

# **The reasons for the Glencore IPO and the consequences for the company and for the markets**

**Diploma thesis edited for the achievement of the HES diploma**

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## Declaration

This thesis has been edited within the final examination at the Geneva school of business administration, for the achievement of the diploma "économiste d'entreprise HES". The student accepts, the confidentiality provision if applicable. The use of conclusions and recommendations mentioned in this thesis, without anticipation of their value, does neither engage any responsibility of the editor, nor of the Diploma thesis counselor or the jury of HEG.

"I certify having edited the present thesis on my own, without having used any other source than those cited in the bibliography."

Done in Geneva the 16<sup>th</sup> August

Kevin HOCHSTRASSER

# Acknowledgment

Firstly, I wish to thank Professor Emmanuel Fragnière, who was my counselor for this thesis, for his advice and time. His advice and networking were a great help.

I also would like to express my gratitude to all the people who gave some of their time to answer my questions; most of them wish to remain anonymous as they are still working in the sector. Their point of view, allowed me to have a deeper understanding of the problematic of my research. Without them, this work would not have been possible.

Finally, I would like to thank my parents for reviewing my work.

## **Executive summary**

This work aims to understand why a Swiss trading company, Glencore, with such a culture of secrecy went public. This study also aims to understand the consequences of this IPO, which led to the merger with Xstrata.

This paper was done firstly, through a literature review and secondly, through a qualitative study conducted among people with the skills and knowledge required.

The collected data was analyzed and assumptions and recommendations emerged.

The results obtained have allowed me to say that there are several reasons why Glencore went public, one of the more important, for example, was to allow the merger with Xstrata to take place and become a larger and therefore more powerful player in the market.

Most of the people interviewed thought that Glencore had put profits before ethics but that the Swiss government could not be held responsible for the behavior of Swiss firms abroad.

# Summary

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# 1. Introduction

## 1.1 Glencore

Glencore, the second largest Swiss company by sales after Vitol, is located in the canton with the lowest tax rate, Zug. Established in 1974 in central Switzerland, the company was renamed Glencore in 1994, its current brand name. Following a radical break with its founder Marc Rich, that year, the company in Zug began to grow substantially. It has stealthily, quietly and discreetly flourished, becoming a global corporation in terms of revenues and sales.

Glencore has a number of production facilities all around the world and supplies metals, minerals, crude oil, oil products, coal, natural gas and agricultural products to international customers in the automotive, power generation, steel production and food processing industries.

The revenues that amounted to 25 billion dollars in 1993, have since increased almost six times, topping 186 billion dollars in 2011. In recent years Glencore has consistently been among the world's top companies with the largest revenues. Until its IPO in 2011 it was one of the biggest non quoted companies in the world. Until then, Glencore was only known to professionals of the branch. They are active in 40 countries around the world and the company transports very large amounts of materials. *"No organization even the US army transport volumes like Glencore does."*<sup>1</sup> Glencore is today more a mining and manufacturing company than a traditional trading company.

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1 Die Zeit 1.10.2009

We can see below how Glencore turnover has grown very quickly passing from \$ 40 billions to nearly \$160 billions in only 8 years.

**Figure 1**  
**Glencore Revenues and Gross Profit 1993 to 2010**



Source : Commodities – Switzerland's most dangerous business

Glencore is the leader in many of the commodities cited below. When market shares are near 50%, the corporate giant has a leading position in the market concerned. If Glencore decreases its trading, the price of the commodity involved in the reduction, will rise, supply and demand rule. This shows the power that this company has on the markets.

**Figure 2**  
**Glencore Power market (2010)**

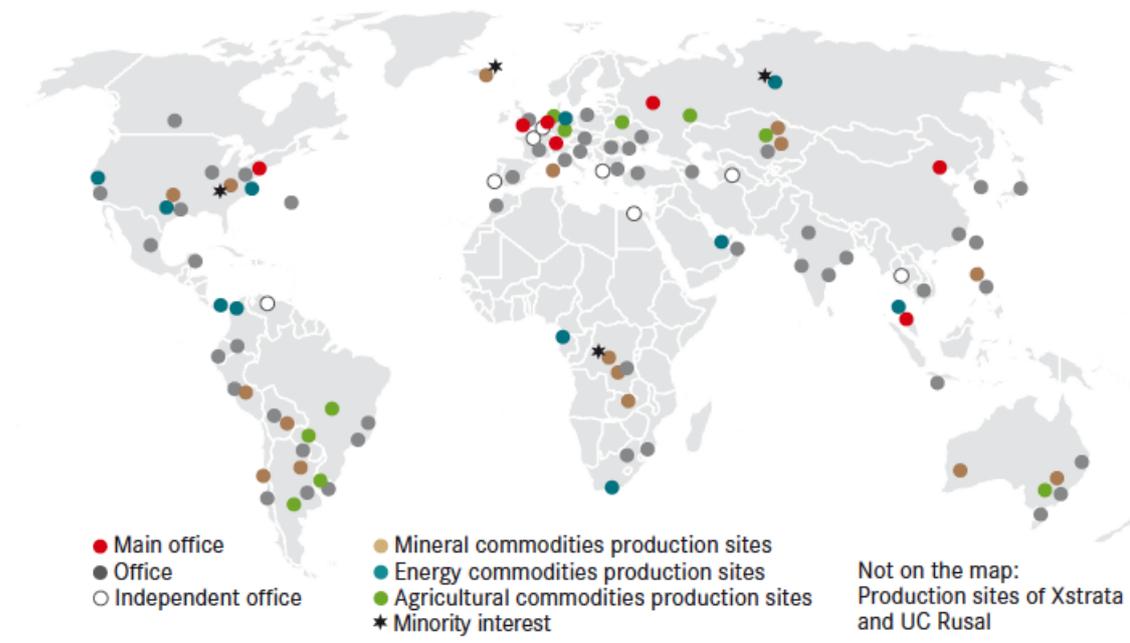
	Commodity	Million tonnes	Share on the free commodity market
<b>Metals</b>	Iron	9,3	1%
	Aluminium	3,9	22%
	Zinc	1,7	60%
	Ferro-chrome (for manufacturing stainless steel)	1,5	16%
	Copper	1,4	50%
	Lead	0,3	45%
	Nickel	0,2	14%
	Cobalt	0,018	23%
<b>Energy</b>	Coal (thermal)	196	28%
	Oil	125	5%*
<b>Agricultural products</b>	Grains	19	9%
	Vegetable oil and oil seeds	8	4%

*\*Volume traded on the free commodity market unknown, this figure represents share of total world trade according to UNCTAD 2010*

Source : Commodities – Switzerland’s most dangerous business

The company employs more than 57'570 people all around the world. On the map below we can see the presence and the different production sites around the world.

**Figure 3**  
**Global Corporation Glencore**



Source : Commodities – Switzerland’s most dangerous business

“Since the IPO in 2011, Glencore is registered in Jersey and has offices in Baar, Switzerland. With the IPO, the holdings of employees and their rights to profits are converted into shares of Glencore International plc. With this, the five most important directors of the company are all billionaires.”<sup>2</sup>

## 1.2 Xstrata

Xstrata is a Swiss multinational mining company based in Zug. It operates in twenty countries, employs directly and indirectly 70,000 people. In terms of turnover, it is one of the most important Swiss companies. It is listed on the London and Zurich Stock Exchanges.

Xstrata is the world's largest producer of thermal coal and a very significant producer of copper, ferrous chromium, vanadium and zinc.

