

GLENCORE

Baar, 19 January 2015

Glencore's response to the 'Corporate Conquistadors' report, published by The Democracy Center, TNI and CEO

Glencore welcomes the opportunity to respond to points raised by The Democracy Center, TNI and CEO in their report 'Corporate Conquistadors – The Many Ways Multinationals Both Drive and Profit from Climate Destruction'.

Glencore believes that the events three years ago that gave rise to the report were avoidable and tragic. It should be noted that the Corporate Conquistadors report was prepared without consultation of Glencore or any of the concerned subsidiaries. Much has happened subsequent to the tragic events and the report covers none of the substantial advances that have been made in the aftermath of the events. We remain hopeful that the report writers will consider undertaking meaningful engagement with Glencore.

At Glencore, we are committed to seeking transparent, open dialogue and building partnerships with organisations interested in addressing major social and environmental challenges in the countries where we operate. Through our investments in our assets and the long-term commitments we make to the countries in which we operate, we believe that our global presence and economic strength contribute positively to socioeconomic development in our host countries.

We are a major investor in the developing world and we are proud of the difference that our presence can make. Many of our investments are located in challenging locations with diverse organisational culture and complex legacy issues. Communities in these areas often face restricted access to basic services such as sanitation, water, energy and infrastructure. We undertake and contribute to activities and programmes designed to improve the quality of life for the people in the communities that surround our operations.

In 2013, we paid US\$3.7 billion in royalties and taxes, and a further US\$4.3 billion in wages to our 200,000 employees and contractors. US\$170 million was spent on social investment such as healthcare and education. Throughout the world our assets contribute to the building and maintenance of roads, water infrastructure and other service development projects for the long-term benefit of the local communities.

Our corporate sustainability framework balances social, environmental, ethical and commercial interests at every level of our group. This framework is called Glencore Corporate Practice (GCP). We designed and implemented the GCP to be in line with internationally recognised, good practice, sector specific standards and we continue to monitor its performance to ensure it is fit for purpose. Our Code of Conduct is an important part of the GCP and sets out our corporate values and provides clear guidance to our employees about how we do business.

The Tintaya copper mine located in the Peruvian province of Espinar commenced operations in 1985 as a state-owned company. Following a decision by the Peruvian government to privatise the operation, Magma Copper Co acquired the mine in 1994 via an international public auction. In 1996, Magma Copper was acquired by Broken Hill Proprietary (BHP) which, in turn, merged with Billiton in 2001 to form BHP Billiton. Xstrata acquired Tintaya from BHP Billiton in May 2006. In May 2013, Glencore acquired Xstrata and is the current operator of the Tintaya-Antapaccay asset.

At the time of Xstrata's acquisition of Tintaya, the mine's Mineral Resources were nearing depletion and its operations were scheduled to close in 2013. Xstrata committed substantial investments in exploration of the surrounding areas with a goal of sustaining mining and mineral processing operations in Espinar province for the mutual benefit of the community and the company.

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In 2010, Xstrata's Board approved a \$1.47 billion investment to extend and expand the operations through the development of the satellite Antapaccay deposit. Today, the large-scale, modern Antapaccay mining operation uses cutting-edge technology, leading environmental management and has extended mining operations by at least 18 years at an increased rate of production, generating important economic and social benefits to the Cusco region and specifically to the Espinar province. Tintaya ceased operations in 2013.

The Framework Agreement

Over its years of operation, Tintaya has been the subject of a number of disputes with local people, with protestors overrunning the mine for the first time on 21 May 1990. Since then, 21 May has become a symbolic date for community protests against the operation and protests took place on and around this date in 2000, 2003, 2005 and most recently in 2012. The previous Espinar Mayor, Oscar Mollahuanca, was involved in the protests as mayor in both 2000 and 2012, and as advisor to the United Defence Front for Espinar Interests (FUDIE) in 2005.

In 2002 a Dialogue Table was established to investigate community grievances on land expropriation, environmental pollution and human rights with the participation of six local communities in the direct area of influence of the mine, Tintaya representatives and non-governmental organisations Oxfam Americas, Conicami and Cooperación.

On 3 September 2003, BHP Billiton signed the Framework Agreement with Espinar provincial authorities. Under the Framework Agreement, Tintaya and subsequently Antapaccay makes an annual contribution of 3% of profit before tax to finance social improvement projects for the benefit of over 70 communities in Espinar province among other commitments.

