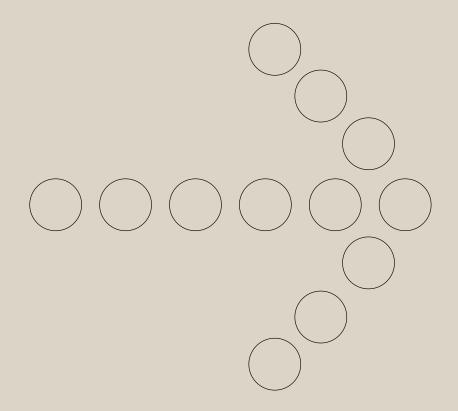




Samarco is a Brazilian company supplying the iron ore which helps to move the world

SAMARCO

# www.samarco.com



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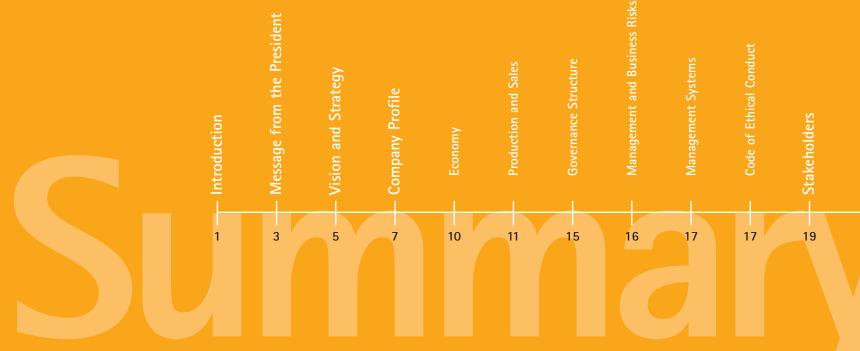






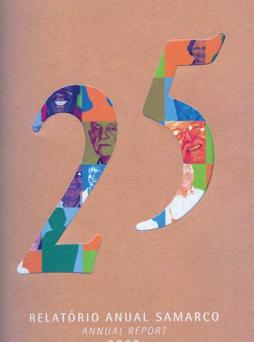


Samarco. A company that has dreams and makes come true.





### **Evaluation of the Annual Report**



Last year, the number of responses was lower than expected, so this year the objective is to intensify this form of participation. Your comments are important in the evaluation of the work undertaken, and will be taken into account in the development of future reports.

Below are some of the comments received by Samarco regarding the 2002 Annual Report. You can also submit your opinion on the 2003 Report, filling out the form included in this edition, and sending it to Samarco as shown.

"The report should have included the excellent work done by Samarco professionals and the company's support to the Special IBRAM Program for Water Resources". This initiative served as a basis for the publication "National model for water resource management – the position of the mining industry in the view of IBRAM", a paper which was considered the best in Brazil on this subject, in its category."

José Mendo Mizael de Souza, executive vice-president of the Brazilian Mining Institute – IBRAM.

"We wish to congratulate the company on its performance, mainly its award of the Ibase/Betinho Seal. This proves that its investments in environmental preservation and its partnering with local municipalities, mainly in social projects, are on the right path, leading to the acknowledgement of important achievements."

Luciano Manoel Machado, mayor of Guaçuí (Espírito Santo)

"Congratulations on the shift to market focus and on the actions undertaken to sustain it, including the development of team awareness in this regard. The aggregate of the social programs has a broad impact and the award of the Ibase Seal consolidates Samarco's institutional image."

Evandro Lorentz, engineer and mathematician, Ipatinga (Minas Gerais)

This year, for the first time, Samarco employed an amalgam of both national and international reporting guidelines with the objective of optimizing its management techniques and its dialogue with stakeholders.

The Company used the Global Reporting Initiative (GRI) as a checklist for the most relevant indicators of its management performance. Samarco also took into account the recommendations made by Instituto Ethos a non-profit organization which advises Brazilian companies on how to incorporate social responsibility into their day-to-day business activities. And, finally, Samarco also abided by the guidelines of Ibase, the Brazilian Institute for Social and Economic Analyses, and was consequently granted its seal of approval - the Ibase/Betinho Corporate Responsibility Seal. Both the Ethos model and the Ibase table had already been published in the 2002 Report.

The Ethos Institute also provided the Corporate Social Responsibility Indicators that Samarco has adopted since 2001 as a tool to evaluate its practices in this area and to monitor its performance. The scores obtained in 2003 for each one of the indicators took into account the opinion of stakeholder representatives, and are shown in another section of this report.

The presentation of the data in this report also seeks to lend greater visibility to actions which demonstrate

Samarco's commitment to the fundamental principles of protecting human rights, labor, and the environment, in the form outlined by the Global Compact, an international initiative proposed by the United Nations. Every year, the UN promotes the Learning Forum, where organizations present cases substantiating their progress in the application of a given principle of the Global Compact. In 2003, Samarco presented its Volunteering Program, as evidence of the potential of human resources to improve the Company's performance in terms of social responsibility.

Throughout the report, testimonials by customers, employees, suppliers and community representatives, among other stakeholders, illustrate how Samarco is viewed by its partners, and validate the company's commitment to an ongoing dialogue with its publics.



### UNDERSTANDING THE NUMBERS

In reporting its results, Samarco applied a variable exchange rate (Brazilian Real to US Dollar), applicable to the type of transaction involved (purchase, sale, debt repayment, etc.).



# Message from the President

José Tadeu de Moraes CEO

The year of 2003 was exceptional for Brazilian exports, which hit a high of US\$ 73 billion, assuring a trade surplus of US\$ 24 billion. For Samarco, a company totally focused on export, the outcome was equally good. We achieved the best results in all our 26 years of operation, beating records all the way from the mines to the port.

Our pipeline, which carries the iron ore slurry from the Germano unit in Minas Gerais to the Ubu pellet plants in Espírito Santo, once more surpassed its designed capacity, conveying 15.5 million tons. In all, Samarco sales reached 16.4 million tons, divided into 13.7 million tons of pellets and 2.7 million tons of pellet feed. This result represents a 10.8% increase over the total sales of 2002, which had until then been the best year in Samarco's history.

The production pace of the world steel market, which started quickening in the second quarter of 2002 and suffered no slowdown even with the war in Iraq, accounts for the good performance of the iron ore industry in 2003. The heightened demand had an impact upon the prices, which rose 10.03% for pellets and 9% for pellet feed.

Once more, the major demand came from the Chinese steel industry. In 2003, Samarco consolidated its position as the main exporter of pellets to that country, which currently accounts for 43% of our pellet sales, and 37% of our total sales. We closed out the year with a gross sales revenue of R\$ 1.5 billion (US\$ 500 million) and a net profit of R\$ 436 million (US\$ 102 million).



The dividends paid to the shareholders are the best in Samarco's history, reaching a total of R\$ 454 million (US\$ 150 million).

The company's investment level in 2003 maintained a low profile. The major project was the completion of the first phase of *Projeto Integra*, which implemented SAP throughout Samarco. The system went into operation on January 1st, 2004, and should assure a significant improvement in the quality of data generated for decision-making. With this system in place, all of the company's information is now managed by a single data base, guaranteeing greater agility and reliability. Last year, some R\$ 9.3 million (US\$ 3.1 million) were invested in the implementation of SAP, of a total budget of R\$ 24.2 million (US\$ 7.7 million).

In the production area, the investment in the roller press, the equipment which handles the final stage of the ore grinding process, yielded gains of about 7% in terms of quality and productivity, proving its importance to the achievement of the Company's production levels. In 2003, R\$ 11.5 million (US\$ 3.6 million) were disbursed to conclude the installation of the roller press, which has an overall cost of R\$ 57.7 million (US\$ 20 million).

In the field of occupational health and safety, Samarco innovated this year by reporting its results and those of its contractors on the basis of a classified accident rate. This method is stricter than the one previously adopted, for in addition to lost time accidents, it also takes into account accidents with no lost time but with restricted activity. We met our goal, closing out 2003 with a classified accident rate of 2.43, which represents an improvement of 20% over the previous year. For 2004, our goal is still more challenging: to reduce last year's rates by 20%.

It is also important to mention that, in 2003, Samarco took an important step toward consolidating its social responsibility actions, seeking out the best models in this field in terms of management and dialogue with stakeholders. Based on economic, environmental and social indicators, our intention is to render accounts to our shareholders, employees, customers, partners and society in general, describing our initiatives in these fields and our concern with the sustainability of our business.

In closing, I wish to say that I was very proud to take over as CEO of Samarco on the 24th of November 2003, a company where I started out as a trainee 24 years ago. I wish to thank the shareholders for their trust, and also thank my predecessor, José Luciano Duarte Penido. It was under his direction that Samarco duplicated its production and firmly established its position on the global market as a bold, innovative organization which not only produces high quality pellets but is also socially responsible.

I further wish to thank all our employees, suppliers and other partners from whom I have received expressions of support. With commitment and enthusiasm, we feel stronger to deal with the challenges that face us, such as the project of optimizing production in Germano, and other projects which will empower us to keep up with the growth and demands of our customers and the world iron ore market as a whole.

### Mission, Values and Objectives

We are a Brazilian company that supplies high quality iron ore to steel industries worldwide, creating value for all stakeholders.

### And we do this by:

- Seeking to be the reliable supplier of choice, leader in terms of cost, offering guality products and services.
- Continuously striving to be a high-performance organization where each individual is accountable and rewarded for the results achieved
- Winning the trust of customers, shareholders, employees, suppliers and communities, through clear communications and fulfillment of commitments.
- Expanding our market share with sound and profitable assets.
- Pursuing corporate excellence.

### And attributing value to:

- Health, Safety and Environment prioritizing these issues in day-to-day operations.
- Ethics underlying all aspects of our business.
- People Promoting an environment which is a source of pride to all, providing motivation to develop competencies in the quest for superior performance.
- Relationships of mutual advantage focused on creating value for all parties.
- Innovation encouraging ideas and actions which assure our competitiveness.

### We succeed in creating value when:

- Our shareholders are remunerated with a superior return on investment
- Our customers and suppliers benefit from our commercial relationship.
- The communities where we are active recognize us as a citizen corporation.
- The business community recognizes us as a profitable and socially responsible organization.
- All our employees start out their day with a sense of purpose and end it with a feeling of accomplishment.

### Integrated Management Policy

Through the practice of its Integrated Management System, Samarco seeks to:

- Identify environmental aspects and impacts, as well as health and safety risks related to its activities, and to establish systematic actions of control, monitoring and prevention of pollution and accidents;
- Identify, assess, and manage any risks that cause impacts to the business, establishing the guidelines for managerial strategies and actions;
- Review objectives and goals periodically;
- Promote continual improvement of its Quality, Environment, Health and Safety performance in accordance with the needs and expectations of our stakeholders, current laws, the commitments and excellence standards;
- Encourage new ways of seeking out and taking advantage of opportunities for business growth;
- Invest in continual education and training of the employees so as to enable them to fulfill their responsibilities as collaborators and citizens;
- Inform suppliers of goods and services of their responsibilities vis-à-vis Samarco and the community;
- Maintain communication with stakeholders about its performance
- Develop initiatives that promote the improvement of the quality of life of Samarco employees, contractors and their family members.

This Policy, together with the Objectives and Goals for Quality, Environment, Health and Safety, seeks to conform to Samarco's Mission, Values and Objectives, and represents a commitment on the part of all employees.

# VISION and

### Desired Institutional Image

Samarco wants to be perceived as an innovative company, which maintains a socially responsible relationship with its stakeholders. Its main attributes are:

- cutting-edge mineral and management technology,
- reliability and high quality of its products, focused on the ultimate needs of its customers,
- financial solidity, and capability to offer satisfactory return to its shareholders,
- total priority to occupational health and safety,
- motivation of its personnel, constant incentive to innovation,
- responsible environmental action, and
- a participatory and effective social and environmental performance.





# Company Profile



Samarco's business is mining, beneficiating, transporting and pelletizing iron ore. It is the second largest seaborne supplier of iron ore pellets to steel plants that employ blast furnace and direct reduction processes. In 2003, Samarco's share of the world market was 17%. Its shareholding is divided between the Brazilian mining company Companhia Vale do Rio Doce (50%) and the Anglo-Australian BHP Billiton (50%), which rank among the three major mining groups in the world.

The ore extraction and beneficiation operations are performed at the Germano Unit, in Minas Gerais. The ore comes from the Alegria Mine (with reserves of 4 billion tons), located in the municipalities of Mariana and Ouro Preto. The pellet plants and the port facilities are part of the Ubu Unit, located in the municipality of Anchieta, in the State of Espírito Santo. A 396 km pipeline links the two units, carrying the concentrated iron ore slurry which is pelletized in Ubu.

Samarco has its own sales offices in Amsterdam, Hong Kong and in Belo Horizonte, Brazil. These offices handle the commercialization of its production, which, in the year of 2003, hit a record of 15.3 million tons of iron ore (pellets plus pellet feed).

Samarco's entire production is intended for export; however, in 2003, a small portion of its production (1.3%) was sold on the domestic market.

Since the end of the nineties, Samarco has been expanding its market share in China, currently its main consumer. In 2003, China accounted for some 37% of Samarco's overall sales.

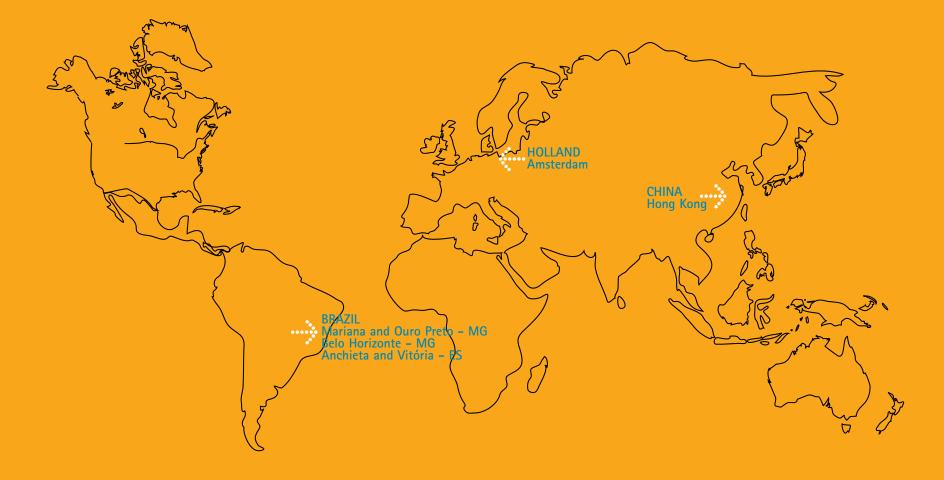




### Samarco Units

- Vitória Office State of Espírito Santo
  Belo Horizonte Office State of Minas Gerais

### Sales offices:









### Economy

In spite of the generally weak performance of the Brazilian economy, with a GDP of -0.2%, 2003 was an exceptionally good year for Brazilian exports, which totaled US\$ 73.084 billion, providing a trade surplus of US\$ 24.831 billion. Commodities such as iron ore played an important part in the country's exports, accounting for 5.17% of foreign sales (US\$ 3.782 billion).

The international market, mainly driven by Chinese growth (9% in 2003), showed an increasing demand for iron ore, pushing the prices up. The Chinese steel industry, Samarco's main consumer market, produced 220 million tons of raw steel – almost a fourth of the world's entire production in 2003 – and consumed 44.1 million tons of pellets, of which 34% it imported. On the other hand, the increase in international shipping activities generated by the Chinese demand also led to an increase in freight prices, which have gone up some 120% since last year.

