

FUNDAÇÃO
renova

Financial statements 2017

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In compliance with the legal and statutory requirements applicable to Fundação Renova, we present below the financial statements accompanied by the report of the independent auditors, with regard to the fiscal year ended 31 December 2017.

Independent auditor's report

To the Board Members and Management

Fundação Renova

Opinion

We have audited the accompanying financial statements of Fundação Renova ("Foundation"), which comprise the balance sheet as at December 31, 2017 and the statements of surplus, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as at December 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Foundation in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information accompanying the financial statements and the auditor's report

The Foundation's management is responsible for the other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud could involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Foundation to continue as a going concern. If we conclude that a relevant uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Belo Horizonte, April 18, 2018.



PricewaterhouseCoopers Independent
Auditor

CRC 2SP000160/O-5



Fábio Abreu de Paula

Accountant CRC1MG075204/Oo

Summary

<i>Renova</i>	3
<i>Economic implementation of programs in 2017</i>	11
<i>1. Operational context</i>	19
<i>2. Presentation of the financial statements and significant accounting policies</i>	20
<i>3. Cash and cash equivalents and related financial investments</i>	25
<i>4. Recoverable taxes</i>	27
<i>5. Assets in construction destined for donation</i>	28
<i>6. Amounts receivable – Fundos Desenvolve Rio Doce</i>	29
<i>7. Property, equipment and intangible assets</i>	30
<i>8. Other assets</i>	32
<i>9. Suppliers</i>	32
<i>10. Payroll, provisions and payroll taxes</i>	33
<i>11. Taxes payable</i>	34
<i>12. Contingencies</i>	34
<i>13. Miscellaneous provisions</i>	37
<i>14. Socio-environmental and socio-economic obligations</i>	39
<i>15. Net equity</i>	40
<i>16. Income</i>	41
<i>17. Operational expenses with programs</i>	43
<i>18. Administrative / operational expenses</i>	46
<i>19. Financial result</i>	47

20. Funding by sponsors	48
21. Commitments	48
22. Insurance coverage	49

Renova

Our history is a new beginning. It originates from the collapse of the Fundão dam, in Mariana (MG), on November 5, 2015, our reason for existing. From this immense tragedy that changed the lives of so many people in Minas Gerais and Espírito Santo, three great challenges arose: scale, time and knowledge. There are no easy parameters, references or answers. This is the reality of the Renova Foundation.

We believe that no challenge can be overcome without adding one single word: together. Dialogue unites us and makes collective construction of the future possible. When getting together, each party becomes stronger. Our role, somehow, is this: to promote coming together and creating connections. Of past, present and future. Of people, initiatives and institutions. Of competencies, willingness and visions. All converging into the same place, which moves us and gives us meaning. From these meetings, certainly, it will rise the solutions that, often, nobody would imagine possible.

People and communities, we commit to acknowledge, care and respect. Where it is necessary to rebuild and provide infrastructure, we will innovate, develop and preserve. The land and water will follow the only possible way: the way of restoration, production and conservation.

And each step will be taken with respect to diversities, with openness to hear and speak, with transparency to show and integrity in each act. A foundation only comes to live if there is a single reason to exist: to fulfill a mission of interest of society. And there is no purpose of common interest if there are no people sharing the same willingness. That is why the Renova Foundation will always be open to anyone who wants to create, the present, and the future. Together.

The Renova Foundation came to life after the signing of the Term of Transaction and Conduct Adjustment Term (TTAC) between Samarco, with the support of its shareholders, Vale and BHP Billiton, and the Federal Government, the States of Minas Gerais and Espírito Santo, the Brazilian Institute of Environment and Natural Renewable Resources (Ibama), the Chico Mendes Institute for Biodiversity Conservation (ICMBio), the National Water Agency (ANA), the National Department of Mineral Production (DNPM), the National Indian Foundation (Funai), the State Forestry Institute (IEF), the State Water Management Institute of Minas Gerais (IGAM), the State Environmental Foundation (FEAM), the State Institute of Environment and Water Resources (IEMA), the Agriculture, Livestock, Fishing and Forestry Protection Institute of Espírito Santo (IDAF) and the State Agency for Water Resources (AGERH).

Throughout 2017 we carried out a series of actions aimed at the integrated recovery of the Doce River basin and the construction of a legacy of environmental, social and economic improvements in the region affected by the failure of the Fundão dam. This period was essential for the consolidation of the governance model adopted.

Fundação Renova is directing its efforts to assure that its structure is compliant with best practices related to universal themes, such as Human Rights, which guide the development of its programs and decision-making. In December, it created the department of Human Rights, subordinated to the office of the institution's chief executive. With broad-reaching actions, the new area will promote the implementation of actions focused on education and the active practice of respect for human rights as well as avoiding and remediating any potential violations encountered in the programs, projects and actions.

There is still much work to be done before the communities are resettled, indemnification concluded in a fair and transparent manner, the environment restored to its previous condition and the Doce River reclaimed. But still, in 2017, within the 42 programs outlined in the TTAC, important goals were reached. To learn about the evolution of each program and the deliveries made so far, just access the electronic site of Renova, at the link: www.fundacaorenova.org, which receives a daily update with new information, photos, videos, reports, etc.

Between January and December 2017, the resources allocated to the programs totaled R\$ 1.73 billion. Between November 2015, when the dam failed, and December 2017, the resources amounted to R\$ 3.21 billion.

For 2018 the budget is for R\$ 2.187 billion, of which R\$ 2.119 billion are for the execution of TTAC programs and R\$ 68 million to cover administrative expenses. In order to meet these needs, the forecast is that R\$ 1.965 billion will be provided directly to Fundação Renova by its sponsors. These resources will be applied prioritarily to the following programs:

- PIM – Mediated Indemnity Program;
- Financial assistance to impacted population;
- Recovery of the Risoleta Neves dam, part of the Candonga Hydropower Plant;
- Resettlement – reconstruction of the towns of Bento Rodrigues, Paracatu and Gesteira;
- Containment of tailings;
- Handling of tailings;
- Conservation of aquatic biodiversity;
- Resumption of fishing activities along the Doce River.

Funding by sponsors – Sources

The TTAC establishes the annual funding requirements for the formation of the Fundação Renova assets as required for the execution of the defined programs. There are two types of funding: Compensation Resources and Remediation Resources. The TTAC defines, in a preliminary manner, amounts between R\$ 9.46 billion and R\$ 11.86 billion to be distributed according to the table below, and restated for inflation according to the IPCA index up to the moment of actual outlay of the funds.

The compensation resources have a stipulated value of R\$ 4.1 billion and involve two types of contributions. One is the funding for the program for collecting and treating sewage and disposing of solid waste in the municipalities along the Doce River, up to R\$ 500 million, to be distributed throughout the years of 2016, 2017 and 2018, in installments of R\$ 50 million, R\$ 200 million and R\$ 250 million, respectively. The second contribution refers to the compensation programs, in the total amount of R\$ 3.6 billion, distributed in annual installments of R\$ 240 million over a period of 15 years, started in 2016, such as the reclamation of the areas of permanent protection (APPs), recovery of springs and compensation actions in general.

The remediation resources do not have a ceiling – in other words, whatever remediation actions are necessary will be implemented, not being restricted by the annual input established in a preliminary manner in the TTAC. These actions have the objective of mitigating, remediating and/or repairing socioenvironmental and socioeconomic impacts.

Among the remediation programs are the handling of tailings, containment of tailings and in loco treatment, recovery of Environmental Area 1, water supply systems, investigation and monitoring of water, survey and register of impacted population, indemnification program, protection of indigenous peoples and traditional communities, communication and dialogue, resettlement of Bento Rodrigues, Paracatu and Gesteira, recovery of the dam of the Risoleta Neves (Candongá) hydropower plant, physical and mental health of the impacted population, resumption of farming/ranching activities and financial assistance.

The schedule of annual contributions provided in the TTAC is as follows:

- 2016 – R\$ 2.0 billion;
- 2017 and 2018 – R\$ 1.2 billion annually;
- Between 2019 and 2021 – in the range of R\$ 800 million and R\$ 1.6 billion annually, depending on the execution schedule of the programs and projects;
- Between 2022 and 2030 – amounts to be defined on the basis of the scheduled remediation actions, plus R\$ 240 million annually for compensation actions.
- In addition to the amounts above, the sum of R\$ 500 million will be allocated to the funding of the program for collecting and treating sewage and disposing of solid waste in the municipalities along the Doce River, adding up to R\$ 500 million, to be distributed in the years of 2016, 2017 and 2018, in installments of R\$ 50 million, R\$ 200 million and R\$ 250 million, respectively.

Resources received in 2017

In 2017, the Foundation received R\$ 1.87 billion, already considering the amount of R\$ 0.58 billion invested directly by Samarco in the TTAC programs. For the purposes hereof, we consider

the expenses incurred by Samarco for the execution of actions related to the programs of remediation and compensation of the damages caused by the failure of the Fundão dam as determined by the TTAC. Together with the funding provided in 2016 (R\$ 2.089 billion), the total input up to December 2017 comes to R\$ 3.96 billion.

