

# Vote Bulletin: Vale, S.A.

|                      |   |
|----------------------|---|
| Company              | Vale, S.A. (NYSE: VALE)   |
| Market and Sector    | Brazil/Materials  |
| Meeting Date         | 30 April 2021 (Annual and Special General Meeting) <sup>1</sup>   |
| Key Resolutions      | <p><b>Multiple items on “Management’s Proposal for the Annual and Special Shareholders’ Meeting:”<sup>2, 3</sup></b></p> <ul style="list-style-type: none"> <li>• Item 1: Individual elections of members of the Board of Directors recommended by the Nominating Committee and Board of Directors (featuring contested elections by minority shareholders)</li> <li>• Item 2: Election of the Chairman and Vice-Chairman of the Board of Directors</li> <li>• Item 3: Election of members of the Fiscal Council</li> <li>• Item 4: Establishment of the overall annual compensation of the Company’s directors and members of the Fiscal Council for the year 2021</li> <li>• Item 5: Approve corporate transactions to simplify iron ore assets and Vale’s corporate structure</li> </ul> |
| Key Topics           | Board quality and effectiveness; board oversight of risk management policies; human capital management; strategy, purpose, and financial resilience.  |
| Board Recommendation | The board recommended voting FOR all items proposed by management. In the case of the individual director elections, the board recommended voting FOR the candidates recommended by the Nominating Committee and Board of Directors and AGAINST the candidates proposed by minority shareholders.   |
| BlackRock Vote       | BlackRock voted FOR all items proposed by management. In the case of the individual director elections, BlackRock voted FOR the candidates recommended by the Nominating Committee and Board of Directors.  |

## Overview

Vale, S.A. (Vale) – a Brazilian mining company – is the world’s largest producer of iron ore, pellets, and nickel. Vale is also the largest producer of manganese in Brazil, holding approximately 70% of the national market. In addition to Mining, Vale operates three other business divisions: Logistics, Steel Making, and Energy.

<sup>1</sup> A *sociedade anônima* (S.A.) such as Vale, is one of the most common corporate entity forms used in Brazil. Under Brazilian law, corporations must hold an annual shareholders’ meeting during the first four months after the end of each fiscal year to deliberate on matters such as: 1) Management accounts and year-end financial statements; 2) allocation of net profits for the fiscal year and distribution of dividends; and 3) election of managers (directors and officers) and members of the fiscal council, if any, and establish their remuneration. Special meetings can be held whenever the corporate interest so requires. See “[Corporate governance and directors’ duties in Brazil.](#)”

<sup>2</sup> Vale, S.A. “[Management’s Proposal – Annual and Special Shareholders’ Meeting to be Held on 04/30/2021.](#)”

<sup>3</sup> Vale, S.A. “[2021 Proxy Statement – Annual General Meeting of Shareholders.](#)” 15 March 2021.

The company's operations cover approximately 30 countries and its global workforce comprises around 120,000 direct and indirect employees.<sup>4</sup>

In January 2019, a tailings dam<sup>5</sup> at Vale's iron ore mine in Brumadinho, in the Brazilian state of Minas Gerais, collapsed and killed approximately 270 people.<sup>6</sup> The dam collapse, considered one of the deadliest industrial disasters in the world, also caused significant environmental damage.<sup>7</sup>

According to several articles reporting on the case in early 2019, state prosecutors found that the tailings "dam had presented a critical structural risk since at least 2017."<sup>8</sup> In addition, these articles reported that prosecutors determined that Vale's relationship with TÜV SÜD – the German auditing company that certified the tailings dam as safe months before it collapsed – was one of "pressure, collusion, compensation, and a conflict of interests."

