



2013

Annual Sustainability Report



SANTOS BRASIL

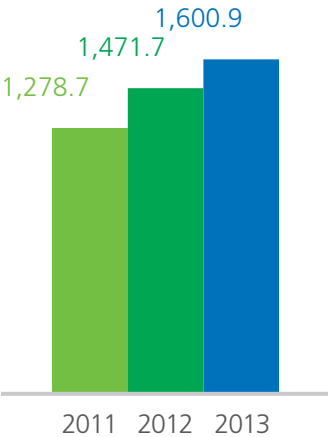
WHERE DO YOU WANT REACH?



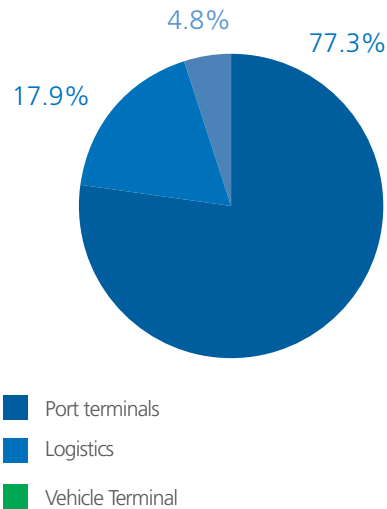
Highlights

FINANCIAL RESULTS	2011	2012	2013	Variationt 12/13
Gross income from services (R\$ million)	1,278.7	1,471.7	1,600.9	8.8%
Net income from services (R\$ million)	1,124.7	1,293.2	1,377.4	6.5%
Cost of services provided (R\$ million)	625.9	690.9	802.5	16.2%
Operational expenses (R\$ million)	152.3	177.4	182.4	2.8%
EBITDA (R\$ million)	456.9	551.7	528.0	-4.3%
EBITDA margin (R\$ million)	40.6%	42.7% ⁽¹⁾	38.3%	-4.4 p.p.
Net earnings (R\$ million)	246.6	270.2	255.0	-5.6%
Gross Revenue (R\$ million)	705.1	433.1	321.7	-25.7%
Net debt (R\$ million)	410.2	296.7	198.7	-33.0%
Net debt /EBITDA (times)	0.9	0.5	0.4	-
Investments (R\$ million)	184.4	97.9	84.8	-13.4%
SOCIOENVIRONMENTAL RESULTS				
Number of employees (2)	3,517	3,628	3,839	5.9%
Investment in training (R\$ million)	2.1	2.0	2.27	13.5%
Training hours	232,842	151,000	183,490	21.5%
CO2 emissions (kg of CO2 and/TEU handled)	13	13	17.70	36%
CAPITALS MARKET				
Net earnings per unit (R\$)	1.87	2.03	1.91	-5.9%
Average price of unit (R\$)	26.21	30.23	26.96	-10.8%
Closeout on 31/12 (R\$)	24.67	29.20	18.94	-35.1%
Average financial volume of daily negotiation (R\$ million)	5.67	8.05	8.10	0.6%
Market Capitalization (R\$ million)	3,260.7	3,878.7	2,523.1	-34.9%
Dividends + JSCP (R\$ million)	187,387.3	205,360.9	193,845.7	-5.6%
Payout	80,0%	80,0%	80,0%	-
Distribution of earnings per unit (R\$)	1,42	1,55	1,46	-5,8%
OPERACIONAL HIGHLIGHTS				
PORT TERMINALS				
Quay operations	1,001.875	1,138.573	1,71.726	2.9%
• Full containers	781,523	862,787	873,261	1.2%
• Empty containers	220,352	275,786	298,465	8.2%
Storage operations	179,202	175,557	183,811	4.7%
LOGISTICS				
Storage operations	74,632	76,608	88,817	15.9%
VEHICLE TERMINAL				
Vehicles handled	205,603	195,741	256,904	31,2%

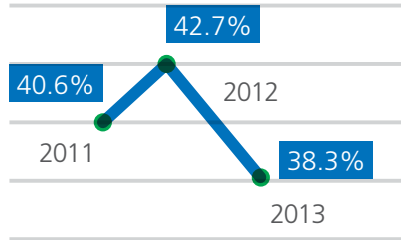
Gross operating revenue (R\$ million)



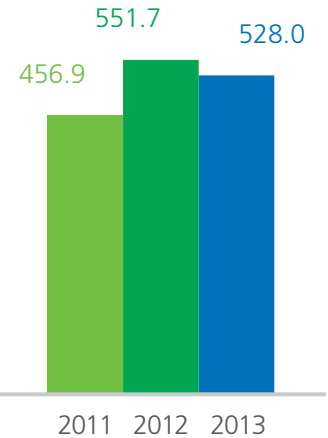
Breakdown of gross revenue



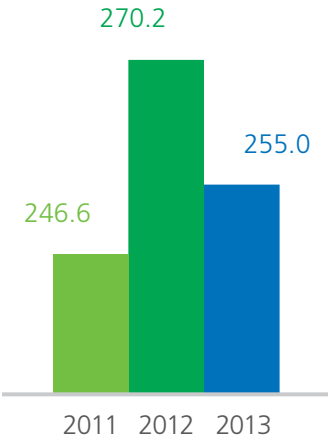
EBITDA Margin



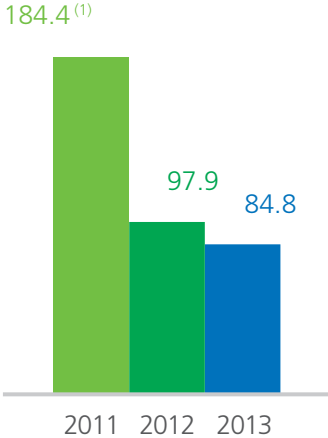
EBITDA (R\$ million)



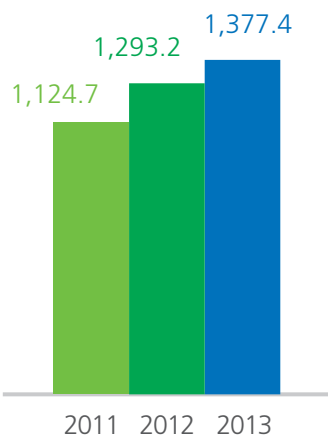
Net earnings (R\$ million)



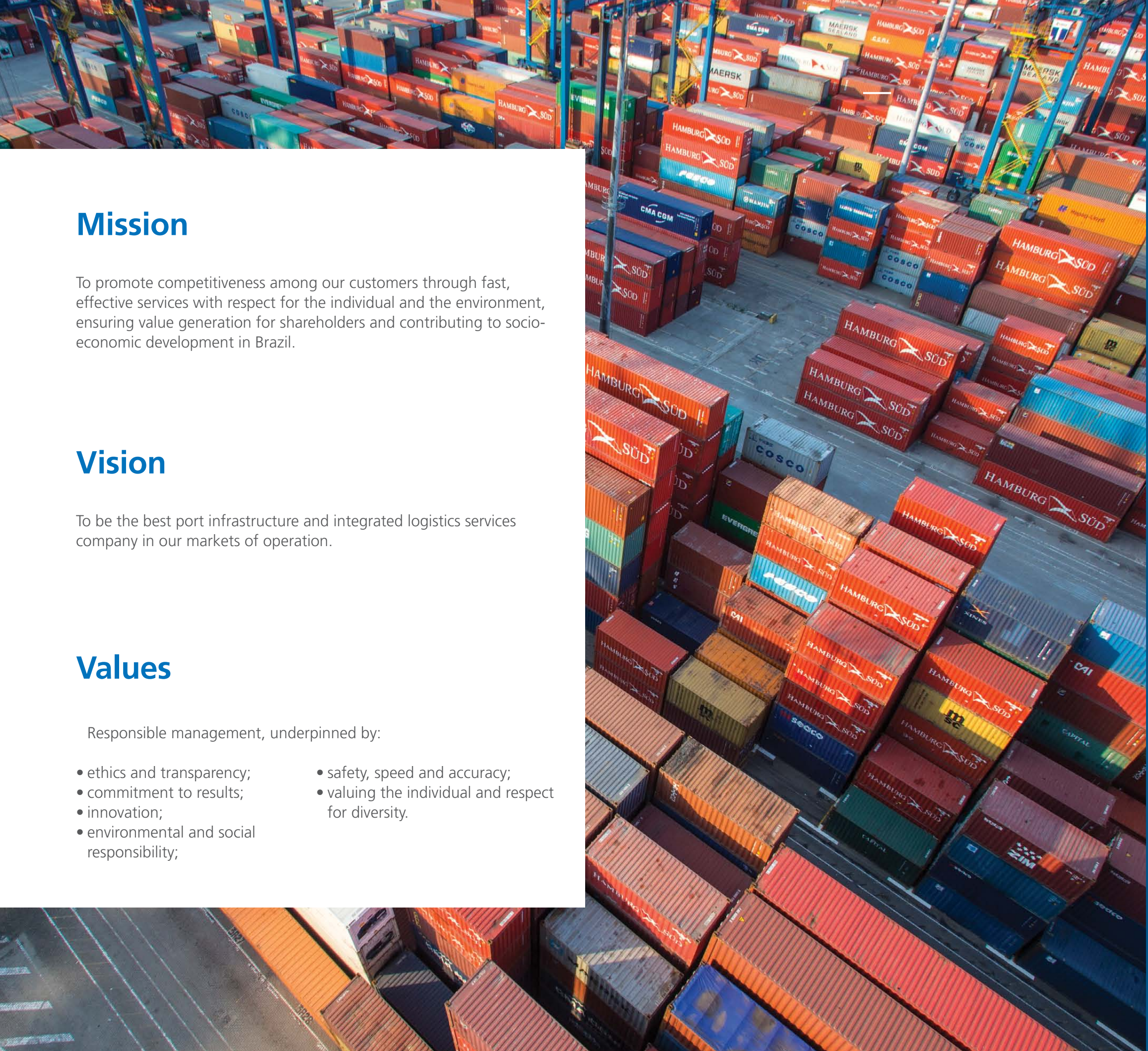
Investments (R\$ million)



Net income from services (R\$ million)



⁽¹⁾ 2012 data were resubmitted. ⁽²⁾ Review of employee numbers for 2011 and 2012.



Mission

To promote competitiveness among our customers through fast, effective services with respect for the individual and the environment, ensuring value generation for shareholders and contributing to socio-economic development in Brazil.

Vision

To be the best port infrastructure and integrated logistics services company in our markets of operation.

Values

Responsible management, underpinned by:

- ethics and transparency;
- commitment to results;
- innovation;
- environmental and social responsibility;
- safety, speed and accuracy;
- valuing the individual and respect for diversity.

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Message from the CEO

Antônio Carlos Sepúlveda, CEO [GRI G4-1](#)

SANTOS BRASIL IS PREPARED FOR NEW CHALLENGES IN THE COMPETITIVE ENVIRONMENT OF THE BRAZILIAN PORT SECTOR.

In 2013, Tecon Santos posted the best volume in its history with more than 1.8 million TEUs handled. It was a challenging year, however, as we were affected by things such as external negative interferences in the operations at the Port of Santos, as well as the difficulties presented by catering to the new 300-meter long ships that have recently come into general use along the Brazilian coast.

Tecon Santos diligently kept its focus on improving its operating capacity throughout the year; and, in August, set a new single-month record of 108,833 containers handled. The first eight months of the year saw steady growth and our volume continued to increase. In September, however, we encountered several challenges, the Tecon Santos quay dredging program and the emergence of two new competitors, which prompted a downturn in growth compared to the first semester of the year.

The strategic approach of offering high-levels of service, coupled with an increase in demand, led to a 16.2% increase in service costs for 2013. Consolidated EBITDA for the year was slightly down, 4.3% less than the previous year. The 2013 gross revenue for Santos Brasil was R\$ 1,600,900, an increase of 8.8% from 2012.

In 2013, we made an incredible amount of progress toward achieving one of our major goals: Preparing the company for a new competitive scenario. Costs, activities, and processes were meticulously reviewed with the goal to offset possible volume and

revenue losses that could arise from this new business environment. We searched for, and implemented, the best available market practices to elevate the company to a new level of efficiency.

Santos Brasil also made sizable advances in its sustainability practices. We signed the UN Global Compact and, as presented in this report, made considerable progress in respect to our current commitments. For the second consecutive year, we present our report according to the Global Reporting Initiative (GRI) guidelines. From now on, we are adopting the GRI G4 standard, which provides greater clarity on the relationship between the company's key socio-environmental issues. Through this process, we have increased our transparency as well as the overall access to information regarding company strategy and results.

Good governance, solid balance, and positive strategic positioning are what led to our corporate credit rating being reclassified by Standard & Poor's (S&P), from "brAA+" to "brAAA" on the Brazilian national scale. Such elevation of our rating serves to support the credibility already achieved by the company in the capitals market.

We go into 2014 focused on increasing the productivity of our operations in the State of São Paulo, as well as increasing our operational volume in other states. Changes in the shipping container ports operating off of South America's east coast have placed our assets in a position of intense competition. We believe that the success of this initiative will raise our profitability, regardless of the stiff competition in the Port of Santos.

The company is prepared for the challenges of this new competitive environment at the Port of Santos, and well-placed to grow in its other markets of operation. Our customers' trust in our capability to deliver consistent long-term operational results will be fundamental for the development of the company in the coming years. That has been our strategy to date. We believe that it will ensure the continuous creation of long-term value for customers, shareholders, and employees.





Santos Brasil GRI G4-9

A leader in port container and vehicle operations, Santos Brasil drives Brazilian international trade development GRI G4-2

Santos Brasil is a Brazilian company which proactively collaborates in the country's development. Founded in 1997 to bid in the leasing auction for the Santos Container Terminal in Guarujá (São Paulo), the company is currently the national leader in port container handling and operates across three business segments in the container chain or in areas synergic to its operations: Port Terminals, Vehicle Terminals, and Port Logistics. GRI G4-3, G4-4, G4-6

The company has five port terminals, three of which handle containers: Tecon Santos in Guarujá (SP), Tecon Imbituba in Imbituba (Santa Catarina State) and Tecon Vila do Conde in Barcarena (Pará State); one vehicle terminal (TEV) in Guarujá, and one general cargo terminal in Imbituba. Santos Brasil Logística units are located in the São Paulo municipalities of Santos, Guarujá, São Bernardo do Campo and state capital city São Paulo. Through such operations the Company provides services of logistics, transport, and distribution integrated into the port terminals with the aim of promoting competitiveness among its customers, meeting their needs from port to door. GRI G4-4, G4-8

Santos Brasil provides services to shipping sector companies (ship and container owners), Brazilian industries involved in a wide range of activities (chemicals; pharmaceuticals; foodstuffs; auto parts, consumer goods, etc) and to the agricultural business sector. The Company operates in the national market, with its main activity based at the Port of Santos, which handles 39% of container cargo in Brazil. GRI G4-8

Tecon Santos

Handling capacity

2 million
twenty-foot equivalent
units of TEU per year

With annual handling capacity of 2 million TEU (twenty-foot equivalent units), Tecon Santos, located in Latin America's biggest port, is the first-established operation of Santos Brasil. The Company won the public leasing process for this operation in 1997, and has invested more than R\$ 2 billion over the years to become a benchmark for modern efficiency. The terminal operates in an area of 596,000m² in Guarujá, on the left bank of the Port of Santos. Thirteen super-cranes operate over 980 meters of quayside, distributed over four calling berths, and full infrastructure to operate the biggest ships in the market - ULCS (Ultra Large Container Ships).

TEV

Equipped to handle up to

300 mil
cars per year

Neighboring Tecon Santos, the Vehicle Terminal (TEV) is one of the biggest vehicle terminals in Brazil and can move up to 300,000 cars every year. Its operations were incorporated by Santos Brasil in a 2009 bidding process. There are 165,000 square meters of retro area, with a Port of Santos public berth of 310 meters and full infrastructure to receive Ro-Ro (roll-on/roll-off) ships.

Tecon Imbituba

Handling capacity

650 mil
twenty-foot equivalent
units of TEU per year

Located on the coast of Santa Catarina state, Tecon Imbituba covers a total area of 207,000m² and is part of one of the key industrial and port centers in Brazil's Southern Region. Tecon Imbituba was acquired by Santos Brasil in 2008, and since then some R\$ 520 million has been invested in expansion, equipment renewal, and acquisition. Handling capacity is 650,000 TEU per annum, with 660 meters of calling berths. Two important advantages are its unrestricted waterway access and its 2.5 million square meters of usable area in the Porto Indústria Imbituba, an industrial and service complex located 6km from the port which provides support to its sustainable development.

Tecon Vila do Conde

Annual handling capacity of

250 mil
twenty-foot equivalent
units of TEU per year

Part of the Vila do Conde Industrial and Port Complex, 96 kilometers from the industrial and commercial center of the Pará state capital Belém, Tecon Vila is located in the municipality of Barcarena on the Amazon River delta. Its proximity to primary international shipping routes enables access to all continents either directly or via the Caribbean region's main hub ports.

In addition, the company has a sizable waterway network for use via coastal shipping lines. The total area covers 103,000 square meters, with 254 meters of berth and an annual handling capacity of 250,000 TEU. In December, advances in operational performance at Vila do Conde were recognized with the title of Port Operator of the Year, awarded by the Pará Port Operator's Union (Sindopar).

Logistics

Total area of distribution centers is

140 mil
square meters

Founded in 2007 after an acquisition, Santos Brasil Logística provides comprehensive, tailor-made services for its customers with full integration of port terminal operations - from storage and management of stock to road transportation and distribution. It has two Distribution Centers (DC), one in São Bernardo do Campo (São Paulo State interior), with 105,000m², and one in the state capital of São Paulo (Bairro do Jaguaré), with an area of 30,000 m². In addition, Santos Brasil Logística runs two Logistics and Industrial Customs Centers (CLIAs), strategically sited on the two banks of the Port of Santos - in Santos itself and in Guarujá – which receive export and import cargo. In 2013, Santos Brasil Logística commenced further operations through a customer in Guaratinguetá, Vale do Paraíba.

Owned, leased or administered zones within protected areas [GRI G4-EN11](#)

	Biome in which inserted	Protected adjacent areas and areas of influence	Leased site within protected area (m2)	Public use zone within protected area (broadside) in meters
Tecon Santos	Atlantic Forest	Estuary/Mangrove	597,324.24	980
TEV	Atlantic Forest	Estuary/Mangrove	165,426.00	310
Tecon Imbituba	Atlantic Forest	Atlantic Ocean	11,821.00	300
Tecon Vila do Conde	Amazônia	Right bank of Pará River	50,000.00	254



Units and biomes

1 Tecon Vila do Conde
BARCARENA, DELTA DO RIO AMAZONAS (PA)

Population: 109,975
HDI: 0.768
Owned quay of 254 meters
Annual capacity 250,000 TEU
■ Amazônia Biome

2 SANTOS BRASIL LOGÍSTICA
São Bernardo do Campo DC

Population: 805,895
HDI: 0.834
Area: 105,000 m²
■ Atlantic Forest Biome

3 SANTOS BRASIL LOGÍSTICA
São Paulo DC

Population: 11,821,873
HDI: 0.849
Area: 30,000 m²

4 SANTOS BRASIL LOGÍSTICA
Santos CLIA

Population: 433,153
HDI: 0.871
Area: 65,000 m²
■ Bioma Mata Atlântica

5 Tecon Santos
GUARUJÁ (SP)

Population: 306,683
HDI: 0.788
596,000 m2 of area
Owned quay of 980 meters
Annual capacity 2 million TEU
■ Atlantic Forest Biome

Vehicle Terminal (TEV)
GUARUJÁ (SP)

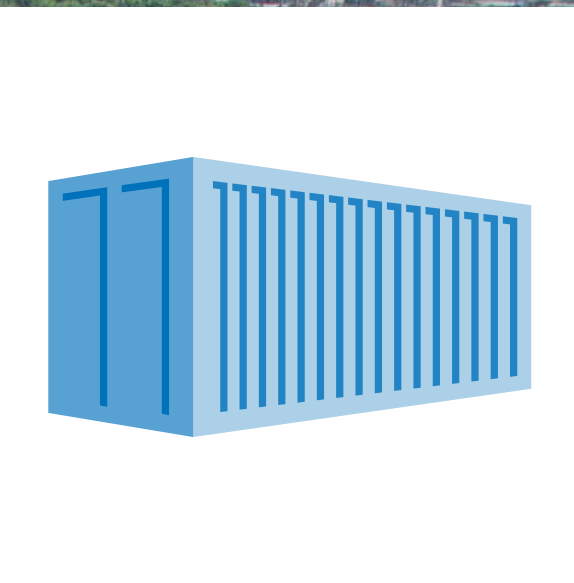
Population: 306,683
HDI: 0.788
165,000 m² of retro-area
Operates 310-metre public berth Capacity for 300,000 cars per year
■ Atlantic Forest Biome

6 SANTOS BRASIL LOGÍSTICA
Guarujá CLIA

Population: 306,683
HDI: 0.788
55,000 m²
■ Atlantic Forest Biome

7 Tecon Imbituba
IMBITUBA (SC)

Population: 42,244
HDI: 0.805
207,000 m² of area
660 meters of owned quay
Capacity of up to 970,000 TEU per year
■ Atlantic Forest Biome



MANAGEMENT

The Company prides itself on objective practices underpinned by simplicity and synergy, ensuring business sustainability, the highest standards of efficiency, and the best integrated port infrastructure and logistic services in the market.





Sustainability management GRI G4-2, G4-DMA

Five key issues for the Sustainability of Santos Brasil guided initiatives in 2013, focused studies, programs, indicators, and goals.

ENERGY IS ONE OF THE MOST RELEVANT THEMES, WITH PRIORITY GIVEN TO THE INCREASED USE OF RENEWABLE SOURCES IN THE POWER GRID AND REDUCTION OF CARBON EMISSIONS.

Since 2012, sustainability strategy and management have been incorporated into the Santos Brasil business model. In that year, the Company Sustainability Policy was drawn up and, in October 2013, the Sustainability department became directly responsible to the Chairman of the Board.

Sustainability management continued to make considerable advances throughout the year, particularly in respect to the five key socio-environmental issues validated during the stakeholders' survey of 2012. These aspects were approved and are considered critical for the Company's long-term success: Qualification and Retention, Health and Safety, Transparency and Anti-corruption Practices, Local Development and Renewable Energy. [GRI G4-19](#)

Environmental, as well as health & safety, targets were defined for all units of the Company; also, a corporate system for managing and reporting indicators was introduced.

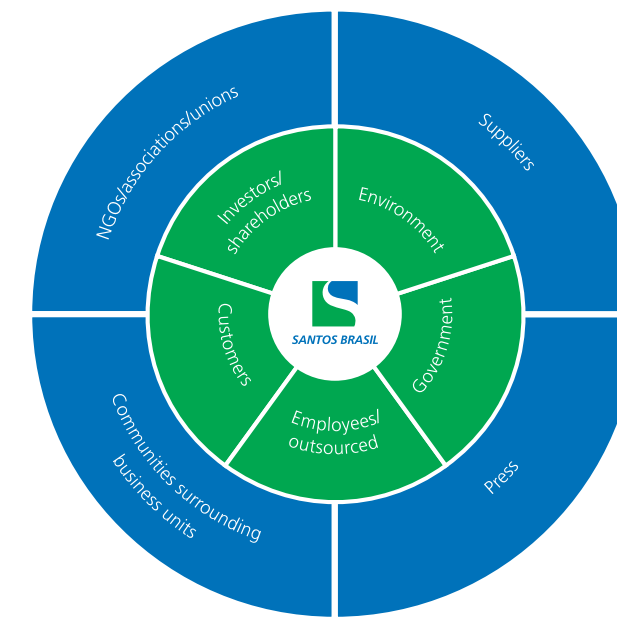
In 2013, Health & Safety actions were prioritized by the Sustainability Committee, including the launch of the Safe Attitude project which promoted a far-reaching review of all safety processes

and guided in-house communication and engagement campaigns, following the strategy of integrating all those who interact with the business, raising awareness among leaders and enabling people with an end to firmly establishing a safe-attitude culture, thereby rendering the Company more profitable. This key issue was also the focus of gatherings held by the Sustainability Academy, whose objective was to align sustainable development concepts and their applicability in the Company.

Thirteen working groups were formed to discuss safety-related themes and processes. The group assigned the task of addressing involvement of the various parties interacting with the Company and its operations also became a forum for review of stakeholders mapping, observing each group in terms of employees, community (residents of areas surrounding operations in Santos, Guarujá, Imbituba, Vila do Conde, São Paulo and São Bernardo do Campo); society (university students); customers (ship-owners, importers, exporters); government/regulatory bodies; NGOs/associations/unions; investors/

Stakeholder map and key issues

STAKEHOLDERS IMPACTED



Employee Qualification and Retention

- Investors and shareholders
- Employees/outsourced contractors

Transparency and Anti-corruption Practices

- Investors and shareholders
- Government
- Surrounding communities
- Environment

Local Development

- Investors and shareholders
- Government
- Surrounding communities
- Environment

Renewable Energy and Raw Material use (emissions)

- Investors and shareholders
- NGOs/associations/agencies
- Government
- Environment

Health & Safety

- Investors and shareholders
- Suppliers
- NGOs/associations/agencies
- Government

shareholders, suppliers and the press. The result of this work will form the basis for engagement actions throughout 2014.

