

Sustainability Report 2006

commitment
to people

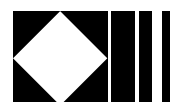
responsible
action

results



social transformation

long-term vision



Companhia
Vale do Rio Doce

A great company is made of people – the ones inside it and outside it. People with different stories, different talents, different voices, profiles, desires, aptitudes. In giving value to human diversity, and in its respect for every point of view, CVRD builds relationships, and is built by them, in an endless spiral.

In this infinite interaction, which goes beyond the present moment, and sends its message to future generations, CVRD converges its focus on the reason for its own existence: people.

CVRD's 2006 Sustainability Report highlights the importance of people in the building of partnerships that lead to development. In this edition, 13 representatives of different sections of society gave their testimony on the relationship they have to the company.

On the cover (left to right):

Valmir Queirós Mariano, Director of Integral Construções e Comércio, supplier of CVRD in Parauapebas (the Brazilian state of Pará); Adriana Corrêa Lima, participant in the Escola Que Vale program in São Luís (state of Maranhão, Brazil); Akio Mimura, president and representative director of Nippon Steel Corporation, client since 1955; and Silvânia Matos, CVRD bulldozer operator – the Fábrica Nova mine (the Brazilian state of Minas Gerais).

002	ABOUT THIS REPORT
003	PROFILE
004	CVRD IN BRAZIL AND WORLDWIDE
008	MESSAGE FROM THE BOARD OF DIRECTORS
010	MESSAGE FROM THE CEO
013	CVRD EXECUTIVE BOARD

014	CORPORATE GOVERNANCE
020	BUSINESS PERFORMANCE
026	ECONOMIC AND FINANCIAL PERFORMANCE
034	CVRD INCO CONSOLIDATION
037	CAPITAL EXPENDITURE
038	CAPITAL MARKETS
040	RISK MANAGEMENT
042	BUSINESS OUTLOOK
046	ENVIRONMENTAL PERFORMANCE
049	ENVIRONMENTAL MANAGEMENT SYSTEM
051	MANAGEMENT OF ENVIRONMENTAL RISKS
053	MANAGEMENT OF WATER RESOURCES
058	MANAGEMENT OF DAMS AND STRUCTURES
059	MANAGEMENT OF WASTE
062	BIODIVERSITY
070	ATMOSPHERIC EMISSIONS
072	CLIMATE CHANGES
074	GEO-INFORMATION
075	TEACHING FOR SUSTAINABILITY
076	SOCIAL PERFORMANCE
081	HOLDING DIALOGUE WITH COMMUNITIES
087	REVEALING TERRITORIES POTENTIAL
105	COMMITMENT TO PEOPLE
120	FORMING VALUE CHAINS
124	CONSTRUCTIVE RELATIONSHIPS
126	SOCIAL STATEMENT AND SAV
128	AWARDS AND RECOGNITION
130	GRI INDICATORS INDEX (GRI-G3)
136	ADDRESSES



A decorative graphic consisting of a horizontal wavy line in a reddish-brown color, and a large, thin-lined circular arc on the right side of the page, also in the same color.

About this Report

This report aims to demonstrate the main activities of CVRD – Companhia Vale do Rio Doce – over the period January 1–December 31, 2006. This is the first time that CVRD's Annual Report has been prepared according to the principles of the GRI – the Global Reporting Initiative, showing CVRD's intention to reflect the commitment to sustainability as well as in its communication.

Its focus does not include the activities of CVRD Inco, and other subsidiaries or affiliates – though these may be eventually mentioned in the text.

The content of this publication is available on the site www.cvrd.com.br.



Profile

CVRD is the world's second largest company in the mining and metals industry. It operates in 13 states of Brazil, and more than 20 countries – in five continents; it is the world leader in production and export of iron ore and pellets; and it is also an important producer of nickel, copper concentrate, bauxite, alumina, aluminum, potash, kaolin, manganese and ferroalloys.

One of CVRD's central points of focus is diversified growth of its activities in mining. It invests in geological research and exploration for mineral resources in numerous countries. It is the largest supplier of logistics in Brazil, providing complete solutions based on integration of its own railroads, ports and sea terminals. It also participates in consortia producing electricity, for its own consumption.

In all its projects and undertakings CVRD acts in a responsible manner and makes special directed efforts for its own growth path to add to and magnify the potential for development of the communities in which it is present. Through its operational areas, and through the CVRD Foundation, it creates and operates programs for the integrated economic, environmental and social development of the territories where it operates, always respecting the local cultural identity.

Brazil

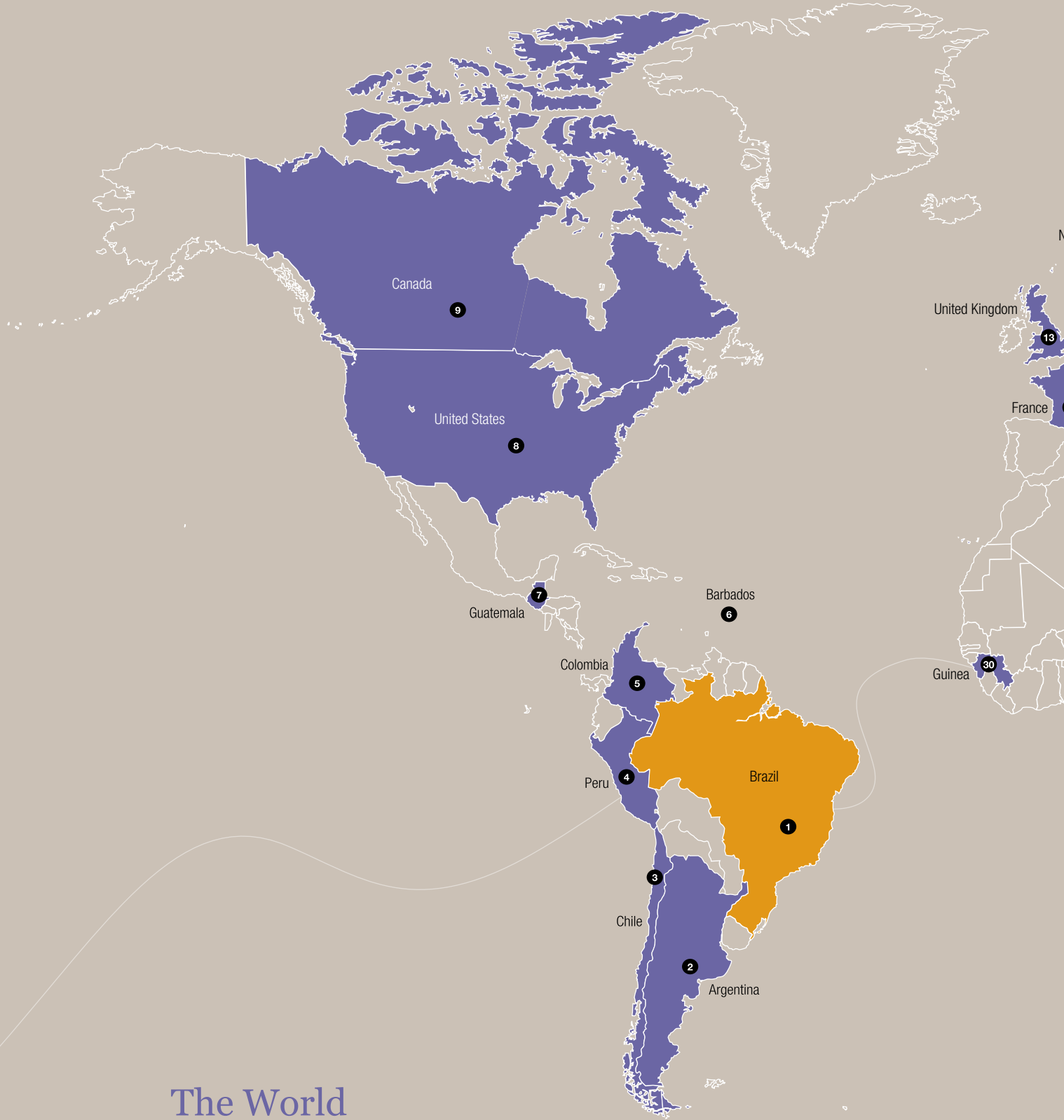


- CVRD Head Office
- A** Northern System
- C**
- RDM – Rio Doce Manganês
- B** MRN
- C** PPSA
- D** Albras
- Alunorte
- E** Ponta da Madeira Port Terminal
- São Luís Pelletization Plant
- F** Inácio Barbosa Port Terminal
- P**
- G** RDM – Rio Doce Manganês
- H** Igarapava Hydroelectric Plant
- I** Usiminas
- J** Southern System
- Fábrica Pelletization Plant
- K** Funil Hydroelectric Plant
- L** Porto Estrela Hydroelectric Plant
- M** Candonga Hydroelectric Plant
- N** Tubarão Port Complex
- Vila Velha Terminal
- Hispanobras
- Nibrasco
- Itabasco
- Kobrasco
- CVRD Pelletization Unit

- O** Aimorés Hydroelectric Plant
- P** Samarco
- Q** Sepetiba Bay Port Company (CPBS)
- Guaíba Island Maritime Terminal – TIG
- Valesul
- R** Urucum Mining
-
- S** Cerrado Dry Port
- T** Cadam
- U** Capim Branco Hydroelectric Plant
- V** Mining Development Center (CDM)
- Carajás Railroad » EFC
- Vitória-Minas Railroad » EFVM
- Centro-Atlântica Railroad » FCA
- Norte-Sul Railroad » FNS
- Ferroban » FCA (Traffic Rights)
- Coastal Navigation Services

CVRD in Brazil and Worldwide



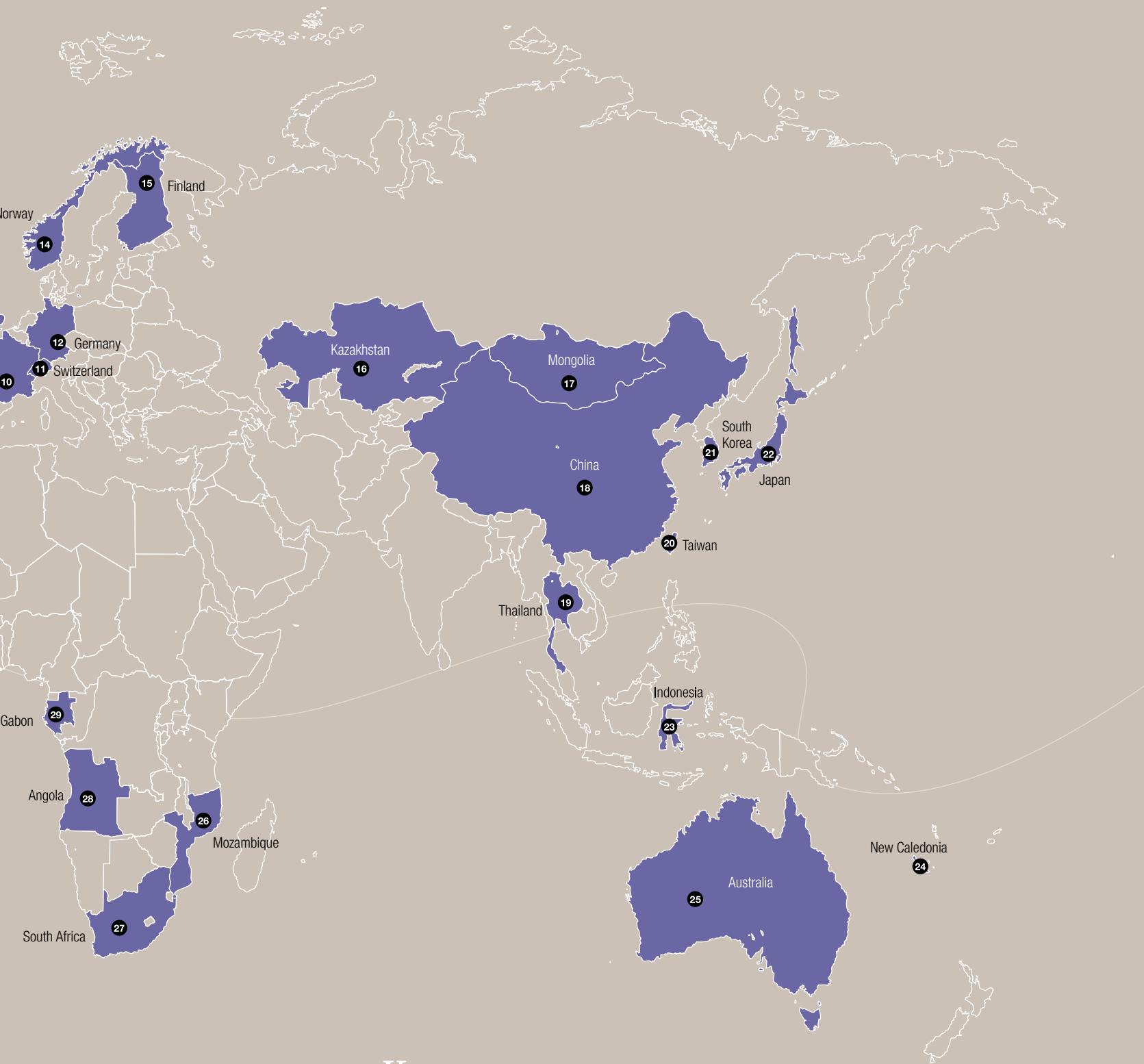


The World

1		Brazil
2	🏠	Argentina
3	↗	Chile
4	↗	Peru
5	↗	Colombia
6	🏠	Barbados
7	◆	Guatemala
8	🏠 ◆ 🏠	United States
9	🏠 🏠 ↗ ✂️	Canada
10	🏠	France


11	🏠	Switzerland
12	◆	Germany
13	🏠 🏠	United Kingdom
14	🏠	Norway
15	↗	Finland
16	◆	Kazakhstan
17	↗	Mongolia
18	🏠 ◆ 🏠 ↗	China
19	🏠	Thailand
20	🏠 ◆	Taiwan


21	🏠 ◆	
22	🏠 ◆	
23	🏠 🏠 ↗ ✂️	
24	🏠 ↗ ◆ ✂️	
25	🏠 ↗	
26	↗	
27	↗	
28	↗	
29	↗	
30	↗	



Key


 _{IO} Iron Ore Mine

 _B Bauxite Mine

 _M Manganese Mine


 _{NI} Nickel Mine


 _C Copper Mine

 _{CA} Coal Mine

 _K Kaolin Mine


 _P Potash Mine


 Mineral Research


 Operations

 Coastal Navigation

 Hydroelectric Plant

 Office

 Joint venture

 Dry Port

- South Korea
- Japan
- Indonesia
- New Caledonia
- Australia
- Mozambique
- South Africa
- Angola
- Gabon
- Guinea



Message from the Board of Directors

Achievements and new vistas: that is how we can sum up the year of 2006 for CVRD. In a bold transaction, we acquired the Canadian mining company Inco, increasing our presence in non-ferrous metals and consolidating the international character of our company. The success of the acquisition and of the operation for its financing, underlines our commitment to value creation for stockholders and sustainability of the business.

We also concluded the incorporation of Caemi, Rio Verde and Valesul in 2006, companies that are strategic for our business. At the beginning of 2007, we have strengthened our position in coal with the control purchase of AMCI Holdings Australia Pty. Allied to operational and financial progress, our acquisitions in recent years follow our strategic plan to seek growth by both geographical and product diversification, diluting the risks of the operation while also strengthening our position among the largest global mining companies.

Our path of growth has been reflected in the company's market capitalization, which has been successively breaking records. We ended 2006 with market capitalization of R\$147.5 billion, 38.5% higher than at the end of 2005 – demonstrating to the financial markets CVRD capacity to absorb a major acquisition and assume a new, more solid and diversified, profile. CVRD's results combine boldness in strategy and discipline in management, while capitalizing on the best opportunities in the sector. We invest and we grow, more than our competitors, and we intend to maintain this firm rate of development of our businesses.

We believe that continuous growth and the search for maximum return for stockholders are only possible with responsible management, and corporate governance guided by the best market practices. This awareness has led CVRD to make real effective contributions to the development of the locations where it operates, through a model of operation that combines dialogue, social investment and impact management.

Our results in 2006 confirm the correctness of our strategy of sustainability – and reveal the dedication of both our leaders and our employees in implementing it. CVRD closed 2006 with net profit of R\$13.4 billion, 29% more than in 2005, indicating profitability of R\$5.56 per share.

“

We know that continuous growth and the search for maximum return for stockholders are only possible when the business is run responsibly and with corporate governance guided by best market practices. This awareness has led CVRD to contribute effectively to the development of the localities where it operates, through a model for action that congregates dialogue, social investment, and management of impacts.

”

Besides this, our exports in 2006 totaled US\$9.7 billion, 37.5% more than in 2005. Trading records broken in the year include sales of iron ore and pellets, 272.6 million tons, and railroad transport of general cargo for clients, totaling 28.9 billion ntk (net ton kilometers).

The robustness of our businesses was accompanied by social and environmental investments. As well as the R\$286 million invested in social actions and another R\$317 million in environmental actions, CVRD has been outstanding for the development of programs that help structure communities, and initiatives for recovery and preservation of biodiversity. With these practices, CVRD today is a positive influence on the agenda for development of the various regions where it operates.

We go forward with the firm purpose of maintaining an open and direct relationship with the many sectors of society during 2007. Our capital investment plan, of US\$6.3 billion, will provide support for our continuing organic growth. This amount excludes acquisitions, and as such is almost 40% more than in 2006, reflecting our conviction of the company's promising future.

We ended 2006 satisfied with our achievements and with the position we have won among our peers. We intend to continue flying higher and higher, exploring new areas, contributing to the development of the market and the people – inside and outside the company. On this path, we are aware of the challenges that we will face, but the experience of recent years and the results achieved indicate that we are moving in the right direction.

We would like to thank the dedication of all our executives and the exceptional performance of our employees, in achieving the results obtained in 2006. Our stockholders' trust and confidence were also fundamental for the growth and success of CVRD. With everybody's support, we are totally able to obtain new achievements in 2007.

Sérgio Rosa

Chairman of the Board of Directors



Message from the CEO

Another year of real milestones for CVRD was 2006. We consolidated our status as an international company, with the acquisition of the Canadian mining company Inco, one of the world's largest producers of nickel; and at the same time we maintained our track record of growth and continuing records in results, showing the success of the strategy decided by the Board of Directors and the success in its execution, thanks to the performance and talent of our employees.

The challenges are increasingly greater for a company that is on an expanding path of diversification both geographically and in terms of the products, like CVRD. The excellent results achieved in 2006 show that our market is getting stronger in a sustained manner, led by transparent management, respect for the environment, development of our employees and improvement in the quality of life of the communities close to where we operate.

CVRD is today the world's second largest company in mining and metals, in terms of market capitalization. Its value multiplied by a factor of eight from December 2001 to February 2007. For the stockholders, this represented a return of 42.7% per year over this period. In 2006, our operational activities generated gross revenue of R\$46.7 billion, 32% more than in 2005. The net profit in 2006 was R\$13.4 billion, 29% more than the R\$10.4 billion net profit of 2005.

Factors in this extremely positive performance include the great investment effort, carried out at all times with discipline in order to maximize the potential for value creation for stockholders. We invested US\$26.3 billion in capital expenditure in various projects in 2006, five times more than the amount of US\$5.0 billion in capital expenditure invested the year before. The greater part of this, amount US\$21.5 billion, went into acquisitions. As well as Inco, where our investment of US\$19.0 billion translated into the largest acquisition ever made by a Brazilian organization, CVRD concluded the purchase of three other companies in 2006 that are strategic for its business – Caemi, Rio Verde and Valesul.

CVRD Inco is a powerful partnership, which will make even larger steps possible in the future. In the short term, it provides an important strengthening in the diversification of our activities. In the company's new profile, iron ore remains as the main product, responsible for 48% of our gross revenue in 2006, but nickel has increased its percentage, now representing 26% of our business, at a moment of strong demand and record prices for this metal. Also, CVRD Inco brought to CVRD a team of 12,000 employees of high competence, adding state-of-the-art technology and highly qualified knowledge on the universe of nickel.

“

The challenges are increasingly great for a company that is on an expanding path of diversification both geographically and in products, like CVRD. The excellent results achieved in 2006 show that our market is getting stronger, in a sustained manner.

”

The financial leverage necessary for this acquisition did not change the rating given by the world's four largest risk rating organizations – Dominion Bond, Standard & Poor's, Moody's and Fitch – thus confirming our position as an investment grade company, and reflecting the financial community's confidence in the company and its strategy.

Also in 2006, we successfully completed projects to expand production capacity for iron ore and alumina. We invested in an increase of our fleet of locomotives and wagons on our railroads to guarantee our conditions for growth, and in the construction of one more hydroelectric power generation complex, Capim Branco, in the “Triângulo Mineiro”, an area of the Brazilian state of Minas Gerais.

As a result of our planning, we have achieved further operational records, over the year – hitherto unprecedented levels of production in iron ore, alumina, aluminum, copper, potassium and kaolin. CVRD has also become the largest supplier of iron ore to China – to which destination we shipped 77.9 million tons. With total net exports of US\$8.8 billion, we are already responsible for almost one-fifth of the Brazilian trade balance: our share in Brazil's trade surplus increased from 14.1% in 2005 to 19.0% in 2006.

We know that the real value of our results is expressed in people, and in the relationships that we have with them, both inside and outside the company. Hence, in 2006, we created the Corporate Affairs Department (which in April 2007 became the Corporate Affairs and Energy Department), which aims to achieve even closer relationship among CVRD and the various segments of society. This initiative reinforces our belief in the importance of dialogue, and in establishment of partnerships for development.

CVRD stands out in the generation of jobs, always seeking to grow jointly in terms of business and people. We created approximately 4,000 new jobs, directly, in 2006. Today, as well as the 12,000 employees of CVRD Inco, we have approximately 44,000 employees of our own. Also, indirectly, each employee of CVRD represents five new jobs in the production chain.

The concern with our employees is at the top of our list of priorities. As well as investing continuously in training, we created a Health and Safety Department, to achieve international standards of control and prevention of illnesses and accidents. Thanks to the efforts made, our proportion of accidents causing days off work per million man-hours worked has diminished continuously, from 4.7 in 2003, to 1.9 in 2006.

** In April 2007, it was renamed to Corporate and Energy Affairs Executive Board.*

All our actions are aimed to integrated social, environmental and economic development. When investing in the growth of our business, we adopt processes that promote the development of communities, protecting natural resources and bring dynamism to the economies of the areas where we work, contributing in fact to the construction of a sustainable future, for CVRD, for Brazil and for the world.

In 2006, the CVRD Foundation assumed an even more strategic positioning. As well as the social programs, developed in a participatory and structuring manner, the Foundation began a series of social-economic diagnoses, aiming to identify the needs and potentials of each territory. At the same year the company and the Foundation invested a total of R\$286 million in social investment – indicating our strategic commitment to the communities where we work.

We carry out our business in a way to contribute to the preservation of natural resources. In environmental actions, our investments in 2006 totaled R\$317 million, including the rehabilitation of native species of the Atlantic Forest, the Cerrado (a vast tropical savanna ecoregion of Brazil) and the Amazon ecosystems. Our activities have a tradition of environmental responsibility. We use the most advanced technologies and the most rigorous controls to prevent and minimize possible impacts. Respect for the environment is part of our culture and is deeply rooted in the practices of each CVRD employee.

Our confidence in the future is demonstrated by the continuity of our significant capital expenditure in organic growth planned for 2007. The amount of US\$6.3 billion, approved by the Board of Directors, is greater than the record amount approved for the previous year, excluding acquisitions. The purchase of AMCI Holdings Australia Pty, reinforcing our activity in the coal segment of the market, and our obtaining the certification under the Sarbanes-Oxley Law without reservations for our internal controls, are highlights of the first months of 2007.

Our achievements in 2006, and the good outlook for 2007 – when CVRD will celebrate its 65th anniversary, of a path marked by continuing success – strengthen our pride, and at the same time call for much wider attention to the challenges that will come, with our new global positioning, and the increase of complexity of our activities. We need to work continuously to optimize costs of operation and investment, to achieve better work safety indices, to strengthen the management of operational impacts and to further expand the dialogue with our public.

We reaffirm our optimism on the evolution of the markets in which we participate, and we express our thanks to our stockholders, the Board of Directors, our clients and suppliers, our local communities, the participants in the capital markets, the Brazilian municipal, state and federal governments, the press and all those who contribute to CVRD's good performance. Our special thanks to our employees – those who carry the greatest responsibility for our achievements.

Roger Agnelli

CEO

CVRD Executive Board



1. Tito Martins
Corporate Affairs and Energy

2. Eduardo Bartolomeo
Logistics

3. Fábio Barbosa
Chief Financial Officer

4. Carla Grasso
Human Resources and
Corporate Services

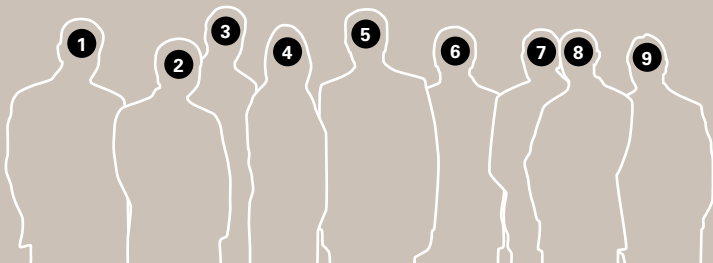
5. Roger Agnelli
CEO

6. José Carlos Martins
Ferrous Minerals

7. José Lancaster
Copper, Coal and Aluminum

8. Gabriel Stoliar
Planning and Business Development

9. Murilo Ferreira
Nickel, Marketing & Sales of
Copper and Aluminum



(April 2007)

Corporate Governance

CVRD's corporate governance model underlines respect for stockholders' rights, and commitment to sustainability of the company's businesses.

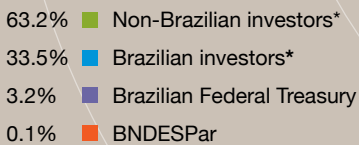
CVRD's corporate governance policy is based on the principles of clarity of information, transparency and stability, necessary for positioning the company on a clear and sharp trajectory of growth and value creation.

Different initiatives were taken to improve our governance practices, including the adoption of a Code of Ethics, revised in 2006, and signed by all the employees – and a policy of continuous disclosure of material information and preservation of secrecy where necessary.

Among the actions taken for transparency is the systematic series of presentations and conference calls to publicize the company's results. The accounting records are kept both in accordance with the Brazilian accounting practices (BR GAAP) and US practices (US GAAP), so as to provide the information with the widest scope and transparency possible.

CVRD – stockholding structure

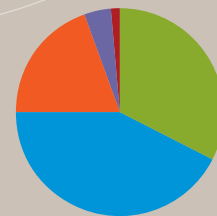
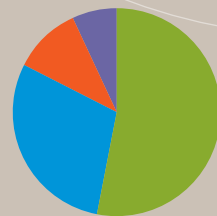
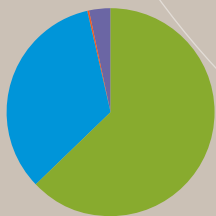
Preferred Shares (PN) – December 2006



Common Shares (ON) – December 2006



Total shares – December 2006



*Non-Brazilian investors = NYSE (ADRs) + Bovespa

*Brazilian investors = Institutional investors + retail investors + FMP



“

I have had shares in CVRD for a very long time. The first ones, I received as a legacy from my father, who already believed in the company at that time. Currently, I continue to invest in it because I believe it is a good stock. In 2006, a sale of a few shares made one of my family dreams possible: a trip to Disneyland with my husband and my three children. At that time I followed the market closely and checked the news on the company's site all the time. I sold them at a good time, and I have already recovered the money because the shares have gone up a lot. CVRD is a company I have confidence in.

Paula Farias da Poian, investor for more than 10 years.

”

Board of Directors and Audit Board

CVRD Board of Directors has 11 members – and 11 substitute members. This board establishes the general policies and guidelines for the CVRD companies, and monitor and control their implementation by the Executive Board. The members of the Director Board – who include one representative of the employees – are elected for a period of two years, and may be re-elected.

CVRD has also established its Audit Board as a permanent entity. It is made up by three to five members, who have the responsibility of reviewing the activities of management and the accounting statements, reporting directly to the stockholders. The Audit Board also carries out the functions of the Audit Committee, under the Sarbanes-Oxley Law, as established by the Securities Exchange Commission (SEC).

Members of CVRD Board of Directors

Sérgio Ricardo Silva Rosa
Chairman

Mário da Silveira Teixeira Júnior
Vice-Chairman

Arlindo Magno de Oliveira
Eduardo Fernando Jardim Pinto
Erik Persson
Francisco Augusto da Costa e Silva
Hiroshi Tada
Jorge Luiz Pacheco
Julio Sérgio Gomes de Almeida
Oscar Augusto de Camargo Filho
Renato da Cruz Gomes

Members of the Audit Board

Marcelo Amaral Moraes
Chairman

Aníbal Moreira dos Santos
Bernard Appy
José Bernardo de Medeiros Neto

Advice Committees

The Board of Directors is supported by five committees: Executive Development; Strategy; Finance; Controller's Department; and Governance and Sustainability. These committees provide forums for discussion, in which members debate their views on the subjects on the agenda, enabling proposals to be better discussed and aligned before submission to the Board of Directors.

The Executive Development Committee is responsible for reporting the general policies on human resources, recommending the levels of remuneration and establishing guidelines for assessing the performance of the members of the Executive Board, and also for issuing reports on programs including those relating to social and environmental responsibility, health and safety, and other subjects.

The Strategy Committee is responsible for reviewing the recommendations to the Board of Directors on guidelines and strategic planning, which are submitted annually to the Board. The Committee also examines the company's annual and multi-year budgets, and the opportunities for investments, disinvestments, mergers and acquisitions.

* (April 26, 2007)



The Financial Committee reviews and makes recommendations on the corporate and financial risk policies and the company's systems of internal financial controls, compatibility between the level of remuneration of the stockholders and the parameters established in the annual budget, and consistency with the general policy on dividends and the company's capital structure.

The responsibilities of the Controller's Department Committee include: make a proposal to the Board of Directors for appointment of the person responsible for internal audits; report on the audit policies and the company's annual audit plan, and its execution; and monitor the results of the internal audit, so as to identify, prioritize and propose actions to be monitored by the members of the Executive Board. It also has the responsibility of analyzing the company's annual report and financial statements, making recommendations to the Board of Directors. None of the members of the Controller's Department Committee is a member of the Board of Directors.

