



International Movement of People Affected by Vale

The Vale 2012 Unsustainability Report



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MATERIALITY

Vale S.A. is proud of being the second largest mining corporation in the world and one of the 25 largest publicly traded, private sector companies in the world. Operating in 38 countries on five continents, Vale has become a corporation of gigantic proportions and exorbitant profits. It is often cited in the business world as an example of a successful, modern, bold, aggressive and powerful company.

However, Vale has become a symbol of violent socio-environmental impacts, human rights violations and disregard for labour rights. Faced with the denunciations and demands from affected communities, social movements and trade union representatives, the company has engaged in the practice of giving unsatisfactory responses, evading its responsibilities and using legal, economic and political mechanisms to ignore the demands of groups who suffer the impacts of its operations.

The recurrence and grave nature of the denunciations, the company's failure to comply with effective reparation measures, the lack of dialogue and its arrogant attitude put the corporation's image at risk, which, in some cases, could affect its high profits. To deal with this threat, Vale chooses the easiest and most profitable way out: invest massively in propaganda, publicity and marketing.

Vale invests – in exchange for fiscal incentives and thanks to the lenience of governments and public institutions – in “strategic philanthropy”, that is, actions to please the public, which give greater visibility to the company in major centres and are directed towards a certain sector of society. Some examples are social projects to train athletes for the Olympics, Brazilian music festivals and contests, or even a new lighting system for the statue of Christ in Rio de Janeiro. Through its million-dollar campaigns, Vale paints itself green and yellow and depicts its image as a socially and environmentally responsible corporation, committed to the country's

Vale's Values in the Affected People's View

- Put **profit-making** first
- Extract the most from **natural resources**, at the lowest possible cost
- Get rid of **obstacles** to operations regardless the cost: environment, labour and human rights
- **Privatize profits, socialize the losses**
- Expand **markets**
- Main weapon: **economic and political power**

“sustainable development”. In this script, the voices of those who question Vale are obviously stifled.

The reality of workers and communities that have been affected by Vale reveals a profitable company that operates according to the logic of private capital¹ accumulating and distributing astronomical profits to its main shareholder groups in exchange for expropriating natural resources, forests and water resources and exploiting workers and communities around the world. The company ignores serious health and housing problems and the lack of water and access to land resulting from its operations; disrespects traditional ways of living in community and harmonious coexistence with the environment; and ignores decent, safe and respectful working conditions.

The company, then, has nothing to do with the nice portrait used in its publicity campaigns.

The Vale's Annual Sustainability Report

Vale participates in the *Global Reporting Initiative* and publishes its “Sustainability Report” on an annual basis, aiming to demonstrate its compliance with the international principles of social and environmental responsibilities of which it is a signatory, namely the UN Global Compact and the International Council on Mining and Metals (ICMM). Furthermore, last year, it was included in the Bovespa Corporate Sustainability Index. In response to these indicators, we will show the other side of the story - the one hidden by the company.

Since 2010, the International Movement of People Affected by Vale has been sharing experiences and formulating strategies for collective action to confront public authorities and the corporation itself in defence of the environment, workers and the affected communities. The present **Vale 2012 Unsustainability Report** is the result of the experiences, reports, denunciations and studies that have been gathered, which demonstrate the socio-environmental impacts of its operations and the irregularities it has committed. The document is a collective effort that raises the voices of the people who have been directly affected by Vale.

¹ In April 1997, Vale do Rio Doce was sold by the Fernando Henrique Cardoso government for only US\$3.4 billion, with subsidized funding made available by the BNDES (Brazilian National Development Bank). In the deal, assets such as ports, railway lines, shipping fleets, aluminium and gold production, replanted forests, confirmed reserves of unexploited mineral resources were underestimated or left unaccounted for. Prior to privatization, Vale reduced the assessment of its mineral reserves by 32% without, however, selling any mines. In the years following the privatization, the company's value multiplied by seven. Today, there are more than 100 popular actions demanding the legal annulment of the privatization process. Valepar (Bradesco, BNDESPar, Previ and the Japanese Mitsui) is the consortium that controls Vale. Foreign firms make up the rest of its shareholders. The Brazilian State owns “golden shares”, which are preferential shares with the right to veto critical decisions.

PROFILE

Vale conducts its activities through an integrated chain that links mines and steel factories to railway lines, railway lines to ports, and ports to maritime transport. Each stage of this process generates enormous social and environmental impacts, which need to be analyzed in an integrated and coordinated way.

Vale's profits increase each year. In 2010, it reported operating revenue of US\$ 46.5 billion and net operating profit of US\$ 21.7 billion. In 2011, it generated nearly US\$ 62 billion in revenue and US\$ 22.23 billion in net profit.

In spite of these immense profits, in 2010, the company only allocated US\$ 1 billion to corporate social responsibility activities. The biggest part of this amount was used for green marketing and propaganda, at the expense of reparation for the harm inflicted upon the communities where it operates, and on its workers due to its activities and business practices.

