End of supercycle: Implications from a company perspective

By

Mr. Michael Tost
Head of External Affairs, Europe and North America, Vale

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
End of the Supercycle: Implications from a Company Perspective
We are Vale

• A global mining company headquartered in Brazil

• The global leader in iron ore and pellet production and the second largest nickel producer

• We also produce copper, coal, fertilizers, manganese, ferroalloys, cobalt and platinum group metals

• We invest in logistics and energy
Mission
To transform natural resources into prosperity and sustainable development

Vision
To be the number one global natural resources company in creating long term value, through excellence and passion for people and the planet

Values
Life matters most
Value our people
Prize our planet
Do what is right
Improve together
Make it happen
1997

Privatized on:
May 6

Market value:
US$10.5 billion

Net earnings:
US$350 million

Workers:
11,000 (direct employees)

2014

Market value:
US$ 29.9 billion

Net earnings:
US$657 million

Workers:
More than 70,000 (direct employees)
Headquartered in Rio de Janeiro, we have operations, research laboratories, projects and offices on five continents.
Key product prices
Iron ore prices

Sources: Platts, The Tex Report

* Benchmark to the Japanese market (Carajás fines)
** IODEX 62%Fe (USD/t) minus freight BR-CHI $/t
Nickel prices

Source: Bloomberg
Copper prices

Source: Bloomberg
Coal prices

Coking coal

Thermal coal
Consequences of the fall in prices
Evolution of capital expenditures

US$ billion

- **2012**: 11,580 Projects, 4,616 Sustaining
- **2013**: 9,648 Projects, 4,585 Sustaining
- **2014**: 7,920 Projects, 4,059 Sustaining
- **2015E**: 6,400 Projects, 3,800 Sustaining
Initiatives to increase productivity, reduce costs and control risks whilst maintaining our commitment to SD

- Natural moisture screening
- Truckless system
- Autonomous mine

- Process simplification
  - Single building layout for screening and crushing
- Tailings disposal at waste stockpiles

- Full automatic operation of reclaimers
- Automated operation of trains
- Distributed traction technology
- Online wagon monitoring
Strategic Vision in Sustainable Development
Sustainability is one of Vale’s strategic pillars, based on the concept that there can only be sustainable development when companies and society work together, sharing the value generated with their stakeholders.
## Social and environmental expenditures

### Net Operational Revenues versus Social and Environmental Expenditure [EC8, EN30]

(US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Social</th>
<th>Environmental</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>457.2</td>
<td>1,030.4</td>
<td>1,487.6</td>
</tr>
<tr>
<td>2012</td>
<td>317.2</td>
<td>1,025.3</td>
<td>1,342.5</td>
</tr>
<tr>
<td>2013</td>
<td>265.1</td>
<td>1,015.0</td>
<td>1,280.1</td>
</tr>
</tbody>
</table>

Net operational revenues (2011-2013 adjusted according to IFRS rules)
People

In 2013, 50 trainees from Mozambique and 60 in Malaysia participated in the Vocational Training Program. Both classes had practical lessons in Carajás (PA) and Porto de Tubarão, em Vitória (ES), respectively.

Investments by Vale Foundation

Total of US$36.9 million

<table>
<thead>
<tr>
<th>Area</th>
<th>Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>6.7</td>
<td>25</td>
</tr>
<tr>
<td>Knowledge Station</td>
<td>5.5</td>
<td>20</td>
</tr>
<tr>
<td>Sport and leisure</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Culture</td>
<td>4.2</td>
<td>16</td>
</tr>
<tr>
<td>Health</td>
<td>3.1</td>
<td>11</td>
</tr>
<tr>
<td>Work and income generation</td>
<td>1.3</td>
<td>5</td>
</tr>
<tr>
<td>Urban development</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0</td>
</tr>
</tbody>
</table>

1 In 2013, the difference between the amount donated by Vale to Vale Foundation was of US$35.9 million and the total investment applied by Vale Foundation was of US$26.9 million - the remaining US$9 million are part of Vale Foundation cash.
Vale is responsible for managing several territories, including areas of high cultural value and great biodiversity importance.

**US$136 million**
was invested in improving processes and actions to control emissions, noise and vibration.

Greenhouse gas emissions
Scope 1 and 2 -- million metric tons of CO₂e

Indirect GHG emissions
Scope 3 -- million metric tons of CO₂e

75%
is the percentage of water reuse. We stopped withdrawing 1 billion m³ from natural sources.

**2.5 times**
larger is the total 12.4 thousand kilometres of natural areas that we protect and help protect over the sum of all our operating units.

**US$196.9 million**
was destined for projects of renewable energy sources in 2013.
What the company is looking for
Key elements for a successful investment environment

- Good governance, including sound policies, institutional capacity, and coordination of public and private sector investments.*
- Strong political support, commitment and buy-in from the highest levels of government.
- Mechanisms that define and coordinate the collaboration and respective contributions between governments, investors, donors, and civil society.
- Greater transparency. Key initiatives, such as the EITI, are evolving throughout the world, and this evolution must continue.*
- Need for re-investment of resource rents into R&D for technology development to capitalize on linkages opportunities, for the development of resource industrial clusters and, ultimately, a regional competitive advantage.

*These elements are also present in the OECD’s Policy Framework for Investment.
Thank you!
For a world with new values.