



COMPANY OFFER TO SETTLE THE STRIKE

March 7, 2010

BACKGROUND

The parties had extensive discussions about all issues from mid-April up until the commencement of the strike by the Union and its members at both Sudbury and Port Colborne. These discussions occurred both at the main table and in the six subcommittees dealing with health and safety, contracting out, trades, training, dispute resolution and monetary matters.

In the last month of these negotiations and continuing, Vale Inco has been in the midst of a world-wide restructuring intended to make each operation, including Sudbury and Port Colborne, cash-flow positive (after all costs) and self-sustaining in all business cycles. As part of that initiative, there has already been a significant change in both our line management structure and our support functions, such as Human Resources, and a substantial reduction in the number of staff required in the restructured business. It is expected, as discussed with the Union, that fewer hourly employees will be needed going forward. It is the hope of the Company that any layoffs resulting from the restructuring will be minimized through continuing retirements and the offered Special Retirement Bonus and Special Retirement Incentive.

In order to be self-sustaining, we must be able to deal with all environmental and legacy costs, including pension costs and the current solvency deficiency for the Ontario Pension Plan of approximately \$725 million dollars as at December 31, 2008. In addition, we must become more efficient and productive in order to be truly competitive with other operations around the world.

This proposal takes into consideration our discussions and all proposals given and received. The parts of this proposal that apply to Local 6200 will be specifically identified.

Term Of The New Collective Bargaining Agreement

Effective on ratification and in effect up to and including May 31, 2015

NON-MONETARY MATTERS

Non-Monetary Language Changes

1. There are more than 35 substantive amendments that have been agreed to by the company and the union. A list of these changes is attached as Appendix "A".
2. There are a number of housekeeping amendments that have been agreed to and the list of these changes is attached as Appendix "B".
3. There are additional non-monetary proposals that are referred to within the specific proposals relating to each subcommittee.

Health and Safety

1. A revised Environmental Awareness Committee letter which focuses the work of the committee on the natural environment has been agreed to.
2. We have agreed that all regular members of Operation Health, Safety and Environment (OHSE) Committee will receive time off from their regularly scheduled shift with compensation on the Day of Mourning to allow them to attend the day's events.
3. We have agreed that all regular members of OHSE Committees will receive basic certification and hazard specific training.
4. We have proposed a revised Joint Occupational Health Study Program letter that allows for the establishment of more than one study group at locations other than just a Canadian University and that clarifies that the funding is \$750,000 over the life of the CBA, with no carryover.
5. We have proposed a revised Schedule "J" that provides for a reduction of one Worker Safety Representative resulting from the closure of South Mine and the establishment of a new separate OHSE Committee for the Central Labs.

All proposals that have not been agreed to are attached as Appendix "C".

Contracting Out

The company recognizes the excellent work and accomplishments of the joint Contracting Out Committee and fully supports its continuation. The following proposals are intended to be in support of increasing our business results through flexible resourcing while, at the same time, further reducing contracting out. The ability to increase our efficiency is an outcome essential for strong business results which in turn will allow us to be more competitive for capital investment by Vale in the Ontario

Operations. The need for improved efficiency is also reflected in a number of additional proposals contained in this document. All flexible resourcing groups/crews can perform work throughout the Sudbury District without restrictions.

1. Although the Mines Training Centre has been suspended until further notice, the All Mines Development Department will remain active and continue to perform assigned mine development work.
2. In recognition of the positive impact on both business results and the reduction of contracting out, we have proposed to increase the Construction Group from 15 to at least 18 employees, with the potential for further increases depending on the availability of suitable work and continuing positive business efficiency results.
3. We have agreed that the current Smelter Field Services workgroup will be renamed the Central Field Services Workgroup and expanded from 12 to at least 18 employees, with the potential for further increases depending on the availability of suitable work and continuing positive business efficiency results.
4. The new All Mines Construction Group of at least 12 employees is recognized and agreed to, with the potential to increase the group complement depending on the availability of suitable work and continuing positive business efficiency results.
5. A Contracting Out Initiative review is a necessary element in our continuing efforts to reduce contracting out while increasing business efficiency. Over the years, and especially in the last twelve months, there have been major changes in the company's organizational structure and work requirements/methods which have not been properly reflected and applied in either our contract language or our joint approach to dealing with contracting out matters. This Initiative has been agreed to and may be assisted by third-party facilitation.
6. Establish, by way of a Letter of Agreement, that the company can purchase mobile equipment for use by a contractor performing underground work related to capital expenditures. Upon completion of the capital work by the contractor, the purchased equipment may be retained by the Company for use by its employees. This will result in significant savings because it allows Vale Inco to use its purchasing power to get a lower price and avoids the additional cost of dismantling and removing the equipment from underground locations on completion of the contractor's work.

