

Analysis: Glencore's 2024-26 Climate Action Transition Plan

April 2024



Key Findings

Glencore's 2024-26 Climate Action Transition Plan (CATP):

- continues a trend of failing to provide transparency on its forward thermal coal production volumes and emissions
- uses an inflated baseline year, creating an impression of emissions dropping by 22% since 2019
- steps back from the previous Climate Report which stated its targets coincide with the IEA's Net Zero Emissions (NZE) scenario
- provides less detailed capex guidance for coal spending than in previous years, making it very challenging for investors to credibly test for Paris alignment
- fails to commit to considering the emissions and climate transition implications of the Teck EVR coal mine acquisition in a further updated climate plan, instead stating:
 - *“we do not currently intend to incorporate the EVR assets for purposes of Glencore's current baseline or decarbonisation targets following completion of the EVR acquisition”.*

Recommendations

In ACCR's view:

1. The deficiencies of the 2024-26 CATP, following three years of escalating shareholder interventions over Glencore's transition strategy, demonstrate Glencore is not taking the concerns of its shareholders seriously.
2. Glencore's persistent unresponsiveness over the past three years on its climate disclosures demonstrates a governance failure attributable to its board, chaired by Kalidas Madhavpeddi. We note the:
 - material walk-backs on recent disclosures
 - decreasing transparency
 - failure to address shareholder concerns.
3. As Glencore weighs up a potential coal spin out, investors need to have clear and detailed information to assess coal-related transition risks and opportunities.
4. Investors have an opportunity to use this AGM to demonstrate their expectations for more meaningful disclosures and accountability to shareholders from Glencore over the coming years.

ACCR's intention is to vote AGAINST the 2024-26 CATP and AGAINST the Chair.

Global significance of Glencore's emissions and coal production

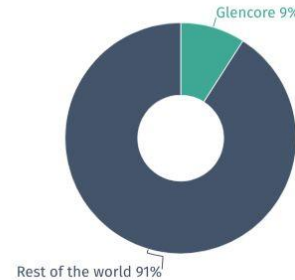
Glencore's emissions are globally significant.

- A recent Carbon Majors report measured **Glencore as the 7th highest emitting investor-owned company globally**, based on its emissions from 2016 to 2022.
- Glencore's existing operations are forecast to consume **2.4%** of the remaining global carbon budget, a figure that rises to **2.9%** with planned expansions.¹

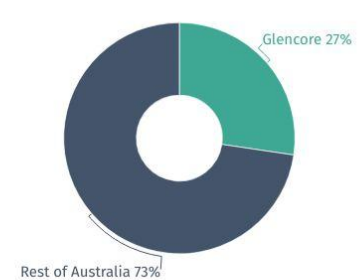
Glencore holds a significant share of thermal coal export markets that it operates in, yet in the CATP portrays itself as a minor participant in global coal production.

Considering the scale of Glencore's coal business, investors are right to expect strong disclosures.

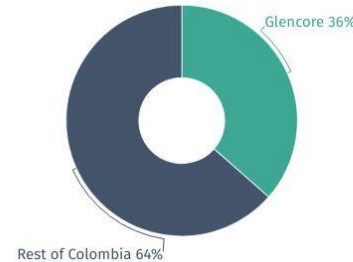
Global thermal coal exports



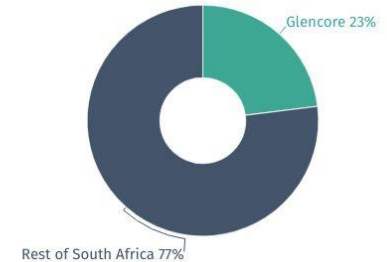
Australia thermal coal exports



Colombia thermal coal exports



South Africa thermal coal exports



¹ Lamboll, R.D., Nicholls, Z.R.J., Smith, C.J. et al. Assessing the size and uncertainty of remaining carbon budgets. Nat. Clim. Chang. 13, 1360–1367 (2023). <https://doi.org/10.1038/s41558-023-01848-5>. The remaining carbon budget used here limits global warming in 2100 to 1.5°C with a 50% likelihood, adjusted for emissions in 2023.

