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Samarco, Vale and BHP Billiton sign an agreement with Brazilian authorities

Long term agreement involves the Federal government and authorities from the states of Minas Gerais and Espírito Santo

- Long term agreement has the objective to recover the environment and the economic activity affected by the burst of the Fundão dam
- It gives voice to the communities and establishes programs based on scientific studies;
- A Business law foundation, with strong governance criteria, will be create to execute about 40 different programs;
- Samarco will transfer BRL 4.4 billion to the Foundation in the first three years;
- BRL240 million per year ensured for compensatory measures, for the next 15 years, starting in 2016, within the respective annual estimates;
- A fund of BRL500 million will finance sanitation projects in affected cities as an additional compensatory measure;
- Negotiations foresee, among other measures, the reconstruction of Bento Rodrigues, Paracatu de Baixo and Gesteira at a location defined jointly with the communities;
- Auditing and transparency commitments ensure that the public knows where investments are applied and the results generated;
- BHP Billiton and Vale will be responsible for funding the Foundation if Samarco fails to comply with its obligations foreseen in the agreement.

Samarco, Vale and BHP Billiton signed today agreement with the federal governments of Minas Gerais and Espírito Santo and other entities to accelerate the coordinated implementation of measures for the social, environmental and economic recovery of the regions affected by the burst of the Fundão dam.

The agreement signed today foresees the creation of a business law foundation that will be responsible for implementing approximately 40 programs into two main work fronts, being one socio-economic and the other socio-environmental. The document focuses on the emergency actions that have been adopted by Samarco since November and proposes new projects.

"This day is a milestone for everyone involved, since an agreement is always better than a legal dispute. It will accelerate the measures of remediation of the environment and the compensation of those affected, complementing all actions initiated by Samarco from the first moment," said Murilo Ferreira the CEO of Vale.

Samarco will transfer R\$ 4.4 billion to the Foundation, in the first three years, to fund the projects. In 2019, the annual contributions for the Foundation will be defined in accordance with the prevision of the annual execution of projects. In 2019, 2020 and 2021, the annual amounts for these contributions will be between BRL800 million and BRL1.6 billion. Moreover, in the next 15 years, starting in 2016, BRL240 million per year will be applied in compensatory measures. These annual amounts for compensatory measures are already included in the total amount of the first six months mentioned above.

As a compensatory measure, another BRL500 million will also be made available by the company for projects of basic sanitation, which will be performed until 2018 by the City Halls impacted.

The CEO of BHP Billiton, Andrew Mackenzie, says "Our hearts are with those who lost loved ones in this tragedy. We will never be able to truly compensate them for their losses. This agreement demonstrates that we are truly committed to fully remedy the damage and contribute to a lasting improvement of the Doce River."

"It is critically important for the companies and all arms of government to work together, to ensure this work is done effectively and that the communities are involved in the decision making. This agreement provides the foundation for this to happen," added Mackenzie.

As the result of a broad discussion that, that besides involving the companies, the Federal and State governments of Minas Gerais and Espirito Santo and entities of the civil society, the agreement reaffirms Samarco's commitment with the recovery of affected areas.

In environmental matters, the intention is for the situation to return to the conditions prior to the accident. Compensatory measures will be adopted if there are no technical possibilities for such recovery.

The agreement offers clear commitments, sets deadlines for the submission and execution of projects and applies the rules of transparency and accountability of the activities. The affected populations will follow all projects, there will be external audits and an ombudsman will be created to assist the citizens.

"We understand that we are responsible for the enormous task expressed in the agreement and we will not spare efforts to comply with our obligations. Samarco has a strong commitment with the people and environment affected, and will fully support the Foundation and the implementation of programs at all work fronts, as foreseen in the document signed today," affirms Roberto Carvalho, CEO of Samarco.

The Foundation must be established within 120 days. During this period, Samarco will continue applying all emergency actions for the social and environmental recovery that are underway.

