

GLENCORE

# 2022 BMO Capital Markets

Global Metals & Mining  
Conference

28 February 2022



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01 | The mining  
sector is due a  
re-rating

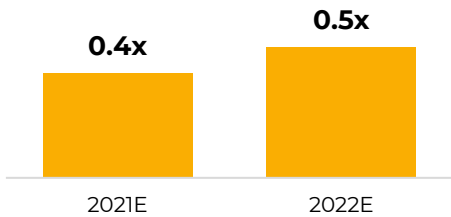
**Gary Nagle**

Chief Executive Officer

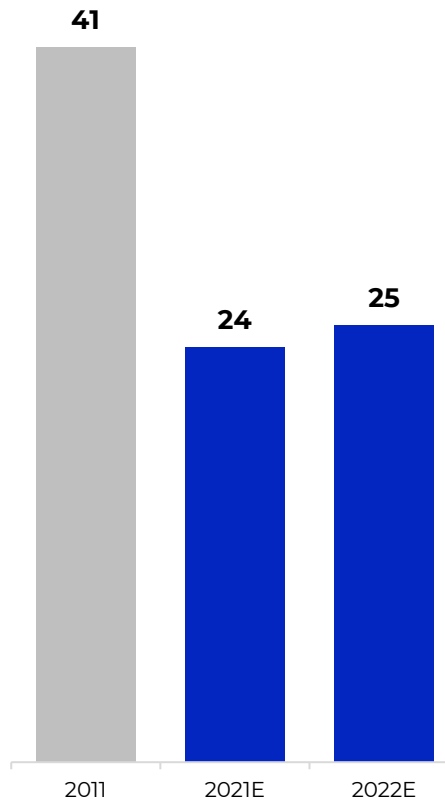


# Conservative balance sheets, capital discipline and robust industry prospects

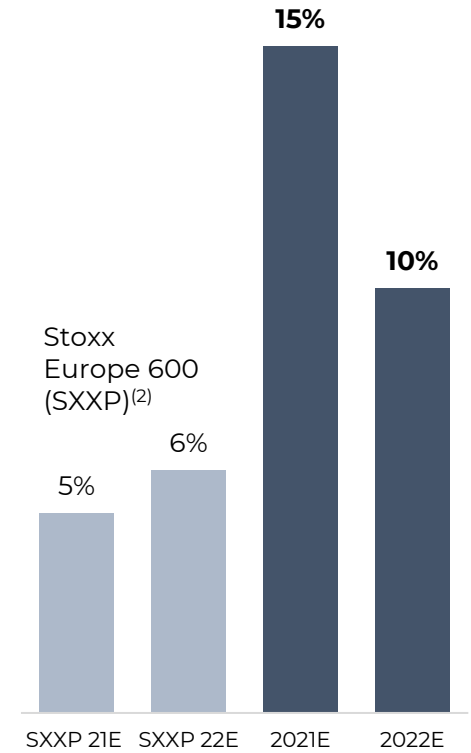
**Leverage is low**  
(Net debt/EBITDA)<sup>(1)</sup> ...



**Capex plans remain restrained** (\$bn)<sup>(1)</sup> ...



**and we are generating market-leading FCF yields** (%)<sup>(1)</sup>

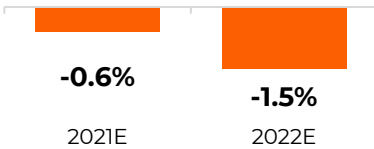


Notes (1): Includes Anglo American, BHP, Glencore and Rio Tinto. BHP FY21. Source: Morgan Stanley Research, Capital IQ. (2) 521 companies with available forecasts. FCF defined as Net Cash From Operations – Capex. Source: Capital IQ.

# Our cashflow generation power is compelling ...

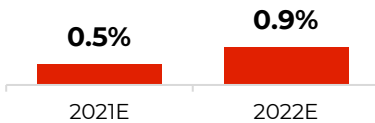
## EV Batteries:

A leading producer  
FCF yield<sup>(2)</sup>



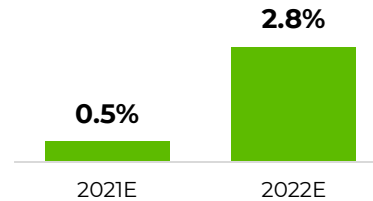
## Electric vehicles:

A leading producer  
FCF yield<sup>(2)</sup>

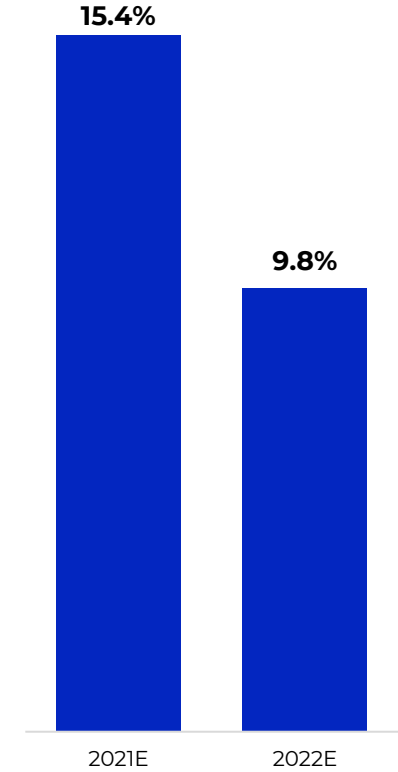


## Renewable energy:

A leading wind turbine  
producer FCF yield<sup>(2)</sup>



## Major diversified miners FCF yield<sup>(1,2)</sup>



Notes (1): Includes Anglo American, BHP, Glencore and Rio Tinto. BHP FY21. (2) Source: Morgan Stanley Research, Capital IQ.

THE MINING SECTOR IS DUE A RE-RATING

# ... let's see it another way!

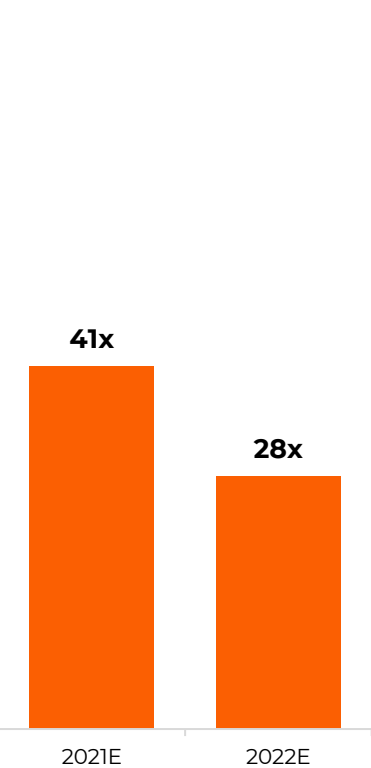
**Major diversified miners** EV/EBITDA<sup>(1,2)</sup>



