



global witness

GLENCORE: a guide to the ‘biggest company you’ve never heard of’

WHO IS GLENCORE?

Glencore is the **world’s biggest commodities trading company** and 16th largest company in the world according to [Fortune 500](#). When it went public, it [controlled](#) 60% of the zinc market, 50% of the trade in copper, 45% of lead and a third of traded aluminium and thermal coal. On top of that, Glencore also trades oil, gas and basic foodstuffs like grain, rice and sugar.

Sometimes referred to as ‘the biggest company you’ve never heard of’, Glencore’s reach is so vast that almost every person on the planet will come into contact with products traded by Glencore, via the minerals in cell phones, computers, cars, trains, planes and even the grains in meals or the sugar in drinks.

It’s not just a trader: **Glencore also produces and extracts these commodities**. It owns significant mining interests, and in Democratic Republic of Congo it has two of the country’s biggest copper and cobalt operations, called KCC and MUMI.

Glencore [listed](#) on the London Stock Exchange in 2011 in what is still **the biggest ever Initial Public Offering (IPO) in the stock exchange’s history**, with a [valuation](#) of £36bn.

Glencore started life as **Marc Rich & Co AG**, set up by the eponymous and notorious commodities trader in 1974. In 1983 [Rich was charged](#) in the US with **massive tax evasion and trading with Iran**. He fled to Switzerland and lived in exile while on the **FBI’s most-wanted list** for nearly two decades. Rich was pardoned by President Bill Clinton on Clinton’s last day in office. In 1994 Marc Rich was [forcibly bought out by his own management](#) after an expensive and failed attempt to control the zinc market. The **company was renamed Glencore**, and has since tried to airbrush its Rich-era image.

However, Glencore has not managed to avoid controversy despite Rich’s departure. In [Argentina](#) it has faced **two lawsuits** since 2013 **for contaminating the environment** and another one for **smuggling minerals**. The company [owned nearly a quarter of South African mine ‘Lonmin’](#) when **34 striking miners were shot dead** in August 2013. People living near Glencore’s [Mopani plant in Zambia](#) have suffered **from terrible pollution** for decades.

There have been calls to investigate whether Glencore has engaged in **corrupt business practices**, in particular in relation to its deals with an **infamous businessman called Dan Gertler**.

WHAT IS GLENCORE ACCUSED OF DOING AND WHAT HAS GLOBAL WITNESS DONE TO EXPOSE THEIR STORY?

Global Witness has been investigating Glencore's business operations in Congo since 2012 and has exposed a number of suspect transactions.

In 2007 Glencore had an opportunity to take control of **Katanga Mining Limited**, a Toronto-listed company that owned the enormous **Kamoto copper mine** in Congo. In acquiring Katanga, Glencore found its **interests aligned with Dan Gertler**, a young mineral trader whose **personal friendship with Congolese President Joseph Kabila** had helped him win lucrative deals. By the end of 2007, both Glencore and Gertler were minority shareholders in Katanga Mining Limited. Gertler's friendship with the president marked him out as a **significant corruption risk**, but Glencore forged a secretive deal with him anyway as they took over Katanga together.

Glencore completed its **takeover of Katanga Mining** using a [\\$265 million convertible loan](#), so-called because the **loan was repaid in shares** instead of cash. Between 2007 and 2009, as the financial crisis struck and commodity prices plummeted, Katanga's stock price collapsed. By the time it came to pay back the loan, **Katanga had to give Glencore roughly 70% of the company**. The takeover was complete, and other Katanga Mining **investors saw their shareholdings all but wiped out**.

Except one: Dan Gertler. Gertler was the only other Katanga investor to participate in the \$265m convertible loan, to the tune of \$45m. What [Global Witness investigations](#) showed, and was not immediately apparent, was that **Glencore had secretly loaned one of Gertler's British Virgin Islands companies** the money to participate. Glencore hadn't extended this favour to any other Katanga shareholder. An additional, **highly profitable \$16 million option agreement** was added on top – another one of the deals we raised questions over in our report [“Glencore and the Gatekeeper”](#).

For the first time, the Paradise Papers show us **what Glencore got in return for protecting Gertler's investment**. During the takeover period, from 2007 to 2009, the Congolese government had created problems for Katanga Mining relating to mining licences and to demands for a greater cut of royalty payments related to the copper deposits. The person mandated to **make these problems disappear for Glencore** was none other than the friend of the president: Dan Gertler.

Gertler's reward was the \$45m loan from Glencore that allowed him to protect his shareholding in Katanga Mining takeover. **Written into the loan contract was a stipulation that Gertler's talks with the Congo officials had to succeed**, which they did with astonishing speed. Long-running disputes with the Congo government were resolved after Gertler's appointment in a matter of weeks.

In a separate 2016 case, US authorities (Department of Justice and the SEC) struck a [deferred prosecution agreement](#) with the New York-listed hedge fund **Och-Ziff over charges of foreign bribery** in five African countries. Och-Ziff admitted to a **statement of facts explaining the bribery conspiracy**, a significant part of which took place in Congo. **Och-Ziff's partner in Congo was Dan Gertler**, and the [statement of facts](#) shows that **he was paying huge bribes – tens of millions of dollars – to the highest-ranking Congo officials** in order to secure mining rights for his business partner.

Around the same time that Gertler was paying these bribes he was also negotiating extremely favourable mining deals on behalf of Katanga Mining.

Gertler's \$45m loan was eventually repaid ([apparently via](#) a \$110m loan from Och-Ziff, part of the remainder of which was used to pay more bribes), but **Gertler's position as the kingpin of the Congo mining sector was now assured**. He has gone on to make a fortune. In February 2017, Glencore [bought Gertler out](#) of their two joint-ventures in a **deal worth nearly one billion dollars**, including over **half a billion in cash**.

WHAT NEEDS TO HAPPEN NOW?

This is hugely important: Congo possesses extraordinary natural resource wealth yet **its people are among the poorest on the planet**, with 80% surviving on **less than \$2 a day**. Just [five mining deals involving Gertler and undervalued mine sales](#) saw **Congo lose out on \$1.4bn** – equivalent to twice the country's annual spending on health and education combined. **These deals cannot be allowed to continue.**

Glencore's business dealings with Gertler must be investigated by appropriate authorities in all relevant jurisdictions, including the UK, US and Switzerland. Gertler has been shown to pay huge bribes to Congolese officials in order to secure privileged access to mining rights. **Glencore pumped Gertler with over a billion dollars in cash, loans and shares** during the course of their ten-year partnership, despite knowing that he represented a massive corruption risk.

The UK must also act to lift the veil of **corporate secrecy** provided by many of its **tax havens like the British Virgin Islands**. Each of the costly Gertler mining deals involved a secretive BVI company which **hid the identities of their real owners**.

A corruption investigation must seek to discover **how much Glencore and its executives knew about Gertler and his 'business practices'**, and to what extent **Glencore owes its dominant position in Congo's lucrative copper and cobalt sector to the bribes of its business partner**.

For more information on Global Witness's seven year investigations of Glencore and Gertler see here: <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/congo-secret-sales/>