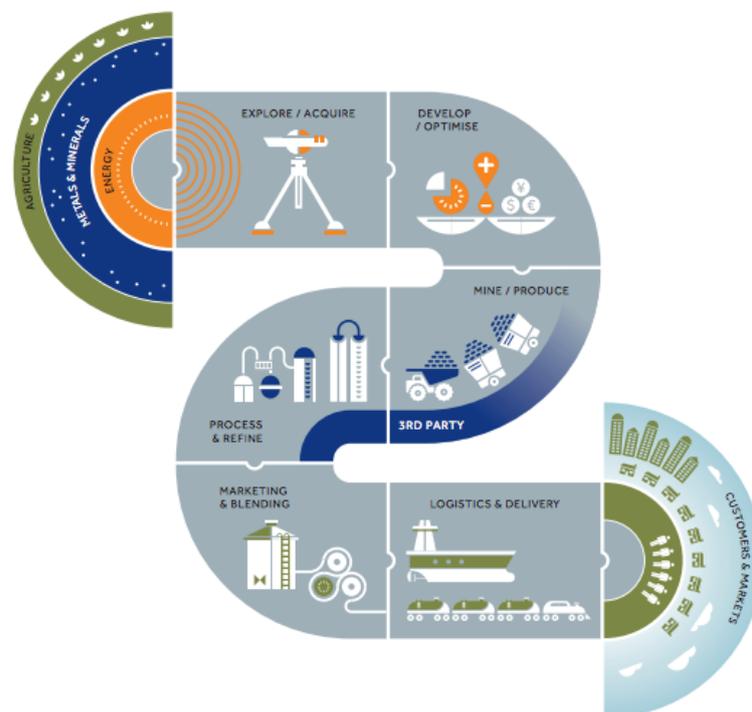
<sup>2</sup> Glencore in the Democratic Republic of Congo: profit before human rights and the environment

On 2<sup>nd</sup> May 2013, Xstrata merged with Glencore, to become Glencore-Xstrata, giving birth to a giant global commodity trading company.

Glencore-Xstrata now employs approximately 190'000 people and has revenue of 236 billion dollars.

This figure below shows how Glencore-Xstrata creates value for their costumers

**Figure 4**  
**Glencore-Xstrata Supply Chain**



Source : Glencore-Xstrata factsheet 2013

### 1.3 Trading companies operations

The first role of international trading is establishing equilibrium to balance supply and demand. In a more precise way we can say that the role of trading companies is to buy and sell goods, mainly raw materials and semi-finished products, to a third party with delivery of production to the place of consumption but that they do not necessarily pass through Switzerland or other trading Hubs. In other words, international trade is a

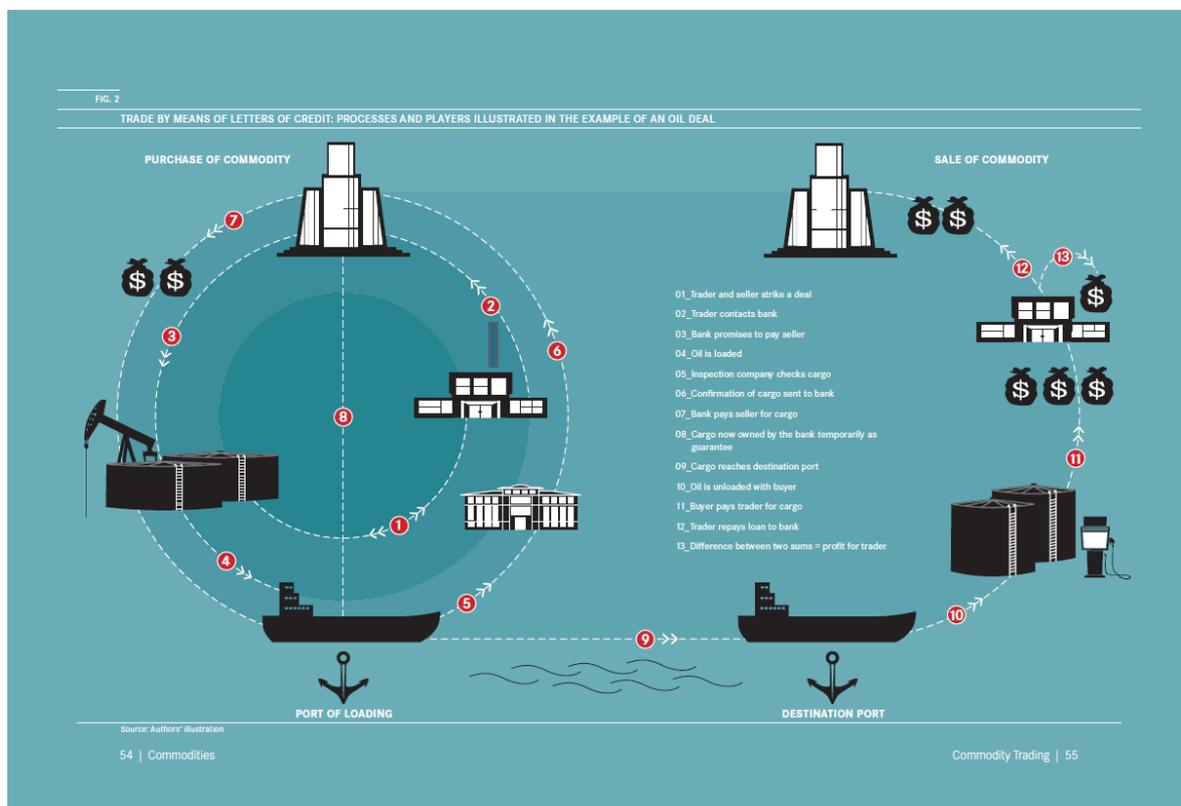
bridge between producers and buyers to ensure the delivery of the goods requested in the time required. To do this, the trader is surrounded by ship-owners, freight forwarders, insurers, surveillance companies and bankers.

Commodity trading operations focus on managing different risks of various natures. These risks can be the weather, logistics, freight, port strikes, port congestion, political risks, financial risks, market risks etc... For some products, there are more additional certifications like quality, health and sustainability.

The most important “commodity”, the trading companies need for their transactions is the money to finance them. For example, a shipment of oil by tanker requires raising hundreds of millions of dollars. Therefore, trading companies need large funds if they want to finance their operations themselves. Large companies can obtain these funds on the capital market, directly from the banks via credit lines or by issuing shares.

The schema below shows how trading companies finance their purchases with letters of credit.

**Figure 5**  
**Letter of credit process**



Source : Commodities – Switzerland’s most dangerous business

*“Generally, financial institutions grant these types of temporary loans in the form of documentary credits or letters of credit. A letter of credit is a type of bank credit granted to a trader in exchange for a privilege against real goods. Normally, the quantity and quality of these goods are confirmed in the delivery or transport documents, which are usually issued by an inspection and certification company. The shipment acts as the bank’s security, in effect, the bank becomes the temporary owner of the goods. On the due date of the transaction the trading company receives the money from the buyer, with which it repays the loan plus interest.”<sup>3</sup>*

The world of commodity trading is quite heterogeneous, because there are a number of very different commodities and commodity markets. Besides a few very large traders there are also a number of smaller companies whose activity is limited to specific products and to specific geographical areas often in a particular market niche.