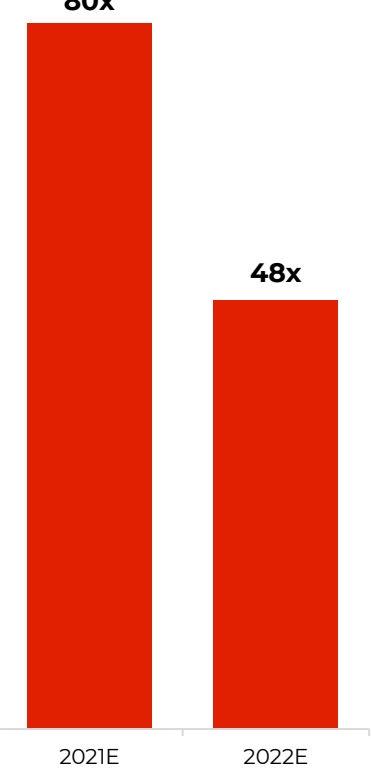
**Renewable energy:**  
A leading wind turbine producer EV/EBITDA<sup>(2)</sup>



**EV Batteries:**  
A leading producer EV/EBITDA<sup>(2)</sup>



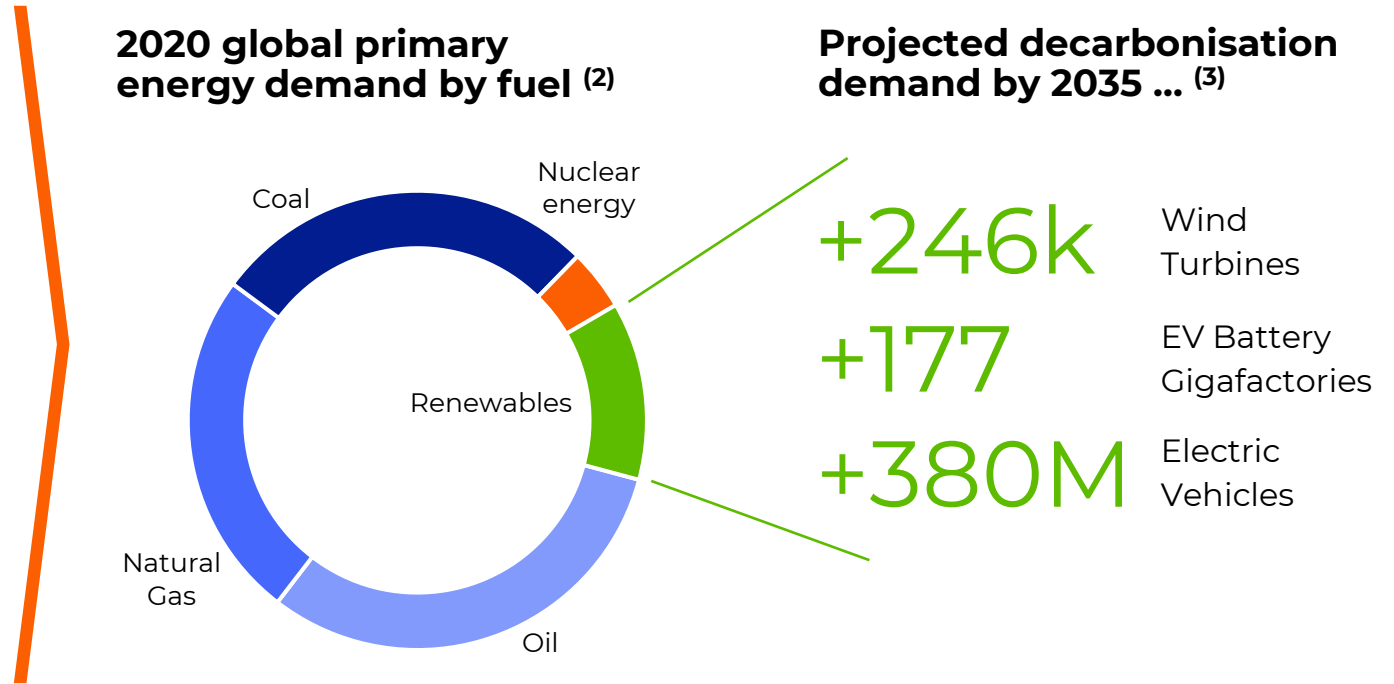
**Electric vehicles:**  
A leading producer EV/EBITDA<sup>(2)</sup>



Notes (1): Includes Anglo American, BHP, Glencore and Rio Tinto. BHP FY21. (2) Source: Morgan Stanley Research, Capital IQ.

# But we have the same future demand profile

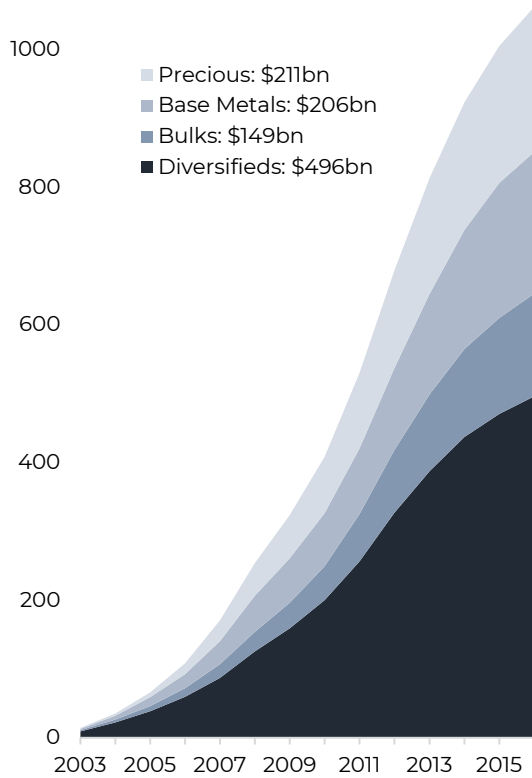
**Achieving a Net Zero Emissions pathway<sup>(1)</sup> requires electrification of energy demand with metals intensive technologies**



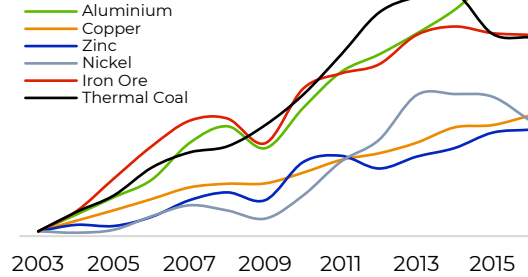
(1) IEA NZE 2050 Radical Transformation pathway. (2) bp Statistical Review of World Energy 2021, Primary energy: Consumption by fuel, Renewables includes Hydroelectricity demand. (3) BNEF – NEO 2021, Economic Transition Scenario. Wind power capacity growth 2022-2035 of 1844GW equals 246,000 7.5MW turbines. 2035 Li-ion battery demand of 23TWh equals c.177 Gigafactories assuming an average size of 18GWh. Cumulative EV sales 2022-2035: 380 million

