



Vale Inco Newfoundland & Labrador Limited
Corporate Social Responsibility
Annual Report 2007

A Message to Stakeholders



The year 2007 was one of change, challenge and transition for Vale Inco, as it moved closer to becoming a fully integrated mine, concentrator and nickel processing operation in the province.

There was significant change at the corporate level, with the acquisition of Inco by Vale. Subsequently, the name was changed to Vale Inco, and VBNC is now known as Vale Inco Newfoundland & Labrador Limited.

It's a change that signified new beginnings, new opportunities and a positive outlook for the future, in this province and all Vale Inco operations. It also meant a strengthened commitment to communities, the environment and sustainable development.

I say this with utmost confidence, as I visited the Vale headquarters in Brazil to meet with some of my counterparts there. It was clear from the site visits I made that Vale's commitment to environmental protection, its people and growth is strong. As the integration of our company moves forward, we can look forward to developing good working relationships on many fronts.

Among our highest priorities are the safety of our people, and protection of the environment. During 2007, we challenged ourselves to improve safety performance across the company. Our goal is to make safety an integral part of our culture, and part of the ongoing conversation in all areas of our operations.

Our environmental performance during 2007, at the hydromet demonstration plant in Argentina, was excellent, though there is room for improvement at the mine and concentrator in Labrador. This company and its employees remain committed to environmental protection.

In Labrador, we achieved a successful year of operations at the mine and concentrator site, with exceptional business performance, increasing participation of aboriginal people and a successful first season in our winter shipping program.

It was also a year of challenge for the hundreds of talented employees and contractors who worked toward development of the nickel processing plant in Long Harbour. This included pre-feasibility engineering work, the hydromet R&D program and submission of the Environmental Impact Statement.

Construction is scheduled to begin in 2009, following release from the Environmental Assessment and receipt of all necessary permits. Construction is scheduled to finish late in 2011, at which time we will see a completely integrated mine, concentrator and nickel processing operation in Newfoundland and Labrador.

A handwritten signature in black ink that reads "Bob Cooper". The signature is fluid and cursive, with the first name "Bob" being larger and more prominent than the last name "Cooper".

Bob Cooper
President

Performance Highlights



Hydrometallurgical Demonstration Plant interior, Argentina, Newfoundland



SAG Mill, Voisey's Bay, Labrador

- Aboriginal participation in mine and concentrator workforce increased from 50 to 53 per cent.
- Skills Development Centre in Labrador officially opened; the only private work site in the province to earn Adult Basic Education (ABE) certification.
- Successful hydromet demonstration campaign in Argentina, with learnings being applied to design of nickel processing plant in Long Harbour.
- Zero environmental incidents and one lost time incident at the hydromet demonstration plant in Argentina.
- Environmental Impact Statement submitted in November 5, to joint committee of the federal and provincial governments.
- Substantial progress made in planning, design and engineering activities for construction of the nickel processing Plant.
- Total expenditures of more than \$408 million on Goods and Services during 2007, 87 percent of it in Newfoundland and Labrador.

Expenditure Summary

Expenditures incurred during 2007 were consistent with Vale Inco Newfoundland & Labrador Limited's (Vale Inco NL) commitments to the province and include opportunities for the supply of goods and services to the project by qualified provincial suppliers.

Total aggregate expenditures on Goods and Services during the year were approximately \$408 million, of which more than 87 percent was expended in Newfoundland and Labrador. A breakdown of expenditures for 2007 is shown below.