Glencore fails to disclose forward coal production guidance

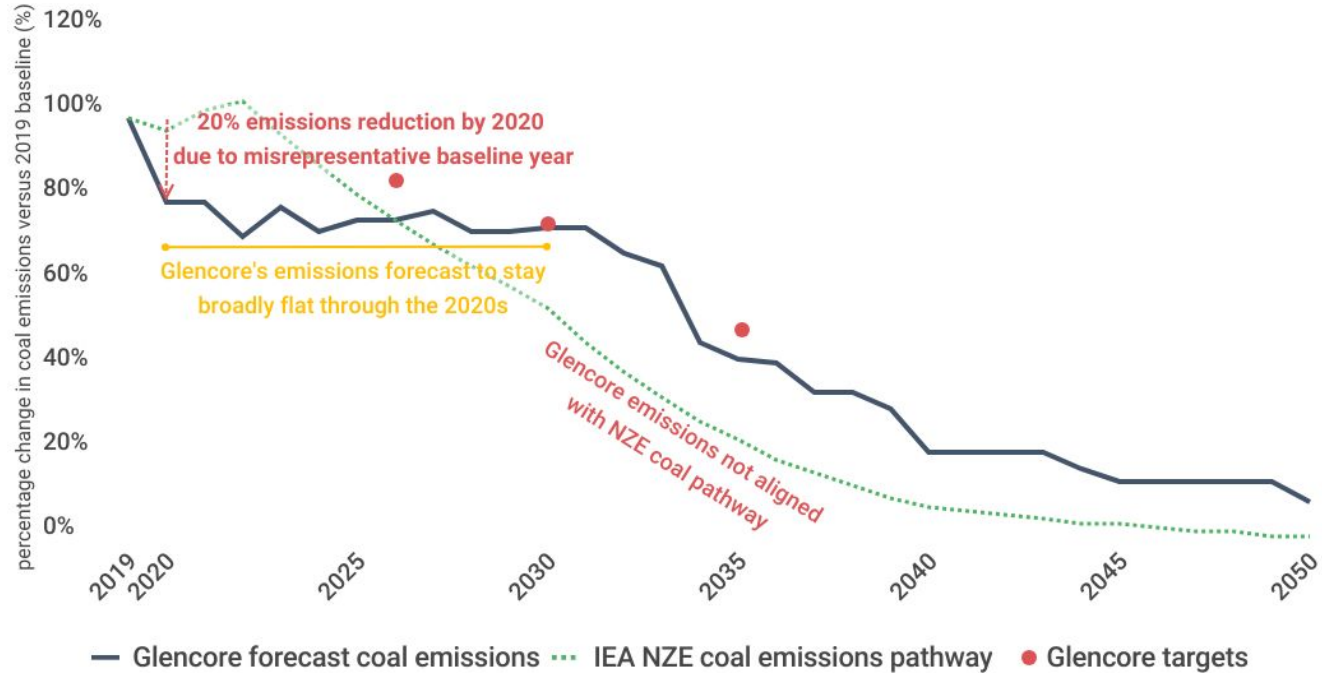
The 2024-2026 CATP:

- does not clarify for investors whether coal production will increase in coming years
- offers no specific information about the scale of large brownfield coal expansions, such as Hunter Valley Operations
- does not provide emissions estimates from the large expansionary thermal coal mines in Glencore's portfolio
- fails to demonstrate how Glencore will responsibly wind down its thermal coal production.

Analysis of the 2024-2026 CATP and emissions forecasts

Glencore's forecast coal emissions pathway

Flat coal emissions through the 2020s sees Glencore's forecast coal emissions significantly misaligned with the NZE coal emissions pathway.



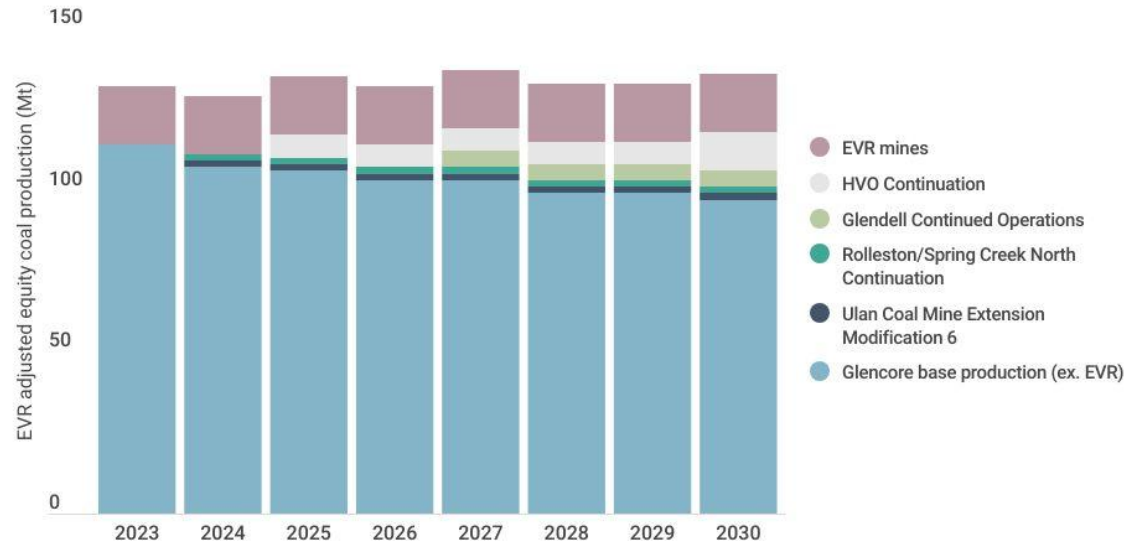
Forward coal production estimates based on publicly available data

ACCR has independently modelled the company's forward coal production.

We find that:

- production is forecast to remain roughly flat, increasing by 3% from 2023 to 2030* - in contrast to the 42% coal production decline in the NZE scenario.
- this growth is predominantly attributed to the HVO Continuation Project and Glendell Continued Operations Project.

*Assuming the EVR deal concludes in Q3 2024, with necessary approvals for expansion projects obtained, and Glencore commencing production as scheduled.