# The sector's track record on capital allocation has not been great ...

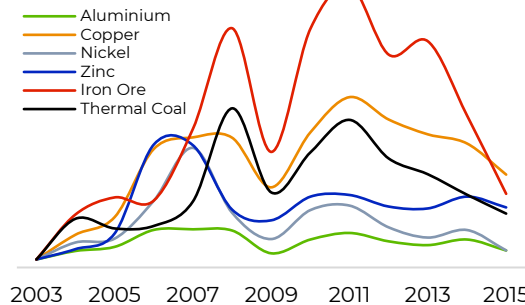
**The Sector invested more than \$1 trillion of capex between 2003 and 2015, ...** <sup>(1)</sup>



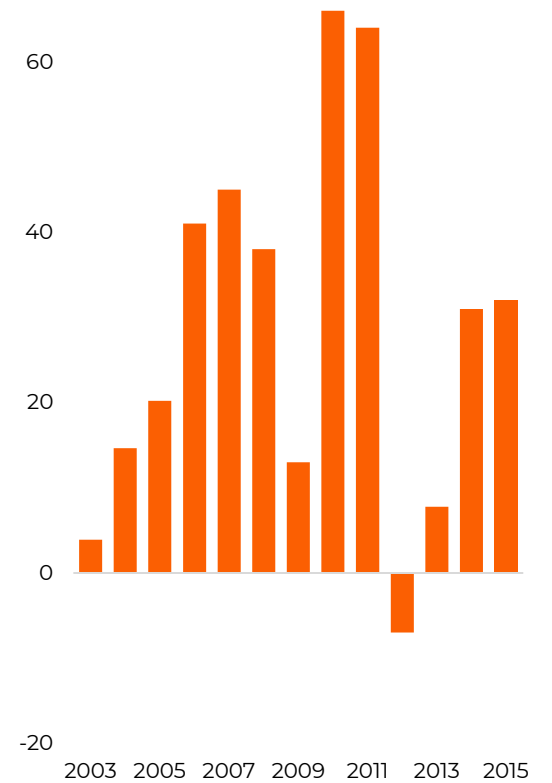
**... increasing supply in most commodities, ...** <sup>(2)</sup>



**... lowering commodity prices, ...** <sup>(3)</sup>



**... and generating just \$370bn of cumulative free cash flow** <sup>(4)</sup>



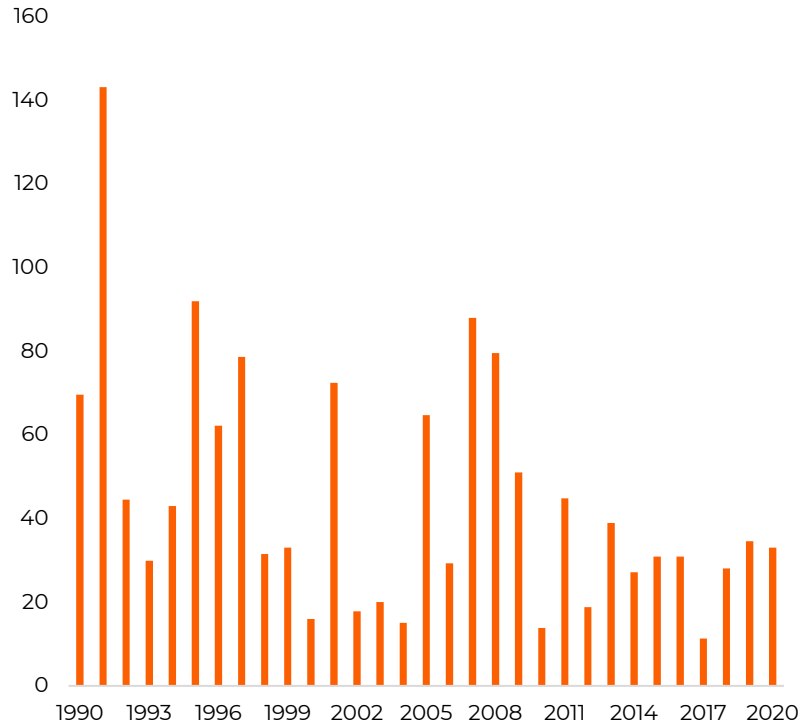
Notes: (1) Cumulative capex from 2003 segmented by company type, Source: Citi Research, Morgan Stanley. (2) Annual supply indexed to 2003, Source: Citi Research, Morgan Stanley Research, Wood Mackenzie, USGS. (3) Commodity prices indexed to 2003, Source: Citi Research, Morgan Stanley Research, Bloomberg, Wood Mackenzie. (4) Sector annual free cash flow from 2003 to 2015 defined as operating cash flow less reported capex. Source: Citi Research, Factset.



**... it appears the risk of producers now oversuppling markets is lower**

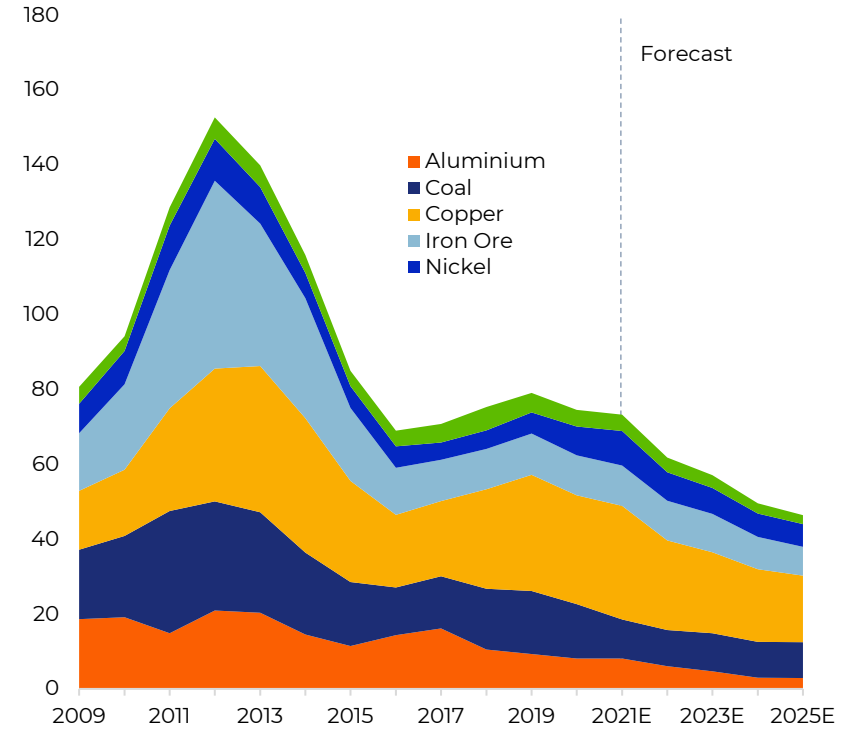
**Discovery of new resources remains limited**