2007 Summary of Expenditures Goods and Commercial Services (Cdn \$ Millions)

Location	Subcontracts	Transportation	Services	Fuel	Supplies and Equipment	Other	Taxes	Labour	Subtotal
Labrador	1.6	8.1	2.2	10.9	22.6	21.6	15.5	85.3	\$167.8
Newfoundland	0.2	1.5	0.8	0.7	11.5	40.2	79.8	53.4	\$188.1
Other	7	0.2	7.4	0.00	9.9	5.8	14.7	7.9	\$52.9
Total	8.8	9.8	10.4	11.6	44	67.6	110	146.6	\$408.8

Developing our Workforce

At Vale Inco NL, we are proud of the accomplishments of our people, from the mine and concentrator in Labrador to the demonstration plant in Argentina, to the processing plant project team to the administration staff in St. John's. Our human resources are the most valued part of our operation – after all, our business, safety and environmental performance could not be achieved without them.

Our employment commitment in the province remains a priority as we continue to create opportunities for the residents of Labrador, aboriginal people in particular, and for Newfoundlanders.

Mine and Concentrator

Peak production was achieved for extended periods of time at the mine and concentrator in Labrador, resulting in outstanding business performance in 2007. Credit for this success is due primarily to our Labrador workforce.



Indeed, our greatest success in Labrador was in the area of human resource development. We continue to meet and exceed employment commitments to aboriginal people in our workforce, which grew from roughly to 50 per cent at the start of 2007 to more than 52 per cent at the end of the year.

Furthermore, an aggressive succession plan is in place to ensure that aboriginal workers are promoted to more senior positions within the company, including supervisory positions. For example, training and work experience programs are in place to enable aboriginal workers to become control room operators.

Developing our Workforce cont'd

The company's commitment to enhance employee skills was demonstrated during 2007 in the establishment of the Skills Development Centre, the first and only private work site in the province to earn Adult Basic Education (ABE) certification. ABE comprises three levels of public schooling. Level 1 represents the elementary years, while levels 2 and 3 coincide roughly with junior high and high school course material.

But this is just the tip of the iceberg. In addition to ABE, learning opportunities at the Centre include English as a Second Language (ESL), Workplace Essential Skills, General Reading/Writing/Math, Communication Skills, General Educational Development (GED), Computer Basics, Trades- Related Preparation, Leadership Training, and Online Mining Courses.



"We are actually one of the few workplaces in the country to achieve this distinction," said Bob Marshall, Superintendent of Training and Employee Development. "Very few companies have gone to

this length to develop their people. It's just a great thing to do. It helps improve worker retention, because employees can advance their education while staying employed with us, as well as improve their prospects for advancement within the company."

Hydromet Demonstration Plant

It was a year of successful operations at the hydromet demonstration plant. The R&D program, which began in 2006, was focused initially on identifying the capabilities and limitations of the hydromet process. Equipment and processing procedures were modified to incorporate knowledge gained through this process, and the plant undertook a full processing demonstration in the last half of 2007.

During this five-month campaign, the plant operated at design-rate capacity, treating more than 800 tonnes of concentrate. In fact, the program's information was so valuable that a six-month extension was announced to further refine the process and



generate additional information to support the engineering planning for the nickel processing plant in Long Harbour.

Again, the key driver of this success has been the quality of our people, and it is worth reiterating the successes that were achieved in meeting employment targets for the demonstration plant. During the year, the workforce comprised 93 percent provincial residents, of which 58 percent were from the local area. Progress continued on gender diversity at the demonstration plant where 35 percent of the workforce were females employed in non-traditional roles such as engineers, process operators and lab analysts.

Even more significantly, 35 per cent of the employees were women. This exceeded the original hiring target of 20 per cent. Moreover, the vast majority of these women are employed in non-traditional occupations, such as engineers, process operators and lab analysts.

Nickel Processing Plant

Several teams of Vale Inco NL employees and contractors worked during 2007 on planning, design and engineering activities associated with construction of the nickel processing plant in Long Harbour.

It is estimated that up to 3000 people will be required during construction, with an anticipated 85 per cent of the labour force hailing from Newfoundland & Labrador. During operations, the plant will require approximately 450 full-time positions.

The company remains committed to maximizing local employment at the nickel processing plant, with a preference for hiring from adjacent communities as much as possible, while striving to achieve gender diversity targets as well.

