

GLENCORE

Glencore plc
Baar, Switzerland
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Proposal for a merger between Glencore and Teck and simultaneous demerger of combined coal business

- *The proposed transaction would create two standalone companies with substantially larger and more diversified portfolios of assets than those of the proposed Teck Metals and Elk Valley Resources*
- *MetalsCo to be a world-class standalone base metals business with a diversified portfolio and a leading position in the critical minerals required for the energy transition*
- *CoalCo to be a highly cash-generative standalone coal and carbon steel materials business; unlike Elk Valley Resources, CoalCo would have no ongoing financial obligations to MetalsCo*
- *Combination exchange ratio of 7.78 Glencore shares per Teck B share, which represents a valuation premium of 22% based on Glencore's and Teck B's undisturbed last close prices as of 31 March 2023, being the last close prior to the proposal becoming public and 20% based on Glencore's and Teck B's last close prices as of 24 March 2023, being the last close before the date of the proposal to Teck*
- *Glencore and Teck shareholders would own approximately 76% and 24% of the merged entities, respectively*
- *US\$4.25 – 5.25 billion of estimated post-tax synergy value*
- *Glencore and Teck shareholders would be well positioned to participate in valuation re-rating over time*
- *MetalsCo Industrial Head Office to be located in Canada, managing approximately 3x Teck's current metals production. Full commitment to continue Teck's legacy in, and deliver real benefits to, Canada.*

Glencore plc ("Glencore") confirms that it submitted a proposal to the Board of Directors of Teck Resources Limited ("Teck") on 26 March 2023 to merge with Teck and to simultaneously demerge their combined metals and coal businesses (the "Proposed Merger Demerger") to create:

- MetalsCo: a world-class standalone transition metals focused business with a diversified portfolio comprising Glencore's and Teck's metals and minerals assets, Glencore's metals and energy (excluding coal) marketing, recycling and distribution businesses and its investment in Viterra. The investment in Viterra would be subject to a strategic review and potential divestment.

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- CoalCo: a highly cash-generative standalone coal and carbon steel materials business comprising Glencore's and Teck's coal assets, Glencore's ferroalloys assets and Glencore's coal and ferroalloys marketing businesses.

Glencore is proposing a combination exchange ratio of 7.78 Glencore shares per Teck B share, which represents a valuation premium of:

- 22% based on Glencore's and Teck B's undisturbed last close prices as of 31 March 2023, being the last close prior to the proposal becoming public;
- 20% based on Glencore's and Teck B's last close prices as of 24 March 2023, being the last close before the date of the proposal to Teck;
- 20% based on Glencore's and Teck B's three-month VWAPs as of 24 March 2023; and
- 30% based on Glencore's and Teck B's twelve-month VWAPs as of 24 March 2023.

In addition, Glencore is proposing a combination exchange ratio of 12.73 Glencore shares per Teck A share, which represents a valuation premium of:

- 22% based on Glencore's and Teck A's undisturbed last close prices as of 31 March 2023;
- 20% based on Glencore's and Teck A's last close prices as of 24 March 2023;
- 43% based on Glencore's and Teck A's three-month VWAPs as of 24 March 2023; and
- 73% based on Glencore's and Teck A's twelve-month VWAPs as of 24 March 2023.

At these proposed exchange ratios, Glencore and Teck shareholders would own approximately 76% and 24% of the merged entities, respectively.

Glencore believes that the Proposed Merger Demerger is compelling and would create significant value for both Teck and Glencore shareholders. The Proposed Merger Demerger would create two standalone companies with substantially larger and more diversified portfolios of assets than those of the proposed standalone Teck Metals and Elk Valley Resources.

MetalsCo would be a must-own global base metals company with a Tier 1 portfolio of copper assets, an unrivalled suite of copper growth opportunities as well as being a leading supplier of cobalt, zinc and nickel, well positioned to meet the demand required for the energy transition. In 2022, MetalsCo would have generated approximately US\$16 billion of proforma EBITDA.

CoalCo would be a leading, highly cash-generative, diversified coal producer that would be able to sustain an attractive cash flow payout to investors through the cycle. In 2022, CoalCo would have generated approximately US\$26 billion of proforma EBITDA. Further, unlike the proposed Teck separation, the Proposed Merger Demerger would not require any intercompany financial arrangements between the metals and coal businesses going forward; shareholders of CoalCo would participate in the business' cash flow generation immediately upon close.

