This briefing details Glencore’s environmental, social and governance (ESG)-related risks – with a focus on labour-related risks – that have not been disclosed adequately by the company or well-covered by other sources, and encourages investors and other stakeholders to put specific questions to the company based on this information.
Glencore plc is one of the largest mining and commodities trading companies in the world. Headquartered in Switzerland, it is publicly traded on the London and Johannesburg stock exchanges. Civil society organisations have long criticised the company for its impact on local communities and the environment. Glencore is also facing increased scrutiny by regulators in multiple countries over its business dealings and corporate governance practices, as well as a global campaign by unions to press the company to respect labour rights [see box].

Recent ESG concerns for Glencore

- The leak in late 2017 of the so-called Paradise Papers1 led the International Consortium of Investigative Journalists to conclude that Glencore had “diverted millions of dollars through tax havens and fought off lawsuits and tax bills;”2

- In December 2017 the United States government announced sanctions against billionaire businessman Dan Gertler “for his opaque and corrupt mining and oil deals” in the Democratic Republic of Congo (DRC). Glencore’s long-term partnership with Gertler in the DRC is in the spotlight, with legal experts asserting the company “should have known that the risks in using Gertler to negotiate with DRC authorities were unacceptably high.”3

- Canadian securities regulators are investigating payments of over $100 million that Glencore’s subsidiary, Katanga Mining, made to a company owned by Gertler. As noted by the Wall Street Journal, “The probe represents a new risk posed by Glencore’s longtime relationship with Mr. Gertler, from whom the company has sought to distance itself in recent months.” As of early 2018, the WSJ reported that Glencore owed “up to $200 million” in royalty payments to Gertler but that the company was said to have suspended its ties to the businessman while considering its options;

- In the wake of the Paradise Papers, the Swiss NGO Public Eye filed a criminal complaint in December 2017 with the Swiss federal Attorney General’s office over Glencore’s activities in the DRC. Specifically, Public Eye asked the Attorney General to “open legal proceedings” to determine whether Glencore had failed to prevent unlawful activities in the DRC.

- In November 2017 IndustriALL Global Union launched a campaign against Glencore with the aim of resolving serious labour disputes in multiple countries and addressing long-running concerns about union rights and health and safety at Glencore operations worldwide.

This briefing provides information on Glencore’s environmental, social and governance (ESG)-related risks that are not disclosed adequately by the company, in particular on labour rights-related abuses, and encourages investors and other stakeholders to put specific questions to the company based on this information (suggested questions appear at the end of each section).

The briefing focuses on workers’ human rights, ESG risks in Glencore’s supply chain, and transparency and reporting. For each of these areas, we found a significant disjuncture between the company’s statements (or lack thereof) and the reality on the ground. These gaps pose problems not only for those stakeholders directly affected by the company’s practices, but also for investors seeking to understand how Glencore manages the considerable challenges it faces in difficult operating environments.

---

1 The “Paradise Papers” refers to a leak of millions of confidential documents from an offshore law firm that revealed the covert use of offshore tax havens by a number of companies and wealthy individuals.
In its 2017 Annual Report, Glencore states, “The maintenance of positive employee and union relations and the ability to attract and retain skilled workers...are key to our success.” Yet in 2017, IndustriALL Global Union, which includes in its membership unions representing thousands of Glencore workers at Glencore assets in over a dozen countries, launched a campaign against the company to call attention to serious concerns about union rights and poor health and safety practices at its operations, and with the ultimate aim of resolving these issues and establishing meaningful global dialogue with the company.

Health and safety

Glencore asserted in 2018 that “the health and safety of our people is our top priority. Our ambition is to become a health and safety leader.” Unions in the sector around the world, however, report a lax attitude to health and safety. In Bolivia, Glencore workers who are paid on a production basis complain that safety equipment is substandard, and that the way in which new health and safety regulations are being implemented has led to a considerable drop in wages. Unions in that country say contract workers in the Illapa and Sinchi Wayra group are not properly trained, leading to two fatal accidents in 2017. The company is now putting pressure on the workforce, threatening to close mines if there are any further accidents.