Résumé of Vale's socio-environmental impacts in 2010

Indicator	Quantity
Deaths of workers in accidents	11
Accidents on railroads (EFC, EFVM, MRS and FCA*)	401 (149 serious)
Number of railway accident victims	175
Mining and steel waste produced	726 million tons
CO ₂ emissions (direct)	18.7 million tons of CO ₂ eq
CO ₂ emissions (indirect)	71.14 million tons of CO ₂ eq
Fresh water extraction	294 million m ³
Liquid effluents generated	76,1 million m ³
Pollutant (NO _x , SO ₂ and MP) emissions	519 600 tons
Waste generated	446 000 tons
Area impacted during the year	30.56 km ²
Area of Amazon forest impacted during the year	18.26 km ²
Total impacted area (accumulated)	741.8 km ²

* Portuguese acronyms of railroads in question: Vitória-Minas Railroad (EFVM), Carajás Railroad (EFC), MRS Logística (MRS) and Center-Atlantic Railroad (FCA).

In 2012, Vale was chosen as the world's *worst* corporation in the **Public Eye Awards**, known as the "Nobel" of global corporate shame. The Public Eye is awarded by popular vote based on environmental, social and labour-related problems and given out during the World Economic Forum in Davos, Switzerland. 88 000 people from around the world participated in the vote. Vale "succeeded" in coming ahead of TEPCO, the Japanese firm responsible for the grave nuclear accidents at the Fukushima plant in 2011.



Vale poster: The 2012 world's worst corporation

According to the investigations of the Public Attorney and the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA), Vale maintains business relations with steel plants that produce pig iron, which use illegally-obtained charcoal and are involved in cases of slave and child labour. Vale supplies raw materials and infrastructure to these companies for the outflow and exportation of their production.

UNSUSTAINABLE DEVELOPMENT POLICY

VALE CLAIMS that its actions in different regions are socioeconomically and environmentally responsible and leave a positive legacy in terms of global sustainability.

Reality proves to be very different

Mineral deposits are often found in permanent preservation areas (APPs, for its acronym in Portuguese) that are home to native forests and water sources. Conservation units, which should be protected, are transformed by Vale into millions of tons of minerals to be exported. The Carajás Serra Sul project, for example, is located within the Carajás National Park. The same thing has occurred with the Salobo project, also in the State of Pará, which has already resulted in the contamination of the Cinzento and Salobo brooks and the Itacaiuna river, and the cutting down of more than 300 nut-producing trees. Environmental bodies have repeatedly sued Vale for inappropriate social and environmental behavior. However, the details of these charges are not available to the public.

Contrary to what Vale affirms in its discourse, these environmental factors are treated as obstructions and obstacles that must be rapidly removed in order not to hit profits. The *royalties* that it pays are among the lowest in the world and Vale's mining chain does not appear to leave municipalities and provinces with benefits, but rather devastation and pollution. In Itabira, Vale's birthplace, the population denounces that due to the environmental and social damages caused by the company's operations, the municipality has already incurred US\$ 868 million in losses.

Vale's immense economic and political power often makes it an economic and political giant in relation to small cities, provinces and even countries. It is capable of exerting pressure on and influencing local governments to obtain concessions (tax exemptions, financing, land transfer) and further its interests through more flexible environmental and labour laws. In Brazil, the BNDES went so far as to change its statutes in 2007 in order to be able to approve funding for Vale's ventures.

Environmental licences are considered an "obstacle" to the advancement of Vale's projects

Unsustainable Operator

- Value is profit for *Shareholders*.
- Arrogant attitude, mistakes are constantly concealed.
- Laws are often ignored and not followed, sometimes even changed to satisfy its interests.
- Uphold organization and discipline imposed on workers in an authoritarian way.
- Ethics and respect take a back seat when it comes to ensure business as usual, through bribery and the intimidation of community and trade union leaders, and public actors.

Catalyst of Local Destruction

- Licences are launched previously to ensure an operation, even if it will pollute.
- Order to destroy nature and local ways of life and work.
- Communication with the international market, and authoritarian imposition of projects on local communities.
- Alliances with local governments, exerting excessive and dangerous influence over them.
- Legacy of destruction, environmental liabilities, contamination, diseases and unproductive land.

Global Agent of Exploitation

- Guarantees for employment and development that are not met.
- Local leaders are persuaded and co-opted, undermining resistance.
- Observation of market trends, neglecting people's right to decide on their future.
- Best practices are used as marketing tools and do not provide responses to the harsh reality of affected workers and communities.
- Acting locally aims to increase global accumulation, ignoring people's rights.
- Legacy of public debt and making the undertaking of other economic activities impossible in cities and regions that are dependent on mining.



VALE CLAIMS that it contributes to improving the population's living conditions, by investing large amounts of its resources to "create opportunities in the regions".

But this is not what the communities affected by Vale have experienced

In Mozambique, for example, the Moatize mining mega project resulted in the removal of 760 of the 1,313 peasant farmer families registered for resettlement in a six month period between November 2009 and April 2010, to make way for the opening of coal mines. The company divided the families up between rural and semi-urban, using different criteria for the resettlements. Families that were considered 'rural' were relocated 45 km from their community of origin and 75 km from the city of Tete.

