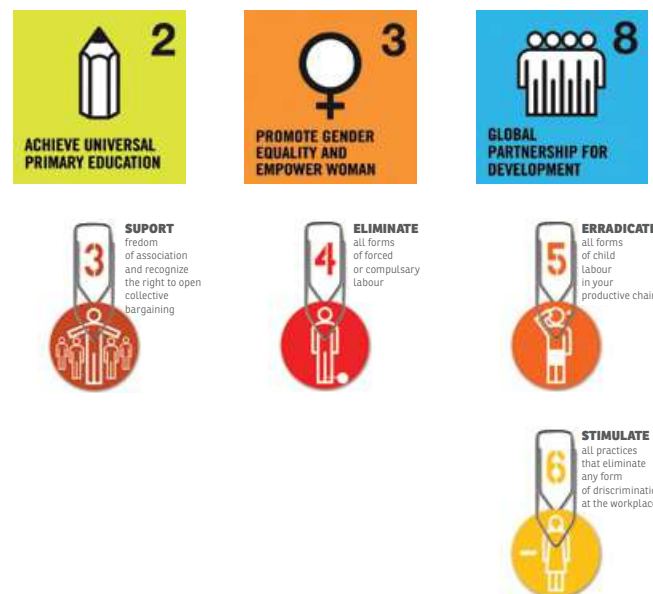
responses to our Climate Survey 2013, the best result since 2009.

Samarco believes that people are the foundation for the achievement of the goals established in the Vision for 2022. Thus, we put emphasis on good people management practices and on offering a work environment that enhances our employees' professional development and quality of life.

Based on the General Human Resource Department's five-year plan, we set the priorities for 2013 aiming at the goals of developing leadership, improving the corporate climate, organizing professional training, attracting and retaining talent, and preparing the organization for the start-up of the Fourth Pellet Plant Project (P4P).

At the end of the year, we had 2,899 direct employees distributed between the states of Minas Gerais and Espírito Santo, and about 3,500 outsourced staff working at our units. With our growth, we face the challenge of attracting qualified professionals and, at the same time, ensuring maximum team productivity and engagement. [GRI LA1](#)

One of the main tools we use to identify opportunities to improve the internal environment and ensure team satisfaction is the Climate Survey, which was conducted



in 2013 and was responded to by 81% of the direct employees. The Company's favorability index reached 81.69%, the best outcome since 2009. [GRI PR5](#)

Among the topics evaluated are Samarco's Identity, in which employee satisfaction reached 90.7%; Learning and Development, with 78.4% favorability; Leadership, with 80.9%; and Satisfaction and Motivation, with 80.4% favorability. From 2013 on, the survey shall be performed annually.

During the period, we also conducted a climate survey at the P4P, focused on employees hired for the expansion works. We collected the perceptions of more than 11,000 people, with favorable results at around 80% (*read more in Fourth Pellet Plant Project, pg.56*). [GRI PR5](#)

CORPORATE EDUCATION AND LEADERSHIP [GRI LA10, LA11](#)

To have highly qualified professionals, who can leverage results and always exceed expectations, the Company has in place *Saber Samarco*, a corporate education model established in 2011 and consisting of five schools: Leadership, Samarco Identity, Excellence, Technology and Sustainability.



PRODUCTIVITY MANAGEMENT

Based on the pursuit of continuous improvement in our processes, and in line with our Strategy Map, the General Human Resources Department started implementing the systemic labor productivity project in 2013. The goal is to improve outcomes and maximize the use of the Company's assets. In the first year, this involved actions such as the creation of the Productivity Governance Committee, the preparation of the 2014 budget based on productivity goals, and leadership alignment.

↑
We see our leaders – both current and future – as key to our business success.

In 2013, we invested R\$6.5 million in development actions. In line with our values and with the concept of Leadership by Example, part of the Sustainability Model (*read more on pg.29*), one of the focuses of attention was leadership development: after all, we believe that effectively disseminating the Company's values and strengthening our culture depend on examples given by the leaders. Therefore, over the year we conducted a thorough analysis of the profiles of current and future professionals, defining roles, responsibilities and priorities.

In partnership with organizations such as Fundação Dom Cabral, IMD, Trend School, and the Brazilian Association of Human Resources, in 2013 the Leadership School carried out initiatives related to coaching, courses, and Executive MBAs, in addition to programs on Training for Results (PCR) and Connecting People and Results. With this, we attained positive indicators: in the performance evaluation, 93.2% of the leaders reached the Meets or Exceeds levels. Moreover, the internal leader employment rate closed 2013 at 75%, meaning that three of every four openings were filled with Samarco employees. [GRI LA12](#)

Also during the year, we effectively started the School of Identity – through which we train the workforce with

regard to the vision, mission, and core values of the Company. By the end of 2013, 100% of our employees had been trained in behavior, and 97% had been introduced to the new organizational identity. [GRI HR3, SO3](#)

Another important pillar has been the training of professionals to support the new challenges that the operation of the P4P will require. With around 3,800 enrolled candidates, the Top Trainee Training Program trained 35 professionals to meet the demand for strategic openings in engineering; at the end, the retention of these professionals was 97%. The Technical Trainee Training Program, in turn, included 46 young people.

One of the important gains during the year was the development, by graduate trainees, of social projects in the areas of direct influence in Minas Gerais and Espírito Santo. This sensitizes these professionals, from the beginning of their activities at the Company, to aspects of local development. Actions include visits, interviews, and an analysis of socioeconomic studies, for the preparation of medium and long-term solutions that meet the needs of communities. The projects will be developed under the guidance and the support of the Socio-institutional Development Department. [GRI SO1](#)



85.2%

OF EMPLOYEES

hired in 2013 are from cities within our direct area of influence, higher than the level in 2012.

Under the Professional Skills Development Program, which seeks to provide technical qualifications to local labor, we provided training to 380 professionals in Espírito Santo and Minas Gerais in 2013, of whom 18% were hired by Samarco and contractors. We also invested in technical training for approximately 400 new employees who will work at the P4P. Within the scope of the School of Identity, we expanded Saber Samarco's development processes to include contractor employees, with training reaching 99.7% of this group and aimed at meeting legal requirements and standards. At the School of Excellence, meanwhile, we continued providing subsidies for studies - ranging from 80% scholarships for technical, undergraduate and graduate courses, to 100% for master's and doctoral programs. In 2013, we offered a total of 221 scholarships. [GRI LA11](#)

We significantly increased the hour load of training taken by employees, which rose to an average of 341 man-hours in 2013. In all there were over 181,400 hours of training.

PERFORMANCE APPRAISAL AND CAREER MANAGEMENT [GRI LA11, LA12](#)

In addition to investing in actions that drive development and improving tools for attracting and retaining talent, the Company evaluates all of its employees' performances annually. Together with their leaders, professionals assess their deliveries and set goals for the next cycle.

In 2013, we completed the analysis of the results of the 6th performance cycle, in which 95.25% of the employees were evaluated and got feedback on their performance. The 2013 evaluation is expected to be completed in May 2014. The current model is under review as part of the Performance & Career Process Optimization project, seeking to streamline and enhance the synergy of the people assessment tools, integrating performance and career processes. The review was revised to focus more on performance rather than competencies, which translates into a more concrete analysis of the employees' results.

OPEN COMMUNICATIONS [GRI 4.4](#)

To encourage dialogue among employees and senior management, in 2013 we started the Up to Date Chat – *Papo em Dia*, a monthly event in which Samarco's CEO meets with a group of randomly selected employees for an informal discussion on daily life at the Company. In 2013, 412 employees took part in the initiative and were able to clear up doubts, share experiences, make suggestions or address any topic of interest.

AVERAGE HOURS OF TRAINING IN 2013 [GRI LA10](#)

	HOURS TRAINED	EMPLOYEES	M-H (2013)	M-H (2012)	M-H (2011)
Management	11,392.32	181	62.94	59.42	36.64
Upper Technical	23,066.92	499	46.23	58.87	40.30
Operating Technician	142,776.56	1,420	100.55	62.49	47.59
Intern	1,532.92	24	63.87		
Minor Apprentice	2,696.5	40	67.41	2.13	0
Total	181,465.22	2,164	341	182.92	124.54

MUTUAL DEVELOPMENT

Samarco's practice is to prioritize hiring residents of communities neighboring its operations as a way to contribute to the socioeconomic development of the regions where it operates. In 2013, we hired 514 new direct employees. Of these, 85.21% are residents of the cities in the area of direct influence - up from 2012's 63%. No manager or director was hired, and the two supervisors who were hired came from outside the area of influence. Most jobs were at the technical operational level, and represented a 15% increase in the Company's overall staff. Adding apprentices and interns, the total number of hires was 710. [GRI LA1, EC7](#)

→
Local hiring is one of our primary people management commitments.



