Statement from the Executive Chairman and Chief Executive Officer

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Executive Chairman and
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2022 was exceptionally volatile for energy and commodity markets, with impacts across the globe.

Russia's invasion of Ukraine caused a humanitarian crisis and sent shockwaves through the world's finely balanced energy system, disrupting supply and fuelling extreme price moves.

The impact of climate change was evident in multiple extreme weather events that further disrupted supply chains and key commodity markets.

Geopolitical tensions look set to continue to exert their influence, not only for energy but also for the critical metals and minerals needed for a low-carbon economy.

Against that backdrop, our role in providing a reliable, responsible and secure supply of commodities has become more complex, more critical and more in demand than ever before.

We responded swiftly to the war in Ukraine to provide support to directly impacted employees and publicly condemned Russia's invasion. We terminated long-term contracts to purchase oil from Russian state-owned entities in advance of European sanctions coming into effect in May and exited our sole investment in Russia – a minority stake in the Vostok Oil project - in July. The Trafigura Foundation also provided over USD2 million to charities supporting communities affected by the war.

Successive sanctions packages and embargoes imposed in response to the war and broader trade frictions have introduced significant complexity to our activities and required close cooperation between our Legal, Compliance and Commercial teams to ensure we continue to comply with applicable regulations.

Throughout the year, our teams worked hard to help customers meet their needs for key commodities amidst severe disruption and extreme price shocks.

Diversifying and securing supply of energy and raw materials has inevitably risen to the top of industry and government agendas. But it is equally clear that the urgent need to decarbonise and sustainability concerns remain a key focus. In 2022, governments in the US, EU, Australia and India amongst others passed landmark climate laws, underlining our belief that war in Ukraine will accelerate, rather than derail, the energy transition, particularly in Europe.

Responding to climate change

Addressing climate change is a key strategic focus for Trafigura. Following significant progress in reducing Scope 1 and Scope 2 greenhouse gas (GHG) emissions from our operations by 30 percent since 2020, we have revised our climate change strategy and set longer term targets.

In this report, we set out a roadmap aiming for operational carbon neutrality by 2050, including a medium-term target to reduce Scope 1 and Scope 2 emissions by more than 50 percent over the next decade, compared to 2020. Our 2032 target is aligned with the Paris Agreement and a 1.5°C reduction pathway.

Customers increasingly want to know the emissions profile and carbon intensity of the commodities we supply. This is becoming an important additional service we provide and also a source of competitive advantage. Seeking to bring greater transparency to supply chain emissions allows us to help customers select lower carbon options and reduce the carbon footprint of their products and processes. Over time, we expect lower-carbon commodities to outperform emissions-intensive comparable products in terms of demand, market access and, eventually, price across a range of end-use markets.

Tracing GHG emissions from the point of raw material production through to delivery at the customer gate is a complex undertaking and we were pleased to collaborate with Palantir Technologies to develop the Agora platform, which launched in October. Using Palantir's data analytics technology, Agora aims to increase transparency of emissions from the production, transformation and transportation of commodities. It also provides a secure means of sharing primary and third-party data across the value chain.

Decarbonising commodity supply chains

The work we have done in recent years to understand the carbon intensity of the supply chains we manage has enabled us to set a new Scope 3 upstream emissions reduction target, aligned with our commercial strategy.

By 2030, we will aim to reduce the GHG emissions intensity of the production and processing of all the non-ferrous metals we source and supply to customers globally, by 10 percent compared to 2020.

We will seek to achieve this by working with suppliers to reduce emissions at source, selecting lower-carbon producers, as well as benefiting from electricity grids becoming greener.

This target also encompasses our commitment as a founding member of the First Movers Coalition by 2030 to purchase 10 percent of our total primary aluminium from near-zero carbon producers emitting less than 3t CO_2e per tonne of aluminium.

Launched at COP26 and led by the World Economic Forum and the US Government, the First Movers Coalition is an initiative to harness the purchasing power of companies to decarbonise hard-to-abate sectors, including aluminium, carbon dioxide removal and shipping.

Our commitments to the shipping sector include operating at least six zero-emissions green-ammonia fuelled vessels within our fleet by 2030 if technically feasible. We are co-sponsoring MAN Energy Solutions' development of ammonia marine engines to facilitate this goal and with Hy2gen we are developing a major green ammonia project in Norway to supply the maritime sector.

Decarbonising shipping

We are also seeking to bring greater transparency and comparability of GHG emissions in the shipping sector, as founding members of the Sea Cargo Charter and the Getting to Zero coalition. In 2022, initial disclosures by 25 signatories under the Sea Cargo Charter resulted in unprecedented levels of transparency and data sharing and I am pleased to note that Trafigura's performance is ahead of the industry decarbonisation trajectory set by the International Maritime Organisation (IMO).

Through our investments in vessel technology and operational efficiency, we made strong progress this year towards our target to reduce the carbon intensity of all shipping voyages by 25 percent by 2030, compared to our IMO benchmark.

We continue to advocate for a global levy on marine fuels to close the cost competitiveness gap between hydrocarbon and low-carbon marine fuels. Industry-wide adoption of and investment in zero-emissions fuels, vessels and infrastructure remains dependent on decisive policy and global regulation for a global industry. This is an urgent goal that we hope to see the IMO adopt with the revision of its initial GHG strategy.

