REALITY CHECK:

THE GAP BETWEEN GLENCORE'S RHETORIC AND REALITY

May 2023

Stakeholders around the world have identified many instances where Glencore's behaviour is far from the glossy image portrayed in its annual reports. Despite high profile exposure of fraud and other abuses in recent years, stakeholders see no serious attempt by Glencore to address governance issues.

Investors, regulators and others should be concerned by the disconnect between the record presented by the company in its annual reports, and the reality experienced by workers and communities in the developing countries where Glencore operates and generates its profit.

The root of this disconnect is a hands-off management style, with local managers encouraged to make operational decisions without reference to a global standard. With this business model, Glencore aims to achieve plausible deniability to shield itself from criticism. But this decentralized approach means the company has no control over negative externalities. Rather than addressing these issues, Glencore hides behind the obscurity of long and complex supply chains and attempts to change the narrative by doing damage control after violations are exposed.

This is increasingly an environmental, social and governance (ESG) risk, as due diligence legislation comes into force in more jurisdictions, and global standards around **human rights** due diligence (HRDD) expand their reach.

Glencore's **environmental record** leaves the company exposed, with a toxic oil spill in Chad and environmental devastation surrounding many of its other operations. Glencore's recent attempt to acquire Teck Resources shows that it is doubling down on coal at a time when there is global consensus on the need to transition from fossil fuels.

A swashbuckling history at odds with growing importance of ESG

Glencore's willingness to bend and break rules in the search for profit has historically been portrayed as a strong point. The company likes to be seen as rule-breaking, swashbuckling adventurers and cowboys, whose animal spirits are not constrained by the ethical considerations to which lesser companies are subject. Glencore's early successes came from sanctions-busting in Iran, Libya, North Korea and South Africa during apartheid, and the company relocated to Switzerland from the US to escape the legal consequences of its actions. For 20 years, founder Marc Rich was on the FBI's most wanted list.

However, this way of doing business has become a liability. In 2011, the company went public, exposing itself to greater scrutiny. Tolerance for corporate misbehaviour is diminishing around the world, with a growing network of due diligence laws and standards in many jurisdictions, and a growing emphasis placed on ESG by investors. Glencore's settling of corruption cases and agreeing to pay a fine of US$1.5 billion to end investigations in the US, UK and Brazil shows diminishing tolerance for corruption.

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Serious concerns in many developing countries

- **CORRUPTION**

Over a ten-year period, Glencore paid bribes in Brazil, Cameroon, Côte d'Ivoire, the Democratic Republic of the Congo, Equatorial Guinea, Nigeria, South Sudan and Venezuela. After an international investigation, the company pleaded guilty to multiple charges of bribery and market manipulation and will pay fines of US$1.5 billion. Glencore sees rule of law as optional, corruption as opportunity, and fines as a business expense. It seems unlikely that the company will comply with less clearly defined ESG standards, where there is, as yet, little penalty for violation.

Violations of workers' rights

- **PRECARIOUS WORK**

Glencore makes widespread use of precarious work in many of its operations in the global south, notably in Colombia and Peru. This precarity is used to suppress labour costs and undermine trade unions.

- **LIVING WAGES AND WORKING CONDITIONS IN THE DRC**

Despite years of attempted dialogue, workers at Glencore cobalt assets in the Democratic Republic of the Congo are still not paid a living wage. The company also fails to address issues with working conditions. Glencore employs around 11,000 workers at its KCC mine near Kolwezi,[1] of whom 44 per cent are subcontractors. A living wage is estimated to be US$480 – an amount which subcontractors do not receive and which the company could easily afford. If all of the sub-contracted workers at KCC earned the living wage, the annual wage bill at the mine would amount to US$28 million, which is about 0.1 per cent of the company's profits last year.[2]

- **HEALTH AND SAFETY CONCERNS**

Workers at Glencore operations complain of health and safety concerns, particularly for contract workers. Workers are threatened with dismissal for raising these concerns. Over 1,000 workers at Glencore-controlled mining firm Los Quenuales in Peru recently went on strike demanding respect for health and safety and against threats of suspension for raising concerns.

- **FREEDOM OF ASSOCIATION VIOLATIONS IN PERU AND COLOMBIA**

IndustriALL Global Union's coalition partner, CNV Internationaal, has submitted a single entry point (SEP) complaint with the European Union alleging serious violations of freedom of association and working conditions for contract workers in Peru and Colombia.[3]

Indigenous communities' concerns

- **DISPLACING INDIGENOUS COMMUNITIES**

Glencore has a track record of displacing indigenous communities and polluting the natural resources they rely on. The company is using an investor-state dispute settlement (ISDS) mechanism to sue the government of Colombia for ruling against the expansion of the Cerrejón mine, in order to protect the land of an indigenous group (the Wayúu community) and the Bruno river.

Commitment to fossil fuels

Glencore's battle to acquire Teck Resources shows it is doubling down on coal despite a global agreement at COP26 to "phase down" coal. Glencore intends to extract the fossil fuel for as long as it is profitable. The company is currently facing a shareholder resolution demanding more disclosure on its plan to align thermal coal production with its commitment to reduce emissions. Echoing other stakeholders, investors have expressed concern over the company's refusal to engage on ESG.

