

# GLENCORE

## GLENCORE PLC

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## Acquisition of a 77% interest in Teck's steelmaking coal business for US\$6.93 bn

Glencore plc ("Glencore") announces that it has entered into a binding agreement with Teck Resources Limited ("Teck"), for the acquisition of a 77% effective interest in the entirety of Teck's steelmaking coal business, Elk Valley Resources ("EVR"), for US\$6.93 bn in cash, on a cash free debt free basis, subject to a normalised level of working capital.

Concurrently, Teck has agreed with Nippon Steel Corporation ("NSC") that its current 2.5% interest in Elkview Operations will be rolled up to equity in EVR, and that NSC will acquire additional equity in EVR from Teck, such that on closing NSC will hold a 20% equity interest in EVR.

POSCO has advised Teck that it intends to exchange its current 2.5% interest in Elkview Operations and its 20% interest in the Greenhills joint venture, for a 3% interest in EVR.

At closing, Glencore will also acquire from Teck, NSC and POSCO's attributable share of a shareholder loan from Teck to EVR which is repayable out of EVR's cash flows. The amount payable for this portion of the loan is expected to be some US\$250-US\$300 million on closing.

The transaction is subject to mandatory regulatory approvals, being Investment Canada Act ("ICA") and competition approvals. The transaction is expected to close in Q3 2024.

Commenting on the transaction, Gary Nagle, CEO of Glencore, said:

*"We are pleased to have reached agreement to acquire Teck's steelmaking coal operations in the Elk Valley. These world-class assets and the experienced people that operate them are expected to meaningfully complement our existing thermal and steelmaking coal production located in Australia, Colombia and South Africa.*

*"Glencore has high regard for the business that has been developed over many decades in British Columbia and looks forward to maintaining and enhancing its operational performance, environmental stewardship and social contribution.*

*"We are dedicated to working with all governing bodies and stakeholders to ensure that the transaction is of benefit to Canada, which includes a commitment from Glencore regarding employment, engaging in further reclamation efforts and to engage constructively and meaningfully with the Indigenous Nations in the Elk Valley.*

*"This transaction also deepens our longstanding commitment to Canada, supporting our position as one of the largest diversified miners and suppliers of critical minerals in Canada, in one of the world's leading mining jurisdictions.*

*We have a longstanding relationship with NSC and POSCO and we look forward to working closely with them as our future partners in EVR."*

## Overview of EVR

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On close, assuming the POSCO roll-up proceeds, EVR will own 100% interests in the entities holding the Elkview, Fording River, Greenhills and Line Creek mines in Southeast British Columbia, and 46% of Neptune Terminals in North Vancouver.

Key historical information on EVR, as reported by Teck, is outlined below:

- Production of steelmaking coal of 21.5 mt in 2022 and 17.3 mt year to date to 30 September 2023
- EBITDA of C\$7.4 bn in 2022 and C\$3.7 bn year to date to 30 September 2023
- Profit before tax of C\$6.0 bn in 2022 and C\$3.1 bn year to date to 30 September 2023
- Gross assets as at 30 September 2023 of C\$18.5 bn

Global population growth, increased urbanisation, and a growing middle class should continue to drive long-term demand for steel and the steelmaking coal required to produce it. The high-quality steelmaking coal mined in the Elk Valley is an essential input to steelmaking in its current form. Steel is necessary for constructing transportation and infrastructure such as ocean-going vessels, rail, bridges and buildings, as well as energy transition infrastructure including wind turbines, all such products being critical to our current and future way of life.

### **Benefits to Canada**

Glencore has a proven history and track record of acquiring, developing, operating and rehabilitating coal mines, for the benefit of stakeholders, including employees, local communities, and host governments.

Glencore's Canadian assets form a significant part of our global business with c. 9,000 people in Canada including contractors and have a history that dates back more than 100 years. Glencore is one of the largest diversified miners and suppliers of critical minerals in Canada. Our current operations span seven industrial assets producing and recycling mainly nickel, copper, zinc and cobalt.