Facilitating carbon removal and nature restoration projects

Our Carbon team grew rapidly in FY2022, bringing together people with diverse skills and backgrounds to build a differentiated carbon business. Using our expertise in managing traditional commodity supply chains, we are supporting carbon removal projects, such as the Delta Blue mangrove restoration project in Pakistan, and helping project developers access finance, manage risk and develop sustainable routes to market.

We believe that high quality carbon credits to compensate for emissions that cannot be reduced or eliminated at source are an essential tool in achieving carbon neutrality and a sustainable transition to a low-carbon global economy. High-quality projects also play an important part in restoring natural habitats and conserving biodiversity and we plan to announce further investments in the near future.

Investing in renewable energy and low-carbon technologies

We continue to expand our investments in renewable technologies and in clean energy sectors such as green hydrogen and ammonia, with a target of investing in renewable hydrogen projects with a total production capacity of three gigawatts by the end of 2030. In 2023, we expect to progress toward a final investment decision on a one gigawatt green hydrogen production facility in Esbjerg, Denmark, using electricity sourced from offshore wind, being developed through our H2 Energy Europe joint venture.

Our Nala Renewables joint venture is pressing ahead with a range of solar power, onshore wind and battery storage investments. The joint venture is on track to achieve its aim of building a portfolio of operating, in construction and late-stage development projects with a cumulative generating capacity of four gigawatts by 2025. To date, Nala Renewables has invested USD224 million in a range of projects and companies in Chile, the US and Europe, including a EUR30 million battery energy storage system on the site of the Nyrstar zinc smelter in Balen, Belgium that is expected to come on stream in 2023.

We made further investments in early-stage renewable technologies in 2022, including alternative fuels, long-duration energy storage technologies, research into green ammonia cracking as a carrier of hydrogen, and carbon capture and utilisation.

At the beginning of FY2023, we created a standalone Renewable Energy division that will combine our investments in renewable energy, hydrogen and our venture-capital-style clean technology fund. Through this structure we will focus on building our expertise and investments into a future commercial division as these markets develop.

At the same time, gas, power and carbon trading have been combined into a third operating division for the Group, to join Oil and Petroleum Products and Metals and Minerals.

Responsible value chains

Over the past several years, we have developed a robust approach to assessing and addressing human rights concerns and wider social and environmental issues associated with the origin of minerals and metals we source and supply. Responsible sourcing and supply chain due-diligence are important topics for customers, regulators and financiers and are now an integral part of our business.

The further strengthening of our Responsible Sourcing Programme in FY2022, including working with suppliers to provide training on social and environmental performance, provides a competitive advantage in securing access to resources and ensuring access to market for the commodities we move around the world. We remain committed and on track to align the programme with the international ISO standard for sustainable procurement by the end of FY2023.

Our announcement in December 2022 of an innovative sustainable supply chain finance initiative in Mexico to accelerate payments for products to suppliers to incentivise alignment with international human rights standards is a great example of the role we can play in connecting suppliers and financiers to promote good practice and improvements in environment, social and governance performance.

Workplace safety remains a priority

A safe workplace is fundamentally important to the sustainability of our business. While we made significant progress in reducing the frequency of lost-time injuries across the Group in 2022, I am saddened to report two workplace fatalities at our Catalina Huanca mine in Peru. Any work-related fatality is unacceptable. We continue to strive to eliminate serious incidents from our workplaces and we are determined to meet our goal of zero fatalities across all our operations.

Given our involvement in transporting substantial volumes of commodities over long distances by road, the prevention of road traffic accidents is a priority. Over the past two years, we have invested in in-vehicle monitoring systems and improved real-time monitoring of contractor and driver performance across our business, with the aim of improving road safety. This will continue to be a focus for our operational management teams in 2023.

A high performing and diverse workforce

Our company is owned solely and entirely by over 1,100 current employees. This ownership model is a unique element of our culture that means our people are motivated to grow and preserve the long-term value of the business. We build teams that are highly skilled, productive, diverse and collaborative and that align with our corporate culture. These factors are key to our success. We have over 80 nationalities represented amongst our workforce and we value the ethnic and cultural diversity this brings. However, we recognise that, despite improvements in our gender diversity in FY2022, we have further progress to make in some business areas. An example is our efforts to attract more women into a career in commodities trading through our Global Graduate Programme, where we have significantly increased the proportional intake of women, from 26 percent in 2020 to 42 percent in 2022.

Sustainability governance

We have robust governance structures and management systems, that support compliance and our efforts to address the environmental and social risks associated with our activities. In 2021, we launched a revised sustainability governance structure that has brought more focused direction at Board level and greater oversight and involvement at Senior Management level in the Group's health and safety, environmental and social performance and has enabled greater sharing of good practice, common risks and challenges. To further strengthen our commitments and approach, we are undertaking a comprehensive review of our policy framework in 2023.

In conclusion, I am pleased to note the improvements we have made in 2022 in evolving our business to meet the changing requirements of our customers in an increasingly complex world. I look forward to reporting on our progress in 2023.