Vale Europe Pension Plan

Statement of Investment Principles

October 2024

1. Introduction

1. This document constitutes the Statement of Investment Principles (“the Statement”) for the Vale Europe Pension Plan (“the Plan”).

2. The Plan has two sections – a defined benefit (“DB”) section, and an Additional Voluntary Contributions (“AVC”) section.

3. The Plan's benefits are provided from a pension fund of assets which is held under the legal control of the Plan's trustee ("the Trustee") under a trust constituted between the Principal Company, Vale Europe Limited ("the Company"), and the Trustee. The operation of the Plan is governed by a Definitive Trust Deed dated 17th December 1942, and any subsequent Deeds of Amendment.

4. The purpose of this Statement is to document the investment principles, guidelines and procedures, which are appropriate for the Plan, in a manner consistent with the requirements of the Pensions Act 1995 and Pensions Act 2004 (collectively "the Act"). The DB and AVC sections of the Plan are considered separately within this Statement. This Statement has been prepared in accordance with Section 35 of the Act.

5. Any party providing services in connection with the operations of the Plan shall accept and adhere to this Statement. However, the Trustee recognises that its contractual relationship with its Investment Managers or Custodian Agreements (“the Mandates”).

2. Trustee Objectives & Administration of the Plan (The DB Section)

6. The Trustee is responsible for all aspects of the Plan’s operation, including this Statement. However, the Company has been consulted regarding the contents of the Statement as required by the Act. The Trustee has received written investment advice regarding this Statement's contents from Mercer ("the Investment Adviser").

Objectives

7. The Trustee’s duty is to act in the members' best interests. The Trustee's primary investment objective, therefore, is the maintenance of solvency and control of the risk of insolvency at an appropriate level.

8. The Trustee is responsible for ensuring that the investment strategy (i.e. mix of the Plan's investments between the various asset classes) does not jeopardise the payment of promised benefits. Protection of solvency can be achieved in the short-term by investment in assets that match the nature and term of the liabilities. However, it is not possible to match the liabilities exactly over the long term. Consequently, longer-term protection of solvency depends on the continued support of the Company, both in terms of its future contributions (if required) and its underwriting of the benefit promises.

9. The expected long-term contributions required from the Company depend in part on the long-term real rate of return (i.e. return in excess of inflation) earned on the Plan's assets. The investment strategy adopted by the Trustee affects the realised long-term return. An investment strategy with a relatively low expected real return could lead to higher anticipated costs for the Company.

10. The Trustee recognises the importance of maintaining solvency of the Plan. Solvency can be measured in various ways: for example,

it may be measured as the cost of securing benefits with an insurance company in the event of the Plan being discontinued, or on a basis that is agreed with the Company, based on the advice of the Actuary.

Administration

11. The Trustee seeks regular advice from the Investment Adviser.

12. The Trustee shall maintain a description of the investment manager structure and keep a current copy of each investment manager's mandate.

13. Where the Trustee wishes to invest in policies issued by an insurance company, pooled funds or mutual funds eligible for pension fund investment (collectively "Pooled Funds"), the Trustee shall satisfy itself that the investment policy of such Pooled Fund is consistent with this Statement.

14. The Trustee shall not select securities for the Plan except for the selection of Pooled Funds or segregated investment managers. The Trustee shall retain one or more independent professional investment managers (the “Managers”) to invest the Plan.

15. The Managers are responsible for appointing the custodian of their Pooled Funds. The Trustee has appointed Bank of New York Mellon (BNYM) as a custodian for the BlackRock pooled mandates. BNYM's remit is to record the holdings in each BlackRock pooled fund and provide custody of any cash, which forms part of the portfolio. The Trustee will further consider the Plan's custody requirements if it appoints a segregated investment manager.

16. The Trustee may rely on independent experts for certain aspects of the Plan's operations where expert knowledge is required or desired or where a potential or actual conflict of interest exists.

17. The financial statements of the Plan shall be audited by an independent auditor at least annually.

3. Plan Overview (The DB Section)

18. The defined benefit section of the Plan has the following provisions:

    a) the pension is based on a Member’s final average earnings and service;

    b) members are not required to contribute to the Plan, but may contribute voluntarily to the AVC section to secure increased benefits on a money purchase basis;

    c) effective January 1, 2011, the Plan was closed to new members, although existing members continue to accrue service under the Plan;

    d) the Company may be required to contribute at a level sufficient to finance the promised benefits within the funding requirements of the Act. The amount of these contributions is calculated from time to time, based on the advice of the actuary retained by the Trustee for such purpose.

