



Sustainability Report 2009  
Executive Summary

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## PROFILE

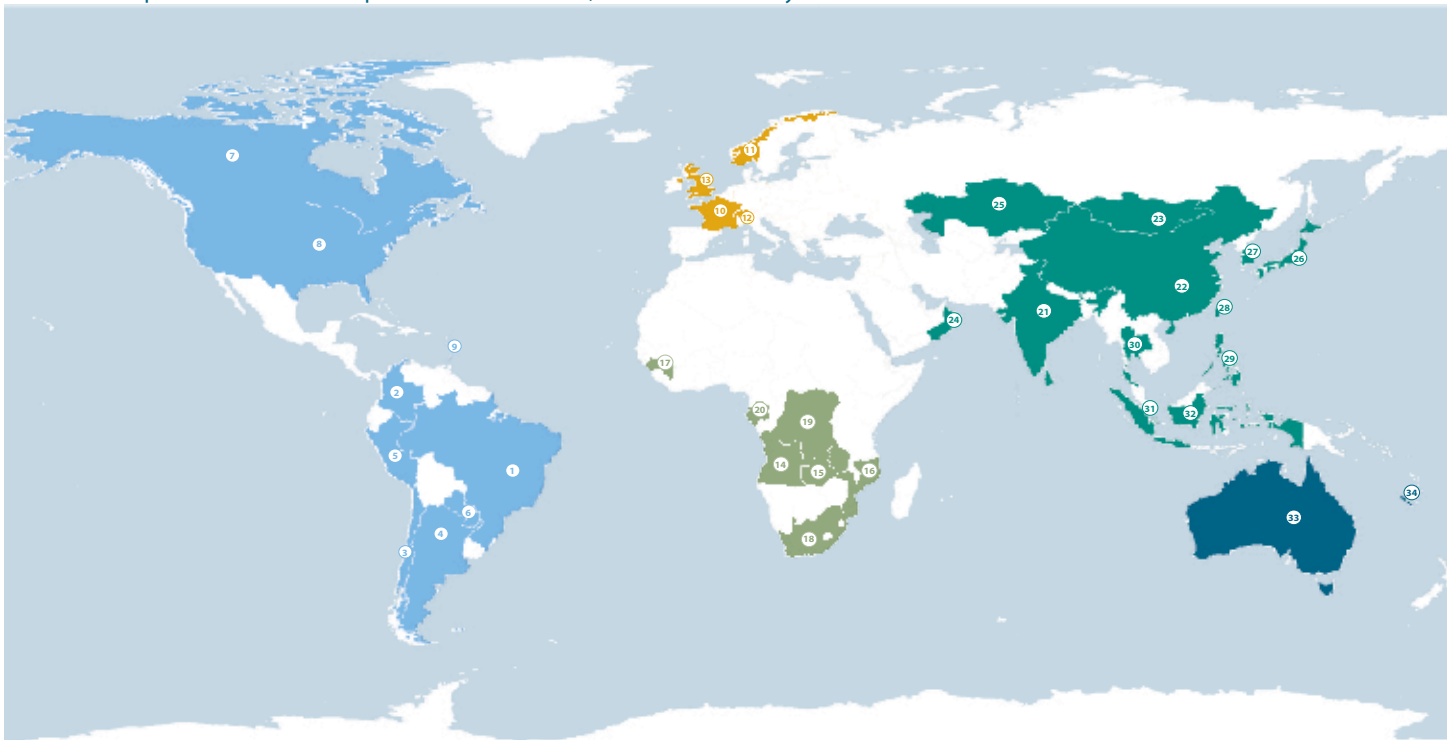
**We are global advocates of ethical practices in business, respect for the environment, and the quality of life in the regions where we operate. We strive to contribute to building a positive legacy for future generations**

We are a global company that operates in the mining sector. We search for, produce and market an extensive portfolio of products.

Our products and services can be found in all areas of modern society and have an essential function in ensuring the quality of life. Three of our main products – iron ore, coal, and

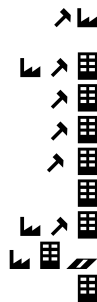
manganese – are fundamental components in the production of steel, which is used in basic industries, transport, construction, and thousands of everyday items. Nickel is used in stainless steel production and in electronic and medical equipment. Copper is an essential part of telecommunication networks, TV sets, and cell phones. Bauxite is the raw material for producing aluminum, which is widely used in industries ranging from packaging to aircraft manufacturing. The agricultural sector uses potassium and phosphate to increase yields, while kaolin is used especially in paper manufacturing and in the ceramic and pharmaceutical industries.

Read the complete version of this report at [www.vale.com](http://www.vale.com), in the Sustainability section



### AMÉRICAS

1. Brazil – Vale’s worldwide headquarters
2. Colombia
3. Chile
4. Argentina
5. Peru
6. Paraguay
7. Canada
8. United States
9. Barbados



- Operations
- Offices
- Joint ventures
- Exploration offices

### EUROPA

10. France
11. Norway
12. Switzerland
13. United Kingdom



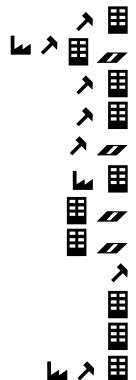
### ÁFRICA

14. Angola
15. Zambia
16. Mozambique
17. Guinea
18. South Africa
19. Democratic Republic of Congo
20. Gabon



### ÁSIA

21. India
22. China
23. Mongolia
24. Oman
25. Kazakhstan
26. Japan
27. South Korea
28. Taiwan
29. Philippines
30. Thailand
31. Singapore
32. Indonesia



### OCEANIA

33. Australia
34. New Caledonia



OUR MISSION

To transform mineral resources into prosperity and sustainable development

OUR VISION

Our vision is to be the largest mining company in the world, and to surpass established standards of excellence in research, development, project implementation and business operations

## Message from the Board of Directors

**In 2009, Vale continued with its growth strategy, in the face of various challenges caused by the global economic crisis**

The company made the adjustments that were needed and maintained the pace of development of new projects, with total investments of US\$9 billion. Meanwhile, it distributed US\$2.75 billion in dividends and in interest on shareholder equity. Moreover, between 2000 and 2009, Vale was the diversified mining company which generated most shareholder value.

It is important to highlight that the global economic crisis has not had any impact on Vale's sustainable development strategy. In fact, the crisis provided the company with

an opportunity to reiterate its commitment to its various stakeholders, and to try to act to minimize the impact of the reduction in mineral demand, not only on the financial area, but also on the company's social and environmental performance.

We have also reaffirmed our commitment to the continual improvement of corporate governance, based on transparency, fairness, and ethics.