[GRI G4-24, G4-25](#)

In 2013, the Local Development program also made progress in developing relationships with key members of communities, after identifying such groups through surveys. As part of the drive to improve relations with residents living around Santos Brasil operations, a meeting was held with the people of Aldeia Guarujá, situated adjacent to the Vehicle Terminal (TEV). Social diagnoses were conducted in São Paulo (SP), São Bernardo do Campo (SP), Imbituba (SC), and Vila do Conde (PA) to identify the demands of social agents involved in the protection of those regions and plan the social investments for 2014.

Around forty agents from social protection networks were visited, including NGOs, projects undertaken by government

entities and private initiatives for social responsibility, community associations, and also technical advisory teams from regional rights councils. The Aldeia Guarujá community, near the Vehicle Terminal, requested sports infrastructure. The residents believe that such investment should supplement education and the development of young people through sports.

The Company now supports a project in the community which offers jiu-jitsu classes for children. In 2013, this partnership was strengthened, with the objective to further enhance the relationship in 2014 by providing more activities to meet the growing demand during school holiday periods. Santos Brasil also intends to hold more meetings in order to improve the relationship with community members and leaders in the areas surrounding its various units.

[GRI G4-26, G4-27](#)

In the first semester of 2013, Santos Brasil also acted in Bairro do Jaguaré, São Paulo, joining a work group which was formed eight years ago and is comprised of different social and public agents from the region. During that period, it was possible to discuss and treat some of the demands placed on vulnerable neighborhoods, collaborating on interventions and preventive actions to tackle problems.

[GRI G4-26](#)

In regards to the key issue of Energy, the decision was to focus on renewable energy sources, and the strategy applied involves defining the energy matrix, its efficient use and impact on carbon (CO2) emissions. [GRI G4-23](#)



Strategy and management

The scenario in the port sector, which in 2013 came under a new regulatory framework and increased competitiveness, led Santos Brasil to define an operational strategy geared toward enhancing its competitive edge and perfecting internal practices.

Costs and processes were meticulously reviewed to compensate for possible losses in volume arising from the new business environment.

With this in mind, the Mais Santos Brasil (More Santos Brasil) Program was launched, which identified four priority fronts, conducted in partnership with specialized consultants:

MORE MAXIMUM EFFICIENCY PROJECT

The work front focuses on three essential processes: quay operation, customs storage (Tecon Santos) and road transportation (Logística). 2013 saw four months of planning and review of all stages of each of these processes. Through Maximum Efficiency, the Company seeks to improve output, reduce costs and overhaul its organizational framework. Santos Brasil systemizes its processes, promoting standardized follow-up of actions to facilitate management of targets and action plans. With optimization and continuous improvement of processes, the aim is to achieve financial return of R\$12.9 million by June 2014.

MORE RESOURCE MANAGEMENT PROJECT (ABC)

The Activity Based Costing (ABC) system is a method for mapping and refining business process activities, more accurately calculating final product and service costs. In practice, ABC enables a better understanding of costs involved in each operation, providing for more precise strategic decisions and identifying actual costs of services. In using this system, Santos Brasil is able to provide more profitable, efficient services, primarily in terms of resource allocation,

with clearer performance indicators. The idea is to create a management database to support both process redesign and data/information use in other continuous improvement programs.

MORE COST CONTROL PROJECT (ZBB)

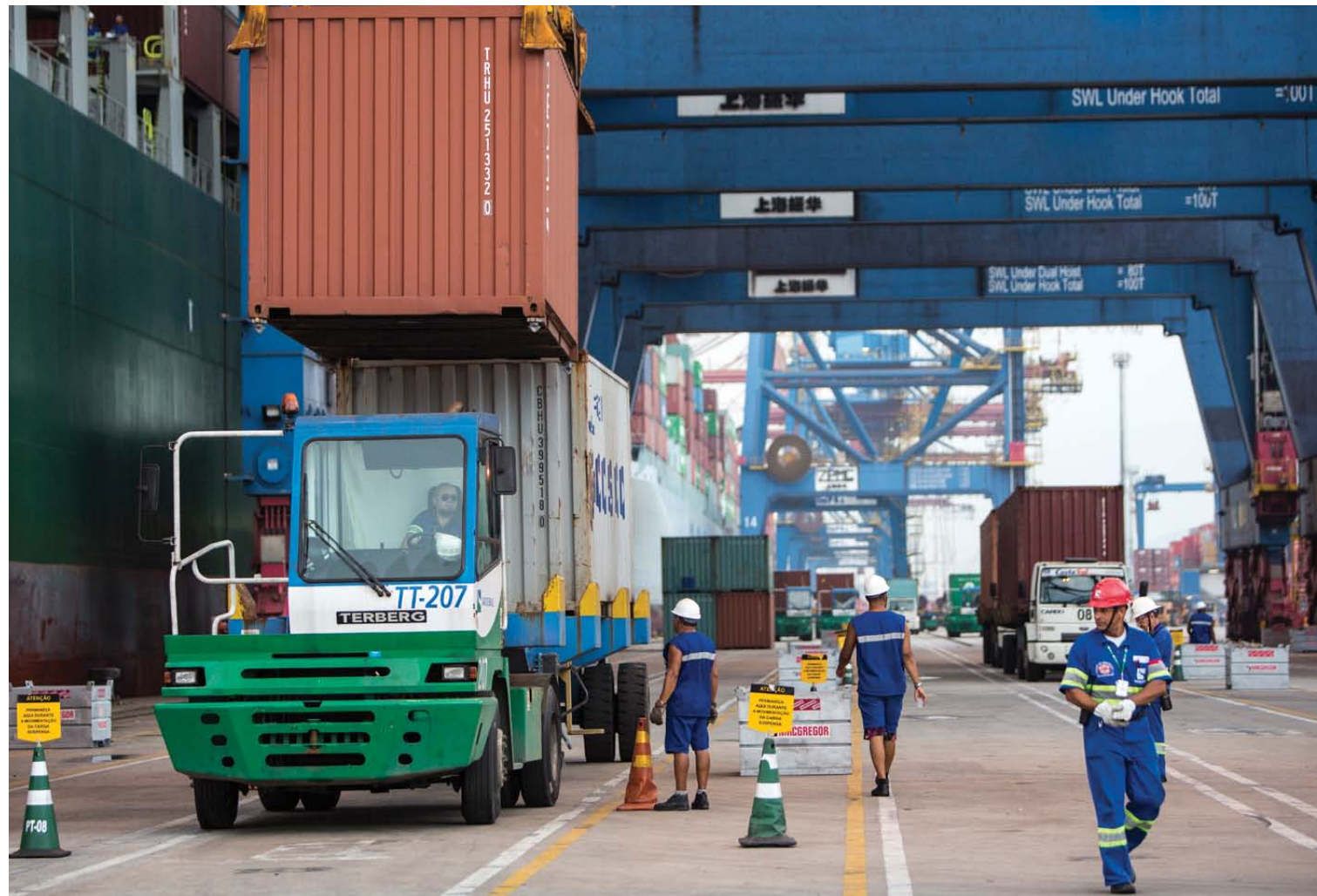
Zero-Based Budgeting (ZBB) is an advanced budget planning tool aimed at reducing costs and eliminating waste. Each expense is treated as a new cost initiative, and budget requirements must be approved each year, competing with other priorities and projects. The process commences each year from zero, hence the name Zero-Based Budgeting. Having aspects in common, ABC and ZBB were applied jointly. With the benefit of such tools, the Company is able to classify activities, rethink resources, and devise decision-making packages on the basis of very detailed information. This new line of operation provides each employee with a heightened sense of responsibility for their budgets and duties, prioritizes planning in relation to cost. This enables Santos Brasil to identify processes that can be reduced or even eliminated, as well as monitor performance goals and generate data to indicate resource requirements.

SAFER ATTITUDE PROJECT

This project promotes improvement in safety levels. It's not just about the image - which adds value to the brand and increases profitability - but a transformation in corporate culture that enhances employee abilities and qualities. The project engages a greater number of employees in workplace safety training, frequent behavioral dialogues, and investments in improving the safety management process.

HR & MANAGEMENT

To coordinate implementation of the More Mais Santos Brasil Programme, and with the aim of positively influencing the Company management model based on best market practices, the HR Department has widened its scope to create the Management section. During 2013, the HR and Management Department acted as a facilitator on the various work fronts and at the end of the year became directly linked to the Board.



Risk management [GRI G4-2](#)

Based on the identification, analysis, evaluation, treatment, and continuous monitoring of internal procedures and controls, the risk management policy is the responsibility of a multidisciplinary group which acts preventively, taking into account any risks or situations of non-compliance procedures. The group devises actions to mitigate risks and reduce the incidence of factors which may interfere in the operational, environmental, and economic-financial performance of the Company. In 2013, safety-related procedures were fully revised and enhanced as part of the Safe Attitude initiative. Over the course of the year, a Crisis Manual was produced and, in early 2014, published for a training seminar of Company management. [GRI G4-14](#)

A MULTIDISCIPLINARY GROUP ACTS PREVENTIVELY IN THE CONTINUOUS MONITORING OF OPERATIONAL, ENVIRONMENTAL, FINANCIAL, AND REGULATORY RISKS.

OPERATIONAL
Santos Brasil invests in training its specialized workforce in the operation and maintenance of equipment in order to maintain a talent bank to meet future needs in the event of increased demand arising from business expansion or loss of professionals to competitors, thereby controlling the risk of continuity issues in its operations. Equipment is serviced in a preventive manner, with action plans to optimize resources and maintain operation in the event of non-standard incidents.

The Company also hires outsourced risk-management companies — one for the terminals and the other for Santos Brasil Logística — where the entire fleet, including outsourced contractor vehicles, is tracked by an online system used as much for business logistics as for security. Cameras are added to monitor the risk of break-ins and accidents at the terminals and distribution centers, and investments in technology updates and modernization are ongoing.

The Company analyses the most up-to-date, global solutions used in its segment and prioritizes IT systems compatible with software used by customers and suppliers. There is also a back-up infrastructure with network redundancy and a database capable of ensuring the integrity of electronic data in operations, minimizing risk of loss.

ENVIRONMENTAL
Santos Brasil complies fully with all legal requirements applicable to its business and pre-empts environmental stipulations by defining targets for various indicators at levels which go beyond the criteria of regulatory agencies. Environmental performance at the Company is recognized by the ISO 14001 certification, granted to its main unit Tecon Santos, and also to the Vehicle Terminal. In meeting the requirements of this certification, the Company contributes to environmental risk prevention and management.



The primary concerns that have an impact the environment are greenhouse-gas emissions, leakage of hazardous substances transported or stored in containers, inflammable substances stored in fuel tanks, pollution by liquid waste en route to chemical treatment and sanitary disposal, and solid waste.

Since 2011, Santos Brasil has been a part of the Companies for Climate (EPC) Platform and Innovation and Sustainability in the Value Chain (ISCV) of the Getúlio Vargas Foundation - taking an active part in meetings, discussions and business initiatives – and the Brazilian GHG Protocol Programme, which compiles an annual report on greenhouse gas (GG) emissions and runs projects to reduce such emissions. Based on the data presented in the Tecon Santos and Logística GG Emissions Inventory, the Company's goal is to evaluate impacts on the regional climate by means of comparison with CO2 emission and capture rates (State of São

Paulo and Baixada Santista), in addition to conducting studies on rising sea levels off the Brazilian coast. [GRI G4-EC2](#)

In the drive to manage risks in chemical product operations, Santos Brasil annually renews its certification from the Safety, Health, Environment and Quality Evaluation System (SASSMAQ), making it the first packaged cargo transporter to be a signatory of the Abiquim (Brazilian Chemical Industry Association) Responsible Operation program.

Tecon Santos keeps a mobile unit with response materials and equipment to reduce potential effects on the environment in the event of chemical product and oil leakage from terminal or vessel machinery. The terminal also has two liquid waste treatment stations — one for sanitary effluents and the other for chemical waste from machinery and maintenance equipment — capable of ensuring the safe disposal of effluents treated in a hydric receptor tank. Other

units use interconnected systems connected to either the public network or a septic tank.

Where solid waste is concerned, in addition to minimizing volume through source reduction, considerable efforts are made to reuse and recycle materials, supported by a system involving collection, segregation, classification, and transportation to treatment facilities for final disposal.

FINANCIAL

In order to evaluate the financial results and their impact on cash flow and establish insurance policy limits, the financial risks are monitored and managed by different administrative bodies; the Bylaws ensure alignment between the Board of Directors and the Statutory Board when making decisions on loans, investments, and guarantees by submitting them for approval at the highest governance level.

The administration of operations with financial instruments utilizes internal operational strategies and controls to ensure liquidity, profitability, and security. In addition, contracting is carried out based on regular analysis of the risk to be covered (exchange- rate, interest rates, etc), following prior approval by the Board of Directors. Contracted conditions are constantly monitored against current market conditions, and derivative financial instruments are used to protect against interest rate and

exchange-rate fluctuation risks, primarily in regards to short-term amortizations (up to 12 months) of the debt in foreign currency. Estimated realization values of Santos Brasil assets and liabilities and their subsidiaries were determined using information available in the market and appropriate evaluation methodologies, with no speculative investment in derivatives or other risk assets.

In October of 2013, reflecting a competitive, consolidated business position, Standard & Poor's Rating Services (S&P) upgraded its Brazilian National Scale corporate credit rating for Santos Brasil Participações S.A. from brAA+ to brAAA, classifying the rating outlook as stable.

REGULATORY

The Company minimizes regulatory risks by ensuring efficient operations and complying with its concession contracts. Good relationships are also maintained with government bodies, through active participation in discussions with the federal government and its autarchies in defense of stability of port sector concession rules. In 2013, Santos Brasil disclosed to the market that it submitted a request for an extension of the Tecon Santos concessionary period – based on Article 57, paragraph 1 of Law 12.815/13 – with an investment plan for modernization of facilities at the terminal.

Corporate governance

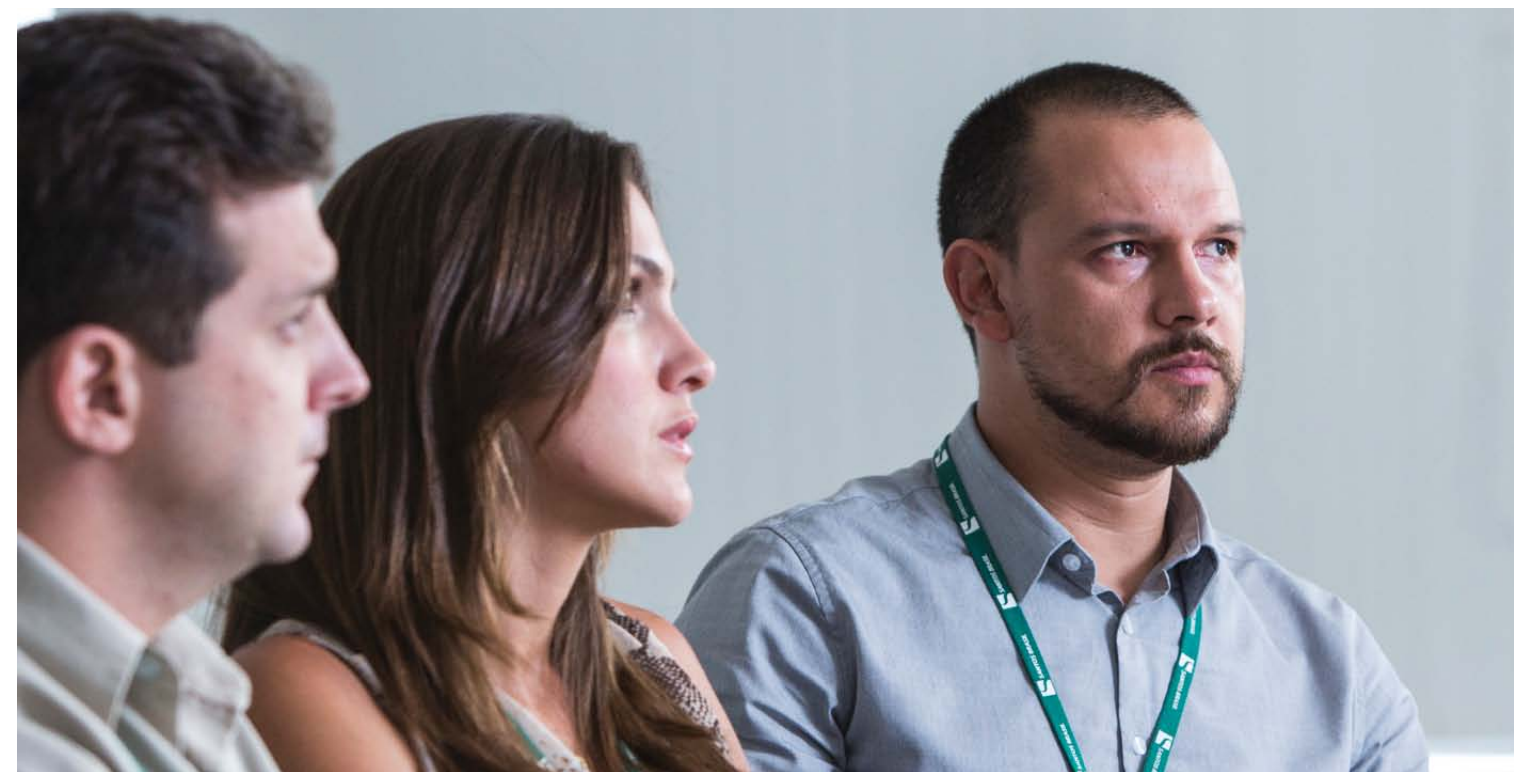
Subject to the requirements of the São Paulo Stock Exchange (Bovespa) Level 2 Best Corporate Governance Practices since its Initial Public Offer on the 13th of October 2006, the Company is committed to seek the continuous improvement of its corporate governance practices and its relationships with shareholders, customers, suppliers, public bodies, and employees, among others involved in its business.

Adopting the criteria for transparency and security in the disclosure of information as laid down by the Brazilian Securities Commission (CVM), Santos Brasil, in 2007, established rules for the disclosure and the maintenance of secrecy for relevant information. In addition, any transactions involving companies linked to shareholders and related parties are submitted for approval by the Board of Directors.

The Company complies with all regulations on publicly-traded companies within the segment. As part of the commitment to best practices, 100% tag-along rights is assured for preferred shares in the event of sale and/or change of control, obliging the acquirer to make a public share acquisition offer under identical conditions to all shareholders.

This modal is organized to enable investors and shareholders to oversee Company management and performance, the governance structure includes the Board of Directors, the Statutory Board, and Fiscal Council, with no committees operating.

[GRI G4-34](#)



BOARD OF DIRECTORS

The Company's highest governance level, the current Board of Directors is made up of nine permanent members, three of which are independent and the remainder recommended by controlling shareholders, and six alternates. Among permanent members, elected during Ordinary General Meetings (AGM) for two-year terms - with the possibility of re-election - seven are men and two are women; two (22.2%) are over 70 years of age, one (11.1%) is between 60 and 70, three (33.3%) are aged between 50 and 60, and three (33.3%) are under 50 years old. In line with the powers and responsibilities established by legislation and the Company Bylaws, the Board may consist of up to ten members of which a minimum of three are required to be independent, who must have recognized professional experience and proven technical and academic know how, and may not be Company executives.

[GRI G4-38, G4-40, G4-LA12](#)

The Board of Directors meets every two months but may hold extra meetings where necessary. Board duties include analysis of management reports, providing information on operational, environmental, social, and financial performance. The Board also approves the annual budget and investment plan, guides and oversees senior management, supervises conduct of business, defines strategies, and monitors their execution.

[GRI G4-35, G4-47](#)

To ensure that conflicts of interest are avoided, or properly managed, the Company Bylaws prohibit election of

Board members who are controlling shareholders, hold positions in competitor companies or have interests conflicting with those of the Company, except where expressly approved by a General Meeting. In addition, Board members in conflict-of-interest situations are prohibited from voting in meetings. [GRI G4-41](#)

STATUTORY BOARD

The Statutory Board is made up of four directors elected by the Board of Directors for a two-year term, with subsequent reelection allowed. This group is responsible for the day-to-day administration of business in line with the strategies and guidelines established by the Board of Directors. Comprising of a Chief Executive Officer, a Chief Economic-Financial and Investor Relations Officer, an Operations Director, and Commercial Director, the Statutory Board has the duty of formally approving the Company's Sustainability Report and ensuring that all relevant aspects are addressed. [GRI G4-48](#)

FISCAL COUNCIL

The Fiscal Council is comprised of four permanent members and four alternates, one of each elected by preferred shareholders. It is a permanent council, which acts independently of the Board of Directors and external auditors, and is responsible for overseeing board member actions and compliance with their legal and statutory obligations; ensuring the quality and integrity of financial reports and information produced periodically by the Company, as well as examining and providing opinion on accounting statements for the relevant periods.

INDEPENDENT AUDITOR

Accounting statements for the 2013 fiscal year were audited by Deloitte Touche Tohmatsu Auditores Independentes for the second consecutive year. In compliance with the Brazilian Securities Commission (CVM) injunction, Santos Brasil alternates between independent auditors once every five years.

INVESTOR RELATIONS

The Investor Relations Department ensures that information disclosed complies with relevant standards and is secure and comprehensive. All disclosure material, and that published on the website, is presented in Portuguese and English. In 2013, the Investor Ombudsman channel was created in line with CVM (Brazilian Securities Commission) requirements. The following channels are also maintained to enable communication with investors: Teleconferences and publication of press releases for every quarterly income disclosure; assistance by telephone, e-mail, and meetings at the head office; presentations at public events in Brazil and events promoted by financial institutions in the domestic and international markets; tailor-made visits to business units; annual public meetings; and, a specific, up-to-date website. [GRI G4-26, G4-57](#)



Ethical behavior [GRI G4-56, G4-20, G4-21](#)

Transparency and anti-corruption practices are one of the five key themes among the values of Santos Brasil. To this end, the Company continuously refines its value generation system aligned to this practice. In 2013, Santos Brasil promoted and took part in meetings and forums to discuss the Transparency and Anti-corruption Practices theme as well as plan actions to improve its management in this key issue in 2014, through the diagnosis of units in terms of corruption risks and the development of policies and procedures on the topic [GRI G4-SO3, G4-SO4](#)

Launched in 2012, the Code of Conduct outlines corporate policy and addresses the issue of corruption. All employees sign the document and receive a copy with personnel regulations, along with training in specific operational instructions for each area.

The Code addresses human rights issues and sets the tone for ethical behavior among all employees, and the integration process is standardized across the different units and operations in order to ensure the alignment of corporate culture. The direct approach to human rights is a 30-minute unit covered during integration training, and in 2014 managers will receive training on the Anti-corruption Law.

Although there is still no direct channel for complaints about behavior that is at odds with the document – issues are referred through the organizational hierarchy. The main indicator is the number of complaints and incidents recorded per year. In 2013, there were no complaints of corruption. [GRI G4-57, G4-58, G4-HR2, G4-SO5](#)

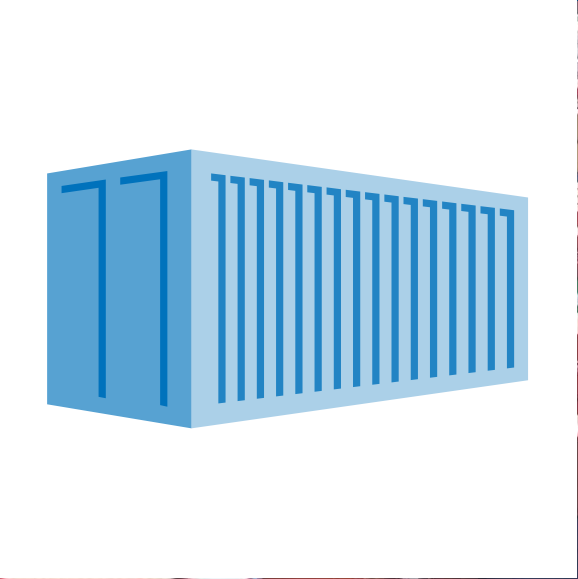
The Vision, Mission, and Values, which highlight ethical behavior practices, underpin all Company actions, and their texts were updated at the end of 2013 and presented to internal leaders. These concepts will be reinforced in 2014.

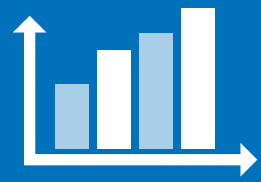
THE CODE OF CONDUCT ADDRESSES ETHICAL BEHAVIOR AND HUMAN RIGHTS, WHILE EMPHASIZING THE KEY ISSUE OF TRANSPARÊNCIA AND ANTI-CORRUPTION PRACTICES.



