PROXY PAPER
VALE SA

Bovespa - Level 1: **VALE3**

ISIN: **BRVALEACNOR0**

MEETING DATE: 20 APRIL 2017

RECORD DATE: 20 APRIL 2017

PUBLISH DATE: 05 APRIL 2017

INDEX MEMBERSHIP: BRAZIL IBRX 50; BRAZIL MID-LARGE CAP; BRAZIL IBOVESPA; BRAZIL SPECIAL CORPORATE GOVERNANCE STOCK; BRAZIL IBRX

SECTOR: MATERIALS

INDUSTRY: METALS AND MINING

COUNTRY OF TRADE: BRAZIL

COUNTRY OF INCORPORATION: BRAZIL

VOTING IMPEDIMENT: POA

DISCLOSURES: NONE

COMPANY DESCRIPTION

Vale S.A., together with its subsidiaries, engages in the research, production, and sale of iron ore and pellets, gold, silver, and cobalt, as well as raw materials for steelmaking in Brazil and internationally.

OWNERSHIP | ESG PROFILE | PREVIOUS BOARD | VOTE RESULTS | APPENDIX

2017 ANNUAL MEETING

PROPOSAL	ISSUE	BOARD	GLASS LEWIS	CONCERNS
1.00	Accounts and Reports	FOR	**AGAINST**	• **See proposal 4.00**
2.00	Allocation of Profits/Dividends	FOR	**FOR**	
3.00	Request Cumulative Voting for the Election of Directors	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
4.00	Election of Directors	FOR	**ABSTAIN**	• **Vote for minority/preferred shareholder candidates**
5.00	Approve Recasting of Votes for Amended Slate (Board of Directors)	UNDETERMINED	**AGAINST**	• **Not in shareholders' best interest**
6.00	Allocate Votes for Cumulative Voting	UNDETERMINED	**AGAINST**	• **Insufficient information**
6.01	Elect Gueitiro Matsuo Genso	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.02	Elect Dan Antonio Marinho Conrado	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.03	Elect Marcel Juviniano Barros	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.04	Elect Eduardo de Salles Bartolomeo	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.05	Elect Fernando Jorge Buso Gomes	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.06	Elect Denise Pauli Pavarina	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.07	Elect Shinichiro Omachi	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
6.08	Elect Oscar Augusto de Camargo Filho	UNDETERMINED	**ABSTAIN**	• **Insufficient information**

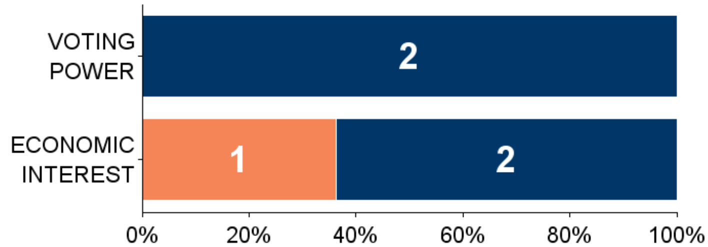
6.09	Elect Eduardo de Salles Bartolomeo	UNDETERMINED	**ABSTAIN**	• **Insufficient information**
7.00	Election of Board Members Representative of Minority/Preferred Shareholders	UNDETERMINED	**SPLIT**	
7.01	Elect Bruno C. H. Bastit to the Board as Representative of Minority Shareholders	UNDETERMINED	**FOR**	
7.02	Elect Isabella Saboya de Albuquerque to the Board as Representative of Minority Shareholders	UNDETERMINED	**ABSTAIN**	• **See proposal 4.00**
7.03	Elect Marcelo Gasparino da Silva to the Board as Representative of Preferred Shareholders	UNDETERMINED	**ABSTAIN**	• **See proposal 4.00**
7.04	Elect Sandra Maria Guerra de Azevedo to the Board as Representative of Preferred Shareholders	UNDETERMINED	**FOR**	
8.00	Election of Supervisory Council	FOR	**ABSTAIN**	• **See proposal**
9.00	Approve Recasting of Votes for Amended Slate (Supervisory Council)	UNDETERMINED	**AGAINST**	• **Not in shareholders' best interest**
10.00	Elect Raphael Manhães Martins to the Supervisory Council as Representative of Minority Shareholders	UNDETERMINED	**FOR**	
11.00	Elect Robert Juenemann to the Supervisory Council as Representative of Preferred Shareholders	UNDETERMINED	**FOR**	
12.00	Remuneration Policy	FOR	**AGAINST**	• **Poor compensation disclosure**
13.00	Supervisory Council's Fees	FOR	**FOR**	

SHARE OWNERSHIP PROFILE

SHARE BREAKDOWN

	1	2
SHARE CLASS	Preferred Shares Class A	Common Shares
SHARES OUTSTANDING	1,967.7 M	3,185.7 M
VOTES PER SHARE	0	1

SOURCE CAPITAL IQ AND GLASS LEWIS. AS OF 13-JAN-2017



TOP 20 SHAREHOLDERS

	HOLDER	OWNED*	COUNTRY	INVESTOR TYPE
1.	Litel Participações S.A.	33.70%	Brazil	Private Company
2.	Capital Research and Management Company	11.69%	United States	Traditional Investment Manager
3.	BNDES Participações S/A - BNDESPAR	5.32%	Brazil	VC/PE Firm
4.	Capital Group International Inc.	5.23%	United States	Traditional Investment Manager
5.	Aberdeen Asset Management PLC	5.20%	United Kingdom	Traditional Investment Manager
6.	BlackRock, Inc.	3.26%	United States	Traditional Investment Manager
7.	The Vanguard Group, Inc.	1.99%	United States	Traditional Investment Manager
8.	Silchester International Investors LLP	1.98%	United Kingdom	Traditional Investment Manager
9.	Dimensional Fund Advisors LP	1.57%	United States	Traditional Investment Manager
10.	Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	1.56%	Brazil	Traditional Investment Manager
11.	Caixa Economica Federal, Asset Management Arm	0.90%	Brazil	Traditional Investment Manager
12.	Norges Bank Investment Management	0.59%	Norway	Government Pension Plan Sponsor
13.	Itau Unibanco S.A., Asset Management Arm	0.56%	Brazil	Traditional Investment Manager
14.	BB Gestão De Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.	0.44%	Brazil	Traditional Investment Manager
15.	Fidelity Investments	0.41%	United States	Traditional Investment Manager
16.	J.P. Morgan Asset Management, Inc.	0.34%	United States	Traditional Investment Manager
17.	State Street Global Advisors, Inc.	0.29%	United States	Traditional Investment Manager
18.	Wellington Management Group LLP	0.27%	United States	Traditional Investment Manager
19.	HSBC Global Asset Management (UK) Limited	0.24%	United Kingdom	Traditional Investment Manager
20.	Principal Global Investors, LLC	0.23%	United States	Traditional Investment Manager

**COMMON STOCK EQUIVALENTS (AGGREGATE ECONOMIC INTEREST) SOURCE: CAPITAL IQ. AS OF 13-JAN-2017*
***CAPITAL IQ DEFINES STRATEGIC SHAREHOLDER AS A PUBLIC OR PRIVATE CORPORATION, INDIVIDUAL/INSIDER, COMPANY CONTROLLED FOUNDATION, ESOP OR STATE OWNED SHARES OR ANY HEDGE FUND MANAGERS, VC/PE FIRMS OR SOVEREIGN WEALTH FUNDS WITH A STAKE GREATER THAN 5%.*

SHAREHOLDER RIGHTS

	MARKET THRESHOLD	COMPANY THRESHOLD[1]
VOTING POWER REQUIRED TO CALL A SPECIAL MEETING	5.0%	5.0%
VOTING POWER REQUIRED TO ADD AGENDA ITEM	N/A	N/A

[1]N/A INDICATES THAT THE COMPANY DOES NOT PROVIDE THE CORRESPONDING SHAREHOLDER RIGHT.