Copper in major discoveries (Mt)<sup>(1)</sup>



**Trajectory of Capex**

Expansionary and sustaining capex by commodity (\$bn)<sup>(2)</sup>



Notes: (1) S&P Global Market Intelligence, "Recent copper discoveries fail to alter downward trend", 18 May 2021, bars reflect copper in reserves, resources and historical production plus projected new copper in major discoveries. (2) Source: Wood Mackenzie 2021 Q4

# The sector should re-rate on improved sustainability of cash flows

## 1 Supply growth is constrained

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### **The sector appears poorly setup to meet the decarbonisation metals needs of the future**

- Limited inventory of shovel ready projects
- Declining grades
- Heightened sovereign risks
- Complex ESG challenges
- Shareholder returns often favoured over reinvestment

## 2 Significant forecast metals demand

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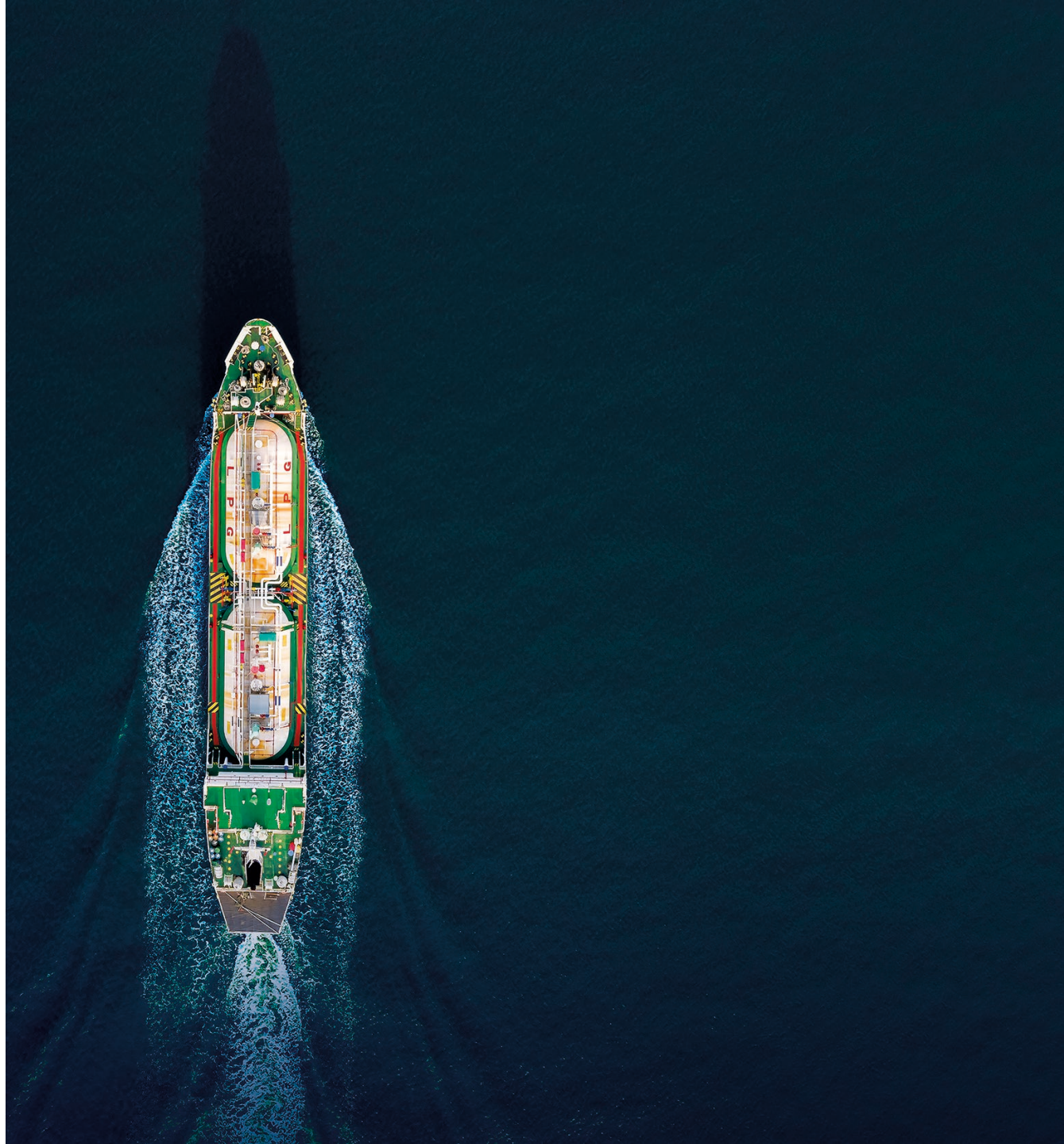
### **We appear to be on a multi-decade pathway to electrify energy demand**

- Metals are critical for the technologies that underpin decarbonisation
- Compound annual average growth in future metals demand forecast at double historical rates<sup>(1)</sup>
- Potential additional demand from infrastructure and Covid-19 related stimulus

Notes: (1) Glencore modelled estimates under a Rapid Transition pathway, refer to slide 25 of the 2020 Preliminary Results presentation. Decarbonisation metals demand refers to copper, nickel, cobalt and zinc

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02 | Uniquely  
Positioned



# Industry-leading portfolio of future facing commodities<sup>(2)</sup>

## Large-scale, low-cost transition metals portfolio 2022 production and unit cash cost estimates<sup>(1)</sup>

### Copper (kt)

Own source production (kt)

1,150 ± 30

2022F unit cash costs (c/lb)

41

### Zinc (kt)

Own source production (kt)

1,110 ± 30

2022F unit cash costs (c/lb)

-8

### Nickel (kt)

Own source production (kt)

115 ± 5

2022F unit cash costs (c/lb)

