MERCER

TALENT • HEALTH • RETIREMENT • INVESTMENTS

Sudbury Integrated Nickel Operations

REVISED GENERAL PENSION PLAN

VALUATION RESULTS AS OF DECEMBER 31, 2013

November 26, 2014

MARSH & McLENNAN COMPANIES

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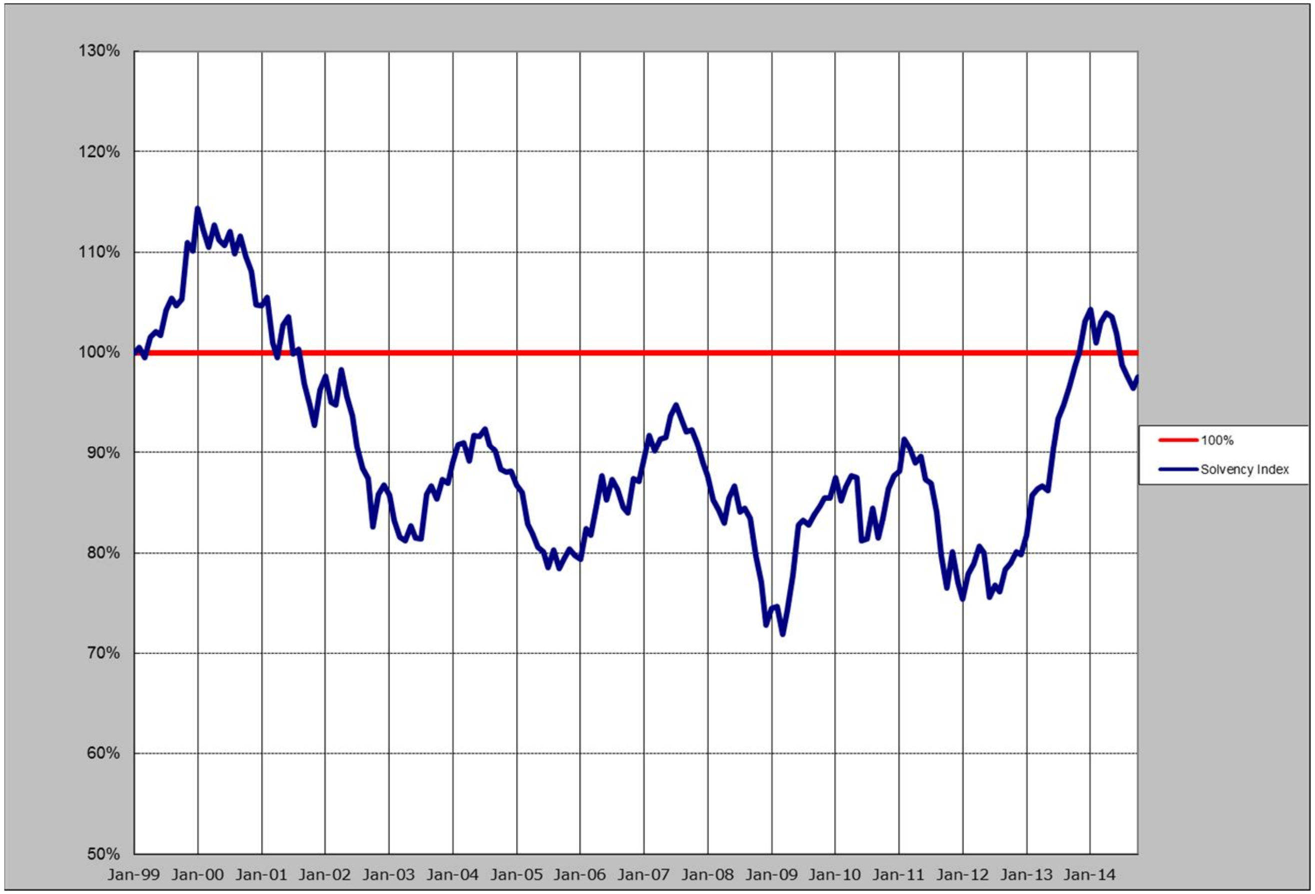
Objectives

