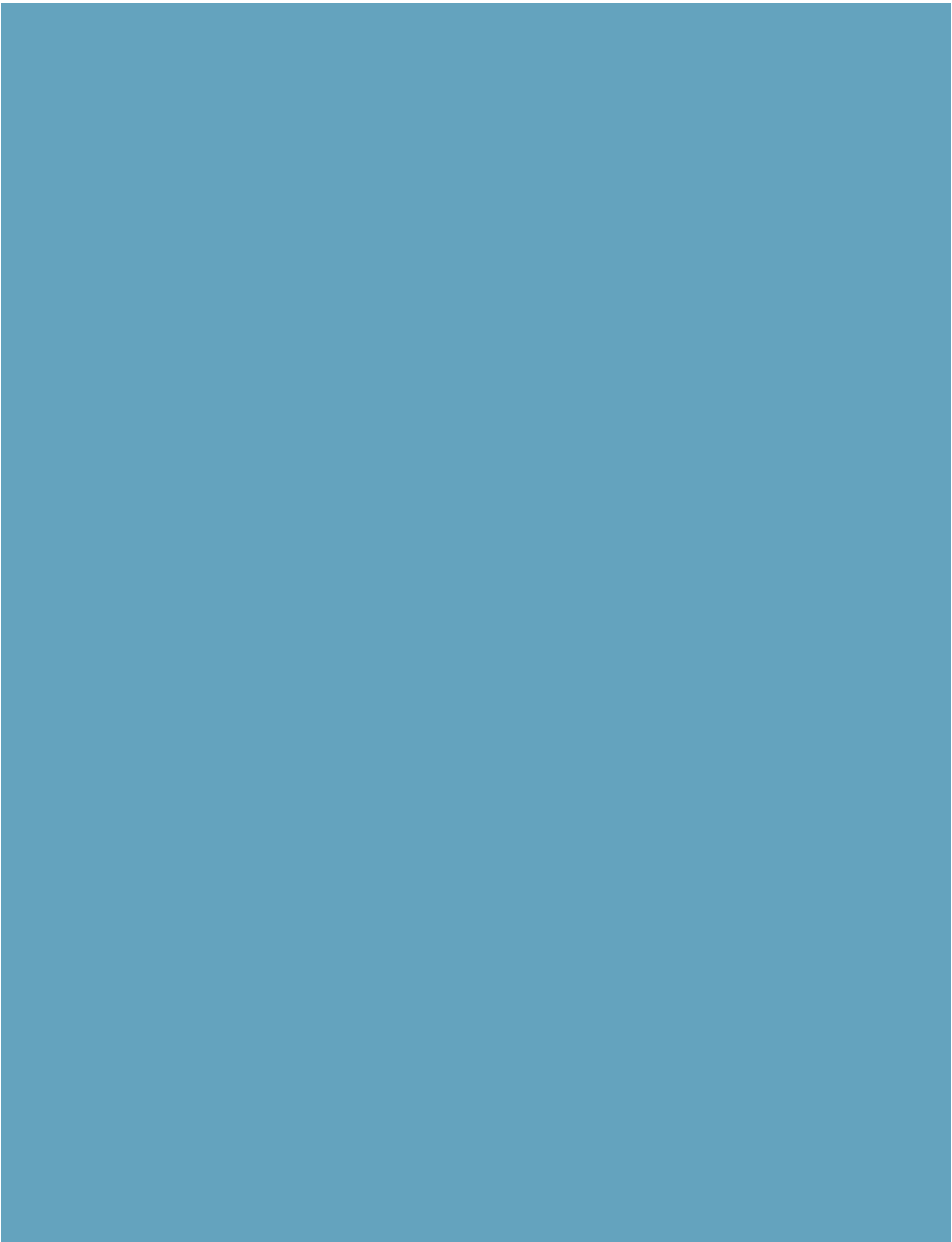


RAS2010

SAMARCO ANNUAL SUSTAINABILITY REPORT



We are Samarco.

We are a company that has become the fifth largest exporter in Brazil, thirty-four years after our founding.

Yes, we want profits. We want to be a reference, yes. We want to grow and be present. But we want to do all this in a sustainable way, so that we grow consistently, continuously.

We value our employees. We believe in the strength of people as a force behind inspiration, transformation, achievements and harmony. We foster a safe and friendly internal climate.

We value quality, research and innovation. Our products are appropriate to our clients' needs. We have consolidated our operating processes. We have customers who have been with us for a long time, which attests to the quality of our products and services, and contributes to consolidating our reputation.

We are active in promoting social change in our relationships with the communities surrounding our operations. We believe this is also our concern, and we want to support the growth and development of these populations.

We respect the environment. We know the impacts we have, but we do everything possible to mitigate or compensate for them. Above all, we have a deep abiding respect for Mother Nature.

This is Development.

But is Development enough?

There is only one way to achieve all this: to build together. We cannot do it alone, others cannot do it on their own – we have to combine our efforts. So it is our efforts plus the efforts of everyone else.

Things add up when everyone contributes; this allows the results to be multiplied. When everyone moves in the same direction and when our strategies are aligned, then we build on a stronger foundation, with a structure of many pillars and a workforce of many skills.

Alone, we cannot make progress. With the support and participation of our employees, our customers, communities and other stakeholders, we can go far. We can see farther. We can achieve long term results, and develop and succeed together.

This is Engagement.

It is only by aligning Development with Engagement that we can do all this: make things work; grow; share more knowledge and thus, make a difference.

Society expects this from each of us, whether we are individuals, small businesses or major corporations. For a better tomorrow...

MAIN ACTIONS IN 2010

GENERATING JOBS

Samarco finished the year of 2010 with 2.016 direct employees and 2.856 indirect hires.

PRODUCTION RECORD

Record production of 23,448,930 tons, of which 21,507,570 tons of pellets and 1,941,360 tons of pellet feed. Growth of 34% compared to 2009.

ENVIRONMENTAL INVESTMENT

Investment of R\$ 83.931.727,85 in projects of environmental management and protection.

SOCIAL INVESTMENT

Expansion of community actions: 81 communities benefited, in 29 municipalities.

150 BEST COMPANIES

Samarco was classified as one of the 150 Best Companies to Work for according to the business magazines Guia Você S/A and Exame for 2010.

SAFETY INDEX

The Registered Accident Rate, 2010, was 0.93 – the lowest rate in Samarco's history –, compared to 1.17 in 2009.



Access the link www.samarcoqueagentefaz.com.br/relatorio2010
And see the animated infograph.

GROSS SALES REVENUE

In 2010, R\$ 6.324 million (US\$ 3,614 million);
In 2009, it was R\$ 2.837 million (US\$ 1,435 million).

ONE OF BRAZIL'S MAJOR EXPORTERS

Brazil's 5th largest exporter and the largest exporter of the State of Espírito Santo over the past three years (2008-2010) according to the Foreign Trade Secretariat (Secex), subordinated to the Ministry of Development, Industry and Foreign Trade.

RESEARCH AND DEVELOPMENT

Investment of R\$ 4.5 million in technological development projects.

TRAINING HOURS

2200 employees participated in training courses, amounting to 103,879.58 training hours.

RECORD SHIPMENT

Record shipments of 22,558,620 tons, of which 21,396,883 tons of pellets and 1,161,737 tons of pellet feed. A growth of 27% compared to 2009.

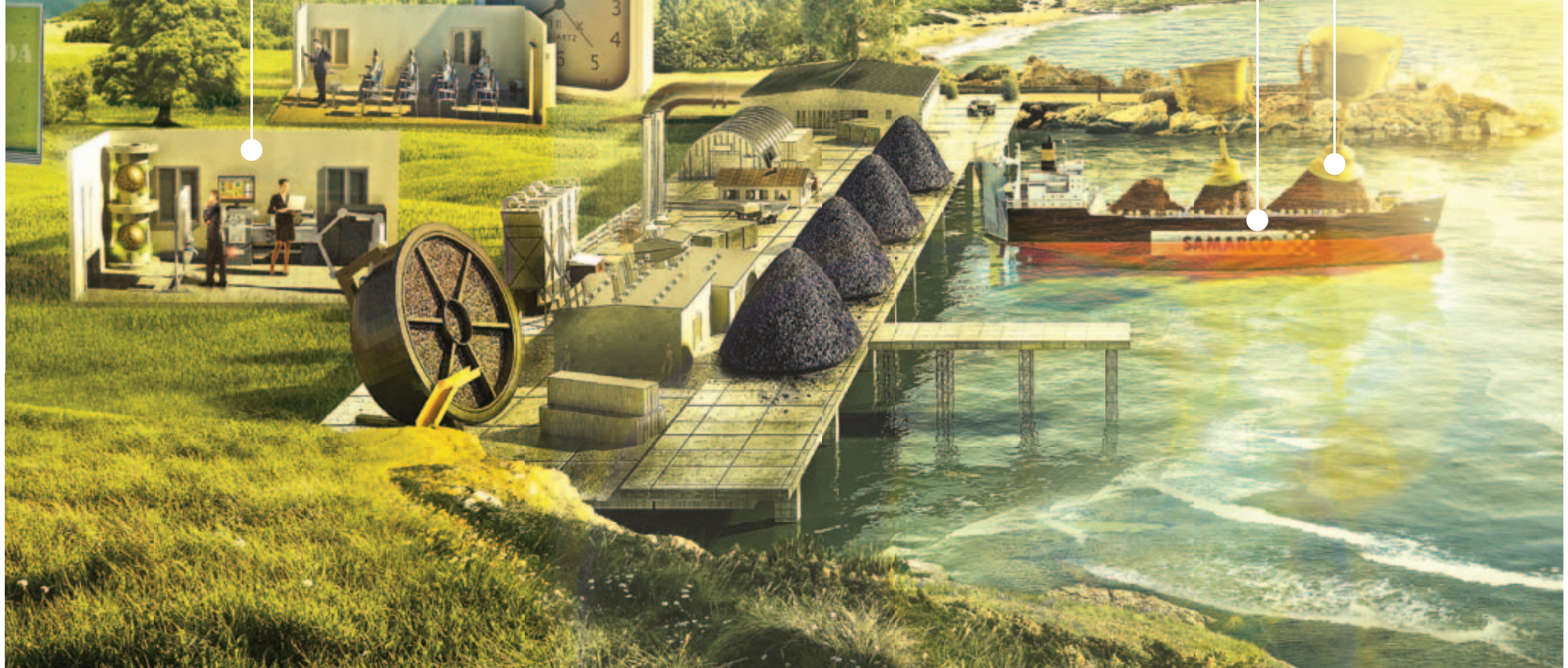
CONFERENCIA
ESPIRITO
SANTO (1:8 - 08/10)

6324

2010

2837

2009



INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT

(A translation of the original report in Portuguese containing sustainability information prepared in accordance with aforementioned sustainability guidelines)

To
The Board of Directors and Shareholders
Samarco Mineração S.A.
Belo Horizonte - MG

INTRODUCTION

We have been engaged for the purpose of applying Limited Assurance Procedures on the sustainability information contained in the Annual Sustainability Report of Samarco Mineração S.A. ("the Company"), related to the year ended December 31, 2010, which was prepared under the Company's management responsibility. Our responsibility is to issue a Limited Assurance report on this sustainability information.

APPLIED PROCEDURES

The limited assurance procedures were performed in accordance with the standards NBC TO 3000 – Assurance Engagement Other than Audit and Review, issued by CFC – Accounting Federal Council and with ISAE 3000 – International Standard on Assurance Engagements, issued by International Auditing and Assurance Standards Board – IAASB, both related to "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

The procedures comprised: (a) the planning of the work, considering the relevance, coherence, volume of quantitative and qualitative information and operational and internal control systems that served as a basis for the preparation of the sustainability information contained in the Company's

Annual Sustainability Report; (b) the understanding of the calculation methodology and the consolidation of the performance indicators through interviews with the personnel responsible for the preparation of information; (c) the comparison, on a sample basis, of the quantitative and qualitative information with the sustainability information disclosed at the Annual Sustainability Report; and (d) the comparison of the financial indicators with the financial statements and/or accounting records.

REPORTING CRITERIA

The sustainability information contained in the Company's Annual Sustainability Report was prepared according to the Global Reporting Initiative guidelines (GRI-G3) for sustainability reporting, and with the Mining & Metals Sector Supplement – RG Version 3.0/MMSS Final Version.

SCOPE AND LIMITATIONS

The objective of our work was to apply limited assurance procedures on the sustainability information disclosed in the Company's Annual Sustainability Report, on profile items (disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance), on management approach and on the sustainability performance indicators, not including the assessment of the application level declared by the Company in its Annual Sustainability Report and the

appropriateness of its policies, practices and sustainability performance.

The applied assurance procedures do not represent an examination in accordance with Brazilian and international audit rules for financial statements. In addition, we do not provide any assurance on the achievability of future information (such as targets, expectations and ambitions) nor on qualitative information that is under subjective evaluation.

CONCLUSION

Based on the applied procedures we have not identified any relevant modification that should be performed on the Annual Sustainability Report of Samarco Mineração S.A., related to the year ended December 31, 2010, to agree with the GRI-G3 guidelines and with the records and files that subsidized its elaboration.

Belo Horizonte, June 23, 2011



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

Original report in Portuguese signed by
Ulysses M. Duarte Magalhães
Accountant CRC 1RJ092095/O-8-S-MG

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HOW TO READ THIS REPORT

The common thread behind this Annual Sustainability Report (ASR) is our strategic positioning – Development with Engagement.

Therefore, it emphasizes our convictions, our way of being and our belief in an always better world, which evolves and transforms itself through sustainable development.

This Report shows the essence of our Company, what we have learned and the practices we employ to move towards sustainability.

The report includes two major parts: Development, where we examine who we are, what we do, and the direction we are working towards; and Engagement, with the reporting on our relations with stakeholders and on our environmental management.

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ATTACHMENT 1

PRESS

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ATTACHMENT 2

MAIN RESULTS AND NUMBERS IN 2010

FINANCIAL RESULTS

REPORT STAFF

This Annual Sustainability Report refers to the period elapsed between January 1st and December 31st of 2010.

At the end we present our Financial Statements, for those interested in seeing details about our economic and financial performance.

For the ninth consecutive year, our Annual Sustainability Report is aligned with the Global Reporting Initiative (GRI) guidelines, so it also includes a Reference List referring to the GRI Indicators.

The complete version of this Report is also available at the address www.samarcoqueagentefaz.com.br/relatorio2010 and on our site – www.samarco.com.

If you have any questions or need additional information, please send an email to relacionamento@samarco.com.

We hope you enjoy reading our report.

THE FUTURE OF THE MINING INDUSTRY AND DEMAND FOR COMMODITIES

In today's world, demand for commodities, which are raw materials and consumables in an unprocessed form, or with a small degree of manufacturing, has grown expressively.

According to a study prepared by the Brazilian Mining Institute (IBRAM), this growth in demand is due to the increase in world population and to the change in the average consumption standard of people, especially in developing countries, which have been undergoing economic growth.

The world's population currently stands at 6.9 billion and the forecast is for it to reach 9 billion in 2050.

For this reason, the mining industry had an excellent year in 2010, and began 2011 in a favorable position.

For market analysts, the new quarterly ore pricing system adjusted contract prices upwards quickly compared to what was seen on the spot market* and the combination of accelerated demand and limited supply gave mining companies significant operating results.

For 2011, the emerging economies, principally in Asia, are expected to continue dictating the rhythm of growth in demand, which should account for most of the growth in steel production and in iron ore consumption.

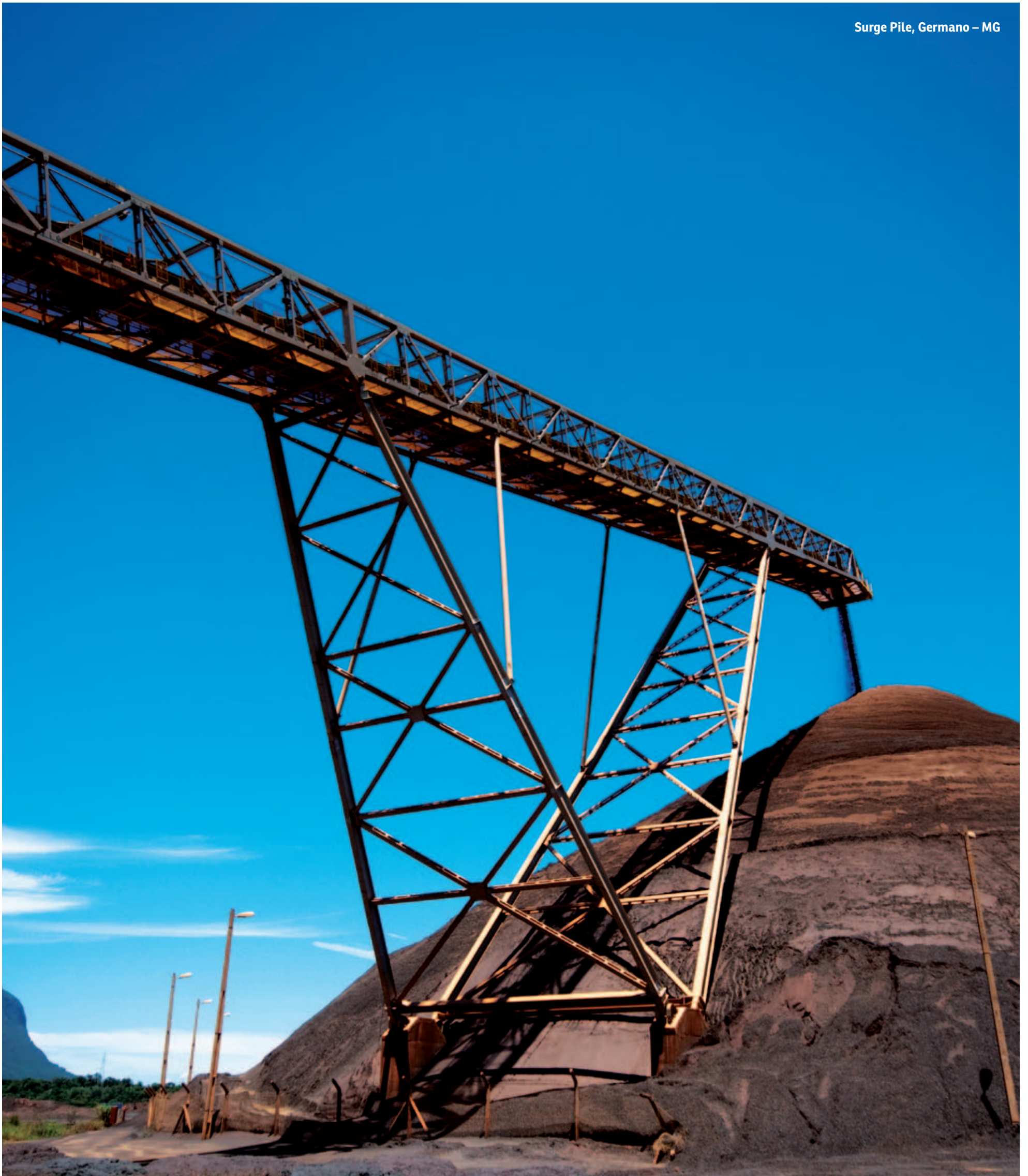
Also according to IBRAM, the share of the mineral industry in the 2010 Brazilian trade balance was around 121%. While the surplus between purchases and sales by Brazil totaled US\$ 20.27 billion, mineral exports exceeded imports by US\$ 24.5 billion. Brazilian iron ore exports reached US\$ 28.5 billion in 2010.

Riding this positive wave, investments in the industry for the period from 2011 to 2015 should reach US\$ 64.8 billion, a record in this segment.

Another important factor in keeping the mining industry growing is ongoing growth in the Chinese market. The World Bank forecast for the increase in the Gross Domestic Product (GDP) of China in 2011 is 10%, which means that growth will remain high (in 2010, growth of the Chinese economy was 10.3%).

Industry analysts are almost unanimous in predicting that 2011 will also offer very positive results for the global and Brazilian mining industries.

* Also known as the sight market or over the counter market, on the spot market, the ore sales price is determined on the day the sale is closed; for this reason, it is much more volatile, since there are a variety of factors that can affect the price dynamics. It is the traditional mechanism for the sale of commodities or products.



#OUR

ESSENCE



MISSION, VISION AND VALUES

THE ESSENCE OF THESE PREMISES IS CLEAR IN SAMARCO'S MISSION, VISION AND VALUES:

Mission

We are a Brazilian company which produces high quality iron ore for the global steel industry. We strive to improve people's living conditions and well-being and to promote social, economic and environmental development through the responsible utilization of natural resources and the construction of lasting relationships based on value generation.

Vision

To be the leading pellet mining company, recognized as a world-class organization.

Values

Our actions are guided by the principles of justice, esteem for life and collective well-being, respect for people, commitment and surpassing expected results.

We establish transparent, lasting relationships, based on ethics and aimed at generating value for all stakeholders. Creativity, associated with a continuous pursuit of technological development, assure the delivery of quality and reliability in products and services, and are seen as indispensable attributes for our perpetuity.

SAMARCO'S VALUES IN A NUTSHELL

We value life: our greatest treasure. Respect and fairness guide our relations.

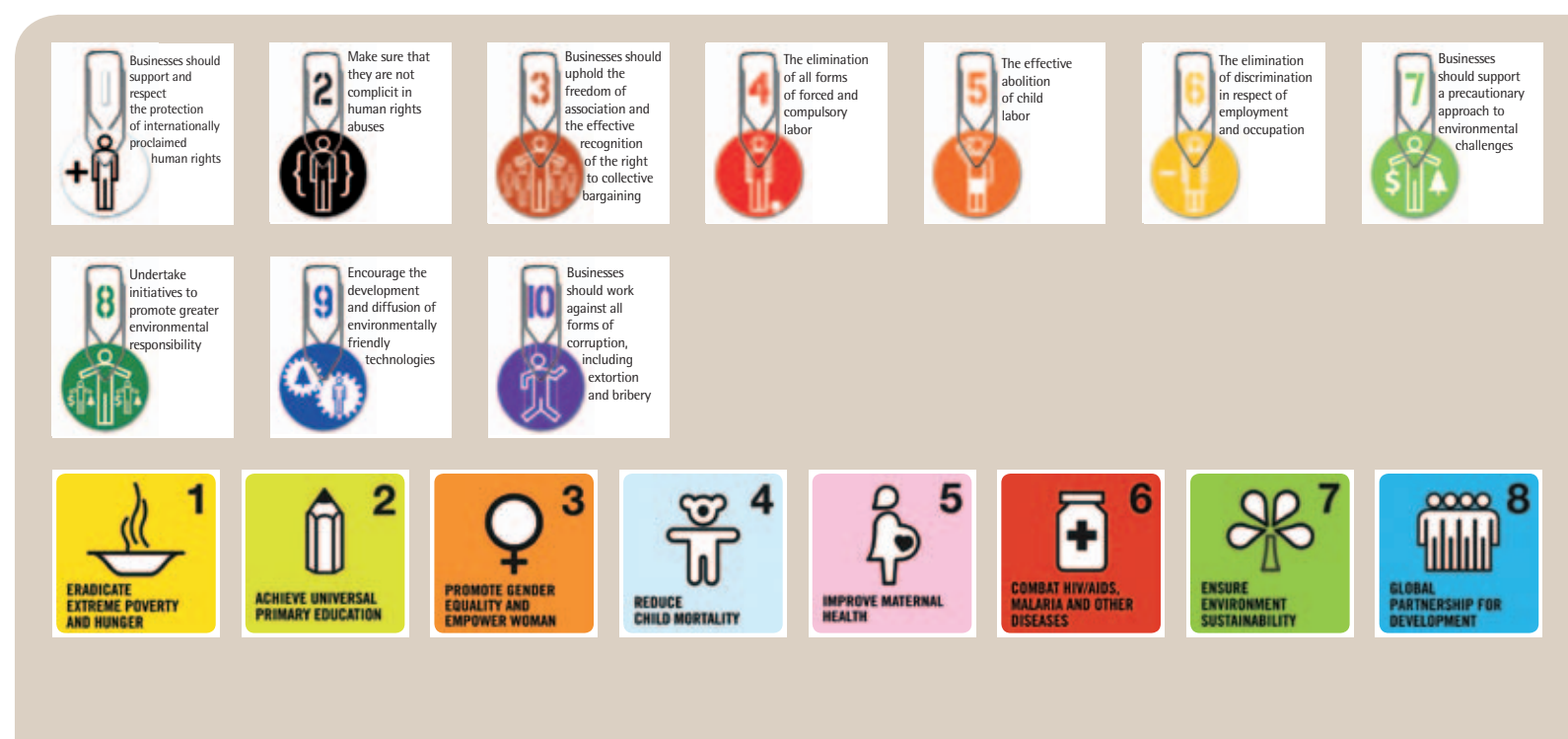
We act with responsible autonomy. Results are premises for growth.

Corporate excellence is the cornerstone of our success. Ethics preserve and strengthen our relations. Sustainability assures continuity.

SUSTAINABILITY COMMITMENT STATEMENT

Aligned with the Mission, Vision, Values and Integrated Management Policy, guided by ethics, with the objective of remaining competitive and performing with management excellence, considering in its decision-making processes the balance between the economic, environmental and social aspects on the one hand, and the current needs of society and of future generations on the other, Samarco defines a series of principles and guidelines for its corporate conduct, with the commitment to:

- Conduct its business in conformity with the current laws of the country, adopting precepts of social responsibility in line with the publicly assumed national and international commitments;
- Act responsibly with regards to the use of natural resources, considering the limits and the regeneration capabilities of the natural environment, mitigating impacts and contributing towards the preservation of biodiversity, water and energy resources, and continuously seeking creative alternatives for its operations;
- Promote the diversity and ongoing development of the human and intellectual capital of its employees, in a fair, clear and merit-based approach;
- Foster and construct a process of internal and external corporate communication open to permanent social dialogue;
- Engage stakeholders in the Sustainability model, structure decisions and choices based on the principles governed in this model and lead efforts to prepare agreements and projects between private initiative, society and government;
- Encourage and support initiatives by employees, suppliers, customers, local partners, governments and society that share our commitments to Sustainability and to social responsibility, to bring on change in a responsible, ethical and fair way, seeking environmental balance and collective well-being;
- Create and maintain a business logic with the commitment to create wealth for shareholders, employees, third parties, society, government, suppliers and customers.



MESSAGE FROM THE CEO

The year 2010 proved that we made the right decision during the economic and financial crisis in 2009 to maintain our strategic positioning and our focus on the motto "Development with Engagement."

With a strong and consolidated base in terms of operations, products, integrated processes and technology, and favorable market demand, we achieved very noteworthy results in 2010.

The mining market is working with a new pricing model, and we have adapted to this new reality.



In 2010, we operated at full capacity, and our production came close to the maximum current capacity of our plants. We produced some 5 million tons more than in 2009. As a result, our financial results were also quite positive – so much so, that our gross sales, in US Dollars, showed an increase of 152% compared to 2009.

These good results only increase our responsibility to maintain our coherence and continue along the path of sustainable development.

I will begin with the work behind management. We have evolved in our efforts to continuously improve our management processes and to include sustainability in our day-to-day operations, and the perceptions of people and society have been positive. Our strategic agenda and planning are focusing on questions like integrated management, efficiency in business and in processes, the quality of our products, ongoing concern with valuation and the safety of our employees and contractor employees, care

for the environment, contributions to social development in the communities where we work, training of local workers and ongoing dialogue with our stakeholders.

We seek ongoing growth. We want to continue growing, in a responsible and sustainable manner. We are continuing preparations for the Fourth Pellet Project, focusing on approval of the project, which will increase our annual production capacity by more than 8 million tons of pellets. And we will continue to advance on many other fronts.

Internally, in 2010, we laid out our strategy to all our employees, which was a very relevant step. This internal notification was made in a variety of meetings and communications activities.

We also broke another record in regards to our safety performance: the registered accident rate reached a rate of 0.93, the best result ever. This reinforces our proposal to value life, in all our activities.

We ended the year among the 150 Best Companies to Work for, published by the magazines Exame and Você S/A, with support from the Fundação Instituto de Administração (University of São Paulo Management Institute Foundation) (FIA-USP). In order to maintain this high level of performance, it is essential for us to continue investing in the development of our employees, in appropriate Human Resources actions to improve our internal climate.

Another noteworthy change in 2010 was to replace fuel oil with natural gas in our pellet plants, in the municipality of Anchieta (ES). This has resulted in a cleaner and more efficient production and lent more quality to our products. This initiative will reduce our plants' emissions by 158 thousand tons of CO2 equivalent, thus reinforcing Samarco's commitment to responsible and sustainable growth.

The market has noted our movement towards sustainability. As a result, we were able to sign a financing contract with a Japanese development agency, NEXI – Nippon Export and Investment Insurance. What is notable is that NEXI does not finance companies that are not serious about social and environmental matters.

With our commercial results, we have maintained the position of fifth largest exporter in Brazil, consolidating our relationship with our external customers and contributing to the growth of Brazilian exports.

Guaranteeing sustainability in our actions and attitudes is an ongoing concern. It requires all of us, Samarco, civil society, governments, public attorney's office, community representatives and suppliers, to construct lasting actions to properly manage our social, economic and environmental impacts. And of course, we must always do so in an ethical and transparent way.



José Tadeu de Moraes
CEO of Samarco

**“
However, this can only be possible
with the engagement of all. When we
say “we,” we are not only referring to
ourselves here at Samarco. To continue
the search for a better world, towards
the path of development, we need to
follow this common direction, with
emphasis on engagement together. Only
then will we achieve sustainable and
lasting results.”**



José Tadeu de Moraes
CEO of Samarco



Access the link www.samarcoqueagentefaz.com.br/relatorio2010
and see the video with the testimonial of the CEO.

#DEVELO

PMMENT



CORPORATE PROFILE

We are well positioned on the Brazilian mining market, where we are one of the largest companies. We mainly produce iron ore pellets, which are sold to the global steelmaking market.

With annual installed capacity for production of 22.250 million tons of pellets, we create some two thousand direct jobs, and have about the same number of contractor workers.

We are a privately held company, with two shareholders: BHP Billiton Ltda. and Vale S/A, which equally share control, each with 50% of the stock.

Our industrial platform is centered on two large plants, located in the states of Minas Gerais and Espírito Santo. There are two concentrators, at the Germano unit in the cities of Mariana and Ouro Preto (MG), used to beneficiate the ore and increase its iron content, and three pellet plants (which transform the ore into pellets), at the Ubu unit, in the municipality of Anchieta (ES).

These two industrial units are linked by two pipelines that measure almost 400 kilometers in length, and which transport the iron ore slurry from Minas Gerais to Espírito Santo, passing through 25 municipalities. Samarco is a pioneer in this type of transportation, and the two pipelines are considered the largest in Brazil. The pipeline is almost all underground, at a depth of around 1.5 meters, and is protected against corrosion and monitored by fiber optics. It is exposed in only a few sections, where it runs along the surface. Markers were installed along its path to show where the pipeline passes.

The pipelines run along a "right of way," an easement measuring 35 meters in width. Every year, a maintenance program is prepared to rehabilitate the soil surface damaged by rainwater and to meet the needs of the right of way.

As a preventive measure, we have a Pipeline Integrity Plan, which consists of the periodic mapping and evaluation of its conditions, by means of PIGs, which are devices that travel inside the pipeline and monitor it to identify the need for possible intervention, and to contribute to ensure pipeline integrity.

To meet any needs of the population that lives near the pipeline, we offer the Samarco Public Relations Center, which can be reached 24 hours a day at the toll free number 0800 031 23 03, even for emergency situations.

The Center can also be reached at the website www.samarco.com

In addition to the industrial platform, we also have:

- Our own seaport terminal located at the Ubu plant, in Anchieta (ES), from where all our production is shipped.
- Three sales offices: one in Belo Horizonte (MG) and two international offices, in Amsterdam (Netherlands) and Hong Kong (China). Production is mainly focused on the external market.
- A hydroelectric plant in Muniz Freire (ES); we also participate in a consortium, with ArcelorMittal, of the Guilman-Amorim hydroelectric plant, in Antônio Dias and Nova Era (MG). These two plants account for 20% of our electricity consumption.

In 2010, we served customers in 19 countries around the world, located in Europe, Asia, Africa, the Middle East and the Americas. Most of our production is exported, although some is sold on the domestic market.

We are aware of the social and economic impact of our day-to-day activities. For this reason, we seek to contract with employees, suppliers and service providers located close to our facilities, thus contributing towards the development of the communities where we are present. We also maintain an ethical, transparent and sustainable relationship with all publics with which we come into contact.





CORPORATE CONDUCT

Our day-to-day corporate conduct must be consistent with the concepts outlined in our Vision and our Mission, aligned with our Values and based on best relationships practices with all our stakeholders.

Corporate Governance

Our corporate governance is based on four pillars: corporate responsibility, rendering of accounts, transparency and fairness.

The governance structure is coordinated by the Board of Directors, which is composed of representatives of the two shareholders: Vale and BHP Billiton. There are four permanent members and four alternates, with three year terms; re-appointment is allowed.

Following are some of the attributions of the Board of Directors:

- Defining overall business guidelines and strategy for the Company.
- Orientation/approval of the business plan, involving not only the economic/financial issue related to the investment plans, but also the strategic processes and projects connected to the socioenvironmental management of both routine activities and expansion projects.
- Approval of dividend distribution to shareholders and re-investments.
- Monitoring of Company results.
- Ensuring the integrity of Samarco management.
- Appointment of the CEO and evaluation of the members of the Executive Board.
- Choice of an independent auditor.
- Deliberation on changes to the Company's capital structure.

The Board of Directors is supported by three committees:

Finance and Strategy Committee – supports the Board of Directors in strategic, economic and financial matters. It has three subcommittees:

- Taxes and Contingencies
- Treasury
- Audit

Operations Committee – supports the Board of Directors in technical matters and in those related to operations. It also has three subcommittees:

- Performance Management: socioenvironmental issues, including the monitoring and evaluation of socioenvironmental performance, are part of the responsibilities of the Operations Committee, in order to encourage the insertion of sustainability in the Company's business, under the management of the Operations and Sustainability Management.
- Capital Projects
- Technical

Remuneration Committee – supports the Board of Directors in defining the compensation policies for the main Samarco executives and general human resources policies

These Committees hold regularly scheduled meetings, with a pre-defined agenda at least three times a year. In general, the matters that are brought to the attention of the Board of Directors have already been analyzed by the Committees.

Regular audits are performed by the shareholders themselves and by teams of independent external auditors.

Code of Conduct

Our Code of Conduct is the main guideline for our relationship with all our stakeholders. It is totally aligned with our positioning and the commitments we have made in our business strategy.

The Code of Conduct presents the orientations and principles that govern our relationships. It presents determinations on employee attitudes, commercial relations with customers and suppliers, relations with agencies and communities, our anti-corruption stance, fraud, receipt of corporate giveaways and presents, conflicts of interest and other points.





The Code is updated whenever we identify opportunities to adapt its content or the need to include new guidelines. All the updates to the Code are done in a collaborative manner, and take into account the suggestions and contributions of employees and other shareholders. Whenever there is an update to the document, we communicate this, and then re-send the Code to all our employees and suppliers, as well as providing training on this update. This occurred in 2010 (see item "Corporate Conduct Management").

All new hires and suppliers that begin to work with the Company also receive a copy of the Code of Conduct.

Corporate Conduct Management

At Samarco, we understand corporate conduct to be the way that the Company translates its Values into appropriate and coherent relationship practices with stakeholders. These practices are registered in our Code of Conduct.

In 2010, we reinforced our internal discussions about corporate conduct. The objective was to create greater participation among all regarding topics like prevention of fraud and corruption, the fight against all forms of discrimination, ethical conduct, and other areas.

We did not perform any specific corruption risk analysis in 2010, however we did promote discussion on corporate conduct. More specifically, we addressed matters such as corruption and fraud with our formal and informal leaderships, in internal seminars. In 2010, we also provided training on the Code of Conduct for all direct hires, through our virtual e-learning platform, as well as presential training for some 1700 contractor employees who work in our units, in a concentrated effort to train 3262 outsourced employees by April 2011.



No corruption cases were reported in 2010 at our units or related in some way to our operations. Our Code of Conduct provides specific guidelines about this matter, as well as about human rights violations.

All of these issues were debated in several forums, involving the entire chain of managers and other employees, emphasizing as well the role of the Ombudsman.

The Ombudsman is available for comments by employees and external stakeholders, whether they be consultations, comments, complaints, praise or accusations.

The discussions on corporate conduct were present in several actions that took place throughout 2010:

- Information Security Project and monitoring of Information Technology (IT) resources.
- Samarco Digital Platform.
- Strategy Communication Meetings.
- Fraud Prevention Training.
- Culture Cycles Project Workshops.
- Start of training for contractor employees.
- Creation of Ombudsman pages on the Intranet and Internet.

Among our management actions this year was to improve our Code of Conduct, with alterations to the sections referring to Information Technology, Technologies and Intellectual Property and Use and Protection of Goods and Equipment, recorded in an amendment. The new Code was sent to all employees. Likewise, 100% of the employees underwent on-line training on the Code of Conduct, using the Click for Knowledge tool, which helped to reinforce these topics, as well as other items like human rights and the fight against corruption.

Another important initiative in 2010 was the review of the donations and sponsorship policy, which gave rise to the new Social and Institutional Investment Policy (see more on this Policy in the chapter on "Communities").