In addition to the investments in Fundação Renova and the amounts actually spent by Samarco in the execution of the programs and projects, the 2016 input includes the amounts frozen by the Public Civil Action ACP 0400.15.004335-6 (ACP Mariana).

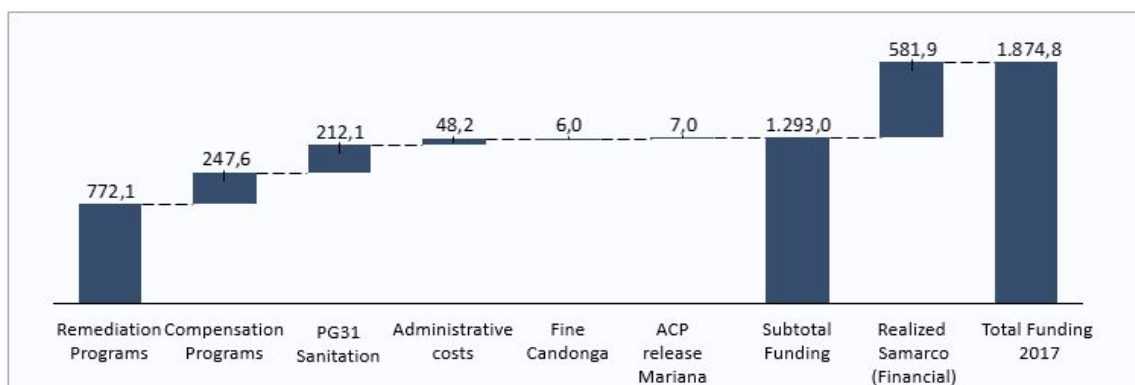


Figure 1 – Detailing of the type of funding in 2017

Scope of the programs

What moves us? The present. The future. Together.



The 42 programs executed by Fundação Renova were divided along three thematic axes, which group the main targets of the remediation of the impacts caused by the failure of the Fundão dam.

Axis people and communities

Activities:

- Identification and indemnification
- Education and culture
- Health and well-being
- Traditional and indigenous communities
- Fomenting economy
- Engagement and dialogue.

Related programs: Survey and register of impacted population, compensation and indemnification of impacted population, protection and recovery of quality of life of indigenous peoples, quality of life of other traditional peoples and communities, social protection, dialogue, communication and social participation, recovery of schools and reintegration of school community, historical, cultural and artistic memory, tourism, culture, sports and recreation, physical and mental health of impacted population, emergency financial support, environmental education, information for population, national and international communication, resumption of water based and fishing activities, diversification of regional economy, micro and small businesses, stimulus to local hiring, reimbursement of extraordinary public authority expenditures.

Axis land and water

Activities:

- Land use
- Water management
- Tailings management
- Biodiversity
- Assistance to animals
- Innovation.

Related programs: assistance to animals, recovery of Candonga dam of the Risoleta Neves hydropower plant, tailings handling, reclamation of Environmental Area 1, reclamation of areas of permanent preservation, reclamation of springs, conservation of biodiversity, recovery of wildlife, land fauna and flora, monitoring of the Doce River basin, preparation for environmental emergencies, conservation units, implementation of CAR and PRA, socioeconomic technologies.

Axis Reconstruction and Infrastructure

Activities:

- Resettlement
- Tailings containment
- Treatment of water and effluents
- Urban infrastructure and accesses

Related programs: reconstruction of towns, recovery of other impacted communities and infrastructure, improvement of water supply systems, collection and treatment of sewage, system for containment of tailings and treatment of rivers, environmental risk management.

Major deliveries of the programs under the foundation's responsibility

People and Communities

- **8,228 people** being assisted with **emergency financial aid**, including **1,576 families of traditional communities**;
- **214 thousand indemnities paid**, for moral damages for the lack of the supply of drinking water;
- **441 prepayments** of general damages;
- **R \$ 40 million in lines of credit for micro and small businesses** of the municipalities impacted by the failure of the Fundão dam. Easier terms and conditions, as well as differentiated risk analysis, through the **Fundo Desenvolve Rio Doce**.
- **12 courses trained** approximately **159 professionals**;
- **Prioritization for supply by local contractors**;
- **83 contracted health professionals**, among physicians, nurses, social workers, psychologists and psychiatrists, and **strengthening of the structures** of the Unified Health System (SUS) in **Barra Longa and Mariana**;

Land and Water

- **Waste Management Plan, approved in June**, divides the impacted area into 17 sections, with section 17 being the sea. **Segment 8 (pilot): application of the plan completed** along 9 km between Mariana and Barra Longa;
- About **1 million cubic meters of tailings were removed from the Risoleta Neves HPP dam**. The withdrawal of the waste, necessary for the return of hydroelectric operations, will be completed in 2018;

- **92 monitoring points - 22 automatic stations** - distributed along the Rio Doce and in the coastal zone;
- **Rehabilitation of 113 tributaries** (rivers);
- **800 hectare** emergency planting for erosion control and soil recovery;
- Control of erosion and restoration of the banks in **1,522 hectares of flood-plains** between Mariana and Rio Doce;
- **Fencing of APPs in 37 rural properties** of Mariana (main river channel, forest fragments and springs);
- Approximately **13 thousand tons of animal feed supplied** as a complement to the almost 6 thousand tons of forage planted on the properties;
- **219 properties participate in the Sustainable Rural Development project**, of a total of 255 properties invaded by the tailings between Mariana and Candonga;
- **511 springs protected and in process of recovery**, of the **5 thousand** that will undergo this process over 10 years;
- **515 medical records for care of animals** that are under caretaker custody, in their original properties or in temporary housing;
- **790 records, including rescues**, referrals and animals born under the responsibility of Renova. A little over 35% of these animals (280) are under temporary custody in the Shelters.

Reconstruction and Infraestructure

- **654 works of renovation and reconstruction of damaged infrastructure** were completed. In Barra Longa: **91 houses, 28 shops and 102 backyards / lots renovated. and 5 houses rebuilt;**
- **241 km of accesses recovered;**
- **211 km of fencing of rural properties** to meet the new demands of planting were redone;
- **Improvements in 14 water treatment plants;**
- **24 municipalities with alternative water intakes**, through pipes or wells. **6 supply mains delivered;**
- Approval of the document "Guidelines for Transfer of Resources, Technical Support and Training to Municipalities", referring to the Compensation Program for Basic Sanitation. This investment, in the amount of **R \$ 500 million**, will be carried out in 39 municipalities along the Rio Doce;
- Tailings Containment: (i) construction and raising of the S3 dam (709.5 m elevation); (ii) Conclusion of dredging in the S3 dam (600 thousand m³ of tailings removed); (iii) Construction of the earth-fill of the S4 dam body (45 thousand m³ of fill); (iv) Construction of the Nova Santarém dam; Axis 1 coffer-dam construction.

Economic implementation of programs in 2017

Expenses incurred by Samarco for the programs to repair damages caused by the failure of the Fundão dam are included in the amounts covered by the funding expected for 2016 and 2017.

The Renova Foundation was created in June 2016 and began operations in August. Starting in September, Samarco's assignment of contracts to the Foundation began, as a natural transition process, and the Foundation began contracting directly. In this way, the total amount of execution of the programs accumulated until December 2017 is composed as follows:

- Amounts realized by Samarco in the emergency phase up to March 2016 (R \$ 409 million);
- Amounts realized by Samarco starting April 2016 related to TTAC programs (R \$ 1.299 billion);
- Amounts realized by the Renova Foundation from the beginning of its operation in August of 2016 (R \$ 1.496 billion).

R \$ 3.204 billion were accounted for in the TTAC programs, accumulated through December 2017, of which R \$ 1.708 billion through Samarco and R \$ 1.496 billion through the Renova Foundation.