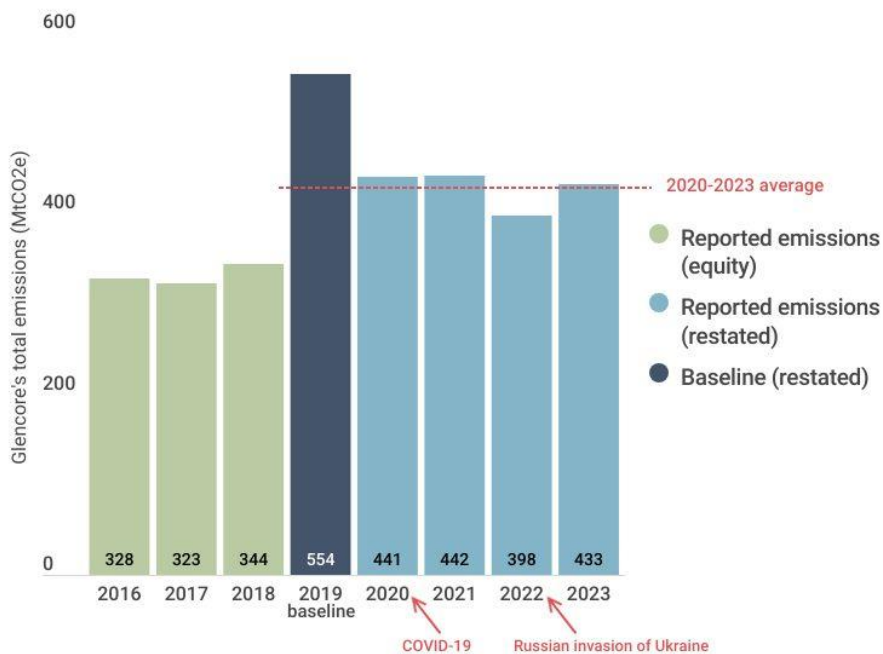
Glencore continues to rely on an inflated 2019 baseline year

Glencore's 2019 baseline year is not in accordance with the GHG Protocol, SBTi or ESRS,* as it:

- does not accurately reflect Glencore's usual emissions footprint and lacks justification
- is selectively adjusted for significant structural changes (i.e. has been restated for acquisition of Cerrejón mine but not the transfer of ownership at Prodeco)
- lacks forward-looking ambition.

Glencore's 2019 baseline year emissions are close to 30% greater than the average of the following four years.

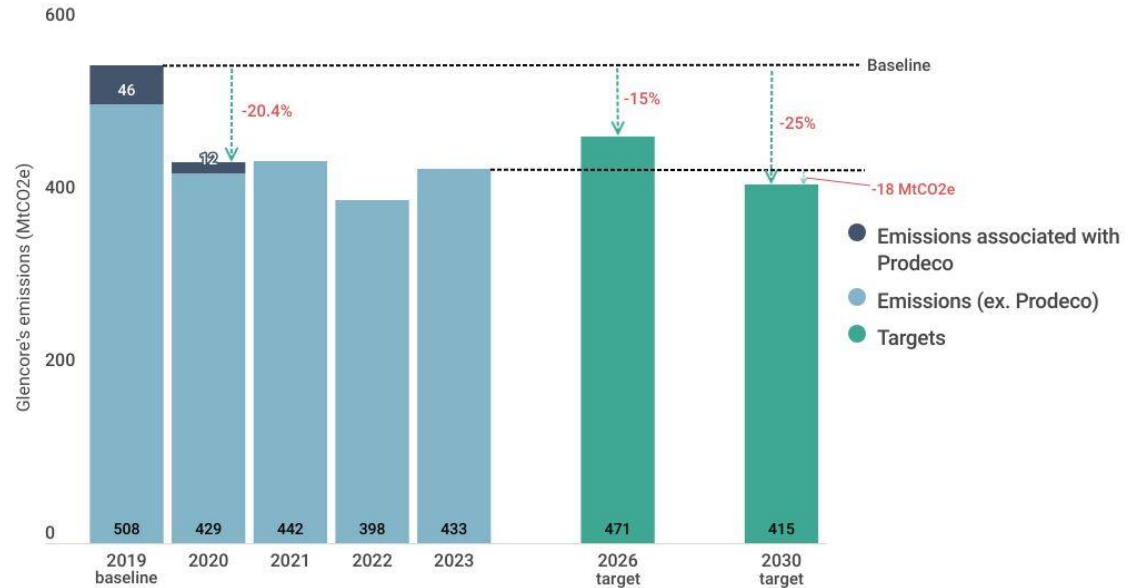
*Greenhouse Gas Protocol, Science Based Targets Initiative, European Sustainability Reporting Standards respectively.



Unrepresentative baseline allows headroom for high coal production

The inflated 2019 baseline means Glencore can:

- achieve its 15% reduction target for 2026 six years ahead of time
→ a 20.4% reduction was already achieved in 2020.
- maintain broadly flat emissions until 2030
→ only a further 4% reduction (18 MtCO₂e) from 2023 is required to meet the newly introduced 25% reduction target for 2030.