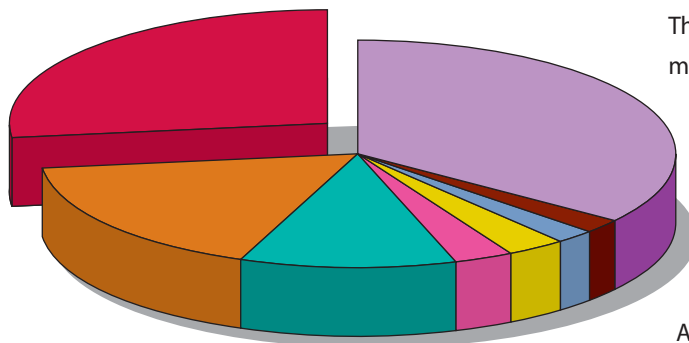
Providing Opportunities for Local Businesses

Vale Inco NL is committed to maximizing opportunities for local businesses, in the construction and operations phases of its development.

Vale Inco NL Limited remains committed to maximizing opportunities for local businesses throughout its operations in Newfoundland and Labrador. In 2007 total expenditures reached approximately \$408 million. Of the total expenditures \$355 million or 87 percent was spent within Newfoundland and Labrador.

The following diagram provides a breakdown of expenditures.

2007 Expenditures



SERVICES	%
Labour	35
Taxes	27
Other	17
Supplies & Equipment	11
Fuel	3
Services	3
Transportation	2
Subcontracts	2

To ensure that businesses are made fully aware of opportunities associated with the construction and operations of the nickel processing plant, the company presented a series of Supplier Information Sessions at seven locations across the province during 2007.

“Our intention was to make vendors and contractors aware of the project and the many opportunities that are associated with both construction and operations,” said Miles Lippett, Manager of Procurement. “From construction and eventual operations of the nickel processing plant there will be tremendous opportunities for local companies in the provision of goods and services.”

The sessions were held in Corner Brook, Grand Falls-Windsor, Marystown, Clarenville, St. John’s, Long Harbour and Placentia.

These sessions are a way of reaching out to companies who may not have full knowledge of the opportunities associated with Vale Inco NL, Lippett said. “We are taking a proactive approach to raising awareness. We really do want companies in the supplier community to become engaged in this process, and take advantage of the many opportunities that exist.”

Attendance at the sessions was varied, with anywhere from 15 to 80 business people turning out to learn more about Vale Inco NL. The sessions began with a presentation about the various aspects of the project, and where they are located in the development cycle. “We gave them some history and context, before getting down to nuts and bolts, outlining our many business needs and explaining how we do business.”

Local companies have full and fair opportunity to compete for work on the project, as long as they are competitive, with a proven track record that demonstrates good standards for quality, safety and environmental protection.

Environmental Performance



There was a change in company name and ownership in 2007, but Vale Inco's commitment to people and the environment remains the same. The Company continues to honor agreements and practices to conduct its business with due respect of people and the natural environment.

We are pleased to report that there was strong environmental performance at the demonstration plant, with no significant environmental incidents.

Opportunities for improvement remain, however, at mine and concentrator operations in Labrador. During the second full year of production, water management continued as the key environmental issue. Two instances of unexplained acute lethality to rainbow trout occurred in laboratory testing of

treated effluent; one in April and one in December. An extensive toxicity investigation was undertaken to determine the cause. The marine environmental effects monitoring program in Edward's Cove determined no significant effect on the receiving environment. Major work was conducted during the year to improve runoff and reduce erosion along Headwater Pond access road with rock plating of ditches and improvements to pipeline berms.

Rehabilitation and reclamation efforts in 2007 involved complete removal of construction campsite facilities in Edward's Cove and site grading in preparation for hydroseeding and revegetation. The hydroseeding program was repeated during the year to replant annual wheat and barley mixtures to encourage natural revegetation of exposed areas. An experiment was also initiated to determine the viability of revegetation by planting black spruce seedlings.