The Governance and Sustainability Committee has the responsibility of evaluating the corporate governance practices and the functioning of the Board of Directors, and also recommending improvements to the Code of Ethics and the system of management, so as to avoid conflicts of interest between the company and its stockholders or managers. The committee's regulations require that at least one of its members should be independent, that is to say should not have any present link with the company (except as a member of the committee or as a stockholder); should not take part in any sales efforts or provision of services to the company; should not represent the controlling stockholders; should not be an employee of the controlling stockholder or organizations related to it; and should not be an Executive Director of the controlling stockholder.

Controllers Department Committee*

Antonio José de Figueiredo Ferreira
Paulo Roberto Ferreira de Medeiros

Executive Development Committee*

Arlindo Magno de Oliveira
João Moisés de Oliveira
Oscar Augusto de Camargo Filho

Strategic Committee*

Roger Agnelli
Gabriel Stoliar
Demian Fiocca
Mário da Silveira Teixeira Júnior
Oscar Augusto de Camargo Filho
Sérgio Ricardo Silva Rosa

Financial Committee*

Fábio de Oliveira Barbosa
Wanderlei Viçoso Fagundes
Ivan Luiz Modesto Schara

Governance and Sustainability Committee*

Renato da Cruz Gomes
Ricardo Simonsen
Ricardo Carvalho Giambroni

* In April 2007.

The Executive Board

CVRD Executive Board is responsible for putting into practice the business strategy decided by the Board of Directors, plans and projects preparation, and the company's operational and financial performance. The CEO is responsible for choosing the other members of the Executive Board, who are ratified by the Board of Directors. He also acts as an interface between the Executive Board and the Board of Directors.

In 2006 a new Executive Director Department, Corporate Affairs*, was created to coordinate the company's relationships with its public. This initiative shows how much CVRD considers strategic the development of partnerships with the various sectors of society, and continuous investment in its relationship with its stakeholders.

The other Executive Director Departments are: Finance and Investor Relations; Human Resources and Corporate Services; Planning and Business Development; Logistics; Ferrous Minerals; Copper, Coal and Aluminum; Nickel, Marketing & Sales of Copper and Aluminum.

** Renamed the Corporate Affairs and Energy Department in April 2007.*

Code of Ethical Conduct

Since 2004 CVRD's Directors, Board members and employees have had the benefit of a Code of Ethics to provide underlying orientation for everything they do. In 2006 this Code was revised, showing that CVRD is attentive to evolution in the external environment. Another code, specifically for employees of the Finance, Investor Relations and Controller's Departments, has been in force since November 2002. Both reinforce the company's commitment to acting fairly and responsibly with the various public, and show its belief that ethics is an inseparable part of its businesses.



The Code of Ethical Conduct underlines the company's commitment to operating fairly and responsibly with its various publics.

“Vale Investir” – CVRD stockholder reinvestment plan

Launched in September 2005, the Vale Investir plan is a system of reinvestment of dividends received by investors holding CVRD shares through São Paulo Stock Exchange (Bovespa). The program enables dividends and/or Interest on Equity distributed by CVRD to be automatically reinvested in more CVRD shares, acquired in the secondary market.

According to the company's stockholder remuneration policy, which has been in place since 2003, the Board of Directors has to decide by January 31 of each year on the minimum amount per share to be distributed to stockholders in the year, established on the basis of the performance expected in the year of the distribution. This amount is paid in two six-monthly parts, as dividend and/or interest on equity. In 2006 CVRD distributed R\$2.8 billion as remuneration to its stockholders.

Meetings with analysts and investors

It is CVRD's policy to hold meetings with participants in the capital markets. Events in 2006 included CVRD Goes to Bovespa and meetings with the Associação de Investimento do Mercado de Capitais – Apimec (Brazilian Association of Capital Market Professionals), and also the fifth annual CVRD Day at the New York Stock Exchange – in October. CVRD also takes part in fairs and similar events for individual investors – such as Expo Money, meetings of the Instituto Nacional de Investidores – INI (National Institute of Investors) in Brazil, and the Money Show in the USA.

Business Performance

In 2006 CVRD achieved new production records in iron ore, alumina, aluminum, copper, potash and kaolin, which reflected in record shipments of these products.

The consolidation of CVRD Inco into the production figures of CVRD resulted in the largest-ever quarterly output from CVRD's nickel operations: 69,000 tons of refined nickel.

CVRD's main records in 2006:

Shipments

- Iron ore and pellets: 272.682 million tons;
- Alumina: 3.207 million tons;
- Primary aluminum: 510,000 tons;
- Copper: 169,000 tons;
- Potash: 733,000 tons;
- Kaolin: 1.323 million tons;

Railroad transport General cargo for clients: 28.922 billion ntk (net ton kilometers).

One of the highlights of 2006 was that CVRD became China's largest supplier of iron ore – the company shipped 77.873 million tons of iron ore to China in the year, 37.8% more than the 56.530 million tons it shipped in 2005.

The volume of ore shipped by CVRD to China has consistently increased. In 2004 exports to China were 19% of CVRD's total iron ore sales. This percentage rose to 22.4% in 2005, and 28.6% in 2006.

Another highlight in iron ore shipments in 2006 was Japan, which bought 28.655 million tons of iron ore from CVRD in the year – 8.3% of the company's total sales. This percentage was followed by France, with 4.4%; South Korea, with 3.7%; and Italy, with 3.4%. Sales to Brazil, 46.582 million tons, were 17.1% of CVRD's total sales volume in the year.

As well as its record iron ore output, CVRD was also able to report an all time record output of alumina, copper, potash and kaolin in 2006 – increases from the previous year, respectively, of 53.2%, 12.8%, 14.2% and 11.1%.

One of the highlights of 2006 was CVRD becoming the largest supplier of iron ore to China, shipping 37.8% more than in 2005.

Ferrous ores

CVRD's revenues from ferrous minerals in 2006 – iron ore, pellets, manganese and ferroalloys – were R\$27.6 billion, 10.9% more than the R\$24.9 billion total of 2005.

Vigorous growth in global demand for iron ore and pellets, and expansion of CVRD's production, provided both by completion of projects and gains in productivity, have made possible successive records in sales volume. Thus, the quantity of these products shipped in 2006, 272.682 million tons, was CVRD's highest ever, 8.1% more than in 2005.

Iron ore

The exceptional growth in world demand for iron ore has resulted in CVRD breaking successive records of production and sales. In 2006, CVRD sold 238.728 million tons of iron ore, the highest-ever annual sales volume in its history, 11.9% more than the 213.338 million tons sold in 2005.

Pellets

Sales of pellets totaled 33.954 million tons, 12.6% less than in 2005 (38.851 million tons). The main reason for the lower figure was the shutdown of the pelletization plant in São Luís, Maranhão, Brazil, for almost four months.

Manganese ore

CVRD's manganese mining operations are being restructured, with high-cost units being closed, changes in energy supply and the composition of inputs, and sale of non-strategic assets. As a result, sales in 2006, 779,000 tons, were 14.1% lower than in 2005.

Ferroalloys

The ferroalloys business is also undergoing restructuring, and as a result its sales in 2006, at 522,000 tons, were 4.6% less than in 2005.

Non-ferrous metals

Revenue from sales of non-ferrous metals – nickel, copper, kaolin, potash, precious metals and cobalt – totaled R\$8.5 billion in 2006, a record for CVRD – which has become one of the world's most important players in the global market for basic metals with the acquisition of Inco. The consolidation of CVRD Inco contributed R\$6.0 billion to the increase, of R\$6.8 billion, from 2005 to 2006.

Nickel

CVRD's nickel sales in 2006 were 73,800 tons. In *pro forma* terms and taking into account the consolidation of CVRD Inco, CVRD is now the world's largest producer of refined nickel, with output of 250,600 tons/year.

Copper

The consolidation of CVRD Inco also increased the group's total sales of copper, which were 169,000 tons in 2006. Excluding CVRD Inco from the consolidation, the company's sales in the year were 128,000 tons, 7.3% more than in 2005.

Kaolin

CVRD achieved another sales record in this product in 2006, shipping 1.323 million tons, 8.6% more than in 2005.

Potash

Another record achieved, in both production and sales, in 2006 was the Potash: the total sold was 733,000 tons, 14.2% more than the 641,000 tons sold in 2005. The conclusion of the expansion of output at the Taquari-Vassouras mine to 850,000 tons made this record possible.

Precious metals and cobalt

In 2006, precious metals (gold and silver), and the platinum group metals, extracted as sub-products from the nickel operations in Canada, contributed R\$221 million to the company's total revenue, with platinum sales totaling R\$108 million. Sales of cobalt were R\$40 million.



“

Nippon Steel and CVRD have maintained good relations for over half a century. Despite our locations on the opposite side of the globe to each other, both companies certainly have picked each other's brains to work out means for business expansion, such as putting very large carriers into operation and building efficient port facilities. In the process, the supplier-buyer relationship has grown into something beyond, leading to the joint management of the Nibrasco project and Nippon Steel's cooperation in the development of the Carajas Mine. Most recently, last December, we entered into a comprehensive strategic alliance agreement with CVRD, and a 320,000 DWT carrier will go into service on a shuttle basis this fall. We set our mind to increasing our production smoothly by increasing the capacity of blast furnaces, and it is our earnest wish that we, together with CVRD, the world's largest iron-ore supplier, will continue on a path for growth.

Akio Mimura, Representative Director and President – Nippon Steel Corporation, client since 1955.

”

Aluminum

CVRD's total sales revenue from products in the aluminum chain in 2006 was R\$5.5 billion, 11.8% of its total sales revenue, and 43.5% higher than its R\$3.8 billion sales of aluminum products in 2005.

Bauxite

As a result of the need to feed modules 4 and 5 operation of the Barcarena refinery, CVRD sales of bauxite in 2006, at 4.085 million tons, were lower than the 5,600 million tons sold by the company in 2005.

Alumina

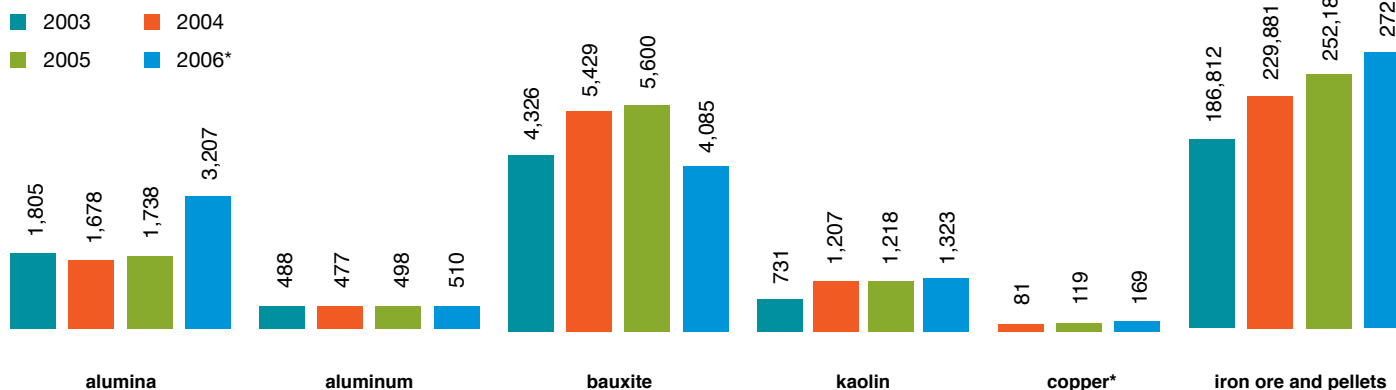
The very significant (84.5%) growth in volume of alumina sold is a direct result of the expansion of the Barcarena refinery which, with the startup of modules 4 and 5 in the first half of 2006, increased its nominal production capacity to 4.3 million tons/year. As a result, sales marked up one more record: 3.207 million tons in 2006, compared to 1.738 million tons in 2005.

Aluminum

CVRD's sales of primary aluminum, 510,000 tons in 2006 – another record – exceeded 2005 sales by 12,000 tons.

Sales

'000 tons



* 2006 includes two months of CVRD Inco.

Logistic services

In 2006 CVRD's gross revenue from logistic services was R\$3.4 billion, 7.3% of the company's total revenue, and 3.5% higher than its logistics revenue of R\$3.3 billion in 2005. Railroad transport of general cargo contributed R\$2.6 billion; port services, R\$515 million; and coastal shipping and port support services R\$312 million.

The railroads administered by CVRD – the Carajás railroad (EFC), the Vitória-Minas railroad (EFVM), the Centro-Atlântica railroad (FCA) and MRS Logística – transported 28,922 billion ntk (net ton kilometers) of general cargo for clients, a volume similar to the total carried in 2005, 28.379 ntk.

The main cargoes transported were steel industry inputs and products, 45.1% of the total; farm products – mainly soy beans, sugar and fertilizers – 38.3%; fuels, 7.2%; and inputs for building construction and forest products, 6.4%. For the second year running, problems in Brazilian output of grain and steel, limited the expansion of our logistic services.

Our sea ports and terminals handled 29.600 million tons of general cargo, compared to 30.530 million tons in 2005.



Economic and Financial Performance

Highlights of CVRD's economic and financial performance in 2006:

- Gross revenue: R\$46.7 billion, 32.2% more than in 2005.
- Consolidated exports: US\$9.6 billion, 37.5% more than in 2005.
- Net exports (exports less imports): US\$8.8 billion, 38.6% more than in 2005. CVRD contributed 19.0% of the Brazilian trade surplus in 2006.
- Operational profit as measured by Ebit: R\$20.1 billion, with Ebit margin of 44.4%.
- Cash flow, measured by Ebitda, of R\$22.7 billion.
- Net profit of R\$13.4 billion, corresponding to R\$5.56 per share.
- Capital expenditure of US\$26.3 billion, US\$3.5 billion in organic growth, US\$1.3 billion in maintaining existing business, and US\$21.5 billion in acquisitions (calculated by US GAAP).

CVRD: financial indicators

R\$ million	2003	2004	2005	2006 ¹
Gross operational revenue	20,895	29,020	35,350	46,746
Exports (US\$ million)	4,229	5,534	7,021	9,656
Net exports (US\$ million)	3,672	4,618	6,339	8,784
Ebit	6,665	10,306	14,556	20,089
Ebit margin (%)	33.1	37.4	42.8	44.4
Ebitda	8,100	12,249	16,701	22,759
Net profit	4,509	6,460	10,443	13,431
Net profit per share (R\$) ²	1.96	2.81	4.54	5.56
Annualized ROE (%)	31.7	34.8	43.3	34.4
Capital expenditure ³ (US\$ million)	1,988	2,092	4,998	26,324

¹ Financial indicators include consolidation of CVRD Inco as from the fourth month of 2006.

² Adjusted by share splits.

³ Includes acquisitions.

Operational revenue

CVRD's gross operational revenue in 2006 was R\$46.7 billion, the highest in its history, 32.2% higher than the R\$35.3 billion earned in 2005, and 61.1% more than the 2004 total of R\$29.0 billion.

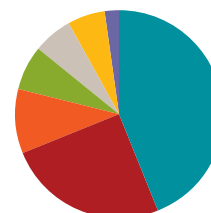
Consolidation of CVRD Inco contributed R\$6.0 billion to the increase in operational revenue. Price increases were responsible for R\$6.0 billion, variations in volume R\$2.8 billion, and appreciation of the Brazilian currency against the US Dollar over the year produced a negative impact of R\$3.4 billion.

Sales of ferrous ores were 59.1% of the company's gross revenue in 2006 – followed by non-ferrous minerals with 18.2%; products of the aluminum chain – bauxite, alumina and aluminum – with 11.8%, logistic services with 7.3%, and steel products with 3.2%.

The accounting statements of the subsidiary CVRD Inco were consolidated into the results in BR GAAP starting in the fourth quarter of 2006. Since the acquisition took place on October 24, 2006, only a little more than two months of the last quarter are included in the right consolidated data. The chart on the right shows the breakdown of *pro forma* consolidated gross revenue in BR GAAP for 2006, that is, including 12 months of CVRD Inco.

Gross Operational Revenue, 2006

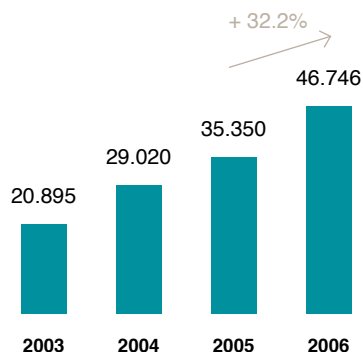
Pro forma: R\$58.4 billion



Gross operational revenue

R\$ million

CAGR = 32.3%



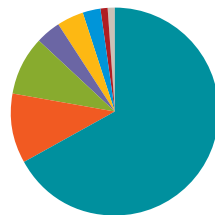
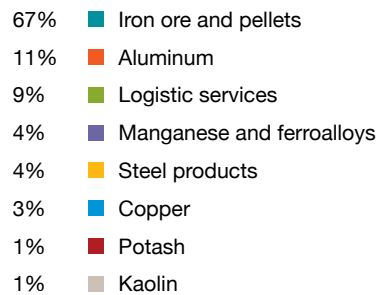
The revenue from sales of iron ore and pellets was 44.0% of CVRD's total revenues of R\$58.4 billion in 2006. Sales of nickel were 25.0%, products in the aluminum chain – bauxite, alumina, and aluminum – 10.0%, copper 7.0%, logistic services 6.0%, manganese and ferroalloys 2.0%, and other products 6.0%. This distribution shows a much more diversified portfolio of products.

Asia became the main sales destination, providing 37.3% of the total revenue, now ahead of the Americas – which provided 33.4%. The revenue from sales – especially to China – continued to grow strongly during the year, increasing by 61.4%, from R\$5.1 billion in 2005 – or 14.6% of the company's total revenue – to R\$8.3 billion in 2006, or 17.8%. In 2006, CVRD became the largest sole supplier of iron ore to the Chinese market, with shipments of 77.9 million tons.

Gross Revenue by Product

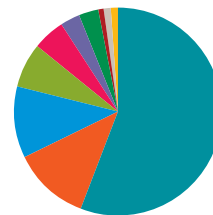
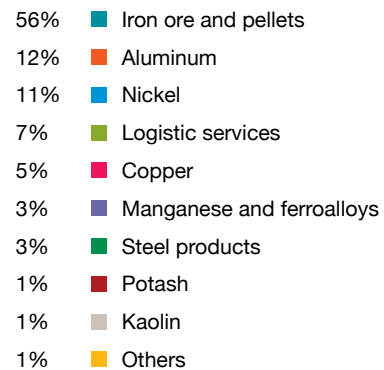
2005

R\$35.3 billion



2006

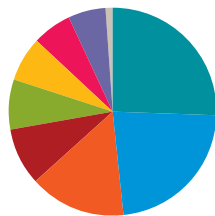
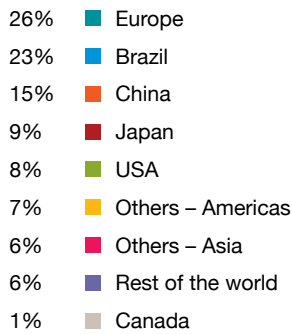
R\$46.7 billion



Gross Revenue by Destination

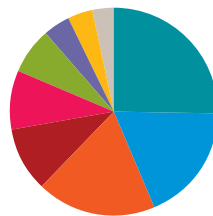
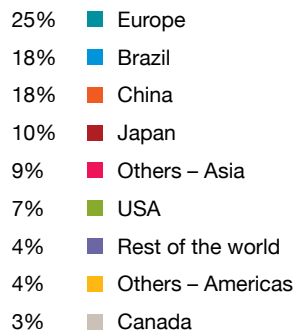
2005

R\$35.3 billion



2006

R\$46.7 billion

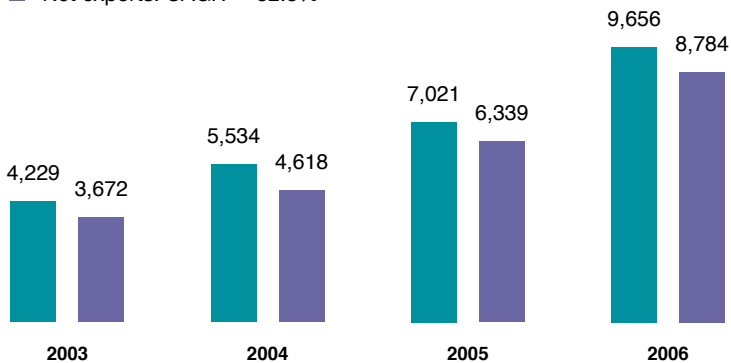
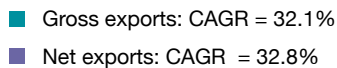


Although the Brazilian market contributed R\$8.6 billion to the company's revenue, 6.3% more than in 2005, its percentage of CVRD's total revenue declined from 22.8% in 2005 to 18.4% in 2006. This reflects the limited share in shipments of nickel and copper, and the slight expansion in sales of iron ore to Brazil, of only 2.1%.

Net operational revenue in the year totaled R\$45.3 billion, 33.2% more than in 2005.

Exports

US\$ billion



Operational costs and expenses

In 2006 CVRD Cost of Goods Sold totaled R\$20.7 billion, 27.3% more than the R\$16.3 billion of 2005. The main cost item was outsourced services, R\$4.2 billion, or 20.2% of total of Cost of Goods Sold. The consolidation of CVRD Inco also affected the costs.

Expenses on electricity, fuel and gases were a factor in the increase of costs, totaling R\$3.9 billion. Increase in the total volume of the company's productive activities also increased operational expenses. Expenses on material were R\$3.5 billion of Cost of Goods Sold (R\$3.1 billion in 2005), and of this total R\$275 million, or 7.9%, was in CVRD Inco. The main components of this item are expenditure on parts and components of equipment, inputs, tires and conveyor belts.

Personnel expenses were R\$2.3 billion – of which R\$520 million were in CVRD Inco – compared to R\$1.4 billion in 2005. There was no wage increase arising from a collective wage agreement in 2006. CVRD made an agreement with the employees for an annual wage increase of 3.0% starting in January 2007, valid until October of this same year, with an extraordinary bonus being paid to employees in August 2006.

As a result of the expansion in the base of the company's assets, from R\$33.8 billion at the end of 2005 to R\$77.6 billion at the end of 2006, depreciation and reduction expenses increased by R\$439 million, from R\$1.8 billion to R\$2.3 billion. CVRD Inco was responsible for R\$267 million of this increase.

Expenses on research and development (R&D), totaling R\$1.0 billion, were 55.1% higher than in 2005 (R\$672 million), and 136.8% more than in 2004 (R\$440 million). Of the expenses in 2006, R\$84 million related to CVRD Inco. The growth in recent years derives from CVRD's strategy focused on the organic growth, which necessarily implies expansion of investment in mining exploration and feasibility studies for the development of mineral deposits in different countries.

The other operational expenses totaled R\$1.4 billion in 2006, R\$619 million more than in 2005. A great part of this change was a provision of R\$364 million for future investment in closing of mines and environmental recovery of the areas mined, construction and improvement of dams, and other preventive actions related to the protection of the environment.



Operational profit

CVRD operational profit was – once again – a record, in 2006: R\$20.1 billion, the highest operational profit in its history. Ebit was 38.0% higher than in 2005, on net sales revenue R\$11.3 billion higher, partially offset by a R\$4.4 billion increase in COGS, and an increase of R\$1.3 billion in operational expenses. Ebit margin in 2006 was 44.4%.

CVRD Inco contributed R\$2.9 billion to the company's total operational profit; excluding it, Ebit in 2006 would have been 18.0% higher than in 2005.

Disinvestment of assets generated gains, totaling R\$1.2 billion, in 2006: GILC, R\$737 million; Usiminas, R\$135 million; Siderar, R\$197 million; Gerdau, R\$123 million; and Nova Era Silicon, R\$20 million. The sales of shares from Usiminas and Siderar were accounted in the fourth quarter while R\$34 million of the gain on the shares from Gerdau was posted in the third quarter, and the remaining R\$89 million in the last quarter. In 2005 the gain on sales of assets was R\$298 million. The company posted a negative net financial expenses of R\$1.7 billion, vs. expenses of R\$1.3 billion, also negative in 2005.

Net financial expenses increased from R\$1.6 billion in 2005 to R\$2.9 billion in 2006, primarily reflecting the increase in the company's debt – from US\$4.1 billion in 2005 to US\$10.1 billion in 2006. Financial revenues totaled R\$761 million, compared to R\$339 million in the previous year, due to higher interest rates and increase in the average value of cash equivalents available.

Monetary variations were also in favor of the financial result, contributing the revenue of R\$438 million.

Stockholdings in other companies represented a negative impact of R\$199 million in 2006, a difference of R\$468 million compared with the positive contribution of R\$269 million from minority stockholdings in 2005. There was an increase in the payment of goodwill in consolidated companies, relating to Caemi (R\$435 million in 2006, vs. R\$142 million in 2005) and in relation to Inco (R\$119 million in 2006). The contributions from CVRD's holdings in steel companies totaled R\$317 million; and the income from joint ventures for coal production in China, R\$56 million.

The goodwill on the acquisition of Inco will be amortized over 10 years. It should be noted that these amortizations do not generate tax effects nor financial effects.

Net profit

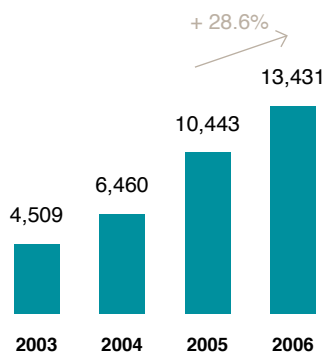
CVRD's net profit in 2006 of R\$13.4 billion, equivalent to R\$5.56 per share, was 28.6% higher than its net profit of R\$10.4 billion in 2005. The contribution of CVRD Inco in 2006 was R\$867 million.

The variation between 2005 and 2006 occurred due to the increase of R\$5.5 billion in the operational profit, partially compensated by the negative impact of R\$469 million in the net financial result and R\$513 million in the result of stockholdings and of R\$73 million in the participation of minority stockholdings.

Net Profit

R\$ billion

CAGR = 60.1%



Cash flow: Ebitda

Cash flow, measured as Ebitda, in 2006 was R\$22.7 billion, CVRD Inco contributing R\$3.2 billion. Total Ebitda was 36.3% more than the company's 2005 Ebitda of R\$16.7 billion.

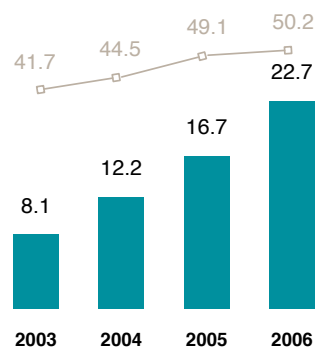
The main factors in the increase were Ebit R\$5.5 million higher, and depreciation R\$536 million higher. In 2006 CVRD received R\$140 million in dividends from non-consolidated companies, compared to R\$151 million in 2005.

Cash flow by business area in 2006 breaks down as follows: ferrous minerals 64.6%; non-ferrous minerals 18.6%; products in the aluminum chain 10.7%; logistics 6.1%; and steel 1.5% – discounting R&D expenses, which totaled 1.5% of Ebitda.

Ebitda

R\$ billion

■ Ebitda
□ Ebitda margin



Capital structure

Indebtedness

Strong and continued growth in sales in recent years has made it possible for CVRD to finance its commercial initiatives, enabling projects to be valued and approved directly in accordance with their merit. All the figures below on debt are in US GAAP (accounting principles generally accepted in the USA). From 2001 to 2006, including acquisitions, a total of US\$36.7 billion was invested, while remuneration totaling US\$5.7 billion was also paid to stockholders.

CVRD successfully completed three transactions – a bond issue of US\$3.75 billion, non-convertible debentures of US\$2.6 billion, and financing totaling US\$6.0 billion in pre-payment of exports – to refinance 84% of the amount of the bridge loan of US\$14.6 billion used to pay for the acquisition of Inco. With other smaller transactions and the use of free cash flow, this loan should be repaid in full in the second half of 2007.

Having in mind that the pre-payment of exports transaction was only made effective in January 2007, the favorable conditions obtained in these transactions are only partially reflected in the position on December 31, 2006: lengthening of the average tenor of the debt to 8.36 years – from 7.89 years on the end of the previous year, and reduction of its average cost from 7.47% in 2006 to 6.37% in 2006.

The company's total debt on December 31, 2006 was US\$22.6 billion, US\$17.6 billion more than the position on December 31, 2005, of US\$5.0 billion. The total debt was made up 62% of liabilities linked to floating interest rates, and 38% to fixed rates. 85% of the debt was denominated in US dollars, and 15% in Brazilian reais, euros, yen and other currencies.

The net debt on December 31, 2006 was US\$18.1 billion, with a cash position of US\$4.4 billion, containing funds to be used for purchase of the remaining shares of Inco.

The leverage, measured as gross debt/adjusted Ebitda, increased from 0.77% on December 31, 2005 to 2.00% on December 31, 2006. Total debt/enterprise value increased from 10.1% to 25.7%. Interest coverage, measured as adjusted Ebitda/interest paid was reduced from 25.95 at the end of 2005, to 15.94 at the end of 2006 – but continues to be at a very comfortable level.

Debt Indicators

US\$ million	2003	2004	2005	2006
Gross debt	4,028	4,088	5,010	22,581
Net debt	3,443	2,839	3,969	18,133
Gross debt/adjusted LTM Ebitda (x)	1.89	1.10	0.77	2.00 ¹
Adjusted Ebitda/LTM Interest payments	11.51	12.41	25.95	15.94
Gross debt/Enterprise value (x)	0.16	0.12	0.10	0.26

Enterprise value = Market capitalization plus Net debt.

¹ Based on *pro forma* consolidation.

CVRD Inco Consolidation

In October 2006 CVRD announced the purchase of the Canadian mining company Inco, holder of the world's largest reserves of nickel.

Inco is also one of the world's lowest-cost producers of nickel and, due to its exceptional portfolio of projects, has the greatest growth potential among its competitors. It is a leader in nickel technology, has a traditional brand and offers premium products for coatings, nickel special alloys and superalloys.

The purchase of Inco Ltd is the largest acquisition ever made in Latin America, and was financed on very favorable conditions, which enabled CVRD to continue to have a low-risk debt profile and a very healthy balance sheet. With the acquisition CVRD is now one of the world leaders in the nickel market, as well as increasing its diversification both geographically and in terms of its product portfolio.