In the name of the Board of Directors of Vale and of all the shareholders, I would like to reiterate our satisfaction with the progress that has been made, and to thank the Executive Officers, the employees and our partners for the results obtained in

2009, in the certainty that Vale's actions will continue to be guided by the principle of sustainable development.

**Sérgio Rosa**

Chairman of the Board of Directors



## Message from the Chief Executive Officer

**In 2009, which was a year of major challenges for us, we maintained our commitment to sustainable development, as determined by our Mission statement and our Sustainable Development Policy**

We have reinforced our sustainability strategy with the publication of significant global guidelines that serve to guide our actions, in particular our Sustainable Development Policy, which aims to construct a social, economic, and environmental legacy in the regions where we operate, based on three main areas; Sustainable



Operator, Local Development Catalyst, and Global Sustainability Agent.

In 2009, guided by our Sustainable Development Policy, we made progress in various different aspects of the Global Sustainability Agent area. We published our Human Rights Policy, we created the Vale Fund for Sustainable Development, and, based on various initiatives, we engaged in deeper discussions about climate change.

In the Sustainable Operator area, particularly in the economic area, our sustainability strategy proved its worth. Faced with a dramatic global financial crisis and a sharp recession in the global economy, Vale demonstrated the practical competitive advantages of its consistent management strategy over the years. We made the adjustments that were necessary, and in 2009 we also made investments of US\$9 billion.

Vale reported net profit of US\$5.3 billion in 2009, and paid out total shareholder remuneration of US\$ 2.75 billion. In 2009 we made extensive

social and environmental investments, totaling US\$781 million.

In the Local Development Catalyst area of our Sustainable Development Policy, we continued to invest in initiatives which are reinforcing our strategy of developing and qualifying local suppliers, based on our Inove Program, now in its second year of operation, and our Suppliers Development Program (PDF).

I would like to thank everyone who has contributed to the management of processes and to the improvement in our performance in the sustainability indicators that are detailed in this report. They are contributing to the search for excellence in the management of our businesses, making our actions transparent to society, and helping to spread our practices in the sustainability area across all the different countries in which we operate.

**Roger Agnelli**

Chief Executive Officer

## MATERIALITY

The chapters of the 2009 *Sustainability Report* cover material topics and describe our performance in areas that have been assessed as relevant to us

Vale's 2009 *Sustainability Report* follows the principles of the Global Reporting Initiative (GRI), according to which companies in their reports should, based on materiality, cover the most relevant topics for their sector.

The input of society was provided by our membership of leading sector organizations, such as the International Council on Mining and Metals (ICMM), analysis of reports on Vale in the press, the online feedback for our 2008 report. A highlight of the process was the survey of our sustainability practices that we commissioned with selected stakeholders. This independent survey asked stakeholders to provide their opinions of Vale and suggestions about the most relevant topics

for the company. We also analyzed the main sustainability reports of the sector, to situate the company externally and in the context of the marketplace.

In the second stage of the process, we established criteria for the relevance of each topic for our sustainability strategy. We analyzed documents such as our Policies for Sustainable Development, Corporate Guidelines on Climate Change and Carbon, our Human Rights Policy, our Code of Ethical Conduct, our Code of Conduct for Suppliers, and information in our 20-F Form.

## Top ten

The illustration to the right shows the classification, according to the level of relevance for each topic.

- Employment and labor relations
- Minimization of environmental impacts
- Business performance
- Ethics in business
- Environmental conservation
- Safety and accidents at work
- Regional legacy
- Value chain
- Development and personal qualification
- Communication and engagement

## SUSTAINABILITY STRATEGY

# Sustainable Development Policy

In 2009, we approved our global Sustainable Development Policy, which establishes guidelines and principles in three main areas (available in full at [www.vale.com](http://www.vale.com), in the Sustainability section)

### SUSTAINABLE OPERATOR

To work sustainably is to act in a conscientious and socio-economic and environmentally responsible manner throughout the complete life cycle of our activities – from the conception, project implementation, operational cycle and commercialization until the closure phase. It is **VALUE** creation.



- V alue added to stakeholders
- A nticipation and prevention
- L egislation as baseline: continuous improvement
- U phold organization and discipline
- E thics and respect in businesses

### LOCAL SUSTAINABLE DEVELOPMENT CATALYST

As a catalyst of **LOCAL** development we seek to go beyond the impact management of our operations and projects, contributing voluntarily through partnerships with governments, other companies and civil society – to build a sustainable regional legacy.



- L icense to operate
- O rder for development
- C ommunication and engagement
- A lliances with key stakeholders
- L egacy for the region

### GLOBAL SUSTAINABILITY AGENT

The **GLOBAL** sustainability agent pillar is based on the acknowledgment, on one side, that certain global sustainability aspects may directly affect our businesses and, on the other side, that Vale – as one of the leading global companies in the mining sector – may contribute to the international promotion of sound sustainability practices.



- G uaranteed transparency
- L eadership
- O bservation of trends
- B est practices
- A ct local, think global
- L egacy for future generations

# SUSTAINABLE OPERATOR

Our main objective is to create value throughout the life cycle of our activities. As well as contributing to the sustainable development of the communities, regions and countries where we operate, we seek to maintain a permanent relationship and an open dialogue with our stakeholders.



## BUSINESS PERFORMANCE

Covers materiality items: • Business performance

# Overcoming challenges

**Strong financial management has enabled us to withstand the contraction of the steel industry and to prepare Vale for a new growth cycle**

In 2009, despite the recession and the contraction of the global economy, Vale posted a solid operating and financial performance. Faced with an unprecedented reduction of production in the steel industry, which led to a fall in demand for our main products, we once again demonstrated our capacity to overcome challenges, based on our competitive advantages.

We implemented response measures to the crisis with agility and on an integrated basis, with the focus on reducing costs and improving efficiency. We canceled no investments, and were even able to identify new growth opportunities. Because of this, despite the fall in performance indicators compared to the previous year, we have already started to enjoy positive results which will strengthen our capacity to create value for our shareholders and for society in the coming years.

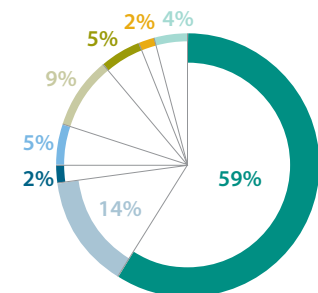
Gross operating revenues in 2009 were US\$ 23.9 billion<sup>1</sup>. Cash generation, measured in terms of adjusted EBITDA (earnings before interest, tax, depreciation and amortization, adding the dividends received from unconsolidated affiliates), was US\$9.2 billion. Net profit was US\$5.3 billion, which enabled total shareholder remuneration of US\$2.75 billion.