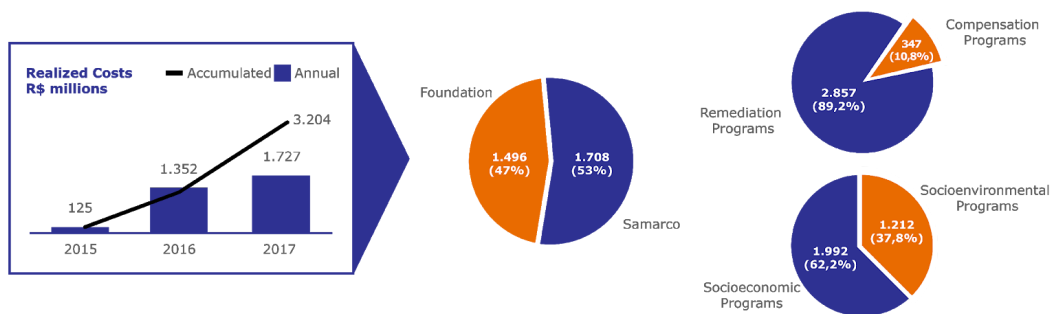


Figure 2 – Funding Distribution - R \$ millions

There are specific accounts for each program in order to allow for proper planning and allocation of costs. The amounts accumulated by December 2017 are shown in the figure below:

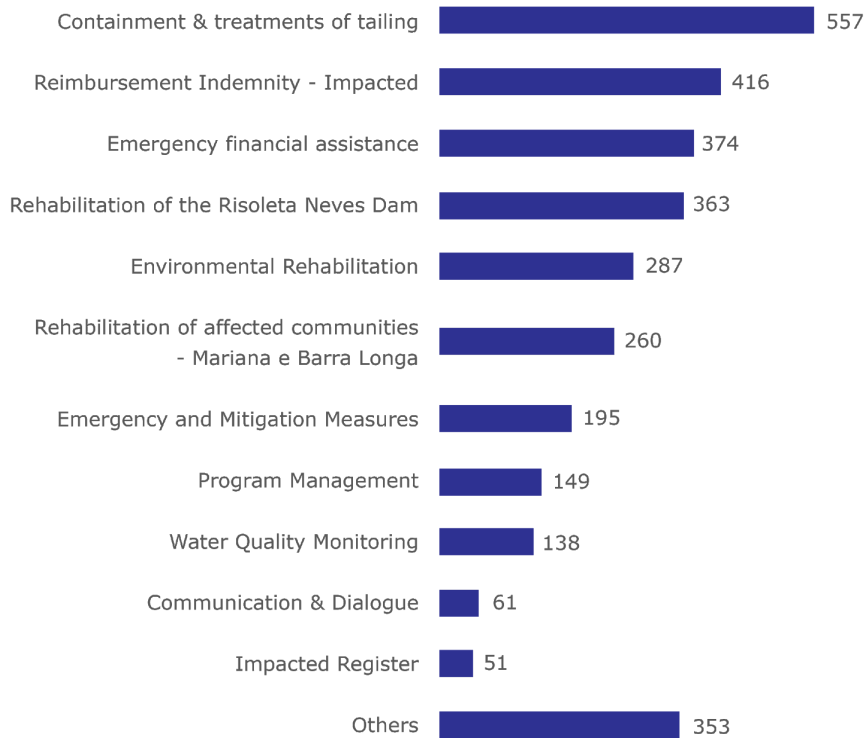


Figure 3 – Costs realized per program - R \$ millions

The programs were grouped in the thematic axes which represent the form of action by the Renova Foundation.

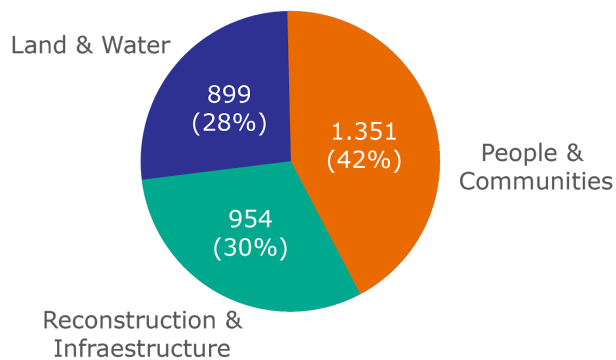


Figure 4 – Costs incurred by "THEMATIC TOPIC" - R \$ millions

Based on the thematic axes, the programs were broken down according to the theme which is most appropriate.

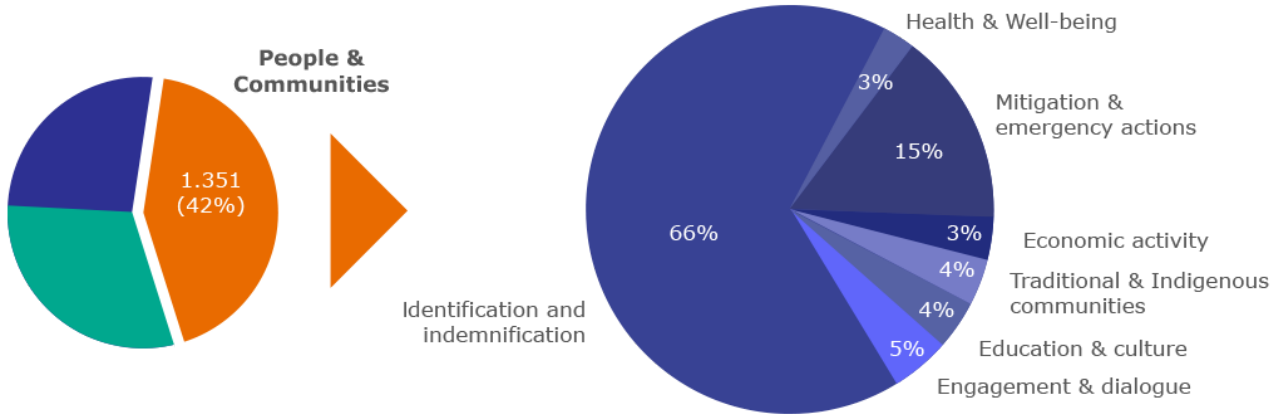


Figure 5 – Realized costs of the theme "People and Communities" - R \$ millions

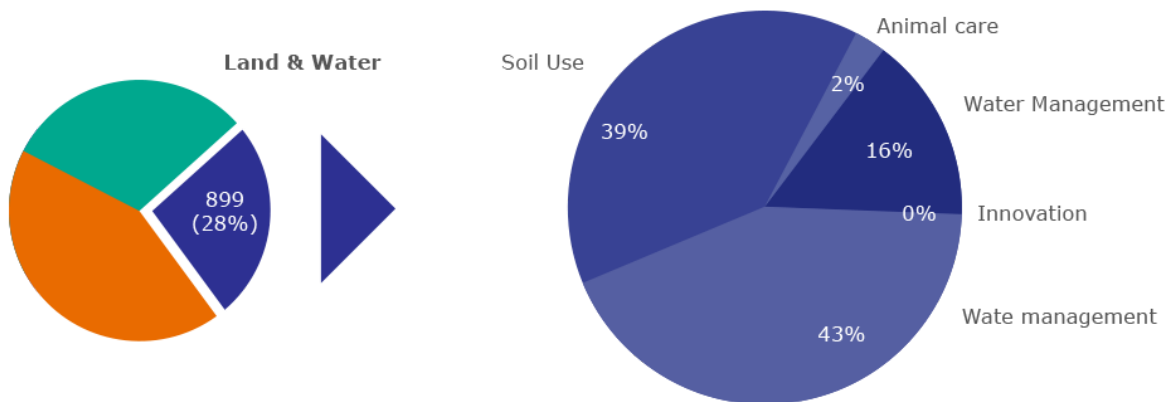


Figure 6 – Realized costs of the theme "Land and Water" - R \$ millions

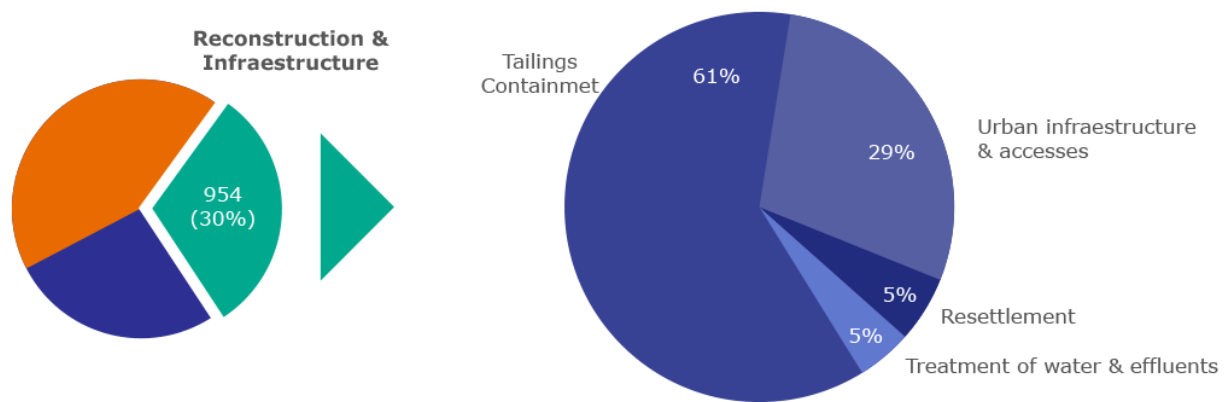


Figure 7 – Realized costs of the theme "Reconstruction and Infrastructure" - R \$ millions

The financial statements are presented below in accordance with accounting practices adopted in Brazil.