ENVIRONMENTAL, SOCIAL & GOVERNANCE PROFILE

OVERALL ESG SCORE

Average Performer

Comparative Industry: **Steel**

Board oversight for ESG Issues: **Yes**

All data and ratings provided by: SUSTAINALYTICS

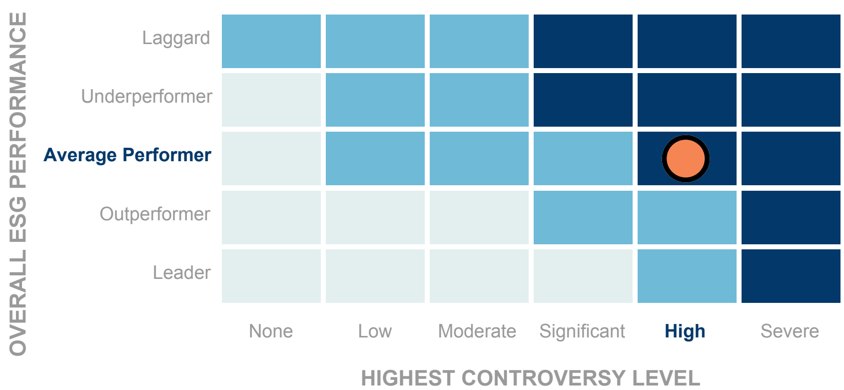
Last Update: **March 01, 2017**

ANALYST COMMENTARY

Vale S.A. is one of the world's largest integrated diversified mining companies, the largest in Americas, and number one in the global production of iron ore, pellets and nickel. Although the company has operations in 26 countries, the majority of operations are based in Brazil (61% of 2015 assets), followed by Canada (20%). Vale's core business is iron (62% of 2015 revenues) accompanied by nickel (13%), fertilizers (9%), copper (7%), and coal (2%). Vale's vertically integrated operations – mining, steelmaking, metal processing, extensive logistics network, and hydro-electricity plants expose the company to significant ESG risks. Mining generates large volumes of rock, disturbs large tracts of land, and generates large volumes of mineral waste and tailings, which could negatively impact biodiversity, water availability and water quality challenging relationships with local and indigenous communities. Failure to manage a significant environmental footprint along with health and safety hazards exposes companies to fines, penalties and lawsuits with potentially material impacts on profitability. While Vale has relatively strong ESG policies and commitments along with management systems and corporate governance oversite, the company still has further room for improvement with regards to independent certification and disclosure specific of specific improvement targets and operational guidance for key environmental and health and safety risk management. The most significant ESG concern relates to the joint-venture owned Samarco tailings spill in Brazil in November 2015. The incident is currently under criminal and regulatory review, subject to civil claims estimated at USD 6 billion and a separate USD 44 billion lawsuit. While the responsibility and fault for the dam's breach, and the associated damages, fines, penalties and compensation are part of ongoing legal proceedings, an independent investigation organized by Samarco, BHP Billiton and Vale released a cause report in August 2016. The report states that a series of construction deficiencies, water drainage issues and design modifications between 2009 and 2014 allowed sand tailings to become saturated, leading to a liquefaction flowslide that breached the dam. Despite high uncertainty, due to potentially significant liabilities associated with the 50% stake in Samarco, our overall view on the company's ability to manage key ESG issues is negative.

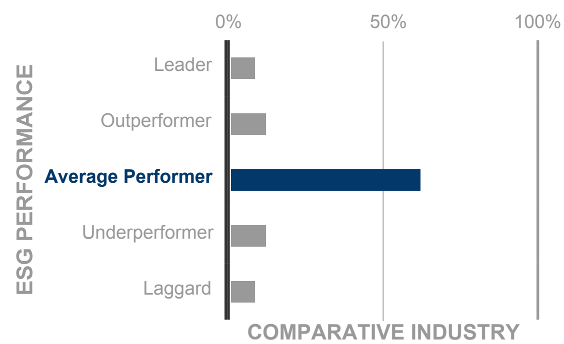
ESG RISK PROFILE

The graph below compares the Company's ESG performance to its involvement in controversies in order to provide an assessment of the Company's ESG risk profile.



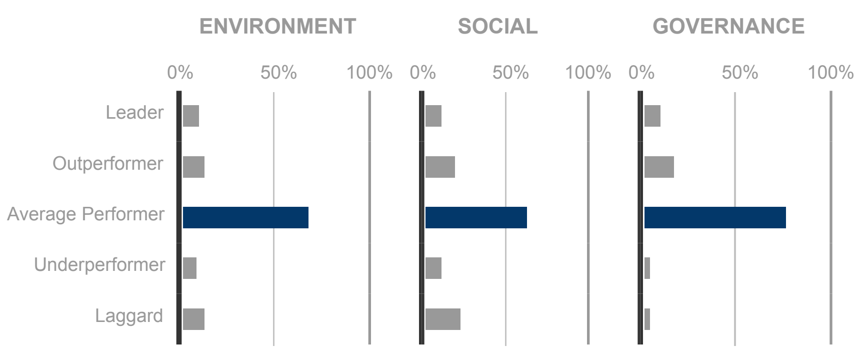
OVERALL ESG PERFORMANCE

The graph below indicates the percentage of companies in the comparative industry that fall within each ESG performance category.



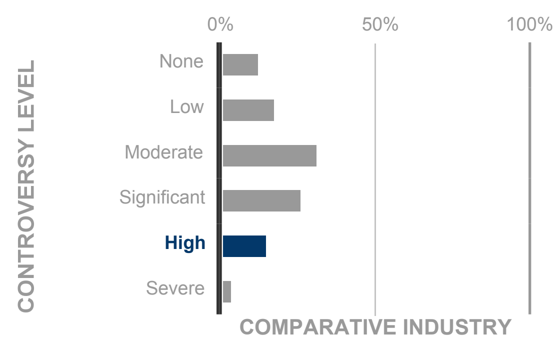
ESG PILLAR PERFORMANCE

For each pillar, the graph below indicates the percentage of companies in the comparative industry that fall within each ESG performance category. The governance pillar shown below is measured by Sustainalytics based on the Company's governance of sustainability issues.



HIGHEST CONTROVERSY LEVEL

The graph below indicates the percentage of companies in the comparative industry that fall within each controversy level.



Rows and categories shown in dark blue or bold represent the Company's category for the relevant assessment.

NOTEWORTHY CONTROVERSIES

SEVERE

Severe controversies are the most serious controversy level. They have the greatest negative impact on stakeholders and generate the greatest risk to a company's financial performance. Such controversies are highly exceptional. They indicate egregious practices and generally reflect a pattern of gross negligence, with the Company refusing to address the issue and/or concealing its involvement.

No severe controversies

HIGH

High-impact controversies are those that have major negative sustainability impacts and typically generate significant business risk to the Company. Such controversies are generally exceptions within an industry. They typically involve a pattern of negative events or impacts and indicate a lack of company preparedness to properly manage key sustainability issues.

Operation Incidents:

- **Emissions,Effluents and Waste**

SIGNIFICANT

Significant controversies have notable negative sustainability impacts and may generate business risk to the Company. Such controversies may be isolated or they may suggest a pattern, but they are generally not exceptional within an industry. However, they raise questions about whether a company's management systems are being implemented effectively and are able to address the issue in a satisfactory manner.

Employee Incidents:

- **Labour Relations**
- **Occupational Health and Safety**

Society & Community Incidents:

- **Community Relations**

Governance Incidents:

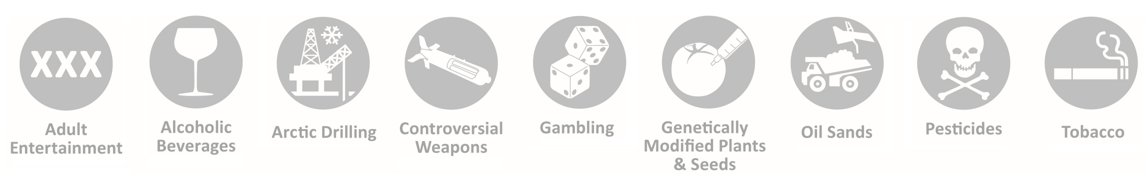
- **Corporate Governance**

PRODUCT INVOLVEMENT*

Range: 0%-4.9%

The company extracts thermal coal.

