

Rio de Janeiro, July 13, 2017

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Subject: Letter from Conectas Direitos Humanos and Movimento dos Atingidos por Barragens (MAB) regarding BHP, Samarco and Vale, Fundão Dam Collapse

Dear Elena Bombis, André Oliveira, Juana Kweitel and Tchenna Maso,

We hope the next lines and attachments will help Global Compact, MAB and Conectas better understand:

- How Vale has, since 2007, adopted the Global Compact principles in its own operations and supply chain and
- How Vale, BHP and Samarco have responded to the emergency and continuous to monitor and support all human rights remedy processes and environmental recovery of the Samarco accident, aligned with the 10 Principles of the Global Compact.

We believe it will be clear that being part of and committed to the Global Compact and other important international institutions and standards has helped Vale to continuously advance its social and environmental management. We recognize there is still room for improvement, and we are dedicated to achieving higher levels of performance. Nevertheless, much has been already achieved and should not be disregarded.

Vale S.A. is the largest mining company in the Americas and one of the largest in the world, leading the global market in iron ore, iron ore pellets, and nickel. It is also dedicated to the production of manganese, other non-ferrous minerals and fertilizers. With this portfolio, it operates in 26 countries on five continents, relying on robust logistics systems. Through its affiliates and joint ventures, or directly, it holds relevant investments in the energy and steel industries. In 2016, with a workforce of 139.7 thousand, of which 109.5 thousand are located in Brazil, Vale totaled US\$24.3 billion in distributed economic value, aligned with its vocation of transforming natural resources into wealth. For more information on the company, please check: <http://www.vale.com/EN/investors/company/fact-sheet/Pages/default.aspx> .

Vale recognizes that in its activities, due to the characteristics of the extractive sector, there are numerous challenges regarding environmental and social aspects. That is why the company is committed to maintaining a transparent dialogue with its stakeholders, invest in training, technology, innovation, risk and impact management focusing on continuous improvement.



Aiming at advancing its social and environmental management, in 2007 Vale became a signatory member of the United Nations Global Compact. In 2011, Vale was invited to the LEAD Global Compact group and also became part of the Global Compact Brazilian Committee. Therefore, several strategic and operational actions have been implemented in order to ensure total respect to Vale's commitment to the Global Business Initiative (GBI) and the fulfillment of the 10 principles of the UN Global Compact.

Principles 1 and 2: *Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.*

Vale developed and defined its Human Rights Policy in 2009, aligned with the UN Business and Human Rights framework, followed by the development of its Human Rights Guide and thorough training and dissemination. In 2013 it reviewed its Policy to incorporate the UN Guiding principles on Business and Human Rights and reinforced the training and dissemination strategy. Concomitant with the Policy development, Vale established a Human Rights management approach, following the 5 due diligence processes: Policy; Assessment; Integration; Monitoring and Reporting and Grievance mechanisms.

The main aspects of our Policy focus on:

- For employees, we endeavor to maintain a work environment that promotes professional and personal growth, encouraging them to respect the rights of other stakeholders. Employees are rights holders and human rights agents.
- In the value chain, we seek to establish relationships with suppliers, partners and customers under which they share our principles and values, promoting awareness and application of human rights protection, and continuously monitoring their performance to avoid human rights violation risks.
- With local communities and indigenous peoples, we maintain a relationship of continuous engagement, based on dialogue, mutual respect, and free, prior and informed consultation (as mentioned in our Sustainability Policy). We manage social and environmental risks and impacts carefully and support initiatives that contribute to socioeconomic and environmental development of the regions in which we operate, throughout the life cycle of our activities.

For the complete Vale Global Human Rights Policy, please access:

http://www.vale.com/EN/suppliers/code_conduct/Documents/Human%20Rights%20Policy.pdf

Since 2012 the strategic education plan on human rights is in progress. In 2016, more than 3 thousand employees were trained on Human Rights. The training methodology was internalized and it has been replicated in Vale's Sustainability Academy and the Leadership Academy, and disseminated in different internal medias.

In 2015 Vale integrated human rights aspects and salient issues into its operation risk management model, which addresses operational and business risks. The operational risk management requirement is also part of Vale's Integrated HSE Management System.

In 2016 Vale became a member of the Voluntary Principles initiative, and committed itself to implement a strategic action plan to address security and human rights issues. This action plan is being carefully designed in order to ensure its effectiveness and its adherence to Vale's Human Rights Policy.

In the last three years, Vale has been able to continuously advance its human rights management, with significant improvement in employees' and leaders awareness, risk assessment, integration, grievances mechanisms and allegation treatment. Vale has a 100% response rate at the Business and Human Rights Resource Center.