Glencore abruptly abandons the IEA's only Paris-aligned pathway

Glencore's retreat from NZE pathway raises questions on transparency towards investors and its commitment to net-zero by 2050



Glencore undermines credible and consistent communication with investors by:

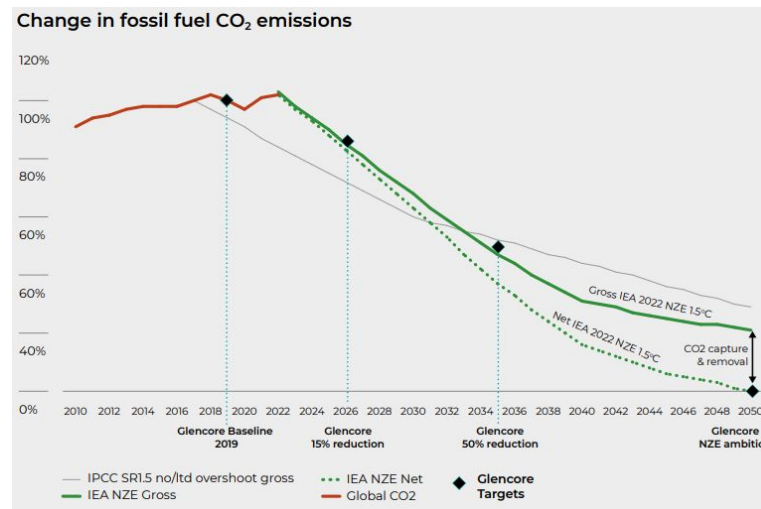
- sudden reversing from a pathway the company once indicated it would follow
- dismissing the previously endorsed scenario as “unrealistic”
- failing to present any feasible alternative.

Glencore previously implied it is aligned to the NZE pathway (see chart), stating that its:

- “2026 target coincides with the IEA's NZE gross pathway”
- “2035 target is aligned to the IEA NZE 2050 scenario”
- “net zero Scope 1, 2 and 3 emissions ambition in 2050 is ... well below the IEA's NZE 2050”.

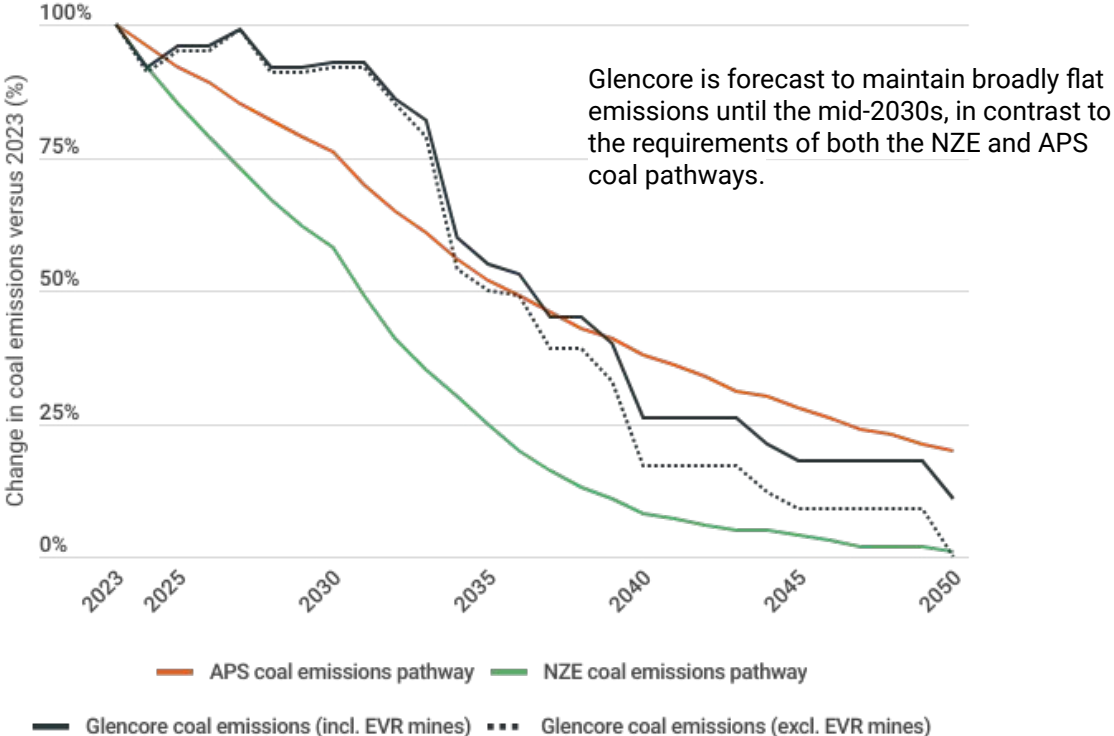
Our targets are not aligned with the IEA's Net Zero Emissions (NZE) Scenarios, an increasingly unrealistic scenario

