

Vale Indonesia and Responsible Business Conduct in the Critical Minerals Sector

A teaching case for business management and law schools

The Case



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ABOUT THIS PUBLICATION

This publication presents a real business situation for classroom discussion. It is the case itself, written for participants and openly available. A separate teaching note for educators and facilitators that sets out learning objectives, suggested answers, in-class activities and session plans is available on request.

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This case has been prepared solely as a basis for classroom discussion. It is compiled from publicly available sources and interviews. It is not intended to serve as an endorsement, as a source of primary data, as an illustration of effective or ineffective management, or as a legal assessment of the conduct of any company, public authority, or individual named in it.

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CONTENT

5

About This Case

5

Case Profile

6

Note on Sources

7

List of Abbreviations

8

The Case

8

1. Introduction

9

2. Critical Minerals and Indonesia's Strategic Role

10

3. Vale's Business Model and Distinctive Profile

14

4. The RBC and Business and Human Rights (BHR) Framework
Applied at Vale

15

5. Mini Case A - Dirty Nickel: ESG Standards as a Competitive
Weapon

17

6. Mini Case B - The Lioka Oil Spill: Operational Risk Meets
Community Impact

18

7. Other Risks in Context and Future Direction

19

8. Questions for Discussion

19

9. Further Reading

About This Case

This publication follows the case method. It is not a report and it does not reach a conclusion. It sets out a situation, supplies the evidence a decision-maker would realistically have, and stops at the point where a judgement has to be made. The reasoning is the participant's work, not the author's.

These materials are published in two parts, as two separate documents.

The case (this publication). Written for participants. It may be circulated freely before or during a session.

The teaching note (published separately). Written for the educator or facilitator. It sets out learning objectives, suggested answers, in-class activities and two session plans, one for law schools and one for business management schools. It is not published openly.

The two documents are separated deliberately. The teaching note contains suggested answers, and distributing them in advance removes the reasoning the case is designed to provoke. Participants should receive this publication, or one of the two mini cases, on its own.

Mini Case A and Mini Case B are drawn from the main case and are published as standalone handouts for facilitators working with a single short session. Supporting materials such as role-play guidance, group discussion guidance, slide decks, and pre- and post-test instruments, are listed in the teaching note.

Case Profile

Abstract. PT Vale Indonesia Tbk is the country's longest-operating nickel producer and, on several measures, its most credentialed: hydroelectric power at Sorowako, more than five decades of integrated operation, a sustainability-linked loan, and the first large-scale Indonesian nickel operation to undergo a full IRMA audit. It is also the operator of a pipeline network in a seismically active corridor that has leaked repeatedly since 2009, most recently in August 2025, when more than 90,000 litres of marine fuel oil contaminated a river system and some 82 hectares of farmland around Lioka village. The company compensated the affected communities; it has not disclosed the cause of the leak. At the same time, an international campaign to have nickel classified as 'clean' or 'dirty' threatens to collapse every Indonesian producer into a single category, whatever their operational profile. The case places the participant in the seat of a newly appointed chief executive facing both problems at once — one strategic and reputational, one operational and immediate — each with consequences for profitability, for legitimacy, and for the rights of the people the company affects.

Target audience. Postgraduate and advanced undergraduate students in law and in business management. Testing also drew participants from international relations, communication studies and hospitality programmes, and the case has worked well in mixed-discipline groups. Also suitable for executive and professional training with regulators, national human rights institutions, judiciaries and companies.

Disciplines. Business and human rights; environmental law; corporate and investment law; business ethics; ESG and sustainability management; natural resource governance; decision-making and negotiation.

Level. Undergraduate year three and above; master's; executive education.

Time required. The law school plan runs across two meetings of 90 to 100 minutes: an introductory seminar establishing the conceptual ground, followed by a session of case analysis. The business management plan compresses this into a single 90-minute session with two short lectures built in. Testing found that participants who met the case without that grounding struggled to locate the dilemma, particularly where the IRMA standard was concerned. A single session is possible using one of the mini cases.

-  **Length.** Case approximately 4,600 words; teaching note approximately 7,700 words.
-  **Keywords.** Responsible business conduct; business and human rights; UN Guiding Principles; human rights due diligence; ESG; critical minerals; nickel; IRMA; access to remedy; energy transition; Indonesia.
-  **Testing record.** The case was developed between February and June 2026 and tested in five deliveries before publication: a lecturer pilot discussion at SBM ITB (April 2026); a training of trainers at SBM ITB, “Case Exposed: Dirty Nickel — ESG Standards as a Competitive Weapon in the EV Supply Chain” (May 2026); a training of trainers convened by PAHAM Universitas Padjadjaran (April 2026); a student pilot at SBM ITB (May 2026); and a student pilot convened by PAHAM Universitas Padjadjaran (May 2026). The materials were presented at a public dissemination event, “Navigating the Future of Indonesia’s Critical Minerals: Responsible Business Conduct, Competitiveness, and Global Expectations”, convened by PWYP Indonesia in Jakarta on 22 June 2026.
-  **Adoption.** The Faculty of Law, Universitas Padjadjaran, will use the case in its undergraduate Human Rights Law course from August 2026.
-  **Languages.** English.

Note on Sources

The case draws on public disclosure — company annual and sustainability reports, regulatory instruments, civil society investigations and media coverage — and on consultations conducted during its development with the stakeholders and experts named in the acknowledgements.

It does not draw on internal corporate documents or non-public operational data. Some questions a real decision-maker would answer from internal records therefore remain open, including the cause of the August 2025 pipeline failure, which had not been publicly determined at the time of writing. That is a limitation, and also part of the exercise: participants are asked to decide on the evidence actually available, which is the position most external stakeholders occupy.

List of Abbreviations

AMAN	Aliansi Masyarakat Adat Nusantara (Indigenous Peoples' Alliance of the Archipelago)
AMDAL	Analisis Mengenai Dampak Lingkungan (Environmental Impact Assessment)
BHR	business and human rights
CSDDD	EU Corporate Sustainability Due Diligence Directive
CSRD	EU Corporate Sustainability Reporting Directive
ESG	environmental, social and governance
EV	electric vehicle
FPIC	free, prior and informed consent
GCG	good corporate governance
GRI	Global Reporting Initiative
HPAL	high-pressure acid leach
HRDD	human rights due diligence
HSFO	high sulphur fuel oil
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
IMIP	Indonesia Morowali Industrial Park
IPIP	Indonesia Pomalaa Industry Park
IRMA	Initiative for Responsible Mining Assurance
IUPK	Izin Usaha Pertambangan Khusus (Special Mining Business Licence)
IWIP	Indonesia Weda Bay Industrial Park
LME	London Metal Exchange
MFO	marine fuel oil
MHP	mixed hydroxide precipitate
MIND ID	Mining Industry Indonesia (state mining holding company)
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan (Financial Services Authority)
PPKH	Persetujuan Penggunaan Kawasan Hutan (Forest Area Use Approval)
PRISMA	Penilaian Risiko Bisnis dan Hak Asasi Manusia (business and human rights risk self-assessment tool)
PROPER	Programme for Pollution Control, Evaluation and Rating
RBC	responsible business conduct
SLL	sustainability-linked loan
UNGP	UN Guiding Principles on Business and Human Rights

The Case

This publication may be circulated to participants. It contains no suggested answers.