FINANCIAL CAPITAL

Operational and financial indicators demonstrate Santos Brasil's efficiency and strength in maintaining sustainable results while creating value for shareholders.





Financial capital

THE NEW REGULATORY SCENARIO CREATES OPPORTUNITIES FOR THE COMPANY, SUCH AS INVESTMENTS IN OTHER CONTAINER TERMINALS OUTSIDE OF PUBLIC PORTS.

Sector analysis

The highlight in the port sector in 2013 was the new regulatory framework defined by Law 12.815, enacted in June 2013 in amendment to Law 8.630/93. This new legislation promises to modernize the sector, freeing up investments and establishing rules for operation, administration, and competition. It also defines equality of competition and provides access to a line of credit from the National Economic and Social Development Bank (BNDES) for port developments.

Following enactment of the law, the National Waterway Transport Agency (Antaq) issued two resolutions to regulate new concessions and ensure economic-financial recovery of concession contracts. However, the majority of the provisions depend upon other regulations which, at the time of publication of this report, are still in progress.

The new regulatory scenario does, nevertheless, create two opportunities for the Company. In addition to allowing concession contracts with an unexecuted extension clause to have their extension brought forward by means of investments, the distinction between the burden of own and third-party debt has been removed, making it possible for the Company to invest in container terminals outside of public ports.

In 2013, the Port of Santos, home to the most important Santos Brasil operation, opened two new container terminals. Since the port usage rate had already been close to its limit, such additional capacity represents not only competition for the current volume operated, but also attracts a demand repressed until that time, as with transshipment cargoes. According to reports from the São Paulo State Docks Company (Codesp), the number of TEUs operated in all its terminals grew by 8.8%.

Vehicle exports and imports once again increased with the end of the economic measures adopted in 2012, primarily in respect to the trade flow with Argentina and Mexico, which saw vehicle trade at the Port of Santos rise by 11.5% in 2013.

According to the Ministry for Development, Industry and International Trade (MDIC), the trade chain – which represents total imports and exports for 2013 - was 3.4% up in 2012, closing out the year at US\$ 481.8 billion. This represents the second highest annual result in Brazil's history, arising from growth in imports, which had a positive impact on performance in the port sector. In addition, increased consumption and income coupled with the logistical advantages of the container as a means of transportation, including for agricultural commodities, provided impetus to the flow of container cargoes.



Operational performance

For the third consecutive year, in 2013, Santos Brasil exceeded the mark of one million containers handled, and closed out the year with a 2.9% growth in its quay operations. The increase in transshipment cargo operated by Tecon Santos and increased competition at the Port of Santos in the second semester of 2013 brought about an increase of 4.7% from 2012 in the volume of containers stored at the port terminals. The full-empty container mix for 2013 was slightly down from the previous year, with 74.5% of containers full (75.8% in 2012).

Operational Indicators

Port terminals	2012	2013	Var. %
Quay operations	1.138,573	1.171,726	2.9%
Full containers	862,787	873,261	1.2%
Empty containers	275,786	298,465	8.2%
Storage operations	175,557	183,811	4.7%
Logistics			
Storage operations	76,608	88,817	15.9%
Vehicle terminal			
Vehicles handled	195,741	256,904	31.2%

THE MILESTONE OF MORE THAN ONE MILLION CONTAINERS HANDLED IN A 12-MONTH PERIOD IS EXCEEDED FOR THE THIRD CONSECUTIVE YEAR.



CONTAINER TERMINALS

The first semester of 2013 was marked by a number of external interferences which put the Santos Brasil team’s reaction capability and expertise to the test, starting with land access routes to the Port of Santos, which are regularly congested by distribution of the grain crop. With a view to mitigating such disturbances, the Company – through the Guarujá Commercial Association - led the group of terminals on the Port’s left bank in access planning and maintenance in conjunction with all participant agencies and government institutions involved. A crisis cabinet was set up and meets weekly to deal with such matters in the first semester of the year.

Commencement of operations at the two new Port of Santos private container terminals was postponed, and to this end Tecon Santos made all efforts to meet demand, operating at maximum capacity to maintain customer and port-user satisfaction levels.

In the first half of the year, the terminal achieved 52% market share at the Port of Santos, with approximately 52% of all container handling, and was up to 60% of the market share by the second semester. During this period, two important operational records were also broken. In August, the Brazilian port sector reached the historic milestone of 100,000 containers handled in less than one month, with a total of 105,000 containers, exceeding August 2012 by 20%.

In December, the operation broke the national record for containers handled on a single ship, with 8,527,000 TEU moved

in 57 hours, with an average productivity of 97 MPH (movements per hour).

Coastal Shipping

Growth in coastal shipping and transshipment was another highlight of 2013 at all terminals. In Santos, these cargoes began to arrive in the second semester, and transshipment volume grew by more than 50% in the final four months of the year compared with the same period in 2012.

A new coastal shipping service was negotiated in Imbituba, and scheduled to commence operations at the terminal in early 2014.

At the end of 2013, new regular routes for the transportation of containers by barge came into operation at the Tecon Vila do Conde terminal, with final destinations of Belém (PA) and Macapá (AP). Before then, regular operations served only the city of Altamira (western Pará, on the banks of the Xingu River). These new routes consolidated barge container transportation at the terminal, a logistical solution rolled out by the company in 2012 in an unprecedented move, following the example of operations in Europe and the United States. In addition to providing a safer solution, river transshipment lends flexibility and offers lower costs to customers through a sustainable transportation option in difficult-to-access locations.

Resumed Business

Tracing a slow but consistent curve, operational performance at Vila do Conde in 2013 equaled handling levels recorded in 2008, prior to the international economic crisis. The

terminal saw an increase of between three and four per cent in both export and import cargoes as well as those for coastal shipping.

In addition to the traditional cargoes of timber, peppers, fish, and fruits exported to Europe and the United States as well as distributed from Pará to the rest of Brazil, with consumer cargo received such as rice, 2013 was noteworthy due to growth in project cargo, which consists of heavy equipment for hydroelectric, steelmaking, and mining projects for customers, such as multinational minerals giant Vale. A highlight among the coastal shipping cargoes were aluminum ingots – cast-metal bars for industrial use, a product which moves around 400 containers per month.

Management

In 2013, the Tecon Santos planning department played a key role in ensuring that information required by all business managers was available at the right time and with pinpoint accuracy to aid the decision-making process. Some of the improvements in the Tecon Santos in-house services are a result of the new infrastructure department, created to intelligently concentrate all maintenance and enhance the quality of canteen, transportation, and cleaning services, with the additional service and a booking center.

A maintenance project for equipment management was also initiated during the year and will administer aspects from identification of technology required to achieve company goals through operations and maintenance. Aimed at providing efficiency gains and reducing costs and losses, initial department



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EXPANSION OF PORT-TO-PORT SERVICES ATTRACTS NEW CONTRACTS AND CUSTOMERS TO SANTOS BRASIL LOGÍSTICA, WHICH HAS DEVELOPED AN UNPRECEDENTED, CUSTOMIZED INTEGRATED MANAGEMENT SYSTEM.

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Management

In 2013, the Tecon Santos planning department played a key role in ensuring

Financial Performance GRI G4-EC1

REVENUE

2013 gross revenue for Santos Brasil amounted to R\$ 1,600,900, some 8.8% up on 2012. In the Port Terminals segment, gross revenue exceeds the increase in handling volume, primarily in quay operation services. Such performance is a result of partial reversal of a provision made by the Company in respect of the segregation, delivery and billing process for Retroport Customs Terminals (TRAs), which provided revenue of R\$ 70.5 million. Excluding this aspect, quay-operation gross revenue rose by 6.7% against 2012, on excess of the volume variation presented. Revenue from storage operations in the Port Terminal segment increased by 0.8% in the period, short of the variation for stored container volume - a difference explained by shorter average storage time, which was reduced from 15.6 days in 2012 to 14.3 in 2013.

In the Logistics segment, gross revenue grew by 14.5%, slightly short of the recorded variation in the number of containers stored. The Vehicle Terminal (TEV) recorded a 14.8% revenue drop in 2013, different from the variation observed in the number of vehicles handled, and is explained by a shorter recorded storage time: 9.5 days in 2013 compared to 12.6 days in 2012.

Consolidated net revenue totaled R\$ 1,377,400 in 2013 – a 6.5% increase from the R\$ 1.293,200 posted in 2012.

CONSOLIDATED NET REVENUE TOTALED R\$ 1,377,400 IN 2013, UP 6.5% FROM THE PREVIOUS YEAR.

Gross Revenue (R\$ million)

Description	2012	2013	Var. %
Port Terminals	1,128.7	1,246.9	10.5%
Quay Operations	653.3	767.7	17.5%
Storage Operations	475.4	479.2	0.8%
Logistics	251.8	288.3	14.5%
Vehicle Terminal	91.3	77.8	-14.8%
Eliminations	-0.1	-12.1	-
Consolidated	1,471.7	1,600.9	8.8%

COSTS AND EXPENSES

Continued high operational demand at Tecon Santos until the third quarter, different from the forecast considering the arrival of competitors, led to a 16.2% increase in consolidated service costs in 2013, which closed out the year at R\$ 802.5 million.

In the Port Terminal segment, handling costs (temporary labor, canal-private use terminal (TUP) fee and other variable costs) rose by 12.9% against 2012, primarily due to a readjustment in temporary labor payments, inflation in the period, increased container handling in quay operations and increased charter costs to provide a container removal service for importing customers disembarking at the other Port of Santos terminal. Personnel costs rose by 13.2% due to increased workforce numbers and salary readjustment negotiated in union agreements. The 7.7% rise in leasing and infrastructure costs is basically a result of inflation for the period, measured by the General Market Price Index (IGP-M).

Owing to the market situation, other costs rose by 42.2% in 2013, most notably the R\$ 8 million increase in maintenance costs; R\$ 5.7 million in general services; R\$ 2.5 million on operational machine and equipment hire and R\$ 3.9 million on insurance and damages.

At Santos Brasil Logística, fuel and freight costs in 2013 went up by 30.2%, when compared with 2012, largely due to increases in the provision of transport and distribution services and rising freights

costs for import services that disembarked at the other Port of Santos terminal. Personnel costs were up by 18.7% as a result of increases in staff (Distribution Center and road transportation) and rising salaries. Depreciation and amortization gave rise to a 50% rise in costs as a result of investments in new equipment acquired to meet growing demand, while other costs were up by 30.6%, primarily due to operational maintenance spending.

The Vehicle Terminal (TEV) also saw a 24.5% upturn in costs in 2013, chiefly

driven by variable costs resulting from the expansive growth of 31.2% in the number of vehicles handled.

Cost of services provided (R\$ million)

Description	2012	2013	Var. %
Port terminals			
Handling costs	145.6	164.4	12.9%
Personnel costs	160.8	182.1	13.2%
Leasing and infrastructure	54.5	58.7	7.7%
Depreciation and amortization	92.8	97.9	5.5%
Other costs	63.1	89.7	42.2%
Total	516.8	592.8	14.7%
Logistics			
Fuel and charters	50.3	65.5	30.2%
Personnel costs	52.9	62.8	18.7%
Depreciation and amortization	7.8	11.7	50.0%
Other costs	33.7	44.0	30.6%
Total	144.7	184.0	27,2%
Vehicle terminal			
Handling costs	13.5	18.7	38,5%
Leasing and infrastructure	3.7	4.0	8.1%
Depreciation and amortization	9.1	9.0	-1.1%
Other costs	3.1	4.9	58.1%
Total	29.4	36.6	24.5%
Eliminations	0.0	-10.9	-
Consolidated	690.9	802.5	16.2%



In the Port Terminal segment, increased competition in Santos, coupled with the reallocation of part of the sales team during the first quarter of 2013, played a factor in increasing sales expenses. The reduction in overheads reflects the beginning of a concentrated effort to achieve a more efficient system of management of resources.

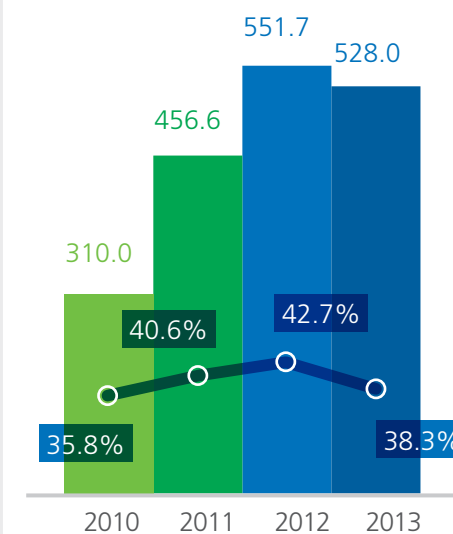
In Logística, despite the growth in operations, it was possible to maintain operating expenses at similar levels as those of 2012. The increase in sales expenses, due to intensified commercial efforts and increased operating volume, was offset by efficient management of general and administrative expenses during the period. The total expenditure by the Corporate segment remained stable with respect to 2012.

Operational expenses (R\$ million)

Description	2012	2013	Var. %
Port terminals			
Sales	27.3	32.7	19.8%
General, administrative and other expenses	43.0	41.9	-2.6%
Depreciation and amortization	0.7	0.6	-14.3%
Total	71.0	75.2	5.9%
Logistics			
Sales	11.7	15.5	32.5%
General, administrative and other expenses	15.3	11.8	-22.9%
Depreciation and amortization	0.3	0.3	0.0%
Total	27.3	27.6	1.1%
Vehicle terminal			
Sales	0.3	0.4	33.3%
General, administrative and other expenses	0.2	0.5	150.0%
Depreciation and amortization	0.0	0.0	-
Total	0.5	0.9	80.0%
Corporate			
General and administrative expenses	62.4	62.5	0.2%
Depreciation and amortization	16.2	16.2	0.0%
Total	78.6	78.7	0.1%
Consolidated	177.4	182.4	2.8%

EBITDA AND EBITDA MARGIN

(in R\$ million / %)



EBITDA

Consolidated EBITDA for 2013 saw a reduction of 4.3% from the previous year. It is worth remembering that revenue generated by the partial reversal of the provision regarding the separating, delivering, and billing process for TRAs generated approximately R\$ 53.1 million in EBITDA. Immediate delivery operation costs were accounted for in the months in which they actually occurred. If the result of reversal is removed from the equation, consolidated EBITDA was at R\$ 474.9 million in 2013, with a margin of 34.5%. The drop of 4.4 percentage points in the EBITDA margin is due to increased transshipment operations, shorter dwelling time (period in which a system remains at a certain status) for customs storage operations at port terminals, costs generated by the landing of containers whose original destination had been Tecon Santos at other port terminals, and the strong comparative base seen at port terminals in 2012.

EBITDA reported that the port terminal segment remained practically stable, although there was a 3.5 p.p. reduction in the margin due to an increase in transshipment volume handled by port operations as well as a shorter average storage time for containers in port operations. Santos Brasil Logística EBITDA was influenced by the cost of removing containers from other terminals, and saw a drop of 9%, with a margin of 9%.

Even with considerable growth in its operational volume, Vehicle Terminal EBITDA saw a downturn of 33.4% in 2013, a result influenced by a lower yard stay-over time for vehicles during the year.

EBITDA and EBITDA margin (R\$ million)

Description	2012	Margin	2013	Margin	Variation	Var. of margin
Port Terminals	504.4	50.5%	504.9	47.0%	0.1%	-3.5 p.p.
Logistics	51.3	23.9%	46.7	19.0%	-9.0%	-4.9 p.p.
Vehicle Terminal	58.4	73.6%	38.9	57.7%	-33.4%	-15.9 p.p.
Corporate	-62.4	-	-62.5	-	0.2%	-
Consolidated	551.7	42.7%	528.0	38.3%	-4.3%	-4.4 p.p.

NET EARNINGS

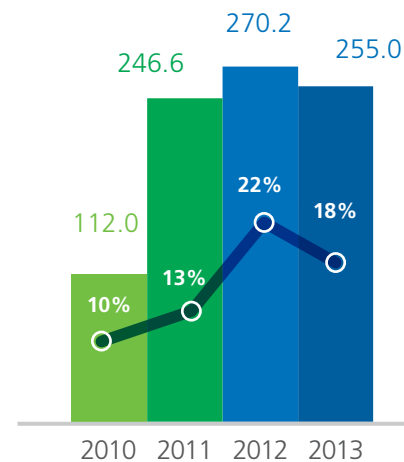
Operational income was influenced by an increase in revenue due to a partial reversal of the process for separating, delivering, and billing for Retroport Customs Terminals (TRAs). In addition to the aforementioned impact, net earnings also benefited from a more positive financial income of 2013.

Net earnings (R\$ million)

Description	2012	2013	Var. %
EBITDA	551.7	528.0	-4.3%
Depreciation and amortization	126.8	135.7	7.0%
EBIT	424.9	392.4	-7.6%
Financial income	-43.7	-28.6	-34.6%
IRPJ (Company Income Tax) /			
CSLL (Social Contribution on Net Earnings)	-111.0	-108.8	-2.0%
Minority shareholders	-	-	-
Net earnings	270.2	255.0	-5.6%

NET EARNINGS AND NET MARGIN

(in R\$ million / %)



INDEBTEDNESS

The Company closed out 2013 with R\$ 123 million in cash equivalents, resulting in R\$ 198.7 million net debt and a rate of 0.4 times net debt/EBITDA. Total consolidated indebtedness as of the 31st of December 2013 was R\$ 321.7 million. In December 2013, R\$ 193.8 million was declared in interest on equity and dividends. The company did not acquire debentures of its own issue as permitted by Article 55, § 2º of Law 6.404/76, as they were settled in April 2013. [GRI G4-9](#)

Debt and availability (R\$ million)

Description	Currency	31/12/2012	31/12/2013	Var. %
Short term	Brazilian	116.3	114.0	-2.0%
	Foreign	49.2	33.8	-31.3%
Long term	Brazilian	205.4	121.5	-40.8%
	Foreign	62.2	52.4	-15.8%
Total indebtedness		433.1	321.7	-25.7%
Cash equivalents		136.4	123.0	-9.8%
Net debt		296.7	198.7	-33.0%

Statement of value-added [GRI G4-56](#)

For periods ending on 31st December 2013 and 2012
(values expressed in thousands of Reals – R\$)

Description	Parent Company		Consolidated	
	2012	2013	2012	2013
REVENUE				
Sales of merchandise, products and services	1,059,706	1,144,438	1,432,038	1,526,620
Other revenue	2,163	9,455	3,453	11,989
Allowance for possible loan losses				
duvidosa – constitution	(1,118)	(10,576)	(1,009)	(11,192)
Inputs acquired from third parties				
Cost of products, merchandise and services sold	(161,827)	(182,657)	(233,796)	(264,149)
Materials, energy, third-party and other services	(123,893)	(140,921)	(171,163)	(210,135)
Other	(779)	(374)	(2,688)	(1,400)
	(286,499)	(323,952)	(407,647)	(475,684)
Gross value added	774,252	819,365	1,026,835	1,051,733
Depreciations, amortizations, depletion	(105,406)	(109,883)	(126,813)	(135,579)
Net value added produced by the company	668,846	709,482	900,022	916,154
Value added received by transfer				
Equity adjustment	57,363	32,892	-	-
Financial revenues	48,769	38,477	53,598	43,365
	106,132	71,369	53,598	43,365
Total value added to distribute	774,978	780,851	953,620	959,519
Distribution of value added	774,978	780,851	953,620	959,519
Personnel				
Direct remuneration	146,047	167,651	195,398	220,021
Benefits	30,538	32,061	46,105	48,240
FGTS (Time of Service Guarantee Fund)	8,500	9,487	11,799	13,256
	185,085	209,199	253,302	281,517
Taxes, fees and contributions				
Federal	162,189	177,479	237,634	245,087
State	373	136	6,102	6,660
Municipal	32,369	35,158	42,806	46,113
	194,931	212,773	286,542	297,860
Remuneration of third-party capital				
Interest	93,422	67,832	97,250	71,951
Rent	31,328	35,987	46,314	53,131
	124,750	103,819	143,564	125,082
Remuneration of equity capital				
Interest on equity capital	73,925	68,445	73,925	68,445
Dividends	100,000	90,000	100,000	90,000
Additional dividend proposed	31,436	35,401	31,436	35,401
Earning retained	64,851	61,214	64,851	61,214
	270,212	255,060	270,212	255,060

Explanatory notes are part of the accounting statements accounting statements.

Capitals Market

Santos Brasil observes the Level 2 Corporate Governance rules of the São Paulo Stock Exchange (BM&FBovespa), on which its shares are traded in the form of units under the code STBP11, with each unit comprising one ordinary and four preferential shares.

At the close of 2013, the book value per equivalent unit registered was R\$ 10.87, while the closing value negotiated on the BM&FBovespa was R\$ 18.94, reaching R\$ 2,523,100 in market value, with an average daily financial negotiation volume of R\$ 8.1million.

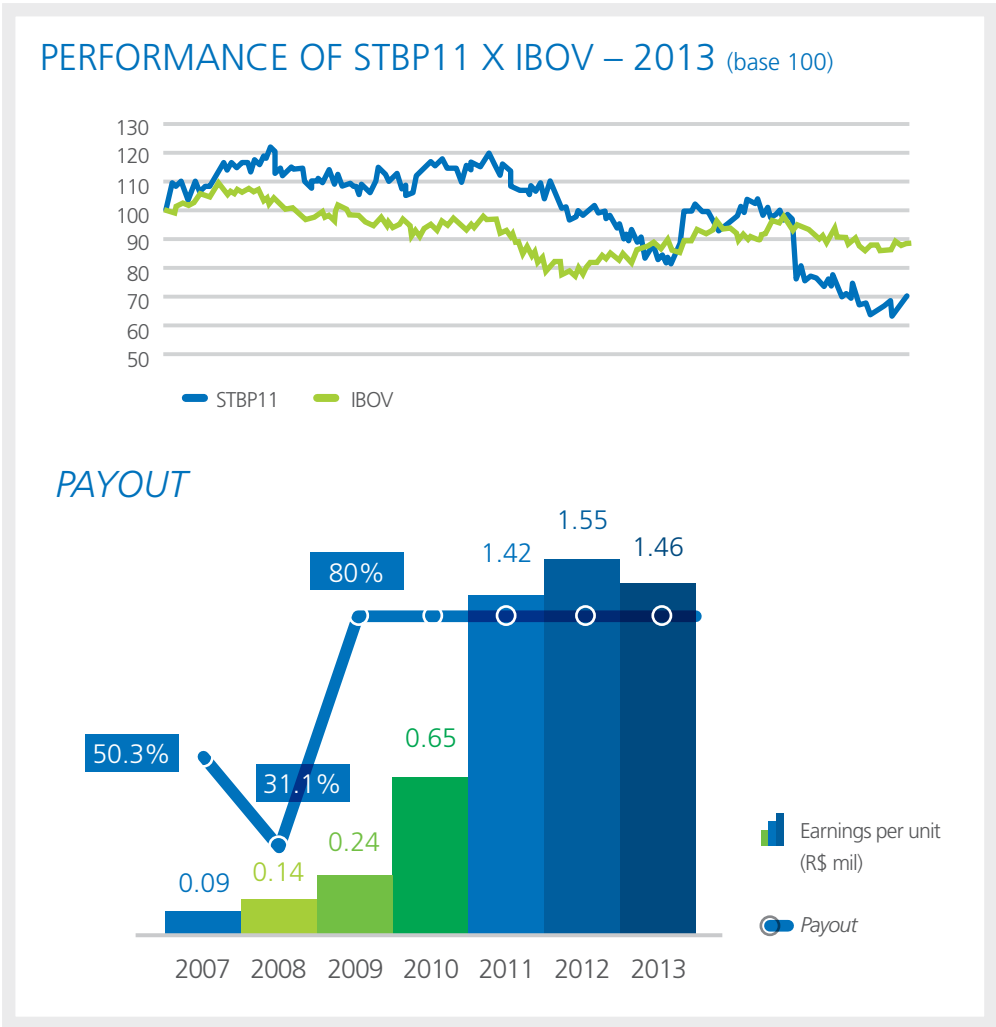
- On December 17, 2013, a share re-purchase program was started with the aim to maximize value generation for shareholders through efficient administration of capital structure under the following conditions:
- maximum number of shares to be acquired: 21,077,781, of which 4,215,556 ordinary and 16,862,225 preferred (equivalent to 4,215,556 units);
 - maximum timeframe for acquisition of Company shares: 365 days;
 - number of shares in circulation on the market according to the definition in Article 3, section III of Brazilian Securities Commission (CVM) instruction No. 361/02: 210,777,820, broken down as 42,155,564 ordinary shares and 168,622,256 preferred;
 - intermediary financial institutions: Itaú Corretora de Valores S.A., Bradesco S.A. CTVM, BTG Pactual CTVM S.A. Bradesco S.A. CTVM, BTG Pactual CTVM S.A.

Until the close of 2013, the Company had acquired, at a total cost of R\$ 2.3 million, 128,337 units through the share re-purchase program, with 128,337 ordinary and 513,348 preferred shares.