Glencore in its 2024 CATP, p8



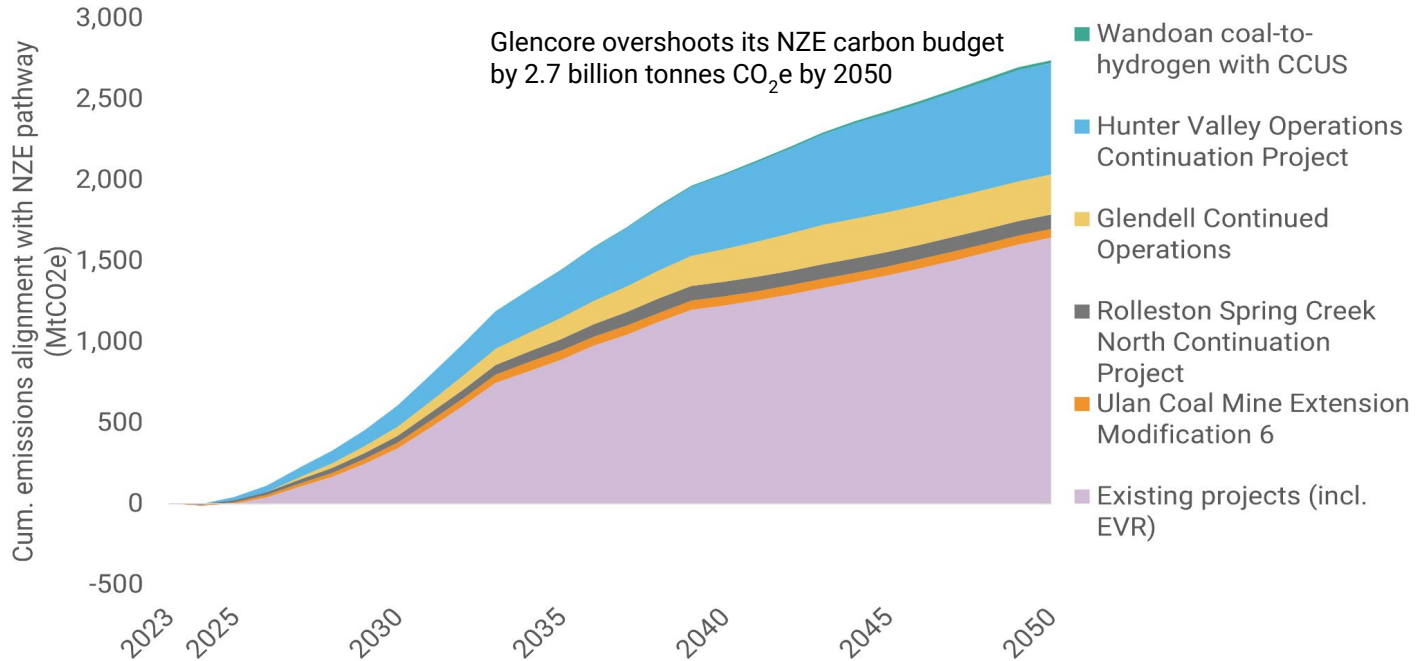
Glencore's 2022 Climate Plan (p10), implying targets align with NZE gross pathway

Glencore's forecast coal emissions are misaligned with the Paris Agreement, falling significantly short of the NZE coal emissions pathway.



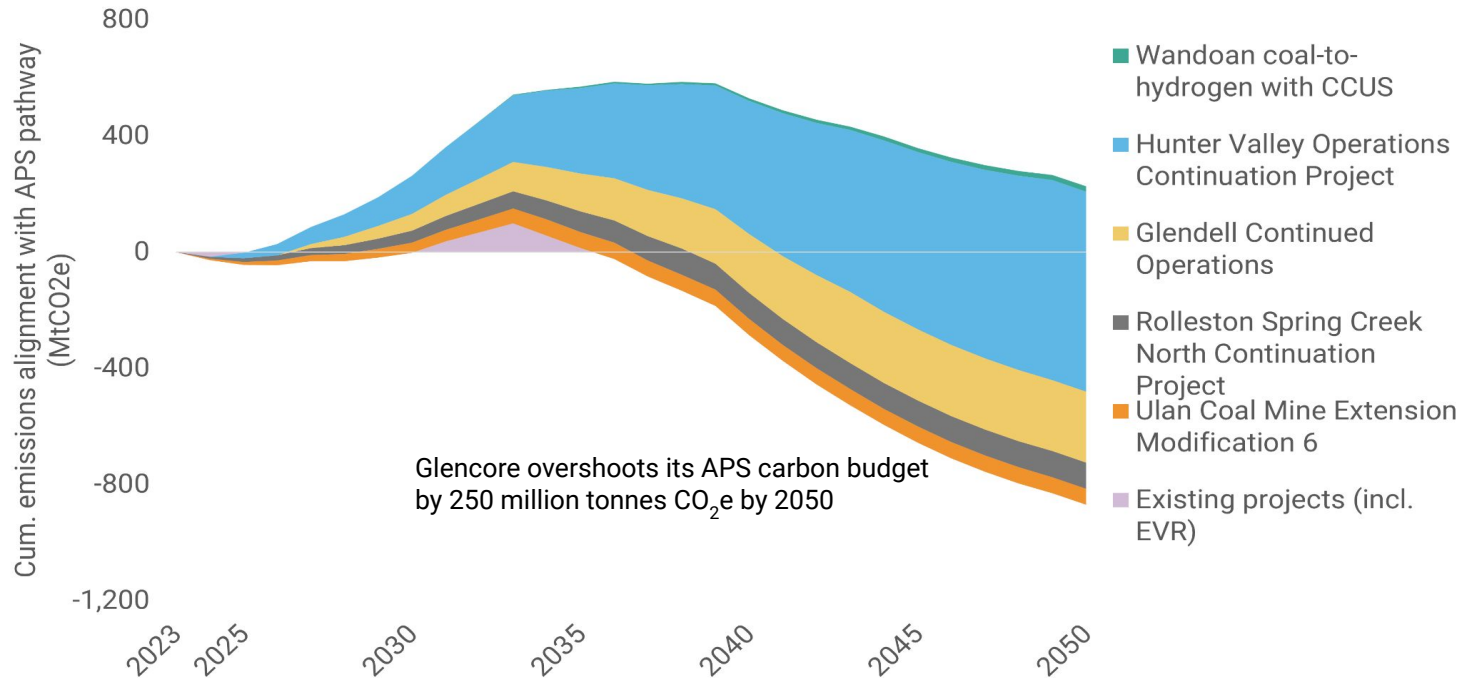
Glencore coal emissions forecast is significantly misaligned with the NZE coal emissions pathway on a cumulative basis