Current	Note	2017	2016
Cash and cash equivalents	3	56.102	287.233
Restricted financial investments	3	622.908	280.232
Recoverable taxes	4	2.246	853
Prepaid expenses - insurance		1.396	-
Other assets	8	1.203	-
Total current assets		683.855	568.318
Non-current			
Assets in construction destined for donation	5	23.337	5.022
Amounts receivable - "Fundo Desenvolve Rio Doce"	6	40.260	-
Judicial deposits		3	-
ASSETS Intangible assets	7	8.843	38
Total non-current assets		72.443	5.060
TOTAL ASSETS		756.298	573.378

LIABILITIES

Current	Note	2017	2016
Trade payable	9	69.011	47.746
Payroll and social contributions	10	4.948	608
Taxes payable	11	8.179	3.839
Miscellaneous provisions	13	104.925	19.989
Socio-economic and socio-environmental obligations	14	223.563	499.560
Contribution administrative expenses to allocate	16	11.679	-
Other liabilities		40	1
Total current liabilities		422.345	571.743
Non-current			
Socio-environmental and socio-economic obligations	14	299.210	-
Total liabilities		721.555	571.743
Net equity			
Social fund	15	1.938.711	693.950
Transfer to account for socio-environmental and socio-economic obligations	15	(1.938.711)	(693.950)
Accumulated surplus		1.635	-
Surplus for the year / period		33.108	1.635
Total net equity		34.743	1.635
TOTAL LIABILITY AND NET EQUITY		756.298	573.378

(In thousands of Reais - R\$)

	Note	2017	2016
Revenue			
Operational revenue - input	16	1.237.382	194.390
Revenue from contributions	16	36.509	4.928
Revenue from voluntary services	16	32.932	27.993
Total revenue		1.306.823	227.311
Operating expenses			
With programs	17	(1.237.382)	(194.390)
General and administrative	18	(36.509)	(5.833)
Voluntary services	18	(32.932)	(27.993)
Other operating expenses, net		(68)	(39)
Operational deficit before financial result		(68)	(944)
Financial result			
Finance income	19	33.625	2.585
Finance costs	19	(447)	(6)
Net foreign exchange variations		(2)	-
Surplus for the year/period		33.108	1.635

	Note	Social Fund	Transfer	Accumulated Surplus	Total
At 24 June 2016		-	-	-	-
Endowment by sponsors	15	693.950	-	-	693.950
Transfer to account of socio-environmental and socio-economic obligations	15	-	(693.950)	-	(693.950)
Surplus for the period		-	-	1.635	1.635
Balance at 31 December 2016		693.950	(693.950)	1.635	1.635
Endowment by sponsors	15	1.244.761	-	-	1.244.761
Transfer to account of socio-environmental and socio-economic obligations	15	-	(1.244.761)	-	(1.244.761)
Surplus for the year		-	-	33.108	33.108
Balance at 31 December 2017		1.938.711	(1.938.711)	34.743	34.743

	Note	2017	2016
Surplus for the year / period		33.108	1.635
Adjustment to reconcile surplus in period with cash generated by operational activities:			
Depreciation and amortization	7	7	-
Update of socio-environmental and socio-economic obligations	14	15.571	-
		48.686	1.635
(Increase) decrease in operating assets:			
Accounts receivable - Fundo Desenvolve Rio Doce	6	(40.260)	-
Judicial deposits		(3)	-
Taxes recoverable	4	(1.393)	(853)
Other assets	8	(2.599)	-
Increase (decrease) in operating liabilities:			
Trade accounts payable	9	21.265	47.746
Payroll, provisions and social contributions	10	4.340	609
Taxes payable	11	4.340	3.839
Provision for other liabilities	13	84.936	19.989
Socio-environmental and socio-economic obligations	14	7.642	499.560
Contribution administrative expenses to allocate	16	11.679	-
Other liabilities		39	-
Net cash provided by operations		138.672	572.525
Cash flow from investment activities			
Assets in construction destined for donation	5	(18.315)	(5.022)
Acquisition of property and equipment and intangible		(8.812)	(38)
		(342.676)	(280.232)
		(369.803)	(285.292)
		(231.131)	287.233
year/period	3	287.233	-
Cash and cash equivalents at end of the year/period	3	56.102	287.233
		(231.131)	287.233

STATEMENT OF CASH FLOWS

Year/period ended December 31

(In thousands of Reais - R\$)

1. Operational context

Fundação Renova ("Foundation" or "Entity") is a non-profit legal entity under private law constituted on June 24, 2016, with headquarters in the city of Belo Horizonte, Minas Gerais, at Avenida Getúlio Vargas 671, 4th floor. The Foundation was formed and is maintained and sponsored by Samarco Mineração S.A. ("Samarco"), as "Main Sponsor", Vale S.A. ("Vale") and BHP Brasil Ltda. ("BHP Brasil") (jointly "Sponsors"), responsible for providing the necessary resources for the execution of its activities.

The Foundation is governed pursuant to its by-laws and applicable legislation. Its sole objective is the management and implementation of the measures specified in the socio-economic and socio-environmental programs, including the promotion of social assistance to the population impacted as a result of the failure of the "Fundão" dam on Samarco property, as detailed in the Term of Transaction and Adjustment of Conduct (TTAC or Framework Agreement) signed on March 2, 2016 between Samarco, VALE, BHP Brasil on the one hand, and a series of government entities on the other.

The Foundation has the following registration and incorporation papers:

Public deed of institution registered at the Notary Public Office No. 2 of the district of Belo Horizonte, book 2800N, pages 052 and 053, on June 29, 2016;

By-laws registered at the Notary Public Office of Legal Entities in the district of Belo Horizonte under N^o 138160 on July 5, 2016;

Federal Register of Legal Entities under CNPJ N^o 25.135.507/0001-83.

The Foundation is a social assistance entity, and, as such, is of the understanding that it is eligible for tax exemption as provided in Article 150, item VI, subitem "c" of the 1988 Constitution, and for exemption from payment into social security funds, pursuant to Article 195, paragraph 7 of the 1988 Constitution. Consequently, it has not paid said any of these taxes (Note 12).

As defined in the TTAC, an audit firm was engaged to perform assurance work relative to the socio-economic and socio-environmental projects to be carried out by the Foundation. Considering the date of the constitution of the Foundation, and the scope and complexity of the programs, the assurance work for the period of 2016 and for the year 2017 is in progress, and is expected to be concluded in the second semester of 2018.

The issue of these financial statements was authorized by the Board of Trustees, on 18 April 2018, and the Audit Committee gave its approval on 10 April 2018.

2. Presentation of the financial statements and significant accounting policies

The main accounting policies applied in the preparation of these financial statements are described below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the provisions of the Resolution of the Federal Accounting Council (CFC) Nº 1.409/12, which approved the technical interpretation of “not for profit entities” – ITG 2002 (R1)” and the pronouncements issued by the Accounting Pronouncements Committee (CPC) ratified by the Federal Accounting Council – CFC, and reflect all material information related to the financial statements and among these only those which are consistent with those used by the Foundation’s management.

The preparation of the financial statements requires the management of the Foundation to use its judgment in the determination and recording of accounting estimates. The Foundation reviews the estimates and assumptions at least once a year. The areas involving a higher degree of judgment and complexity, as well as those where assumptions and estimates have significant impact on the financial statements, are disclosed in Note 2.2.

Changes in accounting policies and disclosures.

There were no amendments or new pronouncements in force for the financial year commencing January 1, 2017 with material impacts on the Foundation.

2.2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies which affect the amounts reported for assets, liabilities and expenses.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Foundation makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provision for contingencies

Contingencies are analyzed by management together with its legal advisers. The Foundation’s analyses include factors such as hierarchy of laws, case law available, recent decisions delivered by courts and their relevance in the legal framework. These evaluations involve management judgments.

Provisions are recorded when the value of a probable loss can be reasonably estimated, as informed in Note 12.

2.3 Functional currency and presentation currency

The financial statements are presented in Brazilian Reais, which is the functional currency and the main economic environment where the Foundation operates, generates and consumes cash, and is also its presentation currency.

2.4 Cash and cash equivalents

These include the balances of cash, bank deposits and investments with immediate liquidity with original maturities equal to or less than 90 days and involve insignificant risks of change in fair value.

2.5 Financial assets

The Foundation classifies its financial assets, on initial recognition, under the following categories: measured at fair value through results, loans and receivables, available for sale and held to maturity.

As at December 31, 2017, the Foundation did not have any financial instruments classified at fair value through results, available for sale and held to maturity.

The financial assets are presented as current assets, except for those with a maturity of more than 12 months after the date of the balance sheet.

a) Recognition and measurement

Loans and receivables are reported at the amortized cost, using the Effective Interest Rate Method.

b) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

c) Provision for financial asset impairment

The Foundation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets has impairment losses only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and that event(s) had an impact on the estimated future cash flows of that financial asset that can be estimated reliably.

An impairment loss is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of surplus.

2.6 Non-current assets destined for donation

The assets are classified as assets destined for donation, when the Foundation is committed to a program which has a procurement plan, construction of assets (or series of assets) for which the donation is considered highly probable. These assets are assessed at acquisition, formation or construction cost.

