TRAFIGURA

2017 RESPONSIBILITY REPORT

TRAFIGURA GROUP PTE. LTD.

ADVANCING TRADE

Performance indicators

Average number of employees[1]
4,857
2017: 4,857
2016: 5,033

Environmental incidents reported
115
2017: 115
2016: 87

Aggregate first purchases from NOCs in EITI countries in 2016
$1.1bn
2016: 1.1
2015: 0.9

Fatalities
2
2017: 2
2016: 2

Volume of oil spills in litres
43,351
2017: 43,351

Aggregate first purchases from NOCs in non-EITI countries in 2016
$20.1bn
2016: 20.1
2015: 12.7

Health and safety incidents reported
423
2017: 423
2016: 469

Scope 1 and Scope 2 GHG emissions
356,721 tCO_2e
2017: 356,721
2016: 293,220

Know-your-counterparty checks
5,975
2017: 5,975
2016: 6,037

Lost-time incidents
104
2017: 104
2016: 118

Scope 3 GHG emissions
2,421,642 tCO_2e
2017: 2,421,642
2016: 3,158,958

Employees trained on anti-money laundering
565
2017: 565
2016: 528

Lost-time injury rate
3.62
2017: 3.62
2016: 4.58

Employees trained on anti-bribery
570
2017: 570
2016: 502

1 Employee numbers include assets where Trafigura retains a 50 percent ownership stake, e.g. MATSA and Porto Sudeste. Such assets are deconsolidated from Trafigura's balance sheet and as such employee numbers will vary between this report and Trafigura's Annual Report.

ADVANCING TRADE

Global trade brings the world closer together. It increases the wealth of nations, forges common interests and builds mutual trust.

Trafigura makes trade happen and we make it our mission to do that responsibly. We deploy infrastructure, skills and our global network to move physical commodities from places they are plentiful to where they are most needed.

We have been connecting our customers to the global economy for a quarter of a century. We grow prosperity by advancing trade.

Find out more about our role in Advancing Trade:
www.trafigura.com

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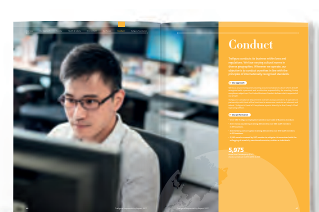


Chief Executive's Statement

Trading responsibly

Jeremy Weir, Chief Executive Officer.

I am pleased to present Trafigura's 2017 Responsibility Report. This is the third annual account of our progress in meeting the commitments we have made to developing responsible business practices across the Group.

Like its predecessors, the report contains a wealth of detailed information and case studies illustrating our performance. Where appropriate it also reflects on challenges and dilemmas we have faced in implementing our strategy. The aim is to provide a candid and practical articulation of what corporate responsibility means from the perspective of one of the world's leading commodities trading firms and of how we, together with our business partners, seek to manage our social and environmental impacts.

We have progress to report, but also acknowledge there is still much to do, not least in continuing to improve our management of health and safety in what is, at its core, a physical logistics business.

I regret to report a fatal incident in 2017 affecting two contract workers at our Catalina Huanca mine in Peru. Our thoughts and sympathies are with the families of those who died. This incident gave additional urgency to our ongoing effort to promote a safety-conscious culture across the Group. We report in detail here on these efforts and on performance improvements. We also describe our continuing work to promote transparency in commodities trading, for example by disclosing our payments to governments and by reviewing our supplier base for copper and cobalt in certain high-risk geographies.

I believe these activities indicate a deepening and broadening of our responsibility strategy during 2017, and to me they suggest three conclusions.

First, developing policies and principles in pursuit of corporate responsibility is the easy part. Achieving a sustained improvement in overall performance takes time and effort, including an effort to change corporate culture.

Second, the approach we have developed is an essential addition to our capacity to manage risk. Risk management is a central core competence for Trafigura. Greater awareness of operational and reputational risks and the creation of tools to manage them – for example via enhanced due diligence on contractors or suppliers – makes our business more resilient.

Third, I am encouraged by the response to our efforts, both from Trafigura staff and from our external stakeholders, including business partners and banks. As a result, whatever the short-term challenges, I am more convinced than ever that we are on the right track and that as Trafigura approaches the 25th anniversary of its foundation, our responsible approach to trading will differentiate our business from our competitors.

Jeremy Weir
Chief Executive Officer

Statement from the Co-Chairs of the HSEC Steering Committee

Andrew Gowers (left) and Andrew Vickerman (right).

In last year's Responsibility Report we recorded the adoption of a new Corporate Responsibility Policy and updated Business Principles. This year our focus has been on implementation and on embedding this approach across the organisation.

On the paramount issue of safety, regrettably, we again fell short. We have set ourselves the objective of zero fatalities on the grounds that any loss of life associated with our company's business activities is unacceptable. It is thus especially disappointing to record the deaths of two contractor workers at our Catalina Huanca mine in Peru on 18 August, after they were fatally injured by falling debris when a tunnel roof collapsed.

There is no more important task in managing the HSEC Steering Committee than taking measures to prevent fatalities on sites for which the company has responsibility. To this end we have improved management accountability for safety, for example, by setting KPIs on measures such as our lost-time injury rate. The rate fell by 21 percent year-on-year to 3.62 per one million hours worked (2016: 4.58), thus exceeding our target of a 20 percent reduction. The total number of lost time incidents fell to 104 from 118 in 2016.

Contributing to these developments was a significant effort to improve management and communication around safety. We have, for example, brought greater rigour to reviews of serious incidents through enhanced oversight from the HSEC Steering Committee. We mounted a Group-wide communication campaign to promote reporting of near misses – an important tool to monitor and reduce the overall incident rate – which yielded a significant increase in near-miss reporting. We regularly shared information on incidents across our community of HSEC and operations practitioners in order to improve risk management.

An important focus of work during the year was on the company's own operating culture. Following the adoption of our new Policy and Business Principles, we set out to socialise them across the Group. So between June and September, we mounted a series of 44 interactive workshops at Trafigura hub offices around the world on the topic of 'Responsible Trading', in which more than 700 traders, operators and other staff members were invited to discuss our commitments to responsible business practices and the practical implications for day-to-day decision making in our core trading divisions. This was an exercise without precedent in Trafigura's history and met with an overwhelmingly positive response from our employees, many of whom underlined the increasing importance of responsibility to our clients, financial partners and other stakeholders.

The workshops also yielded many insights and observations that will generate new activities in the coming year – for example communications to further increase responsibility awareness; training and induction programmes for managers and new recruits; and enhanced processes to improve operational risk management. All this dovetails with a continuously growing programme of learning and development activity across the Group, covering a wide range of topics from broadening the skills base to compliance.

Another area increasingly in focus is the environment. For the second year, we have reported in detail on Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions. We have made a commitment to report under the Carbon Disclosure Project for the first time in 2018, and also to develop a strategy to better manage GHG emissions in future.

We broke new ground in 2017 in our approach to managing risks in our supply chain in view of human rights concerns surrounding the informal mining sector in certain geographies. We launched a 'responsible sourcing' pilot to review purchases of copper and cobalt in the Democratic Republic of the Congo (DRC) and Zambia, based on OECD guidance. We have communicated our expectations and Business Principles to suppliers. In the case of those suppliers deemed to pose a higher risk, we conducted site-based assessments to determine how risks may be mitigated. Since Trafigura is among the largest purchasers of copper and cobalt from these geographies, this is an important initiative to increase confidence in our supply chain that will continue through 2018.

Elsewhere, we continued our disclosure work under the auspices of the Extractive Industries Transparency Initiative (EITI), designed to increase transparency with regard to sales of oil by National Oil Companies (NOCs) to trading firms. Trafigura was a key contributor to an EITI multi-stakeholder working group on trading disclosures, involving other trading companies, NGOs and NOCs. This group issued a guidance document on 'first trade' reporting of crude sales, designed to inform NOCs and civil society groups in EITI countries as they develop reporting programmes.

These initiatives are just two aspects of Trafigura's wider programme of engagement with external stakeholders. We also continued to work with the Swiss Government and other interested organisations to develop guidance on the application of the UN Guiding Principles on Business and Human Rights to the commodities trading sector, and held two stakeholder forum meetings with a wide range of civil society groups in Colombia and South Africa.

We would like to thank our colleagues on the Steering Committee and across the Group for their efforts and contribution during the year.

Andrew Gowers and Andrew Vickerman
Co-Chairs of the HSEC Steering Committee

Advancing trade responsibly

The Trafigura Group prides itself on its responsive, entrepreneurial and pragmatic culture. As society's expectations develop and our operations, products, services and business relationships change, our approach to advancing trade continues to evolve.

Introduction

Trafigura's journey in pursuit of corporate responsibility leadership gained momentum, both internally and externally, in 2017.

This Responsibility Report summarises progress made during the year and examines some of the dilemmas and challenges we faced. It assesses our performance against objectives set in previous years and indicates future areas of focus.

Responsibility framework

The sustainability of any policy is contingent on how it is developed, embedded and monitored.

In our 2016 Responsibility Report, we described the adoption of a new Corporate Responsibility Policy, together with updated Business Principles covering human rights, health and safety, environment and community engagement. Publication followed extensive consultation with employees, business partners and other stakeholders. These documents are all available at trafigura.com.

At a strategic level, our Corporate Responsibility Policy articulates the leadership team's priorities and commitments for social and environmental governance. Operationally, it outlines what is expected from everyone in the Group, its divisions and operating companies.

Our policy and principles are cognisant of emerging best practice for multinational corporations and in particular with authoritative frameworks such as the UN Guiding Principles on Business and Human Rights (the UNGPs or 'Ruggie Principles'). They also reflect the evolving expectations of many of our stakeholders, from financing institutions to local communities.

While discussed at, for example, Trafigura's Multi-Stakeholder Forums in Barrancabermeja, Colombia and Johannesburg, South Africa (see p.12), no changes were directly implemented to these policies in 2017.

We actively encourage business partners and other entities directly linked to our business operations, products and services to align with and implement comparable standards. In 2018, we will prioritise promoting our policies and principles amongst business relationships.

Responsibility and compliance

Our Code of Business Conduct complements our Responsibility Policy and Business Principles. The Code is a central reference point for employees and business partners. We report on the application of our Code in the 'Conduct' chapter of this report.

Each division and operating company within the Trafigura Group is required to supplement our Corporate Responsibility Policy, Business Principles and Code of Business Conduct with relevant, sector-specific standards and procedures that manage the impacts of their operations.

Our Code of Business Conduct is overseen by the Trafigura Group Pte. Ltd. (TGPL) Compliance Committee. The Committee meets annually and is chaired by the CEO. Reporting to Trafigura's COO, Trafigura's Global Head of Compliance supervises the implementation of the Code of Business Conduct and chairs Compliance Committees within all Group companies.

Corporate responsibility governance

Trafigura's Health, Safety, Environment and Communities (HSEC) Steering Committee is responsible for ensuring our Corporate Responsibility Policy and Business Principles are implemented consistently across our organisation. It includes a non-Executive Board member, the Global Heads of Corporate Affairs, HSE, and Corporate Responsibility as well as COOs and HSEC Heads from across the organisation. The Committee met five times during financial year (FY[1]) 2017.

Trafigura's HSEC Steering Committee is supported by cross-company HSEC Working Groups, focusing on, for example, community engagement and responsible trucking. Working Groups meet on an ad hoc basis in response to evolving risks and opportunities. We have reported on a number of their initiatives throughout this document.

Measuring and reporting on progress

All parts of the Trafigura Group are required to measure and report on HSEC performance against priorities and targets agreed at Group and operating levels. Performance is monitored through a variety of channels.

1 Trafigura's financial year runs from 1 October to 30 September.

Reporting inputs include:

1. All employees and onsite contractors are required to report incidents and near misses on Safeguard, our internal HSEC data-capture system. Incidents are rated in a one to five scale by severity.
2. All suppliers and contractors are encouraged to report all serious HSEC incidents and near misses that occur away from Trafigura operated locations according to our 'Third-party incident reporting and investigation guidelines'; these are logged on Safeguard.
3. Various reporting channels (e.g. suggestion boxes, phone lines, email) enable our stakeholders to raise concerns or complaints related to any activity where the Trafigura Group has a presence.

Each month an HSEC performance report is prepared and circulated to Trafigura's Executive Committee, HSEC Steering Committee and HSEC practitioners. The report summarises HSEC performance, major incidents and near misses and each quarter is supplemented by a full update on performance against Key Performance Indicators (KPIs).

Assurance

In 2017, Trafigura's Head of HSE conducted a comprehensive review and revision of our HSEC Assurance Programme. The objective was to identify shortcomings associated with our original assurance approach and, above all, give greater weight and structure to, for example, our growing due diligence programme concerning the assessment and management of new business partner, contractor and supplier risk.

Historically, assurance activities had centred on two activities:

- A comprehensive self-assessment process.
- A series of site-based assessments at locations determined by Trafigura's HSEC Steering Committee, in order to assess conformance, highlight gaps and recommend improvements.

Trafigura's Head of HSE and Head of Corporate Responsibility continued to conduct site-based assessments over the course of 2017. Our future approach to assurance will centre on the following:

- **'Category 1' Group-led assurance:** assessing owned operational locations and activities deemed by the HSEC Steering Committee to be 'high risk' from an HSE or social perspective.
- **'Category 2' Division/Operating Committee-led assurance:** assessing the extent to which each site has implemented Group-level and business-level HSEC requirements.
- **'Category 3' Contractor-focused assurance:** assessing the degree to which applicable Group-level policies, principles and standards have been applied to and adopted by contractors.
- **'Category 4' Supplier-focused assurance:** assessing supplier conformance with Trafigura's responsible sourcing and supply chain expectations (see Society chapter, p.17 for further details).
- **'Category 5' Merger and acquisition assurance:** assessing HSEC liabilities integrated into the due diligence Trafigura conducts on prospective acquisition targets.
- **'Category 6' External assurance:** third party certification of our operational facilities or relevant to our operations e.g. ISO or OHSAS (see Environment chapter, p.34 for further details).

Given the diversity of the Trafigura Group, a fundamental principle of future assessments will be to ensure that personnel from one business with appropriate assessment skills are deployed in other parts of the Group to enhance objectivity, and to share learning.

Setting targets

In October 2016, our HSEC Steering Committee signed off its high level KPIs for FY2017. These targets, which inform this report, build on targets set in FY2016 and have been written into the KPIs of senior and operational personnel across the Trafigura Group. In FY2018 our targets include the following:

FY2018 Target	Covered in this report
Zero fatalities.	See p.26
20 percent reduction on FY2017 Lost-time Incident Rate (LTIR).	See p.27
Level 3 incident investigations completed within an average of 28 days.	
Improve near-miss reporting.	See p.27
Monitor total recordable case frequency (TRCF).	
Monitor road traffic accident frequency (RTAF).	See p.30
Improve contractor HSEC risk management.	See p.28
Monitor environmental spill performance.	See p.34
Enhance engagement with international organisations in the sphere of responsibility.	See p.16
Strengthen grievance mechanisms at all major facilities.	See p.17

Role of ERM

In its capacity as a specialist HSEC advisor to Trafigura, ERM reviewed the completeness and consistency of HSEC data and selected information contained within the Safeguard data management system, as part of the internal validation process.

This review covered all Trafigura divisions and entities included in the scope of the Responsibility Report and comprised the following steps:

- An assessment of incidents classified from minor to critical together with senior management representatives in each Trafigura division and operating company.
- A sample-based assessment of all incidents to check that they had been appropriately reported and addressed, in accordance with Trafigura's Incident Reporting and Investigation Guidelines. ERM reviewed 100 percent of all significant (i.e. level 4 and level 5) incidents.
- A review of selected HSEC KPIs against the relevant Trafigura corporate guidance.
- Dialogue with Trafigura Group HSEC representatives regarding any data queries that were encountered.
- A review of the Responsibility Report to confirm that finalised and internally approved data were correctly transposed to this publication.

Business model and structure

Our business model creates value

Our vision is of an increasingly interconnected and prosperous world in which commodities pass seamlessly from their points of origin to points of need.

What we do

We connect producers and end-users of commodities by performing transformations in space, time and form. We use our market knowledge, logistics and infrastructure:

- to move physical commodities from places where they are abundant to where they are in demand (space).
- to store physical commodities while supply is unusually high and release inventories at times of high demand (time).
- to blend physical commodities to alter their quality or grade according to customer specifications (form).

Transformations in space, time and form

Source	Store	Blend	Deliver
We negotiate offtake agreements with oil producers, refiners, mining companies and smelters. We own mines and invest in logistics that improve market access for our suppliers.	We store petroleum products at owned and third-party tankage. We store metals and minerals at Impala Terminals and third-party-owned facilities.	We blend physical commodities to regional, market and customer specifications in strategically located terminals and warehouses around the world.	We operate efficient, safe and high-quality logistics. We move commodities by barge, truck, rail, pipeline and vessel in support of our core trading activities and for third parties.

Advancing Trade: How we create value

By making markets work
We use our global network and market intelligence to connect supply and demand for commodities and ensure delivery in the right place, at the right time, to the right specification.

By optimising the supply chain
We have developed world-leading logistical capabilities enabling us to source, store, blend and deliver oil and petroleum products, metals and minerals reliably and efficiently anywhere in the world.

By managing risk
Our business model is resilient in the most volatile market conditions. We systematically hedge price risks and have created systems and processes that enable us to manage a complex range of operational and financial risks.

By investing in infrastructure
We invest in high-quality infrastructure that supports our trade flows, such as oil storage facilities, warehouses, ports and transport.

By supporting our clients
Our strong financial resources give us the capacity to add value for our customers through integrated solutions incorporating trading, finance, infrastructure investment and risk management in the physical commodity sector.

By acting responsibly
We are committed to operating and growing our business in a responsible way. Responsible trade drives economic and social progress.