Cumulative alignment tracks the total emissions over time against the set carbon budget, emphasising their overall impact on global warming instead of annual emissions snapshots



Glencore coal emissions forecast is also misaligned with the APS coal emissions pathway on a cumulative basis

Cumulative alignment tracks the total emissions over time against the set carbon budget, emphasising their overall impact on global warming instead of annual emissions snapshots



Glencore overshoots its APS carbon budget by 250 million tonnes CO₂e by 2050

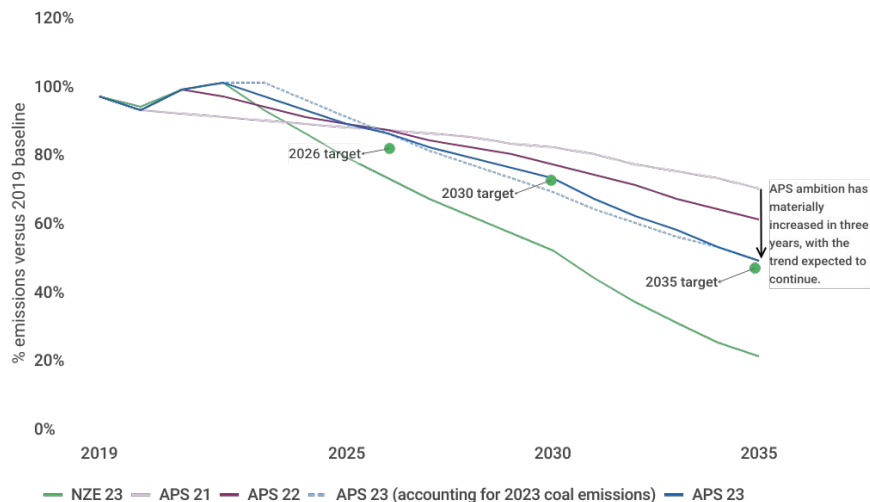
Glencore's targets will inevitably appear less ambitious as the APS evolves

All targets are substantially short of the NZE coal emissions pathway

The company's claim suggests that its 2030 target is “currently ahead” of what the APS requires is problematic because:

- The APS is a dynamic pathway that increases in ambition in response to ratcheting levels of policy ambition on the part of governments, whereas Glencore's goals are static
- Over time, Glencore's targets will inevitably appear less ambitious as the APS evolves to reflect stronger commitments
- ACCR's analysis of estimated 2023 global coal emissions shows them to be already higher than the APS forecasts. In order to meet the goals of the current APS, a faster decline in coal emissions is required. Consequently, Glencore's 2030 target falls short of APS expectations (see chart).

The APS dynamically escalates with government policies, making Glencore's static targets progressively less ambitious. ACCR's analysis of 2023 coal emissions already demonstrates this trend.