1. Introduction

PT Vale Indonesia Tbk (Vale Indonesia) held an Extraordinary General Meeting of Shareholders on 18 July 2025 to appoint their new CEO after the departure of Febriany Eddy.<https://www.idnfinancials.com/news/55940/inco-to-appoint-febriany-eddys-replacement-this-friday>¹ Under its Articles of Association, the company was required to hold a shareholders' meeting within three months of the vacancy arising. With the state-owned holding company MIND ID as its largest shareholder, Vale Indonesia focuses on supporting the central government's industrial downstreaming (hilirisasi) through increasing productivity in the critical mineral sector. The critical mineral mining sector plays a key role in advancing industrialisation and economic growth but could harm multiple socioenvironmental aspects if it is not managed and operated responsibly. The case of Vale Indonesia shows dilemmatic circumstances in the Business and Human Rights (BHR) theme, balancing global environmental benefits against local human rights impacts. Vale Indonesia produces nickel, an important part for electric vehicle (EV) batteries. It follows international and national standards such as the UN Guiding Principles (UNGPs) and Indonesia's Presidential Regulation No. 60/2023 on the National Strategy on Business and Human Rights. Whilst Vale Indonesia has demonstrated Environmental, Social, and Governance (ESG) compliance, it is also working toward Initiative for Responsible Mining Assurance (IRMA) mining standards for its Sorowako site.

Vale Indonesia's operations have nevertheless caused harm to local communities. Weak infrastructure and seismic activity have led to recurring oil spills in Luwu Timur between 2009 and 2025. In the August 2025 incident, more than 90,000 litres of fuel oil spilled, polluting ten kilometres of waterways, damaging 82 hectares of farmland, and hampering the community's rights to clean water and livelihood. Whilst the government supports industrial development through regulations, i.e., PRISMA, it is also responsible for protecting human rights and preserving the environment. This highlights the shared responsibility between the state and corporations in protecting human rights. When spills happen, authorities demand accountability and work on recovery measures. Nevertheless, local communities are the most affected. They use complaint (grievance) mechanisms and accept compensation to survive but lack transparency and protection from possible forthcoming harms, such as future spills.

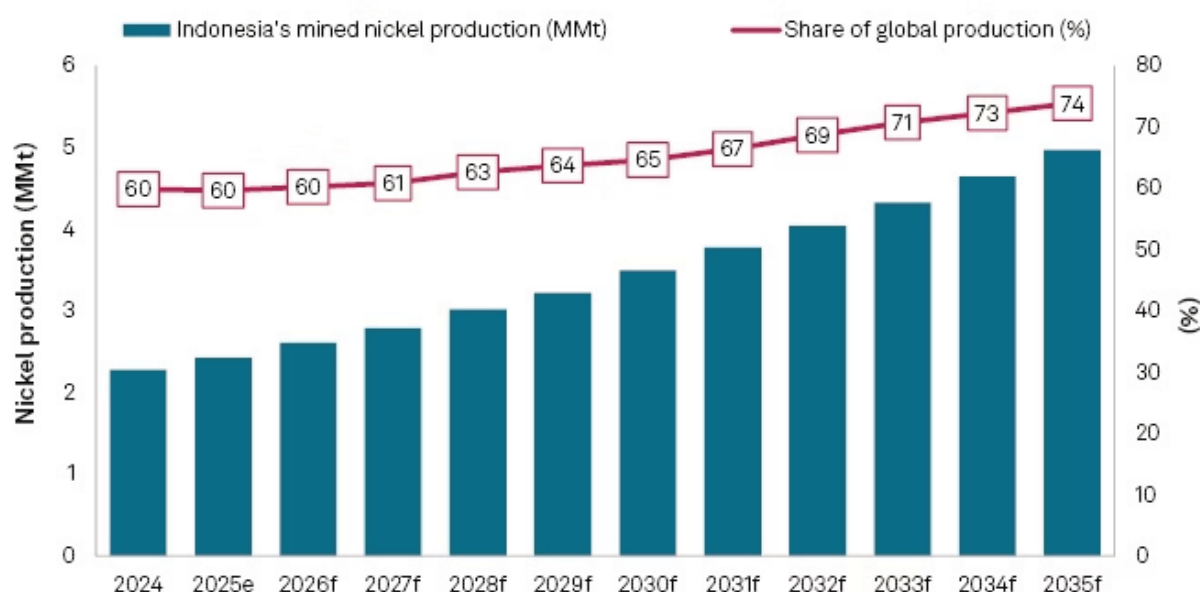
Vale Indonesia faces a difficult pathway. It should either continuously compensate affected communities or reduce infrastructure risks from damages. The first is less costly in the immediate term but leaves the underlying risk in place; the second demands heavier upfront investment but addresses the source of recurring harm. Ultimately, this case raises an important question: how should the newly appointed CEO of Vale Indonesia balance business growth, global environmental benefits and local human rights simultaneously?

This case places you in the seat of Vale Indonesia's newly appointed CEO. In your first months in office, you inherit two decisions that will define the company's standing: strategic —how to respond to the 'dirty nickel' narrative threatening Indonesian supply— and operational —how to handle the recurring oil spills affecting communities around Sorowako. Each carries consequences for Vale Indonesia's profitability, its legitimacy, and the rights of the people it affects. The two mini cases that follow ask you to make these decisions.

¹ IDN Financials, "INCO to appoint Febriany Eddy's replacement this Friday," July 17, 2025, .

2. Critical Minerals and Indonesia's Strategic Role

Indonesia dominates the global nickel landscape. The reserves are primarily located in Sulawesi, Maluku, and Papua. The country holds 42.3% of global reserves, produced more than 60% of the world's nickel supply in 2024,² and is projected to reach 74% in 2035 (Exhibit 1). This dominance is the result of increasing global demand and hilirisasi policies. The 2014 export restriction, reaffirmed and tightened by a 2020 ban on raw nickel ore exports, forced foreign and domestic capital toward downstream processing.³ Article 102-103 of Law No. 3/2020 on Coal and Mineral Mining codifies the obligation to add value domestically before export, transforming Indonesia from a mineral supplier into a processed-nickel hub.⁴ The policy generated substantial economic gains, with nickel export value increasing from USD 1.3 billion in 2021 to USD 33 billion in 2023. Aligned with the policy, major companies including Aneka Tambang, Merdeka Battery Materials, Trimegah Bangun Persada (Harita Group), and Vale Indonesia plan significant production expansions by 2028, reflecting strong nickel demand from various industries, e.g., batteries and EV.⁵



As of Sept. 30, 2025.

e = estimate; f = forecast; MMt = million metric tons.