An extensive investigation conducted by an Expert Panel, retained by Vale's external legal counsel, determined that construction deficiencies and inadequate drainage contributed to the conditions for the dam's instability, failure, and flooding.<sup>9</sup> Another investigation carried out by an Extraordinary Independent Consulting Committee for Investigation – constituted by Vale's Board of Directors "to identify possible failures or omissions that may have contributed to the dam breach" – found that the company's strong hierarchical culture and "culture of silos between different areas of the Company meant that other areas (beyond the Iron Ore Division), which could also have played an important role in ensuring comprehensive and robust dam safety management, did not do so."<sup>10</sup>

In January 2020, 11 high-level executives at Vale – including the former CEO Fabio Schvartsman – were charged with homicide and environmental crimes.<sup>11</sup> Five other people employed by the German auditing company were also charged with homicide and environmental crimes.<sup>12</sup>

In February 2021, Vale and federal and state authorities reached a R\$37.7 billion (U.S. \$7 billion) "Global Settlement for Integral Reparation of Brumadinho."<sup>13</sup> The settlement's economic value "includes socioeconomic and socio-environmental reparation projects" such as a program of income transfer to the affected population and water safety projects in the impacted region, among others.<sup>14</sup>

Over the course of 2020 and 2021, BlackRock Investment Stewardship (BIS) held frequent engagements with Vale. In 2021 alone, BIS has engaged with Vale over 10 times. In our engagements, Vale has provided updates on the Brumadinho disaster – including the status of the investigation process and final settlement. Vale has provided additional context on the frequent public announcements about: 1) the steps the Board of Directors and management have taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damages and socio-economic impacts to the local community caused by the dam collapse.

---

<sup>4</sup> Vale, S.A. "[About Vale](#)."

<sup>5</sup> Tailings dams are embankments constructed near mines to store mining waste in liquid or solid form. They are the most common waste disposal methods for mining companies. See more at "[The Looming Risk of Tailing Dams](#)."

<sup>6</sup> Davis, S., Guerra, S. "[Crisis-Resilient Boards: Lessons from Vale](#)," Harvard Law School Forum on Corporate Governance. 23 February 2021.

<sup>7</sup> Pearson, S. and Lewis, J.T. "[Vale Agrees to \\$7 Billion Settlement for Brumadinho Dam Collapse](#)," The Wall Street Journal. 4 February 2021.

<sup>8</sup> O Globo Brasil "[Empresa que atestou segurança da barragem em Brumadinho atuou na Vale, diz Wall Street](#)," 2 February 2019

<sup>9</sup> "[Report of the Expert Panel on the Technical Causes of the Failure of Feijão Dam I](#)," 12 December 2019.

<sup>10</sup> Extraordinary Independent Consulting Committee for Investigation (CIAEA). "[Executive Summary of the Independent Investigation Report – Failure of Dam 1 of the Córrego do Feijão Mine – Brumadinho, MG](#)," 20 February 2020. Page 39.

<sup>11</sup> Magalhaes, L. and Pearson, S. "[Brazil Prosecutors Charge Ex-Vale CEO Fabio Schvartsman With Homicide for Dam Collapse](#)," The Wall Street Journal. 21 January 2020.

<sup>12</sup> See previous footnote.

<sup>13</sup> Vale, S.A. "[2021 Proxy Statement – Annual General Meeting of Shareholders](#)," 15 March 2021. Pages 19-21.

<sup>14</sup> See previous footnote.

Beyond engaging on developments directly related to the Brumadinho disaster, BIS has focused on board effectiveness and sustainability matters. We shared our expectations of board quality – including composition, diversity, and independence – and the role of the board in overseeing corporate strategy and culture. In alignment with BlackRock’s conviction that sustainability risk is investment risk, BIS has also shared our 2021 Stewardship Expectations of carbon-intensive companies regarding climate-related risks and the [transition to a low-carbon economy](#). In our conversations, BIS has focused on the company’s sustainability disclosures and Scope 1, 2, and 3 emissions reduction targets, among other environmental-related factors.