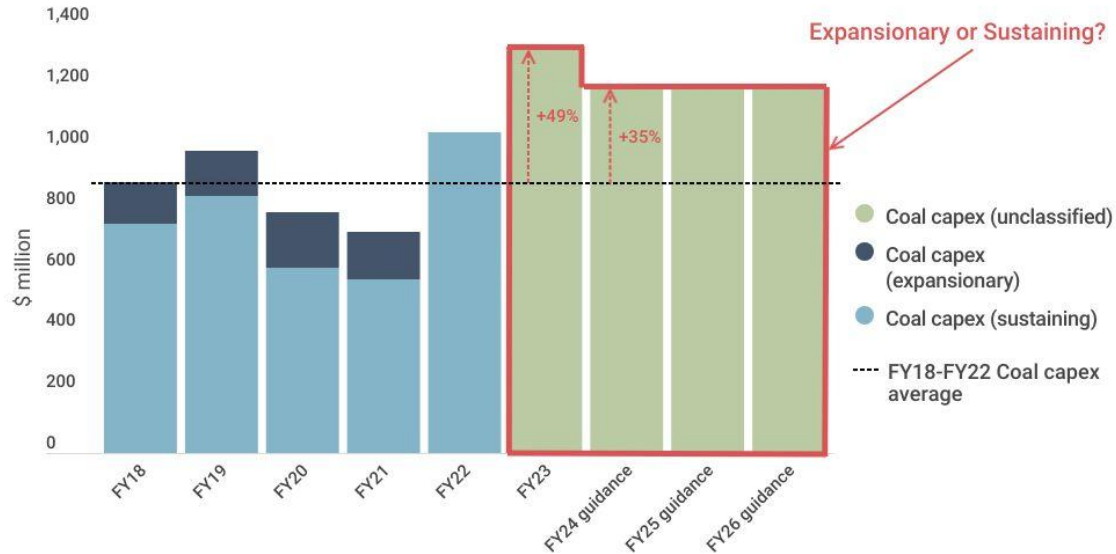


Less coal capex transparency

Investors have insufficient information to assess coal capex alignment with the Paris Agreement, despite a strong 2023 vote requesting enhanced disclosure.

In the 2024-26 CATP, Glencore fails to disclose:

- the distinction between expansionary and sustaining capex
- whether expansionary capex includes brownfield expansion investments
- its reasons for substantially increasing coal capex in FY23 and in its FY24-FY26 guidance
- how these increases align with its commitment to phase down thermal coal production responsibly, in accordance with the goals of the Paris Agreement.



Glencore intends to exclude EVR from its group climate reporting

In December 2023, Glencore:

- acknowledged the “integration of the recently announced acquisition of 77% of Teck’s Elk Valley Resources (EVR) steel making coal assets into the climate strategy” was a “principal area of interest” for shareholders
- committed to “address the climate-related aspects of the proposed acquisition of EVR”.

However, in this CATP, Glencore states:

- “we do not currently intend to incorporate the EVR assets”
- It will “report separately” on EVR’s performance, from the period of initial ownership to the potential demerger, excluding the EVR mines from its group emissions baseline and climate targets.

EVR mines should be included in Glencore's group climate reporting from acquisition



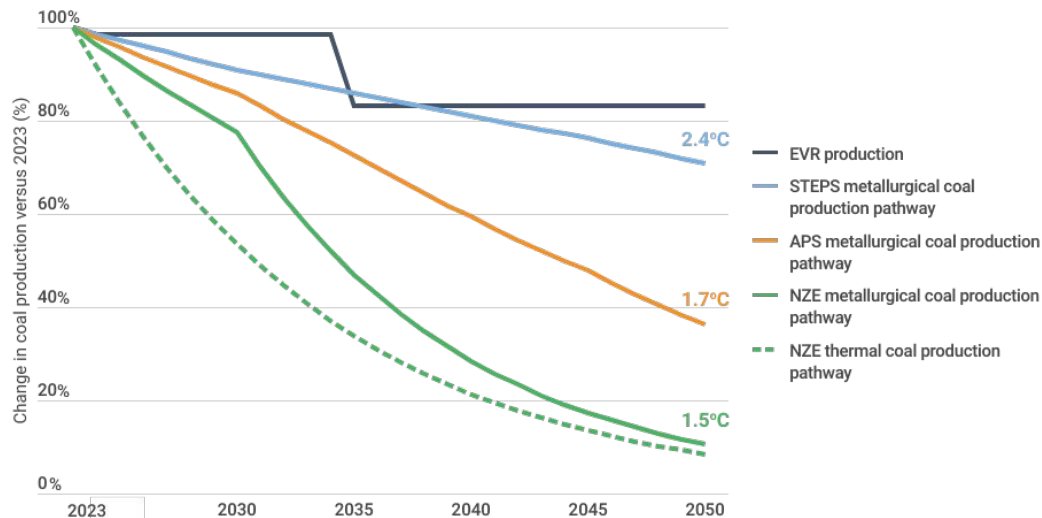
Misrepresentation of metallurgical coal and forward transition risks

The metallurgical coal pathway is slower to decline than thermal coal in the IEA's NZE scenario. However, the EVR coal production trajectory is still significantly higher than the NZE pathway for metallurgical coal.

Metallurgical coal use will decline over time. Recently published [ACCR steel decarbonisation research, Forging pathways](#), indicates that:

- the long viewed “hard-to-abate” steel sector can transition into “fast-to-abate”
- in short to medium-term, green steel will be commercially produced and more “green potential” technology solutions will become available

[ACCR Steel Sector Decarbonisation Progress webpage](#)



Climate governance, broader controversies & lobbying

Three concerning governance trends emerge from Glencore's CATP

1. Material walk-backs on recent disclosures

2022: emissions reduction targets charted as aligned with the IEA's NZE

→ **2024**: "Our targets are not aligned with the IEA NZE scenario"

2022: Prodeco a structural change which will trigger rebasing

→ **2024**: Prodeco a mine closure which does not trigger rebasing

2023: 150 mn tonne p/a production cap, a key part of its climate commitments

→ **2024**: production cap dropped: "may now only serve to cause confusion"

2. Decreasing transparency

2022: "expansionary" & "sustaining" coal capex

→ **2024**: "coal capex"

2020 to 2023: annual climate reports

→ **2024**: unclear when Glencore's next climate report will be published

3. Failure to address shareholder concerns

Dec '23 & Feb '24: integration of EVR assets into group climate strategy a "principal area of shareholder interest"

→ **2024**: "we do not currently intend to incorporate the EVR assets"

Shareholder dissatisfaction with Glencore on climate is escalating

Increasing 'no' votes against the climate plan:

- 5.6% in 2021
- 23.7% in 2022
- 30.0% in 2023

'No' votes against the Chair, during his first two years of tenure, at consecutive AGMs:

- 10.7% in 2022
- 11.2% in 2023

29.2% support for a shareholder resolution calling for greater coal emissions & capex transparency in 2023.