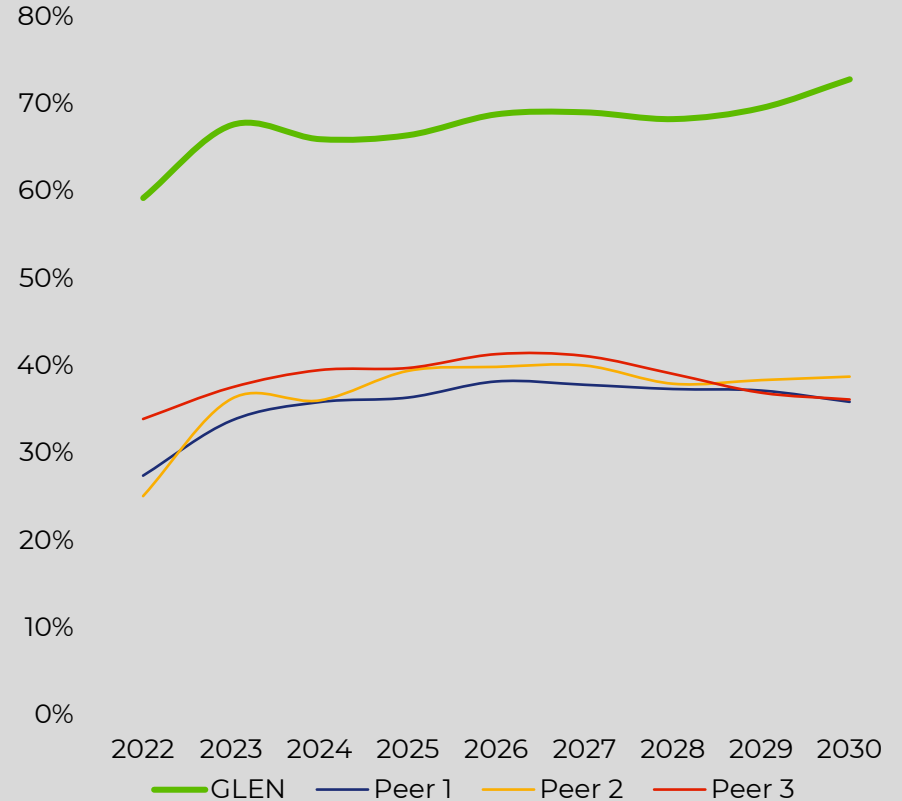
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### Cobalt (kt)

Own source production (kt)

48 ± 3

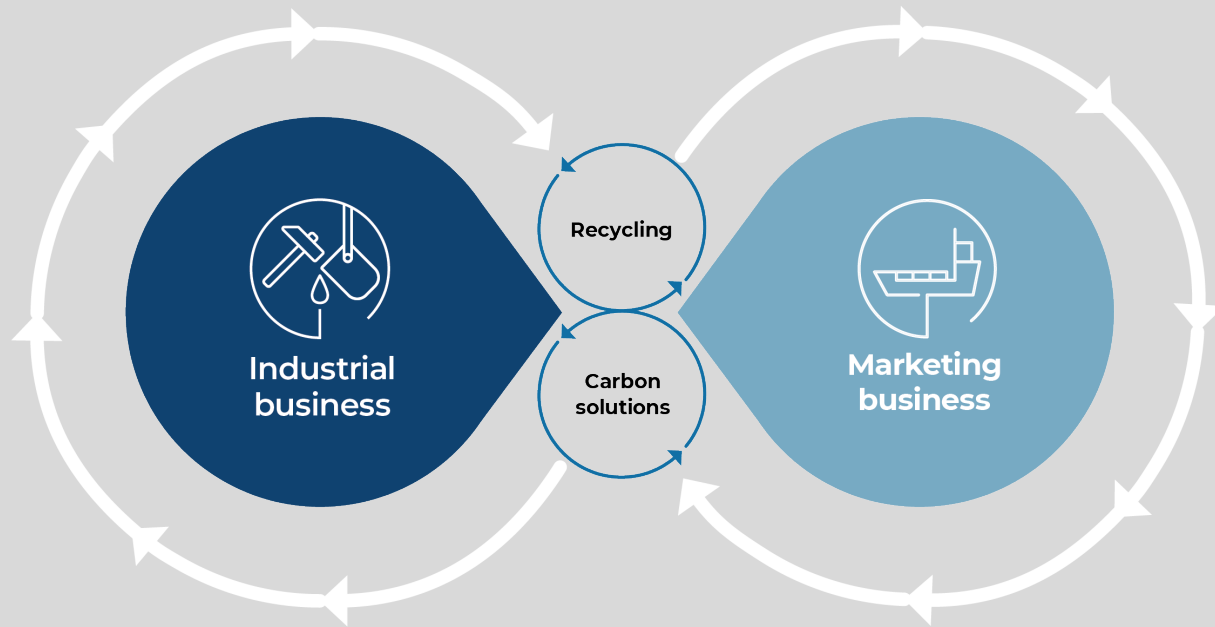
## Exposure to future facing commodities (FFC) FFC share of EBITDA<sup>(2)</sup>



Notes: (1) 2021 Preliminary Results presentation, slide 18, 28. (2) Future Facing Commodities include copper/cobalt, lead/zinc, nickel, aluminium. Source: Barclays Equity Research, February 2022.

UNIQUELY POSITIONED

## The right elements to succeed in a net zero economy



### **We have the raw materials the world needs**

We produce, recycle, source, market and distribute the commodities needed by our suppliers and customers to decarbonise, while simultaneously reducing our own emissions

### **We are present at key points in the value chain from where commodities are produced to where they are consumed and then recycled**

**We are uniquely positioned to generate sustainable and growing returns in the transition to a low-carbon economy**

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03 | Appendix



# Ethics and compliance

**We are committed to upholding a culture of ethics and compliance across our business**

We have dedicated substantial resources over the last few years to upgrade and implement a best-in-class Ethics and Compliance programme

We have made significant investments in compliance personnel, systems and external assurance

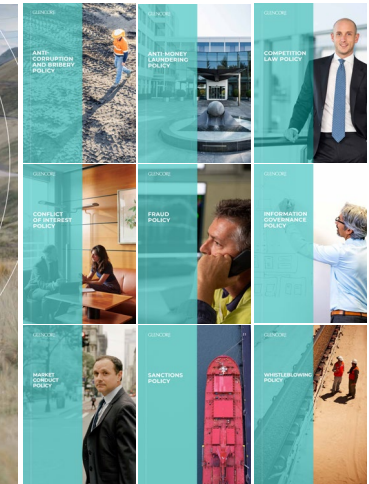
Our Group Compliance team, which is independent of the business, supports the implementation of the programme and is comprised of corporate and regional teams as well as local compliance officers and coordinators in our offices and assets

We have strengthened our Values and Code of Conduct and rolled them out through a comprehensive global campaign designed to embed them throughout our business

Our Values of safety, integrity, responsibility, openness, simplicity and entrepreneurialism guide us in everything that we do

We expect all employees to commit to our Code regardless of who they are or where they work. Everyone is accountable for living up to our Values, incorporating the Code into their lives and encouraging their colleagues to do the same

We have also strengthened our policy framework, which comprises a suite of policies, standards, procedures and guidelines. The policies are publicly available on our website and set out the commitments through which we strive to be a responsible and ethical operator



## Our strategy

- > enabling decarbonisation
- > help meet demand for everyday metals
- > responsibly meet the energy needs of today

### The right strategy

We have aligned our future to the goal that shapes all of ours – achieving a Paris aligned pathway to limit the global temperature increase to 1.5°C by 2050

Our business model is uniquely placed to produce, recycle and market the materials needed to decarbonise energy while simultaneously reducing our own emissions

The energy transition will be non-linear across time and geography, with the responsible decline of our coal portfolio meeting critical regional energy needs and affordability through this evolution



