



To the

United Nations Global Compact

Votorantim Industrial (VID) is an organization that encompasses several companies with a diverse scope of work both geographically and in various industries, and is rapidly expanding in Brazil and abroad. The Company has operated in Brazil for 94 years and started its internationalization process in 2001. Today Votorantim Industrial operates in 15 countries.

As we deal with natural resources – mining, planted forests (eucalyptus and orange), and in the processing industry (metallurgy, steel, cement, pulp and orange juice) – we are fully aware of the impacts caused by our operations on the environment and society.

We believe sustainability is not a goal in itself, but rather a process that is always improving and which must be connected transversely to each one of our operations. Votorantim Industrial has many challenges ahead due to the scope and capillarity of our activities. Over the last few years, we have improved our management system and governance so as to integrate sustainability issues into our strategic planning and operating management processes. In our opinion, this is the only way to reach lasting results in line with what we consider to be sustainable development.

Disseminating a “culture” of sustainability among our employees is a long and time-consuming process, especially for an organization as large and diverse as Votorantim. We also know how important it is to engage leaders in sustainability and the importance of the voluntary commitments undertaken by the Company in issues that are not directly connected to the business, such as those addressed by the Global Compact. Our companies have a social role to play and leading by example is something that inspires and endorses the daily attitudes of our employees.

Today’s world is faced with huge challenges regarding the future. In a country such as Brazil with entrenched social inequality, these challenges are even greater and will only be overcome through partnerships between government, civil society entities and the production sector. An organization such as Votorantim must have the ability to actively and creatively seek solutions that generate opportunities and improve social conditions, mainly in the communities directly affected by our operations.

On the other hand, Brazil is undergoing a solid growth period, especially in the infrastructure and civil construction areas, to which Votorantim contributes by producing cement, steel and aluminum. This greater demand has prompted the Company to invest in operating and production capacity expansion by building new facilities. This organic operational growth leads to greater carbon emissions and increased use of natural resources, which is a permanent source of concern for us. Therefore, we are continually seeking alternative solutions through R&D and technology investments in order to reduce emissions by ton produced and consumption of natural resources and raw materials, while using alternative sources of energy.

In our relationship with society in general, Votorantim Industrial has assumed long-term commitments and forged partnerships aimed at training those players who will contribute to improving public administration capacities and at identifying programs for local development. We try to encourage our employees to adopt behaviors that confirm our Beliefs and Values and exert a differential influence on society, especially in underprivileged communities.

As we believe that the path towards business longevity and growth can only be achieved through sustainable development, we work on a long-term and continuous basis to mitigate the social and environmental impacts of our operations and provide the necessary incentives for the development and growth of our neighboring communities.

Our commitment to the UN Global Compact is an important step towards this path. Our regulations regarding human rights, environment, labor standards, anti-corruption policy and other guidelines are the drivers of our business activities. We implemented the Votorantim Management System (SGV), which standardizes our operations across several industries allowing us to control processes. Furthermore, we obtained several Brazilian and international certifications which guide our performance in different areas and attest to the level of excellence pursued by the Company.

For 2012 and in the coming years, Votorantim Industrial will work steadfastly towards its goals seeking to improve its processes and further engage its employees. As a world-class company, we want to reach increasingly higher levels of operational excellence in an ethical manner and focused on sustainability..



Luiz Carlos Cavalcanti Dutra Junior

Diretor Corporativo de Relações Institucionais da Votorantim Industrial

Votorantim Industrial: Our evolution towards the Global Compact Principles

Votorantim Industrial (VID) is the industrial arm of the Votorantim Group, one of Brazil's largest corporations.

Our Business comprises a wide range of segments and products marketed through the following brands/companies:

- **Votorantim Cimentos:** cement, concrete, aggregates and related products.
- **Votorantim Metais:** mining and metallurgy – aluminum, zinc and nickel, besides zinc, copper and silver produced by Mineradora Milpo (headquarters and operations in Peru).
- **Votorantim Siderurgia:** long steel products.
- **Fibria:** cellulose pulp.
- **Citrovita:** orange juice concentrate.
- **Votorantim Energia:** electric power self-generation.

VID is headquartered in Brazil and operates in 15 countries. The Company boasts 56 plants, 44 mines, 111 concrete plants and 52 distribution centers in Brazil and abroad, and 35 hydroelectric power plants in Brazil (VID owns 22, of which 20 are in operation and two are under construction, and 13 are operated through consortia). Our global operations comprise 38,700 employees (including permanent employees, seasonal harvesters, trainees and apprentices) and 36,700 contract workers (December/2011).

We are convinced that sustainable development is the path to follow so as to achieve ongoing and consistent growth. VID has focused all its efforts towards this purpose by seeking to engage its employees, customers, suppliers, local communities and other stakeholder groups.

As part of our beliefs in a better world, we are signatories of the United Nations Global Compact. Within our scope of work, we are certain that we can contribute to advance the 10 Principles of the Global Compact.

In the following pages we show how our projects, initiatives and practices are evolving including our established goals which contribute to reinforce the UN Global Compact's 10 Principles. The points listed below are based on the premises and information recently released in our 2011 Integrated Annual and Sustainability Report.

1. Sustainability Principles

As part of our corporate identity, we adopt our **Sustainability Principles**, which are in line with the UN Global Compact guidelines. The Principles provide guidance to our sustainable development efforts and tell us how we can improve our sustainability.

Our Sustainability Principles are:

- 1) Be acknowledged by society as a socially and environmentally responsible company.
- 2) Embrace sustainability as a strategic pillar that drives governance, management, education, and investment decisions, while also creating value.
- 3) Consistently improve economic, social and environmental results by seeking efficiency and reliability in our operations based on world class standards.
- 4) Be acknowledged as a company that attracts, develops and retains talent to create value and build a fair and inclusive society.
- 5) Be committed to the welfare, health and safety of our employees, customers, and partners.
- 6) Contribute to the development of our neighboring communities.
- 7) Encourage all employees and stakeholders to cooperate and participate in building partnerships and collaborative work aimed at generating value for all.

One of the criteria to define our Sustainability Principles was the correlation with the Global Compact Principles, since it is our aim to increase our efforts towards sustainability and also contribute to the dissemination and adherence to the Global Compact guidelines.

VID Sustainability Principles	Correlation with the Global Compact Principles
1) Be acknowledged by society as a socially and environmentally responsible company.	Principles 1, 2 and 8
2) Embrace sustainability as a strategic pillar that drives governance, management, education, and investment decisions, while also creating value.	Principles 1 to 10
3) Consistently improve economic, social and environmental results by seeking efficiency and reliability in our operations based on world class standards.	Principles 3 to 9

4) Be acknowledged as a company that attracts, develops and retains talent to create value and build a fair and inclusive society.	Principles 3 to 6
5) Be committed to the welfare, health and safety of our employees, customers, and partners.	Principles 1 to 6
6)) Contribute to the development of our neighboring communities.	Principles 1, 2, 4 and 5
7) Encourage all employees and stakeholders to cooperate and participate in building partnerships and collaborative work aimed at generating value for all.	Principles 3, 4, 5, 6 and 10

2. Material Topics

As a base for our sustainability action, we have defined relevant topics and actions for this positioning. These topics – referred to as **material topics** – arose from several rounds of discussions among our leaders and also among the Thematic Teams within the Votorantim Management System (SGV). Furthermore, we were supported by commissioned specialists and we researched benchmark companies that had implemented this process.