Overall, a deficient climate plan that:

- impedes investors' informed decision-making
- leaves fundamental questions unanswered
- raises serious questions about the board's ability to successfully navigate the energy transition

Points to a governance failure attributable to the board, led by the Chair.

Glencore's recent controversies

These are not just 'legacy' issues but contemporary controversies occurring since the Chair was appointed in 2021:

- **Ongoing** allegations of human rights violations by the Cerrejón mine of the First Nations Wayuu & Yukpa people
- Water contamination in Kazakhstan (**2024**) & Peru (**2022**)
- Civil proceedings by 197 investors for alleged losses due to untrue & misleading statements relating to corruption (**2023**)
- In its **2023** Annual Report, the company flagged the risk of further legal action from UK/US/Brazil corruption convictions
- Adverse health impacts caused by pollution from mining operations in Colombia, the DRC & Peru (**2022**)
- Industrial disputes with workers in Colombia & Canada (**2022**).

Broader controversies point to governance weaknesses that raise questions about Glencore's ability to manage the climate transition

If these controversies and their consequences are continuing despite years of adverse coverage, regulatory scrutiny, public prosecution and private legal action, shareholders might reasonably wonder:

- Is the board willing and able to direct meaningful change at the operational level to ensure operational risk is properly addressed?
 - Sustainalytics maintained its governance 'red flag' in April 2024 due to: *"gaps between management practices at the group level and their implementation at subsidiaries and sites in high-risk contexts."*
- Does this point to a fundamental governance weakness that is also undermining meaningful improvement on climate transition risk management?
- Is this a company that is, on-the-whole, resistant to systemic change, and requires years of sustained and escalating pressure from a broad range of stakeholders?

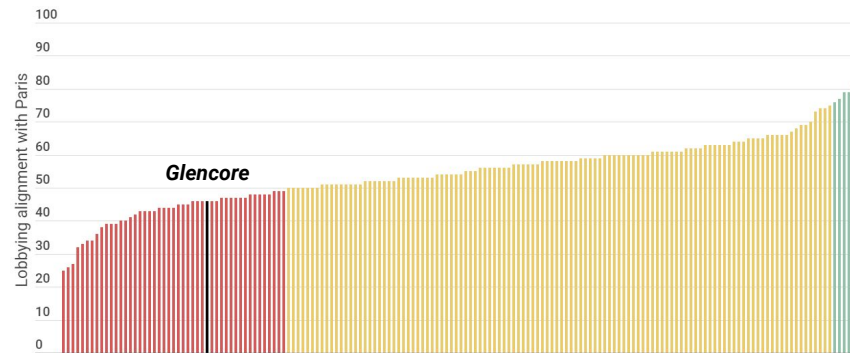
Glencore falls well short of investor expectations for good lobbying governance

Lobbying is persistently misaligned with the Paris goals

- CA100+: scored 'misaligned' with the Paris goals since assessments began, worse than 80% of companies.

Failure to recognise misalignment is a governance issue

- Falls short of best-practice guidance – the [Global Standard on Responsible Climate Lobbying](#)
- Review process excludes material lobbying
- No demonstrated commitment to address misalignment
- Repeated use of Investor-State Dispute Settlement (ISDS) against states
- ISDS increases the risk of govts “refraining from or delaying the adoption of mitigation policies, such as phasing out fossil fuels.”¹



Glencore's lobbying is misaligned with Paris and worse than 80% of the CA100+

● Misaligned with Paris ● Partially aligned with Paris ● Aligned with Paris

Source: CA100+ (Feb 2024)

Note 1: IPCC 6th Assessment Report, chapter 14, p.1499.

Opportunities from here

Factors to prioritise in engagements and voting considerations:

- Does the 2024-2026 Climate Action Transition Plan (CATP) meet expectations set last year?
Has it provided:
 - clarity on projected coal asset production and forward emissions?
 - information to demonstrate how its coal production is Paris-aligned?
 - clear capex disclosures, giving investors insights into whether coal-related capex is Paris-aligned?
 - a new 2030 target measured from a credible baseline year?
 - clarity on the forward emissions outlook of the company once the EVR acquisition is completed?
- Who takes responsibility from a governance perspective for any failings in the CATP to meet investor expectations for clearer insight on what is a fundamental part of the business?
- With the retirement of Peter Coates and the appointment of a new head of HSEC Committee, will investors be offered clearer insights on Glencore's coal business in order to assess its overall transition and climate-related risks?
- If investors are voting against the CATP, consider amplifying your position with a pre-declaration.

Thank you

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