Undermining just transition

Workers and communities should not pay the price of the energy transition. **Just transition** is the planned transition away from fossil fuels on the pathway to net zero, with social dialogue between employers, governments and unions that ensures that new, quality jobs are created to replace those that are lost. The concept is defined in detail by the UNFCCC,[4] the UN body overseeing climate change mitigation, and it is increasingly a factor in company policy and global agreements.

As a multinational company at the heart of global commodity markets and the energy transition, Glencore understands that it has a role to play, and the company aims to cut emissions by 15% by 2026 as it moves from coal to transition minerals such as cobalt and lithium. Its sustainability report claims that the company is developing just transition principles but falls at the first hurdle by refusing to shoulder its share of the burden, saying[5] that "society must address the social risks and opportunities from both closure of fossil fuel assets and the corresponding expansion of production of transition metals."

In practice, this means that Glencore intends to extract fossil fuels for as long as it is economically viable, and then walk away and let the state and local communities deal with the fallout. The case of Colombia is an instructive example.

1 https://www.raid-uk.org/blog/workers-living-wage-drc-industrial-cobalt-mines-pushed-further-poverty

2 RAID, Workers at DRC's industrial cobalt mines pushed further into poverty, accessed at https://www.raid-uk.org/blog/workers-living-wage-drc-industrial-cobalt-mines-pushed-further-poverty

3 CNV Internationaal, CNV Internationaal presents complaint in EU Parliament, accessed at https://www.cnvinternationaal.nl/en/topical/news/2023/march/CNV-presents-SEP-complaint-EU-parliament

4 UNFCCC, Just Transition of the Workforce and the Creation of Decent Work and Quality Jobs, accessed at https://unfccc.int/sites/default/files/resource/Just%20transition.pdf

5 Glencore, Sustainability, ESG A-Z, Supporting a Just Transition, accessed at https://www.glencore.com/sustainability/esg-a-z/climate-change

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THE CASE OF COLOMBIA

Glencore subsidiary Prodeco is planning to exit Colombia without fulfilling its responsibilities to workers and communities, and there are fears that the company will take the same approach with the Cerrejón mine.

Colombia is an important and precedent-setting battleground for just transition principles. The Colombian government has committed to just transition in its NDC (the decarbonisation commitment it makes to the UNFCCC process), and is developing a National Just Transition Strategy. Just transition is included in the country's green growth policy.

Coal plays a prominent role – 14 per cent - in Colombia's exports, particularly to Turkey and Europe. As Europe transitions its energy generation away from coal, this income stream, and the 30,000 workers who depend on it, is threatened. Income from coal exports is also essential to maintaining peace in Colombia, as the peace deal which ended the conflict with FARC includes a coal-funded rural development plan to address the economic grievances of rebels.

In this context, **Glencore is a bad actor** that threatens to undermine the progress being made. The company set a precedent in 2020 when its subsidiary, Prodeco, placed the Calenturitas and La Jagua mines in care and maintenance due to the low coal price, later closing them. Aside from the thousands of jobs lost, Prodeco leaves a legacy of violence and pollution. Three villages had to be relocated due to the destruction of the environment, and Prodeco has been accused of funding paramilitaries. Local community leaders have been assassinated. Glencore has not proposed any plan for restitution for the damage it has caused, let alone a just transition plan to help affected workers and communities build a future without coal.

Since coal exports are trending downwards in Colombia, the fear is that Glencore intends to also **close the Cerrejón mine,** again without making provisions for people. In March 2022, Glencore acquired Cerrejón, the biggest mine in Latin America, after buying the stakes of BHP and Anglo American. Now wholly owned by Glencore, the company expects operations at the mine to reduce dramatically.

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What do stakeholders want?

NO JUSTICE WITHOUT RIGHTS FOR WORKERS, COMMUNITIES AND THE ENVIRONMENT

Stakeholders want Glencore to take responsibility for the workers, communities and environment impacted by its activities.

- **INTEGRATED CORPORATE POLICY TO ADDRESS ISSUES**

  Stakeholders want an integrated corporate policy, formulated at global level, that addresses the concerns of both investors and stakeholders, including around corruption, freedom of association, living wages, just transition and environmental management.

- **ACCOUNTABILITY FROM SUBSIDIARIES AND ALONG THE SUPPLY CHAIN**

  Glencore subsidiaries and suppliers should be accountable to this policy. The company must end its practice of arms-length management, deniability and damage control after the fact. Affected stakeholders should be able to raise concerns at global level.

- **A FORUM TO NEGOTIATE AT GLOBAL LEVEL**

  Stakeholders with concerns about Glencore operations should also be able to raise them at corporate level.

- **CONSTRUCTIVE LABOUR RELATIONS**

  Glencore should take a less conflictual and abusive approach to labour relations and workers and take responsibility at global level for how workers are treated in its operations in various countries. Unions have offered meaningful dialogue with the company at international level. Glencore should take the opportunity to address concerns and mitigate risks.

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