In these discussions, we considered that:

- We are responsible for our products, services and the relationship with our neighboring communities.
- Our operations always affect the environment (positively and/or negatively).
- Our processes use a large amount of renewable and non-renewable natural resources.
- We are an energy intensive company.
- The emission of greenhouse gases (GHG) is intrinsic to some of our production processes.
- We own and use large land areas.
- Industrial activities demand responsibility over the health and safety of our employees and contract workers.
- Our activities affect a large-scale supply chain.
- We are aware of the social and environmental impacts (particulates emissions, extraction of natural resources, waste generation, etc.) caused by our activities on local communities.

Following the discussions, in 2009 we reached our nine material topics, which we started monitoring effectively in 2010. These topics include:

1) Eco-efficiency and the responsible use of resources

Aims to ensure the long-term availability and proper use of productive resources.

2) Reduction of Greenhouse Gas (GHG) emissions generated by our industrial activity

As major emitters, we must be aligned to international standards and agreements on climate change and must constantly seek to reduce emissions.

3) Supplier chain management

As supply chain leaders, we must encourage suppliers to implement sustainability practices that are in line with Votorantim's practices (compliance and best practices), thus reducing risks across the chain.

4) Mapping biodiversity in regions served by the Company

As owners and users of large areas in regions of significant biodiversity, we must be aligned to international protection agreements in order to ensure our access to natural resources in the long run.

5) Occupational health and safety management including stakeholders

Ensuring the welfare, health and safety of our employees and stakeholders is a basic premise of our operations, which due to their nature involve inherent risks.

6) Employee growth

Our employees are the staple of the Organization's value creation and are essential to VID's future growth. By developing our employees' talents, we can contribute to building a fairer, more inclusive society.

7) Local community development

We are an integral part of local communities served by the Company and can contribute to the development of both people and the environment, thus creating mutual value.

8) Sustainable use of our products

With a diverse product portfolio, we can promote sustainability values across the supply chain and encourage ethical consumption.

9) Governance for sustainable development and growth

Only through structured governance can we ensure Votorantim's vision to be achieved.

In order to formalize these topics, we also took into consideration their correlation with the Global Compact. Therefore, these topics are attuned to the Global Compact's 10 Principles.

The progress made on Votorantim Industrial's material topics was outlined in the **Table of Challenges and Commitments**, which was disclosed for the first time in our 2010 Sustainability Report and updated in our 2011 Integrated Annual and Sustainability Report.

As from 2012, the validation process for these topics and identification of new ones will rise to a new level in that consultations with other stakeholders will influence and contribute to improving the Organization.

In 2011, we commissioned a specialist consultancy firm (*BSD Consulting*) and defined the scope for our first consultation with external *stakeholders* at the corporate level; these consultations are being carried out in 2012. The goal is to collect information that will help define the challenges and commitments relating to priority topics that have already been identified, and to identify potential new material topics to be included in Votorantim Industrial's Integrated Report next year.

This first round of consultations will involve a selection of VID's priority stakeholders: corporate investors, financial analysts, specialists, banks, the media, governments, government agencies, and trade associations.

The consultation process will take place with different stakeholder groups each year, so that we can collect the necessary information and benchmarks for the continuous improvement of our operations and actions.

3. Progress in Our Challenges and Commitments in relation to Material Topics

In the Votorantim Industrial 2010 Sustainability Report, we disclosed nine material topics we considered to be the most critical for the Company. These topics will serve as the basis for our strategic positioning in the coming years and are our key challenges in moving forward towards our sustainable development path and in line with our

essence, represented by our Vision, Aspiration, Values and Management Beliefs and Sustainability Principles, as well as the strategies of each Business.






Our material topics are definitely aligned to the UN Global Compact 10 Principles.

We are aware that we still have a long way to go as regards our material topics and that we must make continuous progress. We present below our Table of Challenges and Commitments indicating what has been done and achieved for each topic.

We have also included goals for 2012 and 2020 as a means to emphasize the continuity of our positioning and transparency of our commitment to the sustainability of our Business.

Our Challenges	Commitments Announced	Status in 2011	What was done in 2011	Goals for 2012 / 2020
Eco-efficiency and responsible use of resources	<ul style="list-style-type: none"> Disseminate the program in other Units, with annual targets for improving energy consumption per ton produced. 	●	Four new Energy Balances were prepared, for a total of 38. Energy consumption per ton produced was stable. Most notably, the Bowmanville plant, in Canada, obtained the ISO 50001 certification for energy efficiency.	2012: Keep consumption per ton produced stable. 2020: Improve energy efficiency per ton produced by 5% (2010 base).
	<ul style="list-style-type: none"> Prepared draft plans to increase both the use of renewable fuels and energy flexibility. 	●	An "Energy Flexibility Monitoring Panel" was created and is used regularly to assess efficiency opportunities at plants fitted with flex equipment. A new biomass application simulator was also developed to study feasibility of these fuels in our operations.	
	<ul style="list-style-type: none"> Undertake studies with the aim of transforming waste into products or inputs. 	●	Working groups were formed to record practices, develop studies and identify opportunities. At VM, 17% of the waste examined had its form of disposal or characterization changed, thus generating revenue as recycled material or by being transformed into products.	2012: Complete a full waste mapping and opportunity analysis.

	<ul style="list-style-type: none"> • Maintain or increase the use of recycled and alternative materials as production inputs. 	●	<p>We have increased the use of scrap for long steel production to 80%. The scrap collection strategy is still being improved with the use of steel sales centers as scrap pickup points. A furnace was also leased to produce pig iron using wood coming from our eucalyptus plantations. In cement, we increased the use of recycled materials used as inputs by 1.61%, reaching a substitution rate of 8.9%. In concrete, a pilot project was developed for the reuse of residual concrete from concrete-mixer trucks as aggregate.</p>	<p>2020: Reduce hazardous waste disposal in landfills by 50% and cut the use of dams to store metal mining waste by half (2010 base – and relative to waste generated/ton of product).</p>
Reduce the emissions of the greenhouse gases (GHGs) generated by the industrial activity.	<ul style="list-style-type: none"> • In 2011, fine-tune the investment guidelines for the choice of options that drive greenhouse gas emission reductions. 	●	<p>A tool to analyze investment opportunities with regard to total emissions has been adopted. The tool was not used in 2011, but it will be part of VID's CAPEX evaluation process from 2012.</p>	<p>2012: Apply carbon analyses in Votorantim Industrial's major projects.</p>
	<ul style="list-style-type: none"> • In 2011, encourage the use of inventories among key suppliers and internal discussions seeking to stabilize or reduce specific carbon emissions in all our businesses. 	●	<p>An agreement was signed with CEBDS to provide training to suppliers, together with other companies in the Technical Chamber for Energy and Climate Change. The first training sessions were held in March and April/2012.</p>	<p>2020: Maintain or reduce carbon emissions per ton produced (2010 base).</p>
Supplier chain management	<ul style="list-style-type: none"> • Increase the mapping and monitoring of the supply chain for human rights-related issues (including forced labor or labor equivalent to slavery) in 2011. 	●	<p>An automatic blocking system for suppliers and customers who are blacklisted by the Ministry of Labor is under development (deployment in SAP is expected for 2012).</p>	<p>2012: Prepare and publish a corporate policy for hiring local suppliers.</p> <p>2020: Meet the plan for the</p>