In 2009, our total volume of investments (excluding acquisitions) was US\$9 billion. Of this total, US\$5.8 billion were allocated to capital projects, US\$1.01 billion to research and development, and US\$2.15 billion to the maintenance of existing operations. In the last five years, Vale has invested US\$59.5 billion.

<sup>1</sup> The accounting standard used is USGAAP.

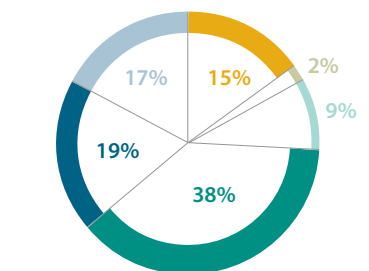
Production (USGAAP)		
Volume in thousand metric tons (unless otherwise stated)	2008	2009
Iron ore	293,374	229,338
Pellets	34,252	15,253
Manganese ore	2,383	1,657
Ferroalloys	475	223
Nickel	275	187
Copper	312	198
Bauxite	4,403	6,203
Alumina	5,028	5,910
Aluminum	543	459
Metallurgical Coal	2,808	2,527
Thermal Coal	1,286	2,892
Potassium	607	717
Kaolin	1,129	781
Cobalt (metric tons)	2,828	1,575
Platinum (thousand troy ounces)	166	103
Palladium (thousand troy ounces)	231	152
Gold (thousand troy ounces)	85	49
Silver (thousand troy ounces)	2,308	1,245

## Revenue by product (US\$ 24 billion)



- IRON ORE AND PELLETS
- NICKEL
- MANGANESE AND FERROALLOYS
- COPPER
- ALUMINUM
- LOGISTICS
- COAL
- OTHERS

## Revenue by destination (US\$ 24 billion)



- BRAZIL
- REST OF WORLD
- AMERICAS EXCEPT BRAZIL
- CHINA
- ASIA EXCEPT CHINA
- EUROPE

# Ethical and accountable growth

**In 2009, we continued the process of globalizing our regulatory documents, approving 15 new regulatory instruments with a global scope, including the Sustainable Development Policy, the Human Rights Policy, the Corporate Security Policy and the Global Rules for Accountability in Health, Safety and the Environment**

These documents were prepared by the areas directly related to the subject matter treated, and were reviewed by our Global Assessment Committee. This Committee was established in 2008 and is composed of representatives from various areas of Vale and from various countries, including Brazil, Australia, Canada, China and Switzerland.

### ETHICS MANAGEMENT

The following corporate governance instruments are used to ensure that we manage our business ethically: the Code of Ethical Conduct; the Code of Ethics for the Financial Management and Investor Relations area; SOX Certification (demonstrating the implementation of transparency and good governance practices, as required under the US Sarbanes-Oxley Act); the Reporting Channel, and the Code of Conduct for Suppliers.

### RISK MANAGEMENT

Vale's risk management strategy is based on an integrated view of the risks to which we are exposed: market risk, credit risk, and operational risk, which are mainly associated with health and safety and the environment.

Since 2005, the Board of Directors has established a Corporate Risk Management Policy and an Executive Committee for Risk Management, which supports the Executive Officers in their risk management responsibilities.

### ANTI-CORRUPTION

We act in accordance with best practices in the market, preventing losses and investigating cases that are possibly associated with fraud, deviations, and illicit acts. In July 2009, we published our Code of Conduct for Suppliers, which establishes the principles and guidelines that govern the relationships between Vale and its partners. This Code was distributed to all our suppliers in Brazil. In 2010, we plan to reinforce the permanent values of this code in our international operations, in order to strengthen the ethical component of our commercial relations.

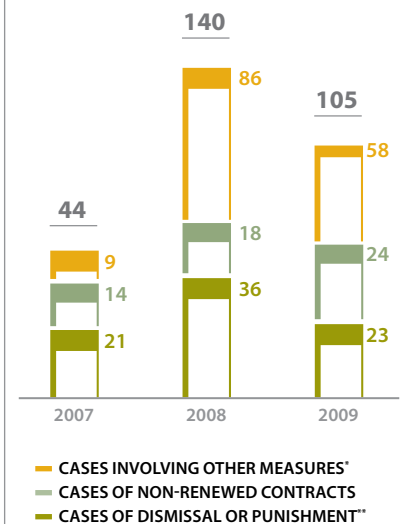
### LEGAL COMPLIANCE

In 2009, Vale recorded the existence of 262 legal processes, of which 111 were judicial and 151 were relevant administrative processes<sup>2</sup>. In this period, there was no payment of fines and no imposition of non-monetary sanctions<sup>3</sup>.

<sup>2</sup> The following criteria are used to determine materiality of legal processes: a) due to the monetary value, including indemnity claims and fines; b) due to topics of interest to the company or the public at large, regardless of monetary value; c) those resulting from non-monetary sanctions.

<sup>3</sup> In this report, Vale will continue to include in its report existing cases which match materiality criteria. However, and for better compliance with the scope of GRI indicator SO8, Vale will start reporting only those values representing a defined amount acknowledged as due by Vale, or already paid, in order to prevent possible distortions regarding the reality of judicial and administrative processes, which, pending final decision, have no definition or precision of values under discussion. Form 20-F presents estimated provisioned values according to accounting criteria.

### Incidents of corruption



\* Other measures taken include filing legal suits against the directors of the company and the heads of the areas involved, with 168 actions to mitigate the risks of fraud, lawsuits, rescission, and fines applied with the support of the Legal Department.

\*\* The number of employees to have been dismissed/punished for corruption cases: 113 in 2007, 70 in 2008, and 83 in 2009. In 2009, the main causes of dismissal in cases of corruption were the falsification of documents/fraud - 65%, followed by contract fraud - 13%, and conflict of interests/influence peddling - 13%.



In addition to internal training, we belong to national and international associations and entities.



We aim to establish constructive dialogues with our various stakeholders.

HUMAN RESOURCES

Covers materiality items: • Employment and labor relations • Development and personal qualification • Value chain

# Changing, without losing our essence

**Preserving our workforce amidst the global economic crisis was our greatest challenge in 2009. We implemented several actions to retain our greatest capital: our people**

The global economic crisis presented a challenging outlook at the start of 2009. As the crisis continued, we were required to continue adapting our production strategies. Over the course of the year, we undertook a range of actions to secure both the immediate and long-term health of our business. In some cases, this involved restructuring of our company and our workforce.