Each of MetalsCo and CoalCo would be uniquely positioned within their respective peer groups from an asset quality, scale and diversification perspective, to provide their shareholders with highly liquid exposure to Tier 1 assets and, in the case of MetalsCo, a leading

growth pipeline. Glencore and Teck shareholders would be well positioned to participate in a valuation re-rating over time.

The scale and quality of Glencore's business, together with its uniquely complementary footprint and strategic fit with Teck, including its strong and demonstrable commitment to being a responsible and ethical operator, make Glencore the obvious partner for an all-share merger with Teck, and a simultaneous demerger.

Given the complementary nature of Glencore's and Teck's portfolios, the Proposed Merger Demerger is expected to unlock approximately US\$4.25 – 5.25 billion of post-tax synergy value (on an NPV basis) across marketing, operating and overhead optimisation, which would be shared by both Teck and Glencore shareholders.

Glencore has deep respect for Teck's legacy in Canada as well as its strong technical expertise and would recognise and reflect these strengths in any transaction. Glencore's Canadian assets form a significant part of Glencore's global business and have a history that dates back more than 100 years. Glencore employs around 9,000 people in Canada, including contractors. The Proposed Merger Demerger would deliver real benefits to Canada.

As part of the Proposed Merger Demerger, Glencore would agree to:

- designate either Teck's Vancouver or Glencore's Toronto office as MetalsCo's global Industrial Head Office, which would manage approximately 3x Teck's current metals production;
- maintain significant Canadian representation on each of MetalsCo's and CoalCo's Board of Directors;
- ensure that Canadians continue to serve in the management of MetalsCo's and CoalCo's Canadian assets;
- provide ongoing and long-term employment in Canada for Canadians; the Proposed Merger Demerger would not materially change the day-to-day operations at Teck's assets in Canada;
- maintain a listing of MetalsCo and CoalCo on the TSX;
- continue to invest in Canadian capital expenditure programmes in each of MetalsCo and CoalCo and make new investments in a reinvigorated exploration program in Canada;
- honour all of Teck's commitments to local Canadian communities as well as to Indigenous communities to ensure their interests are acknowledged and protected; and
- honour all of Teck's social, labour and environmental programs in Canada.

Glencore remains committed to supporting the goals of the Paris Agreement and intends to respect the net zero climate strategy Teck has announced in respect of its steelmaking coal operations.

In addition, Glencore intends that CoalCo would oversee a responsible decline of its thermal coal portfolio production in line with Glencore's current ambition to achieve net zero by 2050, with a supportive policy environment. Glencore also intends for CoalCo to continue to uphold Glencore's commitment to responsible operating practices. Further study of the emissions pathway of the combined companies would be required in order to establish revised combined targets.

The implementation of the proposal is subject to the Board of Directors of Teck agreeing to implement the proposal through a Plan of Arrangement, which would then be subject to regulatory and shareholder approvals.

There can be no certainty that any transaction will result from Glencore's approach to Teck and any subsequent discussions.

The full text of the letter from Glencore to the Teck Board is available on our website.

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This announcement contains inside information.

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Notes for Editors

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 60 commodities that advance everyday life. Through a network of assets, customers and suppliers that spans the globe, we produce, process, recycle, source, market and distribute the commodities that support decarbonisation while meeting the energy needs of today.

With around 140,000 employees and contractors and a strong footprint in over 35 countries in both established and emerging regions for natural resources, our marketing and industrial activities are supported by a global network of more than 40 offices.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, battery manufacturing and oil sectors. We also provide financing, logistics and other services to producers and consumers of commodities.

Glencore is proud to be a member of the Voluntary Principles on Security and Human Rights and the International Council on Mining and Metals. We are an active participant in the Extractive Industries Transparency Initiative.

We recognise our responsibility to contribute to the global effort to achieve the goals of the Paris Agreement by decarbonising our own operational footprint. We believe that we should take a holistic approach and have considered our commitment through the lens of our global industrial emissions. Against a 2019 baseline, we are committed to reducing our Scope 1, 2 and 3 industrial emissions by 15% by the end of 2026, 50% by the end of 2035 and we have an ambition to achieve net zero industrial emissions by the end of 2050. For more detail see our *2022 Climate Report* on the publication page of our website at glencore.com/publications.

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