In 2011, our goal is to intensify our discussions and to extend them to new publics, including new topics, as well as to reinforce dialogue about corporate conduct.

Ethics and Transparency in Business and in Attitudes

We consider transparency and ethical conduct to be the essential bases for establishing positive agendas that can bring together the economic, social and environmental aspects of our work.

Ethics and transparency are two points that are closely related to our corporate activity. They are emphasized in our Code of Conduct, which guides the relationship with our stakeholders.

We believe that it is only by working with ethics and transparency, in line with our Vision, Mission and Values, that it will be possible to do business in a credible and secure manner and to build lasting relationships with the publics we have contact with.

In our day-to-day activities and operations, our managers play an essential role, as the "guardians" and disseminators of these principles. Managers must act in a neutral, swift and strict manner in all cases of improper conduct and failure to comply with policies and procedures.

On the other hand, each employee must put into practice what the Company stands for, and point out to his or her immediate supervisor any indication or procedure that is not followed, so it can be reviewed. In the event that the employee comes across a situation that goes against the Company's ethical principles, the employee must notify his immediate supervisor or the Ombudsman.

Ombudsman

The Ombudsman can be used by employees and external stakeholders, even in cases where there is doubt regarding how to proceed or to report deviations or improper conditions.

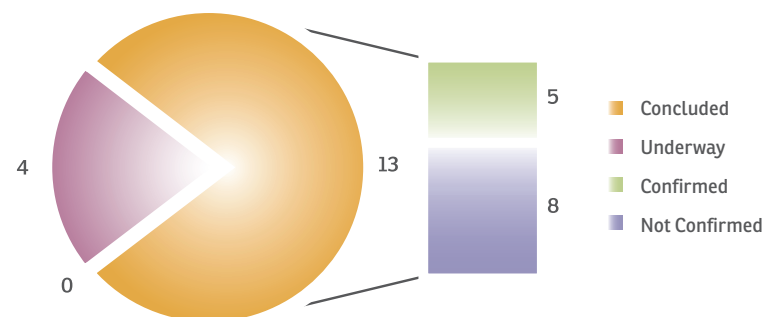
Upon receiving comments, the Ombudsman classifies them into accusations, suggestions and requests for specific information. He records and investigates accusations of bad conduct, responds to consultations regarding business conduct, registers and monitors potential conflicts of interest, discusses suggestions for revision and keeps the Code of Conduct updated.

The Ombudsman is also responsible for the preparation of monitoring reports on accusations and investigations, which are submitted at the quarterly meetings of the Code of Conduct Committee and brought to the attention of shareholders. The Code of Conduct Committee is composed of the president of the Organization, the general manager of Human Resources and the Ombudsman.

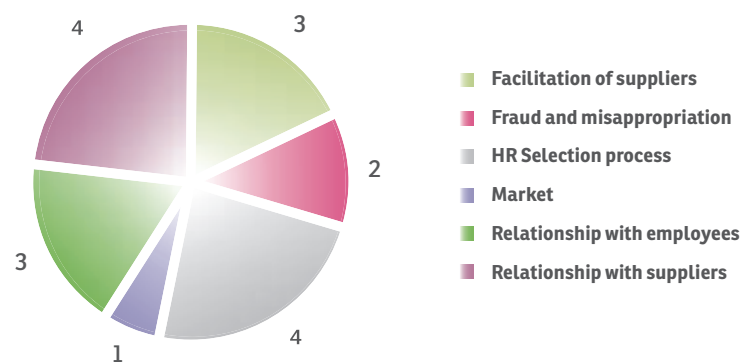
In 2010, seventeen accusations were received. All the accusations were investigated in total confidentiality; in other words, without exposing the accused or the accusers.



STATUS OF COMPLAINTS RECEIVED BY THE OMBUDSMAN IN 2010



STATUS OF MATTERS RECEIVED BY OMBUDSMAN IN 2010



CORPORATE STRATEGY

Our operations follow a well defined strategy fully aligned with our essence. This allows us to seamlessly combine our Business Vision and our Sustainability Vision, which are complementary and establish the bases of our corporate standing. Operational excellence is what we continually seek in our operations.

Business Vision

With the engagement of Upper Management and other leaders at Samarco, in 2010 we disseminated the business strategy to all employees. It was a time of great mobilization in the Company.

To publicize this strategy, meetings were held by the Board. In these events, 55 people participated in Belo Horizonte (MG), 500 in Germano (MG) and 580 in Ubu (in Anchieta – ES), including administrative and operational employees and interns. Managers were encouraged to speak with their teams, and the entire process was supported by a major internal communications campaign.

The main part of this campaign was the “Onboard Diary,” a notebook that was distributed to all employees, which included the Mission, Vision, Values, Strategic Map and explanations on the strategic objectives and themes. At the end of the campaign, the motto was reinforced: ***The workday has already begun. And understanding the strategy is half the battle.***

This action served to reinforce a **strategy** that must be continually perfected:

- **We have appropriate technical and operational capacity installed.**
- **We act in a well-directed manner, focusing on sustainable growth and on management excellence.**
- **We seek greater integration between management practices and processes, to achieve high levels of performance.**

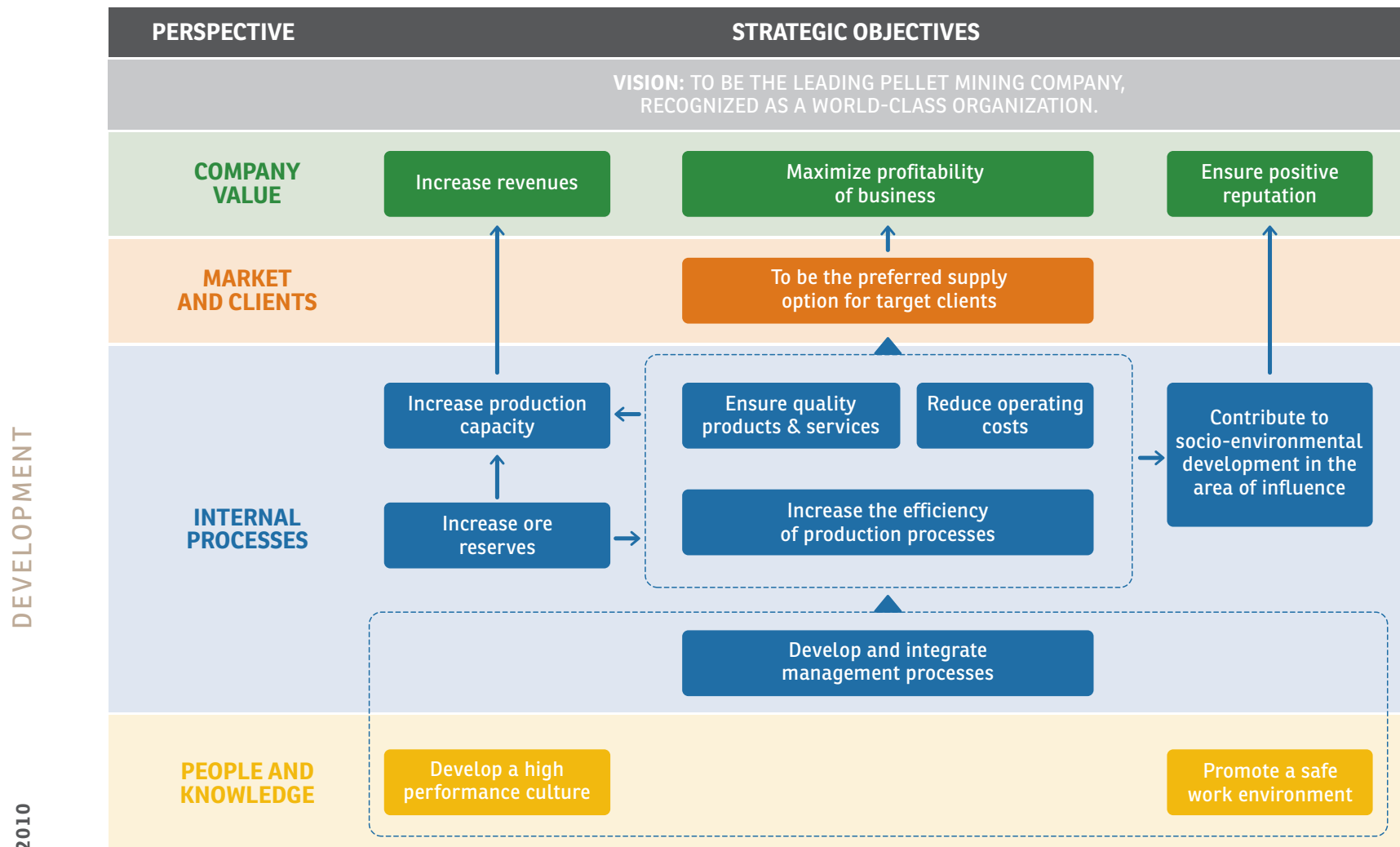
For 2011, the challenges we face are to:

- Improve the management model, integrating existing initiatives.
- Develop a single system of measurement for indicators and processes, so that it will be possible to evaluate the Company's performance more frequently.
- Encourage managers to use a long term approach when evaluating and thinking about management practices in each area.





Strategic Map



Vision of Sustainability

Sustainability is not a new matter for Samarco. Since our founding, 33 years ago, we have understood that any business and growth strategy must include sustainable development.

We believe that continual growth is mainly the result of integrated business management, of proper management of our social and environmental impacts and of an effective contribution to the social and economic development of the lands and communities located close to our units.

For this reason, we have practical actions to work towards these goals (see items on "Community Relations" and "Environmental Management", in this Report) and we strive to maintain our commitment to sustainability throughout all the stages of our activities: planning, management, operations, sales, relationships and logistics. We want to go beyond the traditional focus and increase the possibilities and interactions, since "everything is connected to everything else" in a systematic way.

This position is expressed in our definition of sustainability:

”

Sustainability is the capability to grow and innovate in environments of increasing complexity and interdependence, with transparency, and economic, environmental and social responsibility. It is the creation of value for Samarco and society, guided by ethics, trust, pro-activeness and a systematic vision. We do this through actions and partnerships that seek to ensure balance between the economic, social and cultural and environmental dimensions, respecting current generations and contributing to the development of future generations.”

Our Mission, our Vision and our Values already include sustainability as one of the key points for Company activities. Based on this premise, sustainable development was included as one of the bases from the Company's Business Outlook, and therefore, of our work strategy.

To strengthen this position, we have a Sustainability Commitment Statement (see the Statement on page 15 of this Report), which is the result of an internal process of group creation, and which lays out a set of premises and guidelines that serve as the basis for sustainability at Samarco, indicating commitments, and which orients our relations with stakeholders.

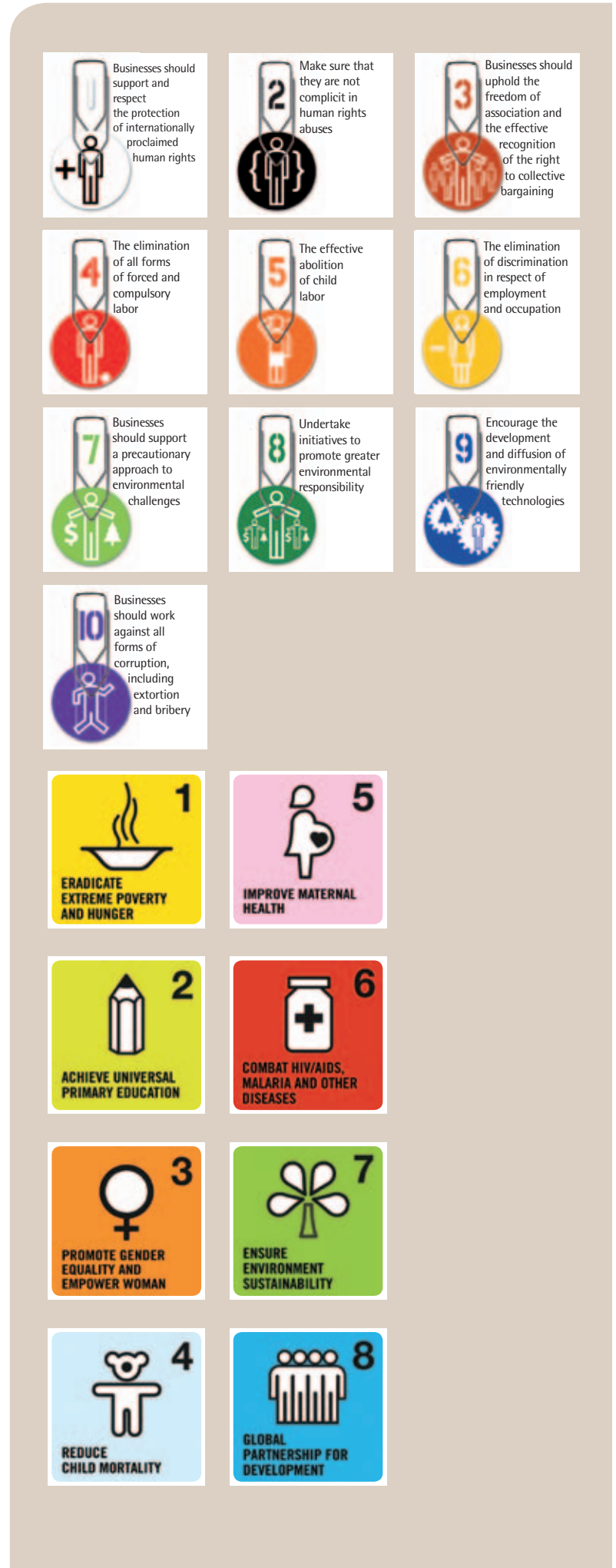
Ethical conduct, both inside and outside the Company, transparency, community development, care for the environment, quality products and services and dialogue with stakeholders guide our daily work.

Sustainability is also reinforced in our Code of Conduct, which is periodically updated, and which guides the relations between Samarco and the publics with which it comes into contact, centered on the position of "Development with Engagement."

In order to promote the dissemination and internal discussion on sustainability, in 2010 we held more workshops, related to the Business Value Program, to discuss how the Company's actions and initiatives are interlinked and interdependent, covering the economic, social and environmental aspects in an integrated manner. In these workshops, we discussed topics such as the Company's strategic objectives, financial management, human resources management, sustainability in business, supplies and communications. These meetings, in which 30 leading executives at Samarco participated, helped to place sustainability squarely in the thoughts and day-to-day practices of the Organization.

The Business Value Program, focused on technical career employees (see item on "Valuing People", in the chapter on "Human Resource Management" of this Report), included the development of a specific module on sustainability, which led to reflection and productive discussions on this matter among employees, who connected their activities with good practices from the standpoint of sustainability.

In addition, in order to emphasize the focus on sustainable development internally, and to contribute to greater understanding of employees on this topic, we have prepared a document called the Samarco Sustainability Guide, which will be released and delivered to all employees during the first quarter of 2011.



We know that inserting a culture of sustainability into day-to-day activities takes place in a gradual manner, and for this reason, we have constantly reinforced this topic in our communications, training and preparation of our leaders and other employees.

Likewise, we have brought the topic to our external publics, through workshops, meetings, specific actions and participation in forums, congresses and seminars. We have also accompanied the discussions and movements on social networks, blogs, and other media.

With regards to climate change, in 2010 we participated in a seminar on presenting results, the **Climate Forum – Corporate Action on Climate Change: Balance of Actions 2009/2010**. This seminar was held one year after the signing of the Open Letter to Brazil on Climate Change. The companies and institutions that signed the letter, in August, 2009, presented the actions that took place between 2009 and 2010.

In Brazil, we also participated in regional groups in 2010, like the work group of the Federation of Industries of the State of Minas Gerais (FIEMG) on this topic, in order to discuss relevant regulatory questions. Brazilian legislation has advanced in this matter, towards a national goal, but regulations with market mechanisms and industry goals are still under discussion. We understand that it is important to contribute to these discussions.

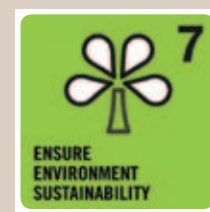
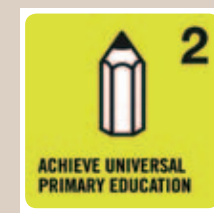
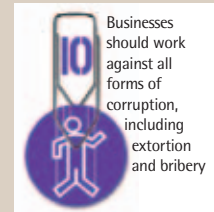
In this matter, we have worked in the institutional area, participating in discussions and workshops on this topic, as well as working to adapt our initiatives linked to day-to-day business operations, such as water management, energy efficiency, reduction in emissions and waste, by working on all these fronts (see chapter on “Environmental Management”).

Alignment with Global Commitments

In consonance with our positioning in favor of sustainability, we have signed or act in conformity with important global commitments, such as:

Global Compact

Samarco has been a signatory since 2002, and in 2008 we reinforced our commitment to the Compact, which was established by the UN (United Nations), to foster respect for and defense of human rights, work, environmental protection and the fight against corruption. All these topics are covered in our Code of Conduct.



Millennium Goals

Samarco supports the Millennium Goals, eight objectives defined by the UN, covering the fight against hunger and poverty, supporting quality education, reducing child mortality, focus on the quality of life and on respect for the environment and others. These commitments can be seen in our management and in the projects we develop, as, for example, our community development actions.

Samarco adhered to the Business Pact for Integrity and against Corruption, coordinated by the Ethos Institute in 2006

This Pact is a result of the 10th Global Compact and personifies the posture of Brazilian companies to promote ethics and integrity in business and in the production chain, strengthening a culture of ethics and corporate responsibility.

Open Letter to Brazil on Climate Change

Samarco signed the Letter in August 2009, together with another 21 institutions and private Brazilian companies. This document marks the position of the signatories on this matter and is considered by the specialized media to be a landmark in the position by industry towards a low carbon economy (reduction of greenhouse gas emissions).

We can mention, as an example of a measure taken by Samarco in 2010, the substitution of fuel oil with natural gas in pellet plants, in Espírito Santo, which contributed towards a total reduction in Greenhouse Gases by the Company.

Investment Plan

Our Investment Plan is always treated as a full priority and reflects our need to grow and to expand our production and our business.

Growing in a sustainable manner is an essential part of our strategic planning.

Fourth Pellet Project (P4P)

In 2010, our main expansion project was the Fourth Pellet Project, which is still underway.

The total investment necessary for the Fourth Pellet Project is R\$ 5.4 billion. We have already obtained all the necessary environmental licenses for projects of this size. Some of the licenses were obtained in 2010 and others during the first quarter of 2011.



The Project includes the following actions:

- Construction of a third concentrator at the Germano site (MG), with production capacity of 9.5 million dry metric tons of ore concentrate per year.
- Installation of a third ore pipeline, running parallel to the two that are already in operation, designed to carry 20.0 million dry metric tons of ore concentrate each year.
- Construction of a fourth pellet plant at Ubu, in Anchieta (ES), with production capacity of 8.25 million dry metric tons of pellets and pellet feed.
- Revamping of the storage and shipment system, which will now have total capacity to handle 33.0 million dry metric tons of products per year.

These initiatives will increase our current installed pellet production capacity at the Company by 37%, from the current 22.250 million tons to 30.5 million tons annually.

In 2010, the basic project engineering was consolidated. Another important step is that the project was well evaluated from a technical standpoint by the shareholders BHP Billiton and Vale, through an analysis of the project management model by Samarco and by its shareholders.

The project also underwent a third party audit, conducted by the IPA (Independent Project Analysis), a respected international institution, and it obtained results that placed the P4P among the projects that adopt the best global practices.

To discuss the topics related to the project, in 2010, five public hearings and one public meeting were held, involving representatives of the communities, governments and environmental agencies and entities. Approximately 1,200 people participated, representing all sectors of society.

With the Fourth Pellet Project, the forecast is for the economy in the municipalities affected to grow, generating income for the local population. In addition, tax revenues will be created in the amount of R\$ 589 million (R\$ 208 million in federal taxes, R\$ 289 million in state taxes and R\$ 92 million in municipal taxes). It is estimated that at the peak of the work, some 13 thousand jobs will be created in the states of Minas Gerais and Espírito Santo.

Social and environmental indicators have been developed so that the positive and negative impacts of the project can be monitored before, during and after the works.

GREEN PROJECT

The Fourth Pellet Project will be totally carbon neutral: all the CO₂eq generated during the construction phase in project related activities will be neutralized through carbon credits, tree planting, acquisition of native growth forest or investment in specific funds.

With this, we intend to reach a new level of activity, which will then be the standard for future developments and new expansion.

The public hearings held in 2010 on this project were also carbon neutral, through tree planting. They covered matters such as movement of people, consumption of electricity and water and air transportation.

In addition, the Project was designed to use more efficient equipment, in terms of energy use, and more modern technologies. The work will use sustainable construction materials; that is, materials that do not harm the environment, which can be reused or recycled, do not have a major impact in terms of waste generations, use sustainable energy sources, are composed of non-toxic substances, are economically advantageous for the regions that produce them and align their functions efficiently with the natural conditions of the location where they are used.

Environmental investments exceeded R\$ 250 million.

In terms of contracts, in 2010 no significant contracts were signed regarding the Fourth Pellet Project, however, feasibility studies relative to the project followed quality, costs and productivity criteria and complied with premises of concern to Health, Safety, Environment, Community Relations, Development of People and Human Rights (in line with the precepts of the United Nations' Universal Declaration of Human Rights).



Pelletizing, Ubu - ES

8 Undertake initiatives to promote greater environmental responsibility

9 Encourage the development and diffusion of environmentally friendly technologies



Mepes Hospital, Anchieta - ES

Engineering and Projects

The initiatives and obligations of the Engineering and Projects sector are directed to engineering projects and actions aimed at process optimization and business continuity.

In 2010, the following achievements can be highlighted:

- Rehabilitation of the Fundão Dam, in Germano (MG) - construction of auxiliary dam and seepage underdrain. Total value of investment: R\$ 54 million. Already completed.
- Conversion of the pellet furnaces at Ubu (Anchieta - ES) to allow the use of natural gas. Total value of investment: R\$ 40 million. Already completed.
- Renovation and expansion of the Mepes Hospital (Promotional Education Movement of the State of Espírito Santo) in Anchieta (ES). Project carried out in compliance with the Conduct Adjustment Agreement (TAC) signed with the Public Prosecution Service of the State of Espírito Santo. Total value of investment: R\$ 8 million. Work has already been completed.
- Expansion of the production capacity of concentrator 2, Germano (MG). Increase of annual production capacity by one million tons. Total value of investment: R\$ 68 million. Expected completion date: July 2011
- Installation of electrostatic precipitators at the inlet and discharge of furnaces 1 and 2, Ubu (Anchieta - ES). Total value of investment: R\$ 108 million. Scheduled to begin operating by December 2011

For 2011, among the planned Engineering and Projects works, the following are worth being mentioned:

- Access to the electrical grid, which includes construction of two 345 kV substations and one 35 km long transmission line, which crosses several districts of Mariana, Minas Gerais. Total value of investment: R\$ 210 million. The project began in December 2010 and is expected to be completed in 2012.
- Construction of a Wind Fence at the stockyards in Ubu (Anchieta - ES) to reduce particulate emission. Project was carried out in compliance with the Conduct Adjustment Agreement (TAC) signed with the Public Prosecution Service of the State of Espírito Santo. Total value of investment: R\$ 85 million.



- Assembly of another pelletizing disk in Pellet Plant 3, Ubu (Anchieta - ES). Total value of investment (estimate): R\$ 14 million. Scheduled to begin operating in 2011 and to be completed in 2012.
- Construction of a new workshop for mine equipment, Germano (MG). Total value of investment: R\$ 70 million. Scheduled to begin operating in 2011 and to be completed in 2012.
- Expansion of the production capacity of concentrator 1, Germano (MG). Production capacity to increase by 0.4 million tons. Total value of investment: R\$ 59 million. Scheduled to begin operating in 2011 and to be completed in 2013.

Note: In addition to works whose management is centralized with the Engineering and Projects sector, there are other initiatives with the same focus, but less complex, which are driven by other areas of the Organization. Among these projects, we highlight the replacement of cooling fans in Ubu Plants 1 and 2 (ES), seeking to increase furnace productivity, noise reduction and fan upgrading, since spare parts are no longer produced. Each project will require investments above R\$ 50 million.

In 2011, the total budget proposed for capital investment is R\$ 450 million.

Risk Management

We view risk management not as a defensive activity, but as an important process for our strategy and our operations.

We have a Risk Management Committee, which is the highest level of decision and risk monitoring, whose members meet annually, together with all general managers.

To calibrate the method we use to address this issue, a move was made in 2010 concerning our risk management processes.

The former Risk and Internal Control Management was restructured and split into managements:

1. Risk and Insurance, focusing on strategic risks, operational risks and project risks.

Strategic risks – identify what may impact the strategic goals and define new strategic opportunities.

Operational risks – check the current conditions that may impact the operation of the Company and business continuity.

Project risks – risks inherent in the deployment of capital investment.

2. Internal Controls and Compliance, to check the financial risks, compliance and reputational risks, auditing also included.

This split aimed to concentrate the focus on risk management and disseminate to the operational processes the assumption that each area should control its own risk management process in order to insert this issue into the daily life of the Company.

Our goal is to ensure maximum possible predictability, such that strategic items effectively support business growth and operational excellence as well as to address the risks in a more structured and comprehensive manner. We believe that the way we treat risks can contribute to the definition of new guidelines and even impact the Company's strategic planning.

This will allow us to seek a full monitoring of our risk treatment actions, with the participation of representatives from all areas in a dynamic and inclusive process.

Operational risks are reviewed annually by all organizational areas. Monitoring of risks and treatment actions is a permanent

process and is part of the management of each area. From 2011 on, strategic risks will be reviewed every three years, along with the strategy formulation cycle.

Image and Reputation Management

Assurance of Positive Reputation is a strategic objective, directly linked to the perspective "Business Value" of our Strategic Map.

It means our purpose to ensure better understanding with regard to our business, investments and operations by the different relationship groups that directly or indirectly, influence or are influenced by our work.

This perception becomes real by means of valuable strategies aimed at the market, employees and society in general, such to contribute to sustaining our relationships through favorable opinion and generation of perceptions and feelings such as esteem, admiration, empathy and trust towards the Company, in order to enhance adhesion and legitimacy of all our initiatives.

For the purpose of keeping the focus on that goal, a special project denominated Construction and Implementation of the Samarco's Reputation Basis was implemented in 2010.

This project had three main phases developed in 2010:

- 1) Development of the Samarco's reputation review model, with a focus on the definition of indicators, mapping of stakeholders and implementation of surveys.
- 2) Project organization in order to promote internal alignment, with the support of interface areas and internal communication actions.
- 3) Preparation of the Company for reputation management, with a focus on leadership training, interface areas and project team.

In parallel, we have selected as a monitoring indicator, the Reputation Pulse score (issued by the Reputation Institute), which measures the degree of esteem, confidence, admiration and respect for the company and enables us to adopt comparative benchmarks with other companies of the same sector whose characteristics are similar to those of Samarco.

Within this context, our reputation is intrinsically linked to the company's policy "Development and Engagement", because



a positive perception is built every single day as a result of our actions and our ethical, transparent and professional relationships with all audiences.

To reinforce the importance of reputation among the Company operations, a seminar on Corporate Reputation was held in April 2010, and was attended by Samarco managers. The seminar was chaired by renowned Prof. Dr. Cees van Riel. The purpose of the seminar was to present the importance of reputation management and strengthen the alignment with our strategic objective denominated "Ensuring Positive Reputation."

Prof. Dr. Cees van Riel is co-founder and director of the Reputation Institute and Professor of Business School of the Erasmus University in Rotterdam, the Netherlands, where he is also head of the Corporate Communication Center. He has also authored specialized books such as Essentials of Corporate Communication and Fame and Fortune.

The positive reputation outcomes can be identified in various aspects of our business and operations, such as:

- Improvement of the business growth and development conditions through alignment between the Company's view, perceptions and interests of stakeholders and the support behavior desired, built on solid and durable foundations.
- Increased investment attractiveness.
- Attracting and keeping talented staff.
- Long-term and stable relationships with customers, suppliers and other stakeholders.
- Achievement of "social licenses".
- Increased engagement and productivity of employees.

From this collective building process, we wish to continue evolving towards the consolidation of a real perception among the various stakeholders, on who we are, what we do and how we operate.

PROCESSES, TECHNOLOGY AND PRODUCTS

Our production process is fully integrated, with strong support of automation and advanced technologies. In our day to day activities, we seek to achieve continuous improvements and increase the efficiency of our operational processes. In terms of products, our objective is to meet the demands of our clients, with quality and innovation. To this end, we constantly encourage activities related to research and technological development.

Integrated Production Process

The Samarco's production process is fully integrated and comprehends the following phases:

Mining

Iron ore extraction in the Alegria Mining Complex, located in the municipalities of Ouro Preto and Mariana (MG). About 70% of the ore is mined through a belt conveyor system without the use of trucks, thus allowing low specific fuel consumption in the mining operations.

Beneficiation

This is the phase during which ore is concentrated, the deleterious materials are removed, and the chemical and grain size specifications required for subsequent processes are achieved. At this phase, ore is processed into slurry.

Pipeline Systems

The systems are used for transporting iron ore slurry from the Germano Unit (MG) to the Ubu Unit (ES) and cross 25 municipalities. The traveled distance corresponds to about 400 km. This is considered a pioneer system in Brazil.

Pelletizing

This is an agglomeration process aiming at the utilization of ultrafine iron ore concentrate, turning it into pellets whose sizes typically vary between 8 and 16 mm, which after appropriate heat treatment acquire characteristics required by the reduction process, i.e., blast furnace and/or direct reduction.

Stockpiling and Port Operations

The pellet product is stockpiled on a yard whose capacity is 1.8 million tons, thus ensuring high inventory turnover ratio and hold-up time of approximately 30 days of production. The pellets are loaded into ships at the Ubu Port, Anchieta (ES), owned by Samarco; this port has a pier with two mooring berths and depths of up to 18.7m.





LEARN ABOUT OUR PRODUCTION PROCESS

GERMANO



Access the link www.samarcoqueagentefaz/relatorio2010 and see an animated infograph.

**ILLUSTRATIVE IMAGE OF SAMARCO
PRODUCTION PROCESS**

- 1. Mine
- 2. Crushing and screening
- 3. Surge pile
- 4. Grinding / Desliming / Column Flotation
- 5. Blending tank and pumping tanks
- 6. Pipelines
- 7. Thickener and blending tank
- 8. Filtration
- 9. Industrial wastewater treatment plant
- 10. Roller Press
- 11. Mixing plant
- 12. Pellet plant
- 13. Induration furnace
- 14. Classifying screen
- 15. Stockpile yard
- 16. Port

UBU



In 2010, after the global financial and economic crisis, we were able to operate at full capacity. Because of this, we achieved the best result of our history in terms of production and shipment of pellets.

The total amount produced was **23,448,930** tons, of which 21,507,570 tons of pellets and 1,941,360 tons of fines (pellet feed + sinter feed). This volume represented a 34% increase when compared to 2009 figures.

The volume of pellets produced was only 2% below the current installed capacity (22.250 million tons/year).

The table below shows the evolution of the amount produced:

Year	Pellets (*)	Fines (*)	Total (*)
2005	13.703	1.100	14.803
2006	13.851	1.496	15.347
2007	14.261	1.721	15.982
2008	17.145	1.337	18.482
2009	16.051	1.571	17.622
2010	21.508	1.941	23.449

(*) Figures were rounded off; dry metric tons x 10⁶.

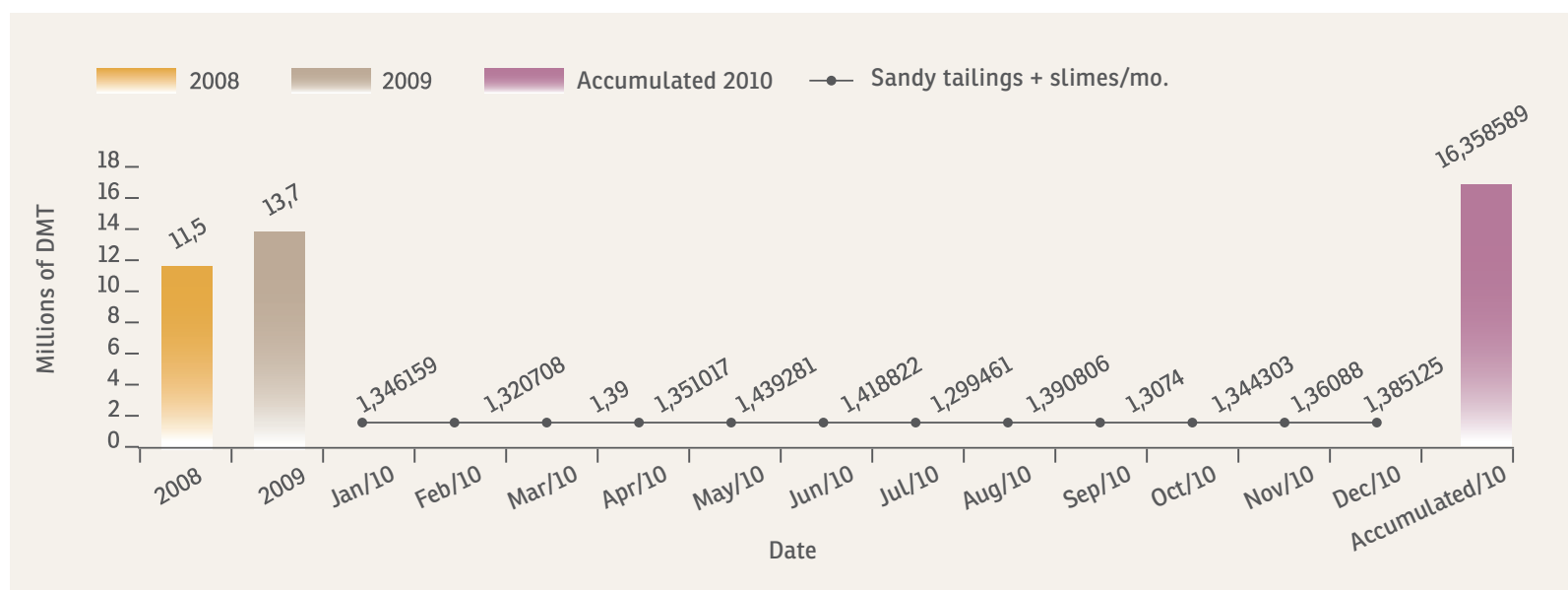
The shipped volume was also a record. 22,558,620 tons were shipped over that period, being 21,396,883 tons of pellets and 1,161,737 tons of fines. This represented 27% increase if compared to 2009 figures.

After fuel oil was replaced with natural gas in the pellet plants as of May 2010, the quality of the final product improved, due to elimination of sulfur that derived from the burning of fuel oil.

Other non-traditional initiatives have also been adopted. In order to seek alternatives in terms of innovation and new products, we are investigating the possibility of using a mixture of bentonite and limestone to replace bauxite. Both, mixed with water in the production process, reduce the chance of pellets sticking to each other while being processed by clients. However, with the use of bentonite, the client can be benefited by direct reduction pellets of low alumina content and other deleterious components that are harmful to the steel-making process.

The production process is characterized by its high automation level. Even though more than 90% of our production processes are automated, we want to evolve even further. New investments have been made, with methodology and support provided by our Project Office (PMO).

GENERAL EVOLUTION OF WASTE



In terms of tailings, in 2010, iron ore beneficiation in the two concentration plants generated 16.3 million tons of tailings, including sandy materials and slimes. This material was transported to appropriate waste disposal facilities (dams and waste piles), which are regularly monitored and inspected to ensure their stability.

Description (dmt *)	2009 Total (dmt*)	2010 Total (dmt*)
Sandy tailings	10,353,929	12,411,142
Tailings - slimes	3,359,241	3,947,447

(*) dry metric tons.

Increased waste generation has occurred due to the expansion of production at concentration plants and also due to characteristic of iron ore being processed, which has low iron content. The sandy tailings generation rate is higher than the slimes generation rate; tailings are disposed of separately, providing better safety conditions to the dam structures and waste piles. To cope with the increase in waste generation, we are developing a Tailings Disposal Plan (TDP), and studies on tailings recycling to ensure long-term business sustainability.

For 2011, the goal is to continue with and/or complete the Tailings Disposal Plan (TDP) and waste recycling studies.