PROFILE OF THE EMPLOYEES [GRI LA1](#)

	2011		2012		2013	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Number of employees per category						
Management	149	9	154	9	166	8
Technical / supervisory	895	219	941	234	1,072	239
Operational	1,009	78	1,027	71	1,334	80
Outsourced (permanent contractors)	3,370		3433		3492	
Total (excluding contractors)	2,053	306	2,122	314	2,572	327
Number of employees per type of contract						
Interns	64	38	86	60	15	10
Trainees	-	-	73	8	-	-
Total	64	38	159	68	15	10
Number of employees per region						
ES	920	135	1,045	177	1,121	139
MG	1,133	171	1,236	205	1,451	188
Total (excluding contractors)	2,053	306	2,195	322	2,572	327

↓
2013's Guidebook *você/s/a*. The best companies to work for.





←
We seek to be attuned to the market in our compensation and talent attraction and retention practices.

NEW HIRES AND HIRING RATE GRI LA2

	2011	2012	2013
Men	335	219	484
Women	45	35	30
Younger than 30	190	18	320
31 to 50	189	79	192
Above 50	1	13	2
Espírito Santo	153	49	177
Minas Gerais	227	61	337
Hiring rate			
Men	n/d	n/d	17%
Women	n/d	n/d	1%
Younger than 30	n/d	n/d	11%
31 to 50	n/d	n/d	7%
Above 50	n/d	n/d	0%
Espírito Santo	n/d	n/d	6%
Minas Gerais	n/d	n/d	12%

TERMINATIONS AND TERMINATION RATE GRI LA2

	2011	2012	2013
Men	73	91	101
Women	16	19	24
Younger than 30	23	18	32
31 to 50	48	79	63
Above 50	18	13	30
Espírito Santo	44	49	53
Minas Gerais	45	61	72
Termination rate			
Men	27%	31%	4%
Women	6%	7%	7%
Younger than 30	8%	6%	1%
31 to 50	18%	27%	2%
Above 50	7%	5%	1%
Espírito Santo	16%	17%	2%
Minas Gerais	16%	21%	2%

COMPENSATION PRACTICES

GRI LA14, EC5

Samarco's compensation policy is in line with its size, location, and market niche. The Company's wage floor is R\$1,334.00 (eight-hour day), negotiated and agreed with the main trade unions representing employees in Minas Gerais and Espírito Santo. This is 96.76% above the Brazilian minimum wage, and applies to 0.8% of the workforce - the others get paid more. Our policy also evaluates employees taking their qualifications into account, without prioritizing issues such as gender, ethnicity or age group, and setting wages according to the position, not its occupant. As such, for example, there is no difference in pay between men and women at Samarco.



96.76%

HIGHER

The wage threshold at Samarco is well above the national minimum wage.

GROUP COMPOSITION

GRI LA13

In %

	LESS THAN 30 YEARS	31 TO 50	OVER 50	MEN	WOMEN	BLACK MEN	BLACK WOMEN	PCD
Executive Board	0.0%	80.0%	20.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Management	13.2%	78.2%	8.6%	95.4%	4.6%	0.6%	0.0%	0.6%
Technical/supervisory	25.7%	64.6%	9.7%	81.4%	18.6%	5.7%	0.2%	5.3%
Operational	40.1%	52.5%	7.4%	94.7%	5.3%	12.9%	0.4%	3.1%

PERCENTAGE OF EMPLOYEES RECEIVING THE WAGE FLOOR AND ABOVE IN 2013

GRI EC5

In %

	BELO HORIZONTE-MG	MATIPÓ-MG	GERMANO-MG	UBU-ES	VITÓRIA-ES	TOTAL
Above the wage floor	100.0%	98.67%	97.95%	99.44%	100.0%	99.2%
Samarco wage floor	0.0%	1.33%	2.05%	0.56%	0.0%	0.8%
Local minimum wage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	MINAS GERAIS	ESPÍRITO SANTO
Local minimum wage (in R\$)	678.00	678.00
Samarco wage floor (in R\$)	1,334.00	1,334.00
Ratio of Samarco wage floor / minimum wage (%)	50.82%	50.82%
Ratio of minimum wage/ Samarco wage floor	196.76%	196.76%



BENEFITS GRI LA3, LA11

In order to attract and retain the best talent, we have a portfolio of fringe benefits for all full-time employees at the Company. Benefits include life insurance (group and personal), credit and housing union, pension fund, profit sharing, education benefits (book voucher, school kit and scholarship), vacation loan, Christmas basket, meal tickets, childcare assistance, six-month maternity leave, assured employment for the father after the child's birth (30 days), paternity allowance, travel insurance and funeral allowance. For temporary employees, the only benefits not available are those that depend on minimum time on the job.

We also have a program to prepare employees for retirement, which was revitalized in 2013 in order to enable the dissemination of knowledge that is important to the Company's business, through the transfer of knowledge plan. The employment age limit for employees who are college graduates increased from 60 to 63. Through lectures, seminars and consultancies, we prepare employees for retirement preventively, taking into account emotional, physical, financial, and psychological aspects. In addition, 18 employees who retired and ceased their activities at Samarco in 2013 were honored at a special event.

↑
Samarco's benefits package includes allowances, policies and support that ensure the well-being and satisfaction of our employees.



4%

REAL GAIN

achievable as a function of operating cash performance. The clause aims to encourage employee productivity.

LABOR RELATIONS GRI LA4, LA9, HR5

One of Samarco's principles is to maintain good relationships with the trade unions that represent its employees: the Mechanical and Electrical Material Industry Labor Union and the Waterway Transportation Labor Union, both in Espírito Santo; and the Iron and Base Metal Extraction Industry Labor Union of Mariana, Santa Bárbara, Barão de Cocais, São Gonçalo do Rio Abaixo, and Rio Piracicaba, as well as the Iron and Base Metal Extraction Industry Labor Union of Belo Horizonte, Nova Lima, Itabirito, Sabará and Santa Luzia, in Minas Gerais.

We entered into a collective bargaining agreement valid for two years, 2013-2015, covering 100% of the employees. In addition to the salary adjustment, we agreed to grant bonuses and allowances, increases in various benefits, and additional allowances.

On topics relating to health and safety covered in formal agreements signed with trade unions, stakeholders are informed of Samarco's policy. In addition, there is a provision in the collective bargaining agreement that addresses employee training and awareness related to accident prevention. In another initiative in the pursuit of greater productivity, we agreed to a clause in the agreement that pegs real gains to the generation of the Company's operating cash income, a gain that may reach 4% during the term of the agreement.