SHAREHOLDER REMUNERATION

For the 2013 financial year, the Board of Directors approved payment of equity interest (JCP) and dividends of R\$ 193.8 million, equivalent to R\$ 0.29 per share and R\$ 1.46 per equivalent unit.

The Company has historically paid around 80%, greater than the obligatory payout of 25% of net earnings in line with the Company policy.



Investments and Prospects

Of the investments made in 2013, the Tecon Santos and Logística units absorbed 44.2% and 38.2%, respectively. Of the R\$ 84.8 million invested in 2013, the Company obtained financing for equipment and imports for 36.6% of its projects. The remaining 63.4% were financed with our own resources, allocated for the expansion of and improvements in operations.

The total value was down by 13.4% from the R\$ 97.9 million invested in 2012, when Imbituba had received a considerable injection of resources to carry out dredging operations.

PROSPECTS

With sound financial health provided by debt deleveraging and high levels of cash flow, the prospects of Santos Brasil are firmly aligned with the current situation in the Brazilian port sector, which finds itself in a period of regulatory changes. Thus, the Company is familiarizing itself with the new competitive model and concentrating its efforts towards the early extension of its concession contracts.

Law 12.815 of June 2013 opens new doors and, among Brazilian port companies, Santos Brasil is well-positioned in terms of knowhow, expertise, and sound financial management to compete for new business. In addition, changes in labor legislation will bring efficiency gains, as they have led to an agreement enabling half the stevedores to be part of the workforce.

Investments in 2013

Description	Million (R\$)	Objective	Origin Resource
Port Terminals	46.3		
Tecon Santos	37.5		
Container inspection scanners	5.4	Federal Revenue requirement	Finimp ¹
Dredging of Quay Areas	4.4	Productivity improvement	Owned
IT Equipment Acquisition	4.3	Productivity improvement	Owned
Yard Machinery	3.8	Continuous improvement and enhanced operational performance	Owned
Electrical Power Substations	3.6	Cost reduction - synergy with electrical power optimization	Owned
Civil Works	3.2	Productivity improvement / safety	Owned
Reefer Platforms	2.7	Productivity improvement / consumption optimization	Owned
Greater own stevedores for Rua Brás Cubas	2.1	Reshuffle of administrative departments integration with other administrative departments now installed in downtown Santos	Owned
Miscellaneous Projects	8.0	Operational maintenance	Owned
Tecon Imbituba	1.9		
Adaptation and expansion of customs areas	0.9	Federal Revenue requirement	Owned
Yard Machinery	0.7	Continuous improvement and enhanced operational performance	Owned
Miscellaneous Projects	0.3	Operational maintenance	Owned
Tecon Imbituba	6.9		
Container Inspection Scanners	4.1	Federal Revenue requirement	Finimp ¹
Yard Adaptation	1.2	Legal Requirement (Sema)	Owned
Yard Machinery	0.8	Continuous improvement and enhanced operational performance	Owned
Miscellaneous Projects	0.9	Operational maintenance	Owned

Port Terminals

Tecon Santos prospects are aligned with the new situation at the Port of Santos, which as of 2014 has a golden opportunity for reform – for the first time in 20 years since the previous Port Law 8.630/1993, amended by Law 12.815 in June 2013. This new period is a reflection of the growth in capacity, brought about by two companies, BTB and Embraport, developing two new container terminals during the year.

Santos now has the capacity to meet increasing port and logistical demands, and the task of Santos Brasil going forward is to interact in public arenas to settle the issue of road and rail access.

The challenge for 2014 will be to capitalize on the various initiatives planned as part of the efficiency project, focusing on the team culture, applying austerity in the use of resources, and furtherance of the concept of investment return at all management levels.

The dredging operation, which will deepen the draft at Porto de Imbituba to 15 meters in the first semester of 2014, will provide a significant competitive advantage for the terminal in the coming years, enabling 330-meter ships to moor. Investments total R\$ 36 million, of which R\$ 33 million originates from the National Dredging Plan, part of the federal government’s Growth Acceleration Plan (PAC), and a further R\$ 3 million in consideration from the State.

Description	Million (R\$)	Objective	Origin resource
Logistics	32.4		
Upgrade of truck fleet	11.1	Continuous improvement and enhanced operational performance	Finame ¹
Container inspection scanners	5.4	Federal Revenue requirement	Finimp ¹
Customer Service Project (tractors commercial partner and semi-trailers)	5.0	New business with company commercial	Finame ¹
Yard Machinery	4.5	Continuous improvement and enhanced operational performance	Owned
Civil Works	4.3	Productivity improvement / safety / legal requirement	Owned
Miscellaneous Projects	2.1	Operational maintenance	Owned
Vehicle Terminal	0.7		
Civil Works	0.7	Contractual Requirement – Codesp	Owned
Corporate	5.4		
Strategic Project - land in the Imbituba region	5.4	Company strategy	Owned
Consolidated	84.8		

¹Finimp: Import Financing; Finame: Financing of Machinery and Equipment.

Logistics

For 2014, Santos Brasil Logística has challenges and opportunities which underpin the quest for new customers of integrated logistics services, and also relate to port terminal prospects, such as at Vila do Conde, where the Company envisages an ample distribution market for operations such as port – to – door service.





INTELLECTUAL AND HUMAN CAPITAL

Innovation and people are strategic priorities for the Company, which encourages the refinement of processes, technology, and services, as well as continued investments in skill-enabling programs for its employees.





Intellectual Capital

Innovation is in the Santos Brasil DNA which contributes to enhancing its competitive edge in technologies, processes, and management systems.

Innovation

THE AWARD FOR BEST COMPANY IN THE INFRASTRUCTURE SECTOR IS BASED ON ASPECTS SUCH AS INNOVATION AND FUTURE VISION FOR INCLUSION IN THE RANKING.

Accredited for having a strategic edge in innovation, Santos Brasil sets international benchmarks on an ongoing basis, maintaining an IT team which provides tailor-made solutions and encourages discussion channels to ensure it remains up-to-date with the latest developments in the sector. As a service company, Santos Brasil believes that innovation should be part of its DNA, since its end-product is “produced” and delivered “in real time” and in person to the customer. Thus, constantly reviewing processes is considered essential to achieve maximum quality, and innovation is sought on all fronts through advances in technology, equipment, and management.

ÉPOCA 360° AWARD

In recognition of its ability to innovate, Santos Brasil was elected Best Infrastructure Sector Company in September 2103 by Época Negócios 360° magazine, achieving 21st place in the overall ranking, which lists the best 250 companies in Brazil. The award evaluates six aspects: Innovation, financial health, corporate governance, human resources policies, socio-environmental responsibility, and future vision. The magazine, working in partnership with the Dom Cabral Foundation, selected the winners and was supported by the Brazilian Association for Business Communication (Aberje), receiving assistance from a distinguished board of representatives from institutes operating in the financial, executive and socio-environmental sectors. The award rankings list the 2,000 biggest companies

in Brazil based on net revenue, their influence in society, and ability to stay at the top.

EQUIPMENT AND SOFTWARE

Meeting customs’ requirements for port terminals and Integrated Customs Logistics Centers (CLIAs), Santos Brasil has invested around R\$20 million in the acquisition and installation of scanners which provide greater efficiency for the inspection of merchandise by the Federal Revenue Agency.

This new X-ray equipment is capable of penetrating up to 300 millimeters of steel, enabling container contents to be checked without requiring them to be opened for physical inspection. Trucks with imported cargo need only pass through the scanners at low speed, and images are captured in 30 seconds,

stored and made available to the relevant agencies and customers.

Tecon Santos was the first Santos Brasil terminal to operate this type of scanner, in September, and other devices also came into operation during the year at Tecon Imbituba and at the Logística CLIAs, with a scanner tested at Vila do Conde in December. Tecon Santos now has four inspection scanners of three different models — two to examine full containers, one for empty containers, and one for pallet-loaded merchandise.

In respect of software there was a notable advance in the system for speeding up the release of cargo, which entered into operation in June. Initially, the cargo annotation and registration tool was made available to customers and professionals involved in documentation clearance for port operations at Tecon Santos, but the intention is to extend this service to logistics units in the first quarter of 2014.

Developed in-house by the IT department, the new tool has reduced the average cargo annotation and registration processing time from thirty to ten minutes. Automation of the process has

sped up cargo clearance and slashed operational costs thanks to shorter terminal storage times. Before this tool the process was conducted manually and restricted to business hours, but now the status of a process may be consulted from any computer 24 hours a day, even on weekends and holidays.

The strategy of investing heavily in technology was internationally recognized in June when the Rubber-Tire Gantry (RTG) Crane system for weighing containers, devised by the Company in 2011, was presented at one of the port sector’s most prestigious international seminars in Rotterdam, Holland. The system was adopted by the market for its speed and efficiency gains, and has also been exhibited at the *TOC Container Supply Chain Europe* trade fair in Holland.

Before this technology was developed, roadside weighbridges, assisted by trailers and tow devices, were used to check the weight of imported containers, taking more time to maneuver cargo and having a negative impact on the speed of operations.

MANAGEMENT

The most notable management innovation of the year was the Mais Santos Brasil Program (More Santos Brasil), which consolidates the Company’s pioneering spirit in its efforts to be the best integrated port infrastructure and logistics service firm in its markets of operation.

Launched by senior management in May, the program was rolled out on four fronts: Resource Management, Cost Control, Process Review, and Safety, in order to elevate the company to a new level of efficiency and results. (Further information in the Management section).

Customer service

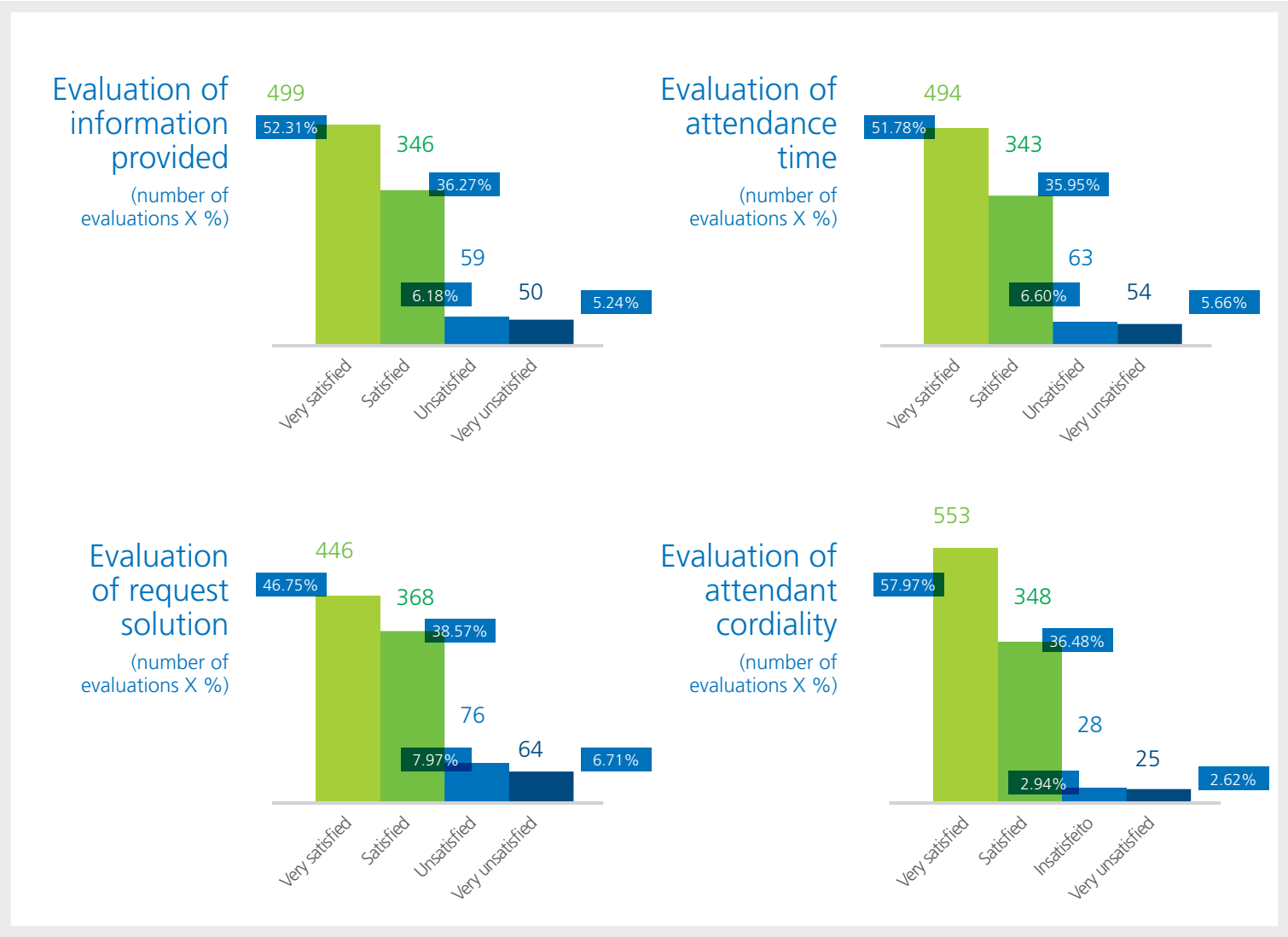
An important, intangible Santos Brasil asset, in terms of intellectual capital, is its relationship with its customers — including shipping companies, importers, and exporters. Working constantly to enhance these relationships, in 2013, the Company expanded its port-to-door service customer base. In addition to offering dedicated and exclusive service, the Customer Relations department followed performance indicators with a proactive management model. As part of the strategy to understand customer expectations and improve service processes, the Post-Sales department was created, with regularly scheduled visits and by conducting a pilot survey first.

Santos Brasil has also devised a new online service tool. Launched in May, chat-based customer service is an innovative service in the Brazilian port sector. Developed to supplement existing communication channels (telephone, e-mail, and website/portal). The chat channel provides customers with flexibility and peace of mind, improving the rapid solution of queries and allowing access to information on services. The Company target is a maximum client wait time of two minutes, and the new platform is accessible from all website pages at www.santosbrasil.com.br, with the same operating hours as the Customer Service Center, interfaced with other channels, Monday to Friday between 8am and 7pm.

A team of 18 telephone attendants help customers having difficulties accessing the container tracking system. The Company receives and responds to a monthly average of 18,000 requests for services and information through traditional channels of communication, used primarily by importers and exporters, customs brokers, haulers, and insurers.

The Customer Service Center conducted a Satisfaction Survey in 2013, with more than 1,500 customers responding over the course of the year to questionnaires addressing themes such as service time, solution of request, cordiality and helpfulness of attendants. The target for 2014 is for at least 90% of customers surveyed to respond as very satisfied or satisfied. [GRI G4-PR5](#)

CHAT-BASED CUSTOMER SERVICE, THE NEW COMMUNICATION CHANNEL LAUNCHED IN 2013, IS AN UNPRECEDENTED ONLINE TOOL IN THE BRAZILIAN PORT SECTOR.



Santos Brasil's customer relations success was also recognized by the *Guia Marítimo 21 Anos Award*, won by the Company in two categories: Best Port Operator and Best Container Terminal. Winners were chosen through an online survey of customers and other service users, and announced in September. Commercial advances were also made with the signing of long-term contracts. At the end of 2013, more than 70% of the movements executed were tied to contract commitments expiring by 2019. [GRI G4-26](#)



Human capital

Commitment to valuing and recognizing people drives the management of human resources, with emphasis on qualification, quality of life, and safety in the workplace.

WITH 3,839 EMPLOYEES AT THE CLOSE OF 2013, THE COMPANY ADVERTISED 150 JOB VACANCIES FOR STEVEDORES UNDER THE LABOR LAW CONSOLIDATION (CLT) REGIME.

In line with its strategic objectives, Santos Brasil personnel management prioritizes professional development, safety and improved quality of life for employees, starting with establishment of a clear and transparent relationship.

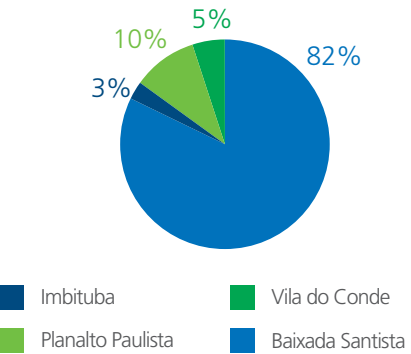
Processes of promotion, development, internal recruitment, and retention aim for professional recognition of the employee, bearing in mind that human capital is a valuable tool for the success of the Company, which closed 2013 with 3,839 employees and a turnover rate of 11.60% at Tecon Santos, 18.5% at the Vehicle Terminal (TEV) and 15% at Logística. The target for the Imbituba and Vila do Conde units is to meet the requirements of this indicator by 2014 and onwards. [GRI G4-LA1, G4-9](#)

The Santos Brasil workforce was boosted in 2013 with the hiring of stevedores made possible by the new Ports Law, and 150 vacancies were offered for temporary port workers registered as stevedores by the Port Labor Management Agency (OGMO) to be hired under the Labor Law Consolidation (CLT) regime. By the end of the year, 83 of these posts had been filled, benefiting workers who now feel more integrated - receiving a benefits package and participating in safety programs.

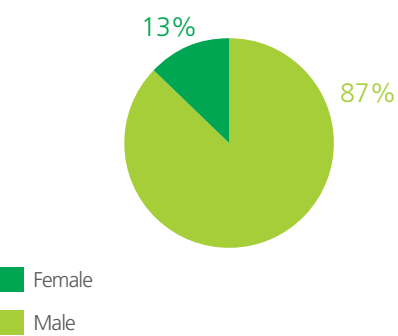
Benefits are defined by collective bargaining agreements (meal and food allowances, transport vouchers, day care and nanny assistance, and life insurance) among other things such as healthcare and dental plans, personal and collective accident insurance, and assistance with school materials. There is also a supplementary social security plan in place, with monthly contributions additional to those of the employee and no future liability obligations. [GRI G4-EC3](#)



Employees by region GRI G4-10



Employees by gender

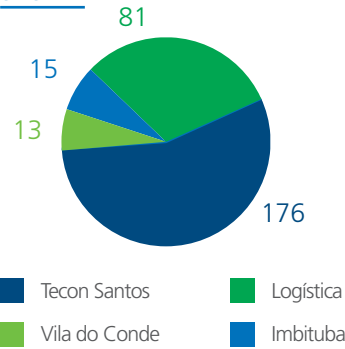


Job type	Total	Region			
		Baixada Santista	Planalto Paulista	Imbituba (SC)	Vila do Conde (PA)
Indeterminate period	3.839	3.144	374	104	217
Apprentices	50	35	11	4	0
Interns	39	35	3	1	0

Employees by gender and age group GRI G4-10, G4-LA12

Gender	Age Group	Number	% feminino	% overall
Female	24 and under	99	20.54%	2.58%
	25 - 34	203	42.12%	5.29%
	35 - 44	135	28.01%	3.52%
	45 - 54	35	7.26%	0.91%
	55 and over	10	2.07%	0.26%
	Total female	482	100.0%	
Male	24 and under	341	10.16%	8.88%
	25 - 34	1.419	42.27%	36.96%
	35 - 44	1.008	30.03%	26.26%
	45 - 54	453	13.49%	11.8%
	55 and over	136	4.05%	3.54%
	Total male	3.357	100.0%	
Overall total		3,839		100.0%

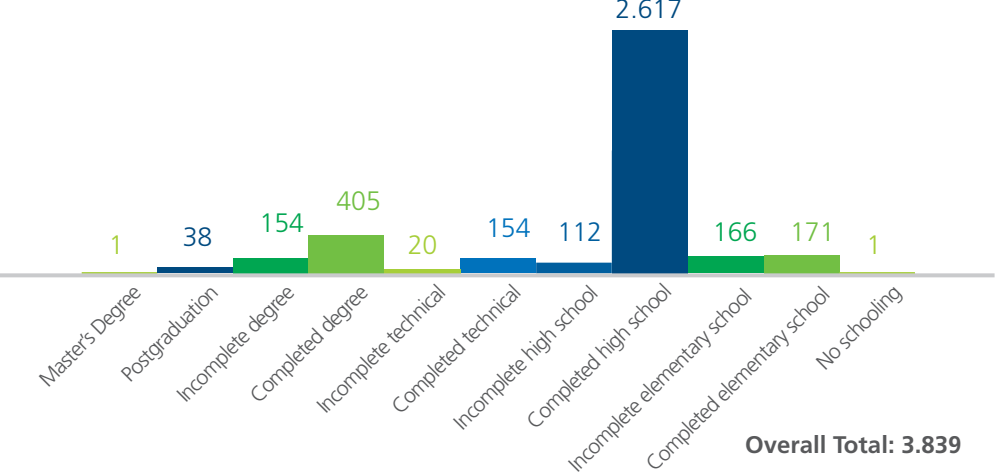
New hirings GRI G4-LA1



Rotation rate

Tecon Santos	11.6%
TEV	18.5%
Logística	15.0%

Educational record



Local hiring GRI G4-EC6

Company/locations	Total employees	Total employees in region of units	Percentage
Tecon Santos	2,359	2,340	99.2%
Tecon Imbituba	104	104	100%
Tecon Vila do Conde	217	217	100%
Santos Brasil Logística	1,159	1,159	100%

Company/locations	Total senior management at units	Senior management living in region of units	Percentage
Tecon Santos	12	9	75.0%
Tecon Imbituba	3	3	100.0%
Santos Brasil Logística	6	5	83.3%
Santos Brasil	3	3	100.0%
Participações São Paulo			

Health and safety [GRI G4-20, G4-21](#)

The Atitude Segura (Safe Attitude) Project, launched at the end of September as part of the Mais Santos Brasil Program, aims to elevate safety to a high level. With the mission of making safe conduct a habit within the Company, the project values the role of each professional in this ongoing quest, bestowing responsibility onto the entire team. To this end, the Company has intensified its Workplace Safety training, an example of which is Daily Safety Dialogues (DSDs) during which employees gather with their leaders before commencing operations to assess potential risks and advise on safety procedures to be adopted for each task. Although DSDs have been in place for over a year, in 2013, they took on better-defined program content. The thinking behind this is to ensure that the working routine commences not only in a more organized and standardized way, but is safer, reducing risks and improving quality levels in all processes.

The program includes the formation of multidisciplinary work groups (WG), with a total of 13 groups known as Movements in reference to the Company's core business: Movement of containers. Movements are made up of around 120 professionals representing all areas and hierarchical management levels. All operations in São Paulo State benefit from work groups. In Imbituba and Vila do Conde participation is through the Quality, Health, Safety, and Environment technical department (QSSMA), which acts in a corporate manner. Groups integrate their talents to address different issues, all related to improving in-house safety and selected from improvement opportunities regarding the development of processes in: [GRI G4-LA5](#)

- communication;
- leadership responsibilities;
- consequence policy;
- accident investigation; inspections and audits;
- management of outsourced contractors;
- third-party management;
- stakeholder involvement;
- data analysis;
- critical activities;
- emergency and contingency management;
- mobility management;
- standardization of procedures.

THE SAFE ATTITUDE PROJECT WAS STRATEGICALLY DEVELOPED TO REFINE INDICATORS INVOLVING THE HEALTH & SAFETY KEY ISSUE.

In support of the program, local communications were developed with messages which ENCOURAGE reflection on the importance of behavioral changes at strategic points of all operations. Actions prioritizing safety management processes in employee routines were also disseminated.

The significant reduction in the number of lost workdays - down by 31% at Tecon Santos - is an immediate result achieved through the program and Company efforts in this light, primarily by means of the Safer Attitude Project. At Logística, the reduction was 29.75%. The target of a 50% reduction in the accident frequency rate, however, was not achieved and the challenge is maintained for 2014.



Safety incidents GRI G4-LA6

TECON Santos	2012	2013	TECON Vila do Conde	2012	2013
RWC Accidents*	1	7	RWC Accidents	2	2
LWC Accidents*	18	17	LWC Accidents	2	1
Days lost	1758	546	Days lost	13	10
LWC frequency rate	5.20	4.18	LWC frequency rate	5.20	2.63
Severity rate	507	134	Severity rate	34	26

TECON Imbituba	2012	2013	Logística	2012	2013
RWC Accidents	1	0	RWC Accidents	2	0
LWC Accidents	3	2	LWC Accidents	21	11
Days lost	26	25	Days lost	158	111
LWC frequency rate	17.50	10.31	LWC frequency rate	10.47	4.55
Severity rate	151	129	Severity rate	69	46

*RWC: restricted workday case.
*LWC: lost workday case.

THE SANTOS BRASIL IN MOVEMENT PROGRAM BENEFITED 1,720 PEOPLE ACROSS ALL UNITS WITH INCENTIVES FOR THE PRACTICE OF SPORTS AND ADOPTION OF HEALTHY HABITS.

