

Statement from the Executive Chairman and Chief Executive Officer

While there is much work ahead of us, in 2021 Trafigura made significant progress in improving our approach to ESG and in evolving our business to respond to the changing needs of customers and stakeholders in the ongoing energy transition.



Jeremy Weir
Executive Chairman and
Chief Executive Officer

Looking back, FY2021 marked another turbulent year for people across the world and for the customers and markets we serve. Amid volatile market conditions, our business performed well overall, achieving record volumes and profitability and providing a vital service to our customers in the face of significant supply-chain disruptions. Importantly, we made significant progress in evolving our business to meet the changing needs of our customers and the rising expectations of our stakeholders in relation to the ongoing energy transition to a low-carbon economy.

Our operational assets, however, experienced high levels of disruption, in part as a result of reduced staffing levels and increased employee turnover. Safety performance was also negatively affected and I am saddened to report six fatalities at Group operations during FY2021, four of which occurred at mining operations. This is simply not acceptable and safety improvement plans are being put in place across the Group to ensure safety performance meets the high standards we require wherever we work.

Responding to climate change

Greenhouse gas emissions

Reducing our operational emissions is a key element of our response to climate change. In January 2021, we announced our first greenhouse gas (GHG) emissions reduction targets, pledging to reduce operational (Scope 1 and 2) GHG emissions by 30 percent compared to FY2020 by the end of 2023. I am pleased to report strong progress against this target. By the end of FY2021, we had achieved a 22 percent reduction in total Scope 1 and 2 emissions and a number of initiatives are underway to reduce emissions further.

In December 2021, we announced a target to reduce the intensity of total shipping emissions by 25 percent by 2030, compared to the 2019 IMO industry baseline – a 48 percent reduction compared to the IMO 2008 industry baseline. The emissions covered by this target encompass around 70 percent of our reported Scope 3 emissions. In 2022, we will work to identify a longer-term pathway to reduce GHG emissions, with the objective to set new GHG reduction targets from 2024 onwards.

Decarbonising shipping

As one of the world's largest charterers of ships, Trafigura is committed to the goal of decarbonising the global shipping industry as rapidly as possible and by 2050 at the latest. We continue to advocate for industry and regulatory action to enable the transition to zero-emissions vessels and fuels, including as a leading member of the Global Maritime Forum and the World Economic Forum's, Getting to Zero, Coalition, and as a key proponent of this partnership's Call to Action. As a founding signatory of the Sea Cargo Charter, we are helping to drive increased transparency and comparability of shipping emissions across the industry.

We became a founding member of the First Movers Coalition, an initiative announced by President Biden at COP26 in Glasgow and led by Presidential Special Envoy for Climate John Kerry and the World Economic Forum. Through our participation in the Coalition, we are committed to helping drive demand for zero-emissions technologies and fuels in the shipping industry and for low-carbon aluminium. At COP26, we announced our commitment to convert six vessels, 18 percent of our current owned fleet, to use zero-emissions fuels by 2030. This is subject to the availability of technology, which we are co-sponsoring with MAN Energy Solutions, to develop a green ammonia two-stroke maritime engine by 2024 for new builds and for retrofitting by 2025.

Our role in the energy transition

Trafigura's role is to connect the world with the resources it needs. This includes supplying critical metals and minerals required for the transition to a low-carbon economy, and for reliable, affordable, cleaner energy. As one of the world's largest suppliers of metals such as copper, nickel, zinc, aluminium and cobalt, we also have a key role to play in financing, responsibly sourcing and helping to decarbonise the production and supply of these transition metals.

We have invested to facilitate new sources of supply of nickel and cobalt – key components of lithium-ion batteries for electric vehicles – including supporting the construction of a new, low-carbon intensity nickel sulphate plant at Terrafame in Finland. We have acquired a minority stake in Prony Resources' Goro nickel and cobalt mine in New Caledonia, helping to secure long-term financing, technical and customer support, in collaboration with local stakeholders and the French government. Prony Resources is targeting a 50 percent reduction in emissions by 2030 and carbon neutrality by 2040.

In addition, we have stepped up our pioneering efforts to develop the responsible sourcing of cobalt from formalised artisanal and small-scale mining in the Democratic Republic of the Congo (DRC), through our agreement with the state-owned entity established for this purpose, Enterprise Générale du Cobalt (EGC), and the international non-governmental organisation, Pact. Our work with EGC is an example of our leading responsible sourcing programme, through which we identify and mitigate risks to people and the environment from our supply chain and work with suppliers to ensure that natural resources drive sustainable development.

We are seeing increased interest in the traceability, responsible sourcing and carbon footprint of the commodities we supply from our downstream customers across a number of sectors, in particular from manufacturers of electric vehicles, which are significantly more metals intensive. Trafigura already offers low-carbon zinc from Nyrstar's European smelters, powered primarily by renewable energy, and low-carbon aluminium through a financing facility, which enables us to pay premiums to suppliers for lower-carbon production. We are currently developing an innovative programme with leading blockchain tracking services provider Circular to track dynamically and attribute GHG emissions throughout our nickel and cobalt supply chains, enabling us to offer customers low-carbon, responsibly sourced battery metals.

The transition to a low-carbon economy is both urgent and achievable, but the transition cannot happen overnight. At the same time, global energy demand continues to grow. Oil and gas will continue to be needed for many years to come, even as consumption of fossil fuels eventually declines over the next several decades. We believe that low-carbon intensity, low-cost and high-quality sources of oil and gas will be the most resilient and in greater demand over time. This belief underpins our acquisition of a minority 10 percent stake in Rosneft's Vostok Oil, announced in December 2020. Vostok Oil is expected to produce oil with a GHG emissions intensity that is up to 75 percent lower than the global industry average for new projects, using wind and associated petroleum gas as its primary sources of energy. Rosneft also recently announced its commitment to a net positive biodiversity impact across its global operations.