Lean Six Sigma Program

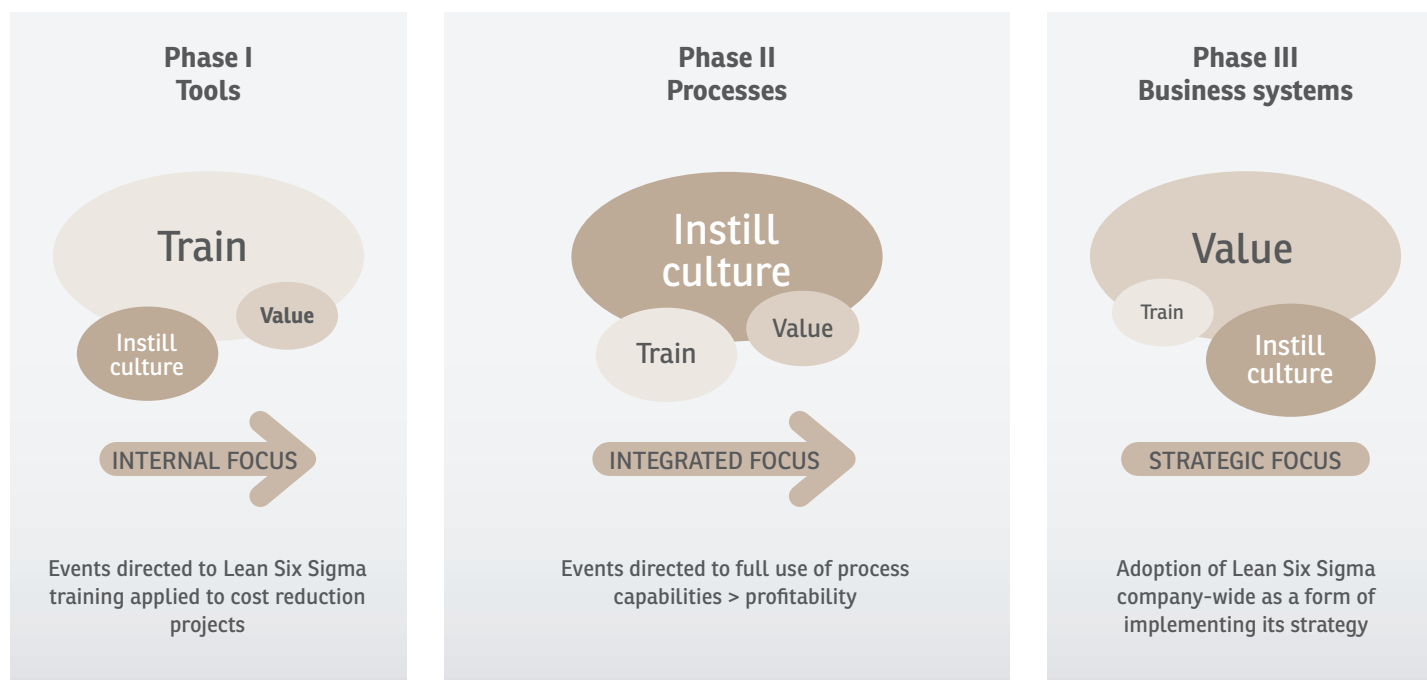
Also worthy of mention is the Lean Six Sigma Program (LSS), whose objective is to obtain improvements, increase the efficiency of processes and identify solutions for problems in which the cause is not known, based on statistical fundamentals and quality tools.

The LSS Program is linked to the strategic theme of operating excellence at the Company, with a focus on ongoing improvement. It covers projects in operations as a whole, which are developed by the belts — employees with proper training for the development of projects using the Lean Six Sigma methodology.

Currently, we have 13 black belts, who are ready to lead extremely complex projects, in addition to 31 green belts, who can lead moderately complex projects.

We also train leaders, and approximately 90% of our technical-operational staff, to introduce the principles of the Lean Six Sigma methodology into Samarco's organizational culture.

Phases of the Lean Six Sigma Program



Samarco Pellets, Ubu – ES

DEVELOPMENT

SAMARCO • ANNUAL SUSTAINABILITY REPORT 2010



After four years of existence, in 2010 the LSS Program obtained a financial return of some R\$ 52 million, which is four times higher than that obtained during the first cycle of validation of gains. The challenge for 2011 is to increase this number to R\$ 80 million.

Year	Financial return with Lean Six Sigma Projects
2010	R\$ 52 million
2009	R\$ 31 million
2008	R\$ 12 million

In light of this challenge, we also began to hold kaizen events, which are characterized by rapid improvements and reduction in waste based on the organization of common sense and creativity of multidisciplinary groups. In 2010, 10 kaizen events were held, and in 2011, the goal is to hold 52 events, which should contribute with a financial gain of approximately R\$ 10 million.

The LSS Program is monitored by the Lean Six Sigma Committee, composed of the director of Operations and Sustainability, by the general operations managers and by the Program coordination. The committee meets twice a year, to deliberate on the progress of projects, gains, sustainability of the results, dissemination of the culture and the portfolio of potential projects.

Products

We produce and sell a considerable number of different types of iron ore pellets. Such flexibility enable us to meet the specific needs of our clients on a global scale, depending on the type of steelmaking (blast furnace or direct reduction) technology employed by each client.

In a simplified manner, our products can be described as follows:

Blast Furnace Pellets

Divided into three products – PBF/STD, PBF/MB45 and PBF/HB. The main difference among them is the basicity, measured by the ratio between the CaO (calcium oxide) and SiO₂ (silicon dioxide), which are part of the chemical composition of these pellets, meeting the specifications of clients for production of pig iron.

Direct Reduction Pellets

Divided into three products – PDR/MX, PDR/HY and PDR/MG, with different chemical, physical and metallurgical properties, suited for the production of sponge iron.

As part of our sales planning, we seek to meet market demands by dividing our production into 50% blast furnace pellets and 50% direct reduction pellets. Such percentages may vary depending on the needs of our clients.

After being filtered, ore concentrate attains a moisture content of approximately 10% and is ready for market, particularly for use in other pelletizing processes. It is called pellet feed and two different products can be supplied: PFL (low-silica pellet feed) and PFN (standard silica pellet feed). Internally, these products are used for producing direct reduction and blast furnace pellets, respectively.

In 2010, we finished the Life Cycle Evaluation project regarding the ore slurry delivered at Ubu Site (ES), which included mapping the entire path covered by the product, from Germano Mine (State of Minas Gerais) onwards. This has allowed us to analyze in a systematic and detailed manner the environmental impact across our production chain, involving suppliers, production of consumables, useful life of facilities, etc.

Iron ore pellets, used as raw material in steel making, are products that meet very specific quality requirements in order to ensure that both direct reduction and blast furnace processes achieve high productivity and stability.



Germano Mine, MG

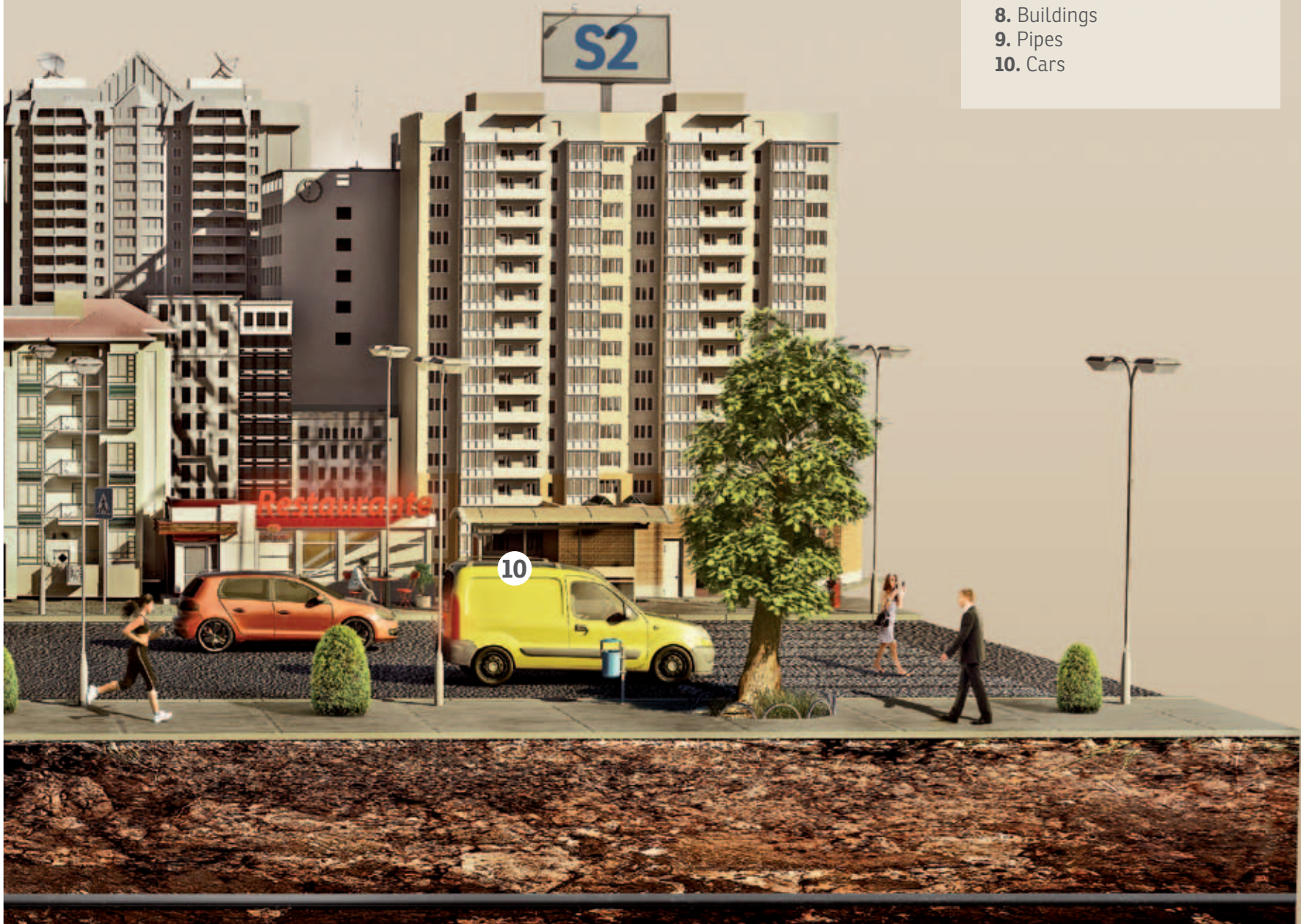
PELLETS AND STEEL IN OUR LIVES



Access the link www.samarcoqueagentefaz/relatorio2010
and see an animated infograph.

**PELLETS AND STEEL
IN OUR LIVES**

1. Airplanes
2. Transmission towers
3. Home appliances
4. Tableware
5. Computers
6. Razor blades
7. Elevators
8. Buildings
9. Pipes
10. Cars



In developing new pellet types or improving existing ones, tests are always performed before launching new products into the market, in order to enable our clients to achieve improved productivity and avoid any potential risks.

Our product and service development process aims to promote the use of Samarco's pellets by understanding our clients' requirements and making them perceive the value of our products and services. This is an inter-functional process, which includes a sequence of tasks that starts with market analysis and also includes technical evaluations of products and production processes, financial feasibility analysis and, finally, production proper. Such development process comprises clearly defined activities, criteria and responsibilities.

As far as product handling and storage by clients are concerned, our products are fully safe, and no safety issues have been reported by our clients when handling our products.

Technological Development, Research and Innovation

We continuously encourage research efforts and the pursuit of innovation and technological advancement, since they allow us to look with optimism to our future in the mining business. Over time, we have consolidated our vocation and made breakthroughs in these fields.

In a structured and simultaneous fashion, we are engaged in short-, medium- and long-term initiatives with a view to becoming more competitive, increasing the life of our ore reserves and growing in a sustainable manner.

In order to encourage our employees to come up with innovative ideas and suggestions, we promote internally the **Field of Ideas Program**, whereby employees, including subcontractor employees, are given the chance of bringing forward suggestions that can be put into practice in different processes across the Company. In 2010, 2,566 ideas were presented, 1,096 of which were implemented.

In 2010, the Field of Ideas Program came up with a new concept: Theme Induction. This new methodology, launched on a pilot basis at the General Operations Management – Pelletizing, at Ubu Site (State of Espírito Santo), aims to induce themes that are of significance when seeking solutions to specific issues. Challenges were geared to six sub-themes:

- Increase capacity of induration furnaces.
- Reduce losses in the production process.
- Reduce variability across the production process.
- Increase efficiency of equipment and/or processes that are critical to pellet production.
- Improve capacity of / dissemination of knowledge about production processes.
- Develop new and existing materials and consumables.

Access is gained through the Intranet. In 2011, the possibility of extending the methodology into other areas of the Company will be studied.





In the medium- and long-run, we place great emphasis on **three main axes** while seeking to achieve greater competitiveness and add value to our business:

- **Development of new technologies.**
- **Development of new process routes.**
- **Application of process engineering to strategic capital projects.**

The Company's strategic themes – sustainable growth and excellence in operations and management – are the main drivers of our development efforts.

In this context, outstanding initiatives include:

- Research to maximize utilization of Samarco's mineral resources.
- Studies to reduce costs and increase operational efficiency.
- Projects to reduce and reuse slime and sandy waste.
- Improve automation levels.
- Optimize rational use of water.

In order to broaden and deepen the scope of discussion, we seek to establish technical partnerships, in a structured and systematic manner, focused chiefly on:

- Developing technological roadmaps and capturing ideas externally.
- Promoting technical exchange with universities, research centers and suppliers both in Brazil and abroad, in connection with specific projects.

We also support and take part in different expert forums with a view to promoting discussions and the exchange of information. In order to assess and address market trends and demands, Samarco has an in-house group tasked with developing products and solutions.

Investments in technological development projects amounted to R\$ 4.5 million in 2010. Annual investments are expected to reach R\$ 7 million over the 2011/2012 period and R\$ 11 million over the 2013-2015 period.

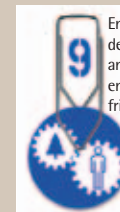
In 2011, greatest emphasis will be placed on continuing with studies and providing solutions for the Company's strategic sustainable development projects.



Businesses should support a precautionary approach to environmental challenges



Undertake initiatives to promote greater environmental responsibility



Encourage the development and diffusion of environmentally friendly technologies

ECONOMIC-FINANCIAL PERFORMANCE

In 2010 Samarco posted its best
ever financial results

Outstanding results in 2010 include:

Gross Revenue

Gross revenue amounted to R\$ 6,324 million (US\$ 3,614 million) in 2010, up from R\$ 2,837 million (US\$ 1,435 million) in 2009.

Net Revenue

Net income totaled R\$ 6,240 million (US\$ 3,566 million), an increase of R\$ 3,427 million (US\$ 2,143 million) against 2009, due to a significant rise in sales volumes and a strong price appreciation in 2010.

Net Income

Net income reached R\$ 2,247 million (US\$ 1,275 million), an increase of 71% in Brazilian reais and 143% in US dollars compared to 2009 – R\$ 1,311million (US\$ 524 million).

EBITDA

EBITDA amounted to R\$ 3,739 million (US\$ 2,121 million) up 195% in reais and 263% in dollars from 2009 - R\$ 1,268 million (US\$ 584 million). This result was due mainly to the outstanding 152% increase in gross revenue.

Capital Investments

Capital investment outlays totaled R\$ 294 million (US\$ 170 million) in 2010. Most of these funds, or 60% (R\$ 177 million /

US\$102 million), were spent on projects aimed at improving processes and ensuring continuity of operations, as well as replacing industrial equipment and making investments geared towards sustainable development, in compliance with safety, health, environmental standards, policies and laws. Another 32% (R\$ 94 million / US\$ 54 million) were spent on projects designed to improve the Company's production capacity and productivity.

Return on Capital Employed (ROCE)

The return on capital employed, in reais, was 68% in 2010 (65%, in dollars), well above the performance achieved in 2009, or 22% in reais and 17% in dollars. Such rise is related to the operational result reached in 2010, which in turn was boosted by the strong sales volume and the price appreciation in 2010.

In terms of non-pecuniary fines and penalties, as of December 2010 Samarco was involved in 612 proceedings, of which 499 were judicial and 113 administrative, ample proof of discrepant interpretations and applications of the law. Samarco's legal and financial staff monitors these proceedings closely, and the latter are individually audited and reported in the periodically published financial statements.

More information about our economic-financial performance is available in the section "Financial Results" towards the end of this Report.



Value Added Statement As of 31 December 2010 and 2009 – expressed in thousands of reais (R\$)

	Holding		Consolidated	
	2010	2009	2010	2009
Revenue				
Sales of goods, products and services	6.318.880	2.843.337	6.324.347	2.837.232
Other revenue	3.296	2.879	3.296	2.879
Revenue related to construction of own assets próprios	318.948	183.212	319.010	183.214
Provision for bad debts	1.831	(200)	1.822	(200)
	6.642.955	3.029.228	6.648.475	3.023.125
Consumables purchased from third parties				
Cost of products, goods and services sold	(2.375.884)	(1.419.286)	(2.381.132)	(1.415.384)
Materials, energy, outsourced services, other	(363.506)	(334.047)	(361.704)	(331.409)
Loss/recovery of asset values	(695)	2.154	(695)	2.154
	(2.740.085)	(1.751.179)	(2.743.531)	(1.744.639)
Gross Added Value	3.902.870	1.278.049	3.904.944	1.278.486
Depreciation, amortization	(178.258)	(178.786)	(178.264)	(178.693)
Net added value created by company	3.724.612	1.099.263	3.726.680	1.099.793
Added value received in transfer				
Equity method income	(567)	(13.869)	-	-
Financial income	169.963	281.248	169.930	280.123
	169.396	267.379	169.930	280.123
Total added value to be distributed	3.894.008	1.366.642	3.896.610	1.379.916
Distribution of added value	3.894.008	1.366.642	3.896.610	1.379.916
Employees				
Direct remuneration	178.666	146.273	181.233	148.755
Benefits	43.252	34.308	43.928	35.041
FGTS (severance fund)	10.062	8.866	10.062	8.866
Taxes and miscellaneous levies				
Federal	414.845	161.973	414.561	172.022
State	97.177	(46.425)	97.084	(46.516)
Municipal	13.355	10.059	13.355	10.059
Third-party capital remuneration				
Interest (loans, financing, other)	889.266	(260.269)	889.002	(260.168)
Return on own capital				
Intermediate / proposed dividends	1.639.877	1.476.565	1.639.877	1.476.565
Other	607.508	(164.708)	607.508	(164.708)

#ENGAG

EMENT

RELATIONSHIP WITH STRATEGIC PUBLICS

It is only possible to achieve "Development with Engagement" with the actual participation and engagement of our stakeholders.

The participation and contributions of society in general are essential for us to evolve.

We also believe that another important function of a company that is committed to society is to contribute to environmental preservation and to social and economic development of the regions surrounding our operations and/or industrial expansion.

Shareholders

Our relationship with our shareholders is guided by transparency, mutual respect, trust and by closeness. The shareholders, two of the largest companies in the world in the mining industry, Vale and BHP Billiton, hold equal interest in the Company's capital stock.

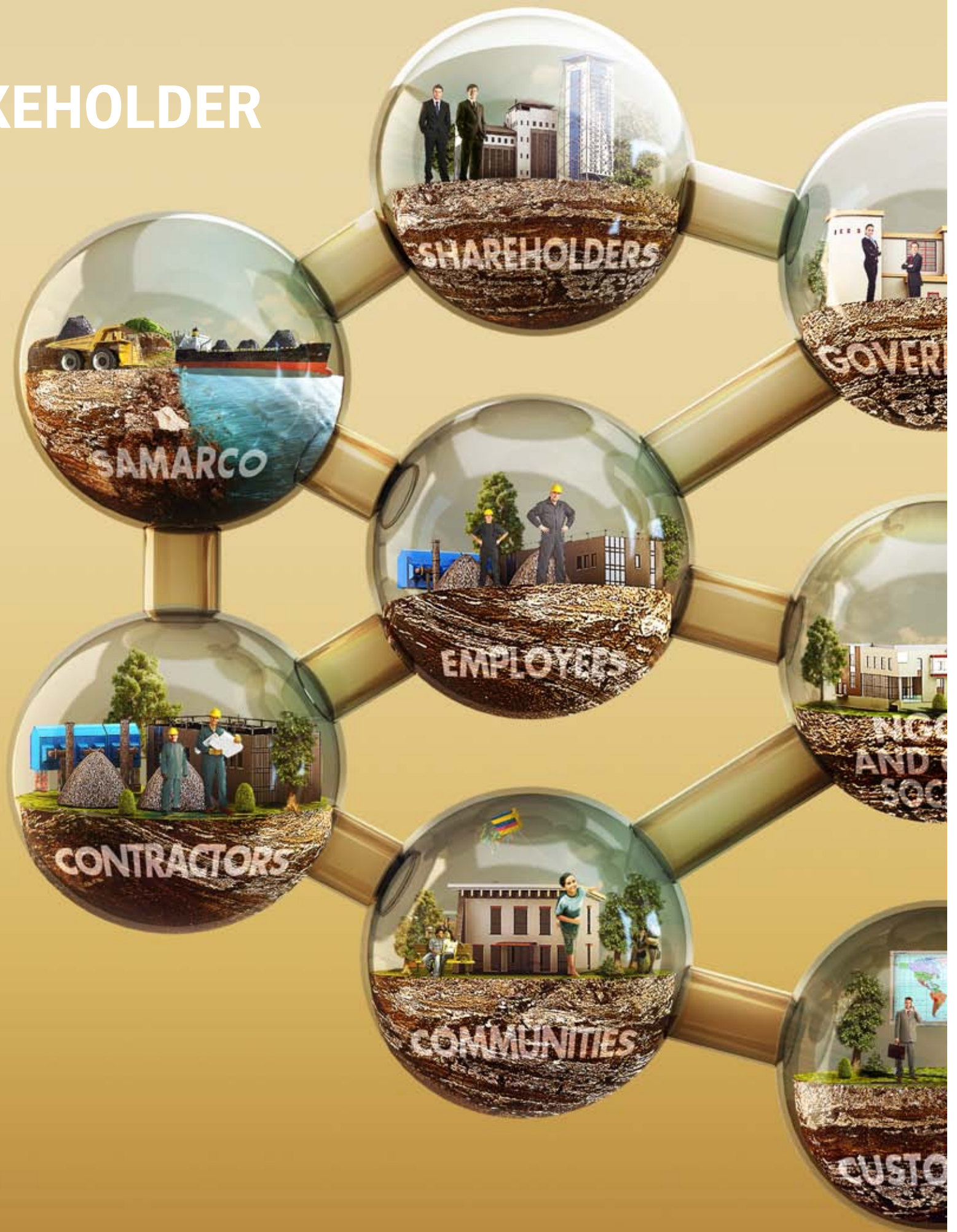
This close relationship provides us with a rich exchange of experiences with two leading and diversified companies. The shareholders know the initiatives, the growth perspectives, strategic planning and results of the Company.

In 2010, we distributed a record R\$ 3.3 billion (US\$ 1.9 billion) in dividends to the shareholders.

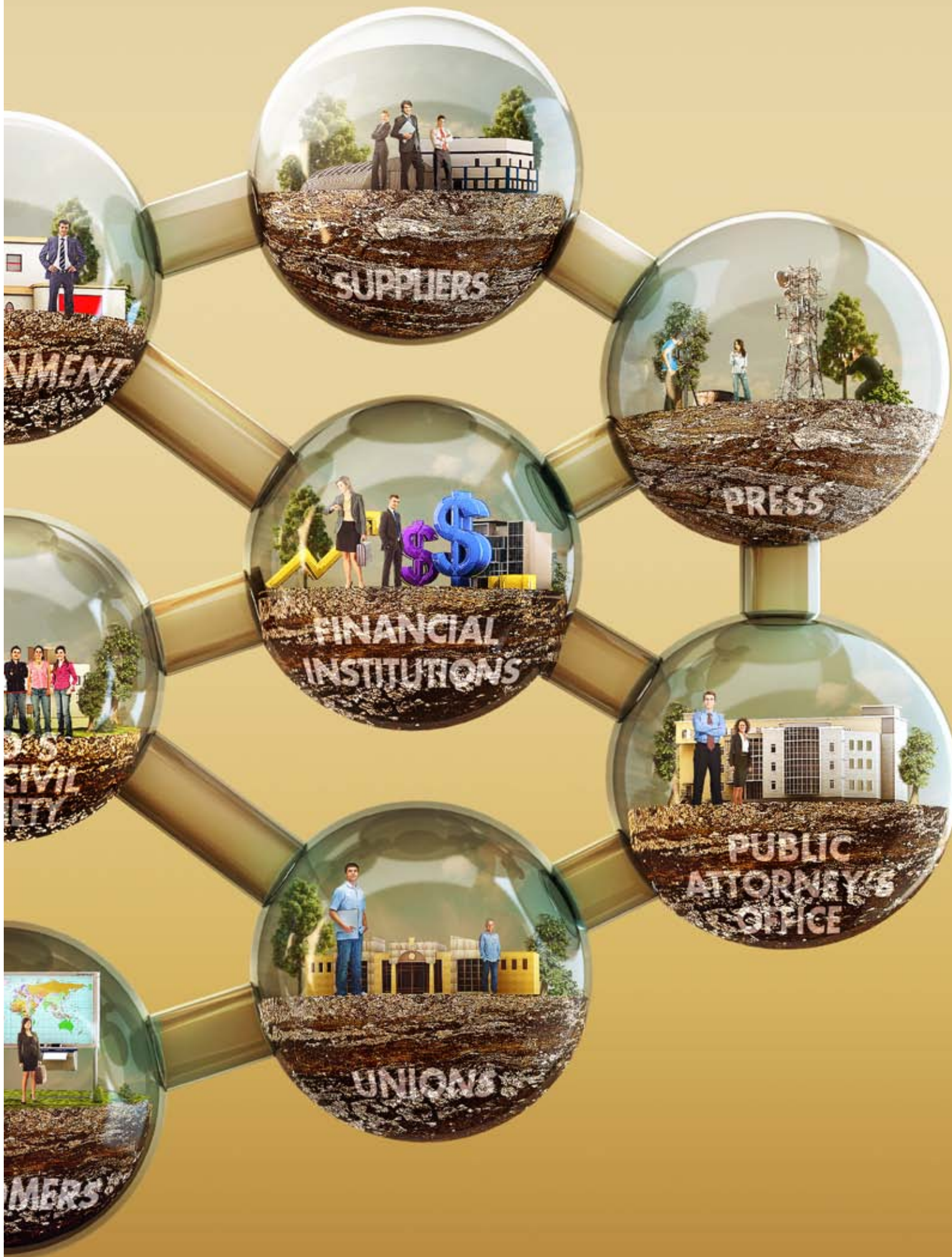




STAKEHOLDER MAP



Access the link www.samarcoqueagentefaz/relatorio2010
and see an animated infograph.





Employees

We continuously seek to improve our Human Resources tools, practices and policies to promote a culture of high performance.

Our employees are the main force that leads us to the necessary results. For this reason, the importance of people, for Samarco, is emphasized in our Mission, our Vision and in our Values.

Human Resources Management

Valuing life is a fundamental value in our business activities. Therefore, actions focused on Human Resources Management, professional and personal development, employee health and safety and overall well-being are a priority in our strategic planning, every year. In addition, respect and a sense of fairness guide our relations with employees.

A major achievement in 2010 was the implementation of the **Succession Program**. The main objective of this program is to contribute towards ensuring the continuation of Samarco and of its future projects, with regards to availability of leaders for positions on the board, upper and mid-level management, as well as for the intangible gains created, which are obtained when we place a large part of the leaders discussing and exchanging perceptions and practices of personnel management.

The analysis of potential successors was done using clear and transparent criteria, fed by information from practices already

established in the Organization, like Responsibility for Results (Goals) and the Personnel Management by Competence System. The evaluation of the employees indicated is carried out in a collective manner, in committees with the participation of two leadership levels.

This will be an annual program, and this first cycle evaluated 81 employees in 17 committees.

The Succession Program will support the development plans of leaders and of potential successors to leadership positions and will favor integration between different management practices.

In order to support Human Resources planning and to strengthen high performance culture, in 2010 we developed the **“Critical Knowledge Management”** project.

After defining the strategic intention with the Board, a methodology was prepared and knowledge was defined according to priority, through workshops with a group of general managers. Afterwards, focal interviews were conducted with a group of general managers, and a social network analysis survey was conducted.

As a result, we identified and defined critical knowledge, and actions were defined to develop, organize, disseminate, share and protect each type of knowledge. In 2011, implementation of the **Knowledge Management** process will be worked on together with the interface areas.

- 1** Businesses should support and respect the protection of internationally proclaimed human rights
- 2** Make sure that they are not complicit in human rights abuses
- 5** The elimination of discrimination in respect of employment and occupation
- 8** Undertake initiatives to promote greater environmental responsibility
- 10** Businesses should work against all forms of corruption, including extortion and bribery
- 8** GLOBAL PARTNERSHIP FOR DEVELOPMENT

Culture and Climate Management

In 2010 we concluded the cultural transformation project, called **Culture Cycles**, with the Third (and final) Culture Cycle, involving department heads and teams at the technical and operational levels in workshops. The objective was to discuss, in a pragmatic, interactive and fun way, all of Samarco's Values, how to materialize them in day-to-day work and in everyone's lives, and principally, the pro-active role that employees play in the consolidation of these Values. There was a 96% participation rate among those called or 1,414 employees. These meetings took place at the Germano (MG) and Ubu units (in Anchieta – ES) and brought employees from different areas in the Company together, giving them an opportunity to exchange ideas. With the conclusion of the Culture Cycles project, all leaders at Samarco will now be responsible for managing this process.

In 2010, we released the quantitative results of the **Internal Climate Survey**, which was taken in November 2009. The results were initially released to all leaders, and then divulged to the teams, at which time we also discussed opportunities for improvement. Some items, like Safety and Environmental Management, were highlighted in the Study.

The Occupational Environment Quality Index, which was measured after the Survey, yielded a favorability rate of 79%, which is considered to quite high, and very close to the level of excellence, as defined by the Guia Você S/A and Exame das Melhores Empresas para se Trabalhar (Exame Você S/A Guide to the Best Companies to work for). This means that people recognize the climate at Samarco as being very positive and recognize the corporate Values that are practiced in our day-to-day operations.

The strong points, as well as the opportunities for improvement that were brought up most often in the Survey were discussed with a representative sample of employees (150 people, from all hierarchical levels), who were divided into 17 focus groups, to obtain a qualitative understanding of the results, in order to contribute more objectively to the review of organizational practices.



A new internal Climate Survey, which is done every other year, was given in April 2011.

Also in relation to Climate Management, we received an important recognition in 2010. The Survey **Melhores Empresas para Você Trabalhar** (Best Companies to Work For) organized by the magazines

Você S/A and Exame, with support from Fundação Instituto de Administração da Universidade de São Paulo (University of São Paulo Management Institute Foundation) (FIA – USP), given at Samarco in 2010 had the following results: Quality of work environment – 83%; Quality of personnel management – 89%, Happy with – 83%. These results led Samarco to be included among the “150 Best Companies to Work For” in 2010.

Being among the 150 Best Companies to Work for in Brazil contributed to enhancing the reputation and positive image of the Organization and to attract exceptional professionals to our workforce.



Valuing People

One of the actions resulting from the project **Valuing Technical Careers**, which seeks to recognize the differentiated contributions and to retain these professionals, was the **Business Value Program**. In partnership with the Dom Cabral Foundation, 61 technical career professionals were prepared for strategic work, enhancing their business vision in the search for excellence in organizational process, while ensuring a strong competitive position, always guided by ethics, sustainability and valuation of civic involvement.

In 2010, there was no need for a revision of the **Personnel Management by Competence System** model, since demands for change covered in the 3rd cycle of the **Performance Evaluation** were sufficient and appropriate for the time being.

For the new cycle (4th), all employees and managers were invited to again participate in all the stages of the process, taking advantage of the moment to give and receive feedback, increase self-knowledge of their competencies and capacities, develop and/or reinforce a relationship of trust and learning, level out expectations and take on new challenges.

At the event which opened the cycle, held at the Ubu (ES) and Germano (MG) units, and in Belo Horizonte, on December 6, 2010, to which all employees were invited, Prof. Joel Dutra gave a presentation that covered the performance evaluation process as a differential advantage that contributes to leveraging the results of companies. Training in the Personnel Management by Competence Program for this period was defined only for managers and new employees who did not participate in the last cycle (2008/2009), and was held in January and February of 2011.

The results of the 4th Performance Evaluation Cycle will be tabulated and presented in May 2011, since the period for opening the evaluations is from December 13 to April 20, 2011. For 2011, the expectation is for a result higher than that achieved in the last cycle (96.5% of the employees evaluated).

In regards to recognition of contributions by employees with ideas to improve the Company's processes and results, we have the **Field of Ideas Program**, which enables employees to present innovative ideas and suggestions that can be implemented in Samarco's processes or operations. In 2010, 2,566 were presented; of these, 1,096 were actually implemented.

In 2010, an event was held to recognize value and award the best initiatives implemented in the Field of Ideas and Lean Six Sigma Programs and in the Capital Project. This is the first year in which actions in the Lean Six Sigma have been awarded. The awards were given as follows:

- Employees who participated with initiatives in the Lean Six Sigma Program and the Capital Project received a trophy and participated in a seminar or technical visit, either domestic or international, with a focus on development.
- Employees who participated in the Field of Dreams Program received a trophy and a cash prize.

Twenty initiatives were awarded and recognized; of these, ten were in Germano (MG) and ten in Ubu (ES). The events took place in December, 2010.

HR Policies, Benefits and Practices

In 2010, 171 employees were hired and 73 internship opportunities were offered. Samarco ended the year with 2,061 direct employees and 2,856 contractor employees.

When hiring, we give priority to people who reside in locations close to our units, provided that they satisfy the requirements of the profile identified for the positions. This orientation is also mentioned in our Recruiting and Selection Policy.

The 171 employees hired can be broken down into the following categories:

a) By level / type of function:

Technical Level: 21
Operational Level: 88
Career Technical: 52
Management Career: 10

b) By units:

Ubu (ES): 82
Germano (MG): 68
BH (MG): 15
Matipó (MG): 6



2010 Annual Recognition Event, Ouro Preto - MG



The elimination of discrimination in respect of employment and occupation



PROMOTE GENDER EQUALITY AND EMPOWER WOMAN

c) People from neighboring communities

Of all hiring in 2010, 12% refers to people from the communities neighboring our operations, that is, 21 new hires. To move forward in this direction, we have invested in initiatives to train people, to increase the hiring of local workers (see next item, on "Training and Development").

With regards to the Internship Program in 2010, the 73 positions were distributed as follows:

- BH (MG): 4 college level interns
- Germano (MG): 20 college level and 10 technical level interns
- Ubu (ES): 27 college level and 12 technical level interns.

Year	Employees	Contractor	Total
2008	2,032	1,900	3,932
2009	1,987	2,191	4,178
2010	2,061	2,856	4,917

Note: Dismissals in 2008 and 2009 are within normal turnover and Human Resources Management rates and are not related to the global economic and financial crisis.

Number of employees by function in 2010	
Executive and management	149
Coordination, supervision, technical career and administrative	1,032
Operational	880
Contractor	2,856
TOTAL	4,917



Jordana Cristina, Germano Mine – MG

Number of employees by age range and composition of groups in %	Under the age of 30	Between 31 and 50	Over 50	Black Men	Black Women
Men (total)	529	1070	184	51.4	39.2
Women (total)	115	156	2		
Men in executive positions	0	3	2	-	-
Women in executive positions	0	0	0	0	0

Employee Composition Chart in 20	
Percentage of blacks (men and women) in relation to the total number of employees	49.8%
Percentage of black women in relation to the total number of women at the Company	39.2%
Percentage of black women in executive positions in relation to the total number of executive positions available	0
Percentage of black women in coordination and management positions in relation to the total number of coordination and management positions available	7.2%
Percentage of black men in relation to the total number of men at the Company	51.4%
Percentage of black men in executive positions in relation to the total number of executive positions available	18.8%
Percentage of black men in coordination and management positions in relation to the total number of coordination and management positions available	23.5%
Percentage of women in relation to the total number of employees	13.2%
Percentage of women in executive positions in relation to the total number of executive positions available	6%
Percentage of women in coordination and management positions in relation to the total number of coordination and management positions available	29.6%

Total number of Management Council members (or similar structure)	8
Percentage of Management Council members (or similar structure) formed by independent members, without executive positions	0
Percentage of women in the Management Council (or similar structure)	0
Percentage of Negros (blacks and mixed race) in the Management Council (or similar structure)	0
Percentage of people with disabilities at the company	5.15%

Year	Whites and Asian	Blacks and Mixed Race
2008	53.25%	46.75%
2009	51.99%	48.01%
2010	50.17%	49.83%



In 2010, we hired ten people with disabilities, and ended the year with a total of 101 professionals with disabilities, which represents 5.15% of our total workforce. In our work environment, we do not allow discrimination based on race, gender, age, color, belief, nationality, sexual orientation or any type of disability. This orientation is formalized in our Code of Conduct. There were no recorded cases of discrimination in 2010.

In terms of **remuneration and benefits**, we have initiatives and policies that are similar to good market practices, like integrated management of managerial and technical careers and the “Y” shaped career model – a mechanism that offers employees with a technical profile and vocation the opportunity to continue to grow professionally without having to necessarily follow a management career path.

In the area of remuneration, in 2010 the Profit and Result Sharing Plan (PLR), paid an average of 4.6 salaries to employees.

The PLR covers all employees, except for Upper Management, which is covered by its own remuneration and profit sharing program.

Equal salaries are paid to men and women, since what is taken into consideration are the competencies. Remuneration is defined as a function of the position, and not of the person occupying the position.

In those locations where we have operations, the variation between the lowest salary paid at the Company and the minimum salary is 1.89; in other words, our lowest salary is almost double the legal minimum salary (in December, 2010, the minimum monthly salary in Brazil was R\$ 510,00).

All employees are covered by a Collective Bargaining Agreement, which is the main collective negotiation instrument. We have a mature relationship with the employee union that is built upon trust.

The **benefits** cover all employees. With regards to temporary employees (hired for a predetermined period of time), only those benefits that depend on a minimum period to be applicable (private retirement plan, credit cooperative, scholarships and retiree health care plan) are not available.