Since acquiring the Tintaya mine from BHP Billiton, Xstrata and subsequently Glencore has fully met and in many aspects gone beyond all its obligations under the Framework Agreement. The company has resolved the grievances that were discussed in the context of the Dialogue Table. As a result it was agreed to rename the Dialogue Table as the Development Table in 2011, a change that reflected how the mechanism has evolved from one that managed liabilities caused by historical mining activities to one that is focused on promoting local development. Under our management, all the grievances relating to land expropriation were resolved and it was agreed to dissolve the working group that addressed this area of grievance.

The Framework Agreement, through which approximately 70% of our voluntary investments are made, is supervised by a General Assembly formed by 37 organisations. Tintaya-Antapaccay has one representative on the Management Committee which is comprised of eight people including two local authorities, three civil society organisation and two local community representatives. The Framework Agreement budget is divided between mega-projects (20%) and district projects (80%). In the latter case, the budget is divided among the eight districts of Espinar province based on the size of the population (80%) and poverty indicators (20%) of each district. Community members then participate in workshops to decide which projects should be implemented according to the budget. Since inception, Tintaya-Antapaccay has contributed over US\$97million through this mechanism which has enabled the implementation of major infrastructure projects such as the Espinar Hospital, a Dairy Plant, the Centre of Educational Resources of Espinar and recently an Alpaca Fibre Plant and has funded more than 800 smaller community projects in the region.

We have surpassed our commitments under the Framework Agreement to ensure that 70% of indirect and direct unskilled labour is drawn from local communities. We have increased local employment of unskilled labour to 100% at the new Antapaccay mine. As a result of the dedicated training and procurement programs that we have put in place, Tintaya-Antapaccay has also facilitated the start-up of around 70 local suppliers that provide services such as catering, electrical services and maintenance.

Since acquiring Tintaya, we have worked relentlessly to ensure that the Framework Agreement is managed effectively and delivers sustainable projects to provide long-term

benefits for the communities in Espinar province. Since the agreement was signed in 2003, more than 800 projects agreed by the communities and the Espinar authorities have been completed, including several large-scale infrastructure projects that benefit several districts of the province. Each of these projects have been identified, developed and implemented by a management committee comprising representatives from the Provincial Municipality (current chair) and District Municipalities of Espinar, civil society organisations including FUDIE (the Espinar Civil Society Interest Defence Association), communities and Tintaya-Antapaccay. The current structure provides an important balance between government, non-government organisations, community representatives and the private sector and has, we believe, been an important factor in enabling the Framework Agreement to deliver projects more efficiently and effectively than many other social development funds in Peru.

We have continued to invest significantly in social and community development. Since acquiring Tintaya in 2006, we have voluntarily contributed around US\$82 million under the Framework Agreement and almost US\$93 million in other donation mechanisms, in addition to our substantial tax and royalty payments that total more than \$915 million over the same period.

The Framework Agreement is an effective and very positive initiative between the company, the Espinar province and its communities, which has been delivering tangible and sustainable benefits to local communities over a number of years. We continuously engage with communities, representative organisations and the provincial authorities of Espinar to discuss how we can work together to enhance the Framework Agreement.

Active environmental management

We strongly reject the allegations of environmental pollution by either the Tintaya or Antapaccay mines. Our operations comply in full with all environmental and social regulations. Our operations undertake environmental monitoring on a regular basis and are subjected to both external and internal audits to evaluate the site's environmental performance.

In recent years, there have been two independent environmental studies on the presence of heavy metals in the waterways, soils and inhabitants of the catchment area of the Tintaya and Antapaccay mines. The first study into community health was conducted in 2010 by Peru's regional health ministry (Censopas) as part of a baseline study into the Quechua mining project, owned by another company, 10 kilometres upstream of the Tintaya mine. The second study was sponsored by two NGOs, Germany's Misereor and Peru's Vicaría de la Solidaridad, and conducted by a German student, Eike Hümpel, in 2011. It should be noted that this study's methodology was seriously flawed in that it did not take into account the geological characteristics of the area, such as the natural background mineralisation present in the region, which includes heavy metals.

Neither report states that Tintaya-Antapaccay is the cause of the presence of heavy metals in the area. Both reports have been misused by the previous Espinar Mayor Oscar Mollohuana, non-governmental and civil society organisations and members of the Peruvian parliament as proof that Tintaya-Antapaccay is contaminating the environment. This incorrect assumption was widely reported in the Peruvian press and undoubtedly contributed to heightening tensions among local people prior to the protests in May 2012. In fact, the Peruvian parliament's Ethics Commission launched an inquiry against a Congress member for using the 2010 study to accuse the Tintaya mine of pollution and she subsequently issued a retraction.