In 2013, Santos Brasil did not record any work-related illnesses. The goal for 2014 is to expand safety incident indicators to the Vila do Conde and Imbituba units, review the management policy for doctor’s verifications with the involvement of immediate line managers, and run campaigns and programs to minimize issues identified as having the greatest impact on rates. The intention is also to reduce the rate of absence with doctor’s verification by 20% at Tecon Santos, the Santos and Guarujá Logistics, and Industrial Customs Centers (CLIAs) and the São Bernardo Distribution Center. The target for the São Paulo DC is 30%. [GRI G4-LA7](#)

With all employees covered by collective bargaining agreements, some health & safety matters are covered by formal documents. The collective agreement for Tecon Santos employees and offices for the period 2012 - 2014 provides for the issue of two complete sets of uniforms for operation and maintenance employees, and also guarantees on-going health insurance - in the event of an employee’s absence due to a work-related accident or illness, or during maternity leave – for the full period of absence. [GRI G4-11, G4-LA8](#)

QUALITY OF LIFE

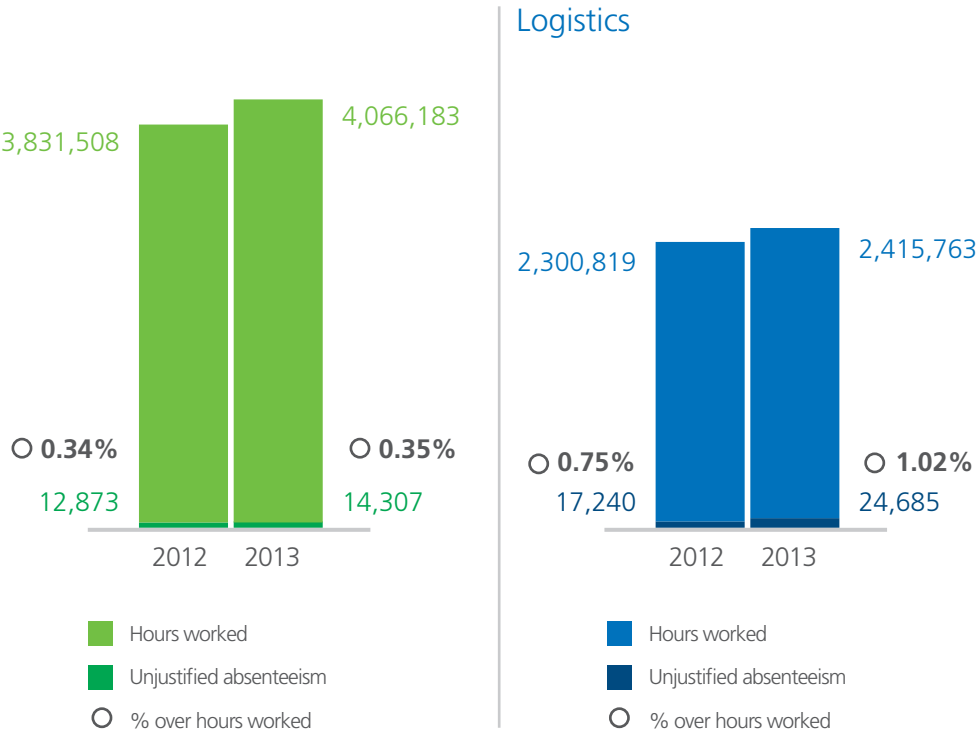
To enhance quality of life and provide opportunities for integration away from the workplace, the corporate sports platform Santos Brasil em Movimento (Santos Brasil in Movement) benefited 1,720 people from all Company departments and units in 2013, encouraging healthy habits and the practice of different sports. [GRI G4-LT11](#)

the Society Soccer Championships, held in August and bringing together 500 employees.

A highlight in 2013 was the 3rd Beach Volleyball and Foot-Volleyball Cup, with 288 participants from Tecon Santos, Company offices in the Baixada Santista and Logística units in Santos, Guarujá, São Bernardo, and the state capital. A total of 15 volleyball and 21 foot-volleyball teams entered. The championship took place on Saturdays and Sundays throughout March at Boqueirão Beach, in Santos. In April, a volleyball championship was held for Imbatuba employees and in May for the staff from Vila do Conde.

Divided among outdoor and recreational activities, the Santos Brasil in Movement program includes soccer tournaments, hiking teams, and the Tribuna FM10-km event, one of the Baixada Santista area’s most important races, in which around 700 Santos Brasil employees participated in 2013. Recreational activities include the Beach Volleyball and Foot-volley Cups, the Futebol Solidário tournament, and

Absenteeism¹ GRI G4-LA6



¹ Absenteeism is not yet monitored at Imbituba and Vila do Conde.

Talent qualification and retention [GRI G4-20, G4-21](#)

A leader in a sector which demands specialized professionals, the Santos Brasil strategy to prevent loss of talent to the market is geared toward retaining an adequate contingent of employees prepared for new functions.

The Company closed out 2013 with 30% of its headcount qualified to take on other roles. During the year, 498 employees were promoted, up by 16.6% compared to the 427 in 2012. Investments in training for the period totaled R\$ 2.3 million, with 183,000 course hours delivered, a 21% increase on the previous year.

The Company embraces a meritocracy, with a policy of employee recognition and engagement. All employees undergo six-monthly performance appraisals, but it wasn't until 2013 that the competences for each post began to be evaluated quantitatively. The Board of Directors and Senior Management are evaluated according to the Business Plan agreed at the beginning of the year with immediate line managers, which includes corporate goals and individual performance targets. The Performance Assessment system is used to assess personnel in other positions, whereby each employee's targets and skills are defined with a view of achieving objectives and defining the profit-share plan. There is not yet a structured retirement preparation system in place. [GRI G4-LA10, G4-LA11](#)

2013 saw the development of the Performance Appraisal Management (PAM) system by which employees are able to register their resumes and indicate up to three posts of their interest for future use by the selection department to aid internal recruitment. The aim is to roll out this new tool to the entire team in 2014. The Personal Development Plan (PDP) was also implemented to enable managers and employees to agree to a continuous improvement plan following their appraisal feedback.

WITH FOCUS ON THE TALENT QUALIFICATION AND RETENTION KEY ISSUE, SANTOS BRASIL DELIVERED 183,000 HOURS OF TRAINING AND PROMOTED 498 EMPLOYEES IN 2013.



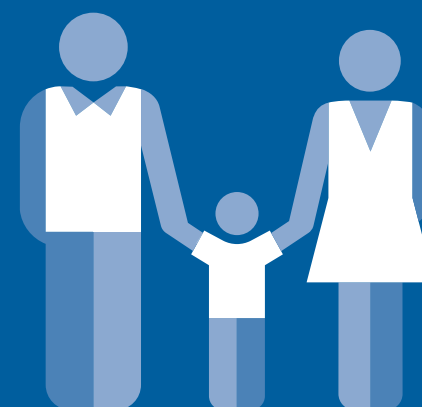
Training and development [GRI G4-LA9](#)

Role	Total hours			Number of employees participating in courses		
	Men	Women	Total	Men	Women	Total
Administrative area	8,118	5,744	13,862	370	289	459
Operational area	157,978	5,489	163,467	2,483	83	2,566
Directors	132	-	132	4	-	4
Supervisors	1,626	339	1,965	71	11	82
Coordinators	2,153	875	3,028	45	10	55
Managers	926	110	1,036	16	9	25
Total	170,933	12,557	183,490	2,989	402	3,191



NATURAL AND SOCIAL CAPITAL

Santos Brasil considers transparent dialogue, management initiatives, and impact management to be the best way to move forward in community socio-economic development.





Natural Capital

With energy and raw-material issues in mind, Santos Brasil invests in projects which help to minimize the impact caused by heavy-vehicle transportation.

Santos Brasil is conscious of its role in the development of sustainable cargo transportation alternatives and projects which add environmental value as well as economic and social results. In respect to key sustainability issues, Energy is the primary environmental focus of Company management..

Environmental quality improvement practices include mapping/monitoring of environmental risks inherent in activities and services and follow-up of relevant legal requirements, with monthly meetings and training for employees and outsourced contractors.

Environmental incidents and slips are investigated and monitored, and actions defined and dealt with by departments supported by the Quality, Health, Safety, and Environment area (QSSMA), created in 2013 to integrate the management of such aspects. Additionally, all Company service proposals are analyzed by the Environmental department prior to the drafting of contracts. [GRI G4-SO2](#)

The Company's reliability in environmental management was exhibited when the Brazilian Environmental Institute (Ibama) nominated Tecon Santos to present a routine operation of a customs terminal for a course in International Trade Operations and Environmental Oversight, given in August 2013, for 30 federal environmental agents from various regions in Brazil. Aimed at Ibama personnel operating in border areas, ports and airports primarily, the course focused on the feasibility of conducting inspections with the lowest possible impact on terminal operations. During classes, professionals from the Company demonstrated the operations of its Safety and Environment department, along with procedures for emergency situations with chemical loads, operational processes and systems for cargo loading and unloading, scheduling, positioning and placement, and opening load units, among other aspects. Santos Brasil serves as a kind of testing ground for the activities of other agencies, due to the ideal conditions provided by its size and its management of procedures.



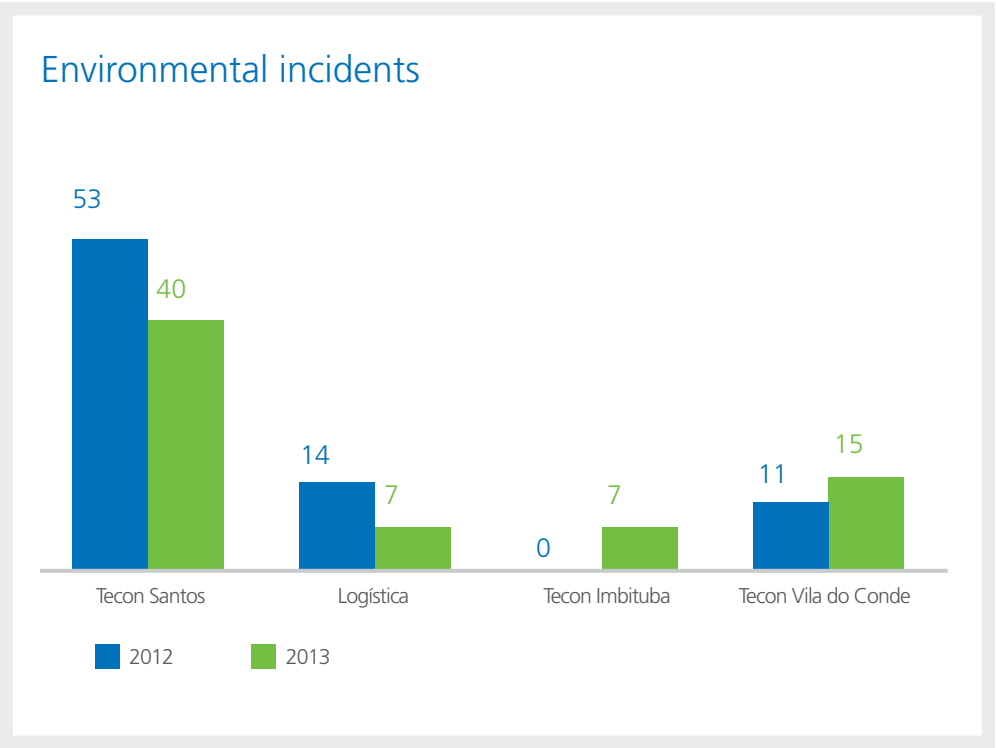
MITIGATE THE
FLOW IMPACT OF
VEHICLES ACCESSING
TECON SANTOS, THE
COMPANY INVESTED
R\$ 1.3 MILLION IN
INFRASTRUCTURE
IN 2013.

Impact management [GRI G4-LT6, G4-EN12](#)

All operational units apply a management system based on the scope of ISO 14001, identifying aspects and impacts by their activities and services, and systematically monitoring the applicability of legal requirements. As a logistics company, the key environmental impacts that are measured, managed, and addressed are linked to CO2 emissions and mobility. Efforts are made to reduce such effects by optimizing routes (internal and external) and cutting costs. In addition, the implementation of a system for reporting, recording, investigating, and treating environmental incidents resulted in a drop in occurrences throughout 2013. At Tecon Santos, for example, the number of environmental events fell, from 53 in 2012, to 40 in 2013. [GRI G4-EN27, G4-EN30](#)

A current negative impact on the community of Guarujá is the flow of vehicles accessing Tecon Santos, which receives 3,000 trucks per day. Such demand affects the daily lives of communities surrounding the terminal, causing sluggishness among local traffic and the emission of greenhouse gases. In order to mitigate this impact, Santos Brasil invested in the local infrastructure, and over a two-year period (2012 and 2013) allocated resources of R\$ 1.3 million to improve the traffic flow to the port, providing an alternative truck route in order to relieve congestion on Rua do Adubo, a main access road in Guarujá, by up to 30%. Work is set to be completed by the end of the first semester of 2014, and includes a temporary route that links Avenida Santos Dumont to the Cônego Domênico Rangoni Highway.

There are also specific operational instructions to control traffic within the terminal — horizontal and vertical signs, traffic flow, and the placement of bus stops have all been re-engineered. Projects are also under way to minimize the impacts of internal and external heavy-vehicle traffic through gate improvements. The Mobility Group - part of the Safer Attitude program – has also formulated a contingency plan for various mobility scenarios in response to identified risks.



Operations at logistic units have similar impacts, with the heavy flow of trucks near the São Paulo and São Bernardo do Campo Distribution Centers and the Santos and Guarujá Logistics and Industrial Customs Centers (CLIAs), thus in 2013, the Company maintained an open dialogue with Teamster Union leaders. [GRI G4-SO2, G4-EC7](#)

In 2012, Santos Brasil submitted designs for a new arterial route, segregating port traffic from city traffic to the Imbituba municipal authority. In 2013, supplementary studies for environmental release in support of the prefecture's obligations were conducted, in order to facilitate the progress of the project in the State Infrastructure Department of Santa Catarina (Deinfra). The federal government is set to commence the work in 2014.

The movements of ships and other vessels also generate impacts, albeit less significant, on aquatic flora and fauna at port terminal berthing areas — or, as in the case of the Vehicle Terminal (TEV), in the mangrove situated to the right of the terminal — due to waterway transportation and the release of treated waste into the sea (sanitary and industrial).

OPEN TO DIÁLOGUE,
SANTOS BRASIL DISCUSSES
AND NEGOTIATES TRAFFIC
IMPROVEMENTS TO
REDUCE OPERATIONAL
IMPACTS.

Electrical energy consumption within the Organization [GRI G4-EN3](#)

	MWh	Gigajoules	Percentage
Tecon Santos			
Refrigerated container area	24,641.38	88,708.97	60%
Portainer equipment	9,035.17	32,526.62	22%
Administrative and operational areas	7,392.41	26,612.68	18%
Total	41,068.97	147,848.29	100%
Guarujá CLIA			
Refrigerated container area	2,275.29	8,191.05	75%
Administrative and operational areas	758.43	2,730.35	25%
Total	3,033.72	10,921.39	100%
Santos CLIA			
Refrigerated container area	2,414.45	8,692.02	75%
Administrative and operational areas	804.82	2,897.34	25%
Total	3,219.26	11,589.36	100%
Tecon Vila do Conde			
Refrigerated container area	1,128.72	4,063.37	77%
Warehouses	73.29	263.85	5%
Administrative and operational areas	263.85	949.88	18%
Total	1,465.86	5,277.10	100%
Tecon Imbituba			
Refrigerated container area	282.51	1,017.04	28%
Portainer equipment	514.57	1,852.46	51%
Administrative and operational areas	211.88	762.78	21%
Total	991.07	3,632.28	100%
São Paulo and São Bernardo do Campo DCs			
São Paulo DC administrative and operational areas	1,492.48	5,372.92	57.5%
São Bernardo do Campo DC administrative and operational areas	1,103.13	3,971.29	42.5%
Total	2,595.62	9,344.21	100%

Biomes and protected areas [GRI G4-EN13](#)

Conscious of the need for harmony between marine species and port activities, Santos Brasil is a partner with NGO ONG Projeto Baleia-Franca - PBF (Southern Right Whale Project), despite the fact that the Port of Imbituba does not fall within the Environmental Protection Area (EPA) created to protect the species (*Eubalaena australis*). Considered to be a natural breeding ground, between July and November the Santa Catarina and Rio Grande do Sul state coastlines attract hundreds of southern right whales in search of milder temperatures for spawning and early care of offspring.

In 2013, Projeto Baleia-Franca sighted 56 young whales in Brazilian waters over the six-month reproduction season along the country’s southern coast. This is the highest ever number of recorded of newborn sightings by the PBF team, exceeding the 2007 record of 54.

The support of Santos Brasil for this NGO, which dates back over 30 years, is considered to be a natural progression of teamwork applied through Tecon Imbituba expansion works, administered by Companhia Docas. The partnership was expanded in 2013 when, in addition to the sightings near Tecon Imbituba, Santos Brasil lent its support to projects encompassing scientific research into habitat conservation, monitoring, population biology, awareness-raising programs, and the backing of public policy-making in order to achieve harmony between commercial port activities and the presence of southern right whales.

Fuel consumption within the Organization [GRI G4-EN3, G4-EN20](#)

TECON SANTOS			
Type of fuel	Amount used (t)	Gigajoules	Destination
LPG (t)	45.75	2,127.37	Canteen and forklifts
Ethanol (t)	68.41	1,806.02	Light vehicles
Biodiesel (liters)	10,028,271	378,065.81	Trucks, RTGs, stackers and generators

THE PARTNERSHIP WITH THE NGO PROJETO BALEIA- FRANCA WAS EXPANDED IN 2013 AND SANTOS BRASIL LENT ITS SUPPORT TO SCIENTIFIC RESEARCH FOR HABITAT CONSERVATION.

TO REDUCE CO2, EMISSIONS, THE COMPANY INVESTS IN INNOVATIVE TECHNOLOGIES SUCH AS LED BULBS, WHICH CONSUME 70% LESS ENERGY.

Energy intensity [GRI G4-EN5](#)

QUANTITY OF ENERGY PURCHASED/CONSUMED BY TERMINAL TECON SANTOS	
Direct energy	5.61 liters of biodiesel per TEU 8.78 liters of biodiesel per container handled
Indirect energy	22.99 kWh per TEU 35.98 kWh per container handled

Energy [GRI G4-20, G4-21](#)

In 2013, fluorescent and metallic vapor bulbs were replaced with LED (Light Emitting Diode) bulbs at Tecon Santos. Starting with access gates and administrative buildings, 550 bulbs were replaced, representing an energy savings of 70% from the previous bulbs, a reduction of 34,300 joules per second over the course of a year, and a drop of 64.3% associated CO2 emissions. [GRI G4-EN6, G4-EN19](#)

With improved illumination levels, the LED lamps do not emit ultraviolet or infra-red rays, and their average lifespan is five times that of common bulbs. Another eco-friendly advantage is that they do not require special disposal. The majority of their components can be dismantled and disposed of through common recycling, unlike incandescent or fluorescents bulbs, both of which are made up of heavy metals and therefore require specific disposal which also lead to higher costs.

In 2014, Santos Brasil intends to carry out further replacement with LED bulbs at other business units and plans to adopt controls to achieve energy savings with conservation improvements and energy efficiency. At Tecon Santos, energy consumption meters are to be installed to achieve more control per area within the terminal. [GRI G4-EN3, G4-EN6](#)

Although energy consumption outside the Company is not controlled, with no recorded scope-3 data (indirect emissions), Santos Brasil aims to encourage outsourced companies to replace their fuel and/or vehicle fleets, with priority given to biofuels such as ethanol and biodiesel instead of common diesel oil. In the case of trucks, the Company encourages the acquisition of vehicles with a post-gas treatment selective catalytic reduction (SCR) and use of non-flammable, non-toxic, urea and water-based additives, contributing to a reduction in biodiesel consumption. [GRI G4-EN4, G4-EN7](#)

Emissions [GRI G4-20, G4-21](#)

Since 2011, Santos Brasil has been part of the Empresas pelo Clima - EPC (Companies for the Climate) Platform and Innovation and Sustainability in the Value Chain (ISCV) of the Getúlio Vargas Foundation - taking an active part in meetings, discussions, and business initiatives – and the Programa Brasileiro GHG Protocol. Throughout 2013, the Company monitored GG emissions, continuing the Carbon Project through compilation of a GG emission inventory across all operational units.

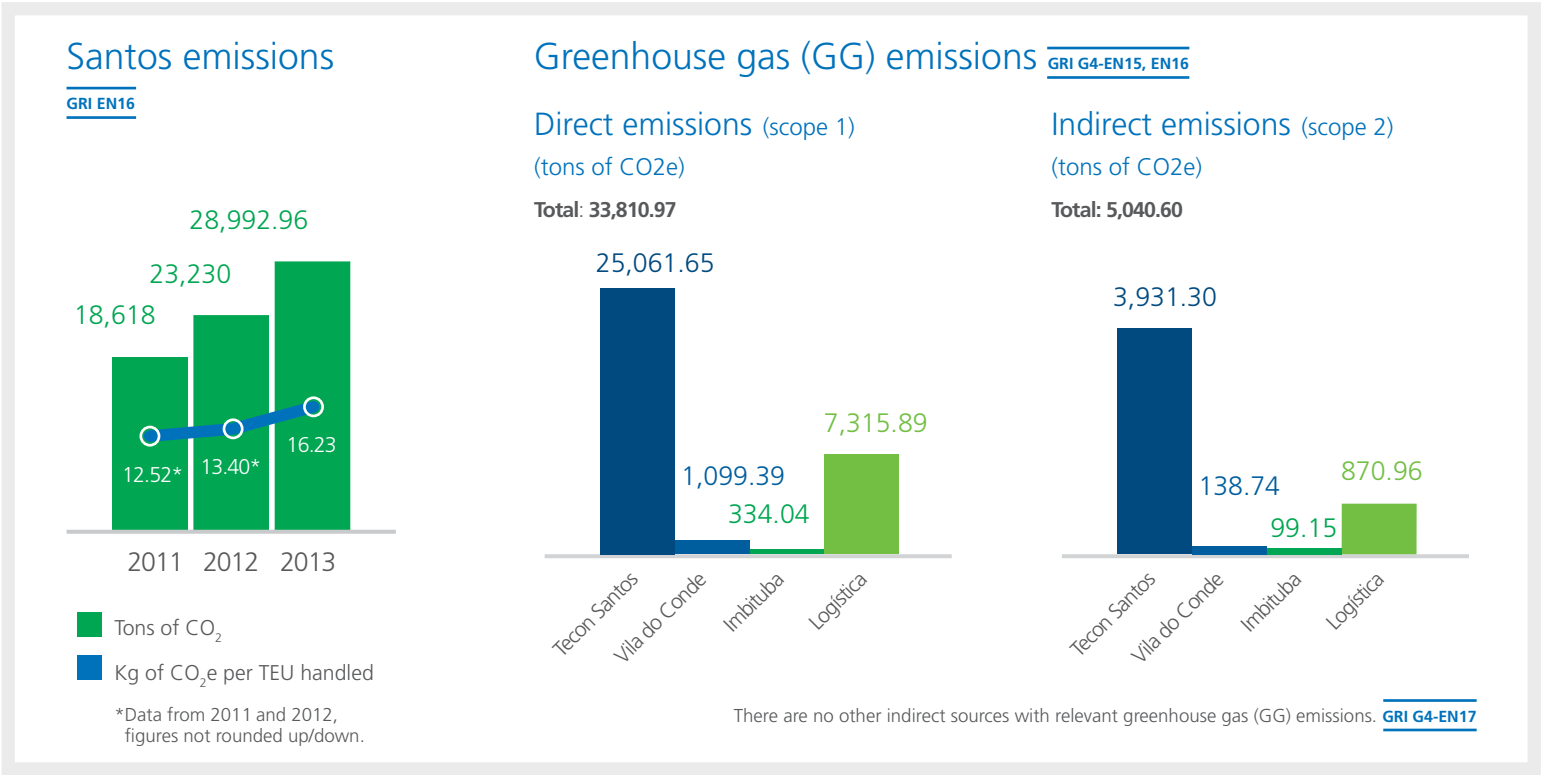
Responsible for 74.6% of total Company carbon emissions, Tecon Santos presented a rate of 16.23 kilos of CO2 equivalent per TEU handled. A 32% rise in the average emission rate in the Brazilian matrix, a result of high operational demand which had a negative impact on terminal performance compared with that of 2012, when the indicator was 13.40 kg CO² per TEU. According to data from the Brazilian Science and Technology Ministry, the increase was basically due to greater use of thermal sources in the electrical power generation. (Further information: www.mct.gov.br/index.php/content/view/321144.html#ancora). For 2014, the Company is running projects focused on operational efficiency and the reduction of biodiesel consumption.

Although some gas-emitting sources are harmful to the ozone layer, such as air-conditioning devices, there is not yet a monitoring system for such emissions. As a control measure, refill gases (cooling fluid) compliant with Ibama and Montreal Protocol are used.

