

GLENCORE

Glencore plc
Baar, Switzerland
3 August 2023

MSCI assessments and rating reports

Dear user of MSCI assessments and rating reports.

In December 2020, Glencore distributed (available on request) a statement on the various concerns we had with MSCI's ratings process, including the lack of transparency we perceived in the application of their methodology, and MSCI's use of media articles to 'score' "controversies".

As an example, we noted that MSCI assessed a controversy relating to an alleged access to water issue at the Cerrejón coal mine in Colombia as "Severe" due to NGOs claiming mining activities impacted local communities' access to drinking water. MSCI listed this alleged controversy under two of its risk categories, Water Stress and Impact on Local Communities; in both cases assessing the controversy as severe.

Downgrading the controversy despite no change in the allegation

In July 2022, for Impact on Local Communities, MSCI downgraded the controversy to 'Very Severe'. As a result of the downgrade to reflect MSCI's methodology, MSCI identified this controversy as "Fail" under UN Global Compact Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights. To date, MSCI has not clarified its qualifications to assess performance with respect to the UN Global Compact Principles.

MSCI explained the downgrade as a result of Glencore taking full ownership of Cerrejón in January 2022. Our previous joint ownership of Cerrejón, along with BHP and Anglo American, was viewed as an extenuating factor that reduced the overall severity of the case due to Glencore's limited liability.

In addition, MSCI noted that the downgrade reflected a methodology change implemented in June 2022 when a new factor was introduced for assessing the severity of cases, "Exacerbating Circumstances". Under this factor, local communities are categorised by their vulnerability, and Cerrejón's local Wayuu Indigenous communities were deemed "Vulnerable".

Third-party evidence showing no link to the allegation.

Glencore requested a call with MSCI to understand better the rationale for the downgrade. During a call in October 2022, MSCI explained that the classification of Very Severe was due to the "Nature of Harm" from a water shortage largely caused by Cerrejón's water usage (MSCI quote "Cerrejón was the largest water user in the region") and that this had led to the deaths of children in the local community.

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We reminded MSCI of our previous communications that demonstrated clearly that Cerrejón is one of the region's lowest water users, withdrawing less than 2% of the total annual withdrawn water. MSCI requested third-party evidence showing that the mine was not one of the largest users of water from the river, which if available would change the assessment of the controversy.

In January 2023, Glencore provided MSCI with the Colombian National Water Study (published in 2018), which provided third party evidence supporting the statements made in Cerrejón's Sustainability Report. The Water Study showed the amount of water withdrawn from the mining sector in the Caribe region (where Cerrejón is located) is 1.76% of the total demand with the real demand coming from the agriculture (52.28%) and energy (24.75%) sectors respectively.

In March 2023, we also provided MSCI with an independent study, The Drivers of Child Mortality During the 2012–2016 Drought in La Guajira, Colombia, published by the International Journal of Disaster Risk Science in February 2020. This study explicitly rejects the hypothesis linking child mortality rates to reduced access to water sources due to the drought.

The independent study concludes that the true cause of water scarcity in La Guajira is due to controversial public water management. The Chamber of Commerce's socioeconomic report for La Guajira (published in 2017), found that public water delivery infrastructure covered 87% of urban areas, but only 22% of rural areas, while in the rest of Colombia, public water infrastructure covered 97% and 73%, respectively.

The El Cercado Dam was completed in 2010 to mitigate the effects of the cyclical droughts in La Guajira by supplying water to aqueducts of nine municipalities and providing irrigation for agriculture. However, the pipes are not connected to the aqueducts, resulting in the municipalities not receiving water collected by the Dam.

Despite providing this third-party evidence to MSCI, in April 2023, MSCI simply changed the description of the controversy from "Social impacts of competition for water in drought-stricken La Guajira department" to "Ongoing criticism from indigenous Wayuu community over pollution, displacement, and water stress resulting in food insecurity and malnutrition", no longer limiting it to child mortality alone, and now alleging that traditional livelihoods of the Wayuu people are adversely impacted by Cerrejón's activities.

Lack of clarity on application of methodology

The company requested a further call with MSCI to discuss this latest change, which was held in early June. During the call, Glencore requested details from MSCI as to why the nature of the controversy had been changed, and how they had reached a conclusion that the nature of harm associated with these allegations had been assessed as "Very Serious".

MSCI could provide no evidence of how this assessment was made, and simply defaulted to an explanation that they were following their "rules-based methodology", and that these matters were debated at internal committee meetings. In their published methodology, MSCI notes that it does not "fact-check or evaluate the merit or validity of the allegations put forward in the public sources cited in our company ESG

controversies reports”, and yet still draws conclusions on the nature of harm of these allegations, and their severity.

Having demonstrated to MSCI that there was no linkage to water stress in the region, and the mines activities, we then sought explanations on the other allegations used to reach their assessment.

Identifying new unfounded allegations to maintain the controversy.

In a follow up email, MSCI provided a summary of recent allegations, which they considered in their assessment. These included an OCED complaint by the Global Legal Action Network (GLAN) in January 2021, alleging failure by the then three owners of Cerrejón to comply with the OECD Guidelines. We explained that despite all parties agreeing to the appointment of an external mediator suggested by the OCED Swiss National Contact Point, GLAN had subsequently withdrawn from the procedure, effectively ending the process. However, MSCI consider the complaint to be unresolved, despite there being no opportunity to resolve it.

MSCI’s final allegation was compliance with a judgement made in August 2017 by the Colombian Constitutional Court, regarding the Bruno Creek diversion. Cerrejón has complied with the orders made by the Constitutional Court and participated fully in the Inter-Institutional Table (IIT), created by the Council of State as part of a previous action, which brings together parties to investigate queries regarding the environmental and social impacts of Cerrejón’s activities.

Last year the Constitutional Court requested the IIT and its participating third parties to report on Cerrejón’s compliance with the ruling. The report produced by the IIT through the Ministry of Environment showed that Cerrejón had complied with the actions requested by the Constitutional Court.

In February 2023, having considered the report, the Constitutional Court announced a judicial inspection involving the participation of all parties. On 27 and 28 March 2023, the Constitutional Court conducted the inspection to verify compliance with the Bruno Creek ruling. Cerrejón, the participants of the IIT, the plaintiffs and the involved third parties all attended the inspection.

Following the inspection, the participating parties submitted to the Constitutional Court reports providing details on evidence on the inspection process. Cerrejón has delivered its report and is waiting for a decision from the Constitutional Court.

Lack of fact checking or validation of allegations

Throughout our engagement with MSCI, it has become very clear that it gives a disproportionate credence to allegations and undertakes no fact-checking or validation. As such, we question the reliability and usefulness of their assessments.

Robust programme of engagement and socio-economic contribution

Building trust is at the core of Cerrejón's approach to engaging with the communities living near to its operations. Its approach involves listening and responding to concerns and supporting the ongoing development of the region's socio-economic conditions.

Cerrejón has an ongoing programme of contributing to improved living conditions for its neighbouring communities through programmes that promote access to water, enhance local capacities, contribute to the development of livelihood projects in non-mining sectors, strengthen local culture, and strengthen local health services, among others. During 2022, Cerrejón invested over \$28 million on voluntary and mandatory community projects through more than 1,750 initiatives that benefitted over 400 communities.

MSCI's inability to substantiate any of the allegations made or provide details of how these allegations resulted in a "Very Serious" nature of harm assessment and a UNGC Principle 1 "fail", has left us with no choice but to provide a direct response to our stakeholders, on a matter which damages Glencore's reputation and its standing in the investment community.

Please contact us if you would like to discuss any of the issues we raise.

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