We have continued to diversify our energy trading book to reflect a changing global market, including reconfiguring and growing our biofuels business. Now an integral element of our refined products offering, we offer customers tailored solutions to reduce their carbon footprint, supplying biofuels produced from secondary recycled oil and purpose-grown crops across a range of markets from road transportation to maritime bunker fuels.

Carbon intensity is also becoming a major new specification in oil and gas markets, and we are working with a growing number of producers and customers to quantify, reduce and find solutions to abate or compensate upstream Scope 3 GHG emissions. This includes, for example, an agreement with Rosneft to support the verification of supply chain emissions and identification of opportunities to reduce GHG emissions associated with the production and transportation of Rosneft's export crude oil from three major ports.

Evolving our business

The ability to adapt rapidly to the changing needs of the markets we serve has been a hallmark of Trafigura's success over almost three decades. But the pace of evolution accelerated in FY2021, as we developed new products and services and entered new markets, in response to very significant growth in demand for low carbon products and solutions.

Our Power and Renewables division completed a successful first full year of trading, building a global power trading capability that leverages our core skills in

risk management, physical markets and arbitrage, and progressing investments into renewable power, emerging technologies and hydrogen. The Nala Renewables joint venture with IFM Investors built out its management team and a significant pipeline of renewable power projects in onshore wind, solar power and battery storage. This has enabled us to increase our ambition to target 4GW of cumulative generative capacity from the Nala Renewables portfolio by 2025, comprising projects that are operating, in construction or late-stage development. In addition to a growing portfolio of solar and wind projects, initially in the US and Chile, Nala Renewables is expected to commence construction of a 250MW battery energy storage system at Nyrstar's Balen site in Belgium by the end of Q1 2022.

Regulated and voluntary carbon markets are important in achieving a net zero world and in 2021 we established a carbon trading desk. The team combines trading, finance and origination expertise alongside technical project and policy support to provide a full-service, integrated offering. Trafigura is actively investing in a portfolio of high-quality carbon credits from verified and trusted project developers, facilitating the flow of private capital funding into initiatives that sustainably remove and/or avoid GHG emissions. We are also developing an innovative carbon calculator tool to provide greater transparency and clarity to producers and consumers about the carbon content of the commodities they supply and buy from cradle to customer gate.

Investing in low-carbon hydrogen and next-generation technologies

Our internal venture capital fund, established two years ago to invest in early-stage disruptive renewable technologies, continued to invest in hydrogen and alternative fuels, renewable energy storage technologies, carbon utilisation and pay-as-you-go solar and liquefied petroleum gas for clean cooking solutions.

Notably, during FY2021, Trafigura became a major investor in green hydrogen through our investment in H2 Energy, a Swiss pioneer in green hydrogen production, storage and distribution for refuelling stations and industrial customers. We established the H2 Energy Europe joint venture to develop green hydrogen ecosystems across Europe, with an initial project in Denmark to build Europe's largest 'Power-to-X' plant now in the planning stage. Heavy-duty trucking is an optimal sector for the introduction of low-carbon hydrogen, given the relatively low marginal cost of abatement. Together with H2 Energy, we published a whitepaper advocating the use of low-carbon hydrogen in Europe to rapidly decarbonise heavy-duty trucking, as a potential catalyst for the acceleration of the growth of the wider hydrogen economy.

Transparency, human rights and stakeholder engagement

We have over several years maintained an industry-leading approach to transparency and open engagement with our stakeholders, which we believe represents a source of competitive advantage. This underpinned our ability to increase our credit facilities and expand our banking relationships to over 140 banks globally. Following our inaugural sustainability-linked credit

facility in early FY2021, we have again linked our flagship European revolving credit facility to key sustainability metrics, providing further incentives to achieve our goals.

We value and seek out ongoing dialogue with our stakeholders and in FY2021, we held and participated in a number of online multi-stakeholder forums to discuss a range of topics, from transparency in supply-chain emissions to the human rights impacts of commodities trading.

We are committed to respecting internationally recognised human rights and to preventing, mitigating and, where appropriate, remediating adverse human rights impacts in which we are involved, in line with the UN Guiding Principles on business and human rights. In FY2021, we reviewed and revised our salient human rights risk analysis and in 2022, we will publish for the first time a standalone Human Rights Report, to provide greater insight into our approach and activities. We have also reflected this focus in our targets for 2022-2024, committing to fully align our operations with the requirements of the Voluntary Principles on Security and Human Rights, subject to external verification by the end of 2024.

Trafigura plays an active role as a Board member of the Extractive Industries Transparency Initiative (EITI), and we continue to encourage financial and industry partners to join, support and advocate for EITI and its efforts to promote good governance in resource-rich countries. Details of our payments to governments are once again provided in a standalone report available from our website.

Strengthened ESG governance

During FY2021, we enhanced our governance structure by establishing a dedicated Environment, Social and Governance (ESG) Committee of the Board, which I chair. The Committee provides direction for the Group's sustainability policies and approach, and promotes Board-level engagement with and input into the Group's material ESG risks and performance.

New Commercial ESG and Operational HSEC Steering committees were also established during FY2021. They are mandated by the Board to promote best practice, oversee the management of ESG risks and health, safety, environment and community risks at the Group's operations and to ensure that Trafigura's Corporate Responsibility Policy and Business Principles are adopted, appropriately adapted and implemented across the organisation.

Conclusion

This report sets out our commitments and performance with a renewed focus on the issues that are material to our business and our stakeholders. While there is still much work ahead of us, I am proud of the significant progress Trafigura has made in improving and integrating our approach to ESG into our core business activities over the past year, responding to the changing needs of customers and stakeholders more broadly.