In addition to the benefits normally granted by companies, we have established a guideline to grant a **private retirement plan** to our employees, called Valiaprev, in order to bring their retirement benefits closer to the remuneration they received while working. This plan is offered in the defined contribution modality, to current employees. This modality offers the beneficiary and the Company a guarantee that the plan will not face problems of sustainability over the long term. At the end of 2010, 98% of the employees participated in the complementary retirement plan. In addition to the complementary pension plan, Valiaprev offers simple and real estate loans. The plan is covered by our own funds, and is self-managed. Administration and risk fees are paid by Samarco.

Percentage of employees who receive the base salary and above the base salary in 2010					
	Belo Horizonte (MG)	Matipó (MG)	Germano (MG)	Ubu (ES)	Total
Samarco base salary	0.00%	0.00%	0.00%	0.00%	0.00%
Above base salary	100.00%	100.00%	100.00%	100.00%	100.00%
Total	100%	100%	100%	100%	100%

CLUBES HAS ARRIVED!

In September 2010, we launched the Samarco Discount Program or Clubes. Through this program, employees and their family members can take advantage of specials at restaurants, snack bars, English courses, music, art and computer schools, bookstores, colleges, gyms, hotels, inns, supermarkets, taxis, stationery stores, tourism agencies and video rental stores. With this initiative, we want to contribute to the well-being of people.

As of the end of 2010, there were 34 commercial establishments affiliated with the program in Espírito Santo and 24 in Minas Gerais. Employees can send in suggestions for establishments to join.

Implementation of this Program came from an idea from a Samarco employee, who sent the suggestion through an intermediary to the Field of Ideas Program, through which employees can submit innovative ideas and suggestions that can be implemented in Samarco's operations and processes.

As a result of the good internal climate and the Company's HR management practices, monthly turnover, or the ration between employees entering and leaving the company, is low. In 2010, total turnover was 0.40%.

Turnover by gender (%)	2010	2009	2008
Men	0.33	-	-
Women	0.07	-	-
TOTAL	0.40	0.35	0.48

Turnover by age bracket (%)	2010
Under the age of 30	0.1
Between 30 and 50	0.2
Over 50	0.1

Company by age bracket	2010
Under the age of 30	24
Between 30 and 50	50
Over 50	25

Number of employees leaving the Company by gender*

	2010
Men	81
Women	18

(*) The large variation in the turnover rate of men is due to the fact that 87% of the Company's staff is composed of men.



Tribute Event, Mariana – MG

RECOGNITION

At the end of 2010, we held another event to pay homage to our employees.

In commemorative ceremonies, we honored 16 employees in Germano (MG) and 26 in Ubu (ES). They all completed 10, 20 or 30 years of service to the Company.

Employees who completed 10 and 20 years of service received a watch. Those who completed 30 years of service at the Organization received a card with a credit of R\$ 5 thousand.

In addition, everyone also received a decorative object, an engraving with an iron ore finish, made by the artist and engineer Eli Curi, ex-employee of Samarco.

This year, we were proud to honor the first woman to complete 30 years of service at the Company: maintenance technician Maria Efigênia da Silva de Freitas.

Collective Transportation, Ubu – ES



With regards to employees who are about to retire, in 2010, 134 employees participated in the Retirement Preparation Program. The purpose of this Program is to provide support and contribute to the professional and psychological preparation of employees who are in the phase of pre-retirement. All employees above the age of 45 can register and begin to participate in the Program.

In 2010, special homage was paid to twelve employees who reached the age of 60 and ended their service to Samarco.

Finally, we continuously evaluate the following conditions referring to bus and van transportation offered to our employees:

<p>Energy use (ex.: petroleum, kerosene, fuel, electricity)</p>	<p>Buses or vans that run on diesel oil are used for employee transportation. Fuel consumption is monitored monthly, and there are goals for fuel consumption per kilometer travelled. We execute a series of laboratory tests, to ensure proper functioning of equipment and adequate fuel consumption. This fuel contains 5% biodiesel, which makes the equipment release less sulfur into the atmosphere.</p>
<p>Emissions (ex.: greenhouse gas emissions; ozone layer destroying substances; Nox, Sox and other atmospheric emissions)</p>	<p>Every quarter, an evaluation of black smoke emissions is conducted by the Transportation Federation. In 2010, we were recognized by QUALIAR, for having our fleet in 100% compliance with the acceptable limits.</p>
<p>Effluents (ex.: different types of chemical substances)</p>	<p>The Company disposes of oil and lubricants with support from certified companies and in compliance with legislation.</p>
<p>Waste (ex.: different types of packaging material)</p>	<p>Used batteries are returned to the manufacturer (which disposes of them properly) as a condition for the purchase of new batteries to replace them. Tires are sold to certified and authorized companies, which process the material and use it in the asphalt industry, and for other uses.</p>
<p>Noise pollution</p>	<p>We have teams that perform preventive maintenance on the equipment, lab tests on vehicle properties, and we use new and modern equipment.</p>
<p>Spills (ex.: chemical, oil and fuel spills)</p>	<p>We have a team specialized in emergency treatment in case of accidents, as set forth in the Emergency Plan of the contractor.</p>

With regards to employee transfers, whether due to a change in unit, an alteration in the production line, or for any other reason, employees and their respective unions are always notified of all changes with sufficient notice to take the necessary measures.

For example: the change from fuel oil to natural gas in the pellet furnaces, beginning in May 2010, and the preparation of the risk activity report were previously sent to the employees and unions, since the routine was altered. Rules were prepared regarding this matter, and all employees were trained.

Our rules and standards include a written procedure on the transfer of employees between units, which covers temporary housing paid for by the Company; the move of the employee and family, etc. Other procedures are established in labor laws, with a period of notice and collective vacation periods.

Training and Development

In terms of training, the priority in 2010 was to invest in training programs that focused on the alignment of competencies with Company strategies, reinforcing the leadership development program and implementing the Business Value Program, which specifically applies to professionals in the technical career area.

The total amount invested in employee training and development in 2010 was R\$ 7.44 million.

Percentage of investment in training and education in net operating expenses

2008	2.27%
2009	1.61%
2010	1.80%

In 2010, there were 2,200 instances of employee participation in training and onsite classes, with 20,583 participants, covering 103,879.6 hours of training, in 2,166 shifts.

Note: The number of participations is higher because many employees participate in more than one training activity per year.

Hours of training, by employee category

Public	2008	2009	2010
Managerial	10,117.88	6,393	13,272.4
Career Technical	28,850.78	16,895	22,538.2
Operational	101,864.80	79,571	66,539
Other – Interns / Apprentices	-	-	1,530
Total	140,833.46	102,859	103,879.6
Average man-hours	69.31	51.77	50.4

The development actions presented in the 2010 training portfolio were broken down into the following strategic topics:

- **Excellence in Management:** to construct a professional posture guided by our Values, with a focus on teamwork and on organizational learning, based on organizational culture and management practices.
- **Excellence in Operations:** to know and to anticipate the needs of our customers, of the production chain and the market, to offer complete and integrated solutions, covering the systemic nature of the existing processes, with support from Research and Development.
- **Development of Leaders:** to train, develop and retain people who are competent, motivated and committed to our Values and our principles, with strong orientation towards results and to the Organization's strategy.
- **Sustainable Growth:** this theme runs throughout our strategy and our positioning. With an ever more challenging business scenario, having professionals who are trained to act in this context has become a differential advantage for the growth process in the coming years.



Among the topics/themes of the training sessions, we can highlight the following:

Business Value Program
Safety Leadership Development Program
Lean Six Sigma Program
Contract Management
Safety Training
Click for Knowledge and other e-learning courses
Third Culture Cycle
Coaching Leader
Motivation and Effective Leadership
Leadership with People

Following are the results of some of the programs mentioned:

Business Value Program

The objective of the Business Value Program was to prepare technical career professional to be strategically active in the Company, enhancing their business vision in the search for excellence in organizational process, while ensuring a strong competitive position, always guided by ethics and by valuation of civic involvement.

There were 61 participants – senior level professionals. For 2011, new classes are scheduled to be offered.

Safety Leadership Development Program

Objective: to train leaders in concepts that enable them to think, feel and act with a focus on the development of a Culture of Valuation of Life. This Program is aimed at managers and other informal leaders who are responsible for formal or informal management of people who work in the industrial area. A total of 185 people were invited and the overall result was 96.8% participation in 2010, in ten training modules.

Third Culture Cycle

There were two important moments in this event:

- Preparation of department heads and team heads: “Managers as Protagonists”, return to a movement of cultural change, to prepare the first levels of leadership for engagement of the technical operational group in the Third Culture Cycle, through reflection on the role of leaders as protagonists of the process. Seventy-six managers participated, including department heads, team heads and managers.
- Workshops with TECOPER: “Conversing about Culture” covering the effective engagement of professionals at the technical and operational level in the process of cultural change, through discussions about our Values and about

how each of us is responsible for the dissemination and for internalizing Company Values.

Methodology: World Café

Target Public: employees from the technical-operations area

Held in: October, 2010.

Total number of participants: 96% participation among 1,417 people invited.

It is important to mention that there was a significant increase in training hours for managerial career level, including the aforementioned training in Safety and Company Culture. This is one way to reinforce the development of leaders.

CLICK FOR KNOWLEDGE (E-LEARNING TOOL) **NUMBER OF PARTICIPANTS**

Alcohol Abuse and Drug Use Prevention Policy
Participation of 1,864 employees

Plano SQL
Participation of 1,828 employees

Code of Conduct – Addendum 1
Participation of 1,562 people

Overview of Information Security
Participation of 1,900 employees

Environmental Incident Report Standard
Participation of 1,846 people

Microsoft Excel
Participation of 20 employees



Other training highlights:

- Samarco signed a partnership with the Labor and Social Action Office of Espírito Santo to invest in training of local workers, to meet the needs for expansion works at Samarco and other companies in the region. The National Industrial Apprenticeship Service (SENAI) selected 400 people. We provide a stipend worth 70% of the minimum salary to help these people continue with their studies (for those with disabilities, the stipend is 100% of the minimum salary). The courses will be offered during the day and evening, and of the 400 people selected, we estimate that we will be able to hire 50% of those qualified, with a focus on the industrial area, in our expansion works and other projects.

The overall goal is to train two thousand people, in Espírito Santo and Minas Gerais, to act at the works. For construction of the fourth pellet project, the challenge is for 35% of the labor to be local, which leads to lower cost for the Company and to generating income and business for local communities.

- This past year, we maintained our policy of supporting education, and 182 employees received scholarships, covering undergraduate and graduate studies. For undergraduate courses, Samarco covered 80% of the tuition. For Master's and Doctoral studies, in which Samarco covers 100% of the tuition cost, 16 employees were benefitted. See the following data:

Course	2008	2009	2010
Technical Level	96	50	34
Technological Level	4	4	3
Undergraduate	97	157	74
Graduate	41	57	71
Total	238	268	182

Scholarships for Master's / Doctoral degree – 16 scholarships were approved in 2010:

Master's degree: 14
 Doctoral degree: 2

In the Samarco Industrial Apprenticeship Program, 101 young people (minors) from the communities near Ubu (the municipalities of Anchieta, Guarapari and Piúma, in Espírito Santo) were selected for the positions offered in 2010, as young apprentices. These young people began the Electro-electronics Maintenance Course in the first quarter of 2011.

PERCENTAGE OF EMPLOYEES WHO PARTICIPATED IN TRAINING ACTIVITIES

Percentage of employees who underwent some form of training in 2010: 97%.

In 2009, approximately 100% of our employees underwent training, and in 2008, everyone received some type of training. In Brazil, according to a study by the Brazilian Association of Training and Development (ABTD), in 2009, the average number of employees trained by companies was 79%. Our numbers prove the Company's commitment to employee development.

For 2011, the priority goal of the HR area is to implement **Corporate Education**, which seeks to transform business challenges into educational solutions, supporting implementation of the strategy and directing people towards its performance.

With this initiative, we are evolving from the traditional model of training and development towards a model of education that is more aligned with our business strategy. The Corporate Education model places the employee as the protagonist in the process of development and career management. All the actors involved – leaders, other employees and process managers, begin to act in synergy in the educational dynamics, creating a sustainable basis for corporate excellence. Education stops being an activity that is only conducted by HR and begins to involve the entire Organization, in a shared management strategy.

This project was envisioned to change the functioning of the education process and of personnel development, and represents a new posture in learning for our professionals. Employees and managers can access all educational information in real time, accompanying the development of individuals and teams.

Corporate Education will be launched in the second semester of 2011.

Corporate Communications

We have a Corporate Communication Department, fully aligned with our strategic objectives.

This department was reorganized in 2010, and its focus now is:



To leverage Samarco's strategy and to strengthen its brand and reputation, through Integrated Communications solutions, with intent, creativity and innovations, informing, connecting and engaging people."

We understand that the process of informing, connecting and engaging people requires communications and relationship actions focused on both the internal and external publics, covering all our stakeholders in a balanced way.

Generally speaking, our communication actions cover a variety of initiatives, divided into five macro-processes: Reputation Management; Institutional Communication (covering internal and external communications processes) Digital Communication; Press Relations and Strategic Management.

The following communications programs and channels between the Company and its employees are designed to inform, engage and connect people, divulge management practices adopted and promote a sense of belonging:

Internal communication vehicles – these have a specific editorial line and graphic design:

Acontece – a weekly internal printed bulletin, which is distributed on the Company buses, with short, quick news items on day-to-day life in the Organization.

Jornal Mural – these boards are located at strategic areas in all our units and offices. There are 40 boards, which are updated weekly with corporate and day-to-day news, referring to Samarco's regular activities, results, awards and projects, public interest news items, etc.



Camila Fassarella and Thais Mariano reading about latest happenings in the new Samarco Magazine, Ubu – ES

Intranet – updated in real time, with news in Web language and inclusion of hyperlinks, interviews, videos and images that complement the information. Also provides services to employees, making institutional data and information on Company benefits and services available.

Revista Samarco – this monthly magazine with a print run of approximately 3 thousand copies always presents reports and opinions reflecting the Company's position. It is sent to employees' homes and to some strategic stakeholders. The magazine underwent a revamping process and the first "overhauled" issue was delivered in April 2011.

Happens – this weekly news bulletin, in English, is sent by email to the sales offices abroad (Amsterdam and Hong Kong). It contains short news clippings on the day-to-day activities of the Organization. It is a way to promote connection and integration with the employees who work at our international offices.

WE – Web with Engagement – this is a collaborative environment that is accessible from the Intranet, which contains blogs and forums. Its purpose is to make it possible for all employees to use the Intranet to interact, connect and share information and knowledge. The WE was launched in June 2010, and to commemorate yet another step in Samarco's path to the digital era, the Company invited Marcelo Tas to give a presentation on new technologies and social networks. This new environment encourages the culture of "We" and allows the creation of blogs and forums, based on topics of interest to the Company, which are fed with opinions and information from anyone who wishes to comment, enabling the exchange of information in real time and without mediation. All content is stored, leading to a record of knowledge that can be accessed at any time.

Painel Digital – launched at the end of 2010. These are digital panels placed in strategic and operating points at the Ubu (ES) and Germano (MG) units, to present operating indicators for employees to follow, in a transparent and dynamic manner. This tool will also be used for special notifications and communications campaigns.

Internal communication campaigns – these campaigns focus on divulging a given topic, seeking the engagement and mobilization of a group of employees or even the entire Company, with directed communications actions and/or communication actions covering the entire Organization, as well as disclosure in internal communications vehicles and face to face communications actions.

"Internal Communication" post office box notice – email messages, with corporate information directed to certain publics (Upper Management, manager groups, career technical) or to employees in general, disclosing the launch of a project or campaign, or a specific event.

Internal events – the objective is to recognize and celebrate results and goals that have been achieved. Some institutional events are also the responsibility of the Communications area.

Face to Face Communication Committee – with monthly meetings, the forum creates a communications guide with the Organization's positioning, to be broken down into face to face communication between managers and teams. The employees can evaluate the meetings and propose new agendas, through a form available on the Intranet.

Workplace Safety Management

Adding Value to Life is one of Samarco's main values. Based on such Value, we understand that life is above all things, above any profits and material goods, and must be preserved in our everyday activities through our attitudes, from CEO to shop-floor operators

With a more mature handling of Safety issues and a good safety record, as evidenced by its accident rates, Samarco introduced a new proactive management metric - the **Risk Factor** - in 2009, the purpose of which is to:

- Pursue a steady path towards eliminating hazards before related incidents take place.
- Measure how effective Safety investments have been in reducing hazards, thereby allowing us to work in a planned manner.
- Provide clear metrics to maintain confidence in our management evaluation.

This metric has been applied to all operating activities, with emphasis on reducing risks that are classified as critical and intolerable.

Being aware that low accident rates are no guarantee that the risks of high potential severity incidents are under control, we launched the **Critical Risk Management Project** in 2010. This project was developed in several stages, from making it widely known throughout the Company to build the proper context, identifying, analyzing and assessing risks, all the way through to addressing and handling such risks. As a result, 18 critical risks have



SIPAT (Internal Work Accident Prevention Week), Muniz Freire – ES

been identified, which will be analyzed in order to improve existing controls. Dissemination material was distributed to all areas of the Company and work plans including specific actions are now being prepared. The concept will be extended to contractors as well.

In 2010, while developing the Critical Risk Management Project, we proceeded with the implementation of the **Fatal Risk Control Protocols**, begun in 2009. These are nine protocols intended to improve facilities and equipment as required for controlling critical risks. We had 69.1% of the controls put in place by the end of 2010. The target for 2011 is 100% implementation.

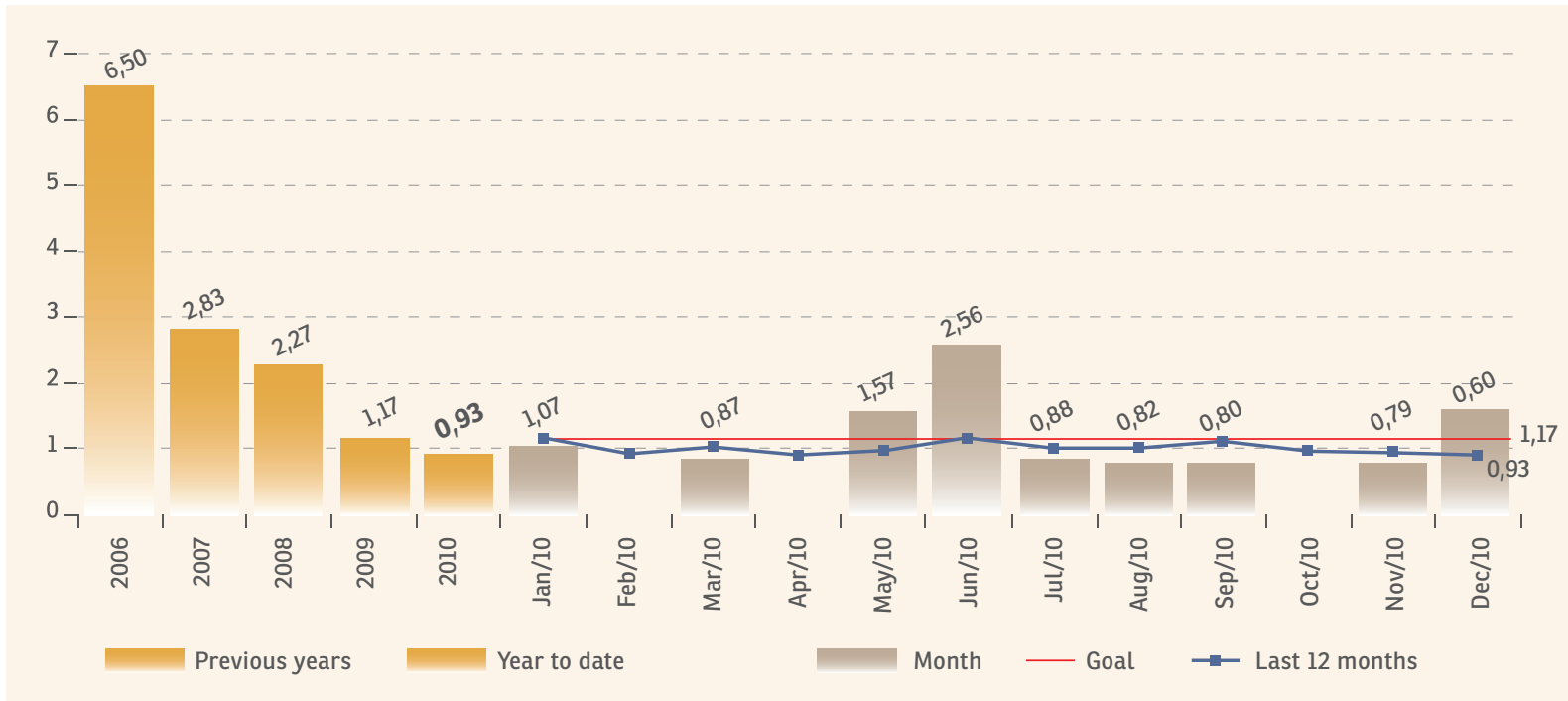
As well as on risk control systems, we focus our attention on two other major points: leadership and behavior. Samarco is

strongly committed to leadership initiatives, as can be seen from its **Safety Dialogue**, conducted once every six months, with the participation of the CEO and other officers and general managers as members of the **Central Health and Safety Committees**, and the **Safety Leadership Development Program**, with a 96.8% participation in 2010, as part of which concepts such as Climate and Safety Culture were addressed. With respect to behavior, noteworthy are the **Safety Workshops**, the activities associated with the **Learning Maps**, and the **Safety Value Dissemination Program**, involving all stakeholders.

In terms of governance, as well as the Central Safety Committees, we have the **Workplace Health and Safety (WHS) Committees**, which meet once a month to discuss issues of general and specific interest. Such committees are led by general managers and by the WHS department and comprise managers and department leaders. Another such committee, made up by contractors' and WHS' representatives, meets every three months. In adherence to Brazilian Laws, we have the so-called Internal Accident Prevention Committees (CIPAs) which are made up of employees from the Company's operations and take care of routine WSH matters. These committees cover all sites and represent 100% of Samarco's employees and permanent contractors.

For all these reasons, Samarco's 2010 accident rate was the best ever recorded (0.93 accident per million man-hours worked)

CLASSIFIED ACCIDENT RATE



Workplace health and safety indicators*		2008	2009	2010
Number of events	Lost time accident (LTA)	3	1	3
	Non-lost time accident (NLTA), with restricted activity	4	4	4
	Non-lost time accident (NLTA) requiring medical treatment	19	7	6
	Accident requiring outpatient treatment	134	56	37
	Near miss	7.651	8.088	7.892
	Unsafe conditions	14.238	17.105	20.411
Rate	Lost time accident (LTA) rate	0,26	0,10	0,22
	Accident (LTA + NLTA) rate	2,27	1,17	0,93

Notes: a) Main figures suggest a downward trend over time. b) No fatal accidents were reported in the 2008-2010 period

Health Management and Quality of Life

In 2010, Samarco's actions intended to promote employee health included restructuring this area, with focus now being directed to three main targets:

- **Short-term actions:** meet legal and regulatory requirements, evaluate psychological and social issues and anticipate or diagnose work-related diseases more easily.

To this end, new procedures were introduced as part of pre-employment and periodic examinations.

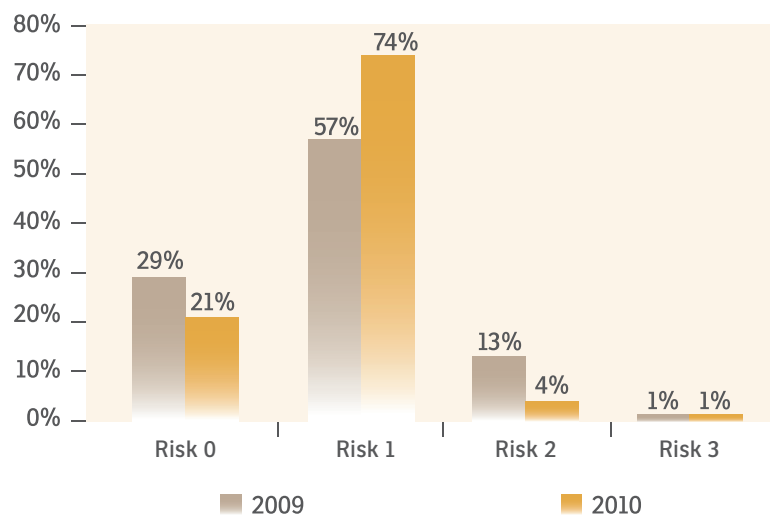
- **Medium-term actions:** help employees maintain good health.
- **Long term actions:** seek contractors' involvement.

The **Health Profile** of each employee is updated every year based on the results of their periodic medical examinations.

Employees, family members and contractors participate in the long distance hike, Germano - MG



CORPORATE HEALTH PROFILE 2010



In 2010 we began the process of reformulating our actions related to the **Quality of Life**. The idea is to evaluate in more detail how the Quality of Life Program can contribute to promoting employee health.

With respect to quality of life, we are concerned with all dimensions of health: physical, emotional, spiritual, social and intellectual. With that in mind, we have developed a number of programs and activities, which include, for example, encouraging employees and their families to get involved in sports, and promoting activities such as enduro foot races, events specifically geared towards women's health and, for employees nearing retirement, the Retirement Preparations Program.

As part of our Fatigue Management Program, the **Computer-Aided Attention Span Test** is being improved. The purpose of this test is to check whether operating area employees focus their attention on the tasks they are doing or have their attention distracted away from these tasks, which is a sign of poor concentration and may lead to accidents.

The **Professional Rehabilitation Program** is also being reviewed, which includes different activities from following up employees on sick leave/absent all the way through to establishing a plan for their return to work, by defining areas and activities in which they will not be exposed to health and physical integrity risks. The purpose of the program is to enable a closer and more efficient follow-up on employees returning to work after a period of absence.

Customers

We strive to maintain a close, transparent and lasting relationship with our customers, with focus on the entire customer service chain. Above all, we seek excellence in the quality of our products and services.

We are a company that trades overseas with customers from across several continents. In 2010, we sold our products to 35 customers from all continents except Oceania. In addition to Brazil, Samarco has customers in China, Taiwan, Malaysia, Indonesia, Japan, India, Argentina, USA, Germany, France, United Kingdom, Turkey, Libya, Saudi Arabia, Egypt, Qatar, Trinidad & Tobago, and the United Arab Emirates.

We rely on the following structure to serve our clients:

1) Strategic Marketing Committee

Created in 2007, it is made up of corporate officers and guests that meet three times a year. The committee sets forth long-term strategic sales and commercial service guidelines. Its goals and responsibilities include:

- Requesting and/or proposing changes to sales plans to keep them aligned with Samarco's strategic planning.
- Evaluating economic trends regarding customers in specific regions and proposing adjustments to market segmentation policies.
- Having the Executive Marketing Group conduct detailed studies to assist the committee in making their decisions.

2) Executive Marketing Group

Members of this group include the chief commercial officer and the general commercial managers. Its responsibilities/roles include:

- Taking care of strategic marketing planning and tracking progress of strategic actions.
- Maintaining strategic alignment of the Company's commercial activities with its overall strategy.
- Market segmentation and definitions to assist with sales planning efforts.
- Demand management.
- Setting forth commercial policies and monitoring their implementation.
- Setting forth policies and strategy for communicating with market players.
- Monitoring communication efforts and corporate image perception among customers, potential customers, competitors and shareholders.
- Monitoring customer satisfaction.



- Defining goals for and tracking progress on development of new products and services.
- Managing Samarco's commercial performance.
- Identifying improvement needs for commercial practices.

3) Group of Commercial Managers

This Group is composed of commercial managers from each sales office, the Integrated Planning manager, and the Technical Assistance manager. The Group has the following responsibilities:

- Monitoring adherence to shipping plans.
- Assessing client satisfaction levels.
- Assessing target markets.
- Assessing ship wait times.

The Group meets through videoconferencing every 15 days and personally every three months.

4) Sales Offices

They maintain a closer contact with customers and are responsible for routine customer service tasks. Sales offices' responsibilities include visiting customers, negotiating sales volumes, prices and delivery conditions, executing contracts and performing other routine commercial tasks. They are also responsible for putting into practice the goals established by the Strategic Marketing Committee. The sales offices are located in Belo Horizonte (State of Minas Gerais - Brazil), Amsterdam (Netherlands), and Hong Kong (China).

5) Integrated Planning Area

It is responsible for developing the Company's commercial and operational strategies into tactic actions, by integrating the plans that support its business activities: sales, production, maintenance, and procurement. It is also tasked with coordinating demand and production planning efforts, with a view to finding the best alternatives to keep the production chain balanced and maximize results. It is also up to the Integrated Planning Area to communicate with the Company's shareholders by means of reports and meetings intended to control and monitor performance.

6) Technical Assistance Area

It provides technical support to customers, including support visits, and helps with the development of new products. It is responsible for the quality assurance of Samarco's products and for a steady pursuit of technological development, through the consolidation of partnerships with customers, universities and research centers. Another important duty of this area is to disseminate customer perception of the quality of Samarco's product throughout its entire production chain.

7) Contracts and Invoice Administration Area

It is responsible for taking care of the technical aspects of the sales contracts and handling associated invoices, while interfacing with the Legal, Financial, Technical Assistance and Production areas.

8) Logistics Area

It is responsible for monitoring and ensuring compliance with ocean freight contracts.

9) Market Intelligence Area

Responsibilities include:

- Coordinating efforts to acquire/gather secondary information from research institutes and newspapers and magazines.
- Compiling primary information developed by the commercial and technical teams and by an extensive information network involving customers, potential customers, competitors, logistics providers, research institutes, among others.
- Drawing up analytical reports and market projections to help with decisions regarding market segmentation and target customers.



CORPORATIVE PROFILE AND OUR CUSTOMERS

16%
AMERICAS



Access the link www.samarcoqueagentefaz/relatorio2010
and see an animated infograph.



17%
EUROPE

24%
**AFRICA AND
MIDDLE EAST**

25%
CHINA

18%
**ASIA
Except China**

- Customers
- Shareholders
- International Office
- Headquarters
- Mine
- Pipelines
- Pellet Plants
- Seaport terminal

In 2010, we created the **Business Intelligence** area, tasked with taking care of Market Intelligence issues. The primary objective of this area is to structure the process of collecting and analyzing information, covering different disciplines as necessary for supporting the Company's decision-making processes. The main areas of expertise/areas of interest are: market, pricing and sales processes, competitive analysis, technological aspects of processes and products, regulatory and political aspects, logistics aspects, and business models.

With respect to **client satisfaction**, we use the internally-developed Customer Satisfaction Index, based on different inputs: technical/commercial visits, shipping efficiency, shipped product quality, delivery quality, benchmark quality, penalties, complaints, and flexibility, among others.

A score is assigned to each item. Different items have different weights, depending on the importance of the role they played in the production chain and their market-perceived value, in addition to other considerations. Such assessment is made on a monthly basis. The assessment method follows the guidelines of Brazil's National Quality Program and ISO 9001 certification standards.

Customer complaints, comments and requests are analyzed, answered and monitored, bearing always in mind the quality that we typically offer to our customers.

As in previous years, we held **technical seminars** with existing and potential customers. The 2010's seminar was held in Sintra, Portugal, and focused on clients using blast furnace technology. It was the fourth edition of this seminar geared to clients employing this steelmaking process. During the event, we presented our position in the seaborne pellet market, growth opportunities, market trends, sustainable practices and other subjects. The seminar was attended by representatives from 24 companies, 18 of which are our customers, totaling 75 guests.

As far as **Customer Safety** is concerned, no risk has been identified in connection with the handling of pellets produced by Samarco. The impact of particulate emissions is not significant and customers receive proper guidance on how to handle our product safely and properly.

We strive continuously to mitigate any negative impact to our customers or the environment that can be attributed to our products. We also strive to ensure that our products will not cause any physical harm to those that come into contact with them. To this end, we rely on the findings of studies conducted at our laboratories and at outside research centers.

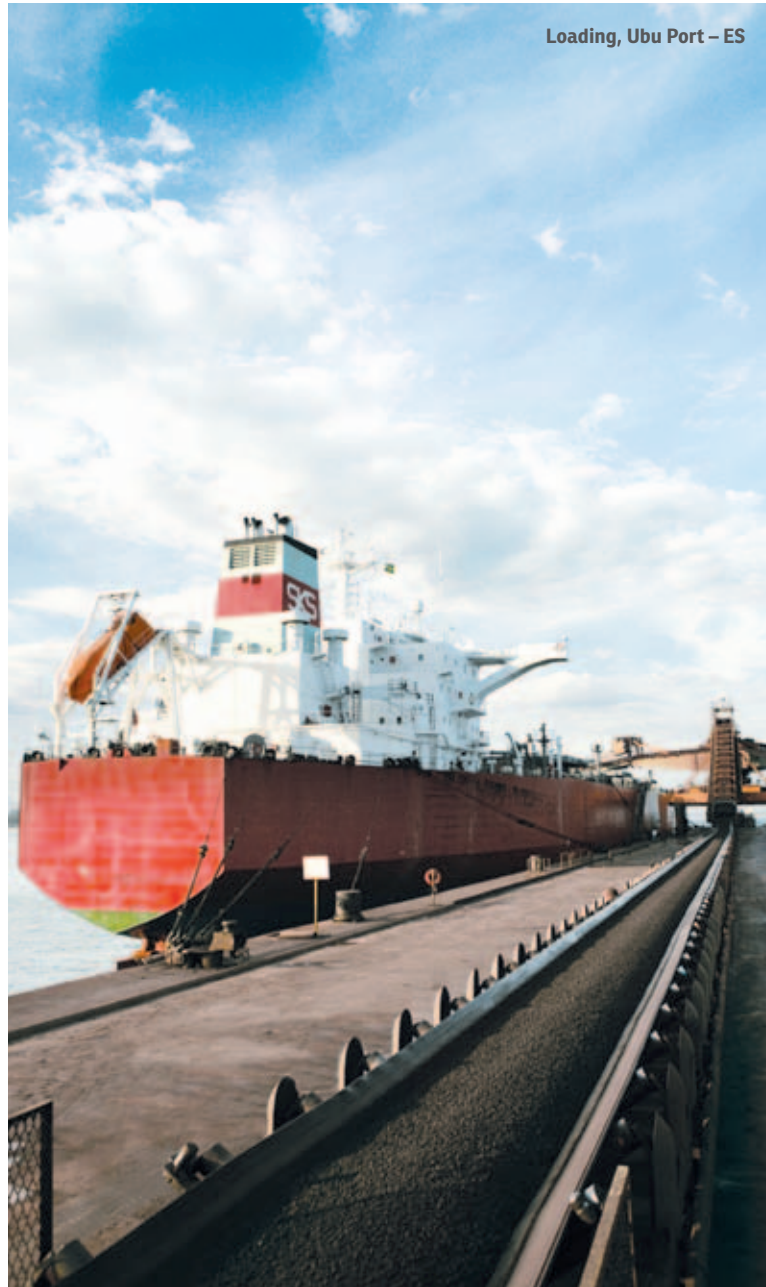


Acindar has maintained a strong and intense relationship with Samarco for more than thirty years. The quality and the helpfulness of its staff make this relationship stronger everyday and enable us to face new challenges together. Given the collaborative spirit of its people, Samarco holds a special place among our suppliers. This rather personalized relationship allows sorting out faster any inconveniences that may arise. We view Samarco as a responsible company that is always willing to help us with our operations and the quality of our product. We know how stringent its processes are and for this reason we trust the quality of its products. Our intention is to honor permanently our relationship with Samarco, aiming for a better future for both companies."

Gustavo Santa Cruz, Acindar (argentina steel company)

Iron ore pellets are not packaged for shipping, carry not tags, and are transported by bulk carriers. Technical information on the physical, chemical and metallurgical properties of the final product are described in the relevant contracts. A certificate containing appropriate analysis results is issued for each shipment.

In 2010 we also structured ourselves to adapt to the new regulations issued by the European Chemicals Agency, applicable to any chemicals marketed within the European Union. These new regulations, referred to as Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), were enacted to improve overall EU regulations regarding the use and handling of chemicals.



Loading, Ubu Port – ES

through invoice administration. Information, including historical information, is now being used with more integrity to support automatic calculations, which has resulted in a reduction in manual work.



Since CSC signed its first long-term contract with Samarco in 1998, Samarco has become a major supplier of pellets to CSC. Samarco is a highly qualified and dedicated pellet producing company, which places great emphasis on technology and quality. At the same time, Samarco shows flexibility in handling customer requirements. Samarco's pellets have a consistent and stable quality, which is largely due to its excellent industrial facilities.

Through the regular visits of Samarco's sales staff, CSC is able to evaluate market situation from a different perspective. Furthermore, the technical seminars and conferences held by Samarco provide us with the opportunity to learn more about pellets. All these interactions help create a relationship that is mutually beneficial to both parties."

***C. J. Hsiao, general manager,
and S. Y. Wang, buyer,
China Steel Corporation's Procurement Department.***

It is also important to note that in 2010 no lawsuits were filed against Samarco alleging its involvement in unfair competition or in trust or monopoly practices, nor were any penalties or sanctions levied on it as a result of problems associated with its products and services.