For 2004, the Brazilian government estimates that exports will run around US\$ 80 billion, assuring a trade surplus of some US\$ 20 billion. Once again, the sale of iron ore pellets abroad is expected to contribute significantly to this performance. In the first two months of 2004, the product ranked first among the country's exports. In February 2004, the sales of Brazilian iron ore on the international market rose by 7.4% compared to the same month in 2003. In order to meet the increased global demand, several Brazilian mining companies are planning to invest in expansion projects, to the tune of some US\$ 2 billion in 2004.



# TOTAL PRODUCTION 2003 IN MILLIONS OF DRY METRIC TONS (DMT)

	2003	2002	2001
Concentrate*	15,492	15,000	14,670
Pellets	13,266	11,582	9,890
<i>Pellet Feed</i>	2,035	2,913	1,648

### SALES PER REGION – PELLETS

	2003	2002	2001
China	43%	37%	18%
Asia (except China)	13%	19%	33%
Europe	14%	16%	29%
Africa / Middle East	20%	19%	14%
Americas	10%	9%	6%

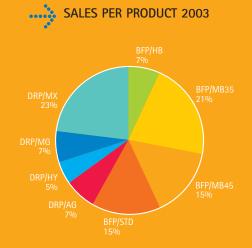
## TOTAL PER REGION

	2003	2002	2001
China	37%	30%	30%
Asia (except China)	15%	22%	15%
Europe	16%	19%	26%
Africa / Middle East	23%	21%	21%
Americas	9%	8%	8%

### TOTAL SALES PER COUNTRY

	2003
China	37%
Germany	9%
Egypt	9%
Argentina	7%
France	5%
Japan	5%
Saudi Arabia	5%
Indonesia	4%
Malaysia	4%
Iran	3%
Libya	3%
Bahrain	3%
Taiwan	2%
Turkey	2%
Brazil	1%
Mexico	<1%
US	<1%
Qatar	<1%





### Products

 Two of the ten pellet types offered by Samarco were not commercialized in 2003 (BFP/LB and Newpellet). On the other hand, the company rolled out a new type of pellet (BFP/MB45) for use in blast furnace processes developed to meet the special requirements o certain Chinese customers.

Legend: DRP – Direct reductior BFP – Blast furnace pe

### MARKET SHARE

2003		17.0%
2002		17.5%
2001		14.7%
2000		16.7%
1999	16.5%	
1998	14.5%	







### Governance Structure

The Board of Directors of Samarco is made up of four members – two representing CVRD and two BHP Billiton (and their respective alternates). Every four months, Samarco's Management Committee meets with the Board of Directors to assess the company's management and analyze accounts, contracts, business plans and expansion plans. The Board of Directors, whose members have a term of three years subject to reelection, also has the function of appointing the members of the Management Committee. The chairman and deputy chairman of the Board have a one-year term.



### Members of the Board of Directors \*

### CVRD

Armando de Oliveira Santos Neto (Deputy Chairman) Executive Director of Ferrous Metals

Nelson Luiz Costa Silva (Alternate) Director of Commercial Department

José Francisco Martins de Viveiros (Alternate) Director of Ferrous Metals – Southern Division

### **BHP BILLITON**

Robert Wynn Kirkby (Chairman) President of the Group – Raw Materials for Steel and Carbon

Michael John Amundsen (Alternate) Vice President of Iron Ore Business Development

Sebastião Henrique Ubaldo Ribeiro (Incumbent) President of BHP Billiton Metais S.A

Peter Beaven (Alternate) Chief Development Raw Materials for Steel and Carbon

### \*Status as of December 31 2003

### Samarco Management Committee

José Tadeu de Moraes (CEO)

Paulo José Barros Rabelo (COO)

Roberto Lúcio Nunes de Carvalho (CCO)



### Management and Business Risks

Best practices and motivated employees are the cornerstones of Samarco's management in order to guarantee profitability, sustainability, predictability and generation of value to all stakeholders. The Samarco Integrated Management System addresses the issues of quality, environment, occupational health and safety as a single unit, thus assuring the adoption of a unified vision and strategy by all hierarchical levels.

The Samarco vision is shared by its employees and constructed pursuant to the principles of its Mission, Values and Objectives statement, subdivided into medium and short-term actions.

In order to define the priorities and goals and to manage economic, environmental and social risks and opportunities, Samarco performs audits and holds management and business risk seminars.

**Management Seminars** - held every three years, with the objective of defining the strategic planning of the company, evaluating management and proposing improvements. Among the participants are officers, directors, upper management staff and guests. The guidelines and documents reviewed and produced are subsequently disseminated among employees in a systematized manner. The decisions are broken down into goals, improvement plans or routine management actions.

The Goal Plan for 2003 included ^risk reduction ^ which means that the main threats to the company's business were identified and subdivided per area, and were analyzed in the regular meetings of monitoring of the Goal Plan held every four months.

**Business Risk Seminars** - these seminars for top management identify and evaluate the threats and opportunities related to the company's strategy and the external environment. They are held right after the Management Committee seminar or whenever significant company strategy changes occur. In 2002, they addressed issues such as the strengthening of ties with customers, Samarco's operational excellence, and the consolidation of the company's reputation. The monitoring and reappraisal of strategic actions in 2003 led to a reduction of 30% in the company's vulnerability and global risk level.

### Audits

Quality, environment and occupational health and safety are addressed by Samarco's Integrated Management System. This makes it possible for all hierarchical levels to hold an integrated strategic view of the issues involved, and for the Company's manuals, standards and audits to contemplate all four aspects.

The definition of priorities and goals, the programs for performance improvement, communication and in-house training, monitoring of performance and review of top management are addressed, among other procedures, during the audits carried out during the year. These are:

- . Internal audit semi-annually
- . External audit semi-annually
- . Shareholders' audit semi-annually
- . Management Committee audit annually
- . Financial audit (PriceWaterhouse Coopers) quarterly.

### **Internal Committees**

Samarco's Integrated Management System is supported by committees formed by employees. The most strategic in 2003 were the SIG (Integrated Management System), IT, HR, Investment, Innovation and Ethics committees.

# Vanagement

### **Management Systems**

In 2003, Samarco obtained a revalidation of both its ISO 9001, version 2000 (Quality) certification, as well as its OHSAS 18001 (Health and Safety) certification. In 2004, the company expects to have its ISO 14001 (Environment) certification revalidated also. In addition to the systems subject to certification, Samarco's management maintains in effect initiatives such as the Integrated Management of Human Resources, assessment of suppliers, and social responsibility practices.

### Information Security

In order to assure its own security and that of its customers, suppliers and partners, Samarco is investing in a complete Information Security Management System (*SGSI*). The system is based on international standards for good practices and management of information security (ISO IEC 17799 and BS 7799-2). The implementation of this system is scheduled for completion in the second half of 2004, after which it can be certified.

### **Code of Ethical Conduct**

Samarco's Code of Ethical Conduct was revised for the first time in June 2003, taking into account suggestions made by employees and suppliers. In September of the same year, another item was modified, pursuant to a recommendation made by the company's shareholders seeking compliance with the US Sarbanes-Oxley Act. This change allows the employees or any stakeholders to directly report to the shareholders any report of fraud and doubts related to the Code of Ethical Conduct.

Instituted in 2002, the Code officializes the ethical principles and conduct followed by the company as a whole. It also lists Samarco's values: respect, equality, honesty, loyalty, trust, cooperation, tolerance, justice, transparency, responsibility, quality, integrity, engagement and commitment to the truth.

The position of ombudsman – a company spokesperson in charge of clearing up doubts, receiving complaints and reports of violations of the Code – is held by the legal advisor of the company, who in 2003 received 16 complaints, consultations and reports of violation, all of which were duly solved internally. Samarco's policy is to review the Code on a yearly basis.









### **Stakeholders**

The recommendations made by Instituto Ethos and AccountAbility 1000 (AA1000) are among the main references adopted by Samarco in its determination to strengthen ties and dialogue with its stakeholders. These guidelines also propitiate integration between social aspects and the Company's management of its operations.

### Basis for defining main stakeholders

In 2003, Samarco defined its prioritary publics in terms of relationship on the basis of two main criteria: the groups most impacted by the Company's actions (employees, communities and suppliers) and groups such as regulatory bodies and government authorities, with whom the Company's rapport can be better systematized.

### Programs for stakeholder consultation

Surveys and consultations among external stakeholders are not yet established on a regular basis, and vary according to the projects and/or activities developed.

In the case of communities, the Company renders public account of its environmental impacts and its socio-environmental actions. These presentations take place twice a year among neighboring communities.

The Company also resumed, in 2003, its meetings with the Anchieta communities to listen to their demands with regard to the socio-economic development of the region. This initiative is part of the Community Engagement Program (*PEC*), created in 2001 after a qualitative opinion poll was carried out in ten surrounding communities. For 2004, the plan is to perform another survey, focused on other stakeholders as well.

Within the Company, polls among its internal public are carried out on a regular basis – a climate survey every two years, and an annual communication survey. In addition, an ombudsman who is a Samarco employee, is responsible for clearing up doubts, handling complaints and reports of violation of the Code of Ethical Conduct. The Company stimulates dialogue between managers and their teams, among other opportunities, at the three tier meetings. A Communications Committee, formed by employees from various departments, also acts as a discussion forum. In monthly meetings, its members evaluate the Company's communication practices and suggest themes to be addressed internally.

The information related to these inquiries is duly recorded and then acted upon. Those that refer to management systems, such as ISO 14001, are handled within the continuous improvement process. A database is currently being developed with full information on the Company's various stakeholders.

There is no formal process of consultation among suppliers, regulatory agencies and government bodies. With regard to customers, please see page 67.

SAMARCO

### EMPLOYEES

Both direct hire and outsourced employees work together at Samarco. The Company's good reputation as an employer helps to attract people who constitute the human capital indispensable to Samarco's success.

### COMMUNITY

This is the Company's most extensive public, considering its diversity and geographic spread. It comprises 24 municipalities along the pipeline route, in addition to the cities neighboring the production units – Mariana and Ouro Preto (MG), Anchieta and Guarapari (ES) – and the municipalities of Muniz Freire (ES), Nova Era, and Antônio Dias (MG), where the company has its hydroelectric power plants. Dialogue initiatives with the communities are an ongoing mission, in addition to public presentations of socio-environmental performance, communication and engagement processes, and continued participation in social programs, such as *Samarco de Portas Abertas* (the Company visiting program) and the community engagement program (*PEC*).

# Vanagement

### CUSTOMERS

The Company has a portfolio of some 30 customers, spread throughout Asia, Europe, Africa and the Americas. When Samarco customers want to find information on commercial transactions, request services, report complaints or submit suggestions, for example, they have access to electronic tools such as Customer Relationship Management (CRM) and Inside Samarco, in operation since 2003.

### SHAREHOLDERS

Samarco's relationship with its two shareholders, CVRD and BHP Billiton, is guided by best corporate governance practices. Samarco works independently in the commercialization of its products and maintains its own identity on the market.

### COMPETITORS

Two of the Company's three main competitors on the international market of iron ore, BHP Billiton and CVRD, are its 50-50 shareholders. However, Samarco is perceived as a separate entity, and works on conquering its own share of the market.



### PUBLIC AUTHORITIES

Samarco has been working on systematizing its relations with the municipal, state and federal public authorities through focused communication actions.

### ASSOCIATIONS

Samarco employees play an active part in various associations and institutions, which have different degrees of involvement with the Company's operations. An example is the participation of Samarco representatives in committees such as the Citizenship Council of the Federation of Industries of the State of Minas Gerais (*Fiemg*), and the International Committee of ISO Standardization, as well as in trade associations, such as the Federation of Industries of Espírito Santo (*Findes*), in sectoral entities, such as the Brazilian Mining Institute (*IBRAM*), in non-profit organizations, such as Instituto Ethos, and in commercial organizations, such as the Minas Gerais Chapter of the International Chamber of Commerce.

### **REGULATORY AGENCIES**

Samarco maintains liaison with a large variety of regulatory agencies, at different levels, including local environmental authorities in the States of Minas Gerais and Espírito Santo, and federal agencies, such as the Brazilian Electrical Energy Agency – Aneel, and bodies supervising foreign and maritime trade.

### UNIONS

The company maintains relations with three unions:

SINDIMETAL – Union of workers in metallurgical, mechanical, electrical and electronic industry in the State of Espírito Santo

METABASE – Union of workers in the iron and base metal extraction industry of Mariana, State of Minas Gerais SINDIMARÍTIMOS – Union of ocean and river transport workers in the State of Espírito Santo

Samarco respects and complies with all the requirements of the collective agreements.



### SUPPLIERS

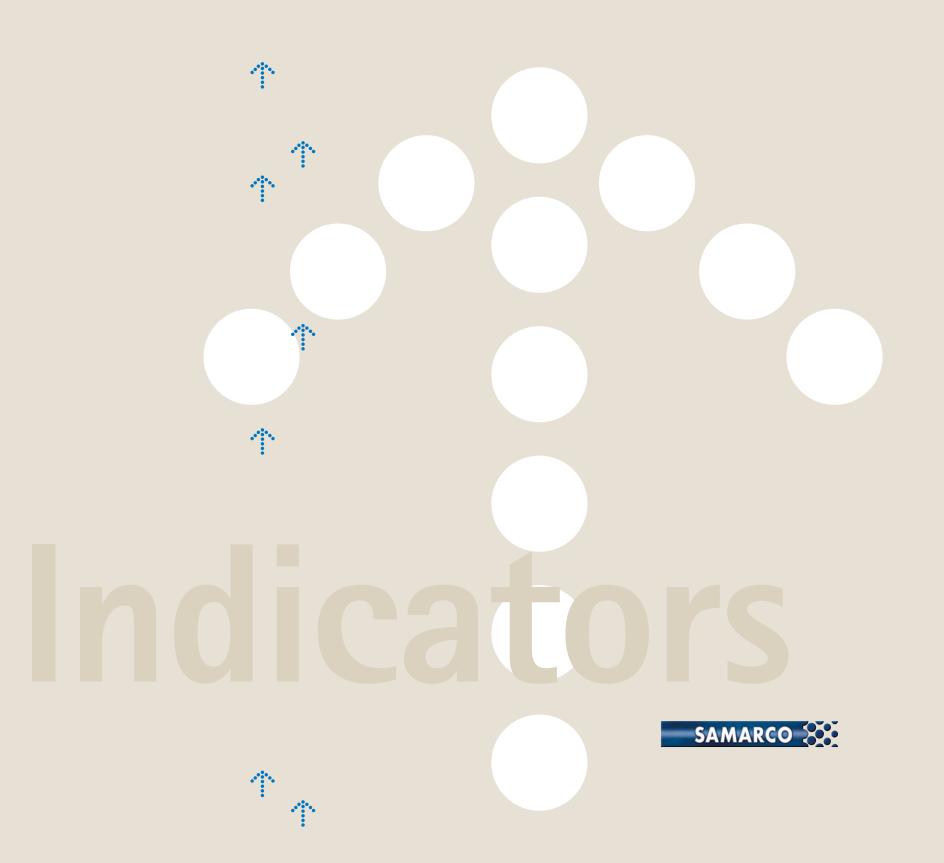
Samarco has service suppliers of small, medium and large size, some with sporadic contracts, some with longstanding contracts. Monthly evaluations, procedures manuals, annual awards and follow-up of the certifications obtained by the contractors are some of the ways used by the Company to continuously improve its relationship with these partners.

### **ENVIRONMENT**

Samarco was the first iron ore mining company in the world to be awarded ISO 14001 certification for all phases of its production process. This means that the company adopts a management system which provides for external audits and public rendering of accounts with regard to its performance. Samarco is committed to the continuous mitigation of the negative impacts of its activities on the environment, and to keeping a two-way dialogue with employees, communities, regulatory bodies, non-governmental organizations, and pertinent river basin committees.