Aware of the critical role that human capital plays in the success of our company, we prioritized investing in the skills of our workers who, in some cases, receive training for more than three years in order to carry out their functions in operational areas. Words like relocation and requalification became part of our daily vocabulary. Maintaining our workforce, principally in technical and operational areas, was the company's greatest challenge in 2009. We were aware that when we resumed production, human capital would be fundamental.

By the end of 2009 and the beginning of 2010, this strategy proved beneficial when we again recorded a volume of production at pre-crisis levels. As a result, for 2010 we are already preparing to increase our human resources,

maintaining our long term vision to reach our intended productivity goals.

**TURNOVER**

In 2009, the total turnover rate<sup>4</sup> (including retirements and dismissals) at Vale was 10.6%. This result is in line with that of other companies in the mining sector. The age bracket above 50 years had the highest level of turnover, at 37%, due to the implementation of the Retirement Incentive Program. The rate for women (13%) was higher than for men (10%), while women represented 12% of the number of employees who left the company in the period and 10% of the total workforce.

<sup>4</sup> The turnover rate corresponds to the total number of employees that voluntarily left the organization, layoffs and retirements, divided by the total number of employees.

**DEVELOPMENT OF PEOPLE AND SCIENTIFIC RESEARCH**

Since 2003, Vale's area for personal development, Valer – Vale Education, in conjunction with the regional Human Resource departments, has been responsible for the continuous education of our employees and for training the workforce for the productive processes involved in mining. The Vale Technological Institute (ITV)\* was planned in 2009 to encourage scientific research and the economic development of the technology base in Brazil, as well as to generate

\* Instituto Tecnológico Vale (ITV, in Portuguese). All the names of Brazilian institutions mentioned in this report are followed by their acronyms in Portuguese.

and distribute new knowledge about progress with social, economic and environmental aspects of sustainable mining. The goal is to construct one ITV unit in three Brazilian states, each with a specific vocation. Ouro Preto (MG) – mining; Belém (PA) – research into sustainable development; and São José dos Campos (SP) – Innovation in energy, in partnership with the technological center of Vale Soluções em Energia (VSE).



Some of our employees receive training for more than three years before carrying out their functions in operational areas.

**Turnover by gender**

	2008	2009
Overall Turnover	8.0%	10.6%
Turnover Men	7.6%	10.3%
Turnover Women	11.7%	13.0%

**Turnover by age bracket**

	2008	2009
Under 30	7.0%	8.0%
30 to 50	6.7%	7.8%
Over 50	19.0%	37.0%

**Personnel**  
(in thousands)

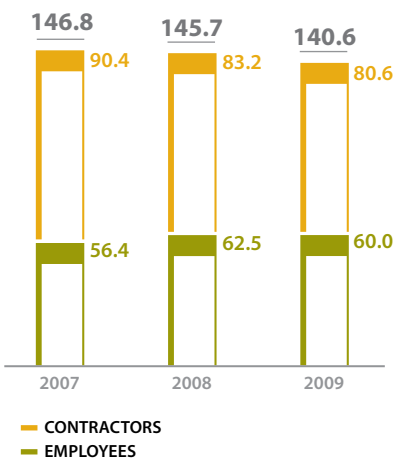
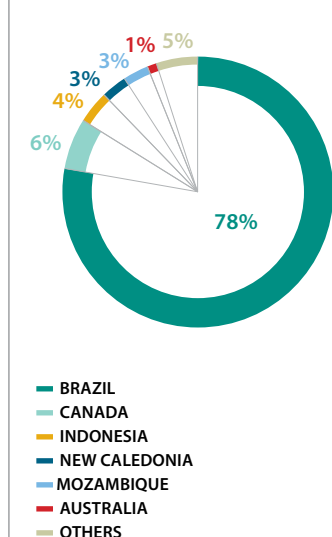
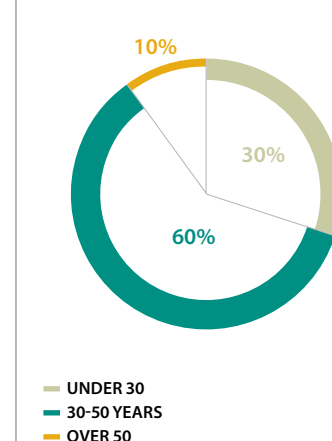


Chart does not include affiliates. Vale Australia included only from 2008 onward. In 2007, if Vale Australia employees were included, the total number of jobs would reach 147.9 thousand, and our own employees would reach 57 thousand.

**Employees and contractors by country (2009)**



**Employees by age range**



# Important achievements, new challenges

**Health and safety are increasingly global concerns at Vale. Our commitment to prioritizing life and safety is reflected in our efforts to internationalize our actions**

An important step in this direction was the publication of our Global Health and Safety Policy, as well as our Global Rules for Accountability in Health, Safety and the Environment. These principles were developed taking into consideration the legislation and culture of the various countries in which we operate.

Since 2006, the strategy that Vale has adopted to invest in administration, education, infrastructure and technological innovation related to health and safety has been yielding positive results. Most notably, we have

observed transformation in our company's health and safety culture. In 2009, we invested more than US\$110 million in capital projects to achieve improvements in health and safety. We are aware, however, that in spite of progress this is a process that requires continuous effort.

In spite of our various efforts to manage risk and a significant reduction in our accident rates, in 2009 we had nine fatal accidents in operations and projects involving Vale employees and contractors, as well as three fatalities at our road transport service providers. The loss of these lives, which is a cause of great sadness to us, reinforces our commitment to develop our work systems to include more effective accident prevention methods.



*The health and safety culture is increasingly present in our daily activities.*

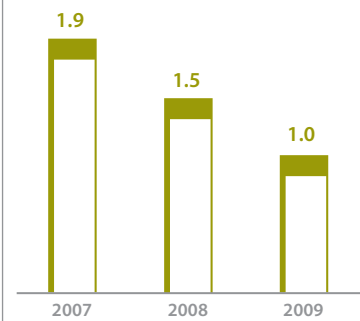
Fulfillment of actions forecasted for 2009
• Global publication of Health and Safety Policy (January 2010)
• Implementation of 70% of the Requirements for Critical Activities (RACs) in our Brazilian operations
• Expansion of the Behavioral Dialogue process to all Vale managed units in Brazil
• Implementation of the Information System for Health and Safety in Brazilian units
• Implementation of the Information System for Applicable Legal Requirements for Health and Safety in Brazilian units
• Began implementation of the Instruction for Analysis and Administration of Health, Safety and Environmental Risks (INS-0037)
• Implementation of Accountabilities Norm in Health, Safety and Environment

## INCENTIVIZING INNOVATION

To encourage the development of creative and easily implemented ideas that contribute to process improvements, in 2009 Vale's Department of Innovation and Development launched the *(i)nova Vale!* [Innovate Vale!] Award. In 30 days more than 7,000 proposals were presented, in the areas of safety, energy saving, recycling and process speed. Read more in the full report.