Our structure delivers value

Trafigura's core business is physical trading and logistics. Strategic investments in industrial and financial assets complement and enhance this activity. We structure these investments as standalone businesses.[1]

Trading activities

Oil and Petroleum Products

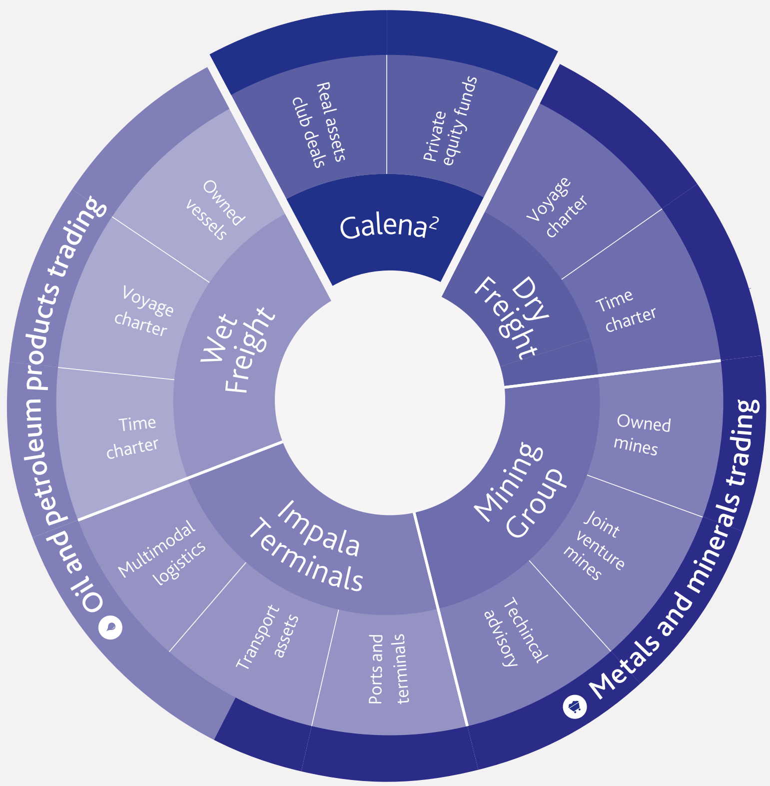
In a fragmented market where no single company has a dominant position, we are one of the world's largest traders by volume of oil and petroleum products. Trafigura is one of the few oil and petroleum products traders with global presence and comprehensive coverage of all major markets.

Metals and Minerals

We are one of the world's largest metals and minerals traders. We negotiate offtake agreements with miners and smelters. We invest in multimodal terminals and logistics through our subsidiary, Impala Terminals, to improve market access for our clients.

Shipping and Chartering

Our Shipping and Chartering Desk is closely integrated into Trafigura's business model, providing freight services to the commodity trading teams internally and trading freight externally in the professional market.



1 The size of each segment is not indicative of percentage of ownership or contribution to Trafigura's bottom line.
2 Galena Asset Management operates wholly independently of Trafigura.

Industrial and financial assets

Impala Terminals

Impala Terminals is a multimodal logistics provider focused on export-driven emerging markets. It owns and operates ports, port terminals, warehouses and transport assets. It has particular expertise in providing efficient logistic solutions in challenging environments and hard-to-reach locations.

100% ownership

Mining Group

The Mining Group manages mining operations, develops projects, conducts technical audits of existing and potential partner projects and provides advisory and support services to Trafigura's trading desks, trading partners and Galena Asset Management.

100% ownership

Galena Asset Management

Galena Asset Management provides investors with specialised alternative investment solutions through its real assets club deals and private equity funds. It operates independently, but benefits from the Group's insights into the global supply and demand of commodities.

100% ownership

Mapping what matters

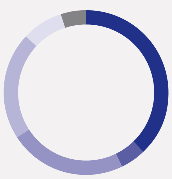
This Responsibility Report focuses on how Trafigura understands and manages impacts relevant to the geographies we operate in, the products and services we trade and deliver and the relationships that we keep.

Oil and petroleum products trading

Metals and minerals trading

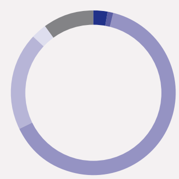
Revenue by region (Percentages, H1 2017 data[1])

Oil and petroleum products trading



Middle East	38	Europe	21
Africa	5	Latin America	8
Asia & Australia	23	North America	5

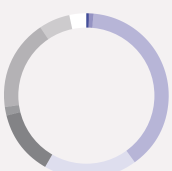
Metals and minerals trading



Middle East	3	Europe	19
Africa	1	Latin America	3
Asia & Australia	64	North America	10

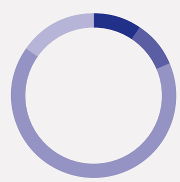
Products traded (Million metric tonnes, H1 2017 data)

Oil and petroleum products trading



Biodiesel	0.4	Gasoline	15.5
Bitumen	0.4	LPG	1.8
Condensates	1.0	Middle distillates	21.4
Crude oil	46.4	Naphtha	7.3
Fuel oil	22.0	LNG	4.0

Metals and minerals trading



Non-ferrous metal concentrates	3.6
Non-ferrous refined metals	3.5
Coal	25.1
Iron ore	5.8

1 Please refer to Trafigura's 2017 Annual Report, published in December 2017, for full year data.

Business relationships: Trafigura has relationships with multiple entities in its value chain linked to its operations, products or services.

Direct relationships – where Trafigura has control

Source	Store	Blend	Deliver
Majority-owned mines (e.g. by Trafigura Mining Group).	Group-owned oil storage (e.g. by Trafigura Trading) and metals and minerals warehousing (e.g. by Impala Terminals).		Transportation by Group-owned and operated transport assets, e.g. vessels and barges.
	Oil storage on Group-owned vessels.		

Indirect relationships – where Trafigura may exercise influence to varying degrees

Source	Store	Blend	Deliver
State-owned oil producers, refiners and marketers.	Third-party-owned oil storage (including Puma Energy) and metals and minerals storage leased in part or in full on a short- or long-term basis.		Transportation by state-owned rail network and pipeline providers.
Multinational and regional oil producers, refiners and traders.	Oil storage on third-party-owned vessels leased in part or in full on a time charter or voyage charter basis.		Transportation by third-party-owned rail, vessels, barges, trucks and pipelines leased on a short- or long-term basis.
Trafigura Group minority-owned refiners.			Oil and petroleum product consumers (e.g. refiners, power generators, shipping industry, aviation companies, petrochemical industry, major manufacturers and fuel retailers).
State-owned mining companies, smelters and marketers.			
Multinational, regional and small-scale mining companies, smelters and traders.			
Minority-owned mines and smelters.			Metals and minerals consumers (e.g. galvanisers, alloy producers, mills and fabricators, construction and automotive sectors, aerospace and utilities).

Understanding what matters most

In order to gauge human rights risks, drive operational improvements and support ongoing engagement, Trafigura has sought to identify and assess actual and potential adverse impacts with which the Group could be involved, either through our own activities or as a result of our own business relationships. This process has drawn on expertise within the Group, involved extensive consultation with potentially affected groups and other relevant stakeholders and is in accordance with the UNGPs Reporting Framework.

For further information relevant to our consultative process, see p.10. For further information outlining our efforts to support the application of the UNGPs to the commodities trading sector, see Society chapter, p.16.

Source ▷ Store ▷ Blend ▷ Deliver ▷

Salient issues: Example issues that could be faced by a commodity trader such as Trafigura directly or indirectly, e.g. via our business relationships.

Payments to governments: A state's ability to deliver an array of services essential for the realisation of economic, social and cultural rights may be compromised by corrupt management of its national resources.
Rights holder impacted: *Population of producer nations.*

Nuisance smells: Industrial odours from the products that we handle and the activities that we undertake could lead to nuisance smells or, worse, health and safety impacts in the community.
Rights holder impacted: *Employees, contractors, suppliers and local communities.*

Dust exposure: Insufficient suppression of dust from concentrate and bulk storage and transportation could compromise the right to the highest attainable standard of health.
Rights holder impacted: *Employees, contractors, suppliers and local communities.*

Security: Abuse by private or public security forces could infringe on the rights of workers, communities and indigenous peoples.
Rights holder impacted: *Local communities, employees, contractors and suppliers.*

Community consent: Failure to secure adequate community consent and failure to provide acceptable alternative or compensation during land acquisition or usage, e.g. during exploration, construction or operations could lead to community frustration and resultant conflict.
Rights holder impacted: *Local communities.*

Seafarers' rights: Failure to respect seafarers' rights to just and favourable working conditions.
Rights holder impacted: *Employees, contractors and local communities.*

Access to grievance mechanisms: Failure to provide adequate access to grievance mechanisms and corresponding remedy could compromise the ability of affected communities to express concerns and infringe on the right of workers to just and favourable conditions.
Rights holder impacted: *Local communities, employees, contractors and suppliers.*

Responsible sourcing: Production and/or onward sale of a commodity may contribute to, benefit from, or result in the commission of, serious human rights abuses.
Rights holder impacted: *Citizens of producer and consumer nations.*

Vapour capture: Insufficient capture of vapour from oil and petroleum products storage and transportation could lead to the formation and potential inhalation of noxious gas (e.g. hydrogen sulphide or 'H2S') and contribute to global warming (e.g. methane).
Rights holder impacted: *Employees, contractors, suppliers and local communities.*

Unsafe conditions: Unhealthy and unsafe working conditions infringe on the rights of workers and community members to the highest attainable standard of health and to just and favourable conditions of work.
Rights holder impacted: *Employees, contractors, suppliers and local communities.*

Oil storage: Catastrophic failure of oil storage may result in severe injury or loss of life. The resulting disruption to energy availability could harm economic development.
Rights holder impacted: *Employees, contractors, suppliers and local communities.*

Transportation safety: Unsafe road practices may impact right to life with a disproportionately negative effect on vulnerable groups.
Rights holder impacted: *Local communities, employees, contractors and suppliers.*

Union recognition: Failure to respect the right to form and join a trade union and the right to collective bargaining.
Rights holder impacted: *Employees, contractors and suppliers.*

Liquefaction: Loss of stability of bulk commodity cargoes at sea may result in severe injuries or loss of lives.
Rights holder impacted: *Employees and contractors.*

Pollution prevention: Hydrocarbon spills and inadequate disposal of waste could infringe on the right to health, life, standard of living of communities and damage to the environment.
Rights holder impacted: *Local communities, employees, contractors and suppliers.*

Impact of product: Ultimate use of the commodity could have adverse health and/or environmental consequences.
Rights holder impacted: *Citizens of consumer nations.*

Climate change: Greenhouse gas (GHG) emissions contribute to climate change which threatens the full and effective enjoyment of human rights.
Rights holder impacted: *International community.*

Bribery and corruption: Illicit payments and unauthorised trading activity could undermine fair competition, distort resource allocation and adversely affect economic development.
Rights holder impacted: *Citizens of producer and consumer nations.*

Case study

Driving internal ownership

In 2016, we committed to engaging our staff worldwide with our revised Corporate Responsibility Policy and Business Principles and to seeking greater alignment with the UNGPs Reporting Framework.

In 2017, we held 44 workshops, involving 700 traders and operators at all levels of seniority in key business hubs, including Singapore, Shanghai, Mumbai, Houston, Stamford, Montevideo, Athens, Johannesburg and Geneva.

The workshops aimed to embed Trafigura's responsibility commitment in its day-to-day operations and socialise policy material. They were led by a Co-Chair of Trafigura's HSEC Steering Committee with support from the Heads of HSE and Corporate Responsibility. Workshops incorporated input from senior management and allowed for an in-depth discussion, typically held over two to three hours.

Exploring risk

Participants were asked to relay their interpretation of safe, responsible trading. They were encouraged to think about how they might do things differently and comment on how Trafigura's corporate responsibility strategy should adapt and evolve. The aim was to trigger an informed exchange of ideas and give senior managers the tools to lead locally.

The workshops examined how responsibility should be discharged in a commercial context – highlighting the imperative to balance the pressures of day-to-day decision making with considerations for the long-term success of the business.

Participants critiqued the effectiveness of existing due-diligence procedures and risk management techniques in a complex supply chain involving many other actors not under Trafigura's direct control.

The conversations also gave them the opportunity to explore and validate direct and indirect human rights risks identified in our 2016 Responsibility Report as 'salient'.

A number of factors were considered by staff, as outlined on page 09:

- **Industrial odours from the products that we handle and the activities that we undertake could lead to nuisance smells or, worse, health and safety impacts in the community.** Rights holder impacted: Employees, contractors, suppliers and local communities.
- **Insufficient capture of vapour from oil and petroleum products storage and transportation could lead to the formation and potential inhalation of noxious gas (e.g. hydrogen sulphide or 'H2S') and contributes to global warming (e.g. methane).** Rights holder impacted: Employees, contractors, suppliers and local communities.
- **Liquefaction of dry bulk commodity cargoes (e.g. iron ore fines and mineral concentrates) in transit may result in marine cargo shift and loss of stability.** Rights holder impacted: Employees, contractors.

Exchanging views and dilemmas

Within a global organisation in a highly competitive market, it is never easy to find the space to step back from everyday activities.

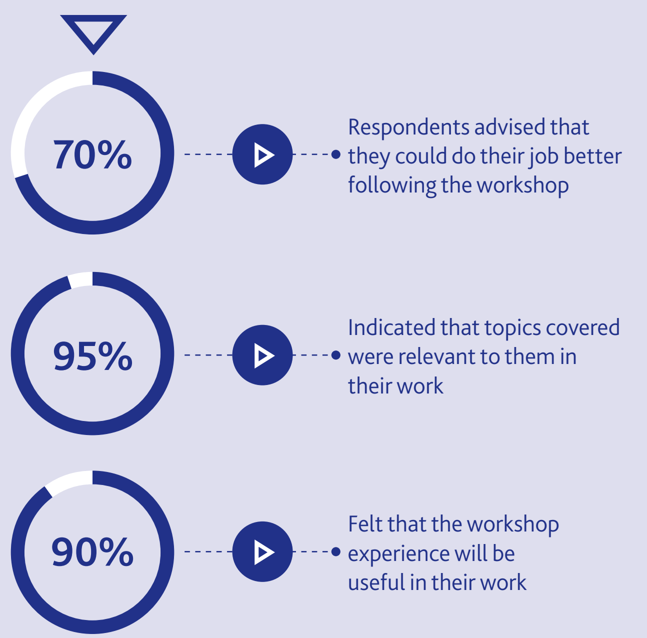
For many of the participants, getting together with people from different disciplines provoked far-reaching conversations. Colleagues swapped experiences and compared perspectives. Challenges were highlighted across Trafigura's value chain – from initiating new business, to acquiring assets, managing new product flows and exiting relationships. Trafigura's culture was also discussed, including the need to balance the requirement for detailed due diligence with the organisation's fast-paced approach to business.

Findings

Over 1,500 observations were recorded over the course of the programme. These included individual commitments to action and suggested improvements that could be made at a divisional or company-wide level. Recurrent themes included:

- Opportunities for improving competency; for example, with better information for new joiners on corporate responsibility expectations and accountabilities.
- Divergent understanding of specific physical/operational risks across the supply chain and how such risks could be mitigated either directly or through business relationships.
- Varied awareness of actual incidents, what can be learnt from them and how systems and procedures can be adapted to reduce the likelihood of reoccurrence.
- Opportunities to build awareness of company's commitment and leadership intent with respect to corporate responsibility.

At the conclusion of each workshop, participants were asked to provide feedback via an online questionnaire.



Next steps

With the completion of the initial round of workshops, efforts are now underway to develop and instigate a corresponding work programme. Future areas of focus will include:

- **Leadership and accountability:** To provide greater clarity and direction on safety and responsibility, including accountabilities and roles and responsibilities within Trafigura's commodities trading division at both a leadership and individual level.
- **Operational risk awareness:** To enhance operational risk expertise and experience and ensure that such knowledge is developed, distributed and applied consistently across all of our commodities and geographies.
- **Ways of working:** To support the ongoing identification of significant risks and to develop and maintain appropriate communications and controls.

We will report on implementation in future Responsibility Reports.


Athens workshop.


Mumbai workshop.

Case study

Building external dialogue


Johannesburg Multi-Stakeholder Forum.

In 2016, Trafigura hosted a Multi-Stakeholder Forum (MSF) in Geneva. This was held under the Chatham House rule and attended by senior representatives from government, think tanks, non-governmental and inter-governmental organisations, banks and Trafigura's management. The dialogue secured valuable feedback which has informed policy and strategy.

In the interests of engaging with those individuals and groups directly or indirectly impacted by our operations, Trafigura held two 'operational' MSFs in 2017. These were designed to incorporate the views of stakeholders at a community, country and regional level.

The first MSF took place in Barrancabermeja, Colombia, in collaboration with our wholly owned subsidiary Impala Terminals. The second was in Johannesburg, South Africa, again with support from Impala as well as from Puma Energy, a midstream and downstream oil business in which Trafigura retains a 49 percent stake.

Each MSF explored and validated the Group's identification, interpretation and response to salient human rights impacts, as first published in Trafigura's 2016 Responsibility Report (see p.09). These impacts, and corresponding responses, are covered in further detail within this report.

Community and country-level MSF

(Barrancabermeja, Colombia)

The Colombian MSF was hosted over two days at Impala's Barrancabermeja port facility under the theme of 'Safe and Responsible Logistics'. Two separate meetings were facilitated by 'Centro Regional de Empresas y Emprendimientos Responsables (CREER)', a think tank focused on strengthening government and company efforts to protect, promote and respect human rights.

The first meeting incorporated participation from community leaders active in the vicinity of Impala's operations. Trafigura representation was purposefully reduced to encourage participants to speak freely.

Stakeholder perspectives

Stakeholders expressed the view that Trafigura and Impala have had a positive role in, and impact on, Colombia and in the local community.

- Impala's role in reinvigorating and promoting the development of the Magdalena River was widely recognised.
- Stakeholders asserted that, in future, Impala's corporate risk identification process, and corresponding management plan should better reflect community perspectives.
- Salient impacts raised by participants included: 'catastrophic failure of oil storage', 'transportation safety' issues relevant to the need to alert fishermen to risks associated with smoking near Impala's fleet of crude oil and refined product barges, and the threat to livelihoods of ineffective 'pollution prevention'.
- Communities also felt that they could play a more active role in supporting certain contingencies in the event of a major incident, for example, helping to mitigate the potential effects of an oil spill.

The second meeting, which incorporated fuller representation from Trafigura and Impala management, included representation from national, regional and local government agencies, including those directly responsible for environmental control and monitoring.

From the private sector were representatives from fluvial and industrial guilds. Civil society organisations present in Barrancabermeja and with influence in the Magdalena Medio Region were represented, as was the Swiss Government.