# Performance



## **Economic Performance Indicators**



The excellent sales performance and the favorable exchange rate in 2003 assured the achievement of a historical record of R\$ 1.5 billion in revenue (US\$ 500 million). This represents an increase of 25% compared to 2002, with R\$ 1.2 billion (US\$ 413 million). The net profit was R\$ 435.8 million (US\$ 101.9 million) the best result ever. The previous record had been achieved in 2002, with a net profit of R\$ 180.3 million (US\$ 96.4 million).

### Investment

In 2003, Samarco had investment outlays of R\$ 70.7 million (US\$ 23.6 million) of which R\$ 11.5 million (US\$ 3.6 million) were allocated to the completion of the roller press project – equipment which reduces the particle size of the iron ore, increasing productivity and reducing costs – and R\$ 9.3 million (US\$ 3.1 million) to the SAP implementation project, called *Projeto Integra*.

In 2003, Samarco put in place its SAP project, which went into operation on January 1, 2004. The system integrates in a single database all of the Company's information, so that, among other benefits, Samarco's numbers can be accessed online by all units, in real time. Its implementation also involved the transfer of the Company's IT infrastructure operation and maintenance to Hewlett Packard (HP).

### Gross margin

In spite of the year's good results, the Company had a small reduction in its gross margin in *Reais* – from 54.1% in 2002, to 52.3% in 2003. This was mainly due to the increased cost of some materials, especially those quoted on the international market, but fortunately some 80% of the consumables are purchased on the domestic market.

### EBITDA

A record generation of EBITDA (earnings before interest, taxes, depreciation and amortization) was reported in 2003, both in dollars and *Reais*: R\$ 724 million (US\$ 242 million).

### Return on Invested Capital (ROIC)

One of Samarco's main goals is to maximize the generation of economic value for its shareholders. In 2003, it reported its best result in terms of return on invested capital – 32.5% for results in *Reais*, and 23.1% for results in Dollars. In 2003, the Company distributed to its shareholders dividends in the amount of R\$ 454 million (US\$ 150 million) the largest amount since the Company started its activities. As a matter of comparison, in 2002 the distribution of dividends was of R\$ 95 million (US\$ 35 million).

### Purchase of lands/ taxes

All of Samarco's facilities – mine, industrial units, pipeline right of way – are located on land owned by the Company. The specific tax levied on exploitation of ore (*Cefem*) is paid to the National Department of Mineral Production (*DNPM*), a federal agency. The resulting resources are divided among the Federal Government (12%), the State (23%) and the municipality from where the ore is extracted (65%). In 2003, the total amount of taxes paid was R\$ 194 million (US\$ 68 million).



# **Economic Performance Indicators**

# 126 Balling of The R FINANCIAL HIGHLIGHTS

Net revenue         1,423         1,156         764           Gross Margin (%)         52.3         54.1         50.8		2003	2002	2001
Net profit         436         180         87           EBITDA         724         627         369           EBITDA Margin (%)         50.8         54.2         48.3           Gross Debt/EBITDA         0.8x         1.2x         1.8x	Gross Margin (%)	52.3	54.1	50.8
	Net profit	436	180	87
	EBITDA	724	627	369
	EBITDA Margin (%)	50.8	54.2	48.3



### NET REVENUE

	R\$	US\$
Net revenue	1,423,079,753.99	465,411,959.37
Added value	854,577,344.42	234,251,953.34
Total assets	1,893,506,514.98	819,511,774.39
Total Debt/Capitalization (%)	35.8%	26%

### DISTRIBUTION TO CAPITAL PROVIDERS (INTEREST, DIVIDENDS)

	(thousand R\$)	(thousand US\$)
Dividends	454,463.00	150,000.00

### INCREASE/REDUCTION IN RETAINED EARNINGS

	R\$	US\$ (Dollar equivalent)*
Retained earnings at end of period	223,278,980.53	77,280,555.35

\*relative to exchange rate on December 31 2003

### PUBLIC SECTOR TOTAL TAXES PAID IN COUNTRY

	(thousand R\$)	(thousand US\$)
Income tax and CSLL	102,533	33,988
ICMS	72,103	24,646
COFINS	1,599	531
CPMF	6,387	2,087
IPTU	684	187
CEFEM (Royalties)	10,244	3,346
Other	613	209
Total	194,163	68,131

Samarco receives no subsidies per country or region

### ICMS

In December of 2003, Samarco reached an agreement with the Government of Minas Gerais for the payment of the state value added tax (ICMS) relative to the period between April 1991 and September 1996, which had been contested in court by the company. Complementary Law No. 65 of 1991 exempted exportation of industrialized products from ICMS payment, but iron ore continued to be taxed, under the allegation that it was a semi-processed product. The tax continued to be collected by the Government of Minas Gerais until 1996, when the Kandir Law exempted all Brazilian exports from said tax. With the settlement, possibly due to a new government policy, Samarco paid one third – R\$ 72.1 million (US\$ 24.6 million) – of the amount discussed in court, thus putting an end to the impasse.

# **Economic Performance Indicators**

# QUANTITATIVE INDICATORS (IN R\$ THOU AND US\$ THOU)

I. GENERATION OF WEALTH	2003	2002	2001
(A) Gross revenue	1,529,784	1.218,749	780,107
	500,395	413,186	333,916
(B) Goods and services acquired from third parties	686,415	491,067	314,056
	223,429	179,135	143,058
(C) Gross added value (A – B)	843,369	727,682	466,051
(D) Detentions (demonstration encodientics, depletion)	276,966	234,051	190,858
(D) Retentions (depreciation, amortization, depletion)	71,300	59,636	49,132
(e) Net added value (C – D)	44,091 <b>772,069</b>	42,929 668,046	35,673 <mark>416,919</mark>
	232,875	191,122	155,185
(F) Transfers	232,075	131,122	155,105
Equity method	27,317	(43,827)	(795)
	(1,579)	(30)	5,746
Income from equity interest	-	-	-
Financial income	55,191	153,965	44,819
	2,956	3,900	8,679
(G) Added value to distribute (E + F)	854,577	778,184	460,943
	234,252	194,992	169,610
Distribution per Stakeholders	2003	2002	2001
Communit			
Government Taxes, charges and contributions	205,029	90,088	69,331
Taxes, charges and contributions	63,760	28,524	30,909
Collaborators	03,700	20,324	30,303
Salaries and payroll oncosts	51,922	49,670	42,799
	22,657	21,490	18,217
Private pension fund	2,852	3,000	759
	920	1,087	351
Benefits	8,089	7,303	7,437
	2,648	1,781	3,181
Profit sharing	11,834	15,016	4,131
	3,831	4,237	2,865
Financers	127.000	442.010	240.221
Remuneration of third party capital	137,098	442,918	249,321
Shareholders	38,556	41,451	57,823
Dividends	454,463	94,724	95,907
	150,000	35,000	43,000
Retained earnings / losses of period	435,829	180,264	87,166
	101,880	96,422	56,263



# QUANTITATIVE INDICATORS (IN R\$ THOU AND US\$ THOU)

II. PRODUCTIVITY Productivity indicators	2003	2002	2001
Gross margin (%)	52.3	54.1	50.8
	48.4	45.6	43.9
Net margin (%)	30.6	15.6	11.4
	21.9	24.6	17.2
Asset turnover (net margin / average asset) (%)	21.5	9.1	4.8
	11.8	10.8	6.1
Return on average asset (oper.income / average asset) (%)	26.1	12.8	7.4
	15.0	14.3	11.9
Indebtedness ratio (loans + financing / net equity)	0.20	0.48	0.45
	0.13	0.23	0.33
Liquidity rate (current assets / current liabilities)	0.70	0.86	0.67
	0.71	0.68	0.67
III. INVESTMENTS			
Investment items	2003	2002	2001
R&D	1,308	1,075	159
	440	317	73
Increase in production capacity, improvement in productivity and maintenance	69,368	56,575	33,335
	23,180	19,428	14,068
Education/training	2,899	2,398	1,537
	982	859	645
Community-directed programs	2,130	1,679	868
	624	544	366

# **Environmental Performance Indicators**



Actions of identification of aspects and environmental impacts on its acivities and actions of control, monitoring and prevention are key elements in the environmental management in Samarco. The approach can be divided in atmospheric emissions management, water resources management, waste management, rehabilitation of altered areas and environmental education activities. In 2003, environmental performance indicators were developed that area already being incorporated into the company's routine, in the integrated management system.

#### Investments

The investments in environmental projects totaled R\$ 4.677 million (US\$ 1.544 million) in 2003, allocated to actions like the Environmental Education Program, controlling and monitoring, research and environmental preservation programs. Of this amount, R\$ 761 thousand (US\$ 251 thousand) were used in projects related to the biodiversity (monitoring and re-introduction of fauna, researches and papers related to the rehabilitation of altered areas).

#### Water Resources

Samarco was the first Brazilian company of the mining sector to be granted the right of use of water resources, a document granted by the government agency responsible for water management. The license was granted only in the State of Minas Gerais, since the State of Espírito Santo still has no legal license granting these rights, a document which is being prepared by the respective entities. Considered one of its main consumables, the company gives special attention to the use of water.

Besides controlling and monitoring the impacts of the company's activities on water resources, Samarco participates in most of the forums and committees in which the subject is discussed. In 2003, the company was prominently involved in the River Basin committees of the rivers Doce, Piracicaba, Piranga, in Minas Gerais, and Benevente river, in Espírito Santo. In the River Basin Committee of the Doce River, the representative

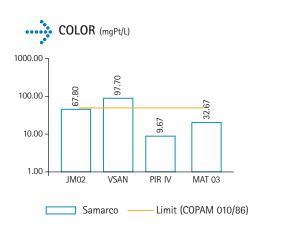
of the company is the Executive Secretary.

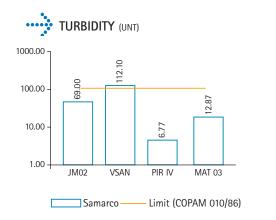
Chemical, physical and biological monitoring of the quality of the water are performed at discharge points of treated effluents and also ponds, creeks and rivers in the area of influence of the company. Among the monitored factors, the company selected, according to its own performance parameters, some factors that best characterize the quality of its effluents, which are: color, turbidity, organic load and volume of dissolved oxygen in the water.

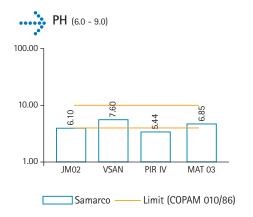


# **Environmental Performance Indicators**

MONITORING - ANNUAL AVERAGE

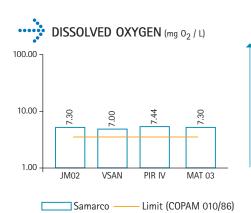


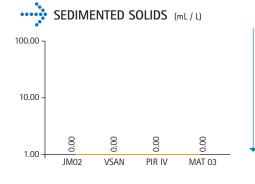




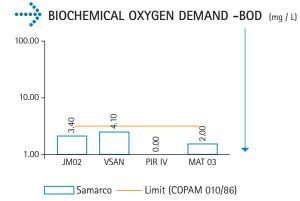












# **Environmental Performance Indicators**

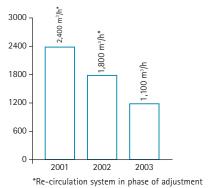
**Consumption and re-circulation of water** The company keeps track of the intake, circulation and disposal of water in its units. In 2003, for the first time, consolidated data were generated from all the processes of the company that involve the use of water.

In Ubu, the *Projeto Águas*, created in 2001, allowed for a good performance in the re-circulation of process water in 2003. The actions taken through the project also allowed the feeding reduction of the Tertiary Industrial Effluents Treatment Plant (*ETTEI*) – from 2,400 m<sup>3</sup>/h to 1,100 m<sup>3</sup>/h –, due to the increase of re-circulation – average of 1,000 m<sup>3</sup>/h, in 2003. The lower volume of water at ETTEI allowed the significant improvement in the treatment, with subsequent effects in the quality of the water that feeds Samarco's dam.









The maximum capacity of flow rate of the project ETTEI is  $1,500 \text{ m}^3/\text{h}$ . In 2003, the flow rate was considered excellent in terms of performance of the operational system.

#### CONSUMPTION OF WATER (CONSOLIDATED)

Indicators	2001	2002	2003
Unused water (m <sup>3</sup> )	n.d.	n.d.	15,584,000
Reused water (m <sup>3</sup> )	n.d.	n.d.	112,588,000

#### Safe Transportation

Samarco's iron ore is transported by a system that guarantees minimum environmental impact, since it associates the use of conveyor belts and a pipeline built of steel plates. The end products are loaded onto ships in the company's own port.



#### Dam Safety

To guarantee that industrial effluent is not discharged into the rivers, Samarco has two main dams – Germano's and Santarém's, in the municipality of Mariana. Besides serving as tailings deposits, both of them allow the increase of re-circulation of water in the process. In 2003, the implementation of the drying system turned the tailings pile even more stable, increasing its safety.

The dams, like other geotechnical structures of the company, have a Safety Manual and are subjected to internal and external audits. To support the actions in this area, the Geotechnics Department relies on national and international consultants. The conditions of the dams are also monitored daily.

Samarco's representatives participate periodically in technical events and meetings with the communities, where they have the opportunity to share the information resulting from this work. In 2003, the company participated, for example, in the I Seminar of Environmental Sustainability in Mining (focused on tailings dams) and in a course about dredging, in the Netherlands. Also in 2003, actions like the implementation of the Operations Manual and the incorporation of the *Norte* dam (ES), in Anchieta, and *Matipó* dam (MG), stand out in Samarco's dam monitoring and controlling system, which is now responsible for the eight existing structures.

#### Santarém

The monitoring system of residual downstream flow, in the Santarém dam, was established in 2003 to comply with the legal requirements for revalidation of the license. The other dams will be awarded with the same system by 2004.

#### SANTARÉM DAM MONITORING

Location	License* Flow rate (liters/second)	Water intake Flow rate (I/s)
Santarém Dam (MG)	278	216.55

\* permit to use the State waters granted by the respective entities.

#### **Atmospheric Emissions**

The atmospheric emissions of particulate material (dust) represent the main environmental impact caused by Samarco's operations in Ubu. Several actions have been taken along the years to diminish or prevent this impact, among them the implementation of plants and systems controlling dust emissions, and tree planting by the neighboring communities (read Projeto Árvores – Project Trees, at page 59). The actions are working. An analysis of the dust characteristics, carried out at the end of 2003 together with the Espírito Santo Federal University, shows that only 23% of the dust that is reaching the Ubu community is caused by Samarco's activities.

By the end of 2003, after two and a half years of studies and research, the tests of a system that avoids the dissipation of ore dust started, involving the use of a chemical dust suppressor. Used over the pellets as they leave the furnace, the product reduces the emission of particulates in Ubu and the consumption of water for the suppression of particulates, by a factor of seven. The suppressor is a non-toxic organic product, similar to plain school glue, which avoids any kind of secondary impact, both in the area of influence of the company and the customers' processes. Another highlight is the action taken to control the deposition of particles in Além beach (see box in this page).

#### 14000 7000 12000 6000 £ Production (x 1000 t.) of Particles 10000 5000 8000 4000 6000 3000 Emission 4000 2000 2000 1000 0 0 1997 1998 1999 2000 2001 2002 2003 -Production — Emission of Particles

ESTIMATED EMISSION OF PARTICLES X PELLET PRODUCTION

Furnace stacks

#### The Além beach Case

The *Além* beach is in Ubu, next to Samarco's port. In September 2003, the company received a summons from *lema* (the Espírito Santo State Institute for Environment and Water Resources) and was fined at R\$ 1 million (US\$ 341.8 thousand) after they encountered a layer of ore particles on the beach sand. Less than two months later, Samarco was served again for the same reason – although a series of actions to solve the problem were already taking place– and fined at more than R\$ 3 million (US\$ 1.02 million).