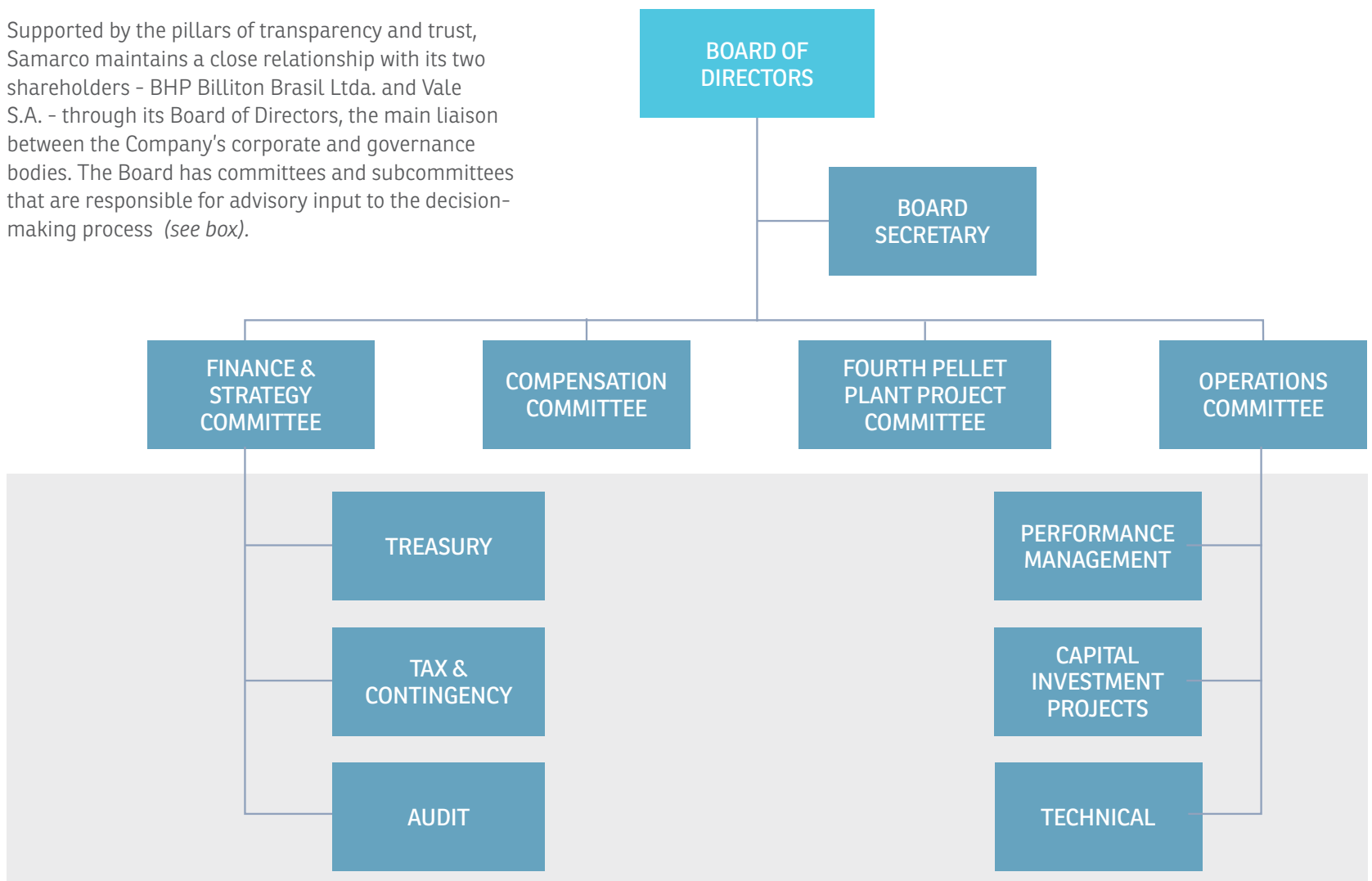
Samarco guarantees the right of free association in all of its operations, as recommended in its Code of Conduct, and allows unions to use their premises for pertinent activities, provided they comply with safety standards and risk controls. No case of breach of this right has been recorded. In 2013, we experienced labor strike situations in Espírito Santo. Samarco maintained contacts with labor unions and contractor representatives in order to minimize delays in the works (*read more in Fourth Pellet Plant Project, pg.56*).

SHAREHOLDERS

AN OPEN DIALOGUE ALLOWS US TO PLAN IMPROVEMENTS, COMMUNICATE STRATEGIC DECISIONS, AND CREATE MORE BUSINESS VALUE



Supported by the pillars of transparency and trust, Samarco maintains a close relationship with its two shareholders - BHP Billiton Brasil Ltda. and Vale S.A. - through its Board of Directors, the main liaison between the Company's corporate and governance bodies. The Board has committees and subcommittees that are responsible for advisory input to the decision-making process (see box).



It is the Board that decides on the issues addressed by the existing committees and subcommittees, reporting on them in meetings with the shareholders.

In the general shareholder meetings, the Board endorses the shareholders' decisions from the perspective of Brazilian legislation, analyzing them from the standpoint of business compliance and profitability. In 2013, all scheduled Board and General Meetings were held, as were those of the advisory committees and subcommittees, fulfilling the standard calendar for the year.

Samarco's organized governance structure contributed to accountability during the year 2013. The shareholders are fully aware of the company's business conduct, and monitor key business performance issues, such as investments and both financial and non-financial results. As part of our commitment

to ethics and integrity in governance, shareholder representatives on the Board of Directors abstain from participating in the analysis of matters that could create conflicts of interest. [GRI 4.6](#)

Created on a temporary basis, the Fourth Pellet Plant Project Committee (Steering Committee) monitors and deals with issues specifically related to the Company's main capital project. This body's cycle will end with the completion of the Project, in 2014.

Another important tool for dialogue and the quest for continuous improvement is found in the audits, which are organized annually by the shareholders with support from independent auditors. On these occasions, Samarco welcomes shareholder representatives at its facilities to discuss management aspects, and is open to suggestions for improvements in its operations.



Our shareholders actively follow the progress of our projects and investments in business expansion.



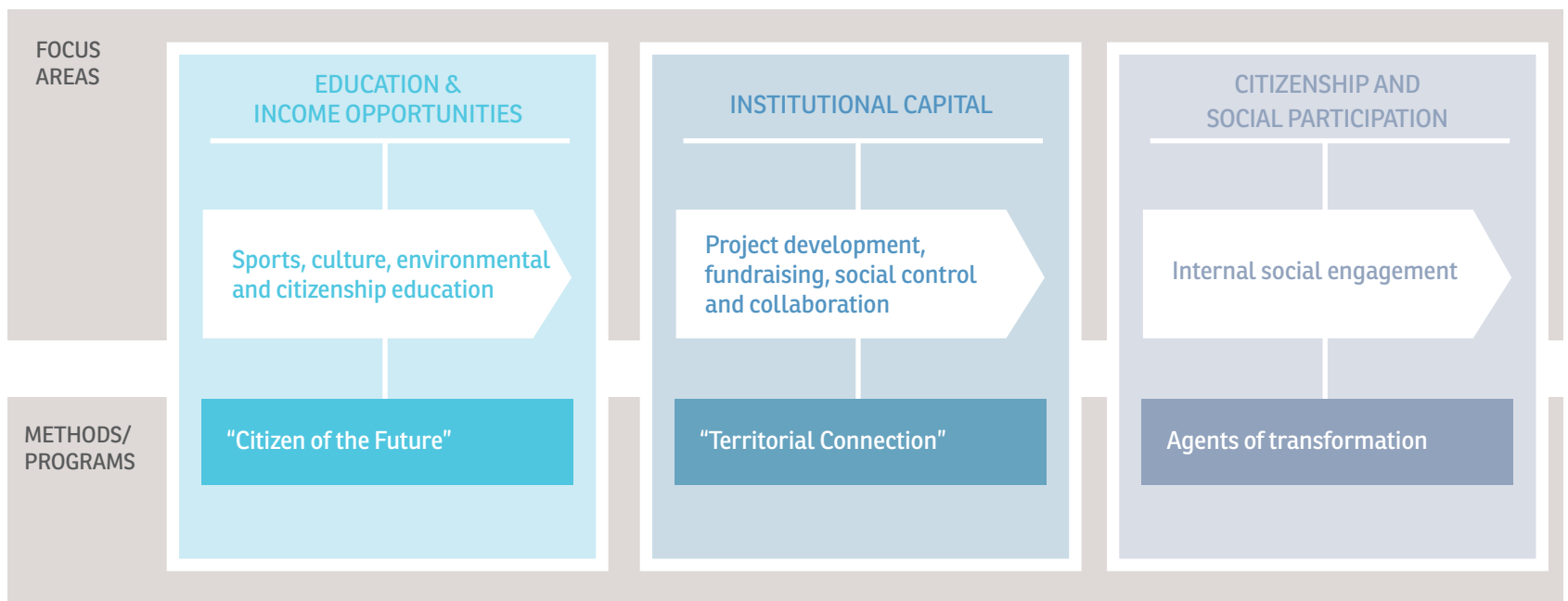
SOCIETY

TO REINFORCE OUR POSITIVE LOCAL INFLUENCE, WE DEVELOPED A SOCIAL TRANSFORMATION STRATEGY AND MAINTAINED AN OPEN DIALOGUE WITH THE COMMUNITIES



To Samarco, responsible mining means not only compliance with laws and regulations, but also - and above all - the pursuit of mutual development. Through our operations, which directly affect over 840 thousand people in 81 communities in 29 municipalities in the

states of Minas Gerais and Espírito Santo, we believe we can drive positive change in the lives of affected people. This involves ongoing dialogue with the socio-institutional players in the territory, including government, communities and institutions.





R\$9

MILLION

in voluntary social investment in 2013. This amount excludes investments within the P4P project, which amount to R\$8.6 million and will be invested during the remainder of the Project.