2.7 Property, equipment and intangible assets

Property and equipment are recorded at the cost of acquisition, donation, formation or construction. Depreciation and amortization commence from the date the assets are installed and ready for use.

Depreciation and amortization is calculated based on the straight-line depreciation and amortization method.

2.8 Trade payables

Trade payables are obligations payable to suppliers for goods and services acquired in the normal course of business, and are classified as current liabilities if the payment is due within a year. If not, they are presented as non-current liabilities.

They are initially recognized at the value of the corresponding invoice or contract.

2.9 Provision for contingencies

A provision is recognized if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.10 Employees benefits

Medical assistance

The Foundation provides life insurance, private pension plan and health care plan to its employees and their dependents, which are recorded on the accrual basis and are discontinued in the event the employee leaves the Foundation.

2.11 Net equity

Constituted by the initial endowment of its instituting sponsors, with the addition or deduction of the surplus or deficit determined in each period/year.

2.12 Calculation of surplus (Deficit)

Results are calculated on the accrual basis and include revenue and expenses, as well as earnings, charges and indexation or exchange variance at official indices or rates applied to current and non-current assets and liabilities.

a) Recognition of revenue from contributions

Revenue is recognized at the moment when the resources are actually received.

b) Recognition of revenue and expenses related to volunteer work

The services provided by the sponsors/funding companies, the Board of Trustee, the Advisory Council and the Audit Committee were recognized as they were effectively rendered, and when required by the technical interpretation of "Not for profit entities"- ITG 2002 (R1).

The values were measured at their fair value and reported as if a disbursement had occurred – in other words, incoming and outgoing financial resources.

These amounts were reported as revenue and expense in the same value without generating a change in the surplus/deficit of the period/year or net equity.

c) Finance income and costs

Finance income comprises income of interest on financial investments measured by the amortized cost, using the Effective Interest Rate Method.

The financial expenses cover expenses with delinquent interest (late payment), IOF (tax on financial operations) and bank costs.

Foreign currency gains and losses are reported on a net basis.

3. Cash and cash equivalents and related financial investments

The amounts received by the Foundation from its sponsors/funding companies (BHP Brasil, Vale and Samarco) were invested in first rate national financial institutions, considering the classification level of low risk, applied in investments with a conservative profile, with daily liquidity, with an average remuneration of 98% of the CDI. These financial investments are reported at market value, according to a periodic update informed by the financial institutions.

a) Cash and cash equivalents

The composition of cash and cash equivalents is detailed below:

	2017	2016
Cash and bank deposits		
Local	49	1
Financial investments		
Local	56.053	287.232
	56.102	287.233

b) Restricted short-term investments

Below is a table with details of the balance of investments with exclusive allocation:

ALLOCATION	NOTE	2017	2016
Compensation programs – clause 232 TTAC	(a)	187.887	228.337
Sanitation and solid waste programs - PG31	(b)	267.816	51.895
“TCP-Barra Longa” Reserve	(c)	161.412	-
Compensation action program – penalty Candonga	(d)	5.793	-
Total		622.908	280.232

a) Of the funds received in the period ended 31 December 2017, R\$ 240,000 were allocated to projects of a compensation nature, pursuant to clause 232 of the TTAC. Throughout 2017, the allocation/disbursement was made of R\$ 295,300, already including the unused balance available from 2016 (R\$ 228,337).

The end balance at December 31, 2017 was R\$ 187,887, already restated pursuant to the IPCA.

b) A separate bank account holds the amount of R\$ 267,816 (2016 – R\$ 51,895), to be used exclusively for the actions related to the development of basic sanitation projects,

implementation of sewage collection and treatment works, eradication of illegal waste dumps and implementation of regional sanitary landfills (pursuant to the TTAC), with the funds being transferred in full to the municipalities indicated by the Interfederative Committee (CIF). These resources should start being used starting the first semester of 2018.

- c) Fundação Renova was appointed by the sponsors to manage the resources related to the so-called "Reserva TCP-Barra Longa", an agreement signed between Samarco, Vale and BHP Brasil with the Public Prosecution Service to create a reserve of R\$ 200 thousand for Remediation to the population of Barra Longa and surrounding areas. The amounts were deposited as agreed and are in a separate, specific bank account. The end balance at December 31, 2017 was R\$ 161,412, already restated pursuant to the IPCA.
- d) In compliance with deliberation Nº. 80 of the CIF, item 4.1, on August 28, 2017 Samarco deposited an amount of R\$ 5,950 relative to the fine levied due to non fulfillment of the TTAC clauses related to the works for the resumption of operations of the Candonga/Risoleta Neves hydropower plant. This amount will be allocated to additional compensation actions in the municipalities of Rio Doce, Santa Cruz do Escalvado, Barra Longa and Mariana. The resources started being used in 2017 and the balance at 31 December 2017, already restated according to the IPCA, totaled R\$ 5,793. R\$5.793.

The remaining cash balance will be applied to the other remediation programs and to the maintenance of the Foundation (administrative expenses).

4. Recoverable taxes

The balance of recoverable taxes is comprised as follows:

		2017	2016
IRRF on short-term investment yields	(a)	1.585	580
NSS recoverable on payroll	(b)	601	273
Other taxes recoverable		60	-
		2.246	853

In view of its exemption, the Foundation seeks to recover taxes withheld by other entities or erroneously paid.

- a) Withheld income tax by the banks where the Foundation has or had short term investments, levied on the revenue due. These withholdings occurred in the period between December 2016 and August 2017.
- b) Refers to the part of INSS tax payable by the employer relative to the period between August 2016 and January 2017, a period during which the Foundation was evaluating its taxation classification. According to Fundação Renova's understanding, these amounts were withheld incorrectly and may be recovered under the terms of article 2,I, Sole Paragraph of IN RFB IN RFB 1.717/2017.

5. Assets in construction destined for donation

In 2016, the Foundation started making investments in the Program for Reconstruction of Bento Rodrigues, Paracatu and Gesteira, as provided in the TTAC. These expenditures are classified as long-term assets, considering that the conclusion of the project is forecast for 2019, the year in which the houses and public facilities in the new towns will be delivered to their respective owners.

The amounts that make up this account are shown below:

		2017	2016
Land	(a)	14.181	4.134
Engineering design work	(b)	4.204	888
Environmental studies and consultancy	(c)	1.583	-
Civil works, surveying and drilling	(d)	1.158	-
Management and others		2.211	-
		23.337	5.022

- a) Refers to the purchase of land for the construction of homes and infrastructure of the community resettlement program.
- b) Expenditures related to the conceptual and urban design tasks.
- c) Environmental consultancy and studies required to support the phase of execution of the design, such as the actions for environmental licensing and other necessary measures.
- d) Involves expenditures with drilling and surveying of the purchased areas.

6. Amounts receivable – Fundos Desenvolve Rio Doce

	2017	2016
Fundo Desenvolve Rio Doce MG	30.203	-
Fundo Desenvolve Rio Doce ES	10.057	-
	40.260	-

The Fundo Desenvolve Rio Doce is a fund that was launched at the end of 2017, to comply with item (a) of clause 130 of the TTAC which requires “the establishment of productive lines of credit upon equalization and constitution of the supporting fund” (TTAC wording), in partnership with the financial agents BANDES (Banco de Desenvolvimento do Espírito Santo) and BDMG (Banco de Desenvolvimento de Minas Gerais). The constitution of this fund was made with the amount of R\$ 40,000. At December 31, 2017, the end balance, restated, was R\$ 40,260 (this correction refers to the variation in the IPCA between October 2017 and December 2017, after subtracting the expenses of the financial agents).

These resources will be used to foment the economic activities of the municipalities in the Doce River region in the States of Minas Gerais and Espírito Santo.

The fund is to remain active for a period of ten years, which can be extended for an equal period of time. The main characteristics are: subsidized rates and a broader range of credit risk, always focused on small and medium sized businesses.

7. Property, equipment and intangible assets

The Foundation started its activities in August 2016, establishing its headquarters in rented property, with refurbishment of its offices throughout 2017 in Belo Horizonte, Mariana, Governador Valadares and Linhares. In addition, purchases were made of furniture, fixtures, IT equipment and systems, all essential for the execution of the administrative and operational functions of the Foundation.

	Improvements third parties assets	Equipment and data processing	Machinery & equipment.	Fixed assets in progress	Furniture and fixtures	Total fixed assets	Systems - Software	Total fixed and intangible
Balance at 31 December 2016	-	-	-	38	-	38	-	38
Additions	3.221	2.525	242	1.086	624	7.698	1.114	8.812
Depreciation / amortization	(5)	-	-	-	(2)	(7)	-	(7)
Balance at 31 December 2017	3.216	2.525	242	1.124	622	7.729	1.114	8.843

a) In 2017 there was no depreciation and amortization for these classes, as these assets were available for use at the end of the year.