- Review actuarial valuation process
- Outline significant events since the last funding valuation as of December 31, 2012
- Provide the updated financial position on a funding basis
- Provide background on the financial evolution of the plan over time

Mercer Pension Health Index – Funded Status on a Solvency Basis



*Solvency ratio (arbitrarily set to 100% at beginning of period) for a model pension plan, assuming contributions equal to current service cost, no benefit improvements and special payments to fund deficits over a 5 year period. Plan assets assumed to be invested in Mercer Passive Portfolio (42.5% DEX Universe Bond Total Return Index, 25% S&P/TSX Composite, 15% S&P 500 (CAD), 15% MSCI EAFE (CAD), 2.5% DEX 91 Day T-Bill), active liabilities (50%) based on CIA Commuted Value Standard without lag, and retiree liabilities (50%) based on the CIA annuity proxy guidance for a plan of medium duration.

Types of Actuarial Valuations

Going-Concern Valuation

- Required by law
- Assumes plan will continue indefinitely
- Assumptions are “best estimates” set by actuary (with Company input)
- Margins can be included at direction of the Company

Solvency Valuation

- Required by law
- Assumes plan is wound-up
- Prescribed assumptions – market basis
- Determines if funding needs to be accelerated

Accounting Valuation

- Required for publicly traded companies for reporting on Company financial statements
- Allocate pension costs in accordance with International Accounting Standards
- Management's “best estimate” assumptions (except discount rate)

Maximum and Minimum Cash Funding Contributions

Glencore Funding Policy

Actual Contributions

Pension Expense and Financial Disclosures

Assumption Setting Process

- Benefit obligations are based on a set of economic and demographic assumptions
  - Economic assumptions – investment returns, discount rate, inflation
  - Demographic assumptions – mortality rates, retirement rates, termination rates, marital status
  - See appendix for details
- A documented process is followed in the selection of both funding and accounting assumptions which is summarized in an Assumptions Manual containing:
  - Historical plan and financial market experience
  - Development of current demographic and economic assumptions
  - Rationale for the current assumptions
- The going-concern and accounting assumptions are consistent except for the discount rate
  - going-concern is based on expected future returns of the pension fund, adjusted by a margin for adverse deviations set by the Company
  - accounting is based on the yields on high quality corporate bonds
- The Assumptions Manual is updated and reviewed at least annually
- Assumption setting process represents current best practice in Canada
  - Maintaining the Assumptions Manual represents best practice for governance

Significant Events Impacting Valuations

- Annualized fund return for 2013 was 10.7% (net of expenses)
  - As a result of asset smoothing, the strong investment gains experienced on a market value basis were not fully recognized in the going concern valuation
  - Asset smoothing was removed for purposes of the solvency valuation
- Long-term bond yields increased significantly in 2013
  - Going-concern discount rate increased from 4.5% to 5.0% per annum (which decreased liabilities by $26 million)
  - Solvency discount rates increased 70-90 basis points (which decreased solvency liabilities by $53 million)
- Mortality assumption changes
  - Based on the experience study (2005-2012) and new CIA mortality tables published in February 2014, mortality rates were updated to 115% of the CPM Private Sector Table with mortality improvements in accordance with the CPM Improvement Scale B (this change increased going-concern liabilities by $9 million)

Significant Events Impacting Valuations

- Plan changes in 2013
  - the new collective agreement effective February 1, 2013 was reflected in last year's valuation as of December 31, 2012
  - Under the new agreement benefit rates increased to $58 per year of service and the minimum income guarantee increased to $3,550 per month effective February 1, 2013
  - New "Defined Contribution Pension Plan for the Unionized Employees of the Sudbury Integrated Nickel Operations" established in 2014
    - All employees hired after September 1, 2013 will have the option to join either the Plan or the new DC plan

- Funding valuations do not reflect the minimum income guarantee since it is not part of the registered pension plan
  - The top-up over current registered plan provisions is covered by the Supplemental Employees Pension Plan (SEPP) with benefits paid directly from company revenue
  - All benefits under the SEPP are secured by a Letter of Credit