The Tintaya-Antapaccay mine is located in a naturally highly-mineralised area along the Yauri-Andahuaylas copper belt where historical artisan and small-scale mining has occurred and is still active. Tintaya-Antapaccay operates a closed-circuit water management system and does not discharge mine water into the environment, although it holds permits to do so. Tintaya-Antapaccay does not use, or mine, lead, arsenic or mercury at its operations.

Our environmental performance is subject to numerous internal and external audits. Peruvian regulatory organisations (previously Osinergmin, a state organisation responsible for supervising mining and energy investments, and now Peru's environmental audit and

evaluation organisation OEFA) have taken hundreds of samples and conducted several monitoring programs as part of their audit faculties in recent years and found no evidence of pollution. All regulatory and participatory monitoring activities to date have demonstrated that Tintaya-Antapaccay operates in line with Peruvian law and we have always rejected allegations of environmental pollution at our Tintaya-Antapaccay operations.

Regardless of location, we always aim to secure broad-based support for our activities. This was evidenced by the overwhelming community support we received during the public consultation process for the Antapaccay expansion project's Environmental Impact Assessment. Today, Tintaya-Antapaccay undertakes participatory monitoring of its operations and the surrounding areas with the community and the Peruvian authorities.

2012 social unrest

We were deeply concerned that the protests in Espinar escalated into violence at the end of May 2012. At the time, Tintaya-Antapaccay advised Mayor Mollohuanca that, although it would be unable to meet his demand to increase our contribution under the Framework Agreement to 30% from 3%, it was open to discussing enhancements to the agreement, for example by increasing commitments to hire local people at our operations. Despite these attempts to maintain a dialogue with the communities and reach a peaceful solution, and the national government's prior agreement to conduct further intensive joint environmental monitoring in the province, the protests went ahead.

During the protests, we were highly concerned for the safety of our employees and contractors in the region and of the local communities of Espinar. We do not condone violence of any kind and we are committed to respecting the human rights of our employees and community members in the region.

We are deeply committed to respecting human rights. Wherever we operate, we engage actively with host communities to build constructive dialogue, and pay particular attention to minimising any risk of human rights abuses by our employees, contractors, or security providers. At our sites operating in regions considered to be high risk, we use the United Nations Voluntary Principles on Security and Human Rights (Voluntary Principles) to guide the use of private security and the interaction with public service personnel. Our risk assessment and training methodologies are aligned with the Voluntary Principles. We actively engage with host governments to raise awareness of the Voluntary Principles as an international best practice standard in the area of security and human rights.

All of our sites are required to conduct human rights risk assessments that are aligned with the Voluntary Principles. For sites located in regions considered to be high-risk, such as Peru, human rights risk assessments take place on an annual basis; this approach is undertaken at Tintaya-Antapaccay. In addition, Tintaya-Antapaccay has actively engaged with Socios Perú, a local multi-stakeholder network working with the government to promote the Voluntary Principles, to share learnings and best practices with other operators in the country.

We incorporated human rights into the initial project risk assessment for the Antapaccay expansion project. This risk assessment included a review of the strength of the rule of law, the potential for conflict and the challenges and potential impacts for local communities.

As part of our commitment to human rights, all of our employee and contractors at Tintaya-Antapaccay receive training on human rights. To date over 5,000 people, including construction contractors at the Antapaccay expansion project, have participated in human rights awareness programmes. All security personnel working at Tintaya-Antapaccay receive training on our internal policies and procedures for human rights.

Relationship with the police

The authors of the Corporate Conquistadors report have fundamentally misunderstood the relationship between Tintaya-Antapaccay and the Policía Nacional del Perú (PNP). It is incorrect to state that the PNP acted as the company's private security force or acted on behalf of the company during the May 2012 protests. The PNP was at all times during the May 2012 protests operating under its own chain of command and under the control and

authority of the Peruvian Government. Tintaya-Antapaccay did not seek to (and, in any event, would not be able to) exercise any direction over the PNP's response to the protests.

Whilst the Corporate Conquistadors report is correct to note that there was an agreement in place between the PNP and the company, dated 16 May 2011, it is clear that neither the authors of the report, nor the authors of the report entitled "*Mercenary Police at the service of Mining corporations*" cited as support in footnote 16, have had sight of the relevant agreement. Accordingly, none of those authors are in a position properly to understand or speak to the content or purpose of that agreement. We have clarified the nature and scope of that agreement below.