When negotiations for the acquisition were completed CVRD Inco Ltd. (CVRD Inco) was constituted by absorption of Inco Ltd. and Itabira Canada, a subsidiary of CVRD. CVRD Inco then began to operate and manage the nickel-related business, and also the activities of marketing and sales of basic metals, from the head office in Toronto.

To ensure the success of CVRD Inco in the long term, the investments in Canada will be expanded in lots of areas, including exploration, research and development, for a period of three years. These investments will strengthen the company's present and future position as leader in the world nickel market and will help to guarantee long term feasibility of CVRD Inco's activities in Sudbury, Ontario; Thompson, Manitoba; and Voisey's Bay, Newfoundland.

To ensure synergy with the other companies and affiliates of CVRD all over the world, the mining exploration activities and management of the company's supplies have been integrated in global divisions. The mining research center is based in Belo Horizonte, Brazil, with five sales offices: Lima, Peru; Toronto, Canada; Johannesburg, South Africa; Brisbane, Australia and Saint Prex, Switzerland.

Although the transaction was completed close to the end of the year, the results of the operational improvements already appear in the productivity gain at the Thomson mines, Sudbury, at the Clarabelle plant, and also in the optimization of materials flows in Sudbury. As a consequence, CVRD's production of refined nickel established a quarterly record, of 69,000 tons, in the last quarter of 2006, the previous record being in the fourth quarter of 2004.



“

The relationship between CVRD and CVRD Inco is one of mutual respect, and challenge. Meetings between staff of the two companies are already showing the significant gain from the interaction between their respective areas of expertise. We are currently centering attention on ensuring continued safety for the employees while increasing production with a high level of quality, and keeping costs under control. I am very excited about the possibilities for my personal and professional future in CVRD Inco, and I see a future of even greater growth.

Jason Simpson, production supervisor, CVRD Inco.

”

Besides these reformulations, a team from CVRD, CVRD Inco and Goro Nickel Inc. was formed to make a complete reassessment of the Goro project, aiming to minimize political, environmental, technological and operational risks.

The executives and employees of CVRD Inco intend to follow the same corporate sustainability assumptions, committing themselves to growth in the Ontario Mining Cluster region. One of the first actions of involvement is the company's participation as a member of the Mining Industry Cluster Council, a Canadian government initiative supported by the region's community leaders, unions and companies – which debates actions and projects to benefit mining workers and their families as a result of the prosperity generated by the mining activity in their locations.

CVRD will obey all the agreements entered into with the governments of the provinces, local governments, workers' unions and Aboriginal groups, including the Labrador Inuit Association and the Innu Nation, in Canada. Executives and employees will work to comply with the commitments established for financing of teaching institutions, including the agreement signed with the Center for Excellence in Mining Innovation, of Laurentian University, in Sudbury.



Capital Expenditure

CVRD spent US\$26.3 billion in capital expenditure in 2006: US\$3.464 billion on organic growth (US\$2.988 billion on projects, and US\$476 million on research and development), US\$1.360 billion on maintaining existing business, and US\$21.5 billion on acquisitions.

CVRD made four acquisitions in 2006: Inco (US\$19.0 billion), Caemi (US\$2.4 billion), Rio Verde Mineração (US\$47 million) and Valesul (US\$27.5 million).

The investment of US\$19.0 billion in the acquisition of Inco includes the price of US\$17.8 billion, plus US\$1.2 billion for that company's net debt. A total of US\$15.8 billion was paid to its stockholders in 2006, and US\$2.0 billion this year. The purchase of 39.8% of the registered capital of Caemi, belonging to the minority stockholders, took place through exchange for preferred shares in CVRD, and thus did not involve financial disbursement.

Apart from the acquisition transactions, in the last 12 months there were expansions of production capacity, for example, at the Carajás mine, in the Brazilian state of Pará, making possible annual production of 100 million tons, and at the new Brucutu mine, in the state of Minas Gerais, Brazil, with nominal capacity for 30 million tons of iron ore.

There was also an expansion at the alumina refinery of Alunorte, in the Brazilian state of Pará, in 2006, to a capacity of 4.3 million tons/year; and also the startup of the Capim Branco I hydroelectric plant, in the Brazilian state of Minas Gerais.

Since CVRD believes that its activity for sustainability is a strategic priority, it has intensified its investments in action to protect the environment. A total of R\$317 million (US\$145 million) was invested in 2006. As a concrete result of this attention to the environment, around 2,350 hectares have been rehabilitated in the last five years with native species of the Atlantic Forest, Cerrado (a vast tropical savanna ecoregion of Brazil) and the Amazon ecosystems. At the same time, CVRD's investments in social action in 2006 totaled R\$286 million (US\$131 million).

Capital Markets

On December 31, 2006, CVRD had 2,416,193,522 shares in circulation: 1,471,607,838 common shares (ON) and 944,585,684 preferred class A shares (PN).

Of the total free float, 27.0% of the common shares (ON) and 45.9% of the preferred class A shares (PNA) are represented by ADRs (396,824,983 ON shares and 433,511,951 PNA preferred shares, respectively). Each ADR is equivalent to one ON or PNA share. At the end of 2006, 28,291,020 common shares and 15,172,516 PNA shares were held in the company's treasury, and the free float available for trading on stock exchanges was 1,500,111,320 shares, or 62.1% of the total capital. At the end of December 2005 the free float was 60.2%.

In January 2006 CVRD's Board of Directors approved absorption of all the preferred shares of Caemi Mineração e Metalurgia S.A. (Caemi) in circulation. Stockholders of Caemi outside the controlling group received 0.04115 CVRD PNA shares for each of their preferred shares in Caemi. After the absorption, CVRD held 100% of the shares of Caemi.

In May 2006, CVRD made a share split, in which each share traded at São Paulo Stock Exchange (Bovespa) was replaced by two shares.

CVRD's controlling stockholder, Valepar, held 32.5% of the total shares in circulation on December 31, 2006. One year previously, this percentage was 34.1%. Non-Brazilian investors (holders of ADRs and direct purchasers of shares at Bovespa) increased their percentage in the total capital of CVRD from 41.0% at the end of 2005 to 42.3% at the end of 2006. The same percentage for Brazilian investors increased from 19.2% at the end of 2005 to 19.7% at the end of 2006.

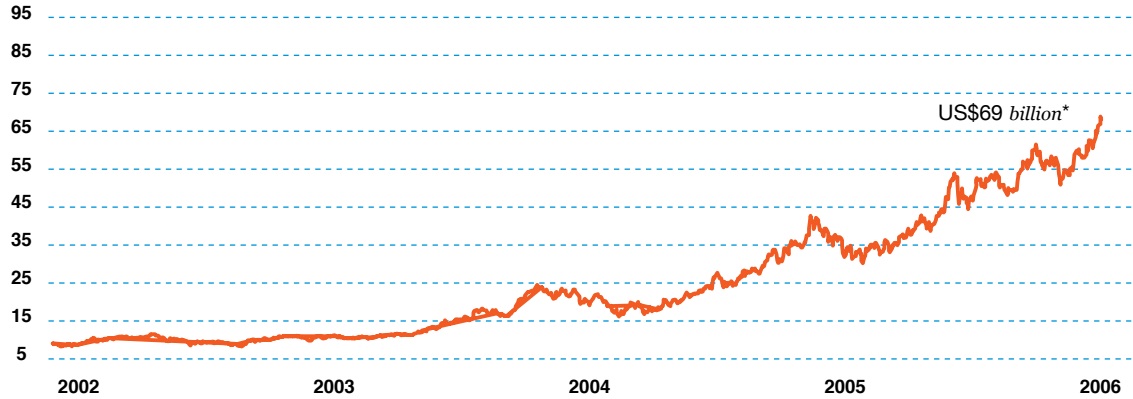
Over the years 2001–2006, CVRD distributed a total of R\$14.8 billion to its stockholders in the form of dividends and interest on equity. In 2006 alone a total of R\$2.8 billion, equivalent to R\$1.147 per share, was paid to stockholders.

The shares that are traded at Bovespa, CVRD ON and CVRD PNA, rose in value by 33.4% and 29.2%, respectively, in 2006, while the Bovespa Index rose by 32.9%. The prices of ADRs traded at New York Stock Exchange, RIO and RIO PR, rose by 44.6% and 44.8%, respectively, outperforming the MSCI Metals and Mining Index – reflecting prices of the global mining and metal industry – which rose 36.9% in the same period.

CVRD is now the world's second largest mining company, with market capitalization of more than US\$97 billion in April 2007 – after reaching US\$69 billion at the end of December 2007. The total return to CVRD stockholders in 2006, measured in US dollars, was 47.9%. The average total return for CVRD stockholders over the period 2001–2006 was 42.7%, leading the ranking of the world's largest mining and metal companies.

Market Capitalization

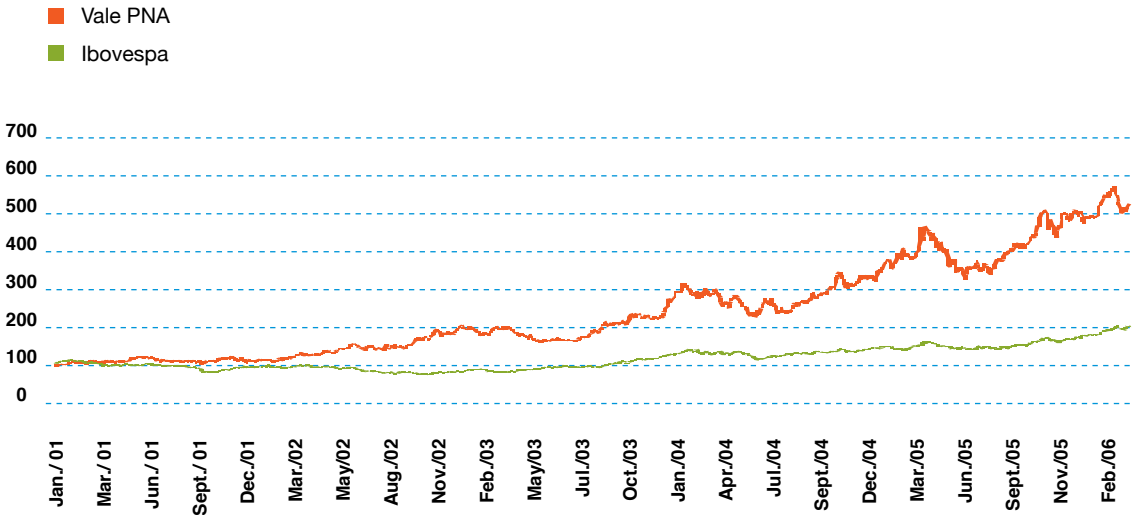
US\$ billion



* in Dec./2006

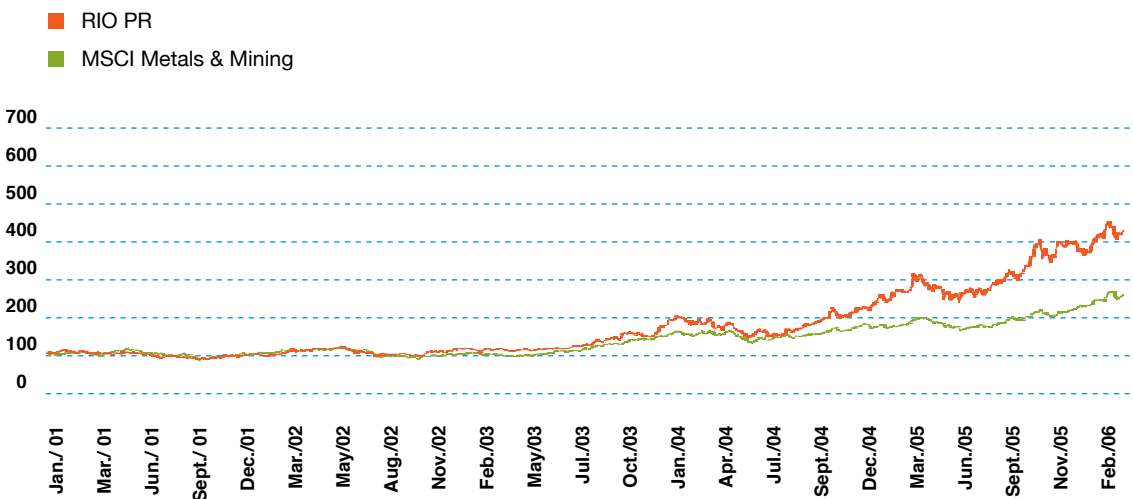
Vale PNA x Ibovespa

Base: January 2001 = 100



RIO PR x MSCI Metals & Mining

Base: January 2001 = 100



Risk Management

Risk management in large companies such as CVRD is related to best corporate governance practices and the growing need for a more holistic view of the risks inherent in the business activities.

Conscious of this, and concerned to ensure that the company's strategic plan becomes a reality in an efficacious manner, top management submitted the Corporate Risk Management Policy to the Board of Directors, and this was approved in December 2005.

The new policy began to be implemented in 2006. Its aim is to support CVRD's growth plan, strengthen its capital structure, and make an appropriate degree of flexibility in financial management possible, aligning practices between the company's various units and departments. The plan deals with market risk, credit risk, strategic and operational risks, and the Risk Management Committee – which supports the Executive Board on questions of risk – is responsible for its execution.

Efficient risk analysis provides the organization with greater control over its businesses, setting out management mechanisms to be implemented in the short, medium and long term. As a result CVRD's assets will be protected with investments that are appropriate to their value and risk.

Some of the benefits generated in the implementation of the corporate process of risk management, with a wider approach, are increased transparency, better communication among the business units, assistance in financial hedging decisions, and valuation of the impact of adverse scenarios on the company's performance.

In 2006 CVRD put in place the first stage of the policy, with the change in the processes for market and credit risk management, which are now systematically linked to the sales areas. In relation to integrated management of operational risks, the project will begin to be put in place in 2007. With the implementation of this second stage, the corporate risk management policy will be extended to the production processes, and CVRD will be able to get the benefits of a totally integrated view of the risks associated with its businesses, also optimizing the processes of mitigation, while at the same time disseminating a culture of risk awareness throughout the company.



“

CVRD is a great partner in the development of the Brazilian state of Minas Gerais, both economically and in terms of the social commitments it has made to communities. It provides business opportunities and develops local companies. This union creates excellent results for suppliers in Minas Gerais and also for the company, which enjoys more qualified and competitive partner organizations. We expect CVRD to continue growing and that the companies of Minas Gerais will grow together with it, supplying not only to CVRD’s businesses in Minas Gerais, but also in Brazil and worldwide.

Robson Andrade, chairman of the Federação das Indústrias de Minas Gerais – Fiemg (Minas Gerais Industries Federation).

”

Business Outlook

All forecasts indicate continuation of the strong expansion of the world economy in 2007.

Even the retraction in the US housing market seems, according to analysts, not to have contaminated other sectors of the US economy, and probably does not mean a risk of reversal of the present scenario of growth. What sustains this expectation is the fact that the financial market continues to be very healthy, with no indications of deterioration of credit quality, and long-term interest rates continue to be stable.

Another optimistic indicator is the global manufacturing PMI, prepared by JP Morgan, which measures the performance of global manufacturing industry – and which in February 2007 posted its first increase since 2006. Also, with the exception of the USA, the performance of the main world economies in the last quarter of 2006 suggests robustness of global demand for final products.

As a result, the forecast is that the world production of steel will continue to grow consistently. A proof of this is the 13.5% increase in the world production from January 2006 to January 2007. In China, the growth was 27.3%; in India, 9.1%, and in Europe, 9.8%. If China is excluded, the expansion would be 7.1%, the highest annual rate since August 2006.

In relation to China, where CVRD became the world's largest supplier of iron ore in 2006, demand for iron ore is expected to continue to remain strong, although steel production is expected to grow at a more modest rate than in the last 10 years, when it reached 15.3% per year. We thus expect the Chinese market to require very significant additional volumes up to the end of this decade, continuing to pressure global supply.

The global nickel market is facing the effects of structural changes on the supply side. Current production is based on reserves of sulfated nickel, the metallurgy of which is well known and from which several sub-products are extracted – copper, platinum group metals, cobalt, gold and silver, as in our operations in the Sudbury Basin – which is a contribution on the cost reduction.

The expansion of production – necessary to meet the significant expansion of global demand derived principally from Chinese economic development and the increase in income in the emerging economies – depends on deposits formed by lateritic ores. The metallurgy of these ores has higher marginal operational costs and investment costs and, in the short term, there are challenges to be overcome in developing new projects.

Thus, the trend in next two years is that there will be restrictive conditions to meet the expansion of demand, not allowing the reconstruction of nickel inventories which are currently at historically low levels.

CVRD is currently developing three projects – Onça Puma, Goro and Vermelho: the first one to start operation will be Onça Puma, but only at the end of 2008. Together with the productivity gain achieved in its operations in Canada and Indonesia, these projects will make it possible, over the coming years, for CVRD to increase the supply of products to the stainless steel industry and for other applications outside the steel industry. Our technological capacity and our ability to offer services give us substantial competitive advantages in meeting demand for nickel products with higher added value, and is one of the most important sources of future creation of value in our nickel business.

Spot alumina market prices have been considerably volatile, due to the substantial expansion in Chinese production, based on imports of bauxite from Indonesia, and more recently by the problems in Guinea.

The growth in the supply of alumina worldwide depends fundamentally on reliable availability of good quality bauxite, at a competitive cost. CVRD has completed the first phase of development of the Paragominas mine, in the Brazilian state of Pará, with nominal capacity for 5.4 million tons/year, and continuing implementation of the second phase, which will add capacity for a further 4.5 million tons.



The performance of the main world economies in the last quarter of 2006 suggests that there is robust global demand for final products. As a result, we expect global steel production to continue to grow consistently.

The availability of significant reserves of high quality bauxite and a very efficient alumina operation, with low operational and investment expansion costs in relation to the industry, enables us to continue to grow. At the Alunorte refinery, the construction of modules 6 and 7 continues to be on schedule, with sales based on long-term contracts and prices indexed to LME Aluminum prices. The demand for aluminum has been increasing, boosted by economic growth and by higher penetration in some applications, and inventories are stable at lower levels than in the recent past.

Copper prices were negatively affected by the strong reduction in Chinese imports, contracting of residential construction in the US, and marginal substitution by other materials, which resulted in a decline of 38.7% from the May 2006 peak to the beginning of February 2007.

Our plans for capital expenditure on organic growth show our confidence in the future. Our Capex budget for 2007 has investments totaling US\$6.3 billion: - made up US\$4.2 billion in projects; US\$406 million in research and development; and US\$1.6 billion in maintenance of the existing asset base.

Further new investment in environmental protection is included in the 2007 budget. This includes conservation of 1.4 million hectares of forest in the Brazilian states of Pará, Espírito Santo and Minas Gerais, as well as the sustainable development project for Ilha Grande, on the coast of the Brazilian state of Rio de Janeiro, and the Vale Florestar project. This includes protection, environmental recomposition, and self-sustaining development of an area of 300,000 hectares in the Brazilian states of Pará and Maranhão – equivalent to three times the size of the city of Rio de Janeiro. The total plan disbursement up to 2010 is US\$200 million, of which US\$38 million will be spent in 2007.



“

It is very gratifying to work in a large-scale company like CVRD, because what we do reflects directly in society. I deal with very different people, and this helps my learning and training. I have worked in other companies, but I intend to continue to work at CVRD for many years.

Silvânia Matos, CVRD bulldozer operator at the Fábrica Nova mine (Minas Gerais, Brazil).

”

Environmental Performance

CVRD's commitment to the preservation of natural resources is not recent. Since extraction of ores is its main activity, CVRD knows that the wealth of the subsoil is at all times associated to the wealth of the Earth's surface, and that this calls for total attention to fauna, flora, air and water.

This care is something that CVRD believes to be not only vital in preserving the quality of the planet's environment for future generations, but a fundamental element in its own competitiveness. CVRD spent R\$317 million on environmental actions and activities in 2006. These initiatives included conservation of 1.4 million hectares of vegetation in the Brazilian states of Pará, Espírito Santo and Minas Gerais. In the last five years, CVRD has rehabilitated approximately 2,350 hectares of Brazilian land with native species of the Atlantic Forest, Cerrado (a vast tropical savanna ecoregion of Brazil) and the Amazon ecosystems.

Environmental responsibility permeates all the phases of CVRD's activities, from the basic conception of a new project to the continuous improvement of the older operations – which receive the continuing investment necessary to maintain optimum balance between productive activities and environmental requirements as established by legislation and regulations. This is reflected in the company's internal standards and specifications. CVRD believes that environmental quality is an inseparable component of the quality of its products and services.

For effective compliance with its Environmental Policy, CVRD has created and put in place its Environmental Quality Management System, the purpose of which is to ensure that the variables representing the environment are included in a consistent and balanced fashion, at all times, along with the other components in all decisions and activities of corporate management.

CVRD's Environmental Policy has numerous components, which include: training and learning for employees – so they may at all times operate in an environmentally correct and appropriate manner; research and incorporation of new technologies, for continuous improvement of all our activities – to reduce both environmental impacts and consumption of materials and energy; permanent dialogue with employees and with the community – to improve their environmental activities; and continuous efforts to make affiliated companies and suppliers adopt practices that are compatible with CVRD Environmental Policy.



“

CVRD has supported CEBDS since the beginning. The result of the effort is a visible search for improvement in the relationship with society as a whole. A company in CVRD's position needs to be increasingly open – to society, on social issues – and increasingly transparent. CVRD deals very well with the environmental issues as a whole, but there are still aspects to be worked on from the social point of view. Without going into the merits of who is right or wrong, we can say that there is a need for a new approach, able to prevent this subject becoming one that limits the business activity, or restrains the search for sustainable development.

Fernando Almeida, chairman of the Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável – CEBDS* (Brazilian Business Council for Sustainable Development).

”

Environmental policy

CVRD considers the environment to be a fundamental component of the quality of its products and services, and is committed to the concept of sustainable development, aiming for balance between protection of the environment and the need for economic growth.

For this purpose, CVRD adopts technically proven and economically viable environmental protection measures, committing itself to the following aims:

- To maintain an Environmental Management System, to ensure that its activities comply with the applicable legislation and the standards established by the company itself. In the absence of specific legislation, CVRD applies the best possible measures for environmental protection, and minimization of risks;
- To educate and train its employees so that they will act at all times in the environmentally correct manner, and make continuous efforts for the environmental policy to be applied;
- To carry out research and incorporate new technologies for continuous improvement of its activities, with a view to reduction of both environmental impact and consumption of materials and energy;
- To maintain permanent dialogue with its employees and the community, aiming to achieve the highest quality possible in environmental actions;
- To make continuous efforts for CVRD companies to adopt practices compatible with this environmental policy;
- To require from its suppliers that they provide products and services with proven environmental quality.



Environmental Management System

CVRD has adopted an ISO 14001 certified Environmental Management System (SGQA) in its operational units since 1994.

CVRD's Environmental Quality Management System establishes guidelines for its implementation, and supplies tools for managing the environmental aspects related to the company's activities, products and services. This prepares the company in advance to meet society's growing demands in terms of environmental performance.

After putting the SGQA in place, CVRD obtained ISO 14001 certification for its operations from international certification bodies. In Brazil, the company has ISO 14001 certification for its iron ore mines, ore processing plants and the pelletization unit at the Fábrica mine in Minas Gerais, and also for the whole of the port and industrial complex in Tubarão, in the Brazilian state of Espírito Santo, the export channel for part of the company's ore.

CVRD also has ISO 14001 environmental certification management systems for its kaolin and aluminum operations. A total of 16 CVRD plants now have this certification: the Carajás mining complex and the Azul mine in the Brazilian state of Pará, 12 mines in the state of Minas Gerais: Alegria, Timbopeba, Água Limpa, Fábrica Nova, Fazendão, Cauê, Conceição, Córrego do Feijão, Fábrica, Brucutu, Morro da Mina and Gongo Soco; and in the Brazilian state of Espírito Santo: the Tubarão port complex and the Vila Velha terminal.

External auditors periodically check and review the environmental performance of all of CVRD's operational units, and this provides effective monitoring and control of environmental performance indicators, and the continuing effort to improve environmental quality – this is essential in the context of the frequent increases in the scope and level of demands of both the legislation and interested parties.

The external auditing cycle of 2006 took place in two steps, covering 30 operational units. The first phase, in April and May, was to identify the current degree of compliance with the requirements of ISO 14001, and the company's internal performance indicators. In the second phase, from October to December, operational units were re-certified.

For each point that requires attention, a preventive and corrective plan of action is prepared, and this is immediately put into practice by the operational unit – implementation is monitored by the company's corporate environmental supervision body. A subsequent audit checks on the effective implementation of the action.

Targets in operational environmental management

CVRD believes that compliance with environmental targets and commitments should be reflected in the employees' variable remuneration, thus giving recognition to those who have performed best. For this reason, the various business areas of the company check and evaluate results obtained as a result of their environmental management practices, verifying whether the corporate directives were adequately met. The results of these assessments, which are based on objective criteria, make possible clear identification of the percentage each employee will receive as variable remuneration related to the collective and individual performance achieved by their operational unit.

In 2006 the targets of the operational units were: implementation of programs to reduce consumption, re-use and re-circulate of water; and projects for minimization of waste.

The company's aluminum and energy businesses areas – which include wholly-controlled subsidiaries, companies in which control is shared, and the electricity generation consortia – implemented environmental management according to the requirements of ISO 14001, and CVRD's corporate guidelines. As part of this effort Alunorte and Albras complied with the target of implementing the Environmental Information System (SIA) in 2006.

In electricity, the teams of workers at the Porto Estrela, Funil, Candonga and Igarapava hydroelectric plants received training in putting the CVRD environmental policy into practice, in applying its methods for assessment of environmental impacts, and the plan for communication and relationship with interested parts.

CVRD has been continuously improving its environmental performance indicators in terms of management of water resources, wastes, recovery of worked areas, and control of atmospheric emissions.

Targets of CVRD's operational units in 2006: projects to reduce water consumption, increase water re-use and re-circulation, and minimize output of waste.



Management of Environmental Risks

Targeting the lowest environmental risk possible, and maximum safety for new projects, CVRD has absorbed the best practices available worldwide for these issues.

In 2005 CVRD adopted Front-End Loading (FEL) methodology for detailed assessments in health, security, environment and communities – HSEC, in all the stages of development of new projects, to enable decisions to be made based on sustainability of the geographical areas where projects are located.

The factors that need to be the subject of specific attention in terms of environmental and social aspects are thus included at the first, preliminary, stage of projects, when the initial assessment of a project's business viability is made.

In the subsequent phases, as the project matures, the area of the company that proposes the operation is required to go deeper into the significant environmental and social variable, and amounts of value, or standards of service, are attributed to these aspects, which are then taken into consideration at length when the investment decision is considered.

This practice enables us to conjugate the requirements of environmental preservation with the other demands of the future business transactions, such as location, decision on the engineering project and planning of implementation. This is a way of making each project both more forecastable and more transparent, thus providing society, and, especially, our stockholder, with the detailed information on the environmental and social aspects of the company's investments and the way in which these are approached during the stages of implementation and operation.

Environmental quality management in the new projects begins with the preparation of Environmental Impact Studies and Statements, and whatever other studies are needed for full support to the assessment of the technical and economic feasibility of a project and its process of licensing. CVRD has been investing in continuous improvement

of these studies, carrying them out in line with the specifications of and agreements made with the federal and state environmental licensing bodies. We highlight the development of a specific procedure to the Caracterização do Empreendimento – CE (Project Characterization) based on environmental focus involving the establishment of new methods for environmental impact assessment.

CVRD CE methodology analyzes the environmental aspects associated with each one of the individual processes that make up the project – planning, construction and implementation, operation and closing – taking into account the physical, biological and social-economic spheres and the contexts, and the relationship among them.

Environmental Impact Assessments are used in the various regions where CVRD operates. Their results enable the company to validate the control actions specified in the project as planned, and also the mitigation and compensation actions to be adopted. Hence, all environmental studies for CVRD projects adopt one standard methodology, and these in turn are systematically and periodically improved, to ensure technical consistency and compatibility with the legal and regulatory requirements.

The joint work of the Corporate Finance, Environmental Management and Health and Safety Departments in 2006 enabled us to finalize our proposal for the bases of our Corporate Integrated Operational Risk Management model, to be applied to the company's operations and capital projects.

Methodological issues were defined, and a pilot project began in which the suggested concepts, procedures and practices could be validated. Using theoretical tools, an optimum level of retention and transfer of risk was established, and as a result our corporate operational property risks policy was readapted. Finally, with the expansion of the organizational and regulatory structure, the responsibilities were also allocated and decided, and the proposed management model was formalized.



Management of Water Resources

CVRD's Water Resources Policy is based on the concept that water is a limited natural resource and an asset in public ownership, with economic value, and that in times of scarcity its priority uses are consumption by humans and animals.

Based on these concepts, CVRD has implemented its Water Resources Management System, whose main objectives are to rationalize the use of water resources, ensure full conformity with the legislation, and assure the rights to use of water in the quality and quantity necessary for the company's processes.

Worldwide forecasts – including those for Brazil – expect growing scarcity of water resources, with increasing conflicts for their use. Increasingly, industrial and farming activities will have to develop programs for Water Resources Management, with a view to rationalization of its use in their processes, to guarantee supply of the volumes of water necessary to maintain their present and future activities.

As a mining company, CVRD is an intensive user of water, principally for human consumption, treatment of ores, transport of ores, washing of equipment and components, and spraying on iron ore heaps and equipment.

Also, to extract ore in saturated regions, CVRD intervenes in water resources by lowering water tables or levels. Dams, too, are interventions in water resource structures, since they store water and are used as systems for deposition of waste products arising from the treatment of ores, and for containment of ore finds carried by rainwater.

CVRD's iron and manganese mines, its ferroalloy plants in Brazil, the pelletization plants and the railroad and port facilities¹ consumed water at the rate of 140 million m³/year in 2006. The volume recirculated was 114.5 million m³ in year, indicating an average recirculation percentage of water around 82%.

CVRD's operations reflect the company's commitment to environmental quality. Management of water resources is one of the company's focuses of attention, due to the particular aspect of its business.

As part of the corporate rules, the company's water resources management policy and its Water Resources Management System reaffirm the company's responsible environmental practices, and also meet the legal requirements.

