



PAYMENTS TO GOVERNMENTS POLICY

OPERATING AND GROWING OUR BUSINESS IN A RESPONSIBLE
AND SUSTAINABLE WAY



CORPORATE RESPONSIBILITY CONDUCT

TRAFIGURA POLICY ON PAYMENTS TO GOVERNMENTS



HOW TO READ THIS POLICY

This policy on payments to Governments has been drawn up in consultation with the [Extractive Industries Transparency Initiative \(EITI\) International Secretariat](#). The EITI is a global coalition of Governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources.

The EITI maintains the [EITI Standard](#), which underpins this policy on payments to Governments. The EITI Standard ensures the disclosure of taxes and other payments to Governments made by companies in the natural resources industry in EITI implementing countries. The EITI is also a key multi-stakeholder forum for the evolving international debate about the importance of enhanced transparency and accountability around payments to Governments by companies in the natural resources industry.

The policy has been designed in conformity with Trafigura's existing [corporate responsibility policies](#). As it does with other policies of this nature, Trafigura encourages all partners, suppliers and counterparties to apply comparable principles and policies.

BACKGROUND

Founded in 1993, the Trafigura Group has become one of the world's leading commodity traders. In 2013, the trading of crude oil and petroleum products accounted for 76 percent of Trafigura's global revenue. Metals and minerals trading accounted for 24 percent.

A portion of Trafigura's trading activities involves purchasing oil from National Oil Companies (NOCs), a particular type of state-owned enterprise (SOE). This policy's initial focus is on payments to NOCs as these transactions generate significant revenues for sovereign states, along with the taxes and license fees Trafigura pays around the world. Payments to NOCs are thus the part of our trading activity that is most relevant to the EITI's mission to improve openness and accountable management of revenues from natural resources.

Legal requirements in a range of countries and regions around the world make disclosure of payments to Governments mandatory for many listed companies in the extractive industries. While these legislative efforts have hitherto focused principally on oil producing companies and mining companies, many of which are also voluntarily disclosing their payments to Governments, there is increasing discussion of extending disclosure in this domain to commodity trading firms.

The Trafigura Group is not publicly listed, but owned by over 700 of its almost 9,000 employees. The company is therefore exempt from legal initiatives limited to listed companies. However, this policy commits the Trafigura Group to voluntary disclosure of payments to Governments and to active participation in a process to establish disclosure parameters for the trading industry within the EITI framework.

SCOPE

For the purpose of this policy Trafigura defines 'Payments to Governments' as follows:

- Payments to NOCs for crude oil and petroleum products, including gas
- Corporate taxes and, where relevant, license payments to Governments

Trafigura has determined 'Governments' to include:

- State-owned companies (SOEs), in the case of this policy limited to NOCs in EITI implementing countries (both candidate and compliant countries, as companies disclose in both sets of countries);
- EITI implementing countries (both candidate and compliant) as of October 1, 2014 including as follows:

• Compliant countries:

Albania, Azerbaijan, Burkina Faso, Cameroon, Central African Republic (currently suspended), Chad, Congo-Brazzaville, Cote d'Ivoire, DRC, Ghana, Guatemala, Guinea, Indonesia, Iraq, Kazakhstan, Kyrgyz Republic, Liberia, Mali, Mauritania, Mongolia, Mozambique, Niger, Nigeria, Norway, Peru, Sierra Leone, Tanzania, Timor-Leste, Togo, Yemen, Zambia

• Candidate countries:

Afghanistan, Colombia, Myanmar, PNG, Senegal, Tajikistan, The Philippines, Ukraine, Ethiopia, Honduras, Madagascar, Sao Tome and Principe, Seychelles, Solomon Islands, Trinidad and Tobago, United Kingdom, USA

APPROACH

This policy reflects Trafigura's Management Board's commitment to transparency and accountability, as core components of responsible trade and better-governed natural resources sectors and the positive development effects associated with these. We believe that as a major facilitator of global trade we have a role in disclosing how much we pay to Governments and their NOCs, and that Governments have an important part to play in disclosing how they use these funds.

This policy on payments to Governments commits Trafigura to voluntarily publish details of payments to Governments in EITI implementing countries, as per the scope above, commencing in December 2015 as part of Trafigura's Annual Report.

This policy is rooted in international good practice in that it follows reporting guidelines under the EITI, both set within the EITI Standard and further elaborated in Guidance Note 18 on SOE Participation in EITI Reporting.

In accordance with EITI Principle 6 (see below), we recognise that achievement of greater transparency must be set in the context of respect for contracts and laws. This policy is not a substitute for national laws and regulations. National laws and regulations take precedence over the policy on payments to Governments.

As per our policy commitment below, the disclosure model developed by Trafigura will evolve over time in response to informed discussions within multi-stakeholder forums, such as the EITI and EITI multi-stakeholder groups in EITI implementing countries. Trafigura supports the EITI's goal to make information readily accessible, understandable and useful to citizens of resource-producing countries and other stakeholders globally.

COMMITMENT

In November 2014, Trafigura formally became an [EITI Supporting Company](#). We believe that the EITI's multi-stakeholder approach (which includes governments, non-governmental organisations (NGOs), regulators, the public and companies) is the most effective way to develop transparency standards associated with government revenues from economic activities in the extractive industries value chain.

As an EITI supporting company, Trafigura supports the principles of the EITI, which attest broad acceptance and support of revenue transparency. The EITI principles equally govern our policy and they are:

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.

9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.

Trafigura supports EITI's compliance requirements for implementing countries, as presented within chapter two of the EITI Standard, including as follows:

1. The EITI requires effective oversight by the multi-stakeholder group.
2. The EITI requires timely publication of EITI Reports.
3. The EITI requires EITI Reports that include contextual information about the extractive industries.
4. The EITI requires the production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
5. The EITI requires a credible assurance process applying international standards.
6. The EITI requires EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
7. The EITI requires that the multi-stakeholder group takes steps to act on lessons learned and review the outcomes and impact of EITI implementation.

FUTURE ENGAGEMENT

The integration of the trading industry into EITI reporting in EITI implementing countries is a relatively new and evolving part of EITI implementation. Trafigura therefore is committed to working with the EITI through its multi-stakeholder forum, EITI multi-stakeholder groups in EITI implementing countries, as well as with other trading houses that wish to contribute towards the development of a voluntary trading-industry disclosure standard within the EITI framework. This policy will be reviewed in 2015 to reflect stakeholder feedback in the context of our policy commitments.

Requirement 4.1.c Sale of the state's share of production or other revenues collected in-kind:

Where the sale of the state's share of production or other revenues collected in-kind is material, the government, including state-owned enterprises, are required to disclose the volumes sold and revenues received. The published data must be disaggregated to levels commensurate with the reporting of other payments and revenue streams (Requirement 5.2.e). Reporting could also break down disclosures by the type of product, price, market, and sale volume. Where practically feasible, the multi-stakeholder group is encouraged to task the Independent Administrator with reconciling the volumes sold and revenues received by including the buying companies in the reporting process.

Source: EITI Standard, p. 27



Trafigura Beheer B.V.

Gustav Mahlerplein 102

1082 MA Amsterdam

The Netherlands

Email: enquiries@trafigura.com

www.trafigura.com

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Trafigura Beheer B.V. and the companies in which it directly or indirectly owns investments are separate and distinct entities. In this publication, the collective expressions 'Trafigura', 'Trafigura Group', 'the Company' and 'the Group' may be used for convenience where reference is made in general to those companies. Likewise, the words 'we', 'us', 'our' and 'ourselves' are used in some places to refer to the companies of the Trafigura Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.