Source: S&P Global Market Intelligence.

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Exhibit 1: Indonesia Nickel Production (Source: S&P Global, *Mining by the Numbers*, 2024, Nov 2025)

The hilirisasi policy sits inside a broader narrative the government has labelled “green developmentalism”, leveraging critical minerals to secure both economic upgrading and a position in global energy transitions. Rapid expansion of nickel production has generated significant sustainability concerns, such as deforestation, biodiversity loss, water pollution, and land-use conflicts.⁶ These challenges are particularly pronounced in emerging economies where regulatory capacity and enforcement mechanisms often struggle to keep pace with industrial growth.

² International Nickel Study Group (INSG), cited in “Dirty Nickel Gagal Nempel di Vale, Ini Alasan dan Faktanya,” *Warta Ekonomi*, November 24, 2025. Indonesia holds 42.3% of global reserves (2023) and produced 61% of global supply in 2024.

³ Republic of Indonesia - Ministry of Energy and Mineral Resource, *Handbook of Energy & Economic Statistics of Indonesia*, 2023.

⁴ Republic of Indonesia, Law No. 3 of 2020 amending Law No. 4 of 2009 on Mineral and Coal Mining, Arts. 102–103 (downstream value-addition).

⁵ Institute for Energy Economics and Financial Analysis, “Indonesia Nickel Companies: The Need for Renewable Energy Amid Increasing Production”, October 2024, p. 13 and p. 25.

⁶ Forest Watch Indonesia, *Nickel Mining Expansion and Its Impacts on Forests and Communities in Indonesia* (2022), Business & Human Rights Resource Centre, *Indonesia: Nickel Supply Chain and Human Rights Risks* (2023).

Consequently, Indonesia's nickel sector illustrates the broader tension between economic development and environmental protection. Indonesia's hilirisasi policy has delivered notable economic benefits. The expansion of nickel processing has attracted substantial foreign direct investment, created employment opportunities, and increased export revenues. Industrial parks such as Morowali (IMIP), Weda Bay (IWIP), and Indonesia Pomalaa Industry Park (IPIP) have become symbols of Indonesia's industrial transformation and success in attracting global investors.⁷ On the other hand, the expansion of nickel production driven by the hilirisasi policy has produced a controversial global narrative around so-called "dirty nickel", a label applied to nickel processed using coal-fired power, associated with deforestation, and produced under contested social and labour conditions.⁸ The ambition to support green energy transitions through nickel production is partially undermined by the carbon-intensive nature of its processing industry. This contradiction intensifies discussions on BHR, environmental governance, and sustainability standards. According to WALHI, other than deforestation, nickel mining expansion also contributed to various forms of rights infringement, particularly during project planning and land development phases.<https://walhisulsel.or.id/3385-penghujung-akhir-tahun-walhi-region-sulawesi-luncurkan-catahu-2021-red-alert-nickel-sulawesi/Ery>⁹

Some industry participants have already begun integrating renewable energy sources and developing "green nickel" initiatives to improve environmental performance and strengthen market access. These efforts are supported by growing recognition that sustainability standards can create competitive advantages rather than merely impose compliance costs. Reflecting this trend, the Indonesian government has introduced the Indonesian Nickel Industry Decarbonization Roadmap, which seeks substantial reductions in sectoral emissions while maintaining industrial growth.¹⁰ Vale Indonesia, with its hydroelectric power base and longer operating history, also has begun positioning itself in opposition to this narrative, urging the industry to pivot toward what it terms the right nickel.<https://vale.com/w/pt-vale-urges-nickel-producers-pivot-toward-the-right-nickel-during-lme-week-2025>¹¹

3. Vale's Business Model and Distinctive Profile

Vale Indonesia is the longest-operating nickel producer in Indonesia, having commenced operations in Sorowako, South Sulawesi, in 1968 and accumulating more than fifty-six years of integrated mining and processing experience.¹² Following the expiry of the Contract of Work regime, Vale Indonesia transitioned to a Special Mining Business Licence (Izin Usaha Pertambangan Khusus, IUPK) in 2017, which now governs its rights to mine, to operate the Larona River hydroelectric facilities, and to control its concession footprint.¹³ In June 2024, the company restructured its shareholders through the divestment of 14 per cent of shares to MIND ID, Indonesia's state-owned mining holding company, which now holds the largest stake, followed by Vale Canada Limited, the public, and Sumitomo Metal Mining (Exhibit 2). The total concession area stands at 118,017 hectares spread across Sorowako (70,566 ha) in South Sulawesi, Pomalaa (22,699 ha) in Southeast Sulawesi, and Bahodopi (24,752 ha) in Central Sulawesi.¹⁴

⁷ Ibid., p. 13.

⁸ Institute for Energy Economics and Financial Analysis (IEEFA), *Indonesia's Nickel Industrial Strategy: Environmental and Social Risks of Coal-Based Processing* (2023).

⁹ WALHI, "Penghujung Akhir Tahun, WALHI Region Sulawesi Luncurkan Catahu 2021 'Red Alert, Nickel Sulawesi'", 2022, , Human Rights Watch, *Nickel Unearthed: Indonesia's Battery Ambitions and Human Rights Risks* (2024).

¹⁰ See Ministry of Energy and Mineral Resources (MEMR), *Indonesia Nickel Industry Decarbonization Roadmap* (2023) (outlining emission reduction pathways for the nickel sector while sustaining downstream industrial expansion).

¹¹ PT Vale Indonesia, "PT Vale Urges Nickel Producers to Pivot Toward The Right Nickel During LME Week 2025," October 14, 2025,

¹² PT Vale Indonesia Tbk, Company History (originally PT International Nickel Indonesia, listed on the IDX in 1990; nickel production at Sorowako commenced in 1968).

¹³ Direktorat Jenderal Mineral dan Batubara, Kementerian ESDM RI, Conversion of Contract of Work (Kontrak Karya) to IUPK under Law No. 4/2009 as amended by Law No. 3/2020.

¹⁴ Vale Indonesia, Annual Report, Sustainability Report, Various Years.