Stakeholder perspectives

- Impala and Trafigura have developed proportional strategies and controls to manage risks and impacts across the company's multimodal logistics chain.
- Salient impacts raised by participants included: 'access to grievance'. Some felt that greater links could be developed with 'outside of fence' communities impacted by the company's fluvial operation.
- Participants discussed at length the challenge the country faces in funding and maintaining dredging activities on the Magdalena River. The potential cost in lost foreign direct investment should barges, such as those operated by Impala, be unable to navigate the country's waterway was a particular concern (see Environment chapter, p.37).

Regional MSF

(Johannesburg, South Africa)

A further MSF was held at Trafigura's Johannesburg office. It was chaired by the University of Pretoria's Gordon Institute of Business Science (GIBS) Business School and supported by South Africa's National Business Initiative, a global network partner of the World Business Council for Sustainable Development (WBCSD) and the focal point of the UN Global Compact (UNGC) Local Network in South Africa.

Participants included stakeholders from academia, banks, competitors, regional business associations, service providers, think tanks, non-governmental and inter-governmental organisations, the Swiss Government as well as senior representatives from Trafigura, Impala, Puma Energy and the Trafigura Foundation.

A series of brief presentations outlined the African business interests of the Trafigura Group and Puma Energy. An in-depth discussion about the mitigation of salient issues then followed, taking account of various dilemmas posed by Trafigura.

Discussion topics

1. Transparency of payments to governments

Impact: "A state's ability to deliver an array of services essential for the realisation of economic, social and cultural rights may be compromised by corrupt management of its national resources."

- The release of more timely, more detailed data by Trafigura has yielded real advantages to the citizens of producer nations. How do you balance the demands of civil society for more data with the potential that, given the complexities of trades, and the lack of sector understanding, it may be misinterpreted? (see Society chapter, p.19).

2. Responsible sourcing of commodities

Impact: "Production and/or onward sale of the commodity could contribute to, benefit from or result in the commission of serious human rights abuses."

- The negative human rights impacts associated with artisanal small-scale mining are greater than can be addressed by any single actor or sector. How and with whom can Trafigura scale up its engagement on this topic? (see Society chapter, p.17).

3. 'Dirty-diesel'

Impact: "Ultimate use of the commodity could have adverse health and/or environmental consequences."

- 'Dirty diesel' is a very important and highly charged public health issue whose resolution depends on the actions of multiple parties – starting with Governments. How can Trafigura develop its approach to affect positive change? (see Society chapter, p.23).

4. Responsible trucking on the African continent

Impact: "Unsafe road practices impact right to life with a disproportionately negative effect on vulnerable groups."

- Southern Africa's road infrastructure, as accessed by Impala, is poorly maintained and fundamentally unsafe. What are the challenges when seeking to introduce greater controls over contractors? And what are the long-term solutions? (see Health & Safety chapter, p.30).

Trafigura intends to supplement its MSF programme with additional engagements in 2018. We will report on further findings in our next Responsibility Report.

Membership organisations

Honest and open engagement with stakeholders helps us identify and prioritise issues. Trafigura participates in a number of corporate responsibility initiatives worldwide. Current memberships include:

- UN Global Compact (UNGC) at an international level.
- UNGC Swiss Network, where Trafigura is represented at Board level (see Society chapter, p.16).
- Extractive Industries Transparency Initiative (EITI) (see Society chapter, p.19).
- Oil Spill Response Ltd.

In 2017, Trafigura joined the following organisations. Our participation in these initiatives is enhancing the company's ability to meet its obligation to respect human rights in practice.

- Global Business Initiative on Human Rights (GBI): A not-for-profit organisation established to advance human rights in the business context by informing policy and promoting cross-industry peer learning, outreach and capacity building.
- Global Maritime Forum: An international not-for-profit foundation dedicated to shaping the future of global seaborne trade to increase sustainable long-term economic development and human wellbeing (see Environment chapter, p.39).
- World Economic Forum (WEF): An international organisation for public-private cooperation engaging political, business and other leaders of society to shape global, regional and industry agendas. Trafigura is a member of the WEF's Global Battery Alliance.

Society

Earning and maintaining our social licence in communities where we operate reduces risk, supports the development of our business and enhances our access to talent, capital and liquidity. Promoting greater linkages with the community and driving greater levels of transparency locally and internationally are vital components. Where our activities impact others, we act to avoid infringing their rights and to address adverse impacts with which we are involved.

Our approach

We are a major facilitator of global trade. We believe that natural resource wealth should be an engine for economic growth that, when used prudently, contributes to sustainable development and poverty reduction.

Our activities stimulate development in local communities and national economies. We create employment, develop skills, build infrastructure and procure from local suppliers. At the same time, we recognise that our activities and those of our business relationships can also have adverse impacts.

We monitor and seek to manage risks where we have indirect supply chain impacts. We endeavour to mitigate such risks by acting responsibly and by exercising diligence in appointing suppliers and contractors. How we act is codified through our Responsibility Policy, Business Principles and, where appropriate, specified operating expectations.

Internationally, we contribute to the expanding conversation on and response to impacts related to our sector, the geographies in which we trade, the business relationships that we keep, the products that we handle and the services that we deliver.

Our performance

- **Performance improvement plan instigated across all major assets to deliver enhancements to Trafigura's grievance management system.**
- **Pilot responsible sourcing programme launched in the Democratic Republic of the Congo (DRC) and Zambia, incorporating desk-based and site-based due diligence of suppliers of metals and minerals to Trafigura.**
- **Supporting the development of guidance for the application of the UN Guiding Principles on Business and Human Rights (UNGPs) to the commodities trading industry.**
- **Support for the EITI-mandated multi-stakeholder working group in developing guidance on 'first trade' reporting of crude oil sales by State Owned Enterprises.**

$1.1bn
aggregate first purchases from NOCs in EITI countries in 2016
(2015: USD915m)

$20.1bn
aggregate first purchases from NOCs in non-EITI countries in 2016
(2015: USD12.7bn)

Managing our social impacts

We rely on the support of local communities, host nations and the international community to perform effectively. Our licence to operate is in their hands. We seek to contribute towards long-term social and economic development.

Priorities and progress

The table below highlights our performance against the priorities and commitments we set out last year. This year we have integrated the topic of transparency into this chapter on the basis that we believe that transparency is an integral component of the human rights and development discussion.

What we prioritised last year	How we performed
Support for the development of guidance on the implementation of the UNGPs for the commodities industry.	Improving
Promoting collaboration with other sector participants in pursuit of corporate responsibility.	Improving
Comprehensive roll-out and support for Trafigura's Group-level and project-level grievance mechanism.	Improving
Refining risk-based assessment of supply chains relevant to specific products and geographies.	Improving
Supporting the EITI-mandated multi-stakeholder working group in delivering against objectives.	Improving
Supporting the EITI secretariat in expanding the global reach of the EITI to those countries from which Trafigura purchases oil and petroleum products that currently lie outside of the EITI.	Improving
Supporting other commodity traders exploring opportunities for future disclosure under the EITI banner.	Improving
Engaging with stakeholders wishing to help refine Trafigura's future disclosure strategy.	Improving

Not achieved | Improving | Achieved

The development of UNGP sector guidance

The intersection between the human rights agenda and commodity trading is of significant interest to civil society, governments, investors and other stakeholder groups. As one of the world's principal commodities trading hubs, Switzerland, through the Swiss Government's Federal Department of Foreign Affairs (FDFA) and the State Secretariat for Economic Affairs (SECO), commissioned the Institute for Human Rights and Business (IHRB) to conduct a mapping study of human rights issues associated with commodities trading in 2016.

Trafigura continued to invest time and energy in supporting this project in 2017. We have also assisted in the concurrent development of guidance for the application of the UNGPs to the commodities trading industry. We will contribute to a public consultation on the guidance at and following the UN Forum on Business and Human Rights in November 2017, and will take the necessary steps to apply to the guidance to our business, where applicable, in 2018.

Promoting responsible business in Switzerland

Trafigura has played an active role in the Swiss branch of the UN Global Compact (UNGC) Network over the course of 2017. The company co-sponsored the first 'Swiss Global Compact Dialogue on Responsible Business' in February in Berne and hosted a 'Sharing and Learning' event in September entitled 'Lessons from the field – navigating complex impacts, perspectives and dilemmas'. The discussion focused on Trafigura's transparency agenda and the company's handling of the 'dirty diesel' issue (see p.23). Participants were invited to critique Trafigura's response to both issues and contribute perspectives on future strategy.

Trafigura's Head of Corporate Responsibility was re-elected to the Board of the UNGC Network Switzerland in June.

Forging leadership in the community

In 2016, Trafigura's Community Working Group, a sub-group of our HSEC Steering Committee, developed guidance entitled 'Community leadership: what it means to us'. The document aimed to assist staff worldwide in connecting high-level policy commitments with what is expected of them on the ground. Training in support of the guidance commenced in 2017 and will be rolled out on an ongoing basis.

Monitoring our negative impacts

Mindful that the number of community-related impacts being reported worldwide remains low, the Community Working Group revised the Group's approach to the reporting of incidents at the close of the year. Trafigura's online incident reporting system Safeguard was overhauled and improvements made to make it easier for our staff to capture both actual and near-miss incidents involving local communities.

A supporting communications campaign, to be rolled out in 2018, was also developed to sensitise staff to potential community impacts and to encourage them to be proactive in reporting incidents. Subjects covered included safety and security, noise, dust, odour, spills, damage to community property and the infringement of agreements between the company and the community. In 2018, we will report back on the effectiveness of these initiatives.

Operational-level grievance systems

In 2016, Trafigura developed operational-level guidance for the handling of external complaints and grievances. The guidance outlined the process for implementing a community-level mechanism for the receipt, handling and management of issues raised by local communities and other external parties.

In 2017, the Community Working Group conducted a series of consultations, supported by an external subject matter expert, with all significant Group assets. These were designed to review the social context of each asset, ascertain the risks its operations posed to the local community – including any risks posed by the community to its staff – and critique the maturity of existing grievance mechanisms already in place.

Many grievance mechanisms were deemed insufficient when benchmarked against the Trafigura standard. The Community Working Group is working with key representatives of each significant Group asset to agree performance improvement plans for 2018 against 'basic', 'standard' and 'advanced' levels of mechanism.

We recognise that developing effective grievance mechanisms in the various locations in which we operate will take time. Much has to be done to challenge preconceptions among some staff and business relationships so that they have the confidence to engage more openly and actively with local communities.

Trafigura will report on improvements made and corresponding challenges in our next Responsibility Report.

Group-level grievance mechanism

Trafigura has engaged external supplier EXPOLINK to provide an anonymous 24/7 multilingual telephone hotline, web reporting and email service for reporting external grievances. The service is promoted and explained across several channels, including Trafigura's website where it is readily accessible from the landing page.

In 2017, grievances reported worldwide included subjects as diverse as an alleged breach of company policies, a conflict of interest and the illicit sale of commodities. We expect the number of grievances reported through our system will continue to rise as we promote the service more actively.

Responsible supply

In our 2016 Responsibility Report we acknowledged that, even though we had traded very little cobalt during the year, our response to Amnesty International's 2016 reporting of child labour and hazardous working conditions in the artisanal cobalt sector in the DRC had been fundamentally reactive. We committed to developing a more comprehensive approach to managing supply chain risks and to reporting on our progress in this year's Responsibility Report.

As one of the world's leading global traders of metals and minerals, we recognise that the potential for adverse social or environmental impacts to be associated with the extraction, processing and trading of metals and minerals is not limited to specific metals or to specific geographies. We have piloted a responsible sourcing programme that aims to embed the recommendations of the OECD's 'Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas' (OECD Guidance) within our business.

Our responsible sourcing programme has been piloted over the course of the year on our copper and cobalt business in the DRC and in Zambia.

Management approach

The responsible sourcing programme is led by Trafigura's Head of Corporate Responsibility, working closely with senior traders and operations managers. Our Head of Health, Safety and the Environment also provides advice and input. Programme delivery in 2017 was supported by retained external advisors.

In 2017, we developed Trafigura's Metals and Minerals Responsible Sourcing and Supply Chain Expectations. These incorporate OECD Guidance, but also reference our Corporate Responsibility Policy and Business Principles.

During 2017 we began pilot implementation of the responsible sourcing programme (see process flow on the following page).

The first stage involves data gathering: working with trading and operations colleagues to obtain details of metals and minerals suppliers' operations and any contextual information relating to the suppliers that may have relevance to the programme. This is complemented by a desk-based analysis of each supplier using a web-based Environment, Social and Governance and compliance platform to identify relevant information from media reports, NGO campaigns or other publicly available sources.

The next stage is a 'Level 1' risk assessment. We contact each supplier, asking them to confirm in writing that they understand our expectations and agree to comply with them. We also require them to complete a Level 1 questionnaire which explores business operations and their management approach to meeting our expectations.

Based on a detailed risk categorisation from the Level 1 Assessment, 'Level 2' site-based assessments are then undertaken where necessary at the operations of higher-risk suppliers. We developed a Level 2 Assessment Protocol to guide and bring consistency to these assessments. Issues addressed within the Assessment Protocol include understanding the conditions under which minerals are extracted or, if the supplier sources minerals from others, mapping their supply chain and evaluating the supplier's own due-diligence practices.

Level 2 assessments also evaluate the supplier's management of health and safety, human rights and labour practices, environmental management, community engagement, transportation risk, security concerns, financial payments to government (specifically relevant to the EITI) and exposure to bribery and anti-money laundering risks.

The outcome of each Level 2 review is an assessment of the level of risk that each supplier may represent, what mitigation measures should be taken as a result and over what time frame. We also provide recommendations to the supplier on areas that require improvement for it to raise its performance to levels consistent with our Corporate Responsibility Policy, Business Principles and Responsible Sourcing Expectations.

During FY2017 we undertook pilot site-visits to three copper and cobalt suppliers in the DRC and one in Zambia.

Our responsible sourcing pilot remains work in progress. Counterparts are still familiarising themselves with the process, and we expect that as they do they will become more comfortable with our commitment to supporting them in delivering improvements in the value chain.

We will be able to report more fully on due-diligence results and risk-management actions in future.

Next steps

We continue to roll out Level 2 assessments across our prioritised higher-risk suppliers in the DRC and Zambia. Following the Level 2 assessments we will develop risk management plans as appropriate.

Over the course of 2018, we will refine our Level 1 and Level 2 assessment approach to incorporate 'lessons learned' from our pilot work, and maintain our Level 1 assessments on a rolling basis as we appoint new suppliers in the DRC and Zambia.

Management systems (OECD Step 1)

- Responsible sourcing programme (policy, management accountabilities, supporting processes, etc.)

Due diligence informs Trafigura's sourcing decisions

Audit for OECD compliance and external credibility

Risk Assessment (OECD Step 2)

- Level 1 (L1) assessments
  – High Risk/Low Risk
- Level 2 (L2) assessment of High Risk
  – Permitted to trade under observation/Conditional subject to mitigation/Not Approved
- Reassessment of counterparties at appropriate intervals (L1 and, if necessary, L2)

Risk Management (OECD Step 3)

- Monitoring supplier mitigation
  – Desk-based where appropriate
  – Progress verification visits if required
- Risk mitigation support
  – Advisory support where supplier capacity is low
- Trafigura Foundation support

Audit (OECD Step 4)

- Auditing other counterparties
  – Independent
  – Published audit criteria
  – Audit results published
  – Conducted annually

Reporting (OECD Step 5)

- Trafigura Responsibility Report
  – Describing management system, risk assessment and risk management. OECD Step 4 audit programme and high-level results, to be made available in future.


Cobalt mine, DRC.

In 2018 we will evaluate opportunities to work with external stakeholders on risk mitigation programmes. This will include considering opportunities to support initiatives outside of the direct scope of our business activities but relevant to broader regional challenges.

We will report more fully next year on the progress in implementing our responsible sourcing programme.

Transparency of payments to governments

In 2014, Trafigura became the first independent commodities trading company to have declared its support for the EITI. The EITI, whose standard is implemented in 52 countries worldwide, supports the open and accountable management of natural resources.

By publishing our payments to state-owned enterprises (SOEs) in EITI countries, we provide useful information on a matter of global public interest.

Payments to governments for oil

Developing EITI guidance on commodity trading

In 2017, Trafigura worked closely with an EITI-mandated multi-stakeholder working group, including trading companies, NGOs, and SOE representatives to assist implementing countries with significant commodity trading activities to increase their transparency in respect of revenues received from commodity sales.

In May, the working group issued guidance on 'first trade' reporting of crude oil sales. The guidance had three intended audiences: first, the EITI Multi-Stakeholder Groups (MSG) in implementing countries that will determine their respective countries' approach to reporting in this area; second, the governments and SOEs that sell commodities, which can opt to disclose further information about these transactions; and third, buying companies, such as Trafigura, who can use the guidance to inform their own reporting, or draw on it to achieve compliance with MSG-set reporting requirements in EITI implementing countries where they execute sales.

By the close of FY2017 a number of producer countries had progressed their approach, for example:

- Chad has adopted a roadmap outlining planned activities by their MSG in support of the initiative.
- Ghana has decided to produce separate commodity trading reports for oil/gas and mining. The oil/gas report will look at the role of the National Oil Company (GNPC) in marketing the state's share of oil and gas, transparency in the selection of buyers and award of sales contracts, and revenue management. GNPC has already completed reporting templates for 2015 and 2016.
- Indonesia is close to finalising its commodity trading report shedding light on the tendering processes of the NOC trading unit, Pertamina-ISC, the names of buyers, and sales values. Stakeholders are also discussing possibilities for covering imports of crude and petroleum products, i.e. sales by commodity traders to the NOC.
- Nigeria EITI aims to produce a dedicated report by September 2018 that would reconcile oil sales, present a clear description of the flow of funds into the Federation account, a description of the process for selecting buying companies, as well as identification of the beneficial owners of buying companies.
- Mauritania plans to include expanded coverage of the sale of the state's in-kind revenue in its 2015 EITI Report, expected in 2017.

Our trading disclosures

Our policy commits Trafigura to disclosing payments to NOCs from EITI-implementing countries for crude oil and petroleum products, including gas, as well as associated corporate taxes and licence payments to governments.