Environmental Performance cont'd

During October 2007, a sampling campaign was completed to evaluate emissions from several of the site sources. Stacks from the powerhouse, port concentrate handling facilities and waste incinerators were tested for a variety of parameters. While site incinerators did not meet regulated emissions standards (for dioxins and furans), port site and powerhouse facilities did meet regulatory requirements for all parameters tested.

Regulatory approval was received during 2007 for the permanent site waste management facility, which included the construction and demolition landfill, a new soil bioremediation facility and a revised hazardous material storage plan. By the end of the year, construction was complete on the satellite hazardous materials storage areas and the new bioremediation area was almost complete.

Reportable environmental incidents increased during 2007 by approximately 20 percent from 2006. Approximately 75 percent of reportable incidents were due to hydraulic system failures on heavy equipment, most often in the open pit. The spills were readily contained and cleaned up and presented no residual effects on the environment. Approximately 40 percent of all spills that occurred were less than 20 litres.

Environmental effects monitoring (EEM) was conducted during the year in the marine ecosystem for water quality, sediment, Harlequin ducks, breeding seabirds, and blue mussels. There were no significant impacts on seabirds, and some trace metal accumulations in mussels that are not biologically meaningful.

The Environmental Assessment (EA) process for the nickel processing plant continued during 2007, with the submission of an Environmental Impact Statement (EIS) to the federal and provincial governments. The EIS represents several years of research, data modeling and analysis to identify and address potential impacts of the nickel processing plant.

With the second year of operations behind it, Vale Inco NL continues a path forward which has been founded on management principles which take due care and consideration for people and the environment. The Company, through its sustained efforts, remains determined to implement an effective management system for health, safety and the environment based on the principle of striving for continuous improvement.



Tree planting at the Voisey Bay site

A Safe and Healthy Workplace



Safety is one area of our operations where continuous improvement is essential. Over the long-term we want to achieve a flawless safety record, with zero incidents, but we know that this goal will require the effort and engagement of every employee in the organization, from senior manager to front-line worker.

Our safety record during 2007 at the demonstration plant was good, with one lost time incident.

There is room for improvement, however, at mine and concentrator operations in Labrador, where seven lost time injuries were reported. Measures were taken in 2007 to assess safety performance, including a thorough independent audit of workplace safety, resulting in significant enhancements to safety programs.

Introduced late in 2007, the SafeOperations program emphasizes effective risk management and is tailored specifically to the needs of Vale Inco NL in Labrador. Consultant Will Kraft developed the SafeOperations program and assisted in its delivery and implementation.



Investing in People and Communities

In 2007 Vale Inco NL continued to support a broad range of community organizations recognizing arts and culture, education, health and welfare, athletics, as well as other civic and community programs. Approximately \$160,000 was contributed throughout 2007 and the following diagram provides a breakdown of contributions.

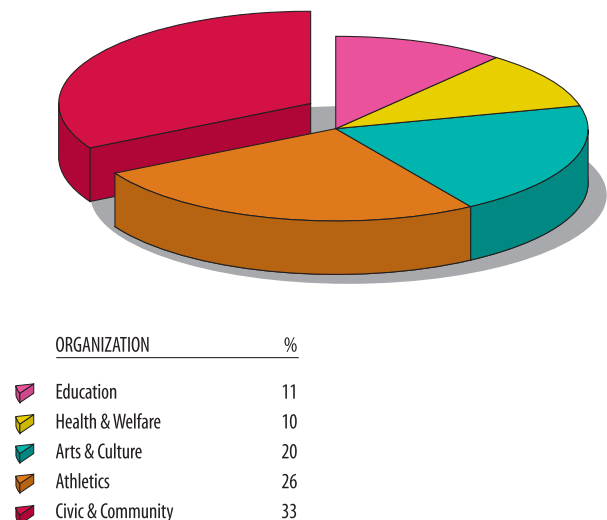
The community investment program is focused on enriching the lives of the people throughout the province. The strategy in Labrador is not only to enrich the lives of the local people but also to preserve the aboriginal culture wherever possible. This includes continuing support for scholarships, community events, sporting activities and organizations that support arts and culture.