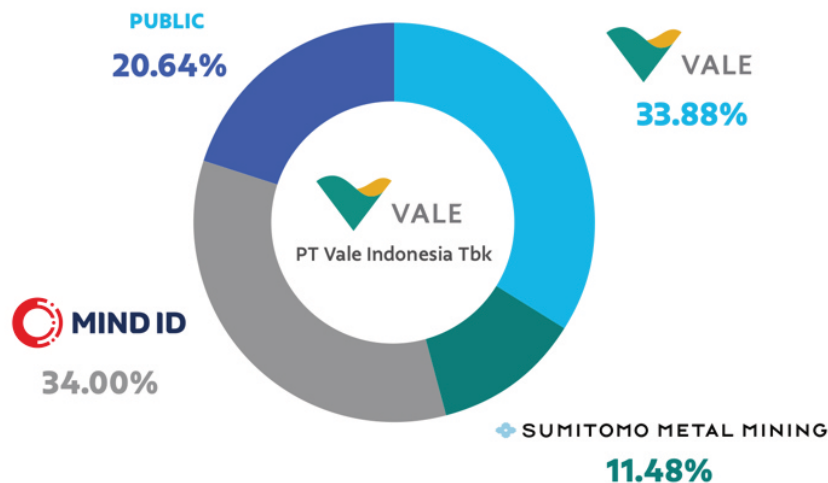


Exhibit 2: Vale Indonesia Shareholders (Source: Vale Indonesia, Annual Report 2025)

Vale Indonesia is also bound by additional layers of external scrutiny: its financiers operate under the Equator Principles framework.¹⁵ Further, as of December 2024 the company has been undergoing a full IRMA audit at Sorowako, the first large-scale Indonesian nickel operation to attempt the standard. <https://responsiblemining.net/about/recognition/>¹⁶ These commitments are not merely ornamental; they shape what the company can credibly claim to global buyers, regulators, and civil society in an industry where reputational and operational performance are increasingly inseparable. With the upcoming strong export markets such as Ford Motor Company, China's Zhejiang Huayou Cobalt, and BYD, Vale Indonesia is obliged to catch up with international market trends that have shifted to demand for ESG-aligned components and lower-carbon nickel processes (Exhibit 3).

Environmental

Operation of electric boilers to phase out marine fuel oil (MFO).
 ROJALI alternative hydroelectric supply line for additional networks.
 Used cooking oil (jelantah) is repurposed as fuel in dryers and reduction kilns.
 Tilted plate settler in a water treatment system.
 ECOTERAKO: nickel slag substitution for natural stone in road construction.
 Post-mining closure plan.

Social

Dongi relocation programme.
 Organic SRI Rice Intensification System in East Luwu.
 Foster-child scholarship programme.
 Traditional herbal medicine community innovation.
 Community health and safety initiatives.
 Employee welfare programmes.
 Integrated occupational safety practice.

¹⁵ The Equator Principles framework serves as a voluntary, globally recognized risk management baseline for financial institutions to evaluate and manage environmental and social risks when funding large-scale infrastructure and industrial developments. By requiring project sponsors to comply with stringent standards regarding environmental sustainability, human rights protections, and local community engagement, the framework ensures that capital-intensive projects are not advanced at the expense of local ecosystems or populations. Gatti, S. (2023). *Project Finance in Theory and Practice: Designing, Structuring, and Financing Private and Public Projects* (4th ed.). Academic Press. pp. 55–92.

¹⁶ The Initiative for Responsible Mining Assurance (IRMA) framework is globally recognized by governments, civil society, and commercial industries as the preeminent "gold standard" for independent, third-party verification of environmental and social responsibility at industrial-scale mine sites (Initiative for Responsible Mining Assurance). By subjecting mining operations to a rigorous, multi-stakeholder-governed assessment covering human rights, environmental impacts, and community engagement, IRMA enables downstream purchasers to validate sustainable supply chains and allows mining companies to demonstrate the high integrity required to enter premium markets. Initiative for Responsible Mining Assurance. (2026). *Recognition of IRMA*.

Governance

Board oversight and continuous Good Corporate Governance (GCG) implementation.

Listed company governance guidance applied.

International GCG standards are aligned with OECD, ASEAN CG Scorecard, and OJK regulation.

Anti-corruption policy via Code of Ethics, Global Anti-Corruption Policy and Manual.

Annual anti-corruption training for employees and stakeholders.

Vale Whistleblower Channel (VWC) is operated by an independent professional provider.

Annual and sustainability reports per GRI standards and OJK regulations.

Operations conducted under valid permits, including IUPK and PPKH.

Exhibit 3: ESG Initiatives at Vale Indonesia (Source: [to be confirmed])

Vale Indonesia's historic core is the Sorowako pyrometallurgical operation, which produces nickel matte primarily for export to Japan and is powered entirely by hydroelectric capacity on the Larona River (see Exhibit 4).¹⁷ Unlike many recent entrants to the Indonesian nickel sector, Vale has retained a relatively conservative technological pathway, prioritising long-term off-take stability and product consistency over rapid expansion into battery-grade materials. The company has, however, recently begun aligning with the national hilirisasi agenda. Two High-Pressure Acid Leach (HPAL) projects in Pomalaa and Bahodopi are being developed in partnership with strategic investors to produce Mixed Hydroxide Precipitate (MHP), the precursor most relevant to electric vehicle batteries. These projects would widen Vale Indonesia's exposure to the EV supply chain and to the environmental, social, and governance scrutiny that the EV value chain now demands.¹⁸

Despite volatility in global nickel markets, Vale Indonesia has maintained relatively stable production levels. Investor confidence remains strong, supported by expectations that long-term demand for nickel will continue to grow as electrification and energy transition policies expand worldwide. Nonetheless, profitability remains highly dependent on international nickel prices. Recent declines in nickel prices, combined with rising operational expenditures and increasing capital requirements for ESG compliance, have placed pressure on margins. These challenges are further intensified by the global oversupply concern, driven in part by Indonesia's own rapid expansion of nickel production capacity.¹⁹

Vale Indonesia also faces complex operations as environmental directives are shaped by both global and domestic governance. Whilst the competition among nickel producers has compressed profit margins, regulatory developments and evolving ESG expectations also require greater transparency, stronger environmental performance, and deeper stakeholder engagement.²⁰ The company must balance commercial objectives with government policy priorities and local community interests. Mining activities often affect surrounding ecosystems and livelihoods, making effective environmental management and community relations essential for maintaining operational legitimacy and long-term sustainability. On Vale Indonesia's standing, the shareholders' composition of MIND ID and Vale Canada accumulates global and domestic compliance, which places it as Vale Indonesia's competitive advantage to perform in the market.