The Water Resources Management Manual describes the requirements of the Water Resources Policy, establishes general and particular procedures, and defines the structure around which the Water Resources Management System is made operational on its various levels: the Water Resources Management Plan, implemented by CVRD and the companies it controls, harmonizes and consolidates the Water Resources Programs of the company's various operational units with the respective budget proposals for its implementation and maintenance. The environmental guidelines adopted during the preparation of the programs were incorporated into some international projects such as the Moatize coal project in Mozambique, and the CVRD Inco nickel project in New Caledonia.

¹ In 2003/2004, through the company's preliminary water resources diagnosis, the values for water capture, conduction, recirculation, re-use and dispersal of effluents were researched and ascertained by estimates and measurements in several of CVRD's operational units, and served as the initial basis for the Water Resources Management Program. This research was carried out in the following units: the Carajás mining complex and the Azul mine, in the Brazilian state of Pará; the Ponta da Madeira port complex in Maranhão; the Carajás Railroad (which runs through Pará and Maranhão); the Tubarão port complex in the state of Espírito Santo, the following mines in Minas Gerais – Brucutu, Gongo Soco, Timbopeba, Fazendão, Itabira, Alegria, Córrego do Feijão, Fábrica, Água Limpa, Morro da Mina, and the Ouro Preto plants (iron ore), São João Del Rei (silicon), Barbacena (iron and silicon); the Santa Rita de Jacutinga hydroelectric plant; the Vitória-Minas railroad (running through the states of Espírito Santo and Minas Gerais); the Taquari-Vassouras mine and the Ignácio Barbosa port terminal (in the state of Sergipe); the Urucum mine in Mato Grosso do Sul; and the RDM plant (iron and silicon) in Bahia. The use of water in the aluminum operational units, and also in the other affiliated companies, was not involved in this accounting exercise.

Operational performance

Using its Water Resources Management System, CVRD also seeks to carry out research and incorporate economically and technically viable technologies that allow use of water to be rationalized and interventions in water resources by operations to be minimized. Another objective of the company is to participate directly or through representative entities in the various forums on management of water resources at international, national, regional, and, principally, local level.

Internal Water Resources Committees have been created, made up of more than 300 representatives of the company's areas responsible for environment, production, maintenance, services, engineering and legal matters, in CVRD's operational units and the subsidiary companies. All the members have been given training and learning experiences on water resources, and are now familiar with the Brazilian legislation and technical norms on the subject, as well as concepts of hydrology, recirculation and re-use of water, treatment of liquid effluents, and other subjects.

In 2006 targets were set for implementation of programs to reduce consumption, re-use and recirculation of water by the operational units. After an external audit, the following results were found:

As an example of shared management of water resources, at the Tubarão pelletization plant complex, in Vitória, capital of the state of Espírito Santo, representatives of the Water Resources Committee participate in the committees of the basins of the Jucu and the Santa Maria rivers, the main water tables that supply the region of Greater Vitória, aiming to monitor and contribute to decisions on water resources management in the region.

All the 29 operational units with subterranean or surface water captured² will have a program approved by the local director-level unit, setting targets, actions, periods, responsibilities and resources for reduction of consumption of the water captured.

Target achieved by 66% of the units (19), and in process of implementation in the others.

All the 23 operational units with systems for re-use and recirculation of effluents and process water³ will set, implement and maintain plans for finding parameters, frequency, responsibilities, and standards of monitoring water for re-use and recirculation, so as to ensure the appropriate standard of quality for their defined purposes.

Target achieved by 96% of the units (22) and in implementation in the others.

²The following were considered to be operational units: the Sossego mine, the Taquari-Vassouras mine, the Ponta da Madeira terminal, the Carajás mine, the Itabira complex, the Alegria mine, the Timbopeba mine, the Fazendão mine, the Água Limpa mine, the Brucutu mine, the Gongo Soco mine, the Córrego do Feijão mine, the Fábrica mine, the Tubarão port operations, Ferroligas Barbacena, the Morro da Mina mine, the São João Del Rei plant, the Santa Rita de Jacutinga hydroelectric power plant, the Ouro Preto plant, the Azul mine, the RDM (Simões Filho) mine, the Urucum mine, the Carajás railroad, the Tubarão and Vitória-Minas railroad complex, the Centro-Atlântica railroad facilities in Alagoinhas, Campos, Divinópolis, Paulínia and Tubarão (pelletization), and the TPD, TPM and Paul.

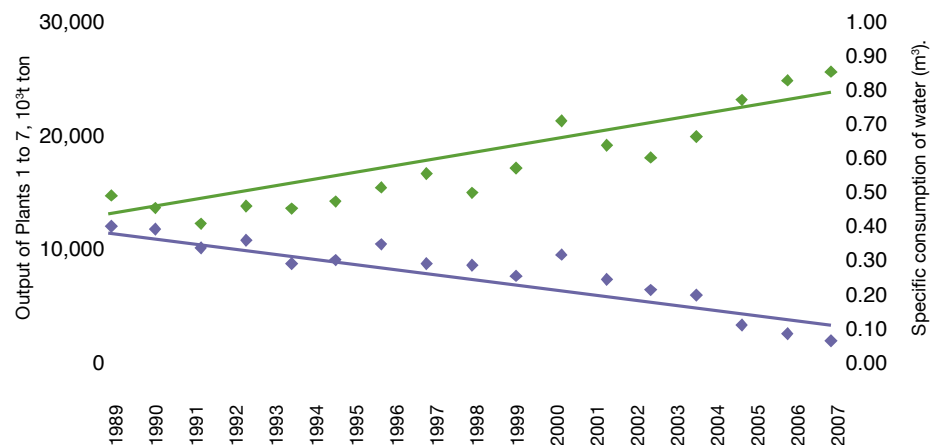
³The following were considered to be operational units: the Sossego and Taquari-Vassouras mines; the Ponta da Madeira terminal, the Carajás mines, the Itabira complex, the Alegria mine, the Timbopeba mine, the Água Limpa mine, the Brucutu mine, the Gongo Soco mine, the Córrego do Feijão mine, the Fábrica mine, the Tubarão port operations, Ferroligas Barbacena, the Morro da Mina mine, the Santa Rita de Jacutinga hydroelectric plant, the São João Del Rei plant, the Ouro Preto plant, the Azul mine, the RDM (Simões Filho) plant, the Tubarão complex on the Vitória-Minas Railroad, the Tubarão plant, and the TPD, TPM and Paul port facilities.



One of CVRD's priorities for the Brazilian state of Espírito Santo is the reduction of consumption of new water and increased re-circulation and re-use. At present approximately 50% of the consumption of the Tubarão complex is attributed to the pelletization plants. A system of sedimentation basins and reservoirs of recovered water was put in place as long ago as the 1980s, making possible recirculation of water in the productive process. Since then, continuous improvements have been made in the system of collection and recovery of water for circulation and reuse, with the help of technical partnerships, such as that of the Federal University of Espírito Santo.

In 2006 the significant target of 40% reduction in specific consumption of water for primary supply of the pelletization plants – from 2003 – was exceeded, with reduction of 45%. In the last three years, consumption of new water by the plants has been reduced by around 2 million cubic meters, representing an optimization of the use of this natural resource, and also savings of approximately R\$1.5 million over this period.

Specific Consumption and Output of Water by Pelletization Plants 1 to 7



Rationalization of use of water at the Sossego mine

One initiative for optimization of the use of water resources at the Sossego mine in 2006 deserves to be highlighted. It was with this mine that CVRD began working copper in Canaã dos Carajás, in the Brazilian state of Pará, in 2004, for investment of R\$985 million, and production capacity of 140,000 tons/year of copper concentrate.

Many other major infrastructure facilities complement the mine's own: the Carajás railroad and Ponta da Madeira port terminal – both managed by CVRD – and the Tucuruí hydroelectric plant – which together make Sossego one of the most competitive copper projects in the world.

But to increase the mine's efficiency, it was necessary to invest in optimization, and rationalization, of use of water. In 2006 a project was put in place to reduce the gross consumption of new water, withdrawn from the Parauapebas river, by 10%.

This involved rescaling of the cleaning system of the operational areas to use process water (water already previously used). The existing system had been using new water for cleaning due to inadequate flow and pressure in the process water.

Problems of water outflow and pressure were identified, and corrections were made in the level buoys to avoid overflow and waste, and also in leaks in valves, tubes, closure taps and reservoirs. Other measures taken were expansion of the existing tubing system, exchange of the coupling systems in the hoses for use of process water, and replacement of the hose coupling links by links of the same type used in the hydrant system, reducing the risks of accident and facilitating the work.

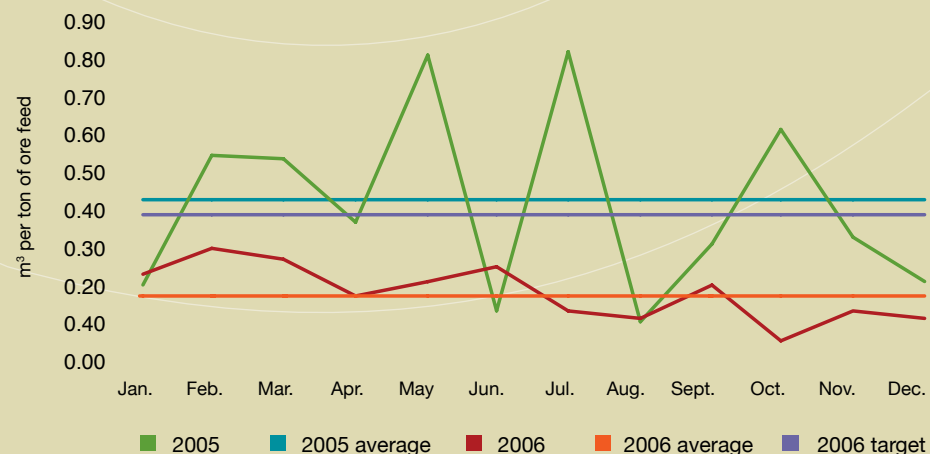
This had significant results. The total volume of new water captured was reduced by 43% from 2005 to 2006, far exceeding the 10% reduction target stipulated for the year.

The implementation and co-ordination of the project were the responsibility of the Water Resources Management Committee of the Sossego mine, which made possible greater interaction between the operational and environmental areas and greater commitment by the employees.

Reduction of Gross Water Consumption

PARAMETER	CONSUMPTION (m ³ /ton of feed)	REDUCTION
Average consumed in 2005	0.44 m ³ /t	–
Target reduction for 2006	0.40 m ³ /t	10%
Average consumed in 2006	0.19 m ³ /t	43%

Gross water consumption





“

The city has an excellent level of understanding with CVRD, and 2006 was an especially positive year. The proposals for partnerships in local development ranged from investments in the farming sector to investments in safety. The social projects, focused on the low-income populations, are also a marked feature of this alliance. In the future, I expect the dialogue to be even more open. With the growth of the municipality expected by 2010 we give even more value to the partnerships with CVRD.

Joseilton do Nascimento, mayor of Canaã dos Carajás (Pará state, Brazil).

”

Management of Dams and Structures

Dams and waste heaps are essential equipment for mining environmental control – for containment of ore fines, which can affect water tables and the water network if allowed to be carried by natural rainwater drainage.

CVRD has a management system that complies with international and national safety standards, and also a team qualified for the planning, installation and operation of these structures, a total of 187 dams and 130 sterile heaps⁴.

CVRD's management of dams and heaps is based on current best practices for the phases of planning, construction, operation, maintenance and closing. It complies with the Associação Brasileira de Normas Técnicas – ABNT (Brazilian Technical Standards Association) standards and the manuals and publications of the Comitê Brasileiro de Grande Barragens – CBGB (Brazilian Large Dams Committee) and the International Committee on Large Dams (Icld), also taking into account case studies reported in specialized publications.

CVRD has established corporate guidelines, based on preventive operation, which orient the company's operational areas, with a view to standardization of procedures and the appropriate systematization of the information flow, instituting a specific databank about the theme.

All the subjects related to the theme Dams and Heaps are discussed in an internal committee of the company, the Grupo Temático de Geotecnia e Hidrogeologia – GTGH (Geotechnical and Hydro-geological Affairs Group), which meets every two months or whenever there is a need to evaluate atypical situations. Participation of invitees from related areas and those with a specific interest is encouraged. The aim is an attitude of proactive operational excellence in operations.

Work on the following subjects was discussed and completed in this committee in 2006:

- Standardization of documents, with emphasis on dams;
- Corporate data systems;
- Specific procedures for workforce training and learning;
- Scaling of specialized teams.

The main focus of the GTGH Committee is collective and shared learning on the key themes for the company's operations.

Its aims can be summed up as: consolidation of specific technology programs; teaching and updating of specialists; provision of internal consultancy on the relevant subjects; improvement of R&D infrastructure; and operation as an internal center of excellence.

Another objective of the company is to contribute toward CVRD's recognition worldwide as a mining company with the highest technical and operational level, outstanding for its team spirit, professionalism and work motivation in the geotechnical and hydro-geological areas.

All CVRD's dams and heaps are periodically submitted to independent audits, which apply rigorous technical criteria in their assessment. When there are recommendations for improvement, action plans are drawn up for each item proposed, presented in specific models that provide effective control and monitoring of execution. The group of improvement actions as a whole is the subject of a specific audit, observed by the respective execution timetables.

⁴ Included are the dams and sterile heaps of: the Itabira, Mariana, Minas Centrais, and Minas Oeste complexes, and RDM (in Minas Gerais, Mato Grosso do Sul and Bahia); Carajás and Taquari-Vassouras; and Caeté–Riacho dos Machados.

Management of Waste

CVRD manages waste over the complete cycle from its generation by the productive process to final disposal.

We adopt procedures to minimize the risks associated with the whole of the operational process. Audits of the final disposal location of residue materials are carried out and assessed; special attention is given to the possibilities of reprocessing, and direct disposal in the soil is avoided to the maximum degree possible. CVRD's view of waste management is aligned with strategic planning, and in line with this, reduction of risks and optimization of processes depend essentially on technological development, innovation and training of employees.

Adoption of the company's Waste Management Plan dates from 2002, and it represents a landmark for the company. One key point of the plan is the accountability for the person or area generating the waste, in each operational unit. Key points are: implementation and maintaining of the local waste management programs; training of employees, and also suppliers; search for technological innovation; and continuous improvement of the controls and records of movements of waste substances.

The main targets of the plan are to reduce creation of wastes, meet requirements of environmental legislation and applicable technical standards, minimize costs associated with waste management, and adopt procedures that reduce the risks of environmental degradation and, consequently, formation of environmental liabilities.

Management of waste involves many processes, which are chosen in accordance with each specific case. These include re-use, reprocessing – use of the waste as a raw material, or input and/or source of energy for another process; segregation; and temporary storage. Examples of reprocessing include: co-processing of wastes in the form of cement; refining of oil used; and use in composting.

CVRD disposes of its wastes in different ways, always with a view to minimizing damage to the environment. Organic wastes, or domestic wastes, are separated and allocated to composting, serving as an input in recovery of degraded areas.

As part of the aim to develop local suppliers, recyclable wastes are allocated for sale, preferably by local reprocessing companies. Used lubricating oils are collected and allocated to internal reprocessing as an input in the manufacture of explosives for mining activities, or directed to re-refining companies.

Wastes that are contaminated with oils are allocated to co-processing for electricity generation processes, or to supply cement manufacturers.

Other wastes, such as fluorescent lamps, batteries and tires are obligatorily reprocessed, in accordance with the law. They are separated in lots of economic quantities for appropriate final disposal (by companies that are legally qualified for this practice). Similar procedures are adopted for scrap metal, rubber and glass.

Waste management model

Based on a proposal made by a CVRD employee in Itabira, in the Brazilian state of Minas Gerais, a solution was developed for transformation of used tires of off-road trucks into lining slabs, conveyor belt transfer points, silos and equipment – and other items.

This innovation was developed and patented jointly with the company Rubberbras, and has resulted in many benefits. The rubber plates developed for linings are 60% lighter than those previously used, which were made of cast iron and manganese steel. This facilitates changeover, and avoids risks related to the employee's physical working stance, and safety. As well as being cheaper, these slabs are also more resistant to abrasion, and last around three times more than the ones previously used. The partner supplier now employs twice the previous number of people, generating movement in the economy of the local municipality.

Another benefit generated by re-use of the rubber from tires was the compliance with the requirement of the Conselho Nacional do Meio Ambiente – Conama (National Environment Council) which imported new pieces upon proof of proper disposal of tires currently in use in Brazil.

At present, all of CVRD's operational units have a Waste Management Committee.

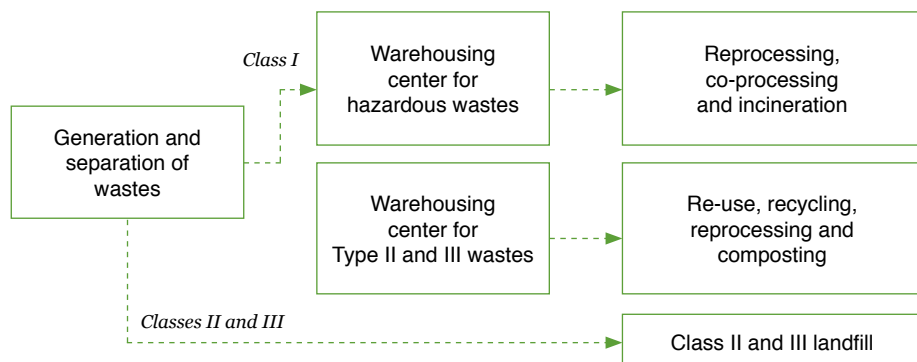
The company carries out employee training schedules and campaigns, as a way of consolidating the change of culture in this aspect, and also encourages concern with the subject, incorporating the results as productivity gained, and these gains are passed on to employees as financial reward. All the units are creating projects for minimization of generation of waste, especially in view of the company's strong growth in output.

CVRD has created procedures for analyzing waste disposal companies, so as to maintain a systematic control of the process.

The company's units have also begun a Processo para a Integração Regional da Gestão de Resíduos – PGIR (Regional Waste Management Integration Procedure) aiming to obtain scale gains in the process at the same time as making local reprocessing opportunities viable.

The first units that have implemented the PGIR are in the region of the Carajás mines and the aluminum complex in Barcarena, both in the Brazilian state of Pará. They have three years to complete the process, which includes: integration of internal management – standardization of the procedures and controls; shared logistics; and external management – support for creation of opportunity to generate employment and income in the areas where CVRD operates.

Working agreements and contracts have been signed with Brazilian Technological Development Institutes, such as the Federal University of São Carlos, the Federal University of Viçosa and the Technological Research Institute of São Paulo, to carry out technical and environmental feasibility studies for reprocessing and disposal of wastes.



Operational performance

An external audit in 2006 found that the volume of hazardous and non-hazardous wastes generated by CVRD's activities had been reduced from 2005. The total of non-hazardous wastes generated in 2006 was 337,274 tons, 49% less than the 661,578 tons generated in 2005; and the total of hazardous wastes generated was 23,804 tons, 6% lower than the 25,329 tons generated in 2005.

The generation of non-hazardous wastes in 2005 was in fact not the result of routine activities. There were expansion works in the company's

mines and ports, and an effort to optimize and organize the procedures and processes of storage of wastes of the railroads, resulting in the generation of metallic and non-metallic scrap, and, principally, scrap from construction.

With the programs to minimize generation of wastes, and adoption of appropriate procedures for their segregation, in 2006 CVRD's units reprocessed around 79% of the wastes being created, and sent 8% for use in electricity generation.

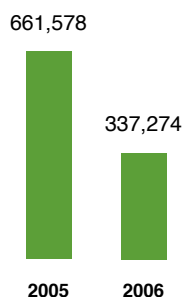
All the 31 operational units⁵ have current targets to put in place projects to minimize their generation of critical wastes.

87% of the plants (27 plants) have complied with these targets, and they are in process of implementation in the others.

⁵The following were considered to be operational units: the Sossego and Taquari-Vassouras mines, the Ponta da Madeira terminal, the Carajás mines, the Itabira complex, the following mines in Minas Gerais – Alegria, Timbopeba, Fazendão, Água Limpa, Brucutu, Gongo Soco, Córrego do Feijão and Fábrica; the Tubarão port operations; Ferroligas Barbacena, the Morro da Mina mine; the São João Del Rei plant, the Santa Rita de Jacutinga hydroelectric plant, the Azul mine; the RDM (Simões Filho) plant, the Urucum mine, the Carajás railroad; the Vitória-Minas railroad in Governador Valadares; the Vitória-Minas railroad at the Tubarão complex, the following facilities in conjunction with the Centro-Atlântica railroad - Alagoinhas, Campos, Divinópolis, Paulínia; TVV, CDM, and the Tubarão pelletization plants, and the TPD, TPM and Paul port facilities.

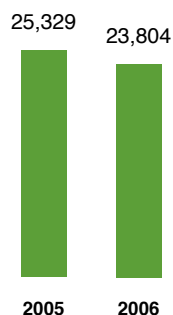
Generation of non-hazardous wastes

(tons)

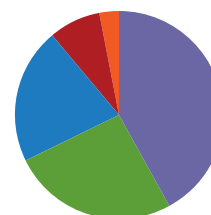


Generation of hazardous wastes

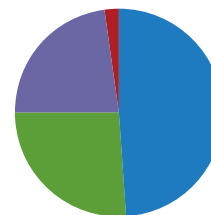
(tons)



Disposal of Wastes, 2006



Disposal of Wastes, 2005



Biodiversity

The great challenge facing humanity today: continue to meet the needs of a growing population and future generations, in a context of increasingly scarce natural resources.

We know that an equilibrium has to be reached between economic development and conservation of the environment, and that this can only be achieved through understanding between the interested parties.

This is the first step in the direction of a more strategic and integrated approach to the use and management of natural resources.

Loss of biodiversity has been the subject of innumerable articles and scientific studies all over the world in recent years. One of these, the UN Millennium Ecosystem Synthesis Report, of 2005, was prepared by 1,360 researchers in 95 countries, and gave a particularly troubling analysis of the planet's capacity to support economic activities in the current model for much longer.

In March 2006, 175 nations met in the Brazilian city of Curitiba, Paraná state, for the Conference of the Parts (COP-8) about the Convenção da Diversidade Biológica – CBD (Convention on Biological Diversity).

CVRD took part in this initiative from the preparation stage, operating as a member of the delegation from Brazil's Foreign Relations Ministry, through the Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável – CEBDS (Brazilian Business Council on Sustainable Development), of which it is a founder member.

The Convention on Biological Diversity aims for more than establishing a group of technical rules. It aims to motivate the member nations to take part in the recovery, conservation and protection of biodiversity, taking into account also cultural diversity and the forms of occupation of the territory. For the convention, biological diversity means the preservation of the variety of living organisms of all origins, including mankind. And this is how CVRD sees the issue of biodiversity, and this is the vision to which it is committed.

Mineral substances are essential for social and economic development, since they are raw materials for the manufacture of products used in the day-to-day lives of populations of many countries. By contributing to the activities of the industries that produce consumer goods, they also help in the improvement of the quality of life of the population, especially in the developing countries. If they are properly integrated to regional development and strategies for conservation of biodiversity, investments related to mining can help to relieve the pressures of poverty in areas of high biodiversity.

Mining's capacity to contribute to development and to the conservation of biodiversity is not immediately obvious. Mining is an extraction industry and by its intrinsic features can result in significant social and environmental impacts. However, evidence that this situation can be developed into a positive one is the commitment shown by Brazil's main mining company in the formulation of public policies to minimize the effects of the activity on the environment.



“

CVRD has been a firm partner of the corporate social responsibility movement, not only in the sense of commitment, but also as a factor radiating outward the initiative and courage necessary in this movement. The mining industry is in principle controversial, and to manage social responsibility in this context demands, above all, a bolder strategic viewpoint. With the same strength and commitment, CVRD now inserts sustainability into its business. Management of the impacts of the operational communities, work with the internal public and the interaction with the organized social groups are examples of the way in which the CVRD shows its willingness always to learn and innovate.

Ricardo Young, chairman of the Ethos Corporate Social Responsibility Institute.

”

CVRD has a fundamental and strategic role in the National Biodiversity Policy and its interface with the Mining Code, due to the breadth of its program for conservation of plant and animal life, the germplasm bank it maintains, and the implementation and maintenance of herb and tree greenhouse centers, with collection of a wide variety of species of flora. CVRD's importance in this context is also clear in initiatives such as its advanced research into management of forest fauna and studies on the recovery of areas where intervention has taken place.

Biodiversity is such an important theme for CVRD that it led to the creation (on November 14, 2000) of the Instituto Ambiental Vale do Rio Doce – IAVRD (CVRD Environmental Institute). This institute has an independent organizational structure, appropriate for complying with its role, and the following incumbencies:

- To develop activities relating to preservation, conservation, recovery and sustainable treatment of ecosystems, focusing on the areas of interest to the company;
- To promote development and dissemination of technical-scientific knowledge on conservation of Brazilian ecosystems and related sustainable practices, including the characterization of flora and fauna, and the establishment of *in-situ* and *ex-situ* genetic reserves;
- To sponsor, promote, execute, support and stimulate actions, projects and programs related to its objectives;
- To obtain and manage funds from third parts, obtained through financial loans or donations, with a view to activities compatible with its objects;
- To collaborate with institutions, foundations or entities that have objectives similar or compatible with those of the Institute.

IAVRD has developed many environmental projects in different regions of Brazil. It is present in the states of Espírito Santo, Maranhão, Minas Gerais, Pará and Rio de Janeiro. With 185 employees in its technical staff, in 2006 the Institute executed more than 100 projects for CVRD's operational units, meeting a range of demands for services and environmental management activities for the ecosystems where the company has operations.

An important special feature of IAVRD's technical staff is the fact that it includes employees who already have vast empirical knowledge on biodiversity, and who have the training and experience to operate jointly with the professionals of many working areas of IAVRD.

One example of these specialists is the "forest men": people with profound knowledge of the forest, who have been trained to operate as botanic identifiers, and now work jointly with the Institute's forest engineers and biologists.



In 2006, through the IAVRD, CVRD applied its Degraded Areas Recovery Program to approximately 400 hectares, bringing the total of recovered areas – at mines, railroads, ports and surrounding areas – since 2003 to 1,960 hectares – all replanted with native species of the Atlantic Forest, Cerrado (a vast tropical savanna ecoregion of Brazil) or the Amazon ecosystems.

This activity relies on research and investment in environmental technology at the CVRD Nature Reserve in Linhares, in the Brazilian state of Espírito Santo, where there is an intensive program to produce saplings for use in restoration of ecosystems and formation of multiple-use forests. This produced a gross crop of seeds in 2006 totaling approximately 12 tons, resulting in around 4 million saplings of 422 Atlantic Forest species.

These saplings were used in a lot of restoration projects, principally in the states of Espírito Santo and Minas Gerais. Some of them were sponsored by CVRD, to assist small-scale farmers, while others were used in the company's own projects – and some sold to private individuals. CVRD has been carrying out initiatives like these for almost 30 years.

Since the creation of the reserve, 60 new botanical species have been identified in 22,000 hectares, one of the last protected areas of the Atlantic Forest in Brazil. The Linhares reserve adjoins the Sooretama Biological Reserve. Together, they represent 48,000 hectares, or 75% of the remaining natural forest of the Brazilian state of Espírito Santo. Sooretama is administered by the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis – Ibama (Brazilian Environmental Authority) which has delegated protection of the reserve to CVRD under a joint working agreement which has now been in force for five years.

The CVRD's Nature Reserve and the Sooretama Biological Reserve together make up one of Brazil's 14 centers of high diversity and endemic species ("biodiversity hotspots"), declared to be World Heritage Sites by the United Nations Educational, Scientific and Cultural Organization – Unesco.



CVRD also protects the Amazon Forest. In Carajás, in the south of the state of Pará, Brazil, in partnership with the Brazilian environmental authority, Ibama, CVRD helps to protect a block of primary tropical forest totaling 1.3 million hectares in five Federal Conservation Areas, contiguous to the Cateté Indigenous Reserve, of the Xikrin Indigenous Community.

The mining activities carried out by CVRD in one of its conservation units, the Carajás National Forest, involve intervention in less than 3% of the total area of 411,000 hectares. It is an example of harmonious conjugation between the activities of mining and environmental protection. While there has been significant deforestation in the area located outside the conservation units in the last 40 years, the company's activity in Carajás has made it possible to preserve what is today the greatest "island" of primary forest in the southeast of the Brazilian state of Pará.

To conjugate its economic activity with environmental protection, CVRD, in a working agreement with Ibama, prepared a detailed Guideline Plan for the Carajás and Tapirapé-Aquiri National Forest Use. The work combined the environmental needs with the mining vocation of the region, generating a complete joint group of programs. The intensive use of geomatics provides permanent monitoring and control of the area – enabling, for example, the most appropriate techniques of forest fire vigilance, prevention and control to be applied.

According to the orientations of the Guideline Plan, part of the Carajás National Forest is open to the public. In 2006, approximately 60,000 visited the Botanical and Zoo Park of Carajás, where the company, through IAVRD, carries out many environmental education programs, programs for protection and reintroduction of local fauna, and scientific research on the dynamic eco-system.

Selection of species for recovery of mining areas

Areas used for mining usually affect native vegetation, making it necessary to carry out full recovery programs on the degraded regions. At present the vegetable species available for recovery in the majority of these areas are few, and not available commercially. As a result, a solution commonly adopted is replanting in the form of pasture, which does not properly fulfill the objectives of restoration. To overcome this gap in technological practice, and in the market, CVRD has begun a research for the selection of appropriate species to recover the areas degraded by mining.

Researchers of CVRD's Environmental Institute have collected species, a total of 177 kilograms of seeds, in the "iron quadrilateral" of Minas Gerais. The most common, in numbers, have been leguminous species: *Mimosa* (27 species), *Senna* (17), *Crotalaria* (14), *Canavalia* (7), *Desmodium* (7), *Centrosema* (6) and *Machaerium* (5).

In a lineages selection program developed jointly with the Empresa Brasileira de Pesquisa Agropecuária – Embrapa (Brazilian Farming Research Company), these species were planted in a germination and multiplication nursery, to select those with the best potential for formation of biomass. The program aims to increase diversity of species and increase the sustainability of the initial process of succession. Based on it, the company began to use the species selected in recovery of degraded areas.

An example is the company's Piçarrão mine, in the Brazilian state of Minas Gerais, which underwent the re-vegetation process, and has shown good results in the first three years. The Caeté mine, also in Minas Gerais, and parts of the Vitória-Minas railroad (EFVM), have also had environmental recovery treatment, with reshaping of terrain, regularization of drainage and re-vegetation. In three months after the beginning of the rehabilitation, EFVM has already shown significant results, and the recovery of the Caeté mine has been fully successful.