All proposals that have not been agreed to are attached as Appendix "D".

Trades

1. The company and the union have agreed to provide existing employees an opportunity to advance their careers by entering into an apprenticeship program. Accordingly, during the term of the new CBA, the company may, subject to the requirements of operations and its continued participation in external programs

with post-secondary institutions, enrol a number of employees in company-funded apprenticeships.

2. We have agreed to amend the language in Sections 20.01, 20.09 and Schedule "E" to align with our current business reality by properly listing the trades in the company's operations as of the date of our new CBA.
3. The company has proposed that the New Trades Classifications letter on page 204 of the CBA be deleted. This letter was written 13 years ago in 1997 to provide for the introduction of three new trades classifications. These classifications are now fully established and integrated as part of the trades workforce and the letter is no longer required.
4. As discussed in the Trades subcommittee, reducing the cost and lost productivity impact caused by the high volume of trades movement through the job posting procedures is a critical efficiency improvement required by the company for the future. By way of illustration, during the life of the 2006-09 CBA, there were more than 850 Plant relocations among the 1200 trades employees. Each movement requires training, orientation and an additional period of time on the job to develop proficiencies specific to job requirements. To achieve the necessary business efficiencies there should be one job posting movement from one Plant to another Plant for each employee in any continuous three-year period with the ability to provide for exceptions in special or hardship circumstances.

All proposals that have not been agreed to are attached as Appendix "E".

Training

As in other areas, the training required to enable employees to properly and fully perform their jobs has changed significantly over the years. In many classifications, new hires require much more extensive training and orientation than before. Existing employees often come to new jobs via transfer or posting and still require substantial training before being ready to do the job proficiently. The current process of posting trainee jobs and then relying on those trained through that process to fill future vacancies has proven unsatisfactory for the company and employees resulting in a large backlog of trainee postings, duplicate training and training that is never used. This is another essential efficiency improvement area for the company.

1. Lengthen the probationary period to six months in order to allow new hires to be oriented, trained, and evaluated on the job. Work has become more complex and we know that no hiring process is infallible. This will allow us to establish a better quality workforce for the future and give some employees a better chance of being successful rather than terminated for uncertainty. In connection with this, we agree that the restriction on grievance and arbitration dealing with the termination of probationary employees should be removed from Section 11.32.
2. Establish, on a trial basis for the term of the new CBA, a new process for filling unlimited job postings that allows the senior applicant who meets the normal pre-

requisites of the job to be awarded the job and then be fully trained for the position. This will make trainee jobs unnecessary and allow the employee and the company to gain the immediate benefit of the training. In addition, establish a process that allows the applicant to return to his/her job if he/she cannot complete the training or fulfill the normal requirements of the job.

3. Currently unlimited request transfer rights are preventing certain high value locations from achieving their potential, in part by creating high turnover, increased training costs and lost productivity. To achieve necessary business efficiencies, we have provided that employees must have three years of continuous service in order to apply for a request transfer. Additionally, it is proposed that an employee who is the successful applicant for a request transfer remains in his/her new department for a period of at least three consecutive years before being eligible to apply for a new request transfer. In both cases, exceptions are provided for in special or hardship circumstances.
4. In connection with paragraph 3 above, provide for the ability of request transfer applicants to visit the new department prior to the awarding of transfers. The successful applicant will be provided with a release date for transfer to his/her new location.

All proposals that have not been agreed to are attached as Appendix "F".

Dispute Resolution

During the life on the 2006-09 CBA there were more than 4900 grievances filed and processed through the grievance procedure. The statistics also show that more than 1700 (34%) of the grievances were about contracting out. By any kind of objective comparison, this is a staggeringly high volume of disputes. Clearly, in many respects we have a culture of conflict rather than problem-solving and should be taking steps to correct it. The following proposals are intended to assist us in this direction.

