

PTVI response and action plan

Background

This document sets out PT Vale Indonesia Tbk's (PTVI) response to the findings of the investigation commissioned by Vale Base Metals (VBM) and carried out by consultancy twentyfifty Ltd in late 2023. The document sets out PTVI's statement on the investigation and summarises the actions the company will be taking in relation to the recommendations developed by twentyfifty Ltd.

Statement

PTVI welcomes the investigation and its recommendations. PTVI notes that the investigation did not seek to prove or disprove the allegations made in the letter signed by organisations including Friends of the Earth (FoE) Japan and WALHI in August 2023 (Letter), but rather to establish whether they genuinely reflected the concerns of some community members within Sorowako, Asuli and Tanamalia and, if so, whether those concerns merited further exploration and possible corrective or pre-emptive action. PTVI further notes that community members spoken to as part of the investigation also confirmed the positive contribution that PTVI has made, and continues to make, to the lives and livelihoods of its stakeholders.

PTVI accepts the main conclusion of the investigation that the concerns voiced in the Letter are sincerely held by some community members. It does not necessarily follow that all the findings reflect a comprehensive or balanced assessment. As the report notes, PTVI is operating in a complex environment. In this context, understandings and experiences may vary and there is room to dispute the accuracy or completeness of certain accounts in the Letter. Notwithstanding, the company is determined to ensure that its relationship with all the communities affected by its operations is underpinned by mutual respect and a shared interest in the inclusive development of the region. This determination is reflected in the actions the company has already started taking and which are summarised in the table below.

As one of Indonesia's leading nickel producers PTVI has promoted strong ESG stewardship, inclusive economic development and responsible land management for over 55 years. PTVI understands compliance with national regulations and legislation as a baseline minimum and has always strived to adopt emerging best practice. It is this approach that has enabled the company to be recognised as a beacon of socially responsible mining in Indonesia. As part of this commitment to continuous improvement, a commitment shared by both management and staff, PTVI regularly reviews and, as necessary, updates its policies and practice to support this dynamic alignment with evolving international standards. The investigation makes a valuable contribution to this process and provides useful recommendations on how and where the company should prioritise its time, effort and resources.

PTVI is committed to alignment with, and implementation of, international standards in Environmental and Social Governance (ESG). These include the International Finance Corporation's Performance Standards (IFC PS), The Initiative for Responsible Mining Assurance (IRMA) and the Mining Principles of the International Council on Mining and Metals (ICMM).

Our commitment is derived from our belief that all those affected by our operations – employees, contractors, and communities – deserve to be treated with fairness and dignity and is strengthened by our conviction that we can have a positive influence on the lives and livelihoods of our stakeholders.

As evidence of this commitment, PTVI will widely communicate the findings of the investigation, the recommendations, and the actions detailed below, and we will provide periodic updates on progress against these actions for review and discussion with stakeholders.

The proposed actions described below apply across all of PTVI's operations. As a first step, we will work with communities to discuss these proposed actions and how they can be implemented and monitored in ways that respond best to community needs.

Topic	Twentyfifty Ltd. Recommendations	PTVI proposed action	Status Tracker
1. Social and Environmental Performance Management	<ul style="list-style-type: none"> ● Stakeholder engagement and participation: Shift towards more proactive, participatory community engagement, with improvements in monitoring and evaluation approaches. 	<ul style="list-style-type: none"> ● In line with its commitment to fostering an atmosphere of mutual respect with all stakeholders, PTVI will continue to strengthen its approach to stakeholder relations through: <ul style="list-style-type: none"> ● Regular, predictable and proactive engagement ● Improved dissemination and communication of accessible and clear information about company activities ● Inviting trusted and impartial third-party observers to participate in consultations ● Meaningful consideration of stakeholder input into company decisions that affect their lives. ● Additionally, PTVI will continue to reinforce its Grievance Mechanism to make it more trusted, used, and responsive by: <ul style="list-style-type: none"> ● Raising greater awareness of the mechanism through information campaigns ● Improving accessibility by providing more channels where stakeholders can raise their concerns ● Consolidating and communicating the response process and timeframe ● Exploring the most effective means for public reporting on the use and findings of the mechanism. 	<ul style="list-style-type: none"> ● PTVI has launched a major communications campaign designed to provide stakeholders across Tanamalia with detailed information on proposed exploration activities. Communication tools include posters, fliers, social and mainstream media. ● To accompany the campaign, PTVI will be holding a series of small meetings with key stakeholder groups to provide information and solicit feedback and recommendations on PTVI's stakeholder engagement approach ● PTVI has initiated improvements to its Grievance Mechanism and has conducted a series of trainings for staff prior to roll-out ● PTVI has recently completed a gap assessment against IRMA standards for the Sorowako site