#### **1.4 History of Big Business<sup>4</sup>**

*“The concept of “Big Business” is one of the most commonly used yet least clearly defined in business history. Big Business is most commonly equated with large companies. Large companies are usually identified on the basis of national rankings rather than the actual size.*

*Although big business is primarily a 20th century and probably also a 21st century phenomenon it was not absent from the 19th century economic landscape or more precisely in the age of the first industrial revolution from the 1830 to the 1880.*

*The railroad companies remained the world's largest well into the twentieth century. However, by the late nineteenth century, they had become increasingly regulated and assimilated into public services.*

*With the growth of the industries of the second industrial revolution from the First World War to the early 1960s big business took on a new dimension in terms of size, forms of organization and share of national and international business activities. The industries*

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<sup>3</sup> Commodities – Switzerland’s most dangerous business

<sup>4</sup> The Oxford Handbook of Business History edited by Geoffrey Jones and Jonathan Zeitlin

*of the second industrial revolution reached full maturity during the 30 years following the WW2.*

*The wave of mergers reached new heights during the 1990s. In early 2000 the purchase of Time Warner by AOL for more than \$180 billion surpassed all previous transactions including the mergers between Citicorp and Travelers or Exxon and Mobil.”*

## **1.5 IPO's**

*« An initial public offering, or IPO, is the first sale of stock by a company to the public. A company can raise money by issuing either debt or equity. If the company has never issued equity to the public, it's known as an IPO. »<sup>5</sup>*

There are two different types of company, private and public. There are fewer shareholders in a private company and there is not much information disclosed about it. It is easy to set up a company, just put in some money and file the right legal documents.

On the other hand, public companies can have a large number of shareholders and must comply with rules and regulations. Financial information must be reported every three months, and they are run by a board of directors.

Companies can raise a large amount of cash by going public. This allows them to get a better deal when they issue debt or issue more stock. Mergers and acquisitions are easier. It also gives the possibility to the owners and shareholders to liquify their investment.

The IPO of a company is the placing on the market of a part of its capital. We can find the first form of public offering in Ancient Rome. *“The publicani were legal bodies independent of their members whose ownership was divided into shares, or parts<sup>6</sup>.”*

International commodity companies have a long history and have existed at least since the beginning of the seventeenth century. Clearly, some large companies specializing

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5 <http://www.investopedia.com/university/ipo/ipo.asp>

6 <http://www.answers.com/topic/initial-public-offering>

in overseas trading with shares owned by the general public, existed long before the Industrial Revolution. At that time, large overseas trading companies were already closely related to the financial community. These companies were indeed among the first companies to be quoted on stock exchanges.

The world's first IPO and the first public company to issue stock was the Dutch East India Company. They were granted a twenty year monopoly on trade with the East Indies and sovereign rights in any newly discovered territories. The company was quoted on the Amsterdam stock exchange, in 1602 when Amsterdam was an innovative financial center. This company also played an integral role in modern history's first market crash.

The Mississippi Company or the Compagnie d'Occident, is another example. Their stocks were quoted at the "Bourse de Paris" and gave rise to speculation followed by a crash and bankruptcy of the company in 1720.

A new generation of commodity traders emerged during the nineteenth century after the Industrial Revolution. In particular, two of the leading trading companies of today date back to that time. Louis Dreyfus was founded in 1851 by Léopold Louis Dreyfus in France and started in wheat trading while Cargill was founded in 1865 as a wheat elevator company in the US Middle West by William Wallace Cargill. Both companies started as family businesses and they are still private family companies.

Being on a major stock exchange carries a considerable amount of prestige. In the past, only private companies with strong fundamentals could qualify for an IPO and it wasn't easy to get listed.

The boom of the Internet led in 1999-2000 to records in terms of IPO applications received. The price of the shares increased radically during the first days of trading.

One of the biggest IPO's in Europe was the Deutsche Telekom who listed shares in Frankfurt, Tokyo and New York. It raised nearly 13 billion dollars

On April 2011 Glencore decided to, as the Americans say, « go public », in the London stock exchange where there are already big mining and trading companies like BHP Billiton and Rio Tinto. This entry was the biggest that London had seen. On the 24<sup>th</sup> May it was officially quoted on LSE

The next day, it entered the SEHK, The Hong-Kong stock exchange. By staging a secondary listing in Hong Kong, Glencore hoped to tap into a marketplace that has gained huge significance in recent years.

Hong Kong now attracts a majority of global IPO's, largely because of a flood of mainland Chinese companies that are choosing to go public. However, non Asian companies are also increasingly choosing to listing in Hong Kong and on other exchanges in the Pacific region. They hope to tap into a cash-rich investor base and to raise their profiles in a part of the world that is gaining in importance for global companies.

*“Glencore is not competing with other traders like Noble or Cargill, highly successful as those firms are, but rather with the major miners such as BHP, Vale and Rio. To compete with firms of that size, Glencore needs access to shareholder funds in the billions, not the millions or hundreds of millions available to them as a privately held company.”<sup>7</sup>*

## **1.6 The culture of secrecy**

Glencore like many other companies in the commodity sector is very secretive. Most raw material companies operate in the dark. It is impossible to know how they amass fortunes. Their influence on commodity markets is overwhelming, yet in a book on the Phillip Brothers, a major U.S. trading company that operated between the years 1940-1970, it appears that trade was dominated by the Jewish community because they exclude other sectors and because they knit together by bonds of trust. This element of trust has always been used to justify the mysterious, covert operations of trading houses. The largest merchants are still controlled by families or stakeholder groups.

There are many cases where Glencore hasn't used enough transparency in its transactions. They secretly obtained their licence to exploit mines. Deals are made orally. This lack of transparency led to many complaints about the way Glencore manages the company.

Moreover, until its Initial Public Offering in 2011, the commodity giant was one of the

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<sup>7</sup> <http://agmetalmminer.com/2011/05/09/glencore-ipo-good-bad-and-what-does-mean/>

largest companies in private ownership. Glencore supplies industry, rather than shops and consumers, and values discretion above all else, which explains why, the company has only been known to industry experts until now.

## 1.7 Public opinion and Glencore's scandals

*"It is from its headquarters in Baar that Glencore organizes the international looting of poor countries, rich in raw materials and practices tax evasion."<sup>8</sup>*

In 2008, Glencore was crowned the most irresponsible company in the world by non-governmental organizations on the sidelines of the World Economic Forum in Davos. It also received the public eye award by the Berne declaration.

Several NGO's have pointed out the abuse of Glencore in the mines of the Democratic Republic of Congo where it was accused of "*serious violations of human rights*".

In Zambia, NGO's also suspect systematic tax evasion. According to NGO's, Glencore, through its subsidiary, exploits Congolese artisanal miners through intermediaries that use child labour in extremely dangerous conditions. The level of radioactivity in some mines is extremely high and, the workers do not have adequate protection.

On its website, Glencore said they pay particular attention to human rights, worker safety and environmental protection. But pressure groups, including the Berne Declaration, have consistently criticized the ethical breaches of the company.

Like all natural or legal persons in Switzerland, trading companies must comply with all of Swiss criminal law, in particular Articles prohibiting the bribery of either domestic or foreign, private corruption, abuse of trust management, unfair fraud, as well as the penal legislation against money laundering.

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<sup>8</sup> Commodities Switzerland most dangerous business Bern declaration (ED)

In addition, trading companies are subject indirectly to the Money Laundering Act (MLA). Indeed, the resolution of many transactions are through the use of bank payment instruments, especially the documentary credit and documentary collections. These instruments, processed by specialized banks and seasoned employees are directly related to the goods and the commercial transactions. Banks are well able to detect whether a transaction is unusual or unexpected and may refuse to fulfill the transaction so or, if appropriate, decide to announce accordance with the provisions issued under the MLA.

## 2. The problematic

This paper has 3 different purposes:

- Inform and discover why Glencore went public
- Reveal the consequence of this IPO.
- Get an idea on the responsibility of Switzerland in relation to Glencore's business abroad.