	<ul style="list-style-type: none"> • In 2011, expand the use of the SA 8000 Charter for suppliers of all our businesses. 		In the steel business, the Charter is already being applied for 86% of suppliers. A study to assess the inclusion of the Charter's criteria in the contracts of all of our businesses was initiated. Several criteria have been included in our Standard Contract Drafts based on this discussion.	policy of hiring local suppliers in all VID business.
	<ul style="list-style-type: none"> • Initiate studies to develop a policy to expand purchases of inputs from local suppliers in 2011. 		Carry out benchmark studies aimed at developing the policy, and approve the development plan	
Mapping biodiversity in regions where the Company operates	<ul style="list-style-type: none"> • Within five years, develop common practices, and assess and monitor the biodiversity present in areas where VID operates. 		An agreement was signed with CEBDS to study methodologies to assess the impacts on ecosystem services and environmental valuation. Two methodologies were evaluated and a database has been developed containing the maps of the biomes existing in our major areas of operation, together with the list of the flora and fauna species. For 2012, two further methodologies will be assessed and an application test carried out.	<p>2012: Define a model to assess impacts on ecosystem services to be applied at VID.</p> <p>2020: Evaluate ecosystem impacts and enhance biodiversity in VID's key areas of operation.</p>
Occupational health and safety management, including third parties	<ul style="list-style-type: none"> • Continue the Third-Party Management project and enhance the monitoring of the existing occupational hazards in 2011. 		VID's management guidelines for third parties and its Safety and Health Guide were revised. The Third-Party Management project is still under development.	<p>2012: Standardize the handling of critical risks at all VID Businesses (accessibility, signing, and investments in equipment in critical risk conditions).</p> <p>2020: Reach a frequency rate with lost-time accidents below 1 in all of our businesses.</p>
	<ul style="list-style-type: none"> • Reduce the annual frequency of lost-time accidents among workers and contractors. 		Seven critical risk protocol audits were carried out at VID's main operations. A critical risks protocol applicable to the agro-forestry area was created. A seminar on good practices was held and the audit results shared. The Votorantim Academy held 23 classes under the safety course. Accident prevention campaigns (Alert Movement) (were carried out.	

People development	<ul style="list-style-type: none"> From 2011, we will boost actions designed to make the company more attractive and management more democratic. 	●	<p>Management: The Management Beliefs were disseminated to all VID employees. Meetings were held between VID's CEO and the employees and between the principal business executives and the employees. Employee Recruitment/Retention: Creation of the General Corporate Management Area for Talent Recruitment, whose mission is to support recruitment strategies and strengthen Votorantim's image as a unique company to work for. Actions designed to strengthen the Company's image and reputation got underway. The strategy included holding lectures at schools and taking part in trade fairs and events, etc.</p>	<p>2012: Criteria and process for consolidating the internal recruitment data from all Business (filling vacancies with in-house candidates).</p>
	<ul style="list-style-type: none"> Improve the general level of satisfaction in the Organizational Climate Survey. 	●	New Organizational Climate Survey carried out. The General Satisfaction Index reached 66%. In 2009, this rate was 59%.	
	<ul style="list-style-type: none"> Improve the training program in order to attract and prepare young professionals to join our staff. 	●	A survey was carried out among trainees to pinpoint needs for improvements in the recruitment and hiring process.	
	<ul style="list-style-type: none"> Decrease the turnover in supervisory and coordination positions in the industrial areas. 	●	The DHO Functional Committees were reactivated to discuss movements, transfers, skills and careers. Representatives of all businesses took part in this process.	
	<ul style="list-style-type: none"> Further expand the Academy of Excellence in North America and South America. 	●	The expansion process was continued; the Academy of Excellence now includes North America and Peru (Milpo).	<p>2020: Have 80% of the leadership positions filled by in-house candidates.</p>

Development of the communities where we have operations	<ul style="list-style-type: none"> Initiate studies, in 2011, to map the social impacts in the vicinity of our operations. 	●	Discussions were held on current practices in the various VID operations and a survey was conducted to compare the company's practices to those of the market. Guidelines were developed and implemented to manage the socioeconomic impacts of projects in the licensing phase (greenfield and brownfield sites).	<p>2012: Establish criteria for prioritizing locations for the deployment of socioeconomic development programs.</p> <p>2020: Contribute to effective, qualified socioeconomic development at the locations where we have production operations.</p>
	<ul style="list-style-type: none"> In 2011, implement the Engagement Guide practices at four more municipalities, and start five more Community Boards. 	●	Actions completed: Engagement Guide for five more municipalities and creation of Community Boards at five locations.	
	<ul style="list-style-type: none"> In 2011, start implementing a program in partnership with the National Development Bank (BNDES) to develop productive chains and income generation in 27 municipalities and the partnership with Banco do Brasil for joint sustainable regional development opportunities in 10 municipalities. 	●	Program in partnership with BNDES: Evaluation completed and a study initiated for the deployment of possible projects. The partnership with Banco do Brasil is in progress; however, it has not progressed as desired. Actions have been agreed between the parties to revitalize the partnership.	
	<ul style="list-style-type: none"> Improve, in 2011, the tools to measure both the results and the impact of the investments made in the communities. 	●	A new process was initiated to monitor the implementation of enterprises and expansion projects, and studies were set into motion to assess the impacts of the investments made on municipal socio-economic indicators.	
Sustainable use of our products	<ul style="list-style-type: none"> Encourage cooperation between the Sales and Engineering areas to optimize products and studies on our products' life-cycles. 	●	Defined the plans to prepare studies on the products' life-cycles with each business.	<p>2012: Begin the analysis of the life-cycle of key products.</p> <p>2020: Complete mapping of the life-cycles of our main products.</p>

Governance for growth and sustainable development	<ul style="list-style-type: none"> Establish, in 2011, corporate policies and guidelines for VID and all Business Units. 	●	The Strategic Planning for Sustainability process was developed and plans were drawn up under it for the next five years with regard to material topics and risks.	2012: Incorporate the results obtained from consultations with stakeholders into the strategic planning process. 2020: Embed sustainability issues in strategic planning, systems, controls and target management in all VID businesses.
	<ul style="list-style-type: none"> Formally Define the governance structure for sustainability in all Businesses. 	●	All Businesses have defined their governance structures.	
	<ul style="list-style-type: none"> Prepare sector studies for the businesses, focused on identifying challenges and opportunities to support the strategic planning and decision-making process. 	●	Sector studies carried out for all businesses in order to guide the development of their sustainability strategies.	
	<ul style="list-style-type: none"> Make progress in setting integrated targets for the senior leadership and management levels, ensuring that economic, environmental, and social aspects are taken into account. 	●	Sustainability targets were defined for all levels of the organization based on the Strategic Sustainability Plan.	
	<ul style="list-style-type: none"> Consult external stakeholders, as from 2011, to help define the challenges and commitments. 	●	The scope of the work and choice of the service-provider for the first stakeholder consultations at the corporate level have been defined. Consultations will be carried out in the first half of 2012.	

Captions:

● Completed

● In progress

● Under study

4. Our internal conduct aims to avoid inadequate behavior

Ethics and transparency are fundamental premises and commitments which underlie our business activities. We strive to be responsible and transparent in our conduct in all of our decisions, attitudes and relationships based on our commitments to society, as set forth in our Code of Conduct.

Votorantim's Code of Conduct was released in 2005 and, since then, it has been constantly updated. After each regular updating, the Code of Conduct is circulated to all employees in an ongoing educational process through internal training programs throughout every Business segment. It is also part of the induction program for new employees.

