

Vale Europe Pension Plan (“the Plan”)

Engagement Policy Implementation Statement for the Year Ended 31 December 2024

1. Introduction

This statement sets out how, and the extent to which, the Plan’s Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year running from 1 January 2024 to 31 December 2024 (the “Plan Year”). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The Trustee keeps its policies within the SIP under regular review, subject to full review at least triennially and annually for a consistency review. The SIP was last amended in October 2024, updating the previous SIP dated November 2023. Alongside minor wording updates, the SIP was updated to reflect the change in the Strategic Asset Allocation following a de-risking of the Plan including a full divestment from equities within the Defined Benefit Section.

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Plan and changes which have been made to the Engagement Policy during the Plan Year, respectively.

A copy of the SIP containing the Engagement Policy is available at (<https://schemedocs.com/download/vale-europe-pension-plan-statement-investment-principles.pdf>).

Section 3 of this statement provides some highlights of the activity undertaken by the Trustee in relation to Responsible Investment and Environmental, Social and Governance (“ESG”) over the Plan Year.

Sections 4 and 5 include information on the engagement and key voting activities of the underlying investment manager of the Plan, and also sets out how the Plan’s engagement and voting policy has been followed during the Plan Year in respect of the Plan’s DB assets. **The Trustee can confirm that all policies in the SIPs (both the November 2023 and October 2024) on engagement in relation to the Plan’s Defined Benefit (“DB”) assets have been followed during the Plan Year.**

2. Statement of Investment objectives of the Plan

2.1 Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are as follows:

For the Defined Benefit ("DB") section:

- (a) The Trustee's primary investment objective is the maintenance of solvency and control of the risk of insolvency at an appropriate level.
- (b) Ensure that the investment strategy does not jeopardise the payment of promised benefits.
- (c) Aim to get the Plan to a level of funding which would allow it to operate with a relatively low level of investment risk, and without having to rely on further support from the Company.

For the Additional Voluntary Contribution ("AVC") section:

- (d) The Trustee's primary objective in AVC Provision is to ensure that the investment strategy gives members options that enable them to adequately deal with the different risks that face them at different stages of their investment careers.
- (e) The Trustee recognises, however, that the uncertainty inherent in three specific investment risks (inflation risk, capital risk and pension conversion risk) can be managed to some extent by the choice of investments. These risks and the corresponding objectives of the Trustee are considered under the following headings:
 - (i) **Inflation Risk:** The Trustee's objective is to provide an investment option that is expected to provide a long-term rate of return that exceeds inflation. Such an option would consist largely of equity-type investments.
 - (ii) **Capital Risk:** The Trustee's objective is to provide an investment option that offers a capital guarantee. A cash fund is an example of such an option.
 - (iii) **Pension Conversion Risk:** The Trustee's objective is to provide an investment option that broadly matches changes in the cost of annuities. Depending on the type of annuity to be purchased, this could include a long dated fixed interest bond fund or an index-linked bond fund.

2.2 Review of the SIP

During the year, the Trustee reviewed and amended the Plan's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was updated in October 2024 in order to reflect the full divestment from the Plan's equity funds.

3. Environmental, Social and Governance ("ESG")

Policy

The Plan's SIP, which may be found online at (<https://schemedocs.com/download/vale-europe-pension-plan-statement-investment-principles.pdf>), includes the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in October 2024 and no changes were made to the Trustee's policy on ESG factors, stewardship and climate change.

The Trustee recognises that factors including, but not limited to, ESG factors, including climate change, can have a material financial impact on the Plan given its long time horizon, and that taking account of such 'financially material considerations' as part of investment decision-making is expected to have a positive financial benefit to the Plan over the longer term.

In order to establish these beliefs and review this policy, the Trustee undertook investment training provided by its investment consultant, Mercer, on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was provided in June 2020. In June 2022, the Trustee undertook an ESG beliefs survey, which further established their beliefs and policy. The ESG Beliefs survey highlighted high priority areas of Voting and Engagement for the Plan. This survey identified that the majority of Trustee believed that **Climate Change, Health & Safety and Waste & Pollution** were the most important themes for the Trustee.

How has this policy been met over the Plan Year?

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring the existing investment manager, including reviewing ESG ratings provided by the investment consultant for the investment manager and the funds in which the Plan invests. During the year to 31 December 2024, the Plan's investment performance report was reviewed by the Trustee on a quarterly basis – this includes manager research ratings (both general and ESG-specific) from Mercer, as well as detail on how the investment manager is delivering against their specific mandate.