Plan Membership

	12/31/2013	12/31/2012
Active Members	**831**	**853**
Average age	46	46
Average years of pensionable service	13 years	12 years
Disabled and Suspended Members	**125**	**132**
Average age	48	48
Average years of pensionable service	10 years	10 years
Pensioners and Survivors	**2,049**	**2,055**
Average age	72	72
Average annual lifetime pension	$14,678	$14,613
Number of members receiving bridge payment	450	497
Average annual bridge payment	$8,318	$8,396
Deferred Pensioners	**219**	**195**
Average age	52	50
Average annual lifetime pension	$2,229	$2,169

Asset Allocation

	Investment Policy Minimum	Investment Policy Target	Investment Policy Maximum	Actual Asset Mix as at December 31, 2013
Equities				
- Canadian equities				8%
- US equities				17%
- Non-US equities				20%
Total equities	35%	40%	45%	45%
Fixed Income	55%	60%	65%	55%
Certain alternatives	0%	0%	20%	0%
Cash and cash equivalents	0%	0%	20%	0%
		100%		100%

Reconciliation of Assets

($CDN Millions)

	2013
Market value as at January 1	**$465**
▪ Company contributions	$26
▪ Investment Income	$51
▪ Pensions paid	($34)
▪ Lump-sums paid	($1)
▪ Expenses	$(2)
Market value as at December 31	**$505**

- For purposes of determining the actuarial value of assets used in the going concern valuation, the market value of assets was decreased by $33 million as of December 31, 2013 to smooth market fluctuations

Financial Position

($CDN Millions)

	12/31/2013	12/31/2012
Going-Concern		
▪ Smoothed value of assets	$472	$466
▪ Liabilities	$488	$508
▪ Funding excess (deficit)	$(16)	$(42)
▪ Funded ratio	97%	92%
Solvency		
▪ Market value of assets (net of expense provision)	$505	$464
▪ Liabilities	$565	$621
▪ Solvency excess (deficit) on a market value basis	$(60)	$(157)
▪ Liability smoothing adjustment	$0	$58
▪ Asset smoothing adjustment	$0	$1
▪ Solvency deficiency to be funded	$(60)	$(98)
▪ Transfer ratio	89%	75%

Reconciliation of Financial Position

($CDN Millions)

	Going-Concern	Solvency
Surplus (deficit) as at December 31, 2012	**$(42)**	**$(98)**
▪ Removal of solvency smoothing adjustment	n/a	$(59)
▪ Interest on deficit	$(2)	$(5)
▪ Employer's special payments, with interest	$21	$21
▪ Investment experience[1]	$(6)	$39
▪ Excess return allocated to indexing reserves	$(4)	$(4)
▪ Impact of changes in assumptions	$17	$53
▪ Other	$(0)	($7)
Surplus (deficit) as at **December 31, 2013**	**$(16)**	**$(60)**

[1] *smoothed value of assets for going- concern, market value of assets for solvency*