Votorantim's Code of Conduct covers topics such as:

- Relationship with stakeholders – employees, shareholders, communities, customers, suppliers, government, media and the advertising market.**
- Issues of general interest – company image and reputation; contracts and accounting records; intellectual property; external presentations and lectures; health, safety and environment; gifts and invitations.**
- Clarification and complaints – Conduct Committees; Audit; Disciplinary Measures; Code of Conduct Management; Ombudsman Office.**

The Code of Conduct is available on Votorantim's website

<http://www.votorantim.com/ptbr/ouvidoria/codigoConduta/Paginas/codigoConduta.aspx>) in different languages, and so can be easily communicated to employees in Brazil and abroad, contractors, partners, suppliers, and other stakeholders.

In 2011, we completed the training of 100% of our employees to ensure the full disclosure of the latest version of the Code of Conduct, which was revised and expanded in 2010. PricewaterhouseCoopers reviewed the document and compared it with other Codes of Conduct released by other industry companies to ensure that it met the same quality standards as high performance enterprises.

Among the internal audits and the complaints made through the Ombudsman channel (for more information see below), a total of 57 valid occurrences were identified and addressed in accordance with the measures provided for in the Code of Conduct.

In daily activities, all issues or complaints must be dealt with through the Ombudsman, who then forwards them to the Conduct Committee of the Business and, simultaneously, to VID's Corporate Conduct Committee. In other words, all issues or complaints reach VID's Board of Directors. The employee is not required to identify

his/her name when making a request or complaint to the Ombudsman. It is up to the Conduct Committees of each Business not only to take action, but also respond to the complainant (if identified).

VID's Corporate Conduct Committee – comprised of representatives from the Business Conduct Committees, the Internal Audit Area and the Human and Organizational Development (HOD) Area – is also responsible for addressing special cases, which are forwarded by the Business' Conduct Committees, for setting criteria for issues that have not yet been addressed in the Code, and for seeking uniformity in the criteria used, and for the proper operation of the Organization's Ombudsman system.

Corporate Ombudsman Office

Our Corporate Ombudsman Office is available to all of our stakeholders – employees, suppliers, customers, communities, media and others, both in Brazil and abroad – to address issues relating to our Code of Conduct, whether for receiving complaints or suggestions or answering questions.

All requests and complaints are handled with confidentiality and impartiality. The employee will only identify his/her name if he/she so wishes. Votorantim's Ombudsman Office can be reached at:

- Phone No.: 0800-8911729
- Website: <http://www.votorantim.com/pt-br/ouvidoria>
- Mail: Send letter to Caixa Postal 19.134 – São Paulo – SP – Brazil

Claims are recorded and the information is analyzed and registered in a specific system. All complainants receive feedback on their complaints. In 2011, we improved and fine-tuned the system's access tools.

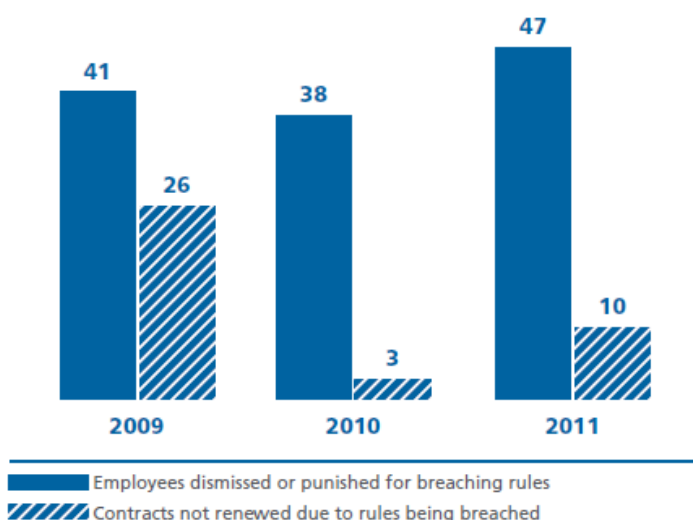
The numbers and details of the cases received are presented in bimonthly meetings held between VID's Corporate Conduct Committee and the Business Conduct Committees. At these meetings, positioning, procedures and possible updates to the Code of Conduct are also discussed. A summary of each meeting is submitted to VID's Board of Directors and to the CEO of Votorantim industrial.

The Conduct Committees are comprised of representatives from HOD, Legal and Audit areas, in addition to the Corporate Ombudsman Office.

Issues such as moral and sexual harassment, bribery, suspected fraud, abuse of power, infringements, illegal acts and other failures to comply with the Code of Conduct may be handled by the Ombudsman Office.

In 2011, thanks to the upgrade of access methods, we saw an increase in the number of complaints and other requests to the Ombudsman Office. VID ended the year with 88% of the complaints addressed (the remaining 12% were handled in early 2012, since all claims, without exception, are dealt with but it is not always possible to solve the complaints in the same month as they are received due to incidental findings during investigations).

RESULTS OF THE CORPORATE AUDIT ACTIONS



For 2012, we aim to establish a more streamlined and standardized process, and our target is to address 95% of the complaints within the same year.

5. Alignment with Voluntary Commitments

We know that in order to move forward towards sustainability and contribute to the Principles of the Global Compact, we can prioritize and work with actions that depend on our own positioning, but we are aware that it is also critical to join forces with other companies and organizations, share knowledge and work together on joint solutions.

To that end, in addition to the Global Compact, we are signatories of the following voluntary commitments:

Global Voluntary Commitments:

- **Cement Sustainability Initiative (CSI):** Votorantim Cimentos joined this initiative in 1999. CSI is an international initiative that gathers together the world's largest

producers of construction materials who share the common belief of sustainable development. This initiative represents a common platform for the exchange of experiences among its members, disseminating best practices, and setting a series of voluntary commitments and goals. Further information on:

<http://www.wbcdcement.org/>

- **CDP Supply Chain:** Fibria is a member of the CDP Supply Chain as an industry leader as it was the first company in the forestry industry in the world to become a CDP member. Under this commitment, the Company must consider climate risks of its supply chain in its future investment decisions and encourage its suppliers to take on their own commitment towards climate governance.

Further information: <https://www.cdproject.net/en-US/Programmes/Pages/CDP-Supply-Chain.aspx>

- **Water Footprint Network (WFN):** Fibria is a member of the *Water Footprint Network* and seeks to reinforce its commitment to sustainable development through the strategic management and rational use of water, based on the guidelines set forth by the WFN. This initiative carries out research and disseminates information on the impacts of human consumption and production on water resources.

Further information: <http://www.waterfootprint.org>

- **New Generation Plantations Project (NGPP):** Fibria is part of the NGPP, which involves companies and governments to assess and establish best forest management concepts and techniques. The NGPP integrates forestry as economic activity, conservation of biodiversity and meeting human needs. The NGPP initiative was created by the World Wildlife Foundation (WWF).

Further information: <http://www.newgenerationplantations.com/>

- **Forest Footprint Disclosure (FFD):** Fibria participated in this survey, which aims to assess how companies deliver forest management as regards their “forest footprint” based on the operations and/or supply chains of five major commodities – soybean, palm oil, timber, livestock products and biofuels. The survey was created in 2010, and that year’s issue of the FFD Report singled out Fibria as a company committed to using 100% certified wood in the near future.

Further information: <http://www.forestdisclosure.com/>

Voluntary Commitments in Brazil:

- **Open Letter to Brazil on Climate Change:** Votorantim Industrial is a signatory of this initiative, signed in 2009, when participating companies undertook a series of

commitments to reduce the impacts of climate change and several actions were proposed to the Brazilian Government.