This IPO is one of the biggest worldwide in the last 10 years. There are many trading companies in Switzerland. Geneva is a hub for trading petrol. Glencore is a Swiss company that is very secretive and not know by all Swiss citizens, even though it is a bigger company than Nestlé. Glencore went public in 2011 and merged with Xstrata another Swiss company in 2013.

## 3. Development

### 3.1 Methodology

After having carried out a desk research through books, Internet, databases and in newspaper articles, I concluded that the best way to continue my work would be to perform a qualitative investigation. Glencore, not being well known to all and being a very secret company, it seemed obvious that this research should be done by semi-structured interviews in order to gather information that doesn't exist on the internet or in other documents.

#### 3.1.1 Semi-structured interviews

As I previously stated, the best way to gather information for my work is through semi-structured interviews. A semi-structured interview is a method of research used in the social sciences. An interview schedule will be used to direct the interview so that each theme is addressed, but as the name suggests it is only semi directive, so interviews will therefore overflow onto other themes. A semi-structured interview is flexible, allowing new questions to be brought up during the interview as a result of what the interviewee says.

#### 3.1.2 Construction of the semi-structured interview

The result of my documentary research allowed me to identify research area for me to develop into questions. I tried to keep using open-ended questions to start a discussion on a topic. I also had to ensure that my question and my qualitative research respond to my problematic.

After composing a survey around six questions, I submitted my survey to Professor Fragnière for validation. I then tested the questionnaire on relatives to be sure that I was not too far from my problematic.

*As part of my Bachelor thesis at the Geneva school of business administration I'm doing a survey on the impacts and implications of the Glencore IPO.*

**Q1. What is your professional background?**

*This question allows me to confirm the credibility and knowledge of the respondents*

**Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why? Why London and Hong-Kong**

*This question will directly answer the first purpose of my problematic which is to know why Glencore went public. I also wanted to know through this question if the person interviewed had seen this IPO as positive for Glencore as well as for the market and the investors.*

*I also wanted to know why Glencore didn't go on the Swiss stock exchange and went on the London and Hong Kong stock exchanges instead.*

**Q3. What does the timing of Glencore's IPO mean for the commodities market?**

*The answers to this question will help me get an idea of the main reasons why Glencore went public at that precise moment and what it meant for the commodity market.*

**Q4. Do you think that Glencore's governance has improved since the IPO?**

*There are obviously rules to follow when a company goes public on the London Stock Exchange, the company has to comply with transparency regulations. Through this question I wanted to know if Glencore's corporate governance would really change with them going public.*

**Q5. What impact has Glencore IPO had on the markets?**

*This IPO meant that Glencore has become "more well known" by investors. This question will help me discover whether this IPO really had repercussions on the market either on the stock market or the commodity trading market.*

**Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

*For some NGO's Glencore is known for its lack of ethics, Through this question I wanted to know if the interviewees, thought the Swiss authorities had a responsibility to control what Glencore was doing abroad.*

### **3.1.3 Selection of the sample and conducting the interview.**

The people I interviewed are people who, of course, know Glencore. I interviewed people who have worked or are currently working in economics, law, trading or finance. Some respondents were in close collaboration with Glencore. For this work the names of people I surveyed are kept secret. I conducted twelve interviews in order to have a usable sample.

### **3.1.4 Example of an interview**

Here is an example of one of my interviews so you can understand fully of how an interview is transcribed. You will find the other interviews attached at the end of this paper.

#### **Q1. What is your professional background?**

Mr. EF Started with a licence in econometrics, math applied to economics. Then he did a master degree at the EPFL in Energy systems. After that he did a PHD in management services. His main relation to commodity trading is energy planning and risk management.

#### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why?**

The first reason the interviewee gave is that the IPO was an good opportunity to attract substantial capital. Glencore leaders took advantage of their brand and the fact that the commodities market had become sexy for investors.

He continued his explanation saying that « its all about marketing » Glencore wants to show that if investor buy their stocks, the stock will appreciate and they will make a profit. He added that in commodity trading there is huge volatility. Hedge funds are investing in this field. Big names in commodity trading want to surf on this trend.

The second reason that person interviewed gave was that it is necessary to be in the top 3 players, Glencore was not in the top 3. The merger with Xstrata made this possible. In copper for instance the main stakeholders are states. « The geo-political dimension is so important; you need to be a top player if you want to be sustainable in that business. ». For Mr. EF this IPO will change their operations but they will gain in terms of power especially bargaining power. This new positioning really beats all the drawbacks. He said that it was a logical move to go public even though commodity trading relies on secrecy.

At first Mr. EF's forecast for this IPO was that they would go public to get cash and then withdraw from the stock exchange. He has now a different forecast, he thinks that they will now "play the game". They will comply with the transparency rules and the NGO's demands.

**Q3. What does the timing of Glencore's IPO mean for the commodities market ? Why London and Hong Kong ?**

He thinks that both the IPO and the merger with Xstrata were planned in advance. They had to wait for the approval of the UK competition commission. "*After they could impose their prices*"

The person interviewed thinks that the choice of London is a matter of disequilibrium. Nestlé is the biggest capitalization in the SMI. The volume of Glencore-Xstrata is so big that he thinks that the Swiss government was not in favor of Glencore-Xstrata going on the SMI. So in his opinion the choice of London was wise as it had a much bigger volume.

**Q4. Do you think that Glencore's governance has improved since the IPO?**

At the question the interviewee immediately answered "*oh yes*". He thinks that they will definitely do everything to improve their corporate governance and it won't be only marketing "*they will do the job*"

*"As they are listed in London they have to comply with the Turnbull report which is about internal control and they will follow various stringent processes to get their books certified by external auditors."*

In his opinion it won't be easy because there is a culture of secrecy in commodity trading.

**Q5. What impact has Glencore IPO had on the markets?**

The commodity sector was like a "*grandpa market*" according to Mr. EF. The margins were very low with no volatility and suddenly China imported a lot of iron ore, they was congestions in ports, hedge funds were investing significant funds. So that caused volatility. With all the mergers the sector returned to more stability and less competition, "*controlled volatility*".

**Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

According to the interviewee if you have trading and mining companies in your country you have responsibilities and accountability. He said that Switzerland shares some

accountability for what happens in these mines. He thinks that Switzerland needs to continue to invest in commodity trading sector, to become bigger and they also need to play a role in improving the work conditions, pollution and other problems linked to the activities of Swiss companies. “ *it's not because it's dirty that we have to keep away*”.

Mr. EF added that “*the socialist politicians say no, those companies are not good but they are happy to collect the taxes. And right wing politicians say yes this is good we are in the wild wild west.*” Mr. EF is opposed to both views he thinks that the government needs to define a clear strategy for the commodity sector.

He thinks that US and EU regulation are not strong enough. He is quite happy with the Swiss position.

He adds that “*the war is not over*” after the Swiss banking secrecy scandal; other governments are starting to look at the Swiss commodity sector.

## **3.2 Analysis and hypothesis formulation**

In this part I will try to highlight the most important points from my interviews. I will also try to make hypotheses.

The qualitative analysis is rather difficult to realize, I therefore opted for a so-called traditional method, which is to review all my interviews and make connections between the responses of the people interviewed.

In order to analyze my interviews, in the most relevant way possible, I decided to rely on an Excel spreadsheet. Firstly, with Stabilos of different colors, I highlighted the themes that emerged for each answer, and then I marked the themes on the spreadsheet and put a cross when one of the twelve participants mentioned a theme in their responses

We have to keep in mind that this qualitative survey was conducted on only twelve people and that these assumptions are not facts. The next step would be to conduct a quantitative questionnaire using people familiar with the matter. Due to the complexity of the subject and the difficulty of finding people who know the subject and are willing to talk, I will not be doing a quantitative study in this paper.