A similar dynamic seems to be at work at Mopani Copper Mines, a Glencore subsidiary in Zambia, where the company reportedly threatened to close the mine if there was a fatality in 2017. Mopani workers claim that medical reports have been falsified to force sick workers to report to work, that regular silicosis check-ups are not being conducted, and that faulty equipment used by contractor companies is putting workers’ lives at risk. One worker noted that health and safety standards at Mopani are set high, and could bring good results if followed in practice, “but it seems management just sets up such high standards for employees to be punished if [they get] caught [up] [sic].” While a company’s taking a so-called “zero tolerance” approach to occupational health and safety might sound good in public reporting, the effect is to transfer blame and liability from the employer to the victims, and to suppress the reporting of accidents through fear of discipline, thereby artificially improving safety statistics.

Worker allegations in two countries that Glencore management has pressured the workforce with punishment if there are accidents or fatalities undercut Glencore’s assertion in its Sustainability Report 2016 that “we encourage the reporting of near misses and high potential risk incidents,” as well as its discussion of the tracking and handling of near-misses and fatalities. Further, in August 2017, the Sintracarbón union in Colombia reported that in less than one month, there were 13 work accidents at Cerrejón, an open-cast coal mine co-owned by Glencore, BHP Billiton and Anglo American. Five of the accidents were in a single day. In January 2018, Carlos Urbina Martínez died in an accident at the mine.

Sintracarbón has asserted that health and safety at the Calenturitas mine is substandard. Productivity is prioritised over health and safety, safety equipment is not properly maintained, and the joint health and safety committee is not functioning effectively. Workers who are incapacitated are given jobs collecting garbage or are isolated with nothing to do. Further, working conditions are poor and worsening. The canteen and toilets are unsanitary, noise levels in the rest areas are high and the buses used to transport workers to the mine have been downgraded.

Glencore’s relative candor in discussing the challenges in eliminating pneumoconiosis (‘black lung’) in its operations in Australia stands in marked contrast to its inadequate discussion of other worker safety issues, which raises questions about the integrity of both its health and safety programs and its reporting in this area.

---

4 This was the latest sustainability report available at the time of writing.


6 Glencore, Sustainability Report 2016, p. 71. In fact, in 2015, a scandal emerged around pneumoconiosis among miners in Australia due to the apparent failure of the government’s monitoring system for the disease. This might have motivated mining companies to provide disclosure on how they were dealing with the issue. See http://www.abc.net.au/news/2015-12-01/black-lung-makes-comeback-in-queensland-coal-mines/8990842
In February 2018, IndustriALL sent a fact-finding mission to the DRC in response to an urgent request by its affiliation union, TUMEC, to investigate very poor working conditions at Glencore’s operations in Kolwezi, in the south of the country. Workers’ complaints against Glencore subsidiaries there include:

- Health and safety concerns (inadequate amounts of drinking water at some Glencore operations; low quality food and lack of a designated eating area, obliging mineworkers to eat where they work, sometimes around chemicals; and very limited and inadequate healthcare provided by Glencore to workers and their families);
- Low salaries, which in the DRC stand in particular contrast to the extreme profitability of Glencore’s copper and cobalt operations there;
- Failure to negotiate (workers report that Glencore categorically refuses to enter into negotiations over longstanding grievances, a situation exacerbated by the company’s having delayed signing the current collective bargaining agreement).

This casualisation of the workforce often leaves workers and their families without the security of a permanent contract, pension and health insurance, and allows the employer to avoid responsibility. It can also increase legal and operational risks for the employer.