The fast rhythm of loading of the ships in the port and the frequency of winds in the region, which was higher than usual in 2003, were the main causes for the abnormal deposit of ore particles over the beach. In neither of those incidents was there any biological or physical damage to the environment, nor significant impacts on the affected area. Among the actions that the company started to take, right after the first summons, were the implementation of a monitoring system of atmospheric emissions close to Além beach, the wetting of Samarco's internal roads 24 hours a day, the reactivation of conveyor scrubbers, the installation of belt scrapers in shiploading, and new training for the employees who work in the stockpiling and shipping departments, besides the placement of a video camera to monitor the dust emission over the beach. All those actions were presented to the environmental entity of the State government and there were no more new incidents in 2003.



Samarco's growth in production was the main cause of increase of CO2 emission, which occurs due to a larger consumption of fuel oil, coal, limestone and diesel oil. However, the analysis of the specific emission (ton CO2/ ton of produced pellets) shows a downward trend mainly due to the efforts to rationalize the consumption of fossil fuels (fuel oil and coal).

In early 2003, a project started to be developed with the objective of evaluating the replacement of coal (responsible for most of the CO2 emissions) by biomass produced from charcoal (originated from elephant grass). Besides the environmental benefit resulting from the reduction of impact on the greenhouse effect, the implementation of the project will bring benefits such as the replacement of an imported consumable (coal) by another product locally produced, increasing the income of small rural producers with the supply of grass.

#### ESTIMATED AMOUNT OF EMISSION OF CO<sub>2</sub> INTO THE ATMOSPHERE

	2001	2002	2003
CO <sub>2</sub> (t)	1,036,200	1,216,000	1,272,590
Specific emission (t/t produced)	0.103	0.105	0.098

#### Waste

In 2003, as provided in the Corporate Plan of Solid Waste Management, Samarco increased the standardization of activities and reinforced the controls of the stages of collection, intermediate disposal, treatment and ultimate disposal of the waste generated in its units.

#### INDICATORS

Generated waste	2001	2002	2003
garbage, domestic and industrial waste, etc. (t)	122,609	146,109	<del>**</del> 179,389
Oil (I)*	222,582	200,030	203,000

\* All the oil residue generated is sent to re-refining, according to the environmental legislation, which guarantees the recycling of the oil in the production of basic lubricating oil.

** Recycled/reused waste in the process (domestic and industrial)	98,7%
** Waste disposal in landfill sites	1,3%

#### Solid Waste Landfill

Between November and December a solid waste landfill was built, in Ubu, for the disposal of industrial waste class II (nonhazardous waste). The landfill, with the storage capability of 2,700 m<sup>3</sup>, fills an area of 3,000 m<sup>2</sup> and is close to the hazardous solid waste landfill, oil residue and the recycling shed. With a lifespan of five years, the main objective is the reduction of environmental impacts resulting from the inappropriate final disposal of wastes.

# **Environmental Performance Indicators**

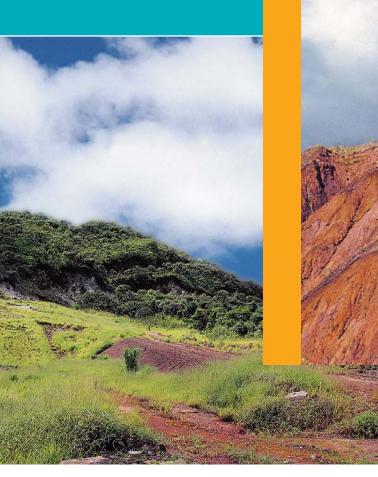


#### **Rehabilitation of Altered Areas**

In Germano, where the mine is located, Samarco has an Integrated Program of Rehabilitation of Areas which has the objective of reducing the impacts of the mining activities on the water resources, fauna and flora.

A good example of the success of the Program is the recuperation of the waste dump at Germano mine. The initiative comprises the recomposition of the topography of the waste dump, the planting of native trees (to ensure water and ground cover), the release of birds and the introduction of bee hives (for the pollination of plants, spreading of seeds and control of pests).

After four years of work, there are already some evidences that nature is able to be self-sustainable in this area, as demonstrated by the presence of birds and native plants at the site, as opposed to the findings of the first survey by the Rehabilitation Program team. All this work can be used as a pilot project for the final stage of rehabilitation of the old Germano mine pit.



 Altered areas in 2003	69 hectares
Rehabilitated area in 2003	8 hectares
Total of altered areas since the beginning of Samarco's activities until Dec/2003	845 hectares (including mining, waste dumps and dams still active)

# 

CONSUMPTION OF ENERGY USE OF ELECTRICAL ENERGY, GENERATED BY POWER PLANTS

Indicators	2001	2002	2003
Annual consumption (MWh)	938,120	1,139,104	1,165,226
Specific consumption (MWh/TMS)	0.081	0.078	0.076
Purchased from third parties (MWh)	626,116	777,532	823,310
Generated by the company (MWh)	312,004	361,572	345,327
Sold Energy* (MWh)	n.a.	n.a.	7,411

\*The surplus of generated energy is commercialized on the free market of energy of the country.

# CONSUMPTION OF FUELS

Indicators	2001	2002	2003
Coal (t)	157,351	190,319	210,279
Specific consumption (t/TMS)	0.015	0.016	0.015
Fuel oil (furnaces) (t)	149,727	176,672	181,578
Specific consumption (t/TMS)	0.015	0.015	0.013
Diesel oil (I)	10,551,295	11,693,796	11,459,000
Specific consumption (I/TMS)	0.914	0.806	0.739

# **Environmental Performance Indicators**

# ••••• ENVIRONMENTAL LICENSES AND OTHER LEGAL REQUIREMENTS

Operating License	Related to	Issuing entity	# of the Process
L.O. 501	Revalidation of the Operating License: Samarco Complex, Furnace Germano Pit, Germano Waste Dump, Pipeline, Beneficiation Plant, Germano Dam and Concentration Plant Expansion. Revalidated on 9/25/2003 Validity: 4 years	Feam/Copam	015/1984/029/2001
L.O. 032	Operating License: Dredging of slimes in Germano Dam. Obtained on 2/17/2003 Validity: 6 years	Feam/Copam	015/1984/033/2002

\* In 2003, Ubu did not obtain environmental licenses.

# LICENSES ISSUED BY IBAMA

Issue Date	Related to	# of the Process	# of License
May 14/2003	Tree nursery demonstration under the Environmental Education Program in parallel with the reintroduction of <i>mutum-do-sudeste</i> (the curassow bird) project, in Germano.	02015.0083/87	052/03 – fauna-MG
Mar 10/2003	Project of retrieval of animals (mammals, birds and reptiles) killed by vehicles on the highway MG 129, taxidermy and exhibition at the Environmental Education Center (CEAM), integrated with the Environmental Education Program.	02015.002965/02-00	018/03- MG -FRRJ/UFJF
Sept 1/2003	Transportation of pelts for taxidermy of the Project of retrieval of animals killed by vehicles on highway MG 129, from the Environmental Education Center (CEAM), integrated with the Environmental Education Program.	02015.002965/02-00	0139/03 - fauna/MG





# LICENSES ISSUED BY IBAMA

# of APEF	# of the process	Area	Purpose of exploitation	lssued on	Revalidation
077005	0910040/2001	Alegria 9	Advance in work face	Dec 11/2003	
071593	0910029/2000	Fazenda Samarco I – area 4	Raising of Germano dam	Aug 18/2003	
071587	0910048/2003	Fazenda Samarco II – area 1	João Manoel Waste Dump.	June 27/2003	
077004	0910040/2001	Alegria 9	Alegria 9	Dec 11/2003	
071565	0910038/2001	Horto Alegria	Installation of conveyor belt	Sept 16/2002	On Oct 10/2003
071564	0910037/2001	Fazenda Samarco I – area 4	Installation of conveyor belt	Sept 16/2002	On Oct 10/2003
071025	0910040/2001	Alegria 9	Advance in work face, advance in waste (overburden) dump, opening of access to waste dump and installation of conveyor belt.	July 10/2002	On July 8/2003
071024	0910039/2001	Fazenda Samarco II – area 1	Advance in work face	July 10/2002	On July 8/2003

## **Environmental Performance Indicators**

#### Fines

The Além beach case (read at page 37) litigation is still ongoing, and is one of the three cases of fines applied to Samarco's operations. Another case is related to the inappropriate deposit of solid waste in mining areas, in Germano, issued by the State Environmental Foundation (*Feam*) and by the Environmental Policy Council (*Copam*), environmental agencies of the State of Minas Gerais. The litigation, started in July 2000, was judged in 2003. Samarco was required to pay, after appealing, a fine of R\$ 16.3 thousand (US\$ 5.6 thousand).

The other occasion is related to the fine received by the Ubu unit. The environmental entity of the State (*lema*) alleged a failure to comply with a pre-requisite of the Operating License of the Pellet Plant and fined the company at R\$ 100 thousand (US\$ 34.2 thousand). The reason was the request for the names of the planted species, which were not mentioned in the pre-condition. The request was fulfilled behind schedule. Samarco sent to the entity a contestation by administrative means disagreeing with the fine, since the company has a document issued by *lema* itself stating that the pre-requisite was fulfilled. The litigation, as of December 2003, was still in progress.

#### **Compensatory Actions**

Samarco has concluded the first stage of the agreement, signed in 2002, with the Minas Gerais Association for Environmental Defense (*Amda*) and the *Provincia Brasileira da Congregação da Missão* (*PBCM*), which allowed, among other actions, the construction of the Visitor Center at the Private Natural Heritage Reserve – *Centro de Visitantes na Reserva Particular do Patrimônio Natural (RPPN)* – of Caraça. Besides the conclusion of the building, in 2003, Samarco also finished the landscaping, the cafeteria and the restrooms, as well as the recomposition of 10 hectares of the Caraça reserve. The company expects the approval of the environmental entities of the State for the opening of the Center in 2004. The continuity of the agreement provides the implementation of a water treatment system, the reconditioning of the lodging of the researchers and the donation of equipment to the Visitor Center, for the development of activities related to environmental education.







#### **Environmental Education**

To better understand the environmental pre-requisites and its commitment to sustainable development, Samarco fosters environmental education programs in the neighboring communities. Besides the employees, the actions comprise teachers, students, riverside communities, fishermen groups and the general community (read about the projects on page 59).

# **Social Performance Indicators**

# <image>

#### Training and Education

The investments in education and training totaled R\$ 2.9 million (US\$ 982 thousand), compared to R\$ 2.4 million (US\$ 859 thousand) in 2002. Samarco has two specific programs for ongoing education of its employees: the Training Program, focused on technology, and the Competency Development Program (*PDC*), focused on a more behavioral aspect. In 2003, the highlight of the *PDC* on the management level was the course of Development in Finance, in partnership with *Fundação Dom Cabral*, from Belo Horizonte, with the participation of 29 managers, department heads, consultants and engineers.

In 2003, 66 employees from Germano and Ubu participated at no charge in the technical courses on mechanics, mining and metallurgy within the program *Capacitação Tecnológica Samarco (CTS)*, offered by Samarco in partnership with renowned technical education institutes.

One hundred and ninety six employees received scholarships for undergraduate courses (50% of the total value) and 67 for graduate courses (50% of the total value). Moreover, 57 employees from Samarco and other contractors completed elementary and secondary education by means of agreements in effect between the company and the *Fundação Brasileira de Educação (Fubrae*).





# ENROLLMENT IN PROGRAMS OFFERED

Education Programs	2003	2002
CTS (technical level) Fubrae* (elementary and secondary education) Cequal** (certificate in mechanical and electrical courses)	66 129 22	50 176 122

\* Granted for both Samarco and contractors' employees \*\* In 2003, fulfilled only in Germano unit

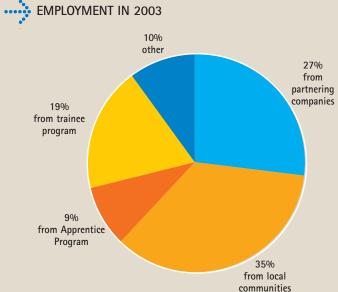
# EDUCATION AND TRAINING

Investments	2003	2002	2001
Investments in education and training as percentage of total revenue	0.18%	0.22%	0.24%
Investments in education and training as percentage of total operational expenses	1.29%	1.86%	1.52%
Investments in education and training as percentage of overall spending on workforce	3.95%	4.02%	3.24%

# Social Performance Indicators



The average permanence of employees at Samarco reaches 11 years. This number explains the low rate of turn over - 1.03% also favored by the internal recruiting policy. Besides the reallocations, in 2003, the company hired 71 professionals. All 1,286 employees of Samarco are represented by independent unions and beneficiated by collective agreement: 41% of them are union members.







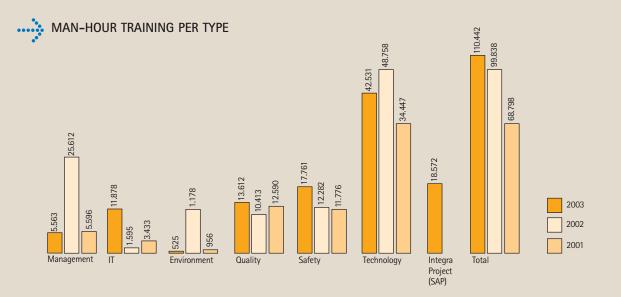
**Schooling Flexibility** To extend the possibilities of job placement to the local communities, Samarco tried to make the requirements for schooling more flexible in the selection of personnel when the candidate belongs to the neighboring communities.

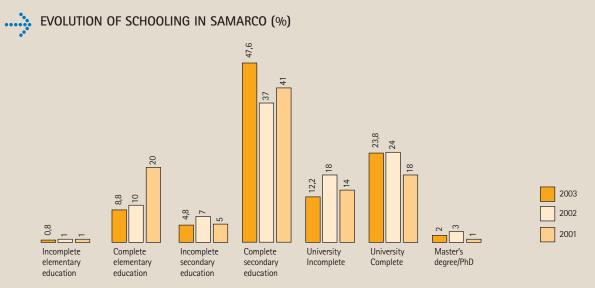
In 2003, 35% of the employees were residents of the local communities.

# EMPLOYMENT OF WORKFORCE PER STATE

State	Workforce		
	Employees	Outsourced	
Minas Gerais	664	706	
Espírito Santo	622	666	
Total	1,286	1,372	

# Social Performance Indicators







#### **Climate Survey**

Samarco Mineração was rated second among the Brazilian companies with the "Best Practices in Organizational Climate" of the country, according to Hay Group, a North-American organization which renders integrated consultancy services in human resources in more than 30 countries. The rate of 95% of spontaneous participation of the employees in this research is one of the highest among the companies visited by Hay. The employee satisfaction is monitored every two years. The most recent research was in 2002.

#### THE BEST COMPANIES IN ORGANIZATIONAL CLIMATE

CST and Visanet	73%
Samarco and Natura	70%
Aracruz	<b>66</b> %

Source: Ranking Hay do Brasil, 2003

#### Field of Ideas

One of the main channels of participation of the employees in the planning of the company is the Field of Ideas – *Campo de Idéias*. The program of suggestions has the purpose of fostering and rewarding the employees that create projects – whether alone or in groups– related to improvement of quality, cost, service, morale and safety. In 2003, 229 proposals were implemented (against 346, in 2002) which means a return of US\$ 8.12 for every invested dollar.

