

VALE

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CORPORATE BROCHURE





King coal

Vale, the world's second largest mining company, is about to open a new coal mine in Mozambique. Ben Sansom lifts the veil on corporate social responsibility and discovers the efforts Vale is making to ensure the benefits percolate through to the local community



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ozambique is one of the poorest nations on earth. It was ravaged by a brutal civil war for 15 years after its independence from Portugal, but the country has made huge efforts since peace was achieved in 1992 to improve the national economy and boost its productivity. Among the many successful strategies for economic development has been the privatisation of a large swathe of state owned businesses and the attraction of considerable foreign investment into the country. As a result, Mozambique has enjoyed what the World Bank described as a “blistering pace of economic growth”, averaging around an eight per cent increase in GDP per annum between 1994 and 2006.

In spite of this undoubted success, described by the IMF as “one of the success stories in sub-Saharan Africa”, the trickle of wealth down to those living in poverty simply has not happened at the rate that had been hoped for. Life expectancy is still very low and Mozambique has one of the worst infant mortality rates in the world, thanks to the malaria-carrying mosquito.



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Efforts continue to be poured into economic reform and into reviving agriculture and improving transportation. With political stability and modern mineral legislation, it is the exploitation of the land's valuable mineral deposits that have the potential to lift the nation out of poverty and provide employment as well as finance for improvements in health and wellbeing.

One of the companies playing a major part in this resurgence in Mozambique's fortunes is the Brazilian mining company Vale. Launched as the state owned Companhia Vale do Rio Doce in 1942, Vale had grown to become the country's principal exporter of iron ore within seven years, being responsible for some 80 per cent of the nation's iron ore exports.

Out the Box Creationz

The team that has become known as Out the Box Creationz has evolved over several years and various projects in Africa, namely the contractors' camps at Tenke Fungarume Copper Mine in the DRC, the Sishen Coal Mine camp in SA, numerous clinics and classrooms for local government (SA) and of course, the Vale Project in Mozambique. We understand that we are visitors to neighbouring countries and communities and pride ourselves not only on our on-site ethics but also our ability to empower the local labour force through hands-on training.

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POWERING YOUR PROGRESS™



Privatisation followed in 1997, and since then the company has pursued a strategy of concentrating on its core mining business, divesting non-core operations and strengthening and diversifying its portfolio of mining interests largely through acquisition.

Today, Vale is the world's second largest mining company, employing over 100,000 people across five continents. Iron ore and nickel continue to be its largest business interests, but it is increasing its presence in coal, copper, potassium and phosphate rock.

Vale's history in Mozambique dates back to the late 1980s when it began working on a pre-feasibility study for an integrated mine, rail and port project to develop the Moatize coal deposit—the world's largest unexplored coal reserve. However, studies were suspended because of the internal conflicts and political instability.

APR Energy

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In 2003, the company returned to Moatize, which is located in the Zambezi Valley province of Tete, some 1,700 kilometres north of Maputo, with a mandate to update the previous studies. In November 2004, under the guidance of the IFC (International Finance Corporation—a division of the World Bank), the government of Mozambique declared Vale's bid to explore and develop the region's coal resources as the winner.

Work on the infrastructure and utilities required for the project has been extensive, and includes development of the 600 kilometre railway line from Sena to the Port of Beira, the construction of a new maritime coal terminal at the port and the construction of a 1,500 megawatt coal-fired power station sited next to the mine.

Moatize is the southern hemisphere's largest coal project, and is expected to produce 1.5 million tonnes in 2011 with output rising to 6.3 million tons in 2012, sales manager Marcelo Matos said recently during an industry conference in Rio de Janeiro.

Rio de Janeiro-based Vale now expects to start supplying its customers in October 2011. Most of its output will be coking

or metallurgical coal used in steelmaking. "Our objective is to begin production on a large scale next year, and to begin testing the product with clients as of October," Matos said.

Vale is the world's largest iron-ore producer, but it is expanding its coal mining business to increase the range of products it can offer to steelmakers, and increase the efficiency of its transport systems. Ships emptied of iron-ore in Asia can be filled with coal in Mozambique for return journeys to Brazil and other steelmaking markets.

Coking coal is used to remove oxygen from iron ore and provide the carbon for the carbon-iron alloy that is steel. Vale has also made itself the world's largest nickel producer to supply steelmakers with the metal that makes stainless steel rustproof.

During the first phase of the Moatize project, production is slated to reach 11 million tonnes per year. About 8.5 million tonnes, or more than three quarters of output, will be metallurgical coal. The rest will be the softer thermal coal that is burned in power plants.

The company plans to spend \$422 million on the Moatize project in 2011. A second phase, beginning in 2014, is expected to double output to 22 million tonnes per year.

The social impact of the Moatize mine has already been significant. Vale has spent over \$6.5 million on community development projects alone during the exploration phase of the project and plans to spend over \$50 million more during the production phase. The Moatize Medical Station and the Tete Regional Hospital have been improved, updated and provided with new equipment and staff training. The local orphanages have also been revamped and a new one constructed, while the existing hydroelectric plant at Ulongwe has been rehabilitated and the power supply infrastructure strengthened.

Much work has also been done on the softer, social aspects. Moatize lies in the Zambezi Valley region, one of the poorest and most densely populated regions in Mozambique. To help develop the local community and nurture social cohesion, Vale has invested in a literacy programme and is also working in a collaborative effort to support the growth of family-based agriculture and

CPI Technologies

Vale at Moatize, in close consultation with CPI Technologies, opted for an integrated, intelligent system rather than a conventional hard wired solution on the conveyors. This technique would retain the statutory hard wired conveyor drive interlocking and would allow weekly safety system reporting via the overall plant control system as well as rapid recovery from any unsafe situations.

the establishment of associations and work cooperatives for income generation.

The company hopes that as the mine becomes established, the benefits of its presence will percolate through to the people of the Zambezi Valley and out into the wider community, easing the plight of those living in poverty. www.vale.com ■

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