The fauna rescue

In mining areas, where it is necessary to suppress native vegetation, the Brazilian legislation requires management of fauna, to minimize impact.

CVRD has developed an alternative series of methods to the techniques for rescue and transport specified by Ibama and used up to 2005. Known as Fauna Rescue, this group of methods received the support of the scientific community and was accepted by Ibama. The results achieved in 2006 have shown the initiative was a correct one.

When the figures obtained by CVRD in the Fauna Rescue program in the copper, iron and manganese mines in Carajás in 2006 are compared with the figures for rescue and transport in the copper and iron ore mines for 2005, there is a 50% drop in the rate of mortality of animals handled during the suppression of vegetation.

This significant result created so much interest in the scientific community that the research work and its results were presented at the 8th International Congress on Fauna Handling, in Ilhéus, Bahia, Brazil, in September 2006. As well as the environmental gain, there was an economic gain, of 65.68%, for CVRD, when costs of the procedures for a proportional area of 30 hectares were compared.

But CVRD's concern with fauna goes beyond the need for handling as a result of the company's activities. The company also invests in research work that helps to preserve endangered species. The CVRD Nature Reserve in Linhares represents hope of survival for one of the animals most threatened of extinction in the Atlantic Forest, the Brazilian Jaguar, or Onça Pintada. This animal needs a very wide area to survive, and in recent decades man and his productive activities have taken away its hunting grounds.

The few conservation areas remaining in the Atlantic Forest are not big enough, or are already in process of degradation, thus not providing the conditions for survival of these animals, which require major areas for survival of a population that will ensure the species is perpetuated. At the Linhares reserve, CVRD invests in research into better knowledge of the habits and behavior of Brazilian felines, which is essential for preservation of the species.

The studies, on the Reserve's 22,000 hectares of Atlantic Forest, attract a variety of researchers. At CVRD's request, a team coordinated by the Pontifícia Universidade Católica of Minas Gerais (PUC University of Minas Gerais) has been studying the incidence and numbers of feline species in the reserve. Twenty cameras with movement and heat sensors have been installed on the tracks in the reserve, and as a result observations have been made of six of the seven original feline species of the Atlantic Forest: *Leopardus tigrinus* (the little spotted cat), *Leopardus wiedii* (the Margay), *Leopardus yagouaroundi* (the jaguarundi or otter cat), *Leopardus pardalis* (the ocelot), *Puma concolor* (the Cougar) and the very well known *Panthera onca* (the Brazilian jaguar or Onça Pintada). This shows the importance of this research study, principally because Linhares may be one of the last remaining parts of the Atlantic Forest with resident felines.

The Tubarão industrial and port complex, 12 kilometers from the city center of Vitória, in Espírito Santo state, Brazil, occupies an area of approximately 1,400 hectares where CVRD has installed one of the largest ports, and one of the largest group of

pelletization plants in the world.

However, since the 1980s this complex has been the scene of a major reforestation program, among the most significant that has ever taken place in an industrial and urban area in Brazil. Six million tropical trees have been planted on approximately 620 hectares. As well as restoring the ecosystem, they have the function of containing the action of wind on the heaps of iron ore and pellets, reducing aerial carriage of particles.

The reforested region at the Tubarão complex is the largest green area in Vitória. In 2004 CVRD opened the Tubarão Botanical Park to the public. It is inside the industrial complex, in an area specially dedicated to leisure, education and presentation of the environmental

theme as a whole to visitors.

Around US\$4 million has been invested in installation of a visitors' reception center, containing an amphitheater, auditoriums, theme rooms, children's park areas and tracks with interpretative information provided. These give the public better understanding of the characteristics of the tropical forest, while being accompanied by IAVRD monitors. Visitors are also invited to see the company's industrial plant, on special buses that take routes to show the dimension of the complex and enable visitors to understand its activities.

The Tubarão Botanical Park is now one of the main leisure and visiting areas in the city of Vitória – with 120,000 visitors in 2006. Based on the experience of Tubarão, CVRD is creating a botanical park at the Ponta da Madeira port terminal, in São Luís, in the northern Brazilian state of Maranhão. We expect this to be inaugurated in 2007.

The Tubarão Botanical Park is now one of the main leisure and visiting areas of the city of Vitória – with 120,000 visitors in 2006.



Atmospheric Emissions

In Brazil, the first actions in air quality management go back to the 1970s. Today the country has a wide-ranging policy for air quality management based on the National Air Quality Control (“Pronar”) Program.

Conscious of the need for its operations to be compatible with preserving air quality, CVRD makes this subject priority in its environmental management.

Its production units make air quality management plans, which include control of atmospheric emissions, and implementation of the company’s Emissions Monitoring Program and its Meteorological and Air Quality Monitoring Program.

The company also runs programs for development of new technologies and research on the subject, such as studies of atmospheric dispersion, epidemiological studies, use of an “intelligent receiver” (to determine origin of airborne particles) and other efforts for continual improvement and maintenance of the levels of air quality in accordance with the quality standards.

A successful example of action to reduce atmospheric pollution is the Programa Vale de Qualidade Ambiental (CVRD Environmental Quality Program) in the Brazilian state of Espírito Santo, in partnership with that state’s government. Some R\$30 million was spent on the program in 2006 – part of a planned investment of some R\$252 million over the next three years – to implement a series of environmental actions and projects that aim to help improve environmental quality in the region of Greater Vitória.

Highlight action in 2006 includes an electrostatic precipitator at the entry and exit points of the furnace, with a particle size filter, at Plant 7 of the Vitória pelletization complex, and the application of a powder suppressor in transport and handling of pellets.

These two actions significantly reduced emissions of particle material. The new precipitator at Plant 7 practically eliminated emissions. It has an efficiency of more than 99%, and the concentrations of particle material at the chimney exit have been showing levels well below the legal requirement. The powder suppressor is a paraffin-related product applied by mixture with water through the spraying systems located at various points of the area where pellets are handled.



“

Frank dialogue has been a feature of the relationship between our community and CVRD. Our stance is one of responsible partnership, with necessary criticisms, and mutual respect prevailing. In the Vitória Community Council, we have worked to make the spirit of openness that the company offers into a day-to-day reality. This is good not only for the company and the Council, but also for the whole of Greater Vitória. The community sees CVRD in a very positive light, and as a result it makes a point of taking part whenever it is asked.

Waldemar Cunha, community leader – president of the Community Council of the city of Vitória (Espírito Santo state, Brazil).

”

Climate Changes

Emission of greenhouse gases is a focus subject for CVRD, since its logistics and pelletization operations use fossil fuels as a source of energy, and these emit greenhouse gases, thus contributing to global warming.

International efforts to reduce greenhouse gases have resulted in formation of market groupings in both developed and developing countries, and these affect CVRD, its partners and its clients.

CVRD has been acting in several different ways on climate change, making annual emissions and carbon inventories in 2005 and 2006.

This work is based on the CVRD Greenhouse Gas Inventory Manual, which follows international standards and protocols: the Corporate Module of the joint Greenhouse Gas Protocol of the World Business Council for Sustainable Development and the World Resources Institute; and ISO Standard 14064-1 (Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals).

CVRD takes part in forums for debate and formulation of strategy on the subject, such as the International Emissions Trading Association (Ieta), the World Business Council for Sustainable Development, and its representative in Brazil, the Brazilian Business Council for Sustainable Development.

Climate change is one of the greatest challenges to be faced by the productive sectors, governments and the scientific community. With its inventories of greenhouse gases and carbon stocks, CVRD now has the tools that can provide continuous improvement in efficiency of controls, focused on specific consumption of fossil fuels, and identification, development and application of clean technologies.

One of these initiatives is for the use of biodiesel fuel, which has been tested in locomotives on CVRD's railroads. Brazil has been developing a program of expansion of production of this fuel based on high-yield oilseeds, repeating the success that the country achieved in production of alcohol for motor vehicles. Over the years, CVRD will replace diesel by biodiesel, in accordance with the supply of this alternative energy source, in the technically acceptable percentages as supported by the various suppliers of diesel engines.

In relation to sequestering of CO₂ and fixing of carbon stocks in forests, CVRD has learned about these conversions in its protected and reforested areas. The company's knowledge in this field – which is very complex due to the diversity of the types of forests that exist in Brazil – has enabled CVRD to have a wide exchange of information with the intergovernmental community, establishing methods of measurement that are in line with those suggested by the UN Intergovernmental Panel on Climate Change (IPCC), especially by its sector dedicated to soil use and changes in forest soil applications (LULUCF).

In CVRD's nature reserve in Linhares, for example, it has one of the most complete databases on carbon inventories in Brazilian primary forests, due to the initiatives of its technical staff, who for 25 years have been collecting information that has made possible calibration of mathematical models developed for similar forest types.

Biodiesel: on track

CVRD currently consumes 511 million liters of diesel fuel per year on its railroads. This is why, the company it has decided to invest in a project to assess the impacts of use of a renewable energy source – biodiesel.

The social gain is in the company's contribution to the Brazilian federal government's program to encourage the production of biodiesel fuel in the north and northeastern regions of Brazil, through family farming. That is to say, by consuming the product, CVRD contributes to the social development of these populations.

In March 2006 the company began tests to assess the use of biodiesel made from palm oil (*dendê*) to run locomotives. This was done in a gasoline/biodiesel mix known as B20, i.e. 20% biodiesel to 80% conventional diesel fuel.

The main objective was to verify both in laboratory tests, on the bench and in the field, the effects of the mixture in terms of power, energy efficiency, and maintenance of locomotives, as well as emission of pollutants. With a 20% mixture, the estimated consumption of biodiesel on CVRD's railroads would be 102 million liters/year.

For its field tests on the railroads, CVRD obtained authorization from Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis – Ibama (Brazilian Environmental Authority) and also from the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis – ANP (National Oil, Natural Gas and Biofuels Agency) – the first company to obtain such permission from ANP.

In the tests, CVRD used two GE Dash 9 locomotives, designated to run always with the same trains and under the same traction load. The tests in 2006 were on the Vitória-Minas railroad, from March to December (field tests), and in June and November (bench tests). In these months, locomotives were fuelled in Tubarão, (Espírito Santo state) using a proprietary-designed system, and in Nova Era, (Minas Gerais State) using tanker trucks.

The data from the testing period are still under analysis, but some preliminary conclusions can be drawn. In power performance, the Dash 9 locomotive tended to maintain power at all points, independently of the fuel used, since it uses microprocessing regulation. Thus, the reduction of power using biodiesel in the B20 proportion will be very small.

In maintenance, researchers from the Alberto Luiz Coimbra Institute of Postgraduate and Engineering Research (Coppe) of Rio de Janeiro Federal University, using analysis of lubricating oil, videoscope analysis and monitoring of routine maintenance, found no impacts from use of biodiesel fuel. Even so, Coppe intends to make a more detailed analysis of the video data and examine the locomotive engines, to confirm the fuel's good performance.

Energy efficiency tests were made on the bench and in the field. The field data are still being assessed. On the bench results alone, and taking into account the time of operation per acceleration point, the use of biodiesel results in a small increase in consumption.

In the future CVRD intends to use biodiesel in growing percentages, in accordance with the availability of supply of the fuel, or with development of its own planting for production. The use of biodiesel will also take into consideration results of tests carried out by suppliers of the locomotive engines, aiming to ensure performance and durability. The company is making technical and economic feasibility studies for creation of its own planted areas and a biodiesel processing plant.

Geo-information

CVRD has a sophisticated territorial management system – GeoVale – for the areas where it operates.

Supported by satellite images of varying resolutions, CVRD has developed integrated geographical databases providing a wide range of information on geographical and census attributes of the areas directly and indirectly influenced by its operations.

The use of these technologies in observing and interpreting the Earth's surface, to go with territory management methods CVRD has developed, has been providing greater exactitude in environmental studies related to the implementation of new projects, and also improvement of the models for the company's interaction with the regions where it operates.

One of CVRD's business areas that makes intensive use of GeoVale is Logistics. All the railroads have been recorded in satellite images or high definition digital photography. That is a total of about 10,000 kilometers, digitalized, interpreted and organized in the Sistema de Informações Geográficas – SIG (Geographical Information System) of each railroad, totally integrated with each railroad's Operational Control Center.

This tool has provided more efficiency to the operations in normal and also abnormal situations – e.g. in the event of an accident. Risk management associated with transport indicates the behavior of each type of cargo in relation to the environment and urban and farming areas. It is also integrated to the SIG, which makes possible immediate location of the exact point of the occurrence, and makes it possible for teams from emergency service bases to have immediate direct access for action.

In mining areas, the use of geomatics has provided a higher level of knowledge of a site's environmental features, which means improvement in techniques of planning of mining works, installation of mining infrastructure operations, and operational management.

Teaching for Sustainability

Training in environmental management has a fundamental role to play in CVRD's operations, since preservation and recovery of the environment are essential management functions.

CVRD's "Environmental Attitude" program was created in 2004. This consolidates and imposes a common line upon all of CVRD's environmental training projects.

The company continued the Environmental Attitude program in 2006 with publication of guidelines for environmental teaching, for both its internal and external publics, with planning structured over 2006 and 2007.

The object of the program is dissemination of the company's environmental responsibility principles: it is based on the dialogues among leaders, employees and outsourced contractors, in which the relationship between ethical and moral values and the company's environmental management tools is discussed.

CVRD's Corporate University – Valer – takes an effective role in the Environmental Attitude program, having developed a discipline focused on environmental responsibility, with its own methodology that gives special emphasis to concrete cases and practice. This discipline has become part of the program for the central features of Valer's Corporate Citizenship Center (which is responsible for publication of the Corporate Values). These are: culture, environment, social responsibility, quality, safety and health.

Also in 2006, 25 operational units went through a first phase of the "diagnosis" of the Environmental Attitude program, in which the types of projects in progress, the scope of works, beneficiaries and results were identified.

Three environmental training projects using the new environmental responsibility method developed by Valer began in 2006 at the Tubarão port and industrial complex, in the Brazilian state of Espírito Santo, in the Sossego copper mine in Pará, and in the iron ore mines in Minas Gerais. These projects aim to involve approximately 40,000 employees and outsourced operators, in the various operational units, by 2008.

In the four mining complexes of the Southern System in Brazil – Itabira, Mariana, Minas Centrais and Minas Oeste – with the support of IAVRD, CVRD has remodeled three centers of excellence and environmental training, and built a fourth. These centers have libraries, and carry out activities with employees and the populations of cities, with exhibitions of environmental works of the communities and the schools, and give out information on the company's environmental programs.

A highlight among the many environmental training programs developed by CVRD's units – consolidated into the Environmental Attitude program – is in Canaã dos Carajás, in the Brazilian state of Pará. In 2006, this program was put in place in 14 schools, which carried out workshops in mathematics, Portuguese, geography and sciences as applied to environmental issues. In three years the program in that city has reached 150 teachers and 3,500 students.

Adding the public of schools and communities of the centers in Minas Gerais to the work carried out in Pará and also in the state of Maranhão, Environmental Attitude projects served approximately 1,000 teachers and more than 15,000 children and adolescents in 2006.

Social Performance

Responsibility, participation, respect. More than words. These are guidelines that orient everything CVRD does, and all its interactions with its publics: employees, stockholders, investors, suppliers, clients, unions, industry associations, community, public authorities...

An increasingly deep relationship with interested parts, and commitment to sustainable development of the regions where it operates, are part of CVRD's management routine, and were particularly important in 2006.

CVRD recognizes the importance of developing the places where it works, jointly with its own business in those places. It plans its own growth taking into account the demands and potentials of the communities it relates to. For this to be effective, CVRD believes it is essential to understand the dynamics of the relationships that it has with all sectors of society. This was further highlighted in 2006, when CVRD created its Department of Corporate Affairs, conceived to coordinate the company's relationships with its various publics.

CVRD holds dialogues with communities and carries out studies to guide its projects and operations in each region. In this process, it seeks to make the legitimate interests of stakeholders converge with those of the company. It also manages the impact of its operations, seeking to minimize any negative effects and maximize positive effects, presenting them to the community, with the aim of reaching understanding.

CVRD's strong social actions permeate all its businesses, and are put into effect by the operational areas and by the CVRD Foundation through programs conducted in partnership with NGOs, public authorities and society in general. The amount invested in social projects and programs in 2006 was R\$286 million.

Wherever CVRD works, in Brazil or in the rest of the world, it takes care to invest in processes that generate development in the many aspects of the life of communities. To make sure its projects are executed in an increasingly sustainable manner, CVRD has been seeking to gain increasingly deep knowledge of the territories where it operates, taking into account the impact of its present projects and anticipating those of future projects, on a horizon to 2010.

In the Brazilian state of Pará, for example, where important projects are planned in the southeast of the state in the coming years, CVRD prepared its Integrated Social-Economic Diagnosis of the region, with the assistance of specialized consultants, in 2006 – presenting it to authorities, trade associations, and local business leaders at the beginning of 2007. Diagnoses such as this one, made in various regions where CVRD is present, aim to provide a global and integrated approach to the present reality and the historic, demographic, economic, social, and urban prospects of each territory.

“

It is very important that a company such as CVRD maintains an institution on the scale of the CVRD Foundation. Most of its work goes into improvement of public policies and the formation of partnerships. The common denominator between the Foundation's work and ours is the search for synergy. They are right: operations cannot be limited to financial support – it is necessary to look, and perceive, how to create the most from benefit from the potential of the people and the programs. This is vital, in a country such as Brazil, and the CVRD Foundation has this differential.

Beatriz Azeredo, director of the Brazilian NGO 'Public Policy Studies Center'*
(Centro de Estudos de Políticas Públicas).

* www.juventudearte.org.br

”

As a company with a presence in five continents, CVRD also seeks to establish relationships with interlocutors of many nations. In this interaction, one of its principles is to achieve a deep understanding of the cultures of the countries, and establish strategies for mitigation of risks. In 2006, CVRD began business operations in Canada, the UK, Indonesia, and New Caledonia, adding to existing operations in South Africa, Angola, Argentina, Australia, Chile, China, the United States, France, Gabon, India, Japan, Mozambique, Mongolia, Norway, Peru, and Switzerland.

Aware of the challenges that its international expansion represents, CVRD applies the same standards of technical quality, and the same principles of conduct, that orient its activities in Brazil into all its projects and undertakings wherever they maybe in the world – because it believes that responsible activity, ethical behavior and the right to diversity go beyond geographical boundaries.

The acquisition of Inco in 2006 demonstrates this stance. The Canadian mining company already has a consolidated culture and tradition. It was Vale's duty to get to know and understand this history; and to consider the social actions already put into effect, especially to the benefit of the local communities, while also not omitting to indicate its own style of operation. For this reason, CVRD has put in place a process known internally as Knowledge Sharing.

Activation of this process between the companies in the transition phase of change of stockholding control resulted in the creation of work groups of employees of CVRD and Inco linked to the strategic areas for consolidation of the operation. Each group was responsible for identifying the synergies between the two organizations, and acting to give them maximum effect. This manner of acting resulted in a "manifesto", Together We Are Better, published and distributed during the acquisition. The intention was to make clear that the objective of CVRD's entry into the business was to mutually add the benefits of both companies' experience.



CVRD plans and assesses its entry into other territories in which it starts operations with the same care and attention that it showed in the purchase of Inco, always incorporating the social variables involved into the planning of the project.

During the transition, CVRD preserved all the channels of communication and relationship already offered to the employees of Inco, and developed question-and-answer tools to provide answers to any queries from its new colleagues. Direct contact with the managers of individual areas was also encouraged, so as to avoid any noise that could affect the organizational plan during the period of transition. The result of all this effort was very satisfactory; the style and culture of Inco was successfully preserved, incorporating CVRD's values.

With the same care and attention shown in the process of the acquisition of Inco, CVRD evaluates the effects of any entry into, and indeed continuation in, other territories where it starts business projects, incorporating the social variables into the planning of the project. Respect for local cultures is fundamental when handling the projects. In Mozambique, for example, the traditional belief is that the land has an ancestral connection, and it is necessary to carry out a ritual, with local leaders, before beginning any program of mining exploration.

In Mozambique, CVRD invested US\$6.47 million in social investment, by agreement with the local government, during the phase of feasibility studies, in 2005 and 2006 – for projects agreed between the company and certain governmental institutions.

The Bayovar project, in Peru, is another example of the respect involved in CVRD's approach. Although mining activity faces resistance from the population, due to its history in the country, CVRD has established a participative relationship, maintaining a good understanding with the community and obtaining a "social license" for its operation, that will enable it to produce phosphate, a mineral that is used in farming. The project is currently at feasibility study stage – results will be presented this year. Social and culture questions have received special attention since the beginning of the project's development.

More than 50 meetings were held with communities neighboring the project in 2006, coordinated jointly with the Comunidad Campesina San Martin de Sechura, with thousands of people attending. A further nine *talleres* were held – meetings with various sectors of local society to give out information about the project – creating understanding and consideration on the part of all involved. There were 1,600 people from the municipalities of Puirá, La Unión, Sechura, Vice, Bernal, Rinconda Ilicuar, Bellavista, Cristonos Valga and Puerto Rico in these meetings.

After the meetings, a survey of the participants showed that acceptance of the project was more than 90%. Other actions under the supervision of CVRD in Bayovar in 2006 included: a social-economic diagnosis, aiming to identify local demands and prioritize the social investments of the project; work agreements with state universities and with the Servicio Nacional de Adiestramiento en Trabajo Industrial - Senati (the local entity dedicated to professional training); and support for social programs such as the Lavado de Manos, which aims to minimize child mortality in the region.



Holding Dialogue with Communities

CVRD's commitment to people takes the concrete form of social action by the company's various departments, groups and areas, in the day-to-day routine of its operations, and in programs developed by the CVRD Foundation.

CVRD's commitment to people is reflected in the respectful attitude that permeates the relationship between communities and the company.

CVRD understands social dialogue to be a permanent and systematic process which requires pro-active initiatives and mutual knowledge by both sides, and involves all the businesses and all the phases of projects – from feasibility studies through the activity, up to eventual closing of mines.

With the expansion of CVRD into territories outside Brazil, another challenge arises in communication with communities; the multicultural perspective. All over the world, increasingly entrepreneurs need a "social license" to operate. Public hearings are provided for in the environmental legislation of many countries, and organizations have to involve communities appropriately in this process.

To engage, for example, with the community leaders of Moatize – the region of Mozambique where CVRD carried out feasibility studies for coal mining – requires, among other things, the ability to speak local languages and regional dialects, taking into account oral traditions, to the detriment of written language, and interaction with the *régulos*, the tribal fathers who express and interpret the values of local communities.

In the territories where CVRD operates, there are channels and instruments of dialogue that aim to create integration, bring groups together, provide explanations and understanding, and deal with issues raised by the communities. The projects that aim for continuous communication between the company and the communities are grouped in the Vale Comunidade program.

One of these projects is Encontro com Lideranças (Encounter with Leaderships), created in 2001, and in place in many parts of the company, aims to establish a permanent channel of communication with community leaders through periodic meetings in which subjects brought up by the local population, calling for a statement of position on the part of the company, are discussed. Some of these meetings convert into opportunities for the company to generate good-quality information on its processes and the aspects that directly or indirectly affect the life of the communities. Along the Vitória-Minas railroad (EFVM) in Brazil, for example, bi-monthly meetings were held with 700 leaders of the municipalities of Cariacica, Serra, Baixo Guandu e Fundão (Espírito Santo state) Aimorés, Resplendor, Frederico Sellow, and Governador Valadares (in the state of Minas Gerais).



With CVRD's introduction of its social-economic diagnoses in 2006, the company has been getting to know the territories where it operates better. As a result, in the locations where the studies are made, communication is being re-oriented, based on analysis of the information found, including concepts of the process of dialogue in progress with the communities, itself.

An example is the town of Canaã dos Carajás, in Pará, location of the Sossego copper mine. The diagnosis made in 2006 found, among other aspects, that farming is as important for the local economy as mining. Based on this, our Encounter with Leaderships were able to lead to consolidation of the partnerships among CVRD, the community and the local authorities. Research was carried out to assess the quality of the soil of Canaã dos Carajás for farming, and studies were begun for the construction of a sanitary landfill. CVRD also supported the creation of an Economic and Social Development Agency, which will set priorities for sustainable growth of the town.

The company also supported the contracting of a specialized company to help in preparation of a Participative Strategic Plan for the municipality, and signed agreements for the construction of a Court building and headquarters for the local military police, among other works. By contributing to the consolidation of basic infrastructure and a diversified network of services, CVRD helps to raise the levels of income, making the economy more dynamic and making generation of investment in other sectors possible – such as, in this case, farming.

Another successful relationship project is Cidadania nos Trilhos (Citizenship on the Rails), developed by the Centro-Atlântica railroad (FCA) and, more recently, by the Vitória-Minas railroad (EFVM). Since 2004, when this project began, it has reached a public estimated at 65,000 people. On the EFVM it was implemented in 2006, in the municipalities of Colatina, Fundão, Serra and Cariacica, with the participation of 43 schools, 3,200 students and 140 teachers.

The project involves teaching work in the schools – including qualification of the teachers – with presentation of theatrical sketches and publicity on local radio stations, newspapers and other media. Meetings are held with the formal and informal leaderships of the communities, NGOs and representative entities, as well as workshops for journalists. The planning of the activities is based on the perception of the impacts generated by the railroads in life of the communities, seeking to raise awareness for reduction of accidents. The same purpose of increasing the awareness of the population for safety in railroad transport, the Olha o Trem (“Look Out for the Train”) project developed on the Carajás railroad (EFC), reached 10,000 people in eight municipalities along the railroad's length, in 2006 alone.



Dialogue is the first step to mutual understanding between CVRD and the communities where it works – reflecting the relationship with employees, and the fact that both share a common day-to-day life, and future.

CVRD believes that dialogue with communities can take place in a variety of situations, spaces and opportunities. This is the point of view of the *Terças no Museu* (Tuesdays in the Museum) project, which offers schools extracurricular activities related to rail transport and environmental education, using the history of the railroad as a connecting theme. In 2006, the CVRD museum received 2,080 students to visit its collection, which includes an early steam engine from the 1940s and the largest three-dimensional architectural and topological model of a railroad in Brazil, a 34-square-meter exhibit showing the logistics involved in the environmental care CVRD takes in every process related to iron ore.

The rails themselves can also be used to provide basic services to low-income populations. The CVRD Foundation maintains the *Trem da Cidadania* (Citizenship Train) project in the interior in the state of Maranhão, in the municipalities crossed by the Carajás railroad. This train of one locomotive and two wagons carries a team that provides services such as issuance of documents, doctor and dentist consultations, and educational work for prevention of illnesses.

This mobile unit stays in each town for 10 days, returning every three months. The project is a partnership with the government of the state of Maranhão, the National Health Foundation, the Justice Review Service, and the city halls of towns along the route – Açailândia, Pindaré-Mirim, Vitória do Mearim, and Bom Jesus das Selvas.

CVRD also promotes the *Vale Comunidade – Visitas* (CVRD Community Visits) program, the entry point for getting closer to the residents of the towns where it operates. Through visits to the CVRD's operations, which are scheduled directly by the people of the community or their leaders, local people get to know the company's production processes and its social-environmental activities, as well as having questions answered. These visits lead to reflections – and mutual knowledge, often the first step toward mutual understanding between the CVRD and the communities where it works. This dialogue can take root through employees, or from the very fact that both sides, in interaction with other players in the social context, share both a day-to-day life, and a future, with the company.

Responsibility beyond frontiers

CVRD has been in Mozambique since November 2004, when it won the international tender to operate one of the world's largest coal deposits in Moatize in the Tete province. CVRD entered Mozambique under the same principles of social responsibility that orient its operation in Brazil, and every place where it operates.

For the pre-feasibility study for the project, social and economic analyses were carried out, including research on secondary data, and quantitative and qualitative surveys. There were also 890 representatives of stakeholders groups of the region interviewed.

CVRD made its approach to the community, to present the project, its various phases, its impact, and the care and precautions that it takes in management, through meetings with various segments of population of the territories affected by the project. Among a range of activities, 23 meetings were held with local leaders, and 47 with communities, involving a total of 4,746 people. Seeking the best possible understanding of the information and the greatest possible interaction with the public, the company used communications tools that are appropriate to the local culture, based on oral communication, such as, for example, theater presentations.

During the phase of analysis of the feasibility of the undertaking, as specified by CVRD in its winning proposal, the company invested in action for the social and economic development of the region in partnership with communities, the government, non-governmental organizations and local business people.

The investments – in projects in education, culture, health, infrastructure, farming, and social assistance – were guided by the concept of hearing the demands of the communities of Moatize and Tete.

If the project is implemented, the communications actions already carried out by CVRD will be amplified and diversified, aiming to consolidate the existing relationships and the company's positioning in relation to the population. We expect the project to generate approximately 900 jobs directly, at full production, with initial peaks of up to 3,000 jobs in the implementation phase. The benefits to the 35,000 people who live in Moatize will extend outwards into the Zambezi river, where the town is located, and from there to the whole country.

Indigenous communities, and “Quilombolas”

In its relationship with communities, CVRD seeks to understand the social-cultural diversity of each territory and propose joint solutions to develop the potential factors in the population while at the same time making the company's activities viable. CVRD's first contact with indigenous communities was in 1982, as a condition for the financing of the Carajás project by the World Bank. The focus was on gradual implementation of a new model of lasting relationship, and voluntary support.

The experience of CVRD Inco in relationship with the traditional communities in Canada adds to CVRD's experience with this public. One of the company's principles is to take actions that will guarantee the maintenance of the members of these communities in the future, preservation of their cultures, and generation of resources that will make them self-sustaining. In 2006, the company invested a total of some R\$20 million (plus internal spending) directly in indigenous communities, benefiting more than 3,700 native South Americans in the Brazilian states of Pará, Maranhão and Minas Gerais. The actions, and the resources, vary from case to case, in accordance with the situation of each community.

In Pará, the company gave support for productive activities to the Xikrin-Cateté, Xikrin-Djudjêkô, Gaviões- Parkatêjê, and Gaviões-Krikatêjê indigenous communities and also helped build houses in their villages. CVRD also contributed to financing current expenses on food, medicine, education, school material, and extra medical assistance. The Suruí do Sororó community, also in Pará, received investment in productive projects and medical assistance, as did also the communities of Maranhão (Guajajara, Awá, and Urubu Ka'apor).