Finally, it is worth noting that in 2010 we implemented the SAP mining solution (IS-Mining) to enhance port services and sales contracts, with adjustments to suit the particularities of ore sales. The solution has been applied in connection with shipments since January 2011. This new solution, besides covering external audit items and including automatic calculation capabilities, has led to increased productivity and assertiveness in respect of processes activities, from contract

Suppliers

As to the relationship with our suppliers, our basic premise is to help develop the regions in which we operate. Presently, approximately 58% of all our purchases are made in the States of Espírito Santo and Minas Gerais from suppliers that are located in the vicinities of our operations – in Anchieta, Guarapari and Piúma in the State of Espírito Santo; and Mariana and Ouro Preto in the State of Minas Gerais.

Regardless, we look always for quality suppliers. We establish with our suppliers tailor-made relationship and capacity building strategies, depending on the complexity of the market, cost requirements and the anticipated impact on our business dealings in the sector each supplier operates. The aim is to make the Company more competitive, by negotiating and maintaining a relationship with best-practice suppliers.

We have 6,000 suppliers on our list of approved suppliers, 4,249 of which are active. Of these, 144 are current suppliers, accounting for 80% of all our expenditures for consumables, materials, and services. All such supply transactions are covered by contracts.

Management and relations

In line with our guideline to strengthen and develop local suppliers, we ended the year 2010 with most of our suppliers located in the states of Espírito Santo and Minas Gerais. The goal is to advance even further, with structured initiatives, to increase the share of local suppliers.

Many of the service contracts contain a clause designed to encourage management at these companies to have a branch office in the region where they will work for Samarco. This helps to contribute to the development of these regions and thus to employ local labor.

In our day to day relations, for both new suppliers and to monitor existing suppliers, we take factors such as quality, financial management, sustainable behavior, human rights, Occupational Health and Safety and commercial competitiveness into consideration. The analysis of all these areas gives us a weighted score for each supplier.

As the relationship unfolds, we monitor whether the supplier follows good labor, human rights, environmental and safety practices. All contracts that are signed consider internal and external assessment audits and include fiscal and labor clauses – including prohibition of child and slave labor.

We also seek to reduce transportation and logistics costs. This is yet another reason to reinforce our focus on local suppliers. Transportation and processing of consumables and materials in nearby regions provides a better cost-benefit ratio.

In another effort designed to optimize our purchasing, secretaries and support technicians for areas receive purchase cards to buy office materials, pharmacy and cleaning supplies in the regions neighboring our operations.

Every year, a tax and labor audit, which is conducted jointly with Samarco, verifies the characteristics and procedures of suppliers, as well as whether or not they are up-to-date with their labor and tax obligations. If any irregularities are noted, corrective action is taken. In extreme cases, the supplier can even be suspended from the Company's list of approved suppliers. In 2010, seven suppliers lost their contracts, after they achieved a below average score in some of the main evaluation points, and as a consequence, lost points in the qualification process; when they participated in a new tender offer, they lost to new suppliers.

In 2010, no cases of transgression of human rights were recorded.

What we seek with all this is to increase our competitiveness, adopting good business practices with support from qualified suppliers that are aligned with our practices.



In April 2011, a meeting was held with our main suppliers, to align this group with Samarco's strategy and to discuss perspectives on activity, competitiveness (best practices) and the emphasis on sustainable practices for the continuity of our business activities.

Also worth mentioning is the **Samarco Excellence Award**. This is a way to encourage and recognize good performance among our suppliers of consumables, materials and services. In 2010, the 10th Excellence Awards were held, which recognized twelve companies that achieved a significant evaluation in criteria such as rendering of services, supply of products, punctuality and socio-environmental responsibility. The Company that achieved the best performance in the category "Occupational Safety" was also recognized, as a way to promote valuation of life. The 11th Samarco Excellence Award will be held in August 2011

To classify suppliers considered excellent, monthly evaluations were conducted of the Contracted Service Supply Quality Index (CSSQI) and the Material Supply and Quality Index (MSQI). In addition, contractors that maintain facilities inside our industrial units also undergo quarterly evaluations with regards to questions related to the ISO 14000 (environmental control) and OHSAS 18000 (health and safety) standards.

In 2010, the awards went to:

Consumables

- Bentonit União Nordeste Indústria e Comércio Ltda.
- Ipiranga Produtos de Petróleo S.A.
- Kowalski Alimentos Ltda.
- Tamfelt Tecnologia em Filtração Ltda.

Materials

- ABB Ltda.
- Eletro Buscarioli Ltda.
- Itamil Itapemirim Mecânica Industrial Ltda.
- Viferro Ferramentas e Ferragens Ltda.

Contracted Services

- CPM Braxis S.A.
- ERG Engenharia Ltda.
- Gemma Viagens e Turismo Ltda.
- VIX Logística S/A.

Safety Highlight

- Sotreq.





“

I have personally worked with Samarco since 2002, when I became a Director of Vix Logística, but our company has worked with Samarco since the beginning of construction of the Ubu plant (ES), over thirty years ago. We began at Samarco with a chartering operation, transporting employees in buses for their daily commute between their homes and the plant. In 2005, we also took over chartering in Mariana (MG), as well as the rental and management of the light vehicle fleet at the two plants. In April 2010, we assumed control of the rental and operation of mobile equipment in mining support activities in Germano (MG) and Ubu (ES). I see Samarco as an example of a company that treats its suppliers fairly, and is aware that by ensuring healthy relations and strengthening its

suppliers, it also ensures support for its own growth. Our relationship is extremely ethical and fair, and is based on a partnership that recognizes that what we receive from Samarco, with eight Excellence Awards and an Excellence in Safety Award, greatly enriches our portfolio. In terms of strategic growth, the history of our relationship with Samarco encourages us to face new challenges in operations or areas that are not part of our portfolio, as is the case with our recent entry into the machinery operations and mining support equipment segments.”

Luciano Werner, director of Vix Logística S/A.

In 2011, our goal is to consolidate the implementation of the **Contract Management Project**. Through this project, which began implementation in 2010, twenty-five employees were trained, and began to work as contract management analysis, in all the business areas and operations in the Organization.

Externally, to improve relations and disseminate the policies and management of Procurement activities with the market, we participated in forums on this topic with the Federation of Industries of the state of Espírito Santo (FINDES) and the Federation of Industries of the state of Minas Gerais (FIEMG), and we are one of the maintaining companies of the Supplier Development Programs (PRODFOR and PDF) in Espírito Santo and the Integrated Supplier Development Program (PDIF) of Minas Gerais.

Training and Development of Suppliers

In terms of development of new suppliers, we have held business meetings with companies located in Anchieta, Cachoeiro do Itapemirim, Piúma, Guarapari and Vitória, in Espírito Santo, as well as two meetings in Belo Horizonte (MG). This year, 785 new suppliers were added.

In our daily work, for each supplier, we prepare a **Development Plan**, covering training actions and improvement. We want to continually strengthen our relations with our suppliers.

In addition to the technical characteristics, our training model covers orientation on operating procedures and on Health and Safety. For us, it is a pre-requisite for suppliers to value Health and Safety as much as we do at Samarco.

The training process includes discussions on social and environmental responsibility and human rights. The idea is to strengthen relations with suppliers that have values and ideas that are close to ours. All suppliers receive our Code of Conduct, and the forecast is for classroom training to be concluded regarding the updating of the Code during the first half of 2011.

We ended 2010 with 2,856 contractor employees, from 41 different companies.

Security Service Provider Training

In November 2010, all our contractor employees who work in property security at the Ubu (ES) and Germano (MG) units participated in a specific training event on human rights and human rights at work.

This training event, called "Human Rights – Principles and Impacts in Organization", was held on two days at each unit.

After a brief introduction on human rights, these contractor employees received information on labor relations, child labor and the fundamental conventions of the International Labor Organization (ILO).

Training was given to 63 professionals in Ubu (ES) and 56 professionals in Germano (MG), which accounts for 94% of the security staff at the Ubu unit and 74% at the Germano unit.

We believe this training is extremely important, since the property security professionals are often the first people with whom visitors have contact when they arrive at one of Samarco's units, and they deal with everyone who comes to the Company on a daily basis.

In addition, the topics discussed reinforce our commitment to conduct our relations with suppliers in an ethical and transparent manner, seeing the challenges we face as opportunities to improve our service.

Materials

We have assumed that the materials should be used to the maximum possible extent and that consumables should be purchased according to the opportunities, in order to prevent shutdowns and to ensure that the operations are quickly resumed. The material and inventory control routine is fully automated. The entire process involving procurement and interaction of information with suppliers goes through a Procurement Portal.

Our procurement processes use a Strategic Purchase Matrix, which maps the groups of goods according to three variables:

- complexity of supply market,
- impact on the Company and processes;
- annual purchase value.

With regard to inventory, we adopt an Inventory Management Policy, which provides guidance on the subject. We do not carry large inventories of products, parts or materials. We strive for maximum rotation of warehouse items.

All materials in stock are described in detail and following international standards, to facilitate requests and avoid possible duplication.

Consumption of materials by type (t)	2008	2009	2010
Main raw materials and consumables of the Company - renewable			
Mineral Coal	275.630	161.734	217.836
Natural Gas (m ³) *	-	-	105.956.359
Fuel Oil (t)	163.536	184.048	169.380
Diesel Oil (mil l)	16.272	15.215	18.015
Limestone	318.567	360.396	473.126
Starch	28.358	22.410	31.498
Amine	2.793	1.961	2.742

(*) The natural gas process was implemented in May 2010.

Note: The consumption of mineral coal, diesel oil, limestone, starch and amine increased if compared to 2009 due to lower production in 2009, especially in the first half, due to the global financial and economic crisis.

On the other hand, fuel oil consumption dropped due to the use of natural gas as fuel in pelletizing furnaces, in May 2010.

Among inventory items, some of them are being recycled through filtration processes (lubricating oils) and remelting processes (grinding balls, grizzly bars, used in pelletizing furnaces).

	2008	2009	2010	2010
Materials used that are recycled (t)	TOTAL	TOTAL	TOTAL	%*
Lubricating oil	16.53	78.13	23.28	8.6
Grinding ball	160	339.14	462.43	4.6
Grizzly bar **			416.13	85

*recycled material / total material used (%).

**Data on grizzly bar is now reported on the 2010 Annual Sustainability Report.

In 2010, the internal recycling of lubricating oil in Germano (MG) dropped if compared to 2009 figures due to factors such as:

- Start of period of validity of new filtration contract, after contractor was replaced.
- Poor performance of previous contractor with regard to oil recovery and treatment services.
- Renovation of internal area, which hindered the Company's operations (but without preventing completion of the filtration service).

Our maintenance crew is closely monitoring these hindrances and actions are being taken to solve the problems and retake the performance level achieved in previous years.

With regard to grinding balls, a classification service is carried out, making part of the waste to return to the process. The amount of recycled material was higher in 2010, but the consumption of new balls also increased due to production increase. For 2011, an agreement is expected to be signed covering the industrial use of grinding media scrap, aiming at reverse logistics. The grinding media scrap generated at Samarco will be shipped for casting and industrialization and the vendor will return new balls to Samarco.

With regard to the grizzly bars used Ubu Unit (ES), by the end of their service lives, they are shipped for remelting and return to the production process. From the total number of bars used in 2010, 85% were recycled.

Communities

Samarco considers it essential to properly and pro-actively manage projects, meetings and initiatives that contribute to the social and economic development of the communities where we have operations.

Since 2006 we have had an area specifically dedicated to our relations with communities located in the regions where we have a direct influence.

All told, we have relations with 81 communities, located in 29 municipalities in Minas Gerais and Espírito Santo, with a total population of 841 thousand.

For us, social dialogue is a basic essential in all our initiatives with the communities. In 2010, this relationship was strengthened to an even more integrated and



aggregating model. Our hope is for Samarco, municipal governments, communities and other levels of government to act in a more concerted manner, with each playing a defined role and with convergence of common objectives.

In our daily interactions, the needs and expectations of the communities are identified and analyzed to define and improve the Company's social actions, through the processes of Social Dialogue, Social Investment and Internal Engagement. The integration of these processes allows a clear and objective definition of how Samarco supports and generates value for each stakeholder.

In 2010, we continued the projects that have shown positive results, like the Environmental Education Program, the Samarco is More Community Program and others, and we have also created new programs, like the Inclusive Local Development Program (ILDP), the External Local Development Exhibit and the Historical Recognition Project. Information on these projects is presented later in this report.

In 2010 we also continued to support and sponsor social projects, encouraging integrated local development through education, creating jobs and encouraging entrepreneurship. We also maintained our Volunteering Program, encouraging employees to participate in community engagement, thus strengthening the Values that permeate our vision of sustainability.

Social Dialogue

Social Dialogue legitimizes, articulates and seeks to create joint solutions to promote local development and sustainability in the regions where the Company operates. It is based on the discussion or exchange of ideas, concepts and opinions, to share information, solve problems together and promote harmony among the parties involved. Dialogue takes place in a structured and continual manner, with the engagement and participation of leaders in government, private initiative and civil society to build alliances and networks of local development.

The main strategies that guided our dialogue process in 2010 were to: a) enhance opportunities for entrepreneurship in the areas where we have activities; b) contribute to the strategy of sustainable growth of the Company; c) mobilize communities to promote local development; d) strengthen social capital; e) develop new leaders; f) align expectations in regards to the Company; g) guide the social investment strategy; and h) divulge the social and environmental work of the Company.



PIPELINE MAP

BELO HORIZONTE

Sta. Bárbara

Catas Altas

Ouro Preto

Mariana

Barra Longa

Ponte Nova

Sta. Cruz do Escalvado

Urucânia

S. Antônio do Grama

Abre Campo

Matipó

Sta. Margarida

Luisburgo

Pedra Bonita

Orizânia

Divino

Espera Feliz



Access the link www.samarcoqueagentefaz/relatorio2010 and see an animated infograph.



Dores do Rio Preto

Guaçuí

Alegre

Jerônimo Monteiro

Muniz Freire

Cachoeiro de Itapemirim

Vargem Alta

Itapemirim

Rio Novo do Sul

Piúma

Anchieta

Guarapari

VITÓRIA

— 1st pipeline
— 2nd pipeline

In 2010, our Social Dialogue initiatives mobilized 7,810 people, with a Community Satisfaction Index (ISC) of 76.85%. The ISC is a tool that we developed to evaluate the quality of the relationship with the communities in our area of influence. It is measured annually, to identify opportunities to improve the Company's processes in compliance with the expectations and wishes of these communities.

The main results achieved were:

- **Meetings with Community Leaders** – there were 46 meetings held in 2010, with the participation of 372 people.
- **Community Meetings** – there were 63 meetings held, involving 1,791 people in the 81 communities neighboring Samarco's facilities; of these, 22 were in Minas Gerais and 41 in Espírito Santo.
- **Mobilization for public hearings** – 1,176 people participated in the three public hearings referring to the licenses for the Fourth Pellet Project and the two public hearings and public meeting on the licenses for construction of the third pipeline.
- **Social and economic Indicator committees** – in 2010, the Social and economic Committee met 21 times, with the participation of 146 people to discuss the creation of indicators to monitor our influence in the territories where we are active, together with leaders from the government, private initiative and organized civil society.
- **Samarco Environmental License Monitoring Forum (FALAS)** – six meetings were held with the twenty people that make up the group, composed of representatives of the Municipal Governments of Anchieta, Guarapari and Piúma (ES), communities, non-governmental organizations and environmental agencies to accompany compliance with legal requirements made to the Company during the granting of environmental licenses.
- **Lado a Lado** – in 2010, four environmental issues and three inserts were published in Espírito Santo, and four issues in Minas Gerais. This bulletin covers topics of interest to the communities, with periodic distribution of some 5 thousand copies in schools, municipal governments and community agencies.
- **Community comments** – in 2010, 1,584 comments specifically from the communities were received; of these, 96.21% referred to information requested about the Social and Institutional Investment Policy, the Visitation Program and others. Complaints accounted for 0.44% of the



Representatives of the community of Orizânia visit Samarco, Germano - MG



Celina students participate in the Community Historical Recognition Project, Alegre - ES

comments related to environmental matters. All comments received a response from Samarco.

- **Historical Recognition of Communities Project** – in this project, we seek to value local culture and memory, and to strengthen the educational process, through histories narrated in videos by young resident students. These videos are produced by the students themselves, who carry out the research, gather the photos and documents, prepare the scripts, interview the residents in the region and edit the videos. In 2010, seventeen community videos were developed and presented, benefitting 162 students. This work was conducted in partnership with 12 schools; 1,062 people watched the videos.



My first contact with Samarco was in 2008, when I participated in a technical visit to the Company, thanks to a course called Pro-Youth. Since then, I have always paid attention to their sustainability work and to how they are always interacting with the communities. In 2010, the opportunity arose to participate in the Historical Recognition of Communities Project. My participation in the project was the best thing in the world, I learned a lot, both in relation to my community, and about the historical facts that were told by the residents themselves. I had the experience of participating as a director and reporter. The funny thing was that at that time, I already sort of wanted to study journalism, and after this experience, I was sure that this was what I really wanted; in other words, for me, this was a chance to discover my future. The whole team and I will certainly never forget the Historical Recognition of Communities Project, since after all, 'those who do not have a memory do not have a history. May Samarco continue to go down this path, bringing benefits to everyone and to the other communities.'

Renata Almeida Delfino, student at Santa Helena School, in the community of Santa Helena, municipality of Itapemirim (ES), who participated in the Historical Recognition of Communities project.

- **Program of visitation to Samarco industrial units** – in 2010, 2,926 people participated in this program, including students, community leaders and residents. There were 1,039 visitors at the Ubu unit (in Anchieta – ES), 714 visitors in Muniz Freire (ES) and 1,173 visitors at the Germano unit (MG). This program allows access to Samarco's facilities and to information on the Company and on our production processes.
- **Education for sustainability** – in 2010, the Sustainable Agriculture Meeting in the Caparaó Capixaba Region was held, with the participation of 22 regional leaders. We organized this event in partnership with the Caparaó Consortium and with the Federal Institute of Education, Science and Technology of Espírito Santo (IFES) of the municipality of Alegre (ES). The meeting presented and discussed the paths to sustainable agriculture in the region.





Social Project, Matipó – MG

- **First Local External Development Exhibit** – We held the First Local Development Exhibit in Minas Gerais and Espírito Santo. The purpose of this event was to present the results of the social projects that are developed by Samarco in partnership with communities located next to our industrial units and the communities where the pipelines pass through, and to show how we act through Social Dialogue, Internal Engagement and Social Investment. The event included eleven exhibitors in Espírito Santo and eight in Minas Gerais, and received some 600 visitors in Minas Gerais and 250 in Espírito Santo.
- **Events and forums** – In 2010, also as a kind of Social Dialogue, we participated in events and forums related to this topic, like the Ubu Forum, the 2nd State Community Development Meeting, the Reference Group of Companies in Sustainability (GRES), coordinated by the Ethos Institute, and work groups from the non-government agency, “Espírito Santo in Action”.

Social and Institutional Investment Policy (SIIP)

The new Social and Institutional Investment Policy (SIIP), launched in 2010, represents an evolution in our old Social Investment Policy, created in 2007, which underwent a revision.

This evolution took place because of the need for integration of two complementary processes: social

investments and institutional investments, so that they can move forward in an integrated manner, ensuring their strategic alignment.

Therefore, the objective of SIIP is to make the main aspects that guide our investments in the institutional and social fields more systematic, covering aspects like the use and granting of resources for projects, sponsorships, donations and contributions. These aspects are consolidated in the form of fundamental principles, guidelines, concepts, criteria and procedures that govern this matter within the scope of the Company. This way, we are able to join and align two procedures that we consider to be very important for the Company.

To support this process, we created a multi-disciplinary work group, composed of professionals from different areas, which is working to develop a new system, to make the process more efficient and to guarantee safety and traceability of the information. The objective is to review the processes and implement improvements to the Social and Institutional Investment Management System, increasing control and the quality of social investment management.

We also reviewed the governance model of this matter, focusing on the management and interaction with the Social and Institutional Investment Directing Committee and other control and decision making levels.

Social Investment

In 2010, the new social investment guidelines were approved, and they are now part of the Social and Institutional Investment Policy – SIIP, which guides the support process of social development for the Samarco areas, with a focus on education, income generation and entrepreneurship.

With regards to social investments, the most important objective of the new Policy is to govern and establish guidelines on the financial support policy through Company projects, sponsorship and donations, to provide enhanced transparency and clarity, closer alignment with our strategies and better document management.

These social investments are made both **indirectly**, through invitations to present projects and sponsorships, prepared by the communities, and **directly**, when we identify the social questions that are important for the development of the communities, and which are related to our Policies, our Values and to our business strategies and we conduct social actions directly, through programs and projects in partnership with other agents of local development.

The total amount of social investment by Samarco in 2010 was R\$ 4.1 million, in the communities neighboring our operations and in communities located in regions where pipelines pass through.

• **Invitation to submit projects, sponsorship and donations** – through the social project invitation (indirect social investment), 52 projects were supported, with total investment of R\$ 1.14 million; of these, 25 were in Espírito Santo and 27 were in Minas

Gerais. Through the invitation to present proposals for social sponsorship and donations, R\$ 776 thousand was invested in 28 initiatives in Minas Gerais and 30 in Espírito Santo, related to strengthening of social capital, social management, education, income generation, entrepreneurship, health, sporting activities, culture and the environment.

• **Inclusive Local Development Program (ILDP)** – one of the main highlights of 2010 in terms of direct investment was the implementation of the community inclusive local development model. The Inclusive Local Development Program (ILDP) seeks to promote autonomy, citizenship and action in communities, by valuing local culture, business training, vocational orientation and environmental education actions. In 2010, a variety of activities to train young people and adults were conducted in the ILDP, to make them the protagonists of their own development, through programs and actions planned together with representatives of community leaders, local companies and the government. Forty-five people benefitted in the communities of Ubu and Parati, in Anchieta (ES), and 37 people in the community of Antônio Pereira, in Ouro Preto (MG); the ILDP was implemented as a pilot program in these communities. For 2011, the objective is to broaden this initiative in the communities where it was already implemented and extend it to other municipalities. The forecast is for more than 300 residents of each state to be directly or indirectly benefitted, with actions like workshops on the circus, photography and filming, sporting activities, leadership and training courses, presentations on business management and the environment, as well as the creation of local development committees in the communities, with representatives of public entities and civil society.



Inclusive Local Development Program, Antônio Pereira, Ouro Preto - MG



I began to have contact with Samarco five years ago, when I moved from São Paulo to Antônio Pereira, in Ouro Preto (MG). I am not directly a part of any association, so my relationship with Samarco is through events in the community, like presentations, courses, or on the Company site. I see respect for nature and for people, community union, culture, and principally, sustainability in Samarco's Values.

For me, participating in the Project Preparation Course was extremely constructive, and it enlarged my vision of the social side of community. It was surprising to see the unification of opinions that had until then been in disagreement with regards to the real needs of the community as a whole. The course taught us to prepare projects without having to turn to people or institutions who charge (often exorbitant prices) to prepare the

projects. It showed this side of Samarco in the process of project approval, which was unknown to the majority of participants, and which people had thought was a simple process; they had no idea of the bureaucracy, of the number of people involved to ensure that the result was all this that Samarco seeks as sustainability. In fact, many people discovered that the role that Samarco wants to play in the communities is to teach people how to fish, and not to give them the fish. I think Samarco is on the right path. What is needed is for the community to become aware of the relation between companies and communities; there are many people who still think that it is the obligation of the Company to support the community and they forget that there are other institutions, like the municipal government, which really have obligations to the people. What is missing is for us to know our rights as citizens."

Cristiane Marques Paiva, building technician, from the community of Antônio Pereira, in Ouro Preto (MG), who participated in the Project Preparation Course, an action that is part of the set of initiatives of Samarco's Inclusive Local Development Program (ILDLP).

We also made direct social investments through other Company initiatives, such as:

- **Samarco is More Community Program** – the purpose of this program is to value and maintain culture and local development, through transformative interventions. In 2010, five initiatives were undertaken in Minas Gerais, benefitting 2,500 people; there were 20 initiatives in Espírito Santo, which benefitted 10,870 people.



Employees visit Local Development Exhibit, Germano – MG

- **Awaken for Life Program** – this program focuses on educating and raising awareness among adolescents and young people (between the ages of 10 and 23), as well as parents and guardians, regarding matters such as promoting civic involvement, human rights and health and sexuality. In 2010, 90 people benefitted from the program, in three communities in Espírito Santo, and 146 people in four communities in Minas Gerais.

- **Citizen of the Future Project** – the purpose of this program is to promote activities that enhance the work done by Schools that can have a positive impact on the performance of students in the classroom, and with their families and communities, to fight social risk and improve the quality of life. In 2010, this project benefitted 130 students in Mãe-Bá, a community in Anchieta (ES); 92% of these students had above average grades. We also held an event to present the results, in which 250 people participated. This Project is a partnership between Samarco, the Public Attorney's Office of the state of Espírito Santo, the Municipal Government of Anchieta and the Community Association of the Mãe-Bá District and its actions are divided into three main areas: education, sports and culture.

- **Environmental Education Program** – this program works in tandem with schools and communities and seeks to raise awareness and change attitudes about the environment. It is carried out through the following activities: the ECOknowledge Trunk, a travelling library with children's books, documentaries and digital video movies that all deal with environmental themes. It also works with puppets and costumes for dramatizations, with teaching guidelines for teachers to help them use the materials; MOVIESchool, in which parents are also invited to watch a movie on an environmental theme at the school; ECOlogical Fair, which begins with a recycling workshop in which students learn to create a variety of articles using recycled materials; ECOMusic Festival, an event focused on adolescents, which includes students in a practical way in activities focused on preserving the environment; and the Heritage Project, which focuses on preserving local social and environmental heritage.

In 2010, 2,984 elementary and high school student participated, together with 164 teachers in 12 public schools in the municipalities of Anchieta, Guarapari and Muniz Freire, in Espírito Santo. In Minas Gerais, 3,914 student and 491 teachers participated, in 11 schools in the municipalities of Mariana, Ouro Preto, Abre Campo and Matipó.

- **Environmental Education Program – Right of Way** – in the municipalities located along the pipeline right of way (an area 35 meters wide around the pipelines), this program is

dedicated to the communities located close to our pipelines and its purpose is to train rural producers through courses on coffee growing.

In Espírito Santo, 263 rural producers received training, in the municipalities of Dores do Rio Preto, Guaçuí, Alegre, Jerônimo Monteiro and Muniz Freire; in Minas Gerais, 167 rural producers received training, in the municipalities of Matipó, Santo Antônio do Gramma, Barra Longa, Ponte Nova and Abre Campo.

- **Training** – preparing trained professionals is another of Samarco's concerns, since Brazil is facing a lack of specialized workers to meet the demand for technical functions. For this reason, in 2010 we began a specific action to train people in technical courses on the Environment, Occupational Safety, Mechanics and Electro-technics. To help defray the costs, we offer a stipend equal to 70% of the minimum salary. This year, 200 residents in communities neighboring our operations received the benefits.



Citizen of the Future Project, Anchieta – ES

Internal Engagement

- **Voluntariado** – In 2010, our volunteering programs enjoyed the support of 1,717 people, including direct and contractor employees, as well as family members, friends and other partners, who worked in actions to train or support schools, or participated in other initiatives.
- **Junior Achievement** – Samarco is a sponsor of Junior Achievement (a non-governmental association that is present in several countries, which uses educational programs to awaken the spirit of entrepreneurship, encourage personal development and facilitate access to the labor market for students in public schools). The programs are run by Samarco and contractor employees, who work as volunteers. In 2010, 115 volunteers participated in 136 program activities in 12 partner schools, benefitting 2,187 students in schools in Anchieta and Guarapari, in Espírito Santo, and Mariana, Ouro Preto and Matipó, in Minas Gerais.
- **Solidary Tax** – the Solidary Tax Program allows Samarco employees to annually direct part of their Income Tax due to the Municipal Councils for the Rights of Children and Adolescents. In 2010, the Program was supported by 258 employees, who allocated R\$ 148.632,02 to the Municipal Councils of Anchieta and Guarapari, in Espírito Santo, and Mariana and Ouro Preto, in Minas Gerais.
- **V Day** – this year, 119 institutions and 1,344 volunteers participated in Samarco's traditional "V Day," including Company and outsourcer workers, family members and partners, which benefitted more than 37 thousand people, at 63 institutions in 14 municipalities. These actions were held in the municipalities of Belo Horizonte, Ouro Preto, Mariana, Santa Bárbara, Ponte Nova, Barra Longa, Abre Campo, Espera Feliz and Matipó, in Minas Gerais, and Anchieta, Piúma, Guarapari, Serra and Muniz Freire, in Espírito Santo.
- **First Internal Local Development Exhibit** – we held the First Internal Local Development Exhibit, in the municipalities of Mariana (MG) and Anchieta (ES). The objective was to present the results of the social projects developed by Samarco in partnership with the neighboring communities to its industrial plants and pipeline, and to show how the Company acts through Social Dialogue, Internal Engagement and Social Investment. The event included the participation of 11 exhibitors in Espírito Santo and eight in Minas Gerais with the participation of some 1,500 visitors.



V-Day volunteering action at Casa Lar Estrela, Mariana – MG

Social works

In addition to all the initiatives described in the chapter on "Communities" and the works mentioned in the item on "Engineering and Projects", we also have social works, which are being built in the communities neighboring Samarco's facilities. All told, there are thirteen works, which have been defined and approved together with the community and local governments.

The purpose of these works is also to fulfill Requirement no. 53, which covers the execution of projects designed to improve the infrastructure and social equipment in the communities neighboring the Company's operations. Requirements are instruments, instituted in the environmental licensing procedure, with the objective of mitigating negative impacts, strengthening positive impacts, and when it is not possible to mitigate them, to compensating for these impacts.

Among the works which were begun and/or finalized in 2010, we can mention the following:

Enlargement and renovation of the Renata Almeida Nascimento Municipal Child Education Center (day care center), in Condados, in the municipality of Guarapari (ES).

This was a renovation with enlargement work, in an area covering 400 m², with a *total investment* of R\$ 537.085,79. *The work was concluded in December, 2010.*

In addition to serving the 92 children enrolled, the first day-care center in the district will also serve the neighboring communities. This teaching center now has four classrooms, with a capacity for up to 120 students.

Renovation of the 10th Military Police Battalion Headquarters in Anchieta (ES).

This work resulted from an agreement between Samarco and the Military Police of Anchieta (ES). *The total investment was R\$ 243.315,67. The work was concluded in March 2011.*

Renovation of the Goembê Community Center, in Anchieta (ES).

The objective is also to comply with Requirement no. 53, which covers the execution of social works in the area around Samarco, in Espírito Santo. This was a renovation with enlargement work. *The total investment was R\$ 393.213,00. The work was concluded in April 2011.*

Renovation and enlargement of the Community Social Headquarters of Ubu, in Anchieta (ES).

The objective is also to comply with Requirement no. 53, which covers the execution of social works in the area around Samarco, in Espírito Santo. This was a renovation with enlargement work. *The total investment was R\$ 742.753,00. The work was concluded in May 2011.*

- Construction of the Mãe-Bá Sports Center (CEMBA), in Anchieta (ES).

The construction is on a lot measuring 12,100 m² and includes a fenced-in soccer field with bleachers for 240 people, a track, two sand courts, a locker room, bathrooms, office area and a snack bar. The work is underway, and *the total investment was R\$ 2.270.852,34. The forecast for conclusion of the work is July 2011.* This work is monitored at the meetings of the Conduct Adjustment Agreement (TAC).



Unions

We have a good relationship with the unions that represent our employees. It is a relation that has been built over time, and is mature and based on mutual trust.

As a result of this process, negotiations with unions have been occurring in a respectful manner, and differences are being settled at the negotiating table. In 2009, a two year agreement was signed with the unions, which did not need to be reviewed in 2010, since everything that had been pre-determined was complied with.

Our relationship covers four labor unions: Metallurgical, Mechanical and Electric and Electronic Material Workers' Union in the state of Espírito Santo (ES); Iron and Basic Metals Extraction Industry Workers' Union of BH, Nova Lima, Itabirito, Sabará and Santa Luzia (MG); Iron and Basic Metals Extraction Industry Workers' Union of Mariana, Santa Bárbara, Barão de Cocais, São Gonçalo do Rio Abaixo and Rio Piracicaba (MG); and the Waterway Transportation Workers' Union of the state of Espírito Santo (ES).

For 2011, we expect to sign another two year agreement.

Our collective agreements cover 100% of our employees, and in 2010, there were no recorded cases of violations of union membership rights.

As set forth in our Code of Conduct, we guarantee the right of free association and collective bargaining, always with a posture of respect and ethics towards stakeholders.

We have an Occupational Health and Safety Policy, which is broadly divulged. In our Collective Bargaining Agreement, there is a clause stating that Samarco will maintain its Occupational Safety programs.





O The Metal Workers' Union of Espírito Santo (Sindimetal - ES) has had relations with Samarco for more than 20 years. Our daily relations are respectful on both sides, in spite of the fact that we occasionally have disagreements, but they are always dealt with in a coherent and professional manner. During this period, excellent agreements have been signed between the Company and the employees, with the added value of trust and transparency, which the union and company have achieved over the years. I believe that Samarco is on the right path in its relations with its employees."

Sandro Dalla Bernadina, director of the Metallurgical, Mechanical and Electric and Electronic Material Workers' Union in the state of Espírito Santo (ES).



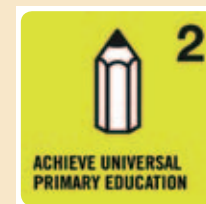
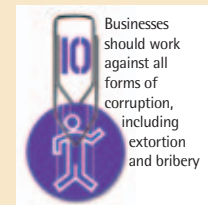
Government

Samarco understands that interaction with the government is essential to find solutions that enhance opportunities and solutions in the economic, social and environmental fields, notably in the Company's areas of influence.

More and more, in our institutional relations with existing powers, we have interacted with different levels of government to study, debate and/or implement actions jointly, which result in improvements for society. These discussions have included business and community leaders, who present their contributions to development.

In this form of working, seeking engagement and connections with the government, civil society and companies, we can mention the following representative events at which we were present in 2010:

- Participation in the Sustainability Council of the Federation of Industries of the state of Minas Gerais (FIEMG).
- Work on the theme committees of "Espírito Santo in Action," a business movement that promotes proposals in favor of the development of the State of Espírito Santo.
- Participation in the "Agenda 21" of the municipality of Anchieta (ES).





Since 2009, when I became Mayor, some agreements between the Municipality Samarco have continued, and each year, new agreements are structured in the areas of Health, Education and the Environment, which are evidently the result of a pro-active administration that seeks to promote development with quality of life for all the residents of Guarapari. All this is the result of the good relations between the Municipal Government and Samarco, which demonstrates every year its concern with sustainable growth. In our day-to-day activities, I understand that strategic development is present through projects that are specific to Municipal Government, together with other projects run by Samarco, like: construction and renovation of schools, training of municipal civil servants and preservation of the environment. In this case, we can mention the agreement for maintenance and conservation of the Morro da Pescaria Municipal Nature Park, and of future projects like the revitalization of the Radium Hotel and Tartaruga Park, which is being created by the municipal government for visitation and leisure activities for families, as well as environmental preservation. We can also point out that a large number of Samarco's employees here reside in Guarapari. Besides enjoying the benefits

of the city, they contribute to the local economy. In a way, Samarco's greatest contribution is in the area of direct influence on the communities of Meaípe, Porto Grande and Condados; recently, the Company renovated and enlarged a day-care center in Condados, which is certainly an advance in the educational areas and for the families that leave their children in a new environment, with appropriate physical space, This facilitates the integration between the Municipality and Samarco, since many people in these families are employees of the Company, and so the feasibility of the service adds value to all residents of the region. Soon, to underline this good partnership, we will build a day-care center in Meaípe. These works were present in the Requirements for the environmental licenses, but regardless of these requirements, Samarco has served the Municipal Government with positive actions, which together with the actions of the Guarapari Municipal Government have produced highly beneficial effects towards creating a society that gives its members more dignity and preserved values, always with the proposal of promoting growth and development in our region, in a strategic manner."

Edson Magalhães, Mayor of the municipality of Guarapari (ES).



During the four years I have been in the Mayor's office, our relationship with Samarco has been governed by ethics, transparency, and above all, by the partnership in daily life in the city. This relationship adds value to the political, economic, administrative and social aspects, not only for the municipal government, but for everyone in Guaçuí. Samarco represents an essential landmark in development for the municipality, contributing to job and income creation in all areas of the municipal economy, principally in the hotel industry. This is so because the municipality benefits from the passage of two pipelines belonging to this Company."

Vagner Rodrigues Pereira, Mayor of the municipality of Guaçuí (ES).

Press

Our relationship with the press is based on maintaining an open and transparent dialogue. We understand the press to be a public of great importance for the creation and maintenance of our reputation, since it is a direct channel linking us to society. For this reason, every contact with press professionals is made with our Values and ethical behavior as a background, following the same guidelines we use with all our stakeholders.

In 2010, we intensified the press relationship process to create greater synergy and enhanced transparency with this group. We worked to ensure that the press vehicles located in our area of direct influence, regardless of size or coverage area, have access to the information they need, creating a bond based on mutual trust. Based on this objective, we invited journalists to plant trees in our legal reserve area, in a symbolic gesture that represents the bond between these professionals and the environment they live in, since their job is to record the history of the society where Samarco is located. We also invited journalists to learn more about our production process and our industrial facilities, among other relationship actions.

