

Investment Stewardship

Vote Bulletin: Glencore Plc

Company	Glencore Plc (LSE: GLEN)
Market and Sector	United Kingdom, Mining
Meeting Date	28 April 2022
Key Resolutions ¹	Item 13: Approve Climate Progress Report
Key Topics	Climate risk
Board Recommendation	The board recommends shareholders to vote FOR Item 13
BlackRockVote	BlackRockvoted FOR Item 13

Overview

Glencore Plc (Glencore) engages in the production and marketing of metal, mineral, energy and agricultural commodities. The company was founded in 1974 and is headquartered in Baar, Switzerland.

BlackRock Investment Stewardship (BIS) has had multiyear engagements with Glencore to discuss a range of corporate governance and sustainability issues that we believe contribute to a company's ability to deliver the durable, long-term shareholder returns our clients depend on to meet their financial goals. This has included conversations about climate risk and opportunities, which BlackRock believes can be a defining factor in companies' long-term prospects.

In order to assess companies' strategies to navigate the energy transition, BIS engages with companies and, where we have authority to do so, votes proxies in the economic interests of our clients.² As discussed in our commentary, "[Climate risk and the global energy transition](#)," BlackRock's stewardship approach is based on our fundamental role as a fiduciary to our clients. As the world transitions over decades to a low-carbon economy, we are interested in hearing from the companies in which our clients are invested how they are assessing and managing the risks and opportunities arising from the global energy transition, while also managing for a reliable energy supply and a just transition. We look for companies to demonstrate they have plans that are

¹ Glencore Plc, "[Notice of the 2022 Annual General Meeting](#)".

² Voting on our clients' behalf, when authorized to do so, is one of our core Stewardship responsibilities. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests. We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. Climate-related voting decisions carefully assess companies' risk oversight and mitigation, alongside their disclosures detailing how climate risk and opportunity are integrated into their strategy and plans.

resilient under likely decarbonization pathways well below 2°C, as well as the global ambition to limit warming to 1.5°C.

As investors, we understand that net zero pathways will not be linear or streamlined; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.³ In this context, we believe the board and management are best positioned to determine what approach will best equip the company to navigate risks and opportunities in the context of the company's business model and sector. Thorough company disclosures allow investors to understand corporate climate action plans, track progress, and assess the strategic changes that a company may undertake to adapt their business models to respond to different energy transition scenarios.⁴

Rationale for BlackRock's vote

Item 13: Approve Climate Progress Report (FOR)

BIS supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan. We do, however, believe there are areas where the company could enhance its disclosure.

At the 2022 annual general meeting (AGM), management proposed an advisory, non-binding shareholder vote on the company's Climate Action Transition Plan.⁵ The proposal "provides an opportunity for shareholders to provide an advisory vote on [Glencore's] activities and progress against [the company's] Climate Action Transition Plan," which was first proposed to shareholders at the 2021 AGM and received 94% support, including from BlackRock.

As expectations regarding the mitigation of climate risks increased for the sector, Glencore was one of the first mining companies to propose an advisory vote on its climate action plan at the company's 2021 AGM. Glencore was also one of the first large, diversified mining companies to publish a target for reducing scope 3 emissions. Many of Glencore's peers have since also proposed climate plan votes and disclosed scope 3 emissions reduction targets.

The substance of Glencore's climate strategy has not changed significantly since the plan was originally presented for a shareholder vote at last year's AGM. In December 2021, Glencore published its "Climate Progress Report" outlining the company's approach to managing climate risk and progress made during the year. Glencore's strategy includes plans to actively transition its business model and achieve net zero total emissions by 2050, phase down thermal coal production and develop metals and minerals such as copper, cobalt, nickel, zinc, silver and vanadium that are critical for the low-carbon transition in transportation, infrastructure and energy systems.⁶ During this transition, Glencore's approach to the responsible phase down of the company's coal portfolio is aimed at meeting critical regional energy needs at an affordable cost, particularly in the near-term.