Social-environmental highlights

- Compensatory resources in the amount of BRL500 million made available for certain municipalities affected to use in the elaboration and execution of the plans for the collection and treatment of sewage systems and landfills.
- Recovery of Permanent Protection Areas (PPAs) of the Doce River and tributaries through the reforestation of 10 thousand hectares and the natural regeneration of 30 thousand hectares in ten years as compensatory measures in the amount of BRL1.1 billion.
- Compensatory recovery of 5 thousand springs defined by the River Basins Committee of the Doce River.

Socio-economic highlights

- Reconstruction of the locations affected, such as Bento Rodrigues, Paracatu de Baixo (Mariana) and Gesteira (Barra Longa), ensuring their participation through discussions with the communities affected, to define the measures for recovery or resettlement.
- Execution of a reimbursement and compensation program through a coordinated negotiation, to recover and compensate the people affected.
- Creation of permanent channels of communication and discussion with the community, as well as schedules to present the progress and results of the programs that will be implemented.
- Implementation and maintenance of measures to support indigenous populations affected.
- Recovery of cultural material and preservation of the cultural heritage affected.
- Implementation of actions for the recovery of economic and productive activities affected, such as cattle farming, fishing, services and commerce.

- Health, social protection and education programs are foreseen to reestablish public services affected and the follow up on individuals and families affected.

Participants

Representatives of Samarco, Vale and BHP Billiton and Federal governments and the States of Minas Gerais and Espírito Santo, Ibama, Chico Mendes Institute for Biodiversity Conservation, the National Water Agency (ANA) National Department of Mineral Production (DNPM), the National Indian Foundation (FUNAI), State Forestry Institute (IEF), Mining Institute of Water Management (IGAM), State Environmental Foundation (FEAM), State Environmental Institute and Water Resources of the Holy Spirit (IEMA) and the State Agency for Water Resources of the Holy Spirit (AGERH) participated in the negotiations of the agreement.

The agreement establishes a Foundation that will be responsible for recovery and compensation programs

The agreement signed on March 2 between Samarco, Vale and BHP Billiton and the Federal and State governments of Minas Gerais and Espírito Santo defines the creation of a business law Foundation that will be responsible for the social, environmental and economic recovery programs of the regions impacted by the burst of the Fundão dam in November last year.

The foundation will be headquartered in Belo Horizonte and must be established within 120 days. It will be maintained with funds from Samarco, totaling BRL2 billion this year, BRL1.2 billion in 2017 and BRL1.2 billion in 2018. Between 2019 and 2021, the annual budget of the Foundation will correspond to an amount between BRL800 million and BRL1.6 billion per year. In 2022, enough contributions must be made for the implementation of projects approved.

The resources of the Foundation will be used for the elaboration and implementation of about 40 programs gathered into two main work fronts: social-economic and socio-environmental.

Socio-economic programs will be grouped into seven themes: i) Social Organization; ii) Infrastructure; iii) Education, Culture and Leisure; iv) Health; v) Innovation; vi) Economy; and vii) Action Plan Management.

In turn, the social and environmental programs will be grouped into eight themes: (i) Management of Tailings, Recovery and Improvement of Water Quality; (ii) Restoration of Forestry and Water Production; (iii) Biodiversity Conservation; (iv) Hydric Safety and Water Quality; (v) Education, Communication and Information; (vi) Environmental Preservation and Safety; (vii) Management and Sustainable Use of Land; and (viii) Action Plan Management.

The foundation will consist of a Boards of Directors, an Executive Board, an Advisory Council and an Audit Committee. Moreover, it will hire technical experts and independent audits.

The Board of Directors of the foundation will be responsible for annual and multi-year planning, budgets and contracts, as well as the approval of plans, programs and projects proposed by the Executive Board. This board will be responsible for developing, proposing, enabling and implementing plans, programs and projects approved by the Board of Trustees, and adopt the specific actions required to implement them, and responsible for the routine activities of the Foundation as well. On the other hand, the Supervisory Board shall be responsible for the supervision of management and the assessment of accounts, besides monitoring the compliance of actions executed.