Further information: <http://www.forumempresarialpeloclima.org.br/default.php>

- **Corporate Charter for the Conservation and Sustainable Use of Biodiversity:** Fibria signed this Charter in 2009, under which it undertakes a range of commitments in favor of biodiversity.

Further information:

http://www1.ethos.org.br/EthosWeb/pt/4635/servicos_do_portal/noticias/itens/ethos_e_meb_articulam_protecao_da_biodiversidade_no_brasil.aspx

- **On the Right Track Program:** Fibria and Votorantim Cimentos are signatories of the Business Pact, an initiative of *Childhood Brazil* and the Ethos Institute for Business and Social Responsibility with technical support from the International Labor Organization (ILO). The Business Pact is part of the *On the Right Track Program* and specifically includes the fight against the sexual exploitation of children and teenagers on Brazilian highways in the participating companies' social responsibility strategies.

Further information: <http://www.namaocerta.org.br>

- **Pact for the Restoration of the Atlantic Rainforest:** Fibria is a member of this Pact, whose main goal is to join efforts made by public and private institutions, governments, companies and entrepreneurs in order to produce results for the conservation of biodiversity, income and job generation across the production chain involved in the restoration, maintenance, appreciation, payment for environmental services, and the legalization of agricultural activities in the 17 Brazilian states covered by the Atlantic Rainforest biome.

Further information: <http://www.pactomataatlantica.org.br>

- **2011 Sustainable Conference:** Votorantim Industrial attended the 2011 Sustainable Conference organized by the Brazilian Business Council for Sustainable Development (CEBDS). During the Conference, companies, research institutions and government authorities discussed the paths towards sustainability in Brazil. The event produced the guidelines for the "Vision 2050" document, in which participating companies defined their lines of work for sustainability. The final results of these joint efforts will be presented at the Rio+20 Conference in June 2012.

- **Charcoal Sustainability Protocol:** Votorantim Siderurgia, along with other Brazilian steel companies, will sign a protocol in 2012 to ensure that the pig iron manufactured or purchased by those companies will use charcoal produced from planted eucalyptus forests as raw material. The Protocol was prepared under the supervision of the Brazil Steel Institute (IABr) and extends to all its members.

6. Correlations of our Products, Relationships and Management Processes with the Global Compact

We highlight the following correlations with the Global Compact:

6.1. Products

- ✓ In 2011, Votorantim Siderurgia's Resende and Barra Mansa Units in Rio de Janeiro State were certified under the Green Seal program of the Falcão Bauer Quality Institute (IFBQ). The IFBQ Green Seal is a voluntary product certification and it encourages continuous product improvement from the standpoint of quality, environmental impact and Corporate Social Responsibility. In other words, it is a model for assessing the environmental sustainability of products. IFBQ undertook a life-cycle assessment of the steel produced by Votorantim Siderurgia and checked, among other drivers, the Company's energy and water consumption, generation of solid and liquid waste, air emissions and the raw materials used. Furthermore, when certifying the Company, the Institute also evaluated its Management System, which is ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) certified. The IFBQ certification allows all customers buying VS products to receive the prestigious Falcão Bauer Quality Seal. Large construction companies, new projects and buyers in general request the IFBQ Seal to ensure the supply of sustainable products for their building projects. We intend to maintain the IFBQ certification program throughout 2012.

(Correlation with the Global Compact: Principles 8 and 9)

- ✓ Also in 2012, we intend to seek new environmental certifications for the steel market. Our goal is to obtain the Environmental Certificate issued by the Brazilian Association of Technical Standards (ABNT) for the steel industry as a whole. This is a voluntary certification which is granted for products and/or services with lower environmental impact than similar products/services available on the market.

(Correlation with the Global Compact Principle 9)

- ✓ **Cement Cartel:** In November 2011, the Department of Economic Law (SDE) of the Brazilian Ministry of Justice forwarded to the Administrative Council for Economic Defense (CADE) its opinion regarding the investigation, started in 2006, of an alleged cartel in the Brazilian cement industry. In its opinion, SDE accuses the cement companies Holcim do Brasil S.A., Votorantim Cimentos S.A., Camargo Corrêa Cimentos S.A., Cimpor Cimentos do Brasil Ltda., Itabira Agro Industrial S.A., Companhia de Cimento Itambé, Brazilian Association of Concreting Service

Companies (ABESC), Brazilian Association of Portland Cement (ABCP), Brazilian Cement Industry Trade Union (SNIC), and six executives working in the cement sector of violating Brazil's competition laws.

Votorantim hereby declares that it has always complied with the law and in no way does it support anticompetition practices. Throughout the SDE enquiry, the Company will present its defense according to applicable procedures.

(Correlation with the Global Compact: Principle 10)

6.2. Sustainability Governance

- ✓ Sustainability is a theme that cuts across all our activities. In 2011, we created the **VID Sustainability Committee** to establish the sustainability guidelines for the planning of the Business in line with the guidelines set forth by VID's Board of Directors. The Committee also sets standardized sustainability targets covering, among other issues, social and environmental responsibility and safety. The Committee meets quarterly to discuss issues related to material topics, voluntary commitments and targets.

(The issues discussed by the Committee are correlated with the the Global Compact's 10 Principles).

6.3. Risk Management

- ✓ With regard to the risks connected to social impacts, both on our Business and on our suppliers and partners, we do not condone slave labor, child labor or any similar conditions (except for legally accepted practices, such as young apprentice programs).

(Correlation with the Global Compact: Principles 4 and 5)

- ✓ With regard to environment related risks, we developed and implemented an Environmental Risk Classification Tool (FCRA) to map out the risks posed by VID's Units. Through the FCRA, we prepared our Environmental Risk Matrix.

(Correlation with the Global Compact: Principle 7)

6.4. Employee Relationship and Management

We believe one of greatest assets of an organization is its internal audience. Only with committed and engaged employees is it possible to achieve consistent and lasting results in a sustainable manner.

Our human resources policies prioritize the internal development of talents in order to meet the strategic needs of our Business. VID adopts the Votorantim Development System (SDV), which aligns several people management processes, and respects and values our corporate identity, which is comprised of Vision, Values, Aspirations, Management Beliefs and Sustainability Principles.

In 2011, VID undertook the following employee engagement initiatives:

(Correlation with the Global Compact: Principles 1 and 2)

- ✓ Our Company worked hard on disseminating the **Management Beliefs**, which along with the Vision, Values, Aspirations and Sustainability Principles comprise Votorantim's Corporate Identity. The purpose was to engage, mobilize and guide employees and suppliers informing them of their expected behaviors, while emphasizing the preservation and strengthening of our organizational culture ("Building the Votorantim we believe in").

Our Management Beliefs are as follows:

- **Cultivating Talents**

We believe in and trust our employees, and we invest time and resources cultivating our talent asset.

- **Meritocracy**

We believe that people are unique and deserve to be treated fairly and in accordance with their deliveries.

- **Excellence**

We believe we can do more and better, and overcome challenges with discipline, humility and simplicity.

- **Pragmatism**

We believe it is fundamental that we dedicate our efforts to what is relevant and that we are objective without losing sight of the whole and of the future.

- **Open Dialogue**

We believe that an atmosphere of trust fosters open dialogue and freedom to speak and be heard, and that a diversity of views results in better solutions.

