Vale’s Response to Southern Africa Resource Watch

Transparency

Ethics and transparency are core values for Vale. Last June, the company launched its fourth annual Sustainability Report, which refers to 2010. For the second consecutive year, Vale achieved an A+ “application level,” indicating the highest level of transparency. The company reports its performance in economic, environmental and social dimensions in line with the Global Reporting Initiative (GRI) methodology.

The A+ application level requires the reporting of 90 indicators, including all profile items, management data and essential performance and Mining & Metals Sector Supplement indicators. The document has been checked by an external independent entity and verified for compliance with guidelines produced by the International Council on Mining and Metals (ICMM), to which Vale is a signatory. It has also been checked by GRI itself.

As a result of this continuous improvement with regard to transparency, Vale recently took a major step forward, as the first mining company to join the São Paulo Stock Exchange’s ISE Business Sustainability Index, a portfolio that came into effect in 2010.

Vale is in compliance with all its tax requirements, and follows the applicable legislation for its activities in Mozambique. It is also subject to the commitments taken on its concession agreement.

Vale is audited on a quarterly and annual basis by top level audit companies, in compliance with the Sarbanes-Oxley Act. The company’s financial statements are audited and disclosed in accordance with the accounting principles generally accepted in the USA (US GAAP) and Brazil (BR GAAP), as well as the International Financial Reporting Standards (IFRS). Vale has won the Investor Relations Program Award and the Transparency in Financial Statements Award.

Suppliers and local manpower

When implementing a project, Vale concerns itself with leaving a legacy for the community and country that will last longer than a mine’s lifespan. More than just generating jobs, the company works to develop mechanisms to permit the local economy to sustain itself after the end of mineral extraction.
All recruitment, training and development actions designed for the Moatize Coal Mine Project prioritize local workers and suppliers. Vale’s objective is to favor Mozambican companies when hiring suppliers of goods and services, and the company gives priority to job candidates from regions close to production areas. Vale is also running partnerships to help develop institutions and service providers, and is promoting formal and vocational education across the country through agreements with institutes and universities.

At the moment, around 84% of employees at Moatize Coal Mine are Mozambicans. The company has invested in training operators, maintenance technicians and locomotive engineers, and has run internship programs in areas such as geology, infrastructure, energy, the environment, port construction, engineering and maintenance work, mine operations, and exploration. Mozambican employees have participated in trainings at Vale’s operations in Brazil.

Between 2008 and 2011, Vale hired 439 companies registered in Mozambique, awarding contracts worth a total of approximately US$900 million. Our aim is to increase the number of contracts with local suppliers, and to that end we are implementing a Linkage Program focusing on small and medium companies, building capacity among local entrepreneurs.

**About the resettlement process**

While carrying out feasibility studies for the Moatize Coal Project, Vale identified all families living in areas earmarked for industrial activities within the mining concession area. Together with a Resettlement Commission, and supported by a specialist consultancy, Vale spent three years engaged in extensive discussions with communities and conducting specific studies to produce a Resettlement Action Plan. The Resettlement Commission was led by the permanent secretary of Tete Provincial Government. Other members included representatives of provincial authorities (responsible for mineral resources, environmental action coordination, public works and housing, and agriculture), the administrator of Moatize District, and the president of the Moatize Town Municipal Council.

Dialogue with the community began in the program’s preliminary phase. A community participation plan was created, based on studies of the territory and the resident population.

From 2005 to 2007, Vale conducted primary and secondary data surveys, qualitative and quantitative research, a socioeconomic diagnosis, an urban and environmental categorization study, and a survey to identify and register stakeholders. This research provided a detailed diagnosis of the project’s different areas of territorial focus.
The process of producing the Resettlement Action Plan and Environmental Impact Study involved extensive public engagement and participation, consisting of three public hearings, 20 theater performances in the predominant local language (Nyungwe), 110 meetings with the community and its leaders using informative tools such as flipcharts, 4,927 home visits for mobilization and social welfare purposes (involving families and leaders), and 639 social service sessions before resettlement began.

To select the host areas, certain criteria were established by the Commission. They included the following: location within the Moatize Administrative Area; lack of mining concessions in the area; the ability to access the area; lack of significant human occupation; proximity to urban centers; water availability; and favorable soil for arable farming and grazing. Eleven potential areas were evaluated, and two of them were selected: Cateme and 25 de Setembro.

The 25 de Setembro area has more urban characteristics and is located within a neighborhood in the town of Moatize. The Cateme area has a more rural nature and is located 36 km from the town of Moatize.

Families that made a living from farming, and whose habits were more associated with rural life, were given preference to relocate to Cateme.

Conversely, families with a more urban economic profile, working in activities connected with the town of Moatize, were given preference to move to the 25 de Setembro neighborhood in Moatize.

For families that were not resettled, we provided the option of “assisted compensation” (106 families chose this modality), which consisted of buying another home in line with valuation and inspection criteria, chosen by the family, which then moved there. Finally, 254 families that owned homes, farms and commercial buildings in the Resettlement Action Plan area, but did not live there themselves, were given simple compensation.

In September 2009, after negotiations and agreements had been finalized, work on resettling the families began.

The Cateme area received 716 families.

In Cateme, Vale provided the following facilities for the community:

- An elementary school: six blocks each containing three classrooms, and a library;
- Eight teachers’ houses and one house for the school principal;
• A high school: four blocks each containing three classrooms, an administrative block, a library, and an information technology room;

• A health and maternity clinic and two houses for health professionals;

• A police station;

• Laying out of streets;

• Electric power in the main street and at public facilities;

• A water supply system;

• A cereal kit and vegetable kit delivered to each family;

• A 0.6-hectare yard for each house, for growing vegetables or other activities;

• 1 hectare of plowed land prepared for growing crops;

• Another 1 hectare of land will also be provided.