This orientation is valid for all press vehicles, regardless of size, focus of activity, or geographical coverage area.



Agenda 21 Representatives visit Samarco, Anchieta – ES



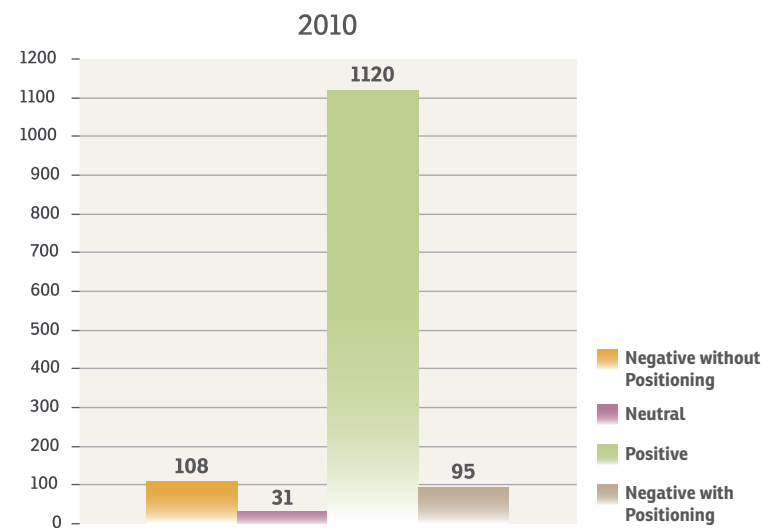
Planting trees during journalists' visit, Ubu – ES

According to the media analysis studies published in 2010, a total of 1,354 stories were recorded that mention the Company.

The Samarco press office puts the stories published into four profiles: positive, neutral, negative with positioning and negative without positioning.

In 2010, of the 1,354 stories recorded, 1,120 were classified as positive (82.7%); 108 were classified as negative without positioning (8%); 95 were classified as negative with positioning; and only 31 (2.3%) were classified as neutral.

These rates reflect the positive perception of Samarco's practices and initiatives.



We have been consulted by both the international press, as we are one of the largest exporters in Brazil and the main participants in the seaborne iron ore pellet market, and by the national, regional and local press, since we have relations in all these spheres.

Since our two pipelines, which are about 400 kilometers long, go through 25 municipalities in the states of Minas and Espírito Santo, we have a direct relationship with the press in these locations. Currently, we have relations with some 110 press entities in the cities and districts where the "right of way" is located. This is an area 35 meters wide around the pipelines.

Total of 1,354 reports from January to December/2010	1,120 positive (82.7%)
	108 negative without positioning (8%)
	95 negative with positioning (7%)
	31 neutral (2.3%)

On the other side, to divulge topics, projects, actions and results that are relevant to Samarco, we prepared 108 releases to send to the media and opinion makers, covering the following topics:

Community Relations = 46 releases (50%)

Institutional Agenda = 13 (12%)

Human Resources = 12 (11%)

Fourth Pellet Project (P4P) = 12 (11%)

Environment = 11 (10.2%)

Production = 6 (5.5%)

Supplies = 3 (2.7%)

Health and Safety = 2 (2%)

Innovation = 1 (>1%)

Financial= 1 (>1%)

Sustainable Development = 1 (>1%)

Financial Institutions

The financial system is an important component in the process of the country's development. Therefore, we use financial products and services to obtain the most appropriate results.

In our daily activities, we seek to guide our relations with these institutions in a professional, transparent manner, with a focus on our Values.

Our financial operations are supported by internationally recognized accounting standards that are periodically analyzed by independent auditors.

Businesses should support and respect the protection of internationally proclaimed human rights

Undertake initiatives to promote greater environmental responsibility

Encourage the development and diffusion of environmentally friendly technologies

ENSURE ENVIRONMENT SUSTAINABILITY

GLOBAL PARTNERSHIP FOR DEVELOPMENT

Public Attorney's Office

In our relations with society, the Public Attorney's Office has become an ever more present party. We are seeking to advance in a new type of relationship between Samarco, organized society and the government, and the Public Attorney's Office is an important institution in this process.

As an example of this relationship, in terms of actions signed in favor of society, we note that in 2010 we continued to execute the commitments made through the Environmental Commitment Statement (TCA) that we signed with the Government of the State of Espírito Santo and the Public Attorney's Office in 2009, in the total amount of R\$ 150 million.

These funds are being invested in seven items indicated in the Statement, covering improvements to our industrial process and the port, in order to reduce our atmospheric emissions. The projects related to the TCA will extend into 2011.

Political Parties

We do not make financial donations of any kind to political parties or to candidates for public office in any country, as we are guided by impartiality with regards to political parties.



The provisions governing this matter are set forth in the Samarco Code of Conduct.

Relationship Center

Samarco has a Relationship Center that operates as an open channel for dialogue with society.

This is one of the main communications channels between the Company and the external publics, and its utilization and acceptance rates reinforce its importance. In 2010, the Center received 6,886 new comments, many of them regarding the Fourth Pellet Project, and concluded 99.24% of the calls (in 2009, 98.60% of the calls were concluded).

The most common comments were about:

- Information regarding employment opportunities at Samarco (employment, internships, registration of resumes, vacation internships and other opportunities).
- Orientation on how companies that want to become registered suppliers can do so.
- Information referring to social investments.

The acceptance and quality of the services can be seen in a survey that the Company used with a sample of people in Minas Gerais and in Espírito Santo who used the service during the first half of 2010. A total of 128 people were interviewed. The users interviewed gave the Center a rating of 87.84% for quality, classifying services as strong and excellent. The main point of attention was the item "response time." A new survey will be held every six months, in order to improve this service.

When they contact the Center, people can make requests, complaints, invitations, praise, and accusations, and these topics are sent to the internal areas responsible for the responses. All comments are responded to.

The Relationship Center is available seven days a week and can be reached through the "Talk to us" channel, at Samarco's site (www.samarco.com), and through the toll-free number 0800 031 23 03.



ENVIRONMENTAL MANAGEMENT

Based on its Mission statement, Samarco considers environmental management vital to disseminating the sustainability concept among the Company's operations and to maintain its activities. A responsible management of natural resources and environmental impacts resulting from our activities is included in all our business strategies.

We are convinced that only through the conscious and rational use of natural resources and the adoption of environmental care in all our operations it will be possible to move towards sustainable development. Thus, at Samarco, environmental management is closely related to sustainability.

Our environmental management begins with the development of environmental impact and risk management plans. Within an environmental context, the risk assessment process consists of the following phases: Identification, analysis, classification, evaluation and indication of actions necessary to eliminate or minimize such risks.

Environmental Investments and Expenses

In 2010, the total amount spent with environmental management and protection projects and actions was **R\$ 83,931,727.85**.

In the previous year, investments and expenses amounted to R\$ 16,188,112.00. This increase in relation to 2009 can be explained by the fact that major works were carried out in 2010, e.g., Germano tailings dams (MG) and new electrostatic precipitators of the Ubu facility (Anchieta – ES).

Investment and spending on environmental projects and programs*

Year	ES	MG
2007	1,101,000.87	3,295,304.50
2008	1,609,016.00	14,827,310.00
2009	7,568,496.00	8,619,616.00
2010	48,569,436.00	35,362,291.85

Total investment and spending on environmental projects and programs*

2007	10.2
2008	16.43
2009	16.18
2010	83.93

*(R\$ million)

Gross revenue percentage invested in environmental projects and programs

2007	0.41%
2008	0.40%
2009	0.57%
2010	1.31%



2010	(R\$)
Integration of the Air Quality Monitoring Network Database	2,584,372.24
Wind Fence Installation Assessment	983,255.75
Enclosure of transfer points of the storage and shipment line	2,532,438.39
Paving of the main internal thoroughfares	1,943,114.64
Construction of the new Germano Sanitary landfill	299,892.50
Expansion and adaptation of the building / laboratory of the Germano Water Treatment Plant	10,716.64
Modification or adaptation of the current Germano Domestic Wastewater Treatment System	359,920.00
Installation of NOx, SO2 and CO2 meters at stack 85VT07 - Plant II	422,075.20
Adaptation of the Water System - Use of Groundwater Pumped to the Surface in the Mine as Drinking Water	86,437.68
Upgrading of the Drainage System of Waste Pile 1010	99,928.99
Conservation/management of Legal Reserve Areas and Permanent Preservation areas undergoing Advanced Stage of Regeneration	81,841.44
Adaptation of the Port Terminal lighting system to minimize impacts on nesting sea turtles	185,134.00
Adjustment of the Environmental Management System	43,688.00
IT Infrastructure for Deployment of Air Quality Monitoring Network	54,319.63
Electrostatic Precipitators Installed at the Discharge of Furnaces	27,565,280.84
Upgrading and improvement of the Fundão Dam	25,717,909.85
Adjustment of the water/oil separator system	279,775.32
Conduct Adjustment Agreement (CAA)	8,289,654.77
Study on the use of tailings as raw material for other processes - sandy tailings	606,092.17
Study on the use of tailings as raw material for other processes - slimes	492,525.97
Maintenance of slopes in the area of Concentrators I and II	767,971.86
Maintenance services in the Right of Way	3,041,420.69
Development of waste utilization projects	58,142.87
Compliance with environmental regulations of the Muniz Freire Hydroelectric Power Plant	484,769.33
Compliance to forest requirements and compensation - Germano Concentrator 2	1,022,810.01
CDM Project and GEE Inventory	107,730.70
Compliance with requirements of Pellet Plants 1, 2 and 3	3,423,849.37
Compliance with requirements and environmental / forest compensations - Pipeline System 2	1,097,154.97
LCA Project - Life Cycle Analysis	142,765.58
Sustainability Guidebook	7,238.45
Expansion of the waste disposal area (tailings from the ore beneficiation process)	1,139,500.00
TOTAL	83,931,727.85

It is important to emphasize that in 2010 we proceeded with the implementation of the **Environmental Commitment Agreement (ECA)**, signed in 2009 with the Public Prosecution Service of the State of Espírito Santo and with the State Institute of Environment and Water Resources of the State of Espírito Santo as the leading technical agency, representing an investment of R\$ 150 million. This amount is being invested in seven commitments stated in the Agreement, which are being met and include improvements of the industrial and port complex in order to reduce dust emissions and upgrade the environmental monitoring systems, thus benefiting the neighboring communities. Projects are expected to be completed in 2011.

Environmental Licensing

We understand the licensing process as an important demonstration of our commitment to responsible operation, because the licenses symbolize the permit that society grants us to maintain and expand our operations.

An environmental license is an instrument by which the competent environmental agency establishes the conditions that must be met for the location, installation, expansion and operation of a project.

With regard to water, we have managed to obtain or renew all Operating Licenses and Grants relative to water rights, both in Minas Gerais and Espírito Santo.

With regard to operation: In 2010, for the Pellet Plant 4 Project, a Previous License was granted for Pellet Plant 4, Ubu (ES), and Installation Licenses were also granted for Concentrator 3, Germano (MG), and for Pipeline System 3, which will link the two units. The Installation License required for Pellet Plant 4, Ubu, was granted in the first quarter of 2011.

Water Management

In order to upgrade our water management guidelines, a diagnosis and a prognosis on the use of water were developed in 2010 covering the entire production process.

This study recommended short, medium and long term actions relative to infrastructure and water resource management that were compiled into a Water Resource Master Plan. The actions outlined in this Master Plan will be implemented throughout 2011. A key aspect that was

identified is that the pellet plants are not interconnected in terms of water recirculation.

In late 2010, we signed another **Environmental Commitment Agreement (ECA)** with the State Institute of Environment and Water Resources of the State of Espírito Santo (IEMA), focusing exclusively on the water issue. The goal is to improve the management of water resources, especially with regard to wastewater treatment and recycled water, seeking to improve the use of this important resource. The actions resulting from this Agreement got started in 2011. One of the proposed projects is the installation of a plant to treat effluents stored in the North Dam, which occasionally outflow to the Mãe-Bá Lagoon.

Water use in the Samarco production process is structured in an integrated manner, considering the whole operation, from Minas Gerais to Espírito Santo. All the water coming into the Ubu Unit (ES) through pipelines, mixed with ore, is treated and stored in an industrial dam - North Dam - for later use in the production process. The ore slurry that is delivered to the Ubu Unit (ES) via pipelines goes through a solids/ water separation process. The solid fraction (ore) is directed to the production process, while the water is directed to the Samarco Industrial Wastewater Treatment System and, subsequently, to the North Dam, from where all water consumed in the pelletizing process is abstracted. This water recycling practice eliminates the need to abstract water from sources located in the vicinities of the pellet plants, thus reducing the pressure to use such resources.

The Samarco pellet plants do not use all the water that is recycled to the production process. The surplus of treated water is piped to the Mãe-Bá Lagoon, always under controlled monitoring conditions, duly inspected by the environmental agency of the State of Espírito Santo (IEMA). In 2010, **2,938,441 m³** were abstracted, considering a maximum allowed volume of up to **4.6 million m³ / year / grant**.

Water is stored in the North Dam, Santarém Dam and Matipó Dam, in Minas Gerais. The Santarém Dam stores industrial water to be permanently used by the Germano Concentrator 1 (MG).

Total volume of water abstracted per source (m³x10³) - 2008

Abstraction Source	Piracicaba River	Gualaxo River	Matipó River	Alegri Wells	Ubu	Total
Surface water	4,578,885	3,530,380	613,999	-	N/A	8,723,264
Groundwater	-	-	-	2,137,136	N/A	2,137,136
Total	4,578,885	3,530,380	613,999	2,137,136	N/A	10,860,400

Total volume of water abstracted per source (m ³ x10 ³)	2009	2010
Piracicaba River	3,923,704,00	4,293,092.00
Matipó River	550,612,00	644,234.70
Gualaxo River	8,181,607,00	9,257,000
Alegria Wells	1,096,551,00	2,155,671.00
Total Water Consumption (m³)	2009	2010
	13,762,474	16,349,998

Note: In 2010, the higher consumption is explained by the higher production rate.

Sources significantly affected by water abstraction

	2008	2009	2010
Water Body	m ³ /year	m ³ /year	m ³ /year
Piracicaba River	4,578,885	3,923,704	4,293,092
Matipó River	613,999	550,612	644,235
Gualaxo River	3,350,380	8,181,607	9,257,000
Alegria Mine Drawdown Wells	2,137,136	1,096,551	2,155,671
Total	10.680.400	13.752.474	16.349.998

Water recycled and reused	2008	2009	2010
Total water recycled/reused (m ³ x10 ³)	138,947	133,920	158,456
Recycled/reused water / total water consumption (%)	92.23	90.68	90.65

Note: The amount of recycled / reused water was higher in 2010 due to a higher production rate.

Total water discharge, by quality and destination

Unit	Quantity (m ³)	Treatment	Quality	Destination
Germano (MG)	16,411,422	Physicochemical	Within legal standards, according to water classification	Rivers and streams
Ubu (ES)	2,938,441	Physicochemical	Within legal standards, according to water classification	Mãe-Bá Lagoon

Effluents from the Germano Unit (MG) are discharged into the Santarem, João Manuel, Macacos and Matipó Streams, in Minas Gerais, while the Ubu (ES) effluents are discharged into the Mãe-Bá Lagoon. To prevent risks, the level of the North Dam - used as a storage facility for recirculation water - is permanently monitored. When the alert level is about to be reached (5.5 m), the effluent is discharged into the Mãe-Bá Lagoon, duly monitored and analyzed by the environmental agencies for its quality.

Regardless of the whole industrial process, we seek to ensure, continuously, the quality of water that is used both by Samarco and neighboring communities, according to parameters set by the environmental legislation. To ensure water quality, we conducted a continuous monitoring of streams, reservoirs and ponds.

In 2010, studies and monitoring of the limnological and ichthyofauna conditions of the Mãe-Bá and Ubu Lagoons were conducted by the Norte Fluminense State University, in addition to the Master Plan for Coastal Lagoons of the municipalities of

Guarapari and Anchieta (ES), in partnership with the Municipal Environment Secretariats of Anchieta and Guarapari and the Environment and Water Resource Institute of the State of Espírito Santo (IEMA).





Energy Management / Energy Efficiency

For the purpose of continuously improving our energy management, we have assessed alternative sources of energy. Within this context, it is worth emphasizing the replacement of fuel oil with natural gas at pellet plants in Anchieta (ES). (See more details in the section on "Air Emissions.")

We count on two hydroelectric power plants - Muniz Freire (ES) and Guilman-Amorim (MG) - which generate about 20% of the energy consumed by Samarco.

The remaining 80% are purchased through long term contracts signed with companies that generate energy from renewable sources, backed by hydropower projects. Therefore, 100% of the electrical power consumed by Samarco is generated from renewable sources.

On a daily basis, we monitor power consumption and seek to implement actions to decrease the level of loss in the electrical system and to reduce power consumption in the operations.

In 2010, total power consumption at Samarco was 1,957,295 MWh, being 392,482 MWh (20%) from self-generation (Muniz Freire, Espírito Santo, and Guilman-Amorim, Minas Gerais) and the remaining 80% from external sources.

Evolution of electricity consumption (MWh)

Indicators	2008	2009	2010
Annual consumption	1,545,869	1,537,616	1,957,295
Acquired from third parties	1,497,160	1,288,032	1,649,226
Self-Generation	371,525	402,830	392,482
Self-generated / total power consumed (%)	24	26.20	20.05

Atmospheric Emissions

The major milestone in 2010 was the completion of the project involving replacement of fuel oil with natural gas at Samarco pellet plants in Espírito Santo, as of May 2010. This is an item of the global agenda of environmental concern whose repercussion is quite positive.

The use of **natural gas** in the plants, despite having started only in the second half, has allowed a significant reduction of emissions of gases such as sulfur oxides and nitrogen oxides (see tables below).

Additionally, 158,000 tons of CO₂e will no longer be emitted by the three plants per year, which represents around 10% less greenhouse gases (GHGs) released into the atmosphere by the Company.

Fuel oil, which until then was used in pelletizing furnaces, was the single responsible for about 40% of all emissions of greenhouse gases (GHGs) at Samarco. Fuel oil was then replaced with natural gas, without affecting the production and the quality of the pellet product.

This deployment resulted in other positive impacts:

- The quality of our main product (pellet) improved after fuel oil was replaced with natural gas because the sulfur content in the pellets decreased. This improvement has even been noticed by clients.
- It is expected that solid waste management improves as a result of the reduction of the amount of fuel oil waste, which is classified as hazardous.
- We introduced a Clean Development Mechanism Project (CDM) and, in December 2010, the project was registered with the United Nations (UN), which allows us to trade carbon credits. The amount raised from these transactions (the forecast is US\$ 2.5 million per year) will be reinvested in the Company to support other eco-efficiency actions, deployment and maintenance of protected areas and other projects and research aimed at sustainable development.

- The oil-fired burners were replaced with natural gas-fired burners and other instruments, which are less harmful to the environment, and are highly automated using state-of-the-art technology, making the production process more efficient. As part of the items covered in the Environmental Commitment Agreement (ECA), in 2010 we proceeded with installation of new **electrostatic precipitators** at the discharge section of furnaces of Pellet Plants I and II, in Espírito Santo. These pieces of equipment will be added to the existing ones, which are used to control the emission of particulate matter during the pellet production process and stacking and reclaiming processes at stockyards and at the ship loading area.

In 2010, we developed our 4th Inventory of Greenhouse Gases. The inventory was audited by an independent firm and published in the Brazilian GHG-Protocol Program - being awarded a "gold" label. The inventory contemplated direct and indirect emissions.

Types of Emissions - 2008	(CO ₂ e tons)
Direct	1,647,868
Indirect - Energy	58,078
Indirect - Other sources	9,952



Ceremony for signing User Agreement for Natural Gas at the pellet plants, Ubu – ES

Types of Emissions - 2009	
Direct Emissions	(CO ₂ e tons)
Fuel	1,467,178
Thermal Degradation	148,117
Reagents	4,615
Explosives	391
Sanitary Effluents	204
Solid Waste	42
Vegetation Suppression	7,053
Enteric Fermentation of Cattle	1,677
Electricity	0
Total Tons of CO₂	1,629,277
Indirect Emissions	(CO ₂ e tons)
Fuel	1.364
Thermal Degradation	0
Reagents	0
Explosives	0
Sanitary Effluents	0
Solid Waste	0
Vegetation Suppression	0
Enteric Fermentation of Cattle	0
Electricity	25.596
Total indirect emissions (tCO₂eq)	26.960
Total direct and indirect emissions (tCO₂eq)	1.656.238

Our inventory of emissions of greenhouse gases is consolidated every year by an external consultant and includes all our operations. All Class 1 and 2 emissions and part of Class 3 emissions are classified and typified. The inventory has been conducted since 2007 and in 2009 and 2010 it was audited by a third party, and an audit certificate was issued with no exception being taken.

We have sought further integration with our supply chain and our clients, by means of forums or specific meetings in order to encourage suppliers and clients to reduce their emissions.

Types of Emissions - 2010	
Direct Emissions	(CO ₂ e tons)
Fuel	1,653,235
Thermal Degradation	195,007
Reagents	5,538
Explosives	474
Sanitary Effluents	227
Solid Waste	390
Vegetation Suppression	3,415
Enteric Fermentation of Cattle	1,459
Total direct emissions (tCO₂eq)	1,859,744
Indirect Emissions	(CO ₂ e tons)
Fuel	1,645
Electricity	78,788
Total direct emissions (tCO₂eq)	80,433
Total direct and indirect emissions (tCO₂eq)	1,940,177

NO_x, SO_x and other atmospheric emissions (tons)

	NO _x (t)	SO _x (t)
2008	9,215	8,016
2009	8,403	7,310
2010	5,158.60	2,673.80

(Tons - 2008)		
	2008	2009
NO _x	9.215,00	8,403.00
SO _x	8.016,00	7,310.00
Material particulado (PM)	1.131,50	1,128.90

(Tons - 2010)	
Nox	5,158.60
Sox	2,673.80
Persistent organic pollutants (POPs)	NA
Volatile organic compounds (VOC)	NA
Smokestack and fugitive emissions	NA
Hazardous air pollutants (HAP)	NA
Particulate matter (PM)	1,194.90

In 2010 there was a significant reduction of gas emissions in the pellet plants. The reduction is due to the replacement of the energy matrix of the pelletizing process, i.e., fuel oil - natural gas, which took place in May 2010.

We were able to significantly reduce our specific emissions of CO₂e, i.e., the mass (kg) of greenhouse gases released into the atmosphere per each ton of product decreased (see table below). This is due to the fact that, in the pellet plants, fuel oil used for heating the furnaces was replaced with natural gas, a fossil fuel, but of lower carbon content. The replacement was implemented in May 2010 and effectively began in July 2010; in October, the whole system was running perfectly. Despite the brief period during which we have been operating with natural gas, it has been possible to identify the environmental benefits of this substitution. This process enabled a Clean Development Mechanism Project (CDM), registered in December 2010 with the UN Framework Convention on Climate Change. Such registration allows these reductions being turned into carbon credits, which will enable new researches and eco-efficiency projects at Samarco.

Year	kg CO ₂ e / product ton
2008	93
2009	94
2010	83

For 2011, the goals proposed under the Climate Change subject are aggressive. We hope to expand the accounting of Samarco's Class 3 Emissions Inventory, addressing indirect emissions arising from suppliers and also from seaborne iron ore pellets. In addition, two new CDM projects are being designed, aiming to further increase the environmental efficiency of the pellet product.

Waste

Our process of selective waste collection and waste treatment was not changed in 2010.

As reinforcing action in terms of awareness, in December 2010 we distributed aluminum and acrylic mugs to all Samarco employees and contractors, as part of the conscious consumption campaign of the Internal Environmental Education Program. The goal is to decrease consumption of plastic cups, thus minimizing a source of waste generation.

In 2010, about 60% of all waste produced was recycled or reused.

We are also quite attentive to the reutilization of sandy tailings and slimes from the ore processing plant. We are conducting studies on this subject. Our Geotechnical Engineering sector counts on a 20-year Master Plan, including annual tailings treatment actions.

Currently, all tailings are stored in two reservoirs: Germano Dam and Fundão Dam, both in Minas Gerais. In 2010, we completed the recovery of the Fundão Dam, which remained inoperative for a year and a half. One of the drains located at a water outlet was damaged, which resulted in risks associated to dam operation. After the recovery project was implemented, the Fundão Dam became fully operable again. While the Fundão dam was shut down, all tailings were routed to the Germano Dam.



Waste collection for recycling, Germano – MG

Waste generation (t)	2008	2009	2010	Total generated % - 2008	Total generated % - 2009	Total generated % - 2010
Industrial Waste - Class I	406.17	414.47	506.01	0.38	4.32	5.18
Industrial Waste - Class II	105,023.26	8,527.32	8,381.89	98.61	88.86	85.76
Domestic waste	1,073.57	654.88	885.49	1.01	6.82	9.06
Total generation of domestic and industrial waste	106,503.00	9,596.66	9,773.39	100.00	100.00	100.00

Waste destination (t)	2008	2009	2010	Total generated % - 2008	Total generated % - 2009	Total generated % - 2010	Disposal
Reusable Industrial Waste - Class II (scrap meta, belts, wood, etc.)	103,569.90	5,548.78	5,412.71	97.25	57.82	55.38	Recycling/ reuse
Non-reusable Industrial Waste -Class II (rock wool, cinder wool, refractory materials, etc.)	1,021.14	1,135.23	1,841.34	0.96	11.83	18.84	Industrial Landfill
Non-reusable household waste	528.33	377.44	588.61	0.50	3.93	6.02	Sanitary Landfill
Recyclable household waste (cup, paper, etc.)	212.27	130.87	122.76	0.20	1.36	1.26	Recycling
Organic waste	380.84	117.73	192.25	0.36	1.23	1.97	Composting
Used oil	288.75	326.75	284.55	0.27	3.40	2.91	Re-refine
Waste contaminated with oil and grease	139.51	263.86	231.24	0.13	2.75	2.37	Co-processing
Fluorescent lamp	1.02	0.43	0.97	0.0010	0.0045	0.0100	Decontamination
Clinical waste	0.44	0.30	0.20	0.0004	0.0031	0.0021	Incineration
Other hazardous waste (chemicals, batteries, etc.)	18.58	33.77	45.33	0.02	0.35	0.46	Class 1 landfill / incineration / recovery
Total waste sent to destination	106,160.78	7,935.16	8,719.97	99.68	82.69	89.22	-

Industrial and domestic reusable waste	104,451.76	6,124.13	6,012.27	98.07	63.82	61.52
Waste disposed of in landfill (domestic and industrial)	1,549.47	1,512.67	2,473.88	1.45	15.76	25.31

The generation of class I waste increased in 2010 due to a higher production rate, which led to increased consumption of lubricating oil and grease in the maintenance activities. Household waste generation also increased, due to a higher number of employees and contractors.

All class I waste generated is treated externally by companies licensed and approved by our Environment Management. The transportation means provided by these companies are also licensed by the environmental agencies. Annually, these suppliers are audited by professionals from our Environment sector, to check compliance with the environmental regulations. Hazardous waste transported by truck is stored in drums certified by the National Institute of Metrology, Standardization and Industrial Quality (INMETRO), seeking greater protection and environmental safety. We do not transport waste as per the Basel Convention.

In our processes, we emphasize the three R's: Reduce, Reuse and Recycle. Campaigns are periodically conducted in

order to make all employees aware of conscious consuming and prioritize the minimization of waste generation and maximizing reuse and recycling of materials and waste.

In 2010, we managed to recycle and/or reuse approximately 60% of total waste generated. In cases when reuse is not practical, waste is properly treated and disposed of, for the purpose of reducing environmental impacts.

Also in 2010, Samarco finished third among 12 projects that were subjected to the Minas Less Waste Award, sponsored by the State Foundation of Environment (FEAM), Minas Gerais, as a consequence of good practices in solid waste management, represented by the project 'Reduction of Grinding Media Losses in the Secondary Grinding Circuit'. This project was implemented in the Germano Unit (MG), and was intended to sort out grinding media purged from the process in order to reuse those of specific grain size, thus reducing the waste generated in this process.



Selective waste collection, Germano – MG



Program for reinforcing fish stock in the Mãe-Bá Lagoon, Anchieta – ES

Biodiversity

2010 was declared by the UN as the International Year of Biodiversity to make people aware of the importance of celebrating the diversity of life on Earth and oppose the loss of biodiversity in the world.

Biodiversity is an issue constantly evaluated in our environmental management. We operate in regions that are part of the Atlantic Rainforest biome, where we know that conservation work should be consistent and effective. Although the Atlantic Rainforest has one of the richest biodiversity in the world, its current area has been reduced to less than 7% of the original area.

Among the key biodiversity impacts caused by our operations, we are always attentive to the loss of biodiversity of flora species and disturbance and loss of wildlife habitats. To mitigate these impacts, we conduct environmental impact assessments, as well as diagnosis and monitoring of the fauna and flora in the influence areas of our operations.

In the daily management of biodiversity, wild animals and plants are constantly monitored. We have areas of native

vegetation, including legal reserves, and have dedicated resources for conservation units, through environmental compensation arising from permitting processes.

In terms of recovery, our goal is to contribute to the development of the Company's influence areas, which includes re-implementation of a green belt near the Germano Unit (MG) and adjust the green belt adjacent to the Ubu Unit (ES).

In the State of Espírito Santo, we have defined strategies for prevention and management of natural habitats adjacent to our operations.

At the Ubu Unit (ES), which is about to be expanded, we also assess the potential impacts on biodiversity, through initiatives such as:

- Programs of management of plant species.
- Monitoring of the impact of vessel traffic on the nesting, birth rate and stranding of sea turtles in the vicinities of our port terminal (conducted in partnership with the TAMAR Project).

- Plant bio-monitoring studies to assess the impact of air pollution on the flora present in the Company's contour area (conducted in partnership with the Federal University of Viçosa).
- Ballast water management program – physicochemical and biological analysis of water samples collected in the coastal area and from ships to assess the risk associated to the introduction of exotic species.
- Biomonitoring program using fish and limnological monitoring of the Mãe-Bá and Ubu Lagoons for the purpose of assessing risks associated to the contamination of target species.
- Program intended to improve the conditions of the Fishery Inventory of the Mãe-Bá Lagoon with the introduction and monitoring of native fish species. 200,000 new fish were brought to the lagoon in 2010.

At the Muniz Freire Unit (ES), we count on Programs of Enrichment of Forested Areas and Restoration of Riparian Vegetation, as well as Programs for the Rehabilitation of Permanent Preservation Areas (PPAs) of the Pardo River. Through a partnership with farmers, an area of 59.78 ha owned by Samarco is being rehabilitated, comprehending the reservoir shores (29.54ha) and the industrial area of the Muniz Freire Hydroelectric Power Plant (30.24ha), located in the municipality of Muniz Freire (ES).

Permanent vegetation bio-monitoring programs were kept at the Ubu Unit (ES), in addition to other fauna monitoring programs: avifauna (birds), mammal fauna (mammals), ichthyofauna (fish) and herpetofauna (reptiles), in Minas Gerais and Espírito Santo. The goal is to monitor impacts on fauna and flora in areas where we operate.

The results of the environmental impact assessments and also monitoring data have been important to assess the impact of activities on the fauna and flora. In 2011, properties crossed by the ROW of pipelines will be mapped and also some areas of the Ubu Unit (ES) to support the subsequent ecological and economic zoning program.

A partnership with the government has allowed us to develop measures that support the socio-environmental planning activity and favor biodiversity conservation. Accordingly, in 2010 we continued to develop the Master Plan of the Use of Coastal Lagoons of the Municipalities of Anchieta and Guarapari, Espírito Santo. In partnership with the municipality of Anchieta, we also retained a consulting



firm that started the job of drafting the Municipal Plan of Coastal Management.

In 2010, at the Germano Unit (MG), we conducted a study for classifying the successional stages of areas covered by rupestrian fields and completed the ecological and economic zoning program, adopting the High Conservation Value Forests (HCVF) methodology. These are important tools to support future actions of biodiversity protection.

In 2010, the Germano Unit (MG) also played a role in the preservation of 30.5 ha of areas belonging to the Atlantic Rainforest biome, located near the Gualaxo River, municipality of Mariana (MG), and 176.705 ha of lands near the Alegria Mines, municipality of Ouro Preto (MG), to compensate the interventions in this biome caused by our activities. In 2010, we carried on with the rehabilitation project proposed for the Germano pit, comprehending the planting of grasses and leguminous species on newly formed slopes after sandy tailings disposal.

In 2011, the grass planting activity will continue as scheduled on the Germano Pit rehabilitation plan, among other areas contained in the Plan for the Recovery of Altered Areas (PRAA). It is worth emphasizing that the planting of vegetation species and recovery of an area of 59ha in the Itacolomi State Park will start in 2011; this park is a conservation unit located in the municipalities of Mariana and Ouro Preto, Minas Gerais. This planting is part of the compensatory measures associated to the Atlantic Rainforest biome. Planting activities will also be carried out in the Piracicaba River Basin, municipalities of Rio Piracicaba and João Monlevade, Minas Gerais.

		Protected areas (ha)		
State	Category	Year		
		2008	2009	2010
Minas Gerais	Legal reserve	924,5	972.1	1,133.83
Espírito Santo	Legal reserve	1,056.7	1,056.7	1,056.7

In 2011, annotation shall be provided for legal reserves relative to newly-purchased properties; notary documentation and topographic surveys are ongoing.

With regard to endangered species in the Germano (MG) and Ubu (ES) Units and also in the contour areas of the pipeline systems, 2,697 fauna and flora species have already been identified. These surveys were conducted during the environmental impact assessments and monitoring programs. The total number of endangered flora species is 1186, being 408 along the pipeline route, 188 at Ubu (ES) and the remaining at the Germano Unit (MG). Considering the data collected during the ecological and economic zoning program held at Germano (MG), there are 22 endangered flora species. The fauna species amount to 1,511 and were identified among the avifauna, mammal fauna, ichthyofauna, and herpetofauna groups.

Rehabilitation of Altered Areas

We maintain a Rehabilitation Program of Altered Areas, covering all areas potentially overlain by our operations, which is permanently active. The areas subject to rehabilitation are mapped on an annual basis. Based on this information, new projects are developed and invitations to bids are forwarded to specialized companies.

When we think about **rehabilitation**, we assess the following items:

- Revegetation. This process is conducted primarily in the mining areas and areas along the pipeline systems. Along the pipeline routes, we seek to recover the vegetation of disturbed areas and maintain the right of way. In 2010, we planted native species along Km 1 of the pipeline systems, near the Germano pit (MG), Alegria mine, municipality of São Manuel.
- Mechanisms used to attract and monitor the avifauna and mammal fauna in rehabilitation areas.
- Introduction of native bees.
- Cares with water and potential drainage systems.

The State of Espírito Santo accounted for 1 ha of disturbed areas and 59.78 ha of rehabilitated areas in 2010. The State of Minas Gerais, during the same year, accounted for 15.349 ha of disturbed areas and 2 ha of rehabilitated areas. In 2010, we acquired 170.15 ha of land. Hence, the total land owned by Samarco is 10,664.6709 ha, considering the Minas Gerais and Espirito Santo properties.

In terms of possible activities that might be "parallel" to ours, there are no records of artisanal mining activities within the areas of our operations or close to them. Likewise, there is no record of indigenous peoples in regions where we operate, and there are no claims involving indigenous peoples.

In 2010, there was no change to our **Closure Plan for the Samarco Operations**, which was required by the shareholders and provided by the company itself. The Plan is reviewed every three years, and the latest revision took place in 2009. This type of plan is highly important for the business because the life cycle of the project is taken into consideration, as well as the resources required for the closure strategy, the solution to be adopted for rehabilitating the area in question, the assumptions to be followed based on the economic, social and environmental setting, with respect to the termination of the activities of a mining company.

We maintain an ongoing dialogue with all landowners whose properties interfere with the pipeline right of way. There are over 900 landowners, with whom we frequently meet to assess the claims, update information, etc. There are some specific claims that are being followed up by the Legal and

Finance sectors of the company and that are audited on an individual basis and reflected on our financial statements, which are periodically issued.

There are no mechanisms for dealing with land disputes or conflicts, because there are no such claims. We have a Customer Service that receives and records various ways of manifestation, including complaints, and forwards them to the relevant internal areas, which are responsible for conducting the due treatment, case by case.

Fines/ Preconditions

In 2010, some proceedings that included fines were processed, as follows:

- **ICMS - Fine** - Muniz Freire (ES) – we received notices regarding ICMS collection for electricity transfer operations from the Muniz Freire hydroelectric plant, for consumption in Ponta Ubu, in Anchieta (ES), as well as a fine due to lack of issuance of the tax invoice in these operations.
In relation to ICMS collection, the proceedings are still underway, and the adjusted amount of these violation notices, on December 31, 2010, is approximately R\$ 35,085 (R\$ 32,004 in 2009 and R\$ 26,018 on 01/JAN/2009). We understand that it is necessary to maintain the provision for the isolated fine amount, as this fine will still be applicable, even if the tax is not due.
- **IRPJ – IRRF** – on December 22, 2005, we received a violation notice from the current Federal Revenue Service Office. The amount, including principal, fine and interest, on December 31, 2010, is approximately R\$ 387,974 (R\$ 382,603 in 2009 and R\$ 374,905 on 01/JAN/2009), already including the isolated fine of approximately R\$ 54,029 (R\$ 53,679 in 2009 and R\$ 53,323 on 01/JAN/2009), covering several incidents of failure to comply with tax legislation, referring to calendar years from 2000 to 2003.
- **CSLL** – we received violation notices and tax foreclosures referring to the supposed failure to collect the Social Contribution on Net Profits (CSLL) for the calendar years 1991, 1992, 1995 to 1998, 2000 to 2003 and 2004 to 2006. The adjusted amount of these proceedings, on December 31, 2010, corresponded to approximately R\$ 1,413,114 (R\$ 1,367,421 on 31/DEC/2009 and R\$ 497,109 on 01/JAN/2009), including mainly fine and interest, already including the isolated fine of approximately R\$ 192,373.