The Santos Brasil Logística fleet is made up of vehicle models of advanced autonomy and technology, with low CO2 emission levels. AT Tecon Santos, trucks, RTG equipment, stackers and generators use biodiesel. Among projects to reduce GG emissions, a noteworthy action is the Compra Verde (Green Purchase) process for acquisition of new trucks, which prefers models equipped with selective catalytic reduction (SCR) post-treatment of gases in line with Brazilian National Environmental Board (Conama) Proconve (Pollution Control Program for Motor Vehicles) P7 standard.

In 2013, 34 trucks were fitted with this system. They are fueled by biodiesel and additives with a non-toxic, non-inflammable, NOx automotive liquid reduction agent of urea and water, which contributes to the reduction of diesel-oil consumption. Although there are no significant emissions of other greenhouse gases, the Company uses biodiesel S-10, with low sulfur-particle in 40% of its fleet and, for trucks at the Road Transportation Terminal (TTR), has replaced type BS 500 biodiesel (500 ppm of sulfur) with S10 (10 ppm of sulfur), representing a 98% reduction in sulfur emissions. Compra Verde system and the use of biofuels were not measured, since common fuel consumption and emission rates were not controlled prior to implementation of such improvements. [GRI G4-EN7, G4-EN19, G4-EN21, G4-EN27, G4-LT5](#)

MONITORING AND INVENTORY OF GREENHOUSE-GAS EMISSIONS WERE CARRIED OUT ACROSS ALL OPERATIONAL UNITS.



Santos Brasil Logística runs the Motorista Sustentável (Sustainable Driver) program, and every year all Company drivers undergo training with the Safe and Economic Driving module. In 2014, Santos Brasil is set to extend the fuel reduction program to biodiesel vehicles and award the best-performing drivers across all units. [GRI G4-LT5](#)

Greenhouse gas emissions by movement [GRI G4-N18](#)

Tecon Santos	16.23 kgCO2 per TEU handled
Tecon Vila do Conde	31.97 kgCO2 per TEU handled
Tecon Imbituba	30.37 kgCO2 per TEU handled
Logistics	
CLiAs (Logistics and Industrial Customs Centers)	3.80 kgCO2 per CTNR handled
Distribution Centers (DCs)	0.42 kgCO2 per pallet handled
TTR (Santos Transportes Ltda.)	1.01 kgCO2 per km traveled

Water, effluents and waste

Santos Brasil’s water consumption in 2013 totaled 59,202 m3, an increase of 21.98% from the previous year (46,191.68 m3). The Company is to set reduce targets for water consumption at all units in 2014. [GRI G4-EN8, EN9](#)

In regards to water disposal, 52,482 m3 of sanitary waste was treated in 2013 at the Tecon Santos sewage treatment plant, and deposited into a receiving body (sea channel). The capacity of this plant will increase to a thousand people over the course of the year. The other Santos Brasil units do not have dedicated effluent treatment plants. [GRI G4-EN22](#)

The Company does not currently carry out the recycling and reuse of treated water (effluents). However, a new physical-chemical effluent treatment plant was acquired in 2013 and is due to begin operations in Tecon Santos by the end of the first semester in 2014, whereby water used for yard machinery wash-down will be treated and returned to the same system. Once this new facility is installed, the current Tecon Santos treatment plant will be transferred to the Santos CLIA. [GRI G4-EN10, EN22](#)

Another environmental success story for 2013 was provided by a change in the Tecon Santos waste management model, leading to a 70% reduction in

Water consumption in 2013 (m³) [GRI G4-EN8, G4-EN9](#)

	Public main	Mineral water (gallons)	Total	Water sources affected by removal of water
Tecon Santos	59,117.76	84.24	59,202.00	Public supply sources and hydromineral sources public water
CLIA Guarujá (Logistics and Industrial Customs Centre)	5,221		5,221	hydromineral sources public water
CLIA Santos	11,229.28	1.72	11,231	Public supply sources and hydromineral and artesian wells
CD São Paulo	2,016		2,016	hydromineral sources public water
CD São Bernardo do Campo	6,988		6,988	Public supply sources and hydromineral sources public
Total	84,572.04	85.96	84,658.00	

Waste disposal [GRI G4-EN23](#)

Hazardous					
Used lubricating oil (liters)	71,410	10,320	2,800	25,000	Recycling
Used bulbs (unit)	2881	84	0	2,700	Decontamination and recycling
Septic waste (kg)	963	0	0	0	Incineration
Oil-contaminated solid					
contaminados com óleo (t)	69.2	4.76	14.32	49.6	Beneficiation
Oil-contaminated mud (t)	14.61	0	0	0	Beneficiation
Non-hazardous					
Automotive batteries (unit)	474	25	0	0	Reciclagem
Organic waste and sweepings (t)	864.55	56.85	1.06	70.25	Controlled landfill
Scrap tire (unit)	883	54	0	54	Recycling
Iron scrap (t)	280	0	146	13.34	Recycling
Paper/plastic (t)	34.25	6.75	1.69	187.85	Recycling
Scrap glass (t)	0	0	14.3	0.18	Recycling
Site rubble, timber (t)	444.19	0	0	1,972.52	Recycling

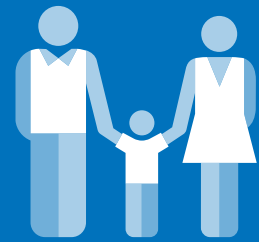
CHANGES IN THE TECON SANTOS ENVIRONMENTAL MANAGEMENT MODEL REDUCED GENERATION OF CIVIL CONSTRUCTION WASTE BY 70%: MATERIALS FORMERLY DISPOSED OF AT LANDFILL NOW GOES TO RECYCLING PLANTS.

civil construction waste. Formerly sent to controlled landfills, such residue now goes to recycling plants. In 2014, the Company will evaluate indicators for all units and set reduction targets based on consolidated results published by the Brazilian Association of Public-Use Container Terminals (Abratec). [GRI G4-EN23, EN27](#)

In June, concerned with raising awareness among its interlocutors, Santos Brasil promoted a cultural competition, “*Pensar – Comer – Conservar – Diga não ao desperdício!*” (Think – Eat – Conserve – Say no to waste!), a six-question quiz posted on the Company Facebook page. To mark the International Environment Day, the questions followed the theme of the UN global program against food waste and awarded the winner a 21-gear bicycle. The goal was to draw public attention to, and encourage reflection on, the importance of small everyday actions that can reduce waste and its impact on the environment.

In addition to the competition, a number of themed actions were held to observe Environmental Education Week at business units, such as workshops, lectures, and food tastings in partnership with the Alimente-se Bem (Eat Well) program promoted by Sesi, the Industry Social Services organization. All in-house actions were recorded onto the UN official website, where Santos Brasil takes part in a global database on food waste reduction rates.





Social capital

Social education and inclusion programs are the focus of initiatives to support development in communities surrounding Santos Brasil operations.

Local development GRI G4-SO1, G4-20, G4-21

Company relationships with surrounding communities improved significantly in 2013, with the advent of a more streamlined dialogue process with residents of communities around Tecon Santos and the Vehicle Terminal, achieved through the setting up of a panel which led to an income-generation pilot project. In communities close to the Imbituba and Vila do Conde terminals, surveys were conducted and will serve as a basis for social action planning in 2014. With initiatives under way in all surrounding communities, the engagement strategy will be underpinned by identified demands aligned to the Company's volunteer workforce.

Structured in 2011, the Eu Sou Voluntário (I am a Volunteer) program received clearer policy definition following an analysis of legislation and benchmarking to identify the best practices of other companies that have volunteer programs. The policy, which among other aspects defines the number of hours allocated and creation of local volunteer committees, is to be implemented in 2014. Around 8% of Company employees take part in the program and 277 were honored during August's Volunteer Week in an attempt to raise awareness and increase the number of participants.

Santos Brasil's units have an indirect impact on the economic development of surrounding areas, whether through the contracting of services or the generation of direct and indirect jobs, thereby increasing the per capita income of families and stimulating the local economy. The focus of private-social investments continues to be on the sustainable development of communities and social inclusion, with emphasis on education. The idea is to provide the means for young people to get good jobs, increasing family incomes, and helping the local market grow as a result.

GRI G4-EC8



Noteworthy among initiatives in 2013 were:

ESCOLA SANTOS BRASIL FORMARE

Commenced in 2009 in partnership with the Lochpe Foundation, the project delivers professional qualification courses to young people in low-income situations, ran by the Education Ministry and delivered by approximately 140 volunteer employees. Two classes of around 20 students graduate each year, and are drawn from the cities of Guarujá and Santos (SP). Students are aged between 17 and 18 years old and receive a scholarship grant equivalent to half of a minimum monthly salary, a uniform, and a meal allowance. A total of 136 students have been qualified through the program, with 61 working at Santos Brasil and all continuing on to technical colleges or universities. The initiative is geared toward social inclusion and professional skills-enabling for the port and logistics market, in addition to encouraging volunteer work.

NOSTRA ALDEIA

Developed by the Associação Palavra de Vida (Word of Life), this project offers jiu-jitsu classes for around a hundred children and adolescents from the community of Aldeia, in Guarujá. Santos Brasil has officially backed the project since August 2012 and volunteers from the company help run it. The partnership also includes other initiatives, such as socio-cultural excursions, oral health guidance, income generation workshops in partnership with Industry Social Services (Sesi) for mothers of assisted students, and the sponsorship of students in regional Jiu-Jitsu competitions. In August 2013, 11 students from Nostra Aldeia competed in

the second stage of the São Paulo State Jiu-Jitsu Championships held in Barueri, and won six medals.

GUERREIROS SEM ARMAS

In November, Santos Brasil signed a renewal of their support for Guerreiros Sem Armas (Warriors without Arms), a program by the Instituto Elos Brasil. Active since 1999, this will be the third edition supported by the Company. Held over 32 days in three communities simultaneously, two in Santos and one in Guarujá, the program brings together young people from several different countries to gain insight into leadership and social enterprise based on the Elos philosophy. Participants are trained in technologies applicable to situations

OF THE 136 YOUNG PEOPLE QUALIFIED BY THE ESCOLA SANTOS BRASIL FORMARE PROJECT, 61 WORK AT SANTOS BRASIL AND ALL HAVE CONTINUED WITH THEIR STUDIES.



anywhere around the world. Company employees also do volunteer work during community activities.

SETTAPORT SOCIAL RESPONSIBILITY FOUNDATION

The project developed by this foundation has been sponsored by Santos Brasil since 2012, with the primary aim to provide open access to educational sports and promote the social inclusion of children and teenagers in the cities of Guarujá and Santos. Soccer and judo classes are given, benefiting around 190 students between the ages of 6 and 13. The partnership also encompasses a variety of other initiatives: Participation in events, sporting competitions, oral hygiene tips, socio-educational visits, family integration actions, and income-generation workshops for the mothers of assisted students

HOME CRECHE

In April 2013, Santos Brasil signed an agreement with Guarujá City Hall and social business company Pupa Empreendimentos Educacionais e Sociais to set up the Creche em Casa (Home Creche) program which offers qualification courses for carers of children from newborn to five years of age in low-income neighborhoods of the municipality. Conceived by the municipal government, the project gained feasibility on receiving the support of Santos Brasil and Pupa, which will be responsible for implementation. In the first phase, 75 women from the Santo Antônio, Morro do Macaco Molhado and Aldeia neighborhoods receive training and qualification, with 25 from each district benefiting. The program provides for carer training to stimulate cognitive skills in children, considered essential for

development of intelligence and to aid learning in school.

MUSIC ACADEMY

Envisioned by maestro Renato Misiuk and music producer DJ Claudinho RS, the project includes delivers music classes, focused on instruments and rhythms, to 200 young people and adults — students at the Walter Scheppis State School in Guarujá and residents of the community surrounding the college. Launched in April, the Company lent its support in order to encourage the education of young people, providing contact with art and culture, and thus reducing criminality.

EDUCATION PARTNERS

Developed in partnership with NGO Parceiros da Educação and Guarujá City Hall since 2011, this project saw Santos Brasil adopt the Profa. Lúcia Flora dos Santos Municipal School in Vicente de Carvalho. The initiative seeks to improve the quality of teaching at public schools in the region through qualification of teachers, support to management, integration into the community and infrastructure investments. Results are followed up in accordance with the school's performance on the Basic Education Development Index (Ideb).

TENNIS CHAMPIONSHIPS

The Company supported two important tennis championships in 2013. April saw the third consecutive edition of the Santos International Tennis Championship – the ATP Challenger – which brought together athletes from various countries and awarded US\$ 35,000 in prize money, in addition to points counting toward the ATP ranking. The Santos Brasil Tennis Cup took place in October in the northern Brazilian city of Belém (Pará State), where

players from six countries competed for total prize money of US\$ 15,000 in an event organized by the Instituto Sports through the Federal Law on Sports Incentive, and sponsored by Santos Brasil for the second consecutive year.

PARTICIPATION IN AGENCIES

Santos Brasil has representatives in the Sustainability, Legal, and Technical working groups of the Brazilian Association of Public-Use Container Terminals (Abratec), headquartered in the city of Rio de Janeiro. Sustainability Group meetings are held bimonthly and attended by representatives from ports around Brazil for discussion of standards, laws, and regulations in the areas of health, safety, and the environment with sharing of experiences and good practices. Santos Brasil’s goal for 2014 is to participate in the six group meetings and implement jointly-devised management models, in addition to aligning corporate Environmental targets and Health & Safety goals with the indicators set by Abratec. The Company also intends to be a more active participant in the Children and Adolescent Boards in Santos and Guarujá.

GRI G4-16

COMMITMENTS GRI G4-15

Chiefly involving community, government, and environmental stakeholders, Santos Brasil participates on a voluntary basis in a number of initiatives which adds weight to its sustainability targets.

Participation in agencies

Member of governance agencies	Management
Associação Brasileira dos Terminais Portuários (ABTP) – Brazilian Association of Port Terminals	2012/2013
Associação Brasileira de Terminais de Contêineres de Uso Público (Abratec) – Brazilian Association of Public-Use Port Terminals	Since April 2010
Federação Nacional dos Operadores Portuários (Fenop) – National Federation of Port Operators	September 2007 - 03/31/2013
Departamento de Ação Regional (DEPAR) em Santos da Federação das Indústrias do Estado de São Paulo (Fiesp) – Regional Action Department in Santos of São Paulo State Federation of Industries	2006 - September 2015
Serviço Social da Indústria (Sesi)/Serviço Nacional de Aprendizagem Industrial (Senai) – Industry Social Services/National Industrial Education Service	Since 2006
Comissão de Portos (Comportos) – Ports Comission	September 2007 to 03/31/2013
Centro das Indústrias do Estado de São Paulo (Ciesp) – São Paulo State Industries Center	2011/2014
Núcleo de Jovens Empreendedores (NJE) – Center for Young Entrepreneurs	2012/2013
Instituto de Estudos das Operações de Comércio Exterior (Icex) – Institute for International Trade Operation Studies	2013/2014
Contribution of financial resources	Value
Fundo Municipal dos Direitos da Criança e do Adolescente do Guarujá (Fumcad) – Guarujá Municipal Fund for Child and Teenager Rights	R\$ 100,000.00
American Chamber of Commerce (Amcham)	R\$ 33,591.80
Centro das Indústrias do Estado de São Paulo (CIESP) – São Paulo State Industries Center	R\$ 51,074.00
Instituto de Estudos das Operações de Comércio Exterior (Icex) – Institute for International Trade Operation Studies	R\$ 6,000.00

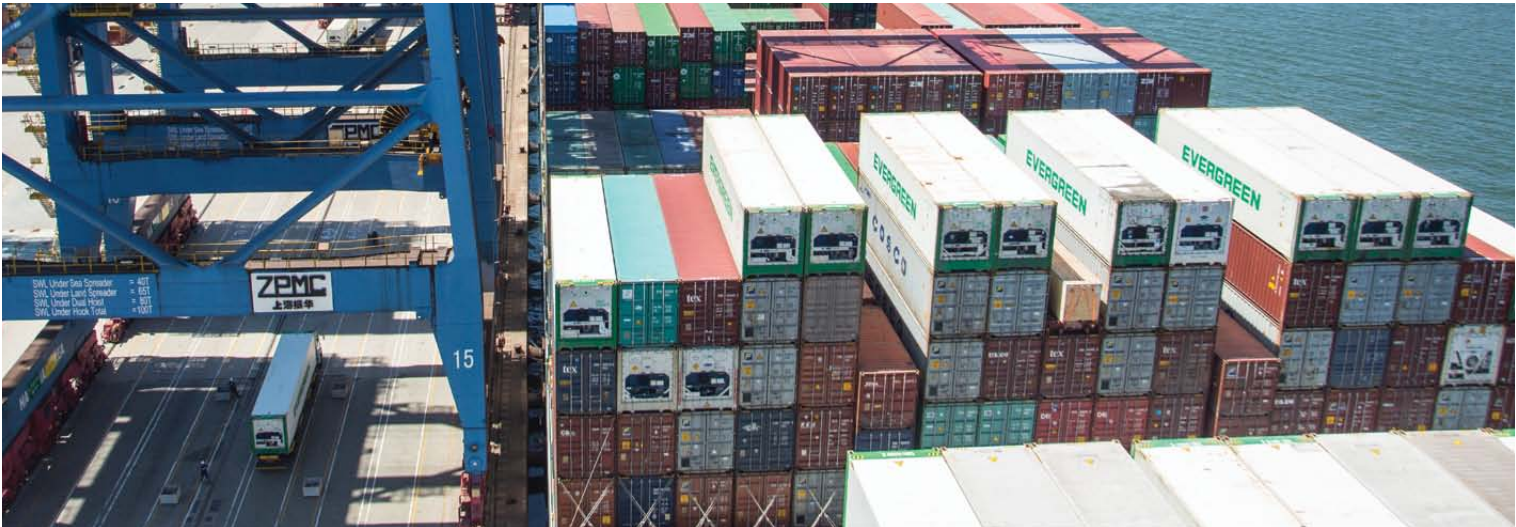
Programa Modernizando a Gestão Pública (PMGP) – Modernizing Public Management Program

Implemented at Guarujá City Hall by the NGO Movimento Brasil Competitivo (MBC) – the Competitive Brasil Movement, from March 2012 to March 2013.

Programa Na Mão Certa – In the Right Hands Program

Santos Brasil has been a signatory of this pact since 2009, to tackle the sexual exploitation of children and teenagers on the highways.

PURCHASING POLICY HELPS COMMUNITY DEVELOPMENT: 65% OF PURCHASES IN 2013 WERE MADE WITH LOCAL SUPPLIERS.



Empresas pelo Clima (EPC) – Fundação Getúlio Vargas (FGV) – Companies for Climate

The Company signed up for this program in 2011, which brings together businesses prepared to operate in a low-carbon economy.

Instituto Ethos

In 2012, Santos Brasil joined this organization which fosters the exchange of knowledge and experience, along with the development of tools to assist companies in analyzing socially responsible practices, thereby furthering their commitment to sustainable development.

Global Compact

In line with its commitment assumed in the 2012 Sustainability Report, in December 2013, Santos Brasil signed up to this UN initiative which aims to mobilize the international business community to adopt fundamental values set out as ten principles on human rights, labor relations, the environment, and tackling corruption.

Suppliers

The Santos Brasil purchasing policy supplements other fostering initiatives with local economies and prioritizes suppliers in the region. In 2013, 65% of Company purchases were made through local suppliers, up from the 48.8% in 2012, when measurement of the indicator began. The result is based on figures for the Company’s main operational units. The target for 2014 is to further increase the participation with local suppliers to 70%. [GRI G4-EC9](#)

Furthermore, 100% of Santos Brasil’s contracts have clauses related to child labor, forced or slave, as well as conditions placed on safety, occupational health and work environmental, including the waste collection at our facilities. In 2013, a further clause was created to allowing the right to carry out audits on contractors during contract terms, and visits were made to uniform suppliers. [GRI G4-HR10](#)



About this report

This annual report gathers quantitative and qualitative information from all of Santos Brasil's business units (Tecon Santos, Tecon Imbituba, Tecon Vila do Conde, Vehicle Terminal and Logística) for the period between January 1 and December 31, 2013. Published on the date of the Shareholders' General Meeting, the document was externally reviewed by EACH – USP (São Paulo University School of Arts, Sciences and Humanities). [GRI G4-17, G4-28, G4-30, G4-33](#)

Aimed at establishing an international standard on reporting economic, social, and environmental performance, the Global Reporting Initiative (GRI) guidelines were incorporated for the second consecutive year, with the last report corresponding to 2012. The text is based on the six capitals (financial, manufactured, intellectual, social, human, and natural), inspired by the integrated reporting model (International Integrated Reporting Council – IIRC), and adopts the recently-created G4 version of GRI in a publication classified in accordance with the essential option, in which priority indicators were set depending on their degree of impact and relevance for established relationships. The Company hopes that, having adopted this new model in a pioneering manner, readership of the report will be expanded beyond shareholders, Company board members, and the press. Its content is aimed at all groups defined in the stakeholders' map (investors/shareholders, employees, outsourced contractors, customers, members of government, environmental NGOs, associations, unions, suppliers, and communities). [GRI G4-29](#)

In 2013, Santos Brasil streamlined its relationships with priority groups, developing new channels of communication. The Post-Sales department was created for customers; for investors, a watchdog channel via e-mail was established; and in respect to employee engagement, working groups directly involved 150 people from all hierarchical levels in addressing the key issue of Health & Safety.

The five key questions were defined at the end of 2012, based on cross-referencing the research results with internal analysis carried out by the Company's senior management, with focus on relevant themes for the parties involved in a process conducted in partnership with the consultant agency Via Gutenberg. As a test of complete and detailed materiality was not conducted in 2013, the Company has set the target of continuing this consultation in 2014. Other material issues defined in 2012 include Local Development, Qualification and Retention, Transparency and Anti-Corruption Practices, and Renewable Energy. [GRI G4-18](#)

The economic and financial data of the report consolidates information from all business units, in compliance with international accounting standards and were audited by Deloitte Touche Tohmatsu Auditores Independentes. Some of the social and environmental information refers to certain units, with partial data duly identified.

Any queries about this document may be clarified by the Communication and Investor Relations departments: comunicacao_corporativa@santosbrasil.com.br or bsau@santosbrasil.com.br or by calling (55 11) 3897-1111. [GRI G4-31](#)



External verification

In order to confirm integrity and credibility, and on the recommendation of the Global Reporting Initiative (GRI), Santos Brasil submits its annual Sustainability Reports for external verification. This year's report was verified by the Center for Research for Organizations, Society and Sustainability (NOSS) of EACH-USP, under the coordination of Professor Sylmara Gonçalves Dias, PhD in Environmental Sciences (USP), and Professor Alexandre Toshio Igari, PhD in Ecology (IB-USP). [GRI G4-33](#)

Santos Brasil is publishing its second Sustainability Report and decided to adopt the recent GRI G4 standard, which provides greater transparency of the specific material aspects to be dealt with and disclosed. We can also confirm that the Company reports the essential "In Agreement" option and follows it appropriately.

Contents of the report

The engagement of the stakeholders presented demonstrates that the Company has an extended vision about the variety of actors included in its sustainability management policy. In terms of completeness of the report, there is scope to add more detail to aspects related to the environmental impacts of the Company. In respect of indicator EN6, a description of activities encompassing other methods of electrical energy use would be welcome.

Although compliant with GRI G4 directives, indicators EN17, EN19, and SO2 could provide more detail to enhance data analysis. It is also suggested to go into more detail about goals, along with a more complete presentation of the indicators which were only partially answered. Examples of target completeness and presentation are given in indicators PR5, LA6, and LA10.

In terms of sustainability, performance of the Company is presented in a transparent, balanced manner, such as in indicator LA10 in which the social demands and measures taken by the Organization are part of its compliance, along with those the Company has as yet been able to undertake.

Quality of the report

For those reading the report, the text's clarity and fluidity are undeniable, and can be observed in respect of all aspects analyzed, where information is clearly presented, facilitating reading and reader understanding.

Santos Brasil presents successful Company socio-environmental initiatives; there is, however, space for explanation of any deficiencies and/or sharing lessons learned, which would provide greater balance to comparative analysis and detailing of some indicators such as SO2, SO3, SO4 and SO5. A further example is indicator EC8, in which the Company lists the various positive indirect economic impacts in relation to implementation of its industrial units, but does not detail any negative impacts resulting from its activities.

The compatibility of environmental and social indicators is hampered by the short management background on such aspects. Nevertheless, it is of note that economic performance and profile indicators, along with the highlights section - G4-9 – offer an opportunity for three-year comparison between 2011 and 2013, enabling stakeholders to follow quantitative progress in the Organization.

São Paulo, April 2014.

Coordination: Professor Sylmara Gonçalves Dias, teacher on the EACH-USP Environmental Management course, PhD in Environmental Science at São Paulo University (PROCAM-USP) and PhD in Administration at the Getúlio Vargas Foundation Administration School in São Paulo (EAESP-FGV); Professor Alexandre Toshio Igari, PhD in Ecology at the Biosciences Institute of São Paulo University (IB-USP).