CVRD invested in important improvements in infrastructure, such as maintenance of the highway that goes through the Xikrin-Djudjêkô reserve, and for the Gaviões-Parkatêjê community, construction of a road, hospital, sewage network and other works – both of them are in the state of Pará. Other works in 2006 for indigenous communities include reconstruction of the bridge over the Eme river, in the reserve of the Krenak people, in Minas Gerais, financing of current expenses of their village, and supplementary medical assistance.

Based on the company's relationship policy, the Onça Puma project began working of the lateritic nickel deposits that extend across the municipalities of Ourilândia do Norte, São Félix do Xingu and Parauapebas, in the Brazilian state of Pará. The policy includes the establishment of guarantees so that the indigenous communities can enjoy the benefits generated by the project, and measures to prevent or minimize any adverse effect on the communities that may take place.

In 2006, an ethno-ecological study was also made in the Kayapó indigenous territory, in Pará, to assess environmental and social-cultural aspects, and to indicate actions to reverse or minimize possible effects of the Onça Puma project on communities located close to the project (Xikrin-Catete, Xikrin-Djudjêkô and Kayapó – in the villages of Aukre, Pykararankre, Kendjam and Kikretum).

Other actions taken in the Onça Puma project include: establishment of channels for dialogue to achieve closer relations with the indigenous communities so as to formalize, in the future, an undertaking resulting in sustainable development actions; study and assessment of the fertility of the soils in the Xikrin village of the Cateté people; and studies of the forest potential and physical, sanitary and environmental conditions of the villages to support preparations of projects for the generation of income.



Also in the Xikrin community of the Cateté, a geophysical study was made to assess the subterranean water capacity of the villages, leading to installation of two artesian wells to provide drinking water.

CVRD has evolved in its relationship with the indigenous communities, increasingly including their points of view into the business decision processes, seeking to establish constant dialogue and accumulating knowledge. The company has carried out ethno-ecological and ethno-environmental studies in partnership with specialized consultants, which have made a strong contribution to defining the type of financial support to be provided – centering on structuring projects that respect the culture and vocation of each ethnic group.

Since 2005, CVRD has also been relating to the communities known as “*Quilombolas*” – communities initially founded by runaway communities of fugitive slaves – in Moju in the state of Pará, which are close to the bauxite operations in Paragominas. Several of CVRD’s actions in 2006 benefited a total of 13 *Quilombolas* communities: São Bernardino, Santa Luzia do

Tracuateua, Nossa Senhora das Graças, Santa Maria do Tracuateua, São Manoel, Santa Maria de Oxalá de Jacundá, Vila Nova, Ribeira, Centro Ouro Bom Jesus, Santana do Baixo, Santo Cristo, Conceição do Mirindeua, and Santa Maria do Mirindeua.

These communities have a total of 650 families, of which some 215 have a direct relationship with the project. The company invested in works, such as construction of a health center, the Casa Familiar Rural (Rural Family House) project, recovery of the bridge in Jambuaçu, construction of 33 km of roads, and support in putting voluntary work projects in place.

In response to requests made by the kilombo communities of Moju in December 2006, CVRD has undertaken, in a new agreement made in February 2007, to finalize the works referred to above, correct any impacts resulting from installation of the company’s ore duct at the location, and accelerate mitigation measures, carrying out a study to map productive potentials and support projects that aim for sustainability of the community.

Revealing Territories Potential

The CVRD Foundation contributes to integrated economic, environmental, and social development of the territories where CVRD operates, through structuring programs to strengthen the local economy, culture, and education.

The basic concept in all this activity is formation of alliances, creation of networks, helping to strengthen partnerships and widen the resulting potential for transformation.

In 2006, the CVRD Foundation achieved an even more strategic position in the company's operations with its Social-Economic Diagnoses – studies to identify the needs and potentials of the territories where CVRD operates, and map the impacts of its activities, especially on people. Once completed, these studies make it possible for the company to improve the quality of its actions, targeting development of the community.

The first of these territorial studies that was done in depth, completed at the end of 2006, was the Integrated Social-Economic Diagnosis of the southeast of Pará. This study initially sought to understand the present-day social and economic reality of this area, and what is the result and role of CVRD's participation in the region in practice and in fact, today. After this stage, the study, based on estimates and scenarios, presented various forecasts for the region in terms of economy, population, the demand for services and public infrastructure, taking into account the growth trends of the local economy and their potential to be boosted by the investments that the company plans up to 2010.

Social-economic diagnoses studies were also carried out in other regions in 2006; Itabira, in Minas Gerais, Brazil; the Western and Southern regions of Rio de Janeiro, Brazil; and Moatize, in Mozambique. Further Diagnostic Studies are scheduled in 2007 in Greater Vitória, in the state of Espírito Santo, Brazil; conclusion of the studies already began in the Minas Centrais and Mariana regions of Minas Gerais; in Barcarena, Pará; and for the region of the Carajás railroad in Pará and Maranhão.

These diagnoses make it possible to project and forecast impacts of CVRD's future operations on communities. This enables executives to take strategic decisions to improve their management of the effects of the projects. As well as giving an indicative view of the yesterday, today, and tomorrow of a region, the diagnoses take into account the outlet for the municipalities in their surrounding region of influence. Thus, they generate opportunities for action not only locally, but also at a state and federal level, providing, and integrating, a method of management of territories that brings together initiatives by the public authorities, companies, and civil organizations, in favor of communities – over-reaching geographical limits and limitations.

Local economies: a boost to development

Progress of communities is one of the company's objectives, implemented by the CVRD Foundation, which seeks to promote the development of neighboring municipalities based on joint preparation of strategies that are appropriate for each local situation – these take on reality with the company's Vale Mais and Rede que Vale programs.

Vale Mais has a literal meaning – “It's worth more”, and is a play on words using part of CVRD's full name – Vale do Rio Doce (where it means “valley”). It is carried out in partnership with Agência 21, and has proved itself to be a powerful agent of change in the municipalities where the company operates. It seeks to build an outlook for a common future, implementing local development strategies and actions, which are prepared with joint participation, based on communication and organization, between the local community, the public authorities and the private sector. This program has now been implemented in 14 municipalities, with 3,200 community representatives participating.

The experience of the program on the occasion of the inauguration of the Brucutu mine is a good example. This project was inaugurated in October 2006, in São Gonçalo do Rio Abaixo, Minas Gerais, Brazil and brought improvements to the municipality and adjoining regions, as well as contributing with several corporate social responsibility projects.

One of the main initiatives was the Sustainable Development plan for the municipality of São Gonçalo do Rio Abaixo and its neighbor Barão de Cocais, which developed the vision of future as defined by the people of the two municipalities over a year of debates. During this period, the community, CVRD and the public authority chose the investments that were a priority for each town such as water, drainage works, and a sewage network in Barão de Cocais – R\$1.4 million has already been allocated for their construction. The plan includes a group of strategies and actions related to economic growth, distribution of benefits, demographic management and sustaining of local resources – which are fundamental themes for the development of the municipalities.



During the meetings for construction of the plan, it was also found that there was a need to contract specialized consultants to analyze the public health system, and CVRD did this in March 2005. Other actions resulting from these meetings and implemented by CVRD were: signature of a working agreement with the municipal hospital for the purchase of equipment; donation of land sites for construction of a barracks and the public prisons; passing of funds to the Municipal Public Safety Council; acquisition of equipment and improvement of the infrastructure of the Civil Police; building of an interchange on the MG-436 highways; donation of the a site for access to sanitary landfills; sponsorship of a selective garbage collection project; and donation of a bulldozer, tractor and backhoe to the city hall.



The CVRD Foundation seeks to promote development of municipalities by joint preparation of specific strategies for each situation.

As well as the investments made under the Vale Mais program, administered by the Foundation in the Brucutu project, there were also injections of capital by CVRD in benefits for the region. The company donated more than R\$1 million to the city hall of São Gonçalo do Rio Abaixo for the sanitary landfills, water and sewage treatment and preparation of a Strategic Plan for the municipality. CVRD also financed the execution of the Strategic Plan for the Piracicaba river, with an investment. In Santa Barbara, it contributed to the construction of a square and a location for events in the district of Cruz dos Peixotos, as well taking part in preparation of the project for the Recanto Verde Park. Directly and indirectly, more than 7,600 jobs were generated in 2006 in the region. There were also various actions in education, culture, infrastructure, income generation, and social investment which totaled R\$2.1 million in the year, in these municipalities.

In other locations of Minas Gerais CVRD also carried out investments based on the decision on priorities for the municipalities. In Belo Vale, a working agreement made possible remodeling and purchase of equipment for Henrique Pinedo Hospital and Maternity Facility, the only one in the city, which has a population of around 7,500. In Mário de Campos, improvements were made to a highway interchange and the main routes that carry intensive traffic of trucks with iron ore in the region. A contribution of R\$1 million was made to Margarida Municipal Hospital of the municipality of João Monlevade; and in Bela Vista de Minas, CVRD financed the town's Strategic Plan. Sponsorship was given to the city of Congonhas for preparation of a development program, which includes a Social-Economic Diagnosis.

In the city of Itabira, with a population of about 100,000, and the location of CVRD's oldest mines, investments were made for preparation of the social-economic diagnosis. Other investments included R\$1.6 million to Nossa Senhora das Dores Hospital, for the purchase of new equipment for hemodialysis, works on the remodeling the pediatricians' and obstetricians' section, and equipment for the sterilized material center.

Communities along the Vitória-Minas railroad (EFVM) were also benefited. In Governador Valadares CVRD invested R\$5.465 million in 2006 for construction of the Altinópolis viaduct, which, this year, will now serve approximately 15,000 people who cross the rail tracks daily. Another initiative that benefited this municipality was the construction of an access to the city's airport, which, includes roundabouts, road surfacing and drainage of existing streets and the construction of a bridge. In Aimorés, the construction of a viaduct and a passenger bridge will provide safety and comfort for residents. As well as infrastructure works in the municipalities, EFVM also adapted a passenger rail car exclusively to serve people with special needs, increasing the space already offered by the railroad to this public.

Another program developed by the CVRD Foundation under the heading of Local Economies is Rede que Vale. This is a partnership with the NGO Rede Cidadã ("Citizen Network"), which invests in generation of work and income using a network made up of companies, civil society organizations, and public authorities. The idea is to stimulate professional training and introduction of young people into the labor market, as well as developing micro-and small businesses and associative groupings. This is done through training, consultancy and management and orientation on access to micro-credit.

CVRD also contributes to the formation of value chains as the anchor-company in the TEAR ("Weaving Sustainable Networks") program. In the area of mining, CVRD is responsible for selecting 15 small and medium-sized companies in Minas Gerais to carry out a joint sustainable development project.

The cities in the region of Greater Vitória, in Espírito Santo, close to the pelletization plant complex, have taken various initiatives in this field. The town itself, for example, obtained a contribution for programs to encourage entrepreneurship, developed in schools at primary and secondary school levels – both public and private. In Cariacica, R\$238,000 was invested in 2006 in projects of the Association to Manage the City's Strategic Plan, which include Cariacica na Moda, ("Cariacica in Fashion"), which helps to develop productive activities in the fashion sector.

In the Brazilian state of Maranhão, the municipality of Itaqui-Bacanga received investment to support the development of local artisans, improving generation of income. This initiative, put in place in 2006, includes activities related to the designs of the products, sales activities and training of artisans. Two fairs were held, and 125 artisans received training.

As well as the Foundation, the company itself also contributes the formation of value chains. As anchor-company of the Tecendo Redes Sustentáveis – Tear ("Weaving Sustainable Networks") program, in the mining sector, CVRD is responsible for selecting 15 small and medium-sized companies in Minas Gerais to carry out a joint sustainable development project. Tear is the result of a working agreement between the Ethos Corporate Social Responsibility Institute and the multilateral investment funds of the Inter-American Development Bank (IADB). Its objective is to broaden the opportunities of small and medium-sized companies that operate in the value chain of anchor companies in a lot of production sectors. Over the year, seminars, meetings, and workshops, and other initiatives for training and exchange of knowledge were held.



Transforming synergy

The alliance between companies, public authorities, and third sector organizations promoted by the Rede que Vale program has been increasing its social transformation power with the increasing participation of CVRD Volunteers.

Some 400 volunteers are engaged with the program so far, and to this are added the activities of the city halls of the eight municipalities where the program is carried out, as well as 192 companies and 98 non-profits. The objective is to provide training of young people between 18 and 30 years old for the labor market and strengthen local entrepreneurship – these factors being considered as levers for development of territories.

As well as contributing to training of people, CVRD Volunteers share their experience and knowledge in the area of management with micro and small business leaders who do not have the funds to contract specialized consultants, orienting them on the best way to administer their businesses and to have access to micro-credit.

The contributions of volunteers as the “yarn” to “weave” the network of alliances of the three sectors in favor of the communities have been showing their added value. In 19 months of action, the Rede que Vale, with the force of the volunteers, has trained 4,701 young people. Of these, 547 have entered the formal labor market, with proper registration as employees under the labor laws, and consequently access to the rights provided by the legislation. The program has also supported the development of 99 micro and small business projects.

By stimulating and supporting voluntary participation of employees to the benefit of communities and municipalities where they live, the company promotes results that go beyond the one-off initiatives and help to add increased potential to the reach of the structuring social programs carried out by its Foundation, such as the Rede que Vale. A scenario of transformation is built, through work, talent, and the availability of each volunteer every day.





Culture: giving value to diversity

Investments in culture make it possible to redeem local statements and costumes, give value to local identities and create conditions for development in partnership with public organizations and civil society organizations. The CVRD Foundation stimulates contact of the communities with different languages, narratives, techniques, and aesthetic traditions and perceptions.

The Vale Música program, which was in its 6th year in 2006, aims to awaken children and young people to classical music, thus increasing their social empowerment. More than 6,000 children and adolescents in the states of Espírito Santo, Pará and Mato Grosso do Sul are beneficiaries of the program, which has as partners the Associação de Amigos da Orquestra Filarmônica do Espírito Santo – Aaofes (Friends of the Espírito Santo Philharmonic Orchestra) – and the Caieiras Cultural Center (Espírito Santo state); the Amazon Music Foundation in the state of Pará; and the Instituto Homem Pantaneiro (Pantanal Community Institute) in the state of Mato Grosso do Sul.

Vale Música began in Vitória in 2000, with teaching of classical music to children of public schools in the city of Espírito Santo. One year later, it incorporated the Congo na Escola project. This has also been operating since 2004 in Belém, in the state of Pará, and in 2006 was established in Corumbá, in the state of Mato Grosso do Sul. In 2006 as a whole, 750 students received instruction from Vale Música, and 3,500 people attended the Teaching Concerts.

Since its inception, Vale Música has now reached 51,000 people and young children. In 2006, it was joined by the participation of the Orquestra Sinfônica Brasileira da Cidade do Rio de Janeiro – OSB (Brazilian Symphony Orchestra of the City of Rio de Janeiro) which offers concerts aiming to educate the audience and training in the area of music, as well as developing monitors able to qualify children and adolescents in the program. The OSB's involvement was made possible by CVRD's becoming one of the maintaining sponsors of the orchestra, together with the city hall of Rio de Janeiro.



The partnership gave a new boost to the orchestra, strengthened Vale Música, and enabled the company, in 2006, to deliver the emotion of concert music to a public of 65,000 people in the eight state capitals where it operates (Rio de Janeiro, Belém, São Luís, Aracaju, Vitória, Belo Horizonte, Corumbá and São Paulo).

As well as being the birthplace of Vale Música, the Brazilian state of Espírito Santo has been operating the Animação project since 2002. The aim of this project is to form animation film professionals, and to open up new perspectives for work and income. The project, developed by the Marlin Azul Institute in partnership with the CVRD Foundation and the Galpão Produções, serves children and adolescents from the 5th to 8th grade in the municipal school network of Vitória. It includes workshops on scriptwriting, and animation, for 150 students; the Festivalzinho de Cinema (Cinema Mini-festival), in which Brazilian films and videos are shown to around 3,000 students; and an animation team, of 20 young people between the ages of 16 and 21.

In 2006 the films of the Animação project took part in 26 festivals in Brazil, Germany, Venezuela and Argentina. Among the prizes awarded, the film *Vitória pra Mim*, won the “Best Film for Children and Young People” award at the 2006 Mercosul Audiovisual Festival. In previous years, the films *Portinholas* and *Mangue e Tal* had won honorable mentions at the Havana festival (Cuba) in 2003 and 2004 – respectively.

Another CVRD Foundation project, *Trem da Vale* (“CVRD Train”), aims to preserve and publicize the historical and cultural heritage of the Brazilian state of Minas Gerais. This project is operated by the Centro-Atlântica railroad. The initiative has revitalized the 18-kilometer stretch of the railroad linking the cities of Ouro Preto and Mariana, and put one of the early traditional steam locomotives back into circulation, pulling a complete train.

The “CVRD Train” project preserves and publicizes the historical and cultural heritage of Minas Gerais, providing this educational function while stimulating tourism in the region of the ancient cities of Ouro Preto and Mariana – in Minas Gerais, Brazil.

The Trem da Vale (CVRD Train) project includes several other projects: Vale Preservar, which aims to include heritage education in the second level of primary education; Vale Conhecer, providing training and support for heritage education activities carried out by the communities of Mariana and Ouro Preto; Vale Registrar, which collects and disseminates eyewitness testimony on life stories and events related to the railroad and to mining; and Vale Promover, which seeks to promote and publicize the region’s heritage.

In the cities of the Brazilian states of Maranhão and Pará where the Carajás railroad (EFC) passes, the Foundation has maintained the Cinema nos Trilhos (Cinema on the Track) program, since 2005, in partnership with Muito Mais Promoções. In 2006, residents of many towns were able to see films on “the big screen”, for the first time. As well as showing the film, the project team documents the impressions and statements of the people of each locality, producing short documentaries, which are shown as part of the programming.

The Rede Cultura program focuses on the economy of culture and takes place in cities of four Brazilian states: Rio de Janeiro, Minas Gerais, Pará and Espírito Santo. In partnership with the Planeta culture agency, it seeks to help local development, generating income and commerce in cultural products.

As well as the programs of the Foundation, CVRD also sponsors celebrations and events that are typical of the regions where it operates, revitalizing traditions and strengthening local identities. Initiatives that CVRD supports with the aim of perpetuating popular forms of culture that tell the story of these various territories include: the Círio de Nazaré, the largest cultural and religious event in the state of Pará, held in Belém on the second Sunday in October for the last 200 years; and the traditional “June parties” in the region of Itaquí-Bacanga, in Maranhão, a great local tradition. In Carajás and Parauapebas, in the state of Pará, CVRD also sponsors the Kuarup Folklore Projection Group, created to preserve and publicize the region’s folk customs, through music, song and dance.



Education: pillar of citizenship

As well as preparing people for the full exercise of citizenship, and better performance of their professional activities, the Foundation creates and runs educational programs that reflect the characteristics of the regions where CVRD works, respecting local identity.

The Escola que Vale program works in 24 towns of Minas Gerais, Espírito Santo, Maranhão and Pará, providing teachers with training for qualification, and continued education, and is developed in partnership with the Centro de Educação e Documentação para Ação Comunitária – Cedac (Community Action Education and Documentation Center). The aim is to improve the quality of learning for students in the public school network, involving not only teachers and students but also employees and technicians of the Education Departments, and school head teachers and supervisors. The program encourages teachers to work with their students in primary education on reading, writing and oral communication through interdisciplinary projects. With this exercise, children read more, write better, and work as a team. Together, they produce books and newspapers. They learn the history of their regions and come to recognize and give value to the personalities that are part of their local culture.

Jointly with Education Departments, Escola que Vale also provides the Casa do Professor (Teacher's House) at each locality – a space aimed at permanent updating of teachers. By giving value to the educator's role, the program stimulates the educator to be more of an agent of change, who seeks solutions that are creative and appropriate for the local circumstances. An example is the success of the Jegue-Livro (Donkey Book) project in Alto Alegre do Pindaré, in the state of Maranhão, an initiative by a teacher in the region who uses donkeys to provide access to books and other publications, for people who live far from the center of the municipality.



“

CVRD being a big company, it's unlikely that one would expect a close relationship, but the CVRD Foundation has been responsible for creating closer links between me and the company. The work carried out by the Escola que Vale program adopts a method that leads us, the teachers, continually to improve our view of the work in the classroom. I hope that, in the future, CVRD will continue with programs of this type which, as well as helping in the educational formation of the teachers, help the students and their parents, improving the life of the community.

Adriana Corrêa Lima, participant in the Escola que Vale program in São Luís (Maranhão state, Brazil).

”

The Vale Alfabetizar program trains people as teachers of literacy, and promotes a constant flow of new students to classrooms. Its aim is to offer effective help in reducing illiteracy in the municipalities where the company operates, helping to make citizenship increasingly a reality. The program lasts eight months, and serves people over 15 who are not yet literate. It is operated jointly with the NGO Alfabetização Solidária, local Education Departments and higher learning institutions.

In 2006, a total of 12,362 students received benefits from Vale Alfabetizar, in 655 classes held in 32 municipalities of the states of Minas Gerais, Espírito Santo, Pará, Maranhão and Sergipe. Since its creation, in 2003, 38,584 young people and adults have completed the program, which also trained 2,394 literacy teachers in the period – a total of 40,000 teachers and students. The aim is to benefit 120,000 people by the year 2010. In 2005 the Vale Alfabetizar program began to be run jointly with the Ver (See) Project, which detects problems of vision among students. In its two years of operation, 12,645 students have been through ophthalmological inspection, and 6,960 pairs of glasses delivered.

Vale Informática (CVRD IT) is a program that promotes knowledge about information technology and computers – providing social empowerment – for adolescents, young people and adults in seven states of Brazil in which CVRD operates (Espírito Santo, Minas Gerais, Maranhão, Pará, Sergipe, Bahia and Mato Grosso do Sul). The program began in 2001 as a result of a partnership between the CVRD Foundation and the Comitê para a Democratização da Informática – CDI (Committee for Democratization of Information Technology). In the 71 Escolas de Informática e Cidadania – EICs (schools of IT and Citizenship), put in place in partnership with local civil organizations, the members of the communities themselves received training to become agents able to multiply knowledge.



In 2006 the Vale Alfabetizar program provided literacy instruction to 12,362 students, in 655 classes in 32 municipalities. Since it was created in 2003, 38,584 young people and adults have completed the program.

The town of Paragominas and the river-bank community of Canaã do Ipixuna, in the Brazilian state of Pará, received EIC programs in 2006. One of the teachers became so enthusiastic about the program that he decided to establish the Dia da Inclusão Digital (IT Inclusion Day), to take place once a month in the community. In the same region, one of the students obtained a double victory: in spite of being hearing-challenged, he became a Special Class Monitor, and was given a job as an office assistant. In 2006, 6,061 people directly benefited from the CVRD IT program.

The Programa de Educação Afetiva Sexual – Peas (Sexual and Emotional Education Program) operates in 10 cities of Minas Gerais (Barão de Cocais, Brumadinho, Catas Altas, Congonhas, Governador Valadares, Itabira, Mariana, Ouro Preto, Santa Bárbara, and São Gonçalo do Rio Abaixo) all of which have CVRD units. This program aims to provide access to information and encourage dialogue and reflection about the themes of love, affection, sexuality and reproductive and sexual health. The program, developed in partnership with the government of Minas Gerais and Martins Pereira Consultoria Educacional, trains teachers, monitors the activities and provides teaching material. This program has inspired public education policies in these municipalities.

Another program that has been causing qualitative change in the communities is Educação nos Trilhos (Education on the Rails). This is carried out jointly with the Futura TV Channel and gives out information on a variety of themes such as regional culture, food, prevention of Aids and sexually transmitted diseases, preservation of the environment, cultural heritage, hygiene, safety and selective garbage collection, to people who live in the municipalities close to – and users of, the Carajás and Vitória-Minas railroads.

The program carries out activities in the railroad stations, and inside the wagons. In these stations referred to as Estações do Conhecimento (Knowledge Stations), the facilities are adapted for thematic and interactive teaching workshops. On the Carajás railroad there is a program called Teletrem, in which railcars are equipped with TV and video monitors to offer new knowledge to the passengers. Monthly meetings called Portões Abertos (Open Gate) events to mobilize neighboring communities to exchange experiences among their leaders.



The approximately 500,000 people who use the Carajás and Vitória-Minas railroads every year are benefited. research shows that the program improves participants' self-esteem, that they feel that they have been given value by the initiative, and that it reduces vandalism on the trains and in the stations.

Also in partnership with the Futura Channel, CVRD has been running another program, Trilheiros – Uma Aventura em Minas Gerais (loosely translated, “On Track – An Adventure in Minas Gerais”), since 2005. This is a television program with information about culture, historical and cultural heritage and the environment, but also a social problem that involves 50 young people in three institutions, and a traveling reality show on part of the Estrada Real – the historic route between the cities of Rio de Janeiro and Diamantina, in Minas Gerais, that early colonists used in Brazil's age of gold mining.

The CVRD Foundation's participation takes the form of consultancy on content, preparation of participants, recordings and the use of the resulting videos in teaching activities.

Audio visual resources are also used in the Tecendo o Saber (“Weaving Knowledge”) program, which is a partnership with the Roberto Marinho Foundation. This covers the content of primary education (1st to 4th grade, in Brazil), presenting information on citizenship to young people and adults who are already literate. The themes are dealt with in the form of a TV soap opera, in projection rooms provided jointly by Education Departments. They are shown on Globo TV, the Futura Channel and TV Escola, and made available for use by educational, community and university channels.

Boosting education in Pará, Brazil

The Escola que Vale program was put in place in the state of Pará, in the north of Brazil, in 2000, and has been making a real contribution to improving school performance of students in primary education in the schools of the communities where CVRD operates.

The program covers nine municipalities in the state: Barcarena, Canaã dos Carajás, Curionópolis/Serra Pelada, Eldorado dos Carajás, Ipixuna do Pará/Canaã de Ipixuna, Marabá, Ourilândia do Pará, Paragominas and Parauapebas.

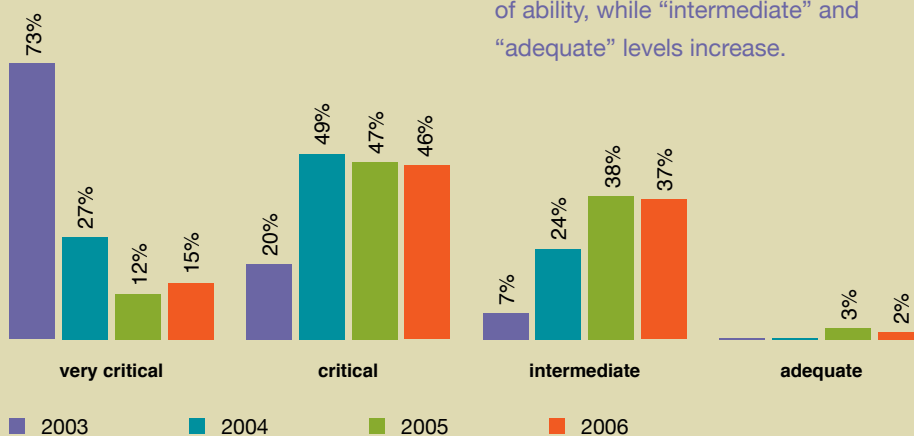
A total of 57,272 people of the state of Pará have benefited from Escola que Vale: 1,449 teachers, 160 head teachers, 153 teaching coordinators, 11 local coordinators and 55,499 students – in 117 schools of the public network in urban and rural locations. From its creation to the end of 2006, 44,370 hours of training for teaching professionals have been given.

The positive results can be seen. Each year, the program is submitted to an external assessment, in all the municipalities where it takes place. These assessments measure abilities in the Portuguese language of the students of the municipal school, according to the competencies specified in the federal government's Sistema de Avaliação da Educação Básica – SAEB (Primary Education Assessment) system. Students' capacity in reading, writing and interpretation of text is analyzed. In general, the data indicate that, with each successive year there is a reduction in "very critical" levels of ability, while "intermediate" and "adequate" levels increase.

In Ipixuna do Pará, for example, the average of students with "very critical" performance fell from 73% in 2003, when the program began in that town, to 15% in 2006. Of these 58% of very critical students that improved their abilities, 26% evolved to an only "critical" level, increasing the average of these students from 20% in 2003 to 46% in 2006. A further 30% of the 58% moved up to the "intermediate" level, increasing that category from 7% in 2003 to 37% in 2006. The remaining 2% reached the "adequate" performance level, increasing the percentage share of that category from 0% in 2003 to 2% in 2006.

According to the Instituto de Desenvolvimento Educacional, Cultural e Ação Comunitária – Ideca (Educational, Cultural and Community Action Development Institute), which is responsible for the assessment, the students of the least-favored social groups showed an average performance 11% greater, equivalent to that of the more favored social groups, as a result of adoption of the teaching practices suggested by Escola que Vale. This shows how much the program has been helping to overcome situations of inequality in learning, helping to develop citizens, whatever their economic or financial condition is.

Ipixuna do Pará





Voluntary work

As in 2005, voluntary action in the company increased in 2006. Employees, suppliers, partners and their families have been participating in this type of action for a long time, but it has been increasing significantly since 2004. Among the many reasons for this increase are the alignment of the program, internally, and the launch of a site (www.voluntariosvale.org.br) to publicize the actions inside and outside Brazil and obtain new participants.

Our Dia V (Voluntary Day), held every year on the first Sunday of December, mobilizes CVRD volunteers to solidarity actions in nine states: Maranhão, Pará, Minas Gerais, Espírito Santo, Bahia, Sergipe, Mato Grosso do Sul, Rio de Janeiro and São Paulo. In its sixth year, in 2006, 8,897 volunteers got together in a joint effort to benefit 61,616 people in 42 cities and towns, in 617 separate actions.

So as to indicate the scale of the success of “Voluntary Day”, the number of people benefited increased by 58% in the last two years, and the number of volunteers taking action – employees, partners, family members and friends – grew by even more: almost 80%. This is an upward curve: 4,950 volunteers in 2004, 7,640 in 2005, rising to 8,897 in 2006. The number of people benefited rose from 39,000 in 2004 to 59,522 in 2005 and 61,616 in 2006.

The idea of a “mobilization day” first arose in Minas Gerais, at the initiative of the Federação das Indústrias de Minas Gerais – Fiemg (Minas Gerais Industries Federation), with CVRD and other large companies participating. Since 2004, “Voluntary Day” has been extended by CVRD to seven other states, to which São Paulo (the municipality of Paulínia) was added in 2006.