The agreement was executed pursuant to Peruvian law, the Supreme Decree No. 019-71-IN, No.053-2005-PCM, Decree Law 25707 and Law 28305, No. 086-92-PCM, which was approved by Supreme Decree 053-2005-PCM. In accordance with those laws, the agreement provided for extraordinary supplementary police services in matters of surveillance and safety, inspection and control of controlled chemical materials and other services in the Tintaya mining camp. These services were necessary due to some of the materials used in the mines' operations, such as sulphuric acid, having the potential to make illegal substances, including explosives.

The agreement also makes specific reference to the company's adherence to the Voluntary Principles and expressed the expectation that the PNP assigned to the Tintaya mine would make the same commitment to those Principles. Any suggestion that this agreement facilitated "*the criminalisation of protest by allowing police to make arbitrary arrests, torture human rights defenders and journalists*" and constitutes "*a systematic abuse of power*", as per page 14 of the report, is simply erroneous and fails to take any account whatsoever of the true nature of this agreement. In any event, we note that the report has misquoted the Inter American Commission on Human Rights in this respect. The Commission was in fact referring to the violation of the State of Emergency laws by the Peruvian government, which is clearly nothing to do with the agreement or the company.

We strongly deny any suggestion that Glencore has little regard for the human rights of Espinar's people or that the company has enjoyed the protection of public services of the PNP to repress groups that reject our projects and demand compliance with human rights norms. We respect the rights of our stakeholders to voice their concerns regarding our projects in a non-violent way. We have in no way acted to prevent demonstrations taking place at our operations. We remain committed to engaging in constructive dialogue with all our stakeholders to address any concerns and to ensure our activities and significant investments continue to contribute to the long-term social and economic development of the province for the benefit of all.

Coal

Glencore recognises that climate change issues are part of the political, societal and regulatory landscape in which we operate. We believe that effective climate change policy must be informed by the realities of global energy demand and supply and balance the social and economic aspirations of countries and their citizens.

We recognise that energy is one of the fundamental building blocks of modern life and a key enabler of economic and social progress. The need for access to secure, reliable and affordable energy is universal.

Glencore is a member of the Australian Industry Greenhouse Network (AIGN) whose stated aim is to

"AIGN is a network of industry associations and individual businesses which contribute to the climate change policy debate and see value in joint industry action on climate change in order to promote sustainable industry development."

The AIGN is one of a range of industry stakeholders which provides feedback and suggestions to Government on the topic of climate change.

We object to the allegation that prior to its acquisition by Glencore, Xstrata Australia was part of the self-proclaimed 'greenhouse mafia'. Xstrata never claimed to be part of any so called 'greenhouse mafia', we consider this to be a derogative term was used by a member of the Greens party and a journalist in Australia.

Like many companies with a presence in Australia, Xstrata participated in public policy discussions in Australia on the topic of climate change, carbon pricing and renewable energy targets. On a number of occasions, Xstrata expressed valid concerns about the design of proposed policies in Australia (CPRS and CEA) and the potential for carbon leakage and negative impacts on Australia's trade competitiveness.

The comments attributed to Xstrata Coal's senior management team have been taken out of context and are a misrepresentation of their views. Peter Freyberg's statement that taking action on coal would "cost jobs and move investment offshore" was made to support his thoughts on the possible negative impacts of a poorly and/or flawed designed climate change policy. Mr Coates was one of a number of senior business people and stakeholders asked to provide feedback to the Australian Government on climate change matters. It is totally incorrect of the report to claim that Mr Coates "warned" the government away from climate leadership.

Glencore is a member of a number of industry associations, which are disclosed on its website. These organisations promote the view of industry, providing decision-makers with the opportunity to hear all sides of the story. Both Glencore and Xstrata have been present at a number of UNFCCC Climate Talks over the years as a legitimate participant and an observer of UNFCCC discussions. These talks are conducted in a public forum, are open to any registered delegate either as a company or as a member of a recognised industry association and are freely reported on by the media.

Carbon Capture and Storage (CCS) is recognised by the International Energy Agency (IEA) as an important low emission technology that will be required to significantly reduce global greenhouse gas emissions. It is entirely appropriate for Glencore to support the further development and deployment of CCS technology.

We are disappointed by the incorrect claims made by the report, implying that Glencore is "actively and aggressively lobbying for false solutions to climate change through its myriad of shady lobby groups". We have been and continue to be a constructive and informed participant on climate change policy issues. We take a legitimate interest in policy developments on climate change and the potential impact these may have on our business, including from a compliance perspective. Our membership and presence in these discussions is transparent as are any submissions we make on these issues or comments made in our public reporting.