- **Partnership**

We believe our success is the outcome of a co-construction process, which is strengthened by sincere relationships and win-win partnerships.

- **Sense of Ownership**

We believe in those who take on responsibilities, who work with passion and walk the talk, celebrate achievements and turn mistakes into learning experiences.

- ✓ Votorantim Industrial created the **Corporate Management for Talent Capture** to improve recruitment and selection processes, establish talent capture strategies and strengthen Votorantim's image as a unique company to work for.
- ✓ In 2011, the consulting firm *Hay Group* conducted a **Corporate Climate Survey** to assess our employees' perception of the Company. The **66% general approval rate** was seven percentage points above the results attained in the previous survey, which was conducted in 2009, and the best ever in the history of the Corporate Climate Survey. Around 27,000 employees (88% of VID's total workforce) answered the Survey in 2011.
- ✓ We held the **Good Safety and Health Practices Seminar** in late 2011 with the participation of representatives from every VID Business segment. This event is part of the **Alert Movement**, a corporate initiative designed to disseminate safety and health practices among VID employees, encouraging desired behaviors through the **Safe Behavior** Program, which is aimed at reducing the risk of workplace related accidents.
- ✓ In October 2011, the Company held the **1st Annual Health Meeting** with the presence of doctors from VID's Units and employees from the Human and Organizational Development and Safety and Health areas.

6.5. Valuing Diversity

In this field, Votorantim Industrial undertook the following actions:

(Correlation with the Global Compact Principle 6)

- ✓ Due to the nature of most of Votorantim Industrial activities, we still have a much smaller number of **women** than men in our operations. Yet, the number of women in our Units has been increasing, and they now perform various functions in different areas.

We plan to gradually make the Organization a more attractive option for women, thus contributing to the development of a more inclusive society.

At the end of 2011, out the total number of employees working in the Company (38,700 employees among permanent employees, seasonal harvesters, trainees and apprentices), 12% were women. By year end 2010, this number was 13%.

With regard to salary parity, since 1919 (as per the letter from the Board of Directors published in our 2011 Integrated Report), Votorantim Industrial has been concerned with salary between men and women.

- ✓ With respect to employment of **physically challenged people**, we have experienced difficulties, in most cases, not only with shortage of qualified personnel, but also with local competition from other companies that demand the same kind of skilled labor.

To this end, **Citrovita** is currently developing a job training program for people with disabilities in partnership with the National Service for Industrial Apprenticeship (SENAI).

In 2012, **Fibria** is to implement an initiative for attraction of employees with disabilities through partnerships with institutions and local communities, supported by an internal campaign focused on valuing diversity (connected to Votorantim Management Beliefs). The idea is to train disabled people within Fibria's neighboring communities.

In 2011, **Votorantim Siderurgia** implemented a training program for people with disabilities at its Resende plant in Rio de Janeiro State. A similar program is scheduled to begin at the company's Barra Mansa plant in Rio de Janeiro State in 2012.

6.6. Health, Safety and Quality of Life

The commitment to the wellbeing, health and safety of our employees is expressed in our Sustainability Principles. Furthermore, one of our material topics is "Health Management and Occupational Safety, Including Contract Workers". All the Organization employees are represented by formal health and safety committees.

The following points should be highlighted:

(Correlation with the Global Compact Principle 5)

- ✓ In order to keep the attention and the focus on daily activities, we have a management system targeted to these topics and overseen by the **Health and**

Safety Team, which is composed of representatives from all the Company's Business segments. There is also a **Business Management Committee** composed of directors who discuss monthly results and the programs that have been implemented.

- ✓ In addition, in compliance with Brazilian laws, all VID Business segments maintain **Internal Accident Prevention Commissions (CIPAs)** made up of operations employees who act on routine health and safety related matters.
- ✓ We also publish a **Health and Safety Corporate Manual** containing basic premises and guidelines that rule prevention actions and ensure the permanent assessment of the risks associated with operations in each Company Unit. The Manual was revised and updated in 2011 and was integrated into other manuals addressing Environment issues. These manuals were combined into a single document effective in 2012.
- ✓ At the end of 2011, we held the **Good Health and Safety Practices Seminar** with participation of representatives from all VID Business segments. During the event, plans and strategies related to the topic were discussed and 10 good safety and health practice in Business were presented. This event is part of the "**Alert Movement**" (**Movimento Alerta**), a corporate initiative which aims at the dissemination of safety and health practices to all VID employees. The initiative is also aimed encouraging safe behaviors among employees through the "**Safe Behavior**" Program, with the purpose of reducing workplace related accidents.

The "Alert Movement" is composed of several activities aimed at the implementation of a safety culture that makes accident prevention the responsibility of all.

- ✓ Another corporate initiative undertaken by the Company's Health and Safety areas is the "**Health and Safety Training Program**", whose purpose is to train people within the Organization on preventive health and safety matters, inside and outside the workplace.
- ✓ We are putting all our efforts to avoid fatalities and any kind of accident in our operations, and our chief goal for 2012 is to have zero fatal accidents. Our goal every year is also to reduce the number of work-related accident leaves of employees and contract workers.

- ✓ VID also undertakes a **Contract Worker Management** program to enhance monitoring of occupational hazards existing in the activities carried out by service contractors.
- ✓ Academia Votorantim created a **Health and Safety School** in order to broaden and reinforce health and safety management concepts and practices among middle management leaders, i.e., coordinators, supervisors, etc. In 2011, 23 groups and 436 participants attended the Votorantim Health and Safety School programs. For 2012, a module will be implemented for general managers.
- ✓ To disseminate quality of life among its employees, VID undertakes the ***Programa +Vida***, a Votorantim corporate program to encourage activities focused on a healthy work environment and employees' wellbeing in their daily routine. Each Business segment adapts or creates its own initiatives connected to the ***Programa +Vida***, according to their particularities.
- ✓ In October 2011, VID held the **1st Annual Health Meeting**, which was attended by doctors from the Company's Units and professionals from the Human and Organizational Development (HOD) and Health and Safety areas. The event marked the beginning of a new phase in VID's integrated health management. The Brazilian doctor, writer and TV personality Drauzio Varella was a special guest to the event.

6.7. Customer Satisfaction

We understand customer satisfaction as a key factor for the commercial viability of our Business.

Therefore, we have undertaken the following initiatives as regards customer satisfaction:

(Correlation with the Global Compact Principle 9)

- ✓ To cope with increasing customer demands and requirements, the following points are taken into account in our product development: quality, functionality, manufacturing process safety, differentiators, innovation and mitigation of social and environmental impacts.
- ✓ VID adopted a customer satisfaction indicator, which is managed by the Business Market Intelligence Area. To gauge customer satisfaction, we carry out regular surveys with customers in each Business segment. These surveys are conducted by specialized firms or by the Business teams. Each Business segment has its own criteria for assessing customer satisfaction.

The survey results help the preparation of action plans for product, service and process improvement. This contributes to continually improve the relationship with our customers.

In the average 2011 survey results, VID reached **81% customer satisfaction** (79% in 2010 and 74% in 2009).

At **Votorantim Metais**, the first integrated customer satisfaction survey combining the Aluminum Nickel and Zinc operations took place in 2011.

- ✓ **Votorantim Cimentos** maintains in its various Units the **Customer Council**, a dialogue forum for analysis of situations and for finding new solutions in partnership with its customers. Meetings are aimed at bringing the customers closer to the Company, increasing mutual understanding between both parties and addressing course corrections or improvements based on customer suggestions and criticisms. Through its Customer Council, VC can identify improvement opportunities, good practices and contributions to building the future. It also seeks its consolidation as a preferred supplier and in line with the focus on sustainable development.

