



SUSTAINABLE DEVELOPMENT CHARTER OF THE VALLOUREC GROUP

Vallourec develops its sustainable development policy within 3 dimensions:

- Financial
- Human
- Environmental

The present charter describes common principles valid for the Group as a whole, but the decentralized structure of the Vallourec Group implies a local implementation adapted to the specificity of each country.

1 – PRINCIPLES

1.1. Financial policy

- * Vallourec operates on cyclical markets and therefore has to insure its survival and its ability to invest during the lows: this must be linked to a reasonable use of external financing.
- * Vallourec wants to develop its activities. This implies assigning clear goals of growth and profitability to each entity of the Group. The growth of environmental consciousness inside the Group and among its customers is seen as an incentive to save resources and develop new products. This trend should therefore contribute to improving the results.
- * Vallourec looks for the continuing support of stable shareholders and defines accordingly its policy of dividend distribution and of transparency in its external communication.

1.2. Human and social policy

- * Vallourec bases its development on the operational excellence of its staff and the high motivation of respected individuals.
- * Wherever it operates, Vallourec is respectful of international conventions and national laws and adapts itself to local practices.
- * Vallourec is convinced that safety and good working conditions, enhanced by continuous progress teams, are prerequisites to achieving sustainable development. For this, each facility must identify its risks and put the necessary measure in place to prevent and control these risks on a daily basis.
- * Vallourec employs a qualified permanent staff, well trained to adapt to the evolution of demand and adjusted in number to the sustainable level of activity. Peaks in activity are addressed by the use of extra time and temporary workers. Lows are addressed by instruments of reversible flexibility, avoiding permanent staff lay-offs except in case of structural reorganizations.
- * Workforce efficiency is enhanced by dynamic training programs and efficient knowledge management systems.
- * Vallourec compensation policy is motivating and fair and includes profit sharing programs.

1.3. Environmental policy

- * Vallourec policy is to respect laws and regulations, prevent pollution in order to maintain the earth's biodiversity and to ensure our continuous improvement in this field and in others.
- * Vallourec growth is based on an optimal use of resources, and more specifically non-renewable resources such as raw material and energy, and on a R&D policy for clean technologies and environmentally friendly products.
- * Priorities of our environmental policy include:
 - avoidance of soil and water pollution
 - reduction of water consumption, and adequate waste water treatment
 - reduction of air pollution and especially the emission of green-house effect gases
 - reduction and clean disposal of industrial waste
 - reduction of noise annoyance.
- * Each manufacturing facility shall methodically identify its environmental risks and put the necessary measures in place to prevent and control these on a daily basis.
- * Each manufacturing facility has to interact with local policies relating to neighbourhood improvement and to act in coordination with local authorities to create a favourable and competitive business climate and avoid competition distortions.
- * All investments or product developments include a study of their environmental impact.

2 – METHODS

The management of each subsidiary of the Group is accountable for its sustainable development policy, customized to its local context and type of activity. In each country a coordinator takes care of matching Group principles with local constraints.

A certain number of key parameters are reported to the Group Industrial Policy Department in order to check the application of the present policy and to collect data which have to be communicated externally.

The sustainable development policy is not described in a separate document but is included within all internal policies, management systems, quality manuals, procedures and instructions. The totality of Vallourec personnel has to participate in the implementation and the improvement of this policy. Progress in all domains is monitored through reporting check lists.

Reporting from each company of the Group includes at least the following elements:

- * Finance
 - Revenue, EBITDA and Net Result
 - Equity, External Debt and cash positions
 - Capital expenditures and cash-flow statements
- * Human resources and Quality
 - Status of ISO 9001 and other key certifications
 - Level of permanent and temporary staff, % of extra hours and of short work contracts
 - Personnel volatility (quantities in and out)
 - Training expenses and personnel involved
 - Number of continuous improvement teams
 - Safety parameters (frequency, gravity, etc.)
 - Amounts paid to the personnel within profit sharing programs (whenever applicable)

- * Environment
 - Degree of conformity to laws and regulations
 - ISO 14001 certifications
 - Yield and scrap percentage in raw material input
 - Energy consumption (electricity, gas, fuel, coal, etc.)
 - Water consumption, % recycled
 - CO2 emission volumes, carbon rights balance
 - Waste volumes with the following detail (suspended solids, oxygen depletion, hydrocarbon, metals)
 - Cost of environmental protection (fines, investments, cost of specialized staff)

- * Outstanding examples of environmentally friendly realizations.

3 – GOALS

As part of continuous improvement:

- * Vallourec will give its orientations and define some general goals.
- * Each facility will be ISO 14001 certified in 2008.
- * Each facility will set its own goals according to its particular context and risk analysis.

P. Verluca
Chairman of the Management Board