- **CFEM** – we received a notice from the National Mineral Production Department (DNPM), accusing us of under-collecting Financial Compensation for Exploitation of Mineral Resources (CFEM). On December 31, 2010, the amount of this contingency was approximately R\$ 631,240 (R\$ 568,740 on 31/DEC/2009 and R\$ 419,430 on 01/JAN/2009), already including the legally mandated extra charges.
- **ICMS – Transfer of iron ore** – we received a violation notice and tax foreclosure from the State Finance Office of Minas Gerais and from the State of Minas Gerais, respectively, referring to the supposed failure to collect ICMS, at the time the iron ore was transferred between the units in Germano (MG) and Ubu (ES), during the period from January 2000 to December 2009. The amount of the principal, fine, interest and inflation adjustment, which is still under discussion regarding these proceedings on December 31, 2010, corresponds to approximately R\$ 307,490 (R\$ 236,917 on 31/12/2009 and R\$ 203,569 on 01/JAN/2009). We received favorable decisions at the administrative level regarding the collection of a fine and interest.
- **PIS Invoicing** – we received tax foreclosures relative to the timeliness and respective amounts of PIS collected on a semester basis during the periods from September 1989 to August 1994. On December 31, 2010, the updated amount, including interest and fine, of these lawsuits was approximately R\$ 21,642 (R\$ 21,138 on 31/12/2009 and R\$ 26,832 on 01/01/2009).

In the process of granting our environmental licenses, requirements have been established, which we have sought to fully comply with. These requirements are generally instituted to mitigate negative impacts, strengthen positive impacts, and when it is not possible to mitigate them, to compensate for these impacts.

We ended 2010 with 213 requirements that are described in our Environmental Licenses. Of these, 118 have been or are being complied with.

With regards to the fines:

- A fine was levied, in the amount of R\$ 40 thousand, as a result of a leak in the pipeline, in the municipality of Espera Feliz, in Minas Gerais (see more information later in this report). We paid this fine early, and considering the attenuating conditions submitted, the amount was reduced to R\$ 28 thousand.

Other fines

Company	Unit	Occurrences / Status	Value
State Environmental Foundation (FEAM)	Germano (MG)	AI (Violation Notice) no. 010141/2010 - COPAM Proceeding Nº. 015/1984/73/2009 – Cause an intervention that results or may result in harm to water resources. We have not yet received this fine.	R\$ 15.001,00
Central Metropolitan Superintendency of the Environment and Sustainable Development (SUPRAM – CM)	Germano (MG)	AI (Violation Notice) no. 51256 - warning - Proc. COPAM no. 015/1984/078/2010 – Partially failing to comply with com. 12 (atmospheric monitoring and noise in the area surrounding the project) of the LP of the 3rd Concentrator. We have appealed, awaiting a decision.	R\$ 2.001,00
Brazilian Environmental and Renewable Natural Resources Institute (IBAMA)	Germano (MG)	AI (Violation Notice) no. 534844/2010 - Proc. IBAMA no. 02015.003754/2006-81 – Failure to comply with specific requirement 1.4 of Consent no. 060/2006, within the established deadline. Fine paid.	R\$ 14.000,00
State Environmental and Water Resources Institute of the state of Espírito Santo (IEMA)	Ubu (ES)	AM no. 308/2010 - Proc. 25692070 – Release of effluents in the South Trench at the North Dam without proper control or treatment to clarify and remove suspended solids. We have appealed, awaiting a decision.	R\$ 204.000,00



Replanted leakage area, Espera Feliz – MG



São João River, Espera Feliz – MG

PIPELINE LEAK

Even though the pipeline system process is considered very safe, in 2010, 433 m³ of iron ore slurry leaked from the second line of the Samarco pipeline in the municipality of Espera Feliz, Minas Gerais. Quickly, we followed our Emergency Plan and took all steps necessary to solve the problem and inform the community about it, reassuring the population.

As we do not carry toxic or poisonous products, no significant or permanent environmental damages were reported, and the leak was shortly contained.

All works relative to reshaping of topographic features and restoration of the São João riverbed to its previous conditions was followed up by specialists working for Samarco, Sanitation Company of Minas Gerais (Copasa), Espera Feliz Municipal Environment Secretariat and Environmental Emergency Center of the State Foundation of Environment (FEAM). Water quality was properly monitored and the town of Espera Feliz experienced no water shortages.

After the local topographic features were reshaped, grass was planted and sprayed with water pumped from a tank-

truck for 15 days, such to ensure a successful operation. After 45 days, topdressing fertilization started being used. The plantation areas were fenced off to prevent access of livestock to the rehabilitated site.

With regard to the spill material (iron ore slurry), a procedure was defined by the environmental body of Minas Gerais, so that it could be removed with the aid of suction pumps. All the material was removed from the river and confined in settling ponds, and the clear water was returned to the river.

Due to the aforementioned measures, when the event was over, the City Council issued a certificate of honor and recognition to Samarco, and the mayor sent a letter to Samarco CEO, José Tadeu de Moraes, emphasizing the ethical, correct and efficient conduct of the Company to solve the issue.

We have a standard for reporting, classifying, communicating and investigating environmental incidents, to which all employees and contractors were trained. This standard was developed to ensure that incidents are investigated, processed and reported by the appropriate levels of the Company, such that blocking actions are effective and proportional to the severity of the event. The leak mentioned herein was the only significant spill recorded in 2010, and was duly treated and investigated to minimize environmental impacts and to establish its root cause and prevent similar events.

INSERT LETTER OF THE MAYOR ESPERA FELIZ

"To the Honorable CEO,

We would like to take this opportunity to express our most sincere gratitude for the prompt response given by the Samarco Mineração S/A team, at the time the slurry pipeline broke in our Municipality.

We would also like to express our gratitude, in addition to the agility demonstrated, for the efficiency shown by your highly regarded company, through the competence of the professionals allocated to attend to the accident, including with regards to local environmental impacts.

Finally, we wish to express our enormous relief at the immediate solution to this event, which ensured that the effects on our water supply and population were practically negligible".

Sincerely,

Aloisio Barbosa, MAYOR.

#ATTACH



MENT 1

ABOUT THIS REPORT

Methodology of the Report

In a broad and transparent manner, we heard representatives from our internal public (employees) and from our external stakeholders: shareholders, clients, suppliers, communities, unions, press, government, financial institutions and the Public Attorney's Office in order to identify the most relevant topics and issues.


a) Internal Public: a workshop was conducted with the internal public to discuss the materiality of topics. Twenty-seven people participated in this workshop, including representatives of employees (25) and of suppliers of content and design.

b) External Stakeholders: representatives of our main

external stakeholders were heard in specific meetings. The results, which cover the main economic, social and environmental interactions, were grouped together into the Materiality Matrix, which is arranged along two axes: the degree of significance of the various topics to the stakeholders and to the Company.

GRI Application Level

We understand that the 2010 Annual Sustainability Report has achieved a GRI application level of A+. The external assurance process was conducted by the consulting firm KPMG Auditores Independentes

		GRI Level					
		C	C+	B	B+	A	A+
Mandatory	Self-declared						
Optional	Examined by third parties		With external verification		With external verification		
	Examined by the GRI						

Global Pact Principles and Seals of the Millennium Objectives

 <p>Businesses should support and respect the protection of internationally proclaimed human rights</p>	 <p>Make sure that they are not complicit in human rights abuses</p>	 <p>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	 <p>The elimination of all forms of forced and compulsory labor</p>	 <p>The effective abolition of child labor</p>	 <p>The elimination of discrimination in respect of employment and occupation</p>	 <p>Businesses should support a precautionary approach to environmental challenges</p>	 <p>Undertake initiatives to promote greater environmental responsibility</p>	 <p>Encourage the development and diffusion of environmentally friendly technologies</p>	 <p>Businesses should work against all forms of corruption, including extortion and bribery</p>
 <p>1 ERADICATE EXTREME POVERTY AND HUNGER</p>	 <p>2 ACHIEVE UNIVERSAL PRIMARY EDUCATION</p>	 <p>3 PROMOTE GENDER EQUALITY AND EMPOWER WOMAN</p>	 <p>4 REDUCE CHILD MORTALITY</p>	 <p>5 IMPROVE MATERNAL HEALTH</p>	 <p>6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES</p>	 <p>7 ENSURE ENVIRONMENT SUSTAINABILITY</p>	 <p>8 GLOBAL PARTNERSHIP FOR DEVELOPMENT</p>		





Statement GRI Application Level Check

GRI hereby states that **Samarco Mineração** has presented its report "Samarco - Annual Sustainability Report 2010" 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.

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

Amsterdam, 13 July 2011

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

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



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

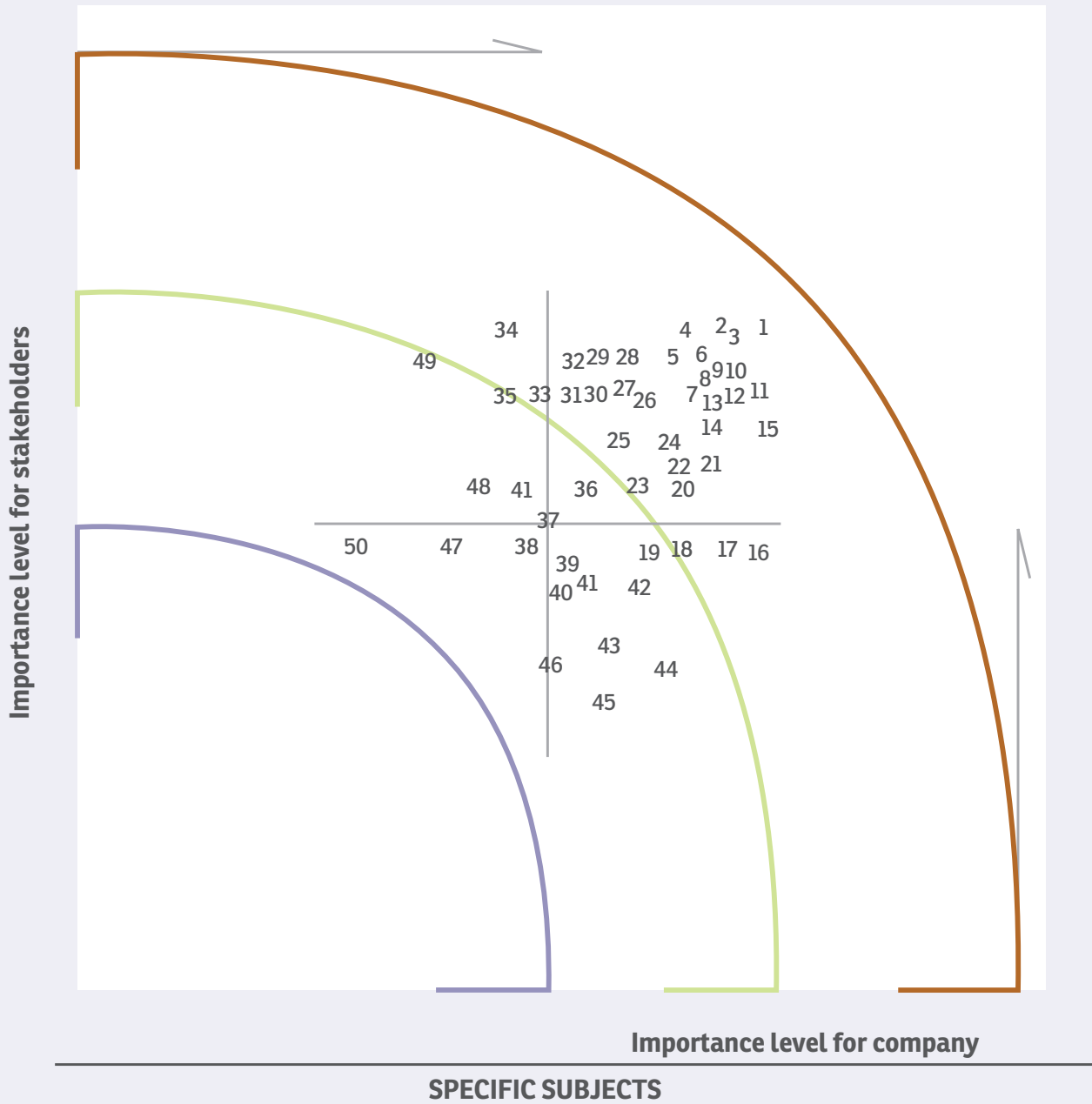
The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators 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 3 June 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

MATERIALITY MATRIX

We prepared our 2010 Annual Sustainability Report based on the following materiality study.

The topics listed, which were chosen after internal and external consultation, indicate the areas of our focus in favor of sustainability.





Employees and suppliers participating in the test of the Materiality Matrix, Guarapari – ES

- 01. Commitment to sustainability
- 02. Management of ethical corporate conduct
- 03. Regional or territorial development
- 04. Transparency and accountability
- 05. Strategy
- 06. Maintenance of image and reputation
- 07. Energy efficiency
- 08. Sustainability performance indicators
- 09. Socioenvironmental impact management
- 10. Employment and income generation
- 11. Continuous reduction of resource consumption
- 12. Management of greenhouse gas emissions
- 13. Investments in environmental improvements
- 14. Waste management
- 15. Water resource management
- 16. Product quality
- 17. Occupational health and safety
- 18. Quality of life

- 19. Professional development
- 20. Social environmental responsibility projects
- 21. Control and containment of leaks
- 22. Contribution to local development
- 23. Economic value generated and distributed
- 24. Rehabilitation of altered areas
- 25. Compensatory and mitigating measures
- 26. Projects and attitudes focused on preserving biodiversity
- 27. Financial results
- 28. Investment projects
- 29. Management and monitoring of code of conduct
- 30. Development of local suppliers
- 31. Recognition for suppliers with sustainable management
- 32. Innovation, technology and knowledge
- 33. Supplier training program
- 34. Governance improvement

- 35. Indirect economic impacts
- 36. Maintenance and improvement of dialogue and communication channels
- 37. Partnerships with local organizations, NGO's and government entities
- 38. Participative management
- 39. Product safety
- 40. Participation in policy-making
- 41. Development of products and services
- 42. Diversity of markets and clients
- 43. Relationship with government entities
- 44. Ongoing and proactive dialogue
- 45. Media relations
- 46. Treatment of penalties
- 47. Relations with unions
- 48. Investment in pro bono local infrastructure
- 49. Integrated management system
- 50. Outsourcing

REFERENCE LIST

GRI Indicators / Alignment with the Global Compact

The responses to the set of GRI indicators presented in this Report are indicated in the items of text/tables that can be found in this document or in the Reference List.

ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION TO BE REPORTED IN
Profile indicators			
1 Strategy and analysis			
1.1	Statement from the most senior decision-maker of the Organization on the relevance of sustainability for the Company.	In full	Pages 14 to 17, 22, 24, 26 and 28
1.2	Description of main impacts, risks and	In full	Pages 10, 15, 16, 17, 26, 28, 29, 30, 36, 37, 58 to 60, 78, 102 to 119, 148 to 155
2 Opportunities.			
2.1	Organizational profile	In full	Cover and page 20
2.2	Name of the Organization.	In full	Pages 20, 38 to 49
2.3	Primary brands, products and/or services.	In full	Pages 20 and 38 to 42
2.4	Operational structure of organization, including the main divisions, companies in operation, subsidiaries and joint ventures.	In full	Pages 20 and 155
2.5	Number of countries where organization operates and name of countries where the main operations or those that are relevant to sustainability for questions covered by this Report are located.	In full	Pages 20, 74
2.6	Nature of ownership and legal form.	In full	Page 20
2.7	Markets served by organization (including geographical breakdown, industries served and types of clients/beneficiaries).	In full	Pages 20, 74
2.8	Scale of Organization.	In full	Pages 20, 50, 51, 60, 61, 62, 148 to 155
2.9	Significant changes during reporting period with regards to size, structure or ownership.	In full	Pages 10, 11, 16, 17, 20, 148 to 155
2.10	Awards received during reporting period.	In full	Page 138
3 Report Parameters			
Report profile			
3.1	Reporting period for the information provided.	In full	2010; page 9 (item "How to read this Report")
3.2	Date of most recent previous report (if any).	In full	2009; pages 8 and 9 (item "How to read this Report")



	ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
3.3	Periodicidade de emissão de Relatórios (anual, a cada dois anos, etc.).	In full	Annual; pages 8 and 9 (item "How to read this Report")		
3.4	Dados para contato sobre o conteúdo do Relatório.	In full	relacionamento@samarco.com; pages 8 and 9 (item "How to read this Report")		
Scope and boundaries of report					
3.5	Process for defining report content.	In full	Pages 122 to 125		
3.6	Boundary of the Report (ex.: countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	In full	This Report covers all Samarco operations and activities; pages 8 and 9 (item "How to read this Report")		
3.7	Statement of any specific limitations on	In full	Pages 8 and 9 (item "How to read this Report") and pages 122 to 125		
3.8	report scope or boundaries.	In full	All Samarco operations and activities; pages 8 and 9 (item "How to read this Report")		
3.9	Base for Reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could significantly affect the comparability of one period to another and/or among organizations.	In full	We use the GRI Indicator Protocol; pages 8 and 9 (item "How to read this Report")		
3.10	Data measurement techniques and basis for calculation, including premises and support techniques for estimates applied to the compilation of indicators and other information in the Report; explanation regarding any decisions that do not apply or that substantially diverge from the GRI Indicator Protocols.	In full	No occurrence.		
3.11	Significant changes compared to previous years in terms of scope, boundaries or measurement methods applied in the Report.	In full	No occurrence.		
GRI content index					
3.12	GRI table which identifies the location of the information in the report.	In full	Pages 126 to 137		
Assurance					
3.13	Policy and current practice for outside auditing and assurance.	In full	Report verified by KPMG Auditores Independentes; pages 6, 7 and 122		
4 Governance, commitments and engagement					
Governance					

ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
4.1 Governance structure of organization, including committees linked to the highest governance body responsible for specific tasks, like establishment of strategies or organizational supervision.	In full	Pages 22 to 25		
4.2 Identification if president of highest governance body is also an executive officer.	In full	Page 22		
4.3 Number of independent or non-executive members of the highest governance body, for organizations with to unitary executive structure.	In full	Page 22		
4.4 Mechanisms for shareholders and employees to provide recommendations to highest governance body.	In full	Page 25; relationship with shareholders (page 54)		
4.5 Linkage between compensation of members of the highest governance body, executive board and other executives, and organization's performance including social and environmental.	No	Information of strategic nature to Company.	Information deemed confidential	
4.6 Processes in place in highest governance body to assure avoidance of conflicts of interest.	In full	Pages 22 to 25		
4.7 Process of determining qualification and knowledge of members of highest governance body to define issues related to economic, environmental and social aspects.	No	Information of strategic nature to Company.	Information deemed confidential	
4.8 Internally prepared statements on the mission or Values, code of conduct and principles of organization relevant for economic, environmental and social performance and the status of their implementation.	In full	Pages 14 to 17, 22, 24, 28, 29 and 30		
4.9 Procedures for the highest governance body to oversee economic, environmental and social performance by the Organization, including relevant risks and opportunities and adherence to or compliance with rules, code of conduct and internationally recognized principles.	Partially	Pages 22 to 25, 36, 37	There is as yet no defined process for socioenvironmental risks. The focus is on economic risk. Environmental compliance system has been in place since 2011.	Next Report.
4.10 Processes for the self-evaluation of the highest governance body especially in terms of economic, social and environmental performance.	No		There has been no formal assessment by members of the board.	
Commitments to external initiatives				
4.11 Explain if organization applies an approach or to precautionary principle.	In full	Pages 10, 45, 48, 78		

ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
4.12	In full	Pages 15, 30 and 31		
4.13	In full	Pages 83, 96, 140 to 141		
Engagement of stakeholders				
4.14	In full	Pages 54 to 101 and 122		
4.15	No		Process will be improved and reported in next Report.	In next report
4.16	In full	Pages 54 to 101 and 122		
		<ul style="list-style-type: none"> - Shareholders 54 - Employees 58 a 73 - Customers 74 a 79 - Suppliers 80 a 84 - Communities 84 a 95 - Unions 95 e 96 - Government 96 a 98 - Press 98 a 100 - Financial Institutions 100 - Public Attorney's Office 100 - Relationship Center 100 e 101 101 		
4.17	Partially	Pages 54 to 101, 124 and 125	To be reported in greater detail in next report.	In next Report.
PERFORMANCE INDICATORS				
Economic performance indicators				
EC1	In full	Indicated in text: pages 50, 51, 148 to 155		

	ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
EC2	Financial implications, risks and opportunities for organization activities related to climate change.	In full	Indicated in text: pages 30 to 32 (Samarco seeks to contribute to engagement by supporting the Letter on Climate Change and attempts to reduce emissions in the "green" design of the new pellet plant).		
EC3	Coverage of organization's benefit/ pension plan offered by the Organization.	In full	Indicated in text: page 63		
EC4	Significant financial assistance from government.	In full	Samarco does not receive any financial assistance from the government.		
EC5	Variation in proportion of lowest salary (standard starting salary) compared to local minimum salary, in important operating units.	In full	Indicated in text: page 63		
EC6	Policies, practices and ratio of spending on locally-based suppliers for major operational units.	In full	Indicated in text: page 80		
EC7	Procedures for local hiring and proportion of members of upper management recruited in the local community, at important operating units.	Partially	Indicated in text: pages 60, 61, 68 and 80	External managers are hired and assigned to the community, contributing toward local economic development.	In next Report.
EC8	Development and impact of investments in infrastructure and services offered principally for the public benefit, by commercial engagement, in cash or in "pro bono" activities.	In full	Indicated in text: pages 84 to 95		
EC9	Understanding and description of significant, indirect economic impacts and their extension.	In full	Indicated in text: pages 10, 20, 32, 80 to 100		
Environmental performance indicators					
EN1	Materials used, by weight or volume.	In full	Indicated in text: page 84		
EN2	Percentage of recycled input materials.	In full	Indicated in text: page 84		
EN3	Direct energy consumption broken down by source of primary energy.	No		Production process does not use direct energy, only energy generated by hydropower plants.	
EN4	Indirect energy consumption broken down by source of primary energy.	In full	Indicated in text: page 108		In next Report.
EN5	Energy saved due to improvements in conservation and efficiency.	In full	No action in 2010.		

ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION TO BE REPORTED IN
EN6 Initiatives to supply products and services with low energy consumption or that use energy generated from renewable sources, and the reduction in energy resulting from these initiatives.	In full	Indicated in text: page 108	
EN7 Initiatives to reduce indirect energy consumed and the reductions obtained.	In full	No action in 2010.	
EN8 Total water withdrawal by source.	In full	Indicated in text: pages 105 and 106	
EN9 Water sources significantly affected by water withdrawal.	In full	Indicated in text: pages 105 and 106	
EN10 Percentage and total volume of recycled and reused water.	In full	Indicated in text: pages 105, 107	
EN11 Location and size of area owned, leased or managed within protected areas or next to them, and areas with high rates of biodiversity outside them.	In full	Indicated in text: pages 114 to 116	
EN12 Description of significant impacts on biodiversity caused by activities, products and services in protected areas and in areas with high rates of biodiversity outside them.	In full	Indicated in text: pages 114 to 116	
EN13 Habitats protected or restored.	In full	Indicated in text: pages 114 to 116	
EN14 Strategies for management of impacts on Biodiversity.	In full	Indicated in text: pages 114 to 116	
EN15 Number of species included on IUCN's Red List and other lists of endangered species that appear on the national conservation list with habitats in area affected by operations, by level of extinction risk.	In full	Indicated in text: pages 114 to 116	
EN16 Total direct and indirect greenhouse gas emissions, by weight.	In full	Indicated in text: pages 108 to 111	
EN17 Other relevant indirect greenhouse gas emissions, by weight.	In full	Indicated in text: pages 32, 108 to 111	
EN18 Initiatives to reduce emission of greenhouse gases and reductions achieved.	In full	Indicated in text: pages 32, 108 to 111	
EN19 Emissions of ozone-depleting substances by weight.	In full	Samarco does not issue any substances which damage the ozone layer. The Company only acquires products which comply with the standards of Brazilian Conama Resolution 267/00.	
EN20 NOx, SOx, and other significant atmospheric emissions, by weight.	In full	Indicated in text: pages 110 and 111	
EN21 Total disposal of water, by quality and destination.	In full	Indicated in text: pages 105 and 107	

	ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
EN22	Total Weight of Waste, per type and disposal method.	In full	Indicated in text: pages 111 to 113		
EN23	Number and total volume of significant spills	In full	Indicated in text: page 119		
EN24	Weight of waste transported, imported, exported or treated, deemed hazardous in accordance with the Basel Convention, Attachments I, II, III and VIII, and percentage of seaborne waste.	In full	Indicated in text: pages 111 to 113		
EN25	Description of protection and biodiversity index of bodies of water and associated habitats that are significantly affected by disposal of water and surface drainage done by the Organization.	In full	Indicated in text: pages 107, 114 to 116		
EN26	Initiatives to mitigate environmental impacts of products and services and the extent of impact mitigation.	In full	Indicated in text: pages 32, 35, 36, 42, 102 to 119		
EN27	Percentage of products and packaging material reclaimed, per product category.	No			
EN28	Monetary value of significant fines and number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations.	In full	Indicated in text: pages 50, 51, 117 and 118		
EN29	Significant environmental impact associated with transportation of products and other goods and materials used in the Organization's operations and transport of workers.	Partially	Indicated in text: pages 20, 38, 42, 48, 65, 108 to 111	There is not as yet a system in place to analyze this type of impact.	Gradually
EN30	Total investments and outlays related to environmental protection,	In full	Indicated in text: pages 102 to 104		
Social performance indicators					
Labor practices					
LA1	Total workforce by employment type, contract type and region.	Partially	Indicated in text: pages 60 to 62	Data per region are not prioritized due to nature of production.	
LA2	Total number and turnover rate, by age bracket, gender and region.	Partially	Indicated in text: page 64	Data per region are not prioritized due to nature of production.	
LA3	Comparison of benefits offered to full time employees and those offered to part time or temporary employees, broken down by principal operations.	In full	Indicated in text: pages 63 and 64		
LA4	Percentage of employees covered by collective bargaining agreements.	In full	Indicated in text: pages 63 and 95		
LA5	Minimum period for notice on operating changes and whether this procedure is specified in collective bargaining agreements.	In full	Indicated in text: page 95		

	ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
LA6	Percentage of employees represented on formal health and safety committees, with participation of management and workers that help to monitor and guide occupational health and safety programs.	In full	Indicated in text: page 71		
LA7	Rates of work-related injuries, diseases, lost days, absenteeism and work-related deaths, by region.	Partially	Indicated in text: pages 71, 72	There were no deaths and the survey per regional data has not been prioritized so far.	In next Report.
LA8	Education, training, prevention and risk control programs to assist employees, their families or community members in regards to serious diseases.	In full	Indicated in text: pages 70 to 73		
LA9	Health and safety topics covered by formal agreements with labor unions.	In full	Indicated in text: page 95		
LA10	Average of hours of training, by year and by employees, broken down by category.	In full	Indicated in text: pages 66 to 68		
LA11	Programs for competency management and continuous learning that contribute to continuing employability of employees and to assist them in conducting the end of their careers.	In full	Indicated in text: pages 58 to 60, 65, 66 to 68 and 93		
LA12	Percentage of employees who regularly undergo performance analysis.	In full	Indicated in text: pages 58 to 60		
LA13	Composition of groups responsible for corporate governance and proportion of employees by category and gender, age bracket, minorities and other indicators of diversity.	In full	Indicated in text: pages 22, 60 to 62		
LA14	Ratio of basic salary of men to women, by professional category.	In full	Indicated in text: page 63		
Human rights					
HR1	Percentage and total number of significant investment contracts that include clauses referring to human rights or that were submitted to evaluations referring to human rights.	In full	Indicated in text: pages 24, 30, 31, 32, 80 (contracts with specific clauses), 81, 83, 90 and 91		
HR2	Contractors and suppliers evaluated for compliance with human rights laws and regulations and measures taken.	In full	Indicated in text: pages 80, 81 and 83		
HR3	Number of employee training hours on policies and procedures relative to aspects of human rights that are relevant for operations, including the percentage of employees trained.	In full	Indicated in text: pages 24, 30, 31, 67, 80 and 83		
HR4	Total number of incidents of discrimination and measures taken.	In full	Indicated in text: page 63		

	ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
HR5	Operations identified in which the right to exercise the freedom to associate and engage in collective bargaining may run to significant risk and the measures taken to support this right.	In full	Indicated in text: page 95		
HR6	Operations identified with to significant risk of child labor and measures taken to contribute to its eradication.	Partially	Indicated in text: pages 24, 80 and 81	So far there is no system for risk analysis in production chain.	In next Report.
HR7	Operations identified with to significant risk of forced labor or labor analogous to slavery and measures taken to contribute to its eradication.	Partially	Indicated in text: pages 24, 80 and 81	So far there is no system for risk analysis in production chain	In next Report.
HR8	Percentage of security personnel trained on policies or procedures of the Organization relative to human rights considered relevant for operations.	In full	Indicated in text: page 83		
HR9	Total number of violations involving rights of indigenous people and measures taken.	In full	There is no record of indigenous population in the regions where Samarco operates.		
Society					
S01	Nature, scope and effectiveness of programs and practices to evaluate and manage impacts of operations on communities, including arrival, operations and exit.	In full	Indicated in text: pages 32, 84 to 95		
S02	Percentage and total number of business units submitted to evaluation of risks involving corruption.	In full	Indicated in text: pages 24, 25, 30 and 31		
S03	Percentage of employees trained in Organization anti-corruption policies and procedures.	In full	Indicated in text: page 24		
S04	Measures taken in response to incidents of Corruption.	In full	Indicated in text: pages 24, 25, 30 and 31		
S05	Position taken with regard to public policies and participation in preparation of public policies and lobbies.	In full	Indicated in text: pages 83 and 96 to 98		
S06	Total value of financial contributions and cash to political parties, politicians or related institutions, broken down by country.	In full	Indicated in text: pages 96, 100 and 101		
S07	Total number of lawsuits due to anticompetitive behavior, anti-trust practices and monopolies and their results.	In full	No action in 2010.		
S08	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-compliance with laws and regulations.	In full	Indicated in text: pages 50,51, 117 and 118		

ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION TO BE REPORTED IN
Product liability			
PR1	Phases of useful life of products and services in which health and safety impacts are evaluated seeking improvement, and percentage of most significant products and services subject to these procedures.	In full	Indicated in text: page 78
PR2	Total number of cases of non-compliance with regulations and voluntary codes related to the impacts caused by products and services in health and safety during their useful life, broken down by type of result.	In full	Indicated in text: pages 78 and 79
PR3	Type of information on products and services required by labeling procedures and percentage of most significant products and services subject to these procedures.	In full	Indicated in text: page 78
PR4	Total number of cases of non-conformity with voluntary codes and regulations on product and service labeling, broken down by type of result.	In full	Indicated in text: pages 78 and 79
PR5	Customer satisfaction practices, including results of measurement surveys.	In full	Indicated in text: pages 74 and 78
PR6	Programs for compliance with laws, standards and voluntary codes related to communication and marketing, including advertising, promotion and sponsorship.	In full	Samarco does not participate in entities which regulate competition on the international marketplace, nor does it adhere to voluntary codes and regulations related to communication and marketing. In Brazil, we comply with the rules of the Economic Defense Administrative Council (Cade).
PR7	Total number of cases of non-compliance associated with regulations and voluntary codes related to communications and marketing, including advertising, promotion and sponsorship, by type of result.	In full	Indicated in text: pages 78 and 79
PR8	Total number of proven complaints related to violation of privacy and loss of client data.	In full	Indicated in text: page 79
PR9	Monetary value of significant fines for non-conformity with laws and regulations related to the supply and use of products and services.	In full	Indicated in text: page 79
SECTORAL INDICATORS			
MM1	Total quantity of land (purchased, leased and managed for the production or extraction activities) disturbed or rehabilitated.	In full	Indicated in text: pages 20 and 114 to 116
MM2	Number/ percentage of identified operations which require biodiversity management plans, and number (percentage) of operations where plans are implemented or in use.	In full	Indicated in text: pages 114 to 116

	ABOUT THE COMPANY	REPORTED	WHERE IT APPEARS	EXPLANATION	TO BE REPORTED IN
MM3	Total quantities of waste, rock, tailings and mud and the associated risks.	In full	Indicated in text: page 43		
MM4	Number of strikes and work stoppages longer than one week, in the country.	In full	No strike in country in 2010.		
MM5	Total number of operations which take place or are adjacent to indigenous lands, and number and percentage of operations or sites where there are formal agreements in place with indigenous people.	In full	There is no record of indigenous population in the regions where Samarco operates.		
MM6	Total number and description of significant disputes / conflicts regarding use of land and common law rights of local communities and indigenous people.	In full	Indicated in text: pages 101, 116 and 117		
MM7	Extent to which complaint mechanisms have been used to solve disputes/conflicts regarding use of land and common law rights of local communities and indigenous people, and outcomes thereof.	In full	Indicated in text: pages 85, 88 and 101		
MM8	Number and percentage of operations with small scale and artisanal mining (ASM) activities within or adjacent to the organization's operations; including associated risks and measures taken to manage and mitigate such risks.	In full	There is no community in the direct surrounding areas which engages in artisanal extraction.		
MM9	List of operations involving resettlement, number of homes and families resettled in each case, and description of how this process affected their living conditions.	In full	There was no resettlement in 2010.		
MM10	Number/percentage of operations with closure plans.	In full	Indicated in text: pages 116 and 117		
MM11	Programs designed for and progress made on management of ships and unloading operations.	No		The information is not consolidated. Specific standards and/or policies are being developed.	Gradativamente.

CORRELATION WITH GLOBAL COMPACT PRINCIPLES

Principle	Pages with related items
1. Companies must respect and support efforts to protect internationally-recognized human rights.	14, 15, 24, 25, 28 to 32, 58 to 73, 80 to 84, 101, 122 to 125.
2. Companies must make sure they will not get involved in any violations of such rights.	14, 15, 24, 25, 28 to 32, 58 to 73, 80 to 84, 122 to 125.
3. Support freedom of association and effectively recognize workers' collective bargaining rights.	14, 15, 28 to 32, 95, 96, 122 to 125.
4. Eliminate all forms of forced or compulsory work.	14, 15, 28 to 32, 80 to 84, 122 to 125.
5. Eliminate child labor.	14, 15, 28 to 32, 80 to 84, 122 to 125.

SETORIAIS	REPORTADO	ONDE APARECE	EXPLICAÇÃO	A SER REPORTADO EM
6. Eliminate discrimination in the work place.		14, 15, 25, 28 to 32, 58 to 73, 122 to 125.		
7. Support to preventive approach to environmental challenges.		14, 15, 28 to 32, 48, 49, 84 to 95, 102 to 119, 122 to 125.		
8. Develop initiatives to promote increased environmental responsibility.		14, 15, 28 to 32, 48, 49, 58 to 73, 74 to 79, 80 to 84, 84 to 95, 100, 101, 102 to 119, 122 to 125.		
9. Encourage development and spread of environment-friendly technologies.		14, 15, 28 to 32, 48, 49, 74 to 79, 84 to 95, 100, 101, 102 to 119, 122 to 125.		
10. Fight corruption in all its forms, including extortion and bribery.		14, 15, 24, 25, 28 to 32, 58 to 73, 80 to 84, 96 to 98, 122 to 125.		



Loading, Germano Mine – MG

RECOGNITION

Society and the market have given our business activities their stamp of approval. We are convinced that the greatest recognition received refers to the grant or renewal of our operating or installation licenses.

All our licensing processes are up to date and have been debated by society (public authorities, trade association representatives, residents, community leaders, citizens of other regions who are interested in specific topics, academic leaders, students, etc.) and have been approved by the environmental agencies, which represents the recognition of the efforts by Samarco to work properly and in a manner that generates benefits for all.

In addition, in 2010 we achieved important recognitions and awards from representative entities and press vehicles, notably the following:

- Samarco was among the **150 Best Companies to Work For**, in the study organized by the magazines *Você S/A* and *Exame*, in partnership with Fundação Instituto de Administração da Universidade de São Paulo (FIA – USP).
- **HSEC Award (Healthy, Safety, Environment and Community Awards)**, from BHP Billiton. Samarco won the “Merit Award” with the project “Open Dialogue with Communities”. The Company was one of eight finalists in the category “Communities”, among the 191 candidates of companies from Brazil and abroad.
- **Less Waste Award**. Organized by the State Environmental Foundation (FEAM), of Minas Gerais. Samarco was recognized as a result of its use of “milling bodies,” which stay inside the mills and are used to grind ores.
- José Tadeu de Moraes, CEO of Samarco, was the highlight of the 10th **Business Leader Award of Espírito Santo**, in the category “Leader in Sustainability”.