19. Members have no direct exposure to investment risk (within the DB section), although they have an interest in the security of the accrued benefits (i.e., the extent to which the Plan is sufficient to meet the present value of the accumulated benefits earned to date).

4. Permitted Categories of Investment

20. Details of the permitted categories of investment can be found in the Trust Deed and Rules.

21. Limitations in addition to the Trust Deed and Rules for the Managers are set out in the individual manager agreements.

Derivatives

22. Investment in derivatives is permitted either directly or within pooled funds as long as they contribute to a reduction in risk or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with acceptable level of risk). In no event derivatives may be

used for leverage purposes, except within LDI mandate.

Other Investments

23. The Plan may not invest in categories of assets or instruments not specifically provided for in the Trust Deed and Rules.

24. The Trustee will not invest directly in the Principal Employer or associated companies, but acknowledge that indirect exposure is possible as a result of investment policies of the Plan's pooled investment manager(s). Indirect holdings in such investments will not exceed 5% of Plan assets.

5. Asset Allocation Policy (The DB Section)

25. The strategic asset allocation reflects a balance between investment in bonds and LDI (which are sensitive to one or more of interest rates, inflation and credit spreads). Consideration was given to the factors outlined in Sections 2, 3, and

    a) the long-term nature of the liabilities;

    b) the Company's ability to absorb cost fluctuations,

    c) the Plan's sensitivity to changes in interest rates, and

    d) the going-concern financial position of the Plan and the degree of inflation-sensitivity of the liabilities for inactive and active members.

26. It is expected that the investment strategy will be reviewed in detail at least every three to five years, in conjunction with the completion of each actuarial valuation. These objectives will be reviewed and amended, as appropriate, in the context of each review.

27. A detailed review of the investment strategy was undertaken in 2024 which included:

    a) the objective of achieving greater certainty around the future funded position of the Plan on both a Technical Provisions and a gilts+0.5% basis;

    b) consideration of the covenant of the Company in terms of the ability and willingness of the Company to continue to support the Plan financially.

28. The Trustees have a long term funding objective which:

    a) aims to maintain a funding level of 100%;

    b) on a basis which discounts the liabilities using a gilts +0.5% discount rate.

29. The Trustee agreed:

    a) not to invest in alternative investments (e.g. private equity, hedge funds) at this time; and

    b) not to hedge foreign currency exposure at this time on a strategic basis.

30. The strategic asset allocation and ranges for the Plan have been determined as below.

Asset Class	Target Allocation	Range
LDI	70.0%	+/- 5%
Sterling Non Gilts	30.0%	+/- 5.0%
Total	100%	-

**** Asset allocation may deviate from the above target allocations***

31. Cash and cash equivalents may also be held from time to time on a short-term, temporary basis or as defensive reserves within the portfolios for each asset class, at the discretion of each Manager and within the constraints prescribed in the Manager's Mandate.

32. If the strategic asset allocation, for both the LDI and corporate bond portfolios, deviates outside the above ranges at the end of any month, the Trustee will discuss and consider whether to take corrective action to bring the asset mix back within the range as soon as practicable.

Expected Return

33. The Trustee expects to generate a return, over the long term, at least in line with that of the actuarial assumptions under which the Plan's funding target has been agreed, while taking into account any surplus and Plan expenses. It is recognised that over the short term performance may deviate significantly from the long term target.

Risk Management and Measurement

34. The risk inherent in the investment strategy (i.e. strategic asset allocation) over a market cycle (a five to ten year period) is two fold:

    a) the risk that the market returns will not be in line with expectations over the longer term, and

    b) the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected return (such return may also be negative).

35. The table in Appendix A sets down some key risks identified by the Trustee and the measures taken to satisfactorily control these risks. The measures do not render the investment strategy free of risk. Rather, the measures endeavour to balance the need for risk control and the need to allow the Manager sufficient flexibility to manage the assets in such a way as to achieve the required performance target.

6. The Investment Managers (The DB Section)

36. The Trustee has split the Plan's assets into two separate specialist investment mandates: LDI and corporate bonds. Both mandates are passively managed. The Trustee has set performance benchmarks for each investment mandate against which it is measured (further details are in Appendix B).