¹⁷ PT Vale Indonesia Tbk, Sustainability Report 2024. Sorowako: integrated pyrometallurgical operation producing nickel matte, predominantly exported to Japan; powered entirely by hydroelectric capacity on the Larona River.

¹⁸ PT Vale Indonesia Tbk, Annual Report 2024. Total IUPK area 118,017 ha across three provinces: Sorowako, South Sulawesi (70,566 ha); Pomalaa, Southeast Sulawesi (22,699 ha); Bahodopi, Central Sulawesi (24,752 ha).

¹⁹ OECD (2016). OECD Due Diligence Guidance for Responsible Mineral Supply Chains. Paris: OECD Publishing.

²⁰ International Council on Mining and Metals (ICMM). Mining Principles and Performance Expectations.

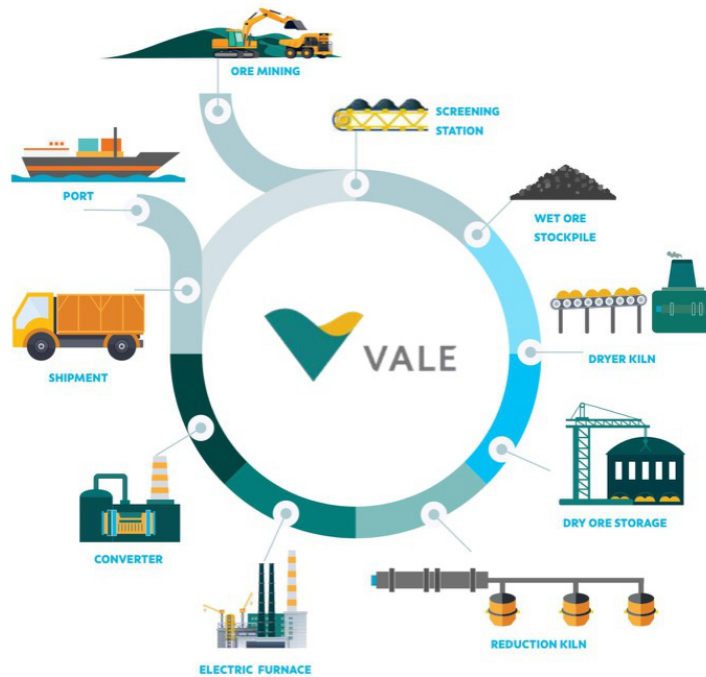


Exhibit 4: Process Flow of Nickel Ore Mining (Source: Vale Indonesia, Annual Report 2025)

To address growing stakeholder expectations and strengthen RBC, Vale Indonesia is now pursuing international sustainability standards in its operations, particularly through IRMA. Unlike conventional ESG reporting frameworks, IRMA emphasises independent third-party verification and public disclosure, thereby enhancing accountability and reducing information asymmetry between mining companies and stakeholders. IRMA represents more than a certification exercise; it signifies a transition from compliance-based ESG management toward the integration of sustainability principles into core business processes. This integration extends across four key areas:

Operational integration requires stronger controls over biodiversity protection, land use management, waste and water treatment, emissions monitoring, and energy efficiency. ESG considerations therefore become embedded in daily operational decisions, mine planning, and capital allocation.

Supply chain integration promotes accountability beyond the company's direct operations. This includes supplier due diligence, production traceability, and alignment with sustainability requirements imposed by downstream manufacturers, particularly EV producers.

Social integration emphasises meaningful community participation through mechanisms such as Free, Prior, and Informed Consent (FPIC), grievance procedures, and stakeholder engagement processes.

Governance integration links ESG risks with broader operational, financial, and reputational risk management systems through independent audits, transparent reporting, and structured remediation mechanisms.

Strategically, the integration of IRMA transforms ESG from a compliance obligation into a source of competitive advantage. Strong sustainability performance can improve market access, strengthen buyer confidence, reduce operational risk, and enhance corporate reputation. This is particularly important as leading global companies increasingly require responsible sourcing standards throughout their mineral supply chains. For Vale Indonesia, successful integration of IRMA principles may therefore support both long-term profitability and alignment with the evolving expectations of global markets. <https://responsiblemining.net/members-partners/#irma-member-list>²¹

²¹ Vale Indonesia, Members/Partners, Accessed on 5 May 2026. Available at

4. The RBC and Business and Human Rights (BHR) Framework Applied at Vale

RBC and BHR frameworks shape Vale Indonesia's formal commitments. Within the international context, Vale Indonesia has aligned with the United Nations Guiding Principles on Business and Human Rights (UNGP),²² the OECD Due Diligence Guidance, the Global Reporting Initiative, and the UN Principles for Responsible Investment. In the domestic context, the company operates within Law No. 32/2009 on Environmental Protection and Management,²³ and Article 2 of Law No. 3/2020, which expressly requires mining companies to bear responsibility for the social and environmental impacts of their operations.²⁴

The most significant recent development is Presidential Regulation No. 60/2023, which establishes Indonesia's National Strategy on Business and Human Rights and incorporates the UNGP three-pillar architecture: state duty to protect, corporate responsibility to respect, and access to remedy.²⁵ To operationalise corporate compliance, the government has issued PRISMA, a self-assessment digital tool covering environmental impact, labour conditions, community relations, indigenous rights, and grievance mechanisms.²⁶ To date, PRISMA participation remains voluntary but is scheduled to become mandatory by 2028.²⁷

Beyond regulatory floors, Vale Indonesia accumulates voluntary credentials: an ASEAN Corporate Governance Scorecard rating of 98.68 per cent; the PROPER Gold Award from the Ministry of Environment and Forestry; the Gold Award at the 2025 Asia ESG Positive Impact Awards for Biodiversity Conservation;²⁸ certifications under ISO 14001, ISO 45001, and ISO 37001;²⁹ and a USD 750 million Sustainability-Linked Loan (SLL) in April 2026 that ties pricing to ESG performance covenants.<https://vale.com/w/strengthening-its-sustainable-finance-strategy-pt-vale-secures-us-750-million-esg-linked-syndicated-loan-facility>³⁰ The IRMA audit at Sorowako, currently in progress, is the most demanding of these instruments. More than 400 individual requirements across four chapters – Business Integrity, Planning for Positive Legacies, Social Responsibility, and Environmental Responsibility, are independently verified through a multi-stakeholder governance model that actively includes civil society and labour unions.³¹

²² United Nations, Guiding Principles on Business and Human Rights (2011), endorsed by the Human Rights Council Resolution 17/4.

²³ Law No. 32 Year 2009 on the Environment Protection and Management

²⁴ Art. 2 Law No.3/2020 on Mineral Mining, requires corporate responsibility of social and environment impact due to its business operation.