Guided by the Strategy Map and by our Sustainability Model, we work on projects designed to manage impacts on society in the light of the Social Transformation Strategy. This policy sets out our intention to work on three fronts: Education and Income Generation; Institutional Capital; and Citizenship and Social Participation (see box). In the first, we complement basic education, vocational training and income generation through the Citizen of the Future program and the Farmers Training Program; in the second, we strengthen the bonds among society, government and the Company in the development and management of the regions within the areas of direct influence in order to promote local sustainable development; and in the third, we address the internal engagement fronts that allow us to encourage employees to contribute toward the transformation of these communities. [GRI SO1, EC9](#)

The Relationship Center is designed to receive contacts and requests from society. It is available by means of the Contact Us area on the website www.samarco.com or toll-free calls to the 0800-0312303 hotline, which together recorded more than 5600 contacts in 2013. Most

of the contacts (over 3,600) were related to job/internship requests or to suppliers interested in providing services to the Company. Another significant portion was related to the Fourth Pellet Plant Project (P4P), due to the peak of construction, and to different types of complaints, such as the impacts of construction, noise and emissions. At year's end, we had been able to address 92% of the referred contacts (see table).

To direct our annual resource contribution, we have the Socio-Institutional Investment Policy (PIS), which provides direct or indirect support for projects and initiatives. We also coordinate investments according to their nature, dividing them into institutional (event sponsorships or equipment donations) and social (more comprehensive projects) types. Today, our guideline is to invest 0.1% of the gross revenues of the fiscal year in each of the two pillars. In 2013, we invested, voluntarily, R\$9.1 million in direct support for social projects and sponsorships. In addition, contributions are scheduled under the P4P, totaling R\$8.6 million, to be invested by the conclusion of the Project, in 2014. [GRI SO1](#)

SAMARCO RELATIONSHIP CENTER

2013

	Contacts made	Contacts addressed	Claims addressed (%) ¹
Complaints ²	1,046	819	78%
Whistleblowing ²	11	7	64%
Remarks on the P4P	906	684	75%
Other	4,519	4,335	96%
Total³	5,632	5,199	92%

¹ The fact that a few of the items were not closed is related to the response time, the nature of the issue, or the date that the contact was recorded.

² Complaints and accusations related to the P4P and routine operations.

³ Acknowledgments, invitations, compliments, requests for information, and suggestions.



0.2%

OF GROSS REVENUE

allocated to Samarco's social (0.1%) and institutional (0.1%) investments in 2013.



SOCIAL DIALOGUE

GRI SO1, 4.16, 4.17

In 2013, our social dialogue initiatives involved some 220 relationship forums, with 3494 participants in the areas of direct influence in Minas Gerais and Espírito Santo. These channels include, among others, the industrial unit visit program, meetings with community leaders and communities, development committees, and Samarco's Environmental License Monitoring Forum (*Falás*). Most of these projects were related to the deployment of the P4P.

During the activities related to community demonstrations at the water main works in Santa Bárbara (MG), and during the delivery of the Access to the Basic Grid project, in

Germano (MG), we sought transparent, honest dialogue with the groups involved, delivering the message that our activities were legitimate and in compliance with all applicable legal procedures.

The Community Satisfaction Index, which in 2012 had 72% favorability, was not measured in 2013 due to the undertaking of the Samarco Reputation Survey - which proposes a more comprehensive approach to assessing how the outside groups see the Company's activities and practices. We sought to include a few attributes that we would measure in the community index in the survey (*read more in Image and Reputation, pg.38*). Similarly, we chose to no longer measure the Contribution to Local Development Index; the goal is to focus efforts on collecting and analyzing socioeconomic indicators related to the P4P (*see more on pg.58*).

↑
Social and institutional investments have enabled us to deliver benefits to communities in our direct area of influence.

SOCIETY

SOCIO-INSTITUTIONAL PROJECTS

GRI S01, EC9

SOME OF OUR INITIATIVES THAT WILL HELP CHANGE THE FACE OF THE REGION

CITIZEN OF THE FUTURE

This project is implemented in the public school system of Ouro Preto (MG) as well as Anchieta and Guarapari (ES), providing teacher training, learning enhancement workshops, circus, dance and sports activities, and community participation activities. In 2013, the project underwent some changes to include content related to teaching and learning methodology for students and teachers, and also school management for the directors of the enrolled schools. Throughout the year, four communities received the benefits of 345 implemented activities. At the end of the year, strategy plans for these schools were developed for 2014.

ENVIRONMENTAL EDUCATION PROGRAMS (EEP)

To disseminate environmental awareness and respect, the EEP was brought to 25 schools in Minas Gerais and Espírito Santo, involving over 3400 students and 255 teachers.

FARMER TRAINING PROGRAM GRI S01

Undertaken in ten municipalities in Minas Gerais and Espírito Santo, the initiative provided technical assistance and training to about 540 coffee farmers on issues such as productivity, quality improvement, environmental preservation and sector relations. The activities were carried out in partnership with the local governments of the ten municipalities involved, the college Federal Institute of Espírito Santo (IFES), and

In partnership with government and society, we have helped create local development plans

Caparaó Júnior, a junior company formed by students from IFES that provides advice to the farmers. The project won 1st place, with the title of Excellence, in the Community Relations category of the 2013 edition of the international Health, Safety, Environment, and Community Awards sponsored by BHP Billiton.

AVENUES OF SUSTAINABLE DEVELOPMENT GRI S01, S05

In the institutional capital area, in 2013 we developed a pilot project for regional governance called Avenues of Sustainable Development. Based on the corporate planning experience and on the system thinking methodology, we entered into partnership with the city of Anchieta (ES) to map the most relevant topics for the municipality, identify future scenarios, and suggest development

paths, focusing on strengthening the local public administration.

The goal is to equip cities with methodologies and tools to develop and distribute their wealth and resources in a sustainable manner, foster local entrepreneurship, and gear up for future opportunities. In 2013, the project was deployed in Anchieta through eight meetings, which were attended by the mayor, municipal secretaries, and representatives of the population at large. The main result was a strategy plan for the sustainable development of the city. In 2014, we will extend the project to Guarapari (ES) and Mariana (MG).

VOLUNTEERING

In line with our citizenship and social participation goals, we took part in V Day (for Volunteering Day), a program conceived by the Federation of Industries of the State of Minas Gerais (Fiemg). The 2013 edition involved 3,300 volunteers, including Samarco and contractor employees, family members and friends, who took part in 138 activities held at 100 Minas Gerais and Espírito Santo nonprofit organizations. In all, 20,000 hours of work were donated for improvements in the physical structure of institutions as well as health and cultural activities. Over 27,000 people benefited from these actions.

Another important front is partnering with Junior Achievement, an NGO that carries out activities focused on entrepreneurship

for young students. Samarco is a sponsor of Junior Achievement. Last year, the partnership involved 15 schools and the direct engagement of 139 Company volunteers, benefiting 1,693 students in both states. In 2013, one of the projects developed took Espírito Santo to the finals of the Mini-Company Awards, sponsored by Sebrae for the NGO. The initiative was the fruit of the work done by 30 students from Escola Normal of Guarapari in leading the Entrelaços mini-company, which turns PET bottles into raw materials for ribbon hair ties, with support from Samarco.

Under the voluntary Solidarity Tax program, Samarco employees can opt to allocate up to 6% of their Income Tax payable as a contribution to the Municipal Child and Adolescent Rights Councils. In 2013, 346 volunteers were responsible for the transfer of R\$216. 461,98 , 6.07% more than in 2012 (330 volunteers).



↑ Environmental education is one of the focus areas of our investments and includes initiatives geared to both internal and external audiences.

← The "Charitable Income Tax" initiative has supported education, culture and development projects for children and youth in our area of influence.

GOVERNMENT RELATIONS GRI S05

Our goal is to act proactively in the relationships with government agencies and entities. We believe that it is through trust and work towards the development of the regions that Samarco builds a solid reputation - essential to ensure the continuity of its business.

As part of our routine social dialogue or based on specific topics, we held meetings with municipal and state governments, public prosecutors and environmental agencies in order to provide information about the Company, its activities, and details on projects such as the P4P, for instance.

Many of these meetings result in the joint construction of voluntary projects, such as the Terms of Environmental Commitment (TCA), the Terms of Social and Environmental Commitment (TCSA), and Avenues for Sustainable Development. In 2013, for example, the delivery of the wind fence project concluded the TCA entered into voluntarily with the Espírito Santo Public Prosecutor's Office, with the technical intermediation of the State Institute for the Environment and Water

Resources (IEMA), representing more than R\$250 million in environmental improvements in Ubu (ES) (*read more in Environmental Performance, p.62*).

Moreover, it is through frank, transparent dialogue that we can develop smart solutions using mandated resources associated with our investments. As part of the official environmental requirements for the P4P, in 2013 we delivered, in Espírito Santo, the actions determined under the Terms of Social and Environmental Commitment (TCSA) (*read more in Fourth Pellet Plant Project, pg.56*).