37. The entire assets of the Plan are invested in pooled funds with BlackRock.

38. The Trustee will monitor the investment mandates relative to their investment objectives (Details in Section 12).

Aligning Manager Appointments with Investment Strategy

39. Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for over a long-term investment horizon.

40. The Trustee look to its investment adviser for their forward looking assessment of a manager's ability to perform at least in line with its benchmark over a full market cycle. This view will be based on the adviser's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The adviser's manager research ratings assist with due diligence and questioning managers during presentations to the trustees and are used in decisions around selection, retention and realisation of manager appointments.

41. When selecting and appointing investment managers, the Trustee will take into account how environmental, social and governance ("ESG") factors, climate change and stewardship are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

42. Where the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

43. Investment managers are aware that their continued appointment is based on the success in delivering the mandate for which

they have been appointed to manage. If the Trustee is dissatisfied, then they will look to review the appointment.

44. The Trustee's focus is on long term performance but may review a manager's appointment if:

    a) There are sustained periods of underperformance;

    b) There is a change in the portfolio manager;

    c) There is a change in the underlying objectives of the investment manager;

    d) There is a significant change to the investment adviser's rating of the manager;

    e) There are significant changes to an investment manager's investment philosophy or investment process.

45. Where appropriate or relevant, active managers will be incentivised through remuneration and performance targets. If an active mandate is in place, the trustees will monitor the long-term performance of an active manager each quarter.

Portfolio turnover costs

46. The Trustee does not currently actively monitor portfolio turnover costs within the DB Section.

47. The Trustee receives some MiFID II reporting from their investment managers but does not review the information in detail. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

Manager Turnover

48. The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. For open-ended funds there is no set duration for the manager appointments. The Trustee will therefore retain an investment manager unless:

    a) There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

    b) The manager appointed has been reviewed and the Trustee has decided to terminate the mandate. The criteria for reviewing a manager's appointment are set out under clause 52.

7. Trustee Objectives and Policy (The AVC Section)

49. All members of the Plan can provide additional retirement benefits for themselves by paying Additional Voluntary Contributions ("AVCs").

50. The Trustee's duty is to act in the member's best interests. 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.

51. In determining the investment opportunities for the AVC section, the Trustee has considered the associated investment risks, and acknowledges that there may be a number of factors that cannot be managed by the investment options made available to members.

52. 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:

Inflation Risk

53. This describes the risk that investments do not provide a return at least in line with inflation, so that the "purchasing power" of the ultimate fund available to provide benefits is not maintained until retirement.

54. 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.

Capital Risk

55. This describes the risk that the monetary value of a member's account falls.

56. 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.

Pension Conversion Risk

57. This describes the risk that the value of a member's account does not reflect changes in the cost of purchasing an annuity at retirement.

58. 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.

Trade-off between Risks

59. The relative importance of the inflation, capital and pension conversion risks depends on the length of time to retirement and each member's attitude towards risk and expected return. Managing the pension conversion and capital risks is more important as members near retirement, whereas inflation risk is more relevant to younger members.

60. It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in cash funds provides protection against decreases in fund values (capital risk), but will increase the risk of not matching changes in annuity prices (pension conversion risk).

AVC Investment Options

61. In order to address the various risks associated with AVCs (discussed above), the Trustee has selected the following range of investment options:

    a) Multi Asset Balanced Fund (comprising a 60% allocation to the Global Equity Fund and a 40% allocation to the Bond fund),

    b) Global Equity Fund,

    c) Bond Fund (investing 50% in long dated gilts and 50% in corporate bonds), and

    d) Cash Fund.

    Some members also have AVC investments in a With Profits fund although they are no longer able to contribute to this fund.

62. Details of the providers of these funds are provided in Appendix B.

63. No single option is expected to be sufficient to manage all of the various risks associated with AVC investment at all times. However, the above range is designed to be wide enough to enable members to manage the risks identified as they become relevant, according to each member's individual criteria and circumstances.

64. The Trustee periodically reviews the range of investment options made available to members for investing their AVCs to ensure it remains appropriate.

8. The Investment Adviser

65. The Trustee will measure the performance of the Investment Adviser on an annual basis. In the absence of quantitative market data for this purpose, the review will be on a qualitative basis.

66. The Investment Adviser is remunerated on a fixed fee basis. This method is in line with

market practice and will be reviewed should the need arise.

9. Portfolio Diversification and Constraints

67. The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. In addition, the Plan’s investment managers are expected to hold diversified portfolios of assets to control the risk of over exposure to individual stocks (where applicable).