Additionally, in 2016 the Entity received on loan for use from its sponsors Samarco and Vale assets for the execution of its operational and administrative activities, which remained in the Foundation in 2017 and basically consist of furniture, fixtures, computers and telecommunications equipment. The reported amounts are the residual book values of these assets in the owner companies.

Considering the Foundation's obligation to return these items to the sponsors at the end of the contracted period, the values of these assets are recorded as follows:

ITEMS ON LOAN FOR USE	2017	2016
Data processing equipment	7	7
Furniture and fixtures	196	196
Subtotal	203	203
ITEMS ON LOAN FOR RETURN TO OWNER		

Data processing equipment	(7)	(7)
Furniture and fixtures	(196)	(196)
Subtotal	(203)	(203)

All assets capitalized in the fixed assets of the Renova Foundation are classified in accounting lines that are part of the chart of accounts. Below is a descriptive table of class content:

Class	Classification of items
Improvements on third parties assets	Improvements related to civil works and reforms in administrative buildings, houses, sheds, among others
Machinery and equipment	The goods classified here must be physically independent, functioning individually or in sets, and also with their own drive by motorization or by direct energy
Systems - Software	Computer programs, executable in right of use mode, or source codes - including copyrights. Also known as software, both its own and belonging to third parties (development)
Data processing equipment	Equipment in general, aimed at the application in computer science - hardware. Includes items for teleprocessing, data storage and logic networks, such as desktops, printers, monitors, notebooks, servers, switch, telematic racks, UPS units, and the like
Furniture and fixtures	Goods destined to the application in administrative, commercial areas and offices in general. Includes furniture in general, general telecommunication equipment and office fixtures such as dividers, blinds, carpeting, etc.

Depreciation and amortization are calculated based on the straight-line method, considering their costs and their residual values over the estimated useful life as detailed below.

Name of class	Useful life	Depreciation rate
Improvements on third parties assets	Variable	Contract term
Machinery and equipment	10 years	10% a.a.
Systems – Software	5 years	20% a.a.
Data processing equipment	5 years	20% a,a
Furniture and fixtures	10 years	10% a.a.

The Entity, considering the characteristic of its assets, understood that it is not necessary to carry out impairment tests according to NBC 19.10.

8. Other assets

In general, these are composed of Advances to Suppliers in the country, to allow the supply of support services for the management and supervision of works to implement the programs in the impacted areas.

	2017	2016
Advance to domestic suppliers	1.102	-
Other assets	101	-
	1.203	-

9. Suppliers

The balance of Suppliers basically consists of amounts payable to service providers, which, at December 31, is detailed below:

	2017	2016
Domestic market	67.953	47.563
Foreign market	1.058	183
	69.011	47.746

10. Payroll, provisions and payroll taxes

The balance of salaries, provisions and contributions is detailed below:

		2017	2016
Salaries payable	(a)	1	373

Provision for vacation	(b)	4.031	128
FGTS payable	(c)	547	52
INSS of employees payable	(d)	276	15
Others	(e)	93	40
		4.948	608

- a) Unlike the previous year where wages were paid on the 5th business day of the subsequent month, in 2017 wages were paid in the same month worked, and the two weekly advance of 40% of the gross amount was also paid on the 15th day.
- b) The vacation provision is constituted proportionally to the period worked considering the legal determinations.
- c) Monthly contribution of 8% of the employee's salary, as the employer's obligation, according to current legislation.
- d) Refers to the employee's contribution, duly withheld for transfer to the National Institute of Social Security (INSS).
- e) Composed mainly of amounts payable, referring to group and permanent life insurance of the Entity's employees.

11. Taxes payable

In its entirety, this item is composed of taxes withheld from suppliers, generally service providers. The balance of these taxes to be collected is detailed below:

		2017	2016
ISS - withheld service tax		3.139	1.625
INSS - withheld from suppliers		1.169	1.083
IRRF - withheld income tax at source		2.259	572
withheld federal taxes	(a)	1.612	559
		8.179	3.839

a) Refers to withholding amounts of federal taxes PIS, COFINS and CSLL in accordance with Law 13.137 / 2015 of June 19, 2015.

12. Contingencies

The Renova Foundation understands that it is entitled to tax immunity, provided for in Article 150, section VI, letter "c" of the 1988 Constitution, as well as exemption from social security contributions, provided for in Article 195, paragraph 7 of the 1988 Constitution, which is why it has not paid these taxes. It should be noted that the Renova Foundation has consulted with the Federal Revenue Service, whose reply (Decision No. 134 - SRRF06 / Disit) has no impact on the classification of the risk in relation to the entity's eligibility for exemption. Despite the unfavorable view expressed by the supervisory body, there are solid arguments to support the right to immunity in court. In addition, the position adopted by the Federal Revenue of Brazil can be challenged judicially, with a prognosis of possible success.

The Renova Foundation is a party to lawsuits, arising from the normal course of its operations, involving civil, labor and collective actions that discuss terms and compliance with TTAC clauses. Management, based on the information and evaluations of its internal and external legal advisors, has not set up provisions for contingencies since it considered all actions with possible probability of loss.

In summary, the following are the objects of the lawsuits and the values of the cases filed by the plaintiffs, updated to December 31, 2017:

Civil class suits brought against Fundação Renova:

Description	Status	2017	2016
<i>Case Nº 0034197-49.2016.8.13.0400 - Public Civil Action filed by the Public Prosecutor of Minas Gerais (MPMG) against Samarco Mineração, Vale SA, BHP Brasil and Fundação Renova, in which it granted anticipatory relief on September 12, 2016, determining the suspension of legal transactions that had the object of buying and selling animals of those affected, obliging the defendants to refrain from conducting new business of the same nature with those affected, until a new judicial decision was issued.</i>	On November 7, the judge suspended it for 120 days, counted as of 10/27/2016, as requested by MPMG.	581	511

Case No. 5007288-91.2016.8.13.0105 - Public Civil Action filed by the Public Prosecutor's Office in Minas Gerais (MPMG) against the Renova Foundation requesting (i) a declaration of nullity of certain passages and clauses of the terms of release used in the Mediated Indemnity Program (PIM); (ii) guarantee that the PIM will pay R\$ 1,000 per affected person and R\$ 1,100 per vulnerable person, and (iii) imposition of a punitive fine for each agreement signed in disregard or violation of the above requests, in addition to R\$ 300,000,000 in the event of interruption of indemnities at the minimum amounts requested.	On November 21, 2016, the injunction was granted to suspend certain parts of the terms of release. The injunction, however, is currently suspended due to a ruling handed down on 06/12/2016 by the Court of Appeals. The case is progressing and the evidence phase should begin in the coming months. There is no set date for a final decision.	346.366	303.210
Case Nº 0038496-04.2016.8.08.0014 - Public Civil Action filed by the Public Prosecution Service of the State of Espírito Santo (MPES), with a proposal to: (i) declare nullity of certain passages and clauses of the period of release used in the Indemnity Program Mediated (PIM); (ii) guarantee that the PIM will pay at least R\$ 1,000 per affected person and R\$ 1,100 per vulnerable person, and (iii) imposition of a punitive fine for each agreement signed in non-compliance or repeated noncompliance with the requests above, in addition to R\$ 300,000,000 in the event of interruption of indemnities at the minimum amounts requested.	On 01/12/2016 the injunction requested by the MPES was denied. The case is in progress and the evidence phase should begin in the next few months. There is no set date for a final decision.	343.335	303.210
Case Nº 5007744-41.2016.8.13.0105 - Indemnification Action filed by SAAE - GV (Autonomous Water and Sewage Service) against Samarco, Vale, BHP Brasil and Fundação Renova, requesting the restitution of amounts spent on water treatment, mud removal, etc., in addition to the desilting and losses with the low revenue from services, with request of provisory relief.	On February 16, 2017, the injunction was dismissed. Awaits the decision on the competent court to analyze the lawsuit.	36.251	31.398
Case No. 0002564-83.2017.8.13.0400 - Public Civil Action filed by the Public Prosecution Office of the State of Minas Gerais against Samarco, Vale, BHP Brasil, Fundação Renova and Minas Gerais State (Detran-MG), requesting that Detran- MG refrain from charging the IPVA, License Fee and DPVAT in relation to the owners of the vehicles lost due to the accident or, alternatively, that these values be charged to Samarco. In relation to the other defendants, the MPMG requires that they prepare a report of the destroyed vehicles, adopt with the Detran-MG the necessary measures to write them off and assume the payment of any tributes, taxes and incidental charges.	On 06/19/2017, a partial injunction was issued, determining that the State of Minas Gerais refrain from charging any taxes or fees related to destroyed cars, retroactive to the day of the event. A reconciliation hearing took place on 07/25/2017, when the parties reached an agreement. On 07/28/2017, a judgment was issued ratifying the agreement entered into between the parties in which: (i) the owners of the vehicles will sign a statement allowing Renova to dispose of the cars correctly and (ii) the State will cancel the registration of the vehicle. Parties requested that the case be suspended.	113	100
Case No. 1007135-34.2017.4.01.3800 (former No. 0011821-36.2017.4.02.5004) - Public Civil Action filed by Espírito Santo and the Federal Public Defender against Samarco Mineração SA, Renova Foundation and the Federal Government requesting a declaration of nullity of certain passages and clauses of the release term used in the Mediated Indemnity Program (PIM).	On 09/19/2017, the records were sent to the 12th Federal Court of Belo Horizonte, in view of the decision recognizing its jurisdiction over the case. On 11/18/2017 and 11/27/2017, the Federal Government and Samarco contestations were attached to the archives.	20.833	19.250
		747.479	657.679