In the Espirito Santo state, the Ubu Steel Company (CSU in Portuguese) intends to occupy the land of communities in Chapada do A, in Anchieta. Although the environmental licence imposes on the company the obligation to respect the inhabitants' choice to remain on the land, Vale has been putting a lot of pressure on them to sell their property. In February 2011, the community officially informed the FUNAI of their self-recognition as Tupiniquim indigenous people and are waiting for the official demarcation of their land.

In Pará, the Carajás Railway, owned by Vale, cuts across 94 towns. Due to the intense flow of people from neighbouring communities over the railway lines and the absence of safety

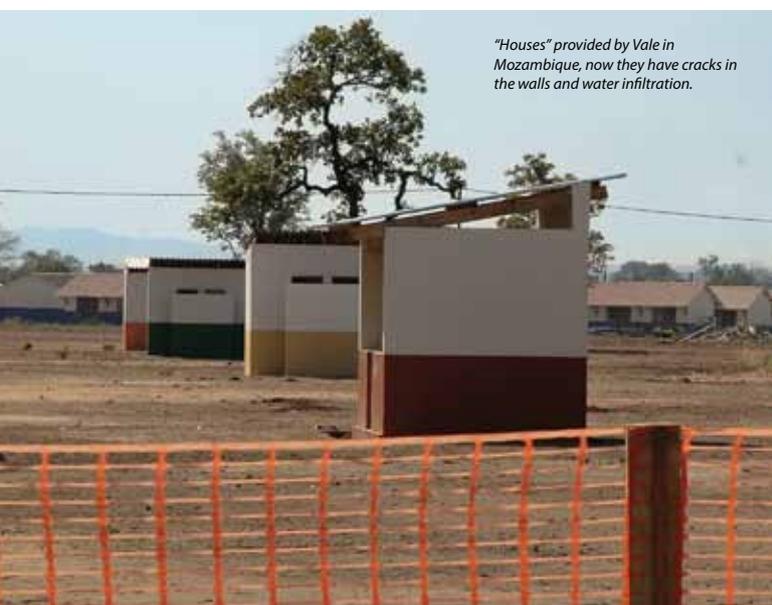
mechanisms and signage, on average one person is run over and killed per month by the trains. In 2007 alone, 23 deaths were recorded. In 2008, there were nine fatal victims.

In addition to people being run over, 16 communities suffer impacts such as trembling and cracks in their houses, sound pollution, damage to neighbouring roads, interdiction of plantations, increase in prostitution and social vulnerability, not to mention the compulsory removal of families or the appropriation of parts of their land. In the new project to duplicate the railway line, Vale foresees the removal of 1,168 "points of interference": fences, houses, backyards, crops and entire villages.

In Rio de Janeiro, communities that live around the Atlantic Steel Company (TKCSA), a joint venture between Vale and ThyssenKrupp, call the factory the "TKCSA PLAGUE". They suffer from the 600% increase of particulate iron in the air in the region, as observed by the Rio de Janeiro Public Attorney, who denounced the company and two of its directors for environmental crimes¹. According to a report produced by the Public Health Foundation FIOCRUZ, pollution-related respiratory and dermatological problems are more common since the factory's inauguration in 2010². To make things worse, the deviation of a river has been causing serious floods in one of the housing units of the area, resulting in residents' loss of furniture and goods. Until today, however, no compensation for the damages caused has been paid to those affected.

1 <http://goo.gl/43HCR>

2 <http://goo.gl/6lkMY>



"Houses" provided by Vale in Mozambique, now they have cracks in the walls and water infiltration.

"We are suffering. Vale has come to make our poverty worse. In our region, we used to sell wood and charcoal. We used to sell our food products. Here, in the resettlement, we are the only ones - the unemployed and the poor - with no access to markets and no source of income."

Resettlement inhabitant from Mozambique

Violated principles

"Businesses should support and respect the protection of internationally proclaimed human rights."

"Make sure that they are not complicit in human rights abuses."
Global Compact

CLIMATE CHANGE



VALE SAYS that it bases its actions on its commitment to face challenges associated with climate change and highlights its participation in information dissemination programs on emissions and forums concerning these issues.

But official data registered a 70% increase in Vale's emissions between 2009 and 2010¹

These data are available at the Brazilian GHG Protocol Program's Public Emissions Registry, which aggregates information from companies' emission inventories. It is important to understand that Scope 1 is direct emissions, as they are produced by sources the company owns or controls. Scope 2 is indirect emissions, as they come from the electricity acquired by the company. Scope 3 represents other indirect emissions that are released from sources owned or controlled by third parties, such as suppliers and consumers. Although only Scope 1 and 2 emissions are the direct responsibility of the company, it is important to look at Scope 3 emissions, since they are derived from the company's operations. In many cases, the company may choose to outsource activities that pollute with the purpose of including reductions in its emissions inventories, without, however, making any effort to modify production processes that could effectively reduce emissions from a given activity. The table below shows that if we consider Scope 3 emissions, the increase in emissions, which was calculated at 70% between 2009 and 2010, jumps to 12,000%.