## **Rationale for BlackRock’s Vote**

### **Multiple items on “Management’s Proposal for the Annual and Special Shareholders’ Meeting”**

- Item 1: Individual elections of members of the Board of Directors recommended by the Nominating Committee and Board of Directors (featuring contested elections by minority shareholders)
- Item 2: Election of the Chairman and Vice-Chairman of the Board of Directors
- Item 3: Election of members of the Fiscal Council
- Item 4: Establishment of the overall annual compensation of the Company’s directors and members of the Fiscal Council for the year 2021
- Item 5: Approve corporate transactions to simplify iron ore assets and Vale’s corporate structure

**Vale’s work to regain stakeholder trust – and the trust of impacted communities in Minas Gerais – is far from concluded. BIS voted FOR multiple items on “Management’s Proposal for the Annual and Special Shareholders’ Meeting” held on April 30, 2021 because Vale has enacted necessary changes at the board level – including the creation of a Nominating Committee – that have led to significant improvements in Vale’s board composition, diversity, and independence. These changes have, in turn, contributed to board effectiveness and the implementation of stronger corporate governance practices and risk management controls.**

**Vale’s commitment to improve its corporate governance practices, advance sustainability, and transform its culture – starting at the top – is a step in the right direction. Given ongoing safety concerns, BIS will continue to engage with Vale on board oversight of operational quality and risk management and will monitor its progress on environmental and social reparation actions.**

Regarding item 1, the company nominated 12 directors to compose Vale’s Board of Directors in the 2021-2023 term, as recommended by the Nominating Committee and the Board of Directors. A majority of candidates are independent. In addition, three candidates are women and four are non-Brazilian. Five of the 12 nominated directors are newly proposed directors. Of note, Vale’s management has provided a detailed biography containing the qualifications and experience of the 12 nominees for election to the Board – clearly articulating how each will provide quality support to and oversight of management, in light of Vale’s business strategy and future needs.

Alternatively, minority shareholders nominated four separate independent directors, – one former Vale director, one former CEO of Brazil’s state-owned oil and gas company *Petroleo Brasileiro, S.A.* (Petrobras), and two other independent candidates.<sup>15</sup> The minority shareholders did not provide any disclosure or public assessment articulating the professional and personal qualifications of the nominees that would enable them to contribute to and enhance the board. As detailed in the BIS [Global Principles](#), when nominating new directors to the board, there should be detailed information on the individual candidates in order for shareholders to assess the suitability of an individual nominee and the overall board composition. These disclosures should give a clear

---

<sup>15</sup> Vale, S.A. “2021 Proxy Statement – Annual General Meeting of Shareholders.” 15 March 2021. Page 82.

sense of how the collective experience and expertise of the board aligns with the company's long-term strategy and business model.

In 2021, BIS met with Vale multiple times, including with members of the current Board. We also met with the minority shareholders' nominees. In our view, the nominees proposed by management represent an adequate mix of skills, experience, diversity, and independence. This, and the fact that minority shareholders did not provide adequate disclosures weighed on our decision to support management's nominees.

Our analysis of Vale's corporate sustainability disclosures and public announcements demonstrated a commitment to address material environmental, social, and governance (ESG) risks. Additional context provided by the company through our engagements helped further our understanding of how Vale is approaching ESG risks and informed our decision to support the Nominating Committee and the Board's nominees. We believe continuity within the board will best position the company to build on progress to date.

BIS also supported items 2-4 for the reasons mentioned above. For a detailed analysis of Vale's corporate governance, environmental, and social enhancements, please refer to Appendix I on page 5.

Regarding item 5, **BIS voted FOR the resolution calling for the approval of corporate transactions (incorporations), as follows:**

- a. **Corporate simplification of iron ore assets:** Partial Spin-Off of *Minerações Brasileiras Reunidas S.A.* (MBR) and incorporation of the entire spun-off portion by Vale.
- b. **Simplification of corporate structure:** Merger of the companies *Companhia Paulista de Ferroligas* (CPFL) and *Valesul Alumínio S.A.* (Valesul)

On the matter of "corporate simplification of iron ore assets," according to the company's proxy statement, "the objective of the Partial Spin-Off proposal is to consolidate in Vale the ownership of assets that are already in its possession, use and enjoyment, due to a specific contract."<sup>16</sup>

On the matter of "simplification of corporate structure," Vale considers the "incorporation will make it possible to simplify the corporate structure, with the consequent ease in business management and the reduction in legal, tax and administrative costs and obligations arising from the maintenance of Valesul and CPFL as a legal entity."<sup>17</sup>

BIS is supportive of both incorporations as, in our view, the resulting operational efficiencies are aligned with shareholders' interests – in particular, the generation of sustainable long-term value.