The Customer Council meetings take place quarterly in VC's Units across Brazil at São Paulo, Campinas, Ribeirão Preto, Porto Alegre, Florianópolis, Goiânia, Brasília, Cuiabá, Fortaleza, Recife, and Salvador. Each Council has 20 members selected by the Sales team in each region and renewed annually. Members represent customers of different sizes, so that all customer segments can express their opinions.

- ✓ Also at **Votorantim Cimentos**, the "VC in the Field" Program was released in October 2011. The program promotes visits of employees from various VC Units and areas to customers accompanied by the Sales team. Visits to customers are paid on a half yearly basis. The goal of the initiative is to channel efforts towards customer satisfaction throughout the Company. With the program, VC expects to mobilize the entire team to focus on customer satisfaction.

6.8. Supplier Chain Management

- ✓ To address the issue of supplier management across the board, the Company set up a **Supplier Chain Team**, whose focus is the management of supplier contracts that are common to all Votorantim Industrial's Business segments. Our challenge in 2012 is to expand the scope of assessment of our supplier chain in order to meet

sustainability requirements. Initially, we will focus on the regions where the Company operates, looking to further extend our relationship with local communities through the analysis of potential suppliers and/or the development of new suppliers. In 2011, VID's supplier contracts were standardized as regards addressing specific issues, such as compulsory labor, child labor and meeting environmental, labor and tax requirements. In daily negotiations and relationships, VID requires from its suppliers full compliance with the law – whether in Brazil or abroad – and an ethical and responsible attitude with emphasis on safety, in line with our Values. All suppliers receive a copy of Votorantim's Code of Conduct, which covers human rights aspects.

(Correlation with the Global Compact: Principles 1, 2, 4, 5, 8 and 10)

- ✓ All VID supplier contracts feature clauses to prevent compulsory labor, be it slave or child labor. In 2012, we will implement an automatic system to block registration of supplier companies that are on the "black list" of the Brazilian Ministry of Labor.

We also conduct jointly with our Audit Area regular assessments of our suppliers, not only as regards their productivity, performance and solutions offered, but also in respect of human rights.

(Correlation with the Global Compact: Principles 1, 2, 4 and 5)

- ✓ The criteria for selection of suppliers are the responsibility of each VID Business segment, while procurement of goods and services follows corporate contractual guidelines in order to protect the Company legally and also in respect of human rights. All VID Business segments use Votorantim's centralized system for supplier contract management. In 2011, we began studies to develop a corporate policy with the purpose of increasing the purchase of inputs from local suppliers.

(Correlation with the Global Compact: Principles 1 and 2)

- ✓ Furthermore, in 2011 we also implemented an initiative to foster the preparation of carbon inventories among major suppliers, so that we can define the carbon footprint for our main products. In our Table of Challenges and Commitments in relation to Material Topics described in this Report, we included this initiative as part of the actions described in the material topic "Reduce Greenhouse Gas Emissions".

(Correlation with the Global Compact: Principles 7, 8 and 9)

6.9. Relationship with communities

VID believes that contributing to the development of the neighboring communities to its Units is critical for the sustainability of our work. Therefore, all Votorantim's industrial Business segments – **Votorantim Cimentos, Votorantim Metais, Citrovita, Votorantim Siderurgia, Fibria and Votorantim Energia** – seek to contribute to the development of local communities.

The presence of our Business in diverse communities brings opportunities for social and economic growth. We seek to maximize those opportunities through integrated projects in partnership with other sectors of the civil society.

In 2011, we moved forward in the discussions about our role with regard to the support we provide to local communities, and we formalized a new operating model with an emphasis on local development opportunities. With this, we can promote greater convergence between our Business strategies and the focus on sustainability.

Our approach to social investment comprises action plans with initiatives geared mainly to education, employment, human rights, enhancement of production chains, culture, sports and development of organizations.

To support our Business, we rely on the partnership with Instituto Votorantim, responsible for integrating the social focus into the business strategies and for the external social investment of the Units. We understand external social investment as the allocation of resources into social initiatives arising from tax breaks, government incentives and voluntary funding through investment in economically viable programs with potential to deliver social benefits independently from the Organization.

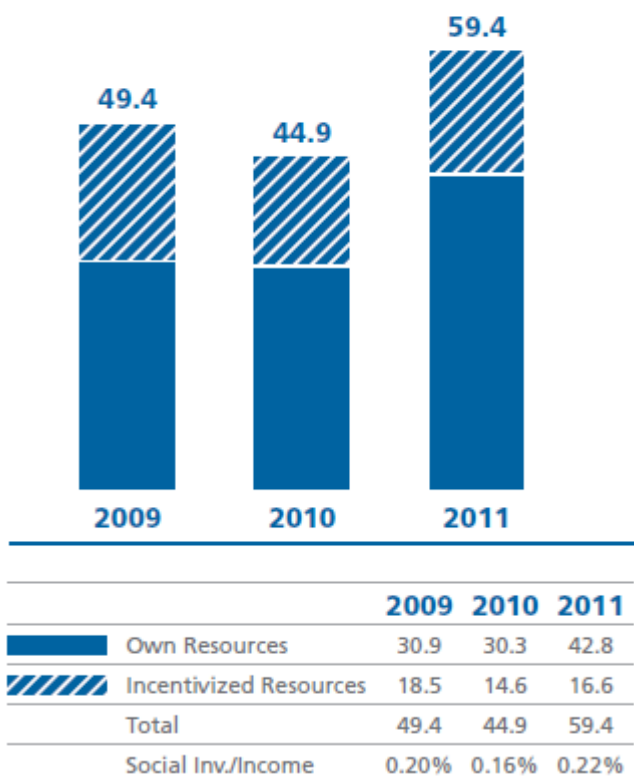
We also highlight the following initiatives undertaken in 2011:

(Correlation with the Global Compact Principle 8)

- ✓ VID's **external social investment amounted to R\$59.4 million (a 32% growth over the amount invested in 2010, R\$44.9 million)** and consisted of 154 programs which benefited 1,404,038 people. Out of this total, 72% came from own funding and 28% from incentivized investments in support of public policies.

SOCIAL INVESTMENT

IN R\$ MILLION



- ✓ In 2011, we conducted 40 **Stakeholder Engagement** workshops using a methodology developed by the Instituto Votorantim aimed at providing the VID Units with management tools that contribute to improving processes and relationships with neighboring communities. The workshops totaled 320 hours of training to 261 employees. **All our Business** segments now apply this methodology. Workshops are held annually.
- ✓ The activities of **Community Councils**, which are coordinated by Votorantim Cimentos, was strengthened and expanded in 2011. The Community Councils are responsible for stimulating the dialogue between the Organization's Plants/Units and local communities in order to identify their needs and demands and contribute to the implementation of local development projects.
We closed the year with nine Community Councils set up across Brazil in the municipalities of Xambioá (Tocantins State), Laranjeiras (Sergipe State), Cuiabá (Mato Grosso State), Sobradinho (Distrito Federal), Itaú de Minas (Minas Gerais State), Cantagalo (Rio de Janeiro State), Rio Branco do Sul (Paraná State), Vidal Ramos and Imbituba (Santa Catarina State). Our goal is that, by 2016, all VC's plants, concrete plants, aggregates and related products facilities have their own Community Councils.