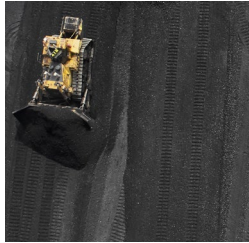
# Pathways to achieve our carbon emissions reduction commitments



Managing our operational footprint

Reducing our Scope 1 and 2 emissions

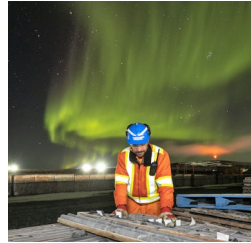
**Doubling of identified value accretive Scope 1+2 MACC opportunities in 2021. Executing on many**



Reducing Scope 3 emissions

Unique capability to reduce emissions through prioritising investment into metals and decisively reducing our coal production over time

**Commitment to more aggressive total emission reductions with inclusion of a 15% short-term 2026 target and an increase in our 2035 target to 50% (from 40%)**



Prioritising capital for transition metals

Investing in the commodities that enable the transition

**The vast majority of our capex is allocated to transition metals. Our energy capex will reflect the commensurate committed decline in our coal portfolio with funds allocated to ensure safe and efficient and ultimately well rehabilitated operations**



Collaborating with our supply chains

Working in partnership with customers and supply chains to enable greater use of low-carbon metals

**Long-term supply agreements concluded for green aluminium and cobalt, including Natur-Al aluminium to Hammerer, partially recycled cobalt to FREYR and long-term responsible cobalt supply to Britishvolt**



Supporting uptake and integration of abatement

An essential contributor to achieving low or net zero carbon objectives

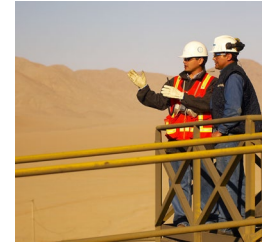
**MOU signed with China Huaneng for cooperation on CCUS technology, commencing with our CTSCo project at the Millmerran power station in Queensland, Australia**



Improving resource efficiency

Contributing to the circular economy

**We are one of the world's largest recyclers of end-of-life electronics, batteries and battery metals. We plan to grow our global footprint and recently announced a new partnership with Britishvolt to build a battery recycling ecosystem at our BRM facility in the UK**



Transparent approach

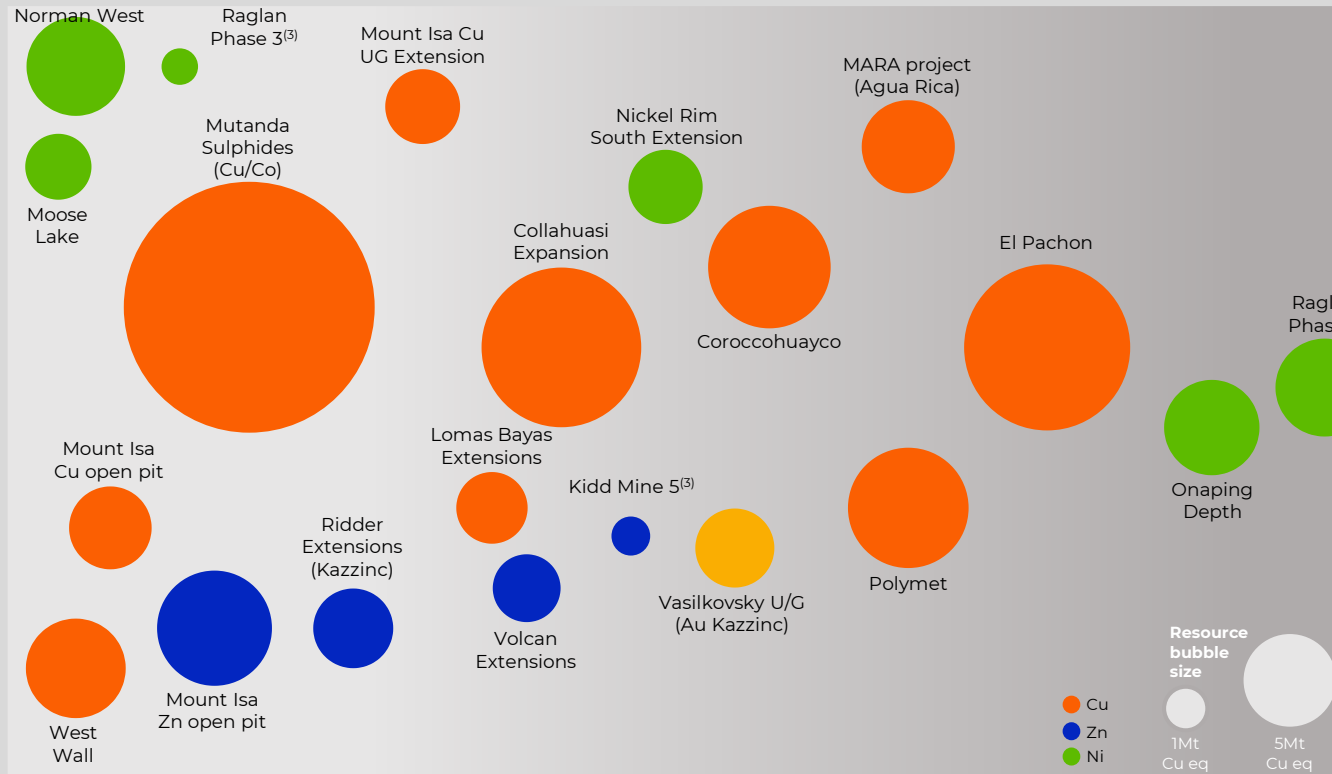
Reporting on our progress and performance

**Shareholder AGM advisory vote on our Climate Action Transition Plan (CATP) received more than 94% support**

# Delivering our strategy: prioritising transition metals

## Major project growth pipeline

by Measured and Indicated Resource<sup>(1)</sup> – kt Cu eq<sup>(2)</sup> equity share



### Extensive portfolio of transition metals growth options

Assessment and categorisation of growth opportunities has progressed during the year. Continuing programme to identify/build/manage the capabilities needed to de-risk pipeline execution.

Higher capital efficiency growth with the majority of projects leveraging existing infrastructure.