In 2016, Cerrejón was fined two billion pesos (over 650,000 USD) by the Colombian Ministry of Labour for “excessive use of third-party contractors.” According to the Mineworkers’ Union of Zambia (MUZ), about half of the workers at Glencore’s majority-owned Mopani copper operations are casual, and these workers make on average under one-third of the wages of permanent employees. The regular workers are unionised while the precarious workers are not, further restricting the possibility that the latter will be able to speak up about poor working conditions and sub-standard pay. Unions in Zambia also claim contract workers at Glencore are being employed for longer periods than is permitted by law.

The number of contractors as a percentage of Glencore’s total workforce has increased dramatically in recent years. In 2017, over 62,000 of its workers, or 43% of its workforce, were contractors, up from 38% the previous year. They contributed 49% of total workforce hours worked.

### Workforce numbers at year end

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017 (excluding agriculture)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>100,614</td>
<td>95,958</td>
<td>83,679</td>
</tr>
<tr>
<td>Contractors</td>
<td>55,854</td>
<td>58,874</td>
<td>62,298</td>
</tr>
<tr>
<td><strong>Total workforce</strong></td>
<td><strong>156,468</strong></td>
<td><strong>154,832</strong></td>
<td><strong>145,977</strong></td>
</tr>
</tbody>
</table>

Source: Glencore Annual Report 2017

This casualisation of the workforce often leaves workers and their families without the security of a permanent contract, pension and health insurance, and allows the employer to avoid responsibility. It can also increase legal and operational risks for the employer.

**Outsourcing**

In 2016, Cerrejón was fined two billion pesos (over 650,000 USD) by the Colombian Ministry of Labour for “excessive use of third-party contractors.” According to the Mineworkers’ Union of Zambia (MUZ), about half of the workers at Glencore’s majority-owned Mopani copper operations are casual, and these workers make on average under one-third of the wages of permanent employees. The regular workers are unionised while the precarious workers are not, further restricting the possibility that the latter will be able to speak up about poor working conditions and sub-standard pay. Unions in Zambia also claim contract workers at Glencore are being employed for longer periods than is permitted by law.

**Breaking industrial relations**

Although Glencore claims “We are committed to working honestly and openly with labour unions at all of our locations and treating all employees with respect,” and states that it upholds the ILO core labour conventions, which include the rights to freedom of association and collective bargaining, the reality experienced by its workers is very different. In a number of cases, including South Africa and Colombia, Glencore workers complain that the company refuses to bargain centrally, even at country level, and there is no consistency in terms and conditions at different operations.

Instead of negotiating in good faith with unions as representatives of the workforce, Glencore stands accused of actively trying to break unions. In Australia, the company locked out workers at its Oaky North mine for over 230 days for resisting a plan that aimed to replace permanent workers with contractors. Australia’s state labour arbitrator, the Fair Work Commission, ordered the company to stop its surveillance of workers and its refusal to allow them to wear union t-shirts. Workers and

---

their families were followed around town and filmed at social events by private security guards employed by the company. Workers allege that security guards filmed their children at the playground.

Workers at the Glencore-managed CEZinc zinc refinery in Quebec, Canada went on strike for nine months in 2017 after the company tried to cut costs by weakening their pension scheme. The company reportedly illegally hired strike-breakers during the strike. Glencore workers in the DRC contend that different treatment and conditions of employment between Glencore’s Mutanda and KCC operations constitute a deliberate attempt by the company to divide and weaken trade unions.

In Colombia, Glencore’s wholly-owned subsidiary, Prodeco, refuses to negotiate as a single employer, which can lead to inequality and discrimination. The company continues to operate Carbones La Jagua, Consorcio Minero and Calenturitas as three operations, in spite of demands from the Colombian authorities to integrate the three operations into a single business entity. In practice, all three mines are run from the same floor of the same building in Baranquilla, and share the same top management. However, workers from the three mines are subjected to different terms and conditions, and are denied the opportunity to join together to negotiate with a common employer.

