



February 27, 2024

To: Investors holding shares in Vale or PT Vale Indonesia

**Re: The Updated Situation of the Basic Human Rights of Local Communities Surrounding Sorowako Nickel Project**

It has been more than four months since we informed you of the human rights situation in the Sorowako area in October 2023, and we convey to you our grave concerns that during this period there has still been no fundamental resolution of the problems on the ground.

Among those, our most concern is that there are reports that PT Vale Indonesia's (PTVI) exploration activities in the Tanamalia Block, which are currently suspended, may be resumed as early as this coming March.

We understand that PTVI's exploration permit (IPPKH: Ijin Pinjam Pakai Kawasan Hutan / Borrow-to-Use Permit For Forest Area) for the Tanamalia Block has expired on October 3, 2023. While we are still inquiring with the Ministry of Environment and Forestry (KLHK) as to the status of the issuance of a new permit, for the following reasons, we emphasize that conditions are not in place for PTVI to carry out any exploration or mining activities in the Tanamalia Block. First, PTVI has not yet had the opportunity for appropriate, meaningful, and interactive meetings with women as well as farmers cultivating pepper in Loeha Raya. This is despite our request that you engage with PTVI/Vale to ensure that such occasions are provided.

Such behavior by PTVI toward the farmers and women in Loeha Raya violates the World Bank Group's International Finance Corporation (IFC) "Performance Standards on Environmental and Social Sustainability" (PS), with which the Vale claims to comply regarding resettlement and compensation measures, at least in the points set forth in the table below.

Relevant sections and provisions of the IFC PS	Situations on site that violate the IFC PS
<p>PS 1 “Assessment and Management of Environmental and Social Risks and Impacts”</p> <p>Stakeholder Engagement</p> <p>Para 26. Clients should identify the range of stakeholders that may be interested in their actions and consider how external communications might facilitate a dialog with all stakeholders.</p> <p>Para 27. The client will develop and implement a Stakeholder Engagement Plan that is scaled to the project risks and impacts and development stage, and be tailored to the characteristics and interests of the Affected Communities. Where applicable, the Stakeholder Engagement Plan will include differentiated measures to allow the effective participation of those identified as disadvantaged or vulnerable.</p>	<p>- PTVI has failed to identify and analyze the many stakeholders, such as pepper farmers, agricultural workers, including women, and those engaged in pepper-related economic activities, prior to the start of exploration in early 2022.</p> <p>- PTVI has failed to ensure that socially vulnerable communities, such as women and agricultural workers, are adequately involved in the consultation and decision-making process from before the exploration began in early 2022 to the present.</p>
<p>PS 1 “Assessment and Management of Environmental and Social Risks and Impacts”</p> <p>Disclosure of Information</p> <p>Para 29. The client will provide Affected Communities with access to relevant information on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism</p>	<p>- PTVI has failed to adequately disclose to the pepper farmers the information related to (i) to (v) listed in the left column from before the exploration began in early 2022 to the present.</p>

<p>PS 1 “Assessment and Management of Environmental and Social Risks and Impacts”</p> <p>Consultation</p> <p>Para 30.</p> <ul style="list-style-type: none"> <li>- When Affected Communities are subject to identified risks and adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the Affected Communities with opportunities to express their views on project risks, impacts and mitigation measures, and allows the client to consider and respond to them.</li> <li>- Effective consultation is a two-way process that should: ..... (iv) be free of external manipulation, interference, coercion, or intimidation.</li> </ul>	<ul style="list-style-type: none"> <li>- PTVI has failed to provide adequate opportunities for pepper farmers to express their opinions from before the exploration began in early 2022 to the present.</li> <li>- PTVI has allowed the involvement of military and police officers against the protesting pepper farmers, undermining the basis for effective consultation through a two-way process.</li> </ul>
<p>PS 1 “Assessment and Management of Environmental and Social Risks and Impacts”</p> <p>Informed Consultation and Participation</p> <p>Para 31.</p> <ul style="list-style-type: none"> <li>- For projects with potentially significant adverse impacts on Affected Communities, the client will conduct an Informed Consultation and Participation (ICP) process</li> <li>- The consultation process should (i) capture both men’s and women’s views, if necessary through separate forums or engagements, and (ii) reflect men’s and women’s different concerns and priorities about impacts, mitigation mechanisms, and benefits, where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>- PTVI has failed to adequately inform pepper farmers and provide them with adequate consultation and participation opportunities from before the exploration began in early 2022 to the present.</li> <li>- PTVI has failed to provide adequate consultation and participation opportunities, especially for women farmers, from before the exploration began in early 2022 to the present.</li> </ul>
<p>IFC PS 5 “Land Acquisition and Involuntary Resettlement”</p> <p>Objectives</p> <p>To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs.</p>	<ul style="list-style-type: none"> <li>- PTVI has only taken actions based on the premise that farmers will be evicted, and has failed to make efforts to first avoid resettlement and loss of livelihoods of farmers.</li> </ul>

And the pepper farmers and women in Loeha Raya have consistently and earnestly demanded, and remain demanding, that their pepper farmland be excluded from the PTVI concession area.

As shareholders, you should not allow PTVI/Vale to carry out exploration and mining activities that are not in compliance with international standards. In this regard, we request that you take appropriate action/engagement with PTVI/Vale.

Meanwhile, regarding the contamination of the spring water used by the residents in Asuli village for domestic and drinking water, water distribution from the well prepared by PTVI has started, but not all the households in need of clean and safe water are receiving it. The residents have repeatedly raised their demand for PTVI to install new wells, but PTVI's response has once again been delayed.

Regarding the situation in the Tanamalia Block and the Asuli Village mentioned above, we understand that a consultant company (twentyfifty Ltd), under the instruction of Vale Base Metals, visited the Sorowako area in November 2023 and conducted interviews with the communities. And the demands of the farmers and women of Loeha Raya, as well as the residents of Asuli village, should certainly be well understood by the said consultant and communicated to Vale Base Metals.

Have the contents and results of the consultant firm's investigation already been shared with you, the shareholders, through PTVI/Vale? The consultant's investigation report should be made publicly available, so that third parties, including residents themselves, can scrutinize whether the consultant is accurately describing and reporting the opinions of the residents it has interviewed and whether the consultant is making recommendations for the communities. You, as shareholders, should also engage PTVI/Vale to make the report publicly available.

To begin with, according to what we have heard from the communities, there are a number of problems with the consultant firm's independence and its investigation methodologies. First, if the consultant firm's investigation was conducted under the instruction of Vale, and if the cost of the investigation was also covered by Vale, then the independency of the investigation is questionable at this point. In addition, during the investigation in November last year, the consulting firm coordinated meetings with a certain groups of residents through PTVI, used transportation owned by PTVI, and was accompanied by police and other authorities (although they were not present at the interviews themselves). Furthermore, the limited time of their visit meant that they were only able to interview a small number of farmers and residents, and it would have been difficult to conduct a more comprehensive investigation, including interviews with a larger number of farmers.

Therefore, we request that you, the shareholders of PTVI/Vale, carefully review the situation on the ground and the opinions and demands of the local communities, instead of just relying on PTVI/Vale's explanations and the report of the consultant company. As shareholders, we urge you to take appropriate action/engagement with PTVI/Vale to ensure that PTVI/Vale does not carry out exploration and mining activities that are not consistent with international standards. While we request shareholders to demand accountability on the issue at the Annual Shareholders Meeting to be held in April, we would also like to reiterate that the exploration in the Tanamalia Block is reportedly planned to move ahead in March and emphasize that urgent action is also warranted.

Sincerely,

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