#### **Inclusion Policies**

Samarco offers remunerated traineeship to the disadvantaged through the Apprentice Program. Launched in 2002 in partnership with the *Centro de Integração e Apoio ao Portador de Deficiência "Rogéria Amato" (Cira*), the program was created to train and improve the employability of the participants. At the conclusion of the traineeship, if possible, Samarco hires these professionals as part of the staff or sends to its contractors and local companies a letter of recommendation for the apprentices. As of December 2003, there were eight disadvantaged individuals working at Samarco, who had participated in the traineeship program, and three were working for other companies.

In 2003, 26 people participated in the program (compared to 12 in 2002). Also in 2003, Samarco started to adapt its infrastructure to the needs of the disadvantaged, building ramps, elevators and acquiring telephone devices in Braille.

#### Indigenous People Rights

The areas where Samarco has its activities have no indigenous populations.

# **Social Performance Indicators**

# Remuneration and benefits for employees In 2003, Samarco allocated R\$ 74 million (US\$ 24.6 million) – R\$ 45 million (US\$ 15 million), without oncosts - to the payment of salaries and benefits to its

In 2003, Samarco allocated R\$ 74 million (US\$ 24.6 million) – R\$ 45 million (US\$ 15 million), without oncosts – to the payment of salaries and benefits to its employees. Of this total, over R\$ 6 million (US\$ 2 million) went to non-mandatory benefits.

The list of benefits includes uniforms, meals, transportation, travel and life insurance, scholarships, vacation loans, salary complementation for those unable to work due to accidents or illness, funeral assistance, day care assistance, one year's job assurance for new mothers, school kit for employees' children, health, dental and hospital care, extensive to dependants, credit co-op, housing co-op, and private pension fund.

All of the professionals of the company are entitled to profit sharing. The extra remuneration is conditioned to the fulfillment of production and sales goals, improvements, environmental performance and reduction of accident rates. In 2004, each employee will receive, on average, 3.1 salaries as a bonus for 2003.



Employees earning more than minimum wages

100%





#### **Healthier Life**

Samarco's employees rely on the Bem Viver Program, which comprises corporate gymnastics, prevention and treatment of chemical dependency, profile of the employee's quality of life, nutrition, ergonomics, sports and leisure activities, aside from Preventive Medicine, lectures about STDs/Aids and Retirement Preparation Program (PPA). These last three programs are also available to the employee's family. The highlights in 2003 were the launching of the diabetes and hypertension treatment modules of the Preventive Medicine Program, and the implementation of the Inappropriate Use of Alcohol and Other Drugs Policy, with the purpose of developing, with the employees, a culture of co-responsibility and awareness of their role in the Bem Viver Program.

#### SALARY PROFILE

#### (IN AVERAGE SALARY, DATA FOR THE CURRENT YEAR)

	Dec/03	Dec/02	Dec/01
Ratio of the smallest salary within the company to Brazil's minimum salary	2.56 salaries	3.15 salaries	2.90 salaries
% of employees included in the complementary social security scheme	93%	85%	71%
	2003	2002	2001
Average number of salaries paid by <i>PLR</i> scheme (profit sharing)	2.6 salaries	3.9 salaries	2.8 salaries
Average number of salaries paid on the basis of remuneration:	15.9	17.23	16.13

\*Remuneration = Salary, PLR, vacation loan, bonus (may be granted by terms of the group agreement).

#### RETIREMENT PREPARATION PROGRAM (PPA) •••••

Activities in 2003	Participants
Pension Plan Lecture	155 participants
I PPA Seminar	53 participants (31 employees and 22 spouses)
Pension Plan Consultancy	47 employees
Tribute to retirees	2 employees

#### PREVENTION AND TREATMENT OF CHEMICAL DEPENDENCY (2003)

Program	Groups	Enrollments	Abstinent	Relapsed
Alcohol and other drugs (implemented in 1998)	*	14	5	9
Support for Smokers (implemented in 2001)	17**	184	124	60

\* Due to the number of participants it was inadequate to create a support group. The people are advised to participate in groups within the community. \*\* In 2003, the community created a support group for smokers.

# **Social Performance Indicators**



#### Housing

With 17 houses delivered in Anchieta (ES), in 2003, the housing co-op, *Cooperativa Habitacional dos Empregados da Samarco (Cohesa*), has completed another stage of the Housing Program. Since 1994, *Cohesa* has already financed the purchase and construction of houses for over 900 Samarco's employees, with investments of R\$ 16.5 million (US\$ 12.6 million\*).

#### Health and Safety

Samarco's Health and Work Safety Management System establishes systematic checks, monitoring and prevention of accidents, according to the provisions of regulation OHSAS 18001.

The results in the area of occupational safety take into consideration the performance of Samarco and its contractors. In 2003, the company started to measure its performance based on the rate of classified accidents, a more rigid standard because it considers the accidents with lost time (*CPT*) and without lost time (*SPT*) with restricted activity, i.e. the cases when the employee keeps working, but does not perform his/her normal functions. Despite this change in the methodology of calculation, the company has achieved the goal of improving its safety performance by 20%.

The survey and elimination of unsafe conditions, the study of behavioral factors of the employee and the evaluation of the Health, Environment and Safety management system by DuPont, one of the most respectful consultants in this area, are among the actions taken to improve the performance of the company. The goal is to improve by another 20% the rate of classified accidents in 2004.

The efforts to improve the rating also rely on annual audits of the Board of Directors, which, based on a checklist, evaluate and attribute a score to the safety conditions in the areas; and on the efforts of the occupational safety support groups, created by initiative of the employees. Among other actions, they carry out periodic checks and participate in campaigns promoted by the Internal Commission for Prevention of Accidents (*Cipa*) and Mineral Extraction *Cipa* (*Cipamin*).

In 2003, BHP Billiton –Samarco's shareholder – created nine Fatal Risk Control Protocols, based on a survey that showed the main causes of fatal accidents within the group. Among these, six are used at Samarco. Each protocol is related to a type of risk and establishes minimum requirements for equipment, procedures and training of personnel. To disseminate them, Samarco promoted a Seminar, in the last quarter of the year, which led to the development of action plans to be implemented in 2004.

The "Survey of the behavioral factors that interfere in the safety of the people in the work environment" was also developed. An analysis of the accidents has indicated the behavior of the people as a factor that can be further examined to improve the safety conditions. Taking this survey into consideration, during the year the company developed a project, created a multidisciplinary group and prepared the diagnosis. For 2004, the company intends to finalize the diagnosis, the identification and development of the necessary interventions and the monitoring of the results.





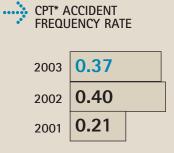
The Annual Safety Training Program has provided a total of 17,761 hours of training, which corresponds to 153 hours per employee (including contractors). Besides the legal requirements, the program also takes into consideration the internal demands. Quantitative evaluations of the environmental risks, such as dust and noise, were also examined in all areas of Samarco, in order to evaluate the effectiveness of the control measures implemented.

#### ACCIDENTS IN 2003 (SAMARCO + CONTRACTORS)

CPT (with lost time)	2
SPT (without lost time but with restricted activity)	11
SPT (without lost time but with medical treatment)	31
First aid cases	75

CLASSIFIED ACCIDENT RATE (CPT accidents + SPT accidents with restricted activity)

2003	2.43	
2002	3.02	
2001	5.04	



\*accident frequency rate = # of accidents x 1,000,000 total of man-hours worked

# Social Performance Indicators

#### Hearing Conservation

One of the critical points of the company's occupational health concerns is hearing conservation, a subject treated under a specific program. Among the goals of the Hearing Conservation Program is the achievement of a noise level below 85 dB(A), a number that eliminates the risk of hearing losses inside the company. There are still areas with levels of noise above this limit. In these cases, the company puts up warning signs, uses acoustic treatment and provides hearing protection equipment to protect the employees from the exposure to such noise.

In 2003, Samarco continued the Project of Acoustic Treatment of the Germano and Matipó Pump Stations (MG), in order to provide a better acoustic comfort to all people that work in the areas of Pump Station 1 and its surroundings. The development of solutions comprises the use of pioneer software (Raynoise), quantitative measurement of noise spectrum, simulations and housing for the pump motors, among others. The investment of the project is estimated at R\$ 600 thousand (US\$ 205.1 thousand).

#### Ergonomics

In 2003, the ergonomics surveys of the work stations and of activities comprise, among other actions, the installation of video cameras in mobile equipment in the Mine, the substitution of driver seats and a vibration analysis.

#### **Chemical Risks**

In 2003, a new review of the Corporate Program of Communication of Chemical Risks was carried out. Annually, monitoring and qualitative and quantitative evaluations are performed as to the exposure of employees to chemical products in the Germano and Ubu labs.

Among the actions developed last year, the company highlights the substitution of equipment and of the exhaust system in Germano's chemical lab, eliminating the employees' exposure risks to gases and fumes of chemical agents. The same substitution process was commenced in Ubu. Monthly, the company monitors the exposure of the employees of the Mine to mineral dust. All the results are within legal limits.



#### SUMMARY OF SAMARCO'S PURCHASES IN 2003

Values (thousand R\$ / US\$) Description	STATES		
	MG	ES	TOTAL
Equipment	6,123	2,330	<mark>8,453</mark>
	2,097	798	2,895
Services	59,124	<mark>69,767</mark>	128,891
	20,248	23,893	44,141
Consumables (including electric energy)	84,773	118,125	202,898
	29,032	40,454	69,486
Materials	11,452	17,164	28,616
	<i>3,922</i>	<i>5,878</i>	9,800
Total	161,472	<mark>207,386</mark>	368,858
	55,299	71,023	126,322

\* Exchange into Brazilian currency at the average exchange rates in the year of 2003 (US 1.00 = R 2.92).

#### **Suppliers**

Samarco works with 1,200 small, medium-size and big suppliers. In 2003, the annual disbursement with goods, materials and services totaled R\$ 368.8 million (US\$ 126.3 million) distributed in the following manner: 56% consumables, 22% contracted services and 22% spare parts. In the first semester of 2003 the Procurement Department Invoice Center was created with the purpose of improving control over taxes. On average, the company receives 8,500 invoices per month.

#### **Contract with Suppliers**

In 2003, Samarco added a provision in the contracts with their suppliers, which informs of safety requirements for the execution of services. After the signing of the contract, the chosen supplier is re-trained in his/her function, with the purpose of assuring the safety conditions during the activity. Since 2002, Samarco has been including in its suppliers' contracts a clause that stipulates that they provide health coverage for their employees.

#### Child Labor and Forced Labor

According to the provisions of the Brazilian legislation and of the Code of Ethical Conduct of the company, Samarco does not use forced labor or child labor. The company demands the same behavior from its suppliers, in all of its contracts. The suppliers are also advised to monitor their sub-suppliers and to request from them the same ethical behavior as to child labor and social responsibility. Samarco has received a seal as a Child-Friendly Company granted to it by Fundação Abrinq, a non-profit entity focused on promoting the basic citizenship rights of children.

#### **Contractors Evaluation**

The outsourced professionals represent around 50% of the total workforce of the company. In July 2003, the Evaluation of the Contractors was established, which consists in the monthly application by the contract administrators (managers, department heads, team leaders) of a questionnaire prepared by the Supply Management. Samarco also performs monthly evaluations of Quality and Supply of Contracted Services Rate (*IQFSC*) and of Quality of Supplied Material Rate (*IQFMA*).

Annually, the permanent contractors are assessed by means of audits as to issues related to ISO 14001 and OHSAS 18000. The inspection is personally conducted by Samarco's Board of Directors, to assess the contractors and to ensure that they are complying with Samarco's integrated policy of environment, safety and health.

# Social Performance Indicators

#### **Excellence** Award

Annually, Samarco grants an Excellence Award to the best suppliers. All suppliers with performance levels over 90% are rewarded. The point system takes into account, among other factors, the quality of the product, the compliance with deadlines, and programs developed by the suppliers in the social, environment and work safety areas.

#### Winners of the Excellence Award in 2003\* \*performance evaluated in 2002

Category: Materials

- Bazar Faria Ltda
- Batista Manutenção Comércio e Indústria Ltda
- Sotreg S.A.
- White Martins Gases Industriais S.A. Unidade do Espírito Santo
- Força Motriz Manutenção Eletrônica Ltda
- Glencore International AG
- Magotteaux Brasil Ltda

#### Category: Services

- Sempre Viva Mineração, Construções e Transportes Ltda
- Vix Locadora e Transportes Ltda
- Bom Gosto Alimentos Ltda
- Incorpori Serviços Ltda
- Uniserv União Serviços de Vigilância Ltda

#### Qualification of Suppliers

Samarco participates in the Integrated Program of Development and Qualification of Suppliers (*Prodfor*), a joint action of the main companies which buy products, goods and services of Espírito Santo, in the Federation of Industry of Espírito Santo (*Findes*) and in the *Instituto Euvaldo Lodi/Instituto de Desenvolvimento da Indústria do Espírito Santo (IEL/Ideies)*. The intention is to prepare and implement, in a cooperative fashion, an integrated system for the development and qualification of suppliers of goods and services. By the end of 2003, the program had beneficiated around 150 suppliers.





#### Communities

With the objective of determining and systematizing its relationship with the neighboring communities, Samarco developed, in 2003, a community engagement program. Basically, the document provides ways to achieve the mutual awareness and understanding of strategies and decisions, which contribute to the sustainable development of the communities and the consolidation of the good Institutional image of the company with this public.

Five avenues of action and dialogue were established with the communities: volunteer work, social environment programs, sponsorships and donations, institutional positioning (campaigns, visitation and participation in forums, committees and entities, among others) and engagement committees. These last provide for periodical meetings in which the company deliberates with the communities about issues and requests related to the local social-economic development. Meetings have been taking place on an experimental basis in Anchieta (ES).

Samarco classifies its communities into municipalities under direct influence of its operations, i.e., where the company has its industrial units; municipalities of indirect influence, which comprise the communities along the pipeline and the regions where the company's employees live. The communities also comprise the municipalities where Samarco has its hydroelectric plants. In 2003, R\$ 2.130.107,00 (US\$ 624,664.93) were allocated to social investments.

# Social Performance Indicators – Social Environment Programs

#### PROJETO ÁRVORES

This project's intention is to minimize the environmental impacts caused by the atmospheric emissions of the company and from other sources (such as unpaved roads and fires) by means of tree planting at the communities of Ubu, Parati, Recanto do Sol, Guanabara and Castelhanos (ES). In 2003, the company proceeded with the tree planting work and the environmental education activities. Since its creation, in 1999, more than seven thousand trees have been planted.

#### PROJETO SORRIA PARDO RIVER

Partnership with the Muniz Freire City Hall and the Environmental and Forestry Development Institute (IDAF), to preserve the river and improve the social-environmental conditions of the riverside communities. In 2003, trees were distributed and Samarco developed awareness actions, such as lectures, house calls and meetings with city hall employees.

# ENVIRONMENTAL EDUCATION COURSE / SAMARCO ENVIRONMENT AWARD

Intends to enable the teachers of Mariana, Ouro Preto and Ponte Nova (MG), Anchieta, Guarapari, Alegre, Guaçuí and Muniz Freire (ES), to deliberate environmental issues with students of public schools. At the end of the course, the schools show their environmental projects for the Samarco Environment Award. Samarco financed the best projects of each municipality. In 2003, 450 teachers took the course and 21 schools were rewarded for their projects.