Sintracarbón reports that Prodeco has blatantly violated the right to freedom of association at its Calenturitas mine by discriminating against union leaders and members, by interfering with the right of workers to freely choose their union affiliation, and by undermining the collective bargaining process. Management has discriminated against union leaders by changing their shifts or positions, by applying drastic disciplinary measures – including dismissals or multiple suspensions for the same offence – or at times by sending them on paid leave as a means of marginalising them. It has granted preferential treatment to representatives of non-unionised workers, in negotiations and in access to workers. It has persuaded union members to resign from the union through a combination of threats and incentives. As a further means of weakening the union, 70 percent of jobs have been contracted out, including in the core functions of the mine.

In Peru, Glencore’s Compañía Minera de Antapaccay has taken advantage of the weakness of Peru’s regulatory framework to unfairly prevent technical staff from exercising their right to freedom of association. The company has resorted to unfair dismissals, coercion and interference in union affairs since 2013.

IndustriALL attempted to engage Glencore in meaningful global social dialogue about the company’s poor health and safety practices, poor treatment of workers, unresolved labour disputes and anti-trade union practices. Glencore failed to do so, contrasting with its industry peer Rio Tinto, which has reached a global agreement with unions, including IndustriALL, on jointly agreed labour principles and a global steering committee to oversee their implementation. Glencore’s failure led to IndustriALL’s global campaign against the company, a campaign which will work with other stakeholders to highlight ESG risks facing both Glencore and those affected by its operations.

**Investor questions:**

Glencore’s Sustainability Report 2016 states, “incidents relating to human rights...are reported to the Board HSEC (Health, Safety, Environment and Communities) Committee, which seeks to understand the root causes and agree corrective actions.” Is the Board aware of trade union complaints and workers’ human rights “incidents” discussed here, and if so, what is it doing to address these? How does the company explain the continued rise in contract workers as a percentage of total workforce, and do these workers enjoy the fundamental human rights that Glencore commits to respecting? Would the company agree to enter meaningful social dialogue with trade unions at a global level?

**SUPPLY CHAIN ESG RISKS**

“Should companies fail to increase the transparency of their operations or continue breaking ground in the move towards an ethical supply chain, they will encounter increasing investor pressure, and may suffer considerable reputational harm.”

Hermes, 16 Jan 2018, Financial Times

Glencore is one of the world’s largest producers of cobalt, a mineral used in batteries for electric cars and smartphones. The company sources much of its cobalt from the DRC, a country beset by long-running conflict and weak governance.

Recent coverage of the rapidly rising demand for cobalt has noted the challenges of tracing the mineral from artisanal, or informal, small-scale mines (ASM), which, according to one estimate, “produce up to a fifth of the cobalt from Congo.” Glencore has acknowledged the risks associated with sourcing cobalt from the DRC. In particular, it has noted that ASM “often involves dangerous working conditions, conflict, corruption, child labour and poor environmental practices.” The company claims not to “process or purchase any material derived from ASM in the DRC.” It also insists it has “robust due diligence processes to ensure this material does not enter” its supply chain. 8

---

8 Glencore, Sustainability Report 2016.
The information it provides on this process, however, raises red flags. Glencore states that it has “implemented controls” that prevent non-vetted material from contaminating its minerals, and asserts that the reach of its cobalt supply chain – covering production, sourcing and distribution – “coupled with our extensive network of marketing teams,” allows the company “to apply rigorous oversight to the production and refining process.” Further, where it sources cobalt that it has not itself produced, it deals only “with industrial third parties that have no associated ASM.” Finally, it says it takes a “custodial approach to the supply chain: the speciation and origin of the cobalt product is clearly defined in our contractual arrangements. Once compliance with all appropriate legislation is confirmed, the product is added to our product safety database, allowing us to fully monitor its supply chain.”