²⁵ Presidential Regulation No. 60/2023 on National Strategy on Business and Human Rights

²⁶ Circular Letter of Minister of Human Rights No. M.HA-01.HA.03.02 Year 2025 on Business and Human Rights Compliance Assessment for Business Sector (PRISMA). PRISMA self-assessment is currently voluntary; mandatory adoption is planned for 2028.

²⁷ Ministry of Human Rights West Sumatra Region, "Minimalisir Pelanggaran HAM pada Sektor Bisnis: Aplikasi PRISMA," 2025

²⁸ PT Vale Indonesia Tbk, Annual Report 2024. ASEAN Corporate Governance Scorecard rating 98.68%; PROPER Gold Award (KLHK); Gold Award Asia ESG Positive Impact Awards 2025 for Biodiversity Conservation.

²⁹ Vale Indonesia operates under ISO 14001 (Environment), ISO 45001 (Occupational Health & Safety), and ISO 37001 (Anti-Bribery Management).

³⁰ PT Vale Indonesia Tbk, Strengthening Its Sustainable Finance Strategy, PT Vale Secures US\$750 Million ESG-Linked Syndicated Loan Facility, April 2026.

³¹ IRMA, Standard for Responsible Mining (IRMA-STD-001). The standard contains over 400 individual requirements across environmental management, human rights, community engagement, and occupational safety, with multi-stakeholder governance including civil society, mining companies, affected communities, and labour unions.

5. Mini Case A - Dirty Nickel: ESG Standards as a Competitive Weapon

The full standalone version of Mini Case A is published separately as a classroom handout

The race for clean cars and the rise of labelling

The global EV transition has elevated nickel from a commodity into a strategic geopolitical asset. As Tesla, Volkswagen, BMW, Mercedes-Benz, and others race to secure battery raw materials, demand for Class 1 nickel is projected to double or triple by 2030. Indonesia's 2020 export ban deliberately captured this demand by pulling investment, predominantly Chinese, into smelter and processing capacity. The expansion has been spectacular, and so has its narrative cost.

The phrase dirty nickel has migrated from environmental commentary into mainstream market discourse. It refers to nickel produced using coal-intensive smelting, deforestation, and weak social and labour safeguards. As a label, it is now market-shaping. It influences pricing, regulation, and access to global supply chains. Whoever controls the meaning of clean controls who is allowed to sell.

On 24 February 2024, Andrew Forrest, founder of Fortescue Metals Group, called on the London Metal Exchange to classify nickel contracts as clean or dirty, arguing that buyers and consumers deserve transparency about the environmental footprint of their batteries.<https://www.miningweekly.com/article/forrest-urges-lme-to-separate-nickel-contracts-into-dirty-and-clean-2024-02-26>³² Forrest's framing was simultaneously environmental and competitive: Australian producers, operating under stricter regulation but at higher cost, were being undercut by cheaper Indonesian supply, and a clean classification would create a price premium that protected the Australian industry.

The campaign presents Indonesian producers with an asymmetric problem. The label is not directed at any specific operator; it travels the entire country-of-origin signal. Even producers with materially different operational profiles, power sources, governance, and community track records risk being collapsed into a single category.

President Director and CEO Febriany Eddy has rejected the accusation of the dirty nickel labelled to Vale Indonesia, arguing that the carbon-intensity charge is fundamentally inapplicable to operations powered entirely by hydroelectricity from the Larona River.<https://www.bloombergtechnoz.com/detail-news/47410/inco-soal-tudingan-dirty-nickel-di-ri-tak-relevan-buat-vale>³³ Eddy points to sustainability as embedded in the company's DNA from inception, supported by an ESG framework that includes an independent third-party audit under IRMA, an ASEAN Corporate Governance Scorecard rating of 98.68 percent, progressive land reclamation targeting 70 percent completion by end-2025, active monitoring of the Malili Lake Complex, and a performance evaluation system that balances profit, people, and planet.³⁴

Eddy's public concern is that Western narratives tend to paint all Indonesian nickel with the same brush and that silence would result in Vale being categorised alongside coal-powered smelters in Morowali and Halmahera. The strategic challenge is therefore not whether Vale is in fact different, but whether it can credibly demonstrate difference to buyers, regulators, and investors who do not have the time or expertise to investigate operator by operator.

BHR principles

Although the UNGP is considered a soft law and does not carry legally binding obligations, it has been widely accepted by both states and business actors as an authoritative BHR standard. Its principles are largely grounded in internationally recognised human rights instruments such as the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR), both of which Indonesia has ratified. At the domestic level, these rights-

³² Reuters, "Forrest urges LME to separate nickel contracts into 'dirty' and 'clean,'" Mining Weekly, February 26, 2024, .

³³ Febriany Eddy, "INCO Soal Tudingan Dirty Nickel di RI: Tak Relevan Buat Vale," Bloomberg Technoz, August 26, 2024, .

³⁴ Febriany Eddy, quoted in "Dirut PT Vale Indonesia Buka Suara Soal Serangan 'Dirty Nickel,'" Kumparan, August 4, 2024. Vale Indonesia's progressive land reclamation target was 70% completion by end-2025.

based principles are reflected in Law No. 32/2009 on Environmental Protection and Management and Law No. 3/2020 on Mineral and Coal Mining, which require mining companies to operate based on good mining practice, conduct thorough environmental management, prevent pollution, undertake reclamation, and remain accountable for the social and environmental impacts of their operations.

Outside of environmental protection and good mining practice, Vale Indonesia must also adhere to a broader regulatory ecosystem that includes spatial planning and administrative governance coordination. Spatial planning obligations, such as Law No. 26/2007 and Governmental Regulation No. 21/2021, are essential, as they address several attributes, such as spatial planning for mining infrastructure development, environmental risk mitigation, and land use management. Administratively, Vale Indonesia must also maintain coordination with both central and regional government institutions concerning licenses, supervision, environmental governance, and the management of social impacts, as regulated under Law No. 23/2014 on Regional Government and Government Regulation No. 96/2021 on the Implementation of Mineral and Coal Mining Business Activities.