10. Loans and Borrowing

68. Money shall not be borrowed on behalf of the Plan and no part of the Plan shall be pledged or otherwise encumbered in respect thereof, except:

    a) For and to the extent of temporary overdrafts that occur in the course of normal day-to-day portfolio management; and

    b) For efficient portfolio management purposes, for example within the LDI mandate.

69. The Plan may invest in Pooled Funds that engage in securities lending, provided that the Pooled Fund has suitable collateral coverage and that the Pooled Fund Manager or custodian for the Pooled Fund provides suitable indemnification in the event of a loss.

11. Financially material considerations & non-financial matters

70. The Trustee recognises that factors including, but not limited to, environmental, social and governance (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.

71. The Trustee does not consider it appropriate for a passive investment manager to take account of financially material considerations in the selection, retention and realisation of investments. The Trustee expects passive investment managers to take account of financially material considerations within their Stewardship process.

72. 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 managers. The Trustee has reviewed and accepted the ESG policies implemented by the Plan's investment managers.

73. The responsibility of exercising and directing voting rights acquired through the Plan investments shall be delegated to the Manager, who shall at all times act prudently and in the best interests of the Plan's beneficiaries. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to exercise their voting rights and other rights as a shareholder in a manner that is consistent with the Code.

74. The Trustee delegates responsibility for engagement in respect of investments held by the Plan to the investment managers. 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.

75. The Trustee will also consider the investment adviser’s assessment of how each 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 managers’ policy on voting and engagement. Where appropriate, the Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

Stewardship – Engagement priorities

76. The Trustee has agreed that its engagement priorities will focus on the following key themes:

- Climate change;
- Health & Safety; and
- Waste & pollution.

77. In preparing their annual Engagement Policy Implementation Statement, the Trustee asks the investment managers for engagement examples which cover the Trustee's engagement priorities.

78. As the Trustee no longer holds any equity assets, the Trustee does not have a voting policy.

Non-financial matters

79. The Trustee recognises that members and beneficiaries may have views on ethical investment or views on matters such as the social and environmental impact of the Plan's investments. In conjunction with there being practical challenges of capturing and maintaining a consensus view on multiple issues across a varied membership population, it is the Trustee's view that financial factors should take precedence in seeking to maximise the security of member benefits.

12. Monitoring Investment Performance

80. The Trustee shall review on a regular basis, as needed:

    a) the assets and net cash flow of the Plan,

    b) the current asset mix of the Plan,

    c) statistics on the investment performance of the Plan and each Manager relative to the objectives of the Statement and of the Mandates, and

    d) the fees and expenses incurred in managing the Plan.

81. The Trustee shall meet regularly with the Manager to discuss investment performance, investment strategies, expected future performance and any changes in the Manager's organisation, investment processes and professional staff.

82. The primary focus of performance assessment will normally be on a moving three to five-year basis, but performance over shorter time periods and the Manager's performance for other comparable accounts prior to appointment for the Plan may also be considered.

13. Policy Review

83. This Statement shall be reviewed at least every three years in order to determine whether any modifications are necessary or desirable. Such review shall consider whether there has been:

    a) a fundamental change in the design of the Plan;

    b) significant revisions to the expected long-term trade-off between risk and reward on key asset classes,

    c) a major change in the actuarial calculation basis, the membership/liability distribution, or the contribution/expense expectation in respect of the Plan,

    d) a significant shift in the financial risk tolerance of the Company;

    e) shortcomings of the Statement that emerge in its practical operation,

    f) significant recommendations by a Manager,

    g) changes in applicable legislation; or

    h) changes in the Plan's governance structure.