The Advisory Council will be the body advising the foundation and can give opinions on plans, programs and projects, and indicate proposed solutions for the damage caused by burst of the dam. It will establish channels of participation of the civil society and may, therefore, call specific meetings and listen to interested organizations. The Advisory Board shall be composed of representatives appointed by the River Basin of the Doce River Committee (CBH-Sweet), the Interministerial Commission for SEA Resources (CIRM) and affected communities (both from Minas Gerais and Espírito Santo) as well as members representing educational and research institutions, and experts with outstanding knowledge appointed by the Federal Public Office, the State Public Offices of Espírito Santo and Minas Gerais, the Board of Trustees of the Foundation and the Inter-Federative Committee.

It will also set up an Inter-Federative Committee, external and independent from the Foundation, which will track, monitor and supervise the projects to be executed. The Inter-Federative Committee will be composed of representatives of the Ministry of the Environment, the Federal Government, the States of Minas Gerais and Espírito Santo, municipalities of Minas Gerais and Espírito Santo affected by the burst of the dam, the River Basin Committee of the Doce River and the Public Defender of the Union.

Samarco will remain responsible for the execution of all projects in progress until the foundation is fully constituted.

Key actions in progress

Social

- Reconstruction of communities

Regular meetings with residents and presentation of three areas identified, based on the criteria set by the community for the reconstruction of Bento Rodrigues.

- Psychosocial Assistance

All 347 families who had their homes affected in Mariana and Barra Longa, were placed at rented homes, or, if chosen, at the homes of relatives. Only two families have chosen to stay in a hotel.

- Reconstruction of the local infrastructure

All seven bridges affected were rebuilt, four in the city of Mariana and three in Barra Longa.

- Emergency support cards

Since November 5, approximately 3,500 emergency financial support cards were delivered to the families affected. The card is delivered to affected communities in Mariana and Barra Longa, Minas Gerais, and also riparian workers who relied on the Doce River to survive, in Minas Gerais and Espírito Santo.

- Farmers

The farmers affected have also received support from Samarco to resume their activities at farms and ranches. Approximately 170 producers have been visited and are being watched over. Over 1.5 thousand tons of silage have been provided for animals and about 70 kilometers of fences have been installed on rural properties. Veterinary care is also being offered.

Environmental

- Recovery of the color and turbidity of the waters of the Doce River

The work related to the Doce River is also already underway. The company performs daily monitoring of the quality of the water at 170 points along the river. In three months, over 150,000 tests have been performed. Samarco has also been providing technical support to 19 water treatment plants along the river, restoring the normal supply to the population.

- Dredging of the Hydroelectric Power Plant Risoleta Neves

In order to promote improvement in the levels of color and turbidity of the bodies of water affected, dredging is being performed at the Hydroelectric Power Plant Risoleta Neves (Candonga). The first phase of the work, which began in January, is foreseen to be completed in 120 days, in which 400 linear meters will be dredged, starting from the dam of the hydroelectric power plant.

- Construction of Dikes

With the objective to improve the color and turbidity of the watercourses, Samarco has been building dikes near the Fundão dam. The structures retains sediments and releases cleaner water.

- Rescue of the marine life of the Doce River

Nealy 2.5 thousand fish and crustaceans were rescued before the passage of the turbidity plume of the river and will contribute to the repopulation of the watercourse. In parallel, the company hired expert consultancy that detected several schools in the bed of the Doce River with a sonar.

- Animal Rescue

Samarco and its partners (animal defense NGOs) are defining the future of the animals assisted at the Collection Centers implemented by the company. It was agreed that the animals will be placed up for adoption after they have been identified by their owners, vaccinated and castrated.

More information



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