Failure to comply with these environmental and mining obligations may trigger both administrative and criminal liability. Under Law No. 32 of 2009 on Environmental Protection and Management, violations of environmental permits, environmental quality standards, monitoring requirements, and Environmental Impact Assessment (AMDAL) obligations may result in administrative sanctions, including written warnings, government coercive measures, suspension, and revocation of environmental approvals and business licenses.³⁵ Furthermore, environmental pollution or damage that exceeds prescribed standards may attract criminal penalties, including imprisonment and fines.³⁶ Likewise, under Law No. 3 of 2020 on Mineral and Coal Mining, failure to fulfil reclamation and post-mining obligations may result in administrative sanctions, including suspension or revocation of mining business licences, as well as other measures imposed by the competent authorities.³⁷ On the other hand, Indonesia's ESG regulations, although still lacking a unified system, operate through distinct frameworks.³⁸

EV supply-chain pressure and the traceability imperative through IRMA

Downstream buyers are no longer prepared to take operator-level claims at face value. The European Union (EU) Battery Regulation introduces a digital battery passport that, from 2027, will require disclosure of the carbon footprint, recycled content, and due diligence performance of materials used in industrial and EV batteries.³⁹ Comparable frameworks in the United States and Japan are converging on the same logic. For Vale Indonesia, this is simultaneously a threat and an opportunity. The threat is the global tendency to homogenise Indonesian nickel. The opportunity is that Vale's existing operational profile, hydroelectric power, more than five decades of integrated operations, and progressive reclamation already meet many of the environmental benchmarks that battery passports will require.

Additionally, the recently enacted EU's omnibus directive, which includes the EU Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD), pressures the realities of Human Rights Due Diligence (HRDD) obligations to become increasingly legally binding in many jurisdictions. Moreover, Indonesia's consideration to be a part of the Organisation for Economic Co-operation and Development (OECD) implies a commitment to comply with the Guidelines for Multinational Enterprises on Responsible Business Conduct. As a member of the OECD, Indonesia would be required to adhere to this instrument.

³⁵ Article 76 (2) of Law No. 32/2009.

³⁶ Article 98-103 of Law No. 32/2009.

³⁷ Articles 119, 151, and 161 (b) of Law No. 3/2020 on Amendments to Law No. 4/2009 on Mineral and Coal Mining. See also Article 22-35 of Ministry of Energy and Mineral Resources Regulation No. 26/2018 on Good Mining Practice concerning reclamation and post-mining obligations.

³⁸ ESG regulations are primarily governed by the following laws: Law No. 32 of 2009 on Environmental Protection and Management (as amended); Law No. 40 of 2007 on Limited Corporate Liability Companies (particularly Article 74 on Social and Environmental Responsibility); OJK Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies; and OJK Regulation No. 60/POJK.04/2017 on the Issuance and Requirements of Green Bonds.

³⁹ EU Regulation 2023/1542 concerning batteries and waste batteries (Battery Regulation). Article 77 introduces a digital battery passport for industrial and EV batteries effective 2027.

Against this backdrop, Vale Indonesia's commitment to completing an IRMA audit at Sorowako represents more than compliance theatre. It is a deliberate move to convert internal claims into externally verified credentials. The ASEAN Corporate Governance Scorecard rating and the PROPER Gold Award carry weight domestically but are unfamiliar to procurement teams at Tesla, Volkswagen, or BMW, who increasingly justify sourcing decisions to European regulators and institutional investors using standardised, third-party-audited evidence. IRMA's framework provides precisely that, hundreds of independently audited requirements with multi-stakeholder governance, including civil society and labour unions, that internal disclosure cannot replicate. If achieved, the audit would operationalise Eddy's defence: transforming what we are different from a corporate assertion into an externally verified fact that buyers, regulators, and investors can rely on under high-stakes scrutiny. However, the transparent nature of the IRMA platform might also create new risks for Vale Indonesia, as external stakeholders can submit feedback and complaints that will be publicly accessible. For example, through the independent platform, the public would be able to access complaints by affected communities of the pipeline leaks issue in Lioka Village, East Luwu, not far from the site where the IRMA audit is now undergoing, Sorowako.

6. Mini Case B - The Lioka Oil Spill: Operational Risk Meets Community Impact

The full standalone version of Mini Case B is published separately as a classroom handout.

Vale Indonesia has experienced recurring oil spill incidents in East Luwu, South Sulawesi, with cases recorded in 2009, 2010, 2012, 2014 and 2025. The most recent spill occurred on 23 August 2025, when more than 90,000 litres of marine fuel oil (MFO) leaked from a pipeline in Lioka Village, contaminating the Koromusilu River and Lake Towuti and damaging at least 82 hectares of agricultural and aquaculture land. Following the last incident, Vale Indonesia established emergency response and grievance mechanisms, conducted environmental clean-up operations, coordinated with government authorities, and provided compensation to affected communities. However, the incident drew attention to broader concerns regarding environmental accountability, the effectiveness of corporate due diligence and risk management systems, access to remedy for affected communities, transparency in determining the cause of the spill, and the protection of local communities' rights to a healthy environment and sustainable livelihoods. The case highlights the continuing challenges of implementing RBC and BHR principles in the critical mineral mining sector. PTVI-Oil Leaks Case⁴⁰

A pattern of recurring spills

Long before 2025, oil leaks were a recurrent feature of Vale Indonesia's operational footprint. Documented incidents occurred in 2009, 2010, 2012, and 2014 in the area surrounding the Sorowako operation.⁴¹ Whilst the 2009, 2012, and 2014 incidents involved primarily High Sulfur Fuel Oil (HSFO), the 2025 incident involved Marine Fuel Oil (MFO). Two structural drivers consistently appear in the record: (a) ground movement caused by seismic activity that physically damages pipelines; and (b) ageing or inadequate pipe infrastructure under repeated stress. Despite cleanup and corrective actions, the recurrence is itself the critique. It suggests that the technical risks of large-scale extraction in a seismically active region are yet to be fully managed. <https://trendasia.org/wp-content/uploads/2025/09/Fact-Sheet-Vale.pdf>⁴²

23 August 2025: the Lioka incident

Trend Asia's subsequent fact-finding documented that the pipeline route runs through a seismically active corridor. There were 404 earthquakes recorded within eleven years prior to 2025, including 189 earthquakes in 2025 alone and 73 earthquakes near Lioka village since 2017.⁴³ The investigation called

⁴⁰ For more detailed facts with a legal approach, please refer to .

⁴¹ Mongabay, "Kala Tumpahan Minyak Bikin Nelayan Lampia Tak Melaut," August 17, 2014. Documented prior spill incidents in 2009, 2010, 2012, and 2014 around Vale's Sorowako operations.

⁴² Trend Asia, "Sustainability Vale Dalam Jejak Tumpahan Minyak yang Berulang," September 2025, .