The event is part of the CVRD Volunteers Program, coordinated by the CVRD Foundation. By stimulating voluntary work, the intention is to transform the participants into social agents who help with development of communities, also improving their capacity to listen, and to work as a team.

Every year,
“Voluntary Day”
mobilizes CVRD
volunteers for
social solidarity
actions in nine
Brazilian states.
The sixth of these
events, in 2006,
brought together
8,897 volunteers.



On the sixth “Voluntary Day”, in 2006, the volunteers prepared simultaneous educational, cultural and public-utility actions in many locations and took part in them: blood donation, distribution of food, medical and dental assistance, legal advice, issuance of identity cards, haircuts, cleaning of beaches, creation of libraries, construction of playground toys, artisan and jewelry workshops, courses in professional training, sporting activities, mending of household appliances, maintenance services, visits to children’s day-care centers and old peoples’ homes, lectures and gymkhanas.

Many of these actions had great repercussions in the communities. For example, in Curionópolis, Canaã dos Carajás and Marabá, in the southeast of the state of Pará, three libraries were installed, benefiting more than 500 people, including children, young people and adults. The same group of volunteers that operates in this region also took advantage of the opportunity to plant saplings of three libraries, benefiting more than 500 children, young people and adults. The same group of volunteers that works in this region also took advantage of the occasion to plant saplings of Ipê, Mahogany and Pau-preto (Blackwood), endangered Amazon Forest species, in the village of Vila Bom Jesus, in Canaã.

In Maranhão, the CVRD volunteers took advantage of “Voluntary Day” to carry out workshops in alternative foods, in which the communities learned to use parts of foods that are usually discarded. Actions such as these will help improve the quality of life of more than 700 people in the communities of the state of Maranhão. In another initiative, in the municipality of Alto Alegre do Pindaré, more than 200 local residents took part in an environmental action to revitalize one of the most important rivers in the state, the Pindaré river.

However, the CVRD Volunteers program is not restricted to one day of activity with the communities. Over the year, 21 volunteer networks broke up into action groups, carrying out many activities in social assistance, education, culture, leisure and environmental preservation. Through the web portal of the CVRD Volunteers, launched in October 2005, more than 1,200 people have made connections, communicated about their actions and stimulated new mobilization. The volunteers also meet annually in a national meeting, and there are other regional meetings.

Some of the volunteer actions contribute to important CVRD social-educational programs, such as Cidadania nos Trilhos (“Citizenship on the Rails”) which operates on the Centro-Atlântica railroad (FCA), with the participation of employees, especially the locomotive machine operators, to give speeches in schools, answering students’ questions about safety and the working of the trains, and providing general information about the company.

In November 2006 the Foundation joined up with five large worldwide companies – Citigroup, Levi-Strauss, Samsung, UPS and Walt Disney Worldwide – to launch the Global Corporate Volunteer Council, to stimulate good practices and identify opportunities for collaboration among volunteers worldwide. Other aims of this Council are: to point up opportunities for network working and learning; raise consciousness on corporate volunteer work, supporting people who lead voluntary activities; and recognize organizations that maintain this type of program.

Human rights

In the process of dialogue with communities, CVRD comes into contact with social issues that are so serious and urgent that they call for action in the field of citizenship and human rights. The company supports initiatives to combat slave and child labor – it is one of the signatories of the National Pact to Eradicate Slave Labor, sponsored by the ILO (International Labor Organization) and the Ethos Institute.

The companies that are signatory to the pact, which include CVRD, undertake to make efforts to cause working relationships to be increasingly dignified in the production chains they are part of, and whenever possible to denounce forced labor, which is considered a grave violation of human rights. Under the pact the companies also undertake, among other things, to fight for regularization of labor relations by producers and suppliers, which means formal registration of the employment relationship, compliance with labor-law and social security obligations, and the practice of prevention in relation to workers' health and safety. In 2006 CVRD allocated funds to the Slave Labor Forum and the NGOs related to this issue in the Brazilian state of Maranhão.

Another CVRD initiative against slave labor is a series of TV programs, produced in partnership with the ILO and Futura Channel, entitled *Que Trabalho é esse?* ("What kind of work is that?"). This is a series of eight programs, explaining basic issues in relation to labor rights and slave labor in Brazil. The episodes are interspersed with interviews with workers and specialists, and are shown on Futura Channel and also on the trains of CVRD's railroads.

In conjunction with the Councils on Rights of the Child and Adolescent of the municipalities, CVRD allocates resources to the *Fundo dos Direiros da Infância e Adolescência – FIA* (Children's and Adolescents' Rights Fund). The project financed targets such as the eradication of child labor and protection of adolescent work; professional training for young people, social and family orientation and support; and publicity for actions to defend the rights covered by the Children's and Adolescents' Law. In 2006 seven municipalities located along the Carajás railroad received funds from the FIA, benefiting 24 entities and 2,370 children and adolescents.



Commitment to People

In a world of constant transformation in labor relations, CVRD invests in good relationship with employees, and promotion of their wellbeing and professional development, offering an attractive and competitive package of remuneration and benefits in relation to the market.

In 2005 and 2006 CVRD directly created 4,000 new jobs. We can count a total of 44,000 employees of our own, as well as the 12,000 employees of CVRD Inco. It is estimated that for each one of our own employees, the number of employees of companies that provide services to CVRD in operations and projects averages 1.5. Also, indirectly, each CVRD employee represents five new job openings in the production chain.

CVRD credits its performance to the technical competence and the talent of the people who work in it, and considers the issue of remuneration a strategic one for its competitiveness. The company's policy includes a base salary and a variable remuneration, determined on the basis of assessment of individual performance and participation in the company's results. The recognition of employees' performance is organized in the Programa de Participação de Resultados – PPR (Results Sharing Program). In 2006, an average of 5.0 times each employee's monthly salary was paid in PPR remuneration, exceeding the figure of 4.7 for 2005.

Allied to the remuneration, the portfolio of benefits offered to the employees and their families is also a factor for motivation, attraction and retention of qualified professionals. It includes the self-managed Assistência Médica Supletiva – AMS (Supplementary Medical Plan), which offers coverage for medical, hospital, dental procedures, and medicine, benefiting all employees and their dependents – a total of 110,000 lives.

The portfolio of benefits also includes day-care reimbursement, life insurance, food support assistance, help in acquisition of school materials, Christmas hampers, and children's toys for the employees' children. As well as the opportunities for training made possible by the company, another stimulus for continuous development of employees is educational reimbursement, which subsidizes part of the expenses of primary, secondary and higher education, in accordance with criteria aligned to the company's needs.

We have permanent understanding and dialogue with the 52 unions that represent the employees, and regard these also as pillars of our human resources policy. Management of labor relations gives priority to negotiated solutions and immediate and systematic treatment of conflicts. In 2006, as in previous years, the company's good relationship with its employees was also reflected in the relationship with the unions.

The company makes permanent efforts on behalf of its retired employees, with continuing health assistance under the Plano de Assistência Médica dos Aposentados – Pasa (Retirees' Medical Assistance Plan) and complementary retirement payments, through the Fundação Vale do Rio Doce de Seguridade Social – Valia (CVRD Social Security and Pension Fund), which has 59,000 participants.

Education and development

Investments in research, equipment and new acquisitions are important for boosting CVRD's growth. But the company's main investment is in people. The performance of each employee effectively impacts the company's present and future. To support the company's strategy and sustain good corporate results, CVRD's corporate university – Valer – systematizes the company's corporate education strategy, and it was invested approximately R\$70 million in 2006.

Valer was founded in 2003, and has contributed to the fast development of the company, through its formation of leaders, stimulation of growth and professional development and acceleration of the process of obtaining technological knowledge. In 2006 it gave 1.4 million hours of training, in 100,000 participations in classroom-held programs. More than 120 classes of on-line courses (e-learning) were organized, with specialized support from tutors, used by approximately 4,500 employees. Self-study courses totaled approximately 22,000 participations.

Propagation of distance learning technologies is the basis of the education innovation and research group, which finds and implements innovative practices. In 2006 video conferences and de-facto communities were essential for the spreading of knowledge, saving time and funds. Valer develops integrated projects to develop organizational and technical competencies, based on modern teaching methods, and sometimes entertaining, often innovative teaching materials. Its actions cover the various states of Brazil where CVRD is present, and the offices in the rest of the world.

The training and qualification of the professionals who operate at the technical-operational level is one of Valer's priorities. Over 2006, approximately 59 hours of training were offered per employee, bringing theoretical and practical learning into convergence with the professional and social reality. New professional education curricula were prepared based on technical competencies, giving the employees the possibility of self-managing their development.

Two areas – Railroad Operation and Mine Maintenance and Operation – were the first to have their curricula organized under this concept, referred to as the "Technical Track". More than 3,000 employees took part in more than 44,000 hours of classroom and on-line training, and more than 100 internal instructors were trained to give teaching by the Educadores pra Valer program, which makes possible multiplication and construction of knowledge based on relationship networks.

The Technical Track program also promotes IT qualification. In 2006 a highlight was the ROF Digital course, which offered 5,872 hours of on-line training to 367 locomotive machine operations of CVRD's railroads. As well as working for perfection of knowledge on the company's Railroad Operations Regulations, the initiatives sought to develop self-learning competencies, stimulating the establishment of a routine of studies.



The great demand for qualified technical professionals in the regions where CVRD operates is one of the company's great challenges. For this reason, Valer invests in the development of young people of the communities, through the Programa de Formação Profissional (Professional Training Program), which is developed in partnership with the Serviço Nacional de Aprendizagem Industrial – Senai, (National Industrial Apprenticeship Service). As well as attracting and training staff for CVRD, this initiative promotes social empowerment and widens the level of employability in the locations where the company has operations. In 2006, 2,016 young people aged between 18 and 28 began their training, and today 720 of them are CVRD employees.

As a form of magnifying the potential for generation of income in the municipality of Canaã dos Carajás, in the Brazilian state of Pará, the Sossego mine has also been developing, since 2002, programs for training and qualifying the local labor. In 2006, 419 people took courses of learning in areas related to building construction. Another 48 students concluded the Programa de Formação Profissional (Professional Education Program), focused on training young people in mining-related activities.

CVRD also signed strategic partnerships, investing more than R\$7 million in projects to support the infrastructure of technical schools in the Brazilian states of Espírito Santo and Maranhão. One of these partnerships, signed with the Centro Federal de Educação e Tecnologia – Cefet (Federal Technological Education Center) of the two states, aims to create an open course –unprecedented in Brazil – for training and educating railroad technicians. The curriculum was built in partnership with CVRD.

Another example was the partnership with Cefet in the Brazilian state of Rio Grande do Norte, in which Valer put on a course of 260 hours of training in mining for 120 employees of the operational unit working the area of the Taquari-Vassouras mine.

Another action is the offer of primary and secondary education to employees and service providers – in 2006 more than 500 professionals signed up for this. Education professionals qualified to apply the distance learning methodology are contracted to give the classes, with the support of the Roberto Marinho Foundation, giving priority to local professionals. The first classes completed up to the middle school, in Vitória, Espírito Santo, qualified 117 students in 2006.

CVRD also invests in the Program for Young Apprentices. In Sergipe, in the Taquari-Vassouras operational unit, this initiative has been continued – for 15 years it has been selecting young people aged 15-17 in the towns of Rosário do Catete and Maruim to operate in the company's administrative areas.

In 2006 two classes were begun, one with 17 and the other with 16 apprentices. As well as receiving information for the performance of their new activities, these young people study basic concepts in communication and information technology, and take part in seminars on sexuality, drugs and other subjects related to adolescents. There are a total of 200 hours of training.

Annually, the Centro-Atlântica railroad also contracts apprentices, who attend the Senai electro-electronics course in Divinópolis, in Minas Gerais. The project was created for technical training in areas in which young people aged less than 18 cannot work, and is a way of helping local development.



Excellence in operations, one of the company's targets, is also the focus of Valer, which qualifies professionals for internal or external Certification Programs. One of the examples of external certification is the Programa Nacional de Qualificação e Certificação de Pessoal na Área de Manutenção – PNQC (National Qualification and Certification Program for Maintenance Personnel), conducted by the Associação Brasileira de Manutenção – Abraman (Brazilian Maintenance Association). To prepare its employees, CVRD has signed a technical partnership with Senai which, in turn, receives the company's support in modernizing the laboratories in some of its units.

The training began with a diagnosis of gaps in development, and the results served as input for later stages: training, carried out by Senai, and a certification examination. In 2006, a total of 481 maintenance professionals began to prepare for the Abraman examination. Of these, 221 completed the preparation – 85 have now received the certificate and a further 136 are awaiting the examination results.

To equip CVRD with an even more qualified body of technical professionals, Valer also develops pioneer postgraduate programs in Brazil.

The participants received more than 4,000 hours of training in basic contents for the exercise of their functions. The association based this on the PNQC model of CVRD as a benchmark for other Brazilian companies.

In the search for permanent improvement of its activities, Valer also holds the Círculos de Controle de Qualidade – CCQ (Quality Control Circles), which stimulate development of innovative solutions for employees of the operational areas. In each CCQ work groups are formed that seek to find alternatives for solving specific problems. In Pará, for example, the Carajás railroad formed 52 groups, in 2006, and 562 employees joined.

For the company to have a body of staff that is even more qualified in the activities that require a high level of specification, Valer has also developed pioneer postgraduate programs in Brazil, operating jointly with benchmark Brazilian higher education institutions.

Among the courses offered in closed classes for the company, three highlights are: Mining Metallurgy System Specialization, at the Federal University of Ouro Preto, Minas Gerais; Specialization in Railroad Engineering, at the PUC University of Minas Gerais; and the Mineral Economics Completion Course at the Federal University of Rio de Janeiro.

Valer has a technical cooperation agreement with PUC – Rio, for technological exchange and development and polishing of human resources. Outside Brazil, CVRD has a working agreement with the École des Mines in Paris, which enables five study scholarships to be offered to employees.

Another highlight initiative in 2006 was the City and Territory course promoted by the CVRD Foundation and Valer, in partnership with the Territory and Communication Laboratory and the Communications Projects Studies Center, of Federal University of Rio de Janeiro. The aim is to meet the growing demand for training and development of technical and management staff of CVRD in relation to the territorial issues arising in its activities. Classes began in October 2006, and will go on until August 2007.

The course is structured in three main parts – concepts, systematic studies and public policies – in which university lecturers of different disciplines and research centers in Brazil present themes such as “City, Territory and Globalization” and “Public Policies” – among others – based on the most innovative material in current national and international debate.

The dissemination of values, processes and policies that make up CVRD’s corporate identity is another focus of Valer. The promotion of corporate citizenship includes training activities for implementation of the company’s large projects, such as, for example, implementation of the Integrated Management System.

In 2006, CVRD trained 2,526 users to operate the system, totaling almost 28,000 hours of training. In the maintenance area, for example, 37% of the training was in classroom, and 63% via distance learning. Valer also developed the Você Vale! orientation program, aimed to integrate new employees quickly and efficiently into the realities of the company.

CVRD also stimulates exchange of professional and cultural experiences with companies from different countries that are part of CVRD’s value chain, either clients or suppliers. In 2006 five professionals from China, eight from Japan, one from South Korea and two from Austria spent eight weeks in Brazil getting to know CVRD’s units under its Exchange Program. Some 20 CVRD employees made the reverse trip, being introduced to facilities of companies in Austria, China, South Korea and Japan.



Valer promotes specific activities for the company's leaders, aiming to train and perfect practice in the management tools and the competencies for a transforming leadership. In 2006, more than 2,200 of the company's managers took various management programs, with titles such as: the Rito de Passagem (Rite of Passage), the Curva de Aprendizagem (Learning Curve), and actions in the Trilha de Desenvolvimento de Gestão e Liderança (Management and Leadership Development Track).

The Rite of Passage aims to widen the view of the business, making the company leader understand his role and responsibilities, and highlighting the importance of acting in networks, and through dialogue. The next step, the Learning Curve, provokes reflection on styles, values and attitudes that have an impact on the day-to-day positioning of the company's leaders and its results in the company's activities. In the Learning Curve for general managers and directors, which is carried out in partnership with the International Institute for Management Development (IMD) in Switzerland, one of the differentials is the use of a 360 degree-type assessment focused on the individual.

This tool enables a coach from the institute to orient managers for the preparation of an individual action plan and monitoring of compliance with targets of the plan by participants, over 12 months.

As well as the IMD, Valer has partnerships with multi-disciplinary professionals and institutions of excellence in Brazil and worldwide, such as the Fundação Dom Cabral, and MIT Sloan Management, which operate in alignment with the company's objectives to develop management competencies.

To support and widen the practice of all these educational activities, in 2006 Valer expanded physically, to a total of 21 units all over Brazil, which function as centers of culture, education and dissemination of knowledge.

The infrastructure of each of these places meets the specific needs for development of their locations. Some units, for example, have laboratories and railroad and mine simulators; others have libraries and on-line study rooms. In 2006 works were also begun on the Professional Education Centre of Canaã dos Carajás, in the Brazilian state of Pará, which will create and run programs for the local population, among other activities – thus the company will make it possible for the municipality, in the medium and long term, to have a workforce with differentiated training, offering access to broader knowledge and offering opportunities for human and social development.

Education for work and life

Valer was created in 2003 and it is a materialization of the CVRD Corporate Education strategy. It acts as an agent of change, giving employees of the different localities where the company operates training to face challenges and contribute to excellence in the company's businesses. Hence, Valer seeks to develop people capable of generating economic value while taking the appropriate social and environmentally responsible attitudes.

With the view that sustainable education involves stimulating self-management of learning, as a starting point, Valer invests in a citizenship approach to education and training, equipping people to continue to develop themselves in the personal, social and professional spheres.

The educational actions of the corporate university are oriented to Basic Education and Professional Training, Management and Leadership, Technical Specialization and Corporate Citizenship. Each one is managed by a corporate education center, which helps employees and managers to build itineraries for training and learning to meet the needs of both their personal and business development.

The operational techniques take the path known as the Triha Técnica (Technical Track), while the specialist technical staff go through the Development Maps. The management track trains supervisors, managers and directors in broadening their view of the business and acquisition of new competencies. All of them are stimulated to be protagonists in the process of learning, at the same time seeking synergy with their teams.

The selection of educational actions is carried out based on a dialogue among managers, Human Resources professionals and the employees themselves, resulting in a Team Development Plan, which brings together a set of individual or group actions for each stage of the training and education.

Highlights in results obtained by Valer include the internationalization and application of the concept of continued education; the attitude of alertness of the employees in relation to the management of their careers; expansion of the expertise and technical competence focused on operational excellence; and identification and education/training of transforming leaders.

To expand its scope and results, Valer begins a proposal for further added value in 2007: its model for education – for work and for life – will be expanded, on the basis of creation of an education system oriented to research, generation and application of innovation, and knowledge.



“

With CVRD, we have the typical relationship between capital and labor, which always has its ups and downs. As the representative of the workers, my function is to argue for agreements to seek improvements, adapting our reality to that of the company – and vice versa. Debates and discussions are the key words. We have different points of view, but we always arrive at a common denominator, obtained by negotiation and debate. The negotiation is democratic, and open, and it is through it that we can see development becoming a reality.

Raimundo Nonato, union representative – Metabase, Carajás (Pará state, Brazil).

”

Careers and succession

In planning the attraction, development and retention of talents, CVRD is always seeking the right professionals for the right places. It gives value, it gives opportunities and it creates mechanisms to identify and recognize the employees that stand out for their competencies and performance. The Carreira & Sucessão (Careers and Succession) process seeks to identify the internal talents and potential successors for management and strategic positions in a participative and careful manner, as well as constituting the company's Banco de Talentos (Talent Bank).

Based on the assessment of the employees, the Ciclo Carreira e Sucessão (Careers and Succession Cycle) generates input for the other processes of people management, such as recruitment, development and remuneration. Over the year of 2006, 79% of the 385 movements made to fill management posts were occupied by internal professionals, and of these, 68% were "mapped" in the Careers and Succession Cycle.

The company publishes new job openings internally, offering outlook for promotion and opportunities for movement. In 2006, approximately 600 new jobs were made available to all employees. Over the last two years, about 850 technical and higher education level trainees were also contracted as full time employees, under the Próximos Passos (Next Steps) program.

The career opportunities cover the international market. At the end of 2006 CVRD had 2,089 direct employees outside Brazil, and 12,000 employees of CVRD Inco, in 18 countries – including the companies that are 100% CVRD-owned, and joint ventures in which CVRD's stake is 50% or more.

CVRD has an expatriation policy that meets the challenges faced by an organization of its scale. The programs for expatriation of employees are put in practice in different situations: to meet the demand from some area of the company; to develop talents with high potential; when the required technical or management competence does not exist in the destination country; or for strategic reasons.

CVRD's people management practice seeks to conciliate the career interests of employees with the organization's business strategy. With Valer, CVRD invests in the development of its professionals and presents opportunities to those who contribute most to its productivity and growth.



Recruitment and selection

In 2006, CVRD attracted more than 163,000 résumés via Internet, and was fifth placed in the “University Students Dream company” ranking. These results were the fruit of efforts made to give the company visibility in Brazil by the Recruitment and Selection projects:

- participation in recruiting fairs, such as the Knowledge Olympics, the Mostra PUC Exposition, Poli-USP and Expo Carreira (Career Exposition);
- publication of the most critical professions for growth of the business, with distribution of more than 2,000 copies of the video “Professions at CVRD” to secondary schools throughout Brazil;
- approach to students in mining engineering courses; and strengthening of partnerships with universities through the Vale Perto de Você (“CVRD Close to You”) project.

In 2006, CVRD trained approximately 150 recently-graduated young people in different graduate courses through the Trainee Program, which has an important role in attracting talent to junior positions in the company. A total of 33,000 people applied. The candidates selected took part in an adaptation program, having the opportunity to get to know CVRD’s business, and education courses developed with partners such as Pontifícia Universidade Católica of Minas Gerais – PUC Minas (PUC University of Minas Gerais), Instituto Brasileiro de Mercado de Capitais – Ibmecc (the Brazilian Capital Markets Institute), the Universidade Federal de Ouro Preto – UFOP (Federal University of Ouro Preto) and the Escola Superior de Propaganda e Marketing – ESPM (Higher Advertising and Marketing School).

CVRD is also concerned with developing the future leaders of the company, considering its process of expansion. In 2006 the International Trainee Program received 15 young people of nine nationalities, who spent between one and three months in CVRD companies in their origin countries, and subsequently traveled to Brazil for a period of training in many areas of between six and 12 months – finally returning to their countries to begin a career in CVRD units in each location.

CVRD has also given seminars in universities such as the London Business School, Oxford University, Imperial College and École des Mines, attracting more than 200 international MBA students to its Summer Job program. Among them, seven students, from countries such as Russia, China, Australia, France and India were contracted for a period of three months in the company.



Health and Safety

Health and Safety are part of everybody's day-to-day life, inside and outside the company. Accidents affect peoples lives, and hence employees and staff of outsourced contractors should be aware of their role in the search for "zero accidents" and "zero illness".

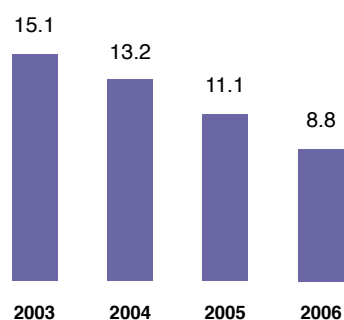
This concept has guided important decisions in 2006, such as the creation of the Departamento de Saúde e Segurança – DISS (Health and Safety Department). The DISS is responsible for deciding corporate strategies and supports the cultural transformation necessary for CVRD to achieve excellence in this area, based on prevention and continuous improvement of results.

The special attention dedicated to the theme by the company's managers, and the commitment of the whole workforce, have produced good results. From 2005 to 2006 there was a reduction of 34% in the number of accidents causing days off work to CVRD's employees and those of outsourced contractors. In relation to accidents not causing days off work, the reduction was 20%.

These figures demonstrate a correct strategy in health and safety, since the accident rates show a downward curve, attesting to the success of a continuous effort to improve CVRD's performance under this heading. This change also represents an important contribution to Brazil, where the social costs deriving from work accidents and occupational illnesses are equivalent to 2.2% of GDP, according to the federal government data.

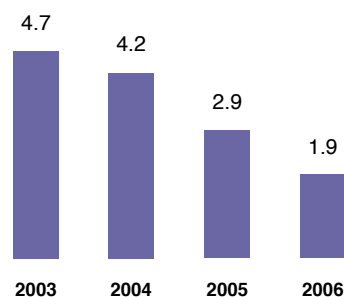
Frequency of accidents not causing days off work

Accidents per million hours worked



Frequency of accidents causing days off work

Accidents per million hours worked

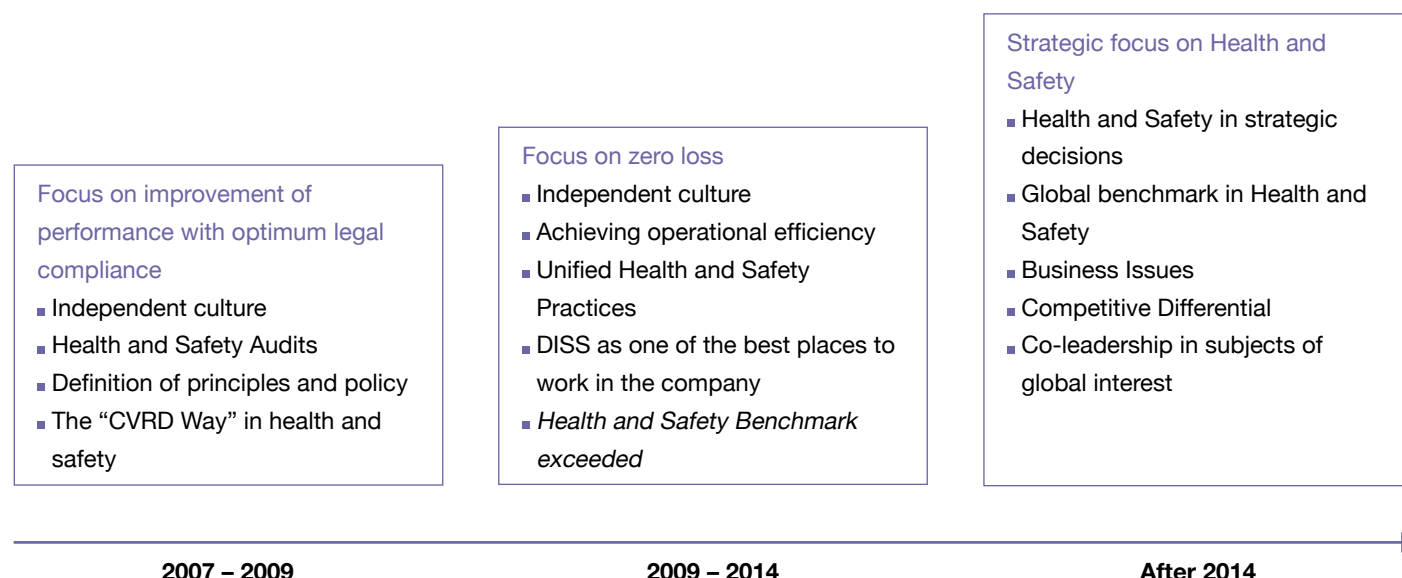


The special attention that CVRD's managers give to health and safety issues, and the commitment of the entire body of employees, has been generating good results.

However, in spite of all this care taken, there were still five fatal accidents in the company in 2006 – four involving employees of outsourced contractors, and one involving an employee of our own. Events such as these lead CVRD to plan even more deeply to consolidate a culture of prevention, focused on peoples' attitude and behavior.

CVRD's Health and Safety Strategy will evolve from legal adaptation and from improvement of performance to zero losses and excellence in the health and safety strategy. With this aim a plan began in 2006 a plain debate was begun on a plan to achieve international parameters in health and safety practices and results by 2012.

Strategic Horizons in Health and Safety





One of the highlight actions was the implementation of the Health and Safety Information System with the Human Resources Excellence program enabling the processes to be standardized and the information to be made available in a centralized form.

In 2007 the company will continue the implementation of its Health and Safety strategy with four pilot projects to be developed in four separate units: the Ponta da Madeira port terminal, in the Brazilian state of Maranhão; the Itabira complex, and the Fazendão project, in the Brazilian state of Minas Gerais; and the Taquari-Vassouras potash mine, in the state of Sergipe.

The targets for this year are 35% improvement in the rate of frequency of accidents and serious accidents causing days off work; 5% improvement in the absentee rate; and total implementation of the internal Health and Safety tools that will make possible standardization of medical examinations, identification of dangers and classification of risks.

CVRD believes that to achieve the targets established, a wide-ranging dialogue is necessary between the parts directly and indirectly involved in the company's operations. In 2006 meetings were held with 933 leaders of outsourced contractors all over Brazil, to advise all of them of these objectives and seek their alignment and commitment. Added to these initiatives are the already traditional campaigns and events held by the company, such as the Semanas Internas de Prevenção a Acidentes de Trabalho – Sipats (Internal Work Accident Prevention Weeks).

If CVRD had already been making strong efforts to reduce the number of accidents and illnesses in the work environment, it can be said that the year 2006 was a benchmark in the intensification of actions in this direction, an important step towards recognition of the company as a worldwide benchmark in Health and Safety practices in the mining industry.

This year's targets: 35% improvement in the rate of accidents and serious accidents causing time off work; 5% improvement in absenteeism, and total implementation of the internal health and safety tools.

Internal communication

One of the big challenges for a company that is present in 13 Brazilian states, and in more than 20 countries, is its internal communication. Especially in the case of CVRD, in which actions are guided by principles that should be common to all the units, such as protection of the environment and improvement of the conditions of life of communities. CVRD knows that dialogue is vital and essential, and that it starts at home.

The acquisition of the Canadian mining company Inco brought into even sharper relief the importance of communication in an organization on CVRD's scale. To announce the transaction, the company carried out a study on the Canadian culture and prepared special material to present the company to the internal public. The new employees received explanatory leaflets and were greeted with a welcoming video containing greetings from colleagues of CVRD from many countries. For the employees in Brazil, videos were made presenting the transaction and an internal campaign with information about the acquisition and its importance for consolidation of CVRD's internationalization.