NO PRODUCT INVOLVEMENT



*Range values represent the percentage of the Company's revenue. N/A is shown where Sustainalytics captures only whether or not the Company is involved in the product.

DISCLAIMER

Please refer to the FAQ for further details about this page.

All data and ratings provided by: SUSTAINALYTICS

1.00: ACCOUNTS AND REPORTS

AGAINST

PROPOSAL REQUEST:	Approval of financial statements and related reports for the past fiscal year	**RECOMMENDATIONS & CONCERNS:**	
BINDING/ADVISORY:	Binding	**AGAINST-**	See proposal 4.00
REQUIRED TO APPROVE:	Majority		

PROPOSAL SUMMARY

Shareholders will be presented with the Company's financial statements and related reports.

MARKET PRACTICE

In Brazil, shareholder approval of a company's financial statements exempts management and supervisory council members from liability for their actions during the corresponding fiscal year, with exceptions in instances of error, bad faith, fraud or misrepresentations of accounting.

GLASS LEWIS ANALYSIS

We believe that all of the necessary financial statements and reports are present in the Company’s annual report. We note that in the opinion of KPMG, the Company’s independent auditor, the financial statements have been properly prepared in accordance with generally accepted accounting principles in the country and International Financial Reporting Standards.

However, as discussed in detail in Proposal 4.00, the Company faces significant liability as a result of a dam rupture at the mining site of Samarco Mineração SA, a joint venture owned equally by BHP Billiton and the Company.

Approval of this proposal would also ratify the acts of the members of the board of directors. This would not release directors in instances of error, bath faith, fraud or misrepresentations of accounting. Nevertheless, seeking recourse for directors' actions after the initial publication of the results could prove time-consuming and expensive for shareholders. As discussed in Proposal 4.00, we are concerned regarding the oversight afforded to matters of safety and environment and the potential financial effects of lapses in this oversight. Given these concerns and the potentially significant monetary penalties that could be associated with the Company's involvement in the dam failure, we believe discharging the board of directors from liability for their acts is not in shareholders' interest.

We recommend that shareholders vote **AGAINST** this proposal.

2.00: ALLOCATION OF PROFITS/DIVIDENDS

FOR

PROPOSAL REQUEST:	Approval of the allocation of profits and distribution of dividends for the most recently completed fiscal year	**RECOMMENDATIONS & CONCERNS:**	
BINDING/ADVISORY:	Binding	**FOR-**	No material concerns
REQUIRED TO APPROVE:	Majority		

PROPOSAL SUMMARY

If approved, the Company will distribute its profits as follows:

FUNDS AND ALLOCATIONS	AMOUNT (R$ MILLIONS)
Net Profit	13,311.45
Legal Reserve	665.57
Other Reserve(s)	7,122.19
Interest on Capital and Dividends	5,523.72
	PERCENTAGE
Payout Ratio	41%

GLASS LEWIS ANALYSIS

With limited exceptions, Glass Lewis will generally support the dividend policy proposed by a company. In Brazil, companies are required by law to distribute a mandatory dividend equal to at least 25% of their profits for the previous fiscal year, subsequent to the allocation of 5% to the legal reserve. Moreover, in addition to, in lieu of, or as part of the mandatory dividend, shareholders in Brazil may be entitled to the payment of interest from their investments.

In our view, paying interest on capital allows a company to benefit from accrued interest collected on its own capital, and treat such payments as fiscal expenses for income tax and social contribution purposes. Generally, the interest is limited to the daily prop rata variation of a nominal long-term interest rate ("TJLP") determined by the federal government that includes an inflation factor and cannot exceed the greater of 50% of net income for the period in which the payment is made, or 50% of the sum of retained earnings and profit reserves.

Given that the Company complies with the aforementioned Brazilian requirements, we do not see any cause for concern in terms of the board's process in making this determination.

We recommend that shareholders vote **FOR** this proposal.

4.00: ELECTION OF DIRECTORS

ABSTAIN

PROPOSAL REQUEST:	Election of directors	**RECOMMENDATIONS & CONCERNS:**	
PRIOR YEAR VOTE RESULT (FOR):	N/A	**ABSTAIN-**	Vote for minority/preferred shareholder candidates
BINDING/ADVISORY:	Binding		
REQUIRED TO APPROVE:	N/A		

PROPOSAL SUMMARY

The candidates (proposed by management) up for election as directors are eligible to serve two-year terms.

We note that nine candidates have been nominated by the controlling shareholders, one by the Company employees, two by minority shareholders and two by preferred shareholders (Proposals 7.00 through 7.04). However, only one representative of minority shareholders and one representative of preferred shareholders will be elected to the board, assuming the relevant quorums are met.

BOARD OF DIRECTORS

UP	NAME	AGE	GENDER	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWNERSHIP**	COMMITTEES REM	COMMITTEES GOV	COMMITTEES NOM	TERM START	TERM END	YEARS ON BOARD
✔	Oscar Augusto de Camargo Filho	79	M	Affiliated [1]	Not Independent	N/D	✔		✔	2003	2017	14
✔	Fernando Jorge Buso Gomes*	60	M	Affiliated [2]	Not Independent	60%	✔	C	✔	2015	2017	2
✔	Eduardo de Salles Bartolomeo	48	M	Affiliated [3]	Not Independent	N/D				-	-	-
✔	Marcel Juviniano Barros	54	M	Affiliated [4]	Not Independent	60%	✔		✔	2012	2017	5
✔	Dan Antonio Marinho Conrado	52	M	Affiliated [5]	Not Independent	N/D				2012	2017	5
✔	Gueitiro Matsuo Genso ·*Chair*	45	M	Affiliated [6]	Not Independent	60%				2015	2017	2
✔	Shinichiro Omachi*	57	M	Affiliated [7]	Not Independent	60%				-	-	-
✔	Denise Pauli Pavarina	52	F	Affiliated [8]	Not Independent	N/D				-	-	-
✔	Eduardo Refinetti Guardia	51	M	Affiliated [9]	Not Independent	60%				-	-	-
✔	Lucio Azevedo	58	M	Employee Rep [10]	Employee Rep	N/D				2015	2017	2

C = Chair, * = Public Company Executive, = Withhold or Against Recommendation

1. Not considered independent by the Company.
2. Vice chair. Executive of Bradespar S.A. ("Bradespar"), party to a shareholders' agreement ("the shareholders' agreement") that beneficially represents 60.36% of the Company's voting share capital and 38.99% of its total issued share capital.
3. Former executive (until 2012).
4. Executive at Caixa de Previdência dos Funcionarios do Banco do Brasil ("Previ"), controllers of Litel Participações S.A. ("Litel"), party to the shareholders' agreement.
5. Chair and former CEO of Valepar (until 2015), a party to the shareholders' agreement. Not considered independent by the Company.
6. Chair. CEO of Valepar.
7. Managing officer and COO of the minerals and metal resources business of Mitsui & Co., Ltd., which is party to the shareholders' agreement.
8. Former executive of Banco Bradesco S.A. ("Banco Bradesco") (until 2017), controller of Bradespar, and executive of Bram - Bradesco Asset Management S.A., a subsidiary of Banco Bradesco. Not considered independent by the Company.
9. Executive secretary for the ministry of finances, which through BNDES, is party to the shareholders' agreement.
10. Employee representative.

***Direct, indirect or representational ownership of voting rights. Below 5% displays as Yes.*

NAME	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Oscar Augusto de Camargo Filho	No	None
Fernando Jorge Buso Gomes	Yes	None
Eduardo de Salles Bartolomeo	No	(1) Arteris S.A.
Marcel Juviniano Barros	No	None
Dan Antonio Marinho Conrado	No	None
Gueitiro Matsuo Genso	No	None
Shinichiro Omachi	Yes	None
Denise Pauli Pavarina	No	(1) BM&F BOVESPA SA Bolsa de Valores, Mercadorias e Futuros
Eduardo Refinetti Guardia	No	(1) Banco do Brasil S.A.
Lucio Azevedo	No	None

MARKET PRACTICE

INDEPENDENCE AND COMPOSITION	VALE3*	REQUIREMENT	BEST PRACTICE
Independent Chair	No	No[1]	No[2]
Board Independence**	0%	N/A	51%[3]
Audit Committee Independence	N/A	N/A	100%[3]
Remuneration Committee Independence	0%	N/A	N/A
Nominating Committee Independence	0%	N/A	N/A
Percentage of women on board	10%	N/A	N/A
Directors' biographies	Company's meeting circular, available on BM&FBOVESPA or the Company's website.		