Funding Requirements

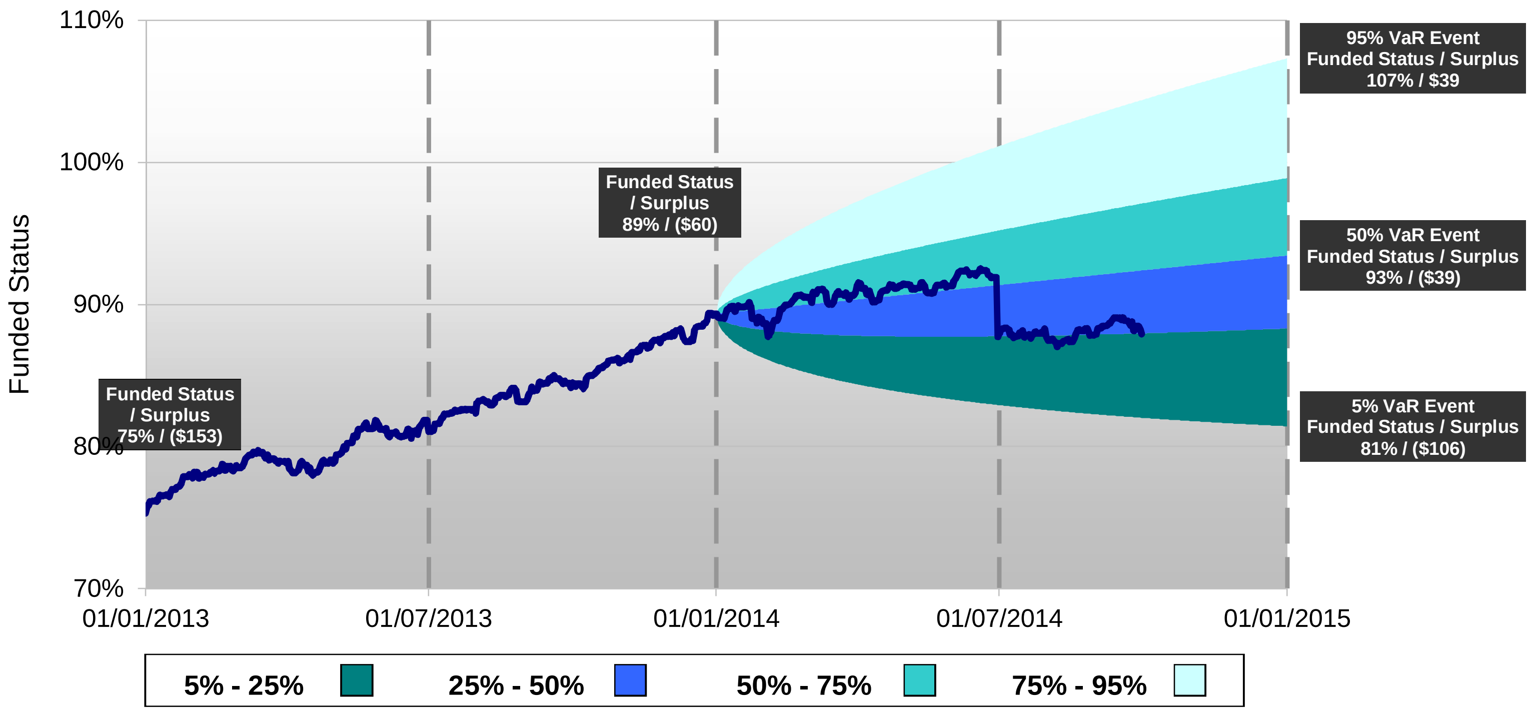
($CDN Millions)

Minimum Funding Requirements			
Period Beginning	**Minimum Annual Special Payments**	**Current Service Cost[1]**	**Total Annual Contributions**
January 1, 2014	$21	$5	$26
January 1, 2015	$21	$5	$26
January 1, 2016	$7	$5	$12

Maximum Permissible Funding	
Wind-up deficit	$60
Current service cost	$5
Total	$65

[1] The annual current service cost is equal to $5,710 per active member (as compared to $6,310 per member determined at the last valuation)

Current Solvency Funded Status and Volatility



Line on graph illustrates volatility in funded position on a solvency basis since last fiscal year-end.

Drop in estimated funded status at July 1, 2014 is as a result of the change in the CIA guidance (effective June 30, 2014) on estimating the cost of purchasing annuities.

Projection is based on expected contributions and on a distribution of asset and liability growth rates, along with historical asset class correlation relationships. Volatility and correlation assumptions are based on 10-year historical data, adjusted for consistency, as well as long term forward looking expectations. Volatilities and correlations can change over time. While they tend to change gradually, when there are major market shocks, most asset classes tend to move together (high correlation). In consequence, such model understates the frequency of extreme events (i.e., tail distributions).

Indexing Reserve

- Indexing of 75% of CPI (maximum 5%) if Indexing Reserve sufficient
- The Indexing Reserve is:
  - Credited with the 'retiree portion' of excess returns, if any;
  - Debited with the cost of indexing granted; and
  - Credited with interest

Retirement Indexing Account (in millions)	2013
Account as of January 1	$17.4
Interest on the reserve	$1.3
Cost of indexing provided during the year (at 0.7%)	($2.5)
Excess return allocation	$3.7
Account at December 31	$19.9

- As at December 31, 2013 the Indexing Reserve is $19.9 million and is reflected as a liability in the funding and accounting valuations
  - The estimated cost of the COLA granted at September 1, 2014 is $4.0M
  - The indexing reserve is estimated to be $16.0M at December 31, 2014 (before any potential interest credits for 2014)
- During the term of the current CBA
  - If the indexing reserve is insufficient, then the Plan will be amended to allocate sufficient amounts to the reserve to provide indexing (capped at 2%) for the year