### Lost time injury frequency rate

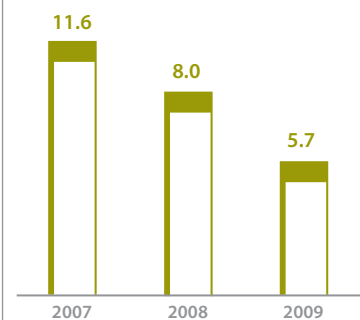
(Number of lost time injuries per 1,000,000 hours worked)



The figures include company employees and contractors.

### Total injury rate

(Number of total injuries per 1,000,000 hours worked)



Figures include employees and contractors but do not include first aid cases. Figures for Vale Inco were included as of 2007, a period in which contractors were not considered. If the 2008 criteria were adopted in 2007, the injury rate value for 2007 would be 10.7.

- Figures include injuries with and without lost time. The rate does not include occupational illness.

For Vale Brazil, health and safety indicators are based on monthly person-hours worked estimated for its workforce. Figures include mineral research companies, including international. For Vale Inco, Vale Australia and Moatize Project, real person-hours worked are used.

**ENVIRONMENT**

Covers materiality items: • **Minimization of environmental impacts** • **Environmental conservation**

# Developing and conserving

**We invest continually in the management of environmental issues and risks, in accordance with our commitment to the conservation of the environment, and we are seeking to strengthen our sustainable development activities**

One of the cornerstones of our sustainability strategy is our commitment to the conservation of the environment. We continually invest in managing the environmental aspects and risks of our activities, products and services, as well as the recovery of degraded areas and research into new technologies that can enable us to improve our environmental control systems.

**ENVIRONMENTAL INVESTMENTS**

The volume of financial resources allocated to the environmental area at Vale in 2009 was US\$580 million. The reduction was due to the suspension of activities at some Vale units, as part of the response to the global financial crisis.

**MANAGEMENT OF WATER RESOURCES**

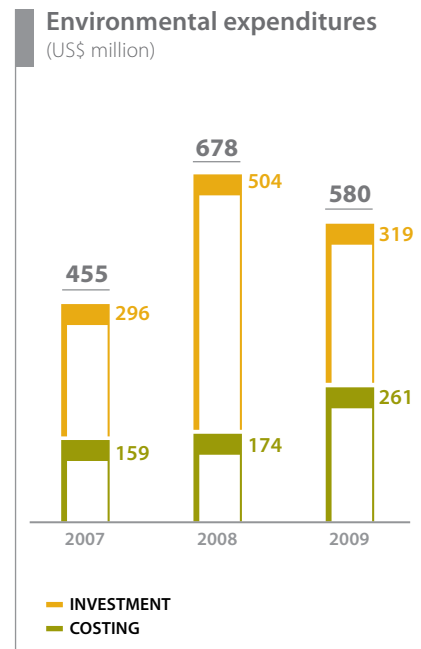
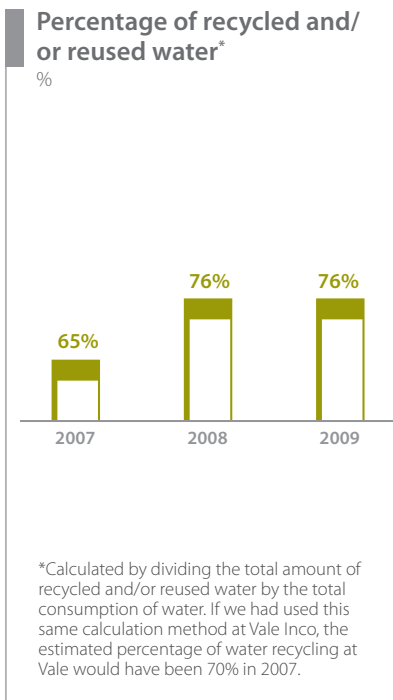
We progressed with the implementation of our projects to replace the use of new water with reused or recycled water. In 2009, 76% of water was recycled/reused. Two thirds of the business units recorded higher percentages of water reuse than in the previous year, with a noteworthy performance by business units in the aluminum, iron mining and coal sectors (Vale Australia), where currently close to 90% of water demand is being supplied by reused water.

**INNOVATIVE TECHNOLOGY FOR CONTROLLING DUST EMISSIONS**

With the installation of the first Wind Fence in the Tubarão Complex, in September 2009, Vale is using a technology that prevents the dispersion of particulate substances by the wind. By 2011, the company will have invested about US\$ 287.2 million in implementing environmental control improvements, including the installation of four more Wind Fences, to minimize the emission of particles. Read more in the case study in the full report, page 65.

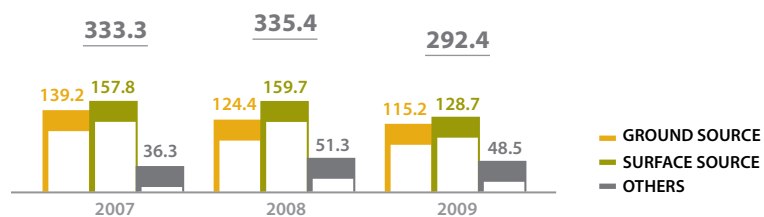


*We strive to reduce water consumption, minimize the generation of effluents, and increase the proportion of reuse.*



**Total water withdrawal by source**

(million of m<sup>3</sup>/year)



Ground Source: water arising from wells, including mining dewatering.  
Surface Source: water arising from rivers and lakes.  
Others: rainwater, water supplied by public utilities (cessionaires). Includes third-party collection.

# LOCAL SUSTAINABLE DEVELOPMENT CATALYST

We strive to establish alliances with strategic players from different sectors – public, private and civil society – to discuss and plan integrated local development programs. We aim to act in conjunction with our partners to generate a positive legacy in the regions where we operate.