** Based on Glass Lewis Classification*
*** Excludes Employee Reps*

1. *Level 1 Listing Regulations Require Roles Separation of Chairman/CEO Roles Three Years From Listing*
2. *Brazilian Code of Best Corporate Governance Practices Recommends Separating Roles of Chairman/CEO*
3. *Brazilian Code of Best Corporate Governance Practices*

Brazilian companies are generally governed by a three-tier structure that includes a management board, a board of directors and an optional supervisory council. The board of directors provides oversight of the management board while the supervisory council is responsible for overseeing the company's board of directors to ensure that it complies with the legal and statutory obligations ascribed to it.

Companies listed on the BM&FBOVESPA, can adhere to one of three corporate governance segments provided they comply with their corresponding regulations. The regulations for a conventional listing and *Nível 1* (Level 1) listing segment impose the least stringent corporate governance practices, followed by *Nível 2*, or Level 2, and finally the *Novo Mercado*, which imposes the most stringent ones. The Company is listed on the *Level 1* segment.

Controlled companies are commonplace in Brazil, with corporate control often exercised by a family, the state or a group of shareholders' acting in concert. In most cases, corporate control is dependent upon Brazil's dual-class share system whereby up to 50% of share capital may comprise non-voting preferred shares. However, there are presently a number of new cases wherein companies maintain a diffuse shareholder base and no controlling shareholder. This is due in part to the single-class share requirement of the *Novo Mercado*. The following table outlines the differences in share capital structure between the three listing segments and the conventional listing:

	NOVO MERCADO	NÍVEL 2 (LEVEL 2)	NÍVEL 1 (LEVEL 1)	CONVENTIONAL
Minimum Free Float	25%	25%	25%	None
Share Classes	Only Common Shares	Both Preferred Shares w/ Add'l Rights and Common Shares	Both Preferred Non-Voting Shares and Common Shares	Both Preferred Non-Voting Shares and Common Shares
Tag Along Rights	100% - Common Shares	100% - Common and Preferred Shares	None	None

VOTING PROCEDURES

While controlling shareholders can of course elect their entire slate of nominees, minority shareholders may nominate one candidate in a separate election if the minority shareholders represent either 15% of common shares or 10% of non-voting preferred shares. If neither threshold is met, minority shareholders may group their shares together to nominate one candidate provided that they have been shareholders for the three months prior to the meeting.

Shareholders only have the option to submit one vote for the slate presented by the management/controlling shareholder or the proposed minority/preferred representative(s). Further, non-controlling shareholders may only have the opportunity to vote on candidates nominated by minority or preferred shareholders, and not on the management/controlling shareholder slate.

In Brazil directors are elected by a majority vote. However, Brazilian Companies Law allows for the adoption of cumulative voting if minority shareholders representing at least 5% of common shares (unless otherwise stated in the articles of association) make such a request 48 hours in advance of the meeting. In this case, the controlling shareholder is permitted to elect one more director than the number nominated by minority shareholders.

GLASS LEWIS ANALYSIS

We believe shareholders should be mindful of the following issues:

BOARD INDEPENDENCE

Nine out of ten directors are either affiliated with the Company or are insiders. We believe that this raises concerns about the objectivity and independence of the board and its ability to perform its proper oversight role. We prefer boards with a lower percentage of affiliates and insiders.

We note that Valepar S.A. and BNDES Participações S.A. are parties to a shareholders' agreement that represents 60.36% of the Company's voting share capital and 38.99% of its issued share capital. We suspect that most, if not all, shareholders both understand and accept the nature and extent of the majority shareholder's control over the Company and the composition of its board.

We acknowledge that only companies listed on the *Novo Mercado* and Level 2 are required to maintain a 20% independent board. However, in the case of controlled companies on the Level 1 or Conventional listing segments, such as this one, we believe that companies should meet the 20% listing requirement, regardless of the percentage of share capital the controlling shareholder(s) own. In this case, we do not feel that there are a sufficient number of independent directors to represent the Company's free float and minority shareholders.

CHANGES IN COMPANY STRUCTURE

We note that in an upcoming shareholders' meeting, the Company will propose a restructuring implying the unification of all share classes with the final objective of migrating to the *Novo Mercado* listing segment. Following said restructuring, the current shareholders' agreement will expire, and a new one, with a six-months validity, will be entered into by the same shareholders. This agreement, along with the standrad provisions in connection with voting rights and rights of first refusal for the acquisition of shareholders' shares, provides for the submission of a proposal to enable the migration to the *Novo Mercado* segment, and making the Company one without defined control.

NON-BOARD MEMBERS SERVE ON AUDIT COMMITTEE

The Company has established an audit committee; however the committee is comprised of individuals who are not board members. We believe that key committees, such as the audit committee, should be comprised exclusively of members of the board. Often these outsiders are employees of the company and their appointment is not subject to shareholder approval. We consider that the chair of the board, Matsuo Genso, should appoint independent board members to this key committee.

HUMAN RESOURCES COMMITTEE INDEPENDENCE

In general, we believe that human resources committees should consist solely of independent directors, with no insiders. However, taking into consideration the Company's controlled status, we acknowledge the presence of certain directors on the committee who represent the controlling shareholder. Nonetheless, in this case, all committee members are affiliated with the controlling shareholder. In order to represent the interests of minority shareholders, we believe that at least one member should be independent and maintain that executive directors should not sit on this committee. As such, we recommend voting against nominee **CAMARGO FILHO**, based on his affiliated status and membership on this committee.

GOLDEN SHARES

The Brazilian government, in accordance with article 5 of the Company's by-laws, is the owner of the only 12 golden shares issued by the Company. These have the same rights that the preferred Class A shares; However, they also have the power to veto any (i) change of the Company's name and its purpose, (ii) change in the location of the head office, (iii) change the corporate purpose with reference to mineral exploitation, (iv) winding-up of the Company, (v) sale or cessation of the activities of any part or of the whole of the following categories of the integrated iron ore systems of the Company; (a) mineral deposits, reserves and mines, (b) railways, and (c) ports and marine terminals, (vi) any alteration of the rights assigned to the types and classes of the shares issued by the Company in accordance with the prescriptions set forth in the by-laws, and (vii) any alteration of article 7 or any of the other rights assigned to the golden shares by the by-laws.

MARIANA ENVIRONMENTAL DISASTER

We suspect that most, if not all, shareholders are aware of the proceedings against the Company in the aftermath of the environmental disaster involving Samarco Mineração S.A., ("Samarco") one of the Company's subsidiaries and part of a joint venture with BHP Billiton Plc ("BHP"). As discussed in our previous proxy papers for the 2016 annual meeting of shareholders and August 12, 2016 special meeting, a torrent of mud, ore and iron waste devastated villages and killed 19 people when the dam collapsed on November 5, 2015 in the town of Mariana, Minas Gerais. The disaster further affected 1.6 million area residents. We note that Brazil's environmental agency, IBAMA, has condemned Samarco's inadequate disaster response.

Brazil's federal police have now formally accused Samarco and its first executive, CEO Roberto Carvalho of wilful misconduct and environmental crimes. Police have also indicted the Company, which deposited its own mining waste into the dam, BHP and VogBR, the service company in charge of checking the safety of the dam, of nine environmental crimes of wilful misconduct. Further, several undisclosed executives in these companies stand accused of homicide with wilful misconduct and face a penalty of up to 57 years imprisonment (Bertoni Estevão and Marques José. " PF indicia integrante da Vale e mais sete pessoas por tragédia de Mariana". *Folha de São Paulo.* June 9, 2016).