Corporate Financial Reporting

- International Financial Report Standards (IFRS) dictate pension costs be reflected in the company's financial statements
- Based on IFRS, the following is reflected in the Company's income statement in respect of the Plan (all figures in $CAD millions)

Year	2011	2012	2013	2014	2015
P&L Expense	$6	$8	$7	$6	$7*

- Amounts charged (credited) to Other Comprehensive Income (OCI) (these amounts are more volatile and result in large swings on the balance sheet)

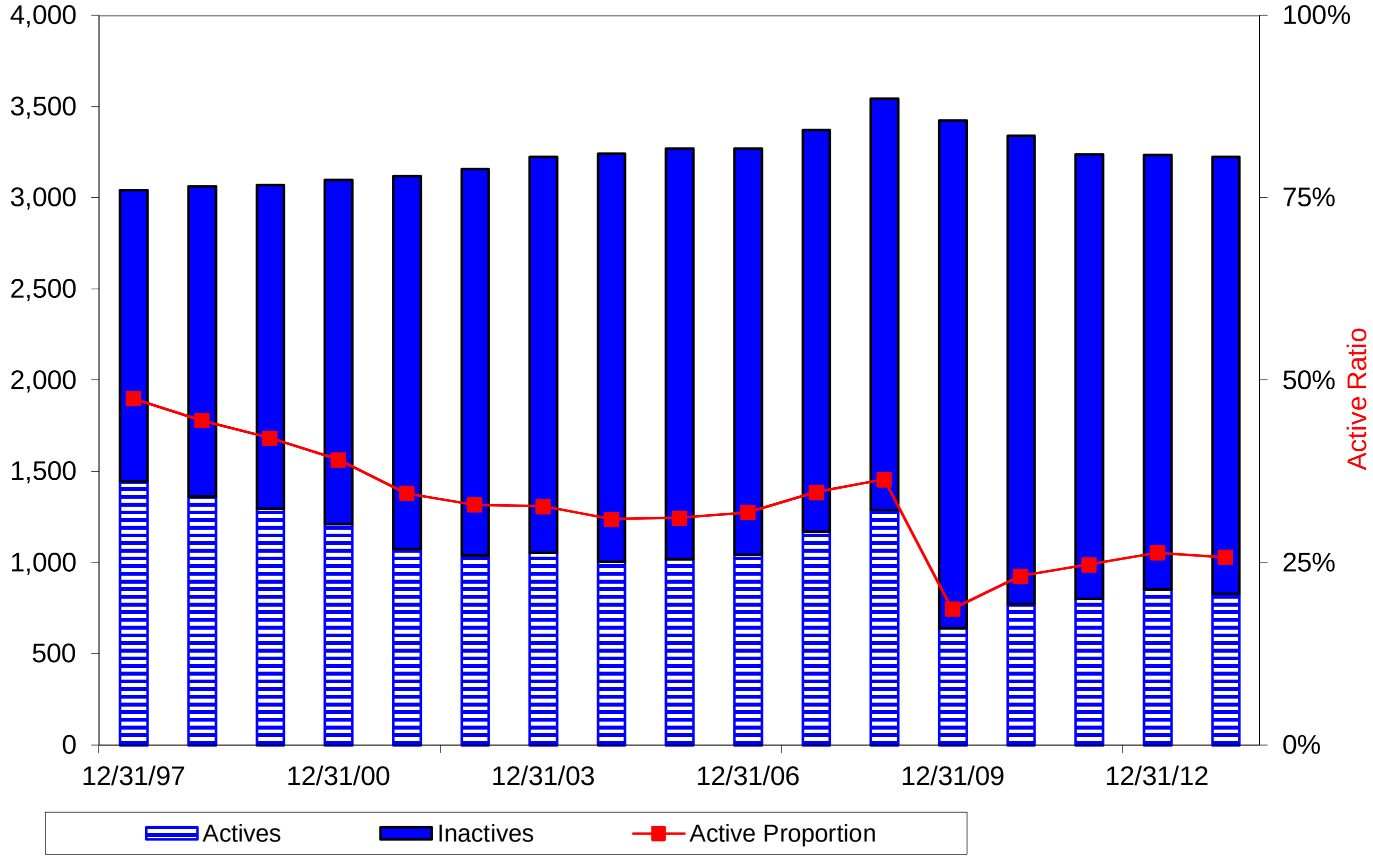
Year-End	2011	2012	2013	2014	2015
OCI charge	$19	$9	$(58)	$36**	TBD