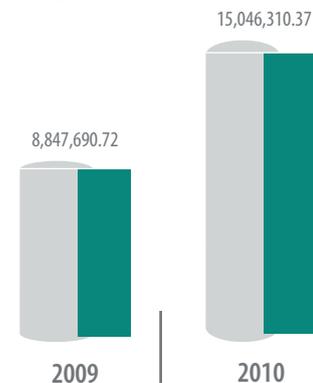
¹ <http://goo.gl/P7Pvd>

Vale's Emissions according to the National Inventory (tCO₂e)

Emissions by scope	2009	2010	Variation
Scope 1	8.541.860.06	14.205.594.40	66.31%
Scope 2	305.830.66	840.715.97	174.90%
Direct Emissions (Scope 1+2)	8.847.690.72	15.046.310.37	70.06%
Indirect 3*	590.090.17	71.144.087.41	11.956.48%

* Indirect responsibility.
Source: Public Emissions Registry

Vale's Emissions according to the National Inventory (tCO₂e)

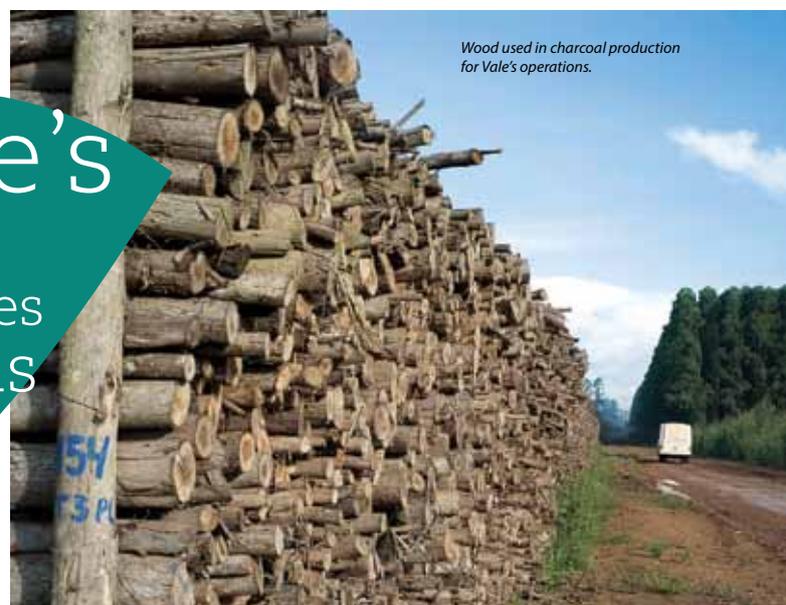


Source: Public Emissions Registry

Violated principle

"Seek continual improvement of our environmental performance"
ICMM

Vale's "ecological footprint" reaches gigantic proportions and leaves profound and irreversible imprints



Wood used in charcoal production for Vale's operations.

Photo by: Philippe Revelli



VALE AFFIRMS that 32% of electricity consumed in and by its operations were generated by its own sources, some of which are hydroelectric dams. In fact, Vale is the direct owner of 15 dams in Brazil.

However, Vale's consumption of energy from State-owned hydroelectric dams is subsidized, while part of the energy generated by its dams is resold to the population at higher prices.

Energy for what? For whom?

It is estimated that Vale consumes 4% of all energy in Brazil. It is common in Brazil that people are penalized with extremely high energy rates, whereas large companies are given privileged treatment, as they receive energy at tariffs that are 80% lower than those paid by the rest of the population.

Vale has a historical debt with communities affected by dams and all Brazilian people due to its failure to compensate populations affected by its operations and to privileged subsidies it enjoys, which force the Brazilian people to pay the fifth highest energy tariff in the world.

"The case studies have enabled us to conclude that the current standard for implementing dams has produced grave human rights violations on a recurring basis. Their impacts end up accentuating the already severe social inequalities, bringing situations of misery and social, family and individual disintegration."

Human Rights Defence Council in its 2010 report on dams¹

¹ <http://goo.gl/yCbML>

Violated principle

"Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities."

ICMM

Photo by: João Zinclar



Popular protest against Belo Monte

Belo Monte

Owner of 9% of shares in the Belo Monte project, Vale is the largest private shareholder of the North Energy Consortium, which is responsible for building the dam on the Xingu River in the State of Pará. As the most expensive project in the Federal government's Growth Acceleration Program (known as PAC, for its acronym in Portuguese), Belo Monte will cost nearly R\$30 billion. It has been accumulating one of the highest social, environmental and legal liabilities of all ongoing infrastructure projects in the country.

Belo Monte will cause enormous damage to the Xingu River's fragile ecosystem, Xingu being one of the main rivers in the Amazon region. In the Volta Grande section of the Xingu River, water will be diverted to a reservoir, practically drying up 100 km of the river. Almost 40 000 people in the Altamira macro-region will be directly affected, including three indigenous communities composed of various ethnic groups, city dwellers and people living on the banks of the Xingu. The affected indigenous population was not previously consulted on the project, as required by the Federal Constitution and ILO Convention 169, of which Brazil is a signatory².

