

Investment Stewardship

Vote Bulletin: Vale, S.A.

Company	Vale, S.A. (NYSE: VALE)
Market and Sector	Brazil, Materials
Meeting Date	28 April 2023 (Annual and Special General Meeting)
Key Resolutions ¹	Item 1.8: Setting the compensation of management and members of the Fiscal Council for the year 2023
Key Topics	Executive compensation
Board Recommendation	The board recommended shareholders vote FOR Item 1.8
BlackRock Vote ²	BlackRock voted FOR Item 1.8

Overview

Vale, S.A. (Vale) is a mining company headquartered in Brazil and one of the world’s largest producers of iron ore, pellets, and nickel. In addition to mining, Vale operates three other business divisions: logistics, steel making, and energy. The company’s operations cover approximately 30 countries, and the global workforce comprises over 185,000 direct and indirect employees.³

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that in our assessment can impact their ability to deliver durable financial performance for long-term investors like BlackRock’s clients. BIS also engages to provide a long-term investor perspective on corporate governance practices.

In March 2023, the company agreed to pay a fine totaling U.S. \$55.9 million over allegations of falsified and misleading disclosures.⁴ Specifically, the U.S. Securities and Exchange Commission (SEC) observed that Vale’s disclosures misled investors about the safety of their dams in the years leading up to the collapse of the

¹ Vale, S.A. “[Proxy Statement – General Meeting of Shareholders](#).” 2023.

² BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock’s Voting Choice program, eligible clients can have a say in the proxy voting process by selecting their own proxy voting policy or one of 14 available third-party policies. 47% (\$2.1 trillion of \$4.5 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$2.1 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data as of March 31, 2023.

³ Vale, S.A. “[ESG – Our People](#).” 2023.

⁴ SEC. “[Brazilian Mining Company to Pay \\$55.9 Million to Settle Charges Related to Misleading Disclosures Prior to Deadly Dam Collapse](#).” March 28, 2023.

Brumadinho dam in 2019. The dam collapse was one of the deadliest industrial disasters in the world, killing approximately 270 people and causing significant environmental damage.⁵

BIS has held multiyear engagements with Vale's directors and management on a range of issues. Following the Brumadinho disaster, BIS engaged to understand the steps taken by Vale to strengthen governance and risk management policies and processes to ensure the safety of people and operations. BIS also encouraged the company to enhance their disclosures to inform shareholders about these measures and, in particular, provide more clarity regarding the board's role in overseeing management in the identification and mitigation of future potential risks through clear, enhanced, and reliable disclosures. As a result of extensive engagement with shareholders and other key stakeholders, Vale has demonstrated encouraging progress to improve their governance practices and disclosures.⁶ Vale has provided updates on the remediation measures being adopted regarding the environmental damages and socio-economic impacts to the local community caused by the dam collapse.⁷ BIS continues to monitor the company's progress, given the materiality of the issue and Vale's public commitments to regain their stakeholders' trust.

Recently, BIS has also engaged with company leadership over governance-related issues – including executive compensation. In the Latin American market, we encourage companies to publish comprehensive disclosures and adopt governance best practices to help facilitate analysis and market participation by international investors, especially as public companies in the region increasingly are viewed as portfolio growth opportunities. An area of improvement that we have identified in the region is related to transparency in compensation disclosures.

Rationale for BlackRock's vote

Item 1.8: Setting the compensation of management and members of the Fiscal Council for the year 2023 (FOR)

BIS supported management, as Vale has demonstrated progress and leadership on executive compensation disclosures in the Latin American region.

As explained in the BIS [Latin American voting guidelines](#), we encourage companies in the region to adopt global best-in-class disclosures and operational processes that facilitate analysis and market participation from international investors. This includes publishing shareholder meeting circulars with supporting materials approximately 30–45 days prior to the meeting date.⁸ Disclosure of material issues that affect the company's long-term strategy and ability to create financial value is essential for shareholders to adequately assess how effectively the board is identifying, managing, and mitigating risks.

In Brazil, listed companies are required to disclose the remuneration of their executives, detailing information on maximum, median, and minimum amounts of compensation.⁹ However, compensation-related disclosures in this market are still lagging global best practices. For example, we have observed that compensation is often disclosed in aggregate for directors and executives rather than by individual.

⁵ Pearson, S. and Lewis, J.T. "Vale Agrees to \$7 Billion Settlement for Brumadinho Dam Collapse." *The Wall Street Journal*. February 4, 2021.

⁶ Vale, S.A. "Sustainability Reports." 2023.

⁷ The company implemented various risk management reforms including a [24/7 monitoring system](#) of dams and signed a [full reparation agreement](#) with the Brazilian government in 2021. At the board level, the company created an [audit committee](#) comprised of independent members and added new directors with industry-specific expertise for improved mining-specific risk management.

⁸ Supporting materials may include financial statements, director information, board composition disclosures, and other ballot-related background details.

⁹ Campos Mello Advogados. "Corporate Governance and Directors' Duties in Brazil: Overview." Practical Law Thomson Reuters. October 1, 2022.

BIS looks to a company's board of directors – typically a relevant committee – to put in place a compensation policy that incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance. We find it helpful when companies make clear in their disclosures the connection between compensation policies and outcomes,¹⁰ the performance of the company, and the financial interests of long-term shareholders. While Brazilian companies are not required to produce a proxy statement, ahead of the 2023 AGM, Vale published their proxy statement, which included a full compensation disclosure and analysis (CD&A),¹¹ allowing greater investor insight into pay packages for company executives and board members. For example, the company disclosed fixed compensation, variable compensation, and incentives across short- and long-term timelines for company executives and board members. Furthermore, disclosures reveal a focus on incorporating material sustainability and safety risk management metrics tied to executive awards and bonus payouts. Moreover, Vale's board has a dedicated People and Compensation Committee, which oversees overall compensation plan structure and implementation. As the first major publicly-traded company in the Latin American region to publish a CD&A within a broader proxy statement. Vale has taken steps to adopt global best practices in compensation disclosure.

BIS recognizes Vale's responsiveness to shareholder feedback to improve transparency and enhance their executive compensation disclosures, which demonstrate practices that better align with shareholders' long-term financial interests. These disclosures are robust and demonstrate a significant level of improvement from the company's previous reporting, allowing investors to make better informed decisions.

BIS will continue to engage Vale's leadership on governance practices, as well as seek to understand the progress of publicly listed companies in the region on improving transparency in executive compensation disclosures. Taking note of the SEC charge brought against the company, BIS will continue to engage with Vale's leadership on the matter and, in particular, the board's oversight of business risks and opportunities BIS will also continue to encourage companies in the region to publish timely, clear, and reliable disclosures to help investors and other key stakeholders understand the risks and opportunities that may impact financial value creation in the context of their business models and location of their operations.

¹⁰ A compensation outcome generally relates to the payout of a performance-conditioned pay component, and reflects both the construction of the pay program as well as the performance of the company and executives against defined performance objectives.

¹¹ Vale, S.A. "[Proxy Statement - General Meeting of Shareholders](#)." 2023.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability-related risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.¹²

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with durable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

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¹² 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.