6.10. Relationship with Labor Unions

(Correlation with the Global Compact Principle 3)

In all our Business segments, we respect the employees' freedom of association to labor unions expressed in our Code of Conduct.

We maintain a permanent relationship and an open dialogue with our employees' labor unions. We make sure that labor union representatives are always present at collective bargaining agreement meetings, whose results are disseminated to employees through our internal communication vehicles.

In 2011, we had no record of reprimand or warning from supervisory bodies with regard to employee association and collective bargaining processes.

6.11. Relationship with Government Authorities

(Correlation with the Global Compact: Principles 7, 8 and 9)

VID has a Government Relations Area that follows up on a daily basis the measures taken by government authorities, parliamentary committees and bills that are underway at City Councils, Brazilian Congress and Senate and which have a connection with Votorantim's business sectors or activities.

When deciding on large-scale industrial projects, many politicians consult our executives to exchange information and perceptions. In an internal survey conducted in 2011, we found that 65% of Brazilian congresspeople use Votorantim as a source of information and example of excellence.

Furthermore, we maintain an ongoing relationship with state and city governments in the regions where we operate at an institutional level and we strive to participate in discussions relating to public policies and support local community development. In 2011, we attended various discussion meetings at the Brazilian Ministry of Trade (MDIC) and at the Ministry of the Environment (MMA) on the regulation of the National Policy on Climate Change, as well as discussions on the same topic with government authorities in the states of São Paulo, Minas Gerais and Rio de Janeiro.

6.12. Relationship with Political Parties

(Correlation with the Global Pact Principle: 10)

To guide our relationship with candidates running for elections, in 2007 Votorantim created the **Conduct Guide for Electoral Processes** with the purpose of providing institutional and legal support in this relationship.

The document contains information, guidelines and recommendations that should serve as a benchmark for Votorantim's corporate conduct in electoral processes. We understand that the behavior of the Organization, as well as each of its employees, should follow the principles of solidity, ethics, respect, entrepreneurship and unity, and that participation in the electoral process should be guided by legality, ethics and transparency.

The Conduct Guide for Electoral Processes is reviewed or updated whenever needed, in accordance with the laws and criteria set forth by government authorities at each election. The Guide is distributed to Organization leaders at managerial level and above. In 2012, the Guide will be updated to reflect the laws in effect for this year's municipal elections and will be distributed to all managers.

With regard to donations to political parties, Votorantim makes regular donations in all elections to various parties and candidates, as far as possible, regardless of ideological and programmatic issues. When donating, the Company does not prioritize parties or candidates who advocate for its industry sectors. Furthermore, it takes into account the background, attitude, values and transparency of the candidates. Since Votorantim does not belong to any political party, it seeks to strike a balance in its electoral contributions so as to help ensure the constant improvement of the Brazilian democracy. To guarantee transparency, all our donations are filed with the Brazilian Supreme Election Court (TSE) -

<http://spce2010.tse.jus.br/spceweb.consulta.receitasdespesas2010>.

6.13. Environmental Management

(Correlation with the Global Compact: Principles 7, 8 and 9)

VID adopted in its positioning the commitment and responsibility towards the environment by investing continuously in implementation of new technologies, mitigation and improvement initiatives, R&D, studies and innovation.

To organize and guide our priorities, we set up an **Environment Team**, a transverse group that meets to discuss work plans for issues related to emissions, waste, water, biodiversity, and permits in all VID's Business segments. We also have an **Energy Team** focused on energy related initiatives and energy efficiency projects.

In 2011, VID invested R\$472.6 million in environmental management initiatives and projects, a 52.3% increase over the total amount invested in 2010 (R\$310,3 million).

- Energy

VID boasts an installed power generation capacity through water sources of 856 MW spread across 20 power plants currently in operation.

In 2006, we implemented the **Energy Efficiency Program** whereby we conduct a mapping of all our industrial processes and measure the energy performance of each process using a specific metric – the gigajoule (GJ) – consumed per ton produced. Energy efficiency targets were set for all VID Business segments and, as a result, energy rates per ton of product were improved until 2010.

From 2007 to 2011, we saved 5.7 million gigajoules or R\$60.7 million.

- Water and wastewater

As we have a huge range of operations, we closely manage our many different uses for water. The management of water resources is carried out by each Business segment through actions to optimize and reduce consumption.

At the Environment Team meeting topics such as consumption growth, improvement actions and their results and prospects are discussed. Specific discussions within the Environmental Management System are also held by VID's Business segments.

- Climate Change/GHG Emission Management

VID is constantly attentive to climate change, an issue that is gaining increasing importance in the global arena, and we continually seek to contribute positively considering that we have a wide range of operations and, consequently, are major emitters of Greenhouse Gases (GHGs).

In 2011, the 17th Conference of the Parties to the United Nations Framework Convention on Climate Change, COP-17, was held in Durban, South Africa, from November 28 to December 9. Votorantim was invited to speak in two side events at COP-17, when we demonstrated our strategy and practices in GHG management.

We also participate on a regular basis in other discussion forums on climate change in the Brazilian Business Council for Sustainable Development (CEBDS), in the Brazilian Ministry of Trade (MDIC) and in the Ministry of the Environment (MMA).

Since 2009, VJD has disclosed its emissions inventory on a yearly basis comprising direct and indirect emissions and including even contract transportation services exclusive for VID (Scope 3). The inventory is published in Brazil's GHG Protocol (<http://www.registropublicodeemissoes.com.br/>). In 2011, the VID inventory received the gold seal from the Brazilian GHG Protocol for disclosure of emissions in all its Brazilian operations, including some suppliers' operations, and for being audited by independent auditors.

In 2011, we enhanced our investment guidelines for the selection of options that promote GHG emission reduction. We also began encouraging our key suppliers to produce inventories (with the support of the CEBDS), and we conducted internal discussions with a focus on specific emission reduction or stabilization across VID's Business segments.

- Materials

VID uses materials in its production processes in a conscious and responsible manner. Management of the materials is performed in each Business segment according to their operational particularities and needs.

- Waste

Our mineral activities result in significant waste. Waste management in our daily work routine covers waste generation, storage, processing, and disposal. The disposal methods comply with currently laws. We are committed to reducing our waste disposal in landfills by 50% by 2020.

An example of this commitment can be seen in the **Votorantim Metais** facility at Morro Agudo (Minas Gerais State) whereby 880,000 tons of limestone dust is produced from waste from the zinc smelting process as part of the "Zero Waste" Program at that VM Unit. Limestone dust is used for correcting soil acidity in agriculture. Revenues from the sale of limestone dust in 2011 totaled R\$6.8 million.

- Biodiversity and Protected Areas

Our operations in Brazil are concentrated mainly within the Atlantic Rainforest and *Cerrado* biomes, besides scattered locations in the Brazilian *Pampas* and *Caatinga*.

Each VID Business segment manages its biodiversity aspects independently, but we need to make progress in this respect.

A bibliographical survey was completed in December 2011 with the purpose of mapping the areas of our operations in Brazil considered to be a conservation priority by the Brazilian Ministry of the Environment. The survey also included flora and fauna species in those areas.

Within the next five years, we plan to develop common practices, identify the impacts of our operations against ecosystem services and assess these services in VID's priority areas. To this end, we are currently developing a project jointly with the Brazilian Business Council for Sustainable Development (CEBDS) and with other companies to study the tools available and assess the dependence and quality of ecosystem services.

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