In addition to being a vector of serious environmental and social impacts, Belo Monte cannot be justified neither in terms of the energy produced nor economically speaking. Due to the Xingu's lengthy drought period, the dam will produce only 39% of its energy-generating capacity, which is an extremely low utility rate. In economic terms, Belo Monte's energy will be very expensive due to production and distribution costs. Banks have already calculated that the Net Present Value (NPV) of the venture will be a R\$7 billion loss for the project's shareholders.

² For the ILO's position on Belo Monte, see <http://goo.gl/Obn8c>

HEALTH AND SAFETY



VALE CLAIMS that it has been investing in the health and safety of its workers.

But in addition to reducing its investments, the company does not fully apply regulatory norm 22, which deals with occupational health and safety in mining

As a result, Vale makes working in its operational areas hazardous to workers' health. Dust, the intense work pace, unattainable targets and moral abuse are the biggest problems affecting the workers' health. Reports of work-related psychological illnesses are common. The company has linked its safety policy to the payment of PLR (Participation in Profit and Results program), which sometimes encourages workers to hide accidents and illnesses.

Violated principles

"Seek continual improvement of our health and safety performance."

"Implement and maintain ethical business practices and sound systems of corporate governance."

ICMM

"Another brother passed away on the job yesterday at my mine due to a falling rock. I am very sad for the family of this man whom I knew. I am also very angry, knowing that it is for the sake of profit that the firm does not put safety first. It is about Vale's new "safe production" and the company's intention to ramp up production by one-third, along with changes in its incentives system. These things cause a miner to work more hours to get enough pay, and to do things the fastest possible way. Remember one of Vales big wigs was quoted as saying "Canada's laws cost too much money." They treat employees in the same way in Canada, Brazil and everywhere else. Things must change."

Canadian Vale miner

Deaths in Canada

In 2012, production in five mines in the Sudbury unit was suspended on January 30th, after two workers died in accidents in a less than eight-month period. The deaths occurred when miners were buried by a torrent of mud and soaked [wet] material that flooded the tunnel where they were working. The Canadian United Steelworkers (USW) held an investigation that concluded that Vale had been ignoring flooding problems in the mines for some time.

Disrespect for Workers in Paraná

Two years ago, Vale acquired a petrochemical fertilizer plant in the city of Araucaria in the State of Paraná. Since then, the relations with workers and the union have been extremely tense. Vale has been trying systematically to reduce the rights of the workers, who have no collective bargaining agreement.

In response to the workers' resistance, the company began to threaten them directly with the firing of one worker, giving warnings to three more, suspending sick leaves and transferring trade union leaders to other areas for the purpose of hindering union organizing.

Stealing workers' time

In March 2010, the Parauapebas Labour Court, in the state of Pará, sentenced Vale to pay R\$ 100 million for collective moral damages and more than R\$ 200 million for *social dumping* (the practice of disrespecting local labour laws in order to reduce production costs). The Court sentence obliged Vale to pay workers for the time it takes them to travel from their homes to the mines ("*in itinere*" hours). The time it took workers to get to work forced them to remain 13 hours at the company's disposal, when it would only pay them for 6 hours of work. Later, the company made a deal in court to pay for part of this fine.

The biggest strike in Vale's history

Vale used the recent world crisis to justify reducing wages, increasing workdays, massive layoffs, cutting benefits and other acquired rights, which triggered the biggest strike in the history of Canada, between 2009 and 2010. The strike lasted 11 months in Sudbury and Port Colborne and 18 months in Voisey's Bay.

EMISSIONS



In 2010, the corporation's total particulate matter emissions was 6,600 tons, an increase of 29% in relation to 2009. The total of nitrogen oxide (NO_x) emissions was 110,000 tons in 2010, representing an increase of 30% in comparison to the previous year. Total sulphur oxides emissions were calculated to be 403 000 tons, an increase of nearly 25% from the past year.

Vale claims that "these substances have no global effect and their impacts on air quality relate to local concentrations and conditions". Yet their negative effects on the health of workers and the population that lives near its operations demonstrate that the problem is very serious.

In Açailândia, in the State of Maranhão, Vale's charcoal producing unit, sold in 2011, is located next to a settlement of rural workers who suffer immensely from the impacts of the smoke created by the 70 charcoal ovens in the area, with reports of grave respiratory illnesses. The company has never recognized its responsibility in the health problems it has caused in that community.

In the Piquiá de Baixo community in the Açailândia municipality, there are currently five steel factories in operation, of which Vale is the only partner. Currently, nearly

500,000 tons of pig iron are produced there annually. Studies conducted in 55% of households in Piquiá by the Reference Centre for Infectious and Parasitic Diseases of the Federal University of Maranhão and the Research Centre on Tropical Medicine in the Pre-Amazon region revealed that 41.1% of

the population complained about lung and skin diseases. The researchers attribute these illnesses to the high level of pollution caused by the five steel plants, due to smoke emissions and waste deposited in the community's soil and water. Vale refuses to compensate these people for the harm it has caused or even to cover the cost of relocating the families.