Exploration / Concept } Pre-feasibility } Feasibility } Execution

(1) Basis 2021 Reserves and Resources Report. (2) Copper equivalent calculation based on long-term price assumptions. (3) Bubble size based on measured, indicated and inferred resources

## Delivering our strategy: simplifying and aligning our portfolio

Our 150+ operating sites are contained within 72 assets

Detailed portfolio review to identify the longer-life, lower-cost assets/sites that are required/enable us to produce, recycle and market the materials needed for the energy transition

We seek to monetise/continuously recycle capital from assets/sites that don't fit/align with our strategy

### Current state of play

9 Disposals

Transactions signed/closed include Mopani, Ernest Henry, Chad E&P, Chemoil US terminals, Karadeniz LPG terminal, Bolivian and Argentinian zinc assets, Access World and the Enyo oil downstream business

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14 Sales processes

Sales processes / discussions initiated across the portfolio

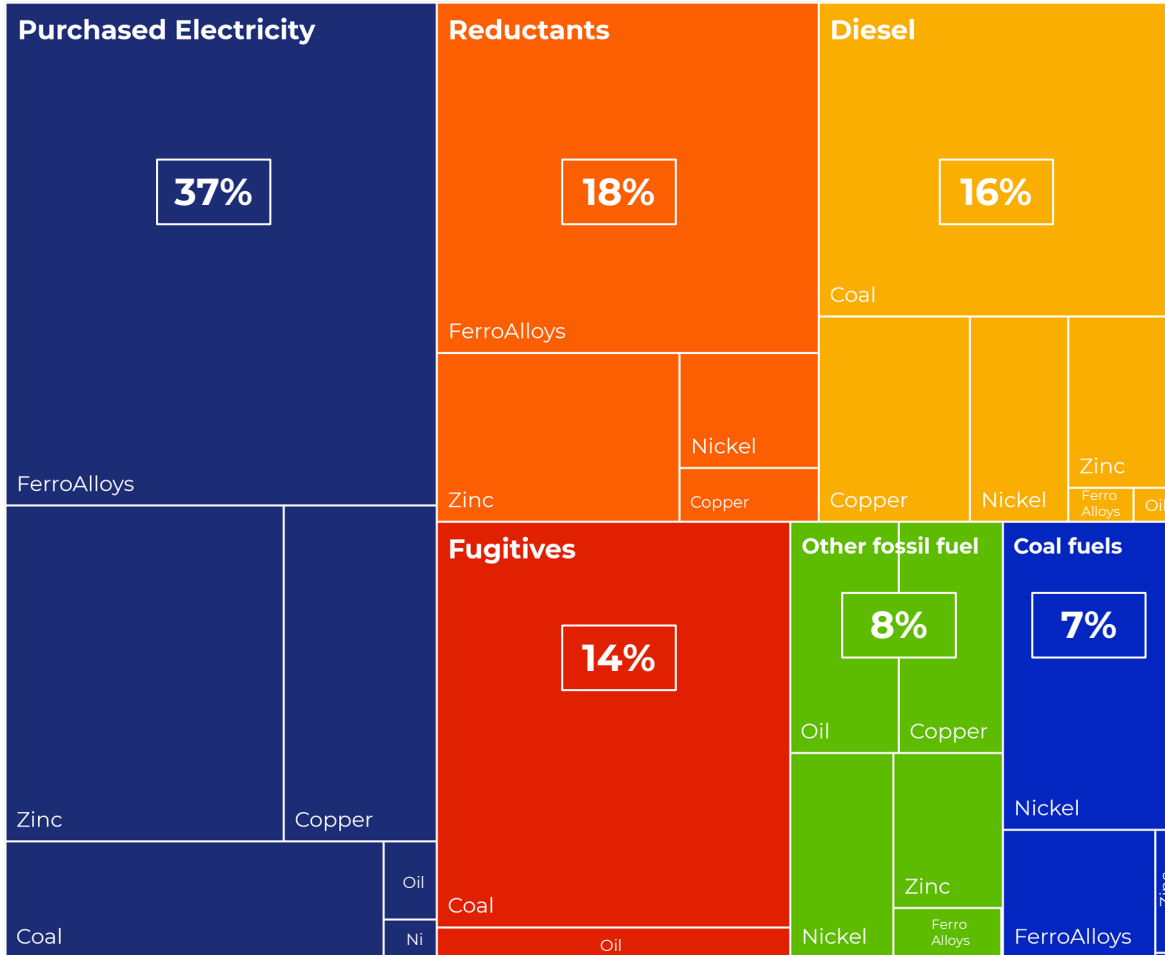
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13 Internal review

Further 13 assets under assessment for future long-term fit/alignment with the Group's strategy

# Reducing our operational emissions footprint

Scope 1+2 emissions 2019 baseline: 29.2Mt



## Purchased electricity

As a vertically integrated producer of metals, consumption of electricity by our smelting assets is a key focus of our decarbonisation plans

We will shift consumption to renewable energy (RE) in grids where viable and investigate best options for on-site RE for off-grid assets

## Reductants

Carbon reductants drive our largest Scope 1 footprint via our downstream processing into final metal products

These are harder to abate and require new processing technologies such as hydrogen

## Diesel and fugitive emissions

Diesel is also a large contributor to our Scope 1 emissions

We will assess fleet electrification opportunities at assets connected to grids with RE, supplemented by battery electric / hydrogen fuel cell fleet as they become commercially available, expected towards the end of this decade

The responsible decline of our coal assets will also materially reduce diesel and fugitive emissions

# Reducing our operational emissions footprint (cont)

## Our commodities and geographies are biased towards a value accretive decarbonisation pathway

Declining coal volumes lower our exposure to bulk commodity materials with the largest fossil fuel footprint



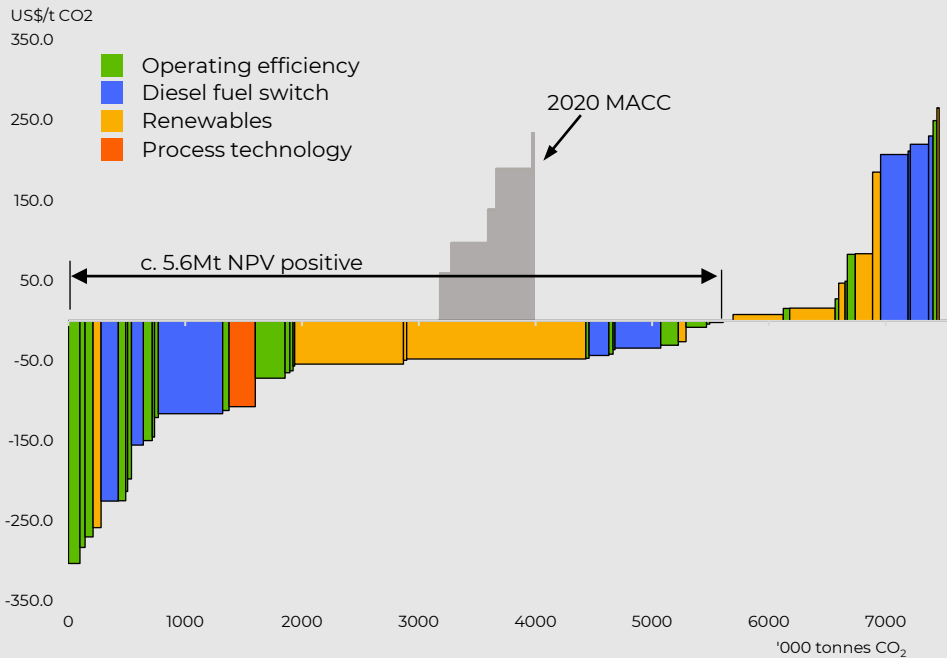
Our larger assets are well positioned for sourcing renewable energy (RE)

