

FILE NAME: Eternit (ETER)

DATE: 2004

DOC#: ETER005

DOCUMENT DESCRIPTION: Barry Castleman Notes

Victory for Brazil's Asbestos Victims

A recent landmark decision by a court in São Paulo State has been greeted with overwhelming relief by Brazilian campaigners. Fernanda's Giannasi, a Factory Inspector and founding member of ABREA, the National Association of Asbestos Victims, says:

"After nine years, a Brazilian court has finally recognized the negligence of Eternit S/A for exposing its workers to asbestos. For decades, asbestos production and processing in Brazil produced a steady stream of profits for asbestos stakeholders. Throughout this time, the welfare of workers, consumers and the public was of little concern. The Brazilian asbestos legacy can be seen in the lungs of our people and the contamination of our landscape.

ABREA's members, many of whom were loyal Eternit employees, are paying the cost for their employer's behaviour with the loss of their health and even their lives. The decision reached on August 26, 2004 recognizes not only that Eternit is responsible for the damage to these people but also that it is liable to pay equitable compensation and ensure appropriate medical care for the injured."

The legal action was instigated by the Public Ministry of the State of São Paulo against Eternit S/A on behalf of thousands of asbestos victims. Judge Teresa Rodrigues dos Santos of the 18th Civil Court made five basic findings:

1. injured workers are entitled to compensation from Eternit for occupational exposure to asbestos. The judge specified that claimants should receive a lifetime pension proportional to their financial loss; this could range from US\$45-\$360 per month;
2. the company is liable to pay "moral damages" from 50-300 times minimum salaries (equivalent to US\$4,500-\$27,000);
- 3.-5. the details covered in these sections specify how and when compensation is to be paid and set out guidelines on the medical care which Eternit must provide for the injured.

The implications of this ruling are significant; it has been estimated the judgment could cost the company US\$160 million. Since the legal action was proposed, the media coverage has adversely impacted on Eternit's ordinary share price; another effect of the negative publicity is the refusal of the São Paulo Stock Exchange to include Eternit on a new index of forty socially responsible corporations chosen from Brazil's wealthiest 150. The listed companies enjoy beneficial contracts with the International Financial Corporation of the World Bank.

Brazilian justice, until now, has been notoriously slow in dealing with asbestos-related personal injury claims as well other litigation. According to Época magazine, a legal action can take 12 years to work its way through the Brazilian legal system: the Supreme Court has 160,000 legal actions pending.