The Rio de Janeiro State Environmental Secretariat calculated that the Atlantic Steel Company (TKCSA), a steel plant of which Vale a stockholder, will increase by 76% the carbon emissions (CO₂) in the city of Rio de Janeiro, the equivalent of nearly 14% of overall emissions of the entire state¹. If we consider only the industrial emissions of CO₂ (leaving out emissions from vehicles, etc.), the volume TKCSA will emit represents more than 12 times that released by the entire municipality. A study from the Institute of Geosciences of the Federal University of Rio de Janeiro confirms a 600% increase in the average concentration of iron particles in the area surrounding the TKCSA plant.

¹ <http://goo.gl/HLXLV>

Violated principle

"Encourage the development and diffusion of environmentally friendly technologies."

Global Compact

"At home here, we have sinusitis, throat problems, headaches and eyesight problems. My son is only 21 years-old and already has problems with his eyesight. He is constantly blinking, can't open his eyes, doesn't see very well (...). The doctor says that our lungs are all black inside. Our neighbour had an x-ray done and the doctor told her to leave here as soon as possible (...) my husband died four months ago. Two months before he died, the doctor examined him and said there was nothing more to be done, because his lungs were already really full."

A woman living near one of the steel factories in Piquiá de Baixo²

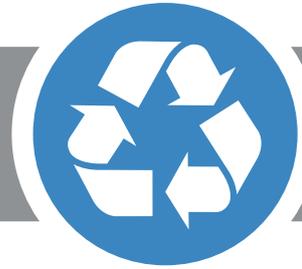
² FIDH; Justiça Global; Justiça nos Trilhos. Brasil: How much are human rights worth in the Brazilian mining and steel industry? May 2011: <http://goo.gl/79B7Q>



Charcoal production furnaces for Vale's production of pig iron.

Photo by: Philippe Revelli

WASTE



VALE CLAIMS that it stores waste properly.

However, waste produced by Vale's activities is responsible for numerous episodes of environmental destruction and contamination and can cause disease in people who come into contact with it.

In New Caledonia, a small archipelago in Oceania, Vale Inco has been trying since 2006 to mine nickel in the Goro mine, but it has faced strong opposition from the Kanak, the local aboriginal population. One of the main targets of the protests has been the building of a pipeline to dump waste from mining into the ocean, which would endanger the entire coral reef barrier surrounding the country. This barrier possesses one of the highest rates of biodiversity in the world and one of the largest lagoon systems on the planet. In Sandy Pond, Canada, the company has been a target for protests due to its plans to transform the lake in the region into a tailings pond with the capacity of receiving 400,000 tons of waste.

In Canada, Vale is the defendant in the biggest public civil suit for environmental damage in the country's history. In 2010, the company was sentenced to pay nearly 36 million Canadian dollars in compensations to over seven thousand residents of Port Colborne, Ontario. The decision was recently overturned, but the case is still awaiting the decision by the Supreme Court of Canada.

In Illapel, Chile,
in an accident involving a
Vale truck at the end of 2011,
7 000 litres of sulphuric acid
were spilt in an area where
2 000 families live



Stamps from the **STOP TKCSA** campaign, against the Operating Licence and for compensation for harm caused.

Violated principle

"Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products."

ICMM



The Capão Xavier mine pollutes and threatens four fresh water supply reservoirs and is partly inside the Mutuca Area of Special Protection.

Photo by: Amadeu Barbosa

TALENT MANAGEMENT



VALE TALKS ABOUT labour relations in terms of “talent management” and “human capital”.

But this is not how Vale workers around the world see things

They had high hopes for positive changes when Murilo Ferreira became president and talked about a “more humane” Vale characterized by “less stress”. Yet Ferreira inaugurated his presidency with a tour of Vale’s global operations during which he pointedly failed to meet with a single elected worker representative whether in Brazil, Mozambique, Canada or Australia. In response to criticisms he did concede to meet with 14 union presidents from the mining sector in Brazil. Yet it seems, however, that the “new” Vale is as virulently anti-union as the old one.



Workers demonstration against Vale in Paraná.

Photo by: Sindiquímica

Violated principles

“Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.”

“The elimination of all forms of forced and compulsory labour.”

“Businesses should uphold the elimination of discrimination in respect of employment and occupation.”

Global Compact

The real world of Vale is not about “talent management” or “human capital”. It is a world of management arrogance and crude exploitation:

- **In Canada:** instead of negotiating respectfully with the trade unions of its recently acquired mines and smelting plants, Vale insisted on obtaining concessions, ignoring existing labour relations in Canada and provoking strikes that lasted between 11 and 18 months.
- **Again in Canada, in Voisey’s Bay:** the government of the Newfoundland province sets up an Industrial Inquiry into the 18 month-strike with 200 workers, mostly indigenous, and blames Vale for lack of respect for Canadian collective bargaining culture and practices.
- **In Mozambique:** it misled inexperienced workers into accepting a long-term contract that provided little protection for workers.
- **Again in Mozambique, in Moatize:** an inexperienced, young heavy equipment operator dies after his compactor flips leaving him pinned underneath for more than 2 hours. The official report blames the worker for not having adequately fastened his seat belt and claims first response in 7 minutes.
- **Sudbury and Thompson, Canada:** there were four on-site fatalities in a seven-month period. The independent report by USW 6500 on those deaths shows culpable negligence on the part of Vale.
- **Morowali, Indonesia:** community burns down Vale office in protest against the work contract that, despite many protests over the years, brings little benefit to the local inhabitants.
- **Cateme, Mozambique:** in January 2012, the railway used to transport coal to the Beira Port was blocked by residents who had lost their lands and homes to Vale’s coal mine and who have had to live with false promises on jobs, compensation and the economic viability of the community.
- **Mariana, Brasil:** Vale tries to bully workers into giving up travel subsidies for hours spent commuting to work.
- **Tete, Mozambique:** the Vale project promises job creation in Mozambique, but Vale and its sub-contractors have built the mine using Filipino guest workers and workers from Brazil who earn much more than Mozambicans workers.
- **Sudbury, Canada:** Vale carries out arbitrary dismissals and then keeps delaying participation in the arbitration procedures established by the government labour authority.
- **Araucária, Paraná:** in its new fertilizer plant, the company seeks to cut wages and health insurance, as a precondition for sitting at the bargaining table.

DEVELOPING SUPPLIERS



VALE SAYS that it buys from local suppliers and strengthens the economy of the regions in which it operates.

But this is not what really happens

In Brazil, Vale's operational areas are in cities that become dependent solely on the exploration of natural resources and/or the processing of these resources, which makes them economically vulnerable. The dominance of a single economic agent - in this case, Vale - creates a kind of authoritarian paternalism, in which the company dictates the course of the local economy according to its own interests.

The company's policy of abandoning less-profitable mines and the eventual depletion of the resources are reasons for concern for Mayors and various social actors in the country. Studies show the low level of economic diversification in cities that are dependent on mining, such as Itabira, in Minas Gerais.

In spite of its profits, Vale pays very little tax and is exempt from paying the ICMS (the goods and services consumption tax) on its exports, thanks to the 1996 Kandir Law. In Brazil, while the oil industry pays 10% in *royalties* on average, Vale pays 2% (as stipulated by the Financial Compensation for the Exploration of Mining Resources, or CFEM for its acronym in Portuguese). In 2010, the oil industry generated R\$16 billion in *royalties*, whereas the amount collected from the CFEM was only approximately R\$1 billion.

According to a report from the state of Para's Attorney-General office, the company uses intermediaries in order to reduce the basis for calculating *royalties* on its exports. It sells ore to Vale International and Vale Overseas in the Cayman Islands and Switzerland, which it controls, at a price that is lower than the value actually charged on exports to the European or Asian market. The National Mineral Production Department (DNPM for its acronym in Portuguese) is contesting this manoeuvre that the company uses to reduce its royalty payments.

Vale has already accumulated approximately R\$4 billion in debt with the Brazilian State and approximately R\$30 billion with the Federal Revenue Service on profits earned abroad. It has already had its name included in the register of individuals and companies who are in debt with the federal government. Its authorization to exploit the Carajás mining complex was also suspended for a period of time.

In Mendoza, Argentina, Vale did not fulfill the commitment it signed with the local government on prioritizing the hiring of

workers and suppliers from the region. The company brought to Argentina the Brazilian construction companies Odebrecht, Camargo Correa and Andrade Gutierrez. The Bank of Brazil took over the management of the payroll and payments to suppliers. Local businessmen and the provincial Chamber of Deputies publicly criticized Vale. The government of Mendoza demanded bi-weekly reports from the company on its tenders and the investment plan that is to guarantee the corporation's fulfilment of the agreement on the hiring of 75% of its workforce and suppliers locally. In early March 2012, protests stopped buses transporting Vale workers, to protest against its failure to fulfill its commitment to create jobs for local people.

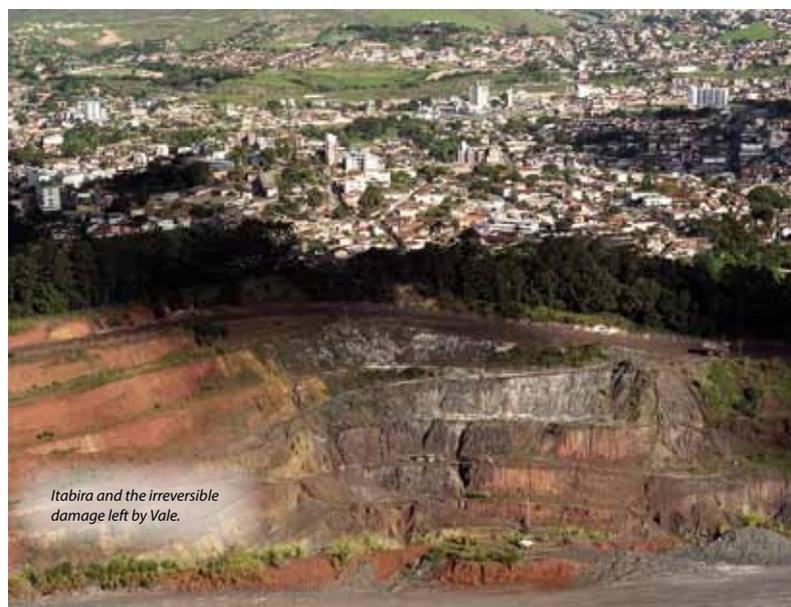
True local development includes the population of a territory in its planning, meets their needs and helps them fulfill their many potentials.