Glencore asks stakeholders to accept its claim that its oversight is sufficient. As witnessed, however, by the discrediting of industry- and company-led social auditing in the apparel and manufacturing sectors, claims by companies that they have everything “under control” in their supply chain are no longer sufficient or credible. Glencore’s description of its DRC cobalt supply chain raises more questions than it answers: Who oversees Glencore’s processes? Are any independent actors involved? Who are the “industrial third parties”? Is the company’s product safety database open to outside inspection? What happens in the event of non-compliance? The company has announced plans to “seriously increase” its cobalt mining operations, “particularly in Congo, to double its current state within two years.” This raises another question: how will Glencore realistically ensure that its due diligence processes (if these are adequate to begin with) can withstand such massive and rapid expansion?

“Auto companies need to live up to their customers’ expectations that the electric vehicles they sell are produced responsibly. Cobalt from Glencore, which is so critical for the batteries in those electric vehicles, is anything but. We’re not asking them to not buy from Glencore, we’re asking them to pressure Glencore to live up to Glencore’s own claims to produce responsibly and to respect workers’ rights and the communities where it operates.”

IndustriALL, March 2018

Scrutiny of mineral supply chains is on the rise: for example, in late 2017 the London Metal Exchange began investigating allegations that it had allowed a Chinese company to trade untraceable cobalt, which could have been mined with child labour, on its exchange. And in the wake of NGO research on the appalling conditions prevailing in ASM cobalt mining in the DRC, brand name companies such as Apple, Samsung and Tesla – but also cobalt suppliers, such as Glencore – are under increasing pressure to maintain “clean” supply chains and to be transparent about both their processes and the implementation of these. Glencore’s Modern Slavery Statement, required by the UK Modern Slavery Act, should tackle these issues directly, but seems more focused on ensuring customers that it can provide a steady supply of minerals than in specifying how it keeps forced labour and other egregious human rights violations out of its supply chain. Glencore’s reporting on its supply chain provides insufficient information to stakeholders seeking to assess the ESG risks to which the company is exposed in sourcing from places such as the DRC, and what it is doing to address these.

Investor questions:

What specific human rights due diligence steps does Glencore take in relation to its DRC cobalt supply chain to ensure it is not sourcing materials associated with human rights violations? What kind of outside verification does Glencore offer investors and others for assurance?

**TRANSPARENCY AND DISCLOSURE**

“We are committed to a transparent approach in our communications and stakeholder engagement.”

Glencore, 2017 Sustainable Development Roadshow

“After years comparing [Glencore’s] sustainability reports with investigations, sanctions, reports, contracts, files and documents…in all four countries, it can be stated that the information reported by Glencore is superficial, selective, incomplete and sometimes contradictory…”


Glencore produces an annual Sustainability Report that discusses ESG issues. Much of this reporting, however, is on policies and procedures. Where the company discloses impacts, its overwhelming focus is on positive ones. As this briefing underscores, accounts from other stakeholders – workers at its assets, local communities affected by its operations or NGOs who have studied these impacts for years – tell a different story. The handful of instances in which Glencore provides a candid or specific discussion of human rights-related problems does not make up for its inadequate reporting on ESG risks.

In fact, on Glencore’s Corporate Human Rights Benchmark 2017 Scoresheet, the company scored a 1.3/15 on Human Rights Due Diligence due to its lack of disclosure on almost all key aspects of human rights due diligence, as it provides no information on how it assesses risks and impacts; integrates findings and takes appropriate action; tracks, monitors and evaluates the effectiveness of its responses; or communicates and accounts for how it addresses its human rights impacts.
Glencore has been the subject of extensive civil society criticism in the form of reports, studies, legal complaints, and documentary films, often based on years of research, that have sought to present the perspective of various stakeholders — workers, local community members, human rights defenders — affected by the company’s activities, primarily in developing countries. This criticism merits one line in Glencore’s latest Annual Report, in which company chair Anthony Hayward says, “While the business has performed well, we are constantly reminded of the importance of governance, compliance and sustainability issues, not least by some adverse media and NGO reports.” Neither the company’s Annual Report nor its Sustainability Report engages such “adverse” reports directly. Failure to do so, however, does not make allegations of wrongdoing go away; it may instead lead readers to question the credibility of the company’s reporting as well as the adequacy of its ESG risk management. The following are selected examples of the significant disjuncture between Glencore’s public disclosure and what its stakeholders can read elsewhere:

- Glencore subsidiary Xstrata Ltd. and its Peruvian subsidiary, Xstrata Tintaya S.A. (now Compañía Minera Antapaccay S.A.), are the subject of a lawsuit filed in the UK by 22 Peruvian nationals, who claim the two companies should be held liable for human rights violations committed by the Peruvian National Police (PNP) against environmental protesters in 2012. The claimants assert Xstrata is liable “because it provided significant assistance to the PNP and failed to take reasonable steps to prevent the use of excessive force” by the police. Two protesters were killed and several were severely injured in a protest at Tintaya copper mine, then owned by Xstrata Tintaya S.A. (Xstrata became part of Glencore in 2013.) In its Annual Report, Glencore does not disclose this lawsuit. This raises the question of why the company does not report anywhere to its stakeholders a lawsuit against a Glencore subsidiary that alleges liability for egregious human rights violations.

- In 2017, the NGO group Shadow Network of Glencore Observers published a Shadow Report on Glencore Operations in Latin America. It points out that 12 incidents related to water, soil and air contamination around Glencore operations could be qualified as “serious,” yet there is no disclosure on these incidents in the company’s sustainability reports. In Argentina, Glencore’s original environmental impact assessment (EIA) for its Minera Alumberra asset established that there would be “irreversible and permanent impacts” from the mine, yet the company has provided no further discussion of these. In Colombia, Glencore “does not report on the fiscal investigations, mining audits, and lawsuits from the Colombian state. The company states that it pays all of its taxes, in spite of evidence and sanctions to the contrary.”

According to the Shadow Report, by 2014 there were 67 labour grievances against Glencore’s Colombian subsidiary Prodeco, with 46 under investigation as of 2017. Prodeco has had to pay almost 500,000 USD in labour-related fines, but these are not discussed in the company’s reporting. In 2014, a Colombian court suspended several mining titles of a Glencore subsidiary because they violated the right of indigenous groups to prior consultation, and Glencore was under investigation by Colombian authorities for having “obtained multiple mining contracts in indigenous and Afro-Colombian communities’ territories without observing prior consultation procedures and in a context of generalized violence.” None of these ESG-related problems is evident from the company’s own disclosures.

Glencore acknowledges in its Annual Report that the perception of not respecting communities could hurt its social license to operate and its financial performance. Yet the company’s observation remains at a hypothetical level, while the Shadow Report shows clearly and in graphic detail how the company’s social license to operate already has been damaged in Latin America.

---


Head office

IndustriALL Global Union
54 bis, route des Acacias
1227 Geneva Switzerland
Tel: +41 22 308 5050
Email: info@industriall-union.org

Regional offices

Africa Office
Physical address:
North City House
Office S0808 (8th Floor)
28 Melie Street, Braamfontein
Johannesburg 2001 South Africa
Tel: +27 11 242 8680
Email: africa@industriall-union.org
Postal address:
P O Box 31016
Braamfontein 2017 South Africa

South Asia Office
16-D, 16th Floor, Atma Ram House
No.1, Tolstoy Marg
New Delhi 110 001 India
Tel: +91 11 415 62 566
Email: sao@industriall-union.org

South East Asia Office
473A Joo Chiat Road
Singapore 427681
Tel: +65 63 46 4303
Email: seao@industriall-union.org

CIS Office
Str. 2, d.13, Grokholsky per., Room 203
12090 Moscow Russia
Tel: +7 495 974 6111
Email: cis@industriall-union.org

Latin America &
the Caribbean Office
Avenida 18 de Julio No 1528
Piso 12 unidad 1202
Montevideo Uruguay
Tel: +59 82 408 0813
Email: alc@industriall-union.org