Trafigura's disclosures in 2016, as outlined in full on p.21, were limited to transactions undertaken with NOCs of EITI implementing countries, and where the load port of the product was that same country. This approach was aligned with the EITI Standard (4.2) and focused on the 'first purchase' of 'equity oil'. As such, it excluded data relevant to purchases from EITI country NOCs that were active in buying and selling oil on a secondary basis on the international market.

In 2016, Trafigura's aggregate first purchases of oil and petroleum products from NOCs in EITI countries amounted to USD1,111,492,895 (2015: USD915 million).

Further to enquiries from stakeholders, and relevant to our 2016 EITI disclosures, we can confirm that in the 2016 calendar year, Trafigura entered from time to time into spot 'pre-payment' arrangements with Petroleum Company of Trinidad and Tobago Ltd.

The purpose in making very particular distinctions in our disclosures is to ensure that we continue to operate within the confines of the existing EITI framework – as such, payments made by companies such as Trafigura could be compared directly to receipts published by EITI country governments. We believe that the EITI's multi-stakeholder process – committing all relevant stakeholders, including governments, to report within an agreed format – represents the optimal approach to disclosure.

Following the EITI framework supports our intention to release information in a manner compatible with the legal requirements of countries where we purchase and with existing commercial contracts. This stance is aligned with EITI Principle 6, which recognises that the achievement of greater transparency must be set in the context of respect for laws and contracts.

We accept that there is considerable interest amongst our stakeholders for disclosures of payments outside of the EITI framework. Our EITI payments, as disclosed on the following page, compare to total payments of USD20,112,445,367 to NOCs in non-EITI countries (2015: USD12.7 billion).

Our extractive activities and tax disclosures

Trafigura does not operate and is not a majority shareholder in extractive projects in the oil and gas sector.

As is standard global industry practice, no taxes were directly levied on Trafigura's purchases of crude oil, refined products and gas from NOCs by the governments of the countries we are disclosing against, as the trading activities are not generally undertaken through corporate entities registered in those countries.

In 2016, Trafigura's Mining Group was a shareholder of mining projects in the DRC through Luna Mining and in Peru through Catalina Huanca Sociedad Minera. Both the DRC and Peru are EITI-implementing countries.

Luna Mining, which has since been liquidated, made payments in 2016 of USD2,834,132 to the DRC government (2015: USD9,147,450.62), while Catalina Huanca Sociedad Minera made payments amounting to USD3,069,697 (2015: not applicable). The details of 2016 payments will be published in relevant EITI country reports when reconciled in the coming months.

2018 Priorities and commitments

We are committed to continuously strengthening our social performance against all impacts. Where our focus in 2018 relates to a specific salient issue, we have defined it as such:

Commitment	Salient issue
To continue to support the development and execution of guidance for the application of the UNGPs to the commodities trading sector.	n/a
To continue to support and promote the activities of the EITI and the application of the EITI Standard to the commodities trading sector.	A state's ability to deliver an array of services may be compromised by corrupt management of its national resources.
To monitor and respond to the 'Dirty Diesel' issue through dialogue and direct action.	Ultimate use of the commodity could negatively impact human health or the environment.
To deliver improvements on the handling of operational-level grievances against the Trafigura standard.	Failure to provide adequate access to grievance and remedy compromises the ability of affected communities to express concerns and have them addressed appropriately.
To deliver refinements to Trafigura's responsible sourcing strategy and support counterparts as required in mitigating risk.	Production and/or onward sale of commodity could contribute to, benefit from, or result in the commission of serious human rights abuses.
To explore opportunities of working with expert third parties in mitigating wider risk linked to artisanal small-scale mining that are unrelated to our direct business interests.	

2016 Payments to governments for oil

2016 Aggregate first purchases from EITI country NOCs where the initial load port is inside the EITI implementing NOC home country[1]

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU[2])	Value (USD)
Cameroon	Société Nationale de Raffinage	66	Refined	23.39	196.63	–	9,934,669.48
Colombia	Ecopetrol SA	92.65	Crude oil	735.41	5,139.55	–	161,742,475.69
Colombia	Ecopetrol SA	92.65	Refined	334.12	2,113.54	–	52,257,855.48
Nigeria	Nigerian National Petroleum Corporation	100	Crude oil	400.79	2,947.31	–	133,097,064.11
Norway	Statoil ASA	71.68	Refined	477.14	4,118.33	–	220,955,609.89
Peru	Petroleos del Peru – Petroperu S.A.	100	Refined	119.77	823.99	–	27,356,454.51
Trinidad and Tobago	Petroleum Company of Trinidad and Tobago Ltd.	100	Refined	1,425.94	10,586.01	–	506,148,765.69
Grand total oil payments to EITI implementing countries				**3,516.57**	**25,925.36**		**1,111,492,894.85**

2016 Aggregate purchases from NOCs of EITI countries with a load port outside the EITI (i.e. likely to be non-equity oil)[3]

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
–	–	–	–	2,872.93	21,508.67	–	783,158,102.40

2016 Aggregate purchases from NOCs from non-EITI countries

Parcel load port country	Counterparty	Government owned percentage	Product type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBTU)	Value (USD)
–	–	–	–	62,993.03	490,071.79	164,104,985.41	20,112,445,366.70

1 Our disclosures relate to purchases of crude oil, refined products and gas by Trafigura Group majority owned companies over the course of the calendar year. NB Trafigura's financial year runs from 1 October to 30 September.
2 One million British Thermal Units.
3 When transacting with an EITI country NOC, many of which have international trading arms, we may take title of product in a non-EITI country. As such, it is unclear whether indeed the product is 'equity oil' or is in fact sourced from another location.

External voice:

Doing business responsibly in Africa

Trading companies need to find new ways of engaging with civil society, argues Joël Dervain of the African Refiners and Distributors Association.

Joël Dervain, Executive Secretary of the African Refiners and Distributors Association.

Established in 2006, the African Refiners and Distributors Association (ARA) is a not-for- profit organisation, with the mandate to cooperate with industry groups, governments, regulatory bodies, international agencies, academic institutions and non-governmental organisations in pursuit of developing an equitable and thriving downstream oil business on the continent, and beyond.

Article 3 of the first Constitution of the ARA stated clear objectives that have not changed: primarily "to address economic, social and environmental issues deemed to impact upon oil refining in Africa and upon the importation of petroleum products into Africa." In the 11 years since those words were written, the African continent's demand for petroleum products has increased by over 50 percent while its refinery throughputs have remained at the same level. This means that all incremental demand since 2006 has been met by imports with net clean product imports increasing by over 300 percent. In turn, this means that the role of the international oil traders, including the trading arms of the major oil companies, have played a major part in meeting the energy requirements of the developing countries of Africa.

Role of the traders

So to what extent have the international oil traders shared the ARA's vision as set out for us back in 2006?

First, let us consider the exact role and competence of the international oil traders:

- They resolve the geographic spread of buyers and sellers for the same commodity (a buyer in Benin and a seller in Russia, for example).
- They resolve the frequent mismatch between the quantities and qualities of products bought and sold.
- They finance the complete supply operation, paying for products purchased before being paid by the ultimate buyer.
- They are experts in shipping and in the management of the risks of moving products around the world.
- They are highly experienced in ship-to-ship operations to solve the mismatch of the size of long-haul vessels to those that can discharge in small African ports.
- They have expertise in legal contracts so that the responsibility for title and risk can be clearly passed down the supply chain.
- As international oil prices can be extremely volatile, the management of price risk is a key part of an international trading company's DNA.
- Increasingly, international oil traders, to better manage risk and seek higher margins, are identifying investments in logistics up and down the supply chain from load port (e.g. product storage in the US) to disport (e.g. single buoy mooring systems in Ghana and Angola).
- In addition, to provide long-term market outlets they have acquired distribution and marketing assets in developing countries (for example, Vitol, Trafigura and Glencore have all invested in African downstream companies).

Bigger business, bigger responsibilities?

With this increased range of activity, comes greater responsibility. Traders today, I would contend, need to develop a sustainable business model that will always command respect rather than, as has happened in the past, exploiting a weak counterparty for a one-off profit. Developing countries support an increasingly vigilant civil society and improved financial and operational competence, so the risk of permanent reputational damage impacting a trader's global operations is increasing.

Within the ARA we have a number of Work Groups supported by our membership across the continent. Two of these, Fuel Specifications and Regulation, have been working for a number of years now on improving knowledge of international best practice to maintain fuel quality and regulatory conformity down the supply chain by addressing such topics as:

- Suppliers failing to meet quality specifications that would be normal practice elsewhere.
- Density impact on pricing (buying weight, selling volume, or vice versa).
- Impact of temperature adjustments on volume delivered and consequent pricing.
- The risk of load port to disport quality and quantity differences within a cost, insurance and freight or 'CIF' contract that is held by the buyer.

- The importance of repeatability and reproductibility limits of agreed specification limits.
- Understanding of the importance of using the latest test methods in order to determine quantity and quality specifications.
- The investment needed at disport to assure that the equipment and skilled technicians to undertake key tests are available; and, if not, the need for a plan to be in place to obtain test results in a timely manner.
- The requirement to minimise the risk of marine environmental pollution by assuring a robust ship vetting system is in place and enforced.
- Knowledge of contracts and understanding the implications of every clause in the event of a problem in the execution.

This last point leads to a question for the international oil trading community: should traders accept a moral responsibility to share their knowledge on developed markets and supply and shipping contracts with their inexperienced counterparties? Such a policy would assure that all risks, including omissions, are understood by both counterparties. Potential examples of where this would be useful are:

- Providing training and long-term development of a local high-calibre labour force.
- Improving health, safety, environment, quality and efficiency standards in distribution and marketing operations.
- Enhancing the capability of local management by providing training elsewhere in their international organisations and transferring technology.
- And, of course, as provided in the ARA constitution, work through the ARA, or similar institutions, to exchange best practice with their counterparties in developing countries.
- Finally, when such engagement and education has taken place, the responsibility passes to the receiving party and traders should follow the rules of the local government and regulatory bodies while continuing their engagement to improve standards to the level of global best practice.

Case study

Trafigura's response to the 'Dirty Diesel' campaign

The challenge: In our 2016 Responsibility Report we outlined our response to an NGO report entitled: 'Dirty Diesel: How Swiss Traders Flood Africa with Toxic Fuels'. The report accused certain trading firms of 'double standards' on fuel quality and called on them to address the problem by committing to supply cleaner fuels to Africa.

Our approach:

Supporting dialogue

Our response highlighted our engagement with relevant NGOs, industry associations such as the African Refiners and Distributors Association (ARA) and those European and African governments who are in a position to tighten regulations relevant to fuel importation. As we noted at the time, our hope was that 'the attention now focused on this issue will lead to a coordinated initiative by those in a position to affect change'.

Our engagement on this matter continued in 2017 and it can be summarised as follows:

- Direct engagement with NGO Public Eye to explore their perspective and present Trafigura's corresponding position.
- Close and ongoing cooperation with the ARA, to which both Trafigura and Puma Energy are members.
- Consultation with Chair of the OECD Working Party on Responsible Business Conduct.
- Ongoing discussions with Swiss Government and several Director Generals of the European Commission to promote a coordinated response from the European Union.

Enacting change

In July 2017, Trafigura delivered the first cargo of lower-sulphur diesel to Ghana, following a decision by Ghana's National Petroleum Authority to lower the national sulphur specification for diesel imported into the country. The product was received and imported by Trafigura's industrial investment, Puma Energy. Puma Energy is playing a leading role in Ghana in driving up industry standards in both infrastructure investment and fuel distribution. Since then, other players in the market have followed suit. Ghana can now be considered the first successful example of improved sulphur specifications linked, at least in part, to the publicity gained through the 'Dirty Diesel' campaign.

The 'Dirty Diesel' issue will remain a highly charged, highly complex public health issue – one whose impact is not restricted to the African continent. Of note is the trade-off faced by African governments who, in pursuit of facilitating higher fuel standards through importation, are doing so to the detriment of their own domestic refining capacity – and the many jobs that the sector supports.

Trafigura remains committed to supporting the drive towards cleaner fuels through both dialogue and direct action on the ground. We maintain our position that action must be taken, first and foremost, by governments who are ultimately best placed to navigate and ultimately represent the interests of their citizens.

In December 2016, Nigeria, Benin, Togo, Ghana and Côte d'Ivoire announced the application of lower-sulphur fuel standards for implementation from mid-2017. At the time of publication of this report, only Ghana had implemented a new import specification; whereas Nigeria, Togo, Ivory Coast and the Benin Republic were expected to implement a new tighter sulphur specification for import of petrol and other products, at least in part, from 1 December 2017.

We will continue to monitor and act on this issue where appropriate, and will report accordingly on our efforts in our next Responsibility Report.


MSA
HPE

Health & Safety

Protecting the wellbeing of our employees, suppliers, contractors, partners and the communities within which we operate is of fundamental importance to the Trafigura Group.

Our approach

We have three high-level objectives. First, we aim for zero work-related fatalities; second, we aim to reduce the number of serious incidents we experience; and third, we are committed to the prevention of serious incidents reoccurring.

Our robust, targeted approach is increasingly informed by solid data. We are asserting the primary importance of safe, healthy working conditions through strong governance supported by an active network of HSEC practitioners. We aim to eliminate or mitigate operational risks to as low as reasonably practicable, whether they relate to our employees or to others carrying out or overseeing duties on our behalf.

Our approach has its foundations in our Corporate Responsibility Policy and Business Principles. We are meeting these commitments through strong governance at Group and operating levels. We are strengthening our assurance and formalising our processes. We focus on skills development and risk management, and share good practice across the organisation.

Our performance

- **Two recordable fatalities.**
- **Greater rigour brought to serious incident reviews through enhanced oversight.**
- **Group-wide communications campaign to promote near-miss reporting yields significant improvements.**
- **12 percent reduction in Lost-time Incidents.**
- **21 percent reduction in Lost-time Incident Rate (LTIR).**
- **268 percent increase in near-miss reporting.**

423
number of all health and safety incidents reported (level 1-5)
(2016: 469)

3.62
LTIR
(2016: 4.58)

104
LTIs
(2016: 118)

A safe and healthy workplace

A safe and healthy workplace is a basic right for all employees, contractors and visitors. In recent years we have built up comprehensive systems and processes to minimise risks to health and safety.

Priorities and progress

The table below highlights our most material health and safety issues and analyses our performance against the priorities and commitments we set out last year.

Operational health and safety

We are committed to driving Group safety performance and building from a base of full operational compliance with relevant national and international health and safety laws.

What we prioritised last year	Progress
Zero fatalities.	Not achieved
3.66 LTIR[1] (20 percent reduction from 2016).	Achieved
Marked improvement in the number of near misses reported.	Achieved
28-day average to complete Level 3-5 incident investigations.	Not achieved

Contractor management

Health and safety standards for our own employees apply equally to our onsite contractors.

What we prioritised last year	Progress
Risk assessments of contractors engaged in high-risk activities.	Improving

Transportation safety

The physical movement of commodities presents a diverse spectrum of health and safety risks.

What we prioritised last year	Progress
Internal benchmarking of road traffic accident frequency performance.	Improving

Not achieved | Improving | Achieved

Our performance

It is with profound regret that we report on the deaths of contractors in work-related incidents in FY2017. The Group has set itself the goal of zero fatalities but has failed to achieve this target. This Responsibility Report sets out many of the actions we have taken and initiatives that we have launched in recent months to enhance performance, but we know that in the year ahead we have much to do.

Reported fatalities[2] in FY2017 and related actions:

Trafigura Mining Group, Catalina Huanca mine, Peru

In August 2017, tunnel blasting failed to dislodge part of a roof section of rock that consequently became unstable. The area was improperly secured and the roof section collapsed while three contractor workers were beneath it. Two of them were fatally injured by falling debris.

Action:

The serious incident review found that the mine supervisor had failed to ensure the installation of a protective wire mesh that would otherwise have retained falling material. The report recommended action in several areas:

- Ensure supervisors have suitable qualifications and at least 10 years' experience in the role.
- Raise salary rates to attract more experienced personnel.
- Increase oversight of contractor activities.
- Reinforce the message that safety has priority over production.
- Ensure workers understand that they have the right to halt production if they have safety concerns.
- Carry out a review of safety culture at the mine to understand fully any underlying concerns.

1 LTIR: Lost-time Incident Rate. The number of incidents that resulted in at least one day (or shift) being lost from work, divided by actual total hours worked over one year, multiplied by one million.

2 Includes fatalities of any employee of a Trafigura Division or Operating Company as a result of an occupational injury or disease sustained or contracted whilst undertaking a work-related activity; and of any contractor working on Trafigura-owned or managed sites or undertaking a work-related activity on behalf of Trafigura, in circumstances where Trafigura is responsible for the general safety of the working environment.

Catalina Huanca mine, Peru.

Operational health and safety

We take a proactive approach to managing health and safety. All our operations must develop and maintain management systems appropriate to the nature and scale of their activities. Each division and operating company is expected to:

- Identify and evaluate health and safety risks.
- Implement controls that eliminate or reduce risks to as low as reasonably practicable.
- Report all incidents and investigate serious incidents and near misses.
- Plan for emergencies.
- Set improvement targets and track performance.
- Ensure the workforce has the appropriate level of competency and adequate resources.
- Undertake periodic checks and audits that test the effectiveness of these measures.

Data-driven management

Our ability to manage our operational impacts is directly informed by our approach to data collection. We continued to develop its quality and range over the course of 2017. We monitor and manage incident and near-miss reporting on Safeguard, Trafigura's online HSEC data management system. Additional improvements to Safeguard are strengthening the quality of our data and improving oversight of high-risk activities.

We still face major challenges; the tragic loss of life at our operational installations is a stark reminder of that, but the consistent improvement in overall performance offers some grounds for optimism.

In 2017, we experienced a 12 percent reduction in Lost-time Incidents[3] (LTIs) across the Group to 104 (2016: 118). Our overall Group Lost-time Incident Rate (LTIR) also fell by 21 percent to 3.62 per one million hours worked (2016: 4.58) - thus achieving the 20 percent target that we had set ourselves for 2016.

These improvements, in part, stem from successes in promoting a safety-conscious culture, sharing lessons learned and improving management accountability for safety by setting LTIR KPIs. The total number of health and safety incidents[4] reported over 2017, amounted to 423 (2016: 469).