			<p>and is currently putting in place measures to close the gaps, including in relation to alignment with the UN Guiding Principles on Business and Human Rights.</p> <ul style="list-style-type: none"> ● PTVI is conducting a review of human and financial resourcing for its social performance and security functions. This is designed to ensure PTVI is fit for purpose as it progresses exploration in Tanamalia.
<p>2. Sorowako - Deprivation of farmland, livelihood and inconsistent compensation</p>	<ul style="list-style-type: none"> ● Compensation: Develop a transparent and consistent compensation framework, as part of a social and human rights management plan, to form the basis of a participatory approach to reviewing payments and remediating any loss of livelihoods. ● Consultation: Ensure consultations and agreements are proactive, timely, recorded and in line with guidance; separate mitigation and remediation of impacts from social investment activities, and ensure the 	<ul style="list-style-type: none"> ● PTVI will review the previous compensation payments highlighted in the investigation. PTVI will provide a summary of its review to affected stakeholders for discussion, understanding that PTVI was operating in accordance with national regulations and legislation at that time. Where appropriate, PTVI will take corrective action in consultation with those affected. ● PTVI is improving of existing land access and acquisition standard toward an overarching Land Acquisition and Resettlement Framework (LARF). Aligned with relevant international standards and national regulations (especially IFC PS5 – Land Acquisition and Involuntary Resettlement, and the Job Creation law particularly related to the environment and forestry sectors), this will provide a fair, consistent, and equitable basis on which to address impacts associated with physical and/or economic displacement, including (among others): <ul style="list-style-type: none"> ● Documenting socio-economic baseline conditions and asset inventories ● Fair entitlements at Full Replacement Cost (FRC) ● Livelihood restoration or transition, especially restoration of land-based livelihoods ● Resettlement, if needed ● As part of shaping the overall LARF, PTVI will undertake consultations with affected communities on how to manage the specific economic and, where applicable, physical displacement associated with planned activities within the concession. The LARF will be disseminated and communicated to all relevant stakeholders. Time and support will be 	<ul style="list-style-type: none"> ● PTVI has begun its review of historical data relating to past compensation. ● This will be followed by consultations with relevant stakeholders to understand their concerns ● PTVI is currently finalising its revised Land Access Plan as part of the wider LARF. Presentation and discussion of the Plan will follow the communications campaign outlined above.

	<p>process is transparent and understood by stakeholders.</p>	<p>provided to ensure it is properly understood and PTVI will engage in a participatory process to ensure stakeholder concerns are understood and discussed in line with international good practice.</p>	
<p>3.Asuli - Access to clean & safe water</p>	<ul style="list-style-type: none"> ● Water quality: Consider a more participatory approach to water testing and monitoring. ● Water access: Review affected households access to water from a human rights lens; in particular, households located within the protected forest. Clarify roles and responsibilities for maintaining community water sources (installation, maintenance and operational costs for boreholes) within community agreements. ● Impacts on water: Ensure site risk assessment includes water impacts and is updated regularly based on monitoring, corrective actions 	<ul style="list-style-type: none"> ● PTVI will expand its water monitoring activity to include establishment of an independent system of water testing and monitoring designed and overseen in collaboration with affected stakeholders. This will support a shared understanding of water access issues and provide a platform for establishing clearer roles and responsibilities around the maintenance of water sources. ● PTVI already assesses water impacts as a key element of its ongoing stakeholder engagement and impact assessment processes across its operations. As part of its regular monitoring process, PTVI will continue reviewing any adverse impacts caused by its activities on water quality, access or usage and, where appropriate, will take corrective action in consultation with those affected. 	<ul style="list-style-type: none"> ● A preliminary assessment of the situation in Asuli is currently in preparation. The objective is to design a process in line with the Interlaken Group Principles of Community Monitoring. ● Asuli will also serve as a pilot project for wider implementation of participatory water monitoring in Tanamalia.