The 25 de Setembro neighborhood received 289 families.

In 25 de Setembro, Vale provided the following:

• Refurbishment of Samora Machel Elementary School, remodeling and expanding six classrooms and building new restrooms;

• Refurbishment of Heróis Moçambicanos High School, constructing three new blocks each containing three classrooms and new restrooms;

• Refurbishment of the health center in the town of Moatize;

• Construction of a new police station;

• Electric power in all streets;

• Water connections in all homes.

The resettlement process was completed in August 2010. A post-settlement program was then initiated and a social program implemented. Vale Mozambique acknowledges that there are still improvements to be made to the resettled people's community infrastructure, and is working
hard to develop actions to support these families, together with government entities, to meet the demands of the resettled communities.

The following improvement actions are under way:

- Repairs to houses;
- Increase in the supply of water for productive activities, and irrigation of 20 hectares for growing crops;
- Income generation programs run in conjunction with the Provincial Agricultural Agency, including chicken breeding and other initiatives;
- Expansion of electrification to all parts of the resettled people’s communities;
- Support for the Food for Work program coordinated by the National Disaster Management Institute;
- Implementation of a transportation system in coordination with the District Administration of Cateme/Moatize;
- Improvement to access roads, including paving;
- Training in farming techniques, coordinated by the Provincial Agricultural Agency;
- Donation of an ambulance;
- A community radio station;
- Installation of a market in Cateme.

Besides the aforementioned actions, Vale is running the following voluntary social projects and actions through its Foundation, to promote the socioeconomic development of the communities in the areas where the company operates:

- Construction of a plant to manufacture antiretroviral drugs and other medications;
- A Water Management Plan for Tete;
- A project to support the building of low-cost housing in Tete;
- Construction of Moatize Sports Center;
- Rehabilitation of Tunduru Gardens;
- A project in partnership with the University of Amsterdam and Eduardo Mondlane University to train students and design an energy supply system for Mozambique;
- A preliminary plan for conserving the Boroma ruins in Tete;
- A project to encourage reading by distributing books and training teachers;
- Construction of an overnight clinic;
- Cultural and sporting festivals in Moatize;
- Cateme Model Farm.
Since it came to Mozambique, Vale has implemented various other social initiatives in the country, as listed below.

Social actions completed during the feasibility study phase:

- Remodeling and equipping of the Moatize Intermediate Institute of Geology and Mines;
- Rehabilitation of Moatize Health Center;
- Rehabilitation and expansion of Tete Provincial Hospital;
- Donation of four ambulances to Moatize District (Mobile Emergency Aid System);
- Training of health professionals;
- Construction and refurbishment of three orphanages;
- Rehabilitation of the Moatize Intermediate Institute of Geology and Mines and installation of the Educational Coal Laboratory;
- Adult literacy program;
- Family farming and rural development support for the Mafupa Ya Ndzou Rural People’s Association;
- Technical training in fashion, carpentry, vehicle maintenance, metalwork, construction and electrical work.

Social actions conducted during the mine implementation phase:

- Survey of the nutritional profile of children in the resettled communities;
- Training on nutrition for health professionals and the community;
- Anti-parasite campaigns for members of the resettled communities;
- Nutrition workshops;
- Formation of and training for model mothers’ groups;
- Talks and monitoring for pregnant women;
- Health awareness-raising campaigns (Heart Day, Anti-Malaria Day, an HIV campaign, etc.);
- Distribution of mosquito nets for all members of the resettled communities;
- Education system human resources training seminars;
- Essay-writing contest involving schools in Moatize;
- Teacher-training seminar in Moatize;
- Support for the implementation of a radio program in Cateme;
- Training seminar on developing, producing and managing cultural projects;
- Course for basketball and soccer coaches;
- Athletics training course;
- Refresher training for sports teachers and agents;
- Vacation soccer championship;
- Traditional games;
- Training for young soccer referees;
• Annual Cultural and Sports Festival (since 2008);
• Support for governmental sports programs (Second Half, Fut21, and School Games);
• Sponsorship of the Mozambique Cooking Program;
• Digital Inclusion Project: three information technology rooms installed and an information technology course conducted;
• Support workshops for farming activities in Cateme and the donation of enhanced inputs;
• Workshop on planting fruit trees and vegetables;
• Planting of fruit trees and trees to provide shade in the resettled people’s communities;
• The “Read More” project.

Social actions under way – Model Farm Program (sponsored by the Vale Foundation):

• Creation of demonstration fields;
• Creation of multiplication fields for cassava and orange-fleshed sweet potato;
• Purchase and distribution of short-cycle cassava stems;
• Training for cassava and sweet potato farmers;
• Allocation and distribution of short-cycle sorghum and corn seeds;
• Creation of an experimentation and multiplication field for yams;
• Project to build chicken coops;
• Training on animal traction techniques for farmers;
• Production and donation of fruit tree saplings for the people of Cateme (banana, orange, lime, papaya and cashew). Study on beekeeping;
• Study on breeding of quails, rabbits and goats;
• Field days at the model farm;
• Training for producers on the manufacture and use of mineral blocks and stacks;
• Training for producers on the manufacture and use of organic compounds and pesticides;
• Installation of fodder banks;
• Training courses at the flour mill, on the composting process, and on soil preparation;
• Growing of vegetables (lettuce, kale, okra, zucchini, squash, pepper, cucumber and cabbage) and the growing of other crops on 77 hectares (peanuts, sweet potatoes, beans, cassava, corn and sorghum). The output is used to donate seeds for the next harvest and surplus production is donated to public institutions.

Our mission is to transform natural resources into prosperity and sustainable development, and we are committed to leaving a positive social, economic and environmental legacy in Mozambique.

Vale S.A.