The Universo Vale (CVRD Universe), the largest internal communication project in 2006, brought together lots of initiatives aiming to achieve deeper knowledge of the company and its business, and at the same time to promote opportunities for interaction among the employees. Through institutional videos, a traveling exhibition, an internal photographic competition and distribution of an illustration album – among other actions – the project showed how CVRD ores are present in peoples' day-to-day life. In a study carried out at the end of the year, 90% of the 2,700 employees consulted indicated that the CVRD Universe helped them to get to know the company better.

Another highlight of the year was the process of direct communication, which aims to support the company's managers in carrying out face-to-face communication with their teams both in daily routine and in critical situations. The process has the support of tools such as the Boletim Gerencial (Management Bulletin) and the Boletim do Supervisor (Supervisor Bulletin), which carry strategic subjects, first-hand, to leaders, with orientation on how to approach them with their teams. Among the most frequent themes are organizational changes, corporate programs and internal rules.

Studies are carried out periodically to evaluate the internal communication, since CVRD believes that improving the exchange of information between its many units is of strategic importance. At present, the employees have the following internal information vehicles: vale@informar, a daily electronic bulletin; No Turno (On the Shift), an update sent three times a week to employees who work shifts; the weekly Jornal Mural (Mural Journal); the Corporate Internet Portal Vale; the question and answer bulletin Ligue 100/BIS; and the Jornal da Vale (CVRD Newspaper), a monthly publication for employees and their families.

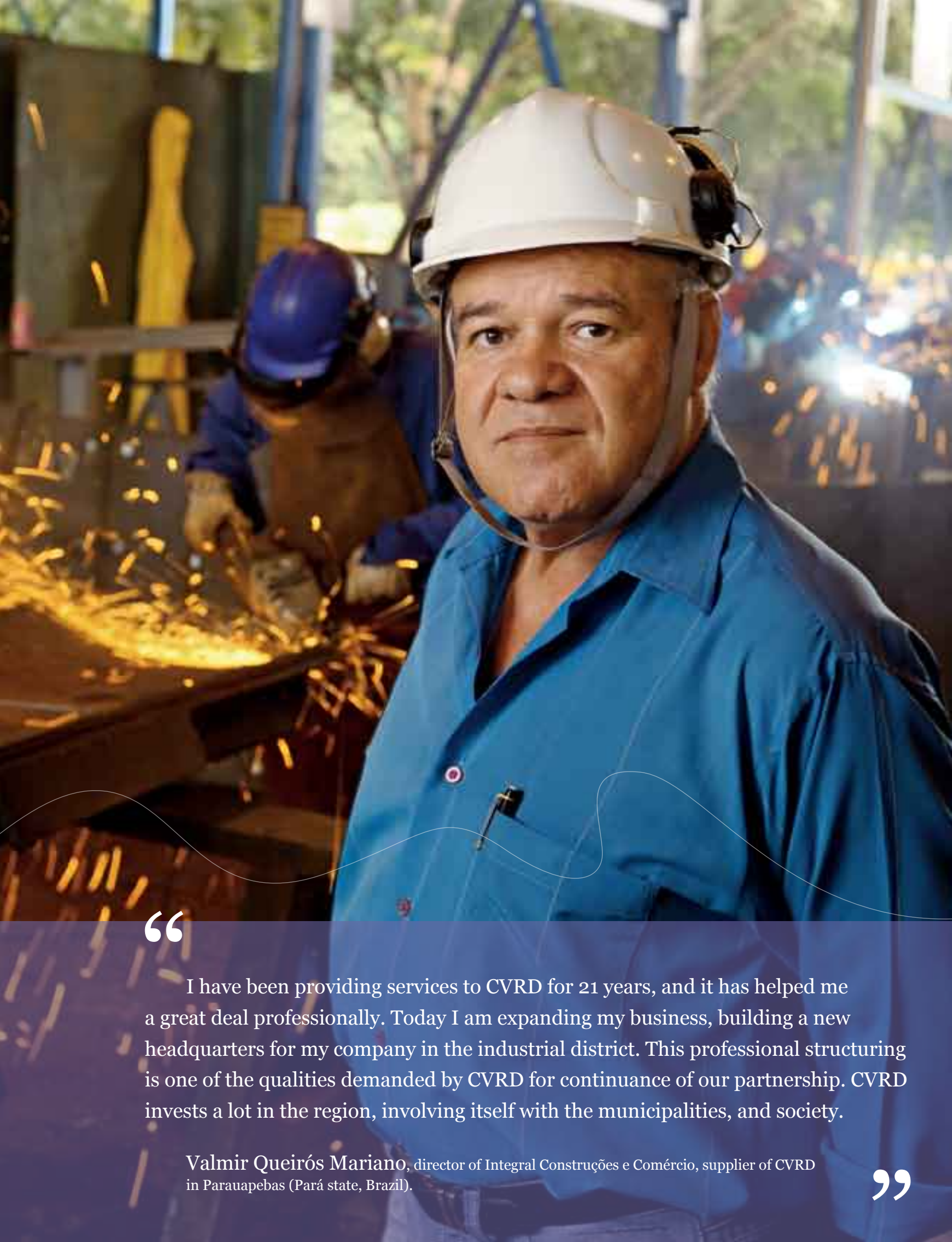
Forming Value Chains

CVRD's relationship with suppliers and clients is oriented by its commitment to disseminate social responsibility throughout the production chain.

To its clients, Brazilian and non-Brazilian, CVRD offers world-class products and services, teams with continuously trained professional people, and solutions to meet the specific needs of each one. To its suppliers, it offers training, and opportunities for growth jointly with the company.

Aiming to strengthen the links of its partnerships with clients, CVRD took numerous measures in terms of relationships in 2006. In the Brazilian states of Maranhão and Pará, events were organized with the petrochemicals, farming and soy sectors, and meetings held to present the company's logistic infrastructure and its mechanisms for ensuring productivity and quality of the services provided. A total of 86 visits were made to clients in this region, 42% in steel, 37% in petrochemicals and 21% in farm-related companies.

CVRD considers its relationship with suppliers to be strategic, and this conviction leads to significant action and investment. More than 16,000 small, medium-sized and large-scale companies provide goods and services to CVRD. CVRD takes into account the economic importance of purchases on a large scale, but believes that the sustainability of its business also depends on the development of small local suppliers.



“

I have been providing services to CVRD for 21 years, and it has helped me a great deal professionally. Today I am expanding my business, building a new headquarters for my company in the industrial district. This professional structuring is one of the qualities demanded by CVRD for continuance of our partnership. CVRD invests a lot in the region, involving itself with the municipalities, and society.

Valmir Queirós Mariano, director of Integral Construções e Comércio, supplier of CVRD in Parauapebas (Pará state, Brazil).

”

Development of suppliers in the communities

CVRD began its PDF program in the Brazilian state of Minas Gerais in 2005, in partnership with the Federação das Indústrias dos Estado de Minas Gerais – Fiemg (Minas Gerais Industries Federation). In 2006, the program expanded the volume of CVRD's business with companies in the state by 8%, from the previous year. This reflects actions such as re-registering of suppliers, which made it possible to identify new categories of goods and services offered by the companies and the resulting diversification of business. This initiative alone resulted in an increase of 3.2% in CVRD's volume of business with companies from the state of Minas Gerais – equivalent to R\$32 million.

In the Brazilian state of Maranhão, the PDF began in 1999, in partnership with the Eivaldo Lodi Institute, agent of the Federação das Indústrias dos Estado do Maranhão – Fiema (Maranhão State Industries Federation), and the Consórcio de Alumínio do Maranhão – Alumar (Maranhão Aluminum Consortium), providing training and knowledge to, local companies and also promoting and supporting them

that registered as suppliers of the large companies of the state. In 2006, 352 companies in Maranhão took part in the program, obtaining billing of R\$725 million (from January to October) from provision of varied services to CVRD.

In 2006, CVRD held meetings with business people and workshops on the company's investments, as well as carrying out the Basic Industry Study and the Profile Diagnosis of the PDF. Monitoring the actions of the Programa de Certificação de Empresa – Procem (Company Certification Program) is also part of the activities of the PDF in Maranhão – this program assesses and certifies quality suppliers for the government and large companies.

To increase the competitiveness of suppliers, in 2006 CVRD signed a working agreement with Banco do Brasil to offer a credit line. The Small and Medium-sized Suppliers Financing Fund finances up to the four first months of the contracts (limited to 70% of the total value), covering working capital and enabling suppliers of materials and services to CVRD's production activities to have financial stability up to the payment of the first invoice.

The Suppliers Development Program contributes to qualification of labor in the communities, strengthening the local labor market and making the local economy more dynamic.

The Suppliers Performance Assessment Process began in 2006, with the objective to recognize good performance and offer differentiated growth opportunities.

CVRD also qualifies and orients suppliers so that they can meet the criteria that guide the choice of the companies with which they will work. As well as the economic and financial situation, and the importance of the supplier's work in its region, other aspects are taken into account such as tax considerations, compliance with legal obligations (especially labor-law obligations) and what measures adopted related to work safety and environmental protection.

The Suppliers Performance Assessment Process began in 2006, with the objective to recognize good performance and offer differentiated growth opportunities. The company's service providers are analyzed based on the Índice de Desempenho do Fornecedor – IDF (Supplier Performance Index), which is made up of items such as health and safety – among others. Meetings were held with local suppliers on the theme of Health and Safety in all of CVRD's units in Brazil. The purpose was to make the suppliers aware of CVRD's practices and targets, and encourage implementation of a plan for each one of them.

CVRD also maintains transparent relationships with its suppliers, so to involve them in the decision on the company's business strategies and engage them in commitment with the targets established. This objective is made effective in the structured and permanent dialog, which includes meetings with representative entities and employers' organizations. As well as its meetings with Fiemg, in 2006 CVRD kept a timetable of meetings with the Federação das Indústrias do Estado do Pará – Fiepa (Industry Federations of Pará) and the Federação das Indústrias do Estado do Maranhão – Fiema (Industry Federations of Maranhão), among others.

Constructive Relationships

CVRD recognizes, and attributes value to continuing interaction with, the various segments of society – to lay down the paths of development.

CVRD enters into partnerships in favor of social issues, seeking to unite private initiative, entities that represent civil society, and public authorities in a model that increases the potential and contribution of each part, without replacing the action of the authorities.

CVRD maintains transparent and co-operational relationships with the public authorities in all the regions where it operates. Since its activities are regulated by public authorities, it establishes links with many executive organs of the federal government, such as ministries, independent government organizations and regulatory agencies.

CVRD also maintains relationships with the Legislative Branch of government, in order not only to accompany the preparation of laws but also continuously to acquire information for monitoring the demands of society related to its businesses. At the same time, it continuously supplies technical information on its areas of operation to the public administration, Congress and the legislative assemblies of the states.

The partnerships and working agreements signed with public entities are methods of cooperation used frequently by CVRD in its social responsibility actions. An example is the technological cooperation agreement between CVRD and the Federal University of Maranhão to support technology research projects. Based on this working agreement, the university began the Sistema Inteligente

de Automação Industrial (Intelligent Industrial Automation System) project, in 2006, to be developed in 18 months by teaching staff and students.

CVRD also signed a cooperation agreement with the city hall of the city of São Luís do Maranhão to prepare the Espigão Costeiro da Ponta da Areia project, to help preserve the mouth of the Bacanga and Anil rivers. This project involves the construction of a dam to avoid silting up of the mouths of these rivers, representing investment of R\$1.32 million. The studies began in October 2006, and the works, which will benefit fishermen and other residents of the capital city of Maranhão state, is scheduled to be completed in June 2007.

In Pará, the working agreement signed by CVRD with the Federal University of Pará to hold courses in Mining and Environmental Engineering and Metallic Materials, continued in 2006 – in the campus of Marabá, where CVRD has built one more building with all the infrastructure necessary for the courses, such as laboratories and a library.

In partnership with the government of the Brazilian state of Pará, CVRD invested R\$26.1 million, in 2006, of a total of R\$60 million, in recovery of the PA-150 highway, which links the city of Moju to the city of Redenção, passing through the city of Tailândia, Goianésia, Jacundá, Nova Ipixuna, Marabá, Eldorado de Carajás, Sapucaia, Xinguara, Rio Maria and Pau d'Arco.

This highway, 762 kilometers long, with 92 bridges, was built to facilitate the outflow of production from the south, southeast and northeast of Pará to the external market, through the Vila do Conde port, integrating all the municipalities that it passes through and their surrounding areas.

Another of CVRD's initiative in partnership with the government of Pará is the Banco do Produtor, a financial institution for the development of new projects that contribute to the social and economic development of the state.

It was invested R\$8.5 million in the bank in 2006. The Banco do Cidadão, ("Citizen's Bank"), which gives credit for projects to micro and small business owners in the state of Pará in the amount of up to R\$10,000, received R\$2.137 million from the company in investments in 2006.

In the state of Espírito Santo, CVRD signed partnership agreements for preservation of the heritage and culture of the state's capital city, restoring the Anchieta palace, seat of the state government, where records of the greater part of the history of the state are kept; and the Florentino Avidos bridge, part of the heritage of the city of Vitória, subject of a preservation order since 1986. The bridge, planned and built in Germany, in 1927, was the first link between the island where the capital is located, and the continent, affirming its importance as an architectural monument and also a generator of progress for the state.

Representative organizations

As well as the public authorities, CVRD believes in the importance of its being close to non-governmental entities, associations and organizations (NGOs). It participates in forums and institutions for the dissemination of knowledge and propagation of practices related to corporate social responsibility.

In 2006, CVRD joined the International Council on Mining and Metals (ICMM), the main international forum for companies in the mining and metals industries that targets sustainable development. CVRD is also a member of the World Business Council for Sustainable Development, and of Ethos Corporate Social Responsibility Institute and the Group of Institutes, Foundations and Companies (Gife), which brings together private sector organizations that finance or carry out social, environmental or cultural projects of public interest.

Among the events supported by the company in 2006, through the CVRD Foundation, are: the 8th International Ethos Conference – Strategies for a Sustainable Society – The role of companies; the 4th Gife Congress on Private Social Investment; the seminar entitled Inter-sector Relations – A New Management Model for Sustainable Development of the Minas Gerais Industries Federation (Fiemg); the seminar entitled Networks and Development, by the Brazilian Association for Development of Leaders (ABDL); seminars on corporate sustainability by the Social Investment Development Institute (IDIS); the II Seminar on Social Responsibility of Maranhão, held by the Corporate Citizenship Institute (ICE); the 1st Costa Verde Conference on Sustainable Development, and the 2nd Expo-Interativa de Ciência (Interactive Science Exposition), held by the city hall of Angra dos Reis, in the Brazilian state of Rio de Janeiro – among other initiatives.

CVRD is present in the main Brazilian chambers of commerce such as the American Chamber of Commerce, the France-Brazil Chamber of Commerce, the Brazil-China Corporate Council, the Brazil-Japan Corporate Council, the India-Brazil Chamber of Commerce and the Brazil-Germany Industrial Chamber of Commerce.

Executives of the company's senior management are members of the executive boards or boards of directors of entities such as the Brazilian Metallurgy and Materials Association (ABM), the Brazilian Mining Institute (Ibram), the Brazilian Infrastructure and Base Industry Association (Abdib), the Brazilian Foreign Trade Association (AEB), the Economic and Social Development Council (CDES), the National Industry Federation (CNI) and the Council of the Americas (COA), among other organizations.



Social Statement and Statement of Added Value

	2006		2005			
	Holding company					
Basis of calculations						
Gross revenue		19,874		18,098		
Operational profit before financial revenue (expenses) and revenue from stockholdings		5,865		6,153		
Gross payroll		868		695		
		% of		% of		
Employee benefits	Amount	Payroll	Operational profit	Amount	Payroll	Operational profit
Food	91	10%	2%	72	10%	1%
Mandatory charges and payments on payroll	332	38%	6%	287	41%	5%
Transport	63	7%	1%	47	7%	1%
Private pension plan	99	11%	2%	85	12%	1%
Health	70	8%	1%	54	8%	1%
Education	69	8%	1%	70	10%	1%
Profit sharing	312	36%	5%	180	26%	3%
Other benefits	59	7%	1%	30	4%	-
Total – employee-related indicators	1,095	126%	19%	825	118%	13%
		% of			% of	
Social indicators	Amount	Operational profit	Gross sales revenue	Amount	Operational profit	Gross sales revenue
Taxes (excluding payroll taxes)	2,566	44%	13%	2,593	42%	14%
Investments in citizenship	285	5%	1%	77	1%	-
Social projects and actions	265	5%	1%	59	1%	-
Indigenous communities	20	-	-	18	-	-
Investments in the environment	317	5%	2%	129	2%	1%
Operational	303	5%	2%	108	2%	1%
In external programs/projects	14	-	-	21	-	-
Social indicators – total	3,168	54%	16%	2,799	45%	15%
Workforce indicators						
Number of employees at end of year			26,006			21,882
Number of hirings during year			5,364			4,424

	Holding company			
	2006	%	2005	%
Generation of added value				
Gross revenue	19,874	100	18,098	100
Less: Acquisition of products	(1,901)	(10)	(1,897)	(10)
Contracted services	(2,925)	(15)	(2,356)	(13)
Materials	(1,945)	(10)	(1,891)	(10)
Fuel oil and gas	(951)	(5)	(868)	(5)
Research and development, commercial and administrative	(669)	(3)	(491)	(3)
Other costs and expenses	(962)	(5)	(706)	(4)
Gross value added	10,521	52	9,889	55
Depreciation, exhaustion and depletion	(1,407)	(7)	(1,248)	(7)
Net value added	9,114	45	8,641	48
Received from third parts				
Financial revenues (a)	470	2	175	1
Income from stockholdings	9,325	47	5,466	30
Total added value distributable	18,909	94	14,282	79
Distribution of added value				
Employees	1,397	7	1,054	7
Government	2,799	15	2,792	20
Financiers (interest, and monetary and FX variations, net) (b)	1,282	7	(7)	-
Stockholders	3,218	17	4,561	32
Minority interest	-	-	-	-
Reinvested	10,213	54	5,882	41
Total added value distributed	18,909	100	14,282	100

(a) Includes losses on monetary and FX variations, assets;

(b) Includes gains on monetary and FX variations, liabilities.

Awards and Recognition

January 2006

Best CEO of a Mining and Metals Company in Latin America, 2005: Roger Agnelli – Institutional Investor.

February 2006

Best Railroad Cargo Operator: Carajás railroad (EFC) – Ferroviária magazine.

March de 2006

Best Managed Company / Metals and Mining – Euromoney.

Most Convincing and Coherent Strategy / Brazil – Euromoney.

Best Corporate Finance Strategy 2005 – Latin Finance Magazine.

April 2006

Company of the Year, 2005/Mining Sector – Brasil Mineral magazine.

Valor Executive Award/Mining Sector: Roger Agnelli – Valor Econômico newspaper.

May 2006

Personality of the Year: Roger Agnelli – Brazilian American Chamber of Commerce (BACC).

Corporate Leader / Mining Sector: Roger Agnelli – Gazeta Mercantil Corporate Leaders' Forum.

June 2006

IABC Gold Quill Awards/ Communication with employees (Somos Vale Project) and Publication (Jornal da Vale) – International Association of Business Communicators.

Best Company in Corporate Social Responsibility – Instituto Brasileiro de Relações com Investidores – IBRI (Brazilian Investor Relations Institute) and IR Magazine.

University Students' Dream Company (5th place) – Cia. de Talentos and LABSSJ.

August 2006

Corporate Management Prize: Roger Agnelli – Order of Brazilian Economists.

FGV Corporate Excellence Prize/ Best Mining Company Sector in 2005 – FGV (Getúlio Vargas Foundation) and IBRE (Brazilian Economics Institute).

September 2006

Financial Statements Transparency Trophy, 2006 – Associação Nacional dos Executivos de Finanças, Administração e Contabilidade – Anefac (Brazilian Association of Financial and Accounting Executives), Fundação Instituto de Pesquisas Contábeis Atuariais e Financeiras – Fipecafi (Brazilian Financial and Actuarial Accounting Research Institute Foundation) and Serasa (Brazilian Financial Information Organization).

October 2006

New Global Challengers Award – The Boston Consulting Group.

November 2006

Most admired company in Brazil (2nd place) – Carta Capital magazine and TNS InterScience – survey of 1,224 executives in 49 sectors.

Brazil's Greatest Company / Mining Sector – Miguel Calmon Institute Foundation and Anuário Desempenho das Empresas 2006.

Best Logistic Operator and Best Warehousing – Transporte Moderno magazine.

Special Achievement in GIS Award – Environmental Systems Research Institute (ESRI).

December 2006

Mauá Medal of Merit: Roger Agnelli – Associação Nacional dos Transportes Ferroviários – ANTF (National Railroad Association).

B2B Quality Standards Prize, 2006/ Mining and Steel – B2B Magazine.

Most Admired Company in Brazil – Diário do Comércio e da Indústria newspaper – DCI newspaper.

Aberje Brazil Prizes, 2006 / external magazine (Engagement magazine); Internet (CVRD online pressroom); Jornal da Vale (House Journal) – Brazilian Corporate Communication Association.

GRI Indicators Index (GRI-G3)

This report was prepared on the basis of the guidelines of the Global Reporting Initiative (GRI). The index below is to help you find the information referred to by the GRI reporting categories. CVRD's financial statements can be accessed at www.cvr.com.br.

Profile

		Page of this report	Page of the financial statements
1. Strategy and analysis			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	8, 10	
1.2	Description of key impacts, risks, and opportunities	40, 42, 43, 44	34, 39
2. Organization profile			
2.1	Name of the organization	3	11
2.2	Primary brands, products, and/or services	3	11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	5, 6, 7	20, 21
2.4	Location of organization's headquarters	130	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	3, 6, 7	
2.6	Nature of ownership and legal form	14	11
2.7	Markets served (including geographical listings, sectors served, and types of client/beneficiary)	20, 21, 29	
2.8	Scale of the reporting organization	3	11
2.9	Significant changes during the reporting period regarding size, structure, or ownership including		14, 15
2.10	Awards received in the period covered by the report	128	

3. Report parameters		Page of this report	Page of the financial statements
3.1	Reporting period for information provided (e.g. accounting/calendar year)	2	
3.3	Reporting cycle (annual, every two years, etc.)	2	
3.4	Contact point for questions regarding the report or its contents	130	
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	3, 5, 6, 7	
3.7	State any specific limitations on the scope or boundary of the report	2	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	2	
3.13	Policy and current practice with regard to seeking external assurance for the report		46
4. Governance, commitments & engagement		Page of this report	Page of the financial statements
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks	16, 17	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, her/his functions within the management of the organization and the reasons for this structure)	16	48, 50
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	17	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	17, 18	

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	18
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	16
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) holds a seat in groups responsible for corporate governance; b) is a member of projects or committees; c) makes funding contributions beyond the basic subscription fee for association as an organization; d) considers her/his activity as an associate to be strategic	125
4.16	Approaches for engagement with stakeholders, including frequency of engagement by type and group of stakeholders	19

Economic Performance Index

Aspect: Economic performance		Page of this report	Page of the financial statements
CORE EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	26, 27, 28, 29, 30, 31, 32, 33	4, 6, 10, 17, 18, 42
CORE EC3	Coverage of the organization's defined benefit plan obligations		28
Aspect: Market Presence		Page of this report	Page of the financial statements
CORE EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	120, 122, 123	3, 16, 42
Aspect: Indirect Economic Impacts		Page of this report	Page of the financial statements
CORE EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	82, 84, 85, 87, 88, 90, 107	
CORE EC9	Significant indirect economic impacts and their extension	84, 89, 105	

Environmental Performance Index

		Page of this report	Page of the financial statements
Aspect: Materials			
CORE EN1	Materials used by weight or volume	30, 61	
CORE EN2	Percentage of materials used that are recycled input materials	61	
		Page of this report	Page of the financial statements
Aspect: Energy			
CORE EN3	Direct energy consumption by primary energy source	30, 46, 48, 59	37
CORE EN5	Energy saved due to conservation and efficiency improvements	55	
CORE EN6	Initiatives to supply products and services with low energy consumption, or which use energy generated from renewable sources, and the reduction in need for energy resulting from these initiatives	72, 73	
		Page of this report	Page of the financial statements
Aspect: Water			
CORE EN8	Total water withdrawal by source	53, 55	
ADDITIONAL EN9	Water sources significantly affected by withdrawal of water	53, 55, 56	
ADDITIONAL EN10	Percentage and total volume of water recycled and re-used	53, 54, 55, 56	
		Page of this report	Page of the financial statements
Aspect: Biodiversity			
CORE EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	65, 66	
ADDITIONAL EN13	Habitats protected or restored	64, 65, 67, 69	
ADDITIONAL EN14	Strategies, measures in force and future plans for management of impacts on biodiversity	51, 52	
		Page of this report	Page of the financial statements
Aspect: Emissions, Effluents, and Waste			
ADDITIONAL EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	70, 72	
CORE EN21	Total water discharge by quality and destination	53	
CORE EN26	Initiatives to reduce the environmental impacts of products and services and the extension to reduce these impacts.	46, 51, 52	

Aspect: Overall		Page of this report	Page of the financial statements
ADDITIONAL EN30	Total environmental protection expenditures and investments by type	46	

Social Performance: Labor Practices & Decent Work

Aspect: Employment		Page of this report	Page of the financial statements
ADDITIONAL LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	105, 126	28, 30

Aspect: Labor/Management Relations		Page of this report	Page of the financial statements
CORE LA4	Percentage of employees covered by collective bargaining agreements		42

Aspect: Occupational Health and Safety		Page of this report	Page of the financial statements
CORE LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	116	
CORE LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	83, 99, 118	

Aspect: Training and Education		Page of this report	Page of the financial statements
CORE LA10	Average hours of training per year per employee by employee category	106, 107, 108, 109, 110	
ADDITIONAL LA11	Programs for management skills and lifelong learning that support the continued employability of employees and assist them in managing career endings	106, 107	
ADDITIONAL LA12	Percentage of employees receiving regular performance and career development reviews	112, 114	
Social Performance: Society			
Aspect: Community		Page of this report	Page of the financial statements
CORE SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	51, 76, 79, 81, 82, 84, 85, 92	
Aspect: Public Policy		Page of this report	Page of the financial statements
CORE SO5	Public policy positions and participation in public policy developmenta and lobbies	62, 77, 99, 110	

Addresses

Head office

Companhia Vale do Rio Doce
Av. Graça Aranha, 26
20030-900 Rio de Janeiro RJ Brazil
Tel: 55 21 3814-4477
Fax: 55 21 3814-4040
www.cvrd.com.br

China

Room 318, Shanghai Center
1376 Nan Jing Xi Lu
Shanghai 200040 China
Tel: 86 21 6279-8289
Fax: 86 21 6279-8293

Sales offices worldwide

Canada

145, King Street West, Suite 1500
Toronto, Ontario M5H 4B7 Canada
Tel: 416 361-7511
Fax: 416 361-7781

Korea

Pivot Point Business Center,
ASEM Tower
37th floor, 159-1
Samsung-dong, Kanaman-ku
135-798
Seoul, Korea
Tel: 82 2 6001-3007/3710
Fax: 82 2 6001-3003

Switzerland

Chemin du Glapin, 4
1162 Saint Prex (Vaud) Switzerland
Tel: 41 21 8060588
Fax: 41 21 8060666

Japan

Landic Toranomom Building
No. 2, 9th floor
7-8 Toranomom 3-chome
Minato-ku Tokyo 105-0001 Japan
Tel: 81 3 5401-2971
Fax: 81 3 5401-2989

Credit

Preparation

Corporate Affairs and Energy Department
Finance Director's Department
Communication Department
Environmental and Territorial Management Department
Investor Relations Department
CVRD Foundation

Editorial supervision and coordination

Communications Department

Graphic design and editorial concept

TheMediaGroup

Consultation and content

Global RI
TheMediaGroup

Text

Marta Barcelos

Revision of English

TheMediaGroup

English translation

sf@miracleread.com

Photographs

CVRD company archive
André Vieira
Daniel Rosa
Eduardo Queiroga
Fábio Pina
Rogério Ribeiro

Printing

Gráficos Burti

Collaboration

Aida Bárbara, Alessandro Gama, Ana Klayn, Ana Lúcia Oliveira, André Huber, André Vilhena, Andrea Gama, Andréia Reis, Armindo Souza, Augusto Carpinatti, Bernadete Almeida, Bernardo Pires, Bruno Ferraz, Bruno Manso, Caterina Salvi, Cláudia Cordeiro, Cláudia Kresch, Cristiano Diniz, Cristina Rosas, Cristina Trencher, Daniela Reis, Dayse Gomes, Denise Caruncho, Diogo Brunacci, Dioni Brasil, Djalma Barbosa, Edson Ribeiro, Eduardo Bruno, Eduardo Lo Fiego, Emília Barreto, Eugênio Fonseca, Evaldo Silva, Evilson Campos, Fadwa Andrade, Felipe Pires, Fernanda Ferreira, Fernanda Marques, Fernando Nóbrega, Flávia Gomes, Flavio Montenegro, Giselle Colins, Gleuza Jesué, Guilherme Quentel, Gustavo Grisa, Janet Leishman, Jonilson Júnior, José Augusto Delamanha, José Paulo Magalhães, Karen Mota, Karla Melo, Leonardo Madeira, Letícia Franco, Liana Verdini, Liesel Filgueiras, Lillian Neves, Liliane Assis, Livia Zandonadi, Luana Martins Andrade, Luciano Ferreira, Luciano Medeiros, Luciene Cristina, Marcelo Araújo, Marcelo Sá, Marcelo Silva Braga, Marcus Silva, Marie Louise, Mário Barreto, Mário Pino, Cláudio Pitassi, Marize Lima, Marlene Machado, Maurício Cunha, Maurício Drumond, Murilo Fiúza, Nilson Dávila, Oswaldo Zarko, Pamela Cnop, Patrícia Mantovani, Raissa Gambi, Raquel Carlesso, Renata Araújo, Ricardo Abramof, Ricardo Moreira Santos, Roberto Rui, Rodrigo Bessa, Romildo Fracalossi, Rozália Delgaudio, Salma Ferrari, Tácio Neto, Taisa Quadros, Tatiana Matos, Thais Araújo, Theo Penedo, Vanessa Bernardo, Vanessa Tavares, Vera Castro, and Vivian Medeiros

We sincerely thank all those who have given their help and support to make this publication possible.

** Contributing to preservation of the environment, this report is printed entirely on 100% recycled Silprint paper, made from post-consumption cellulose pulp, using vegetable-oil-based printing ink.*



**Companhia
Vale do Rio Doce**