## LOCAL DEVELOPMENT

Covers materiality items: • Regional legacy • Communication and engagement

# Developing networks

**In partnership with governments and society, we strive to promote the sustainable development of the regions where we operate**

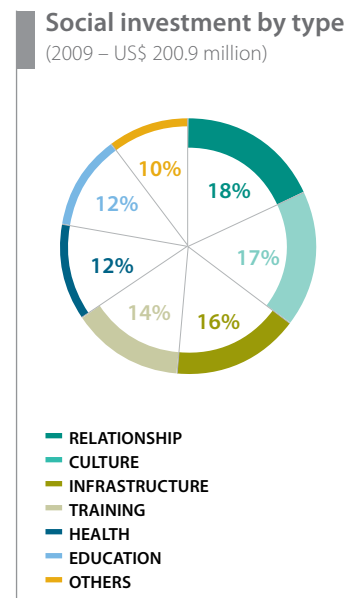
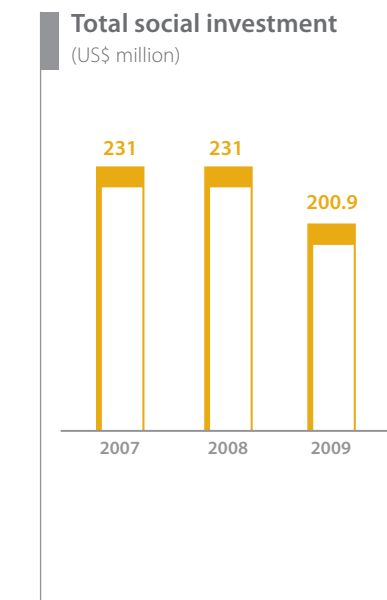
Aware of the potential consequences of our activities, we strive, through different programs, to mitigate the risks and maximize the opportunities in the territories where we operate. Knowledge of the area where we will operate and the forecast of impacts that the project could cause allows us to elaborate plans for specific and detailed socioenvironmental management, applicable to the local situation. These plans are an important instrument for decision-making in the administration of Vale's social investments.

### JOB AND INCOME CREATION

More and more, we invest in hiring locally, generating opportunities for work for the populations surrounding our operations, in order to foster the socio-economic development of the community. In 2009, local hiring<sup>5</sup> represented 77%<sup>6</sup> of total hiring within Vale. For leadership positions, the percentage was 48%, given that the qualifications required for management positions are more specific.

<sup>5</sup> Although the calculation of the indicator considers the state of birth of the employees as local, the hiring practice adopted, where applicable, prioritizes residents of the state, and not necessarily those merely born there.

<sup>6</sup> This indicator contemplates global results, but does not include Canadian operations, where this monitoring is not carried out. Employees of this indicator (EC7) correspond to 84% (2009) of the total employees reported (LA1). Projects not included.



### VALE FOUNDATION

The Vale Foundation has as its mission to contribute to the integrated development—economic, environmental and social—of the territories where Vale operates in Brazil, articulating and leveraging social investments, strengthening human capital within the communities and respecting local cultural identities, based on three priority areas for action: infrastructure, public administration, and human and economic development.

In our international units, Vale's social contributions are carried out by local teams. Our strategy includes the creation of international Vale Foundations, in accordance with the guidelines of Vale Foundation in Brazil, always respecting the particulars of each

region. We already have Vale Foundations in Colombia and in Mozambique. We are currently in the process of establishing a new Vale Foundation in New Caledonia<sup>7</sup>.

Read more about Vale's action to build a regional legacy of sustainability, in the case studies about the *Brasil Vale Ouro* [Brazil is Worth Gold] program, community support actions, and others, in the full report.

<sup>7</sup> The New Caledonia Foundation is a key element of the Pact for Great South sustainable development, signed by Vale Inco Nouvelle-Calédonie and the Kanak populations from the southern part of the island in 2008. In the 2008 report, reference was made to the creation of the mentioned Foundation. Its implementation is pending the completion of legal procedures for the starting of operations. Two other key elements of the Pact for Great South sustainable development are the Indigenous Environmental Consulting Committee (created in 2009) and the reforestation association (scheduled for 2010).

VALUE CHAIN

Covers materiality items: • Value Chain • Regional legacy • Communication and engagement

# Incentivizing local procurement

**To stimulate the economy of the regions where we operate, we encourage local business, as well as the development of our supply chain**

**SUPPLIERS**

To meet our commitment to building a sustainable business model and contributing to a more just, environmentally balanced and economically prosperous society, we know that it is essential to positively and proactively influence our partners and parties who are involved in our production chain.

Launched in 2008, the Inove Program seeks to promote the development of small and medium sized regional suppliers, by strengthening relationships with associations and government entities. By the end of 2009, we offered nearly US\$48.8 million in credit, benefiting 169 supplier companies in seven Brazilian states.

In addition, we use the Supplier Performance Index (IDF) to evaluate all our suppliers of materials, regardless of the value of the contract, and services with contracts above US\$270 thousand. The purpose of the IDF includes providing information for updating our supplier database, establishing a

ranking of our supply partners, and ensuring transparency within the market.

**LOCAL PROCUREMENT**

Even during the global financial crisis, we maintained our local procurement commitments and activities, as an important measure to stimulate the economy in remote areas where we operate, as illustrated in the chart.

**CUSTOMERS**

**Communication of values**

We endeavor to find solutions that meet the needs of our customers and their businesses, investing in the quality of our products and strengthening our long term relationships. The ongoing contact with our customers allows us to monitor and assess their perception of the quality of our products and services, and the technical assistance provided.

**Product and service safety**

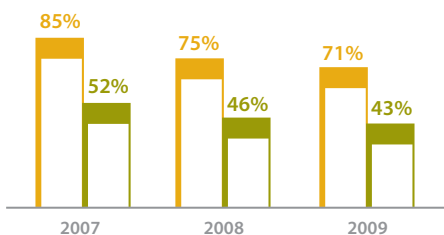
We manage risks at all stages of the mineral extraction process, paying special attention to the extraction/processing and distribution phases. Risk management procedures are clearly defined in our Instruction for Analysis and Administration of Health, Safety and Environmental Risks (INS-0037).

Vale is strengthening its strategy to develop and qualify local companies, based on program such as Inove, and on participation in our Development Programs for Regional Suppliers



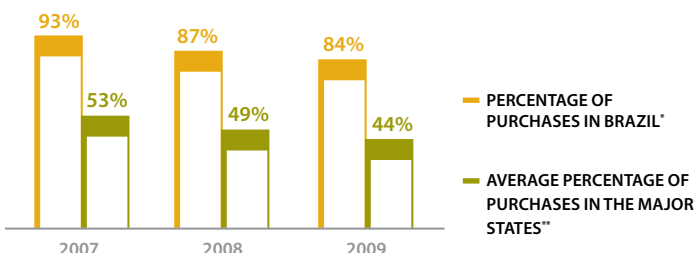
*We maintained our commitment to use local suppliers, despite the crisis.*

Proportion of local procurement, percent of total value – Global



— AVERAGE PERCENTAGE OF PURCHASES IN THE COUNTRY  
 — AVERAGE PERCENTAGE OF PURCHASES IN THE STATE REGION

Proportion of local procurement, percent of total value – Brazil



\*In 2007, the percentage of purchases in Brazil considered only own units. In 2008, figures from controlled companies were incorporated.  
 \*\*The average percentage of purchases in states considers acquisitions by our main operations in Espírito Santo, in Maranhão, in Minas Gerais and Pará – Brazil.