# ENVIRONMENTAL EDUCATION PROGRAM BENTO RODRIGUES

Initially intended as an environmental education program, it became a program to promote sustainable development in the community of Bento Rodrigues, a sub district of Mariana, Minas Gerais, with some 500 inhabitants. The initiative has the participation of employees of Samarco, its contractors, and local community representatives. In 2003, important achievements were the investment to finish forming the agribusiness venture and the enhancement of the local choir.







#### SALVAMAR

Environmental Education Program based on the awareness of the fishermen community and on the installation of oil collectors in the areas where the fishermen dock their boats in Guarapari and in Anchieta (ES), in order to allow the retrieval of the material. With the retrieval, 2 thousand liters of oil were kept away from the sea. By the end of 2003, some 300 boats were enrolled.

#### IMPOSTO SOLIDÁRIO

Allocation of part of the income tax payable to fund social programs. The donations are forwarded to philanthropic organizations enrolled in the Conselhos Municipais dos Direitos da Criança e do Adolescente where Samarco has its units. In 2003, R\$ 63 thousand were forwarded, divided among eight entities in Contagem, Ouro Preto, Mariana (MG) and Anchieta (ES).

#### PARCERIA ESCOLA SAMARCO

In addition to material, human and financial resources, and the sharing of knowledge which help in the administration of schools, this program also offers extracurricular activities, such as *capoeira*, painting and paper recycling workshops. Based on this program, the town hall of Alegre, in Espírito Santo, created the center of planning and management of community events. In 2003, a pedagogical proposal was developed for the Agrotechnical School of Guaçui, as well as a training course for 25 teachers.

# Social Environment Programs





#### **DENTE DE LEITE**

Develops educational and preventive actions and provides dental assistance to children at public schools in Anchieta (ES). Parents and teachers receive prevention notions of diseases and oral hygiene. Results in 2003: 1,560 fluoride applications, 104 thousand supervised tooth brushings, and 1,160 parents and teachers participations in lectures about oral hygiene.

#### PLANTANDO O FUTURO

Partnership between Samarco and DA's office and the community of Muniz Freire (ES) which intends to rehabilitate adolescents in situation of risk. In 2003, 10 youngsters participated in agricultural activities in the vegetable garden of the Muniz Freire Hydroelectric Plant, the produce of which goes to the families of these adolescents and social entities of the municipality. They also participated in courses, lectures and debates. All of them receive schoolwork assistance (such as remedial study, computer lessons).

#### PORTAS PARA A CIDADANIA

Door to Citizenship – a program developed in Mariana, Ouro Preto (MG) and Ponte Nova (ES). In 2003, 13 thousand people attended the 40 presentations, and 65 residents participated in the workshops of music, theater and dance.

#### CEAPE

Fosters the development of trade and rendering of services in the neighboring communities of the Ubu unit through loans for small entrepreneurs. Samarco contributes with financial resources that are administered by the Small Business Bureau of Espírito Santo (*Ceape*).

#### TURISMO, NOSSA MAIOR RIQUEZA

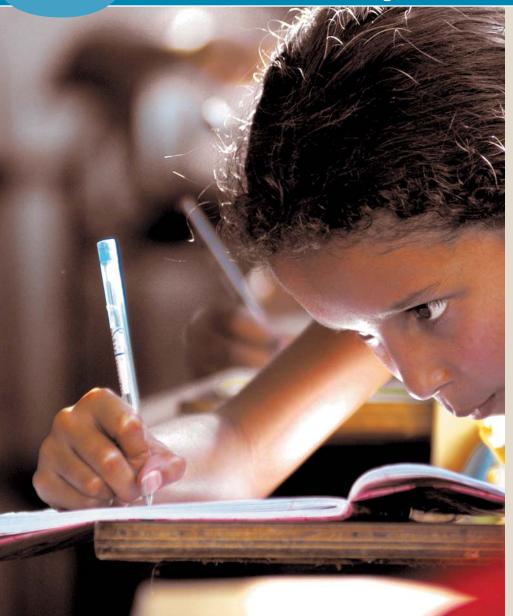
Tourism is our greatest treasure – this program contributes to the mobilization and study of alternatives to improve the tourist industry of Anchieta and Guarapari. In 2003, more than 400 people attended the lecture on tourist trade awareness for local businessmen and the mini-courses for the community. This initiative is a partnership between Samarco and TV Guarapari, Associação dos Empreendedores da Região das Águas Azuis, the Anchieta and Guarapari City Halls, and Faculdades Integradas Padre Anchieta – Fipag.

#### SAMARCO DE PORTAS ABERTAS

Samarco's Open Doors Program provides visits to all interested parties who wish to become acquainted with its industrial units of Germano and Ubu. It also contributes to increase the tourism in regions like Mariana (MG), Guarapari and Anchieta (ES). In 2003, Ubu received 2,742 visitors and Germano, 4,055.



# Social Environment Programs



### Samarco Volunteering

#### FORMAÇÃO

A welding course for adolescents of the Antônio Pereira's (MG) community. The teachers are Samarco's and contractors' employees. In 2003, 12 people enrolled in this course.

#### DIA V

For the third consecutive year, the day dedicated to volunteer work is an initiative of the Minas Gerais Federation of Industries (*Fiemg*) and its purpose is to encourage citizenship actions from companies all over the State. In 2003, around 17 thousand people participated in the recreational and citizenship actions in Mariana and Belo Horizonte (MG), and in Guarapari and Anchieta (ES), organized in December by over 400 volunteers.

#### LIMPA CARMO

Created to help with the environmental awareness of the community and assist in the clean-up process of Ribeirão do Carmo, a small river in the municipality of Mariana (MG). In 2003, Samarco, in partnership with the city hall, worked on the dredging of the creek at the beginning of the year. Volunteers from the company joined with the municipal authorities to foster the incorporation of the theme into the local school calendar.

#### SEU CAMINHO PROFISSIONAL EM FOCO

Created to meet the demand of the community and developed by Samarco's volunteers. Various training courses in Anchieta (ES) have the purpose to increase the employability of the local community. In 2003, 27 people participated in the first course.



#### JUNIOR ACHIEVEMENT

International entity that teaches, with the help of volunteers, notions of business administration and entrepreneurship to students of Vitória and Guarapari (ES). In 2003, 30 secondary school students of Guarapari simulated, during 16 weeks, the management of a fictitious company, under the supervision of Samarco's volunteers.

#### MAMAMIGA

Partnership with Mariana City Hall and the Breast Cancer Prevention Association (*Asprecam*), this project has the purpose of increasing the awareness of the community of Mariana (MG) about the risks and prevention measures related to breast cancer. In 2003, two training workshops were held for 53 doctors and health agents of the municipality.

# Social Performance Indicators







# SOCIAL INVESTMENTS

	2003
Percentage of gross revenue devoted to all social initiatives (excluding workers benefits)	*0.14%

\* Of the total intended for the social area, more than 50% of the resources are focused on internal social projects, followed by donations in cash and donations of products and services, among others.

# VOLUNTEER PROGRAM

VALUES	2003	2002	2001
Percentage of staff involved in volunteer work in the community	25%	25%	15%
Average number of hours donated per month (deducted from regular working hours) by the company per volunteer*	n.app.	n.app.	n.app.
Financial resources applied by the company in the program	R\$ 77.5 mil	R\$ 89.6 mil	R\$ 33.4 mil

\* The company does not compute this data because when workers are excused from work, they negotiate it directly with their superior.

AWARD / ENTITY	SCOPE	THEME / WORK
Revista Minérios & Minerales	National	Awarded for the Bento Rodrigues Popular Environmental Education Program developed by Samarco.
Cici / Ciemg Centro Empresarial de Minas Gerais	State / Minas Gerais	Samarco was considered an Excellent Company. The award acknowledges the work done by noteworthy professionals and companies, which give national visibility to the State of Minas Gerais.
Minas Desempenho Empresarial, da Revista Mercado Comum	State / Minas Gerais	1st place in the category Mining Companies, of the ranking Best and Biggest of Minas, of Mercado Comum magazine.
Findes / Consuma de Meio Ambiente, da Federação das Indústrias do Espírito Santo	State / Espírito Santo	Winner of the category of Environmental Education, with <i>Projeto Árvores</i> .

# Social Performance Indicators

## **Customers**

In 2003, Samarco continued a series of actions focused on the strengthening of relationships with the customer, especially as to pre and post sale technical support.

Models of VIU – Value in use were developed and implemented for Samarco's products, addressing the creation of value for the customer. These tools allow the customers to know the pellet properties which are best for their process. It is possible, for example, to simulate different chemical specifications of pellets and composition of loads (pellets/sinter feed/ lump ore/scrap) for one particular process and detect the productivity achieved, the amount of generated slag and the consumption of coke required, among other information.

### Visits and studies

In 2003, technicians and specialists from Samarco visited 69 customers (against 73 in 2002) to provide technical support (36%), product development (13%), handling complaints (16%), application of marketing tools (23%), prospection of potential customers (9%) and technical training (3%).

Samarco uses these visits to verify the satisfaction of the customers with the products, services and relationship with the company. These contacts are also opportunities to identify the needs of the customer and the use of Samarco's products in metallurgical industries. The weighting of the final rating of products and services provides the satisfaction feedback from Samarco's customers. In 2003, 50% of the customers answered these surveys.

In November, the first image survey was done with commercial partners of the company in China. The results show that among customers and non-customers, Samarco's brand is associated with the production of quality pellets and raw material, as well as with a differentiated relationship.

## Complaints

The company registered, in 2003, six customer complaints, which represents a little bit more than half of the number of cases in 2002 (11 complaints). The goal is to achieve zero complaints. For that, the employees are encouraged to contribute with observations and suggestions for improvements of the products and support to customers.



## Information shared with the customer

Among the actions focused on strengthening the relationship with the customer, one of the highlights in 2003 was the roll-out of *Inside Samarco*, a tool which allowed the company to provide online, in a secure environment, information and documents related to contracts and shipments. Wherever the customers might be, they have exclusive access, in real time, to data related to their businesses with Samarco. *Inside Samarco* has guaranteed more speed of communication and transparency in the sharing of information with customers.

The new tool was presented in the visits Samarco made to the steel plants that consume its products and by December 2003, 22 out of its 30 customers already had it in place.

### **Obeying Rules**

Samarco abides by the rules of the Administrative Council of Economic Defense (*Cade*), subordinated to the Ministry of Justice, responsible for maintaining free competition on the Brazilian market. The company does not participate in international regulatory bodies in this area, and in 2003 was not involved in any court decisions related to anticompetitive behavior.



## Ethos Indicators of Social Responsibility

The Ethos Indicators of Social Responsibility are a tool of self-diagnosis, which serves as an evaluation instrument of business practices. Instead of answering the questionnaire internally, as usual, Samarco invited the stakeholders to participate in the application of Ethos indicators in 2003. The experience helped Samarco bring in the external public perception about the company. On the other hand, the profile of the questions, designed for self-evaluation, showed that it was not the most appropriate profile for an external evaluation. The lower score in some items reflects this change in the methodology and indicates that the company has room for improvement in its performance.

# **ETHOS INDICATORS**

THEME	2003	2002	2001	Benchmark 2003***
Values and Transparency*	6.73	6.50	6.25	8.96
Internal Public	7.71	7.49	7.01	8.15
Environment	7.39	9.37	8.75	8.58
Suppliers	7.84	6.87	5.62	8.72
Consumers and Customers	9.88	8.33	7.50	9.85
Community	5.95	7.91	9.30	9.51
Government and Society **	7.57	8.74	5.00	9.20
Final performance	7.58	7.89	7.06	8.99

\*Evaluates the transparent relationships with the society and the

self-regulation of conduct - ethical commitments and consolidation within the organizational structure.

\*\*Evaluates the transparency of the company's policy and social leadership, based

on the influence and participation in social projects of the government. \*\*\* Average of benchmark group Source: Practices Diagnosis Report of RSE.

The data presented above result from the application of the Ethos indicators of social responsibility by the company itself; in other words, they are the outcome of a SELF-EVALUATION. Therefore the diagnosis does not represent a certification. Its objective is to promote a review of the company's corporate social responsibility practices in order to improve them.

# Glossarv

**AA 1000** – AccountAbility 1000. Launched in 1999 by ISEA (Institute of Social and Ethical Accountability), the AA1000 framework is designed to improve accountability and performance by learning through stakeholder engagement. It is designed to complement the GRI Reporting Guidelines.

**Concentrate** – iron ore which has undergone beneficiation (adjustment of chemical composition and sizing), the basic material from which the different types of pellets are produced.

**Dividend** – A proportionate distribution of profits made in the form of a money payment to shareholders.

**EBITDA** – Earnings before interest, taxes, depreciation and amortization. Ebitda is calculated by subtracting costs of sales and operating expenses from revenues. It is a useful measure of the basic profitability of a company.

**GDP** – Gross Domestic Product: The total of goods and services produced by a nation over a given period, usually 1 year.

**Global Compact** – initiative of the United Nations to support nine principles in the areas of human rights, labor and the environment. Through the power of collective action, the Global Compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalization.

**Global Reporting Initiative (GRI)** – a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines, to be used by corporations who wish to provide information on the economic, environmental and social aspects of their activities, products and services.

**Corporate Governance** – This is the system by which companies are run, and the means by which they are responsive to their shareholders, employees and society.

**Gross income** – net receipts before taxes, benefit costs, and other expenses are deducted.

**Gross margin** – the difference between sales revenue and the cost of goods sold.

**Gross revenue** – income (at invoice values) received for goods and services over some given period of time.

# SAMARCO

*Ibase* Table – a corporate responsibility reporting standard proposed by the Brazilian Institute of Social and Economic Analyses [Instituto Brasileiro de Análises Sociais e Econômicas – *Ibase*]. Its seal of approval [*Selo Balanço Social Ibase/Betinho*] is awarded every year to companies who report their health, safety, environment and community actions in compliance with *Ibase's* suggested model.

**Instituto Ethos** – a non-profit Brazilian organization which has the mission of mobilizing, increasing awareness and helping companies to manage their business in a socially responsible manner, working together to built a more prosperous and just society.

Net income – Income after all expenses and taxes have been deducted, and used in calculating a variety of profitability and stock performance measures.

**Net margin** – a company's profitability after all costs, expenses and taxes have been paid. Net margin is used to measure operating efficiency at a company.

NGO – Non-governmental Organization, a not-for-profit agency not affiliated with any government or private sector entity, devoted to managing resources and implementing projects with the goal of addressing social problems.

**Pipeline** – a steel plate pipe used for the transportation of iron ore slurry. The Samarco pipeline is 396 km long and carries the concentrate from the Germano Unit to the Ubu unit on the coast, where the pellets are produced.

**SAP** – Systems and Applications Products in Data Processing – the R/3 software developed by a German company which is used for all financial, HR and plant maintenance transactions and reporting. The SAP System integrates operational processes.

**Stakeholders** – Those individuals, groups, and parties that either affect or who are affected by the organization. Stakeholders as a general rule, include all internal and external customers.

**Sustainability** – Concept developed in 1980 by the International Union for the Conservation of Nature and taken up by the Brundtland report in 1987. Sustainable development means a form of development "that meets the needs of present generations without compromising the ability of future generations to meet theirs". It indicates that a plan, initiative or physical development project can be implemented and supported over time without depleting or adversely affecting the resources and management capabilities available to it.