Considering **Principles 7 and 8**, *Businesses should support a precautionary approach to environmental challenges; and undertake initiatives to promote greater environmental responsibility*, it is important to highlight that sustainability, as well as Caring for People, are strategic pillars of Vale, also present in our Mission, Vision and our Values.

Since 2010, Vale's Sustainability Action Plan (PAS) targets were established as one of the criteria for Variable Remuneration of its employees. This Action Plan aims to establish targets and actions for performance improvement related to sustainability covering fuel inputs, consumption and recirculation of water, waste generation and disposal, mine closure, local development and human resources management at Vale, reaffirming the commitment of the areas with the permanent improvement of the results and with the advance of sustainability management in the company.

As an example, in 2016, demonstrating the concern with the use of natural resources, the amount of recirculated and reused water reached 80% and 1.6 billion m³, respectively, during the year. The maintenance of protected areas is one of the initiatives continuously developed to favor environmental balance and the conservation of natural resources and ecosystem services. Both in its own areas (4.5%) and through partnerships (95.5%), Vale protects 8.2 thousand square kilometers of natural areas, which represent approximately 5 times the sum of the areas occupied by the operational units. Of this extension, 92.8% are in regions classified as wilderness areas, 7% in hotspots, and 94% near operating units.

Regarding the precautionary approach, Vale operates an Integrated Health, Safety and Environment Management System aligned with the principles of ISO 14001 and OHSAS 18001, and performs annual audits carried out by an Internal specialist team. This system provides guidelines and standards aiming to prevent and/or minimize the likelihood of events able to cause damage to the integrity to the people, environment and assets. However, in case of any accident, there are mitigating initiatives in place, like Emergency Response Plans and other controls. In addition, more than 70% of Vale Operations are ISO 140001 and 9001 Certified by external auditors. The precautionary approach is also observed on licensing processes with government agencies, when risks and impacts on the environment and social aspects are assessed and measures are implemented and monitored to avoid, reduce, or compensate them.

Although we have emphasized Principles 1, 2, 7 and 8 above, it is important to clarify that all the ten Principles are fulfilled and Vale's performance on each one of them is reflected in our sustainability reports since 2007. The 10 Principles have served as guidelines for the development of internal strategies. We have significantly advanced our policies and procedures on all areas. It is worth highlighting two significant areas: Labor and Anti-corruption management.

Vale has a Supplier's Code of Conduct which is mandatory to all suppliers and requires them to fulfill Vale's Global Human Rights Policy and Human Rights Guide, besides respecting labor and environmental legislation. In this document, in addition to addressing the health and safety of workers as well as the three of the four ILO core labor standards: the elimination of forced or compulsory labor, the abolition of child labor, the elimination of discrimination and inclusion of people with disabilities and the guarantee of free association and collective bargaining are emphasized. On the Code, there are also conducts that are considered unacceptable and subject to disciplinary measures:

- 2.2. Discriminating on the basis of ethnicity, national origin, gender, sexual orientation, religious belief, union affiliation, political or ideological beliefs, social class, condition with special needs, marital status or age;
- 2.3. Harassment of any kind, including sexual or moral, causing the embarrassment or discomfort of others.

Therefore, the company does not tolerate threats, intimidation or physical attacks against no one representing the human rights cause such as human rights defenders and journalists.

Vale is a world class mining company that adopts international and national social and environmental standards to conduct its businesses and is committed with sustainability of its operations and the sustainable development of the communities and regions where it operates.

The Samarco accident was a terrible and unprecedented event in 73 years of Vale's existence, operation and the operation of controlled and affiliated companies. Vale and BHP Billiton holds a 50% shareholder interest. In accordance with principles of Brazilian Law, Samarco's mining operations are independent and led by Samarco independent Executive board. The shareholders are involved in the corporate governance of the Company and in the approval of specific fundamental and strategic matters of the Company. Vale has always emphasized to Samarco the importance of implementing policies and standards in line with its own and has supported Samarco in its efforts to address the damages caused by the accident. Moreover, from the first day of the accident, Vale and its employees have been committed with the emergency response and, right after, with the remediation and environmental recovery, supporting Samarco and Renova Foundation in all areas needed and guaranteeing the funding and implementation of the 41 programs that were established on the agreement with the federal and state governments, together with BHP Billiton.

Samarco's Accident:

On the 5th of November 2015, Fundão dam failed and part of the tailings reached Santarém Dam, which was used to storing water, provoking a partial erosion on the right shoulder of the dam. The material reached Gualaxo do Norte river nearby, travelled along its bed, then flowed into the Doce river, reaching the sea in Espírito Santo State on November 22nd, 2015.