1. The parties have agreed to establish a six-person Dispute Resolution Education Committee consisting of the three Chief Stewards and three persons appointed by the company to develop and deliver a dispute resolution education/training package for supervisors and union stewards in each plant. This education/training package is intended to create a more effective dispute resolution system through increased knowledge of the grievance process and the collective bargaining agreement. This initiative will be completed by December 2011.
2. Provide for all Stage Two grievances being heard at the Plant where the grievance was filed.
3. Implement a new and separate process for dealing with contracting out grievances which provides that all contracting out grievances will be filed with the employee's supervisor and heard at a Stage Two meeting held in the Plant where the grievance was filed.

4. Amend Section 9.05 to provide that there shall be no separate treatment of absence without leave or failing to notify of intended absence.

In view of the major restructuring now underway and the reduction in support functions, there is a need to enter into discussions with the union to redesign our dispute resolution process so that it will be capable of responding effectively to the needs of our employees and the business. At a minimum, because of the extensive reduction in management availability, this redesign will have to establish a two stage grievance process and significantly reduce the administrative work associated with the current procedure. We have proposed a letter of agreement that provides for this redesign being completed by December 15, 2010. Until such time, a revised grievance procedure and revised Schedule "C" (Schedule "B" for Port Colborne) as set out in the attached Appendix "G" will be in effect. Failing agreement on a new redesigned grievance procedure by December 15, 2010, the attached revised grievance procedure and Schedule "C" (Schedule "B" for Port Colborne) will remain in effect.

All proposals that have not been agreed to are attached as Appendix "G".

General

We wish to encourage the continued employment of summer students. For this purpose, establish a separate classification for students with a fixed competitive student rate and benefits. Students are not eligible for any type of bonus compensation.

The Company will be introducing, not earlier than January 1, 2011, both biweekly pay and electronic job posting during the term of the new Collective Bargaining Agreement and proposals that deal with these matters are attached as part of Appendix "H".

These proposals are attached as Appendix "H".

MONETARY MATTERS

Cost of Living Allowance

Continue the existing Cost of Living Allowance formula for the term of the new CBA.

Effective on ratification, roll into the current wage rates the existing COLA float of 28 cents per hour.

Effective June 1, 2011, June 1, 2012, June 1, 2013 and June 1, 2014 roll into the wage rates the COLA float in existence on those dates.

This proposal is attached as Appendix "I".

Wages

Continue the existing wage rates for the first year of the new CBA.

Increase the wage rates in Schedule "F" (Sudbury) and Schedule "E" (Port Colborne) by 10 cents effective June 1, 2011.

Increase the wage rates in Schedule "F" (Sudbury) and Schedule "E" (Port Colborne) by 15 cents effective June 1, 2012.

Increase the wage rates in Schedule "F" (Sudbury) and Schedule "E" (Port Colborne) by 25 cents effective June 1, 2013.

Increase the wage rates in Schedule "F" (Sudbury) and Schedule "E" (Port Colborne) by 30 cents effective June 1, 2014.

This proposal is attached as Appendix "J".

Pension

More than 30% of the current workforce will not have 30 Years of Employment With Pay when they reach age 65. Consequently, they will not be eligible to retire and receive the full value of the existing defined benefit pension plan contained in Article 23 because of their age and projected continuous service at retirement. The company recently introduced a new 8% defined contribution (DC) pension plan for staff employees that is among the more generous DC pension plans in Canada and wishes to make participation in a similar plan available to employees on a voluntary basis on June 1, 2010. Employees hired on or after June 1, 2010 will only be eligible to participate in this new pension plan.

The new pension plan provides for company contributions equal to 8% of employees' regular basic earnings (hourly rate X regular hours worked plus regular vacation during the year). Employees may have the opportunity to make additional voluntary retirement contributions ranging from 2% to 6% of an employee's regular basic earnings with a form of matching company contributions of up to 50-100% based on age and years of service.

1. All current employees will continue to participate in the existing pension plan under Article 23 in accordance with its terms unless any employee voluntarily opts for participation in the new pension plan effective June 1, 2010.
2. Employees who voluntarily opt to participate in the new pension plan may do so in one of two different ways:
 - Participate in the new pension plan effective June 1, 2010 for service from that date, and retain pension benefits accrued up to May 31, 2010 calculated in accordance with the terms of the existing pension plan.

- Participate in the new pension plan effective June 1, 2010 for service from that date, and transfer the lump-sum value of pension benefits accrued up to May 31, 2010 under the existing pension plan to the new pension plan.
3. Employees who participate in the new DC pension plan will have company pension contributions continue while employees are away from work and in receipt of WSIB benefits or Sickness & Accident benefits, or on an approved leave of absence for up to 52 weeks.
 4. DC pension plan retirees will be eligible for post-retirement health care benefits on the same basis as DB plan retirees.