**Figure 5**  
**Spreadsheet analyse**

	Int n°1	Int n°2	Int n°3	Int n°4	Int n°5	Int n°6	Int n°7	Int n°8	Int n°9	Int n°10	Int n°11	Int n°12
<b>Why Glencore went public</b>												
To get money		X	X	X	X	X	X	X	X	X	X	X
For the merger with Xstrata	X					X	X		X	X		
To give the shareholders the possibility of liquifying their shares	X	X	X					X			X	X
Next step for the company	X	X										
To have more power				X			X	X	X			
												75%
												42%
												42%
												17%
												33%
<b>What were the consequences of this IPO</b>												
Better Governance, more transparency	X	X	X	X	X	X	X	X	X	X	X	X
More bargaining power in some commodities	X			X	X	X	X	X	X	X		
No consequence				X								
												92%
												58%
												8%
<b>Does Switzerland have an ethical responsibility</b>												
Yes				X								
No	X	X	X	X		X	X	X	X	X	X	X
Switzerland must do something				X				X	X		X	X
Image issue												
												8%
												75%
												33%
												25%

### 3.2.1 Reasons why Glencore went public

The first question in my survey responds directly to one of the problematics of this work, which is, why Glencore decided to go public?

Four reasons emerged from my interviews:

- To obtain funds
- In order to merge with Xstrata
- To allow shareholders to put a value on their shares
- For their image, Commodity trading sexy

Using an Excel table I noticed that the majority of people responded that Glencore entered the stock exchange to obtain increase funding so they could continue to invest and acquire other companies.

Many of the people I interviewed said that Glencore, in the context of a merger with Xstrata, was obliged to enter the stock exchange. One interviewee added that the IPO of Glencore was fundamental to the Xstrata governance to accept the merger. Others responded that the merger would be simplified if Glencore and Xstrata were both listed at the same place.

**Citations** « *in the context of this merger with Xstrata they needed to go public* »

A few people have added that to be influential in the commodity markets it is necessary to be in the top 3, to be a big player. This merger allowed them to be in the top 3.

**Citations** « *The Geo-political dimension is so important, you need to be a top player if you want to be sustainable in that business.* »

A number of people that I surveyed said that directors and shareholders of Glencore wanted to go public to liquify their investments, the IPO made it easier to sell their shares in the company.

**Citations:** « *Many employees who held shares became instant millionaires.* »

For one person, Glencore and commodity trading in general was fashionable, so Glencore wanted to seize this opportunity to attract more investors.

**Citation** « *Glencore's leaders took advantage of their brand and the fact that the commodities market had become sexy for investors* »

All interviewees saw this IPO as positive for Glencore. However, one person told me that this IPO, which led to the merger with Xstrata, was not a good thing for the markets as Glencore Xstrata has become too powerful, and that it was monopolistic.

I also wanted to know why Glencore went public in London and Hong Kong. The vast majority of respondents replied that London was a great international market. Many respondents also noted that London is also home to other mining companies such as Rio Tinto or Xstrata.

**Citation:** « *London is the obvious place for an IPO of this size, both because of the quality and quantity of investors and also the high standards of regulation* ».  
« *The LSE is also an obvious choice because it is probably the most international exchange.* »

The interviewees are less certain about the choice of Hong-Kong, some think it's to target the Asian market, especially China, which needs a huge amount of metal. Other people think it's the original Shareholders residence.

One interviewee pointed out that Glencore-Xstrata did not stay on the SMI, because the Swiss government did not want such a large volume, much larger than Nestle, the largest capitalization on the SMI.

### **My opinion**

From my point of view, and in view of the results obtained during the interviews, I think we can say that Glencore went public not for one but for several reasons. The first reason was to facilitate the merger with Xstrata, the IPO was even a requirement by the executive of Xstrata, if we believe the people that I interviewed. The second and most obvious reason was in order to get greater funding, that the banks could not or would not offer. The last reason was that the directors who had shares in the company could easily sell them. Thus dozens of employees of Glencore have become millionaires or even billionaires.

## **The consequences of the IPO for the markets and the governance of Glencore.**

For a number of respondents, Glencore went public when commodity prices were very high. Unfortunately for investors who bought shares at the beginning of the IPO the price of commodities went down as well as the price of the shares.

Many people have said that the IPO and the merger that followed gave Glencore-Xstrata greater market power, especially in copper.

**Citation** *"They can impose their price".*

One respondent believes that this IPO will bring less speculative trading from Glencore

Another interviewee thinks that now Glencore has to more transparent, it will mean that the market will be less manipulated and therefore bring more stability.

According to a person interviewed, the market was very volatile because of China importing big quantities of iron ore, the merger of Glencore-Xstrata and other mergers, brought stability to the sector, "*controlled volatility.*"

From the point of view of governance, almost all of the twelve people interviewed replied that the IPO of Glencore necessarily improved corporate governance, as being public there are rules to respect and more transparency.

**Citations:** *"As they are listed in London they have to comply with the Turnbull report witch is about internal control and they will follow various stringent processes to get their books certified by external auditors."*

*"Yes, it must have, with the corporate governance imposed by being listed on the London stock exchange"*

However, an interviewee did as part of his work, a research into the accounts of Glencore, he concluded that the accounts were very complicated to understand. He thinks that Glencore can still hide things and is still not transparent on their activities.

### **My opinion**

From what I could see, the IPO had no effect on the stock exchanges. However the IPO that led to the merger with Xstrata, has strengthened Glencore's market shares of some commodities such as zinc and copper. The merger has allowed Glencore-Xstrata to become a top player and to be able to impose their prices on the market. The IPO has been very positive for Glencore. But in my opinion, this multinational company is a little dangerous for the market, because it has become a little too monopolistic. For other consequence it is maybe to early to say we have to wait few years to really so all the consequences.

### **3.2.2 Switzerland's responsibilities on Glencore activities.**

This last point is the last problematic. As we have seen in the first part of my paper, Glencore was charged with several offences and abuse in third world countries. So the purpose is to find out what people think of Switzerland's responsibilities for the actions of Swiss companies abroad.

The answers to this theme have been mixed. A number of respondents believe that Switzerland has no responsibility for abuses committed in countries where corruption is culturally accepted. But most of the interviewees agree to say that it is not very moral as a process, but that is how the world works.

**Citation:** *"It is not Glencore who corrupt the country, that is how it is".*

Some of the people surveyed mentioned "The Declaration of Berne", saying it was too easy for them to say that Glencore corrupts countries.

For others, Switzerland, where there are many trading companies established, has a role to play. For them, the Swiss government has to watch, help and oblige companies to improve working conditions, safety, corruption, and pollution.

#### **My opinion**

From my point of view, Switzerland has no legal responsibility for the activities of Glencore abroad. In addition, it is up to the country in question to assert their laws and regulations, Glencore does exactly the same as any other trading company would do. However, I find that some of the activities of Glencore have a negative effect on the image of Switzerland. Therefore, I think the Swiss government must take on a role in overseeing and advising Glencore-Xstrata and other companies based in Switzerland on ethical matters as they are representing Switzerland abroad.

### **3.3 Recommendation.**

For this work it is difficult to make recommendations, however I tried to give my opinion. My recommendation does not only affect Glencore but all companies of the commodity trading sector in Switzerland, which we know are many.

