

September 22, 2023 (updated April 25, 2024)

To
Business and Human Rights Resource Centre (BHRRC)

Re: Letter on 'Call for Prompt and Appropriate Action to Urge Vale to Take Measures to Protect the Basic Human Rights of Local Communities Surrounding Sorowako Nickel Project'

Vale, SA appreciates the opportunity to respond to the BHRRC regarding human rights and environmental inquiries surrounding the PTVI Sorowako Nickel Project.

It was with great concern that Vale acknowledged receipt of the Friends of the Earth (FoE) Japan and Indonesian Environmental Forum (WALHI) South Sulawesi letter, which was sent to Vale shareholders Capital Group, Previ, Mitsui & Co., BlackRock) and PTVI's ("the Company") in August 2023. We appreciate the opportunity to clarify some misunderstandings contained in the letter.

PTVI has pursued sustainable nickel mining and processing excellence since its establishment in 1968 and remains committed to ethical practices and ESG principles. The Company prides itself for operating under high environmental and social standards and prioritizing the safety of people and the environment, acting with respect, care, and integrity for its employees, contractors, and community members.

Vale and PTVI remain open to listening to and to understand the concerns and opinions of our stakeholders. We take these opportunities seriously and are happy to inform that there is an open dialogue in progress seeking to clarify and address the issues with the communities that raised the socioenvironmental concerns related to PTVI. The Company is also engaging with the local NGO (Walhi) as well. Vale therefore welcomes the opportunity to provide the following clarification.

On the social front, PTVI's interactions with local communities are rooted in dialogue and mutual agreement, ensuring just compensation in line with international guidelines and legal standards. Within the PTVI concession area, unlawful settlement/encroachment has existed for several years, and the Company has engaged relevant government authorities and stakeholders regarding the issue. PTVI appreciates that local communities have established livelihoods, though unlawfully, within certain mining areas and engages in productive dialogue with these individuals/communities and stakeholders in an effort to find a reasonable resolution, despite such activity being considered unlawful.

In conducting land acquisition and/or livelihood compensation, PTVI complies with prevailing laws and the standards and restoration calculations are mutually agreed upon with the community involving the local government. All activities related to resettlement and compensation follow internationally recognized practice guidelines. The farmers, for example, mentioned in the letter, who were subjected to involuntary removal, were duly compensated.

PTVI also maintains an accessible grievance mechanism for the community to raise complaints or concerns and carries out a formal process for treating demands and complaints from interested parties.

Respecting Human Rights is of paramount importance to PTVI. We place a high value on upholding these principles throughout our operations. Our Code of Conduct (CoC) and Human Rights Policy are aligned with international standards, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the Voluntary Principles on Security and Human Rights (VPSHR). We ensure all security teams undergo training on Human Rights so they may carry out their duties in accordance with the VPSHR and the UNGPs and with due regard for the proportional use of force.

Our Company's approach to conflict resolution centers on fostering open dialogue with communities, local authorities, and other interested parties as a means to resolve conflict. PTVI is unwavering in its commitment to providing a safe and healthy workplace to its employees, contractors, and suppliers. Any reports of threats or harassment are treated seriously and reported to the relevant authorities in compliance with Indonesian laws and regulations.

Regarding the recent events mentioned in the letter, near the Asuli and Lembo South area in 2023, it is essential to clarify the circumstances. In February 2023, a spontaneous protest took place within the Asuli village community due to PTVI's plans to initiate mining operations. PTVI engaged in dialogues with the Asuli village community, and these discussions included the active participation of local government officials. The primary objective of these dialogues was to reach mutually agreeable terms regarding livelihood programs for the community. There were no interventions by local authorities at this demonstration.

In a subsequent demonstration mentioned in the letter, the situation escalated, leading to property damage involving PTVI assets. To prevent any further escalation and to ensure the safety and security of all individuals involved, PTVI informed local authorities. In this specific incident, when demonstrators vandalized a bus owned by PTVI, the police intervened with the aim of maintaining safety and security for all parties present. PTVI maintains a positive and constructive relationship with all stakeholders, which includes the military and police. Additionally, it should be noted that the armed forces have publicly affirmed that their activities were routine in nature and that they are not involved in PTVI's exploration work.

On the environmental front, historically, the local community of Asuli village had limited access to water sources and depended on water storage ponds for water supply. Before PTVI started mining activities, it carried out a comprehensive hydrological analysis to minimize potential impacts on existing water sources and storage ponds. This analysis revealed that pre-existing water storage ponds already had brown and muddy issues, with limited water volume, confirming that poor spring water quality existed before mining operations arrived in the area.

Despite the limited extent of mining operations in the Lembo South block and the absence of any negative impact on local communities' water storage ponds, PTVI has taken proactive steps in constructing several water tank facilities to meet the needs of neighboring communities, especially Asuli village.

In Sorowako, PTVI efficiently manages over 120 wastewater treatment facilities spanning over 250 hectares to ensure water disposal is in line with required standards. Rigorous testing and sampling of effluents are carried out daily. To underscore its commitment, the Company keeps records of water quality collaborating with accredited (for the collection and processing of wastewater) independent laboratories, together with regular government oversight and assessments.

In Sorowako, including the Asuli village, PTVI implemented the provision of water tanks to facilitate access to clean and safe water, strengthening the water supply infrastructure of local communities. Hydrological analysis is carried out and highlights that the mining activity does not impact the water supply. Involvement with communities, together with collaboration with local authorities, is registered.

Since July 2023, the Asuli community has taken control of a self-managed water system initiated and supplied by PTVI. Through active participation, the community maintains the operation and maintenance of this system, ensuring the sustainable availability of clean water.

PTVI also addresses issues related to hexavalent chromium (Cr6+) in its operations. The 2022 PTVI Sustainability Report highlights monitoring and sampling efforts, consistently demonstrating that Cr6+ levels in effluents remain below permitted limits.

Following the notice, in October 2023, Vale Base Metals (VBM) established a task force to support PTVI in assessing and strengthening their approach to social, human rights, and environmental impact management in the region. An investigation was commissioned and VBM is carefully reviewing the findings to align next steps to be implemented by PTVI and will be monitored through the agreed governance procedures.

Vale and PTVI reinforce that we remain available to clarify the points that are laid herein with Friends of the Earth (FoE) Japan and Indonesian Environmental Forum (WALHI) South Sulawesi, stakeholders, and rightsholders. We also welcome interested parties to access the *Statement on PT Vale Indonesia Tbk* published on the Controversies page of [Vale's ESG Portal](#).

Sincerely,

Vale, SA.