The Company has denied accusations of tampering with the reports relating to the calculations of liquid effluents dumped into the dam, reports which they claim were merely aligned to recalculate the data without taking into account recirculation effects (Bertoni Estevão and Marques José. 'Vale adulterou dados sobre lama em barragem após tragédia, diz PF". *Folha de São Paulo*. May 31, 2016).

With regards to the causes of the dam rupture, reports were later released where the Company, Samarco and BHP admitted that the tragedy took place in an open area undergoing earthworks on top of the dam structure. This announcement was made by representatives of the three companies after an internal investigation of the tragedy. The companies, however, avoided assigning blame for the series of project and operational failures that allegedly occurred from the beginning of the dam operations in 2008. (Bertoni Estevão. "Samarco admits that earthworks caused the Mariana tragedy" *Folha de São Paulo*. August 30, 2016). On October 20, 2016, the Company released a statement denying any knowledge by the Company and its executives of the real risks involved in the dam, distancing itself and its executives from the findings of the prosecutors and claiming they will prove their innocence in court.

On November 11, 2016, the filing of a public civil action against the Company, BHP and Samarco, was announced which required these companies to (i) prove that the leaking of waste from the dam had definitely stopped, (ii) present conclusive studies endorsed by the relevant environmental agencies, regarding an action plan and feasibility of the withdrawal of the mud from the banks, affluents and estuary of the Doce river, and, (iii) deposit R$1,200 million to safeguard future reparatory measures.

More recently, several lawsuits have been suspended to facilitate negotiations on a final deal on damages resulting from the rupture. The Company states that this decision has been aimed at unifying the lawsuits to avoid contradictions and help the parts reach a settlement. In this sense, a preliminary agreement entered by Samarco and its shareholders, BHP, the Company and the federal prosecutor's office has been partially ratified. This agreement establishes the procedures and timeframe to enter the final agreement, establish guarantees and engage experts to provide technical support.

Finally, the Company announced on March 27, 2017 the dismissal of most of the claims against the Company, individual defendants and its former CEO, Murilo Ferreira, by the US district court for the southern district of New York. According to the Company, the court "largely recognized the baseles nature of plaintiffs' case" and the Company "remains confident that the narrow remaining claims have no merit".

The Company, however, still faces significant liabilities, including criminal charges and it is possible that it may face further legal action from affected stakeholders or shareholders. We believe that this accident demonstrates a lack of appropriate oversight of issues related to safety and would normally recommend shareholders vote against directors who are responsible for oversight of environmental and safety issues or risk mitigation.

Additionally, we are concerned regarding the potentially unresolved nature of the Company's liabilities for this accident. As a result, we are recommending shareholders vote against the Company's accounts and reports, in Proposal 1.00.

CHANGES IN MANAGEMENT

Although no reference has been made to the Samarco disaster, the Company announced on February 24, 2017 that following the end in his contract, Murilo Ferreira, the Company's CEO since 2011, will not be renewing his term of office. Fabio Schvartsman has beenappointed as the Company's new CEO.

REQUEST FOR CUMULATIVE VOTING FOR THE ELECTION OF BOARD DIRECTORS (PROPOSAL 3.00)

Shareholders may request the adoption of cumulative voting in the process of election of board directors. Through this process, shareholders are entitled to cast all votes for one candidate or divide them among two or more candidates.

APPROVE RECASTING OF VOTES FOR AMENDED SLATE (PROPOSAL 5.00)

If approved, the votes cast for the election of directors will continue to be valid even if one of the slate candidates is no longer included.

Glass Lewis believes that any changes made to the slate composition should be presented for shareholder approval with sufficient time to review them. As such, we do not believe approval of this matter to be in the best interest of shareholders. Note that ABSTAIN is not a valid voting option for this proposal.

ALLOCATION OF CUMULATIVE VOTES FOR THE ELECTION OF DIRECTORS (PROPOSAL 6.00 THROUGH 6.09)

The cumulative voting method allows shareholders to cast their votes towards the candidates that may best represent minority-shareholders interests.

In cases where shareholders are able to vote through this method, we believe votes should be cast towards independent directors.

However, as of April 4, 2017, the Company has not disclosed, to the best of our knowledge, whether cumulative voting will be implemented. As such, we do not believe shareholders have sufficient information to make an informed decision regarding this matter at this time.

Note that ABSTAIN is not a valid voting option for Proposal 6.00.

ELECTION OF MINORITY/PREFERRED REPRESENTATIVES TO THE BOARD (PROPOSALS 7.00 THROUGH 7.04)

MINORITY REPRESENTATIVES

Shareholders holding at least 15% of the share capital can nominate members to the board of directors. The election of these nominees, if any, is to be held through a separate vote.

Common shareholders should note that a vote in favor or against the board's proposed slate for the board, will automatically disqualify them from voting on this proposal. **As such, common minority shareholders may only vote on the slate or this proposal, but not both.**

As of April 4, 2017, minority shareholders have nominated the following candidates to the board:

- **Bruno C. H. Bastit**, nominated by minority shareholders *Geração Futuro L. Par. Fundo de Investimento em Ações, Vic. Distribuidora de Títulos e Valores Mobiliários, and Victor Adler.* An excerpt of the bio provided by the proponent follows:

Bruno is the founder and MD of Quetzal Strategy, a boutique ESG consultancy providing sustainability and governance solutions to investors and emerging markets companies. He has over 9 years' experience in corporate governance and ESG with a particular expertise in Latin America and has been a regular speaker on related matters at international conferences. For the last two years, he worked as a senior governance advisor and Latin America Director for Morrow Sodali, the largest global independent corporate governance, proxy solicitation, investor relations, and shareholder services advisory firm. Prior to working as a consultant, he was the Head of Latin America and Russia at Hermes Fund Managers EOS, representing the UK's largest corporate pension fund and some of the world's most prominent institutional investors. He advised senior executives and board members at companies on *governance and sustainability risks. He has extensive experience of engaging with companies in the extractive sector and represented Hermes EOS on the Extractive Industries Transparency Initiative (EITI). Besides corporate engagement activities and public policy work, he worked on to further the integration of key ESG factors within the investment process within Hermes. With regards to public policy, he is a member of the OECD roundtable on Corporate Governance for LATAM and is a member of the UK Institute of Directors (IoD). He worked as a member of Russia's International Monitoring Committee responsible to assess the implementation of the new governance code. He was also a member of the Global Reporting Initiative working group tasked with developing the content of the new GRI sustainability reporting guidelines. He worked as an advisor to Brazil's Investors Association AMEC and is a member of Russia's International Monitoring Committee responsible to assess the implementation of the new governance code. As a result of his governance work in Russia and Brazil, he was nominated for the Yale University's Rising Star in Corporate Governance Award. Prior to joining Hermes, Bruno worked in ESG research with Innovest Strategic Value Advisors (now part of MSCI) and non-governmental organizations in Latin America, Switzerland, France and Africa. He graduated from the University of Durham in Middle Eastern Studies, has a Masters in International Political Economy from the University of Warwick and is a fellow of the LEAD International Program on leadership for sustainable development. He holds a Certificate in IR from the UK Investor Relations Institute and is currently participating in the Director Certification Program from the Brazilian Institute of Corporate Governance (IBGC). He is fluent in French, English, Spanish and Brazilian Portuguese with a working knowledge of Arabic.* (Letter to Fellow Investors, Geração Futuro. April 3, 2017).

- **Isabella Saboya de Albuquerque**, nominated by minority shareholder *Aberdeen Asset Management PLC.* An excerpt of the bio provided by the proponent follows:

Isabella's career began as a sell-side company analyst and she went on to become a partner with two fund managers, Investidor Profissional and Jârdim Botanico Investimentos. She now serves on the board of a number of high profile listed businesses. Earlier in her career, from 2000-2002, Isabella served as Special Assistant to the Chairman of the Brazilian SEC (Comissão de Valores Mobiliários, CVM), working on the reform of the Corporate Law and the launching of the Novo Mercado. Most recently, Isabella was the lead writer for the Brazilian Stewardship Code, launched in October 2016, which outlines the responsibilities of institutional investors in the companies they own in their portfolios...Isabella's work both as an investor and analyst brings the perspective of an external stakeholder to these issues, while her work on Audit Committees gives her the experience to address these issues within a broad context. (Press Release, Aberdeen Asset Management. April 4, 2017)

We note that additional candidates for the minority shareholder representative position on the board may be presented up to and during the meeting.