Participating students: Ana Caroline Garcia, Caroline Kerestes, Gabriel Joseph, Guilherme Abreu, Guilherme Souza, Jessica Rosani, Júlia Tonetto de Almeida, Juliana Venturin, Marcela Miranda Francisco, Marcela Rissardi, Stefani Stefanovich, Tallita Ellen Marão, Thais Camolesi Guimarães, Thais Mancini.



Global Compact principles

Global Compact principles	Actions
<div>HUMAN RIGHTS</div> <div><div><div><div>1</div><div>RESPEITAR o direito de todas as pessoas de terem seus direitos fundamentais reconhecidos e respeitados</div></div><div><div>2</div><div>ASSEGURAR a não participação de empresas em atividades que possam comprometer seus valores</div></div></div><div><ul style="list-style-type: none">• Code of Ethics and Conduct• Supplier Qualification Manual• Mission, Vision, and Values• Social investment focused on local development (community social diagnoses in all cities of operation)• Projects in support of sports• Santos Brasil Formare Schools• Community projects: Comunidade Nostra Aldeia, Fundação Settaport, Estaleiro Musical, Parceiros da Educação• Participation in the initiative Innovation and Sustainability in the Value Chain, of GV CES• Participation on 05/18, Day of Tackling Sexual Exploration of Children and Teenagers, with disclosure of the Na Mão Certa (In the Right Hands) program: Distribution of 3,000 letters to municipal schools in the city of Guarujá• Programa Atitude Segura (Safe Attitude) of the Quality, Health, Safety, and Environment department (QSSMA): Average reduction of 31% in the frequency of lost-time accidents• Sustainability Academy: Qualification and training in sustainability for Company employees</div></div>	
<div>LABOR RIGHTS</div> <div><div><div><div>3</div><div>OPORTUNIDADE de emprego para todos sem discriminação de gênero, idade, religião, origem étnica ou social, ou qualquer outra condição social</div></div><div><div>4</div><div>ELIMINAR todas as formas de trabalho forçado ou compulsório</div></div><div><div>5</div><div>ERRADICAR efetivamente todas as formas de trabalho análogo à escravidão</div></div><div><div>6</div><div>ESTIMULAR práticas de diálogo social entre empresas e sindicatos</div></div></div><div><ul style="list-style-type: none">• Code of Ethics and Conduct• Mission, Vision, and Values• Supplier Qualification Manual• Professional qualification and development programs• Programa Atitude Segura (Safe Attitude) of the Health, Safety and Environment department (SSMA)• Relations with unions</div></div>	
<div>ENVIRONMENT</div> <div><div><div><div>7</div><div>ASSUMIR a responsabilidade pelas atividades e operações que possam causar danos ambientais</div></div><div><div>8</div><div>DESENVOLVER práticas de gestão ambiental e promover a melhoria contínua</div></div><div><div>9</div><div>INCENTIVAR o desenvolvimento e a adoção de tecnologias ambientalmente inovadoras</div></div></div><div><ul style="list-style-type: none">• Code of Ethics and Conduct• Supplier Qualification Manual• Mission, Vision, and Values• ISO 14001 certification• Sustainability policy• Development of environmental projects to reduce use of resources in operational processes: CO2, energy, water</div></div>	
<div>ANTI-CORRUPTION</div> <div><div><div>10</div><div>COMBATER a corrupção em todas as suas formas, incluindo fraudes e suborno</div></div></div> <div><ul style="list-style-type: none">• Code of Ethics and Conduct• Supplier Qualification Manual• Mission, Vision, and Values• Corporate governance• Sustainability committee• External audit for validation of economic-financial data• Ongoing internal audit process</div>	



Summary of Global Reporting Initiative (GRI) content

“In accordance” Essential option GRI G4-32

Standard disclosures	Page/Responses	External verification (p. 74)	Level of information	Global Compact Principle
STRATEGY AND ANALYSIS				
G4-1 Declaration of highest-level decision maker in the organization on the relevance of sustainability for the Company and its sustainability strategy.	p. 2	No	Complete	
G4-2 Description of key impacts, risks, and opportunities	p. 10, p. 4	Yes	Complete	
ORGANIZATIONAL PROFILE				
G4-3 Name of organization.	p. 4	Yes	Complete	
G4-4 Primary brands, products and/or services.	p. 4	Yes	Complete	
G4-5 Location of headquarters.	p.105	Yes	Complete	
G4-6 Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	p. 4	Yes	Complete	
G4-7 Nature of ownership and legal form.	Port service provision concession. Publicly-held company listed on São Paulo Stock Exchange (Bovespa) corporate governance level 2		Complete	
G4-8 Markets served.	p. 4	Yes	Complete	
G4-9 Scale of the organization.	p. 4, p. 32, p. 44	Yes	Complete	
G4-10 Total number of employees.	p. 46	Yes	Complete	
G4-11 Percentage of total workforce covered by collective bargaining agreements.	p. 51	Yes	Complete	
G4-13 Significant changes in the reported period in relation to size, structure, ownership or the organization's supply chain.	No changes.	Yes	Complete	
G4-14 Precautionary Approach.	p. 14	Yes	Complete	

Standard disclosures	Page/Responses	External verification (p. 74)	Level of information	Global Compact Principle
ORGANIZATIONAL PROFILE				
G4-15 Charters, principles or other initiatives developed outside the economic, environmental and social character to which the organization subscribes or which it endorses.	p. 70	Yes	Complete	
G4-16 Participation in associations (e.g.: sector associations) and national or international defense organizations in which the Company: Has a position on the governance body; Participates in projects or commissions.	p. 70	Yes	Complete	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17 Entities included in the organization's consolidated financial statements or equivalent documents.	p. 72	Yes	Complete	
G4-18 Process for definition of report content and Aspect Boundaries.	p. 73	Yes	Partial	
G4-19 Material Aspects identified in the process of defining report content.	p. 10	Yes	Complete	
G4-20 Aspect Boundary within the organization.	p. 19, p. 48, p. 52, p. 61, p. 62, p. 66	Yes	Complete	
G4-21 Aspect Boundary outside the organization.	p. 19, p. 48, p. 52, p. 61, p. 62, p. 66	No	Complete	
G4-22 Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Nil	Yes	Complete	
G4-23 Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	p. 11	Yes	Complete	
STAKEHOLDER ENGAGEMENT				
G4-24 List of stakeholder groups engaged by the organization.	p. 11	Yes	Complete	
G4-25 Basis for identification and selection of stakeholders with whom to engage.	p. 11	Yes	Complete	
G4-26 The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	p. 11, p. 18, p. 43	Yes	Complete	
G4-27 Principais tópicos e preocupações levantadas durante o engajamento de <i>stakeholders</i> e medidas adotadas para abordar esses tópicos e preocupações, inclusive no processo de relatá-las. Relate os grupos de <i>stakeholders</i> que levantaram cada uma das questões e preocupações mencionadas.	p. 11	Yes	Complete	

Standard disclosures	Page/Responses	External verification (p. 74)	Level of information	Global Compact Principle
REPORT PROFILE				
G4-28 Reporting period (such as fiscal or calendar year) for information provided.	p. 72	Yes	Complete	
G4-29 Date of most recent previous report.	p. 72	Yes	Complete	
G4-30 Reporting cycle (such as annual, biennial).	The company has published its financial statements since it went public 2006 – and annual reports since 2007. This is the second report in line with the GRI model and the first using model G4. p. 35, p. 72	Yes	Complete	
G4-31 Contact point for questions regarding the report or its contents.	p. 73	Yes	Complete	
G4-32 Table identifying the location of information in the report.	p. 78	Yes	Complete	
G4-33 The organization's policy and current practice with regard to seeking external assurance for the report.	p. 72	Yes	Complete	
GOVERNANCE				
G4-34 Governance structure of the organization.	p. 17	Yes	Complete	
G4-35 Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Analysis of management reports containing operational and financial information by the Board of Directors – the highest governance body – which meets every two months. p. 18	Yes	Complete	
G4-38 Composition of the highest governance body and its committees.	p. 18	No	Partial	
G4-39 Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	Not applicable Members of the Board of Directors are not part of the Executive Management Board.	Yes	Completo	
G4-40 Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	p.18	Yes	Partial	
G4-41 Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	p. 18	Yes	Complete	
G4-47 Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	p. 18	Yes	Complete	
G4-48 Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all Material Aspects are covered.	p. 18		Complete	









Standard disclosures	Page/Responses	External verification (p. 74)	Level of information	Global Compact Principle
G4-49 Process for communicating critical concerns to the highest governance body.	No use is made of shareholder deliberations or other mechanisms which allow minority shareholders to express opinions to senior management. There is no information or consultation of employees in respect of labor relations with formal representation bodies such as workers' commissions, at organizational level and in terms of representation of employees to the highest governance body.	Yes	Complete	
G4-51 Remuneration policies for the highest governance body and senior executives.	The Board of Directors receives fixed remuneration, unrelated to social and environmental performance. Executive directors receive fixed and variable installments (share option plans). Bonus targets are related to Company financial performance, and the metrics cover EBITDA and EVA. The annual share option plan total is decided by the Board of Directors. There is no link to socio-environmental performance. For executives at management level, the variable installment comprises a bonus and share option plan. Bonus targets are related to Company financial performance, and the metrics cover EBITDA.	Yes	Partial	
G4-52 Process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	Board of Directors: remunerated in cash only. Statutory Directors: the Company conducts annual studies through specific consultancies, to gauge its salary positioning in comparison with the market to attract, retain and motivate professionals.	Yes	Complete	
ETHICS AND INTEGRITY				
G4-56 The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	p. 19, p. 33	Yes	Complete	
G4-57 Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines (ombudsman).	p. 18, p. 19	Yes	Complete	
G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	p. 19	Yes	Complete	





Specific material standard disclosures

Material Aspects	Information on the management and indicator method	Omissions	External verification (p. 74)	Global Compact principles
Energy	G4-DMA p. 10	N/A	No	
	G4-EN3 p. 59, p. 60, p. 61		Yes	
	G4-EN4 p. 61		Yes	
	G4-EN5 p. 61		Yes	
	G4-EN6 p. 61		Yes	
	G4-EN7 p. 61, p. 63		Yes	
Emissions	G4-DMA p. 10	N/A	No	
	G4-EN15 p. 63		Yes	
	G4-EN16 p. 63		Yes	
	G4-EN17 p. 63		Yes	
	G4-EN18 p. 63, p. 60		Yes	
	G4-EN19 p. 61, p. 63		Yes	
	G4-EN20 p. 60		Yes	
	G4-EN21 p. 63		Yes	
Anti-corruption	G4-DMA p. 10	N/A	No	
	G4-SO3 p. 19		Yes	
	G4-SO4 p. 19		Yes	
	G4-SO5 p. 19		Yes	
Workplace Health and Safety	G4-DMA p. 10	N/A	No	
	G4-LA5 p. 48		Yes	
	G4-LA6 p. 50		Yes	
	G4-LA7 p. 51		Yes	
	G4-LA8 p. 51		Yes	
Local Communities	G4-DMA p. 10	N/A	No	
	G4-SO1 p. 65, p. 88		Yes	
	G4-SO2 p. 56, p. 58		Yes	
Training and Education	G4-DMA p. 10	N/A	No	
	G4-LA9 p. 53		Yes	
	G4-LA10 p. 52		Yes	
	G4-LA11 p. 52		Yes	
	G4-LA11 p. 52		Yes	
Economic Performance	G4-DMA p. 10	N/A	No	
	G4-EC1 p. 28		Yes	
	G4-EC2 p. 15		Yes	
	G4-EC3 p. 44		Yes	

Indicators by Aspect

Specific standard disclosures	Page/Responses	Level of information	External verification (p. 74)	Global Compact Principle
G4-EC ECONOMIC CATEGORY				
Market Presence				
G4-EC5 Ratio of the entry-level salary by gender at significant locations of operation to the minimum salary.	Entry-level salaries paid at operational units in comparison with the minimum salary are: 48.60% at Tecon Santos and offices; 35.52% at Tecon Vila do Conde; 48.60% at the Vehicle Terminal (TEV); 24.18% at Santos Brasil Logística and 19.73% in Imbituba.	Partial	Yes	
G4-EC6 Proportion of senior management hired from the local community at significant operational units.	p. 47	Partial	Yes	
Indirect economic impacts				
G4-EC7 Development and impact of infrastructure investments and services supported.	p. 58	Complete	Yes	
G4-EC8 Significant indirect economic impacts, including the extent of impacts.	p. 66	Partial	Yes	
Procurement Practices				
G4-EC9 Proportion of spending on local suppliers at significant locations of operation.	Santos Brasil defines locations as cities in the region surrounding an operational unit. E.g.: Baixada Santista for Tecon Santos and Logistics and Industrial Customs Centers (CLIAs) and Greater Belém for Vila do Conde. p. 71	Complete	Yes	
G4-EC ENVIRONMENTAL CATEGORY				
Water				
G4-EN8 Total water withdrawal by source.	p. 64	Complete	Yes	
G4-EN9 Water sources significantly affected by withdrawal of water.	p. 64	Complete	Yes	
G4-EN10 Percentage and total volume of water recycled and reused.	p. 64	Complete		
Biodiversity				
G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	p. 6	Complete	Yes	



Specific standard disclosures	Page/Responses	Level of information	External verification (p. 74)	Global Compact Principle
G4-EN12 Description of significant impacts of activities, products, and services on Biodiversity in protected areas and areas of high biodiversity value outside protected areas.	p. 57	Complete	Yes	
G4-EN13 Habitats protected or restored.	p. 60	Partial	Yes	
Effluents and Waste				
G4-EN22 Total water discharge by quality and destination.	p. 64	Partial	Yes	
G4-EN23 Total weight of waste by type and disposal method.	p. 64, p. 65	Partial	Yes	
G4-EN24 Total number and volume of significant spills.	Tecon Santos: 40 environmental incidents; six of which were significant (Class A/spillage in excess of 100 liters); Volume: 1,100 liters (200 liters of lubricating oil, 400 liters of fuel oil and 500 liters of hydraulic oil.	Complete	Yes	
G4-EN26 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	Effluents treated at Tecon Santos Chemical and Sanitary Effluent Treatment Stations are discharged to the sea channel. Santos Brasil has no information/results on biodiversity studies of the receptor body (sea channel). The habitat related to the receptor body which may be affected is the mangrove located to the right of the Vehicle Terminal ship side. Tecon Santos monitors discharges on a monthly basis, complying with legal parameters (2012). The receptor body is a protected area. Discharges are permitted provided they are approved by the managing agency and within parameters set by legislation.	Complete	Yes	
Products and Services				
G4-EN27 Extent of impact mitigation of environmental impacts of products and services.	p. 57, p. 63, p. 65	Complete	Yes	
Compliance				
G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	The Company was not subject to any environmental sanctions in 2013.	Complete	Yes	






Specific standard disclosures	Page/Responses	Level of information	External verification (p. 74)	Global Compact Principle
Transport				
G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce, de seus empregados.	p. 57	Complete	Yes	
Overall				
G4-EN31 Total environmental protection expenditures and investments by type.	Environmental investments were made using own resources in 2013. The total invested was R\$ 0.6 million - R\$ 0.4 million on expansion of the Tecon Santos Effluent Treatment Station and R\$ 0.2 million in adaptations at Tecon Vila do Conde.	Complete	Yes	
Supplier Environmental Assessment				
G4-EN32 Percentage of new suppliers screened using environmental criteria.	100% of service providers undergo assessment by the Environmental department before contracts are drawn up. This control is not yet applied to other suppliers.	Partial	Yes	
Environmental Impact Grievance and Complaint Mechanisms				
G4-EN34 Total number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.	No grievances or complaints were filed by stakeholders in 2013. There is no formal channel for recording stakeholder grievances and complaints.	Complete	Yes	











SOCIAL CATEGORY


G4-LA LABOR PRACTICES AND DECENT WORK

Employment

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region.	p. 44, p. 47	Partial	Yes	
G4-LA2 Benefits provided to full-time employees not provided to temporary or part time employees, by significant locations of operation.	Employees working less than 180 hours a month receive a lower meal allowance than others. All other benefits are the same.	Complete	Yes	

Specific standard disclosures	Page/Responses	Level of information	External verification (p. 74)	Global Compact Principle
Diversidade e Igualdade de Oportunidades				
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	p. 18, p. 46	Partial	Yes	
Avaliação de Fornecedores em Práticas Trabalhistas				
G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	Textile industry (uniforms) and civil construction suppliers were defined as critical after media reports demonstrating a higher incidence in such sectors. There is better control of service-provider assessment (contract, integration, and obligatory safety rules); however there is no follow-up of overtime, rest days and labor and social security obligations. A total of 7 visits and 81 assessments were made of more critical suppliers by means of questionnaires sent to the supplier and to managers of departments hiring.	Complete	Yes	
G4-HR HUMAN RIGHTS				
Investments				
G4-HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	Supplier and customer contracts include clauses on protection of Human Rights, although there is no indicator for oversight.	Complete	Yes	 
G4-HR2 Total hours of employee training in human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	p. 19	Partial	Yes	 

Specific standard disclosures	Page/Responses	Level of information	External verification (p. 74)	Global Compact Principle
Child Labor				
G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. trabalho infantil.	In view of the fact that operations take place in a customs-controlled area with strict access control, the risk of the company becoming involved in child/forced labor or sexual exploitation is low. The entire contracting process (for services or materials) includes assessment by workplace safety, environment, and legal departments.	Partial	Yes	  
Trabalho Forçado ou Análogo ao Escravo				
G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	In view of the fact that operations take place in a customs-controlled area with strict access control, the risk of the company becoming involved in child/forced labor, or sexual exploitation is low. The entire contracting process (for services or materials) includes assessment by workplace safety, environment, and legal departments.	Partial	Yes	  
Security Practices				
G4-HR7 percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	All security employees (137 in total) undergo training during their integration period, including: company policies, specific operational instruction about the sector, rules of conduct including human rights aspects such as mutual respect, non-discrimination, rights and obligations, health and safety, etc. They also receive guidance on the concept of the common good and the role of security in this wider context. Training averages a total of 40 hours. The target for para 2014 is to reach all outsourced security personnel within this scope – some 170 people.	Complete	Yes	 
Avaliação de Fornecedores em Direitos Humanos				
G4-HR10 Percentual de novos fornecedores selecionados com base em critérios relacionados a direitos humanos.	p. 71	Partial	Yes	 

Supplier Human Rights Assessment	Page/Response	Level of information	External verification (p. 74)	Global Compact Principle
G4-SO SOCIETY				
Public Policy				
G4-SO6 Total value of political contributions by country and recipient/beneficiary.	Nil	Complete	Yes	
Anti-competitive Behavior				
G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	One (1)	Partial	Yes	
Compliance				
G4-PR PRODUCT RESPONSIBILITY				
Customer Health and Safety				
G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	All Company activities and services undergo a risk assessment indicating possible situations, and the required mitigation and emergency measures, known as Hazard and Risk Tables. Reviews are conducted annually or whenever there are changes affecting the process, thereby ensuring risk assessment at all phases of the product and/or service lifespan.	Complete	Yes	
Product and Service Labeling				
G4-PR5 Results of customer satisfaction surveys.	p. 42	Complete	Yes	
G4-LT CATEGORIA SETORIAL				
G4-LT5 Description of initiatives to control urban emissions from road traffic (e.g. alternative fuel use, frequency of vehicle maintenance, driving styles, etc.)	p. 63	Complete	Yes	

Supplier Human Rights Assessment	Page/Response	Level of information	External verification (p. 74)	Global Compact Principle
G4-LT6 Description of policy and programs implemented to manage traffic congestion impacts (e.g. distribution, new modes of city transportation, percentage of delivery by alternative transportation methods).	p. 57	Complete	Yes	
G4-LT7 Description of noise management/reduction policy and programs.	The Environmental Risk Prevention Program sets minimum parameters and general guidelines for hearing preservation among employees by means of anticipation, recognition, assessment and subsequent control of its noise sources. It defines tolerance limits for activities with continuous or intermittent noise. The program also includes replacement and/or acquisition of vehicles and equipment whose noise levels are above the tolerance limit, primarily in acquisition of new vehicles and equipment.	Complete	Yes	
G4-LT9 Description of policy and programs to determine working hours, rest periods and places of rest for those who travel by car and operate with vehicle fleets.	At logistics units, trip control, hours worked and rest periods for drivers are recorded in the Log Book and subsequently transferred to job cards. For journeys in excess of four hours, the e-mail device is used, indicating the time of arrival at destination, demonstrating compliance or otherwise with rest-stop regulations. Such controls are part of the process to adapt our systems to comply with Law 12.619 of 30/4/2012 on mandatory rest periods for drivers. A company target is to formalize control documentation into policy and adapt the system of trip-control programs.	Complete	Yes	

Supplier Human Rights Assessment	Page/Response	Level of information	External verification (p. 74)	Global Compact Principle
G4-LT11 Description of policy and programs	The Company operates preventively and based on guidance. The Occupational Health department identifies employees in such conditions during regular clinical check-ups and pre-employment health exams. The Social Services area provides individual attention in conjunction with the family. In 2013, 10 cases were overseen and assisted. Healthcare is provided by means of a medical agreement in which students of the Formare project receive guidance in the Workplace Quality of Life discipline from professionals in the pharmaceutical area in relation to resistance to drugs. This action not only benefits students with instruction, but also the community in view of the fact that concepts addressed form a basis for open dialogue with family members, friends, teachers, and the community itself - p. 51	Complete	Yes	
G4-LT16 Criteria for selection of recruitment and allocation; how such criteria are related to international standards such as International Labor Organization (ILO) conventions.	Selection processes are conducted in a respectful, ethical manner and take technical and behavioral competences of candidates into consideration regardless of their race, color, creed, or gender as provided for in ILO convention 111.	Complete	Yes	



Glossary

Ordinary General Assembly (OGA): A compulsory meeting of the shareholders of a company for verification of results and reading, discussion, and voting on board reports and election of the fiscal council of the limited liability corporation.

Brazilian Chemical Industry Association (Associação Brasileira da Indústria Química - Abiquim): Non-profit organization, founded in 1964, which encompasses large, medium, and small chemical industries and service providers to the sector in the areas of logistics, transportation, waste management, and emergency response.

Brazilian Business Communication Association (Associação Brasileira de Comunicação Empresarial - Aberje): Non-profit civil society founded in 1967 to discuss and promote, from local and global perspectives, business and organizational communication as an administrative, political, cultural and symbolic function of strategic management of organizations and for promotion of citizenship.

Brazilian Association of Public-Use Container Terminals (Associação Brasileira de Terminais de Contêineres de Uso Público - Abratec): An association formed in 2002 to nationally represent

companies leasing public-use port terminals, specialized in container handling.

Brazilian Association of Port Terminals (Associação Brasileira dos Terminais Portuários - ABTP): Non-profit civil society based in Rio de Janeiro, representing more than 100 mixed and public-use port terminals.

International Benchmarking: Method of assessing products, services, and processes, comparing same to those of competitors recognized as leaders in areas evaluated.

São Paulo State Industries Center (Centro das Indústrias do Estado de São Paulo - CIESP): Civil non-profit entity, founded in 1928, which brings together industrial companies and their parent groups and associations in the productive sector, in addition to those carrying out activities directly related to the interests of the industry.

Distribution Center (DC): Unit which stores own or third-party products with an end to dispatching them to other units, branches, or customers.

Logistic and Industrial Customs Center (Centro Logístico e Industrial Aduaneiro - CLIA): Merchandise facilities offering storage and logistics services for operation under the special customs warehousing regime.

Ports Comission (Comissão de Portos - Comportos): National Public Security Commission for Ports, Terminals and Shipping Routes created by Decree 1.507 of May 30, 1995 as amended by Decree 1.972 of July 30, 1996. Comportos includes representatives of the Justice Ministry; Defense Ministry; Naval Command; The Treasury; Foreign Affairs Ministry and the Ministry of Transport.

Securities Commission (Comissão de Valores Mobiliários - CVM): An autarchy linked to The Treasury which, in accordance with Corporation Law (6.404/76), regulates the securities market and the actions of its members.

São Paulo State Docks Company (Companhia Docas do Estado de São Paulo - Codesp): Federal autarchy under the Special Ports Secretariat of the Presidency of the Republic (SEP). Its object is to administrate and commercially exploit the Port of Santos.

Lease contract: Private instrument signed between the port authority and respective lessee. It contractually guarantees concession of an area for a determined period in addition to compliance with quality targets in

execution of its activity and levels of service provided to users.

São Paulo State Federation of Industries (Federação das Indústrias do Estado de São Paulo – Fiesp): Biggest class entity in Brazilian industry. Represents some 130,000 industries from various sectors from all ports and different productive chains, distributed over more than 130 unions. Its mission is to represent the productive and private sectors and the market economy and keep abreast of national issues affecting industrial activity and development in Brazil, making the institution a sounding board for significant events in the nation.

National Federation of Port Operators (Federação Nacional dos Operadores Portuários - Fenop): Second-level union entity which brings together and represents the economic class of port operators.

Settaport Foundation (Fundação Settaport): Non-profit social responsibility and port-city integration entity created by the Union of Land-Based Water Transport Workers and Port Operators in the State of São Paulo (SETTAPORT).