** Estimated based on May 31, 2014 market conditions*

*** As at September 30, 2014. Will be revised at year end.*

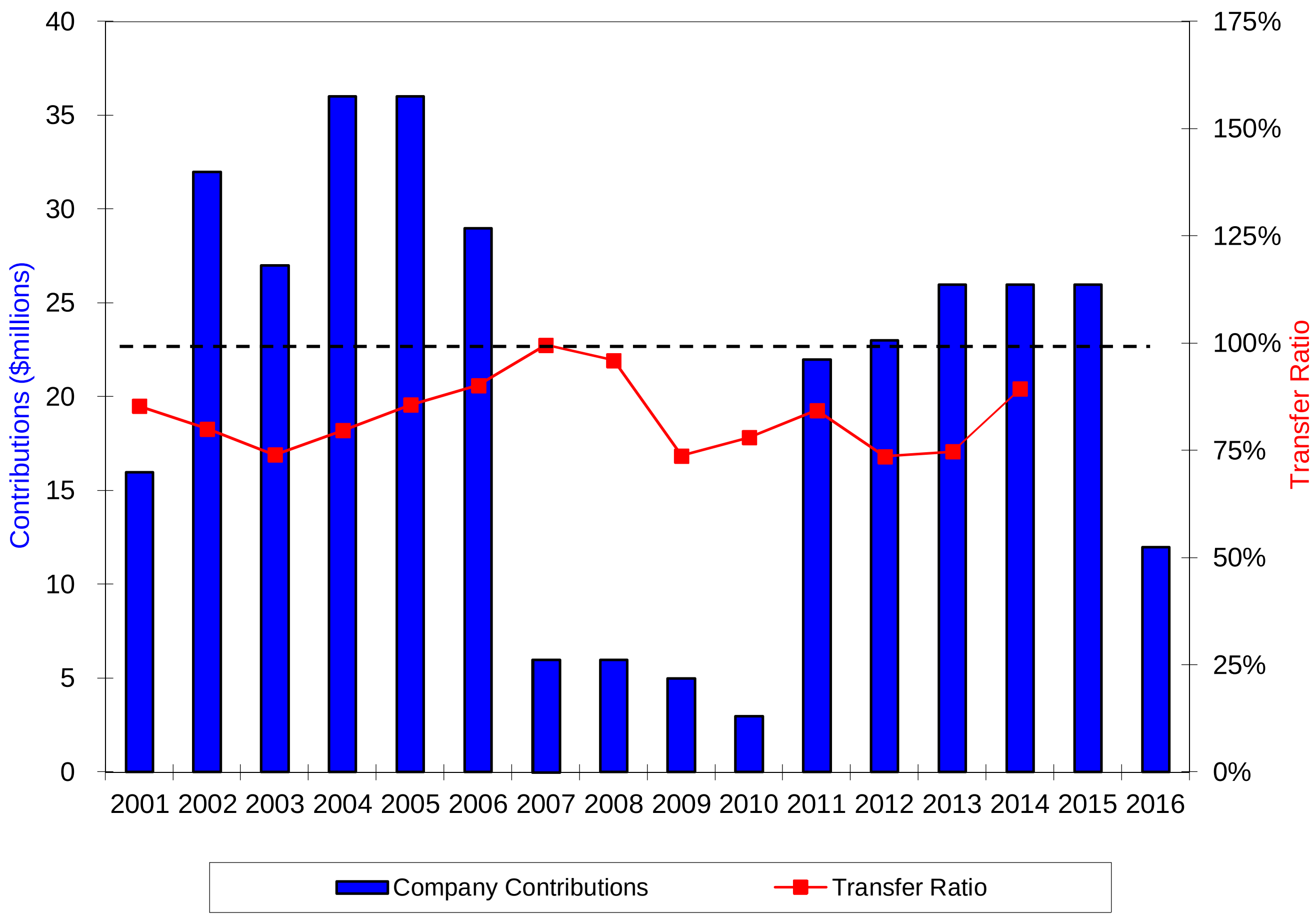
Evolution of Plan Over Time

Demographics of the Plan



The plan is maturing - many more inactive members than active members; ratio of active members to total members declined from 50% in 1993 to 26% in 2013 (inactives represent roughly 82% of wind-up liabilities at December 31, 2013)