In November 2024, the Trustee fully divested from BlackRock Global Equity with the proceeds transferred to the BlackRock liability-driven investments ("LDI") portfolio.

The Trustee's policy is that day-to-day decisions relating to the investment of Plan assets is left to the discretion of the investment manager. The Trustee has reviewed and accepted the ESG policies implemented by the Plan's investment manager. The Trustee's passive investment manager takes an index-tracking approach (or bespoke benchmark tracking approach in the case of LDI) and so does not directly take account of financially material considerations in the selection, retention and realisation of investments.

The responsibility of exercising and directing voting rights acquired through the Plan's investments shall be delegated to the investment manager, where voting rights exist. The Trustee delegates responsibility for engagement in respect of investments held by the Plan to the investment manager. The Trustee's expectation is that engagement will take place, either directly or as part of a collective multi-investor initiative as appropriate, with the aim of protecting or enhancing the value of the Plan's investments.

The Trustee will also consider the investment adviser's assessment of how the investment manager embeds ESG factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment manager's policy on voting and engagement. Where appropriate, the Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

In the preparation of this statement, the Trustee asks the investment manager for engagement examples which cover the Trustee's engagement priorities. For its vote reporting, the Trustee asks the equity investment manager for their significant votes covering the Trustee's engagement priority themes. From this information, the Trustee selects the most significant votes as those that are best aligned with its engagement priorities and based on the company weights in the total portfolio.

The Trustee acknowledges that their passively managed LDI mandate managed by BlackRock does not have ESG ratings assigned by the investment consultant due to the nature of the asset class and management style.

During the year, no changes were made to the Plan's investment strategy as a result of changes in investment manager ESG ratings provided by the investment consultant.

4. Engagement Activity by the Plan's Investment Manager

The following are examples of engagement activity undertaken by the Plan's investment manager, where relevant. Examples were provided by the investment manager.

The Plan's passive equity investment manager engaged with companies over the year on a wide range of different issues covering Environmental, Social and Governance factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those climate goals linked to the Paris agreement). The Plan's manager provided examples of instances where they had engaged with companies they were invested in/about to invest in. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings. These examples are laid out below.

See section 5 for more details on how the Trustee's policies on engagement have been implemented, as well as their policies on the exercise of investment rights (including voting).

- **BlackRock engages with Saras SpA to address concerns related to climate-related disclosures.**

BlackRock engaged with Saras SpA, an Italian energy company. At the April 2024 AGM, BlackRock did not support the election of management's proposed slate of directors due to continued concerns about a lack of material, climate-related disclosures. Compared to its industry peers, Saras' disclosures do not provide investors with sufficient information to assess its approach to climate-related risks and opportunities, including the transition to a low-carbon economy. BlackRock previously voted to express concerns about Saras' lack of climate-related disclosures in 2021, 2022, and 2023. BlackRock note that Saras' controlled shareholding structure may limit the company's receptivity to investor feedback.

- **BlackRock engages with PACCAR Inc to address concerns related to climate-related shareholder proposals.**

At PACCAR Inc's April 2024 AGM, a U.S.-based designer and manufacturer of light-, medium- and heavy-duty trucks, a shareholder proposal requested an annual evaluation and report detailing how the company's lobbying and policy activities align with the goals of the Paris Agreement. BlackRock supported a similar shareholder proposal requesting a report on climate lobbying at the company's April 2023 AGM. BlackRock vote decision reflected the company's relative lack of disclosure regarding its lobbying and policy activities compared to that provided by peers. The proposal received c.46% support. Since then, PACCAR has been responsive to

shareholder feedback and enhanced transparency in its publicly available reports.⁴ As such, BlackRock did not support the proposal in 2024, which received c.29% investor support.

5. Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee has delegated its voting rights to their investment manager. Where applicable, the investment manager is expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter, although the investment manager may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

The key voting activity on behalf of the Trustee over the year under review is detailed below. The Trustee does not consider the AVC section to hold a material amount of assets with voting rights to include them in this disclosure.

How has this policy been met over the Plan Year?

For the purposes of this statement, voting and engagement summary reports from the Plan's investment manager for 2024 were provided to Mercer on the Trustee's behalf for review. The Trustee reviews these summaries as part of their review of this statement on an annual basis. The Trustee does not use the direct services of a proxy voter.

The Trustee requested that the investment manager confirm compliance with the principles of the UK Stewardship Code. The manager confirmed that they are signatories of the 2020 UK Stewardship Code.