In 2017, a total of USD14,789 was paid to governmental authorities in relation to health and safety fines and penalties.

We will continue to track, report and focus our efforts on reducing the frequency of significant injuries in 2018.

Near-miss reporting

By recognising and reporting on near misses we can have a direct impact on safety. The frequency of near misses far outweighs the number of serious incidents, so identifying and mitigating their causes is one of the most effective ways of reducing incidents. In effect, near misses offer free lessons on what we can do to avoid real incidents.

Near-miss reporting is already enshrined in Trafigura's HSEC Golden Rules. It is a powerful tool for achieving our objectives. Persistent under-reporting of near misses acts against our long-term interests, which is why, in 2016, we made a commitment to bring about a marked improvement in 2017.

Trafigura's Head of HSE initiated a Group-wide communications campaign to promote near-miss reporting in 2017. Our +230-strong network of HSEC practitioners received a training pack detailing types of near misses and outlining the advantages of prompt reporting. The training material emphasised that unsafe behaviours are responsible for most serious incidents, but they are much more difficult to identify than unsafe conditions.

The HSE network is spreading this message and driving the reporting of near misses locally. Those parts of the business that reported more actively over the course of 2017 were given formal recognition. In other parts of the Group where reporting is less frequent we are investigating whether this is because of fewer incidents, or a lack of transparency. Overall, near-miss reporting frequency has improved dramatically, with a 268 percent increase on 2016 performance.

Lessons to be learnt (L2BL)

In the past, HSEC practitioners and operators from our trading division were often unaware of relevant incidents that happened elsewhere in the Group. Now, after an incident or near miss with high learning potential, the operating company that experienced it is encouraged to present lessons learnt. This presentation must set out what happened, should detail the root causes and identify lessons that can be learnt by others to prevent it reoccurring.

Although the system is voluntary, we strongly encourage broad participation. In FY2017, 50 L2BLs were presented. Our target next year is to further improve and develop this activity across the Group.

3 LTI: the number of incidents that resulted in time lost from work amounting to at least one day (or shift) by employees and contractors working on Trafigura-owned or managed sites, or contractors undertaking a work-related activity on behalf of Trafigura, in circumstances where Trafigura is responsible for the general safety of the working environment. This includes vessels on time charter for periods exceeding one year.

4 Total number of health and safety incidents reported including all injury and illness category of severity 'Level 1' and above that relate to employees, contractors or members of the public.

Key Performance Indicators

KPI	Group (aggregate) 2017	Group (aggregate) 2016	Oil & Petroleum Products Trading 2017	Oil & Petroleum Products Trading 2016	Metals & Minerals Trading 2017	Metals & Minerals Trading 2016	Shipping & Chartering Desk 2017	Shipping & Chartering Desk 2016	Trafigura Corporate 2017	Trafigura Corporate 2016	Impala Terminals 2017	Impala Terminals 2016	Mining Group 2017	Mining Group 2016
Number of fatalities: employees and contractors	**2**	2	**0**	0	**0**	0	**0**	0	**0**	0	**0**	1	**2**	1
Total number of health and safety incidents reported	**423**	469	**14**	5	**7**	2	**0**	5	**1**	1	**205**	250	**196**	206
Value of health and safety related fines and penalties (USD)	**14,789**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**14,789**	0
LTIs	**104**	118	**1**	0	**0**	0	**0**	2	**1**	0	**55**	73	**47**	43
LTIR	**3.62**	4.58	**0.78**	0	**0**	0	**0**	2.28	**0.60**	0	**3.72**	5.26	**5.16**	6.21

Developing an HSEC-aware culture

Many of the HSEC issues we have faced in recent years have been addressed at the local level by expert practitioners on the ground. However, with access to better quality data and improved global coordination, we are shifting the emphasis towards a globally coordinated, HSEC-aware culture.

Safety needs to remain a non-negotiable priority. The Group is, increasingly, acting proactively to identify and mitigate perceived risks. We have put systems in place that are improving our ability to learn from experience and share knowledge across the Group.

We do this more effectively in a culture of active reporting. Instilling a deeper understanding of the central role that safety performance plays in the delivery of business plans was a key objective for the responsibility workshops held globally this year (see Approach chapter, p.10). The workshops, which were personally endorsed by senior management, formed part of a broader communications initiative to demonstrate the Group's commitment to corporate responsibility and underpinning safety as a leadership priority.

Building competencies

As a Group we are ultimately reliant on the quality and skills of our people. In his first full year in place, our Head of HSE has focused on coordinating these skills at Group level. An active community of HSE practitioners has been established, supported by Trafigura's Community Working Group (see Society chapter, p.16). Working in partnership with Trafigura's Head of Corporate Responsibility, he is promoting the exchange of expertise and the dissemination of best practice.

A new competency framework for HSEC personnel, developed in 2017, specifies core competencies, such as the ability to conduct an incident investigation or audit against corporate standards, expected of professionals at all levels of seniority.

This provides an objective basis both for performance measurement and self-assessment. It is also a valuable tool during recruitment, allowing us to specify minimum standards and training requirements.

At the most senior level, we are looking to build out individuals' broader competencies. Many skills in this field are transferable and sharing fresh perspectives across our oil and petroleum and metals and minerals businesses adds significant value. In the year ahead we intend to involve senior HSEC personnel in investigations and HSEC assurance assignments in areas not directly related to their own specialisms.

Asset location risk assessment

As part of our more systematic approach to managing HSEC performance at our owned facilities we introduced an assessment process in 2017 which allows us to rank installations by risk so that we can allocate resources and management time more effectively. The process identifies the type of operation, its operating history and performance. We also evaluate the inherent risk associated with the environmental, social and economic setting of the asset.

The second part of the assessment looks at the operations being conducted at the facility. The third element, and the one easiest to affect, is its performance.

We have incorporated a tiered approach to asset ownership and control. This lends clarity as to which assets we control, where we have influence over partners and the extent to which we are able to intervene.

By combining these factors, we are able to categorise all fixed location facilities, from high risk to low risk.

Contractor risk assessment

We conduct comprehensive due diligence in relation to those activities that present a high risk from a social and/or environmental perspective (see Approach chapter, p.05).

We continued to manage and enhance our due-diligence programme relevant to the selection and supervision of oil and petroleum products terminals and metals and minerals warehouse providers over the course of the year.

Trafigura's terminals and warehouse due-diligence process has two stages. An initial desk-based review or 'Phase 1' assessment is carried out. This is followed up by an onsite or 'Phase 2' inspection. Phase 2 inspections, conducted by Trafigura's Insurance Department and supported by the Head of HSE for Trafigura's Trading division, assess Phase 1 response and identify shortcomings. We work with contractors to review their standards against our expectations.

Corpus Christi oil storage terminal, US.

The outcome of our worldwide oil terminals and warehousing due-diligence activities in 2017 was as follows:

- 661 approved providers worldwide.
- 127 new Phase 1 questionnaires actioned.
- 36 contractors rejected following Phase 1 review.
- 49 contractors rejected following Phase 2 site visits.
- 152 prior approvals under review in 2018.

Updated minimum standards relevant to oil terminals and warehousing will be rolled out in FY2018.

Occupational health

We are developing global policies and targeted local strategies to enhance health management in the workplace.

We use both education and controls to implement preventive strategies. We published global occupational health guidance for lifting heavy loads, handling hydrogen sulphide, fatigue management, heatstroke and heat exhaustion. Targeted policies manage local health issues. For instance, in Cuba, Brazil, Angola and Papua New Guinea, where mosquitoes are rife, we have introduced strategies to combat and treat malaria, yellow fever and dengue fever.

Different locations present specific challenges. For instance, at our remote Catalina Huanca mine in Peru, it takes many hours by road to reach the nearest medical centre. On occasion workers regrettably experience minor injuries to hands and feet. Accurate diagnosis and early-stage treatment are critical. We aim to support medically trained personnel on site with diagnostic equipment, telemedicine services and additional skills training. We are reviewing medical services at all of our facilities to enhance our preparedness for serious incidents. This includes an evaluation of the proximity and the quality of local medical centres.

HSEC assurance

In 2017, we designed a more rigorous and targeted assurance procedure (see Approach chapter, p.05). In 2018, four Category 1 assurance assessments are planned. All Trafigura-operated locations will be subject to 'Category 2' assurance. 'Category 3' reviews will include all contractors carrying out high-risk tasks on our behalf, or those undertaking lower-risk tasks but with HSEC performance concerns.

2018 priorities and commitments

We are committed to strengthening our health and safety performance continuously against all impacts. Where our focus in 2018 relates to a specific salient issue, outlined in our Approach chapter (p.09), we have defined it as such:

Commitment	Salient issue
Zero fatalities.	Unhealthy and unsafe working conditions infringe on the rights of workers and community members to the highest attainable standard of health and to just and favourable conditions of work.
20 percent improvement in Group LTIR on 2017 data.	
Measurable improvement in the number of near misses reported and L2BLs shared Group wide.	
To deliver further enhancements to our contractor due diligence and Group-wide assurance programme.	Catastrophic failure of oil storage may result in severe injury or loss of life.
	Insufficient suppression of dust from metals and minerals storage and the insufficient capture of vapour from oil storage could lead to serious health and safety impacts.
	Unsafe road practices impact right to life with a disproportionately negative effect on vulnerable groups.

Case study

Advancing truck safety

Truck drivers checking vehicle lashings near Ndola, Zambia.

Third-party-owned trucks play a critical role within our global logistics network, but we also recognise the many risks and limitations that road haulage presents.

Land transportation-related incidents have historically been the single largest cause of fatalities in company operations. Long routes, poor road conditions, a lack of road safety legislation, and behaviours of other road users all present hazards that are difficult to manage.

Our business is built on connecting producers to global markets. But many mines and oil wells are situated in remote locations and, for many of these producers, there is no real alternative to road-based delivery, at least for first-stage transportation.

We want to reduce road-based logistics wherever practical. Where truck-based transportation remains necessary, we are prioritising global and local measures that improve road safety.

In 2015, Trafigura's HSEC Steering Committee set up a Trucking Working Group, incorporating HSEC representatives from across the company to improve global standards and policies. The activities of the Working Group have gained pace in 2017.

Improving contractor HSEC performance

We maintain relationships with hundreds of trucking contractors around the world. We expect them to conduct themselves responsibly.

In the past, we have assessed HSEC and operational performance regionally and on a case-by-case basis. We have formalised our approach at a global level – requiring all contractors to undergo due-diligence reviews that test their policies, processes and maintenance schedules against Trafigura's minimum expectations.

Our standard requires that trucks are checked before each journey for mechanical issues, that hauliers monitor driver and truck performance and manage driver fatigue. Their drivers should avoid high-risk routes, severely restrict night-time journeys and have ready access to environmental protection kits, firefighting equipment and personal protective equipment (PPE).

Trafigura's haulier due-diligence process has two-stages. An initial desk-based review or 'Phase 1' assessment is carried out – this is followed up as standard by an onsite or 'Phase 2' inspection. The time between Phase 1 and Phase 2 assessments is governed by perceived risk. The Phase 2 inspection is to verify the answers provided in Phase 1, although they can also be carried out in the event that performance slips, for example, we see a high prevalence of road traffic accidents[1] (RTAs). Those contractors that meet and maintain our minimum requirements join our approved list.

Worldwide the outcome of our trucking due diligence is as follows:

- 567 trucking contractors.
- 230 new trucking contractors identified to complete our Level 1 questionnaire.
- 193 Phase 1 questionnaires returned.
- 102 Phase 1 questionnaires reviewed.
- 53 contractors rejected following Phase 1 questionnaire.
- 170 Phase 2 assessments completed.
- 19 contractors rejected following Phase 2 questionnaire.

As with other due-diligence programmes conducted by Trafigura, our goal is not to penalise but to coach and work collaboratively with our partners. We expect, however, that in the future we will have relationships with fewer transport contractors, and focus our engagements with those companies that are better able to demonstrate sound HSEC practices.

Reducing road traffic accidents

Reducing the incidence of RTAs is a high priority for the Trafigura Group. The impact of unsafe road practices, particularly in the developing world, has a disproportionately negative effect on vulnerable groups. In 2017, Trafigura encountered 98 RTAs worldwide against approximately 300 million kilometres driven by owned and contracted vehicles. We expect these numbers to increase in future years as contractors get better at reporting incidents and recording data.

1 A 'crash' involving light duty vehicles, heavy duty vehicles and heavy duty plant equipment (bulldozer, earthmoving equipment, etc.) including buses or coaches which occur on a public road. This includes motorcycles. Specifically excluded from the definition of motor vehicle are vehicles operated on fixed rails and vehicles which are not capable of more than 10 mph (16 kph).

Our Trucking Working Group has been addressing specific measures that improve safety in response to concerns on the ground. We investigate serious incidents to identify and control risk during activities.

We regularly meet with our contractors to review performance. Impala operates an 'HSE Balanced Score Card' in order to encourage high performers to systematically present best practices and require low performers to demonstrate lessons learnt from their investigations and action plans.

Our contractors recorded 23 vehicle rollovers globally in 2017 and 51 collisions. A review concluded that unsecured loads contributed to four of these incidents and that 'slosh and surge' effects may have been a factor in some of the six rollovers of wet cargo tankers.

Responding to heightened regional risks

Lashing guidelines in southern Africa

Improperly secured loads can result in product damage, loss of loads, traffic accidents and even fatalities. For the Trafigura Group this issue has been particularly marked in southern Africa. Limited awareness about the proper way to secure heavy cargo has been a particular issue for our contracted truck operators.

With no appropriate external international standards available the Trucking Working Group has developed our own global good practice guidance which is currently being reviewed by our operations teams in southern Africa and will be fully implemented in FY2018.

Slosh and surge in Colombia

Transporting wet freight by road brings its own challenges. Road tankers in Colombia are built to carry many different types of liquids – from naphtha to crude oil. Each product has its own specific density. Truck axles are specified to carry the weight of filled tanks – as if they were filled with water. When carrying crude, trucks reach their maximum load weight at a point at which tanks are only partially filled. This can make for hazardous driving conditions.

On Colombia's mountainous roads crude oil sloshes around a partially filled tank as its driver navigates corners. The oil surges forward whenever the driver brakes. In some cases, this can be enough to precipitate a truck rollover.

We have undertaken extensive technical analysis, modelling how slosh and surge affects tanker stability in different scenarios. We have sought to mitigate this risk by requiring that all contractors use tankers with separate compartments.

H2S Safety in the US

In Texas, on any given day, we can have 160 contracted trucks on the road, transporting crude from wellheads to terminals.

Loading crude is hazardous. As the tank is filled, hydrogen sulphide (H2S) and other harmful gasses may be released from the oil via a vent valve. Inhalation of H2S can be immediately fatal at just 700 parts per million (ppm). Yet there is no universally recognised industry standard for a maximum H2S limit in tanks. Some companies set their maximum limits at or above 1,000ppm – others do not even monitor the gas when filling their trucks.

Trafigura's approach in the US has evolved rapidly in the past 12 months. Our upper limit is set at an industry-leading 500ppm. This is monitored by regular sampling by skilled third-party inspectors.

We have implemented a series of other measures to keep drivers and operators safe from the gas. All trucks must have a visible warning that H2S may be present. We require our contractors to fit special vents that divert gasses back into storage tanks while loading. All our drivers have compulsory H2S safety awareness training. We have equipped both drivers and supervisors with gas monitors.

Challenging consensus and investing in alternatives

In Africa and Colombia, most logistics operators prefer to move their cargo by road. Consistent underinvestment, neglect of critical infrastructure and lack of cross-border cooperation have contributed to transportation networks that are often unreliable and inefficient.

In both regions, we are challenging the consensus. In Colombia, we champion fluvial transportation (see Environment chapter, p.37).

In Africa, despite evident shortcomings, we see clear social and environmental benefits for rail-based transportation; every train loaded with cargo takes 40 trucks off the road. There are potential commercial benefits. A well-maintained, high-frequency rail network would be at least 20 percent more cost-effective than truck transportation. But rail transportation will need to reach critical mass to achieve that goal.

Trafigura is pioneering the use of rail for large-scale logistics in Africa's copper belt. Impala Terminals' warehouses in Zambia, DRC and Tanzania include rail sidings.

Currently, rail transportation incurs additional costs, but traders are willing to accept lower profit margins to help build rail capacity and progress safer, more secure, more environmentally friendly and reliable modes of delivery.

Impala's long-term plan for its African metals and minerals business is to handle at least 50 percent of inland transportation by rail. And it is making good early progress. Rail accounted for just 5 percent of volumes in 2015. By 2017 that had quadrupled, with over 20 percent of our commodities travelling by rail.

By introducing global minimum standards for trucking, along with a series of targeted initiatives aimed at local markets, we are progressively reducing road traffic accidents, business interruption, injuries and fatalities.

0.33
RTAF[2]

98
RTAs[3]

300,168,902
km driven

2 Road traffic accident frequency.
3 Road traffic accidents.


KORIO MARU II
KORIO MARU II
KORIO MARU V
GOLIAS

Environment

We aim to minimise any adverse impacts from our business operations on the natural environment. This includes building our understanding of, and responding to, the effects of climate change.

Our approach

We are entrusted with the safe handling, storage and transportation of significant volumes of commodities every day, including oil and petroleum products, ores, concentrates and refined metals. It is our duty to prevent, minimise or remediate any unintended releases of these products to the natural environment.

Trafigura divisions and operating companies that manage industrial assets aim to eliminate or mitigate any adverse environmental impacts associated with their activities.

We seek to reduce emissions, explore ways in which we can create supply chain efficiencies in logistics, and adapt our operations to meet the reality of climate change.

Our performance

- **Ongoing programme of due diligence relevant to the chartering of vessels and the appointment and management of ship-to-ship (STS) transfer and waste management providers.**
- **Commitment to CDP Reporting.**
- **Detailed reporting on Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions.**
- **Formal assessment of GHG emissions reductions in Colombia following first year of early operations for Impala Terminals' multimodal logistics network.**

356,721tCO_2e
Scope 1 and Scope 2 GHG emissions
(2016: 293,220tCO_2e)

2,421,642tCO_2e
Scope 3 GHG emissions
(2016: 3,158,958 tCO_2e)

13
Total number of oil spills

43,351
Volume of oil spills in litres

Managing environmental risk

We recognise our duty to prevent, minimise or remediate negative impacts to the natural environment that occur as a result of our operations. We are committed to setting targets and strengthening performance.