Glencore has a strong track record of investment in the country and is committed to building on EVR's continuing success as a world-class Canadian steelmaking coal producer with a focus on social and environmental responsibility. In this respect, consistent with Glencore's long history of success in, and commitment to, Canada, under the terms of the agreement with Teck, Glencore will offer to enter into commitments with the Canadian government under the ICA that will ensure, among other things, that:

- EVR will continue to operate in Canada through both a Vancouver head office and regional offices in Calgary, Alberta, and Sparwood, British Columbia, including completing the construction of a new Sparwood office.
- EVR will maintain significant employment levels in Canada with no net reduction in the number of employees in the business in Canada as a result of the transaction.
- EVR will increase capital expenditures in Canada such that they will amount to over C\$2 billion (excluding deferred stripping) over three years.
- EVR will increase research and development activities in Canada to at least C\$150 million over three years, including on innovation in relation to water quality treatment technologies – a 50% increase over current levels.
- EVR will increase its contributions to Canadian sponsorship, community and charitable programs.
- EVR will participate as a major funding partner with up to C\$15 million for the proposed renal/oncology addition to the East Kootenay Regional Hospital in Cranbrook.
- EVR will have a goal to become a nature positive business by conserving or rehabilitating at least three hectares for every one hectare affected by its mining activities going forward.
- EVR will develop and implement a climate transition strategy which will include medium term scope 1 and 2 emissions reduction targets, a long-term goal of net zero in respect of scope 1 and 2 emissions by 2050 as well as a commitment to work with partners towards an ambition to achieve net-zero Scope 3 emissions by 2050.

- EVR will honour the existing agreements between EVR and Indigenous Nations and will work with local Indigenous Nations to identify opportunities to increase participation in benefits from the activities of EVR.

A summary of these commitments is set out in the Appendix to this announcement.

### **Demerger**

Glencore continues to believe that a standalone company containing its combined coal and carbon steel materials business, including Glencore's stake in EVR, would be well positioned as a leading, highly cash-generative bulk commodity company, likely attracting strong investor demand given such yield potential.

As before, Glencore therefore intends to demerge the combined business, once Glencore has sufficiently delevered, which is expected to occur within 24 months from close. Glencore will manage its post-demerger balance sheet, post servicing its formulaic base cash distribution, to a revised c.US\$5 billion net debt cap, down from the current level of c.US\$10 billion, alongside our continued commitment to minimum strong BBB/Baa ratings.

Glencore intends for the demerged company to continue to oversee the responsible decline of its thermal coal operations in line with Glencore's current targets and ambition to achieve net zero by 2050, with a supportive policy environment, and to adopt the climate transition strategy for the EVR business that will be developed and implemented pursuant to Glencore's ICA commitments.

### **For further information please contact:**

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This announcement contains inside information.

**Glencore LEI:** 2138002658CPO9NBH955

## Appendix 1

### Summary of Proposed ICA Commitments

Glencore will submit to the Director of Investments written undertakings to His Majesty the King in right of Canada that are consistent with all of the commitments set out below, each of which shall have a term of three years commencing from closing of the acquisition of EVR.

1. EVR will continue to be operated through an entity incorporated under the laws of Canada or of a province or territory thereof.
2. EVR will maintain its Canadian head office in Vancouver, British Columbia, and will have regional offices in Calgary, Alberta, and Sparwood, British Columbia, that will oversee and support EVR's operations. EVR's offices will perform a wide range of functions in Canada including finance (management reporting and budgeting, internal controls and assurance, financial reporting and accounting), logistics, research and innovation, technical services, community and government affairs, legal, ESG engagement, stakeholder relations, human resources, compliance, regulatory and public affairs.
3. EVR will complete construction of the new office facility in Sparwood, British Columbia.
4. At least a majority of the directors of EVR, and at least a majority of executive and senior management level roles of EVR, will be comprised of Canadians.
5. In the event of a public listing of a company that, directly or indirectly, owns EVR following a demerger, during the term of these undertakings, the company whose shares are listed will have a listing on the Toronto Stock Exchange (TSX) and Canadians will participate on the board of directors of any such listed company.
6. EVR will continue to have significant employment levels in Canada.
7. EVR will maintain the terms of its current collective bargaining agreements and when they expire negotiate in good faith the terms of the new agreements.
8. EVR will maintain and, where appropriate, enhance health and other benefits provided to its employees.
9. Canadians will be given a full and fair opportunity to apply and compete for employment opportunities that arise at EVR in Canada; separately, opportunities will be created for Canadians to obtain international experience in Glencore's global operations.
10. EVR will increase capital expenditures such that they will amount to over C\$2 billion over the term of the undertakings, not including deferred stripping.
11. EVR will undertake significant research and development activities in Canada, totalling at least C\$150 million over the term of the undertakings, including on innovation to develop water quality treatment technologies.
12. EVR will continue to use Canadian and Indigenous suppliers of goods and services in a manner consistent with its past practice.
13. EVR will spend at least C\$30 million on sponsorship, community and charitable programs in local communities over the term of the undertakings which will include honoring EVR's existing commitments in respect of specific projects and ongoing participation in local community events and charities investing in improvements to housing and daycare access.