	<p>and control effectiveness.</p> <ul style="list-style-type: none"> ● Engagement: Routinely incorporate the assessment of potential impacts of mining on community water sources into planning of community engagement. 		
<p>4. Tanamalia – Potential loss of livelihood, environmental concerns and lack of consultation</p>	<ul style="list-style-type: none"> ● Land access, exploration activity and consultation: Develop a clear long-term land access strategy and management plan, to include sharing of relevant information relating to potential further exploration and related compensation framework. Further the dialogue initiated at the stakeholder forum to find participatory solutions for livelihoods. ● Water access: Identify potential disruption to water courses and to 	<ul style="list-style-type: none"> ● As above, PTVI is currently developing a LACF aligned with international standards. The Framework will cover proposed compensation rates for any economic displacement associated with exploration activities in Tanamalia. The LACF will be properly communicated to ensure its provisions are well understood, including the basis on which they have been calculated. PTVI will adopt a participatory approach to its consultations on the LACF with affected stakeholders. ● As above, PTVI will expand its current water monitoring activity to establish an independent, third-party water testing and monitoring system in collaboration with, and with the participation of, affected stakeholders. Testing and monitoring will be undertaken in accordance with national regulations on water quality. Additionally, PTVI will work with relevant stakeholders to understand existing water quality, access and usage in order to better identify and monitor potential adverse impacts, including consideration of indirect impacts outside the directly affected area. Based on the results, PTVI will take preventative action where possible or corrective action as needed. 	<ul style="list-style-type: none"> ● As noted above ● As noted above

	<p>communicate carefully to potentially affected communities in advance and make appropriate provision for clean water as part of exploration plan</p>		
<p>5. - Suppression of freedom of expression</p>	<ul style="list-style-type: none"> ● Security: Explore community-led security approaches. ● Training: Conduct training for all security forces in line with the VPSHRs, and for communities in security management and grievance channels. ● Engagement and negotiations: Conduct community engagement without police or military presence, replace the security presence in negotiations with an independent facilitator (e.g. faith leader, community organization or NGO). Re-focus efforts on community dialogue, 	<ul style="list-style-type: none"> ● PTVI takes seriously its responsibilities to provide for the safety of its employees, contractors, and suppliers as well as those communities affected by its operations. As part of strengthening our approach, and in order to fulfil these responsibilities whilst also ensuring its consultations with communities are conducted in an atmosphere of mutual trust, PTVI is reviewing and, where necessary, updating its approach to align with the Voluntary Principles on Security and Human Rights, including: <ul style="list-style-type: none"> ● Regular and consultative Security Risk Assessments, including risks to the community ● Management of Private Security – conducting vetting of private security personnel, providing enhanced training in human rights, and establishing better monitoring systems ● Relations with Public Security – agreeing a Memorandum of Understanding that formalises PTVI’s existing approach of working alongside public security only when required to do so under Indonesian Law, where local custom expects it, or where there are credible and serious risks to our employees, contractors, or suppliers. ● As part of its integrated approach to stakeholder engagement and risk assessment, PTVI will consult widely on community perceptions of security and will work collaboratively to address concerns. This will include consulting with communities on PTVI’s stakeholder engagement methods, when and how public and private security may become involved, and how to preserve stakeholders’ freedom of expression while maintaining the safety and security of PTVI personnel and equipment. 	<ul style="list-style-type: none"> ● PTVI is finalising a revised Security Management Plan more closely aligned with IFC PS4 and the VPs. ● This includes an updated security risk assessment which provides the basis of the Plan. ● Training for personnel in Human Rights and Use of Force is in preparation.

	relationship and trust building.		
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