

# A milestone year in our approach to climate change

## Statement from the Executive Chairman and Chief Executive Officer

Trafigura's 2020 Responsibility Report reflects a year of strong progress in improving transparency, engaging openly with a broad range of stakeholders and continuing to operate in line with our stated aim of taking a leadership position in progressing responsibility standards in commodities trading.



**Jeremy Weir**  
Executive Chairman and  
Chief Executive Officer

For more than a quarter of a century, Trafigura has supplied commodities that are essential to the daily lives of people around the world, connecting producers and consumers reliably, efficiently and responsibly. Throughout that time, a key characteristic of our business has been the ability and agility to adapt to meet the changing needs of the world around us. In 2020, these core qualities were put to the test as never before.

The COVID-19 pandemic affected people across the world and across our business, and led to unprecedented volatility in our key commodity markets. With a COVID-19 emergency committee established from January 2020, our people rose to the challenge, swiftly adapting to working from home and maintaining operational performance to serve our customers. As the global pandemic spread, protecting the health and safety of our people and the communities in which we work in was an urgent priority.

Tragically, despite our efforts, one Impala Terminals employee lost their life to COVID-19 related complications after developing symptoms while working at our fluvial logistics operation in Colombia. And while we continued to reduce the number of lost time injuries – 13 percent lower year-on-year, and a 43 percent improvement excluding the newly-integrated assets – a further two people lost their lives while working at the MATSA joint venture mining operation in Spain in 2020.

These incidents underline the further progress we must make in ensuring that safety is a priority for everyone, everywhere across the Group.

### Addressing climate change

Beyond the immediate and ongoing impact of COVID-19, our business is also rapidly evolving to adapt to the changing needs of a world facing climate change.

2020 marked a significant step up in our focus on and response to climate change and our role in the transition to low- or zero-carbon sources of energy. We are committed to reducing greenhouse gas (GHG) emissions from our own operations. In FY2020, for the first time, we formalised our commitment into a Group target, setting ourselves the challenge of reducing Scope 1 and Scope 2 GHG emissions by at least 30 percent in absolute terms by the end of our 2023 financial year, compared to 2020. Achieving our target will result in a sustainable reduction of over one million tonnes of CO<sub>2</sub>e from our operations.

We also increased our focus on reducing indirect emissions incurred across our value chain. Throughout the year, we improved the accuracy and extended the scope of our reporting of indirect GHG emissions, including external verification of our data and internal tracking of emissions intensity across our global activities. These are important steps towards setting a meaningful Scope 3 emissions reduction target within the next three years.

Emissions from third-party owned ships are a major source of indirect emissions in our value chain and accounted for 54 percent of our total reported greenhouse gas emissions in 2020. Reducing the carbon footprint of shipping is a key focus for the Group and we appointed a Global Head of Fuel Decarbonisation in June to lead our efforts in this area. We have stepped up our engagement with the global shipping industry on this issue, proposing a carbon levy on maritime fuels to the IMO and working with others through the Global Maritime Forum and as a founding signatory of the Sea Cargo Charter. Each of these, and others underway across the industry, are important initiatives that are urgently required to drive greater alignment and collaboration in this vital sector for global trade.

We have taken further steps to build resilience into our operations and logistics, conducting physical climate change risk assessments at operations most at risk from long-term climate change. And by incorporating climate change considerations into our business decisions and strategy, we are increasingly developing business opportunities to meet rising demand from customers for low-carbon products and solutions. Impala Terminals' zero-carbon logistics offering and Trafigura's establishment of the industry's first low-carbon aluminium trading desk during the year are good examples of how we are evolving our strategy and our business to meet changing demands, and work is underway to identify similar opportunities across our business.

### Accelerating the energy transition

The most significant milestone in this evolution is our creation of a new Power and Renewables division, which has the potential to become a third major pillar of our business alongside Oil and Petroleum Products and Metals and Minerals. Renewable energy is an increasingly important component of global power markets and Trafigura's core capabilities in managing risk and volatility across global supply chains have a growing role to play in supporting this transition. Our Power and Renewables division comprises power trading, investment in renewable energy power generation and a venture capital fund to accelerate the development of new technologies and energy solutions. Through Nala Renewables, a joint venture with IFM Investors, we have set a target of investing in 2GW of renewable power generation over the next five years, which includes a planned investment of up to EUR30 million in one of Europe's largest lithium-ion battery energy storage systems at our Nyrstar facility in Balen, Belgium. Trafigura has made other direct investments, primarily through its venture capital activities, including a USD62 million investment in H2 Energy, an entrepreneurial Swiss company already providing green hydrogen-fuelled trucks in Switzerland, to accelerate the roll-out of a hydrogen ecosystem across Europe.

As the world moves to lower and zero-carbon sources of energy, demand for commodities such as copper, cobalt, aluminium, zinc and nickel is structurally shifting higher, driven by renewable infrastructure projects, power generation and electric vehicles. Trafigura is a key and growing supplier of all these vital commodities and we are therefore well placed to play an essential role in accelerating the energy transition.

Our portfolio is increasingly diversified and evolving to reflect a changing world, investing in transition fuels such as natural gas, LPG and biofuels. Nonetheless, oil remains a key component, essential for mobility and industrial processes and products that are more difficult to replace in the short to medium term. As the transition gathers pace, oil demand will decline over time. But even under a 1.5°C pathway as set out by the Paris Agreement, and notwithstanding COVID-19 induced disruptions to demand in 2020-21, we expect that new, low-cost sources of oil will continue to be required to support essential human needs for some time, while the shift to alternative energy sources takes place.

### Expanding responsible sourcing

Responsible sourcing of the commodities we supply to our customers, encompassing human rights and environmental due diligence of supply chain producers, remains an important area of focus for Trafigura and a growing area of relevance for our customers and wider stakeholders.

In 2020, we undertook a full revision of our Responsible Sourcing Programme, setting ambitious objectives for the future and extending the scope of due diligence to cover to all metals and minerals traded from point-of-origin to point-of-sale. We are now working to align the Programme with the international ISO 20400:2017 standard, which provides guidance to organisations on integrating sustainability within procurement, with a Group target to achieve full alignment by the end of 2023, attested by an independent external certification and verification service provider.

### Transparency and responsible business practices

Our business touches many stakeholders, from financial institutions, governments and regulators to industrial customers and consumers, across developed and developing regions. Earning and maintaining their trust by working responsibly and engaging openly is not only a key and growing expectation; it is fundamental to our future success.

It is for this reason that Trafigura has over the past several years established an industry-leading position in transparency and responsibility and we continue to advance in that regard. In 2019, we stopped using third-party intermediaries or agents providing business development services across our global activities and we continue to play an active role as a board member of the Extractive Industries Transparency Initiative (EITI). In 2020, we expanded our reporting on payments to governments in line with the EITI template for commodities trading, which we contributed to developing, to include disaggregated information on cargoes purchased from and prepayments to EITI-participating governments and state-owned entities – both for oil and petroleum products, as well as metals and minerals. The full standalone report is available from our website, with a summary provided in this report.

### Conclusion

Our strong and stable relationships with over 130 banks, our progress in sustainability and responsible business to date and the potential to achieve significant further milestones have enabled us to structure our flagship syndicated revolving credit facility, as a sustainability-linked loan, securing preferential financing rates if we are successful in achieving key environmental and social targets.

This report is an opportunity to reiterate our aim of taking a leading role in corporate responsibility in our sector. I am proud of the progress we have made towards this goal and look forward to reporting on the further advances we expect to make over the coming year.

*“Our business is rapidly evolving to adapt to the changing needs of a world facing climate change.”*