Regarding scope 1 and 2 GHG emissions, Glencore's operations have a high carbon intensity relative to peers, and about 40% of the company's annual emissions are from the purchase of electricity. The Climate Progress

³ BlackRock Inc., "[Managing the Net-Zero Transition](#)", February 2022.

⁴ We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy makers and consumers, have a role to play to ensure a better equilibrium between supply and demand, given the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in achieving that equilibrium.

⁵ Glencore Plc, "[Pathway to net zero, 2021 progress report](#)".

⁶ IEA, "[The Role of Critical Minerals in Clean Energy Transitions](#)"

Report describes how Glencore is addressing these emissions through a combination of initiatives including the electrification of the company's mining fleet and the increased usage of renewable power.

Previously, Glencore had a target to reduce absolute scope 1, 2 and 3 emissions by 40% by 2035 (over a 2019 base year). The company raised this target to a 50% reduction in emissions over the same time period in the recent progress report.⁷ The updated target also includes a restated baseline to account for Glencore's 100% ownership of the Cerrejón coal mine in Colombia following the acquisition of the stakes of two joint venture partners. Although this will increase reported coal production in the short term, Glencore has clearly explained how acquiring full ownership is consistent with their commitment to a responsible and managed phase down of their coal portfolio and confirmed that the progressive expiration of the project's current mining concessions by 2034 is in line with Glencore's stated climate ambitions. By supporting this proposal, BIS recognizes that the company has a clearly disclosed plan to manage climate-related risks and opportunities and has started to make progress against the plan, a transition that will entail a journey over years, not months.

That said, we believe there are areas where Glencore's disclosure through the progress report and underlying action plan could be enhanced. While we understand the potential sensitivities of mine closure plans, additional details on the key milestones for the phase down of coal operations would be helpful for investors to better understand the climate risks, challenges and opportunities Glencore is facing and to measure progress on an ongoing basis, as well as to foster confidence in the Climate Action Transition Plan.

Glencore's 2026, 2035 and 2050 targets to reduce scope 3 emissions indirectly indicate an expected pace of coal phase down. However, the company does not commit to exact dates or plans to phase out specific mines in its Climate Progress Report. We believe that it would be helpful for investors if the company's future Climate Progress Reports included more details at the asset level, including the expected impact on the pace of the decarbonization of coal projects such as Valeria and Wandoan and the potential extension of the life of Glendell and Hunter Valley mines to 2044 and beyond.⁸

Furthermore, Glencore contends that their 2026 target lies within the range of the United Nations' Intergovernmental Panel on Climate Change (IPCC) 1.5-degree scenarios and that their 2035 target is aligned to the International Energy Agency (IEA) Net Zero Emissions (NZE) by 2050 scenario. We recognize that there is not currently a generally accepted methodology to define the alignment of corporate targets with 1.5°C scenarios for a diversified mining company like Glencore with significant exposure to thermal coal. As a result, the alignment with a 1.5°C scenario is subject to interpretation, including on the choice of underlying assumptions and pathways. We believe investors would benefit from independent assurance of these claims.

We will continue to engage with Glencore to monitor progress against the Climate Action Transition Plan and the above-mentioned areas for enhanced reporting on progress, which will be carefully considered in future voting decisions, as well as the consistency between corporate decisions and stated climate ambitions.

⁷ Glencore Plc, "[Pathway to net zero, 2021 progress report](#)".

⁸ The Wandoan Coal Project has been on hold since 2013.

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.⁹

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship
contactstewardship@blackrock.com

This Vote Bulletin is provided for information and educational purposes only and does not constitute legal advice, a recommendation or an offer or solicitation to buy or sell the securities of any company. The information here is as of May 20, 2022. BlackRock has no obligation to provide any updates. Investing involves risk, including the loss of principal.

Prepared by BlackRock, Inc.

⁹ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

©2022 BlackRock, Inc. All rights reserved. BLACKROCK is a trademark of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.