⁴³ Trend Asia Fact Sheet, "Nestapa Petani Luwu Timur Terdampak Kebocoran Minyak PT Vale," September 2025. 404 recorded

for the company to implement deeper external oversight of systemic risk management and environmental accountability. The Governor of South Sulawesi formally observed the case and emphasised that Vale must bear responsibility and reduce the spread of contamination to additional rice fields and aquatic environments.<https://sulselprov.go.id/post/kebocoran-pipa-gubernur-sulsel-vale-wajib-bertanggungjawab-atas-dampak-terjadi>⁴⁴

Vale Indonesia's response and the unresolved question

Vale Indonesia has implemented a substantial mitigation package. For example, a 24-hour emergency response post combining health services with a community grievance mechanism; impact mapping in collaboration with academic institutions to classify damage; physical cleanup of the river and affected lands; compensation payments and rental fees on contaminated land during the cleanup-and-recovery period; and active coordination with the Ministry of Energy and Mineral Resources, Department of Fisheries, Department of Agriculture, and Department of Water Resources to triangulate damage estimates as the basis for compensation.<https://vale.com/in/indonesia/pemulihan-kebocoran-minyak-towuti>⁴⁵ Community representatives in East Luwu confirmed that compensation has been delivered.⁴⁶ The Ministry of Environment has nevertheless taken the position that remedy must also extend to environmental restoration.

One element, however, remains unresolved: the official cause of the leak has not been disclosed. Without a definitive root-cause determination, neither the affected communities nor the company's own field workforce can be confident that preventive measures address the right risks. The Lioka incident therefore illustrates the gap between remedy (which has been delivered) and prevention (which remains incomplete) in operational human-rights practices. It also illustrates the limits of corporate-level intervention. Regardless of the strength of an ESG framework, the technical reality of pipeline ageing in a seismic corridor will continue to generate risk until structural change occurs.

7. Other Risks in Context and Future Direction

Beyond the two highlighted incidents, Vale Indonesia's operating record includes additional contested matters that situate the case in a broader landscape. An independent human rights impact assessment by Twentyfifty Ltd. in 2023 identified procedural gaps in stakeholder engagement at concession boundaries and recommended deeper integration of community feedback into operational risk management.⁴⁷

The Karonsi'e Dongi community has long contested the company's relationship with indigenous customary lands. In 2016, the Aliansi Masyarakat Adat Nusantara (AMAN) issued a public statement calling for the recognition of customary rights at Sorowako.⁴⁸ Vale Indonesia's Dongi Relocation Programme, covering approximately 170 households previously residing within the concession, relocated affected families to a designated 3.5-hectare settlement.⁴⁹ These contextual cases are not central to the present case study, but they remain material to any assessment of the company's social licence.

Vale Indonesia's public pivot toward the right nickel articulated at LME Week 2025 is a calculated strategy with an assumption that the EV supply chain will reward operators who can document responsible practice rather than merely claim it. The IRMA audit at Sorowako, the Sustainability-Linked

earthquakes in the 11 years preceding 2025; 189 earthquakes in 2025; 73 earthquakes near Lioka village since 2017.

⁴⁴ Pemerintah Provinsi Sulawesi Selatan, Press Release, "Kebocoran Pipa: Vale Wajib Bertanggungjawab atas Dampak Terjadi," August 25, 2025, .

⁴⁵ PT Vale Indonesia, "Pemulihan Kebocoran Pipa Minyak Towuti," .

⁴⁶ Field interview with community representatives in East Luwu, April 14, 2026. Compensation has been paid for affected farmland, fisheries, and livestock; however, the official cause of the leak has not yet been publicly disclosed, limiting the optimisation of preventive mitigation.

⁴⁷ Twentyfifty Ltd., independent human rights assessment of PT Vale Indonesia (2023), as summarised in Vale Base Metals, *Human Rights Commitment and Action Plan* (2023)

⁴⁸ Aliansi Masyarakat Adat Nusantara (AMAN), Pernyataan Sikap atas Operasi PT Vale di Wilayah Adat Karonsi'e Dongi, 2016.

⁴⁹ PT Vale Indonesia, Dongi Relocation Programme. The programme covers approximately 170 households previously residing within the Sorowako concession area, relocated to a 3.5-hectare designated settlement.

Loan, and the PRISMA pipeline together signal a strategy of transitioning voluntary commitments into externally verifiable performance.

Whether this strategy could absorb the operational realities visible in the Lioka spill is still questionable, and that is the essential task of the new CEO of Vale Indonesia. RBC in mining is not a fixed achievement but a continuous process shaped by economic incentives, regulatory architecture, community expectations, and the physical environment in which extraction occurs. Thus, Vale Indonesia provides an instructive case for examining the future of ethical conduct in the critical minerals supply chain, precisely because the tension between corporate ambition and structural constraint remains unresolved.

8. Questions for Discussion

Prepare answers to the following before the session. There is no single correct response to any of them; you will be asked to take a position and defend it.

1. How does Vale Indonesia position itself within the Indonesian nickel industry, and on what does that position depend?
2. Is the 'dirty nickel' campaign an environmental argument, a competitive strategy, or both? Does your answer change how Vale Indonesia should respond to it?
3. Which legal obligations bind Vale Indonesia under Indonesian law and under international business and human rights standards, and where do those obligations stop short of what affected communities might expect?
4. What does the IRMA standard require that Indonesian law and existing international frameworks do not? Why would a company seek verification it is not obliged to hold?
5. Did Vale Indonesia's response to the Lioka spill — emergency measures, clean-up, compensation, impact assessment — discharge its responsibility to respect human rights? What would prevention, as distinct from remedy, require?
6. How should the operational risk of pipeline failure in a seismically active corridor be distinguished from, and how is it connected to, the human rights risk borne by the surrounding communities?
7. Are the existing grievance mechanisms adequate to ensure accountability and prevent recurrence? What would meaningful community participation look like in this case?
8. As the newly appointed chief executive, do you treat IRMA's transparency as your strongest asset or as your largest exposure — and how do you justify that decision to buyers, to investors, and to the communities around Sorowako?

9. Further Reading

- United Nations, Guiding Principles on Business and Human Rights (2011).
- OECD, Guidelines for Multinational Enterprises on Responsible Business Conduct (2023 edition).
- OECD, Due Diligence Guidance for Responsible Mineral Supply Chains (2016).
- Presidential Regulation No. 60/2023 on the National Strategy for Business and Human Rights (Stranas BHAM).
- Law No. 32/2009 on Environmental Protection and Management.
- Law No. 3/2020 on Amendments to Law No. 4/2009 on Mineral and Coal Mining, as most recently amended by Law No. 2/2025.
- Initiative for Responsible Mining Assurance, IRMA Standard for Responsible Mining.
- Regulation (EU) 2023/1542 on batteries and waste batteries.
- Institute for Energy Economics and Financial Analysis, Indonesia's Nickel Industrial Strategy: Environmental and Social Risks of Coal-Based Processing (2023).
- PT Vale Indonesia Tbk, Sustainability Report (most recent edition).

Teaching this case

A teaching note accompanies this case. It sets out learning objectives, suggested answers, in-class activities, and session plans for law schools and for business management schools. It is available to educators and facilitators on request.



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