VALUING PEOPLE BRINGS RESULTS.
AND A LOT OF PRIDE AS WELL.



LIST OF REPRESENTATIONS

We have representatives in the following entities and trade associations:

REPRESENTATION IN TRADE AND OTHER ASSOCIATIONS IN THE STATE OF ESPÍRITO SANTO		
Entity	Representative	Participation
1ª Região Militar – Acquisition and use of chemical products A	Anderson Pedruzzi – Process Technician	Samarco Representative
	Paulo Roberto da Silva Júnior – Head of Engineering and Process team	Samarco Representative
Agenda 21 of the Municipality of Anchieta (ES)	Fernando Schneider Künsch – general manager of Communications and Institutional Relations	Board Member
	Rodolpho Samorini Filho – Institutional Relations manager	Board Member
Agência Estadual de Serviços Públicos de Energia (ASPE)	Nélio Rodrigues Borges – specialist engineer	Board Member
Amcham – American Chamber of Commerce RJ/ES	Ricardo Vescovi de Aragão	Director
Associação Brasileira de Metalurgia, Materiais e Mineração (ABM)	Ramiro Angulo Blacut – Process Engineer	Samarco Representative
Associação Brasileira dos Recursos Humanos do Espírito Santo (ABRH/ES)	Juliana Borges Ferreira Souto – Personnel Development Manager	Advisory Board Officer
	Luciana Lessa Soares – Human Resources analyst	Samarco Representative
Associação de Empresários de Guarapari (ASEG)	Márcio Isaías Mendes Perdigão – Sustainable Development general manager	Samarco Representative
Associação de Usuários de Recursos Hídricos do Estado do Espírito Santo (Aurhes)	Paulo Cezar Silva – Environmental manager	Samarco Representative – incumbent
	Rodrigo Dutra de Amaral – Environmental Development and Licensing Manager	Samarco Representative – alternate



REPRESENTATION IN TRADE AND OTHER ASSOCIATIONS IN THE STATE OF ESPÍRITO SANTO

Entity	Representative	Participation
Associação dos Práticos do ES (Praticagem)	Alex Sandro da Silva – Port Operations Department head	Samarco Representative
	Robison Luiz Ramos –Port team head	Samarco Representative
Associação Junior Achievement do Espírito Santo (Ajaes)	Fernando Schneider Künsch – general manager of Communications and Institutional Relations	Board Member
Câmara de Indústria de Base da Federação das Indústrias do Estado do Espírito Santo (Findes)	Maurício Borloth Monjardim – Special Projects technical coordinator	Samarco Representative on Board and in the Chamber
Centro de Apoio ao Pequeno Empreendedor do Espírito Santo	José Tadeu de Moraes – CEO	Regional president
Comissão Organizadora do Seminário de Automação e TI Industrial (ABM)	Renato Guimarães Gonçalves – specialist engineer	Samarco Representative
Comitê de Bacia Hidrográfica do Rio Benevente	Paulo Cezar Silva – Environmental manager	Samarco Representative
Comitê de Bacia Hidrográfica do Rio Itapemirim	Paulo Cezar Silva – Environmental manager	Samarco Representative
Comitê Gestor de Resíduos Sólidos do Estado do Espírito Santo (Cogeres)	Daniel Pinto dos Santos Júnior – Environmental analyst	Samarco Representative – alternate
	Paulo Cezar Silva – Environmental manager	Samarco Representative – incumbent
Comitê Técnico de Minério de Ferro da ISO	Mauricio Cota Fonseca – specialist engineer	Samarco Representative
	Thiago Marchezi Doellinger – Engineering and Process team head	Samarco Representative
Comitê Técnico do Instituto Brasileiro de Mineração (Ibram)	Ramiro Angulo Blacut – Process Engineer	Samarco Representative on Technical Committee
Conselho de Responsabilidade Social (Cores) – Federação das Indústrias do Estado do Espírito Santo (Findes)	Rosângela Maria Ferreira – Sustainable Development coordinator	Board Member
Conselho Municipal de Defesa do Meio Ambiente (Comdema) – Anchieta	Márcio Isaías Perdigão Mendes – Sustainable Development general manager	Samarco Representative, on behalf of Federação das Indústrias do Estado do Espírito Santo (Findes)
Conselho Municipal de Defesa do Meio Ambiente de Guarapari (Comdemag)	Márcio Isaías Perdigão Mendes – Sustainable Development general manager	Samarco Representative, on behalf of Associação dos Empresários de Guarapari (ASEG)
Conselho Regional de Meio Ambiente (Conrema IV)	Paulo Cezar Silva – Environmental manager	Samarco Representative, on behalf of Federação das Indústrias do Estado do Espírito Santo (Findes)

Entity	Representative	Participation
Conselho Regional de Química (CRQ)	Thiago Marchezi Doellinger – Process Engineering team head	Board Member
Conselho Regional de Química 3ª Região (CRQ-3)	Ramiro Angulo Blacut – Process Engineer	Samarco Representative
Conselho Superior de Meio Ambiente (Consuma) da Federação das Indústrias do Estado do Espírito Santo (Findes)	Paulo Cezar Silva – Environmental manager	Samarco Representative – incumbent
	Rodrigo Dutra de Amaral – Environmental Development and Licensing manager	Samarco Representative – alternate
Conselho Temático de Infraestrutura (Coinfra)	Nélio Rodrigues Borges – specialist engineer	Vice-president
Federação das Indústrias do Estado do Espírito Santo (Findes)	Ricardo Vescovi de Aragão – Operations and Sustainability director	Director
	Fernando Schneider Künsch – Communications and Institutional Relations general manager	Director Anchieta and Region
	Maurício Borloth Monjardim – Special Projects technical coordinator	Infrastructure Board – member
	Nelson Flávio Nogueira da Silva – Procurement technical coordinator	Samarco Representative
Movimento Empresarial Espírito Santo em Ação (Mees)	José Tadeu de Moraes – CEO	Operations Board– member
	Ricardo Vescovi de Aragão – Operations and Sustainability director	Operations Board– member
	Márcio Isaias Mendes Perdigão – Sustainable Development general manager	Environmental Chamber
	Maurício Borloth Monjardim – Special Projects technical coordinator	Logistics Board– member
	Nelson Flávio Nogueira da Silva – Procurement technical coordinator	Petroleum and Gas Group Board Member
	Rodolpho Samorini Filho – Institutional Relations manager	Member of Special Committee on Interiorization of Development

Entity	Representative	Participation
Órgão Gestor de Mão de Obra (Ogmo)	Alex Sandro da Silva – Port Operations Department head	Samarco Representative
Programa de Desenvolvimento de Fornecedores (Prodfor)	Nelson Flávio Nogueira da Silva – Procurement technical coordinator	Strategy Committee Member
Programa de Harmonização dos Portos (Prohage)	Alex Sandro da Silva – Port Operations Department head	Samarco Representative
	Robison Luiz Ramos – Port team head	Samarco Representative
Sociedade Amigos da Marinha (Soamar)	Alex Sandro da Silva – Port Operations Department head	Samarco Representative
	Robison Luiz Ramos – Port team head	Samarco Representative
Representation in trade and other associations in the State of Minas Gerais		
Associação Brasileira de Comunicação Empresarial (Aberje)	Juliana Machado Cardoso Matoso – Business Communications manager	Samarco Representative
Associação Comercial de Minas (ACMinas) – Conselho Empresarial de Negócios Internacionais	Roberto Lucio Nunes de Carvalho – Commercial and Corporate Services director	Samarco Representative
Associação dos Exportadores Brasileiros	Roberto Lucio Nunes de Carvalho – Commercial and Corporate Services director	Samarco Representative
Comitê de Bacia Hidrográfica do Rio Piracicaba	Hélio Ferreira – Environmental technical coordinator	Samarco Representative
Comitê de Bacia Hidrográfica do Rio Piranga	Igor Moreira Malta – Environmental analyst	Samarco Representative
Comitê de Bacia Hidrográfica do Rio Doce	Rodrigo Dutra de Amaral – Environmental Development and Licensing manager	Samarco Representative
Conselho Consultivo do Parque Estadual do Itacolomi e da Estação Ecológica do Tripuí	Igor Moreira Malta – Environmental analyst	Samarco Representative
	Rodrigo Dutra de Amaral – Environmental Development and Licensing manager	Samarco Representative
Conselho de Responsabilidade Social e de Sustentabilidade do Estado de Minas Gerais (Fiemg)	José Tadeu de Moraes – CEO	President
	Rosângela Maria Ferreira – Sustainable Development coordinator	Board Member

Entity	Representative	Participation
Conselho Deliberativo da Rede Cidadã	José Tadeu de Moraes – CEO	Advisory Board Member
Conselho Empresarial de Meio Ambiente (Cema) – Federação das Indústrias do Estado de Minas Gerais (Fiemg)	Rodrigo Dutra de Amaral – Environmental Development and Licensing manager	Samarco Representative
Conselho Municipal de Conservação e Defesa do Meio Ambiente (Codema)	Igor Moreira Malta – Environmental analyst	Samarco Representative
Fundação Dom Cabral	José Tadeu de Moraes	Board
Fundação Gorceix	Roberto Lucio Nunes de Carvalho – Commercial and Corporate Services director	Board Member – Curator
Fundação Nacional da Qualidade (FNQ)	Rodolpho Samorini Filho – Institutional Relations manager	PNQ Cycle Evaluator for 2010
Instituto Minas pela Paz	José Tadeu de Moraes – CEO Rosângela Maria Ferreira – Sustainable Development coordinator	Advisory Board Audit Committee – alternate
Programa de Development Integrado de Fornecedores (PDIF)	Nelson Flávio Nogueira da Silva – Procurement technical coordinator	Steering Board member
Unidade Regional Colegiada Rio das Velhas	Rodrigo Dutra de Amaral – Environmental Development and Licensing manager	Member



Representation in trade and other associations in other locations

Academia Nacional de Engenharia (ANE) – Comitê de Transporte e Logística	Maurício Borloth Monjardim – Special Projects technical coordinator	Samarco Representative
Associação Brasileira de Grandes Consumidores Industriais de Energia e de Consumidores Livres (Abrace)	Nelson Flávio Nogueira da Silva – Procurement technical coordinator	Samarco Representative
Associação Brasileira dos Grandes Consumidores de Energia e Consumidores Livre (ABRACE)	Nélio Rodrigues Borges – specialist engineer	Board Member
Associação Brasileira dos Investidores de Autoprodução de Energia (ABIAPE)	Nélio Rodrigues Borges – specialist engineer	Vice-president of board
Conselho Diretor do Instituto Brasileiro de Mineração (IBRAM)	José Tadeu de Moraes – CEO	President of the Steering Board
Grupo Referencial de Empresas em Sustentabilidade (GRES) – Ethos	Rosângela Maria Ferreira – Sustainable Development coordinator	Samarco Representative
GT Pacto Empresarial pela Integridade e Combate à Corrupção – Ethos	Rosângela Maria Ferreira – Sustainable Development coordinator	Samarco Representative
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Programa Brasileiro GHG Protocolo – Fundação Getúlio Vargas (FGV)	Rosângela Maria Ferreira – Sustainable Development coordinator	Samarco Representative
Ministry of Science and Technology	Adriano Smarzaró Siqueira	Corporate Sector's Representative to the Mining Industry Fund



Pellet plants, Ubu – ES

#ATTACH

NOV

MENT 2

FINANCIAL STATEMENTS

Staff

In 2010 Samarco reached the largest result of your history in pellet production and shipment levels.

Total production was 23,448,930 metric tons, including 21,507,570 metric tons of pellets and 1,941,360 metric tons of fines (pellet feed + sinter feed), an increase of 34% on 2009.

The table below shows our production performance:

Year	Pellets (*)	Fines (*)	Total (*)
2006	13.851	1.496	15.347
2007	14.261	1.721	15.982
2008	17.145	1.337	18.482
2009	16.051	1.571	17.622
2010	21.508	1.941	23.449

(*) Rounded to the nearest million dry metric tons.

Record shipment volumes were also achieved. A total of 22,558,620 metric tons were shipped, including 21,396,883 metric tons of pellets and 1,161,737 metric tons of fines, an increase of 27% on 2009.

Gross revenue

R\$6,324 million (US\$3,614 million).

Net revenue

R\$6,240 million (US\$3,566 million).

Net income

R\$2,247 million (US\$1,275 million).

EBITDA

R\$3,739 million (US\$2,121 million).

Capital investments

R\$294 million (US\$170 million).

Return on capital employed (ROCE)

68% in Reais and 65% in US dollars.

Dividends

R\$3.3 billion (US\$1.9 billion) in dividends were paid in 2010.

Safety

ur Total Recordable Injury Frequency Rate in 2010 was 0.93 – the lowest to date – against 1.17 in 2009.

Number of employees

2,061 (as at December 2010).

Number of third-party employees

2,856 (as at December 2010).

Number of units

Two industrial units with two concentrators, two ore pipelines, three pelletizing plants, three sales offices, two hydroelectric plants and one maritime terminal.





Finance Income

Financial highlights (in R\$ MM)	2010	2009	2008	2007	2006
Net revenue	6,240	2,813	4,166	2,475	2,487
Gross Margin (%)	64.7	51.6	62.1	56.8	63.5
Net income	2,247	1,474	1,263	1,042	983
EBITDA	3,739	1,268	2,322	1,212	1,292
EBITDA Margin (%)	59.91	45.1	55.7	49.0	51.9
Gross Debt/EBITDA	0.9x	2.0x	1.6x	2.0x	1.3x

Financial highlights (in US\$ MM)	2010	2009	2008	2007	2006
Net revenue	3,566	1,423	2,307	1,280	1,143
Gross Margin (%)	64.7	50.4	61.5	56.6	63.3
Net income	1,275	480	902	520	442
EBITDA	2,121	584		613	592
EBITDA Margin (%)	59.48	41.1	57.7	47.9	51.8
Gross Debt/EBITDA	1.0x	2.5x	1.2x	2.2x	1.4x

Gross Revenue

The strong signs of recovery seen in the global iron ore market in the second half of 2009 were confirmed in the early months of 2010. According to *Credit Suisse Equities (Australia) Limited*¹, market recovery and stability, associated with production expansion in China, caused mining companies and steelmakers to shift from the traditional annual iron ore pricing structure to a quarterly pricing system.

The quarterly pricing mechanism, amid the growing demand for pellets, benefitted the iron ore industry with successive price changes in quarterly renegotiations – an increase of approximately 70.0% in the first quarter, 24.0% in the second, 26.0% in the third, followed by a 14.0% decrease in the last quarter of 2010. Largely thanks to the shift to quarterly pricing, iron ore prices increased the most among commodities in 2010, with exports increasing 117.0% compared to the previous year according to the Ministry of Development, Industry and Foreign Trade.

Quarterly pricing is expected to remain in 2011, and first quarter prices should be a good indicator for average pricing throughout the year.

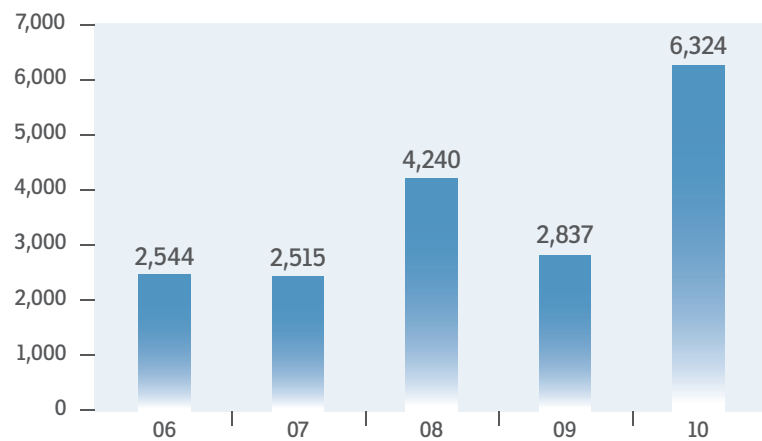
The higher volume of pellet sales and the 106.4% increase in ore prices (owing to the shift to quarterly pricing) largely accounted for our achieving gross revenue of US\$3,614 million in 2010, an increase of 151.7% compared to 2009 (US\$1,436 million). Also important was the positive effect of the larger share of direct reduction pellets in our sales mix (46% in 2010 versus 45% in 2009), which improved our profit margin.

Our gross revenue in 2010 set a new record, exceeding our previous record in 2008 (US\$2,349 million), when the Third Pelletizing Plant was commissioned into operation.

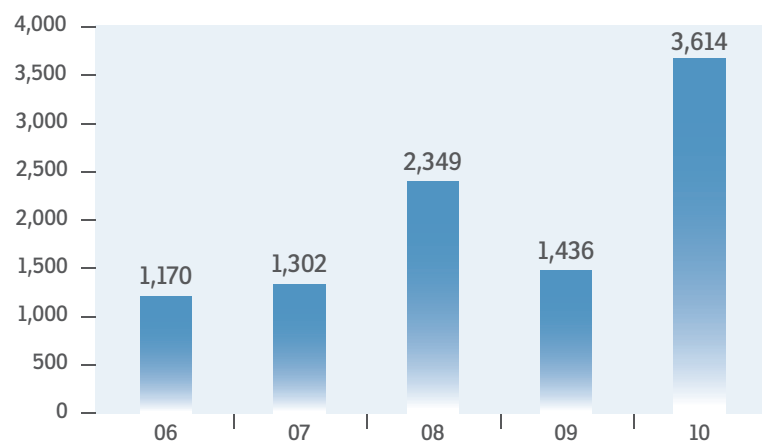
In domestic currency (Real), our gross revenue for 2010 was R\$6,324 million, a 122.9% increase over 2009 (R\$2,837 million).

¹ Equity Research, Diversified Metals & Mining (Metals & Mining) / OVERWEIGHT, 19 April 2010.

GROSS REVENUE R\$ MM



GROSS REVENUE US\$ MM



* From 2007 consolidated gross revenue was used

Our total sales in 2010 exceeded the previous year's by 22.4% (22,654,659 dmt in 2010 versus 18,513,776 dmt in 2009). The Americas and Europe largely accounted for the effect on revenue, with their share in our customer mix increasing by respectively 141.5% and 51.7%. Pellets, our main product, also saw a new record in shipments, exceeding our previous record by 27.1% (21,492,915 dmt in 2010 versus 16,904,047 dmt in 2009)

Gross Margin

The 28.5% increase in gross margin, in US dollars, in 2010 (64.7% in 2010 versus 50.4% in 2009) is primarily due to the increase in gross revenue in foreign currency (151.7%), driven by the previously described record sales volume and increase in product prices in 2010, in addition to our operational efforts to mitigate the impacts of increasing feedstock prices throughout the year, in order to stabilize the pelletizing

process and the quality of the concentrate pumped from Germano.

Despite the positive impacts of revenue generation, certain factors had a negative effect on production costs, such as ore purchases from third parties at higher prices and the delay in completing the furnace conversions to natural gas. The latter factor was partially offset by purchasing natural gas at favorable prices in the spot market.

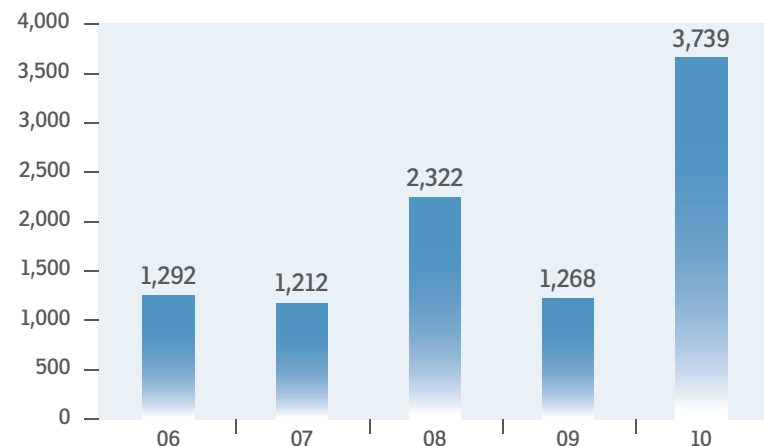
Additional unfavorable factors in relation to the previous year include added materials costs of US\$39.7 million (R\$58.2 million) and added services costs of US\$52.1 million (R\$72.2 million), largely to support resuming operations at full capacity, as well as a US\$41.8 million (R\$56.4 million) increase in electricity expense as result of rate increases imposed by utilities Cemig and Escelsa, which affected our Cost of Products Sold.

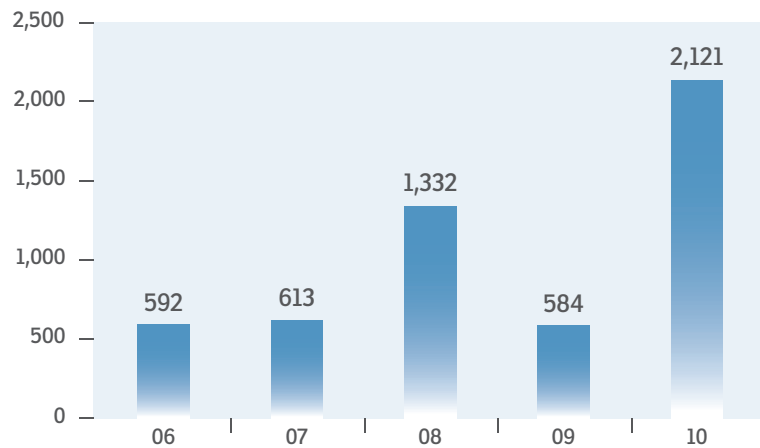
EBITDA

Like our revenue, last year's EBITDA in foreign currency (US\$2,121,000,000 or R\$3,738,600,000) was the best in our history, exceeding 2009's by 263.3% (US\$1,537,300,000), helped by the significant 151.7% increase in gross revenue.

On the negative side, however, our higher production costs in relation to 2009, as described in the previous section (Gross Margin), and the added provision for ICMS tax credit losses in Minas Gerais in 2010, as result of a change in their prospects of recovery, offset some of the gains. Since 2010, provisions for losses have been established for all ICMS credits.

EBITDA R\$ MM



EBITDA US\$ MM**Net Profit**

Net income of R\$2,247.4 million (US\$1,274.8 million) in 2010, the highest in our history and an increase of 143.3% over 2009 (R\$1,311.9 million or US\$524.3 million), was the result of a US\$2,143.4 million increase in net revenue, driven by a substantial increase in sales volume and strong price surges in 2010.

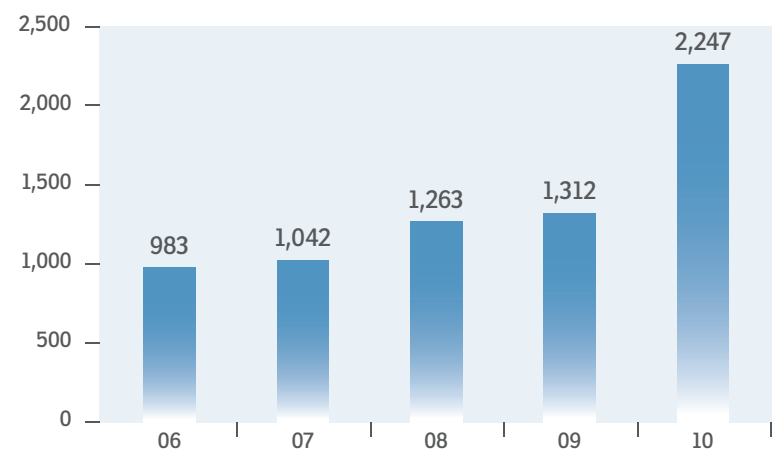
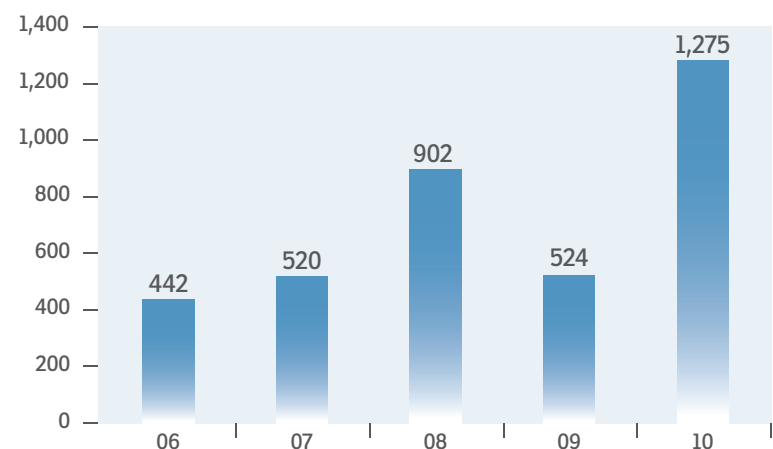
Another factor positively affecting net income was a US\$8.0 million reduction in finance costs (US\$42.5 million in 2009 versus US\$50.4 million in 2010), largely on account of lower average Libor rates (0.5% in 2010 versus 1.9% in 2009).

- Despite the positive net income results for the period, the increase over 2009 would have been even greater had it not been attenuated by certain factors, including: the unfavorable US\$634.8 million (R\$1,275.4 million) translation² impact on provisions, related to the 11.9% strengthening of the Real against the US Dollar;
- the unfavorable impact of provisions for ICMS tax credit losses of US\$45.5 million (R\$125.5 million), as described under EBITDA;
- the unfavorable impact of US\$59.4 million (R\$103.3 million) on mining rights³, compared to 2009, largely owing to higher dividend payments;

² The effect of translating our financial statements from our functional currency (US Dollars) into our reporting currency (Reais), which is designated as exchange variance of monetary items.

³ In 1989, Vale and Samarco entered into a mineral rights assignment agreement under which Vale agreed to assign to Samarco its mineral rights to two iron ore mines.

- the unfavorable impact of sales tax (ICMS, PIS and COFINS) of US\$31.7 million (R\$55.1 million) owing to a higher volume of domestic sales compared to the previous year (718,866 dmt in 2010 versus 106,816 dmt in 2009);
- an increase of US\$16.8 million (R\$25.6 million) in research and development expenditure due to market growth; and
- a US\$5.0 million (R\$8.5 million) increase in investment in social projects.

NET PROFIT R\$ MM**NET PROFIT US\$ MM**

Investments

Total capital expenditure for the year was US\$169.9 million (R\$294.4 million). Most (60%, or US\$102.2 million / R\$177.3 million) of these funds were allocated to operating improvement and business continuity projects, plant equipment replacement and investments in sustainable development in compliance with health, safety and environment standards, policies, laws and regulations. Another 32% (US\$53.9 million / R\$93.5 million) of our capital expenditure was allocated to projects for increasing production capacity and productivity.

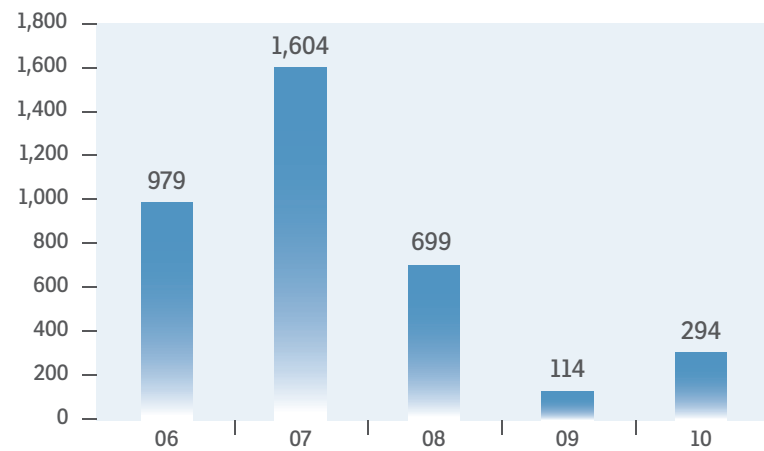
The end of 2010 saw the completion of feasibility studies for the Fourth Pelletizing Plant Project, which will produce an additional 8.25 million tons of pellets per year and generate a 37% increase from our current production capacity. Approval was given for preliminary investments in this project, of which US\$13.8 million (R\$23.6 million) were used in 2010, representing 8% of our total investment for the period.

Other important investments and projects in 2010 include:

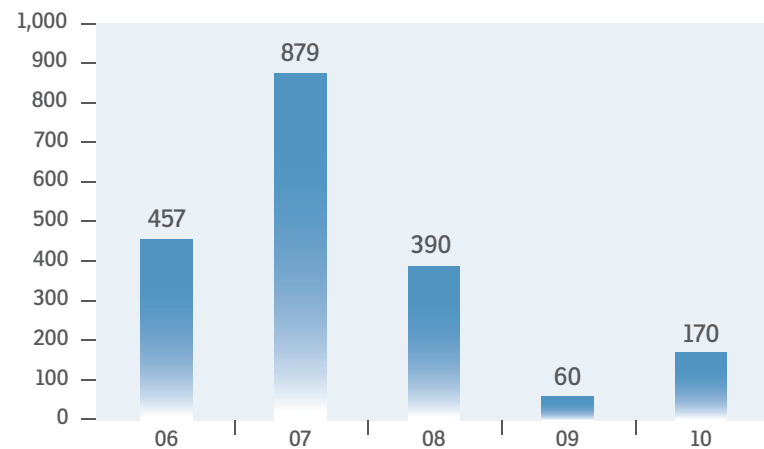
- Furnace conversions to natural gas (US\$18.8 million / R\$33.4 million): initiated in 2009 and completed in 2010, this project consisted of installing natural gas combustion systems in several pelletizing furnaces, enabling the use of multiple energy sources individually or simultaneously, whichever option provides the best cost-benefit outcome.
- Concentrator 2 Capacity Upgrade (US\$17.2 million / R\$29.5 million): this project involved installing new equipment and repowering existing equipment to increase the concentrator's rated production capacity by one million dmt per year;
- Installation of Electrostatic Precipitators: (US\$16.1 million / R\$27.6 million): initiated in 2009, this project will reduce particulate emissions from Pelletizers 1 and 2 for compliance with environmental requirements;
- Fundao Dam Restoration and Improvements (US\$14.6 million / R\$25.7 million): this project entails construction and improvement works for compliance with the applicable operating requirements for the Fundao Tailings Disposal System;

- Furnace refractories (US\$7.4 million / R\$12.8 million): replacement of pelletizing furnace refractory linings; and
- Fatal Risk Protocols (US\$5.0 million / R\$8.6 million): initiated in 2009, this project consists of initiatives to reduce potential fatal injuries by managing all activities to applicable risk protocol requirements.

INVESTMENTS R\$ MM



INVESTMENTS US\$ MM



Indebtedness

Total gross debt for 2010 was US\$2,022.7 million (R\$3,368.6 million), up 37.5% (US\$551.8 million) from 2009 (US\$1,470.9 million).

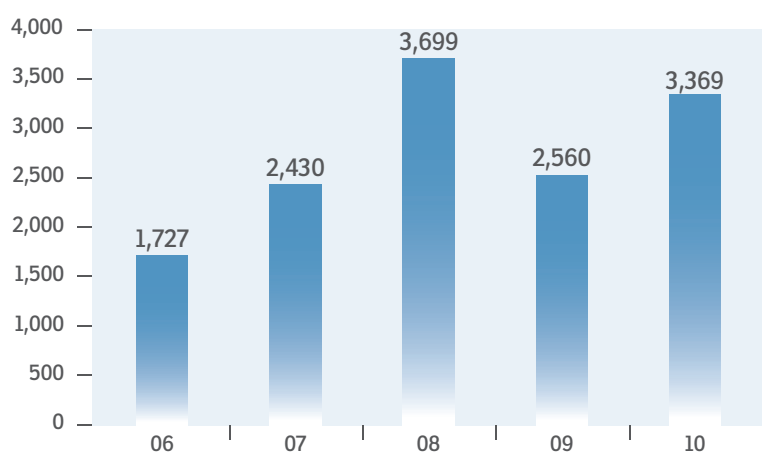
The increase in total debt from US\$1,470.9 million at year-end 2009 to US\$2,022.7 million at year-end 2010 was the combined result of an increase in our volume of operations and resumption of investments following the world economic and financial crisis.

Our year-end debt profile was 45% short-term debt, largely consisting of Advances on Export Contracts (ACC) used to finance working capital, and 55% long-term debt, mostly Pre-Export Advances used to finance capital expenditures.

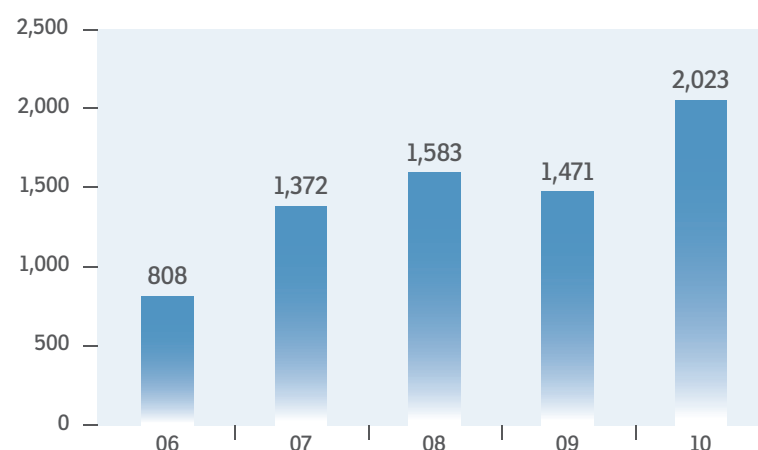
A relevant debt transaction near the end of 2010 was a Pre-export Advance of US\$400.0 million from BNP Paribas, with a bullet maturity of 5 (five) years, subject to interest at market rates, with a 1.7% spread, to be paid semiannually.

In 2010, the first two repayments (US\$100.0 million each) were made for tranche A of the US\$800.0 million Pre-Export Advance Facility used to finance part of the Third Pelletizing Plant Project (P3P). The following repayments of US\$200.0 million for each of the following three years (2011, 2012 and 2013) will be made following the agreed schedule.

INDEBTEDNESS R\$ MM



INDEBTEDNESS US\$ MM



Debt	2010	2009	2008	2007	2006
Gross debt US\$ MM	2,023	1,471	1,583	1,372	808
Net debt US\$ MM	1,758	1,290	1,404	1,320	804

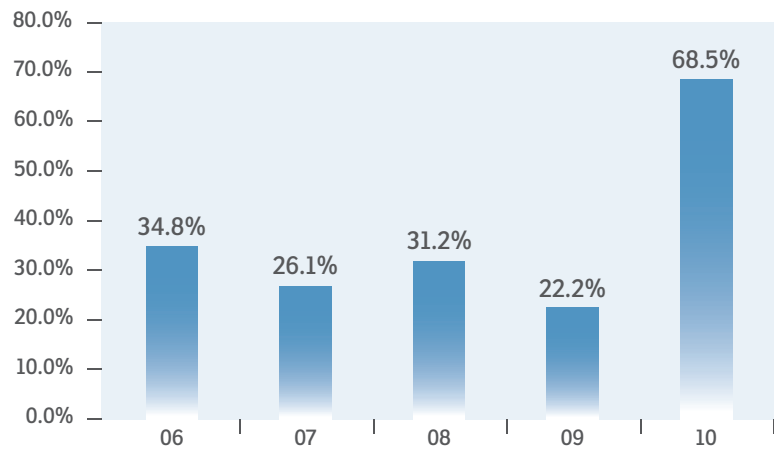
Return on capital employed (ROCE)

Return on capital employed in US Dollars was 64.7% in 2010, significantly higher than the 17.0% reported in 2009. A similar ROCE of 68.5% occurred in domestic currency, against 22.2% for 2009.

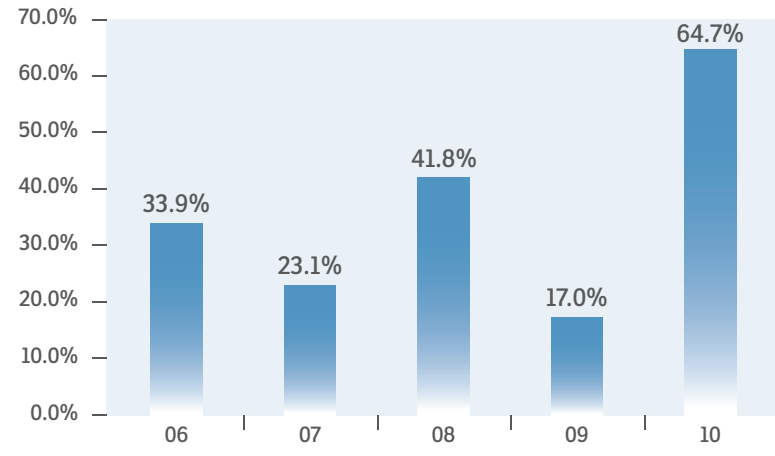
This considerable improvement in performance over the previous year is largely related to our operating income for 2010, as described under Gross Revenue, Net Income and Gross Margin, which was favorably impacted by positive sales performance and a strong price surge in 2010.

It is important to note, however, that an increase in capital employed – caused by a US\$228.0 million (R\$364.1 million) increase in trade accounts receivable, as the combined result of price surges in 2010 and significant sales volumes towards the end of the year – had a negative impact on ROCE.

ROCE - R\$



ROCE - US\$



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