# GLOBAL SUSTAINABILITY AGENT

We are aware of the importance of achieving a balance between the social, environmental and economic aspects of our businesses, and we aim to maintain a global perspective on sustainability, complying with international standards of performance. We want to generate long term value for all our stakeholders and to guarantee our adaptation to and respect for local cultures and local circumstances.



## CLIMATE CHANGE

Covers materiality items: • Minimization of environmental impacts • Communication and engagement • Environmental conservation

# Leaders in climate protection

**Our actions and investments reflect our commitment to respond to the challenges of climate change, based on the priorities established by the Vale Carbon Program**

In 2009, Vale stepped up its actions toward meeting its commitment to contribute worldwide to addressing the challenges and consequences of potential global climate change. We became more closely involved with a range of stakeholders, and positioned ourselves more strongly on this issue, coordinating joint actions with sector organizations, other companies, and governments.

In its daily activities, Vale acts in accordance with our Corporate Guidelines on Climate

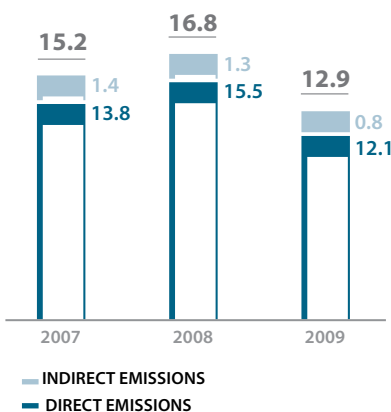
Change and Carbon, which were established in 2008. In 2009, we continued to implement actions that were based on the Vale Carbon Program, which forms a key part of these guidelines. The goal of the program is to establish standards of excellence in relation to the management of greenhouse gas (GHG) emissions by 2012.

In 2009, Vale oversaw the publication of an *Open Letter to Brazil on Climate Change*, in conjunction with the Ethos Institute and the Sustainable Amazonia Forum. The letter included voluntary commitments by 30 large Brazilian companies to contribute to global efforts for reducing climate change impacts. Read more about this initiative in the full report.



Each year we measure our direct and indirect emissions of greenhouse gases.

**Performance of direct and indirect emissions of GHG (Scopes 1 and 2)**  
(million tons of CO<sub>2</sub> equivalent)



### Fundamental Principles of the Vale Carbon Program

- 1 – Strategic evaluation of the impact of climate change on business, and capacity building across the company to enable us to operate in the new competitive environment.
- 2 – Support for, and implementation of, initiatives for reducing GHG emissions and promoting sequestration of carbon dioxide.
- 3 – Cooperation and partnership for research and development of technologies and implementation of mitigation and adaptation measures in the territories where we operate.
- 4 – Engagement with governments and productive sectors to monitor and contribute to the preparation of regulatory frameworks necessary to tackle climate change.
- 5 – Transparency and continuous improvement.

**BIODIVERSITY**

Covers materiality items: • **Minimization of environmental impacts** • **Environmental conservation**

# Protecting the riches of nature

**We are committed to investing continually in research and new technologies to ensure the sustainability of our operations, at the same time as striving to conserve biodiversity in all its forms**

We invest in actions that are aimed at the protection of ecosystems, the conservation of species, and the sustainable use of natural resources, to help meet the demands of today and protect the quality of life for future generations. In addition to continuously monitoring and assessing the impacts of our operations on natural environments, we develop technologies that are focused on improving the reclamation of areas that have been mined or otherwise altered by human activity.

**MAIN ACTIONS CARRIED OUT IN 2009**

- At the Vale Natural Reserve (Linhares/ES), 127 research projects were carried out, including studies conducted by Vale and studies in partnership with other institutions.
- In the Ilha Grande State Park (Angra dos Reis/RJ), we renewed the protocol of intentions that we have signed with the state government, and continued to implement the Sustainable Development Plan for this Conservation Unit.
- In the Iron Quadrangle of Minas Gerais, to protect areas that have been classified as Private Reserves of Natural Heritage (RRPNs),



we continued to carry out the actions of our Management Plans and to construct and maintain fire breaks.

- At the Center for Biodiversity Research and Conservation in the Iron Quadrangle of Minas Gerais (CeBio—Sabará/MG), which is included as part of the closure plan for our Córrego do Meio mine, the vegetation of the area was mapped and a “Green Area Management Plan for the Córrego do Meio mine” was prepared.
- An agreement on recovery and maintenance of the arboretum at the Rio de Janeiro Botanical Gardens (Rio de Janeiro/RJ) was signed and implemented.
- In the City of Greater Sudbury in Canada, an action plan for the conservation of biodiversity was developed, in partnership with the government, local community and businesses in the nickel sector.

**IMPACT BALANCE**

The volume of areas impacted by mineral exploration activities was higher than the amount of land where permanent reclamation processes were started in the 2007 to 2009 period. This is because of the extension of operations at some sites and the implementation of new projects. However, a clear trend can be observed of annual increases in the amount of land in permanent reclamation.

In 2009, including the reclamation and revegetation activities carried out voluntarily on leased land and land owned by third parties, and not associated with our extractive activities, we achieved in excess of 1 hectare reclaimed/ planted for every hectare impacted worldwide, meeting the commitment that we made in last year’s report.

**Opening and final balances of mineral extraction activities carried out by Vale in the period 2007-2009 (in sq km)**

Year	Impacted areas (Opening Balance)	Impacted areas in the referred year	Areas in permanent reclamation in the referred year	Impacted areas (Final Balance)
2007	488.9	16.5	7.4	498.0
2008	506.3	30.1	11.9	524.6
2009	524.6	39.1	29.6	534.1

The annual Opening Balance represents the position at the beginning of the year regarding total land yet to be reclaimed. The Final Balance represents the position at the end of the year regarding total land yet to be reclaimed. The difference between the Final Balance of 2007 and the Opening Balance of 2008 is due to the acquisition of new operating assets by Vale. Logistics operations are not included. Only extraction, processing and mineral transformation activities are included. Only areas in permanent reclamation are included, not temporary reclamation.