The main impacts were:

- 18 fatalities and 1 missed person, presumed dead
- Around 2,200 hectares impacted along 650 kilometers of the river
- Temporary suspension of water supply in 16 locations
- Impact on public and private infrastructure, including 3 communities to be relocated in total or in part
- Approximately 300 rural producers impacted. Some of them also had their production capacity impacted
- Around 7,500 fishermen impacted due to a ban of fishing activities

The shareholders of Samarco, BHP Billiton and Vale, provided immediate support to Samarco to implement emergency rescue and relief actions for victims and, subsequently, social remediation and environmental recovery programs. The three companies immediately launched a series of social, environmental and economic remediation and mitigation actions.

An agreement with federal and state authorities includes:

- Reparation of the environment and of the communities impacted
- Environmental compensation where reparation is not possible, such as:
 - Project for basic sanitation for the regions impacted
 - Reconstruction of Bento Rodrigues and Paracatu de Baixo
- Creation of the Renova Foundation to manage the socioenvironmental and socio economic programs
- Implementation deadline of 15 years, renewable until all the programs have been implemented
- Establishment of advisory committees with the participation of technical specialists, regulators and representatives of the communities
- R\$ 4.4 bi in the first three years (2016-2018) to guarantee the progress of the reparation and compensation actions, while the projects are being detailed

- R\$ 0.8-1.6 bi per year from 2019 to 2021, the value will be defined based on approved projects
- R\$ 240 million per year over 15 years (since the signature of the agreement) for the execution of the compensation projects
- Additional payment of 500 million to fund sanitation initiatives from 2016 to 2018
- In case that Samarco has no resources, Vale and BHP will fund the amounts due

Please, access the documents for detailed information:

- **Samarco's letter** - responding to allegations from MAB and Conectas.
- **Samarco's Report - 1 Year since the Accident** – with the emergency actions and start of the 41 programs defined in the agreement. http://samarco.com/wp-content/uploads/2017/01/Book-Samarco_Ingles_v1.pdf
- **Renova Foundation Report** - for the better understanding of the governance of the remediation and recovery process and a thorough account on all that has been done so far and all that it will still to be completed in the mid-term and the next 10 to 20 years. <http://www.fundacaorenova.org/en/activity-report/about-the-report/>

After the accident, a Dam Department was created to assess and improve the dam management processes at Vale, generating action plans and targets. All Vale dams received both internal and external auditing and some action plans have been implemented to increase our level of operational efficiency and security. All Vale dams surpass the security level of any national or international legislation. The company also reviewed its emergency plans, including community engagement and community mobilization in case of an accident. In the 2016 strategic planning cycle, Vale proposed a new guideline to maximize iron ore production with natural moisture, reducing tailings generation, optimizing material disposal, separating the slurry from thick tailings and using pits to dispose of the slurry. This new plan estimates a 600 million metric-ton reduction of generated iron ore tailings by 2030, which means a 32% reduction compared to previous production plans. In 2016, the iron ore production was 60% moist beneficiation and 40% with natural moisture. The beneficiation process is expected to be reversed in the coming years, and may reach 70% beneficiation with natural moisture.

Notwithstanding the magnitude of the disaster, the Samarco accident has increased our understanding of risks and impacts. New technology is being developed and implemented in various areas. As an example, Vale is implementing a pilot project on an industrial scale with the objective of studying and developing new tailings disposal technologies, aimed at seeking disposal alternatives beyond dams or drainage piles.

Vale has never been complicit nor endorsed flaws on human rights issues and remains fully committed to support Samarco and Fundação Renova to achieve the necessary restoration and adequate compensation of environmental and socioeconomic impacts from the dam failure. Vale reiterates that it will continue to support Samarco in all that is necessary to minimize victims' pain and environmental damage, and that we will do all we can to establish the highest safety standards in the mining industry. All remediation and recovery actions adopted by Samarco and now, Renova Foundation, are aligned with national and international standards and best practices and the companies' commitment with Global Compact 10 Principles.

Vale will work contributing to the discussion, engaging with stakeholders and communities and seeking to overcome the challenges concerning the Samarco accident and, more broadly, sustainable development that are shared across various regions and countries where we are present. We are committed to maintaining the energy and hard work to guarantee continuously improvement, aligned with relevant guiding principles in order to minimize the risk of other events.



We hope that this letter has helped to clarify the questions raised and remain open to continue our dialogue on these important matters.

Finally, we notice that all organizations that have triggered this response are Brazilian organizations based in Brazil. We are open to interact with them on any issue and at any time (and in Portuguese)!

Sincerely yours/Um abraço,

A handwritten signature in blue ink, appearing to read "Alberto Ninio".

Alberto Ninio
Sustainability Director
Vale S.A.