

Corporate Guidelines on Climate Changes and Carbon

Objective:

- To establish corporate guidelines for managing the main questions related to climate changes impacts in our business and to set forth mechanism to control and reduce greenhouse gas (GHG) emissions.

Application:

- All Vale areas and its subsidiaries in Brazil and overseas and, whenever possible, seek adoption by affiliated companies.
- It should be complied with by the members of the Board of Directors and its Advisory Committees, by the members of the Supervisory Council and by the Company Officers, employees and interns.

General Principles:

- We understand that the issue of climate change is of fundamental importance to the environmental, economic and social sustainability of the planet, and that it can affect our business activities.
- We recognize the existence of scientific evidence of global warming, and that this is directly related to the increase in the concentration of greenhouse gases (GHG) in the atmosphere associated with anthropic activities.
- We believe that the effects of climate change indicate impacts on the ecosystems of our planet and, as a consequence, on the economic activities developed in territories where we operate.
 - It is our understanding that climate change can have implications for our strategic plans, and that therefore actions should be undertaken to evaluate the risks to business and comparative advantages, minimizing vulnerabilities and maximizing opportunities.
 - It is our understanding that coal and other fossil fuels will continue to have an important role in the global energy matrix, and that there is a need to strive for balance between energy security and climate security.
- We consider that the development and dissemination of technology are fundamental aspects for dealing with climate change.
- It is our understanding that we must monitor the evolution of the national and international milestones of climate change in the process of development, assess the implications for our businesses and engage with policymakers.
- We are committed to participating in the global effort seeking the stabilization of the concentration of greenhouse gases in the atmosphere at acceptable levels, employing our best efforts, according to the regulations in force and aligned with these guidelines, promoting coordinated actions in all our operations in order to attain this objective.
- With respect to confronting climate change, our principal focus of action in the territories in our area of influence will be related to its effects on the physical infrastructure, on water availability, on biodiversity, as well as on the local socioeconomics.
- We have been tracking and managing our greenhouse gas (GHG) emissions since 2005, and recognize that the nature of our industrial activity and the size of our operations imply in significant emissions of GHG.
- The terms included in this guideline reflect the current level of scientific knowledge about climate change. Based on the evolution of scientific knowledge and regulatory milestones, this guideline will be upgraded, with a view to establishing a long-term policy that is compatible with the challenges represented by this topic.

Appendixes:

- Appendix 1 – Vale Carbon Program
- Appendix 2 – Responsibilities in the Management of Vale Carbon Program

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Appendix 1 Vale Carbon Program

Guided by the General Principles, we have established a wide-ranging set of globally coordinated measures, with the objective of attaining standards of excellence in our actions regarding climate change by 2012, named Vale Carbon Program, which is based on five fundamental principles:

1. Strategic evaluation of the impact of climate change on business, and capacity-building of the company to operate in the new competitive environment;
2. Support for and induction 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 private sectors to monitor and contribute in the preparation of the regulatory milestones necessary to climate change responses;
5. Transparency and continuous improvement.

For each principle of the “Vale Carbon Program”, a set of actions is foreseen, as detailed below:

1. Strategic evaluation of the impact of climate change on business, and capacity-building of the company to operate in the new competitive environment :

- Quantify, consolidate and monitor its GHG emissions and initiatives for carbon dioxide sequestration.
- Monitor the impacts on its different sectors and businesses, as compared to those of its main competitors.
- Assess the potential impact on the strategic plan and on the value creation for its shareholders in the long term, and the implications for the other stakeholders, incorporating these analyses in its strategic planning.
- Evaluate its project portfolio, considering the implications of climate change and efforts to reduce GHG emissions on the development, approval and implantation of new undertakings.
- Disseminate the knowledge regarding climate change and stimulate the adoption of best management practices, in accordance with these guidelines.

2. Support for and induction of initiatives for reducing GHG emissions and sequestration of carbon dioxide:

- Promote integrated action of all lines of business with respect to the initiatives for reduction of GHG emissions and carbon dioxide sequestration, as well as expanding initiatives in each business.
- Allocate resources for the development of projects that result in reductions of GHG emissions arising from its activities, products and services, seeking, whenever possible, to obtain associated financial benefits through participation in the carbon market, via the Clean Development Mechanism (CDM) and other current and future markets.
- Evaluate and establish joint projects with suppliers and clients for the reduction of their GHG emissions and carbon dioxide sequestration, in view of the importance of the life cycle of Vale’s products. Assure the application of all the technology available, which is technically and economically feasible, for the maximum mitigation of the GHG emissions generated in the production and use of mineral coal for the generation of power and in metallurgical processes.
- Promote energy efficiency and the reduction of fossil fuel consumption, and encourage the use of renewable fuels, particularly bio-fuels, constantly striving for effective reduction of GHG emissions.
- Invest in renewable energy projects, notably hydroelectric plants.
- Invest in the implementation of reforestation and forest conservation projects and in other natural ecosystems, including the recovery of degraded areas and protection of biodiversity.

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3. Cooperation and partnership for research and development of technologies and implementation of mitigation and adaptation measures in the territories where we operate:

- Invest in less carbon intensive technologies for energy generation and use, focusing principally on the use of renewable biomass, bio-fuels and mineral coal.
- Support and promote, with institutions of repute, studies and research for the assessment of the impact of climate change on the territories in which Vale operates, identifying necessary adaptations in its facilities and contributing to the development of public policies.

4. Engagement with governments and private sectors to monitor and contribute in the preparation of the regulatory milestones necessary to climate change responses:

- Identify, analyze and propose actions that contribute to the formulation of the regulatory milestones related to climate change.
- Monitor, in conjunction with governments and international bodies, the development of public policies for the global reduction of greenhouse gas emissions.

5. Transparency and continuous improvement:

- Regularly report to stakeholders on the results of measures taken by Vale with respect to climate change, through structured and acknowledged channels of communication.
- Periodically review these guidelines, striving for continuous improvement in our processes in accordance with sustainable development.

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Appendix 2

Responsibilities in the Management of Vale Carbon Program

Global Core (Sustainable Development Department)

- To formulate, update and induce the implementation of these Corporate Guidelines.
- To monitor regulatory trends, to build relationship with national and international climate change bodies and to formulate proposals on Vale's positioning toward those regulatory trends.
- Normalize, consolidate and report Vale's performance with respect to climate changes and carbon.
- Propose the strategy and management model of Vale's operations Carbon balance.
- To establish budgetary guidelines for Vale Carbon Program.
- To promote strategic discussions related to Vale Carbon Program and suggest actions to the Executive Board. In those discussions, the following areas must be involved, under the coordination of the Institutional Relations and Sustainability Director: Sustainable Development, Coal, Energy, Aluminium, Iron Ore Marketing and Business Development, Steel Projects and Participations, Vale Inco Business Development, Corporate Finance and Legal.

Lines of Business and Companies

- To quantify and report greenhouse gas (GHG) emissions to the Sustainable Development Department according to the corporate methodology.
- To evaluate the impact of climate change on their business according to the corporate methodology.
- To identify and implement the reduction of GHG emissions and sequestration of carbon dioxide projects according to corporate guidelines.