Available RE supply via grids in Latin America, Europe, Kazakhstan and 100% RE in the DRC. Transformation of the South African grid is now attractive - RE likely to be lower cost

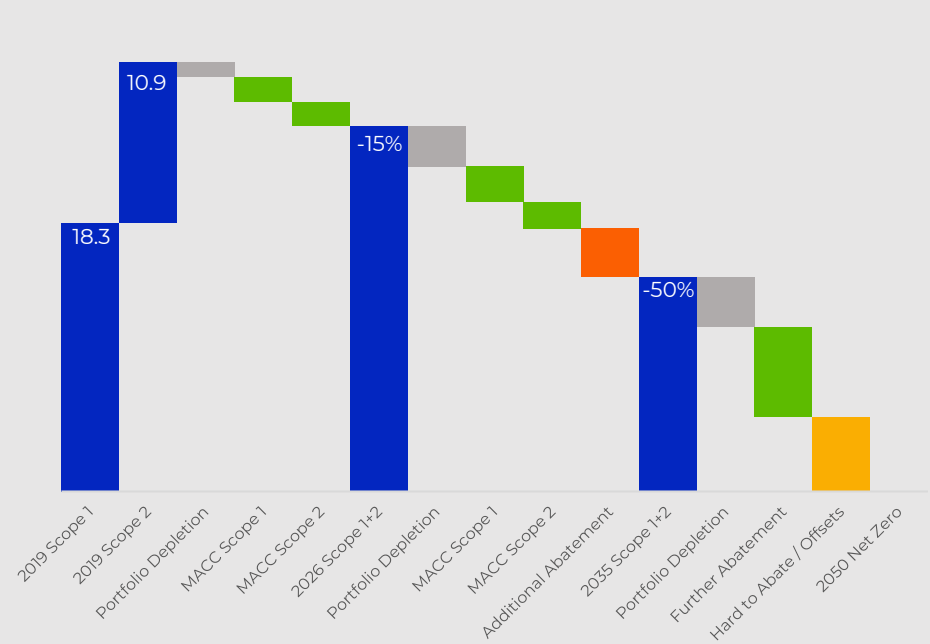


**Value accretive Scope 1+2 abatement opportunities expected to be funded within existing life of asset sustaining capex ranges/projections**

### 2021 MACC<sup>(1)</sup> (kt CO<sub>2</sub>e)



### Scope 1+2 emissions reduction pathway (Mt CO<sub>2</sub>e)

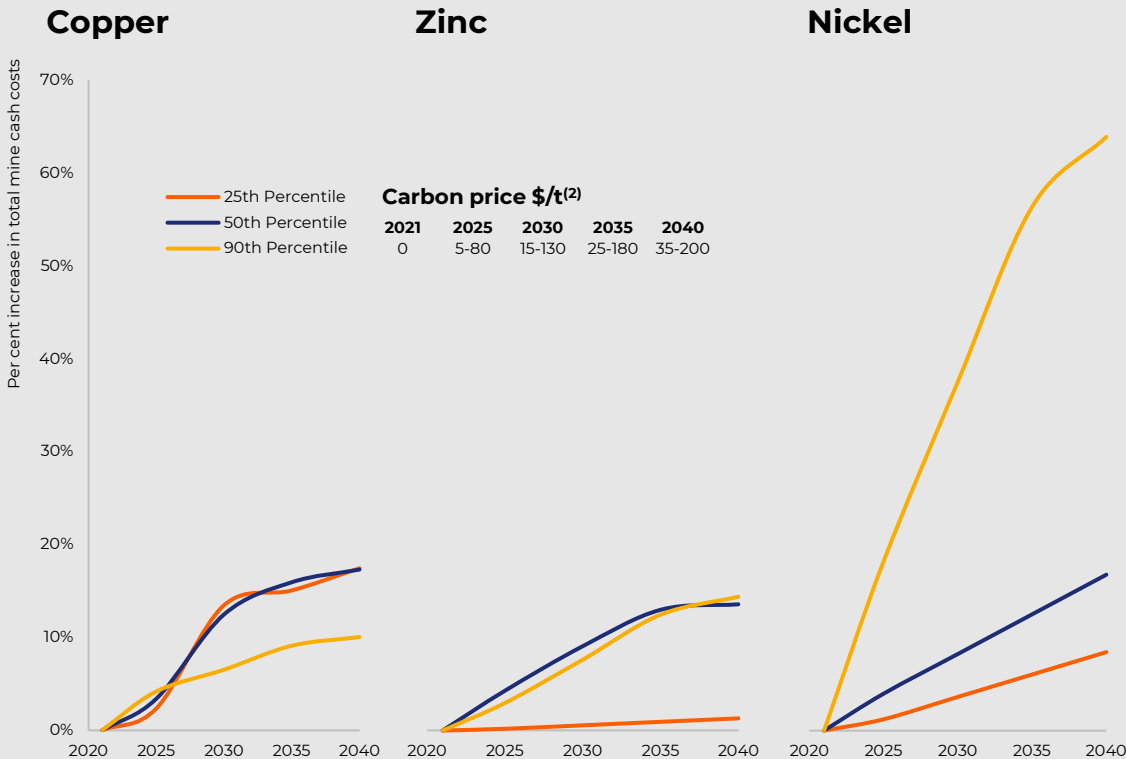


(1) We utilise our Marginal Abatement Cost Curve (MACC) to identify opportunities to act on cost-ranked emission reduction opportunities, including to mitigate against future anticipated higher carbon prices. The MACC is reviewed on an annual basis.

# Our portfolio's resilience to carbon prices

## Carbon price impact on industry cost curves<sup>(1)</sup>

Per cent increase in total mine cash costs



### The cost curves for our key transition metals are resilient to the impact of carbon prices

- Carbon prices of up to \$200/t by 2040 increase 1<sup>st</sup> and 2<sup>nd</sup> quartile costs by up to 17% in the case of copper and 14% for zinc
- Higher nickel sensitivity reflects the current prevalence of coal fired power in Indonesian supply
- The majority of our assets lie within the first and second quartiles
- Against a backdrop of generally healthy expected metals demand to support decarbonisation, additional taxes will most likely be passed through to end consumers, resulting in limited impact on producer margins
- In fact, 1<sup>st</sup> and 2<sup>nd</sup> quartile emission intensity producers will likely see margin expansion, the area of the emission intensity curves in which we see our copper/cobalt and zinc portfolio currently residing, together with our Canadian nickel assets

(1) Source: Wood Mackenzie, Glencore estimates. (2) Carbon prices reflect our Radical Transformation Scenario (equivalent to IEA NZE2050), refer page 26 of "Pathway to net zero, 2021 progress report", 2 December 2021.



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