We acknowledge that both candidates have relevant skills and experience and would bring an independent perspective to the board, and believe that minority shareholders would be well represented by either of them. However, and given that only one candidate may be elected, we believe nominee Bruno C.H. Bastit would also contribute relevant international experience and perspective, which is currently lacking on the Company's board. For further information on the candidates, please refer to the Glass Lewis Proxy Talk published on April 5, 2017, and to the supporting statements provided by the nominating funds.

The proponent disclosed the following

PREFERRED REPRESENTATIVES

Preferred shareholders holding at least 10% of the share capital can nominate members to the board of directors

Preferred shareholders should note they may not cast a vote in favor or against the board's proposed slate. Rather, this proposal is preferred shareholders' only opportunity to elect nominees for the board.

As of April 4, 2017, preferred shareholders have nominated the following candidates to the board:

- **Marcelo Gasparino da Silva**, nominated by minority shareholders *Geração Futuro L. Par. Fundo de Investimento en Ações, Vic. Distribuidora de Títulos e Valores Mobiliários,* and *Victor Adler.* An excerpt of the bio provided by the proponent follows:

Member and Chairman of Boards of Directors, Supervisory Boards, and Audit Committees, member and coordinator of finance, risk and internal controls, legal and related parties committees in publicly-held companies. Lawyer specialized in Corporate Tax Administration by ESAG and MBA in Controlling, Auditing and Finance (attending). He *is a Board Member of AES ELETROPAULO, BATTISTELLA, CEMIG and ETERNIT, and an deputy member of the Board of Directors of VALE. He is the Coordinator of the Legal and Compliance Committee of ETERNIT, a member of the Finance, Audit and Risk Committee of CEMIG and the Related Parties Committee of AES Eletropaulo. He is co-founder and Coordinator of the Santa Catarina Chapter, Certified Board Member and composes the IBGC's bank of candidates to Boards of Directors. He is a member of AMEC's Technical Committee and spokesperson of the Corporate Governance Group (GGC). He was Chairman of the Board of Directors of Usiminas, member of the Boards of Directors of Bradespar, Celesc, Eletrobras, Tecnisa and SC Gás, as well as Usiminas. He was Fiscal Council Member of Bradespar, AES Eletropaulo, AES Tietê, Eletrobras and Renuka Brasil. He was the President of the Advisory Board of the Gasparino, Sachet, Roman, Barros & Marchiori Law Firm, where he worked as a lawyer until 2006. He began his executive career as CELESC's Legal and Institutional Director in 2007. He participated in the CEO Program FGV 2016 (IBE / FGV / IDE), attended the Executive Program on Mergers and Acquisitions at the London Business School, and specific courses in the financial and strategic areas at the IOD - Institute of Directors in London. Using his solid background in corporate governance and experience on boards of directors and audit committees, he contributed to IBGC and AMEC's construction of the Brazilian Corporate Governance Code - "CBGC" which since its launch, has been inserted as a working tool in all companies in which it is involved. Its "APPLY OR EXPLAIN" model, a system that recognizes that the practice of corporate governance is a journey and should not translate into a rigid model of regulation applicable equally to all companies, is of note. Through his experience working with companies across diverse sectors such as power generation, transmission and distribution of energy, natural gas distribution, mining, steel and steel processing, ports, base industry, real state, building materials and finishes, vehicle distribution and holding company, he acquired knowledge of various industries, commerce, and services which enables him to constructively contribute to the most diverse subjects and strategies that are dealt with by the Boards of Directors in which he participates, such as turnaroud, capital structure, mergers & acquisitions, sale of non core assets, and succession of Executives, among others.* (Letter to Fellow Investors, Geração Futuro. April 3, 2017).

- **Sandra Guerra de Azevedo**, nominated by minority shareholder *Aberdeen Asset Management PLC.* An excerpt of the bio provided by the proponent follows:

Sandra was a co-founder of the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa, "IBGC") in 1995 and served as Chair of IBGC's Board from 2012 to 2016. Sanrda has served in both executive and non-executive director roles in both private sector companies and non-profit organizations. She has extensive international experience, serving as Coordinator of the Companies Circle of the OECD-World Bank Latin American Corporate Governance Roundtable and twice being elected ot the Board of the International Corporate Governance Network (ICGN)....Aberdeen believes "Sandra has championed greater transparency in the areas of environmental and social issues both as a Member of the International Integrated Reporting Council (IIRC) and now as a Board member of the Global Reporting Initiative (GRI). (Press Release, Aberdeen Asset Management. April 4, 2017)

We note that additional candidates for the preferred shareholder representative position on the board may be presented up to and during the meeting.

We acknowledge that both candidates have relevant skills and experience and would bring an independent perspective to the board, and believe that preferred shareholders would be well represented by either of them. However, and given that only one candidate may be elected, we believe Sandra Guerra's appointment to the board will not only improve the board's gender diversity but also add further expertise in corporate governance and sustainability matters. For further information on the candidates, please refer to the Glass Lewis Proxy Talk published on April 5, 2017, and to the supporting statements provided by the nominating funds.

Aberdeen disclosed the following bio for nominee Guerra:

COMMON AND PREFERRED REPRESENTATIVES

We note that, in the event that nominees nominated by *Aberdeen Asset Management PLC*, or *Geração Futuro L. Par. Fundo de Investimento en Ações, Vic. Distribuidora de Títulos e Valores Mobiliários,* and *Victor Adler* do not reach the quorum required for their individual elections:

- **Sandra Guerra** and **Isabella Saboya** will be nominated as effective and alternate candidates respectively of both common and preferred minority shareholders; and,
- **Marcelo Gasparino da Silva** and **Bruno C.H. Bastit** will be nominated as effective and alternate candidates respectively of both common and preferred minority shareholders.

However, shareholders voting by proxy will not have the option to cast their votes if this is the case, given that the final quorum reached will only be disclosed at the shareholders' meeting.

RECOMMENDATION

We note that in the case of controlled companies, such as this one, where management/a major shareholder presents a slate, that slate is likely to receive the majority of votes, regardless of the support of minority shareholders.

Therefore, in such cases, taking into account a Company's ownership structure, and when the relevant information is made available, Glass Lewis will generally express its support for nominees presented by minority and/or preferred shareholders, given that these candidates typically enhance the board's composition and independence.

As noted above, shareholders **only have the option to submit one vote for the slate presented by the management/controlling shareholder OR the proposed minority/preferred representatives.** Presented with such a binary option, we believe minority and preferred shareholders are better served by submitting their votes in favour of one of the independent, shareholder proposed nominees.

We believe both candidates presented by minority shareholders and both candidates presented by preferred shareholders would add relevant knowledge and skills to the board. While, at this time, only two of the four candidates could be elected, if the Company goes through with its plans to list on the *Novo Mercado,* we would hope to see additional independent directors proposed for election in the future. However, at present, allocating votes to more than one candidate for each class of shares risks failing to meet the necessary quorum to elect the individuals. As such, we recommend voting for Mr. Bastit and Ms. Guerra in order to diversify the board with relevant skills and experience.

We recommend that shareholders vote:

ABSTAIN from voting on Proposals 3, 4 and 6.01 to 6.09, and nominees **SABOYA** and **GASPARINO DA SILVA**

AGAINST Proposals 5.00 and 6.00

FOR nominees **BASTIT** and **GUERRA**

7.00: ELECTION OF BOARD MEMBERS REPRESENTATIVE OF MINORITY/PREFERRED SHAREHOLDERS

SPLIT

Of the four candidates, one representative of minority shareholders and one representative of preferred shareholders will be elected to the board of directors, assuming the requisite quorum requirements are met.