Priorities and progress

The table below highlights our most material environmental issues and analyses our performance against the priorities and commitments we set out last year.

Pollution prevention

We are responsible for the safe handling, storage and transportation of significant volumes of commodities every day, including oil and petroleum products, ores, concentrates and refined metals. It is our duty to prevent, minimise or remediate any releases to the environment resulting from our activities.

What we prioritised last year	Progress
Zero Level 4 and Level 5 environmental incidents.	Not achieved

Climate change

GHG emissions arise from our owned assets as well as those operated by our contracted partners. We can lower emissions by implementing and advancing best practice in the global commodities supply chain.

What we prioritised last year	Progress
Complete 'Phase 1' contractor due-diligence assessments worldwide by Trafigura Trading Division.	Improving
Reduce GHG emissions associated with 'Scope 1' and 'Scope 2' emissions.	Not achieved
Monitor and seek to reduce Scope 3 GHG emissions by exerting influence on our supply chain.	Improving

Not achieved Improving Achieved

Environmental management

Our divisions and operating companies are required to maintain environmental management systems appropriate to their activities.

Many of our offices, industrial assets and operational activities are recognised under local, national or industry-specific management systems. We recognise the value these external assurance schemes bring to our operations and will continue to support certification where it makes business sense.

	Impala Terminals (number of assets or operations covered)	Mining Group (number of assets or operations covered)
ISO 9001 Quality Management	19	–
ISO 14001 Environmental Management	5	1
ISO 17025 General requirements for the competence of testing and calibration of laboratories	1	–
OHSAS 18001 Occupational Health and Safety Assessment Series	4	1

Pollution prevention

The commodities we trade pose significant social and environmental risks if not handled correctly. The severity of those risks varies according to the type of commodity, the activity and the location, but any pollution, wherever it occurs, is unacceptable. Preventing and minimising such risks is a core priority. The following sections outline just some of the measures we are taking to combat this risk.

In 2017, 13 spills of oil and petroleum products were recorded across our global operations amounting to a total of 43,351 litres. While these figures appear to have significantly increased when compared to last year, we have chosen to expand the scope of reporting from only reporting spills on our property, to reporting all spills of oil owned by Trafigura, no matter where the spill occurred, or who was responsible for the oil at the time of the spill. We believe this broader scope of reporting better reflects our performance in managing environmental impacts associated with our business.

Responsible chartering

Trafigura is one of the largest charterers of vessels worldwide. We have taken a number of measures to counter the threat of spills to the marine environment:

1. We require that ship owners undertake to comply with the International Management Code for the Safe Operation of Ships and for Pollution Prevention (The International Safety Management (ISM) Code). Vessels we charter have typically participated in, and have been inspected by, a minimum of one oil major using the Oil

Key Performance Indicators

KPI	Group (aggregate) 2017	Group (aggregate) 2016	Oil & Petroleum Products Trading 2017	Oil & Petroleum Products Trading 2016	Metals & Minerals Trading 2017	Metals & Minerals Trading 2016	Shipping & Chartering Desk 2017	Shipping & Chartering Desk 2016	Trafigura Corporate 2017	Trafigura Corporate 2016	Impala Terminals 2017	Impala Terminals 2016	Mining Group 2017	Mining Group 2016
Number of environmental incidents reported	**115**	87	**30**	29	**2**	2	**4**	6	**0**	0	**53**	31	**26**	19
Number of oil spills/associated volume in litres[2]	**13/43,351**	1/200	**7/17,424**	0	**0**	0	**0**	0	**0**	0	**6/25,926**	1/200	**0**	0
Value of environmental related fines and penalties (USD)	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0
ISO 14001 certified facilities	**6**	5	**0**	0	**0**	0	**0**	0	**0**	0	**5**	4	**1**	1
Scope 1 and Scope 2 CO_2e emissions	**356,721**	293,220	**0**	0	**0**	0	**107,402**[2]	89,983[2]	**12,258**[1]	9,411[1]	**113,599**	57,721	**123,463**	135,771
Scope 3 CO_2e emissions (tCO_2e)	**2,421,642**	3,158,958	**24,813**	247,658	**198,772**	214,135	**2,104,814**	2,513,089	**19,986**[1]	20,342[1]	**73,258**	163,558	**0**	176

1 Emissions associated with Trafigura offices and company-owned vehicles.
2 Emissions associated with owned vessels only (chartered vessels are classified as Scope 3 emissions).

Companies International Marine Forum (OCIMF) Ship Inspection Report (SIRE) Programme within the previous six-month period.

2. Our vessel screening policy mandates the chartering of double-hulled vessels when storing or transporting oil products for international trade.
3. We look to restrict the age of chartered vessels. Promoting the use of a modern fleet not only reduces operating costs, as vessels burn less bunker fuel, it also reduces emissions.
4. We require vessel owners to report all serious incidents, including oil spills and to follow agreed incident response and investigation protocols.

At a corporate level, Trafigura is a member of Oil Spill Response Ltd. (OSRL), the largest international industry-funded cooperative which exists to respond to oil spills wherever in the world they may occur, by providing preparedness, response and intervention services.

Managing STS transfer operations

In addition to performing detailed due diligence when chartering vessels, we also take a targeted and well informed approach to the appointment and oversight of contractors involved in handling waste on Trafigura's behalf, or conducting the ship-to-ship (STS) transfer of oil products.

Trafigura owns or charters oil tankers and gas carriers that may offload cargo, in full or in part, at sea. STS transfer operations (bringing together vessels and transferring products at sea) can save time, reduce journey lengths and ease port capacity constraints, but the process, which is overseen by highly trained and specialised, well-equipped contractors, is fundamentally hazardous.

Our screening process, first piloted in 2015 and designed to complement existing protocols as defined in the 'OCIMF STS Service Provider Self-Assessment process', has evolved fast.

We have minimum standards that set a quality threshold and ensure we appoint well-qualified, capable and properly resourced STS contractors. Contractors are required to supply detailed information about their HSEC policies, procedures, management systems and performance. Information is also required for the equipment they intend to deploy – such as age of fenders, manufacturers' details and maintenance schedules.

We screen potential partners through a desk-based 'Phase 1' assessment and follow this up where needed, with either office or vessel-based 'Phase 2' assessments.

Case study

A state-of-the-art fleet

The challenge: Meeting regulatory change ahead of time and reducing emissions.

Our approach: Investing in best-in-class vessels.

In June, Trafigura announced its support for an order of up to 32 new-build crude oil and product tankers. The order, for Medium Range (MR), LR2s and Suezmax tankers, is being placed by a close Asian financial partner with Trafigura's option to purchase at a later stage. Trafigura has agreed to lease the vessels on delivery.

As a major vessel charterer, Trafigura can guarantee long-term utilisation of the vessels. The company undertook around 4,150 fixtures in 2017 (2016: 3,878 fixtures).

The commercial rationale for the order is founded on our ability to take a long-term view of markets. Around 20 percent of ships in some segments of the market are over 15 years old. With stringent environmental regulations coming in around ballast water treatment in 2019 and new lower bunker sulphur emission standards to be enforced in 2020 (see p.39), we expect many of these older vessels to be scrapped over the next few years. At that point new market dynamics are likely to come into play.

We are always looking for innovative ways to reduce our GHG emissions, but we are often restricted to incremental improvements within our existing asset base. This modernised fleet can introduce a step-change in our environmental efficiency – depending on vessel size, a new ship burns 4-8 tonnes less of fuel oil per day than the average performing modern ship in the market.

Incorporating these vessels will have a marked impact on our emissions. The new vessels are significantly more environmentally efficient than most currently in use. Scope 1 and 2 emissions may grow as the proportion of journeys undertaken by Trafigura-owned shipping increases, but overall our Scope 1, 2 and 3 emissions will decline significantly as a proportion of total volumes.

Notable since 2015 has been the extent to which our conversations with partner STS contractors have evolved. Once guarded, contractors are now reporting incidents and near misses freely and are speaking openly about their operational challenges. In 2017, this climate of cooperation enabled both independent observers and representatives of Trafigura's Shipping and Chartering team to attend STS operations on vessels in the Black Sea with a view to further refining our due-diligence process.

Worldwide STS due diligence in numbers for 2017:

- 13 approved STS contractors worldwide.
- 3 new Phase 1 questionnaires actioned.
- 2 contractors rejected following Phase 1 review.
- Zero contractors rejected following Phase 2 site visits.
- 10 prior Phase 1 approvals under review in 2018.

Climate change

We support policies that address climate change without damaging society's ability to meet the growing demand for secure, affordable energy and vital natural resources. We advocate a clear and consistent policy on carbon pricing and believe that the Paris climate agreement remains critically important in meeting this global challenge.

CDP reporting

Trafigura made an important commitment in 2017 to report on its environmental and carbon emissions performance to the CDP (Carbon Disclosure Project). CDP is a not-for-profit charity that runs the global disclosure system to assist investors, companies, cities, states and regions in managing their environmental impacts.

Our commitment to CDP aligns the business with best practice reporting and reflects our determination to monitor and manage our environmental performance more effectively. This will benefit our competitiveness, support the aspirations of our commercial partners and enhance business sustainability.

Our initial CDP report presents the scope of the business and identifies current measured GHG emissions. In 2018, we will prepare a full-disclosure report.

Our GHG inventory

The nature, range and scale of Trafigura's operations present multiple challenges in arriving at an exact assessment of our direct and indirect emissions. The Group has adopted a rigorous approach. We apply the internationally accepted GHG Protocol accounting standards.

During 2017, we further refined data capture and reporting. We are progressively supplementing our core data with detailed environmental data from third-party partners.

In part, this activity comes from the recognition that environmental performance is playing an increasingly important role in shaping commercial discussions. Many of our banking partners have integrated environmental, social, and corporate governance (ESG) factors into their decision-making. Environmental performance metrics are increasingly seen as lending criteria.

We are committed to achieving consistent, meaningful emissions reductions. Accurate benchmarking of our operations is a necessary precursor for effective action on GHG emissions.

Scope 1 and 2 emissions

On an aggregate Group basis our Scope 1 and Scope 2 emissions, i.e. direct emissions from owned or controlled sources as well as those emissions from the generation of purchased energy, amounted to 356,721 tonnes of CO_2 equivalent (tCO_2e) in 2017 (2016: 293,220tCO_2e). This represents a rise of 22 percent overall.

Emissions associated with Trafigura's owned fleet of vessels have increased by 19 percent in 2017. A total of 107,402tCO_2e were emitted this year compared to 89,983tCO_2e in 2016. However, when overall Scope 1 (i.e. owned vessels) and Scope 3 (contracted vessels) emissions from Shipping and Chartering are combined (2,212,216tCO_2e), the total shows a reduction of 15 percent on 2016. A higher proportion of miles were travelled by owned vessels in 2017 compared to 2016, resulting in a decrease in Scope 3 and an increase in Scope 1.

Impala reported emissions increased by 96 percent in 2017 to 113,599tCO_2e, although they remain significantly lower than in 2015 and 2014. Scope 1 emissions from fuel consumption have increased significantly, representing 113,223tCO_2e in 2017, compared to 50,280tCO_2e in 2016. Fuel use is determined in gallons of diesel used at locations around the world and is significantly up in most locations compared to 2016, but down compared to 2014 and 2015. Site-specific demand is the driver of this, and therefore reflects production and operational factors.

Mining Group's direct emissions dropped 9 percent. The biggest reduction came at our Mawson West mine in DRC where Scope 1 emissions reduced as the facility was mothballed.

Scope 3 emissions

Our greatest climate change impact is indirect. We mainly use third-party providers to transport commodities from point of origin to point of sale. We have a direct commercial interest in securing efficiencies.

Impala Scope 3 emissions fell by 55 percent partly due to more cargo moved by rail in southern Africa rather than truck (although we have not obtained Scope 3 emissions for rail in Africa this year).

Total Scope 3 emissions amounted to 2.42 million tCO_2e in 2017 (2016: 3.16 million tCO_2e) a fall of 23 percent. There was a reduction in most Scope 3 emissions across the Group, including for Oil and Petroleum Products Trading where we used actual rather than estimated data.

Despite increasing trading volumes and the associated increase in chartering third-party vessels, Scope 3 emissions associated with Shipping and Chartering reduced by 16 percent in 2017 and reflects improved efficiency on some vessels.

In 2018, Trafigura will develop a Group-wide GHG strategy for the future.

2018 priorities and commitments

We are committed to strengthening our environmental performance. The table below sets out our 2018 priorities.

Commitment	Salient Issue
To achieve Zero Level 4 and Level 5 environmental incidents.	Hydrocarbon spills and inadequate disposal of waste could infringe on the right to health, life, standard of living of communities and damage to the environment.
To deliver ongoing improvements to our due-diligence programme for STS and waste management providers.	
To develop a Group GHG strategy.	GHG emissions contribute to climate change which threatens the full and effective enjoyment of human rights.
To monitor and seek to reduce Scope 3 GHG emissions through exerting influence on our supply chain.	
To complete a full CDP disclosure.	

Case study

Critiquing Colombian Emissions

In 2014, we first sought to model the environmental benefits of Impala Terminals developing a multimodal logistics system in Colombia. With the advent of early operations in 2017, we tested our original theoretical assumptions with hard data.

The ambition behind the modal shift was remarkable: for Impala to fundamentally transform Colombia's reliance on trucking commodities in and out of the country to one that drew on the vast, and largely untapped, potential of accessing more fully the country's river system for transportation.

Our initial study was theoretical. It indicated GHG emissions savings of 67 percent for wet cargo and 57 percent for dry cargo.

One year into early operations and GHG reductions are less than predicted. But the savings remain substantial and our belief in the future of the project as a whole, unwavering.

Optimising logistics and lowering emissions in Colombia

A 2014 OECD report[1] identified severe regional disparities in Colombia's gross domestic product (GDP) per capita. The country's inequality was hindering development and undermining social cohesion at a time when promoting peace and integration of the country's wealth of human and natural resources had perhaps never been more important.

Although investment in Colombian transportation infrastructure was above average, reaching 1.8 percent of GDP by 2011, the report called for more to be done to develop the country's 'large potential for multimodal transport…whilst minimising the impact on the environment'.

The Colombian Government's National Development Plan 2014–2018 stressed the importance of large-scale improvements in transportation infrastructure and logistics in bolstering equality, education and peace.

Impala Terminals: Unlocking natural capital gains

A major multimodal transportation investment by Impala Terminals is unlocking the potential of Colombia's principal river. The Magdalena River flows northwards for more than 1,500 kilometres from south of Bogota to the Caribbean Sea. Its delta basin covers nearly a quarter of the country. It hosts two-thirds of the population and produces over 80 percent of GDP.

Impala's multimodal system coordinates the transportation of crude oil and dry products by truck from multiple production sites to a giant river terminal at Barrancabermeja. From there, tugboats push barge convoys along the Magdalena River corridor to the coastal port of Barranquilla on the Caribbean Sea. Impala then back-hauls wet and dry cargoes on the return journey.

Calculating the GHG impact

In 2014, Impala commissioned sustainability consultants ERM to conduct a theoretical, desk-based assessment of the effect on GHG emissions of a modal shift in transporting commodities from trucks only to trucks plus barge transportation on the Magdalena River.

The 2014 report predicted impressive gains in GHG performance: its calculations suggested introducing Impala's multimodal system could result in 67 percent reductions of GHG emissions for oil product transportation and a 57 percent saving in emissions for dry cargo.

By 2017, operations were underway. Impala's fleet of over 120 double-hulled barges and 20 tugs manages both wet and dry freight movements on the Magdalena River. The company sought to compare its 2014 predicted analysis against actual GHG emissions over the course of the financial year.

2017 Technical assessment

Project scope

Impala's review, which considered all 'Scope 1' emissions directly relating to transport of Impala's wet and dry goods within Colombia, calculated emissions in two scenarios. It measured the performance of the current, multimodal system against a baseline scenario which assumed pre-existing conditions.

Baseline (previous) scenario

1. **Wet goods** were transported by truck from sites across the country to terminals on the north Colombian coast.
2. **Dry goods** were previously transported by other providers. Impala had no involvement.

Multimodal (current) scenario

1. **Wet goods** are transported by truck from sources to Impala's terminal on the Magdalena River from where they are transported by barge to the north Colombian coast.
2. **Dry goods** are transported from the terminal on the river to the coast.

Data collected for both scenarios showed the total distance travelled and number of journeys made across all routes by trucks carrying wet goods.

For the multimodal scenario, data collected for each journey made by barge included the number of barges, distance travelled, fuel used and cargo type for both wet and dry goods. It took account of the biodiesel mix of fuel used, the load capacity of trucks and typical load levels. Actual data on fuel used for each journey was converted into emissions per kilometre and tonne transported.

For trucking, fuel consumption per kilometre calculations took into consideration the load, efficiency and cargo of each journey. Total fuel used was converted into emissions using standard conversion factors.

1 Better Policies Series – Colombia: Policy Priorities to Boost Productivity and Social Inclusion 2014.

Case study

Critiquing Colombian Emissions (continued)

Whole journey results

The results of the review indicated that barge transportation had contributed to an overall reduction of 24 percent in emissions for all cargo transported when compared to a 100 percent reliance on transportation by truck.

The overall reduction in wet cargo emissions was limited by the fact that just 48 percent of the journey is river-based. For dry cargo, where the entire journey is by barge, the full extent of the performance advantage using barges is reflected in reduced emissions.

Impala transported over a million tonnes of wet cargo across Colombia in 2017 compared with less than 20,000 tonnes of dry cargo. The overall improvement in emissions performance is therefore mainly determined by its wet cargo performance. The 24 percent reduction it achieved is equivalent to nearly 20,000tCO_2e not being emitted this year.