Company Contributions vs. Transfer Ratio



Notes:

The 2014, 2015, and 2016 contributions are based on the December 31, 2013 valuation report.

Appendices

Actuarial Assumptions as of December 31, 2013

	Going-Concern	Solvency
Asset valuation method:	Equities returns smoothed over 4 years	Market value of assets
Discount rate:	5.00% per year	Lump sum: 3.00% per year for 10 years, 4.60% per year thereafter. Annuity purchase: 3.73% per year. 70% of active and deferred members under age 55 and 20% of active and deferred members over age 55 are assumed to elect lump sum. All other members are assumed to elect deferred or immediate pension.
Mortality:	CIA 2014 Private Sector Canadian Pensioners Table (with 115% loading) With CPM Improvement Scale B	UP94 Generational with improvement scale AA
Retirement:	50% at EURD 20% at EURD + 1 year 15% at EURD + 2 years or 3 years 10% at EURD + 4 years and thereafter 100% at age 65	Age which maximizes value
Termination:	Age related table	N/A
Expenses:	Implicit adjustment of 20 bps to discount rate	$500,000

Membership Reconciliation

	Actives	Disabled and Suspended Members	Deferred Pensioners	Pensioners and Beneficiaries	Total
Total at December 31, 2012	**853**	**132**	**195**	**2,055**	**3,235**
New entrants	11				**11**
Rehires					
Terminations:					
Refunds	(5)	(2)	(5)		**(12)**
Deferred pensions	(9)	(4)	13		**0**
Deaths	(1)		(4)	(67)	**(72)**
New beneficiaries		(1)		31	**30**
Retirements	(13)	(5)	(10)	28	**0**
Transfer to another plan	(3)	3			**0**
Suspended returning to GPP					**0**
Members Returning from Layoff					**0**
Disabled	(2)	2			**0**
Data corrections			30	2	**32**
Total at December 31, 2013	**831**	**125**	**219**	**2,049**	**3,224**

Reconciliation of Market Value of Assets

(in millions)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January 1	$365	$407	$463	$517	$504	$394	$422	$433	$439	$465
Company's Contributions	$36	$36	$29	$6	$6	$5	$3	$22	$23	$26
Investment Income (Net of Expense)	$35	$52	$57	$10	($86)	$56	$42	$19	$40	$49
Benefit Payments (including transfer in/out)	($30)	($31)	($31)	($29)	($30)	($33)	($34)	$(35)	$(37)	$(35)
December 31	$407	$463	$517	$504	$394	$422	$433	$439	$465	$505
Rate of Return (net of expenses)	9.6%	12.6%	12.3%	1.9%	(17.5%)	14.9%	10.3%	4.3%	8.7%	10.7%

Historical Valuation Results

	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
Going-Concern										
Actuarial Value of Assets	$398	$391	$413	$452	$494	$455	$444	$448	$466	$472
Liabilities	$391	$401	$414	$434	$443	$470	$488	$503	$508	$488
Deficit	$7	($9)	($1)	$18	$51	($15)	($44)	($55)	($42)	($16)
Funded Ratio	102%	98%	100%	104%	112%	97%	91%	88%	92%	97%
Wind-up										
Market Value of Assets	$321	$362	$404	$460	$514	$421	$433	$438	$464	$505
Liabilities	$434	$455	$471	$510	$516	$539	$536	$595	$621	$565
Deficit	($113)	($92)	($68)	($50)	($2)	($118)	($103)	($156)	($157)	($60)
Funded Ratio	74%	80%	86%	90%	100%	78%	81%	74%	75%	89%

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