Also in 2013, Samarco held a technical Biodiversity Monitoring workshop using the Rapeld wildlife monitoring methodology. Carried out in partnership with the State Institute for the Environment and Water Resources (IEMA), the event brought together Samarco employees and Institute staff to discuss the use of the methodology, which evaluates long-term impacts and aspects in certain regions, as applied to the monitoring of wildlife in our areas of influence. Samarco has been using an adapted form of this methodology since 2012.

READ MORE

See the complete list of associations and organizations we are engaged with www.samarco.com/ras2013/



A meeting with the Belo Horizonte community, Anchieta (ES)

CUSTOMERS

THE HALLMARKS OF OUR RELATIONSHIPS WITH BUSINESS PARTNERS ARE OUR FOCUS ON QUALITY, GEOGRAPHIC DIVERSITY, AND CUSTOMIZATION OF PRODUCTS TO CUSTOMER NEEDS

Attentive to the changes and to the new dynamics in the global iron ore market, Samarco's priorities for the year 2013 were to promote geographic diversification and a customer base segmentation. Our goals are to maintain long-term partnerships and ensure the offering of a diversified product portfolio in order to meet the demands of our markets, promote growth, and improve profitability. Over the year, we maintained our mainly export-oriented focus, with 97% of sales concentrated on the foreign market. Apart from our single Brazilian customer, we supplied companies in Argentina, Austria, Belgium, China, Egypt, France, Germany, Great Britain, Indonesia, Japan, Libya, Malaysia, Qatar, Saudi Arabia, South Korea, Taiwan, Trinidad and Tobago, the United Arab Emirates, and the United States.

Our commercial and customer relations are managed by the Executive Commercial Group (GEC), which brings together the Commercial Department and general managers of marketing and sales for the various markets to discuss commercial strategies, as well as by the Commercial Managers Meeting (CMM), which comprises the marketing, planning, and sales managers. The two groups meet by videoconference or in person throughout the year.

To ensure our closeness to our business partners, we have sales offices in the Netherlands, China, and Brazil, responsible for coordinating the contacts with the market, conducting surveys and identifying trends to which the Company should respond quickly. In 2013, we reinforced our marketing activities around three service divisions - business intelligence, market relations, and solution development - which, together, allow for constant dialogue among Samarco's marketing and sales teams and its production/operation areas.

CUSTOMER SATISFACTION INDEX (CSI) GRI PR5

2011 **85%**

2012 **89%**

2013 **87%**



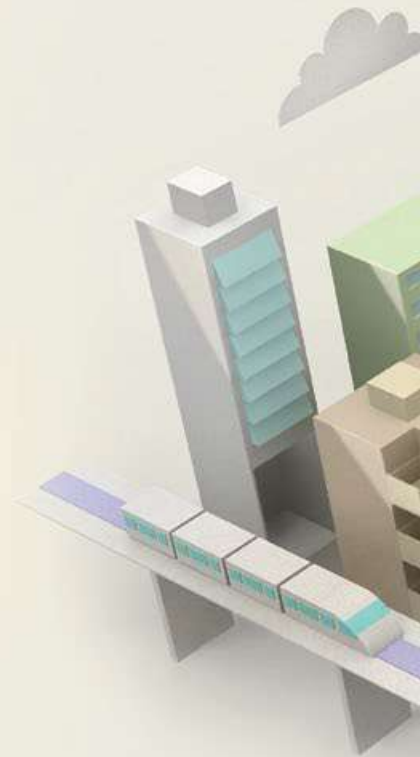
PELLETS IN OUR DAILY LIVES

CARS, ELEVATORS, SILVERWARE, AIRPLANES AND OTHER DURABLE GOODS ARE SOME OF THE WIDE ARRAY OF PRODUCTS MANUFACTURED FROM OUR IRON ORE PELLETS.

①

⑪

-
- 1 AIRPLANE
 - 2 BUILDINGS
 - 3 TRANSMISSION TOWER
 - 4 ELEVATORS
 - 5 CRANES
 - 6 PIPING
 - 7 HOME APPLIANCES
 - 8 AUTOMOBILES
 - 9 RAZOR BLADE
 - 10 SILVERWARE
 - 11 TRAIN
-







Our focus on customer satisfaction, with quality deliveries and efficient processes, is one of the drivers of our business success.



In 2013, we restructured our commercial approach by defining a new marketing plan, focused on segmentation, on greater profitability, on sustainable growth and on the careful analysis of market scenarios and trends. By doing so, we intend to balance the supply of products, seeking in the portfolio those that are best suited to the market and ensure us good results; to distribute business in the different regions of the globe in order to foster growth opportunities and prevent possible risks associated with local economies; and to seek innovations and product changes in a more agile manner, in line with the competitive landscape in which we operate. Another innovation was the development and deployment of advanced marketing, according to which we assign a technical officer in each regional office (China, Brazil, and the Netherlands) to further strengthen the relationships with customers, in terms of giving support to the sales team as well as seeking opportunities to collect and provide strategic information.

SATISFACTION GRI PR5

Our customer relations practices include an ongoing verification of their satisfaction level. To this end, we use the Customer Satisfaction Index (CSI) model, which conducts a monthly assessment based on a methodology suggested by the National Quality Program (PQN) and ISO 9001.

Assessment data are collected on various issues, such as shipment efficiency, product quality standards, lead times and claims, which are assembled into a final average, where the weight of each item is set according to the value perceived by the market and its importance in the chain.

In 2013, the Customer Satisfaction Index reached 87% - two percentage points below the previous year's figure, but two above the one attained in 2011. The result was impacted primarily by the increase in vessel stay at the port of Ubu (ES) on account of technical and operational adjustments that were made to the shipping stage. Based on the results, we plan to make improvements in customer service to comply with the demands and comments made by customers.



20

COUNTRIES

and 41 customers in a range of industry segments purchased our products in 2013.

SUPPLIERS

OUR SUPPLY CHAIN STRATEGY INCLUDES COMPLIANCE, PRODUCTIVITY AND PURSUIT OF SUPPLIER DEVELOPMENT IN THE AREAS OF DIRECT INFLUENCE

Productivity, compliance, and mutual development are priorities in Samarco's relationship with its supply chain. Responsible for supplying the Company with services, materials, equipment, consumables and inputs - such as natural gas, limestone, coal and bentonite - used directly in its operations, these companies are encouraged to operate in accordance with globally acknowledged standards of ethics, integrity and excellence, with a view to responsible growth and reduced environmental impact.

In late 2013, about 7,300 companies comprised our active supplier base. The relationship with this audience, through supply contracts, intensified significantly during the year, under the influence of the future operations of the Fourth Pellet Plant Project (P4P). With this, we ensured business compliance and can work more closely in supporting the companies in meeting their training and business needs.

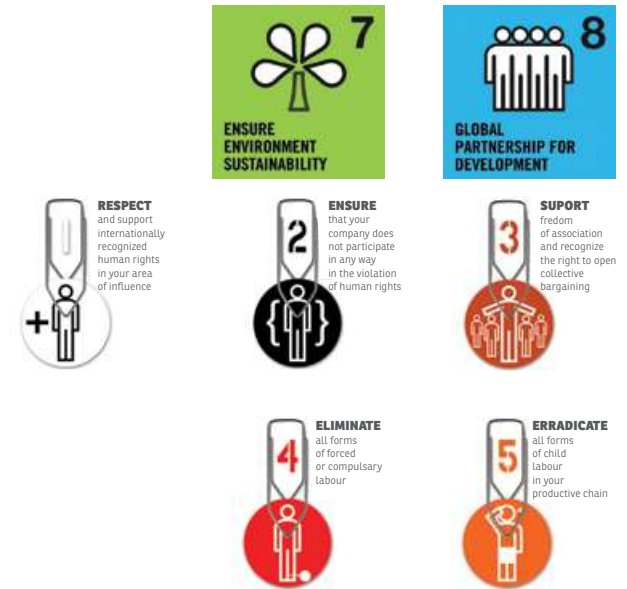
In 2013, due to our business expansion, we increased our procurement volume by 37%, and maintained an average of 38% of our total disbursements with local suppliers. These are within the area of direct influence, which, in addition to the cities spread among Germano (MG) and Ubu (ES), and along the ore pipeline, covers municipalities in the Greater Vitória Metropolitan Region (ES). Among P4P suppliers, this figure surpasses 50%. By the end of the year, more than R\$760 million had been paid to local companies (excluding resources for the P4P). We also encourage local

entrepreneurship through business rounds and events, contractual clauses that require the opening of branches in the area of influence, and the procurement of certain contracts exclusively in neighboring cities. [GRI EC6](#)

Through the Strategic Procurement Matrix (MEC), we manage the supply chain considering three material criteria in the relationship with the suppliers: disbursement, market complexity, and business impact. With these guidelines, we defined negotiation and relationship level strategies with the companies, thus contributing to the increase of our competitiveness by managing costs and risks, for example.