#### **3.3.1 Recommendation 1**

This recommendation relates to the responsibility of Switzerland towards the activities of their companies abroad.

Switzerland must support and contribute to the improvement of working conditions of employees in third world countries. It must also provide expertise and help to reduce pollution on their exploitations.

All this in order to increase the Swiss commodity trading industry, because this sector generates billions to the Swiss economy every year.

#### **3.3.2 Recommendation 2**

This recommendation relates to corporate governance for a company that decide to go public.

Commodity trading companies who we know are very secretive, should, if they decide to enter stock exchange, fully open and "play the game", in other words they must be completely transparent about their activities and their accounting. Therefore, they will generate greater confidence from investors.

## 4. Conclusion

This work has allowed me to better understand how an international trading company functions. It helped me to understand why a company that grew so quickly wanted to compromise its culture of secrecy by entering the stock market.

Indeed, Glencore and companies in the trading sector in general have a culture of secrecy for centuries. Their transactions are often made in the utmost discretion sometimes to the limits of legality and ethics.

Thus this work has highlighted the reasons for the IPO. We have observed that the IPO and merger with another Swiss giant, Xstrata, has had an impact on the markets. In fact Glencore-Xstrata has become a leader in the trading of copper, a very important material in the construction industry. There are many other implications that will become clearer in years to come.

We can also conclude that the governance of Glencore is much better but some people interviewed believe that Glencore still hides a lot of information from the public.

Finally, we can say that Glencore's activities abroad, that is to say the charges of corruption and exploitation of the workers, damage the image of Switzerland and that the Swiss government has a role to play, in guiding and overseeing Swiss companies not only on their activities in Switzerland but also in developing countries.

### 4.1 Personal conclusion

Having chosen the major in commodity trading, this work allowed me to deepen my knowledge of the trading sector in Switzerland. In addition, I learned more about Glencore, the company with the largest turnover in Switzerland, which is unknown to the general public.

This fieldwork has also allowed me to apply knowledge acquired during my LEM courses.

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## 6. Annexes

### 6.1 Transcription of the interviews

#### Interview n°1

##### **Q1. What is your professional background?**

Mr. BP began his career in 1983 in AIG in political risk insurances. He then moved to a merchant bank in London where he worked in trade and aircraft finance. From 1993 to 2000 he has held managerial positions in finance and risk management within the commodity trading sector for Vitol and Cargill. In Vitol he was a leading member of the corporate finance committee. He now is an independent consultant and a “chargé de cours” at the Geneva business school of administration.

##### **Q2. For you what are the reasons that led Glencore to go public ? do you see this IPO as positive ? why London and Hong Kong?**

For Mr. BP there are 3 reasons for Glencore going public, the first reason is that the next step for a big company like Glencore is to go public. In Mr. BP opinion another reason that the company went public is that they had 600 shareholders who wanted to have a value on their shares and to have the possibility of selling them.

The last reason he gave is that the CEO of Xstrata, which was already quoted on the stock exchange, wanted Glencore to go public for the merger.

He thinks that the issue of this IPO is that nobody knew the real value of Glencore. The company is very secretive very few people know exactly what they do, so it is difficult to value a business like this.

According to the interviewee London has already big mining companies like BHP Billiton, Rio Tinto, Vale and Xstrata?

For Mr. BP, Hong Kong and Asia in general understand trading companies better than the rest of the world. The Noble group is also listed in the Hong Kong stock exchange.

He added that “*in the context of this merger with Xstrata they needed to go public*”.

In his opinion for the stock markets this IPO was positive because the market likes big mergers and big IPO's.

He then told me that from the commodity trading point of view it was a bit dangerous because Glencore after the merger will be too big so too dominant in metals trading which could affect the price.

**Q3. What does the timing of Glencore IPO mean to the commodities market?**

For him and people in commodities the price of commodities were very high when Glencore went public, they thought the price was going to go down. So it works as super-cycle the price of the shares will go down.

**Q4. Do you think that Glencore's governance has improved since the IPO ?**

For Mr. BP there is still not much transparency, he told me that he had to do research on Glencore asset for one of his clients and it was very difficult to know what was in what accounts, the accounts were very difficult to understand. So in his opinion it is still a secretive company.

**Q.5 From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad ?**

Mr. BP thinks that they respect Swiss law in Switzerland. He told me that in other countries like Zambia the law is different, corruption is culturally acceptable. So Glencore have advantages in going to those countries. He adds, "*that it is not Glencore who corrupt the country, that is how it is*". Some companies have different business culture, they do not accept corruption. The business culture of Glencore has helped further corruption but didn't cause it.

He told me that the question is do you accept to do business in corrupt countries? Do you buy in it with the implications of morality, ethics? Or do you do business according to the proverb "*when in Rome, do as the romans do*"?

For him it is too easy for the declaration of Berne to say that it is Glencore that corrupts countries. Glencore has helped it but didn't cause it. They just follow the culture of the countries they are in.

## Interview n°2

### **Q1. What is your professional background?**

Mr. FG the person interviewed has worked in several banks in Geneva.

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

For the respondent Glencore needed a huge amount of money to continue buying and investing in mines. « *Yes, it is positive.* » he answered « *they are growing and an IPO is the next step they had to take* »

### **Q3. What does the timing of Glencore's IPO mean for the commodities market ? Why London and Hong Kong ?**

Mr. FG said that he doesn't know if it means a lot for the commodities market but he added that Glencore went public when the prices of commodities were very high. He thinks that they want to control more of the market zinc and copper.

The interviewee told me that London had already mining companies like Xstrata with which they merged. They have also Rio Tinto and Codelco.

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

*"It should have but I don't think it improved a lot"* he answered. He continued saying that Glencore is very secretive and they can hide information if they want.

### **Q5. What impact has Glencore IPO had on the markets?**

For Mr. FG, they control more of the market now they have merged with Xstrata, so the IPO gave them more power.

For the stock exchange market it's good, investors like big IPO's

### **Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

It's difficult for Switzerland to control what Glencore does abroad. In Switzerland they respect and follow the laws.

It's maybe not very ethical what they do but a lot of companies work like that. And it is up to the other countries to improve their laws not up to the companies

### **Interview n°3**

#### **Q1. What is your professional background?**

Mr. EW was the CFO of EnCore Oil plc, the Finance Director of EnCana Corporation UK, and before that the Head of Group Finance and Head of Audit for Enterprise Oil plc. All within the oil industry. He has worked with Glencore in the past.

#### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

He thinks they went public both to raise capital and so that some of the original shareholders could dispose of their shares easily. *“Yes I saw the IPO as positive as they had always been a company clouded in secrecy and by going public had to be more transparent”* he said

#### **Q3. What does the timing of Glencore’s IPO mean for the commodities market ? Why London and Hong Kong ?**

For the person interviewed, the commodities markets should be more open now as Glencore has to have higher standards of corporate governance and will be much more transparent in their dealings on the commodities markets.

According to Mr. EW London is the obvious place for an IPO of this size, both because of the quality and quantity of investors and also the high standards of regulation.

He doesn’t know why Hong Kong, he thinks it may be to do with the original shareholders’ residence.

#### **Q4. Do you think that Glencore’s governance has improved since the IPO?**

Mr. EW responded “Yes it must have, with the corporate governance imposed by being listed on the London exchange.”

#### **Q5. What impact has Glencore IPO had on the markets?**

He doesn’t know if it has any impact on the markets. He thinks that there may be less speculative trading by Glencore due to their reposting and governance regulation.