UP	NAME	AGE	GENDER	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWNERSHIP**	TERM START	TERM END	YEARS ON BOARD
✔	Isabella Saboya de Albuquerque	46	F	Independent [1]	Independent	N/D	-	-	-
✔	Bruno C. H. Bastit	33	M	Independent [2]	Independent	N/D	-	-	-
✔	Marcelo Gasparino da Silva	47	M	Independent [3]	Independent	N/D	-	-	-
✔	Sandra Maria Guerra de Azevedo	61	F	Independent [4]	Independent	N/D	-	-	-

C = Chair, * = Public Company Executive, ⛔ = Withhold or Against Recommendation

1. Nominated by minority shareholder Aberdeen Asset Management PLC.
2. Nominated by minority shareholders Geração Futuro L. Par. Fundo de Investimento en Ações, Vic. Distribuidora de Titulos e Valores Mobiliários and Victor Adler.
3. Nominated by preferred shareholders Geração Futuro L. Par. Fundo de Investimento en Ações, Vic. Distribuidora de Titulos e Valores Mobiliários and Victor Adler.
4. Nominated by preferred shareholder Aberdeen Asset Management PLC.

***Direct, indirect or representational ownership of voting rights. Below 5% displays as Yes.*

NAME	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Isabella Saboya de Albuquerque	No	(1) FPC Par Corretora De Seguros S.A
Bruno C. H. Bastit	No	None
Marcelo Gasparino da Silva	No	(3) Eletropaulo Metropolitana Eletricidade São Paulo S.A.; Companhia Energetica de Minas Gerais - CEMIG; Eternit SA
Sandra Maria Guerra de Azevedo	No	(1) Companhia Paranaense de Energia - COPEL

Please refer to our analysis in Proposal 4.00.

8.00: ELECTION OF SUPERVISORY COUNCIL

ABSTAIN

PROPOSAL REQUEST:	Election of three supervisory council members	**RECOMMENDATIONS & CONCERNS:**	
BINDING/ADVISORY:	Binding	**ABSTAIN-**	See proposal
REQUIRED TO APPROVE:	Majority		

PROPOSAL SUMMARY

Three candidates are up for election to serve on the supervisory council to one-year terms.

We note that three candidates have been nominated by the controlling shareholders, one by minority shareholders and one by preferred shareholders.

SUPERVISORY COUNCIL

UP	NAME	AGE	GENDER	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWNERSHIP**	TERM START	TERM END	YEARS ON BOARD
✔	Marcus Vinicius Dias Severini	58	M	Affiliated 1	Not Disclosed	N/D	-	-	-
✔	Raphael Manhães Martins	34	M	Independent 2	Independent	N/D	2015	2017	2
✔	Marcelo Amaral Moraes	49	M	Independent 3	Not Disclosed	N/D	2004	2017	13
✔	Robert Juenemann	50	M	Independent 4	Independent	N/D	-	-	-
✔	Eduardo Cesar Pasa	46	M	Independent 5	Not Disclosed	N/D	-	-	-

C = Chair, * = Public Company Executive, ⊖ = Withhold or Against Recommendation

1. Former executive (until 2015). Appointed by controlling shareholders.
2. Nominated by minority shareholders.
3. Nominated by the controlling shareholder.
4. Nominated by preferred shareholders.
5. Nominated by controlling shareholders.

***Direct, indirect or representational ownership of voting rights. Below 5% displays as Yes.*

MARKET PRACTICE

Brazilian companies generally have a supervisory council that is independent of management and the external auditor. In the absence of a permanent supervisory council, shareholders representing 10% of a company's common shares or 5% of its non-voting preferred shares may request that one be established. According to Article 162 of the Brazilian Companies Law, the supervisory council must be comprised of three to five members, none of whom can be (i) an executive, director or employee of the company, of a subsidiary or of any affiliate thereof; or (ii) a spouse or relative of any officer, director or employee of the company, of a subsidiary or of any affiliate thereof, up to the third degree. We believe that this provision ensures that the current council has a certain minimal level of independence.

In most cases, the controlling shareholder typically elects a majority of the supervisory council's members. Shareholders with restricted or no voting rights (i.e. preferred shares) and minority shareholders who jointly represent at least 10% of the voting share capital (i.e. common shares) are each entitled to elect one member and his/her alternate to the supervisory council.

GLASS LEWIS ANALYSIS

APPROVE RECASTING OF VOTES FOR AMENDED SLATE (PROPOSAL 9.00)

If approved, the votes cast for the election of supervisory council members will continue to be valid even if one of the slate candidates is no longer included.

Glass Lewis believes that any changes made to the slate composition should be presented for shareholder approval with sufficient time to review them. As such, we do not believe approval of this matter to be in the best interest of shareholders.

ELECTION OF MINORITY/PREFERRED REPRESENTATIVES TO THE SUPERVISORY COUNCIL (PROPOSALS 10.00 AND 11.00)

In accordance with Brazilian corporate law, shareholders with restricted or no voting rights (i.e. preferred shares) and minority shareholders who jointly represent at least 10% of the voting share capital (i.e. common shares) are each entitled to elect one member and his/her alternate to the supervisory council.

MINORITY REPRESENTATIVES

Common shareholders should note that a vote in favor or against the board's proposed slate for the supervisory council, will automatically disqualify them from voting on this proposal. As such, common minority shareholders may only vote on the slate or this proposal, but not both.

As of April 4, 2017, minority shareholders have nominated the following candidate to the supervisory council:

- **Raphael Manães Martins**, nominated by minority shareholders *Geração Futuro L. Par. Fundo de Investimento em Ações, Vic Distribuidora de Títulos e Valores Mobiliários S.A.,* and *Victor Adler*

We note that additional candidates for the minority shareholder representative position on the supervisory council may be presented up to and during the meeting.

Having reviewed the candidate, we believe he has relevant skills and experience, which would bring a necessary and independent perspective to the board.

PREFERRED REPRESENTATIVES

Preferred shareholders should note they may not cast a vote in favor or against the supervisory council's proposed slate. Rather, this proposal is preferred shareholders' only opportunity to elect nominees for the supervisory council.

As of April 4, 2017, preferred shareholders have nominated the following candidate to the supervisory council:

- **Robert Juenemann**, nominated by minority shareholder *Geração Futuro L. Par. Fundo de Investimento em Ações, Vic Distribuidora de Títulos e Valores Mobiliários S.A.,* and *Victor Adler*

We note that additional candidates for the preferred shareholder representative position on the supervisory council may be presented up to and during the meeting.

Having reviewed the candidate, we believe he has relevant skills and experience, which would bring a necessary and independent perspective to the board.

RECOMMENDATION

We note that in the case of controlled companies, such as this one, where management/a major shareholder presents a slate, that slate is likely to receive the majority of votes, regardless of the support of minority shareholders.

Therefore, taking into account a Company's ownership structure, and when the relevant information is made available, Glass Lewis will generally express its support for nominees/a list presented by minority and/or preferred shareholders, given that these candidates typically enhance the supervisory council's composition and independence.

Since the nominees meet the aforementioned independence standards, in the absence of material concerns with the supervisory council, we would normally recommend voting in favor of the candidates. However, and given that the names of the minority and preferred candidates are disclosed, we recommend shareholders support these candidates instead

We recommend that shareholders **ABSTAIN** from voting on this proposal.