---

<sup>16</sup> Vale, S.A. "2021 Proxy Statement – Annual General Meeting of Shareholders," 15 March 2021. Page 117.

<sup>17</sup> See previous footnote.

## Appendix I – BIS analysis of Vale’s ESG enhancements following the Brumadinho disaster

Vale’s work to regain stakeholder trust – and the trust of impacted communities in Minas Gerais – is far from concluded. Vale has enacted necessary changes at the board level – including the creation of a Nominating Committee and a cultural transformation process – that have led to significant ESG and risk management enhancements. Vale’s commitment to improve its corporate governance practices, advance sustainability, and transform its culture – starting at the top – is a step in the right direction. Given ongoing safety concerns, BIS will continue to engage with Vale on board oversight of operational quality and risk management and will monitor its progress on environmental and social reparation actions.

### **Corporate governance enhancements:**

- Following the dam collapse, Vale decided to optimize the structure of its Board of Directors to strengthen its oversight capacity of corporate strategy and risk management policies – including dam safety and emergency management policies.<sup>18</sup> Among other initiatives, in July 2020, Vale’s Board of Directors established a Nominating Committee “with the objective of assessing and making recommendations for adjustments to the best corporate governance practices in relation to the structure, size and composition of the Board of Directors, and to the balance of experience, knowledge and diversity of the members’ profiles.”<sup>19</sup> The Committee was also created to “present a proposal for the composition of the Board of Directors for the 2021–23 term.”<sup>20</sup>
- The Committee received feedback from various stakeholders, international consulting firms, and investors – including BlackRock – to define and establish appropriate “independence, board structure, size and diversity parameters.” The Nominating Committee, alongside the People and Governance Committee, also supported the Board in enacting changes to Vale’s Articles of Incorporation to enhance the Board’s independence – including the adoption of a Lead Independent Director in line with international practices, as well as individual elections for the Board of Directors, among other significant changes.<sup>21</sup>
- As set out in the BIS [Global Principles](#), we expect boards to demonstrate that they have the capability and capacity to support and advise management not only in times of business as usual but in times of crisis. As such, BIS welcomes the enhancements to the Nominating Committee and is supportive of the proposed directors to “increase independence and deepen technical skills of Vale’s management, favoring the Company’s safe and sustainable performance and serving the best interests of its stakeholders.”<sup>22</sup>

### **Environmental and social enhancements:**

- In the aftermath of the Brumadinho disaster, and in response to persistent safety unease, in 2019 Vale embarked in a cultural transformation process to “turn Vale into one of the safest and most reliable mining companies in the world, and to promote the full reparation of Brumadinho.”<sup>23</sup> The process

---

<sup>18</sup> Davis, S., Guerra, S. “[Crisis-Resilient Boards: Lessons from Vale](#),” Harvard Law School Forum on Corporate Governance. 23 February 2021.

<sup>19</sup> Vale, S.A. “[2021 Proxy Statement – Annual General Meeting of Shareholders](#),” 15 March 2021. Page 51.

<sup>20</sup> Vale, S.A. “[2021 Proxy Statement – Annual General Meeting of Shareholders](#),” 15 March 2021. Page 60.

<sup>21</sup> Vale, S.A. “[2021 Proxy Statement – Annual General Meeting of Shareholders](#),” 15 March 2021. Page 61.

<sup>22</sup> See previous footnote.

<sup>23</sup> Vale, S.A. “[2021 Proxy Statement – Annual General Meeting of Shareholders](#),” 15 March 2021. Page 22.

resulted in the definition of Vale's ambitions for the next five years which include "to be a large company recognized by society as a reference in safety" and "to be a leader in low-carbon mining."<sup>24</sup>