# **Balanço** Balanço Balanço Balanço Base Base

1 – CALCULATION BASE	2003 Amount (Thou Reais)			2002 Amount (Thou Reais)		
Net income (RL)	1,423,080			1,156,216		
Operating income (RO)	435,829		180,264			
Gross payroll (FPB)		69,577		62,111		
2 – INTERNAL SOCIAL INDICATORS	Amount (thou)	% of <i>FPB</i>	% of <i>RL</i>	Amount (thou)	% of <i>FPB</i>	% of <i>FPB</i>
Meals	2,686	4%	0%	2,954	5%	0%
Mandatory social oncosts	20,124	29%	1%	15,642	25%	1%
Private pension fund	2,852	4%	0%	3,000	5%	0%
Health	1,693	2%	0%	2,360	4%	0%
Occupational health and safety	2,192	3%	0%	2,300	4%	0%
Education	1,502	2%	0%	734	1%	0%
Culture	n.d.		-	n.d		
Professional training and development	2,243	3%	0%	2,588	4%	0%
Day care centers/ day care allowance	18	0%	0%	17	0%	0%
Profit sharing	13,975	20%	1%	15,016	24%	1%
Other	n.d.		-	n.d		-
Total – internal social indicators	47,285	68%	3%	44,611	72%	4%
3 – EXTERNAL SOCIAL INDICATORS	Amount (thou)	% of <i>RO</i>	% of <i>RL</i>	Amount (thou)	% of <i>RO</i>	% of <i>RL</i>
Education	155	0%	0%	849	0%	0%
Culture	267	0%	0%	299	0%	0%
Health and sanitation	166	0%	0%	137	0%	0%
Sports	48	0%	0%	3	0%	0%
Food assurance and fight against hunger	n.d.		-	n.d		
Other	1,014	0%	0%	652	0%	0%
Total of contributions to society	1,650	0%	0%	1,940	1%	0%
Taxes (excluding social oncosts)	194,163	45%	14%	82,271	46%	7%
Total – External social indicators	195,813	45%	14%	84,211	47%	7%
4 – ENVIRONMENTAL INDICATORS	Amount (thou)	% of <i>RO</i>	% of <i>RL</i>	Amount (thou)	% of <i>RO</i>	% of <i>RL</i>
Investments related to company's production/operation	9,493	2%	1%	8,116	5%	1%
Investments in external projects and/or programs	4,677	1%	0%	1,316	1%	0%
Total of investments in environment	14,170	3%	1%	9,432	5%	1%
As to the establishment of "annual goals" to minimize waste, general consumption in production/operation and increase efficiency in use of natural resources, the company:	( ) has no goals ( ) meets between 51 and 75% ( ) meets between 0 and 50% (X) meets between 76 and 100%			6%       ( ) has no goals       ( ) meets between 51 and 75%         0%       ( ) meets between 0 and 50%       (X) meets between 76 and 100%		

FPB: gross payroll RL: net income RO: Operating Income

SAMARCO

5 – WORK FORCE INDICATORS	2003			2002		
N° of employees at year end	1,286			1,250		
N° of new hires during year	71			84		
N° of outsourced employees		1,372		1.079		
N° of trainees		171		61		
N° of employees over 45		259		198		
N° of women working for company		119		104		
% of management positions held by women		8.51%		7.1%		
N° of black people working for company		93		93		
% of management positions held by blacks		1.06%		1.06%		
N° of handicapped employees		8		12		
6 – RELEVANT DATA ON CORPORATE CITIZENSHIP		2003		Goals 2004		
Ratio between highest and lowest salary in company		32.66		n.d		
Total number of work accidents		2.43*		1.94		
Social and environmental projects developed by	() top mgt	( X) top mgt	() all	() top mgt	(X) top mgt	() all
company were defined by:		and mgt	employees		and mgt	employees
The work health and safety standards were defined by:	( ) top mgt	() all	(X) all employees	() top mgt	() all	(X) all employees
	and mgt	employees	+ Cipa	and mgt	employees	+ Cipa
As to union participation, right to collective bargaining,	(X) does not	() follows OIT	() encourages &	(X) does not	() follows OIT	( ) does not get involved
and internal representation of the works, the company:	get involved	standards	follows OIT standards	get involved	standards	&follows OIT standards
Private pension funds involve:	( ) top mgt	() top mgt and mgt	(X) all employees	( ) top mgt	() top mgt and mgt	(X) all employees
Profit sharing involves:	() top mgt	() top mgt	(X) all	() top mgt	() top mgt	(X) all
		and mgt	employees		and mgt	employees
In supplier selection, the same ethical, social and environmental	( ) not	() suggested	(X) required	( ) not	() suggested	(X) required
responsibility standards adopted by the company:	considered			considered		
As to the participation of the employees in volunteering	() does not	() supports	(X) organizes	() does not	() supports	(X) organizes
programs, the company:	get involved		and encourages	get involved		and encourages
Total number of complaints and criticisms by consumers:	in company	at Procon	in Court	in company	at Procon	in Court
	06	n.app.	0	0	n.app.	0
% of complaints and criticisms dealt with or solved:	in company	at Procon	in Court	in company	at Procon	in Court
	50%	n.app.	0%	100%	n.app.	0%
Total added value to distribute (in R\$ thou):		In 2003: 854,577		ln 2002: 778,184		
Added value distribution (DVA):	24% Gov't 9% collaborators			11.6% Gov't 9.6% collaborators 23.2% shareholders 55.6% retained		
7 – ΟΤΗΕΡ ΙΝΕΩΡΜΑΤΙΩΝ	51% shareholders 16% retained 23.2% share			23.2% shareh	1010ers 55.6%	retained

7 – OTHER INFORMATION

\* classified accidents ("CPT" accidents + "SPT" accidents with restricted activity).

Note: Certain data in the 2002 column differ from data published in the IBASE Table for 2002 due to after-audit review. The variation in the added values for 2002 is due to a provision for loss on investment set up in the amount of R\$10,075 million realized after the auditing (the amount published in 2002 was R\$788,260 million).

# **GR**

GRI Content	Index core indicators	References	Index additional indicators	References
Vision and Strategy	1.1 and 1.2	p. 3 and 5	-	-
Company Profile	2.1 to 2.22	p. 1, 2, 11, 19 and 26 2.15 e 2.16 - n.app. 2.19 throughout the Report	-	-
Governance Structure and Management Systems	3.1 to 3.20	p. 1, 15 to 21, 45, 51 and 56 3.2 and 3.18 - n.app.	-	-
Direct Economic Impacts - Customers	EC1 and EC2	p. 11	EC11	p. 57
Direct Economic Impacts – Suppliers	EC3	p. 56	-	-
Direct Economic Impacts - Employees	EC5	p. 51	-	-
Direct Economic Impacts - Providers of Capital	EC6 and EC7	p. 28	-	-
Direct Economic Impacts - Public Sector	EC8, EC9, EC10	p. 28, 58 and 66	EC12	p. 53
Indirect Economic Impacts Environmental	-	-	EC 13	p. 56
Materials	EN1 and EN2	p. 40 / EN2 - n.av.	-	-
Energy	EN3 and EN4	p. 40	EN17 to EN19	EN 17 - n.av. EN 18 and EN 19 - n.app.
Water	EN5	p. 35	EN20 to EN22	p. 35 and 36
Biodiversity	EN6 and EN7	p. 31 / EN6 - n.app.	EN23 to EN29	p. 39 and 40 EN24 - n.av. EN25, EN28 and EN29 - n.av.
Emissions, Effluents and Waste	EN8 to EN13	p. 37 and 38 EN9, EN10 and EN12 - n.av.	EN30 to EN32	p. 33 and 34 EN30 and EN31 - n.av.
Suppliers	-	-	EN33	n.av.
Products and Services	EN14 and EN15	p. 31 - EN15 - n.app.	-	-
Compliance	EN16	p. 43	-	-
Transport	-	-	EN34	p. 35
Environmental expenses per type	-	-	EN35	p. 32



GRI Content	Index core indicators	References	Index additional indicators	References
Labor practices and employment	LA1 and LA2	p. 47 and 48	LA12	p. 51
Labor/Management Relations	LA3 and LA4	p. 47 / LA4 – n.av.	LA13	n.app.
Health and Safety	LA5 to LA8	p. 52, 53 and 54 / LA6 – n.av.	LA14 and LA15	p. 53 LA15 - n.av.
Training and Education	LA9	p. 49	LA16 and LA17	p. 45 and 51
Diversity and Opportunity	LA10 and LA11	p. 15 to 18 e 50	-	-
Human Rights - Strategy and Management	HR1 to HR3	p. 50	HR8	p. 50
Non-discrimination	HR4	p. 50	-	-
Freedom of Association and Collective Bargaining	HR5	p. 17	-	-
Child Labor	HR6	p. 56	-	-
Forced Labor	HR7	p. 56	-	-
Disciplinary practices	-	-	HR9 and HR10	p. 17 HR9 n.app.
Safety practices	-	-	HR11	n.app.
Indigenous community rights	-	-	HR12, HR13 and HR14	p. 50
Community	S01	p. 59 to 64	S04	p. 66
Bribery and Corruption	S02	p. 17	-	-
Political Contributions	S03	p. 21	S05	p. 21
Competition and Price	-	-	SO6 and SO7	p. 67
Customer Health and Safety	PR1	p. 67	PR4 to PR6	n.app.
Products and Services	PR2	p. 67	PR7 and PR8	p. 67 PR7 - n.app.
Publicity	-	-	PR9 and PR10	n.app.
Respect for Privacy	PR3	n.app.	PR11	n.app.

EC = direct economic impact

EN = environmental impact

LA = labor practices

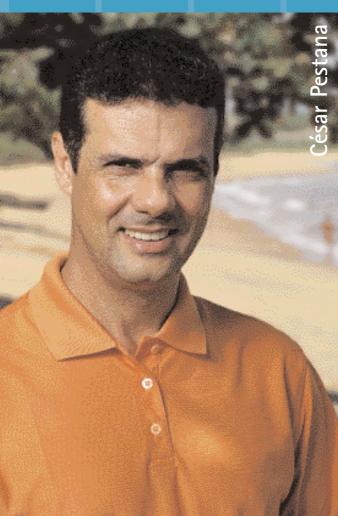
HR = human rights

SO = society

PR = product liability

n.app. = non applicable

n.av. = non available



President of Águas Azuis, an NGO focused on the development of tourism in Guarapari, state of Espírito Santo

SAMARCO 🕅

"As we live in a city that depends on tourism for its survival, the social and environmental issues need to be properly addressed. We challenge Samarco to care about these demands, so that we do not suffer. Each time there is an expansion in the company's facilities in Anchieta, we, in Guarapari, are also affected. We hope that in 2004 we can advance both on environmental and social issues."

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President of Águas Azuis, an NGO focused on the development of tourism in Guarapari, state of Espírito Santo



Executive Superintendent and founding member of the Environmental Defense Association of Minas Gerais (*Amda*)

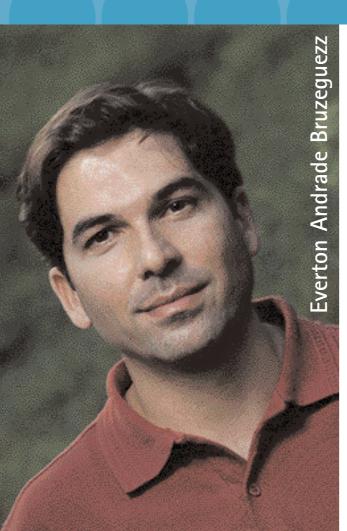
SAMARCO

utive Superir

Rica

Executive Superintendent and founding member of the Environmental Defense Association of Minas Gerais (*Amda*)

"Our relationship with Samarco may be considered as an example of partnering between an ecopolitical NGO and private enterprise. It is possible to show environmental responsibility in the mining industry. Samarco is one of the best examples of this. Mining is still largely vilified and AMDA wants to help change this image. Ore is at the base of all human activities and society needs to see that it can be extracted in a responsible manner. In 2004, we intend to intensify our work with Samarco. We want still greater improvement."



Consultant of the Metallics Division in the Environmental Foundation of Minas Gerais (*Feam*)

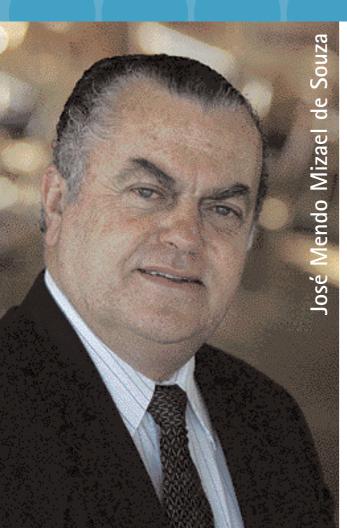
SAMARCO 🕉

"Our interaction with Samarco is healthy. Environmentally aware companies always seek a transparent relationship with the regulatory agencies. Environmental control is a serious issue and the company knows that. Samarco contributes to the environmental issue in the State by developing a responsible management."

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Everton Andrade Bruzeguezz

Consultant of the Metallics Division in the Environmental Foundation of Minas Gerais (*Feam*)



Executive Vice-President of the Brazilian Mining Institute (IBRAM)

SAMARCO

production growth." Souz Mendo Mizael de

Executive Vice-President of the Brazilian Mining Institute (IBRAM)

between mining and environment exists in people's

actions, Samarco has contributed towards a better

identify the mineral deposit and produce with the best

news for the Brazilian people. The year of 2004 will be

extremely positive and will mark the beginning of a new era in



Captain in the Brazilian Navy – Chief of the Port Authority of Espírito Santo between January 2002 and January 2004

SAMARCO

Roberto Oliveira Pinto de Almeida

"When I took over as Chief of the Port Authority in Espírito Santo, I was soon invited to visit Samarco, which marked the beginning of a very positive relationship. The Port Authority oversees the ships in the ports, based on the inspections of documentation, of crew and passengers, of the conditions of the vessel and its equipment. Samarco, in addition to always acting in a responsible manner, also innovates in actions such as the Salvamar project."