Individual civil suits brought against Fundação Renova:

Description	Status	2017	2016
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<p>There are 9 (nine) actions with similar objectives filed against the Renova Foundation, Samarco Mineração SA, BHP Brasil and Vale SA, in which the plaintiffs request indemnification for material damages and moral damages due to (i) interruption of the water supply to affected cities; (ii) non-payment of Emergency Financial Assistance; (iii) compensation for loss of goods or equipment; (iv) loss of profits; (v) non-receipt of the indemnity portion under the PIM - Mediated Indemnity Program.</p>	<p>None of the cases had been judged by 31/12/2017</p>	<p>85</p>	<p>-</p>
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Labor claims filed against Fundação Renova:

Description	Status	2017	2016
<p>There are 13 (thirteen) lawsuits with different objectives and claims, but always filed against a contracted service provider and against the Renova Foundation and / or Samarco Mineração SA, with joint or secondary liability. In only 03 (three) cases, there is a request for recognition of an employment relationship with the Renova Foundation (lawsuits against Gonçalves and Costa Empreendimentos da Construção Ltda. - ME).</p>	<p>None of the cases had been judged by 31/12/2017</p>	<p>1.114</p>	<p>-</p>

13. Miscellaneous provisions

The Entity acquires significant volumes of third-party services to carry out its activities. At December 31, some of its suppliers, for various reasons, did not have all the elements to issue their invoices, for services already rendered. In addition, the Entity has work fronts in several municipalities to negotiate indemnities (PIM) for moral damages (pain and suffering) due to lack of water supply in the cities and general damages, generating commitments of amounts payable. Accordingly, management, based on its internal controls and measurements, constituted a provision to meet the principle of competence. The details of such services are shown below:

		2017	2016
Indemnity - PIM general damages	(a)	61.632	-
Indemnity - PIM damages for lack of water supply	(b)	35.952	-
Rental of support equipment	(c)	-	5.086
Civil works	(d)	1.066	8.082
Environmental and forest compensation services	(e)	-	807
Legal advisory services	(f)	3.209	2.875
Miscellaneous consultancy and services	(g)	103	600
Dialogue with the communities	(h)	1.666	703
Others	(i)	1.297	1.836
		104.925	19.989

- a) Indemnity - PIM General Damages: It considers people who have lost their livelihood or material assets, such as vehicles, residential and commercial properties, rural properties, among others. In order to be compensated, it is mandatory to have been included in the integrated register, which is being developed in the impacted regions, and to prove the damage suffered.
- b) Indemnity - PIM lack of water supply- intended for all people living in cities / districts where the distribution of drinking water was suspended for more than 24 consecutive hours in November 2015.
- c) Rental of support equipment: leases of machinery and equipment for cleaning rural properties and reclamation and maintenance of Barra Longa.
- d) Civil works: construction and maintenance services of fences on properties and roads, reconstruction of the properties and infrastructure of the Barra Longa region, asphalt paving, bioengineering for environmental rehabilitation and wooden bed bar services at the Risoleta Neves HPP.
- e) Environmental and forest reclamation services: services of planting of agricultural crops, orchards, vegetable gardens and pasture formation on properties between the municipalities of Mariana and Santa Cruz do Escalvado-MG.

- f) Legal consulting: consulting services for dealing with the Interfederative Committee (CIF) and the Mediated Indemnity Program (PIM).
- g) Consulting and miscellaneous studies: consultancy services on the diagnosis and proposal of improvements in the processes of monitoring of service agreements associated with the execution of projects.
- h) Dialogue with communities: dealing with people in the offices of the PIM negotiation centers.
- i) Others: Other expenses of lesser amounts related to communication services, identification of areas for irrigation, cleaning of rural properties, assistance to animals, IT improvements - Licensing Software and insurance.

14. Socio-environmental and socio-economic obligations

The socio-environmental and socio-economic obligations comprise the allocation received from the sponsors for the objects of these programs, as defined in the TTAC. The composition of the balance of socio-environmental and socio-economic obligations is detailed below:

	Balance 2016	Input notes (note 15)	Write-off (note 17)	Transfer	Update Fundo Desenvolve Rio Doce (note 6)	Uptade IPCA (note 19)	Balance 2017
Remediation programs	219.747	579.075	(916.529)	-	-	2.349	(115.358)
Remediation programs - Barra Longa	-	200.000	(42.681)	(84.094)	-	4.094	77.319
Compensation programs	227.918	247.626	(277.938)	-	263	5.240	203.109
Compensation programs – actions related to development of basic sewage plans	51.895	212.110	-	(215.116)	-	3.812	52.701
Compensation programs – Appeal against fine for UHE Candonga	-	5.950	(234)	-	-	76	5.792
TOTAL CURRENT	499.560	1.244.761	(1.237.382)	(299.210)	263	15.571	223.563
Remediation programs - Barra Longa	-	-	-	84.094	-	-	84.094
Compensation programs – actions related to development of basic sewage plans	-	-	-	215.116	-	-	215.116
TOTAL NON CURRENT	-	-	-	299.210	-	-	299.210
OVERALL TOTAL	499.560	1.244.761	(1.237.382)	-	263	15.571	522.773

In the Remediation Programs, Renova recorded expenses in the period which exceeded the contributions made by the sponsors by R\$ 115,358, mainly due to the constitution of provisions according to Note 13. As such, the socio-environmental and socio-economic obligations were presented net of this entitlement, which was duly received in January 2018.

15. Net equity

The Public Deed of Institution of the Renova Foundation describes that the allocation of assets, referred to in Article 62 of the Civil Code, necessary to meet the purpose of the Renova Foundation (Note 1) will correspond to the sum of the installments of the cash allocation up to

the year of 2018, as well as the portions subsequently determined by the Board of Trustees as necessary for the fulfillment of the projects as from the year 2019.

As defined in the TTAC, Samarco and its shareholders, Vale and BHP Brasil, have provided and will provide funds to the Foundation through contributions, as shown below:

- R\$ 2,089,682 in 2016, of which R\$ 1,112,195 was directly invested by Samarco in the TTAC programs, R\$ 283,537 was retained by the Public Civil Action - ACP in the city of Mariana and R\$ 693,950 contributed by Vale, BHP Brasil and SAMARCO through deposits to the Foundation. In addition, Samarco contributed R\$ 4,928 to cover administrative expenses
- R\$ 1,874,831 in 2017, of which R\$ 581,881 was invested directly by Samarco in the TTAC programs, R\$ 1,280,000 contributed by Vale and BHP Brasil, in the proportion of 50% each (already including a contribution of R\$ 48,188 to cover administrative expenses), through deposits to the Foundation and R\$ 12,950 by Samarco (R\$ 5,950 relating to compensation actions with an appeal against the fine of the Candonga HPP - resolution No.80 of the CIF and R\$ 7,000 referring to the release of part of the appeal from ACP Mariana). Of the deposits made, R\$ 200.0 MM formed the "TCP Barra Longa Reserve" (Note 3)
- R\$1,200,000 in 2018.
- From 2019 to 2021, the annual contributions to the Foundation will be of sufficient value to cover the forecast of execution of the remediation and compensation projects for each year, according to TTAC. The annual reference values for these contributions will be from R\$ 800,000 to R\$ 1,600,000. From 2022 onwards, the amounts to be contributed by the Foundation will be based on the planning of the programs approved by the Foundation on the same date. The TTAC did not specify a minimum or maximum value in this period for the remediation programs.

As of the signing of TTAC, the Foundation will allocate an annual amount of R\$ 240,000, for a period of 15 years, for the execution of compensation projects. These annual amounts are already included in the amounts of the contributions reported for the first six years (2016-2021). In addition, a contribution of R\$ 500,000 will be allocated to a program for the collection and treatment of sewage and solid waste disposal in the municipalities along Rio Doce for the years 2016, 2017 and 2018, in the amounts of R\$ 50 million, R\$ 200 million and R\$ 250 million, respectively.

The installments of the allocation made by the sponsors are initially recognized in Net Equity and transferred to the account of socio-environmental and socio-economic liabilities, since all the funds received from the sponsors in the context of the TTAC are exclusively destined to the execution of these programs. As the Foundation uses the resources provided by the sponsors to defray said expenses, they will be realized as revenue to offset the expenses with the programs.