- To support its transformation into a low-carbon mining leader, in 2020 Vale announced a "33% reduction in Scope 1 and 2 emissions by 2030, based on 2017 data, in line with the Paris Agreement, to contain the global temperature increase well below 2° Celsius."<sup>25</sup> Vale also announced its goal "to reduce 15% of scope 3 net emissions by 2035," becoming one of the first mining companies in Latin America to announce such a goal.
- In addition to our expectations that companies disclose Scope 1 and 2 emissions and accompanying GHG reduction targets – and Scope 3 emissions in the case of companies in carbon-intensive industries – BIS expects company directors to have sufficient fluency in climate risk and the energy transition to enable the whole board to provide appropriate oversight of the company's plan and targets. As such, we are supportive of Vale's creation of the Innovation Committee within its Board "to devote special attention to new technologies and other initiatives that bring more sustainability, efficiency and competitiveness to Vale's businesses."<sup>26</sup> We are also supportive of the fact that among the Board's 12 director nominees, seven have proven sustainability and ESG expertise, as assessed by the Nominating Committee.<sup>27</sup>
- In line with our expectation that companies disclose financially material and decision-useful information, BIS recognizes Vale's responsiveness to our feedback to disclose climate-related risks and opportunities across the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD) framework, and in particular, the company's execution of scenario analysis to test Vale's operational resilience to climate change and other environmental-related risks.<sup>28</sup> In addition, the company's disclosures, in alignment with the Metals and Mining indicators of the Sustainability Accounting Standards Board (SASB) standards, is one of the most robust in the region and in the industry.<sup>29</sup>
- Lastly, through its Sustainability Committee, Vale's board has followed closely the implementation of the program of integral reparation in Brumadinho.<sup>30</sup> The Committee has also continued to actively engage with families, community representatives, and stakeholders to provide relevant and timely information. Given ongoing concerns, BIS will continue to engage and monitor its progress on environmental and social reparation actions.

### **Risk management enhancements**

- Following the dam collapse, Vale conducted a series of steps to promote a risk management culture. At the board level, the "Operational Excellence and Risk Committee" advises the Board of Directors on the risks of Vale's business and operations.<sup>31</sup>

---

<sup>24</sup> See footnote #23.

<sup>25</sup> Vale, S.A. "[2021 Proxy Statement – Annual General Meeting of Shareholders](#)," 15 March 2021. Page 29.

<sup>26</sup> Vale, S.A. "[2021 Proxy Statement – Annual General Meeting of Shareholders](#)," 15 March 2021. Page 59.

<sup>27</sup> Vale, S.A. "[2021 Proxy Statement – Annual General Meeting of Shareholders](#)," 15 March 2021. Pages 67-68.

<sup>28</sup> Vale, S.A. "[Climate Change – Vale methodologies for climate change risks and opportunities](#)."

<sup>29</sup> Vale, S.A. "[Integrated Report 2020](#)," Pages 47-50 and 163-183.

<sup>30</sup> The program of integral reparation in Brumadinho covers structural actions to fully repair the damage caused to families, the environment and society in Brumadinho and affected region until 2025. See page 19 in Vale's "[2021 Proxy Statement – Annual General Meeting of Shareholders](#)."

<sup>31</sup> Vale, S.A. "[Integrated Report 2020](#)," Page 68.

- Vale enhanced its Risk Management Governance framework “based on the concept of Lines of Defense, which represents how periodic reviews are performed to ensure alignment between strategic decisions, performance, definition and monitoring of risk tolerance limits approved by the Company's Board of Directors, upon recommendation of the Executive Board.”<sup>32</sup>
- In addition, the company created a Safety and Operational Excellence Department. The Board of Directors appointed a Safety and Operational Excellence Statutory Officer that reports to the CEO and has revamped the entire dam risk management policy in the last two years.<sup>33</sup>

---

<sup>32</sup> Vale, S.A. “[Risk Management](#).”

<sup>33</sup> Vale, S.A. “[Vale informs on its Executive Director of Safety and Operational Excellence](#),” 5 June 2019.

## About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our [Global Principles](#), [market-level voting guidelines](#), and [engagement priorities](#), material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

*This Vote Bulletin is provided for information and educational purposes only and does not constitute legal advice, a recommendation or an offer or solicitation to buy or sell the securities of any company. The information here is as of May 10, 2021. BlackRock has no obligation to provide any updates. Investing is subject to risk, including risk of loss.*