Greenhouse gases (GG): Gaseous substances which partly absorb infra-red radiation, primarily emitted on the land surface, and hamper their escape into the atmosphere. This prevents natural heat dissipation into the air, thereby causing

the Earth to heat up. Gate: Terminal access point.

Gate: Terminal access point.

Institute for the Study of International Trade Operations (Instituto de Estudos das Operações de Comércio – Ices): User group of simplified dispatch services working with government agencies in the quest for solutions to facilitate international trade operations.

International Organization for Standardization (ISO): One of the world’s biggest certifying agencies, ISO is an NGO based in Switzerland whose function is to formulate and promote global acceptance standards through regulation of products and services to achieve ongoing refinement of their quality.

Market share: This is the market slice or quota a company has in its sector or in that of a determined product.

Competitive Brazil Movement (Movimento Brasil Competitivo - MBC): Public Interest Civil Society Organization which seeks to contribute to improved quality of life for the Brazilian public by increasing competitiveness in the country.

Moves per Hour (MPH): Productivity indicator which calculates the number of containers handled per hour.

Center for Young Entrepreneurs (Núcleo de Jovens Empreendedores - NJE): The Center brings together young entrepreneurs from the most varied activities in wider industry and aims at preparing young leaders and successors with a profile geared toward growth among their companies and class associations and representative participation in the São Paulo State and Brazilian economies.

OHSAS (Occupational Health and Safety Assessment Services): This is a tool which enables a company to achieve and systematically control and improve its own level of workplace health and safety performance.

Optical Character Recognition (OCR): Optical reading technology which recognizes characters from an image or bitmap file, whether written by hand, typed or printed.

Pallet: A wooden or plastic base used to stack and transport materials to be moved by forklift/stacker.

Portainer – quay crane
RTG Twin Pick (Rubber Tire Gantry Cranes): Crane on tires which moves containers in yards; Twin Pack models are capable of hoisting two 20-foot containers simultaneously.

National Industrial Education Service (Serviço Nacional de Aprendizagem Industrial - Senai): Federally-structured system providing a wide range of professional qualification programs to fill the Brazilian industrial labor gap, based on the peculiarities of each region of the country.

Industry Social Services (Serviço Social da Indústria - Sesi): Private limited entity under civil law, federally structured to provide social assistance to industrial and similar workers throughout Brazil.

Pará State Port Operators’ Union (Sindicato dos Operadores Portuários do Estado do Pará (SINDOPAR): Founded in 1994, Sindopar is a non-profit association constituted for the study, coordination, protection, and representation of port operators in Pará.

Health, Safety, Environment and Quality Assessment System (Sistema de Avaliação de Saúde, Segurança, Meio Ambiente e Qualidade - SASSMAQ): An evaluation method created and required by the Brazilian Chemical Industry Association (Abiquim) and implemented by the elements of a determined logistical chain.

Standard & Poor’s Rating Services (S&P): Risk assessment agency which publishes analyses and research on stock exchanges, securities and companies.

Tag along: Mechanism for protection of minority shareholders in a company which guarantees them the right to leave a corporation if its control is acquired by an investor who, until that moment, was not a part of it.

TEU (twenty feet equivalent unit): Unit equivalent to a 20-foot container.

Transtainer: Wheeled gantry crane used to move containers. Standard transtainers typically have a 40-ton load capacity and can stack up to five containers.



Financial statements

Report from independent auditors on accounting statements.

To the Board Members and Shareholders of
Santos Brasil Participações S.A.
São Paulo – SP

We examined the individual and consolidated accounting statements for Santos Brasil Participações S.A. (“Company”), identified as Parent Company and Consolidated respectively, which include balance sheets as at December 31, 2013 and respective statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the financial period ending on that date, in addition to a summary of key accounting practices and other explanatory notes.

Management responsibility for accounting statements

The Company management is responsible for compilation and proper presentation of individual accounting statements in accordance with accounting practices adopted in Brazil and consolidated accounting statements in line with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board – IASB, and in compliance with internal controls deemed necessary by the Board of Directors to enable compilation of such accounting statements free from any distortion regardless of whether caused by fraud or error.

Responsibility of independent auditors

Our duty is to express an opinion on the accounting statements based on our audit, conducted in line with Brazilian and international auditing standards, which require compliance with ethical demands on the part of the auditors and an audit planned and executed with the aim of obtaining reasonable assurance that the accounting statements are free from relevant distortion. An audit involves execution of selected procedures to obtain evidence in respect of values and disclosures presented in the accounting statements. Selected procedures depend upon the judgment of the auditor, including assessment of the risk of relevant distortion in the accounting statements whether caused by fraud or error. During such risk assessment the auditor considers the relevant internal controls for compilation and proper presentation of the Company accounting statements to plan auditing procedures which are appropriate to the circumstances, but not for the purposes of expressing an opinion on the efficacy of such internal Company controls. An audit also includes evaluation of the adequacy of accounting practices used and the reasonableness of accounting estimates made by the Board, in addition to assessment of the presentation of such accounting statements taken together. We believe that the audit evidence obtained is sufficient and appropriate for formation of our opinion.

Opinion on the individual accounting statements

In our opinion, the aforementioned individual (Parent Company) accounting statements adequately represent, in all relevant aspects, the asset and financial position of Santos Brasil Participações S.A. as at December 31, 2013 and the performance of its cash transactions and flows for the financial period ending on that date, in line with Brazilian accounting practices.

Opinion on the consolidated accounting statements

In our opinion, the aforementioned consolidated accounting statements adequately represent, in all relevant aspects, the asset and financial position of Santos Brasil Participações S.A. as at December 31, 2013 and the consolidated performance of its consolidated cash transactions and flows for the financial period ending on that date, issued by the IASB and in line with Brazilian accounting practices.

Emphasis

As described in explanatory note 2, the individual accounting statements were compiled in line with Brazilian accounting practices. Such practices only differ from those of IFRS applicable to separate accounting statements in terms of evaluation of investments in subsidiary companies by the equity method, while for IFRS purposes, cost or fair value would be used. Our opinion is not excepted in virtue of this aspect.

Other matters

Value added statements

We also examined individual and consolidated value added statements for the financial period ending on December 31, 2013, prepared under responsibility of the Company Board of Directors, whose presentation is a requirement of Brazilian corporate legislation for publicly-held companies and supplementary information for the IFRS. These statements underwent the same auditing procedures as previously described and, in our opinion, are adequately presented in all relevant aspects in terms of accounting statements compiled in accordance with Brazilian accounting practices taken together.

São Paulo, February 6, 2014.

DELOITTE TOUCHE TOHMATSU
Independent Auditors – Accountant
Regional Accounting Board (CRC)
No. 2 SP 011609/O-8

Walter Dalsasso
Accountant
Regional Accounting Board (CRC)
No. 1 SP 0775516/O-9

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Balance Sheets

Compiled December 31, 2013 and 2012
(amounts expressed in thousands of Brazilian Reals – R\$)

ASSETS	Explanatory note	31.12.2013	Parent Company 31.12.2012	31.12.2013	Consolidated 31.12.2012
CURRENT					
Cash and cash equivalents	8	107,285	74,642	122,987	136,444
Accounts receivable	9	104,095	100,809	139,935	134,799
Stocks	3.d)	15,668	14,055	17,613	15,814
Current tax assets	11	16,531	14,755	18,187	16,483
Dividends receivable		5,141	6,355	-	-
Expenses paid in advance		758	697	1,238	1,173
Swap operations	29.b.1)	3,111	429	3,374	433
Other assets		1,852	4,036	2,567	5,761
Total current assets		254,441	215,778	305,901	310,907
NON-CURRENT ASSETS					
Accounts receivable	9	40,625	14,236	40,625	14,011
Legal deposits	18	191,429	140,763	198,074	152,913
Deferred tax assets	26.b)	-	-	256	183
Payments receivable	10	-	-	4,053	3,839
Swap operations	29.b.1)	-	2,504	-	2,504
Other assets		16,386	10,216	17,201	10,573
Investments	12	405,988	418,846	-	-
Fixed assets	13	954,486	991,280	1,130,366	1,143,648
Intangible assets	14	281,314	309,878	510,154	548,424
Total non-current assets		1,890,228	1,887,723	1,900,729	1,876,095
TOTAL ASSETS		2,144,669	2,103,501	2,206,630	2,187,002

The explanatory notes are an integral part of the financial statements.

LIABILITIES AND EQUITY	Explanatory note	31.12.2013	Parent Company 31.12.2012	31.12.2013	Consolidated 31.12.2012
CURRENT					
Loans and financing	15	132,269	124,161	147,847	131,876
Debentures	16	-	33,671	-	33,671
Suppliers		59,981	44,768	78,928	57,160
Salaries and social liabilities		39,487	35,841	51,591	46,387
Taxes, fees, and contributions		16,198	17,600	22,110	24,472
Dividends and interest payable on equity		60,054	64,569	60,054	64,569
Swap operations	29.b.1)	-	57	-	68
Loan contracts payable	7	46,145	-	-	-
Other accounts payable		61	59	65	64
Total current liabilities		354,195	320,726	360,595	358,267
NON-CURRENT ASSETS					
Loans and financing	15	149,300	252,318	173,847	267,600
Suppliers		23,681	-	23,681	-
Deferred taxes on payments		-	-	1,378	1,305
Provision for tax, labor, and civil risks	18	107,941	130,162	117,059	135,189
Deferred tax liabilities	26.b)	33,769	21,355	48,657	35,604
Taxes payable in installments	17	-	-	-	4,836
Actuarial liabilities – post-employment benefit	28	9,508	10,039	10,711	11,461
Other liabilities		18,306	-	22,733	3,839
Total non-current liabilities		342,505	413,874	398,066	459,834
NET EQUITY					
Capital	20.a)	1,071,077	1,062,576	1,071,077	1,062,576
Capital reserve	20.b)	59,210	53,281	59,210	53,281
Profit reserve	20.c)	283,228	224,308	283,228	224,308
Additional proposed dividend	20.d)	35,401	31,436	35,401	31,436
Other comprehensive income	20.e)	(947)	(2,700)	(947)	(2,700)
Total net equity		1,447,969	1,368,901	1,447,969	1,368,901
TOTAL LIABILITIES AND NET EQUITY		2,144,669	2,103,501	2,206,630	2,187,002

The explanatory notes are an integral part of the financial statements.

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Balance Sheets

as of december 31, 2013 and 2012
(amounts expressed in thousands of brazilian reias - R\$)

	Explanatory note	31.12.2013	Parent Company 31.12.2012	31.12.2013	Consolidated 31.12.2012
NET INCOME	21	1,045,751	969,493	1,377,354	1,293,169
COST OF SERVICES PROVIDED	22	(562,155)	(490,813)	(802,474)	(690,896)
GROSS EARNINGS		483,596	478,680	574,880	602,273
OPERATIONAL REVENUE (EXPENSES)					
Sales expenses	22	(32,606)	(27,537)	(48,934)	(39,636)
General and administrative expenses	22	(106,908)	(100,400)	(128,498)	(122,880)
Goodwill amortization		(15,617)	(15,617)	(15,617)	(15,617)
Equity accounting		32,892	57,363	-	-
Other operational income	23	9,455	2,162	11,989	3,452
Other operational expenses	23	(373)	(779)	(1,399)	(2,688)
Total		(113,157)	(84,808)	(182,459)	(177,369)
OPERATIONAL EARNINGS BEFORE FINANCIAL INCOME		370,439	393,872	392,421	424,904
FINANCIAL INCOME					
Financial revenue	24	38,477	48,769	43,365	53,598
Financial expenses	24	(67,832)	(93,422)	(71,951)	(97,250)
Total financial income		(29,355)	(44,653)	(28,586)	(43,652)
EARNINGS BEFORE INCOME TAX AND SOCIAL CONTRIBUTIONS		341,084	349,219	36,835	381,252
IINCOME TAX AND SOCIAL CONTRIBUTION					
Income tax and social contribution – current	26.a)	(74,323)	(54,569)	(96,626)	(82,630)
Income tax and social contribution – deferred	26.a)	(11,701)	(24,438)	(12,149)	(28,410)
Total income tax and social contribution		(86,024)	(79,007)	(108,775)	(111,040)
NET EARNINGS FOR PERIOD		255,060	270,212	255,060	270,212
INCOME ATTIBUTED TO SHAREHOLDERS					
Controlling shareholders		255,060	270,212	255,060	270,212
		255,060	270,212	255,060	270,212
BASIC EARNINGS PER SHARE – R\$					
Ordinary	27.a)	0.38357	0.40730	0.38357	0.40730
Preferred	27.a)	0.38357	0.40730	0.38357	0.40730
DILUTED EARNINGS PER SHARE – R\$					
Ordinary	27.b)	0.38095	0.40503	0.38095	0.40503
Preferred	27.b)	0.38095	0.40503	0.38095	0.40503

The explanatory notes are an integral part of the finar ial statements.

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Comprehensive Income Statements

For periods ending on 31st December 2013 and 2012
(values expressed in thousands of Reals – R\$)

	Explanatory note	Parent Company 31.12.2013	31.12.2012	Consolidated 31.12.2013	31.12.2012
NET EARNINGS FOR PERIOD		255,060	270,212	255,060	270,212
OTHER COMPREHENSIVE INCOME					
Post-employment benefit – healthcare plans	28	(947)	(2,700)	(947)	(2,700)
TOTAL COMPREHENSIVE INCOME FOR PERIOD		254,113	267,512	254,113	267,512
COMPREHENSIVE INCOME ATTRIBUTED TO					
Controlling shareholders		254,113	267,512	254,113	267,512

The explanatory notes are an integral part of the financial statements.

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Statements of Net Equity Changes

For periods ending on 31st December 2013 and 2012
(values expressed in thousands of Reals – R\$)

	Explanatory note	Capital reserve				Earnings reserve		Parent Company				Consolidated	
								Patrimônio					
		Capital	Share purchase option plan	Others	Legal	Investment	Repurchase plan	Additional dividend proposed	Accumulated earnings	Others income comprehensive	Equity attributed to controlling shareholders	Participation of non-controlling shareholders	Net equity
BALANCES AS AT DECEMBER 31, 2011		1,053,893	28,886	18,897	23,604	135,853	-	24,519	-	-	1,285,652	-	1,285,652
Dividends paid		-	-	-	-	-	-	(24,519)	-	-	(24,519)	-	(24,519)
Actuarial liability – medical expenses – Company and subsidiaries	28	-	-	-	-	-	-	-	-	(2,700)	(2,700)	-	(2,700)
Share purchase option plan	25	-	5,498	-	-	-	-	-	-	-	5,498	-	5,498
Option exercised	25	8,683	-	-	-	-	-	-	-	-	8,683	-	8,683
Net earnings for period		-	-	-	-	-	-	-	270,212	-	270,212	-	270,212
Allocation of earnings:													
Legal reserve	20.c)	-	-	-	13,511	-	-	-	(13,511)	-	-	-	-
Intermediate dividends	20.d)	-	-	-	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
Interest on equity credited	20.d)	-	-	-	-	-	-	-	(73,925)	-	(73,925)	-	(73,925)
Additional proposed dividend	20.d)	-	-	-	-	-	-	31,436	(31,436)	-	-	-	-
Reserve for investment and expansion	20.c)	-	-	-	-	51,340	-	-	(51,340)	-	-	-	-
BALANCES AS AT DECEMBER 31, 2012		1,062,576	34,384	18,897	37,115	187,193	-	31,436	-	(2,700)	1,368.901	-	1,368.901
Dividends paid		-	-	-	-	-	-	(31,436)	-	-	(31,436)	-	(31,436)
Actuarial liability – medical expenses – Company and subsidiaries	28	-	-	-	-	-	-	-	-	1,753	1,753	-	1,753
Share purchase option plan	25	-	5,929	-	-	-	-	-	-	-	5,929	-	5,929
Option exercised	25	8,501	-	-	-	-	-	-	-	-	8,501	-	8,501
Net earnings for period		-	-	-	-	-	-	-	255,060	-	255,060	-	255,060
Allocation of earnings:													
Legal reserve	20.c)	-	-	-	12,753	-	-	-	(12,753)	-	-	-	-
Intermediate dividends	20.d)	-	-	-	-	-	-	-	(90,000)	-	(90,000)	-	(90,000)
Interest on equity credited	20.d)	-	-	-	-	-	-	-	(68,445)	-	(68,445)	-	(68,445)
Additional proposed dividend	20.d)	-	-	-	-	-	-	35,401	(35,401)	-	-	-	-
Reserve for investment and expansion	20.c)	-	-	-	-	48,461	-	-	(48,461)	-	-	-	-
Repurchase of shares	20.c)	-	-	-	-	-	(2,292)	-	-	-	(2,292)	-	(2,292)
Share repurchase costs	20.c)	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
BALANCES AS AT DECEMBER 31, 2013		1,071,077	40,313	18,897	49,868	235,654	(2,294)	35,401	-	(947)	1,447,969	-	1,447,969

The explanatory notes are an integral part of the financial statements.

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Cash Flow Statements

For periods ending on 31st December 2013 and 2012
(amounts expressed in thousands of Brazilian Reals – R\$)

	Parent Company		Consolidated	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
		(Reclassified)		(Reclassified)
CASH FLOW FROM OPERATIONAL ACTIVITIES				
Earnings before income tax and social contribution	341,084	349,219	363,835	381,252
Adjustments to reconcile earnings before income tax and social contributions with cash and cash equivalents generated by operational activities:				
Monetary and exchange-rate variations	9,669	8,965	10,953	9,595
Depreciation and amortization	109,883	105,406	135,579	126,813
(Reversion) constitution of provision for contingencies	(19,696)	24,585	(15,572)	27,068
Allowance for possible loan losses	8,691	795	9,632	671
Equity accounting	(32,892)	(57,363)	-	-
Share purchase option plan	5,797	5,303	5,929	5,498
Write-down and income from sale of long-lived assets	1,164	(417)	(494)	(521)
Post-employment benefit – healthcare plans	1,567	5,340	1,905	7,370
Interest on debentures	998	4,815	998	4,815
Interest on loans appropriated	26,495	37,756	28,640	39,471
	452,760	484,404	541,405	602,032
(Increase) reduction in operational assets:				
Accounts receivable	(38,366)	(27,804)	(41,382)	(34,895)
Stocks	(1,613)	(3,222)	(1,799)	(3,896)
Current fiscal assets	(1,776)	(8,117)	(1,704)	(7,236)
Expenses paid in advance	(61)	(75)	(65)	(144)
Legal deposits	(50,666)	(18,522)	(45,161)	(19,049)
Loans receivable	-	4,364	-	-
Other assets	(3,986)	(3,027)	(3,647)	(2,890)
Increase (reduction) in operational liabilities:				
Suppliers	38,894	4,277	45,449	1,701
Salaries and social liabilities	3,646	853	5,204	(335)
Taxes, fees and contributions	(1,402)	(1,026)	(6,005)	(1,523)
Accounts payable	-	-	215	1,656
Loan contracts payable	46,145	-	-	-
Other liabilities	18,308	(297)	18.680	(1.241)
	461,883	431.808	511.190	534.180
Income tax and social contributions paid	(74,323)	(54,569)	(97,819)	(82,604)
Write down of contingencies with payment	(2,525)	(3,121)	(2,558)	(3,411)
Cash and cash equivalents generated by operational activities	385,035	374,118	410,813	448,165

CASH FLOW OF INVESTMENTS

	Controladora		Consolidado	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Acquisition of fixed assets	(46,233)	(71,456)	(86,334)	(98,399)
Disposal of fixed assets	1,064	677	3,494	1,264
Increase of investment in subsidiaries	(1,759)	(10,381)	-	-
Increase in intangible assets	(520)	(1,089)	(694)	(1,140)
Dividends and interest received on equity	49,223	40,400	-	-
Interest on capitalized loans	289	1,437	526	1,448
Financial investments	-	28,023	-	28,023
Cash and cash equivalents generated by (invested in) investment activities	2,064	(12,389)	(83,008)	(68,804)

CASH FLOW OF FINANCING ACTIVITIES

Increase in capital from receipt of exercised purchase options	8,501	8,683	8,501	8,683
Payments for share repurchase	(2,292)	-	(2,292)	-
Share repurchase costs	(2)	-	(2)	-
Loans taken out	8,429	168,658	35,588	176,244
Loan payments	(158,168)	(435,182)	(169,369)	(440,988)
Receipt from swap operations	2,182	7,005	2,120	7,145
Interest paid by debentures/loans	(18,709)	(61,315)	(21,411)	(63,339)
Dividends and interest payable on equity	(194,397)	(197,493)	(194,397)	(197,493)
Cash and cash equivalents invested in financing activities	(354,456)	(509,644)	(341,262)	(509,748)

INCREASE (REDUCTION) OF CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS

	32.643	(147.915)	(13.457)	(130.387)
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NET INCREASE (REDUCTION) OF CASH AND CASH QUIVALENT BALANCE REPRESENTED BY:

Cash and cash equivalents at start of financial period	74.642	222.557	136.444	266.831
Cash and cash equivalents at end of financial period	107.285	74.642	122.987	136.444
	32.643	(147.915)	(13.457)	(130.387)

The explanatory notes are an integral part of financial statements.

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

Value Added Statements

For periods ending on 31st December 2013 and 2012
amounts expressed in thousands of Brazilian Reals – R\$)

	31.12.2013	Parent Company 31.12.2012	31.12.2013	Consolidated 31.12.2012
REVENUE (EXPENSES)				
Sales of merchandise, products, and services	1,144,438	1,059,706	1,526,620	1,432,038
Other revenue	9,455	2,163	11,989	3,453
Allowance for possible loan losses - constitution	(10,576)	(1,118)	(11,192)	(1,009)
	1,143,317	1,060,751	1,527,417	1,434,482
INPUTS ACQUIRED FROM THIRD PARTIES				
Cost of products, merchandise, and services sold	(182,657)	(161,827)	(264,149)	(233,796)
Materials, energy, outsourced, and other services	(140,921)	(123,893)	(210,135)	(171,163)
Others	(374)	(779)	(1,400)	(2,688)
	(323,952)	(286,499)	(475,684)	(407,647)
GROSS ADDED VALUE	819,365	774,252	1,051,733	1,026,835
DEPRECIATIONS, AMORTIZATIONS, AND DEPLETION	(109,883)	(105,406)	(135,579)	(126,813)
NET ADDED VALUE GENERATED BY THE COMPANY	709,482	668,846	916,154	900,022
ADDED VALUE RECEIVED FROM TRANSFERS				
Equity accounting	32,892	57,363	-	-
Financial revenue	38,477	48,769	43,365	53,598
	71,369	106,132	43,365	53,598
TOTAL ADDED VALUE TO DISTRIBUTE	780,851	774,978	959,519	953,620
DISTRIBUTION OF ADDED VALUE				
Personnel:				
Direct remuneration	167,651	146,047	220,021	195,398
Benefits	32,061	30,538	48,240	46,105
FGTS (Time of Service Guarantee Fund)	9,487	8,500	13,256	11,799
	209,199	185,085	281,517	253,302
Taxes, fees and contributions:				
Federal	177,479	162,189	245,087	237,634
State	136	373	6,660	6,102
Municipal	35,158	32,369	46,113	42,806
	212,773	194,931	297,860	286,542
Remuneration of third-party capital:				
Interest	67,832	93,422	71,951	97,250
Rentals	35,987	31,328	53,131	46,314
	103,819	124,750	125,082	143,564
Remuneration of equity:				
Interest on equity	68,445	73,925	68,445	73,925
Dividends	90,000	100,000	90,000	100,000
Additional dividends proposed	35,401	31,436	35,401	31,436
Earnings retained	61,214	64,851	61,214	64,851
	255,060	270,212	255,060	270,212

The explanatory notes are an integral part of financial statements.



Corporate information

BOARD OF DIRECTORS

Carlos Geraldo Langoni
Chairman

Verônica Valente Dantas
Vice-Chair

Daniel Pedreira Dorea
Member

Marcos Nascimento Ferreira
Member

Maria Amalia Delfim de Melo Coutrim
Member

Fabio Perrone Campos Mello
Member

Hans J. F. Peters
Independent member

Wallim Cruz de Vasconcellos Junior,
Independent member

Alcides Lopes Tápias
Independent member

FISCAL COUNCIL

Gilberto Braga
Leonardo Guimarães Pinto
Antonio Carlos Pinto de Azeredo
Axel Erhard Brod

SENIOR MANAGEMENT

Antônio Carlos Duarte Sepúlveda
CEO

Washington Cristiano Kato
Economic-Financial and Investor Relations Director

Caio Marcelo Morel Correa
Operations Director

Mauro Santos Salgado
Commercial Director

HEAD OFFICE [GRI G4-5](#)

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Credits

OVERALL COORDINATION

Corporate Communication and Sustainability

CONCEPT AND VISUAL PROJECT

Ana Couto Branding

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Editora Contadino

GRI CONSULTANCY

Via Gutenberg

PHOTOS

Photo archive

TRANSLATION

Scientific

REVIEW

Eric Moore



SANTOS BRASIL