84. A copy of this Statement and any amendments to it shall be delivered to the actuary for the Plan.

Appendix A

Risk	Definition	How is risk managed?
Total investment risk	The risk that the Plan's assets underperform the liabilities causing a deficit to emerge/increase. The risk can be measured using metrics such as Value at Risk (VaR)	By assessing the risk using asset liability modelling techniques and maintaining the risk at a level that is considered acceptable and setting an appropriate asset allocation policy and control ranges around this allocation.
Sponsor risk	The risk that the sponsor is unable to fulfil its responsibilities to the Plan, at a time where there are insufficient assets to fully secure the Plan's liabilities.	By regularly monitoring the sponsor covenant, credit ratings and targeting a level of funding at which sponsor risk is materially reduced.
Interest rate and inflation risk	The risk that changes in interest rates or inflation expectations causes an increase in the deficit due to the assets and liabilities having different exposures to these variables.	By quantifying the exposure to these variables within the liabilities and holding assets, which provide a hedge against these risks.
Liquidity risk	The risk that the Plan is unable to meet shorter term cashflows as a result of being unable to redeem assets within a suitable timeframe.	By holding sufficient assets that are highly liquid and can be disinvested on a daily basis.
Manager risk	The risk that poor performance from a manager, relative to a market index or other benchmark, results in a negative impact on the Plan.	By understanding the investment approach used by the manager including any guidelines and limitations which apply to the portfolio. By understanding the likely risk and return profile of the manager's portfolio.
Security of Plan assets	The risk that investments held within pooled vehicles are not held securely which results in a loss for the Plan.	By ensuring that the assets of Pooled Funds are held by an independent custodian.
Inappropriate investments	The risk that the Plan invests in an asset, which is unsuitable for its circumstances from a legal or investment perspective.	By ensuring that all Plan investments are considered satisfactory in the context of Section 36 of the Pensions Act and that appropriate legal advice is received before an investment is made.
LDI Portfolio	The Plan's LDI portfolio is invested on a pooled fund basis. However, the underlying investments include derivative exposures that introduce other specific risks that are	These risks are mitigated through the specific arrangements that are implemented so that the likelihood of

	additional to the risks presented from investing in the equivalent physical asset. These include: • Basis risk (the risk that the derivative invested in does not perfectly match the physical asset that the derivative has replaced); • Roll risk (the risk that the terms available when the derivative is taken out are not available when the contract expires and is replaced); • Recapitalisation risk (the risk that adverse price movements require payment of capital in order to maintain the position); • Collateral and counterparty risk (the risk that the party with whom the LDI manager has contracted defaults and that any collateral is insufficient to make good any resulting loss);	the risks materialising is low and/or the impact of them is low.
Climate-related risks	The risk that climate-related risks can detrimentally impact the value of the investment portfolio via: • Transition risks: Regulatory, technological, policy or consumer actions or developments that lead to a significant write-down in the value of a particular sector, region or individual business if climate-related risk exposure has not been addressed; • Physical risks: Impact of acute climate impacts (such as more flash floods, forest fires, drought or storms) or chronic impacts (such as rising sea level, permanent drought or flooding) that can impact the viability of an asset in a particular location or can impact on the reliance of the use of natural resources (such as water or crops)	These risks are mitigated by understanding the climate risk exposures of the portfolio at the strategic asset allocation level and at the individual holding level within each asset portfolio.

Appendix B

Investment Managers

1. The Trustee has split the Plan's assets into two separate specialist investment mandates (LDI and bonds). All mandates are passively managed. The Trustee has set performance benchmarks for the investment managers against which they are measured. BlackRock is the sole Investment Manager for the Plan.

Fund Managers and performance objectives

Manager	Asset Class	Benchmark	Strategy Style
BlackRock	LDI	Bespoke Liability Benchmark	Passive
	Sterling Non-Gilts	iBoxx Non-Gilts Index	Passive

Investment Restrictions

2. Limitations, in addition to the Trust Deed and Rules, for the individual managers are as follows:

a) BlackRock (Bonds):

BlackRock has the objective of matching the benchmark index for the Sterling Non-Gilts mandate. Therefore, investments in it are restricted to the securities underlying the index and any active risk relative to the index should be minimised as far as practical.

b) BlackRock (LDI):

BlackRock has the objective of following the updated Liability Benchmark Portfolio (LBP) with a benchmark basis of Gilts +0.5% p.a. This basis is consistent with the Long-Term Objective (LTO). The target hedge ratio is 100% of gilts + 0.5% liabilities. This ensures that the LDI portfolio fully hedges the Plan's liabilities based on this benchmark, improving collateral headroom and reducing liability sensitivities.

3. AVC Investment Options

The current provider of AVC funds are as follows:

a) Balanced Fund - 60% Global Equity Fund and 40% Bond Fund
b) Global Equity Fund - BlackRock Passive
c) Bond Fund - 50% long dated gilts, 50% corporate bonds, BlackRock Passive
d) With Profits Funds - Prudential
e) Cash Fund – Insight Asset Management

Note that the Prudential With Profits Fund is not available for future contributions.