Violated principles

"Contribute to the social, economic and institutional development of the communities in which we operate."

"Integrate sustainable development considerations within the corporate decision-making process."

ICMM



Itabira and the irreversible damage left by Vale.

Photo by: Philippe Revelli

LAND USE



VALE CLAIMS to protect or help protect more than 10,000 square kilometers of forest.

But it omits a substantial part of the negative impacts generated by its operations

In 2011, the Federal Court sentenced Vale to paying on a monthly basis the equivalent of between 1 and 3 minimum wages to 788 *quilombola* families (slave descendents) living in Jambuaçu, in Moju (Pará). Among the impacts were the removal of crops, the damming of streams and the knocking down of at least 150 nut-producing trees because of its activities.

In Maranhão, Vale has been stopping the traditional *quilombola* communities in Itapecuru-Mirim from getting the Brazilian State to demarcate the collective ownership of their land.

In the 1970s, the period in which the company began to set up its operations in the State of Maranhão, Vale created a settlement to receive people removed from the region known as Boqueirão. Three thousand hectares were expropriated. However, the land where it installed the settlement was very humid and uneven, which obliged Vale to embank a substantial part of the terrain. It did so, though, with organic material. With time, this material rotted, causing a landslide and the creation of faults. This resulted in houses collapsing and roads caving in, which reached a peak in 2009. At that time, Vale only assisted a small part of the population affected by the landslides (54 of the 118 families). This assistance was provided only partially, through the payment of “social rent”.

Vale and the issue of land use in Moatize

In Mozambique, land use is regulated by the Land Law. To receive an authorization, one must obtain the Right to Land Use and Reclamation permit (known as DUAT, in Portuguese). In the Moatize Project, Vale has a DUAT for the use of 23,790 hectares during a 35-year period (starting in June 2007), which is renewable. By obtaining this DUAT, Vale has become one of the primary protagonists of the process of land expropriation, usurpation, acquisition, control and sharing in Mozambique. The land of 1,313 rural families has been expropriated, leaving them exposed to various sorts of risk. Vale is continuously creating land conflicts and has aggravated poverty and the vulnerability of the rural communities that have been affected by its project.

Violated principle

“Contribute to conservation of biodiversity and integrated approaches to the planning of land use.”

ICMM

In an article on September 21st, 2011, the *Folha de São Paulo* newspaper reported suspicions on Vale’s possible involvement in the use of fraudulent land titles in the North of Minas Gerais, the state’s new mining frontier. The report mentioned an “apparently fraudulent scheme for the appropriation of public land parcels from the

state of Minas Gerais, rich in iron ore”. Also according to the article, “the Federal Police and the Federal Attorney want to know why the company [Vale] paid R\$ 41 million to individuals who are supposedly members of a gang that was falsifying public land titles.”

OPERAÇÃO GRILLO
A PF cumpriu ontem 9 mandados de prisão e 22 de busca e apreensão contra pessoas acusadas de envolvimento em suposto esquema de grilagem de terras

- 1 Mentores do suposto esquema cadastravam laranjas como posseiros que supostamente tinham direito às terras
- 2 Servidores públicos de Minas "esquentavam" a documentação, tornando os laranjas donos de fato das terras
- Um cartório em Serranópolis de Minas registrava as transferências dos títulos para intermediários, que os negociavam com mineradoras

O SUPOSTO ENVOLVIMENTO DA VALE, SEGUNDO O MINISTÉRIO PÚBLICO

A Vale pagou R\$ 41 milhões por títulos de terras emitidos pela empresa Floresta Empreendimentos, que, segundo o Ministério Público, é uma empresa de fachada e comandava o esquema

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In solidarity

Transnational Institute

Cover photo

Philippe Revelli

Participants of the International Movement of People Affected by Vale

4 Cantos do Mundo, Agence Kanak de Development (Nova Caledônia), Agrupación Defensa Valle Chalinga (Chile), Asamblea Popular por el Agua (Argentina), Associação de Moradores de Chapada do A, Frente Defensa Cuenca Rio Cajamarquino (Peru), Centro de Integridade Pública (Moçambique), Comissão Pastoral da Terra, Fórum Carajás, Fórum em Defesa de Anchieta, FSP-KEP (Indonésia), GRUFIDES (Peru), Justiça Global, Justiça nos Trilhos, Jubileu Sul Américas, Movimento dos Atingidos por Barragens, Movimento dos Trabalhadores Rurais Sem Terra, Movimento pelas Serras e Águas de Minas, Metabase Congonhas, OCMAL, PACS, Plataforma BNDES, Rede Brasileira de Justiça Ambiental, Sindimina-RJ, Sindiquímica-PR, SINTICIM (Moçambique), STEFEM, SP KEP Inco Soroako (Indonésia), United Steel Workers (Canadá), Justiça Ambiental (Moçambique), Mining Watch (Canadá), Movimento Xingu Vivo para Sempre.