16. Income

The Entity's resources consist of the contributions made by its sponsors, as well as by volunteer services offered by the sponsors and their members of the Board. The amounts for 2017 are shown below:

		2017	2016
Operating income - input	(a)	1.237.382	194.390
Contribution income	(b)	36.509	4.928
Income from volunteer services - seconded	(c)	22.087	19.679
Income from volunteer services - shared	(d)	9.648	8.098
Income from volunteer services - members of the Board	(e)	1.197	216
		1.306.823	227.311

- a) Funds received from the sponsors for allocation to the programs managed by the Foundation.
- b) Funds received from the sponsors to defray administrative expenses.
- c) Refers to employees assigned by the sponsors - Samarco, Vale and BHP Brasil, in view of the continuity of several programs and the dissemination of knowledge of the sponsor to be added to the Foundation's processes. The amounts recorded here represent the sum of the salaries, charges and benefits of these employees, as outlaid by each sponsor.
- d) The shared services were executed exclusively by the main sponsor, Samarco, since 2016, and have reflected the demand of each administrative area throughout 2017. Considering that during this period the Renova Foundation was still going through the process of structuring the areas and its staff, it was necessary to maintain the shared dedication of Samarco. The transfer of activities occurred gradually and safely, in view of the complexities and particularities of the processes. By the end of 2017, only the procurement and IT management areas continued to be shared.

The amounts were recorded considering the cost amounts of the performance of such services ascertained by the sponsor, who in turn controlled all the expenses incurred in their execution.

- e) Refers to the hours donated by the members of the Foundation's three bodies: Board of Governors, Audit Committee and Advisory Council. These provide services voluntarily and free of charge. The value of these services was calculated considering the hours dedicated by these members during the year 2017, multiplied by the hourly rates of each one - unaudited. This calculation showed 3,852 hours of dedication throughout 2017: the Board

of Governors contributed 1,530 hours (2016 - 1,194 hours), the Audit Committee 576 hours and the Advisory Council dedicated 1,746 hours.

17. Operational expenses with programs

The operating expenses with the Foundation's programs refer to expenses incurred in the period with socio-economic and socio-environmental remediation and compensation programs as set forth in the TTAC. The tables below show the expenses per group of measures and per program, at 31 December:

		2017	2016
Socio-environmental programs – remediation	(a)	296.538	60.161
Socio-economic programs – remediation	(a)	662.671	125.210
Socio-environmental programs – compensation	(b)	20.948	2.057
Socio-economic programs – compensation	(b)	257.225	6.962
		1.237.382	194.390

a) Programs - Remediation

These are actions which have the objective of remediating and mitigating socio-environmental and socio-economic impacts caused by the dam failure.

SOCIO-ENVIRONMENTAL PROGRAMS	2017	2016
Tailings management	3.323	-
Tailings containment/treatment of impacted rivers	5.808	-
Reclamation of environmental area 1	93.176	32.040
Conservation of aquatic biodiversity	3.162	462
Conservation of land flora and fauna	7	-
Water supply systems	10.034	2.881
Gestão de riscos ambientais	120	49
Environmental risk management	49.039	18.669
Program management	131.869	6.060
	296.538	60.161

SOCIO-ECONOMIC PROGRAMS	2017	2016
Emergency mitigation measures	30.625	10.727
Development of database of impacted persons	26.464	7.109
Compensation and indemnification of impacted persons	135.677	6.447
Protection of indigenous people	24.094	4.599
Protection of traditional communities	10.687	-

Social protection	737	300
Communication and dialogue	36.924	4.453
Animal assistance	3.768	1.496
Reconstruction of Bento, Paracatu and Gesteira	8.487	1.219
Rehabilitation of reservoir UHE Risoleta Neves	102.687	-
Recovery of impacted infrastructure	34.106	12.425
Renovation of schools	3.974	11
Preservation of historical memory	10.810	5.463
Support to tourism, culture and sports	3.742	1.327
Mental and physical health of impacted people	13.237	4.931
Resumption of fishing activities	349	-
Resumption of farming/ranching activities	13.544	2.480
Recovery of micro and small businesses	338	59
Financial assistance to impacted population	187.326	61.725
Refunding extraordinary expenses	15.095	439
	662.671	125.210

b) Programs - Compensation

These comprise measures and actions aimed at compensating for non-mitigable or irreparable impacts arising from the dam's failure, by improving the socio-environmental and socio-economic conditions of the impacted areas, when remediation is not possible or feasible under the programs.

SOCIO-ENVIRONMENTAL PROGRAMS	2017	2016
Containment of tailings and treatment of impacted rivers	1.787	-
Reclamation of APP and erosion control	5.808	2.314
Recovery of springs	7.473	1.300
Water supply systems	657	14
Environmental education system	928	154
Preparation for environmental emergency	5.479	394
Information for population	642	-
National and international communication	586	195
Water inspection and monitoring	488	-
Support to implementation of environmental and rural inventories	594	-
	20.948	2.057

SOCIO-ECONOMIC PROGRAMS	2017	2016
Rehabilitation UHE Risoleta Neves reservoir	234	-
Support to tourism, culture and sports	625	-
Remediation research and technologies	21	-
Diversification of regional economy	923	-
Stimulus to local hiring	1.050	-
Reimbursement of indemnity to impacted population	254.372	6.962
	257.225	6.962

18. Administrative / operational expenses

These expenses are those necessary to maintain the Foundation's operational activities, and are not directly linked to the execution of the programs. Also included in these are the recognized expenses related to volunteer services received by the Entity.

Volunteer service is recognized at the fair value of the rendering of the service even if the financial disbursement has not occurred, according to Accounting Standard ITG2002. The breakdown of administrative expenses is shown below:

	Note	2017	2016
Legal advisory services		8.798	3.096
Consultancy and studies		2.746	-
Own personnel		14.604	1.820
Insurance		-	351
Contracted services		3.269	320
Travel		3.765	178
Other expenses		3.327	68
Volunteer services seconded employees	16.c	22.087	19.679
Volunteer services - shared	16.d	9.648	8.098
Volunteer services - members of Board	16.e	1.197	216
		69.441	33.826

19. Financial result

The detailed financial results of the Foundation are shown below:

Financial income	2017	2016
Earnings on investments	49.196	2.585
(a) Financial restatement of the socio-environmental and socio-economic obligations	(15.571)	-
	33.625	2.585

- (a) Socio-environmental and socio-economic obligations (Note 14), for which resources received from the sponsors to execute the respective programs were not spent within the same period of receipt and generated sufficient financial income due to the investments of such cash surpluses. Updated by the inflation index IPCA of that month.

Financial expenses	2017	2016
Bank fees	21	1
IOF - tax on financial operations	394	5
Others	32	-
	447	6

20. Funding by sponsors

The sponsors made the contributions - endowments and donations - presented below in the course of 2017. These contributions are responsible for maintaining the continuity of the Renova Foundation. It should be noted that these amounts do not constitute liabilities of the Foundation vis-à-vis the sponsors, as regulated in the TTAC.

	2017	2016
Samarco Mineração S.A.	12.950	221.390
Vale S.A.	640.000	238.744
BHP Brasil Ltda	640.000	238.744
	1.292.950	698.878

21. Commitments

The Foundation has long-term service contracts, as detailed in the table below:

	2017	2016
Less than one year	778.081	673.002
One to two years	222.201	6.298
Two to three years	70.235	3.002
Three to five years	10.362	1.904
More than five years	470	-
	1.081.349	684.206

22. Insurance coverage

Given the scope of the Foundation's activities and the diversity of its operations, based on the guidelines of its management committees, the Foundation contracted General Civil Liability (third party assets) and D & O (Civil Liability for Directors) insurance.

The General Civil Liability policy is valid for 18 months, beginning in November 2017, with an indemnity limit of R\$ 80 million.

The D & O policy is valid for 12 months, starting in December 2017 and an indemnity limit of R\$ 80 million. Also in effect are personal accident insurance and life insurance policies for all employees of the Renova Foundation.

Board of trustees

Regular members

Alberto Ninio

Flávio de Medeiros Bocayuva Bulcão

Ian Burton Wood

José Ângelo Paganini

Pedro Aguiar de Freitas

Ricardo Eugênio Jorge Saad

Wilson Nélio Brumer

Audit Committee

Regular members

Carlos Henrique Ribeiro

Atif Nazir Janjua

Murilo Müller

Rodrigo Lubiana Zanotti

Luís Eduardo Fischman

Breno Barbosa Cerqueira Alves

Executive Officers

Roberto Silva Waack

CEO

Marcelo Eduardo Figueiredo

Director of Programs and Projects

Andrea Aguiar Azevedo

Director of Institutional Development

Technical Responsibility

Philippe Ferreira da Rocha

Accountant - CRC-ES 012855/O-5 T-MG