• BlackRock

- BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis, and have developed and implemented their custom policies. The manager primarily use these proxy research firms to synthesise corporate governance information and analysis into a concise format so that their investment stewardship analysts can identify and prioritise those companies where BlackRock's additional research and engagement would be beneficial. Other sources of information used by the manager include the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of BlackRock's active investors, public information and ESG research. BlackRock use ISS electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting.

In order to determine significant votes, BlackRock Investment Stewardship prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance. Their year-round engagement with clients to understand their priorities and expectations, as well as their active participation in market-wide policy debates, help inform these themes. The themes they have identified in turn shape their Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which they look at the sustainable long-term financial performance of investee companies.

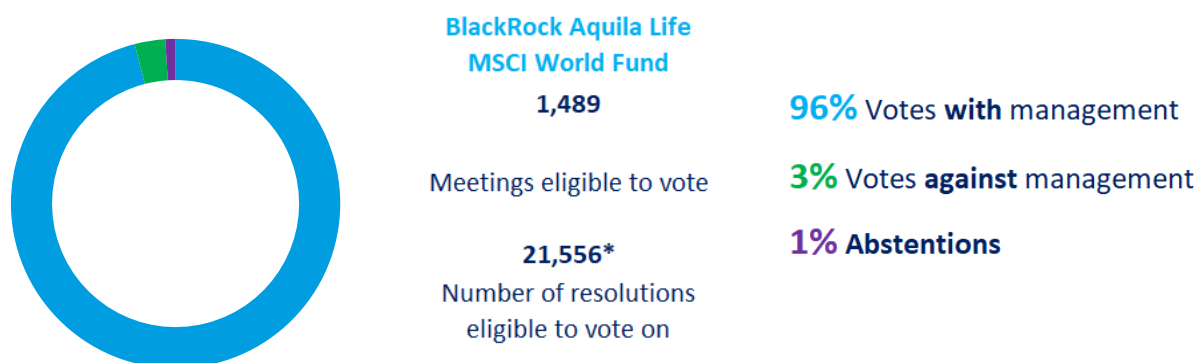
BlackRock's engagement priorities (as at June 2024) are:

- Board quality and effectiveness;
- Strategy, purpose and financial resilience;
- Incentives aligned with financial value creation;
- Climate and natural capital;
- Company impacts on people.

BlackRock's engagement priorities align with the Trustee's key themes of Climate Change and Health and Safety (Company impacts on people). BlackRock does not disclose their vote intentions in advance of shareholder meetings as they do not see it as their role to influence other investors.

Voting Activity during the Plan year

Set out below is a summary of voting activity undertaken over the year to 31 December 2024 relating to the relevant strategies of the Plan. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below:



Most significant votes

A "Significant Vote" is defined, by the Trustee as one that is best aligned with its engagement priorities and based on the company weights in the total portfolio. The Trustee are required to report on all votes they believe are the 'most significant'.

Based on the ESG Beliefs Survey completed by the Trustee in June 2022, the Trustee's key themes based on a priority scale are: Climate Change, Health & Safety and Waste & Pollution. Based on these priorities, the Trustee have identified the following votes to be the most significant.

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Final outcome following the vote	Resolution not passed	Resolution passed	Why Vote is Significant
							✗	✓	
BlackRock – Aquila Life MSCI World Fund	2.6%	Amazon Com Inc	22 May 2024	Report on Efforts to Reduce Plastic Use	BlackRock voted against Shareholder Proposal	✗			Waste & Pollution Aligned with the Plan's stewardship priorities

Rational of the Manager Vote: The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.

BlackRock – Aquila Life MSCI World Fund	0.4%	Shell plc	21 May 2024	22 – Approve the Shell Energy Transition Strategy	BlackRock voted for Item 22 (with management)	✓			Climate Change Aligned with the Plan's stewardship priorities.
---	------	-----------	-------------	---	---	---	--	--	---

Rational of the Manager Vote: BlackRock supported the management's proposal to approve Shell's energy transition update and its Energy Transition Strategy 2024. Shell first submitted its Energy Transition Strategy for a vote at the May 2021 AGM, when it received 89% support from shareholders, including BlackRock. In the two subsequent years, the company proposed an advisory shareholder vote on the progress made to date against its Energy Transition Strategy. The proposals received 79.9% and 80% shareholder support in 2022 and 2023, respectively.

Overall, Blackrock believes Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities, while also demonstrating progress against its stated Energy Transition Strategy. BlackRock noted that Shell has made several adjustments to its climate-related targets due to developments in energy markets and the strategic shift in its power business. For example, Shell retired its 2035 net carbon intensity (NCI) target of 45% because of uncertainty regarding the pace of the global low-carbon transition. Therefore, BlackRock supported the management resolution.

Source: BlackRock.