#### **Q6. From an the ethical point of view, what are the responsibilities of Switzerland in relation to Glencore’s business abroad?**

For Mr. EW Switzerland has No responsibilities unless there is some illegal activity and the financing/banking is being carried out in hidden bank accounts. In his opinion this should be much less of a risk now that Glencore is public.

#### **Interview n°4**

##### **Q1. What is your professional background?**

Ms. FM was a lawyer in oil and gas industry, she has now retired.

##### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

For the person interviewed, the main reason Glencore went public was to have access to the financial markets, particularly to raise capital for future acquisitions. Yes, she does think that the IPO was positive, as it required Glencore to disclose information about how it conducts its business, which was, previously, in her opinion, a very closely guarded secret.

##### **Q3. What does the timing of Glencore's IPO mean for the commodities market ? Why London and Hong Kong ?**

The interviewee is not sure the timing of the IPO had any meaning for the commodities market, "*it became simply another stock trading on the London and Hong Kong exchanges*". In her opinion Glencore's day to day business activities trading in commodities would have been unchanged by the listing. She thinks that London and Hong Kong were chosen because the level of disclosure required is significantly less than that of, say, New York. She added, "The LSE is also an obvious choice because it is probably the most international exchange. "

##### **Q4. Do you think that Glencore's governance has improved since the IPO?**

Ms. FM thinks that Glencore's governance would have had to become a lot more transparent since the IPO, and if greater transparency equals improved governance then she would say "*though it doesn't always mean that that is the case.*"

##### **Q5. What impact has Glencore IPO had on the markets?**

According to Ms. FM the requirement for greater transparency should mean, in theory, that the commodities market is less able to be manipulated, thereby providing more stability in the market.

##### **Q6. From an the ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

The person interviewed responded that if Switzerland has signed up to the EU's anti-bribery or similar legislation, it will be required to enforce that legislation against Glencore should there be a need. But that is a legal obligation and other than legal

obligations, she is not sure that Switzerland has any ethical responsibilities relating to the conduct of Glencore's business abroad or indeed in Switzerland but then she would say that as an ex-lawyer.

## **Interview n°5**

### **Q1. What is your professional background?**

Mr. RW is an economics teacher in London

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

For Mr. RW, Glencore wanted to become bigger and be a bigger player in international market. This meant they needed to go public to get more funding.

In his opinion the IPO was also related to the merger with Xstrata, which happened a few months later.

*“Yes, because they became one of the biggest players in some commodities.”*

### **Q3. What does the timing of Glencore’s IPO mean for the commodities market ? Why London and Hong-Kong ?**

The interviewee is not sure, he doesn’t think that the timing of the IPO meant anything significant for the markets.

He thinks the choice of London is due to the importance of its stock exchange and Honk-Kong because of the importance of China in the metal market.

### **Q4. Do you think that Glencore’s governance has improved since the IPO?**

Mr. RW thinks that the governance should have improved since the IPO. Because now Glencore must be more transparent and follow the rules and regulations.

### **Q5. What impact has Glencore IPO had on the markets?**

The interviewee has no idea if the IPO had an effect on the markets. *“Glencore are just a bigger player now”*.

### **Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore’s business abroad?**

For Mr. RW Switzerland has to make sure that Glencore-Xstrata do not hide their money in tax havens. Switzerland and other countries where Glencore operates must ensure they pay tax unlike other companies who tried to avoid it.

## **Interview n°6**

### **Q1. What is your professional background?**

Mr. A is now working as a mining research analyst for UBS in London. He previously worked in commodity trading companies as a market analyst.

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

First of all Mr. A told me that this IPO opened the way for the merger with Xstrata. He also added that It's was a part of the new strategy of the management. « *It gives access to huge capital, more than \$10 billions* »

With access to equity markets, he expects Glencore to target larger opportunities, as well as small and midsize opportunities on which the company was built

In his opinion the IPO was positive for the market for the above reasons.

### **Q3. What does the timing of Glencore's IPO mean for the commodities market ?**

The person interviewed replied that Glencore went in (public) when they were top of the market. "it was the next step."

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

He replied emphatically "*Yes, they must follow rules now*"

### **Q5. What impact has Glencore IPO had on the markets?**

Mr. A thinks that in commodity markets there are few big players, and with this IPO and the merger the players, Glencore is getting bigger. So they have a bigger potential to dictate prices and they have become more powerful.

### **Why London and Honk-Kong?**

The interviewee responded that London is large market where Xstrata is all ready quoted along with other mining companies.

### **Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

Mr. A told me that he hadn't the competence to answer this question.

## **Interview n°7**

### **Q1. What is your professional background?**

Mr.MG was a penal lawyer in Geneva but has now changed completely and works in UBS in trade finance.

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

For the interviewee Glencore went public for one big reason, money. They needed a lot of extra capital to finance their assets for example mines.

For him this IPO was positive because it resulted in a merger with Xstrata which gave them more power

### **Q3. What does the timing of Glencore's IPO mean for the commodities market ?**

The person interviewed finds this question difficult to answer, some will say it was too late and others too early. They came up with a merger with Xstrata and they are now more powerful in some commodities such as copper.

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

*"Yes, there are standards to follow"* answered Mr. MG.

### **Q5. What impact has Glencore IPO had on the markets?**

Mr. MG has no idea of the impact on the market. He just said that the merger made them more powerful in some commodities.

### **Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

After asking him this question, the interviewee started talking about the declaration of Berne he said that the allegations they had about Glencore were stupid and it was too easy to criticize Glencore.

He added that if it wasn't Glencore it would be an other companies, there is too much competition in this sector.

Moreover he told me that corruption is endemic in Africa.

In his opinion it is not up to Switzerland to control what is happening in other countries.

## Interview n°8

### **Q1. What is your professional background?**

Mr. PF worked in different banks, private and universal and in financial institutes. He had high responsibility jobs in Swiss banks. He now is setting up his own financial company of wealth management.

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why?**

In his opinion Glencore, like Goldman Sachs, wanted to monetise their values on the markets. They wanted to give a value to their assets.

For the shareholders in company this IPO was positive because they could liquify their investment in the company. For people who bought shares on the stock exchange it is negative because the price was too high when they went public.

For the anti-monopoly, Glencore became too powerful after their IPO and merger with Xstrata. There is no control body like the COMCO for the commodity trading sector. Mr. PF is pessimistic about this IPO "*it's a bit anti-democratic*"

### **Q3. What does the timing of Glencore's IPO mean for the commodities market ?**

For Him Glencore went public when the price of commodities were too high for the market.

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

The governance has improved because now they have legal constraint to follow and shareholders watch what Glencore does. So for Mr. PF the governance has significantly improved. He adds "*Glencore has no interest in rocking the boat*".

### **Q5. What impact has Glencore IPO had on the markets? Why London And Honk Kong**

There hasn't been significant impact on the banks or on the financial institutions. There were very few big IPO's for the last few years.

London has a bigger stock exchange and more international than Switzerland. London is a balance between the US and Asia.

Honk-Kong represents Asia where there is significant growth. Those countries especially China need to invest in raw materials.

**Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

Glencore is a Swiss company like Nestlé that generates more revenues abroad than at home. Legally the FINMA can't do anything. Morally Switzerland should rethink its ethics and be as fair as possible.

Switzerland can't do very much because they can't control the prices that Glencore is manipulating. "*there is not much to do*" says Mr. PF

## Interview n°9

### Q1. What is your professional background?

Mr. EF Started with a licence in econometrics, math applied to economics. Then he did a master degree at the EPFL in Energy systems. After that he did a PHD in management services. His main relation to commodity trading is energy planning and risk management.

### Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why?