In addition to the categorization per type of supply - services, materials, goods and projects - we organize vendors as direct, i.e., those that provide items used in production itself, and indirect, such as logistics services and office supply providers. We evaluate the critical and strategic levels of the suppliers based on this mapping.

To ensure compliance in trade relations, all contracts are guided by the Code of Conduct and Fraud and Corruption Prevention and Antitrust Compliance policies. When hired, companies are required to deliver documentation for review and approval with regard to aspects related to tax, legal, labor, financial health, and technical quality compliance matters, among others. The assessments continue periodically after supply commences, covering items such as delivered quality, safety and risks. [GRI HR1](#), [HR2](#)





← Engagement with the supply chain supports productivity, risk management and development for Samarco and our suppliers.

All of our contracts include standard clauses on safety and human rights, in addition to addressing the prohibition of the use of slave or child labor. Among service providers, we audit the companies periodically to assess their alignment with Samarco's values with regard to these issues, based on indicators set forth by the Ethos Institute for Corporate Social Responsibility. If non-compliance is identified, the company must submit an improvement action plan. In assessments completed by late 2013, we found no evidence of slave or child labor. [GRI HR1](#), [HR2](#), [HR6](#), [HR7](#)

Input suppliers, in turn, must commit to compliance with environmental and safety standards in accordance with the current legislation at their places of origin and with Samarco's internal policies. If any irregularity or fatality is recorded, the Company reassesses the contractual conditions.

One of the current strategic objectives is to seek greater efficiency in the supply chain, increasing productivity and innovation capabilities among suppliers, in order

to readjust costs. We undertake active and direct management of the supplier base through initiatives such as the Supplier Development Program (Prodfor) and the Supplier Development Plan (PDF) covering companies in Espírito Santo in terms of inputs, materials, capital projects, and services. For this group, we perform evaluations and meetings focused on quality, health and safety management, financial and environmental management, risk management, and business practices. [GRI HR2](#)

Another example is the Supplier Meeting initiative, an event held in Belo Horizonte (MG) every two years. This involved the participation of companies that, together, accounted for over 80% of our supply chain in 2013. On the occasion, we discussed the Company's strategy for the coming years, analyzed the iron ore pellet market, and reinforced information on ethics, business conduct, and compliance. In addition, we held the annual Samarco Excellence Award event to recognize and encourage good performance among our service and product suppliers. The next edition is scheduled for 2014.

GRI INDICATORS GRI 3.12

WE PRESENTED OUR ENVIRONMENTAL PERFORMANCE IN 2013 BASED ON THE G3 VERSION OF THE GRI GUIDELINES FOR SUSTAINABILITY REPORTING

INDICATOR	RESPONSE	PAGE	RESPONSE LEVEL	GLOBAL COMPACT	ODM
GENERAL ITEMS					
1.1. Message from the CEO		5	Complete		
1.2. Impacts, risks, and opportunities		5, 13, 18, 26	Complete		
2.1. Name of the organization		12	Complete		
2.2. Brands, products and/or services		12	Complete		
2.3. Operating structure		12, 21	Complete		
2.4. Address of the organization's head office		12	Complete		
2.5. Geographic performance		12	Complete		
2.6. Legal nature		12	Complete		
2.7. Markets served		12	Complete		
2.8. Size of the organization		12	Complete		
2.9. Changes in the year		4	Complete		
2.10. Awards and Certifications		41	Complete		
3.1. Reporting period		4	Complete		
3.2. Previous report		4	Complete		
3.3. Frequency		4	Complete		
3.4. Contact data relacionamento@samarco.com		4	Complete		
3.5. Definition of the content		4, 10, 32	Complete		
3.6. Limit of the report		4	Complete		
3.7. Report scope		4	Complete		
3.8. Basis for the report		4	Complete		
3.9. Measurement techniques and calculation bases		4	Complete		
3.10. Information reformulations		4	Complete		
3.11. Significant changes		4	Complete		
3.12. GRI Summary		99	Complete		

INDICATOR	RESPONSE	PAGE	RESPONSE LEVEL	GLOBAL COMPACT	ODM
3.13. External verification		4, 106	Complete		
4.1. Governance		14, 15	Complete		
4.2. Identification of whether the chair of the highest governance body is also an executive		14, 15	Complete		
4.3. Independent officers		14	Complete		
4.4. Channels of communication with the board		14, 80	Complete		
4.5. Compensation for sustainability		14	Complete		
4.6. Conflict of interest		86	Complete		
4.7. Director qualifications		14	Complete		
4.8. Internal values, codes, and principles		12, 13, 16	Complete		
4.9. Performance of the board		15	Complete		
4.10. Self-evaluation of the board		14, 15	Complete		
4.11. The precautionary principle		33	Complete		7
4.12. Charters, principles, and initiatives		31	Complete		
4.13. Participation in associations		92	Complete		
4.14. List of stakeholders		32, 40	Complete		
4.15. Stakeholder identification		32, 40	Complete		
4.16. Stakeholder engagement		32, 40, 89	Complete		
4.17. Demands of stakeholders		32, 40, 89	Complete		
PERFORMANCE INDICATORS					
MANAGEMENT APPROACH - ECONOMIC PERFORMANCE					
EC1. DVA		51, 59	Complete		1 and 8
EC2. Climate change		30, 60, 73	Complete		7
EC3. Pension plan	At Samarco, we have granted a supplementary pension plan to employees, offered in the defined contribution mode to the current employees. In late 2013, 98% of the employees had joined. Employees with wages of up to 10 RUs (R\$3,236.36) contribute with 1% of their salary, and Samarco contributes the same percentage. Above this value, employees can contribute with any percentage they like; the Company will match up to 9%. Besides supplementary retirement, Valiaprev offers simple and real estate loans. The plan is covered by own capital, with self-management. However, Samarco pays the administrative and risk fees. The Valiaprev Plan has 47 sponsors. Samarco has 2,623 active and 85 assisted participants.		Complete		
EC4. Subsidies	Samarco gets no financial aid from the government.		Complete		
EC5. Internal/local minimum wage ratio		83	Complete	1	
EC6. Spending on local suppliers		59, 97	Complete		
EC7. Local hiring		59, 81	Complete	6	
EC8. Investments in infrastructure	In 2013, we continued the Piúma Hospital renovation and expansion project (ES). We also built a sports court at the Belo Horizonte site, and an indoor soccer court in Castelhanos (both in Anchieta-ES), investing R\$3.7 million, and started building of a health facility in Jabaraí and the Porto Grande pavement project (Guarapari-ES), both under the Term of Socioenvironmental Commitment. For 2014, R\$12 million are foreseen in investments in building a nursery in the Recanto do Sol community and a community center at the Mãe-Bá and Parati community (Anchieta-ES); in completing the Jabaraí unit; renovating the Piúma hospital, and in constructing a citizen house in Anchieta.	60, 61	Completo	8	