Wet cargo		Dry cargo		All cargo	
Results on annual basis					
Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario
Weight of cargo transported per year (tonnes)					
1,049,692	1,049,692	18,644	18,644	1,068,336	1,068,336
Emissions per year (tCO_2e)					
80,958	62,601	2,157	978	83,115	63,579
Emissions per year (tCO_2e), % change from baseline to multimodal scenario					
-23%		-55%		-24%	

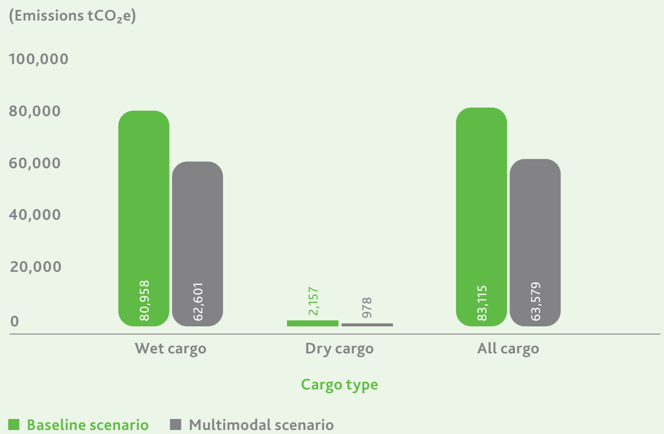
Results on return journey basis					
Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario
Total emissions for one return journey (of load equivalent to truck) (tCO_2e)					
5.1	3.9	1.9	0.9	4.9	3.7
Emissions per year (tCO_2e), % change from baseline to multimodal scenario					
-23%		-55%		-24%	

Results per tonne kilometre					
Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario
Emissions per tonne kilometre transported (tCO_2e/t)					
0.00006	0.00004	0.00017	0.00008	0.00006	0.00004
Emissions per year (tCO_2e), % change from baseline to multimodal scenario					
-24%		-55%		-25%	

Barge journey results

The substantial relative efficiency of barges versus trucking is evident when baseline and multimodal scenarios are compared just for the barge stage of the journey (approximately 673 kilometres or 48 percent of the total distance travelled). The barge journey alone resulted in a 51 percent reduction in emissions for all cargo.

Wet cargo		Dry cargo		All cargo	
Results on annual basis					
Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario	Baseline scenario	Multimodal scenario
Weight of cargo transported per year (tonnes)					
42,046	20,555	2,157	978	44,203	21,533
Emissions per year (tCO_2e), % change from baseline to multimodal scenario					
-51%		-55%		-51%	



Conclusions

As outlined in this report, Impala's multimodal system substantially lowers GHG emissions on a per tonne basis when compared to the truck-only baseline scenario.

When compared to Impala's original theoretical analysis, annualised actual data yielded a lower GHG emissions saving: 23 percent for oil products (2014: 67 percent) and 55 percent for dry cargo (2014: 57 percent). The difference between modelled and actual results include:

- Draught restrictions on the Magdalena River, as a result of low levels of rainfall; and unforeseeable delays to a 256 kilometre dredging programme, have resulted in Impala having to limit the volume of product carried on each barge in order that shallower sections of the river can become navigable. Similarly, with limited draught, navigation has become more challenging and, as such, convoys have been shortened from eight barges per pusher to six – again limiting efficiency.
- Early assumptions about dry cargo movements exceeded actual performance.

While Impala faces many challenges in Colombia, the benefits of multimodalism extend well beyond proven reductions in GHG emissions. Each Impala barge convoy can transport 3,500 tonnes of product – the equivalent of taking 130 trucks off the road – a huge benefit for communities currently impacted by excessive truck movements and for a country whose road infrastructure is stretched.

Fluvial transportation is furthering Impala's goal of accessing markets safely and responsibly and, in so doing, helping to develop the economies of countries in which we operate.

External voice:

Shaping the future of global seaborne trade

Why collaboration in international shipping is required more than ever before.

GLOBAL MARITIME FORUM

Johannah Christensen, Managing Director, Head of Projects and Programmes, Global Maritime Forum.

As the lifeblood of the global economy, the maritime industry is in a unique position to contribute to sustainable growth that benefits all. The Global Maritime Forum (GMF) was founded as a not-for-profit community of leaders: a global platform for collaboration to shape the future of seaborne trade and to make positive change, both for the industry and for society.

Our primary vehicle is an annual summit – held in maritime hubs around the world. The summit brings together leading figures from across the maritime industry, policymakers, NGOs, experts and other influential decision-makers and opinion formers.

Year-round, we work on cross-industry, multi-stakeholder initiatives aimed at addressing the complex challenges facing the global maritime business. Our activities are focused on effecting real change. Our ambition is that discussions convened by the Forum give rise to decisions that make a lasting difference. An area of current focus is carbon emissions.

Decarbonising shipping

Shipping is commonly cited as the most environmentally friendly form of transportation, but this position is being, and will continue to be, challenged. As other sectors decarbonise, shipping's share of global CO_2 emissions will disproportionately increase if we stand still.

That realisation provides the backdrop to the launch of a new Taskforce on Decarbonising Shipping by the GMF in collaboration with the Carbon War Room, the World Bank's Carbon Pricing Leadership Coalition, and University College London. The Taskforce will bring together leaders and experts from across the maritime industry and other sectors to focus on five areas key to effectively addressing the maritime industry's climate challenge:

1. Demonstrating industry leadership by developing and mobilising the industry towards clear pathways to decarbonisation.
2. Developing a common vision and model for collaborative innovation in low-carbon technologies, transparency, finance, and carbon pricing.
3. Rolling-out toolkits and guidance to increase transparency about operational efficiency across the maritime value chain.
4. Publishing a best practice guide for incorporating climate risk assessment in ship finance.
5. Establishing solid recommendations on the role of carbon pricing in tackling carbon emissions.

The GMF plans to present all outcomes of the task force at the Forum's next summit in October 2018.

Towards low sulphur in marine fuel

Another challenge we face is the harmful effects of sulphur in fuel. In 2016, the International Maritime Organisation (IMO) adopted a global limit of 0.50 percent for marine fuel sulphur content. The limit takes effect on 1 January 2020. The global cap had previously been cut from 4.5 percent to 3.5 percent in 2012.

This new limit will significantly reduce the amount of sulphur oxide originating from ships and will have major health and environmental benefits, particularly for populations living close to ports and coasts. The cap does, however, present the industry with some difficult choices.

To comply with the lower sulphur cap, vessel owners and charterers such as international trading houses face several options. They can either choose to use low-sulphur compliant fuel oil; install exhaust gas cleaning systems or 'scrubbers'; or begin operating ships that use alternative fuels with negligible sulphur oxide emissions, e.g. liquefied natural gas (LNG).

In addition to being costly, each option has its own set of uncertainties.

The price of low sulphur fuel is currently more than 50 percent higher than non-compliant fuel, and its availability and price in 2020 is hard to predict. Installing scrubbers on new builds and retrofitting the current fleet is costly and time consuming, and it will result in lower cargo capacity.

As a result of these challenges, the cap is of course the subject of much debate within the industry. However, considering the benefits to human health and to the environment, and keeping in mind that shipping is facing increasing demands to tackle its environmental impacts – from customers, investors, regulators and other important stakeholders – we believe a proactive approach from leaders in the industry will be the fastest and most effective pathway to broad industry compliance.

Our people

We are proud of our meritocratic working environment – one that is forged in an atmosphere of integrity, ethical conduct, equal opportunity and mutual respect.

To have a successful and sustainable business we need to attract, develop and retain a skilled and high-performing workforce.

Our approach

We set high standards for ourselves and for our partners in our day-to-day activities. We work in an environment based on respect, diversity and performance where people can flourish and maximise their potential.

Trafigura people combine entrepreneurialism with responsibility. Devolved decision-making gives employees significant autonomy. Increasingly robust systems and processes ensure full accountability and control.

It is an approach that aims to motivate staff, promote agility and allow close-knit teams to operate effectively across diverse businesses with differing needs and in varying socio-economic conditions.

Trafigura's Human Resources (HR) team oversees our people strategy on behalf of the Group. The Global Head of HR reports to Trafigura's COO who sits on Trafigura's Executive Committee.

Our performance

- 1,007 employees joined Trafigura Group in 2017 (63 percent office workers and 37 percent blue-collar workers).
- 18 people hired onto the Global Commodity Trading Graduate Programme (including four from the Apprentice Programme), 26 onto the International Trader Opportunity and five people onto the Impala Terminals Graduate Programme.
- 32,959 learning and development-related activities completed across the Group, including e-learnings, structured on-the-job training, classroom training and skills evaluations.
- 1,016 employees had a career development opportunity, including a change of role or a promotion.
- 120 employees internationally relocated.

4,857
average total employees worldwide
(2016: 5,033)

Forging a responsibility culture

Teamwork, entrepreneurialism, accountability and responsibility are an intrinsic part of our corporate culture and give us a competitive edge.

Priorities and progress

The table below highlights our people priorities and analyses our performance against these and the commitments we set out last year.

Skilled labour recruitment and retention

We manage office professionals and employees at major industrial installations and typically recruit from the local population. We have a duty of care to those that work for us, their dependants and their communities.

What we prioritised last year	Progress
Building the technical capabilities and interpersonal skills of our staff.	Achieved
Improving the efficiency and productivity of our workforce.	Achieved
Offering classroom-based training for our more remote offices and enhancing Trafigura's HSEC training programme.	Achieved
Providing career development opportunities for suitably qualified employees.	Achieved

Not achieved Improving Achieved

Developing our culture

We are continually developing our responsibility culture, one where colleagues consider the wider consequences of their own actions and are prepared to question practices that may expose the business to commercial, social or environmental risk.

Our business model has continually evolved in line with the changing dynamics of the commodity trading industry. In today's environment, high quality logistics, superior infrastructure and operational efficiency have become key differentiators for Trafigura. As competition has intensified, we have worked harder to maintain our leading position as a partner of choice in the sector.

For a business like ours, operational efficiency cannot be viewed simply through the lens of cost cutting. Improving customer service and maintaining our responsibility commitments is a priority. Delivering on that requires highly skilled and motivated people working as a team.

Trafigura's business has grown exceptionally fast – maintaining strong linkages across the business and ensuring a ready flow of information between global, regional and local teams has never been more important.

Our teams need to coordinate their efforts to deliver smooth, reliable performance right across the supply chain. It means that everyone who works for Trafigura has to understand not just their own role, but how their actions fit into the wider context.

The need to embed and uphold this level of awareness across the organisation requires continual attention. We need to collaborate across teams but without becoming bureaucratic or losing our entrepreneurial spirit. We are investing in learning and development programmes to help bring this about.

Supporting our people

The Trafigura Group has a proven track record of creating world-class operations around the globe. Everywhere we operate, we employ and invest locally.

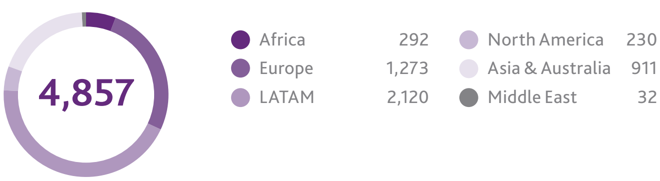
The 4,857 employees (2016: 5,033) perform a diverse range of tasks across Trafigura and its subsidiaries. Almost 60 percent are office based and more than 2,000 (42 percent) are in the field – working in terminals, in transportation and in mines.

Total workforce[1]

Performance	Group (aggregate) 2017	2016	Oil & Petroleum Products Trading 2017	2016	Metals & Minerals Trading 2017	2016	Shipping & Chartering Desk 2017	2016	Trafigura Corporate 2017	2016	Impala Terminals 2017	2016	Mining Group 2017	2016
Average no. of full time employees (FTEs)	**4,857**	5,033	**613**	584	**535**	526	**97**	60	**842**	864	**1,655**	1,873	**1,115**	1,127
Male (%)	**78**	77	**73**	71	**58**	56	**77**	89	**61**	62	**88**	88	**87**	88
Female (%)	**22**	23	**27**	29	**42**	44	**23**	11	**39**	38	**12**	12	**13**	13
Under 30 yrs (%)	**27**	29	**41**	43	**38**	39	**35**	22	**29**	31	**26**	28	**12**	14
30 – 50 yrs (%)	**63**	63	**54**	54	**58**	58	**63**	76	**63**	62	**63**	62	**71**	73
Over 50 yrs (%)	**10**	8	**5**	3	**4**	3	**2**	3	**8**	7	**11**	9	**17**	13
White collar (%)	**59**	58	**92**	92	**100**	100	**100**	100	**98**	96	**29**	31	**33**	33
Blue collar (%)	**41**	42	**8**	8	**0**	0	**0**	0	**2**	4	**71**	69	**67**	68
Full time (%)	**100**	99	**100**	100	**100**	99	**100**	100	**98**	98	**100**	99	**100**	100
Part time (%)	**0**	1	**0**	0	**0**	1	**0**	0	**2**	2	**0**	1	**0**	0
Permanent contract (%)	**93**	93	**99**	99	**89**	88	**100**	99	**94**	92	**92**	95	**90**	91
Temporary contract (%)	**7**	7	**1**	1	**11**	12	**0**	1	**6**	8	**8**	5	**10**	9
Covered by collective bargaining agreements	**1,243**		**39**								**822**		**381**	

1 All employee numbers include assets where Trafigura retains a 50 percent ownership stake, e.g. MATSA and Porto Sudeste. Such assets are deconsolidated from Trafigura's balance sheet and as such employee numbers will vary between this report and Trafigura's Annual Report.

Employees by region



Keeping everyone safe and healthy is a priority. Trafigura engages both with individual employees and workforce representatives on HSEC issues.

We oppose discrimination of any kind. Management prioritises treating all employees fairly, and with dignity and respect.

We have a special responsibility in those areas where we are one of the sole employers in the community. Our presence supports local contractors, employees and their dependants, and local economic activity.

As well as those we employ directly, we work on and offsite with numerous contractors and suppliers. Our ability to influence these workers' conditions is constrained where our relationships are indirect. However, we seek to influence through our contractual arrangements and procurement policies to promote employment conditions and human rights compliance that are in line with our principles.

We engage with employees and contractors, both directly and through their trade unions and other representatives, on issues that may affect them. Where there are employee grievances – whether individual or collective – we address them promptly and thoroughly.

Attracting talent

Our recruitment policy takes no account of age, gender, sexual orientation or ethnicity. We simply want to attract the most talented people. Experience, skills and attitude are our primary criteria. We prefer to recruit locally where possible so that our workforce reflects and understands the local environment. Cultural fit is another important factor. We look for candidates who will respond well in Trafigura's dynamic culture.

We focus on extending employment opportunities directly. We slightly increased our use of recruitment firms last year, but we continue to rely mainly on direct recruitment. We advertise positions through multiple channels, including external websites, newspapers, and industry publications. We received over 65,000 job applications over the course of the year and hired 1,007[2] new employees (2016: 1,049).

Trafigura is a growing business where young people can progress rapidly. In recent years, a significant proportion of our new joiners have been millennials. For this generation, social media is a natural way to communicate.

We are active on LinkedIn. In 2017, Trafigura had more than 85,000 LinkedIn followers, a 30 percent increase on the previous year. We posted over 1,400 job advertisements on the site, which averaged well over 550 views each.

We sometimes recruit externally for specialist senior positions, but it can be hard to find people with the right skills. More usually, we promote from within. In the past financial year, we had more than 1,000 internal job changes. As a fast-growing company, we have a strong track record of developing talent internally. Many of our top managers have worked their way up through the ranks.

We source top trading talent both internally and externally. Successful external candidates will typically have several years' relevant experience.

Internal candidates can join the International Trader Opportunity (ITO). This entry route into trading has been running since 2011. Any employee, with the support of their manager and a senior trader, can apply. In 2017, we ran three separate ITOs: one in China, one for Latin America and one in Switzerland. We received over 3,000 external applications this year which resulted in 26 permanent hires.

Managing our people

In 2017, 759 employees left the Trafigura Group (2016: 1,232). Of this figure, 63 percent of staff were office-based workers, while 37 percent were blue-collar workers. This level of attrition (ca. 15 percent of the average headcount during the year) is broadly in line with expectations given the demanding nature of our business. Demography also plays an important role in the numbers – for example, approximately 30 percent of our white collar staff are under 30. It is a fact of life that younger employees will choose to change employer more frequently.

2 Total employee numbers are calculated on an average annualised basis. New joiner and leaver numbers are absolute numbers as calculated at the end of the financial year.

Case study

Attracting future talent

The challenge: Attracting and developing future leaders.

Our approach: We have created a formal pathway into the industry giving new entrants early exposure to international operations.

Our Future Talent programmes, now into their ninth year, provide a pathway into the industry for young people. Their centrepiece is the two-year Global Commodity Trading Graduate Programme, built around structured placements in different parts of the business. With over 4,500 applicants in 2017 whittled down to 18 hires (2016: circa 5,000 applicants, 22 hires), competition to enter the programme is intense and the selection process rigorous.

Successful applicants take on three placements and are given operational responsibilities from an early stage. In the first year, they work in two different trading support functions in their home country. The second year is an international placement.

The Global Commodity Trading Apprenticeship is a parallel initiative aimed at promising non-graduates. For successful participants, this one-year programme culminates in a place on the IGP. This programme was launched in Geneva in 2015. Last year we hired three apprentices in Geneva and one in Singapore.

A range of initiatives are helping to reduce attrition levels. We now focus more in interviews on cultural compatibility and solicit early feedback from new recruits; we are signalling internal career opportunities more clearly; we are also investing in team leaders to improve their people management skills.

Collective bargaining

Where our people have union representation (ca. 1,250 employees are covered by collective bargaining) we negotiate working conditions with their union representatives. For instance in May, MATSA signed a new agreement with USO, UGT and CCOO, the three unions representing its workforce. This comprehensive four-year agreement was the fruit of several months of intensive negotiations. It provides a firm foundation for stable, safe production and continued future growth. The company and the unions agreed improvements in working hours, salaries and social benefits. They signed up to measures that will reinforce MATSA's reputation for operational excellence and enhance personal and professional development for its workers.

Learning and development

Trafigura's approach to developing its people is more comprehensive than our industry's norms, but we are still at an early stage in this journey. In essence, our strategy is to continuously improve the capability of our employees to meet business needs and help them fulfil their potential and career aspirations. This creates enhanced internal development and promotion opportunities rather than relying on external talent.

Mentoring and on-the-job training have been instrumental in delivering a quarter of a century of profitable growth. They remain core practices. Line managers devote significant time and energy to developing their teams. As a result, many of our people have strong specialist skills.

Our 'Audience With…' initiative, at which senior people share information about their departments and discuss key topics, is open to all on a first-come first-served basis. Over the past year 1,664 employees have attended 57 sessions in our hub offices.