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14. EVR will participate as a major funding partner for the proposed renal/oncology addition to the East Kootenay Regional Hospital in Cranbrook should it proceed, with a funding commitment of up to C\$15 million.
  15. EVR will continue to maintain in Canada all of its registered Canadian IP (namely patents, trademark registrations, and copyright registrations).
  16. EVR will maintain or, where appropriate, enhance its training and development programs.
  17. EVR will maintain a Graduate program that provides at least 40 Engineer-in-Training/Professional-in-Training graduate positions per year to people with mining and mining industry related technical qualifications from universities in Canada.
  18. EVR will maintain a co-op training program for university students to help build a pipeline of Canadian mining professionals in a range of disciplines which could include mining engineering, geotechnical engineering, geology, mechanical engineering, electrical engineering, process engineering, environmental science, organizational development, health & safety, business and information technology. This training program will support a cohort of at least 220 students annually.
  19. EVR will maintain its participation in relevant Canadian industry associations.
  20. EVR will spend at least C\$200 million on rehabilitation and closure activities over the term of the undertakings and will implement Glencore's Policies and Standards in relation to rehabilitation and closure which includes:
    - a. closure practices that are aligned to international good practice including those of the ICMM;
    - b. progressive rehabilitation being undertaken wherever possible;
    - c. having a credible closure plan in place that could be initiated at any time;
    - d. external financial provisioning, as required by the relevant regulatory authority in the jurisdiction, e.g., bonds, payments or other, based on the rehabilitation liability for the current disturbance footprint;
    - e. internal provisioning for post-closure costs that matches the asset's specified closure objective; and
    - f. ensuring that consideration has been given to all options for post operational land use.
  21. EVR will have a goal to becoming a nature positive business by conserving or rehabilitating at least three hectares for every one hectare affected by its mining activities going forward.
  22. EVR will continue to implement the Elk Valley Water Quality Plan, including by continuing ongoing research and development aimed at developing and implementing innovations to manage and improve water quality in relation to its operations.
  23. EVR will develop and implement a climate transition strategy for its business that will include:
    - a. medium term targets in respect of Scope 1 and Scope 2 emissions at EVR's operations which will seek to achieve or enhance the existing goals or targets set by EVR having regard to what is practical and feasible given existing technologies;
    - b. a long-term goal to net zero in respect of Scope 1 and 2 emissions by 2050; and

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- c. a commitment to work with partners towards an ambition to achieve net-zero Scope 3 emissions by 2050, recognising that achievement is uncertain and we cannot ensure the outcome alone;
24. EVR will implement Glencore's ethics and compliance programme and will appoint a Regional Compliance Officer for its business.
  25. EVR will maintain and, where appropriate, enhance its corporate policies regarding diversity and inclusion and health and safety.
  26. EVR will implement Glencore's Group Sustainability Framework with the following specific goals:
    - a. Protecting its people and communities' health and promoting well being;
    - b. Protecting its people by creating workplaces free from fatalities and injuries;
    - c. Being a responsible operator who minimises and mitigates its impacts on the environment and seeks opportunities to protect and restore ecosystems where we operate;
    - d. Ensuring the safe, responsible and sustainable management of its Tailings Storage Facilities; and
    - e. Being a trusted community partner and supporter of socio-economic opportunity.
  27. EVR will honour the existing agreements between Teck Coal Limited and Indigenous Nations in a manner commensurate with its past practice, and will work with local Indigenous Nations to identify opportunities to increase participation in benefits from the activities of EVR.
  28. Glencore or EVR, as appropriate, will notify the Director of Investments at least five days prior to the implementation of any decision that would materially affect the performance of these undertakings.

## 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](https://glencore.com/publications).

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The companies in which Glencore plc directly and indirectly has an interest are separate and distinct legal entities. In this document, "Glencore", "Glencore group" and "Group" are used for convenience only where references are made to Glencore plc and its subsidiaries in general. These collective expressions are used for ease of reference only and do not imply any other relationship between the companies. Likewise, the words "we", "us" and "our" are also used to refer collectively to members of the Group or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

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