Captain in the Brazilian Navy – Chief of the Port Authority of Espírito Santo between January 2002 and January 2004



General Manager of Customer Relations of Sempre Viva

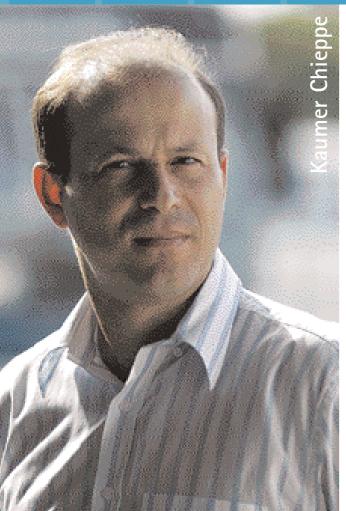
SAMARCO 🕉

"Since 1987 we have been a supplier of Samarco. We are proud to have the company as a customer, for we learn a lot from the programs offered. One of the most interesting projects in which we participated was Supplier Development, for we stopped seeing the business just from our standpoint and started analyzing it from the customer's perspective as well. After that, Sempre Viva turned into another company. We learned to understand our customers better, our performance improved, and we signed new contracts. In 2004, we hope to take advantage of all the opportunities that Samarco offers us, leading to still greater improvement."

dwarde José Duarte

General Manager of Customer Relations of Sempre Viva





Director of the service unit of the Agua Branca Group and Vix Transportes e Logística. Also member of the Forestry Council of the Corporation Movement of Espírito Santo and Director of Freight of the Union of Bus Transportation in Espírito Santo

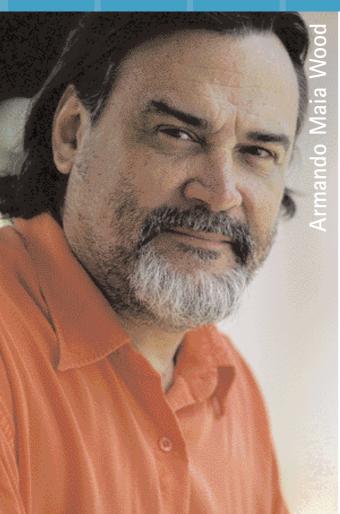
SAMARCO 🕉

"We have a relationship of mutual trust with Samarco, mainly with regard to its policy with employees and suppliers. Once, while attending a lecture at Samarco, I was impressed with the openness of the dialogue between its management and its employees. Initiatives such as the Excellence Award, granted to suppliers every year, serve as encouragement to the teams. Even in more difficult economic times, we feel confident in our work with Samarco. In 2004, the expectation is to maintain the good level of relationship with the company. It will be a year of growth. It is good to know that we have contributed to this development."

aumer Chienr

Director of the service unit of the Agua Branca Group and Vix Transportes e Logística. Also member of the Forestry Council of the Corporation Movement of Espirito Santo and Director of Freight of the Union of Bus Transportation in Espirito Santo





President of the Association of Friends of the Cultural and Natural Heritage of Ouro Preto, and professor of the Federal University at Ouro Preto

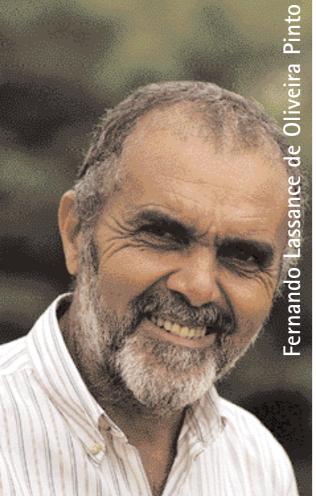
"In November 2003, Samarco participated as sponsor of the Aleijadinho (renowned baroque sculptor) Week, which included daily events such as seminars, performances by the University orchestra, exhibit by local artists and students of the Aleijadinho Foundation. Our intention is to have this event become a part of the official event calendar of the city. Samarco cares about the community. Its assiduous presence at the meetings of the Ouro Preto Master Plan confirms this. For 2004, we have the Itacolomi Park Project, with the involvement of NGOs, the State Forestry Institute, and private enterprises. We also count on the company to participate in the city's Agenda 21."

rmando Maia Wood

President of the Association of Friends of the Cultural and Natural Heritage of Ouro Preto, and professor of the Federal University at Ouro Preto







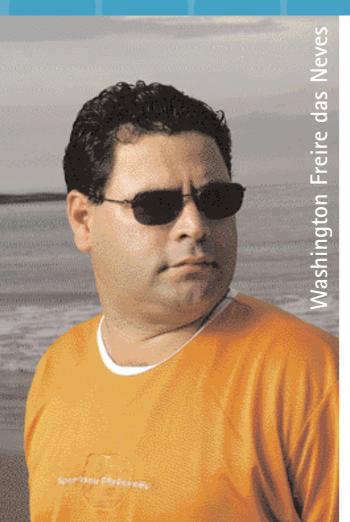
President of Ahobero – Association of Fruit and Vegetable Growers in Bento Rodrigues, subdistrict of Mariana, Minas Gerais

SAMARCO 🕉

"Ahobero has the objective of producing mini-processed vegetables. The association was born in March 2002, from an initiative by Samarco to promote the sustainable development of the region. Its support was essential, with the sponsoring of the Sebrae training course, for example, which helped in the development of the community gardens. We are supplying greens such as lettuce, collard greens, spinach, parsley and green onions to the main supermarket of Mariana. With the completion of the processing shed, we hope that the company will continue supporting our initiative. Who knows, in the future we may be supplying Samarco with organic produce?"

President of Ahobero – Association of Fruit
 and Vegetable Growers in Bento Rodrigues,
 subdistrict of Mariana, Minas Gerais

Oliveira



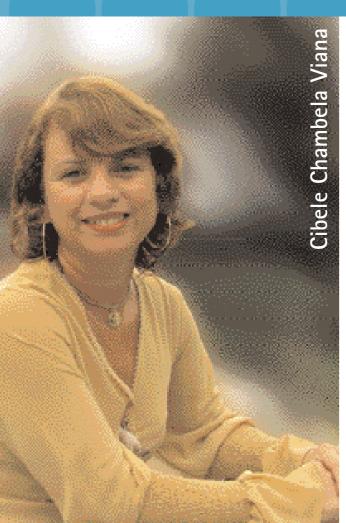
President of the Residents Association of Ubu, Anchieta, state of Espírito Santo

SAMARCO 🕅

population living near its units. At first, I did not think that our demands would be answered so quickly. We asked for more support from the community, especially with regard to employment opportunities. Today there is an exclusive database with a complete list of Ubu residents and jobs have already started appearing. We also have access to courses which teach us how to prepare our résumés, which helps in finding a job. Our meetings with the company help to define priorities. For 2004, among other actions, we will work on revitalizing the Ubu Lagoon."

Mashington Freire das Neves

President of the Residents Association of Ubu, Anchieta, state of Espírito Santo



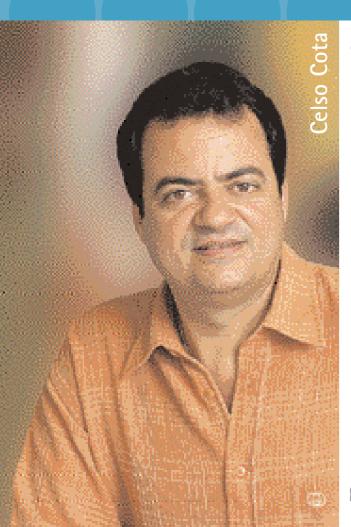
Supervisor of the Agricultural School Eugênio Souza da Paixão, in Guaçui, state of Espírito Santo

SAMARCO 🕅

"As in any other incipient relationship, the school team was at first a bit wary, but now the people approve and encourage the partnership with Samarco. We assist 310 students, from first to eighth grade, about 60% of them from the rural zone. Our work with Samarco is based on the school projects. At the end of October 2003, we promoted an event called Brazil Culture – a citizenship party. This involved the whole town, with guest schools, literary contest, shows and other activities. Samarco contributed with resources, lectures and workshops for teachers."

Cibele Chambela Viana

Supervisor of the Agricultural School Eugênio Souza da Paixão, in Guaçui, state of Espírito Santo



Mayor of Mariana, state of Minas Gerais

SAMARCO 🕉







Social Action Secretary of Anchieta, state of Espírito Santo

SAMARCO 🕅



"We participate in the Samarco's Community Engagement Program (PEC) together with its employees. We created some actions which arose from ideas of our own community. We have an excellent relationship with the company, which is always ready to call upon the community to participate in the projects undertaken. I hope that in 2004 we will be able to harvest the fruits of all the discussions of 2003, and that Samarco will get even closer to the community and augment its social assistance program. As to the PEC, I hope we can implement it with more concrete actions."

Social Action Secretary of Anchieta, state of Espírito Santo



"I have been working at Samarco for 19 years, it was my fist job. Here I can always build upon my knowledge. Samarco offers excellent growth opportunities to its employees. We are always facing challenges. In addition, relations with my work mates and with management are very good. The dialogue we have in the company is important to maintain a healthy environment. I hope that in 2004 the company will provide us with more challenges and growth opportunities."

**Wanderley Martins Barbosa** 

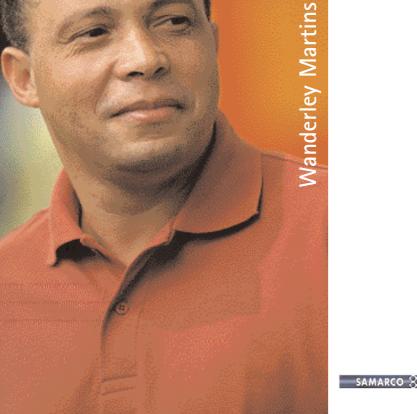
Electromechanical technician

Management and member of the Profit Sharing Commission, from the Germano Unit, in Mariana, state of Minas Gerais

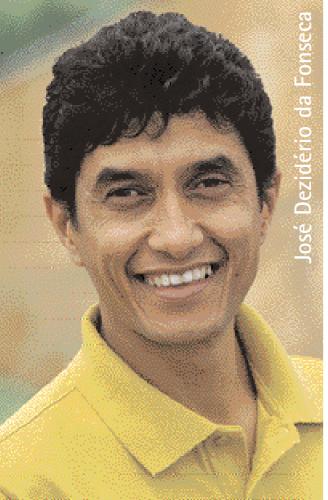
from the Maintenance

Barbosa

Electromechanical technician from the Maintenance Management and member of the Profit Sharing Commission, from the Germano Unit, in Mariana, state of Minas Gerais







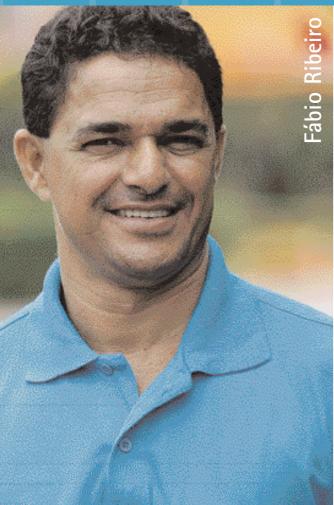
Physical lab worker from the Production Management, at the Germano Unit in Mariana, state of Minas Gerais, and director of the Union of Iron and Base Metals Extraction Industry Workers

SAMARCO 🔀

Providence do Forma

have always had an excellent relationship, both with my supervisor and with my work mates. I am enrolled in the company's education program, and in 2004 I hope to graduate from high school. I have been going to class for the past two years. I think that Samarco is different from other companies in that it has this concern with the employees' development. At the same time, I am also involved in another challenge – to be able to reach a production of 16.5 million tons. This will be possible with the effort and dedication of all of us here."

Physical lab worker from the Production Management, at the Germano Unit in Mariana, state of Minas Gerais, and director of the Union of Iron and Base Metals Extraction Industry Workers



Fire equipment controller, Ubu Unit in the state of Espírito Santo, and Regional Director of the Union of Workers in the Mechanical, Metallurgical and Electrical/Electronic Materials Industry of Espírito Santo

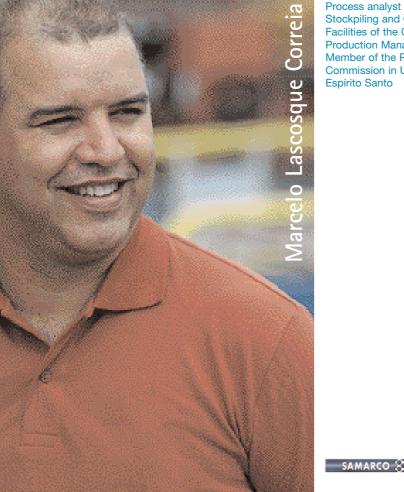
SAMARCO 🕱

"I have been with Samarco since 1987 and my relationship with the company is quite different because I am the director of the union. The workers come to me to tell me about their problems, and when this happens, I go to the HR Department to get them solved. In fact, I work towards the elimination of injustice on either side."



Fire equipment controller, Ubu Unit in the state of Espírito Santo, and Regional Director of the Union of Workers in the Mechanical, Metallurgical and Electrical/Electronic Materials Industry of Espírito Santo

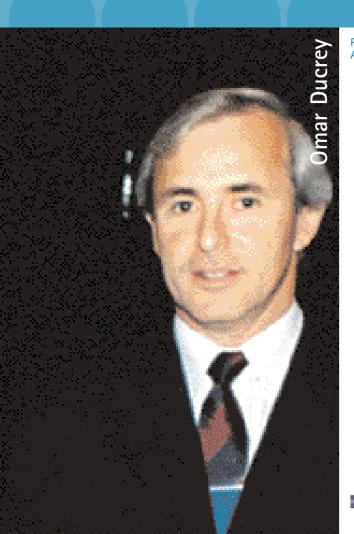




Process analyst at the Stockpiling and Onloading Facilities of the General Production Management, and Member of the Profit Sharing Commission in Ubu, state of Espírito Santo

companies. The meetings on profit sharing also deal with issues related to the employees' routine. The Program Bem impressed to see how much the company values its human capital, with discretion, ethics and efficiency. After smoking for 20 years, I quit on the 1st of May and have not gone back to word for Samarco is challenge. We have some bold goals. The team is united and I am sure that we will be able to fulfill our

Process analyst at the Stockpiling and Onloading Facilities of the General Production Management, and Member of the Profit Sharing Commission in Ubu, state of Espírito Santo



Raw materials manager of the Argentinean steelmaker Siderca

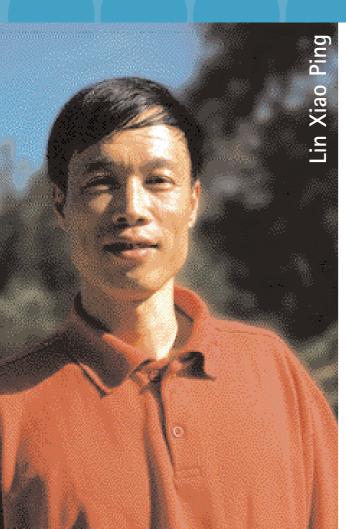
SAMARCO



"We have always had a lot of success and good understanding with Samarco, even in difficult moments of low demand. More than just mining companies, Samarco and Siderca are two companies of weight and vision, who go beyond the mere extraction of ore with processed products. We have many joint projects for 2004, including the development of new products. And it is a two-way street – Samarco recognizes the work and know-how of Siderca, and vice-versa."

mar Ducrey

Raw materials manager of the Argentinean steelmaker Siderca



General manager of the Chinese company Guangdong Shao Steel Import & Export

SAMARCO 🕉

"As one of Samarco's strong points, compared to other pellet suppliers, one must mention its generosity in sharing technologies, showing that it is not just selling products but is also interested in sharing its experience and knowledge of the product with its customers. When it started out on the steel market, it was not as big as it is now. Today, it is consolidated. In spite of this, Samarco's behavior continues the same, based on the principle of transparency."

Lin Xiao Ping

# Samarco Annual Report – 2003 Evaluation form



Please answer the questions below. Your comments will be taken into account so that we can improve upon the presentation of our economic, environmental and social results in our next reports. We thank you in advance for your interest and cooperation.

### 1. Which group below do you belong to? (mark one option only)

- () Employee
- () Shareholder
- () Customer
- () Supplier
- () Contractor
- () Resident of area close to Samarco's facilities (specify location)\_\_\_\_\_
- () Member of same industry
- () Financial analyst
- () Press
- () Government entity
- () Member of a non-governmental organization (NGO)
- () Member of a union
- () Professor/teacher/student
- () Other (please specify)\_\_\_

#### 2. Was it easy to access the report?

() Yes () No How did you receive your issue?

Please give your opinion on the following features of the report: 3. Relevance of the information presented

()Very good ()good ()fair

- 4. Objectivity and clarity of information
- ()Very good ()good ()fair
- 5. Reliability and honesty of information

()Very good ()good ()fair

### 6. Graphic presentation

()Very good ()good ()fair

# 7. If you could change anything about the report, what would it be? () Nothing

- JINOTHING
- ( ) More emphasis on financial results
- ( ) More emphasis on human resources
- () More emphasis on the community
- ( ) More emphasis on the environment
- () More emphasis on health and safety
- () More charts and tables
- ( ) Other (please specify)

#### 8. Other

comments

9. Personal Identification (optional) Name: Address: E-mail:

How to send in this form: Fax: (055 21 31) 3269-8601or Internet: www.samarco.com or Mail: Samarco Mineração S.A. Rua Paraíba, 1122 / 10° andar - Funcionários Belo Horizonte, Minas Gerais - Brasil - Cep 30.130-918 Or hand delivered to one of Samarco's units - c/o Corporate Communication