INDICATOR	RESPONSE	PAGE	RESPONSE LEVEL	GLOBAL COMPACT	ODM
EC9. Indirect economic impacts		30, 58, 88, 90	Complete		
MANAGEMENT APPROACH - ENVIRONMENTAL PERFORMANCE					
EN1. Materials used		68	Complete	8	
EN2. Materials coming from recycling		68	Complete	8 and 9	
EN3. Direct energy consumption		66	Complete	8	7
EN4. Indirect energy consumption		66	Complete	8 and 9	7
EN5. Energy saved	There were no specific initiatives in 2013.	66	Complete	8	7
EN6. Eco-efficient products and services			Not applicable		
EN7. Power consumption reduction		66	Complete		7
EN8. Water withdrawal by source		64	Complete	8 and 9	7
EN9. Water sources affected		65	Complete	8	7
EN10. Water recycled and reused		19, 64	Complete	8	7
EN11. Protected areas		70	Complete	8	7
EN12. Impacts on biodiversity		69, 71	Complete	8	7
EN13. Protected or restored habitats	In 2013, we deployed the Exotic Species Management Plan in Ubu, in the area surrounding of the Legal Reserve and native forests. The revegetation program for the riparian vegetation surrounding the Pardo River, in the area of the Muniz Freire hydropower plant, covered 59.78 ha and reached the indicators set forth under the Pact for Atlantic Forest Restoration. In Minas Gerais, 31 ha were planted and 88 ha of plantations maintained. In 2014, we intend to recover 300 ha in Minas Gerais, relative to compensatory forest plantations, and to prepare the Corporate Green Area Recovery Program.		Complete		7
EN14. Managing impacts on biodiversity		69, 71	Complete		7
EN15. IUCN Red List		69, 70	Complete		7
EN16. Direct greenhouse gas emissions		73, 74	Complete	8	7
EN17. Indirect greenhouse gas emissions		73, 74	Complete	8	7
EN18. Greenhouse gas emission reduction		19, 47, 60, 73, 74	Complete	7, 8 and 9	7
EN19. Ozone layer	Samarco's pellet production process does not emit substances that destroy the ozone layer. The Company only purchases products that meet Conama resolution 267/00.		Complete	8	7
EN 20. NOx, SOx and other emissions		73	Complete	8	7
EN21. Water discharge		67	Complete	8	7
EN22. Total weight of waste		68	Complete	8	7
EN23. Significant spills					
	There was the case of a 20 m ³ spill of oil on the soil and in rainwater drainage, which was immediately contained with absorbent webs. All materials were collected for proper waste disposal. The surface soil layer that contained oil was completely removed. These actions prevented the occurrence of significant environmental impacts.		Complete	8	7
EN24. Transported hazardous waste	Samarco does not import or export waste. All of the waste is handled domestically.		Complete		7
EN25. Water bodies and habitats affected		66	Complete	7	

INDICATOR	RESPONSE	PAGE	RESPONSE LEVEL	GLOBAL COMPACT	ODM
EN26. Mitigation of the impacts of products/services	In addition to the studies to promote water resource recovery and to improve waste and mud disposal (<i>more on the pg.34</i>), we reviewed the Water Resource Master Plan in 2013 and executed programs such as water management and monitoring. In 2014, several water management improvements will be completed in Germano and Ubu, as will the tailing and sediment management program. In the waste axis, Samarco's Corporate Waste Management Plan and studies for the use of wood waste as biomass for the production processes stand out. Regarding emissions, the completion of the Term of Environmental Commitment (TCA) afforded significant environmental improvements. Similarly, the Fourth Pellet Plant Project (P4P) involved impact mitigation actions from its implementation.	30, 34, 64, 67, 70, 72	Complete	7, 8 and 9	7
EN27. Products and packaging materials recovered	Does not apply to Samarco's business.		Not applicable	8 and 9	7
EN28. Environmental non-compliance	In 2013, there were six court notices relating to environmental aspects, all of which met by Samarco. Eight fines, for a total of R\$433,000, were also levied. We appealed five of them, for a total of R\$408,000, and are awaiting the decision; the others, worth R\$25,000, were paid.		Complete	8	7
EN29. Impacts of transport		73	Complete	8	7
EN30. Investments and spending on environmental protection		60, 62	Complete	7, 8 and 9	7
MANAGEMENT APPROACH - LABOR PRACTICES					
LA1. Employee profile		78, 81	Complete		
LA2. Turnover rate		82	Complete	6	1, 2, 3
LA3. Benefits for the employees		84	Complete		1 to 8
LA4. Collective bargaining		84	Complete	1, 2 and 3	1 to 6
LA5. Minimum term for prior notice concerning operational changes	All operational changes are communicated to the employees and unions involved. In the event of employee transfers between units, Samarco has a specific procedure and offers both the moving and temporary housing to the employee and his or her family.		Complete		
LA6. Safety and health committees		52, 54	Complete	1, 2 and 3	5, 6
LA7. Occupational diseases, lost days and deaths		53, 58	Partial	1	5, 6
LA8. Major disease prevention programs		55	Complete	1	2 to 7
LA9. Agreements with labor unions on health and safety		84	Complete	1	1 to 8
LA10. Average hours of training per year		78, 80	Complete	6	2 to 8
LA11. Continuous learning		78, 80, 84	Complete		8
LA12. Career development		79, 80	Complete		8
LA13. Diversity		83	Complete	1 and 3	3
LA14. Proportion of salary between men and women		83	Complete	1, 2 and 3	
MANAGEMENT APPROACH - HUMAN RIGHTS					
HR1. Human rights clauses in investment contracts		98	Complete		1 to 8
HR2. Vendors evaluated in human rights		98	Complete	1, 2, 3 and 4	1 to 8
HR3. Training in human rights		16, 79	Complete		
HR4. Cases of discrimination at the company		17	Complete	1, 2 and 3	
HR5. Freedom of association		84	Complete	1, 2 and 3	

INDICATOR	RESPONSE	PAGE	RESPONSE LEVEL	GLOBAL COMPACT	ODM
HR6. Child Labor	Samarco demands the acceptance of the Term of Adherence with clauses prohibiting the use of child and slave labor in order for the supplier to be registered at the Company.		Complete	1, 2 and 3	2, 4, 8
HR7. Forced or slave work	Samarco demands the acceptance of the Term of Adherence with clauses prohibiting the use of child and slave labor in order to register the supplier.		Complete	1, 2 and 3	1, 2
HR8. Training in human rights-related aspects for security personnel	In 2013, the asset security team in Espírito Santo, in partnership with Samarco, conducted training with a focus on human rights. This training was motivated by our good practices and the need to publicize the importance of the topic and its legal implications. There was no training for the asset security staff at the Germano unit (MG). For 2014, the Company intends to identify and promote training related to human rights and will evaluate the possibility of joining the Voluntary Principles on Security and Human Rights.		Complete		
HR9. Breaches of indigenous rights	There was no case involving indigenous peoples.		Complete		
MANAGEMENT APPROACH - SOCIETY					
S01. Impact management		61, 80, 88, 89, 90	Complete	10	7, 8
S02. Assessments of risks related to corruption	In 2013, we held an internal seminar to discuss compliance risk at the Company. Representatives from areas such as Legal, Finance, Sales, Communications, Environment, Projects, Infrastructure, and Ombudsman contributed to the understanding of Samarco's exposure to the risks of corruption. The main internal controls were mapped and structural improvement actions initiated. Contractor employees working at Samarco units for more than 90 days have been trained in the Fraud and Corruption Prevention policies, in the code of conduct, and in the gift and hospitality policy. Executives representing the main contractors hired by Samarco were also trained in a specific event in Belo Horizonte.		Complete	10	8
S03. Anti-corruption training		16, 79	Complete	10	8
S04. Corruption cases		17	Complete	10	
S05. Public policies and lobbying		47, 60, 61, 90, 92	Complete	10	8
S06. Contributions to political parties	In compliance with the Code of Conduct, we have made no financial contributions to political parties, connected institutions, or to candidates for public office in any country.		Complete		
S07. Unfair competition	There was no case in 2013.		Complete		
S08. Non-compliance with laws and regulations	In December 2013, Samarco had 1102 pending cases, of which 871 legal, 229 administrative and 2 arbitral, resulting mainly from differences in the interpretation and application of the legislation. The processes are audited individually and reflected in the financial statements.		Complete		
MANAGEMENT APPROACH - PRODUCT LIABILITY					
PR1. Assessment of impacts	With regard to the product and service lifecycle phases, we identified that there is no risk to customer safety in handling Samarco pellets. Dust emission (particulate matter) is not impacting, and the customer gets guidance for proper product handling		Complete		7, 8
PR2. Non-compliance - product health and safety	No events were recorded in 2013.		Complete	1	7, 8
PR3. Product labels	Samarco transports its iron ore pellets directly in bulk carriers, not going through packaging and labeling procedures.		Not applicable		
PR4. Nonconformity - labeling	No events were recorded in 2013.		Complete		
PR5. Client satisfaction		58, 78, 93, 96	Complete		8
PR6. Adherence to standards - communications and marketing	Samarco is not part of competition regulators on the international market. Nor do we adhere to voluntary codes and regulations related to marketing and communication.		Complete		
PR7. Non-compliance - communications and marketing	No events were recorded in 2013.		Complete		8