## HUMAN RIGHTS

Covers materiality items: • Regional legacy • Ethics in business • Value chain • Communication and engagement

## Spheres of influence

**As a global company, we understand that we not only have a part to play in the international debate about human rights, but that we must also contribute to improvement of global living conditions**

In 2009, we approved our Human Rights Policy. Under this policy, guidelines and principles are being developed for the actions of Vale in regard to human rights issues at our projects and operations, throughout the life cycle of our activities and in our value chain in the regions where we are present. The policy reinforces the ethical ideas and principles that are established by our Code of Ethical Conduct.

**WE ACT THROUGHOUT THE VALUE CHAIN**

We seek to establish relationships with institutions that share the same principles and values as Vale. Our contract model contains clauses regarding labor and social security, taxing, health and safety and quality. We are aware of the importance of encouraging sustainable practices in our value chain, and we act proactively in this area.

In 2009, we prepared a specific contractual clause that mentions the need to observe the Code of Conduct for Suppliers, the Sustainable Development Policy, and the Human Rights Policy of Vale. This clause was applied in a pilot

initiative. We expect that, in the course of 2010, this clause will be gradually adopted in the other contracts of Vale.

In Brazil, in the area of suppliers to our managed units, we have a monitoring mechanism that is based on the list published by the Ministry of Labor and Employment (MTE) that identifies cases of companies which have been reported for possible incidents of forced labor.

In 2009, no occurrences of child labor were identified in our operations or our value chain. Nevertheless, in that period a supplier of personal protection equipment (PPEs) was identified as having degrading working conditions in its value chain. The contract with this company was suspended and its registration as a Vale supplier was revoked.

In addition, in order to identify the risk of using uncertified charcoal, which could possibly use forced and/or child labor, in our supply chain of pig iron producers we have contractual clauses which allow the mineral supply contract to be terminated in the event of any irregularities being detected.

**Vale's spheres of influence**  
 to respect and promote human rights


## INDIGENOUS RIGHTS

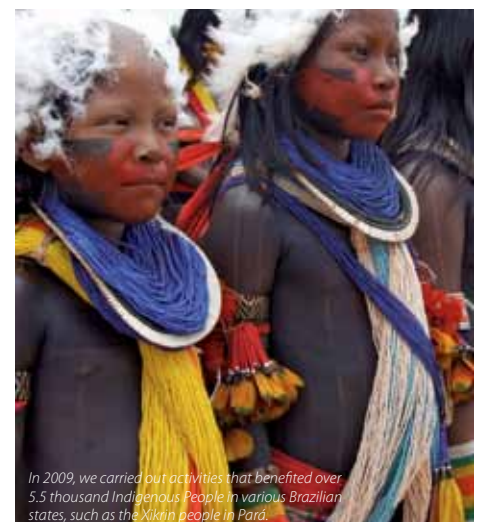
## Building alliances

**In order to strengthen our dialogue and our respect for indigenous communities and quilombolas, we are preparing a set of principles for relationships with Indigenous Peoples, as well as policies and training programs to educate employees and contractors who interact with these communities**

**MULTI-PARTY ACTIONS**

In 2009 we carried out actions that benefited over 5.5 thousand Indigenous People in the Brazilian states of Pará, Maranhão and Minas Gerais. To implement these actions, we counted on the support of government bodies, universities and NGOs.

In other countries where Indigenous Peoples have a strong presence, we also implemented cultural revival actions. As a result of the Pact for the Great South sustainable development, signed by Vale Inco Nouvelle-Calédonie and the Kanak populations, in October 2009 we established the Indigenous Environmental Consulting Committee, which guarantees the participation of indigenous authorities in the environmental monitoring of the operation in the south region, as well as the preservation of the culture of the traditional Kanak people. Two other key elements of the Pact are the creation of a Foundation and the reforestation association (scheduled for 2010).



## How to read our report

**Format** – This version includes the highlights of Vale's 2009 Sustainability Report, and relates the items to our materiality matrix. The full version of the report can be found at [www.vale.com](http://www.vale.com), in the Sustainability section.

**GRI Guidelines** – For the third year running, we are publishing our Sustainability Report according to the Global Reporting Initiative (GRI) guidelines, G3 version, including the Mining and Metals Sector Supplement.

**Global Compact and ICMM** – Our activities, as described in this Report, are aligned with

the principles of the Global Compact and the International Council on Mining and Metals (ICMM), international initiatives to which we are a signatory.

**Reporting Period** – This report covers the 2007 to 2009 period.

**External assurance** – The information included in the 2009 Sustainability Report has been externally assured by independent auditors Ernst & Young. The assurance scope included compliance with the GRI methodology, assurance of information

on management approach and performance, and application level declared. In addition, the relationships of the report to the guidelines of the ICMM were verified.

**Contact** – For additional information on sustainability, please visit us at [www.vale.com](http://www.vale.com) and contact us through the Talk to Us channel, Sustainability category.

## CORPORATE INFORMATION

Name	Vale
Corporate name	Vale S.A.
Legal form	Publicly traded company
Shares traded on Stock Exchanges	BM&FBovespa: VALE3, VALE5
	NYSE: VALE, VALE.P
	Euronext PARIS: VALE3, VALE5
	Latibex: XVALO, XVALP
Worldwide headquarters	Rio de Janeiro, Brazil
Social and environmental investments in 2009	US\$ 781 million
Total workforce (Dec. 2009)	140,600 (Employees: 60,000, Contractors: 80,600)
Corporate credit rating	Baa2 by Moody's Investors Service
	BBB+ by Standard & Poor's Ratings Services
	BBB by Fitch Ratings
	BBB (high) by Dominion Bond Rating Service
Recognition and Awards	GRI Readers Choice Award in the Civil Society category for the 2008 Sustainability Report. Vale was also a runner-up in the Investor Award and Best Overall award, for the best five organizations in the world
	The best placed Latin American company in the index assessing the level of transparency of information on climate change. The large mining company with the lowest intensity of greenhouse gas emissions per unit of revenue, according to the Carbon Disclosure Project (CDP)
	Época Prize in 2009 for one of the companies with the most outstanding climate change policies
	2008 Sustainability Report recognized as a Notable Communication on Progress (COP) by the Global Compact
	The top placed mining company in the climate change ranking compiled by Goldman Sachs, and one of the five most sustainable companies in the basic materials sector, according to the GS-Sustain Report
	Awarded five prizes in the 2009 IR Magazine Awards, including the Prize for the best investor relations program in Brazil

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We seek to create a social, economic and environmental legacy in all locations where we operate.

**Cover photo:** Fernando Montarroyos de Araújo, operational apprentice, Tubarão Port, Vitória – Espírito Santo, Brazil (photographer: Marcelo Shoubia).

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