The first reason the interviewee gave is that the IPO was a good opportunity to attract substantial capital. Glencore leaders took advantage of their brand and the fact that the commodities market had become sexy for investors.

He continued his explanation saying that « *it's all about marketing* » Glencore wants to show that if investor buy their stocks, the stock will appreciate and they will make a profit. He added that in commodity trading there is huge volatility. Hedge funds are investing in this field. Big names in commodity trading want to surf on this trend.

The second reason that person interviewed gave was that it is necessary to be in the top 3 players, Glencore was not in the top 3. The merger with Xstrata made this possible. In copper for instance the main stakeholders are states. « *The geo-political dimension is so important; you need to be a top player if you want to be sustainable in that business.* ». For Mr. EF this IPO will change their operations but they will gain in terms of power, bargaining power. This new positioning really beats all the drawbacks. He said that it was a logical move to go public even though commodity trading relies on secrecy.

At first Mr. EF's forecast for this IPO was that they would go public to get cash and then withdraw from the stock exchange. He has now a different forecast, he thinks that they will now "*play the game*". They will comply with the transparency rules and the NGO's demands.

### Q3. What does the timing of Glencore's IPO mean for the commodities market ? Why London and Hong Kong ?

He thinks that both the IPO and the merger with Xstrata were planned in advance. They had to wait for the approval of the UK competition commission. "*After they could impose their prices*"

The person interviewed thinks that the choice of London is a matter of disequilibrium. Nestlé is the biggest capitalization in the SMI. The volume of Glencore-Xstrata is so big that he thinks that the Swiss government was not in favor of Glencore-Xstrata going on the SMI. So in his opinion the choice of London was wise as it had a much bigger volume.

**Q4. Do you think that Glencore's governance has improved since the IPO?**

At the question the interviewee immediately answered "oh yes". He thinks that they will definitely do everything to improve their corporate governance and it won't be only marketing "*they will do the job*"

*"As they are listed in London they have to comply with the Turnbull report witch is about internal control and they will follow various stringent processes to get their books certified by external auditors."*

In his opinion it won't be easy because there is a culture of secrecy in commodity trading.

**Q5. What impact has Glencore IPO had on the markets?**

The commodity sector was like a "grandpa market" according to Mr. EF. The margins were very low with no volatility and suddenly China imported a lot of iron ore, they were congestions in ports, hedge funds were investing a lot. So that caused volatility. With all the mergers the sector return to more stability, less competition, "*controlled volatility*".

**Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

According to the interviewee if you got in your country trading and mining companies you have responsibilities and accountability. He said that Switzerland shares some accountability with what happens in these mines. He thinks that Switzerland needs to continue to invest in commodity trading sector, to become bigger and they also need to play a role in improving the work conditions, pollutions and other problems links to activities of Swiss companies. "*it's not because it's dirty that we have to keep away*".

Mr. EF added that "the socialist politicians say no, those companies are not good but they are happy to collect the taxes. And right wing politicians say yes this is good we

are in the wild wild west. Mr. EF is opposed to both views he thinks that the government needs to define a clear strategy for the commodity sector.

He thinks that US and E.U regulations are not good and he is quite happy with the Swiss position.

He adds that "*the war is not over*" after the Swiss banking secrecy scandal, other governments are starting to look at the Swiss commodity sector.

## **Interview 10**

### **Q1. What is your professional background?**

Mr SB studied economics and commodity trading. He now works for a Biofuel trading company as a trader.

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why?**

In the interviewee's opinion Glencore went public for two reasons, Firstly, to get more funding, that the banks couldn't give them.

Secondly, Mr SB thinks that the IPO was related to the merger that followed.

### **Q3. What does the timing of Glencore's IPO mean for the commodities market ? Why London and Hong Kong ?**

The interviewee thought that Glencore was anticipating the merger with Xstrata by entering the stock exchange at this moment.

For him, they went to London because it is a major international market and to Hong-Kong in order to target the Asian markets.

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

In Mr. SB's opinion the governance has improved, as there is more monitoring, "*they have to show their credentials*". He added that it would be more difficult for Glencore because now they have to follow rules and regulations.

### **Q5. What impact has Glencore IPO had on the markets?**

The interviewee thinks it is the merger that followed the IPO that had an impact on the markets. Glencore-Xstrata is now more powerful on some commodities.

**Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

Mr. SB thinks Switzerland is not responsible for the international activities of Swiss companies. For him, it is up to NGO's and the WTO to put pressure on Glencore and other trading companies. He thinks that Switzerland has no legal responsibilities, "*it is up to the countries concerned to apply their own laws.*"

## Interview n° 11

### **Q1. What is your professional background?**

Mr. PVR has a commercial background in agricultural commodities and executive recruitment.

### **Q2. For you, what are the reasons that led Glencore to go public? Did you see this IPO as positive? Why?**

In the interviewee's opinion Glencore went public to make money for its shareholders. He added that they wanted to gain cash to take an even bigger share of the supply chain by acquiring other companies.

*« Yes, as a publically listed company they have to be transparent, publish annual performance and balance sheets. »*

### **Q3. What does the timing of Glencore's IPO mean for the commodities market ? Why London and Hong-Kong ?**

Mr. PVR told me that The IPO took place at a time when many commodities were at historical highs and China was importing massively. *« Many employees who held shares became instant millionaires.»*

He thinks that Glencore went on London and Hong-Kong exchanges so the company would be able to appear on major indices and appeal to a broader investor base.

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

Mr. PVR said that they have to publish their annual figures. *“ Yes, the board of directors is more divers”.*

### **Q5. What impact has Glencore IPO had on the markets?**

For Mr. PVR the markets have not changed. Apart that Glencore is now bigger, hence finally bought Xstrata they have more market shares in some commodities.

He added that IPOs did not become a trend. *“There are still a few very big privately owned trading houses Trafigura, Vitol, Louis Dreyfus, Cargill “*

**Q6. From an the ethical point of view, what are the responsibilities of Switzerland in relation to Glencore’s business abroad?**

In his opinion Glencore activities and actions can be a problem for Switzerland’s reputation, brand. Most people do not know Glencore and it’s activities. Some of them attract a lot of criticism for example mining in Colombia.

He added that *“Business is tough and if the Swiss authorities squeeze Glencore too much, impose new laws or such like, they will up-root and go elsewhere, resulting in huge loss in tax revenues and highly paid jobs.”*

## Interview n°12

### **Q1. What is your professional background?**

Mr. BM works in the FINMA the Swiss Federal banking commission.

### **Q2. For you, what are the reasons that led Glencore to go public? Do you see this IPO as positive? Why ?**

The person interviewed thinks those kind of companies go public in order to give cash to their shareholders and employees. He also said that it is to bring more cash into the company.

### **Q3. What does the timing of Glencore's IPO mean for the commodities market? Why London and Hong Kong?**

The interviewee Mr. BM thinks that Glencore-Xstrata wasn't quoted on the SMI so this way it won't destabilize the SMI. They chose London and Honk-Kong because they are a more liquid market and because there are more competitors in those markets.

### **Q4. Do you think that Glencore's governance has improved since the IPO?**

In Mr. BM's opinion, it is up to the shareholders to ask for better transparency. If the governance is okay with the shareholders, this means that there is enough transparency. *"Overall, we can say that the governance has improved."*

### **Q6. From an ethical point of view, what are the responsibilities of Switzerland in relation to Glencore's business abroad?**

The FINMA does not regulate companies like Glencore. He thinks that the behavior of Swiss companies abroad can have a negative affect on Switzerland's reputation.

*"So Swiss government could or should do something for it".*