In addition to the contributions made to community organizations, Vale Inco NL contributed \$20,000 towards a scholarship initiative at the College of the North Atlantic. This scholarship program was aimed at promoting engineering technology programs as well as programs delivered at the

campuses in Placentia and Labrador. The scholarship program was also focused towards women pursuing programs in non-traditional occupations.

Scholarships were also awarded to aboriginal students graduating from high school in Labrador. In Newfoundland,

2007 Donations to Community Organizations



scholarship contributions were given directly to Laval High School and Fatima Academy and each of the schools distributed the funds to various graduating students.

In 2007, Vale Inco contributed \$1,000,000 to the Inco Innovation Centre. This contribution was used to fund annual operational expenses at the Centre.

Community Engagement

The lines of communication were kept wide open during 2007, with comprehensive stakeholder engagement to discuss social environmental issues around the nickel processing plant. Community open houses were taken to the people of Long Harbour, Whitbourne, Ship Harbour and Placentia. Vendor information sessions were also delivered across the province to ensure that companies take optimal advantage of procurement opportunities with construction and operations phases of the project.

In Labrador, 2007 saw the commencement of a socio-economic assessment to determine what impacts the Voisey's Bay development has had on the people of Labrador, particularly the Innu and Inuit people. The study is actually a follow-up to assessment work carried out between 1997 and 1999, in the project planning phase, stemming from the company's ongoing measurement of social, cultural or economic impacts.

"Now that we are more than a year into operations at the mine and concentrator site, this study will monitor those impacts,"



said Isabella Pain, Superintendent of Aboriginal Affairs, adding that there are two aspects to the review. "One will be a review of whatever impacts may have resulted from the construction phase. The second is the establishment of an ongoing monitoring process to collect reliable information about the effects that may occur in communities as a result of operations at the mine and concentrator."

The contract for the assessment work is being performed by Sikumiut Environmental Management Ltd. The research will focus

mainly on communities on the north coast, including Rigolet, Makkovik, Postville, Hopedale, Natuashish, Nain and Sheshatshiu.

Winter Shipping Program

In order to move nickel concentrate out of Voisey's Bay – and supplies in – during winter, it is necessary for the ship to cut a track through the frozen ice of Anaktalak Bay. However, this ice is also used as a crossing point by the Innu and Inuit people for hunting, fishing and other purposes. A Winter Shipping Program was put in place last year to safely mitigate the effects of the ship's track through ice. It includes a signage system to clearly mark the ships' track, and the creation (by natural refreezing) of several points that are confirmed safe crossings. The program is supported by comprehensive communications to ensure that snowmobilers in the area are aware of ship traffic and the status of any breaks in the ice.



Voisey Bay port site

The track monitoring and marking work is performed by Sikumiut Environmental Management Ltd. Sikumiut employees meet the incoming ship on snowmobiles; one on the south side and one on the north. They follow the vessel in, placing reflective warning markers at 250 metre intervals. Lights and signage are placed at designated points when the ice has refrozen and is safe to cross, and monitor the signage carefully to ensure that it is still standing and not obscured by snow.

The first winter shipping season, in early 2006, was shorter, with just two transits through ice. The 2007 season saw four transits.

"We used those first two transits to monitor how the program was working," said Isabella Pain, Superintendent of Aboriginal Affairs. "We also listened closely to the Innu and Inuit people who use the ice crossing. And there were important lessons learned in 2006 which were incorporated into the 2007 program."

St. John's

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