INDICATOR	RESPONSE	PAGE	RESPONSE LEVEL	GLOBAL COMPACT	ODM
PR8. Privacy breaches	In 2013, there were no reported cases of complaints regarding breaches of customer privacy or losses of customer data, nor any incident related to complaints received from external parties or proven by the organization and complaints from regulatory agencies.		Complete		
PR9. Non-compliance - product supply and use	No events were recorded in 2013.		Complete		
MM1. Area of land (owned or leased, used for production or extractive activities) disturbed or rehabilitated	In 2013, 59.78 hectares of areas were rehabilitated in Espírito Santo. At the Muniz Freire Hydropower Plant and in Minas Gerais, 31 ha had been previously planted and 88 ha of plantations maintained. The project that got plantation maintenance was Gualaxo, with 40 ha of maintenance, 20 ha of enrichment and 10 ha of plantation. At the Germano unit, there was approximately 1 ha of planting, and for 48 ha in the Itacolomi State Park and its surroundings, there were actions related to forest clearing (maintenance).		Complete		
MM2. Number/percentage of operations identified and requiring biodiversity management plans, and the number (percentage) of operations in which the plans are implemented		69	Complete		
MM3. Total amounts of waste rock, tailings and mud and their associated risks		74	Complete	8	7
MM4. Number of labor strikes and lockouts lasting more than a week, broken down by country	Samarco undertakes preventive action in monitoring employee and trade union actions in order to foresee possible strike movements. Samarco recorded no strikes in 2013.		Complete		
MM5. Total number of operations located in territories of indigenous peoples or adjacent to them, and the number and percentage of operations or locations where there are formal agreements with indigenous communities	There is no record of the indigenous populations in the regions where Samarco operates.		Complete		
MM6. Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	There are no demands related to indigenous peoples. The company maintains ongoing dialogue with landowners in easement regions. Other demands are monitored by the legal and financial areas, and audited and reflected in the Company's financial statements.		Complete		
MM7. To what extent mechanisms for the referral of complaints and demands were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the results	Today, there are no specific mechanisms to address land conflicts or disputes, since there are no such demands at Samarco. The Social-Institutional Development department maintains dialogue channels with civil society to bring up suggestions, answer questions and handle complaints received.		Complete		
MM8. Number (and percentage) of company operating units where artisanal and small-scale mining occurs in or adjacent to it; associated risks and measures taken to manage and mitigate these risks	Samarco has no risks associated with artisanal and small-scale mining.		Complete		
MM9. Sites where resettlements took place, number of households in each of them, and how their livelihoods were affected in the process	There was no type of resettlement in 2013.		Complete		
MM10. Number and percentage of operations with closure plans	Samarco has an internal procedure that provides for the updating of the closure activity plan every three years. All operations are considered in this document, which foresees the mitigation of impacts before, during and after activity closure. In 2012 and 2013 there was no plan update, therefore the next review is scheduled for the second half of 2014.		Complete		
MM11. Programs related to responsible material management and their progress		30	Complete		



Statement GRI Application Level Check

GRI hereby states that **Samarco Mineração S.A** has presented its report "Annual Sustainability Report 2013" 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, 20 May 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
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 24 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

ASSURANCE REPORT

INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY INFORMATION INCLUDED IN THE SUSTAINABILITY REPORT FOR 2013

To the Board of Directors and Stockholders
Samarco Mineração S.A.
Belo Horizonte- MG

INTRODUCTION

We have been engaged by Samarco Mineração S.A. ("Samarco") to present our limited assurance report on the compilation of the information related to sustainability included in the Sustainability Report of Samarco for the year ended December 31, 2013.

MANAGEMENT'S RESPONSIBILITY FOR THE SUSTAINABILITY REPORT FOR 2013

The management of Samarco is responsible for the preparation and fair presentation of the information included in the Sustainability Report for 2013 in accordance with the guidelines of the Global Reporting Initiative (GRI-G3) and for such internal control as management determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the information related to sustainability included in the Sustainability Report for 2013, based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Brazilian Federal Accounting Council

(CFC), based on the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", also issued by the CFC, which is equivalent to the international standard ISAE 3000, "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the information related to sustainability included in the Sustainability Report for 2013, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information, as well as applying analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead him to believe that the information taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to

the compilation and presentation of the information related to sustainability included in the Sustainability Report for 2013, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

- (a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information included in the Sustainability Report of Samarco for 2013;
- (b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information;
- (c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the Sustainability Report for 2013; and
- (d) comparing the financial indicators with the financial statements and/or accounting records.

The limited assurance engagement also included tests to assess compliance with the guidelines of the Global Initiative Report (GRI-G3) applied in the preparation of the

information related to sustainability included in the Sustainability Report for 2013.

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

SCOPE AND LIMITATIONS

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the information related to sustainability included in the Sustainability Report for 2013. Consequently, we were not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the issuance of an opinion.

If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the information related to sustainability included in the Sustainability Report for 2013. Therefore, we do not express an opinion on this information.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the materiality, relevance, and accuracy of the data are subject

to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior years, nor future projections and goals.

CONCLUSION

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that the information related to sustainability included in the Sustainability Report for 2013 of Samarco Mineração S.A. has not been compiled, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-G3).

Belo Horizonte, June 5, 2014

PRICEWATERHOUSECOOPERS

Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Myrian Buenos Aires Moutinho
Contador CRC MG 070919/O-8



STAFF

SUPERVISION

Juliana Machado Cardoso
General Management, Corporate Social
Communication & Development

COORDINATION / TECHNICAL TEAM

Fabíola Boghi (Corporate Communication
Analyst), Flávia Bueno (Corporate
Communication Analyst), Flávia Jacques
(Corporate Communication Analyst)

SUPPLIERS

INDEPENDENT AUDIT

PricewaterhouseCoopers Auditores
Independentes

EDITORIAL COORDINATION AND DESIGN / GRI CONSULTANCY

Report Sustentabilidade

Team: Mayara Evangelista (project and
relationship management), Vinicius Cataldi
(GRI consulting), Guto Lobato (editing),
Maysa Corrêa (writing), Fernando Rocha
(graphic design), Fernando Rocha and Paula
Mosti (layout) and Thais Benite (graphic
production)

TRANSLATION

América Latina Traduções
Custom Solutions Ltda.

INFOGRAPHICS

Zói Estúdio

CARBON NEUTRALIZATION

Keyassociados

IMAGES

Agência Nitro
Blink Imagens
Samarco Archive
Jefferson Rocio
Neno Vianna
Paulo Márcio
Sagrilo Fotografias

TYPEFACE

Ronnia, José Scaglione and
Veronika Burian, 2007

ADDRESSES

BELO HORIZONTE

Rua Paraíba, 1122 - 9º, 10º e 19º and.
Ed. das Américas - Funcionários
30130-918 - Belo Horizonte / MG / Brazil
Tel: +55 (31) 3269-8787

Rua dos Inconfidentes, 1190 - 2º e 5º and.
Ed. Inconfidentes - Funcionários
30140-120 - Belo Horizonte / MG / Brazil
Tel: +55 (31) 3269-8787

OURO PRETO UNIT

Fazenda Usina Alegria, s/nº - Zona Rural
35400-000 - Ouro Preto / MG / Brazil
Tel: +55 (31) 3559-5000

GERMANO UNIT

Rodovia MG-129, km 117,5, s/nº
Caixa Postal 22
35420-000 - Mariana / MG / Brazil
Tel: +55 (31) 3559-5000

MATIPÓ

Estação de Bombas II, s/nº
Distrito de Padre Fialho - Zona Rural
35367-000 - Matipó / MG / Brazil
Tel: +55 (31) 3559-5000

VITÓRIA

Rua José Alexandre Buaiz, 300 – sala 802
Ed. Work Center – Enseada do Suá
29050-545 – Vitória / ES Brazil
Tel: +55 (27) 3145-4411

UBU UNIT

Rodovia ES-060, km 14,4 s/nº - Ponta Ubu
29230-000 - Anchieta / ES / Brazil
Tel: +55 (28) 3361-9000
Fax: +55 (28) 3361-9480

MUNIZ FREIRE – HYDROPOWER PLANT-ES

Rodovia Muniz Freire, Itaici, s/nº
km 8 - Cachoeira do Rio Pardo
29380-000 - Muniz Freire / ES / Brazil
Tel: +55 (28) 3560-3318

AMSTERDAM

Samarco Iron Ore Europe BV.
Strawinskylann 627, WTC Amsterdam
Tower B, 16th Floor - 1077 XX
Amsterdam / The Netherlands
Tel: +31 (0) 20 571-2400
Fax: +31 (0) 20 571-2409

HONG KONG

Samarco Asia Limited 1310,13 /
Room 3605, 36/F,
F Lippo Centre Tower Two 89 Queensway
Admiralty / Hong Kong
Tel: +852 2868-3380
Fax: +852 2868-3015