12.00: REMUNERATION POLICY

AGAINST

PROPOSAL REQUEST:	Administrator's global remuneration; Remuneration policy	**RECOMMENDATION:**	AGAINST
PRIOR YEAR VOTE RESULT (FOR):	N/A	**STRUCTURE:**	Fair
BINDING/ADVISORY:	Binding	**DISCLOSURE:**	Poor
REQUIRED TO APPROVE:	Majority		

REMUNERATION PROGRAM FEATURES [1]

POSITIVE

- LTIs are performance-based
- STIs are performance-based
- Mandatory deferral of annual bonuses
- Non-executive directors are not eligible for STI
- Severance capped at 2x annual aggregate payout

NEGATIVE

- Highest, lowest, and average executive pay withheld
- Short vesting period for LTIs
- No clawback provision for STIs
- LTI performance formula based on simple hurdle
- Insufficient disclosure of STI targets

1 Both positive and negative remuneration features are ranked according to Glass Lewis' view of their importance or severity

REMUNERATION TABLE

MANAGEMENT BOARD*

FISCAL YEAR	NO. MEMBERS	BASE SALARY	ACTUAL BONUS PAYMENTS	TARGET BONUS PAYMENTS	SHARE-BASED PAYMENTS
2017	7	R$24,876,840	-	R$46,537,239	R$13,853,280
2016	7	R$24,093,174	-	R$46,743,031	R$3,424,314

*Remuneration as disclosed by the Company in Section 13.2 of the *Formulário de Referencia.*

OWNERSHIP PROFILE

Controlling Shareholder	CEO
The Company is controlled by a group of shareholders acting in concert.	The CEO has no relationship to the Company's shareholders.

EXECUTIVE REMUNERATION STRUCTURE - SYNOPSIS

FIXED PAY	The average base salaries of the members of the management board will not increase significantly for the upcoming fiscal year.
SHORT-TERM INCENTIVES	• Annual bonuses were awarded in the form of cash. • Awards are based on the following criteria: EBITDA; free cash flow; productivity; sustainability metrics. • Awards may vary between 0% and 200% of the annual bonus target established (against market benchmarks), depending on metrics for each fiscal year.

LONG-TERM INCENTIVES	**Performance-Based Awards**
	• Performance-based long-term incentives were awarded in the form of (i) virtual shares and (ii) matching shares.
	• **Virtual Shares**
	  • *Performance Indicators:* Awards are conditioned on TSR relative to a peer group of 12 companies of similar size and share price.
	  • *Performance Period:* Relative TSR is calculated over a one-year period for each vesting tranche.
	  • *Vesting Period:*
	    • 20% of the awards vest two years after grant;
	    • 30% of the awards vest three years after grant; and,
	    • 50% of the awards vest four years after grant.
	  • *Performance Hurdles:*
	    • Where the Company outperforms its peers, 150% of the vested awards payout;
	    • Where the Company ranks in third place, relative to its peers, 100% of the vested awards payout; and,
	    • Where the Company ranks 10th or lower against its peers, no vested awards will payout.
	    • We note that the Company failed to provide a clear explanation regarding the payout schedule for rankings between the aforesaid levels.
	  • *Value of Awards:* Calculated on executive directors' base salary, and on parameter established for each hierarchical level in each of the countries where the Company operates.
	• **Matching Shares**
	  • *Terms:*
	    • Bonus deferral is mandatory on up to 50% of their net annual bonus.
	    • Awards contingent on participants' continued employment with the Company.
	  • *Vesting Schedule:* Participants must retain shares purchased for three years, at which time they may receive cash awards equal to the shares' market value.
	  • *Lock-up:* Participants may sell their shares after they receive their cash award.
	  • The Company will establish participants' eligibility in years where their net bonus is not enough to invest in the plan, if participants:
	    • Acquire Company shares during the course of 12 months, in specific preestablished periods; and
	    • Use already held shares, as long as said shares are not yet bound under the program.
	Additional Information
	• Eligible participants: management board members, executive directors.

ADDITIONAL INFO/NOTES	• For the prior fiscal year, executives received a total of R$2,160,397 in remuneration from the Company's subsidiaries.

GLASS LEWIS ANALYSIS

This proposal seeks shareholder approval to set the aggregate remuneration for the Company's non-executive directors (NEDs), executives, and supervisory council members (the administrators) for the current fiscal year at R$161,134,088. According to Brazilian Companies Law, shareholders must approve the aggregate or individual remuneration of the administrators at the annual general meeting.

Further, according to CVM Instruction 481, when the general meeting is called to resolve on this issue, the Company must provide the information required under Section 13 of the Reference Form, or annual report, which details its remuneration policy. Glass Lewis takes Section 13 into account when analyzing these proposals. This resolution is legally binding.

STRUCTURE : FAIR

We note the following concerns with the structure of the Company's remuneration programs:

Vesting of Equity Awards

Some of the awards granted under the Company's long-term incentive plan vest over a period of less than three years.

We believe such narrow vesting schedules reduce the risk of forfeiture associated with equity awards and shifts what should be "at risk" remuneration closer to a guaranteed payment.

Performance Periods Less than Three Years

In accordance with international best practice, a minimum performance period of three years for long-term incentive plans should be utilized unless a cogent justification of a shorter performance period is disclosed. While we note that a significant portion of variable pay vest over multiple years, the performance conditions attached to the awards are calculated over a one-year period.

Payout Below Median Performance

While the Company's disclosures are not sufficient to let us determine the number of awards granted under the long-term incentive plan that is paid out below median performance against its peers, the threshold under which no awards are paid out is set at Position 10 of 12. Glass Lewis believes that when a company's performance in the relevant performance in the relevant period is below the median of the comparator group, executives should not be rewwarded with the vesting of any period of their long-term incentives.

DISCLOSURE : POOR

We note the following concerns with the disclosure of the Company's remuneration programs:

Executive Remuneration

The Company has not disclosed highest, lowest or average executive remuneration figures in respect of the most recently completed fiscal year. We believe that full disclosure of all remuneration policy aspects promotes equitable business practices and allows shareholders to confirm that the Company is sustaining a healthy relationship between executive performance and remuneration.

Description of Short-Term Incentive Targets

The Company has failed to disclose a clear description of the performance targets associated with the metrics utilized under the STI plan. We believe clearly defined performance targets are essential for shareholders to fully understand and evaluate an incentive plan.

Performance Metrics Not Disclosed

The Company has failed to disclose its processes for determining awards granted under the incentive plan. Without such disclosure, shareholders are unable to evaluate the extent to which the Company strives to align executive compensation with performance. Accordingly, we believe the Company should provide substantially more detail regarding the determination of awards under the incentive plan.

Comparator Group Not Disclosed

The Company fails to disclose the identity of the comparative group of companies used in the long-term incentive plan.

SUMMARY

Glass Lewis has reservations about supporting the remuneration report at this time. While we acknowledge the Company has attached performance conditions to the short-term and long-term awards, the description of the targets for short-term awards payout were not disclosed. Additionally, the performance period to determine the long-term incentive payouts only runs over a one-year period and the amount of awards that are paid out for below median performance is significant. Further, as noted above, the Company has failed to disclose the average, highest and lowest amounts paid to executives and board members. While we understand that the requirement to disclosure such figures is still an issue of contention in Brazil, the majority of companies listed on the BM&FBOVESPA comply with the disclosure requirements relating to remuneration set forth by the CVM.

Finally, in light of the events pertaining to the Samarco environmental disaster and given that bonuses have been bestowed every fiscal year in spite of the losses and liabilities still pending, and the clear need for better oversight by the board and management, we believe the Company should provide shareholders with exceptional clarifications as to why these bonus would be merited.

We recommend that shareholders vote **AGAINST** this proposal.

13.00: SUPERVISORY COUNCIL'S FEES

FOR

PROPOSAL REQUEST:	Approve supervisory council fees	**RECOMMENDATIONS & CONCERNS:**	
BINDING/ADVISORY:	Binding	**FOR-**	No material concerns
REQUIRED TO APPROVE:	Majority		

PROPOSAL SUMMARY

If approved, the annual global remuneration of the supervisory council will be set at R$1,776,917 for the current fiscal year.

GLASS LEWIS ANALYSIS

In accordance with Brazilian Companies Law, companies are required to pay members of the supervisory council an amount equal to 10% of the average fees paid to the members of the Company's management board, excluding benefits and profit sharing.

In this case, we find that the proposed fees comply with the statutory requirements.

We recommend that shareholders vote **FOR** this proposal.

APPENDIX

Questions or comments about this report, GL policies, methodologies or data? Contact your client service representative or go to www.glasslewis.com/issuer/ for information and contact directions.

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