We also share best practice internationally. We regularly relocate employees and their dependants to broaden and deepen their skills. We supported 120 (2016: 129) international relocations this year.

Historically, we have paid less attention to 'soft skills', such as communication and leadership. We recognise that these are becoming increasingly important as we continue to grow and develop our business.

There is a growing emphasis on formal training. Our Learning and Development department is adding increased focus and structure to our approach to knowledge and skills development.

It is producing an expanding suite of e-learning modules that meet specific training needs. Working with department heads to identify the technical and interpersonal competencies they require, we produce relevant materials in the form of e-learning courses that are accessible to all staff via the Learning and Development homepage on our intranet.

We have also built structured induction programmes for key departments. A library of over 50 in-house modules, converted into e-learnings and including a 12-module trade life cycle e-learning pack, which presents an A-Z review of commodity trading processes, have been created with more than 40 under development. In all, over 1,900 e-training modules are available globally.

Training activity and performance are managed online, allowing employees and their managers to track and direct their own learning programmes. In 2018, we will roll out a new online Learning and Development system to further improve the learning experience for employees, managers and the HR department.

Workshops and live training sessions that complement e-learning are held in all our major centres. The 'Trading for Non-Traders' programme helps colleagues in trading support roles to understand this core Trafigura activity.

As our business grows, more of our managers are taking on responsibility at an early age. They are highly skilled and motivated, but often lack people management experience. Our senior HR Managers coach up and coming managers on a one-to-one basis to help develop their team leadership skills. This is in addition to classroom training in the form of our well established 'Leading for Results' programme. A complementary training programme, 'Managing High Performing Teams', developed in 2017, is now being rolled out.

We have also rolled out responsibility workshops globally (see Approach chapter, p.10), which are building awareness of social and environmental risk across the Group.

Further to our global learning and development programmes, local operations are developing specific programmes to meet their particular requirements. For instance, at Manzanillo, Mexico's busiest port, the state-of-the-art facility owned by Impala Terminals provides critical services to our customers. It depends on a highly skilled and motivated workforce.

Our expert team has distilled the training and development that help underpin this into a six-month programme, comprising 22 training modules. This was launched in 2016 as the 'Impala Diploma'. The Diploma is endorsed by the Mexican Secretariat of Labour and Social Welfare. It covers core areas such as regulatory compliance, and health and safety, and it also focuses on efficiency, reliability and teamwork. The first 28 employees to gain their diplomas graduated in February 2017. They included supervisors, assistants and operations coordinators, as well as key safety and maintenance staff.

The Impala Diploma graduation ceremony at Manzanillo in February 2017.

Integrating skills development

We conduct annual competency reviews in 15 key trading departments. Reviews measure skills gaps and put in place corresponding action plans.

The reviews are based on a competency matrix which sets basic, intermediate, advanced and mastery levels for the key aspects of each job. Individuals are asked to rate their own competencies; their manager provides a parallel evaluation. This allows us to identify any gaps between what a role may require and an individual's or a team's capabilities. These insights can help us to design targeted interventions for personal development.

Office-based employees also participate in a six-monthly performance review. The main purpose is to ensure that employees and their managers have a structured performance and developmental conversation at least twice per year.

Retaining talent

The scope and scale of Trafigura's business interests continue to grow. We want our people to grow with us.

The Group aims to drive efficiency and productivity without compromising its duty of care to our employees, contractors and those around us. Our strong performance and continued growth allow us to reward employees competitively. Salaries and conditions compare well with industry benchmarks.

Ownership is shared across the management team. With over 600 employees from around the organisation owning a stake in the business, key decision-makers are incentivised to act in the Group's long-term best interests.

Staff at Trafigura's Montevideo office.

The career development prospects implicit in our meritocratic, empowering style of working appeal to people with entrepreneurial flair, who welcome responsibility – these are the kinds of people we wish to attract and retain.

Our integrated approach to people management focuses on hiring the right people (skills and attitude), developing their capabilities, providing them with regular and honest performance feedback, and prioritising job opportunities for qualified internal candidates. In turn, this approach helps us maintain a healthy talent pipeline in markets that often have a shortage of people with the skills we require.

In 2018, our strategy will be consistent with the approach we have been taking over the past few years.

2018 priorities and commitments

Our people strategy in 2018 will focus on:
Building the technical capabilities and interpersonal skills of our staff.
Developing people management and leadership skills within the organisation.
Improving the efficiency and productivity of our workforce through continuous improvement of processes, systems and work organisation.
Career development opportunities for employees who have demonstrated they are ready and able to take on increased responsibilities.

Conduct

Trafigura conducts its business within laws and regulations. We face varying cultural norms in diverse geographies. Wherever we operate, our objective is to conduct ourselves in line with the principles of internationally recognised standards.

Our approach

We focus on promoting and sustaining a sound compliance culture where all staff recognise both a personal and a collective responsibility for meeting Group compliance objectives. Our Code of Business Conduct defines what is expected of our people.

Trafigura's Compliance Department oversees Group activities. It operates in partnership with front-office functions to ensure our controls are relevant and robust. Trafigura's Head of Compliance reports directly to the Group's Chief Operating Officer.

Our performance

- Over 680 Trafigura employees trained on our Code of Business Conduct.
- Anti-money laundering training delivered to over 565 staff members in 39 locations.
- Anti-bribery and corruption training delivered to over 570 staff members in 39 locations.
- 3,965 vessels screened by IMO number to mitigate risk associated with the reflagging of vessels by sanctioned countries, entities or individuals.

5,975
Know Your Counterparty (KYC) checks carried out in 2017 *(2016: 6,037)*

Responsible business conduct

We expect high standards of behaviour from our people and aim to encourage our counterparties, contractors and suppliers to adhere to a similar framework.

Priorities and progress

The table below highlights our performance against the priorities we set out last year.

What we prioritised last year	Progress
Continuing to develop our KYC programme, by introducing efficiencies, improving intelligence and maintaining comprehensive coverage.	Improving
Developing and extending anti-money laundering and anti-bribery and corruption training for all new staff members across the Group.	Achieved
Enhancing coverage and depth of stakeholder engagement, particularly amongst the financial community, with respect to commercial, financial and market compliance.	Improving
Working with regulators to identify, analyse and manage any systemic risks posed by the commodities trading sector.	Improving
Engaging with international forums, industry bodies and trading partners on ethical business conduct.	Improving

Not achieved Improving Achieved

Principles of sound business conduct

Our Code of Business Conduct sets out behaviours expected of all our staff. Our management teams work together with Compliance, Legal, Human Resources and Corporate Affairs departments to promote these behaviours amongst our employees and contractors.

We focus on conducting ourselves according to four key principles:

1. Integrity
2. Care and diligence
3. Best practice
4. Management and control

Compliance activities

Managing compliance is a complex, multi-faceted task for an organisation with our size, scope of activities, geographic spread and number of relationships.

Financial markets compliance

Trafigura operates in both exchange-traded and over-the-counter (OTC) derivative markets to manage risks associated with our physical market activities.

Numerous global regulatory regimes impact on our business, such as the Dodd–Frank Act and European Market Infrastructure Regulation (EMIR) as well as the rules of the various exchanges on which we transact.

EMIR imposes certain requirements on entities which use OTC derivatives. In March 2017, EMIR introduced compulsory margining for specific types of OTC contracts. Trafigura has successfully implemented this latest EMIR obligation.

The new US administration brought with it the expectation that Dodd–Frank would be replaced by a more proportionate regulatory regime. Action on this front has been limited so far, but we continue to monitor developments.

We have put various controls and systems in place to meet regulatory and exchange rules. We comply with the existing, albeit limited, exchange-set position limits and report derivative transactions as required.

Meeting evolving regulatory reporting requirements for derivatives and other instruments remains an important area of focus. We have invested significant resource in developing systems that allow us to manage transactions in multiple jurisdictions.

MiFID II, the EU's revised Markets in Financial Instruments Directive, will be implemented in January 2018. This will increase the regulatory burden on commodity traders which use commodity derivatives.

The provisions in MiFID II aim to 'improve oversight and transparency of derivative markets'. We have updated our systems and processes to ensure we meet its provisions as they apply to us in a timely fashion.

Commercial compliance

Commercial compliance centres on the application of Trafigura's Code of Business Conduct.

All employees are bound by the Code, which encompasses:

- Anti-money laundering
- Counterparty due diligence (KYC)
- Anti-trust and competition law
- Sanctions and trade restrictions
- Anti-bribery and corruption
- Gifts, hospitality and entertainment
- Political contributions and charitable donations
- Reporting violations and grievance procedures

Anti-competitive practices

We are firm advocates of free and fair trade. Competition advances trade for our partner producers and purchasers of commodities. Anti-competitive practices run counter to that. We conduct ourselves to comply with competition law.

As a global business operating in numerous markets, our people frequently come into contact with competitors. We provide detailed guidance on what they should do to prevent the exchange of commercially sensitive information and how to adhere to competition law principles.

Sanctions and trade restrictions

Economic and trade sanctions are a reality which any company operating on a global basis needs to factor into its conduct. Trafigura has relationships in a number of countries that are subject to various sanctions imposed by the US, European Union or other jurisdictions, including Russia, Cuba, Iran and Venezuela.

Trafigura complies with all applicable sanctions. The Compliance Department works closely with the Legal team to track the introduction and evolution of sanctions, to raise questions where clarity is required, and to ensure we have correctly understood and applied the rules.

Monitoring developing issues

Trafigura seeks not just to keep pace with, but also to anticipate, changing regulatory conditions. We maintain relationships with advisors in various jurisdictions to monitor developments that may impact our business.

Developing our KYC Programme

Money laundering

Our KYC and screening procedures aim to highlight prospective counterparties that might pose any risk of implicating our business in money laundering. We have implemented a range of measures to raise awareness internally. Mandatory online training gives employees a detailed understanding of the issue.

In 2017, 565 employees received training on our anti-money laundering procedures. The training was rolled out in 39 locations worldwide (2016: 528 staff trained in 47 locations).

Counterparty due diligence

Trafigura maintains close working relationships with over 120 banks worldwide. With bank lending policies increasingly under the spotlight, their due-diligence requirements are extending necessitating more comprehensive assurance from counterparties.

Trafigura has been strengthening its own KYC methodology. We now demand greater transparency from our trading partners. We screen counterparties using 'Thomson Reuters Accelus' enterprise risk management software.

We continually monitor the changing status of people and organisations to keep our KYC methodology up to date. We receive daily updates from Thomson Reuters World-Check on the evolving status of all counterparties.

The EU's Fourth Anti-Money Laundering Directive (4AMLD), which came into force in June 2017, adopts a more prescriptive approach to risk assessment. It also, for the first time, establishes a Europe-wide central register of the beneficial ownership of companies.

Although Trafigura is not bound by 4AMLD, its principles have been adopted by the Joint Money Laundering Steering Group (JMLSG). JMLSG is widely seen as embodying global industry best practice. We have opted voluntarily to abide by JMLSG best practice recommendations. Our KYC procedures delivered over 5,975 KYC checks during 2017 (2016: 6,037 checks).

Anti-bribery and corruption

In 2017, anti-bribery and corruption training was delivered to over 570 staff members in 39 locations (2016: 502 staff in 47 locations).

Market conduct

We have been working to adapt and adopt TradingHub's Market Abuse Surveillance Tool (MAST) to monitor derivative transactions. MAST's data analytics flag suspicious trading activity. It is an ongoing process to customise applications to track our own trading activities using consolidated data from multiple exchanges and OTC counterparties. In 2017, we provided training to over 630 staff members in 33 locations on market abuse regulation.

Our Compliance team travels extensively. We have rolled out a structured training programme globally to address key issues directly.

Broader and deeper stakeholder engagement

Our banking partners are a key stakeholder group. We invest significant time to explain and document our compliance systems and processes. Over the course of 2017, our Compliance Department met with over 20 leading banks across the world's financial centres.

We engaged with regulators to participate in the development of appropriate regulations for our industry. We are also present on industry advisory bodies such as the International Swaps and Derivatives Association (ISDA), the Futures Industry Association (FIA) and the Commodity Markets Council Europe (CMCE).

2018 priorities and commitments

We are committed to continuously strengthening our foundations for appropriate business conduct.

Commitment
Continuing to develop our KYC programme.
Continued development and extension of training on key risk areas to all staff members across all Group companies.
Enhanced coverage and depth of stakeholder engagement, particularly amongst the financial community.
Work with regulators regarding key issues for the commodities trading sector.
Active engagement with international forums, industry bodies and trading partners on ethical business conduct.

Trafigura Foundation

Providing long-term funding and expertise to improve the socio-economic conditions of vulnerable communities around the world.

A philanthropic mission

The Trafigura Foundation was established in 2007 to coordinate and support the company's philanthropy. In the 10 years since, it has distributed around USD52 million across more than 300 programmes on five continents.

The Foundation uses its financial resources and technical expertise to support programmes that respond to specific local needs and deliver long-lasting results. It works closely with capable, experienced charitable organisations on the ground. Its governance structure ensures independent philanthropic decision-making. It has formal processes in place for selecting, supporting, monitoring and reviewing projects and proposals.

In 2017, the Foundation reframed its strategic vision to align its activities more closely with Trafigura's identity and the social and environmental impacts of the global trade in commodities.

The new approach changes the way it views its funding programmes. Until 2016, funding was grouped into three broad areas: sustainable development, education and integration, and health. These have been replaced by two new categories – social entrepreneurship and clean and safe supply chains – which address its objectives more directly.

Going forward, the Foundation plans to maximise its impact by working with fewer partners and forging stronger, more strategic relationships. It will leverage Trafigura expertise in trade and logistics and back innovative programmes that empower local economies, help to make the job market more inclusive, and create cleaner, safer logistical systems that will improve conditions for workers and their surrounding communities.

42
employee's initiatives supported and matched globally

33
partner organisations

26
countries of operation

$4.5m
allocated in grants in 2017

Role in Trafigura Group

The Foundation helps to instil philanthropy as a corporate value and practice within the Trafigura Group. It acts as an embedded stakeholder in the business, offering perspectives and experiences that help its colleagues in Trafigura gain a more rounded appreciation of their social responsibilities.

The Foundation maintains strong operational connections through its links with Charity Committees in Trafigura's offices around the world. The Charity Committees coordinate philanthropic programmes on behalf of employees in their respective offices. They raise funds and act as conduits for staff members wanting to get involved more directly by contributing time or expertise. The committees also manage the 'Charity of the Year' programme. Each office nominates its favourite charity, which receives a sizeable grant from the Foundation.

Employees participate in and organise activities from volunteering at local charities to sponsored sporting events. In 2017 over USD600,000 was raised for charities around the world via 33 staff-led initiatives. All funds were matched dollar for dollar by the Foundation.

Social entrepreneurship

Social entrepreneurship programmes accounted for close to USD3 million of total funding in 2017.

In Russia, the Foundation has begun working with a new partner, non-governmental organisation Perspektiva, to promote independence for young people with disabilities. Perspektiva coordinates an ambitious disability employment programme. It works closely with the business community to enhance employment opportunities; it offers career counselling and training to those in need. Perspektiva plans to extend its employability programme to up to 500 people annually in six Russian cities (Moscow, St Petersburg, Nizhny Novgorod, Novosibirsk, Voronezh, and Kazan).

In India, the Foundation partners with UnLtd India, a launch pad for social entrepreneurs. It supports a selected portfolio of nine projects addressing urgent issues such as waste management, women empowerment and improving food security in rural communities. In 2016, these projects reached over 8,000 beneficiaries and contributed to the creation of more than 1,200 jobs.

Safe and clean supply chains

Safe and clean supply chains accounted for USD350,000 of total funding in 2017, an amount that is expected to increase significantly in coming years as this new core activity develops.

As part of its initiative to promote safe and clean supply chains, the Foundation is collaborating with the International Seafarers' Welfare and Assistance Network (ISWAN) to help support the people responsible for transporting 90 percent of the world's goods.

Seafarers lead tough lives. They spend long periods away from home. They may have little or no contact with family and friends for weeks on end. Fast turnaround of ships in ports, reduced crew numbers and increased workloads only add to the pressure.

A Foundation grant is helping ISWAN improve its multilingual 'SeafarerHelp' helpline, which provides a lifeline for seafarers experiencing critical situations at sea, or needing emotional support to cope with time spent away from home.

The Foundation has also provided its support to two ISWAN Funds. The Seafarers Emergency Fund provides immediate, essential aid to seafarers who are directly involved in unforeseen crises. The Piracy Survivors Family Fund helps seafarers affected by piracy attacks around the Horn of Africa.

In Tanzania, North Star Alliance has opened six roadside clinics along the country's main logistical corridors with Trafigura Foundation support. The clinics provide essential health services and road safety modules to truck drivers and members of local communities. Last year, they registered 26,700 visits and provided more than 33,000 health services.

International crises and emergency relief

A spate of natural disasters in 2017 plagued populations, destroyed property and laid waste to land, notably in India, Bangladesh, the Caribbean, and North and Central America. Trafigura regional offices responded at a human level, launching local and global fundraisers and offering solidarity and support to those affected.

In the aftermath of Hurricane Harvey, Trafigura employees raised thousands of dollars to help affected Houston families. The Foundation matched their commitment, resulting in a USD130,000 donation for the Greater Houston Community Foundation. In Cuba, in response to an emergency appeal by the International Federation of Red Cross and Red Crescent Societies and the Cuban Red Cross, the Trafigura Foundation pledged USD50,000 towards post-Hurricane Irma relief operations.

MOAS rescue mission in the Mediterranean Sea.

The scale of human suffering associated with mass migration makes it one of the most urgent of international crises. The Trafigura Foundation's USD200,000 donation to the Migrant Offshore Aid Station (MOAS) supports vital work on two continents. The organisation launched rescue missions from Europe to save migrants on the Mediterranean Sea. In Myanmar, where Rakhine State's Rohingya Muslim population is facing escalating inter-communal persecution and violence, MOAS is providing vital humanitarian relief.

For more information please visit: www.trafigurafoundation.org

Global allocation of funding in 2017[1]

1 The Trafigura Foundation's financial year runs from 1 January 2017 to 30 December 2017. All annual figures referred to are that of 2016 unless otherwise stated.

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