Defined Benefit Pension Increases

Effective June 1, 2010, increase the pre-65 minimum monthly pension (bridge benefit) by \$150 to \$3,450 and the basic benefit by \$1 from \$56 to \$57.

Effective June 1, 2013, increase the pre-65 minimum monthly pension (bridge benefit) by \$100 to \$3,550 and the basic benefit by \$1 from \$57 to \$58.

Long Term Disability Plan

The Company will introduce a new Long Term Disability Plan for employees covered by the new Defined Contribution Pension Plan. For these employees, this LTD Plan will provide benefits in the same amounts as the Disability Pension benefits for employees under the Defined Benefit Pension Plan.

Retirement Benefits for Pre-1988 Retirees

- Renew the continuation of The Ontario Pension Plan Side Fund 2 for six years. This fund provides for pension indexing for the pre-1988 retirees and their surviving spouses.

Bonus

Provide for a new bonus plan as follows:

- 25% based on that portion of the Annual Incentive Plan (AIP) announced by Vale that is calculated according to Vale's Cash Flow Return On Gross Investment (CFROGI) and Relative Total Shareholder Return (TSR) (paid annually).

- 75% based on the better of Nickel Price Bonus or Earnings Based Compensation to be paid quarterly as now provided for in our collective bargaining agreement.
- The maximum bonus payable in any year under the plan is 20% of an employee's regular straight time pay received during the year.

The existing Nickel Price Bonus trigger will be amended to \$3.50.

The existing Nickel Price Bonus and Earnings Based Compensation Plans will be amended to provide that the amount paid in each quarter will not exceed an amount equal to 75% of 20% of the employee's regular straight time pay received in the quarter.

This proposal is attached as Appendix "K".

Health Care

1. The company and the union have agreed to renew the Health Care Letters, as amended. This allows for the continuation of the health care benefits to our employees and retirees.
2. The company and the union have agreed to upgrade the application of Ontario Dental Association Schedule of Fees in Section 24.02 so that effective the date on which the new collective agreement is ratified, the applicable fee schedule will be the 2009 ODA schedule, January 1, 2011, the 2010 ODA schedule and January 1, 2012, the 2011 schedule, January 1, 2013, the 2012 ODA schedule and January 1, 2014, the 2013 schedule, and January 1, 2015, the 2014 ODA schedule.

This proposal is attached as Appendix "L".

Supplemental Unemployment Benefits (SUB) Plan

Increase the funding of the Supplemental Unemployment Benefits (SUB) Plan by \$1.7 million.

Pregnancy Leave Supplemental Pay

The company and the union have agreed to provide a new pregnancy leave supplemental payment for qualified employees equal to 90% of the employee's regular straight time wages (on a 40 hour a week basis) during the 17-week pregnancy leave.

Special Retirement Bonus

The Ontario Operations must become cash-flow positive and self-sustaining in all business cycles. A likely consequence of this is a reduction in the number of production and maintenance employees. In order to try to minimize or even avoid layoffs, the company proposes that a special one-time retirement bonus of \$20,000 be paid to any employee with 30 or more Years of Employment With Pay (YEWPS) as of July 1, 2009 who retires between the date on which a new collective agreement is ratified and September 30, 2010.

Special Retirement Incentive

For the same reasons stated in the case of the Special Retirement Bonus, the company proposes a special one-time retirement incentive for any employee who as of July 1, 2009 has 27 or more but less than 30 Years of Employment With Pay (YEWPS).

Any such employee who retires between the date on which the new collective agreement is ratified and September 30, 2010 will be deemed to have 30 YEWPS for the purpose of his/her pension entitlement.

Recognized Holidays

The company and the union have agreed to add Family Day as a new recognized holiday.

Vacation Bonus (Port Colborne)

Increase the vacation bonus in Section 15.05 from \$300 a week to \$325 a week.

This proposal is attached as Appendix "M".

Special Return to Production Bonus

Provide for a special Return to Production Bonus of \$3,000 as set out in the attached Appendix "N".

This Agreement is conditional upon the parties entering into a Return To Work Agreement.

In the event that this Proposal is not ratified, the company reserves the right to withdraw or modify this proposal at any time in the future.